

Yokogawa Electric Corporation

Financial Results for 1st Half of Fiscal Year 2009



November 10, 2009

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YOKOGAWA



Summary of FY09 1H Results

Sales and operating loss outperformed the initial forecasts as the result of measures taken to enhance business efficiency and reduce fixed costs. However, both sales and operating income were down from FY08 1H due to sharp decreases in market size and the strong yen.

- Industrial Automation and Control segment: Outside Japan, capital investment remained sluggish in developed nations, although there were some signs of recovery in resource-rich countries such as the launch of energy-related plant construction projects. In Japan, conditions remained weak due to sharp curbs in capital investment. As a result of these factors and the strong yen, both sales and operating income were down from FY08 1H.
- Test and Measurement segment: The semiconductor test system market remained sluggish and purchases of measuring instruments by major customers in the electronics and auto industries continued to fall. As a result, sales were down and operating loss was up from FY08 1H.

(Billion ¥)

	FY08 1H results (A)	FY09 1H budget (5/15) (B)	FY09 1H results (C)	Difference (C-A)	Difference (C-B)
Orders	215.7	150.0	154.7	(61.0)	4.7
Sales	196.8	145.0	150.7	(46.1)	5.7
Operating income	5.0	(10.0)	(2.4)	(7.4)	7.6
Ordinary income	4.4	(12.0)	(4.1)	(8.5)	7.9
Net income	3.8	(14.0)	(14.5)	(18.3)	(0.5)



FY09 1H Budget and Financial Results

(Billion ¥)

		Initial budget (5/15) (A)	Revised budget (8/11)	Revised budget (9/29)	Results (B)	Difference (B-A)
Orders		150.0	157.0	155.0	154.7	4.7
Sales		145.0	145.0	148.0	150.7	5.7
Operating income		(10.0)	(10.0)	(5.0)	(2.4)	7.6
Ordinary income		(12.0)	(12.0)	(7.0)	(4.1)	7.9
Net income		(14.0)	(14.0)	(14.0)	(14.5)	(0.5)
Exchange rate (¥)	1\$= 1€=	95 125	95 125	95 125	94.78 133.21	(0.22) 8.21

- Orders and sales exceeded the initial budget figures mainly because the control segment performed better than expected.
- Operating loss was down due to increased sales and reduced fixed costs.
- Net loss was up due to a 5.4 billion yen loss on impaired fixed assets and a 1.5 billion yen loss on the revaluation of investment securities.



Comparison of FY07/08/09 1H Financial Results

(Billion ¥)

		FY07 1H	FY08 1H (A)	FY09 1H (B)	Difference (B-A)
Orders		228.5	215.7	154.7	(61.0)
Sales		204.3	196.8	150.7	(46.1)
Operating income		8.8	5.0	(2.4)	(7.4)
Ordinary income		5.7	4.4	(4.1)	(8.5)
Net income		2.7	3.8	(14.5)	(18.3)
Exchange rate (¥)	1\$=	119.20	106.23	94.78	(11.45)
	1€=	162.83	162.12	133.21	(28.91)

- FY09 1H orders and sales were down for all business segments due to the harsh business environment and the strong yen (impact of exchange rate: -15.8 billion yen for orders and -15 billion yen for sales)
- Fixed costs were reduced more than initially planned, but an operating loss was recorded due to a decline in sales and the strong yen.

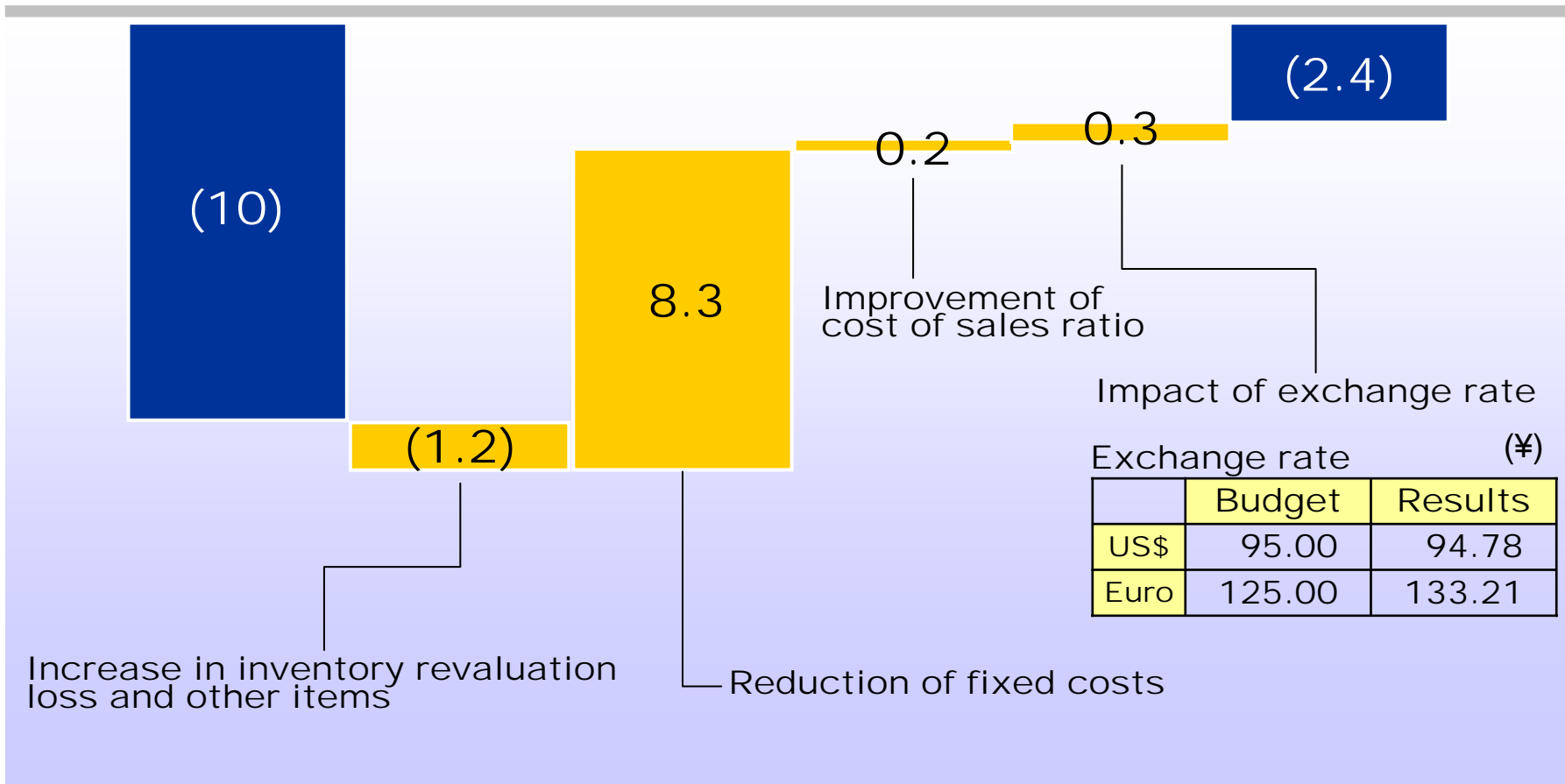


FY09 1H Operating Income (Budget/Result)

(Billion ¥)

FY09 1H
Operating income
budget (5/15)

