



Harnessing the power of our advanced technologies

ANNUAL REPORT 2005

For the year ended March 31, 2005

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

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

Since its founding in 1915, Yokogawa Electric Corporation (the Company) has devoted the past 90 years to the business fields of measurement, control, and information, and in its own way has contributed to the development of the economy and the increased affluence of society. Our long and illustrious history and our highly refined, leading-edge technologies have earned us the trust not only of customers in Japan, but also of global industries, and we consider this to be one of our greatest assets.

The Company has now taken the first steps toward its 100th year. In line with our VISION-21 and ACTION-21 corporate strategy launched in 2000, we are increasing efforts to reform our business structure and to revitalize the Group's management. At the same time, we will aim to maintain stable growth by providing the most appropriate solutions to the constantly changing global industries.

Yokogawa seeks to tackle new challenges while establishing strong relationships with shareholders and investors, clients, local communities, and all other stakeholders.

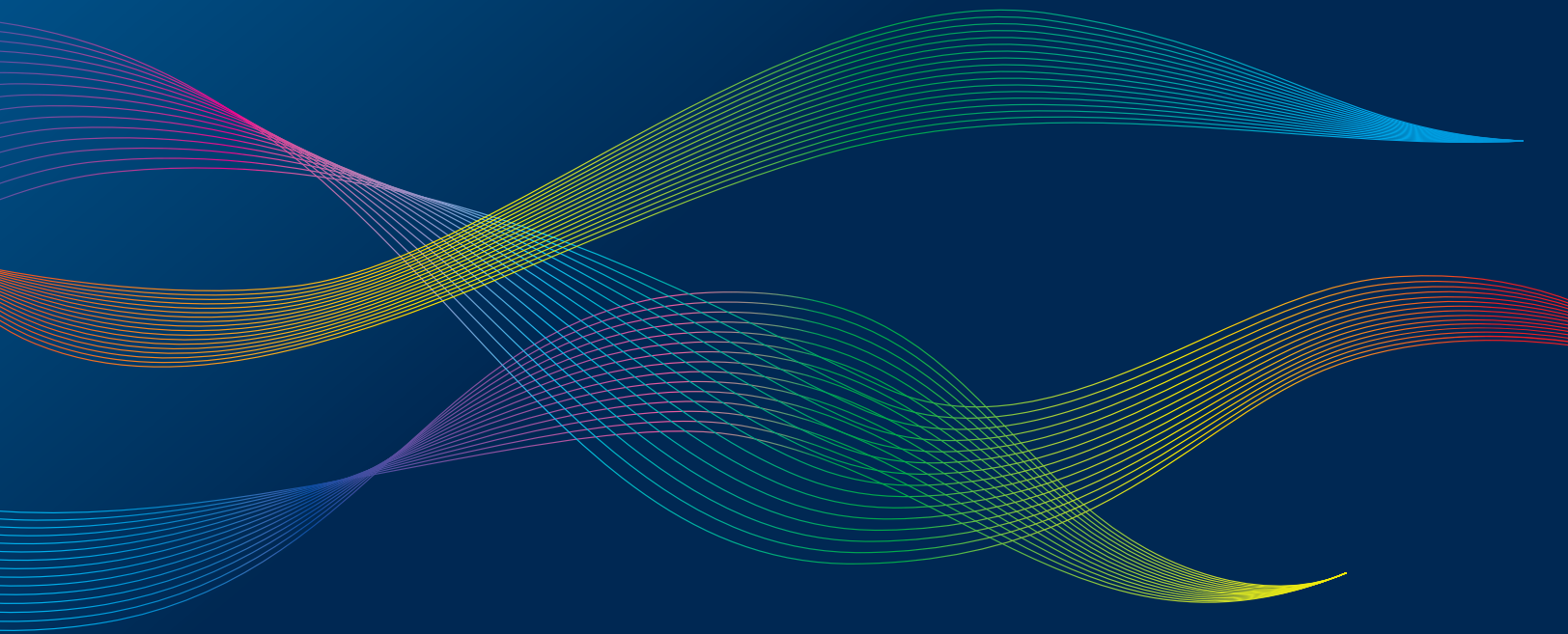
Contents

To Our Stakeholders	5
Interview with the President	6
Corporate Governance	10
Directors, Corporate Auditors, and Officers	11
Our Businesses at a Glance	12
Review of Operations	14
Industrial Automation and Control Business	14
Test and Measurement Business	16
Information Systems Business	18
Aviation and Industry Support Business	19
Global Operations	20
Research & Development	22
Activities to Protect the Environment	24
Consolidated Financial Review	26
Global Network	30
Corporate Information	32

Cautionary Statements Regarding Forward-Looking Statements

Statements made in this annual report regarding Yokogawa's plans, estimates, strategies, beliefs, and other statements that are not historical facts, are forward-looking statements about the future performance of Yokogawa. These statements are based on management's assumptions and beliefs in the light of the information currently available to it and therefore readers should not place undue reliance on them. Yokogawa cautions that a number of important factors, such as general economic conditions and exchange rates, could cause actual results to differ materially from those discussed in the forward-looking statements.

We satisfy the most demanding customers worldwide.



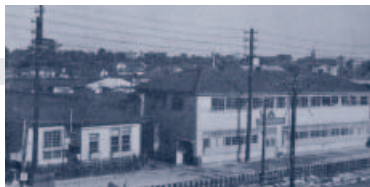
Globalization

1957

Established Yokogawa Electric Works, Inc. as North American sales office

Creation

1915



Tamisuke Yokogawa, Doctor of Architectural Engineering, established an electric meter research institute in Shibuya, Tokyo with Ichiro Yokogawa and Susumu Aoki

1963



Established Yokogawa Hewlett-Packard, Ltd. with Hewlett-Packard Company

1982

Established Yokogawa Medical Systems, Ltd. with General Electric Company

1983



Formed Yokogawa Hokushin Electric Corp. through merger with Hokushin Electric Works, Ltd.

Our **90** years of experience —

1915

1917

1924

1933

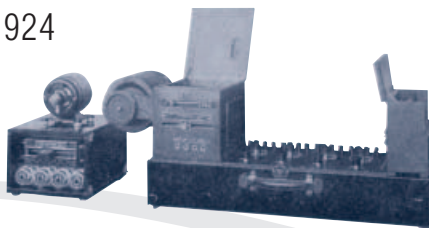
1950

1955

1957

Technology

1924



First to develop a portable magnetic oscillograph in Japan

1917



First to produce and sell electric meters in Japan

1933

Started research and manufacture of aircraft instruments and flow, temperature, and pressure controllers

1950



Developed Japan's first electronic recorder

1974



Established Yokogawa Electric Singapore Pte. Ltd. as Singapore plant

1974

Established Yokogawa Electric (Europe) B.V. as European sales office

1983

Established Yokogawa Electric Korea Co., Ltd.

2002



Acquired 100% of Ando Electric's stock

1985



Established Xiyi Yokogawa Co., Ltd. in Xian, China

2005

Established Yokogawa Electric International Pte. Ltd. in Singapore to oversee global industrial automation and control business

2000

Announced the new VISION-21 & ACTION-21 corporate strategy

1963

1974

1975

1982

1983

1984

1985

1988

1997

2000

2002

2005

— have taught us to think like a service business —

1955

Signed a technical assistance agreement for industrial instruments with Foxboro, USA

1975



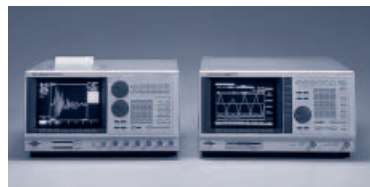
Released CENTUM, the world's first distributed process control system

1984



Released Model 3520 Analog LSI Test System

1988



Entered the electronic measurement instruments market with DL2100 series digital oscilloscope and AG2100 arbitrary waveform generator

1997

Announced the Enterprise Technology Solutions business concept

Yokogawa is presenting the Enterprise Technology Solutions (ETS) business concept to industry. This concept entails the proposal of optimum solutions that resolve specific business management issues while contributing maximum added value and minimizing lifecycle costs. Yokogawa always puts its customers' needs first in the development of leading-edge technologies that help them increase both operational efficiency and stability.



■ Enterprise

This emphasizes Yokogawa's focus on the customer's enterprise as a means of providing optimum support.

■ Technology

Customers can benefit from Yokogawa's latest and most sophisticated technological services.

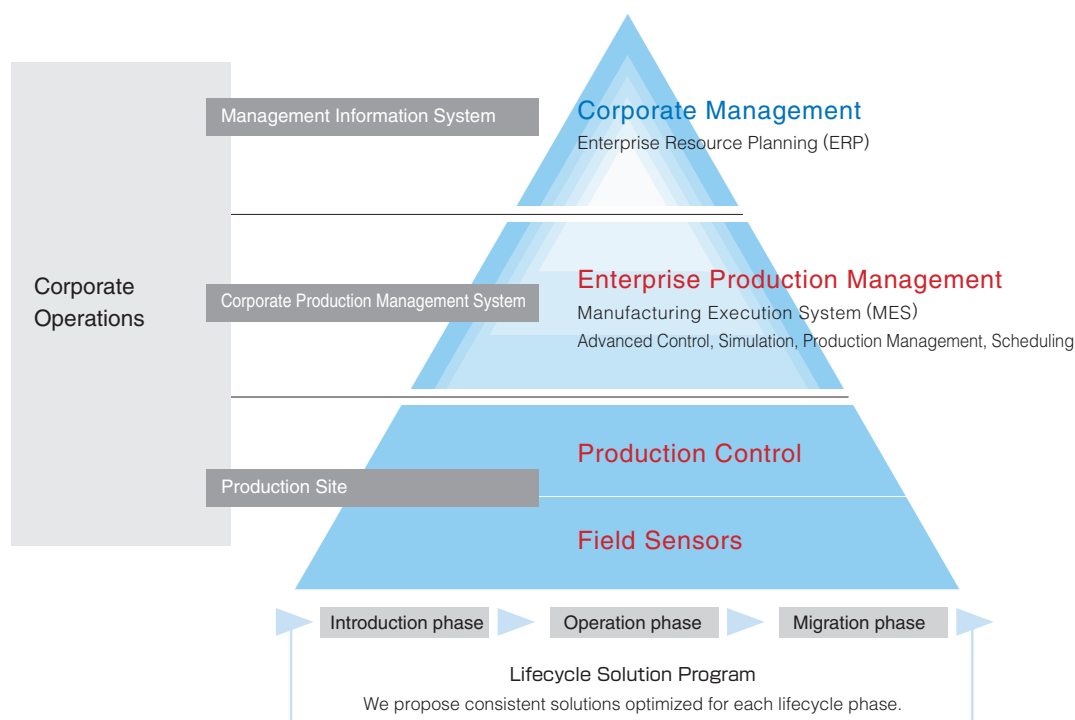
■ Solutions

Yokogawa offers the solutions that best meet customers' expectations and needs.

— providing optimum solutions to all our customers.

Yokogawa's comprehensive solutions

We provide optimum solutions addressing every area of our customers' operations, from management to production.





We, as a trusted partner,
can create added value and
improve business efficiency.

In January 2000, the Yokogawa Group announced VISION-21 and ACTION-21, our corporate strategy for achieving a healthy and profitable operation. Since then, we have been working to reform the business and revitalize the Group's management so as to maximize its profitability.

In the fiscal year ended March 31, 2005, the Yokogawa Group recorded its highest ever net sales and operating income for the second straight year. This was a result of the restructuring carried out in accordance with the corporate strategy and the increases in sales in our mainstay industrial automation & control and test & measurement businesses. We

attribute our success to the ongoing support of our shareholders, customers, and our other business partners, and we would like to express our deepest gratitude for this.

