YOKOGAWA

# YOU CAN COUNT ON US

## ANNUAL REPORT 2011

For the year ended March 31, 2011

# THE YOKOGAWA PHILOSOPHY

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

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

**From its founding in 1915, Yokogawa Electric Corporation has contributed to society by supplying industry with cutting-edge products based on its measurement, control, and information technologies. Always sensitive to changing customer needs, Yokogawa has continued to transform itself and has become a leading company in the global industrial automation and control field. While striving to enhance our corporate value, we remain committed to doing our part as a trustworthy industry partner to realize a more prosperous society.**

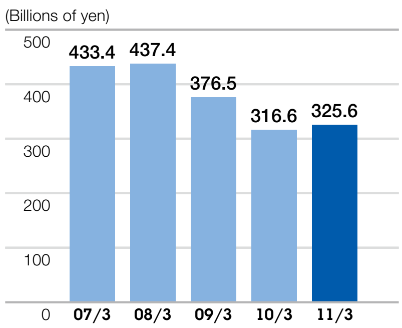
## CONTENTS

# FINANCIAL HIGHLIGHTS

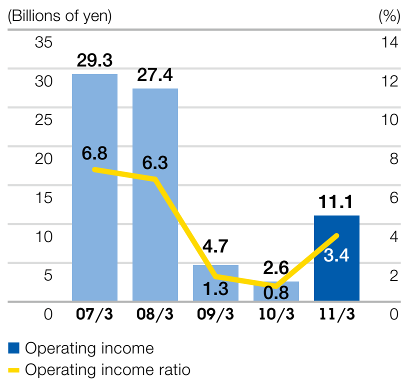
Yokogawa Electric Corporation and Consolidated Subsidiaries
Years Ended March 31, 2009 to 2011

| | 2009/3 | 2010/3 | 2011/3 | 2011/3 |
|---|---|---|---|---|
| | | | Billions of yen | Millions of US dollars |
| **For the year:** | | | | |
| Net sales | ¥ 376.5 | ¥ 316.6 | ¥ 325.6 | $3,916 |
| Industrial Automation and Control Business | 301.2 | 256.8 | 260.7 | 3,135 |
| Test and Measurement Business | 41.8 | 31.5 | 37.1 | 446 |
| Other Businesses | 33.6 | 28.3 | 27.9 | 335 |
| Operating income | 4.7 | 2.6 | 11.1 | 133 |
| Operating income ratio (%) | 1.3 | 0.8 | 3.4 | — |
| Net loss | (38.4) | (14.8) | (6.7) | (80) |
| **At year-end:** | | | | |
| Total assets | 401.0 | 398.8 | 361.2 | 4,344 |
| Shareholders' equity | 167.2 | 153.4 | 141.7 | 1,704 |
| ROE (Return on equity) (%) | (19.8) | (9.2) | (4.5) | — |
| ROA (Return on assets) (%) | (9.1) | (3.7) | (1.8) | — |
| Shareholders' equity ratio (%) | 41.7 | 38.5 | 39.2 | — |
| | | | Yen | US dollars |
| **Per share data:** | | | | |
| Net loss | (149.26) | (57.45) | (25.98) | (0.31) |
| Cash dividends | 16.00 | 2.00 | 0.00 | 0.00 |
| Shareholders' equity | 649.20 | 595.42 | 550.19 | 6.62 |
| **Stock information:** | | | | |
| Stock price at the end of the term (yen / US dollars) | 394 | 814 | 634 | 7.62 |
| Market capitalization (billions of yen / millions of US dollars) | 105.8 | 218.7 | 170.3 | 2,048 |
| Number of issued shares | 268,624,510 | 268,624,510 | 268,624,510 | — |

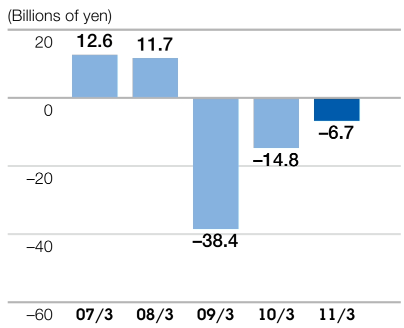
## Net Sales



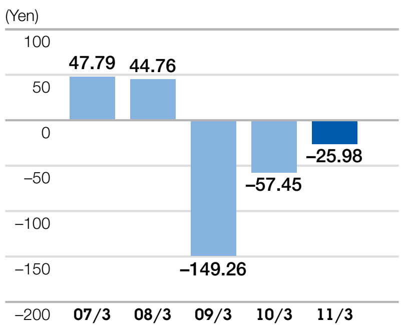

## Operating Income/ Operating Income Ratio



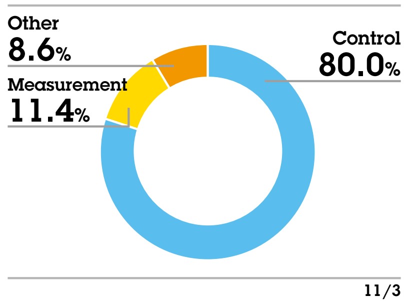

## Net Income (Loss)



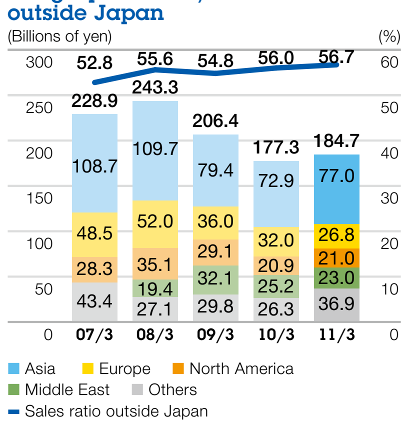

## Net Income (Loss) per Share




## Segment Sales




## Sales outside Japan by Geographic Area/Sales Ratio outside Japan




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

# TRUST — THE MOTIVATION FOR ALL WE DO

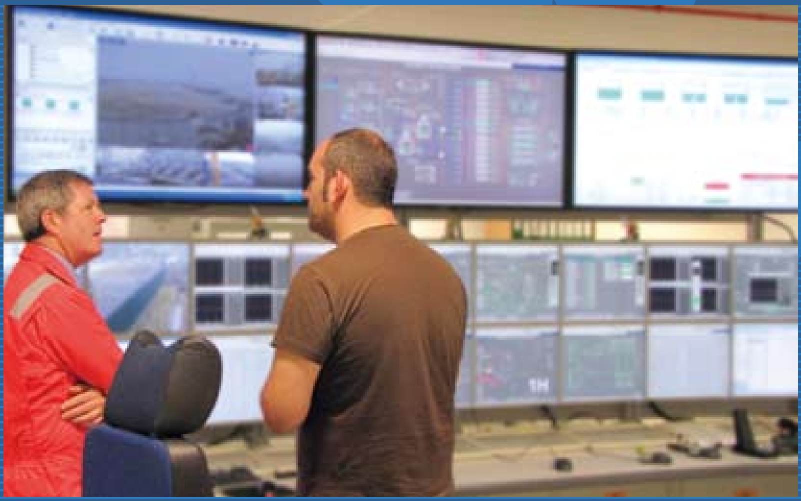
**At Yokogawa, everything we do is tied to trust. Whether it is being highly trusted for our sturdy and reliable control systems, earning customer trust through project execution, or maintaining shareholder and investor trust by becoming more profitable, trust is the underlying force that drives us.**

## Earning Deep Trust through Our Tireless Quest for Perfection

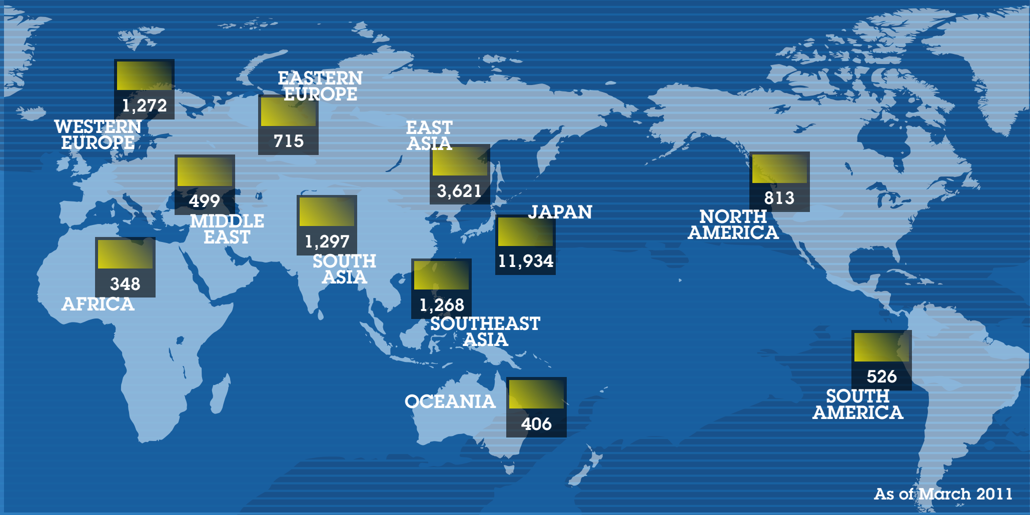
### Evolution of the CENTUM Series

At process plants that refine oil or produce petrochemicals, steel, power, etc., even momentary stoppages are unacceptable. In 1975, Yokogawa introduced CENTUM, the world's first distributed control system (DCS) for the automated control of industrial plants. In the 35 years since its development, the CENTUM DCS has steadily evolved to meet customer needs, all the while enabling operational continuity through system updates that build on backward compatibility and consistency with previous versions in the CENTUM series. Driven by our relentless determination to minimize the risk of plant shutdowns through highly reliable design and advanced dual redundant technology, Yokogawa's CENTUM control systems achieve an incredibly high 99.9999966% availability. At this very moment, CENTUM, the most trusted DCS solution in the industry, is vigilantly overseeing industrial plant operations all over the world.

Aiming beyond **99.9999966%***



*As of September 30, 2010. To illustrate, this represents just one minute of plant downtime over a 40 year period.




Completion of **22,699** Projects Worldwide

# Winning Deep Trust with Outstanding Project Execution

## Expansion of VigilantPlant Services

CENTUM holds a commanding position in the Japan DCS market because of its ability to meet rigorous market demands for high reliability and high-speed responsiveness, including real-time information updates. With our advanced engineering expertise and ability to execute and see even the most difficult projects through to the end, Yokogawa has also become a trusted partner outside Japan. To date, we have completed more than 22,000 projects worldwide. Many of our customers face increasingly complex challenges, particularly the need to boost productivity while minimizing environmental impact. In response, Yokogawa has unveiled its VigilantPlant vision for realizing the ideal plant. By offering an expanded range of services that can help our customers make the ideal plant a reality, Yokogawa is seeking to establish an even deeper bond of trust.

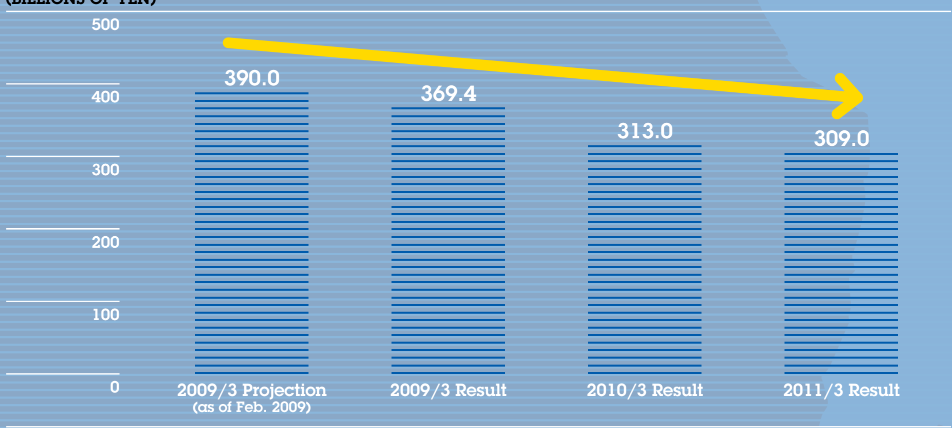
# Shift to Growth in Earnings to Garner Trust from Shareholders and Investors

Yokogawa has positioned fiscal years 2009 and 2010 as a period of structural reform in preparation for its next stage of growth. Specifically, we have cut fixed costs and reviewed our business portfolio in a bid to increase earnings. As a result, in fiscal year 2010 we achieved a ¥56 billion reduction in fixed costs, surpassing by far the ¥34 billion target of the structural reform plans announced in February 2009. In our review of Yokogawa's business portfolio, we opted for a policy of withdrawing from or minimizing the Company's presence in virtually all unprofitable businesses. In fiscal year 2011, we intend to complete the rebuilding of our business portfolio centering on the industrial automation and control business. To build a deep bond of trust with its shareholders and investors, Yokogawa is determined to complete this transformation to a far more profitable business framework and increase its global competitiveness.

## ¥56 Billion Reduction in Fixed Costs and Review of Business Portfolio — Becoming More Profitable

BREAK-EVEN POINT

(BILLIONS OF YEN)



# TO OUR STAKEHOLDERS

In the fiscal year ended March 31, 2011 (fiscal year 2010), the Yokogawa Group's orders and net sales increased mainly due to the strong performance outside Japan of the industrial automation and control business, underpinned by the economic growth of newly industrialized and resource-rich countries. Operating income also rose due to the increased sales and the improved gross profit margin resulting from a decrease in inventory-related losses and successful efforts to reduce manufacturing costs. While we have made significant progress over the past year in returning the Yokogawa Group to profitability, we in the end incurred a net loss as a consequence of a loss on the valuation of investment securities, business structure improvement expenses, and other items. Moreover, the Great East Japan Earthquake that occurred in March has greatly affected the Japanese economy. Speaking on behalf of everyone at Yokogawa, I would like to offer my heartfelt condolences to the victims of this great calamity. Although there was some minor damage to our Tohoku region sales and service offices, our manufacturing facilities suffered almost no direct damage and this has had very little impact on our business. Regarding the return of earnings to our shareholders, I regret to inform you that the payment of dividends has been suspended due to the net loss and the decrease in net assets as a result of our structural reforms. I offer apologies to our shareholders on the Company's behalf.

In closing, in fiscal year 2011 the Group will work to foster the growth of the industrial automation and control business outside Japan and to offer support to its customers in Japan who have been affected by the disaster. In these difficult times, I ask for the continued support and encouragement of our stakeholders.

August 2011

Shuzo Kaihori

**Shuzo Kaihori**
President and Chief Executive Officer

**Shuzo Kaihori**
President and Chief Executive Officer

# We are expanding our industrial automation and control business outside Japan, with a special emphasis on emerging and resource-rich nations, and are working in Japan to deal with the impact of the Great East Japan Earthquake.

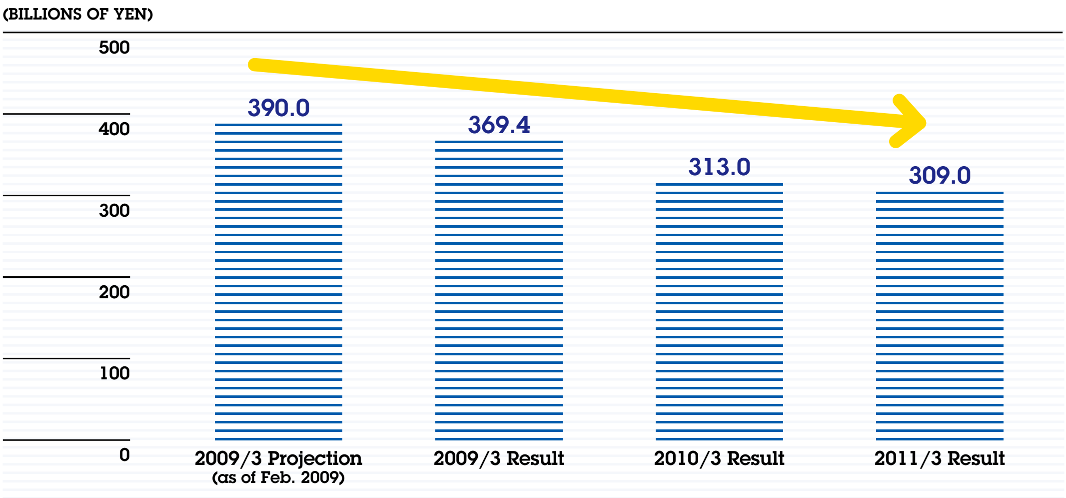
## Business results for fiscal year 2010

In the fiscal year ended March 31, 2011 (fiscal year 2010), economic recovery slowed in Europe and the U.S., but the global economy remained firm overall thanks to continued growth in emerging and resource-rich nations. The Japanese economy was recovering in the first half of the fiscal year, but the yen's appreciation and the Great East Japan Earthquake in the second half have led to increasing uncertainties over the future direction of the economy. In our industrial automation and control business, we concentrated on expanding outside Japan in upstream oil and natural gas exploration, development, and production and in the growing market for electric power in emerging nations. Here in Japan, we worked to expand our service businesses and move into new markets. In our test and measurement business, we strove to expand sales of power meters and optical measuring instruments in the energy conservation and optical telecommunications markets.

Although the yen's appreciation affected our results, orders rose 18.8 billion yen year on year to 334.1 billion yen and net sales rose 9.0 billion yen to 325.6 billion yen. (Excluding the impact of the yen's appreciation, orders and net sales rose 31.7 billion yen and 21.2 billion yen, respectively.) Operating income rose 8.5 billion yen year on year to 11.1 billion yen due to the growth in sales and efforts to strengthen our Company through the reduction of fixed costs and other initiatives. Ordinary income rose 8.4 billion yen to 8.6 billion yen.

Although we recorded a 6.7 billion yen net loss for the fiscal year, this figure represents an 8.1 billion yen improvement over last year's

BREAK-EVEN POINT




result. The net loss is attributed to a loss on the valuation of investment securities and business restructure improvement expenses associated with our expanded second-life support program, a voluntary early retirement program, and other items. As a member of Yokogawa's management, I deeply regret having to report a net loss for the third consecutive year.

## Progress in our action plan

The Yokogawa Group had positioned fiscal years 2009 and 2010 as a period of structural reform in preparation for the next growth stage. During that time, the Group implemented an action plan to reduce fixed costs and review its business portfolio.

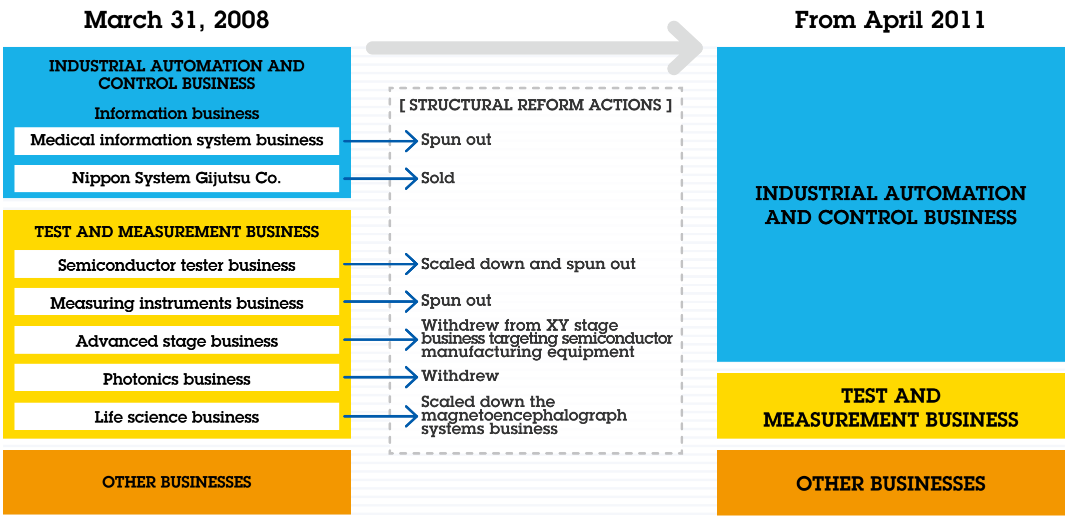
### ■ Action plan for the reduction of fixed costs

We implemented various cost-cutting measures, including cuts to SG&A expenses achieved through improved operational efficiencies, as well as reductions in depreciation and amortization expenses focused mainly on reducing capital expenditure and R&D spending in the test and measurement business. As a result of these efforts, we reduced our fixed costs by 56 billion yen and brought our break-even point down to 309 billion yen. These achievements exceeded our original targets of 34 billion yen for cost reductions and 350 billion yen for the break-even point.

