Yokogawa Electric Corporation

Our Groupwide Approach for Fiscal Year 2011

May 16, 2011

Shuzo Kaihori, President and Chief Executive Officer
Yokogawa would like to express its heartfelt condolences to the victims of the Great East Japan Earthquake.

We fervently hope for an early recovery of the disaster-stricken area.
## FY10 Financial Results

<table>
<thead>
<tr>
<th></th>
<th>FY09 results (A)</th>
<th>FY10 budget</th>
<th>FY10 results (B)</th>
<th>Difference (B-A)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Orders</td>
<td>315.2</td>
<td>340.0</td>
<td>334.1</td>
<td>18.9</td>
</tr>
<tr>
<td>Sales</td>
<td>316.6</td>
<td>328.0</td>
<td>325.6</td>
<td>9.0</td>
</tr>
<tr>
<td>Operating income</td>
<td>2.6</td>
<td>11.0</td>
<td>11.1</td>
<td>8.5</td>
</tr>
<tr>
<td>Ordinary income</td>
<td>0.2</td>
<td>8.0</td>
<td>8.6</td>
<td>8.4</td>
</tr>
<tr>
<td>Net income</td>
<td>(14.8)</td>
<td>(2.5)</td>
<td>(6.7)</td>
<td>8.1</td>
</tr>
</tbody>
</table>

- **Loss on valuation of investment securities:** ￥2.3 billion
- **Extraordinary loss from voluntary retirement program:** ￥2.7 billion
Review of Structural Reform

Positioning of FY09-10

A period of structural reform with an eye on the next growth phase

- Action plan for reduction of fixed costs
- Action plan for review of business portfolio
Action plan for reduction of fixed costs

- Reduction in fixed costs
  Initial target: ¥34 billion
  Result: ¥59 billion

- Break-even point
  Initial target: ¥350 billion
  Result: ¥309 billion
Action plan for review of business portfolio

【Basic policy】
・ Focus resources on the control segment.
・ Maintain and develop the company’s core measurement technologies.
・ Select and quickly establish new businesses.
・ Discontinue loss-making businesses.

All loss-making businesses have been reviewed.

- **Discontinue**
  - Photonics
    - Advanced stage
- **Scale down**
  - Semiconductor testers
  - Magnetoencephalographs (MEG)
- **Spin out**
  - Measuring instruments
Remaining items for structural reform

- Complete discontinuance of the photonics business and decide on a course of action that will make the most effective use of the Sagamihara Office.
- Enter into semiconductor tester related alliances.

Concentrate efforts on achieving both items in FY11.
Solicit applications for voluntary retirement from employees engaged in these businesses.

A tough choice was made to carry out an essential reform of the cost structure in the control segment without injecting additional resources, as this would have impacted profitability.
Almost no direct impact on our major facilities

- Japan control segment
  Customers with earthquake damage: Recovery plans are underway for some customers but many others face a very unclear situation.

Uncertain outlook

- Shortage of electronic parts
- Restricted power consumption
- Possible impact on the Group’s manufacturing activities

Temporary negative impact possible in FY11 1H
Concerns about procurement of electronic parts and power grid situation

Improving day to day but uncertainty still prevails

The FY11 forecast will be announced once the situation becomes clearer.

Postponed announcement of mid-term business plan

The timing will be decided after the forecast of the FY11 consolidated business results is announced.
Important measures in FY11

■ Minimize business risks
  ◆ Disaster-related difficulties in procuring electronic parts, restricted power consumption, etc.
  
  Minimize risks that will have a negative impact on our business activities.

■ Control segment
  ◆ Implement growth strategy for non-Japan markets.
  ◆ Fully support recovery of Japan customers whose operations have been impacted by the earthquake.
Outlook for Control Market

- **Japan market**
  Temporary post-quake slowdown possible in 1st half of FY11
  - Quake-recovery demand will grow in the mid- to long-term from 2H.

- **Non-Japan market**
  Petrochemical, chemical, oil & gas upstream, refining, and other energy-related markets
  - Market growth will be stable in the mid- to long-term centering on emerging countries.
  
  In the power sector, our largest market, increased investment in thermal power generation will come into play.
  - The market will expand in size.

Improve profitability for the control segment by promoting growth strategies while undertaking post-quake measures.
# New Management

- **President and CEO**: Shuzo Kaihori
- **Directors**: Hitoshi Nara, Satoru Kurosu, Takashi Nishijima
- **Outside Directors**: Yasuro Tanahashi, Nobuo Katsumata, Mitsudo Urano
Career of New Candidates 1

◆ Hitoshi Nara

April 1985: Joined Yokogawa Hokushin Electric Corporation (renamed Yokogawa Electric Corporation in 1986)
October 2001: Appointed Deputy Managing Director, Yokogawa Engineering Asia Pte. Ltd.
October 2003: Appointed Managing Director, Yokogawa (Thailand) Ltd.
January 2007: Appointed Head of Sales Div. I, Industrial Solutions Business Headquarters
April 2010: Appointed Senior Vice President, Head of Industrial Solutions Business Headquarters

◆ Satoru Kurosu

April 2006: Appointed Vice President, Head of Marketing Center, Industrial Automation Business Headquarters
April 2007: Appointed Senior Vice President, Head of Industrial Automation Business Headquarters
April 2009: Appointed Senior Vice President, Head of Global Business Headquarters
April 2010: Appointed President, Yokogawa Engineering Asia Pte. Ltd.
April 2011: Appointed Senior Vice President, Head of IA Marketing Headquarters
Career of New Candidates 1

◆ Takashi Nishijima

April 1981: Joined Hokushin Electric Works, Ltd. (presently, Yokogawa Electric Corporation)
April 2001: Appointed Head of Development and Engineering Dept. 2, Field Instruments Business Division
April 2005: Appointed Head of Field Instruments Product Marketing Dept., Industrial Automation Business Headquarters
October 2008: Appointed Head of Control Products Business Center, Industrial Automation Business Headquarters
April 2010: Appointed President of Yokogawa Meters & Instruments Corporation

◆ Mitsudo Urano

April 1971: Entered Nippon Reizo Co. Ltd. (presently, Nichirei Corporation)
April 1997: Appointed General Manager, Strategic Planning Division
June 1999: Appointed Director
June 2001: Appointed Representative Director and President
June 2007: Appointed Representative Director and Chairman

Concurrent positions: Outside Director, Mitsui Fudosan Co., Ltd., Outside Auditor, JX Holdings, Inc., Outside Auditor, NSD Co., Ltd.
Reduction of Capital Surplus and Renewal of Takeover Defense Measures

- Reduction of capital surplus and retained earnings reserve and disposition of other reserve

  Make more funds available for dividends, which have been impacted by engaging in loss-making businesses and incurring expenses for structural reform.

- Renewal of takeover defense measures

  The current tender offer system does not allow sufficient time for our shareholders to review the acquisition terms or for the Board of Directors to consider alternatives to the acquisition.

  To help eliminate arbitrary decisions by directors, Tomomi Yano, a former Senior Managing Director of the Pension Fund Association, will be invited to join the independent committee as an outside expert.
We regret to inform that no dividends will be paid due to the net loss and the status of net assets. We are truly sorry about the impact this will have on our investors.

We will make an all-out effort to improve profitability so as to resume paying dividends as soon as possible. Your understanding will be appreciated.
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.