

Yokogawa Electric Corporation

Financial Results for Fiscal Year 2013



May 13, 2014

Hiroshi Suzuki, Senior Vice President

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Summary of FY13 Results

1. Orders, sales, and operating all increased due to the strong performance of the non-Japan control segment and the impact of the continued weak yen.
2. Net income was down from FY12, when there was a surge in extraordinary income from the sale of idle assets. An additional factor impacting net income was the recording of business structure improvement expenses during FY13.
3. The measurement segment got back into the black for the first time since FY06.

(Billion ¥)

	FY12 results (A)	FY13 budget	FY13 results (B)	Difference (B-A)
Orders	354.5	400.0	406.0	51.5
Sales	347.9	385.0	388.5	40.6
Operating income	18.4	25.5	25.9	7.5
Ordinary income	18.0	23.0	25.7	7.7
Net income	14.7	14.5	12.3	(2.4)

Comparison of FY13/12 Financial Results

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(Billion ¥)

	FY12	FY13	Growth rate	Difference
Orders	354.5	406.0	14.5%	51.5
Sales	347.9	388.5	11.7%	40.6
Operating income	18.4	25.9	40.6%	7.5
(ROS)	5.3%	6.7%	—	1.4%
Ordinary income	18.0	25.7	42.6%	7.7
(ROS)	5.2%	6.6%	—	1.4%
Net income	14.7	12.3	-16.0%	(2.4)
(ROS)	4.2%	3.2%	—	-1.0%

- Orders increased due to the strong performance of the control segment and the impact of the weak yen (impact of exchange rate: ¥43.8 billion).
- Sales increased due to the weak yen (impact of exchange rate: ¥40.6 billion). Excluding this factor, sales would have remained flat.
- Operating income increased due to the weak yen and a decline in SG&A.
- Net income was down from FY12, when there was a surge in extraordinary income from the sale of idle assets. An additional factor impacting net income was the recording of business structure improvement expenses during FY13.

FY13 Financial Results

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(Billion ¥)

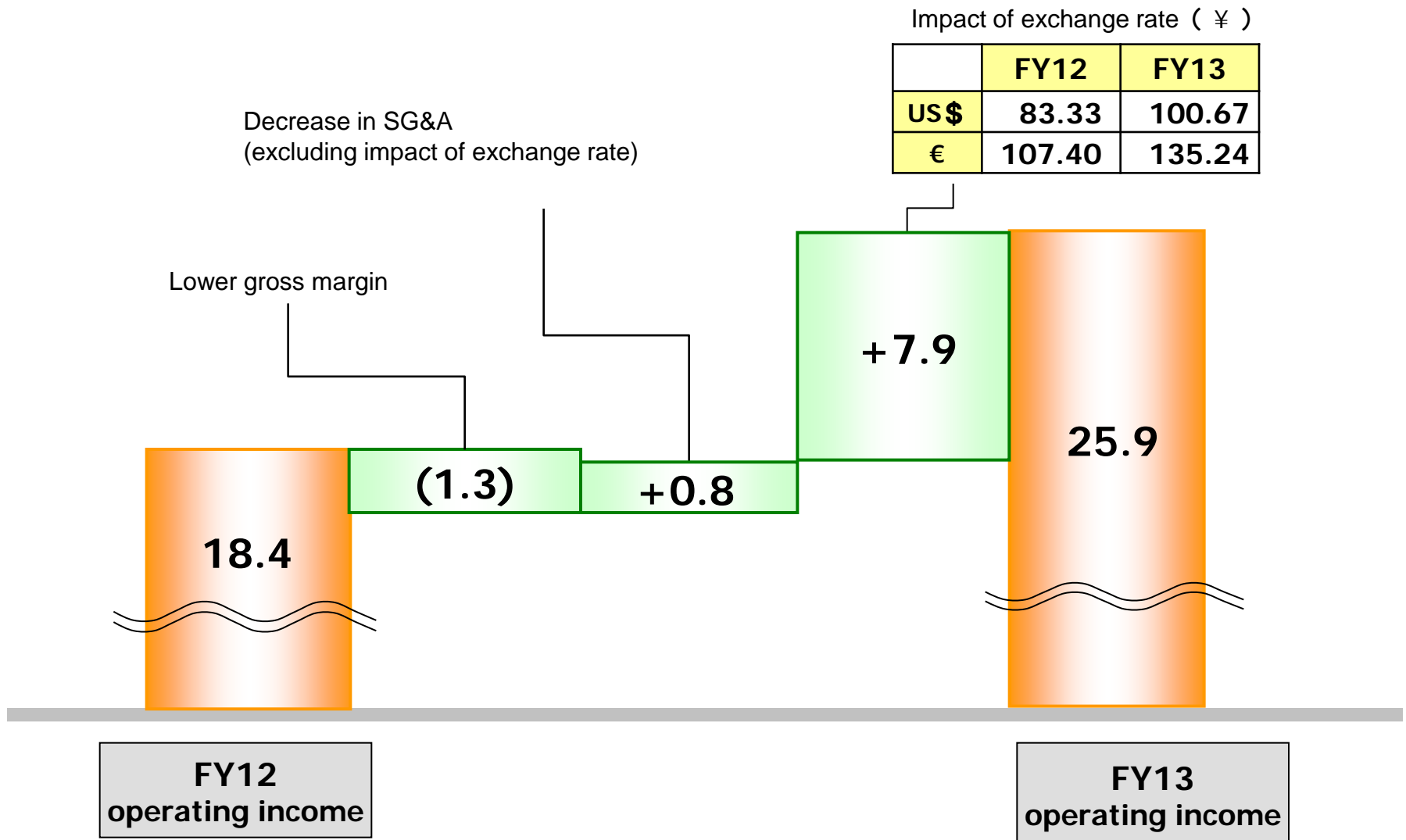
		FY12 Results	FY13			
			Budget 5/14	Budget 11/8 (A)	Results (B)	Difference (B-A)
Orders		354.5	390.0	400.0	406.0	6.0
Sales		347.9	385.0	385.0	388.5	3.5
Operating income		18.4	24.0	25.5	25.9	0.4
Ordinary income		18.0	21.5	23.0	25.7	2.7
Net income		14.7	13.5	14.5	12.3	(2.2)
Exchange rate (¥)	1\$=	83.33	90.00	97.00	100.67	3.67
	1€=	107.40	120.00	130.00	135.24	5.24

- Orders, sales, and operating income surpassed the 11/8 target due partly to the continued weak yen.
- Net income was below the 11/8 target due to such factors as the recording of a business structure improvement expense (an extraordinary loss).

