

Yokogawa Electric Corporation

Our Groupwide Approach for Fiscal Year 2013

May 14, 2013

Takashi Nishijima, President and Chief Operating Officer

FY2012 Results

(Billion ¥)

	FY11 results	FY12 budget (A)	FY12 results (B)	Difference (B-A)
Orders	344.1	356.0	354.5	(1.5)
Sales	334.7	347.0	347.9	0.9
Operating income	16.6	20.0	18.4	(1.6)
Ordinary income	14.0	17.0	18.0	1.0
Net income	6.0	13.5	14.7	1.2

Positioning of FY09-10

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

- 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

Completion of
discontinuation of loss-
making businesses

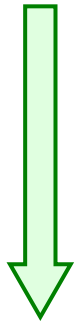
Achieving the Evolution 2015 targets and paving the way to make us the global No.1 company in IA

~2015 2016~

Business plan for FY15



While growing the IA and control business,



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

Exchange rate: 1\$=¥80, 1€=¥110

put the company in a strong financial position.

Equity ratio	50%
Debt-to-equity ratio (D/E)	40%

Long-term vision

Become global No. 1 company in IA and control business

Capture largest share of market

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

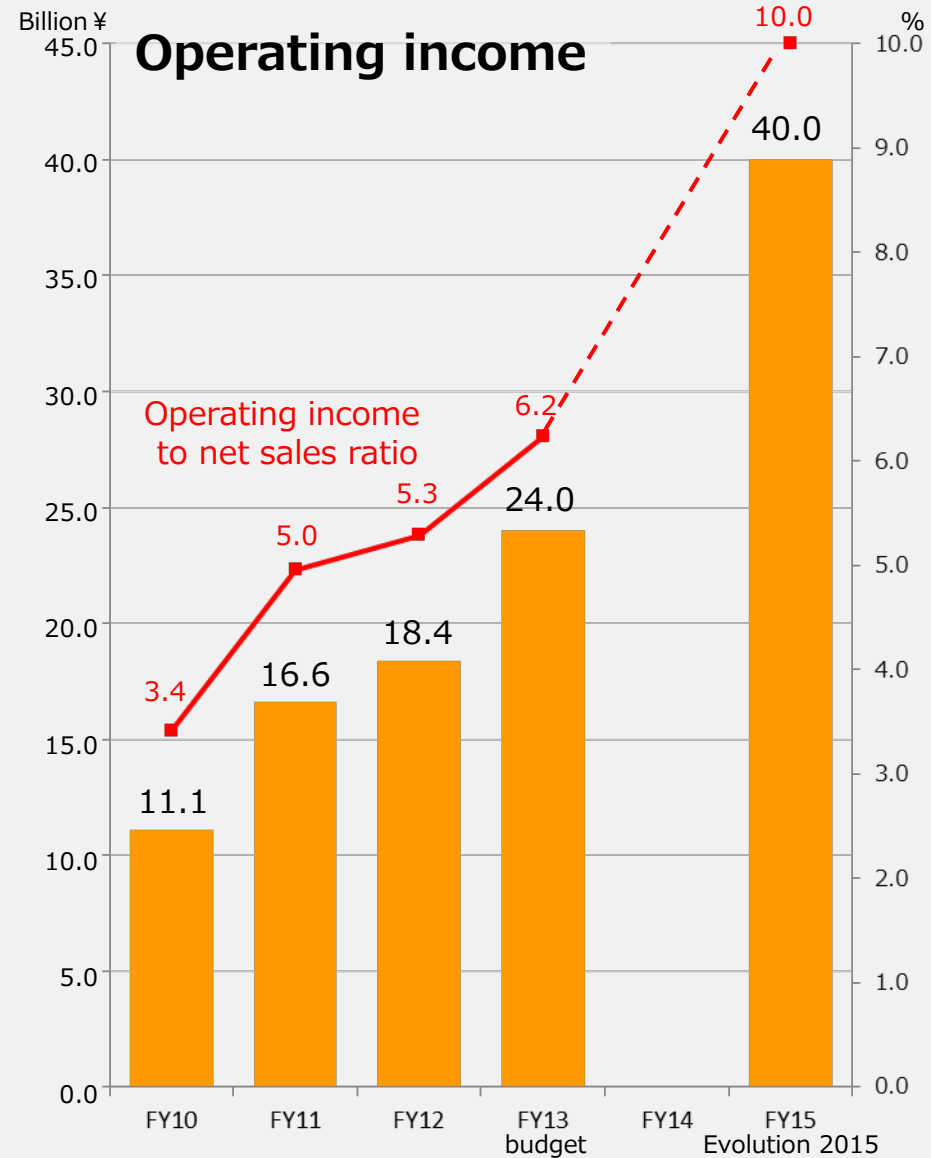
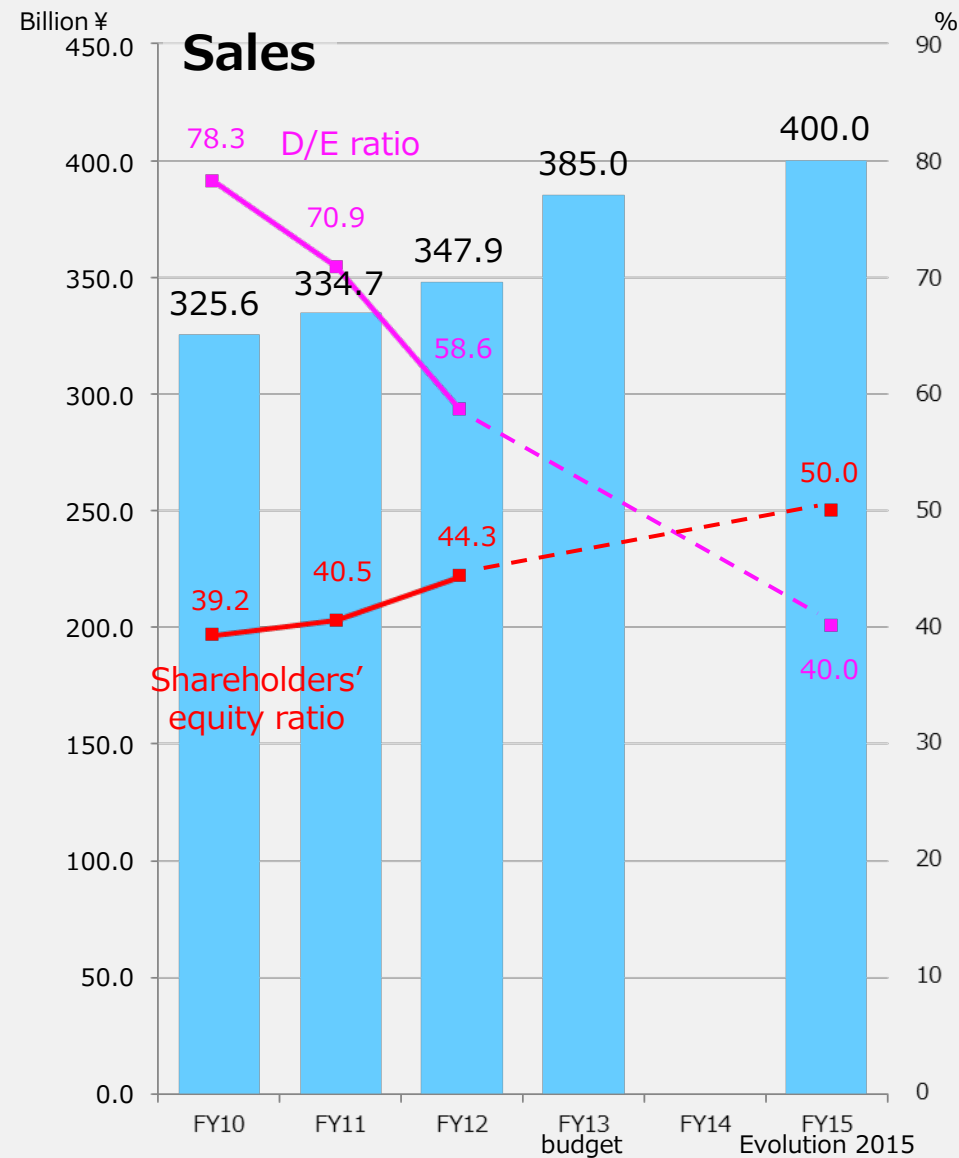
③ **Fostering of trust-based customer relationships,
global coordination**

