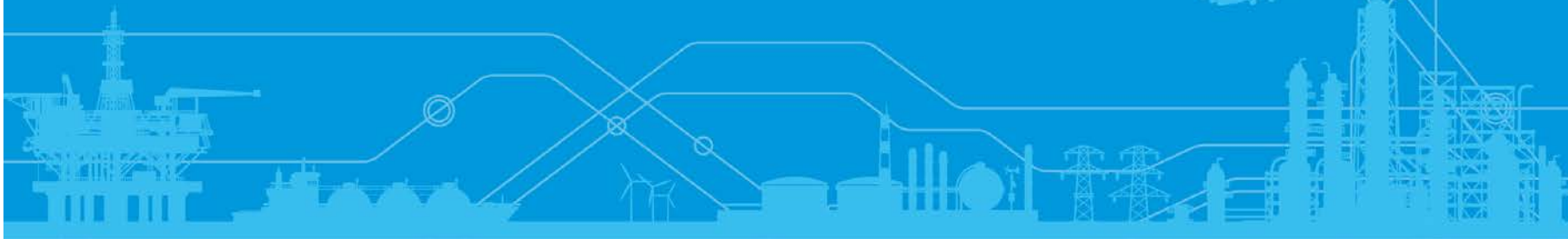


Transformation 2017

Yokogawa Electric Corporation

New Mid-term Business Plan Fiscal Years 2015-2017



May 12, 2015

Takashi Nishijima

President and Chief Executive Officer

Contents

1. Review of Evolution 2015	P.2
2. Long-term Business Framework & New Mid-term Business Plan	P.6
3. Business Strategy,2017 Business Plan	P.15
4. Policies on Investment/Costs	P.24
5. Financial Strategy, Capital Policy	P.27
6. Closing (Corporate governance/commemorative dividend)	P.29

Review of Evolution 2015

Review of Evolution 2015

Business plan for FY15

✓ We expect to hit the sales target thanks in part to the weak yen, but have fallen short with profits. Further restructuring is necessary.

While growing the IA and control business

	Evolution 2015 targets for FY15	New FY15 targets
Sales	¥400 billion	¥413 billion
Operating income	¥40 billion	¥33 billion
Operating income-to-sales ratio	10%	8%
EPS	¥100 or more	¥74

Put the company in a strong financial position

✓ We expect to achieve these targets and be in a strong financial position for next growth phase

Equity ratio	50%	55% or more
Debt-to-equity ratio	40%	30% or lower

Exchange rate: 1\$=80yen

Exchange rate: 1\$=110yen

✓ Must speed up our transformation to outpace market change and accelerate growth

Review of Evolution 2015

At a turning point :

