

Summary of First Quarter Consolidated Results for the Period Ended June 20, 2006

(Quarterly financial statements are not audited.)

July 27, 2006

Listed company name: YASKAWA Electric Corporation

<http://www.yaskawa.co.jp/en/>

President: Koji Toshima

Stock exchange listings: Tokyo, Fukuoka

Stock ticker number: 6506

1. Summary of Results for the First Quarter of Fiscal Year 2006 (March 21, 2006 to June 20, 2006)

(Note: This document was translated from the financial statement submitted to the Tokyo Stock Exchange for the period stated above. The figures under one million are rounded off.)

(1) Summary of Consolidated Statements of Income

	(Millions of yen, except for per share data)				
	3 months ended June 20, 2006	Change	3 months ended June 20, 2005	Change	Year ended March 20, 2006
Net sales	83,982	25.6%	66,861	4.4%	322,916
Operating income	6,605	144.8%	2,697	131.5%	24,486
Ordinary income	6,469	170.6%	2,391	136.0%	24,331
Net income	719	27.7%	563	-	10,157
Earnings per share (basic, Yen)	3.10		2.44		43.18
Earnings per share (diluted, Yen)	3.03		2.34		39.72

Notes: 1. Changes in accounting methods: Yes

2. Percentage changes for fiscal year sales, operating income, ordinary income, net income and earnings per share (basic and diluted) are relative to the 1st quarter results of the previous fiscal year.

Progress on the consolidated business results

The Motion Control segment experienced positive conditions in the semiconductor and electronic components markets in the first quarter. As for the Robotics segment, (The name of the segment was changed from the former "Robotics Automation" this fiscal year.) although a temporary fall in demand was seen in the Japanese automobile-related market because of capital expenditure adjustments, overseas markets continued to be steady. Control systems for loading and unloading cranes for the Chinese market contributed to sales increase for the System Engineering segment. All regions including Japan, the Americas, Europe, and Asia enjoyed good business conditions, and exchange rates also contributed to the increase in sales and profits.

As a result, net sales in the first quarter were up by 25.6% at 83,982 million yen compared to the corresponding period last year. Operating income increased 2.4 times to 6,605 million yen and ordinary income increased 2.7 times to 6,469 million yen. Net income was up by 27.7% at 719 million yen, even though impairment loss of 2,030 million yen on fixed assets was recorded. All these results marked record highs for the first quarter.

Segment results

Motion Control

The demand for AC servodrives continued to be robust in the semiconductor and electronic components markets, and high demand for inverters also continued especially in overseas markets.

As a result, net sales in the first quarter rose by 27.4% from the corresponding period last year to 36,353 million yen. Ordinary income increased 2.6 times to 4,698 million yen.

Robotics

Although a temporary fall in demand was seen in the Japanese automobile-related market because of capital expenditure adjustments, the demand in the LCD-transfer related markets and semiconductor-manufacturing equipment markets recovered, and the markets in the Americas and Europe also continued to be steady.

As a result, net sales in this segment rose by 18.8% to 30,162 million yen, compared to the corresponding period last year, and operating income was up by 3.4% at 2,002 million yen.

System Engineering

Sales of control systems for loading and unloading cranes for the Chinese market increased, while the segment has undergone structural reforms continuing since the previous fiscal year.

As a result, net sales in the System Engineering segment during this quarter increased by 61.4% to 9,999 million yen, compared to the corresponding period last year. Although operating loss of 267 million yen occurred, it improved by 766 million yen from the corresponding period last year.

Information Technologies

As for the Information Technologies segment, positive market conditions have continued for YE DATA INC. since the second half of the previous fiscal year for its silicon media products for multimedia equipments, laser marking systems, and data recovery services. Also, businesses of YASKAWA INFORMATION SYSTEMS Corporation including its system integration for telecommunication businesses and other business solutions were robust. The demand for control software for semiconductor and LCD equipment manufacturers, and application software was also high.

As a result, net sales increased by 26.1% to 5,540 million yen, compared to the corresponding period last year. Although operating loss of 326 million yen occurred, it improved by 84 million yen.

Other

Net sales for the Other segment fell by 17.8% to 1,925 million yen, and operating income was 481 million yen, up by 18.2% compared to the corresponding period last year.

