

Consolidated Financial Results for the First Quarter of the Fiscal Year Ending March 31, 2008

July 26, 2007



Name of Listed Company: Yokogawa Electric Corporation
(URL <http://www.yokogawa.com>)

(Stock Code: 6841, Listed in TSE 1st Section)

Personnel to whom inquiries should be addressed:

Name and Position of the Representative:

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Name and Position of the Person in Charge:

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1. Consolidated Business Results for the First Quarter of the Fiscal Year Ending March 2008 (April 1 – June 30, 2007)

(1) Results of operations on a consolidated basis (Any amount less than one million yen is disregarded)

	Net Sales		Operating Income		Ordinary Income		Net Income	
	Million yen	%	Million yen	%	Million yen	%	Million yen	%
For the 1 st quarter of the year ending March 2008	83,482	20.0	(423)	–	(71)	–	(315)	–
For the 1 st quarter of the year ended March 2007	69,592	-1.9	(1,376)	–	(1,989)	–	(1,722)	–
(Reference) For the year ended March 2007	433,405	–	29,274	–	29,616	–	12,563	–

	Net Earnings per Share	Diluted Net Earnings per Share
	yen	yen
For the 1 st quarter of the year ending March 2008	(1.20)	–
For the 1 st quarter of the year ended March 2007	(6.55)	–
(Reference) For the year ended March 2007	47.79	–

Note: The percentages in the Net Sales, Operating Income, and other columns show the percentage increase/decrease since the 1st quarter of the preceding fiscal year.

(2) Financial conditions on a consolidated basis (Any amount less than one million yen is disregarded)

	Total Assets	Net Assets	Shareholders' Equity Ratio	Shareholders' Equity per Share
	Million yen	Million yen	%	Yen
For the 1 st quarter of the year ending March 2008	443,123	240,961	53.3	898.49
For the 1 st quarter of the year ended March 2007	408,024	225,296	54.1	839.16
(Reference) For the year ended March 2007	438,683	238,902	53.4	891.08

(3) Cash flows on a consolidated basis (Any amount less than one million yen is disregarded)

	Cash Flows from Operating Activities	Cash Flows from Investment Activities	Cash Flows from Financing Activities	Cash and Cash Equivalents at End of the Period
	Million yen	Million yen	Million yen	Million yen
For the 1 st quarter of the year ending March 2008	20,530	(12,832)	(1,664)	44,965
For the 1 st quarter of the year ended March 2007	23,818	(8,716)	(9,472)	47,393
(Reference) For the year ended March 2007	40,461	(39,038)	(6,096)	38,178

2. Business forecast for the year ending March 31, 2008 (April 1, 2007 – March 31, 2008)

No changes have been made to the forecasts except net income per share for the year ending March 31, 2008 announced on May 10, 2007.

Consolidated forecast for the year ending March 31, 2008

	Net Sales	Operating Income	Ordinary Income	Net Income	Net Income per Share
	Million yen	Million yen	Million yen	Million yen	Million yen
For the half year ending September 30, 2007	200,000 7.3%	10,000 10.3%	8,000 -30.1%	3,000 -25.7%	11.41
For the year ending March 31, 2008	450,000 3.8%	35,000 19.6%	30,000 1.3%	14,000 11.4%	53.26

Note: The above forecasts are based on the information that was available at the time this document was released and involve potential risks and uncertain factors such as currency fluctuations. Actual performance may vary greatly due to a variety of factors.

The percentages in the Net Sales, Operating Income, and other columns show the percentage increase/decrease since the same period of the preceding fiscal year.

3. Basis for Preparation of Quarterly Operating Results

- | | |
|---|-----|
| [1] Changes in the scope of consolidation and the application of the equity method of accounting: | No |
| [2] Introduction of simplified accounting method: | Yes |
| [3] Changes in the accounting methods since the most recent consolidated financial statement: | No |

*Please see page 4 for more detailed information.

1. Overview of consolidated business results for the first quarter of fiscal year 2007

In the first quarter of the Yokogawa Group's current fiscal year, consolidated sales were 83,482 million yen, up 13,890 million yen (20.0%) from the same quarter of the previous fiscal year. The operating loss was 423 million yen, an improvement of 952 million yen from the same quarter of the previous fiscal year. Although the depreciation and research and development expenses for new businesses were higher than in the same quarter of the previous fiscal year, this improvement came about as the result of an increase in the sales and profits of the industrial automation and control business and the test and measurement business. The ordinary loss was 71 million yen, an increase of 1,917 million yen, mainly due to higher non-operating income. This is attributed to an increase in the exchange gain due to the weakening of the Japanese yen against the US dollar. The net loss was 315 million yen, an improvement of 1,406 million yen from the same quarter of the previous year.

