

Yokogawa Electric Corporation

# Financial Results for 1<sup>st</sup> Quarter of Fiscal Year 2009



August 11, 2009

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



YOKOGAWA



# Summary of FY09 1Q Results

In FY09 1Q, the Yokogawa Group focused on measures that strengthened its business structure and lowered the break-even point by improving efficiency and reducing fixed costs. Although these efforts are paying off, 1Q sales and operating income are still down from the same period of the previous year due to the sharp market decline.

- Industrial Automation and Control segment: There are signs of a market recovery outside Japan that include the launch of previously postponed new plant construction projects, but it is not yet clear whether this can be sustained. In Japan, capital investment continues to fall and market conditions remain sluggish. Due to these factors, both sales and profits are down from FY08 1Q.
- Test and Measurement segment: Due to the slow semiconductor test system market and constraints in capital investment by our major customers in the electronics and auto industries, sales are down and operating loss is up from FY08 1Q.

(Billion ¥)

	FY08 1Q (A)	FY09 1Q (B)	Difference (B-A)
Orders	111.9	79.8	(32.1)
Sales	83.5	64.5	(19.0)
Operating income	(4.3)	(5.6)	(1.3)
Ordinary income	(3.5)	(6.0)	(2.5)
Net income	(1.8)	(6.8)	(5.0)



# FY09 Budget

(Billion ¥)

		FY08 results	FY09 budget	Difference
Orders		374.3	325.0	(49.3)
Sales		376.5	315.0	(61.5)
Operating income		4.7	(9.0)	(13.7)
Ordinary income		0.3	(13.0)	(13.3)
Net income		(38.4)	(18.0)	20.4
Exchange rate (¥)	1\$=	100.66	95	(5.66)
	1€=	143.28	125	(18.28)



# FY08 1Q and FY09 1Q Financial Results

(Billion ¥)

		FY08 1Q results	FY09 1Q results	Difference
Orders		111.9	79.8	(32.1)
Sales		83.5	64.5	(19.0)
Operating income		(4.3)	(5.6)	(1.3)
Ordinary income		(3.5)	(6.0)	(2.5)
Net income		(1.8)	(6.8)	(5.0)
Exchange rate (¥)	1\$=	105.44	96.76	(8.68)
	1€=	164.77	133.45	(31.32)

- FY09 1Q orders and sales are lower than FY08 1Q due to a harsh business environment and the strong yen.

- Despite massive reductions in SG&A expenses, the FY09 1Q operating loss increased as a result of the lower sales and the strong yen.

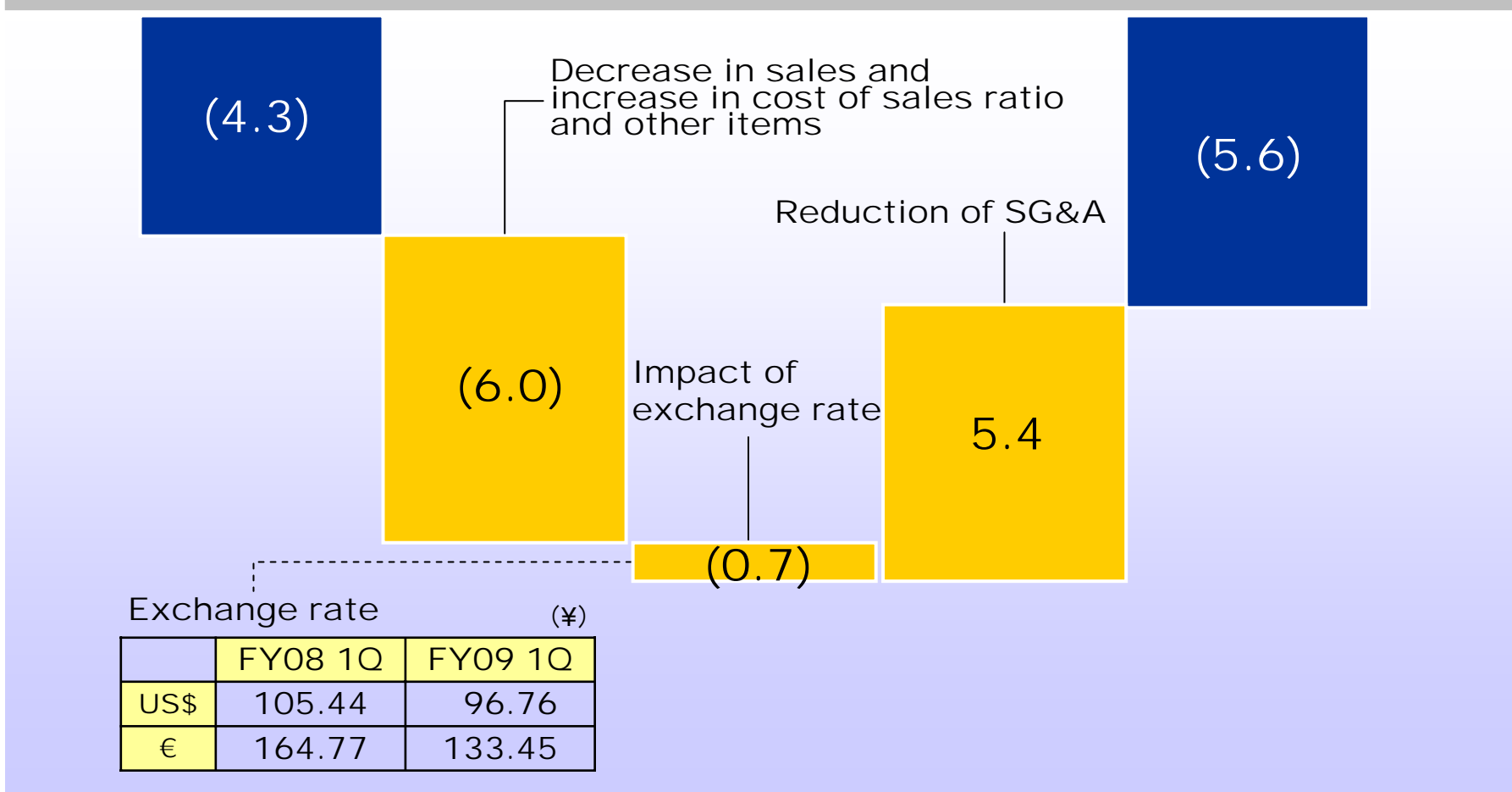


# Analysis of FY09 1Q Operating Income

(Billion ¥)

FY08 1Q  
Operating income

FY09 1Q  
Operating income





# Quarterly Financial Results

(Billion ¥)

	FY07				FY08				FY09
	1Q	2Q	3Q	4Q	1Q	2Q	3Q	4Q	1Q
Orders	112.1	116.4	110.5	116.1	111.9	103.8	82.5	76.1	79.8
Sales	83.5	120.8	88.2	144.9	83.5	113.3	76.1	103.6	64.5
Operating income	(0.4)	9.2	0.3	18.3	(4.3)	9.3	(5.8)	5.5	(5.6)

- FY09 1Q orders are up slightly from FY08 4Q due to an increase in non-Japan orders for the control segment.
- Sales tend to be higher in 2Q and 4Q and this trend is particularly strong with the control segment in Japan.



