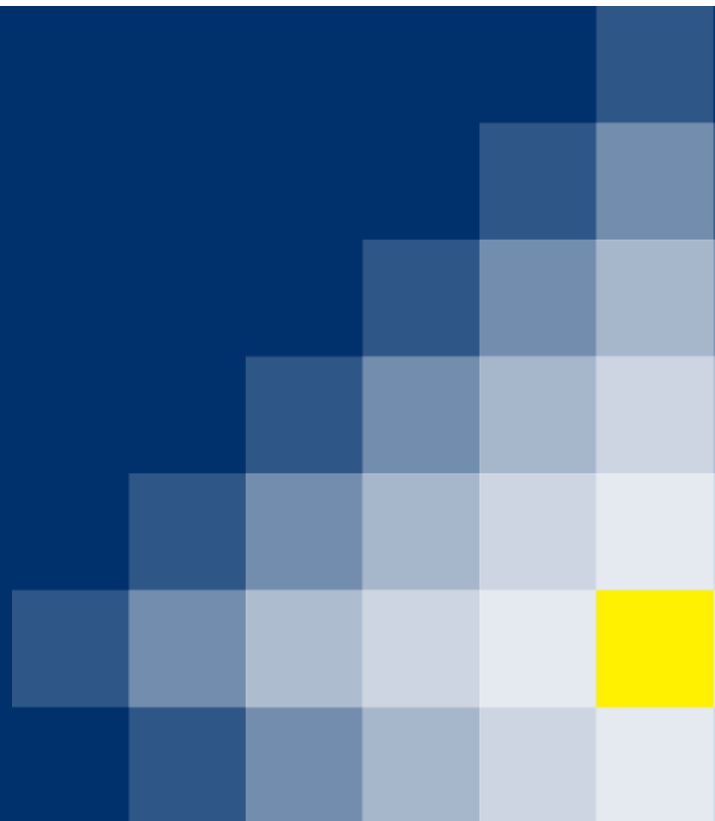


Yokogawa Electric Corporation

# Financial Results for Fiscal Year 2020 1Q (April 1 - June 30, 2020)



**Aug. 12, 2020**



## 1. FY20 1Q Results and FY20 Forecast P. 3

**Junichi Anabuki**

Director, Executive Vice President  
Corporate Administration Headquarters

## 2. Appendix P. 14

- Quarterly Financial Results
- Non-operating / Extraordinary Income and Expenses
- Order Backlog Trend by Segment
- Trend of R&D Expenses, Depreciation, and CAPEX
- Trend of Balance Sheet
- Trend of Stock Price

## 3. Transformation 2020 P. 22

~ Transform and achieve further growth ~

**Hitoshi Nara**

President and Chief Executive Officer

Yokogawa Electric Corporation

# Financial Results for Fiscal Year 2020 1Q and FY20 Forecast

**Junichi Anabuki**

Director, Executive Vice President  
Corporate Administration Headquarters

# Key Points

## ■ FY20 1Q results: Sales declined but operating income was at about the same level as the previous year.

- Summary: Sales declined due to COVID-19 and the impact of the exchange rate. Operating income was at about the same level as the previous year due to improvement of the gross margin and a decrease in SG&A expenses. Profit attributable to owners of parent increased.
- Segments:
  - Control: Sales were down, but operating income rose. Orders -17.3%, sales -4.8%, operating income +8.5% year on year (excluding impact of exchange rate and transfer of a subsidiary's shares).
  - Measurement: Sales were up, but operating income declined.
  - Aviation and Other: Sales declined and the operating loss increased.
- Regions: Although conditions in all regions were harsh, orders rose in Central and South America, and sales in China were strong.
- Industries: Energy-related industries all were adversely impacted by the COVID-19 crisis, and large project orders are down from the previous year.

## ■ FY20 earnings forecast: Due to adverse business conditions, sales and operating income are expected to decline.

- While the business environment remains uncertain and we do not anticipate a significant recovery, the company believes that business results bottomed out in the first quarter of the fiscal year ending March 31, 2021, and that a gradual recovery can be anticipated toward the end of the fiscal year as we strive for a balance between measures to prevent the spread of COVID-19 and efforts to resume normal business activities. In our forecast, we took into consideration the expectation that a major recovery in market conditions cannot be expected over the course of the fiscal year.

## ■ FY20 dividend forecast: No change from the previous year (total annual dividend of ¥34).

# Summary of FY20 1Q Results

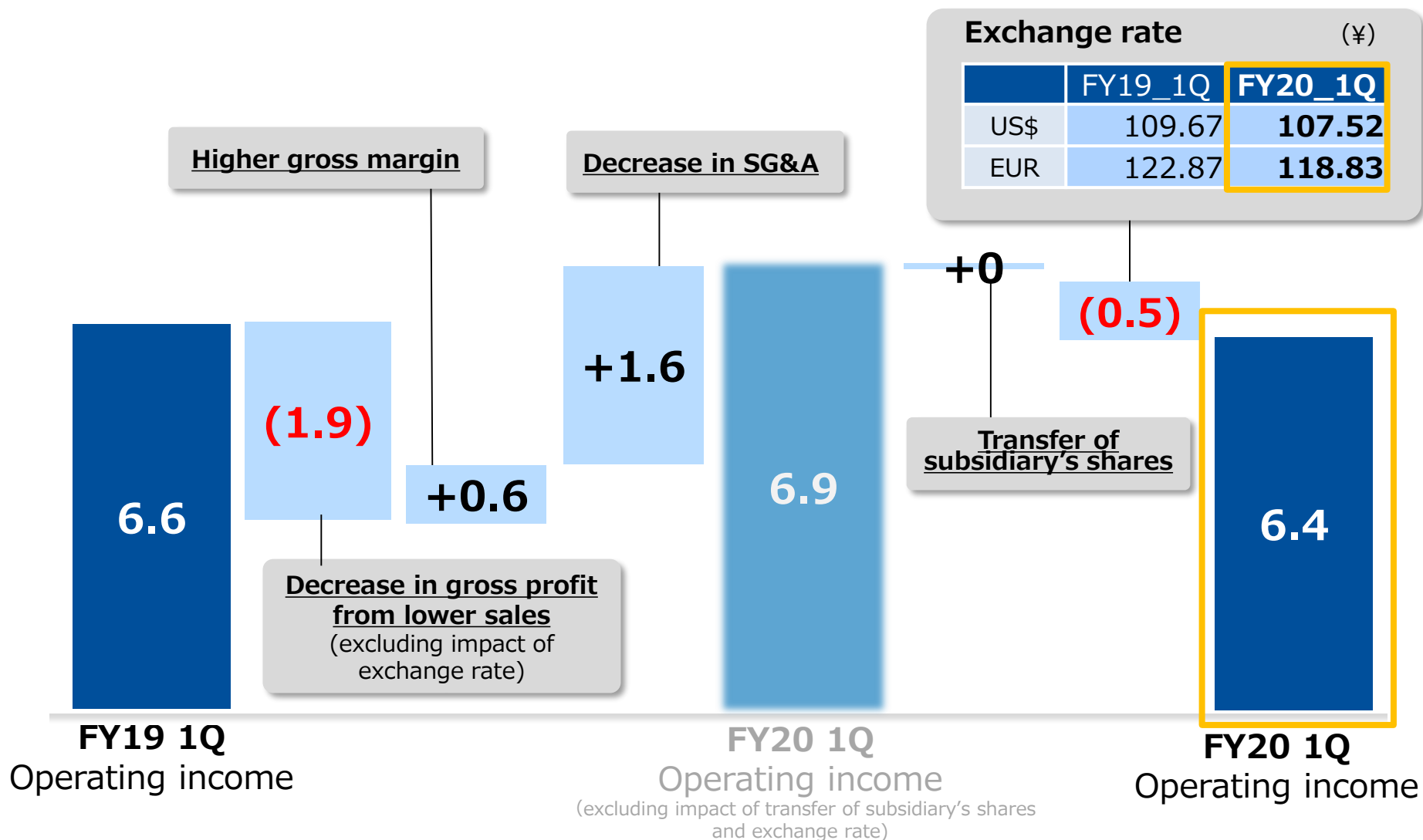
- ◆ Orders decreased (excluding impact of exchange rate and transfer of subsidiary's shares: -15.9% year on year).
- ◆ Sales decreased (excluding impact of exchange rate and transfer of a subsidiary's shares: -4.7% year on year).
- ◆ Operating income was at about the same level as the previous year due to improvement of the gross margin and a decrease in SG&A expenses.
- ◆ Profit attributable to owners of parent increased.

