

Consolidated Financial Results for the First Quarter of the Fiscal Year Ending March 31, 2007



July 27, 2006

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:

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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: 1

Excluded consolidated subsidiaries: 2

2 . Consolidated Business Results for the First Quarter of the Fiscal Year Ending March 2007 (April 1 – June 30, 2006)

(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 2007	69,592	-1.9	(1,376)	-	(1,989)	-	(1,722)	-
For the 1 st quarter of the year ended March 2006	70,942	-7.1	(1,454)	-	(1,417)	-	(5,679)	-
(Reference) For the year ended March 2006	388,877		25,320		26,402		21,559	

	Net Earnings per Share	Diluted Net Earnings per Share
	yen	yen
For the 1 st quarter of the year ending March 2007	(6.55)	-
For the 1 st quarter of the year ended March 2006	(23.35)	(21.59)
(Reference) For the year ended March 2006	87.45	-

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 2006]

In the first quarter of the Yokogawa Group's current fiscal year, consolidated sales were 69,592 million yen, down 1,350 million yen (1.9%) from the same quarter of the previous fiscal year. Operating loss was 1,376 million yen improved by 78 million yen from the same quarter of previous fiscal year. This improvement is mainly due to an

increase in sales and profit of the industrial automation and control business in Japan and other countries, although sales and profit of the semiconductor tester business, which is an integral part of the measurement business, decreased from the same quarter of the previous fiscal year. Ordinary loss was 1,989 million yen, down 571 million yen, mainly due to an increase of non-operating expenses attributed increase of exchange loss to the appreciation of Japanese yen against US dollar. Net loss was 1,722 million yen, improved by 3,957 million yen from the same quarter of the previous year. This improvement can be attributed to the temporary increase of net loss of the previous year, mainly due to the increase of extraordinary losses arising from the adoption of the Accounting Standard for Impairment of Fixed Assets.

Sales for the industrial automation and control business, a core segment 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 world market. 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. On the other hand in semiconductor-related markets, a key segment of the Group's measurement instruments business, the market of LCD driver IC entered into inventory adjustment phase and sales of FPD driver tester decreased mainly due to the slow down of demand. Sales of Memory tester also decreased from the same period of previous year, mainly due to the slow down of main customers' capital expenditure. Hence the overall sales of semiconductor tester business decreased.

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	Equity	Equity Ratio	Equity per Share
	Million yen	Million yen	%	Yen
For the 1 st quarter of the year ending March 2007	408,024	225,296	54.1	839.16
For the 1 st quarter of the year ended March 2006	380,694	162,265	42.6	667.19
(Reference) For the year ended March 2006	417,805	224,566	53.7	854.24

Note: The figures of the 1st quarter of the year ending March 2006 and the year ended March 2006 showed ordinary "shareholders' equity, shareholders' equity ratio and shareholders' equity per share".

【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 2007	23,818	(8,716)	(9,472)	47,393
For the 1 st quarter of the year ended March 2006	14,731	(4,285)	(12,969)	37,786
(Reference) For the year ended March 2006	25,636	(11,724)	(14,091)	41,565

【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 15.7 billion yen, but notes and accounts receivable

decreased by 33.8 billion yen. Total current assets were 226.1 billion yen, down 13.7 billion yen from the previous fiscal year end.

Total fixed assets were 181.9 billion yen, increased by 3.9 billion yen from the end of the previous fiscal year. The factors responsible for this increase include the increase of fixed assets by 2.4 billion yen and other investments by 2.1 billion yen respectively.

Total liabilities were 182.7 billion yen, down 5.5 billion yen from the previous fiscal year. Contributing to this improvement were a 6.7 billion yen decrease in notes and accounts payable and a 2.9 billion yen decrease in short-term loans, although other liabilities increased by 4.1 billion yen.

The equity was 225.2 billion yen and the equity ratio was 54.1%.

(Cash flow conditions)

Cash and cash equivalents at the end of the first quarter of this fiscal year were 47.3 billion yen, increase of 5.8 billion yen from the previous fiscal year.