# Non-operating / Extraordinary Income and Expenses

(Billion ¥)

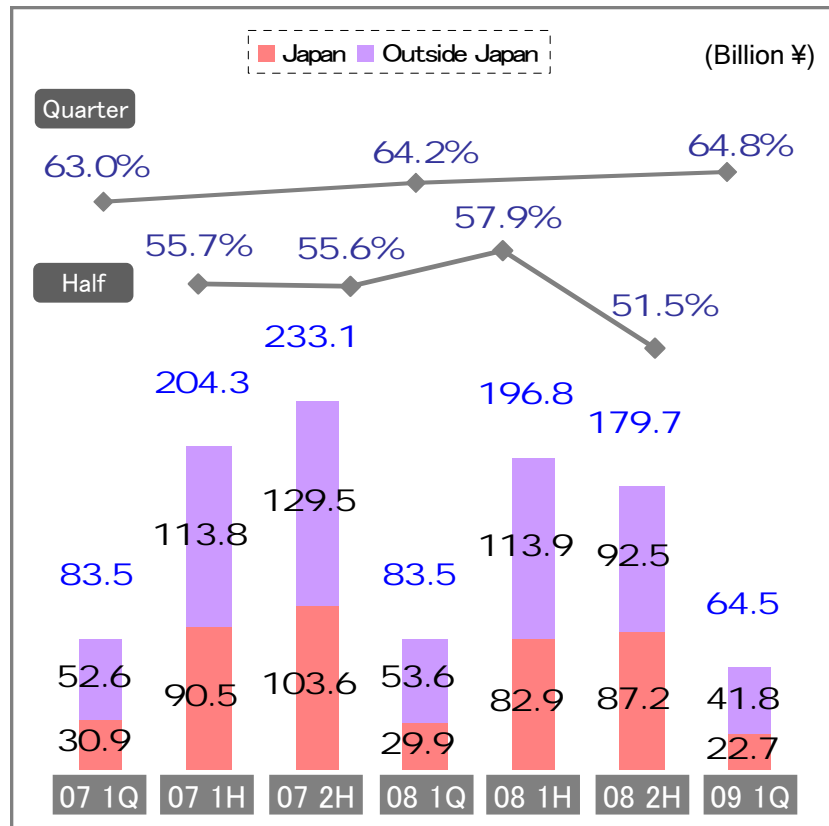
	FY08 1Q	FY09 1H budget	FY09 1Q results
Operating income	(4.3)	(10.0)	(5.6)
Non-operating income	1.7	(2.0)	0.8
Non-operating expenses	0.9		1.2
Ordinary income	(3.5)	(12.0)	(6.0)
Extraordinary income	0.0	(1.0)	0.2
Extraordinary expenses	1.0		0.6
Income before tax	(4.5)	(13.0)	(6.4)
Tax, etc.	(2.7)	1.0	0.4
Net income	(1.8)	(14.0)	(6.8)

- A 0.9 billion yen foreign exchange gain in FY08 1Q was followed by a 50 million yen foreign exchange loss in F09 1Q. This accounts for the year-on-year decline in non-operating income.
- In FY08 1Q there was a 3.9 billion yen tax adjustment relating to the deferral of tax assets. The tax adjustment in FY09 1Q was 0.4 billion yen. This accounts for the year-on-year increase in taxes.

