Yokogawa Electric Corporation

Financial Results for First Three Quarters of Fiscal Year 2019

February 4, 2020
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   Junichi Anabuki
   Director, Executive Vice President
   Corporate Administration Headquarters

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   Hitoshi Nara
   President and Chief Executive Officer
Financial Results for First Three Quarters of Fiscal Year 2019
(April 1 - December 31, 2019)

Junichi Anabuki
Director, Executive Vice President
Corporate Administration Headquarters
Key Points

- **FY19 1Q-3Q results: Steady growth**
  Summary: Sales and operating income were up. However, profit attributable to owners of parent declined due to the recording of extraordinary losses.
  Segments:
  - Control: Sales and profits were up. Excluding the impact of the exchange rate, orders, sales, and operating income rose 4.9%, 5.4%, and 13.1%, respectively, year on year.
  - Measurement: Sales and operating income were up.
  - Aviation and other: Although sales declined year on year, the operating loss decreased.
  Regions: Orders were up most significantly in Japan, China, and the Middle East. China, India, and the Middle East showed the largest increases in sales.
  Industries: Chemicals remained strong.

- **FY19 forecast: Change from May 8, 2019**
  Mainly due to (1) revisions to the forecast exchange rates (US$ ¥110 ➔ ¥109, EUR ¥130 ➔ ¥121, other currencies) and (2) the recording of impairment losses* of ¥5.6 billion

- **Dividend forecast: No change**
  Annual dividend: 34 yen, a record high
  *Regarding the recording of losses, please refer to the document entitled “Extraordinary Losses (Impairment Loss) and Adjustments to the Consolidated Business Forecast for the Year Ending March 31, 2020” that is to be released on this date (February 4, 2020).
○Summary of FY19 1Q – 3Q Results

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

- Orders : 308.4 billion¥, down 0.1% year on year (excluding impact of exchange rate and transfer of subsidiary’s shares: +5.7%, +17.2 billion¥)

- Sales : 297.3 billion¥, up 0.7% year on year (excluding impact of exchange rate and transfer of subsidiary’s shares: +6.8%, +19.5 billion¥). Firm results in the Control Segment overseas.

- Operating income : 28.1 billion¥, up 12.1% year on year (excluding impact of exchange rate and transfer of subsidiary’s shares: +19.4%, +4.8 billion¥) due to increased sales and improvement of the gross margin.

- Profit attributable to owners of parent was 12.5 billion¥, down 6.6 billion¥ year on year due to the recording of 5.6 billion¥ of impairment losses on KBC’s goodwill.
Analysis of Operating Income

- Operating income was 28.1 billion¥, an increase of 3.0 billion¥ from the same period of the previous year.

- Major factors were:
  1. The impacts of increase in sales and improvement of the gross margin excluding the impact of exchange rate were up 11.3 billion¥ year on year;
  2. SG&A expenses increased by 6.6 billion¥ year on year excluding impact of exchange rate due to the advance of orders and partial changes in accounting methods. It was the negative factor;
  3. The impact of transfer of subsidiary’s shares was a 0.3 billion¥ decrease year on year;
  4. The impact of changes in the exchange rate was a 1.4 billion¥ decrease year on year.
FY18 1Q-3Q / FY19 1Q-3Q Comparison for Orders, Sales, and Operating Income by Segment

- Steady growth in the Control Segment.
- Orders were up most significantly in Japan, China, and the Middle East. Orders increased by 4.9 billion ¥ year on year (excluding impact of exchange rate: +4.9%, +13.6 billion ¥).
- Sales increased by 5.9 billion ¥ year on year despite a strong yen (excluding impact of exchange rate: +5.4%, +14.4 billion ¥).
- Operating income increased by 2.0 billion ¥ year on year due to the impacts of increase in sales and improvement in gross margin (excluding impact of exchange rate: +13.1%, +3.2 billion ¥).

- In the Measurement Segment, sales and profits are on a growth trend. Orders increased by 2.9 billion ¥ year on year, sales increased by 2.5 billion ¥ year on year, and operating income increased by 0.2 billion ¥ year on year. Both the measuring instruments and life innovation businesses performed strongly.

- In the Aviation and Other Segment, orders decreased by 8.2 billion ¥ year on year and sales decreased by 6.4 billion ¥ year on year due to the effect of the transfer of subsidiary’s shares. Operating loss was 0.1 billion ¥ which improved by 0.8 million ¥ year on year, due to a decrease in expenses related to the jobs with greater development manpower.

