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Junichi Anabuki
Director, Senior Vice President
Corporate Administration Headquarters

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Takashi Nishijima
President and Chief Executive Officer
Yokogawa Electric Corporation

Financial Results for
1st Half of Fiscal Year 2018

Junichi Anabuki
Director, Senior Vice President
Corporate Administration Headquarters

Nov 6, 2018

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Key Points

**FY18 1H results: Increased sales and profits, strong growth**
- Summary: Orders was up (+7.5% year on year). Operating income was also up due to increased sales and improvement of the gross margin.
- Segments: Control was strong, measurement was unchanged year on year, and the aviation and other business segment showed a decrease in income and profits.
- Regions: Strong growth in China, orders up in the Middle East and India.
- Industries: Chemical and upstream businesses are growing.

**FY18 forecast: <Change> A year-on-year increase in sales and profits**
- Orders +10.0 billion yen, sales +5.0 billion yen, operating income +3.0 billion yen, profit attributable to owners of parent +4.0 billion yen
- Reasons: ① Control was strong: OPEX related investment remains strong
  Some customers have resumed active CAPEX investment
  ② Transfer of subsidiary’s shares
  ③ Expected change in exchange rate
- Risks: A slowing economy and a decline in investment due to trade friction between the United States and China.
Summary of FY18 1H Results

- Cumulative results for the second quarter indicate an increase in both sales and profits compared with the same period of the previous year.

- Orders: 213.7 billion¥, up 7.5% year on year. The Control Segment is showing steady results.

- Sales: 190.4 billion¥, up 1.3% year on year. Growth is steady and largely revolves around overseas business.

- Operating income: 14.8 billion¥, up 18.5% year on year. Gross margins temporarily worsened for a time last fiscal year in the domestic Control Segment, but the final outcome is a net increase which includes a bounceback from the above.

- Profit attributable to owners of parent was 10.1 billion¥ and up 0.5 billion¥ year on year, while gross quarterly profit reflects a 2.5 billion¥ profit on sales of assets sold during the same quarter last fiscal year.

The above results exceed those of the year prior.
Analysis of Operating Income

- Operating income was 14.8 billion¥, a large increase of 2.4 billion¥ over the year prior.

- Major factors were:
  1. Increased sales leading to a 2 billion¥ year on year increase in gross margins;
  2. Gross margins improving year on year by 1.7 billion¥;
  3. SG&A increased year on year, including 0.9 billion¥ allocated to strategic investment and causing a factor decreasing profitability by 1.2 billion¥;
  4. KBC-related decrease in goodwill depreciation costs is as expected;
  5. Changes in accounting methods represent a small amount vis-a-vis annual plans;
  6. Due to currency fluctuations, a year on year change of 0.5 billion¥.
FY17 1H/FY18 1H Comparison for Orders, Sales, and Operating Income by Segment

- The Control Segment continues to post solid outcomes.
  - Orders increased by 13.1 billion¥ year on year, sales increased by 4 billion¥ year on year, and operating income greatly increased by 3.3 billion¥ year on year.
  - Orders and sales are showing solid growth, chiefly due to rising product demand overseas.
  - Operating income increased, owing to greater sales and improved gross margins, chiefly in Japan. Figures for the year prior reflected several jobs in the Japanese Control Segment that had low profitability.

- The Measurement Segment is largely the same as the year prior. Orders increased by 0.1 billion¥ year on year, sales decreased by 0.1 billion¥ year on year, and operating income remained the same.

- The Aviation and Other Business Segment showed a +1.6 billion¥ year on year growth in orders, with sales showing a 1.5 billion¥ year on year decrease, and operating income a decrease of 900 million¥.
  - Due to decreased sales and reduced gross margin rate, operating income declined.
  - One factor in the decline was jobs with greater development manpower for the aviation business.
Orders and Sales by Region in Control Segment

Orders are particularly strong in China and India. Europe-CIS, Middle East/Africa, and North America also exceeded the year-earlier period’s totals.

Sales have expanded, notably in the Asian region. Europe-CIS and North America also exceeded the year-earlier period’s outcomes. Changes to the currency markets led to year on year decreases in Central and South America and India, but they are performing well when denominated in the local currency.

