



Yokogawa Electric Corporation

Annual Report 2000



YOKOGAWA

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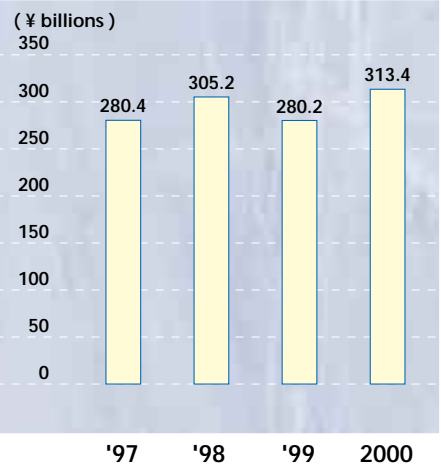
Highlights of the Year

YOKOGAWA ELECTRIC CORPORATION and SUBSIDIARIES
For the years ended March 31, 1997, 1998, 1999 and 2000

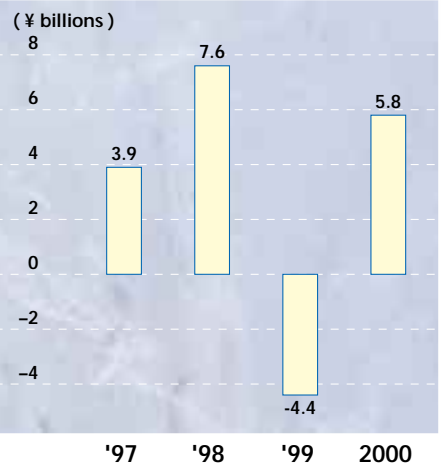
	Millions of Yen				Thousands of U.S. Dollars
	1997	1998	1999	2000	2000
For the Year:					
Net sales	¥280,426	¥305,231	¥280,186	¥313,353	\$2,951,983
Net income	3,853	7,564	(4,428)	5,820	54,828
At Year-End:					
Total assets	424,000	439,417	400,559	420,706	3,963,317
Total shareholders' equity	180,496	177,728	171,018	177,596	1,673,067
Net Income Per Share, Adjusted					
	¥ 14.9	¥ 29.6	¥ (17.7)	¥ 23.4	\$ 0.220

Note: U.S. dollar amounts have been translated, for convenience only, at the rate of ¥106.15= US\$1, the rate of exchange prevailing at March 31, 2000.

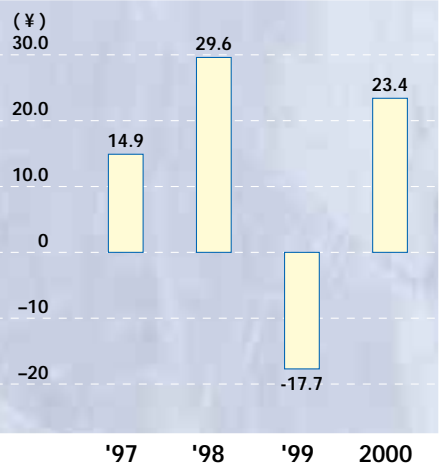
Net Sales



Net Income



Net Income Per Share





Isao Uchida
President and Chief Executive Officer

The management of the Yokogawa Group is pleased to report to our shareholders that the consolidated business results of Yokogawa Electric Corporation and its group of companies in the fiscal year ended on March 31, 2000, showed an increase in sales, operating income and profit over the previous year.

Consolidated net sales increased 11.8 percent to 313.4 billion yen (US\$2,952 million), while the consolidated operating income increased by 6.5 billion yen to 5.9 billion yen (US\$ 56 million.) Consolidated net profit significantly increased by 10.2 billion yen to 5.8 billion yen (US\$ 55 million.)

This growth owes mainly to the conscientious efforts of all employees and management to control sales and administrative expenses stringently despite the increased costs of sales reflecting fluctuations in foreign exchange. Another factor contributing to the increase in sales was the

inclusion of a full twelve-month cycle of the consolidated-accounts system, showing the results of the subsidiaries and affiliates in the world, as compared to the abbreviated eleven-month cycle of the previous year when we were in transition to full introduction of the new accounting system. We express our deep-felt appreciation to all employees and management, to our valued customers and to shareholders for their continuing efforts and support.

We have begun a new fiscal year to achieve the goals stated in the new corporate strategy as introduced herein.

Management Policy

Facing the new millennium, Yokogawa and its group of companies took a significant step during the past year. Following nearly a half year of preparation, the Yokogawa Group announced in January 2000 a new corporate vision and strategy-named VISION-21 and ACTION-21-designating fiscal year 2005 as the target year. VISION-21 and ACTION-21 aim to transform the Group into an ever-growing healthy and profitable concern.

VISION-21 defines the direction of the Yokogawa Group in six guiding principles, namely, achieving optimum profit; offering solutions and services that customers seek; conducting business operations that demonstrate originality; rewarding in proportion to contribution; growing as a group on a consolidated basis; and improving corporate worth.

ACTION-21 describes the Yokogawa Group's basic strategy in two phases: transforming our business structure and revitalizing group management. The business structure phase of the strategy can be divided into four main elements; 1.transform ourselves into an Enterprise Technology Solutions (ETS) and service company; 2. operate individual businesses by taking advantage of our strong points; 3. revitalize the existing core business of industrial automation (IA) and rationalize other businesses and products; 4. develop and expand the growth-phase businesses of measuring instruments and LSI testers and promote new businesses that emerge with the growth of information technology (IT).

Our group management revitalization program aims to shift the management principle of "self-supporting operations" to "operational autonomy and teamwork." We will

enhance our organization and infrastructure as well as the set-ups that will help accomplish maximization of the Group's consolidated profits.

Yokogawa's management places the utmost priority on profit or the bottom line first. From the viewpoint that the company's primary responsibility is to gain profits and thereby increase the company's worth, we decided on the following goals for fiscal year 2005. Operating income will be 50 billion yen (US\$ 471 million) with sales of 500 billion yen (US\$ 4,710 million), a five-percent return on assets and a ten-percent return on equity.

Breakdown of the goal of 500 billion yen (US\$ 4,710 million) in sales by industry are 200 billion yen (US\$ 1,884 million) from the IA and control business, or forty percent of total sales; 150 billion yen (US\$ 1,413 million), or thirty percent, from the test and measurement business; 100 billion yen (US\$ 942 million), twenty percent of sales, from the information service business; and 50 billion yen (US\$ 471 million) from the aerospace and other businesses, which comes to ten percent of sales. We think it necessary to have a balanced business structure and are endeavoring to reach a parity of 1:1:1 among the IA and control, measurement and information service businesses.

In distributing profits, we will set aside a sufficient reserve for this business structure transformation and for research and development, while continuing to pay out stable dividends to shareholders.

Among management reforms, we must make mention of the introduction of an officers system in July 1999. The decision to separate the board of directors, who manage the Group from a global viewpoint, from the officers, who are responsible for execution of respective day-to-day business operations, is meant to increase efficiency in management and speed up decision making. The board of directors and the officers are determined to continue carrying out management reform in the Yokogawa Group.

Environmental Management

The Yokogawa Group considers environmental management to be an important duty of a corporate citizen. Through all corporate activities and individual employees' actions, we uphold the spirit of harmonious co-existence with society and promote protection of the environment.

To build an environmentally friendly and recycling-oriented society, we have set "zero emissions" as the ultimate goal in our environmental protection activities. Under this "zero emissions" goal, we are establishing environmental management systems, approved under the global ISO 14001 standards, to put these efforts into practice and to improve on them. Our achievements and efforts in this field-including publication of an Environment Management Report, the introduction of special "eco-labeling" for environment friendly products that meet stricter standards than the national standards, and a reduction in power consumption-have been highly regarded in Japan. Nihon Keizai Shimbun, the Japan Economic Journal, in its environmental management survey of 1999 rated Yokogawa number two among the 875 manufacturers in the country. These environmental management efforts are practiced throughout the Yokogawa Group as evidenced in the acquisition of ISO14001 certification by 11 sites in Japan and 4 sites outside Japan.

Business Results Overview

The Japanese economy showed signs of gradual recovery in the past year despite inactive investments in areas of the private sector, such as consumer behavior and equipment investments. Consequently, real recovery is not yet underway. The economic conditions in the United States continued strong, while the European economy was characterized by devaluation of the Euro resulting in accelerated exports. In Asia, exports from Korea and Thailand increased making their economic activities stronger than in the previous year.

Looking at our consolidated results by business segment, the consolidated sales of the IA and control business was 175 billion yen (US\$ 1,647 million) reflecting a continuing low demand mainly from the Japanese market. The measurement business, on the other hand, grew significantly reflecting strong demand in the information and communications and semiconductor-related industries, and resulting in consolidated sales of 72 billion yen (US\$ 678 million). The consolidated sales of the aerospace business was 42 billion yen (US\$ 396 million), while the information service business recorded consolidated sales of 24 billion yen (US\$ 231 million).

Implementing VISION-21 and ACTION-21

It is too early to see any favorable effect from the new corporate strategy and vision on the sales of this fiscal year. Nevertheless, we have taken the following steps to achieve the goals of 2005:

- In May 1999, we invested in 3A International in the USA, the number one company in the development of multimedia analyzer equipment.
- In October 1999, we invested in SmaL Camera Technologies in the USA, a venture business recognized for its adaptive CMOS sensor technology that will be the core technology of next-generation cameras, to prepare ourselves for future expansion into intelligent transport systems (ITS).
- In February 2000, we formed an alliance with Dell Computer (Japan) in the information service business centered on their direct business model.
- In February 2000, Waseda University and Yokogawa formed a joint venture called Waseda University Learning Square to extend next-generation lifelong-learning programs using the Internet and satellite communications technology.
- In March 2000, we acquired the service business for semiconductor manufacturing equipment from Sumitomo Metal Industries and also reached an agreement with Lam Research to acquire their service business in addition to the semiconductor manufacturing business.

Several steps have been taken in the group reform strategy, too, to respond speedily to changes in concerned markets and to promote efficient organization management and the optimum use of resources.

- In December 1999, Yokogawa System Construction, engaged in installation and panel work, was dissolved while Yokogawa YFE, for installation work, and Yokogawa Palteck, for panel work, were established.
- In January 2000, YDC was founded as a company to specialize in the information and communications business and absorbed the assets and business of Yokogawa Digital Computer.
- In March 2000, Yokogawa Precision, specializing in opto-mechatronics business concerned with optical activity and motion, and Yokogawa ADS, specializing in

image processing and transmission, merged to form Yokogawa MAT, engaged in opto-mechatronics and networking. Yokogawa Precision's production division and Yokogawa IMT's semiconductor design and production know-how were unified into Yokogawa Precision.

Global Operations

Group management revitalization is implemented globally. Currently Yokogawa operates in 27 countries outside Japan. Efforts to streamline operational efficiency and expand our presence worldwide are shown below.

- In August 1999, our investment in Yokogawa (Thailand) through Yokogawa Electric Asia increased from 70 percent to 85 percent. In March 2000, Yokogawa Electric Corporation transferred its shares in Yokogawa Electric Malaysia and Yokogawa Kontrol Malaysia to Yokogawa Electric Asia, truly making the latter the regional headquarters of the ASEAN region.
- In October 1999, Yokogawa and Dresser Valve Division of the Dresser Equipment Group announced a customer-focused alliance for fieldbus-integrated solutions. The alliance was introduced at the ISA tradeshow in the United States, Interkama in Germany and Intermac in Japan.
- In November 1999, Yokogawa Australia expanded into New Zealand by establishing the fully owned Yokogawa New Zealand.
- In March 2000, Yokogawa's industrial safety systems subsidiary in the United Kingdom was merged in with Yokogawa United Kingdom to enhance efficient operations in the country.
- Two production facilities in Batam, Indonesia were integrated, upon transfer of the meter production business to Suzhou, China. The surviving Yokogawa Manufacturing Batam will increase its capacity to produce power supplies to meet increasing demand from the semiconductor industries.

New Technology, New Products, New Business

Yokogawa is continuously investing in new technology, products and business as explained in the earlier section about implementing VISION-21 and ACTION-21. Also, in 1999 new and exciting products were introduced as briefly explained below.

The DL7100 Signal Explorer, designed for simple and accurate capturing of complex signals and high-speed extraction and display of desired information, satisfies waveform measuring requirements. DAQSTATION, a next-generation data-acquisition terminal offers a networking capability, a wide variety of display options, storage options for greater flexibility, rugged construction for high reliability, and seamless network integration through applications. The portable LT8600 LAN cable tester is used for the testing and maintenance of LAN cables. It is designed to meet faster next-generation testing requirements. The VT3000 digital content recorder and player was introduced for the development, manufacture and testing of digital television equipment, timely as official high-definition television broadcasts start later this year in Japan. The PQ1160C brain mapping system, consisting of highly sensitive magnetic sensors, is able to examine the mechanisms of the brain safely and is expected to contribute to making diagnoses of various brain-related illnesses and symptoms. The FA-M3R is the world's fastest range-free multi controller proposed by Yokogawa for remote and wide-area monitoring, and it plays an important role in our wide-area network business. These new products show Yokogawa's attention to leading and emerging markets in the communications, information, multimedia, medical, social and other sectors.

