

2001

Yokogawa Electric Corporation
Annual Report 2001



YOKOGAWA

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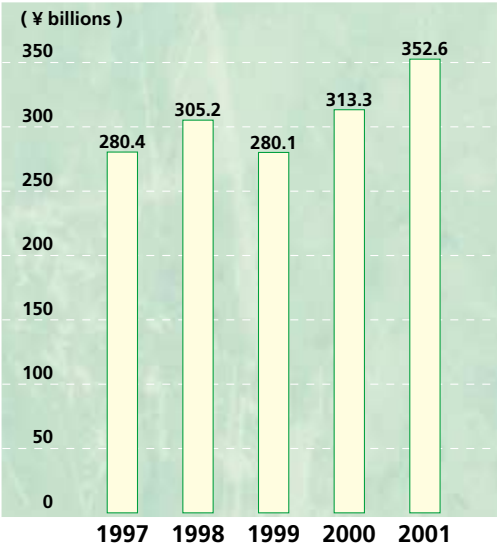
Highlights of the Year

YOKOGAWA ELECTRIC CORPORATION and SUBSIDIARIES
For the years ended March 31, 1997, 1998, 1999, 2000 and 2001

	Millions of Yen					Thousands of U.S. Dollars
	1997	1998	1999	2000	2001	2001
For the Year:						
Net sales	¥280,426	¥305,231	¥280,186	¥313,353	¥352,612	\$2,845,940
Net income	3,853	7,564	(4,428)	5,820	25,416	205,133
At Year-End:						
Total assets	424,000	439,417	400,559	420,706	410,831	3,315,827
Total shareholders' equity	180,496	177,728	171,018	177,596	200,039	1,614,520
Net Income Per Share, Adjusted	¥ 14.9	¥ 29.6	¥ (17.7)	¥ 23.4	¥ 103.7	\$ 0.837
Return on Assets	0.9%	1.7%	-1.1%	1.4%	6.2%	6.2%

Notes: U.S. dollar amounts have been translated, for convenience only, at the rate of ¥123.90 = US\$1, the rate of exchange prevailing at March 31, 2001

Net Sales



Net Income



Net Income Per Share



Return on Assets



A Message from the President



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, 2001, greatly increased in measurement equipment including LSI test systems, IC handlers, and measuring instruments, buoyed by the robust semiconductor and communication markets.

Consolidated sales increased by 39.2 billion yen to 352.6 billion yen (US\$2,845 million) over the previous year, while consolidated operating profit increased by 10.3 billion yen to 16.2 billion yen (US\$130 million) thanks to reductions in sales and administration costs on a group basis. The consolidated net profit also improved dramatically, rising by 19.5 billion yen (a 337% increase) to 25.4 billion yen (US\$205 million).

This growth is mainly due to the improved operating profit as well as 35.4 billion yen (US\$285 million) resulting from the sale of stocks of Agilent Technologies this fiscal year, and 5.7 billion yen (US\$46 million) as special profit by the Company replacing the common stocks of GE Yokogawa Medical Systems, Ltd. with preferred stocks. Despite a special loss of 10.2 billion yen (US\$82 million) incurred by amortization of the consolidated adjustment account resulting from the acquisition of stocks of Ando Electric Co., Ltd, the final results showed unprecedented profit throughout the year. We express our most sincere appreciation to all employees and the management, to our valued customers and to our shareholders for their continuing efforts and support.

Transforming the Business Structure and Revitalizing Group Management

There has been a surge of reform in industry, spurred by globalization and the information technology (IT) revolution, which is intensifying the competition on a global scale. To survive this tough market environment, the Yokogawa Group announced in January 2000 a corporate vision and strategy—VISION-21 and ACTION-21—designed to ensure strong, profitable management. We are currently developing core managerial strategies for transforming our business structure and revitalizing management of the Group.

The business structure phase of the strategy includes increasing the profit in the industrial automation (IA) sector, centering on effective management of the mature plant control systems market, while shifting resources into markets with good growth potential such as IT, communications and multimedia, and semiconductors. We are revamping our business structure in various ways to achieve the quantitative management goals set for fiscal year 2005.

Our group management revitalization program is based on operational autonomy and teamwork. We will maximize the Group's consolidated profits by reorganizing and

integrating our affiliates in Japan and setting up group management mechanisms.

Basic Strategies for Three Main Businesses

The corporate strategy VISION-21 and ACTION-21 categorizes our business in three domains: control business, measurement business, and information services business. We are aggressively developing business strategies suitable for each market.

In our main control business, we must effectively adapt to the maturing of the market that has taken place in the last several years. Thus we will actively propose system solutions as well as meet new demands in the service and other industries, in order to lay a stable foundation and open up growing markets in the Middle East, Asia, and other world markets. We will also focus on food, pharmaceuticals, and fine chemicals which are expected to continue to attract strong investment in Japan.

In the measurement business, we will expand by releasing competitive products in the semiconductor and communication network markets. Although the semiconductor tester business is facing a difficult adjustment phase globally, it is still a promising market with potential growth in demand for next-generation personal digital assistants (PDAs) and digital information appliances in the mid to long term. We will augment our business by developing our tester product strategy for devices such as LCD driver ICs, System-on-Chip (SoC) devices, high-frequency devices, and CMOS/CCD image sensor devices that are mounted on these equipment. In the motion and measurement (M&M) business, we will offer a series of distinctive component products and competitive IC handlers for the semiconductor manufacturing equipment market, with a view to expanding our measurement business in coordination with our tester business. Our efforts in the measurement business are focusing on strengthening our product lineup including measuring instruments for developing next-

generation PDAs based on W-CDMA technology, and digital information appliances employing Bluetooth, a next-generation short-distance wireless interface. Furthermore, we are developing next-generation Wavelength Division Multiplexing (WDM) measuring instruments and communication units, and other products for the optical communication infrastructure. In the component business including switching power supplies for computer peripherals, we will expand by adding new growing sales channels for the digital information appliance market.

The information service business has a particularly large potential for growth. We will extend our medical and education information systems businesses which have got off the ground smoothly and build a solid base in these rapidly growing fields by utilizing our proprietary advanced IT technologies. And we will move into new businesses by collaborating with partners who specialize in IT-related services such as monitoring information network security, as well as the system solution business targeting manufacturers who need sophisticated management information systems.

Based on these core strategies in each field, we have set targets for fiscal 2005 of consolidated sales of 500 billion yen (US\$5 billion), operating income of 50 billion yen (US\$500 million), return on assets (ROA) ratio of 5.0 percent, and return on equity (ROE) ratio of 10.0 percent.

Business Results Overview

The control business was sluggish due to weak capital investment in the Japanese IA market over the past year. However, the measurement business performed well thanks to strong activity in the semiconductor and communication markets, leading to better results overall than last year despite the harsh management conditions.

Looking at our consolidated results by business segment, consolidated sales of the measurement, control, and

information-related equipment businesses was 303.7 billion yen (US\$2,451 million), an increase of 40.2 billion yen (15.3 %) from fiscal year 1999, reflecting the growth in sales of LSI test systems and IC handlers. However, consolidated sales of other businesses, notably the aerospace business, slightly decreased to 48.9 billion yen (US\$394 million).

By region, sales in Europe decreased to 17.2 billion yen (US\$139 million), affected by the weak Euro, but a reduction in sales costs turned a loss of 1.4 billion yen in the previous year to a profit of 339 million yen (US\$2.7 million) this year. In the Japanese market, consolidated sales increased by 35.2 billion yen (13.8 %) to 290.8 billion yen (US\$2.3 billion), and profit rose by 7 billion yen (139.7 %) to 12.1 billion yen (US\$98 million), thus the local market played a central role in the profit recovery. Meanwhile, sales in North America increased by 807 million yen (4.5 %) to 18.6 billion yen (US\$150 million), and in the Asian region where there are signs of recovery, sales rose to 19 billion yen (US\$153 million), 4.1 billion yen (28.3 %) higher than in fiscal 1999.

Analyzing the sales results by business, our control business decreased due to restrained private capital investment in the Japanese IA market. We are concentrating on promoting our existing information business as well as incubating new IT businesses. Supported by the thriving semiconductor market, our measurement business showed a significant growth in semiconductor testers such as IC handlers. Our LSI test systems have grown into a 40-billion-yen (US\$322 million) business, now one of our core businesses. In particular, the TS6000 general logic test system was well received and sold strongly because of its product concepts of minimizing testing costs of LSIs such as SoCs used in digital information appliances. The IC handler also enjoyed a major increase in sales since it uses our own products as key components for performance and cost competitiveness, and the IC handler and LSI test system effectively complement each other. Meanwhile, orders for

specialized new products for developing IT communication networks and multimedia equipment increased in the field of measuring instruments for development purposes. Orders for our existing range of measuring instruments remained steady thanks to our entry into new markets for production lines. We are progressively promoting our overseas strategies, such as setting up sales offices for measuring instruments in Shanghai and Stockholm and building a development facility for measuring instruments for communication interfaces in North America.

Our production contract business for Lam Research Corporation in the USA, a manufacturer of semiconductor etching units, steadily expanded. This partnership is being augmented by service and other contracts. Moreover, we are continuing to expand private demand in the aerospace business.

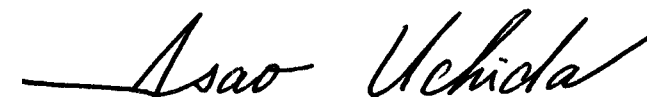
Outlook for 2001

The control business mainly for industrial plants is expected to remain slow, given the cooling of capital investment in the Japanese market. In other markets, however, investment in the Middle East and other regions is rising. We are seeing an increase in orders for relatively small projects to replace existing equipment in Japan, too. In response to these trends, we intend to fully utilize the Group's strength for securing orders both inside and outside Japan. We will focus particularly on developing solution sales with the new CENTUM CS 3000 R3 which is an upgraded version of our leading CENTUM series and is equipped with functions to help upgrade user's existing systems. On the other hand, the semiconductor-related markets, which grew steadily to the end of the third quarter of fiscal year 2000, have fallen into an adjustment phase since the fourth quarter and the LSI test system and IC handler businesses have suffered from the severe business environment. Nevertheless, the markets for next-generation PDAs and digital information appliances are expected to significantly expand on a mid- to long-term basis. Hence, because our LSI test system and

IC handler businesses are targeted at the devices built into these products, we believe that it will continue to grow reassuringly. We also expect our IT business, which we launched aggressively in the past year, will soon bear fruit.

On February 28, 2001, Yokogawa acquired 33 percent of the issued shares of Ando Electric as part of a major management strategy to transform our business structure, becoming the leading shareholder. We have started working together under the partnership to expand both businesses by sharing strategies for measuring instruments, semiconductor testers, IC handlers, and other products, and by combining such resources as technology development, marketing, sales, manufacturing, and service. The strategic partnership also greatly assists the development of equipment and measuring instruments for next-generation WDM technology which offers great promise in the optical communication market. Collaboration between the two companies is expected to lead to greater utilization of our original technologies for compound semiconductors and to other synergistic effects.

We will continue to serve our shareholders by doing our utmost to achieve the goals defined in the corporate strategy. Your continuing support will be greatly appreciated.



Isao Uchida

President and Chief Executive Officer
Yokogawa Electric Corporation

Industrial Automation and Control

IA Operations Environment

In the mainstay industrial automation (IA) field, Yokogawa was the world's first company to develop and release distributed control systems (DCS) for industrial plants in 1975, and the Company has successfully grown into a global leader in the field. It has broadened its range of business to encompass oil, petrochemicals, electricity, gas, chemicals, steel, and many other industries. And in addition to its technologies and know-how, the Company has built a global network of 71 overseas affiliates in 28 countries, production facilities in 10 countries, and 219 service offices worldwide as of June 2001. Thanks to its global reach and coverage, Yokogawa entered into a preferred supplier contract with Chevron Corporation, one of the world's oil giants which has mining, transportation, refining, and retail operations in over 90 countries. This is firm proof that Yokogawa is an outstanding international vendor in all aspects including technology, quality, cost, and service. We will supply production control systems and field equipment to Chevron for its operations around the world.



CENTUM CS 3000 R3
Integrated Production Control System

Improving Business Efficiency and Creating Markets

Faced with sluggish capital investment conditions in the Japanese IA market, Yokogawa has revamped its sales organization and greatly improved management efficiency by reducing costs to generate even higher profits. We are also taking sales policies to adjust to future trends in the Middle Eastern and Asian IA markets where there are signs of growth. We have strengthened cost competitiveness, as well as expanded in markets such as chemicals, foodstuffs, and pharmaceuticals that are growing strongly with brisk investment. Thus we are responding to growing demand while raising our market share. In the electricity, gas, and petrochemical markets, we are also seeing an increase in demand for relatively small projects to replace existing equipment. For our main product CENTUM series, in particular, demand for replacing the DCSs installed in the 1980s will increase. Yokogawa will focus on developing solution sales globally with the new CENTUM CS 3000 R3 which is an upgraded version equipped with migration functions to help upgrade user's existing systems.



