

Yokogawa Electric Corporation

# Financial Results for 3<sup>rd</sup> Quarter of Fiscal Year 2008



YOKOGAWA

Feb. 10, 2009

**Kazunori Yagi, Director, Chief Financial Officer**



# Summary of FY08 3Q Results

**1. Capital investment slowed down as a result of the deteriorating economy and the credit crunch. This and the appreciation of the yen led to a decline in orders and sales.**

Control business: Orders began to decline, sales growth slowed down, and operating income fell due to the shrinking Japan market and the impact of delayed investments and the strong yen on our business in other markets.

Measurement business: As orders and sales declined for both semiconductor testers and measuring instruments due to the cooling of the semiconductor market and tightening capital investment, this business went further into the red.

New and other businesses: While orders for the photonics business were brisk, other businesses were sluggish, resulting in an overall reduction in orders and sales and slightly lower profits.

**2. FY08 3Q net income dropped as the result of a 4 billion yen valuation loss on investment securities, the reversal of 30.5 billion yen of deferred tax assets, and the reduction in operating income caused by falling sales and the strong yen.**

(Billion ¥)

	FY07 3Q	FY08 3Q	FY07 1-3Q	FY08 1-3Q
Orders	110.5	82.5	339.0	298.2
Sales	88.2	76.1	292.5	272.9
Operating income	0.3	(5.8)	9.1	(0.8)
Ordinary income	(0.6)	(10.3)	5.1	(5.9)
Net income	(0.8)	(41.0)	1.9	(37.2)



# FY08 3Q Financial Results

(Billion ¥)

	FY08 budget 08/10/28	FY08 results				Achieve- ment
		1Q	2Q	3Q	9 month total	
Orders	447.0	111.9	103.8	82.5	298.2	66.7%
Sales	424.0	83.5	113.3	76.1	272.9	64.4%
Operating income	18.0	(4.3)	9.3	(5.8)	(0.8)	—
Ordinary income	16.0	(3.5)	7.9	(10.3)	(5.9)	—
Net income	5.0	(1.8)	5.6	(41.0)	(37.2)	—

- Orders and sales declined due to the weakening business environment and appreciation of the yen.
- FY08 3Q net income dropped substantially as the result of a 3.8 billion yen foreign exchange loss, a 4 billion yen valuation loss on investment securities, the reversal of 30.5 billion yen of deferred tax assets, and the reduction in operating income caused by falling sales and the strong yen.



# Comparison of FY08/FY07 3Q Financial Results

(Billion ¥)

	FY07 3Q	FY08 3Q	Growth rate	Difference
Orders	110.5	82.5	-25.3%	(28.0)
Sales	88.2	76.1	-13.6%	(12.1)
Operating income	0.3	(5.8)	—	(6.1)
Ordinary income	(0.6)	(10.3)	—	(9.7)
Net income	(0.8)	(41.0)	—	(40.2)

- Orders and sales have fallen since November as a result of the weakening business environment.
- Reduced sales and the strong yen have caused operating income to shrink.



# Comparison of FY08/FY07 1Q-3Q Financial Results

(Billion ¥)

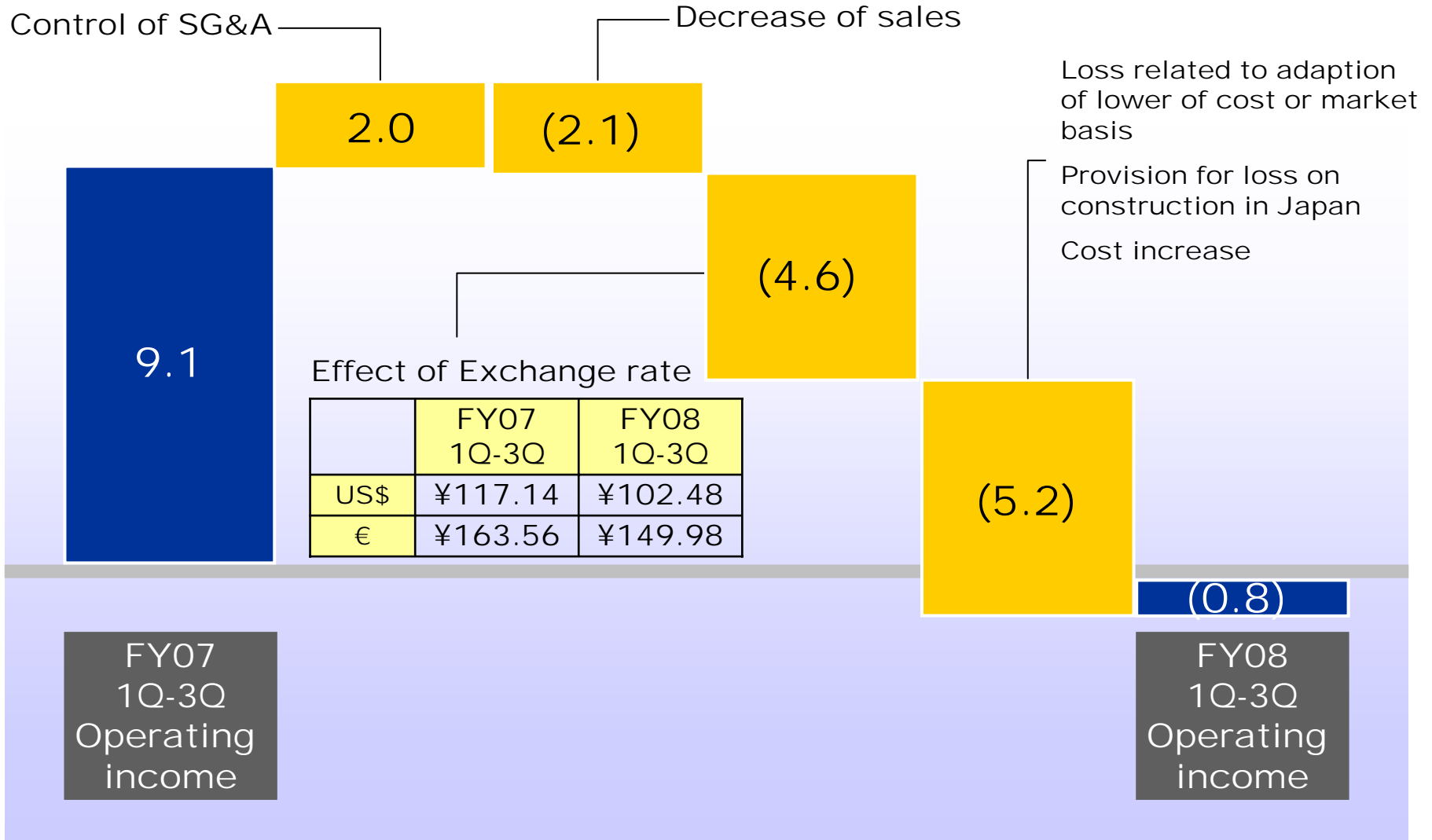
		FY07 1Q-3Q	FY08 1Q-3Q	Growth rate	Difference
Orders		339.0	298.2	-12.0%	(40.8)
Sales		292.5	272.9	-6.7%	(19.6)
Operating income		9.1	(0.8)	—	(9.9)
Ordinary income		5.1	(5.9)	—	(11.0)
Net income		1.9	(37.2)	—	(39.1)
Exchange rate	1\$= 1€=	117.14yen 163.56yen	102.48yen 149.98yen	—	—

- Orders and sales have fallen due to the strong yen.
- The deteriorating market environment in FY08 3Q has widened the gap between this year's 1Q-3Q results and the results from one year ago.