Analysis of FY13 Operating Income

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(Billion ¥)



Quarterly Financial Results

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(Billion ¥)

	FY12					FY13				
	1Q	2Q	3Q	4Q	Total	1Q	2Q	3Q	4Q	Total
Orders	91.3	84.7	84.1	94.4	354.5	100.2	115.9	94.5	95.4	406.0
Sales	75.0	89.6	77.4	105.9	347.9	80.8	98.8	90.7	118.2	388.5
Operating income	2.9	5.9	1.3	8.3	18.4	3.3	7.7	3.2	11.7	25.9

- Sales tend to be higher in 2Q and 4Q, and this trend is particularly strong in the Japan control segment.

Non-operating / Extraordinary Income and Expenses

(Billion ¥)

	FY12	FY13
Operating income	18.4	25.9
Non-operating income	4.1	4.2
Non-operating expenses	4.5	4.4
Ordinary income	18.0	25.7
Extraordinary income	4.1	0.1
Extraordinary expenses	1.6	4.0
Income before tax	20.5	21.8
Tax, etc.	5.8	9.5
Net income	14.7	12.3

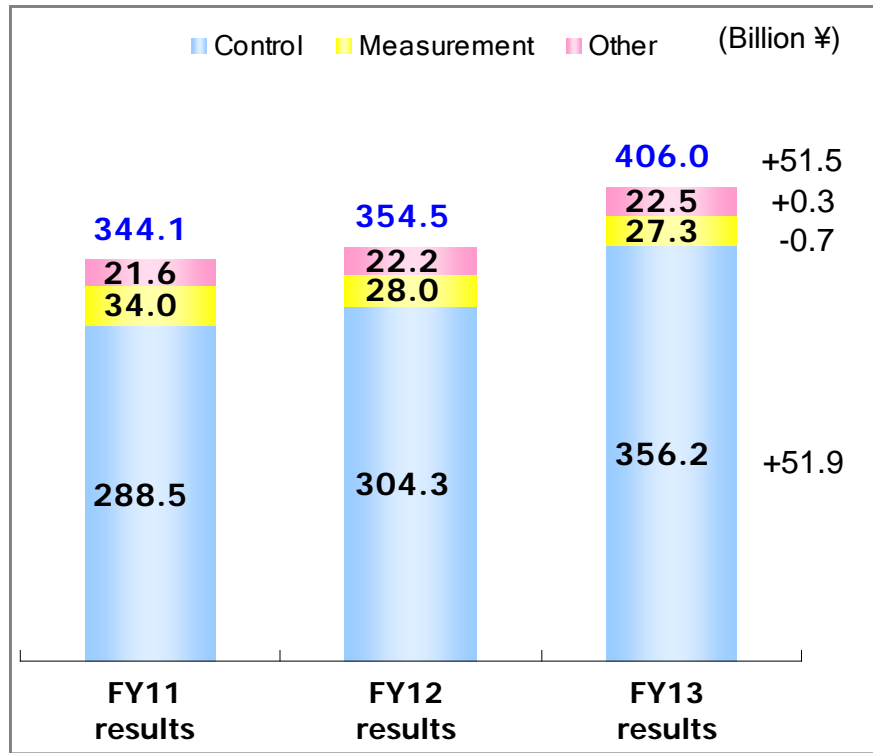
Extraordinary income: ¥4 billion from the sale of fixed assets in Japan in FY12

Extraordinary loss: Business structure improvement expense in FY13

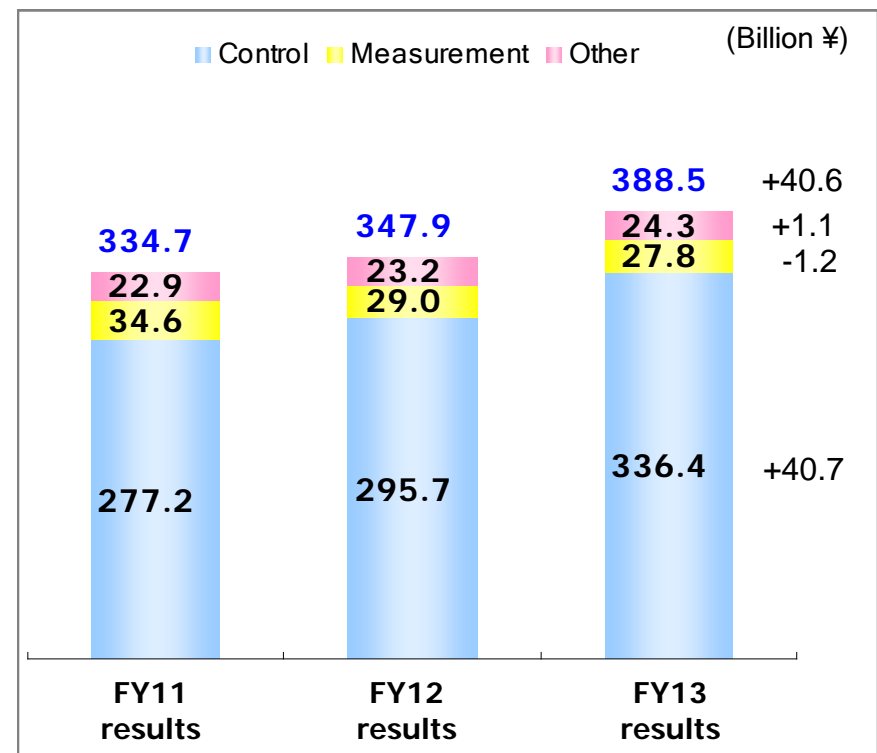
Tax increase as a result of higher profits outside Japan

FY12/FY13 Comparison for Orders and Sales by Segment

Orders



Sales

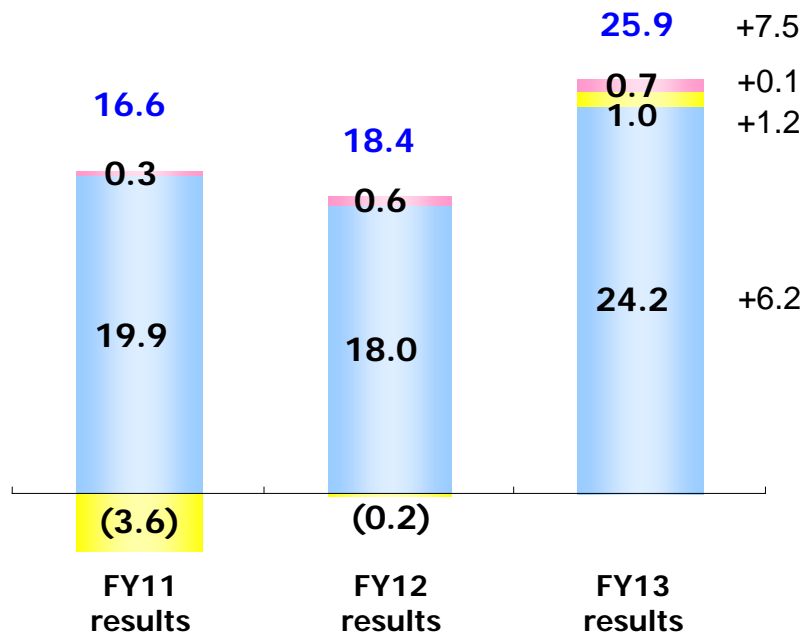


- Control: Orders and sales were up from FY12 (impact of exchange rate: 41.7 billion increase in orders, ¥38.5 billion increase in sales).
- Measurement: Orders and sales were down from FY12 due mainly to the discontinuation of the semiconductor tester business.

