Our Groupwide Approach for Fiscal Year 2013

Takashi Nishijima, President and Chief Operating Officer
## FY2012 Results

<table>
<thead>
<tr>
<th></th>
<th>FY11 results</th>
<th>FY12 budget (A)</th>
<th>FY12 results (B)</th>
<th>Difference (B-A)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Orders</td>
<td>344.1</td>
<td>356.0</td>
<td><strong>354.5</strong></td>
<td>(1.5)</td>
</tr>
<tr>
<td>Sales</td>
<td>334.7</td>
<td>347.0</td>
<td><strong>347.9</strong></td>
<td>0.9</td>
</tr>
<tr>
<td>Operating income</td>
<td>16.6</td>
<td>20.0</td>
<td><strong>18.4</strong></td>
<td>(1.6)</td>
</tr>
<tr>
<td>Ordinary income</td>
<td>14.0</td>
<td>17.0</td>
<td><strong>18.0</strong></td>
<td>1.0</td>
</tr>
<tr>
<td>Net income</td>
<td>6.0</td>
<td>13.5</td>
<td><strong>14.7</strong></td>
<td>1.2</td>
</tr>
</tbody>
</table>
Completion of structural reforms

Positioning of FY09-10

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

Discontinuation of semiconductor tester business

- Memory testers: August 2012 (Business transfer completed)
- Non-memory testers: March 2013 (Business withdrawal completed)

Discontinuation of photonics business

- Lease agreement for Sagamihara Office: Commenced on April 1, 2013

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

Completion of discontinuation of loss-making businesses
Yokogawa’s future direction

Achieving the Evolution 2015 targets and paving the way to make us the global No.1 company in IA puts the company in a strong financial position.

~2015 ~2016~

Business plan for FY15

While growing the IA and control business,

<table>
<thead>
<tr>
<th>Sales</th>
<th>¥400 billion</th>
</tr>
</thead>
<tbody>
<tr>
<td>Operating income</td>
<td>¥40 billion</td>
</tr>
<tr>
<td>Operating income-to-sales ratio</td>
<td>10%</td>
</tr>
<tr>
<td>EPS</td>
<td>¥100 or more</td>
</tr>
</tbody>
</table>

Exchange rate: 1$=¥80, 1€=¥110

Long-term vision

Become global No. 1 company in IA and control business

Capture largest share of market

Equity ratio | 50%
Debt-to-equity ratio (D/E) | 40%
Evolve into a global solutions and service company

【Reinforce the following Yokogawa strengths】

① **High quality, highly reliable products**
   Growth impossible without product excellence

② **Superior project execution capability**
   High-quality, reliable project execution to drive growth

③ **Fostering of trust-based customer relationships, global coordination**
   Close response by localized sales, engineering, and service functions in each region → Good relationships with customers
   Become able to provide each customer an optimal response
Progress of Evolution 2015

**Sales**

- FY10: 325.6 Billion ¥
- FY11: 334.7 Billion ¥
- FY12: 347.9 Billion ¥
- FY13 budget: 385.0 Billion ¥
- FY14: 400.0 Billion ¥

- Shareholders’ equity ratio:
  - FY10: 39.2%
  - FY11: 40.5%
  - FY12: 58.6%
  - FY13 budget: 50.0%
  - FY14: 40.0%

- D/E ratio:
  - FY10: 78.3
  - FY11: 70.9
  - FY12: 58.6
  - FY13 budget: 50.0

**Operating income**

- Operating income to net sales ratio:
  - FY10: 3.4%
  - FY11: 16.6%
  - FY12: 18.4%
  - FY13 budget: 6.2%
  - FY14: 10.0%
  - FY15 Evolution 2015: 40.0%

©Yokogawa Electric Corporation
2013/5/14
**Progress of Evolution 2015**

### Sales by segment

- **IA and control**
  - FY10: 260.6 Billion ¥
  - FY11: 277.2 Billion ¥ (+6.4%)
  - FY12: 295.7 Billion ¥ (+12.3%)
  - FY13 budget: 310 Billion ¥
  - FY14: 332.0 Billion ¥
  - FY15: 350.0 Billion ¥

- **Test and measurement**
  - FY10: 371 Billion ¥
  - FY11: 346 Billion ¥
  - FY12: 310 Billion ¥
  - FY13 budget: 320 Billion ¥
  - FY14: 332.0 Billion ¥
  - FY15: 350.0 Billion ¥

- **Other businesses**
  - FY10: 279 Billion ¥
  - FY11: 290 Billion ¥ (+6.7%)
  - FY12: 310 Billion ¥
  - FY13 budget: 320 Billion ¥
  - FY14: 332.0 Billion ¥
  - FY15: 350.0 Billion ¥

### Operating income by segment

- **IA and control:** Operating income to net sales ratio 7.2%
  - FY10: 11.1%
  - FY11: 16.6%
  - FY12: 18.4%
  - FY13 budget: 18.0%
  - FY14: 22.0%
  - FY15: 36.0%