(Billion ¥)

	FY19 1Q	FY20 1Q	Difference	Growth rate	Impact of exchange rate and transfer of subsidiary's shares
Orders	104.2	83.1	(21.1)	(20.2%)	(4.7)
Sales	90.3	82.0	(8.3)	(9.2%)	(4.1)
Operating income	6.6	6.4	(0.2)	(2.2%)	(0.5)
ROS (%)	7.3	7.8	+0.5 pts	—	—
Ordinary income	6.8	7.2	+0.4	+6.1%	(0.5)
Profit attributable to owners of parent	2.1	3.0	+0.9	+42.1%	(0.5)
Exchange rate	1\$= ¥109.67	¥107.52	(2.15)	—	—

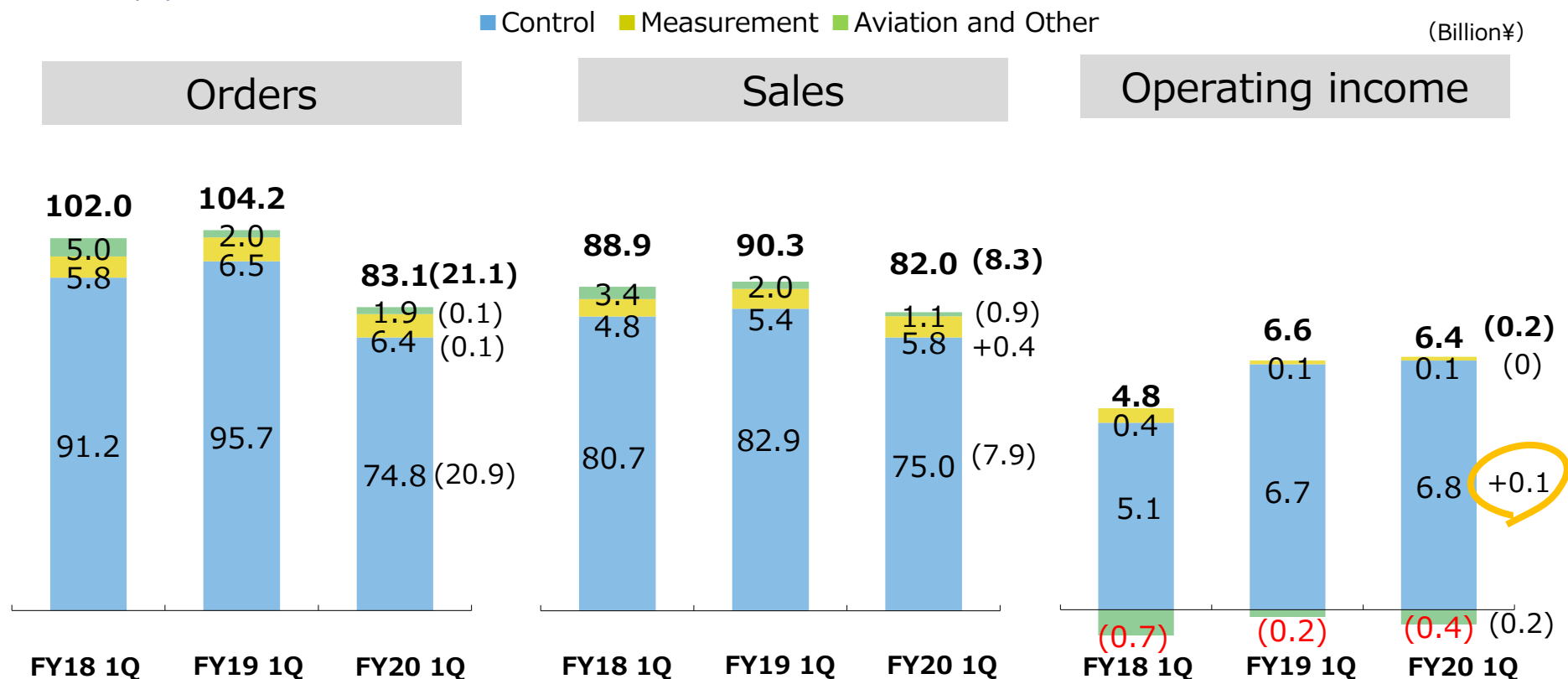
# Analysis of Operating Income (FY19 1Q/FY20 1Q comparison)

(Billion¥)



# FY19/FY20 Comparison for Orders, Sales, and Operating income by Segment

- ◆ Control: Orders and sales declined due to COVID-19 and the impact of the exchange rate (impact of exchange rate and transfer of subsidiary's shares: orders -17.3%, sales -4.8% year on year). Operating income was up due to improvement of the gross margin and lower SG&A expenses (impact of exchange rate and transfer of subsidiary's shares: +¥0.6 billion/+8.5% year on year).
- ◆ Measurement: While sales remained strong, operating income was down due to upfront investments in the life innovation business.
- ◆ Aviation and Other: Sales declined and the operating loss increased mainly due to sluggish demand for aviation-related equipment.



# Orders and Sales by Region in Control Segment

◆ Orders were down overall due to the impact of COVID-19 and the exchange rate, but were up in Central and South America (impact of exchange rate and transfer of subsidiary's shares: -¥16.4 billion/-17.3% year on year).

◆ Sales were also down overall for the same reasons, but were strong in China (impact of exchange rate and transfer of subsidiary's shares: -¥4.0 billion/-4.8% year on year).

(Billion¥)

Orders	FY19 1Q (A)	FY20 1Q (B)	Difference (B-A)
<b>Japan</b>	<b>27.6</b>	<b>21.8</b>	<b>(5.8)</b>
Asia	31.5	27.0	(4.5)
(South-eastern Asia and Far East)	15.3	14.2	(1.1)
(China)	12.0	10.9	(1.1)
(India)	4.2	1.9	(2.3)
Europe and CIS	13.0	8.7	(4.3)
Middle East and Africa	14.5	10.5	(4.0)
North America	6.8	3.8	(3.0)
Central and South America	2.3	3.0	0.7
<b>Outside Japan</b>	<b>68.1</b>	<b>53.0</b>	<b>(15.1)</b>
<b>Consolidated</b>	<b>95.7</b>	<b>74.8</b>	<b>(20.9)</b>
Exchange rate 1\$ =	¥109.67	¥107.52	(¥2.15)