FY12/FY13 Comparison for Operating Income by Segment

Operating Income

■ Control ■ Measurement ■ Other (Billion ¥)



(Billion ¥)

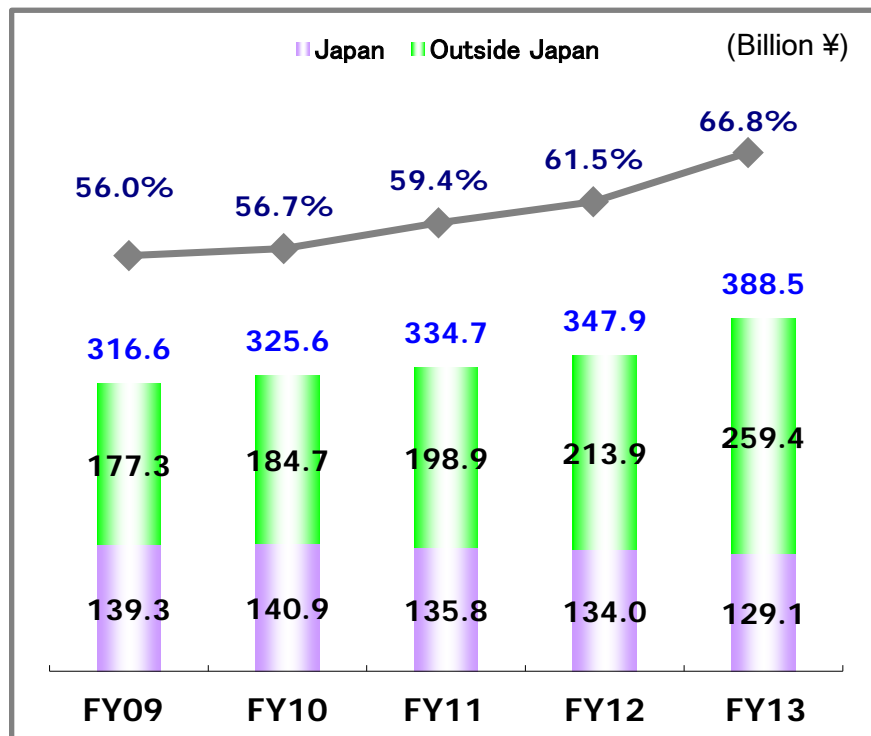
	FY12 results	FY13 results	Difference
Control	18.0	24.2	6.2
Measurement	(0.2)	1.0	1.2
Other	0.6	0.7	0.1
Total	18.4	25.9	7.5

- Control: Operating income was up from FY12 due to higher sales outside Japan, and the operating income to sales ratio was up 1.1%, from 6.1% in FY12 to 7.2% in FY13.

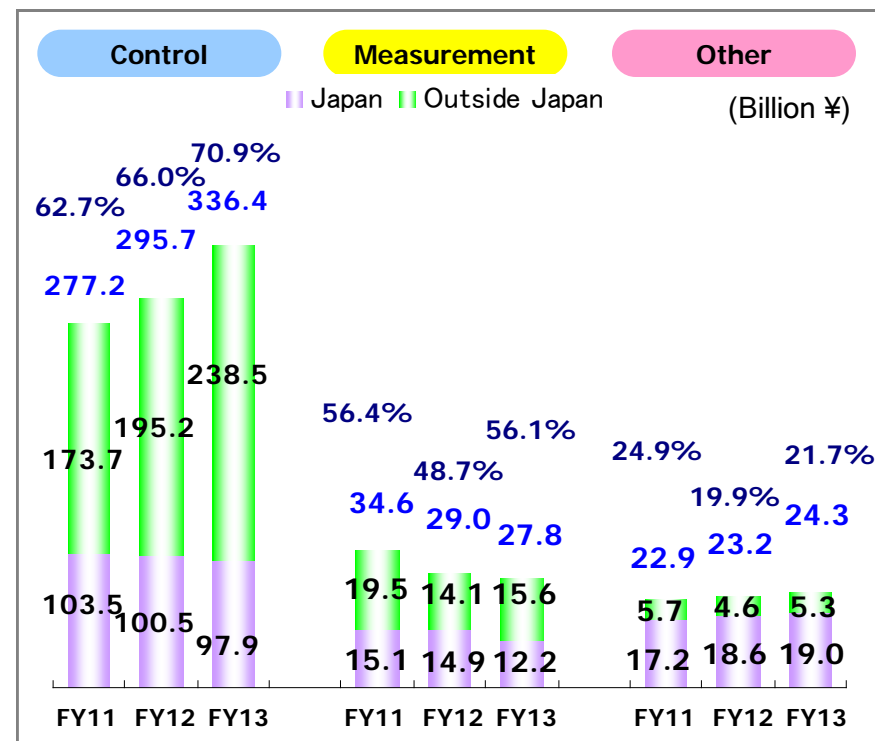
- Measurement: Despite the lower sales, operating income was recorded in FY13 for the first time since FY06 due to the decrease in costs from the discontinuation of businesses.

