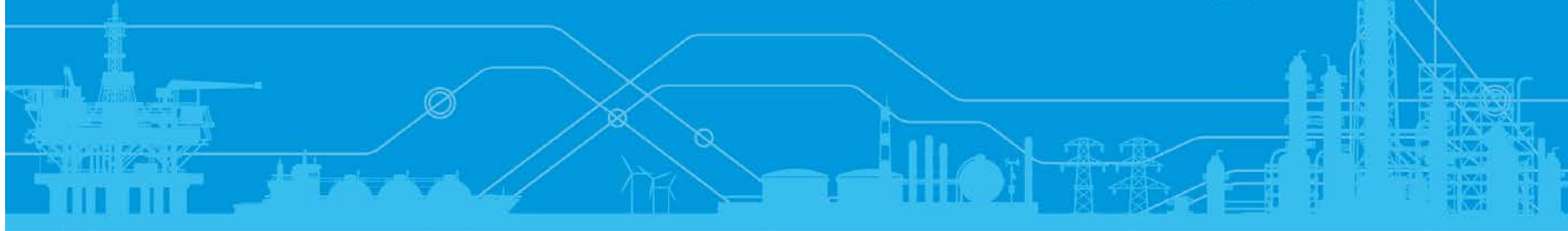


Transformation 2017

Yokogawa Electric Corporation

Financial Results for Fiscal Year 2016 1Q



August 9, 2016

Junichi Anabuki

**Director, Senior Vice President
Accounting & Treasury Headquarters**

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Summary of FY16 1Q Results

- Orders, sales, and profits all were down from FY15 1Q.
- Impact of the strong yen:
 - Orders -¥10.9 billion, sales -¥10.0 billion, operating income -¥1.6 billion
- Impact of acquisition of KBC
 - Orders +¥2.3 billion, sales +¥3.5 billion, operating income -¥0.7 billion

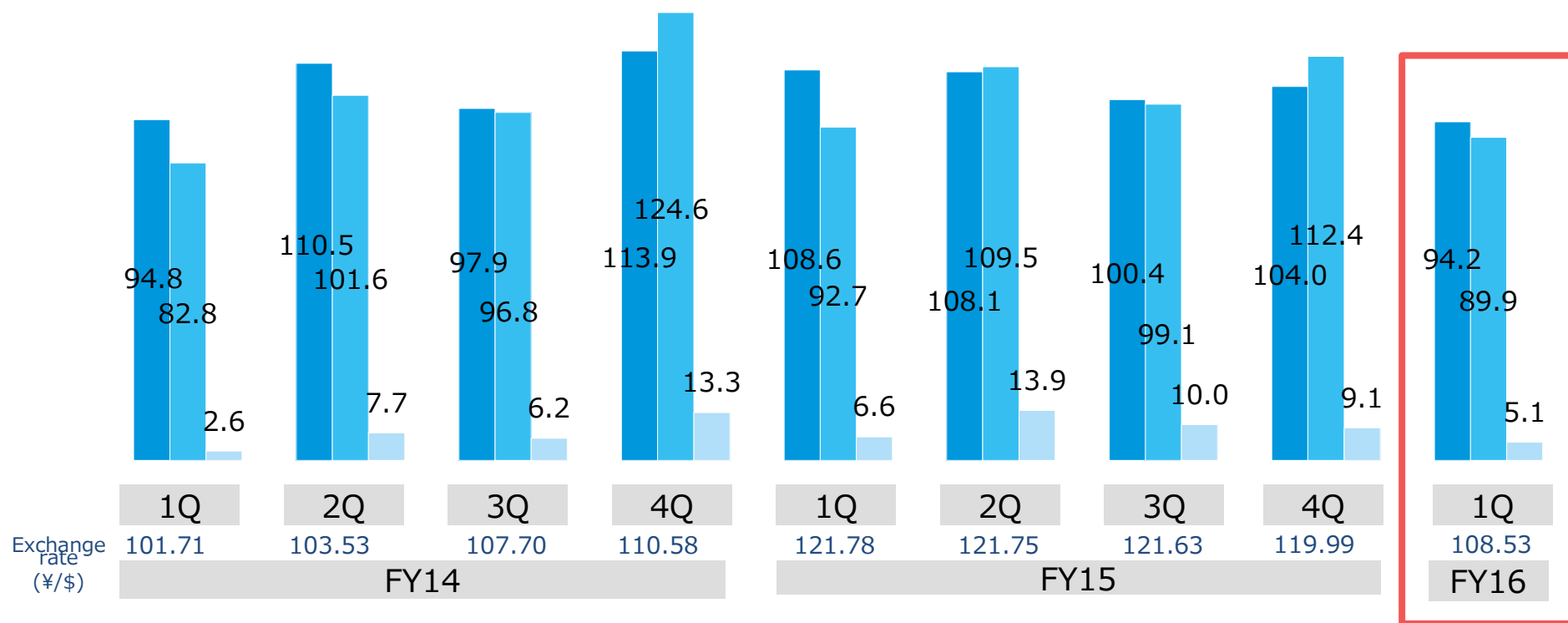
(Billion ¥)

		FY15 1Q	FY16 1Q	Difference	Growth rate	Impact of exchange rate
Orders		108.6	94.2	(14.4)	-13.3%	(10.9)
Sales		92.7	89.9	(2.8)	-3.0%	(10.0)
Operating income		6.6	5.1	(1.5)	-23.4%	(1.6)
Ordinary income		6.8	5.5	(1.3)	-18.7%	(1.9)
Profit attributable to owners of parent		5.1	3.1	(2.0)	-39.8%	(1.6)
Exchange rate (¥)	1\$	121.78	108.53	(13.25)	—	

Quarterly Financial Results

(Billion ¥)

■ Orders ■ Sales ■ Operating income



Analysis of Operating Income (FY15 1Q/FY16 1Q comparison)

Increase in gross profit from higher sales

(excluding impact of
exchange rate and KBC
acquisition)

Increase in SG&A

- Change to quarterly allocation of SG&A, etc.
-0.7 billion
- no change in annual SG&A amount
- Strategic investments
-0.6 billion
- Cost reduction
+0.3 billion

