



# Consolidated Financial Statements for the Year Ended March 31, 2008

May 13, 2008

Name of Listed Company: Yokogawa Electric Corporation (the "Company" herein)

Stock Exchanges Where the Company's Shares are Listed:

Tokyo Stock Exchange, Section 1

Stock Code: 6841

(URL: <http://www.yokogawa.com/>)

Name and Position of the Representative: Shuzo Kaihori, President

Name and Position of Person in Charge: Yuusuke Ichinose, General Manager of Public Relations &amp; Investor Relations Dept.

Telephone Number: +81-422-52-5530

Planned Date of the Regular General Meeting of Shareholders: June 26, 2008

Planned Date to Start Dividend Payment: June 27, 2008

Planned Date to File Annual Report: June 26, 2008

(Any amount less than one million yen is disregarded.)

## 1. Consolidated business results for the year ended March 31, 2008 (April 1, 2007-March 31, 2008)

### (1) Results of operations on a consolidated basis

(Percentages show the increase or decrease since the previous period.)

	Net Sales		Operating Income		Ordinary Income		Net Income	
	Million yen	%	Million yen	%	Million yen	%	Million yen	%
For the year ended March 31, 2008	437,448	0.9	27,412	-6.4	16,453	-44.4	11,667	-7.1
For the year ended March 31, 2007	433,405	11.5	29,274	15.6	29,616	12.2	12,563	-41.7

	Net Income per Share	Diluted Net Income per Share	Net Income to Shareholders' Equity Ratio	Ordinary Income to Total Asset Ratio	Operating Income to Net Sales Ratio
	Yen	Yen	%	%	%
For the year ended March 31, 2008	44.76	--	5.1	3.7	6.3
For the year ended March 31, 2007	47.79	--	5.5	6.9	6.8

(Note)

Profit or loss from investments accounted for by the equity method:

For the year ended March 31, 2008 869 million yen

For the year ended March 31, 2007 877 million yen

### (2) Financial conditions on a consolidated basis

	Total Assets	Shareholders' Equity	Shareholders' Equity Ratio	Shareholders' Equity per Share
	Million yen	Million yen	%	Yen
For the year ended March 31, 2008	444,644	224,844	49.6	856.72
For the year ended March 31, 2007	438,683	238,902	53.4	891.08

(Note)

Shareholders' equity

For the year ended March 31, 2008 220.674 billion yen

For the year ended March 31, 2007 234.252 billion yen

### (3) Consolidated cash flow status

	Net Cash Provided by Operating Activities	Net Cash Provided by (used in) Investment Activities	Net Cash Used in Financing Activities	Cash and Cash Equivalents at the End of the Period
	Million yen	Million yen	Million yen	Million yen
For the year ended March 31, 2008	20,834	(51,043)	23,923	30,209
For the year ended March 31, 2007	40,461	(39,038)	(6,096)	38,178

## 2. Dividend status

(Record date)	Dividends per Share			Total Dividends (annual)	Payout Ratio (consol.)	Net Asset Dividend Rate (consol.)
	End of Interim Term	End of Term	Annual Total			
	Yen	Yen	Yen	Million yen	%	%
For the year ended March 31, 2007	7.50	7.50	15.00	3,943	31.4	1.7
For the year ended March 31, 2008	8.00	8.00	16.00	4,163	35.7	1.8
For the year ending March 31, 2009 (Forecast)	8.00	8.00	16.00	--	37.5	--

### 3. Business forecast for the year ending March 31, 2009 (April 1, 2008-March 31, 2009)

(Percentages show the increase or decrease since the previous interim term / fiscal year.)

	Net Sales	Operating Income	Ordinary Income	Net Income	Net Income per Share
	Million yen %	Million yen %	Million yen %	Million yen %	Yen
Interim period					
Annual	190,000 -7.0	4,000 -54.4	2,500 -56.3	0 --	0.00
	440,000 0.6	26,000 -5.2	22,000 33.7	11,000 -5.7	42.70

#### 4. Other

(1) Changes to important subsidiaries during the period (changes to specific subsidiaries accompanying changes to consolidated subsidiaries)? No

(2) Changes to the principles/procedures for accounting or the method of display, etc., related to the creation of consolidated financial statements

(Items listed in changes to important items that serve as the foundation for the creation of consolidated financial statements)

(1) Changes accompanying revision of accounting standards Yes

(2) Changes other than (1) No

(Note)

For details, see “Changes to Important Items that Serve as the Foundation for the Creation of Consolidated Financial Statements” on page 18.

(3) Number of shares issued (common stock)

(1) Number of shares outstanding at the end of the period (including treasury stock)

For the year ended March 31, 2008 268,624,510 shares

For the year ended March 31, 2007 268,624,510 shares

(2) Treasury stock at the end of the period

For the year ended March 31, 2008 11,045,061 shares

For the year ended March 31, 2007 5,737,599 shares

(Note)

See “Per-share Information” on page 22 for the number of shares used in the calculation of consolidated net income per share.

(Note)

Overview of non-consolidated business results

#### 1. Non-consolidated business results for the year ended March 31, 2008 (April 1, 2007-March 31, 2008)

(1) Results of operations on a non-consolidated basis (Percentages show the increase or decrease since the previous period.)

	Net Sales	Operating Income	Ordinary Income	Net Income
	Million yen %	Million yen %	Million yen %	Million yen %
For the year ended March 31, 2008	238,786 -0.3	3,984 -62.4	(2,424) --	(2,132) --
For the year ended March 31, 2007	239,399 1.6	10,605 4.3	14,946 -28.8	5,039 -63.5

	Net Income per Share	Diluted Net Income per Share
	Yen	Yen
For the year ended March 31, 2008	(8.18)	--
For the year ended March 31, 2007	19.17	--

(2) Financial conditions on a non-consolidated basis

	Total Assets	Net Assets	Shareholders' Equity Ratio	Net Assets per Share
	Million yen	Million yen	%	Yen
For the year ended March 31, 2008	341,153	186,550	54.7	724.23
For the year ended March 31, 2007	341,754	208,169	60.9	791.84

(Note)

Shareholders' equity

For the year ended March 31, 2008 186,550 billion yen

For the year ended March 31, 2007 208,169 billion yen

#### \* Explanation on the appropriate use of business forecasts / other notes

The above forecasts are based on the information that was available at the time this document was released and involve assumptions regarding uncertain factors that may have an effect on future performance. Actual performance may vary greatly due to a variety of factors. Please refer to page 5 for a disclaimer regarding the assumptions used in performance forecasts, as well as the use of such forecasts.

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## 1. Business Results

### (1) Analysis of Business Results

This section reviews the performance of the Yokogawa Group for the consolidated accounting period under review. In our core industrial automation and control business, the active investment in energy-related facilities outside Japan have resulted in an increase in sales and operating income from the previous year. In the test and measurement business, however, the constraints on investment in the semiconductor test system market have resulted in a decrease in sales and operating income. In the new and other businesses, sales have increased, but operating income has decreased because of the increased cost involved in the startup of new businesses.

As a result, sales have increased from the previous year. However, operating income has decreased because of increased investment costs. Ordinary income has decreased because of a decrease in operating income, an increase in exchange loss from the strong yen, and an increase in the loss on disposal of inventories. Consolidated net income decreased less than ordinary income because of the recording of deferred tax assets in subsidiaries that resulted in lower adjustments for corporate tax, etc.

Consolidated	Billions of yen		
	Year ended March 31, 2007	Year ended March 31, 2008	Change
Net Sales	433.4	437.4	up 4.0
Operating Income	29.2	27.4	down 1.8
Ordinary Income	29.6	16.4	down 13.1
Net Income	12.5	11.6	down 0.8

Results by individual business segment are outlined below.

#### Industrial Automation and Control Business

	Billions of yen		
	Year ended March 31, 2007	Year ended March 31, 2008	Change
Net Sales	312.3	322.2	up 9.8
Operating Income	35.4	39.0	up 3.6

In our core industrial automation and control business market, a conservative attitude to capital investment caused by factors such as the high cost of raw materials has dampened the momentum of growth in Japan. On the other hand, the increase in energy demand and high oil prices outside Japan have driven active investment in petroleum, petrochemical, natural gas, and other plants, resulting in a favorable trend for this business. In such market circumstances, we have undertaken aggressive development to become the global number one company in this business. Specifically, we have strengthened product competitiveness with the release of products such as CENTUM VP, the latest version of our CENTUM series integrated production system. In addition, we have strengthened our sales, engineering, and service setup with the establishment of a subsidiary in Saudi Arabia and a subsidiary in China that integrates three existing subsidiaries. Under these circumstances, we have received many orders from major oil players for plant replacements and other large-scale projects, increasing our market share outside Japan.

As a result, the industrial automation and control business generated 322,222 million yen in sales and 39,069 million yen in operating income, both increases from the previous year.

