

Consolidated Financial Results for the First Quarter of the Fiscal Year Ending March 31, 2006



July 26, 2005

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:

Isao Uchida, President and Chief Executive Officer

Name and Position of the Person in Charge:

Masatoshi Okabe, General Manager of Public and Investor
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1 . Basis for Preparation of Quarterly Operating Results

[1] Changes in the accounting policy since the previous consolidated financial statement: Yes

- Accounting shortcuts have been partially applied to the calculation of corporate tax, etc.

[2] Changes in the accounting methods since the most recent consolidated financial statement: Yes

- This fiscal year, we adopted the Accounting Standard for Impairment of Fixed Assets (Opinion Concerning Establishment of Accounting Standard for Impairment of Fixed Assets, issued by the Business Accounting Deliberation Council on August 9, 2002) and the Implementation Guidance for the Accounting Standard for Impairment of Fixed Assets (Financial Accounting Standard Implementation Guidance No. 6, issued by the Accounting Standards Board of Japan on October 31, 2003). As a result, the income before income taxes has decreased by 2,988 million yen.

[3] Changes in the scope of consolidation and the application of the equity method of accounting: Yes

Newly included consolidated subsidiaries: 1

2 . Consolidated Business Results for the First Quarter of the Fiscal Year Ending March 2006 (April 1 – June 30, 2005)

(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 2006	70,942	-7.1	(1,454)	-	(1,417)	-	(5,679)	-
For the 1 st quarter of the year ended March 2005	76,399	12.8	1,636	-	1,409	-	307	-
(Reference) For the year ended March 2005	387,053		24,756		22,401		9,372	

	Net Earnings per Share	Diluted Net Earnings per Share
	yen	yen
For the 1 st quarter of the year ending March 2006	(23.35)	(21.59)
For the 1 st quarter of the year ended March 2005	1.26	1.24
(Reference) For the year ended March 2005	38.43	35.53

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.

[Overview of consolidated business results for the first quarter of fiscal year 2005]

In the first quarter of the Yokogawa Group's current fiscal year, consolidated sales were 70,942 million yen, down 5,456 million yen (7.1%) from the same quarter of the previous fiscal year. Operating loss and ordinary loss were 1,454 million yen (a decrease of 3,090 million yen from the previous fiscal year) and 1,417 million yen (a decrease of 2,826 million yen), respectively. These losses can be attributed mainly to a decrease in income as well as in profits for the semiconductor tester business, which is an integral part of the measurement business. Increased sales in the industrial automation and control business in Japan and other countries were not enough to cover these losses. In addition, we introduced the Accounting Standard for Impairment of Fixed Assets this fiscal year, which resulted in an extraordinary loss of 2,988 million yen. Consequently, the net loss for the first quarter was 5,679 million yen (a 5,986 million yen decrease in income from the previous fiscal year).

Industrial automation and control business sales, the core of the Group's business, showed steady growth overall. As in the previous quarter, investment in the construction of petroleum, petrochemical, and natural gas plants was strong in overseas markets, and the Japanese market also saw active capital investment driven mainly by replacement demand. On the other hand, in semiconductor-related markets, a key segment of the Group's measurement instruments business, development and capital investment has been stagnant since the end of the previous fiscal year and bottomed out in the first quarter. Though there are signs of recovery in the number of orders that we have received, sales of memory testers and LCD driver testers are down from the previous fiscal year, contributing to the overall decrease in the semiconductor tester business sales.

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

(Any amount less than one million yen is disregarded)

	Total Assets	Shareholders' Equity	Shareholders' Equity Ratio	Shareholders' Equity per Share
	Million yen	Million yen	%	yen
For the 1 st quarter of the year ending March 2006	380,694	162,265	42.6	667.19
For the 1 st quarter of the year ended March 2005	393,308	160,263	40.7	658.77
(Reference) For the year ended March 2005	400,268	168,751	42.2	693.75

【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 2006	14,731	(4,285)	(12,969)	37,786
For the 1 st quarter of the year ended March 2005	11,418	(5,885)	(1,094)	38,810
(Reference) For the year ended March 2005	18,275	(11,221)	(1,305)	40,091

[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, inventories increased by 9,436 million yen, but notes and accounts receivable decreased by 20,851 million yen. Total current assets were 216,663 million yen, down 16,978 million yen from the previous fiscal year end.