Outlook for 2000

Information and communications technology is advancing at a revolutionary speed and has entered all phases of our lives everywhere in the world. Reflecting this worldwide trend, equipment investments in information and communications are expected to grow in Japan, too. Despite the growth of investments in information technology, investments in the public sector and consumer expenditures are expected to remain low. While our industrial automation business will continue to suffer from inactive investments in Japan, demand from the semiconductor industry for our LSI testers will increase again.

Our operations outside Japan are expected to improve in sales, operating income and net profit due to active and steady growth in the Far East, China, India and the Middle East, despite severe competition in the European market arising from the lowering of Euro.

We are planning to record consolidated sales of 330 billion yen (US\$ 3,109 million), an operating income of 9 billion yen (US\$ 85 million) and a net profit of 15 billion yen (US\$ 141 million). The IA and control, measurement, aerospace and information service businesses are expected to make respective contributions to sales of 170 billion yen (US\$1,602 million), 87 billion yen (US\$ 820 million), 43 billion yen (US\$ 405 million) and 30 billion yen (US\$ 283 million).

Your continuing support will be much appreciated.



Isao Uchida

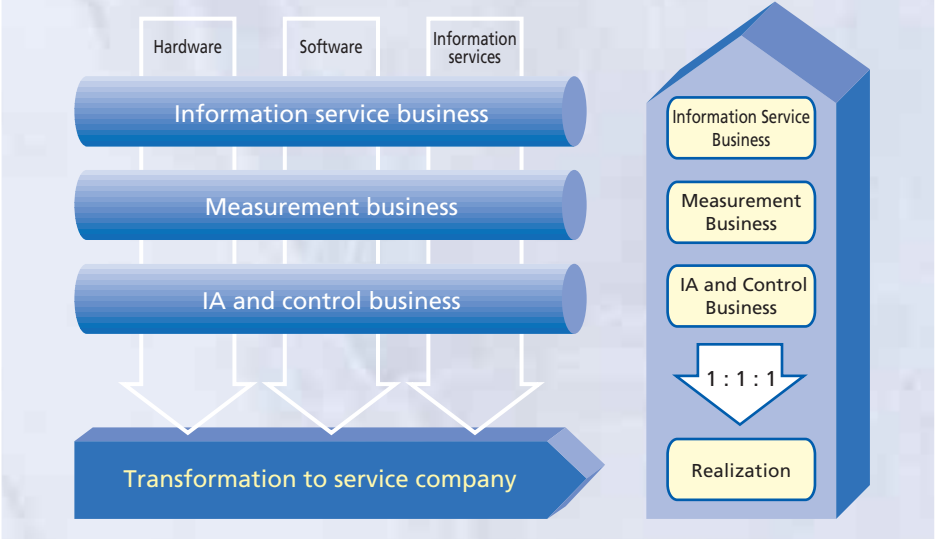
President and Chief Executive Officer
Yokogawa Electric Corporation

INFORMATION TECHNOLOGY

Overall Vision

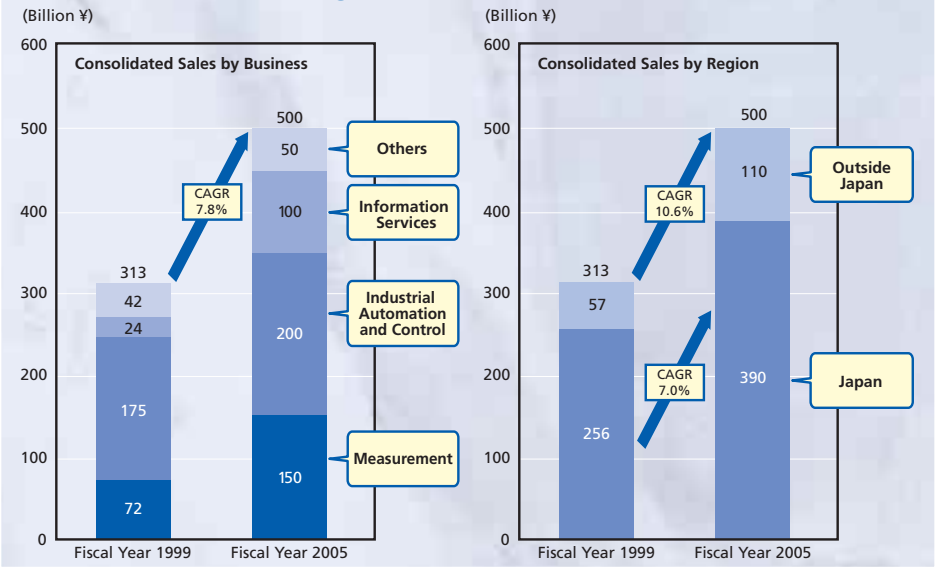
- [1] The Yokogawa Group will work together with its customers to create value in the fields of industrial and social systems. Thus, the Group aims to contribute toward not only preservation of the global environment in the 21st century and the realization of resource recycling in society, but also the realization of a thriving global society.
- To achieve these objectives, the Group will:
- become a service company that helps customers improve their managerial efficiency, in accordance with the Enterprise Technology Solutions (ETS) concept.
 - improve its quality of management so the Group can gain the trust of customers and heighten their impression of the group.
- [2] The Yokogawa Group will perform sound and profitable management to increase shareholder value.
- [3] All members of the Yokogawa Group will share the same corporate vision and each individual will act autonomously and increase his or her individual worth, in order to realize a value-creating company.
- [4] The Company and employees will work together to create affluence.

Goals of Yokogawa Group



We will realize a 1:1:1 ratio among the IA and control, measurement and information service businesses. We think the products and services that constitute a business will increasingly shift from hardware to software and services, and so will the major sources of profit.

Consolidated Sales of Target Year, 2005



The goal for sales of fiscal year 2005 is ¥500 billion. This means an increase at a compound annual growth rate (CAGR) of 7.8 percent from the sales of fiscal year 1999.

We are expecting much from our overseas businesses and, in particular, our existing dominant businesses, such as IA, and test and measurement. We assume the overview of our global business in fiscal year 2005 will be as projected above.

Industrial Automation and Control

IA Operations

In the mainstay industrial automation (IA) field, Yokogawa first developed Distributed Control Systems (DCSs) for plants in 1975. The Company has since grown into a global leader in the field. The IA market has recovered in the United States and Asia but remains sluggish in Japan because the lackluster economy has prevented an upturn in capital investment. In this difficult environment, IA operations have generally been lackluster. In response, the Company is promoting even greater operating efficiencies and actively working to complement its mainstay hardware business with software and service provision.

Yokogawa is expanding into such areas as control systems for refuse incineration and wide-area heating and cooling systems to expand on its business in the plant market. We are working diligently to grow in these markets.

Systems Integration

Yokogawa proposes and supplies systems integration solutions to customers by blending production systems for controlling manufacturing lines at plants with superior information systems. We develop network technologies to meet our customers' needs for more advanced information systems. Engineering for control systems requires an intimate understanding of specific industrial fields on top of expertise in control and information technologies. We count on our specialized knowledge gained from a long history of supply to customers to build highly efficient integrated systems meeting their precise needs. Yokogawa provides the solutions that help customers boost their operating efficiency.

Industrial Safety Systems

Yokogawa's ProSafe series of safety and control systems incorporates the most advanced self-diagnostic capabilities. Safety systems to date have depended largely on relay devices unequipped with self-diagnosis mechanisms. Such systems raise concerns about operability during emergencies and require ongoing maintenance checks. Guaranteeing safety is a leading concern at plants and other large-scale facilities. Unforeseen circumstances can lead to major damage not only to plants themselves, but also to the surrounding environment and to human life. As noted, the ProSafe series features state-of-the-art self-diagnostic capabilities. Our systems meet AK4-AK7 safety levels under device identification number (DIN) standards and have TIF certification. These systems not only shut down



CENTUM CS 3000
Integrated Production Control System

- UT450
• Digital Indicating Controller
- ProSafe Series
• Safety Management Systems
- Production Line Software
• "ASTMAC"

plants safely and reliably during emergencies, they also reduce maintenance, inspection, and other operations previously done manually. They help prevent environmental damage and are expected to achieve growth in such industries as gas- and electric-power generation and petroleum refining worldwide. Yokogawa has received orders for a safety and control system and a production control system for a continuous sintering furnace from Acciai Speciali Terni, an Italian steelmaker. The key to winning the orders was the safety and control system, an indication that interest in safety is growing worldwide.

Field Instruments and Analytical Instruments

Yokogawa's LM400 laser level meter is the industry's first product capable of level measurement using laser beams. Level measurement is necessary for a number of industrial applications, and different types of devices are used depending on conditions. As the LM400 does not need to come into physical contact with the targeted object, it can measure even corrosive fluids and high-temperature objects. It measures powders, grains, and other difficult-to-measure objects that ultrasonic and wave devices cannot efficiently handle.

Moreover, Yokogawa's differential pressure transmitters, flowmeters, and rich array of field instruments feature high-performance capabilities. The Company has started providing industrial and measuring instruments to customers through iPartsDirect, an Internet electronics buying service. This enables customers to search for and order the maintenance and spare parts and supplies they need around the clock. The service began only recently, but many companies have already registered, and it is off to a tremendous start. We plan to expand the service in the future.

Alliance with Dresser

Fieldbus is a next-generation plant networking technology. It is a new global standard enabling the two-way transmission of high volumes of extremely accurate signals using digital technology. Fieldbus enables the construction of network systems using equipment from multiple vendors rather than from a single firm and has intelligence features and other special capabilities. Yokogawa took a profound interest in Fieldbus from the early stages and was a leader in promoting it as an industry standard. Reflecting these interests, the Company has gained certification for Foundation Fieldbus ITK4.0 and has recently formed an alliance with the Dresser Equipment Group, of the United States, to promote the wider use of products incorporating Fieldbus.



Measurement

Measuring Instruments

Yokogawa's high-frequency measurement business is centered on digital oscilloscopes, with the small, high-performance DL1500 series maintaining a commanding market share in Japan. The Company has recently received large orders from a major consumer electronics manufacturer for these units for use on production lines for computer game machines. Another of our strengths is the creation of measuring instruments for product development and evaluation in communications and multimedia, two areas with healthy growth expectations. The TA series of time-interval analyzers has become the de facto industry standard in DVD development. These measuring instruments are a virtual necessity in DVD development, suggesting that they will post robust sales growth on the back of explosive expansion in DVDs.



LSI Testers

LCD manufacturers and related companies have stepped up equipment investment. Testers for system large-scale integration (LSI) mounted in cellular telephones and other devices are posting growth, in turn spawning rapid expansion in the LSI tester business.

LSI testers are instrumental in the development and manufacture of semiconductors. In this area, Yokogawa has a leading market share in Japan for mixed-signal testers. Our TS1000 and TS2000 systems are the best-selling models in the industry.

The TS6000 for system LSI used in computer game machines and cellular telephones bests its rivals significantly in terms of cost-performance. This product has gained widespread acclaim. The TS6000 mix test system for newly developed very large-scale integration (VLSI) is four times faster than previous models. Moreover, the lower price reduces testing expenses more than 50%. With system LSI poised to enjoy increasing demand, we expect TS6000 products to vie for top market share in the system LSI tester market.

Semiconductor manufacturers are accelerating capital investment on the back of healthy demand for their products. This, in turn, is providing a boost to the semiconductor tester business. It is also spurring significant growth in sales of IC handlers, which convey semiconductors to inspection equipment.

Acquiring Gravity Handler Business

Yokogawa has purchased the IC handler business of Kuwano Electric, a subsidiary of Oki Electric, to strengthen its own IC handler business. We are already marketing such horizontal IC handlers as the HS2000 for multiple-pin chips. The purchase enhances our lineup through the addition of simple gravity drop handlers for ICs with fewer pins. Not only can we satisfy a broader range of customer needs, but we have also strengthened our sales capabilities through Kuwano Electric's sales networks in Japan and abroad. Yokogawa aims to gain a leading share in the market for gravity drop IC handlers.

Tie-Up with 3A International

In May 1999, Yokogawa invested in 3A International, a U.S. venture company and the leading producer of bus analyzers for the development of multimedia devices conforming to IEEE 1394 digital communications standards. IEEE 1394 is the latest digital communications technology for enhancing easy plug-and-play features and high-speed transmission. However, it has a very complicated protocol. Without special analyzers, developers have to indirectly analyze a large volume of data, requiring a long time for verification. Yokogawa has developed the exclusive SB2000 and SB4000/4100 bus analyzers to meet requirements for larger capacity and new standards. The machines use complex signals to read physical layers and enhance efficiency at research sites seeking faster development times. Thus, Yokogawa is providing support across the spectrum of hardware and software development.