Fiscal year 2005 marks the 90th year of operations for the Yokogawa Group. Since our founding, we have endeavored to use our leading-edge technologies to create value for our customers and benefit society. We will continue to pursue these goals and maintain healthy and profitable management practices by applying these technologies to create a brighter future for all. And with your loyal support, we will also strive to maximize our corporate value.

A handwritten signature in black ink that reads "Isao Uchida".

Isao Uchida
President and Chief Executive Officer

President Uchida discusses the financial year ended March 31, 2005 and the Group's plans for the coming year.

Q1 Could you please describe your business environment and financial results during the fiscal year that ended in March 2005?

A1 Our industrial automation and control business fared well thanks to continued brisk demand outside Japan, as well as strong demand in Japan arising from firm capital investment trends. At the same time, our test and measurement business saw a slowdown in demand for logic and SOC testers from the semiconductor markets due to weakening information appliance sales during the latter half of the year. However, sales of memory testers remained strong due to favorable trends in development spending and capital investment.

In light of this operating environment, Yokogawa sought to improve its sales figures by increasing orders from existing customers and cultivating business with new customers. This was in addition to implementing an aggressive strategy designed to expand our sales and orders. Furthermore, we took steps to reform our production costs from a global perspective while promoting drastic reforms to our cost structure and raising the value addition of our product design, development, marketing, and overall business processes.

As a result of these efforts, at the consolidated level we were able to realize a 4.1% year-on-year increase in net sales, to ¥387.1 billion, and a 35.6% rise from the previous year's operating income, to ¥24.8 billion; on the other hand, net income fell to ¥9.4 billion, a 61.4% year-on-year decline.

Q2 What sort of results did you see this term in your business outside Japan?

A2 This year, we established a Singapore Development Center (SGDC) to develop application software for production control systems. Singapore offers many advantages, such as having a large supply of highly skilled workers who can speak both English and Chinese, and being conveniently located to markets in the Middle East, India, ASEAN countries, and China, all of which we consider to be growth markets. Through the establishment of the SGDC, we have developed a highly robust organization that will allow us to assess our customers' needs from a global perspective and to develop software and solutions that can respond to the needs of the English-speaking markets.

With our founding of this SGDC, the establishment of the Global Engineering Solution Center (GESC) in Singapore in 2001, and the creation of control systems and field instruments production capabilities in Singapore and Suzhou, China, respectively, we have now created a strong global base for development, production, and engineering.

Also during the term under review, Yokogawa joined a Honeywell program to market our branded field instruments integrated with Honeywell control systems. To expand our industrial automation and control business in North America, we are building an engineering center in Houston, Texas, which is the center of the global energy industry and is home

Consolidated Financial Highlights

Results of the years ended March 31, 2004 and 2005

	Billions of yen		Millions of US dollars	Percent change
	2004.3	2005.3	2005.3	2005/2004
Orders received	¥ 390.5	¥ 375.5	\$ 3,497	-3.8%
Net sales	371.9	387.1	3,604	4.1%
Operating income	18.3	24.8	231	35.6%
Net income	24.3	9.4	87	-61.4%
Net income per share — basic (yen / US dollar)	99.84	38.43	0.36	—
Net income per share — diluted (yen / US dollar)	96.66	35.53	0.33	—
Return on assets (%)	6.4	2.3	—	—
Return on shareholders' equity (%)	16.6	5.7	—	—

Note: US dollar amounts have been translated, for convenience only, at the rate of ¥107.39 = US\$1, the rate of exchange prevailing on March 31, 2005.

to many major petroleum, petrochemical, and engineering companies. Our Houston office will carry out an aggressive marketing campaign, working closely with clients.

Q3 Could you tell us a little about your strategy for expanding into new businesses in the future?

A3 Yokogawa recognizes that the creation of unique products and development of new technologies and businesses are all crucial to our continued growth. During the term under review, we entered the optical communications equipment and optical module businesses with our 40 Gbps optical packet switch, the world's fastest switch of its kind. We initially believed that the commercial application of our optical packet switch, which is the core technology for our next-generation optical communications networks, would not be realized until the year 2015; however, we were able to beat our competitors in the race to develop this product thanks to our unique compound semiconductor technologies. Because of the large capital investments in optical communications networks and the resulting positive outlook for growth in this market, we will accelerate the deployment of this business so as to become the de facto standard within this industry.

One product with direct application to the ongoing diffusion of flat screen televisions and other types of large flat panel

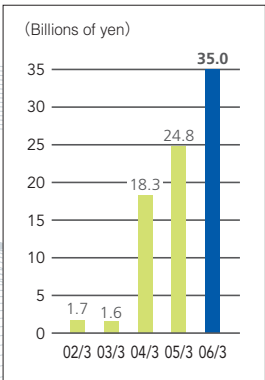
LCDs is our new, large-format, ultra-precise XY stage, which can be used in eighth-generation large-scale (2,200 mm×2,400 mm) "mother glass" applications. This revolutionary new product, which we developed and launched recently, boasts superior quality, delivery times, and costs. Flat panel makers' transition to eighth-generation products is spurring replacement demand for production facilities, and we plan to use this as an opportunity to aggressively market this product.

Confocal scanners, which are expected to be widely used in new drug research and in developing other medical products, are being adopted by universities and research facilities around the world. In April 2005, we started construction of a development and manufacturing facility for magnetoencephalographs (MEGs) in Kanazawa City, Ishikawa Prefecture. In the future, we plan to further develop our business in the area of medical products and drug research, and to establish a life science business.

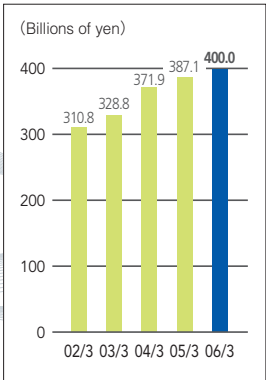


Management Targets for Fiscal Year 2005

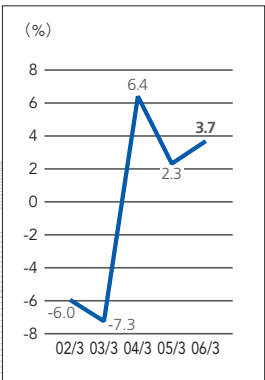
Operating Income



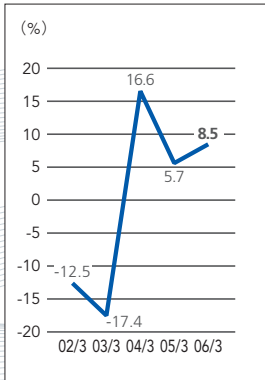
Net Sales



ROA



ROE



Q4 What sort of strategy will you use to achieve your targets in the coming fiscal year?

A4 First, with regard to our industrial automation and control business, we are working to create a business structure that can prepare us to become the top company in this field by the year 2010. And because our growth in the world market is the key to realizing this goal, in April 2005 we established Yokogawa Electric International Pte. Ltd. in Singapore to serve as our global headquarters for this business. From this Singapore base, we can more accurately assess markets with a global perspective. Moreover, this facility will oversee the development of strategies and setting of targets, as well as manage our marketing and engineering services. By establishing a firm base for our global business, we plan to manage our global resources more efficiently so as to accelerate and expand our international operations. And looking at the Chinese market, where business is expanding rapidly, we are working to expand our production facilities and increase our orders. In April 2005, we enhanced our management capability in China.

In the Japanese market, business activity is expected to increase due to demand to replace facilities constructed during the 1980s and 1990s, and also investments to rationalize and increase the efficiency of existing facilities. By leveraging the reputation we have earned for producing highly reliable products and technologies, and our ability to provide

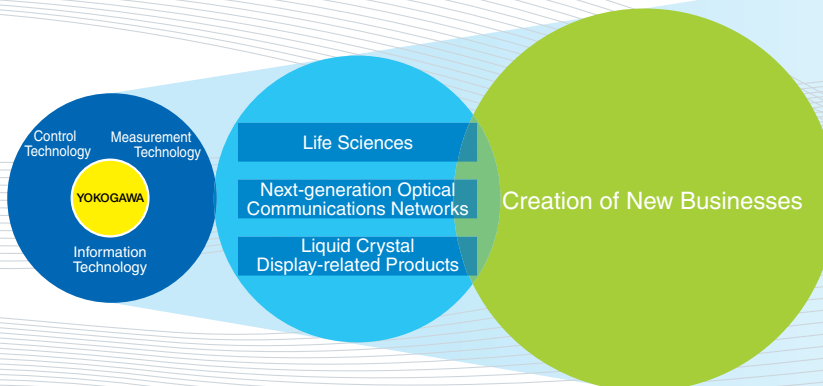
comprehensive solutions that meet our customers' needs, we will aggressively pursue a strategy to expand our market share. In the Japanese market, Yokogawa keeps striving to improve its earnings platform by strengthening the profit management of all projects. In the future, we will continue to fortify our profit management system and expand it to include world markets. In that way, we will continue to increase the profitability of our industrial automation and control business on a global scale.

In order to expand our test and measurement business, we plan to promote the development of highly competitive semiconductor testers, launch these products in a timely manner, and expand our orders from existing clients as well as develop business with new clients. At the Semicon Japan expo, held at the end of 2004, we introduced many new products in our line-up. Among these was a revolutionary new LCD driver tester that greatly raises throughput; with this new product, we expect to expand our share of the LCD driver tester market, where growth is expected. We plan to introduce new memory testers that use the latest technology. In terms of marketing our various kinds of measuring instruments, we are placing special emphasis on optical communications, a field that is now showing signs of a recovery. We seek to increase our orders and sales by shortening development times for new products and introducing products that meet our customers' needs in a timely fashion.

Along with these business expansion strategies, we will

Approach to New Businesses

In addition to our core technologies in the areas of test and measurement, industrial automation and control, and information systems, where we have operated for many years, Yokogawa is also expanding into new business fields that include life sciences, next-generation optical communications networks, and liquid crystal display-related products.



Application to New Business Fields

also promote activities to reform our global cost structure. Our goal is not to simply reduce our current costs, but to create new products that match trends in market pricing (i.e., design to cost). In April 2005, we established a specialized cost planning headquarters to reform our Company-wide cost structure and focused all our resources in fiscal year 2005 on accelerating these reforms.

Q5 As you reach the 90th year of Yokogawa's operations, can you briefly share your thoughts with shareholders and stakeholders?

A5 Yokogawa was founded in Tokyo in September 1915 and started operations as Denki Keiki Kenkyusho (Electric Instruments Research Laboratory). In the 90 years since our founding, we have seen the devastation of the Second World War, the economic high-growth period of the 1960s and 1970s, the deflationary spiral of the post-bubble economy in the 1990s, and other turbulent social and economic conditions in Japan. We have now grown to become a truly global company with operations in 29 different countries and 18,972 employees around the world. Furthermore, our clients around the world hold us in high esteem thanks to our founding principle of *quality first* and because of the reputation for reliability that our products have earned. We attribute our long-lasting success to the strong

support and understanding that our shareholders, business partners, local communities, and other stakeholders have shown to our company. As President and CEO, I would very much like to express my deepest appreciation to everyone.

Although the Japanese economy has yet to escape from its stagnant condition, the economies of China and Southeast Asia have experienced continued strong growth, and the global economy in general continues to recover. Against this backdrop, Yokogawa's main test & measurement and industrial automation & control markets continue to expand. We will not be satisfied with the successes of the past; instead, we view the 90th year of our operations as merely another milestone. We must take on new challenges if we are to celebrate our 100th anniversary.

Yokogawa maintains a corporate policy of contributing to the realization of a prosperous society through the businesses of test and measurement, industrial automation and control, and information systems, and will always strive to grow and to raise its corporate value. As we continue to expand our business, we ask for the understanding and support of our shareholders and our stakeholders.