#### Test and Measurement Business

	Billions of yen		
	Year ended March 31, 2007	Year ended March 31, 2008	Change
Net Sales	78.5	68.7	down 9.7
Operating Income	1.1	(1.9)	down 3.1

In the semiconductor test system segment of the test and measurement market, the price of DRAM plummeted and FPD driver IC manufacturing companies cut back on investments, resulting in a decline. In the measuring instrument market, the optical communications and power measurement instrument segment was steady, but overall conditions were weak in the measuring instrument market. In such market circumstances, we released the MT6111 Memory Test System for DRAMs in the semiconductor test system market, and new waveform measuring instruments and optical communications measurement instruments in the measuring instrument market. However, as the result of severe market circumstances and fierce competition in and outside Japan, the test and measurement business recorded 68,771 million yen in sales and 1,987 million yen in operating loss, both decreases from the previous year.

## New and Other Businesses

Billions of yen			
	Year ended March 31, 2007	Year ended March 31, 2008	Change
Net Sales	42.5	46.4	up 3.9
Operating Income	(7.3)	(9.6)	down 2.3

In the new and other businesses, the photonics business centering on the 40Gbps optical communications market has just begun moving ahead thanks to the construction of next-generation networks. The advanced stage business, however, has been weak due to a sluggish semiconductor manufacturing equipment market. In the life science business, the global market for confocal scanner units has been strong.

In such market circumstances, we have worked hard to expand the photonics business by strengthening its technologies and establishing a suitable setup for mass production. Such efforts included the successful development of a high-quality 40Gbps optical transmission technology that makes possible the realization of high-capacity intercity optical communication networks. We also have strengthened advanced stage production in order to expand this business. In addition, we have released a new confocal scanner unit model that enjoys a good reputation in the live cell monitoring field.

We have made every effort at considerable cost to implement measures for the launch of new businesses. As a result, the new and other businesses recorded 46,455 million yen in sales, which is up from the previous year, and operating loss totaled 9,670 million yen, a decrease from the previous year.

### (2) Full Year Business Forecast

In our core industrial automation and control business, a strong trend of active investment in energy-related facilities outside Japan is expected to continue. However, yen-based sales and operating income will rise only slightly compared with the previous year because of adopting a yen-dollar exchange rate that is lower than the previous year's average rate. The test and measurement business will continue to face severe conditions due to the constraints on investment in the semiconductor test system market. In the new and other businesses, the photonics business will see higher sales because of the expansion of the 40Gbps optical communications market. For the launch of each new business, costs will continue to be incurred.

The current consolidated business forecasts are as follows.

Consolidated Business Performance Forecasts (Yearly)			Billions of yen
	Year ended March 31, 2008	Year ended March 31, 2009	Change
Net Sales	437.4	440.0	up 2.6
Operating Income	27.4	26.0	down 1.4
Ordinary Income	16.4	22.0	up 5.6
Net Income	11.6	11.0	down 0.6

Note: The consolidated business forecast assumes an exchange rate of US\$1 = 100 yen, 1 Euro = 155 yen.

#### Notes regarding forecasts

The above forecasts are based on certain assumptions deemed reasonable by Yokogawa at the present time, and may differ from actual business results.

Major factors that may affect business performance include the following:

- Fluctuations in the U.S. dollar, the euro, Asian currencies, etc., relative to the yen
- Sudden changes in economic conditions in major markets, trade regulations, or other aspects of the business environment in major markets
- Sudden fluctuations in product supply or demand in the market
- Rapid technological innovations or other changes
- Fluctuations in Japanese share prices
- Protection of Yokogawa patents and the licensing of patents held by other companies
- Alliances with other companies for product development or other purposes

### (3) Analysis of Financial Conditions

#### (1) Conditions of assets, liabilities, and net assets

Total assets at the end of this consolidated accounting period were 444.6 billion yen, an increase of 5.9 billion yen over the previous period. Current assets decreased by 0.7 billion yen. The main factors were an 8.4 billion yen increase in accounts receivable, a 2.7 billion yen increase in other current assets due to an increase in net sales (net sales for the previous period increased by 22 billion yen because the closing dates of the subsidiaries outside Japan had been changed), a 7 billion yen decrease in cash and time deposits, and a 5.3 billion yen decrease in inventories. Fixed assets increased by 6.7 billion yen. The main factors were a 10.2 billion yen decrease in investments in marketable securities due to such reasons as the flagging stock market, a 2.4 billion yen increase in tangible fixed assets, a 7.7 billion yen increase in intangible fixed assets due to construction of information system infrastructure and other items, and a 7 billion yen increase in deferred tax assets.

Total liabilities were 219.7 billion yen, up 20 billion yen from the previous period. The main factors were a 20 billion yen decrease in bond holdings, a 4 billion yen decrease in other current liabilities attributed to payment of tangible fixed assets payable, a 4.3 billion yen decrease in long-term accounts payable because of payments associated with a change in the retirement payment system, a 34.7 billion yen increase in long term bank loans such as syndicated loans, and a 17 billion yen increase in commercial paper.

Net assets were 224.8 billion yen, down 14 billion yen from the previous period. The main factors were a 7.3 billion yen increase in retained earnings, a 6.6 billion yen increase in deductions for the purchase of treasury stock (decrease of net assets), an 8.9 billion decrease in net unrealized gains on other securities due to the sluggish stock market, and a 5.3 billion yen decrease in foreign currency translation adjustments due to fluctuating exchange rates.

#### (2) Cash flow status

The balance of cash and cash equivalents at the end of this consolidated accounting period was 30.2 billion yen, down 7.9 billion yen from the previous period. The main factors were proceeds of 20.8 billion yen from operating activities, payments of 51 billion yen from investment activities, and proceeds of 23.9 billion yen from financing activities.

Cash flow from operating activities was 20.8 billion yen, a decrease of 19.6 billion yen compared to the previous period, from a net income before tax and other adjustments of 14.4 billion yen, after adjusting for items such as a 23.1 billion yen increase in depreciation, a 10.4 billion yen increase in trade receivables, and a 5.8 billion yen decrease in income taxes paid or refunded.

Cash flow from investment activities saw an expenditure of 51 billion yen, an increase of 12 billion yen over the previous period. The increase was due to outlays of 35.5 billion yen for the acquisition of tangible fixed assets, 11.1 billion yen for the acquisition of intangible fixed assets, and 6.8 billion yen for the acquisition of marketable securities.

Cash flow from financing activities saw proceeds of 23.9 billion yen from payments for the redemption of 20 billion yen in corporate bonds, the purchase of 6.6 billion yen of treasury stock, and cash dividends of 4 billion yen, after adjusting for 45.5 billion yen in borrowing of long-term debt and an 18 billion yen increase in commercial paper.

#### (Note) Trends in cash flow indicators

	Year ended March 31, 2004	Year ended March 31, 2005	Year ended March 31, 2006	Year ended March 31, 2007	Year ended March 31, 2008
Shareholders' equity ratio (%)	40.3	42.2	53.7	53.4	49.6
Market value based shareholders' equity ratio (%)	94.5	88.2	131.8	108.2	57.8
Cash flow to interest bearing debt ratio	12.0	5.5	2.4	1.5	4.5
Interest coverage ratio (multiple)	7.4	21.1	34.1	37.6	15.0

Shareholders' equity ratio: Shareholders' equity / total assets

Shareholders' equity ratio on market value basis: Total market value of stock / total assets

Cash flow to interest bearing debt ratio: Interest-bearing debt / operating cash flow

Interest coverage ratio: Operating cash flow / interest payments

- (Note 1) All values are calculated using consolidated financial figures.
- (Note 2) Market value has been calculated based on the number of shares issued excluding treasury stock.
- (Note 3) Interest bearing debt includes all debt listed on the consolidated balance sheets for which interest is being paid. (Includes zero coupons and euro yen convertible bonds.)
- (Note 4) The figures for operating cash flow and interest payments utilize the “Cash flows from operating activities” and “Interest expenses paid” shown in the consolidated cash flow statements.

(4) Policy on Appropriation of Profit and Dividends for the Period Under Review / Subsequent Periods

The Company recognizes that, along with establishing a stable management foundation, the continued distribution of earnings to shareholders is one of its most important policies. With the objective of investment in new businesses and development of new products for growing markets, and taking under consideration the securement of an internal reserve and strengthening of our financial standing, we have set the consolidated dividend ratio at 30% as our appropriation policy.

We plan to set the yearly ordinary dividend for this year at 16 yen, with the year-end dividend and interim dividend each at 8 yen.

In addition, we plan a yearly dividend for next year at 16 yen (with the year-end dividend and the interim dividend each at 8 yen).