- DL7200 Digital Oscilloscope
- SB4100 IEEE1394 Bus Analyzer
- DAQSTATION DX Series
- HS2000 IC Handler



Information Services

Management has targeted information services as a strategic area that is to play a larger role in the Company's operations. In particular, Yokogawa's new corporate strategy emphasizes the importance of these services. We have been highlighting areas for active new business development and have shifted large numbers of personnel to this area.

Medical Information Systems

Yokogawa is actively developing image-data management systems that enable medical facilities to operate without the need for film. These systems gather and manage data from computed-tomography, magnetic-resonance imaging, and other medical-imaging diagnostic equipment. They conform to the so-called Digital Imaging Communication in Medicine (DICOM) standard and are offered in a multiple-vendor environment. The systems are helping medical facilities using various types of equipment to eliminate the need for films and are playing a major role in improving the efficiency of medical diagnoses.

Hospitals are expected to introduce high-speed digital networks. Yokogawa is developing system integration capabilities that combine its image-data management systems, Medical Check-Up Information Management System, and other offerings. We are providing integrated systems mainly to public hospitals and large medical facilities associated with universities, and achieving steady growth. Our image-data management systems have captured a leading market share. We aim to provide our image-data management systems to small- and medium-sized hospitals. In addition, we will take advantage of our engineering expertise and systems integration capabilities cultivated at medical facilities to build remote treatment systems that allow medical specialists to diagnose patients even in far-off locations. We are also working on systems to allow doctors to switch from handwritten to electronic clinical chart writing.



Alliance with Dell Japan

Yokogawa has formed an alliance with the Japanese subsidiary of Dell Computer—the U.S. computer retailer that markets its products directly over the Internet—to provide manufacturers with supply chain management (SCM) solutions for better meeting their business needs. Dell does not sell its products through retail channels. This company is the second-largest shipper of computers worldwide and the largest in the United States. Dell has attracted attention for its direct business model that bypasses the retail stage and uses SCM methods connecting factory sites directly with customers to meet their needs in real time. Backed by Dell's expertise, we are supplying the SCM solutions so instrumental to manufacturers grappling with ways to enhance operating efficiencies through improved management efficiency. This is one way we are working diligently to strengthen our IT business.

Educational Content Business

Yokogawa has established Waseda University Learning Square with Waseda University, a joint venture for transmitting educational content to remote locations over computer networks. The new company uses Yokogawa's information technology and Waseda University's learning materials, teaching skills, and educational content to provide new opportunities for learning. In the early stages, Waseda University Learning Square will relay teaching to remote facilities via satellite and the Internet and plans to provide curriculum and learning materials for lifetime learning through multimedia channels. The company aims to grow by developing digital content from other universities and educational institutions and building digital transmission systems.



DICOM Image Server
ImageARQS
DICOM Image Viewer
ImageVINS Pro/Basic

Official Announcement
of Alliance with Dell
Computer (Japan)
Waseda University
Learning Square

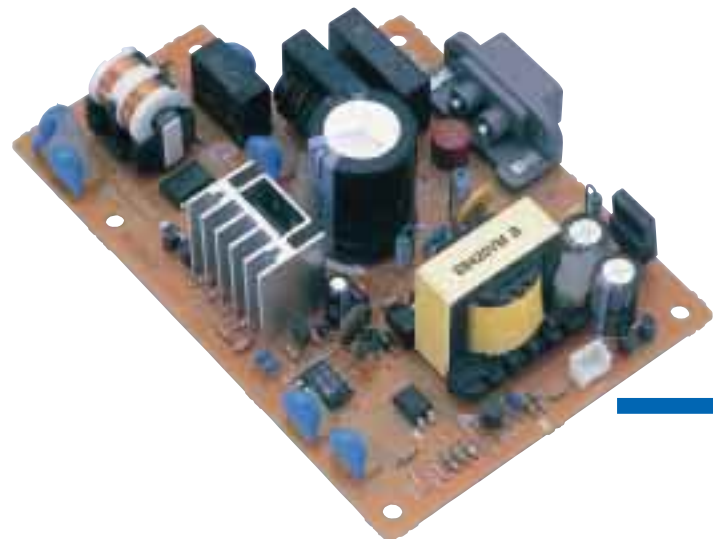


Electronics Manufacturing Services

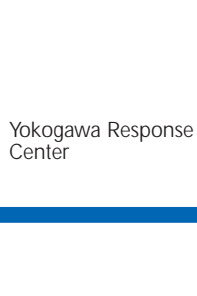
Yokogawa has amassed a versatile range of manufacturing technologies in such areas as multiple and small-lot production and extremely short delivery times through its product supply. The Company is producing electronic instruments and components on consignment that take advantage of its superior manufacturing technologies.

Yokogawa furnishes the power supplies installed in office equipment to leading companies worldwide and has captured considerable market share globally in this area. We are actively entering the information-based consumer electronics market expected to enjoy growth in the years ahead and are working to leverage our market presence there.

The Company maintains a tie-up with the Japanese subsidiary of Lam Research, the prominent U.S. manufacturer of semiconductor manufacturing equipment, and has been manufacturing Alliance™ etching equipment on consignment since 1998. Looking ahead, the manufacture of increasingly sophisticated electronic instruments is likely to require ever-more complex production technologies. Under these circumstances, our electronics manufacturing services are likely to enjoy steady growth thanks to our leading production technologies and extensive know-how in consignment manufacturing.



Alliance™ Etch Systems
 (Lam Research Corp.)
 Switching Power Supply



Services

Strengthening Service Businesses

In addition to product sales, such services as maintenance and inspection are expected to enjoy steady growth. Yokogawa is strengthening maintenance and other services and working more closely with customers at all levels of their business operations. We gain a thorough understanding of what our customers need and provide them with the detailed services they require. The Company carries out environmental inspections of facilities to optimize efficiency and is further enhancing services in such areas as environmental improvement, sensor installation, remote systems for the auto-detection and reporting of unusual activities, and remote maintenance. Yokogawa provides services that reduce the lifecycle costs of its customers' valuable plant and facility assets with a view toward bringing down total cost of ownership. We are working diligently to improve our services to reduce costs and improve efficiency for customers.

Entering the Semiconductor Manufacturing Equipment Service Business

Promoting growth in service businesses is a cornerstone of our new corporate strategy. Yokogawa has acquired Sumitomo Metal Industries' semiconductor manufacturing equipment service division and has started providing these services itself. In April, the Company began servicing 500 semiconductor manufacturing units previously delivered by Sumitomo Metal Industries in the Japanese market. In addition, we are servicing etching machines manufactured for Lam Research on a consignment basis and started targeting particular customers for service in April. Yokogawa offers in-depth services through a nationwide network in Japan. We aim to broaden the types of equipment we service and plan to offer consignment services for Lam Research's entire range of semiconductor manufacturing equipment in the future.



Research and Development

Yokogawa's Corporate R&D Division and R&D sections in the various divisions coordinate research activities at different levels. Corporate R&D mainly creates the core technologies necessary for product development while the divisions focus on actual product development. In addition, the Production Division is instrumental in developing complex technologies vital to the manufacture of electronic goods.

Corporate R&D relies on marketing techniques for future technologies analyzing commercial potential through market research. New technologies are then developed after examining exactly what new businesses will need. Researchers focus on strategic themes in such areas as IT, sensing, electronics, control, and optical-electronics. They work actively to fuse expertise in these areas and develop leading technologies.

Achievements in Research

A number of new products have merged from the core technologies we possess that are instrumental in product development to meet market needs. In developing the TS6000 tester series, which receives widespread acclaim from semiconductor manufacturers, our in-house developed timing generator ICs have enabled smaller magneto-restrictive head sizes. The testers save space and feature superb cost performance. In the communications and networking field, Yokogawa has developed a wavelength division multiplexing (WDM) monitor capable of analyzing data transmission in real time. The WDM is noted for its ability to transmit massive volumes of data. Photo-diode arrays have made important contributions as a core technology in the commercialization of the WDM monitor. The monitor has applications in undersea optical-cable equipment operation and other areas. In addition, Yokogawa has developed a signal generator for use in Wide-band Code Divisional Multiple Access signal transmission that has made important contributions to new technological development. We are currently developing analyzers for IPv6, the next-generation protocol for the Internet.



- TS6000 VLSI Test System
- SHG Blue Laser Light Source
- WD200 WDM Monitor

Second-Harmonic Generation Blue Laser

Yokogawa and Matsushita Electric Industrial have jointly developed an optical-wavelength, second-harmonic generation (SHG) blue laser. The blue laser technology is a key to creating next-generation Digital Video Disks with high recording volume and density. The two companies used a Distributed Bragg Reflector semiconductor laser diode independently developed by Yokogawa's Optical-Device Research Team and SHG technology from Matsushita to create a blue laser module with superior wavelength stability. They have started marketing it as an optical-wavelength SHG blue laser. The laser is marketed as a light source for research applications, but is superior to rival companies' products thanks to low noise emission and wavelength stability. We are working to enhance the laser's power, a requirement if it is to be used as a light source for next-generation DVDs.



Wide-Area Network Businesses

The Field Contents on Web Concept

Yokogawa is advancing into new business areas to meet needs for wide-area network systems over the rapidly expanding Internet. Using our renowned sensor and measuring technologies and Internet and IT expertise, we are building and providing highly efficient networks dispersed over wide areas to customers. We call this technological concept Field Contents on Web. Data gathered from the field is converted into formats meeting the real needs of users and processed into value-added content for transmission over open networks. The Company uses knowledge gained in systems construction for plants and other facilities to build network systems required in consumer markets. We combine our remote surveillance and remote maintenance services previously set up individually and offer them in standardized packages for use over the Internet, intranets, and other networks. In this way, we can build simple and low-cost network systems for customers. Also, we can meet needs for small- and medium-sized systems previously limited by major cost impediments. We expect this business to enjoy steady growth.

Yokogawa has developed a number of components under the Field Contents on Web concept. The FA-M3R range-free multi controller is the world's fastest for gathering field data. The DAQSTATION paperless recorder and DUONUS compact field server can be connected directly to networks. FIELDDEYE is a Web camera.

The Company has launched several network systems under the Field Contents on Web concept. These include Webmetry Lite Pack, an all-in-one product enabling the quick construction of remote surveillance systems over the Internet, and the WID100 web image detector that uses FIELDDEYE to convert images and pinpoint unusual plant and equipment operation. Using these products, we can provide surveillance, remote maintenance, and other network systems not only for plant applications, but also for medical, environmental, climatic, traffic, educational, and agricultural uses.



FIELDDEYE Internet Camera
DUONUS200 Compact Field Server
WID100 Web Image Detector
CSU10 Confocal Scanner
PQ1160C (MEGvision) Brain Mapping System

Brain Mapping System

Yokogawa developed the PQ1160C (MEGvision) brain mapping system based on its renowned sensor technologies. A superconducting quantum interference device (SQUID) magnetic sensor is used to measure extremely weak geomagnetic fields at one part per billion in cranial nerve cells. Because the sensor is extremely magnetic-sensitive, it does not harm human tissue. Unlike techniques using electric potential to measure brain activity, our system accurately measures brain function by relaying information on neuroactivity and neurotransmission through magnetic signals. The system has a number of special features and has the best performance in the world. It is extreme accurate because sensors are connected in 160 places, the highest density among such devices, and subjects feel little discomfort thanks to controlled noise levels and the fact that they lie prone throughout the procedure. Medical personnel have high expectations for the system, as it is indispensable for complex neurological research and diagnosis to clarify speech, sensation, and thought mechanisms.

Confocal Scanner Contributing to Biotech Research

Yokogawa has delivered more than 180 of its independently developed confocal scanners to universities and research facilities since unveiling the product in 1997, and the scanner has become the de facto standard in its field. One thousand laser scans enable the measurement of living cell extracts in real time, with micro lenses providing images more than ten-times clearer than those of earlier scanners. The product is revolutionary in that results can be observed with the naked eye. With intense competition between nations to understand the human genome largely complete, researchers have shifted their attention to the analysis of human protein functions. Confocal scanners are expected to play an important role in this research. Yokogawa's technologies should make a significant contribution to biotech research.



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Shigenori Otsubo
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General Manager of IA Systems Business Div.

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Financial Section

YOKOGAWA ELECTRIC CORPORATION and SUBSIDIARIES

Results of Operations

In the fiscal year ended on March 31, 2000, Yokogawa's consolidated net sales rose 11.8%, or ¥33.2 billion, compared with the previous fiscal year to ¥313.4 billion (US\$2,952 million).

In Japan, more active capital investment by LCD and communications equipment manufacturers significantly boosted sales of LSI testers for system LSI.