Confocal Scanners

Our microscopes can observe the interior of live cells in real time and are proving indispensable in life science fields such as cell biology and cell physiology.

Magnetoencephalographs

Magnetoencephalographs are devices that detect the faint magnetic field generated by activity in the human brain. These devices are expected to come into widespread use because they offer a non-invasive, non-contact method for investigating the brain's physical functions and because insurers in Japan are changing their policies to cover their use for diagnostic purposes.

Optical Packet Switches

Yokogawa has been successful in creating the world's fastest optical packet switch. Capable of transmitting images at 40 Gbps speeds, this product will contribute to the creation of next-generation optical communications networks and the realization of a "ubiquitous information society."

XY Stage Platform for 8th Generation Glass Substrates

In response to the increasing demand for flat panel displays, we have developed a large-format, ultra-precise XY stage platform which can be used in eighth-generation (2,200 mm × 2,400 mm) mother glass applications.



MEGvision
Magnetoencephalograph



40 Gbps Optical Packet Switch

Directors, Corporate Auditors, and Officers

(As of June 24, 2005)

Directors



Isao Uchida
President and Chief Executive Officer



Akira Nagashima
Director, Executive Vice President
Corporate Research and Development Headquarters



Yasuhiro Katsube
Director, Executive Vice President
Target Costing Headquarters



Kazunori Yagi
Director, Executive Vice President
Management Administration Headquarters



Kazuhiko Kimura
Director, Executive Vice President
Industrial Solutions Business Headquarters



Teruyoshi Minaki
Director, Executive Vice President
International Business Headquarters



Takashi Fujii
Director, Senior Vice President
ATE Business Headquarters



Masahisa Naito
Outside Director

Corporate Auditors *Outside Corporate Auditors



Fumio Mizoguchi



Taiki Utsumi



Takahide Sakurai*



Toru Hashimoto*



Shigeru Hikuma*

Officers

Hidehiko Bando Senior Vice President
Aerospace Products Business Headquarters

Akihiko Anyouji Senior Vice President
Human Technologies Headquarters

Masahiro Otsuka Vice President
Aerospace Products Business Division,
Aerospace Products Business Headquarters

Yuukou Toyonori Vice President
Technology, Aerospace Products
Business Headquarters

Toshiki Okuzumi Vice President
Quality Assurance Headquarters

Toshiro Tomita Vice President
Facility Management Business Center,
Industrial Solutions Business Headquarters

Kiyooki Okino Vice President
Audit and Compliance Headquarters

Seiichiro Kiyobe Vice President
Assigned to Industrial Automation
Business Headquarters

Hiroyuki Tanaka Vice President
Sourcing and Manufacturing Business
Headquarters

Hidetoshi Baba Vice President
Assigned to International Business Headquarters

Kazutomo Nishimura Vice President
Japan Sales, Industrial Solutions Business
Headquarters

Shuzo Kaihori Vice President
Industrial Automation Business Headquarters

Takashi Yoshida Vice President
Communications and Measurement
Business Headquarters

Hiroshi Yuhara Vice President
Control Products Business Division,
Industrial Automation Business Headquarters

Sumihide Matsumoto Vice President
Japan Sales, Industrial Solutions Business
Headquarters

Yasunori Kawata Vice President
Assigned to System LSI Testers Department,
ATE Business Headquarters

Shuuhei Sakuno Vice President
Accounting and Treasury Division,
Management Administration Headquarters

Junji Yamamoto Vice President
Corporate Marketing Headquarters

Tomoatsu Shibata Vice President
Product Development and Engineering
Division, ATE Business Headquarters

Nobumasa Hamaguchi Vice President
Engineering Operations
and Head of Engineering Business Division,
Industrial Solutions Business Headquarters

Industrial Automation and Control Business



Production Control Systems

Ever since Yokogawa developed the world's first distributed control system (DCS), it has led the way in the global production control systems industry. Yokogawa's control systems are widely used by customers in various industries, and to date have been delivered to some 16,000 projects in more than 75 countries. Our CENTUM series integrated production control systems have become the top products in the DCS field and are used in numerous large-scale projects around the world. We have also recently released the ProSafe-RS safety instrumented system, which is designed to ensure plant safety while operating in complete integration with the plant's production control system. This product has already received high praise.



CENTUM CS 3000 R3
Integrated Production Control System



ProSafe-RS
Safety Instrumented
System

Field Instruments

Field instruments are used in manufacturing to measure and transmit data on parameters such as pressure, temperature, and flow rate as well as to analyze liquids and gases. In addition to transmitters, flowmeters, and other sensors, Yokogawa supplies analytical instruments such as pH meters, conductivity meters, and gas/fluid analyzers.



DPharp EJX
Differential Pressure
Transmitter



ADMAG AXF
Magnetic Flowmeter

Production Support Solutions

Yokogawa offers a variety of solution-based software packages that optimize production through scheduling, operation support and advanced process control. These include process data servers that organically integrate manufacturing information with information from the management domain. We also provide equipment diagnosis systems, facilities maintenance and management systems, and other solutions that support safe plant operation.

Our Products for Optimum Solutions

Information Systems Business



Medical Information Systems

At medical institutions, the diffusion of IT technologies is advancing quickly. These technologies include electronic chart systems and image information systems, which are used to manage diagnostic images captured by X-rays, CT scanners, MRI systems, and other instruments. Yokogawa helps improve the quality of medical services by providing a wide range of medical information systems that play a critical role in medical examinations and medical charts. These systems are based on the idea of integrating and sharing information.



Medical Image Information System

IP Network Solutions

Yokogawa is actively participating in the development of the IPv6 next-generation Internet protocol as part of a national research project, and has released devices based on this protocol.



TTB3010
IPv6/IPv4 Translator

Test and Measurement Business



Semiconductor Testers

In step with the technological progress that is being made in the field of LSIs, Yokogawa has launched logic, memory, and mixed-signal IC testers that use leading-edge technologies. Today we supply not only semiconductor testers, but also comprehensive automatic test equipment business solutions that combine handlers and analysis software. These solutions significantly increase the efficiency of our customers' development and testing processes as well as reduce their costs.



MT6060
Memory Test System



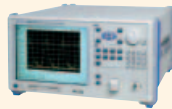
TS6000 H++
High-Speed SOC Test System

Measuring Instruments

With its long background in the measuring instruments field, Yokogawa offers comprehensive communications measurement solutions that leverage a broad spectrum of measurement technologies for applications ranging from direct current to ultra-high frequency. Yokogawa ranks among the global leaders in market share and technologies for power meters, digital oscilloscopes, and optical communications measuring instruments. For new drug development, medical applications, and other life science fields we provide confocal scanners which allow real-time observation of live cells and are highly prized by researchers around the world. In addition, by using state-of-the-art compound semiconductor technologies, we recently succeeded in the commercialization of optical communications-related equipment that will be crucial to establishing next-generation ultra-high speed optical communications networks.



DL9000
Digital Oscilloscope



AQ7750
Optical Sampling Oscilloscope



CSU22
Confocal Scanner



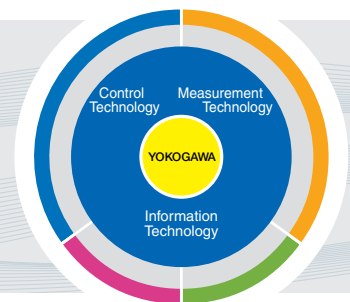
40 Gbps Optical Packet Switch

Test and Measurement Business

Industrial Automation and Control Business

Information Systems Business

Aviation and Industry Support Business



Aviation and Industry Support Business



Aviation and Marine Equipment

Yokogawa supplies engine and fuel monitoring devices and sensors for aircraft. Airbus uses our color LCD flat panel displays in the cockpits of their latest aircraft. We also provide equipment such as gyrocompasses and autopilots for maritime use.



Flat Panel Displays for Aviation Use

Magnetoencephalographs

Magnetoencephalographs (MEGs) are devices that use a non-invasive, non-contact method to detect the faint magnetic field generated by the human brain. These devices, used for investigating the physiological function of the brain, are expected to come into widespread use in Japan and other markets as public and private insurers change their regulations to cover MEG use for diagnostic purposes.



MEGvision
Magnetoencephalograph

Industrial Automation and Control Business



CENTUM CS 3000 R3
Integrated Production Control System



STARDOM
Network-based Control System



ProSafe-RS
Safety Instrumented
System



DPharp EJX
Differential Pressure
Transmitter



ADMAG AXF
Magnetic Flowmeter

Strategic Initiatives

- In international markets where numerous large-scale projects are planned, seek to increase orders by consolidating management infrastructure and aggressively infusing resources.
- With regard to the Chinese market, which continues to grow, accelerate our efforts to expand orders, targeting a 30% market share and ¥120 billion (US\$1,117 million) in sales by 2010.
- Expand our share in the Japan market by leveraging our ability to provide comprehensive solution proposals in response to the high level of replacement demand for factories and other plants.
- By improving profit management for each and every project, seek to bolster the margins on our industrial automation and control business in Japan, and then, by applying this solid earnings platform across our global operations, improve the profitability of our entire industrial automation and control business.

Overview of Business Results

Our industrial automation and control business, which develops control systems for plants, did well thanks to active global investment in oil, petrochemical, liquefied natural gas, and other large projects. In this favorable business environment, Yokogawa saw strong orders from both new and existing clients for its products, which are well known for their outstanding reliability and high level of performance in such projects.

Yokogawa has aggressively committed business resources to international markets, where many large-scale projects are planned and growth is expected to continue. As a part of this strategy, we established the Singapore Development Center during the term under review. This software development center assesses the development needs of our global customers and reflects these needs in our development and solutions proposals. Furthermore, we place a high priority on China's test and measurement market and industrial automation and control market, both of which are growing rapidly; we seek to accelerate the growth of our market share there.

To expand this business in North America, we started construction of an engineering center in Houston, Texas, the center of the global energy industry. This center will implement a marketing strategy whereby our sales representatives work closely with our customers.

With regard to field instruments, in addition to our traditional sales channels, we joined a Honeywell program to market our branded field instruments integrated with Honeywell control systems.

In the Japan market, where replacement demand mainly in the materials industry is trending strongly, we are taking aggressive steps to boost orders and improve earnings by means of thoroughgoing profit management in each project.

Outlook

Yokogawa seeks to become the world's No. 1 company in the industrial automation and control business by 2010. Because our growth in the world market is the key to realizing this goal, in April 2005 we established Yokogawa Electric International Pte. Ltd. to manage our industrial automation & control and other international businesses. This new company, located in Singapore, will efficiently manage our resources around the world from a global perspective to accelerate the growth of our global business.

