

Yokogawa Electric Corporation

# Financial Results for Fiscal Year 2009



YOKOGAWA

May 14, 2010

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



# Summary of FY09 Results

1. **Constrained capital investment and the strong yen caused a substantial year-on-year decline in sales. Fixed costs were cut further than initially planned, but this couldn't compensate entirely for the lower sales. As a result, operating income was down.**
  - **Control segment: Sales and profits were lower due to constraints on capital investment in Japan, Europe, and North America as well as the strong yen.**
  - **Measurement segment: Although sales were down as the result of severe constraints on capital investment in semiconductor test systems and measuring instruments, losses were smaller than in FY08 thanks to a restructuring that reduced fixed costs.**
  
2. **Although operating income was down in FY09, ordinary income was nearly the same due to the decrease in foreign exchange losses (lower operating costs). The net loss was lower than in FY08, when results were impacted by the reversal of deferred tax assets.**

(Billion ¥)

	FY08 results (A)	FY09 budget(2/9)	FY09 results (B)	Difference (B-A)
Orders	374.3	320.0	315.2	(59.1)
Sales	376.5	316.0	316.6	(59.9)
Operating income	4.7	0.0	2.6	(2.1)
Ordinary income	0.3	(4.0)	0.2	(0.1)
Net income	(38.4)	(18.5)	(14.8)	23.6



# FY09 Financial Results

(Billion ¥)

	FY08 results	FY09					
		Initial budget (09/5/15)	Revised budget (09/11/10)	Revised budget (10/2/9) (A)	Results (B)	Difference (B-A)	
<b>Orders</b>	374.3	325.0	325.0	320.0	315.2	(4.8)	
<b>Sales</b>	376.5	315.0	321.0	316.0	316.6	0.6	
<b>Operating income</b>	4.7	(9.0)	(2.5)	0	2.6	2.6	
<b>Ordinary income</b>	0.3	(13.0)	(6.5)	(4.0)	0.2	4.2	
<b>Net income</b>	(38.4)	(18.0)	(20.0)	(18.5)	(14.8)	3.7	
Exchange rate(¥)	1\$ = 1€ =	100.66 143.28	95 125	90 130	90 130	92.61 130.68	2.61 0.68

- While the Feb. 9 orders target was not met, the Feb. 9 sales target was achieved
- Operating income and ordinary income exceeded the Feb. 9 targets thanks to better than anticipated results in the reduction of fixed costs, and a profit was recorded for both.



# Comparison of FY08/FY09 Financial Results

(Billion ¥)

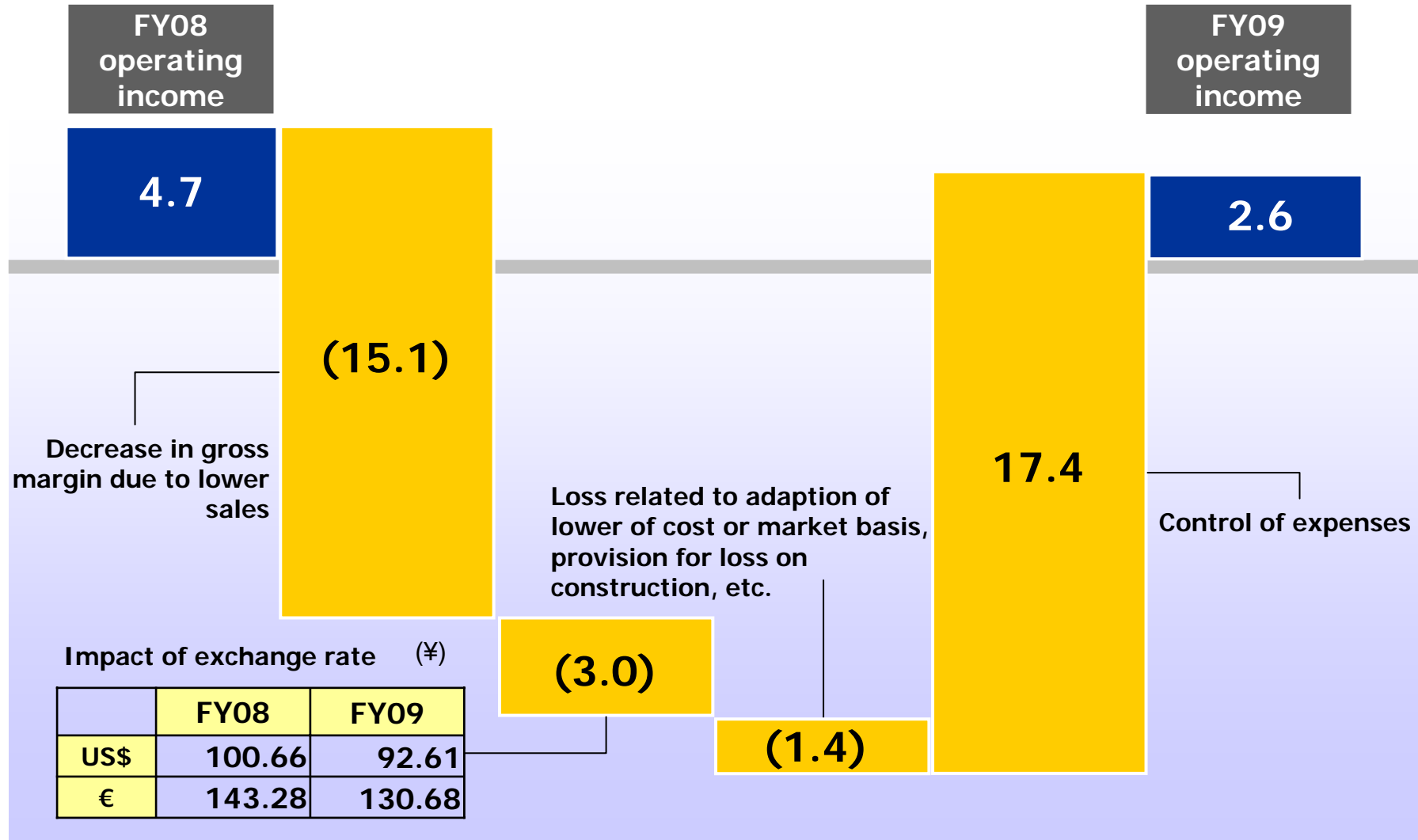
	FY08	FY09	Growth rate	Difference
Orders	374.3	315.2	-15.8%	(59.1)
Sales	376.5	316.6	-15.9%	(59.9)
Operating income	4.7	2.6	-44.8%	(2.1)
ROS	1.3%	0.8%	—	-0.5%
Ordinary income	0.3	0.2	-20.3%	(0.1)
ROS	0.1%	0.1%	—	0.0%
Net income	(38.4)	(14.8)	—	23.6
ROS	-10.2%	-4.7%	—	5.5%

- By reducing fixed costs to compensate for the decrease in gross margin from lower sales, we were able to avoid an operating loss in FY09.
- Although operating income was down in FY09, ordinary income was nearly the same due to a decrease in non-operating expenses resulting from lower foreign exchange losses.
- The FY09 net loss was smaller than in FY08, when a significant loss was recorded due to a ¥25.6 billion income tax adjustment and other items.



# Analysis of FY09 Operating Income

(Billion ¥)





# FY08/FY09 Quarterly Financial Results

(Billion ¥)

	FY08					FY09				
	1Q	2Q	3Q	4Q	Total	1Q	2Q	3Q	4Q	Total
<b>Orders</b>	111.9	103.8	82.5	76.1	374.3	79.8	74.9	72.7	87.8	315.2
<b>Sales</b>	83.5	113.3	76.1	103.6	376.5	64.5	86.2	68.5	97.4	316.6
<b>Operating income</b>	(4.3)	9.3	(5.8)	5.5	4.7	(5.6)	3.2	(0.3)	5.3	2.6

- In FY09 4Q, orders were over the ¥80 billion mark for the first time since FY08 3Q due to factors such as an increase in Japan orders for the control segment.
- Sales tend to be higher in 2Q and 4Q, particularly for the Japan control segment.



