

Yokogawa Electric Corporation

Financial Results for Fiscal Year 2012

May 14, 2013

Hiroshi Suzuki, Senior Vice President

Summary of FY12 Results

1. In FY12, Yokogawa continued to strive for growth by focusing on the industrial automation and control business outside Japan, which remained strong thanks to the growth in energy-related investment, while steadily carrying out structural reforms of the measurement segment. As a result, orders, net sales, and operating income were up from FY11.

Control segment: Orders and sales were up from FY11 as a result of the implementation of growth strategies mainly in emerging and resource-rich countries and in regions such as North America, where shale gas development surged. Operating income, however, was down from FY11, when demand was buoyed by reconstruction following the Great East Japan Earthquake, and this has also been negatively impacted by an increase in orders for less profitable large-scale projects.

Measurement segment: Orders and sales were down from FY11 due to factors including slower growth in demand for measuring instruments, the withdrawal from the photonics business, and the discontinuation of the semiconductor tester business. Meanwhile, thanks mainly to structural reforms that reduced fixed costs and R&D expenditure, the operating loss shrank.

2. Ordinary income rose due to such factors as higher operating income and foreign exchange gains. Net income also rose as a result of recording extraordinary income from the sale of idle assets. (Billion ¥)

	FY11 Results (A)	FY12 Budget	FY12 Results (B)	Difference (B-A)
Orders	344.1	356.0	354.5	10.4
Sales	334.7	347.0	347.9	13.2
Operating income	16.6	20.0	18.4	1.8
Ordinary income	14.0	17.0	18.0	4.0
Net income	6.0	13.5	14.7	8.7

Comparison of FY12/11 Financial Results

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(Billion ¥)

	FY11	FY12	Growth rate	Difference
Orders	344.1	354.5	3.0 %	10.4
Sales	334.7	347.9	4.0 %	13.2
Operating income	16.6	18.4	10.9 %	1.8
(ROS)	5.0%	5.3%	—	0.3%
Ordinary income	14.0	18.0	28.2 %	4.0
(ROS)	4.2%	5.2%	—	1.0%
Net income	6.0	14.7	146.8 %	8.7
(ROS)	1.8%	4.2%	—	2.4%

- Much of the increase in orders and sales can be attributed to the strong performance of the control segment outside Japan, which more than made up for the impact of lower demand in measuring instruments, the withdrawal from the photonics business, and the discontinuation of the semiconductor tester business (impact of exchange rate: ¥5.4 billion increase in orders, ¥5 billion increase in sales).
- Operating income increased due to such factors as higher sales and the positive results of structural reforms in the measurement segment.
- Net income was up significantly due to such factors as extraordinary income from the sale of idle assets.

FY12 Financial Results

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(Billion ¥)

		FY11 Results	FY12			
			Budget 5/11	Budget 2/8 (A)	Results (B)	Difference (B-A)
Orders		344.1	350.0	356.0	354.5	(1.5)
Sales		334.7	339.0	347.0	347.9	0.9
Operating income		16.6	19.0	20.0	18.4	(1.6)
Ordinary income		14.0	16.0	17.0	18.0	1.0
Net income		6.0	13.0	13.5	14.7	1.2
Exchange rate (¥)	1\$ =	78.82	79.00	82.00	83.33	1.33
	1€ =	109.34	100.00	106.00	107.40	1.40

- Although the control segment surpassed its orders target by ¥0.6 billion, the measurement segment came up ¥3 billion short. Overall, orders missed the 2/8 target.

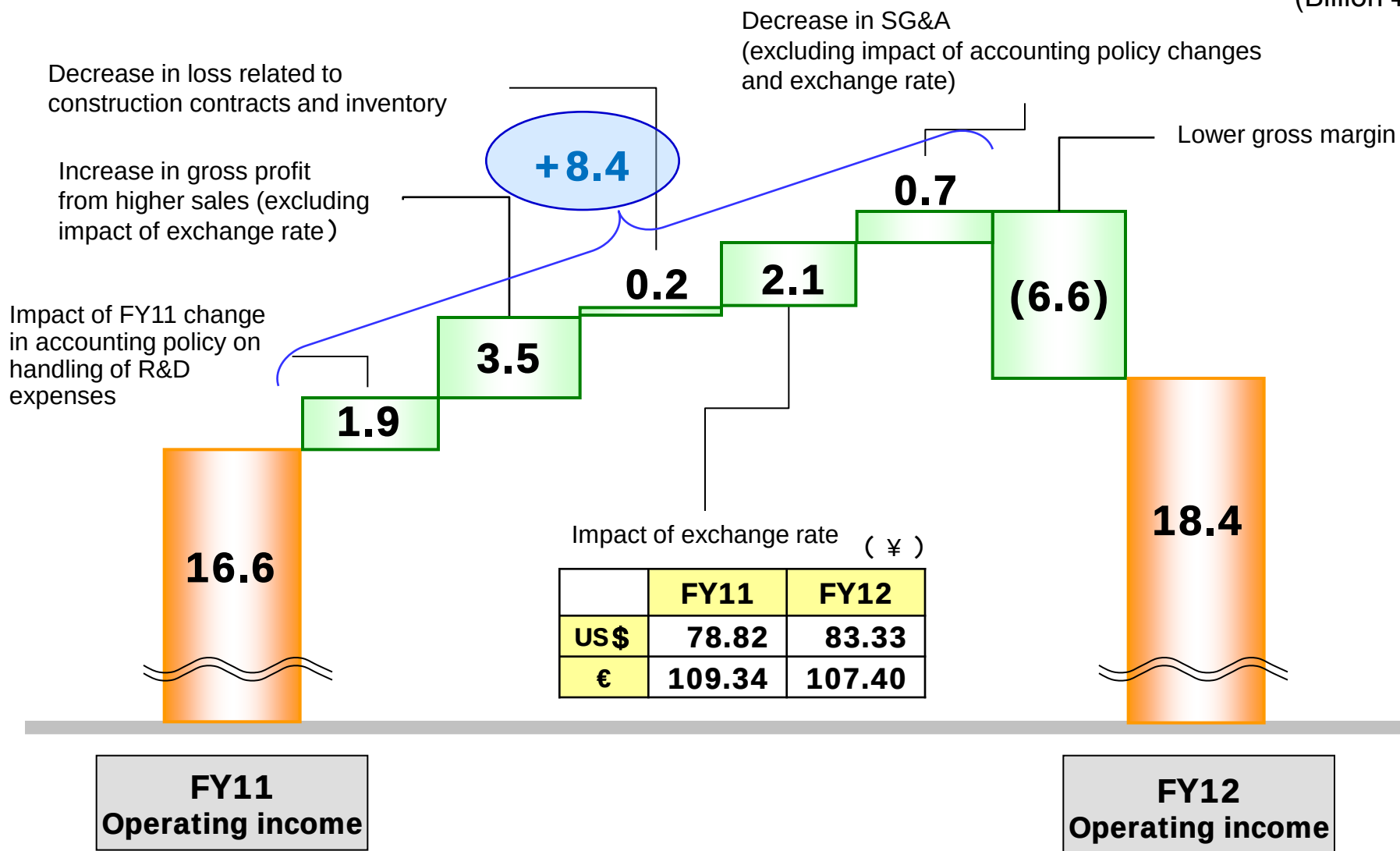
- Although the measurement segment came up ¥1 billion short of the 2/8 target, overall sales were on track because the control segment surpassed its target by ¥1.7 billion.

