

Yokogawa Electric Corporation

Financial Results for 3rd Quarter of Fiscal Year 2009



YOKOGAWA

Feb. 9, 2010

Kazunori Yagi, Director, Chief Financial Officer



Summary of FY09 1Q-3Q Results

1. The global economy showed signs of recovery particularly in emerging markets, but capital investment remained sluggish. Yokogawa focused on bringing down the break-even point and as a result was able to outperform the forecast for operating loss. However sales and income were lower and the operating loss was larger than in FY08 1Q-3Q.
2. The net loss recorded in FY09 1Q-3Q was smaller than that in FY08 1Q-3Q. This is because ¥30.5 billion in deferred tax assets was reversed in FY08 3Q.

(Billion ¥)

	FY08 3Q	FY09 3Q	FY08 1-3Q	FY09 1-3Q
Orders	82.5	72.7	298.2	227.4
Sales	76.1	68.5	272.9	219.2
Operating income	(5.8)	(0.3)	(0.8)	(2.7)
Ordinary income	(10.3)	(1.1)	(5.9)	(5.2)
Net income	(41.0)	(3.7)	(37.2)	(18.2)



FY09 3Q Financial Results

(Billion ¥)

	FY09 budget 09/11/10	FY09 results				Achieve- ment
		1Q	2Q	3Q	9 month total	
Orders	325.0	79.8	74.9	72.7	227.4	70.0%
Sales	321.0	64.5	86.2	68.5	219.2	68.3%
Operating income	(2.5)	(5.6)	3.2	(0.3)	(2.7)	—
Ordinary income	(6.5)	(6.0)	1.9	(1.1)	(5.2)	—
Net income	(20.0)	(6.8)	(7.7)	(3.7)	(18.2)	—



Comparison of FY08/FY09 3Q Financial Results

(Billion ¥)

	FY08 3Q	FY09 3Q	Growth rate	Difference
Orders	82.5	72.7	-12.0%	(9.8)
Sales	76.1	68.5	-10.0%	(7.6)
Operating income	(5.8)	(0.3)	—	5.5
Ordinary income	(10.3)	(1.1)	—	9.2
Net income	(41.0)	(3.7)	—	37.3

- Orders and sales have fallen as companies continue to hold back on making capital investments.
- The operating loss has shrunk as the result of reductions in fixed costs and an improvement in the gross margin rate that lowered the break-even point. Ordinary loss and net loss have also improved considerably from FY08 3Q, when a 3.8 billion yen foreign exchange loss was recorded and 30.5 billion yen in deferred tax assets were reversed.



Comparison of FY08/FY09 1Q-3Q Financial Results

(Billion ¥)

		FY08 1Q-3Q	FY09 1Q-3Q	Growth rate	Difference
Orders		298.2	227.4	-23.7%	(70.8)
Sales		272.9	219.2	-19.7%	(53.7)
Operating income		(0.8)	(2.7)	—	(1.9)
Ordinary income		(5.9)	(5.2)	—	0.7
Net income		(37.2)	(18.2)	—	19.0
Exchange rate (¥)	1\$=	102.48	93.23		(9.25)
	1€=	149.98	133.01	—	(16.97)

- Orders and sales have fallen due to constrained capital investment and the strong yen.
- Despite the lower sales and the strong yen, a smaller net loss was recorded in FY09 1Q-3Q as a result of reductions in fixed costs and the improved gross margin rate.



Analysis of FY09 1Q-3Q Operating Income

(Billion ¥)

FY08 1Q-3Q
Operating
income

FY09 1Q-3Q
Operating
income

(0.8)

(2.7)

(13.1)

Effect of exchange rate (¥)

	FY08 1Q-3Q	FY09 1Q-3Q
US\$	102.48	93.23
€	149.98	133.01

14.4

Control of SG&A
excluding effect
of exchange rate

Decrease of sales
excluding effect of
exchange rate

(3.0)

(1.3)

1.1

Increase in loss related to adaption of
lower of cost or market basis and provision
for loss on construction

Improved gross margin rate



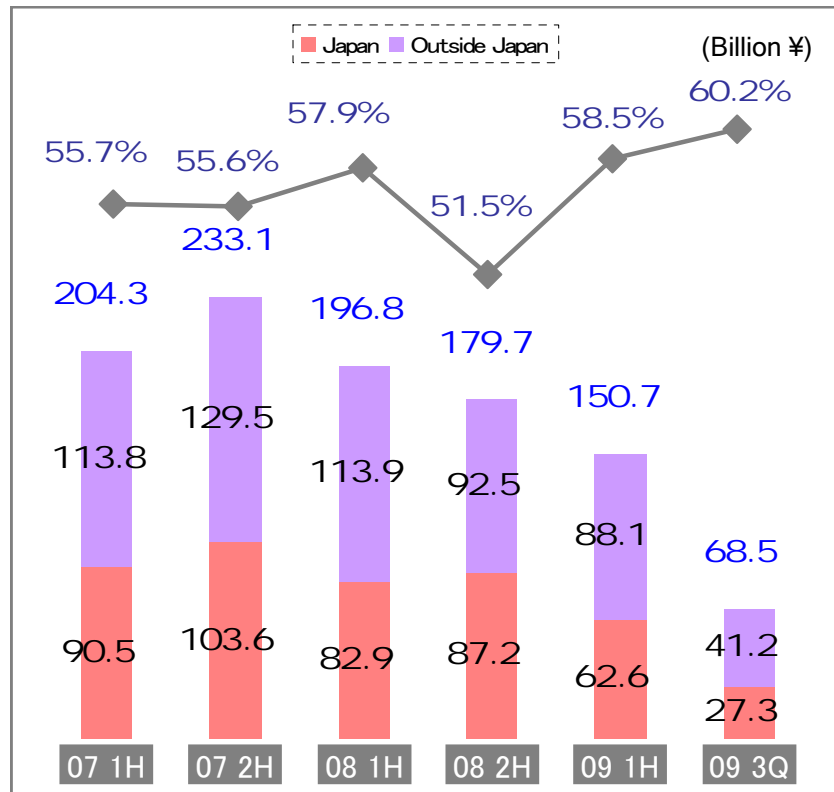
Non-operating / Extraordinary Income and Expenses

(Billion ¥)

