

Yokogawa Electric Corporation

# Financial Results for 1<sup>st</sup> Half of Fiscal Year 2012

November 6, 2012

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Corporate Administration & Marketing Headquarters

# Summary of FY12 1H Results

1. Orders decreased from FY11 1H, and this was due in part to a number of factors that had an effect on the results of the measurement segment. At the same time, sales increased thanks to the continued strong performance of the control segment, which can be attributed to factors such as the growth in energy-related investment. Operating income also increased due to the higher sales as well as reduced fixed costs and R&D expenses for the semiconductor tester business.

Control segment: Although the Japan market continued to face uncertainty, the energy-related market mainly in emerging and resource-rich countries remained robust. As a result, orders, sales, and operating income were all up from FY11 1H.

Measurement segment: Orders and sales were down from FY11 1H due to factors including slowing demand in the measuring instruments market outside Japan, Yokogawa's withdrawal from the photonics business, and the discontinuation of the semiconductor tester business. Meanwhile, thanks mainly to structural reforms that reduced fixed costs and R&D expenses, the operating loss shrank.

2. Ordinary income increased thanks to the increased operating income. Net income also increased as a result of the recording of extraordinary income.
3. An interim dividend of 5 yen per share will be paid to shareholders for the first time in four years.

(Billion ¥)

	FY11 1H results (A)	FY12 1H budget (B)	FY12 1H results (C)	Difference (C-A)	Difference (C-B)
Orders	179.0	183.0	176.0	(3.0)	(7.0)
Sales	157.8	164.0	164.6	6.8	0.6
Operating income	6.8	7.5	8.8	2.0	1.3
Ordinary income	4.2	5.5	7.3	3.1	1.8
Net income	0.7	5.5	7.8	7.1	2.3

# FY12 1H Financial Results (Budget/Results)

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(Billion ¥)

		FY12 1H budget	FY12 1H results	Difference
Orders		183.0	176.0	(0.7)
Sales		164.0	164.6	0.6
Operating income		7.5	8.8	1.3
Ordinary income		5.5	7.3	1.8
Net income		5.5	7.8	2.3
Exchange rate (¥)	1\$=	79.00	78.98	(0.02)
	1€=	100.00	99.70	(0.30)

- Orders fell short of the budget by ¥7 billion largely due to the postponement of the recording of certain orders until FY12 2H.
- Sales were on target.
- Operating income exceeded the budget by ¥1.3 billion as a result of cost reduction for the semiconductor tester business.
- Net income also exceeded the budget by ¥ 2.3 billion thanks to the better-than-expected reduction of non-operating expenses and extraordinary losses.

# FY12 1H Financial Results (FY11 1H/FY12 1H)

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(Billion ¥)

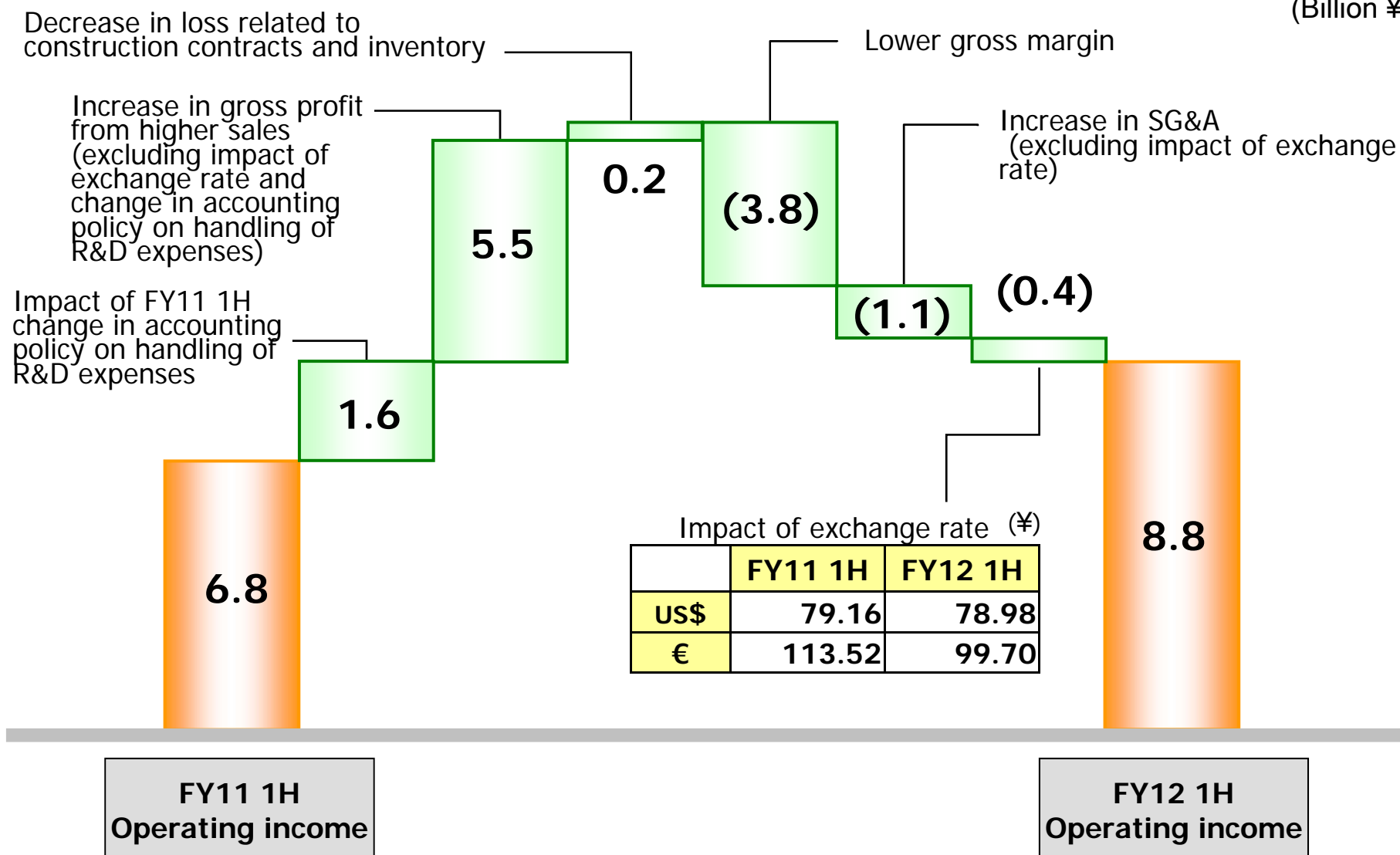
		FY11 1H	FY12 1H	Growth rate	Difference
Orders		179.0	176.0	(1.6)%	(3.0)
Sales		157.8	164.6	4.4%	6.8
Operating income		6.8	8.8	28.6%	2.0
Ordinary income		4.2	7.3	72.4%	3.1
Net income		0.7	7.8	970.4%	7.1
Exchange rate (¥)	1\$= 1€=	79.16 113.52	78.98 99.70	—	(0.18) (13.82)

- Orders decreased due mainly to a number of factors that had an effect on the results of the measurement segment (impact of exchange rate: ¥6.4 billion decrease).
- Sales were buoyed largely by robust conditions in the non-Japan control market (impact of exchange rate: ¥5.6 billion decrease)
- Operating income increased due mainly to the higher sales.
- Net income also increased thanks to the higher operating income and the recording of extraordinary income from the sale of idle assets.