- Operating income was below the 2/8 target. This can be attributed to lower profits, which caused the control segment to fall ¥2.5 billion short of its target.

Analysis of FY12 Operating Income

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(Billion ¥)



Quarterly Financial Results

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(Billion ¥)

	FY11					FY12				
	1Q	2Q	3Q	4Q	Total	1Q	2Q	3Q	4Q	Total
Orders	95.0	84.0	75.2	89.9	344.1	91.3	84.7	84.1	94.4	354.5
Sales	70.0	87.8	75.7	101.2	334.7	75.0	89.6	77.4	105.9	347.9
Operating income	0.5	6.3	2.5	7.3	16.6	2.9	5.9	1.3	8.3	18.4

Non-operating / Extraordinary Income and Expenses

(Billion ¥)

	FY11	FY12
Operating income	16.6	18.4
Non-operating income	3.4	4.1
Non-operating expenses	6.0	4.5
Ordinary income	14.0	18.0
Extraordinary income	1.8	4.1
Extraordinary expenses	4.1	1.6
Income before tax	11.7	20.5
Tax, etc.	5.7	5.8
Net income	6.0	14.7

Impact of foreign exchange rate:
¥0.4 billion loss in FY11
¥0.4 billion gain in FY12

Interest paid:
¥2.7 billion in FY11
¥2.2 billion in FY12

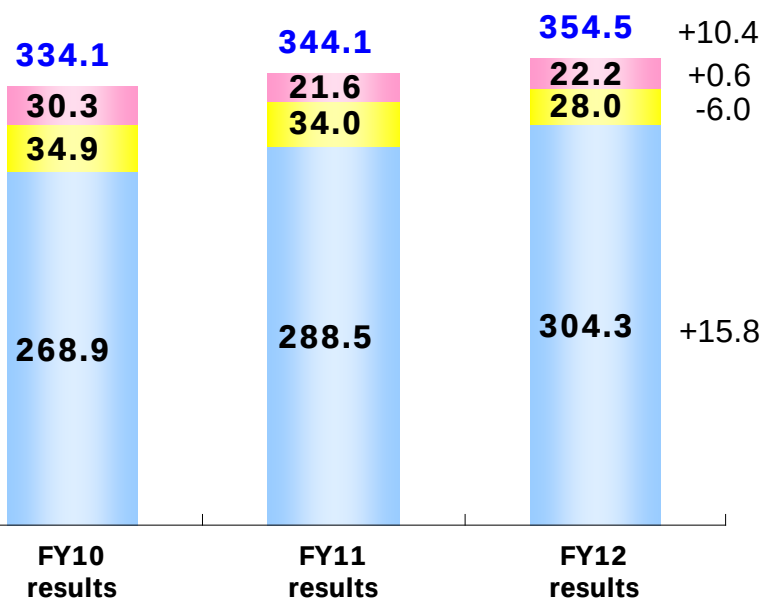
Gain on sale of fixed assets:
¥4.0 billion

Impaired fixed assets: ¥1.4 billion

FY11/FY12 Comparison for Orders and Sales by Segment

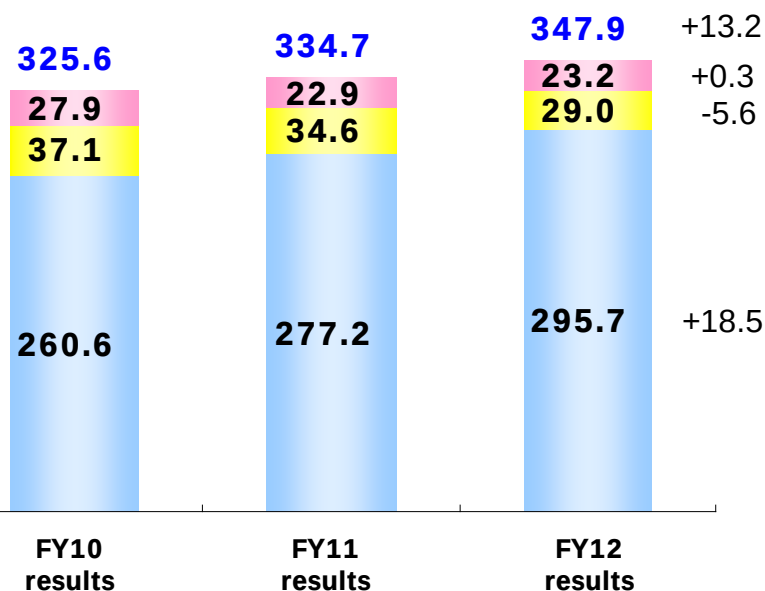
Orders

Control Measurement Other (Billion ¥)



Sales

Control Measurement Other (Billion ¥)



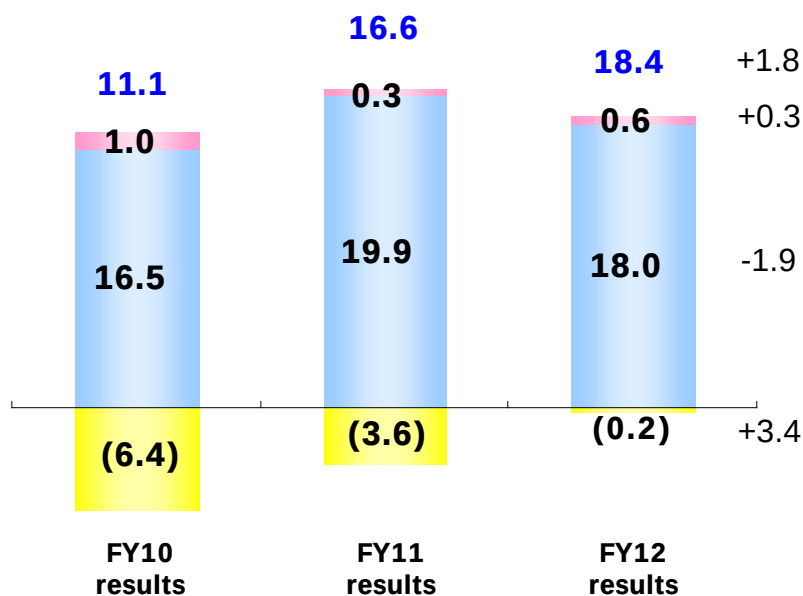
- Control: Despite bleak results in Japan, overall orders and sales were up because of steady growth in demand in energy-related markets outside Japan and the weak yen (impact: ¥4.9 billion increase in orders, ¥4.7 billion increase in sales)

- Measurement: Orders and sales were down due mainly to the slowdown in demand for measuring instruments, the withdrawal from the photonics business, and the discontinuation of the semiconductor tester business.