# Analysis of FY08 1Q-3Q Operating Income

(Billion ¥)





# Non-operating / Extraordinary Income and Expenses

	(Billion ¥)		
	FY07 1Q-3Q	FY08 1Q-3Q	
Operating income	9.1	(0.8)	
Non-operating income	2.1	1.7	
Non-operating expenses	6.0	6.8	➔
Ordinary income	5.1	(5.9)	
Extraordinary income	1.5	1.6	
Extraordinary expenses	2.2	6.2	➔
Income before tax	4.4	(10.5)	
Tax, etc.	2.5	26.7	
Net income	1.9	(37.2)	

Interest expenses: ¥1.1 billion  
Foreign exchange losses: ¥3.8 billion

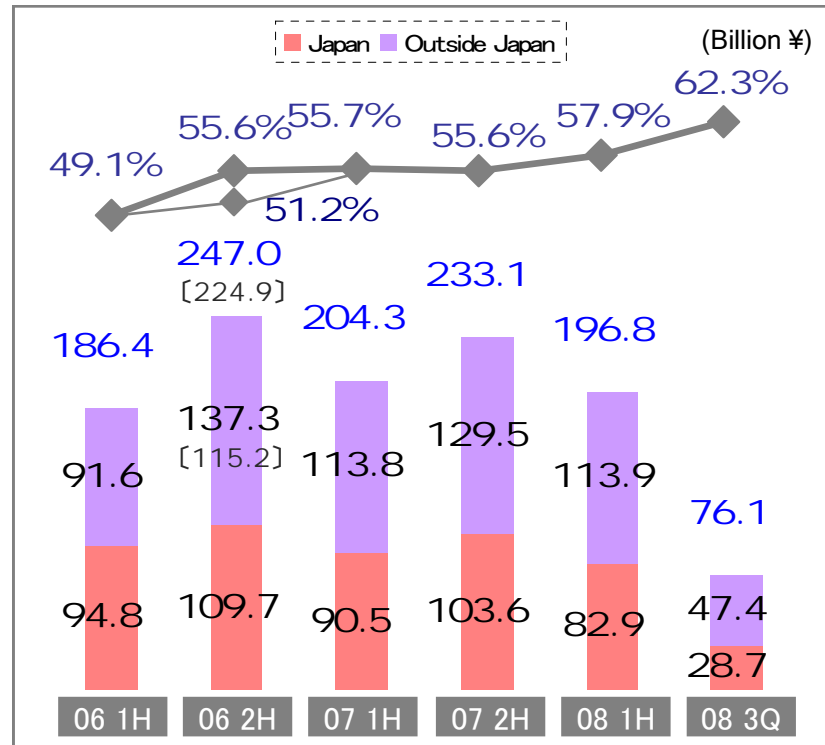
Sale and retirement loss in noncurrent assets: ¥0.9 billion  
Valuation loss in investment securities: ¥4 billion

- A 2.4 billion yen increase in foreign exchange losses from one year ago
- A 3.9 billion yen increase in valuation loss on investment securities from one year ago
- A reversal of 30.5 billion yen of deferred tax assets due to the difficulty of forecasting future taxable income

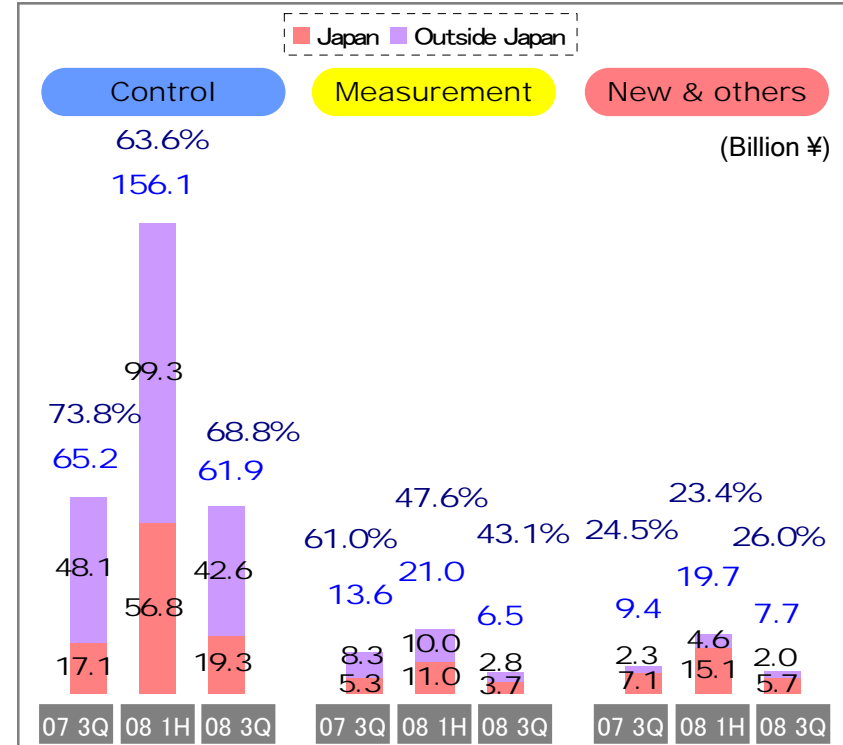


# Global Sales

## Total



## By Segment



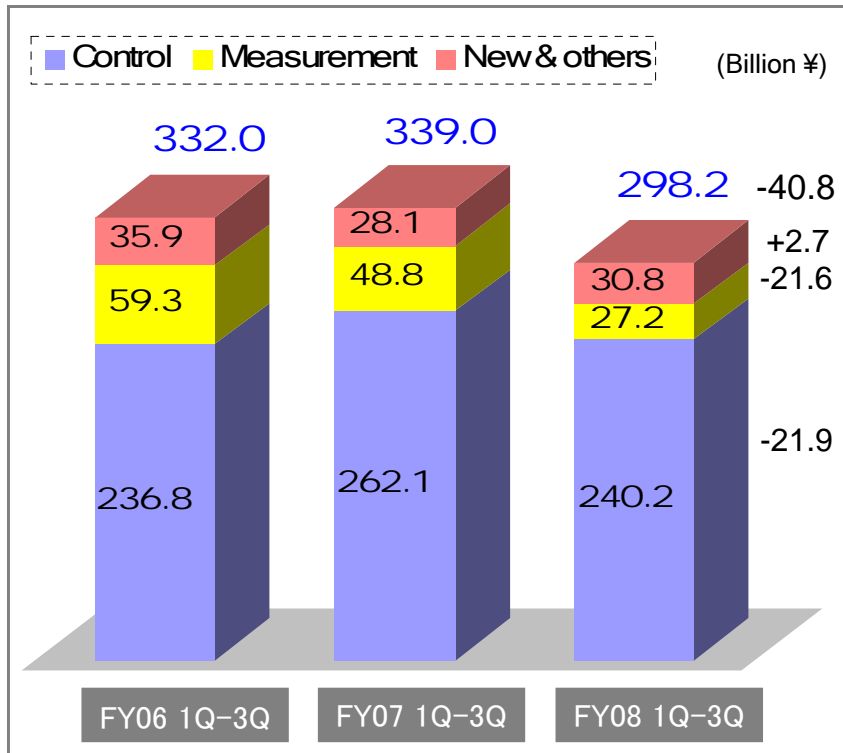
\*The numbers in brackets show the results without the increase from the fiscal year change by subsidiaries outside Japan.

