

Consolidated Financial Results for First Three Quarters of Fiscal Year Ending March 31, 2008



January 31, 2008

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:

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1. Consolidated Business Results for First Three Quarters of Fiscal Year Ending March 2008

(April 1 – December 31, 2007) (any amount less than one million yen is disregarded)

(1) Results of operations on a consolidated basis

	Net Sales		Operating Income		Ordinary Income		Net Income	
	Million yen	%	Million yen	%	Million yen	%	Million yen	%
For first three quarters of year ending March 2008	292,459	7.7	9,083	-28.4	5,139	-64.8	1,910	-64.0
For first three quarters of year ended March 2007	271,482	7.1	12,682	42.4	14,597	49.6	5,307	105.9
(Reference) For year ended March 2007	433,405	-	29,274	-	29,616	-	12,563	-

	Net Earnings per Share	Diluted Net Earnings per Share
	Yen	Yen
For first three quarters of year ending March 2008	7.30	-
For first three quarters of year ended March 2007	20.19	-
(Reference) For year ended March 2007	47.79	-

Note: The percentages show the increase/decrease in relation to the first three quarters of the previous fiscal year.

(2) Financial conditions on a consolidated basis

	Total Assets	Net Assets	Shareholders' Equity Ratio	Net Assets per Share
	Million yen	Million yen	%	Yen
For first three quarters of year ending March 2008	438,275	224,956	50.4	857.09
For first three quarters of year ended March 2007	405,854	230,584	55.6	858.88
(Reference) For year ended March 2007	438,683	238,902	53.4	891.08

(3) Cash flows on a consolidated basis

	Cash Flows from Operating Activities	Cash Flows from Investment Activities	Cash Flows from Financing Activities	Cash and Cash Equivalents at End of Period
	Million yen	Million yen	Million yen	Million yen
For first three quarters of year ending March 2008	8,709	(42,285)	25,680	30,463
For first three quarters of year ended March 2007	17,976	(23,953)	(11,934)	24,450
(Reference) For year ended March 2007	40,461	(39,038)	(6,096)	38,178

2. Dividends

	Dividend per Share		
	Interim	End of Fiscal Year	Annual Total
	Yen	Yen	Yen
For year ended March 2007	7.50	7.50	15.00
For year ending March 2008	8.00	-	16.00
For year ending March 2008 (plan)	-	8.00	

3. Business Forecast for Year Ending March 31, 2008 (April 1, 2007 – March 31, 2008)

The below forecast is the same as the business forecast announced on October 31, 2007.

	Net Sales	Operating Income	Ordinary Income	Net Income	Net Income per Share
	Million yen %	Million yen %	Million yen %	Million yen %	Yen
For year ending March 2008	450,000 3.8	31,000 5.9	24,000 -19.0	12,000 -4.5	46.59

4. Others

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

2. Introduction of simplified accounting method? Yes

3. Change in the accounting methods since the most recent consolidated financial statement? No

Notes:

For details, please refer to Qualitative Information and Financial Statements on page 3 and 3. Others on page 5.

The above forecast is 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.

Qualitative Information and Financial Statements

1. Consolidated Business Results

Overview of consolidated business results for first three quarters of fiscal year 2007

In the first three quarters of the Yokogawa Group's current fiscal year, consolidated sales were 292.4 billion yen, up 7.7% from the same period of the previous fiscal year. Operating income was 9.0 billion yen, down 28.4% from the same period of the previous fiscal year. Ordinary income was 5.1 billion yen, down 64.8% from the same period of the previous fiscal year. Net income was 1.9 billion yen, down 64% from the same period of the previous fiscal year.

The decrease in ordinary income and net income from the previous fiscal year is attributed to a decrease in the operating income, a temporary increase last year in the dividend income, and an increase in foreign exchange losses arising from the appreciation of the Japanese yen.

Overview of business results by segment

Subsequent to the release of the consolidated financial statements for the first half of the year ending March 31, 2008, Yokogawa's business segments were redefined. For further information, see 4. Segment Information.

Industrial Automation and Control Business

In the industrial automation and control business, which centers on production control systems for plants, investment in energy-related projects remained active mainly outside Japan. In this market environment, the business continued to operate at a high level and the company received orders for power plant control systems and large-scale oil refinery systems from customers outside Japan.

As a result, sales were 216.6 billion yen, up 14.8% from the same period of the previous year, and operating income was 20.7 billion yen, up 17.1% from the same period of the previous fiscal year.