## 2. Status of the Yokogawa Group

The Yokogawa Group consists of Yokogawa Electric Corporation (“the Company”), 93 subsidiaries, and 12 affiliated companies. The major businesses of the Group companies and businesses pertaining to each company in the Group by segment are as follows below. In these consolidated financial statements for the first half of the year, the segments by business category have been changed.

### (1) Industrial Automation and Control Business

Major products are production control systems, flowmeters, and differential pressure and pressure transmitters. In this business segment, products manufactured by consolidated subsidiaries such as Yokogawa Manufacturing Corporation, Yokogawa Electric Asia Pte. Ltd., and Yokogawa Electric China Co., Ltd. are sold, engineered, and serviced in Japan by Yokogawa Electric Corporation. Outside Japan, mainly Yokogawa Engineering Asia Pte. Ltd. in Southeast Asia, Yokogawa Europe B.V. in Europe, Yokogawa Corporation of America in the United States, Yokogawa Middle East B.S.C.(c) in the Middle East, and Yokogawa China Co., Ltd. in China conduct sales, engineering, and after-sales service.

### (2) Test and Measurement Business

Major products are semiconductor test systems, waveform measurement instruments, and optical communication measurement instruments. In this business segment, products manufactured by Yokogawa Manufacturing Corporation and Yokogawa Electronics Manufacturing Korea are sold and serviced in Japan by Yokogawa Electric Corporation. Outside Japan, mainly Yokogawa Engineering Asia Pte. Ltd. in Southeast Asia, Yokogawa Europe B.V. in Europe, Yokogawa Corporation of America in the United States, Yokogawa Measuring Instruments Korea in South Korea, and Yokogawa Shanghai Trading Co., Ltd. in China conduct sales and after-sales service.

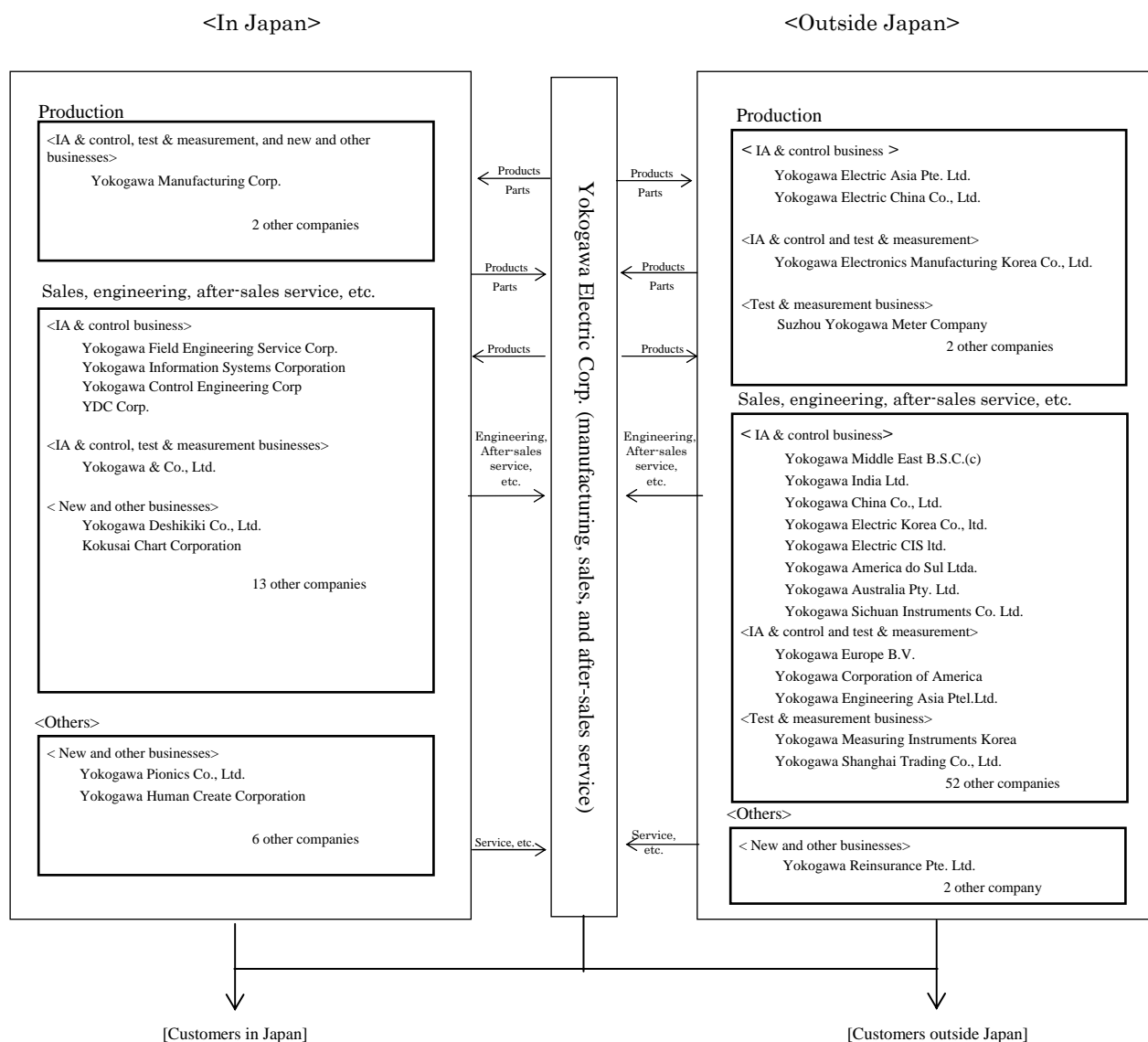
### (3) New and other businesses

Major products are optical communication module and sub-systems, the XY-stage, confocal scanners, and aviation equipment. Yokogawa Manufacturing Corporation is in charge of the manufacture of optical communication module and sub-systems, the XY-stage, confocal scanners, and the like, while the Company conducts sales and after-sales service. The Company and Yokogawa Denshikiki Co., Ltd. are engaged in the manufacture and sales of aviation equipment. Kokusai Chart Corporation is involved in manufacturing measurement recording paper, Yokogawa Pionics Co., Ltd. handles operations relating to real estate, and Yokogawa Human Create Corporation acts as a temporary staffing agency.



## Business Overview

The following diagram illustrates the relations of the companies in the Yokogawa Group.



(Note) Description about consolidated subsidiary

In addition to the above, the following subsidiary is listed on a Japanese securities exchange:  
 Kokusai Chart Corporation      Jasdag Securities Exchange, Inc.

### 3. Management Policies

#### (1) Core Management Policies

##### Corporate Philosophy

As a group, 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 – we take this as our corporate philosophy and make every effort to realize it.

##### Corporate Social Responsibility (CSR)

In order to fulfill its corporate social responsibility, Yokogawa will enhance its corporate governance by developing and operating an internal control system, and contribute to community and society through the pursuit of high quality and customer satisfaction, the observance of business ethics, fair trade, the training and utilization of human resources, and environmental management activities, while aiming for continuous improvement of its corporate value. In doing so, we prioritize safety and compliance.

##### Business concept

Enterprise Technology Solutions (ETS) is a business concept Yokogawa proposes to all sorts of industries. With the aim of making a great contribution to our customers' corporate management, we take the customer perspective to provide optimal solutions that meet expectations and needs with the latest and most sophisticated technologies. Yokogawa aims to become a global service company based on ETS.

#### (2) Medium- and Long-term Business Strategies

In January 2000, the Yokogawa Group announced VISION-21 & ACTION-21, a corporate strategy, that aims at the achievement of “a healthy and profitable operation,” and declared that the Yokogawa Group will work together with its customers to create added value for industry and society, and to contribute toward the realization of a thriving global society through initiatives that include protecting the global environment in the 21<sup>st</sup> century and promoting a resource recycling society.

In FY2006, we started the second phase of VISION-21 & ACTION-21 with FY2010 set as the Second Milestone. The key word is One Global YOKOGAWA. Yokogawa, as a united company, achieves a healthy and profitable operation by providing solutions from the customer's perspective using the latest and most advanced technologies.

#### (3) Challenges for the Company

Our Group strives to improve development efficiency by comprehensively managing costs and to increase management efficiency in order to strengthen price competitiveness and emerge victorious in the global competition. Moreover, to achieve truly consolidated management, we will provide the infrastructure to manage and operate strategy, information, human resources, systems, and accounting throughout the Group in an integrated manner.

##### **Challenges by business segment**

The industrial automation and control business is expected to grow steadily in markets that are related to oil, petrochemical, and natural gas plants, mainly outside Japan. We will strive to expand market share through such initiatives as enriching the sensor and production management system lineups, enhancing our capability to provide customers the solutions that they require, improving engineering efficiency, strengthening project management, and establishing a business model that provides services over the entire plant lifecycle.

