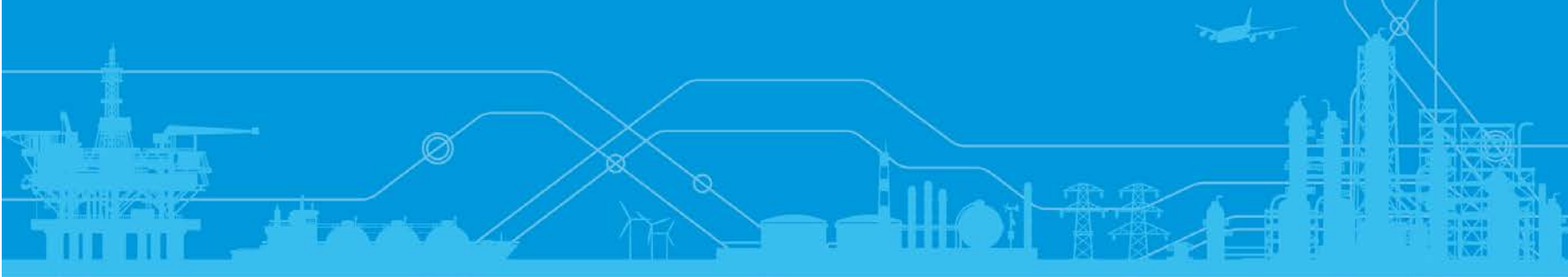


Transformation 2017

Yokogawa Electric Corporation

Current Situation and Future Direction



November 4, 2015

Takashi Nishijima

President and Chief Executive Officer

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Current Situation

- Operating income at a record high
- Near-term uncertainty due to prediction of prolonged downturn in energy prices
- We will not revise the FY15 forecast.

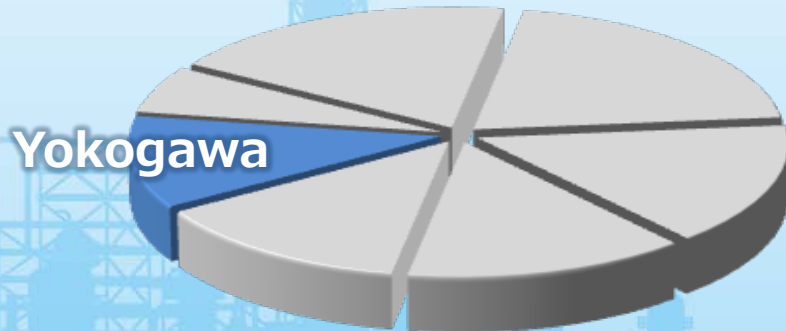
Analysis of good results

- 1. Business: Expansion of solution service**
- 2. Industry: Strong in downstream area**
- 3. Geographic location: Strong in Middle East and Japan**
(Not dependent on any one market)
- 4. Customer investment: CAPEX⇒OPEX shift**
- 5. Currency: Depreciating yen**

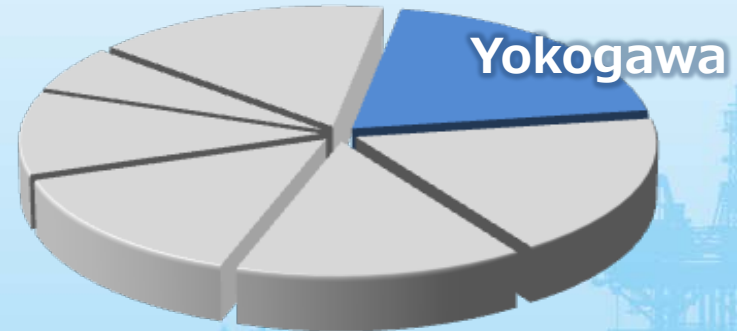
Industry data

–DCS market share in 2014–

Global market share
(market size US\$15.86bn)