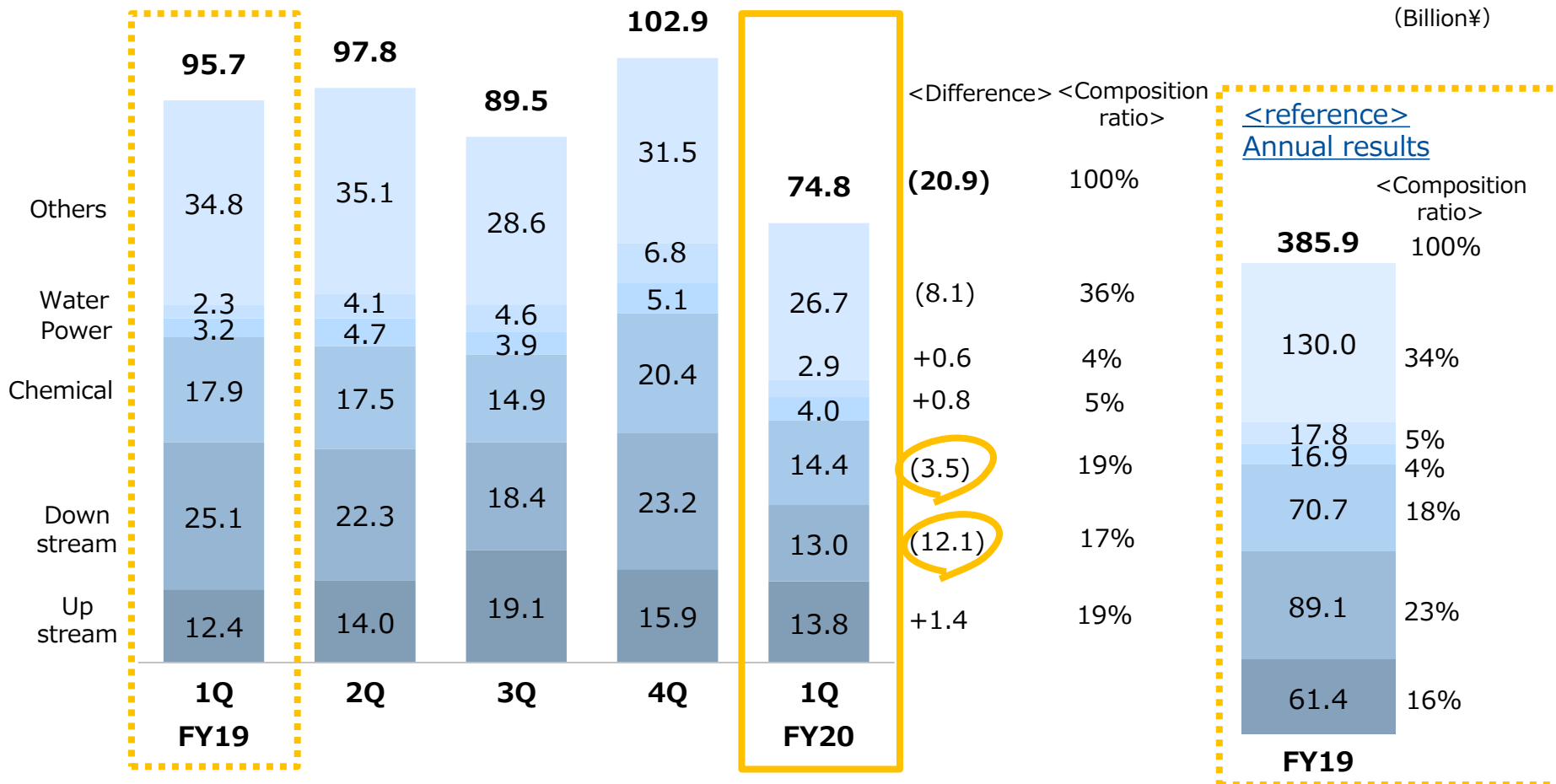
Sales	FY19 1Q (A)	FY20 1Q (B)	Difference (B-A)
<b>Japan</b>	<b>21.9</b>	<b>22.0</b>	<b>0.1</b>
Asia	27.1	25.5	(1.6)
(South-eastern Asia and Far East)	15.1	(13.3)	(1.8)
(China)	8.6	(10.2)	1.6
(India)	3.4	(2.0)	(1.4)
Europe and CIS	12.0	10.1	(1.9)
Middle East and Africa	12.5	8.9	(3.6)
North America	7.2	6.9	(0.3)
Central and South America	2.2	1.6	(0.6)
<b>Outside Japan</b>	<b>61.0</b>	<b>53.0</b>	<b>(8.0)</b>
<b>Consolidated</b>	<b>82.9</b>	<b>75.0</b>	<b>(7.9)</b>
Exchange rate 1\$ =	¥109.67	¥107.52	(¥2.15)



# Orders by Industry in Control Segment

◆ In energy-related industries, orders were severely impacted by the COVID-19 crisis, and large project orders were down from the previous year.

(Billion¥)



# FY20 Forecast

◆ While the business environment remains uncertain and a significant recovery is not anticipated, it is believed that the company's business results bottomed out in the first quarter of this fiscal year and that a gradual recovery will take place toward the end of the fiscal year as we strive for a balance between measures to prevent the spread of COVID-19 and efforts to resume normal business activities. After considering the impact that the business environment could have on the Group's business performance, we have set high and low figures for our FY20 forecast and project the final results will fall within this range.

\*FY20 crude oil price is expected to remain around \$30-\$40/barrel

(Billion¥)

	FY19 (A)	FY20 Forecast (B)	Difference (B-A)	Growth rate (B÷A-1)
Orders	418.7	<b>350.0 ~ 380.0</b>	(68.7) ~ (38.7)	(16.4%) ~ (9.2%)
Sales	404.4	<b>360.0 ~ 390.0</b>	(44.4) ~ (14.4)	(11.0%) ~ (3.6%)
Operating income	35.6	<b>23.0 ~ 30.0</b>	(12.6) ~ (5.6)	(35.4%) ~ (15.7%)
ROS (%)	8.8	6.4 ~ 7.7	(2.4pts) ~ (1.1pts)	— —
Ordinary income	36.3	<b>23.0 ~ 30.0</b>	(13.3) ~ (6.3)	(36.6%) ~ (17.4%)
Profit before income taxes	25.8	22.0 ~ 29.0	(3.8) ~ +3.2	(14.7%) ~ +12.4%
Tax, etc.	11.1	8.0 ~ 10.0	(3.1) ~ (1.1)	(27.9%) ~ (9.9%)
Profit attributable to owners of parent	14.7	<b>14.0 ~ 19.0</b>	(0.7) ~ +4.3	(4.7%) ~ +29.4%
EPS (¥)	55.02	<b>52.45 ~ 71.18</b>	(2.57) ~ +16.16	(4.7%) ~ +29.3%
Exchange rate	1\$ = ¥108.96	<b>¥105.00</b>	(¥3.96)	—

# FY20 forecast : By segment

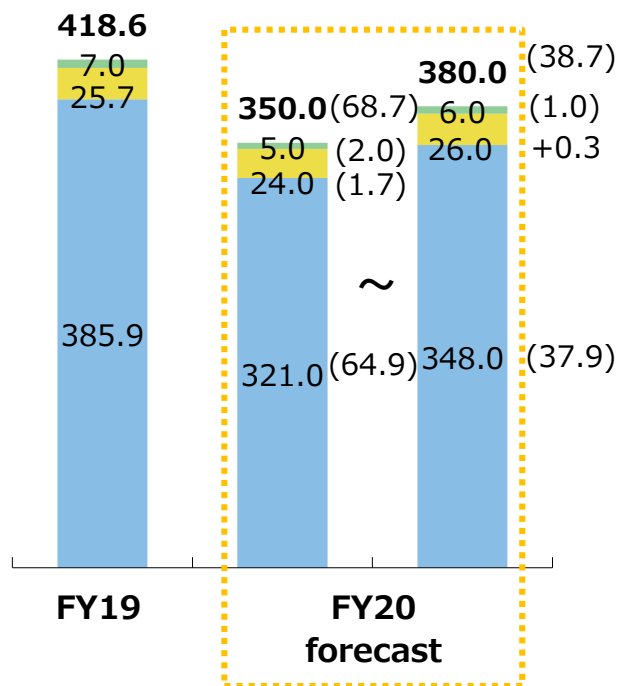
		FY20 Forecast (Billion¥)	Forecast
Control	Orders	321.0~348.0	With regard to system projects, delays in investment decisions by customers and intensifying price competition have become apparent due to a decrease in energy demand, resulting in a large decrease from the previous year, mainly in the overseas project business. In Japan, the bottom of the 1Q will head for recovery as economic activity resumes. In the product business, although some inquiries are shown in the MRO business, etc., the impact of Covid-19 has become apparent in some overseas markets (North America, India, etc.). The consulting business was severely affected by movement restrictions and continued to face difficult conditions centered on KBC, but gradually improved. By region, except for China, Japan, and Latin America, COVID-19 will have a large impact overall.
	Sales	330.0~357.0	Although the order backlog is abundant at the beginning of the term, in addition to the impact of a decrease in orders, there are risks such as delays in the progress of contracts that have already been ordered due to various factors such as customers and the Company.
	Operating income	24.0~30.0	There is a risk of worsening gross profit due to soaring logistics costs due to a significant decrease in flights and intensifying price competition. Implement thorough cost reduction measures for the entire group (fixed costs such as engineering and production are reduced in response to the decrease in sales. Strategic costs for remote correspondence and after-corona, IT investment, etc. will continue.)
Measurement	Orders	24.0~26.0	In the measuring instruments business, although strong inquiries are received in China, the business environment is deteriorating in other regions including Japan, and orders and sales are expected to decline. Life science business (CSU: confocal scanner, etc.) is expected to remain firm.
	Sales	24.0~26.0	
	Operating income	0.0~0.5	
Aviation and Other	Orders	5.0~6.0	Due to the impact of COVID-19, the performance of the airline companies, which is the final customer, has deteriorated significantly, and the aircraft business is expected to decline significantly.
	Sales	6.0~7.0	
	Operating income	(1.0)~(0.5)	