Official Announcement of Alliance
with Chevron Corporation

Thriving Products

The FA-M3 R universal range controller is a next-generation programmable controller that accomplishes both ultra-fast processing and stable control, and incorporates a wide range of advanced function modules in its compact body. The FA-M3 R has been well received in the IA market and sales are increasing solidly. Its specifications excel in every respect and we anticipate that demand will accelerate as the controller contributes to openness, enhances functionality, assists downsizing, and reduces total cost of ownership (TCO) of various equipment and facilities.

Yokogawa believes that Fieldbus will be a key technology for process instrumentation in the 21st century and has been committed to its development for many years. We have released many Fieldbus-compatible products including the CENTUM series which was the world's first to pass the Host Interoperability Support Test. Yokogawa also has the No.1 market share in the industrial recorder area due to the excellent reliability and sophisticated performance of its products, and has built a solid business foundation.



DAQSTATION
DX Series



FA-M3R
Multi-Controller

Measurement

A Family of Cost-cutting LSI Test Systems

Thanks to last year's brisk semiconductor market, Yokogawa's semiconductor testing business, including IC handlers, has become a cornerstone of its business. Although the market has changed and now faces a major decline, other markets such as next-generation PDAs and digital information appliances are expected to grow dramatically in the near future. Yokogawa therefore remains committed to product development based on a medium-to-long-term vision. Yokogawa was one of the first providers of semiconductor testers for system-on-chip (SoC) devices, and has an 80% share of the LCD driver IC market in Japan, meaning that its products are far more competitive than those of other manufacturers.

In order to strengthen its competitive edge still further, Yokogawa has proposed "Y-TIP*," a method for greatly reducing testing costs for users. In July, the Company released the Model TS6700 LCD driver tester based on the method, and will expand by focusing on testing mass-produced ICs for digital television, mobile telecommunications, home gaming machines, and other applications.

* Y-TIP is a unique IC testing method developed by Yokogawa. In the method, PCB units with dedicated test functions are made available for respective testing applications. Thus, customers can use the same main unit for different testing applications by changing from one PCB unit to another. This strategy greatly reduces test costs compared with general-purpose testers complete with all the necessary functions.

Motion and Measurement Business with Growing Product Capability

In the motion and measurement sector, Yokogawa offers advanced, high-performance products that combine the Yokogawa Group's proprietary motion technology, including direct drive motors, and measurement technology based on precision positioning.

In IC handlers, Yokogawa offers a wide choice of device-specific products, including the latest semiconductor strip handler featuring a state-of-the-art plane servomotor, in addition to horizontal-feed and gravity drop handlers. These products are expected to create synergistic effects with the semiconductor testing business, enabling us to attain further growth in this field.

In other areas, Yokogawa is developing high-market-share products, including:

- a software package for centralized online control of semiconductor manufacturing equipment, to improve the uptime of semiconductor manufacturing processes, and
- a confocal scanner for biotech research, which delivers three-dimensional images of live cells.



TS6700
LCD Driver Test System

Strategic Alliance with Ando Electric

Yokogawa has formed an alliance with Ando Electric to share the same operating strategy in the electronic measuring equipment business, including general measuring instruments, LSI test systems, and IC handlers. Yokogawa has now acquired a 33% share of Ando's stocks from NEC that owned 35% of them, thus becoming the largest shareholder of Ando Electric. Ando offers a wide range of products in the area of semiconductor testers, handlers and measuring instruments, and is one of the world's leading companies offering a wide choice of globally competitive products, particularly optical communications measuring instruments. As one example of collaboration, the two companies are jointly developing this type of instrument for next-generation wavelength division multiplexing (WDM). The instrument will combine Yokogawa's 40 Gbps optical device technology and Ando's optical measurement technology. This strategic collaboration between Yokogawa and Ando will enable both companies to expand their business.



Official Announcement of
Alliance with NEC Corporation
and Ando Electric Co. Ltd.

Measuring Instruments Business

In the measuring instruments field, we will strengthen our position by offering a competitive range of general-purpose instruments, such as digital oscilloscopes. Concurrently, we will concentrate on production-line and other special-purpose instruments targeted at growth markets, including communications and multimedia equipment.

In digital oscilloscopes, the compact DL1740 digital oscilloscope featuring the same advanced functions as high-end models has sold exceptionally well.

In communications and multimedia equipment, Yokogawa has top share in Japan in two markets: jitter measuring instruments essential for the development and production of such products as DVD and CD-R/RW disks; and protocol analyzers for the IEEE1394 serial bus, a high-speed interface for linking a personal computer with peripheral units. We were also among the first to offer protocol analyzers for Bluetooth, a next-generation wireless networking technology.

And in Internet-related products, we have released a succession of market-leading products. These include the network intrusion sensor and the Quality of Service (QoS) monitor for checking communication quality developed by Yokogawa and released last October under a partnership agreement with Internet Security Systems.



SB4100
IEEE1394 Bus Analyzer



DL1740
Portable Digital Oscilloscope



IS700/1000
Intrusion Detection Sensors

Information Services

Promoting Information Solutions Business through Strategic Alliances

The information services business, whose market is expected to grow rapidly, is one of the most critical areas for the growth of the Yokogawa Group. We have defined information services as a strategic business and are actively seeking new business opportunities, such as through forming alliances with leading players in this area. In the information solutions business, we are working on system building, mainly in the manufacturing sector in which Yokogawa excels. We have also entered into a strategic partnership with Japan Oracle, in order to boost our e-business solutions enterprise. With these approaches, we have built a system for providing total solutions, from the production control systems level to a higher, management information systems level, including Enterprise Resource Planning (ERP). Specifically, we are promoting a total solutions business based on "Oracle Process Manufacturing (OPM)," a core technology that integrates production and corporate information systems. We will target manufacturers in the industrial automation market where Yokogawa already has a dominant grip.

Another strategic approach is the recent alliance with NTT Comware, which has world-class information technology and system engineering capabilities. The purpose of this alliance is to boost our B-to-B solutions business. The two companies will jointly promote sales, marketing and system building in a broad range of other markets, from finance to retailing, telecommunication, public services, and commercial services, in addition to the manufacturing market.

IT Business in Medicine and Education

Our medical image information system for integrally managing data from various medical-imaging diagnostic equipment incorporates Yokogawa's wealth of engineering know-how. Sales have been strong to university-run and public hospitals, thus greatly contributing to the digitization of medical information. We will step up efforts to have the system introduced in large- and medium-scale private hospitals. Electronic clinical charts are expected to become popular, as the Ministry of Health and Welfare (now the Ministry of Health, Labor and Welfare) has approved electronic media based recording of medical care data, and so we are now working hard on developing systems for this emerging field.

Yokogawa is also active in the field of education. Waseda University Learning Square, a joint venture with Waseda University for lifetime learning services, is going as planned. The venture is providing educational content services using communication and network technology. We will build a base for expanding this business to other universities and educational institutions.



DICOM Image Server
ImageARQS

Approach toward Network Business

Yokogawa has entered the network security business by launching an integrated remote monitoring service for watching the operating condition of customer systems and the presence/absence of failures from remote places. The service is intended for e-business providers, including Internet data centers. In addition, a network intrusion sensor developed by Yokogawa was employed in a system for monitoring a network within the exhibition site of Asia's largest network solutions fair. These achievements mark our steady progress in the business. This area is very promising, since the importance of security equipment will grow as the networked society spreads.

Another key factor in this area is Field Content on the Web, a technological concept for rebuilding an ideal network environment. This concept is implemented by combining Yokogawa's measurement technology with its networking technology, gathering information from disparate locations, and adding value to the information. We are promoting this business in a broad range of markets, while enriching the lineup of products, such as image-data measuring systems using a variety of surveillance and/or Web cameras.

Meanwhile, Yokogawa has been promoting the use of IPv6, the next-generation Internet Protocol. The Company, which has immense experience in industrial equipment development, has been evaluating and verifying IPv6 since the early phase. As a result, the Company has succeeded in developing the world's first built-in controller featuring IPv6 connectivity. We will continue to create new businesses in this area.



Official Announcement of Alliance
with Oracle Corporation Japan



DICOM Image Viewer
ImageVINS Pro/Basic



Web Camera



Aerospace and Service Businesses

Aerospace Equipment Tailored to Consumer Demand

Yokogawa's instruments can also be found in aircraft cockpits—further proof of its advanced measurement technologies. It manufactures a wide variety of flight instruments for the "brain" of aircraft: flight director systems and other electronic equipment, navigation instruments including altitude direction indicators, engine instruments such as liquidometers and tachometers, airframe instruments including position meters, and power supply instruments. And our color LCD flat panel displays for cockpits, which enable various data to be clearly displayed, are mounted on the very latest aircraft and have proven to be extremely reliable. Since this technology is now attracting the attention of the private sector, we are also expanding into the passenger plane market.

Strengthening of Service Business

Services such as maintenance and inspection that follow product delivery are essential, and we are committed to delivering outstanding services to a broad range of businesses for even greater customer satisfaction. Based on our strong foundation in the control business, we are extending our measurement services such as by performing calibrations throughout the year, and are penetrating the medical and information systems markets. In addition, as customers' systems rapidly become more open, networked, and integrated with other systems, we have already started offering multi-vendor support services in which we handle the products of manufacturers other than Yokogawa. We also have a contract for servicing the etching units and chemical mechanical polishing (CMP) equipment of Lam Research Corporation in the USA—all part of the dynamic growth of our service business in the semiconductor equipment manufacturing industry.



Alliance™ Etch Systems
(Lam Research Corp.)

The global service network of Yokogawa is another major strength. We have built a service network covering 31 service offices and 78 service agents, the Yokogawa response center in Japan, and 110 overseas service offices in North America, South America, Europe, the Middle East, Asia, and other regions, making a grand total of 219 locations.

The Contract Production Business

Yokogawa has a wealth of technological know-how for the various production stages of IC devices, printed circuit boards, dies, and surface treatment, and know-how on production forms ranging from large-item small-volume production to small-item large-volume production. By fully utilizing the production technologies and know-how gained through manufacturing our own products, we have reinforced our contract production business for electronic equipment. To expand this business and enhance the production competitiveness of the whole group, our production affiliates have been integrated to establish Yokogawa Electronics Manufacturing Corporation (YMF). YMF will work even harder to improve cost competitiveness in addition to consolidate and integrate production technologies and know-how, thus becoming a unique electronics manufacturing service (EMS) company for the global era.

Yokogawa formed an alliance with Lam Research, a major manufacturer of semiconductor manufacturing equipment, for contract production of etching units and CMP equipment. The products, which combine Lam Research's superior semiconductor technology with Yokogawa's advanced production technology, are examples of true excellence and reliability. The two companies will continue to collaborate in order to expand.



Official Announcement of Alliance
with Lam Research Corporation



Yokogawa
Response Center



Flat Panel Display
for Pilot Cockpit

Our Commitment to Environmental Protection

Yokogawa Electric Corporation recognizes the crucial importance of protecting the earth's environment as a top management priority, and considers the impact on the global environment in every aspect of its business. The mission of the Yokogawa Group as a whole is to contribute to preservation of the global environment and recycling of resources in the 21st century, and thus to build a sustainable global society.

In fiscal year 2000, one Japanese company and two overseas companies within our Group obtained ISO14001 certification, the international standard for environment management systems. This brings the total to 13 Group companies (17 sites) that have received ISO14001 approval. In addition, the Yokogawa Headquarters in Tokyo has attained its goal of "Zero refuse for landfills." The Company intends this goal to be achieved by the entire Group, and in the next step, to accomplish "Zero refuse for incineration" toward the ultimate goal of achieving zero emissions.

Environmental Management System

The Yokogawa Group promotes activities to protect the global environment in all its operations through collaboration with customers and local communities. The Group a) reduces waste by effectively using energy and resources, and recycling in manufacturing processes, and b) purchases and selects environment-friendly parts and designs in every engineering process.

To promote awareness and the practice of environmental protection, the Group ensures that all employees know and understand the Group's Environmental Policy and Standards of Business Conduct. Each employee is given systematic, ongoing training to develop a sense of environmental awareness.



