

Yokogawa Electric Corporation

# FY18 Results and FY19 Forecast

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Director, Executive Vice President  
Corporate Administration Headquarters

May 8, 2019

# Key Points

## ■ FY18 results: Orders were strong, sales declined, profits were up year on year

- Summary: Orders were strong (+7.9% year on year). Sales declined year on year due to the appreciation of the yen primarily against emerging country currencies and the transfer of a subsidiary's shares. Operating income was up.
- Segments: Control was strong. With measurement, sales remained strong, but operating income was down due to the effects of investments. Income and profits were both down for the aviation and other businesses segment.
- Regions: Orders were up in the Middle East, North America and India. Sales were up in China.
- Industries: Downstream orders were strong. The upstream business grew.

## ■ FY18 Year-end dividend

- In consideration of the FY18 consolidated financial results, the year-end dividend forecast has been revised upward, from 15 yen to 17 yen.
- The annual dividend will come to 32 yen, a record high.

## ■ FY19 forecast: A year-on-year increase in sales and profits

- Summary: A large order backlog points to an increase in sales and profits.
- Risks: A slowing economy and a decline in investment due to trade friction between the United States and China
- Dividend: The annual dividend will be 34 yen (a record high for the second consecutive year).



## 1. FY18 results

## 2. FY19 forecast

## 3. Treasury strategy and capital policy

## 4. Dividend

<Change: Upward revision to year-end dividend forecast ¥15→¥17>

## 5. Appendix

- Quarterly Financial Results
- Non-operating/Extraordinary Income and Expenses
- Trend of Balance Sheet
- Trend of R&D Expenses, Depreciation, and CAPEX

# Summary of FY18 Results

- ◆ Orders were up overall thanks to firm results in the control segment, but sales were down due to the strength of the yen primarily against emerging currencies, the transfer of a subsidiary's shares, and other factors.
- ◆ Operating income was up due to factors such as a decrease in SG&A.
- ◆ Profit attributable to owners of parent was up; this can be attributed to the recognition of an impairment loss in the same period of the previous fiscal year.

(Billion ¥)

	FY17	FY18	Difference	Growth rate	Impact of exchange rate and transfer of subsidiary's share
Orders	400.3	<b>432.0</b>	+31.7	+7.9%	(12.8)
Sales	406.6	<b>403.7</b>	(2.9)	(0.7%)	(11.4)
Operating income	32.7	<b>34.6</b>	+1.9	+5.8%	(1.2)
ROS (%)	8.0	<b>8.6</b>	+0.6 pts	—	—
Ordinary income	33.3	<b>36.8</b>	+3.5	+10.3%	(0.9)
Profit attributable to owners of parent	21.4	<b>28.4</b>	+7.0	+32.4%	(1.1)
EPS (¥)	80.27	<b>106.54</b>	+26.27	+32.7%	—
ROE (%)	8.1	<b>10.1</b>	+2.0 pts	—	—
Exchange rate	1\$ = ¥110.70	<b>¥111.07</b>	+0.37	—	—

# Summary of FY18 Results

(Comparison with forecast)

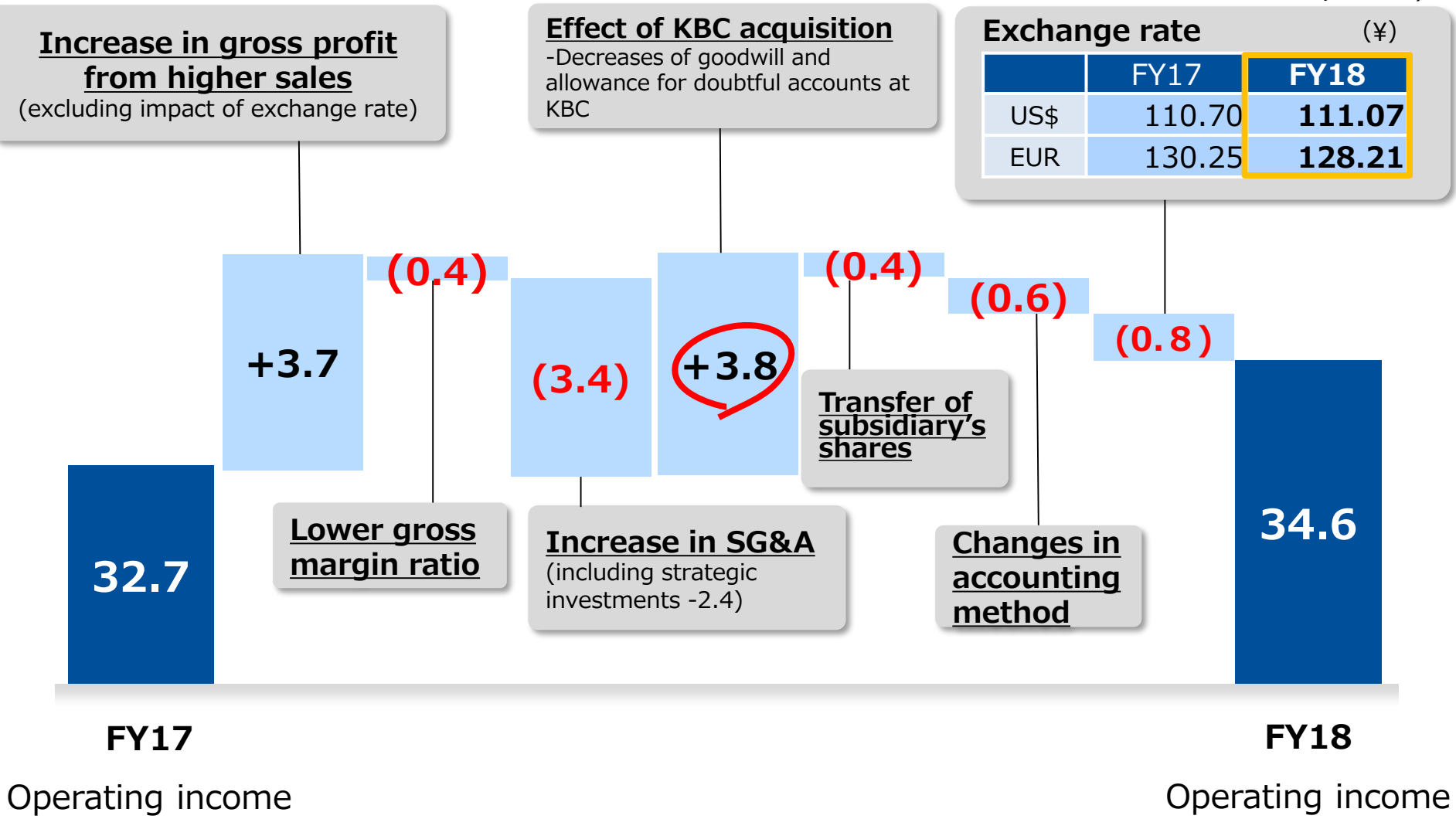
-Orders were up. While sales and operating income were down, profit attributable to owners of parent was up.

(Billion ¥)

		FY18 11/6 forecast	FY18 results	Difference
Orders		420.0	<b>432.0</b>	+12.0
Sales		410.0	<b>403.7</b>	(6.3)
Operating income		36.0	<b>34.6</b>	(1.4)
Ordinary income		36.0	<b>36.8</b>	+0.8
Profit attributable to owners of parent		25.5	<b>28.4</b>	+2.9
EPS (¥)		95.50	<b>106.54</b>	+11.04
Exchange rate	1\$ =	¥110.00	<b>¥111.07</b>	+¥1.07

# Analysis of Operating Income (FY17/FY18 comparison)

(Billion¥)



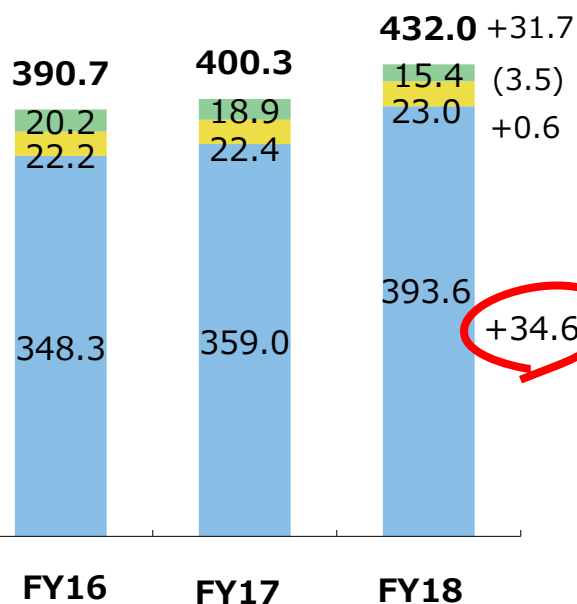
# FY17/FY18 Comparison for Orders, Sales, and Operating Income by Segment

- Control: Project orders and product sales were up mainly outside Japan. Operating income was up due to increased revenue, a decrease in the allowance for doubtful accounts, and other factors.
- Measurement: Sales remained strong. Operating income declined due to the year-on-year impact of investments.
- Aviation and other: Operating income declined year on year due to a decrease in revenue, which can be attributed to the transfer of subsidiary shares and a lower gross margin.

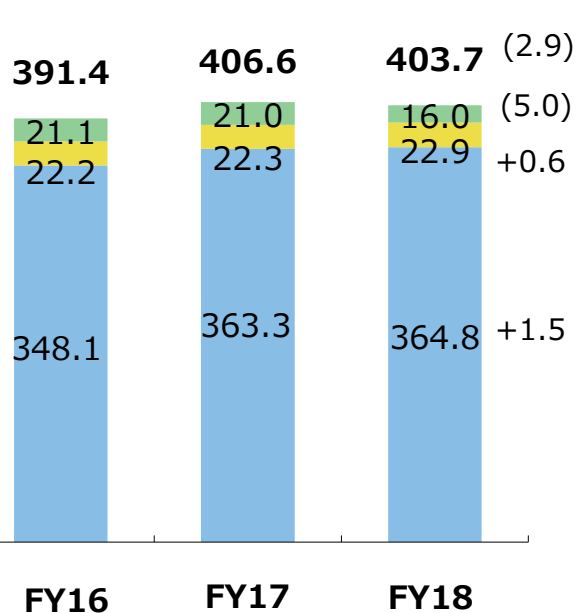
■ Control ■ Measurement ■ Aviation and other

(Billion¥)

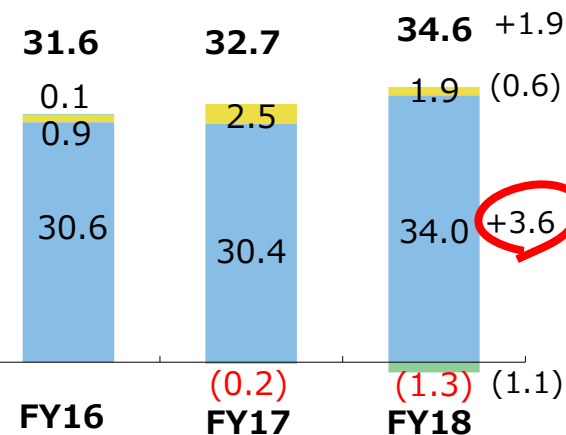
## Orders



## Sales



## Operating income



# Orders and Sales by Region in Control Segment

- ◆ Orders were up mainly in the Middle East, North America, and India.
- ◆ Sales were up mainly in China despite the effects of a stronger yen centering on emerging country currencies.

(Billion¥)

Orders	FY17 (A)	FY18 (B)	Difference (B-A)
<b>Japan</b>	<b>107.3</b>	<b>111.4</b>	<b>4.1</b>
Asia	118.0	124.5	6.5
(South-eastern Asia and Far East)	66.5	64.3	(2.2)
(China)	39.7	42.6	2.9
(India)	11.8	17.6	5.8
Europe and CIS	52.6	53.2	0.6
Middle East and Africa	43.7	56.7	13.0
North America	29.3	38.2	8.9
Central and South America	8.1	9.6	1.5
<b>Outside Japan</b>	<b>251.7</b>	<b>282.2</b>	<b>30.5</b>
<b>Consolidated</b>	<b>359.0</b>	<b>393.6</b>	<b>34.6</b>
Exchange rate 1\$ =	¥110.70	¥111.07	¥0.37

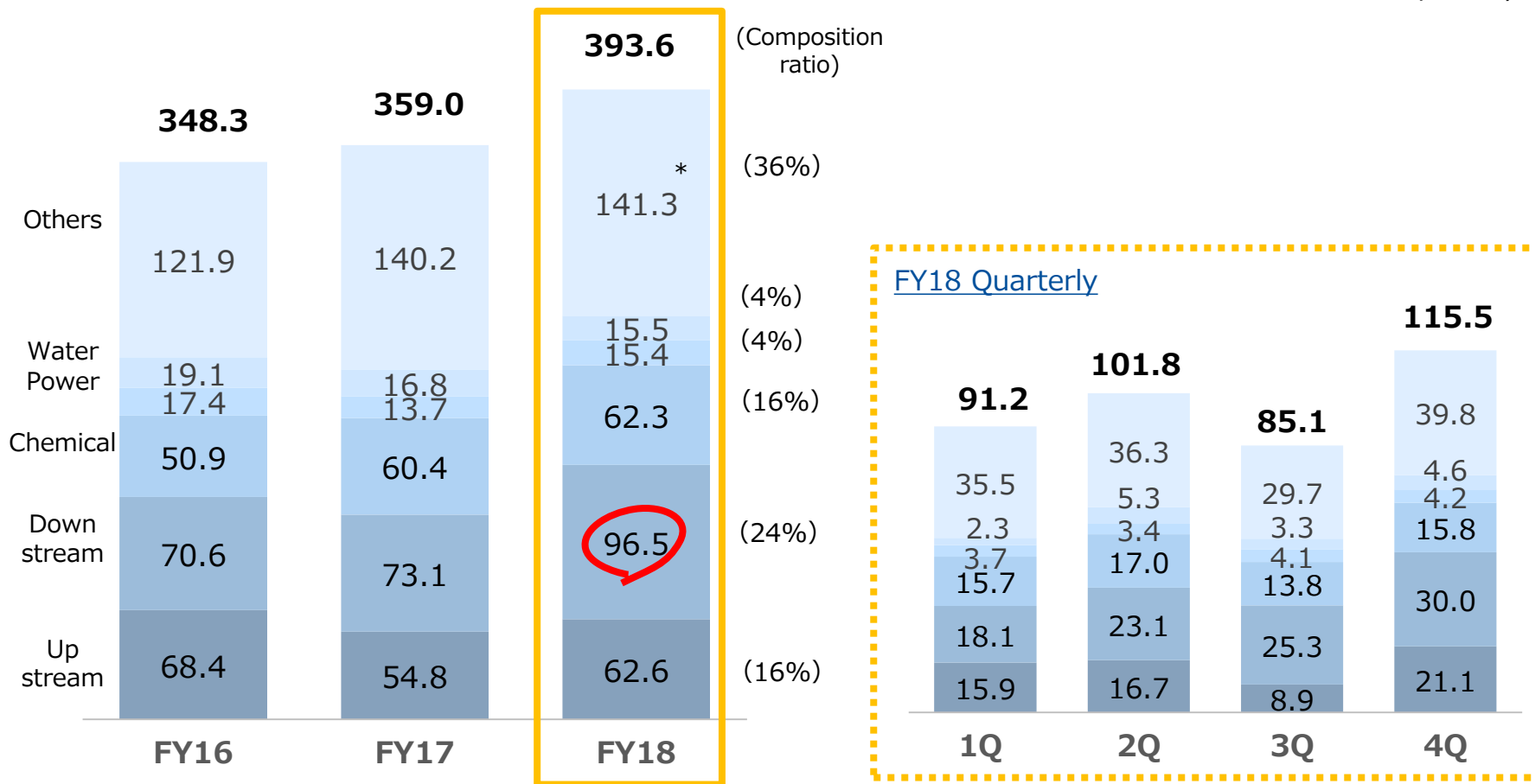
Sales	FY17 (A)	FY18 (B)	Difference (B-A)
<b>Japan</b>	<b>107.0</b>	<b>109.4</b>	<b>2.4</b>
Asia	115.5	120.3	4.8
(South-eastern Asia and Far East)	67.4	67.3	(0.1)
(China)	35.5	40.5	5.0
(India)	12.6	12.5	(0.1)
Europe and CIS	52.2	49.5	(2.7)
Middle East and Africa	52.3	49.0	(3.3)
North America	28.5	28.5	0
Central and South America	7.8	8.1	0.3
<b>Outside Japan</b>	<b>256.3</b>	<b>255.4</b>	<b>(0.9)</b>
<b>Consolidated</b>	<b>363.3</b>	<b>364.8</b>	<b>1.5</b>
Exchange rate 1\$ =	¥110.70	¥111.07	¥0.37