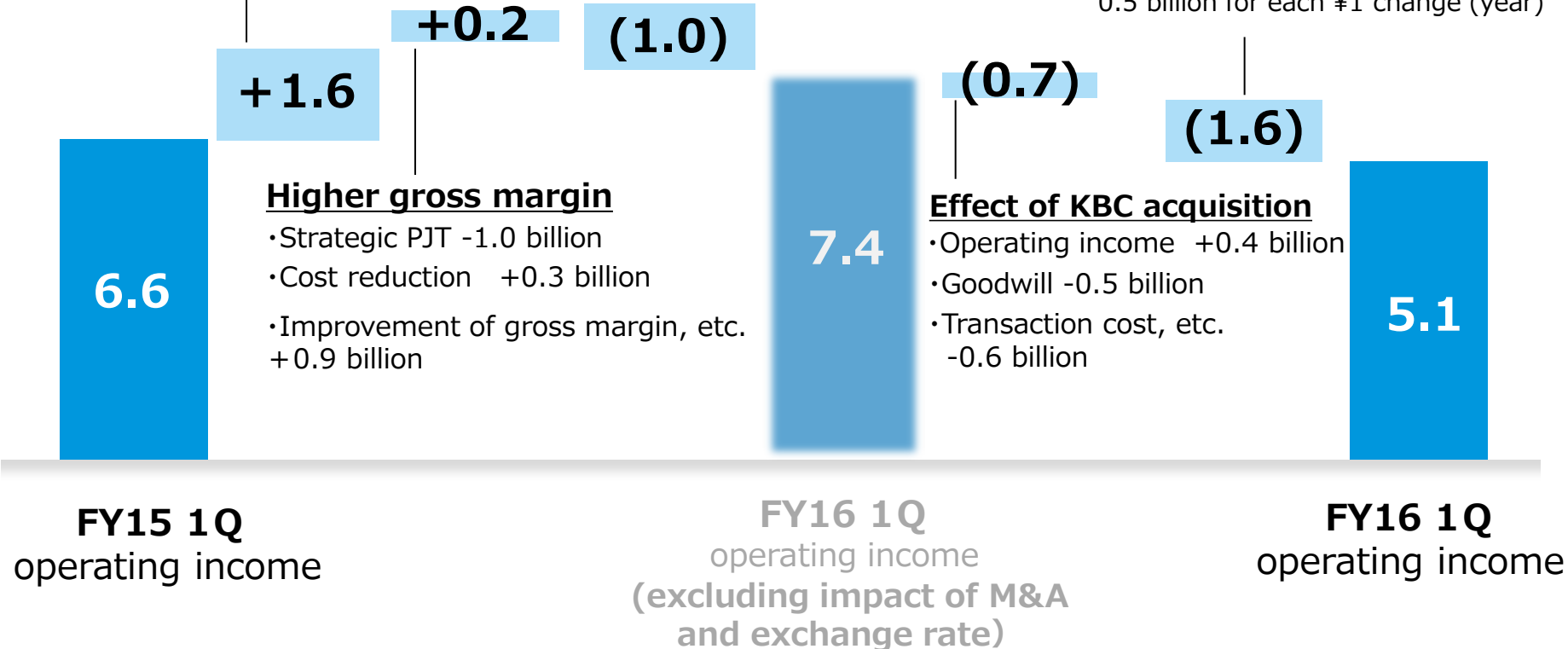
Exchange rate

(Billion¥)

(¥)

	FY15 1Q	FY16 1Q
US\$	121.78	108.53

¥/\$ exchange rate sensitivity: approx.
0.5 billion for each ¥1 change (year)



Non-operating/Extraordinary Income and Expenses

(Billion¥)

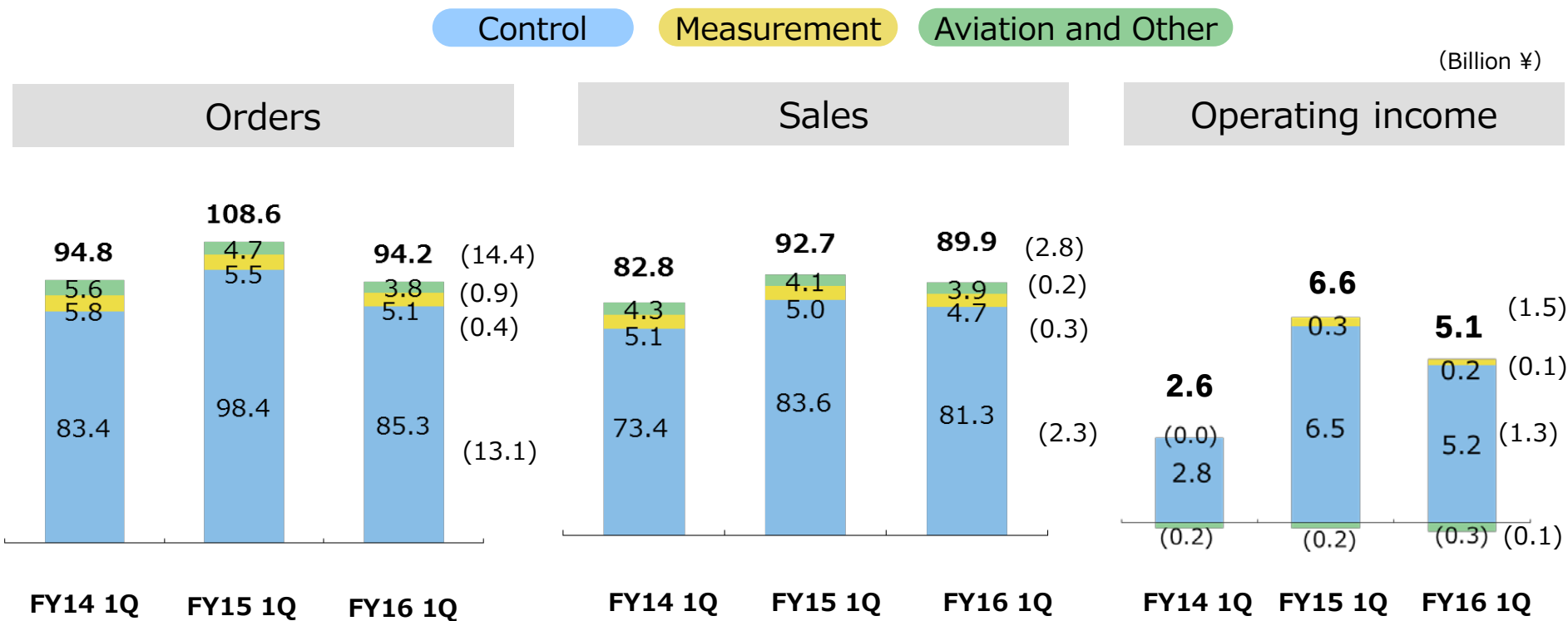
	FY14 1Q	FY15 1Q	FY16 1Q
Operating income	2.6	6.6	5.1
Non-operating income	0.9	0.9	0.8
Non-operating expenses	0.8	0.8	0.4
Ordinary income	2.7	6.8	5.5
Extraordinary income	0.3	0.8	0.0
Extraordinary expenses	0.1	0	0.1
Income before tax	2.9	7.5	5.4
Tax, etc.	1.8	2.4	2.3
Profit attributable to owners of parent	1.1	5.1	3.1
(Effective tax rate)	49.1%	27.3%	41.0%

→ FY16: Decrease in interest expense

→ FY15: Gain on sale of non-current assets: ¥0.8 billion

FY15 1Q/FY16 1Q Comparison for Orders and Sales by Segment

- Control: Orders and sales decreased mainly due to the strong yen. Operating income decreased due to the strong yen and the impact of the acquisition of KBC.
- Impact of the strong yen:
→Orders -¥10.3 billion, sales -¥9.4 billion, operating income -¥1.5 billion
- Measurement/Aviation and Other:
Orders, sales, and operating income were nearly unchanged from FY15 1Q.