# Analysis of FY12 1H Operating Income (FY11 1H/FY12 1H)

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(Billion ¥)



# Quarterly Financial Results

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(Billion ¥)

	FY10				FY11				FY12	
	1Q	2Q	3Q	4Q	1Q	2Q	3Q	4Q	1Q	2Q
<b>Orders</b>	88.0	81.7	78.4	86.0	95.0	84.0	75.2	89.9	91.3	84.7
<b>Sales</b>	66.2	87.1	75.2	97.1	70.0	87.8	75.7	101.2	75.0	89.6
<b>Operating income</b>	(0.6)	4.5	0.8	6.4	0.5	6.3	2.5	7.3	2.9	5.9

- 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

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(Billion ¥)

	FY11 1H results	FY12 1H results
<b>Operating income</b>	<b>6.8</b>	<b>8.8</b>
<b>Non-operating income</b>	<b>1.6</b>	<b>1.0</b>
<b>Non-operating expenses</b>	<b>4.2</b>	<b>2.5</b>
<b>Ordinary income</b>	<b>4.2</b>	<b>7.3</b>
<b>Extraordinary income</b>	<b>0.1</b>	<b>3.9</b>
<b>Extraordinary expenses</b>	<b>0.8</b>	<b>1.0</b>
<b>Income before tax</b>	<b>3.5</b>	<b>10.2</b>
<b>Tax, etc.</b>	<b>2.8</b>	<b>2.4</b>
<b>Net income</b>	<b>0.7</b>	<b>7.8</b>

Interest paid:  
¥1.1 billion  
Foreign exchange losses:  
¥0.7 billion

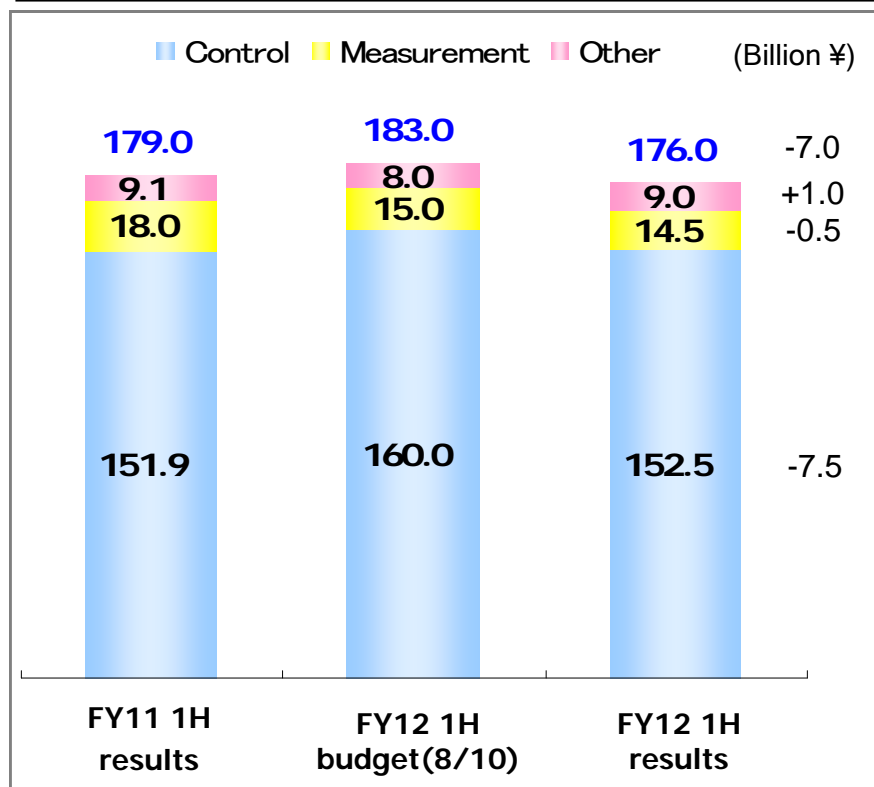
Sale of fixed assets: ¥3.8  
billion  
Impaired fixed assets: ¥0.8  
billion

- Extraordinary income was recorded from the sale of idle assets.
- An extraordinary loss was recorded due to impaired fixed assets.

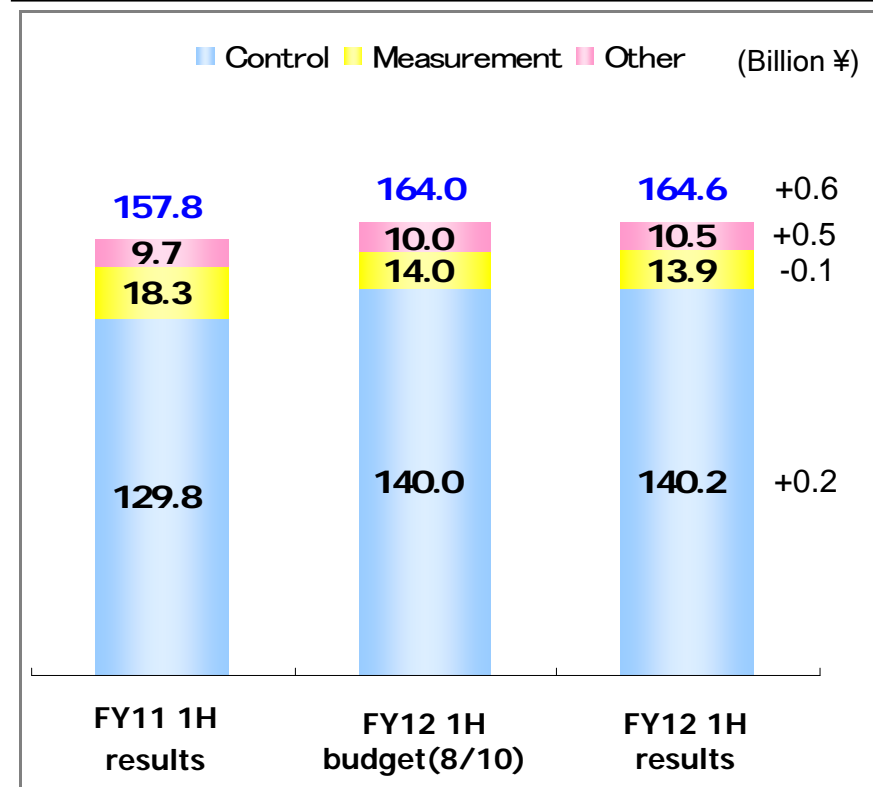
# FY12 1H Budget/Results Comparison for Orders and Sales by Segment

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## Orders



## Sales



- Control: Orders missed the target due to the postponement of the recording of certain orders to FY12 2H in and outside Japan. Sales were on target.
- Measurement: Both orders and sales almost reached the target.