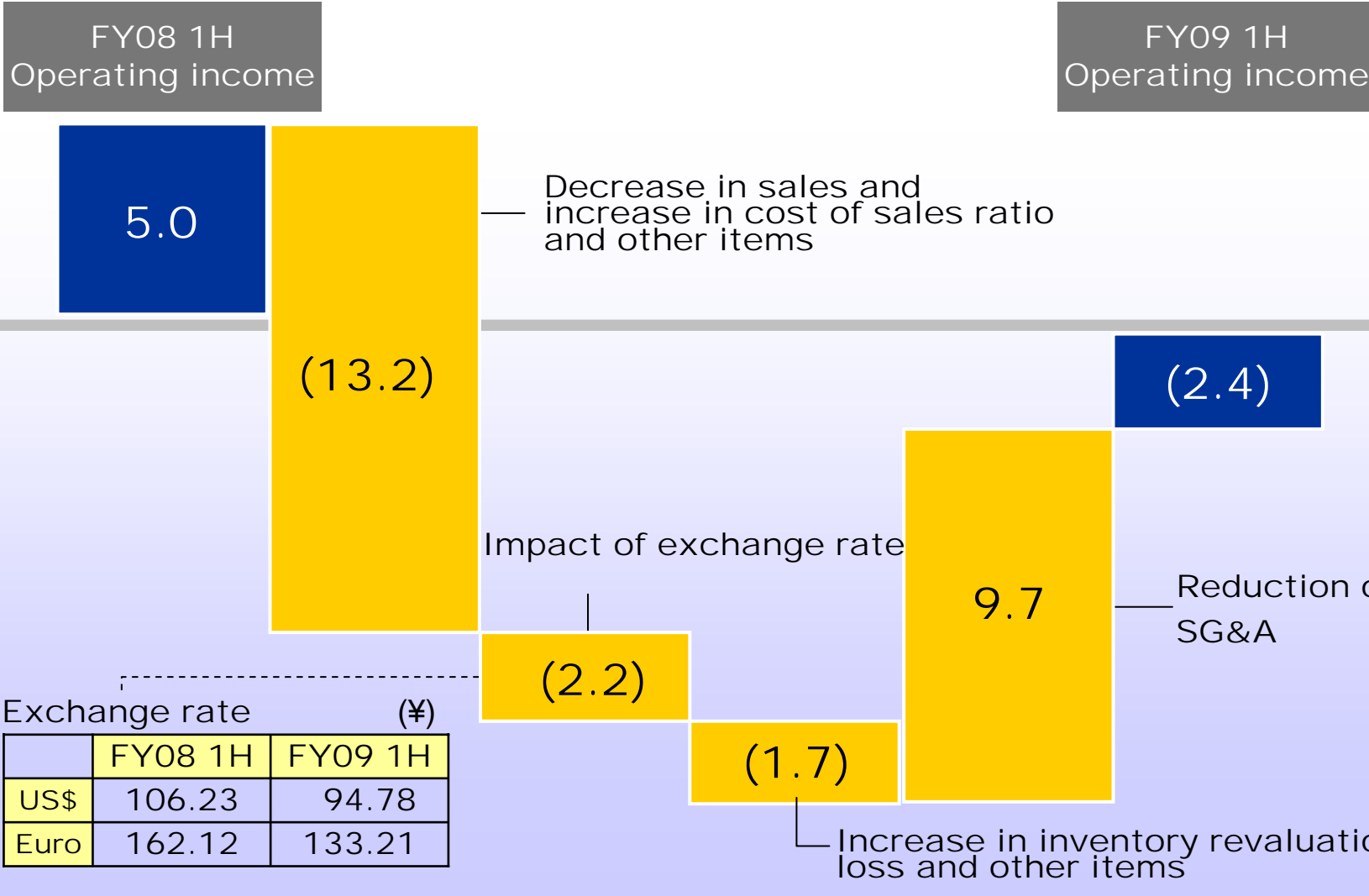
FY09 1H
Operating income
result





FY08/FY09 1H Operating Income

(Billion ¥)



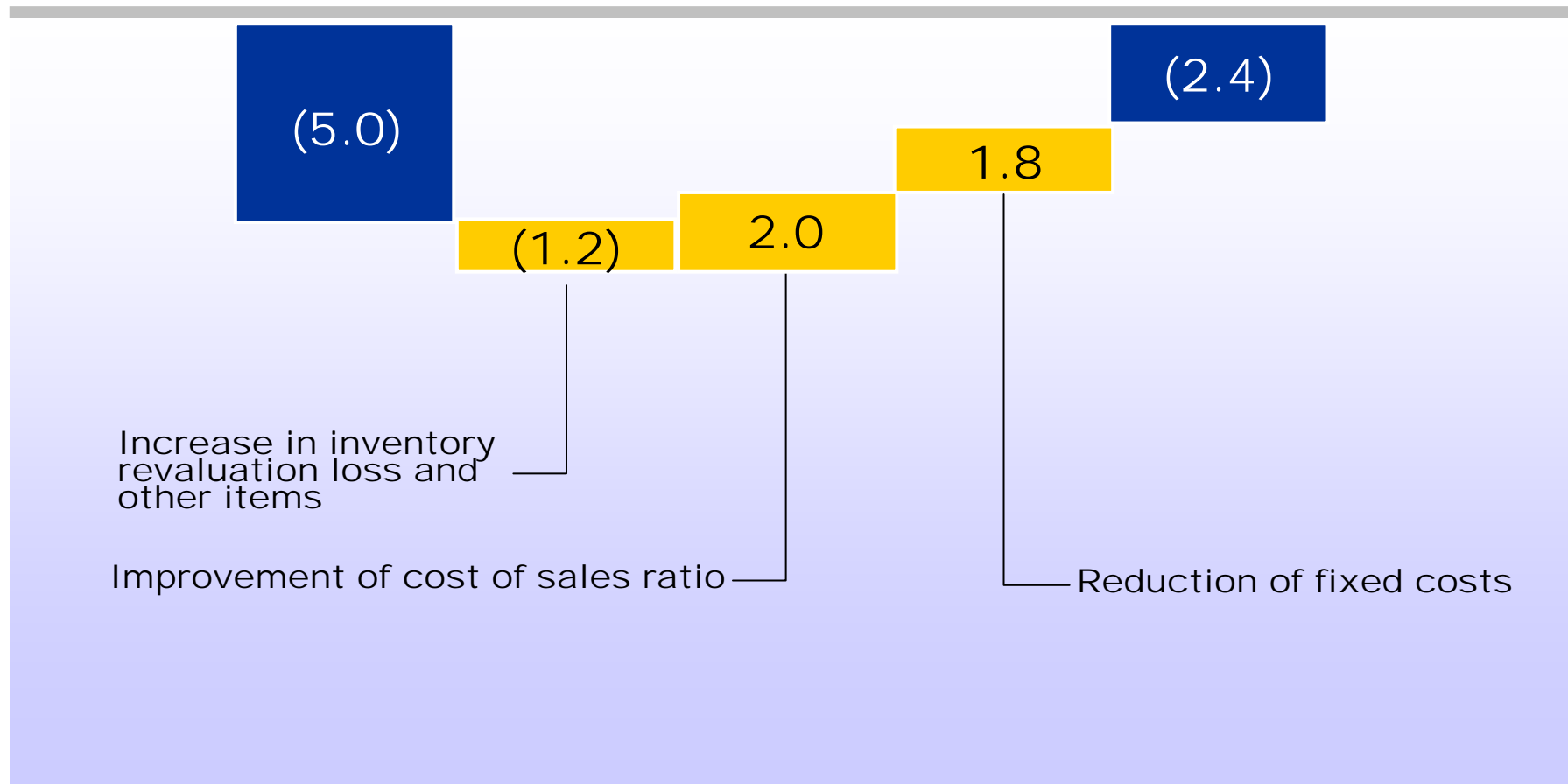


FY09 1H Operating Income (Budget/Result)

(Billion ¥)

FY09 1H
Operating income
budget (9/29)

FY09 1H
Operating income
result





Quarterly Financial Results

(Billion ¥)

	FY07				FY08				FY09	
	1Q	2Q	3Q	4Q	1Q	2Q	3Q	4Q	1Q	2Q
Orders	112.1	116.4	110.5	116.1	111.9	103.8	82.5	76.1	79.8	74.9
Sales	83.5	120.8	88.2	144.9	83.5	113.3	76.1	103.6	64.5	86.2
Operating income	(0.4)	9.2	0.3	18.3	(4.3)	9.3	(5.8)	5.5	(5.6)	3.2

- FY09 2Q orders are down from FY09 1Q mainly due to a decrease in non-Japan orders for the control segment.
- FY09 2Q sales are up from FY09 1Q mainly due to a September surge in Japan sales for the control segment.
- The operating income recorded in FY09 2Q was due to increased sales and a reduction in fixed costs that lowered the sales break-even point.