※Destination-based
○<Reference> Ratio of Orders and Sales by Industry in Control Segment (Composition ratio)

- Upstream orders have bounced back and increased by three points year on year. Large jobs in the Middle East are driving this.

- The chemicals sector is also healthy, particularly in India.
FY18 Forecast → Change from May 8, 2018

Due to solid growth in the Control Segment, the effects of the transfer of subsidiary shares, and a revision of the exchange rate, we revised our forecasts for orders, sales, and operating income upward.

Changes to the exchange markets led to a revision of +0.7 billion¥ in orders, +0.7 billion¥ in sales, and +1.7 billion¥ in operating income. While these figures represent low sensitivity in terms of orders and sales, this is owed to the fact that currencies (excluding USD) are, unlike the dollar, trending weaker against the yen.

In terms of orders and sales;
1. the proportion of revision from the exchange markets is not particularly large;
2. the transfer of subsidiaries in the Aviation and Other Business Segment will act as a negative factor on 4Q performance, but the upward revision incorporates this loss and absorbs it.
Factors Accounting for Increase/Decrease in FY18 Operating Income → Change from May 8, 2018

- This slide describes the figures announced on 5/8 and how results differed.

- Comparing against those figures;
  1. Gross profit increased per an increase in sales, to +3.3 billion¥, for an increase of 1.8 billion¥;
  2. Improvements to gross profit ratio led to +1.3 billion ¥ for a decrease of 0.5 billion¥;
  3. There was no change to SG&A, Effect of KBC acquisition, and accounting;
  4. The exchange markets caused a change of 0.3 billion¥ for a 1.7 billion¥ increase.

In this way, operating profit increased by 3 billion¥ over the initial forecast, reaching 36 billion¥.
FY18 Forecast for Orders, Sales, and Operating Income by Segment → Change from May 8, 2018

- In the Control Segment, orders were +15 billion¥ and sales was +10 billion¥, with operating income +4.5 billion¥.

- There are no changes to the Measurement Segment.

- The Aviation and Other Segment reflect the outcome of a transfer of subsidiary shares. Orders and sales showed a decrease of 5 billion¥; in terms of operating income, in addition to a reduction there, orders involving additional development manpower in the Aviation business led to a decrease of 1.5 billion¥.
- There are no changes to orders and sales in Japan.

- Based on performance for the first half of the year overseas, we have revised our projections upward for the remaining half of the year. With the exclusion of sales in Central and South America, this represents a positive upward adjustment across the whole. Notably, we made a major revision to sales projections for Asia and the Middle East and Africa.
- As estimated at the start of the term, we reached a resolution for interim dividends of 15.0 ¥.

- We had revised our estimate for performance upward, but the estimate for annual dividends remains as-is. However, we have achieved the stated dividend policy of a basis on figures exceeding 30% dividend performance.
Appendix:

- Quarterly Financial Results
- Orders and Sales by Region in Control Segment
- Non-operating /Extraordinary Income and Expenses
- Order Backlog Trend by Segment
- Trend of R&D Expenses, Depreciation, and CAPEX
- Trend of Balance Sheet
- Trend of Cash Flow
- News
- Trend of Stock Price
Appendix: Quarterly Financial Results

- Sales and operating income tend to be higher in 2Q and 4Q, and this trend is particularly strong in the Japanese control segment.

(Billion ¥)

Orders • Sales • Operating income

Exchange rate (¥/€)

1Q 108.53 94.2 89.9 1Q 105.72 95.7 94.7 1Q 111.42 114.3 113.9 1Q 111.29 111.7 111.77 1Q 110.70 102.0 102.3 107.3 107.0 102.0 102.0 111.7 101.5 101.5
2Q 107.64 85.9 9.4 2Q 107.64 85.9 9.4 2Q 111.77 111.77 111.77 2Q 110.70 102.0 102.0 102.0 102.0 102.0 102.0
3Q 108.95 9.5 5.5 3Q 108.95 9.5 5.5 3Q 111.77 111.77 111.77 3Q 110.70 102.0 102.0 102.0 102.0 102.0 102.0
4Q 113.9 11.6 2.5 4Q 113.9 11.6 2.5 4Q 111.77 111.77 111.77 4Q 110.70 102.0 102.0 102.0 102.0 102.0 102.0