# FY08/FY09 Non-operating / Extraordinary Income and Expenses

(Billion ¥)

	FY08	FY09
Operating income	4.7	2.6
Non-operating income	3.2	3.1
Non-operating expenses	7.7	5.5
Ordinary income	0.3	0.2
Extraordinary income	3.3	1.0
Extraordinary expenses	12.9	11.9
Income before tax	(9.4)	(10.7)
Tax, etc.	29.0	4.1
Net income	(38.4)	(14.8)

Interest expenses:  
¥2.1 billion

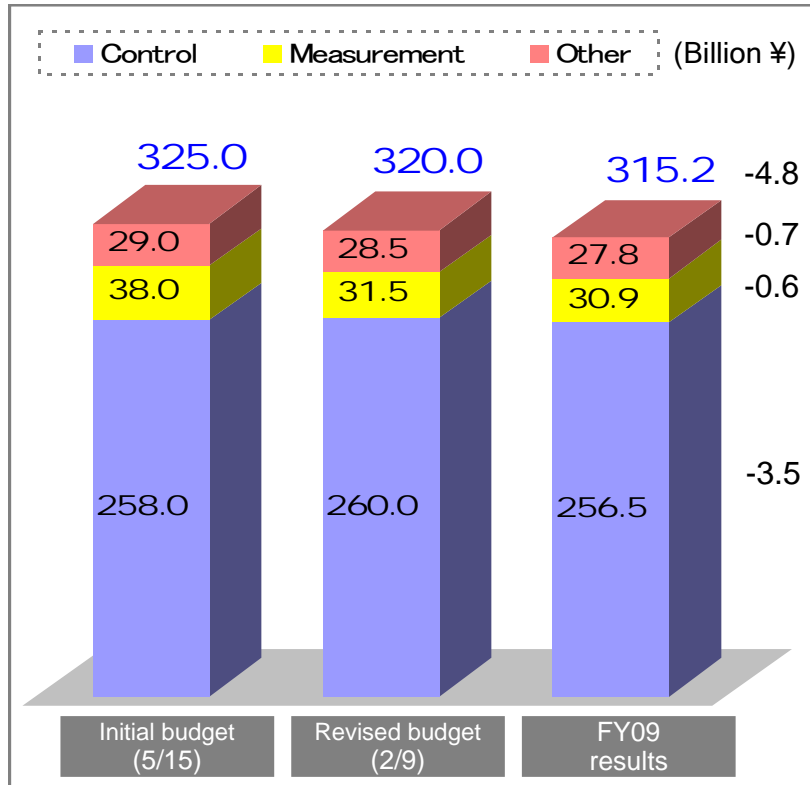
Impairment loss: ¥6.2 billion  
Restructuring loss,  
business structure  
improvement expense:  
¥2.6 billion

- Although interest expenses increased (¥1.6 billion in FY08 → ¥2.1 billion in FY09), FY09 non-operating expenses were lower overall due to a decline in foreign exchange losses (¥3.5 billion in FY08 → ¥0.4 billion in FY09).
- The FY09 "Tax, etc." figure is lower than in FY08, when there was a ¥25.6 billion adjustment relating to the reversal of deferred tax assets.

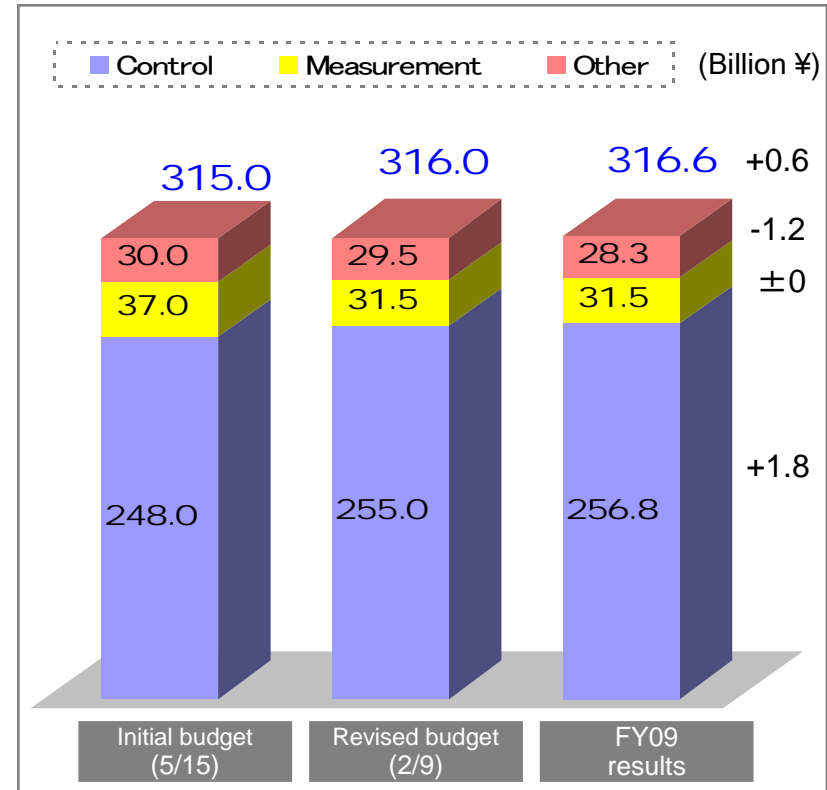


# FY09 Budget and Results Comparison for Orders and Sales by Segment

## Orders



## Sales



- Orders: The control segment missed its target because the non-Japan target was missed. Although the measuring instruments and life science businesses exceeded their targets, the measurement segment missed its overall target due to the poor performance of the semiconductor tester and photonics businesses.

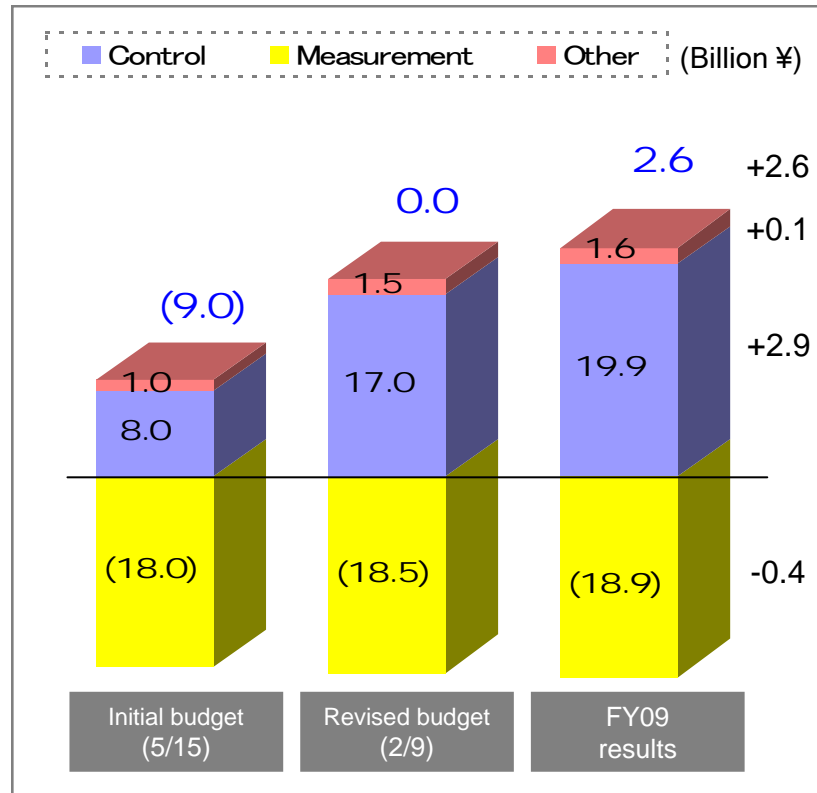
- Sales: The control segment exceeded its targets both in and outside Japan. Because the measuring instruments and life science businesses exceeded their targets, the measurement segment came close to its overall target even though the semiconductor tester and photonics businesses performed poorly.





