



Yokogawa Electric Corporation

Yokogawa DX Briefing Session

December 3, 2021

Event Summary

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[Participants]		
[Number of Speakers]	1	
	Yukihiro Funyu	Vice President, Head of Digital Strategy Headquarters, Head of DX Platform Center, Digital Solution Headquarters

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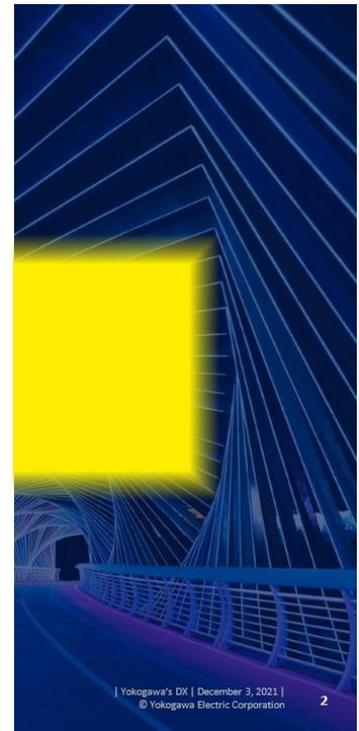


Presentation

Today's Agenda

1. YOKOGAWA DX Organization
2. YOKOGAWA's DX Approach
3. DX Promotion Results on TF2020 (FY18-FY20)
4. DX Promotion Updates on AG2023 (FY21-FY23)

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Funyu: In this Yokogawa DX briefing, I, Funyu from the Digital Strategy Headquarters, would like to give an explanation. Thank you all for taking time out of your busy schedules today.

First of all, I would like to introduce the organizations working on Yokogawa's DX, and then I would like to give an overview of Yokogawa's approach to DX.

This DX activity started three years ago, and we have been working on it for 3 years based on the previous fiscal year's mid-term business plan called TF2020. I would like to give you a brief overview of this result and the future plans of DX under AG2023, the new mid-term business plan.

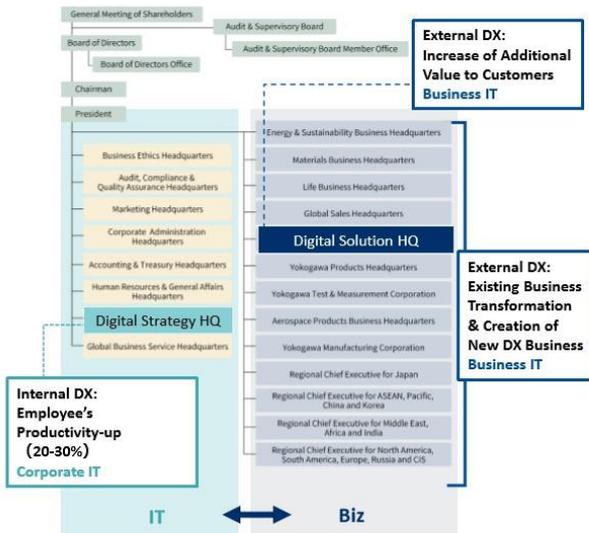
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YOKOGAWA DX Organization and Self introduction



Current role

- Vice President (CIO)
- Head of Digital Strategy HQ Internal DX
- Head of DX Platform Center, Digital Solution HQ External DX



Career history

1990 – 2000	NTT Data @Tokyo (10 years)
2000 – 2003	Softbank Finance (Current SBI) @Tokyo (3 years) served as CIO of IT subsidiary
2003 – 2018	Sony @Global (15 years) Global IT Planning @HQ (6 years) Pan Asia IT Planning @Singapore (4 years) Global IT Transformation @HQ (1 year) Global IT Strategy @HQ (4 years)
2018 –	Yokogawa Electric (3 years)

Motto

- Business growth through IT utilization
- Enjoy the "Change"

First, the DX organization of Yokogawa.

You can see the organization chart on the left side of the page, and I would like to introduce it to you briefly.

First, there is the Digital Strategy Headquarters, which is the former Information Systems Headquarters. This department handles information systems, and we call it Internal DX. This organization aims to improve productivity within the Company, and we call it corporate IT. This is the Information Systems Headquarters.

Meanwhile, in the Digital Solution Headquarters, there is the DX Platform Center, which I am also working on now. This offers digital business to customers. We call this "External DX," and it provides and improves value to our customers through digital business.

By integrating both activities, Yokogawa will be able to promote DX as a whole. This is how it's organized.

I joined Yokogawa three years ago, but I worked for NTT Data, Softbank, and Sony before that. I have been working in the IT field for a long time now.

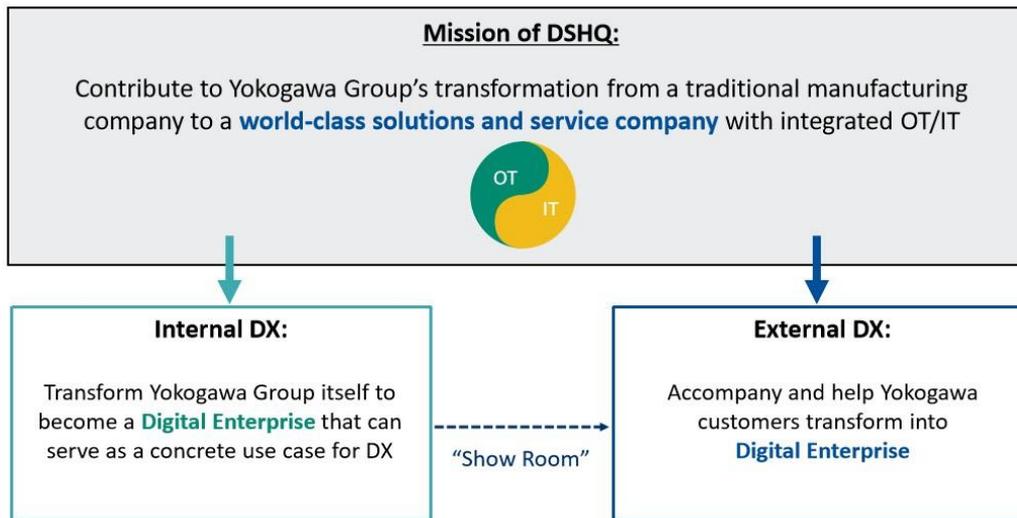
I am starting to get involved in OT, and my current concern is how to integrate OT and IT.

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YOKOGAWA DSHQ Mission



Next, let me briefly introduce the mission of the Digital Strategy Headquarters.

Yokogawa Electric is positioned as a well-established manufacturing company, but while our strength is in OT, we are currently strengthening IT, and we are working to transform ourselves into a world-class solutions and services company that integrates OT and IT.

Internal DX, as I mentioned, aims at improving productivity within the Company. By increasing the company's productivity, we envision that we ourselves will become a concrete use case for DX.

With External DX, the know-how cultivated through Internal DX will be fed back to the customers as much as possible. Naturally, since this is DX, there are many situations where trial and error is required. This means, for example, that in some cases, it works, and in others, it doesn't. We want to help our customers transform themselves into digital enterprises by providing them with solutions, which we have defined as External DX.

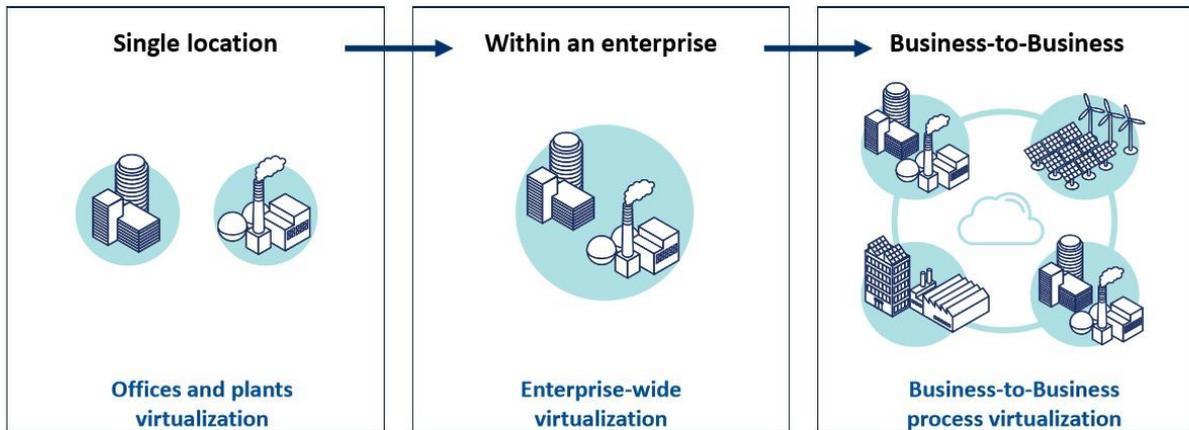
We will approach to DX by balancing these two activities.

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Trends toward Digital Enterprise



Expanded scope of virtualization: Further development in optimization

First, I would like to introduce the details of Yokogawa's DX approach.

As I mentioned earlier, digital enterprise is a keyword, and we all know that corporate operations are becoming increasingly virtual.

Today, like we are having this online meeting, the virtualization of offices, business operations, plants, and so on is progressing. If we keep expanding this, the entire process will become more and more virtualized.

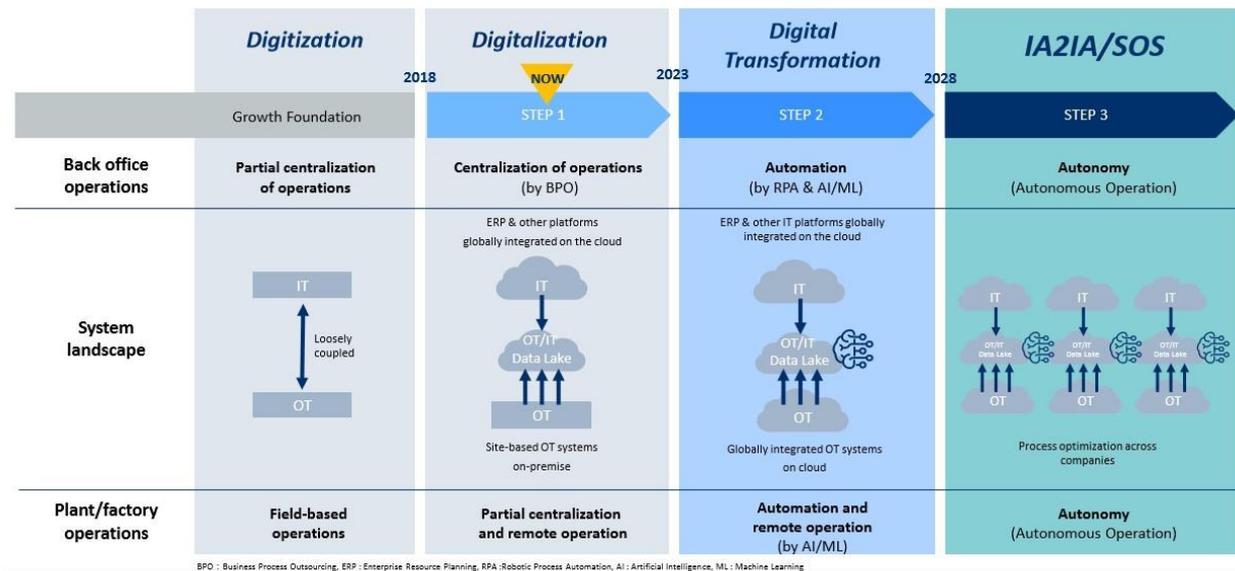
Once the company's virtualization is complete, the processes between companies, such as the supply chain and the quality chain, will be virtualized. We envision that operations will become increasingly virtualized through these steps.

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DX Maturity : Data Integration Maturity



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The following slide, I suppose it has already been introduced by our President, Nara, shows IA2IA and Systems of Systems. First of all, we believe that OT and IT are now quite separated from each other. I originally come from an IT background, but Yokogawa's business is mainly in the area of OT, operational technology. There is not much integration between them.

Recently, there has been a fusion of OT and IT, and IIoT is in the middle of IT and OT. IT is becoming more and more cloud-based. OT has not yet progressed to the level of cloud computing, but more and more its data is being uploaded to the cloud through IIoT.

As this progresses more and more, OT itself will become more and more cloud-based, and OT data and IT data will come together in the cloud, which will be analyzed by AI, and operations will become more and more automated. I assume that this will be promoted more and more among companies and that autonomy will become more and more advanced.

