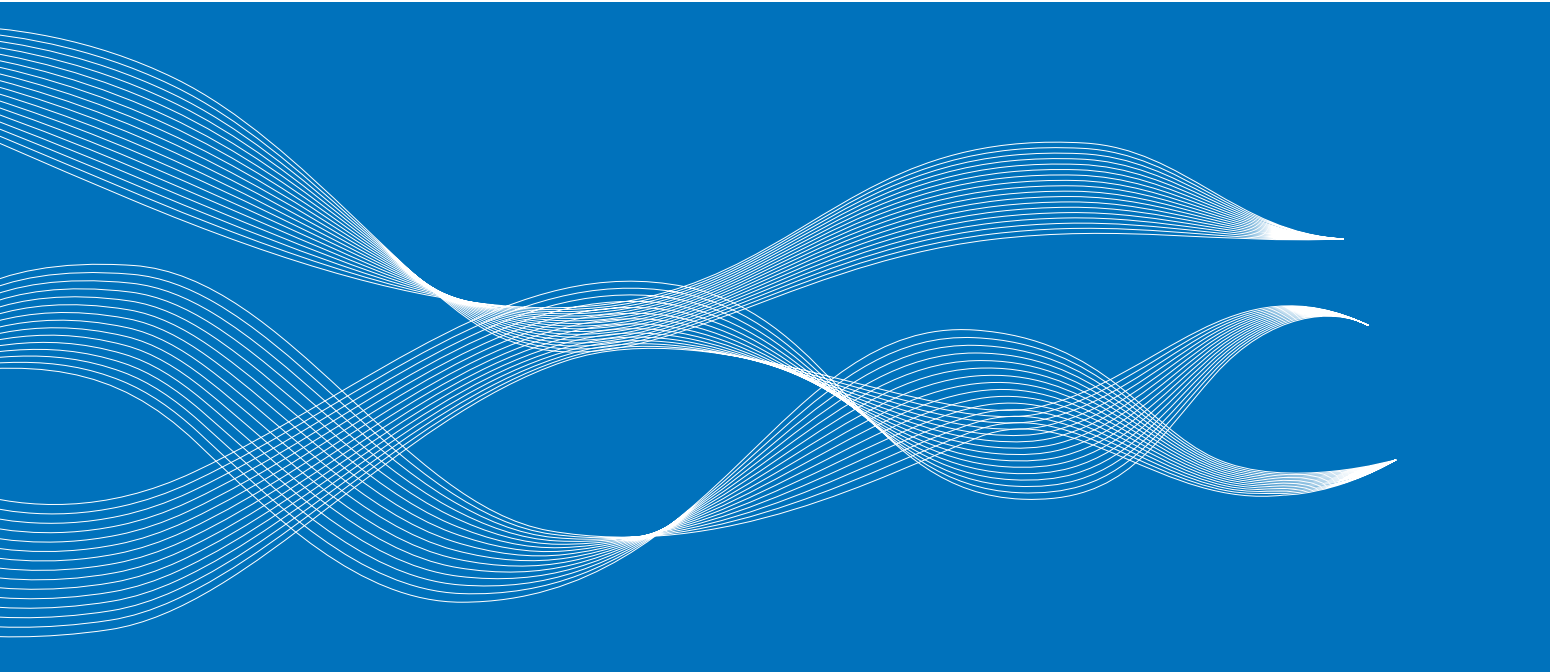




YOKOGAWA ◆



Consolidated Financial Statements 2005

For the year ended March 31, 2005

Consolidated Balance Sheets

Yokogawa Electric Corporation and Its Subsidiaries
As of March 31, 2004 and 2005

	Millions of yen		Thousands of US dollars (note 3)
	March 31		March 31
	2004	2005	2005
ASSETS			
Current Assets:			
Cash and time deposits (note 9)	¥ 34,962	¥ 40,720	\$ 379,182
Marketable securities (note 11)	1,080	75	698
Notes and accounts receivable (notes 9 and 10)			
Trade	116,964	116,916	1,088,709
Other	5,121	6,099	56,791
	122,085	123,015	1,145,500
Less: allowance for doubtful accounts	(1,357)	(1,780)	(16,575)
	120,728	121,235	1,128,925
Inventories (note 9)	52,051	51,137	476,180
Deferred tax assets - current (note 14)	10,652	11,372	105,898
Other current assets	7,093	9,102	84,752
Total current assets	226,566	233,641	2,175,635
Investments and Advances:			
Investments in securities (notes 9, 11, and 12)	41,461	42,514	395,886
Long-term loans	808	249	2,312
Other (note 12)	11,567	9,474	88,219
Less: allowance for doubtful accounts	(1,355)	(914)	(8,507)
Total investments and advances	52,481	51,323	477,910
Property, Plant, and Equipment, at net book value (note 4):			
Buildings and structures (notes 5 and 9)	40,888	39,413	367,009
Machinery and equipment (note 9)	8,397	9,058	84,350
Furniture and fixtures (note 9)	10,803	9,879	91,988
Land (notes 5 and 9)	16,183	17,454	162,526
Construction in progress	1,681	2,021	18,824
Total property, plant, and equipment	77,952	77,825	724,697
Intangible Assets	13,667	13,628	126,899
Deferred Tax Assets - non-current (note 14)	26,749	23,851	222,096
	¥ 397,415	¥ 400,268	\$ 3,727,237

The accompanying notes are an integral part of these financial statements.

	Millions of yen		Thousands of US dollars (note 3)
	March 31		March 31
	2004	2005	2005
LIABILITIES AND SHAREHOLDERS' EQUITY			
Current Liabilities:			
Short-term bank loans (note 9)	¥ 6,943	¥ 9,300	\$ 86,604
Current portion of long-term debt (note 8)	3,208	4,944	46,042
Notes and accounts payable (note 9):			
Trade	38,879	37,585	349,986
Other	10,767	8,544	79,565
	49,646	46,129	429,551
Accrued expenses	14,560	13,873	129,181
Income taxes payable	2,264	2,848	26,517
Advances received and other current liabilities	28,372	39,258	365,567
Deferred tax liabilities - current (note 14)	33	154	1,430
Total current liabilities	105,026	116,506	1,084,892
Long-term Debt (notes 8 and 9)			
	89,459	78,040	726,699
Deferred Tax Liabilities - non-current (note 14)			
	733	313	2,910
Reserve for Retirement Benefits:			
Employees (note 15)	16,221	6,100	56,797
Directors and corporate auditors	1,168	324	3,018
Other Non-current Liabilities			
	20,640	25,718	239,485
Total non-current liabilities	128,221	110,495	1,028,909
Minority Interests in Consolidated Subsidiaries			
	3,822	4,515	42,044
Commitment and Contingent Liabilities (note 16)			
Shareholders' Equity:			
Common stock:			
Authorized: 483,735,000 shares			
Issued: 253,967,991 shares and 253,967,991 shares at March 31, 2004 and 2005, respectively	32,306	32,306	300,829
Capital surplus	35,446	35,463	330,226
Retained earnings	99,211	106,664	993,237
Net unrealized gains on other securities	7,325	8,374	77,982
Foreign currency translation adjustments	(5,896)	(5,871)	(54,673)
Treasury stock, at cost, 10,674,444 shares and 10,759,967 shares at March 31, 2004 and 2005, respectively	(8,046)	(8,184)	(76,209)
Total shareholders' equity	160,346	168,752	1,571,392
	¥ 397,415	¥ 400,268	\$ 3,727,237

The accompanying notes are an integral part of these financial statements.