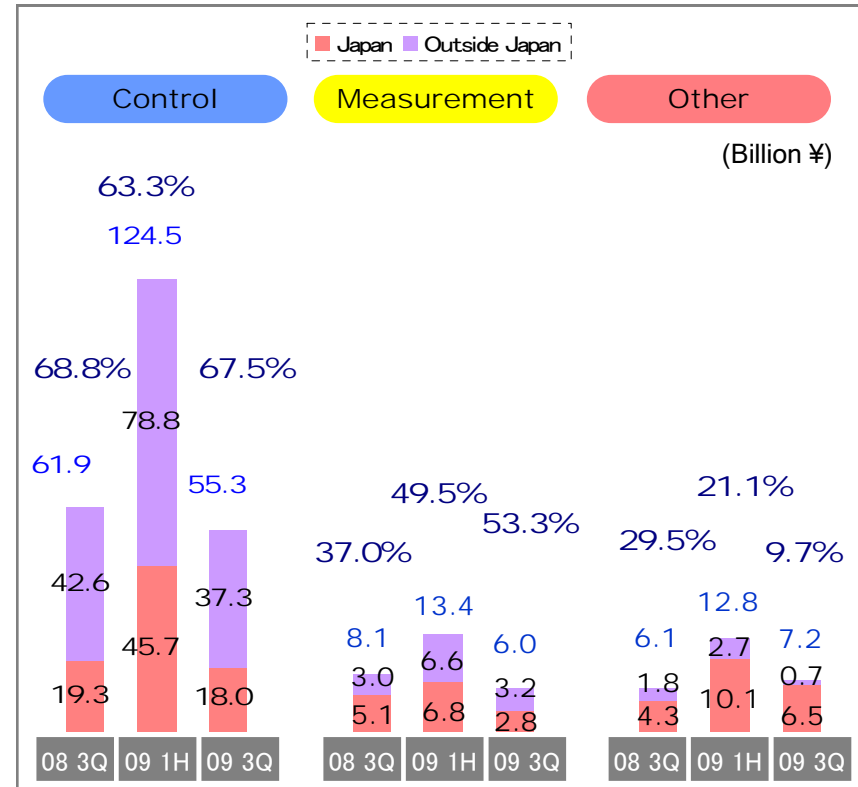
	FY08 1Q-3Q	FY09 1Q-3Q	
Operating income	(0.8)	(2.7)	
Non-operating income	1.7	1.5	Interest paid: ¥1.5 billion Foreign exchange losses: ¥0.5 billion
Non-operating expenses	6.8	4.0	
Ordinary income	(5.9)	(5.2)	
Extraordinary income	1.6	0.6	Impairment loss: ¥5.7 billion Loss on valuation of investment securities: ¥1.9 billion Business structure improvement expense: ¥0.8 billion Impairment loss on software for sale: ¥0.6 billion
Extraordinary expenses	6.2	10.8	
Income before tax	(10.5)	(15.4)	
Tax, etc.	26.7	2.8	
Net income	(37.2)	(18.2)	

- Non-operating expenses: Interest payments increased (FY08 1Q-3Q: ¥1.1 billion -> FY09 1Q-3Q: ¥1.5 billion), foreign exchange losses decreased (FY08 1Q-3Q: ¥3.8 billion -> FY09 1Q-3Q: ¥0.5 billion)
- Extraordinary income: Profit on sale of investment securities decreased (FY08 1Q-3Q: ¥1.3 billion -> FY09 1Q-3Q: ¥0)
- Extraordinary expenses: Impairment loss increased (FY08 1Q-3Q: ¥0.5 billion -> FY09 1Q-3Q: ¥5.7 billion), loss on valuation of investment securities decreased (FY08 1Q-3Q: ¥4 billion -> FY09 1Q-3Q: ¥1.9 billion), business structure improvement expense, impairment loss on software increased (FY08 1Q-3Q: ¥0 -> FY09 1Q-3Q: ¥1.4 billion)

Total



By Segment

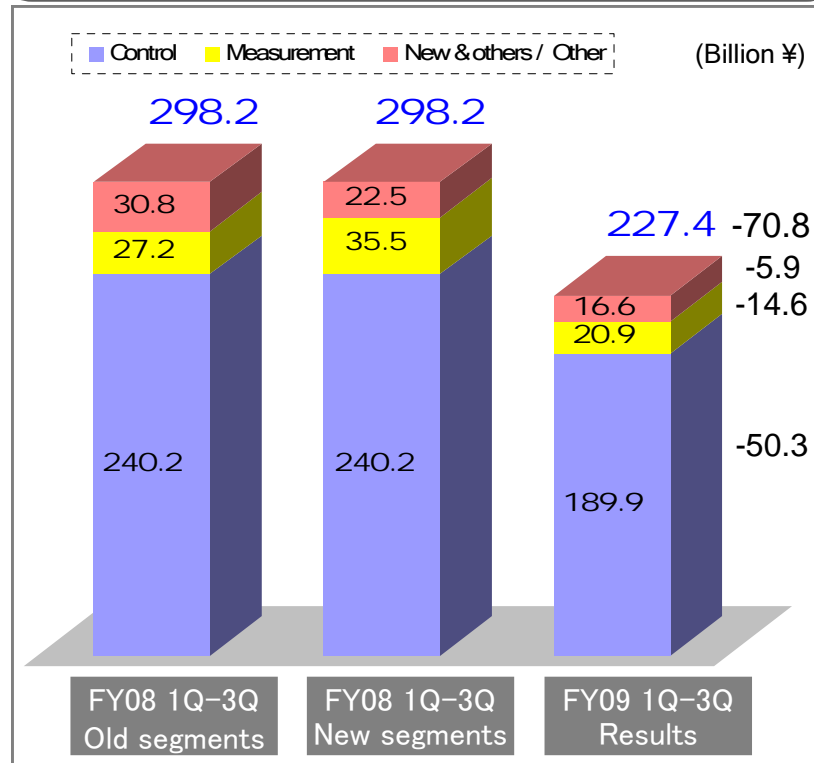


- For the control business, the percentage of sales generated outside Japan in FY09 3Q has fallen from a year ago due to the strong yen.
- For the measurement business, the percentage of sales generated outside Japan in FY09 3Q is higher than one year ago due to stagnant sales of measuring instruments in Japan.