Non-operating / Extraordinary Income and Expenses

	(Billion ¥)		
	FY08 1H	FY09 1H budget (8/10)	FY09 1H
Operating income	5.0	(10.0)	(2.4)
Non-operating income	1.3		1.2
Non-operating expenses	1.9	(2.0)	2.9
Ordinary income	4.4	(12.0)	(4.1)
Extraordinary income	1.4		0.3
Extraordinary expenses	3.5	(1.0)	8.8
Income before tax	2.3	(13.0)	(12.6)
Tax, etc.	(1.5)	1.0	1.9
Net income	3.8	(14.0)	(14.5)

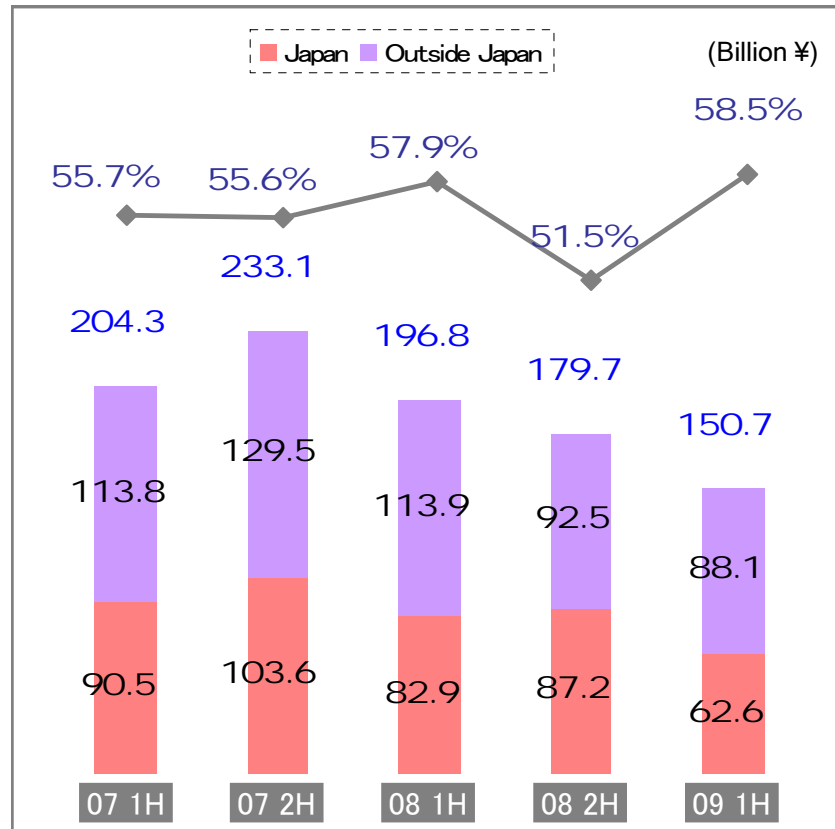
Interest paid: 1 billion yen
Exchange loss: 0.4 billion yen

Profit on sale of investment securities: 0

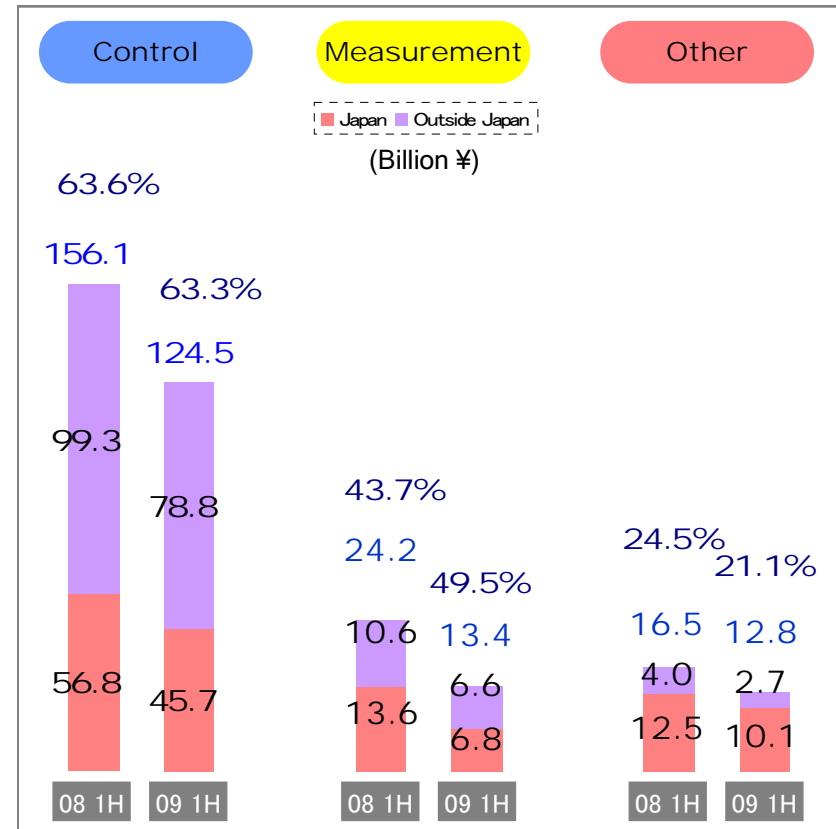
Impairment loss: 5.4 billion yen
Business structure improvement expense: 0.6 billion yen
Revaluation loss on software for sale: 0.6 billion yen

- Increase in non-operating expenses: Interest paid (FY08 1H: 0.7 billion yen ⇒ FY09 1H: 1 billion yen)
Foreign exchange loss (FY08 1H: 0.1 billion yen ⇒ FY09 1H: 0.4 billion yen)
- Decrease in extraordinary income: Profit on sale of investment securities (FY08 1H: 1.3 billion yen ⇒ FY09 1H: 0)
- Increase in extraordinary expenses: Impairment loss (FY08 1H: 0.5 billion yen ⇒ FY09 1H: 5.4 billion yen), business structure improvement expense, revaluation loss on software for sale (FY08 1H: 70 million yen ⇒ FY09 1H: 1.2 billion yen)

Total



By Segment

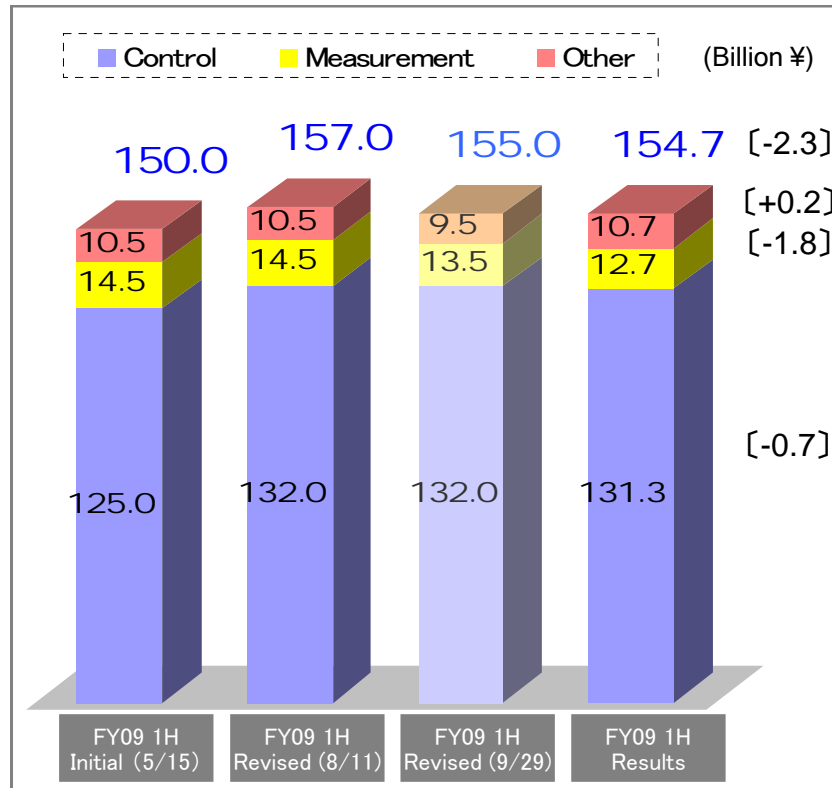


- Overall: The percentage of sales from outside Japan in FY09 1H was up from FY08 1H due to a decrease in Japan sales for all segments.
- Control: Due to the strong yen, the percentage of sales from outside Japan in FY09 1H was relatively unchanged from FY08 1H.
- Measurement: The percentage of sales from outside Japan increased in FY09 1H due to a decline in Japan sales for the measuring instrument business.