# Orders by Industry in Control Segment

◆ Downstream orders were strong. The chemical business remained strong. Recovery is anticipated in the upstream sector.

(Billion¥)



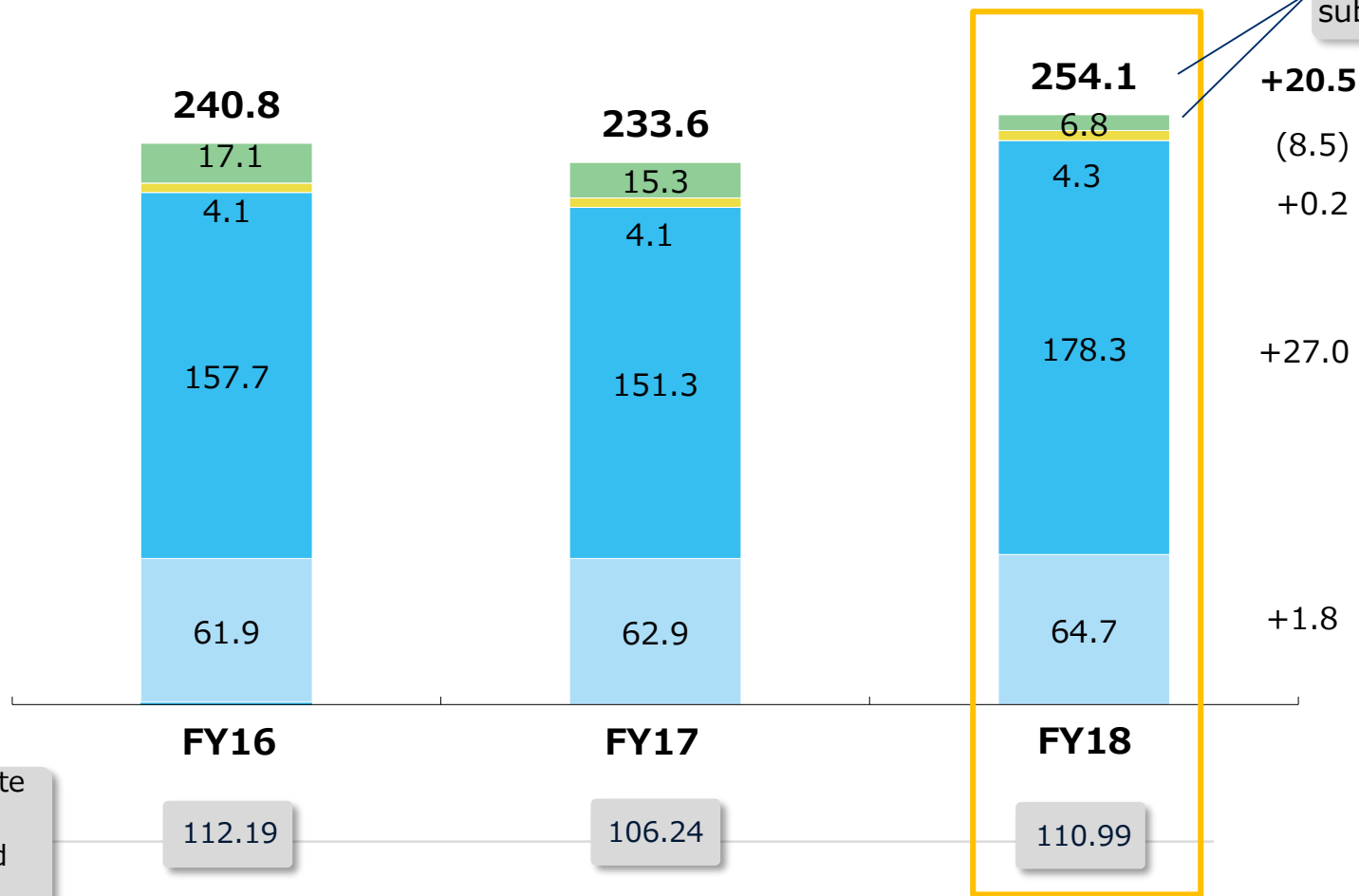
\*Pharma, food, electrical & electronic, iron & steel, pulp & paper, etc.

# Order Backlog Trend by Segment

(Billion¥)

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

Impact of share transfer of subsidiary (8.2)



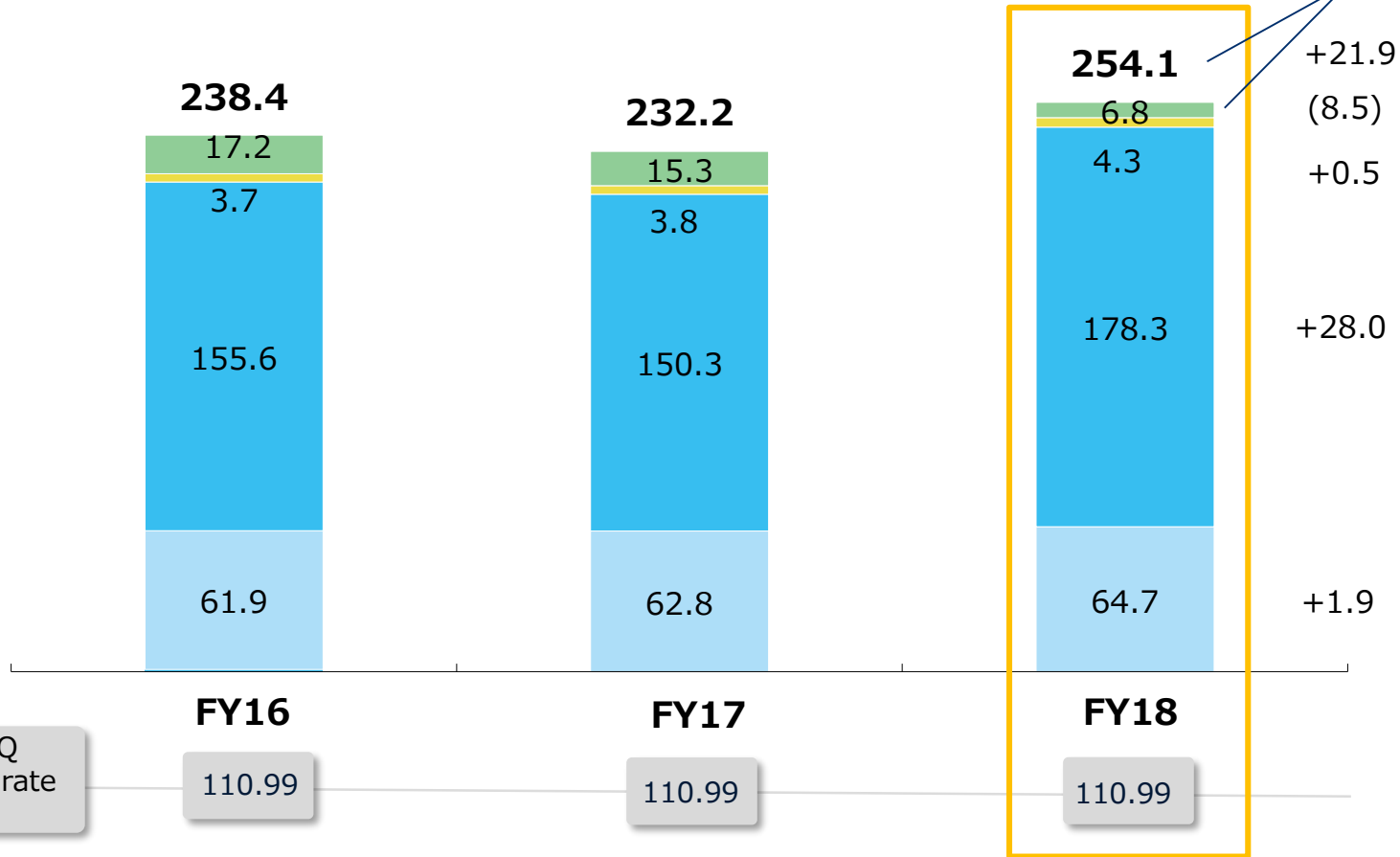
Exchange rate at end of each period \$/¥

# Appendix: Order Backlog Trend by Segment (Using FY18 4Q exchange rate)

(Billion¥)

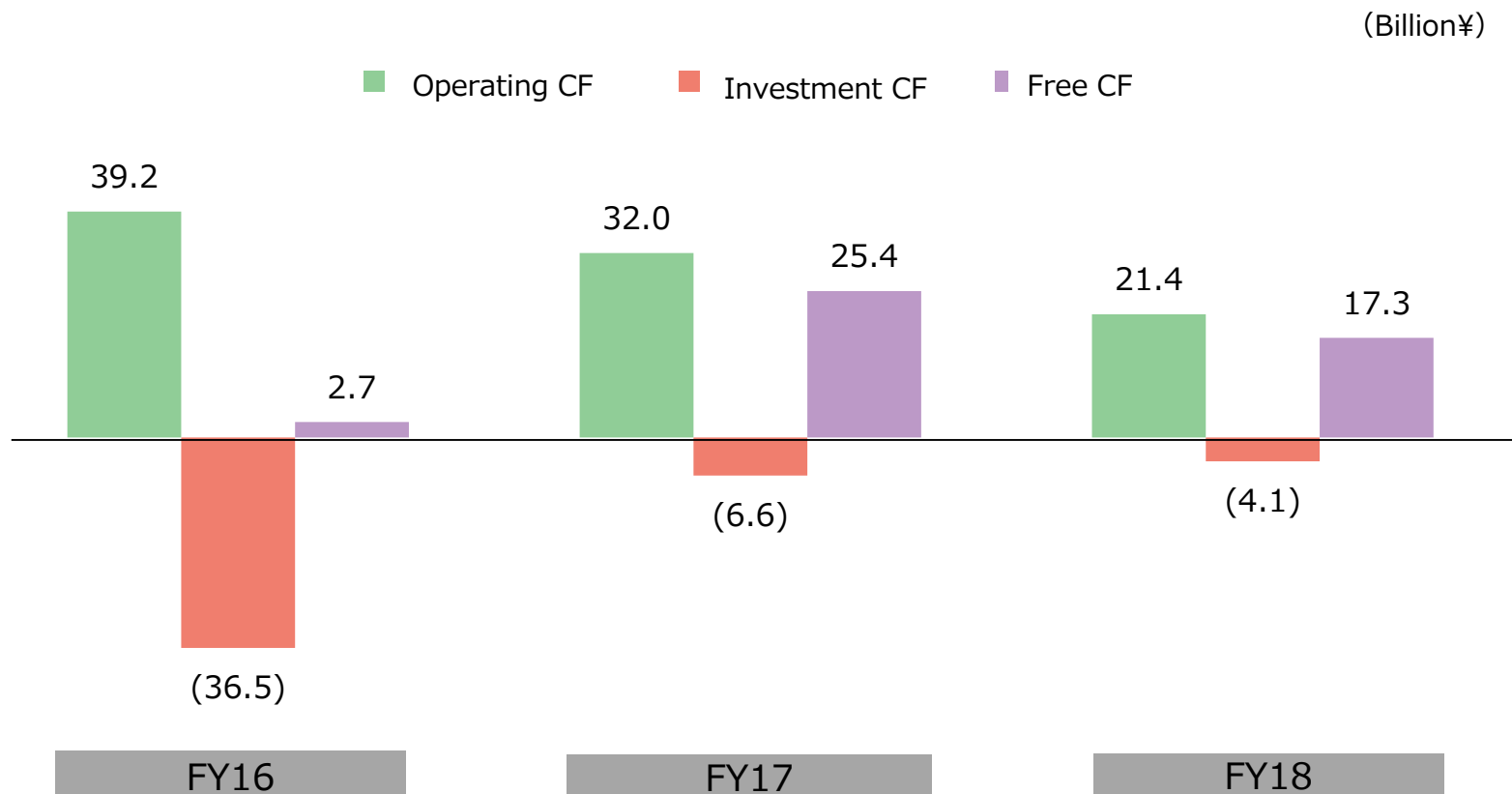
■ Control (Japan) ■ Control (Outside of Japan) ■ Measurement ■ Aviation and Other

Impact of share transfer of subsidiary (8.2)



# Trend of Cash Flow

- ◆ Operating CF decreased mainly as a result of the discontinued liquidation of receivables (impact: ¥13.3 billion) in consideration of the cash reserve situation.
- ◆ Free CF was strong.



