

# Consolidated Financial Results for First Three Quarters of Fiscal Year Ending March 31, 2007



January 31, 2007

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:

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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: 2

Excluded consolidated subsidiaries: 1

Excluded consolidated subsidiaries by equity method: 2

## 2. Consolidated Business Results for First Three Quarters of Fiscal Year Ending March 2007 (April 1 – December 31, 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 first three quarters of year ending March 2007	271,482	7.1	12,682	42.4	14,597	49.6	5,307	105.9
For first three quarters of year ended March 2006	253,540	-2.7	8,905	-19.9	9,757	3.4	2,577	192.0
(Reference) For year ended March 2006	388,877		25,320		26,402		21,559	

	Net Earnings per Share		Diluted Net Earnings per Share	
	Yen		Yen	
For first three quarters of year ending March 2007	20.19		-	
For first three quarters of year ended March 2006	10.60		9.80	
(Reference) For year ended March 2006	87.45		-	

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 2006]

For the first three quarters of the Yokogawa Group's current fiscal year, consolidated sales were 271,482 million yen, up 17,942 million yen (7.1%) from the same period of the previous fiscal year. Operating income was 12,682 million yen, up 3,777 million yen (42.4%) from the same period of the previous fiscal year. The increase in sales and operating income can be attributed mainly to an increase in sales for the industrial automation and control business in and outside Japan. As a result of this increase in the operating income, ordinary income was 14,597 million yen, up 4,840 million yen from the same period of the previous fiscal year. Net income was 5,307 million yen, up 2,730 million yen.

Sales for the industrial automation and control business, a core component of the Group's business, have been strong over the last year due to active investment in petroleum, petrochemical, and natural gas plants in the Middle East, South East Asia, North America, and Europe markets. Capital investment was also active in Japan and this was driven by both replacement demand and investment in new production facilities. Hence, orders, sales, and operating income for the industrial automation and control business were up from the same period of the previous fiscal year.

As for the test and measurement business, demand for LCD driver testers was sluggish in the key semiconductor tester market segment, as the LCD driver IC market was in an inventory adjustment phase. However, orders for memory testers remained strong and compensated for the unfavorable conditions in the LCD driver IC market. As a result, operating income for this segment was unchanged from the same period of the previous fiscal year.

As for new and other businesses, orders and sales for the new businesses were higher than the same period of the previous fiscal year mainly due to growth in the advanced stage business. On the other hand, orders and sales for the other businesses were lower than in the same period of the previous fiscal year. For the overall business, sales and operating income were lower than in the same period of the last fiscal year. In addition to the decrease in sales, operating income was also lower due to the front-loading of R&D investment in the new businesses.

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	Net Assets	Shareholders' Equity Ratio	Net Assets per Share
	Million yen	Million yen	%	Yen
For first three quarters of year ending March 2007	405,854	230,584	55.6	858.88
For first three quarters of year ended March 2006	398,921	178,387	44.7	733.40
(Reference) For year ended March 2006	417,805	224,566	53.7	854.24

[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 2007	17,976	(23,953)	(11,934)	24,450
For first three quarters of year ended March 2006	14,131	(19,201)	(8,237)	28,195
(Reference) For year ended March 2006	25,636	(11,724)	(14,091)	41,565

[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 220.1 billion yen, down 0.3 billion yen. This is mainly attributed to a 10.5 billion yen increase in notes and accounts receivable, a 4.2 billion yen decrease in inventories, and a 3.8 billion yen decrease in cash and cash equivalents. Total fixed assets were 185.6 billion yen, up 7.3 billion yen. This is mainly due to a 15.4 billion yen increase in tangible assets and a 7.6 billion yen decrease in investment and other assets

Total liabilities were 175.2 billion yen, down 40.5 billion yen. The main factor for this decrease was the exercise and conversion into stock of 29.7 billion yen out of a total of 30 billion yen in issued convertible bonds.

Net assets rose to 230.5 billion yen thanks to an increase of 19.4 billion yen in retained earnings and an increase in shareholders equity due to the conversion of convertible bonds into stock. As a result, the shareholders' equity ratio was 55.6%.

(Cash flow conditions)

Operating activities generated a positive cash flow of 17.9 billion yen. This can be attributed to positive factors leading to cash inflow such as 11.8 billion yen in net income before tax, 11.6 billion yen in depreciation expense, and a 30.8 billion yen decrease in accounts receivable; and negative factors leading to cash outflows such as a 9.9 billion yen decrease in accrued bonus and an 18.7 billion yen decrease in inventories.

Investment activities – mainly the acquisition of tangible fixed assets - generated a cash outflow of 23.9 billion yen.