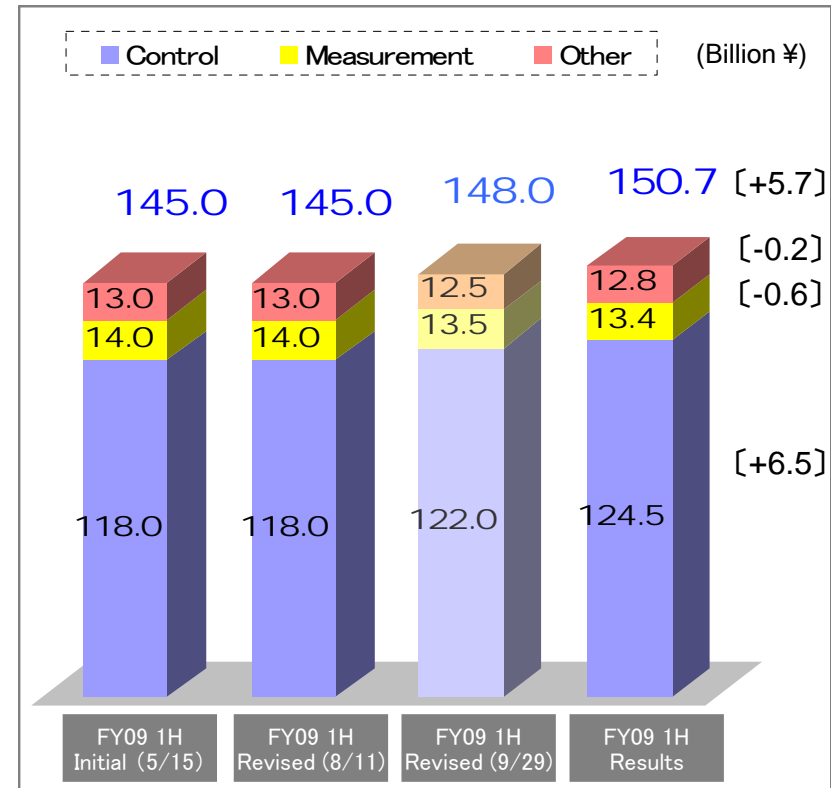


FY09 1H Budget and Results Comparison for Orders and Sales by Segment

Orders



Sales



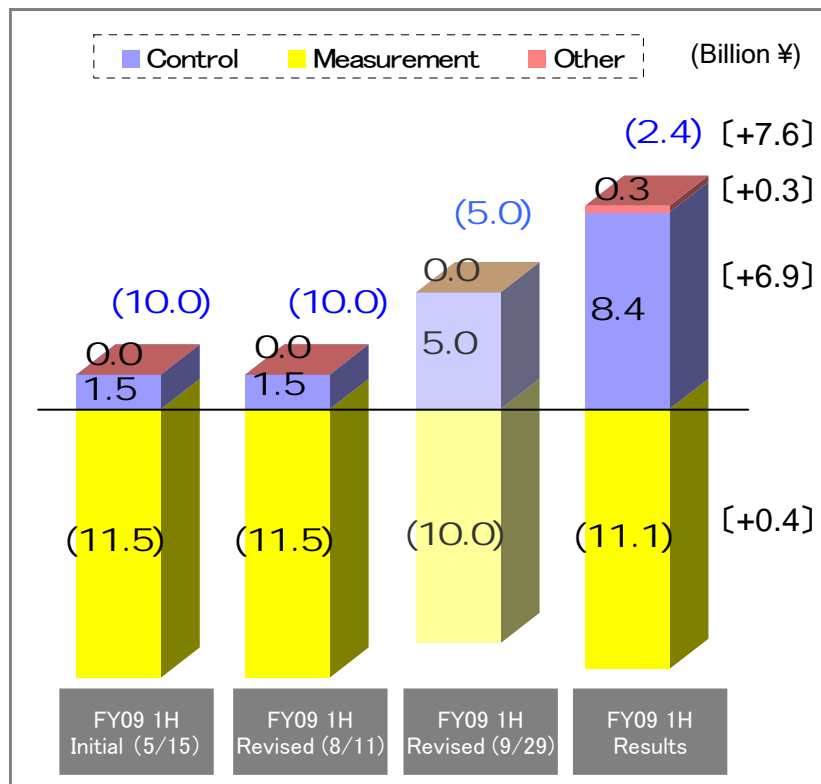
* The numbers in brackets indicate the difference between the results and the revised figures announced on 8/11.

- Orders: The measurement segment missed its target mainly because the photonics business did not achieve its orders targets.
- Sales: The control segment exceeded the revised 8/11 target both in and outside Japan.



FY09 1H Budget and Results Comparison for Operating Income by Segment

Operating Income



	FY09 1H Revised (8/11)	FY09 1H Results	Difference
Control	1.5	8.4	6.9
Measurement	(11.5)	(11.1)	0.4
Other	0.0	0.3	0.3
Total	(10.0)	(2.4)	7.6

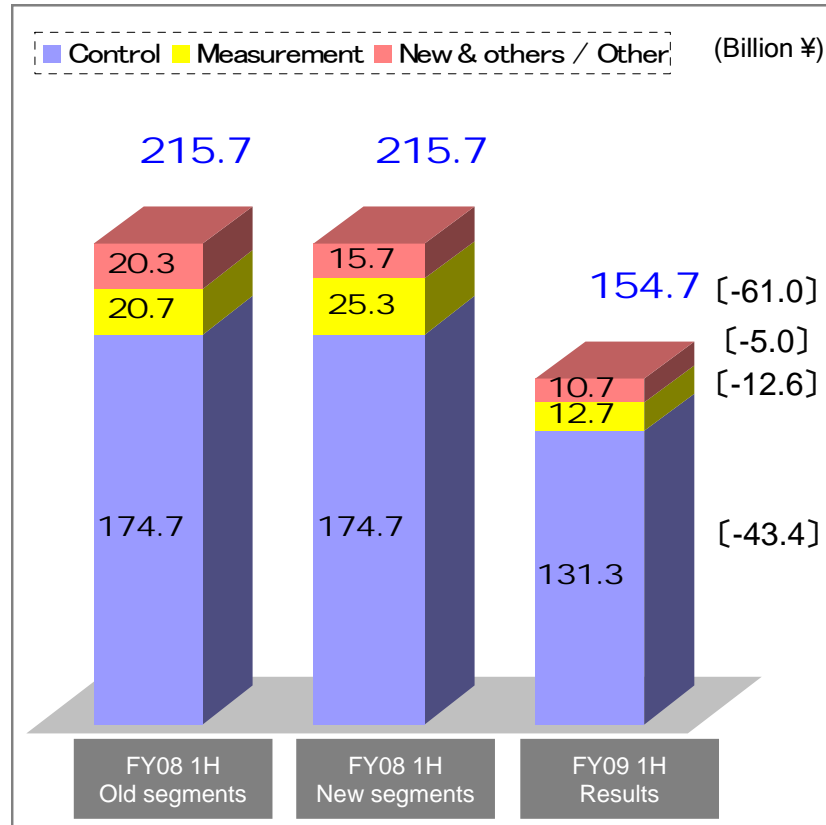
* The numbers in brackets indicate the difference between the results and the revised figures announced on 8/11.

- The operating loss in FY09 1H was lower than expected mainly due to an increase in sales for the control segment and reduced fixed costs for all segments.