As for measuring instruments, which are part of the test and measurement businesses, we will aim to expand sales by concentrating on sectors where growth is anticipated, namely, the environment, energy-saving, optical communications, and vehicle bus analyzer equipment markets. With the semiconductor tester business, we will move it back into the black by expanding the customer base, growing sales, reviewing development projects, and reducing fixed costs.

Regarding the photonics business, which is one of our new businesses, we will aim to expand sales by cultivating new clients and will reduce costs by increasing production efficiency. In the advanced stage business, we will aim to strengthen cost competitiveness. And in the life science business, we will seek to attract new clients in large-scale markets outside Japan. In each of these new businesses, we will strive to make the right decisions at the right time and to become profitable at an early stage by accurately understanding market and technology trends.

**Challenges in enhancing corporate governance**

Our Group will place a priority on enhancing its corporate governance to realize healthy and sustainable growth. It will be a basic mission of corporate management to secure healthy and profitable operation and to earn the trust of all stakeholders, including shareholders.

We have adopted a corporate auditing system. At board of directors meetings, we will strive for quick and transparent decision-making following deliberations by directors who are familiar with Yokogawa's business as well as external directors who are independent from the organization. In addition, we will improve our management audit function by strictly checking the legality and efficiency of the work carried out by directors and the validity of their decision making processes. This will be done by a board of corporate auditors that includes external auditors.

The Group's compliance principles are set out in the Standards of Business Conduct for the Yokogawa Group. The directors will take the initiative to promote the observation and awareness of business ethics throughout the Group. We have also established an internal control system for the Yokogawa Group to ensure the reliability of financial statements, validity of the decision-making process, and proper and efficient execution of operations.

#### 4. Consolidated Financial Statements and Other Information

##### (1) Consolidated Balance Sheets

Millions of yen

	Year ended March 31, 2007		Year ended March 31, 2008		Change
Item	Amount	Composition Ratio (%)	Amount	Composition Ratio (%)	Amount
<b>ASSETS</b>	<b>438,683</b>	<b>100.0</b>	<b>444,644</b>	<b>100.0</b>	<b>5,960</b>
<b>Current Assets</b>	<b>243,158</b>	<b>55.4</b>	<b>242,366</b>	<b>54.5</b>	<b>(792)</b>
Cash and time deposits	38,819		31,738		
Notes and accounts receivable	134,480		142,902		
Marketable securities	252		301		
Inventories	50,133		44,815		
Deferred tax assets – current	10,685		12,216		
Other	10,852		13,648		
Allowance for doubtful accounts	(2,065)		(3,256)		
<b>Fixed Assets</b>	<b>195,525</b>	<b>44.6</b>	<b>202,277</b>	<b>45.5</b>	<b>6,752</b>
Tangible fixed assets	109,131	24.9	111,543	25.1	2,412
Buildings and structures	54,593		51,132		
Machinery and transportation equipment	19,822		21,693		
Tools, furniture and fixtures	11,532		10,161		
Land	20,451		18,626		
Construction in progress	2,812		9,928		
Intangible fixed assets	14,275	3.3	22,036	5.0	7,761
Investments and other assets	72,118	16.4	68,697	15.4	(3,420)
Investments in marketable securities	50,560		40,266		
Long-term loans	157		105		
Deferred tax assets	9,555		16,605		
Other	12,487		12,359		
Allowance for doubtful accounts	(642)		(639)		
<b>Total Assets</b>	<b>438,683</b>	<b>100.0</b>	<b>444,644</b>	<b>100.0</b>	<b>5,960</b>
<b>LIABILITIES AND SHAREHOLDERS' EQUITY</b>	<b>199,781</b>	<b>45.5</b>	<b>219,799</b>	<b>49.4</b>	<b>20,018</b>
<b>Current Liabilities</b>	<b>154,188</b>	<b>35.1</b>	<b>145,370</b>	<b>32.7</b>	<b>(8,817)</b>
Notes and accounts payable	41,344		40,034		
Short-term bank loans	18,356		18,979		
Bonds to be redeemed within one year	20,000		--		
Income taxes payable	3,424		2,604		
Bonus allowances	14,852		14,511		
Accounts payable	23,170		19,137		
Other	33,039		50,103		
<b>Fixed Liabilities</b>	<b>45,593</b>	<b>10.4</b>	<b>74,429</b>	<b>16.7</b>	<b>28,836</b>
Long-term bank loans	21,273		55,993		
Deferred tax liabilities	440		157		
Reserve for retirement payments	6,223		5,221		
Reserve for retirement payments of officers	327		236		
Long-term accounts payable	16,137		11,832		
Other	1,189		987		
<b>(Net Assets)</b>	<b>238,902</b>	<b>54.5</b>	<b>224,844</b>	<b>50.6</b>	<b>(14,057)</b>
<b>Shareholders' Equity</b>	<b>221,970</b>	<b>50.6</b>	<b>222,718</b>	<b>50.1</b>	<b>748</b>
Unrealized Gains from Appraisal/Adjustment, etc.	12,281	2.8	(2,044)	-0.5	(14,325)
<b>Minority Interests</b>	<b>4,650</b>	<b>1.1</b>	<b>4,170</b>	<b>1.0</b>	<b>(480)</b>
<b>Liabilities, Net Assets Total</b>	<b>438,683</b>	<b>100.0</b>	<b>444,644</b>	<b>100.0</b>	<b>5,960</b>

## (2) Consolidated Statements of Income

Millions of yen

	Year ended March 31, 2007		Year ended March 31, 2008		Change
Item	Amount	Composition Ratio (%)	Amount	Composition Ratio (%)	Amount
Net Sales	433,405	100.0	437,448	100.0	4,043
Cost of Sales	275,948	63.7	277,430	63.4	1,481
<b>Gross profit</b>	<b>157,456</b>	<b>36.3</b>	<b>160,018</b>	<b>36.6</b>	<b>2,561</b>
Selling, General and Administrative Expenses	128,181	29.5	132,605	30.3	4,423
<b>Operating income</b>	<b>29,274</b>	<b>6.8</b>	<b>27,412</b>	<b>6.3</b>	<b>(1,861)</b>
Non--operating Income	7,592	1.7	3,740	0.9	(3,852)
Interest income	565		391		
Dividend income	5,010		1,612		
Profit from investments according to the equity method	877		869		
Others	1,139		867		
Non--operating Expenses	7,251	1.7	14,699	3.4	7,448
Interest expenses	1,097		1,308		
Loss on disposal of inventories	1,263		5,501		
Loss on write-down of inventories	1,813		401		
Foreign exchange loss	830		4,570		
Other	2,245		2,918		
<b>Ordinary income</b>	<b>29,616</b>	<b>6.8</b>	<b>16,453</b>	<b>3.8</b>	<b>(13,162)</b>
Extraordinary Income	540	0.1	2,642	0.6	2,101
Gain on sale of fixed assets	54		117		
Gain on sale of investments in marketable securities	58		142		
Impairment loss on prior period adjustment	201		--		
Government subsidy	--		1,903		
Other	226		478		
Extraordinary Losses	5,035	1.1	4,660	1.1	(375)
Loss on sale of fixed assets	223		28		
Loss on disposal of fixed assets	890		416		
Loss on impaired assets	775		1,115		
Loss on write-down of investments in marketable securities	1,607		725		
Loss on restructuring	794		--		
Impairment loss on software for sale	--		499		
Other	743		1,874		
<b>Net income before tax and other adjustments</b>	<b>25,120</b>	<b>5.8</b>	<b>14,434</b>	<b>3.3</b>	<b>(10,685)</b>
Corporate, resident and enterprise tax	5,152	1.2	5,230	1.2	78
Income tax refund	227	0.1	43	0.0	(183)
Adjustment of corporate tax, etc.	6,928	1.6	(3,129)	-0.7	(10,057)
Minority shareholders' income (deduction)	703	0.2	709	0.1	6
<b>Net Income</b>	<b>12,563</b>	<b>2.9</b>	<b>11,667</b>	<b>2.7</b>	<b>(895)</b>

(3) Consolidated Statements of Changes in Shareholders' Equity  
Year ended March 31, 2007

Millions of yen

	Shareholders' Equity				
	Capital	Capital Surplus	Retained Earnings	Treasury Stock	Shareholders' Equity Total
March 31, 2006 balance	43,401	50,348	123,310	(4,378)	212,681
Fluctuations during consolidated accounting period					
Dividend on retained earnings (Note)			(1,314)		(1,314)
Dividend on retained earnings			(1,971)		(1,971)
Executive bonuses (Note)			(20)		(20)
Net income			12,563		12,563
Acquisition of treasury stock				(24)	(24)
Disposal of treasury stock		7		13	20
Other			35		35
Net fluctuations during consolidated accounting period for items other than shareholders' equity					
Consolidated accounting period fluctuation total	--	7	9,292	(10)	9,288
March 31, 2007 balance	43,401	50,355	132,603	(4,389)	221,970