Trend of Global Sales

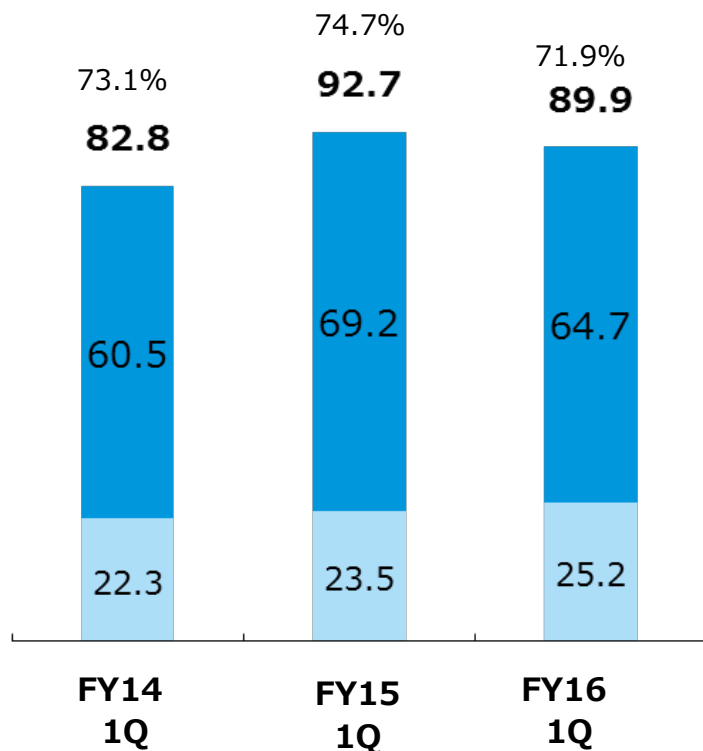
-While market conditions remained favorable in Japan, sales outside Japan decreased; this was mainly due to the effects of the appreciation of the yen.

■ outside Japan

■ Japan

(Billion¥)