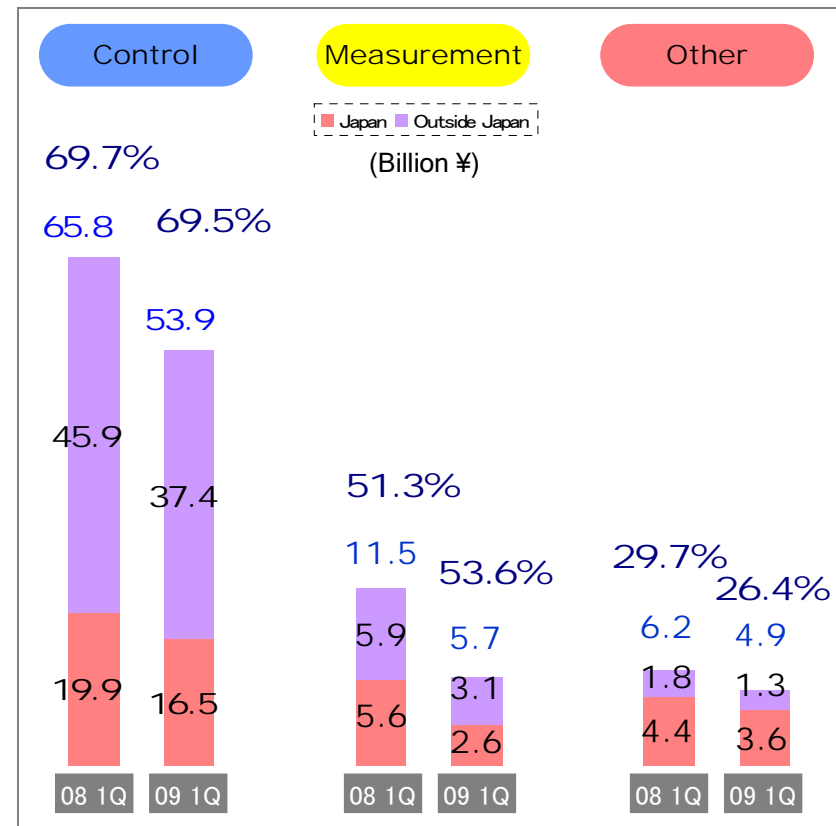


# Global Sales

## Total



## By Segment

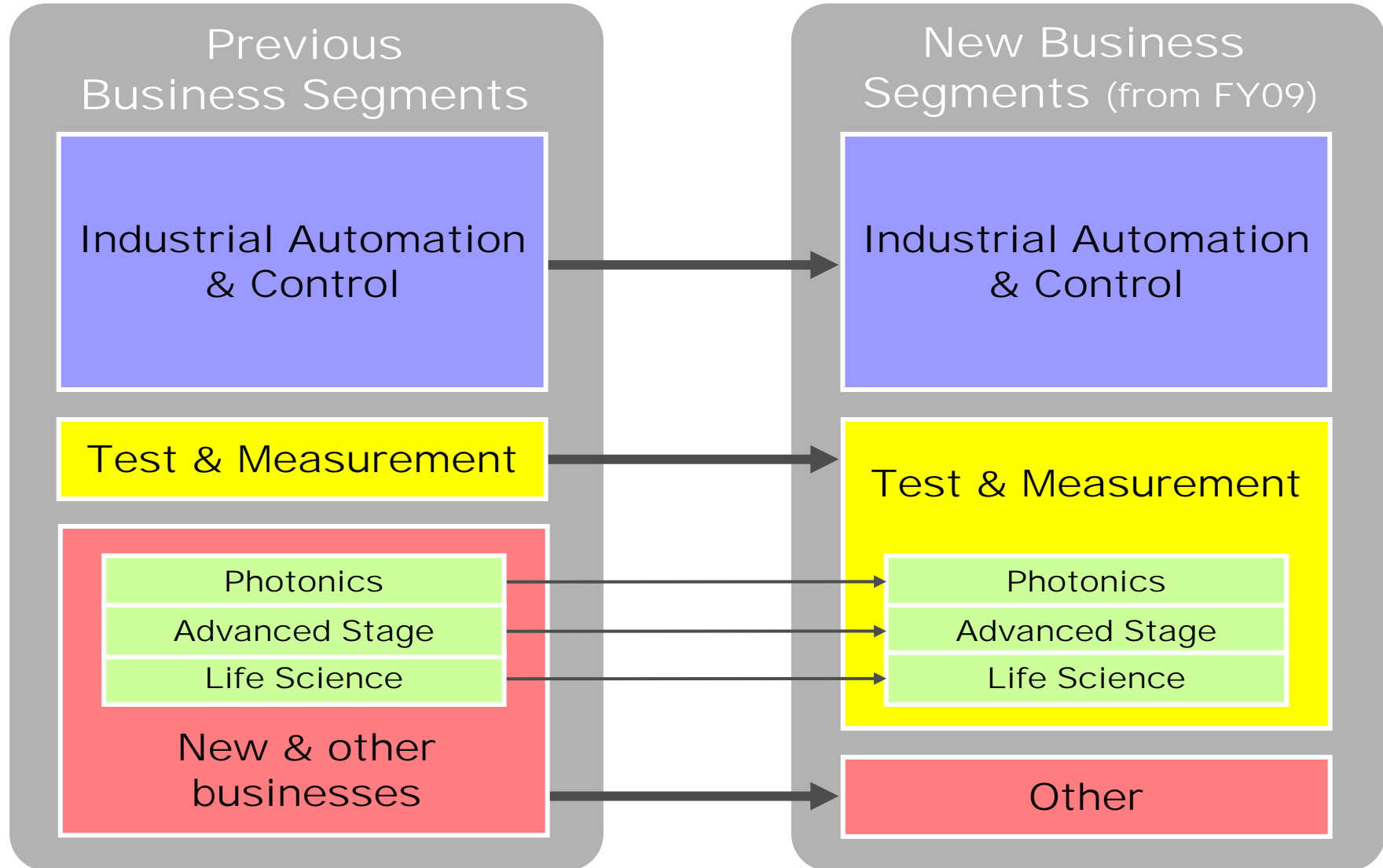


- Control: Due to the strong yen, there was relatively little change in the percentage of sales from outside Japan.

- Measurement: The percentage of sales from outside Japan increased in FY09 1Q because of the decline in Japan sales for the measuring instrument business.