# Appendix : FY20 Forecast for Orders, Sales, and Operating Income by Segment

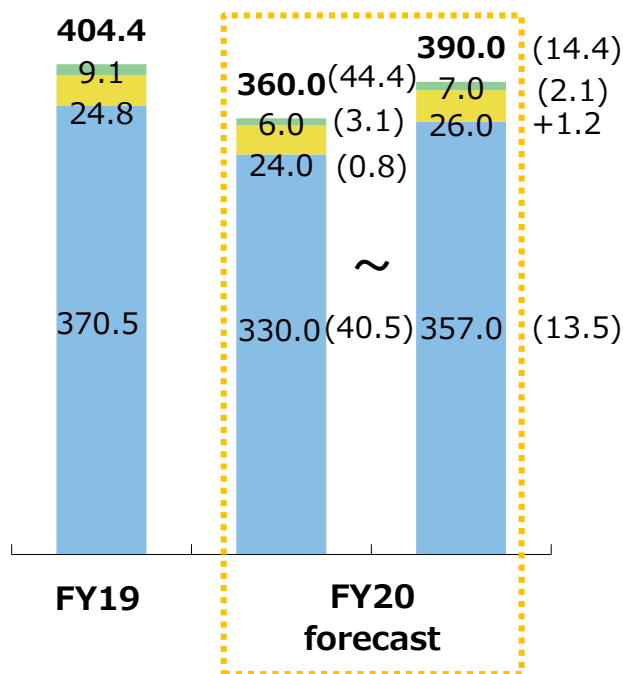
■ Control ■ Measurement ■ Aviation and Other

(Billion¥)

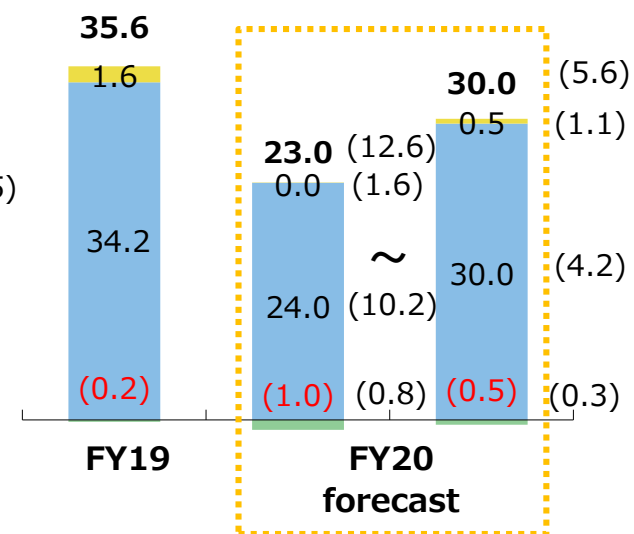
## Orders



## Sales



## Operating income

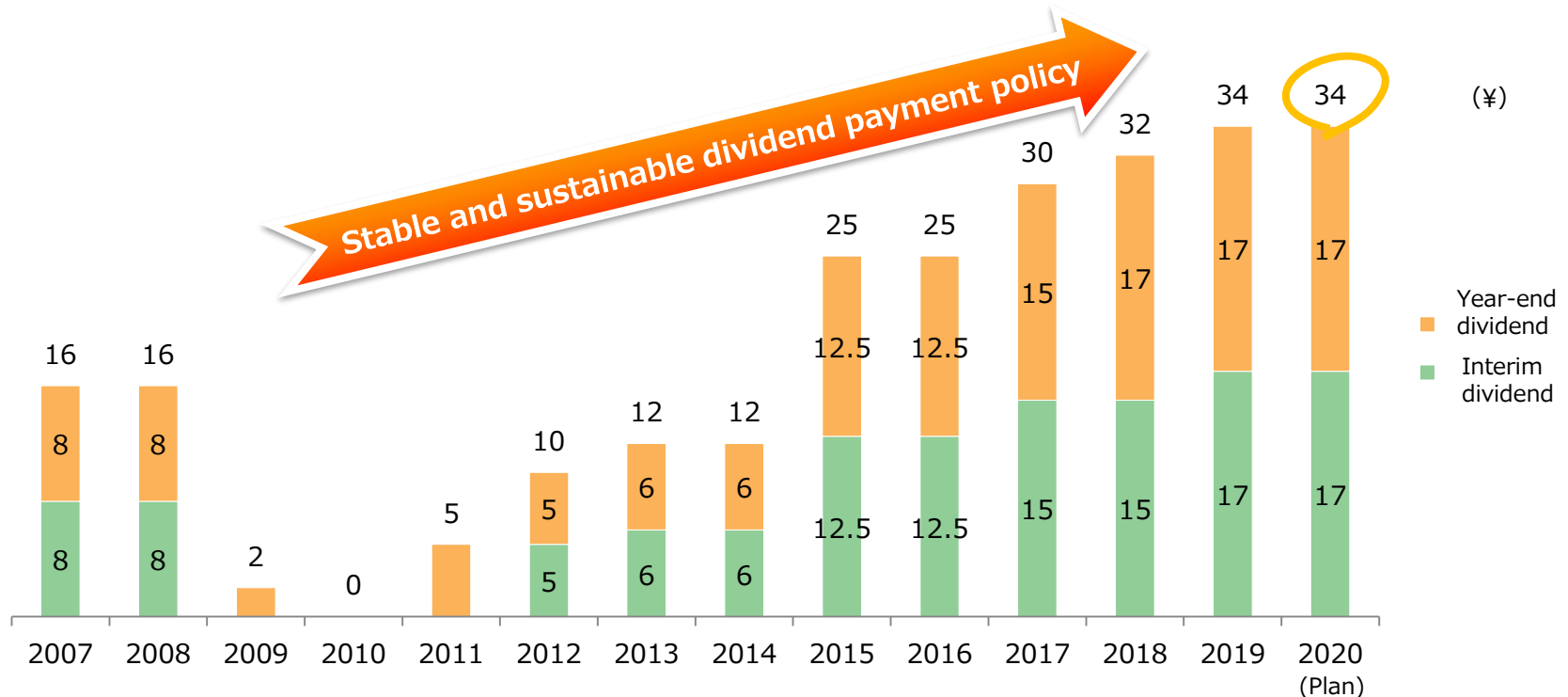


# Dividend

- As per our dividend policy and financial situation, our FY20 dividend forecast is unchanged from the previous year.

FY19: ¥34 (payout ratio 61.8%)

FY20: ¥34 (payout ratio 48.4~65.5%)



# Appendix:

- Quarterly Financial Results
- Non-operating / Extraordinary Income and Expenses
- Order Backlog Trend by Segment
- Trend of R&D Expenses, Depreciation, and CAPEX
- Trend of Balance Sheet
- Trend of Stock Price

# Appendix: Quarterly Financial Results

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

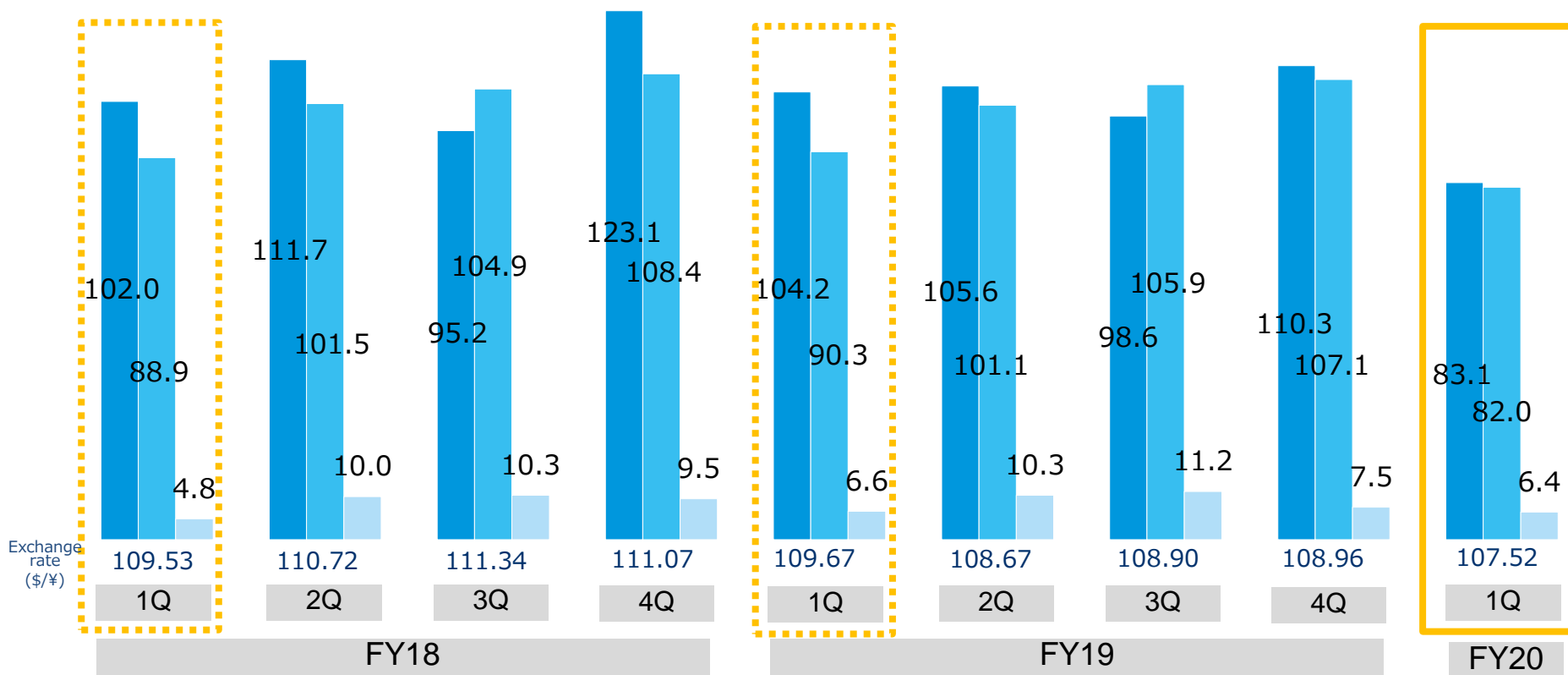
Impact of transfer of subsidiary's shares

