

Yokogawa Electric Corporation
Financial results briefing for the fiscal year ended March 2021

Yokogawa Mid-term Business Plan

Accelerate Growth 2023

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Agenda

1. Review of Transformation 2020 (TF2020)
2. Background to Revision of Long-term Business Framework / Formulation of New Mid-term Business Plan
3. Long-term Business Framework
4. Mid-term Business Plan
5. Sustainability Strategies and Corporate Governance
6. Yokogawa's DX Strategy



1. Review of Transformation 2020 (TF2020)

TF2020 Review ① KPIs, targets and basic strategies

Points

- Expand business in focus areas and exceed market growth rate
- Increase profitability regardless of what happens in external environment
- Reallocate management resources to focus areas
- Maximize cash generation by increasing income and improving capital efficiency

KPIs・Targets

KPIs	Targets
Order & sales growth	3~5% / year
EPS growth	7~9% / year ^{*1}
ROS	10% or more
ROE	10% or more
Organic FCF ^{*2}	85 billion yen or more (3 years, cumulative)

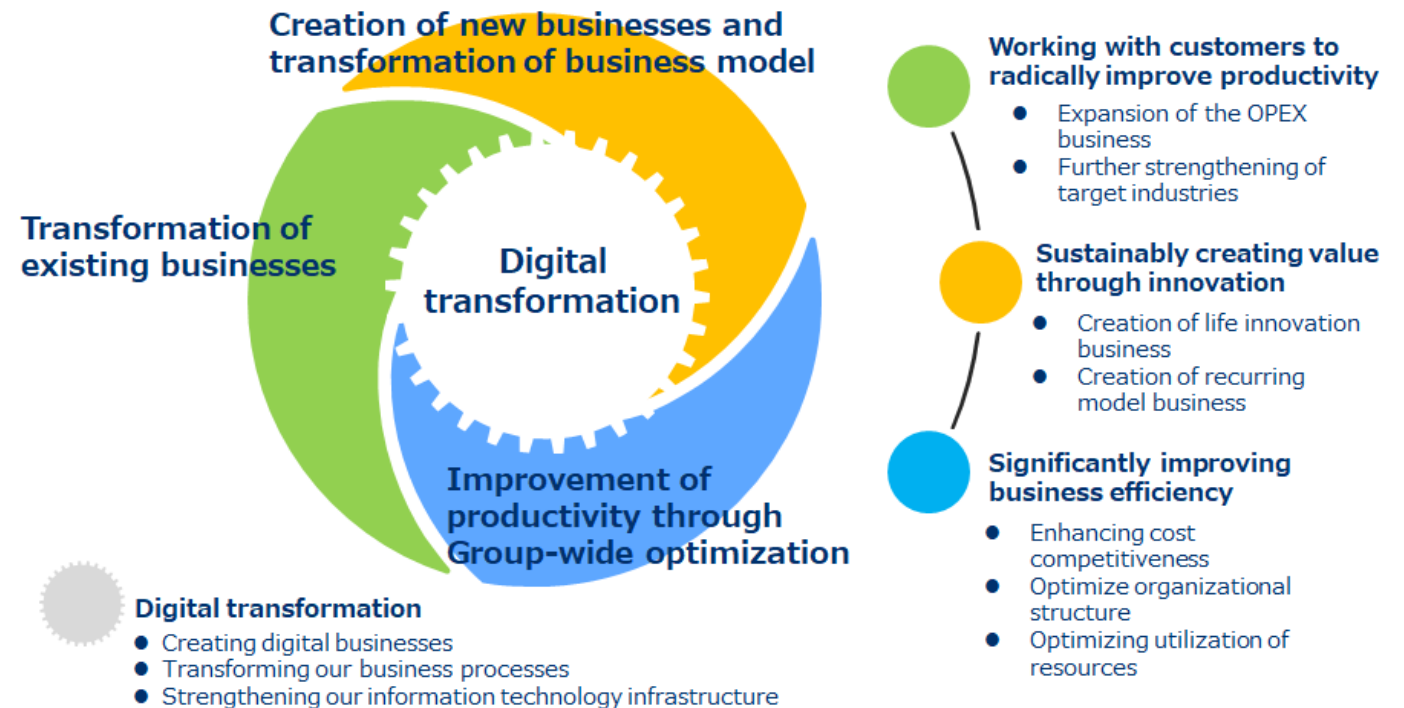
Exchange rate (1\$): 110 yen

^{*1} Excluding the FY17 impairment of goodwill, credit to allowance for doubtful accounts, and asset sales

^{*2} Free cash flow (FCF) + strategic investment
(3-year cumulative total of 70 billion yen)

Basic strategies

Transform our businesses to achieve a sustainable society



TF2020 Review ② Basic strategies – achievements & issues

In a dramatically changing business environment, we took on the challenge of transforming Yokogawa, but these efforts now need to be accelerated.

Basic strategy			
Achievements	Transformation of existing businesses	Creation of new businesses and transformation of business model	Improvement of productivity through Group-wide optimization
	<ul style="list-style-type: none">Received DX integration project order in collaboration with KBC (Middle East)Grew our remote business (CI Server, etc.)Signed strategic alliance agreement with SABICReceived geothermal power plant project order and participated in demonstration of virtual power plant that utilizes industrial batteries etc.	<ul style="list-style-type: none">Acquired NKS corporation (expansion of validation business)Acquired Fluid Imaging Technologies, a provider of flow imaging particle analysis solutionsStarted water level meter and edge gateway business (recurring business model) etc.	<ul style="list-style-type: none">Expanded use of global delivery centersOptimized procurement and logistics costsAccelerated business process outsourcingIncreased utilization of Yokogawa University etc.
	OPEX annual growth rate outside Japan Target 7~10 % ➡ Result (3.0)%	Life Innovation business sales Target 2~3 times* ➡ Result 1.8 times	Cost reduction activities through the above efforts Approx. 6.5 billion yen
	Growth in target industries* (per year) Target 3~5 % ➡ Result 10%	* Compared to FY17 result of approx. 12 billion yen	
	* Chemical and renewable energy industries (control orders)		
Issues			
	<ul style="list-style-type: none">Provision of DX solutions to meet customer needs for increased productivity and remote, safe, and secure operationsBreaking away from dependence on fossil-fuel energy industryExpansion of energy supply chain business including renewable energy and storage batteriesFocus on high-growth functional chemicals sector	<ul style="list-style-type: none">Provision of solutions to increase productivity throughout pharmaceutical and food industry value chainsExpansion of use of recurring business model foundation	<ul style="list-style-type: none">Transformation of SG&A structureReduction of fixed costsAchievement of further improvements in the efficiency of business processesTransformation of human resources

TF2020 Review ③ Digital transformation (DX)/ Strategic investment (M&A, alliances) - achievements and issues

Against the background of the COVID-19 pandemic, we carefully selected and executed strategies while maintaining a strong financial position

Strategy

Digital transformation (DX)

Strategic investment (M&A, alliances)

Achievements

- Focused on establishing the foundation needed to provide value for customers (external DX) and create value in-house (internal DX)

Internal DX

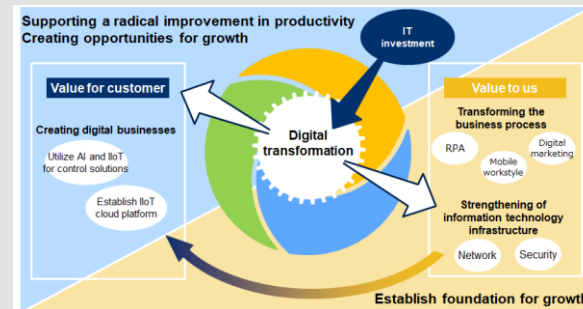
- Visualized/simplified management by globally rolling out enterprise system
- Sped up realization of data-driven management through use of global data lake and BI tools
- Improved business efficiency by globally introducing RPA
- Strengthened global security services business

etc.

External DX

- Released Collaborative Information Server (CI Server)
- Strengthened global security services business

etc.



- Signed partnership agreement for biopharmaceutical business with ICQ Consultants, Corp.
- Signed investment and partnership agreement with HIROTSU BIO SCIENCE INC. to expand use of N-NOSE cancer screening test service
- Signed a value-added reseller contract with Cognite for analysis of plant information relevance etc.

Amount of strategic investment

Approx. 11.0 billion yen

Issues

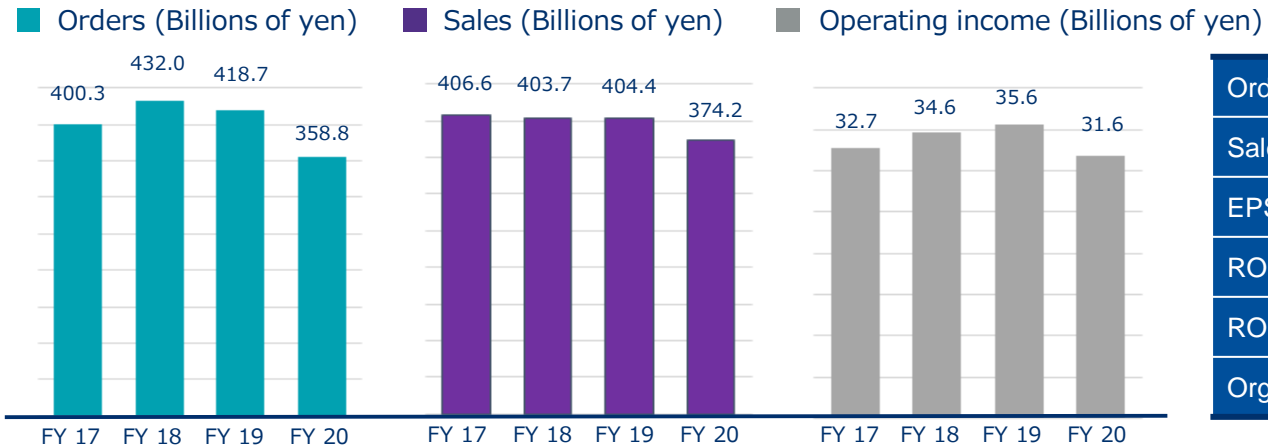
- Transforming into a partner that promotes customers' DX
- Utilizing and enhancing DX for the realization of industrial autonomy
- Accelerating internal DX to transform Yokogawa's operations

- Enhancing product portfolio and human resources through M&A and alliances in order to establish new businesses

TF2020 Review ④ KPIs

The targets were not achieved due to the dramatic changes caused by the spread of the COVID-19 pandemic.