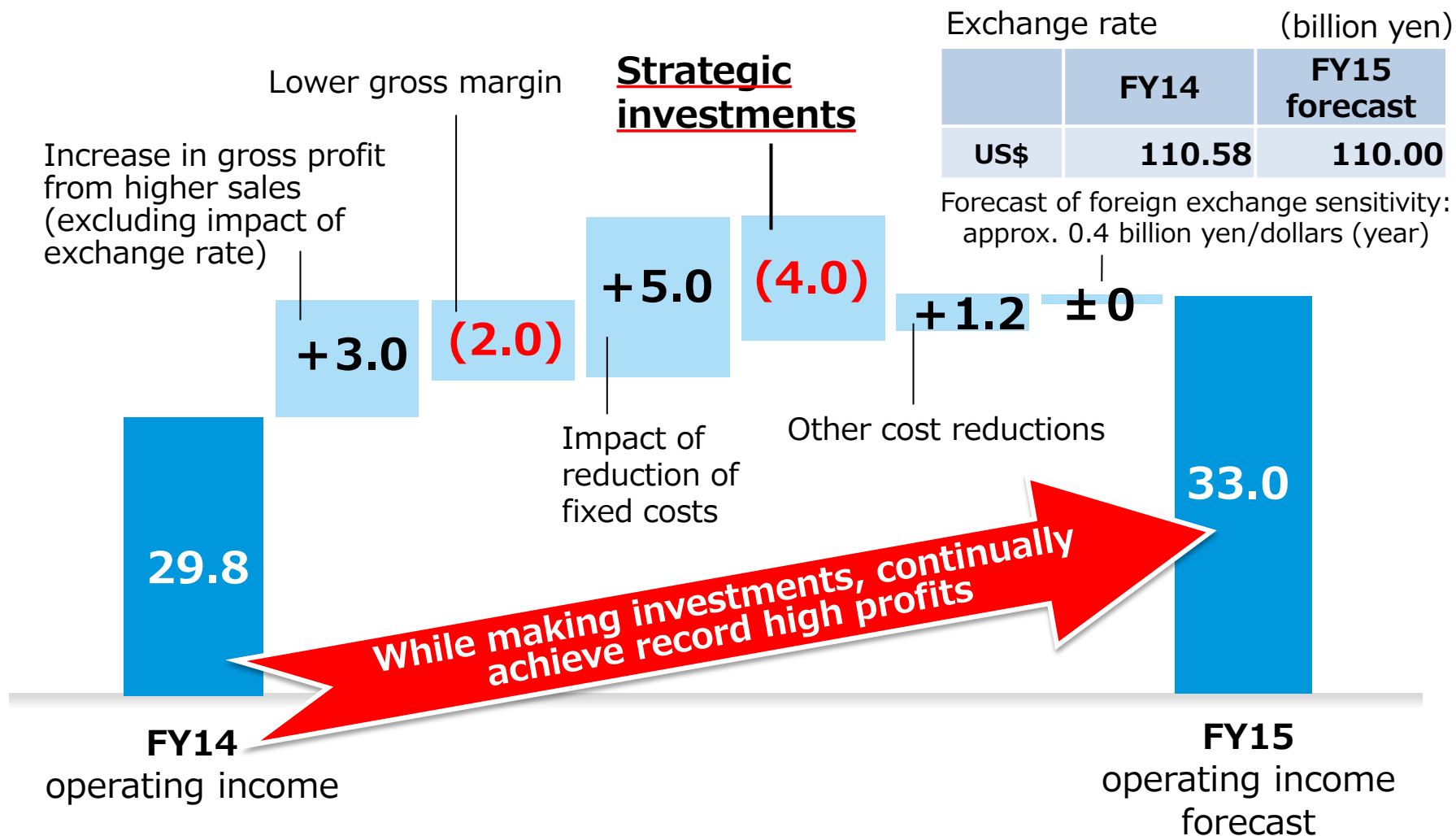
Need for transformation into a highly efficient company

The plan to make quick strategic investments 4 billion yen
explains the decrease
from 40 billion yen to 33 billion yen.

Main targets for strategic investment (control business)

- 1 Expansion of lifecycle service business**
⇒ Enhancement of services outside Japan
(People, products, knowledge)
- 2 Expansion of advanced solution business**
⇒ Develop and strengthen human resources
Develop software packages, alliances
- 3 Development and strengthening of new businesses**
⇒ Product development and alliances in target industries
- 4 Development of infrastructure**

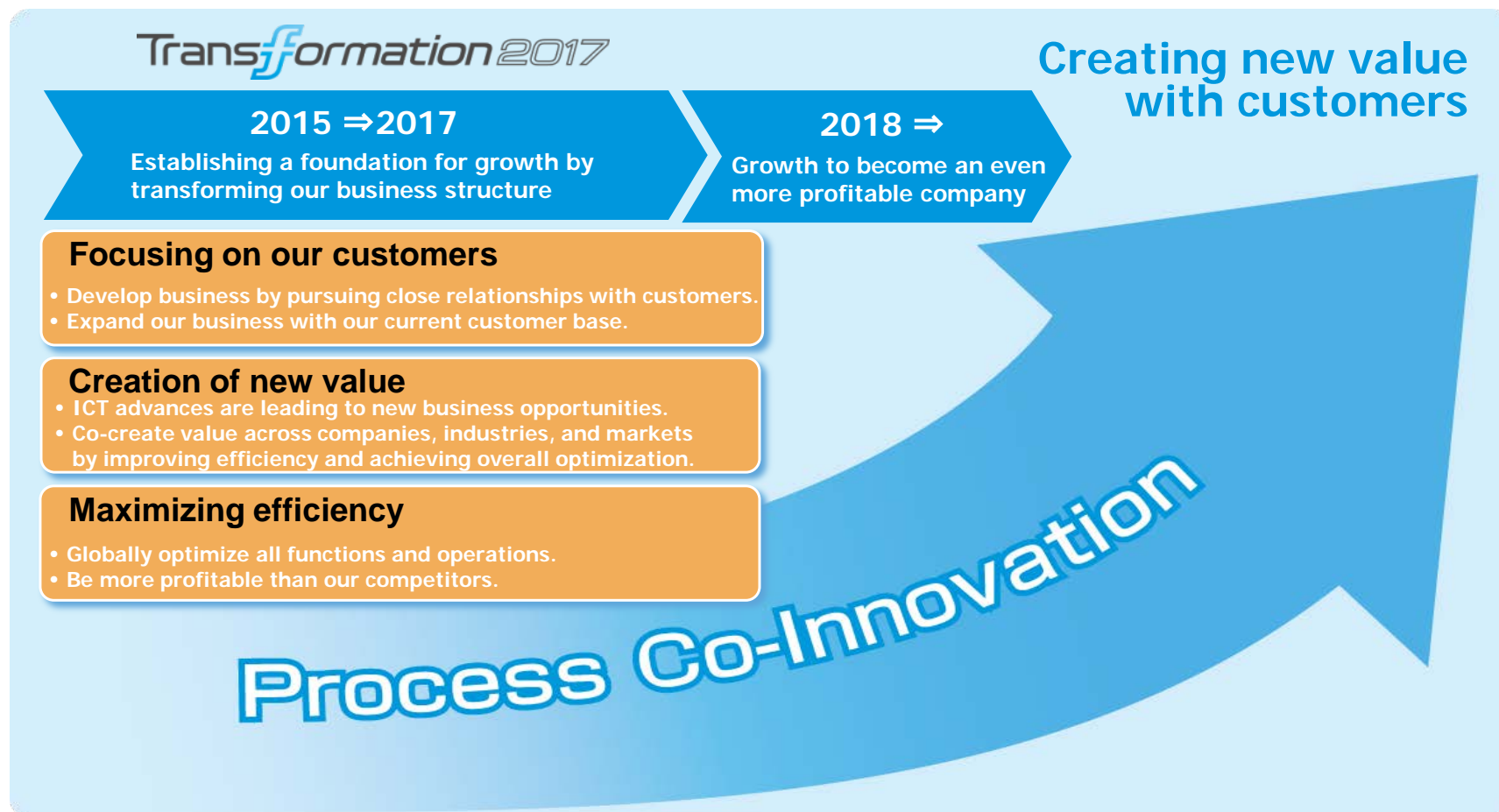
Analysis of operating income (FY14/FY15)