### ■ Action plan to review our business portfolio

In reviewing our business portfolio, we worked to implement our basic policy of concentrating resources in the industrial automation and control business, maintaining and developing our core competence in measurement technologies, and withdrawing from unprofitable businesses. We withdrew from the photonics and advanced stage businesses, scaled back the magnetoencephalograph business, downsized and spun out the semiconductor tester business, and spun out our measuring instruments business by merging it with a subsidiary. As a result of these efforts, we have established a framework that will allow us to center our efforts on achieving steady growth in our industrial automation and control business.

CHANGES IN THE BUSINESS PORTFOLIO




## Coping with the aftermath of the Great East Japan Earthquake

The March 11 Great East Japan Earthquake caused some minor damage at our sales and service offices in the Tohoku region; for example, some office and store display furniture and fixtures were either knocked over or fell down. But there was no direct damage to our main manufacturing sites in Japan as they are located relatively far away, in Tokyo and Yamanashi Prefecture. Some of our customers' facilities did sustain some damage in the earthquake, but this has had only a minor effect on Yokogawa's earnings for fiscal year 2010.

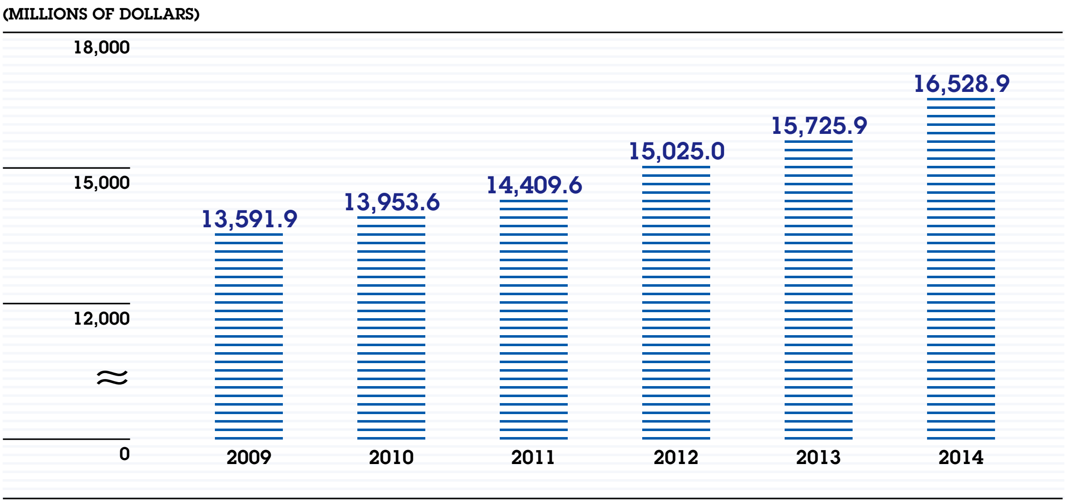
Yokogawa is working to support recovery efforts at customer plants that were damaged in the earthquake, and the Yokogawa Group has contributed around 70 million yen in disaster relief funds. We have also provided sanitary supplies from our emergency stockpiles, including 20,000 medical masks, 500 disposable gowns, and 600 bottles of alcohol gel disinfectant.

## The outlook for fiscal year 2011

In fiscal year 2011, our first priority is to complete our structural reforms. Specifically, we aim to finish our withdrawal from the photonics business, make effective use of our facilities in Sagamihara, and form alliances in the semiconductor tester business. Through these moves, we will create a framework that will allow us to achieve rapid progress, particularly in the industrial automation and control business.

Other focus points for the year include efforts to minimize post-quake business risks from restrictions on power usage and difficulties in procuring electronic parts. The supply of parts is gradually improving, and we hope to minimize the impact of the power usage restrictions on our business by making changes to work days and times. Although we did not issue a forecast for fiscal year 2011 at the time of our May 13 announcement of the fiscal year 2010 results on the grounds that not enough information was available for a rational assessment, the situation has gradually improved and become more transparent*.

HISTORY AND FORECAST OF GLOBAL DCS MARKET: 2009–2014




Source: Distributed Control Systems Worldwide Outlook published in 2010, ARC Advisory Group

We plan to expand the industrial automation and control business by focusing our efforts on the petrochemical, chemical, oil, gas, and electric power industries, with a special emphasis on emerging and resource-rich nations and regions where fast growth is expected; this includes China, India, Southeast Asia, South America, the Middle East, and Africa. We will also actively pursue initiatives to develop our renewable energy and energy conservation businesses. Last but not least, we plan to support the recovery of our customers in Japan who sustained damage in the earthquake.

**A forecast for fiscal year 2011 was announced on August 9.*

## Strengthening corporate governance

With the aim of reciprocating the trust that has been placed in us by our stakeholders, Yokogawa is dedicated to enhancing its corporate governance and managing its business soundly and profitably. Currently, three of the seven members of the Board of Directors are outside directors, while three of the five members of the Board of Corporate Auditors are outside corporate auditors. Outside directors and corporate auditors offer advice and suggestions based on their rich backgrounds and expert judgment. Accordingly, they play an important role in assuring the validity, objectivity, and transparency of management.

The Company will work tirelessly to strengthen its corporate governance with the aim of managing its business in a trustworthy manner and will endeavor to build a corporate culture that prioritizes compliance above all else.

# OUR BUSINESSES AT A GLANCE

## INDUSTRIAL AUTOMATION AND CONTROL BUSINESS

### SEGMENT PROFILE

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

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

### MAIN PRODUCTS, SOLUTIONS

- Production control systems
- Safety instrumented systems
- Production management systems
- Quality management systems
- Asset management systems
- Energy management systems
- Differential pressure / pressure transmitters
- Flowmeters
- Analyzers
- Recorders
- Programmable controllers

**CENTUM VP**
**Integrated Production Control System**

**ProSafe-RS**
**Safety Instrumented System**

**DPharp EJX**
**Differential Pressure / Pressure Transmitter**

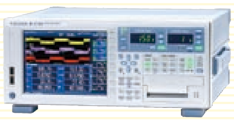
**GC1000 Mark II**
**Process Gas Chromatograph**

## TEST AND MEASUREMENT BUSINESS

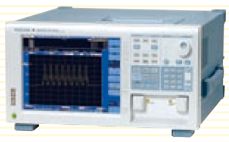
Yokogawa measuring instruments play indispensable roles in the development and production of electrical, electronic, and automotive equipment. The Company meets customer needs with a wide-ranging product lineup and an extensive range of calibration and other services.

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

- Waveform measuring instruments
- Optical communication measuring instruments
- Signal generators
- Measuring instruments for electric power, temperature, and pressure
- Semiconductor test systems
- Confocal scanner unit



**WT1800**
**Precision Power Analyzer**



**AQ6370C**
**Optical Spectrum Analyzer**

**MT6531**
**Memory Test System**

**CSU-X1**
**Confocal Scanner**

## OTHER BUSINESSES

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

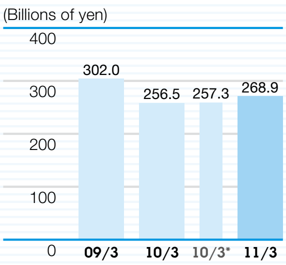
- Aviation equipment
- Marine equipment

**Flat Panel Displays for Aviation Use**

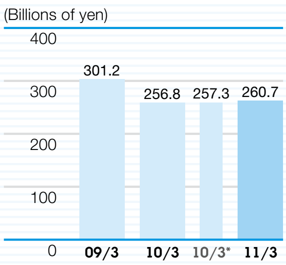
**Gyrocompasses**

## FISCAL YEAR 2010 BUSINESS REVIEW

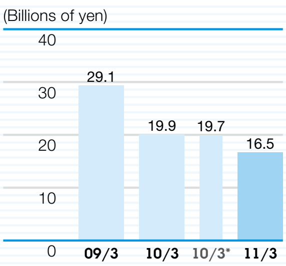
### Orders



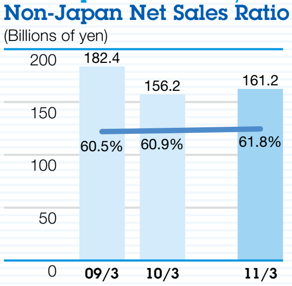

### Net Sales




### Operating Income




### Non-Japan Net Sales / Non-Japan Net Sales Ratio

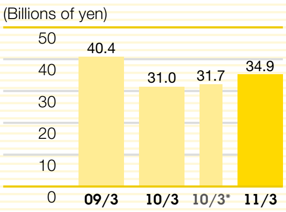



The business was strong throughout the year thanks to the growing number of new electric power and energy related construction projects in China, India, Russia, South Korea, Southeast Asia, and the Middle East, which more than offset slack demand in North America and Europe. In the Japan market, although demand started to pick up in the first half in markets related to pulp and paper, steel, water supply and drainage, and electric power, capital investment slowed in the second half due to economic uncertainty.

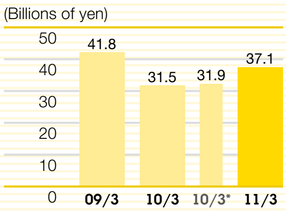
Under such circumstances, the Group concentrated on the booming upstream markets for the exploration, development, and production of oil and natural gas and on the electric power sector, which is experiencing strong demand in emerging countries. We also focused on providing plant energy conservation diagnostic services to our customers in Asia. In Japan, we expanded the service business and advanced into new markets.

As a result of these proactive efforts, orders and sales in the industrial automation and control business increased despite the impact on yen-denominated sales of the strong yen. However, operating income declined due to the strong yen and increased R&D expenditure.

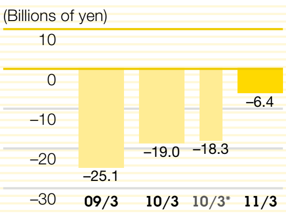
### Orders



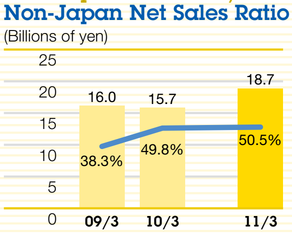

### Net Sales




### Operating Loss




### Non-Japan Net Sales/ Non-Japan Net Sales Ratio

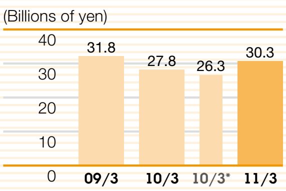



Although investment by major semiconductor manufacturers was buoyed by strong demand for semiconductors used in electronic equipment, capital investment lagged for front-end memory testers, a major Yokogawa product, due to factors such as falling DRAM prices. Meanwhile, demand for power and optical measurement products remained strong in the booming energy-saving, alternative energy, and optical market sectors.

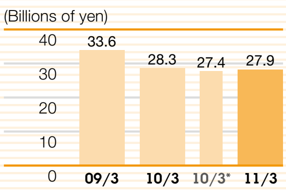
Under such market circumstances, we sought to reduce fixed costs and R&D expenditure for the semiconductor tester business, and strengthened marketing of our measuring instruments in emerging countries, with an emphasis on the energy-saving, alternative energy, and optical market sectors.

As a result, orders and sales for the test and measurement business increased, whereas the operating loss declined.

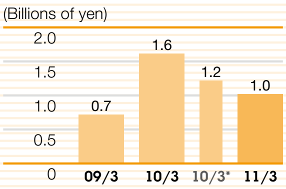
### Orders



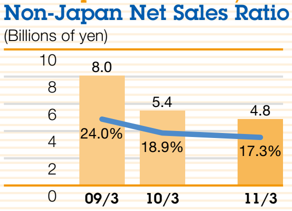

### Net Sales




### Operating Income




### Non-Japan Net Sales / Non-Japan Net Sales Ratio




Orders for these businesses were up year on year due to an upswing in demand for cockpit FPDs and the brisk marine equipment market outside Japan, mainly in China. Sales increased thanks to such factors as higher demand for FPDs used in the cockpits of commercial aircraft and booming demand for marine equipment in markets other than Japan. While the Group sought to reduce costs, operating income declined slightly as a result of the strong yen, changes in the product lineup, and other factors.

**The method for aggregating segment data was changed in fiscal year 2010 (ended March 31, 2011). In the above graphs, the 2008 figures and all 2009 figures not designated with an asterisk are based on the previous segment data aggregation method. The 2009 figures with the asterisk are based on the new method.*

# RESEARCH AND DEVELOPMENT AND INTELLECTUAL PROPERTY STRATEGY

## The role of R&D at Yokogawa

Yokogawa, a provider of leading-edge “mother tools” and basic technologies to industry, recognizes that the development of new technologies for the future is one of its most important challenges and maintains continuous investment in R&D.

With the dramatic changes underway in our operating environment, we place a special emphasis on strategic thinking and planning for the future in our technology development activities. At Yokogawa, R&D consists of new product development and applied research for the relatively near-term and foreseeable future, and research with a longer-term perspective and greater uncertainty that is directed at generating new business opportunities. The business headquarters primarily handle new product development and applied research, while the Innovation Center is responsible for longer-term research.

The Innovation Center integrates the three specialized functions of long-term marketing, R&D, and market verification. Researchers assigned to these functions interact with each other as they formulate hypotheses about the difficult-to-predict future, which are then verified through a process of cross-functional feedback. The Innovation Center is central to Yokogawa’s efforts to develop promising businesses with growth potential.

## Future-oriented research

We have introduced scenario planning at the Innovation Center to predict future trends and are working with a broad range of global experts from enterprises, research institutions, industrial associations, and the media to continuously refine our outlook for the future, as formulated in multiple sets of scenarios. These scenarios are shared across the Company and utilized when defining research and business strategies.

Activities at the Innovation Center are managed as cross-organizational projects across the Company. These projects also serve to develop talented staff who can drive innovation at Yokogawa.

The Corporate R&D Headquarters is responsible for conducting the following two types of research at the Innovation Center that will help to differentiate Yokogawa’s business in each scenario.

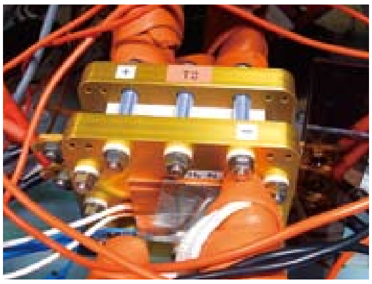
### 1. Core technology research (measurement technologies)

Every business at Yokogawa is based on measurement and centers on sensing technologies. Yokogawa positions in situ*1 sensing as a core technology. We research a wide range of measurement technologies that, for example, are capable of directly measuring, as opposed to indirect sampling, the state inside materials in manufacturing processes, and have made combined use of measurement and modeling technologies to visualize the internal state of non-transparent and impenetrable objects.

**1 in situ: From the Latin, meaning in the original place*

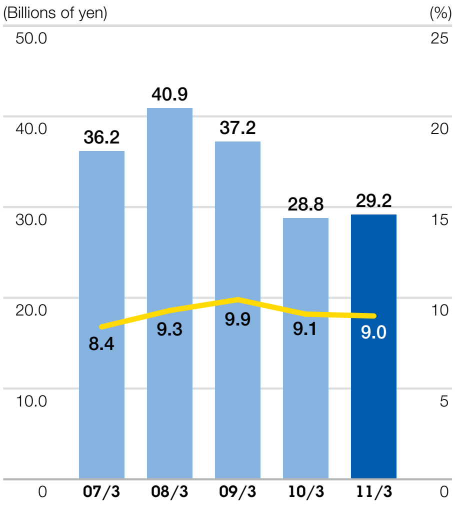
**Case in point for R&D in fiscal year 2010: Battery evaluation system**

This measurement system can be used to assess the interior of a battery that cannot be measured directly. This allows us to determine whether self-discharge is happening and why. By measuring changes in



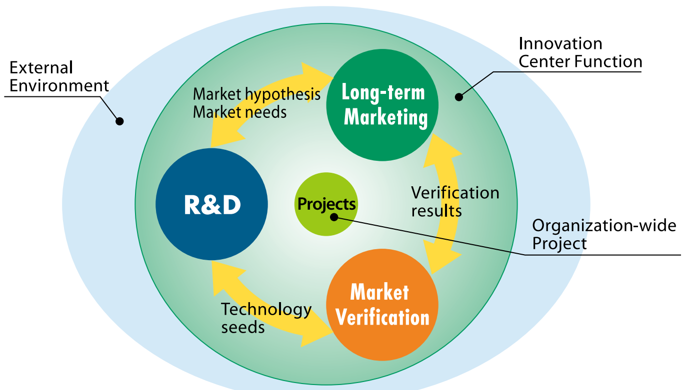
**Example of an experimental battery evaluation system**

**R&D Investment / R&D Investment to Net Sales**




■ R&D Investment
— R&D Investment to Net Sales

**Innovation Center Functions**




Innovation Center

The three functions of long-term marketing, R&D, and market verification are integrated here for the formulation and validation of hypotheses about promising businesses of the future.

battery impedance, the system is able to substantially reduce the amount of time it takes to run a battery test, shortening this from several days to several hours. This helps to reduce costs by resolving test process bottlenecks.

### 2. Strategic research (information technology)

In strategic research, we identify technology themes and conduct research with the aim of clarifying what value will need to be provided in potential (not yet developed) markets. This is very important research that is guided by forecasts based on our scenario planning, and it seeks to address and resolve important challenges that we have identified in our business environment.

**Case in point for R&D in fiscal year 2010: Industrial augmented reality (AR)*2**

The interaction between people and systems will inevitably change as manufacturing plants become larger and are operated by an ever smaller workforce. Yokogawa's Corporate R&D Headquarters is researching systems that will stay on top of this situation by supporting and augmenting the capabilities of human operators. This includes an operation support system that incorporates the know-how of experienced operators, and a system that can analyze the status of a device simply by capturing an image of it with a sensor.

**2 augmented reality: A view of elements in a real world environment that incorporates computer-generated information*

**From an AR experiment**

Regardless of the topic of research, it is the mission of those working in this area to constantly look toward the future and properly evaluate any signs of change. Accordingly, it is the responsibility of the Corporate R&D Headquarters to cultivate researchers with these characteristics.

## Intellectual property strategy

In addition to R&D strategy, intellectual property strategy is also important. Yokogawa's strategy on intellectual property comprises the following two elements:

1. The methods for procuring (in-house development, outsourcing) the technologies necessary for future businesses across the Company and the definition of criteria that will guide the allocation of business resources for these technologies
2. The efficient acquisition and utilization of intellectual property rights and the definition of guidelines and plans to drive the creation of international standards that will contribute to our business activities

At Yokogawa, we aim to conduct R&D that involves interaction and exchange with the outside world. Our approach to technology development will quickly prove its worth when change in the business environment or technological innovation occurs by combining the in-house development of core technologies with the external procurement of peripheral technologies.

We are accelerating our research through open innovation by working closely with the marketing and development departments at our subsidiaries in North America, Singapore, China, and other locations, and through employee exchange programs that give our researchers the opportunity to work at research institutes outside Japan.

