Yokogawa Electric Corporation
Daiwa Investment Conference Tokyo 2015

Reduce blind spots
Avoid surprises
Preempt bottlenecks

March 3, 2015
Takashi Nishijima
President and Chief Operating Officer
◆ Brief history

Takashi Nishijima

April 1981 Joined the company

~Upon joining the company, worked in development and marketing of field instruments~

October 2008  Head of Control Products Business Center, Industrial Automation Business Headquarters
April  2010  President of Yokogawa Meters & Instruments Corporation
June  2011  Director
April  2012  Director and Senior Vice President, Head of IA Platform Business Headquarters
April  2013  President and Chief Operating Officer
Contents

① Corporate profile
   ・Corporate information
   ・Our business (business model, customers, market share)
   ・Our strengths

② Yokogawa until now
   ・Review of business structural reform strategy
   ・Review of financial strategy

③ Current situation
   ・FY14 forecast

④ Future direction
   ・Direction of new mid-term business plan

⑤ Closing

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① Corporate profile

Corporate data, our business, our strengths
## Corporate Information

<table>
<thead>
<tr>
<th>Category</th>
<th>Value</th>
</tr>
</thead>
<tbody>
<tr>
<td>Company name:</td>
<td>Yokogawa Electric Corporation</td>
</tr>
<tr>
<td>Founded:</td>
<td>September 1, 1915</td>
</tr>
<tr>
<td>Capital stock:</td>
<td>43.401 billion Yen</td>
</tr>
<tr>
<td>Consolidated net sales:</td>
<td>388.5 billion Yen</td>
</tr>
<tr>
<td>Operating income:</td>
<td>25.9 billion Yen</td>
</tr>
<tr>
<td>Net income:</td>
<td>12.3 billion Yen</td>
</tr>
<tr>
<td>R&amp;D expenses/sales ratio:</td>
<td>6.6%</td>
</tr>
<tr>
<td>Employees:</td>
<td>19,837 (Outside Japan 11,404 Japan 8,433)</td>
</tr>
<tr>
<td>Shareholder equity ratio:</td>
<td>46.9%</td>
</tr>
<tr>
<td>Dividend:</td>
<td>12 Yen (Dividend per share)</td>
</tr>
<tr>
<td>Market cap:</td>
<td>350 billion Yen ※At the end of Feb 2015 (2013 results)</td>
</tr>
</tbody>
</table>
The Yokogawa Philosophy

As a company, our goal is to contribute to society through broad-ranging activities in the areas of measurement, control, and information.

Individually, we aim to combine good citizenship with the courage to innovate.

(Announced in January 1988)

Standards of Business Conduct for the Yokogawa Group

I. Basic Principles of the Yokogawa Group

Winning customer satisfaction is the start to gaining the trust of shareholders and all concerned people in the community and society.

II. Basic Attitude of the Yokogawa Group

～Shareholders～

We use, maintain and enhance corporate assets efficiently and effectively to win the trust of our shareholders. We openly and accurately disclose corporate and management information to our shareholders. We maintain a sound and clear relationship with our shareholders.
100 year History

Global business expansion

86 affiliates in 56 countries

1915
Founded by Dr. Tamisuke Yokogawa

1915 - Founded by Dr. Tamisuke Yokogawa
1950 - First electronic recorders in Japan
1975 - World’s 1st DCS: CENTUM
1979 - World’s 1st vortex flowmeter
1994 - World’s 1st fully digital transmitter with silicon resonant sensor
1986 - China
1987 - India, Australia
1990 - Middle East
1992 - Brazil
1994 - World’s 1st fully digital transmitter with silicon resonant sensor
1995 - Russia, South Africa
1996 - World’s largest DCS-PJT
2000 - World’s 1st MAC-PJT
2005 - World’s 1st ISA95 compliant real-time MES package
2009 - World’s 1st ISA95 compliant real-time MES package
2010 - World’s 1st ISA100 compliant field devices
2014 - World’s 1st smart configurable I/O: CENTUM VP