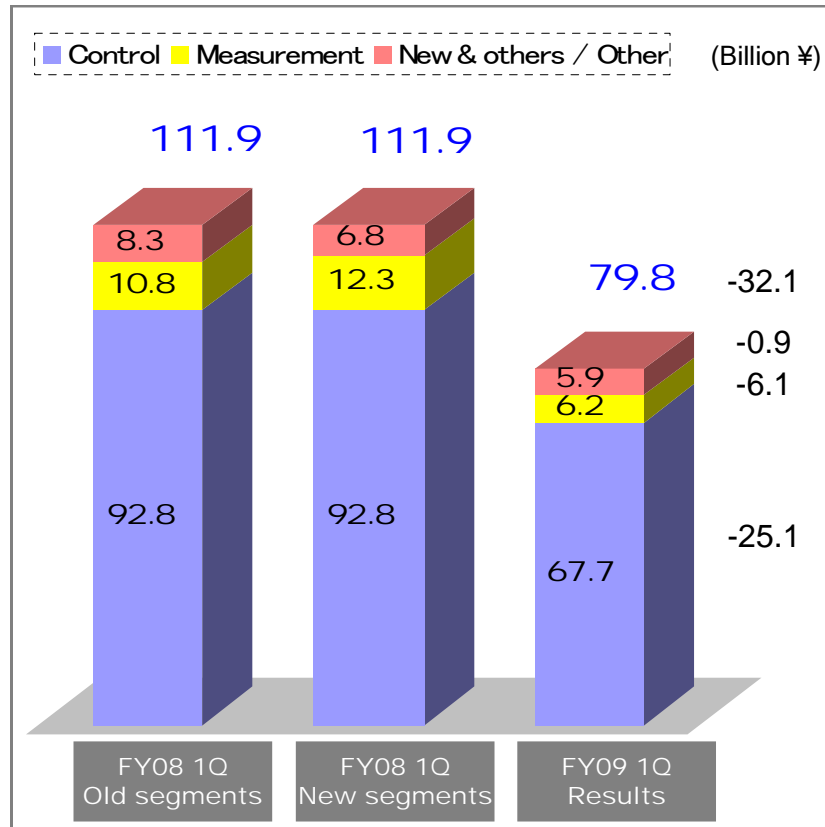
# Change of Business Segments



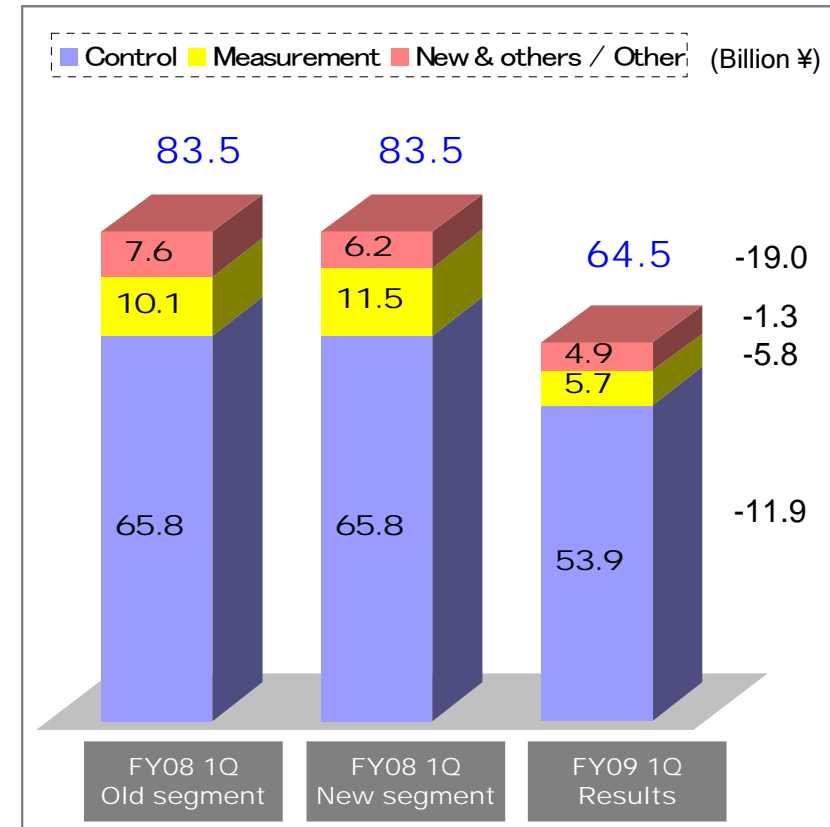


# Orders and Sales by Segment

## Orders



## Sales

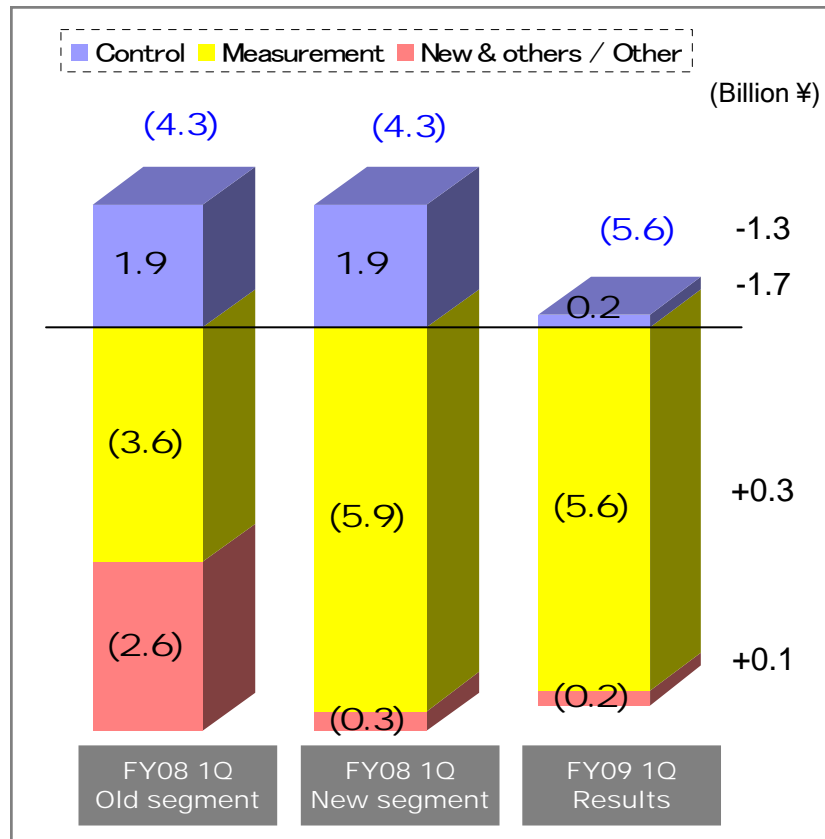


- Control: FY09 1Q orders and sales were down from FY08 1Q due to worsening market conditions and appreciation of the yen (orders and sales down 8 and 6.7 billion yen, respectively, due to forex rate).
- Measurement: FY09 1Q Orders and sales declined from FY08 1Q, mainly due to semiconductor testers (orders and sales down 2.5 and 3.1 billion, respectively) and measuring instruments (orders and sales down 2.6 and 1.9 billion yen, respectively).



# Operating Income by Segment

## Operating Income



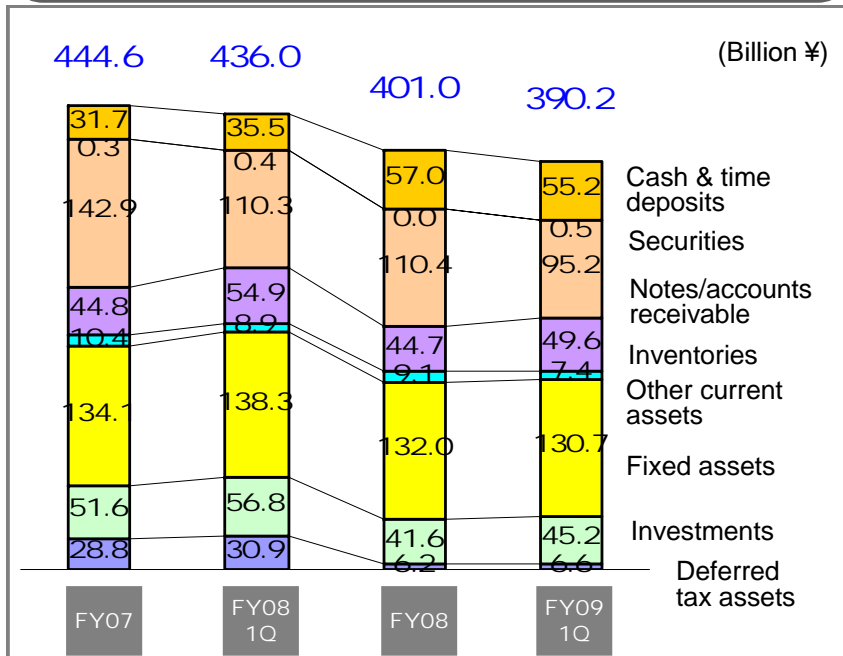
	FY08 1Q Old segment	FY08 1Q New segment	FY09 1Q	Difference
Control	1.9	1.9	0.2	(1.7)
Measurement	(3.6)	(5.9)	(5.6)	0.3
New & others / Other	(2.6)	(0.3)	(0.2)	0.1
<b>Total</b>	<b>(4.3)</b>	<b>(4.3)</b>	<b>(5.6)</b>	<b>(1.3)</b>

- Control: FY09 1Q operating income is down due to the decline in sales and appreciation of the yen.
- Measurement: Despite a decline in sales, FY09 1Q operating loss is lower due to a reduction in fixed costs including a 2.2 billion yen reduction in R&D expenses.



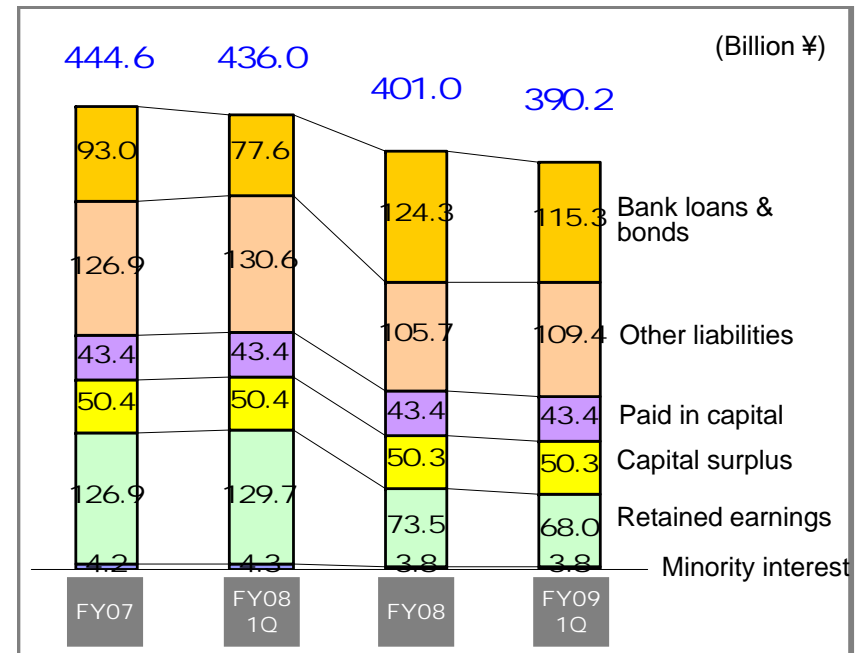
# Trend of Balance Sheet

## Assets



	FY07	FY08 1Q	FY08	FY09 1Q
Total assets turnover	0.99	-	0.89	-
Equity ratio	49.6%	51.3%	41.7%	41.5%

## Liabilities and Shareholders' Equity



	FY07	FY08 1Q	FY08	FY09 1Q
Debt/equity ratio	42.1%	34.7%	74.3%	71.3%
Interest-bearing debt ratio	20.9%	17.8%	31.0%	29.5%

- FY09 1Q notes/accounts receivable were down from the previous quarter due to the collection of previously recorded notes/accounts receivable.
- Bank loans and bonds were down 9 billion yen due to factors such as a 10 billion yen repayment of commercial paper.