Overseas, sales in North America increased 4.1%, or ¥750 million, to ¥19.1 billion (US\$180 million). Operating profit was ¥265 million (US\$3 million), compared with an operating loss of ¥2.0 billion in the previous term. The improvement stemmed from the merger in October 1998 of Yokogawa Industrial Automation Inc., which was a subsidiary mainly engaged in the industrial automation (IA) business, and Yokogawa Corporation of America, which mainly operated in the measurement instruments field. The new company, Yokogawa Corporation of America, has been able to improve its cost structure through the merger. Supported by the strong U.S. economy, rising sales of digital oscilloscopes and other measuring instruments with relatively strong profit margins have helped boost total sales and earnings.

In Asia, Yokogawa built its first plant in Singapore in 1974. Since then, the Company has grown and developed to establish manufacturing, sales, and engineering bases in India, South Korea, and China and manufacturing, sales, and engineering subsidiaries in Southeast Asia. During the term, sales in this region edged up 1.7%, or ¥453 million, to ¥27.4 billion (US\$258 million), mainly on the back of the recovering economy in the region and revenues in

the IA equipment field. Operating profit rose 39.1%, or ¥433 million, to ¥1.5 billion (US\$14.5 million).

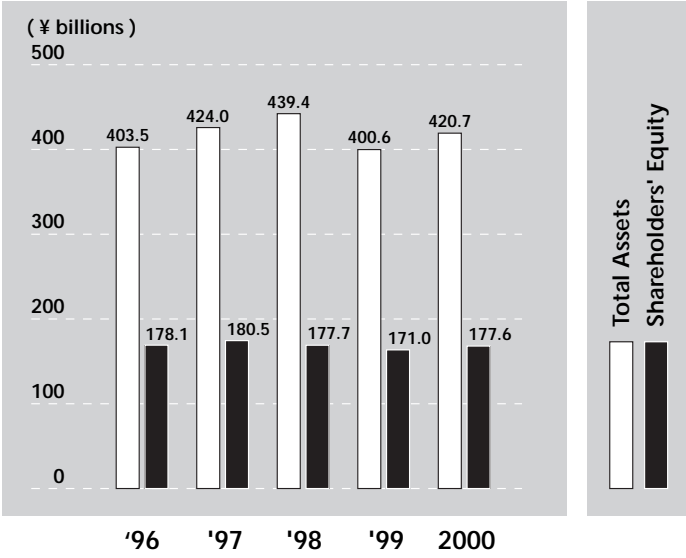
In Europe, a mild economic recovery and growing demand in our mainstay IA equipment field generated systems orders in the Netherlands, France, and other nations. However, a subsidiary in the Netherlands specializing in the production of industrial safety systems for manufacturing plants and a subsidiary in U.K. that develops software for manufacturing execution systems have yet to reach profitability. These two companies had a negative impact on overall earnings in Europe. In addition, the newly introduced Euro depreciated about 20% against the yen. Thus, sales in Europe fell 13.8%, or ¥3.3 billion, to ¥20.8 billion (US\$196 million). The Company posted a ¥1.4 billion (US\$13.3 million) operating loss in Europe.

Operating expenses rose 9.5%, or ¥26.6 billion, to ¥307.4 billion (US\$2,896 million). The ratio of selling, general and administrative expenses to net sales improved by 3.2 percentage points year on year.

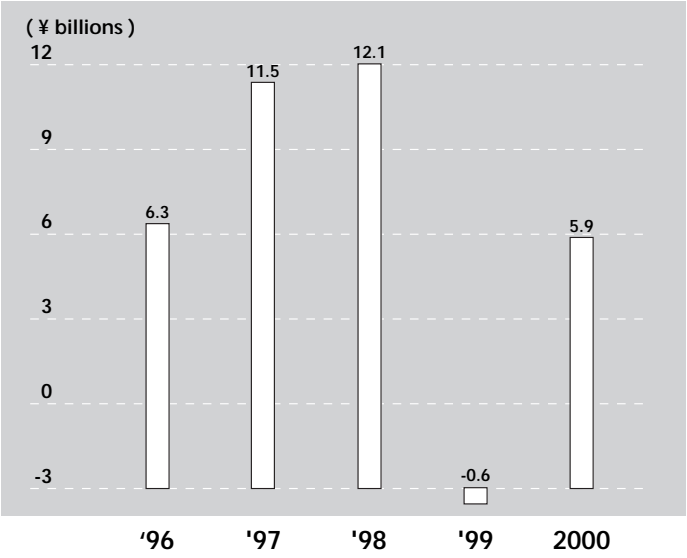
Research and development expenses decreased ¥233 million, to ¥19.3 billion (US\$181 million), and were equivalent to 6.1% of net sales, down from 7.0% in the previous term. However, Yokogawa continues to maintain R&D expenses at a level necessary for sustaining leading technologies in core business areas.

Depreciation expenses rose ¥2.2 billion, to ¥13.2 billion (US\$124 million). Capital investment declined ¥4.1 billion, to ¥14.7 billion (US\$138 million).

Total Assets/Shareholders' Equity



Operating Profit



Of non-operating profit and losses, gain on equity method (equity in earnings from unconsolidated subsidiaries, generally the companies in which Yokogawa holds less than a 50% interest) surged to ¥7.9 billion (US\$74 million), from ¥3.1 billion in the previous term. Moreover, Yokogawa agreed to sell stock in Agilent Technologies Japan (formerly Hewlett-Packard Japan) and recorded an extraordinary profit of ¥20.1 billion (US\$190 million) from the transaction. However, the Company also decided to undertake a one-lump write-off of past pension obligations in line with the introduction of new accounting for severance benefits starting in the next fiscal year, and posted an extraordinary loss of ¥35.7 billion (US\$336 million) as a result.

Reflecting these factors, operating profit totaled ¥5.9 billion (US\$56 million), and net income was ¥5.8 billion (US\$55 million). These earnings represent sharp improvements over the losses in the previous term.

Under VISION-21 and ACTION-21, Yokogawa's corporate strategy sets goals for sales and earnings for the Yokogawa Group in 2005 and divides operations into four categories: the IA and control business, the measurement business, the information services business, and aerospace and other businesses. For the fiscal year, sales totaled ¥174.8 billion (US\$1,647 million) in the IA and control business, ¥72.0 billion (US\$678 million) in the measurement business, ¥24.5 billion (US\$231 million) in the information services business, and ¥42.0 billion (US\$396 million) in aerospace and other businesses. However, the segment information in the financial statements is not necessarily consistent with the above business categories.

Financial Condition

Net cash provided by operating activities consisted of earnings totaling ¥14.6 billion (US\$138 million). In line with the decision to make a one-lump write-off of past pension obligations, payments into welfare annuity funds and qualified pension funds have increased since January 2000. However, such payments have been offset by sales proceeds stemming from the greater liquidity of sales credits.

The Company introduced liquidation (including securitization) of notes receivable and accounts receivable belonging to Yokokawa Electric Corporation in Japan starting in 1999 and 2000, respectively.

Net cash provided by investing activities totaled ¥29.8 billion (US\$281 million). Capital investment in large-scale projects was minimal, and investment income rose mainly owing to the sale of shares in Agilent Technologies (formerly Hewlett-Packard Japan).

Net cash used in financing activities amounted to ¥33.8 billion (US\$319 million). This consisted mainly of repayment of long-term debt to outside financial institutions, including corporate debentures, totaling ¥29.0 billion (US\$273 million). Group companies in Japan and overseas previously relied on borrowings from outside financial institutions for necessary funds. However, during the term active efforts were made to switch to financing provided by the parent company in order to reduce consolidated interest-bearing debt.

Reflecting these factors, cash and cash equivalents totaled ¥59.7 billion (US\$563 million) at the end of the fiscal year.

Management introduced a cash management system in Japan in 1998 with the aim of reducing borrowings and total consolidated assets. The system was introduced in The Netherlands, Singapore in 1999, and the United States in 2000.

Consolidated Balance Sheets

YOKOGAWA ELECTRIC CORPORATION and SUBSIDIARIES
March 31, 1999 and 2000

ASSETS	Millions of Yen		Thousands of U.S. Dollars (Note 3)
	1999	2000	2000
Current Assets:			
Cash and time deposits	¥ 31,340	¥ 31,108	\$ 293,057
Short-term investments in marketable securities (Note 8)	44,645	42,442	399,830
Notes and accounts receivable:			
Trade	116,023	100,793	949,534
Other	3,381	12,990	122,374
	119,404	113,783	1,071,908
Less: Allowance for doubtful accounts	(1,657)	(1,361)	(12,821)
	117,747	112,422	1,059,087
Inventories	36,121	43,638	411,098
Deferred tax assets – current (Note 2)	–	15,922	149,995
Other current assets	17,339	8,750	82,431
Total current assets	247,192	254,282	2,395,498
Investments and Advances:			
Investments in securities (Note8)	45,679	39,444	371,587
Long-term loans	414	518	4,880
Other	20,998	14,879	140,170
Total investments and advances	67,091	54,841	516,637
Property, Plant and Equipment, at Book Value (Note 4):			
Buildings and structures	42,098	40,936	385,643
Machinery and equipment	8,567	8,618	81,187
Furniture and fixtures	12,058	9,678	91,173
Land	14,469	17,187	161,912
Construction in progress	1,392	1,532	14,433
Total property, plant and equipment	78,584	77,951	734,348
Deferred Tax Assets – Non-Current (Note 2)	–	16,483	155,280
Deferred Charges and Other Assets	1,176	9,162	86,312
Goodwill (Note 2)	981	795	7,489
Foreign Currency Translation Adjustments	5,535	7,192	67,753
	¥400,559	¥420,706	\$3,963,317

The accompanying notes are an integral part of the statements.

LIABILITIES AND SHAREHOLDERS' EQUITY	Millions of Yen		Thousands of U.S. Dollars (Note 3)
	1999	2000	2000
Current Liabilities:			
Short-term bank loans	¥ 26,514	¥ 25,234	\$ 237,720
Current portion of bonds	5,094	–	–
Notes and accounts payable:			
Trade	32,209	35,216	331,757
Other	3,617	27,837	262,242
	35,826	63,053	593,999
Accrued expenses	10,038	9,783	92,162
Income taxes payable	1,986	2,746	25,869
Advances received and other current liabilities	14,293	18,355	172,916
Deferred tax liabilities – current (Note 2)	–	144	1,357
Total current liabilities	93,752	119,315	1,124,023
Long-Term Debt (Note 6)	98,264	109,616	1,032,652
Deferred Tax Liabilities – Non-Current (Note 2)	–	1,549	14,592
Reserve for Retirement Benefits (Note 2)	34,895	10,113	95,271
Minority Interests in Consolidated Subsidiaries	2,630	2,517	23,712
Shareholders' Equity:			
Common stock:			
Authorized: 500,000,000 shares			
Issued (par value ¥50 per share): 250,653,012 shares in 1999 and 245,684,012 shares in 2000	32,306	32,306	304,343
Additional paid-in capital	35,020	35,020	329,911
Retained earnings	103,692	110,445	1,040,462
Treasury stock	–	(175)	(1,649)
Total shareholders' equity	171,018	177,596	1,673,067
	¥400,559	¥420,706	\$3,963,317

Consolidated Statements of Income and Cash Flows

YOKOGAWA ELECTRIC CORPORATION and SUBSIDIARIES
For the years ended March 31, 1998, 1999 and 2000

	Millions of Yen			Thousands of U.S. Dollars (Note 3)
	1998	1999	2000	2000
Net Sales	¥305,231	¥280,186	¥313,353	\$2,951,983
Cost of Sales	195,879	186,686	212,138	1,998,474
Gross profit	109,352	93,500	101,215	953,509
Selling, General and Administrative Expenses	97,207	94,111	95,306	897,843
Operating profit	12,145	(611)	5,909	55,666
Other Income and Expenses:				
Interest and dividend income	1,535	1,372	951	8,959
Interest expenses	(2,285)	(2,708)	(2,093)	(19,717)
Loss on disposal/write-down of inventories	(1,126)	(1,283)	(897)	(8,450)
Gain on sales of short-term investments in marketable securities	-	483	489	4,607
Loss on sales of investments in marketable securities	(708)	-	-	-
Gain on sales/write-down of investments in securities	1,925	143	17,785	167,546
Foreign exchange gain (loss)	(552)	(1,558)	(1,762)	(16,599)
Loss on disposal of property	(1,139)	(706)	(1,205)	(11,352)
Gain on equity method	-	3,069	7,850	73,952
Reversal of retirement allowance	-	4,443	3,317	31,248
Prior service cost for contributory pension plan	-	(5,318)	(4,308)	(40,584)
Amortization of prior service cost	-	-	(35,699)	(336,307)
Other, net	(179)	(675)	(2,869)	(27,028)
Income (loss) before income taxes	9,616	(3,349)	(12,532)	(118,059)
Income Taxes	5,495	1,179	2,452	23,099
Adjustment for Income Taxes	-	-	(20,703)	(195,035)
	4,121	(4,528)	5,719	53,877
Minority Interests in Earnings of Consolidated Subsidiaries	51	(100)	(101)	(951)
Amortization of Goodwill	(517)	-	-	-
Equity in Earnings of Unconsolidated Subsidiaries and Affiliates	3,909	-	-	-
Net income (loss)	7,564	(4,428)	5,820	54,828
Retained Earnings:				
Balance at beginning of year	108,802	110,403	103,692	976,844
Previous period tax effect adjustment	-	-	13,311	125,398
Increase due to application of the equity method to investments in additional unconsolidated subsidiaries and affiliates	249	44	-	-
Increase due to currency fluctuation	-	-	36	339
Decrease due to consolidation of additional subsidiaries	(1,225)	(137)	(619)	(5,831)
Decrease due to redemption of treasury stock	(6,665)	-	(3,806)	(35,855)
Decrease due to currency fluctuation	(522)	(142)	-	-
Decrease due to merger of subsidiaries	(79)	-	-	-
Decrease due to change in the number of unconsolidated subsidiaries and affiliates applied the equity method	-	-	(6,022)	(56,731)
Appropriations:				
Cash dividends	(1,977)	(1,880)	(1,876)	(17,673)
Transfer to legal reserve	(202)	-	-	-
Directors' bonuses	(112)	(168)	(91)	(857)
Balance at end of year	¥105,833	¥103,692	¥110,445	\$1,040,462
Per Share:		Yen		U.S. Dollars
Net income (loss) (Note 12)	¥ 29.56	¥ (17.66)	¥ 23.39	\$ 0.220
Cash dividends	7.5	7.5	7.5	0.071
Weighted average number of shares (in thousands)	255,961	250,621	248,745	

The accompanying notes are an integral part of the statements.