FY11/FY12 Comparison for Operating Income by Segment

Operating Income

■ Control ■ Measurement ■ Other (Billion ¥)



(Billion ¥)

	FY11 results	FY12 results	Difference
Control	19.9	18.0	(1.9)
Measurement	(3.6)	(0.2)	3.4
Other	0.3	0.6	0.3
Total	16.6	18.4	1.8

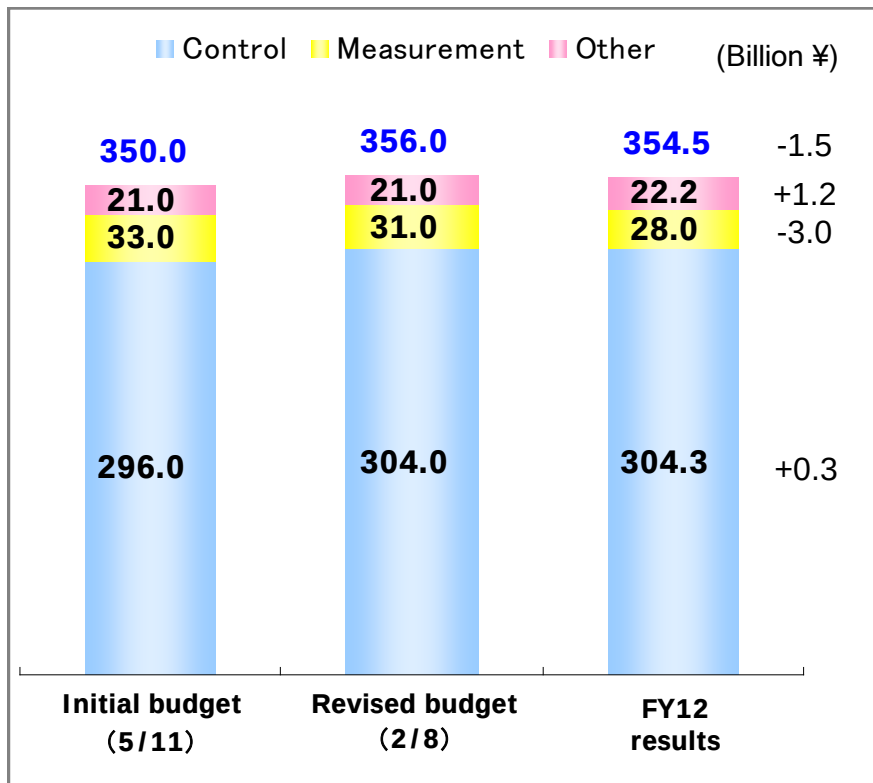
- Control: Operating income decreased because of the discontinuation of earthquake recovery-related business activities and an increase in orders for large projects, which tend to use fewer in-house products.

- Measurement: The operating loss declined as a result of business structural reforms that reduced fixed costs and R&D expenses.

FY12 Budget and Results Comparison for Orders and Sales by Segment

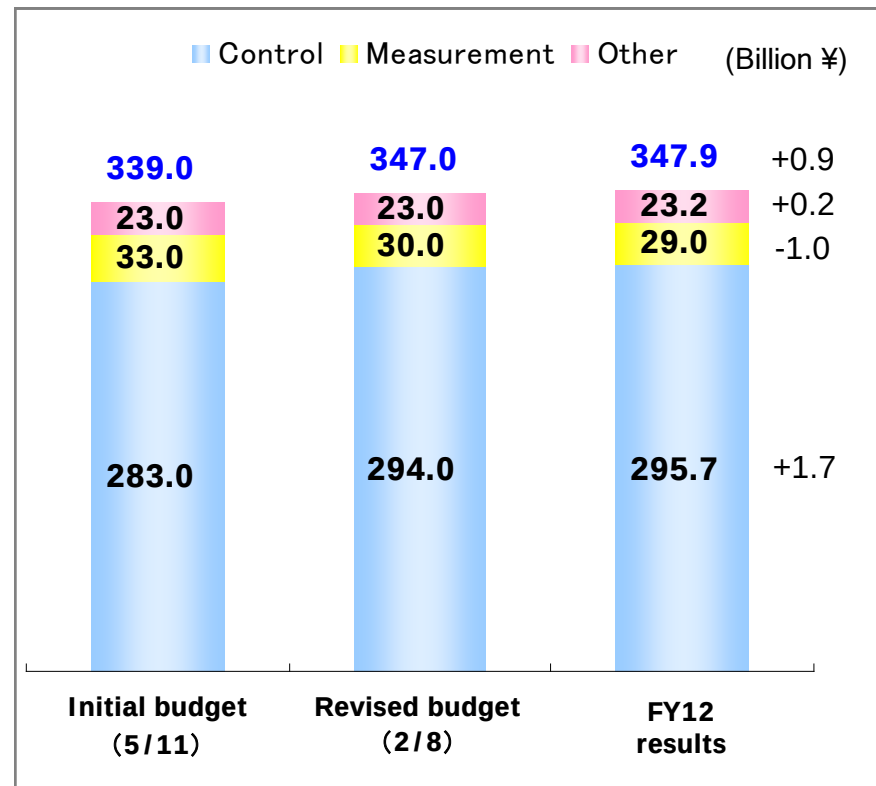
Orders

Control Measurement Other (Billion ¥)



Sales

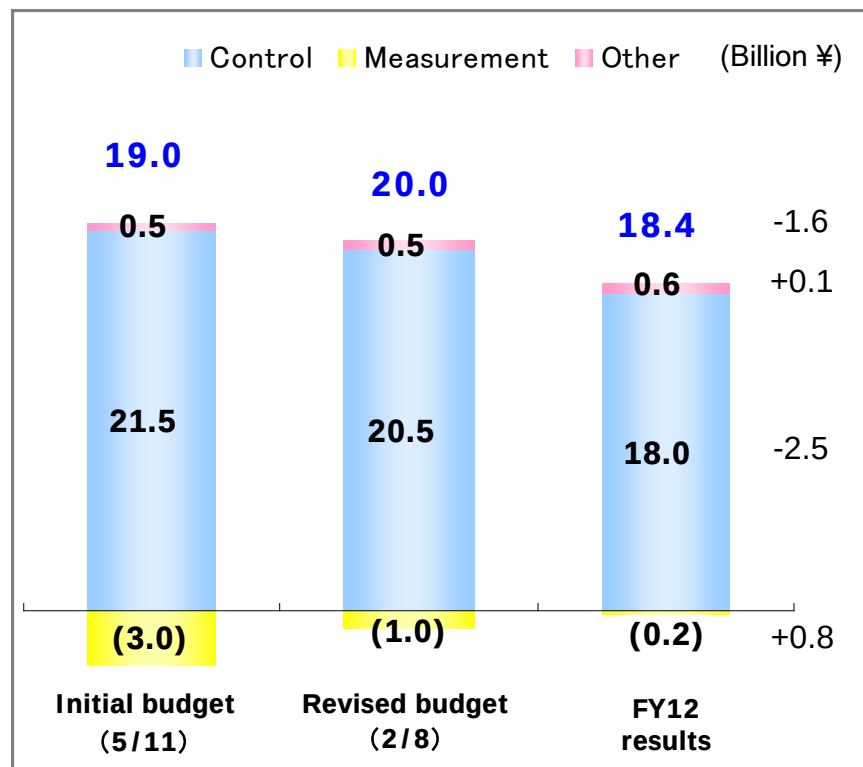
Control Measurement Other (Billion ¥)



- Control: Both orders and sales met the 2/8 target due to strong demand in emerging/resource-rich countries and North America.
- Measurement: Both orders and sales missed the 2/8 target because of factors such as weaker demand for measuring instruments.