- △6.4, △3.6, △0.2

©Yokogawa Electric Corporation
2013/5/14
Changes in business environment

- Japan market
  - Rapid structural changes
    → Accelerated consolidation and transfer overseas of production operations by our customers

- Markets outside Japan
  - Prolonged financial crisis in Europe
  - Slowdown of emerging economies
  - Surging shale gas development
    → North America
    Rising capital investment in chemical and energy development fields

- Exchange rate
  - Weak Yen
    → Positive impact on our financial results

Two challenges to carrying out the mid-term business plan:

- Improving profitability
- Responding to changes in target markets
Priority measures

- Improving profitability

1. Expand high value-added solution service business in Japan market
2. Enhance in-house product business
3. Pursue a more efficient IA and control business as a whole

- Responding to changes in target markets

To further expand IA and control business:
1. Reinforce organizations in North America
2. Reinforce organizations in emerging and resource-rich nations and regions
Priority measures

1. Expand high value-added solution service business in Japan market

Falling sales of in-house products → Manufacturers rapidly restructuring

Expand high value-added solution service business

Need to propose comprehensive, high value-added solutions

- Improve operating efficiency
  - Maximize asset utilization
  - Improve safety
  - Enhance energy efficiency

Build up a business structure centering on solutions and services

Optimize cost structure
Priority measures

April 1: Launch of Yokogawa Solution Service Corporation

Integration of 3 functions

- Improve operational efficiency
- Speed up decision making
- Accelerate expansion of value-added solution service businesses
  → Improve profitability

Integrating the sales, engineering, and service functions

Transforming Yokogawa into a solutions and service company
2. Enhance in-house product business

Large-scale projects and new businesses tend to require a lower proportion of in-house products.

Significant growth potential with (1) small- to medium-scale projects that use more in-house products and (2) high gross margin maintenance repair orders (MRO).

A great opportunity to expand in-house product sales.

- Give greater authority to departments that are responsible for promoting in-house products.
- Set product sales quotas and monitor progress.
- Increase efficiency and strengthen product development/product planning.
  - Create optimum platforms that consist of in-house products.
  - Enhance in-house product portfolio.

©Yokogawa Electric Corporation
2013/5/14
Priority measures

- Improving profitability

3. Pursue a more efficient IA and control business as a whole

Efficiency of control business a whole, including sales, engineering, and services

- Finding right balance between localization and overall optimization
  → Reduce costs to improve profitability

- Reinforce operations at global engineering centers
  → Increase efficiency by making maximum use of engineering resources

- Promote center of excellence (COE) activities
  → Make global use of accumulated know-how
1. Reinforce organizations in North America to further expand business

North American market

Major downstream projects are also planned
→ IA and control market is also active

Need to respond quickly and accurately to changes

Commit more resources to North American market

A great opportunity to expand our business in North America by capitalizing on Yokogawa’s strengths

Reinforce marketing, sales, and engineering human resources; improve ability to accommodate local modifications; shorten product delivery period; revamp service organization
2. Reinforce organizations in emerging and resource-rich nations and regions to further expand business

- Continue focusing on markets where we are strong: Southeast Asia, Middle East, Russia
- Accelerate business expansion: Africa, South America
## Fiscal Year 2013 Budget vs. Evolution 2015

<table>
<thead>
<tr>
<th>Metric</th>
<th>FY13 Budget (¥)</th>
<th>Evolution 2015 (¥)</th>
<th>Exchange Rate</th>
</tr>
</thead>
<tbody>
<tr>
<td>Sales</td>
<td>¥385 billion</td>
<td>¥400 billion</td>
<td>1$=¥90, 1€=¥120</td>
</tr>
<tr>
<td>Operating income</td>
<td>¥24 billion</td>
<td>¥40 billion</td>
<td></td>
</tr>
<tr>
<td>Operating income-to-sales ratio</td>
<td>6.2%</td>
<td>10%</td>
<td></td>
</tr>
<tr>
<td>EPS</td>
<td>¥52</td>
<td>¥100 or more</td>
<td>Exchange rate 1$=¥80, 1€=¥110</td>
</tr>
</tbody>
</table>

Exchange rate: 1$=¥90, 1€=¥120  
Exchange rate: 1$=¥80, 1€=¥110
<FY12: Dividend>

The Company plans to make a dividend payment of 5 yen per share at the end of fiscal year 2012. Accordingly, the annual dividend payment will be 10 yen per share.

<table>
<thead>
<tr>
<th></th>
<th>Interim period</th>
<th>End of term</th>
<th>Annual</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>¥ 5</td>
<td>¥ 5</td>
<td>¥10</td>
</tr>
</tbody>
</table>

<FY13: Dividend>

For fiscal year 2013, the Company plans to pay interim and year-end dividends of 6 yen each, for a total dividend of 12 yen per share.

<table>
<thead>
<tr>
<th></th>
<th>Interim period</th>
<th>End of term</th>
<th>Annual</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>¥ 6</td>
<td>¥ 6</td>
<td>¥12</td>
</tr>
</tbody>
</table>