Test and Measurement Business

In the semiconductor tester business of the test and measurement business, although investment in memory testers was favorable, investment in flat panel display (FPD) driver ICs was weak. As a result, conditions were weak for the entire semiconductor tester business. In the communications and measurement equipment business, although the power meter and optical measuring instrument business was favorable, the trend for waveform measuring instruments was weak. Consequently, conditions were weak for the entire communications and measurement business.

As a result, sales were 45.3 billion yen, down 14.9% from the same period of the previous fiscal year, and there was an operating loss of 3.6 billion yen. (Operating income in the same period of the previous fiscal year was 231 million yen.)

New and Other Businesses

The photonics business addressed the mass production of optical communications equipment that enables ultra high-speed and large-capacity communications. This is essential for increasing orders and sales in the future. The business results were weak due to a delay in constructing next-generation communication networks. In the advanced stage business, sales were up compared to the same period of the previous fiscal year, but orders fell for X-Y stages (used with semiconductor testing and manufacturing instruments) due to delayed investments by customers. Despite these circumstances, we continue to actively invest in the new businesses. Both R&D expenditures and depreciation were up compared to the same period of the previous fiscal year.

As a result of the above factors, sales were 30.3 billion yen, up 3.1% from the same period of the previous fiscal year, and there was an 8.0 billion yen operating loss. (The operating loss in the same period of the previous fiscal year was 5.3 billion yen.)

2. Consolidated Financial Position

Financial results for the first three quarters are as follows. The figures are provided in comparison with the end of the previous fiscal year.

Total current assets came to 226.7 billion yen, down 16.4 billion yen. This is mainly attributed to a 16.4 billion yen increase in inventories, a 7.3 billion yen decrease in cash and cash equivalents, a 21.5 billion yen decrease in notes and account receivables, and a 4.2 billion yen decrease in current deferred tax assets. Total fixed assets were 211.5 billion yen, up 16.0 billion yen. This is mainly due to a 6.1 billion yen increase in tangible assets, a 4.6 billion yen decrease in intangible assets, and an 8.8 billion yen increase in deferred tax assets.

Total liabilities were 213.3 billion yen, up 13.5 billion yen. Despite a 20.0 billion yen redemption of bonds, liabilities were up because of an 11.8 billion yen increase in short-term bank loans and a 24.9 billion yen increase in long-term bank loans.

Net assets came to 224.9 billion yen, down 13.9 billion yen, due to the buying back of 6.6 billion yen in shares and a decrease of 5.1 billion yen in net unrealized gain on other securities that was due to a decline of the market price. As a result, the shareholders' equity ratio was 50.4%.

(Cash flow conditions)

Operating activities generated a positive cash flow of 8.7 billion yen. The positive factors leading to cash inflow included 16.9 billion yen in depreciation expenses and a 30.3 billion yen decrease in notes and accounts receivable. Negative factors leading to cash outflows included a 12.0 billion yen decrease in accrued bonuses, a 16.2 billion yen increase in inventories, a 7.2 billion yen decrease in accounts payable, and a 5.0 billion yen net cash outflow for income tax.

Investment activities generated a cash outflow of 42.2 billion yen. This was mainly due to a 30.6 billion yen cash outflow for the acquisition of tangible assets, a 6.9 billion yen cash outflow for the acquisition of intangible assets, and a 6.8 billion yen cash outflow for the acquisition of securities.

Financing activities generated a cash inflow of 25.6 billion yen. Despite a 20.0 billion yen redemption of bonds, this was mainly due to the raising of funds through the issuance of 20.0 billion yen in commercial paper and the taking out of 25.5 billion yen in long-term bank loans.

As a result, cash and cash equivalents at the end of the third quarter came to 30.4 billion yen, down 7.7 billion yen from the end of the previous fiscal year.

3. Others

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

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: No

[Reference]

1. Consolidated Balance Sheets

Item	For third quarter of year ended March 2007	For third quarter of year ending March 2008	Change		(Reference) For 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	25,159	31,449			38,819
Notes and accounts receivable	107,031	112,918			134,480
Inventories	64,270	66,540			50,133
Other current assets	23,696	15,821			19,725
Total current assets	220,157	226,730	6,572	3.0	243,158
2. Fixed assets					
Tangible fixed assets	101,449	115,255			109,131
Intangible fixed assets	11,857	18,894			14,275
Investment and other assets	72,390	77,395			72,118
Total fixed assets	185,696	211,545	25,849	13.9	195,525
Total assets	405,854	438,275	32,421	8.0	438,683
Liabilities					
1. Current liabilities					
Notes and accounts payable	34,116	34,723			41,344
Short-term bank loans	18,986	30,176			18,356
Current portion of long-term bonds	20,000	-			20,000
Other current liabilities	62,546	82,930			74,487
Total current liabilities	135,650	147,830	12,180	9.0	154,188
2. Long-term liabilities					
Long-term bank loans	14,339	46,178			21,273
Reserve for retirement payments	7,207	5,747			6,223
Other long-term liabilities	18,071	13,562			18,095
Total long-term liabilities	39,619	65,488	25,868	65.3	45,593
Total liabilities	175,269	213,318	38,049	21.7	199,781