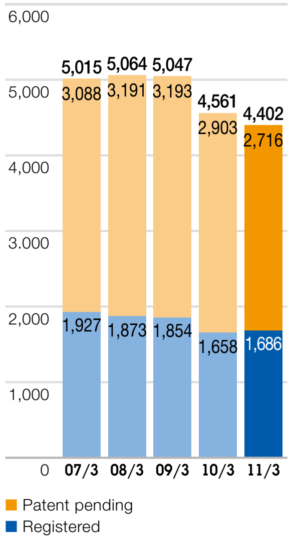
### Intellectual Property Rights Owned by the Company

(As of March 31, 2011)

| | In Japan | | | Outside Japan | | | |
|---|---|---|---|---|---|---|---|
| | Registered | Patent Pending | Subtotal | Registered | Patent Pending | Subtotal | Total |
| Patent | 1,686 | 2,716 | 4,402 | 673 | 501 | 1,174 | 5,576 |
| Design | 134 | 5 | 139 | 11 | 6 | 17 | 156 |
| Trademark | 568 | 20 | 588 | 494 | 57 | 551 | 1,139 |
| Total | 2,388 | 2,741 | 5,129 | 1,178 | 564 | 1,742 | 6,871 |

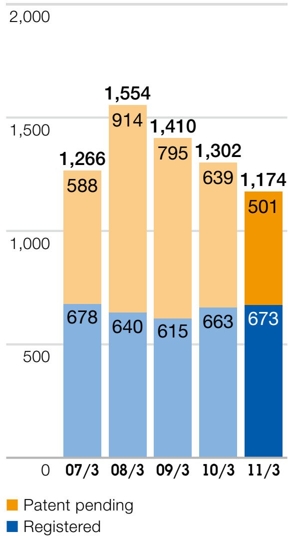
### Trend for Patents in Japan

(Number of applications)




### Trend for Patents outside Japan

(Number of applications)

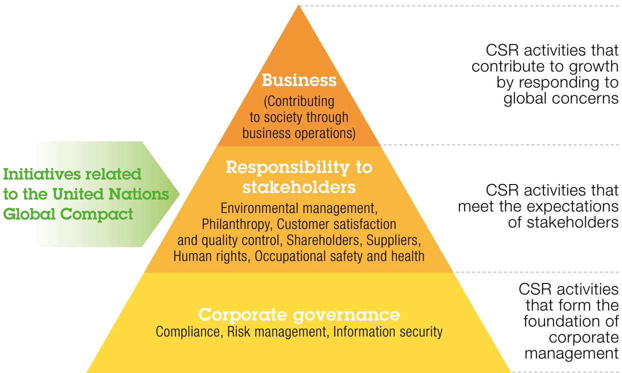


## Basic policy on CSR

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

In 2008, a special CSR promotion department was established at our head office to manage the CSR activities of the entire Group. Around the world, including in a number of emerging countries and developing nations, Yokogawa Group companies are pursuing CSR activities in response to the challenge in each region, and are thereby contributing to the sustained growth of communities.

**Basic Policy**




### Contributing to society through our business

In accordance with the Yokogawa Philosophy, which states, "As a company, our goal is to contribute to society through broad-ranging activities in the areas of measurement, control, and information," we are proud to be a company that contributes to society through our business. We believe that a company must continue to adapt and grow in response to changes in society.

We also believe in making use of our measurement, control, and information technologies to provide products and solutions that help society address issues by, for example, protecting the environment and enhancing safety. We supply energy saving solutions, support the development of alternative energy, measure and analyze environmental burden, and support the development of health care and pharmaceutical solutions.

### Corporate responsibility

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

Yokogawa has joined the Global Compact, a United Nations initiative based on 10 principles related to human rights, labor, the environment, and anti-corruption. We are implementing measures based on the ideals and standards of the Global Compact together with all Group employees and companies connected to us through our supply chain.

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

### Corporate governance

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

### SAM names Yokogawa a Sector Mover in CSR

Yokogawa Electric is a component of the Dow Jones Sustainability Asia Pacific Index and the Dow Jones Sustainability World Enlarged Index. These two indexes are included in the Dow Jones Sustainability Indexes*1 (DJSI), which are considered a global benchmark in measuring the performance of the stocks of companies that are reputed for their stance on corporate social responsibility. Furthermore, Yokogawa was named a Sector Mover in The Sustainability Yearbook 2011 published by the Sustainability Asset Management (SAM) Group*2. The SAM Group carries out fundamental research and analysis to select prospective companies for the DJSI. The companies that were named Sector Movers in the yearbook had all achieved the highest proportional improvement in their sectors for the year in review. The SAM Group's research universe for economic, environmental, and social sustainability consists of 2,500 companies from 58 sectors around the world. Only 409 of this select group of companies were mentioned in the 2011 yearbook.

**1 Leading corporate social responsibility investment (SRI) indexes developed jointly by Dow Jones of the United States and the SAM Group*
**2 A Swiss SRI research and rating company*

Please refer to our CSR Report for further information.

**CSR Report URL**
**http://www.yokogawa.com/csr/**

CORPORATE GOVERNANCE

## Basic policy on corporate governance

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

## Decision making, business execution, and audits

Speedy decision making and transparency are ensured through deliberations between directors who are well versed in the Group's business and outside directors who maintain a high degree of independence. Through audits by the corporate auditors, the legality, efficiency, and rationality of the directors' activities and the appropriateness of their decisions are rigorously examined.

### Board of Directors

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

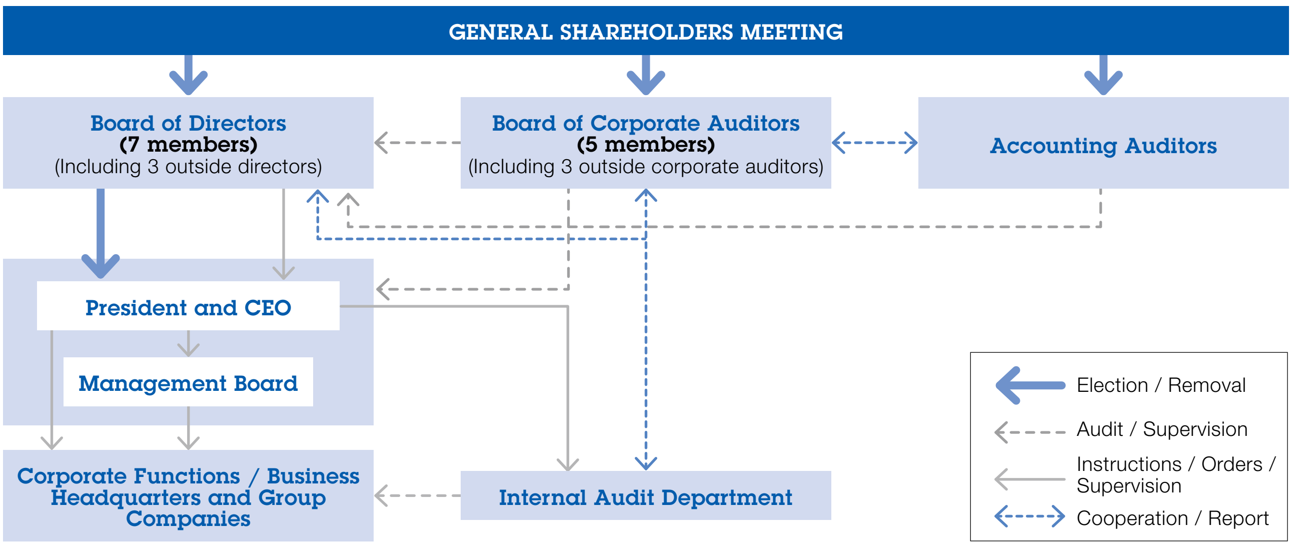
### Board of Corporate Auditors

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

### Management Board

To expedite the decision-making process of the Board of Directors, decisions regarding business execution are delegated to the Management Board. The Management Board is comprised of the president, officers, subsidiaries' heads who report directly to the president, and standing corporate auditors, and meets monthly in principle. Details on their decisions are reported to the Board of Directors.

**Corporate Governance Structure**



## Accounting auditors

The Company has concluded an agreement with Deloitte Touche Tohmatsu LLC, an independent auditing company, for accounting auditing services pursuant to the Companies Act and the Financial Instruments and Exchange Act. Remuneration for their services in fiscal year 2010 was as follows:

Payments by the Company: 114 million yen

Total amount paid in cash and other financial asset profits to the accounting auditor by the company and subsidiaries: 175 million yen

## Compensation to directors and corporate auditors

In order to improve objectivity and transparency when deciding the allocation of compensation for directors within the limits resolved and approved at the shareholders meeting, the Company established a Compensation Committee that is comprised of three directors, two of whom are outside directors. The allocation of compensation for directors is decided through deliberation by the Compensation Committee.

The compensation for directors other than the outside directors is set at a level that allows for the effective execution of their duties, which are comprised of executive management functions as well as functions involving the supervision and monitoring of officers and other employees. Furthermore, this level of compensation is linked to performance. Specifically, the compensation is set at a level that is market competitive and comprised of fixed and performance-linked (bonuses) components, according to each role.

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

Compensation for corporate auditors is decided by mutual consultation among the corporate auditors and set within the limits approved at the shareholders meeting. Considering the duties of corporate auditors, they only receive fixed compensation.

### Total Amount of Compensation Paid to Directors and Corporate Auditors in Fiscal Year 2010

| | Total compensation (Millions of yen) | Compensation breakdown (Millions of yen) | | | | Recipients |
|---|---|---|---|---|---|---|
| | | Fixed compensation | Stock options | Performance-linked compensation | Retirement benefit | |
| Directors (excluding outside directors) | 358 | 170 | — | 187 | — | 7 |
| Outside Directors | 32 | 32 | — | — | — | 3 |
| Corporate Auditors (excluding outside auditors) | 54 | 54 | — | — | — | 2 |
| Outside Corporate Auditors | 32 | 32 | — | — | — | 3 |

Notes: 1. *The above numbers include one director who retired and one director who resigned during fiscal year 2010.*
2. *The total paid to directors does not include employee salaries for directors who are concurrently employees.*

## Major activities of outside directors and outside corporate auditors in fiscal year 2010

Outside Director Masahisa Naito*

Present at 14 of the 14 Board of Directors meetings convened in the year. As necessary, provided advice with high insight based on abundant experience mainly as an outside director at global companies.

**He retired as outside director of the Company on June 24, 2011.*

Outside Director Yasuro Tanahashi

Present at 14 of the 14 Board of Directors meetings convened in the year. As necessary, provided advice based on his managerial experience, wide knowledge of Japan's key industries, and broad outlook gained from abundant experience in establishing and developing new businesses.

Outside Director Nobuo Katsumata

Present at 13 of the 14 Board of Directors meetings convened in the year. As necessary, provided advice with high insight based on his managerial experience mainly at general trading companies with global operations, and his abundant experience in corporate restructuring.

Outside Corporate Auditor Shigeru Hikuma

Present at 14 of the 14 Board of Directors meetings and 15 of the 16 Board of Corporate Auditors meetings convened in the year. As necessary, provided advice with high insight based on his deep knowledge of corporate finance, discernment, and abundant experience.

Outside Corporate Auditor Teruhiko Ikeda

Present at 11 of the 14 Board of Directors meetings and 14 of the 16 Board of Corporate Auditors meetings convened in the year. As necessary, provided advice with high insight base on his abundant managerial experience and wide range of activities in the business world.

Outside Corporate Auditor Koichi Iki

Present at 14 of the 14 Board of Directors meetings and 15 of the 16 Board of Corporate Auditors meetings convened in the year. As necessary, provided advice with high insight based on his abundant managerial experience and deep knowledge of human resources management.

The Tokyo Stock Exchange requests listed companies to secure at least one independent officer (an outside director or outside corporate auditor with no conflicts of interest involving general shareholders). The Company has three outside directors and one outside corporate auditor who are registered with the Tokyo Stock Exchange as independent officers. An additional two corporate auditors are not registered as independent officers as they have had business dealings with the Company or our major shareholders; however, they are deemed to be impartial in their assessments and highly effective in their auditing duties.

## Takeover defense measures

The Company believes that it is essential for both a party attempting a large-scale acquisition and the Board of Directors to provide the Company's shareholders with sufficient information necessary to make an appropriate judgment of the advantages and disadvantages of the acquisition. In particular, when a large-scale acquisition is attempted, it is important to request the party attempting the acquisition to provide sufficient information necessary for making an appropriate decision about its effects on the corporate value and the common interests of the Company's shareholders, provide the Company's shareholders with information such as the opinions of the Board of Directors and an analysis of alternatives to the acquisition in order to guide the decision making of the Company's shareholders, and prepare for processes such as negotiations with the party attempting the acquisition.

To fulfill the need for a plan to protect against large-scale acquisitions that do not comply with these processes, a resolution entitled "Renewal of Countermeasures to Large-scale Acquisition of Yokogawa Electric Shares (Takeover Defense Measures)" was submitted to the 135th Annual General Meeting of Shareholders on June 24, 2011. The resolution was approved and is valid for three years.

For further details, please refer to the Company press release at:
http://www.yokogawa.com/pr/ir/pdf/2011/20110513
TakeoverDefense-en.pdf

## Internal control systems

The Yokogawa Group has set forth its basic compliance policies in the Standards of Business Conduct for the Yokogawa Group, and directors take the lead in working to see that business ethics are upheld and embraced throughout the Group. In addition, the Yokogawa Group Internal Control Systems, which are intended in part to ensure the reliability of financial statements and the propriety of decision making, guarantee the appropriateness and efficiency of Group operations.

## Risk management

The Yokogawa Group Internal Control Systems were established in part to make sure that rules and other risk management systems are enforced. As the unit responsible for risk management, the department responsible for internal auditing identifies and analyzes risks, and recommends improvements. It also reports important matters to the Board of Directors and the corporate auditors.

Responses to crisis situations involving facts, incidents, disasters, accidents, and other events with a potentially material impact on the Group's management are set forth in the Group Policy for Crisis Management. As the head of the Crisis Management Office, the president controls the communication of information and issuance of instructions during times of crisis, and works to ensure safety and minimize economic losses.

The handling and protection of confidential information in regard to information security is set forth in the Confidentiality Code. Each of the Yokogawa Group's business headquarters, headquarters, and Group companies are responsible for establishing an organization for promoting information security of their own and ensuring adherence to the Group's policies on information security.

## Compliance

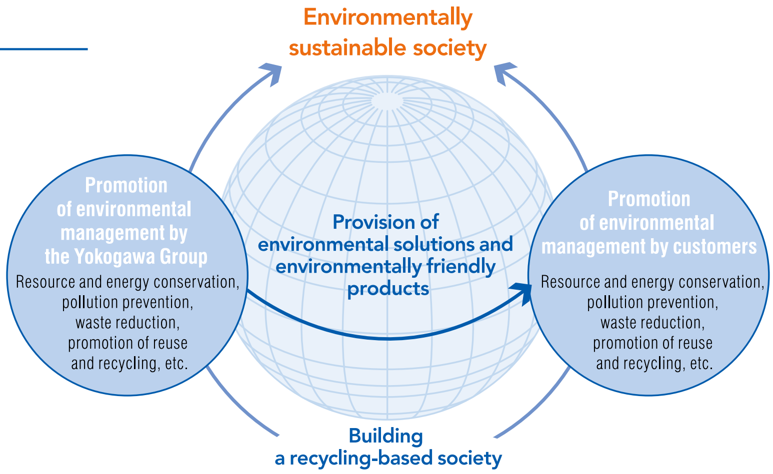
A department in charge of business ethics has been established within the Company, whose role includes the identification and resolution of issues pertaining to the Groupwide compliance system. Yokogawa strongly promotes compliance management throughout the Group. It aims to be a healthy and open business with both a culture that encourages and enforces proper ethical conduct and a system for preventing misconduct and scandals before they occur.

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

# ENVIRONMENTAL MANAGEMENT

## Achieving sustainability

Yokogawa places a high priority on protecting the environment, and we manage our business accordingly. We are working to reduce the environmental impact of all our operations, from development to sales, with the goal of achieving a sustainable society. Using our control, measurement, and information technologies, we supply environmentally friendly products and green, energy saving solutions that help our customers to reduce their environmental footprint. We also help them make more effective use of renewable energy sources and are developing new energy-related solutions.




## Promoting environmental management within the Group

As part of the Company's continual efforts to reduce the environmental burden of its business activities by improving its environmental performance, Yokogawa has established a Groupwide environmental management system.

To reduce its environmental impact, Yokogawa is making an active effort to utilize energy and resources more efficiently, prevent environmental pollution, reduce waste, and promote reuse and recycling on every production line and in all other areas of its business, including development, sales, procurement, and distribution.

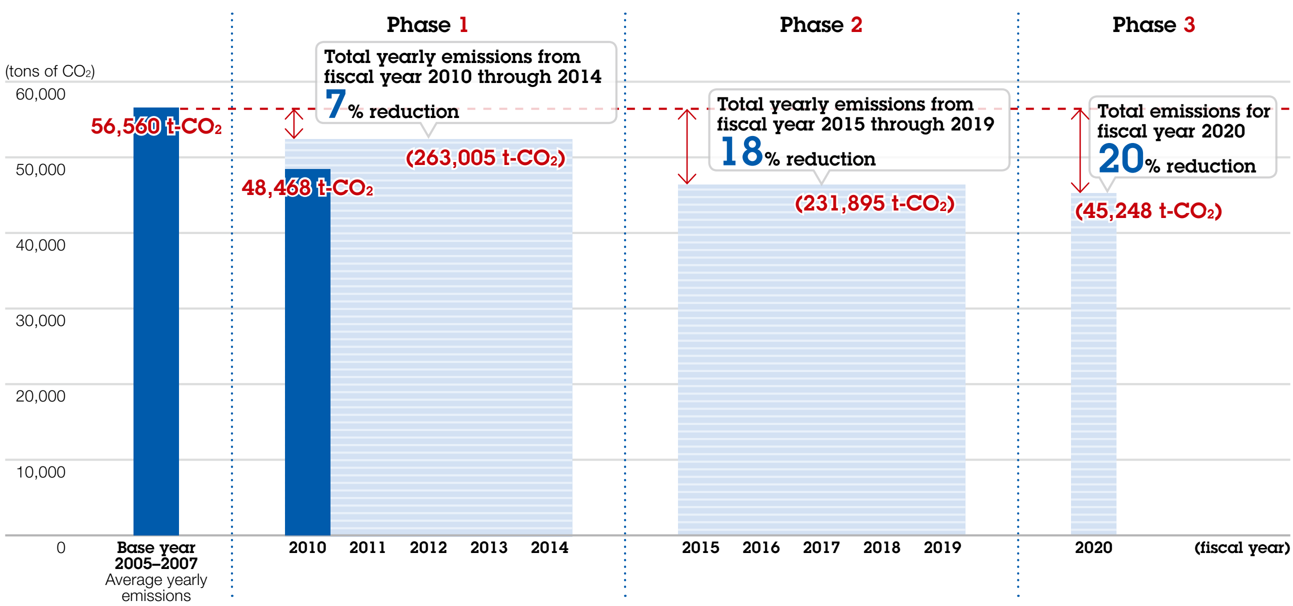
### Strengthening the implementation of environmental management initiatives

In fiscal year 2010, we established a Yokogawa Group Green Promotion Committee that is responsible for driving environmental management across the Yokogawa Group. Chaired by the Environmental Officer, the committee oversees all of the activities at Group companies to improve environmental conservation and prevent global warming.

### Measures to prevent global warming

The Yokogawa Group Green Promotion Committee has revised the Group's $CO_2$ emissions reduction targets and is working to define phased $CO_2$ emissions targets for Yokogawa Group companies in Japan, covering fiscal years 2010–2014, 2015–2019, and 2020.