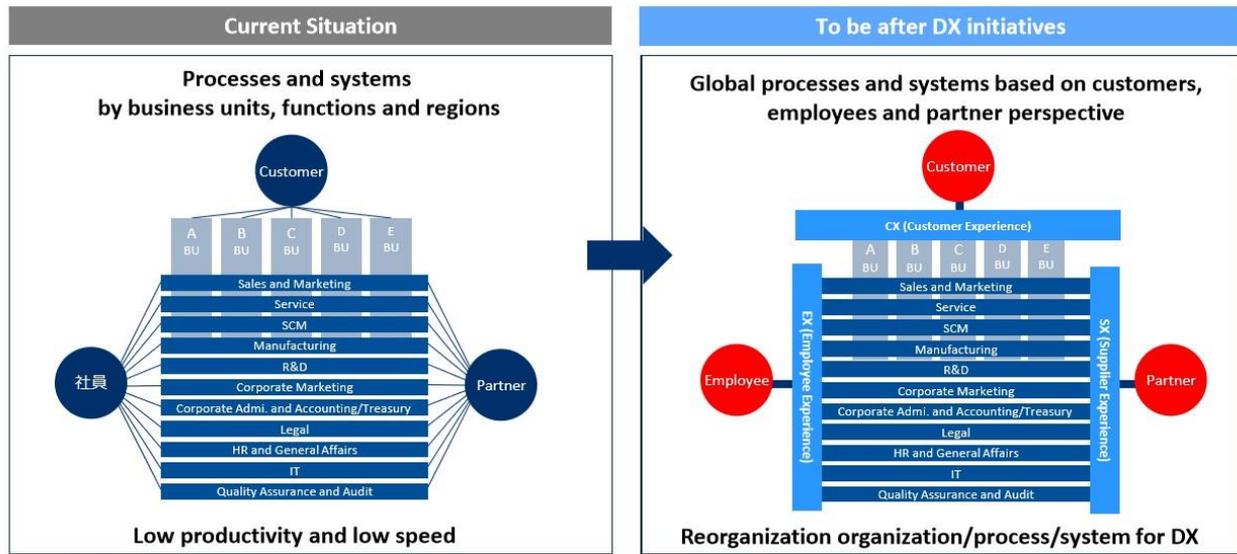
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Common DX Challenges for a Company (Funyu's Experience)



SCM : Supply Chain Management

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This is how DX is progressing, but DX is not moving very well now. From my own experience, Japanese companies have created processes and systems from the bottom up. So, inevitably, there are different processes and systems for different business units, functions, and regions.

In our company as well, we have a lot of applications. In this situation, it is challenging to integrate the data.

However, as a business, we need to integrate data for customers, employees, and partners, but who is doing this now? This is done by employees, and we see it as one of the causes of low productivity.

So, DX is reorganizing the processes and systems that have been created from the bottom up, in a sense, from three perspectives. For example, if we don't do this from the customer's point of view, the employee's point of view, and then the partner's point of view, the data will not be integrated, and the process cannot be streamlined. So I think it is important to find a way to overcome this situation.

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Y-DX Target : Digital Enterprise

Employee can operate all working activities
by their own hand
anytime, anywhere and anyway

Connecting Automating
Optimizing Sustaining

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For us, the DX target is the digital enterprise. This means that all corporate activities can be operated anytime, anywhere, and in any way in hand (mobile device).

For example, employees can operate their business from anywhere. We will live in a world where customers will be able to perform cloud operations from anywhere, using their mobile devices. This is not a world that can be realized immediately, but I assume that this is what will happen.

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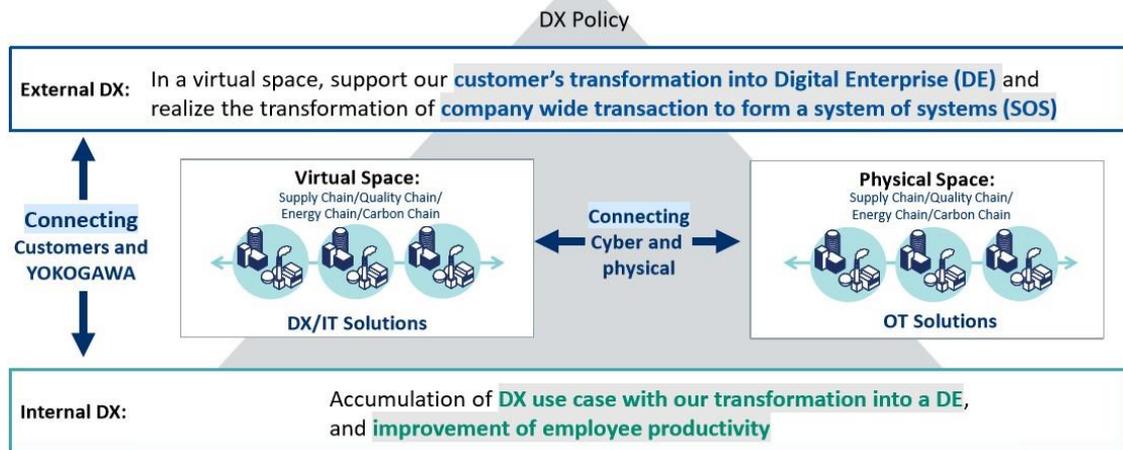
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Digital Transformation (DX) Policy

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



There is a background to this, and the concept of Yokogawa's DX is "Utilizing our ability to measure and connect, we fulfill our responsibilities for the future of our planet," which was set as Yokogawa's purpose from this fiscal year. This ability to measure and connect is a strong capability of Yokogawa. We will use this to contribute to the global environmental burden.

From the perspective of DX, the first thing to consider is how we can contribute to our customers' transformation into digital enterprises or SoS (System of Systems) in the virtual space and how we can provide solutions.

Yokogawa has always been good at solutions in the physical space. The same is true for various sensors and control systems. We are currently strengthening our DX and IT solutions in the virtual area, and by connecting physical and virtual, we hope to come up with solutions that will lead to the solution of problems. This is External DX.

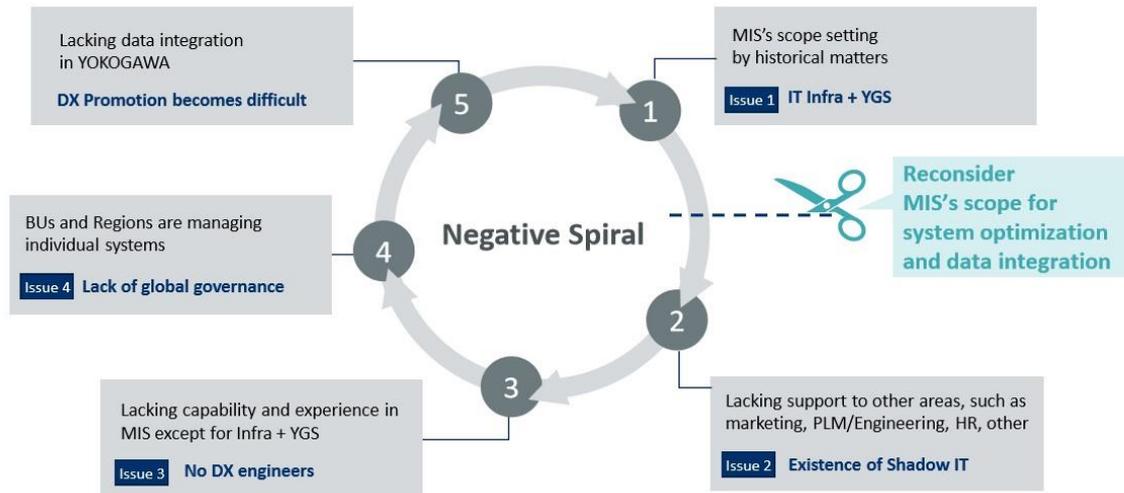
Internal DX is something we are working on internally, as we ourselves want to be a use case for DE, Digital Enterprise, and we are thinking about how we can transfer the know-how we have cultivated here to External DX.

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Issues and Challenges of MIS (FY18)



Next, I would like to share the status of the past three years.

First of all, three years ago, Yokogawa's system was in a rather disorganized state. Originally, the information system department was only able to handle the IT infrastructure, core system, ERP, and the other systems that each department managed. It means it was in pieces.

The other thing is that there are no DX engineers. In other words, we had been maintaining on-premises systems for a long time, so we didn't have any DX engineers for the cloud or anything like that.

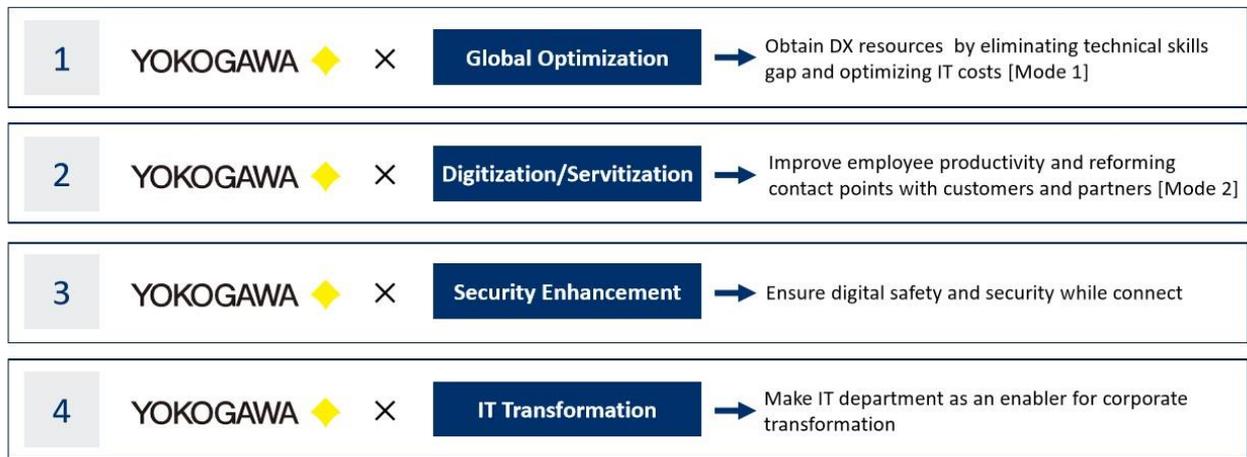
And because of this disparate system, there was a lack of global IT governance. As a result, we were stuck in a negative spiral where data could not be integrated easily, and DX could not progress. So, how to overcome this is what we have been working on for the past three years.

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Mid-term IT Strategy for DX Realization



*1) Mode 1 domain : SOR (System of Record)

*2) Mode 2 domain : SOI (System of Insights) + SOE (System of Engagement)

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We carried out these activities from four different perspectives.

One is global optimization. We had disparate systems and disparate data, so the most important point was how to integrate them.

The next is Digitalization and Servitization for DX.

The third is Security Enhancement. This means that security would be very compromised when integration and connectivity are increasing more and more.

The last one is how the IT department can transform from an infrastructure operation department to a proactive department capable of DX.

We have been carrying out reforms from these four perspectives.

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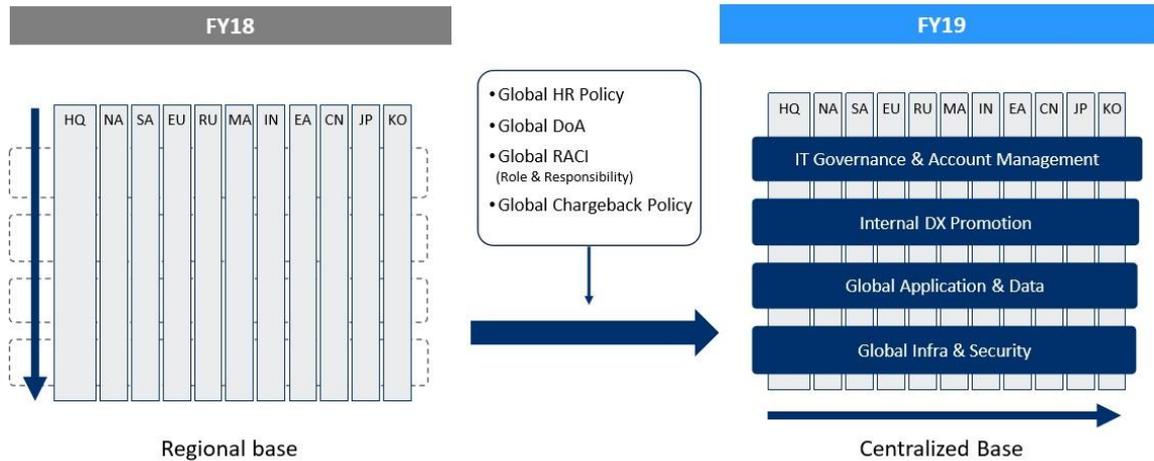
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IT Globalization

IT department will be the driver of globalization for business units



Firstly, We started with IT transformation.

The first thing we did was to globalize our IT.

As I mentioned earlier, the reality is that the processes and systems have been disparate. The organization must first be united on a global scale to bring them together.

Originally, we had a federal-style organization by region, with IT at the head office and regional IT at each site separated, but we have reorganized this into a global organization with four axes.

In order to put this together, we reorganized it along four axes: Global Infrastructure & Security, Global Application & Data, Internal DX Promotion, and IT Governance & Account Management. The first thing we did was to put these together as a global IT organization.