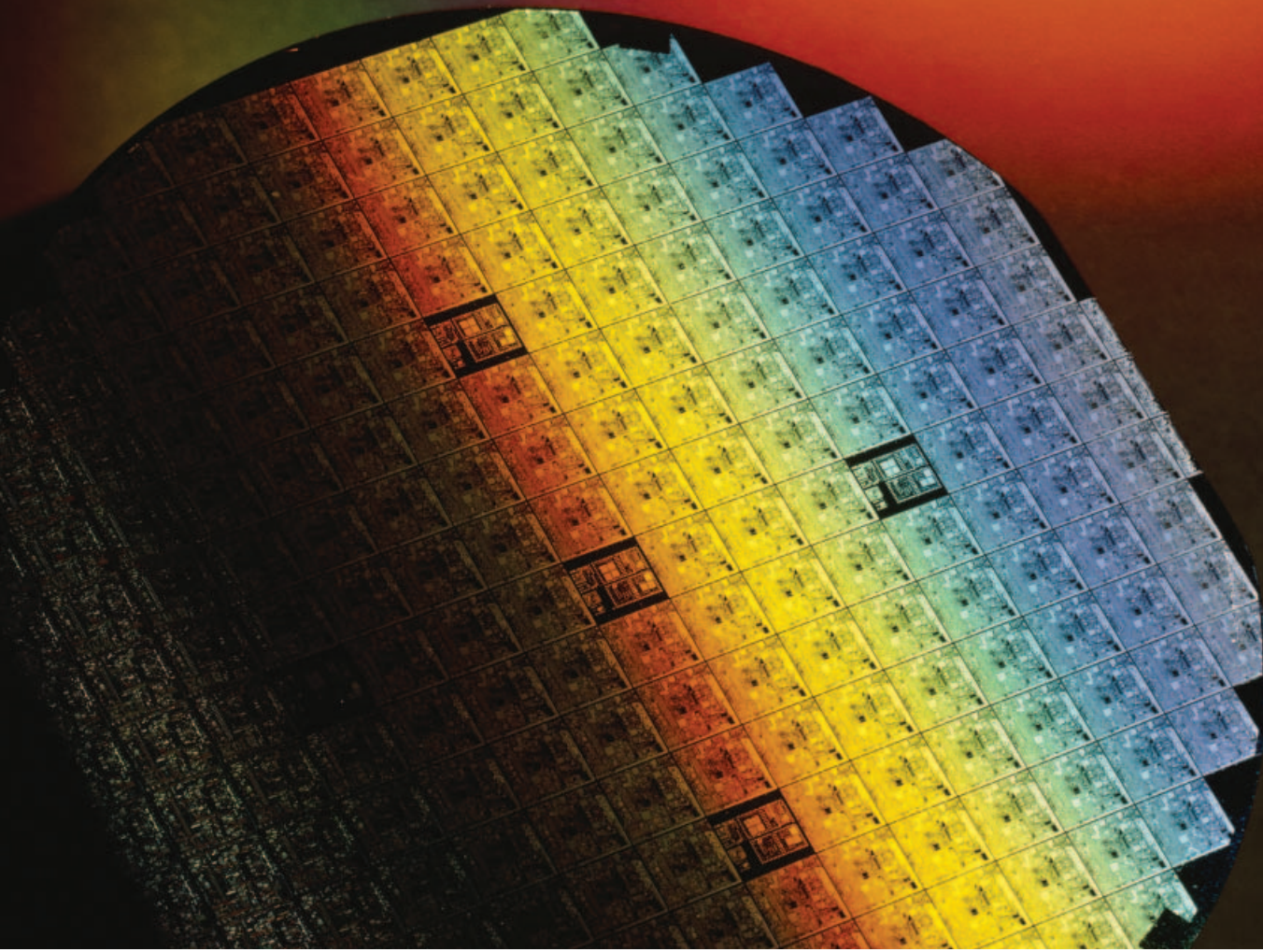
In addition to the still-growing Chinese market, we will also aggressively carry out a business development strategy to expand orders in Korea and Taiwan. We will fortify our businesses in these markets through such measures as the enhancement of management capabilities. Our goal for the Chinese market is a 30% market share and sales of ¥120 billion (US\$1,117 million) by the year 2010.

Looking ahead at the Japan industrial automation and controls market, we anticipate ongoing replacement demand for plants that were constructed during the 1980s and 1990s. Yokogawa will promote the expansion of market share, leveraging not only the reliability of our products and technologies, but also our ability to provide comprehensive solutions that meet customer needs.



Global response center, operating 24×7×365

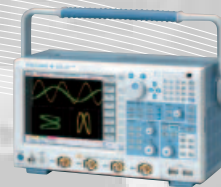
Test and Measurement Business



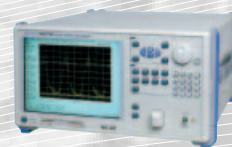
TS6000H++
High-Speed SOC Test System



40 Gbps Optical Packet Switch



DL9000
Digital Oscilloscope



AQ7750
Optical Sampling Oscilloscope



CSU22
Confocal Scanner

Strategic Initiatives

- In the semiconductor tester business, implement a product strategy focused on system LSI and memory IC testers that precisely meets customers' needs.
- In the measuring instrument business, fortify our line-up of high-frequency measuring instruments designed for development of next-generation communication network equipment and information appliances.
- Using leading-edge measuring and semiconductor technologies, develop optical communications devices that will play a vital role in the construction of high speed optical communications networks.
- Aggressively allocate resources to drug research, medicine, and other life sciences to help develop these markets.

Overview of Business Results

With regard to the semiconductor tester business, our main target market of semiconductor-related products entered an adjustment phase from the middle of the term under review due to a slowing in demand for information appliances. After the second quarter, orders for LCD driver testers and SOC testers languished. At the same time, memory testers, which are our main product line, continued to see strong orders from both existing and new customers. This solid growth in our main line allowed us to record a large annual increase in both orders and sales.

In our measuring instrument business, we have concentrated our resources at our headquarters and integrated our sales and development divisions to create a structure that can more quickly respond to customer needs at the product development stage. While we also took full advantage of the integration of Ando Electric Co., Ltd. to strengthen our ability to respond to market needs, our main optical communications-related product market was stagnant and this contributed to the severe conditions affecting our measuring instrument business.

In the area of technology development, we took positive steps to fortify our line-up of high value-added products, as well as developing measurement technology for next-generation 40 Gbps optical communications and other leading technologies. As just one example of our technical prowess, we were the first company to successfully demonstrate a 40 Gbps optical network system in a practical application. In terms of new products, we launched a large-format, ultra-precise XY stage that helps raise the manufacturing yield of flat panel displays (FPDs) and which is particularly useful in making eighth-generation large-scale (2,200mm×2,400mm) "mother glass" panels for LCDs and plasma FPDs.

Outlook

In our semiconductor tester business, we will promote the development and timely introduction of testers for LCD drivers, logic testers, and memory testers that is based on an accurate assessment of rapidly changing market needs, and will take aggressive steps to expand our market share by developing new markets and clients.

Turning to our measuring instrument business, we will strive to increase orders and sales through the timely introduction of strategic products that meet our customers' needs, and by emphasizing the marketing of products geared to the optical communications market, which is now showing signs of a recovery.

In the new business area of optical communications networks, where continued large infrastructure investments are expected, we have succeeded in bringing to market an optical packet switch and are now looking to accelerate this business. We aim to become the de facto standard in this field. Furthermore, with regard to medical product development, we plan to establish a life science business as we anticipate an expansion in the business for confocal scanners, which are expected to be widely used in new drug research.



Clean room

Information Systems Business



TTB3010
IPv6/IPv4 Translator



Medical Image Information System

Strategic Initiatives

- Provide competitive solutions to the manufacturing industry, where IT advances are driving increases in management efficiency.
- Leverage our competitive strength by expanding our medical image information systems business.
- Allocate resources to actively develop the security, energy conservation, ecology, facilities, and other new business areas.

Overview of Business Results

Because we service a wide array of markets in our information systems business, Yokogawa has adopted a strategy of focusing resources in those areas where we can best leverage our strengths.

With regard to our manufacturing solutions business, we are helping our customers operate their businesses more efficiently by proposing a variety of solutions that use the technologies and know-how developed in our industrial automation and control business. In the medical field, we focused on medical image information systems that comprehensively manage diagnostic images acquired by CT scanners, MRI systems, and other medical monitoring equipment.

Outlook

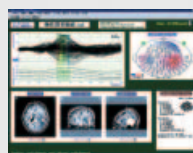
In the coming year, we will further develop our business by devoting resources to our manufacturing solutions business and also to our medical image information systems business, where we have a high market share and an excellent reputation.

In addition, we will take aggressive measures to expand our business in the IT security field, which is vital to the creation of infrastructure for the rapid expansion of networks used by corporations and other organizations; in the energy conservation, ecology, and facilities fields; and in new business areas.

Aviation and Industry Support Business



Flat Panel Displays
for Aviation Use



MEGvision
Magnetoencephalograph

Strategic Initiatives

- Further expand the aviation instruments business by continuing to aggressively respond to private sector demand.
- Accelerate development of the magnetoencephalograph (MEG) business and other new business areas.

Overview of Business Results

In the area of aviation instruments, we worked to expand our private sector business, and placed a special emphasis on selling flat panel displays to Airbus.

We also actively implemented a strategy to expand orders of MEGs, which enable non-invasive, contact-less examination of brain functions and can help reveal the causes of various forms of senile dementia, including Alzheimer's disease. The use of such devices is now eligible for reimbursement under medical insurance plans in Japan.

Outlook

In addition to the traditional public sector demand in our aviation instruments business, we will continue to aggressively respond to private sector demand.

In our MEG business, we started construction of a new development and manufacturing facility in Kanazawa City, Ishikawa Prefecture, in April 2005. We plan to build this business by developing leading-edge measurement technologies.



Yokogawa is a truly global company, with 83 group companies operating in 29 countries around the world. During the fiscal year that ended in March 2005, international sales accounted for 46% of our consolidated net sales.

Yokogawa operates 83 group companies in 29 countries around the world. As the international markets are generally healthy, we seek to become the top company in the industrial automation and control business by 2010, and are making aggressive strategic investments and allocating human resources to achieve this goal. In recent years, we have seen solid growth in sales outside Japan, and this accounted for 46% of our consolidated net sales during the fiscal year that ended in March 2005.

Our industrial automation and control business is known worldwide thanks to our products' reputation for outstanding reliability, their high-level performance in various projects, and the accuracy of our system solutions. We have received many orders for large-scale oil and liquefied natural gas projects, and have also expanded our share of the growing Chinese market. Our test and measurement business has garnered high acclaim in Korea, where memory tester investment is strong, and our sales have grown accordingly.

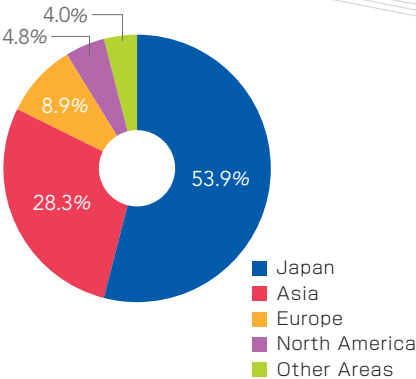
Yokogawa is establishing a global manufacturing, engineering, and service structure to raise its operating efficiency on a global basis and provide customers around the world with optimal solutions. We have established a global manufacturing structure that enables the right products to be produced in the right places,

and secures a stable supply of competitive, high quality products. We also have established a Global Engineering Solution Center in Singapore that distributes engineering resources wherever necessary in an optimum way. Furthermore, we have established response centers in Japan, Singapore, the Netherlands, China, and the United States to provide around-the-clock customer support 365 days a year. We also offer remote monitoring (data gathering and analysis) and remote maintenance services.

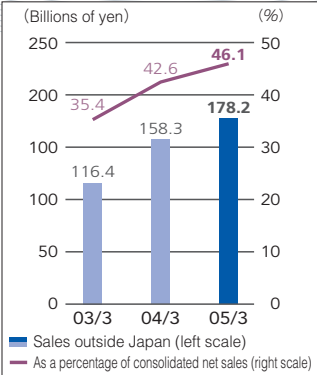
In addition to these facilities, as an important part of our strategy to become a top company in the industrial automation and control business, we established a Singapore Development Center during this term to promote software development. These initiatives facilitate our ability to conduct development, manufacturing, engineering, and service on a global basis. In April 2005, we established Yokogawa Electric International Pte. Ltd. to take responsibility for drawing up a basic strategy and setting specific goals for our international operations and to oversee our global marketing, engineering, and service functions.