Total

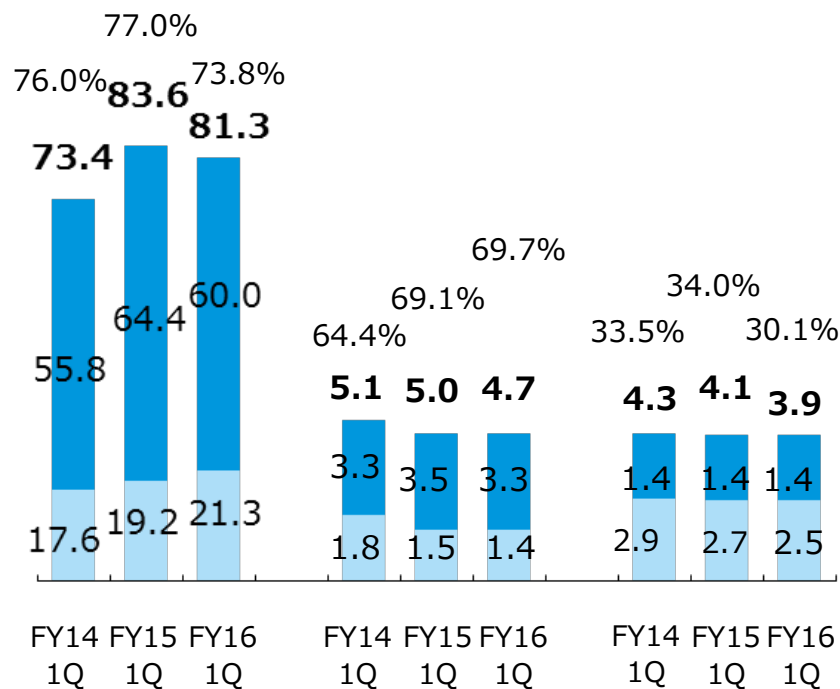


By segment

Control

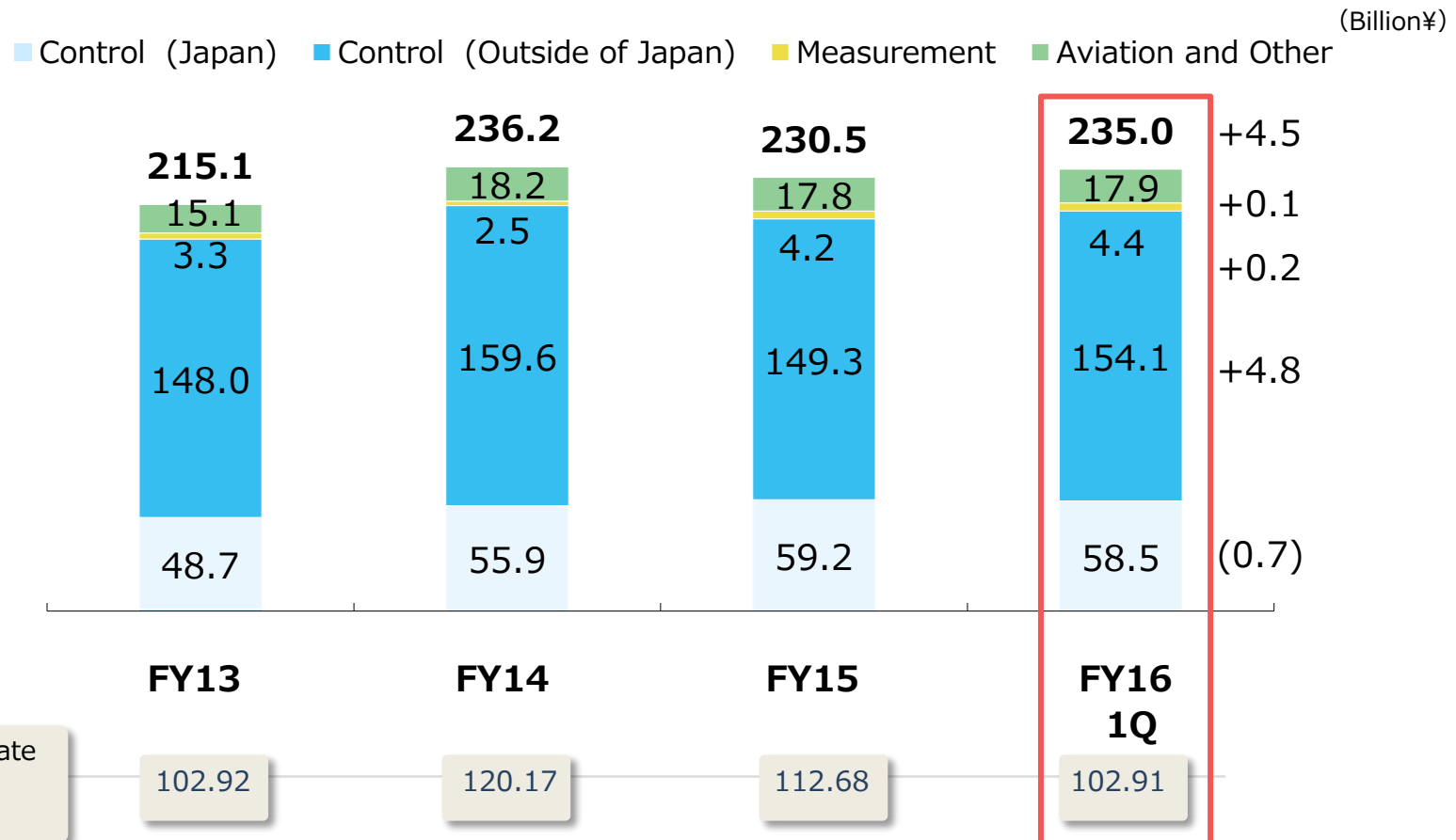
Measurement

Aviation and Other



Order Backlog Trend by Segment 【New: destination-based】

- Control orders placed in Japan for overseas projects are now counted as non-Japan orders.
- The non-Japan order backlog for the control segment increased due to the acquisition of KBC, which had an order backlog of ¥9.1 billion.

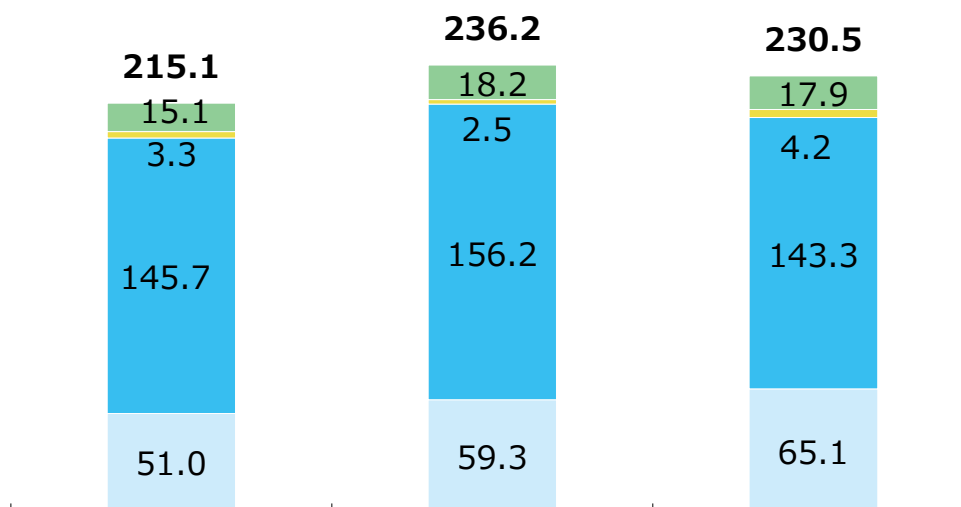


Note: Past data revised based on a standard review

Trend of Order Backlog by Segment 【Old: location-based】

(Billion ¥)

Control (Japan) Control (Outside of Japan) Measurement Aviation and Other



FY13

FY14

FY15

Exchange rate
at end of
fiscal year

102.92

120.17

112.68

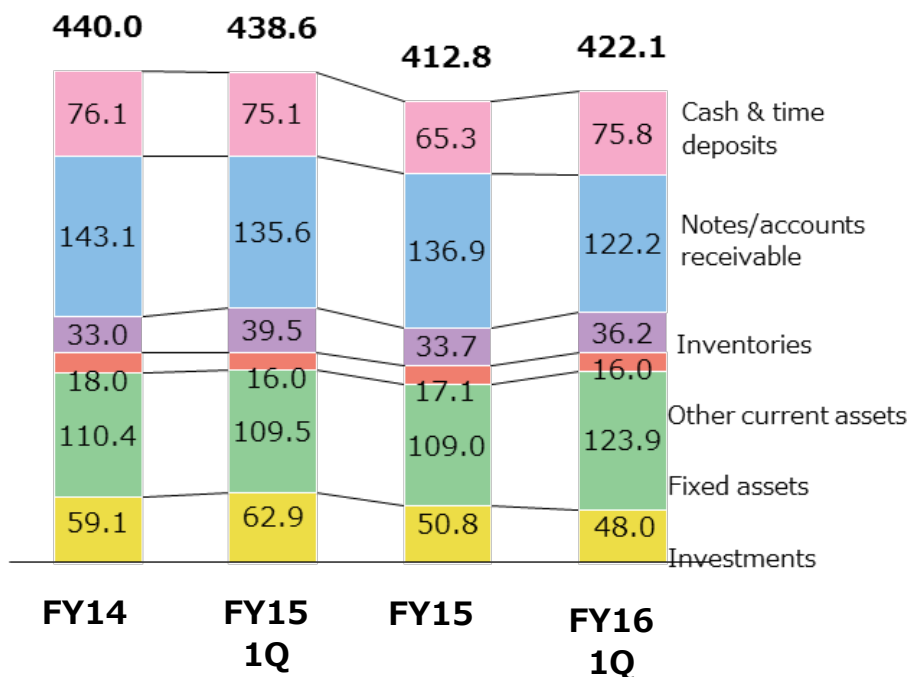
Note: Control: Allocation of Japan and non-Japan orders based on sales office location

Trend of Balance Sheet

- Total assets were up ¥9.3 billion due mainly to the impact of the KBC acquisition.
- Total liabilities increased ¥23.7 billion due mainly to the increase in short-term loans payable following the acquisition of KBC (D/E ratio: 26.9%).
- Net assets decreased ¥14.4 billion due mainly to a decrease in the amount of the foreign currency translation adjustment (shareholders' equity ratio: 53.7%).