Need to accelerate further growth to become a highly profitable company



	FY17	FY18	FY19	FY20	TF2020 target
Orders growth	-	7.9%/year *1	2.3%/year *2	▲3.9%/year *3	3 ~ 5%/year
Sales growth	-	▲0.7%/year *1	▲0.3%/year *2	▲2.7%/year *3	
EPS growth	-	32.7%/year *1	17.2%/year *2	▲3.9%/year *3	7 ~ 9%/year
ROS	8.0%	8.6%	8.8%	8.4%	10% or more
ROE	8.1%	10.1%	5.1%	6.5%	10% or more
Organic FCF	-	-	-	68.8 billion yen	85 billion yen or more

*1: FY17 to FY18, *2: FY17 to FY19, *3: FY17 to FY20

Themes that should continue to be pursued

- Responding to changing customer needs
→ leading customer business transformation
- Cost structure reform and cost efficiency improvement
- Transformation of human resources

Expanding needs for solutions with the themes of productivity improvement, remote control and safety and security
→ Raise priority and implement measures to provide solutions that utilize digital technologies such as DX

Continue to work on the measures and reap the results. Break away from the worker-proportional business style.
→ Implement measures for these challenges

The importance of innovative solutions is increasing due to the development of digital technology and changing customer needs.
→ Shift resources from existing fields to innovation fields and strengthen the capabilities of shifted human resources



2. Background to Revision of Long-term Business Framework / Formulation of New Mid-term Business Plan

A changing business environment



Customer trends and our perception of the current situation

Customer trends

- Shift to renewable energy (mainly energy-related companies)
- Shift to production of environmentally friendly products
- Growing need for workforce reduction/unmanned operations, progress with digital transformation (DX)
- Accelerating low-carbon investment
- Process flexibility improvement
- Efficient, sophisticated, and fast R&D

Process automation industry trends

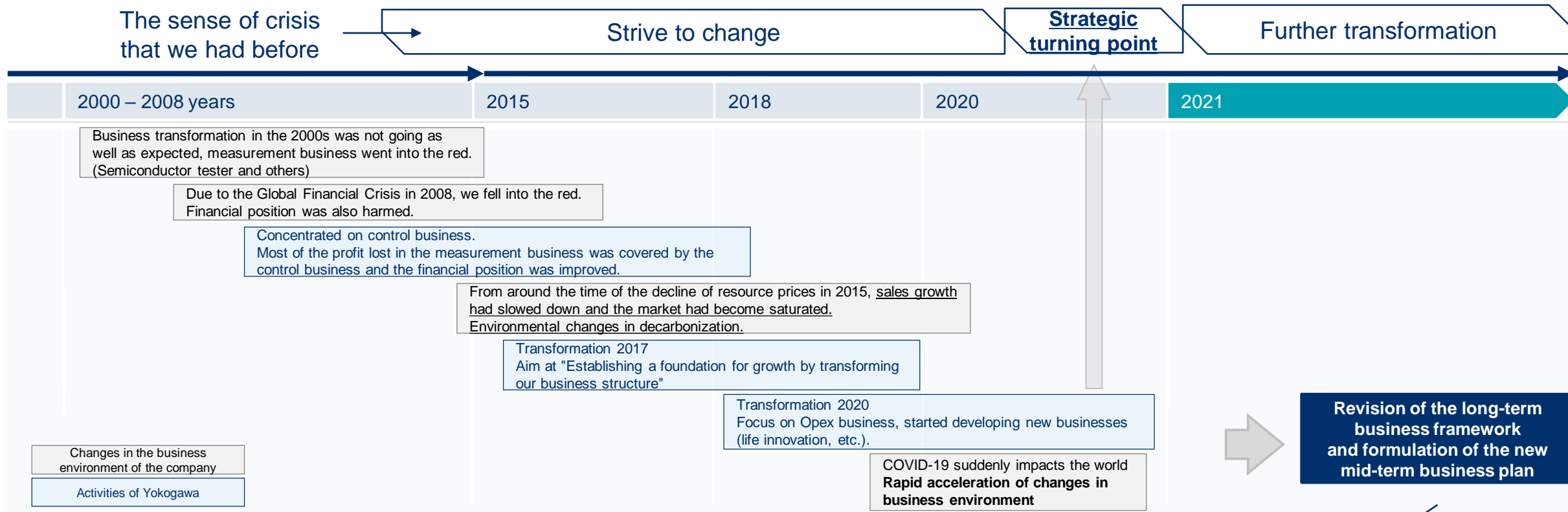
- Maturing product markets, hardware commoditization
- Growing software and sensor markets
- Spread of new business models
- Competition with IT companies
- Threat of cyber attacks

Aspiring to be a growing company that is necessary to society

Venture into new areas and untapped markets

Accelerate internal DX to improve productivity and increase sales

Background of revision of the long-term business framework and formulation of the new mid-term business plan



On the contrary, we see this dramatic acceleration of changes in the business environment as a growth opportunity.

In order to be reborn as a company that creates new value,
we will shift to a business structure based on customer value rather than an extension of the past.

Shifting the business structure itself from the product axis of "providing products, services and solutions" to the **axis of "value enjoyed by customers"**
(The organizational structure and the internal measurement method (KPI) of the created value have also been changed)

Background of revision of the long-term business framework and formulation of the new mid-term business plan

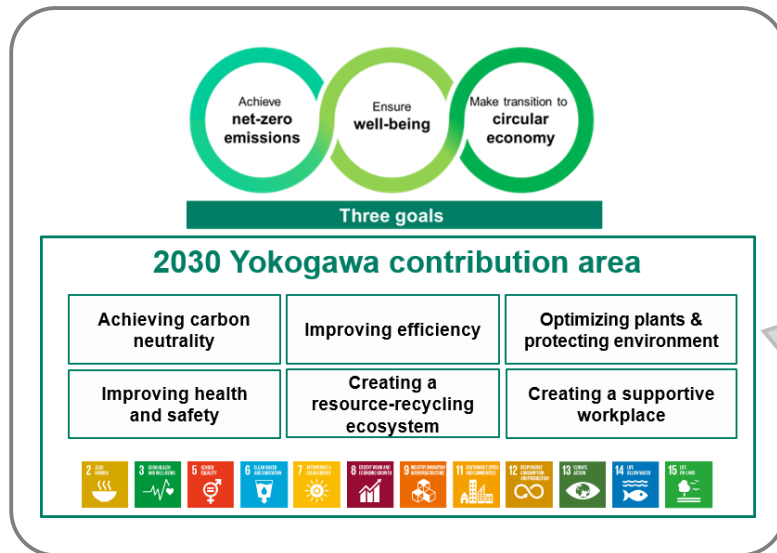
2020-2021
Complete strategic
turning point

Revision of the long-term business framework and formulation of the new mid-term business plan

Business opportunities

amid accelerating environmental changes

- ① Decarbonized society (Net-zero Emissions)
- ② Recycling society (Circular Economy)
- ③ Rising needs for human life and health (Well-being)



Efforts that directly lead to the achievement of SDGs goals through the achievement of our Three goals

Yokogawa Opportunity

With advanced engineering capabilities
Actual results of system integration

Demand for productivity improvement that cannot be achieved by single system optimization itself
Advances in digital technology makes it possible

A society in which the **System of Systems (SoS)** concept will be implemented and realized

Sublimation of SI and engineering capabilities to
SoS SI and engineering capabilities
Grow three opportunities into businesses as a pioneer

Managing from an ESG perspective

to ensure that we can continue to provide high value over the next ten years



**Utilizing our ability to measure and connect,
we fulfill our responsibilities for the future of
our planet.**

Measuring represents Yokogawa's origin as a company. We measure things, grasp and analyze their state, and add value through the information that is derived. *Connecting* refers to how Yokogawa not only combines valuable information, but also builds trusted relationships with customers in various industries and brings together businesses and industries, giving resonance to the value that we create.

Our ability to measure and connect is a core competence that Yokogawa must never lose. We wish to use this strength to find solutions to various social issues and create a future where humanity and planet Earth can co-exist in symbiotic harmony. This aspiration is expressed in our commitment to *fulfill our responsibilities for the future of our planet*.

Overview of long-term business framework and mid-term business plan

2021

2023

2030

2050

Yokogawa's Purpose / The Yokogawa Philosophy

**Three goals
for sustainability**

Net-zero
Emissions

Well-being

Circular
Economy

Long-term business framework (including Vision statement)

Aim for growth through the provision of shared value to society

Mid-term business plan

Accelerate Growth 2023

Establish a business structure centered on
addressing broad social issues to enable growth

Mid-term business plan

(From FY24, with roughly 3-year perspective)



3. Long-term Business Framework

Through autonomy and symbiosis, Yokogawa will create sustainable value and lead the way in solving global issues.