# Trend of Cash Flow FY07 - 09 1Q



- The operating cash flow fell 15.3 billion yen due to factors such as lower sales and declining income in the second half of FY08.
- The 3.1 billion yen decrease in investment cash flow between FY08 1Q and FY09 1Q is due to reduced investment in equipment and facilities.



# FY09 1H Revised Budget

(Billion ¥)

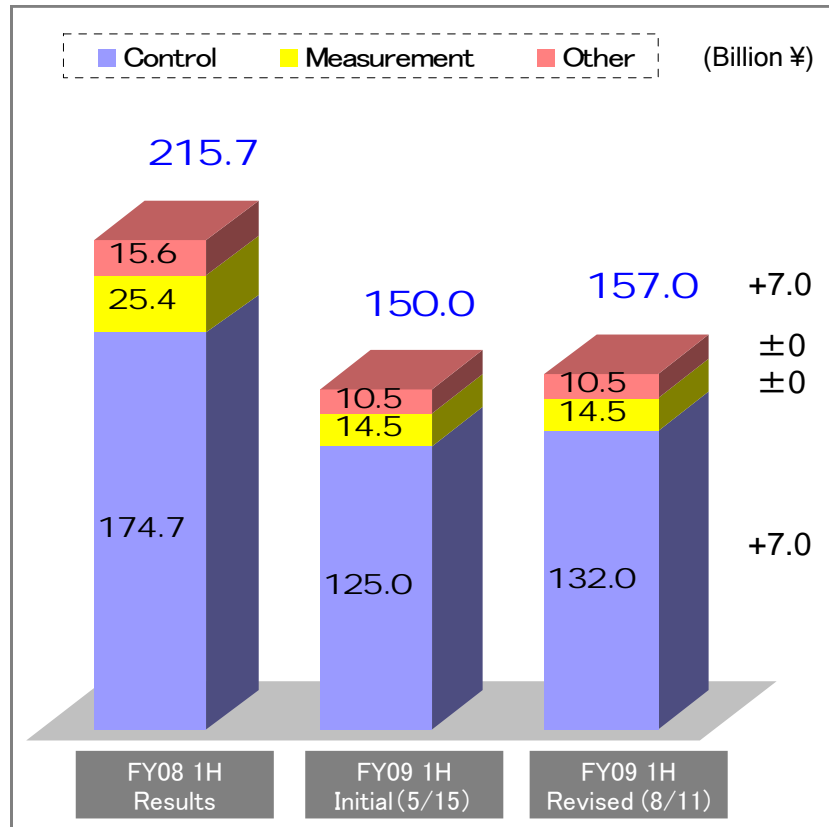
	FY09 1H budget			FY09 budget		
	Initial (5/15) (A)	Revised (8/11) (B)	Difference (B-A)	5/15(C)	8/11(D)	Difference (D-C)
Orders	150.0	157.0	7.0	325.0	325.0	0
Sales	145.0	145.0	0	315.0	315.0	0
Operating income	(10.0)	(10.0)	0	(9.0)	(9.0)	0
Ordinary income	(12.0)	(12.0)	0	(13.0)	(13.0)	0
Net income	(14.0)	(14.0)	0	(18.0)	(18.0)	0

- FY09 1H orders have been revised upward by 7 billion yen due to an anticipated increase in international orders for the control segment.
- A review of the FY09 budget is pending.

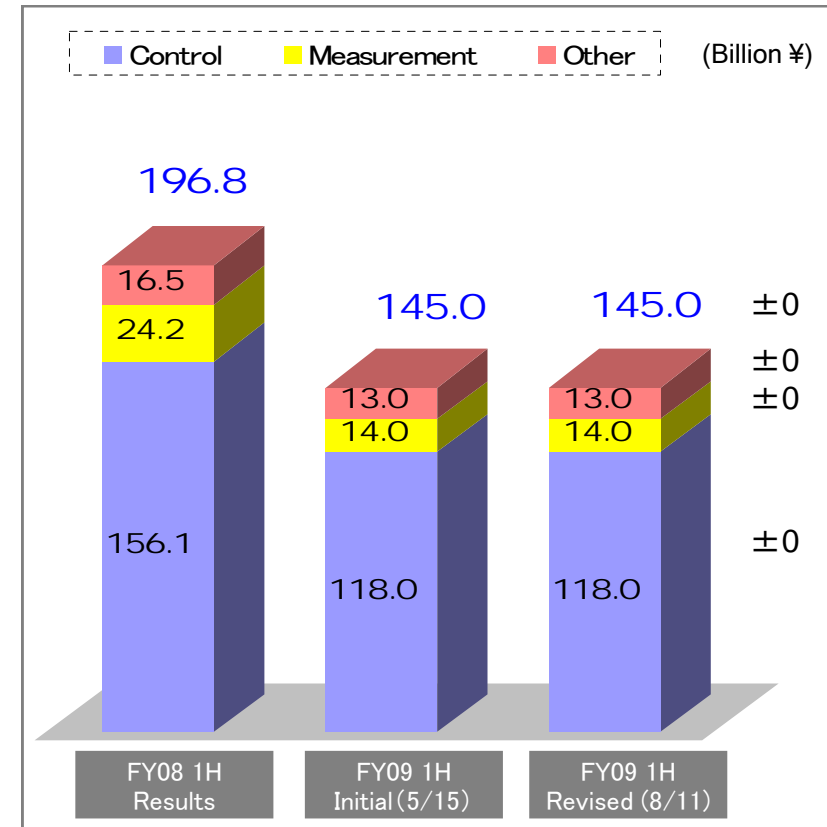


# FY09 1H Budget for Orders and Sales by Segment

## Orders



## Sales



\*The FY08 1H results for the new segments have not been audited yet and are provisional.