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Enhancement of DX Capabilities

- Promote DX globally from outside Japan separated from HQ (Dejima Strategy)
- In-house development of DX human resources mainly in India and China
- Actively hire fresh graduates in Japan from Indian Institutes of Technology: IITs , etc. (5-10% Japan IT headcount)



Next, as I mentioned earlier, there is a lack of DX engineers, so this is a difficult point, but the reality is that it is difficult to hire DX resources in Japan. So, we will position our Singapore subsidiary as a base for promoting DX and placed the External and Internal DX headquarters there to provide global support.

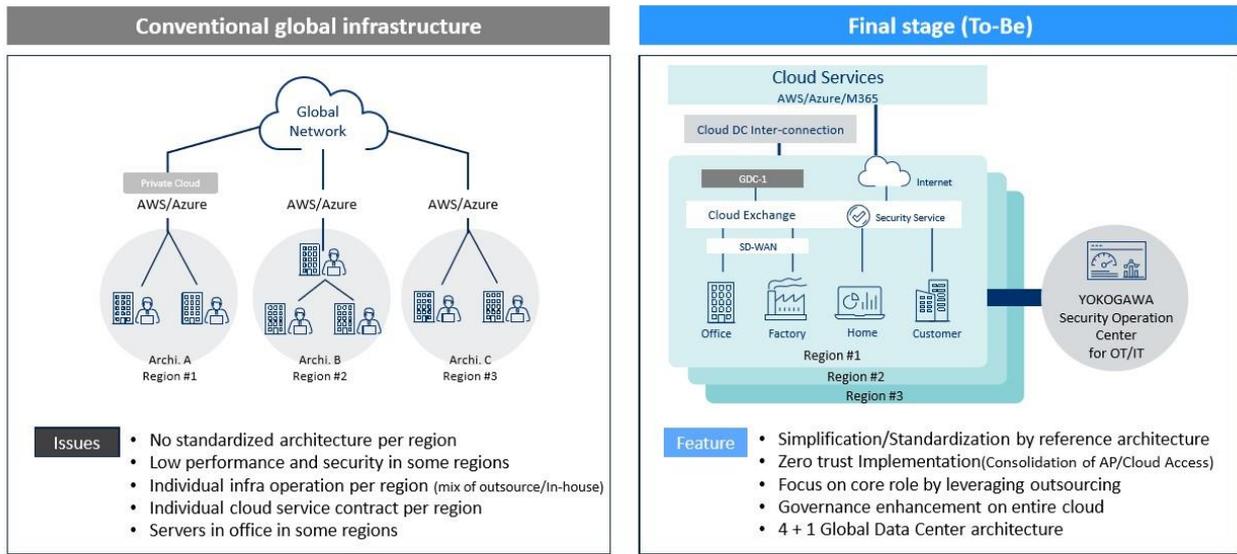
We have development sites in India and China, in Bangalore and Dalian, and we've hired DX engineers to work there. Another part of the project is to have interns and graduates from the Indian Institute of Technology come to Japan to help transform the IT department in Japan. We are taking these steps to secure DX engineers.

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Global Infrastructure Integration



After we had done this and DX had progressed to some extent, the next step was global optimization.

For global optimization, we did it from three perspectives.

One is infrastructure.

We have various infrastructures, such as networks and data centers, but since we built them from the bottom up, they were scattered from region to region. We have changed the architecture to one based on cloud computing, and although there are still some parts that are not completely finished, we have moved forward with the integration.

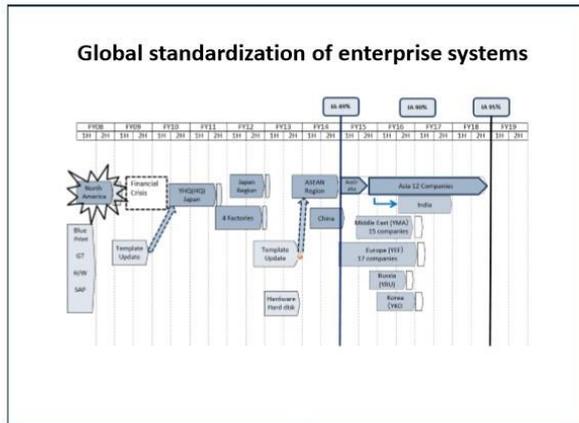
There are still some parts that are not finished yet, and we still keep working on integrating this kind of infrastructure.

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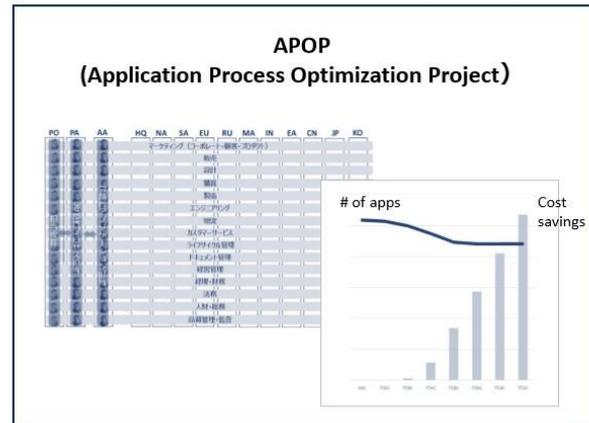
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Global Integration of Applications



Global One Instance of ERP



Reduction of the number of applications

Next is application integration.

First of all, with a single instance of our core system, ERP, we have created a system with considerable difficulty that can support all of our global operations.

This took almost ten years to complete, and we managed to complete it in FY2019, which allowed us to unify our operations globally.

Except for the core system, the other applications were very disparate. So, we worked on how to reduce these applications. This is not just a job for the IT department, but we have been working closely with the business department on how to standardize the process and reduce the number of applications. Reducing the number of applications lowers the cost of application maintenance, so we tried to minimize this cost at the same time.

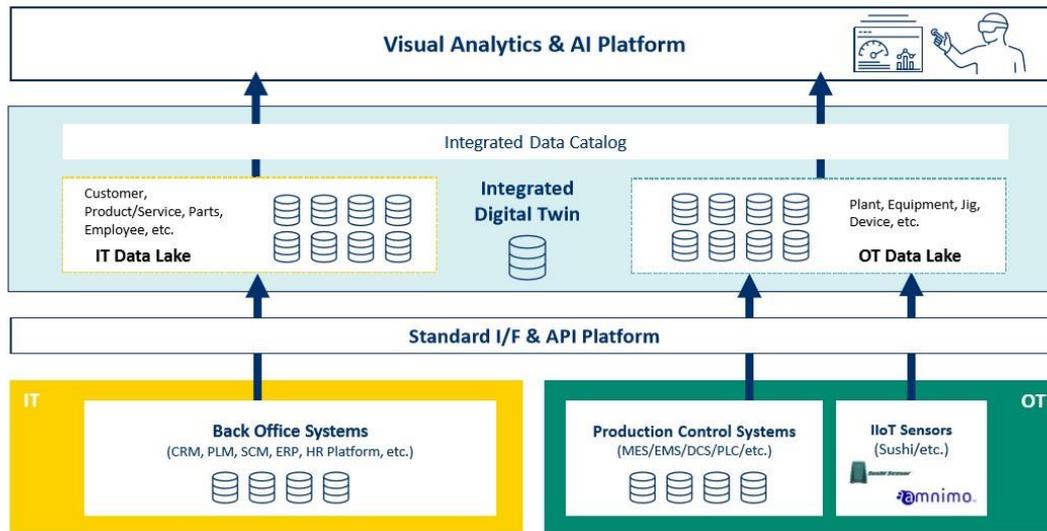
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Global Integration of Data



The third is data integration.

This is the most important thing, and by integrating the systems, the data can be integrated. We have 2 data lakes, which are the IT data lake and the OT data lake.

The IT data lake is the integration of data mainly from core systems and back-office systems, storing data and inventory data.

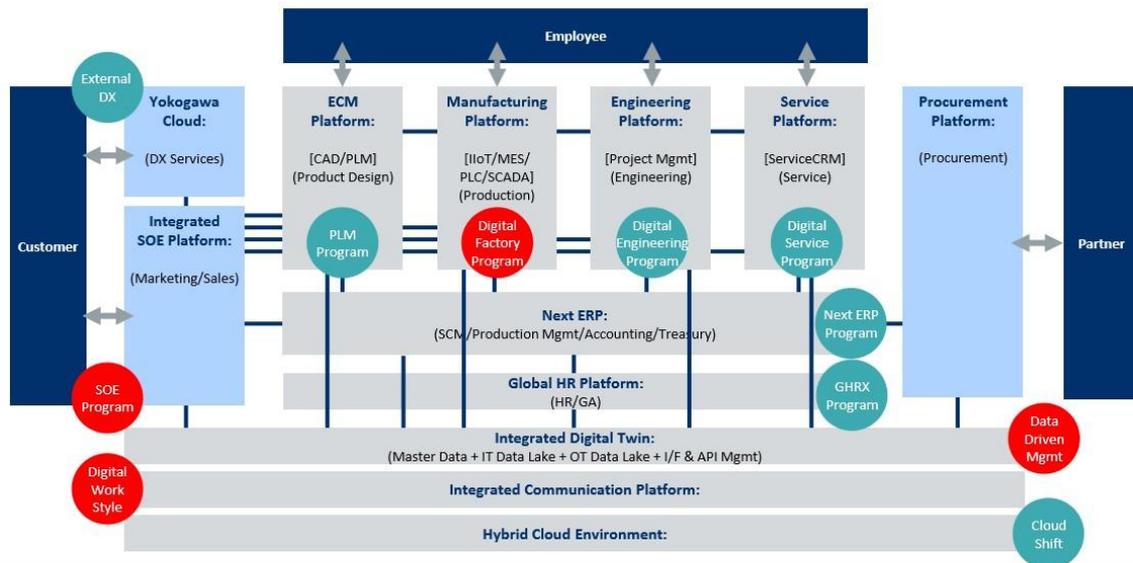
The OT data lake collects operational data from the factory side, and we have been focusing on how to integrate these two types of data, create an environment to analyze it, and make decisions in a data-oriented manner. By utilizing this, we have been working on data integration.

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Digital Enterprise Architecture for DX2.0



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Through these efforts, we have finally made progress in global optimization, and we are now starting the digitalization process.

This is a map of the overall digitization measures in terms of digitization.

For example, as I mentioned, we now have three perspectives: customer, employee, and partner, and we will reorganize them. These squares are the reorganization units. The circles, colored in red or green, are various activities for this reorganization.

There are about ten activities right now, but I would like to introduce the first four items in red due to time constraints.

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Global Standardization of Digital Workstyle

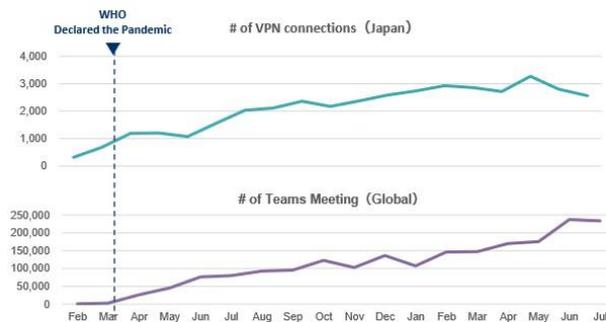
Provide a global, secure, common digital platform for retention and utilization to achieve high productivity and employee engagement. Increase corporate resilience through Zero Trust.



Business Value

Securely work anytime, anywhere

- ✓ Increase productivity & collaboration
- ✓ Globalize resilient environment
- ✓ Secured mobile access



The first part we have worked on was the digital work style.

It was important to quickly establish a teleworking environment in the COVID-19 situation.

We are using Microsoft Teams globally. By integrating globally, we create an environment where work can be done online.

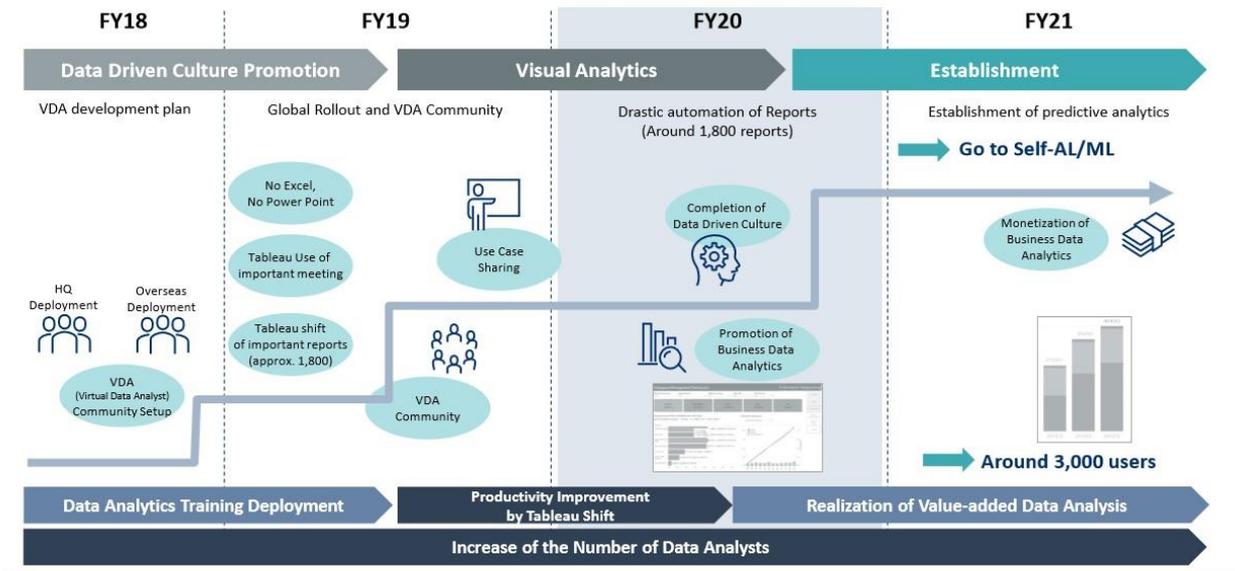
Now that the infrastructure has been integrated and access is becoming more secure, we are now able to work online in an environment where people can work online globally, resulting in probably 70% to 80% of the telecommuting rate.