1Q 1Q 1Q 1Q 1Q 1Q 1Q
FY16 FY17 FY18
## Appendix: Non-operating /Extraordinary Income and Expenses

<table>
<thead>
<tr>
<th></th>
<th>FY17 1H</th>
<th>FY18 1H</th>
</tr>
</thead>
<tbody>
<tr>
<td>Operating income</td>
<td>12.4</td>
<td>14.8</td>
</tr>
<tr>
<td>Non-operating income</td>
<td>1.6</td>
<td>2.0</td>
</tr>
<tr>
<td>Non-operating expenses</td>
<td>1.7</td>
<td>0.5</td>
</tr>
<tr>
<td>Ordinary income</td>
<td>12.3</td>
<td>16.2</td>
</tr>
<tr>
<td>Extraordinary income</td>
<td>2.5</td>
<td>0.5</td>
</tr>
<tr>
<td>Extraordinary expenses</td>
<td>0.1</td>
<td>0.1</td>
</tr>
<tr>
<td>Income before tax</td>
<td>14.7</td>
<td>16.5</td>
</tr>
<tr>
<td>Tax, etc.</td>
<td>5.1</td>
<td>6.4</td>
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<tr>
<td>Profit attributable to owners of parent</td>
<td>9.6</td>
<td>10.1</td>
</tr>
</tbody>
</table>

(Effective tax rate) 30.0% 33.0%

FY17:
- Gain on sales of non-current assets: ¥1.8 billion
- Gain on sales of investment securities: ¥0.7 billion

FY18:
- Gain on sales of investment securities: ¥0.5 billion
Appendix: Order Backlog Trend by Segment

(Billion ¥)

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

<table>
<thead>
<tr>
<th></th>
<th>FY15</th>
<th>FY16</th>
<th>FY17 1H</th>
<th>FY17</th>
<th>FY18 1H</th>
</tr>
</thead>
<tbody>
<tr>
<td>Control (Japan)</td>
<td>230.5</td>
<td>240.8</td>
<td>258.4</td>
<td>233.6</td>
<td>261.1</td>
</tr>
<tr>
<td>Control (Outside of Japan)</td>
<td>17.8</td>
<td>17.1</td>
<td>15.0</td>
<td>15.3</td>
<td>17.3</td>
</tr>
<tr>
<td>Measurement</td>
<td>149.3</td>
<td>157.7</td>
<td>168.7</td>
<td>152.4</td>
<td>170.9</td>
</tr>
<tr>
<td>Aviation and Other</td>
<td>59.2</td>
<td>61.9</td>
<td>69.2</td>
<td>61.8</td>
<td>68.2</td>
</tr>
</tbody>
</table>

Exchange rate at end of each period 5/4:
- FY15: 112.68
- FY16: 112.19
- FY17 1H: 112.73
- FY17: 106.24
- FY18 1H: 113.57

+27.5
+2.0
+0.6
+18.5
+6.4

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Nov. 6, 2018
Appendix: Order Backlog Trend by Segment
(Using FY18 2Q exchange rate)

(Billion)

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

<table>
<thead>
<tr>
<th></th>
<th>FY15</th>
<th>FY16</th>
<th>FY17 1H</th>
<th>FY17</th>
<th>FY18 1H</th>
</tr>
</thead>
<tbody>
<tr>
<td>2015</td>
<td>231.4</td>
<td>242.5</td>
<td>254.4</td>
<td>235.7</td>
<td>261.1</td>
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<tr>
<td>2016</td>
<td>17.7</td>
<td>17.2</td>
<td>15.9</td>
<td>15.4</td>
<td>17.3</td>
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<tr>
<td>2017</td>
<td>4.0</td>
<td>3.7</td>
<td>4.2</td>
<td>3.9</td>
<td>4.7</td>
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<tr>
<td>2018</td>
<td>150.5</td>
<td>159.7</td>
<td>165.1</td>
<td>154.6</td>
<td>170.9</td>
</tr>
<tr>
<td></td>
<td>59.2</td>
<td>61.9</td>
<td>69.2</td>
<td>61.8</td>
<td>68.2</td>
</tr>
</tbody>
</table>

FY18 2Q exchange rate: ¥113.57

+25.4
+1.9
+0.8
+16.3
+6.4

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Appendix: Trend of R&D Expenses, Depreciation, and CAPEX

- CAPEX is expected to increase slightly due to strategic investments in line with the new mid-term business plan.