Item	For third quarter of year ended March 2007	For third quarter of year ending March 2008	Change		(Reference) For year ended March 2007
	Amount (million yen)	Amount (million yen)	Amount (million yen)	Change (%)	Amount (million yen)
(Net assets)					
1. Shareholders' equity					
(1) Capital	43,401	43,401	-	-	43,401
(2) Capital surplus	50,355	50,355	0	0.0	50,355
(3) Earned surplus	125,224	130,371	5,146	4.1	132,603
(4) Treasury stock	(4,383)	(10,989)	(6,606)	-	(4,389)
Total shareholders' equity	214,597	213,138	(1,459)	-0.7	221,970
2. Unrealized gains from appraisal/adjustment, etc.					
Net unrealized gains on other securities	12,444	6,753	(5,690)	-45.7	11,926
Gain on deferred hedge	0	2	1	148.6	6
Foreign currency translation adjustments	(1,251)	875	2,127	-	348
Total unrealized gains from appraisal/adjustment, etc.	11,193	7,631	(3,561)	-31.8	12,281
3. Minority interests	4,793	4,186	(607)	-12.7	4,650
Total net assets	230,584	224,956	(5,627)	-2.4	238,902
Total liabilities and net assets	405,854	438,275	32,421	8.0	438,683

2. Consolidated Statements of Income

Item	For first three quarters of year ended March 2007	For first three quarters of year ending March 2008	Change		(Reference) For year ended March 2007
	Amount (million yen)	Amount (million yen)	Amount (million yen)	Change (%)	Amount (million yen)
1. Net sales	271,482	292,459	20,976	7.7	433,405
2. Cost of sales	171,464	185,889	14,425	8.4	275,948
Gross profit	100,018	106,569	6,551	6.6	157,456
3. Selling, general, and administrative expenses	87,336	97,485	10,149	11.6	128,181
Operating income	12,682	9,083	(3,598)	-28.4	29,274
4. Non-operating income	5,757	2,080	(3,676)	-63.9	7,592
5. Non-operating expenses	3,842	6,025	2,182	56.8	7,251
Ordinary income	14,597	5,139	(9,457)	-64.8	29,616
6. Extraordinary income	384	1,488	1,104	287.3	540
7. Extraordinary losses	3,107	2,249	(857)	-27.6	5,035
Profit before income taxes	11,874	4,378	(7,496)	-63.1	25,120
Corporate tax, etc.	6,324	2,093	(4,230)	-66.9	11,853
Minority shareholders' income (deduction)	242	373	131	54.0	703
Net income	5,307	1,910	(3,396)	-64.0	12,563

3. Consolidated Cash Flow Statements

	For third quarter of year ended March 2007	For third quarter of year ending March 2008	(Reference) For year ended March 2007
Item	Amount (million yen)	Amount (million yen)	Amount (million yen)
1. Cash flows from operating activities			
Net income for the period under review before tax and other adjustments	11,874	4,378	25,120
Depreciation	11,687	16,941	16,483
Changes in accrued bonus	(9,903)	(12,058)	1,563
Changes in trade receivables	30,879	30,387	689
Changes in inventories	(18,748)	(16,258)	(4,175)
Decrease in trade payables	(5,412)	(7,278)	965
Other	(2,784)	(3,152)	208
Subtotal	17,591	12,959	40,856
Interest and dividend income received	5,061	1,635	5,645
Interest expenses paid	(594)	(875)	(1,076)
Income taxes paid or refunded	(4,082)	(5,010)	(4,964)
Cash flows from operating activities	17,976	8,709	40,461
2. Cash flows from investment activities			
Acquisition of tangible fixed assets	(18,254)	(30,632)	(27,244)
Proceeds from sale of tangible fixed assets	884	1,326	1,289
Acquisition of intangible fixed assets	(3,125)	(6,918)	(6,127)
Acquisition of investments in marketable securities	(279)	(6,851)	(2,588)
Proceeds from sale of investments in marketable securities	167	2,506	106
Other	(3,346)	(1,716)	(4,474)
Cash flows from investment activities	(23,953)	(42,285)	(39,038)
3. Cash flows from financing activities			
Change in short-term bank borrowing, etc.	(3,343)	11,199	(4,812)
Net reduction in balance of commercial paper	(5,000)	20,000	(5,000)
Proceeds from borrowing of long-term debt	100	25,510	8,097
Payment for redemption of corporate bonds	-	(20,000)	—
Cash dividends paid	(3,271)	(4,044)	(3,289)
Other	(420)	(6,984)	(1,091)
Cash flows from financing activities	(11,934)	25,680	(6,096)
4. Effect of exchange rate change on cash and cash equivalents	730	41	1,220
5. Net change in cash and cash equivalents	(17,180)	(7,853)	(3,452)
6. Cash and cash equivalents at the beginning of the period	41,565	38,178	41,565
7. Increase in cash and cash equivalents due to changes in scope of consolidated subsidiaries	66	138	66
8. Cash and cash equivalents at the end of the period	24,450	30,463	38,178