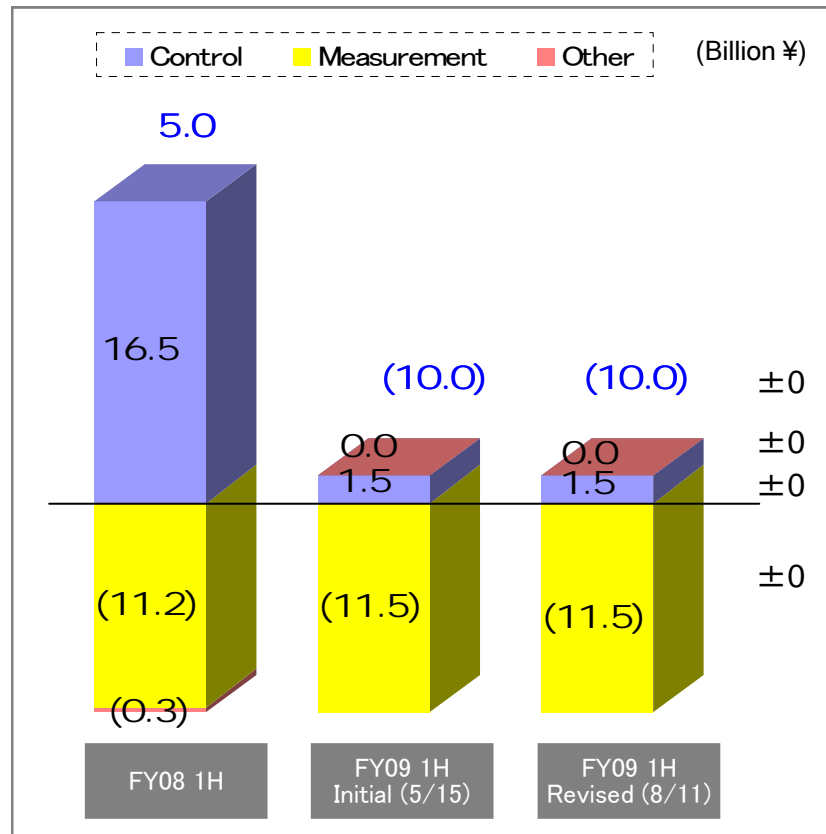
- Control: The FY09 1H orders budget for the control segment has been revised upward by 7 billion yen due to an anticipated increase in international orders; the sales budget remains unchanged.

- Measurement and Other: The orders and sales budgets remain the same.



# FY09 1H Budget for Operating Income by Segment

## Operating Income



	FY09 1H Initial (5/15)	FY09 1H Revised (8/11)	Difference
Control	1.5	1.5	0.0
Measurement	(11.5)	(11.5)	0.0
Other	0.0	0.0	0.0
Total	(10.0)	(10.0)	0.0

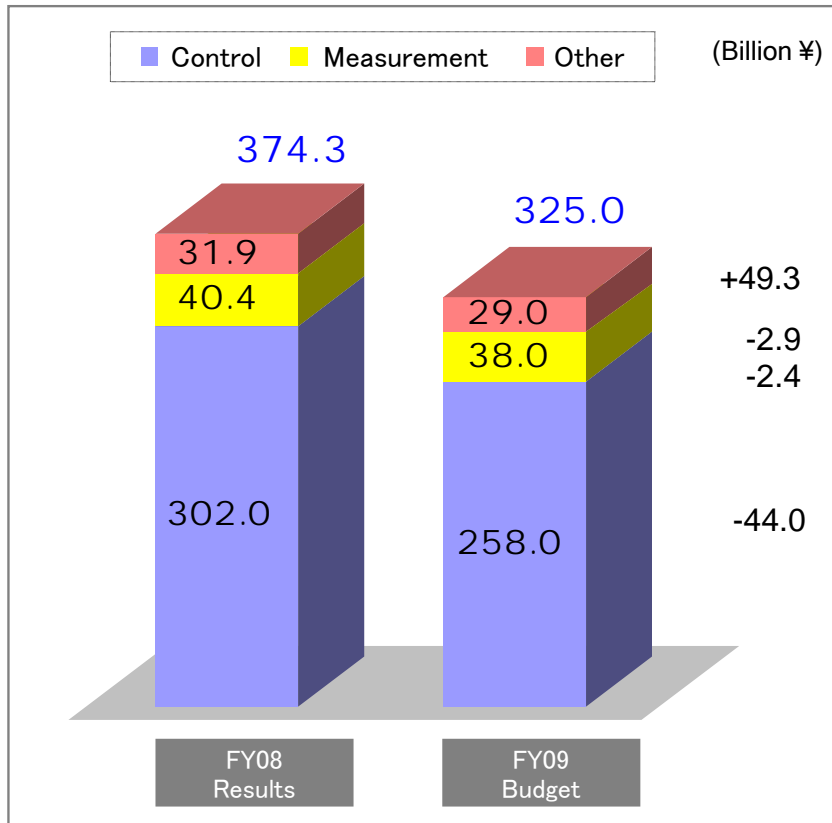
\*The FY08 1H results for the new segments have not been audited yet and are provisional.

- No revisions have been made to the operating income budget.