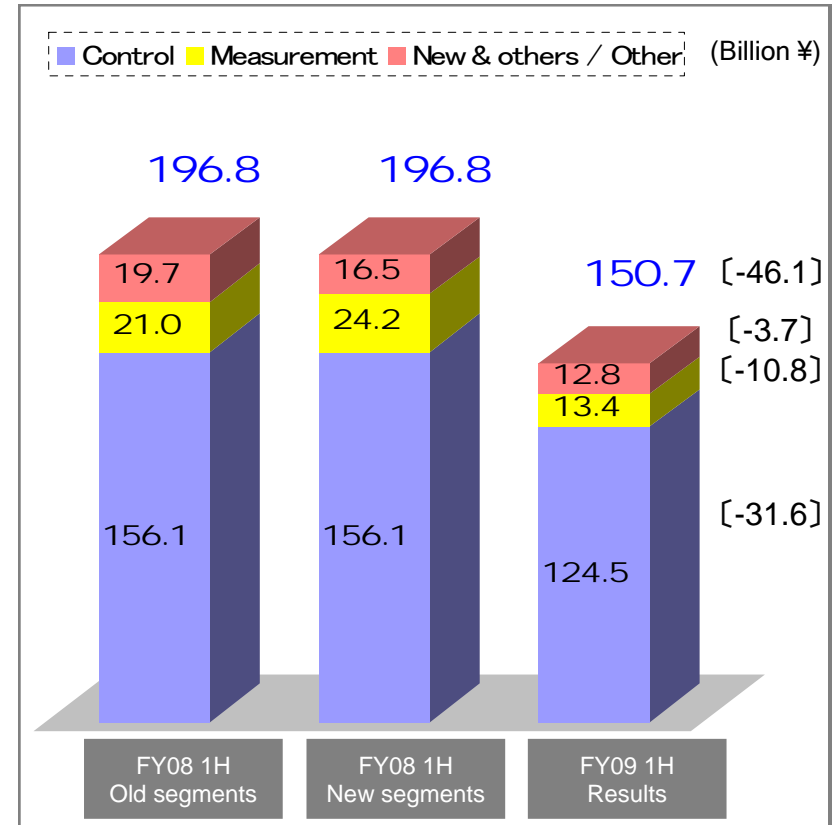


FY08/09 1H Orders and Sales by Segment

Orders



Sales



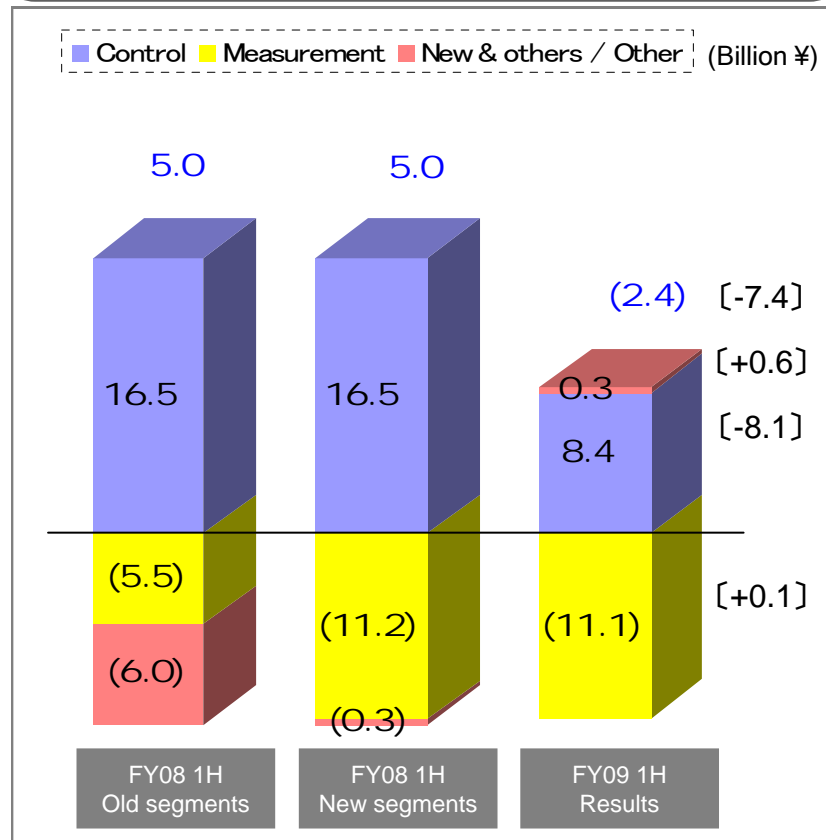
- Control: FY09 1H orders and sales are down from FY08 1H due to the sluggish market and the strong yen (impact of exchange rate: -15 billion yen for orders, -14.1 billion yen for sales).

- Measurement: FY09 1H orders and sales are down from FY08 1H due mainly to the sluggish market for the measuring instrument and semiconductor tester businesses.



FY08/09 1H Operating Income by Segment

Operating Income



(Billion ¥)

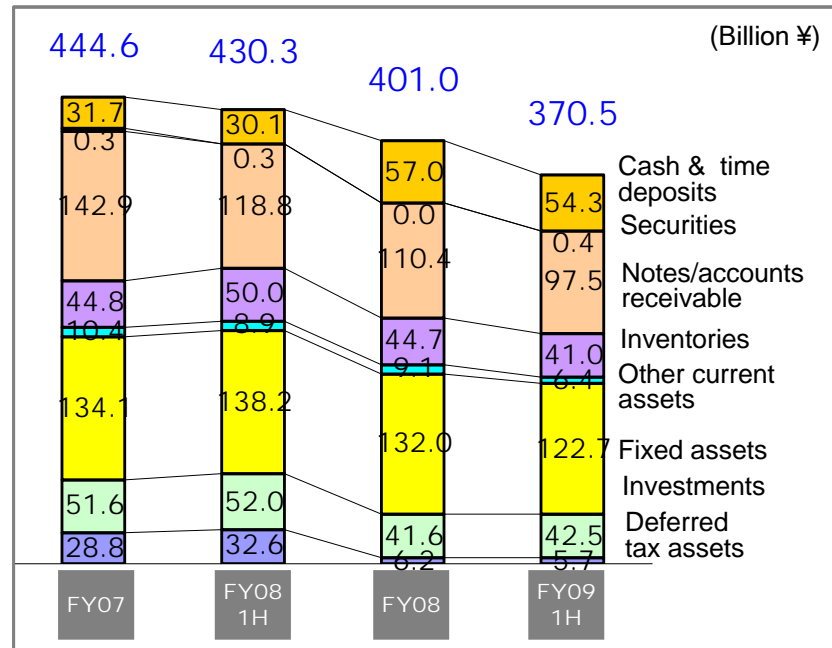
	FY08 1H Old segments	FY08 1H New segments	FY09 1H	Difference
Control	16.5	16.5	8.4	(8.1)
Measurement	(5.5)	(11.2)	(11.1)	0.1
New & others / Other	(6.0)	(0.3)	0.3	0.6
Total	5.0	5.0	(2.4)	(7.4)

- Control: FY09 1H operating income is down due mainly to a decline in sales and the strong yen.
- Measurement: Although FY09 1H sales are down from FY08 1H, operating loss is also down due to lower fixed costs as the result of measures such as a 4.7 billion yen reduction in R&D expenses.



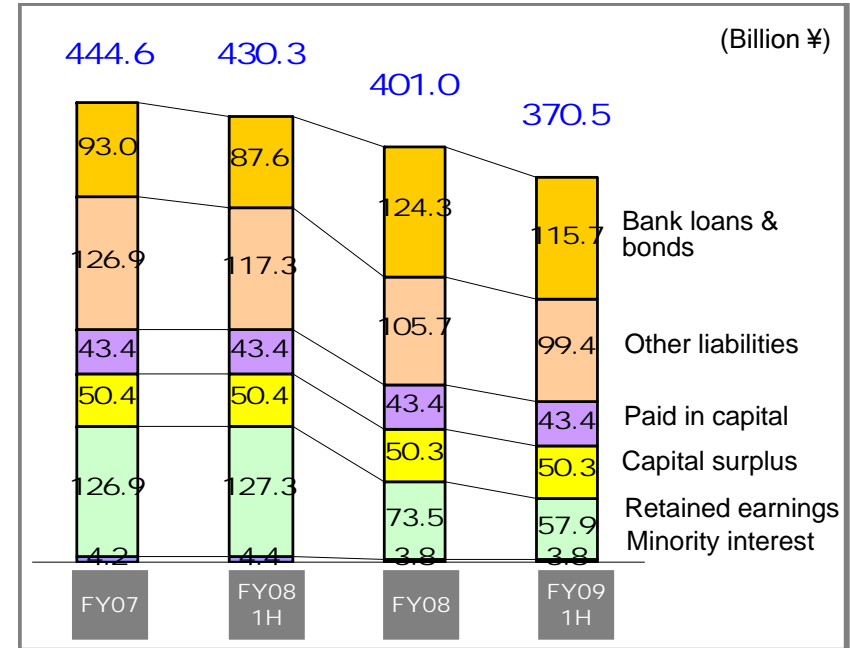
Trend of Balance Sheet

Assets



	FY07	FY08 1H	FY08	FY09 1H
Total assets turnover	0.99	0.99	0.89	0.83
Equity ratio	49.6%	51.4%	41.7%	40.9%