Yokogawa continues to strive to be a true solutions provider with the ability to provide high value-added solutions that address the needs of customers around the world.

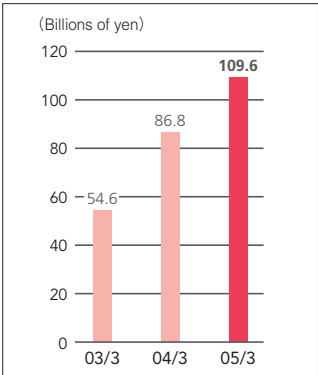
Sales by Customer Location



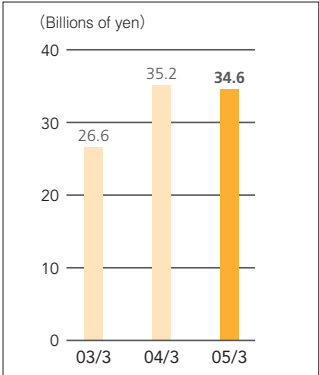
Sales Outside Japan



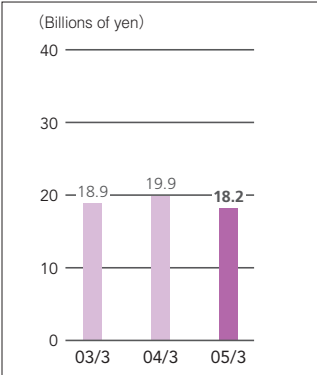
Sales by Customer Location (Asia)



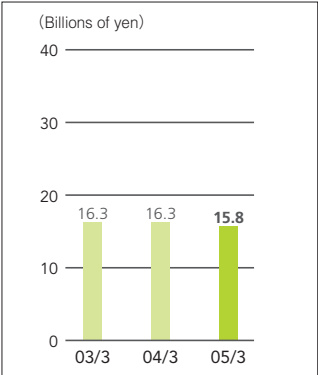
Sales by Customer Location (Europe)



Sales by Customer Location (North America)



Sales by Customer Location (Other Areas)



With an eye always on the future, Yokogawa seeks to constantly promote the development of technologies for our core test and measurement, industrial automation and control, and information systems businesses, based on the marketing concept of establishing leading technologies that distinguish us from our competitors.

Our effective research and development provides leading-edge “mother tools” and technologies to industries worldwide.

Facilities in the industries we serve are expected to operate for periods of 10 to 15 years, and the need for high reliability in plant facilities is particularly strong among our customers who operate equipment continuously. In response to such critical industry needs, Yokogawa is focusing on developing technologies that can guarantee high reliability and performance over the long term.

Thus, the Corporate R&D Headquarters, other technology development divisions at our headquarters, and technology departments of our Group companies have established multiple R&D teams whose functions depend on the phase of each development project. Our Corporate R&D Headquarters is responsible for conducting basic research and development activities that will lead to the creation of new products that make use of the latest technologies. Other divisions and technology departments of our Group companies are also involved in conducting R&D that leads directly to the development of new products. By clarifying the responsibilities of each group, we strive to expedite our research activities and quickly commercialize new technologies.

At Yokogawa, we maintain a basic stance of developing in-house the technologies and devices that will give us a competitive advantage and distinguish us from our competitors. In order to achieve extremely high levels of reliability and performance, we continue to make aggressive investments in technology development despite facing severe economic conditions, and endeavor to establish our position as a leading solutions supplier with the ability to leverage unique technologies that can solve a variety of industrial problems.

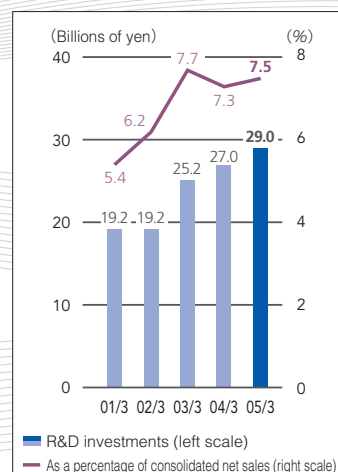
The range of our developmental areas is very broad: For our industrial automation and control business, we conduct R&D for distributed control systems, field instruments, analytical instruments, and recorders. For our test and measurement business we are developing LSI testers and electronic measurement instruments. As new areas for our test and measurement business, we are also developing optical packet switches and other high-speed optical communication equipment as well as confocal scanners for life science applications. Aside from these products, we also strive to develop technologies that will lead to new businesses, and are researching core technologies used in micro-plants, field computing technologies that are expected to become more widely used in the ubiquitous networking age, and other leading-edge technologies.

Our research and development budget during the fiscal year ended March 2005 was ¥29 billion (US\$270 million).

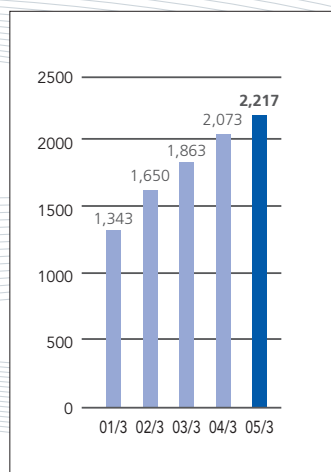
The unique products that are born from Yokogawa's R&D efforts are making a significant contribution in improving social infrastructure, creating a safer society, and enhancing the efficiency of our customers' operations.

In our industrial automation and control business, we developed during the term under review a new version of our CENTUM CS 3000 R3 integrated production control system that features remote operation and monitoring functions. With this new version, plant operating conditions can be monitored and operating commands can be given using regular PCs or mobile terminals that are not directly

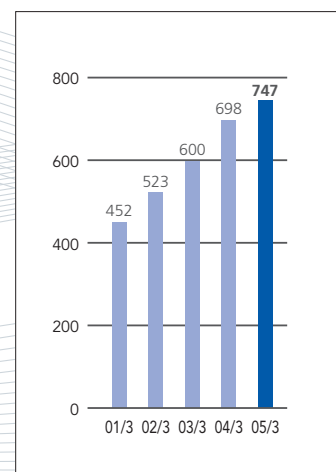
**R & D Investments /
R & D Investments to Net Sales**



Patents Owned in Japan



Patents Owned Outside Japan



connected to the control bus, greatly improving convenience for the operators. And in response to the increasing need that plants have for safety instrumented systems, we introduced the ProSafe-RS, the first such product on the market that can be integrated with a production control system. Our safety instrumented systems constantly monitor the conditions of petroleum, petrochemical, natural gas, and other plants, and will without fail temporarily shut down a plant when a deviation from normal operating conditions is detected. Yokogawa's ProSafe-RS is the first safety instrumented system to receive SIL3 certification under the IEC61511 international standard.

In our test and measurement business, we began selling the TS6000H++ high-speed SOC test system as a solution to help our clients reduce their testing costs. This product offers greatly improved driver timing accuracy and significantly enhances production yields for high-performance devices. Furthermore, we developed the MT6060 memory tester for a wide range of applications including DRAM, NAND, and NOR-type flash memory. The MT6060 not only increases throughput by doubling the number of measurements that can be made at one time, it also has improved measuring functions for flash memory, for which demand is rapidly increasing. In the waveform measurement market, we introduced our DL9000 Series digital oscilloscopes, which have maximum sampling rate of 10 GS per second in the 1 to 1.5 GHz range. These are our first gigahertz range oscilloscopes and are the smallest such products on the market today, offering very high performance relative to cost.

Furthermore, in the high growth area of communications, we developed an optical packet switch and an optical media manager, both of which are expected to become core technologies in next generation optical communications networks. And we were the first in the world to succeed in developing a working 40 Gbps optical packet network system.

We have also revised our internal incentive program to invigorate our development activities by further motivating our employees to create new technologies and products.

Yokogawa has developed a three-prong management strategy, building on our R&D, business, and intellectual property strategies. With regard to new business challenges, we seek in line with our R&D strategy to create highly competitive next-generation technologies and to quickly patent these as intellectual property. To ensure our business superiority, we endeavor in line with our business strategies to expedite the acquisition of patents, trademarks, and other intellectual property rights that will differentiate our products and services and maintain strong brand recognition.

Because Yokogawa operates in a global market, we are strategically working to improve the internal structure and environment that will enhance our global competitiveness by making it possible for us to effectively create, acquire, and protect intellectual property. As part of this strategy, we revised our internal incentive program in April 2005 to encourage the aggressive development of patents by our R&D engineers and to prevent compensation disputes over inventions.

In order to continue to grow as "Yokogawa, the source of advanced technology," we are strengthening our competitive advantage by constantly creating new intellectual property and quickly and strategically commercializing it.

Recent Major Awards

Development Theme	Award	Organization
Fine particle measurement equipment, patent number 2027685	FY98 Nationwide, The Japan Chamber of Commerce and Industry Leading Discovery Award	Japan Institute of Invention and Innovation, Tokyo Branch
"Development of Fine Particle Analysis Equipment Using Microwave Induced Plasma"	FY00 Okouchi Memorial Technology Award	Okouchi Memorial Foundation
Development of Vortex flowmeter, patent number 2933016	FY00 Regional Award, Tokyo Division	Japan Institute of Invention and Innovation, Tokyo Branch
Pan-tilt camera device, patent number 3470329	FY00 Electrical Technology Special Award (Ohm Award)	Electrical Technology Award Foundation
Confocal microscope, patent number 2663780	FY00 Nationwide Patent Attorneys Association Award	Japan Institute of Invention and Innovation, Tokyo Branch
Same as above	FY02 Science Technologies Specialist Award	Ministry of Education, Culture, Sports, Science and Technology
"Development and Commercialization of High-speed Image Observation-capable Confocal Microscope"	FY00 Ichimura Industry Contribution Award	The New Technology Development Foundation
"Commercialization of High-speed Confocal Microscope That Can Analyze Molecular Dynamism"	FY03 Okouchi Memorial Technology Award	Okouchi Memorial Foundation
Redundant communication control equipment, patent number 2888038	FY02 Regional Award, Tokyo Division	Japan Institute of Invention and Innovation, Tokyo Branch
Measuring semiconductor switch, patent 3572599	FY02 Electrical Technology Incentive Award (Ohm Award)	Electrical Technology Award Foundation
Leak clamp-on tester, patent 3545886	FY03 Shibusawa Award	Japan Electric Association
"Food Safety Management System Development" Food safety system equipment, patent publication 2002-092091	FY04 Electrical Technology Award (Ohm Award)	Electrical Technology Award Foundation

Yokogawa views protection of the environment as a key operations issue, which is why our entire Group promotes a variety of environmental management activities.

Building a Sustainable Society

As environmental problems grow increasingly severe, sustainability is becoming a major topic around the world. With the Kyoto Protocol coming into effect in February 2005, activities to protect the environment are growing even more important. Efforts are underway to reduce CO₂ and other greenhouse gases, and new environmental regulations on electronic devices are being enacted mainly in Europe.

With the goal of creating a sustainable society, we are proposing environmentally friendly products as well as environmental solutions, and are pursuing business activities designed to reduce our impact on the environment. In order for us to be able to pass a healthy planet on to the next generation, Yokogawa will accelerate its activities to protect the environment.

Basic Environmental Policy

Yokogawa announced its VISION-21 & ACTION-21 corporate strategy in January 2000 to achieve a healthy and profitable management structure. In keeping with this strategy, we are committed to protecting the environment and contributing to the creation of a recycling-oriented society while we pursue our activities to create new value for our customers. Furthermore, in line with this vision, we have created the Yokogawa Group Environmental Management Standards and have clarified our environmental philosophy, policy, and activities guidelines.