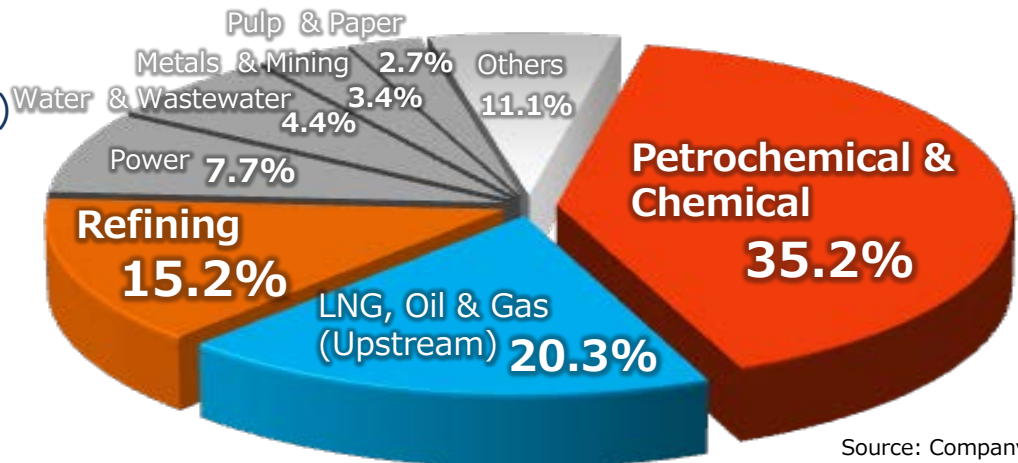
Chemical market share
(market size US\$3.23bn)



Source: ARC Distributed Control Systems Worldwide Outlook MARKET ANALYSIS AND FORECAST THROUGH 2019

Yokogawa DCS sales:
192.9 billion yen (+6.7 billion yen)

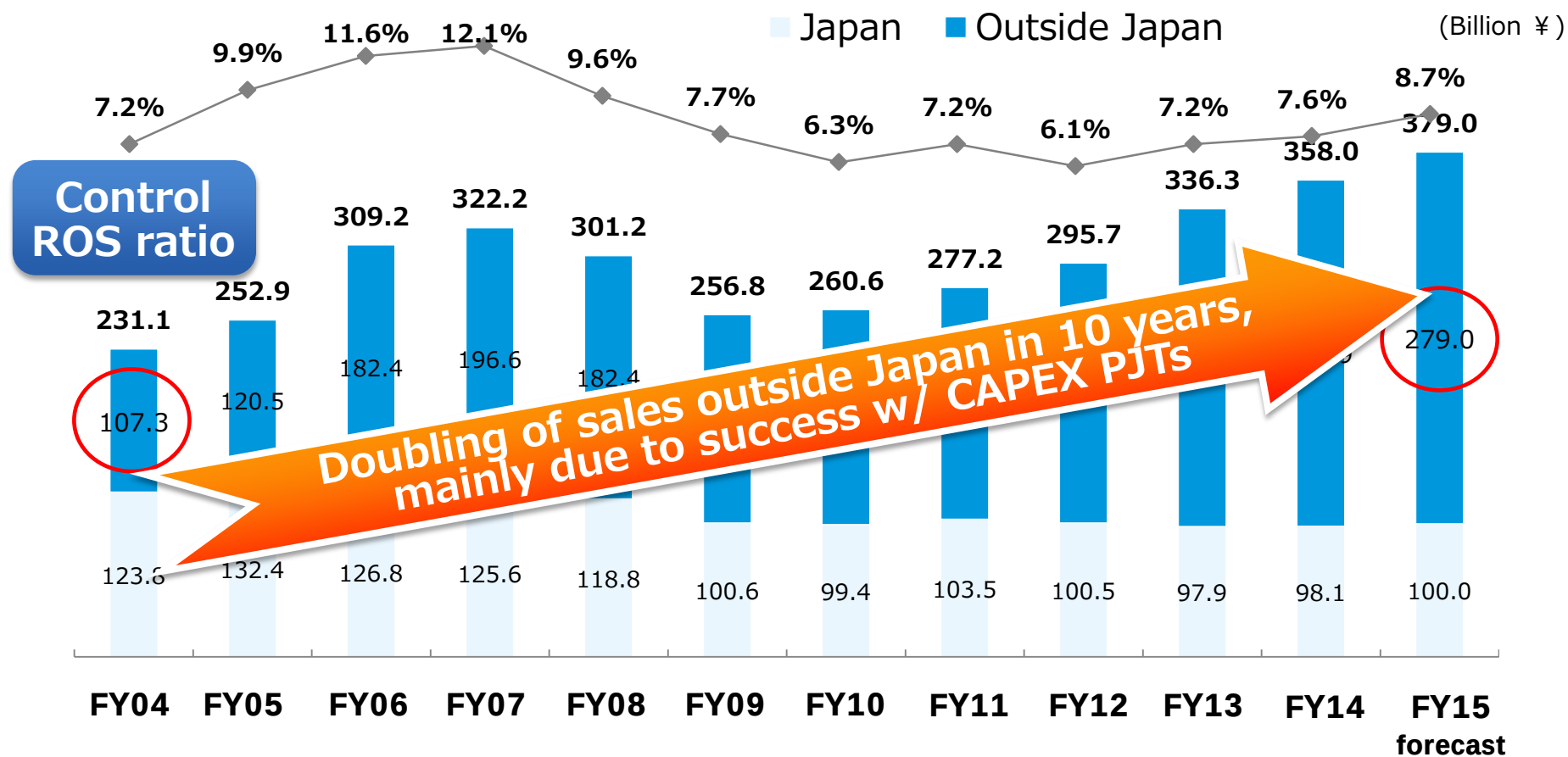
- Downstream portion is more than half
- Half of the upstream 20.3% is LNG related