Orders and sales in the first quarter for the industrial automation and control business were up in comparison to the same quarter of the previous fiscal year. This is due to active investment in petroleum, petrochemical, and natural gas plants in the world market and active capital investment driven by replacement demand in Japan.

Sales for the test and measurement business also exceeded those of the same quarter of the previous fiscal year. This is due to increased sales for the FPD driver tester driven by a recovery of FPD driver IC market. On the other hand, orders for the test and measurement business were down from the same period of the previous year, mainly due to decreased orders for memory testers attributed to a slowdown in the capital expenditures of major customers.

Orders and sales in the first quarter for new and other businesses were lower than in the same quarter of the previous fiscal year. This is mainly due to the withdrawal from the part resale business.

The Group's sales tend to be higher in the last month of each half of the fiscal year (September for the first half and March for the second half), and this tendency is particularly strong with industrial automation and control business sales. It follows that sales in the first and third quarters are usually lower than those in the second and fourth.

2. Financial conditions on a consolidated basis

Financial results for the first quarter are as follows. These figures are provided in comparison with the end of the previous fiscal year.

As far as current assets are concerned, cash and cash equivalents increased by 6,957 million yen and inventories increased by 14,279 million yen, but notes and accounts receivable decreased by 29,517 million yen. Total current assets were 237,819 million yen, down 5,339 million yen from the previous fiscal year end.

Total fixed assets were 205,304 million yen, an increase of 9,779 million yen from the end of the previous fiscal year. The factors responsible for this increase include a 7,826 million yen increase in fixed assets.

Total liabilities were 202,162 million yen, up 2,381 million yen from the previous fiscal year. Although notes and account payable decreased by 5,467 million yen, this increase can be attributed in part to a 7,048 million yen increase in other current liabilities.

Net assets were 240,961 million yen, up 2,058 million yen from the previous fiscal year, and the equity ratio was 53.3%.

(Cash flow conditions)

Operating activities generated a cash inflow of 20,530 million yen. Despite a 13,303 million yen increase in inventories and a 7,990 million yen decrease in trade payable, positive factors such as a 5,067 million yen depreciation expense and a 36,504 million yen decrease in accounts receivable were the reasons behind this.

Investment activities generated a cash outflow of 12,832 million yen, partly due to 10,749 million yen for the acquisition of tangible fixed assets.

Financing activities generated a cash outflow of 1,664 million yen, mainly because of dividend payments of 1,863 million yen.

As a result of the above mentioned activities, cash and cash equivalents at the end of the first quarter of this fiscal year totaled 44,965 million yen, an increase of 6,786 million yen from the previous fiscal year.

3. Others

1. Changes in the scope of consolidation and the application of the equity method of accounting:

Not applicable

2. Introduction of simplified accounting method:

A simplified calculation method has been applied to the recognition of tax expenses and others.

3. Change in the accounting methods since the most recent consolidated financial statement:

Not applicable

[Reference]

1. Consolidated Balance Sheets

Item	For the 1st quarter of the year ending March 2008	For the 1st quarter of the year ended March 2007	Change		(Reference) For the year ended March 2007
	Amount (million yen)	Amount (million yen)	Amount (million yen)	Change (%)	Amount (million yen)
Assets					
1. Current Assets					
Cash on hand and in bank	45,777	48,017			38,819
Notes and accounts receivable	104,962	95,156			134,480
Inventories	64,412	60,709			50,133
Other current assets	22,666	22,229			19,725
Total current assets	237,819	226,113	11,705	5.2	243,158
2. Fixed Assets					
Tangible fixed assets	116,957	92,183			109,131
Intangible fixed assets	15,399	11,456			14,275
Investment and other assets	72,947	78,270			72,118
Total fixed assets	205,304	181,911	23,393	12.9	195,525
Total assets	443,123	408,024	35,098	8.6	438,683
Liabilities					
1. Current liabilities					
Notes and accounts payable	35,876	33,869			41,344
Current portion of long term bonds	20,000	—			20,000
Short-term bank loans	19,741	9,185			18,356
Other current liabilities	81,535	66,155			74,487
Total current liabilities	157,154	109,210	47,943	43.9	154,188
2. Long-term liabilities					
Long-term bonds	—	20,000			—
Long-term bank loans	20,936	24,153			21,273
Reserve for retirement payments	6,139	7,407			6,223
Other long-term liabilities	17,931	21,956			18,095
Total long-term liabilities	45,008	73,517	(28,509)	-38.8	45,593
Total liabilities	202,162	182,728	19,434	10.6	199,781