(2) Summary of Consolidated Financial Position

	(Millions of yen, except for ratio and per share data)		
	3 months ended June 20, 2006	3 months ended June 20, 2005	Year ended March 20, 2006
Total assets	251,239	245,984	255,222
Net assets	55,794	38,830	52,750
Shareholders' equity ratio* (%)	20.5	15.8	20.7
Net assets per share	221.75	167.88	226.51

$$* \text{ Shareholders' equity ratio} = \frac{\text{Total shareholders' equity} + \text{Total evaluation and translation adjustments}}{\text{Total assets}}$$

(3) Summary of Consolidated Statements of Cash Flows

	(Millions of yen)		
	3 months ended June 20, 2006	3 months ended June 20, 2005	Year ended March 20, 2006
Net cash provided by (used in)			
operating activities	6,148	(9,682)	18,724
Net cash provided by (used in)			
investing activities	(1,297)	(1,697)	(9,729)
Net cash provided by (used in)			
financing activities	(2,543)	3,618	(14,934)
Cash and cash equivalents			
at end of period	14,373	10,172	12,102

Changes on the consolidated financial position

Assets, liabilities, and net assets

Current assets decreased by 1,286 million yen from the end of the previous fiscal year and were 167,905 million yen. This is mainly because trade notes and accounts receivable decreased by 8,779 million yen and inventories increased by 5,651 million yen.

Fixed assets decreased by 2,696 million yen from the end of the previous fiscal year and were 83,333 million yen. This is mainly because property, plant and equipment decreased by 1,789 million yen.

As a result, total assets were 251,239 million yen and decreased by 3,983 million yen from the end of the previous fiscal year.

Current liabilities decreased by 1,714 million yen from the end of the previous fiscal year and were 127,259 million yen. This is mainly because trade notes and accounts payable increased by 3,872 million yen and other current liabilities decreased by 5,530 million yen.

Long-term liabilities decreased by 1,222 million yen from the end of the previous fiscal year and were 68,185 million yen. This is mainly because long-term debt decreased by 990 million yen.

As a result, total liabilities decreased by 2,937 million yen from the end of the previous fiscal year and were 195,444 million yen.

Total net assets was 55,794 million yen, which is down by 1,046 million yen compared to the sum of minority interests and shareholders' equity at the end of the previous fiscal year.

Cash flows

Cash flows from operating activities during the first quarter of fiscal year 2006 were at a positive 6,148 million yen because of 4,429 million yen of income before income taxes and minority interests, and because trade receivables were collected and liquidated.

Cash flows from investing activities were at a negative 1,297 million yen, because 2,138 million yen was spent for acquisition of property, plant and equipment while sale of property, plant and equipment brought in 1,080 million yen.

As a result, free cash flows, which are a sum of cash flows from operating activities and investing activities, amounted to a positive 4,851 million yen.

As for cash flows from financing activities, repayments of long-term debt and payment of a dividend resulted in an expenditure of 2,543 million yen.

As a result, cash and cash equivalents totaled 14,373 million yen at the end of the first quarter, an increase of 2,271 million yen from the end of fiscal year 2006.

Projected consolidated business results

Projected consolidated results for the first half of fiscal year 2006 disclosed on July 3, 2006, were revised as follows.

	(Millions of yen)				
	Previous forecast July 3, 2006	Revised forecast	Difference	(%)	6 months ended September 20, 2005
	(A)	(B)	(B) - (A)	(B) / (A)	
Net sales	158,000	166,000	8,000	5.1	146,101
Ordinary income	9,500	12,500	3,000	31.6	8,189
Net income	6,895	7,500	605	8.8	2,748

The previous forecast for the first half of this fiscal year disclosed on July 3, 2006 was revised as demand in the segments of Motion Control and Robotics continues to be steady and earnings are growing.

At this time, the 2006 full-year financial forecast remains unchanged from the forecast disclosed previously.

Warning

The information within this document is made as of the date of writing. Any forward-looking statements are made according to the assumptions of management and are subject to change as a result of risks and uncertainties. Yaskawa Electric undertakes no obligation to update or revise these forward-looking statements, whether as a result of new information, future events, or otherwise.

Appendix I

First Quarter Consolidated Balance Sheet (Summary)

	As of June 20, 2006		As of March 20, 2006		Difference
	(A)	% of Total	(B)	% of Total	(A) - (B)
(Millions of Yen)					
Assets					
Current assets					
Cash and time deposits	14,419		12,147		2,271
Trade notes and accounts receivable	76,232		85,012		(8,779)
Inventories	63,828		58,177		5,651
Other current assets	13,425		13,854		(429)
Total current assets	167,905	66.8	169,192	66.3	(1,286)
Fixed assets					
Property, plant and equipment	37,866		39,656		(1,789)
Intangible fixed assets	7,928		8,422		(494)
Investments and other assets	37,538		37,952		(413)
Total fixed assets	83,333	33.2	86,030	33.7	(2,696)
Total Assets	251,239	100.0	255,222	100.0	(3,983)
Liabilities					
Current liabilities					
Trade notes and accounts payable	68,955		65,082		3,872
Short-term bank loans	30,218		30,274		(56)
Other current liabilities	28,085		33,616		(5,530)
Total current liabilities	127,259	50.7	128,973	50.5	(1,714)
Long-term liabilities					
Corporate bonds	10,000		10,000		-
Convertible bonds	14,268		14,368		(100)
Long-term debt	6,924		7,914		(990)
Accrued retirement benefits for employees	35,615		35,774		(158)
Other long-term liabilities	1,377		1,351		26
Total long-term liabilities	68,185	27.1	69,408	27.2	(1,222)
Total liabilities	195,444	77.8	198,382	77.7	(2,937)
Net assets					
Shareholders' equity					
Common stock	15,908		-		-
Additional paid-in capital	11,379		-		-
Retained earnings	19,523		-		-
Treasury stock, at cost	(320)		-		-
Total shareholders' equity	46,491	18.5	-	-	-
Evaluation and translation adjustments					
Net unrealized holding gain on securities	4,121		-		-
Deferred hedge income	(16)		-		-
Foreign currency translation adjustments	882		-		-
Total evaluation and translation adjustments	4,987	2.0	-	-	-
Minority interests	4,315	1.7	-	-	-