Trend of Global Sales

Total



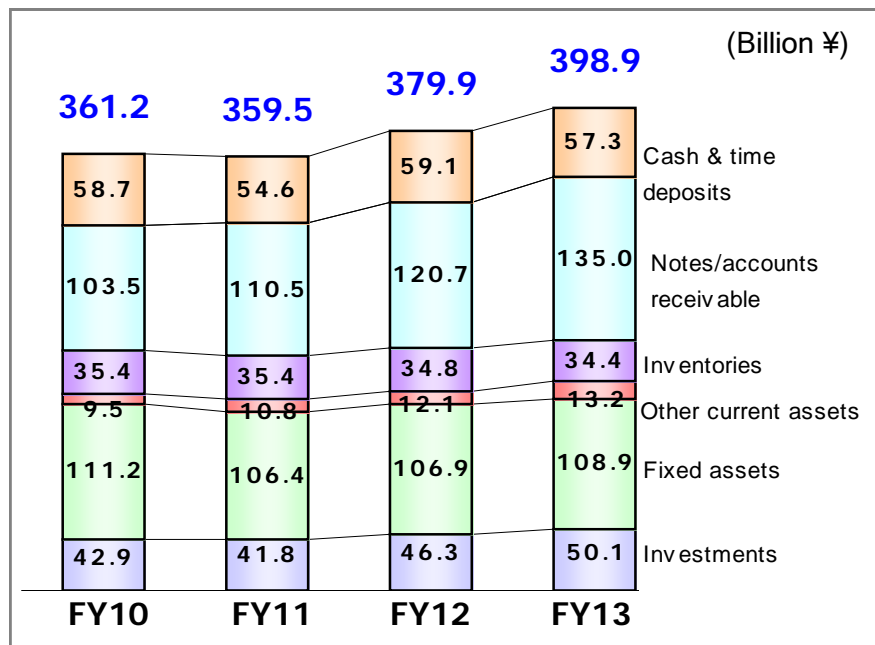
By Segment



- The percentage of sales generated outside Japan rose in FY13, due largely to the strong performance of the control segment.

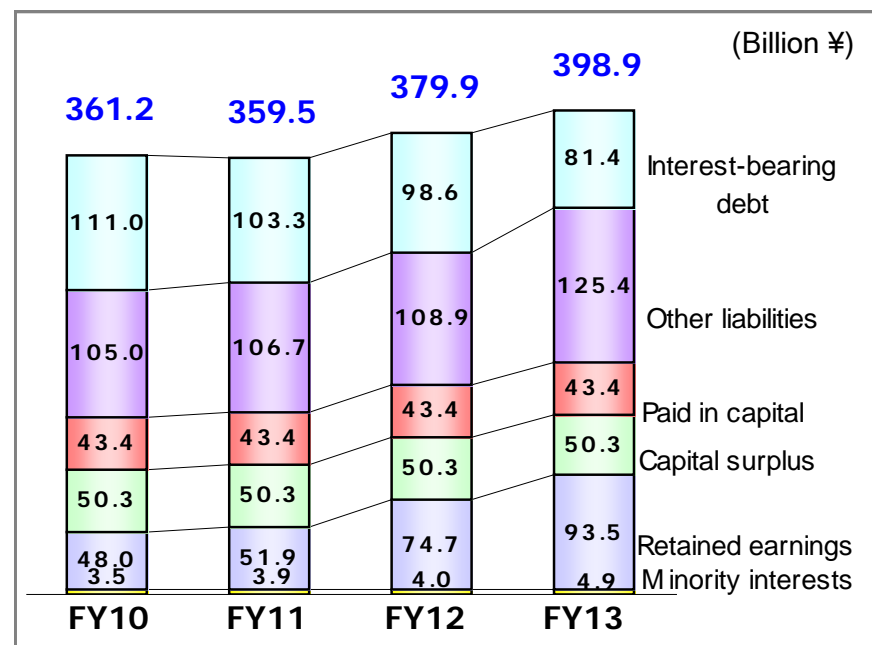
Trend of Balance Sheet

Assets



	FY10	FY11	FY12	FY13
Total asset turnover	0.86	0.93	0.94	1.00
Shareholders' equity ratio	39.2%	40.5%	44.3%	46.9%

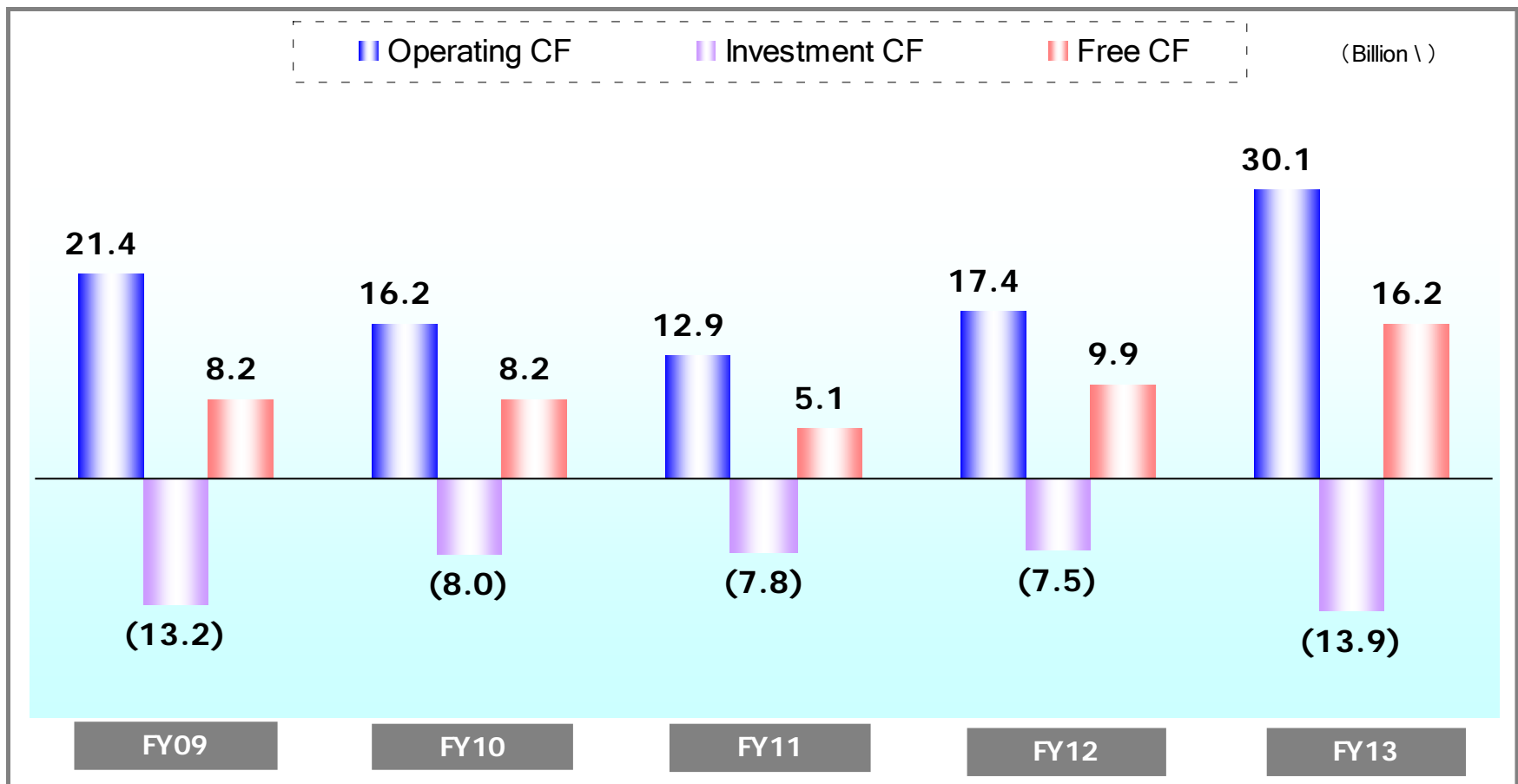
Liabilities and Shareholders' Equity



	FY10	FY11	FY12	FY13
Debt/equity ratio	78.3%	70.9%	58.6%	43.5%
Interest-bearing debt ratio	30.7%	28.7%	26.0%	20.4%

- The FY13 shareholders' equity ratio and debt/equity ratio improved from FY12 due mainly to an increase in shareholders' equity and a decrease in interest-bearing debt.