<table>
<thead>
<tr>
<th>Segment</th>
<th>Orders</th>
<th>Sales</th>
<th>Operating income</th>
</tr>
</thead>
<tbody>
<tr>
<td>Control</td>
<td>FY18 1Q-3Q</td>
<td>294.0</td>
<td>297.3 +2.1</td>
</tr>
<tr>
<td></td>
<td>FY19 1Q-3Q</td>
<td>295.3</td>
<td>281.3 +3.0</td>
</tr>
<tr>
<td></td>
<td>FY17 1Q-3Q</td>
<td>290.4</td>
<td>(8.2)</td>
</tr>
<tr>
<td></td>
<td>FY18 1Q-3Q</td>
<td>294.0</td>
<td>28.1 +3.0</td>
</tr>
<tr>
<td>Measurement</td>
<td>FY18 1Q-3Q</td>
<td>295.3</td>
<td>28.1 +3.0</td>
</tr>
<tr>
<td></td>
<td>FY19 1Q-3Q</td>
<td>297.3</td>
<td>28.1 +3.0</td>
</tr>
<tr>
<td></td>
<td>FY17 1Q-3Q</td>
<td>290.4</td>
<td>(8.2)</td>
</tr>
<tr>
<td>Aviation and Other</td>
<td>FY18 1Q-3Q</td>
<td>295.3</td>
<td>28.1 +3.0</td>
</tr>
</tbody>
</table>
- Orders increased significantly, mainly Japan, China, and the Middle East. Orders in Asia, Europe and CIS declined due to the impact of the large projects in the previous year.

- Sales expanded in China, India, and the Middle East despite a strong yen.
Orders by Industry in Control Segment

- Orders remained strong mainly in Chemical.

* In the short term, it is easy to be affected by the projects. Please check it over a long period of time.
○FY19 Forecast (Change from May 8, 2019)

- Although cumulative results for the third quarter were firm, the forecast has been revised from the forecast announced on May 8, 2019 due to the revision of the exchange rate assumption. Orders down 12.0 billion¥, sales down 12.0 billion¥, and operating income down 2.0 billion¥ from the previously announced forecast.

- The exchange rate assumption was changed to US$ ¥110 ➔ ¥109 and EUR ¥130 ➔ ¥121. Other currencies, such as CNY and KRW, were also reviewed.

*Our company's foreign currency ratio is more than 50% in US$ and consists of many other currencies such as EUR, CNY, and KRW.

- Profit attributable to owners of parent adjusted the recording of 5.6 billion¥ of impairment losses of KBC's goodwill (11.0 billion¥ down from the previously announced forecast)
Factors Accounting for Increase / Decrease in FY19 Operating Income (Change from May 8, 2019)

- The forecast for operating income has been revised based on the revision of the exchange rate assumption and the cumulative results for the third quarter.

1. Increase in gross profit from higher sales and higher gross margin: +9.8 billion¥ ➔ +12.5 billion¥

2. Organic increase in SG&A: ▲4.1 billion¥ ➔ ▲6.8 billion¥

3. The impact of exchange rates: 0 ➔ ▲2.0 billion¥
In the Control Segment, although the performance remained strong, the forecast has been revised due to the revision of the exchange rate assumption (orders down 14.5 billion ¥, sales down 13.5 billion ¥, and operating income down 3.0 billion ¥ from the previously announced forecast).

The forecast for Measurement and Aviation and Other Segment have been revised upward based on the progress that has been achieved in these segments. In Measurement, orders up 2.0 billion ¥, sales up 1.0 billion ¥, and operating income up 0.7 billion ¥ from the previously announced forecast. In Aviation and Other, orders up 0.5 billion ¥, sales up 0.5 billion ¥, and operating income up 0.3 billion ¥.
FY19 Forecast for Control Orders and Sales by Region (Change from May 8, 2019 forecast)

- The forecast by region has been revised based on the revision of the exchange rate assumption and the cumulative results for the third quarter.