100th anniversary

1973 Singapore
1974 Europe
1975
1979 World’s 1st vortex flowmeter
1985
1986 China
1987 India, Australia
1990 Middle East
1992 Brazil
1994 World’s 1st fully digital transmitter with silicon resonant sensor
1995 Russia, South Africa
1996 World’s largest DCS-PJT
2000 World’s 1st MAC-PJT
2005 World’s 1st ISA95 compliant real-time MES package
2009 World’s 1st ISA95 compliant real-time MES package
2010 World’s 1st ISA100 compliant field devices
2014 World’s 1st smart configurable I/O: CENTUM VP

1957 USA
1965
1974 Europe

1996 World’s largest DCS-PJT

2005
2015

1973 Singapore
1974 Europe
1975
1979 World’s 1st vortex flowmeter
1985
1986 China
1987 India, Australia
1990 Middle East
1992 Brazil
1994 World’s 1st fully digital transmitter with silicon resonant sensor
1995 Russia, South Africa
1996 World’s largest DCS-PJT
2000 World’s 1st MAC-PJT
2005 World’s 1st ISA95 compliant real-time MES package
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2015/3/3
FY13 Sales Breakdown (Total: 388.5 billion yen)

**Industrial automation and control**
- Total: 336.4 billion yen
- 87%

**Test and Measurement**
- 27.8 billion yen (7%)

**Other**
- 24.3 billion yen (6.8%)

- **DCS**
- **Field instruments**
- **Gyrocompasses**
- **Flat panel displays**
- **WT3000**
- **CSU-X1**

**Business Segments**
Features of Control Business

Keywords:
“Long term” and “Onsite/localization”

① Long-term
  • High reliability (24/365 operation)
  • Continual proposal of solutions and provision of support (40-year plant lifecycle)

② Onsite/localization
  • Knowledgeable about site operations and able to respond to changes
  • Staying close to customers = localization (service infrastructure)
Control Sales by Geographical Location

FY13 non-Japan (mainly Asia and the Middle East) sales / ratio at a record high

Doubling of non-Japan sales in 10 years

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<table>
<thead>
<tr>
<th>&lt;Average exchange rate&gt;</th>
<th>FY04</th>
<th>FY05</th>
<th>FY06</th>
<th>FY07</th>
<th>FY08</th>
<th>FY09</th>
<th>FY10</th>
<th>FY11</th>
<th>FY12</th>
<th>FY13</th>
</tr>
</thead>
<tbody>
<tr>
<td>US dollar (Yen)</td>
<td>107.46</td>
<td>113.09</td>
<td>117.00</td>
<td>113.80</td>
<td>100.66</td>
<td>92.61</td>
<td>85.13</td>
<td>78.82</td>
<td>83.33</td>
<td>100.67</td>
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<tr>
<td>Euro (Yen)</td>
<td>134.90</td>
<td>137.81</td>
<td>150.33</td>
<td>162.26</td>
<td>143.28</td>
<td>130.68</td>
<td>143.28</td>
<td>109.34</td>
<td>107.40</td>
<td>135.24</td>
</tr>
</tbody>
</table>
Recent Major Projects

- **Yamal LNG PJT**
  - Yamgaz, a consortium of Technip and JGC

- **Turceni thermal power plant pollution abatement PJT**, Romania

- **Angola FPSO BP**

- **PETRO Rabigh 1,2 PJT**
  - Saudi Aramco and Sumitomo Chemical Co.

- **Taneco Phase I oil and petrochemical PJT**, Tatarstan

- **Dushanzi oil refining and ethylene project CNPC**

- **Sakhalin 2 crude oil and natural gas development PJT**

- **Shell Nanhai petrochemical complex PJT**
  - Shell & CNOOC

- **USGC petrochemicals PJT**
  - Chevron Phillips Chemical Company

- **Sabine Pass LNG PJT**
  - Cheniere Energy Partners

- **Shell Norco chemical reinstrumentation program**

- **Ichthys LNG PJT / Ichthys JV**
  - Added: LNG carrier control system

- **Mong Duong 2 coal-fired power plant, Vietnam**

- **Malaysian International Shipping Corporation/Tenaga and Seri class LNG carriers**