Trend of Cash Flow



-The inflow from operating activities was up from FY12 due mainly to an increase in working capital.

FY14 Forecast

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(Billion ¥)

		FY12 results	FY13 results (A)	FY14 forecast (B)	Difference (B-A)
Orders		354.5	406.0	417.0	11.0
Sales		347.9	388.5	400.0	11.5
Operating Income		18.4	25.9	28.0	2.1
(ROS)		5.3%	6.7%	7.0%	0.3%
Ordinary Income		18.0	25.7	26.0	0.3
(ROS)		5.2%	6.6%	6.5%	0.5%
Net Income		14.7	12.3	14.0	1.7
(ROS)		4.2%	3.2%	3.5%	0.3%
Exchange rate (¥)	1\$ = 1€ =	83.33 107.40	100.67 135.24	100.00 135.00	(0.67) (0.24)

- The targets for orders, sales, operating income, ordinary income, and net income are all up from FY13.

FY14 Forecast for Non-operating / Extraordinary Income and Expenses

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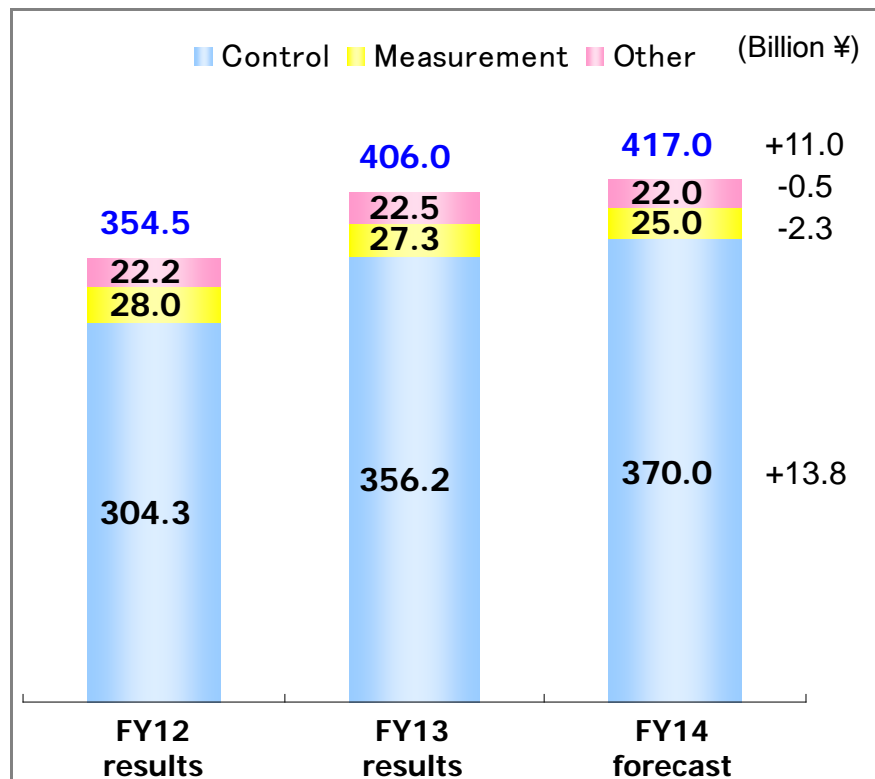
(Billion ¥)

	FY12 results	FY13 results	FY14 forecast
Operating income	18.4	25.9	28.0
Non-operating income	4.1	4.2	(2.0)
Non-operating expenses	4.5	4.4	
Ordinary income	18.0	25.7	26.0
Extraordinary income	4.1	0.1	(1.0)
Extraordinary expenses	1.6	4.0	
Income before tax	20.5	21.8	25.0
Tax, etc.	5.8	9.5	11.0
Net income	14.7	12.3	14.0

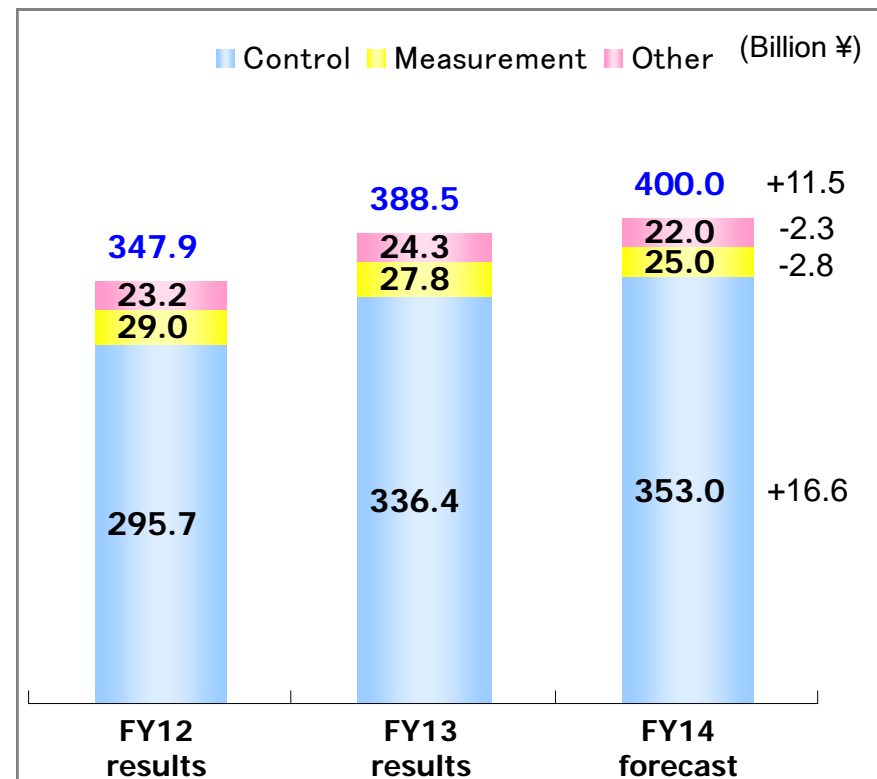
- No major non-operating expense or income items are planned.