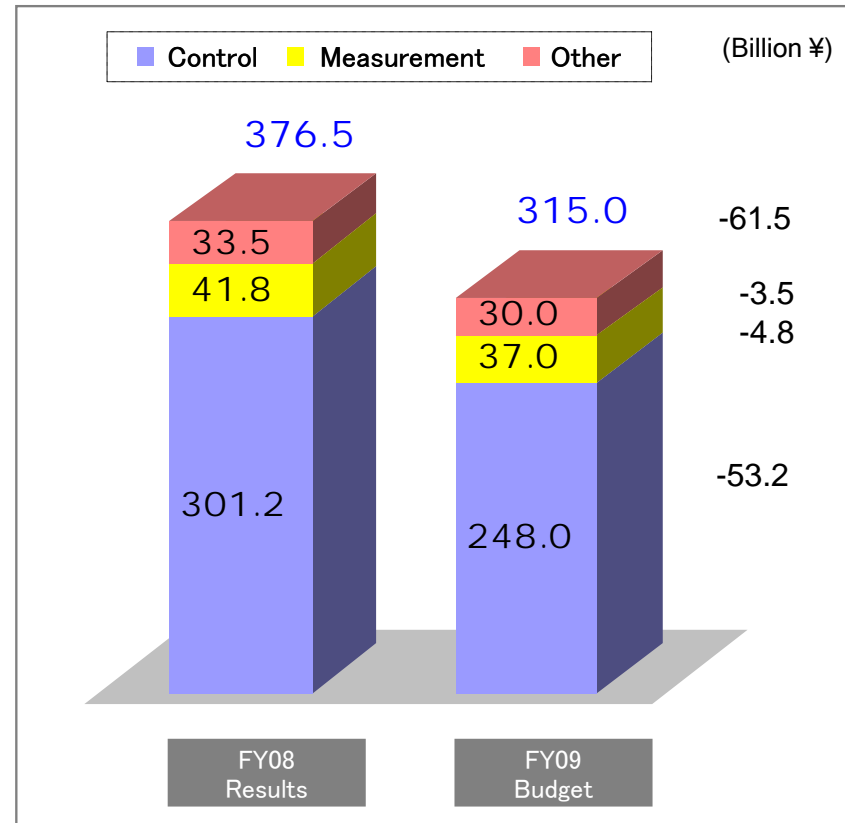


# FY09 Budget for Orders and Sales by Segment

## Orders



## Sales



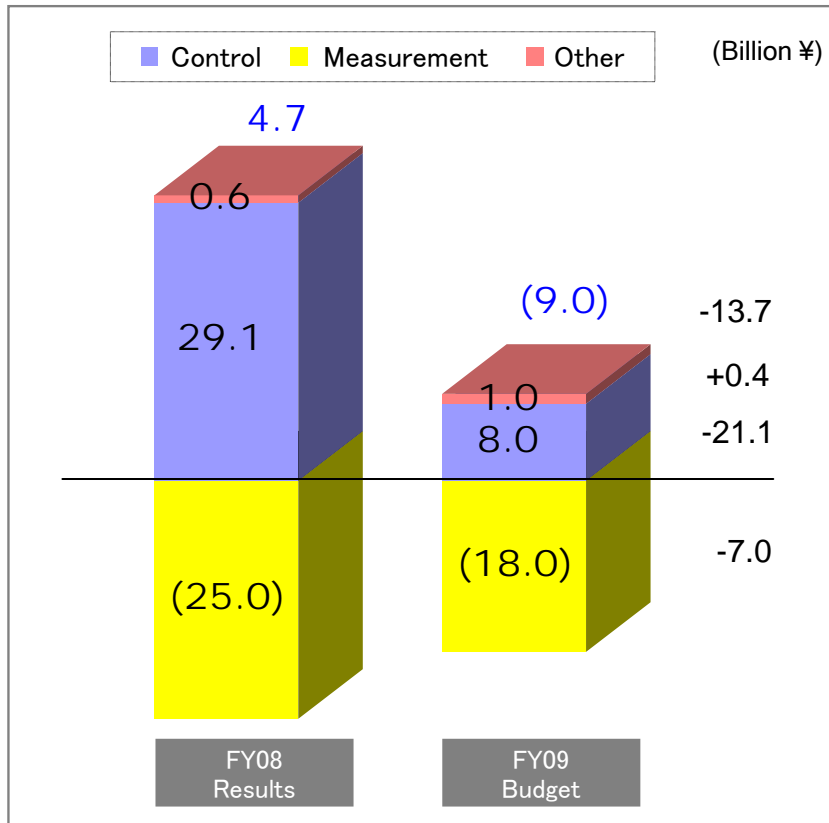
\*The FY08 results for the new segments have not been audited yet and are provisional.

- The FY09 budget has not been revised.



# FY09 Budget for Operating Income by Segment

## Operating Income



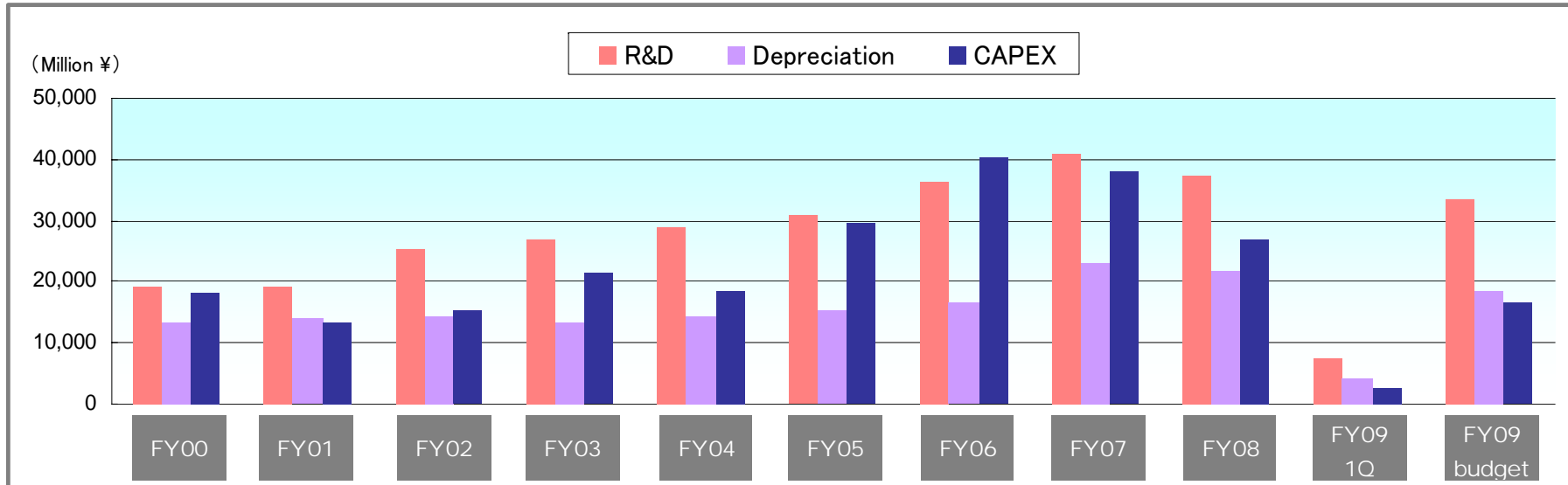
	FY08 Results	FY09 Budget	Difference
Control	29.1	8.0	(21.1)
Measurement	(25.0)	(18.0)	7.0
Other	0.6	1.0	0.4
<b>Total</b>	<b>4.7</b>	<b>(9.0)</b>	<b>(13.7)</b>

\*The FY08 results for the new segments have not been audited yet and are provisional.

- The FY09 budget has not been revised.



# R&D Expenses, Depreciation and CAPEX



(Million ¥)

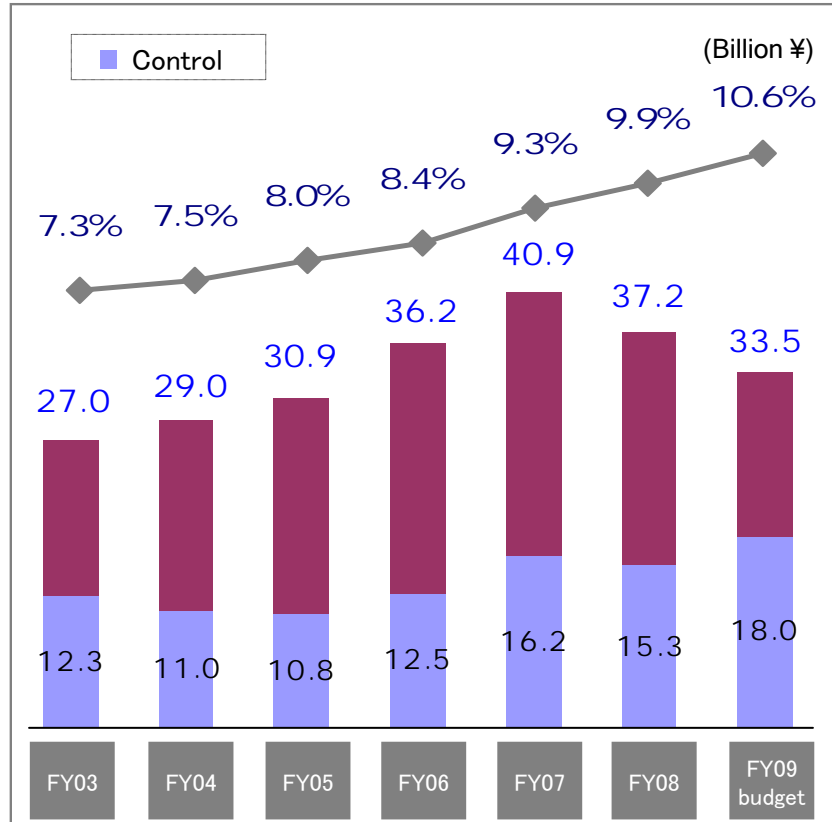
	Results										Budget
	FY00	FY01	FY02	FY03	FY04	FY05	FY06	FY07	FY08	FY09 1Q	FY09
R&D	19,181	19,236	25,233	26,991	28,998	30,917	36,223	40,875	37,229	7,508	33,500
(% of sales)	5.4%	6.2%	7.7%	7.3%	7.5%	8.0%	8.4%	9.3%	9.9%	11.6%	10.6%
Depreciation	13,190	13,964	14,298	13,455	14,331	15,124	16,483	23,129	21,615	4,254	18,500
(% of sales)	3.7%	4.5%	4.3%	3.6%	3.7%	3.9%	3.8%	5.3%	5.7%	6.6%	5.9%
CAPEX	18,173	13,347	15,264	21,355	18,652	29,540	40,284	37,990	26,813	2,472	16,500
(% of sales)	5.2%	4.3%	4.6%	5.7%	4.8%	7.6%	9.3%	8.7%	7.1%	3.8%	5.2%

- The FY09 R&D expenses, depreciation, and CAPEX budget remains unchanged.
- The FY09 1Q results are lower than the initial budget.

