

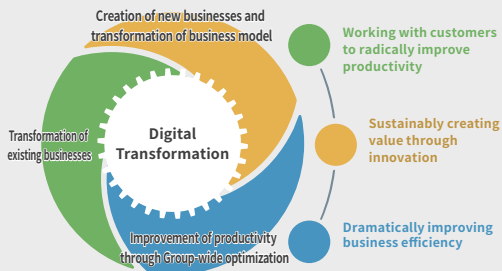
Reference Progress of Medium-Term Business Plan

Transformation 2017 “TF2017”
2015~2017

Transformation 2017

Transformation 2020 “TF2020”
2018~2020

Transformation 2020

Vision	Establishing a foundation for growth by transforming our business structure	Creating opportunity and consolidating the foundation for growth																																													
Business environment (initially)	<ul style="list-style-type: none"> • Expansion of energy demand in line with growth of emerging economies • Technology innovations in oil and gas development and in manufacturing processes • ICT advancement and penetration into industrial base • Oil price volatility • Concerns over intensifying competition 	<ul style="list-style-type: none"> • Market downturn, intensifying competition Economic slowdown beyond expectation, including stagnant crude oil prices and decelerating growth in emerging countries • Declining investment by our customers CAPEX stagnation ⇄ OPEX firm growth • Our existing businesses facing an uphill struggle High dependency on energy-related business, leveling-off sales, and volume • Reforming growth model Opportunities for growth brought by innovations in digital technology, SDGs, and other changes in our external environment 																																													
Strategy	<div> <div>Focusing on customers</div> <ul style="list-style-type: none"> • Develop business by pursuing strategic partnerships with customers • Expand our business with our current customer base </div> <div> <div>Creating new value</div> <ul style="list-style-type: none"> • ICT advances are leading to new business opportunities • Co-create value across companies and industries by improving efficiency and achieving overall optimization </div> <div> <div>Becoming a highly efficient global company</div> <ul style="list-style-type: none"> • Globally optimize all functions and operations • Be more profitable than our competitors </div>																																														
KPIs and targets	<table border="1"> <thead> <tr> <th></th><th>Targets</th><th>Results</th></tr> </thead> <tbody> <tr> <td>ROE</td><td>11% or more</td><td>8.1%</td></tr> <tr> <td>ROA</td><td>6% or more</td><td>4.8%</td></tr> <tr> <td>Net sales</td><td>¥440 billion</td><td>¥406.6 billion</td></tr> <tr> <td>Operating income</td><td>¥45 billion</td><td>¥32.7 billion</td></tr> <tr> <td>ROS</td><td>10.2%</td><td>8.0%</td></tr> <tr> <td>EPS</td><td>¥100 or more</td><td>¥80.27</td></tr> <tr> <td>Operating CF</td><td>¥100 billion</td><td>¥103.1 billion</td></tr> </tbody> </table> <ul style="list-style-type: none"> • Expanded and grew business based on a strong customer base, and improved profitability, our top priority. • Broadened the range of value proposition, primarily in the industries where we are strong, and improved the balance sheet. 		Targets	Results	ROE	11% or more	8.1%	ROA	6% or more	4.8%	Net sales	¥440 billion	¥406.6 billion	Operating income	¥45 billion	¥32.7 billion	ROS	10.2%	8.0%	EPS	¥100 or more	¥80.27	Operating CF	¥100 billion	¥103.1 billion	<table border="1"> <thead> <tr> <th></th><th>Targets</th><th>Results</th></tr> </thead> <tbody> <tr> <td>Growth in orders</td><td></td><td>(3.9)%/year</td></tr> <tr> <td>Growth in net sales</td><td>3-5%/year</td><td>(2.7)%/year</td></tr> <tr> <td>Growth in EPS</td><td>7-9%/year</td><td>(3.9)%/year</td></tr> <tr> <td>ROS</td><td>10% or more (FY2020)</td><td>8.4%</td></tr> <tr> <td>ROE</td><td>10% or more (FY2020)</td><td>6.5%</td></tr> <tr> <td>Organic FCF</td><td>¥85 billion or more (cumulative over three years)</td><td>¥68.8 billion</td></tr> </tbody> </table> <ul style="list-style-type: none"> • The targets were not achieved due to the dramatic changes caused by the COVID-19 pandemic. • Expanded the range of value proposition, mainly in the industries we specialize in, and continuously improved the balance sheet. 		Targets	Results	Growth in orders		(3.9)%/year	Growth in net sales	3-5%/year	(2.7)%/year	Growth in EPS	7-9%/year	(3.9)%/year	ROS	10% or more (FY2020)	8.4%	ROE	10% or more (FY2020)	6.5%	Organic FCF	¥85 billion or more (cumulative over three years)	¥68.8 billion
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Issues	<ul style="list-style-type: none"> • Drastically improved profitability to build a structure that is resistant to fluctuations in trade volume, and accelerate transformation. • In addition to the transformations set out in TF2017, drastic business restructuring is needed for Medium- to long-term improvement in corporate value in a changing business environment. 	<ul style="list-style-type: none"> • Responding to changing customer needs “leading customer business transformation” Provide solutions that utilize digital technologies, such as DX amid expanding needs for solutions with the themes of productivity improvement, remote control, and safety. • Cost structure reform and cost efficiency improvement Continue to work on the measures and reap the results. Break away from the worker-proportional business style. • Transformation of human resources Shift resources from existing fields to innovation fields and strengthen the capabilities of the shifted human resources amid the increasing importance of innovative solutions due to the development of digital technology and changing customer needs. 																																													