Our environmental philosophy is based on our corporate philosophy, which states that "As a company, our goal is to

contribute to society through broad-ranging activities in the area of measurement, control, and information. Individually we aim to combine good citizenship with the courage to innovate." We recognize that protecting the earth's environment for future generations is crucial and aim to maintain harmony with the environment while contributing to industrial development.

We consider protection of the global environment to be a key management objective and have instituted an environmental management system to continuously improve the Group's environmental performance. In accordance with this policy, all of the companies in our Group will:

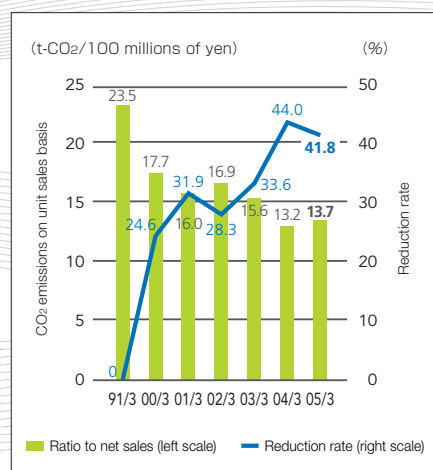
- Strive to carry out resource recycling-based operations
- Contribute to global environmental protection
- Pursue independent initiatives to protect the environment

Furthermore, in line with our activity guidelines, while minimizing the burden we place on the environment, we also will actively support our clients' steps to protect the environment. In addition, we will actively participate in and cooperate with various environmental protection activities on a global basis.

Environmental Impact Reduction Program

In order to understand and manage the total impact that our operations have on the environment, in fiscal year 2000 the Yokogawa Group began using Eco-Point (EP), a commonly used index for calculating environmental impact. We also use

CO₂ Emissions on Unit Sales Basis and CO₂ Reduction Rates (Compared to fiscal year 1990)



Waste Processing by the Yokogawa Group

The Yokogawa Group defines zero emissions as the recycling of 99% or more of all generated waste.

Classification	Process	Legal classification (Japan)	Types of waste
Total amount of waste generated	Recycling/processing	General refuse	Paper, packing materials, cardboard, etc.
			Domestic garbage, packing materials, wood cuttings
		Industrial waste	Metals
			Manufacturing debris (metal, paper, plastic, solvents, oils, etc.)
	Incineration/disposal	Specialty controlled refuse	Glass, concrete, other incombustibles
			Toxic substances (mercury, solder debris)
		Chemical treatment fluid waste processing (volume reduction)	Wastewater detoxified by contractors (except for detoxification at Yokogawa facilities)
		Industrial waste / Specialty controlled refuse	
		Refuse for incineration	Domestic garbage (cigarette butts, food waste, mixed papers, fallen leaves, etc.)
		General refuse	Packing materials, debris containing wood cuttings
		Specialty controlled refuse	Fats and fatty oil (waste oil, paints, inks), infectious wastes
	Refuse for landfills	Industrial waste	Debris containing metal, plastic, etc.
		Specialty controlled refuse	Waste asbestos

an environmental impact efficiency index (net sales/EP) which measures environmental impact relative to the economic value that is produced. By using these indices, we can get an accurate picture of the environmental impact of our business activities, and make the most appropriate choices in deploying environmental countermeasures.

In order to manufacture and develop products that do not harm the environment, we have various guidelines and standards for our procurement, product design, and production. We also created green procurement guidelines in 2000, and use these to survey all our business partners and provide guidance to those whose activities have an especially large impact on the environment.

To develop products that safeguard the environment, we have established a guideline for environmentally conscious products, a lifecycle assessment standard, and five other design and assessment guidelines. And for our production facilities, in 2002 we created a green production line improvement policy and promoted a variety of improvement activities to reduce the environmental impact of each of our production lines.

In 2004, Yokogawa completed development of a system that can calculate the amount of hazardous chemical substances used in manufacturing and began using this to reduce emissions of such substances. And in the area of waste disposal, Yokogawa is promoting zero emissions and seeks to recycle more than 99% of its waste.

Fiscal Year 2004 Measures to Improve our Environmental Performance

During fiscal year 2004, the Yokogawa Group implemented various measures designed to reduce the environmental impact of our business and protect the environment.

First, with regard to the global reduction of CO₂ and other greenhouse gases, as called for by the Kyoto Protocol, we introduced innovations such as inverter-type lighting, optimized our clean room operations, and introduced the InfoEnergy energy-saving support system at the Kofu plant of Yokogawa Electronics Manufacturing Corporation. Consequently, our CO₂ emissions were reduced to 13.7t-CO₂ for each 100 million yen in net sales, a reduction of 41.8% compared to fiscal year 1990.

We have reduced the amount of xylene used in our frame painting line at Komine plant of Yokogawa Electronics Manufacturing Corporation. And at the firm's Kofu plant, in February 2005 we started using a cleaning solution and polyester resin paint that is low in both toluene and xylene.

Additionally, we introduced environmentally sound products such as the Xancia Network Solution Controller, WT3000 Precision Power Analyzer, and Yokogawa M&C Corporation's clamp-on testers. We also reviewed our green purchasing guidelines and converted our fleet of corporate cars to environmentally-friendly hybrid cars, established basic technologies for hexavalent chromium and cyanogen removal, and promoted other activities to reduce our impact on the environment.



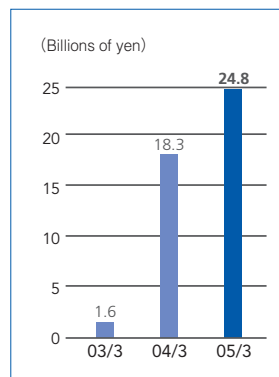
Solar energy generation system on the roof of the corporate headquarters building



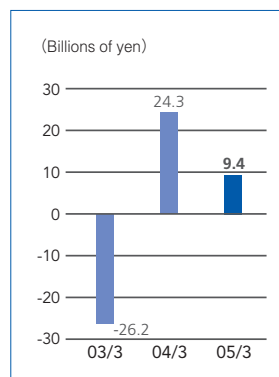
Reduced use of xylene on frame painting line at Komine plant

Consolidated Financial Review

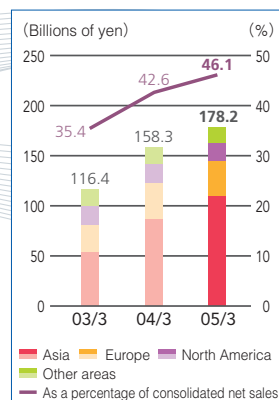
Operating Income



Net Income (Loss)



Sales Outside Japan by Customer Location



Overview

The markets for Yokogawa's mainstay industrial automation and control business trended strongly, owing to brisk sales outside Japan and active capital investment in Japan. In the semiconductor market, a key area of the test and measurement business, investment decelerated in the logic tester and SOC tester markets due to weak demand for information appliances in the second half of the fiscal year, but positive trends prevailed in development and facilities investment in the memory tester field.

In this business environment, the Company aggressively implemented a strategy to increase orders from existing customers and cultivate new customers in the mainstay industrial automation & control and test & measurement businesses. At the same time, we promoted radical reform of the cost structure and took measures to add increased value in all work processes, from product design and development to sales.

As a result, consolidated net sales for the fiscal year under review rose by 4.1% year on year to 387.1 billion yen (US\$3,604 million), consolidated operating income by 35.6% to 24.8 billion yen (US\$231 million), and consolidated ordinary income by 46% to 22.4 billion yen (US\$209 million), all record highs. Consolidated net income declined by 61.4% to 9.4 billion yen (US\$87 million).

In Japan, sales rose 2.7% year on year to 281.4 billion yen (US\$2,620 million). In Asia, sales were up 15.6% to 42.5 billion yen (US\$395 million). In Europe, sales increased 2.1% to 30.3 billion yen (US\$282 million). In North America, sales fell 9.4% to 17.4 billion yen (US\$162 million). In other areas including the Middle East, sales advanced 24% to 15.5 billion yen (US\$144 million).

Over the past year, the sales outside Japan ratio rose 3.5 percentage points to 46.1%.

Consolidated Statements of Income

Operating income rose by 6.5 billion yen (US\$61 million) to 24.8 billion yen (US\$231 million). The ratio of cost of sales to net sales improved by 0.3 percentage point to 64.6%, while the ratio of selling, general and administrative expenses to net sales improved by 1.2 percentage points to 29%.

In operating income by location, Japan earned 17.1 billion yen (US\$159 million), an increase of 23.3%; Asia earned 4.0 billion yen (US\$37 million), an increase of 110.5%; Europe earned 2.7 billion yen (US\$25 million), an increase of 14.8%; North America earned 600 million yen (US\$6 million), an increase of 261.4%; and other regions including the Middle East earned 210 million yen (US\$2 million), a decrease of 44.2%.

Ordinary income rose by 7.1 billion yen (US\$66 million) to 22.4 billion yen (US\$209 million), and its margin by 1.7 percentage points to 5.8%. Operating and ordinary income increases derived from higher sales, restructuring of production facilities in Japan, and cost improvements on introduction of a defined contribution pension plan.

Extraordinary losses shrank by 5.6 billion yen (US\$52 million) to 11.5 billion yen (US\$107 million), mainly because of a 2.3 billion yen (US\$21 million) decline due to changes in the Company's corporate pension plan.

As a result, income before income taxes and minority interests rose by 9.9 billion yen (US\$93 million) to 14.4 billion yen (US\$134 million), while net income declined by 14.9 billion yen (US\$139 million) to 9.4 billion yen (US\$87 million). This mainly derived from the previous year's posting of 23.4 billion yen (US\$218 million) in deferred tax assets as a loss carryforward for tax purposes, a special factor that pushed net income up. Excluding the effects of this special factor, net income for the term under review would have been higher. Net income per share was 38.43 yen (US\$0.36), a decrease of 61.41 yen (US\$0.57).

Sales by Geographic Area*

	Billions of yen		Millions of US dollars	
	2003.3	2004.3	2005.3	2005.3
Japan	249.9	273.9	281.4	2,620
Asia	27.1	36.7	42.5	395
Europe	23.8	29.6	30.3	282
North America	17.8	19.2	17.4	162
Other Areas	10.2	12.5	15.5	144
Net Sales	328.8	371.9	387.1	3,604

* "Sales by Geographic Area" states the aggregate external sales for the consolidated subsidiaries in each region.

Operating Results

Billions of yen [Percentage of net sales]

Millions of US dollars

	2003.3		2004.3		2005.3		2005.3
Net sales	328.8	[100.0]	371.9	[100.0]	387.1	[100.0]	3,604
Cost of sales	219.0	[66.6]	241.4	[64.9]	250.0	[64.6]	2,328
Selling, general, and administrative expenses	108.2	[32.9]	112.3	[30.2]	112.3	[29.0]	1,045
Operating income	1.6	[0.5]	18.3	[4.9]	24.8	[6.4]	231
(Loss) income before income taxes and minority interests	(19.6)	[6.0]	4.5	[1.2]	14.4	[3.7]	134
Income taxes	6.2	[1.9]	(20.6)	[-5.5]	4.2	[1.1]	39
Minority interest in earnings of consolidated subsidiaries	(0.4)	[0.1]	(0.7)	[0.2]	(0.8)	[0.2]	(8)
Net (loss) income	(26.2)	[-8.0]	24.3	[6.5]	9.4	[2.4]	87

Per Share Amounts

Yen

US dollars

	2003.3	2004.3	2005.3	2005.3
Net (loss) income — basic	(108.39)	99.84	38.43	0.36
Net income — diluted	—	96.66	35.53	0.33
Cash dividends	7.50	7.50	7.50	0.07
Shareholders' equity	542.20	658.97	693.75	6.46

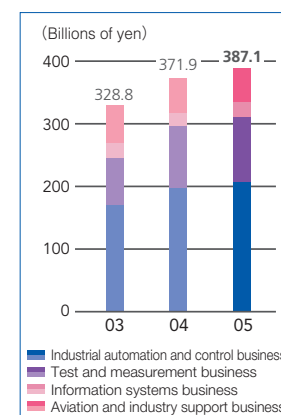
Operating Results by Business

Billions of yen

Millions of US dollars

	2003.3	2004.3	2005.3	2005.3
Industrial Automation and Control Business				
Orders received	192.6	210.3	207.9	1,936
Sales	169.5	196.6	206.5	1,923
Operating income	6.5	10.2	17.9	167
Test and Measurement Business				
Orders received	84.4	105.3	92.9	865
Sales	76.1	98.8	103.0	959
Operating (loss) income	(5.8)	9.8	6.7	62
Information Systems Business				
Orders received	24.8	20.9	25.5	237
Sales	23.9	20.5	24.6	229
Operating loss	(0.5)	(3.2)	(1.2)	(11)
Aviation and Industry Support Business				
Orders received	59.0	54.0	49.2	458
Sales	59.3	56.0	53.0	494
Operating (loss) income	1.4	1.5	1.4	13

Net Sales by Business Segment



Cash Flows

The end-of-year balance of consolidated cash and equivalents was up by 5.7 billion yen (US\$53 million) to 40 billion yen (US\$373 million). Free cash flow, the aggregate of operating and investing activities, was an inflow of 7 billion yen (US\$66 million), compared with a 1.9 billion yen (US\$17 million) outflow in the previous fiscal year.