Long-term Business Framework & New Mid-term Business Plan Transformation 2017 (TF2017)

Role of TF2017 in long-term business framework

Structural reforms that prepare the way for growth



Process co-innovation, core competencies

Process Co-Innovation

This is a concept for a future automation business that will utilize all of Yokogawa's measurement, control, and information technologies. According to this concept, process optimization goes beyond production processes to address all material and information flows within and between companies, including both value and supply chains.

This concept will encompass the entire range of Yokogawa solutions and will entail a commitment to working with clients to create new value on their behalf.

Core competencies

To be strengthened	Co-creating value by identifying and resolving customer issues		
	Creating new standards to optimize and streamline processes	Connecting field data to management actions	
Fundamental	Creating extremely reliable products and solutions to support industry and society	Operating highly complex, mission-critical systems in extreme conditions	Performing precise, on-site measurements, both online and in real-time

Process co-innovation: image

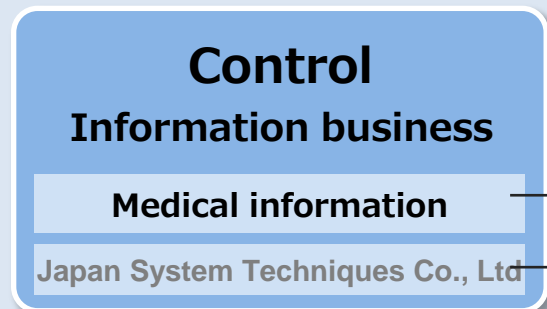


**Yokogawa: solutions without borders,
for all kinds of manufacturing processes and infrastructure**

Completion of structural reforms

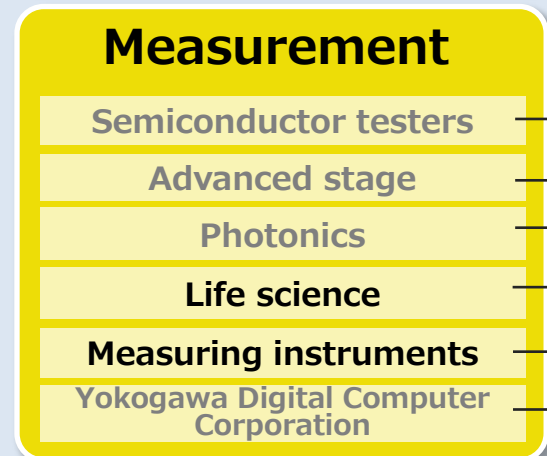
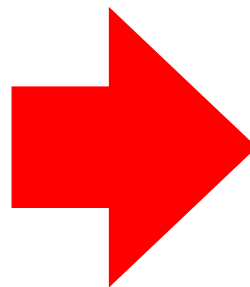
End of March 2008