**$CO_2$ Emissions Reduction Results and Targets for the Yokogawa Group in Japan**

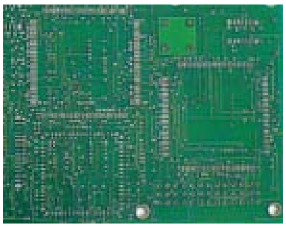


Measures to reduce $CO_2$ emissions include the use of energy efficient air-conditioning and experimental equipment, the installation of inverter lighting, and the use of green electric power. We plan to improve the visibility of data and reduce emissions even further by making more effective use of Yokogawa's energy saving support system that has already been installed at a number of flagship Yokogawa factories and offices.

### Reduction of chemical substances

The manufacturing of printed circuit boards (PCB) involves a process in which solder resist ink is applied as a coating material to prevent solder and dust from bonding directly with the PCB's copper surface. This coating material typically contains halogenated pigments with chlorine and bromine content. There are concerns that such substances may produce dioxins when incinerated for disposal.

In fiscal year 2010, the Group's PCB production line at the Ome Factory took the initiative to switch to a halogen-free solder resist ink that is compliant with JPCA specifications and contains almost no chlorine or bromine. This involved repeated adjustments and evaluations in each manufacturing process to ensure that the new ink would match conventional resists in precision and production volume.



**PCB (coated surface in green)**

## Reducing customers' environmental impact and devising new energy solutions

Yokogawa develops and supplies environmentally friendly products and leverages its control, measurement, and information technologies as well as its industry expertise to help its customers run their businesses more efficiently. In these and other ways, we are actively engaged in presenting energy saving and environmental solutions that are helping companies reduce their environmental footprint. We are also developing technologies and products for the renewable energy and rechargeable battery markets.

### Addressing environmental and energy issues in emerging nations

Yokogawa control systems, sensors, and analyzers are widely used in a number of briskly growing emerging nations, particularly in the energy, materials, and infrastructure sectors. We also provide our customers consulting services that help them operate their plants with greater safety and efficiency while reducing their impact on the environment. We develop detailed proposals to optimize manufacturing line operations, operational procedures, and instrument parameter settings that are based on the latest technologies and draw from our extensive industry expertise. In this way, we are helping our customers achieve state-of-the-art energy saving and safety systems.

### Generating power from the sun and the sea

During fiscal year 2010, Yokogawa developed and introduced to the market a solar tracking controller that improves power generation efficiency by keeping solar panels and reflectors aligned with the sun as it moves across the sky. Used in combination with control systems, safety instrumented systems, and sensors, this controller can help to optimize light collection, thermal storage, and power generation. We are also participating in a collaborative project involving industry, government, and academia to develop ocean thermal energy conversion and marine biomass solutions that will allow Japan to make better use of its rich marine resources.

**Floating renewable energy power plant**

### Measurement and control technologies for promoting the use of renewable energy

With the rising interest in renewable energy sources, sales of lithium-ion and other rechargeable batteries have grown rapidly. Yokogawa supplies over 90% of the online thickness gauges that are used on rechargeable battery production lines to control the quality of two core battery elements, separators and electrodes. In addition, the Group supplies control systems as well as various types of analytical equipment and measuring devices that are used in the production of rechargeable batteries. Moreover, the Group launched an R&D initiative in fiscal year 2010 to develop a new method of deterioration diagnosis that accurately evaluates the service life of lithium ion batteries.

# DIRECTORS, CORPORATE AUDITORS, AND OFFICERS

As of June 24, 2011

## DIRECTORS

### SHUZO KAIHORI

Representative Director
President and
Chief Executive Officer

1973 Joined the Company

2005 Vice President, Head of Industrial Automation Business Headquarters

2006 Senior Vice President, Head of Industrial Automation Business Headquarters

2006 Director and Senior Vice President, Head of Industrial Automation Business Headquarters

2007 President and Chief Operating Officer

2008 President and Chief Executive Officer

### HITOSHI NARA

Director
Senior Vice President

1985 Joined the Company

2001 Deputy Managing Director, Yokogawa Engineering Asia Pte. Ltd.

2003 Managing Director, Yokogawa (Thailand) Ltd.

2007 Head of Sales Div. I, Industrial Solutions Business Headquarters

2010 Senior Vice President, Head of Industrial Solutions Business Headquarters (present)

2011 Director

### SATORU KUROSU

Director
Senior Vice President

1983 Joined the Company

2006 Vice President, Head of Marketing Center, Industrial Automation Business Headquarters

2007 Senior Vice President, Head of Industrial Automation Business Headquarters

2009 Senior Vice President, Head of Global Business Headquarters

2010 President, Yokogawa Engineering Asia Pte. Ltd.

2011 Senior Vice President, Head of IA Marketing Headquarters (present) Director

### TAKASHI NISHIJIMA

Director

1981 Joined the Company

2001 Head of Development and Engineering Dept. 2, Field Instruments Business Division

2005 Head of Field Instruments Product Marketing Dept., Industrial Automation Business Headquarters

2008 Head of Control Products Business Center, Industrial Automation Business Headquarters

2010 President of Yokogawa Meters & Instruments Corporation (present)

2011 Director

## CORPORATE AUDITORS

### TAKAFUMI KOYANAGI

Corporate Auditor

1971 Joined the Company

2003 Vice President, Head of Business and Sales Planning, Industrial Solutions Business Headquarters

2005 Senior Vice President, Head of Solution Sales No. 2/Industrial Solutions Business Headquarters, in charge of China business

Deputy President of Yokogawa Electric International Pte. Ltd.

2007 Senior Vice President, Head of Audit & Compliance Headquarters

2008 Corporate Auditor

### KIYOSHI MAKINO

Corporate Auditor

1971 Joined the Company

1999 Vice President, Head of Components Business Division

2001 Director of Ando Electric Co., Ltd.

2003 President and CEO of Ando Electric Co., Ltd.

2005 Chairman of Yokogawa Corporation of America

2006 Vice President of ATE Business Headquarters (in charge of sales operations)

2009 Corporate Auditor

### SHIGERU HIKUMA

Outside Corporate Auditor

1970 Joined Bank of Japan

1997 Director-General of Business Management Department of Bank of Japan

1998 Executive Director of Bank of Japan

2001 President of Credit Risk Database Association, a Limited Liability Intermediate Corporation (current CRD Management Council)

2004 Outside Corporate Auditor of Yokogawa Electric Corporation

### TERUHIKO IKEDA

Outside Corporate Auditor

1969 Joined The Fuji Bank, Limited

2002 Deputy President of Mizuho Corporate Bank, Ltd.

2004 President and CEO of Mizuho Trust & Banking Co., Ltd.

2008 Chairman of Mizuho Trust & Banking Co., Ltd.

Outside Corporate Auditor of Yokogawa Electric Corporation

2010 Advisor of Mizuho Trust & Banking Co., Ltd. (present)

### YASURO TANAHASHI
Outside Director

1963 Joined Fuji Iron & Steel Co., Ltd. (present Nippon Steel Corporation)

1995 Director and General Manager of Electronics and Information Systems Division of Nippon Steel Corporation

1997 Managing Director of Nippon Steel Corporation (in charge of new businesses overall)

2000 Representative Director and President of Nippon Steel Information and Communication Systems Inc. (present NS Solutions Corporation)

2003 Representative Director and Chairman of NS Solutions Corporation

2007 Senior Advisor of NS Solutions Corporation (present)

Outside Director of Yokogawa Electric Corporation

### NOBUO KATSUMATA
Outside Director

1966 Joined Marubeni-Iida Co., Ltd. (present Marubeni Corporation)

1996 Director of Marubeni Corporation

1999 Corporate Vice President of Marubeni Corporation

2001 Senior Vice President of Marubeni Corporation

2003 President and CEO of Marubeni Corporation

2008 Chairman of Marubeni Corporation (present)

2009 Outside Director of Yokogawa Electric Corporation

### MITSUDO URANO
Outside Director

1971 Joined Nippon Reizo Co. Ltd. (present Nichirei Corporation)

1999 Director of Nichirei Corporation

2001 Representative Director and President of Nichirei Corporation

2007 Representative Director and Chairman of Nichirei Corporation (present)

2011 Outside Director of Yokogawa Electric Corporation

### KOICHI IKI
Outside Corporate Auditor

1970 Joined The Dai-ichi Mutual Life Insurance Company (present The Dai-Ichi Life Insurance Company, Limited)

2007 Vice President of The Dai-ichi Mutual Life Insurance Company

2008 President of The Dai-ichi Building Co., Ltd.

Outside Corporate Auditor of Yokogawa Electric Corporation

2009 Chairman of DIAM Co., Ltd. (present)

## OFFICERS

### SENIOR VICE PRESIDENT
JUNJI YAMAMOTO
TAKASHI FUJII
TOSHIAKI SHIRAI
SHUHEI SAKUNO
HIROSHI SUZUKI

### VICE PRESIDENT
HIROSHI YAMADA
MASAHARU YAMAZAKI
KOICHI CHUJO
TONY LEE
KOUJI MAEMURA
MAKOTO OTAKE
NOBUAKI KONISHI
JUN-ICHI ANABUKI

*Note: Outside Directors Yasuro Tanahashi, Nobuo Katsumata and Mitsudo Urano as well as Outside Corporate Auditor Shigeru Hikuma are independent officers as defined by the regulations of the Tokyo Stock Exchange.*

# CONSOLIDATED 11-YEAR SUMMARY

Yokogawa Electric Corporation and Consolidated Subsidiaries
Years Ended March 31, 2001 to 2011

| | 2001/3 | 2002/3 | 2003/3 | 2004/3 |
|---|---|---|---|---|
| **For the year:** | | | | |
| Net sales | ¥352.6 | ¥310.8 | ¥328.8 | ¥371.9 |
| Cost of sales | 236.0 | 209.8 | 219.0 | 241.4 |
| Selling, general and administrative expenses | 100.4 | 99.3 | 108.2 | 112.3 |
| Operating income | 16.2 | 1.7 | 1.6 | 18.3 |
| Net income (loss) | 25.4 | (23.1) | (26.2) | 24.3 |
| Capital expenditures | 18.2 | 13.3 | 15.3 | 21.4 |
| Depreciation and amortization | 13.2 | 14.0 | 14.3 | 13.5 |
| Research and development costs | 19.2 | 19.2 | 25.2 | 27.0 |
| Cash flow from operating activities | (2.4) | 20.5 | 1.8 | 8.3 |
| Cash flow from investing activities | 12.4 | (4.4) | (3.1) | (10.2) |
| Cash flow from financing activities | (19.2) | (22.9) | 3.6 | (11.4) |
| **At year-end:** | | | | |
| Total assets | 410.8 | 353.9 | 364.7 | 397.4 |
| Interest-bearing debt | 81.9 | 65.5 | 108.7 | 99.6 |
| Shareholders' equity | 200.0 | 169.1 | 131.8 | 160.3 |
| **Financial indicators:** | | | | |
| Operating income ratio | 4.6 | 0.6 | 0.5 | 4.9 |
| Debt equity ratio (times) | 0.41 | 0.39 | 0.82 | 0.62 |
| ROE (Return on equity) | 13.5 | (12.5) | (17.4) | 16.6 |
| ROA (Return on assets) | 6.1 | (6.0) | (7.3) | 6.4 |
| Shareholders' equity ratio | 48.7 | 47.8 | 36.1 | 40.3 |
| **Per share data:** | | | | |
| Net income (loss) | 103.66 | (94.57) | (108.39) | 99.84 |
| Cash dividends | 12.50 | 7.50 | 7.50 | 7.50 |
| Shareholders' equity | 815.78 | 697.10 | 542.20 | 658.97 |
| **Stock information:** | | | | |
| Stock price at the end of the term (yen / US dollars) | 1,100 | 1,059 | 788 | 1,544 |
| Market capitalization (billions of yen / millions of US dollars) | 270.3 | 257.4 | 200.1 | 392.1 |
| Number of issued shares | 245,684,012 | 243,041,012 | 253,967,991 | 253,967,991 |
| **Other information:** | | | | |
| Number of employees | 18,504 | 17,224 | 18,675 | 18,364 |

Average exchange rate during the period

Yen

| | 2001/3 | 2002/3 | 2003/3 | 2004/3 | 2005/3 | 2006/3 | 2007/3 | 2008/3 | 2009/3 | 2010/3 | 2011/3 |
|---|---|---|---|---|---|---|---|---|---|---|---|
| US dollar | ¥109.71 | ¥133.25 | ¥122.29 | ¥113.97 | ¥107.46 | ¥113.09 | ¥117.00 | ¥113.80 | ¥100.66 | ¥ 92.61 | ¥ 85.13 |
| Euro | —* | 116.14 | 120.36 | 132.73 | 134.90 | 137.81 | 150.33 | 162.26 | 143.28 | 130.68 | 112.45 |

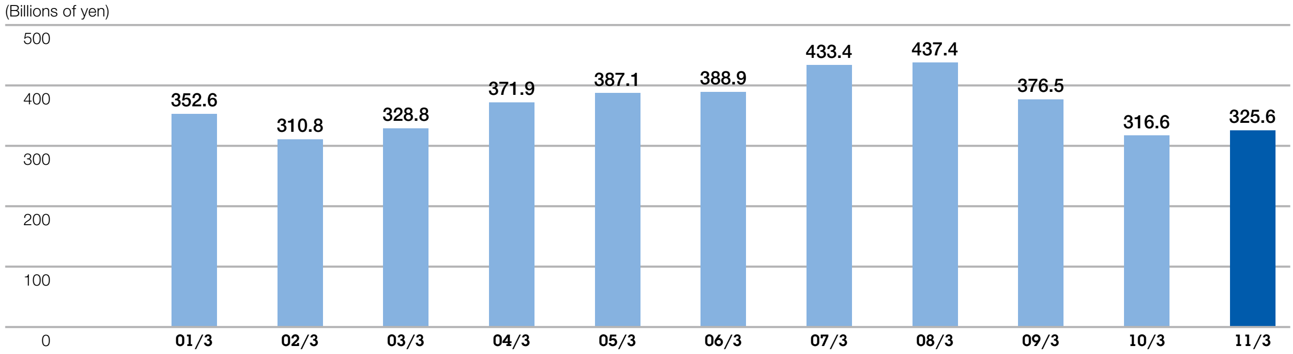
*The guilder/yen exchange rate is used for 2001/3.

**Unification of the accounting periods of non-Japan consolidated subsidiaries**

Beginning with the fiscal year ended March 31, 2007, financial statements based on the provisional settlement of accounts implemented as of the consolidated closing date are being used for Yokogawa Electric China Co., Ltd. and 10 other non-Japan subsidiaries, and the closing date for Yokogawa USA, Inc., and 47 other non-Japan subsidiaries has been changed to the consolidated closing date. Through these changes, 13 consolidated subsidiaries had a 15-month accounting period, and 46 consolidated subsidiaries had a 13-month accounting period. Due to these changes to the accounting period, compared to the usual standard, the consolidated statement of income showed a 22.1 billion yen increase in net sales, a 1.4 billion yen increase in operating income, and a 985 million yen increase in net income.

| 2005/3 | 2006/3 | 2007/3 | 2008/3 | 2009/3 | 2010/3 | Billions of yen<br>2011/3 | Millions of US dollars<br>2011/3 |
|---|---|---|---|---|---|---|---|
| ¥ 387.1 | ¥ 388.9 | ¥ 433.4 | ¥ 437.4 | ¥ 376.5 | ¥ 316.6 | ¥325.6 | $3,916 |
| 250.0 | 245.9 | 275.9 | 277.4 | 253.0 | 214.5 | 215.1 | 2,587 |
| 112.3 | 117.6 | 128.2 | 132.6 | 118.8 | 99.5 | 99.4 | 1,196 |
| 24.8 | 25.3 | 29.3 | 27.4 | 4.7 | 2.6 | 11.1 | 133 |
| 9.4 | 21.6 | 12.6 | 11.7 | (38.4) | (14.8) | (6.7) | (80) |
| 18.7 | 29.5 | 40.3 | 38.0 | 26.8 | 11.1 | 11.3 | 136 |
| 14.3 | 15.1 | 16.5 | 23.1 | 21.6 | 16.0 | 13.8 | 166 |
| 29.0 | 30.9 | 36.2 | 40.9 | 37.2 | 28.8 | 29.2 | 351 |
| 18.3 | 25.6 | 40.5 | 20.8 | 24.5 | 21.4 | 16.2 | 194 |
| (11.2) | (11.7) | (39.0) | (51.0) | (24.1) | (13.2) | (8.0) | (96) |
| (1.3) | (14.1) | (6.1) | 23.9 | 28.4 | 11.1 | (25.7) | (309) |
| 400.3 | 417.8 | 438.7 | 444.6 | 401.0 | 398.8 | 361.2 | 4,344 |
| 100.3 | 61.3 | 59.6 | 93.0 | 124.3 | 137.1 | 111.0 | 1,335 |
| 168.8 | 224.6 | 234.3 | 220.7 | 167.2 | 153.4 | 141.7 | 1,704 |
| | | | | | | % | |
| 6.4 | 6.5 | 6.8 | 6.3 | 1.3 | 0.8 | 3.4 | |
| 0.59 | 0.27 | 0.25 | 0.42 | 0.74 | 0.89 | 0.78 | |
| 5.7 | 11.0 | 5.5 | 5.1 | (19.8) | (9.2) | (4.5) | |
| 2.3 | 5.3 | 2.9 | 2.6 | (9.1) | (3.7) | (1.8) | |
| 42.2 | 53.7 | 53.4 | 49.6 | 41.7 | 38.5 | 39.2 | |
| | | | | | | Yen | US dollars |
| 38.43 | 87.45 | 47.79 | 44.76 | (149.26) | (57.45) | (25.98) | (0.31) |
| 7.50 | 15.00 | 15.00 | 16.00 | 16.00 | 2.00 | 0.00 | 0.00 |
| 693.75 | 854.24 | 891.08 | 856.72 | 649.20 | 595.42 | 550.19 | 6.62 |
| 1,452 | 2,095 | 1,806 | 998 | 394 | 814 | 634 | 7.62 |
| 368.8 | 562.8 | 485.1 | 268.1 | 105.8 | 218.7 | 170.3 | 2,048 |
| 253,967,991 | 268,624,510 | 268,624,510 | 268,624,510 | 268,624,510 | 268,624,510 | 268,624,510 | |
| 18,972 | 17,858 | 19,286 | 20,266 | 20,247 | 19,574 | 19,334 | |

## Net Sales



## Analysis of results in fiscal year 2010

In the fiscal year ended March 31, 2011 (fiscal year 2010), consolidated net sales amounted to 325.6 billion yen, up 9.0 billion year on year. This increase reflected a rise of 3.4 billion yen in sales in the industrial automation and control business due to sustained growth in emerging markets and a 5.2 billion yen rise in sales in the test and measurement business, centered on the measuring instruments business. Operating income rose 8.5 billion yen year on year, to 11.1 billion yen, due to this rise in sales and ongoing measures to strengthen the Company by cutting fixed costs. The Group recorded a 6.7 billion yen net loss as a consequence of business structure improvement expenses and a loss on the valuation of investment securities, although it is noted that this figure is an 8.1 billion yen improvement over fiscal year 2009.

Sales in markets other than Japan rose year on year due to a strong performance in emerging markets by the industrial automation and control business. Non-Japan sales thus accounted for a higher proportion of total sales. Sales grew strongest in China, India, and Russia.

## Analysis of capital and assets

**(1) Fund raising and liquidity management**

The Group raises funds—both short-term and long-term loans—based on the principles of security, ensuring the efficiency of fund usage, and limiting fund raising. It also ensures the security of its finances and the efficiency of its fund raising through a 30 billion yen commitment line of credit. As of the end of fiscal year 2010, the Group had not used the commitment line.