- Difference from the forecast announced on May 8, 2019

<table>
<thead>
<tr>
<th>Orders</th>
<th>Sales</th>
</tr>
</thead>
<tbody>
<tr>
<td>South-eastern Asia and Far East: ▲4.0 billion¥</td>
<td>▲3.0 billion¥</td>
</tr>
<tr>
<td>China:</td>
<td>▲1.0 billion¥</td>
</tr>
<tr>
<td>▲3.0 billion¥</td>
<td>▲2.0 billion¥</td>
</tr>
<tr>
<td>Europe and CIS:</td>
<td>▲4.5 billion¥</td>
</tr>
<tr>
<td>Middle East and Africa: ▲1.0 billion¥</td>
<td></td>
</tr>
<tr>
<td>North America:</td>
<td>▲1.0 billion¥</td>
</tr>
<tr>
<td>Central and South America: no change</td>
<td>▲0.5 billion¥</td>
</tr>
</tbody>
</table>
Dividend (No change)

- As per our dividend policy, no changes have been made to the dividend forecast.

- The annual dividend will be at a record high for the second straight year.
Appendix:

- Quarterly Financial Results
- 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 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.

The effects of transferred subsidiaries
Orders: ¥-4.3 billion sales: ¥-4.5 billion operating income: ¥-0.3 billion

(Billion ¥)

<table>
<thead>
<tr>
<th></th>
<th>Orders</th>
<th>Sales</th>
<th>Operating income</th>
</tr>
</thead>
<tbody>
<tr>
<td>FY17</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>1Q</td>
<td>96.6</td>
<td>86.1</td>
<td>111.42</td>
</tr>
<tr>
<td>2Q</td>
<td>102.3</td>
<td>101.9</td>
<td>111.29</td>
</tr>
<tr>
<td>3Q</td>
<td>106.0</td>
<td>94.1</td>
<td>111.77</td>
</tr>
<tr>
<td>4Q</td>
<td>112.6</td>
<td>107.3</td>
<td>110.70</td>
</tr>
<tr>
<td>FY18</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>1Q</td>
<td>102.0</td>
<td>88.9</td>
<td>109.53</td>
</tr>
<tr>
<td>2Q</td>
<td>111.7</td>
<td>101.5</td>
<td>110.72</td>
</tr>
<tr>
<td>3Q</td>
<td>99.2</td>
<td>104.9</td>
<td>111.34</td>
</tr>
<tr>
<td>4Q</td>
<td>123.1</td>
<td>108.4</td>
<td>111.07</td>
</tr>
<tr>
<td>FY19</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>1Q</td>
<td>104.2</td>
<td>90.3</td>
<td>109.67</td>
</tr>
<tr>
<td>2Q</td>
<td>105.6</td>
<td>101.1</td>
<td>108.67</td>
</tr>
<tr>
<td>3Q</td>
<td>105.9</td>
<td>98.5</td>
<td>108.90</td>
</tr>
</tbody>
</table>

Exchange rate (JPY)

1Q 2Q 3Q 4Q 1Q 2Q 3Q 4Q 1Q 2Q 3Q

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Feb. 4, 2020
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## Appendix: Non-operating /Extraordinary Income and Expenses

(Billion ¥)

<table>
<thead>
<tr>
<th></th>
<th>FY18 1Q-3Q</th>
<th>FY19 1Q-3Q</th>
</tr>
</thead>
<tbody>
<tr>
<td>Operating income</td>
<td>25.1</td>
<td>28.1</td>
</tr>
<tr>
<td>Non-operating income</td>
<td>2.5</td>
<td>2.8</td>
</tr>
<tr>
<td>Non-operating expenses</td>
<td>1.5</td>
<td>2.7</td>
</tr>
<tr>
<td>Ordinary income</td>
<td>26.1</td>
<td>28.2</td>
</tr>
<tr>
<td>Extraordinary income</td>
<td>2.5</td>
<td>2.7</td>
</tr>
<tr>
<td>Extraordinary expenses</td>
<td>0.2</td>
<td>8.9</td>
</tr>
<tr>
<td>Income before tax</td>
<td>28.4</td>
<td>22.0</td>
</tr>
<tr>
<td>Tax, etc.</td>
<td>9.3</td>
<td>9.5</td>
</tr>
<tr>
<td>Profit attributable to owners of parent</td>
<td><strong>19.1</strong></td>
<td><strong>12.5</strong></td>
</tr>
</tbody>
</table>