FY14 Forecast for Orders and Sales by Segment

Orders



Sales

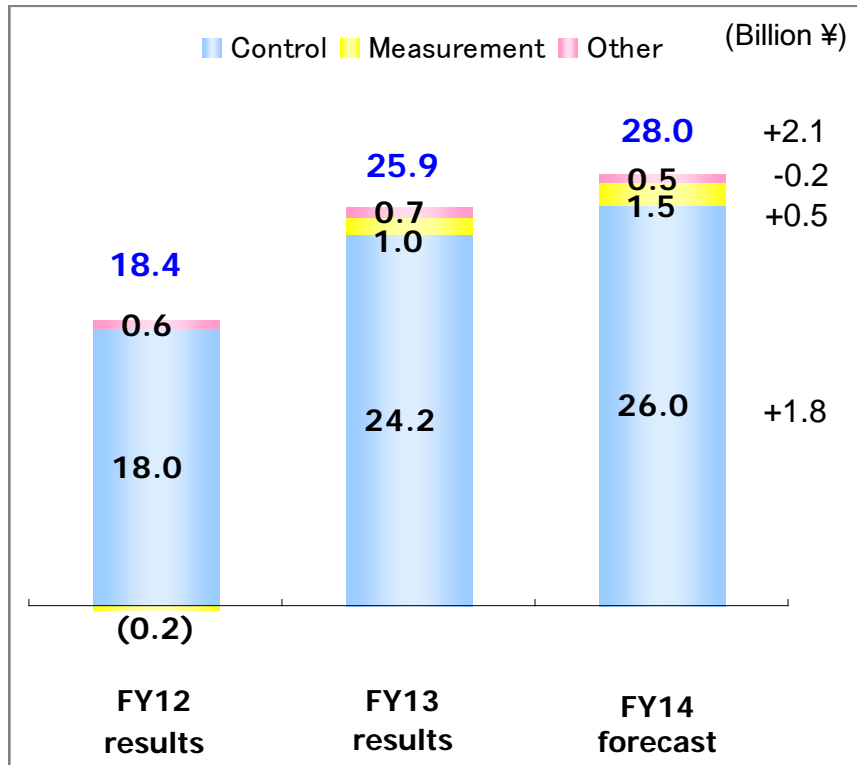


- Control: The targets for orders and sales are up significantly as 6%-8% growth in the non-Japan control business is expected.

- Measurement: Orders and sales are forecast to decrease as a result of the discontinuation of businesses and other factors.

FY14 Forecast for Operating Income by Segment

Operating income

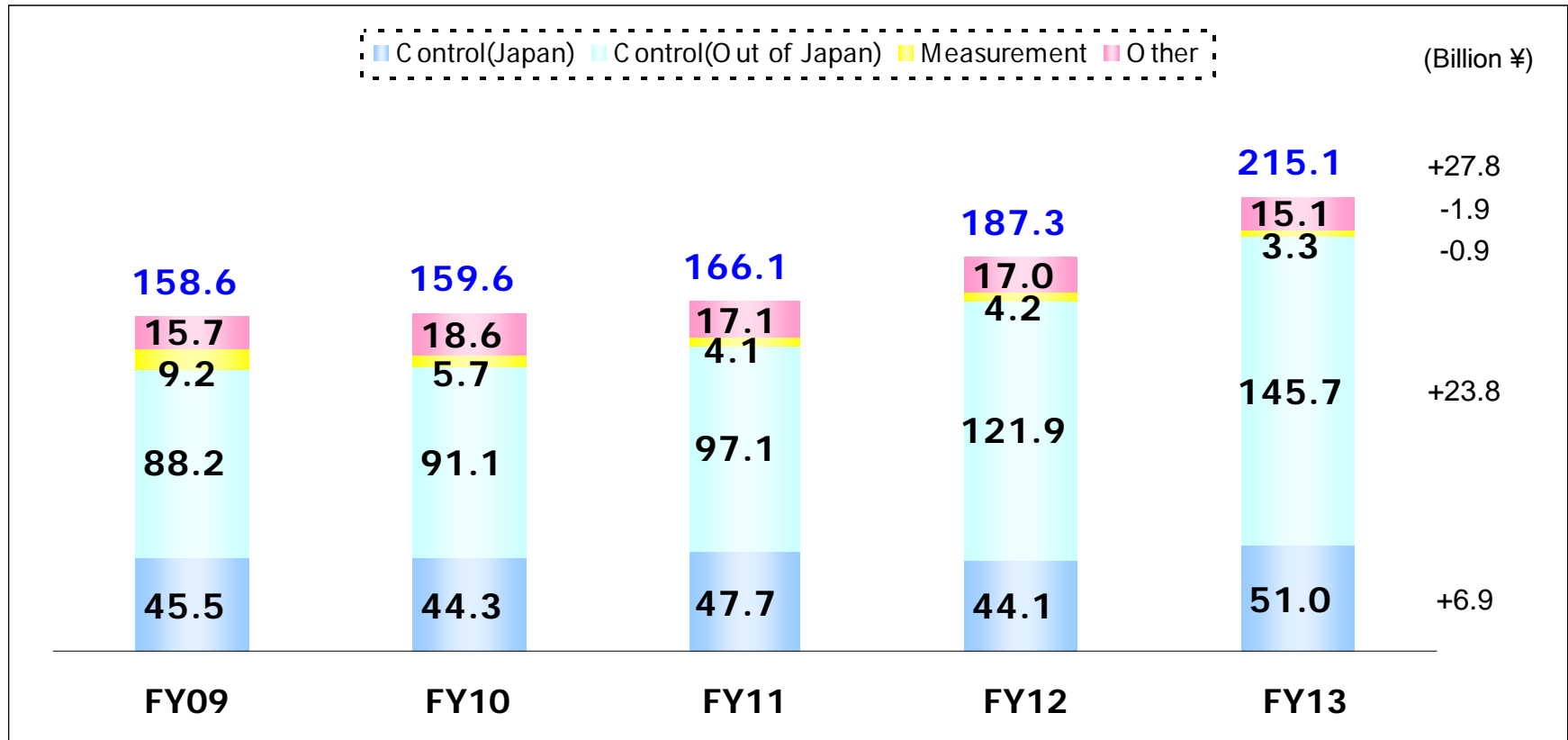


(Billion ¥)

	FY13 results	FY14 Forecast	Difference
Control	24.2	26.0	1.8
Measurement	1.0	1.5	0.5
Other	0.7	0.5	(0.2)
Total	25.9	28.0	2.1