- For the control business, the percentage of sales generated outside Japan has fallen due to the strong yen.
- For the measurement business, the percentage of sales generated outside Japan has fallen substantially due to stagnant sales of semiconductor testers.

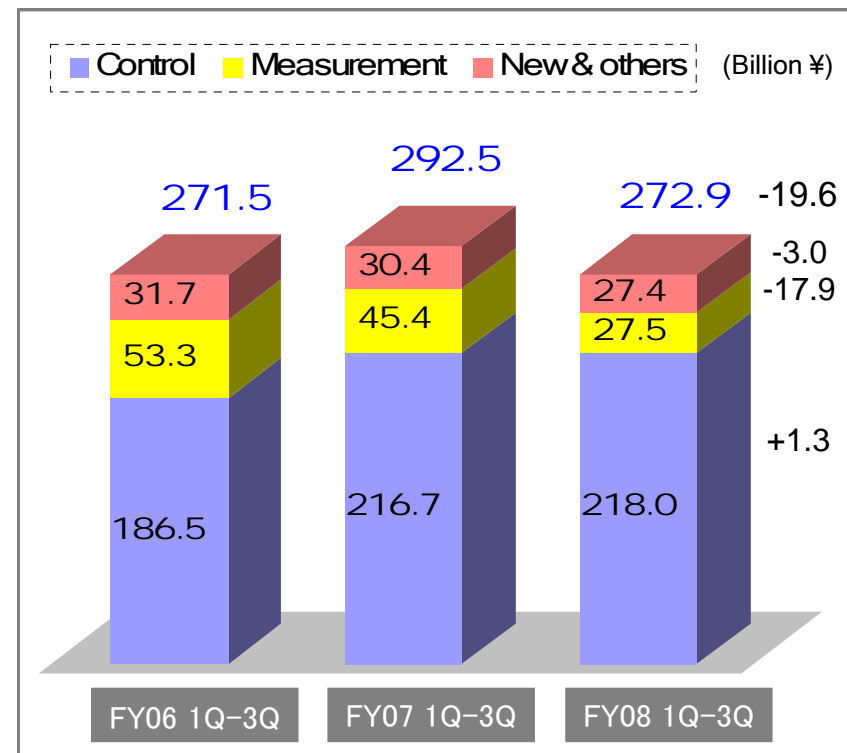


# FY08/FY07/FY06 1Q-3Q Comparison for Orders and Sales by Segment

## Orders



## Sales

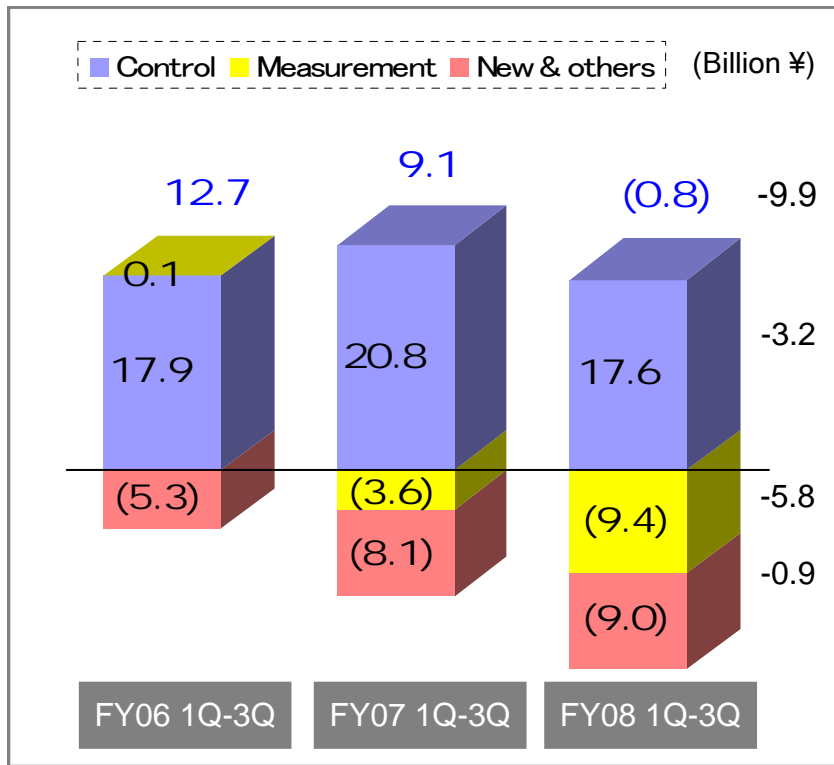


- Control business: Orders fell and sales growth slowed due to shrinking capital investment in Japan and the impact of postponed projects and the strong yen on sales outside Japan.
- Measurement business: Orders and sales of semiconductor testers were lower, and tighter capital investment had an impact on the measuring instruments business's results.
- New and other businesses: While orders for photonics products were brisk, sales were sluggish for the advanced stage business.



# FY08/FY07/FY06 1Q-3Q Comparison for Operating Income by Segment

## Operating Income



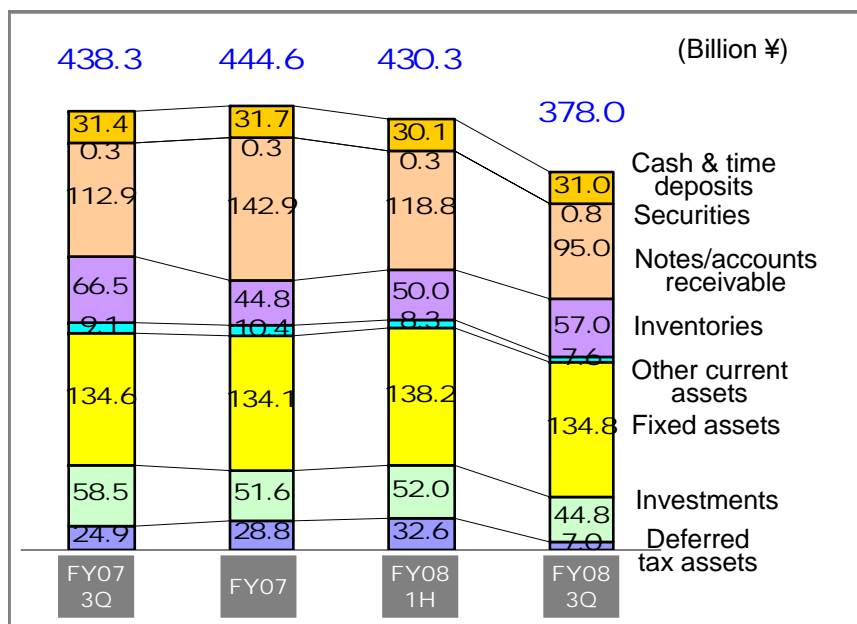
	FY07 1Q-3Q	FY08 1Q-3Q	Difference
Control	20.8	17.6	(3.2)
Measurement	(3.6)	(9.4)	(5.8)
New & others	(8.1)	(9.0)	(0.9)
<b>Total</b>	<b>9.1</b>	<b>(0.8)</b>	<b>(9.9)</b>

- Control business: Profits dropped because of losses related to the adoption of the lower of cost or market method, provision for loss on construction in Japan, and cost increases.
- Measurement business: Losses increased due to falling sales of semiconductor testers.
- New and other businesses: Losses increased due to reduced sales of advanced stages and other products.