	Millions of Yen	Thousands of U.S. Dollars
	2000	2000
Cash Flows from Operating Activities:		
Loss before income taxes	¥(12,532)	\$(118,059)
Adjustments to reconcile net income to net cash provided by operating activities:		
Depreciation	13,197	124,324
Amortization of consolidated goodwill	169	1,592
Decrease in allowance for doubtful accounts	(305)	(2,873)
Decrease in reserve for retirement benefit	(25,631)	(241,460)
Interest and dividend income	(951)	(8,959)
Interest expenses	2,093	19,717
Exchange gain	(287)	(2,704)
Gain on equity method	(7,850)	(73,952)
Gain on sales of short-term investments in marketable securities	(489)	(4,607)
Gain on sales of investments in securities	(18,973)	(178,738)
Loss on disposal of property	1,089	10,259
Directors' bonuses	(91)	(857)
Decrease in trade receivables	21,344	201,074
Increase in inventories	(6,772)	(63,797)
Increase in accrued bonuses	417	3,928
Increase in trade payables	384	3,618
Increase in pension payable	54,653	514,866
Other	900	8,479
Subtotal	20,365	191,851
Interest and dividend income received	3,282	30,919
Interest expenses paid	(2,335)	(21,997)
Income taxes paid	(6,670)	(62,836)
Net cash provided by operating activities	14,642	137,937
Cash Flows from Investing Activities:		
Payments for deposit in time deposits	(1,406)	(13,245)
Proceeds from return on time deposits	4,657	43,872
Payments for purchase of short-term investments in marketable securities	(8,984)	(84,635)
Proceeds from sales of short-term investments in marketable securities	20,329	191,512
Payments for purchase of property, plant and equipment	(10,415)	(98,116)
Proceeds from sales of property, plant and equipment	1,598	15,054
Payments for purchase of intangible assets	(3,280)	(30,900)
Proceeds from sales of intangible assets	39	367
Payments for purchase of investments in securities	(1,290)	(12,153)
Proceeds from sales of investments in securities	27,974	263,533
Decrease in short-term loans	20	188
Issuance of long-term loans	(62)	(584)
Collection of long-term loans, net	155	1,460
Other	501	4,721
Net cash provided by investing activities	29,836	281,074
Cash Flows from Financing Activities:		
Decrease in short-term bank borrowings, net	(7,858)	(74,027)
Issuance of long-term debt	3,913	36,863
Repayment of long-term debt	(24,129)	(227,310)
Purchase of treasury stock	(3,950)	(37,211)
Proceeds from sales of treasury stock	104	980
Cash dividends paid	(1,863)	(17,551)
Cash dividends paid to minority interests	(20)	(189)
Others	(36)	(340)
Net cash used in financing activities	(33,839)	(318,785)
Effect of Exchange Rate Changes on Cash and Cash Equivalents	(516)	(4,861)
Net Increase in Cash and Cash Equivalents	10,123	95,365
Cash and Cash Equivalents at the Beginning of Year	49,461	465,954
Increase due to Change in the Range of Consolidated Subsidiaries	157	1,479
Cash and Cash Equivalents at End of Year	¥ 59,741	\$ 562,798

The accompanying notes are an integral part of these statements.

Consolidated Statements of Income and Cash Flows

YOKOGAWA ELECTRIC CORPORATION and SUBSIDIARIES
For the years ended March 31, 1998, 1999 and 2000

	Millions of yen	Thousands of Dollars (Note 3)
Reconciliation between Cash and Cash Equivalents at End of Year and the Account Booked in the Balance Sheets	2000	2000
Cash and Time Deposits	¥31,108	\$293,057
Time Deposits with Original Maturities over Three Months	(632)	(5,954)
Marketable Securities with Original Maturities of Three Months or Less	29,265	275,695
	¥59,741	\$562,798

Notes to the Consolidated Financial Statements

YOKOGAWA ELECTRIC CORPORATION and SUBSIDIARIES
For the year ended March 31, 2000

1. Basis of Presenting the Consolidated Financial Statements

(1) Accounting Principles

The accompanying consolidated financial statements have been prepared from accounts and records maintained by Yokogawa Electric Corporation (the " Company") and its subsidiaries. The Company and its consolidated subsidiaries in Japan have maintained their accounts and records in accordance with the provisions set forth in the Commercial Code of Japan and the Securities and Exchange Law and in conformity with accounting principles and practices generally accepted in Japan, which are different in certain respects as to application and disclosure requirements of International Accounting Standards.

The consolidated subsidiaries outside Japan have maintained their accounts and records in conformity with accounting principles and practices generally accepted in their respective countries. Although certain differences exist in the accounting principles employed by the subsidiaries outside Japan, essentially, no adjustments have been made to their accounts in order to conform to accounting principles and practices generally accepted in Japan in the accompanying consolidated financial statements.

Certain items presented in the consolidated financial statements filed with the Director of the Kanto Finance Bureau in Japan have been reclassified for the convenience of readers outside Japan.

The consolidated financial statements are not intended to present the consolidated financial position and results of operations and cash flows in accordance with accounting

principles and practices generally accepted in countries and jurisdictions other than Japan.

A consolidated statement of cash flows is required to be prepared with effect from the year ended March 31, 2000 in accordance with a new accounting standards.

(2) Change in Presentation of Accounts

Adopting the amendments of the Consolidated Financial Statements Regulation effective from March 31, 1999, the following presentations of the accounts in the consolidated financial statements have been changed.

- 1) “ Legal Reserve,” which was previously reported as an independent account within Shareholders’ Equity, has become a component of “ Retained Earnings.” Therefore, “ Retained Earnings” as of March 31, 1999 includes “ Legal Reserve.”
- 2) " Equity in Earnings of Unconsolidated Subsidiaries and Affiliates," which was previously reported as an independent account after " Income (Loss) before Income Taxes," has become a component of " Other Income and Expenses. "
- 3) “ Amortization of Goodwill” and “ Equity in Earnings of Affiliates,” which were previously reported as independent accounts after “ Income (Loss) before Income Taxes,” have become components of “ Other, net. ”

2. Summary of Significant Accounting Policies

(1) Scope of Consolidation

The Company had 114 subsidiaries (majority-owned companies) as at March 31, 2000 (107 for 1999). The consolidated financial statements include the accounts of the Company and its 99 subsidiaries as at March 31, 2000 (91 for 1999).

Effective from the year ended March 31, 2000, the definitions of subsidiary and affiliate have been changed under the new Consolidated Financial Statement Regulation in Japan. The new definition is based on the substantive existence of control-

ling power or exercise of influence. As a result, a subsidiary, Yokogawa & Co., Ltd. has been included in consolidation starting from the year ended March 31, 2000.

Under the new regulation, the consolidated financial statements include the accounts of the 99 majority owned subsidiaries listed as follows (the Company and these consolidated subsidiaries are together referred to as the " Companies").

	Percentage owned by the Company (directly or indirectly)	Fiscal Year-End	Additional Information (See Footnote)
Subsidiaries in Japan:			
Yokogawa Electronics Co., Ltd.	100 %	Feb. 29, 2000	*1
Kokusai Chart Corporation	86	Mar. 31, 2000	
Yokogawa Precision Corporation	100	Feb. 29, 2000	*1
Yokogawa Engineering Service Corporation	100	Feb. 29, 2000	*1
Yokogawa Sertec Co., Ltd.	100	Feb. 29, 2000	*1
Yokogawa Flowtech Co., Ltd.	100	Feb. 29, 2000	*1
Yokogawa Weathac Corporation	92	Feb. 29, 2000	*1
Yokogawa Denshikiki Co., Ltd.	75	Feb. 29, 2000	*1
Yokogawa Digital Computer Corporation	77	Feb. 29, 2000	*1
Yokogawa Graphic Arts Corporation	100	Feb. 29, 2000	*1
Yokogawa IMT Corporation	100	Feb. 29, 2000	*1
Yokogawa Financial Service Corporation	100	Feb. 29, 2000	*1
Yokogawa Fine Technology Corporation	100	Feb. 29, 2000	*1
Yokogawa Human Create Corporation	100	Feb. 29, 2000	*1
Yokogawa System Engineering Corporation	100	Feb. 29, 2000	*1
Yokogawa Infotec Corporation	100	Feb. 29, 2000	*1
Yokogawa M&C Corporation	100	Feb. 29, 2000	*1
Yokogawa Research Institute Corporation	100	Feb. 29, 2000	*1
Yokogawa Pionics Co., Ltd.	84	Feb. 29, 2000	*1
Yokogawa Design Engineering Corporation	100	Feb. 29, 2000	*1
Techno System Kyushu Corporation	65	Feb. 29, 2000	*1
Yokogawa Techno Systems Co., Ltd.	70	Feb. 29, 2000	*1
Yokogawa Trading Corporation	100	Feb. 29, 2000	*1
Yokogawa MAT Corporation	100	Feb. 29, 2000	*1
Yokogawa Ibiden Components Corporation	65	Feb. 29, 2000	*1
Yokogawa Multimedia Co., Ltd.	81	Feb. 29, 2000	*1
Nippon System Gijiutsu Co.	76	Feb. 29, 2000	*1
Yokogawa Facilities Corporation	100	Feb. 29, 2000	*1
System Plaza Inc.	100	Feb. 29, 2000	*4
Infotec Service Corporation	100	Feb. 29, 2000	*1
Yokogawa & Co., Ltd	50	Feb. 29, 2000	
Yokogawa System Construction Co., Ltd	99	Feb. 29, 2000	
Yokogawa Y.F.E. Corporation	100	Feb. 29, 2000	
Yokogawa Paltec Corporation	100	Feb. 29, 2000	
YDC Corporation	100	Feb. 29, 2000	