# FY09 Budget and Results Comparison for Operating Income by Segment

## Operating Income



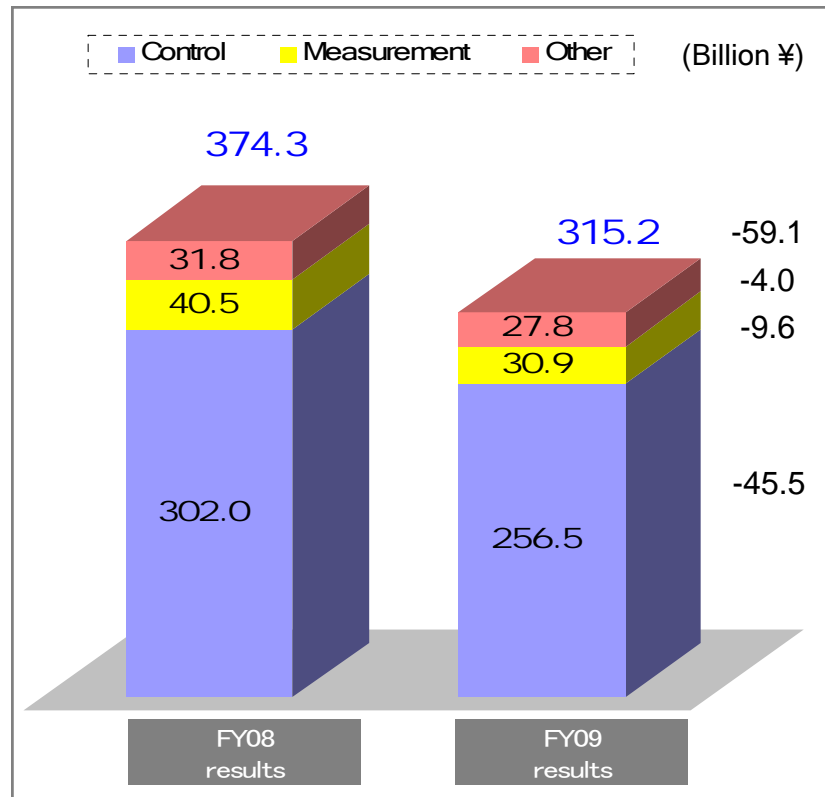
	(Billion ¥)		
	FY09 revised budget (2/9)	FY09 results	Difference
Control	17.0	19.9	2.9
Measurement	(18.5)	(18.9)	(0.4)
Other	1.5	1.6	0.1
<b>Total</b>	<b>0.0</b>	<b>2.6</b>	<b>2.6</b>

- The control segment exceeded its operating income target due to better-than-planned results in reducing fixed costs.
- Despite the fact that the measuring instruments and life sciences businesses had a smaller operating loss, the measurement segment missed its overall target mainly because the semiconductor tester business recorded a loss on valuation of inventory.

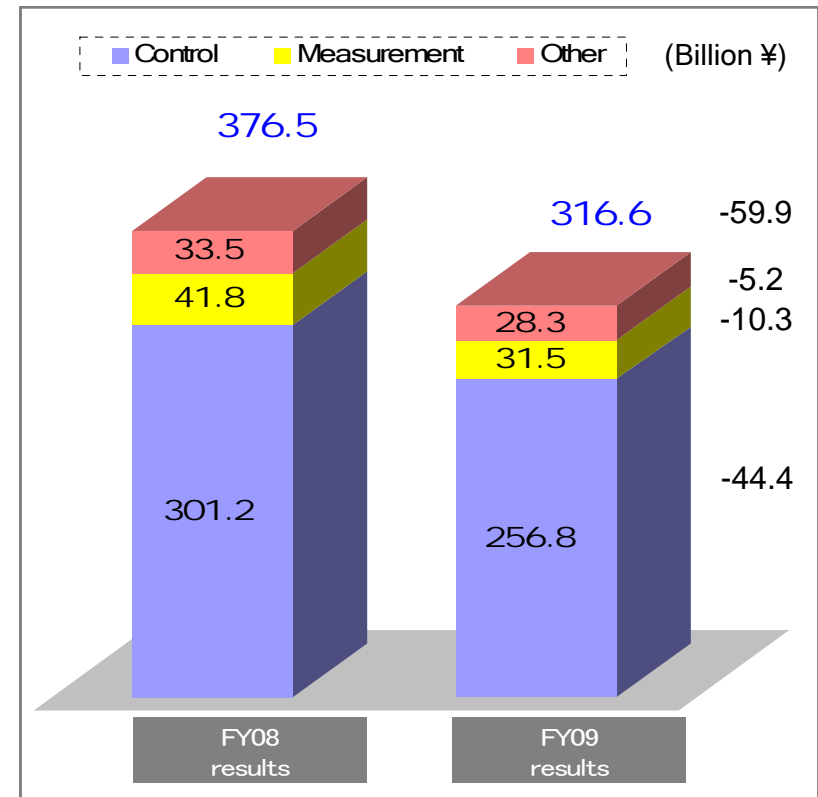


# FY08/09 Comparison for Orders and Sales by Segment

## Orders



## Sales

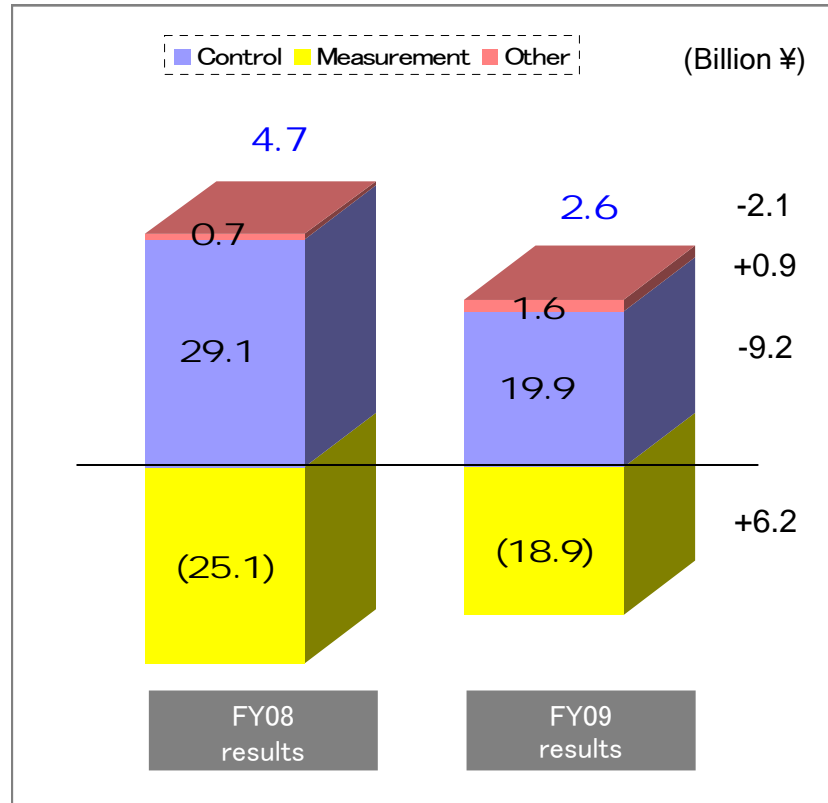


- Control: Both FY09 orders and sales were down from FY08 due to the strong yen (impact on orders: ¥12.0 billion, impact on sales: ¥13.1 billion yen) and the weakening market.
- Measurement: Both FY09 orders and sales declined from FY08 due largely to the slowdown in the measuring instruments business (orders down by ¥5.4 billion, sales down by ¥6.3 billion), photonics business (orders down by ¥4 billion, sales down by ¥1 billion), and advanced stage business (orders down by ¥0.5 billion, sales down by ¥2.3 billion).