focus on
control business



Spin-off

Transfer



Transfer/Withdrawal

Transfer/Withdrawal

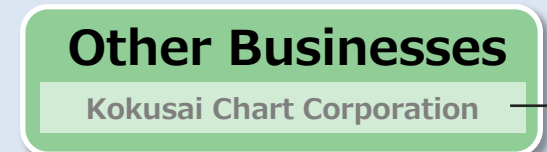
Withdrawal

Withdrawal from MEG*business

*MEG= Magnetoencephalograph

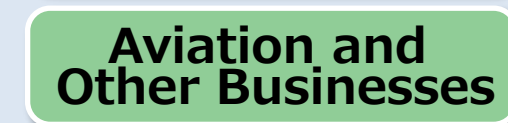
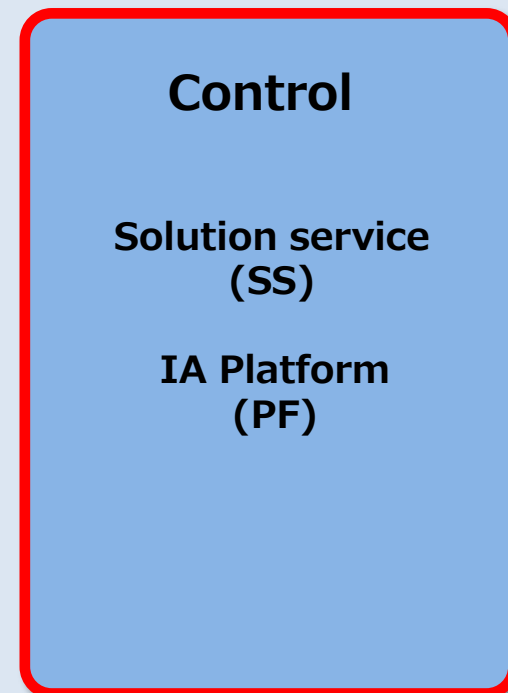
Spin-off

Transfer



Transfer

Now



TF2017: three reforms

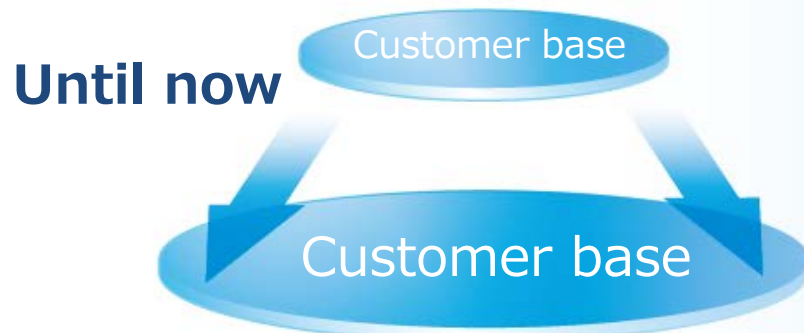
Transformation 2017

While focusing on the control business,

- ① **transform** from being product-centered to **being focused on the customer**
- ② **transform** to **create new value** by taking advantage of ICT
- ③ **transform** by **becoming more efficient than ever**
(ROE 11%, with top priority on ROIC of control business)

The three reforms ① Focusing on customers

Based on our leading position in the Japan market



From now



① 56 countries, 86 affiliates

⇒ % of sales generated outside Japan has tripled over the past 20 years

② Over 25,000 DCSs installed

⇒ Number of systems installed outside Japan has increased 6 times over the past 20 years

③ No. 1 DCS supplier in petrochemical industry and LNG supply chain

Focus on products
⇒ **Focus on customers**

Provide products
⇒ **Provide value**

Value creation with customers

The three reforms ② Creating new value

Connecting production control and management



Improving efficiency and optimizing processes across companies, business fields, and industries



Development of ICT

Our strengths

Alliances

Cisco Systems, Inc.
Tokyo Electron Limited
Mitsui Chemicals, Inc.
Murata Manufacturing Co., Ltd.
Microsoft Japan Co., Ltd.
Sotetica Visual MESA
McAfee, Inc.