(Effective tax rate) 28.4% 37.2%

FY19:
- Foreign exchange losses: ¥1.1 billion
- Gain on sales of investment securities, etc.: ¥1.8 billion
- Gain on sales of business: ¥0.8 billion
- Provision for reinforcing measures against soft errors: ¥3.0 billion
- Impairment loss: ¥5.6 billion (KBC)

FY18:
- Gain on sales of investment securities, etc.: ¥1.5 billion
Appendix: Order Backlog Trend by Segment

(Billion ¥)

<table>
<thead>
<tr>
<th></th>
<th>FY16</th>
<th>FY17</th>
<th>FY18 3Q</th>
<th>FY18</th>
<th>FY19 3Q</th>
</tr>
</thead>
<tbody>
<tr>
<td>Control (Japan)</td>
<td>240.8</td>
<td>233.6</td>
<td>239.4</td>
<td>254.1</td>
<td>258.8</td>
</tr>
<tr>
<td>Control (Outside of Japan)</td>
<td>4.1</td>
<td>15.3</td>
<td>7.5</td>
<td>4.3</td>
<td>4.2</td>
</tr>
<tr>
<td>Measurement</td>
<td>157.7</td>
<td>151.3</td>
<td>161.6</td>
<td>178.3</td>
<td>182.7</td>
</tr>
<tr>
<td>Aviation and Other</td>
<td>61.9</td>
<td>62.9</td>
<td>65.4</td>
<td>64.7</td>
<td>66.4</td>
</tr>
</tbody>
</table>

Exchange rate at end of each period:
- FY16: 112.19
- FY17: 106.24
- FY18 3Q: 111.00
- FY18: 110.99
- FY19 3Q: 109.68
Appendix: Trend of R&D Expenses, Depreciation, and CAPEX

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

<table>
<thead>
<tr>
<th></th>
<th>FY11</th>
<th>FY12</th>
<th>FY13</th>
<th>FY14</th>
<th>FY15</th>
<th>FY16</th>
<th>FY17</th>
<th>FY18 1Q-3Q</th>
<th>FY18</th>
<th>FY19 1Q-3Q</th>
<th>FY19 forecast</th>
</tr>
</thead>
<tbody>
<tr>
<td>R&amp;D expenses</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>26.6</td>
<td>19.6</td>
<td>26.2</td>
<td>20.4</td>
<td>27.0</td>
</tr>
<tr>
<td>(% of sales)</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>6.5%</td>
<td>6.7%</td>
<td>5.5%</td>
<td>6.9%</td>
<td>6.6%</td>
</tr>
<tr>
<td>Depreciation</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>18.3</td>
<td>12.7</td>
<td>17.7</td>
<td>14.0</td>
<td>18.0</td>
</tr>
<tr>
<td>(% of sales)</td>
<td>3.8%</td>
<td>3.9%</td>
<td>3.5%</td>
<td>3.6%</td>
<td>3.6%</td>
<td>4.6%</td>
<td>4.5%</td>
<td>4.3%</td>
<td>4.4%</td>
<td>4.7%</td>
<td>4.4%</td>
</tr>
<tr>
<td>CAPEX</td>
<td>11.1</td>
<td>13.5</td>
<td>14.0</td>
<td>14.1</td>
<td>15.4</td>
<td>14.2</td>
<td>13.2</td>
<td>8.4</td>
<td>15.0</td>
<td>*13.3</td>
<td>17.0</td>
</tr>
<tr>
<td>(% of sales)</td>
<td>3.3%</td>
<td>3.9%</td>
<td>3.6%</td>
<td>3.5%</td>
<td>3.7%</td>
<td>3.6%</td>
<td>3.2%</td>
<td>2.8%</td>
<td>3.7%</td>
<td>4.5%</td>
<td>4.2%</td>
</tr>
</tbody>
</table>

*The Group’s consolidated subsidiaries outside Japan have adopted IFRS 16 (Leases) from FY19.
Appendix: Trend of Balance Sheet

**Assets**

- **Cash & time deposits**: FY18 3Q - 444.2, FY18 - 470.1, FY19 1H - 459.4, FY19 3Q - 470.3
- **Notes/accounts receivable**: FY18 3Q - 84.9, FY18 - 86.5, FY19 1H - 79.1, FY19 3Q - 72.5
- **Inventories**: FY18 3Q - 151.7, FY18 - 171.1, FY19 1H - 162.5, FY19 3Q - 178.8
- **Other current assets**: FY18 3Q - 38.6, FY18 - 36.8, FY19 1H - 38.8, FY19 3Q - 39.5
- **Fixed assets**: FY18 3Q - 12.5, FY18 - 12.1, FY19 1H - 13.3, FY19 3Q - 15.7
- **Investments**: FY18 3Q - 197.2, FY18 - 109.2, FY19 1H - 112.2, FY19 3Q - 109.0
- **Gross property, plant and equipment**: FY18 3Q - 49.3, FY18 - 54.4, FY19 1H - 53.5, FY19 3Q - 55.6

