Yokogawa Electric Corporation

Yokogawa Industrial Automation – Solutions Service Business –

Reduce blind spots
Avoid surprises
Preempt bottlenecks

SEE CLEARLY
KNOW IN ADVANCE
ACT WITH AGILITY

October 31, 2014
Takashi Nishijima
President and Chief Operating Officer

vigilantplant.
The clear path to operational excellence
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   ④ Yokogawa’s Strengths
### 1. Present Business Environment

#### ① FY14 Revised Forecast, Dividend

<table>
<thead>
<tr>
<th>&lt;FY14 forecast&gt;</th>
<th>FY13 results</th>
<th>FY14 revised forecast</th>
<th>Difference</th>
<th>Growth rate</th>
</tr>
</thead>
<tbody>
<tr>
<td>Orders</td>
<td>406.0</td>
<td>417.0</td>
<td>11.0</td>
<td>2.7%</td>
</tr>
<tr>
<td>Sales</td>
<td>388.5</td>
<td>400.0</td>
<td>11.5</td>
<td>3.0%</td>
</tr>
<tr>
<td>Operating income</td>
<td>25.9</td>
<td>28.0</td>
<td>2.1</td>
<td>8.1%</td>
</tr>
<tr>
<td>Ordinary income</td>
<td>25.7</td>
<td>26.0</td>
<td>0.3</td>
<td>1.2%</td>
</tr>
<tr>
<td>Net income</td>
<td>12.3</td>
<td>Not finalized</td>
<td>–</td>
<td>–</td>
</tr>
</tbody>
</table>

| Exchange rate (¥) | 1$= 100.67 yen | 1€= 135.24 yen | 100.00 yen | 135.00 yen | -0.67 yen | -0.24 yen | - 0.1% | - 0.2% |

#### FY14 dividend

<table>
<thead>
<tr>
<th>1H</th>
<th>2H</th>
<th>Total</th>
</tr>
</thead>
<tbody>
<tr>
<td>6 yen</td>
<td>Not finalized</td>
<td>Not finalized</td>
</tr>
</tbody>
</table>

We are soliciting applications from employees for a voluntary retirement program. The number of applicants is not yet known, and therefore it is difficult to rationally assess extraordinary losses.
1. Present Business Environment

2. Two Major Challenges

- Intensifying competition in high-growth markets outside Japan
- Structural change in Japan
- Structural change in control business

A tough situation for securing a profit

Two major challenges

- Business restructuring must outpace rapid market change
- Achieving real growth (excluding impact of exchange rates)

Priority measures:

1. Measures for accelerating growth

1-1. Establish solutions service business model and expand business
1-2. Expand product portfolio for focus industries
1-3. Inject resources in high-growth markets

2. Enhanced measures for improving profitability

2-1. Reduce costs for Japan business
2-2. Enhance cost competitiveness (mainly Japan production costs)
2-3. Improve efficiency through global optimization
③ Enhanced Measures for Improving Profitability

2-1. Reduce costs for Japan business
   - Review current business processes and functions, and optimize cost structure

2-2. Enhance cost competitiveness (mainly Japan production costs)
   - Improve efficiency at main Japan factory

2-3. Improve efficiency through global optimization
   - Strengthen global effort to reduce procurement costs
   - Make more effective use of global engineering resources

Achieve sustainable growth
2. Yokogawa Industrial Automation — Solutions Service Business —

① Present Business Model and Solutions Service Business

**Greenfield**
- **Design/construction**
- Business planning
- Delivery and start-up of complete system

**Brownfield**
- **Operation**
- Replace or scrap

**Plant lifecycle**

- **[Our main solutions and services]**
  - FEED
  - Detailed design
  - Engineering
  - Combined test
  - Delivery, start-up

- **[Conventional services]**
  - Maintenance
    - Annual maintenance contract
  - System replacement
    - Replacement cycle
  - System upgrade/ modification to expand functions
    - Improvement of
      - Efficiency
      - Quality
      - Safety
      - Energy use

- **[Solutions service business]**
  - Optimize existing operations by providing mainly instrumentation solutions and services
Differences Between Non-Japan and Japan Businesses

【Non-Japan business】
- Increasing number of greenfield projects → Strong competition, somewhat lower gross margin
- Strengthen track record by getting more brownfield projects

【Japan business】
- Mostly brownfield projects → Less competition, somewhat higher gross margin
  This market expected to decline

Forte industries
- Limited: oil & gas, petrochemicals
  Market share
  Much room for growth

Forte industries
- Many
  Market share
  already high

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2. Yokogawa Industrial Automation – Solutions Service Business –

③ Developing Vertically and Horizontally to Expand Business

Increasingly complex, rapidly changing business environment → Rising need for flexibility, speed, and efficiency through sharing and integration of info at/between each level of organization
2. Our Industrial Automation – Solutions Service Business –

4. Yokogawa’s Strengths

Prerequisite for integration of info from each level:
→ Detailed knowledge of customer operations

Yokogawa’s strengths: Our extensive knowhow and experience in optimizing customer operations, and having the right people who can put this to use.
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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