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Self-BI Global Implementation for Data Driven Company



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Next, we are aiming to be a data-oriented company.

It is very important to analyze data and make decisions, so it is very important to know how to utilize the environment that we have just built.

This is an activity called VDA on the far left, which is an abbreviation of a virtual data analyst, a group of data analysts. We have created this kind of virtual organization of about 100 people, where we train the candidates of data analysts. We have standardized BI tools, and we have been promoting the use of these tools.

Since before, we have had quite a few types of reports. PowerPoint and Excel are being replaced by more and more BI tools, and we now have about 1,800 reports that can be generated and analyzed by these BI tools.

I think we have about 2,000 to 3,000 analysts now. These data analysts have utilized the tools, and now data analysis culture has become quite established.

As for the next step, we are now working on making AI available to our employees.

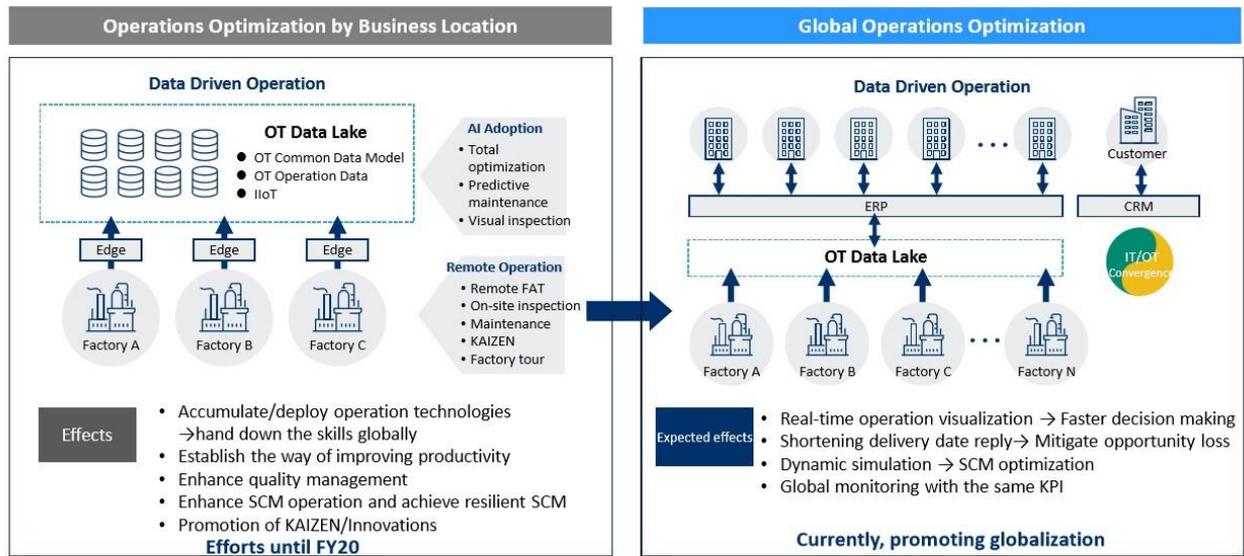
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Digital Factory for promoting Showroom



The next is the digital factory.

As I mentioned earlier in the OT data lake, we have created a culture of data-driven operations by collecting data from various factories.

These activities have been promoted mainly in Japan, but we are now expanding these globally.

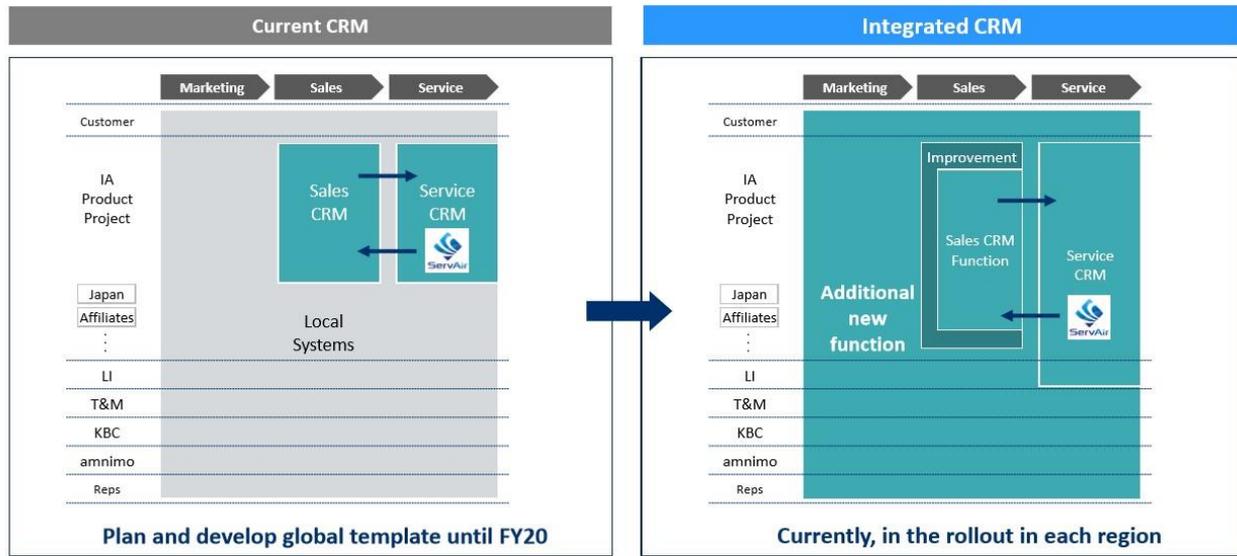
The primary measure will be to conduct data-driven operations. This is really about making operational decisions based on data and the utilization of AI. For example, we are incorporating image analysis in the quality control process and automating it with various AI, and since we cannot travel overseas due to the COVID-19 pandemic, we are using various tools to promote operations with Japan.

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Promotion of Digital CX for Customer-oriented Company



The next is to become more customer-oriented. Since Yokogawa is a manufacturing company, we need to change our culture more and more from the customer's point of view. Our organization is shifting from a products/function-based to a customer's industry-based one from this fiscal year.

To become a customer-centric company, we have to be customer-oriented, which is why we are currently developing our CRM, customer relationship management.

In this area, the disparate systems and processes for marketing, sales, and service have been integrated globally, and this is now being developed. By doing this, we aim to improve efficiency through globally unified marketing operations, sales operations, and service operations.

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DX related Outcome in TF2020

Strategy Digital transformation (DX)

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
- Speed 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.

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

(Source) Yokogawa Mid-Term Business Plan, 11 May, 2021

経済産業省指針に基づく「DX認定事業者」に選定

2021年4月20日発表

横河電機株式会社は、経済産業省が定めるDX認定指針に基づき、「DX認定事業者」に認定されました。



DX認定制度とは、「情報化推進の促進」に関する法律、に基づき、「デジタルトランス・コード」の基本的事項に該当する企業が認定される制度です。デジタルトランス・コードとは、DX（デジタルトランスフォーメーション）に関して経営者に求められる企業価値向上に向けた実践すべき事項が示されています。その内は、「柱となる考え方」と「認定の基準」が中心で、項目は経営ビジョン、ビジネスモデル、戦略、組織づくり、デジタル技術活用環境の整備、評価指標、ガバナンスシステムと多岐に渡っています。

横河電機は2018年に発表した中期経営計画において、デジタルトランスフォーメーションを経営戦略の中核に据え、デジタル技術の活用によって成長機会の創出と成長基盤の確立に向けて取り組んでいく事を表明し、その取り組みについて自社のウェブサイトやニュースレポート（YOKOGAWAレポート）などを詳しく掲載を継続してまいりました。

実際においては、DX推進体制の構築、新たなデジタル技術の導入・開発、デジタル技術を活用できる人材の育成などを進めてまいりました。そして、これらによってまず社内での生産性向上にデジタル技術を活用する「Internal DX^{※1}」を推進し、社内で得た経験と知見を基に新たなデジタルソリューションを開発、お客様にも提供を促す「External DX^{※2}」を推し進め、活動内容の内外発信も積極的に行っていました。

今回は、これらの活動がデジタルトランス・コードで定められている基準を満たしているとの評価を受け、DX認定事業者に認定されました。DX認定を機に、さらなる社内での生産性向上やお客様へのDX実現に貢献してまいります。

※1 デジタル技術を活用して社内の生産性向上を目指す当社の活動
 ※2 デジタル技術を活用してお客様への付加価値創出を目指す当社の活動

以上

(Source) Yokogawa Press Release, 20 April, 2021

As a result of these efforts, we have achieved a certain level of accomplishment in DX, as announced by President Nara in TF2020 in May of this year. In April, we were selected by the Ministry of Economy, Trade, and Industry as a DX-certified business operator. We are aware that we have achieved a certain level of success.

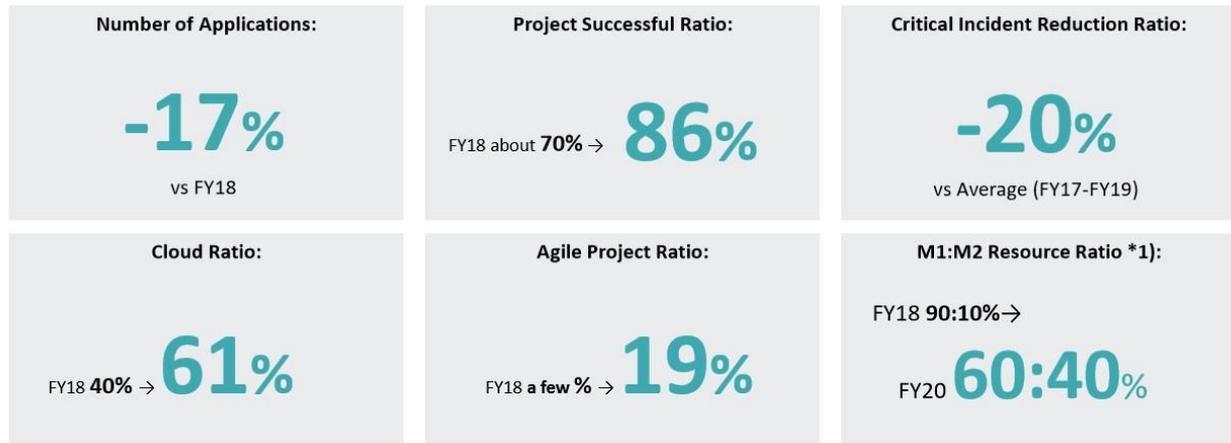
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DX related Outcome in TF2020

■ IT/DX Capability Improvement



*1) Mode 1: SOR (System of Record), Mode 2: SOI (System of Insights) + SOE (System of Engagement)

Let me introduce some of our KPIs in TF2020.

We are trying to increase the project success rate, which we define as 10% of the original plan's cost and schedule. We are trying to improve this success rate. We have become able to make projects successful at the rate of about 86%. It used to be a little lower.

Also, the number of incidents in various IT services has decreased, which means that service quality has improved.

Then there's cloud computing. We are working on cloud computing so that we can increase this ratio.

The other thing is to increase the ratio of projects that can be done in an agile manner.

The other thing is Mode1 and Mode2, which I mentioned earlier. Most of the work was done by the old information systems department (Mode1), but now the ratio is about 6 to 4, and we have been able to shift resources from the old information system department's work (Mode1) to DX work (Mode2).