	Unrealized Gains from Appraisal/Adjustment, etc.				Minority interests	Net assets total
	Net unrealized gains on other securities	Gain on deferred hedge	Foreign currency translation adjustment	Unrealized gains from appraisal/adjustment, etc., total		
March 31, 2006 balance	14,863	--	(2,978)	11,885	4,959	229,525
Fluctuations during consolidated accounting period						
Dividend on retained earnings (Note)						(1,314)
Dividend on retained earnings						(1,971)
Executive bonuses (Note)						(20)
Net income						12,563
Acquisition of treasury stock						(24)
Disposal of treasury stock						20
Other						35
Net fluctuations during consolidated accounting period for items other than shareholders' equity	(2,936)	6	3,327	396	(309)	87
Consolidated accounting period fluctuation total	(2,936)	6	3,327	396	(309)	9,376
March 31, 2007 balance	11,926	6	348	12,281	4,650	238,902

(Note) Profit appropriation items at the June 2006 annual general meeting of shareholders

Year ended March 31, 2008

Millions of yen

	Shareholders' Equity				
	Capital	Capital Surplus	Retained Earnings	Treasury Stock	Shareholders' Equity Total
March 31, 2007 balance	43,401	50,355	132,603	(4,389)	221,970
Fluctuations during consolidated accounting period					
Dividend on retained earnings			(4,074)		(4,074)
Net income			11,667		11,667
Acquisition of treasury stock				(6,603)	(6,603)
Disposal of treasury stock		0		2	2
Other			(243)	0	(243)
Net fluctuations during consolidated accounting period for items other than shareholders' equity					
Consolidated accounting period fluctuation total	--	0	7,349	(6,601)	748
March 31, 2008 balance	43,401	50,355	139,952	(10,990)	222,718

	Unrealized Gains from Appraisal/Adjustment, etc.				Minority interests	Net assets total
	Net unrealized gains on other securities	Gain on deferred hedge	Foreign currency translation adjustment	Unrealized gains from appraisal/adjustment, etc., total		
March 31, 2007 balance	11,926	6	348	12,281	4,650	238,902
Fluctuations during consolidated accounting period						
Dividend on retained earnings						(4,074)
Net income						11,667
Acquisition of treasury stock						(6,603)
Disposal of treasury stock						2
Other						(243)
Net fluctuations during consolidated accounting period for items other than shareholders' equity	(8,935)	(4)	(5,385)	(14,325)	(480)	(14,806)
Consolidated accounting period fluctuation total	(8,935)	(4)	(5,385)	(14,325)	(480)	(14,057)
March 31, 2008 balance	2,991	1	(5,036)	(2,044)	4,170	224,844

## (4) Consolidated Cash Flow Statements

Millions of yen

	Year ended March 31, 2007	Year ended March 31, 2008	Change
Item	Amount	Amount	Change
<b>I Cash Flows from Operating Activities</b>			
Net income before tax and other adjustments	25,120	14,434	
Depreciation and amortization	16,483	23,129	
Increase in allowance for bonuses	1,563	(80)	
Changes in trade receivables	689	(10,460)	
Changes in inventories	(4,175)	3,794	
Changes in trade payables	965	660	
Other	208	(5,469)	
Subtotal	40,856	26,010	(14,846)
Interest and dividend income received	5,645	2,073	
Interest expenses paid	(1,076)	(1,388)	
Income taxes paid or refunded	(4,964)	(5,859)	
Cash flows from operating activities	40,461	20,834	(19,627)
<b>II Cash Flows from Investment Activities</b>			
Acquisition of tangible fixed assets	(27,244)	(35,588)	
Proceeds from sale of tangible fixed assets	1,289	2,284	
Acquisition of intangible fixed assets	(6,127)	(11,191)	
Acquisition of investments in marketable securities	(2,588)	(6,878)	
Proceeds from sale of investments in marketable securities	106	2,094	
Other	(4,474)	(1,764)	
Cash flows provided by investment activities	(39,038)	(51,043)	(12,004)
<b>I+II Free Cash Flow</b>	<b>1,423</b>	<b>(30,208)</b>	<b>(31,631)</b>
<b>III Cash Flows from Financing Activities</b>			
Net reduction in short-term bank borrowings	(4,812)	(8,715)	
Net reduction in balance of commercial paper	(5,000)	18,000	
Borrowing of long-term debt	8,097	45,580	
Redemption of bond	-	(20,000)	
Cash dividends paid	(3,289)	(4,069)	
Other	(1,091)	(6,871)	
Cash flows from financing activities	(6,096)	23,923	30,020
<b>IV Effect of Exchange Rate Change on Cash and Cash Equivalents</b>	<b>1,220</b>	<b>(1,823)</b>	<b>(3,043)</b>
<b>V Change in Cash and Cash Equivalents</b>	<b>(3,452)</b>	<b>(8,107)</b>	<b>(4,655)</b>
<b>VI Cash and Cash Equivalents at Beginning of Period</b>	<b>41,565</b>	<b>38,178</b>	<b>(3,386)</b>
<b>VII Increase in Cash and Cash Equivalents Due to Changes in Scope of Consolidated Subsidiaries</b>	<b>66</b>	<b>138</b>	<b>72</b>
<b>VIII Cash and Cash Equivalents at End of Period</b>	<b>38,178</b>	<b>30,209</b>	<b>(7,968)</b>



## **Important Items Used as the Basis for Creation of Consolidated Financial Statements**

### **1. Items related to the range of consolidation**

#### **(1) Consolidated subsidiaries: 84 companies**

Increases due to change of status to consolidated subsidiary: 6 companies

Yokogawa de Mexico, S.A. de C.V. (Mexico)

Yokogawa Vietnam Company Limited (Vietnam)

Ando Europe B.V. (Netherlands)

Yokogawa Saudi Arabia Ltd. (Saudi Arabia)

Yokogawa Electric Sakhalin Ltd. (Russia)

Yokogawa Information Systems (Dalian) Corporation (China)

Increases due to establishment of the company: 2 companies

Yokogawa IA Technologies India Private Limited (India)

Yokogawa Reinsurance Pte. Ltd. (Singapore)

Decreases due to liquidation of the company: 2 companies

Ando Electric Co., Ltd.

Kokusai Chart Corporation of America (U.S.A.)

#### **(2) Non-consolidated subsidiaries**

(Names of major companies)

Yokogawa Denyo Corporation, Morioka Tokki Corporation

These companies do not significantly influence the consolidated financial statements, and have therefore been excluded from the range of consolidation.

### **2. Items related to application of the equity method**

#### **(1) Non-consolidated subsidiaries: 3 companies**

(Names of major companies)

Yokogawa Denyo Corporation, Morioka Tokki Corporation

#### **(2) Affiliated companies: 5 companies**

(Names of major companies)

Yokogawa Rental & Lease Corporation, Yokogawa Toa Kogyo, Ltd.

Decreases due to divestment of consolidated subsidiary's share: 2 companies

Waseda University Learning Square Corporation

MIE Industrial Sdn. Bhd. (Malaysia)

Decreases due to liquidation of the company: 1 company

InternetNode Inc.

#### **(3) Companies for which the equity method is not applicable**

(Names of major companies)

Yokogawa Q&A Corporation, Yokogawa Shikaden Co., Ltd.

These companies do not significantly influence the consolidated financial statements, and have therefore been excluded from the range of application of the equity method.

#### **(4) Financial statements related to a company's fiscal year are used if the equity method is applicable to the company and if the company has a closing date that differs from the consolidated closing date.**

### **3. Items related to the fiscal year of consolidated subsidiaries, etc.**

Starting with the consolidated accounting period under review, the closing date for Yokogawa Electric China Co., Ltd. and 12 other non-Japan subsidiaries is December 31.

For creation of consolidated financial statements, financial statements based on the provisional settlement of accounts implemented on the consolidated closing date are used for these companies.

## **Changes to Important Items that Serve as the Foundation for the Creation of Consolidated Financial Statements**

### **(Change in accounting policy)**

Beginning with the current consolidated accounting period under review, the depreciation method based on the amended corporation tax law is applied to tangible fixed assets acquired on or after April 1, 2007.

This causes a 1.345 billion yen decrease in operating income, ordinary income, and net income before taxes and other adjustments.

### **(Additional information)**

To the assets of the Company and of consolidated subsidiaries in Japan that were acquired on or before March 31, 2007, the depreciation method under the corporation tax law then in force is applied. Following an amendment to the corporation tax law, when the value of an asset is depreciated to 5% of the acquisition cost, the difference between the value and memorandum price is evenly depreciated for five years from the following consolidated accounting period. These figures are included in depreciation.

With this change, operating income has decreased by 519 million yen, ordinary income has decreased by 522 million yen, and interim net income before taxes and other adjustments has decreased by 522 million yen.