Total fixed assets were 164,031 million yen, down 2,595 million yen from the end of the previous fiscal year. The factors responsible for this decrease include an extraordinary loss of 2,900 million yen resulting from the adoption of the Accounting Standard for Impairment of Fixed Assets.

Total liabilities were 214,029 million yen, down 12,972 million yen from the previous fiscal year. Contributing to this improvement were a 9,606 million yen decrease in notes and accounts payable and a 3,751 million yen decrease in short- and long-term loans.

The shareholders' equity was 162,265 million yen and the shareholders' equity ratio was 42.6%.

(Cash flow conditions)

Cash and cash equivalents at the end of the first quarter of this fiscal year were 37,700 million yen, down 2,300 million yen from the previous fiscal year.

Operating activities generated a cash inflow of 14,700 million yen despite a 4,600 million yen loss before income taxes, a 9,100 million yen decrease in inventory, and a 9,600 million yen decrease in trade payable; however, positive factors such as a 23,400 million yen decrease in accounts receivable and a 4,700 million yen increase in accrued bonuses compensated for these negative factors and contributed to the gain.

Investment activities generated a cash outflow of 4,200 million yen, partly due to expenses of 2,700 million yen for the acquisition of fixed tangible assets.

Financing activities generated a cash outflow of 12,900 million yen, mainly because of commercial paper payments of 8,000 million yen and a 3,900 million yen decrease in short-term loans.

(Reference) Business forecast for the year ending March 31, 2006 (April 1, 2005 – March 31, 2006)

No changes have been made to the forecasts announced on May 10, 2005 for the first half-year and the whole fiscal year.

	Net Sales	Ordinary Income	Net Income
	Million yen	Million yen	Million yen
For the half year ending September 2005	180,000	8,000	3,000
For the year ending March 2006	400,000	30,000	15,000

Note: The statements provided herein are based on the information that was available at the time this document was drawn up. Actual business results may differ significantly from such forecasts depending on a variety of factors.

[Reference]

1. Consolidated Balance Sheets

Item	For the first quarter of the year ending March 2006	For the first quarter of the year ended March 2005	Change		(Reference) For the year ended March 2005
	Amount (million yen)	Amount (million yen)	Amount (million yen)	Change (%)	Amount (million yen)
Assets					
1. Current Assets					
Cash on hand and in bank	38,408	39,363			40,720
Notes and accounts receivable	96,065	92,726			116,916
Inventories	60,572	63,939			51,136
Other current assets	21,615	26,836			24,867
Total current assets	216,663	222,864	(6,201)	-2.8	233,641
2. Fixed Assets					
Tangible fixed assets	75,276	78,297			77,825
Intangible fixed assets	12,895	12,846			13,627
Investment and other assets	75,859	79,300			75,173
Total fixed assets	164,031	170,444	(6,412)	-3.8	166,626
Total assets	380,694	393,308	(12,613)	-3.2	400,268
Liabilities					
1. Current liabilities					
Notes and accounts payable	27,979	30,892			37,585
Short-term bank loans	11,625	12,953			14,244
Other current liabilities	66,042	61,451			64,676
Total current liabilities	105,647	105,297	350	0.3	116,506
2. Long-term liabilities					
Long-term bonds	50,000	50,000			50,000
Long-term bank loans	26,908	36,335			28,040
Reserve for retirement payments	5,133	16,243			6,099
Other long-term liabilities	26,340	21,505			26,354
Total long-term liabilities	108,382	124,085	(15,703)	-12.7	110,494
Total liabilities	214,029	229,382	(15,352)	-6.7	227,001
(Minority interests in consolidated subsidiaries)					
Minority interests in consolidated subsidiaries	4,399	3,663	736	20.1	4,515
(Shareholders' equity)					
1. Common stock	32,306	32,306	-	-	32,306
2. Additional paid-in capital	35,463	35,446	16	0.0	35,463
3. Retained earnings	100,018	98,552	1,465	1.5	106,663
4. Variances on securities valuations	8,039	8,078	-39	-0.5	8,374
5. Foreign currency translation adjustments	(5,375)	(6,048)	672	-	(5,871)
6. Treasury stock	(8,186)	(8,072)	(113)	-	(8,184)
Total shareholders' equity	162,265	160,263	2,002	1.3	168,751