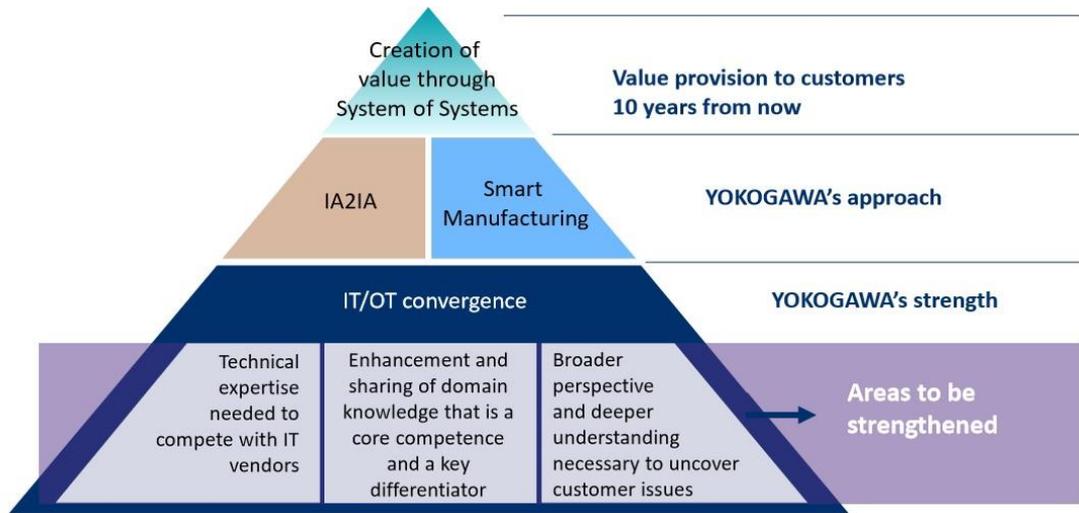
This is what we have done for the past three years. I would like to briefly introduce what we will do in the next three years.

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Goal of YOKOGAWA: SoS (System of Systems) Integrator



First of all, as mentioned in AG2023, our goal is to become an integrator of SoS, Systems of Systems.

For this purpose, we have our strengths, such as IA2IA and smart manufacturing. We need to combine the strengths of OT, which is the strength of this IT/OT convergence, and IT, which we are currently strengthening, to come up with this IA2IA or smart manufacturing solutions to contribute to our customers.

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Accelerate Growth 2023 : 4 Basic Strategies



In AG2023, there are now four focus areas that I've already explained. About the first item, how we are providing solutions for IA2IA and Smart Manufacturing. In a sense, the cloud will become an essential technology in this context, so that we will provide cloud solutions as External DX.

About the fourth item, we need to optimize our internal operations. As for Internal DX, we optimize our processes in terms of improving employee productivity, which I mentioned earlier.

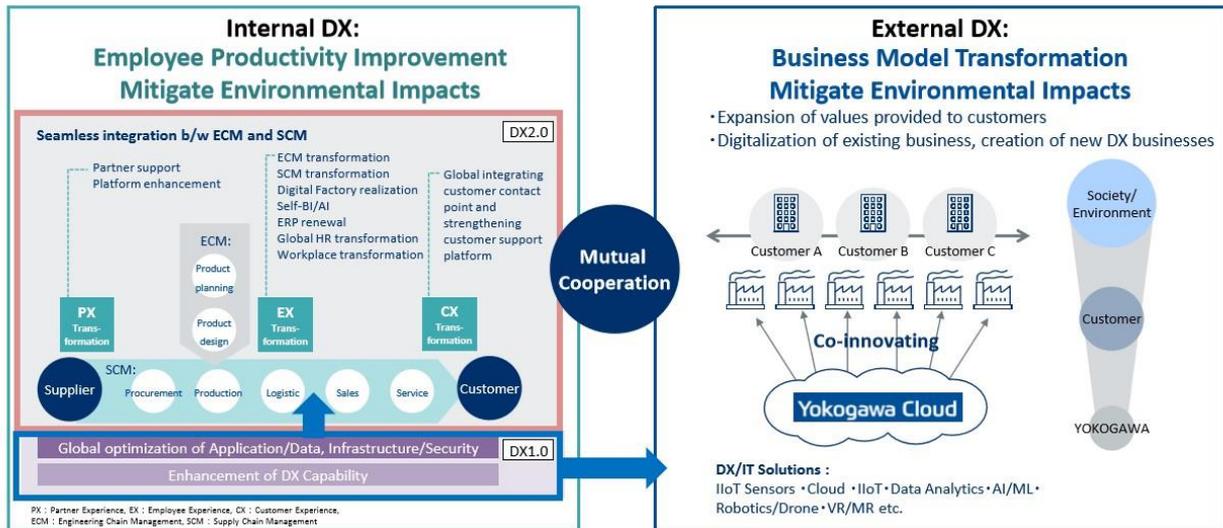
We want to contribute from these two perspectives.

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DX Strategy (FY21-FY23)



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This is an overview of our DX strategy map for the next three years.

On the left side, Internal DX, we would like to focus on improving employee productivity. On the other side, we would like to reduce environmental impact, which has been a hot topic recently.

As I explained earlier, the measures we have done in the last three years are DX1.0, which is the optimization of infrastructure, applications, and data. By using the foundation for this, we will contribute to the business.

The reform of CX, or customer experience, which I introduced earlier. This is really where we can strengthen the touchpoints with customers. Also, EX, is the area of the employee experience, and we will focus on the automation of various employee operations.

The third is PX or partner experience. We will work on eliminating interaction with our partners. We would like to promote DX measures from these three perspectives and focus on connecting this engineering chain and supply chain to streamline business processes from end to end.

On the right side is External DX, where our business model has been mainly product and engineering, but we would like to change this business model by making it subscription-based.

And, of course, reducing the environmental impact on customers. We would like to achieve this not only within our company but also for our customers. In our case, we've built a cloud platform called Yokogawa Cloud, and we've put various applications on it. And we want to connect with our customers digitally to optimize their operations and reduce their environmental impact.

To do this, we need to have a variety of DX and IT solutions in place, so we would like to continue to strengthen our IT and DX capabilities in this area.

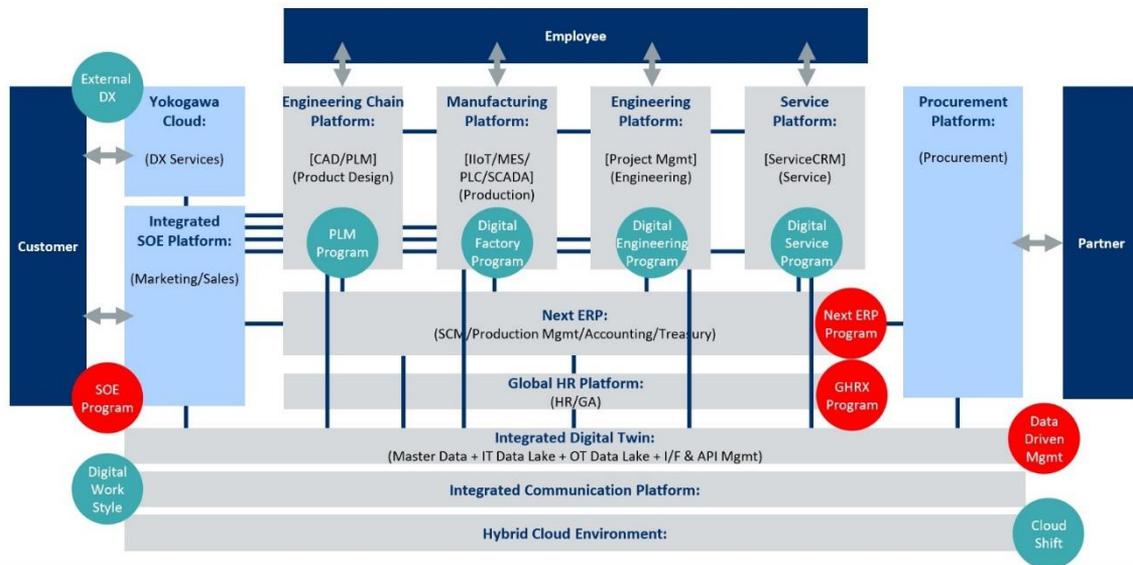
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Digital Enterprise Architecture for DX2.0



I'd like to start with Internal DX.

This is the diagram I introduced earlier, and because of the time constraint, I would like to introduce only the areas in red. The areas in red are the DX measures that we will focus on over the next three years.

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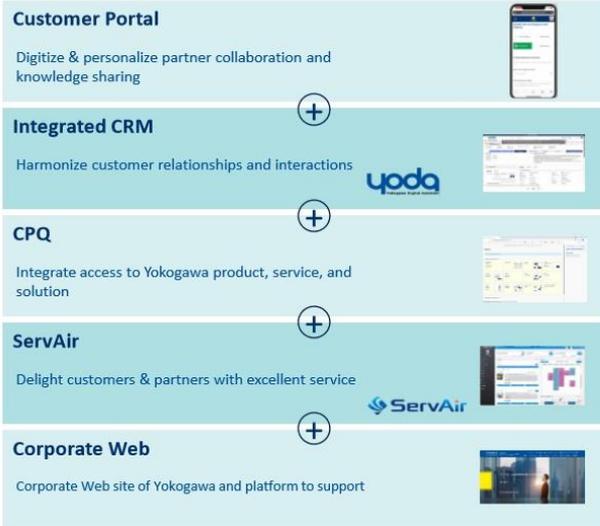
CX Transformation : SOE Program

Enhance customer experience, access, service level, collaboration and knowledge sharing thereby strengthening relationship, digitizing engagement and directly increasing customer economic value as well as contribution to society.

Business Value

Enhance Digital Contact Point with a customer

- ✓ Provide personalized, fully integrated and digitized platform
- ✓ Improve total experience for customers, partners & employees
- ✓ Increase of a potential customer, order and sales, and business efficiency



First of all, this is CX transformation, which is customer experience.

We are currently working on various measures to connect with our customers. We call this the SOE Program, which stands for a system of engagement, and we are currently focusing on this program.

As you can see on the right, we are currently developing a Customer Portal, which will provide various information to our customers.

And integrated CRM. We are now strengthening our CRM system, which is a global standardization of our sales, marketing, and service processes, as I mentioned earlier, to strengthen our connection with our customers.

Next is CPQ, which is a platform for a quotation. There are many different types of quotations. We are currently working on standardizing and automating the quotation process for this tool by automating the quotation of products, services, and engineers.

Then there is ServAir, which is the standardization and platformization of the service process. ServAir is also a product of our company, so we are now selling the product to our customers, and at the same time, we are using it internally.

Last is the corporate web site of YOKOGAWA. We will strengthen this area.

We have listed these areas as DX, and we are now working to strengthen our customer touch points.

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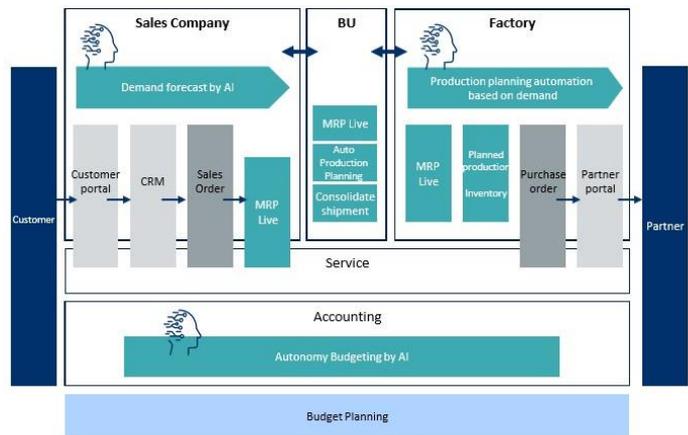
EX Transformation: Next ERP Program

Realize the automated or autonomy process in supply chain and budget process by maximizing AI and digital connection with customers and suppliers.

Business Value

Realize AI-driven Global D/SCM

- ✓ Enhance process efficiency by real-time visualization & supply chain optimization
- ✓ Improve customer on time delivery, service level, and lead time
- ✓ Optimize distribution inventory, product inventory, and parts inventory



Next, ERP. As I mentioned earlier, we are able to support global operations with a single ERP. We have been using SAP, and due to the SAP issue in 2023, we are trying to upgrade and replace the old version of SAP as it reaches the end of its life.

In addition to the SAP upgrade, we are working on various process reforms to see how we can incorporate corporate transformation and business transformation.

A major point is supply chain optimization. The supply chain between sales companies, business headquarters, and factories is still not neatly connected in some areas, so we need to find ways to streamline this.

And, for example, we are currently using Excel to plan our supply chain, but we would like to improve efficiency by automating changes using AI.

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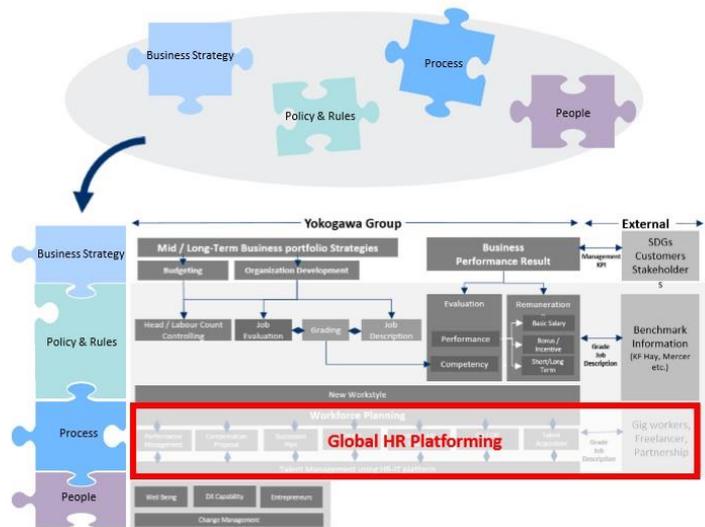
EX Transformation : GHRX (Global HR Transformation) Program

Digitize HR processes, policies and rules based on HR strategy to maximize contribution to organization profitability, outcome and achieve business strategic goals.