# FY19 Forecast

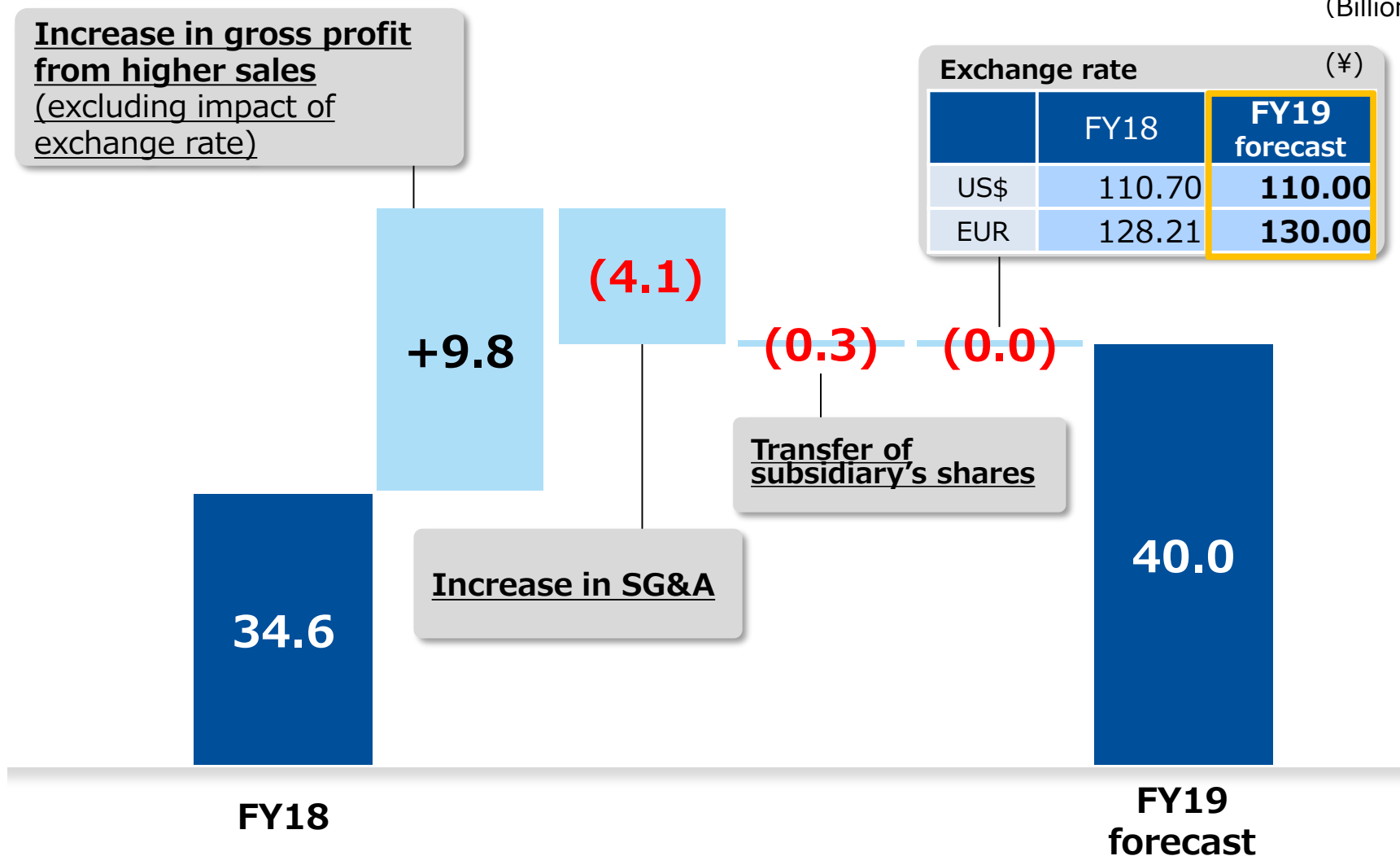
- Orders are expected to remain nearly the same year on year due to the impact of the transfer of a subsidiary's shares and the decrease in the number of large-scale projects.
- Sales are expected to be up year on year due to the large order backlog.
- Operating income is also expected to rise due to increased revenues.

(Billion¥)

	FY17 (A)	FY18 (B)	FY19 forecast(C)	Difference (C-B)	Growth rate (C÷B-1)
Orders	400.3	432.0	<b>430.0</b>	(2.0)	(0.5%)
Sales	406.6	403.7	<b>420.0</b>	+16.3	+4.0%
Operating income	32.7	34.6	<b>40.0</b>	+5.4	+15.6%
ROS (%)	8.0	8.6	<b>9.5</b>	+0.9 pts	—
Ordinary income	33.3	36.8	<b>40.0</b>	+3.2	+8.8%
Profit before income taxes	29.4	38.4	<b>40.0</b>	+1.6	+4.2%
Tax, etc.	7.9	10.0	<b>11.0</b>	+1.0	+10.0%
Profit attributable to owners of parent	21.4	28.4	<b>29.0</b>	+0.6	+1.9%
EPS (¥)	80.27	106.54	<b>108.64</b>	+2.10	+2.0%
Exchange rate	1\$ = ¥110.70	¥111.07	<b>¥110</b>	(¥1.07)	—

# Factors Accounting for Increase/Decrease in FY19 Operating Income

(Billion¥)

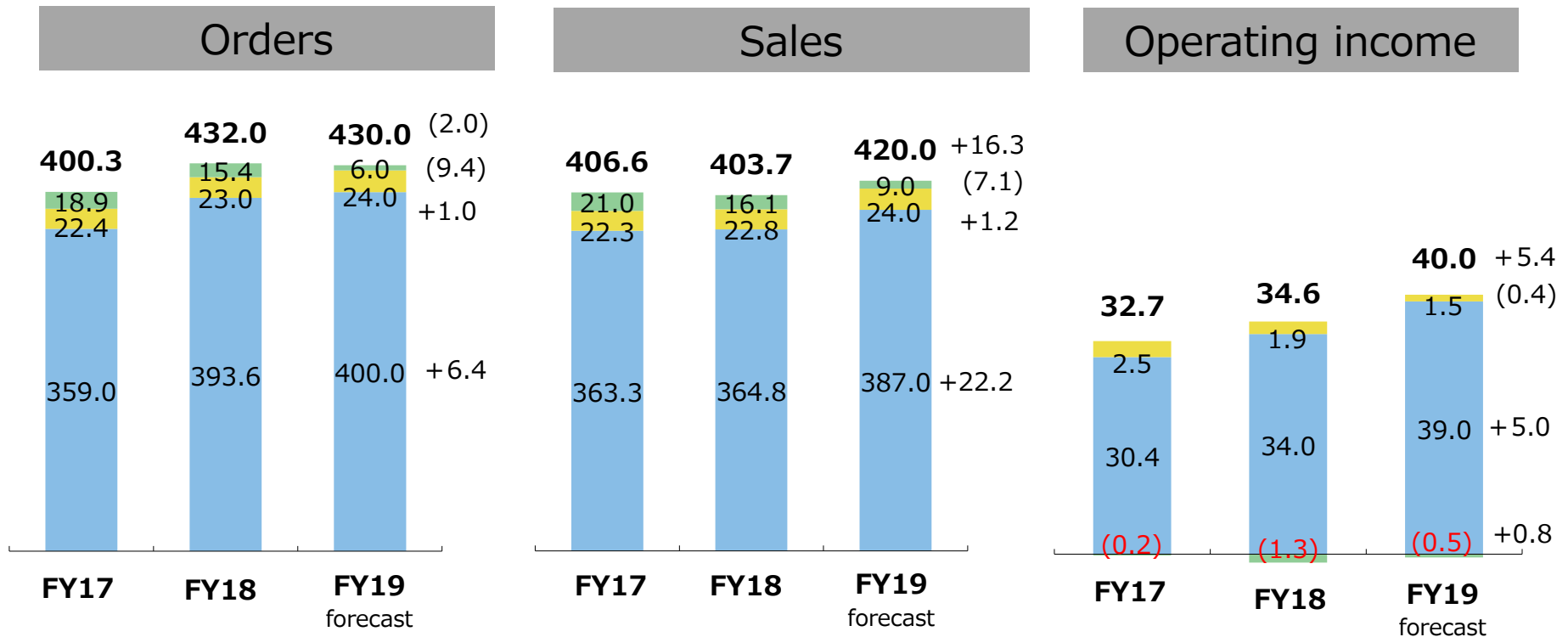


# FY19 Forecast for Orders, Sales, and Operating Income by Segment

- Control: Sales and operating income are expected to be up year on year due to the large order backlog.
- Measurement: Orders, sales, and operating income are expected to remain unchanged year on year.
- Aviation and other: While orders and sales are expected to decline year on year due to the transfer of a subsidiary's shares, the operating loss is expected to decrease.

■ Control ■ Measurement ■ Aviation and Other

(Billion¥)



# FY19 Forecast for Orders and Sales by Region in Control Segment

- ◆ While orders are expected to decline in North America due to the number of large projects in the previous year, an increase in orders is anticipated in markets such as Asia.
- ◆ Sales are expected to increase outside Japan, mainly in the Middle East and India. (Billion¥)

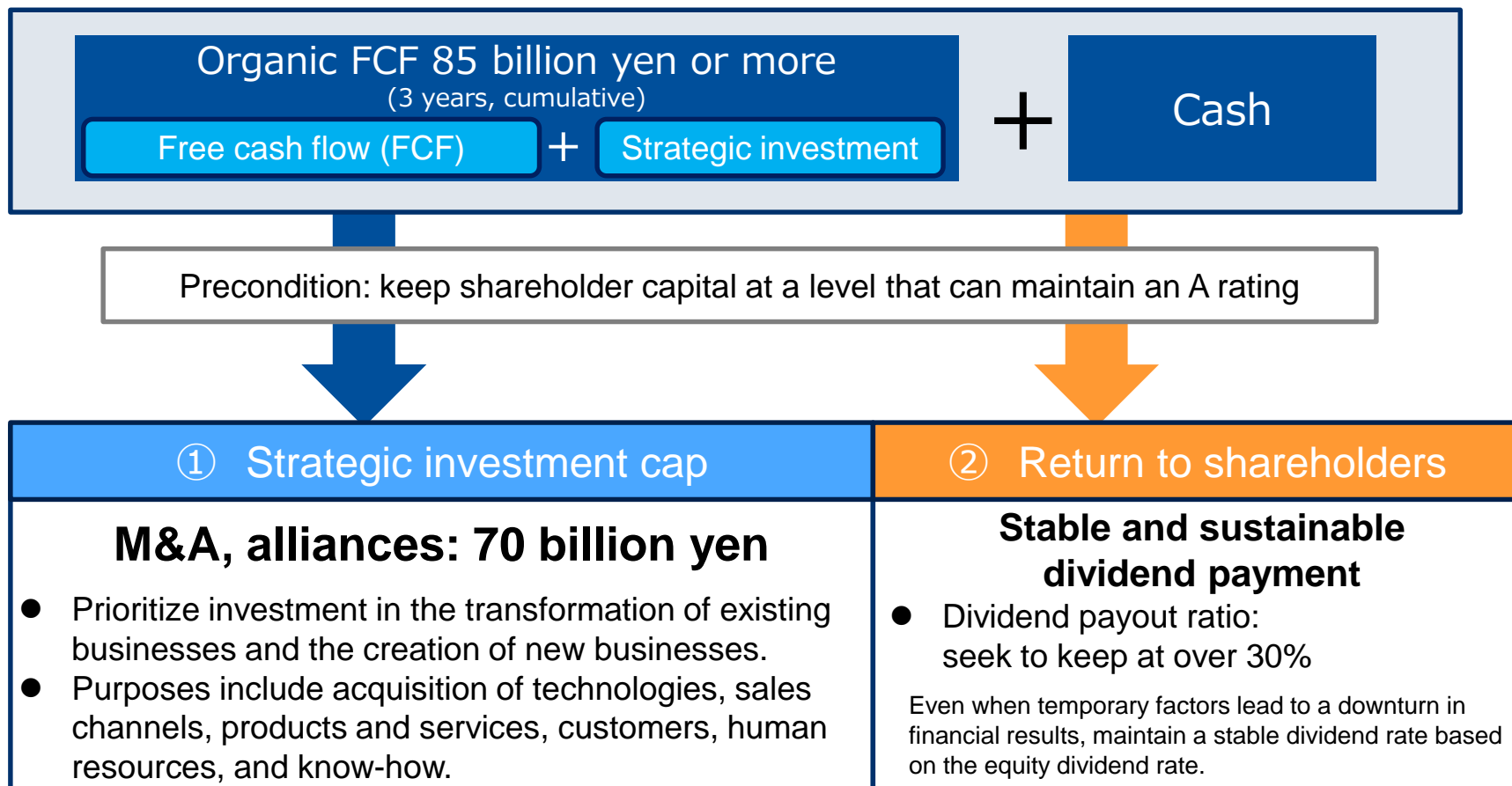
Orders	FY18 Results	FY19 Forecast	Difference
	(A)	(B)	(B-A)
<b>Japan</b>	<b>111.4</b>	<b>112.0</b>	<b>0.6</b>
Asia	124.5	129.0	4.5
(South-eastern Asia and Far East)	64.3	66.0	1.7
(China)	42.6	44.0	1.4
(India)	17.6	19.0	1.4
Europe and CIS	53.2	55.0	1.8
Middle East and Africa	56.7	59.0	2.3
North America	38.2	35.0	(3.2)
Central and South America	9.6	10.0	0.4
<b>Outside Japan</b>	<b>282.2</b>	<b>288.0</b>	<b>5.8</b>
<b>Consolidated</b>	<b>393.6</b>	<b>400.0</b>	<b>6.4</b>
Exchange rate 1\$ =	¥111.07	¥110.00	(¥1.07)

Sales	FY18 Results	FY19 Forecast	Difference
	(A)	(B)	(B-A)
<b>Japan</b>	<b>109.4</b>	<b>112.0</b>	<b>2.6</b>
Asia	120.3	126.0	5.7
(South-eastern Asia and Far East)	67.3	66.0	(1.3)
(China)	40.5	42.0	1.5
(India)	12.5	18.0	5.5
Europe and CIS	49.5	51.0	1.5
Middle East and Africa	49.0	57.0	8.0
North America	28.5	32.0	3.5
Central and South America	8.1	9.0	0.9
<b>Outside Japan</b>	<b>255.4</b>	<b>275.0</b>	<b>19.6</b>
<b>Consolidated</b>	<b>364.8</b>	<b>387.0</b>	<b>22.2</b>
Exchange rate 1\$ =	¥111.07	¥110.00	(¥1.07)