<table>
<thead>
<tr>
<th></th>
<th>FY10</th>
<th>FY11</th>
<th>FY12</th>
<th>FY13</th>
<th>FY14</th>
<th>FY15</th>
<th>FY16</th>
<th>FY17</th>
<th>FY18 1H</th>
<th>FY18 forecast</th>
</tr>
</thead>
<tbody>
<tr>
<td>R&amp;D expenses (% of sales)</td>
<td>29.2</td>
<td>27.5</td>
<td>25.5</td>
<td>25.8</td>
<td>25.8</td>
<td>25.3</td>
<td>27.1</td>
<td>13.2</td>
<td>26.0</td>
<td>13.0</td>
</tr>
<tr>
<td>Depreciation (% of sales)</td>
<td>9.0%</td>
<td>8.2%</td>
<td>7.3%</td>
<td>6.6%</td>
<td>6.4%</td>
<td>6.1%</td>
<td>6.9%</td>
<td>7.0%</td>
<td>6.5%</td>
<td>6.8%</td>
</tr>
<tr>
<td>CAPEX (% of sales)</td>
<td>13.8</td>
<td>12.8</td>
<td>13.5</td>
<td>13.6</td>
<td>14.5</td>
<td>15.1</td>
<td>18.0</td>
<td>9.7</td>
<td>18.3</td>
<td>8.5</td>
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</table>

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Nov. 6, 2018
# Appendix: Trend of Balance Sheet

## Assets

<table>
<thead>
<tr>
<th></th>
<th>FY16</th>
<th>FY17 1H</th>
<th>FY17</th>
<th>FY18 1H</th>
</tr>
</thead>
<tbody>
<tr>
<td>440.5</td>
<td>74.7</td>
<td>73.7</td>
<td>78.3</td>
<td>80.7</td>
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<tr>
<td>141.3</td>
<td>34.9</td>
<td>32.3</td>
<td>40.7</td>
<td></td>
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<tr>
<td>127.3</td>
<td>16.3</td>
<td>19.6</td>
<td>13.0</td>
<td></td>
</tr>
<tr>
<td>49.4</td>
<td>53.4</td>
<td>50.7</td>
<td>54.4</td>
<td></td>
</tr>
</tbody>
</table>

- Cash & time deposits
- Notes/accounts receivable
- Inventories
- Other current assets
- Fixed assets
- Investments

## Liabilities and equity

<table>
<thead>
<tr>
<th></th>
<th>FY16</th>
<th>FY17 1H</th>
<th>FY17</th>
<th>FY18 1H</th>
</tr>
</thead>
<tbody>
<tr>
<td>440.5</td>
<td>44.6</td>
<td>40.7</td>
<td>30.5</td>
<td>30.9</td>
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<tr>
<td>133.4</td>
<td>43.4</td>
<td>43.4</td>
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<tr>
<td>158.5</td>
<td>170.8</td>
<td>173.9</td>
<td>163.1</td>
<td>7.7</td>
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</table>

- Interest-bearing debt
- Other liabilities
- Paid in capital
- Capital surplus
- Retained earnings
- Non-controlling interests
Appendix: Trend of Cash Flow

- The investment cash flow for FY16 1H was impacted by the KBC acquisition (26.6 billion yen).