**Liabilities and equity**

- **Interest-bearing debt**: FY18 3Q - 444.2, FY18 - 470.1, FY19 1H - 459.4, FY19 3Q - 470.3
- **Other liabilities**: FY18 3Q - 30.5, FY18 - 32.5, FY19 1H - 30.1, FY19 3Q - 30.2
- **Paid in capital**: FY18 3Q - 127.8, FY18 - 141.5, FY19 1H - 135.1, FY19 3Q - 142.1
- **Capital surplus**: FY18 3Q - 43.4, FY18 - 43.4, FY19 1H - 43.4, FY19 3Q - 43.4
- **Retained earnings**: FY18 3Q - 54.6, FY18 - 54.6, FY19 1H - 54.4, FY19 3Q - 54.4
- **Non-controlling interests**: FY18 3Q - 180.4, FY18 - 191.8, FY19 1H - 190.5, FY19 3Q - 193.7
- **Current liabilities/other**: +¥9.4 billion, FY18 3Q - 7.5, FY18 - 6.3, FY19 1H - 5.9, FY19 3Q - 6.5
- **Non-current liabilities/other**: +¥7.1 billion, FY18 3Q - 54.6, FY18 - 54.6, FY19 1H - 54.4, FY19 3Q - 54.4

**Impact of adoption of IFRS 16 (guidance on accounting of leases) vs FY18**

- **(Debit)** Property, plant and equipment/other +¥9.4 billion
- **(Credit)** Current liabilities/other +¥2.1 billion, non-current liabilities/other +¥7.1 billion

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- I will focus on the recognition of current situation and our future direction to work with KBC.

There are two things I want to share with you today.

① "Challenges exist, but YOKOGAWA is transforming and growing steadily"
② “To grow further, we need the power of KBC."
(Market conditions)
We have an impression that there are growing concerns about economic slowdown at a macro level, such as trade friction between the United States and China and geopolitical risks in the Middle East.
- On the other hand, our financial results are as firm as before, and, excluding exchange rates, are estimated to have reached a record high level (*orders, sales and operating income).
- Continued strong OPEX demand, including investment in information systems to improve productivity and environmental investment (Example: China, India, and other regions with severe environmental regulations)
- Shift to clean energy for solving social issues is accelerating day by day
- Under these circumstances, We have an impression that opportunities for "LNG Projects" in which we are strong, are increasing.

(Region)
- Topics: At the end of the year, we announced a strategic alliance with Saudi Basic Industries Corporation (SABIC). Orders and sales are firm in "Middle East", and responding to localization needs is one of the factors. Some may see this as a temporary increase in costs, but we recognize that this is a strategic investment for sustainable growth such as regional development.
- In addition, our businesses in countries such as Japan, India and China are currently strong, and we will be expecting on gas projects in North America from the next fiscal year onward.

(Industry)
- "Chemical" industry, which is one of our target industries, is firm, and the base for functional materials and other products is expanding. Investments to “Oil to Chemical” projects (i.e. the convention of crude oil to chemicals) are continuing. In addition, “Food and pharmaceutical” industry, a non-energy and our target industry, mainly in Japan, is also strong.
- Again, demand for investment in gas including LNG is expected to continue in the mid- to long-term. we will continue to expand the scope of our business, including collaboration with KBC, in addition to the existing IA business.
- I will explain the current status of KBC in the context of solid results.

○ **<Results achieved>** since the acquisition KBC in April 2016:
  - We have established a unique position to deliver value to customers through value chain and production optimization, asset management, and other means.
  - In addition, we were able to build new models and solutions thanks to integrated solutions of Yokogawa and KBC, and transformation of KBC (e.g. Profit-driven Operation, Dynamic Real Time Optimizer).
  - As a result of these efforts, orders are currently on an improving trend.