Consolidated Statements of Income

Yokogawa Electric Corporation and Its Subsidiaries
For the Three Years Ended March 31, 2003, 2004, and 2005

	Millions of yen			Thousands of US dollars (note 3)
	For the year ended March 31			For the year ended March 31
	2003	2004	2005	2005
Net Sales	¥ 328,767	¥ 371,943	¥ 387,053	\$ 3,604,187
Cost of Sales (note 17)	218,989	241,405	250,035	2,328,291
Gross profit	109,778	130,538	137,018	1,275,896
Selling, General, and Administrative Expenses (notes 17 and 18)	108,216	112,282	112,261	1,045,366
Operating income	1,562	18,256	24,757	230,530
Other Income and Expenses:				
Interest and dividend income	1,736	1,735	1,751	16,309
Gain on settlement of substitutional portion of subsidiary's governmental pension fund (note 15)	3,614	—	—	—
Interest expenses	(1,693)	(1,095)	(810)	(7,543)
Net loss on disposal/write-down of inventories	(1,397)	(2,236)	(2,798)	(26,054)
Net (loss) gain on sale/write-down of investments in securities	(1,568)	1,942	2,920	27,192
Foreign exchange loss	(1,927)	(1,699)	(364)	(3,391)
Net (loss) gain on sale/disposal of property, plant, and equipment	(1,743)	1,165	(1,561)	(14,536)
Equity in earnings of affiliates	657	1,239	1,060	9,874
Loss on restructuring (note 19)	(17,877)	(5,340)	(4,428)	(41,240)
Gain on change in equity interest in affiliates (note 20)	—	222	(2)	(23)
Loss due to change in retirement benefit plan (note 15)	—	(5,325)	(2,951)	(27,479)
Social insurance premium related to prior year bonus due to enactment of revised Employees' Pension Insurance Law	—	(785)	—	—
Other, net	(981)	(3,604)	(3,158)	(29,398)
Net (loss) income before income taxes and minority interests	(19,617)	4,475	14,416	134,241
Income Taxes (note 14)				
Current	2,108	2,911	3,041	28,319
Deferred	4,139	(23,473)	1,193	11,110
	6,247	(20,562)	4,234	39,429
Minority Interests in Earnings of Consolidated Subsidiaries	(368)	(736)	(809)	(7,533)
Net (loss) income	(26,232)	24,301	9,373	87,279

	Yen			US dollars (note 3)
	For the year ended March 31			For the year ended March 31
	2003	2004	2005	2005
Per Share (note 22):				
Net (loss) income - basic	¥ (108.39)	¥ 99.84	¥ 38.43	\$ 0.36
Net (loss) income - diluted	—	96.66	35.53	0.33
Cash dividends	¥ 7.5	¥ 7.5	¥ 7.5	\$ 0.07
Weighted average number of shares (in thousands)	242,247	243,148	243,244	243,244

The accompanying notes are an integral part of these financial statements.

Consolidated Statements of Shareholders' Equity

Yokogawa Electric Corporation and Its Subsidiaries
For the Three Years Ended March 31, 2003, 2004, and 2005

	Number of shares of common stock	Millions of yen						Total
		Common stock	Capital surplus	Retained earnings	Net unrealized gains on other securities	Foreign currency translation adjustments	Treasury stock, at cost	
Balance at March 31, 2002	242,489,766	¥ 32,306	¥ 35,020	¥ 104,814	¥ 1,115	¥ (3,991)	¥ (206)	¥ 169,058
Increase due to exclusion of consolidated subsidiaries				46				46
Other, increase	10,926,979		235	100				335
Net loss				(26,232)				(26,232)
Other, decrease				(124)				(124)
Appropriations:								
Cash dividends				(1,794)				(1,794)
Directors' bonuses				(33)				(33)
Increase in treasury stock	(10,410,248)						(7,763)	(7,763)
Adjustment for the year					(137)	(1,571)		(1,708)
Balance at March 31, 2003	243,006,497	32,306	35,255	76,777	978	(5,562)	(7,969)	131,785
Other, increase				31				31
Net income				24,301				24,301
Other, decrease				(47)				(47)
Appropriations:								
Cash dividends				(1,822)				(1,822)
Directors' bonuses				(29)				(29)
Decrease in treasury stock	287,050						(77)	(77)
Gain on sales of treasury stock			191					191
Adjustment for the year					6,347	(334)		6,013
Balance at March 31, 2004	243,293,547	32,306	35,446	99,211	7,325	(5,896)	(8,046)	160,346
Other, increase				5				5
Net income				9,373				9,373
Other, decrease				(65)				(65)
Appropriations:								
Cash dividends				(1,825)				(1,825)
Directors' bonuses				(35)				(35)
Increase in treasury stock	(85,523)						(138)	(138)
Gain on sales of treasury stock			17					17
Adjustment for the year					1,049	25		1,074
Balance at March 31, 2005	243,208,024	32,306	35,463	106,664	8,374	(5,871)	(8,184)	168,752

	Number of shares of common stock	Thousands of US dollars (note 3)						Total
		Common stock	Capital surplus	Retained earnings	Net unrealized gains on other securities	Foreign currency translation adjustments	Treasury stock, at cost	
Balance at March 31, 2004	243,293,547	\$ 300,829	\$ 330,067	\$ 923,836	\$ 68,215	\$ (54,904)	\$ (74,924)	\$ 1,493,119
Other, increase				50				50
Net income				87,279				87,279
Other, decrease				(610)				(610)
Appropriations:								
Cash dividends				(16,991)				(16,991)
Directors' bonuses				(327)				(327)
Increase in treasury stock	(85,523)						(1,285)	(1,285)
Gain on sales of treasury stock			159					159
Adjustment for the year					9,767	231		9,998
Balance at March 31, 2005	243,208,024	300,829	330,226	993,237	77,982	(54,673)	(76,209)	1,571,392

The accompanying notes are an integral part of these financial statements.

