

Yokogawa Electric Corporation

# FY2009 2H Management Policy

## FY2009-2010 Action Plan Status Update / Next Steps



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YOKOGAWA



# FY09 1H Business Results

**Sales:** Exceeded initial budget due to the brisk non- Japan market for the control business

**Operating loss:** Decreased from initial budget due to reduction of fixed costs

**Net loss:** Increased from initial budget due to extraordinary losses involving items such as impaired fixed assets and revaluated investment securities and software

(Billion ¥)

	Initial budget (09/5/15) (A)	Revised (09/8/11)	Revised (09/9/29)	Results (B)	Difference (B-A)
Orders	150	157	157	154.7	4.7
Sales	145	145	148	150.7	5.7
Operating income	(10)	(10)	(5)	(2.4)	7.6
Ordinary income	(12)	(12)	(7)	(4.1)	7.9
Net income	(14)	(14)	(14)	(14.5)	(0.5)



# Our Business Environment

## Global economy

Massive economic stimulus packages and financial stabilization measures by governments around the world

➔ Bottoming out of global economy and initial signs of recovery

## Industrial Automation and Control Business

Non-Japan market:

Recovery in energy prices

➔ Resumed construction of new oil and natural gas plants

Japan market:

Worsening corporate performance, slumping materials and energy demand ➔ Large cutbacks in capital investment

## Test and Measurement Business

Semiconductor testers:

Semiconductor market recovering, but companies still reluctant to make large-scale capital investments

Measuring instruments:

Major customers in Japan's electronics and auto industries cutting back on capital investment

➔ Market substantially smaller

Photonics:

Communications carriers outside Japan continue to reduce investment

➔ Low demand from communications equipment manufacturers



# FY09 Full Year / 2H Budget

## FY09 2H budget

Sales: Almost the same as initial budget  
 Operating income: Down approx. ¥1 billion

Positive factors: Continued recovery in non-Japan control market and further reduction of fixed costs

Negative factors: Lower sales for the measurement business, revised exchange rate (\$1 = ¥95 → ¥90), temporary deterioration in marginal profit ratio for control business

➡ We will strive to improve profitability and surpass the revised targets.

(Billion ¥)

	Full year			2H		
	Initial (5/15)	Revised (11/10)	Difference	Initial (5/15)	Revised (11/10)	Difference
Orders	325	325	0	175	170.3	(4.7)
Sales	315	321	6	170	170.3	0.3
Operating income	(9)	(2.5)	6.5	1	(0.1)	(1.1)
Ordinary income	(13)	(6.5)	6.5	(1)	(2.4)	(1.4)
Net income	(18)	(20)	(2)	(4)	(5.5)	(1.5)



# Action Plan for Reduction of Fixed Costs

【Announced on May 15】  
Reduce fixed costs by 38 billion yen and  
achieve a break-even point of 330 billion yen or less

Reduce fixed costs by 47 billion yen

Additional reductions

- +2 billion yen reduction in labor costs by further reducing the number of non-regular employees
- +7 billion yen reduction in R&D, SG&A, and other costs

Temporary deterioration in marginal profit ratio due to the strong yen, etc.

➡ Break-even point now estimated to be 325 billion yen



# Action Plan for Review of Business Portfolio - 1

【Announced on May 15】

Build a new portfolio centered on the control business

## Basic policy

1. Focus resources on the control business
2. Maintain and develop the company's core measurement technologies
3. Quickly select and establish new businesses
4. Discontinue loss-making businesses



## Basic policy 1: Focus resources on the control business

- Increased demand for energy and materials and growing awareness of need to protect environment and make effective use of limited resources
  - Markets for this business will continue to expand
- Introduce Japan industrial applications in other countries and establish offices in promising regions
  - Increase market share outside Japan
- Assign additional human resources to this business
  - Enhance development capabilities
- Implement M&A and alliances
- Achieve global cost competitiveness

Be globally competitive



## Basic policy 2: Maintain and develop the company's core measurement technologies

### Reorganize the measuring instrument business

- Standalone electronic/optical measuring instruments
  - Create products chiefly targeted at developing nations
  - Undertake a comprehensive structural reform to enhance cost competitiveness
- Japan market
  - Promote measurement solutions in growth fields such as lithium ion batteries

Transferred to the control business approximately 100 development engineers and other personnel who previously had been assigned to the advance stage, photonics, and other measurement businesses



Basic policy 3: Quickly select and establish new businesses

Basic policy 4: Discontinue loss-making businesses

- Implemented by the end of 2Q:
  - Development of SoC testers suspended
  - Development of XY stage for semiconductor manufacturing equipment halted
- Implemented in 2Q: Business policy for the photonics business changed



Discontinue development of new products and focus on manufacture and sale of existing products to soon make this business profitable

Continue R&D of high-speed compound semiconductor, optical, and high-frequency technologies



# Energy-saving and Environmental-conservation Businesses

## Energy-saving and environmental-conservation businesses

Japanese government's target: Achieve a 25% reduction in greenhouse gas emissions (from 1990 levels) by 2020.

- Accelerate industry energy-saving and environmental-conservation activities

Appointment of Chief Green Officer to oversee the energy-saving and environmental-conservation businesses. With access to the entire company's resources, will establish a new business model and make these businesses a growth engine for the control business.

- Long-term engagement in energy-saving and environmental-conservation initiatives for our customers
- Pursuit of the above initiatives in-house, for which the company received the METI Minister Award (Green IT Awards 2009)
- Training of in-house energy-saving consultants and establishment of a consultancy framework



# 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.