# FY08/09 Comparison for Operating Income by Segment

## Operating Income



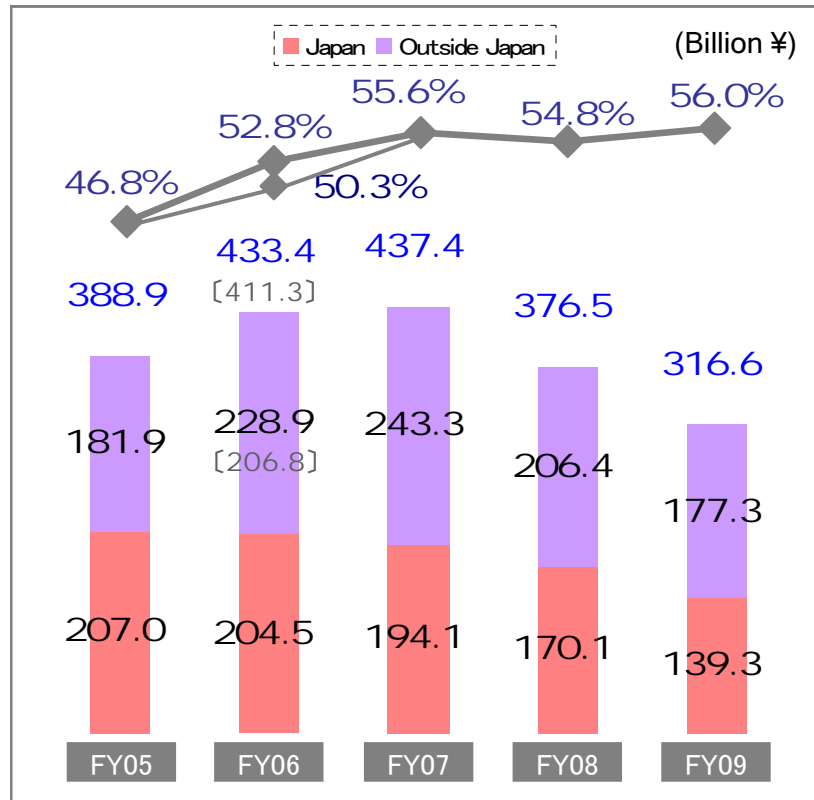
	FY08 results	FY09 results	Difference
Control	29.1	19.9	(9.2)
Measurement	(25.1)	(18.9)	6.2
Other	0.7	1.6	0.9
<b>Total</b>	<b>4.7</b>	<b>2.6</b>	<b>(2.1)</b>

- Control: FY09 operating income was down due to the decline in sales and the strong yen.
- Measurement: The operating loss was lower in FY09 for the life science business due to an increase in sales and a reduction of fixed costs. The measuring instruments, advanced stage, and photonics businesses also had a lower operating loss thanks to a restructuring that reduced their fixed costs.

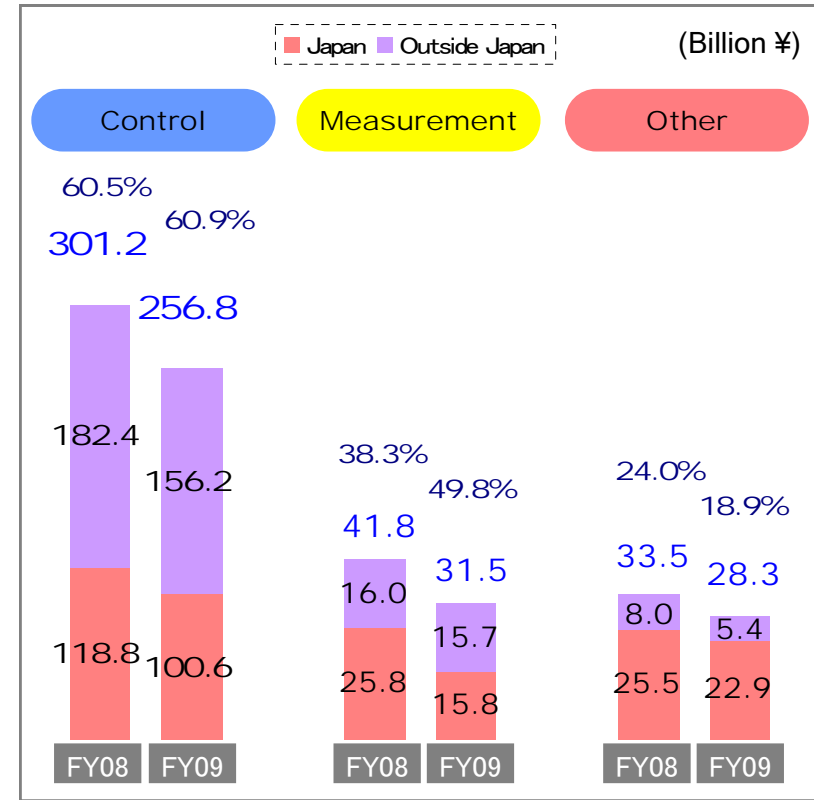


# Global Sales

## Total



## By Segment



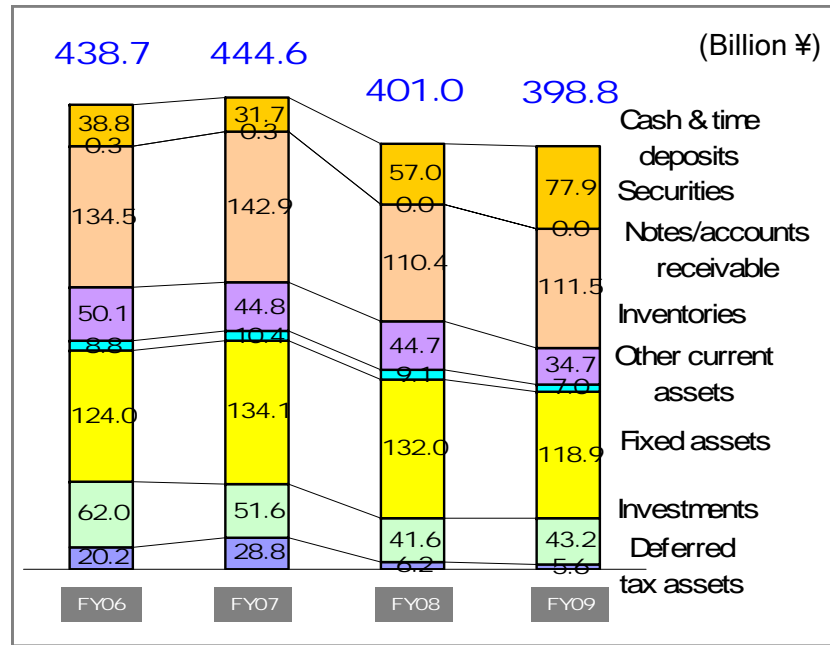
\*The numbers in brackets show the results without the increase from the fiscal year change by subsidiaries outside Japan.

- Control: The FY09 percentage of sales from outside Japan was almost unchanged from FY08 due to the strong yen.
- Measurement: The FY09 percentage of sales from outside Japan increased from FY08 due to declining Japan sales for the measuring instruments business.