- **Rapid PJT (FEED*) PETRONAS**

- **Map Ta Phut Olefins Co., Ltd. petrochemical plant complex construction PJT**

- **Shell Nanhai petrochemical complex PJT**

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- **Mong Duong 2 coal-fired power plant, Vietnam**

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- **Added: LNG carrier control system**

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*FEED = Front End Engineering Design*
DCS Market Share in 2013

Global market share
(market size US$16.14bn)

Global market share for petrochemicals

Yokogawa DCS sales: 186.2 billion yen (+19.5 billion yen)

Energy related about 80%

Petrochemical & chemical

LNG, oil & gas

Water & wastewater

Power

Refining

Pulp & paper

Metals & mining

Others (food & beverage, pharmaceutical, cement & glass and others)

Source: ARC Distributed Control Systems Worldwide Outlook MARKET ANALYSIS AND FORECAST THROUGH 2018

Source: Company data

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Yokogawa Strengths

Integration

① Line-up of highly reliable, high quality products

② Superior project management capabilities as MAC

③ Extensive knowledge of industries and high-level engineering capabilities

④ Close-knit services through localization

MAC = Main Automation Contractor
② Yokogawa until now

Review of business structural reform strategy
Review of financial strategy
Profits generated by the control business have been covering losses in the measurement business and investments in new businesses.

◆ Basic policy for the portfolio review
  • Focus resources on the control business.
  • Maintain and develop the company’s core measurement technologies.
  • Quickly select and establish new businesses.
  • Discontinue loss-making businesses.
Completion of Structural Reforms

End of March 2008

Control
- Information business
  - Medical information
    - Japan System Techniques Co., Ltd

Measurement
- Semiconductor testers
- Advanced stage
- Photonics
- Life science
- Measuring instruments
  - Yokogawa Digital Computer Corporation

Other
- Kokusai Chart Corporation

Now

Control
- Spin-off
- Transfer
- Transfer/Withdrawal
- Transfer/Withdrawal
- Withdrawal
- Withdrawal from MEG* business
- Spin-off
- Transfer

Measurement
- Transfer

Other
- Transfer

*MEG= Magnetoencephalograph
Financial Review: Sales, Operating Income

Continual revamp of finances: higher sales and profits forecast for FY14

<table>
<thead>
<tr>
<th></th>
<th>FY04 (million yen)</th>
<th>FY05</th>
<th>FY06</th>
<th>FY07</th>
<th>FY08</th>
<th>FY09</th>
<th>FY10</th>
<th>FY11</th>
<th>FY12</th>
<th>FY13</th>
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<tbody>
<tr>
<td>Sales</td>
<td></td>
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<td></td>
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<tr>
<td></td>
<td>387,053</td>
<td>388,877</td>
<td>433,405</td>
<td>437,448</td>
<td>376,534</td>
<td>316,606</td>
<td>325,620</td>
<td>334,668</td>
<td>347,899</td>
<td>388,463</td>
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<tr>
<td>Annual change</td>
<td>(%)</td>
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<td></td>
<td></td>
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<tr>
<td></td>
<td>4.1%</td>
<td>0.5%</td>
<td>11.5%</td>
<td>0.9%</td>
<td>-13.9%</td>
<td>-15.9%</td>
<td>2.8%</td>
<td>2.8%</td>
<td>4.0%</td>
<td>11.7%</td>
</tr>
<tr>
<td>Operating income</td>
<td>(million yen)</td>
<td>24,756</td>
<td>25,320</td>
<td>29,274</td>
<td>27,412</td>
<td>4,707</td>
<td>2,619</td>
<td>11,079</td>
<td>16,601</td>
<td>18,409</td>
</tr>
<tr>
<td>Operating income on sales</td>
<td>(%)</td>
<td>6.4%</td>
<td>6.5%</td>
<td>6.8%</td>
<td>6.3%</td>
<td>1.3%</td>
<td>0.8%</td>
<td>3.4%</td>
<td>5.0%</td>
<td>5.3%</td>
</tr>
</tbody>
</table>

Sales and profits increasing 4 consecutive years
Financial Review: Net Income, ROE

Thanks to structural reforms, net income and ROE forecast to improve significantly in FY14.
With investment ongoing, FCF was at a record high in FY13 and is on track to hitting Evolution 2015 target.