	Percentage owned by the Company (directly or indirectly)	Fiscal Year-End	Additional Information (See Footnote)
Subsidiaries outside Japan:			
Yokogawa USA, Inc.	100	Feb. 29, 2000	*1
Yokogawa Corporation of America	100	Feb. 29, 2000	*1
Measurementation Inc.	100	Feb. 29, 2000	*1
Yokogawa Trading U.S.A., Inc.	100	Feb. 29, 2000	*1
Kokusai Chart Corporation of America	100	Feb. 29, 2000	*1
Yokogawa Industrial Safety Systems Inc.	100	Feb. 29, 2000	*1
Yokogawa America do Sul Ltda.	99	Feb. 29, 2000	*1
Yokogawa Service Ltda.	100	Feb. 29, 2000	*1
Yokogawa Europe B.V.	100	Feb. 29, 2000	*1
Yokogawa International Finance B.V.	100	Dec. 31, 1999	
Yokogawa Nederland B.V.	100	Feb. 29, 2000	*1
Yokogawa Industrial Safety Systems B.V.	100	Feb. 29, 2000	*1
Yokogawa Marex Technology B.V.	100	Feb. 29, 2000	*3
Yokogawa Austria Ges.m.b.H.	100	Feb. 29, 2000	*1
Yokogawa Belgium N.V./S.A.	100	Feb. 29, 2000	*1
Yokogawa Deutschland GmbH	100	Feb. 29, 2000	*1
Rota Yokogawa GmbH & Co., KG	100	Feb. 29, 2000	*1
Verwaltungsgesellschaft Rota Yokogawa GmbH	100	Feb. 29, 2000	
Yokogawa nbn GmbH	100	Feb. 29, 2000	*1
Yokogawa Espana S.A.	100	Feb. 29, 2000	*1
Yokogawa France S.A.	100	Feb. 29, 2000	*1
Rota Yokogawa France S.A.R.L.	100	Feb. 29, 2000	*1
Yokogawa Hungaria Ltd.	100	Feb. 29, 2000	*1
Yokogawa Reinsurance Ltd.	100	Dec. 31, 1999	
Yokogawa Italia S.r.L.	100	Feb. 29, 2000	*1
Yokogawa United Kingdom Ltd.	100	Feb. 29, 2000	*1
Yokogawa Marex Technology Ltd.	100	Feb. 29, 2000	*3
Yokogawa Martron Ltd.	100	Feb. 29, 2000	*1
Martron Instrument Calibration Ltd.	100	Feb. 29, 2000	
Yokogawa Capital Unlimited	100	Feb. 29, 2000	*1
Yokogawa Trading Europe B.V.	100	Feb. 29, 2000	*1
Limited Yokogawa Electric	100	Dec. 31, 1999	*2
Yokogawa South Africa (Pty) Ltd.	100	Feb. 29, 2000	*1
Yokogawa Middle East E.C.	100	Feb. 29, 2000	*1
Yokogawa Electric Asia Pte. Ltd.	100	Feb. 29, 2000	*1
Yokogawa Engineering Asia Pte. Ltd.	100	Feb. 29, 2000	*1
Yokogawa Trading Asia Pte. Ltd.	100	Feb. 29, 2000	*1
Measurementation Systems Pte. Ltd.	100	Feb. 29, 2000	*1
Plant Electrical Instrumentation Pte. Ltd.	51	Feb. 29, 2000	
P.T. Yokogawa Indonesia	100	Feb. 29, 2000	*1
P.T. Yokogawa Manufacturing Batam	100	Feb. 29, 2000	*1
P.T. Yokogawa Power Supply Batam	100	Feb. 29, 2000	*1
Yokogawa Electric (Malaysia) Sdn. Bhd.	97	Feb. 29, 2000	
Yokogawa Industrial Safety Systems Sdn. Bhd.	100	Feb. 29, 2000	*1
Myanmar Yokogawa Electric Ltd.	100	Feb. 29, 2000	*1
Yokogawa Philippines Inc.	100	Feb. 29, 2000	*1
Yokogawa Technical Services Philippines Inc.	100	Feb. 29, 2000	*1
Yokogawa (Thailand) Ltd.	85	Feb. 29, 2000	*1
River Process Engineering Co., Ltd.	85	Feb. 29, 2000	*1
Yokogawa Electric Korea Co., Ltd.	100	Feb. 29, 2000	*1
DU BI Industrial Co., Ltd.	100	Feb. 29, 2000	*1

	Percentage owned by the Company (directly or indirectly)	Fiscal Year-End	Additional Information (See Footnote)
Subsidiaries outside Japan:			
HAN YO Telecom Co., Ltd.	100	Feb. 29, 2000	*1
Yokogawa Measuring Instruments Korea Corporation	100	Feb. 29, 2000	*1
Yokogawa Trading Korea Co., Ltd.	100	Feb. 29, 2000	*1
Yokogawa Taiwan Corporation	100	Dec. 31, 1999	
Taiwan Yokogawa P&L Corporation	100	Feb. 29, 2000	
Yokogawa Australia Pty Ltd.	100	Feb. 29, 2000	*1
TechComm Simulation Pty. Ltd.	100	Feb. 29, 2000	*1
Yokogawa New Zealand Pty. Ltd.	100	Feb. 29, 2000	
Suzhou Yokogawa Meter Company	59	Dec. 31, 1999	
Shanghai Yokogawa Petrochemical Instrumentation Co., Ltd.	90	Dec. 31, 1999	
Yokogawa Sichuan Instrument Co., Ltd.	60	Dec. 31, 1999	
Yokogawa Trading Hong Kong Limited	100	Feb. 29, 2000	*1
Yokoshin Software Engineering (WUXI) Co., Ltd.	100	Feb. 29, 2000	

Footnote

*1 For fiscal year 1998, this company changed the fiscal year-end from March 31 to February 28. The Company used its figures for April 1, 1998 to February 28, 1999.

*2 For fiscal year 1998, this company changed the fiscal year-end from March 31 to December 31. The Company used its figure for April 1, 1998 to December 31, 1998.

*3 For fiscal year 1998, this company changed the fiscal year-end from December 31 to February 28. The Company used its figure for January 1, 1998 to February 28, 1999.

*4 For fiscal year 1998, this company changed the fiscal year-end from June 30 to February 28. The Company used its figure for July 1, 1998 to February 28, 1999.

The Company has consolidated the accounts of these subsidiaries by using the account balances for such fiscal year since there were no material transactions that occurred between the different fiscal year-ends.

The remaining 15 (16 for 1999) unconsolidated subsidiaries' combined assets, net sales and net income in the aggregate are not significant compared to those of the consolidated financial statements of the Companies; therefore, the accounts of such subsidiaries have not been included in consolidation. (See (3) below.)

(2) Elimination and Combination

For the purposes of preparing the consolidated financial statements of the Companies, all significant inter-company transactions, account balances and unrealized profits among the Companies have been eliminated.

In elimination, any difference between the cost of an investment in a subsidiary and the amount of underlying equity in net assets of the subsidiary is treated as an asset or a liability, as the case may be, and amortized over a period of five years on a straight-line basis. Any differences between the cost of an investment in a subsidiary and the amount of underlying equity in net assets of the subsidiary has been charged or credited to income in the year in which it occurs in the case that such difference is not significant.

Assets and liabilities in consolidated subsidiaries are revalued to fair market value when the majority interest in the subsidiaries is purchased.

Legal reserve of consolidated subsidiaries provided subsequent to the acquisition of such subsidiaries by the Company is included in retained earnings and is not shown separately in the consolidated financial statements.

(3) Accounting for Investments in Unconsolidated Subsidiaries and Affiliates

The Company had 15 (16 for 1999) unconsolidated subsidiaries and 31 (33 for 1999) affiliates as at March 31, 2000. The equity method is applied to the investments in 13 (13 for 1999) unconsolidated subsidiaries and 23 (26 for 1999) major affiliates since the investments in the other unconsolidated subsidiaries and remaining affiliates do not have a material effect on consolidated net income and retained earnings in the consolidated financial statements.

The 13 unconsolidated subsidiaries and 23 affiliates accounted for by the equity method as at and for the year ended March 31, 2000 are listed below:

	Percentage owned by the Company (directly or indirectly)	Fiscal Year-End	Additional Information (See Footnote)
Unconsolidated Subsidiaries and Affiliates:			
GE Yokogawa Medical Systems, Ltd.	25 %	Mar. 31, 2000	
Agilent Technologies Japan, Ltd.	25	Oct. 31, 1999	
Kokusai Keiso Co., Ltd.	35	Sep. 30, 1999	
Yokogawa Johnson Controls Corporation	45	Aug. 31, 1999	
Yokogawa Rental & Lease Corporation	47	Mar. 31, 2000	
Yokogawa Analytical Systems Inc.	49	Oct. 31, 1999	
Aqua Consult & Engineering Co., Ltd.	100	Feb. 29, 2000	*1
Yokogawa Wavetek Corporation	100	Feb. 29, 2000	*2
Yokogawa A.I.M Corporation	60	Feb. 29, 2000	*1
Morioka Tokki Corporation	65	Feb. 29, 2000	*1
Yokogawa Elder Corporation	100	Feb. 29, 2000	*1
Yokogawa Green Farm Corporation	100	Feb. 29, 2000	*1
Yokogawa Marchandising Design Corporation	100	Feb. 29, 2000	*1
Yokogawa Denyo Corporation	50	Feb. 29, 2000	*1
Omega Simulation Co., Ltd.	50	Mar. 31, 2000	
Yokoshou Engineering Corporation	100	Feb. 29, 2000	*1
YK System Engineering Co., Ltd.	35	Mar. 31, 2000	
YN System Co., Ltd.	35	Mar. 31, 2000	
Kanazawa System House Co., Ltd.	35	Mar. 31, 2000	
YM Engineering Corporation	35	Mar. 31, 2000	
Sansetsu Corporation	33	Sep. 30, 1999	
Tokyo Sokuon Co.	25	Mar. 31, 2000	
Toyota Macs Incorporated	26	Mar. 31, 2000	
Yokogawa Fukuyama Keisou	50	Feb. 29, 2000	*1
Yokogawa Solutions Corporation	100	Feb. 29, 2000	*1
Yokogawa Sales Promotions Corporation	100	Feb. 29, 2000	*1
Yokogawa Organization Resources Counselors Corporation	51	Dec. 31, 1999	
Analyzer Expert Corporation	100	Feb. 29, 2000	*1
Yokogawa Foundry Corporation	100	Feb. 29, 2000	
Yokogawa Toa Kogyo, Ltd.	20	Oct. 31, 1999	
Safety Service Center B.V.	50	Feb. 29, 2000	*1
Yokogawa Kontrol (Malaysia) Sdn. Bhd.	30	Feb. 29, 2000	*1
Yokogawa Blue Star Ltd.	40	Dec. 31, 1999	*3
Yokogawa-Xiyi Co., Ltd.	50	Dec. 31, 1999	
Yokogawa (Shanghai) Instrumentation Co., Ltd.	49	Dec. 31, 1999	
Beijing Metallurgy Yokogawa Automation Engineering Co., Ltd.	30	Dec. 31, 1999	

Footnote

*1 For fiscal year 1998 this company changed the fiscal year end from March 31 to February 28. The Company has used their figures for April 1, 1998 to February 28, 1999.

*2 For fiscal year 1997 this company changed the fiscal year end from September 30 to February 28.

The Company has used its figure for October 1, 1997 to February 28, 1999.

*3 For fiscal year 1998 The Company has used this company's figure for April 1, 1998 to December 31, 1998.

The investments in the remaining unconsolidated subsidiaries and affiliates are carried at cost.

(4) Translation of Foreign Currency Financial Statements (Accounts of Consolidated Subsidiaries outside Japan)

The translation of foreign currency financial statements of overseas subsidiaries into Japanese yen for consolidation purposes is made by the method of translation prescribed by the statements issued by the Business Accounting Council (BAC) of Japan. In accordance with the standards in these statements, all assets and liabilities are translated into Japanese yen at current exchange rates. All incomes and expenses are

translated into Japanese yen at average exchange rates. The resulting translation adjustments are, as before, shown as "Foreign Currency Translation Adjustments" in the accompanying balance sheets.

(5) Inventories

Inventories of the companies in Japan are stated at cost, cost being determined on an average cost basis.

(6) Marketable Securities and Investments in Securities

Securities of the companies in Japan are stated at cost, cost being determined on an average cost basis.

(7) Property, Plant and Equipment

For the companies in Japan, depreciation is computed on the declining-balance method at rates prescribed by the Japanese income tax laws based on the estimated useful lives of assets.

The Company and main subsidiaries in Japan changed the depreciation method for buildings, which were acquired on or after April 1, 1998, from the declining-balance method to the straight-line method pursuant to the amendments to the corporate income tax laws. As a result of this change, depreciation expense, operating loss, loss before income tax for the year ended March 31, 1999 had been decreased by ¥137 million as compared with the previous method.

In addition, the Companies had adopted useful lives of the buildings (other than improvements) which are shorter than those used in previous years, pursuant to the amendments to the Japanese income tax laws. As a result of this change, "Operating Loss" and "Loss before Income Taxes" for the year ended March 31, 1999 increased by ¥154 million as compared with the previous method.

(8) Reserve for Retirement Benefits

The Company has adopted a contributory pension plan to cover a portion of the benefits payable to its employees since April 1, 1998. Until the year ended March 31, 1999, the Company had recognized prior service cost when the Company contributed for the prior service cost. Starting from January 1, 2000, the Company changed its accounting policy to recognize the prior service cost from a cash basis to the accrual basis. In addition, the Company changed the method for amortization of prior service cost from the straight-line method over 7 years and 7 months to the declining-balance method by 50% in a year, and changed the long-term rate of return on funded assets for assumption from 5.5% to 3.5%. In line with this change, the Company recorded ¥35,699 million (\$336,307 thousand) as "Amortization of Prior Service Cost" (the excess of the prior service cost over the reserve for the employees' benefit as of December 31, 1999), as "Other Expenses" in the consolidated statements of income. The remaining balance of the reserve for employees' benefit amounting to ¥23,684 million (\$223,118 thousand), as of December 31, 1999, was reclassified from "Reserve for Retirement Benefits" to "Accounts Payable-Other" on the consolidated balance sheets as of March 31, 2000. As a result of this change, "Loss before Income Taxes" for the year ended March 31, 2000 was

increased by ¥35,418 million (\$333,660 thousand) as compared with the amounts that would have been reported if the previous method had been applied consistently. The amount of prior service obligation recognized on March 31, 2000 was represented as "Notes and Accounts Payable-Other" and "Long-Term Debt" amounting to ¥20,148 million (\$189,807 thousand) and ¥34,505 million (\$325,059 thousand), respectively.