Business Value

Culture transformation – Entrepreneurial Spirit

- ✓ Establish capability to visualize the quality and quantity of human resources and formulate strategic HR policies.
- ✓ Change mindset by HR digitization and visualization
- ✓ Promote efficiency through global standardization of HR rules and processes



The next is GHRX, global HR transformation, and Yokogawa is now promoting globalization to a large extent.

As President Nara has talked about our organizational changes at various times, we are now promoting globalization by changing our organization. The basis for this is the HR system and HR rules. Unfortunately, our company does not have a global HR system or standardized operations in some areas. We are currently engaging global standardization of HR systems, global standardization of processes, and globalization of the HR platform, working with the HR and General Affairs Department.

We are now moving forward to strengthen the globalization of our organization through this.

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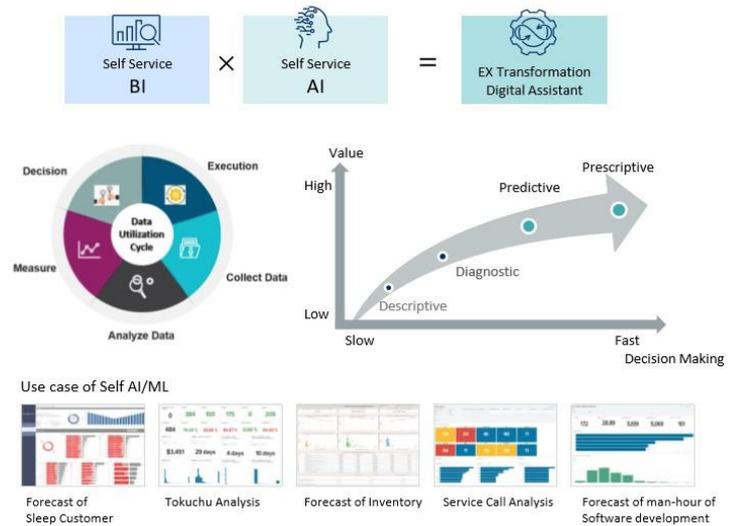
EX Transformation : Self-AI/ML (Machine Learning)

Strengthen the data driven culture and effective decision making as well as corporate governance using business insights, self service analytics, AI/ML and data science. Transform to predictive and prescriptive insights.

Business Value

Cultivate AI-driven culture

- ✓ Speeding up decision making through predicative data analysis
- ✓ Improve operational efficiency through automation
- ✓ Increase productivity



Next is the business intelligence I mentioned earlier.

I mentioned that data analytics is now firmly established, but what we need to do in the next three years is to create an AI-driven culture. Now that the data-driven culture has spread, employees will use AI to automate their operations. As we are entering such a phase, we have introduced AI tools within the Company and are now starting to promote their use.

Various examples of applications, such as inventory analysis and customer analysis, are automated to speed up decision-making. I would like to strengthen this more and more.

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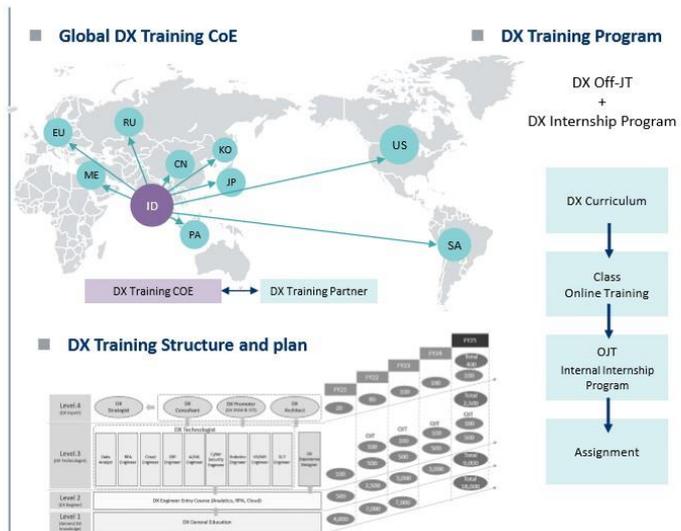
DX Resources Enhancement

Continuously upskill DX resources and capability to strengthen DX resilience and deliver business valued results.

Business Value

Accelerate Digital Transformation

- ✓ Strengthen employee DX capability and engagement
- ✓ Increase DX initiatives
- ✓ Change mindset toward DX



The next is the enhancement of DX Resources.

DX needs to strengthen its human resources, but it isn't easy to develop human resources, so we have started working on this in earnest this fiscal year.

Specifically, we have set up a global DX training COE, or training center, in India. From there, we are starting to expand various DX online content through our e-learning platform, Yokogawa University. We are beginning to use this infrastructure to promote DX education globally.

Internal DX and External DX, which I mentioned earlier, are working on various projects. We are inviting the business division to participate in an internship program to acquire DX experience and know-how, which they can use in their business division.

We are planning to introduce these short-term internships, which will increase the DX capability of the business sector.

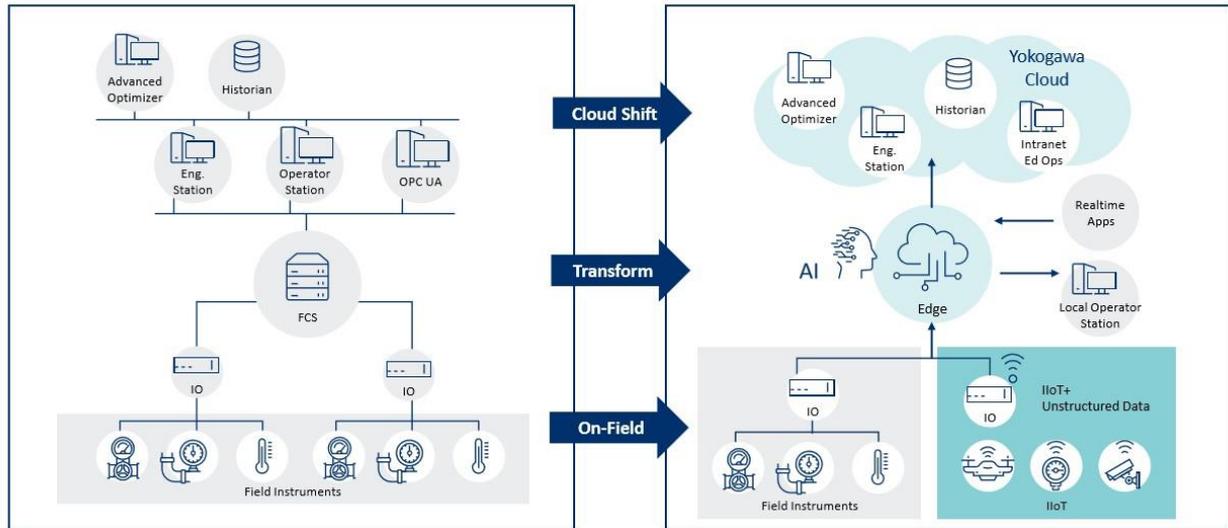
We are developing a plan to increase the number of DX resources through these efforts. We have divided our employees into four categories: general employees, DX beginners, DX technologists, and DX experts, and we are planning to increase the number of these human resources and have started various measures.

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Cloud shift in the OT domain



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Next, I would like to explain External DX.

First of all, one of the major points of External DX is the development of virtualization. We expect the various control systems in the OT area and plants to become increasingly cloud-based.

The left side shows the current situation. Our various control systems are supported by platforms installed on-premises, and we assume this will shift to the various situations on the right.

After the various sensors are installed in the plant, the various control systems will be converted to Edge.

We assume that edge, cloud computing, and other on-premises software functions such as Historian are expected to become increasingly available as cloud services.

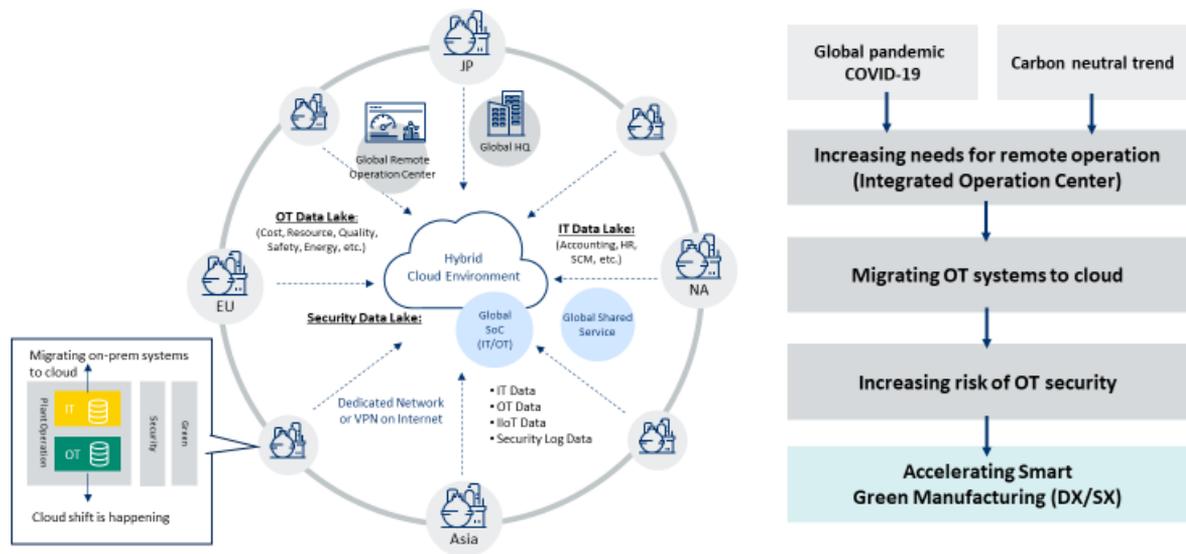
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Yokogawa's External DX Strategy (1/2)



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This kind of transformation is expected to happen more and more in the future. We are now positioning External DX as a way to prepare for it.

First of all, this is an image of the customer's plant. The customer has various plants and naturally operates plants globally.

Each plant has different systems and operations, so each plant is operated depending on people. With the increasing trend of virtualization, there is a tendency to centralize more and more of these operations.

Cloud computing is a necessary part of this centralization. Also, there is a significant flow of virtualizing plant operations using the cloud, centralizing them, and then operating the plants remotely.

The other thing is that remotizing in this way can jeopardize security, so I think the general trend now is to strengthen this security and work on remote operations simultaneously.

There is also a trend toward carbon neutrality, so one of the major issues we are facing is how to improve the efficiency of plant operations and reduce the impact on the global environment.

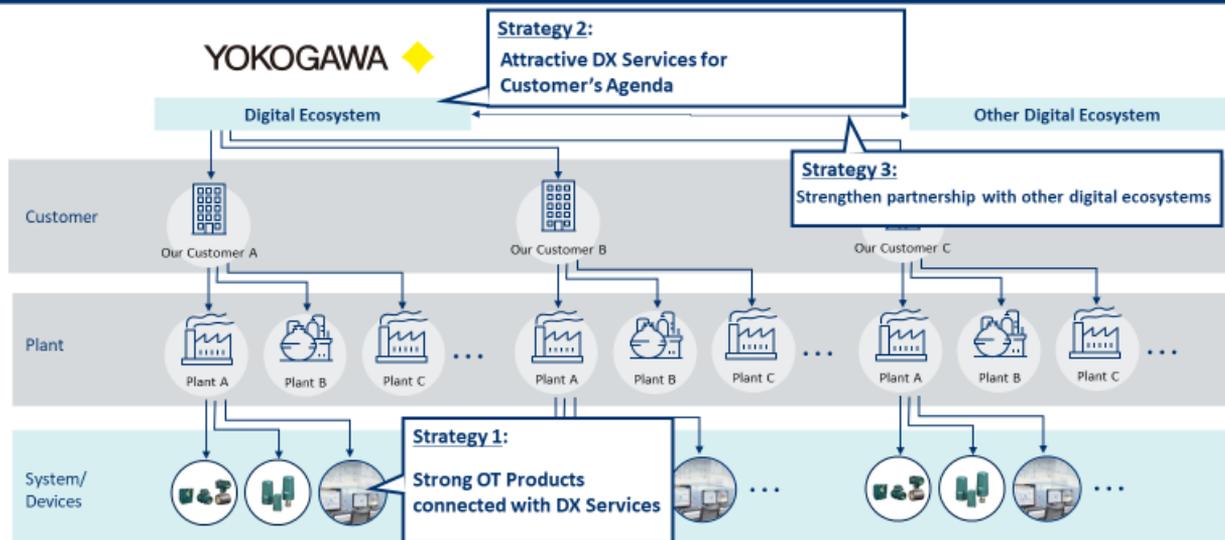
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Yokogawa's External DX Strategy (2/2)



We have three strategies for the External DX.