FY12 Budget and Results Comparison for Operating Income by Segment

Operating Income



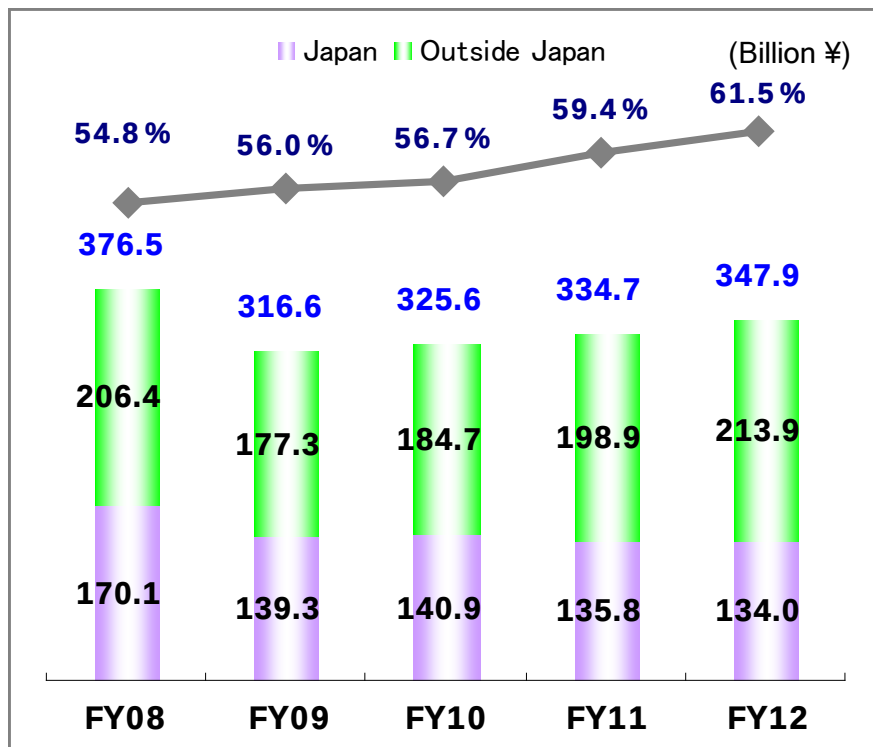
(Billion ¥)

	FY12 budget (2/8)	FY12 results	Difference
Control	20.5	18.0	(2.5)
Measurement	(1.0)	(0.2)	0.8
Other	0.5	0.6	0.1
Total	20.0	18.4	(1.6)

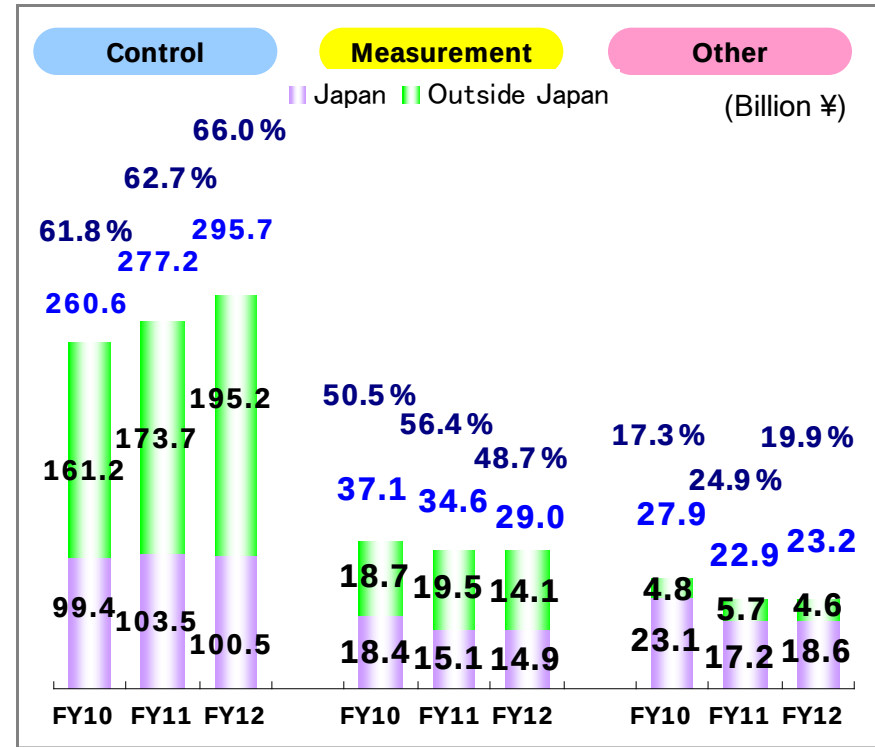
- Control: Although this segment exceeded its FY12 sales target, the operating income target was missed due to the discontinuation of March 11 earthquake recovery-related business activities and an increase in orders for large projects, which tend to be less profitable because they use fewer in-house products.
- Measurement: The operating loss met the 2/8 target due to the good results of structural reforms that included the discontinuation of the semiconductor tester business.

Trend of Global Sales

Total



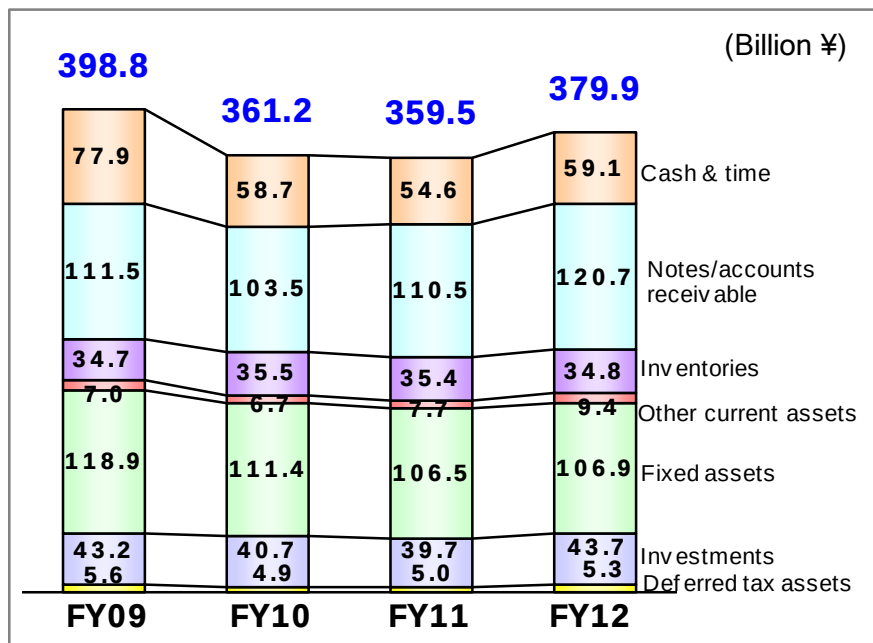
By Segment



- The percentage of sales generated outside Japan was up from FY11 due mainly to higher non-Japan sales for the control segment.