## **Changes to the Method of Display**

Accounts are partially reclassified in the consolidated financial statements for the current consolidated accounting period.

### **(Consolidated income statements)**

Considering the importance of the “Loss on restructuring” item, this is included in the “Other” line of the extraordinary losses section.

The “Loss on restructuring” for the current consolidated accounting period under review is 103 million yen.

Notes to Consolidated Financial Statements  
(Segment information)

a. Segment information by business type

Millions of yen

Business \ Term		Year ended March 31, 2007		Year ended March 31, 2008		Change
		Amount	Composition Ratio (%)	Amount	Composition Ratio (%)	Amount
Industrial Automation and Control Business	Net Sales	312,452		322,343		9,891
	Net sales to unaffiliated customers	312,332	72.1	322,222	73.7	9,890
	Net intersegment sales	120		121		1
	Operating expenses	277,024		283,274		6,250
	Operating income	35,427	121.0	39,069	142.5	3,642
	Assets	227,969	51.9	258,036	58.0	30,067
Test and Measurement Business	Depreciation	8,827	54.0	12,101	52.3	3,274
	Capital expenditure	16,820	41.8	23,528	61.9	6,708
	Net Sales	78,545		68,771		(9,774)
	Net sales to unaffiliated customers	78,545	18.1	68,771	15.7	(9,774)
	Net intersegment sales	--		--		--
	Operating expenses	77,379		70,758		(6,621)
New and Other Businesses	Operating income	1,165	4.0	(1,987)	-7.2	(3,152)
	Assets	54,730	12.5	50,406	11.3	(4,324)
	Depreciation	4,109	25.2	4,443	19.2	334
	Capital expenditure	5,214	12.9	5,661	14.9	447
	Net Sales	42,528		46,455		3,927
	Net sales to unaffiliated customers	42,528	9.8	46,455	10.6	3,927
Inter-segment Elimination	Net intersegment sales	--		--		--
	Operating expenses	49,847		56,124		6,277
	Operating income	(7,318)	-25.0	(9,670)	-35.3	(2,352)
	Assets	66,200	15.1	66,997	15.1	797
	Depreciation	3,398	20.8	6,585	28.5	3,187
	Capital expenditure	16,606	41.2	8,800	23.2	(7,806)
Consolidated	Net Sales	(120)		(121)		
	Net sales to unaffiliated customers	--		--		
	Net intersegment sales	(120)		(121)		
	Operating expenses	(120)		(121)		
	Operating income	--		--		
	Assets	89,783	20.5	69,203	15.6	(20,580)
	Depreciation	--	--	--	--	--
	Capital expenditure	1,643	4.1	--	--	(1,643)
	Net Sales	433,405		437,448		4,043
	Net sales to unaffiliated customers	433,405	100.0	437,448	100.0	4,043
	Net intersegment sales	--		--		--
	Operating expenses	404,130		410,035		5,904
	Operating income	29,274	100.0	27,412	100.0	(1,861)
	Assets	438,683	100.0	444,644	100.0	5,960
	Depreciation	16,335	100.0	23,129	100.0	6,794
	Capital expenditure	40,284	100.0	37,990	100.0	(2,294)

(Note) 1. Method of categorizing business

Businesses have been grouped according to similarities in product line and market, as well as the profit and loss summary of the Yokogawa Group and the asset basis according to the corporate structure.

2. The major products belonging to these business categories are as follows.

Business Category	Major Products
Industrial Automation and Control Business	Production control systems, flowmeters, differential pressure/pressure transmitters, process analyzers, programmable controllers, etc.
Test and Measurement Business	Semiconductor test systems, waveform measuring instruments, optical communication devices, waveform generators, power/temperature/pressure measurement devices, etc.
New and Other Businesses	Optical communication modules and sub-systems, XY stages, confocal scanners, aircraft navigation-related devices, marine equipment, meteorological/hydrological measurement devices, etc.

### 3. Change in method of categorizing businesses

Our businesses were formerly grouped into “measurement, control, and information systems” and “other businesses.” In this consolidated accounting period, an internal management system has been introduced to correctly sum up profits and losses by product line. Therefore, we have reviewed the business categories to ensure that the profitability and growth potential of the businesses are correctly reflected and to show the actual status of the Group based on similarities in product line and market. Consequently, our businesses have been grouped into the following three categories: Industrial Automation and Control Business, Test and Measurement Business, and New and Other Businesses.

The segment information in the previous consolidated accounting period has been reclassified according to the grouping in the current consolidated accounting period.

4. Of the assets for the previous consolidated accounting period, the amount of total company assets included in Inter-segment Elimination came to 89.783 billion yen. This chiefly consists of surplus funds (cash, deposits, and marketable securities), long-term investment assets (investments in marketable securities), and assets under corporate functions.

5. Of the assets for the consolidated accounting period under review, the amount of total company assets included in Inter-segment Elimination came to 69.203 billion yen. This chiefly consists of surplus funds (cash, deposits, and marketable securities) and long-term investment assets (investments in marketable securities).

## b. Segment information by geographical location

Millions of yen

Region \ Term		Year ended March 31, 2007		Year ended March 31, 2008		Change
		Amount	Composition Ratio (%)	Amount	Composition Ratio (%)	Amount
Japan	Net Sales	302,739		297,454		(5,285)
	Net sales to unaffiliated customers	247,893	57.2	237,417	54.3	(10,475)
	Net intersegment sales	54,845		60,036		5,190
	Operating expenses	286,936		288,564		1,628
	Operating income	15,803	54.0	8,890	32.4	(6,913)
	Assets	281,614	64.2	297,160	66.8	15,546
Asia	Net Sales	115,640		113,329		(2,310)
	Net sales to unaffiliated customers	86,145	19.9	86,043	19.7	(102)
	Net intersegment sales	29,494		27,286		(2,208)
	Operating expenses	107,525		103,601		(3,923)
	Operating income	8,115	27.7	9,727	35.5	1,612
	Assets	70,841	16.2	70,298	15.8	(542)
Europe	Net Sales	46,908		52,564		5,655
	Net sales to unaffiliated customers	41,970	9.7	47,489	10.8	5,519
	Net intersegment sales	4,938		5,075		136
	Operating expenses	43,423		48,009		4,585
	Operating income	3,484	11.9	4,555	16.6	1,070
	Assets	24,333	5.5	31,715	7.1	7,382
North America	Net Sales	28,860		31,822		2,961
	Net sales to unaffiliated customers	27,474	6.3	30,803	7.0	3,329
	Net intersegment sales	1,386		1,018		(368)
	Operating expenses	28,377		30,811		2,434
	Operating income	483	1.7	1,010	3.7	527
	Assets	12,113	2.8	15,410	3.5	3,296
Other	Net Sales	30,855		36,983		6,127
	Net sales to unaffiliated customers	29,921	6.9	35,693	8.2	5,772
	Net intersegment sales	934		1,289		355
	Operating expenses	28,662		33,623		4,961
	Operating income	2,193	7.5	3,359	12.3	1,166
	Assets	14,402	3.3	18,999	4.3	4,597
Inter-segment Elimination	Net Sales	(91,600)		(94,705)		
	Net sales to unaffiliated customers	--		--		
	Net intersegment sales	(91,600)		(94,705)		
	Operating expenses	(90,794)		(94,575)		
	Operating income	(805)	-2.8	(129)	-0.5	
	Assets	35,379	8.0	11,058	2.5	(24,320)
Consolidated	Net Sales	433,405		437,448		4,043
	Net sales to unaffiliated customers	433,405	100.0	437,448	100.0	4,043
	Net intersegment sales	--		--		--
	Operating expenses	404,130		410,035		5,904
	Operating income	29,274	100.0	27,412	100.0	(1,861)
	Assets	438,683	100.0	444,644	100.0	5,960

(Note) 1. Countries and regions are grouped according to geographical proximity.

2. The breakdown of countries and regions belonging to groups other than Japan is as follows.

(1) Asia Singapore, China, South Korea, etc.

(2) Europe Netherlands, France, the United Kingdom, Germany, etc.

(3) North America the United States, Canada

(4) Other Brazil, Australia, the Middle East, etc.

3. Of the assets for the previous consolidated accounting period, the amount of total company assets included in Inter-segment Elimination came to 89,783 million yen. This chiefly consists of surplus funds (cash, deposits, and marketable securities) and long-term investment assets (investments in marketable securities).

4. Of the assets for the consolidated accounting period under review, the amount of total company assets included in Inter-segment Elimination came to 69,203 million yen. This chiefly consists of surplus funds (cash, deposits, and marketable securities) and long-term investment assets (investments in marketable securities).