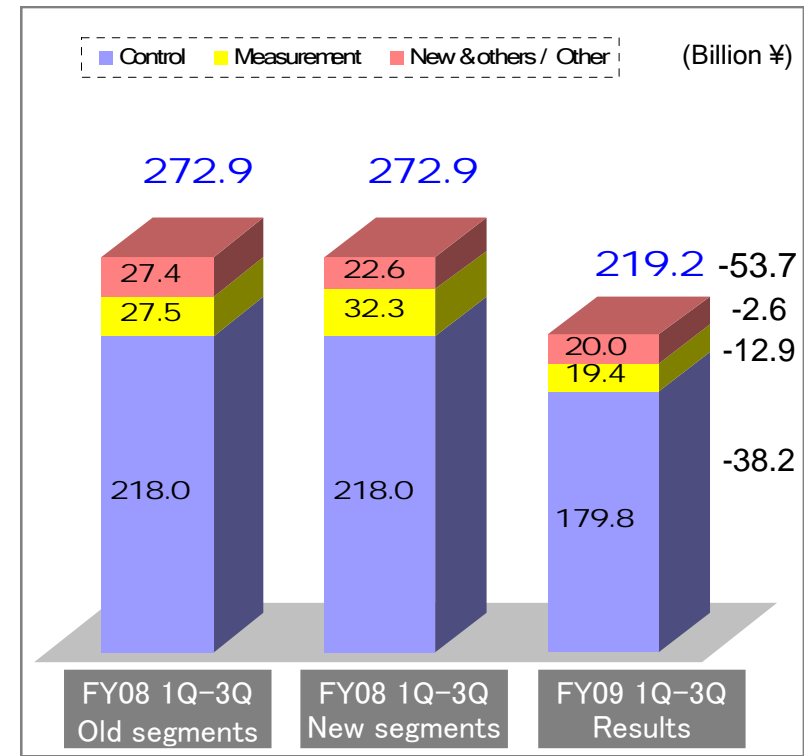


FY08/FY09 1Q-3Q Comparison for Orders and Sales by Segment

Orders



Sales



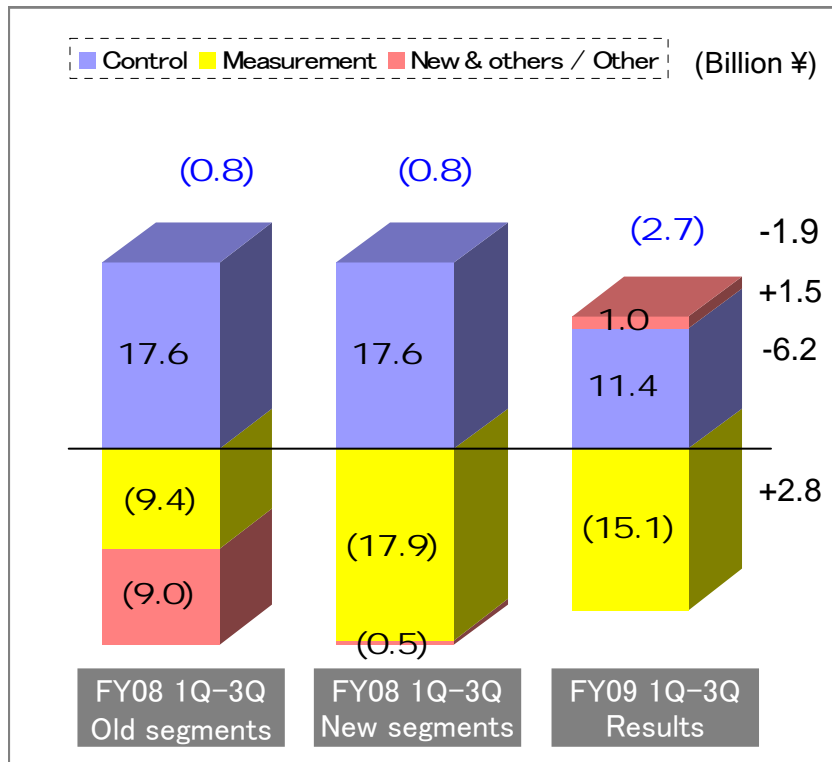
- Control business: Orders and sales fell due to shrinking capital investment and the strong yen (impact of foreign exchange rate: ¥14 billion decrease in orders, ¥13.5 billion decrease in sales).

- Measurement business: Orders and sales fell, and this was due mainly to the sluggish market for measuring instruments (¥6.1 billion lower orders, ¥6.8 billion lower sales) and semiconductor testers (¥2.9 billion lower orders, ¥3.8 billion lower sales) and the discontinuation of the advanced stage business (¥2.1 billion lower orders, ¥1.8 billion lower sales).



FY08/FY09 1Q-3Q Comparison for Operating Income by Segment

Operating Income



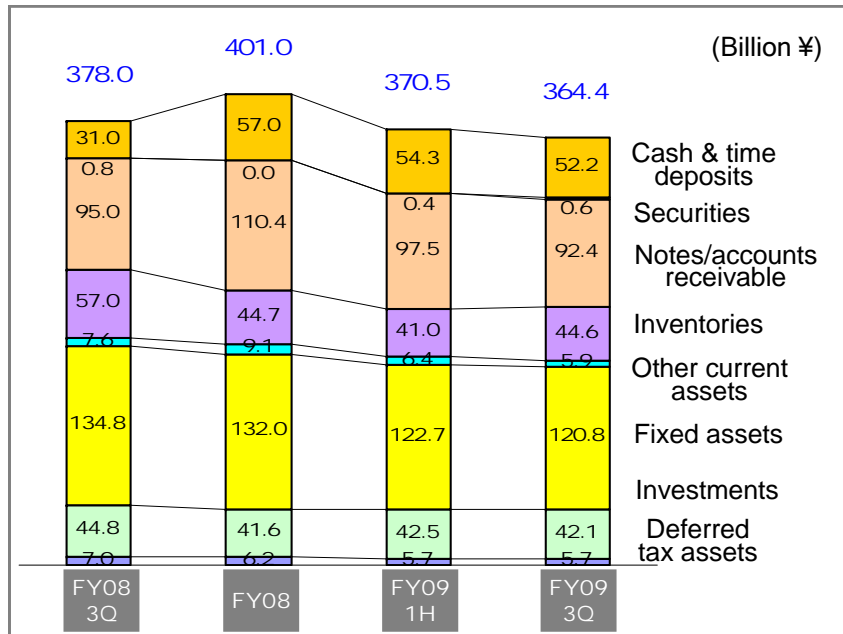
	FY08 1Q-3Q New segments	FY09 1Q-3Q Results	Difference
Control	17.6	11.4	(6.2)
Measurement	(17.9)	(15.1)	2.8
Other	(0.5)	1.0	1.5
Total	(0.8)	(2.7)	(1.9)

- Control business: Even though fixed costs were reduced substantially, operating income dropped because of lower sales and the strong yen.
- Measurement business: Even though sales fell, operating loss was smaller due to lower fixed costs, including a ¥7.4 billion reduction in R&D expenses.

