

**Consolidated Financial Results for First Three Quarters of Fiscal Year Ending March 31, 2006**



January 31, 2006

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

(Stock Code: 6841, Listed in TSE 1<sup>st</sup> 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  
Relations

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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: No

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

Newly included consolidated subsidiaries: 3

Excluded consolidated subsidiaries: 1

Excluded consolidated subsidiaries by equity method: 1

**2 . Consolidated Business Results for First Three Quarters of Fiscal Year Ending March 2006 (April 1 – December 31, 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 first three quarters of year ending March 2006	253,540	-2.7	8,905	-19.9	9,757	3.4	2,577	192.0
For first three quarters of year ended March 2005	260,679	5.6	11,124	113.9	9,435	213.7	882	-
(Reference) For year ended March 2005	387,053		24,756		22,401		9,372	

	Net Earnings per Share	Diluted Net Earnings per Share
	yen	Yen
For first three quarters of year ending March 2006	10.60	9.80
For first three quarters of year ended March 2005	3.63	3.36
(Reference) For 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 in relation to the first three quarters of the previous fiscal year.

[Overview of consolidated business results for first three quarters of fiscal year 2005]

For the first three quarters of the Yokogawa Group's current fiscal year, consolidated sales were 253.5 billion yen, down 7.1 billion yen (2.7%) from the same period of the previous fiscal year. Operating income was 8.9 billion yen, down 2.2 billion yen from the same period of the previous fiscal year. The decrease in sales and operating income can be attributed mainly to declining sales and operating income for the semiconductor tester business, which is an integral part of the measurement business. At the same time, it should be noted that sales and operating income for the industrial automation and control business increased in all markets.

Ordinary income was 9.7 billion yen, up 300 million yen from the same period of the previous fiscal year. The main reason for this was an increase in non-operating income resulting from foreign exchange gains.

Net income was 2.5 billion yen, up 1.7 billion yen. This can be attributed to a decrease in the extraordinary losses for business restructuring from the same period of the previous year.

Sales for the industrial automation and control business, a core component of the Group's business, have been strong over the past year due to active investment in petroleum, petrochemical, and natural gas plants in the Middle East and other markets. Capital investment was also active in Japan and this was driven by both replacement demand and investment in new production facilities. Hence, sales and orders were up for the industrial automation and control business. As for the semiconductor markets, orders for semiconductor testers, another key segment of the Group's measurement business, began to improve in the 2<sup>nd</sup> half of this fiscal year thanks to steady demand for LCD driver testers and a recovery in sales of memory testers. However, memory tester sales are lower than in the first three quarters of the previous fiscal year, and semiconductor tester sales are down overall as a result.

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 quarter 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 first three quarters of year ending March 2006	398,921	178,387	44.7	733.40
For first three quarters of year ended March 2005	378,375	160,172	42.3	658.56
(Reference) For 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 first three quarters of year ending March 2006	14,131	(19,201)	(8,237)	28,195

For first three quarters of year ended March 2005	8,788	(11,081)	(2,601)	29,494
(Reference) For year ended March 2005	18,275	(11,221)	(1,305)	40,091

[Financial conditions on a consolidated basis]

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

Total current assets came to 220.5 billion yen, up 4.2 billion yen. This is mainly attributed to a 10.2 billion yen increase in notes and account receivable and a 4.8 billion yen decrease in deferred tax assets. Total fixed assets were 178.3 billion yen, up 16.3 billion yen. The main reason for this was an increase in tangible assets arising from our investment to establish the Kanazawa Office and an increase in the value of our securities investments due to a rally in the stock price. As a result, total assets stood at 398.9 billion yen, up 20.5 billion yen.

Total liabilities were 215.8 billion yen, up 1.9 billion yen. The factors for this increase were a 12.7 billion yen increase in notes and accounts payable and a decrease in other accounts payable and other liabilities.

The shareholder's equity was 178.3 billion yen, up 18.2 billion yen thanks to an increase in retained earnings and variances on securities valuations.

(Cash flow conditions)

Cash and cash equivalents at the end of the first three quarters of this fiscal year were 28.1 billion yen, down 11.8 billion yen.

Despite factors leading to an outflow of cash such as an increase in inventories and a decrease in accounts payable, operating activities generated a positive cash flow of 14.1 billion yen, and this can be attributed to factors such as a net income before tax of 5.9 billion yen, depreciation expenses of 10.9 billion yen, and a decrease in accounts receivable.

Investment activities generated a cash outflow of 19.2 billion yen mainly due to the acquisition of tangible fixed assets.

Financing activities generated a cash outflow of 8.2 billion yen mainly because of repayment of interest-bearing debt and payment of dividend.

(Reference)

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

The below forecast is the same as the business forecast disclosed in the "Transfer of Subsidiary's Shares and Revision of Financial Forecast" announced on January 31, 2006. Please refer to this announcement for background information on the revised financial forecast.