Total liabilities and Stockholders' equity	380,694	393,308	(12,613)	-3.2	400,268
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2. Consolidated Statements of Income

Item	For the first quarter of the year ending March 2006	For the first quarter of the year ended March 2005	Change		(Reference) For the year ended March 2005
	Amount (million yen)	Amount (million yen)	Amount (million yen)	Change (%)	Amount (million yen)
1. Net sales	70,942	76,399	(5,456)	-7.1	387,053
2. Cost of sales	46,157	48,249	(2,091)	-4.3	250,035
Gross profit	24,784	28,150	(3,365)	-12.0	137,018
3. Selling, general, and administrative expenses	26,239	26,513	(274)	-1.0	112,261
Operating income or loss	(1,454)	1,636	(3,090)	-	24,756
4. Non-operating income	747	902	(155)	-17.2	3,646
5. Non-operating expenses	710	1,130	(419)	-37.1	6,001
Ordinary income or loss	(1,417)	1,409	(2,826)	-	22,401
6. Extraordinary income	82	81	0	1.0	3,481
7. Extraordinary loss	3,346	890	2,456	275.9	11,467
Profit or loss before income taxes	(4,681)	600	(5,281)	-	14,416
Corporate tax, etc.	890	199	691	347.0	4,234
Minority shareholders' gain	107	93	13	14.1	808
Net income or loss	(5,679)	307	(5,986)	-	9,372

3. Consolidated Cash Flow Statements

	For the first quarter of the year ending March 2006	For the first quarter of the year ended March 2005	(Reference) For the year ended March 2005
Item	Amount (million yen)	Amount (million yen)	Amount (million yen)
1. Cash flow from operating activities			
Net profit or loss for the period under review before tax and other adjustments	(4,681)	600	14,416
Depreciation	3,396	3,299	14,331
Increase in accrued bonuses	4,705	5,725	1,186
Decrease in accounts receivable	23,465	22,567	974
Changes in inventories	(9,171)	(12,017)	743
Decrease in trade payable	(9,673)	(5,928)	(7,982)
Other	6,738	(3,106)	(5,036)
Subtotal	14,779	11,139	18,632
Interest and dividend income received	1,429	1,567	3,401
Interest expenses paid	(134)	(173)	(866)
Income taxes paid	(1,343)	(1,115)	(2,891)
Total net cash provided by operating activities	14,731	11,418	18,275
2. Cash flow from investment activities			
Payments for purchase of property, plant, and equipment	(2,778)	(5,534)	(14,298)
Payments from sales of property, plant, and equipment	335	90	1,735
Payment for purchase of intangible fixed assets	(743)	(784)	(4,353)
Payments for purchase of investments in marketable securities	(1,122)	(14)	(71)
Proceeds from sales of investments in marketable securities	56	6	3,674
Other	(33)	351	2,091
Total net cash provided by investment activities	(4,285)	(5,885)	(11,221)
3. Cash flow from financing activities			
Net decrease in short-term loans	(11,943)	(204)	(973)
Issuance of long-term debt	0	1	606
Payment for long-term loans	(14)	(17)	(6,829)
Dividend payment	(912)	(846)	(1,822)
Other	(100)	(26)	7,712
Total net cash provided by financing activities	(12,969)	(1,094)	(1,305)
4. Effect of exchange rate on cash and cash equivalents	218	(45)	(75)
5. Net change in cash and cash equivalents	(2,304)	4,393	5,673
6. Cash and cash equivalents at the beginning of the period	40,091	34,417	34,417
7. Cash and cash equivalents at the end of the period	37,786	38,810	40,091