In fiscal year 2010, the Group took funds that had been raised through loans as well as cash flow from operating activities and allocated this to working capital and capital expenditure. Maturing long-term loans totaling 24.2 billion yen were repaid using cash equivalents on hand.

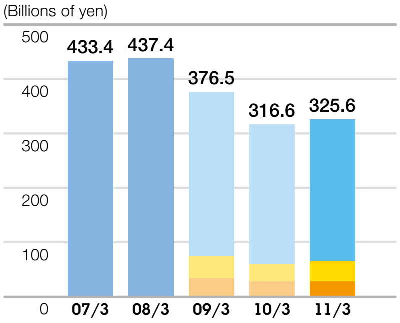
**(2) Condition of assets, liabilities, and net assets**

Total assets at the end of fiscal year 2010 were 361.2 billion yen, down 37.6 billion yen from the end of the previous fiscal year. The decline in total assets is mainly attributable to a 19.3 billion yen decrease in cash and cash equivalents, an 8.012 billion yen decrease in notes and accounts receivable, and a 7.321 billion yen decrease in property, plant and equipment.

Total liabilities were 216.0 billion yen, down 25.4 billion yen from the end of the previous fiscal year. Total liabilities declined because of a 26.1 billion yen decrease in short-term and long-term borrowings.

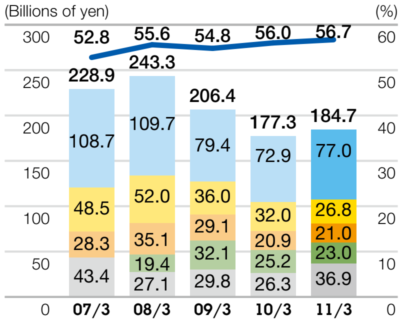
Total equity was 145.2 billion yen, down 12.1 billion yen from the end of the previous fiscal year. Total equity declined because of a 7.3 billion yen decrease in retained earnings and a 3.8 billion yen decrease in foreign currency translation adjustments. As a result, the shareholders' equity ratio rose 0.7 percentage points from the previous year, to 39.2%.

### Net Sales




Industrial Automation and Control Business
Test and Measurement Business
Other Businesses

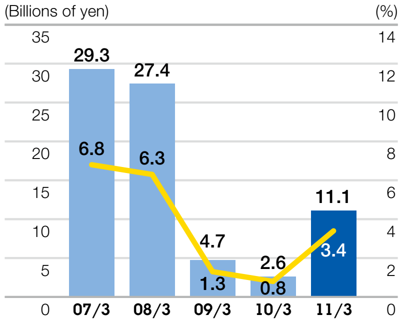
### Sales outside Japan by Geographic Area/Sales Ratio outside Japan




Asia
Europe
North America
Middle East
Others
Sales ratio outside Japan

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

### Operating Income / Operating Income Ratio




Operating income
Operating income ratio

### (3) Cash flow status

Net cash provided by operating activities in fiscal year 2010 totaled 16.2 billion yen, reflecting inflows from adjustments for business restructuring expenses and depreciation and amortization, and despite an outflow of 1.0 billion yen from the loss before income taxes and minority interests. Net cash used in investing activities was only 8.0 billion yen, a year-on-year decrease of 5.2 billion yen, reflecting a substantial streamlining of Group investments. As a result, net free cash flow provided 8.2 billion yen. Moreover, net cash used in financing activities totaled 25.7 billion yen due primarily to the repayment of 24.2 billion yen in long-term borrowings.

## Risks relating to the Company's business

As described in the Company's statutory annual financial report filed as stipulated by the Financial Instruments and Exchange Act, the following risks may impact its business and accounting conditions, and therefore could have a significant effect on investor decision making.

These risks include forward-looking statements that are based on judgments made by the Group at the end of fiscal year 2010. Further, the risks include items that will not necessarily affect investment decisions. However, based on an awareness of these risks, the Company maintains the necessary risk management structure and works to avoid risk occurrence as well as to minimize the impact of a risk should it occur.

### 1. Risks relating to the business environment

### (1) Economic conditions

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

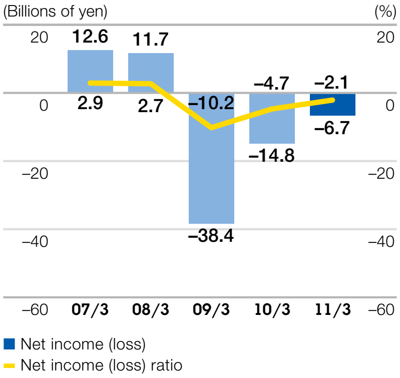
### (2) International factors

The Group's sales and production operations are truly international in scope, as is indicated by the fact that sales generated in all markets other than Japan currently account for approximately 60% of consolidated sales. Therefore, factors in these markets such as economic trends; exchange rate fluctuations; changes to laws and regulations relating to investment, trade, competition, taxation, or foreign exchange; differences in commercial practices or labor standards that may have cultural or religious origins; terrorist attacks, wars, natural disasters, or other unanticipated incidents; or political, social, or other elements could adversely affect the Group's business results and financial condition.

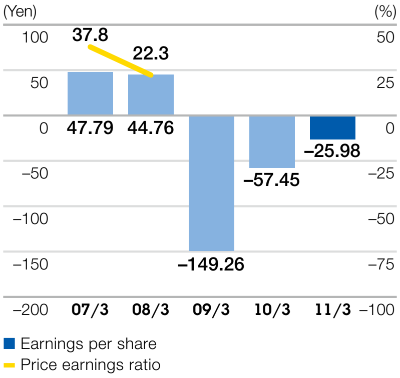
### (3) Laws and regulations

The Group observes the laws and regulations of each country in which it operates. Changes in laws and regulations or the enactment of new laws that cannot be anticipated could adversely affect the Group's business results and financial condition. In addition, any increase in costs required

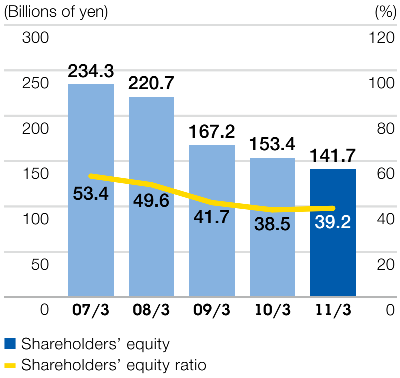
**Net Income (Loss) / Net Income (Loss) Ratio**




**Earnings per Share / Price Earnings Ratio**




**Shareholders' Equity / Shareholders' Equity Ratio**



to achieve compliance with environmental protection-related legislation could adversely affect the Group's business results and financial condition. Moreover, such legislation could impact the Group's overall business activities, including its R&D and production activities.

**(4) Fluctuations in currency exchange rates and interest rates**

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

**(5) Changes in the value of assets owned**

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

## 2. Risks relating to business activities

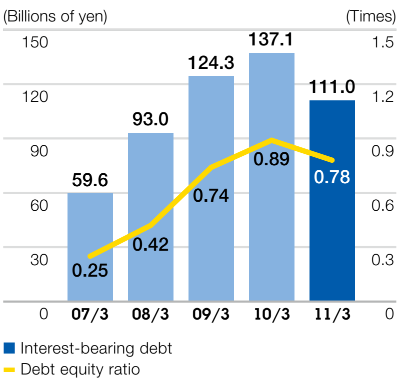
**(1) Impact of the Great East Japan Earthquake**

Uncertainties regarding the procurement of electronic parts and the supply of electricity as a result of the destruction from the March 2011 earthquake and tsunami have the potential of negatively impacting the Group's business activities. Furthermore, this disaster may lead to a prolonged slowdown of the Japanese economy that could adversely affect the Group's business results and financial condition.

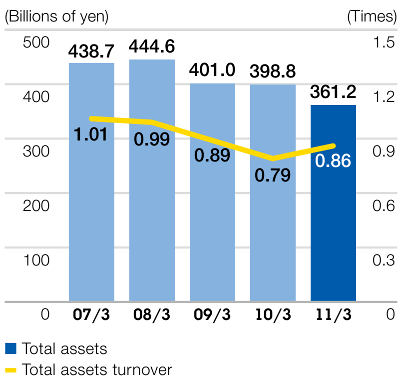
**(2) Industrial automation and control business**

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

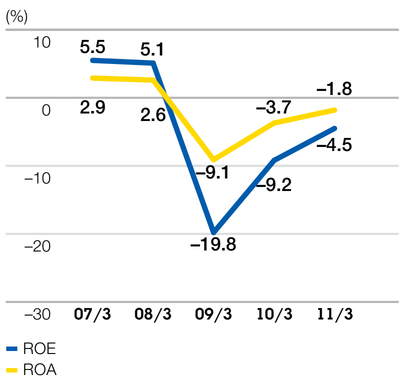
**Interest-bearing Debt / Debt Equity Ratio**




**Total Assets / Total Assets Turnover**




**ROE / ROA**



**(3) Test and measurement business**

In fiscal years 2009 and 2010, the Group's management decided to downsize or withdraw from various unprofitable operations within the test and measurement business. This may have an impact on the Group's business results and financial condition if the implementation of these decisions does not proceed as planned.

**(4) Securing and training human resources**

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

**(5) Product quality**

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

**(6) R&D activities**

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

## 3. Other risks

**(1) Intellectual property**

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

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

**(2) Information security**

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

**(3) Disasters, new influenza, etc.**

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

# CONSOLIDATED BALANCE SHEETS

Yokogawa Electric Corporation and Consolidated Subsidiaries
March 31, 2011 and 2010

| | Millions of yen | | Thousands of US dollars (Note 1) |
|---|---|---|---|
| | 2011 | 2010 | 2011 |
| **ASSETS** | | | |
| **Current Assets:** | | | |
| Cash and cash equivalents (Notes 7 and 13) | ¥ 57,335 | ¥ 76,556 | $ 689,534 |
| Receivables (Notes 4 and 13) | | | |
| Trade notes and accounts | 103,492 | 111,505 | 1,244,646 |
| Other | 3,815 | 4,407 | 45,887 |
| Less: Allowance for doubtful accounts | (3,175) | (3,277) | (38,188) |
| | 104,132 | 112,635 | 1,252,345 |
| Inventories (Note 5) | 35,474 | 34,685 | 426,621 |
| Deferred tax assets (Note 10) | 2,829 | 3,269 | 34,025 |
| Other (Note 13) | 7,367 | 7,205 | 88,596 |
| Total current assets | 207,137 | 234,350 | 2,491,121 |
| **Property, Plant and Equipment** (Note 6): | | | |
| Land | 17,244 | 18,645 | 207,383 |
| Buildings and structures—net | 48,927 | 52,844 | 588,421 |
| Machinery, equipment and vehicles—net | 7,220 | 9,110 | 86,825 |
| Tools, furniture and fixtures—net | 4,570 | 5,395 | 54,957 |
| Construction in progress | 2,653 | 1,975 | 31,911 |
| Lease assets—net (Note 12) | 488 | 455 | 5,869 |
| Total property, plant and equipment | 81,102 | 88,424 | 975,366 |
| **Investments and Other Assets:** | | | |
| Investment securities (Notes 3, 7 and 13) | 26,171 | 28,843 | 314,748 |
| Investments in and advances to unconsolidated subsidiaries and affiliated companies | 5,560 | 5,335 | 66,872 |
| Goodwill | 1,823 | 2,006 | 21,921 |
| Intangible assets | 28,271 | 28,131 | 340,021 |
| Deferred tax assets (Note 10) | 2,077 | 2,318 | 24,976 |
| Other | 9,460 | 9,998 | 113,759 |
| Less: Allowance for doubtful accounts | (368) | (613) | (4,427) |
| Total investments and other assets | 72,994 | 76,018 | 877,870 |
| **Total Assets** | ¥361,233 | ¥398,792 | $4,344,357 |

*See notes to consolidated financial statements.*

| | Millions of yen 2011 | 2010 | Thousands of US dollars (Note 1) 2011 |
|---|---|---|---|
| **LIABILITIES AND EQUITY** | | | |
| **Current Liabilities:** | | | |
| Short-term loans payable (Notes 7, 13 and 15) | ¥ 6,072 | ¥ 7,978 | $ 73,022 |
| Current portion of long-term debt (Notes 7 and 13) | 48,300 | 24,321 | 580,881 |
| Payables (Notes 7 and 13) | | | |
| Trade notes and accounts | 28,807 | 28,942 | 346,445 |
| Other | 12,828 | 10,252 | 154,278 |
| Income taxes payable (Notes 10 and 13) | 3,270 | 2,296 | 39,330 |
| Accrued expenses | 23,953 | 23,885 | 288,065 |
| Other (Note 10) | 28,863 | 26,753 | 347,120 |
| Total current liabilities | 152,093 | 124,427 | 1,829,141 |
| **Long-term Liabilities:** | | | |
| Long-term debt (Notes 7, 13 and 15) | 56,921 | 105,037 | 684,555 |
| Liability for retirement benefits (Note 8) | 2,067 | 2,856 | 24,863 |
| Other (Notes 10 and 13) | 4,919 | 9,112 | 59,163 |
| Total long-term liabilities | 63,907 | 117,005 | 768,581 |
| **Commitments and Contingent Liabilities** (Note 17) | | | |
| **Equity** (Notes 9 and 19): | | | |
| Common stock, authorized, 600,000,000 shares; issued, 268,624,510 shares in 2011 and 2010 | 43,401 | 43,401 | 521,961 |
| Capital surplus | 50,345 | 50,345 | 605,466 |
| Retained earnings | 73,011 | 80,304 | 878,069 |
| Treasury stock, 11,071,323 shares in 2011 and 11,055,405 shares in 2010 | (11,001) | (10,991) | (132,303) |
| Accumulated other comprehensive income | | | |
| Net unrealized gain on available-for-sale securities | 2,146 | 2,450 | 25,807 |
| Deferred (loss) gain on derivatives under hedge accounting | (137) | 83 | (1,650) |
| Adjustment relating to pension liability | (375) | (370) | (4,510) |
| Foreign currency translation adjustments | (15,687) | (11,860) | (188,655) |
| Total | (14,053) | (9,697) | (169,008) |
| Minority interests | 3,530 | 3,998 | 42,450 |
| Total equity | 145,233 | 157,360 | 1,746,635 |
| **Total Liabilities and Equity** | ¥361,233 | ¥398,792 | $4,344,357 |

# CONSOLIDATED STATEMENTS OF OPERATIONS

Yokogawa Electric Corporation and Consolidated Subsidiaries
Years Ended March 31, 2011 and 2010

| | Millions of yen | | Thousands of US dollars (Note 1) |
|---|---|---|---|
| | 2011 | 2010 | 2011 |
| **Net Sales** | ¥325,621 | ¥316,606 | $3,916,066 |
| **Cost of Sales** (Note 11) | 215,131 | 214,474 | 2,587,264 |
| Gross profit | 110,490 | 102,132 | 1,328,802 |
| **Selling, General and Administrative Expenses** (Note 11) | 99,411 | 99,513 | 1,195,556 |
| Operating income | 11,079 | 2,619 | 133,246 |
| **Other Income (Expenses):** | | | |
| Interest and dividend income | 1,860 | 1,864 | 22,365 |
| Interest expense | (2,815) | (2,118) | (33,859) |
| Loss on valuation of investment securities (Note 3) | (2,251) | (220) | (27,067) |
| Net gain on sale of investment securities (Note 3) | 502 | 2 | 6,041 |
| Foreign exchange loss—net | (1,752) | (385) | (21,071) |
| Net loss on disposal of property, plant and equipment | (178) | (634) | (2,146) |
| Loss on impairment of long-lived assets (Note 6) | (708) | (6,159) | (8,510) |
| Equity in earnings of affiliates | 593 | 507 | 7,133 |
| State subsidy | 334 | 346 | 4,011 |
| Restructuring costs (Note 16) | (6,824) | (2,636) | (82,067) |
| Other | (865) | (3,880) | (10,405) |
| Other income (expenses)—net | (12,104) | (13,313) | (145,575) |
| **Loss before Income Taxes and Minority Interests** | (1,025) | (10,694) | (12,329) |
| **Income Taxes** (Note 10): | | | |
| Current | 4,491 | 3,095 | 54,006 |
| Deferred | 631 | 485 | 7,588 |
| Total income taxes | 5,122 | 3,580 | 61,594 |
| **Net Loss before Minority Interests** | (6,147) | (14,274) | (73,923) |
| **Minority Interests in Loss** | (546) | (525) | (6,565) |
| **Net Loss** | ¥ (6,693) | ¥ (14,799) | $ (80,488) |

| | Yen | | US dollars (Note 1) |
|---|---|---|---|
| **Per Share of Common Stock** (Note 19): | | | |
| Basic net loss | ¥ (25.98) | ¥ (57.45) | $ (0.31) |
| Cash dividends applicable to the year | — | 2.00 | — |

*See notes to consolidated financial statements.*

# CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

Yokogawa Electric Corporation and Consolidated Subsidiaries
Year Ended March 31, 2011

| | Millions of yen | Thousands of US dollars (Note 1) |
|---|---|---|
| | 2011 | 2011 |
| **Net Loss before Minority Interests** | ¥ (6,147) | $ (73,923) |
| **Other Comprehensive Income** (Note 18): | | |
| Net unrealized loss on available-for-sale securities | (317) | (3,811) |
| Deferred loss on derivatives under hedge accounting | (220) | (2,643) |
| Adjustment relating to pension liability | (5) | (62) |
| Foreign currency translation adjustments | (3,970) | (47,751) |
| Share of other comprehensive income in affiliates | (5) | (58) |
| Total other comprehensive income | (4,517) | (54,325) |
| **Comprehensive Income** (Note18) | ¥(10,664) | $(128,248) |
| **Total Comprehensive Income Attributable to** (Note 18): | | |
| Owners of the parent | ¥(11,049) | $(132,880) |
| Minority interests | 385 | 4,632 |

*See notes to consolidated financial statements.*

# CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY

Yokogawa Electric Corporation and Consolidated Subsidiaries
Years Ended March 31, 2011 and 2010

Millions of yen

| | Outstanding number of shares of common stock | Common stock | Capital surplus | Retained earnings | Treasury stock | Accumulated other comprehensive income: Net unrealized gain on available-for-sale securities | Deferred gain (loss) on derivatives under hedge accounting | Adjustment relating to pension liability | Foreign currency translation adjustments | Total | Minority interests | Total equity |
|---|---|---|---|---|---|---|---|---|---|---|---|---|
| **Balance, April 1, 2009** | 257,586,826 | ¥43,401 | ¥50,346 | ¥97,135 | ¥(10,979) | ¥ 18 | | ¥(384) | ¥(12,312) | ¥(12,678) | ¥3,784 | ¥171,009 |
| Net loss | | | | (14,799) | | | | | | | | (14,799) |
| Cash dividends, ¥8.0 per share (Note 19) | | | | (2,061) | | | | | | | | (2,061) |
| Purchase of treasury stock | (19,735) | | | | (14) | | | | | | | (14) |
| Disposal of treasury stock | 2,014 | | (1) | | 2 | | | | | | | 1 |
| Other | | | | 29 | | | | | | | | 29 |
| Net change in the year | | | | | | 2,432 | ¥ 83 | 14 | 452 | 2,981 | 214 | 3,195 |
| **Balance, March 31, 2010** | 257,569,105 | 43,401 | 50,345 | 80,304 | (10,991) | 2,450 | 83 | (370) | (11,860) | (9,697) | 3,998 | 157,360 |
| Net loss | | | | **(6,693)** | | | | | | | | **(6,693)** |
| Cash dividends, ¥2.0 per share (Note 19) | | | | **(515)** | | | | | | | | **(515)** |
| Purchase of treasury stock | **(17,585)** | | | | **(11)** | | | | | | | **(11)** |
| Disposal of treasury stock | **1,667** | | **(0)** | | **1** | | | | | | | **1** |
| Other | | | | **(85)** | | | | | | | | **(85)** |
| Net change in the year | | | | | | **(304)** | **(220)** | **(5)** | **(3,827)** | **(4,356)** | **(468)** | **(4,824)** |
| **Balance, March 31, 2011** | **257,553,187** | **¥43,401** | **¥50,345** | **¥73,011** | **¥(11,001)** | **¥2,146** | **¥(137)** | **¥(375)** | **¥(15,687)** | **¥(14,053)** | **¥3,530** | **¥145,233** |