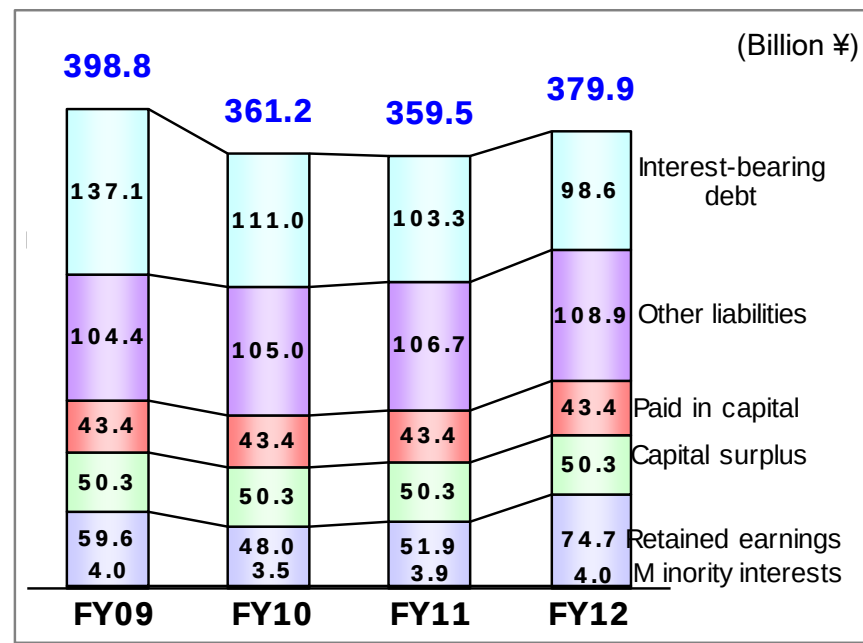
Trend of Balance Sheet

Assets



	FY09	FY10	FY11	FY12
Total asset turnover	0.79	0.86	0.93	0.92
Shareholders' equity ratio	38.5 %	39.2 %	40.5 %	44.3 %

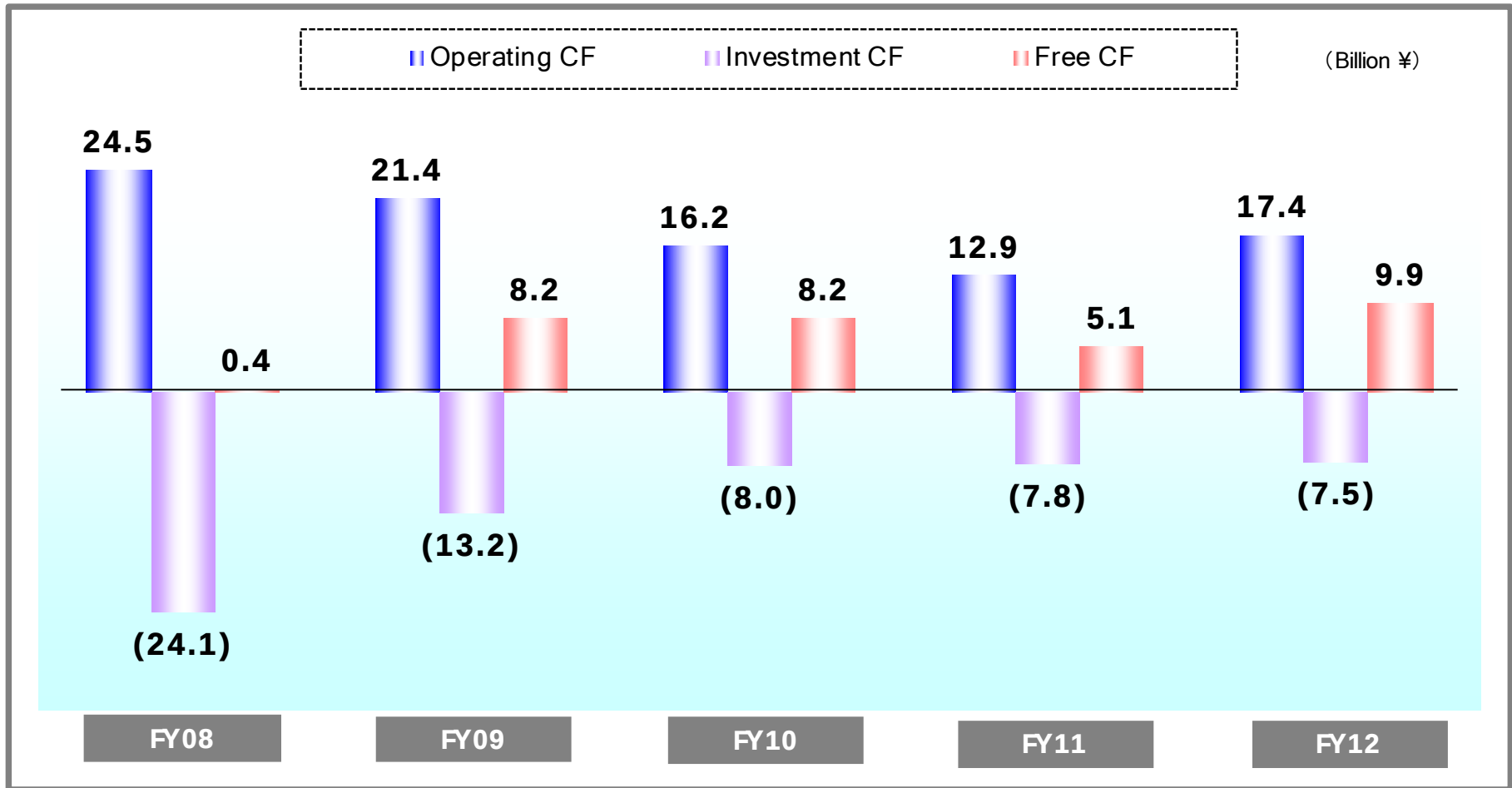
Liabilities and Shareholders' Equity



	FY09	FY10	FY11	FY12
Debt / equity ratio	89.4 %	78.3 %	70.9 %	58.6 %
Interest-bearing debt ratio	34.4 %	30.7 %	28.7 %	26.0 %

- The FY12 Shareholders' equity ratio improved from FY11 due to an increase in shareholders' equity and a decrease in interest-bearing debt.

Trend of Cash Flow



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

(Billion ¥)

		FY11 Results	FY12 Results (A)	FY13 Budget (B)	Difference (B-A)
Orders		344.1	354.5	390.0	35.5
Sales		334.7	347.9	385.0	37.1
Operating Income		16.6	18.4	24.0	5.6
Ordinary Income		14.0	18.0	21.5	3.5
Net Income		6.0	14.7	13.5	(1.2)
Exchange rate (¥)	1\$ = 1€ =	78.82 109.34	83.33 107.40	90.00 120.00	6.67 12.6

- The orders and sales targets are up from FY12 as good results are anticipated in the control segment (¥35.7 billion increase in orders, ¥36.3 billion increase in sales).
- The operating income target has also been raised because of an anticipated increase in sales for the control segment and the expectation that the measurement segment will go back into the black thanks to the completion of the withdrawal from unprofitable businesses.
- The net income target is down from FY12, when extraordinary income was recorded from the sale of idle assets.