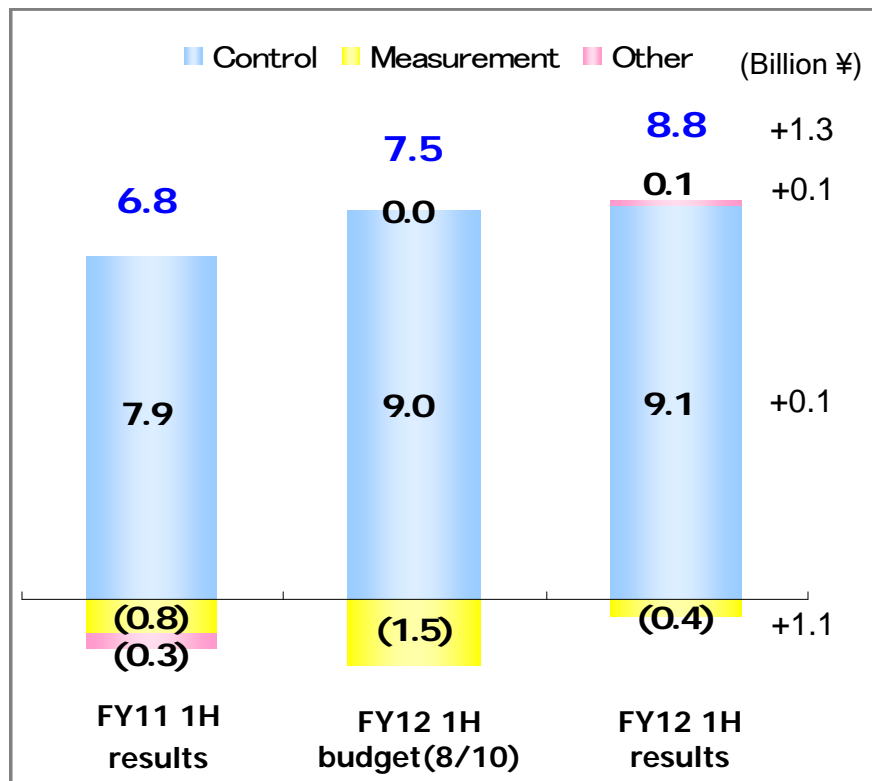


# FY12 1H Budget/Results Comparison for Operating Income by Segment

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## Operating income

(Billion ¥)



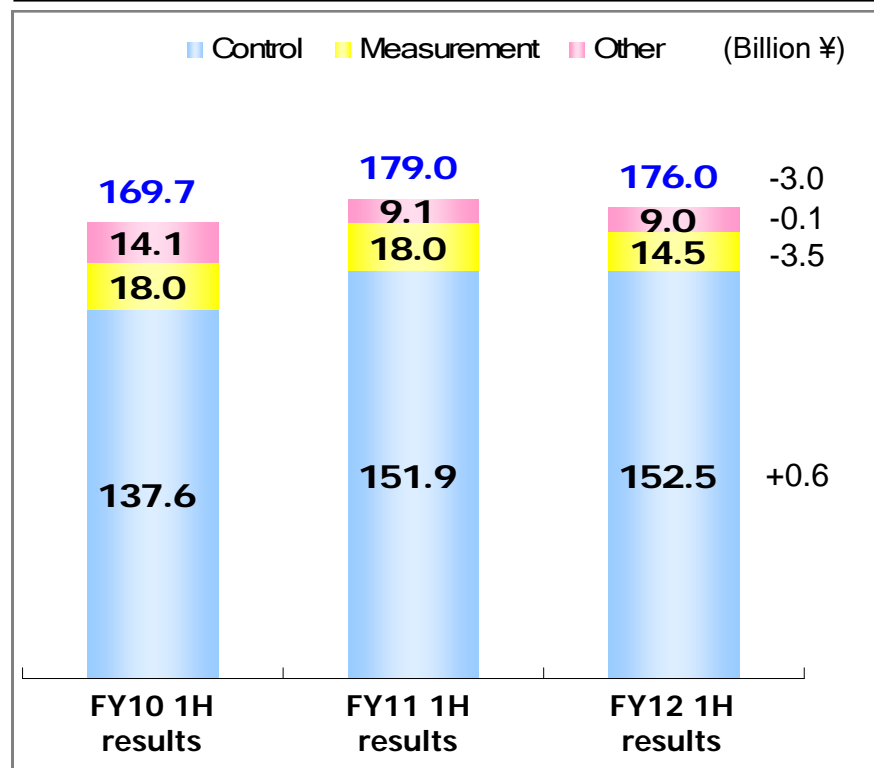
	FY12 1H budget (8/10)	FY12 1H results	Difference
Control	9.0	9.1	0.1
Measurement	(1.5)	(0.4)	1.1
Other	0.0	0.1	0.1
Total	7.5	8.8	1.3

- Control: Operating income was on target.
- Measurement: The operating loss was lower than expected due mainly to the semiconductor tester business.

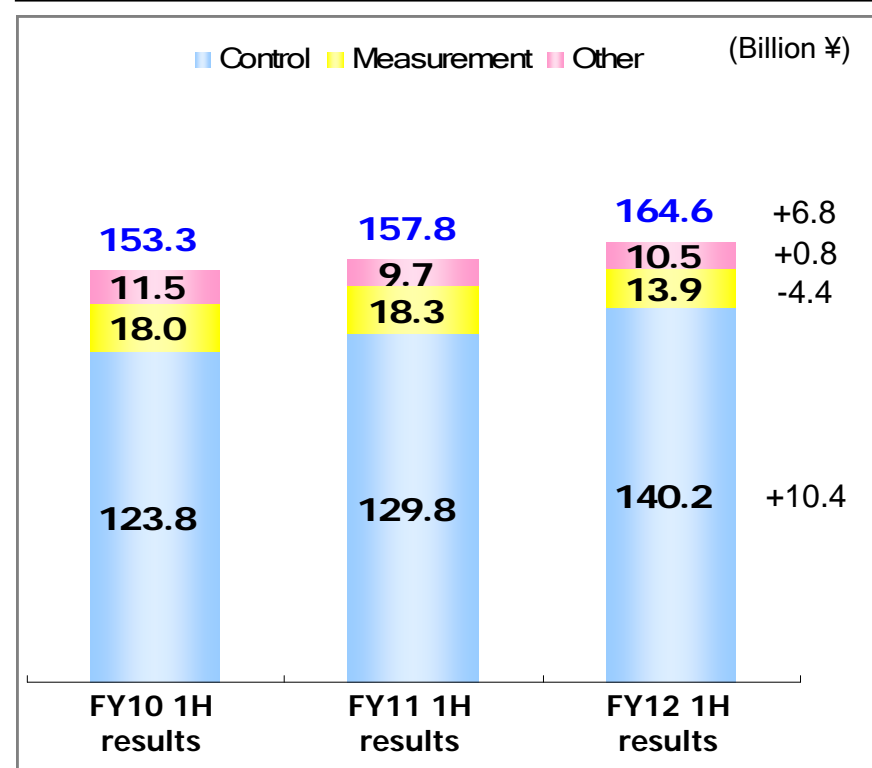
# FY10/FY11/FY12 Comparison for Orders and Sales by Segment