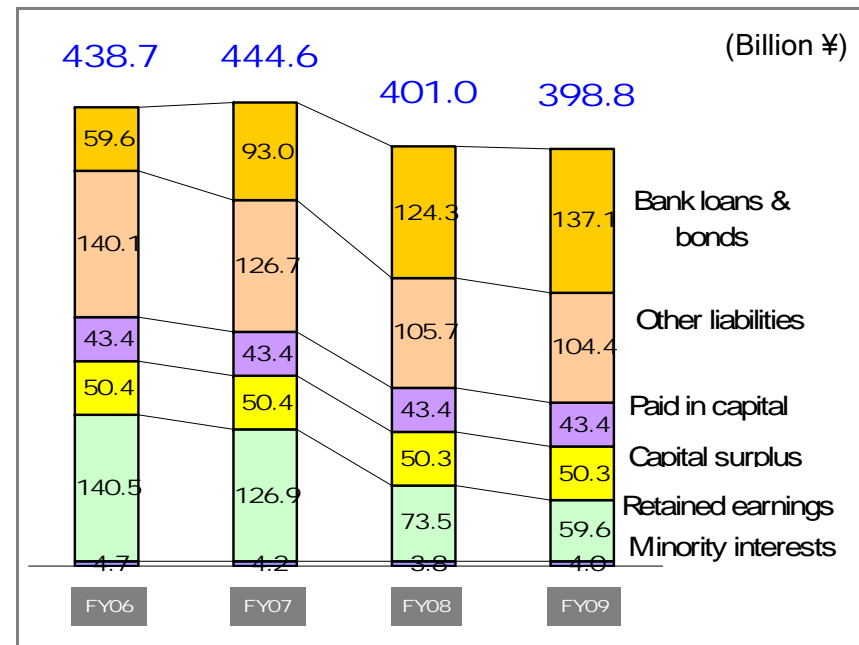


# Trend of Balance Sheet

## Assets



## Liabilities and Shareholders' Equity



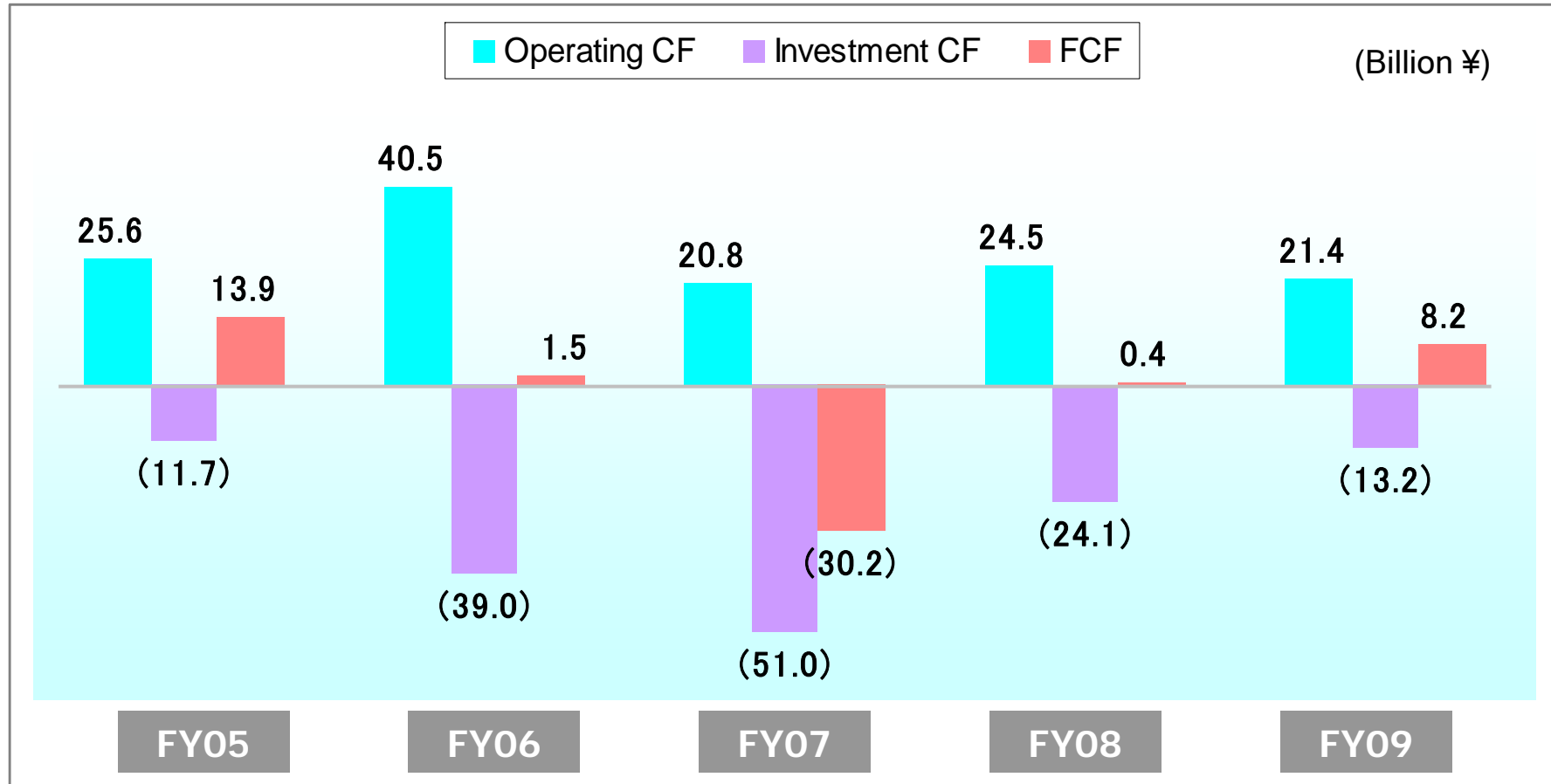
	FY06	FY07	FY08	FY09
Total asset turnover	1.01	0.99	0.89	0.79
Shareholders' equity ratio	53.4%	49.6%	41.7%	38.5%

	FY06	FY07	FY08	FY09
Debt/equity ratio	25.5%	42.1%	74.3%	89.4%
Interest-bearing debt ratio	13.6%	20.9%	31.0%	34.4%

- Fixed assets shrank in FY09 because of reduced capital investment and the impairment loss on photonics-related assets.
- FY09 cash, time deposits, and bank loans increased due to funds provided through a ¥25 billion subordinated loan in Feb. 2010.
- The shareholders' equity ratio decreased and the D/E ratio increased in FY09 due to a decline in net assets and an increase in bank loans.



# Trend of Cash Flow FY05 - 09



- Investment cash flow declined in FY09 due to a reduction in capital investment.
- FY09 free cash flow increased from FY08 due to a decline in investment cash flow.



# FY10 Budget

(Billion ¥)

		FY09 results	FY10 budget	Difference
<b>Orders</b>		315.2	340.0	24.8
<b>Sales</b>		316.6	335.0	18.4
<b>Operating Income</b>		2.6	8.0	5.4
<b>Ordinary Income</b>		0.2	5.0	4.8
<b>Net income</b>		(14.8)	0	14.8
<b>Exchange rate (¥)</b>	1\$=	92.61	90	(2.61)
	1€=	130.68	130	(0.68)

-The anticipated increase in FY10 orders and sales is due to improved forecasts for the control segment (orders up by 15.5 billion yen and sales up by 10.2 billion yen) and the measurement segment (orders up by 12.1 billion yen and sales up by 11.5 billion yen).  
 - Despite the fact that operating income is expected to be down for the control segment due to increased investment-related fixed costs, the FY10 operating income budget is higher because a smaller loss is anticipated for the measurement segment.



# FY10 Budget for Non-operating / Extraordinary Income and Expenses

(Billion ¥)

	FY09 results	FY10 budget
Operating income	2.6	8.0
Non-operating income	3.1	(3.0)
Non-operating expenses	5.5	
Ordinary income	0.2	5.0
Extraordinary income	1.0	(1.0)
Extraordinary expenses	11.9	
Income before tax	(10.7)	4.0
Tax, etc.	4.1	4.0
Net income	(14.8)	0

- No major items are budgeted for non-operating income and expenses or for extraordinary income and expenses.