The three reforms ③ Maximizing efficiency management

Greatly improve profitability by globally optimizing operations to reduce costs and emphasizing ROE in company management

11% or more

ROE

6% or more

ROA

Expansion of business and improvement of efficiency (control)

ROIC

Expansion of scale

ROS

Revenue/
invested capital

Business KPIs

Re-examination of non business assets

Financial strategy, capital policy

Financial leverage
Optimum capital structure

Operating CF

Investment
(CAPEX & OPEX)

Continual investment

Strategic investment

Finances

Return to shareholders

Investment for growth

2017 Business strategy

- Industrial automation and control business
- Test and measurement business
- Aviation and other businesses -

IA & control business – Market opportunities –

Further development of resource and energy sector

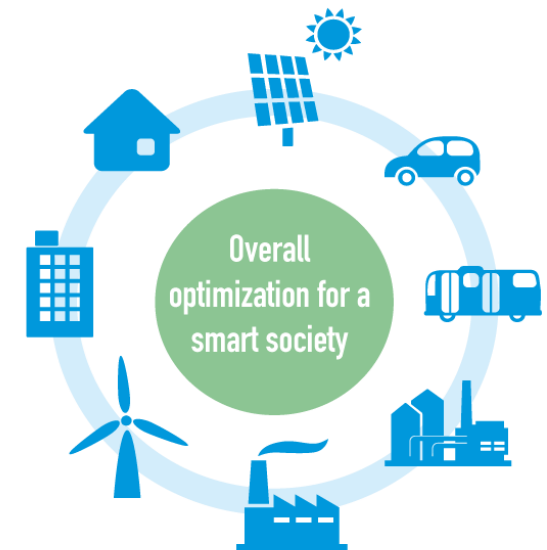
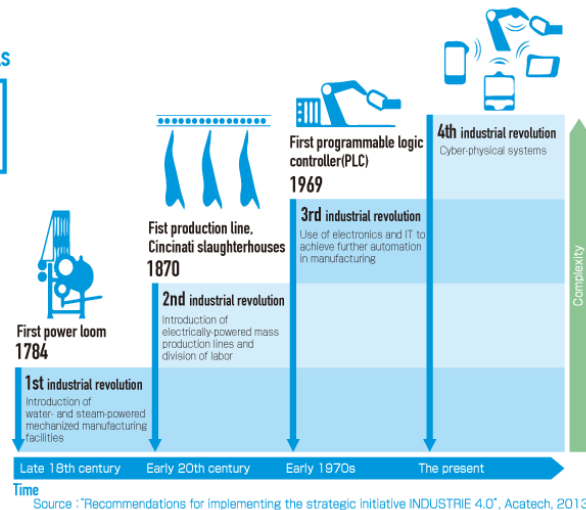
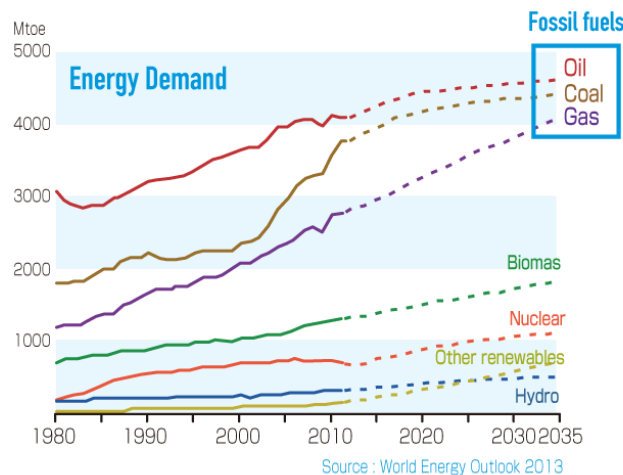
1

Innovation of industrial structure by integration of devices (“things”) and information
⇒(IoT)

2

Smartization of society⇒(ICT)

3

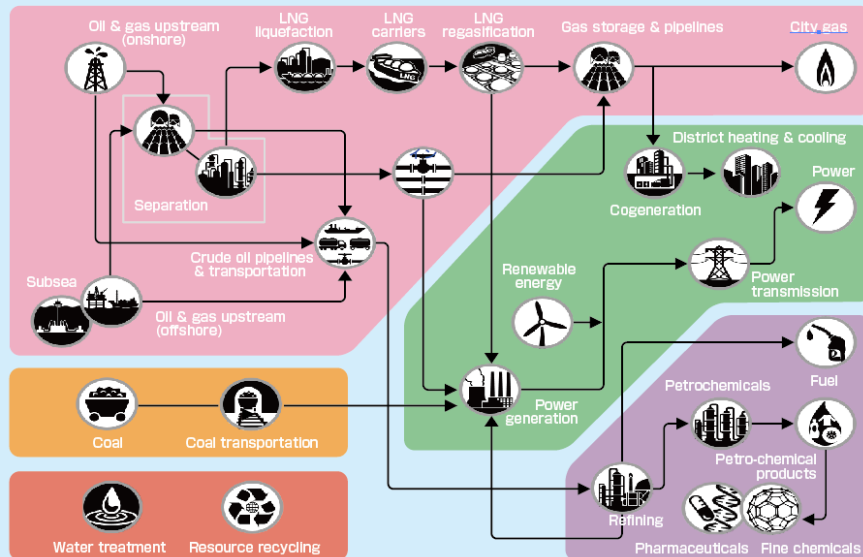


IA & control business – Two basic strategies –

The global No.1 company in IA

Top share of the market

Customer base-driven expansion throughout energy supply chain



Expand into new industries

Leveraging our strength in the Japan market

Starting in Asia,
expand business
operations worldwide

IA & control business – Target industries –

1 Oil & gas

(Upstream, midstream, downstream)