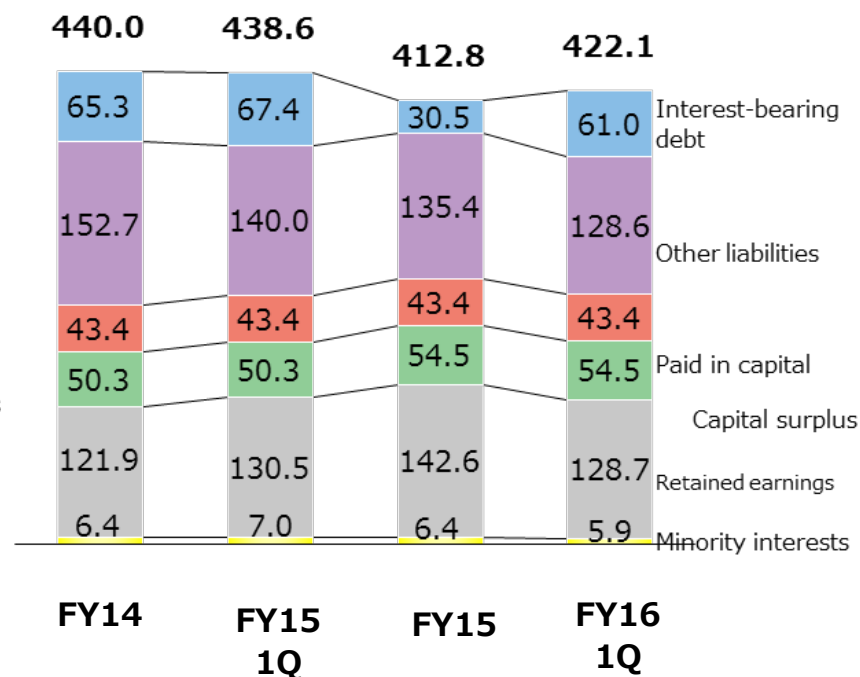
Assets

(Billion ¥)



Liabilities and equity

(Billion ¥)



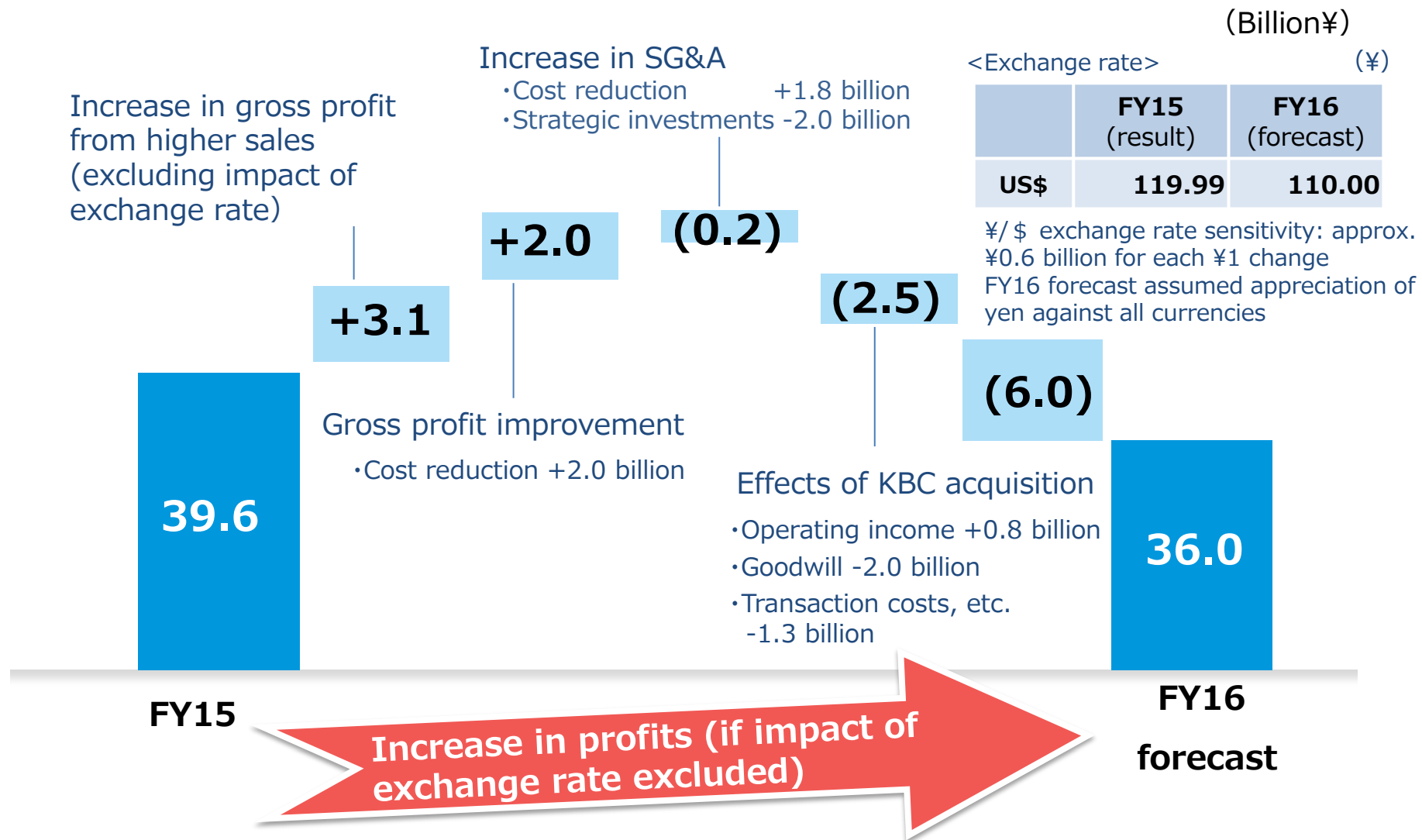
FY16 Forecast → No change

- The FY16 forecast anticipates a decrease in sales and profits.
 - * Excluding the impact of the exchange rate, sales and profits are projected to increase.
 - * Anticipated impact of exchange rate: Orders -¥25.1 billion, sales -¥25.1 billion, operating income -¥6.0 billion
- No change in May 10 forecast due to difficulty of predicting changes in exchange rates.

(Billion¥)