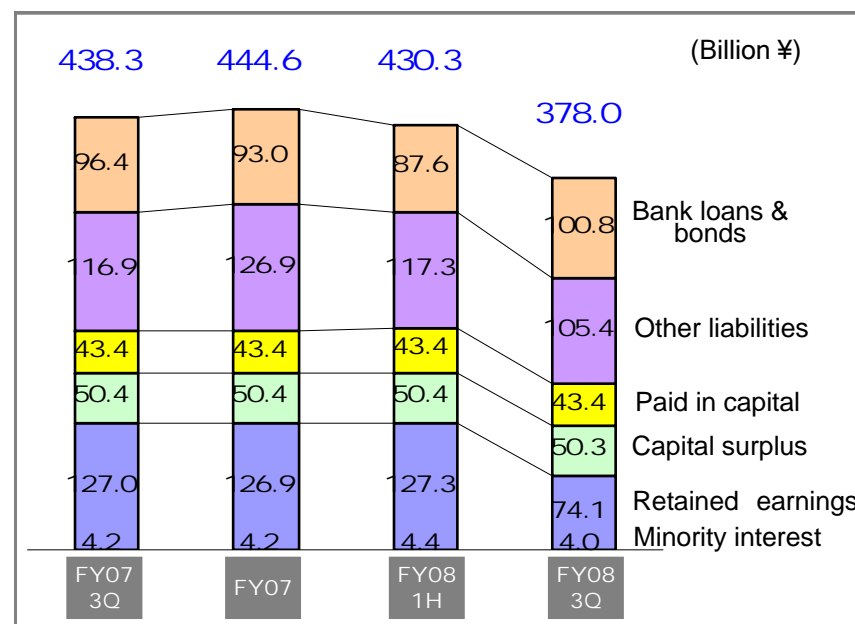
# Trend of Balance Sheet

## Assets



	FY07 3Q	FY07	FY08 1H	FY08 3Q
Total asset turnover	—	0.99	0.99	—
Shareholders' equity	50.4%	49.6%	51.4%	44.4%

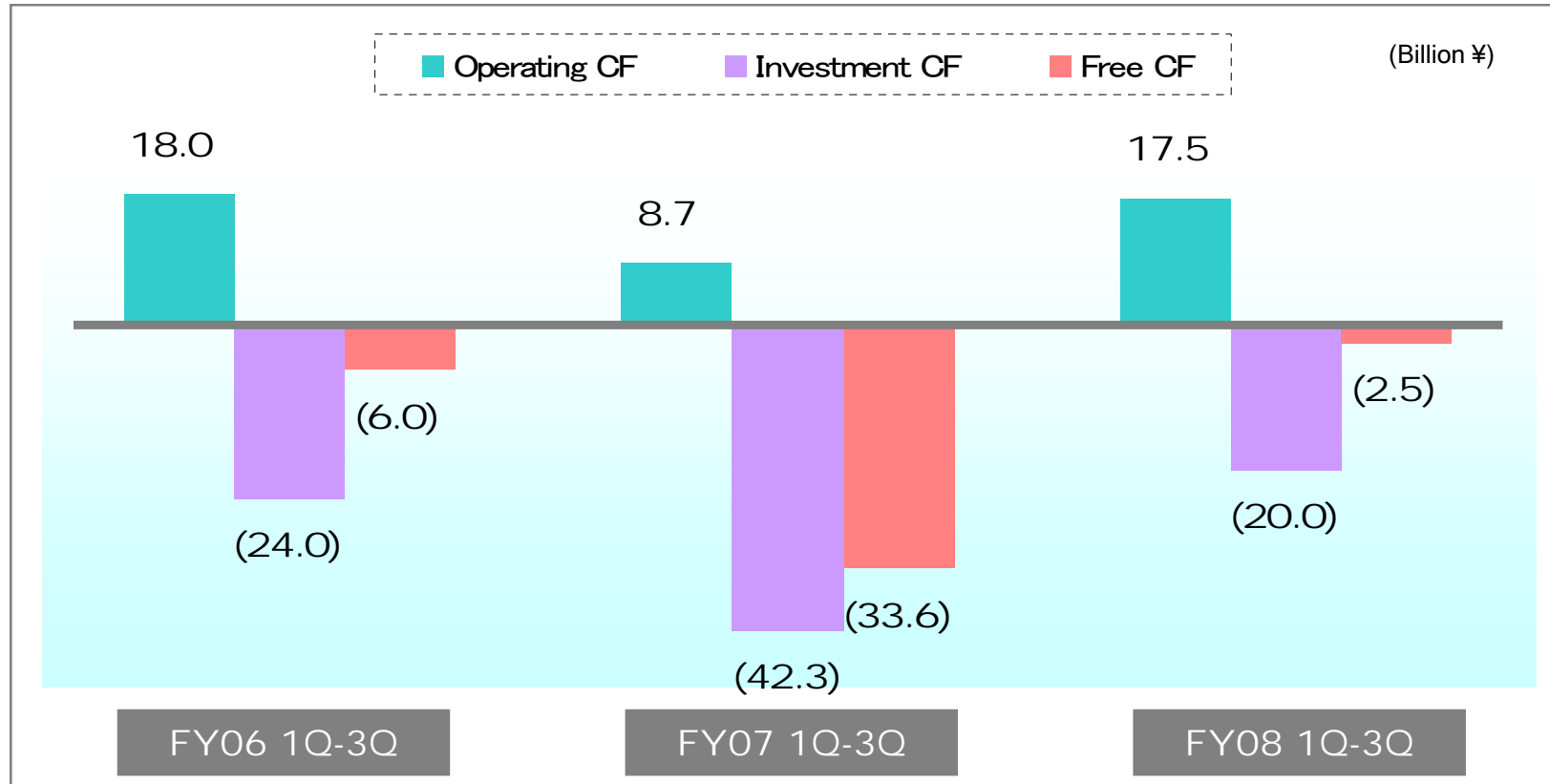
## Liabilities and Shareholders' Equity



	FY07 3Q	FY07	FY08 1H	FY08 3Q
Interest-bearing debt ratio	22.0%	20.9%	20.4%	26.7%
Debt/equity ratio	43.6%	42.1%	39.7%	60.1%

- Deferred tax assets fell as a result of a 30.5 billion yen reversal.
- Shareholders' equity ratio reduced and debt/equity ratio increased due to a reduction in retained earnings, a reduction in net assets caused by a decrease in the foreign currency translation adjustment, and an increase in bank loans and bond holdings.

