Progress of Structural Reform / FY2011 Business Portfolio

February 9, 2011

Shuzo Kaihori, President and Chief Executive Officer
FY10 3Q business results have improved significantly from FY09 3Q despite the impact of the strong yen.

<table>
<thead>
<tr>
<th></th>
<th>FY09 3Q</th>
<th>FY10 3Q</th>
<th>FY09 1Q-3Q</th>
<th>FY10 1Q-3Q</th>
</tr>
</thead>
<tbody>
<tr>
<td>Orders</td>
<td>72.6</td>
<td>78.4</td>
<td>227.4</td>
<td>248.1</td>
</tr>
<tr>
<td>Sales</td>
<td>68.5</td>
<td>75.2</td>
<td>219.2</td>
<td>228.6</td>
</tr>
<tr>
<td>Operating income</td>
<td>(0.4)</td>
<td>0.8</td>
<td>(2.7)</td>
<td>4.8</td>
</tr>
<tr>
<td>Ordinary income</td>
<td>(1.1)</td>
<td>(0.1)</td>
<td>(5.2)</td>
<td>1.8</td>
</tr>
<tr>
<td>Net income</td>
<td>(3.7)</td>
<td>(1.3)</td>
<td>(18.2)</td>
<td>(4.8)</td>
</tr>
</tbody>
</table>
# Consolidated Business Results and Forecast

**Economy**
- Global: remained steady overall thanks to the continuing growth of emerging economies.
- Japan: showed signs of a gradual recovery but the outlook remains uncertain.

**Control segment**
- Global: demand continued to grow for the construction of new power and energy plants.
- Japan: demand recovered in the pulp and paper, iron and steel, and electric power generation related sectors.

**Measurement segment**
- Semiconductor testers: capital investment was weak in the front-end memory tester market.
- Measuring instruments: demand remained strong for power and optical measurement products in the energy-saving, alternative energy, and optical communications market sectors.

### FY10 revised budget (10/11/9) and FY10 results

<table>
<thead>
<tr>
<th></th>
<th>FY10 revised budget</th>
<th>FY10 results</th>
<th>Achievement</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>1Q</td>
<td>2Q</td>
<td>3Q</td>
</tr>
<tr>
<td>Orders</td>
<td>340.0</td>
<td>88.0</td>
<td>81.7</td>
</tr>
<tr>
<td>Sales</td>
<td>328.0</td>
<td>66.2</td>
<td>87.1</td>
</tr>
<tr>
<td>Operating income</td>
<td>11.0</td>
<td>(0.6)</td>
<td>4.5</td>
</tr>
<tr>
<td>Ordinary income</td>
<td>8.0</td>
<td>(1.1)</td>
<td>2.9</td>
</tr>
<tr>
<td>Net income</td>
<td>(2.5)</td>
<td>(2.4)</td>
<td>(1.1)</td>
</tr>
</tbody>
</table>
Position FY2009-2010 as a period for structural reform with an eye on our next growth phase

In response to the rapidly changing business environment, an FY2009-2010 action plan was announced in February 2009 to make the company profitable with an eye on the next growth phase from FY2011:

【1】Reduce fixed costs.
【2】Review our business portfolio.

Yokogawa has steadily implemented structural reform over the past two years; however, the pace of these reforms has not met the expectations of shareholders and investors.
Action Plan for Reduction of Fixed Costs

【FY2009 target】
Reduce fixed costs by 34 billion yen from FY2008 level and achieve a break-even point of 350 billion yen or less.

Trend of break-even point (Billion ¥)

- FY08 Feb. ’09 forecast: 390.0
- FY08 results: 369.4
- FY09 initial budget: 330.0
- FY09 results: 316.0
- FY10 forecast: 310.0

FY10 forecast
Reduce fixed costs by 55 billion yen to bring break-even point down to near 310 billion yen.
Make quick improvements to a portfolio where profits generated by the control segment are currently covering losses in the measurement segment and investments in new businesses.

◆ Basic policy for the portfolio review

1. Focus resources on the control segment.
2. Maintain and develop the company’s core measurement technologies.
3. Select and quickly establish new businesses.
4. Discontinue loss-making businesses.

The future direction for almost all action items has been mapped out, and only a few of these items remain to be implemented.
Spin off of semiconductor tester business and formation of Yokogawa Test Solutions on April 1, 2011.

To develop a business focusing on:

◆ The sale of existing tester products
◆ The proposal of new solutions for previously purchased testers

- Temporarily transfer 180 of the 300 (both are approximate figures) Yokogawa Electric employees, mainly engineers, who are engaged in this business.
- Of the remaining 120, 50 will be temporarily transferred (some of whom may end up permanently transferred) to another company and 70 will be relocated within the Yokogawa Group.

Aim to break even through the above-mentioned sale and solution proposal activities.

- Yokogawa will not be able to operate this business on its own over the long term and will thus seek to enter alliances with other companies.
We have discontinued the development of new products and are focusing on the manufacture and sale of existing products. We will no longer actively sell these products and will eventually discontinue this business.

◆ Only continue to provide after-sales services.
- Reduce personnel from 140 to 50 (approximate figures).
- Relocate the remaining 90 within the Yokogawa Group.
The basic policy is to continue investment in the life science business.

However,

◆ it will not be possible to expand the magnetoencephalograph (MEG) business.

Exclude MEG profit/loss from life science figures.

• Only continue to provide technical and other services to customers who have already bought Yokogawa’s MEG.

• Contribute to brain research. → Continue a certain level of R&D activities.

• Halve the number of personnel from the current 30.
Discontinue Loss-making Businesses

**Semiconductor tester business**
- Present employees: 300
- Relocation: 180
- Transfer to Yokogawa Test Solutions
- Relocate to another company: 70

**Photonics business**
- Present employees: 140
- Relocation: 50

**Life science business**
- Present employees: 30
- Relocation: 15

- Semiconductor testers: 70
- Photonics: 90
- Life science: 15

Relocate 175 employees within the Yokogawa Group. *

* Relocation to the Control segment will not be done, if it leads to an increase in fixed costs.
End of March 2008

**Control**
- Information business
  - Medical solutions
  - Nippon System Gijutsu Co.

**Measurement**
- Semiconductor testers
- Advanced stage
- Photonics
- Life science
- Measuring instruments

**Other**
- Aviation equipment, etc.

April 2011

< Structural reform >

**Control**
- Spin off
- Divestment

**Measurement**
- Spin off / 180 employees / seek alliance
- Withdraw from XY-stage business
- Withdraw
- Withdraw from MEG business
- Spin off

**Other**
The completion of structural reform is just around the corner and will mark the beginning of the next growth phase.

Improve profitability based on the new business portfolio.

- Main issues -
  Recovery of net assets / Improvement of operating margin

A mid-term business plan will be announced in May 2011.
## Dividend Forecast

<table>
<thead>
<tr>
<th>Dividends per Share (yen)</th>
<th>September 30</th>
<th>End of Term</th>
<th>Total</th>
</tr>
</thead>
<tbody>
<tr>
<td>For year ended March 31, 2010</td>
<td>0.00</td>
<td>2.00</td>
<td>2.00</td>
</tr>
<tr>
<td>For year ending March 31, 2011</td>
<td>0.00</td>
<td></td>
<td></td>
</tr>
<tr>
<td>For year ending March 31, 2011 (forecast)</td>
<td></td>
<td>0.00</td>
<td>0.00</td>
</tr>
</tbody>
</table>

Dividend at the end of this term

Regrettably, one will not be paid out.

**<Main reasons>**

- a. A net loss is expected for FY10.
- b. The current status of our net assets.
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.