# Treasury strategy and capital policy

**Prioritize investments that maximize corporate value over the mid- to long-term.**  
**Also, proactively increase dividends.**



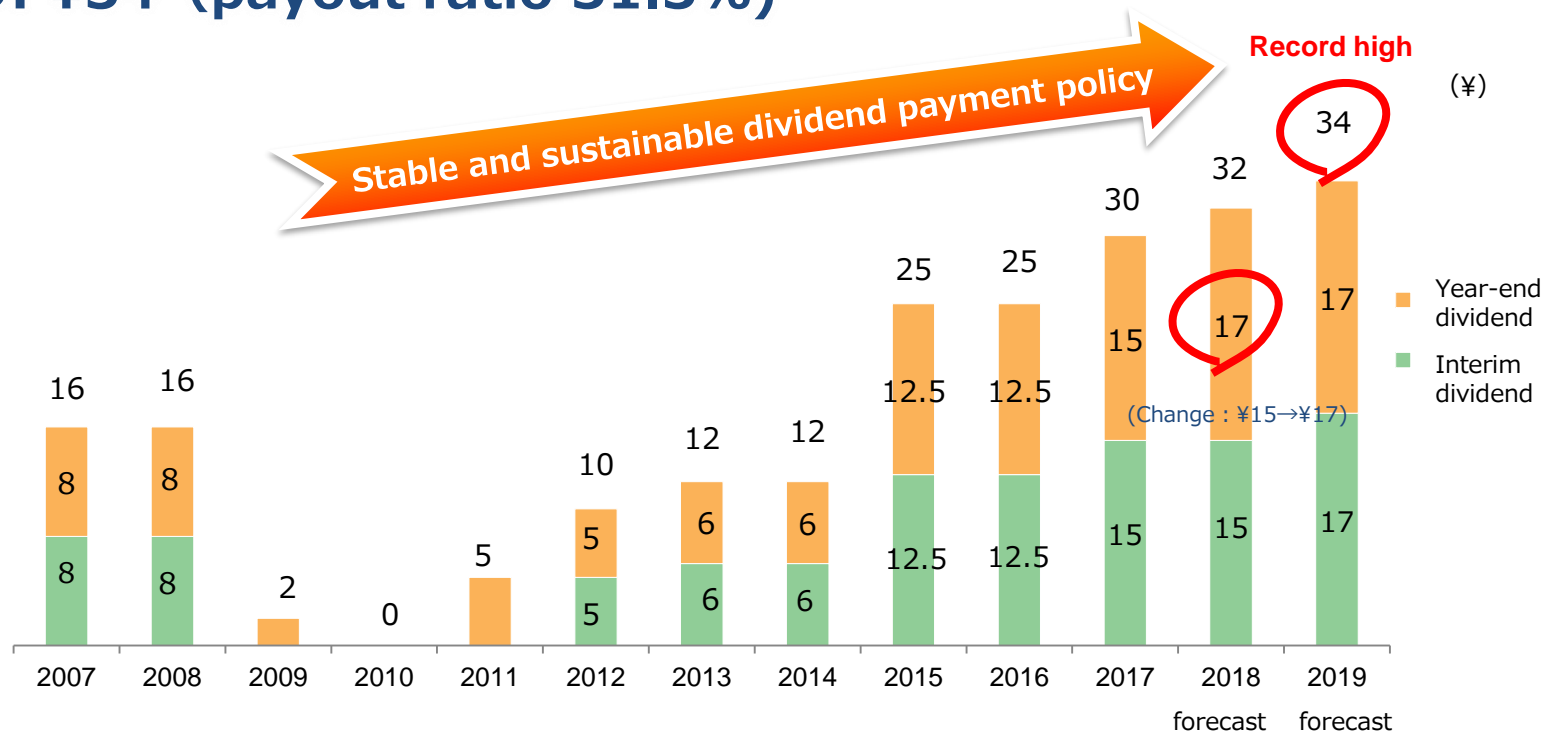
# Dividend

## <Change>

Upward revision to year-end dividend forecast, increasing it from 15 yen to 17 yen per share. The annual dividend will be at a record high for the second straight year.

**FY18: ¥32 (payout ratio 30.0%)**

**FY19: ¥34 (payout ratio 31.3%)**

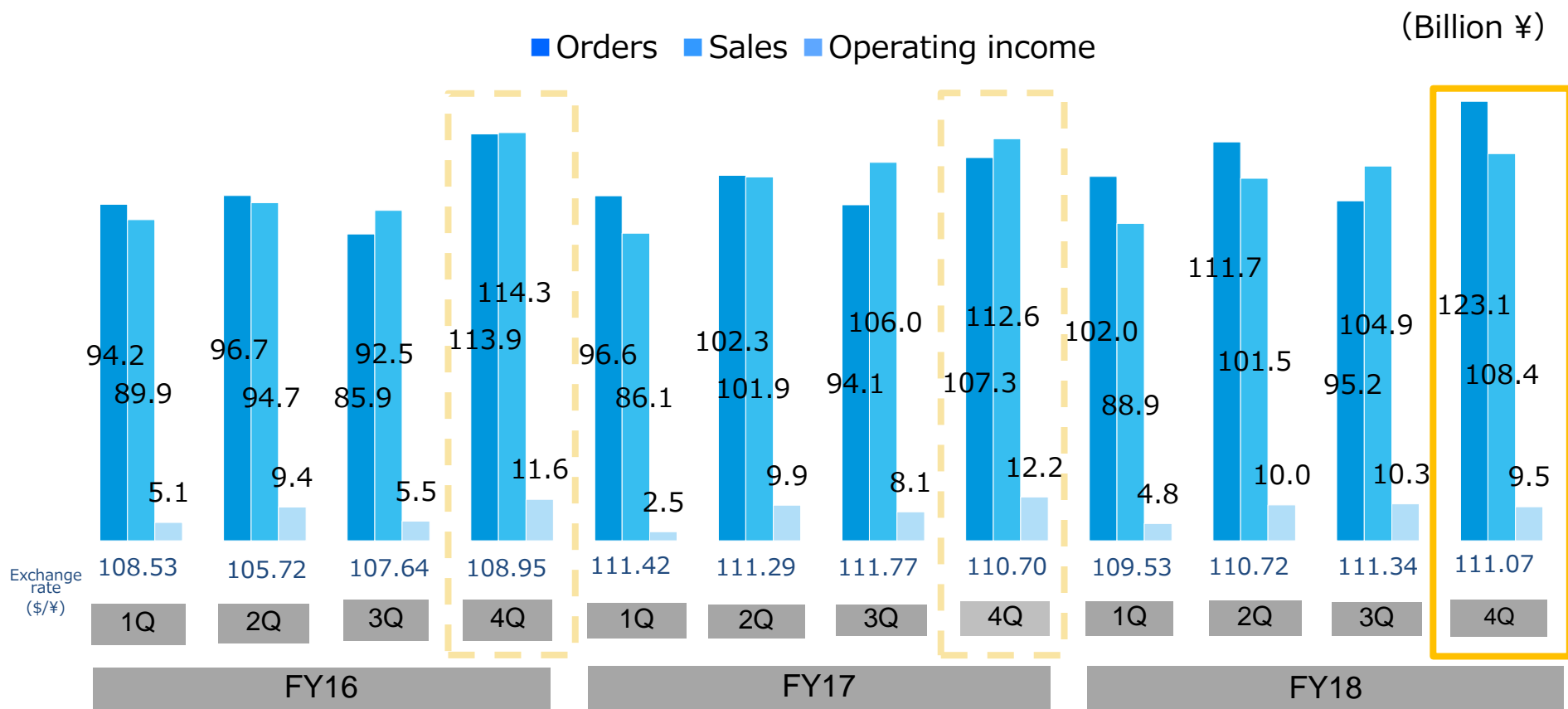


# Appendix:

- Quarterly Financial Results
- Non-operating / Extraordinary Income and Expenses
- Trend of Balance Sheet
- Trend of R&D Expenses, Depreciation, and CAPEX

# 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.



# Appendix: Non-operating / Extraordinary Income and Expenses

(Billion ¥)

	FY17	FY18
Operating income	32.7	34.6
Non-operating income	4.1	4.5
Non-operating expenses	3.5	2.4
Ordinary income	33.3	36.8
Extraordinary income	5.8	2.6
Extraordinary expenses	9.8	0.9
Income before tax	29.4	38.4
Tax, etc.	7.9	10.0
Profit attributable to owners of parent	21.4	28.4

FY17:  
Gain on sales of investment securities: ¥3.7 billion  
Gain on sale of non-current assets: ¥2.1 billion

FY18:  
Gain on sales of investment securities: ¥0.7 billion  
Gain on sales of shares of subsidiaries and associates: ¥1.8 billion

FY17: Impairment loss: ¥9.2 billion

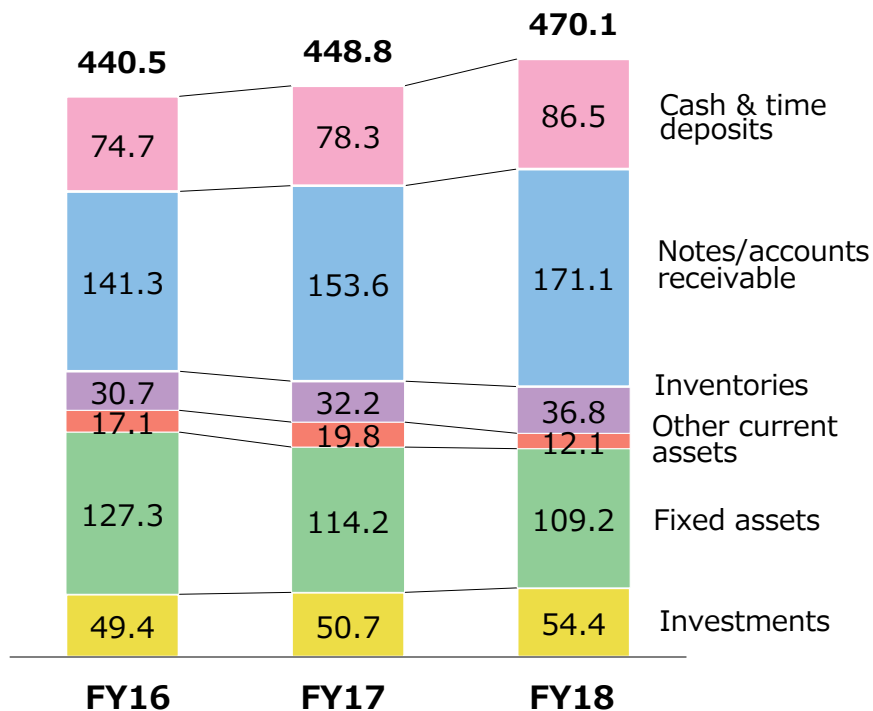
(Effective tax rate)

22.6%

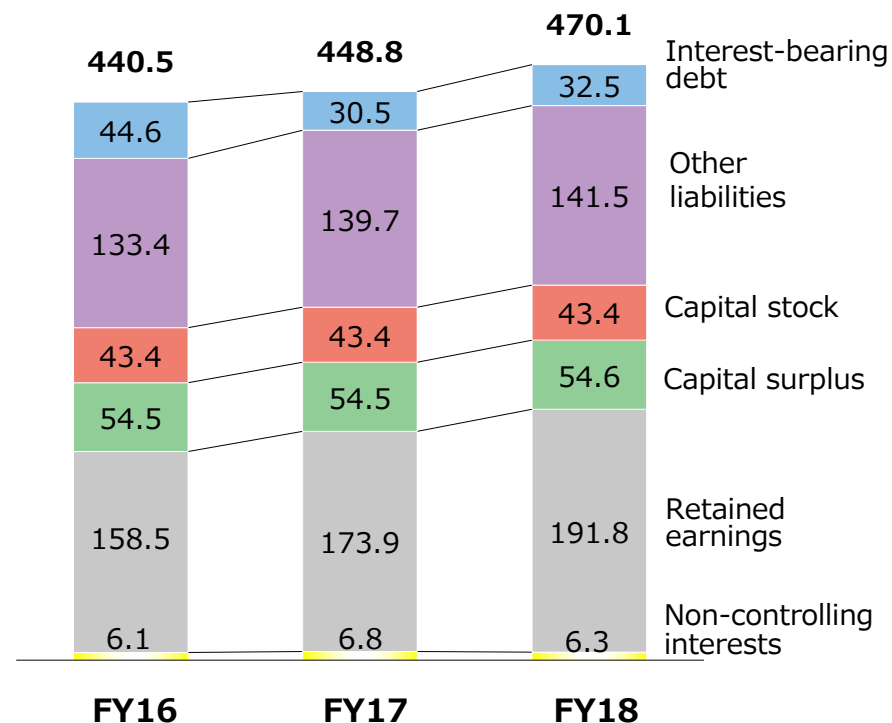
21.5%

# Appendix: Trend of Balance Sheet

## Assets



## Liabilities and equity

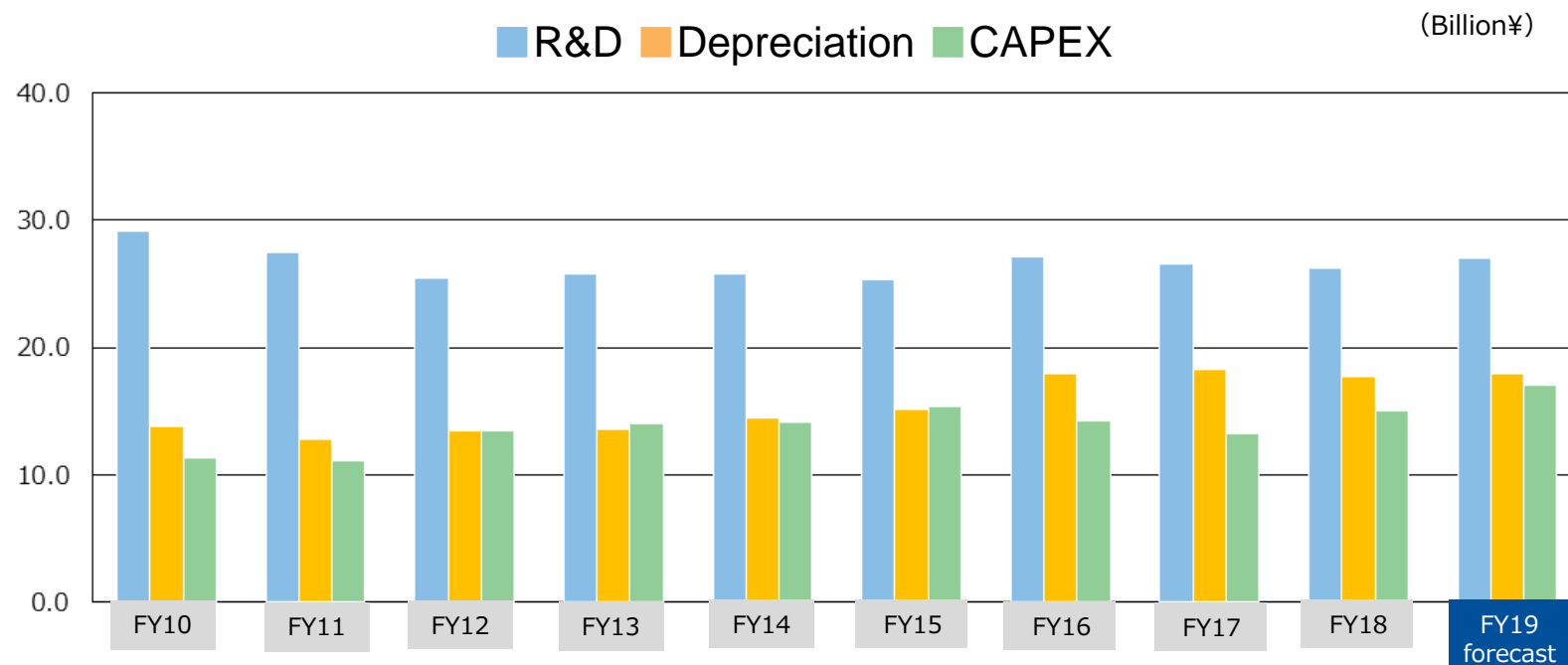


	FY16	FY17	<b>FY18</b>
Total asset turnover (ROA)	6.0%	4.8%	<b>6.2%</b>
Return on equity (ROE)	10.4%	8.1%	<b>10.1%</b>
Total asset turnover	0.92	0.91	<b>0.88</b>