Thousands of US dollars (Note 1)

| | Common stock | Capital surplus | Retained earnings | Treasury stock | Accumulated other comprehensive income: Net unrealized gain on available-for-sale securities | Deferred gain (loss) on derivatives under hedge accounting | Adjustment relating to pension liability | Foreign currency translation adjustments | Total | Minority interests | Total equity |
|---|---|---|---|---|---|---|---|---|---|---|---|
| **Balance, April 1, 2010** | $521,961 | $605,473 | $965,766 | $(132,187) | $29,468 | $ 992 | $(4,448) | $(142,628) | $(116,616) | $48,089 | $1,892,486 |
| Net loss | | | **(80,488)** | | | | | | | | **(80,488)** |
| Cash dividends, ¥2.0 per share (Note 19) | | | **(6,195)** | | | | | | | | **(6,195)** |
| Purchase of treasury stock | | | | **(136)** | | | | | | | **(136)** |
| Disposal of treasury stock | | **(7)** | | **20** | | | | | | | **13** |
| Other | | | **(1,014)** | | | | | | | | **(1,014)** |
| Net change in the year | | | | | **(3,661)** | **(2,642)** | **(62)** | **(46,027)** | **(52,392)** | **(5,639)** | **(58,031)** |
| **Balance, March 31, 2011** | **$521,961** | **$605,466** | **$878,069** | **$(132,303)** | **$25,807** | **$(1,650)** | **$(4,510)** | **$(188,655)** | **$(169,008)** | **$42,450** | **$1,746,635** |

*See notes to consolidated financial statements.*

# CONSOLIDATED STATEMENTS OF CASH FLOWS

Yokogawa Electric Corporation and Consolidated Subsidiaries
Years Ended March 31, 2011 and 2010

| | Millions of yen | | Thousands of US dollars (Note 1) |
|---|---|---|---|
| | 2011 | 2010 | 2011 |
| **Operating Activities:** | | | |
| Loss before income taxes and minority interests | ¥ (1,025) | ¥ (10,694) | $ (12,329) |
| Adjustments for: | | | |
| Income taxes paid | (3,452) | (2,808) | (41,521) |
| Depreciation and amortization | 13,836 | 16,033 | 166,399 |
| Equity in earnings of affiliates | (593) | (507) | (7,133) |
| Impairment loss on long-lived assets | 708 | 6,159 | 8,510 |
| Loss on disposal of property, plant and equipment | 178 | 634 | 2,146 |
| Valuation loss on investment securities | 2,251 | 220 | 27,067 |
| Gain on sale of investment securities | (502) | (2) | (6,041) |
| Changes in assets and liabilities: | | | |
| Decrease in trade notes and accounts receivable | 2,294 | 2,704 | 27,589 |
| Decrease (increase) in inventories | (1,670) | 10,263 | (20,084) |
| Increase (decrease) in trade notes and accounts payable | 2,290 | (779) | 27,546 |
| Increase (decrease) in allowance for doubtful accounts | (240) | 323 | (2,885) |
| Other assets and liabilities | (131) | (522) | (1,573) |
| Other—net | 2,224 | 347 | 26,757 |
| Total adjustments | 17,193 | 32,065 | 206,777 |
| Net cash provided by operating activities | 16,168 | 21,371 | 194,448 |
| **Investing Activities:** | | | |
| Purchase of property, plant and equipment | (4,719) | (5,278) | (56,749) |
| Proceeds from sale of property, plant and equipment | 515 | 322 | 6,192 |
| Acquisition of intangible assets | (5,335) | (8,184) | (64,163) |
| Cash received in conjunction with sale of consolidated subsidiaries | 818 | | 9,848 |
| Other—net | 728 | (38) | 8,740 |
| Net cash used in investing activities | (7,993) | (13,178) | (96,132) |
| **Financing Activities:** | | | |
| Net decrease in short-term loans payable | (670) | (14,177) | (8,057) |
| Proceeds from long-term debt | | 27,604 | |
| Repayments of long-term debt | (24,236) | (8) | (291,473) |
| Purchase of treasury stock | (11) | (15) | (136) |
| Cash dividends paid to minority shareholders | (251) | (282) | (3,014) |
| Cash dividends paid | (521) | (2,064) | (6,270) |
| Other—net | 1 | 1 | 13 |
| Net cash (used in) provided by financing activities | (25,688) | 11,059 | (308,937) |
| **Effect of Exchange Rate Changes on Cash and Cash Equivalents** | (1,784) | 338 | (21,455) |
| **Net (Decrease) Increase in Cash and Cash Equivalents** | (19,297) | 19,590 | (232,076) |
| **Increase in Cash and Cash Equivalents Resulting from Change of Scope of Consolidation** | 76 | 132 | 918 |
| **Cash and Cash Equivalents, Beginning of Year** | 76,556 | 56,834 | 920,692 |
| **Cash and Cash Equivalents, End of Year** | ¥ 57,335 | ¥ 76,556 | $ 689,534 |

*See notes to consolidated financial statements.*

# NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

Yokogawa Electric Corporation and Consolidated Subsidiaries
Years Ended March 31, 2011 and 2010

## 1. Basis of Presenting the Consolidated Financial Statements

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

Under Japanese GAAP, a consolidated statement of comprehensive income is required from the fiscal year ended March 31, 2011, and has been presented herein. Accordingly, accumulated other comprehensive income is presented in the consolidated balance sheet and the consolidated statements of changes in equity. Information with respect to other comprehensive income for the year ended March 31, 2010 is disclosed in Note 18. In addition, "net loss before minority interests" is disclosed in the consolidated statements of operations from the year ended March 31, 2011.

In preparing these consolidated financial statements, certain reclassifications and rearrangements have been made to the consolidated financial statements issued in Japan in order to present them in a form which is more familiar to readers outside Japan. Certain comparative figures of the previous year have been reclassified to conform with the classification used in 2011.

The consolidated financial statements are stated in Japanese yen, the currency of the country in which Yokogawa Electric Corporation (the "Company") is incorporated and operates. The translations of Japanese yen amounts into US dollar amounts are included solely for the convenience of readers outside Japan and have been made at the rate of ¥83.15 to $1, the exchange rate at March 31, 2011. Such translations should not be construed as representations that the Japanese yen amounts could be converted into US dollars at that or any other rate.

## 2. Summary of Significant Accounting Policies

**a. Consolidation—**The consolidated financial statements as of March 31, 2011 include the accounts of the Company and its 85 significant (82 in 2010) subsidiaries (together, the "Group").

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

Investments in one (two in 2010) unconsolidated subsidiary and three (three in 2010) affiliated companies are accounted for by the equity method. Investments in the remaining unconsolidated subsidiaries and affiliated companies are stated at cost. If the equity method of accounting had been applied to the investments in these companies, the effect on the accompanying consolidated financial statements would not be material.

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

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

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

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

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

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

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

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

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

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

Accumulated depreciation deducted from cost of property, plant and equipment in the accompanying consolidated balance sheets amounted to ¥145,857 million (US$1,754,147 thousand) and ¥150,972 million at March 31, 2011 and 2010, respectively.

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

**h. Retirement and Pension Plans—**The Company and most of its consolidated subsidiaries have defined contribution plans, and some other consolidated subsidiaries have defined benefit plans for employees. Under a defined benefit plan, liability for retirement benefits represents the estimated present value of projected benefit obligations in excess of the fair value of plan assets less unrecognized actuarial gain (loss) and unrecognized prior service costs. Unrecognized actuarial gain (loss) is amortized on a straight-line basis over the expected average remaining years of service from the year following that in which they arise. Unrecognized prior service costs are charged to expense on a straight-line basis over the average remaining years of service of the employees.

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

The Company and its consolidated subsidiaries in Japan applied this accounting standard effective April 1, 2010. The effect of this change on the consolidated financial statements is not material.

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

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

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

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

All other leases are accounted for as operating leases.

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

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

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

Under this new accounting standard, construction revenue and costs should be recognized by the percentage-of-completion method if the outcome of the construction contract can be estimated reliably. When total construction revenue, total construction costs and the stage of completion of the contract at the balance sheet date can be reliably measured, the outcome of a construction contract can be estimated reliably. If the outcome of a construction contract cannot be reliably estimated, the completed-contract method shall be applied. When it is probable that total construction costs will exceed total construction revenue, an estimated loss on the contract should be immediately recognized by providing for a loss on construction contracts. This standard is applicable to construction contracts and software development contracts and effective for fiscal years beginning on or after April 1, 2009. The Company and its consolidated subsidiaries in Japan applied the new accounting standard effective April 1, 2009.

Certain consolidated subsidiaries outside Japan record construction revenue and costs based on the percentage-of-completion method, in accordance with either the International Financial Reporting Standards or the generally accepted accounting principles in the United States of America.

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

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

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

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

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

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

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

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

**s. New Accounting Pronouncements**

*Accounting Changes and Error Corrections*—In December 2009, the ASBJ issued ASBJ Statement No. 24, "Accounting Standard for Accounting Changes and Error Corrections" and ASBJ Guidance No. 24, "Guidance on Accounting Standard for Accounting Changes and Error Corrections." Accounting treatments under this standard and guidance are as follows: (1) Changes in Accounting Policies—When a new accounting policy is applied with revision of accounting standards, the new policy is applied retrospectively unless the revised accounting standards include specific transitional provisions. When the revised accounting standards include specific transitional provisions, an entity shall comply with the specific transitional provisions. (2) Changes in Presentations—When the presentation of financial statements is changed, prior period financial statements are reclassified in accordance with the new presentation. (3) Changes in Accounting Estimates—A change in an accounting estimate is accounted for in the period of the change if the change affects that period only, and is accounted for prospectively if the change affects both the period of the change and future periods. (4) Corrections of Prior Period Errors—When an error in prior period financial statements is discovered, those statements are restated. This accounting standard and the guidance are applicable to accounting changes and corrections of prior period errors which are made from the fiscal year that begins on or after April 1, 2011.

## 3. Investment Securities

Investment securities as of March 31, 2011 and 2010 consisted of the following:

| | Millions of yen | | Thousands of US dollars |
|---|---|---|---|
| | March 31 | | March 31 |
| | 2011 | 2010 | 2011 |
| Current: | | | |
| Government and municipal bonds | | ¥ 0 | |
| Non-current: | | | |
| Government and municipal bonds | ¥ 0 | 0 | $ 0 |
| Equity securities and other | 26,171 | 28,843 | 314,748 |
| Total | ¥26,171 | ¥28,843 | $314,748 |

The cost and aggregate fair values of investment securities at March 31, 2011 and 2010 were as follows:

| | | | | Millions of yen |
|---|---|---|---|---|
| **March 31, 2011** | Cost | Unrealized gain | Unrealized loss | Fair value |
| Securities classified as: | | | | |
| Available-for-sale: | | | | |
| Equity securities | ¥11,566 | ¥2,960 | ¥244 | ¥14,282 |
| Other | 12 | | 3 | 9 |
| Held-to-maturity | 0 | | | 0 |
| March 31, 2010 | | | | |
| Securities classified as: | | | | |
| Available-for-sale: | | | | |
| Equity securities | ¥13,752 | ¥4,272 | ¥1,385 | ¥16,639 |
| Other | 14 | | 4 | 10 |
| Held-to-maturity | 0 | | | 0 |

| | | | | Thousands of US dollars |
|---|---|---|---|---|
| **March 31, 2011** | Cost | Unrealized gain | Unrealized loss | Fair value |
| Securities classified as: | | | | |
| Available-for-sale: | | | | |
| Equity securities | $139,098 | $35,595 | $2,930 | $171,763 |
| Other | 141 | | 33 | 108 |
| Held-to-maturity | 0 | | | 0 |

The information for available-for-sale securities sold during the years ended March 31, 2011 and 2010 is as follows:

| | Millions of yen | | |
|---|---|---|---|
| **March 31, 2011** | Proceeds | Realized gain | Realized loss |
| Available-for-sale: | | | |
| Equity securities | **¥652** | **¥214** | **¥0** |

| | Millions of yen | | |
|---|---|---|---|
| March 31, 2010 | Proceeds | Realized gain | Realized loss |
| Available-for-sale: | | | |
| Equity securities | ¥14 | ¥2 | ¥0 |

| | Thousands of US dollars | | |
|---|---|---|---|
| **March 31, 2011** | Proceeds | Realized gain | Realized loss |
| Available-for-sale: | | | |
| Equity securities | **$7,837** | **$2,572** | **$0** |

The impairment losses on available-for-sale securities for the years ended March 31, 2011 and 2010 were ¥2,251 million (US$27,067 thousand) and ¥220 million, respectively.

## 4. Transfer of Receivables

The Company and certain consolidated subsidiaries transferred their trade notes and accounts receivable before maturity based on an asset transfer agreement. The balance of those receivables that were outstanding whose settlement date had not been reached as of March 31, 2011 and 2010 was as follows:

| | Millions of yen | | Thousands of US dollars |
|---|---|---|---|
| | March 31 | | March 31 |
| | **2011** | 2010 | **2011** |
| Notes and accounts receivable—trade | **¥11,290** | ¥6,870 | **$135,783** |
| (with recourse, included in above) | **(972)** | (487) | **(11,691)** |

## 5. Inventories

Inventories at March 31, 2011 and 2010 consisted of the following:

| | Millions of yen | | Thousands of US dollars |
|---|---|---|---|
| | March 31 | | March 31 |
| | **2011** | 2010 | **2011** |
| Merchandise and finished goods | **¥16,478** | ¥15,803 | **$198,168** |
| Work in process | **8,745** | 9,839 | **105,172** |
| Raw materials and supplies | **10,251** | 9,043 | **123,281** |
| Total | **¥35,474** | ¥34,685 | **$426,621** |

## 6. Long-lived Assets

The Group reviewed its long-lived assets for impairment as of the years ended March 31, 2011 and 2010. As a result, impairment loss of ¥708 million (US$8,510 thousand) and ¥6,159 million was recognized for 2011 and 2010, respectively. The main components of the impairment loss on long-lived assets for the years ended March 31, 2011 and 2010 were as follows:

| | Millions of yen | | Thousands of US dollars |
|---|---|---|---|
| | 2011 | 2010 | 2011 |
| Land | ¥122 | ¥ 208 | $1,468 |
| Buildings and structures | 367 | 2,252 | 4,411 |
| Machinery, equipment and vehicles | 46 | 2,927 | 549 |
| Tools, furniture and fixtures | 162 | 425 | 1,949 |
| Other | 11 | 347 | 133 |
| Total | ¥708 | ¥6,159 | $8,510 |

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

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

Short-term bank loans at March 31, 2011 and 2010 consisted of bank overdrafts. The annual average interest rates on the short-term bank loans were 2.287% and 2.334% for the years ended March 31, 2011 and 2010, respectively.

Long-term debt as of March 31, 2011 and 2010 consisted of the following:

| | Millions of yen | | Thousands of US dollars |
|---|---|---|---|
| | March 31 | | March 31 |
| | 2011 | 2010 | 2011 |
| Loans from banks and other financial institutions | ¥104,926 | ¥129,087 | $1,261,886 |
| Obligations under finance leases | 295 | 271 | 3,550 |
| | 105,221 | 129,358 | 1,265,436 |
| Less: Current portion | 48,300 | 24,321 | 580,881 |
| | ¥ 56,921 | ¥105,037 | $ 684,555 |

Annual maturities of long-term loans from banks and other financial institutions, excluding finance leases at March 31, 2011, were as follows:

| Year Ending March 31 | Millions of yen | Thousands of US dollars |
|---|---|---|
| 2012 | ¥ 48,187 | $ 579,515 |
| 2013 | 4,045 | 48,652 |
| 2014 | 26,193 | 315,004 |
| 2015 | 193 | 2,317 |
| 2016 | 192 | 2,314 |
| 2017 and thereafter | 26,116 | 314,084 |
| Total | ¥104,926 | $1,261,886 |

The annual average interest rate on long-term loans (excluding current portion) from banks was 2.968% for the year ended March 31, 2011.

Collateral and Secured Debt:

| | Millions of yen | | Thousands of US dollars |
|---|---|---|---|
| | March 31 | | March 31 |
| | 2011 | 2010 | 2011 |
| Collateral: | | | |
| Deposits | ¥ 13 | ¥ 13 | $ 151 |
| Investment securities | 3 | 4 | 41 |
| Assets in consolidated subsidiaries outside Japan* | 5,132 | 5,098 | 61,725 |
| Total | ¥5,148 | ¥5,115 | $61,917 |

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

| | Millions of yen | | Thousands of US dollars |
|---|---|---|---|
| | March 31 | | March 31 |
| | 2011 | 2010 | 2011 |
| Secured debt: | | | |
| Notes and accounts payable—trade | ¥14 | ¥6 | $164 |
| Total | ¥14 | ¥6 | $164 |

The Group's interest-bearing debt includes financial covenants which require the Company to maintain certain levels of equity and operating income on a consolidation basis.

## 8. Retirement and Pension Plans

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

The (liability) asset for employees' retirement benefits at March 31, 2011 and 2010 consisted of the following:

| | Millions of yen | | Thousands of US dollars |
|---|---|---|---|
| | March 31 | | March 31 |
| | 2011 | 2010 | 2011 |
| Projected benefit obligation | ¥(5,618) | ¥(6,111) | $(67,565) |
| Fair value of plan assets | 3,436 | 3,130 | 41,320 |
| Unfunded projected benefit | (2,182) | (2,981) | (26,245) |
| Unrecognized actuarial gain | 90 | 119 | 1,084 |
| Unrecognized prior service cost | 25 | 6 | 298 |
| Net liability | ¥(2,067) | ¥(2,856) | $(24,863) |

The components of net periodic benefit costs for the years ended March 31, 2011 and 2010 were as follows:

| | Millions of yen | | Thousands of US dollars |
|---|---|---|---|
| | 2011 | 2010 | 2011 |
| Service cost | ¥ 626 | ¥ 723 | $ 7,532 |
| Interest cost | 215 | 213 | 2,588 |
| Expected return on plan assets | (167) | (127) | (2,011) |
| Amortization of actuarial gain | 38 | 34 | 455 |
| Amortization of prior service cost | (5) | (33) | (56) |
| Additional retirement benefit and other | 6,146 | 1,367 | 73,909 |
| Contribution to defined contribution plan | 6,017 | 6,314 | 72,369 |
| Net periodic benefit costs | ¥12,870 | ¥8,491 | $154,786 |

The additional retirement benefit includes the special retirement benefit expenses that are included in restructuring costs in the consolidated statements of operations.

Assumptions used for the years ended March 31, 2011 and 2010 were as follows:

| | 2011 | 2010 |
|---|---|---|
| Discount rate | 2.8–5.5% | Mainly 2.0% |
| Expected rate of return on plan assets | 0.0–7.0% | Mainly 0.0% |
| Method of attributing the projected benefits to periods of service | Mainly attributing benefits to periods of service under the plan's benefit formula | Mainly straight line amortization |
| Amortization of prior service cost | Mainly 10 years | Mainly 10 years |
| Amortization of actuarial gain | Mainly 10 years | Mainly 10 years |

## 9. Equity

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

(a) Dividends

Under the Companies Act, companies can pay dividends at any time during the fiscal year in addition to the year-end dividend upon resolution at the shareholders meeting. For companies that meet certain criteria such as: (1) having the Board of Directors, (2) having independent auditors, (3) having the Board of Corporate Auditors, and (4) the term of service of the directors is prescribed as one year rather than two years of normal term by its articles of incorporation, the Board of Directors may declare dividends (except for dividends in kind) at any time during the fiscal year if the company has prescribed so in its articles of incorporation.