# Trend of Cash Flow



- Operating cash flow increased due to factors such as a reduction in trade receivables.
- Investment cash flows saw a reduction in expenditure due to the acquisition of tangible and intangible fixed assets.



# FY08 Revised Budget

(Billion ¥)

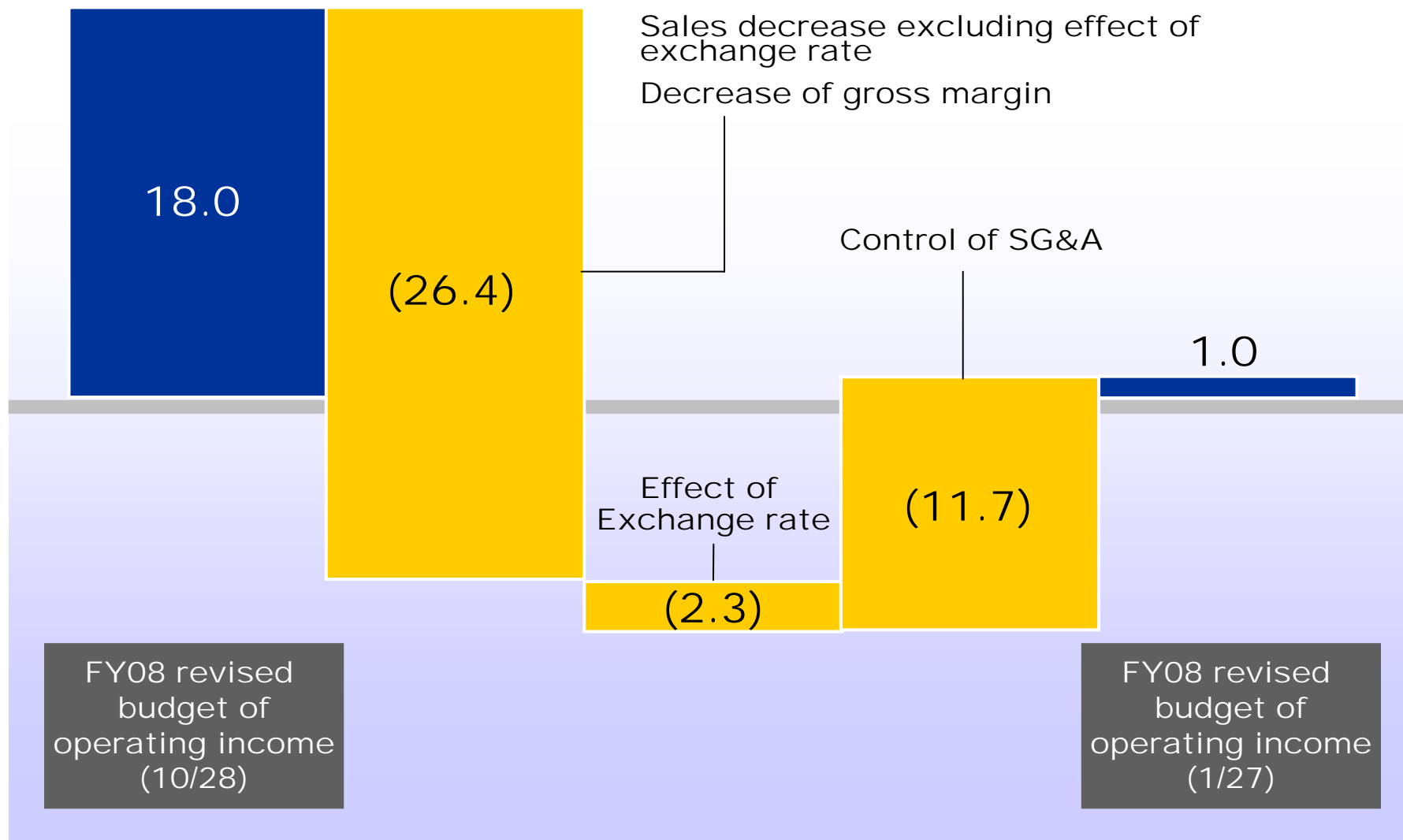
	FY07 results	FY08 budget					
		Initial 5/13	Revised 8/12	Revised 10/28(A)	Revised 1/27(B)	Difference (B-A)	
Orders	455.1	460.0	460.0	447.0	383.0	(64.0)	
Sales	437.4	440.0	446.0	424.0	380.0	(44.0)	
Operating income	27.4	26.0	24.5	18.0	1.0	(17.0)	
Ordinary income	16.5	22.0	21.0	16.0	(4.0)	(20.0)	
Net income	11.7	11.0	11.0	5.0	(40.0)	(45.0)	
Exchange rate	1\$= 1€=	113.80yen 162.26yen	100yen 155yen	100yen 155yen	100yen 125yen	85yen 115yen	(15)yen (10)yen

- The orders, sales, and profit budgets were all revised downward (announced on January 27) due to the deterioration in the business environment and the appreciation of yen that occurred in FY08 3Q.
- FY08 3Q net income fell due to a reversal of deferred tax assets.



# Comparison of FY08 Budget of Operating Income

(Billion ¥)





# Quarterly Financial Results and Budget

(Billion ¥)

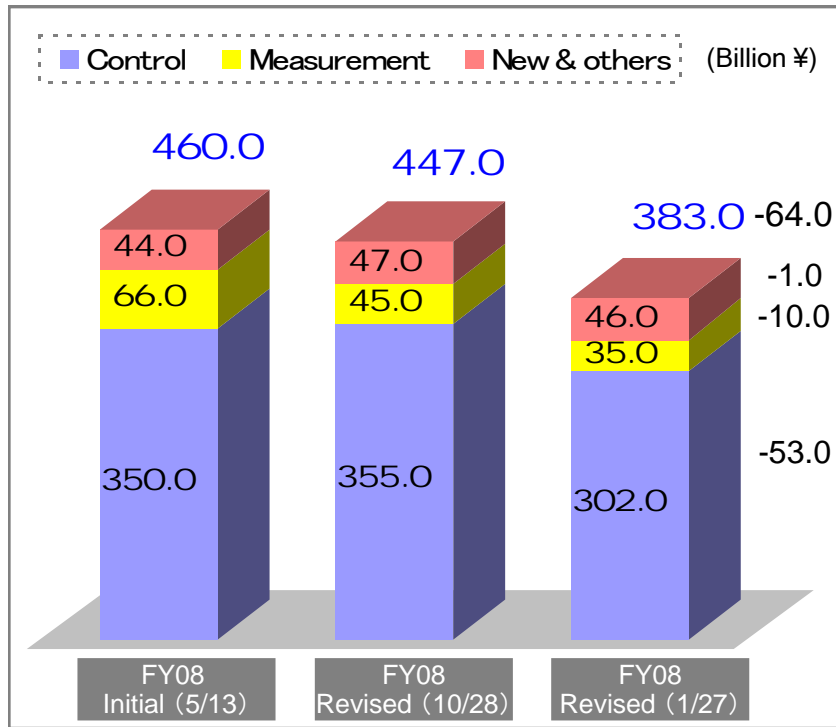
	FY07					FY08				
	1Q	2Q	3Q	4Q	Total	1Q	2Q	3Q	4Q (budget)	Total
Orders	112.1	116.4	110.5	116.1	455.1	111.9	103.8	82.5	84.8	383.0
Sales	83.5	120.8	88.2	144.9	437.4	83.5	113.3	76.1	107.1	380.0
Operating income	(0.4)	9.2	0.3	18.3	27.4	(4.3)	9.3	(5.8)	1.8	1.0

- Sales tend to be higher in 2Q and 4Q and this trend is particularly strong with the control business in Japan.
- FY08 4Q orders and sales are estimated to be reduced as a result of an anticipated change in the yen/dollar exchange rate.