FY13 Budget for Non-operating / Extraordinary Income and Expenses

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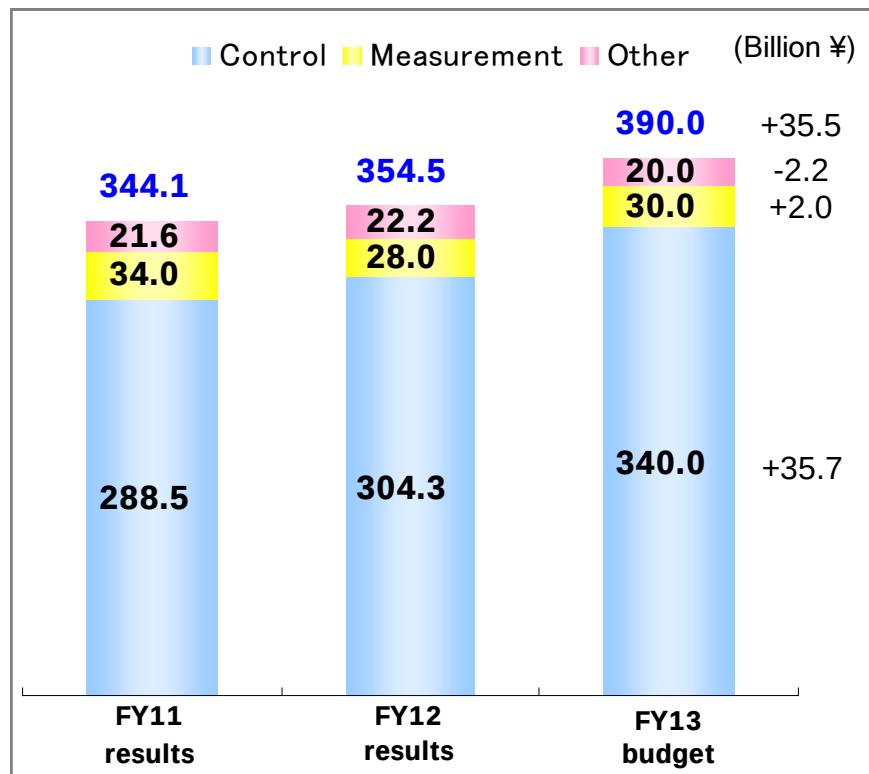
(Billion ¥)

	FY11 Results	FY12 Results	FY13 Budget
Operating income	16.6	18.4	24.0
Non-operating income	3.4	4.1	(2.5)
Non-operating expenses	6.0	4.5	
Ordinary income	14.0	18.0	21.5
Extraordinary income	1.8	4.1	(1.0)
Extraordinary expenses	4.1	1.6	
Income before tax	11.7	20.5	20.5
Tax, etc.	5.7	5.8	7.0
Net income	6.0	14.7	13.5

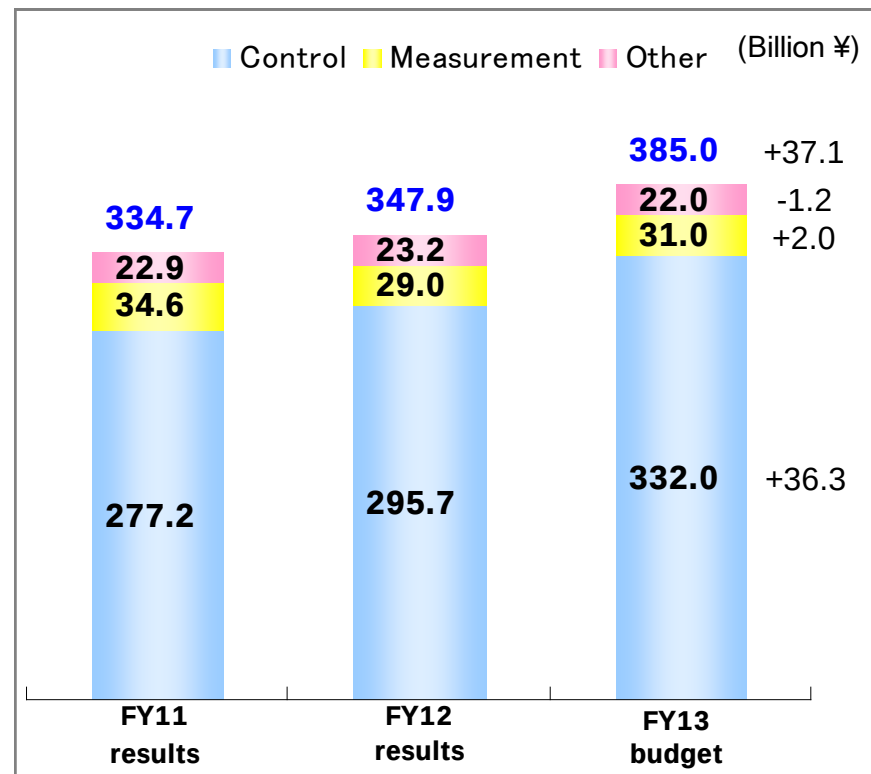
- No major non-operating expense or income items are planned.

FY13 Budget for Orders and Sales by Segment

Orders



Sales

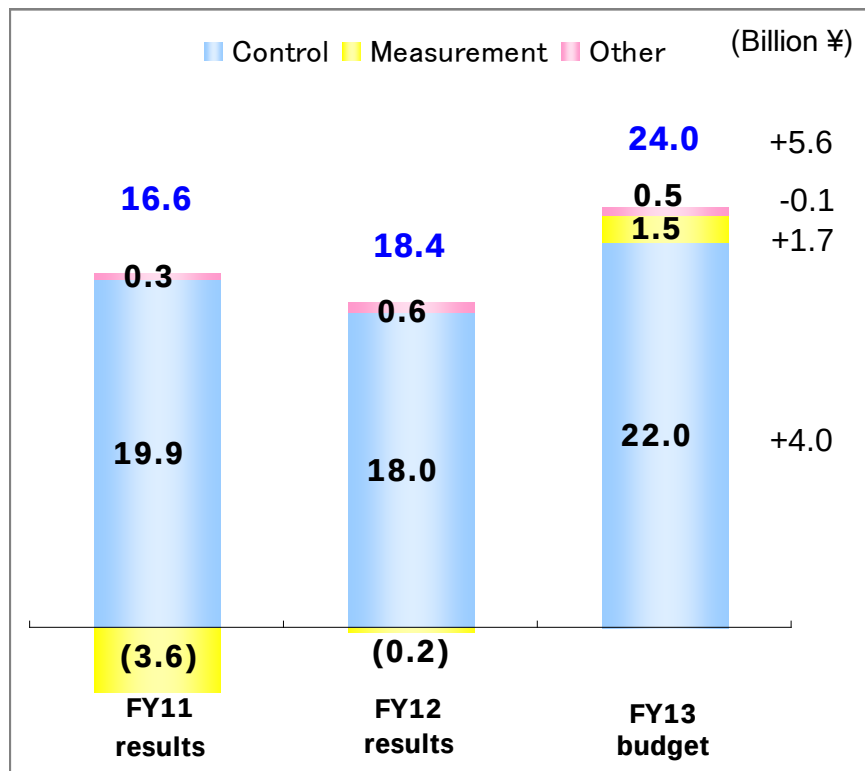


- Control: The targets for orders and sales are up significantly as steady growth in energy-related business is expected mainly in emerging nations and in North America, where the development of shale gas resources is proceeding at a rapid pace.