Operating activities generated a cash inflow of 23.8 billion yen despite of negative factors such as a 2 billion yen loss before income taxes, a 15.7 billion yen increase in inventory, and a 5.5 billion yen decrease in trade payable, however, positive factors such as a 37.5 billion yen decrease in accounts receivable and a 4.3 billion yen increase in accrued bonuses compensated for these negative factors and contributed to the gain.

Investment activities generated a cash outflow of 8.7 billion yen, partly due to 5.4 billion yen for the acquisition of fixed tangible assets.

Financing activities generated a cash outflow of 9.4 billion yen, mainly because of commercial paper payments of 5 billion yen and a 3.2 billion yen decrease in short-term loans.

(Reference) Business forecast for the year ending March 31, 2007 (April 1, 2006 – March 31, 2007)

The below forecast is the same as the business forecast disclosed in the “Revision of Financial Forecast for the year ending March 31, 2007” announced on July 27, 2006.

Consolidated forecast for the year ending March 31, 2007

	Net Sales	Operating Income	Ordinary Income	Net Income
	Million yen	Million yen	Million yen	Million yen
For the half year ending September 30, 2006	185,000	8,000	9,000	5,000
For the year ending March 31, 2007	410,000	31,000	28,000	15,000

Non-consolidated forecast for the year ending March 31, 2007

	Net Sales	Ordinary Income	Net Income
	Million yen	Million yen	Million yen
For the half year ending September 30, 2006	105,000	4,000	3,000
For the year ending March 31, 2007	250,000	16,500	7,000

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 1st quarter of the year ending March 2007	For the 1st quarter of the year ended March 2006	Change		(Reference) For the year ended March 2006
	Amount (million yen)	Amount (million yen)	Amount (million yen)	Change (%)	Amount (million yen)
Assets					
1. Current Assets					
Cash on hand and in bank	48,017	38,408			42,194
Notes and accounts receivable	95,156	96,065			129,001
Inventories	60,709	60,572			44,962
Other current assets	22,229	21,615			23,722
Total current assets	226,113	216,663	9,450	4.4	239,881
2. Fixed Assets					
Tangible fixed assets	92,183	75,276			89,743
Intangible fixed assets	11,456	12,895			12,089
Investment and other assets	78,270	75,859			76,091
Total fixed assets	181,911	164,031	17,879	10.9	177,924
Total assets	408,024	380,694	27,330	7.2	417,805
Liabilities					
1. Current liabilities					
Notes and accounts payable	33,869	27,979			40,587
Short-term bank loans	9,185	11,625			12,150
Other current liabilities	66,155	66,042			61,961
Total current liabilities	109,210	105,647	3,563	3.4	114,699
2. Long-term liabilities					
Long-term bonds	20,000	50,000			20,000
Long-term bank loans	24,153	26,908			24,176
Reserve for retirement payments	7,407	5,133			7,314
Other long-term liabilities	21,956	26,340			22,090
Total long-term liabilities	73,517	108,382	(34,864)	-32.2	73,580
Total liabilities	182,728	214,029	(31,301)	-14.6	188,279
(Minority interests in consolidated subsidiaries)					
Minority interests in consolidated subsidiaries	-	4,399	-	-	4,959
(Shareholders' equity)					
1. Common stock	-	32,306	-	-	43,401
2. Additional paid-in capital	-	35,463	-	-	50,348
3. Retained earnings	-	100,018	-	-	123,310
4. Variances on securities valuations	-	8,039	-	-	14,863
5. Foreign currency translation adjustments	-	(5,375)	-	-	(2,978)
6. Treasury stock	-	(8,186)	-	-	(4,378)
Total shareholders' equity	-	162,265	-	-	224,566
Total liabilities and shareholders' equity	-	380,694	-	-	417,805