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## Orders



## Sales



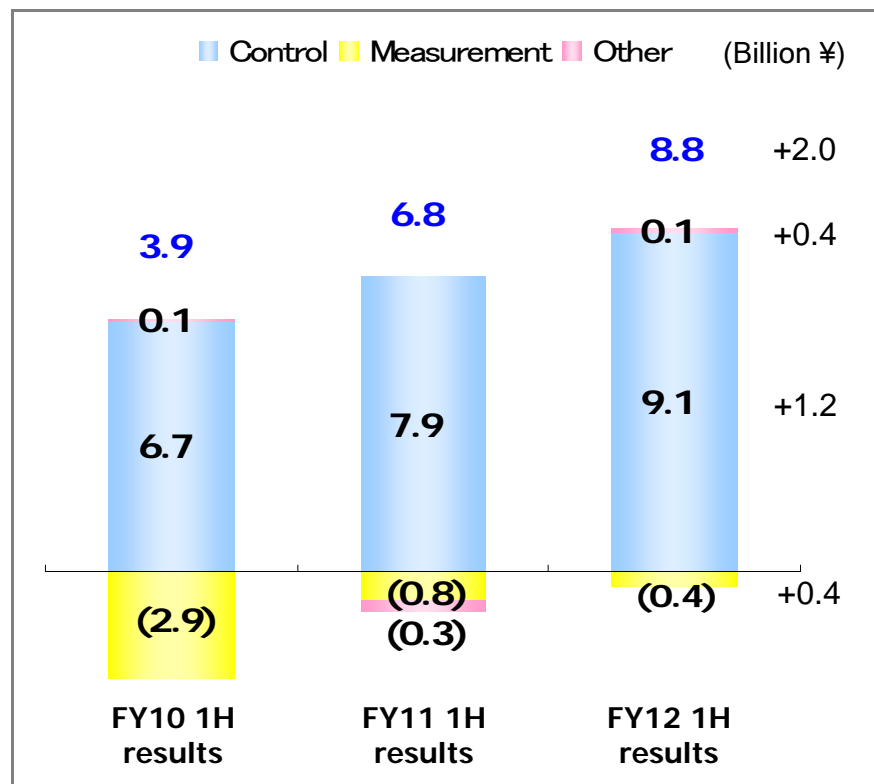
- Control: Orders were slightly up from FY11 1H because the energy-related market in emerging and resource-rich countries remained robust, offsetting the continued uncertainty in the Japan market. Sales were up in and outside Japan. (Impact of exchange rate: ¥6.1 billion decrease in orders, ¥5.3 billion decrease in sales)

- Measurement: Orders and sales were down from FY11 1H due to factors including slowing demand in the measuring instruments market outside Japan, Yokogawa's withdrawal from the photonics business, and the discontinuation of the semiconductor tester business.

# FY10/FY11/FY12 Comparison for Operating Income by Segment

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## Operating income



(Billion ¥)

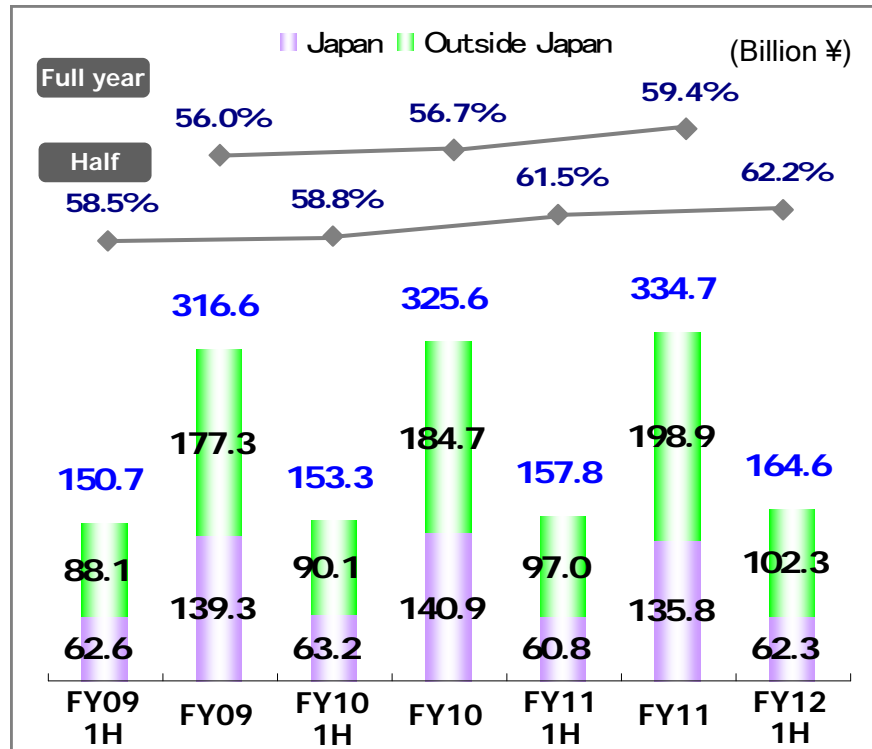
	FY11 1H results	FY12 1H results	Difference
Control	7.9	9.1	1.2
Measurement	(0.8)	(0.4)	0.4
Other	(0.3)	0.1	0.4
Total	6.8	8.8	2.0

- Control: Operating income was up from FY11 1H because of a decrease in the gross margin that resulted from an increase in the proportion of resale products and other factors.
- Measurement: The operating loss decreased from FY11 1H due to improved results in reducing costs for the semiconductor tester business.