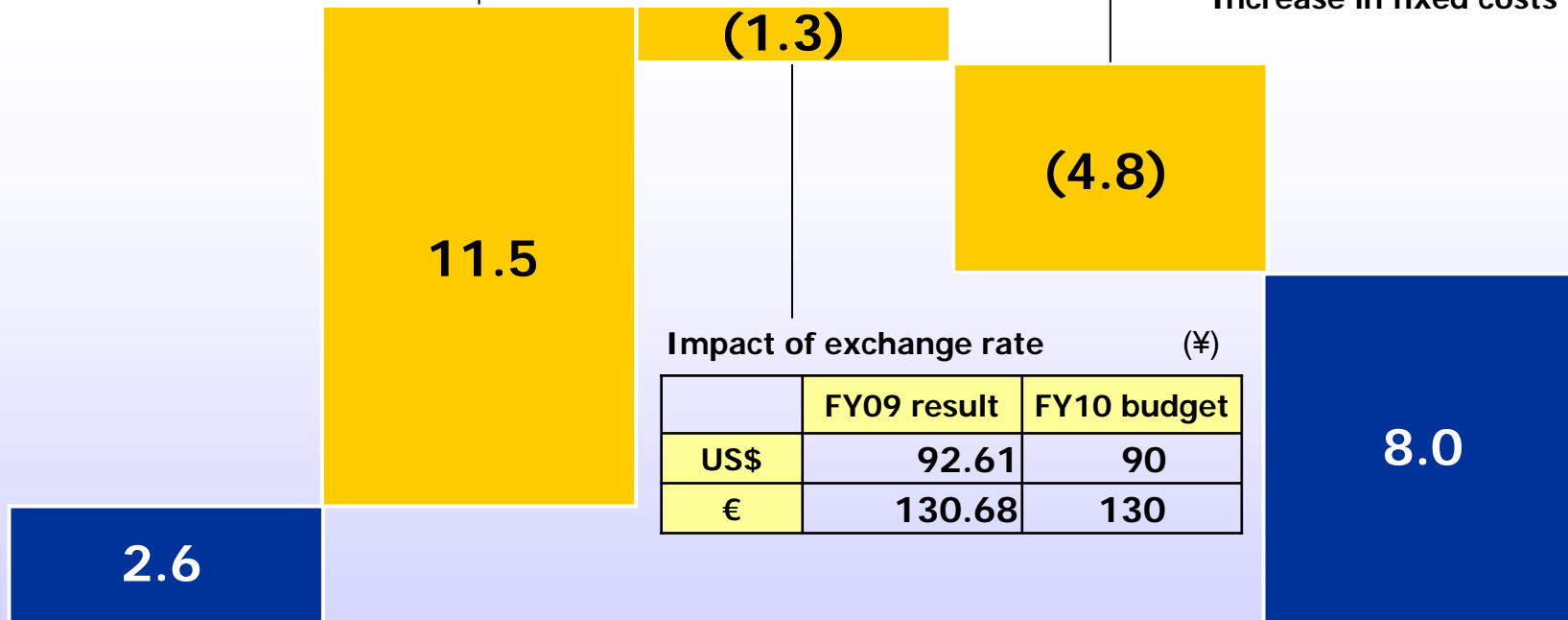


# Comparison of Operating Income in FY09 Results and FY10 Budget

(Billion ¥)

Gross margin increase as a result of increased sales

Increase in fixed costs



Impact of exchange rate (¥)

	FY09 result	FY10 budget
US\$	92.61	90
€	130.68	130

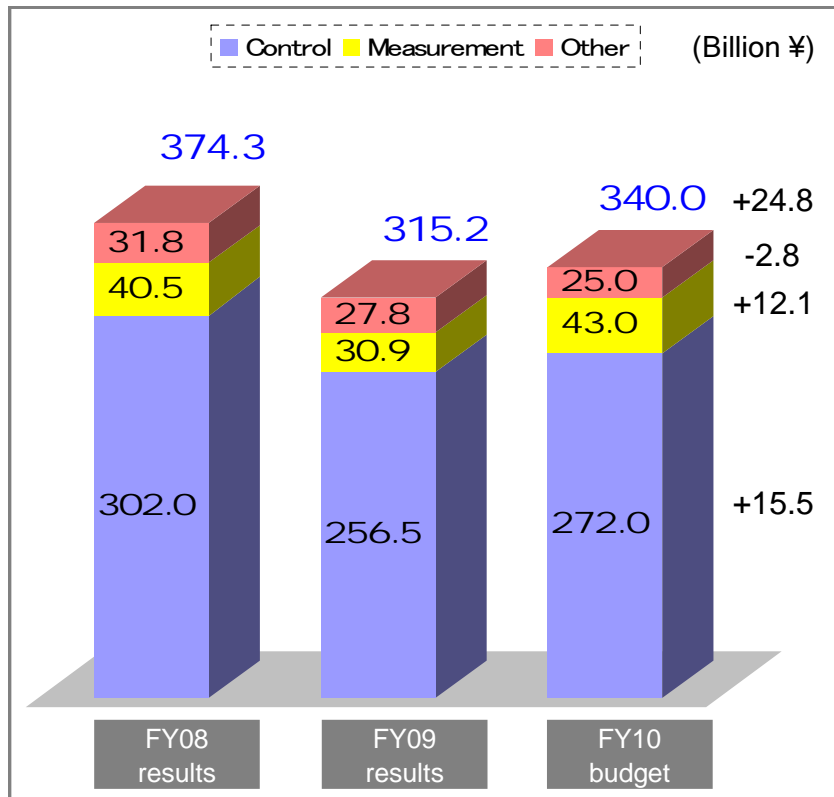
FY09 operating income results

FY10 operating income budget

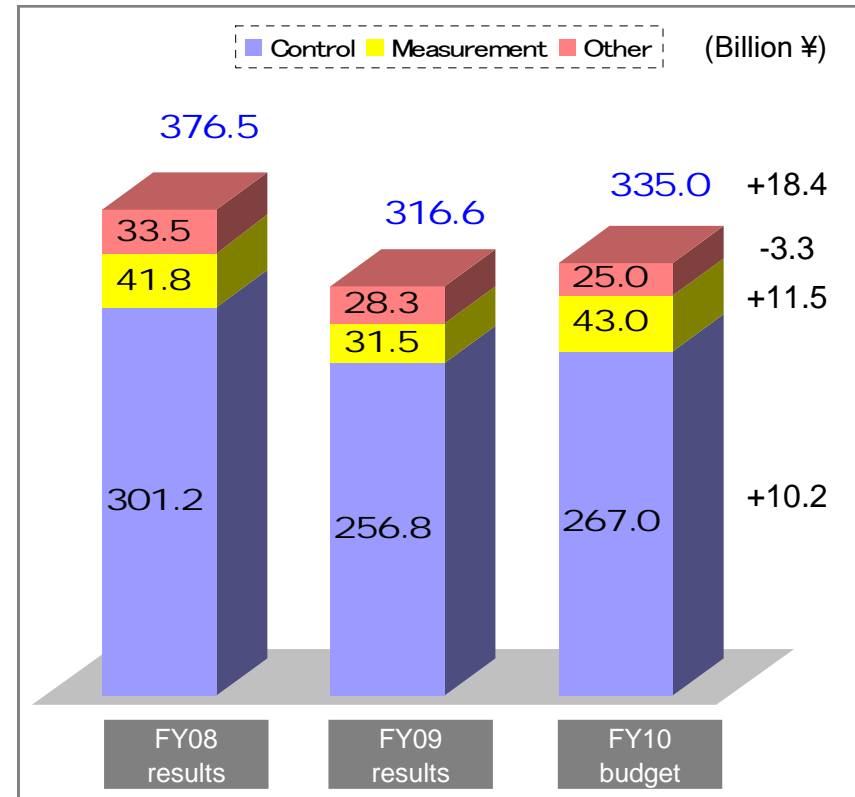


# FY10 Budget for Orders and Sales by Segment

## Orders



## Sales

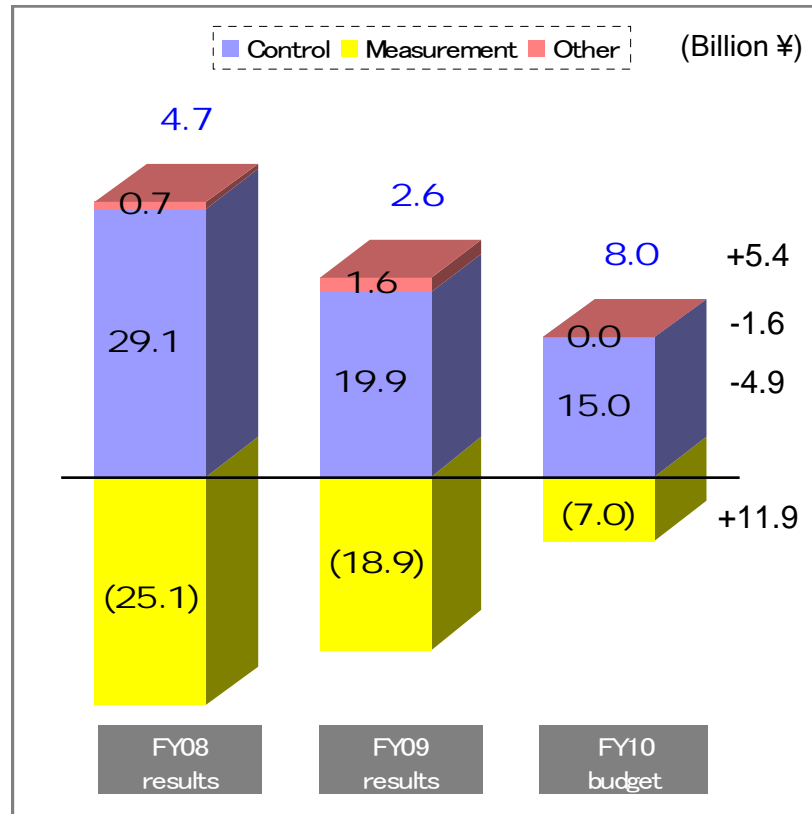


- Control: The order and sales budgets have been increased by only a modest amount due to an uncertain recovery outlook for the Japan, Europe, and North America markets and the adoption of lower yen exchange rates.
- Measurement: The sales budget is higher because investment in memory testers and measuring instruments is expected to recover.