Source: Company data

Control sales/ROS ratio trend

- Shift to OPEX from CAPEX -



<Exchange rate>

	FY04	FY05	FY06	FY07	FY08	FY09	FY10	FY11	FY12	FY13	FY14	FY15 forecast
US dollar (Yen)	107.46	113.09	117.00	113.80	100.66	92.61	85.13	78.82	83.33	100.67	110.58	120.00

Summary of current situation

- Control business -

Thanks to sales and profit growth,
ROS and ROE are improving.

Outside
Japan

Uncertainties exist in the near term,
but long-term prospects for growth
are good.

Japan

Becoming more profitable due to
transformation of business model and
optimization of cost structure

Progress of TF2017

– Our efforts to transform our business –

TF2017: three reforms

Transformation 2017

While focusing on the control business,

- ① **transform** from being product-centered to **being focused on the customer**
- ② **transform** to **create new value** by taking advantage of ICT
- ③ **transform** by **becoming more efficient than ever**
(ROE 11%, with top priority on ROIC of control business)

Efforts to transform our business

Structural reforms that prepare the way for growth

Item	Challenges
Expansion of lifecycle service business	• Increasing number of service engineers • Investing in security business
Expansion of advanced solution business	• Recruiting business development managers and proposal engineers
Development and strengthening of new business	• Develop products for upstream • Alliance due-diligence expenses
Development of infrastructure	• Investment in CRM and knowledge management systems

FY15 Forecast, Future Direction

- Despite uncertainties in the macro environment, we are not revising the FY15 forecast.
- We are proceeding one step at a time to transform into a highly efficient company.