○ On the other hand, **<Issues>:**
  - The market itself is changing in tandem with changes in the business environment due to factors such as the decline in oil prices after the acquisition, and the customers of refineries, is KBC’s forte industry, are struggling.
  - In particular, the consulting business market has not grown as much as we expected. However, the technology (software) business, especially simulation software, is growing by about 6% every year.
  - And most of all, we recognize that there were issues with the “speed” of the business.

While there are a number of factors behind this, we are currently building a business structure for the future, including shifting our organizational management and resource allocation to growth areas.

The deviation from the business plan, including the above, is the background of the recording of impairment losses on goodwill and the like.
(Actual examples of synergy)

- Synergy orders are accumulating year by year, and the total amount is over 9 billion yen.

- This time, we're talking about refinery project in the Middle East.

It is a digital transformation project that remotely monitor and integrate nearly 100 sites from the headquarters.

This is a three-year project that KBC obtained through consulting, advice for organizational change and education, to customers. This is a project that YOKOGAWA and KBC won in a technical competition through our comprehensive strength.

- Other than that, orders are increasing worldwide in Asia, including Japan, the Middle East, India, and China, although we cannot introduce them for our customers' convenience.
We will explain the results and issues more specifically by using the slide.

This is a diagram illustrating the expected synergy between YOKOGAWA and KBC from three perspectives:

- First of all, there is a perception that generally things are going well, such as expanding business to new customers who have not done business with each other as “Customer Synergy”. And realizing one-stop solutions with YOKOGAWA which is strong in IA business and KBC which is strong in consulting to management, with the intention of supplementing functions that are lacking with each other as “Functional enhancement synergy” is generally things are going well, too. These results are reflected in the accumulation of orders through the synergies I mentioned earlier.

On the other hand, we also realized that it takes more time from preparation of JOB to sales than we had expected.

- The third perspective, “Value-added synergy” is the most challenging in terms of speed.

- While reflecting on the fact that it takes more time than expected, we must work even faster on providing unprecedented new solutions and services by creating a chemical reaction of the experience and know-how of each member of YOKOGAWA and KBC, and make generate significant synergies.
- Three years have passed since the acquisition, and we have been able to receive orders for large-scale PJT of more than 1 billion yen from new customers in Japan, the Middle East, India and other countries. We expect to win orders for many projects in the future.

- **Therefore, KBC is essential for our group's future growth strategy.**

- As originally intended, we will effectively combine YOKOGAWA's strengths in IA business with KBC's consulting capabilities and technologies to expand our “Problem-solving type of OPEX businesses”.

- "DX (digital transformation)" is the key.
- As mentioned earlier, we are aiming to "establish a new OPEX business model" by reviewing organizational structure including allocation of resources, collaborating with the DX division. And we also have already began working with customers to establish a new OPEX business model, utilizing our knowledge in Japanese industries.
<Vision>

- Our goal over the mid- to long-term is to build a robust profit structure that is profitable regardless of what happens in the external environment.

- As you can see from the graph, our profits have grown steadily without being significantly affected by fluctuations in oil prices or exchange rates.

This is also the result of our efforts to transform us around the OPEX business by leveraging the strengths of IT and OT.

- We will continue to transform ourselves into a sustainable growth company that solves social issues.
Our direction

- Finally, about our future direction of management

- We will continue to leverage our core competencies "Measurement", "Control," and "Information" to resolve social, environmental, and economic issues, increase business value, and ultimately maximize corporate value.

- To this end, we will first achieve "Creating opportunities" and "Establishing a foundation for growth" and contribute to the realization of a sustainable society.

- We ask for the continued support of our shareholders and investors.
Appendix: Solution Portfolio in Control Segment

From “Automation Supplier” to “Trusted Partner”

- **Application**
  - **Business**
    - Strategy planning
    - Supply chain optimization
    - Asset lifecycle optimization
    - Operational risk management, etc.
  - **Operations**
    - Production management
    - Asset management
    - Energy management
    - Quality management, etc.
  - **Automation**
    - Control systems
    - Safety systems
    - Edge controllers
  - **Field Devices**
    - OT sensors
    - IoT sensors

*Operational Technology*
*Information Technology*

Integrated performance management and process optimization

- **Value**
- **Insights**
- **Analytics**
- **Data**

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Appendix: Trend of global sales in control segment

For the first time in four years, we expect to set a new sales record with the control segment, despite the appreciation of the yen.