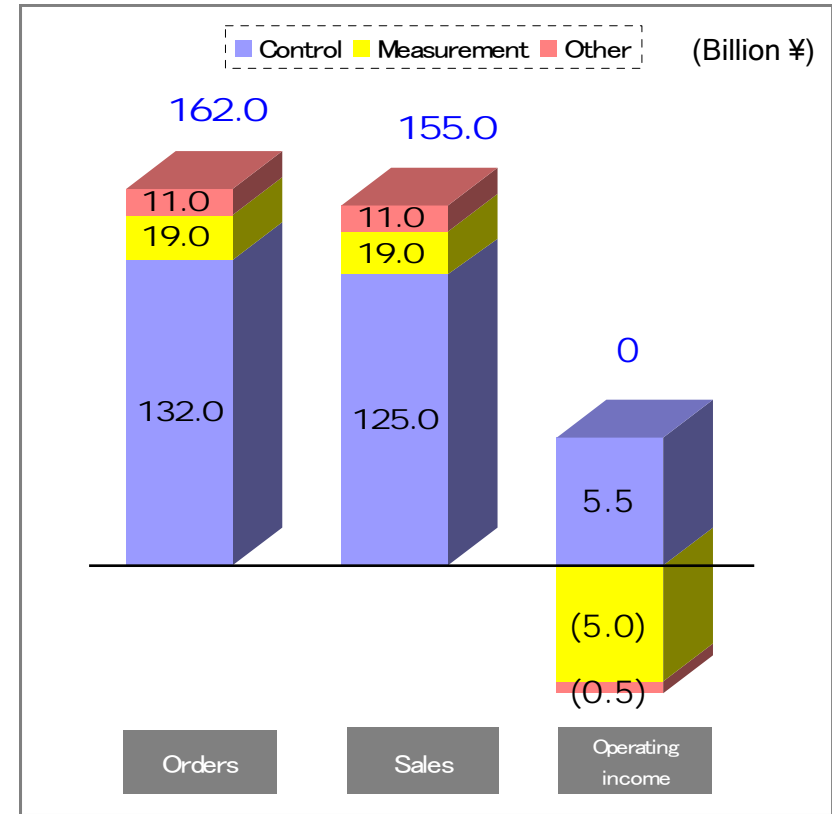


# FY10 Operating Income Budget and 1H Budget by Segment

## Operating Income



## FY10 1H

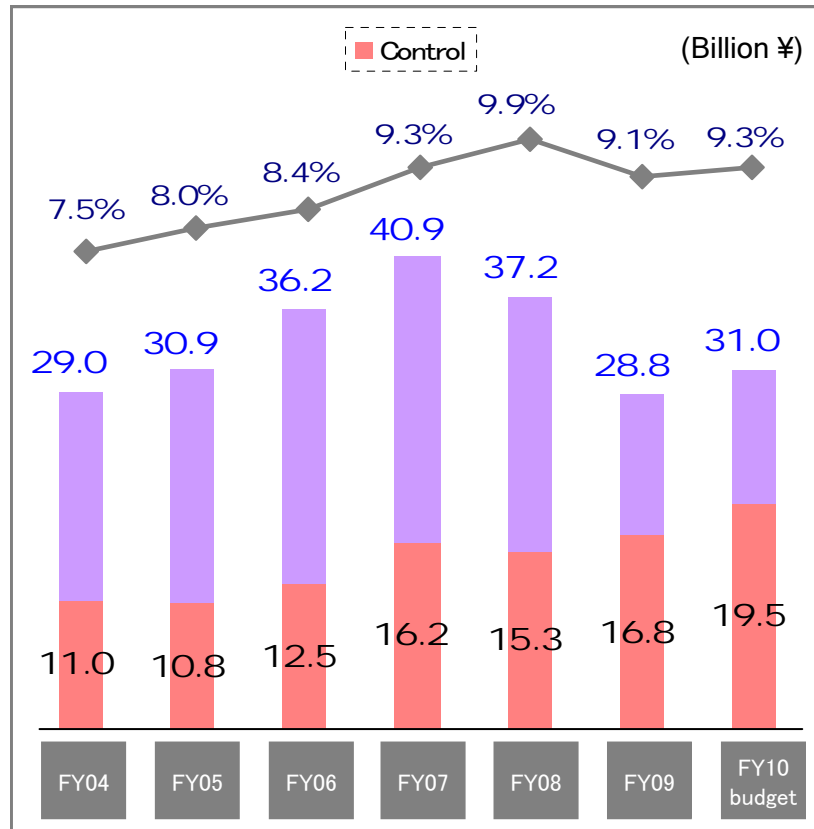


- Control: Less operating income is expected due to the adoption of lower yen exchange rates and increased expenses for R&D and strengthening operations in resource-rich and emerging countries.
- Measurement: A smaller operating loss is expected as a result of an increase in sales and a decline in R&D and depreciation expenses.