Disclosure of Information of Global Environmental Protection Activities

To promote public awareness of the Yokogawa Group's environmental protection activities throughout the world, the Group's Environmental Policy requires that information be actively disclosed. This is done through the Environmental Report which is published every year and other periodical publications of the Group. Also, the Internet site titled Environmental Protection Activities (<http://www.yokogawa.com/environment/>) linked from the Yokogawa website describes the Group's environmental activities, recent topics, and the Environmental Report.

Diverse Measures for Reducing Environmental Impact

Rigorous environment-related criteria are set in all business operations to ensure that the Company's activities do not adversely affect the environment.

In manufacturing, energy-efficient production technologies and equipment are being introduced, and energy usage is strictly controlled. For example, cooling and heating devices are being replaced by energy-efficient models, and recycled paper is used wherever possible. Each manufacturing process has been reducing emissions, and HCFCs, which are sometimes called second-generation freon, are to be phased out in Japan by fiscal year 2002. As another example, a metal plating facility uses a treatment system that renders wastewater harmless, and recycles and reuses large amounts of water thanks to an ion exchange resin.

Further, segregated disposal is strictly implemented, and waste recycling and reuse are encouraged across the Group. To minimize and even eliminate the environmental impact of a manufacturing line, each manufacturing process is designed at the start of planning and designing the product itself, by a team including the developer of the product. These efforts have resulted in 11 new environment-friendly products including an alkalinity analyzer that generates far less carbon dioxide than the former model.

As for reduction of packing materials, pulp mold cushions are now being used for packing certain measuring instruments to reduce the use of Styrofoam, and returnable tote boxes are minimizing the use of packing materials.



Yokogawa has 39 sales affiliates in Japan and 71 in 28 countries outside Japan, as well as manufacturing affiliates in 10 countries and 219 service affiliates world-wide (as of June, 2001), constituting a truly global network. Worldwide sales in fiscal 2000 amounted to ¥98.7 billion (US\$796 million)—¥47.1 billion (US\$380 million) in Asia, ¥20.8 billion (US\$168 million) in Europe, ¥21.8 billion (US\$176 million) in North America, and ¥8.8 billion (US\$71 million) in other markets. In accordance with the management principle of operational autonomy and teamwork, we will continue to facilitate information and expertise sharing among the Yokogawa Group as a whole. And by doing so we aim to maximize the consolidated operating profit in the age of global competition. Concurrently, we will actively seek international alliances with influential global companies, in order to upgrade our operations in various areas.



Board of Directors



Isao Uchida
President and Chief Executive Officer



Taiki Utsumi
Executive Director



Akira Nagashima
Director



Yasuhiro Katsube
Director



Kazunori Yagi
Director



Kazuhiko Kimura
Director



Joichi Ueba
Director

Corporate Auditors

Takaomi Kakurai
Fumio Mizoguchi
Takaaki Sakurai
Toru Hashimoto

Officers

Isao Uchida
President and Chief Executive Officer

Executive Vice Presidents

Akira Nagashima
Executive Vice President of Industrial Automation Systems Business

Yasuhiro Katsube
Executive Vice President of Testers Business

Senior Vice Presidents

Kazunori Yagi
Senior Vice President of Finance and Business Planning

Toshio Kimura
Senior Vice President of Products Business

Hidehiko Bando
Senior Vice President of Industrial Solution Business

Yasuhiko Muramatsu
Senior Vice President of Motion & Measurement Business

Mamoru Sanagi
Senior Vice President of T&M Business

Vice Presidents

Kazuhiko Kimura
Vice President of Sourcing & Manufacturing Business

Hidetoshi Baba
Vice President of Kansai Sales Office and Industrial Systems Sales, Industrial Solutions Business

Teruyoshi Minaki
Vice President of Corporate Marketing
Chairman, Yokogawa Europe B.V.
Chairman and CEO, Yokogawa Corporation of America
Managing Director, Yokogawa Electric Asia Pte. Ltd.

Masahiro Otsuka
Vice President of Aerospace Products Business

Akihiko An-youji
Vice President of Network Solutions Business

Yuukou Toyonori
Vice President of Corporate R&D

Manabu Sasada
Vice President of Human Resources and General Affairs

Toshiki Okuzumi
Vice President of Components Business

Seiji Takahashi
Vice President of Management Quality Innovation

Iwao Yamane
Vice President of Service Business

Kiyokazu Ishii
Vice President of Information Solutions Business

Toshiro Tomita
Vice President of IT Business

Financial Section

YOKOGAWA ELECTRIC CORPORATION and SUBSIDIARIES

Financial Review

YOKOGAWA ELECTRIC CORPORATION and SUBSIDIARIES
For the year ended March 31, 2001

General Overview

The industrial automation (IA) market in Japan failed to recover from a slump in capital investment in the fiscal year ended March 31, 2001, with the Group’s IA business stalling as a result. However, the measurement business, which includes LSI test systems IC handlers, and measurement instruments, achieved sharp growth thanks to the strength of the semiconductor and telecommunications markets. As a result, consolidated sales reached 352.6 billion yen (US\$2,845 million), an increase of 39.2 billion yen (12.5%) from the previous fiscal year. The Group as a whole achieved reductions in sales and general administrative expenses, resulting in consolidated pretax profits of 15.3 billion yen (US\$123 million), up 4.7 billion yen (44.8%) from the previous fiscal year. Net profits totaled 25.4 billion yen (US\$205 million), a massive increase of 19.5 billion yen (337%). In addition to the improvement in pretax profits, the Group posted 35.4 billion yen (US\$285 million) in profits on the sale of shares in Agilent Technologies Japan (formerly Hewlett-Packard Japan) and 5.7 billion yen (US\$46 million) in profits on stock sales following the conversion of common stock shareholdings in GE Yokogawa Medical Systems, Ltd. to preferred stock issued by the same company. The Group also posted an extraordinary loss of 10.2 billion yen (US\$82 million) as a result of the full amortization of the amount equivalent to the consolidation adjustment account in relation to the acquisition of shares in Ando Electric Co., Ltd..

Results by Business Segment

The “measurement, control and information equipment business” achieved sales of 303.7 billion yen (US\$2,451 million), an increase of 40.2 billion yen (15.3%) from the previous fiscal year, thanks to increased sales of LSI test systems, IC handlers, and other products. In the “other businesses” segment, which consists mainly of aeronautical equipment, consolidated sales edged down to 48.9 billion yen (US\$394 million). Looking at the breakdown of sales by geographic region, the depreciation of the Euro pushed down consolidated sales in Europe to 17.2 billion yen (US\$139 million), but lower operating costs allowed the Group’s European operations to move from a deficit of 1.4 billion yen in the previous fiscal year to a surplus of 339 million yen (US\$2.7 million). Japan drove the recovery in profits, with sales increasing by 35.2 billion yen (13.8%) to 290.8 billion yen (US\$2.3 billion), and profits increasing by 7 billion yen (139.7%) to 12.1 billion yen (US\$98 million). In Asia, where markets are showing signs of recovery, sales increased by 4.1 billion yen (28.3%) to 19 billion yen (US\$153 million).

Financial Conditions

Yokogawa’s policy is to reduce its interest-bearing liabilities and total assets so as to raise the efficiency of fund operations. To do this, first in the fiscal year ended March 31, 1999 a cash management system was introduced for Japanese domestic affiliates to encourage them to repay bank loans and reduce surplus deposits. For overseas affiliates, a cash management system was implemented in the Netherlands, Singapore, and United States in the fiscal year ended March 31, 2000, which resulted in lower local bank loans. To accelerate the reduction of total assets and bank loans, in the same fiscal year we started carrying out liquidation (including securitization) of notes and accounts receivables of Yokogawa, and in the fiscal year ended March 31, 2001 liquidation of notes receivables of Japanese domestic affiliates.

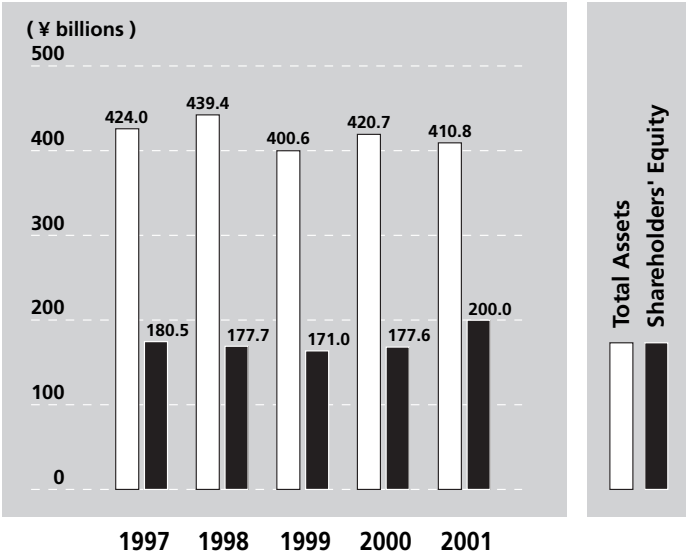
Total assets were decreased 9.8 billion yen to 410.8 billion yen (US\$3,315 million). On the other hand, shareholder’s equity was increased 22.4 billion yen to 200.0 billion yen (US\$1,614 million). As a result, shareholder’s equity ratio rose from 42.2 percent to 48.7 percent. Debt equity ratio was improved from 55.9 percent to 40.9 percent. Return on asset rose to 6.2 percent, up from 1.4 percent, and return on equity rose to 12.7 percent, up from 3.3 percent.

Cash Flow Summary

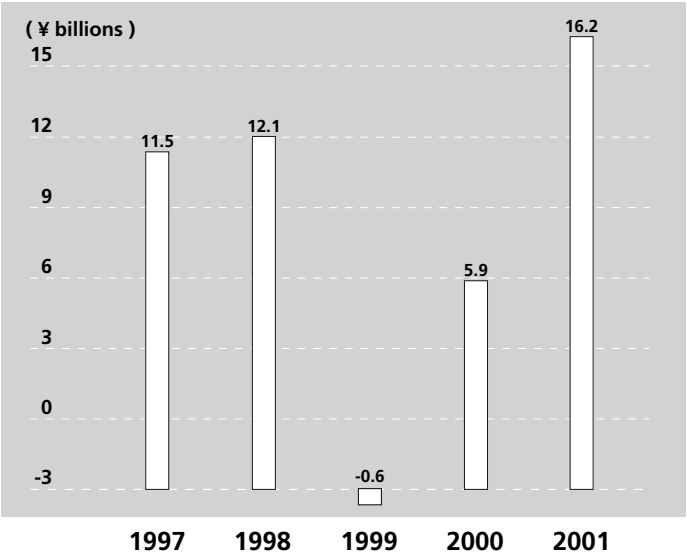
Net cash flow from business activities totaled -2.4 billion yen (US\$19 million) in the fiscal year ended March 31, 2001 as working capital increased due to higher sales and payments rose by 11.3 billion yen from the previous fiscal year to 24.1 billion yen (US\$194 million) as a result of the early repayment of past liabilities in retirement pensions. Net cash flow from investment activities totaled +12.4 billion yen (US\$100 million). This figure was due largely to financial revenues of 34.1 billion yen (US\$275 million) associated with the sale of shares in Agilent Technologies.

Free cash flow for the fiscal year ended March 31, 2001, calculated by combining cash flow from business activities and investment activities, totaled +9.9 billion yen (US\$79 million). Following the repayment of outside borrowings totaling 17.3 billion yen (US\$139 million) (as of the end of March 31, 2001, interest-bearing debt stood at 81.8 billion yen), the balance of cash and cash equivalents stood at 50.7 billion yen (US\$409 million) as of the end of March 31, 2001, a decrease of 8.9 billion yen from the end of March 31, 2000.