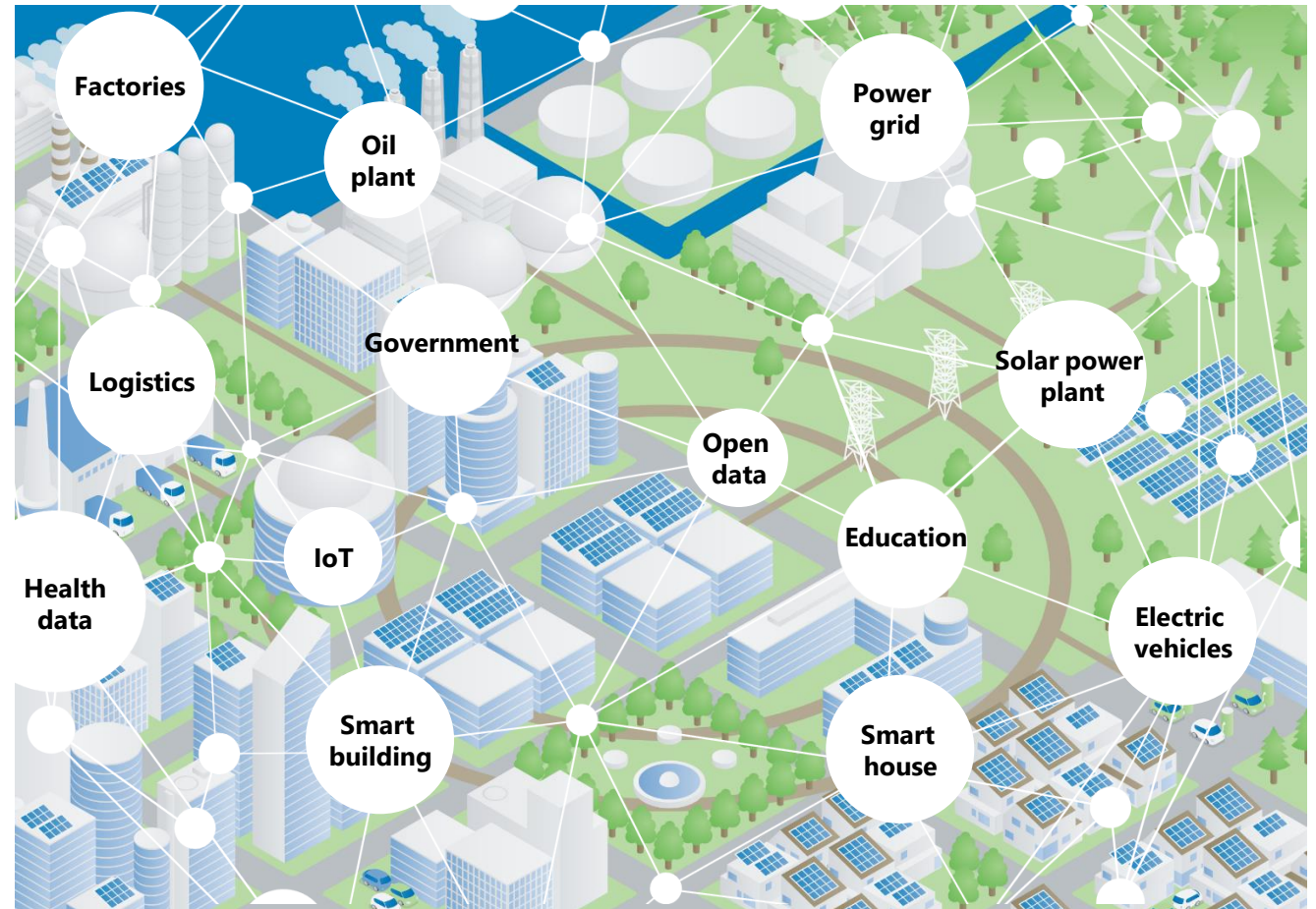
The operational autonomy that Yokogawa aims to achieve will help to increase productivity, avoid risks, reduce workloads, and ensure worker safety. This operational autonomy will extend beyond the boundaries of individual organizations, companies, and industries.

Yokogawa's vision is to bring about a symbiosis between industry and society in which these entities function autonomously, yet in a coordinated way. By realizing this vision and continuing to create value, Yokogawa will take the initiative in addressing social issues.



System of Systems

Everything is inter-connected in complicated ways, and the components function as independently operated and managed systems that work together to achieve a purpose that cannot be achieved by any single system.



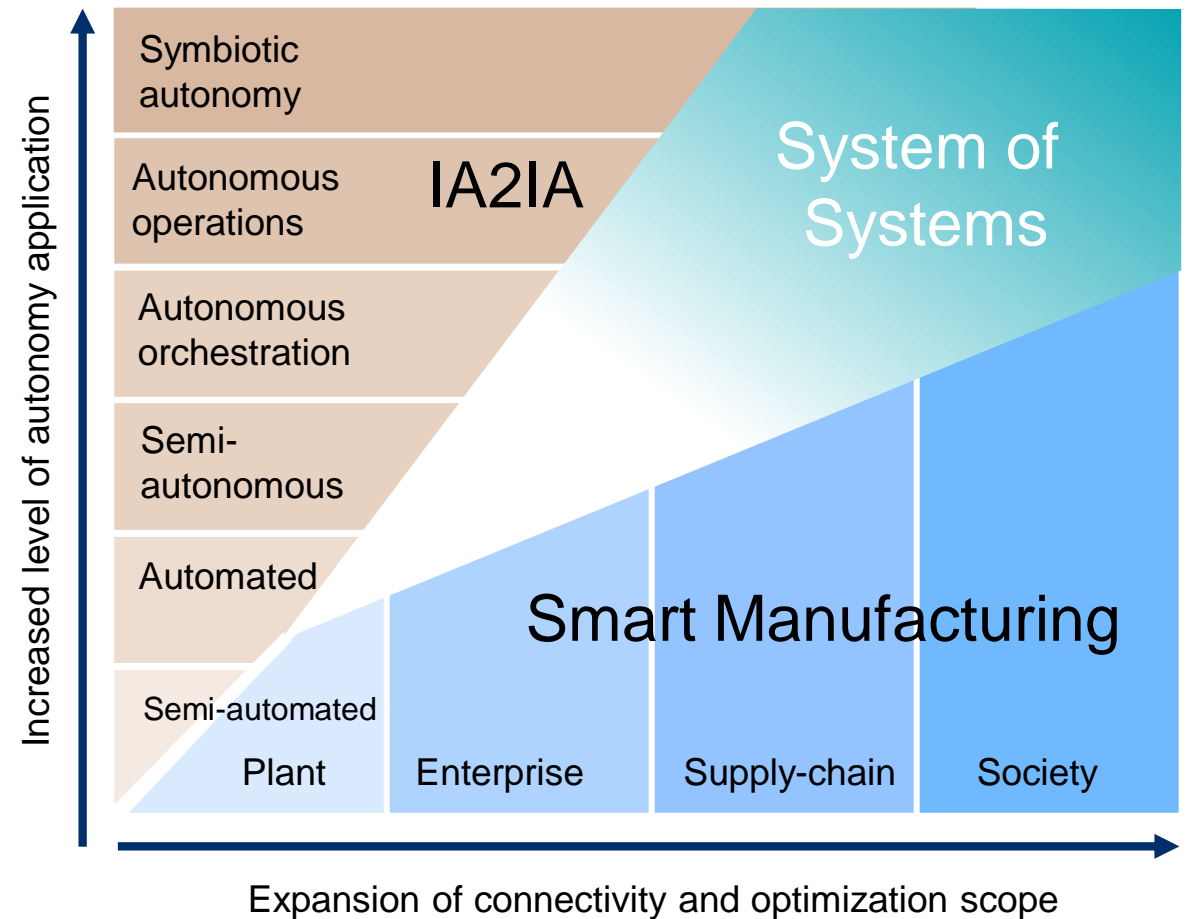
Value provision to customers 10 years from now

Value provided through System of Systems

Promote effective connectivity and create value through overall optimization driven by integration, autonomy, and digitalization.

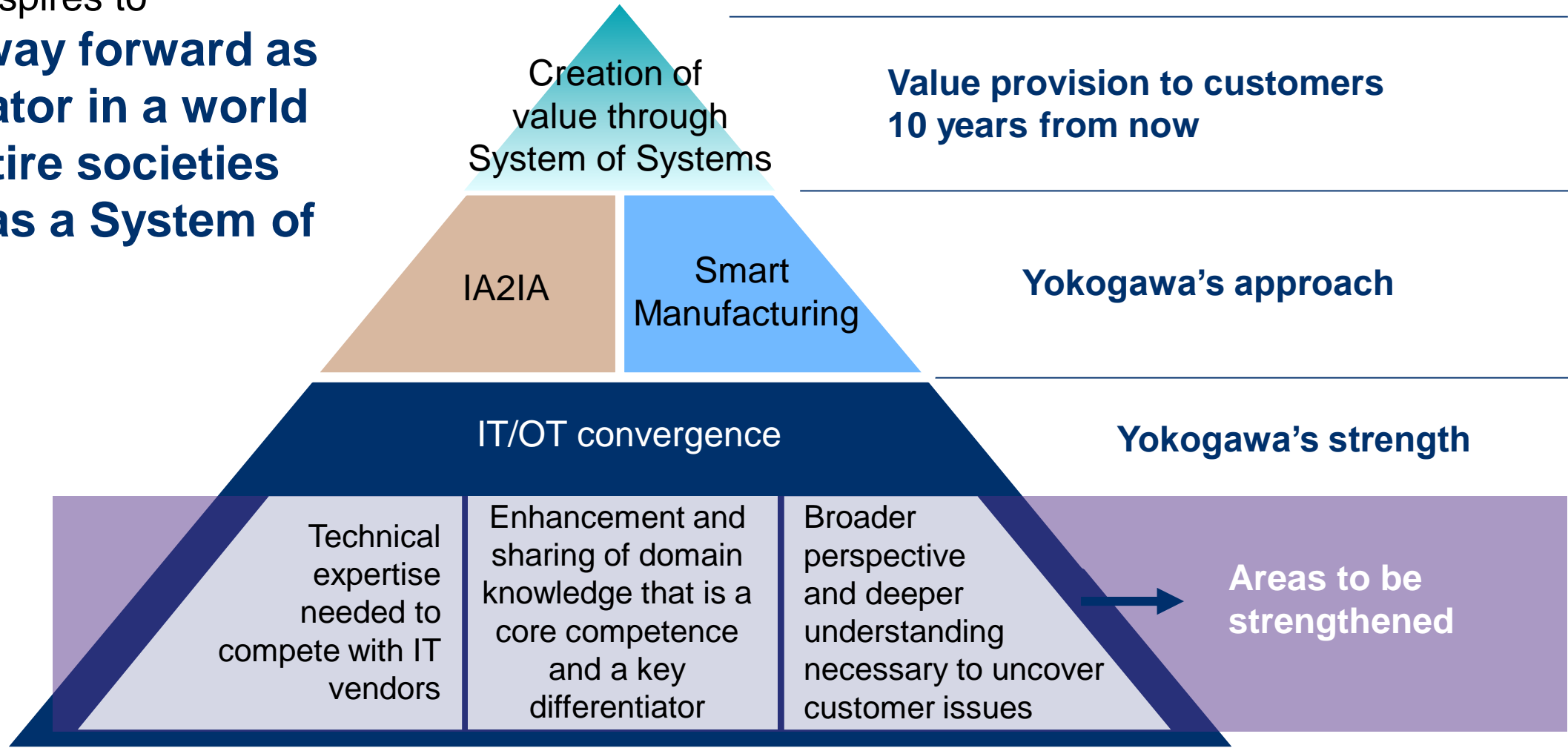
Yokogawa's strengths in a connected society