(Billion Y)

<table>
<thead>
<tr>
<th>Operating income to sales ratio</th>
<th>Japan</th>
<th>Outside Japan</th>
</tr>
</thead>
<tbody>
<tr>
<td>7.7%</td>
<td>6.3%</td>
<td>7.2%</td>
</tr>
<tr>
<td>19.9</td>
<td>16.5</td>
<td>19.9</td>
</tr>
<tr>
<td>7.2%</td>
<td>7.6%</td>
<td>6.1%</td>
</tr>
<tr>
<td>24.2</td>
<td>27.1</td>
<td>27.1</td>
</tr>
<tr>
<td>36.7</td>
<td>30.6</td>
<td>30.4</td>
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<tr>
<td>36.0</td>
<td>34.0</td>
<td>34.0</td>
</tr>
<tr>
<td>37.3</td>
<td>36.0</td>
<td>36.0</td>
</tr>
</tbody>
</table>

Operating income (billion)

<table>
<thead>
<tr>
<th>FY09</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</th>
<th>FY19 forecast</th>
</tr>
</thead>
<tbody>
<tr>
<td>256.8</td>
<td>260.6</td>
<td>277.2</td>
<td>295.7</td>
<td>336.3</td>
<td>358.0</td>
<td>366.7</td>
<td>348.1</td>
<td>363.3</td>
<td>364.8</td>
<td>373.5</td>
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<tr>
<td>156.2</td>
<td>161.2</td>
<td>171.7</td>
<td>195.2</td>
<td>238.4</td>
<td>259.9</td>
<td>264.9</td>
<td>242.5</td>
<td>256.3</td>
<td>255.4</td>
<td>261.5</td>
</tr>
<tr>
<td>100.6</td>
<td>99.4</td>
<td>103.5</td>
<td>100.5</td>
<td>97.9</td>
<td>96.1</td>
<td>101.8</td>
<td>105.6</td>
<td>107.0</td>
<td>109.4</td>
<td>112.0</td>
</tr>
</tbody>
</table>

<Exchange rate>

<table>
<thead>
<tr>
<th>US$ (Y)</th>
<th>FY09</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</th>
<th>FY19 forecast</th>
</tr>
</thead>
<tbody>
<tr>
<td>92.61</td>
<td>85.13</td>
<td>78.82</td>
<td>83.33</td>
<td>100.67</td>
<td>110.58</td>
<td>119.99</td>
<td>108.95</td>
<td>110.70</td>
<td>111.07</td>
<td>110.00</td>
<td></td>
</tr>
</tbody>
</table>

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# Appendix: News (from November 6 to February 4)

- **Nov.**
  - Yokogawa acquires nanopipette technology from US venture, BioStinger, Inc., for use in life science applications. (single cell analysis solutions)
  - Yokogawa receives IR Special Award from the Japan Investor Relations Association (JIRA)
  - Yokogawa and MetaMoiji Corporation release SensPlus Note, a solution for the digitization of field data using mobile devices

- **Dec.**
  - Yokogawa signs strategic alliance agreement with Saudi Basic Industries Corporation (SABIC), ranked among the world’s largest petrochemical manufacturers
  - Yokogawa holds sustainability meeting
    - [https://www.yokogawa.co.jp/about/ir/shiryo/sustainability_meeting-ja/](https://www.yokogawa.co.jp/about/ir/shiryo/sustainability_meeting-ja/)

- **Jan.**
  - Yokogawa releases Exaquantum™ R3.20 plant information management system, a software package in the OpreX™ Asset Operations and Optimization family
  - Yokogawa obtains ISASecure SDLA certification for control system development process
  - Completion of Yokogawa project in Indonesia earns credit under Joint Crediting Mechanism (JCM)

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Note: The month for each news item indicates when it was published.
Appendix: Yokogawa’s Main ESG Indexes

As of January 2020

DJSI-Asia Pacific
FTSE4Good Index Series
MSCI ESG Leaders Indexes
FTSE Blossom Japan Index
MSCI Japan ESG Select Leaders Index
MSCI Japan Empowering Women Index
SNAM Sustainability Index
CDP
S&P/JPX Carbon Efficient Index

2019 Constituent
MSCI ESG
Leaders Indexes

MSCI Japan Empowering
Women Index (WIN)

MSCI Japan ESG
Select Leaders Index

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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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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”.

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