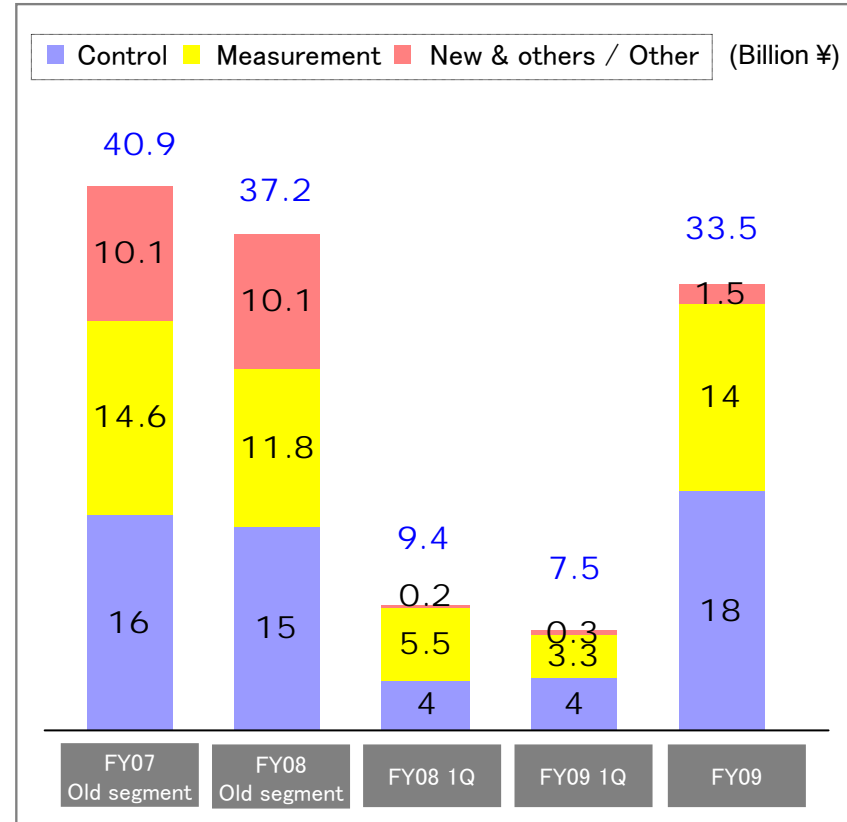


# Trend of R&D Expenses

## Trend of R&D Expenses



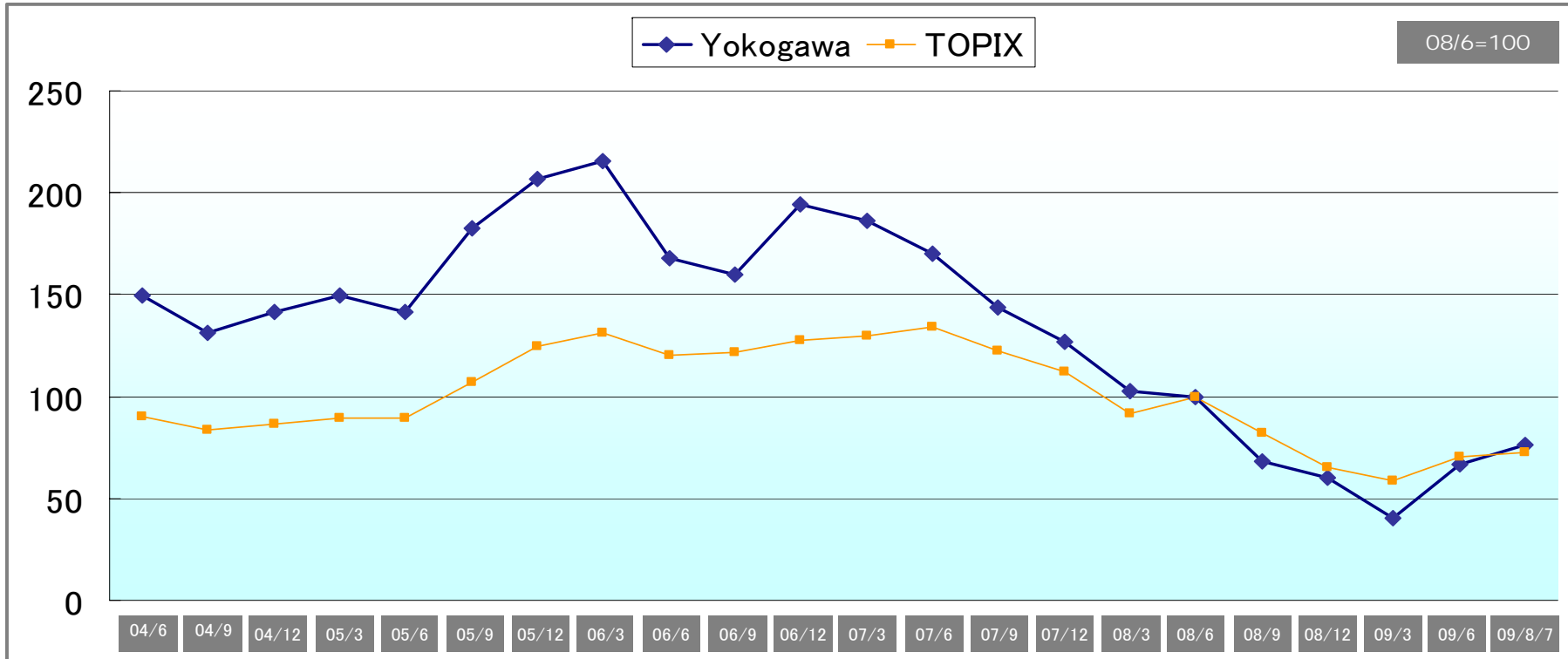
## Trend of R&D Expenses by Segment



- FY09 1Q R&D expenses for the measurement segment were reduced significantly from the same period of the previous year, from 5.5 billion yen to 3.3 billion yen.



# Trend of Stock Price



	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	09/3	09/6	09/8/7
Yokogawa	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	394	650	738
TOPIX	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	774	930	957

	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	09/3	09/6	09/8/7
Yokogawa	150	131	141	150	141	182	207	216	168	160	194	186	170	144	126	103	100	68	60	41	67	76
TOPIX	90	84	86	89	89	107	125	131	120	122	127	130	134	123	112	92	100	82	65	59	70	73



# 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.