	FY16	FY17	<b>FY18</b>
Debt/equity ratio	17.4%	11.2%	<b>11.2%</b>
Shareholders' equity ratio	58.2%	60.6%	<b>61.7%</b>
Net assets per share (yen)	960	1,017	<b>1,086</b>

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

- FY19 CAPEX is expected to increase slightly due to strategic investments in line with the mid-term business plan.



	FY10	FY11	FY12	FY13	FY14	FY15	FY16	FY17	FY18	FY19 forecast
R&D expenses (% of sales)	9.0%	8.2%	7.3%	6.6%	6.4%	6.1%	6.9%	6.5%	6.5%	6.4%
Depreciation (% of sales)	4.2%	3.8%	3.9%	3.5%	3.6%	3.6%	4.6%	4.5%	4.4%	4.3%
CAPEX (% of sales)	3.5%	3.3%	3.9%	3.6%	3.5%	3.7%	3.6%	3.3%	3.7%	4.0%

Co-innovating tomorrow™



**Yokogawa Electric Corporation**

**Financial Results for Fiscal Year 2018**

**Current Situation and  
Yokogawa's Future**

***Transformation 2020***

**~ Accelerate and take our  
transformation to a new stage~**

**Hitoshi Nara**

**President and Chief Executive Officer**

May 8, 2019

# Career to date

- Apr. 1985 Joined the Company
- Oct. 2001 Deputy Managing Director of Yokogawa Engineering Asia Pte. Ltd.
- Oct. 2003 Managing Director of Yokogawa (Thailand) Ltd.
- Jan. 2007 Head of Sales Div. I, Industrial Solutions Business Headquarters
- Apr. 2010 Senior Vice President, Head of Industrial Solutions Business Headquarters
- Jun. 2011 Director and Senior Vice President, Head of Industrial Solutions Business Headquarters
- Apr. 2013 Director of the Company, President of Yokogawa Solution Service Corporation
- Apr. 2017 Director and Executive Vice President of the Company, Chief Executive for Japan and Korea, President of Yokogawa Solution Service Corporation
- Apr. 2018 Director and Executive Vice President of the Company, Head of Life Innovation Business Headquarters
- Apr. 2019 President and Chief Executive Officer of the Company (Present)



- 1. Current Situation**  
(Yokogawa's current situation,  
external environment, situation of competitors)  
  
<Management policy> Review & action plan
- 2. Progress achieved with Transformation 2020  
(TF2020) mid-term business plan**
- 3. Future Forecast**
- 4. Appendix**

# The Yokogawa Philosophy



Founder  
Dr. Tamisuke Yokogawa

## Founding Principles

Quality first

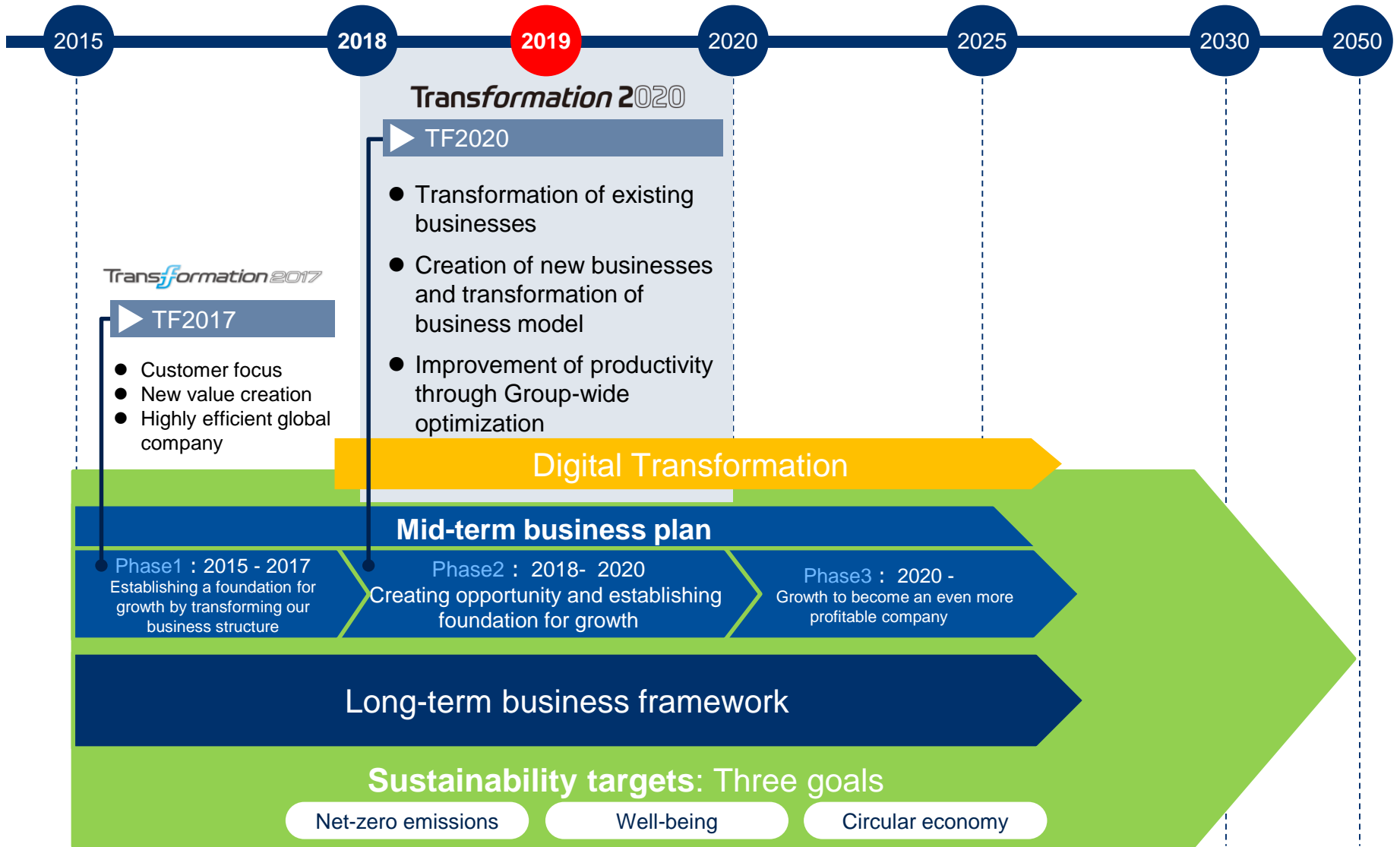
Pioneering spirit

Contribution  
to society

**As a company, our goal is to contribute to society through broad-ranging activities in the areas of measurement, control, and information.**

**Individually, we aim to combine good citizenship with the courage to innovate.**













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



# Sustainability targets: Three goals

Through our business activities, we aim to make the world a better place for future generations.

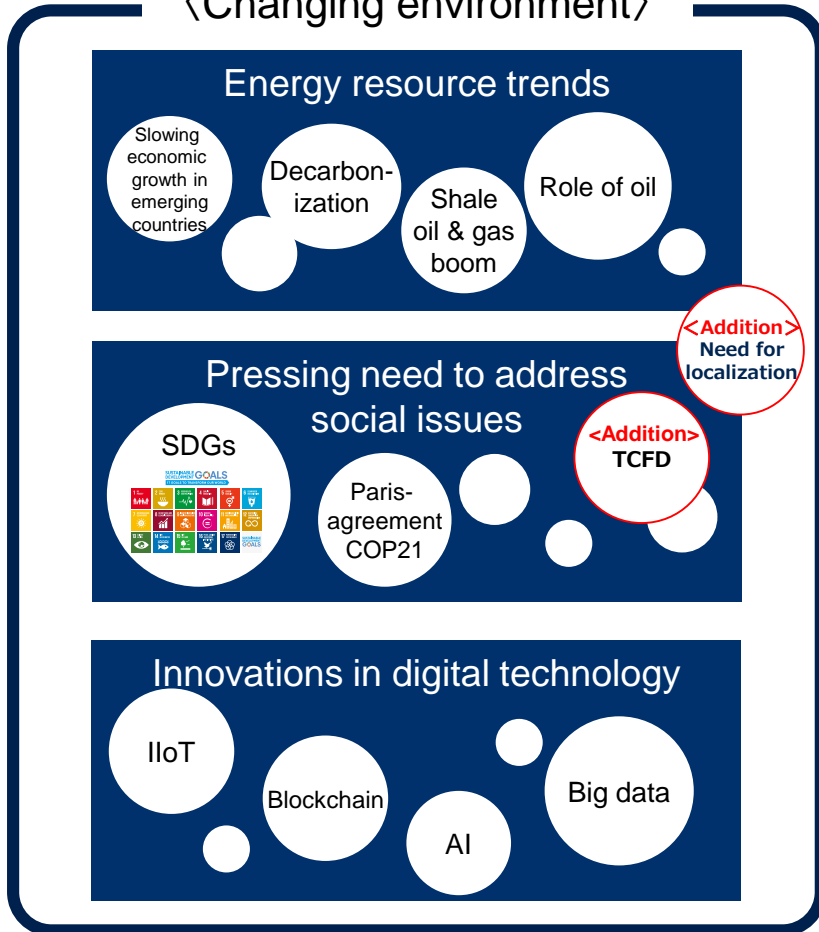
**NEW** Yokogawa Supports Recommendations of the Task Force on Climate-related Financial Disclosures (Mar. 2019)

<p>Vision toward 2050 (Three goals)</p>	<p>Achieve</p>  <p>Net-zero Emissions</p>	<p>Ensure</p>  <p>Well-being</p>	<p>Make transition to</p>  <p>Circular Economy</p>
<p>Sustainability Targets for 2030</p>	<p>Emissions avoidance Target : 1 billion tons of CO<sub>2</sub> equivalent (Cumulative total from FY2018 to 2030)</p>	<p>Safety and health value creation Target : ¥1 trillion (FY2030)</p>	<p>Resource efficiency improvement Target : ¥1 trillion (FY2030)</p>
<p>Business focus and Value creation stories</p>	<p><b>Renewable and low-carbon energy</b></p> <p>Reduction of CO<sub>2</sub> emissions through offering of renewable energy and LNG solutions</p>	<p><b>Life innovation and safety</b></p> <p>Support people's health and prosperity through provision of life-innovation solutions and assurance of safe and comfortable workplaces</p>	<p><b>Energy saving and resources</b></p> <p>Contribute to sustainability and economic growth through stable and efficient operation, and resource regeneration</p>
<p>Related SDGs target</p>	 	  	   

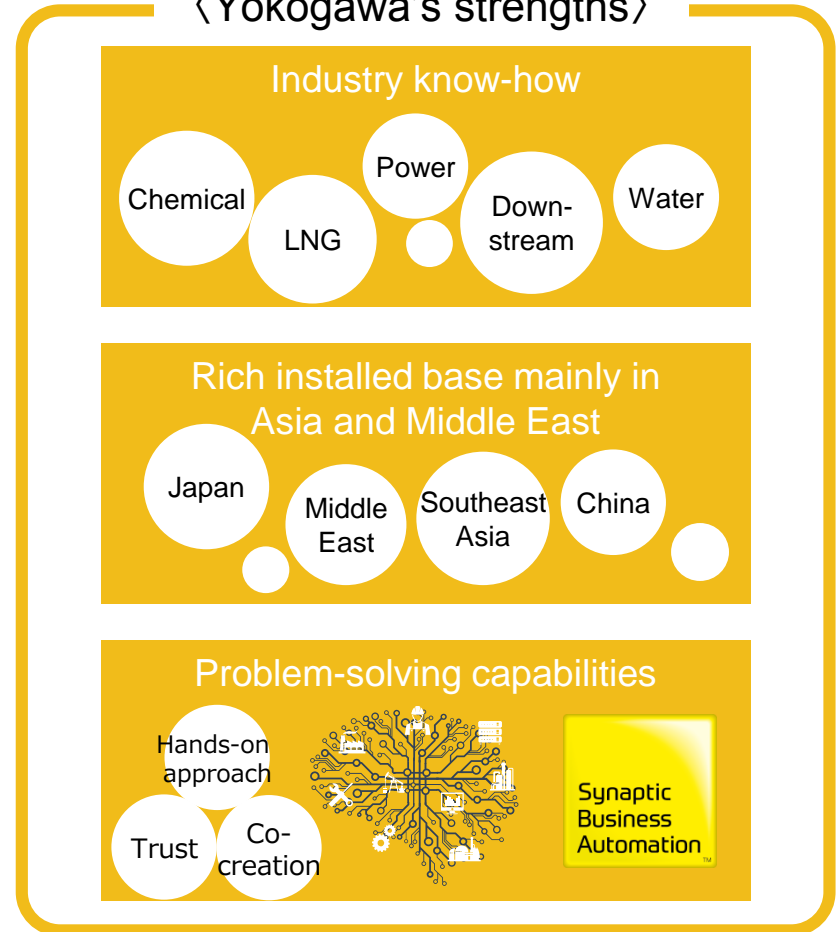
# Changes to environment & current situation <Updated>

- Change to a growth model that is not dependent on conventional energy resources.
- We believe that the current situation provides us a **good opportunity** to use our strengths to help our customers realize radical improvements in productivity.