Financing activities generated a cash outflow of 11.9 billion yen mainly due to a 3.3 billion yen decrease in short-term loans, a 5.0 billion yen cash outflow for the repayment of commercial paper, and a 3.2 billion yen cash outflow for the payment of dividends.

As a result, cash and cash equivalents at the end of the third quarter came to 24.4 billion yen, down 17.1 billion yen from the end of the previous fiscal year.

(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 announced on October 31, 2006.

	Net Sales	Operating Income	Ordinary Income	Net Income
	Million yen	Million yen	Million yen	Million yen
For year ending March 2007	410,000	31,000	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 third quarter of year ending March 2007	For third quarter of year ended March 2006	Change		(Reference) For year ended March 2006
	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	25,159	28,974			42,194
Notes and accounts receivable	107,031	96,463			129,001
Inventories	64,270	68,547			44,962
Other current assets	23,696	26,555			23,722
Total current assets	220,157	220,540	(382)	-0.2	239,881
<b>2. Fixed Assets</b>					
Tangible fixed assets	101,449	86,009			89,743
Intangible fixed assets	11,857	12,363			12,089
Investment and other assets	72,390	80,008			76,091
Total fixed assets	185,696	178,381	7,315	4.1	177,924
Total assets	405,854	398,921	6,932	1.7	417,805
<b>Liabilities</b>					
<b>1. Current liabilities</b>					
Notes and accounts payable	34,116	37,937			40,587
Current portion of long term bonds	20,000	—			-
Short-term bank loans	18,986	20,995			12,150
Other current liabilities	62,546	53,648			61,961
Total current liabilities	135,650	112,581	23,068	20.5	114,699
<b>2. Long-term liabilities</b>					
Long-term bonds	—	50,000			20,000
Long-term bank loans	14,339	25,701			24,176
Reserve for retirement payments	7,207	5,381			7,314
Other long-term liabilities	18,071	22,174			22,090
Total long-term liabilities	39,619	103,257	(63,637)	-61.6	73,580
Total liabilities	175,269	215,838	(40,568)	-18.8	188,279

	For third quarter of year ending March 2007	For third quarter of year ended March 2006	Change		(Reference) For year ended March 2006
Item	Amount (million yen)	Amount (million yen)	Amount (million yen)	Change (%)	Amount (million yen)
(Minority interests in consolidated subsidiaries) Minority interests in consolidated subsidiaries	—	4,695	—	—	4,959
(Shareholders' equity)					
1. Common stock	—	32,306	—	—	43,401
2. Additional paid-in capital	—	35,489	—	—	50,348
3. Retained earnings	—	105,821	—	—	123,310
4. Variances on securities valuations	—	15,864	—	—	14,863
5. Foreign currency translation adjustments	—	(2,920)	—	—	(2,978)
6. Treasury stock	—	(8,173)	—	—	(4,378)
Total shareholders' equity	—	178,387	—	—	224,566
Total liabilities and stockholders' equity	—	398,921	—	—	417,805
(Net assets)					
1. Shareholders' equity					
(1).Common stock	43,401	—	—	—	—
(2).Additional paid-in capital	50,355	—	—	—	—
(3).Retained earnings	125,224	—	—	—	—
(4).Treasury Stock	(4,383)	—	—	—	—
Total shareholders' equity	214,597	—	—	—	—
2. Variances on valuation and translation					
(1).Variances on securities valuations	12,444	—	—	—	—
(2).Deferred gains or losses on hedges	0	—	—	—	—
(3).Foreign currency translation adjustments	(1,251)	—	—	—	—
Total valuation and translation adjustments	11,193	—	—	—	—
3. Minority interests in consolidated subsidiaries	4,793	—	—	—	—
Total Net Assets	230,584	—	—	—	—
Total liabilities and Net assets	405,854	—	—	—	—

## 2. Consolidated Statements of Income

Item	For first three quarters of year ending March 2007	For first three quarters of year ended March 2006	Change		(Reference) For year ended March 2006
	Amount (million yen)	Amount (million yen)	Amount (million yen)	Change (%)	Amount (million yen)
1. Net sales	271,482	253,540	17,942	7.1	388,877
2. Cost of sales	171,464	160,063	11,401	7.1	245,917
Gross profit	100,018	93,477	6,541	7.0	142,959
3. Selling, general, and administrative expenses	87,336	84,571	2,764	3.3	117,639
Operating income or loss	12,682	8,905	3,776	42.4	25,320
4. Non-operating income	5,757	3,902	1,855	47.5	6,446
5. Non-operating expenses	3,842	3,050	791	26.0	5,364
Ordinary income or loss	14,597	9,757	4,840	49.6	26,402
6. Extraordinary income	384	424	(40)	-9.6	14,407
7. Extraordinary loss	3,107	4,276	(1,169)	-27.3	7,919
Profit or loss before income taxes	11,874	5,905	5,969	101.1	32,889
Corporate tax, etc.	6,324	3,027	3,296	108.9	10,860
Minority shareholders' gain	242	299	(57)	-19.0	469
Net income or loss	5,307	2,577	2,729	105.9	21,559