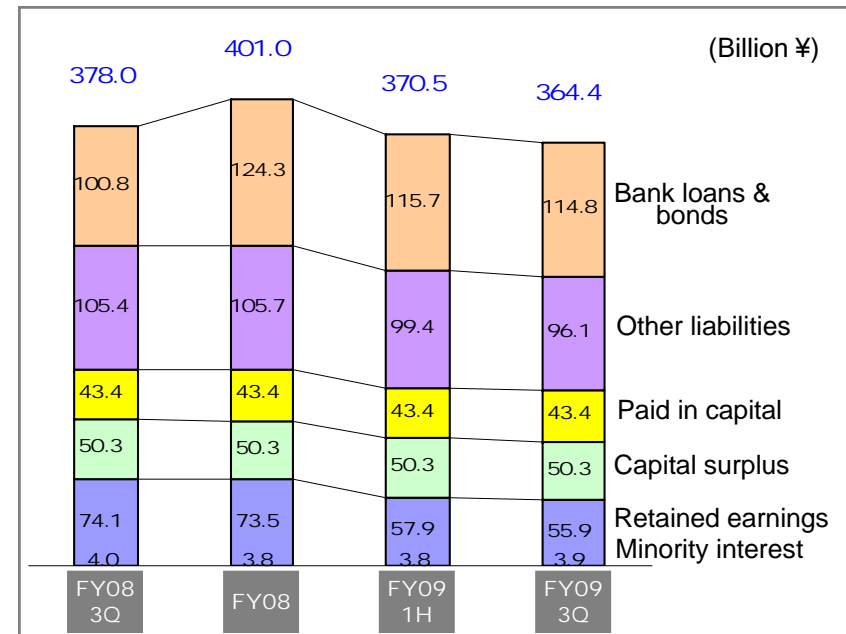


Trend of Balance Sheet

Assets



Liabilities and Shareholders' Equity



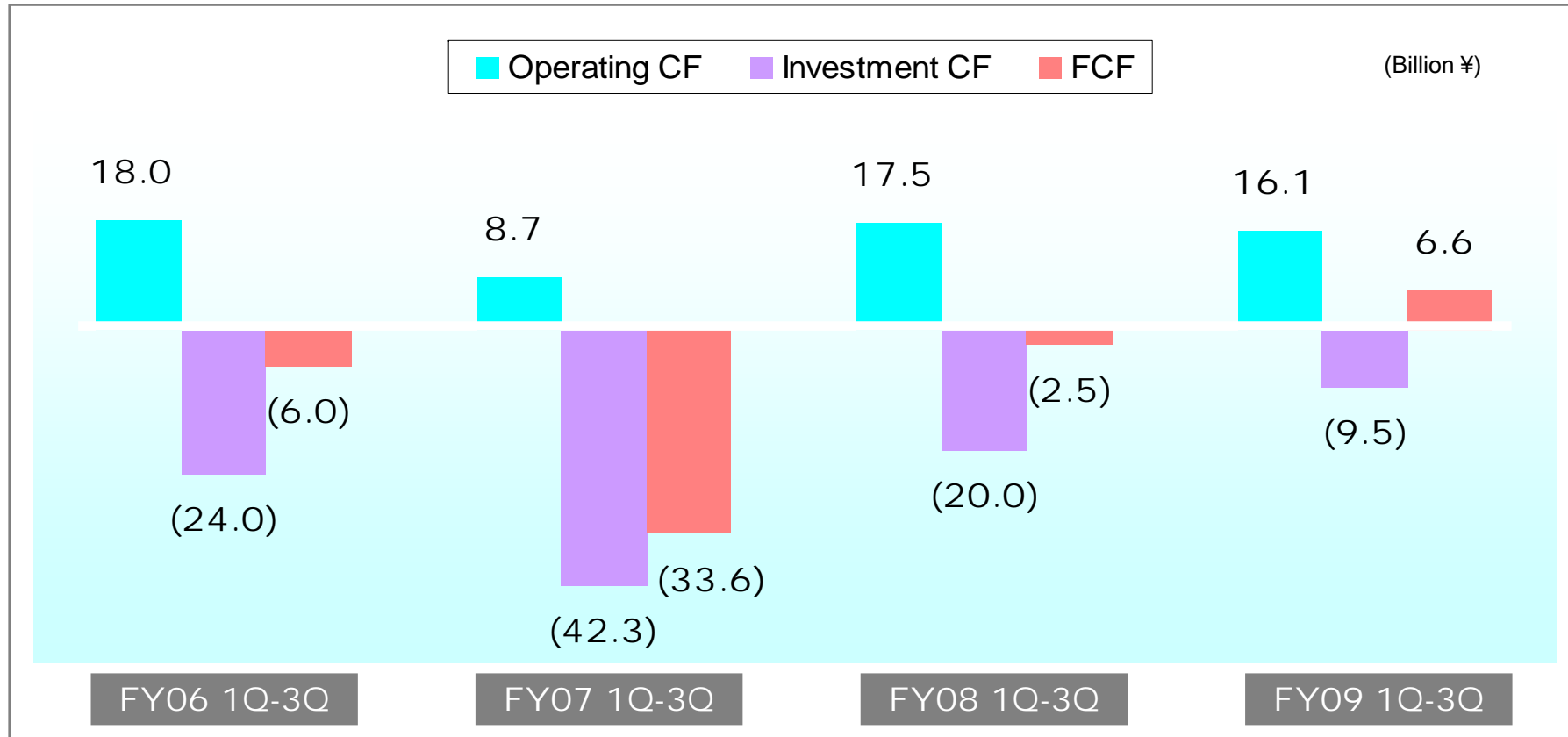
	FY08 3Q	FY08	FY09 1H	FY09 3Q
Total asset turnover	—	0.89	0.83	—
Shareholders' equity	44.4%	41.7%	40.9%	41.1%

	FY08 3Q	FY08	FY09 1H	FY09 3Q
Debt/equity ratio	60.1%	74.3%	76.3%	76.7%
Interest-bearing debt ratio	26.7%	31.0%	31.2%	31.5%

- Notes/accounts receivable fell from FY09 1H due to lower sales.
- Inventories are larger than in FY09 1H because of increases in finished goods and work-in-progress that are expected to be sold within FY09.
- Other liabilities fell from FY09 1H due to a decrease in accounts payable following a change to the retirement system in April 2004.