Liabilities and Shareholders' Equity

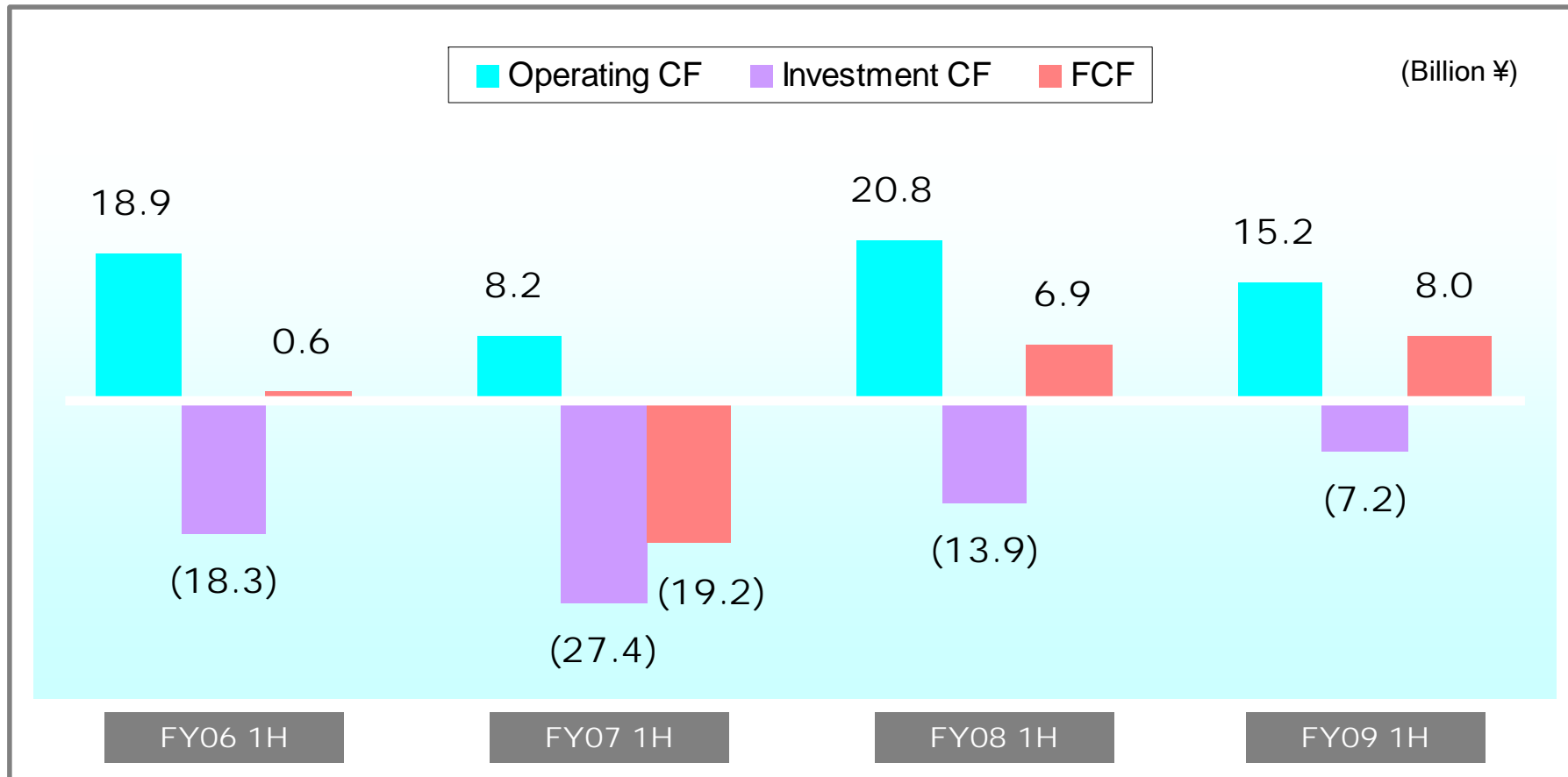


	FY07	FY08 1H	FY08	FY09 1H
Debt/equity ratio	42.1%	39.7%	74.3%	76.3%
Interest-bearing debt ratio	20.9%	20.4%	31.0%	31.2%

- The FY09 1H notes/accounts receivable figure is down due to a decline in sales.
- The FY09 1H fixed assets figure is lower mainly due to an impairment loss and cutbacks in capital investment.
- The FY09 1H bank loans & bonds figure is lower due to repayment of 10 billion yen in commercial paper.



Trend of Cash Flow



- FY09 1H operating cash flow fell 5.6 billion yen from FY08 1H mainly due to a decline in sales.
- The 6.7 billion yen decrease in investment cash flow between FY08 1H and FY09 1H is due to factors such as reduced capital investment.



FY09 Revised Budget

(Billion ¥)

	FY08 results (A)	FY09 budget			
		5/15 (B)	11/10 (C)	Difference (C-A)	Difference (C-B)
Orders	374.3	325.0	325.0	(49.3)	0
Sales	376.5	315.0	321.0	(55.5)	6.0
Operating income	4.7	(9.0)	(2.5)	(7.2)	6.5
Ordinary income	0.3	(13.0)	(6.5)	(6.8)	6.5
Net income	(38.4)	(18.0)	(20.0)	(18.4)	(2.0)
Exchange rate (¥)	1\$ = 100.66 1€ = 143.28	95 125	90 130	(10.66) (13.28)	(5) 5

- The assumed exchange rates for FY09 3Q and 4Q have been revised (1\$: from 95 yen to 90 yen; 1€ from 125 yen to 130 yen).



FY09 Revised Budget for Non-operating/ Extraordinary Income and Expenses

(Billion ¥)

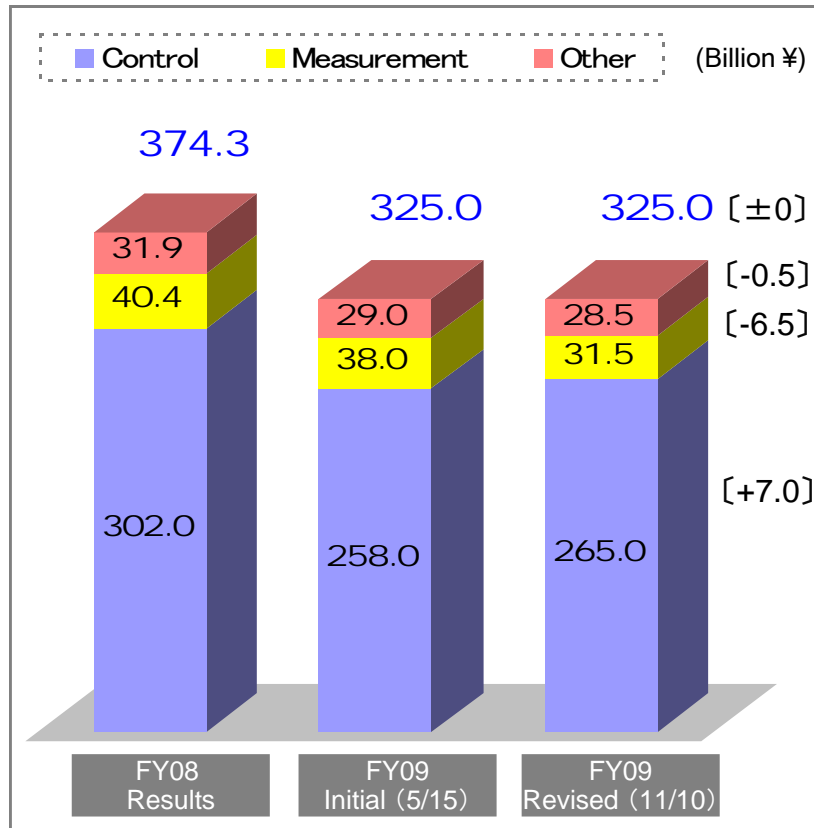
	FY08		FY09	
	1H results	Results	1H results	Budget
Operating income	5.0	4.7	(2.4)	(2.5)
Non-operating income	1.3	3.2	1.2	(4.0)
Non-operating expenses	1.9	7.7	2.9	
Ordinary income	4.4	0.3	(4.1)	(6.5)
Extraordinary income	1.4	3.3	0.3	(10.5)
Extraordinary expenses	3.5	12.9	8.8	
Income before tax	2.3	(9.4)	(12.6)	(17.0)
Tax, etc.	(1.5)	29.0	1.9	3.0
Net income	3.8	(38.4)	(14.5)	(20.0)

- The net figure for FY09 extraordinary income and expenses is down from the previous year due to factors such as a 5.4 billion yen loss on impaired fixed assets and a 1.5 billion yen loss on the revaluation of investment securities that were recorded in FY09 2Q.