## c. Non-Japan net sales

Millions of yen

Term Region	Year ended March 31, 2007		Year ended March 31, 2008		Change
	Amount	Composition Ratio (%)	Amount	Composition Ratio (%)	Amount
Asia	108,741	25.1	109,651	25.1	910
Europe	48,472	11.2	51,968	11.9	3,495
North America	28,292	6.5	35,147	8.0	6,854
Other	43,360	10.0	46,485	10.6	3,125
Non-Japan net sales	228,867	52.8	243,253	55.6	14,386
Consolidated net sales	433,405	--	437,448	--	4,043

- (Note) 1. Countries and regions are grouped according to geographical proximity.  
2. The breakdown of countries and regions belonging to groups is as follows.  
(1) Asia Singapore, China, South Korea, etc.  
(2) Europe Netherlands, France, the United Kingdom, Germany, etc.  
(3) North America the United States, Canada  
(4) Other Brazil, Australia, the Middle East, etc.  
3. Non-Japan net sales are net sales of the Company and consolidated subsidiaries in countries or regions outside Japan.

**(Per-share Information)**

	Year ended March 31, 2007	Year ended March 31, 2008
1. Net assets per share (yen)	891.08	856.72
2. Net income per share (yen)	47.79	44.76

(Note) 1. The basis for calculation of net income per share is as follows.

	Year ended March 31, 2007	Year ended March 31, 2008
1. Net income per share		
Net Income (millions of yen)	12,563	11,667
Net income related to common stock (millions of yen)	12,563	11,667
Average number of shares during the period	262,885,934	260,673,826

**(Important Post-balance Sheet Events)**

No applicable items

## 5. Non-consolidated Financial Statements and Other Information

### (1) Balance Sheets

Millions of yen

	Year ended March 31, 2007		Year ended March 31, 2008		Change
Item	Amount	Composition Ratio (%)	Amount	Composition Ratio (%)	Amount
<b>ASSETS</b>	<b>341,754</b>	<b>100.0</b>	<b>341,153</b>	<b>100.0</b>	<b>(600)</b>
<b>Current Assets</b>	<b>157,093</b>	<b>46.0</b>	<b>150,435</b>	<b>44.1</b>	<b>(6,657)</b>
Cash and time deposits	22,036		11,058		
Notes and accounts receivable	80,488		80,395		
Marketable securities	250		250		
Inventories	15,824		13,178		
Short-term loans	30,430		30,848		
Deferred tax assets – current	8,002		9,017		
Other	7,379		7,975		
Allowance for doubtful accounts	(7,318)		(2,287)		
<b>Fixed Assets</b>	<b>184,660</b>	<b>54.0</b>	<b>190,718</b>	<b>55.9</b>	<b>6,057</b>
Tangible fixed assets	64,919	19.0	64,966	19.1	47
Buildings and structures	35,613		33,588		
Machinery and transportation equipment	9,586		9,805		
Tools, furniture and fixtures	6,931		5,968		
Land	12,206		11,280		
others	582		4,323		
Intangible fixed assets	12,138	3.6	19,526	5.7	7,388
Investments and other assets	107,602	31.4	106,225	31.1	(1,377)
Investments in securities	45,126		34,462		
Securities of affiliates	30,106		31,694		
Deferred tax assets	10,003		16,531		
Other	24,110		28,789		
Allowance for doubtful accounts	(233)		(3,743)		
Allowance for investment loss	(1,509)		(1,509)		
<b>Total Assets</b>	<b>341,754</b>	<b>100.0</b>	<b>341,153</b>	<b>100.0</b>	<b>(600)</b>
<b>LIABILITIES AND SHAREHOLDERS' EQUITY</b>	<b>133,584</b>	<b>39.1</b>	<b>154,603</b>	<b>45.3</b>	<b>21,018</b>
<b>Current Liabilities</b>	<b>100,022</b>	<b>29.3</b>	<b>88,745</b>	<b>26.0</b>	<b>(11,276)</b>
Notes and accounts payable	28,963		27,056		
Short-term bank loans	3,544		3,012		
Bonds (to be redeemed within one year)	20,000		--		
Commercial paper	--		18,000		
Bonus allowances	9,204		8,749		
Other	38,310		31,926		
<b>Fixed Liabilities</b>	<b>33,561</b>	<b>9.8</b>	<b>65,857</b>	<b>19.3</b>	<b>32,295</b>
Long-term bank loans	20,449		55,704		
Other	13,111		10,152		
<b>(Net Assets)</b>	<b>208,169</b>	<b>60.9</b>	<b>186,550</b>	<b>54.7</b>	<b>(21,618)</b>
<b>Shareholders' Equity</b>	<b>196,447</b>	<b>57.5</b>	<b>183,639</b>	<b>53.8</b>	<b>(12,808)</b>
<b>Unrealized Gains from Appraisal/Adjustment, etc.</b>	<b>11,721</b>	<b>3.4</b>	<b>2,910</b>	<b>0.9</b>	<b>(8,810)</b>
<b>Liabilities, Net Asset Total</b>	<b>341,754</b>	<b>100.0</b>	<b>341,153</b>	<b>100.0</b>	<b>(600)</b>

## (2) Statements of Income

Millions of yen

	Year ended March 31, 2007		Year ended March 31, 2008		Change
Item	Amount	Composition Ratio (%)	Amount	Composition Ratio (%)	Amount
Net Sales	239,399	100.0	238,786	100.0	(613)
Cost of Sales	163,119	68.1	168,042	70.4	4,923
<b>Gross profit</b>	<b>76,280</b>	<b>31.9</b>	<b>70,743</b>	<b>29.6</b>	<b>(5,536)</b>
Selling, General and Administrative Expenses	65,674	27.5	66,758	27.9	1,083
<b>Operating income</b>	<b>10,605</b>	<b>4.4</b>	<b>3,984</b>	<b>1.7</b>	<b>(6,620)</b>
Non-operating Income	9,005	3.8	5,711	2.4	(3,294)
Interest income	189		392		
Interest on securities	4		7		
Dividend income	6,704		3,193		
Rent receivable	1,484		1,772		
Other	622		345		
Non-operating Expenses	4,664	2.0	12,120	5.1	7,455
Interest expenses	310		772		
Interest on bonds	159		79		
Donation	259		232		
Loss on disposal of inventories	914		5,356		
Loss on write-down of inventories	331		--		
Rent payable	1,174		1,481		
Damages	231		453		
Foreign exchange loss	307		2,233		
Foreign withholding tax	386		343		
Other	589		1,167		
<b>Ordinary income or loss</b>	<b>14,946</b>	<b>6.2</b>	<b>(2,424)</b>	<b>-1.0</b>	<b>(17,370)</b>
Extraordinary Income	85	0.0	2,100	0.9	2,014
Gain on sale of fixed assets	17		80		
Gain on sale of investments in marketable securities	52		115		
Government subsidy	--		1,903		
Other	15		--		
Extraordinary Losses	4,588	1.9	3,710	1.6	(877)
Loss on sale of fixed assets	2		20		
Loss on disposal of fixed assets	661		236		
Loss on investments in marketable securities	1,603		674		
Loss on restructuring of affiliate companies	740		57		
Impairment loss on software for sale	--		499		
Provision for doubtful accounts for affiliate companies	--		792		
Loss on impaired assets	--		848		
Quality assurance expense for production relocation	37		--		
Provision for loss in investment	1,509		--		
Other	33		580		
<b>Net income or loss before tax and other adjustments</b>	<b>10,443</b>	<b>4.4</b>	<b>(4,035)</b>	<b>-1.7</b>	<b>(14,478)</b>
Corporate, resident and enterprise tax	55	0.0	53	0.0	(1)
Adjustment of corporate tax, etc.	5,348	2.3	(1,956)	-0.8	(7,305)
<b>Net Income or Loss</b>	<b>5,039</b>	<b>2.1</b>	<b>(2,132)</b>	<b>-0.9</b>	<b>(7,171)</b>



### (3) Statements of Changes in Shareholders' Equity

Year ended March 31, 2007

Millions of yen

Millions of yen

	Shareholders' Equity						
	Capital	Capital Surplus		Retained Earnings		Treasury Stock	Shareholders' Equity Total
		Capital reserve	Other Capital Surplus	Revenue reserve	Other Retained Earnings		
March 31, 2006 balance	43,401	46,350	3,810	5,372	100,141	(4,361)	194,715
Fluctuations during the accounting period							
Dividend on retained earnings (Note)					(1,314)		(1,314)
Dividend on retained earnings					(1,971)		(1,971)
Net income					5,039		5,039
Acquisition of treasury stock						(24)	(24)
Disposal of treasury stock			0			1	2
Net fluctuations during the accounting period for items other than shareholders' equity							
Accounting period fluctuation total	--	--	0	--	1,754	(22)	1,732
March 31, 2007 balance	43,401	46,350	3,811	5,372	101,896	(4,384)	196,447