- Measurement: Although a recovery in demand for measuring instruments is still uncertain, the orders and sales targets have been raised because of the anticipated impact of factors such as new product releases.

FY13 Budget for Operating Income by Segment

Operating income



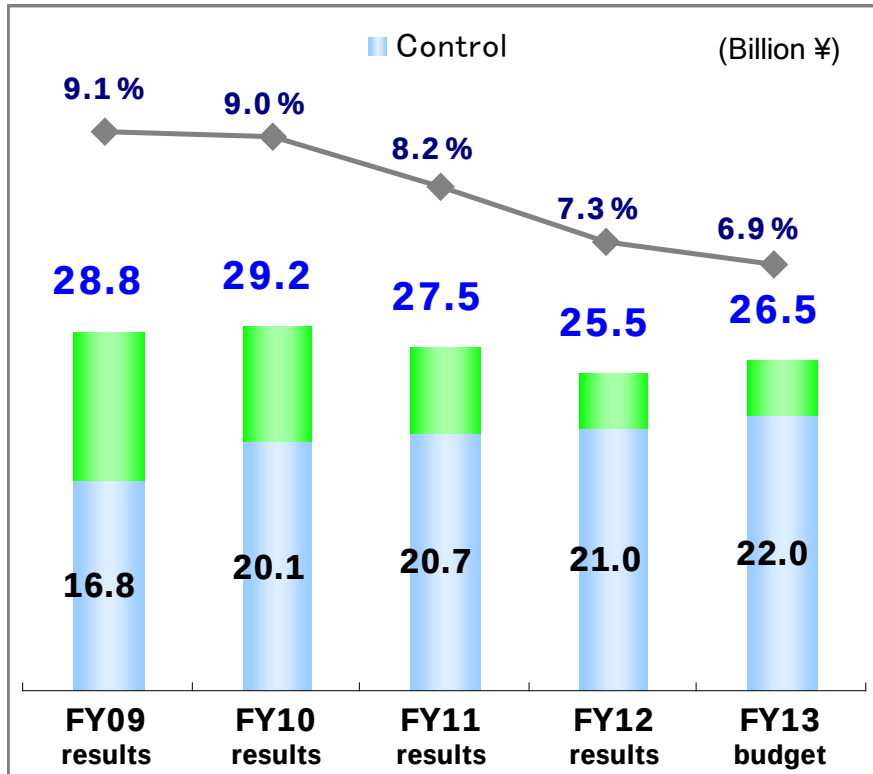
(Billion ¥)

	FY12 results	FY13 budget	Difference
Control	18.0	22.0	4.0
Measurement	(0.2)	1.5	1.7
Other	0.6	0.5	(0.1)
Total	18.4	24.0	5.6

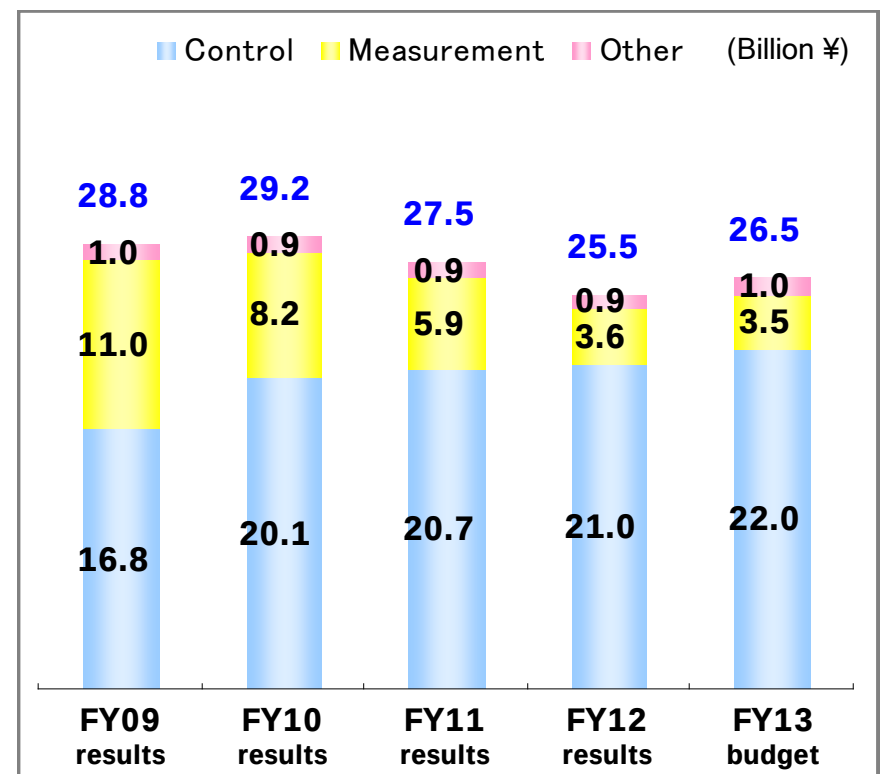
- Control: The FY13 operating income target is up only slightly from FY12. Improving profitability for this segment will be a major task in FY13.
- Measurement: This is expected to get back into the black and generate operating income in FY13 due mainly to anticipated higher sales for measuring instruments.