## <Changing environment>



## <Yokogawa's strengths>



# Current Situation

## Market Conditions

Despite concerns of an economic slowdown, OPEX investments are continuing thanks to factors such as **stable crude oil prices**.

Some companies are making CAPEX investments for a shift to **renewable energy sources**.

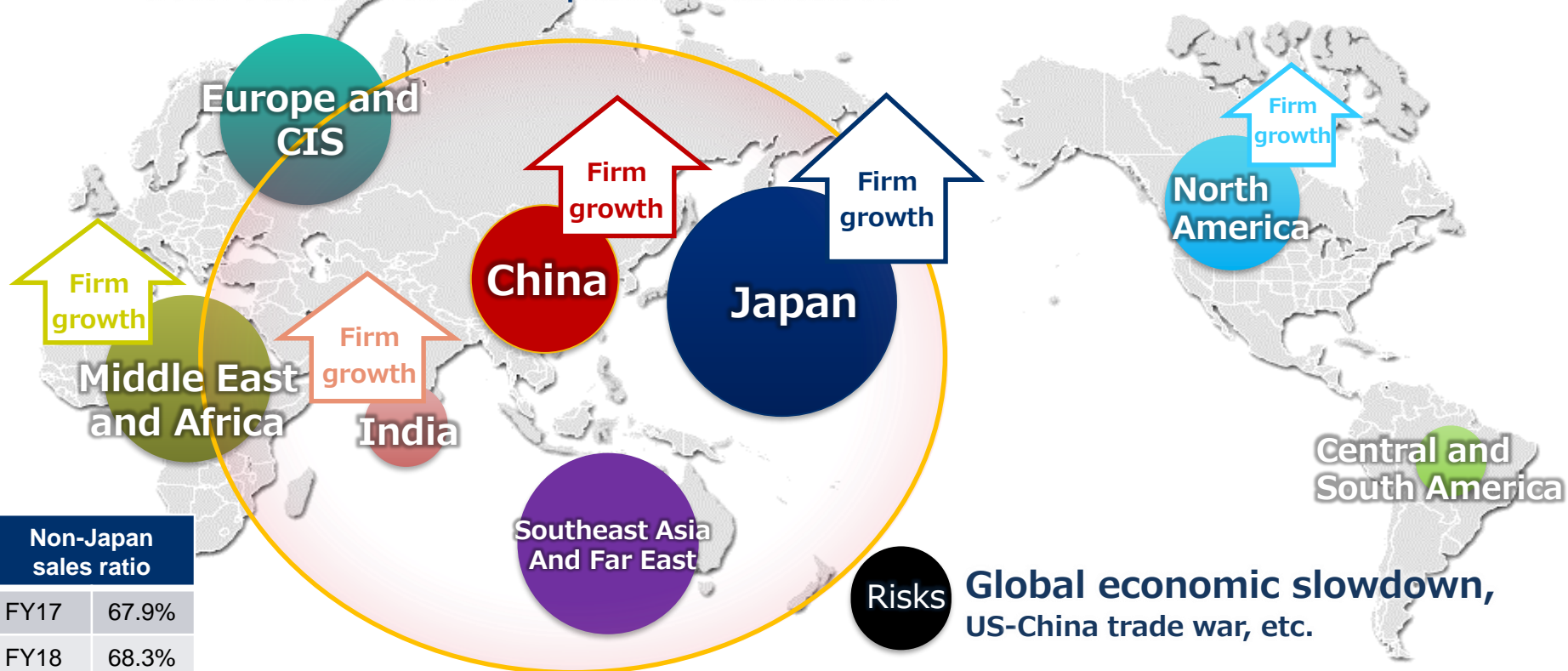
## Region

**Sales are strong** in the **Middle East, India, China, Japan, and North America**. Project orders are expected in **Russia**.

## Industry

**Growth remains firm** in the **downstream** and **chemical sectors**. We expect to see an increase in orders for oil to chemical projects, and a recovery is anticipated in **upstream industries** such as **natural gas** (including LNG).

Growth is also firm in the **food** and **pharmaceutical** industries.



### Non-Japan sales ratio

FY17	67.9%
FY18	68.3%



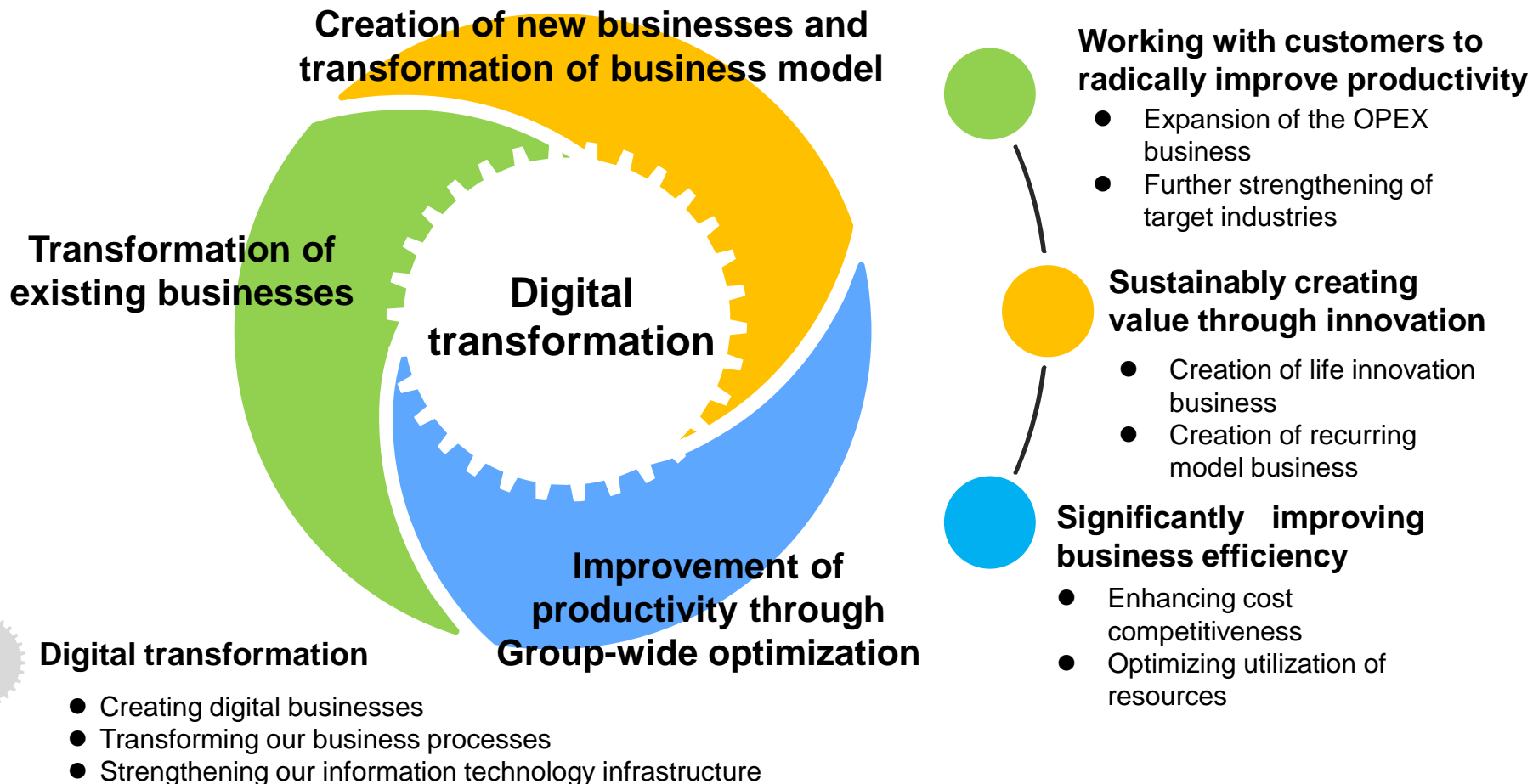
## <Management Policy> Review & Action Plan

# *Transformation 2020*

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

**Creating opportunities and  
establishing a foundation for growth**

## Transform our businesses to achieve a sustainable society.



# Transformation of existing businesses : Control Business

## Expansion of OPEX business



Our OPEX business targeting our installed base is steadily growing. We will accelerate activities to expand our solution business.

### ► Strategy

- Expand our Japan solutions business and KBC's consulting business to other regions and industries.
- Utilize data obtained from a rich installed base to optimize the service business.

### ► Target

#### ● OPEX growth: **7 to 10%** per year

- FY17 control business OPEX orders of approx. 70 billion yen
- OPEX business divided into overseas and domestic categories, with the OPEX overseas category further divided into ① maintenance & operations and ② solutions segments.

### ► Activities

- Launched and strengthened OpreX™ brand
- Signed global reseller license agreement with Chevron for PETRO planning software
- Expanded scope of lifecycle services

### ► Results

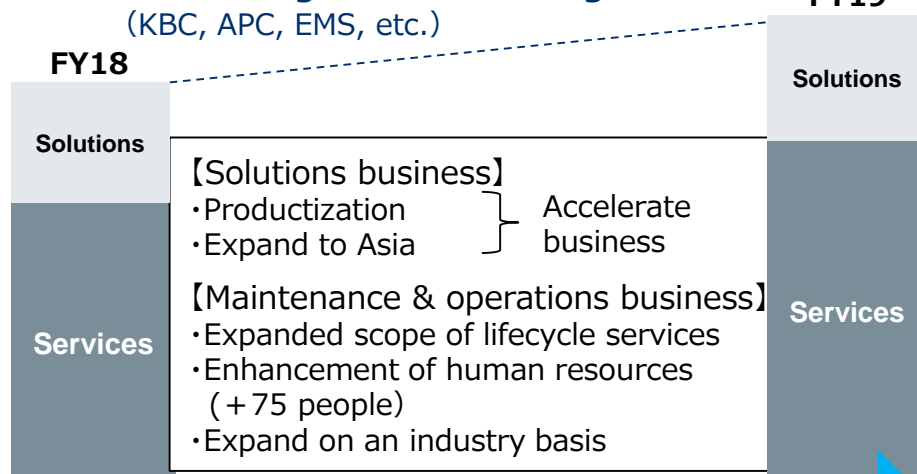
#### ● **OPEX growth overseas in FY18: 8.3%**

Steady growth of service businesses in Southeast Asia, Europe, India, etc.

### ► Action plan

#### <Further integration of existing solutions> FY19

(KBC, APC, EMS, etc.)

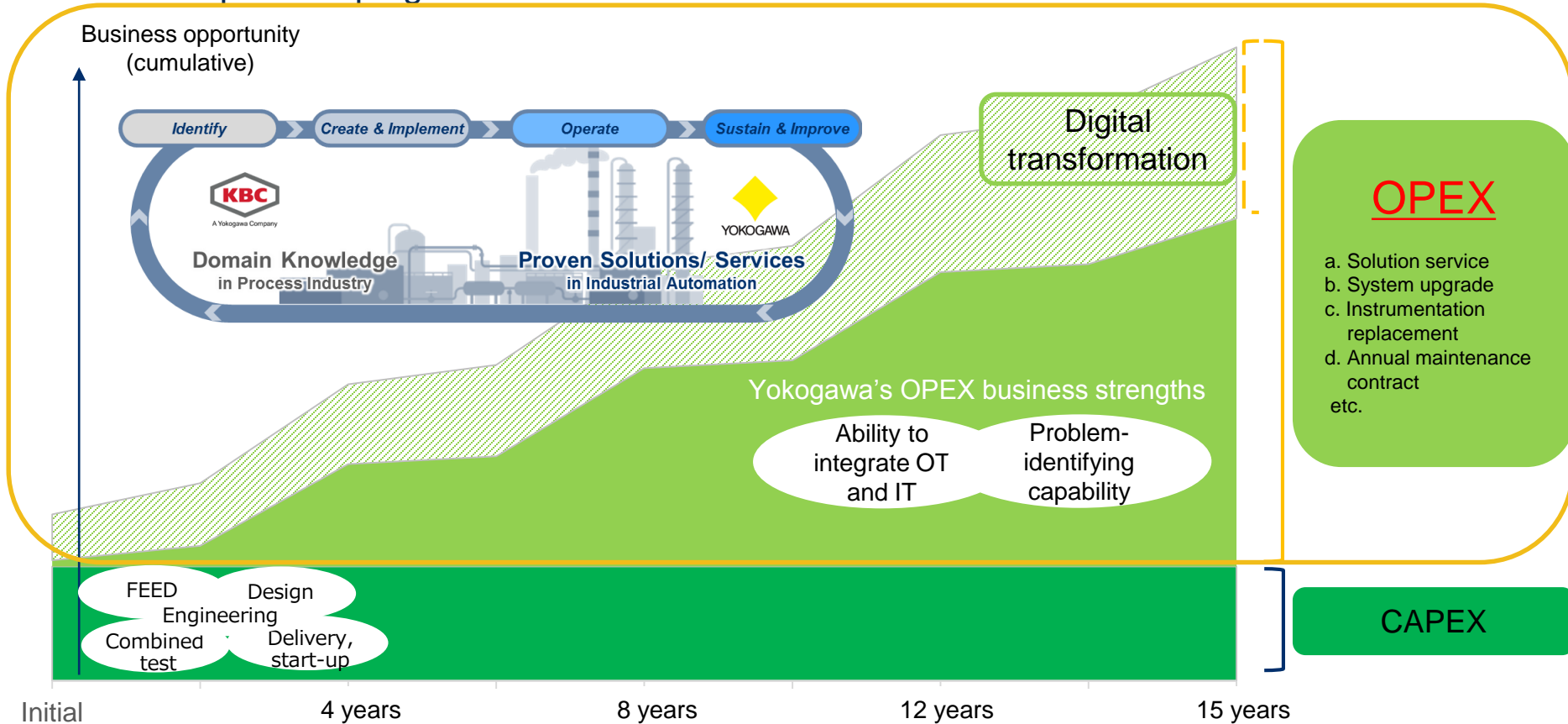


**Expand the OPEX business overseas**

# <Yokogawa Business Model>

## Sustainable growth by balancing CAPEX and OPEX business (e.g.)

- Focus on OPEX business over long-term (= OPEX business is cumulative)
- CAPEX business fluctuates with market trends and customer conditions, but plays essential role in generating OPEX business opportunities. To increase CAPEX orders, we need to keep developing new business areas.