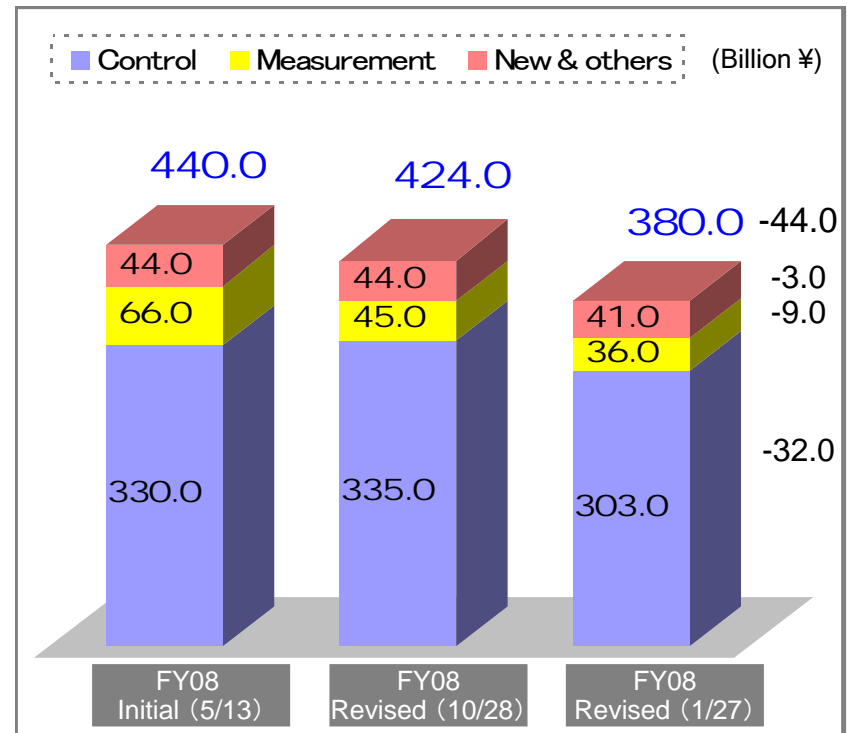


# FY08 Budget for Orders and Sales by Segment

## Orders



## Sales

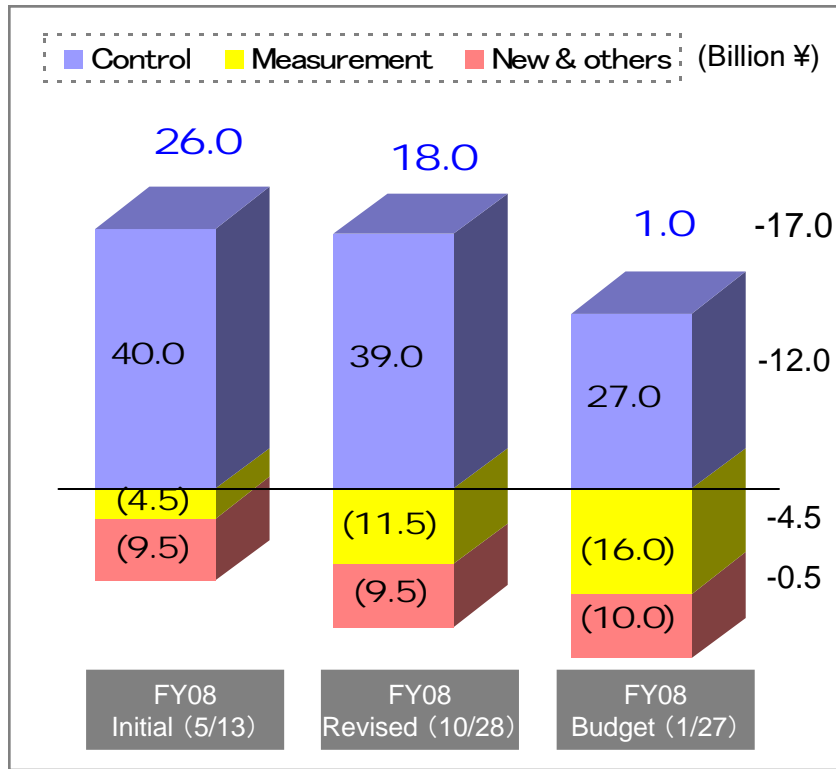


- Control business: Both budgets have been revised downward due to shrinking capital investment in Japan and the impact of postponed projects and the strong yen on our business outside Japan.
- Measurement business: Both budgets have been revised downward due to a freeze on capital investment by semiconductor manufacturers and weak investment in measuring instruments.
- New and other businesses: The sales budget has been revised downward as the result of a delay in recording part of the photonics sales.

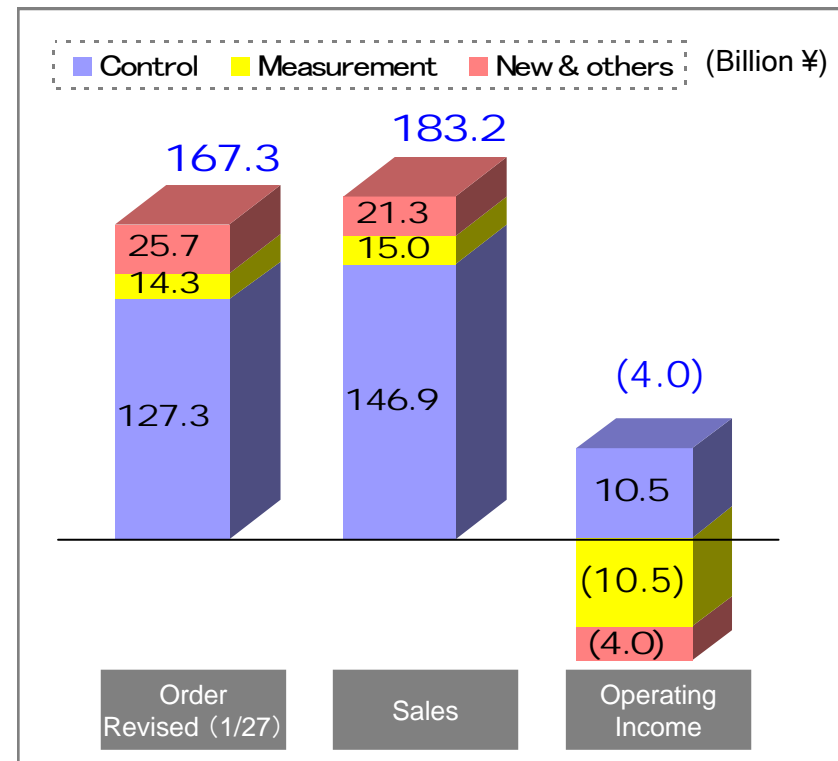


# FY08 Budget for Operating Income and 2H Budget by Segment

## Operating Income



## FY08 2H Budget



- Control business: Operating income is predicted to decline due to reduced sales and the strong yen
- Measurement business: Operating loss is predicted to increase due to a growing loss in the semiconductor tester business and the stagnant measuring instruments business.
- New and other businesses: Operating loss is predicted to increase due to a delay in recording part of the photonics sales.