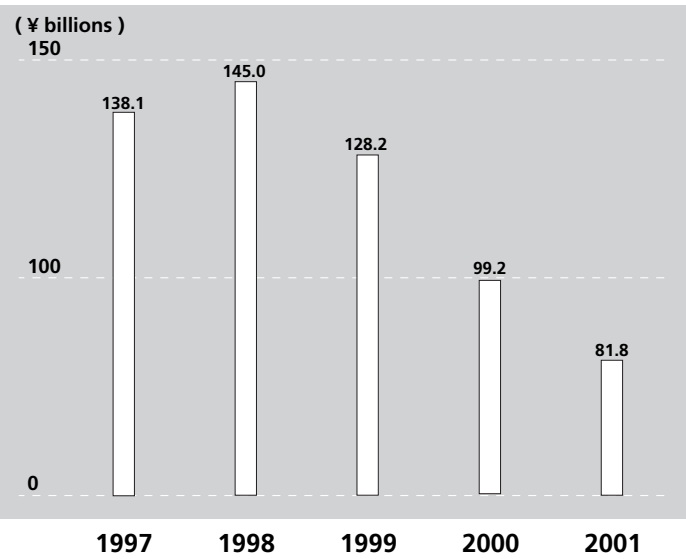
Total Assets/Shareholders’ Equity



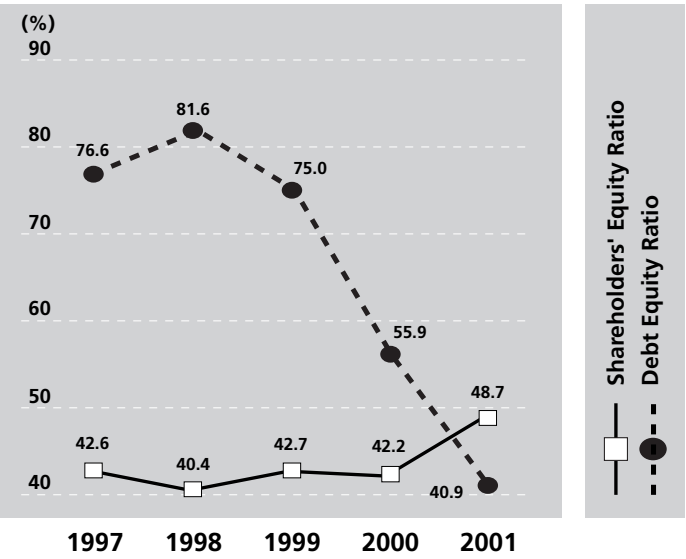
Operating Profit



Interest bearing Liabilities



Shareholders’ Equity Ratio/Debt Equity Ratio



Consolidated Balance Sheets

YOKOGAWA ELECTRIC CORPORATION and SUBSIDIARIES
March 31, 2000 and 2001

	Millions of Yen		Thousands of U.S. Dollars (Note 3)
	March 31,		March 31,
	2000	2001	2001
ASSETS			
Current Assets:			
Cash and time deposits	¥ 31,108	¥ 26,533	\$ 214,149
Marketable securities (Note 8)	42,442	25,108	202,647
Notes and accounts receivable			
Trade	100,793	116,013	936,344
Other	12,990	12,573	101,477
	113,783	128,586	1,037,821
Less: allowance for doubtful accounts	(1,361)	(1,410)	(11,380)
	112,422	127,176	1,026,441
Inventories	43,638	43,068	347,603
Deferred tax assets-current (Note 10)	15,922	4,764	38,450
Other current assets	8,750	5,716	46,134
Total current assets	254,282	232,365	1,875,424
Investments and Advances:			
Investments in securities (Note 8)	39,444	64,150	517,756
Long-term loans	518	314	2,535
Other	14,629	12,788	103,212
Total investments and advances	54,591	77,252	623,503
Property, Plant and Equipment, at net book value (Note 4):			
Buildings and structures	40,936	42,266	341,130
Machinery and equipment	8,618	8,826	71,235
Furniture and fixtures	9,678	10,083	81,380
Land	17,187	14,958	120,726
Construction in progress	1,532	266	2,147
Total property, plant and equipment	77,951	76,399	616,618
Deferred Tax Assets-non current (Note 10)	16,483	13,022	105,101
Deferred Charges and Other Assets	9,412	11,360	91,687
Goodwill (Note 2)	795	433	3,494
Foreign Currency Translation Adjustments	7,192	—	—
	¥420,706	¥410,831	\$3,315,827

The accompanying notes are an integral part of the statements.

	Millions of Yen		Thousands of U.S. Dollars (Note 3)
	March 31,		March 31,
	2000	2001	2001
LIABILITIES AND SHAREHOLDERS' EQUITY			
Current Liabilities:			
Short-term bank loans	¥ 19,814	¥ 9,129	\$ 73,680
Current portion of long-term debt (Note 6)	5,420	10,570	85,311
Notes and accounts payable:			
Trade	34,128	35,343	285,254
Other	28,925	9,468	76,417
	63,053	44,811	361,671
Accrued expenses	10,371	10,892	87,909
Income taxes payable	2,746	2,281	18,410
Advances received and other current liabilities	17,767	18,200	146,893
Deferred tax liabilities - current (Note 10)	144	1	8
Total current liabilities	119,315	95,884	773,882
Long-Term Debt (Note 6)			
Deferred Tax Liabilities - non current (Note 10)	74,000	62,165	501,735
Reserve for Retirement Benefits:	1,549	211	1,703
Employees (Note 11)	8,591	48,556	391,897
Directors and corporate auditors	1,598	1,207	9,741
Other Non-Current Liabilities	35,540	614	4,956
	121,278	112,753	910,032
Minority Interests in Consolidated Subsidiaries			
	2,517	2,155	17,393
Commitment and Contingent Liabilities (Note 12)			
Shareholders' Equity:			
Common stock:			
Authorized: 486,378,000 shares			
Issued (par value ¥50 per share):			
245,684,012 shares			
at March 31, 2000 and 2001	32,306	32,306	260743
Additional paid-in capital	35,020	35,020	282,647
Retained earnings	110,445	133,698	1,079,080
Net unrealized gains or losses on other securities	—	5,536	44,681
Foreign Currency Translation Adjustments	—	(6,371)	(51,420)
Treasury stock	(175)	(150)	(1,211)
Total shareholders' equity	177,596	200,039	1,614,520
	¥420,706	¥410,831	\$3,315,827

Consolidated Statements of Income and Retained Earnings

YOKOGAWA ELECTRIC CORPORATION and SUBSIDIARIES
For the years ended March 31, 1999, 2000 and 2001

	Millions of Yen			Thousands of U.S. Dollars (Note 3)
	for the year ended			for the year ended
	March 31,			March 31,
	1999	2000	2001	2001
Net Sales (Note 18)	¥280,186	¥313,353	¥352,612	\$2,845,940
Cost of Sales (Note 13)	186,686	212,138	236,009	1,904,834
Gross profit	93,500	101,215	116,603	941,106
Selling, General and Administrative Expenses (Note 14)	94,111	95,306	100,387	810,226
Operating profit (Note 18)	(611)	5,909	16,216	130,880
Other Income and Expenses:				
Interest and dividend income	1,372	951	2,163	17,458
Interest expenses	(2,708)	(2,093)	(1,992)	(16,078)
Loss on disposal/write-down of inventories	(1,283)	(897)	(2,725)	(21,993)
(Loss)/gain on sale of marketable securities, net	483	489	(31)	(250)
Gain on sale/write-down of investments in securities, net	143	17,785	38,659	312,018
Foreign exchange gain/(loss)	(1,558)	(1,762)	1,188	9,588
Loss on sale/disposal of property, plant and equipment, net	(706)	(1,205)	(1,546)	(12,478)
Equity in (loss)/earnings of affiliates	3,069	7,850	(9,475)	(76,473)
Gain on reversal of retirement allowance	4,443	3,317	—	—
Prior year annuity expense of reserve for retirement allowance under the qualified pension plan	(5,318)	(4,308)	—	—
Amortization of prior year service cost	—	(35,699)	—	—
Amortization of the transition amount arising from adopting the new pension standard	—	—	(2,021)	(16,312)
Other, net	(675)	(2,869)	(3,394)	(27,393)
Income/(loss) before income taxes and minority interests	(3,349)	(12,532)	37,042	298,967
Income Taxes (Note 10)				
Current	1,179	2,452	2,633	21,251
Deferred	—	(20,703)	9,132	73,705
	1,179	(18,251)	11,765	94,956
Minority Interests in Earnings of Consolidated Subsidiaries	(100)	(101)	(139)	(1,122)
Net income/(loss)	(4,428)	5,820	25,416	205,133
Retained Earnings:				
Balance at beginning of year	110,403	103,692	110,445	891,404
Cumulative effect of adopting deferred tax accounting	—	13,311	—	—
Increase due to application of the equity method to investments in additional unconsolidated subsidiaries and affiliates	44	—	9	73
Increase due to exclusion of unconsolidated subsidiaries and affiliates from the scope of application of the equity method	—	—	38	307
Increase due to currency fluctuation	—	36	—	—
Other, increase	—	—	30	242
Decrease due to consolidation of additional subsidiaries	(137)	(619)	—	—
Decrease due to redemption of treasury stock	—	(3,806)	—	—
Decrease due to currency fluctuation	(142)	—	(116)	(936)
Decrease due to merger of subsidiaries	—	—	(84)	(678)
Decrease due to exclusion of unconsolidated subsidiaries and affiliates from the scope of application of the equity method	—	(6,022)	—	—
Decrease due to exclusion of an consolidated subsidiaries	—	—	(49)	(396)
Other, decrease	—	—	(34)	(274)
Appropriations:				
Cash dividends	(1,880)	(1,876)	(1,839)	(14,843)
Directors' bonuses	(168)	(91)	(118)	(952)
Balance at end of year	¥103,692	¥110,445	¥133,698	\$1,079,080
Per Share:		Yen		U.S. Dollars
Net income (loss) (Note 12)	¥ (17.66)	¥ 23.39	¥ 103.66	\$ 0.84
Cash dividends	7.5	7.5	12.5	0.10
Weighted average number of shares (in thousands)	250,621	248,745	245,185	

The accompanying notes are an integral part of the statements.

Consolidated Statements of Cash Flows

YOKOGAWA ELECTRIC CORPORATION and SUBSIDIARIES
For the years ended March 31, 2000 and 2001

	Millions of Yen		Thousands of U.S. Dollars (Note 3)
	March 31,		March 31,
	2000	2001	2001
Cash Flows from Operating Activities:			
Net income/(loss) before income taxes and minority interests	¥(12,532)	¥37,042	\$298,967
Depreciation	13,197	13,191	106,465
Amortization of consolidated goodwill	169	473	3,818
Increase/(decrease) in allowance for doubtful accounts	(305)	392	3,164
Increase/(decrease) in reserve for retirement benefits	(25,575)	40,041	323,172
Increase in accrued bonus	417	1,919	15,488
Interest and dividend income	(952)	(2,163)	(17,458)
Interest expenses	2,093	1,992	16,078
Equity in loss/(earnings) of affiliates	(7,850)	9,475	76,473
Gain on sale of investments in securities	(18,973)	(41,672)	(336,336)
(Increase)/decrease in trade receivables	21,344	(14,779)	(119,282)
Decrease/(increase) in inventories	(6,772)	904	7,296
Increase in trade payables	384	449	3,624
(Decrease)/increase in pension payable	54,653	(54,653)	(441,106)
Other, net	1,067	7,063	57,006
Sub total	20,365	(326)	(2,631)
Interest and dividend income received	3,283	2,288	18,466
Interest expenses paid	(2,335)	(2,029)	(16,376)
Income tax paid	(6,671)	(2,379)	(19,201)
Net cash (used in)/provided by operating activities	14,642	(2,446)	(19,742)
Cash Flows from Investing Activities:			
Payments for deposit in time deposits	(1,407)	(2,342)	(18,902)
Proceeds from return on time deposits	4,657	2,262	18,257
Acquisition of property, plant and equipment	(10,416)	(14,770)	(119,209)
Proceeds from sale of property, plant and equipment	1,598	2,555	20,621
Acquisition of investments in securities	(1,290)	(26,951)	(217,522)
Proceeds from sale of investments in securities	27,975	53,638	432,913
Other, net	8,719	(1,982)	(15,997)
Net cash provided by investing activities	29,836	12,410	100,161
Cash Flows from Financing Activities:			
Increase in short-term bank loan, net	(7,859)	(16,014)	(129,249)
Proceeds from issuance of long-term debt	3,914	77	621
Repayment of long-term debt	(24,129)	(1,351)	(10,904)
Cash dividends paid	(1,863)	(1,839)	(14,843)
Other, net	(3,902)	(75)	(605)
Net cash used in financing activities	(33,839)	(19,202)	(154,980)
Effect of exchange rate change on Cash and Cash Equivalents	(516)	257	2,075
Net (decrease)/increase in Cash and Cash Equivalents	10,123	(8,981)	(72,486)
Cash and Cash Equivalents at the beginning of year	49,462	59,741	482,171
Increase for change in scope of consolidated subsidiaries	156	—	—
Cash and Cash Equivalents at End of Year	¥ 59,741	¥50,760	\$409,685

Consolidated Statements of Cash Flows

YOKOGAWA ELECTRIC CORPORATION and SUBSIDIARIES
For the years ended March 31, 2000 and 2001

Reconciliation between Cash and Cash Equivalent at year-end and the account booked on the balance sheet.