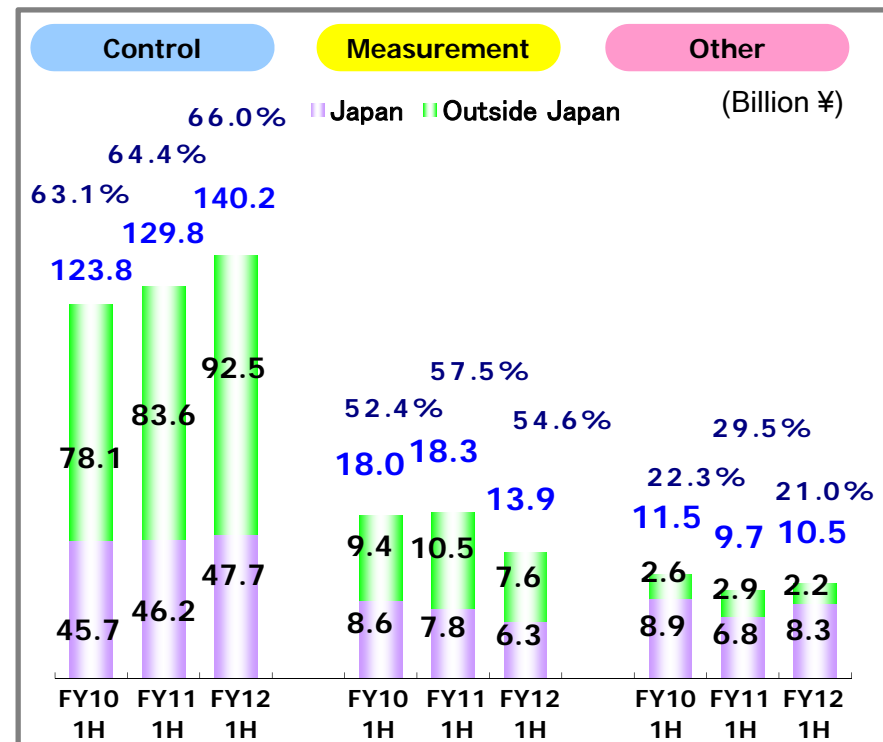
# Trend of Global Sales

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## Total



## By segment

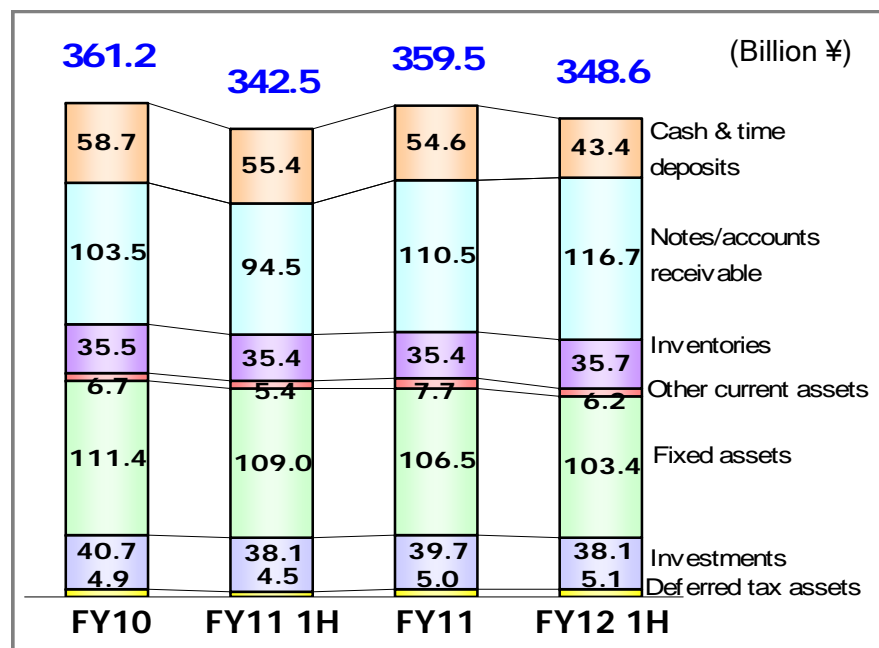


- Despite the impact of the strong yen, the percentage of sales generated outside Japan rose in FY12 1H. This was largely due to the strong performance of the control segment.

# Trend of Balance Sheet

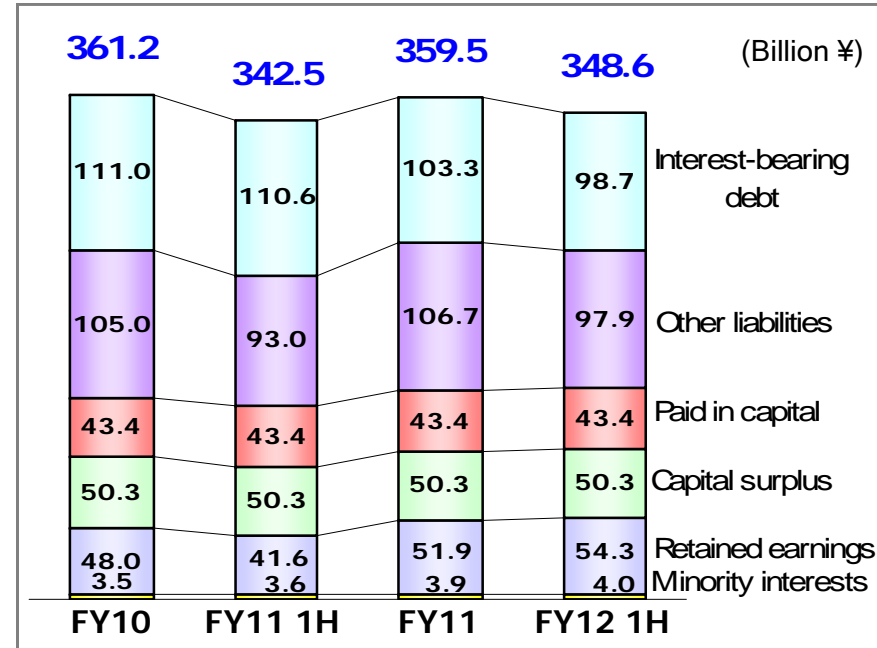
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## Assets



	FY10	FY11 1H	FY11	FY12 1H
Total asset turnover	0.86	0.94	0.93	0.99
Shareholders' equity ratio	39.2%	39.5%	40.5%	42.5%

## Liabilities and equity

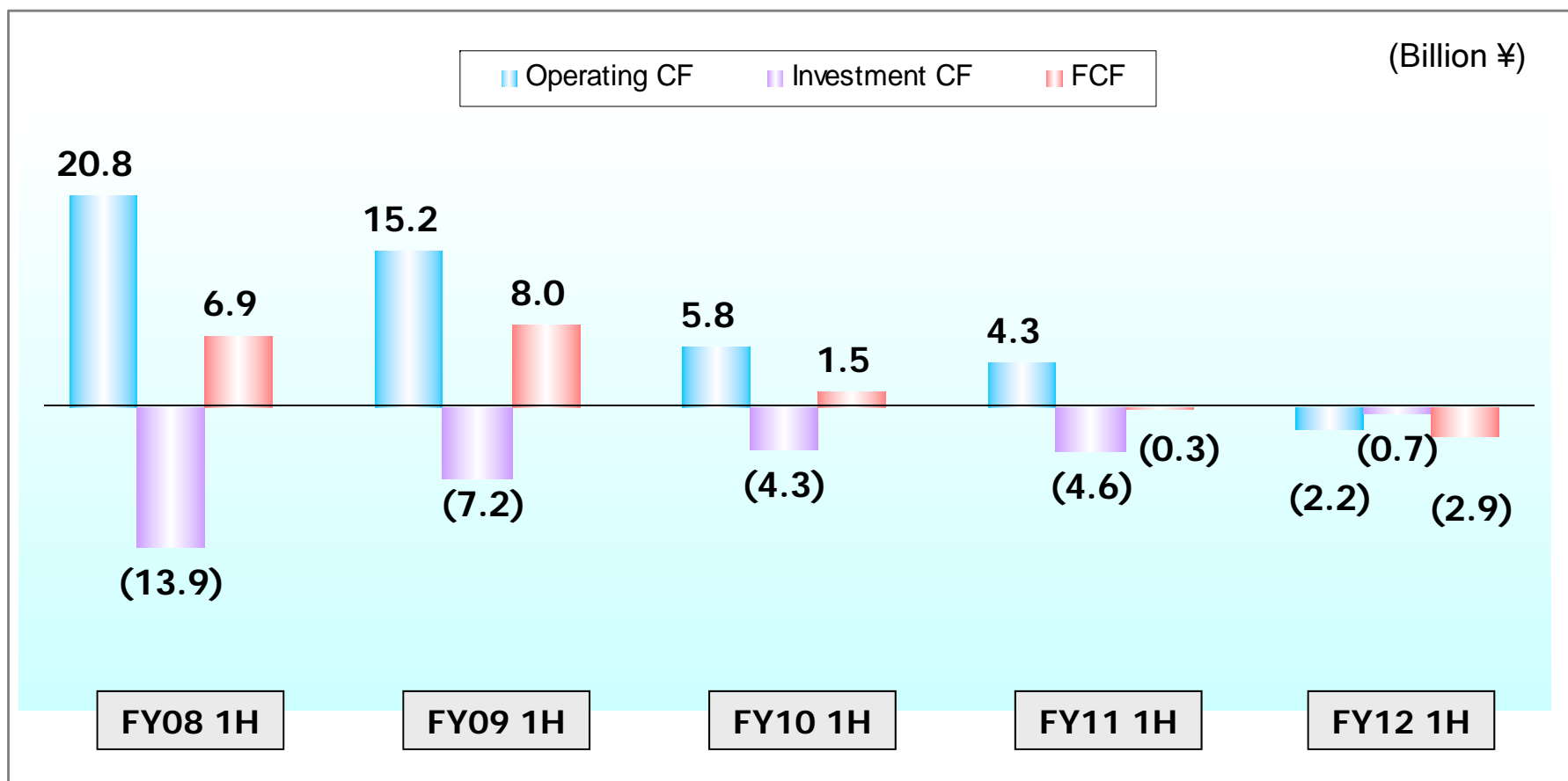


	FY10	FY11 1H	FY11	FY12 1H
Debt/equity ratio	78.3%	81.7%	70.9%	66.7%
Interest-bearing debt ratio	30.7%	32.3%	28.7%	28.3%

- Cash and time deposits declined mainly because of decreased income from the factoring of trade receivables.
- The D/E ratio improved because of a decrease in interest-bearing debt, following the repayment of loans.