4. Segment Information

Consolidated Business Results by Segment for First Three Quarters of Fiscal Year Ending March 31, 2008
(April 1 – December 31, 2007)

	Industrial Automation and Control Business	Test and Measurement Business	New and Other Businesses	Total
	Million yen	Million yen	Million yen	Million yen
Sales	216,695	45,388	30,376	292,459
Operating income	20,788	(3,637)	(8,068)	9,083

Notes:

Starting with this report for the first three quarters of the fiscal year ending March 31, 2008, the segment information for the quarterly consolidated business results is disclosed.

In the consolidated financial statements for the year ended March 31, 2007, our businesses were segmented as follows: measurement/control/information and other businesses. These segments were subsequently aligned with a system that was being used for internal control purposes to calculate profits and losses by product groups. Under this system, product groups and market features are taken into account, showing more accurately the profitability and growth opportunity for each business. The new segments are IA and control, test and measurement, and new and other businesses.

Using the new segments, the segment information for the first three quarters of the previous fiscal year as well as the full year would be as follows:

Consolidated Business Results by Segment for First Three Quarters of Fiscal Year Ended March 31, 2007
(April 1 – December 31, 2006)

	Industrial Automation and Control Business	Test and Measurement Business	New and Other Businesses	Total
	Million yen	Million yen	Million yen	Million yen
Sales	188,689	53,329	29,464	271,482
Operating income	17,760	231	(5,309)	12,682

Reference

Consolidated Business Results by Segment for Fiscal Year Ended March 31, 2007
(April 1, 2006 – March 31, 2007)

	Industrial Automation and Control Business	Test and Measurement Business	New and Other Businesses	Total	Eliminated or entire company	Consolidated
	Million yen	Million yen	Million yen	Million yen	Million yen	Million yen
Sales	312,452	78,545	42,528	433,525	(120)	433,405
Operating expenses	277,024	77,379	49,847	404,250	(120)	404,130
Operating income	35,427	1,165	(7,318)	29,274	-	29,274

(Reference) Quarterly Consolidated Statements of Income

Item	For first quarter of year ending March 2008		For second quarter of year ending March 2008		For third quarter of year ending March 2008	
	Amount (million yen)	%	Amount (million yen)	%	Amount (million yen)	%
1. Net sales	83,482	100.0	120,800	100.0	88,175	100.0
2. Cost of sales	53,030	63.5	76,519	63.3	56,339	63.9
Gross profit	30,452	36.5	44,281	36.7	31,835	36.1
3. Selling, general, and administrative expenses	30,876	37.0	35,093	29.1	31,516	35.7
Operating income	(423)	-0.5	9,187	7.6	319	0.4
4. Non-operating income	1,304	1.6	308	0.3	468	0.5
5. Non-operating expenses	952	1.2	3,705	3.1	1,368	1.6
Ordinary income	(71)	-0.1	5,791	4.8	(580)	-0.7
6. Extraordinary income	1,089	1.3	264	0.2	134	0.2
7. Extraordinary losses	629	0.7	1,412	1.2	207	0.2
Profit before income taxes	388	0.5	4,643	3.8	(653)	-0.7
Corporate tax, etc.	633	0.8	1,325	1.1	134	0.2
Minority shareholders' income (deduction)	71	0.1	283	0.2	19	0.0
Net income	(315)	-0.4	3,034	2.5	(807)	-0.9