Other consolidated subsidiaries generally provide for the reserve for retirement benefits by 100% of such benefits that the subsidiaries would be required to pay if all eligible employees voluntarily retired at the balance sheet date. Until the fiscal year 1999, Yokogawa System Construction Co., Ltd. and other consolidated subsidiaries had provided for the reserve for retirement benefits at 40% of such benefits that the subsidiaries would be required to pay if all eligible employees voluntarily retired at the balance sheet date. However, starting from the fiscal year 2000, these subsidiaries provided 100% of such benefits that the subsidiaries would be required to pay if all eligible employees voluntarily terminated employment at the balance sheet date. As a result of this change, "Cost of Sales," "Selling, General and Administrative Expenses" and "Other Expenses" for the year ended March 31, 2000 were increased by ¥90 million (\$848 thousand), ¥40 million (\$377 thousand) and ¥1,234 million (\$11,625 thousand), respectively, and "Loss before Income Taxes" for the year ended March 31, 2000 was increased by ¥1,364 million (\$12,850 thousand) as compared with the amounts that would have been reported if the previous method had been applied consistently.

The number of consolidated subsidiaries that adopted a qualified pension plan as of March 31, 2000 and 1999 was 15 and 13, respectively, and that adopted contributory pension plan (covering a portion of governmental pension) as of March 31, 2000 and 1999 was 5 and 6, respectively.

Until the year ended March 31, 1999, Yokogawa M&C Corporation ("YMC") and Yokogawa System Construction Co., Ltd. ("YSC") had charged the officers' retirement payments to income when actually paid. During the year ended March 31, 2000, YMC and YSC changed their accounting policy for the recognition of accrued officers' retirement benefits to reserve as 100% of the liabilities YMC and YSC would have been required to pay if all eligible directors and statutory auditors had been retired at the respective balance sheet dates in order to recognize periodic cost of such benefits over a period of services by the directors and statutory auditors and to achieve better measurement of results of operations and to strengthen the soundness of the financial structures.

As a result of the change, past service costs of the retirement benefits to directors and statutory auditors determined by reference to YMC and YSC's internal rules in an amount of ¥84 million (\$791 thousand) were charged to income as "Other Expenses" in the accompanying consolidated statements of income for the year ended March 31, 2000 and the current cost of the benefit for this year in an amount of ¥27 million (\$254 thousand) was charged to "Selling, General and Administrative Expenses."

As a result of the change, "Operating Profit" for the year ended March 31, 2000 was decreased by ¥27 million (\$254 thousand) and "Loss before Income Taxes" for the year ended March 31, 2000 was increased by ¥112 million (\$1,055 thousand) as compared with the amounts that would have been reported if the previous method had been applied consistently.

(9) Accounting for Leases

Finance leases other than those which are deemed to transfer the ownership of the leased assets to lessees are accounted for by the method similar to that applicable to ordinary operating leases.

(10) Income Taxes

In the year ended March 31, 2000, the Companies adopted deferred tax accounting in accordance with the amended regulations for preparation of consolidated financial statements. Income taxes are determined using the asset and liability approach, where deferred tax assets and liabilities are recognized for temporary differences between the tax basis of assets and liabilities and their reported amount in the financial statements. The cumulative effect of adopting deferred tax accounting at the beginning of this fiscal year was charged to retained earnings.

As a result of this change, the Company recorded ¥32,405 million (\$305,275 thousand) of deferred tax assets (¥15,922 million (\$149,995 thousand) of "Deferred Tax Assets-current" and ¥16,483 million (\$155,280 thousand) of "Deferred Tax Assets-non-current") and ¥1,693 million (\$15,949 thousand) of deferred tax liabilities (¥144 million (\$1,357 thousand) of "Deferred Tax Liabilities" and ¥1,549 million (\$14,592 thousand) of "Deferred Tax Liabilities-non-current") on the consolidated balance sheets as of March 31, 2000. "Net Income" for the year ended March 31, 2000 and "Retained Earnings" as of March 31, 2000 were increased by ¥20,703 million (\$195,035 thousand) and ¥34,014 million (\$320,433 thousand), respectively.

The significant components of deferred tax assets and liabilities at March 31, 2000 are as follows:

	Millions of Yen	Thousands of U.S. Dollars
Deferred Tax Assets:		
Accounts payable–other for prior service costs	¥22,981	\$216,496
Tax loss carryforward	7,074	66,642
Write-down of investment securities	2,957	27,857
Excess amount of tax deductible for allowance for doubtful accounts	2,261	21,300
Unrealized gain eliminated in consolidation	2,159	20,339
Loss on restructuring of related companies	2,074	19,538
Excess amount of tax deductible for retirement allowance	1,996	18,804
Excess amount of tax deductible for bonus allowance	1,118	10,532
Other items	3,534	33,292
Subtotal deferred tax assets	46,154	434,800
Offset against deferred tax liabilities	(2,455)	(23,128)
Valuation allowance	(11,294)	(106,397)
Net deferred tax assets	¥32,405	\$305,275
Deferred Tax Liabilities:		
Special tax-purpose reserve	¥ 2,551	\$ 24,032
Other items	1,597	15,045
Total deferred tax liabilities	4,148	39,077
Offset against deferred tax assets	(2,455)	(23,128)
Net deferred tax liabilities	¥ 1,693	\$ 15,949

The reconciliation between the statutory tax rate and effective tax rate for the year ended March 31, 2000 is as follows:

Statutory tax rate	42.1%
(Reconciliation)	
Non-taxable dividend income	60.3
Tax loss carryforwards of subsidiaries	43.4
Equity in earnings of affiliates	26.3
Change in valuation allowance	(19.6)
Permanent difference on entertainment expenses	(4.2)
Other	(2.8)
Effective tax rate	145.5%

(11) Cash and Cash Equivalents

Cash and cash equivalents in the consolidated statement of cash flows are composed of cash on hand, bank deposits which are able to be withdrawn on demand and short-term

investments with original maturity of three months or less and with minor risk of significant fluctuations in value.

3. United States Dollar Amounts

The Company maintains its accounting records in Japanese yen. The U.S. dollar amounts included in the consolidated financial statements and notes thereto represent the arithmetical results of translating Japanese yen to U.S. dollars on a basis of ¥106.15=US\$1, the approximate effective rate of exchange

prevailing at March 31, 2000. The inclusion of such U.S. dollar amounts is solely for the convenience of the reader and is not intended to imply that Japanese yen amounts have been or could be converted, realized or settled in U.S. dollars at that or any other rate.

4. Accumulated Depreciation

Accumulated depreciation deducted from cost of property, plant and equipment in the accompanying consolidated balance sheets amounted to ¥112,586 million and ¥113,880

million (\$1,072,821 thousand) at March 31, 1999 and 2000, respectively.

5. Lease Transactions

The Companies have various lease agreements whereby they act as lessees. The Companies’ finance lease contracts which are not deemed to transfer the ownership of the leased assets are accounted for by the method that is applicable to ordinary operating leases.

Significant leased assets under the above lease contracts of the Companies for the year ended March 31, 2000 are as follows:

Future lease payments, interest included on lease contracts as of March 31, 2000 are as follows:

	Millions of Yen			Thousands of U.S. Dollars
	Acquisition Cost	Accumulated Depreciation	Balance as of March 31, 2000	Balance as of March 31, 2000
Machinery and Equipment	¥1,728	¥ 938	¥ 790	\$ 7,442
Furniture and Fixtures	4,005	2,391	1,614	15,205
Total	¥5,733	¥3,329	¥2,404	\$22,647

6. Long-Term Debt

Long-term debt as at March 31, 2000 and 1999 consisted of the following:

	Millions of Yen		Thousands of U.S. Dollars
	1999	2000	2000
Loans from banks, other financial Institutions, etc.			
due from 2001 to 2022 with mortgage and collateral	¥ 44,596	¥ 22,000	\$ 207,254
2.900 percent bonds due on May 21, 2001	10,000	10,000	94,206
2.150 percent bonds due on July 24, 2002	10,000	10,000	94,206
2.475 percent bonds due on February 20, 2003	10,000	10,000	94,206
1.950 percent bonds due on November 25, 2003	10,000	10,000	94,206
2.000 percent bonds due on March 26, 2004	10,000	10,000	94,206
Zero-coupon bonds due on September 25, 2002	2,000	2,000	18,842
4.200 percent bonds due August 25, 1999	5,094	–	–
Other long-term debt	1,668	35,616	335,526
	¥103,358	109,616	1,032,652
Less: Portion due within one year	(5,094)	–	–
	¥ 98,264	¥109,616	\$1,032,652

In accordance with customary business practices in Japan, the Companies maintain substantial deposit balances with institu-

tions from which the Company has borrowings. Withdrawal of such deposits is not restricted legally or by contract.

7. Collateral and Secured Debt

Collateral and secured debt as of March 31, 2000 consisted of the following:

	Millions of Yen	Thousands of U.S. Dollars		Millions of Yen	Thousands of U.S. Dollars
Collateral:					
Cash and time deposits	¥ 19	\$ 179			
Building and structures	899	8,469			
Machinery and equipment	18	170			
Land	1,659	15,629			
Investment in securities	1	9			
Total	¥2,596	\$24,456			

Secured Debt:					
Accounts and notes payable	¥ 29	\$ 273			
Short-term borrowings	1,836	17,296			
Long-term borrowings	222	2,091			
Total	¥2,087	\$19,660			

8. Marketable Securities and Investment Securities

The cost, estimated market values and unrealized gains of the marketable securities (current assets) and investments in securities (non-current assets) as of March 31, 2000 are as follows:

	Millions of Yen			Thousands of U.S. Dollars		
	Book value	Market value	Unrealized gain, net	Book value	Market value	Unrealized gain, net
Marketable Securities:						
Marketable securities	¥ 1,148	¥ 1,967	¥ 819	\$ 10,815	\$ 18,530	\$ 7,715
Bonds	11,224	10,338	(886)	105,737	97,390	(8,347)
Other securities	805	809	4	7,584	7,622	38
Subtotal	13,177	13,114	(63)	124,136	123,542	(594)
Investment Securities:						
Marketable securities	25,810	41,182	15,372	243,147	387,961	144,814
Bonds	1,527	956	(571)	14,385	9,006	(5,379)
Subtotal	27,337	42,138	14,80	257,532	396,967	139,435
Total	¥40,514	¥55,252	¥14,738	\$381,668	\$520,509	\$138,841

The book values of major securities that are excluded from the above presentation are as follows:

	Millions of Yen	Thousands of U.S. Dollars
Marketable Securities:		
Money market fund	¥29,265	\$275,695
Investment Securities:		
Unlisted securities (excluding over-the-counter securities)	12,006	113,104
Stock Investment Trust	100	942

9. Market Value Information of Derivative Transactions

Derivative transactions are used in order to manage exchange risks and risks of market rate fluctuations which occur in the normal course of business. And they are not going to be used for speculative purposes or for highly leveraged transactions.

The contracted amounts of market values and valuation gains or losses for derivative transactions related to currencies as of March 31, 2000 are as follows:

	Millions of Yen				Thousands of U.S. Dollars				
	Contract amount etc.			Valuation gain or loss	Contract amount etc.			Valuation gain or loss	
	Total	Over one year	Market value		Total	Over one year	Market value		
Forward Exchange Contracts:									
Selling contracts									
Eurodollar	¥ 4,656	¥ 606	¥4,411	¥245	\$ 43,862	\$ 5,709	\$41,554	\$2,308	
Buying contracts									
U.S. dollar	4,656	606	4,628	(28)	43,862	5,709	43,599	(263)	
Currency Options:									
Selling contracts									
Yen put-U.S. dollar call	6,900	–	129	6	65,002	–	1,215	57	
(Option premium)	(135)	(–)			(1,272)	(–)			
Buying contracts									
U.S. dollar put-Yen call	6,900	–	85	(49)	65,002	–	801	(462)	
(Option premium)	(135)	(–)			(1,272)	(–)			
Currency Swap:									
Receipt of DM and Payment of Yen	1,000	1,000	59	59	9,422	9,422	556	555	
Total	¥24,112	¥2,212	¥9,312	¥233	\$227,150	\$20,840	\$87,725	\$2,195	
	(270)	(–)			(2,544)	(–)			

The above amounts exclude contracts entered into in order to hedge receivables and payables denominated in foreign currencies which have been translated and reflected at the corresponding contracted rates in the accompanying consolidated balance sheets at March 31, 2000. Market value was estimated by the Company based on quotes from banks, etc.