Total net assets	<u>55,794</u>	<u>22.2</u>	<u>-</u>	<u>-</u>	<u>-</u>
Total liabilities and net assets	<u>251,239</u>	<u>100.0</u>	<u>-</u>	<u>-</u>	<u>-</u>
Minority interests					
Minority interests	-	-	4,090	1.6	-
Shareholders' equity					
Common stock	-	-	15,858	6.2	-
Additional paid-in capital	-	-	11,329	4.4	-
Retained earnings	-	-	20,367	8.0	-
Net unrealized holding gain on securities	-	-	4,739	1.9	-
Foreign currency translation adjustments	-	-	764	0.3	-
Treasury stock, at cost	<u>-</u>	<u>-</u>	<u>(309)</u>	<u>(0.1)</u>	<u>-</u>
Total shareholders' equity	-	-	52,750	20.7	-
Total liabilities, minority interests and shareholders' equity	<u>-</u>	<u>-</u>	<u>255,222</u>	<u>100.0</u>	<u>-</u>

Appendix II

First Quarter Consolidated Statements of Income (Summary)

(Millions of yen)

	Three Months Ended 20 June, 2006		Three Months Ended 20 June, 2005		Difference	(%)
	(A)	% of Total	(B)	% of Total		
Net sales	83,982	100.0	66,861	100.0	17,121	125.6
Cost of sales	60,112	71.6	49,339	73.8	10,773	121.8
Gross profit	23,870	28.4	17,522	26.2	6,347	136.2
Selling, general and administrative expenses	17,264	20.5	14,824	22.2	2,439	116.5
Operating income	6,605	7.9	2,697	4.0	3,908	244.8
Non-operating income						
Interest and dividends received	86		49		37	
Miscellaneous income	342		126		215	
Total non-operating income	428	0.5	175	0.3	253	244.6
Non-operating expenses						
Interest expense	281		304		(22)	
Miscellaneous expenses	283		177		105	
Total non-operating expenses	564	0.7	482	0.7	82	117.2
Ordinary income	6,469	7.7	2,391	3.6	4,078	270.6
Extraordinary gains	1,075	1.3	8	0.0	1,066	12,071.6
Extraordinary losses	3,115	3.7	1,432	2.2	1,682	217.5
Income before income taxes and minority interests	4,429	5.3	967	1.4	3,462	457.9
Provision for income taxes- current	1,438	1.7	1,022	1.5	416	140.7
Provision for income taxes- deferred	1,781	2.1	(516)	(0.8)	2,297	-
Minority interests	490	0.6	(101)	(0.1)	592	-
Net income (loss)	719	0.9	563	0.8	155	127.7

Appendix III
First Quarter Consolidated Statements of Cash Flows (Summary)

	(Millions of yen)		
	Three Months Ended 20 June, 2006	Three Months Ended 20 June, 2005	Difference
	(A)	(B)	(A) - (B)
Cash flows from operating activities			
Income before income taxes and minority interests	4,429	967	3,462
Depreciation and amortization	1,644	1,624	19
Gain on sales of investment securities	2,030	-	2,030
(Increase) decrease in trade receivables	8,942	7,890	1,051
(Increase) decrease in inventories	(5,554)	(5,116)	(437)
Increase (decrease) in trade payables	3,888	(7,056)	10,944
Income taxes paid	(3,455)	(6,044)	2,589
Other, net	(5,777)	(1,948)	(3,829)
Net cash provided by (used in) operating activities	<u>6,148</u>	<u>(9,682)</u>	<u>15,831</u>
Cash flows from investing activities			
Purchases of property, plant and equipment and intangible assets	(2,138)	(1,712)	(426)
Proceeds from sales of property, plant and equipment	1,080	143	936
Purchases of investment securities	(221)	(14)	(207)
Proceeds from sales of investment securities	7	76	(68)
Other, net	(24)	(191)	166
Net cash provided by (used in) investing activities	<u>(1,297)</u>	<u>(1,697)</u>	<u>400</u>
Cash flows from financing activities			
Increase (decrease) in short-term debt	(30)	4,635	(4,655)
Repayments of long-term debt	(1,009)	(976)	(32)
Proceeds from issuance of corporate bonds	-	49	(49)
Payment of a dividend by parent company	(1,396)	-	(1,396)
Other, net	(107)	(89)	(18)
Net cash provided by (used in) financing activities	<u>(2,543)</u>	<u>3,618</u>	<u>(6,162)</u>
Effect of exchange rate changes on cash and cash equivalents	<u>(36)</u>	<u>27</u>	<u>(63)</u>
Net increase (decrease) in cash and cash equivalents	2,271	(7,733)	10,005
Cash and cash equivalents at beginning of year	12,102	17,906	(5,804)
Increase due to inclusion of subsidiaries in consolidation	-	-	-
Decrease due to exclusion of subsidiaries from consolidation	-	-	-
Cash and cash equivalents at end of year	<u><u>14,373</u></u>	<u><u>10,172</u></u>	<u><u>4,200</u></u>