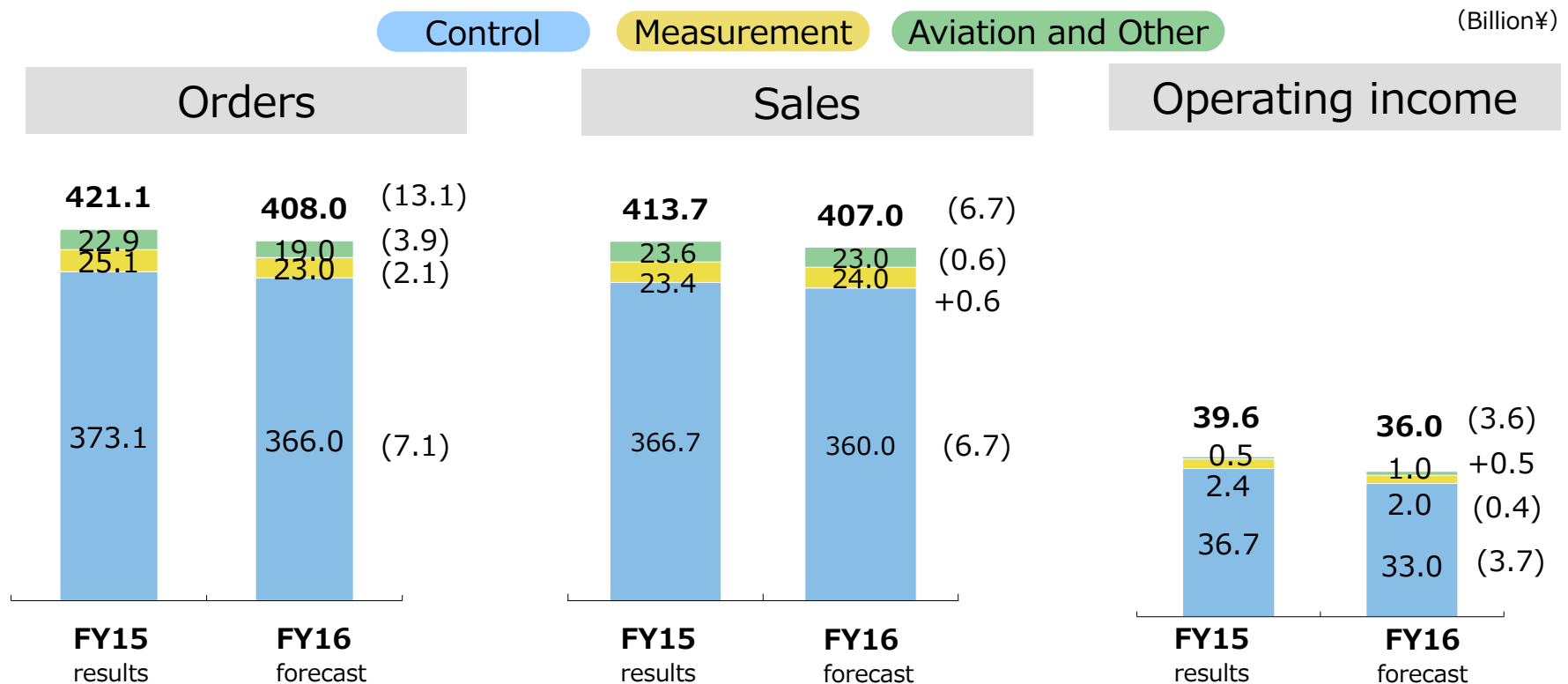
		FY14 (A)	FY15 (B)	FY16 forecast(C)	Difference (C-B)	Growth rate (C÷B-1)	Effect of exchange rate
Orders		417.1	421.1	408.0	(13.1)	-3.1%	(25.1)
Sales		405.8	413.7	407.0	(6.7)	-1.6%	(25.1)
Operating income		29.8	39.6	36.0	(3.6)	-9.2%	(6.0)
ROS (%)		7.3	9.6	8.8	(0.8 pts)	—	—
Ordinary income		33.4	40.7	35.0	(5.7)	-14.0%	(6.0)
Profit attributable to owners of parent		17.2	30.2	23.0	(7.2)	-23.7%	(6.0)
EPS (¥)		66.88	114.01	86.16	(27.85)	—	—
Exchange rate	1\$ =	¥110.58	¥119.99	¥110.00	(¥9.99)	—	—

Factors Accounting for Increase/Decrease in FY16 Operating Income → No change



FY16 Forecast for Orders, Sales, and Operating Income by Segment → No change

- Control: Excluding **the impact of the exchange rate***, sales and operating income are projected to increase. *Orders -¥23.4 billion, sales -¥23.6 billion , operating income -¥5.3 billion
- Measurement/Aviation and Other: Sales, and operating income are projected to nearly unchanged from FY15.

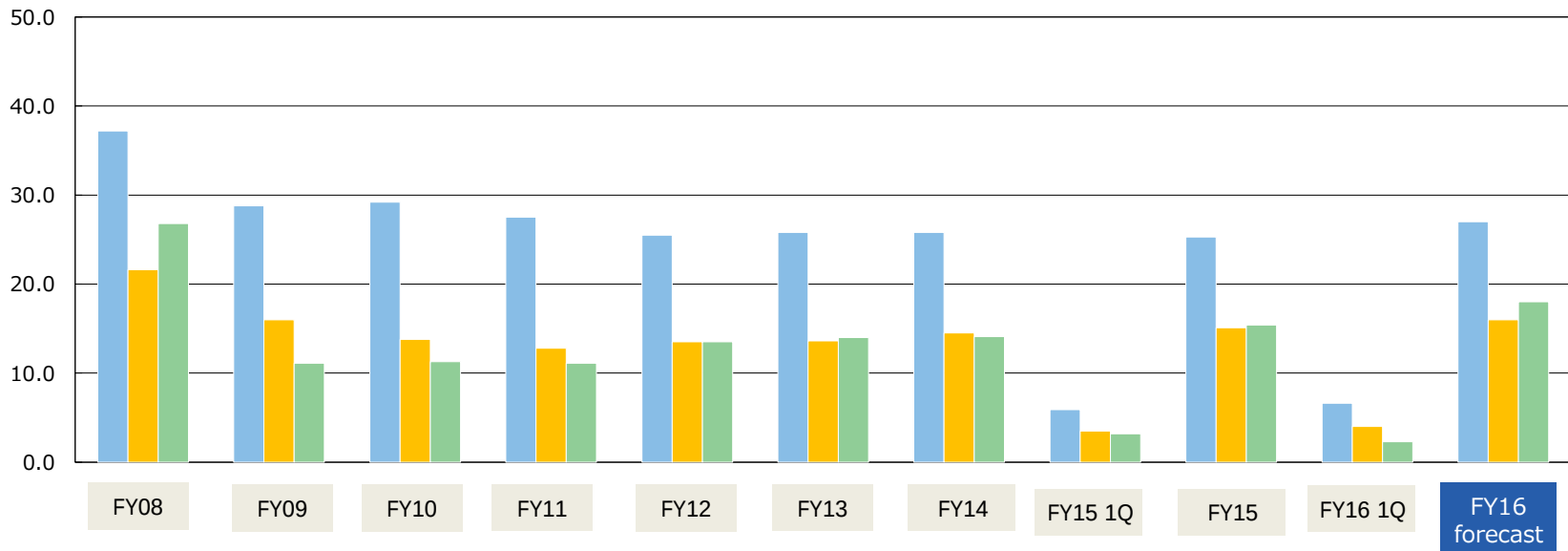


Trend of R&D Expenses, Depreciation, and CAPEX

- Progressing as planned

(Billion¥)