Consolidated Statements of Cash Flows

Yokogawa Electric Corporation and Its Subsidiaries
For the Three Years Ended March 31, 2003, 2004, and 2005

	Millions of yen			Thousands of US dollars (note 3)
	For the year ended March 31			March 31
	2003	2004	2005	2005
Cash Flows from Operating Activities:				
Net (loss) income before income taxes and minority interests	¥ (19,617)	¥ 4,475	¥ 14,416	\$ 134,241
Depreciation and amortization	14,299	13,456	14,332	133,456
Amortization of goodwill	171	136	3	28
Increase (decrease) in allowance for doubtful accounts	231	601	(8)	(74)
Decrease in reserve for retirement benefits	(7,214)	(23,796)	(10,161)	(94,620)
(Decrease) increase in accrued bonus	(17)	2,887	1,187	11,050
Interest and dividend income	(1,736)	(1,735)	(1,751)	(16,308)
Interest expenses	1,693	1,095	810	7,543
Equity in earnings of affiliates	(657)	(1,239)	(1,060)	(9,874)
Write-down of investments in securities	8,322	189	120	1,120
Net gain on sale of investments in securities	(6,884)	(2,136)	(3,040)	(28,312)
Loss on sale/disposal of property, plant, and equipment	2,155	773	996	9,278
Decrease (increase) in trade receivables	6,553	(9,474)	974	9,071
Decrease (increase) in inventories	3,115	(8,113)	743	6,921
Increase (decrease) in trade payables	294	7,872	(7,983)	(74,333)
(Loss) gain on change in equity interest in affiliates	—	(222)	2	23
Increase in pension payable	—	22,237	6,130	57,086
Other, net	2,953	3,655	2,922	27,206
Subtotal	3,661	10,661	18,632	173,502
Interest and dividend income received	1,592	1,518	3,401	31,672
Interest expenses paid	(1,777)	(1,122)	(866)	(8,071)
Income taxes paid	(1,646)	(2,757)	(2,891)	(26,923)
Net cash provided by operating activities	1,830	8,300	18,276	170,180
Cash Flows from Investing Activities:				
Payments for deposit in time deposits	(355)	(858)	(792)	(7,377)
Proceeds from return on time deposits	431	720	781	7,276
Acquisition of property, plant, and equipment	(8,181)	(13,724)	(14,299)	(133,149)
Proceeds from sale of property, plant, and equipment	1,000	4,968	1,736	16,164
Acquisition of investments in securities	(2,579)	(2,592)	(71)	(665)
Proceeds from sale of investments in securities	9,926	5,478	3,674	34,216
Acquisition of business	—	—	(585)	(5,447)
Other, net	(3,295)	(4,163)	(1,665)	(15,509)
Net cash used in investing activities	(3,053)	(10,171)	(11,221)	(104,491)
Cash Flows from Financing Activities:				
(Decrease) increase in short-term bank loans, net	(24,694)	997	(973)	(9,062)
Increase (decrease) of commercial paper, net	35,000	(35,000)	8,000	74,495
Proceeds from issuance of long-term debt	29,866	15,000	607	5,651
Repayment of long-term debt	(26,600)	(508)	(6,830)	(63,594)
Proceeds from issuance of bonds	—	30,000	—	—
Redemption of bonds	—	(20,253)	—	—
Payment for purchase of treasury stock	(7,752)	(203)	(163)	(1,516)
Cash dividends paid to minority shareholders	(277)	(253)	(188)	(1,754)
Cash dividends paid	(1,794)	(1,822)	(1,822)	(16,967)
Other, net	(106)	688	64	595
Net cash provided by (used in) financing activities	3,643	(11,354)	(1,305)	(12,152)
Effect of Exchange Rate Change on Cash and Cash Equivalents	(438)	(482)	(76)	(704)
Net Increase (Decrease) in Cash and Cash Equivalents	1,982	(13,707)	5,674	52,833
Cash and Cash Equivalents at Beginning of Year	43,994	47,810	34,417	320,489
Increase for Change in Scope of Consolidated Subsidiaries	1,834	314	—	—
Cash and Cash Equivalents at End of Year	¥ 47,810	¥ 34,417	¥ 40,091	\$ 373,322

Reconciliation between cash and cash equivalents at year-end and the account booked on the balance sheet

	Millions of yen			Thousands of US dollars (note 3)
	March 31			March 31
	2003	2004	2005	2005
Cash and Time Deposits	¥ 48,242	¥ 34,962	¥ 40,720	\$ 379,182
Time Deposits Whose Maturity Periods Exceed Three Months	(432)	(545)	(629)	(5,860)
	¥ 47,810	¥ 34,417	¥ 40,091	\$ 373,322

The accompanying notes are an integral part of these financial statements.

Notes to the Consolidated Financial Statements

Yokogawa Electric Corporation and Its Subsidiaries
For the Year Ended March 31, 2005

1. Basis of Presenting the Consolidated Financial Statements

Accounting Principles

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

The consolidated subsidiaries outside Japan have maintained their accounts and records in conformity with generally accepted accounting principles and practices in their

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

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

The consolidated financial statements are not intended to present the consolidated financial position and results of operations and cash flows in accordance with accounting principles and practices generally accepted in countries and jurisdictions other than Japan.

2. Summary of Significant Accounting Policies

(1) Scope of Consolidation

The consolidated financial statements include the accounts of the Company and its 80 subsidiaries as of March 31, 2005 (82 for fiscal year 2004).

(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 a difference is not significant.

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

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

(3) Accounting for Investments in Unconsolidated Subsidiaries and Affiliates

The equity method is applied to the investments in 4 (5 for fiscal year 2004) unconsolidated subsidiaries and 12 (12 for fiscal

year 2004) affiliates since the investments in the other unconsolidated subsidiaries and remaining affiliates do not have a material effect on consolidated net income and retained earnings in the consolidated financial statements.

(4) Inventories

Finished goods and work in progress are mainly stated at cost, cost being determined by the specific identification method. Other inventories are mainly stated at cost, cost being determined by the average cost method.

(5) Financial Instruments

(a) Derivatives

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 on the following page].

(b) Securities

Securities held by the Company and its subsidiaries are classified into three categories:

Held-to-maturity debt securities that the Company and its subsidiaries intend 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 whose fair value is available are valued at the fair market value prevailing at the end of the fiscal year. Net unrealized gains or losses on these securities are reported as a separate component of shareholders' equity at a net-of-tax

amount. Cost of sales is primarily determined using the moving-average method.

Other securities whose fair value is not available are valued at cost, primarily determined using the moving-average method.