<table>
<thead>
<tr>
<th></th>
<th>Operating CF</th>
<th>Investment CF</th>
<th>Free CF</th>
</tr>
</thead>
<tbody>
<tr>
<td>FY16 1H</td>
<td>19.9</td>
<td>(12.6)</td>
<td>(32.5)</td>
</tr>
<tr>
<td>FY16</td>
<td>39.2</td>
<td>2.7</td>
<td>(36.5)</td>
</tr>
<tr>
<td>FY17 1H</td>
<td>11.4</td>
<td>6.7</td>
<td>(6.6)</td>
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<tr>
<td>FY17</td>
<td>32.0</td>
<td>25.4</td>
<td>12.3</td>
</tr>
<tr>
<td>FY18 1H</td>
<td>(5.0)</td>
<td>7.3</td>
<td></td>
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Appendix: News (from August 8 to November 6)

Aug.
Yokogawa receives orders to provide 59 high-performance FluidCom chemical injection metering valves for two offshore oil fields that are being developed by Equinor ASA, a Norwegian energy company
Yokogawa and Nara Institute of Science and Technology (NAIST) jointly develop a reinforcement learning algorithm applicable to the automatic optimization of plant operations

Sep.
Yokogawa signs global reseller license agreement with Chevron for PETRO planning technology
Yokogawa releases Process Data Analytics R1.02 software to enhance data analysis and shorten trial and error cycle
Yokogawa Test & Measurement releases the WT5000 precision power analyzer - A high-precision power analyzer with seven input elements and ±0.03% measurement accuracy for the development of highly efficient electric vehicles and renewable energy systems
For the seventh time and the second year in a row, Yokogawa selected for inclusion in the Dow Jones Sustainability Asia Pacific Index (DJSI Asia Pacific)

Oct.
Yokogawa concludes agreement to transfer all the shares of Yokogawa Denshikiki Co., Ltd., a wholly-owned subsidiary
Yokogawa releases the FLXA402 4-wire liquid analyzer and SA11 SENCOM™ smart adapter with data conversion, transmission, calibration, and diagnosis functions

Note: The month for each news item indicates when it was published.
## Appendix: Trend of Stock Price

![Graph showing trend of stock price](image)

<table>
<thead>
<tr>
<th>Week</th>
<th>Yokogawa</th>
<th>TOPIX</th>
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<tbody>
<tr>
<td>13/6</td>
<td>1.087</td>
<td>1.152</td>
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<tr>
<td>13/9</td>
<td>1.101</td>
<td>1.194</td>
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<td>13/12</td>
<td>1.125</td>
<td>1.302</td>
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<td>13/15</td>
<td>1.151</td>
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<td>13/18</td>
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<td>13/21</td>
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<td>13/24</td>
<td>1.221</td>
<td>1.425</td>
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<tr>
<td>13/27</td>
<td>1.246</td>
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<td>1/9</td>
<td>1.349</td>
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<td>1/12</td>
<td>1.376</td>
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<td>1/18</td>
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<td>1.523</td>
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<tr>
<td>1/30</td>
<td>1.553</td>
<td>1.781</td>
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</table>

Source: Yokogawa Electric Corporation

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1. Current Situation
   (External environment, situation of competitors,
   Expansion of the control OPEX business:
   energy supply chain, LNG value chain, lifecycle)

2. Initiatives for New Mid-term Business Plan
   Transformation 2020 (TF2020)

3. Future Forecast

4. Appendix
Changing Environment & Yokogawa’s Strengths

- This slide describes our mid-term business plans as of when they were announced in May.

- As our basic recognition of external environment since the TF2020 announcement, there have been no major changes that would require a change of our strategy.

- However, natural gas industry is gaining momentum.

- On the downstream side, particularly in supply of petrochemicals, investment is trending positively.

- The longevity of this must be watched with due caution, but it is a welcome trend from a business perspective.
Current Situation

- On the whole, natural gas projects are quite active.
- In particular, the increase in demand in China appears to be accelerating materialize of projects.
- We are seeing OPEX-related investment, such as updated investments towards improving productivity, etc..

- (Region) System sales in the Middle East and India, and product sales in China and Japan, have shown steady results. Some concerns represent rising labor costs in North America, but we expect the petrochemical project orders to increase. We expect opportunities to receive orders for future Russian gas projects.

- (Industry) The demand for chemicals continues to be solid. There is active investment in natural gas and petrochemicals.

- Therefore, the growth rate of CAPEX market could exceed our initial conservative forecasts.
- In terms of possible risks, economic slowdown and decline in investment due to 1) trade friction between US and China and 2) Middle East situation, and the Chinese economy pose a slight concern, but any direct impact is not felt now.