	Millions of Yen		Thousands of U.S. Dollars (Note 3)
	March 31,		March 31,
	2000	2001	2001
Cash and time deposits	¥ 31,108	¥26,533	\$ 214,149
Time deposits whose maturity periods exceed three months	(632)	(624)	(5,037)
Marketable securities with original maturity of three months or less	29,265	24,851	200,573
	¥ 59,741	¥ 50,760	\$ 409,685

The accompanying notes are an integral part of the statements.

Notes to the Consolidated Financial Statements

YOKOGAWA ELECTRIC CORPORATION and SUBSIDIARIES
For the year ended March 31, 2001

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 domestic consolidated subsidiaries 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 generally accepted 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 accounts overseas consolidated subsidiaries have maintained on their accounts and records in conformity with generally accepted accounting principles and practices generally accepted in their respective countries. Although certain differences exist in the accounting principles employed by the overseas subsidiaries, 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 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.

Consolidated statement of cash flows have been required to be prepared with effect for the year ended March 31, 2000 in accordance with a new accounting standards.

2. Summary of Significant Accounting Policies
(1) Scope of Consolidation

The Company had 108 subsidiaries (majority-owned companies) as at March 31, 2001 (114 for 2000). The consolidated financial statements include the accounts of the Company and its 92 subsidiaries as at March 31, 2001 (99 for 2000).

Effective from the year ended March 31, 2000, the definitions of subsidiary and affiliates have been changed under the

new Consolidated Financial Statement Regulation in Japan. The new definition is based on the substantive existence of controlling power or exercise of influence.

Under the new regulation, the consolidated financial statements include the accounts of the 92 majority owned subsidiaries listed below (the Company and these consolidated subsidiaries are together, referred to as the "Companies"):

Notes to the Consolidated Financial Statements

YOKOGAWA ELECTRIC CORPORATION and SUBSIDIARIES
For the year ended March 31, 2001

Name of Subsidiary	Percentage owned by the Company (directly or indirectly)	Fiscal Year-End	Additional Information (See Footnote)
Subsidiaries in Japan:			
Yokogawa Electronics Co., Ltd.	100 %	Mar. 31, 2001	*1
Kokusai Chart Corporation	86	Mar. 31, 2001	
Yokogawa Precision Corporation	100	Mar. 31, 2001	*1
Yokogawa Engineering Service Corporation	100	Feb. 28, 2001	
Yokogawa Sertec Co., Ltd.	100	Feb. 28, 2001	
Yokogawa Flowtech Co., Ltd.	100	Mar. 31, 2001	*1
Yokogawa Weathac Corporation.	92	Feb. 28, 2001	
Yokogawa Denshikiki Co., Ltd.	75	Feb. 28, 2001	
Yokogawa Graphic Arts Corporation	100	Feb. 28, 2001	
Yokogawa Fine Technology Corporation	100	Mar. 31, 2001	*1
Yokogawa Human Create Corporation	100	Feb. 28, 2001	
Yokogawa System Engineering Corporation	100	Feb. 28, 2001	
Yokogawa Infotec Corporation	100	Feb. 28, 2001	
Yokogawa M&C Corporation	100	Feb. 28, 2001	
Yokogawa Research Institute Corporation	100	Feb. 28, 2001	
Yokogawa Pionics Co., Ltd.	84	Feb. 28, 2001	
Techno System Kyushu Corporation	65	Feb. 28, 2001	
Yokogawa Techno Systems Co., Ltd.	70	Feb. 28, 2001	
Yokogawa Trading Corporation	100	Feb. 28, 2001	
Yokogawa MAT Corporation	100	Feb. 28, 2001	
Yokogawa Ibiden Components Corporation	100	Feb. 28, 2001	*1
Yokogawa Multimedia Co., Ltd.	100	Feb. 28, 2001	
Nippon System Gijutsu Co.	75	Feb. 28, 2001	
System Plaza Inc.	100	Feb. 28, 2001	
Infotec Service Corporation	100	Feb. 28, 2001	
Yokogawa & Co., Ltd	50	Feb. 28, 2001	
Yokogawa Field Engineering Corporation	100	Feb. 28, 2001	
Yokogawa Paltech Corporation	100	Feb. 28, 2001	
YDC Corporation	100	Feb. 28, 2001	
Yokogawa Management Service Corporation	100	Feb. 28, 2001	

Name of Subsidiary	Percentage owned by the Company (directly or indirectly)	Fiscal Year-End	Additional Information (See Footnote)
subsidiaries outside Japan:			
Yokogawa International Finance B.V.	100	Dec. 31, 2000	
Yokogawa USA, Inc.	100	Feb. 28, 2001	
Yokogawa Corporation of America	100	Feb. 28, 2001	
Yokogawa Electric Asia Pte, Ltd.	100	Feb. 28, 2001	
Yokogawa France S.A.	100	Feb. 28, 2001	
Yokogawa Europe B.V.	100	Feb. 28, 2001	
Rota Yokogawa GmbH & Co., KG	100	Feb. 28, 2001	
Yokogawa Italia S.R.L.	100	Feb. 28, 2001	
Yokogawa Austria GmbH	100	Feb. 28, 2001	
Yokogawa Belgium N.V.-S.A.	100	Feb. 28, 2001	
Yokogawa Deutschland GmbH	100	Feb. 28, 2001	
Yokogawa United Kingdom Ltd.	100	Feb. 28, 2001	
Yokogawa Iberia, S.A.	100	Feb. 28, 2001	
Yokogawa Nederland B.V.	100	Feb. 28, 2001	
Yokogawa nbn GmbH.	100	Feb. 28, 2001	
Yokogawa Australia Pty Ltd.	100	Feb. 28, 2001	
Yokogawa Taiwan Corporation	100	Dec. 31, 2000	
Suzhou Yokogawa Meter Company	59	Dec. 31, 2000	
P.T. Yokogawa Indonesia	100	Feb. 28, 2001	
P.T. Yokogawa Manufacturing Batam	100	Feb. 28, 2001	
Yokogawa Sichuan Instrument Co., Ltd.	60	Dec. 31, 2000	
Yokogawa Service S.A.	99	Feb. 28, 2001	
Yokogawa America do Sul Ltda.	99	Feb. 28, 2001	
Shanghai Yokogawa Petrochemical Instrumentation Co., Ltd.	90	Dec. 31, 2000	
Yokogawa Philippines Inc.	100	Feb. 28, 2001	
Yokoshin Software Engineering (WUXI) Co., LTD.	100	Dec. 31, 2000	
Yokogawa Measuring Instruments Korea Corporation	100	Feb. 28, 2001	
Yokogawa Middle East E.C.	100	Feb. 28, 2001	
Yokogawa (Thailand) Ltd.	85	Feb. 28, 2001	
Rota Yokogawa France S.A.R.L.	100	Feb. 28, 2001	
Yokogawa South Africa Pty. Ltd.	100	Feb. 28, 2001	
Yokogawa Engineering Asia Pte. Ltd.	100	Feb. 28, 2001	
Yokogawa Industrial Safety Systems B.V.	100	Feb. 28, 2001	
Yokogawa Industrial Safety Systems Sdn. Bhd.	100	Feb. 28, 2001	
Yokogawa Capital Unlimited	100	Feb. 28, 2001	
Limited Yokogawa Electric	100	Dec. 31, 2000	
Kokusai Chart Corporation of America	86	Feb. 28, 2001	
Yokogawa Trading Asia Pte. Ltd.	100	Feb. 28, 2001	
Yokogawa Trading Hong Kong Limited	100	Feb. 28, 2001	
Yokogawa Trading U.S.A., Inc.	100	Feb. 28, 2001	
Yokogawa Marex Technology Ltd.	100	Feb. 28, 2001	
Yokogawa Hungaria Kft.	100	Feb. 28, 2001	
Yokogawa Martron Ltd.	100	Feb. 28, 2001	
River Process Engineering Co., Ltd.	85	Feb. 28, 2001	
Myanmar Yokogawa Electric Ltd.	100	Feb. 28, 2001	
TechComm Simulation Pty. Ltd.	100	Feb. 28, 2001	
Yokogawa Electric Korea Co., Ltd.	100	Feb. 28, 2001	
HAN YO Telecom Co., Ltd.	100	Feb. 28, 2001	
Yokogawa Trading Korea Co., Ltd.	100	Feb. 28, 2001	
Yokogawa Marex Technology B.V.	100	Feb. 28, 2001	
Measurementation Inc.	100	Feb. 28, 2001	

Notes to the Consolidated Financial Statements

YOKOGAWA ELECTRIC CORPORATION and SUBSIDIARIES
For the year ended March 31, 2001

Name of Subsidiary	Percentage owned by the Company (directly or indirectly)	Fiscal Year-End	Additional Information (See Footnote)
Measurementation Systems Pte. Ltd.	100	Feb. 28, 2001	
Yokogawa Reinsurance Ltd.	95	Dec. 31, 2000	
Yokogawa Electric (Malaysia) Sdn. Bhd.	100	Feb. 28, 2001	
Martron Instrument Calibration Ltd.	100	Feb. 28, 2001	
Verwaltungsgesellschaft Rota Yokogawa GmbH	100	Feb. 28, 2001	
Plant Electrical Instrumentation Pte. Ltd.	51	Feb. 28, 2001	
Yokogawa New Zealand Pty. Ltd.	100	Feb. 28, 2001	
Taiwan Yokogawa P&L Corporation	100	Feb. 28, 2001	
Yokogawa Nordic AB	100	Feb. 28, 2001	*2
Yokogawa Marex Limited	100	Feb. 28, 2001	*2
Yokogawa Shanghai Trading Co., Ltd.	100	Dec. 31, 2000	

Footnote
(*1) We used financial statements for the period from March 1, 2000 to March 31, 2001 because of the dissolution of these companies, which merged with Yokogawa Ilden Components Co. on April 1, 2001.
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-end.
(*2) Newly consolidated.
The remaining 16 (15 for 2000) 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

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.

Difference between the cost of an investment in Ando Electric Co., Ltd., which was acquired this year, and the amount of underlying equity in net assets of the company, was ¥10,280 million (\$82,970 thousand). The amount was immediately charged to income at the date of acquisition because such amount does not seem to have an effect for a long period, even though it was difficult to estimate exactly.

Assets and liabilities in consolidated subsidiaries are revalued to fair market value as of the date of establishment of the control.

Financial statements of subsidiaries and affiliates are included in the accompanying consolidated financial statements on the basis of respective fiscal year-end. Significant transactions occurred between respective fiscal year-end and March 31 are reflected in the accompanying consolidated financial statements.

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. (Not disclosed in ASR)

(3) Accounting for Investments in Unconsolidated Subsidiaries and Affiliates

The Company had 16 (15 for 2000) unconsolidated subsidiaries and 30 (31 for 2000) affiliates at March 31, 2001. The equity method is applied to the investments in 12 (13 for 2000) unconsolidated subsidiary and 23 (23 for 2000) major 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 12 unconsolidated subsidiary and 23 affiliates accounted for by the equity method as at and for the year ended March 31, 2001 are listed below:

Name of Subsidiary	Percentage owned by the Company (directly or indirectly)	Fiscal Year-End	Additional Information (See Footnote)
Yokogawa Johnson Controls Corporation	45	Aug. 31, 2000	
Yokogawa Rental & Lease Corporation	47	Mar. 31, 2001	
Yokogawa Analytical Systems Inc.	49	Oct. 31, 2000	
Yokogawa Xiyi Corporation	50	Dec. 31, 2000	
Aqua Consult & Engineering Co., Ltd.	100	Feb. 28, 2001	
Yokogawa Wavetek Corporation	100	Feb. 28, 2001	
Yokogawa A.I.M Corporation	60	Feb. 28, 2001	
Morioka Tokki Corporation	52	Feb. 28, 2001	
Yokogawa Elder Corporation	100	Feb. 28, 2001	
Yokogawa Green Farm Corporation	100	Feb. 28, 2001	
Yokogawa Denyo Corporation	50	Feb. 28, 2001	
Omega Simulation Co., Ltd.	50	Mar. 31, 2001	
Yokoshou Engineering Corporation	68	Feb. 28, 2001	
YK System Engineering Co., Ltd.	35	Mar. 31, 2001	
YN System Co., Ltd.	35	Mar. 31, 2001	
Kanazawa System House Co., Ltd.	35	Mar. 31, 2001	
YM Engineering Corporation	35	Mar. 31, 2001	
Sansetsu Corporation	33	Sep. 30, 2000	
Tokyo Sokuon Co.	25	Mar. 31, 2001	
Toyota Macs Incorporated	26	Mar. 31, 2001	
Yokogawa Fukuyama Keisou	75	Feb. 28, 2001	
Yokogawa Blue Star Ltd.	40	Dec. 31, 2000	
Beijing Metallurgy Yokogawa Automation Engineering Co., Ltd.	30	Dec. 31, 2000	
Yokogawa Kontrol (Malaysia) Sdn. Bhd.	30	Feb. 28, 2001	
Yokogawa Shanghai Instrumentation Co., Ltd.	49	Dec. 31, 2000	
Yokogawa Solutions Corporation	100	Feb. 28, 2001	
Yokogawa Organization Resources Counselors Corporation	49	Dec. 31, 2000	
Safety Service Center B.V.	50	Feb. 28, 2001	
Yokogawa Foundry Corporation	100	Feb. 28, 2001	
Yokogawa Toa Kogyo, Ltd.	20	Oct. 31, 2000	
Internetnode Inc.	50	Mar. 31, 2001	
Ando Electric Co., Ltd.	33	Mar. 31, 2001	
Waseda University Learning Square Corporation	50	Mar. 31, 2001	
MIE Industrial Sdn. Bhd.	42	Dec. 31, 2000	
SMaL Camera Technologies, Inc.	44	Dec. 31, 2000	

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

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

Until the year ended March 31, 2000, 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 Deliberation Council (BADC) of Japan. In accordance with the standards in these statements, all assets and liabilities are translated into Japanese yen at current exchange rates. The resulting translation adjustments are, as before, shown as "Adjustments on Foreign Currency Statement Translation (Foreign Currency Translation Adjustments?)" in the accompanying consolidated balance sheets.