FY19 1Q Orders : -¥1.1 billion sales : -¥0.8 billion operating income : +¥0 billion

FY19 Orders : -¥2.8 billion sales : -¥2.0 billion operating income : -¥0.2 billion

(Billion ¥)

■ Orders ■ Sales ■ Operating income



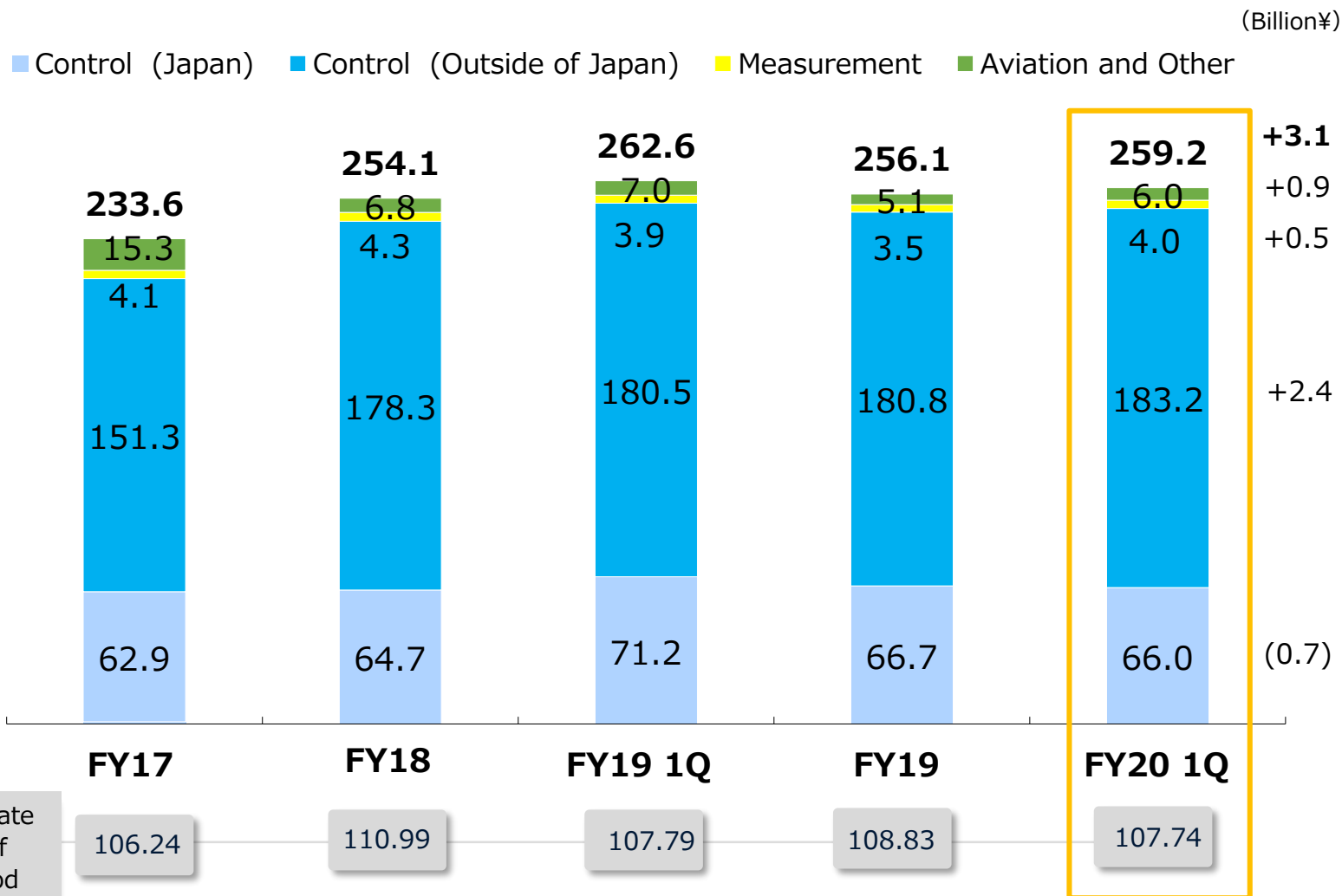
# Appendix: Non-operating /Extraordinary Income and Expenses

(Billion ¥)

	FY19 1Q	FY20 1Q
Operating income	6.6	6.4
Non-operating income	1.2	1.3
Non-operating expenses	1.0	0.6
Ordinary income	6.8	7.2
Extraordinary income	0.9	0.0
Extraordinary expenses	3.2	0.9
Income before tax	4.5	6.3
Tax, etc.	2.4	3.3
Profit attributable to owners of parent	2.1	3.0
(Effective tax rate)	45.3%	45.6%