Trend of R&D Expenses

Total

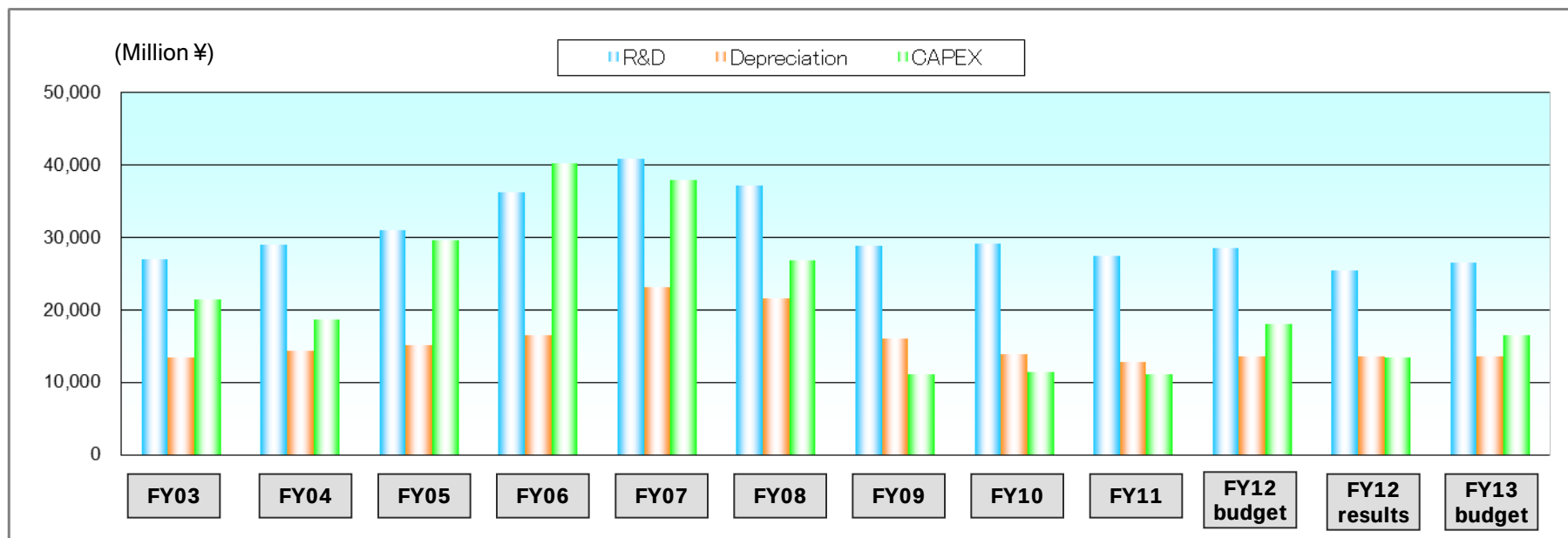


By Segment



- A ¥1 billion increase in R&D expenses has been budgeted for the control segment to strengthen our product development capability.

R&D Expenses, Depreciation, and CAPEX

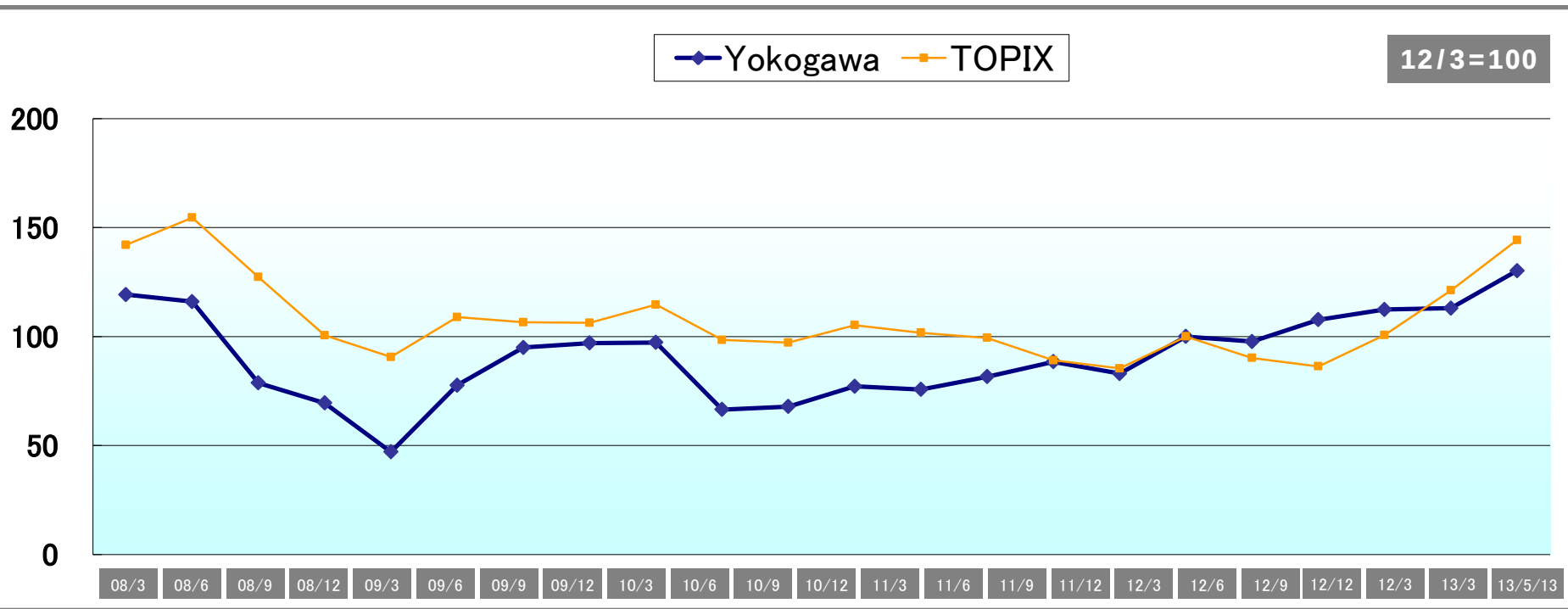


(Million ¥)

	FY03	FY04	FY05	FY06	FY07	FY08	FY09	FY10	FY11	FY12 budget (2/8)	FY12 results	FY13 budget
R&D expenses	26,991	28,998	30,917	36,223	40,875	37,229	28,786	29,179	27,472	28,500	25,477	26,500
(% of sales)	7.3%	7.5%	8.0%	8.4%	9.3%	9.9%	9.1%	9.0%	8.2%	8.2%	7.3%	6.9%
Depreciation	13,455	14,331	15,124	16,483	23,129	21,615	16,033	13,836	12,756	13,500	13,496	13,500
(% of sales)	3.6%	3.7%	3.9%	3.8%	5.3%	5.7%	5.1%	4.2%	3.8%	3.9%	3.9%	3.5%
CAPEX	21,355	18,652	29,540	40,284	37,990	26,813	11,125	11,337	11,143	18,000	13,468	16,500
(% of sales)	5.7%	4.8%	7.6%	9.3%	8.7%	7.1%	3.5%	3.5%	3.3%	5.2%	3.9%	4.3%

- As specified in the Evolution 2015 mid-term business plan, FY13 CAPEX will be dedicated mainly to the implementation of growth strategies for the control segment.

Trend of Stock Price



	08/3	08/6	08/9	08/12	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	13/5/13
Yokogawa	998	971	659	582	394	650	795	812	814	557	568	646	634	683	740	695	837	818	902	941	946	1,090
TOPIX	1,213	1,320	1,087	859	774	930	910	908	979	841	830	899	869	849	761	729	854	770	737	860	1,035	1,232

	08/3	08/6	08/9	08/12	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	12/9	13/3	13/5/13
Yokogawa	119	116	79	70	47	78	95	97	97	67	68	77	76	82	88	83	100	98	108	112	113	130
TOPIX	142	155	127	101	91	109	107	106	115	98	97	105	102	99	89	85	100	90	86	101	121	144

March

- 22** Control system orders for large combined cycle power plants in Egypt
- 28** Control system order for bi-directional LNG plant in the U.S.

April

- 1** Appointment of Chairman Kaihori and President Nishijima (announced on January 22, 2013)
- 1** Launch of Yokogawa Solution Service Corporation, reorganizing sales and services for Japan IA and control business (announced on July 24, 2012)
- 9** Ammonia technology alliance with KBR
- 18** Control systems order for Yeosu Power Plant in Korea
- 24** Release of FIELDEYE II all-weather CCD color camera for plant monitoring

FC33U non-explosionproof pan-tilt zoom
CCD camera



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