Appendix IV Segment Information

Business Segments

(Millions of yen)

	Three months ended June 20, 2006							
	Motion Control	Robotics	System Engineering	Information Technologies	Other	Total	Eliminations & Corporate	Consolidated
Net sales								
Sales to third parties	36,353	30,162	9,999	5,540	1,925	83,982	-	83,982
Intersegment sales and transfers	4,861	145	647	522	4,260	10,436	(10,436)	-
Total sales	41,215	30,308	10,646	6,062	6,186	94,419	(10,436)	83,982
Operating costs and expenses	36,516	28,305	10,914	6,389	5,704	87,830	(10,454)	77,376
Operating income (loss)	4,698	2,002	(267)	(326)	481	6,588	17	6,605

(Note) 1. The name of the “Robotics Automation” segment was changed to “Robotics” effective the first quarter of fiscal year 2006.

2. The earnings and expenses of overseas subsidiaries were previously calculated using the spot exchange rate on the record date, however effective the first quarter of fiscal year 2006, the average exchange rate during the period is used. This change had minor effect on net sales and operating income (loss).

	Three months ended June 20, 2005							
	Motion Control	Robotics Automation	System Engineering	Information Technologies	Other	Total	Eliminations & Corporate	Consolidated
Net sales								
Sales to third parties	28,537	25,394	6,194	4,392	2,342	66,861	-	66,861
Intersegment sales and transfers	3,765	331	660	293	5,384	10,436	(10,436)	-
Total sales	32,303	25,725	6,854	4,686	7,726	77,297	(10,436)	66,861
Operating costs and expenses	30,504	23,788	7,888	5,096	7,319	74,597	(10,434)	64,163
Operating income	1,798	1,937	(1,033)	(410)	407	2,700	(2)	2,697

Geographical Areas

(Millions of yen)

	Three months ended June 20, 2006						
	Japan	The Americas	Europe	Asia	Total	Eliminations & Corporate	Consolidated
Net sales							
Sales to third parties	52,277	14,739	10,370	6,594	83,982	-	83,982
Intersegment sales and transfers	12,220	80	151	2,294	14,746	(14,746)	-
Total sales	64,497	14,819	10,522	8,889	98,728	(14,746)	83,982
Operating costs and expenses	60,737	13,454	9,849	8,006	92,047	(14,671)	77,376
Operating income	3,760	1,364	673	883	6,681	(75)	6,605

(Note) 1. Effective the second half of the fiscal year ended 20 March, 2006, the geographical area of “North America” has been changed to “The Americas.” This change had no effect.

2. The earnings and expenses of overseas subsidiaries were previously calculated using the spot exchange rate on the record date, however effective the first quarter of fiscal year 2006, the average exchange rate during the period is used. This change had minor effect on net sales and operating income (loss).

Three months ended June 20, 2005

	Japan	North America	Europe	Asia	Total	Eliminations & Corporate	Consolidated
Net sales							
Sales to third parties	43,469	10,638	8,140	4,612	66,861	-	66,861
Intersegment sales and transfers	11,645	45	84	1,674	13,449	(13,449)	-
Total sales	<u>55,114</u>	<u>10,684</u>	<u>8,224</u>	<u>6,286</u>	<u>80,310</u>	<u>(13,449)</u>	<u>66,861</u>
Operating costs and expenses	<u>53,925</u>	<u>9,810</u>	<u>7,761</u>	<u>5,816</u>	<u>77,313</u>	<u>(13,150)</u>	<u>64,163</u>
Operating income	<u><u>1,188</u></u>	<u><u>874</u></u>	<u><u>463</u></u>	<u><u>470</u></u>	<u><u>2,997</u></u>	<u><u>(299)</u></u>	<u><u>2,697</u></u>