# Appendix: Order Backlog Trend by Segment

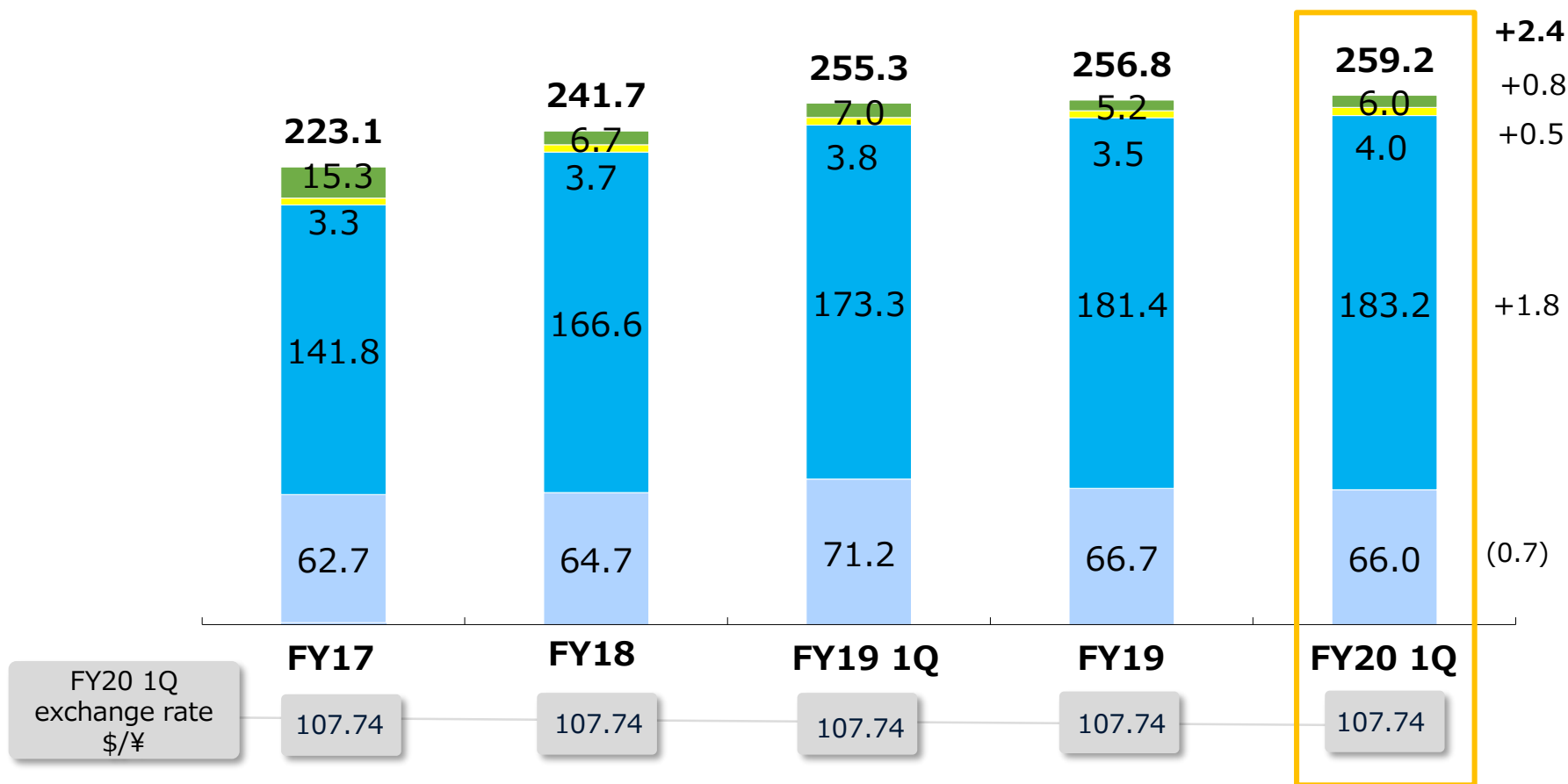


\*Refined segment classification and revised FY19 numbers

# <Reference> Order Backlog Trend by Segment (Using FY20 1Q exchange rate)

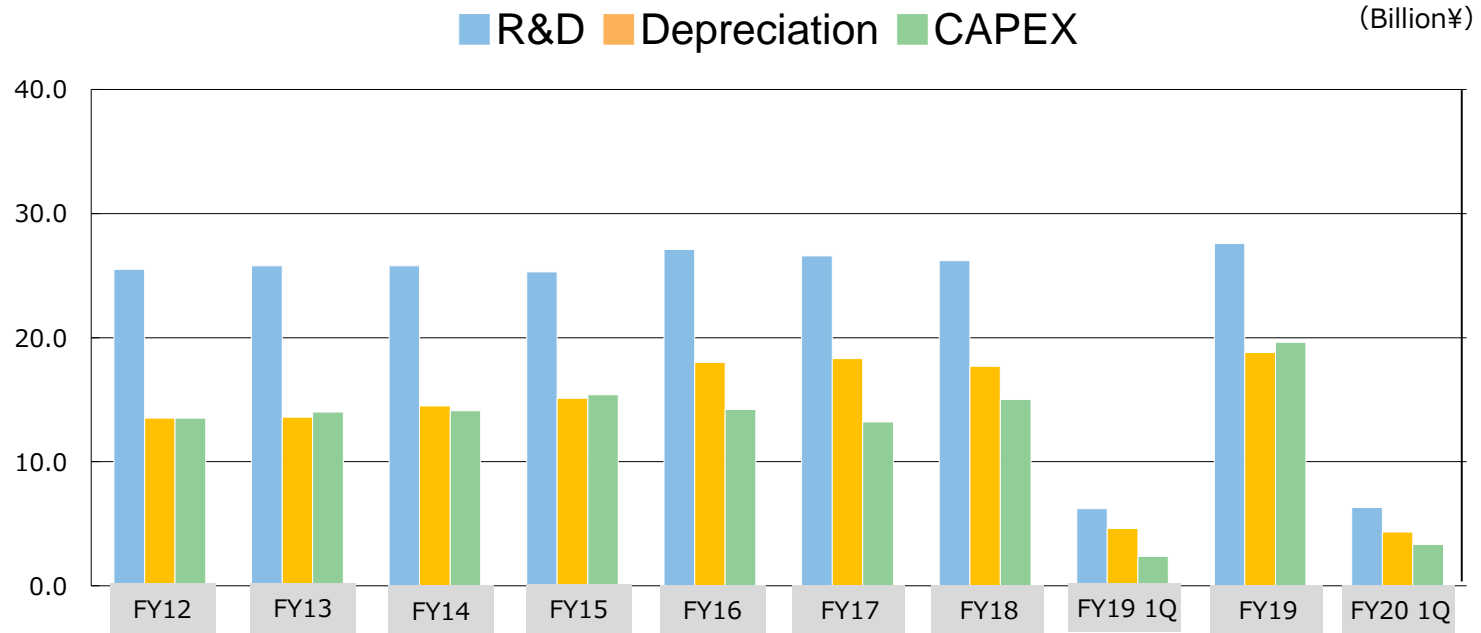
(Billion¥)

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



\*Refined segment classification and revised FY19 numbers

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



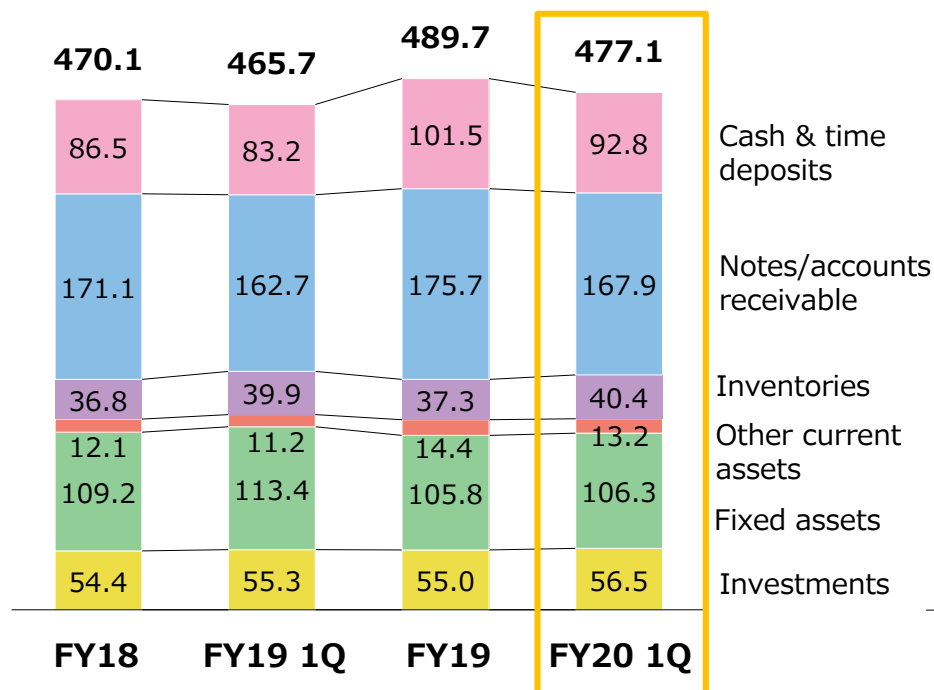
	FY12	FY13	FY14	FY15	FY16	FY17	FY18	FY19 1Q	FY19	FY20 1Q
R&D expenses (% of sales)	7.3%	6.6%	6.4%	6.1%	6.9%	6.5%	6.5%	6.9%	6.8%	7.6%
Depreciation (% of sales)	3.9%	3.5%	3.6%	3.6%	4.6%	4.5%	4.4%	5.1%	4.6%	5.3%
CAPEX (% of sales)	3.9%	3.6%	3.5%	3.7%	3.6%	3.2%	3.7%	2.6%	4.9%	4.0%

\*The Group's consolidated subsidiaries outside Japan have adopted IFRS 16 (Leases) from FY19.