	Net Sales	Operating Income	Ordinary Income	Net Income
	Million yen	Million yen	Million yen	Million yen
For year ending March 2006	390,000	30,000	28,000	16,000

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 third quarter of year ending March 2006	For third quarter of year ended March 2005	Change		(Reference) For year ended March 2005
	Amount (million yen)	Amount (million yen)	Amount (million yen)	Change (%)	Amount (million yen)
<b>Assets</b>					
<b>1. Current Assets</b>					
Cash on hand and in bank	28,974	30,032			40,720
Notes and accounts receivable	96,463	86,251			116,916
Inventories	68,547	68,197			51,136
Other current assets	26,555	31,816			24,867
Total current assets	220,540	216,297	4,242	2.0	233,641
<b>2. Fixed Assets</b>					
Tangible fixed assets	86,009	77,243			77,825
Intangible fixed assets	12,363	13,023			13,627
Investment and other assets	80,008	71,811			75,173
Total fixed assets	178,381	162,078	16,302	10.1	166,626
Total assets	398,921	378,375	20,545	5.4	400,268
<b>Liabilities</b>					
<b>1. Current liabilities</b>					
Notes and accounts payable	37,937	25,196			37,585
Short-term bank loans	20,995	15,289			14,244
Other current liabilities	53,648	54,794			64,676
Total current liabilities	112,581	95,280	17,301	18.2	116,506
<b>2. Long-term liabilities</b>					
Long-term bonds	50,000	50,000			50,000
Long-term bank loans	25,701	33,827			28,040
Reserve for retirement payments	5,381	5,747			6,099
Other long-term liabilities	22,174	29,081			26,354
Total long-term liabilities	103,257	118,655	(15,398)	(13.0)	110,494
Total liabilities	215,838	213,936	1,902	0.9	227,001
(Minority interests in consolidated subsidiaries) Minority interests in consolidated subsidiaries	4,695	4,267	428	10.0	4,515
(Shareholders' equity)					
1. Common stock	32,306	32,306	-	-	32,306
2. Additional paid-in capital	35,489	35,463	26	0.1	35,463
3. Retained earnings	105,821	98,131	7,690	7.8	106,663
4. Variances on securities valuations	15,864	8,642	7,221	83.6	8,374
5. Foreign currency translation adjustments	(2,920)	(6,197)	3,276	52.9	(5,871)
6. Treasury stock	(8,173)	(8,173)	-	-	(8,184)
Total shareholders' equity	178,387	160,172	18,215	11.4	168,751
Total liabilities and stockholders' equity	398,921	378,375	20,545	5.4	400,268

## 2. Consolidated Statements of Income

Item	For first three quarters of year ending March 2006	For first three quarters of year ended March 2005	Change		(Reference) For year ended March 2005
	Amount (million yen)	Amount (million yen)	Amount (million yen)	Change (%)	Amount (million yen)
1. Net sales	253,540	260,679	(7,139)	(2.7)	387,053
2. Cost of sales	160,063	165,586	(5,523)	(3.3)	250,035
Gross profit	93,477	95,092	(1,615)	(1.7)	137,018
3. Selling, general, and administrative expenses	84,571	83,968	603	0.7	112,261
Operating income or loss	8,905	11,124	(2,219)	(19.9)	24,756
4. Non-operating income	3,902	2,080	1,822	87.6	3,646
5. Non-operating expenses	3,050	3,769	(718)	(19.1)	6,001
Ordinary income or loss	9,757	9,435	321	3.4	22,401
6. Extraordinary income	424	1,301	(876)	(67.4)	3,481
7. Extraordinary loss	4,276	8,821	(4,545)	(51.5)	11,467
Profit or loss before income taxes	5,905	1,915	3,990	208.3	14,416
Corporate tax, etc.	3,027	578	2,449	423.5	4,234
Minority shareholders' gain	299	454	(154)	(34.0)	808
Net income or loss	2,577	882	1,695	192.0	9,372

### 3. Consolidated Cash Flow Statements

	For first quarter of year ending March 2006	For first quarter of year ended March 2005	(Reference) For 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	5,905	1,915	14,416
Depreciation	10,939	10,498	14,331
Increase in accrued bonuses	(7,892)	(6,278)	1,186
Decrease in accounts receivable	26,540	35,385	974
Changes in inventories	(15,834)	(16,401)	743
Decrease in trade payable	(8,107)	(14,277)	(7,982)
Other	6,043	(1,898)	(5,036)
Subtotal	17,594	8,944	18,632
Interest and dividend income received	991	2,532	3,401
Interest expenses paid	(535)	(621)	(866)
Income taxes paid	(3,919)	(2,066)	(2,891)
Total net cash provided by operating activities	14,131	8,788	18,275
2. Cash flow from investment activities			
Payments for purchase of property, plant, and equipment	(16,859)	(11,222)	(14,298)
Payments from sales of property, plant, and equipment	473	1,139	1,735
Payment for purchase of intangible fixed assets	(2,484)	(3,337)	(4,353)
Payments for purchase of investments in marketable securities	(1,228)	(76)	(71)
Proceeds from sales of investments in marketable securities	714	964	3,674
Other	182	1,451	2,091
Total net cash provided by investment activities	(19,201)	(11,081)	(11,221)
3. Cash flow from financing activities			
Net decrease in short-term loans	(4,498)	246	(973)
Dividend payment	(3,329)	(1,824)	(1,822)
Other	(409)	(1,023)	1,490
Total net cash provided by financing activities	(8,237)	(2,601)	(1,305)
4. Effect of exchange rate on cash and cash equivalents	1,412	(27)	(75)
5. Net change in cash and cash equivalents	(11,895)	(4,923)	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	28,195	29,494	40,091