- OT domain knowledge and project implementation capabilities
- A corporate culture that builds a chain of trust



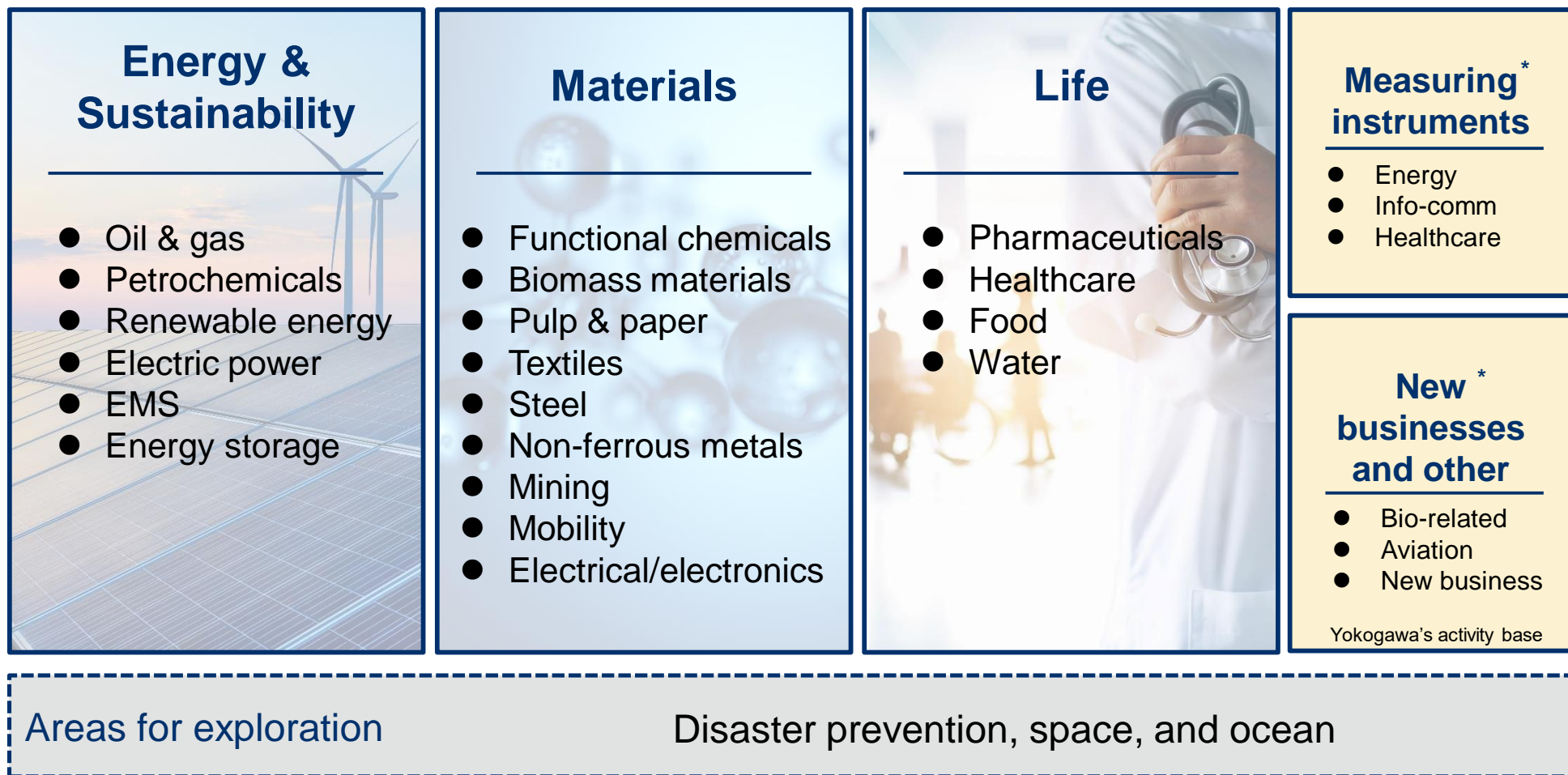
Areas to be strengthened

Yokogawa aspires to
**lead the way forward as
an integrator in a world
where entire societies
function as a System of
Systems.**



Business segments

From an organization centered on conventional products and functions to a business segment based on industry



Ideal form for the industry segments

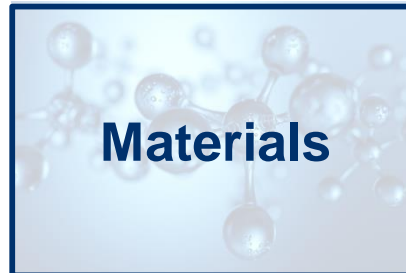
Speed up the expansion to other industries, the expansion of business areas, and the shift to a solution business in a way that fits the frontline business.

Quickly respond to and solve broad social issues with business segments that are focused on these social issues.

Ideal form for the industry segments



Support safe and optimal operations in a diverse range of energy sectors, spanning the entire value chain of production, supply, use, disposal, and recycling.



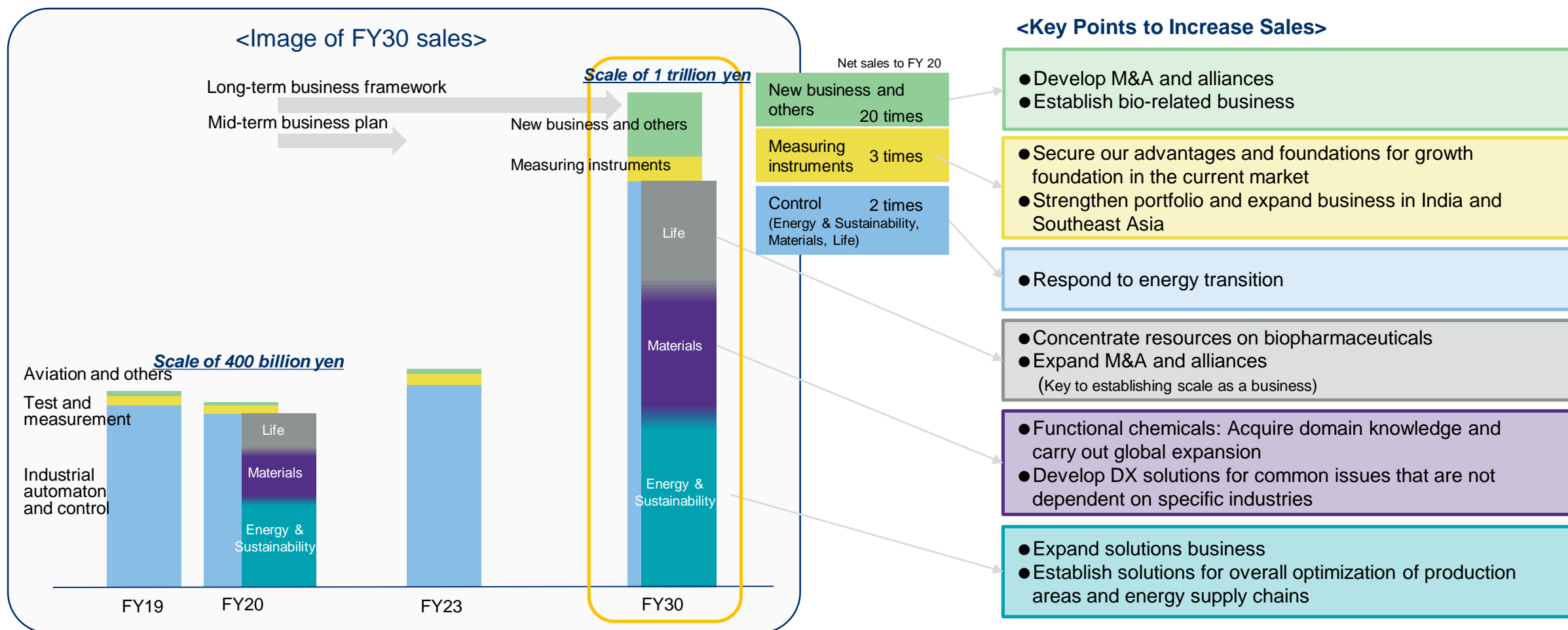
Contribute to the achievement of a recycling-oriented society that is in harmony with the environment.



Contribute to the supply of pharmaceuticals that protect people's lives and health, and the supply of safe water and food everyone can drink and eat with peace of mind.