(c) Hedge Accounting

All derivatives are stated at fair value. Gains and losses arising from changes in the fair value of the derivatives designated as “hedging instruments” are deferred as an asset or liability. If forward exchange contracts and currency swaps meet the conditions for hedge accounting, the difference between the contract rate and spot rate as at the date of the contract is recognized over the period from the contract date to the settlement date. If interest-rate swaps meet the conditions for hedge accounting and their nominal amount, terms of interest and contract period are substantially the same as those of hedged items, they are not stated at fair value but accrued, net of the swap interest paid and received.

Derivatives 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, to reduce the exposure to the risk of interest rate fluctuation, in respect of loans issued by the Company.

The Company has a policy of utilizing the above hedging instruments in order to reduce the Company’s exposure to the risk of fluctuation of foreign currency exchange rates and interest rates.

The Company evaluates the effectiveness of its hedging activities in reference to the accumulated gains and losses on the hedging instruments and the related items from the commencement of the hedges.

(6) Property, Plant, and Equipment

Depreciation is calculated using the declining-balance method based on the estimated useful lives of the assets.

Effective March 31, 1999, the Company reduced the estimated useful lives of buildings, excluding related equipment and leasehold improvements, using the straight-line method to calculate depreciation expenses for buildings acquired on or after April 1, 1998.

Range of estimated useful lives:

Buildings and structures	3 - 50 years
Machinery and equipment	4 - 10 years

(7) Intangible Assets

Intangible assets are amortized using the straight-line method.

Software for internal use is amortized using the straight-line method over an estimated useful life (mainly over 5 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 the collectibility of accounts receivable that are expected to be uncollectible due to bad financial condition or insolvency.

(9) Reserve for Retirement Benefits

For the year ended March 31, 2004, the reserve for retirement benefits (employees’ portion) 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. Unrecognized prior service costs are charged to expenses on a straight-line basis over the average remaining service life of the employees (mainly over 10 years).

Effective April 1, 2004, the Company changed its retirement benefit plan from a defined benefit plan to a defined contribution plan. The Company applied Financial Accounting Standards Implementation Guidance No. 1 “Accounting for Transfers between Retirement Benefit Plans,” released a portion of the reserve for retirement benefits, and recorded a loss of ¥5,325 million as Other Expenses in the year ended March 31, 2004.

In the year ended March 31, 2005, certain domestic consolidated subsidiaries changed their retirement benefit plans from defined benefit plans to defined contribution plans. They applied Financial Accounting Standards Implementation Guidance No. 1 “Accounting for Transfers between Retirement Benefit Plans,” released a portion of the reserve for retirement benefits, and recorded a loss of ¥3,234 million (US\$30,115 thousand) as Other Expenses.

For other consolidated subsidiaries, the reserve for retirement benefits (employees’ portion) 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 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. Unrecognized prior service costs are charged to expenses on a straight-line basis over the average remaining service life of the employees (mainly over 10 years).

The main consolidated subsidiaries generally provide for a reserve for retirement benefits to directors and corporate auditors, including executive directors, based on their internal rules.

The Company revised the compensation structure for retirement benefits to directors and corporate auditors. A motion to terminate the retirement benefit plan for directors and corporate auditors and to provide them with retirement benefits to which they are entitled was resolved at the general shareholders’ meeting held on June 25, 2004. Pursuant to the resolution, retirement benefits were fully paid out and the reserve was reversed accordingly.

Notes to the Consolidated Financial Statements

Yokogawa Electric Corporation and Its Subsidiaries
For the Year Ended March 31, 2005

(10) Accounting for Leases

Finance leases other than those for which the ownership of the leased assets are considered to be transferred to lessees are accounted for as operating leases.

(11) Income Taxes

The income taxes of the Company and its consolidated subsidiaries in Japan consist of corporate income taxes, local inhabitant taxes, and enterprise taxes. 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.

(12) Cash and Cash Equivalents

Cash and cash equivalents in the consolidated statements of cash flows is composed of cash on hand, bank deposits that are able to be withdrawn on demand and short-term investments with an original maturity of three months or less and with a minor risk of significant fluctuations in value.

(13) Reclassification of Accounts

Certain prior year amounts have been reclassified to conform to the current year's presentation.

(14) Social Insurance Premium Related to Bonus

Effective from the year ended March 31, 2004, the Company

started to accrue for social insurance premium related to bonuses, since the rate of social insurance premium for bonuses was increased from April 1, 2003 due to the enactment of the revised Employees' Pension Insurance Law etc., and the amount became material. As a result, income before income taxes and minority interests decreased by ¥981 million in the year ended March 31, 2004.

(15) Accounting Standard for Impairment of Fixed Assets

On August 9, 2002, the Business Accounting Council in Japan issued the "Accounting Standard for Impairment of Fixed Assets." The standard requires that fixed assets be reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount of an asset may not be recoverable. An impairment loss shall be recognized in the income statement by reducing the carrying amount of impaired assets or a group of assets to the recoverable amount to be measured as the higher of net selling price and value in use.

The standard came into effect with the fiscal year that began April 1, 2005. However, earlier adoption was permitted for the fiscal year beginning April 1, 2004 and for the fiscal years that ended between March 31, 2004 and March 30, 2005.

The Company has not yet adopted the standard. The impact of adoption of the standard on the statement of income has not been calculated and is unknown.

3. United States Dollar Amounts

The Company maintains its accounting records in Japanese yen. The US dollar amounts included in the consolidated financial statements and notes thereto represent the arithmetical results of translating Japanese yen to US dollars on the basis of ¥107.39 = US\$1, the approximate effective rate of exchange

prevailing at March 31, 2005. The inclusion of such US 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 US 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 ¥124,877 million and ¥123,288

million (US\$1,148,036 thousand) at March 31, 2004 and 2005, respectively.

5. Idle Property, Plant, and Equipment

Idle assets included in property, plant, and equipment are as follows.

	Millions of yen		Thousands of US dollars
	March 31		March 31
	2004	2005	2005
Buildings and structures	¥ 2,628	¥ 1,309	\$ 12,187
Land	1,614	1,412	13,152
Total	¥ 4,242	¥ 2,721	\$ 25,339

6. 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 that are not deemed to transfer the ownership of the leased assets are accounted for

by the method applicable to ordinary operating leases. Significant leased assets under the above lease contracts of the Company and its subsidiaries for the year ended March 31, 2004 and 2005, are as follows:

(1) Finance Lease Contracts without Ownership Transfer

	Millions of yen						Thousands of US dollars
	2004			2005			2005
	Acquisition Cost	Accumulated Depreciation	Balance as of March 31, 2004	Acquisition Cost	Accumulated Depreciation	Balance as of March 31, 2005	Balance as of March 31, 2005
Machinery and equipment	¥ 1,249	¥ 623	¥ 626	¥ 1,576	¥ 770	¥ 806	\$ 7,506
Furniture and fixtures	2,313	1,290	1,023	1,836	1,168	668	6,221
Intangible fixed assets	202	68	134	293	139	154	1,435
Total	¥ 3,764	¥ 1,981	¥ 1,783	¥ 3,705	¥ 2,077	¥ 1,628	\$ 15,162