# Trend of Cash Flow

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- The inflow from operating activities is down ¥6.5 billion from FY11 1H because of decreased income from the factoring of trade receivables.
- Investment cash flow is up ¥3.9 billion from FY11 1H because of an ¥4.2 billion inflow from the sale of fixed assets.

# FY12 Budget

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(Billion ¥)

		FY11 results (A)	FY12 budget (8/10)(B)	FY12 budget (11/6)(C)	Difference (C-A)	Difference (C-B)
Orders		344.1	356.0	356.0	11.9	0
Sales		334.7	347.0	347.0	12.3	0
Operating income		16.6	20.0	20.0	3.4	0
Ordinary income		14.0	17.0	17.0	3.0	0
Net income		6.0	13.5	13.5	7.5	0
Exchange rate (¥)	1\$= 1€=	78.82 109.34	79.00 100.00	79.00 100.00	0.18 (9.34)	0 0

-The FY12 full-year budget is unchanged from August 10.

# FY12 Budget for Non-operating / Extraordinary Income and Expenses

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(Billion ¥)

	FY11 Results	FY12 Budget (8/10)	FY12 Budget (11/6)
Operating income	16.6	20.0	20.0
Non-operating income	3.4	(3.0)	(3.0)
Non-operating expenses	6.0		
Ordinary income	14.0	17.0	17.0
Extraordinary income	1.8	2.5	2.5
Extraordinary expenses	4.1		
Income before tax	11.7	19.5	19.5
Tax, etc.	5.7	6.0	6.0
Net income	6.0	13.5	13.5

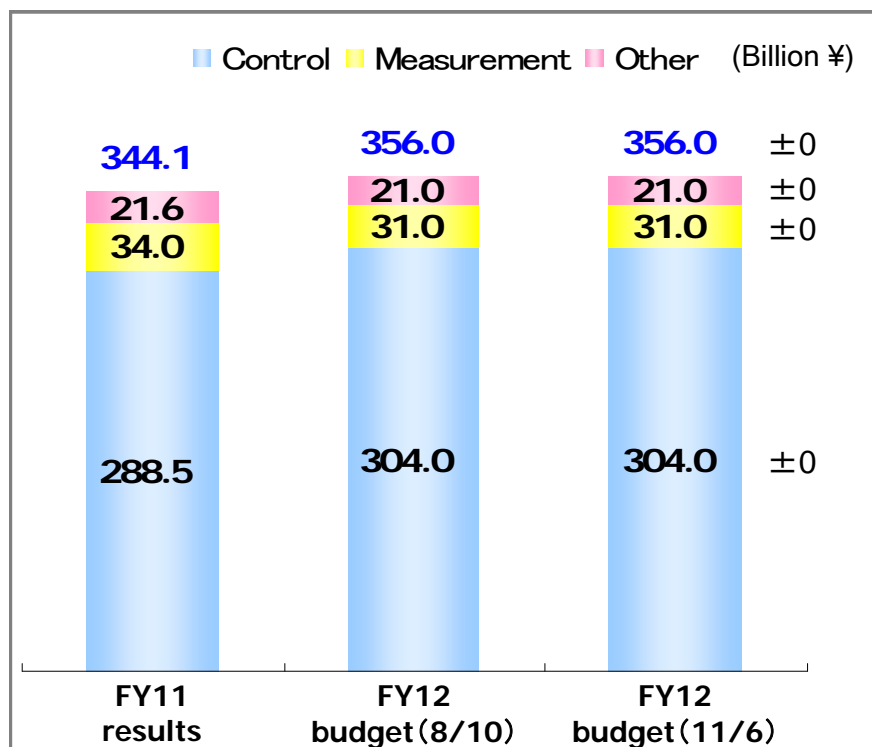
- The non-operating income/expense and extraordinary income/expense budgets are unchanged from August 10.



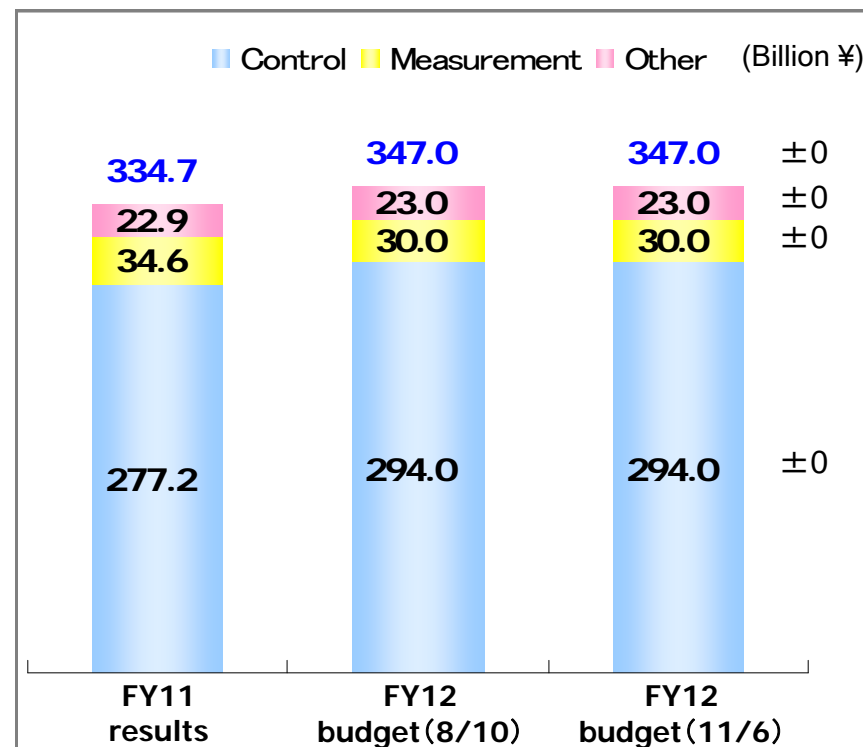
# FY12 Budget for Orders and Sales by Segment

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## Orders



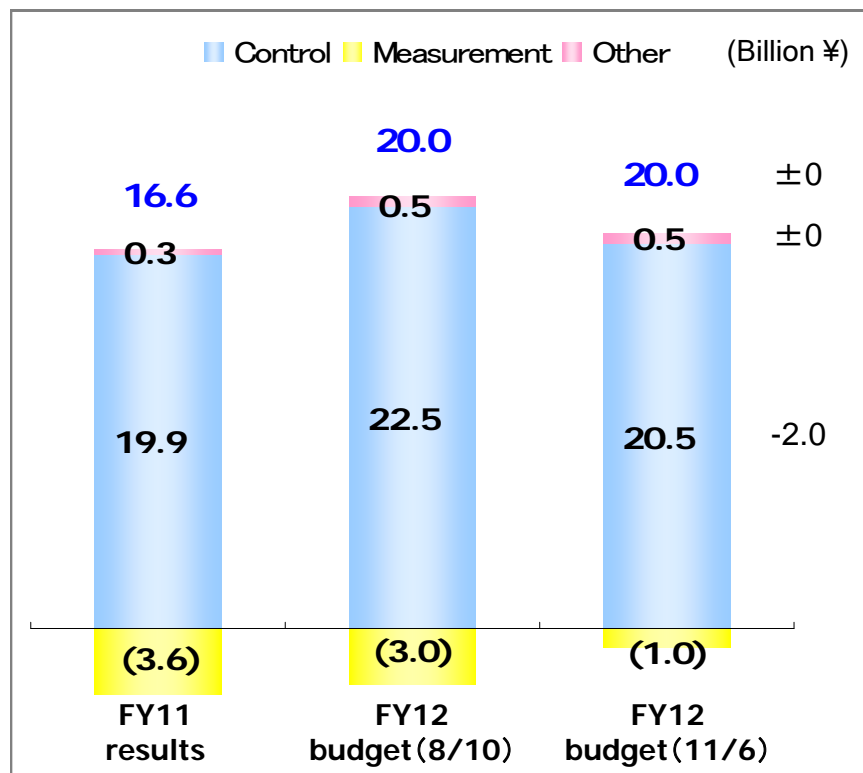
## Sales



- The FY12 2H budgets are unchanged from August 10.