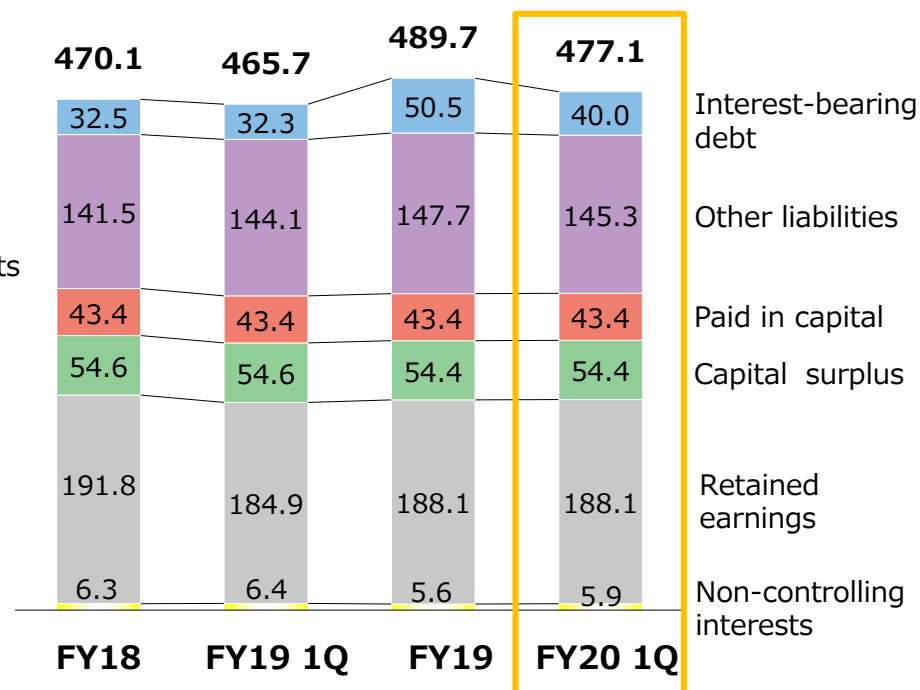
# Appendix: Trend of Balance Sheet

(Billion¥)

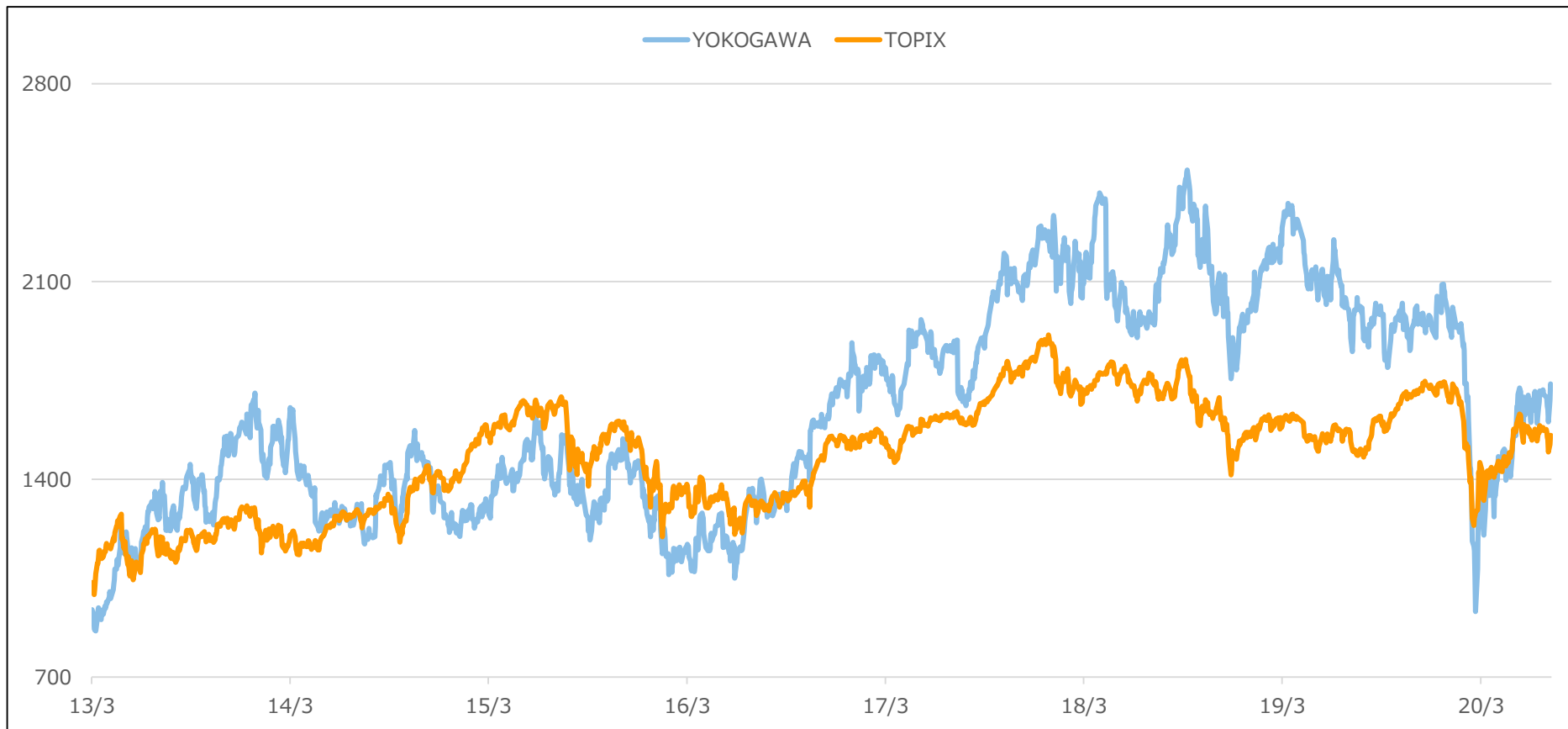
## Assets



## Liabilities and equity



# Appendix: Trend of Stock Price



(¥)

	13/3	14/3	15/3	16/3	17/3	18/3	19/3	19/6	19/9	19/12	20/3	20/6	20/8/5
Yokogawa	946	1,667	1,295	1,163	1,752	2,198	2,291	2,112	1,977	1,929	1,303	1,680	1,730
TOPIX	1,035	1,203	1,543	1,347	1,512	1,716	1,592	1,551	1,588	1,721	1,403	1,559	1,555

Yokogawa Electric Corporation

## Financial Results for Fiscal Year 2020 1Q (April 1 – June 30, 2020)

# *Transformation* 2020

~ Transform and achieve further growth ~

## Hitoshi Nara

President and Chief Executive Officer

Aug 12, 2020

# FY2020 basic policy

◆ We will focus on **accelerating the implementation of the TF2020 strategies** (completion of measures and reaping of benefits). As such, we will undertake the following:

- ① **Set and review priority of TF2020 measures**
- ② **Achievement of further cost reductions through Group-wide optimization**
  - Prohibition of nonurgent expenses
  - Improvement of efficiency through means such as changing how work is performed, including the use of telework
- ③ **Remaining fiscally strong**
- ④ **Positioning our business for the post-COVID-19 world**
  - Responding to changes in social needs

Expanding demand by society and industries for solutions that enhance safety, security, productivity, efficiency, **remotization, and autonomy (IA2IA)**

# Impact of COVID-19: Rapid remotization (expansion in demand for remote solutions)

## ◆ Background:

Review of plant operations as part of infection control measures

➔ Remote support of plant operations and equipment maintenance

**Expansion in demand for remote services**



Response Center



Remote service utilizing AR (augmented reality)



ExRobotics' ExR-1 inspection robot

## ◆ Our company initiatives



- ① Increased opportunities for webinars, virtual exhibitions, etc.  
➔ About twice the number of inquiries for remote maintenance services (year-on-year basis)
- ② Enhancement of remote solutions  
➔ Cloud engineering, remote FAT \*, remote services (security risk assessment consulting, etc.)