### 3. Consolidated Cash Flow Statements

	For third quarter of year ending March 2007	For third quarter of year ended March 2006	(Reference) For year ended March 2006
Item	Amount (million yen)	Amount (million yen)	Amount (million yen)
<b>1. Cash flow from operating activities</b>			
Net profit or loss for the period under review before tax and other adjustments	11,874	5,905	32,889
Depreciation	11,687	10,939	15,124
Increase in accrued bonus	(9,903)	(7,892)	1,930
Decrease in accounts receivable	30,879	26,540	(11,309)
Changes in inventories	(18,748)	(15,834)	7,899
Decrease in trade payable	(5,412)	(8,107)	(5,899)
Other	(2,784)	6,043	(13,611)
<b>Subtotal</b>	<b>17,591</b>	<b>17,594</b>	<b>27,023</b>
Interest and dividend income received	5,061	991	3,858
Interest expenses paid	(594)	(535)	(751)
Income taxes paid	(4,082)	(3,919)	(4,493)
<b>Total net cash provided by operating activities</b>	<b>17,976</b>	<b>14,131</b>	<b>25,636</b>
<b>2. Cash flow from investment activities</b>			
Payments for purchase of tangible fixed assets	(18,254)	(16,859)	(21,994)
Payment for purchase of intangible fixed assets	(3,125)	(2,484)	(3,789)
Other	(2,573)	142	14,059
<b>Total net cash provided by investment activities</b>	<b>(23,953)</b>	<b>(19,201)</b>	<b>(11,724)</b>
<b>3. Cash flow from financing activities</b>			
Net decrease in short-term loans	(3,343)	(4,498)	(7,128)
Net decrease in commercial paper	(5,000)	—	(3,000)
Dividend payment	(3,271)	(3,329)	(3,340)
Other	(320)	(409)	(621)
<b>Total net cash provided by financing activities</b>	<b>(11,934)</b>	<b>(8,237)</b>	<b>(14,091)</b>
<b>4. Effect of exchange rate on cash and cash equivalents</b>	<b>730</b>	<b>1,412</b>	<b>1,645</b>
<b>5. Net change in cash and cash equivalents</b>	<b>(17,180)</b>	<b>(11,895)</b>	<b>1,465</b>
<b>6. Cash and cash equivalents at the beginning of the period</b>	<b>41,565</b>	<b>40,091</b>	<b>40,091</b>
<b>7. Cash and cash equivalents at the end of the period</b>	<b>66</b>	<b>—</b>	<b>8</b>
<b>8. Cash and cash equivalents at the end of the period</b>	<b>24,450</b>	<b>28,195</b>	<b>41,565</b>

**(Reference) Quarterly Consolidated Statements of Income**

	For first quarter of year ending March 2007		For second quarter of year ending March 2007		For third quarter of year ending March 2007	
	Amount (million yen)	%	Amount (million yen)	%	Amount (million yen)	%
1. Net sales	69,592	100.0	116,818	100.0	85,072	100.0
2. Cost of sales	43,791	62.9	74,295	63.6	53,377	62.7
Gross profit	25,801	37.1	42,522	36.4	31,695	37.3
3. Selling, general, and administrative expenses	27,177	39.1	32,080	27.5	28,078	33.0
Operating income or loss	(1,376)	-2.0	10,441	8.9	3,616	4.3
4. Non-operating income	872	1.2	4,326	3.7	559	0.6
5. Non-operating expenses	1,485	2.1	1,330	1.1	1,026	1.2
Ordinary income or loss	(1,989)	-2.9	13,437	11.5	3,148	3.7
6. Extraordinary income	93	0.1	264	0.2	26	0.0
7. Extraordinary loss	123	0.2	2,632	2.2	350	0.4
Profit or loss before income taxes	(2,019)	-3.0	11,069	9.5	2,824	3.3
Corporate tax, etc.	(402)	-0.6	5,335	4.6	1,391	1.6
Minority shareholders' gain	105	0.1	(24)	-0	161	0.2
Net income or loss	(1,722)	-2.5	5,758	4.9	1,271	1.5