Midstream: in specific following area

→ Pipelines, FLNG/LNG tankers



2 Power

For DCSs, this is the largest and the highest-growth market



3 Chemical

Use knowhow acquired in Japan to achieve global growth



IA & control business

– Business expansion measures –

Control

Business expansion in target industries (energy supply chain)

- (1) Expand lifecycle service business
- (2) Expand advanced solution business
- (3) Enhance platform product functions
- (4) Develop and expand new businesses:
 - Upstream/midstream
 - HSE + maintenance
 - Analytical x solution

*HSE: Health, safety and environment

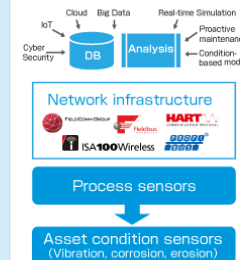
Upstream/ Midstream

Utilize our strengths to penetrate oil & gas upstream market with our strength



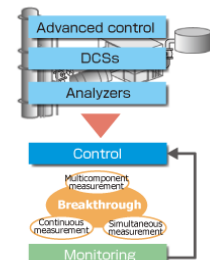
HSE + Maintenance

Utilize all plant information to achieve optimization



Analytical x Solution

Real-time monitoring of processes and analysis of data for optimal control



Business expansion in new industries

- (1) Enter new industries through consulting business
- (2) Develop expertise in Asia



Business strategy

– Measurement / aviation and other –

Measuring instruments

Focus on power measuring instruments, optical communications measuring instruments, and fields that have good synergy with our control business

Improve profitability

Measurement



Life science

Consolidate our leading position in the drug discovery support system market

Develop new applications for confocal scanner units

Incubate new businesses

CV7000 high-throughput cytological discovery system



Aviation and other

Expand aircraft business

Expand marine navigation business

Increase profits

Aviation and Other



Flat panel displays



Gyrocompasses

2017 Business Plan

Mid-term business plan

Aim for record high operating income and ROS each year.

Business plan	FY14	FY17	increase
ROE (%)	8.6	11 or more	2.4pt or more
ROA (%)	3.8	6 or more	2.2pt or more
Sales (billion yen)	405.8	440.0	8.4
Operating income (billion yen)	record - high 29.8	45.0	x 1.5
ROS (%)	record - high 7.3	10.2	2.9pt
EPS (yen)	66.9	100 or more	x 1.5

Exchange rate: 1\$=110 yen

* After start of consolidated accounting

Business plan by segment

(Billion ¥)

Sales	FY14	FY17	Difference	CAGR
Control	358.0	390.0	+ 32.0	2.9%
Measurement	23.8	26.0	+2.2	3.0%
Aviation & Other	24.0	24.0	±0	—
Total	405.8	440.0	+ 34.2	2.8%

Exchange rate:1\$=110 yen

(Billion ¥)

Operating income	FY14	FY17	Difference
Control	27.1	42.0	+ 14.9
Measurement	1.6	2.0	+ 0.4
Aviation & Other	1.1	1.0	(0.1)
Total	29.8	45.0	+ 152

Exchange rate:1\$=110yen

The FY14 operating income figure for Aviation & Other includes 300 million yen in gross profit earned by a property-related business.

* The Other Businesses business segment was renamed "Aviation and Other Businesses" on April 1.

Policies on investment/costs

- R&D, investment for growth, HR, cost structure optimization -

R&D, investment for growth, HR

Investment in R&D

- Add more value and create new business.
Maintain R&D investment at current levels and achieve an **R&D-to-sales ratio of 6%**.