# FY12 Budget for Operating Income by Segment

## Operating income



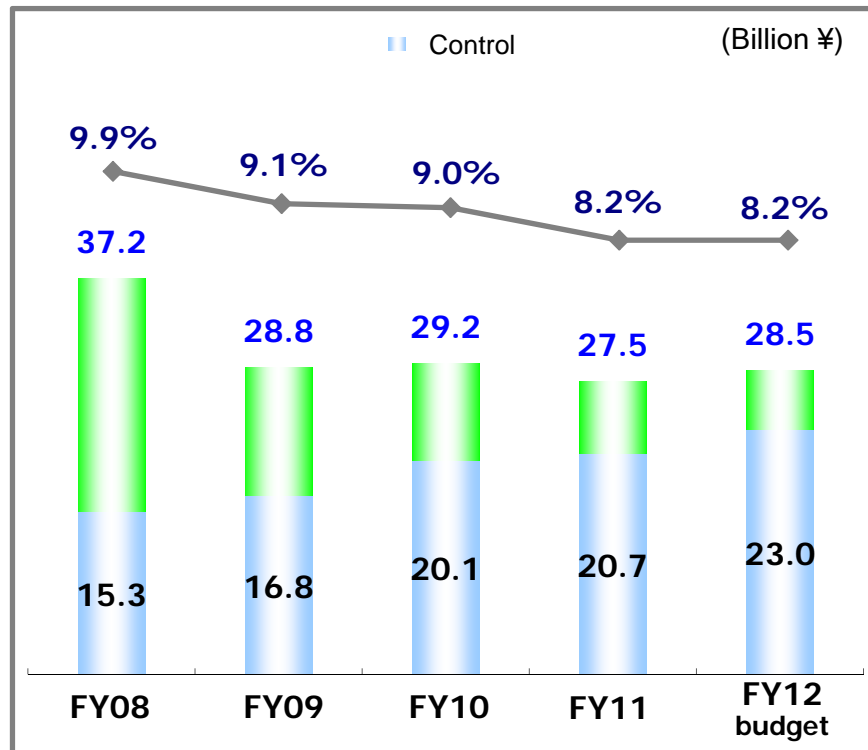
	FY12 budget (8/10)	FY12 budget (11/6)	Difference
Control	22.5	20.5	(2.0)
Measurement	(3.0)	(1.0)	2.0
Other	0.5	0.5	0.0
Total	20.0	20.0	0.0

- The FY12 2H overall budgets are unchanged from August 10. The operating income budget for the control segment was revised downward by ¥2.0 billion while that for the measurement segment was revised upward by ¥2.0 billion. This took into consideration the FY12 1H results, the postponement of the recording of certain expenses, and other factors.