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

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

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

(c) Treasury stock and treasury stock acquisition rights

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

## 10. Income Taxes

The tax effects of significant temporary differences and tax loss carryforwards which resulted in deferred tax assets and liabilities at March 31, 2011 and 2010 were as follows:

| | Millions of yen | | Thousands of US dollars |
|---|---|---|---|
| | 2011 | 2010 | 2011 |
| Deferred tax assets: | | | |
| Provision for retirement benefits | ¥ 316 | ¥ 701 | $ 3,800 |
| Tax loss carryforwards | 39,825 | 35,645 | 478,956 |
| Impairment loss on investment securities | 3,241 | 2,368 | 38,975 |
| Provision for bonuses | 3,322 | 3,033 | 39,957 |
| Write-down of inventories | 3,525 | 4,537 | 42,392 |
| Accrued expenses resulting from transfer of pension plan | 1,650 | 3,125 | 19,849 |
| Impairment loss on investments in consolidated subsidiaries | 7,021 | 7,863 | 84,440 |
| Other | 9,429 | 8,755 | 113,393 |
| Less: Valuation allowance | (63,084) | (60,146) | (758,678) |
| Total | ¥ 5,245 | ¥ 5,881 | $ 63,084 |
| Deferred tax liabilities: | | | |
| Property, plant and equipment | ¥ (979) | ¥ (1,333) | $ (11,776) |
| Undistributed earnings of consolidated subsidiaries outside Japan | (150) | (122) | (1,810) |
| Net realized gain on available-for-sale securities | (542) | (403) | (6,516) |
| Other | (469) | (378) | (5,643) |
| Total | ¥ (2,140) | ¥ (2,236) | $ (25,745) |
| Net deferred tax assets | ¥ 3,105 | ¥ 3,645 | $ 37,339 |

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

| | Millions of yen | | Thousands of US dollars |
|---|---|---|---|
| | 2011 | 2010 | 2011 |
| Current assets—Deferred tax assets | ¥ 2,829 | ¥ 3,269 | $ 34,025 |
| Investments and other assets—Deferred tax assets | 2,077 | 2,318 | 24,976 |
| Current liabilities—Other | (128) | (133) | (1,543) |
| Long-term liabilities—Other | (1,673) | (1,809) | (20,119) |
| Net deferred tax assets | ¥ 3,105 | ¥ 3,645 | $ 37,339 |

A reconciliation between the normal effective statutory tax rate and the actual effective tax rate reflected in the accompanying consolidated statements of operations for the years ended March 31, 2011 and 2010 is as follows:

| | 2011 | 2010 |
|---|---|---|
| Normal effective statutory tax rate | 40.7 % | 40.7 % |
| Permanent differences | | |
| Expenses not deductible for income tax purposes | (66.4) | (8.8) |
| Dividend income and other non-taxable income | 9.0 | 2.5 |
| Equity in earnings of affiliates | 24.0 | 2.0 |
| Changes in valuation allowance | (812.8) | (90.5) |
| Lower income tax rates applicable to certain consolidated subsidiaries outside Japan | 318.1 | 24.2 |
| Other—net | (12.2) | (3.6) |
| Actual effective tax rate | (499.6)% | (33.5)% |

## 11. Research and Development Costs

Research and development costs charged to income were ¥29,180 million (US$350,931 thousand) and ¥28,787 million for the years ended March 31, 2011 and 2010, respectively.

## 12. Leases

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

As disclosed in Note 2k, the Group accounts for leases which existed at the transition date and do not transfer ownership of the leased property to the lessee as operating lease transactions. Pro forma information of such leases existing at the transition date on an "as if capitalized" basis for the years ended March 31, 2011 and 2010 is as follows:

**Finance lease assets**

| | Millions of yen | | | | Thousands of US dollars |
|---|---|---|---|---|---|
| | 2011 | | | | 2011 |
| | Acquisition cost | Accumulated depreciation | Accumulated impairment loss | Balance as of March 31, 2011 | Balance as of March 31, 2011 |
| Buildings and structures | ¥ 9 | ¥ 8 | | ¥ 1 | $ 11 |
| Machinery, equipment and vehicles | 69 | 52 | ¥11 | 6 | 74 |
| Tools, furniture and fixtures | 571 | 407 | | 164 | 1,971 |
| Intangible assets | 52 | 45 | | 7 | 85 |
| Total | ¥701 | ¥512 | ¥11 | ¥178 | $2,141 |

| | Millions of yen | | | |
|---|---|---|---|---|
| | 2010 | | | |
| | Acquisition cost | Accumulated depreciation | Accumulated impairment loss | Balance as of March 31, 2010 |
| Buildings and structures | ¥ 10 | ¥ 8 | | ¥ 2 |
| Machinery, equipment and vehicles | 76 | 49 | ¥11 | 16 |
| Tools, furniture and fixtures | 798 | 507 | | 291 |
| Intangible assets | 101 | 77 | | 24 |
| Total | ¥985 | ¥641 | ¥11 | ¥333 |

The acquisition cost includes the imputed interest expense portion.

**Obligations under finance leases**

| | Millions of yen | | Thousands of US dollars |
|---|---|---|---|
| | March 31 | | March 31 |
| | 2011 | 2010 | 2011 |
| Due within one year | ¥ 93 | ¥152 | $1,116 |
| Due after one year | 85 | 181 | 1,025 |
| | ¥178 | ¥333 | $2,141 |

The allowance for impairment loss on leased property of ¥6 million (US$71 thousand) and ¥9 million as of March 31, 2011 and 2010, respectively, is not included in the obligations under finance leases.

**Depreciation expense, interest expense and other information under finance leases:**

| | Millions of yen | | Thousands of US dollars |
|---|---|---|---|
| | March 31 | | March 31 |
| | 2011 | 2010 | 2011 |
| Lease payment for the year | ¥155 | ¥235 | $1,867 |
| Reversal of allowance for impairment loss on leased property | 3 | 2 | 42 |
| Depreciation expense | 152 | 233 | 1,825 |

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

The minimum rental commitments under non-cancelable operating leases at March 31, 2011 were as follows:

| | Millions of yen | Thousands of US dollars |
|---|---|---|
| Due within one year | ¥1,493 | $17,951 |
| Due after one year | 2,756 | 33,152 |
| | ¥4,249 | $51,103 |

## 13. Financial Instruments and Related Disclosures

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

**1. Information regarding financial instruments**

a) Group policy on financial instruments

Based on the Group's capital expenditure program for the industrial automation and control business and the test and measurement business, the Group uses financial instruments such as bank loans to get necessary funding. Cash surpluses are invested in low risk financial assets. Short-term bank loans are used to fund ongoing operations. Derivatives are used to manage exposure to financial risks as described in Note 14 and are not used for speculative purposes.

b) Nature of the financial instruments and risk management

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

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

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

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

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

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

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

## 2. Fair value of financial instruments

The carrying amounts in the consolidated balance sheet, fair value, and the difference between the two as of March 31, 2011 and 2010 are as follows.

In addition, financial instruments, of which it is extremely difficult to measure the fair value, are not included. Please see Note 2 on page 46.

| | Millions of yen | | |
|---|---|---|---|
| | March 31, 2011 | | |
| | Carrying amount | Fair value | Unrealized gain (loss) |
| (1) Cash and cash equivalents | ¥ 57,335 | ¥ 57,335 | |
| (2) Receivables—trade notes and trade accounts | 103,492 | | |
| Less: Allowance for doubtful accounts | (3,175) | | |
| | 100,317 | 100,317 | |
| (3) Investment securities | 14,291 | 14,291 | |
| Total | ¥171,943 | ¥171,943 | |
| (1) Short-term loans payable | ¥ 6,072 | ¥ 6,072 | |
| (2) Payables—trade notes and trade accounts | 28,807 | 28,807 | |
| (3) Payables—other | 12,828 | 12,828 | |
| (4) Income taxes payable | 3,270 | 3,270 | |
| (5) Long-term loans payable | 104,926 | 105,840 | ¥914 |
| Total | ¥155,903 | ¥156,817 | ¥914 |
| Derivatives | ¥ (146) | ¥ (146) | |

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

| | Thousands of US dollars | | |
|---|---|---|---|
| | March 31, 2011 | | |
| | Carrying amount | Fair value | Unrealized gain (loss) |
| (1) Cash and cash equivalents | $ 689,534 | $ 689,534 | |
| (2) Receivables—trade notes and trade accounts | 1,244,646 | | |
| Less: Allowance for doubtful accounts | (38,188) | | |
| | 1,206,458 | 1,206,458 | |
| (3) Investment securities | 171,871 | 171,871 | |
| Total | $2,067,863 | $2,067,863 | |
| (1) Short-term loans payable | $ 73,022 | $ 73,022 | |
| (2) Payables—trade notes and trade accounts | 346,445 | 346,445 | |
| (3) Payables—other | 154,278 | 154,278 | |
| (4) Income taxes payable | 39,330 | 39,330 | |
| (5) Long-term loans payable | 1,261,885 | 1,272,878 | $10,993 |
| Total | $1,874,960 | $1,885,953 | $10,993 |
| Derivatives | $ (1,758) | $ (1,758) | |

*Notes: 1. Fair value measurement of financial instruments*

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

*Investment securities:*
*The fair value of equity instruments is measured at the quoted equity market price, and the fair value of debt instruments is measured at the quoted price obtained from the respective financial institution. Information on the fair value of each class of investment securities is included in Note 3.*

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

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

*Long-term other payables:*
*The fair value of long-term other payables is determined by discounting cash flows divided by certain time intervals at the appropriate rates. Long-term other payables are included in the following account in the accompanying consolidated balance sheets: long-term liabilities—other.*

*Derivatives:*
*Information on the fair value of derivatives is included in Note 14.*

*2. Financial instruments whose fair value cannot be reliably determined*

| | Carrying amount | | |
|---|---|---|---|
| | *Millions of yen* | *Millions of yen* | *Thousands of US dollars* |
| | ***March 31, 2011*** | *March 31, 2010* | ***March 31, 2011*** |
| *Unlisted equity securities* | *¥17,441* | *¥17,530* | *$209,749* |

Maturity analysis for financial assets and securities with contractual maturities

| | Millions of yen | | Thousands of US dollars | |
|---|---|---|---|---|
| | March 31, 2011 | | March 31, 2011 | |
| | Due in one year or less | Due after one year through five years | Due in one year or less | Due after one year through five years |
| Cash and cash equivalents | ¥ 57,335 | | $ 689,534 | |
| Receivables—trade notes and accounts | 103,454 | ¥38 | 1,244,193 | $453 |
| Investment securities | | | | |
| Held-to-maturity securities | | 0 | | 0 |
| Total | ¥160,789 | ¥38 | $1,933,727 | $453 |

## 14. Derivatives

As noted in Note 13, the Group has applied ASBJ Statement No. 10, "Accounting Standard for Financial Instruments" and ASBJ Guidance No. 19, "Guidance on Accounting Standard for Financial Instruments and Related Disclosures." The accounting standard and the guidance are applicable to financial instruments and related disclosures for the fiscal years ending on or after March 31, 2010.

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

**(1) Derivative transactions to which hedge accounting is not applied at March 31, 2011**

| | Millions of yen | | | |
|---|---|---|---|---|
| | March 31, 2011 | | | |
| | Contract amount, etc. | | | |
| | Total | Due over one year | Fair value | Unrealized gain (loss) |
| **Forward exchange contracts** | | | | |
| Selling contracts | | | | |
| US dollar | ¥ 5,546 | | ¥ 61 | ¥ 61 |
| Other | 382 | ¥74 | (3) | (3) |
| Buying contracts | | | | |
| US dollar | 2,049 | | (93) | (93) |
| Other | 50 | | (1) | (1) |
| **Currency options** | | | | |
| Selling contracts | | | | |
| CALL | | | | |
| US dollar | 6,352 | | | |
| (Option premium) | (—) | | | |
| Buying contracts | | | | |
| PUT | | | | |
| US dollar | 3,126 | | 93 | 93 |
| (Option premium) | (—) | | | |
| **Currency swaps** | 2,888 | | (20) | (20) |
| Total | ¥20,393 | ¥74 | ¥ 37 | ¥ 37 |

**(2) Derivative transactions to which hedge accounting is applied at March 31, 2011**

| | | Millions of yen | | |
|---|---|---|---|---|
| | | March 31, 2011 | | |
| | | Contract amount, etc. | | |
| | Hedged item | Total | Due over one year | Fair value |
| **Forward exchange contracts** | | | | |
| Buying contracts | | | | |
| US dollar | Payables | ¥ 4,262 | | ¥(183) |
| **Interest rate swaps** | | | | |
| Pay fixed/Receive floating | Long-term debt | ¥66,000 | ¥26,000 | Note 2 |

### (1) Derivative transactions to which hedge accounting is not applied at March 31, 2010

| | Millions of yen | | | |
|---|---|---|---|---|
| | March 31, 2010 | | | |
| | Contract amount, etc. | | | |
| | Total | Due over one year | Fair value | Unrealized gain (loss) |
| **Forward exchange contracts** | | | | |
| Selling contracts | | | | |
| US dollar | ¥7,430 | | ¥(114) | ¥(114) |
| Other | 327 | | 7 | 7 |
| Buying contracts | | | | |
| US dollar | 1,362 | | 60 | 60 |
| Other | 35 | | (2) | (2) |
| **Currency options** | | | | |
| Selling contracts | | | | |
| CALL | | | | |
| US dollar | 4,894 | | | |
| (Option premium) | (—) | | | |
| Buying contracts | | | | |
| PUT | | | | |
| US dollar | 2,382 | | 14 | 14 |
| (Option premium) | (—) | | | |
| **Currency swaps** | 5,262 | ¥500 | (190) | (190) |
| Total | | | | ¥(225) |
| **Interest rate swaps** | | | | |
| Pay fixed/Receive floating | ¥38 | | ¥(0) | ¥(0) |

### (2) Derivative transactions to which hedge accounting is applied at March 31, 2010

| | | Millions of yen | | |
|---|---|---|---|---|
| | | March 31, 2010 | | |
| | | Contract amount, etc. | | |
| | Hedged item | Total | Due over one year | Fair value |
| **Forward exchange contracts** | | | | |
| Buying contracts | | | | |
| US dollar | Payables | ¥ 1,556 | | ¥110 |
| **Interest rate swaps** | | | | |
| Pay fixed/Receive floating | Long-term debt | ¥90,000 | ¥66,000 | Note 2 |

### (1) Derivative transactions to which hedge accounting is not applied at March 31, 2011

| | Thousands of US dollars | | | |
|---|---|---|---|---|
| | March 31, 2011 | | | |
| | Contract amount, etc. | | | |
| | Total | Due over one year | Fair value | Unrealized gain (loss) |
| **Forward exchange contracts** | | | | |
| Selling contracts | | | | |
| US dollar | $ 66,701 | | $ 729 | $ 729 |
| Other | 4,593 | $890 | (42) | (42) |
| Buying contracts | | | | |
| US dollar | 24,638 | | (1,121) | (1,121) |
| Other | 598 | | (7) | (7) |
| **Currency options** | | | | |
| Selling contracts | | | | |
| CALL | | | | |
| US dollar | 76,400 | | | |
| (Option premium) | (—) | | | |
| Buying contracts | | | | |
| PUT | | | | |
| US dollar | 37,600 | | 1,126 | 1,126 |
| (Option premium) | (—) | | | |
| **Currency swaps** | 34,731 | | (242) | (242) |
| Total | $245,261 | $890 | $ 443 | $ 443 |

### (2) Derivative transactions to which hedge accounting is applied at March 31, 2011

| | | Thousands of US dollars | | |
|---|---|---|---|---|
| | | March 31, 2011 | | |
| | | Contract amount, etc. | | |
| | Hedged item | Total | Due over one year | Fair value |
| **Forward exchange contracts** | | | | |
| Buying contracts | | | | |
| US dollar | Payables | $ 51,256 | | $(2,201) |
| **Interest rate swaps** | | | | |
| Pay fixed/Receive floating | Long-term debt | $793,746 | $312,688 | Note 2 |

*Notes: 1. The above interest rate swaps which qualify for hedge accounting and meet specific matching criteria are not remeasured at market value, but the differential paid or received under the swap agreements is recognized and included in interest expense or income.*
*2. The fair value of such interest rate swaps is included in that of hedged items disclosed in Note 13.*

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

Currency options are zero cost options. The fair value and unrealized gain (loss) is the net of the selling contract and buying contract.

## 15. Commitment Line Agreements

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

The commitment line of credit as of March 31, 2011 and 2010 was as follows:

| | Millions of yen | | Thousands of US dollars |
|---|---|---|---|
| | March 31 | | March 31 |
| | 2011 | 2010 | 2011 |
| Total commitment line of credit | ¥30,000 | ¥40,000 | $360,794 |
| Outstanding borrowings | — | — | — |
| Unused credit line | ¥30,000 | ¥40,000 | $360,794 |

## 16. Restructuring Related Expenses

Restructuring cost for the year ended March 31, 2011 mainly consist of special retirement benefit expenses and retirement related costs of ¥6,732 million (US$80,968 thousand), and Company's reorganization costs of ¥67 million (US$814 thousand).

Meanwhile, the restructuring costs for the year ended March 31, 2010 consists of subsidiaries' restructuring costs of ¥1,374 million and a loss on disposal of inventory of ¥177 million related to discontinued operations. Additional retirement expenses of ¥866 million and reorganization costs of ¥219 million for certain consolidated subsidiaries are also included.

## 17. Contingent Liabilities

At March 31, 2011, the Group had the following contingent liabilities:

| | Millions of yen | Thousands of US dollars |
|---|---|---|
| | March 31, 2011 | March 31, 2011 |
| | 2011 | 2011 |
| Guarantees and similar items of bank loans | ¥104 | $1,247 |

## 18. Comprehensive Income

Other comprehensive income for the year ended March 31, 2010 consists of the following:

| | Millions of yen |
|---|---|
| Other comprehensive income: | |
| Net unrealized gain on available-for-sale securities | ¥2,459 |
| Deferred gain on derivatives under hedge accounting | 83 |
| Adjustment relating to pension liability | 15 |
| Foreign currency translation adjustments | 363 |
| Share of other comprehensive income in affiliates | 11 |
| Total other comprehensive income | ¥2,930 |

Total comprehensive income for the year ended March 31, 2010 comprises the following:

| | Millions of yen |
|---|---|
| Total comprehensive income attributable to: | |
| Owners of the parent | ¥(11,818) |
| Minority interests | 474 |
| Total comprehensive income | ¥(11,344) |

## 19. Per Share Information

Basic net income per share ("EPS") for the years ended March 31, 2011 and 2010 is as follows:

| | Millions of yen | Thousands of shares | Yen | Dollars |
|---|---|---|---|---|
| | Net loss | Weighted average shares | | EPS |
| **For the year ended March 31, 2011:** | | | | |
| Basic EPS | | | | |
| Net loss attributable to common shareholders | **¥ (6,693)** | **257,563** | **¥(25.98)** | **$(0.31)** |
| For the year ended March 31, 2010: | | | | |
| Basic EPS | | | | |
| Net loss attributable to common shareholders | ¥(14,799) | 257,580 | ¥(57.45) | |

Diluted net income per share is not disclosed because it is anti-dilutive due to the Group's net loss position.