Investment for growth

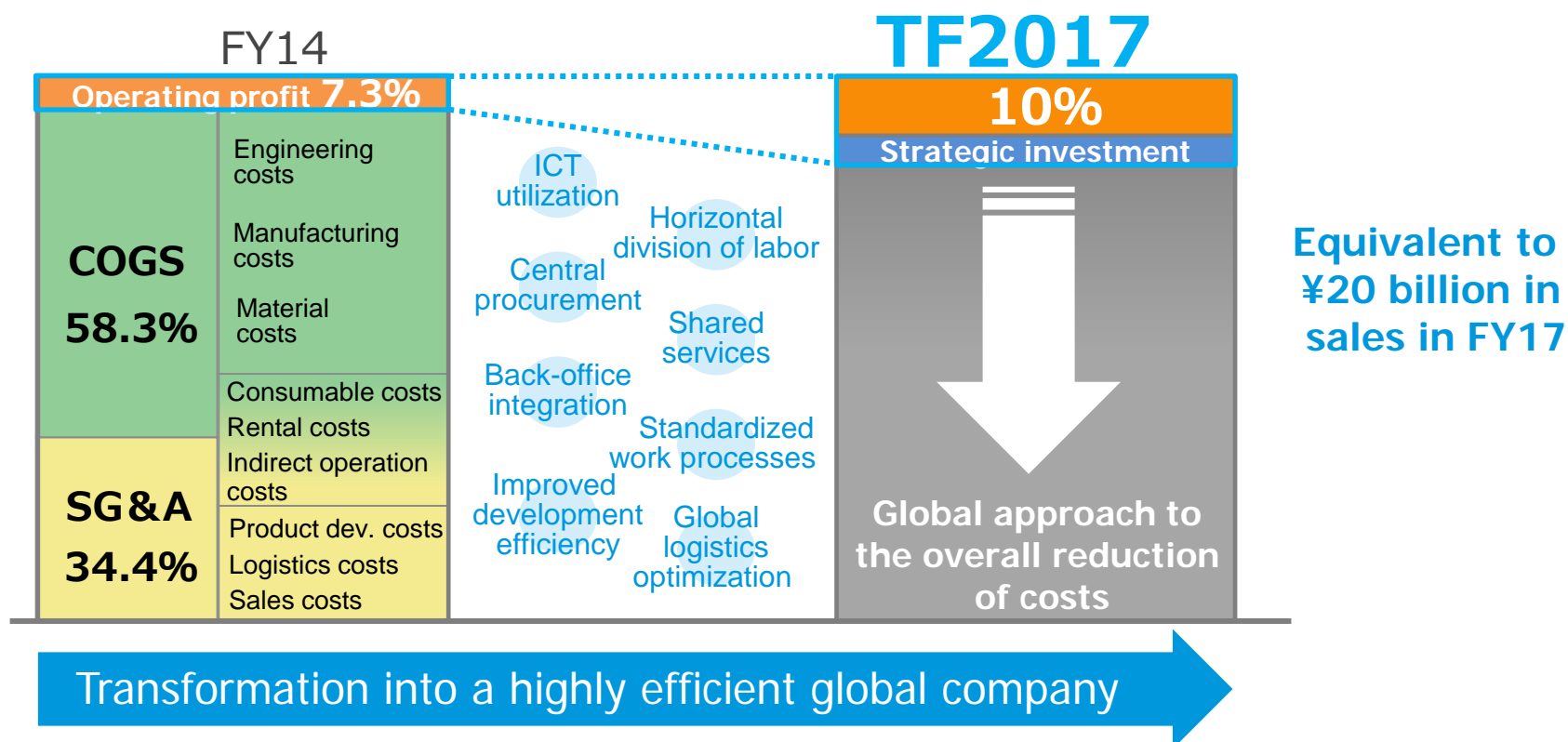
- To expand in target industries, **set aside 50 billion yen for strategic investment and M&A over the next three years.**
- Regular capital investment will be kept at an amount that is sufficient to cover capital depreciation.