# FY08 Budget for Non-operating / Extraordinary Income and Expenses

(Billion ¥)

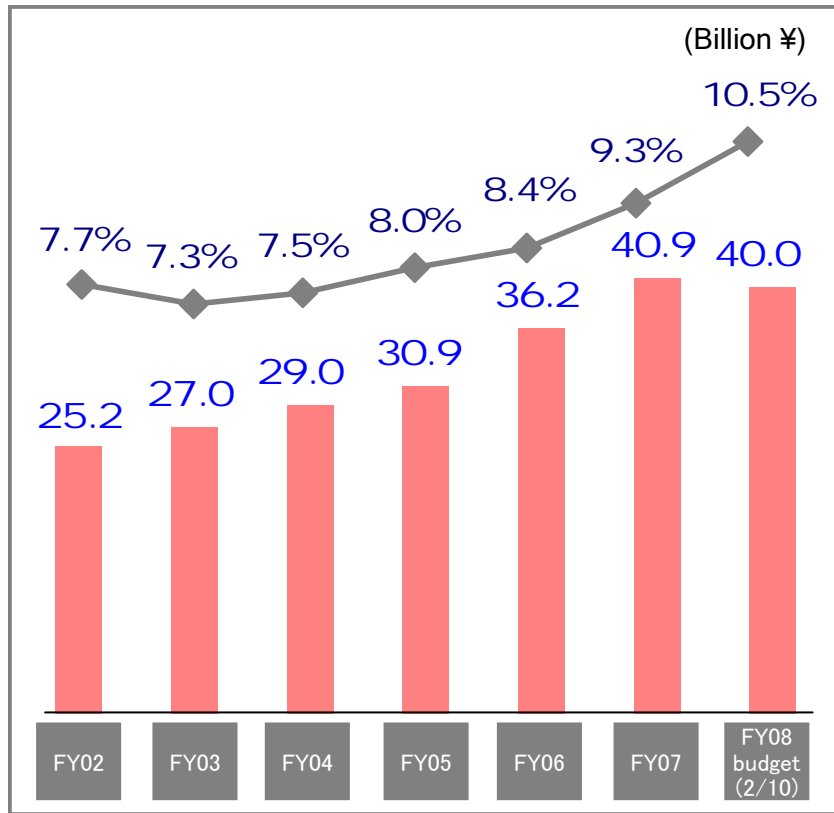
	FY07	FY08	
	Results	1Q-3Q Results	Budget
Operating income	27.4	(0.8)	1.0
Non-operating income	3.7	1.7	(5.0)
Non-operating expenses	14.7	6.8	
Ordinary income	16.5	(5.9)	(4.0)
Extraordinary income	2.6	1.6	(6.0)
Extraordinary expenses	4.7	6.2	
Income before tax	14.4	(10.5)	(10.0)
Tax, etc.	2.7	26.7	30.0
Net income	11.7	(37.2)	(40.0)

No budget has been planned for FY08 4Q's non-operating income and expenses or extraordinary income and expenses.