We have such strength in operational technology areas that the point of the first strategy is to increase the number of such products that connect to the cloud.

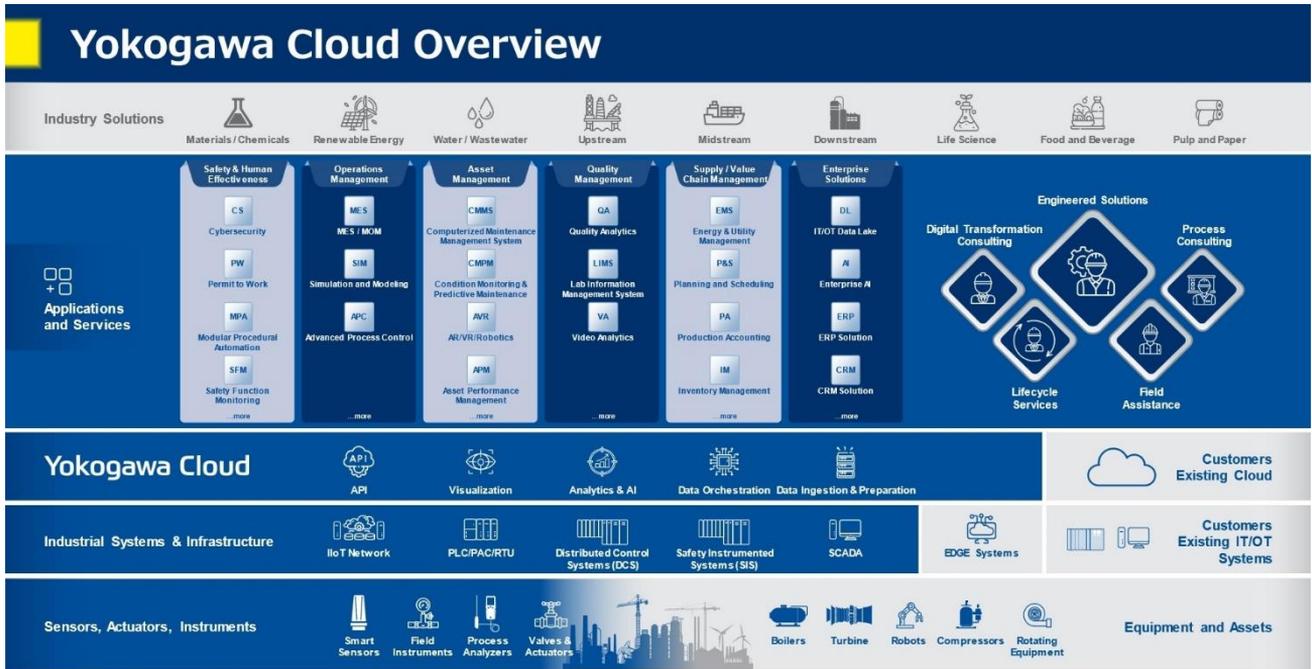
In the second strategy, we are trying to increase the number of various applications in the cloud to enhance our lineup.

In the third strategy, since Yokogawa alone cannot completely meet the needs of all customers, we are now promoting the External DX business by connecting with various other cloud platforms and providing solutions to customers as a kind of ecosystem.

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This slide shows the Yokogawa Cloud.

We are comprehensively developing this kind of architecture as a cloud architecture and linking the Edge and the cloud parts to deliver various applications to our customers.

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Yokogawa Cloud Overview

Industry Solutions

Applications and Services

2. Promoting Cloud and Recurring on existing applications with CMUs

Process-specific AI

Proactive collaboration with other companies for new cloud applications

Engineered Solutions

Yokogawa Cloud

1. Cloud application development infrastructure in place

Customers Existing Cloud

Industrial Systems & Infrastructure

3. Enhance Edge connection with OT systems

Customers Existing IT/OT Systems

Sensors, Actuators, Instruments

Equipment and Assets

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First of all, we developed a cloud application development function last year, named Yokogawa Cloud. We are developing various applications running on top of this and are working with various business departments, including KBC, to increase the number of applications.

Also, we are working with various companies, including the ones shown here, to enhance the applications.

Another one is at the Edge connection. Since Yokogawa has a variety of products, we are strengthening the connections here.

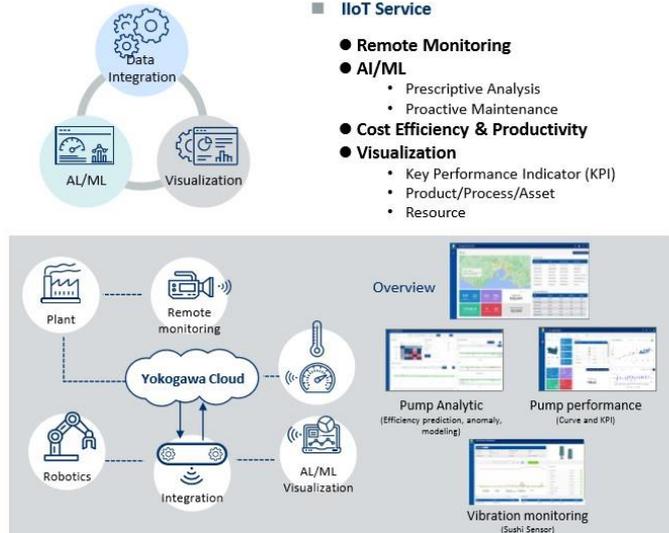
IIoT Service on Yokogawa Cloud

Support quick decision making and new value creation through data integration, use of AI/ML (Machine Learning), and real-time, valuable information sharing.

Customer benefit

Real-time decision making New value creation

- ✓ Safe and secure operation
- ✓ Automate and optimize an operation
- ✓ Efficiency of maintenance and management
- ✓ Enhance product quality



IIoT Service

- Remote Monitoring
- AI/ML
 - Prescriptive Analysis
 - Proactive Maintenance
- Cost Efficiency & Productivity
- Visualization
 - Key Performance Indicator (KPI)
 - Product/Process/Asset
 - Resource

First of all, IIoT.

There's a lot of demand for this service. Our customers want to visualize their plants and operations, so we're using the Yokogawa Cloud to provide this IIoT service to them and promote various kinds of visualization.

Specifically, we will install our sensors and other devices in the customer's plant and aggregate cloud data to visualize the operation. After visualizing the data, we can use various AI to predict it. We work to predict the timing of maintenance.

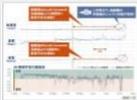
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AI/ML Service on Yokogawa Cloud

- Realize continuous innovation by utilizing AI for various data collected in the cloud
- Choosing the best AI engine, combining multiple AI engines
- Providing analytics and automation services (Analytics as a Service)

	Unique plant-specific AI	C3.ai	Bring Your Own ML
Use	Plant	Enterprise	Option
Overview	<ul style="list-style-type: none"> AutoML tool evolved based on plant problem-solving experiences and specializes in plant problems (SaaS version is under planning). App for anomaly detection of rotating machine as AI Module of Sushi Sensor (SaaS to be released in FY22). 	<ul style="list-style-type: none"> Platform handled data at the enterprise level across regions and businesses, create models, and execute simulations. Collaborated with KBC's simulation software to enhance its accuracy and extensibility. Expect to be used in applications such as IOC and SCO in future. <p>*IOC: Integrated Operation Center **SCO: Supply Chain Optimization</p>	<ul style="list-style-type: none"> Yokogawa Cloud allows a user to connect APIs to the tools they are familiar with and they wish to use.

Next is AI.

We now have three areas. We have our own plant-optimized AI engine, and we offer this to our customers.

We are also working with C3.ai, an American AI company, to develop AI applications for various plants.

In addition to that, we have specifications that allow us to integrate various AI modules, so we are working with our customers to introduce AI in these areas.

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Edge Service with Yokogawa Cloud

- Lightweight and high-performance edge and video gateway which connect OT and IT systems to cloud
- Stable operation in a wide range of environments such as plant, indoor and outdoor use

Options	eRT3+	CI Server	amnimo AG10
Category	Lightweight edge	High-performance edge	Video gateway
Feature	<ul style="list-style-type: none"> • Supports various data processing as general-purpose edge based on Linux (Ubuntu). • Compatible with AWS IoT and Azure IoT. Provide AI apps such as preventive maintenance and frameworks for AI application. 	<ul style="list-style-type: none"> • Collect data from various systems, equipment, and device in plant by supporting various standards and protocols such as OPC UA, ODBC, Modbus, and IEC 61850. 	<ul style="list-style-type: none"> • Connect 4 cameras at the same time. Power supply to the camera, execution of software for video processing, recording of captured video and uploading to the cloud via mobile communication can be realized with one unit.
			

Next is Edge.

We have three Edge products. One is eRT3+, which is a simple Edge. Then CI Server, which we are focusing on, is the highly functional Edge. The third one is the amnimo AG10 video gateway. We provide these 3 Edges through Yokogawa Cloud, making it possible to visualize various operations and analyze them.

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IT/OT Security Solution

The proven Yokogawa cyber security monitoring system ensures integrated management of cyber risks across IT / OT and takes necessary measures to ensure the security essential for IT-OT convergence.

Customer benefit

Realize DX maximizing the benefit of IT-OT convergence

- ✓ Continuous implementation of cyber attack countermeasures
- ✓ Continuous monitoring of networks and equipment
- ✓ Safely connect OT and IT systems in real time (contributes to cost and productivity improvement)

IT/OT Security Monitoring



IoT SoC Services



- IoT Gateway
- Firewall
- Proxy
- RD gateway
- PLC (eRT-3)
- PCs
 - McAfee
 - Elastic end point
 - Q365 Defender ATP
 - PA Cortex XDR

- Collect various log events to suit customer's needs
- Provide customer risk-focused detection/defense systems with machine learning/threat intelligence
- Provide risk management and improvement consulting services through regular meetings

Next is security. As I mentioned earlier, security would be very compromised, so one of the major points is to be able to integrate IT and OT security.

In our case, we have been working on OT security. And we integrate IT to provide security operations. In addition, we provide a security monitoring service for the IoT, as I mentioned earlier since we can provide the service to the various sensors of the IoT.

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Robotics Service

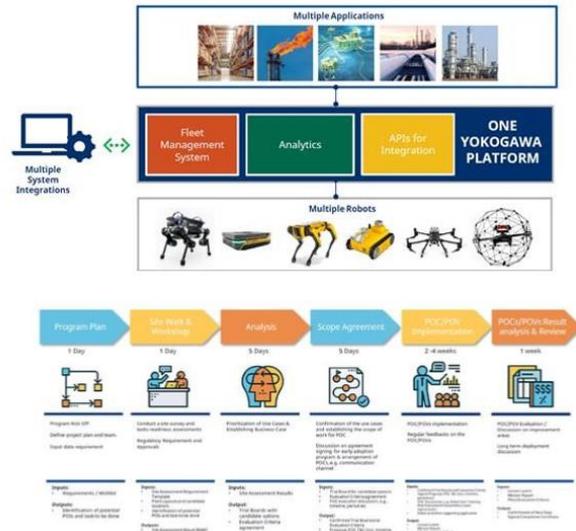
- Accurate, high-speed and high-quality work
- Hazardous place / job
- Sensor, Camera and Communication

Future technological advancements will expand applications in maintenance of equipment, patrol check, Monitoring, Transportation.

Customer benefit

Realization of remote operation

- ✓ Ensure the safety of plant operator
- ✓ Productivity improvement/cost reduction
- ✓ Workers shifts to more value-added jobs



Next is robotics.

We have recently received a number of PoC projects in which robots are used to automatically perform various monitoring and patrolling tasks in customers' plants. This is especially true in Asia and the Middle East.

In a sense, the use of robots to automate the physical monitoring process is now well underway.

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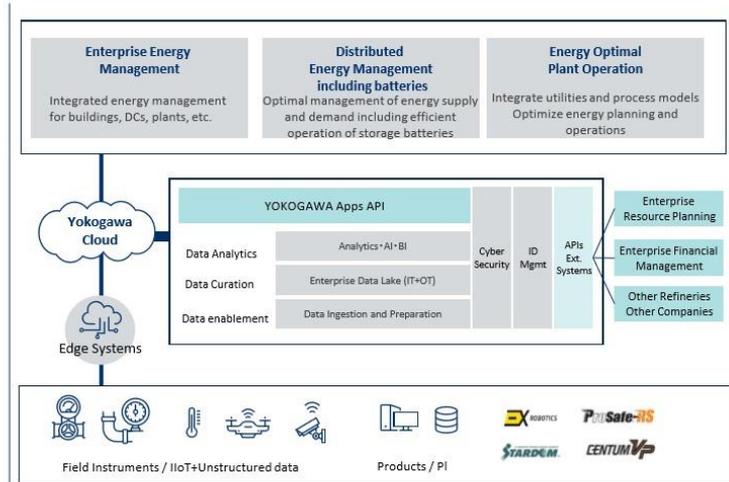
Energy Management Service

Cloud service for operation optimization, optimal energy supply and demand management and enterprise energy management.