- We go into a bit more detail on the next page about natural gas.
Global LNG Supply-Demand Outlook ~ Demand Continuing to Increase ~

- This is based on public documents from JOGMEC (LNG supply/demand forecast).

- With a forecast for ongoing increased demand in the medium and long term, we expect the supply/demand cap to grow towards 2030.

- For the gray area at the upper right of the graph representing 2023 and beyond, Many projects in the planning phase are expected.

-Promising LNG Projects is on the next page.
Promising LNG Projects / Already Announced

- This slide shows Major LNG planning projects.

- "LNG Canada" is a new large project which has been the FID for the first time in about five years since the Yamal project in Russia (as handled by us).

- For LNG projects, there is no bias seen towards specific regions, with activities seen widely around the world.

- Notably, Asia (including China) is expected to lead growth in demand.

- We intend to actively take on new orders while keeping an eye on the progress of these projects.
Expanding the OPEX Business in the Energy Supply Chain

- This slide shows the energy supply chain, which includes natural gas.
- Natural gas encompasses a wide range that spans from upstream processes to the downstream consumer and is interlinked (indicated in red).

- Natural gas is procured by sourcing gas the primary constituent element of which is methane from underground or the seabed and transporting it via gas pipelines, or, alternately, compressing it and transporting it as LNG (liquefied natural gas).
- Provision of gas through gas pipelines is the overwhelming majority of natural gas worldwide. Transportation of LNG is approximately 30%.

- Given that pipelines cannot be moved and are inflexible, and that regions with demand for natural gas are changing, there is gradually growing interest in LNG transportation.

- In Japan, LNG was early imported for use in municipal gas and fuel for electricity. EPC in Japan have a proven track record of advanced technical skills for use in LNG plants, and Yokogawa has demonstrated expertise in this area alongside its clients.

- Yokogawa has two-thirds of the share of LNG receiving terminals in Japan and has the top share of the global market for supply chain automation.
Expanding the OPEX Business across the Value Chain

- Supply chain performance (share represents an estimate)

- Once a delivery is made, there is more work in the OPEX business, such as that involving manufacturing execution system, simulations, and energy optimization, with this sphere of influence expanding.
Expansion of OPEX Business over Entire Plant Lifecycle

- Image of OPEX Business
- This is one aspect that is sometimes misunderstand about the company's business. Our initial order amount at the time of customer's plant construction (specifically, the range of work encompassed from core design (“FEED”) on through to starting operations) is 1-2%. Supposing a plant were built at a cost of 1 trillion yen, this would imply a scope of 10-20 billion yen which corresponds to about a few percent of our sales.

- Therefore, We plan to expand our OPEX business while securing CAPEX-related projects.

- In terms of OPEX business, jobs would be continued over entire plant lifecycle.
- Plants are built on the premise of long term operation (40-50 years), so many customers do not want to change vendors frequently from the vantage point of the cost to switch maintenance systems, etc.. As a result, we tend to have a long relationship with customers.
- Over the last ten years, Yokogawa has rapidly expanded its installation base in the Middle East, Southeast Asia, and Russia (we estimate that the Middle East and Russia account for close to 50% of the total).

- Going forward, there will be no change to the plan to grow around an install basis, that is, OPEX.
Initiatives for Transformation 2020

- TF2020 basic strategy
  1. Transformation of existing businesses
  2. Creation of new businesses and transformation of business model
  3. Improvement of productivity through Group-wide optimization
- Digital transformation

Creating opportunities and establishing a foundation for growth
TF2020 basic strategy

- The image of basic strategy when they were announced in our mid-term business plans.

- Three strategies are as follows.
  1. Transformation of existing businesses
  2. Creation of new businesses and transformation of business model
  3. Improvement of productivity through Group-wide optimization

- The core foundation supporting these innovations will be digital transformation.
- Like a gear, this digital transformation will drive the whole.
Strategic Initiatives: Three Basic Strategies

- We explain our 1H activities for initiatives taken towards the mid-term business plan.

- 1. In terms of transformation of existing business, not only do we intend to expand our existing brands, we are actively expanding our portfolio, such as through recent global sales agreements with Chevron and SCM related software vendors. Furthermore, we are beginning to see good results in the chemical industries in China and India.