Strong gas demand × top-class LNG market share = sustainable growth

Due to rising populations/energy demand, we expect sustainable growth



▶ LNG liquefaction



Liquefaction
64
trains

▶ LNG transportation



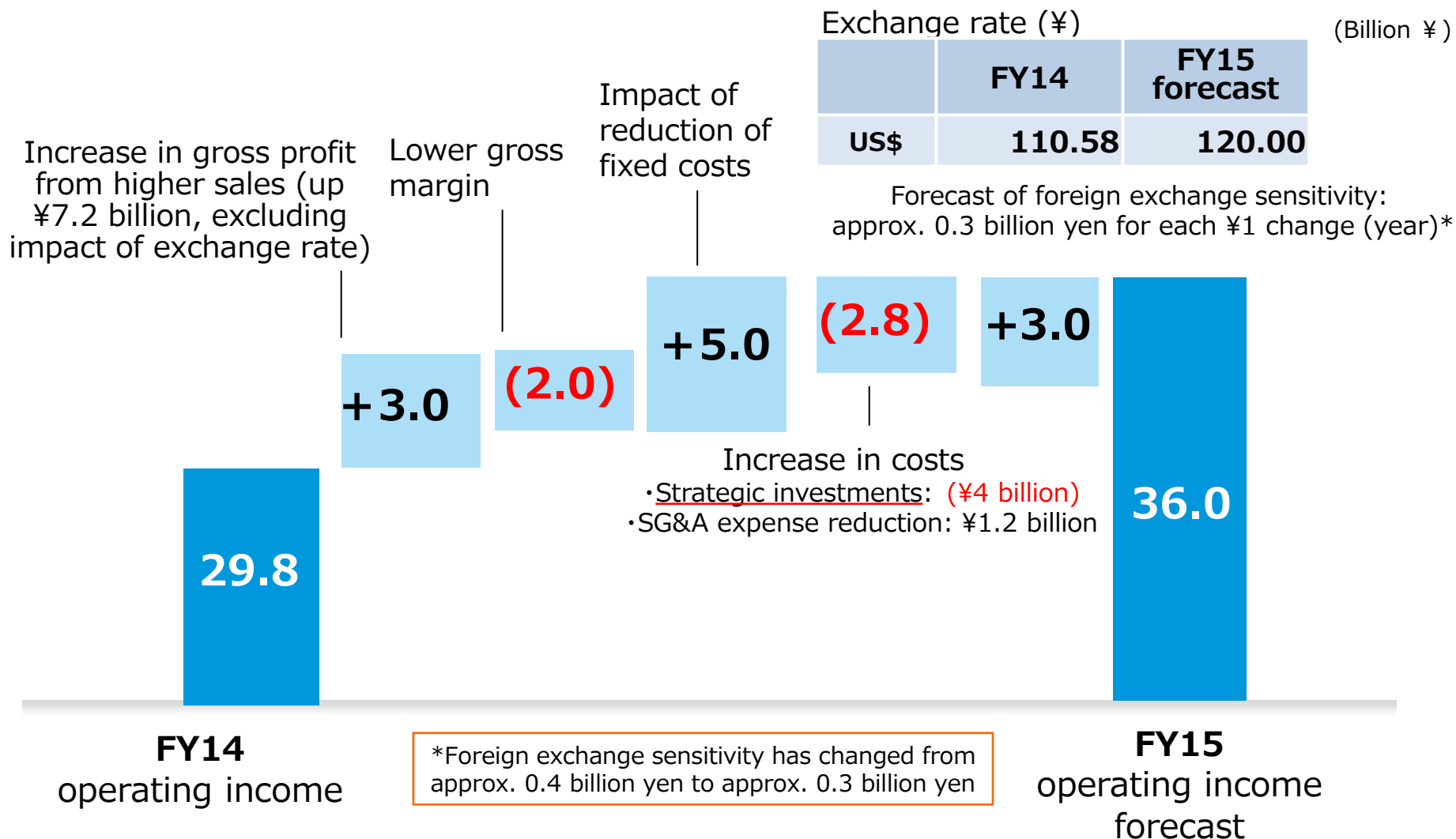
LNG carrier
66
vessels

▶ LNG regasification



Regasification
44
terminals

Analysis of operating income (FY14/FY15)



Business plan by segment

(Billion ¥)

Sales	FY14	FY15 forecast	FY17	Difference FY14-17	CAGR FY14-17
Control	358.0	379.0	390.0	+32.0	2.9%
Measurement	23.8	25.0	26.0	+2.2	3.0%
Aviation & Other	24.0	23.0	24.0	±0	—
Total	405.8	427.0	440.0	+34.2	2.8%

Exchange rate: 1\$=120 yen

Exchange rate: 1\$=110 yen

(Billion ¥)

Operating income	FY14	FY15 forecast	FY17	Difference FY14-17
Control	27.1	33.0	42.0	+14.9
Measurement	1.6	2.0	2.0	+0.4
Aviation & Other	1.1	1.0	1.0	(0.1)
Total	29.8	36.0	45.0	+15.2