Future lease payments, interest included in lease contracts as of March 31, 2004 and 2005, are as follows:

	Millions of yen		Thousands of US dollars		Millions of yen		Thousands of US dollars
	March 31		March 31		March 31		March 31
	2004	2005	2005		2004	2005	2005
Due within one year	¥ 705	¥ 644	\$ 5,996	Lease rental expenses for the year	¥ 946	¥ 894	\$ 8,328
Due after one year	1,078	984	9,166				
	¥ 1,783	¥ 1,628	\$ 15,162				

(2) Operating Lease Contracts

Future lease payments as of March 31, 2004 and 2005, are as follows:

	Millions of yen		Thousands of US dollars
	March 31		March 31
	2004	2005	2005
Due within one year	¥ 1,532	¥ 1,439	\$ 13,401
Due after one year	5,475	4,661	43,400
	¥ 7,007	¥ 6,100	\$ 56,801

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Yokogawa Electric Corporation and Its Subsidiaries
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7. Commitment Line Agreements

The Company has commitment line agreements with four financial institutions in order to obtain funds for operations in a stable and efficient manner. During the fiscal year ended March 31, 2005, the Company newly entered into four-year term commitment line agreements with fourteen financial institutions.

The commitment line of credit as of March 31, 2004 and 2005 is as follows:

	Millions of yen		Thousands of US dollars
	March 31		March 31
	2004	2005	2005
Total commitment line of credit	¥ 20,000	¥ 40,000	\$ 372,474
Outstanding borrowings	—	—	—
Net outstanding credit	¥ 20,000	¥ 40,000	\$ 372,474

8. Long-term Debt

Long-term debt as of March 31, 2004 and 2005, consisted of the following:

	Millions of yen		Thousands of US dollars
	March 31		March 31
	2004	2005	2005
Loans from banks and other financial institutions with mortgage and collateral	¥ 42,667	¥ 32,984	\$ 307,148
0.850 percent. bonds due on July 19, 2007	10,000	10,000	93,119
0.740 percent. bonds due on December 19, 2007	10,000	10,000	93,119
Zero coupon convertible bonds due on November 4, 2010	30,000	30,000	279,355
	92,667	82,984	772,741
Less: current portion	3,208	4,944	46,042
	¥ 89,459	¥ 78,040	\$ 726,699

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

	Millions of yen	Thousands of US dollars
Within one year	¥ 4,944	\$ 46,042
Over one year, less than two years	417	3,883
Over two years, less than three years	3,642	33,914
Over three years, less than four years	10,673	99,386
Over four years, less than five years	369	3,439
Thereafter	12,939	120,484
Total	¥ 32,984	\$ 307,148

The annual average interest rate on long-term loans (excluding current portion) from banks was 1.177%.

9. Collateral and Secured Debt

	Millions of yen			Thousands of US dollars		Millions of yen			Thousands of US dollars
	March 31			March 31		March 31			March 31
	2004	2005		2005		2004	2005		2005
Collateral:					Secured debt:				
Cash and time deposits	¥ 21	¥ 13		\$ 115	Notes and accounts payable	¥ –	¥ 81		\$ 754
Buildings and structures	196	1,159		10,793	Short-term bank loans	208	205		1,908
Land	90	90		838	Long-term debt	617	1,060		9,871
Investments in securities	2	2		18	Total	¥ 825	¥ 1,346		\$ 12,533
Assets in overseas affiliates(*1)	2,956	3,184		29,652					
Total	¥ 3,265	¥ 4,448		\$ 41,416					

Note: *1 Assets in overseas affiliates represents an aggregate amount of buildings and structures put into business in an overseas affiliate.

10. Liquidation of Receivables

The Company and certain subsidiaries liquidated their notes and accounts receivable based on an asset transfer agreement. The balance of those receivables whose settlement date has not been reached as of March 31, 2004 and 2005, is as follows:

	Millions of yen		Thousands of US dollars
	March 31		March 31
	2004	2005	2005
Notes and accounts receivable	¥ 25,748	¥ 25,946	\$ 241,606
(with recourse, included in above)	(9,459)	(6,783)	(63,163)

11. Marketable Securities and Investments in Securities

(1) The book value, market value, and unrealized gains or losses for held-to-maturity debt securities with fair value as of March 31, 2004 and 2005, are as follows:

	Millions of yen						Thousands of US dollars		
	March 31						March 31		
	2004			2005			2005		
	Book value	Market value	Unrealized gains (losses)	Book value	Market value	Unrealized gains (losses)	Book value	Market value	Unrealized gains (losses)
Market value over book value:									
Government and municipal bonds	¥ –	¥ –	¥ –	¥ 5	¥ 5	¥ 0	\$ 47	\$ 48	\$ 1
Sub-total	–	–	–	5	5	0	47	48	1
Market value equal to or less than book value:									
Government and municipal bonds	5	5	–	0	0	–	3	3	–
Subtotal	5	5	–	0	0	–	3	3	–
Total	¥ 5	¥ 5	¥ –	¥ 5	¥ 5	¥ 0	\$ 50	\$ 51	\$ 1

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(2) The cost, book value, and unrealized gains or losses for other securities with fair value as of March 31, 2004, and 2005, are as follows:

	Millions of yen						Thousands of US dollars		
	March 31						March 31		
	2004			2005			2005		
	Cost	Book value	Unrealized gains (losses)	Cost	Book value	Unrealized gains (losses)	Cost	Book value	Unrealized gains (losses)
Book value over cost:									
Equity securities	¥ 6,942	¥ 19,060	¥ 12,118	¥ 7,353	¥ 21,422	¥ 14,069	\$ 68,469	\$ 199,479	\$ 131,010
Debt securities									
Corporate bonds	983	1,005	22	—	—	—	—	—	—
Subtotal	7,925	20,065	12,140	7,353	21,422	14,069	68,469	199,479	131,010
Book value equal to or less than cost:									
Equity securities	198	192	(6)	59	54	(5)	550	501	(49)
Debt securities	—	—	—	—	—	—	—	—	—
Other	13	13	—	—	—	—	—	—	—
Subtotal	211	205	(6)	59	54	(5)	550	501	(49)
Total	¥ 8,136	¥ 20,270	¥ 12,134	¥ 7,412	¥ 21,476	¥ 14,064	\$ 69,019	\$ 199,980	\$ 130,961

No impairment loss was recorded for the year ended March 31, 2004. An impairment loss of ¥99 million (US\$926 thousand) for other securities with fair value was recorded in the year ended March 31, 2005. Where the fair value is available, other marketable securities are subject to impairment loss when the decline in the fair value compared to the book value is more than 30%. In such cases, securities are considered "substantially declined" and are written down unless the decline is deemed temporary.