<table>
<thead>
<tr>
<th></th>
<th>FY09</th>
<th>FY10</th>
<th>FY11</th>
<th>FY12</th>
<th>FY13</th>
</tr>
</thead>
<tbody>
<tr>
<td>Operating CF</td>
<td>21.4</td>
<td>16.2</td>
<td>12.9</td>
<td>17.4</td>
<td>30.1</td>
</tr>
<tr>
<td>(Investment CF)</td>
<td>8.2</td>
<td>8.2</td>
<td>5.1</td>
<td>9.9</td>
<td>16.2</td>
</tr>
<tr>
<td>(Free CF)</td>
<td>(13.2)</td>
<td>(8.0)</td>
<td>(7.8)</td>
<td>(7.5)</td>
<td>(13.9)</td>
</tr>
</tbody>
</table>

Target: 60 billion yen FCF in 5 years.
③ Current Situation Including FY14 Forecast
Orders might level out from time to time, but long-term prospects for growth are good. (laying of foundation for sustainable growth)

In response to accelerating changes in our business environment, we are optimizing our operations to emphasize the importance of turning a profit. (at a turning point).

The IT revolution and globalization will lead to creation of new markets (new business opportunities for Yokogawa)
While a short-term decline in the oil price is always possible, this situation will correct itself due to strong energy demand driven by the continued development of the global economy.

Source: IEA World Energy Outlook (Released on November 12, 2014)
1. **Accelerate implementation of long-term growth strategy.**

Avoid being distracted by short-term factors: make investments with a long-term perspective.

2. **Respond to a changing business environment by taking enhanced measures to improve profits.**

Implement measures that will put the company on a strong financial footing and increase profitability.
FY14 Forecast, Mid-term Business Plan

Business plan for FY15

While growing the IA and control business,

- **Sales**
  - FY15 plan: ¥400 billion
- **Operating income**
  - FY15 plan: ¥40 billion
- **Operating income-to-sales ratio**
  - FY15 plan: 10%
- **EPS**
  - FY15 plan: ¥100 or more

- **Debt-to-equity ratio**
  - FY15 plan: 40%
- **Equity ratio**
  - FY15 plan: 50%

In general, making good progress due to completion of structural changes and impact of changes in foreign exchange rates

- Aiming for further growth while responding to market changes
- Laying a foundation for the next growth phase
4 Yokogawa’s Future Direction
Achieving the Evolution 2015 targets and paving the way to make us the global No.1 company in IA put the company in a strong financial position.

### Long-term vision

**Become global No. 1 company in IA and control business**

Capture largest share of market

### Business plan for FY15

<table>
<thead>
<tr>
<th>Metric</th>
<th>Target</th>
</tr>
</thead>
<tbody>
<tr>
<td>Sales</td>
<td>¥400 billion</td>
</tr>
<tr>
<td>Operating income</td>
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</tr>
<tr>
<td>Operating income-to-sales ratio</td>
<td>10%</td>
</tr>
<tr>
<td>EPS</td>
<td>¥100 or more</td>
</tr>
<tr>
<td>Equity ratio</td>
<td>50%</td>
</tr>
<tr>
<td>Debt-to-equity ratio (D/E)</td>
<td>40%</td>
</tr>
</tbody>
</table>

Exchange rate: 1$=¥80, 1€=¥110
New mid-term business plan

1. Management with a long-term perspective
2. Aiming for both growth and efficiency
3. Maximizing our corporate value by placing a top priority on optimizing our value as a business

The next mid-term business plan will be announced in FY15.
With gratitude to all for the support received over the past 100 years

Aiming to be more than just a manufacturer, Yokogawa is transforming itself into a global enterprise that generates high added value with its solutions.

Expect great things from Yokogawa
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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