The period for debt redemption (Note 1) was 5.5 years, and the interest coverage ratio (Note 2) was 21.1 times.

Note 1: Number of years for debt redemption = interest-bearing debt / operating cash flow

Note 2: Interest coverage ratio = operating cash flow / interest expenses

Cash flow from operating activities

Net cash flow from operating activities increased by 9.9 billion yen (US\$93 million) to a positive 18.3 billion yen (US\$170 million), due to a 10 billion yen (US\$93 million) gain in income before income taxes and minority interests. Although the balance of the reserve for retirement benefits decreased 13.6 billion yen (US\$127 million) less than in the previous year, it still accounted for a 10.2 billion yen (US\$95 million) decline. Likewise, the balance of the unpaid monies due to changes in the retirement benefit system decreased 16.1 billion yen (US\$150 million) less, but caused a 6.1 billion yen (US\$57 million) increase. The balance in notes and accounts receivable and in inventories were decrease factors of 9.5 billion yen (US\$88 million) and 8.1 billion yen (US\$76

million) in the previous year, respectively, but each turned positive in the term.

Cash flow from investing activities

Net cash flow from investing activities was an outflow of 11.2 billion yen (US\$104 million). Acquisition of fixed assets, including software and other intangible fixed assets, declined by 598 million yen (US\$6 million) to 18.7 billion yen (US\$174 million). Expenditures to acquire investment securities were 71 million yen (US\$0.7 million), a decrease of 2.5 billion yen (US\$23 million).

Cash flow from financing activities

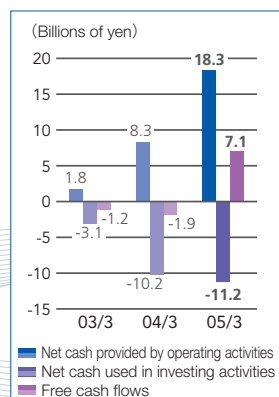
Net cash flow from financial activities was an outflow of 1.3 billion yen (US\$12 million), a decrease of 10 billion yen (US\$94 million). The principal components were an 8 billion yen (US\$74 million) increase in commercial paper and an expenditure of 6.8 billion yen (US\$64 million) for repayment of long-term borrowings. At 1.8 billion yen (US\$17 million), dividend payments were the same as the previous term's.

Financial Position

Assets

Total assets at the end of the year under review were 400.3 billion yen (US\$3,727 million), up 2.9 billion yen (US\$27 million) from the previous year. Current assets stood at 233.6 billion yen (US\$2,176 million), an increase of 7 billion yen (US\$66 million), and fixed assets totaled 166.6 billion yen (US\$1,552 million), a decrease of 4.2 billion yen (US\$39 million). Of the

■ Net Cash Provided by Operating Activities/
Net Cash from Investing Activities/
Free Cash Flows



Cash Flows

	Billions of Yen		Millions of US Dollars	
	2003.3	2004.3	2005.3	2005.3
Net cash provided by operating activities	1.8	8.3	18.3	170
Net cash used in investing activities	(3.1)	(10.2)	(11.2)	(104)
Free cash flows	(1.2)	(1.9)	7.1	66
Net cash provided by (used in) financing activities	3.6	(11.4)	(1.3)	(12)
Effect of exchange rate changes on cash and cash equivalents	(0.4)	(0.5)	(0.1)	(0.7)
Net (decrease) increase in cash and cash equivalents	2.0	(13.7)	5.7	53
Cash and cash equivalents at beginning of year	44.0	47.8	34.4	320
Increase for change in scope of consolidated subsidiaries	1.8	0.3	—	—
Cash and cash equivalents at end of year	47.8	34.4	40.1	373

fixed assets, tangible fixed assets were 77.8 billion yen (US\$725 million), a decrease of 126 million yen (US\$1 million); intangible fixed assets were 13.6 billion yen (US\$127 million), a decrease of 39 million yen (US\$0.4 million); and investments and other assets were 75.2 billion yen (US\$700 million), a decrease of 4.1 billion yen (US\$38 million).

The increase in current assets derived from a 5.8 billion yen (US\$54 million) gain in cash and equivalents to 40.7 billion yen (US\$379 million) and a 721 million yen (US\$7 million) increase in deferred tax assets to 11.4 billion yen (US\$106 million). Sales of short-term securities holdings decreased marketable securities by 1 billion (US\$9 million) to 74 million yen (US\$0.7 million).

The decrease in fixed assets mainly derived from a 2.9 billion yen (US\$27 million) decline in long-term deferred tax assets and a 1.5 billion yen (US\$14 million) decline in buildings and structures. Land assets increased by 1.3 billion yen (US\$12 million) due to the acquisition of land for R&D facilities in Kanazawa City, Ishikawa Prefecture.

Liabilities

Total liabilities decreased by 6.2 billion yen (US\$58 million) to 227 billion yen (US\$2,114 million), with current liabilities up by 11.5 billion yen (US\$107 million) to 116.5 billion yen (US\$1,085 million) and fixed liabilities down by 17.7 billion yen (US\$165 million) to 110.5 billion yen (US\$1,029 million).

The increase in current liabilities derived from a shift of long-term borrowings to short-term borrowings for the purpose of more flexible fund procurement, resulting in a 4.1 billion yen (US\$38 million) increase in the balance of short-term borrowings to 14.2 billion yen (US\$133 million). The decrease in fixed liabilities derived from an 11.4 billion yen (US\$106 million) decline in long-term borrowings consequent to a 10.1 billion yen (US\$94 million) decrease in the reserve for retirement benefits due to changes in retirement benefit systems of Group companies in Japan, as well as the aforementioned shift to short-term borrowings. Heretofore, long-term unpaid monies have been shown in the "Others" item under fixed liabilities, but due to their greater importance 24.3 billion yen (US\$226 million) in long-term unpaid monies were posted to separate fixed liabilities in this term.

Shareholders' Equity

Total shareholders' equity at the end of the year under review rose by 8.4 billion yen (US\$78 million) to 168.8 billion yen (US\$1,571 million), due mainly to a 7.5 billion yen (US\$69 million) increase in retained earnings. As a result, the shareholders' equity ratio rose by 1.9 percentage points to 42.2%.

Interest-bearing debt increased by 675 million yen (US\$6 million) to 100.3 billion yen (US\$934 million), and the debt equity ratio declined to 59.3% from the previous year's 62.1%.

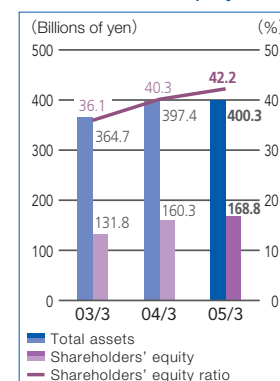
Financial Position

	Billions of yen			Millions of US dollars
	2003.3	2004.3	2005.3	2005.3
Total assets	364.7	397.4	400.3	3,727
Working capital	75.0	121.5	117.1	1,091
Current ratio (%)	154.5	215.7	200.5	—
Interest-bearing debt	108.7	99.6	100.3	934
Shareholders' equity	131.8	160.3	168.8	1,571
Shareholders' equity ratio (%)	36.1	40.3	42.2	—
Debt to equity ratio (%)	82.5	62.1	59.3	—

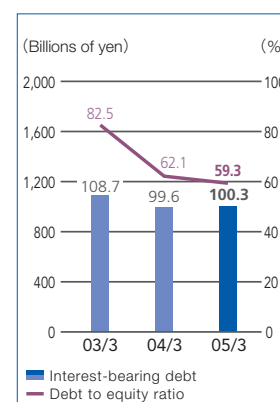
Other Statistics

	2003.3	2004.3	2005.3
Research and development investment (billions of yen)	25.2	27.0	29.0
Depreciation and amortization (billions of yen)	14.3	13.5	14.3
Capital expenditures (billions of yen)	15.3	21.4	18.6
Number of shares issued (thousands)	253,968	253,968	253,967
Number of shares outstanding (thousands)	243,006	243,294	243,208
Number of employees	18,675	18,364	18,972
Return on assets (%)	-7.3	6.4	2.3
Return on equity (%)	-17.4	16.6	5.7
Inventory turnover (times)	5.06	4.64	4.89
Total assets turnover (times)	0.92	0.98	0.97

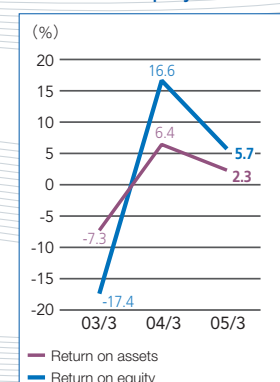
Total Assets / Shareholders' Equity



Interest-Bearing Debt



Return on Assets / Return on Equity



Global Network



Yokogawa Europe B.V.



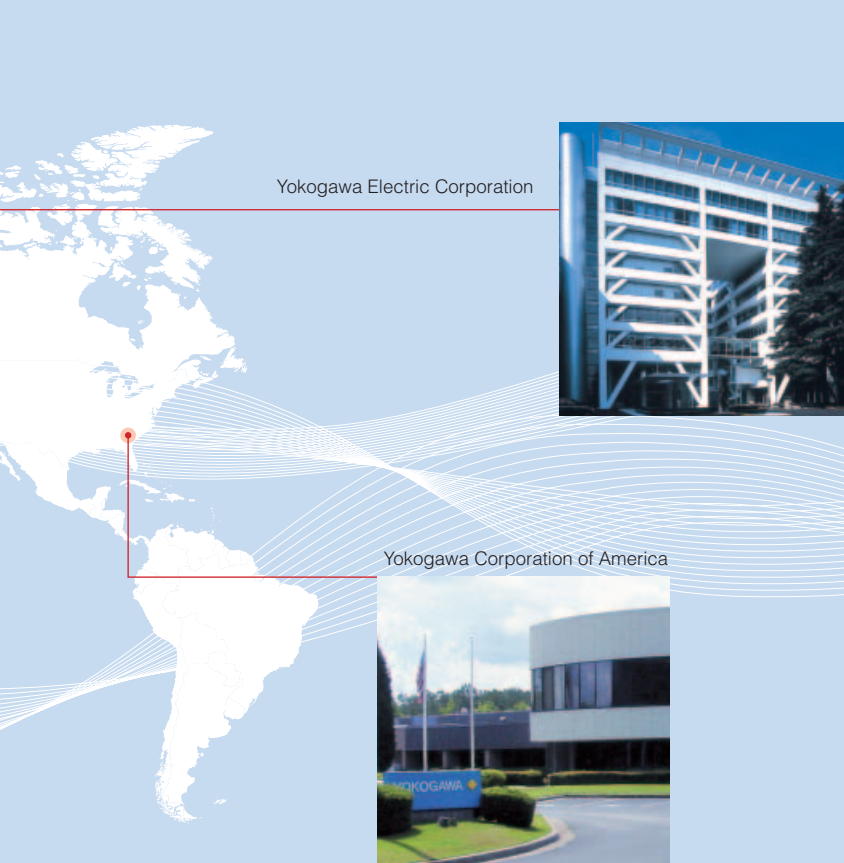
Yokogawa Engineering Asia Pte. Ltd.