Over entire facility lifecycle, continue to provide support and propose solutions that capitalize on Yokogawa's strengths.

# Transformation of existing businesses : Control Business

## Further strengthening in target industries (chemical, renewable energy)



Keen interest in making investments among our customers in chemical industry

Need to pick up pace of efforts to develop renewable energy business

### ► Strategy

- Expand our bulk chemical and specialty chemical businesses outside Japan.
- Develop new renewable energy markets.

### ► target

Targeted growth\*: **3 to 5%** per year

\*Control orders in chemical and renewable energy industries  
 \* FY17 control business orders of approx. 40 billion yen

### ► Activities

- Boosted sales to fertilizer industry (US, China, ASEAN)
- Developed new customers in specialty chemicals industry
- Established new company in Norway to meet anticipated demand in upstream and renewable energy sectors

### ► Results

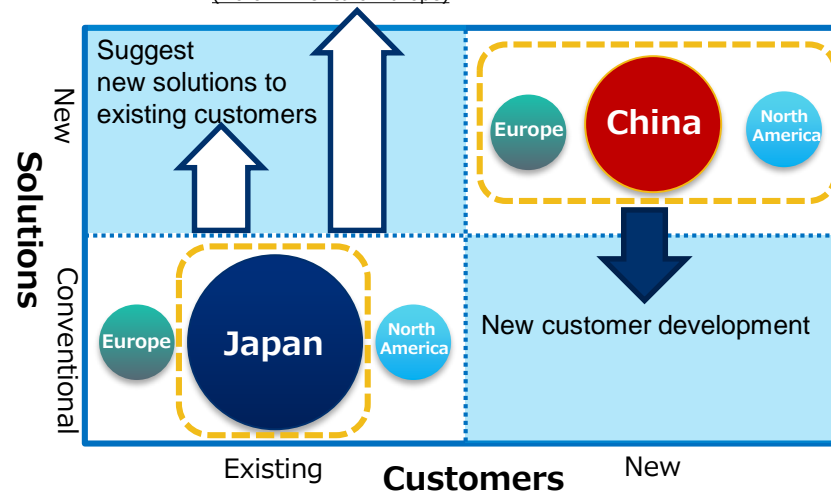
● **Targeted growth in FY18 : 8.1%**

- Growth focusing on chemical industry (India and China)
- Growth in renewable energy industry, for biomass power generation, etc.

### ► Action plan

#### <Chemical>

Expand business targeting overseas operations of Japanese companies (North America & Europe)



#### <Renewable energy>

Portfolio expansion through collaboration with other companies with expertise

# Transformation of existing businesses: Measurement business, aviation & other business

## Measurement

- Focus on competitive/unique products (maximizing capital efficiency)
- Target new growing markets



Oscilloscopes, optical test equipment, etc.

## Aviation & other

- Dec. 31, 2018 transfer of shares of Yokogawa Denshikiki Co., Ltd., which primarily manufactured marine navigation equipment.
- Focusing resources on transformation of aviation-related business (improving profitability)



Flat panel displays, gyrocompasses, etc.

# Creation of life innovation business

We have started up this business and are making steady progress in developing it, but need to accelerate these efforts.



## ▶ Aim

Radically improve productivity across the entire value chain, from research to logistics and services.

## ▶ Strategy

- Expand business based on existing businesses and new technologies and products that are under development.
- Expand solutions portfolio by actively utilizing external resources and M&A.

## ▶ Target

**Sales up 2 to 3 times** by FY20 (compared to FY17)

\*FY17 results: approx. 12 billion yen

## ▶ Activities

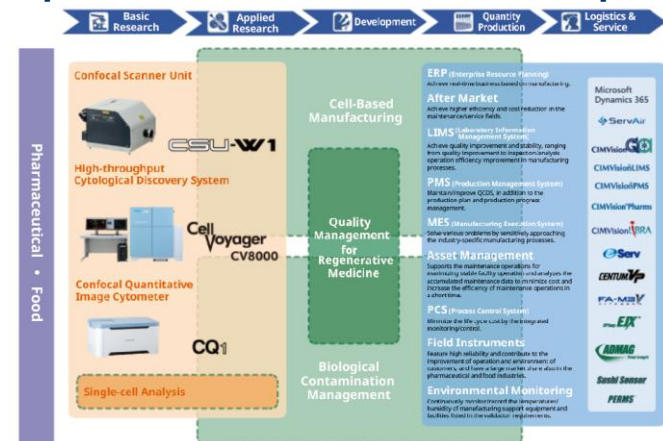
- Bioreactors: Accelerated development and commercialization
- Increased headcount (including mid-career recruitment)
- Acquired NKS Corporation (expansion of validation business)
- Capital participation in AlgaEnergy (Spain)

## ▶ Results

- **Sales in FY18 up: approx. 1.4 times** (Compared to FY17)
- Expanded our business in food and pharmaceutical industries (Japan, China, Europe)
- Investment expense (including M&A): approx. 3 billion yen

## ▶ Action plan

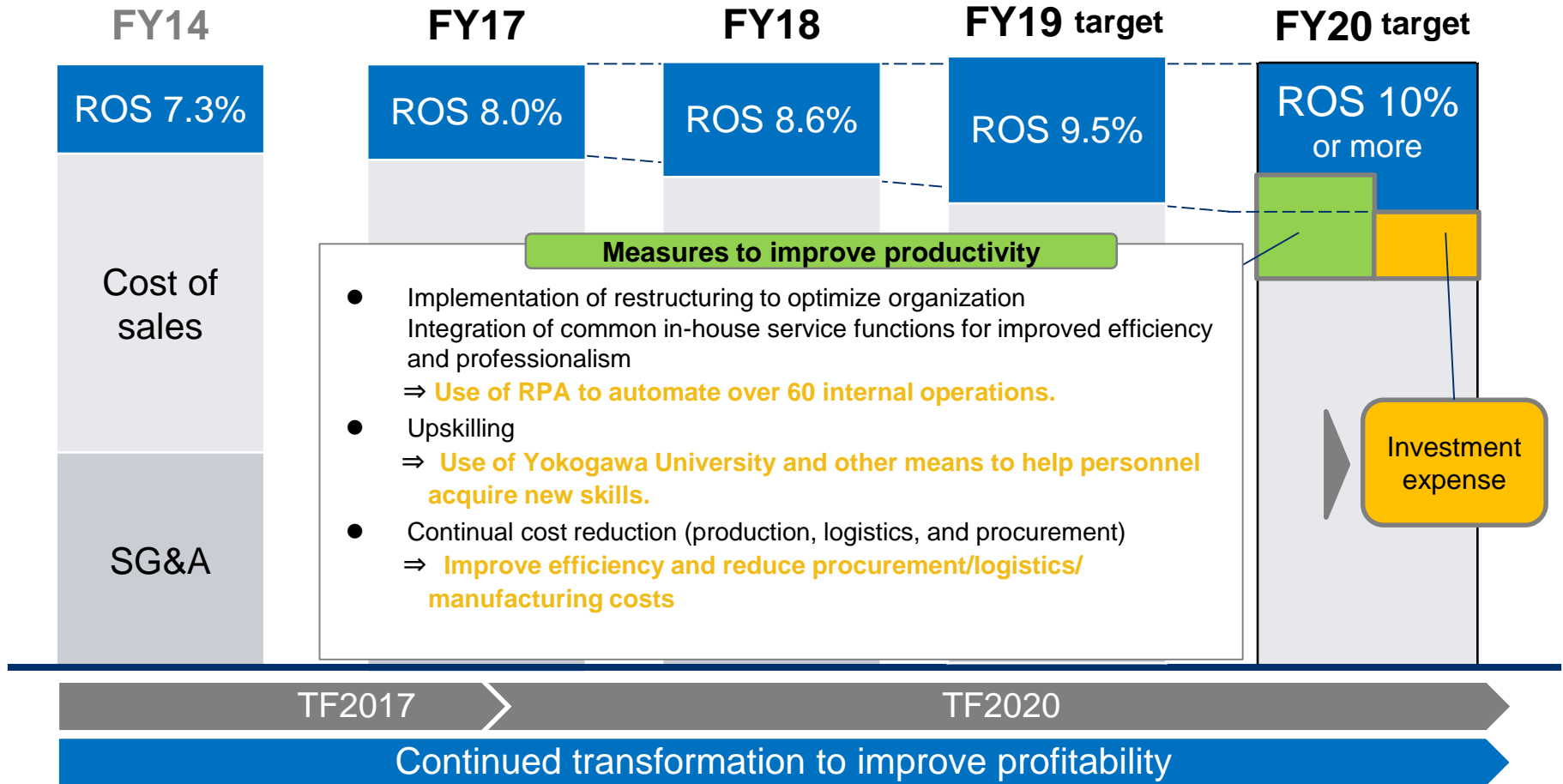
**Aim to increase sales in food and pharmaceutical industries in Japan**



# Improvement of productivity through Group-wide optimization

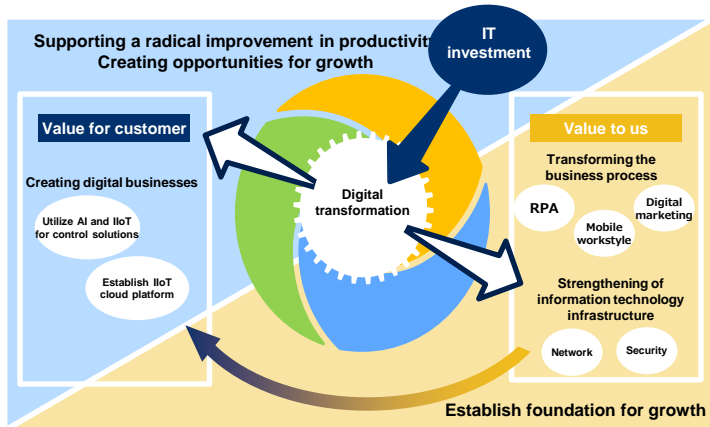


Activities to establish a firm foundation for growth by improving productivity are going well.  
Will speed up implementation of measures to optimize organization through its restructuring.







# Digital Transformation (DX)



Create value in-house that will allow us to deliver more value to our customers.

Strategy	Goals	Review & action plan
	<p data-bbox="550 835 917 892">Value for Yokogawa</p>  <p data-bbox="550 1120 917 1178">Value for customer</p>	<ul style="list-style-type: none"> <li>• Progress being made in global optimization of IT applications (Plan to reduce number of apps by 1/3)</li> <li>• Completed installation for IT infrastructure globally</li> <li>• Progress being made in implementation of hybrid cloud IT infrastructure</li> <li>• Progress being made in use of RPA to automate internal operations</li> <li>• Preparations underway for establishment of global data lake and introduction of BI tools to realize data-driven management</li> <li>• Launched Digital Enterprise Business HQ to expand delivery of DX services to customers</li> <li>• Launched IIoT introduction support service business (Recurring type)</li> <li>• Expanded line-up of service products that make use of plant data</li> <li>• Strengthened security services business</li> </ul>

# Yokogawa's Future

- TF2020 2nd year targets
- TF2020 management indicators
- Direction

# TF2020 2nd year targets ~ FY19 forecast ~

- ◆ **FY19: Achieve record high profits** to achieve mid-term business plan. Accelerate and take our transformation to a new stage.

(Billion¥)

	FY17 (A)	FY18 (B)	FY19 forecast(C)	Difference (C-A)	Growth rate (C÷A-1)	
Orders	400.3	432.0	<b>430.0</b>	29.7	7.4%	
Sales	406.6	403.7	<b>420.0</b>	13.4	3.3%	
Operating income	32.7	34.6	<b>40.0</b>	7.3	22.3%	
ROS(%)	8.0	8.6	9.5	+1.5pts	-	
Profit attributable to owners of parent	21.4	28.4	<b>29.0</b>	7.6	35.6%	
EPS(¥)	80.27	106.54	<b>108.64</b>	28.37	35.3%	
ROE(%)	8.1	10.1	<b>9.7</b>	+1.6pts	-	
Exchange rate	1 U.S. dollar =	110.70¥	111.07¥	<b>110¥</b>	▲0.7	▲0.6%

# TF2020 management indicators

We are making better than anticipated progress in attaining our mid- to long-term management targets (especially orders). **By accelerating our transformation efforts in FY19, we will be sure to achieve the TF2020 targets.**

## ► Points

- Expanding business in focus areas and exceeding the market growth rate
- Increasing profitability regardless of what happens in external environment
- Reallocating management resources to focus areas
- Maximizing cash generation by increasing income and improving capital efficiency

## ► Targets

	TF2020 Targets
Orders & sales growth	<b>3 to 5%</b> /year
EPS growth	<b>7 to 9%</b> /year* <sup>1</sup>
ROS	<b>10%</b> or more
ROE	<b>10%</b> or more
Organic FCF* <sup>2</sup>	<b>85</b> billion yen or more (3 years, cumulative)

Exchange rate (1\$): 110 yen

\*<sup>1</sup> Excluding the FY17 impairment of goodwill, credit to allowance for doubtful accounts, and asset sales

\*<sup>2</sup> Free cash flow (FCF) + strategic investment  
(3 year cumulative total of 70 billion yen)