## 20. Segment Information

In March 2008, the ASBJ revised ASBJ Statement No. 17, "Accounting Standard for Segment Information Disclosures" and issued ASBJ Guidance No. 20, "Guidance on Accounting Standard for Segment Information Disclosures." Under the standard and guidance, an entity is required to report financial and descriptive information about its reportable segments. Reportable segments are operating segments or aggregations of operating segments that meet specified criteria. Operating segments are components of an entity about which separate financial information is available and such information is evaluated regularly by the chief operating decision maker in deciding how to allocate resources and in assessing performance. Generally, segment information is required to be reported on the same basis as is used internally for evaluating operating segment performance and deciding how to allocate resources to operating segments. This accounting standard and the guidance are applicable to segment information disclosures for the fiscal years beginning on or after April 1, 2010.

The segment information for the year ended March 31, 2010 under the revised accounting standard is also disclosed hereunder as required.

**1. Description of reportable segments**

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

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

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

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

**2. Accounting methods for each reportable segment's sales, profits (losses), assets, and other items**

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

The profits or losses for a reportable segment correspond to the operating income or loss in the consolidated statements of operations.

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

### 3. Information about Sales and Operating Income (Loss), Assets and Other Items

Millions of yen, 2011

| | Reportable segment | | | | |
|---|---|---|---|---|---|
| | Industrial automation and control | Test and measurement | Other | Eliminations/ Corporate | Consolidated |
| Sales to customers | ¥260,665 | ¥37,076 | ¥27,880 | | ¥325,621 |
| Intersegment sales | 1,587 | 6,011 | 509 | ¥(8,107) | |
| Total sales | 262,252 | 43,087 | 28,389 | (8,107) | 325,621 |
| Segment income (loss) | 16,464 | (6,391) | 1,006 | | 11,079 |
| Segment assets | 192,762 | 34,274 | 22,958 | 169 | 250,163 |
| Depreciation and amortization | 10,639 | 2,172 | 1,025 | | 13,836 |
| Impairment loss | 306 | 378 | 24 | | 708 |
| Capital expenditures | 8,929 | 884 | 1,524 | | 11,337 |
| Amortization of goodwill | 126 | | | | 126 |
| Goodwill | 1,823 | | | | 1,823 |

Millions of yen, 2010

| | Reportable segment | | | | |
|---|---|---|---|---|---|
| | Industrial automation and control | Test and measurement | Other | Eliminations/ Corporate | Consolidated |
| Sales to customers | ¥257,312 | ¥ 31,926 | ¥27,368 | | ¥316,606 |
| Intersegment sales | 2,011 | 4,384 | 656 | ¥(7,051) | |
| Total sales | 259,323 | 36,310 | 28,024 | (7,051) | 316,606 |
| Segment income (loss) | 19,713 | (18,268) | 1,174 | | 2,619 |
| Segment assets | 199,088 | 41,047 | 24,505 | 110 | 264,750 |
| Depreciation and amortization | 11,173 | 3,743 | 1,117 | | 16,033 |
| Impairment loss | 125 | 5,548 | 278 | 208 | 6,159 |
| Capital expenditures | 9,255 | 1,412 | 458 | | 11,125 |

Thousands of US dollars, 2011

| | Reportable segment | | | | |
|---|---|---|---|---|---|
| | Industrial automation and control | Test and measurement | Other | Eliminations/ Corporate | Consolidated |
| Sales to customers | $3,134,877 | $445,893 | $335,296 | | $3,916,066 |
| Intersegment sales | 19,086 | 72,291 | 6,121 | $(97,498) | |
| Total sales | 3,153,963 | 518,184 | 341,417 | (97,498) | 3,916,066 |
| Segment income (loss) | 198,004 | (76,861) | 12,103 | | 133,246 |
| Segment assets | 2,318,240 | 412,198 | 276,100 | 2,037 | 3,008,575 |
| Depreciation and amortization | 127,948 | 26,124 | 12,327 | | 166,399 |
| Impairment loss | 3,675 | 4,550 | 285 | | 8,510 |
| Capital expenditures | 107,387 | 10,635 | 18,325 | | 136,347 |
| Amortization of goodwill | 1,511 | | | | 1,511 |
| Goodwill | 21,921 | | | | 21,921 |

### 4. Information about Geographical Areas

#### a. Sales

| | Japan | Asia | Europe | North America | Middle East | Others | Total |
|---|---|---|---|---|---|---|---|
| | | | | | | | Millions of yen |
| | | | | | | | 2011 |
| Sales | ¥140,920 | ¥77,038 | ¥26,844 | ¥20,997 | ¥22,953 | ¥36,869 | ¥325,621 |

| | Japan | Asia | Europe | North America | Middle East | Others | Total |
|---|---|---|---|---|---|---|---|
| | | | | | | | Thousands of US dollars |
| | | | | | | | 2011 |
| Sales | $1,694,780 | $926,490 | $322,833 | $252,521 | $276,040 | $443,402 | $3,916,066 |

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

#### b. Property, Plant and Equipment

| Japan | Asia | Europe | North America | Middle East | Others | Total |
|---|---|---|---|---|---|---|
| | | | | | | Millions of yen |
| | | | | | | 2011 |
| ¥60,826 | ¥10,344 | ¥6,510 | ¥2,176 | ¥786 | ¥460 | ¥81,102 |

| Japan | Asia | Europe | North America | Middle East | Others | Total |
|---|---|---|---|---|---|---|
| | | | | | | Thousands of US dollars |
| | | | | | | 2011 |
| $731,517 | $124,405 | $78,287 | $26,169 | $9,455 | $5,533 | $975,366 |

### 5. Information about Major Customers

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

**For the year ended March 31, 2010**

The Group operates in three business segments: industrial automation and control, test and measurement, and other businesses. These businesses deal with the following main 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

### (1) Business Segments

#### a. Sales and Operating Income (Loss)

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

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

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

*Note: Effective April 1, 2009, the companies in Japan have applied ASBJ Statement No. 15, "Accounting Standard for Construction Contracts" and ASBJ Guidance No. 18, "Guidance on Accounting Standard for Construction Contracts." The effect of this change was to increase industrial automation and control business sales by ¥775 million and operating income by ¥345 million.*

### (2) Geographical Segments

The geographical segments of the Group for the year ended March 31, 2010 are summarized as follows:

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

*Notes: 1. Geographical distances are considered in the classification of country or area.*

*2. Major countries or areas included in each segment except for Japan are as follows:*

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

*3. The companies in Japan have applied ASBJ Statement No. 15, "Accounting Standard for Construction Contracts" and ASBJ Guidance No. 18, "Guidance on Accounting Standard for Construction Contracts." The effect of this change was to increase Japan region sales by ¥775 million and decrease the operating loss by ¥345 million.*

### (3) Sales to Foreign Customers

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

*Notes: 1. Geographical distances are considered in the classification of country or area.*

*2. Major countries or areas included in each segment except for Japan are as follows:*

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

Deloitte.

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## INDEPENDENT AUDITORS' REPORT

To the Board of Directors of
Yokogawa Electric Corporation:

We have audited the accompanying consolidated balance sheets of Yokogawa Electric Corporation and consolidated subsidiaries (the "Company") as of March 31, 2011 and 2010, and the related consolidated statements of operations for the years then ended, the consolidated statement of comprehensive income for the year ended March 31, 2011, and the related consolidated statements of changes in equity, and cash flows for the years then ended, all expressed in Japanese yen. These consolidated financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these consolidated financial statements based on our audits.

We conducted our audits in accordance with auditing standards generally accepted in Japan. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the consolidated financial position of Yokogawa Electric Corporation and consolidated subsidiaries as of March 31, 2011 and 2010, and the consolidated results of their operations and their cash flows for the years then ended in conformity with accounting principles generally accepted in Japan.

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

Deloitte Touche Tohmatsu LLC.

June 14, 2011

Member of
**Deloitte Touche Tohmatsu Limited**

# SUBSIDIARIES AND AFFILIATES

As of March 31, 2011

■ Industrial Automation and Control Business
▲ Test and Measurement Business
● Other Businesses

★ Holding company
□ Subsidiary
○ Affiliate

| Area/Company Name | Investment Ratio *( ) indicates second-tier subsidiary | Business Segment | Subsidiary/ Affiliate |
|---|---|---|---|
| **North America** | | | |
| **United States** | | | |
| Yokogawa Corporation of America | (100) | ■/▲ | □ |
| Yokogawa USA, Inc. | 100 | ★ | □ |
| Yokogawa Nuclear Solutions, LLC | (100) | ■/▲ | □ |
| **Canada** | | | |
| Yokogawa Canada, Inc. | (100) | ■ | □ |
| **Mexico** | | | |
| Yokogawa de Mexico, S.A. de C.V. | (100) | ■ | □ |
| Yokogawa Engineering Services de Mexico, S.A. de C.V. | (100) | ■ | □ |
| **South America** | | | |
| **Brazil** | | | |
| Yokogawa America do Sul Ltda. | 100 | ■/▲ | □ |
| Yokogawa Service Ltda. | (100) | ■ | □ |
| **Europe** | | | |
| **Netherlands** | | | |
| Yokogawa Europe B.V. | 100 | ■/▲ | □ |
| Yokogawa Europe Solutions B.V. | (100) | ■ | □ |
| Yokogawa Europe Branches B.V. | (100) | ★ | □ |
| **Austria** | | | |
| Yokogawa GesmbH, Central East Europe | (100) | ■ | □ |
| **Belgium** | | | |
| Yokogawa Belgium N.V./S.A. | (100) | ■ | □ |
| **France** | | | |
| Yokogawa France S.A.S. | (100) | ■ | □ |
| **Germany** | | | |
| Yokogawa Deutschland GmbH | (100) | ■ | □ |
| Rota Yokogawa GmbH & Co. KG | (100) | ■ | □ |
| **Hungary** | | | |
| Yokogawa Hungaria Kft. | (100) | ■ | □ |
| **Italy** | | | |
| Yokogawa Italia S.r.l. | (100) | ■/▲ | □ |
| **Spain** | | | |
| Yokogawa Iberia S.A. | (100) | ■/▲ | □ |
| **Sweden** | | | |
| Yokogawa Measurement Technologies AB | (100) | ▲ | □ |
| **United Kingdom** | | | |
| Yokogawa United Kingdom Limited | (100) | ■ | □ |
| Yokogawa Measurement Technologies Ltd. | (100) | ▲ | □ |
| Yokogawa Marex Limited | 100 | ■ | □ |
| **Russia** | | | |
| Yokogawa Electric CIS Ltd. | (100) | ■/▲ | □ |
| Yokogawa Electric Sakhalin Ltd. | (100) | ■ | □ |
| **Kazakhstan** | | | |
| Yokogawa Electric Kazakhstan Ltd. | (100) | ■ | □ |
| **Africa** | | | |
| **South Africa** | | | |
| Yokogawa South Africa (Pty) Ltd. | (100) | ■/▲ | □ |
| **Nigeria** | | | |
| Yokogawa Nigeria Limited | (49) | ■ | □ |
| **Middle East** | | | |
| **Bahrain** | | | |
| Yokogawa Middle East B.S.C.(c) | 99.998 | ■/▲ | □ |
| Yokogawa Engineering Bahrain SPC | (100) | ■ | □ |
| **Saudi Arabia** | | | |
| Yokogawa Saudi Arabia Ltd. | 95 | ■ | □ |
| Yokogawa Services Saudi Arabia Ltd. | 67 | ■ | □ |
| **United Arab Emirates** | | | |
| Yokogawa Engineering Middle East FZE | (100) | ■ | □ |

| Area/Company Name | Investment Ratio *( ) indicates second-tier subsidiary | Business Segment | Subsidiary/ Affiliate |
|---|---|---|---|
| **Oceania** | | | |
| **Australia** | | | |
| Yokogawa Australia Pty. Ltd. | 100 | ■/▲ | □ |
| **New Zealand** | | | |
| Yokogawa New Zealand Ltd. | (100) | ■/▲ | □ |
| **Asia** | | | |
| **Singapore** | | | |
| Yokogawa Electric International Pte. Ltd. | 100 | ■ | □ |
| Yokogawa Engineering Asia Pte. Ltd. | 100 | ■/▲ | □ |
| Yokogawa Electric Asia Pte. Ltd. | 100 | ■ | □ |
| Plant Electrical Instrumentation Pte. Ltd. | (51) | ■ | □ |
| Yokogawa Reinsurance Pte. Ltd. | 100 | ● | □ |
| **Indonesia** | | | |
| P. T. Yokogawa Indonesia | (100) | ■/▲ | □ |
| P. T. Yokogawa Manufacturing Batam | (100) | ■ | □ |
| **Malaysia** | | | |
| Yokogawa Electric (Malaysia) Sdn. Bhd. | (100) | ■/▲ | □ |
| Yokogawa Kontrol (Malaysia) Sdn. Bhd. | (30) | ■/▲ | ○ |
| Yokogawa Industrial Safety Systems Sdn. Bhd. | (100) | ■ | □ |
| **Philippines** | | | |
| Yokogawa Philippines Inc. | (100) | ■/▲ | □ |
| **Thailand** | | | |
| Yokogawa (Thailand) Ltd. | (91) | ■/▲ | □ |
| **Vietnam** | | | |
| Yokogawa Vietnam Company Ltd. | (100) | ■ | □ |
| **India** | | | |
| Yokogawa India Ltd. | 96.83 | ■/▲ | □ |
| Yokogawa IA Technologies India Private Limited | (100) | ■ | □ |
| **China** | | | |
| Yokogawa China Co., Ltd. | 100 | ■/▲ | □ |
| Yokogawa Electric China Co., Ltd. | 100 | ■ | □ |
| Yokogawa Sichuan Instrument Co., Ltd. | 60 | ■ | □ |
| Suzhou Yokogawa Meter Company | 59.29 | ▲ | □ |
| Yokogawa Shanghai Instrumentation Co., Ltd. | 60 | ■ | □ |
| Yokogawa Shanghai Trading Co., Ltd. | 100 | ▲ | □ |
| Yokogawa Process Control (Shanghai) Co., Ltd. | 100 | ■ | □ |
| Yokogawa Information Systems (Dalian) Corporation | (100) | ■ | □ |
| Yokoshin Software Engineering (WUXI) Co., Ltd. | (100) | ■ | □ |
| **Korea** | | | |
| Yokogawa Electric Korea Co., Ltd. | 100 | ■ | □ |
| Yokogawa Measuring Instruments Korea Corp. | 100 | ▲ | □ |
| Yokogawa Electronics Manufacturing Korea Co., Ltd. | 100 | ■/▲ | □ |
| **Taiwan** | | | |
| Yokogawa Taiwan Corp. | 100 | ■ | □ |
| **Subsidiaries and Affiliates in Japan** | | | |
| Omega Simulation Co., Ltd. | 85.10 | ■ | □ |
| YDC Corporation | 91.00 | ■ | □ |
| Yokogawa & Co., Ltd. | 50.00 | ■/▲ | □ |
| Yokogawa Digital Computer Corporation | 100 | ■ | □ |
| Yokogawa Denshikiki Co., Ltd. | 78.67 | ● | □ |
| Yokogawa Field Engineering Service Corporation | 100 | ■/▲ | □ |
| Yokogawa Foundry Corporation | 100 | ● | □ |
| Yokogawa Manufacturing Corporation | 100 | ■/▲ | □ |
| Yokogawa Medical Solutions Corporation | 100 | ■ | □ |
| Yokogawa Meters & Instruments Corporation | 100 | ▲ | □ |
| Yokogawa Pionics Co., Ltd. | 100 | ● | □ |
| Yokogawa Solutions Corporation | 100 | ■ | □ |
| Yokogawa Test Solutions Corporation | 100 | ▲ | □ |
| Q&A Corporation | 24.00 | ● | ○ |
| Yokogawa Organization Resources Counselors Corporation | 49.00 | ● | ○ |
| Yokogawa Rental & Lease Corporation | 47.35 | ● | ○ |

# CORPORATE DATA

As of March 31, 2011

| | |
|---|---|
| **Corporate Name** | Yokogawa Electric Corporation |
| **Headquarters** | 2-9-32 Nakacho, Musashino-shi, Tokyo 180-8750, Japan |
| **Founded** | September 1, 1915 |
| **Incorporated** | December 1, 1920 |
| **Paid-in Capital** | 43,401,056,425 yen |
| **Number of Employees** | 19,334 (consolidated)<br>4,723 (non-consolidated) |
| **Subsidiaries and Affiliates** | 17 subsidiaries and 3 affiliates in Japan<br>69 subsidiaries and 1 affiliate outside Japan |

# INVESTOR INFORMATION

As of March 31, 2011

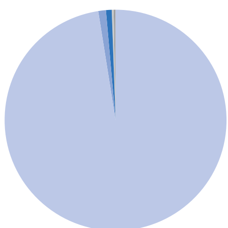
| | |
|---|---|
| **Number of Shares Authorized** | 600,000,000 |
| **Number of Shares of Common Stock Issued** | 268,624,510 |
| **Number of Shareholders** | 33,324 |
| **Stock Exchange Listing** | Tokyo Stock Exchange |
| **Administrator of the Register of Shareholders** | Mizuho Trust & Banking Co., Ltd.<br>1-2-1 Yaesu, Chuo-ku, Tokyo 103-8670, Japan |
| **Annual Shareholders Meeting** | The annual general meeting of shareholders of the Company is held in June. |
| **Accounting Auditors** | Deloitte Touche Tohmatsu LLC |

**Major Shareholders (Top 10)**

| Shareholders | Number of shares held (shares) | Shareholding ratio (%) |
|---|---|---|
| The Dai-Ichi Life Insurance Company, Limited | 22,697,000 | 8.45 |
| The Master Trust Bank of Japan, Ltd. (trust account) | 18,645,200 | 6.94 |
| Nippon Life Insurance Company | 14,284,615 | 5.32 |
| Japan Trustee Services Bank, Ltd. (trust account) | 11,833,000 | 4.41 |
| Yokogawa Electric Employee Shareholding Program | 8,971,019 | 3.34 |
| Retirement Benefit Trust in Mizuho Trust & Banking Co., Ltd. (Mizuho Corporate Bank, Ltd. account); Trust & Custody Services Bank, Ltd. as a Trustee of Retrust | 6,643,990 | 2.47 |
| State Street Bank and Trust Company | 5,029,270 | 1.87 |
| Tokio Marine & Nichido Fire Insurance Co., Ltd. | 4,694,936 | 1.75 |
| Retirement Benefit Trust in Mizuho Trust & Banking Co., Ltd. (Mizuho Bank, Ltd. account); Trust & Custody Services Bank, Ltd. as a Trustee of Retrust | 4,617,010 | 1.72 |
| State Street Bank and Trust Company 505225 | 3,981,665 | 1.48 |

**In addition to the above, the Company holds 11,071,323 shares of treasury stock.*

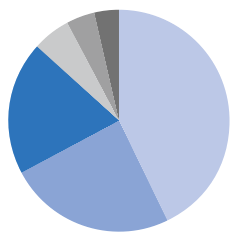
**Shareholders by Category**



Shareholders by Category
Number of shareholders: 33,324

| | | |
|---|---|---|
| Individual Investors | 32,498 | (97.52%) |
| Others | 368 | (1.10%) |
| Foreign Investors | 352 | (1.06%) |
| Financial Institutions | 61 | (0.18%) |
| Securities Companies | 44 | (0.13%) |
| Treasury Stock | 1 | (0.00%) |

**Shareholding by Category**



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

| | | |
|---|---|---|
| Financial Institutions | 115,281 | (42.92%) |
| Foreign Investors | 65,481 | (24.38%) |
| Individual Investors | 52,168 | (19.42%) |
| Others | 15,067 | (5.61%) |
| Treasury Stock | 11,071 | (4.12%) |
| Securities Companies | 9,554 | (3.56%) |

Yokogawa Electric Corporation

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