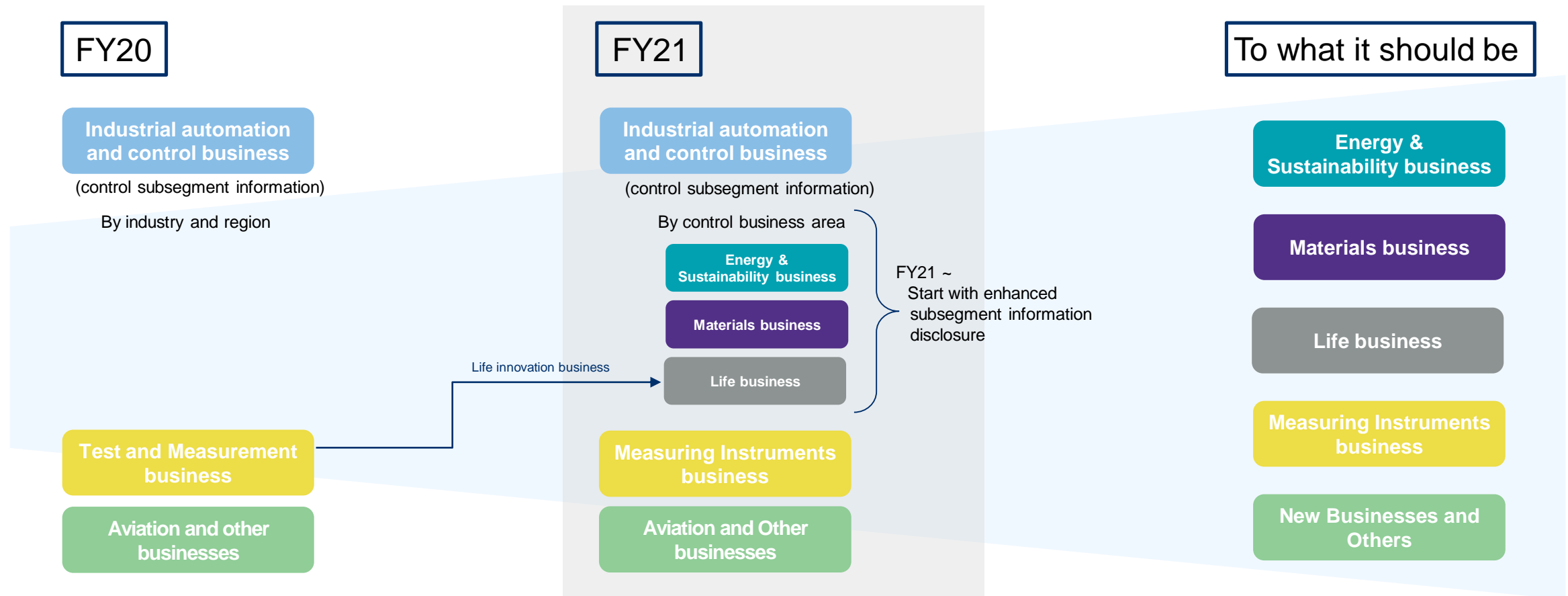
Business scale in FY30

As one of the elements of the kind of company we wish to be, **we envision becoming a trillion-yen company by FY30**, and have set out in the new mid-term business plan what should be done over the next three years to make that happen



IR disclosure segments

Work to enable information disclosure in the “5 segments” that we have drawn as the ideal form of industry segments

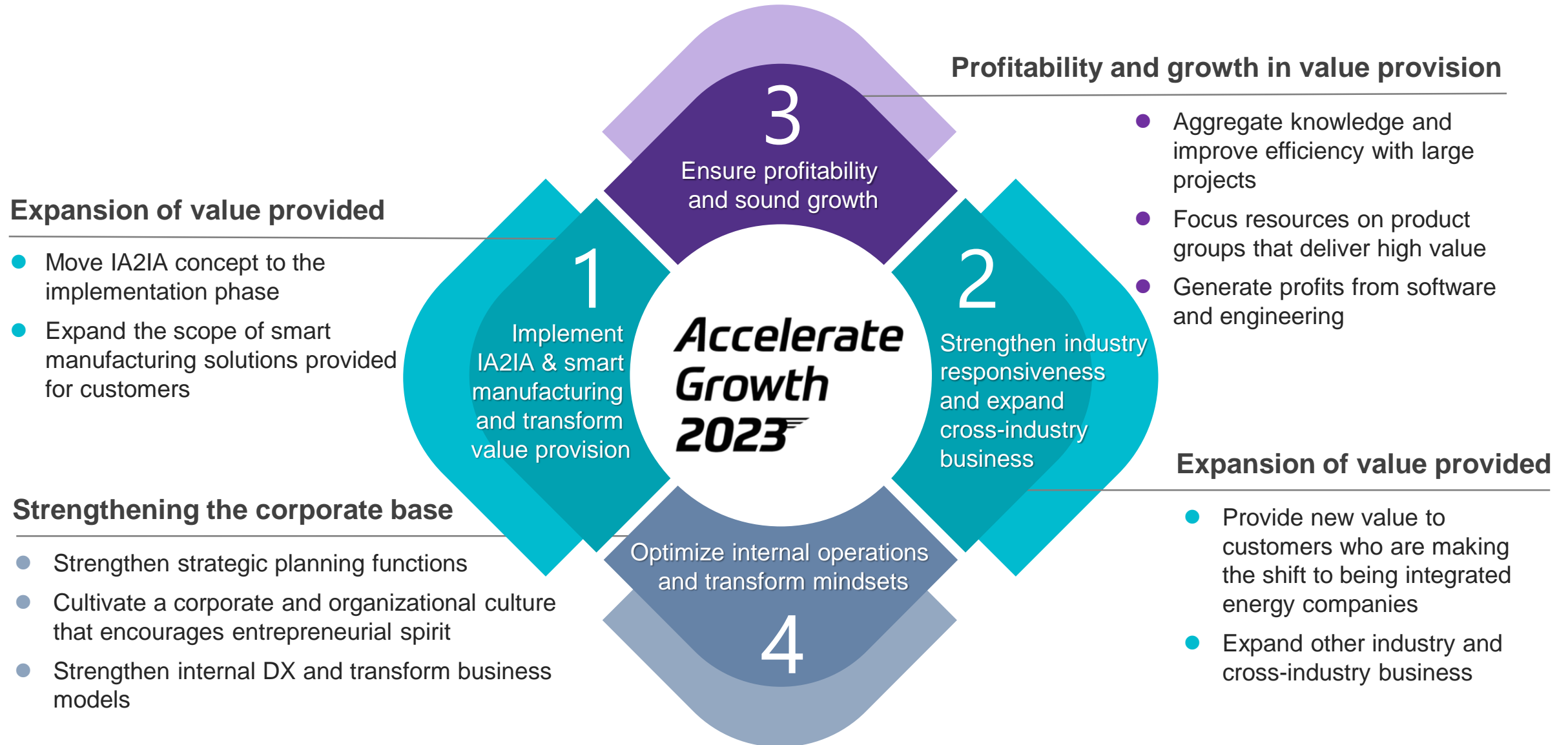




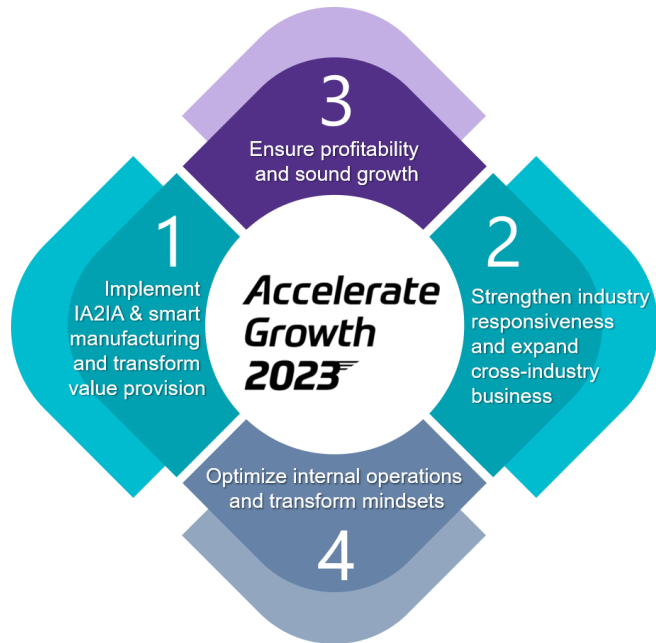
4. Mid-term Business Plan

- Strategies and KPIs**
- Financial Strategy and Capital Policy**

Accelerate Growth 2023: 4 basic strategies



Accelerate Growth 2023: Basic Strategy Overview



1 Implement IA2IA & smart manufacturing and transform value provision

Expansion of value provided

- Move IA2IA concept to the implementation phase
- Expand the scope of smart manufacturing solutions provided

2 Strengthen industry responsiveness and expand cross-industry business

Expansion of value provided

- Provide new value to customers who are making the shift to being integrated energy companies (mainly energy-related companies)
- Expand other industry and cross-industry business

3 Ensure profitability and sound growth

Profitability and growth in value provision

- Aggregate knowledge and improve efficiency with large projects
- Focus resources on product groups that deliver high value
- Generate profits from software and engineering



Energy &
Sustainability business

Materials business

Life business

4 Optimize internal operations and transform mindsets

Strengthening the corporate base

- Strengthen strategic planning functions
- Cultivate a corporate and organizational culture that encourages entrepreneurial spirit
- Strengthen internal DX and transform business models
- Convert skills and improve engagement of human resources

Measuring Instruments business

New business and others

Measuring instruments business

- Securing superiority and growth foundation in the current market
- Implement market entry strategies to develop solutions that deliver innovation to customers
- Strengthen portfolio with a view to M&A and expand business in India and Southeast Asia

Aviation business

- Continue to improve profitability

Bio-related business

- Focus on the development and commercialization of high-value-added plant-derived biomass materials with the aim of contributing to the development of a recycling-oriented society together with strategic partners.