Item	For the 1stquarter of the year ending March 2007	For the 1st quarter of the year ended March 2006	Change		(Reference) For the year ended March 2006
	Amount (million yen)	Amount (million yen)	Amount (million yen)	Change (%)	Amount (million yen)
(Equity)					
Shareholders' equity					
1. Common stock	43,401	-	-	-	-
2. Additional paid-in capital	50,348	-	-	-	-
3. Retained earnings	120,233	-	-	-	-
4. Treasury stock	(4,382)	-	-	-	-
Total shareholders' equity	209,601	-	-	-	-
Evaluation and translation adjustments		-	-	-	-
1. Variances on securities valuations	13,797	-	-	-	-
2. Deferred hedge income	27	-	-	-	-
3. Foreign currency translation adjustments	(2,826)	-	-	-	-
Total evaluation and translation adjustments	10,998	-	-	-	-
Minority interests in consolidated subsidiaries	4,696	-	-	-	-
Total equity	225,296	-	-	-	-
Total liabilities and equity	408,024	-	-	-	-

2. Consolidated Statements of Income

Item	For the 1st quarter of the year ending March 2007	For the 1st quarter of the year ended March 2006	Change		(Reference) For the year ended March 2006
	Amount (million yen)	Amount (million yen)	Amount (million yen)	Change (%)	Amount (million yen)
1. Net sales	69,592	70,942	(1,350)	-1.9	388,877
2. Cost of sales	43,791	46,157	(2,366)	-5.1	245,917
Gross profit	25,801	24,784	1,016	4.1	142,959
3. Selling, general, and administrative expenses	27,177	26,239	938	3.6	117,639
Operating income or loss	(1,376)	(1,454)	77	-	25,320
4. Non-operating income	872	747	124	16.7	6,446
5. Non-operating expenses	1,485	710	774	109.0	5,364
Ordinary income or loss	(1,989)	(1,417)	(571)	-	26,402
6. Extraordinary income	93	82	11	13.5	14,407
7. Extraordinary loss	123	3,346	(3,222)	-96.3	7,919
Profit or loss before income taxes	(2,019)	(4,681)	2,661	-	32,889
Corporate tax, etc.	(402)	890	(1,293)	-	10,860
Minority shareholders' gain	105	107	(1)	-1.5	469
Net income or loss	(1,722)	(5,679)	3,957	-	21,559

3. Consolidated Cash Flow Statements

	For the 1st quarter of the year ending March 2007	For the 1st quarter of the year ended March 2006	(Reference) For the year ended March 2006
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	(2,019)	(4,681)	32,889
Depreciation	3,794	3,396	15,124
Increase in accrued bonuses	4,342	4,705	1,930
Decrease in accounts receivable	37,531	23,465	(11,309)
Changes in inventories	(15,729)	(9,171)	7,899
Decrease in trade payable	(5,516)	(9,673)	(5,899)
Other	2,059	6,738	(13,611)
Subtotal	24,461	14,779	27,023
Interest and dividend income received	1,222	1,429	3,858
Interest expenses paid	(127)	(134)	(751)
Income taxes paid	(1,738)	(1,343)	(4,493)
Total net cash provided by operating activities	23,818	14,731	25,636
2. Cash flow from investment activities			
Payments for purchase of property, plant, and equipment	(5,477)	(2,778)	(21,994)
Payments from sales of property, plant, and equipment	463	335	912
Payment for purchase of intangible fixed assets	(813)	(743)	(3,789)
Payments for purchase of investments in marketable securities	(236)	(1,122)	(3,600)
Proceeds from sales of investments in marketable securities	35	56	15,817
Other	(2,687)	(33)	929
Total net cash provided by investment activities	(8,716)	(4,285)	(11,724)
3. Cash flow from financing activities			
Net decrease in short-term loans	(3,219)	(3,943)	(7,128)
Increase in long-term loans	100	0	200
Net decrease in long-term loans	(2)	(14)	(248)
Dividend payment	(1,253)	(912)	(3,340)
Other	(5,096)	(8,100)	(3,573)
Total net cash provided by financing activities	(9,472)	(12,969)	(14,091)
4. Effect of exchange rate on cash and cash equivalents	139	218	1,645
5. Net change in cash and cash equivalents	5,768	(2,304)	1,465
6. Cash and cash equivalents at the beginning of the period	41,565	40,091	40,091
7. Increase in cash and cash equivalents due to changes in scope of consolidated subsidiaries	60	-	8
8. Cash and cash equivalents at the end of the period	47,393	37,786	41,565