	Unrealized Gains from Appraisal/Adjustment, etc.			Net assets total
	Net unrealized gains on other securities	Gain on deferred hedge	Unrealized gains from appraisal/ adjustment, etc., total	
March 31, 2006 balance	14,601	--	14,601	209,317
Fluctuations during the accounting period				
Dividend on retained earnings (Note)				(1,314)
Dividend on retained earnings				(1,971)
Net income				5,039
Acquisition of treasury stock				(24)
Disposal of treasury stock				2
Net fluctuations during the accounting period for items other than shareholders' equity	(2,888)	9	(2,879)	(2,879)
Accounting period fluctuation total	(2,888)	9	(2,879)	(1,147)
March 31, 2007 balance	11,712	9	11,721	208,169

(Note) Profit appropriation items at the June 2006 annual general meeting of shareholders

Year ended March 31, 2008

Millions of yen

	Shareholders' Equity						
	Capital	Capital Surplus		Retained Earnings		Treasury Stock	Shareholders' Equity Total
		Capital reserve	Other Capital Surplus	Revenue reserve	Other Retained Earnings		
March 31, 2007 balance	43,401	46,350	3,811	5,372	101,896	(4,384)	196,447
Fluctuations during the accounting period							
Dividend on retained earnings					(4,074)		(4,074)
Net loss					(2,132)		(2,132)
Acquisition of treasury stock						(6,603)	(6,603)
Disposal of treasury stock			0			2	2
Net fluctuations during the accounting period for items other than shareholders' equity							
Accounting period fluctuation total	--	--	0	--	(6,207)	(6,601)	(12,808)
March 31, 2008 balance	43,401	46,350	3,812	5,372	95,689	(10,985)	183,639

	Unrealized Gains from Appraisal/Adjustment, etc.			Net assets total
	Net unrealized gains on other securities	Gain on deferred hedge	Unrealized gains from appraisal/ adjustment, etc., total	
March 31, 2007 balance	11,712	9	11,721	208,169
Fluctuations during the accounting period				
Dividend on retained earnings				(4,074)
Net loss				(2,132)
Acquisition of treasury stock				(6,603)
Disposal of treasury stock				2
Net fluctuations during the accounting period for items other than shareholders' equity	(8,803)	(7)	(8,810)	(8,810)
Accounting period fluctuation total	(8,803)	(7)	(8,810)	(21,618)
March 31, 2008 balance	2,908	2	2,910	186,550

## **Changes to Important Items that Serve as the Foundation for the Creation of Financial Statements**

### **(Change in Accounting Policy)**

Beginning with the current consolidated accounting period under review, the depreciation method based on the amended corporation tax law is applied to tangible fixed assets acquired on or after April 1, 2007.

This causes a 1,110 million yen decrease in operating income and a 1,154 million yen increase in both ordinary loss and net loss before taxes.

### **(Additional Information)**

As for the assets acquired on or before March 31, 2007, following an amendment to the corporation tax law, when the value of the asset is depreciated to 5% of the acquisition costs, the difference between the value and memorandum price is evenly depreciated for five years from the following consolidated accounting period. These figures are included in depreciation.

This causes a 268 million yen decrease in operating income, and a corresponding 268 million yen increase in both ordinary loss, and net loss before taxes.

### **Changes to the Method of Display**

Some account headings in the non-consolidated financial statements for the current accounting period under review have been reclassified.

### **(Statements of income)**

The new account heading “Government subsidy” has been added because it exceeds 10% of extraordinary income.

The government subsidy in the previous accounting period was 5 million yen.

The account heading “Quality assurance expense for production relocation” has been included in the Other item under the Extraordinary Losses section. The Quality assurance expense for production relocation in the current accounting period is 10 million yen.

### **(Statements of income)**

The new account heading “Government subsidy” has been added because it exceeds 10% of extraordinary income.

The government subsidy in the previous accounting period was 5 million yen.

The account heading “Provision for doubtful accounts for affiliate companies” has exceeded 10% of the extraordinary losses and been included in the Extraordinary Losses section starting this fiscal period. The “Provision for doubtful accounts for affiliate companies” included in the Other, Extraordinary Losses section in the previous accounting period was 21 million yen.

## 6. Other

### (1) Status of Production, Order Reception, and Sales

#### (1) Production results

Millions of yen

Name of segment by business type	Year ended March 31, 2007		Year ended March 31, 2008		Change	
	Amount	Composition Ratio (%)	Amount	Composition Ratio (%)	Amount	Change rate (%)
Industrial Automation and Control Business	312,325	72.5	322,215	74.1	9,890	3.2
Test and Measurement Business	78,427	18.2	68,717	15.8	(9,710)	-12.4
New and Other Businesses	39,985	9.3	44,032	10.1	4,047	10.1
Total	430,737	100.0	434,964	100.0	4,227	1.0

(Note) 1. Amounts are based on sales price.

2. Consumption tax is not included in the above amounts.

3. The segment information in the previous consolidated accounting period has been reclassified according to the grouping in the current consolidated accounting period.

#### (2) Order intake status

Millions of yen

Name of segment by business type	Year ended March 31, 2007		Year ended March 31, 2008		Change	
	Orders intake	Order backlog	Orders intake	Order backlog	Orders intake	Order backlog
Industrial Automation and Control Business	330,337	133,607	343,152	145,551	12,185	11,944
Test and Measurement Business	78,275	7,622	67,647	6,837	(10,628)	(785)
New and Other Businesses	47,937	28,489	44,273	24,853	(3,664)	(3,636)
Total	456,549	169,718	455,072	177,241	(1,477)	7,523

(Note) 1. Consumption tax is not included in the above amounts.

2. The segment information in the previous consolidated accounting period has been reclassified according to the grouping in the current consolidated accounting period.

#### (3) Sales results

Millions of yen

Name of segment by business type	Year ended March 31, 2007		Year ended March 31, 2008		Change	
	Amount	Composition Ratio (%)	Amount	Composition Ratio (%)	Amount	Change rate (%)
Industrial Automation and Control Business	312,332	72.1	322,222	73.7	9,890	3.2
Test and Measurement Business	78,545	18.1	68,771	15.7	(9,774)	-12.4
New and Other Businesses	42,528	9.8	46,455	10.6	3,927	9.2
Total	433,405	100.0	437,448	100.0	4,043	0.9

(Note) 1. Consumption tax is not included in the above amounts.

2. No customers account for 10% or more of total sales results.

3. Transactions between segments offset each other.

4. The segment information in the previous consolidated accounting period has been reclassified according to the grouping in the current consolidated accounting period.

**Consolidated Financial Statements for the Year Ended March 31, 2008**

Millions of yen

	Year ended March 31, 2007		Year ended March 31, 2008		Change	
	Amount	Ratio to Net Sales	Amount	Ratio to Net Sales	Amount	Ratio to Net Sales
Net Sales	433,405	--	437,448	--	4,043	--
Operating Income	29,274	6.8%	27,412	6.3%	(1,861)	-0.5%
Ordinary Income	29,616	6.8%	16,453	3.8%	13,162	-3.0%
Net Income	12,563	2.9%	11,667	2.7%	(895)	-0.2%
Total Assets	438,683		444,644		5,960	
Shareholders' Equity	238,902		224,844		(14,057)	
Net Income to Shareholders' Equity Ratio	5.5%		5.1%		-0.4%	
Net Income per Share	47.79 yen		44.76 yen		(3.03) yen	
Shareholders' Equity per Share	891.08 yen		856.72 yen		(34.36) yen	
Capital Investment	40,284		37,990		(2,294)	
Depreciation	16,483		23,129		6,646	
Research and Development Expenses	36,223		40,875		4,652	
Average Exchange Rate during the Term						
USD	117.00 yen		113.80 yen		(3.20) yen	
EUR	150.33 yen		162.26 yen		11.93 yen	

## Consolidated orders by segment

Millions of yen

	Year ended March 31, 2007	Year ended March 31, 2008	Year ending March 31, 2009 (Forecast)
Industrial Automation and Control Business	330,337	343,152	350,000
Test and Measurement Business	78,275	67,647	66,000
New and Other Businesses	47,937	44,273	44,000
Total	456,549	455,072	460,000

## Consolidated sales by segment

Millions of yen

	Year ended March 31, 2007	Year ended March 31, 2008	Year ending March 31, 2009 (Forecast)
Industrial Automation and Control Business	312,332	322,222	330,000
Test and Measurement Business	78,545	68,771	66,000
New and Other Businesses	42,528	46,455	44,000
Total	433,405	437,448	440,000

## Consolidated operating income by segment

Millions of yen

	Year ended March 31, 2007	Year ended March 31, 2008	Year ending March 31, 2009 (Forecast)
Industrial Automation and Control Business	35,427	39,069	40,000
Test and Measurement Business	1,165	(1,987)	(4,500)
New and Other Businesses	(7,318)	(9,670)	(9,500)
Total	29,274	27,412	26,000