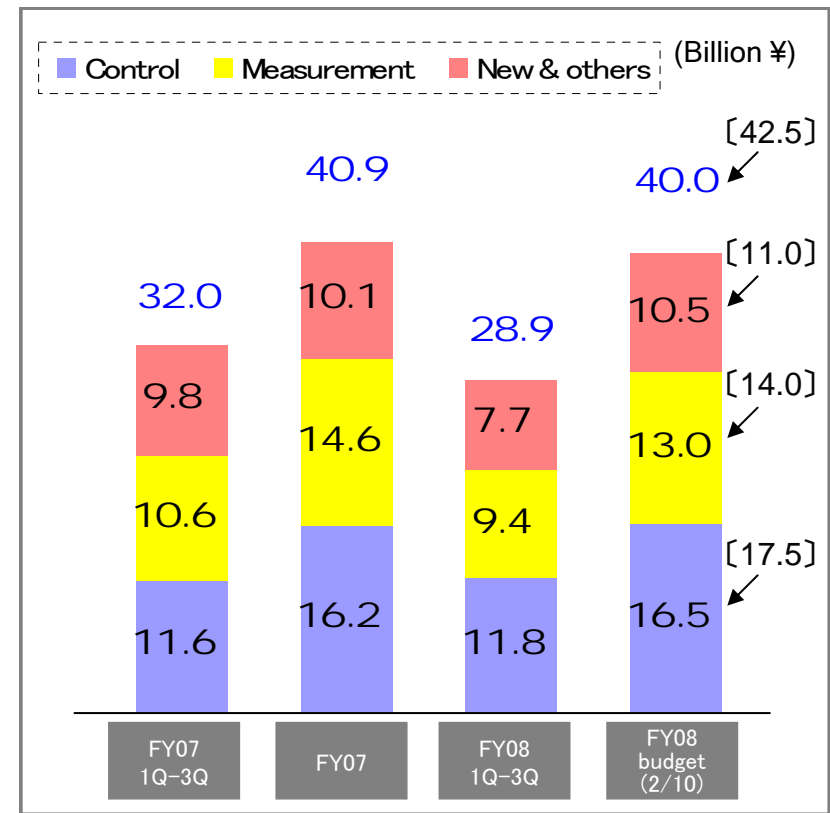


# Trend of R&D Expenses

Trend of R&D Expenses



Trend of R&D Expenses by Segment

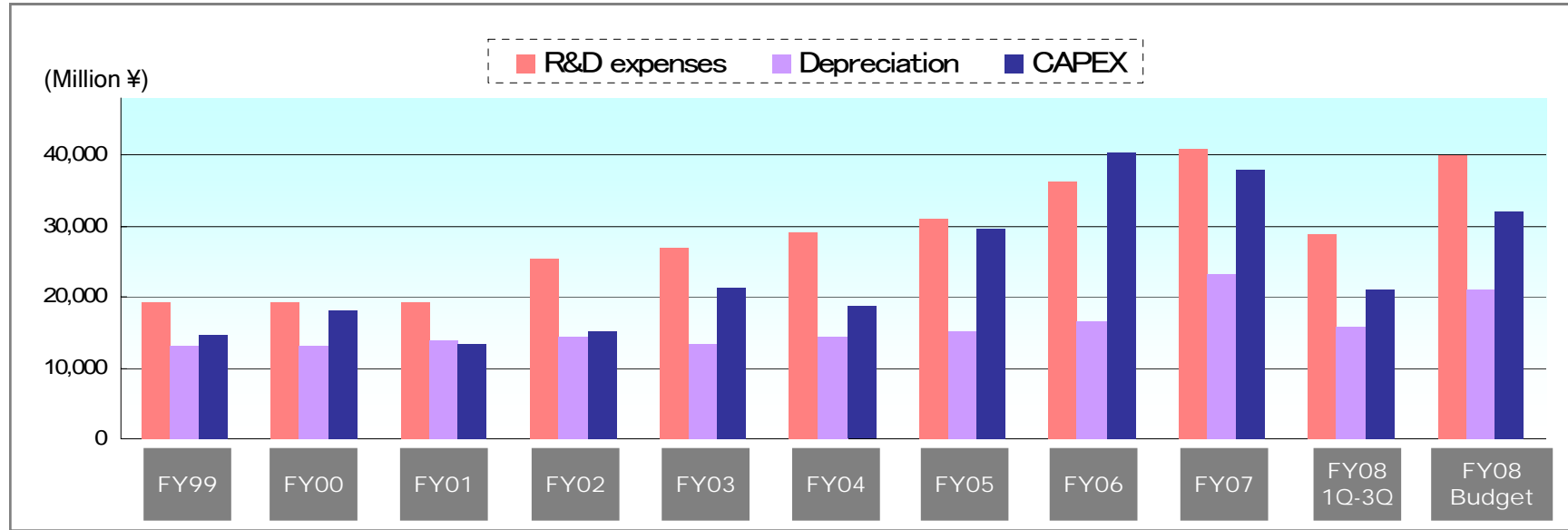


\*The number in brackets show the revised budget on Oct., 28.

- The R&D expense budget was revised downward from the initial 44 billion yen to 42.5 billion yen when the FY2008 1H results were announced. It has been further reduced to 40.5 billion yen.



# Trend of R&D Expenses, Depreciation, and CAPEX



(Million ¥)

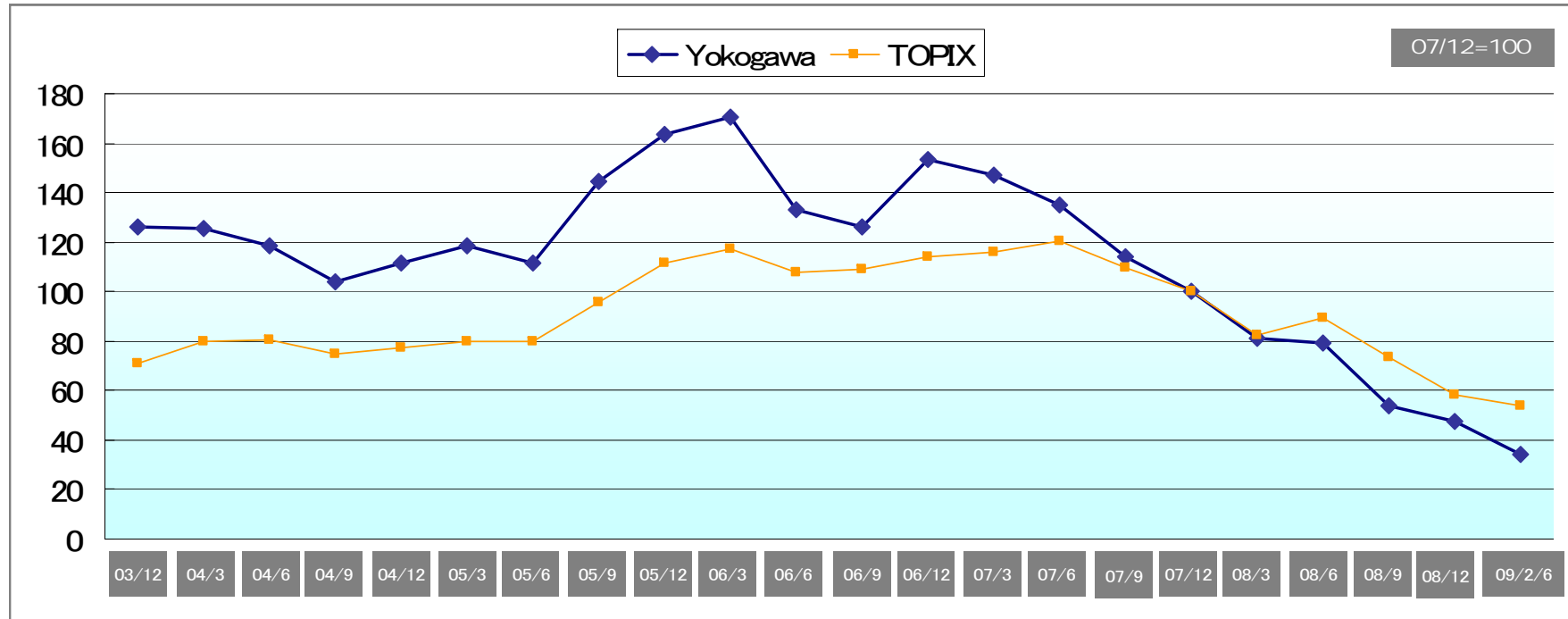
	Results										FY08 Budget		
	FY99	FY00	FY01	FY02	FY03	FY04	FY05	FY06	FY07	FY08 1-3Q	5/13	10/28	2/10
R&D	19,259	19,181	19,236	25,233	26,991	28,998	30,917	36,223	40,875	28,884	44,000	42,500	40,000
(Sales ratio)	6.1%	5.4%	6.2%	7.7%	7.3%	7.5%	8.0%	8.4%	9.3%	10.6%	10.0%	10.0%	10.5%
Depreciation	13,197	13,190	13,964	14,298	13,445	14,331	15,124	16,483	23,129	15,773	24,000	22,000	21,000
(Sales ratio)	4.2%	3.7%	4.5%	4.3%	3.6%	3.7%	3.9%	3.8%	5.3%	5.8%	5.5%	5.2%	5.5%
CAPEX	14,699	18,173	13,347	15,264	21,355	18,652	29,540	40,284	37,990	21,188	39,000	37,000	32,000
(Sales ratio)	4.7%	5.2%	4.3%	4.6%	5.7%	4.8%	7.6%	9.3%	8.7%	7.8%	8.9%	8.7%	8.4%

-The R&D expenses budget has been reduced by 2.5 billion yen.

-The depreciation budget has been reduced by 1 billion yen as a result of a 5 billion yen reduction in the CAPEX budget.



# Trend of Stock Price



	03/12	04/3	04/6	04/9	04/12	05/3	05/6	05/9	05/12	06/3	06/6	06/9	06/12	07/3	07/6	07/9	07/12	08/3	08/6	08/9	08/12	09/2/6	
Yokogawa	1,548	1,544	1,455	1,276	1,372	1,452	1,371	1,772	2,010	2,095	1,631	1,552	1,887	1,806	1,654	1,398	1,228	998	971	659	582	423	
TOPIX	1,044	1,179	1,190	1,104	1,139	1,180	1,177	1,412	1,650	1,728	1,587	1,611	1,681	1,714	1,775	1,617	1,476	1,213	1,320	1,087	859	791	
Yokogawa	126	126	118	104	112	118	112	144	164	171	133	126	154	147	135	114	100	81	79	54	47	34	
TOPIX	71	80	81	75	77	80	80	96	112	117	108	109	114	116	120	110	100	82	89	74	58	54	



# Disclaimer

The information pertaining to our business plans and forecasts that has been provided in this presentation and at analyst meetings contains forward-looking statements that are based on our management's current knowledge and require the making of assumptions about future events. As such, it cannot be guaranteed that these statements will not differ materially from actual results.