■ R&D ■ Depreciation ■ CAPEX

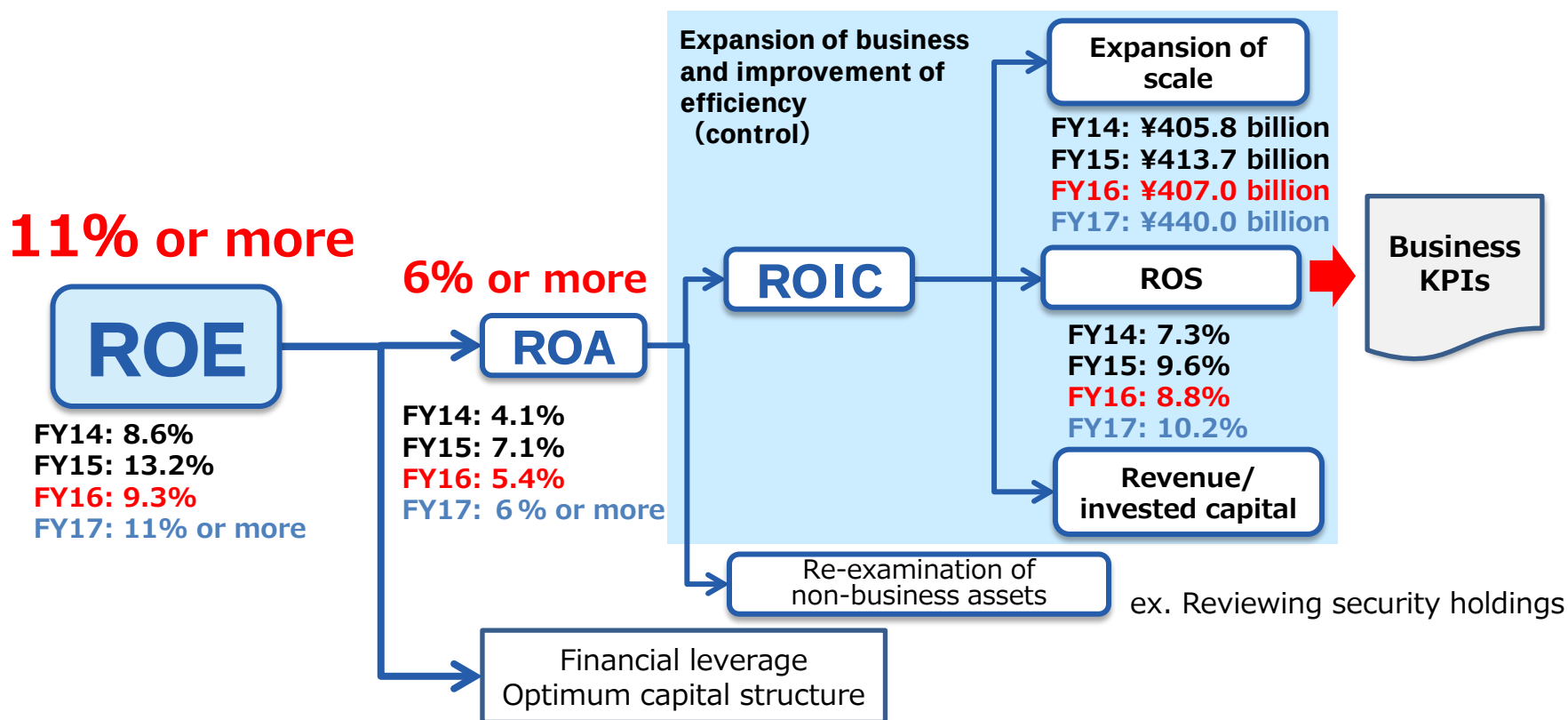


	FY08	FY09	FY10	FY11	FY12	FY13	FY14	FY15 1Q	FY15	FY16 1Q	FY16 forecast
R&D expenses (% of sales)	37.2 9.9%	28.8 9.1%	29.2 9.0%	27.5 8.2%	25.5 7.3%	25.8 6.6%	25.8 6.4%	5.9 6.5%	25.3 6.1%	6.6 7.3%	27.0 6.6%
Depreciation (% of sales)	21.6 5.7%	16.0 5.1%	13.8 4.2%	12.8 3.8%	13.5 3.9%	13.6 3.5%	14.5 3.6%	3.5 3.8%	15.1 3.6%	4.0 4.4%	16.0 3.9%
CAPEX (% of sales)	26.8 7.1%	11.1 3.5%	11.3 3.5%	11.1 3.3%	13.5 3.9%	14.0 3.6%	14.1 3.5%	3.2 3.5%	15.4 3.7%	2.3 2.6%	18.0 4.4%

Note: The FY16 1Q ¥4.0 billion depreciation does not include a ¥0.6 billion amortization of goodwill.

TF2017 KPIs

Exchange rates continue to fluctuate, but progress is being made toward our goals.

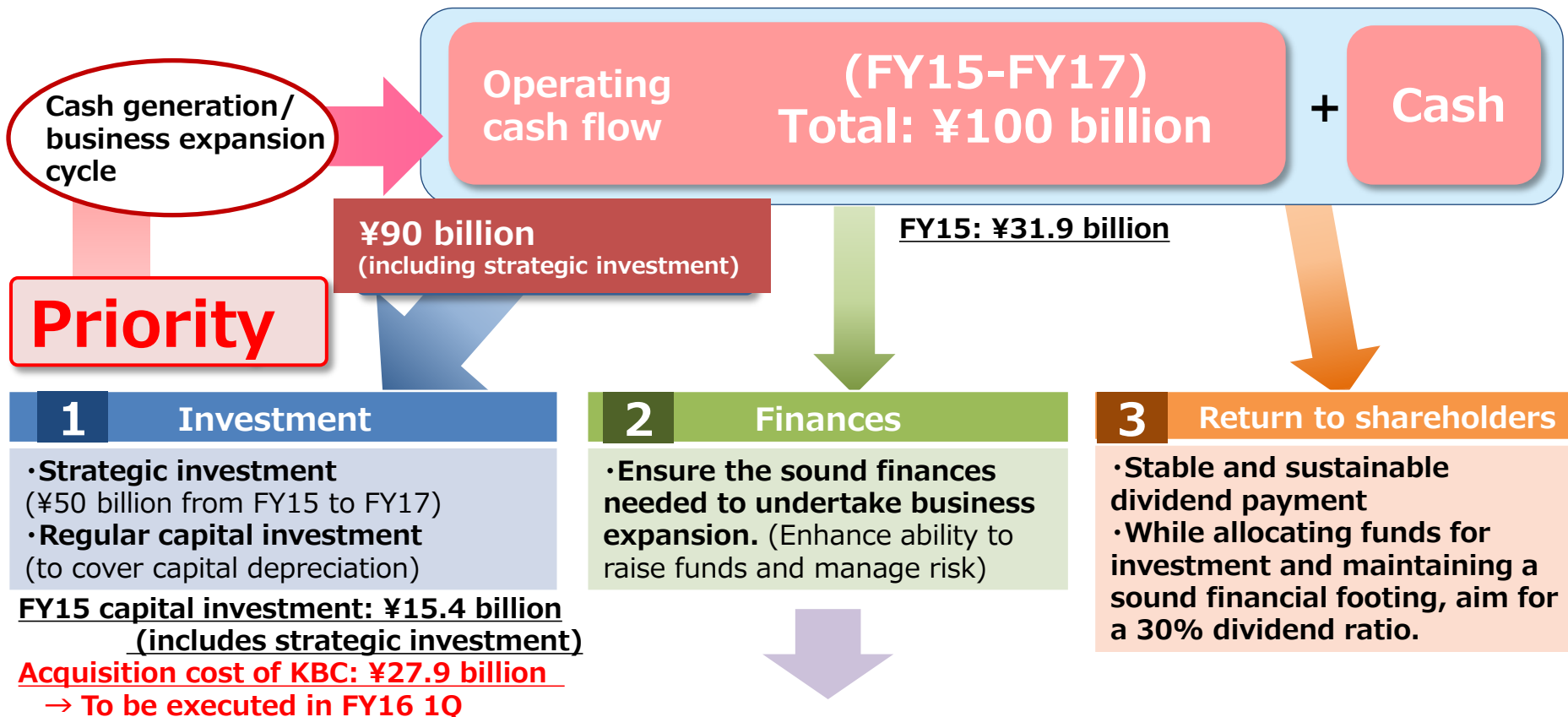


Note: There is no plan to issue new stock following the acquisition of KBC.