Close response by localized sales, engineering, and service functions in each region → Good relationships with customers

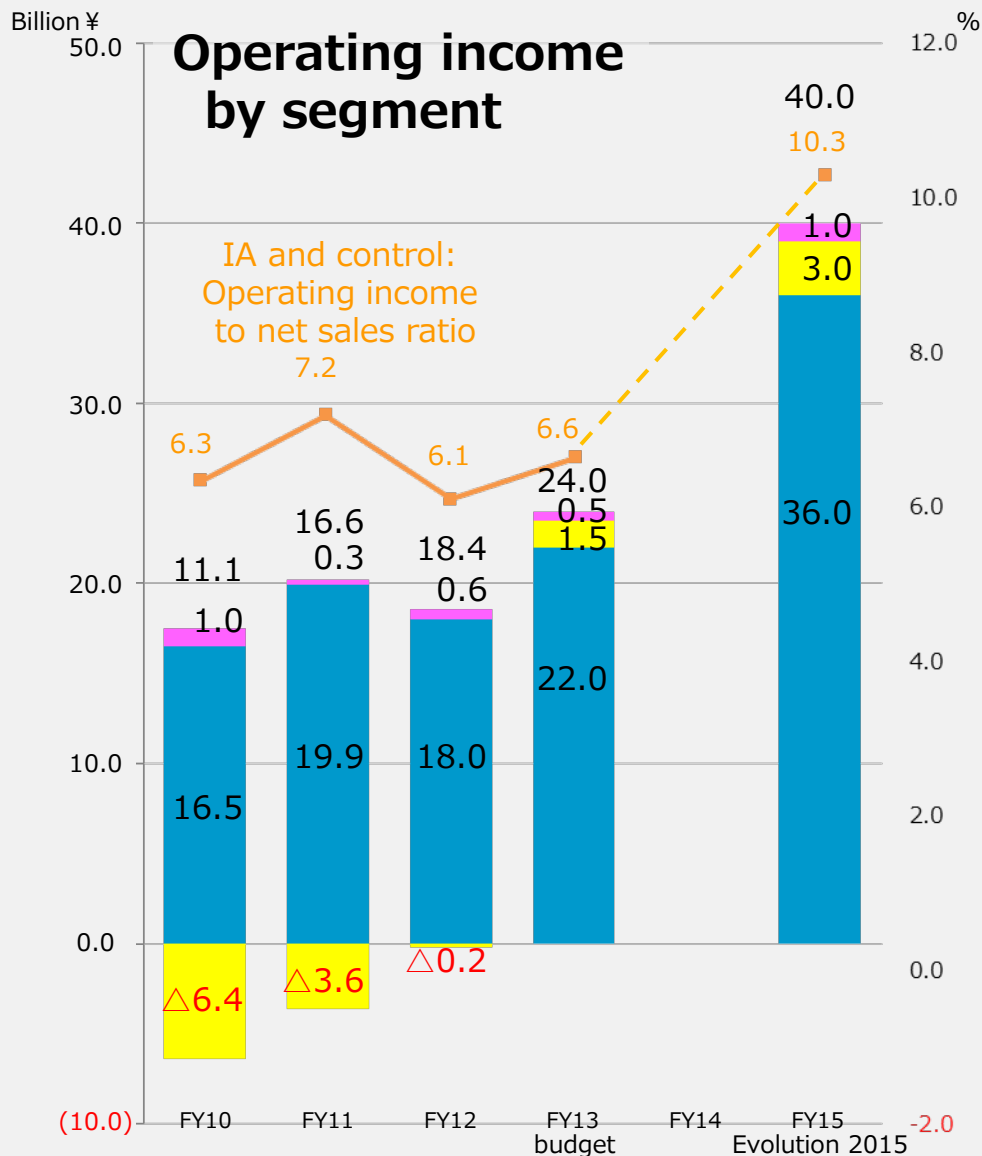
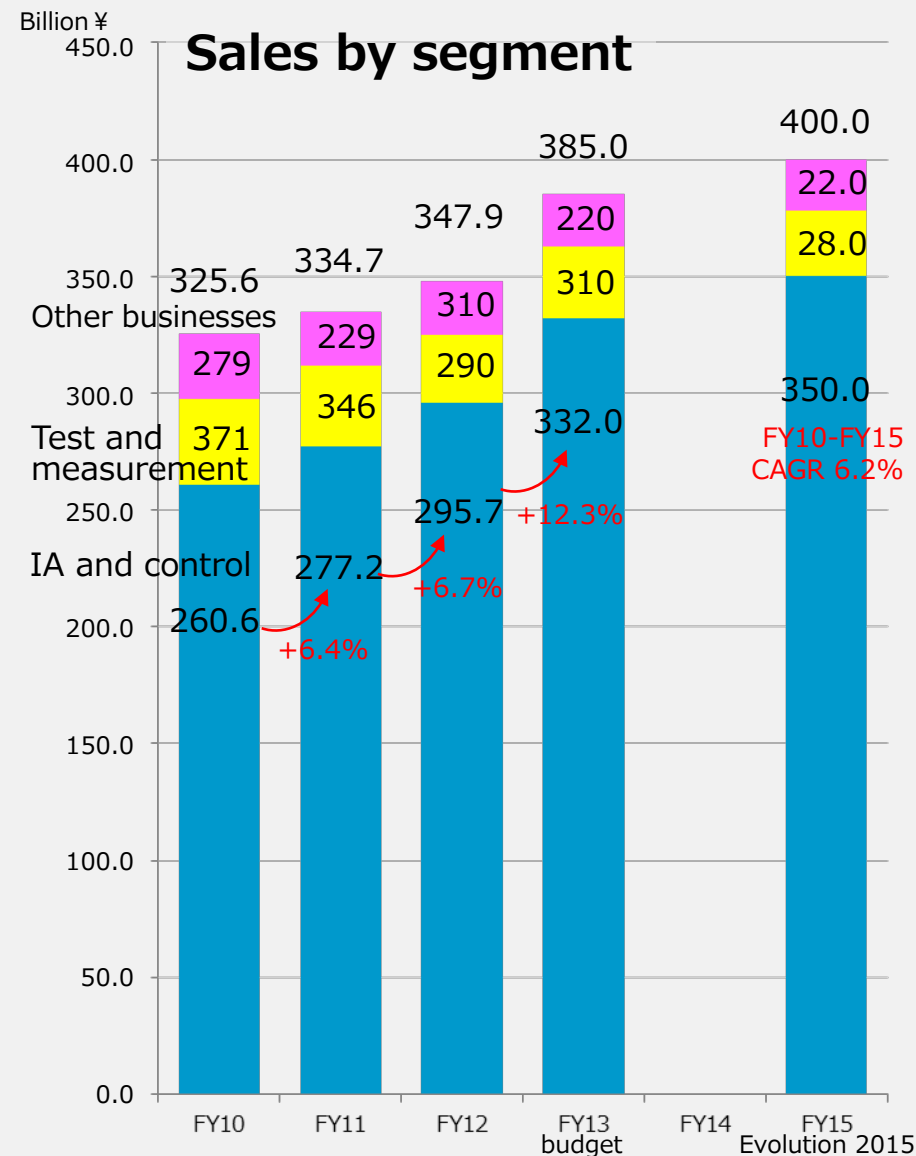
Become able to provide each customer an optimal response