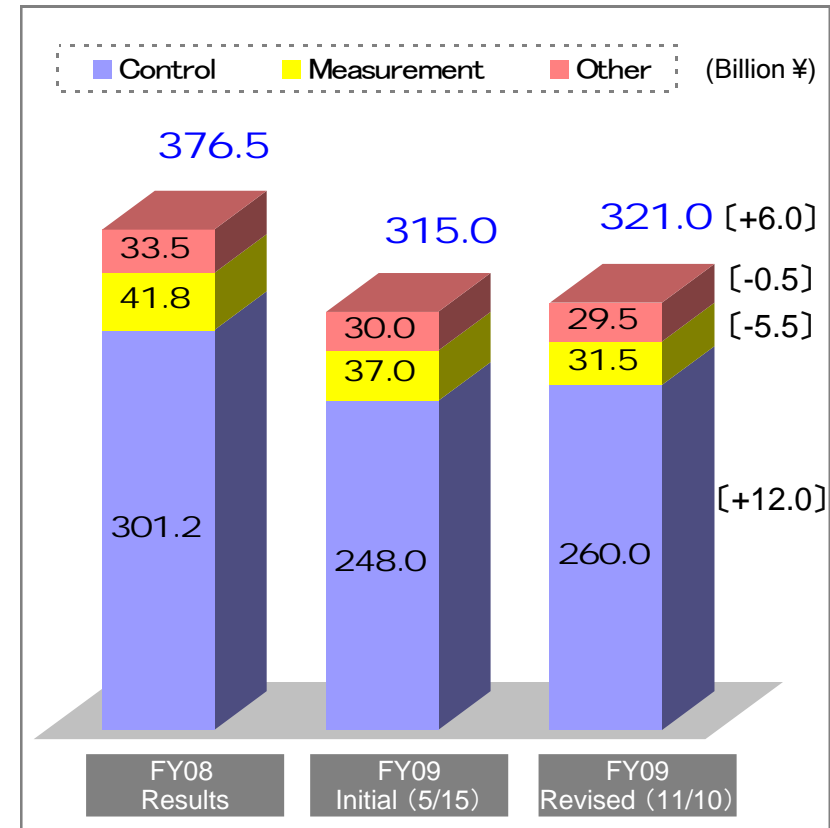


FY09 Revised Budget for Orders and Sales by Segment

Orders



Sales

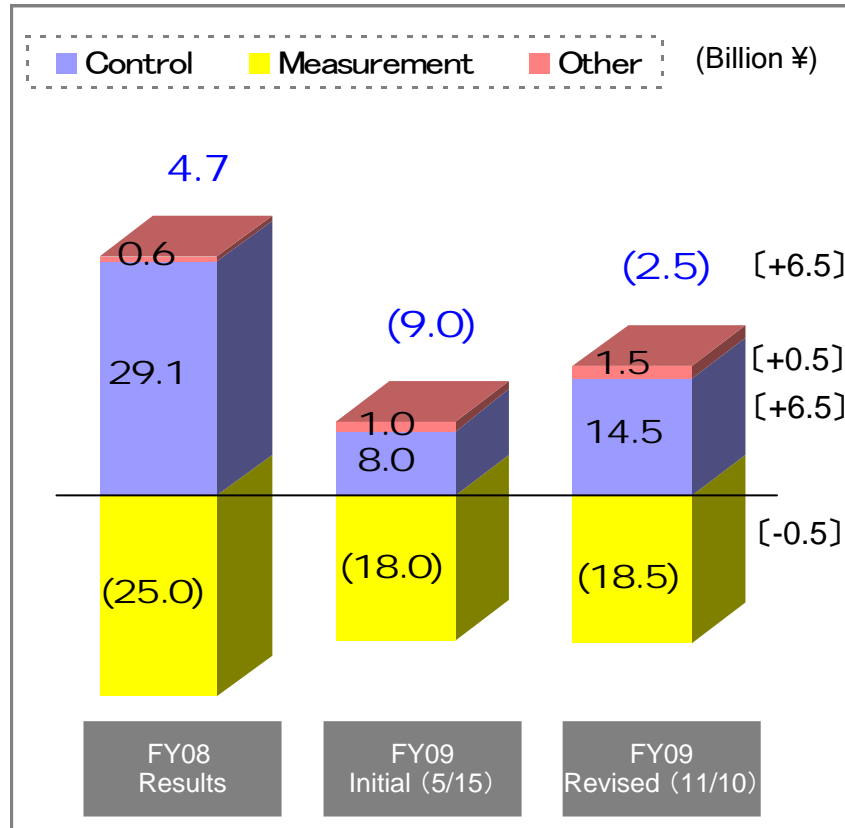


- Control: The FY09 orders and sales budgets were revised upward because the FY09 1H results exceeded the initial (5/15) budget.
- Measurement: The orders and sales budgets were revised downward mainly due to an anticipated decline in sales resulting from a change in policy concerning the photonics business.

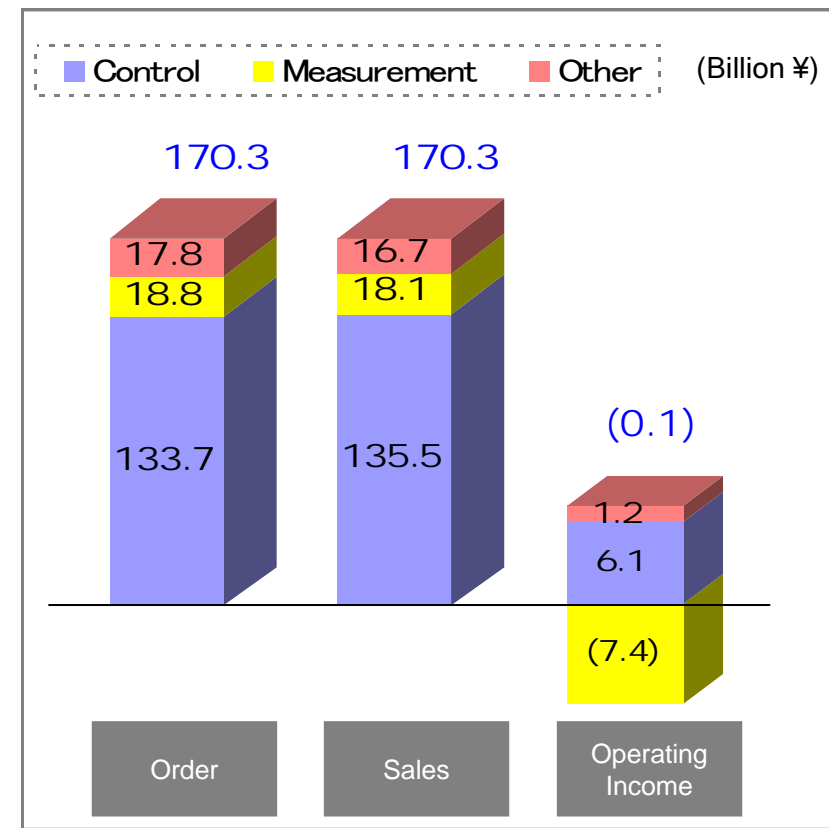


FY09 Revised Budget for Operating Income by Segment

Operating Income



FY09 2H Budget

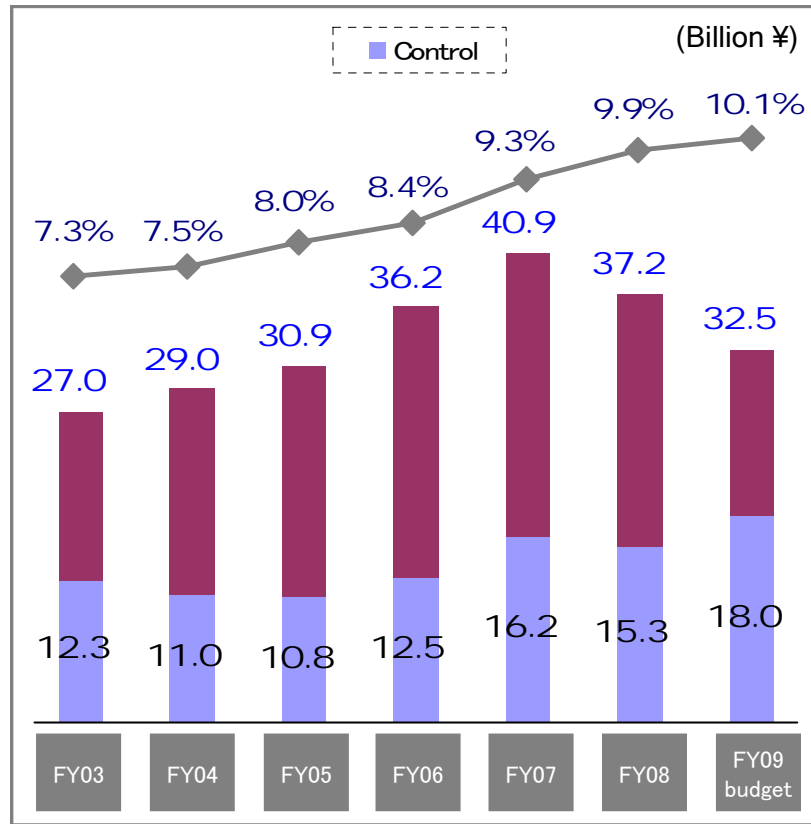


- Control: The FY09 operating income budget was revised upward because the FY09 1H result exceeded the initial budget by 6.9 billion yen.