The contracted amounts of market values and valuation gains or losses for derivative transactions related to interest as of March 31, 2000 are as follows:

	Millions of Yen				Thousands of U.S. Dollars			
	Contract amount etc.				Contract amount etc.			
	Total	Over one year	Market value	Valuation gain or loss	Total	Over one year	Market value	Valuation gain or loss
Interest Rate Swaps:								
Receipt of fixed rate and payment of variable rate	¥11,077	¥ 8,076	¥ 965	¥ 965	\$104,352	\$ 76,081	\$ 9,090	\$ 9,090
Receipt of variable rate and payment of variable rate	6,025	3,025	995	995	56,759	28,497	9,374	9,374
Receipt of variable rate and payment of fixed rate	3,496	2,896	(184)	(184)	32,935	27,282	(1,733)	(1,733)
Interest Cap Trading:								
Buying contract	3,000	3,000	0	(17)	28,262	28,262	0	(160)
(Cap premium)	(17)	(17)			(160)	(160)		
Total	¥23,598	¥16,997	¥1,776	¥1,759	\$222,308	\$160,122	\$16,731	\$16,571
	(17)	(17)			(160)	(160)		

Market value was estimated by the Company based on quotes from banks, etc.

10. Commitments and Contingent Liabilities

The Company was contingently liable for guarantees of loans borrowed by the employees of the Company and its related companies, its unconsolidated subsidiaries and affiliates in the amount of ¥3,431 million (\$32,322 thousand) at March 31, 2000. In addition, the Company was contingently liable for guarantees of purchase obligations related to finance lease in

amount of ¥47 million (\$442,770 thousand) at March 31, 2000.

All finance lease contracts other than those by which the ownership of the leased assets is to be transferred to lessees. Such contracts are accounted for by a method similar to the operating lease method.

11. Subsequent Event

- (1) Subsequent to March 31, 2000, the Company's Board of Directors, with the subsequent approval by shareholders on June 29, 2000, declared a cash dividend of ¥921 million (\$8,676 thousand), equal to ¥3.75 (\$0.035) per share, which was applicable to earnings of the year ended March 31, 2000 and payable to shareholders on the register on March 31, 2000.
- (2) The Company sold stock of Agilent Technologies Japan, Ltd. in April in 2000 due to an agreement to quit a joint venture with Hewlett Packard Co., Ltd. The book value and the sales amount of total stock that the Company sold was

¥582 million (\$5,483 thousand) and ¥25,000 million (\$235,516 thousand), respectively. As a result, the ratio of shareholding in Agilent Technologies Japan, Ltd. decreased to 4.7%.

(3) The Company's board of directors decided on June 20, 2000 to sell GE Yokogawa Medical Systems, Ltd. shares. After the retirement of the stock by GE Yokogawa Medical System, Ltd., the Company will acquire the same number of preferred stock. The net value of common stock to be cancelled and the amount at which the common stock will be cancelled are ¥5,203 million (\$49,015 thousand) and ¥11,000 million (\$103,627 thousand), respectively.

12. Net Income Per Share

Net income per share is based upon the weighted average number of shares of common stock outstanding during each year.

No dilutive effect on net income per share for fiscal 1999 and 2000 is disclosed since the Company has issued neither bonds with subscription warrants nor convertible bonds.

13. Segment Information

(1) Industry Segment Information

The Companies operate principally in three industrial segments: Measurement, Control and Information Equipment , Finance and Other.

The Measurement, Control and Information Equipment Division produces and sells total control systems, distributed control systems, electric control systems, product line control systems and industrial computer systems, analyzing recorders, digital multi-meters, electric power measuring instruments,

temperature measuring instruments, pressure measuring instruments, etc.

The Finance Division manages financing activities, settlement of foreign currency transactions, etc.

The Other Division produces and sells engine instruments, control instruments, integrated display systems, gyrocom-passes, etc.

Segment information classified by industry segment of the Companies for the three years ended March 31, 1998, 1999 and 2000 is as follows:

	1998							
	Millions of Yen							
	Sales to Outside Customers	Inter- Segment Sales	Total Sales	Operating Expenses	Operating Profit	Assets	Depreciation	Capital Expenditure
Measurement, Control and Information Equipment	¥263,790	¥ 780	¥264,570	¥237,778	¥26,792	¥222,439	¥ 8,114	¥11,535
Finance	2,526	497	3,023	3,010	13	52,093	2	4
Other	38,915	15,223	54,138	51,917	2,221	42,577	1,131	2,064
Total	305,231	16,500	321,731	292,705	29,026	317,109	9,247	13,603
Elimination of inter-segment sales/profit or common assets	-	(16,500)	(16,500)	381	(16,881)	122,308	1,127	3,830
Consolidated total	¥305,231	¥ -	¥305,231	¥293,086	¥12,145	¥439,417	¥10,374	¥17,433

	1999							
	Millions of Yen							
	Sales to Outside Customers	Inter- Segment Sales	Total Sales	Operating Expenses	Operating Profit (Loss)	Assets	Depreciation	Capital Expenditure
Measurement, Control and Information Equipment	¥237,955	¥ 970	¥238,925	¥223,749	¥15,176	¥211,281	¥ 8,221	¥13,532
Finance	550	614	1,164	1,635	(471)	56,246	2	0
Other	41,680	14,207	55,887	54,941	946	43,470	1,228	1,801
Total	280,185	15,791	295,976	280,325	15,651	310,997	9,451	15,333
Elimination of inter-segment sales/profit or common assets	-	(15,791)	(15,791)	472	(16,262)	89,562	1,580	3,502
Consolidated total	¥280,185	¥ -	¥280,185	¥280,797	¥ (611)	¥400,559	¥11,031	¥18,835

	2000									
	Millions of Yen								Thousands of U.S. Dollars	
	Sales to Outside Customers	Inter- Segment Sales	Total Sales	Operating Expenses	Operating Profit	Assets	Depreciation	Capital Expenditure	Operating Profit	Capital Expenditure
Measurement, Control and Information Equipment	¥263,489	¥ 1,112	¥264,601	¥246,114	¥18,487	¥248,665	¥ 9,862	¥ 9,554	\$174,159	\$ 2,342,581
Finance	457	781	1,237	1,206	32	41,088	7	54	301	387,075
Other	49,407	16,911	66,319	63,684	2,634	45,499	1,359	1,412	24,815	428,629
Total	313,353	18,804	332,157	311,004	21,153	335,252	11,228	11,020	199,275	3,158,285
Elimination of inter-segment sales/profit or common assets (Note)	-	(18,804)	(18,804)	(3,560)	(15,244)	85,454	1,969	3,679	(143,607)	805,032
Consolidated total	¥313,353	¥ -	¥313,353	¥307,444	¥ 5,909	¥420,706	¥13,197	¥14,699	\$ 55,666	\$3,963,317

Note: Common assets totalling ¥117,205 million corresponding to the line item "Elimination of intersegment sales/profit or common assets" mainly consist of surplus working fund (cash and marketable securities), long-term investment funds (investments in securities) and other assets which belong to the administrative departments.

(2) Geographic Segment Information					
Segment information classified by geographic area for the three years ended March 31, 2000 is as follows:					
	1998				
	Millions of Yen				
	Sales to Outside Customers	Inter- Segment Sales	Total Sales	Operating Expenses	Operating Profit(Loss)
Japan	¥241,206	¥18,561	¥259,767	¥249,123	¥10,644
Asia	15,411	7,734	23,145	22,043	1,102
Europe	23,667	766	24,433	24,356	77
North America	18,427	466	18,893	19,318	(425)
Other	6,520	171	6,691	6,901	(210)
Total	305,231	27,698	332,929	321,741	11,188
Elimination of inter-segment sales/profit	—	(27,698)	(27,698)	(28,655)	957
Consolidated total	¥305,231	¥ —	¥305,231	¥293,086	¥12,145
	1999				
	Millions of Yen				
	Sales to Outside Customers	Inter- Segment Sales	Total Sales	Operating Expenses	Operating Profit(Loss)
Japan	¥220,152	¥18,343	¥238,496	¥237,699	¥ 797
Asia	16,075	10,835	26,910	25,803	1,107
Europe	22,297	1,785	24,083	24,706	(623)
North America	16,167	2,186	18,353	20,353	(2,000)
Other	5,494	385	5,878	6,290	(412)
Total	280,185	33,534	313,720	314,851	(1,131)
Elimination of inter-segment sales/profit	—	(33,534)	(33,534)	(34,054)	520
Consolidated total	¥280,185	¥ —	¥280,185	¥280,797	¥(611)
	2000				
	Millions of Yen				
	Sales to Outside Customers	Inter- Segment Sales	Total Sales	Operating Expenses	Operating Profit(Loss)
Japan	¥255,566	¥20,689	¥276,255	¥271,177	¥5,078
Asia	14,815	12,548	27,363	25,823	1,540
Europe	19,206	1,561	20,767	22,181	(1,414)
North America	17,881	1,222	19,103	18,838	265
Other	5,885	271	6,156	5,901	255
Total	313,353	36,291	349,644	343,920	5,724
Elimination of inter-segment sales/profit	—	(36,291)	(36,291)	(36,476)	185
Consolidated total	¥313,353	¥ —	¥313,353	¥307,444	¥5,909
	Thousands of U.S. Dollars				
	Sales to Outside Customers	Inter- Segment Sales	Total Sales	Operating Expenses	Operating Profit(Loss)
Japan	\$255,566	\$20,689	\$276,255	\$271,177	\$5,078
Asia	14,815	12,548	27,363	25,823	1,540
Europe	19,206	1,561	20,767	22,181	(1,414)
North America	17,881	1,222	19,103	18,838	265
Other	5,885	271	6,156	5,901	255
Total	313,353	36,291	349,644	343,920	5,724
Elimination of inter-segment sales/profit	—	(36,291)	(36,291)	(36,476)	185
Consolidated total	\$313,353	\$ —	\$313,353	\$307,444	\$5,909
Note: Asia Singapore, China, Korea, etc.					
Europe The Netherlands, France, U.K., Germany, etc.					
North America U.S.A.					
Other Brazil, Australia, etc.					

The Board of Directors of
Yokogawa Electric Corporation

We have audited the accompanying consolidated balance sheets of Yokogawa Electric Corporation and its subsidiaries as at March 31, 2000 and 1999, and the related consolidated statements of income and retained earnings for each of the three years in the period ended March 31, 2000, and the related consolidated statement of cash flows for the year ended March 31, 2000, all expressed in Japanese yen. Our audits were made in accordance with auditing standards, procedures and practices generally accepted and applied in Japan and, accordingly, included such tests of the accounting records and such other auditing procedures as we considered necessary in the circumstances.

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 its consolidated subsidiaries as at March 31, 2000 and 1999, and the consolidated results of their operations for each of the three years in the period ended March 31, 2000, and their cash flows for the year ended March 31, 2000 in conformity with accounting principles and practices generally accepted in Japan (see Note 1) applied on a consistent basis.

As described in Note 2, effective for the year ended March 31, 2000, Yokogawa Electric Corporation and its subsidiaries have adopted new Japanese accounting standards for the preparation of consolidated financial statements and income taxes.

The amounts expressed in U.S. dollars, provided solely for the convenience of the reader, have been translated on the basis set forth in Note 3 to the accompanying consolidated financial statements.

ChuoAoyama Audit Corporation

Tokyo, Japan

June 29, 2000



Directors and Auditors

As of June 29, 2000

President and Chief Executive Officer

Isao Uchida

Senior Executive Director

Fumio Mizoguchi

Executive Directors

Joichi Ueba

Taiki Utsumi

Director, Executive Vice President, IA Business Headquarters

Kenji Matsuoka

Director, Executive Vice President, IT Business Headquarters

Shigenori Otsubo

Corporate Auditors

Mineo Kato

Takaomi Kakurai

Takahide Sakurai

Toru Hashimoto

Corporate Data

As of March 31, 2000

Headquarters and Main Factory

2-9-32, Nakacho, Musashino-shi

Tokyo 180-8750, Japan

Tel: 81-422-52-5526

Fax: 81-422-52-5927

(Corporate Treasury Department)

URL: <http://www.yokogawa.co.jp/>

Founded

September 1, 1915

Paid-in Capital

¥32,306,071,542

Number of Employees

5,952

Number of Shares of Common Stock Issued

245,684,012

Number of Shareholders

20,902

Facilities in Japan

2 factories and 19 offices

Facilities outside Japan

69 affiliates in 27 countries, including

18 Factories

Stock Exchange Listings

Tokyo, Osaka, Nagoya, Fukuoka and

Amsterdam

Transfer Agent and Registrar

The Dai-ichi Kangyo Fuji Trust and
Banking Co., Ltd.

6-2 Marunouchi, 1-chome

Chiyoda-ku, Tokyo 100-0005, Japan

Annual Meeting

The annual general meeting of shareholders of the Company is normally held in June each year in Tokyo, Japan. In addition, the Company may hold an extraordinary meeting of shareholders as necessary, giving at least two week's prior notice to shareholders.

Auditors

ChuoAoyama Audit Corporation

Yokogawa Electric Corporation

2-9-32, Nakacho, Musashino-shi, Tokyo 180-8750, Japan

Tel: 81-422-52-5530 Fax: 81-422-55-6492

(Public Relations)

<http://www.yokogawa.co.jp/>