- 2. We will talk about creation of new businesses and transformation of business model. In terms of life innovation, we are shoring up an organizational workflow and launching business that would involve processes that incorporate in-house development. In terms of securing a stable business model, we established ammimo, which functions somewhat like a startup, and are rolling out business around the use of IIOT architecture.

- 3. Improvements of productivity through group-wide optimization continue since TF2017, although new initiatives are also being taken, such as through the introduction of RPA, in order to streamline processes and shore up human resources.

- The approach involves a mix of near-term and mid- to long-term strategies.

  - For example, near-term strategies have included procurement cost reductions, which are progressing on several hundred million yen as planned.

  - Meanwhile, in terms of mid-term strategies, we plan to steadily move forward with initiatives in renewable energy and the moving to a recurring business model, among other projects.
Strategic Initiatives: Digital Transformation (DX)

- The key driver of the three transformation is digital transformation.

- We planed for a new organizational structure in April and drew blueprint for reform.

- The goal is a fusion of OT and IT.

- We plan to invest 2 billion yen in the current fiscal year, primarily in the second half.

- In terms of providing value for customer, we will make use of IIOT architecture. Another key initiative is shoring up security services. The creation of systems that guarantee security in the control domain and provide services around that, as well as increase in projects involving appraisal of clients’ current conditions, are on the rise.

- In terms of providing internal value, we are optimizing global IT infrastructure and making it uniform across 112 global firms. Furthermore, we are driving a switch to the cloud.
Future Forecast
- FY18 Forecast
- TF2020 Management Indicators
FY18 Forecast (Revised)

We aim to achieve these revised forecasts steadily.

While global conditions remain unclear, the medium and long term outlook is the result of continued success in the short term. To that end, we aim to steadily resolve near-term issues while implementing the three key changes and meet our targets for this term.
TF2020 Management Indicators

- While it would be premature to determine the outlook to achieve the targets in just six months since announced mid-term business plan, we consider this to be a solid start.

- The major goals for the business over these three years are for our top-line to exceed market growth and not be unduly affected by market conditions (notably, CAPEX) and to improve our profitability.

- Our goal is to achieve these targets steadily.
Future Direction

- Remarks on mid-term direction of the business

- The first vantage point concerns a medium- to long-term approach to management.
  The key here is committing to our stakeholders, among them customers, over the course of what is a comparatively longer business cycle.

- The second is making new and better attempts in terms of growth and efficiency. Growth would imply, for instance, not just organic growth, but considering actively employing M&A operations, etc.. In terms of efficiency, the key is digital transformation. As a result, we are aiming to maximize our corporate value.

- To that end, for the three-year TF2020 period, we are committing to the “Three Goals” and creating growth opportunities and building a basis for future growth, while contributing to the realization of a sustainable society.

- We ask for the continued support of our investors and shareholders.
2017 DCS Market Share/Industry Breakdown

- In terms of our DCS sales by industry, the company excels in downstream, which accounts for nearly half of the total, and it is considered best-in-class globally in terms of the petrochemical and chemical.

- Upstream accounts for 16.8% of the total, with approximately half of this involving LNG’s primary liquefaction business.
<Appendix>
Yokogawa’s main ESG indexes

As of September 2018

DJSI-Asia Pacific
FTSE4Good Index Series
MSCI ESG Leaders Indexes
CDP
MS-SRI
FTSE Blossom Japan Index
MSCI Japan ESG Select Leaders Index
MSCI Japan Empowering Women Index

MSCI
2018 Constituent
MSCI ESG Leaders Indexes

MSCI
2018 Constituent
MSCI Japan ESG Select Leaders Index

FTSE Blossom Japan

MSCI
2018 Constituent
MSCI Japan Empowering Women Index (WIN)

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The information has not been restated to reflect the revision of the initially allocated acquired costs that was decided upon finalization of the tentative accounting treatment and application of the “Partial Amendments to Accounting Standard for Tax Effect Accounting”.

IR Sec. Treasury & IR Department
Yokogawa Electric Corporation
Email: Yokogawa_Electric_IR6841@cs.jp.yokogawa.com
Phone: +81-422-52-6845
URL: http://www.yokogawa.com/pr/ir/index.htm