Progress of Evolution 2015

YOKOGAWA 



Progress of Evolution 2015



Changes in business environment

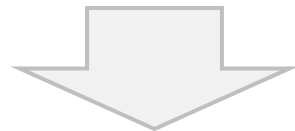
■ Japan market

- ◆ 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

■ 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

■ Improving profitability

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

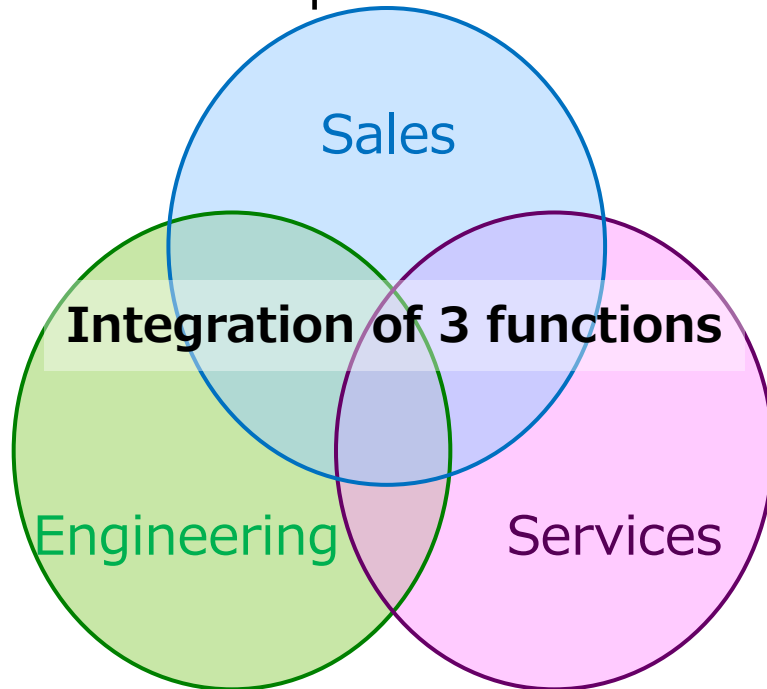
Improve operating efficiency
Maximize asset utilization
Improve safety
Enhance energy efficiency



Build up a business structure centering on
solutions and services

Optimize cost structure

April 1: Launch of Yokogawa Solution Service Corporation



Integrating the sales, engineering,
and service functions

Transforming Yokogawa into a
solutions and service company

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

■ Improving profitability

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



Increase efficiency and strengthen product development/product planning

Set product sales quotas and monitor progress

- Create optimum platforms that consist of in-house products
- Enhance in-house product portfolio

■ 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

■ Response to changes in target markets

1. Reinforce organizations in North America to further expand business

North American market

Major downstream projects are also planned

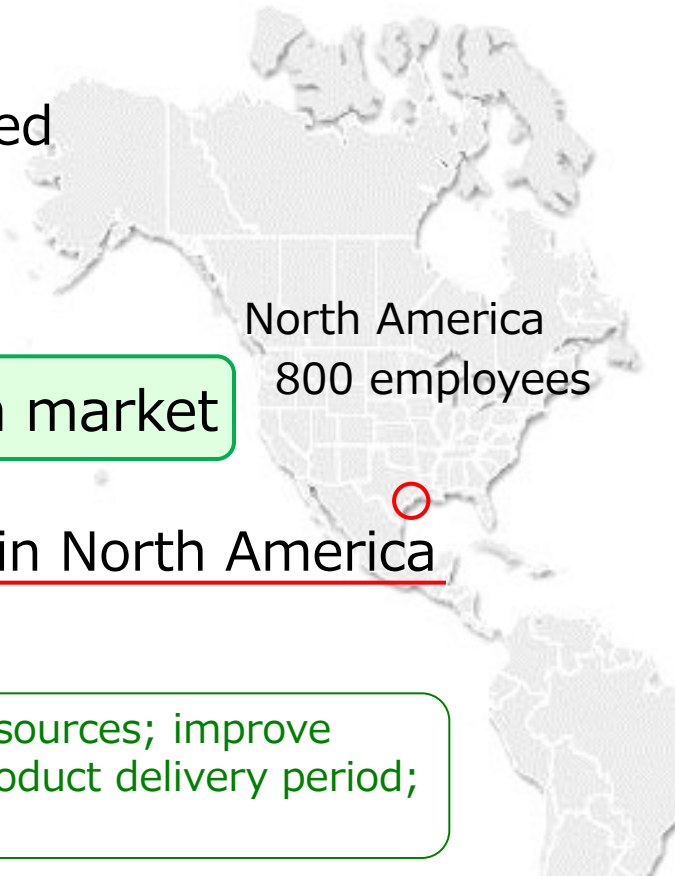
→ IA and control market is also active

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



North America
800 employees

■ Response to changes in target markets

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



	FY13 budget	Evolution 2015
Sales	¥385 billion	¥400 billion
Operating income	¥24 billion	¥40 billion
Operating income-to-sales ratio	6.2%	10%
EPS	¥52	¥100 or more

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.

Interim period	End of term	Annual
¥ 5	¥ 5	¥10

<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.

Interim period	End of term	Annual
¥ 6	¥ 6	¥12