Exchange rate: 1\$=120 yen

Exchange rate: 1\$=110 yen

Closing

– Corporate governance, dividend –

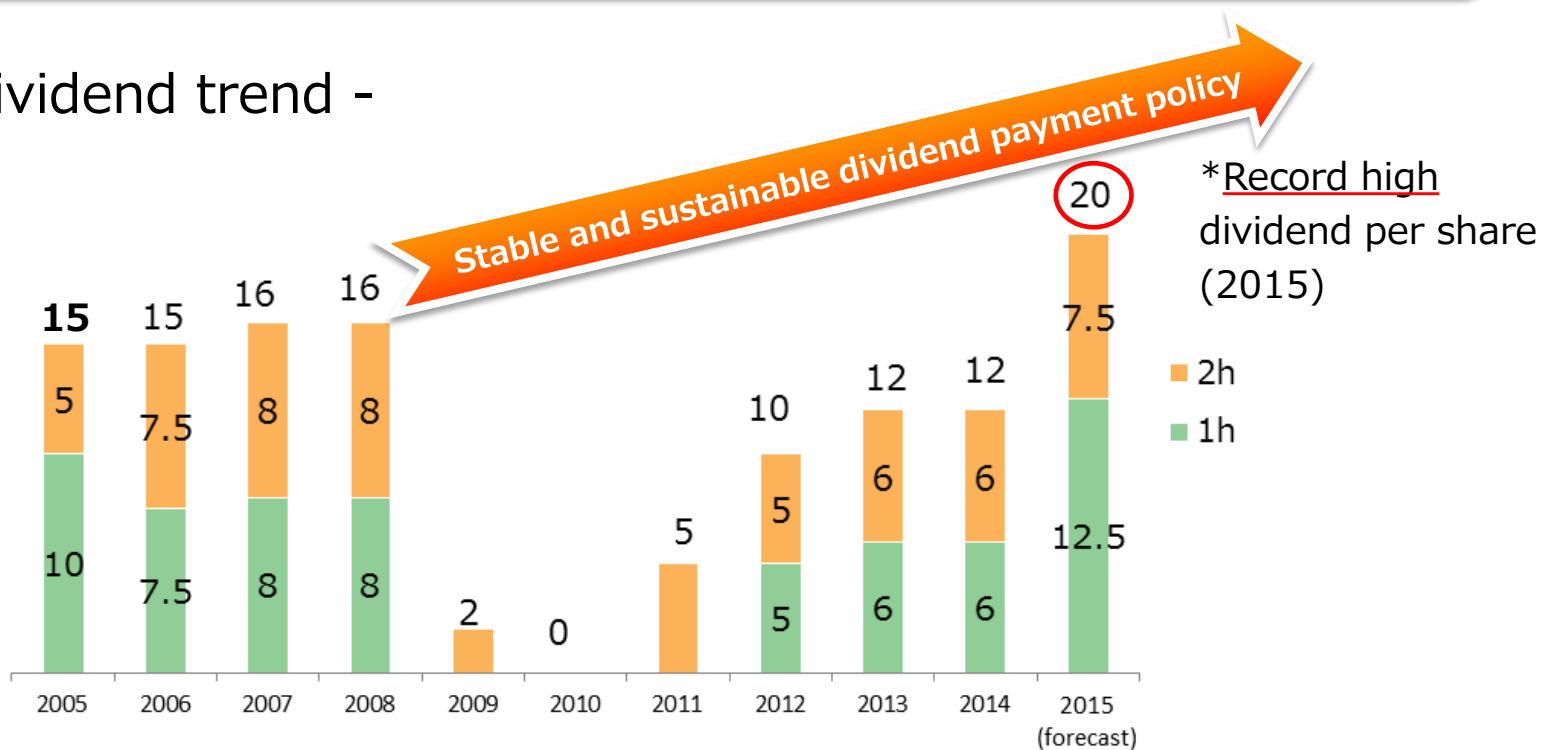
Enhancing corporate governance

Year	Action	Directors			Auditors		Officers	
		in	outside	Outside %	in	outside		(doubling as board member)
2003	Introduced outside directors	7	1	13%	2	2	24	6
2004	Abolished retirement bonuses for directors	7	1	13%	2	3	24	6
2005		7	1	13%	2	3	26	6
2006	Introduced one year tenure system for directors and revised articles of incorporation to reduce number of directors (25⇒15)	9	1	10%	2	3	27	7
2007	Increased number of outside directors Introduced takeover defense measures	8	2	20%	2	3	29	5
2008		7	2	22%	2	3	28	5
2009	Increased number of outside directors Renewed takeover defense measures	7	3	30%	2	3	15	5
2010		5	3	38%	2	3	14	3
2011	Renewed takeover defense measures Sold shares of a listed affiliate	4	3	43%	2	3	15	2
2012		4	3	43%	2	3	14	3
2013		4	3	43%	2	3	12	1
2014	Established Nomination and Compensation Committee (voluntary advisory body) Discontinuation (non-renewal) of takeover defense measures Introduced standards to ensure independence of outside directors	6	3	33%	2	3	12	3
2015	Established Nomination Advisory Committee and Compensation Advisory Committee (voluntary advisory bodies) Conducting outside evaluation of Board of Directors NEW: Established Yokogawa Corporate Governance Guidelines	6	3	33%	2	3	11	3

Dividend

- Regular dividend 7.5 yen + commemorative dividend 5 yen
- 30% payout ratio target in 2017

- Dividend trend -



Closing

Working Together, the Future is Ours to Create

Co-innovating tomorrow™



Expect great things from *Transformation 2017*

Appendix :