Appendix

- Financial Policy
- Transformation Targets
- Topics
- Trend of Stock Price

Appendix: Financial Strategy, Capital Policy



Optimum capital structure

- ◆ Maintain ability to generate the funds needed to invest for growth.
- ◆ Keep single A credit rating with Japanese rating agencies.

Appendix: Transformation Targets

	FY14 results	FY15 results	FY16 target	FY17 target
Cost reduction (In relation to FY14)	—	¥5.7 billion	Approx. ¥10 billion	Approx. ¥20 billion
COGS ratio	58.3%	57.3%	Improvement by cost reduction	57% or lower
SG&A ratio	34.4%	33.1%	Despite increased strategic investment, will seek to reduce this mainly outside Japan	30% or lower (excluding strategic investment)
Operating income- to-sales ratio	7.3%	9.6%	8.8%	10.2%

Appendix: News (From May 11 to August 9)

May

Release of CENTUM VP R6.03 integrated production control system

Launch of ROTAMASS Total Insight portfolio of four-wire Coriolis mass flowmeters and transmitters



ROTAMASS Total
Insight series
(ROTAMASS prime)

Yokogawa Solution Service and Mitsubishi Research Institute agree to cooperate in strengthening competitiveness of Japan manufacturing sector

Review of executive compensation plan and introduction of restricted stock compensation plan

June

Receipt of SCADA system order for gas distribution pipeline project in Bangladesh

July

Release of Exaquantum R3.02 plant information management system with enhanced web and data analysis functions

Receipt of major refinery control systems order from S-Oil Corporation

CENTUM VP R6 receives Minister of Economy, Trade and Industry Prize of the 46th Machine Industry Design Awards

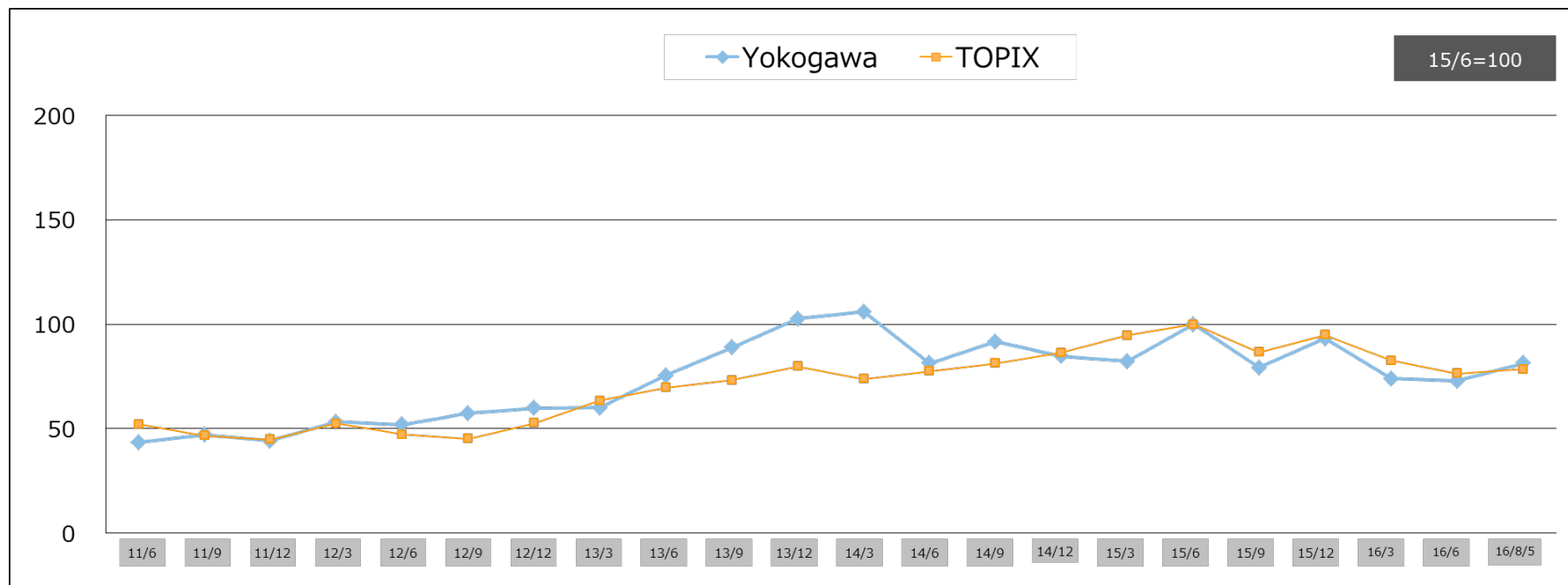
Investment in Silicon Valley-based fog computing startup

August

Publication of 2016 Yokogawa Report

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

Appendix: Trend of Stock Price



(¥)

	11/6	11/9	11/12	12/3	12/6	12/9	12/12	13/3	13/6	13/9	13/12	14/3	14/6	14/9	14/12	15/3	15/6	15/9	15/12	16/3	16/6	16/8/5
Yokogawa	683	740	695	837	818	902	941	946	1,187	1,398	1,615	1,667	1,281	1,442	1,333	1,295	1,574	1,247	1,465	1,163	1,146	1,279
TOPIX	849	761	729	854	770	737	860	1,035	1,134	1,194	1,302	1,203	1,263	1,326	1,407	1,543	1,630	1,411	1,547	1,347	1,245	1,279

	11/6	11/9	11/12	12/3	12/6	12/9	12/12	13/3	13/6	13/9	13/12	14/3	14/6	14/9	14/12	15/3	15/6	15/9	15/12	15/3	16/6	16/8/5
Yokogawa	43	47	44	53	52	57	60	60	75	89	103	106	81	92	85	82	100	79	93	74	73	81
TOPIX	52	47	45	52	47	45	53	63	70	73	80	74	77	81	86	95	100	87	95	83	76	78

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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