Effective from the year ended March 31, 2001, the Com-

pany and its subsidiaries adopted the new Japanese accounting standard for foreign currency translation, which is effective for periods beginning on or after April 1, 2000. Under the new standard, all monetary assets and liabilities denominated in foreign currencies, whether long-term or short-term, are translated into Japanese yen at the exchange rates prevailing at the balance sheet date. Resulting gains and losses are included in net profit or loss for the period. The adoption of the new method had no material impact on the accompanying consolidated financial statements.

"Foreign currency translation adjustments", which was previously reported as a component of Assets has been separated and included in "Minority Interests in Consolidated Subsidiaries" (¥115 million or \$928 thousand) and "Sharehold-

Notes to the Consolidated Financial Statements

YOKOGAWA ELECTRIC CORPORATION and SUBSIDIARIES
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ers’ Equity” (¥6,371 million or \$51,421 thousand).
The new standard also amended the method of translating foreign currency financial statements of foreign subsidiaries and affiliates into Japanese yen. Under the new standard, assets and liabilities of the foreign subsidiaries and affiliates are translated into Japanese yen at the exchange rates prevailing at the balance sheet date. The shareholders' equity at beginning of the year is translated into Japanese yen at the historical rates. Profit and loss accounts for the year are translated into Japanese yen using the average exchange rate during the year or, alternatively, using the exchange rates prevailing at the balance sheet date. Differences in yen amounts arising from the use of different rates are presented as "foreign currency translation adjustments" in the shareholders' equity. The effect of adopting the new accounting standard on the accompanying consolidated financial statements was immaterial.

(5) Inventories
Inventories of the companies in Japan stated at cost, cost being determined on average cost basis.

(6) Financial Instruments
Until the year ended March 31, 2000, securities of the companies in Japan stated at cost, cost being determined on average cost basis.
Effective from the year ended March 31, 2001, the Company and its subsidiaries adopted the new Japanese accounting standard for financial instruments, which is effective for periods beginning on or after April 1, 2000. As a result of adoption of the new standard, income before income taxes and minority interests for the year ended March 31, 2001 has decreased by ¥1,398 million (\$11,283 thousand), as compared with the amount which would have been reported if the previous standard had been applied consistently.

(a) Derivatives
Under the new standard, all derivatives are stated at fair value, with changes in fair value included in net profit or loss for the period in which they arise, except for derivatives that are designated as "hedging instruments" (see (c) Hedge Accounting below).

(b) Securities
Securities held by the Company and its subsidiaries are, under the new standard, classified into four categories;

Trading securities, which are held for the purpose of generating profits on short-term differences in prices, are

stated at fair value, with changes in fair value included in net profit or loss for the period in which they arise. Additionally, securities held in trusts for trading purposes are accounted for in the same manner as trading securities.
Held-to-maturity debt securities, that the Company and its subsidiaries have intent to hold to maturity, are stated at cost after accounting for premium or discount on acquisition, which are amortized over the period to maturity.
Other securities for which market quotations are available are stated at fair value.
Net unrealized gains or losses on these securities are reported as a separate item in the shareholders' equity at a net-of-tax amount.
Of unrealized gain on other securities amounting to ¥9,551 million (\$77,086 thousand), ¥5,535 million (\$44,763 thousand), net of taxes was reported in the separate component of “Shareholders’ Equity”.
Other securities for which market quotations are unavailable are stated at cost, except as stated in the paragraph below.
Under the new standard, trading securities and debt securities due within one year are presented as "current" and all the other securities are presented as "non-current". The securities held by the Company and its subsidiaries have been reclassified as of April 1, 2000 (the beginning of year). As a result of such reclassification, the securities in the current portfolio have decreased by ¥8,300 million (\$66,990 thousand) and the securities in the non-current portfolio have increased by the same amount.
(c) Hedge Accounting
Under the new standard, all derivatives are stated at fair value. Gains and losses arising from changes in fair value of the derivatives designated as “hedging instruments” are deferred as an asset or liability. Forward exchange contracts and currency swaps, if they meet conditions for hedge accounting, the difference of contract rate and spot rate as at date of the contract is recognised over the period from the contract date to the settlement date. Interest-rate swaps, if they meet a conditions for hedge accounting and their nominal amount, terms on interest and contract period are substantially same as those of hedged items, are not values at fair value but accrued net of the swap interests paid and received.
The derivative designated as hedging instruments by the Company are principally forward exchange contracts and currency swaps to reduce the exposure to the risk of foreign currency exchange rate fluctuation in respect of loans and such future transactions denominated in foreign currencies. In

addition, the Company uses interest-rate swaps and interest-rate caps to reduce the exposure to the risk of interest rate fluctuation in respect of bonds issues by the Company.
The Company has a policy to utilize the above hedging instruments in order to reduce the Company's exposure to the risk of fluctuation of foreign currency exchange rate and interest rate.
The Company evaluates effectiveness of its hedging activities by reference to the accumulated gains and losses on the hedging instruments and the related items from the commencement of the hedges.
(7) Property, Plant and Equipment
For the companies in Japan, depreciation is computed on the declining-balance method based on the estimated useful lives of assets.
The Company and subsidiaries in Japan compute depreciation expenses for buildings (other than building fixtures) acquired on or after April 1, 1998 using the straight-line method.
Also, the Companies adopted useful lives of the buildings (other than improvements) which are shorter than those used in previous years as of March 31, 1999.
Range of estimated useful lives:
Buildings and structures 3 - 50 years
Machinery and equipment 4 - 10 years
(8) Allowance for Doubtful Accounts
An allowance for doubtful accounts is made against potential losses on collection at an amount measured using a historical bad debt ratio, plus an amount individually measured on collectibility of accounts receivable that are expected to be uncollectible due to bad financial condition or insolvency.
(9) Reserve for Retirement Benefits
The Company has adopted contributory pension plan to cover a portion of the benefits payable to their employees since April 1, 1998. Until the year ended March 31, 1999, the Company had recognized prior year service cost when the Company contributed for the prior year service cost. Starting from January 1, 2000, the Company changed its accounting policy to recognize the prior year service cost from cash basis to accrual basis.
Effective from the year ended March 31, 2001, the Company and its subsidiaries adopted the new Japanese accounting standard for retirement benefits, which is effective for periods beginning on or after April 1, 2000. In accordance with the new standard, the reserve for retirement benefits as of March

31, 2001 represents the estimated present value of projected benefit obligations in excess of the fair value of the plan assets except that, as permitted under the new standard, unrecognized actuarial differences are amortized on a straight-line basis over the period of 10 years from the next year in which they arise. As a result of adopting the new standard, net pension expense for the year ended March 31, 2001 has increased by ¥6,161 million (\$49,726 thousand) and income before income taxes and minority interests has decreased by ¥5,974 million (\$48,216 thousand), as compared with the amounts which would have been reported if the previous standard had been applied consistently.
The unrecognized transition amount arising from adopting the new standard of ¥2,021 million (\$16,312 thousand) at April 1, 2000 was totally amortized in this year.
Other consolidated subsidiaries generally provide for the reserve for retirement benefits by 100 percent of such benefits that the subsidiaries would be required to pay if all eligible employees voluntarily terminated their employment at the balance sheet date.
The Company and its consolidated subsidiaries generally provide for the reserve for retirement benefits to directors and corporate auditors, including executive directors, based on the company's bylaws.
(10) Accounting for Leases
Finance leases other than those for which the ownership of the leased assets is considered to be transferred to lessees are accounted for as operating leases.
(11) Income Taxes
Income taxes of the Company and its domestic consolidated subsidiaries consist of corporate income taxes, local inhabitant taxes and enterprise taxes.
Effective from fiscal 2000, the Company and its subsidiaries 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.
In the year ended March 31, 1999, income taxes of the Company and its domestic subsidiaries were provided for at an amount currently payable based on the tax returns filed with tax authorities.

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(12) Cash and Cash Equivalents

Cash and cash equivalents in the consolidated statement of cash flow is 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.

(13) Reclassification

Certain fiscal 2000 and 1999 figures are reclassified to conform to the current year representation.

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 ¥123.90=US\$1, the approximate effective rate of exchange

prevailing at March 31, 2001. 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 sheet amounted to ¥113,880 million and ¥114,031

million (\$920,347 thousand) at March 31, 2000 and 2001, respectively.

5. Lease Transactions

The Company and its subsidiaries have various lease agreements whereby it acts as a lessee. The Company and its subsidiaries' 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 above lease contracts of the Company and its subsidiaries for the year ended March 31, 2001, is as follows:

(1) Finance lease contracts without ownership transfer

Future lease payments, interest included on lease contracts as of March 31, 2001 are as follows:

	Millions of Yen	Thousands of U.S. Dollars
Due within one year	¥ 887	\$ 7,159
Due over one year	1,299	10,484
	¥2,186	\$17,643

	Millions of Yen	Thousands of U.S. Dollars
Lease rental expenses for the year	¥1,201	\$ 9,693

(2) Operating lease contract

Future lease payments as of March 31, 2001, are as follows:

	Millions of Yen	Thousands of U.S. Dollars
Due within one year	¥ 866	\$ 6,989
Due over one year	2,966	23,939
	¥3,832	\$30,928

6. Long-Term Debt

Long-term debt as at March 31, 2001 and 2000 consisted of the following:

	Millions of Yen		Thousands of U.S. Dollars
	March 31,		March 31,
	2000	2001	2001
Loans from banks, other financial Institutions, etc.			
due from 2001 to 2022 with mortgage and collateral	¥27,420	¥20,735	\$167,353
2.900 percent. bonds due on May 21, 2001	10,000	10,000	80,710
2.150 percent. bonds due on July 24, 2002	10,000	10,000	80,710
2.475 percent. bonds due on February 20, 2003	10,000	10,000	80,710
1.950 percent. bonds due on November 25, 2003	10,000	10,000	80,710
2.000 percent. bonds due on March 26, 2004	10,000	10,000	80,710
Zero-coupon bonds due on September 25, 2002	2,000	2,000	16,143
	79,420	72,735	587,046
Less: Current portion	5,420	10,570	85,311
	¥74,000	¥62,165	\$501,735

Annual maturities of long-term loan from banks and other financial institutions are as follows:

	Millions of Yen	Thousands of U.S. Dollars
Within one year	¥ 570	\$ 4,601
Over one year less than two year	3,070	24,778
Over two year less than three year	1,214	9,798
Over three year less than four year	1,257	10,145
Over four year less than five year	6,370	51,413
Thereafter	8,254	66,618
	¥20,735	\$167,353

Interest rate on long-term loans (excluding current portion) from banks was 2.95%, annual average rate.

In accordance with customary business practices in Japan, the Companies maintain substantial deposit balances with institutions from which the Company has borrowings. Withdrawal of such deposits is not restricted legally or by contract.