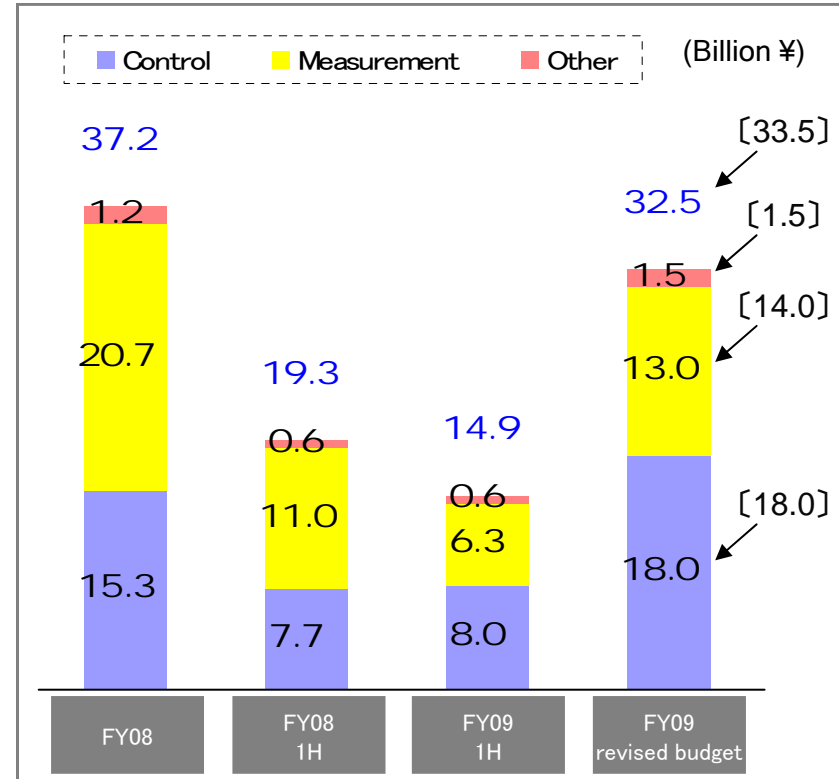


Trend of R&D Expenses

Trend of R&D Expenses



Trend of R&D Expenses by Segment

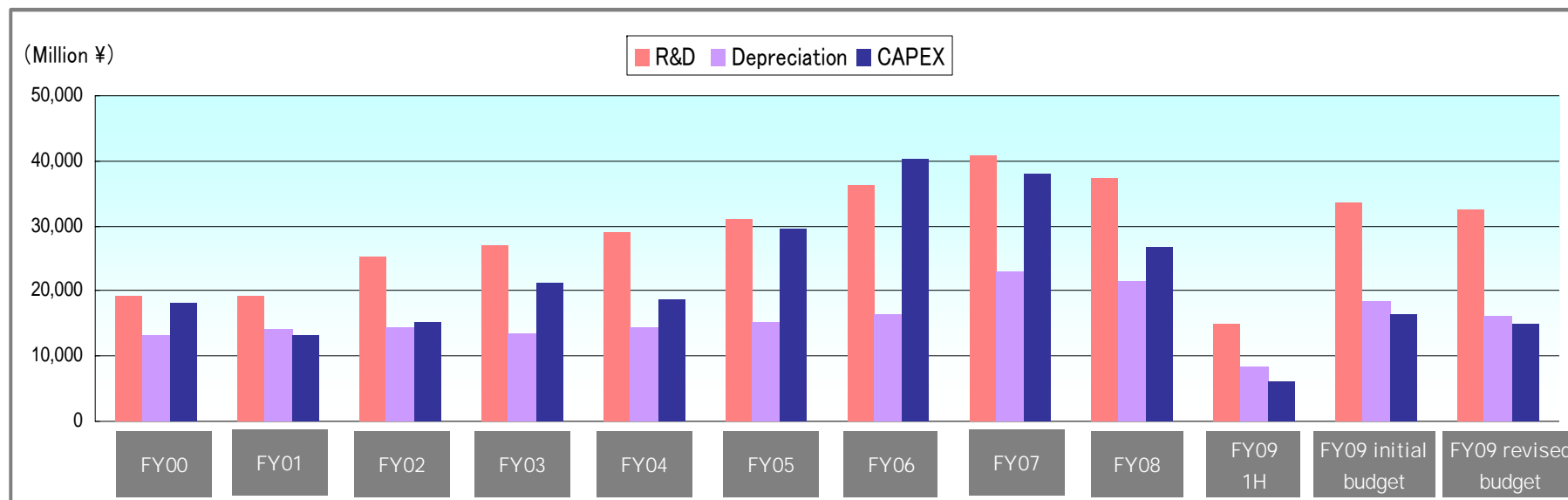


* The May 15 budget figures are in brackets.

- FY09 1H R&D expenses for the measurement segment were significantly lower than in FY08 1H, falling from 11 billion yen to 6.3 billion yen.
- The FY09 R&D budget has been revised downward from 33.5 billion yen to 32.5 billion yen.



Trend of R&D Expenses, Depreciation, and CAPEX

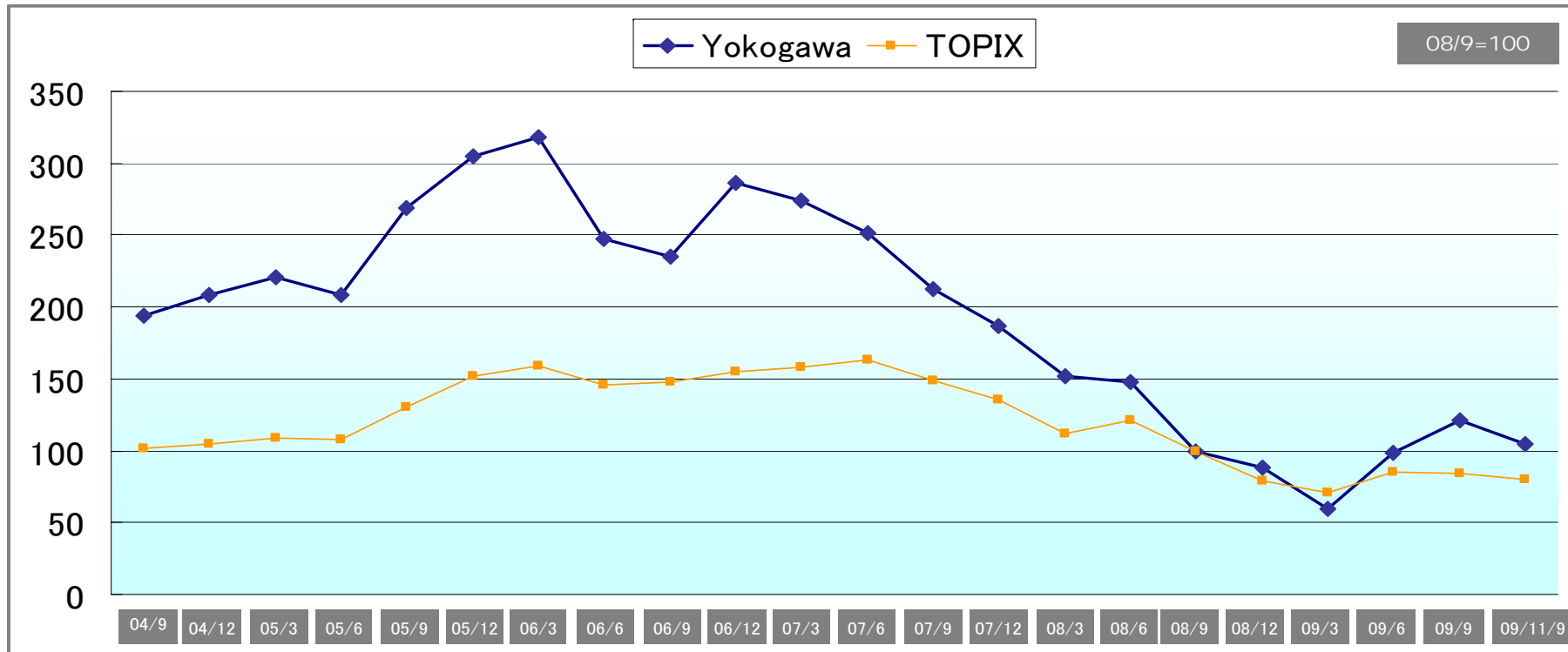


	Results										FY09 budget	
	FY00	FY01	FY02	FY03	FY04	FY05	FY06	FY07	FY08	FY09 1H	Initial(5/15)	Revised(11/10)
R&D expenses (% of sales ratio)	19,181	19,236	25,233	26,991	28,998	30,917	36,223	40,875	37,229	14,860	33,500	32,500
	5.4%	6.2%	7.7%	7.3%	7.5%	8.0%	8.4%	9.3%	9.9%	9.9%	10.6%	10.1%
Depreciation (% of sales ratio)	13,190	13,964	14,298	13,455	14,331	15,124	16,483	23,129	21,615	8,367	18,500	16,000
	3.7%	4.5%	4.3%	3.6%	3.7%	3.9%	3.8%	5.3%	5.7%	5.6%	5.9%	5.0%
CAPEX (% of sales ratio)	18,173	13,347	15,264	21,355	18,652	29,540	40,284	37,990	26,813	6,036	16,500	15,000
	5.2%	4.3%	4.6%	5.7%	4.8%	7.6%	9.3%	8.7%	7.1%	4.0%	5.2%	4.7%

- The FY09 R&D budget has been revised downward from 33.5 billion yen to 32.5 billion yen.
- The depreciation budget has been revised downward from 18.5 billion yen to 16 billion yen.
- The CAPEX budget has been revised downward from 16.5 billion yen to 15 billion yen.



Trend of Stock Price



	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	09/9	09/11/9
Yokogawa	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	795	687
TOPIX	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	910	871

	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	09/9	09/11/9
Yokogawa	194	208	220	208	269	305	318	247	236	286	274	251	212	186	151	147	100	88	60	99	121	104
TOPIX	102	105	109	108	130	152	159	146	148	155	158	163	149	136	112	121	100	79	71	86	84	80



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.