Trend of Cash Flow



- FY09 1Q-3Q investment cash flow saw a ¥10.5 billion reduction from a year ago due to reduced capital investment.
- The decreased investment cash flow contributed to the ¥6.6 billion in free cash flow.



FY09 Revised Budget

(Billion ¥)

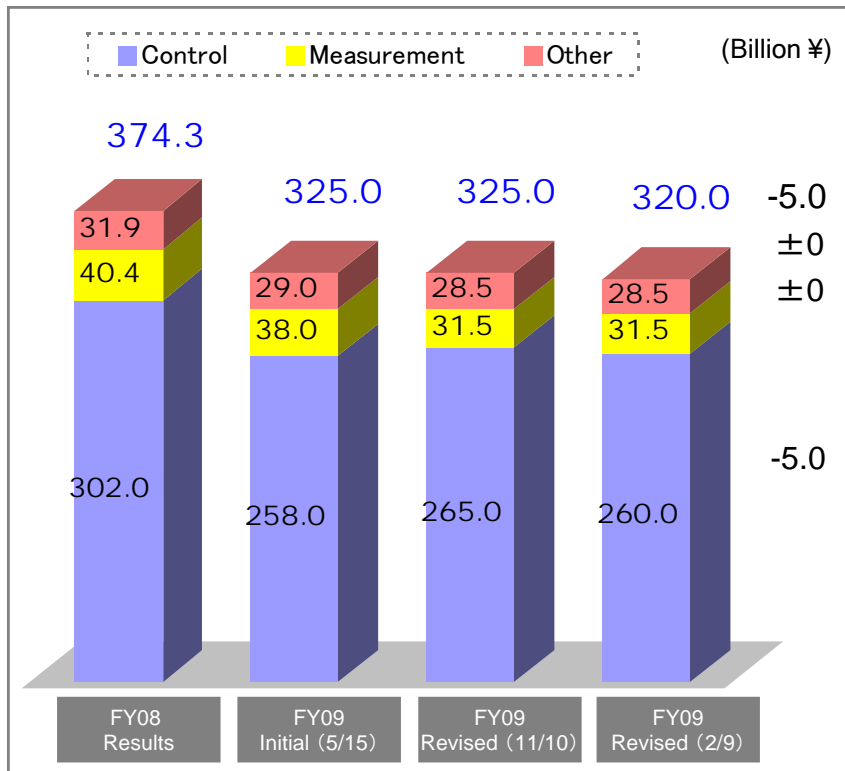
	FY08 results	FY09 budget				
		Initial 5/15	Revised (A) 11/10	Revised (B) 2/9	Difference (B-A)	
Orders	374.3	325.0	325.0	320.0	(5.0)	
Sales	376.5	315.0	321.0	316.0	(5.0)	
Operating income	4.7	(9.0)	(2.5)	0	2.5	
Ordinary income	0.3	(13.0)	(6.5)	(4.0)	2.5	
Net income	(38.4)	(18.0)	(20.0)	(18.5)	1.5	
Exchange rate(¥)	1\$= 1€=	100.66 143.28	95 125	90 130	90 130	0 0

- The orders and sales budgets for the control business were revised downward by ¥5 billion.
- The operating income budget for the control business was revised upward by ¥2.5 billion.