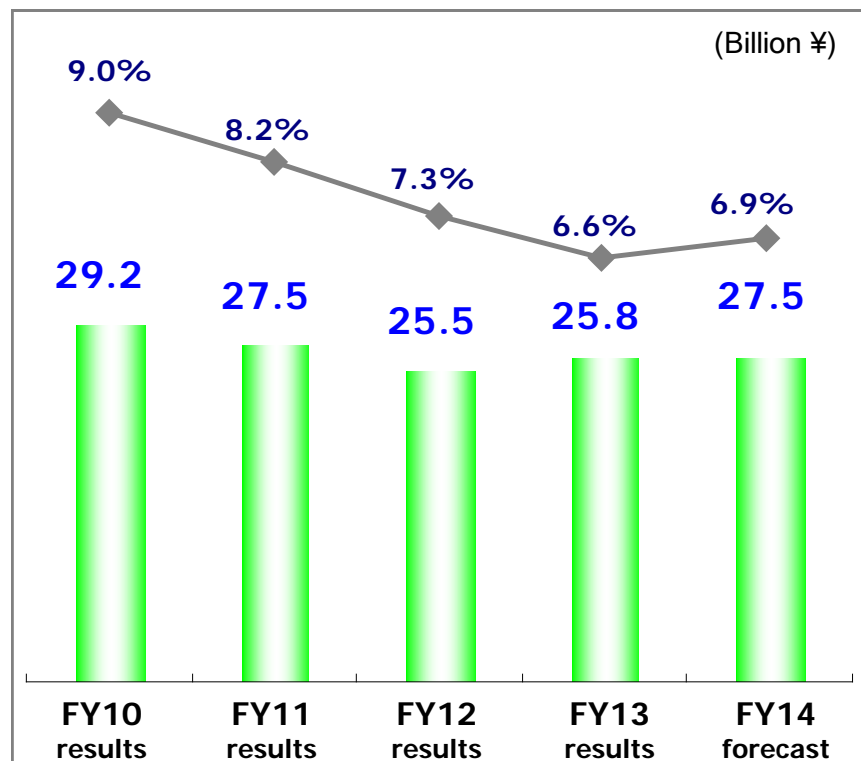
- Control: Due to the higher sales, the FY14 operating income target is up from FY13. The operating income to sales ratio is also expected to improve.
- Measurement: The FY14 operating income target is up from FY13 due to the impact of the discontinuation of unprofitable businesses.

Trend of Order Backlog by Segment

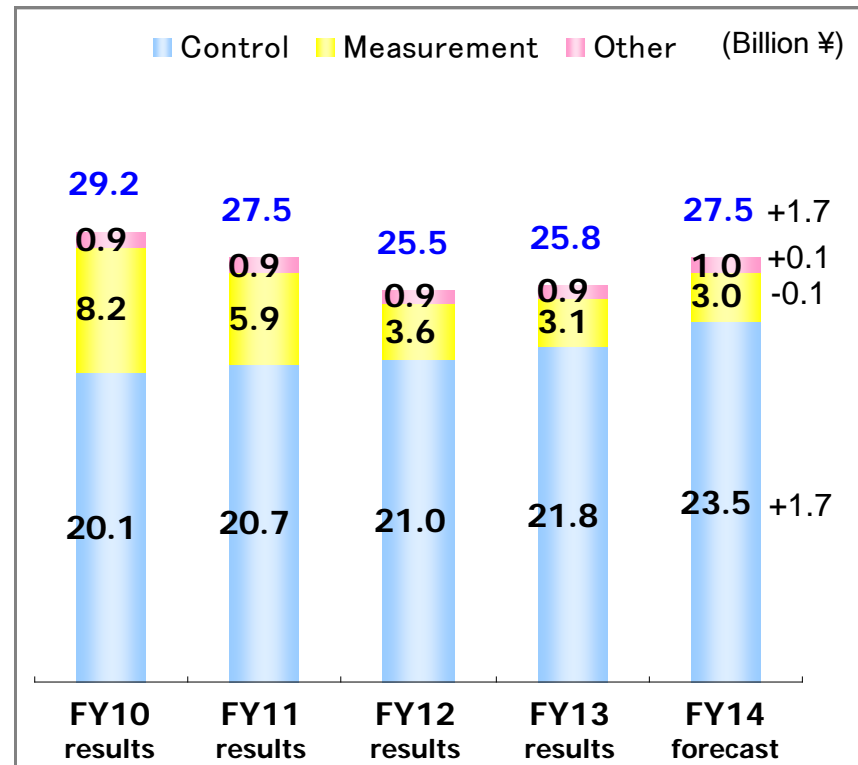


◆ The order backlog for the non-Japan control segment increased significantly in FY13.