HR

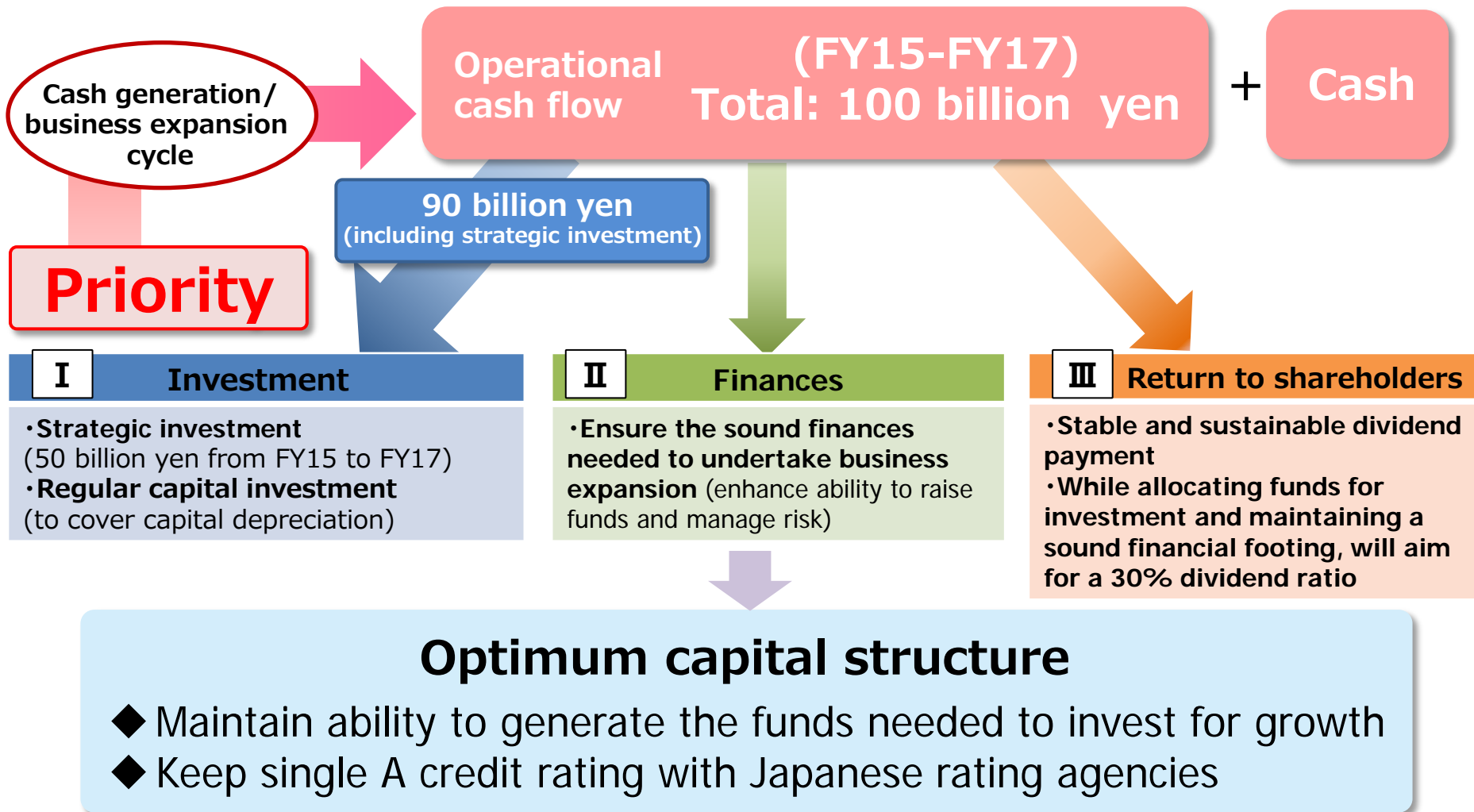
- **Keep size of global workforce at around 20,000** and increase proportion of employees who are based outside Japan.

Cost structure optimization

Establish an organization that reports directly to the president and undertakes global cross-organizational projects that will reduce costs by 20 billion yen.



Financial strategy, capital policy



Enhancing corporate governance

Year	Action	Directors			Auditors		Officers	
		in	outside	Outside %	in	outside		(doubling as board member)
2003	Introduced outside directors	7	1	13%	2	2	24	6
2004	Abolished retirement bonuses for directors	7	1	13%	2	3	24	6
2005		7	1	13%	2	3	26	6
2006	Introduced one year tenure system for directors and revised articles of incorporation to reduce number of directors (25⇒15)	9	1	10%	2	3	27	7
2007	Increased number of outside directors Introduced takeover defense measures	8	2	20%	2	3	29	5
2008		7	2	22%	2	3	28	5
2009	Increased number of outside directors Renewed takeover defense measures	7	3	30%	2	3	15	5
2010		5	3	38%	2	3	14	3
2011	Renewed takeover defense measures Sold shares of a listed affiliate	4	3	43%	2	3	15	2
2012		4	3	43%	2	3	14	3
2013		4	3	43%	2	3	12	1
2014	Established Nomination and Compensation Committee (voluntary advisory body) Discontinuation (non-renewal) of takeover defense measures Introduced standards to ensure independence of outside directors	6	3	33%	2	3	12	3
2015	Established Nomination Advisory Committee and Compensation Advisory Committee (voluntary advisory bodies) Considering outside evaluation of Board of Directors	6	3	33%	2	3	11	3

Closing

With gratitude to all for the support received over
the past 100 years

100th anniversary commemorative dividend: 5 yen
(to be added to interim dividend)



Expect great things from *Transformation 2017*

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.

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