Item	For the 1st quarter of the year ending March 2008	For the 1st quarter of the year ended March 2007	Change		(Reference) For the year ended March 2007
	Amount (million yen)	Amount (million yen)	Amount (million yen)	Change (%)	Amount (million yen)
(Net Assets)					
Shareholders' equity					
1. Common stock	43,401	43,401	—	—	43,401
2. Additional paid-in capital	50,355	50,348	6	0.0	50,355
3. Retained earnings	130,366	120,233	10,132	8.4	132,603
4. Treasury stock	(4,392)	(4,382)	(10)	—	(4,389)
Total shareholders' equity	219,729	209,601	10,128	4.8	221,970
Evaluation and translation adjustments					
1. Variances on securities valuations	13,293	13,797	(504)	-3.7	11,926
2. Deferred hedge income	22	27	(5)	-18.1	6
3. Foreign currency translation adjustments	3,154	(2,826)	5,980	—	348
Total evaluation and translation adjustments	16,469	10,998	5,470	49.7	12,281
Minority interests in consolidated subsidiaries	4,761	4,696	65	1.4	4,650
Total Net Assets	240,961	225,296	15,664	7.0	238,902
Total liabilities and net assets	443,123	408,024	35,098	8.6	438,683

2. Consolidated Statements of Income

Item	For the 1st quarter of the year ending March 2008	For the 1st quarter of the year ended March 2007	Change		(Reference) For the year ended March 2007
	Amount (million yen)	Amount (million yen)	Amount (million yen)	Change (%)	Amount (million yen)
1. Net sales	83,482	69,592	13,890	20.0	433,405
2. Cost of sales	53,030	43,791	9,238	21.1	275,948
Gross profit	30,452	25,801	4,651	18.0	157,456
3. Selling, general, and administrative expenses	30,876	27,177	3,698	13.6	128,181
Operating income or loss	(423)	(1,376)	952	—	29,274
4. Non-operating income	1,304	872	431	49.5	7,592
5. Non-operating expenses	952	1,485	(533)	-35.9	7,251
Ordinary income or loss	(71)	(1,989)	1,917	—	29,616
6. Extraordinary income	1,089	93	996	—	540
7. Extraordinary loss	629	123	505	407.7	5,035
Profit or loss before income taxes	388	(2,019)	2,408	—	25,120
Corporate tax, etc.	633	(402)	1,036	—	11,853
Minority shareholders' gain	71	105	(34)	-32.3	703
Net income or loss	(315)	(1,722)	1,406	—	12,563

3. Consolidated Cash Flow Statements

	For the 1st quarter of the year ending March 2008	For the 1st quarter of the year ended March 2007	(Reference) For the year ended March 2007
Item	Amount (million yen)	Amount (million yen)	Amount (million yen)
1. Cash flow from operating activities			
Net income or loss for the period under review before tax and other adjustments	388	(2,019)	25,120
Depreciation	5,067	3,794	16,483
Increase in accrued bonuses	3,904	4,342	1,563
Decrease in accounts receivable	36,504	37,531	689
Changes in inventories	(13,303)	(15,729)	(4,175)
Decrease in trade payable	(7,990)	(5,516)	965
Other	(2,515)	2,059	208
Subtotal	22,057	24,461	40,856
Interest and dividend income received	1,294	1,222	5,645
Interest expenses paid	(240)	(127)	(1,076)
Income taxes paid	(2,580)	(1,738)	(4,964)
Total net cash provided by operating activities	20,530	23,818	40,461
2. Cash flow from investment activities			
Payments for purchase of property, plant, and equipment	(10,749)	(5,477)	(27,244)
Proceeds from sales of property, plant, and equipment	26	463	1,289
Payment for purchase of intangible fixed assets	(2,080)	(813)	(6,127)
Payments for purchase of investments in marketable securities	(1,548)	(236)	(2,588)
Proceeds from sales of investments in marketable securities	2,000	35	106
Other	(480)	(2,687)	(4,474)
Total net cash provided by investment activities	(12,832)	(8,716)	(39,038)
3. Cash flow from financing activities			
Net decrease in short-term loans	387	(3,219)	(4,812)
Net decrease in long-term loans	(27)	(2)	(542)
Dividend payment	(1,863)	(1,253)	(3,289)
Other	(160)	(4,996)	2,548
Total net cash provided by financing activities	(1,664)	(9,472)	(6,096)
4. Effect of exchange rate on cash and cash equivalents	746	139	1,220
5. Net change in cash and cash equivalents	6,780	5,768	(3,452)
6. Cash and cash equivalents at the beginning of the period	38,178	41,565	41,565
7. Increase in cash and cash equivalents due to changes in scope of consolidated subsidiaries	6	60	66
8. Cash and cash equivalents at the end of the period	44,965	47,393	38,178