Structure our business to provide shared value, **set record high targets, and maximize corporate and shareholder value from a mid- to long-term perspective**

Key points

- Solve customer's on-site issues and globally expand enterprise system business
- Strengthen industry support and expand businesses that are not industry dependent
- Make improvements to ensure a sound earnings structure
- Optimize resource allocation to realize the strategy of the entire Group
- Strengthen the ability to generate cash flow creation output in the future and cumulatively

Targets

Order growth	8~10% / year	
Sales growth	4~6% / year	
EPS growth	16~18% / year	
ROS	10% (FY23)	[Record high level Previous record 9.6% (FY15)]
ROE	10% or more (FY23)	
Sales cash flow	¥140B or more (3 years cumulative)	

(Forecast exchange rate (1US\$) = ¥105)

Sales targets by segment “Target CAGR vs. Market Growth”

FY20-FY23 is based on the premise that the recovery of sales will be gradual due to a decrease in the order backlog because of a decrease in orders received as a result of the COVID-19 pandemic in FY20.

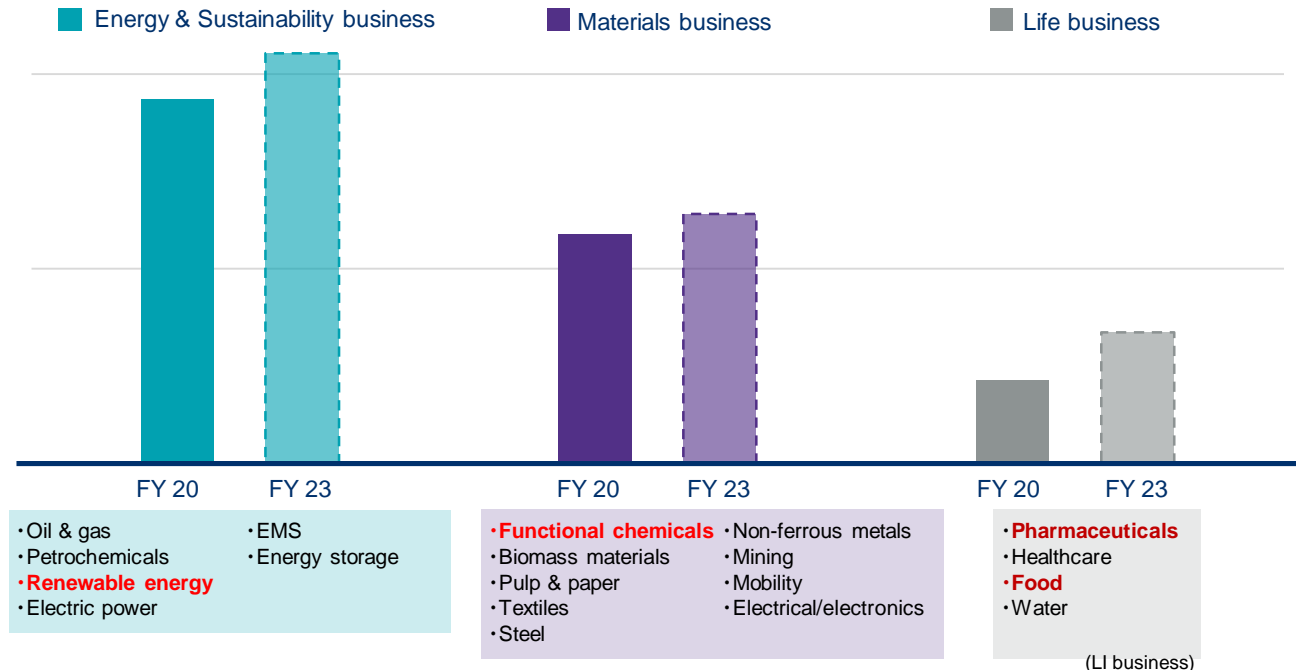
During this period, we will strive to recover sales by prioritizing the acquisition of orders.

Energy & Sustainability business : Targeting renewable energy, including M&A, to grow **2 ~ 3 times**

Materials business : Although there are differences across industries, functional chemicals will be the center of growth,

Life business : Will drive growth including through bio-related M&A

[FY23 sales growth target image by business segment]



	FY20-23 CAGR		(Reference) Order Growth Targets
	Market growth rate (Forecast) *	Sales growth target	
Energy & Sustainability business	3.2%	4% or more	(9% or more)
Materials business	3.5%	3% or more	(6% or more)
Life business	2.9%	16% or more	(16% or more)

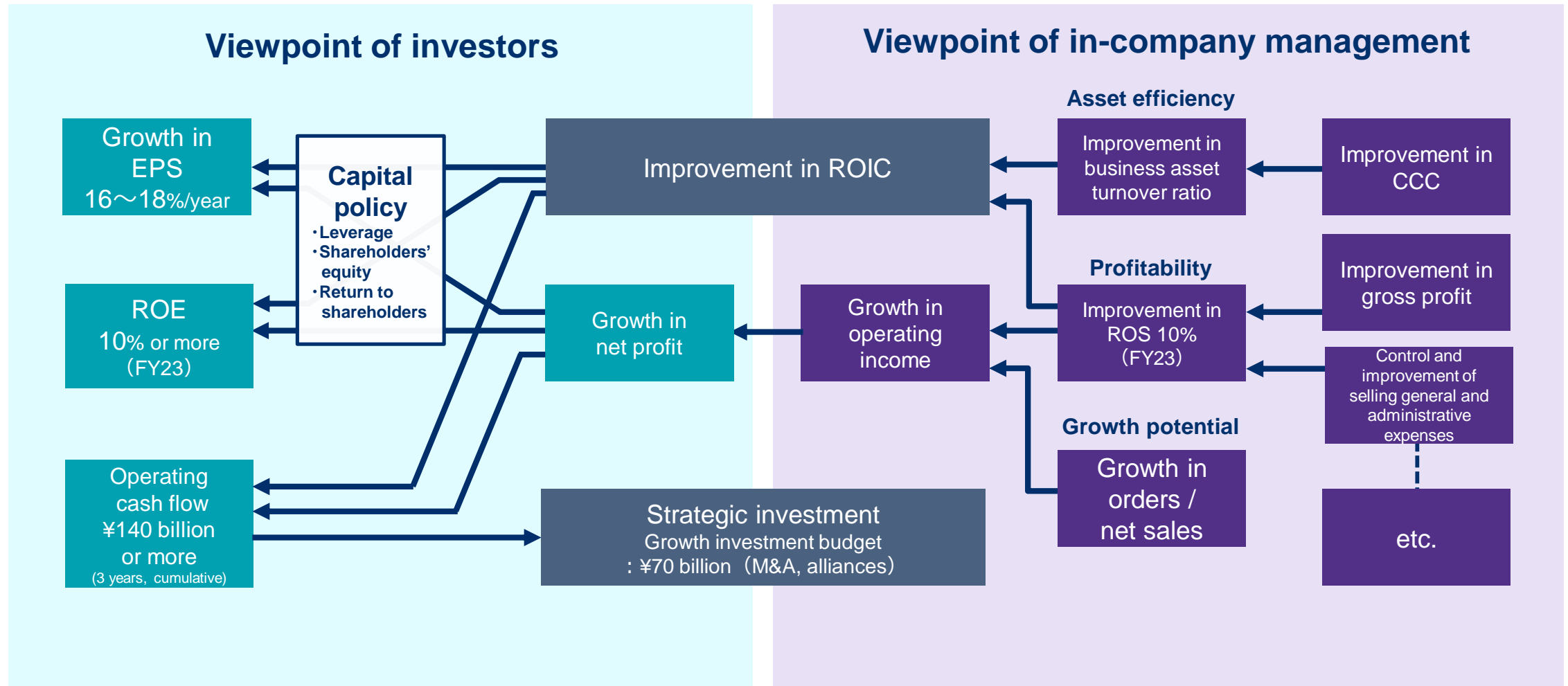
*Source: IIR Feb. 2021

Above forecast is based on IIR (Industrial Info Resources) excluding less relevant industries from Total investment value in all industries

-Correlation between TIV (TIV*:Total Investment Value) and Investment value of our control business customers

Investment trend in control business may lag behind TIV* by about a year, market situation is expected to remain severe

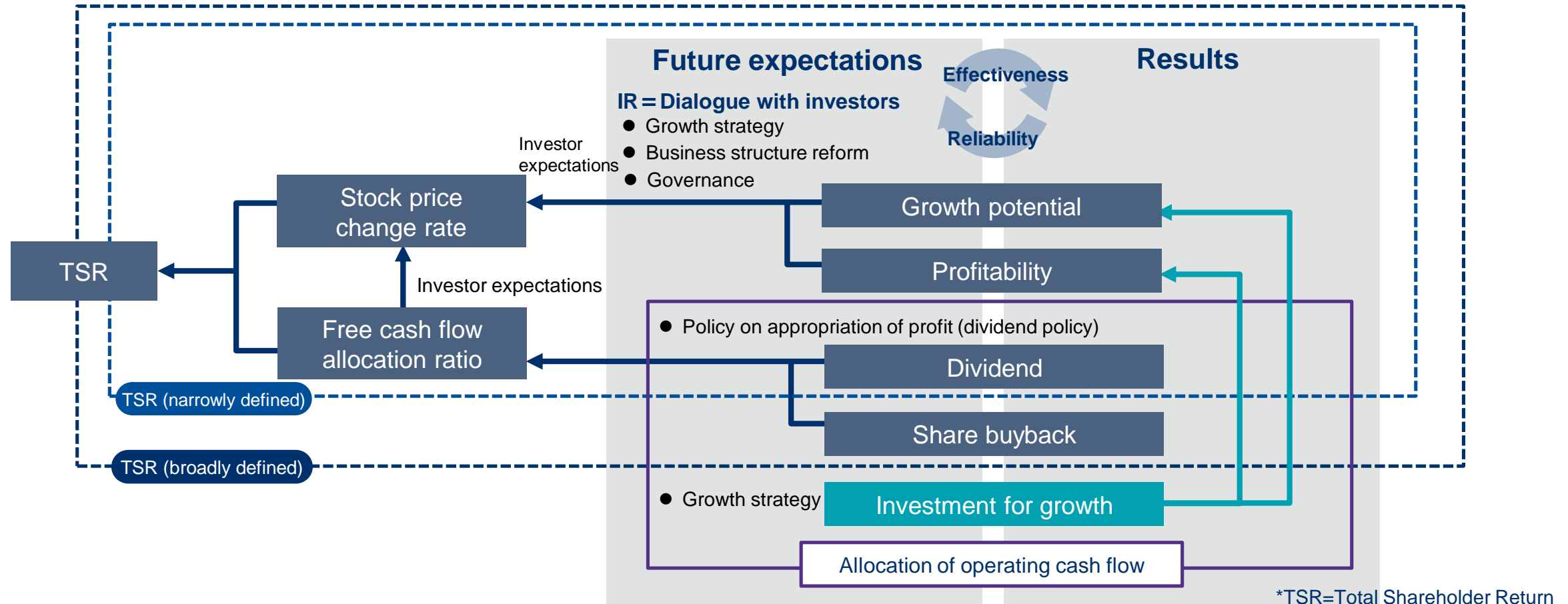
Main initiatives for achieving targets (KPI structure)