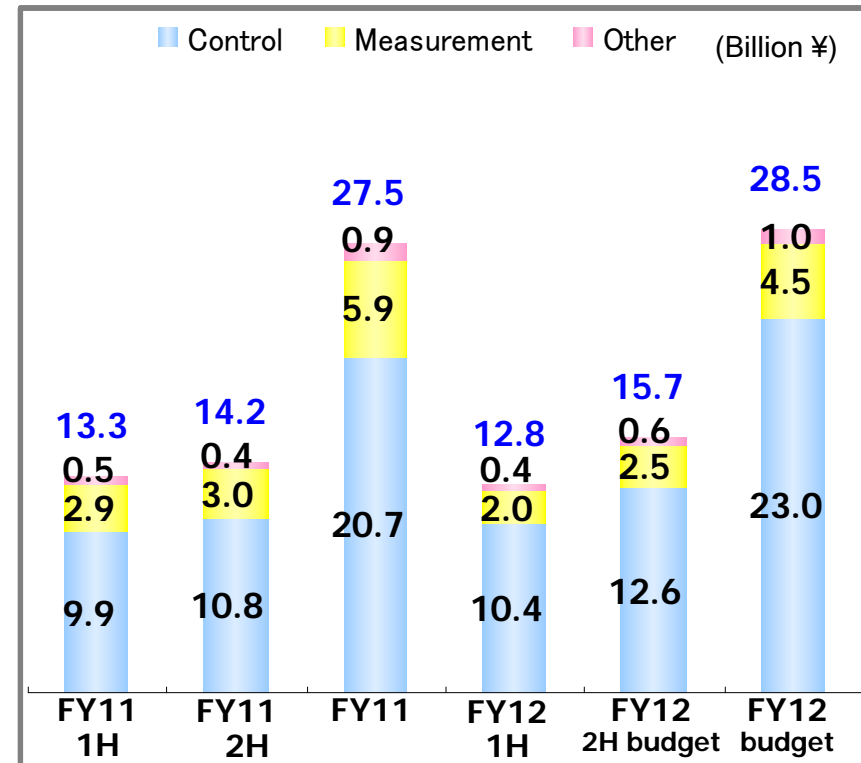
# Trend of R&D Expenses

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## Total

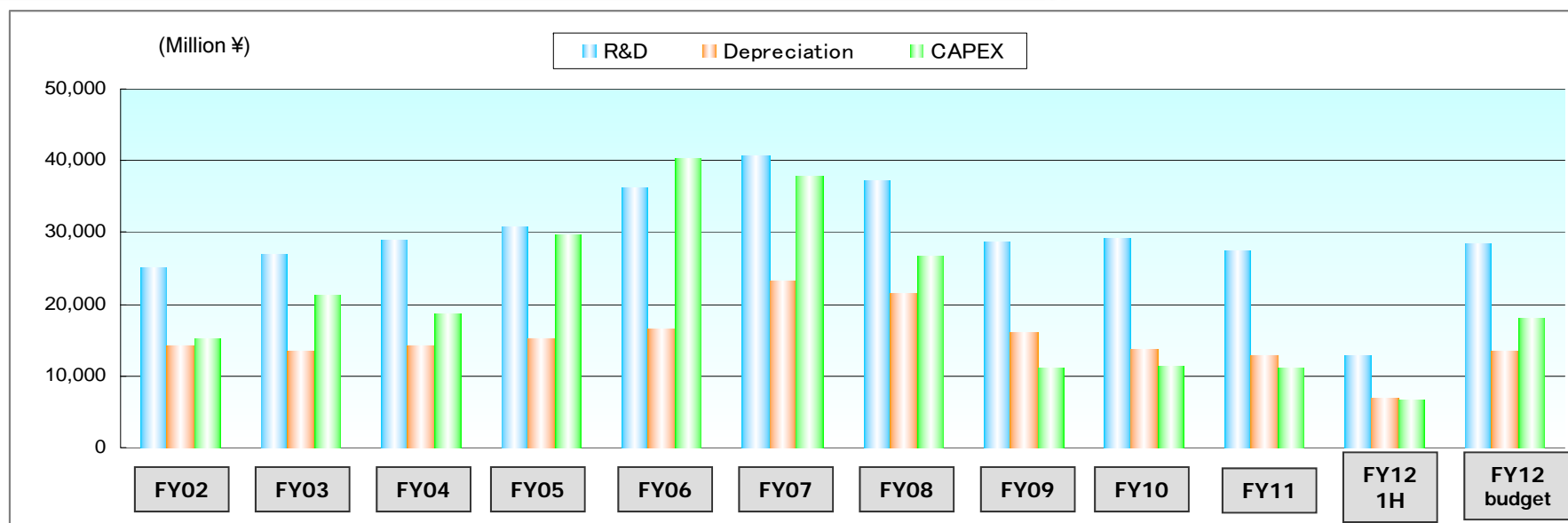


## By Segment



- R&D expenditure in FY12 1H was under the ¥14.0 billion budget.
- The full-year budget is unchanged because 2H R&D expenditure tends to be slightly higher.

# R&D Expenses, Depreciation, and CAPEX



(Million ¥)	FY02	FY03	FY04	FY05	FY06	FY07	FY08	FY09	FY10	FY11	FY12 1H	FY12 budget
R&D expenses (% of sales)	25,233	26,991	28,998	30,917	36,223	40,875	37,229	28,786	29,179	27,472	12,763	28,500
	7.7%	7.3%	7.5%	8.0%	8.4%	9.3%	9.9%	9.1%	9.0%	8.2%	7.8%	8.2%
Depreciation (% of sales)	14,298	13,455	14,331	15,124	16,483	23,129	21,615	16,033	13,836	12,756	6,796	13,500
	4.3%	3.6%	3.7%	3.9%	3.8%	5.3%	5.7%	5.1%	4.2%	3.8%	4.1%	3.9%
CAPEX (% of sales)	15,264	21,355	18,652	29,540	40,284	37,990	26,813	11,125	11,337	11,143	6,661	18,000
	4.6%	5.7%	4.8%	7.6%	9.3%	8.7%	7.1%	3.5%	3.5%	3.3%	4.0%	5.2%

- The FY12 R&D, depreciation, and CAPEX budgets are all unchanged.

# About Dividends

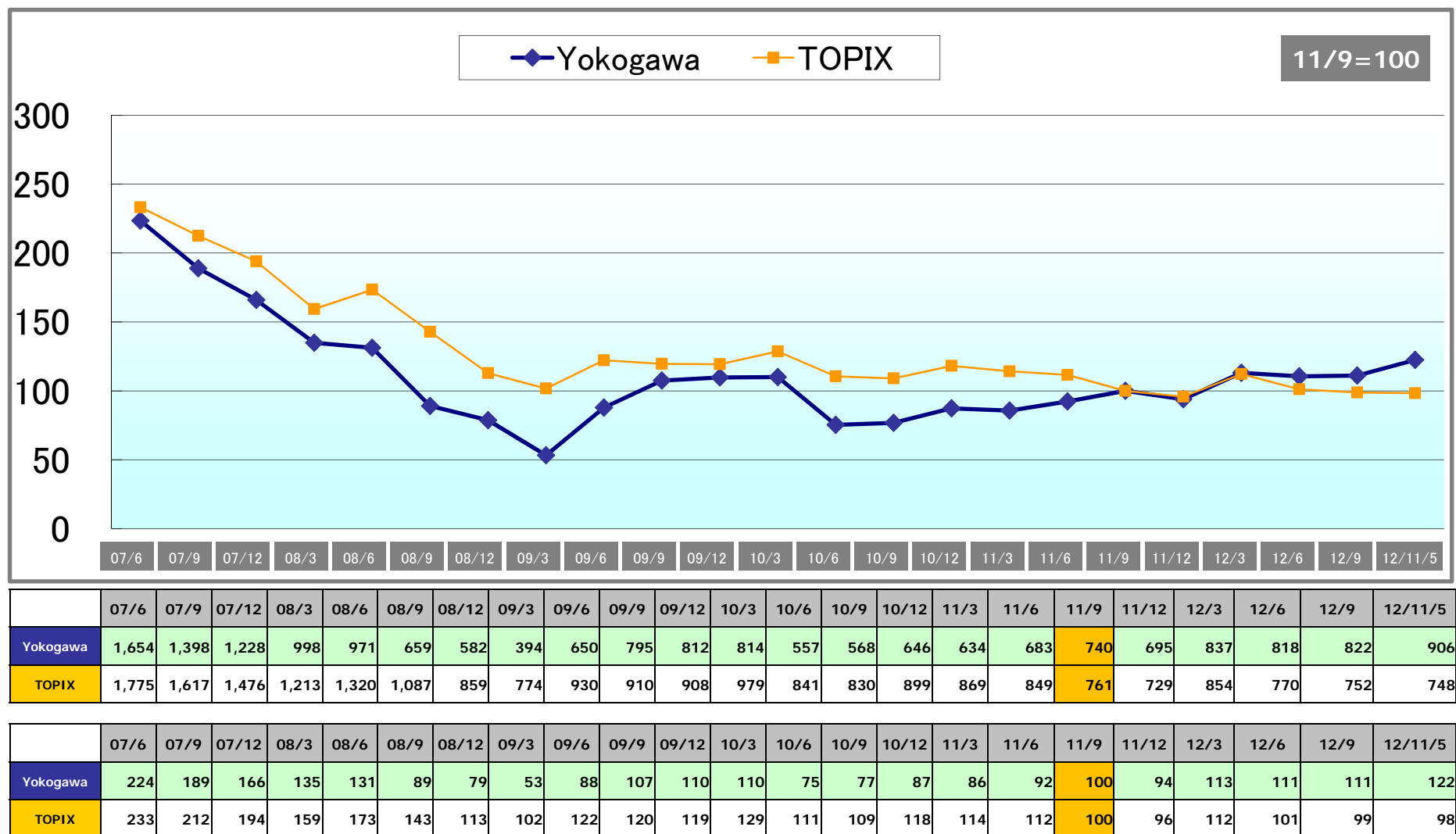
(¥)

	Dividends per Share		
	September 30	End of Term	Total
For year ended March 31, 2012	0.00	5.00	5.00
For year ending March 31, 2013	5.00	—	—
For year ending March 31, 2013 (forecast)	—	5.00	10.00

- The interim dividend will be paid to shareholders as planned at the beginning of FY12. The end of term dividend forecast is also unchanged.

# Trend of Stock Price

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# Topics (From August 11 to November 6)

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## August

- 24** Contract from METI for demonstration of energy savings to be achieved from optimizing plant operations
- 29** Control system order from Korean plant manufacturer for coal-fired power plant in Vietnam

## September

- 10** Control system order for first IGCC power plant in Korea

## October

- 1** 2012 Good Design Award for design of plant operation graphical user interface based on human-centered design concept
- 3** Control systems order for by-product gas-fired power plant at Indonesian steelworks
- 5** Included in DJSI Asia Pacific Index for third consecutive year
- 8** Corporate purchase agreement signed with Saudi Aramco
- 22** Preselected as control system supplier for Rabigh II project
- 30** SMARTDAC+™ next-generation data acquisition and control system released



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.