(3) Other securities sold during the years ended March 31, 2004 and 2005, are as follows:

	Millions of yen		Thousands of US dollars
	March 31		March 31
	2004	2005	2005
Proceeds from sale of other securities	¥ 5,798	¥ 3,025	\$ 28,168
Gross realized gain on sale of other securities	2,393	1,921	17,884
Gross realized loss on sale of other securities	188	20	190

(4) The book value of major securities without fair value as of March 31, 2004 and 2005, is as follows:

	Millions of yen		Thousands of US dollars
	March 31		March 31
	2004	2005	2005
Other securities			
Unlisted equity securities (excluding over-the-counter securities)	¥ 16,931	¥ 15,692	\$ 146,124
Unlisted debt securities	183	110	1,020

(5) Schedule for redemption of held-to-maturity debt securities and other securities with maturities:

	Millions of yen								Thousands of US dollars			
	March 31								March 31			
	2004				2005				2005			
	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	Within 1 year	1 to 5 years	5 to 10 years	Over 10 years
Debt securities												
Government and municipal bonds	¥ 1	¥ 3	¥ —	¥ —	¥ 2	¥ 3	¥ —	¥ —	\$ 18	\$ 32	\$ —	\$ —
Corporate bonds	1,073	110	—	—	73	37	—	—	680	340	—	—
Total	¥ 1,074	¥ 113	¥ —	¥ —	¥ 75	¥ 40	¥ —	¥ —	\$ 698	\$ 372	\$ —	\$ —

12. Investments in Unconsolidated Subsidiaries and Affiliates

	Millions of yen		Thousands of US dollars
	March 31		March 31
	2004	2005	2005
Investments in securities	¥ 5,153	¥ 5,306	\$ 49,409
Investments and advances - other	397	307	2,860
Total	¥ 5,550	¥ 5,613	\$ 52,269

13. Market Value Information on Derivative Transactions

Derivative transactions are used in order to manage exchange risks and the risks of market rate fluctuations that occur in the normal course of business. The Company does not use these for speculative purposes or for highly leveraged transactions.

The contracted amounts, fair value, and valuation gains or losses for derivative transactions related to currencies as of March 31, 2004 and 2005, were as follows:

	Millions of yen								Thousands of US dollars			
	March 31								March 31			
	2004				2005				2005			
	Contract amount etc.				Contract amount etc.				Contract amount etc.			
	Total	Over one year	Fair value	Valuation gains (losses)	Total	Over one year	Fair value	Valuation gains (losses)	Total	Over one year	Fair value	Valuation gains (losses)
Forward exchange contracts												
Selling contracts												
US dollar	¥ 956	¥ -	¥ 957	¥ (1)	¥ 2,008	¥ -	¥ 2,060	¥ (52)	\$ 18,699	\$ -	\$ 19,179	\$ (480)
Other	-	-	-	-	-	-	-	-	-	-	-	-
Buying contracts												
US dollar	57	-	58	1	329	-	333	4	3,062	-	3,100	38
Others	-	-	-	-	100	-	100	(0)	931	-	930	(1)
Currency options												
Selling contracts												
Yen put-US dollar call	2,613	-	12	17	5,073	-	115	(52)	47,236	-	1,066	(484)
(Option premium)	(29)				(63)				(582)			
Buying contracts												
US dollar put-yen call	2,448	-	28	(1)	4,800	-	12	(51)	44,697	-	106	(476)
(Option premium)	(29)				(63)				(582)			
Total				¥ 16				¥ (151)				\$ (1,403)

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 contracts were assigned to monetary rights and obligations as of March 31, 2004 and 2005, in accordance with the Japanese Accounting Standards for derivative financial instruments.

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14. Income Taxes

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

	Millions of yen		Thousands of US dollars
	March 31		March 31
	2004	2005	2005
Deferred Tax Assets			
Excess amount of tax deductible for retirement allowance	¥ 4,628	¥ 1,642	\$ 15,291
Net operating loss carryforwards	34,306	31,361	292,027
Excess amount of tax deductible for loss on devaluation of investments in securities	1,111	743	6,917
Excess amount of tax deductible for accrued bonus	3,683	4,136	38,518
Excess amount of tax deductible for loss on write-down of inventories	1,444	2,258	21,031
Excess amount of tax deductible for accrued expenses due to change in retirement benefit	9,048	10,067	93,743
Excess amount of tax deductible for loss on devaluation of investments in subsidiaries and allowance for bad debt	15,894	11,904	110,845
Other items	3,807	3,514	32,721
Subtotal - deferred tax assets	73,921	65,625	611,093
Valuation allowance	(28,033)	(20,929)	(194,889)
Total deferred tax assets	45,888	44,696	416,204
Deferred Tax Liabilities			
Special tax-purpose reserve	(2,085)	(1,602)	(14,918)
Foreign subsidiaries	(1,540)	(1,914)	(17,819)
Valuation allowance for other securities	(5,065)	(5,781)	(53,831)
Other items	(563)	(642)	(5,980)
Total deferred tax liabilities	(9,253)	(9,939)	(92,548)
Net deferred tax assets	¥ 36,635	¥ 34,757	\$ 323,656

The reconciliation between the statutory tax rate and the effective tax rate for the years ended March 31, 2004 and 2005 is as follows:

	March 31	
	2004	2005
Statutory tax rate	42.1%	40.7%
Permanent differences:		
Non-deductible expenses such as entertainment expenses	9.6	10.8
Equity in earnings of affiliates	(13.9)	(2.9)
Reversal of valuation allowance for deferred tax assets	(259.4)	(51.7)
Impairment on investments and receivables in certain subsidiaries	(230.4)	33.6
Statutory tax rate differences between the Company and subsidiaries	(9.4)	0.1
Others	1.9	(1.2)
Effective tax rate	(459.5)%	29.4%

15. Reserve for Retirement Benefits

The Company and certain subsidiaries transferred their retirement plan from a defined benefit plan to a defined contribution plan. The Company terminated its pension plan (which covers a portion of the governmental pension) on March 31, 2004, and terminated its qualified pension plan and lump-sum retirement payment plan on April 1, 2004.

Eight domestic subsidiaries transferred their retirement plan from a defined benefit plan to a defined contribution plan in the fiscal year ended March 31, 2005.

In certain circumstances, additional payments are made upon the retirement of employees. Certain overseas subsidiaries have also defined benefit retirement plans.