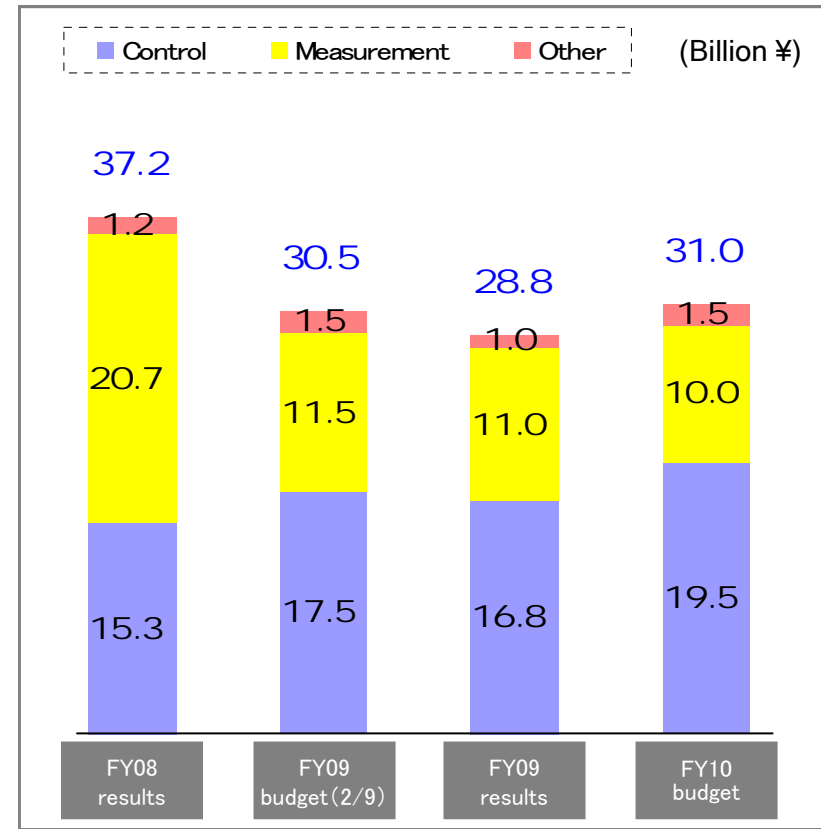


# Trend of R&D Expenses

Trend of R&D Expenses



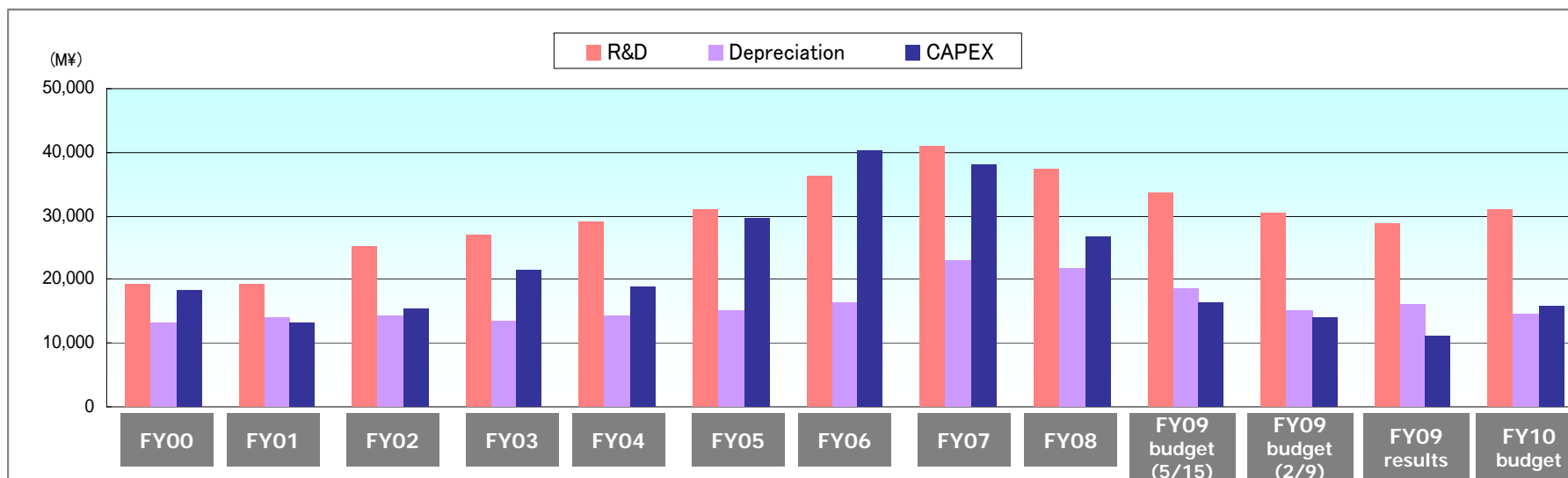
Trend of R&D Expenses by Segment



- FY09 R&D expenses were ¥1.7 billion under the Feb. 9 budget.
- A ¥2.2 billion yen increase has been budgeted in FY10 largely to strengthen the development of products for the control segment.



# R&D Expenses, Depreciation and CAPEX



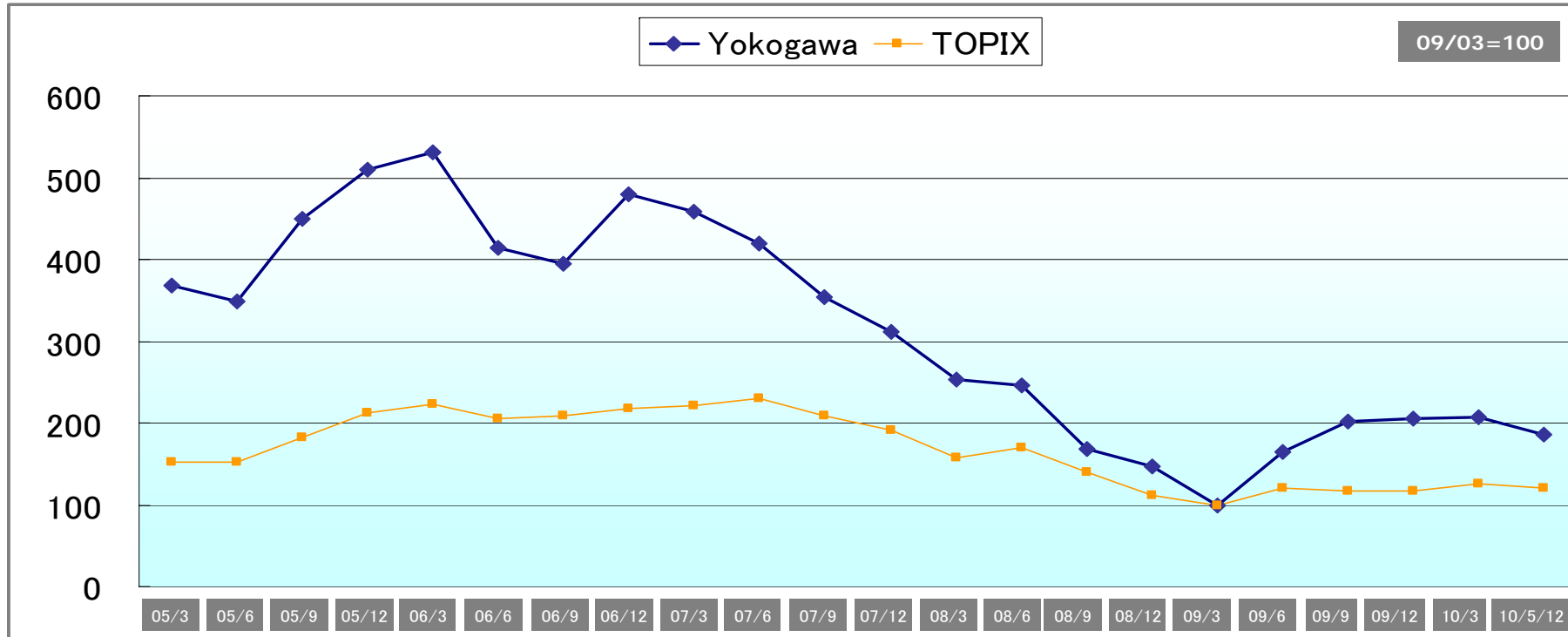
(Million ¥)

	FY00	FY01	FY02	FY03	FY04	FY05	FY06	FY07	FY08	FY09			FY10 budget
										Initial budget (5/15)	Revised budget (2/9)	Results	
<b>R&amp;D expenses</b> (% of sales ratio)	19,181 5.4%	19,236 6.2%	25,233 7.7%	26,991 7.3%	28,998 7.5%	30,917 8.0%	36,223 8.4%	40,875 9.3%	37,229 9.9%	33,500 10.6%	30,500 9.7%	28,786 9.1%	31,000 9.3%
<b>Depreciation</b> (% of sales ratio)	13,190 3.7%	13,964 4.5%	14,298 4.3%	13,455 3.6%	14,331 3.7%	15,124 3.9%	16,483 3.8%	23,129 5.3%	21,615 5.7%	18,500 5.9%	15,000 4.7%	16,033 5.1%	14,500 4.3%
<b>CAPEX</b> (% of sales ratio)	18,173 5.2%	13,347 4.3%	15,264 4.6%	21,355 5.7%	18,652 4.8%	29,540 7.6%	40,284 9.3%	37,990 8.7%	26,813 7.1%	16,500 5.2%	14,000 4.4%	11,125 3.5%	16,000 4.8%

- CAPEX in FY09 was ¥2.9 billion under the Feb. 9 budget.
- The FY10 budget anticipates a ¥4.9 billion yen increase in CAPEX for establishing and expanding control-related facilities, IT, and the upgrade of production facilities.



# Trend of Stock Price



	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	10/3	10/5/12
Yokogawa	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	814	730
TOPIX	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	979	933

	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	10/12	10/5/12
Yokogawa	369	348	450	510	532	414	394	479	458	420	355	312	253	246	167	148	100	165	202	206	207	185
TOPIX	152	152	182	213	223	205	208	217	221	229	209	191	157	171	140	111	100	120	118	117	126	121



# 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.