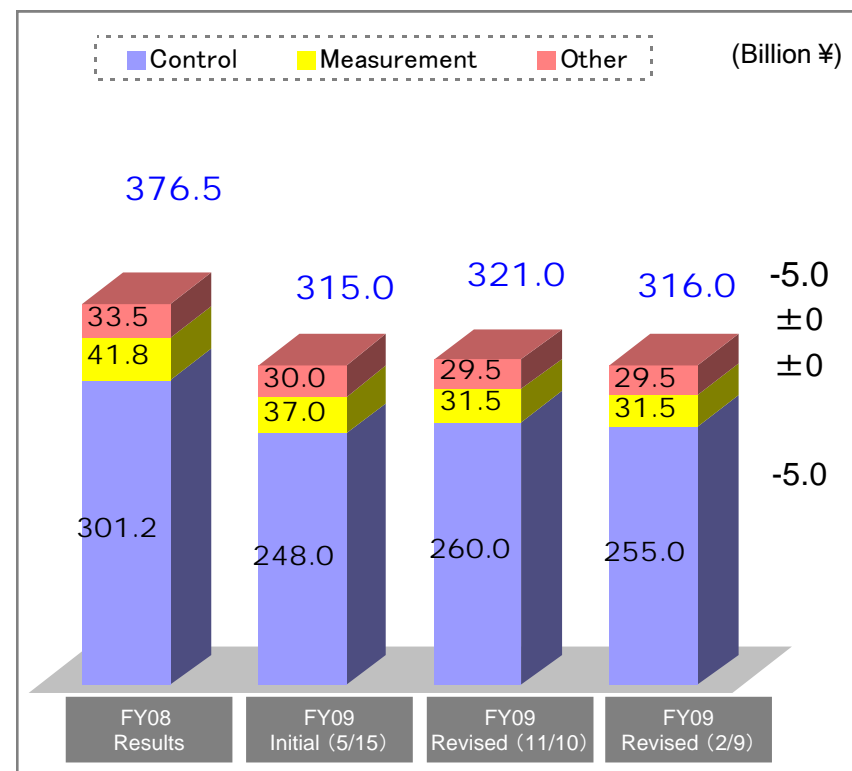


FY09 Budget for Orders and Sales by Segment

Orders



Sales

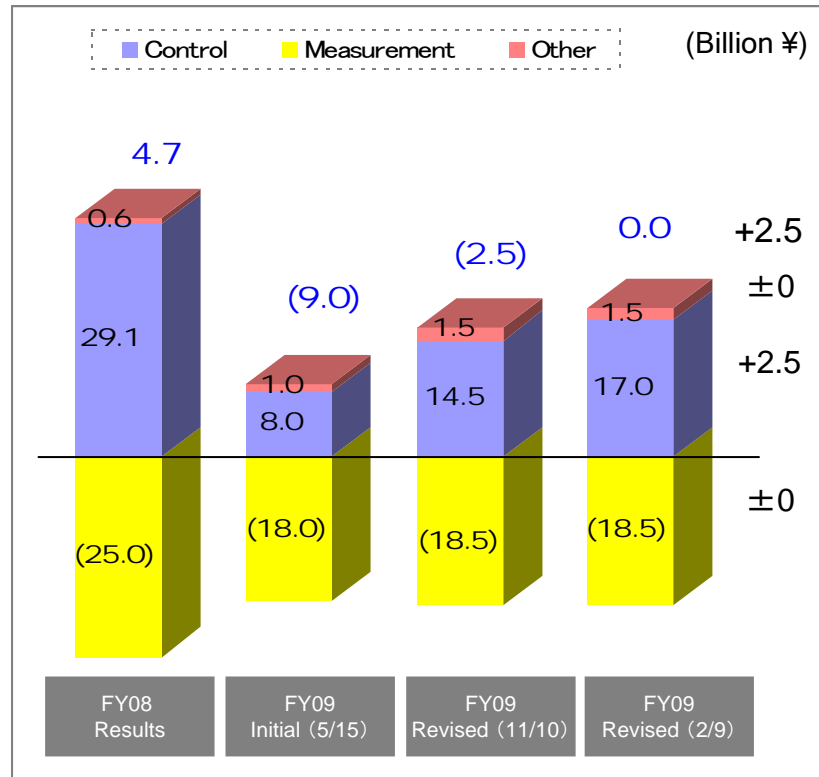


Control business: Although markets worldwide are showing signs of making a general recovery, both budgets have been revised downward by ¥5 billion because of continued low levels of capital investment in developed nations in North America, Europe, and elsewhere.

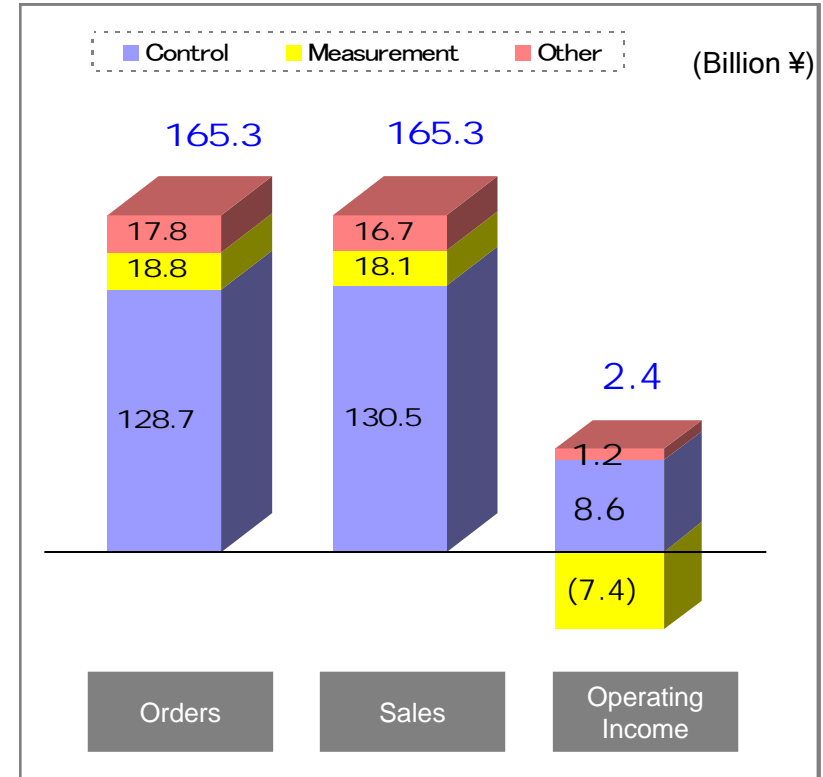


FY09 Budget for Operating Income and FY09 2H Budget by Segment

Operating Income



FY09 2H Budget



Control business: Despite the fall in gross profit accompanying the downward revision of the sales forecast, the FY09 operating income budget has been revised upward by ¥2.5 billion due to an improved gross margin rate and greater than expected reductions in fixed costs.



FY09 Budget for Non-operating / Extraordinary Income and Expenses

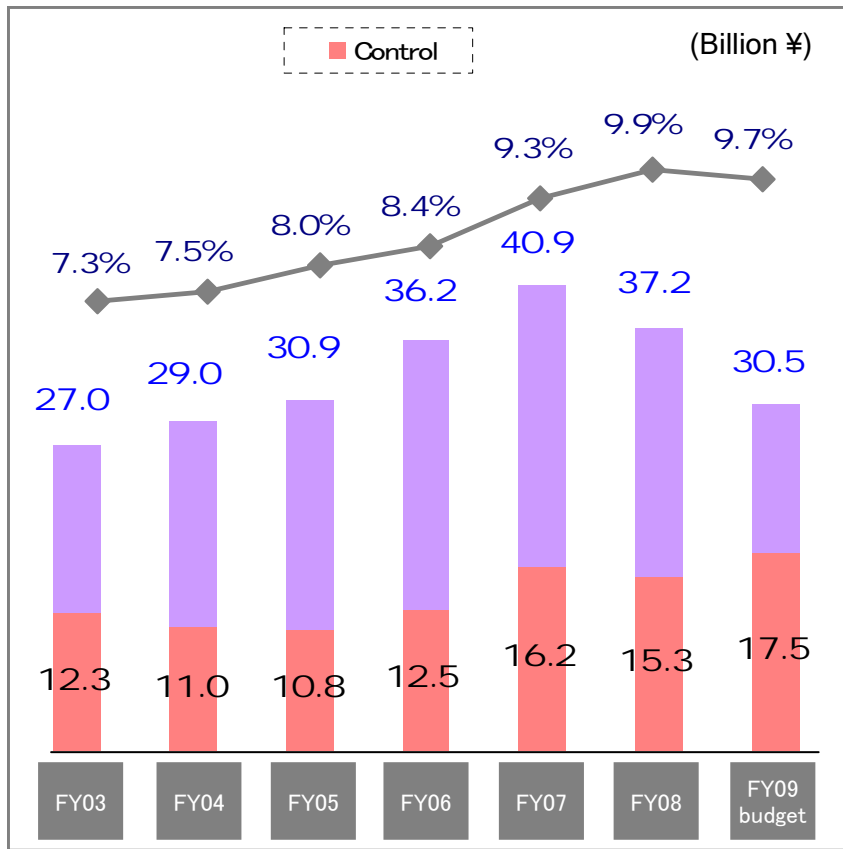
(Billion ¥)