The reserve for retirement benefits as of March 31, 2004 and 2005, is analyzed as follows:

	Millions of yen		Thousands of US dollars
	As of March 31		As of March 31
	2004	2005	2005
Projected benefit obligations	¥ (32,320)	¥ (14,781)	\$ (137,642)
Plan assets	13,426	7,138	66,475
Unfunded projected benefit obligations	(18,894)	(7,643)	(71,167)
Unrecognized actuarial differences	2,730	1,666	15,513
Unrecognized prior service costs	(15)	(123)	(1,143)
Accrued pension costs	(16,179)	(6,100)	(56,797)
Prepaid pension costs	42	–	–
Reserve for retirement benefits	¥ (16,221)	¥ (6,100)	\$ (56,797)

Notes: *1 Certain consolidated subsidiaries provide for the retirement allowance by using expediency methods. For some small and medium sized companies, simplified methods are allowed. For employees, the allowance is provided at the amount which would be required to be paid if all eligible employees voluntarily terminated their employment at the balance sheet date. In certain cases, that amount is discounted for the period of remaining service years. For pensioners, the allowance is provided at the amount of the actuarial obligation calculated for the funding purpose.

*2 Consolidated subsidiaries that participated in joint pension funds and could not calculate the value of their own plan assets by a reasonable method expensed their contribution to the funds as pension expenses. The aggregate amounts of the plan assets of the funds are ¥2,677 million and ¥2,887 million (\$26,883 thousand) at March 31, 2004 and 2005, respectively.

*3 The Company changed its retirement plan to a defined contribution plan on April 1, 2004. The company has no projected benefit obligation balance as of March 31, 2004.

*4 Certain subsidiaries in Japan changed their retirement plans to defined contribution plans on April 1, 2004. These companies have no projected benefit obligation balance as of March 31, 2005.

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The net pension expense related to retirement benefits for the years ended March 31, 2003, 2004, and 2005 was as follows:

	Millions of yen			Thousands of US dollars
	For the year ended March 31			For the year ended March 31
	2003	2004	2005	2005
Service cost (*1, 2)	¥ 9,395	¥ 9,741	¥ 2,657	\$ 24,746
Interest cost	4,922	4,125	418	3,891
Expected return on plan assets	(3,765)	(3,395)	(291)	(2,714)
Amortization of actuarial differences	2,324	4,068	149	1,391
Amortization of prior service costs	(420)	(250)	(16)	(144)
Additional retirement benefit, etc.	6,599	2,898	274	2,549
Contribution to defined contribution plan	–	–	4,540	42,273
Subtotal	19,055	17,187	7,731	71,992
Gain on settlement of substitutional portion of governmental pension fund (*3)	(3,614)	–	–	–
Loss on change of retirement plan to defined contribution plan (*4)	–	5,325	2,951	27,479
Net pension expense	¥ 15,441	¥ 22,512	¥ 10,682	\$ 99,471

Notes: *1 Employees' contributions to the contributory pension plan (which covers a portion of the governmental pension) were deducted.

*2 The pension expense of consolidated subsidiaries which applied the expediency method is included in "Service Cost."

*3 The gain on the settlement of the substitutional portion of the governmental pension fund relates to Ando Electric Co., Ltd., a consolidated subsidiary.

*4 A loss on the change in retirement benefit plan was accounted for by the Company and certain domestic subsidiaries.

The assumptions used in calculation of the above information were as follows:

	As of March 31		
	2003	2004	2005
Discount rate	2.5 %	2.5 %	2.0%
Expected rate of return on plan assets	3.5 %	3.5 %	1.5%
Method of attributing the projected benefits to periods of service	mainly point basis	mainly point basis	Mainly straight line amortization
Amortization of unrecognized prior service costs	10 years	10 years	10 years
Amortization of unrecognized actuarial differences	10 years	10 years	10 years

16. Contingent Liabilities

The Company guaranteed loans from third-party financial institutions in the amount of ¥55 million as of March 31, 2004.

For its employees, the Company guaranteed housing loans from financial institutions in the amount of ¥332 million and ¥643 million as of March 31, 2005 and 2004, respectively.

The Company also guaranteed overdrafts of employees' bank accounts for company use (advances payments, etc) in the amount of ¥2 million and ¥2 million as of March 31, 2005 and 2004, respectively.

The Company has an agreement with a financial institution to guarantee a bank loan of a third-party company in the amount of ¥680 million and ¥800 million as of March 31, 2005 and 2004, respectively, if the financial institution deemed it necessary.

The Company has an agreement with a bank to guarantee the overdraft of employees' bank accounts for company use (advances payments, etc) in the amount of ¥73 million and ¥94 million as of March 31, 2005 and 2004, respectively, if the financial institution deemed it necessary.

17. Research and Development Cost

The research and development cost incurred during the years ended March 2003, 2004, and 2005 included in "Cost of Sales" and "Selling, General and Administrative Expenses",

aggregated to ¥25,233 million, ¥26,991 million, and ¥28,998 (US\$270,027 thousand), respectively.

18. Selling, General, and Administrative Expenses

The major elements of selling, general, and administrative expenses for each of the three years ended March 31, 2003, 2004, and 2005 are as follows:

	Millions of yen			Thousands of US dollars
	2003	2004	2005	2005
Salaries	¥ 45,324	¥ 42,103	¥ 42,918	\$ 399,650
Provision for accrued bonuses	3,558	5,085	3,834	35,697

19. Loss on Restructuring

For the years ended March 31, 2004 and 2005, the Company and certain subsidiaries recorded a restructuring charge of ¥5,340 million and ¥4,428 million (US\$41,240 thousand), respectively, that consisted primarily of employee termination benefits, losses on disposal of property and equipment, and costs related to the removal of property and equipment, in order to reorganize operational and manufacturing structures.

20. Gain on Change in Equity Interest in Affiliates

The gain on change in equity interest in affiliates was the result of a capital increase in a certain affiliate, which is accounted for by the equity method.

21. Related Party Transactions

<Fiscal years ended March 31, 2003, 2004, and 2005>

Disclosure of related party transactions has been omitted as there were no significant transactions with related parties.

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22. Net (Loss) Income and Dividends per Share

The net (loss) income per share shown for each year in the accompanying consolidated statements of income and retained earnings is based upon the weighted average number of shares of common stock outstanding each year.

The basis for the calculation of net (loss) income per share for the years ended March 31, 2003, 2004, and 2005 is as follows:

	Millions of yen			Thousands of US dollars
	2003	2004	2005	2005
Net (loss) income	¥ (26,232)	¥ 24,301	¥ 9,373	\$ 87,279
Less: Components not pertaining to common shareholders				
Bonuses to directors and corporate auditors	(25)	(24)	(26)	(239)
Net (loss) income pertaining to common stock	(26,257)	24,277	9,347	87,040
Average outstanding shares of common stock (shares)	242,247,362	243,147,636	243,243,513	243,243,513

The cash dividend per share shown for each year in the accompanying consolidated statement of income represents dividends declared as applicable to the respective years, rather than those paid in the respective years.