Trend of R&D Expenses

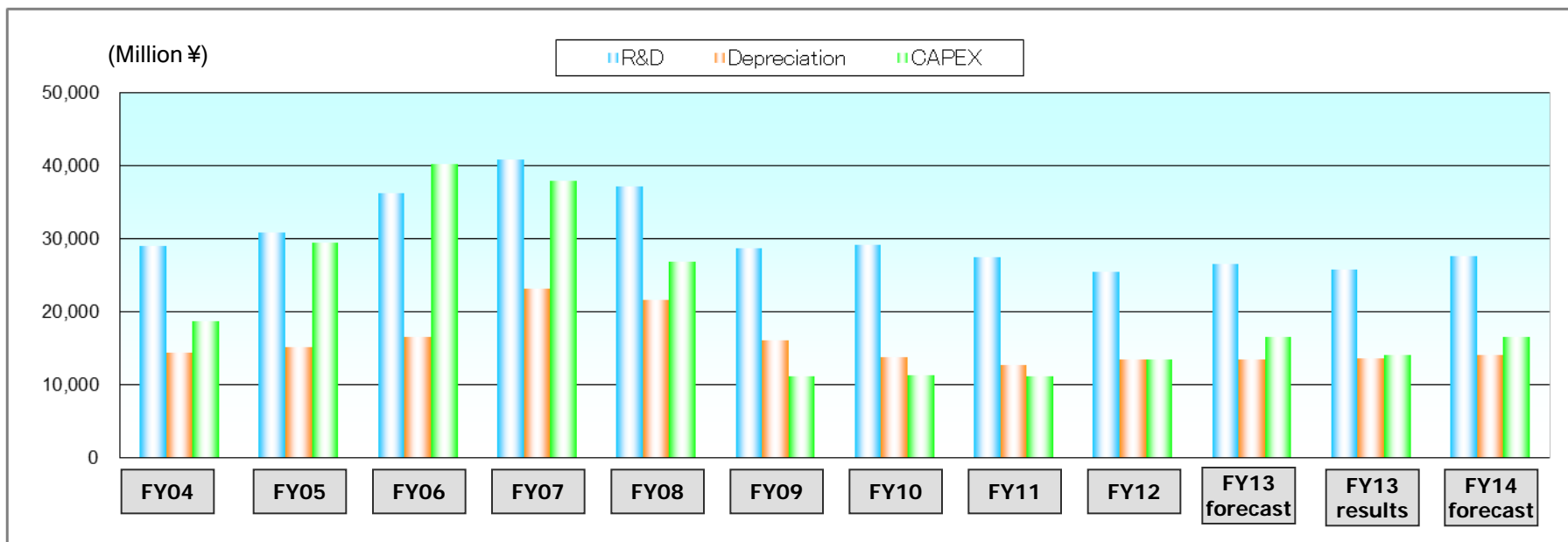


Trend of R&D Expenses by Segment



- A ¥1.7 billion increase in R&D expenses is forecast due to an increased emphasis on the development of control products.

R&D Expenses, Depreciation, and CAPEX

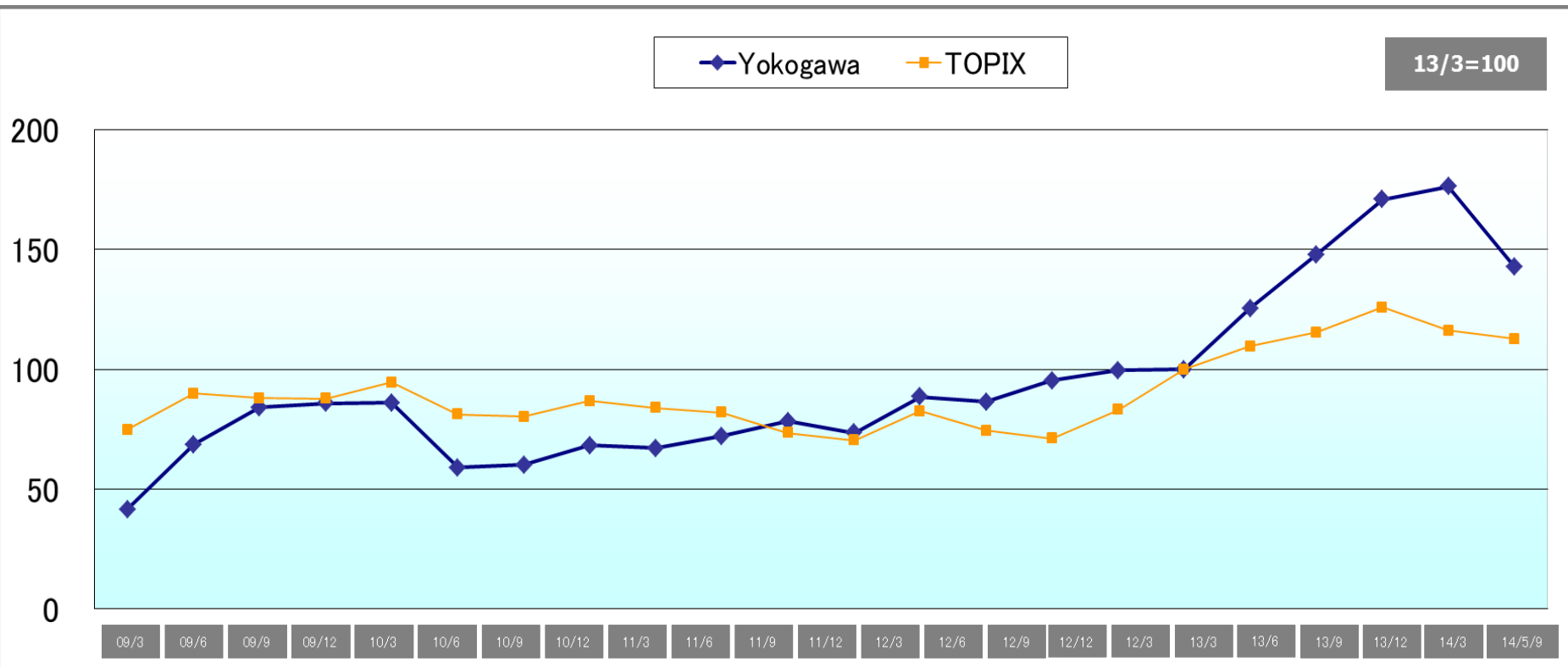


(Million ¥)

	FY04	FY05	FY06	FY07	FY08	FY09	FY10	FY11	FY12	FY13 forecast (5/14)	FY13 results	FY14 forecast
R&D expenses	28,998	30,917	36,223	40,875	37,229	28,786	29,179	27,472	25,477	26,500	25,824	27,500
(% of sales)	7.5%	8.0%	8.4%	9.3%	9.9%	9.1%	9.0%	8.2%	7.3%	6.9%	6.6%	6.9%
Depreciation	14,331	15,124	16,483	23,129	21,615	16,033	13,836	12,756	13,496	13,500	13,551	14,000
(% of sales)	3.7%	3.9%	3.8%	5.3%	5.7%	5.1%	4.2%	3.8%	3.9%	3.5%	3.5%	3.5%
CAPEX	18,652	29,540	40,284	37,990	26,813	11,125	11,337	11,143	13,468	16,500	14,006	16,500
(% of sales)	4.8%	7.6%	9.3%	8.7%	7.1%	3.5%	3.5%	3.3%	3.9%	4.3%	3.6%	4.1%

- As specified in the Evolution 2015 mid-term business plan, CAPEX in FY14 will mainly focus on the implementation of growth strategies for the control segment.

Trend of Stock Price



	09/3	09/6	09/9	09/12	10/3	10/6	10/9	10/12	11/3	11/6	11/9	11/12	12/3	12/6	12/9	12/12	13/3	13/6	13/9	13/12	14/3	14/5/9
Yokogawa	42	69	84	86	86	59	60	68	67	72	78	73	88	86	95	99	100	125	148	171	176	143
TOPIX	75	90	88	88	95	81	80	87	84	82	74	70	83	74	71	83	100	110	115	126	116	113

February

- 13 LNG carrier control system order for Ichthys project in Australia
- 19 Receipt of Frost & Sullivan 2014 Global Enabling Technology Leadership Award in wireless solutions category
- 27 Release of CQ1 confocal quantitative image cytometer



March

- 11 Monitoring system order from Bangalore Water Supply and Sewerage Board in India

April

- 25 Yokogawa Solution Service Corporation certified for compliance with IACS cyber security management system standard, a world first

May

- 13 Decision to discontinue takeover defense measures

Note: The date for each news item indicates when it was published.