Shareholder value

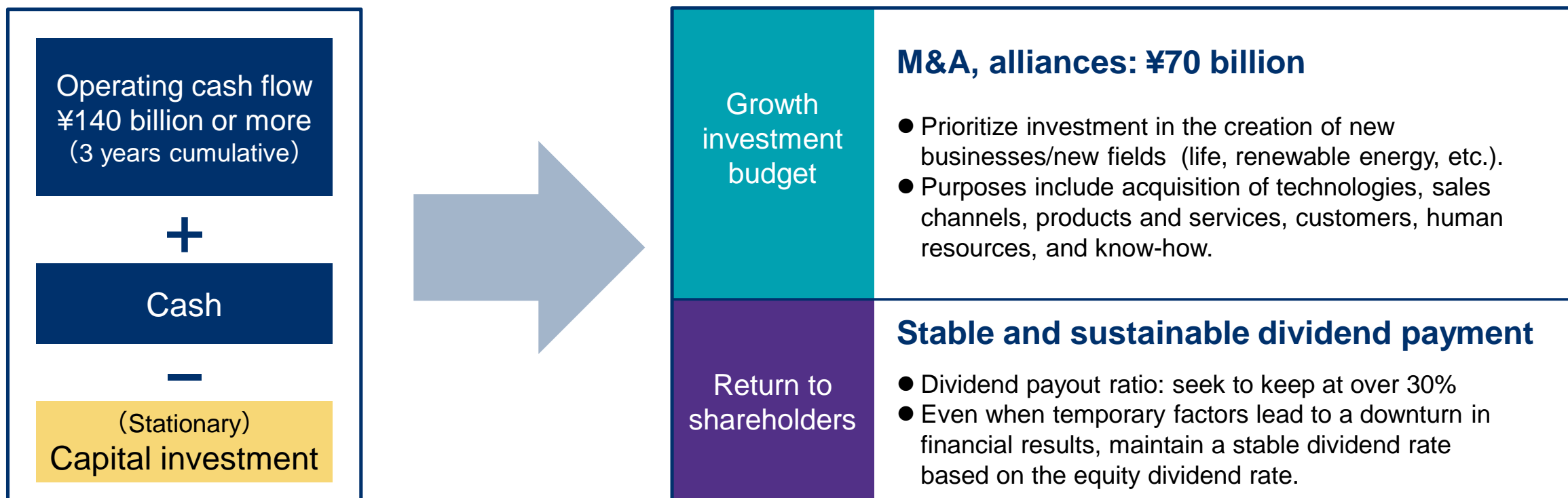
Ensure that TSR* exceeds shareholders' cost of equity while seeking to maintain a close dialogue with the capital markets (investor relations).

Maximizing the shareholder value over the mid- and long-term



Financial strategy and capital policy

Allocate cash generated through our business to investments that will increase or maximize corporate value in the mid to long term, and proactively return profits to shareholders.



Precondition: keep shareholder capital at a level that can maintain an A rating



5. Sustainability Strategies and Corporate Governance

Transformation through sustainability



Vision for Society in 2050

2030 Yokogawa contribution area

Achieving carbon neutrality

Improving efficiency

Optimizing plants & protecting environment

Improving health and safety

Creating a resource-recycling ecosystem

Creating a supportive workplace



Set ambitious long-term goals from a social and environmental perspective to achieve the SDGs

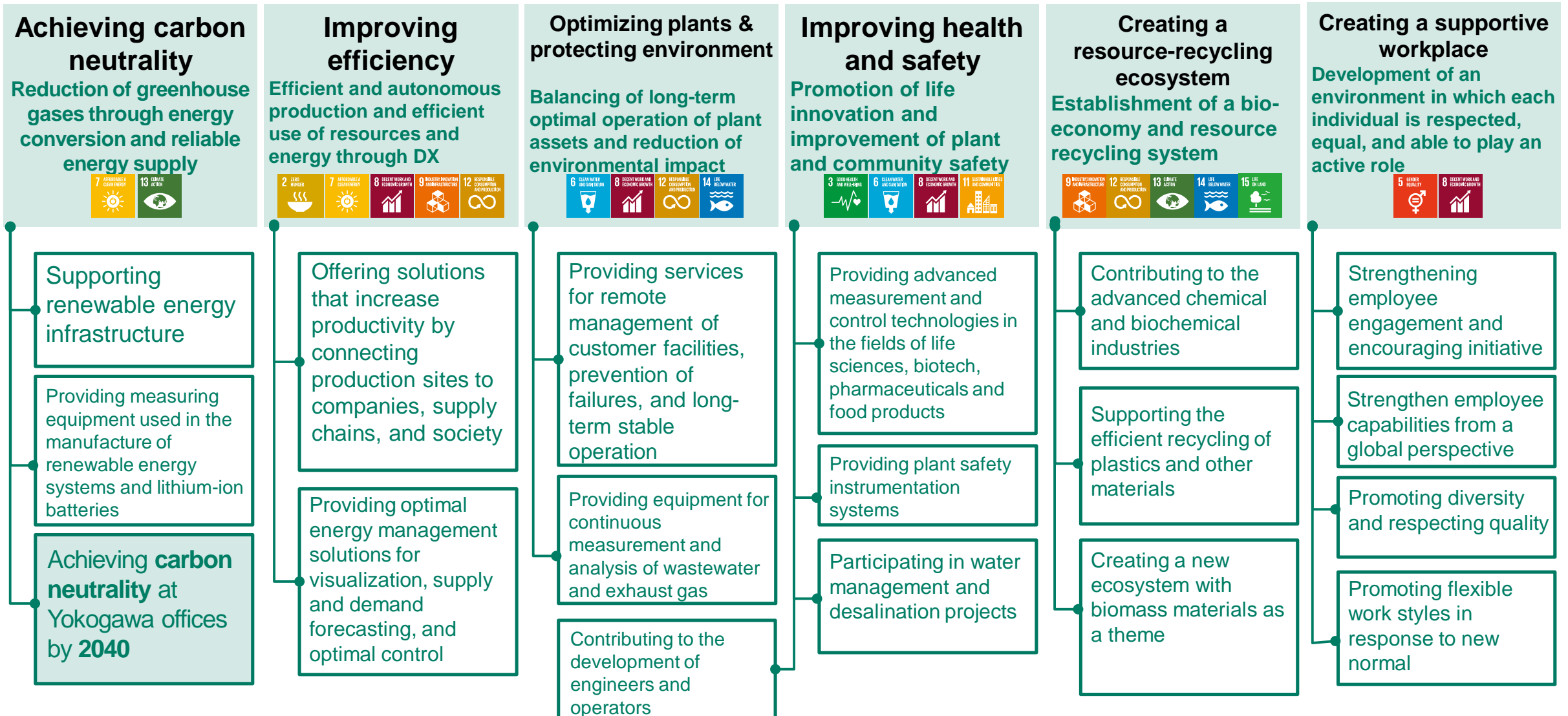
Focus sustainability areas in the mid-term business plan for 2023

- ✓ Incorporate sustainability mid-term targets into mid-term business plan
- ✓ Roll out annual plan to the Group companies