23. Segment Information

(1) Industry segment information

Net sales, operating income, and total assets of the "Measurement, Control and Information Equipment Business" constituted more than 90% of the consolidated totals for the years ended March 31, 2003, 2004, and 2005. Thus, the disclosure of industry segment information has been omitted.

The "Measurement, Control and Information Equipment Business" produces and sells a wide range of products including integrated production control systems; distributed control systems; industrial computer systems; programmable logic controllers; recorders; flowmeters; differential pressure and pressure transmitters; gas and liquid analyzers; oscilloscopes; measuring instruments for electric power, temperature, and pressure; medical information systems; confocal scanners; engine and fuel monitoring devices and sensors for aircraft; navigation equipment; and weather observation equipment.

Other Business consists principally of a real estate operation, temporary personnel services, and a factoring related operation.

(2) Geographic segment information

Segment information classified by geographic area (inside and outside Japan) for each of the three years ended March 31, 2003, 2004, and 2005, is summarized as follows:

	2003					
	Millions of yen					
	Sales to Outside Customers	Inter-Segment Sales	Total Sales	Operating Expenses	Operating income(loss)	Assets
Japan	¥ 249,913	¥ 23,134	¥ 273,047	¥ 275,348	¥ (2,301)	¥ 251,709
Asia	27,143	10,094	37,237	35,081	2,156	26,272
Europe	23,791	2,486	26,277	25,191	1,086	19,656
North America	17,751	1,612	19,363	19,845	(482)	7,417
Others	10,169	627	10,796	10,150	646	6,456
Total	328,767	37,953	366,720	365,615	1,105	311,510
Elimination or unallocated	–	(37,953)	(37,953)	(38,410)	457	53,221
Consolidated Total	¥ 328,767	¥ –	¥ 328,767	¥ 327,205	¥ 1,562	¥ 364,731

	2004					
	Millions of yen					
	Sales to Outside Customers	Inter-Segment Sales	Total Sales	Operating Expenses	Operating income(loss)	Assets
Japan	¥ 273,891	¥ 33,075	¥ 306,966	¥ 293,118	¥ 13,848	¥ 287,525
Asia	36,715	12,678	49,393	47,502	1,891	37,712
Europe	29,612	3,597	33,209	30,880	2,329	19,611
North America	19,233	1,150	20,383	20,217	166	6,606
Others	12,492	429	12,921	12,544	377	7,642
Total	371,943	50,929	422,872	404,261	18,611	359,096
Elimination or unallocated	–	(50,929)	(50,929)	(50,574)	(355)	38,319
Consolidated Total	¥ 371,943	¥ –	¥ 371,943	¥ 353,687	¥ 18,256	¥ 397,415

	2005							
	Millions of yen						Thousands of US dollars	
	Sales to Outside Customers	Inter-Segment Sales	Total Sales	Operating Expenses	Operating income	Assets	Operating income	Assets
Japan	¥ 281,416	¥ 38,925	¥ 320,341	¥ 303,260	¥ 17,081	¥ 279,871	\$ 159,053	\$ 2,606,121
Asia	42,452	25,220	67,672	63,693	3,979	49,147	37,053	457,650
Europe	30,254	2,874	33,128	30,452	2,676	22,127	24,914	206,040
North America	17,431	1,772	19,203	18,603	600	7,765	5,589	72,309
Others	15,500	1,054	16,554	16,344	210	10,016	1,963	93,263
Total	387,053	69,845	456,898	432,352	24,546	368,926	228,572	3,435,383
Elimination or unallocated	–	(69,845)	(69,845)	(70,056)	211	31,342	1,958	291,854
Consolidated Total	¥ 387,053	¥ –	¥ 387,053	¥ 362,296	¥ 24,757	¥ 400,268	\$ 230,530	\$ 3,727,237

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

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

Asia Singapore, China, Korea, etc.

Europe The Netherlands, France, the United Kingdom, Germany, etc.

North America USA

Others Brazil, Australia, etc.

3. Unallocated assets included in "Elimination or unallocated" mainly consist of surplus funds (cash and marketable securities), long-term investments (investment in securities, etc.), and assets that belong to the administrative department of the Company.

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(3) Export sales and sales by overseas subsidiaries

2003					
Millions of yen					
	Asia	Europe	North America	Others	Total
Overseas sales	¥ 54,590	¥ 26,607	¥ 18,932	¥ 16,273	¥ 116,402
Consolidated sales	—	—	—	—	¥ 328,767
Ratio	16.6%	8.1%	5.8%	4.9%	35.4%

2004					
Millions of yen					
	Asia	Europe	North America	Others	Total
Overseas sales	¥ 86,842	¥ 35,248	¥ 19,940	¥ 16,286	¥ 158,316
Consolidated sales	—	—	—	—	¥ 371,943
Ratio	23.3%	9.5%	5.4%	4.4%	42.6%

2005					
Millions of yen					
	Asia	Europe	North America	Others	Total
Overseas sales	¥ 109,604	¥ 34,630	¥ 18,164	¥ 15,844	¥ 178,242
Consolidated sales	—	—	—	—	¥ 387,053
Ratio	28.3%	9.0%	4.7%	4.1%	46.1%

2005					
Thousands of US dollars					
	Asia	Europe	North America	Others	Total
Overseas sales	\$ 1,020,614	\$ 322,467	\$ 169,140	\$ 147,538	\$ 1,659,759
Consolidated sales	—	—	—	—	\$ 3,604,187
Ratio	28.3%	9.0%	4.7%	4.1%	46.1%

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

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

Asia Singapore, China, Korea, etc.
Europe The Netherlands, France, the United Kingdom, Germany, etc.
North America USA
Others Brazil, Australia, etc.

3. Overseas sales represent those of the Company and consolidated subsidiaries to countries and areas outside of Japan.

Report of Independent Auditors

To the Board of Directors and Shareholders of Yokogawa Electric Corporation

We have audited the accompanying consolidated balance sheets of Yokogawa Electric Corporation and its subsidiaries as of March 31, 2005 and 2004, and the related consolidated statements of income, shareholders' equity, and cash flows for each of the three years in the period ended March 31, 2005, all expressed in Japanese Yen. These consolidated financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these consolidated financial statements based on our audits.

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

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the consolidated financial position of Yokogawa Electric Corporation and its subsidiaries as of March 31, 2005 and 2004, and the consolidated results of their operations and their cash flows for each of the three years in the period ended March 31, 2005 in conformity with accounting principles generally accepted in Japan.

The amounts expressed in U.S. dollars, which are 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.



Tokyo, Japan
June 24, 2005



Yokogawa Electric Corporation

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