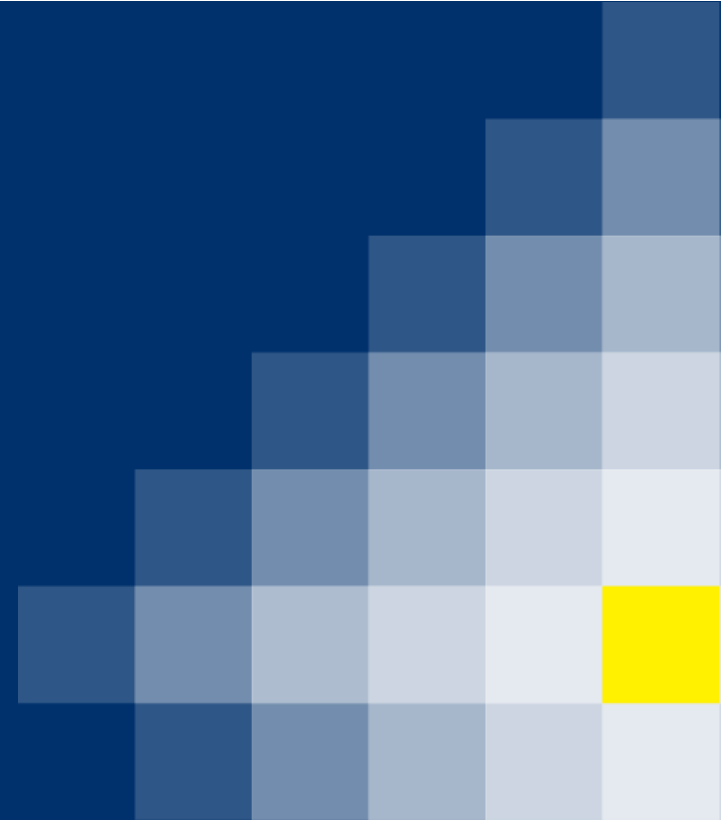
\*Factory Acceptance Test

- With our strengths in the provision of solutions for use in difficult to access locations (remote facilities, etc.), we are able to help our customers improve productivity (= resolution of social issues).
- We are a trusted and global leading provider of **remotization and autonomy (IA2IA)** solutions.



- We are a resilient company with the power to withstand COVID-19.
- Our business is centered on areas that will grow in the post-COVID-19 world.
- We are set on building a sustainable society and creating new opportunities for growth.

# Co-innovating tomorrow™



# Appendix: Control segment order trend, by project size

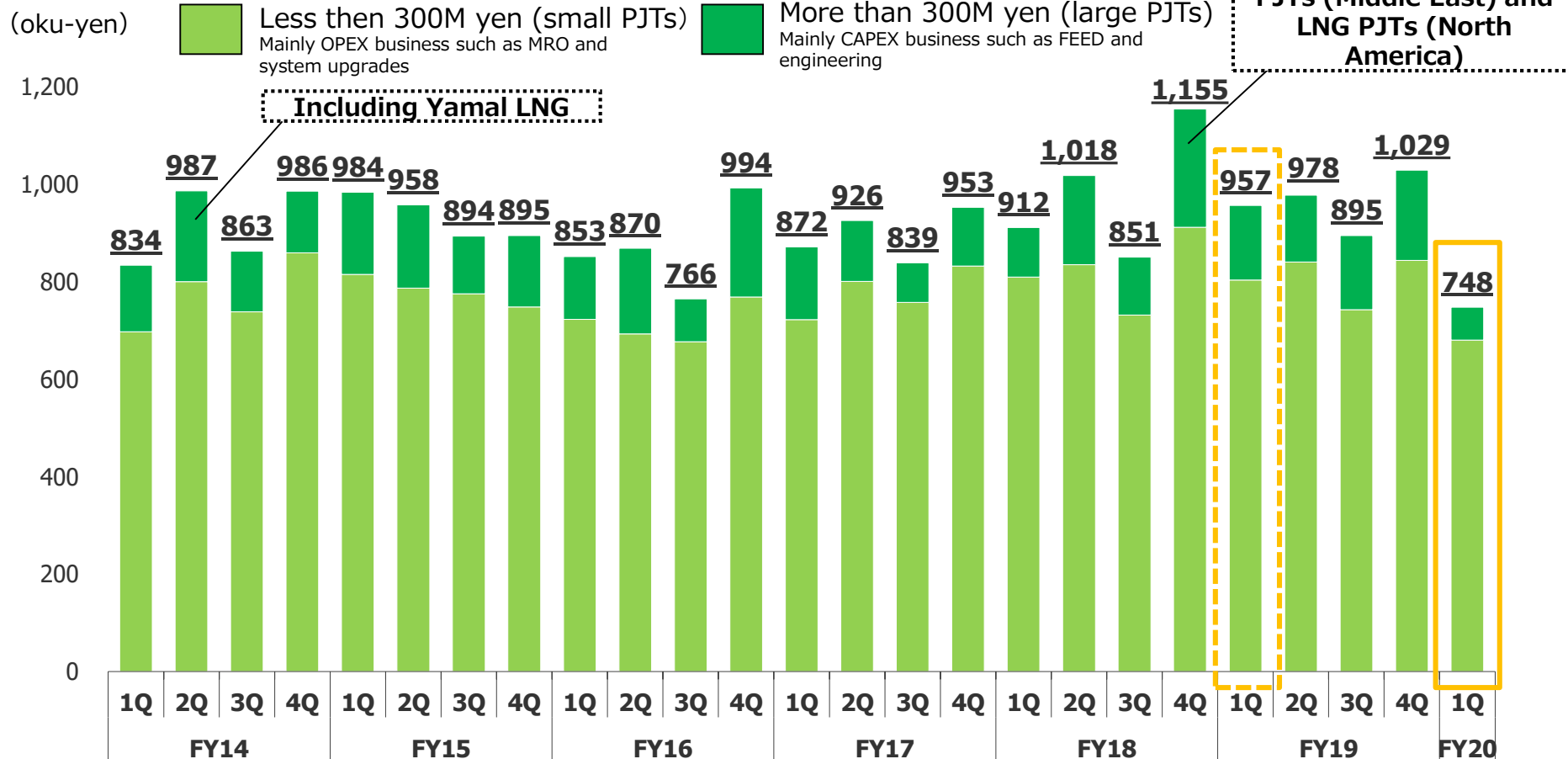
Large projects (300 million yen\* or larger) account for only 10-15% of control segment revenues.

\* Approx. US\$3 million

Less than 300M yen (small PJTs)  
Mainly OPEX business such as MRO and system upgrades

More than 300M yen (large PJTs)  
Mainly CAPEX business such as FEED and engineering

Including downstream PJTs (Middle East) and LNG PJTs (North America)



	FY14				FY15				FY16				FY17				FY18				FY19				FY20
	1Q	2Q	3Q	4Q	1Q	2Q	3Q	4Q	1Q	2Q	3Q	4Q	1Q	2Q	3Q	4Q	1Q	2Q	3Q	4Q	1Q	2Q	3Q	4Q	1Q
USD	101.71	103.53	107.7	110.58	121.78	121.75	121.63	119.99	108.53	102.91	107.64	108.95	111.42	111.29	111.77	110.7	109.53	110.72	111.34	111.07	109.67	108.67	108.9	108.96	107.52

# Appendix: News (from May 13 to August 12)

May

Developed and released CIMVisionPharms R10.00, manufacturing management package for pharmaceutical factories (Japan only)

Yokogawa signs investment and partnership agreement with JEPLAN, developer of an innovative chemical recycling technology  
- Collaboration for a circular economy -

Jun.

CSU-W1 confocal scanner unit arrives at International Space Station for experiments in the field of life sciences in outer space

Yokogawa to supply monitoring systems for major water transmission pipeline project in Saudi Arabia

Selected for the Japanese Ministry of Economy, Trade and Industry's list of "Top 100 Global Niche Companies in 2020."

Jul.

Yokogawa to accelerate business expansion in India through open innovation with startups  
- Investment in Japan-India fund of funds -

Yokogawa establishes Yokogawa Innovation Switzerland as center for bio business  
- Accelerating R&D and market development activities for the bioeconomy

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

# Appendix: Yokogawa's Main ESG Indexes etc.

As of July 2020

DJSI-Asia Pacific  
FTSE4Good Index Series  
FTSE Blossom Japan Index  
MSCI ESG Ratings AA  
MSCI ESG Leaders Indexes  
MSCI Japan ESG Select Leaders Index  
MSCI Japan Empowering Women Index  
CDP Water Security A List  
CDP Supplier Engagement Leader Board  
SNAM Sustainability Index  
S&P/JPX Carbon Efficient Index

MEMBER OF

**Dow Jones  
Sustainability Indices**



In collaboration with



FTSE4Good



FTSE Blossom  
Japan

**MSCI**  
ESG RATINGS



CCC B BB BBB A AA AAA

**2020** MSCI ESG Leaders  
Indexes Constituent

**2020** CONSTITUENT MSCI JAPAN  
ESG SELECT LEADERS INDEX

**2020** CONSTITUENT MSCI JAPAN  
EMPOWERING WOMEN INDEX (WIN)

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The information pertaining to our business plans and forecasts that has been provided in this presentation and at analyst meetings contains forward-looking statements that are based on our management's current knowledge and require the making of assumptions about future events.

As such, it cannot be guaranteed that these statements will not differ materially from actual results.

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

IR Sec., Treasury & IR Department  
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