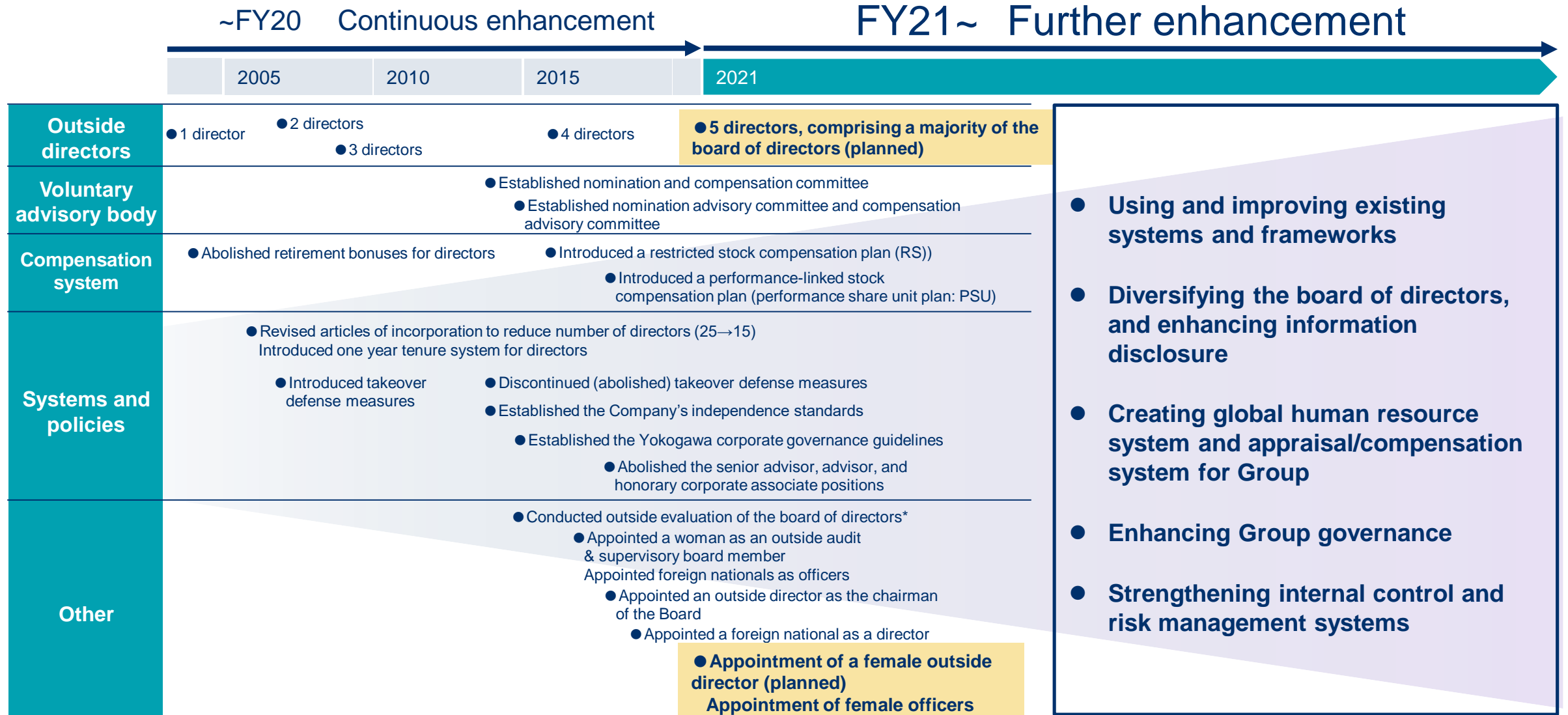
Set targets to expand businesses that contribute to the SDGs and strengthen corporate sustainability

Accelerate the transformation of our society and Yokogawa by identifying business opportunities based on the SDGs and incorporating them into the mission of each employee.

Six contribution themes and strategies for 2030



Further enhancement of corporate governance



* Once every three years. Self-evaluation in other years



6. Yokogawa's DX Strategy

Digital transformation (DX) policy



Yokogawa's Purpose: Utilizing our ability to measure and connect, we fulfill our responsibilities for the future of our planet.

DX policy

External DX

In a virtual space, support our customers' transformation into digital enterprises (DE) and realize the transformation of business-to-business transactions to form a system of systems (SoS).

Virtual space

Supply chain / Quality chain



DX/IT solutions

Connecting
cyber and
physical

Physical space

Supply chain / Quality chain



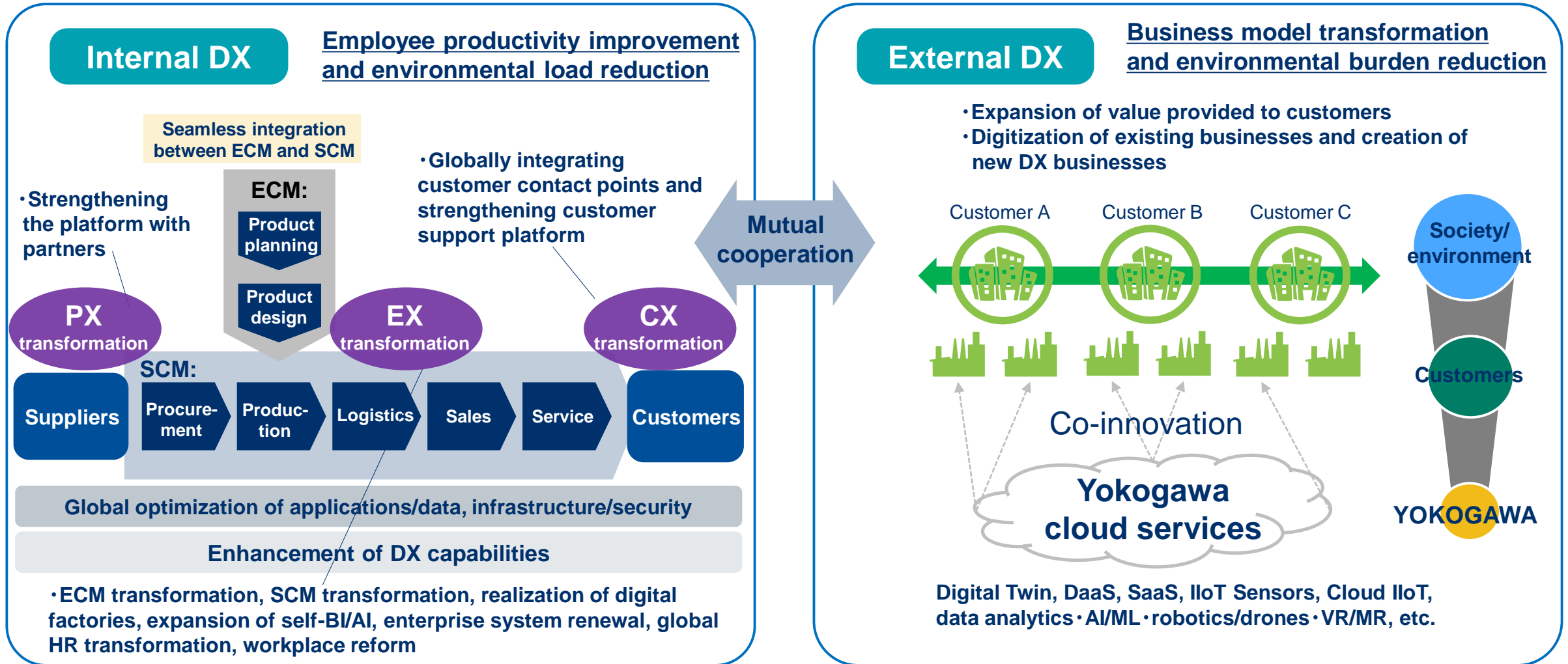
OT solutions

Connecting
customers and
Yokogawa

Internal DX

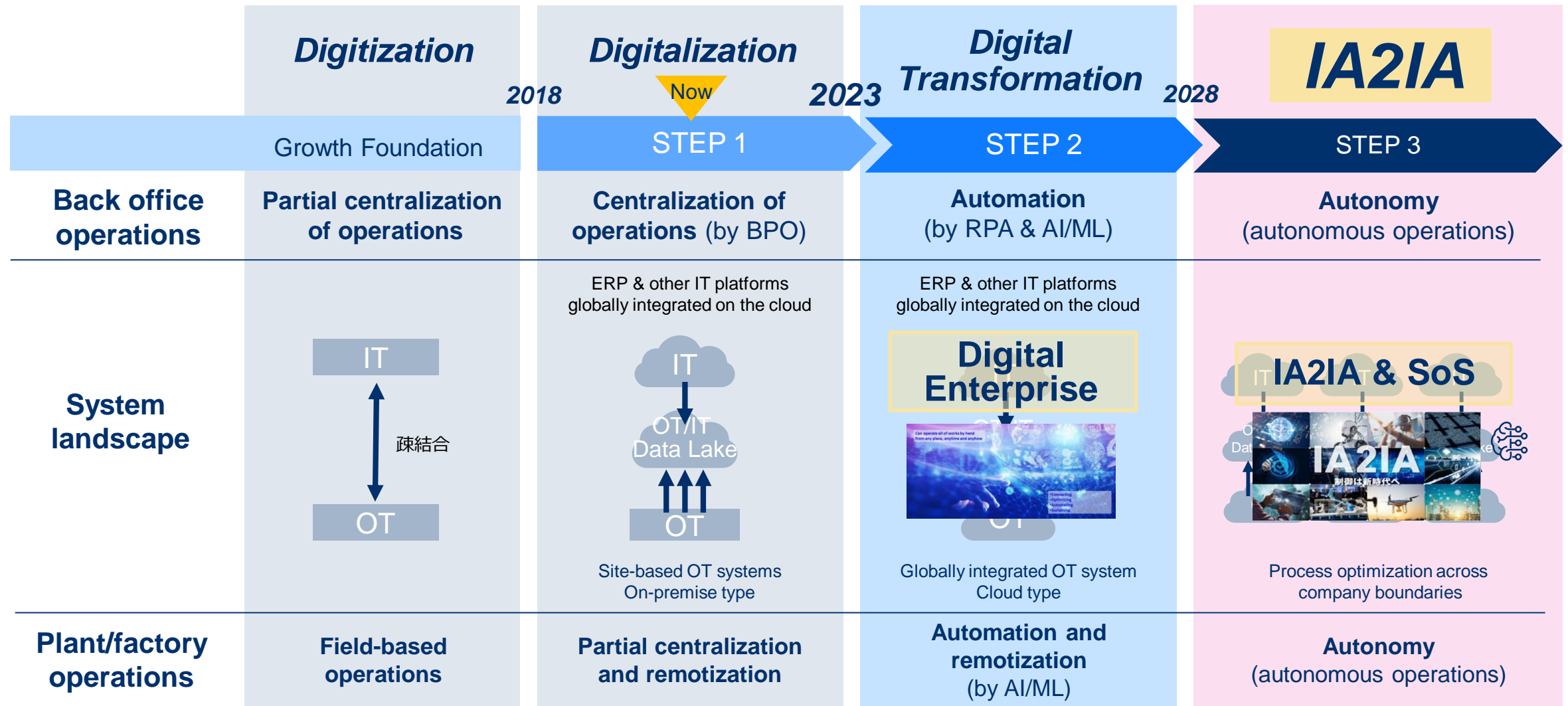
Accumulation of DX use cases with our transformation into a DE, and improvement of employee productivity

DX Strategy (FY21-FY23)



※PX : Partner Experience, EX : Employee Experience, CX : Customer Experience, ECM : Engineering Chain Management, SCM : Supply Chain Management

DX journey to realize IA2IA (overview)



Co-innovating tomorrow™