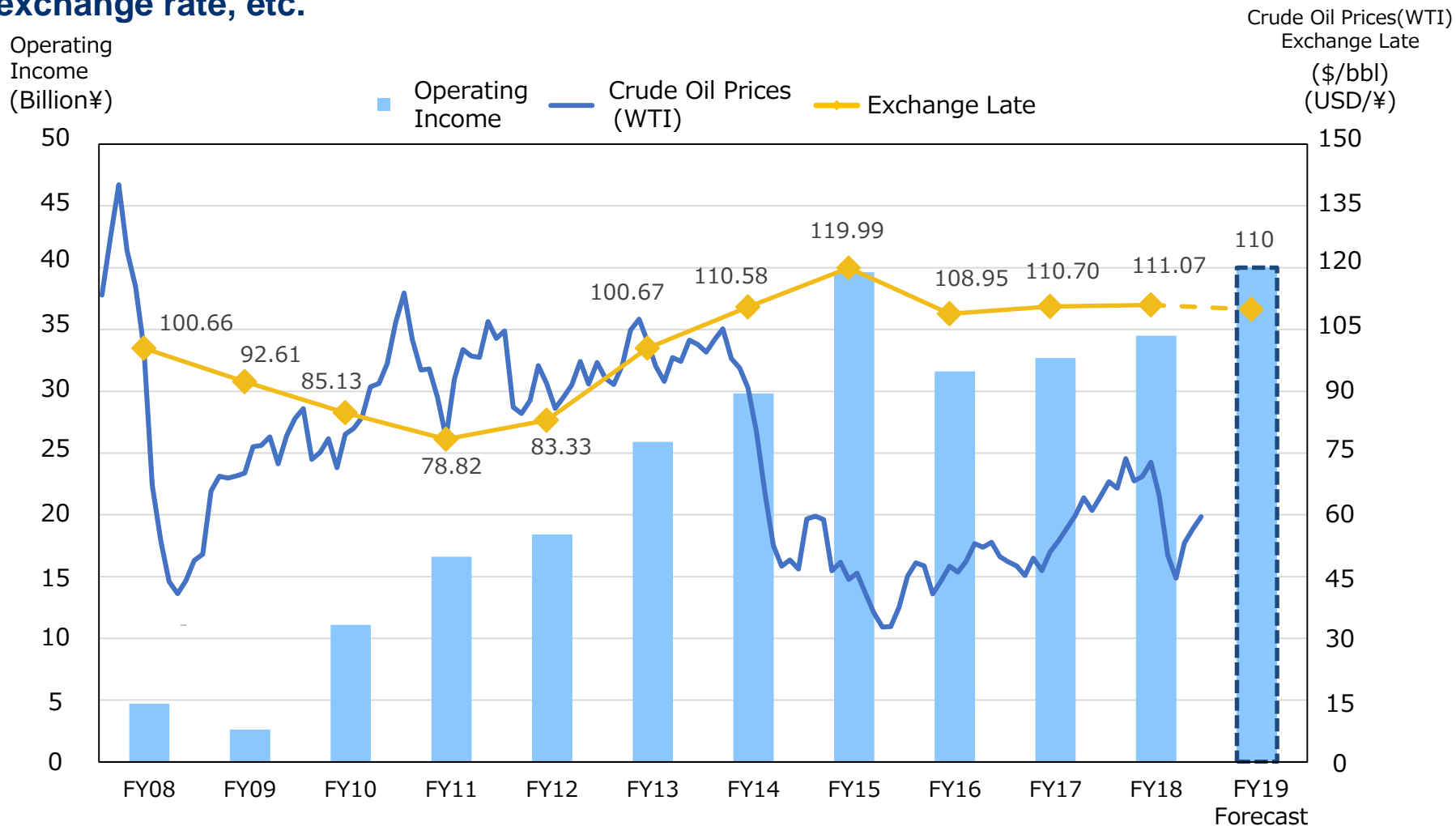
# Enhancement of corporate governance

(After the Annual Shareholders Meeting on June 2019)

Year	Action	Directors			Auditors		Officers	
		Inside	Outside	Outside %	Inside	Outside	Japanese	Foreigner
2003	Introduced outside directors	7	1	13%	2	2	24	0
2004	Abolished retirement bonuses for directors	7	1	13%	2	3	24	0
2005		7	1	13%	2	3	26	0
2006	Introduced one year tenure system for directors and revised articles of incorporation to reduce number of directors (25⇒15)	9	1	10%	2	3	27	0
2007	Increased number of outside directors Introduced takeover defense measures	8	2	20%	2	3	29	0
2008		7	2	22%	2	3	30	0
2009	Increased number of outside directors Renewed takeover defense measures	7	3	30%	2	3	15	0
2010		5	3	38%	2	3	13	1
2011	Renewed takeover defense measures Sold shares of a listed affiliate	4	3	43%	2	3	14	1
2012		4	3	43%	2	3	11	1
2013		4	3	43%	2	3	13	0
2014	Established Nomination and Compensation Committee (voluntary advisory body) Discontinuation (non-renewal) of takeover defense measures Introduced standards to ensure independence of outside directors	6	3	33%	2	3	13	0
2015	Established Nomination Advisory Committee and Compensation Advisory Committee (voluntary advisory bodies) Conducted outside evaluation of Board of Directors Established Yokogawa Corporate Governance Guidelines	6	3	33%	2	3	11	0
2016	Increased number of outside directors Introduced a Restricted Stock Compensation Plan	6	4	40%	2	2	12	0
2017	Appointed a woman as an outside member of the Audit & Supervisory Board Appointed 2 foreign nationals as officers	6	4	40%	2	3	15	2
2018	Abolished the Senior Advisor, Advisor, and Honorary Corporate Associate Positions Appointed an outside director as chairman of the Board Introduced new performance-linked stock compensation plan (PSU plan)	5	4	44%	2	3	14	3
2019	<b>Selected foreign national as director for the first time</b> <b>Outside director to be nominated for position of chairman of Board of Directors</b>	4	4	50%	2	3	15	3

# Vision: A company that is profitable regardless of what happens in the external environment (more resilient)

We have strength is not to be affected by external change such as crude oil prices, exchange rate, etc.



# Direction

- Management with a **mid- to long-term perspective**
- Strive to **accelerate transformation** with a focus on **growth** and **efficiency**
- Aim to **maximize corporate value** by placing the top priority on **growing our business** and taking a **hands-on approach**.

*Transformation 2020*

Mid-term business plan

Creating opportunities and  
establishing a foundation for growth

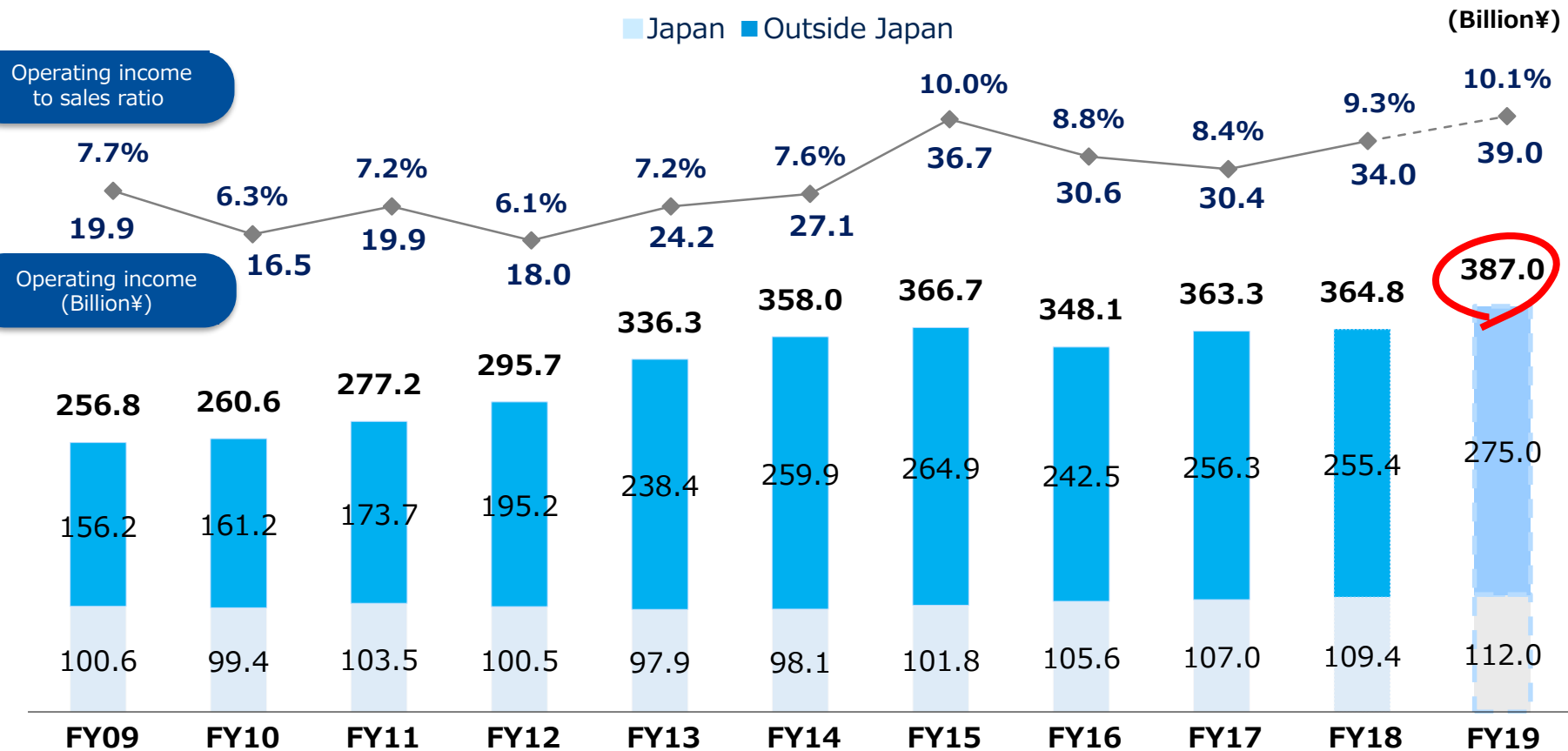
**Contribute in building a sustainable society**

Co-innovating tomorrow™



# Appendix: Trend of Global Sales in Control Segment

## Record high sales are expected in the control segment



### <Exchange rate>

US\$ (¥)	FY09	FY10	FY11	FY12	FY13	FY14	FY15	FY16	FY17	FY18	FY19 Forecast
	92.61	85.13	78.82	83.33	100.67	110.58	119.99	108.95	110.70	111.07	110.00

# Appendix: News (from February 6 to May 8)

**Feb.** Yokogawa recognized for excellent health and productivity management  
Yokogawa Test & Measurement releases AQ1210 optical time domain reflectometer



**Mar.** Yokogawa supports recommendations of the Task Force on Climate-related Financial Disclosures  
Yokogawa establishes Yokogawa Norge, a subsidiary in Norway, to engage in the sale of control products and provision of related services  
Nomination of candidates for director  
- Dai Yu (first-ever non-Japanese nominee)

**Apr.** Acceleration of development of iFactory, a compact device that can be used together with other modular manufacturing equipment in continuous manufacturing operations  
- The realization of flexible, on-demand manufacturing of pharmaceutical products  
Yokogawa releases FAST/TOOLS R10.04 real-time operations management and visualization software



Note: The month for each news item indicates when it was published.

# Appendix: Yokogawa's Main ESG Indexes

As of March 2019

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  
Global 100 Most Sustainable Corporations in the World Index

MEMBER OF

**Dow Jones  
Sustainability Indices**

In Collaboration with RobecoSAM



FTSE4Good



FTSE Blossom  
Japan



**MSCI** 

2018 Constituent  
MSCI ESG  
Leaders Indexes

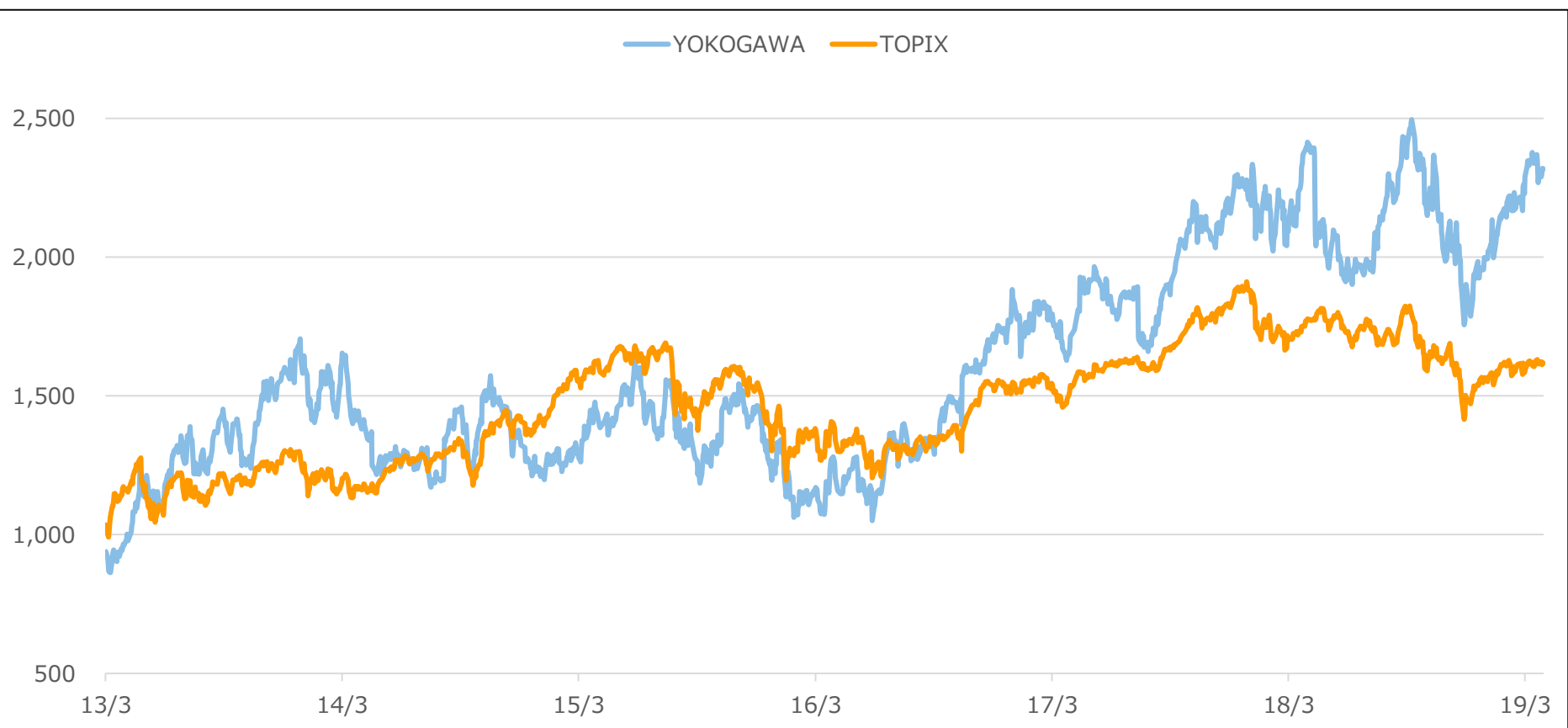
**MSCI** 

2018 Constituent  
MSCI Japan Empowering  
Women Index (WIN)

**MSCI** 

2018 Constituent  
MSCI Japan ESG  
Select Leaders Index

# Appendix: Trend of Stock Price



(¥)

	13/3	14/3	15/3	16/3	17/3	18/3	19/3	19/4/26
Yokogawa	946	1,667	1,295	1,163	1,752	2,198	2,291	2,318
TOPIX	1,035	1,203	1,543	1,347	1,512	1,716	1,592	1,618

# Disclaimer

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.

Yokogawa undertakes no obligation to publicly update or revise any forward-looking statements after the issue of this document except as provided for in laws and ordinances.

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

IR Sec., Treasury & IR Department  
**Yokogawa Electric Corporation**

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