7. Collateral and Secured Debt

	Millions of Yen	Thousands of U.S. Dollars
	March 31	March 31
	2001	2001
Collateral:		
Cash and time deposits	¥ 13	\$ 105
Building and structure	316	2,550
Machinery and equipment	10	81
Land	218	1,759
Investment in securities	1	8
Total	¥558	\$4,503

	Millions of Yen	Thousands of U.S. Dollars
	March 31	March 31
	2001	2001

Secured debt:

Accounts and notes payable	¥170	\$1,372
Short-term borrowings	129	1,041
Long-term borrowings	281	2,268
Total	¥580	\$4,681

Notes to the Consolidated Financial Statements

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8. Marketable Securities and Investments in Securities

1) The book value of trading securities as of March 31, 2001 and net realized losses on valuation during the year ended March 31, 2001 are as follows:

Millions of Yen		Thousands of U.S. Dollars	
Book value	Net realized losses	Book value	Net realized losses
¥ 47	¥ (2)	\$ 379	\$ (16)

2) The book value, market value and unrealized gains or losses for held-to-maturity debt securities with fair value as of March 31, 2001 are as follows

	Millions of Yen			Thousands of U.S. Dollars		
	Book value	Market value	Unrealized gains/(losses)	Book value	Market value	Unrealized gains/(losses)
Market value over book value:						
Corporate bonds	¥1,976	¥2,000	¥ 24	\$15,948	\$16,142	\$ 194
Sub-total	¥1,976	¥2,000	¥ 24	\$15,948	\$16,142	\$ 194
Market value less than book value:						
Government and municipal bonds	¥ 1	¥ 1	¥ 0	\$ 8	\$ 8	\$ 0
Corporate bonds	2,000	1,990	(10)	16,142	16,061	(81)
Other	505	493	(12)	4,076	3,979	(97)
Sub-total	¥2,506	¥2,484	¥(22)	\$20,226	\$20,048	\$(178)
Total	¥4,482	¥4,484	¥ 2	\$36,174	\$36,190	\$ 16

3) The cost, book value and unrealized gains or losses for other securities with fair value as of March 31, 2001 are as follows:

	Millions of Yen			Thousands of U.S. Dollars		
	Cost	Book value	Unrealized gains/(losses)	Cost	Book value	Unrealized gains/(losses)
Book value over cost						
Equity securities	¥15,981	¥26,054	¥10,073	\$128,983	\$210,282	\$81,299
Debt securities						
Corporate bonds	3,011	3,354	343	24,302	27,070	2,768
Other	1,892	2,179	287	15,270	17,587	2,317
Sub-total	¥20,884	¥31,587	¥10,703	\$168,555	\$254,939	\$86,384
Book value less than cost:						
Equity securities	¥ 7,374	¥ 6,280	¥ (1,094)	\$ 59,516	\$ 50,686	\$ (8,830)
Other	184	123	(61)	1,485	993	(492)
Sub-total	¥ 7,558	¥ 6,403	¥ (1,155)	\$ 61,001	\$ 51,679	\$ (9,322)
Total	¥28,442	¥37,990	¥ 9,548	\$229,556	\$306,618	\$77,062

4) Other securities sold during the year ended March 31, 2001 are as follows

	Millions of Yen	Thousands of U.S. Dollars
	March 31 2001	March 31 2001
Proceeds from sale of other securities	¥37,075	\$299,233
Gross realized gain on sale of other securities	35,863	289,451
Gross realized loss on sale of other securities	1	8

5) Book value of major securities without fair value as of March 31, 2001 are as follows:

	Millions of Yen	Thousands of U.S. Dollars
	March 31 2001	March 31 2001
Other securities		
Unlisted securities	¥11,998	\$ 96,836
Money Management Funds	24,249	195,714
Medium term Japanese Government Bonds fund	802	6,473

6) Schedule for redemption of held-to maturity debt securities and other securities with maturities

	Millions of Yen				Thousands of U.S. Dollars			
	Within 1 year	1 to 5 years	5 to 10 years	Over 10 years	Within 1 year	1 to 5 years	5 to 10 years	Over 10 years
Debt securities								
Government and municipal bonds	¥ –	¥ 0	¥ 0	¥ –	\$ –	\$ 0	\$ 0	\$ –
Corporate bonds	2,000	–	2,000	–	16,142	–	16,142	–
Other	–	500	–	–	–	4,036	–	–
Other	200	1,000	–	–	1,614	8,071	–	–
Total	¥2,200	¥1,500	¥2,000	¥ –	\$17,756	\$12,107	\$16,142	\$ –

9. Market value information of Derivative Transaction

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, fair values and valuation gains or losses for derivative transactions related to currencies as of March 31, 2001 were as follows:

	Millions of Yen				Thousands of U.S. Dollars			
	March 31, 2001				March 31, 2001			
	Contract amount etc.		Fair value	Valuation gain or loss	Contract amount etc.		Fair value	Valuation gain or loss
	Total	Over one year			Total	Over one year		
Forward exchange contract								
Selling contracts								
U.S. dollar	¥ 515	¥ –	¥ 516	¥ 1	\$ 4,157	\$ –	\$ 4,165	\$ 8
Currency option								
Selling contracts								
Yen put-U.S. dollar call	6,856	–	(160)	(91)	55,335	–	(1,292)	(735)
(Option premium)	(69)	(–)			(557)	(–)		
Buying contracts								
U.S. dollar put-Yen call	6,269	–	10	(59)	50,597	–	81	(476)
(Option premium)	(69)	(–)			(557)	(–)		
Currency swap								
Receipt of Yen and Payment of U.S. dollar	1,101	–	(156)	(156)	8,886	–	(1,259)	(1,259)
Total	¥14,741	¥ –	¥ 210	¥(305)	\$118,975	\$ –	\$ 1,695	\$(2,462)

The above amounts exclude outstanding derivative contracts, which are assigned to monetary rights and obligations, in accordance with the Japanese Accounting Standards for derivative financial instruments.

Fair value was estimated based on the trading value quoted by correspondent financial institutions.

There was no disclosure made related to interest-related derivative contracts because all outstanding contract were assigned to monetary rights and obligations as of March 31, 2001, in accordance with the Japanese Accounting Standards for derivative financial instruments.

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10. Income Taxes

The significant components of deferred tax assets and liabilities are as follows:

	Millions of Yen	Thousands of U.S. Dollars
	March 31, 2001	March 31, 2001
Deferred Tax Assets		
Excess amount of tax deductible for retirement allowance	¥19,067	\$153,890
Tax loss carry forward	3,497	28,225
Write down of investments in securities	4,719	38,087
Unrealized gain eliminated in consolidation	1,492	12,042
Excess amount of tax deductible for accrued bonus	2,115	17,070
Other items	6,306	50,896
Sub total -deferred tax assets	37,196	300,210
Valuation allowance	(10,610)	(85,634)
Total deferred tax assets	¥26,586	\$214,576
Deferred Tax Liabilities		
Special tax-purpose reserve	¥ (2,442)	\$ (19,710)
Unrealized gain of other securities	(4,497)	(36,295)
Other items	(2,073)	(16,731)
Total deferred tax liabilities	(9,012)	(72,736)
Net deferred tax assets	¥17,574	\$141,840

Reconciliation between statutory tax rate and effective tax rate.

Description	For the year ended March 31, 2001
Statutory tax rate	42.1%
(Reconciliation)	
Permanent difference- dividend income	(21.2)%
Adjustment of gain on sale of investmtns in subsidiaries	4.2%
Equity in loss of affiliates	10.8%
Change in valuation allowance	(6.7)%
Permanent difference - entertainment expenses	1.7%
Other	0.9%
Effective tax rate	31.8%

11. Reserve for Retirement Benefits

The Company and its domestic subsidiaries have defined benefit retirement plans, that is contributory pension plan (cover a portion of governmental pension), qualified pension plan and a lump-sum retirement payment plan. Sometimes additional payments are made when employees retire. Some of overseas subsidiaries also have defined benefit retirement plans.

The number of the companies which adopted a lump-sum retirement payment plan was 32, which adopted contributory pension plan (cover a portion of governmental pension) was 5 and which adopted qualified pension plan was 16.

The reserve for retirement benefits as of March 31, 2001 is analyzed as follows:

	Millions of Yen	Thousands of U.S. Dollars
	As of March 31 2001	As of March 31, 2001
Projected benefit obligations	¥142,742	\$1,152,074
Plan assets	89,087	719,023
Unfunded projected benefit obligations	53,655	433,051
Unrecognized actuarial differences	5,099	41,154
The reserve for retirement benefits	¥ 48,556	\$ 391,897

Notes: *1 The above table includes the amounts related to the portion subject to the Japanese Welfare Pension Insurance Law.
*2 Some of consolidated subsidiaries provide for retirement allowance by using expediency methods. For some small and medium sized companies, simplified methods are allowed to apply; for employees, the amount would be required to pay if all eligible employees voluntarily terminated their employment at the balance sheet date, in certain cases such amount would be discounted for the period of remaining service years, and for pensioners, the amount of actuarial obligation calculated for the funding purpose.
*3 Consolidated subsidiaries which joined in joint pension funds and could not calculate the value of their own plan assets by reasonable method, expensed their contribution amount to the funds as pension expenses. The aggregate amount of the plan assets of the funds are ¥2,761 million (\$22,284 thousand).

Net pension expense related to the retirement benefits for the year ended March 31, 2001 was as follows:

	Millions of Yen	Thousands of U.S. Dollars
	For the year ended March 31, 2001	For the year ended March 31,2001
Service cost	¥ 8,817	\$71,162
Interest cost	3,949	31,872
Expected return on plan assets	(2,452)	(19,790)
Amortization of transition amount	2,021	16,312
Net pension expense	¥12,335	\$99,556

Notes: *1 Other than net pension expense above, the company paid additional retirement benefits of ¥183 million (\$1,477 thousand) and charged it to “Selling, General and Administrative Expenses.”
*2 Employees’ contribution for contributory pension plan (cover a portion of governmental pension) was deducted.
*3 Pension expense of consolidated subsidiaries which applied expediency method are included in “Service Cost.”

Assumptions used in calculation of the above information were as follows:

	As of March 31, 2001
Discount rate	3.0%
Expected rate of return on plan assets	3.5%
Method of attributing the projected benefits to periods of services	mainly point basis
Amortization of unrecognized prior service cost	—
Amortization of unrecognized actuarial differences	10 years
Amortization of transition amount	Fully amortized in the current year

Notes to the Consolidated Financial Statements

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12. Commitment 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 ¥2,854 million (\$23,035 thousand) at March 31,

2001. In addition, the Company was contingently liable for guarantees of purchase obligations related to finance lease in amount of ¥17 million (\$137 thousand) at March 31, 2001.

13. Research and development cost

Research and development cost incurred during the year ended March 2000 and 2001, included in “Cost of Sales” and “Selling, General and Administrative Expenses”, aggregated to

¥19,259 million and ¥19,180 million (\$154,802 thousand), respectively.

14. Selling, General and Administrative Expenses

The major elements of selling, general and administrative expenses for each of the three years in the period ended March 31, 2001, are as follows:

	Millions of Yen			Thousands of U.S. Dollars
	1999	2000	2001	2001
Salaries	¥39,564	¥41,494	¥43,209	\$348,741
Bonuses to employees	8,767	8,908	9,261	74,746
Provision of accrued bonus	2,900	3,257	4,127	33,309
Provision for doubtful accounts	870	—	—	—
Provision of retirements benefits:				
Directors and corporate auditors	348	230	246	1,985
Employees	149	281	5,905	47,659
Executive officers	—	83	69	556

15. Related Party Transaction

- Company name: GE Yokogawa Medical Systems, Ltd.
- Status: Affiliate
- Equity ownership percentage by YOKOGAWA ELECTRIC CORPORATION: 25.0%

Descriptions of transactions	Transactions made durizing the year ended March 31, 2000	
	Millions of Yen	Thousands of U.S. Dollars
Sale of the investments in the company	¥11,000	\$88,781

Notes:The sale was incurred related to cancellation of stocks by GE Yokogawa Medical Systems, Ltd.
As a result, the Company had lost voting rights to GE Yokogawa Medical Systems, Ltd.

16. Subsequent Event

Subsequent to March 31, 2001, the Company's Board of Directors, with the subsequent approval by shareholders on June 28, 2001, declared a cash dividend of ¥2,150 million (\$17,353 thousand), equal to ¥8.75 (\$0.071) per share, which

was applicable to earnings of the year ended March 31, 2001 and payable to shareholders on the register on March 31, 2001.

17. 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 diluted effect on net income per share for fiscal 1999, 2000 and 2001 is disclosed since the Company has issued neither bonds with subscription warrant nor convertible bonds.