	FY08	FY09	
	Results	1Q-3Q results	Budget
Operating income	4.7	(2.7)	0
Non-operating income	3.2	1.5	(4.0)
Non-operating expenses	7.7	4.0	
Ordinary income	0.3	(5.2)	(4.0)
Extraordinary income	3.3	0.6	(11.5)
Extraordinary expenses	12.9	10.8	
Income before tax	(9.4)	(15.4)	(15.5)
Tax, etc.	29.0	2.8	3.0
Net income	(38.4)	(18.2)	(18.5)

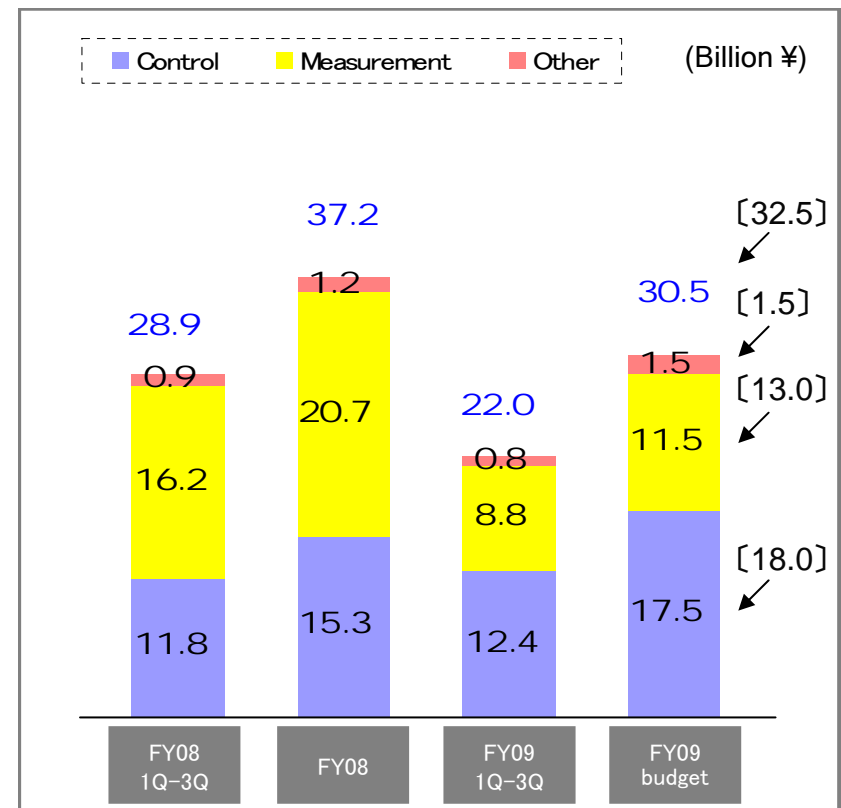
No major expenditures are planned that will affect FY09 4Q's non-operating income and expenses or extraordinary income and expenses.

Trend of R&D Expenses

Trend of R&D Expenses



Trend of R&D Expenses by Segment

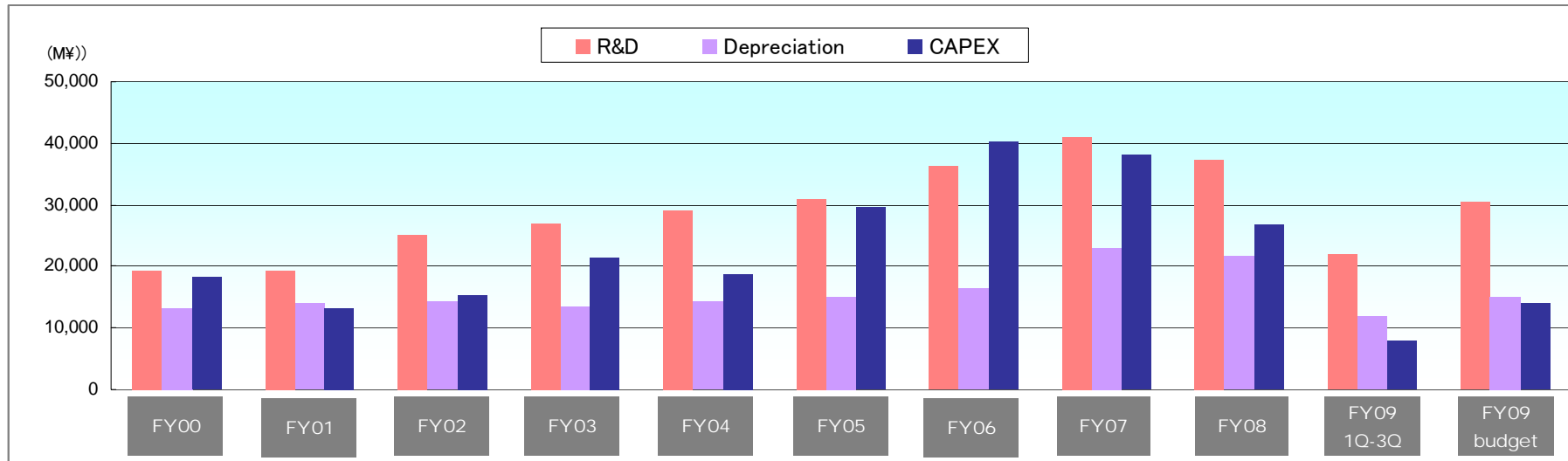


*The number in brackets show the revised budget on Nov. 10.