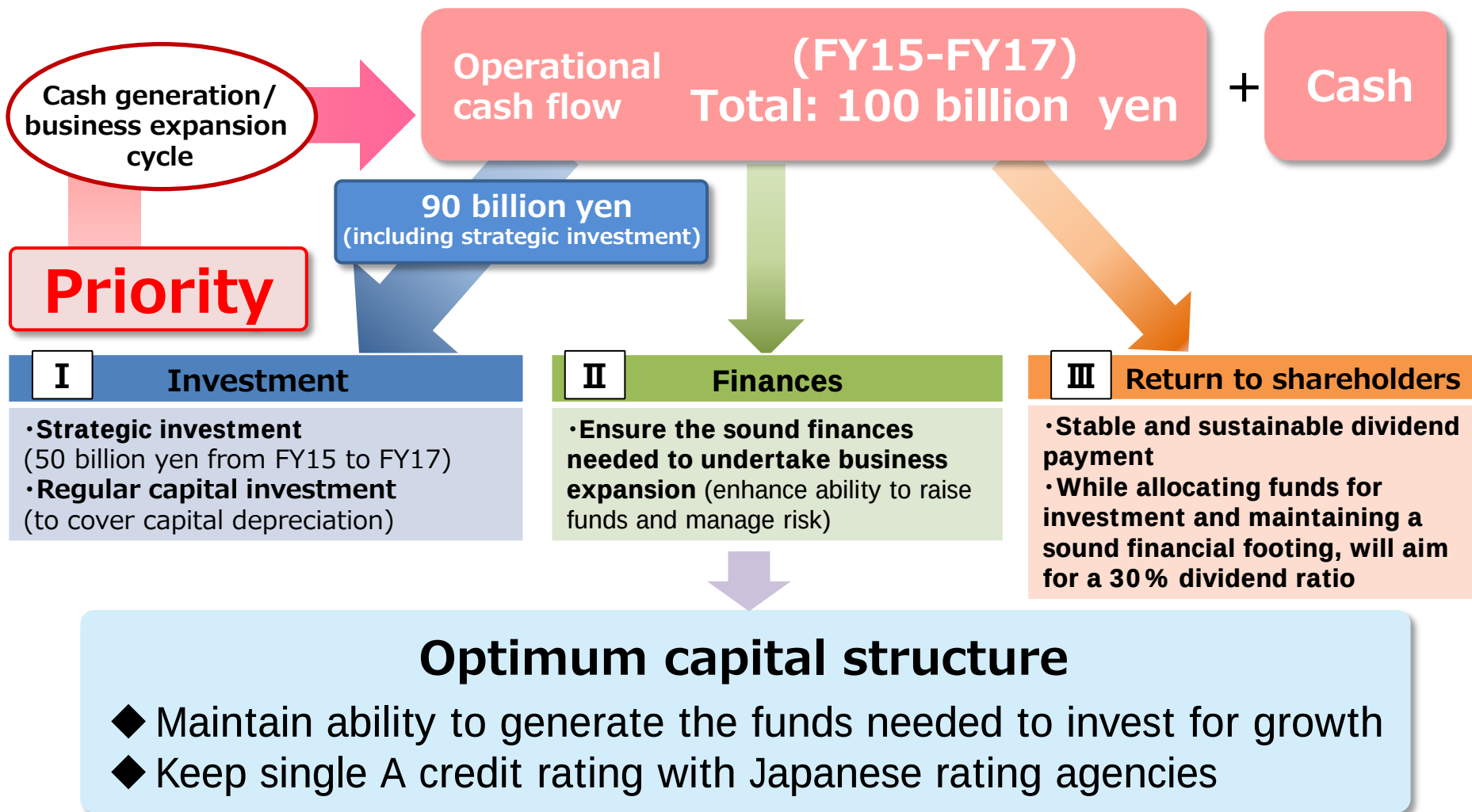
-Mid-term Business Plan, Financial Strategy -

Mid-term Business Plan

Business plan	FY14	FY17	Increase
ROE (%)	8.6	11 or more	2.4 pts or more
ROA (%)	3.8	6 or more	2.2 pts or more
Sales (billion yen)	405.8	440.0	8.4%
Operating income (billion yen)	29.8	45.0	51.0%
ROS (%)	7.3	10.2	2.9 pts
EPS (yen)	66.9	100 or more	49.5% or more

Exchange rate: 1\$=110 yen

Financial Strategy, Capital Policy



Disclaimer

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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