18. Segment Information

(1) Industry segment information

The Company and its subsidiaries have been divided into three industry segments:
Measurement, Control and Information Equipment Business, Finance Business and Other Business, based on similarity of products and markets. During the latter half of fiscal year 2000, inter-company loan business, which was held by financial subsidiaries (Yokogawa Financial Service Corporation, the present Yokogawa Management Service Corporation) was transferred to the parent Company and the amount of loan made by Finance Business significantly decreased.
As a result, all the amount of sales, operating profit and assets of Finance Business become small, and Finance Business was included in Other Business from the year ended March 31, 2001.
For the purpose of comparison with previous year, new

segment information for the year ended March 31, 2000 was also presented below.
The Measurement, Control and Information Equipment Business produces and sells total control systems, scattering 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 Other Business produces and sells engine instruments, control instruments, integrated display systems, gyrocompasses, etc.
Segment information classified by industry segments of the Companies for each of the three years ended March 31, 2001 is as follows:

Notes to the Consolidated Financial Statements

YOKOGAWA ELECTRIC CORPORATION and SUBSIDIARIES
For the year ended March 31, 2001

1999								
Millions of Yen								
Industry segments	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 or Unallocated	–	(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								
Industry segments	Sales to Outside Customers	Inter- Segment Sales	Total Sales	Operating Expenses	Operating Profit/(Loss)	Assets	Depreciation	Capital Expenditure
Measurement, Control and Information Equipment	¥263,489	¥ 1,112	¥264,601	¥246,114	¥18,487	¥248,665	¥ 9,862	¥ 9,554
Finance	457	781	1,237	1,206	32	41,088	7	54
Other	49,407	16,911	66,319	63,684	2,634	45,499	1,359	1,412
Total	313,353	18,804	332,157	311,004	21,153	335,252	11,228	11,020
Elimination or Unallocated	–	(18,804)	(18,804)	(3,560)	(15,244)	85,454	1,969	3,679
Consolidated total	¥313,353	¥ –	¥313,353	¥307,444	¥ 5,909	¥420,706	¥13,197	¥14,699

2001								
Millions of Yen								
Industry segments	Sales to Outside Customers	Inter- Segment Sales	Total Sales	Operating Expenses	Operating Profit/(Loss)	Assets	Depreciation	Capital Expenditure
Measurement, Control and Information Equipment	¥303,700	¥ 1,151	¥304,851	¥273,946	¥30,905	¥238,785	¥ 9,329	¥14,155
Other	48,912	17,634	66,546	64,120	2,426	61,435	1,205	1,212
Total	352,612	18,785	371,397	338,066	33,331	300,220	10,534	15,367
Elimination or Unallocated (Note 1)	–	(18,785)	(18,785)	(1,670)	(17,115)	110,611	1,924	2,806
Consolidated Total	¥352,612	¥ –	¥352,612	¥336,396	¥16,216	¥410,831	¥12,458	¥18,173

2001								
Thousands of U.S. Dollars								
Industry segments	Sales to Outside Customers	Inter- Segment Sales	Total Sales	Operating Expenses	Operating Profit /(Loss)	Assets	Depreciation	Capital Expenditure
Measurement, Control and Information Equipment	\$2,451,170	\$9,290	\$2,460,460	\$2,211,025	\$249,435	\$1,927,240	\$ 75,294	\$114,245
Other	394,770	142,324	537,094	517,514	19,580	495,843	9,726	9,782
Total	2,845,940	151,614	2,997,554	2,728,539	269,015	\$2,423,083	85,020	124,027
Elimination or Unallocated (Note 1)	–	(151,614)	(151,614)	(13,479)	(138,135)	892,744	15,529	22,648
Consolidated total	\$2,845,940	\$ –	\$2,845,940	\$2,715,060	\$130,880	\$3,315,827	\$100,549	\$146,675

For the purpose of comparison with previous year, new segment information for the year ended March 31, 2000 is presented below.

2000								
Millions of Yen								
Industry segments	Sales to Outside Customers	Inter- Segment Sales	Total Sales	Operating Expenses	Operating Profit/(Loss)	Assets	Depreciation	Capital Expenditure
Measurement, Control and Information Equipment	¥263,489	¥ 1,112	¥264,601	¥246,114	¥18,487	¥248,665	¥ 9,862	¥ 9,554
Other	49,864	17,591	67,455	64,832	2,623	63,789	1,366	1,466
Total	313,353	18,703	332,056	310,946	21,110	312,454	11,228	11,020
Elimination or Unallocated	–	(18,703)	(18,703)	(3,502)	(15,201)	108,252	1,969	3,679
Consolidated Total	¥313,353	¥ –	¥313,353	¥307,444	¥ 5,909	¥420,706	¥13,197	¥14,699

Notes to the Consolidated Financial Statements

YOKOGAWA ELECTRIC CORPORATION and SUBSIDIARIES
For the year ended March 31, 2001

As a result of the change of segmentation, the following items as of March 31, 2001 were increased (decreased) as compared with the previous method:

	Millions of Yen	Thousands of U.S. Dollars
	March 31, 2001	March 31, 2001
Total sales:		
Others	¥ 1,080	\$ 8,717
Elimination or Unallocated	128	1,033
	¥ 1,208	\$ 9,750
Operating expenses:		
Others	¥ 1,109	\$ 8,951
Elimination or Unallocated	73	589
	¥ 1,182	\$ 9,540
Operating profit:		
Others	¥ (28)	\$ (226)
Elimination or Unallocated	55	444
	¥ 27	\$ 218
Total assets:		
Others	¥22,208	\$179,241
Elimination or Unallocated	1,640	13,237
	¥23,848	\$192,478
Depreciation		
Others	¥ 25	\$ 202
Capital expenditure		
Others	¥ 126	\$ 1,017

As of result of the accounting changes (see Note 2. (4), (6) and (8)), the followingitems as of March 31, 2001 were increased (decreased) as compared with the previous method:

	Millions of Yen	Thousands of U.S. Dollars
	March 31, 2001	March 31, 2001
Operating profit:		
Measurement Control and Information Equipment	¥(3,450)	\$(27,845)
Others	(143)	(1,154)
Elimination or Unallocated	10	81
	¥(3,583)	\$(28,918)
Total assets:		
Measurement Control and Information Equipment	¥(5,920)	\$(47,781)
Others	140	1,130
Elimination or Unallocated	7,273	58,701
	¥ 1,493	\$ 12,050

(Note 1) The common assets of ¥119,723 million (\$966,287 thousand) in the column “Elimination or Unallocated” mainly consist of surplus working fund (cash and marketable securities), long-term investment fund (investment in securities) and other assets which belong to the administrative departments.

(2) Geographic Segment Information

Segment information classified by geographic area (inside and outside Japan) for each of the three years ended March 31, 2001 is summarized as follows:

	1999					
	Millions of Yen					
	Sales to Outside Customers	Inter- Segment Sales	Total Sales	Operating Expenses	Operating Profit/(Loss)	Assets
Japan	¥220,152	¥18,343	¥238,496	¥237,699	¥ 797	¥258,479
Asia	16,075	10,835	26,910	25,803	1,107	20,732
Europe	22,297	1,785	24,083	24,706	(623)	23,886
North America	16,167	2,186	18,353	20,353	(2,000)	10,402
Other	5,494	385	5,878	6,290	(412)	3,510
Total	280,185	33,534	313,720	314,851	(1,131)	317,009
Elimination or Unallocated	–	(33,534)	(33,534)	(34,054)	520	83,534
Consolidated Total	¥280,185	¥ –	¥280,185	¥280,796	¥(611)	¥400,543

	2000					
	Millions of Yen					
	Sales to Outside Customers	Inter- Segment Sales	Total Sales	Operating Expenses	Operating Profit/(Loss)	Assets
Japan	¥255,566	¥20,689	¥276,255	¥271,177	¥5,078	¥290,261
Asia	14,815	12,548	27,363	25,823	1,540	18,973
Europe	19,206	1,561	20,767	22,181	(1,414)	17,889
North America	17,881	1,222	19,103	18,838	265	10,943
Other	5,885	271	6,156	5,901	255	4,311
Total	313,353	36,291	349,644	343,920	5,724	342,377
Elimination or Unallocated	–	(36,291)	(36,291)	(36,476)	185	78,329
Consolidated Total	¥313,353	¥ –	¥313,353	¥307,444	¥5,909	¥420,706

	2001							
	Millions of Yen						Thousands of U.S. Dollars	
	Sales to Outside Customers	Inter- Segment Sales	Total Sales	Operating Expenses	Operating Profit	Assets	Operating Profit	Assets
Japan	¥290,841	¥24,277	¥315,118	¥302,948	¥12,170	¥303,158	\$ 98,224	\$2,446,796
Asia	19,012	16,041	35,053	32,777	2,276	24,407	18,370	196,990
Europe	17,229	1,274	18,503	18,164	339	14,623	2,736	118,022
North America	18,688	863	19,551	19,258	293	9,841	2,365	79,427
Other	6,842	254	7,096	6,806	290	4,528	2,341	36,545
Total	352,612	42,709	395,321	379,953	15,368	356,557	124,036	2,877,780
Elimination or Unallocated	—	(42,709)	(42,709)	(43,557)	848	54,274	6,844	438,047
Consolidated Total	¥352,612	¥ —	¥352,612	¥336,396	¥16,216	¥410,831	\$130,880	\$3,315,827

Notes to the Consolidated Financial Statements

YOKOGAWA ELECTRIC CORPORATION and SUBSIDIARIES
For the year ended March 31, 2001

As a result of the accounting changes (see Note 2. (4), (6) and (8)), the following items as at March 31, 2001 were increased as compared with the previous method:

	Millions of Yen	Thousands of U.S. Dollars
	March 31, 2001	March 31, 2001
Operating profit:		
Japan	¥(3,592)	\$(28,991)
Elimination	10	81
	¥(3,582)	\$(28,910)
Total assets:		
Japan	¥ 402	\$ 3,244
Asia	(2,423)	(19,556)
Europe	(666)	(5,375)
North America	(2,333)	(18,830)
Other	(760)	(6,134)
Elimination	7,273	58,701
	¥ 1,493	\$ 12,050

(Note 1) Asia Singapore, China, Korea etc.
Europe The Netherlands, France, England, Germany etc.
North America USA
Other Brazil, Australia etc.

(3) Sales-Outside Japan

	2000	2001				
		Asia	Europe	North America	Other	Total
Sales-Outside Japan	¥ 85,366	¥47,150	¥20,885	¥21,880	¥8,826	¥ 98,741
Consolidated Sales	¥313,353	—	—	—	—	¥352,612
Ratio	27.2%	13.4%	5.9%	6.2%	2.5%	28.0%

Report of Independent Accountants

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, 2001 and 2000, and the related consolidated statements of income and retained earnings for each of the three years in the period ended March 31, 2001, and the related consolidated statement of cash flows for each of the two years in the period ended March 31, 2001, 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, 2001 and 2000, and the consolidated results of their operations for each of the three years in the period ended March 31, 2001, and their cash flows for each of the two years ended March 31, 2001 in conformity with accounting principles and practices generally accepted in Japan (see Note 1) applied on a consistent basis.

As described in Note 2 of the Notes to Consolidated Financial Statements, “Summary of Significant Accounting Policies”, effect from the year ended March 31, 2001, the Companies have adopted new Japanese accounting standards for retirement benefits financial instruments and foreign currency translation.

The amount 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 28, 2001

Directors and Auditors

As of June 28, 2001

President and Chief Executive Officer

Isao Uchida

Executive Director

Taiki Utsumi

Director, Executive Vice President of Industrial Automation Systems Business

Akira Nagashima

Director, Executive Vice President of Testers Business

Yasuhiro Katsube

Director, Senior Vice President of Finance and Business Planning

Kazunori Yagi

Director, Vice President of Sourcing & Manufacturing Business

Kazuhiko Kimura

Director

Joichi Ueba

Corporate Auditors

Takaomi Kakurai

Fumio Mizoguchi

Takaaki Sakurai

Toru Hashimoto

Corporate Data

As of March 31, 2001

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)

Website: <http://www.yokogawa.com/>

Founded

September 1, 1915

Paid-in Capital

¥32,306,071,542

Number of Employees

5,852

Approximate Consolidated Employees

19,000

Number of Shares of Common Stock Issued

245,684,012

Number of Shareholders

18,595

Facilities in Japan

2 factories and 37 offices

Facilities outside Japan

72 affiliates in 28 countries, including

16 Factories

Stock Exchange Listings

Tokyo, Osaka, Nagoya, Fukuoka and

Amsterdam

Transfer Agent and Registrar

The Mizuho 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.com/>