Yokogawa Electric China Co., Ltd.

Area	Country/Location	Company Name	Production	Sales	Engineering	Others
North America	United States	Yokogawa Corporation of America	●○○○	●○○○	●○○○	○○○●
		Yokogawa USA Inc.	○○○●	○○○●	○○○●	○○○●
		Kokusai Chart Corporation of America	○○○●	○○○●	○○○●	○○○●
		Yokogawa Trading USA Inc.	○○○●	○○○●	○○○●	○○○●
South America	Brazil	Yokogawa America do Sul Ltda.	●○○○	●○○○	○○○●	○○○●
		Yokogawa Service S.A.	○○○●	○○○●	●○○○	○○○●
Europe	The Netherlands	Yokogawa Europe B.V.	●○○○	●○○○	●○○○	○○○●
		Yokogawa Nederland B.V.	○○○●	●○○○	●○○○	○○○●
		Yokogawa System Center Europe B.V.	●○○○	●○○○	●○○○	○○○●
	Austria	Yokogawa GesmbH Central East Europe	○○○●	●○○○	●○○○	○○○●
	Hungary	Yokogawa Hungaria Kft.	○○○●	●○○○	●○○○	○○○●
	Belgium	Yokogawa Belgium N.V./S.A.	○○○●	●○○○	●○○○	○○○●
	Italy	Yokogawa Italia S.r.l.	○○○●	●○○○	○○○●	○○○●
	Spain	Yokogawa Iberia, S.A.	○○○●	●○○○	●○○○	○○○●
	Germany	Yokogawa Deutschland GmbH	○○○●	●○○○	●○○○	○○○●
		Yokogawa Measurement Technologies GmbH	○○○●	○○○●	○○○●	○○○●
		Rota Yokogawa GmbH & Co. KG	●○○○	●○○○	●○○○	○○○●
	United Kingdom	Yokogawa United Kingdom Limited	○○○●	●○○○	●○○○	○○○●
		Yokogawa Measurement Technologies Ltd.	○○○●	○○○●	○○○●	○○○●
		Yokogawa Marex Limited	○○○●	●○○○	●○○○	○○○●
	Sweden	Yokogawa Measurement Technologies AB	○○○●	○○○●	○○○●	○○○●
	France	Yokogawa France S.A.S.	○○○●	●○○○	●○○○	○○○●
		Rota Yokogawa France S.A.R.L.	○○○●	●○○○	○○○●	○○○●
	Ireland	Yokogawa Reinsurance Ltd.	○○○●	○○○●	○○○●	○○○●
	Russia	Ltd. Yokogawa Electric	○○○●	●○○○	●○○○	○○○●
Africa	South Africa	Yokogawa South Africa (Pty) Ltd.	○○○●	●○○○	●○○○	○○○●
Middle East	Bahrain	Yokogawa Middle East B.S.C. (c)	○○○●	●○○○	●○○○	○○○●

- Industrial Automation and Control Business / Test and Measurement Business
- Industrial Automation and Control Business
- Test and Measurement Business
- Other Business



Yokogawa Electric Corporation

Yokogawa Corporation of America

Affiliated Companies in Japan

Yokogawa Electronics Manufacturing Corporation
Yokogawa Trading Corporation
Yokogawa & Co., Ltd.
Yokogawa Denshikiki Co., Ltd.
Morioka Tokki Corporation
Yokogawa Field Engineering Service Corporation
Yokogawa Information Systems Corporation
YDC Corporation
Kokusai Chart Corporation
Kokusai Printing Ltd.
Smart ID Tec Corporation
Yokogawa System Engineering Corporation
Yokogawa Human Create Corporation
Yokogawa Digital Computer Corporation
Yokogawa Denyo Corporation
Nippon System Gijutsu Co., Ltd.
Yokogawa Pionics Co., Ltd.
Yokogawa Serotec Co., Ltd.
Yokogawa M&C Corporation
Yokogawa AIM Corporation
Omega Simulation Co., Ltd.
Yokogawa Office Service Corporation
Yokogawa Foundry Corporation

Area	Country/Location	Company Name	Production	Sales	Engineering	Others
Asia	Singapore	Yokogawa Electric International Pte. Ltd.	●●●●	●●●●	●●●●	●●●●
		Yokogawa Engineering Asia Pte. Ltd.	●●●●	●●●●	●●●●	●●●●
		Yokogawa Measurement Pte. Ltd.	●●●●	●●●●	●●●●	●●●●
		Plant Electrical Instrumentation Pte. Ltd.	●●●●	●●●●	●●●●	●●●●
		Yokogawa Electric Asia Pte. Ltd.	●●●●	●●●●	●●●●	●●●●
	Thailand	Yokogawa (Thailand), Ltd.	●●●●	●●●●	●●●●	●●●●
		E and I Solution Co., Ltd.	●●●●	●●●●	●●●●	●●●●
	Indonesia	P.T.Yokogawa Indonesia	●●●●	●●●●	●●●●	●●●●
		P.T.Yokogawa Manufacturing Batam	●●●●	●●●●	●●●●	●●●●
	Philippines	Yokogawa Philippines Inc.	●●●●	●●●●	●●●●	●●●●
	Malaysia	Yokogawa Electric (Malaysia) Sdn. Bhd.	●●●●	●●●●	●●●●	●●●●
		MIE Industrial Sdn. Bhd.	●●●●	●●●●	●●●●	●●●●
		Yokogawa Kontrol (Malaysia) Sdn. Bhd.	●●●●	●●●●	●●●●	●●●●
		Yokogawa Industrial Safety Systems Sdn. Bhd.	●●●●	●●●●	●●●●	●●●●
	Korea	Yokogawa Electric Korea Co., Ltd.	●●●●	●●●●	●●●●	●●●●
		Yokogawa Measuring Instruments Korea Corp.	●●●●	●●●●	●●●●	●●●●
		Yokogawa Electronics Manufacturing Korea Co., Ltd.	●●●●	●●●●	●●●●	●●●●
	Taiwan	Yokogawa Taiwan Corp.	●●●●	●●●●	●●●●	●●●●
		Taiwan Yokogawa P&L Corporation	●●●●	●●●●	●●●●	●●●●
	India	Yokogawa India Ltd.	●●●●	●●●●	●●●●	●●●●
Oceania	Australia	Yokogawa Australia Pty. Ltd.	●●●●	●●●●	●●●●	●●●●
		TechComm Simulation Pty. Ltd.	●●●●	●●●●	●●●●	●●●●
	New Zealand	Yokogawa New Zealand Ltd.	●●●●	●●●●	●●●●	●●●●
China	China	Yokogawa Electric China Co., Ltd.	●●●●	●●●●	●●●●	●●●●
		Yokogawa-Xiyi Co.,Ltd.	●●●●	●●●●	●●●●	●●●●
		Suzhou Yokogawa Meter Co.	●●●●	●●●●	●●●●	●●●●
		Yokogawa Shanghai Instrumentation Co., Ltd.	●●●●	●●●●	●●●●	●●●●
		Shanghai Yokogawa Petrochemical Instrumentation Co., Ltd.	●●●●	●●●●	●●●●	●●●●
		Yokogawa Sichuan Instrument Co., Ltd.	●●●●	●●●●	●●●●	●●●●
		Beijing Metallurgy Yokogawa Automation Engineering Co., Ltd.	●●●●	●●●●	●●●●	●●●●
		Yokogawa Shanghai Trading Co., Ltd.	●●●●	●●●●	●●●●	●●●●
		Yokogawa Trading Hong Kong Ltd.	●●●●	●●●●	●●●●	●●●●
		Yokoshin Software Engineering (WUXI) Co., Ltd.	●●●●	●●●●	●●●●	●●●●

Company Overview (As of March 31, 2005)

Corporate Name	Yokogawa Electric Corporation
Website	http://www.yokogawa.com/
Headquarters	2-9-32 Nakacho, Musashino-shi, Tokyo 180-8750, Japan
Founded	September 1, 1915
Incorporated	December 1, 1920
Paid-in Capital	¥32,306,071,542
Number of Employees	18,972 (consolidated) 5,112 (non-consolidated)
Affiliates	23 affiliates (in Japan) 59 affiliates in 28 countries (outside Japan)

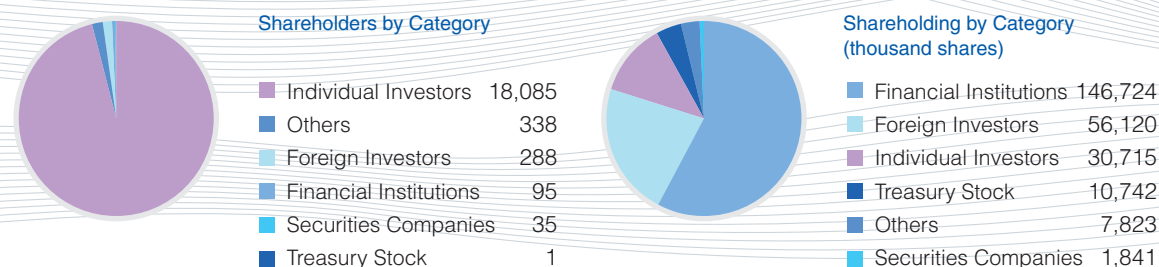
Share Information (As of March 31, 2005)

Number of Shares Authorized	483,735,000
Number of Shares of Common Stock Issued	253,967,991
Number of Shareholders	18,842
Stock Exchange Listings	Tokyo
Transfer Agent and Registrar	The Mizuho Trust Banking Co., Ltd. 1-2-1 Yaesu, Chuo-ku, Tokyo 103-8670, 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 weeks' prior notice to shareholders.
Auditors	ChuoAoyama Audit Corporation

Major Shareholders

Shareholders	Number of shares held (shares)	Shareholding ratio (%)
The Master Trust Bank of Japan, Ltd. (trust account)	32,697,300	12.87
Japan Trustee Service Bank, Ltd. (trust account)	22,068,800	8.69
The Dai-ichi Mutual Life Insurance Company	20,197,000	7.95
Nippon Life Insurance Company	16,132,015	6.35
Yokogawa Electric Corporation	10,742,035	4.23
Mizuho Corporate Bank, Ltd. Pension Trust for Mizuho Corporate Bank, Ltd.	6,643,990	2.62
The Nomura Trust and Banking Co., Ltd. (trust account)	6,022,000	2.37
The Nichido Fire and Marine Insurance Co., Ltd.	4,694,936	1.85
Mizuho Corporate Bank, Ltd. Pension Trust for Mizuho Bank, Ltd.	4,617,010	1.82
Government of Singapore Investment Corporation Pte. Ltd.	3,664,300	1.44

Breakdown of Shareholding







Yokogawa Electric Corporation

Public Relations & Investor Relations

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

Phone:81-422-52-5530 Facsimile:81-422-55-6492

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

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