Customer benefit

Contribution to a sustainable society

- ✓ Decision making considering trade-off between production and energy
- ✓ Optimal energy procurement according to demand
- ✓ Maximum utilization of renewable energy and storage batteries
- ✓ Compliance to environmental regulations
- ✓ Supporting ESG management



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Finally, which is Energy Management.

For example, the visualization of CO2 emissions and energy consumption will become very important, so we are working on this solution.

We are now receiving quite a few PoCs from customers in this area, and the number is gradually increasing.

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External DX related press releases

Date	Release content
2020/10/20	Yokogawa Extends Energy Management to the Enterprise Segment - The partnership with Green Concepts enables Yokogawa to offer cloud IoT-based real time monitoring and analysis for building and facilities management.
2021/04/12	Yokogawa Selects C3 AI Suite to Enhance Enterprise AI Applications.
2021/04/14	Yokogawa to Undertake Proof of Concept Test of 5G, Cloud, and AI for Remote Control of Plant Systems with NTT DOCOMO.
2021/10/7	Yokogawa Solution Service and NTT Communications Succeeded in a Demonstration Experiment of "AI Plant Operation Support Solution" for a Chemical Plant, Uses AI to Support Operations that Require Manual Operation.
2021/10/18	Yokogawa Invests in Web Synergies to Expand Global Digital Transformation Capabilities.
2021/10/19	Yokogawa and NTT Communications enter into Business Partnership Agreement for the joint Development and Provision of a Shared-Use OT Cloud Service to Support DX in the Manufacturing Industry.

We have announced several DX-related press releases since last year.

We have formed alliances with various IT companies. Since we cannot naturally increase our DX and IT capabilities by ourselves, we have been working with various companies to strengthen these areas and see how we can materialize large-scale IT convergence.

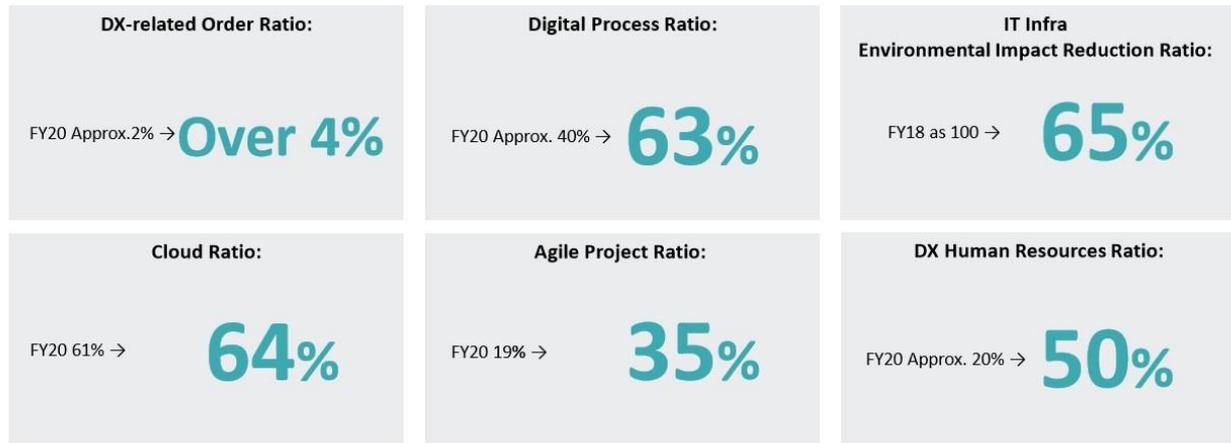
We would like to continue to collaborate with various IT companies.

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DX-related Targets in FY23



The following are the 6 KPIs for FY2023.

First is DX-related orders, which we now define as projects that use digital technology. For example, we are monitoring orders for projects that use digital technologies such as cloud computing, data analytics, AI, AR/VR, etc., and we would like to increase these orders. We are now focusing on improving this ratio to the total order value.

The second is the digital process rate. Currently, we have 128 processes as a whole. We would like to increase this ratio by making this process more qualitative.

Third, we are also working to reduce the environmental impact of our infrastructure by shifting more and more to the cloud, in other words, increasing energy efficiency and reducing power consumption. We would like to proceed with this.

The fourth is to increase the cloud rate.

The fifth is to increase the Agile project rate.

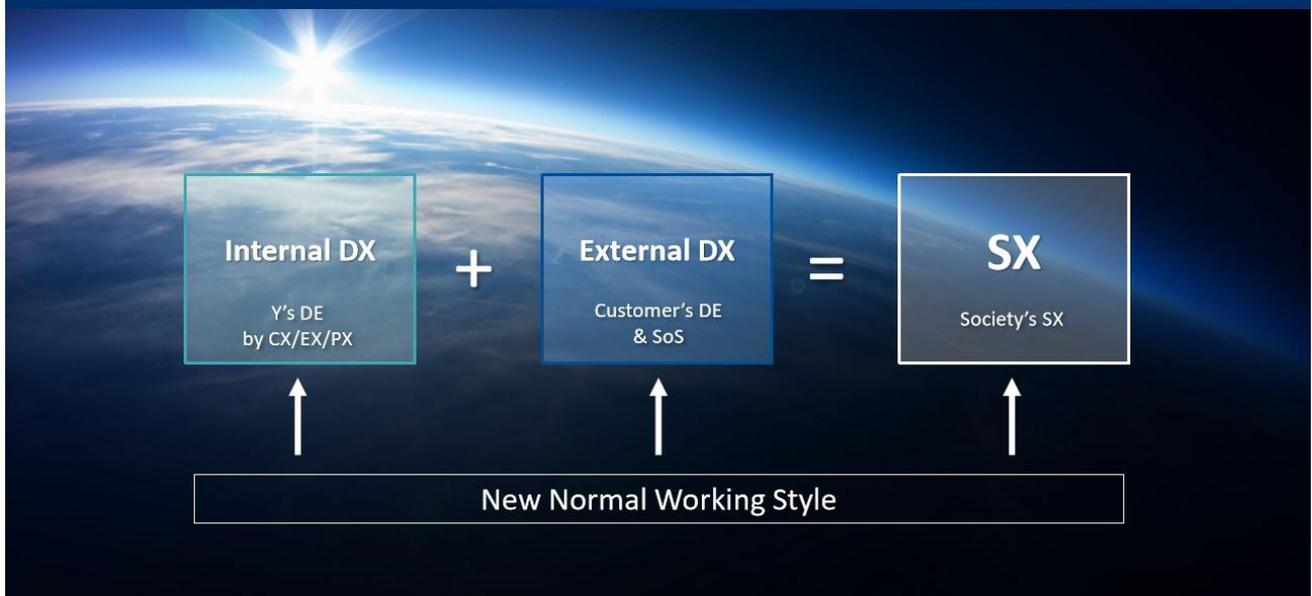
The sixth is to increase the number of DX resources, and if it is possible, we would like to develop 1 out of every two employees in the Company to be capable of DX to some extent. To this end, we have created KPIs and are implementing various measures.

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Today's Summary



This is today's summary.

We are working on Internal DX and External DX.

To make Yokogawa's digital enterprise, we are promoting internal DX based on the three axes of CX, EX, and PX.

We are continuing with External DX because we want to support our customers in their shift to a digital enterprise. We also want to contribute to the realization of systems of systems.

I want to advance DX from the perspective of linking it to the sustainability transformation of society. This concludes my presentation.

Thank you very much for your kind attention.

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Question & Answer

Q: Regarding the Internal DX and External DX results, you have indicated a few targets on pages 29 and 54. Will the reduction of unnecessary costs and increase in the successful project ratio lead to a reduction or improvement in the SG&A and cost ratios, or will the value provided to customers allow your company to win more orders and grow sales more than your competitors?

Can we expect to achieve the easy-to-understand financial targets set forth in the mid-term business plan, or should we not? If we can expect it, when can we expect to see it, in what kind of figures, and to what extent? If there is anything I can ask you in this area, please let me know.

A: As I mentioned earlier, we have been working to reduce application costs by integrating applications over the past three years.

In terms of DX, we will continue to invest while reducing the old parts, so it is difficult to say how much its effect will have on the P/L.

I think that productivity has increased over the past three years, but in terms of how much of that can be attributed to cost reduction, I believe that the pure cost reduction part and the DX investment part are, in a sense, balanced.

We plan to replace our ERP and core systems for the next three years, as I mentioned earlier. Naturally, we will need to invest in this, but we aim to improve our operations considerably. The key point will be to what extent process costs can be streamlined through the supply chain that I mentioned earlier and automation.

Also, we are trying to optimize our HR processes through global HR transformation, and we are trying to optimize process costs to a certain extent.

We would like to contribute to SG&A to some extent through these efforts, but while we expect to reduce SG&A, there are other investments that will balance out, so it is difficult to give a general estimate.

Q: On page 53, I have a question about collaboration with other companies and strengthening DX's human resources. I understand that Yokogawa Rental & Lease Corporation, an equity-method affiliate of yours, has an IT systems business. Is there anything you can do to utilize human resources or collaborate with Yokogawa Rental & Lease Corporation?

A: We have been collaborating with Yokogawa Rental & Lease Corporation for quite some time now, and specifically, we are working on Device Management as a Service. As I mentioned earlier, we are now in an environment of telework, so PC management has become very critical for security. We are now working together to address this issue.

We have just applied their Device Management as a Service to our Internal DX, and we are working on creating a model for it and solving it together.

Q: Could you please give us a definition of the "DX-related Order Ratio" mentioned on page 54?

I also think that the needs of your customers using DX technologies vary widely, and the resource situations of your customers are completely different. Under these circumstances, how far do you think the figure of 4% or more will eventually rise, and how much potential do you think there is for using DX technology to win orders?

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If you have an image, could you tell us about it?

A: First of all, regarding the definition of "DX-related Order Ratio," as I mentioned earlier, we monitor the amount of DX orders as the number of projects that use digital technologies, specifically cloud computing, data analytics, AI, VR/AR, robotics and blockchain, to solution.

The key point is how to increase the ratio of this value divided by the total value of orders. There are cases in which we are providing solutions with old technologies and cases in which we are providing solutions with digital technologies, but it is important to increase the ratio of digital services over the medium term, so we are monitoring the situation based on this definition.

In FY20, the figure was about 2%, which is not a large amount, but we would like to more than double it in this mid-term business plan.

In addition, as I mentioned earlier, our customers themselves have a need to conduct various operations using digital technology. This is getting stronger every year.

Since the COVID-19 infection spread, the need for remote operations has increased even more, and the use of cloud computing and IoT has been increasing very much. We feel the demand is very strong.

We are conducting various PoC globally, and the number of PoC is accumulating rapidly. It is a little conservative to say 4% or more here, and it is difficult to say specifically 5% or 6%, but if the current trend continues, we expect to be able to achieve a certain level.

Q: When I look at Yokogawa from the perspective of the control business, I get the sense that the company has always done business in a very traditional, field-oriented way.

As an outsider, please tell us about Yokogawa's adaptability to new changes and the potential for Yokogawa to change in the future. Could you tell us what you have felt over the past three years in terms of the new digital technology?

A: As you mentioned, Yokogawa has always been conservative, but we have been transforming ourselves in the last mid-term business plan and the current mid-term business plan, and I think we are becoming less allergic to new things.

The founder of Yokogawa is a very innovative person, and in my opinion, Yokogawa is a company that is both innovative and conservative at the same time.

Since we deal with plants, we have a very conservative culture, but at the same time, since our founder was an innovative person, we have a relatively low resistance to innovation, which means that we have a high understanding of innovation. Therefore, I believe that we will be able to catch up with this new trend quite quickly.

I am also in a situation where it is easy to proceed with DX. The key is speed. Right now, our competitors are moving very quickly, so I think it's up to us to see how fast we can respond. I think that's what we're working on right now.

Q: Speed is one of the keywords that the president often mentions. As a digital business leader, what is the most important factor in terms of speed?

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A: There are various perspectives of speed, but what we are focusing on is the delivery speed to our customers.

When a customer wants to implement the IIoT service that I mentioned earlier, we can now provide it in as little as two days. Once we receive the customer's request, we can set up the cloud, connect the sensors, and make it possible to actually see inside in as little as two days.

Nakatani: I am Nakatani, Department Manager of the IR Department. I know that many of you also participated in IR Day in the morning. Thank you all very much for taking time out of your busy schedules to join us today.

We will continue to provide such opportunities in a timely manner so that you can deepen your understanding of Yokogawa, and I would like to ask for your continued support in the future.

Thank you very much for your time today.

[end]

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