- R&D expenses for the measurement business in FY09 1Q-3Q are down sharply from a year ago (¥16.2 billion -> ¥8.8 billion).
- The FY09 R&D expense budget has been revised downward from ¥32.5 billion to ¥30.5 billion.



Trend of R&D Expenses, Depreciation, and CAPEX



(Million ¥)

	Results										FY09 budget		
	FY00	FY01	FY02	FY03	FY04	FY05	FY06	FY07	FY08	FY09 1Q-3Q	Initial(5/15)	Revised(11/10)	Revised(2/9)
R&D expenses (% of sales ratio)	19,181	19,236	25,233	26,991	28,998	30,917	36,223	40,875	37,229	21,995	33,500	32,500	30,500
	5.4%	6.2%	7.7%	7.3%	7.5%	8.0%	8.4%	9.3%	9.9%	10.0%	10.6%	10.1%	9.7%
Depreciation (% of sales ratio)	13,190	13,964	14,298	13,455	14,331	15,124	16,483	23,129	21,615	12,016	18,500	16,000	15,000
	3.7%	4.5%	4.3%	3.6%	3.7%	3.9%	3.8%	5.3%	5.7%	5.5%	5.9%	5.0%	4.7%
CAPEX (% of sales ratio)	18,173	13,347	15,264	21,355	18,652	29,540	40,284	37,990	26,813	7,836	16,500	15,000	14,000
	5.2%	4.3%	4.6%	5.7%	4.8%	7.6%	9.3%	8.7%	7.1%	3.6%	5.2%	4.7%	4.4%

- The R&D expense budget has been reduced from ¥32.5 billion to ¥30.5 billion.
- The depreciation budget has been reduced from ¥16 billion to ¥15 billion.
- The CAPEX budget has been reduced from ¥15 billion to ¥14 billion.



Update on Review of Business Portfolio

Next steps in line with the already announced action plans for review of the business portfolio

1. Reorganization of measuring instruments business

On April 1, transfer the measurement business's measuring instruments unit to Yokogawa Meters & Instruments. The integration of these two companies' resources will improve efficiency and achieve global cost competitiveness.

2. Spin-off of medical information systems business

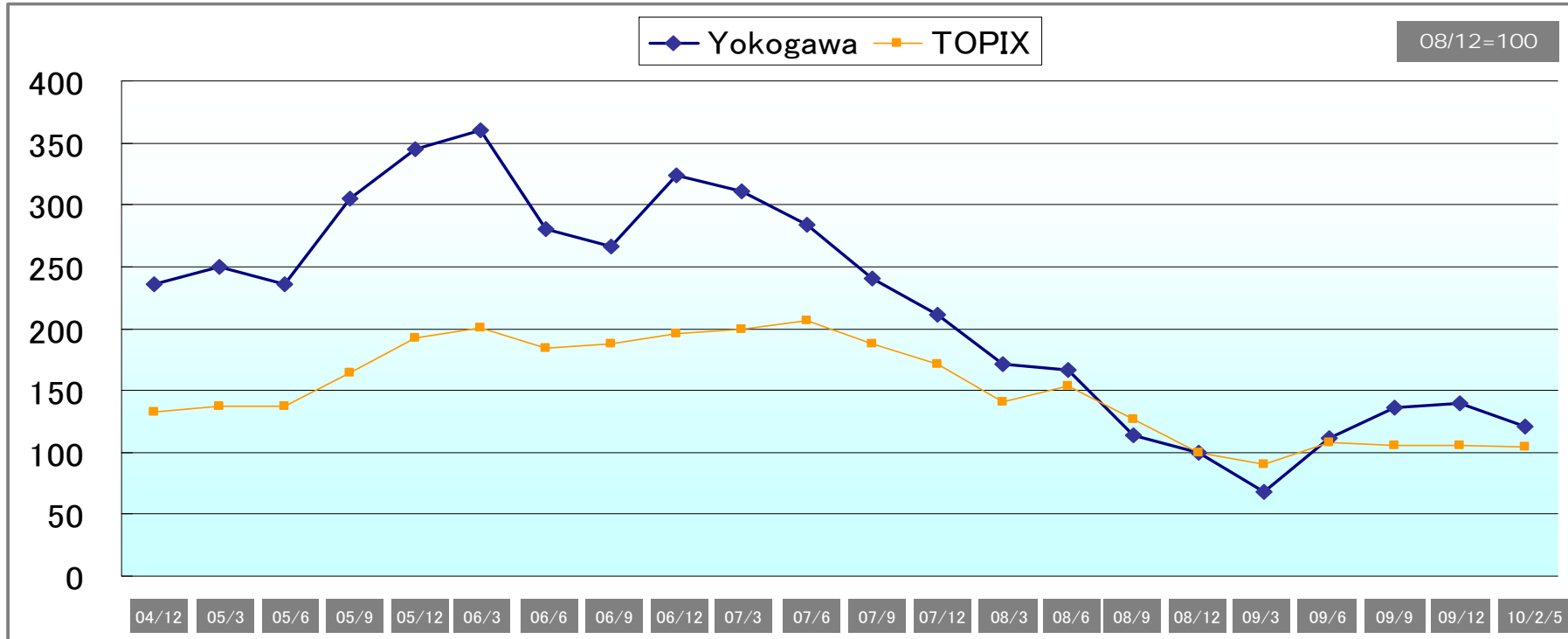
On April 1, spin off the control business's medical information systems unit to form Yokogawa Medical Solutions Corporation. At the same time, Yokogawa Field Engineering Service Corporation will transfer its medical information systems services unit to the new company. By having the ability to perform a comprehensive range of functions including development, system integration, sales, and maintenance, this new company will be able to expand Yokogawa's medical information systems business.

3. Dissolution of staffing service subsidiary

On March 31, dissolve Yokogawa Human Create Corporation as the Yokogawa Group's demand for its temporary staffing services have substantially declined.



Trend of Stock Price



	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	09/12	10/2/5
Yokogawa	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	812	704
TOPIX	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	908	892

	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	09/12	10/2/5
Yokogawa	236	249	236	304	345	360	280	267	324	310	284	240	211	171	167	113	100	68	112	137	140	121
TOPIX	133	137	137	164	192	201	185	188	196	200	207	188	172	141	154	127	100	90	108	106	106	104



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.