

Yokogawa Electric Corporation

Financial Results for First Three Quarters of Fiscal Year 2020 (April 1 – December 31, 2020)

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1. Financial Results for First Three Quarters of Fiscal Year 2020 and FY20 Forecast P. 4

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. Reference P. 22

- FY20 Basic policy
- Control segment order trend, by project size
- Solution portfolio in Control segment
- News
- Target industry Renewable energy
- Yokogawa's main ESG indexes, etc.

Key Points

- **FY20 1Q-3Q results: Sales and operating income declined year on year.**
 - Summary: Sales declined due to COVID-19 and the impact of the exchange rate. Operating income declined due to decreased sales. Profit attributable to owners of parent increased due mainly to the recording of impairment loss including goodwill in the same period of the previous fiscal year.
 - Segments:
 - Control: Sales and operating income were down. Excluding the impact of the exchange rate and the transfer of a subsidiary's shares, orders declined 15.1%, sales declined 5.9%, and operating income declined 4.7% year on year.
 - Measurement: Sales were up, but operating income declined.
 - Aviation and Other: Sales declined and the operating loss increased.
 - Regions: Regions: Although all regions faced harsh conditions, Central and South America posted strong orders.
 - Industries: Energy-related industries all were adversely impacted by the COVID-19 crisis, and large project orders were down from the previous year.
- **FY20 earnings forecast: Sales and operating income are expected to decline <No change>**
 - No changes have been made to the consolidated business forecast for the fiscal year ending March 31, 2021, which was announced on November 4, 2020. There have been no changes to the foreign exchange rate of 1 USD = 105 yen for the business forecast.
- **FY20 dividend forecast: Total annual dividend of ¥34 <No change>**

Financial Results for First Three Quarters of Fiscal Year 2020 and FY20 Forecast

Summary of FY20 1Q-3Q Results

- ◆ Orders decreased (excluding impact of exchange rate and transfer of subsidiary's shares: -14.0% year on year).
- ◆ Sales decreased (excluding impact of exchange rate and transfer of a subsidiary's shares: -6.1% year on year).
- ◆ Operating income was down due to decreased sales.
- ◆ Profit attributable to owners of parent increased due mainly to the recording of impairment loss including goodwill in the same period of the previous fiscal year.

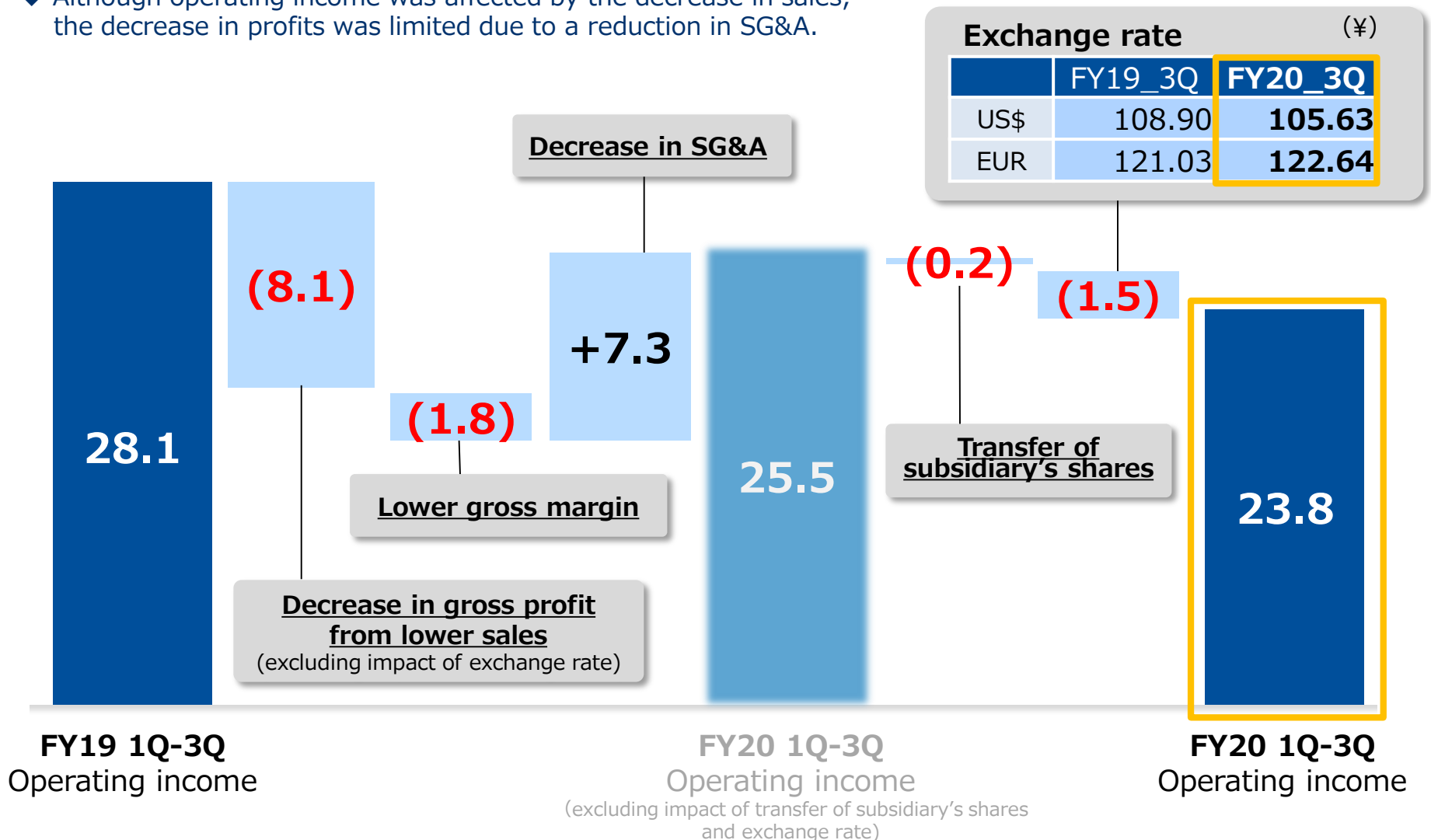
(Billion ¥)

		FY19 1Q-3Q	FY20 1Q-3Q	Difference	Growth rate	Impact of exchange rate and transfer of subsidiary's shares
Orders		308.4	255.1	(53.3)	(17.3%)	(10.7)
Sales		297.3	269.7	(27.6)	(9.3%)	(9.7)
Operating income		28.1	23.8	(4.3)	(15.3%)	(1.7)
ROS (%)		9.5	8.8	(0.7Pts)	—	—
Ordinary income		28.2	25.2	(3.0)	(10.6%)	(1.7)
Profit attributable to owners of parent		12.5	16.7	+4.2	+34.0%	(1.6)
EPS		46.76	62.68	+15.92	+34.05%	—
Exchange rate	1\$=	¥108.90	¥105.63	(3.27)	—	—

Analysis of Operating Income (FY19 1Q-3Q/FY20 1Q-3Q comparison)

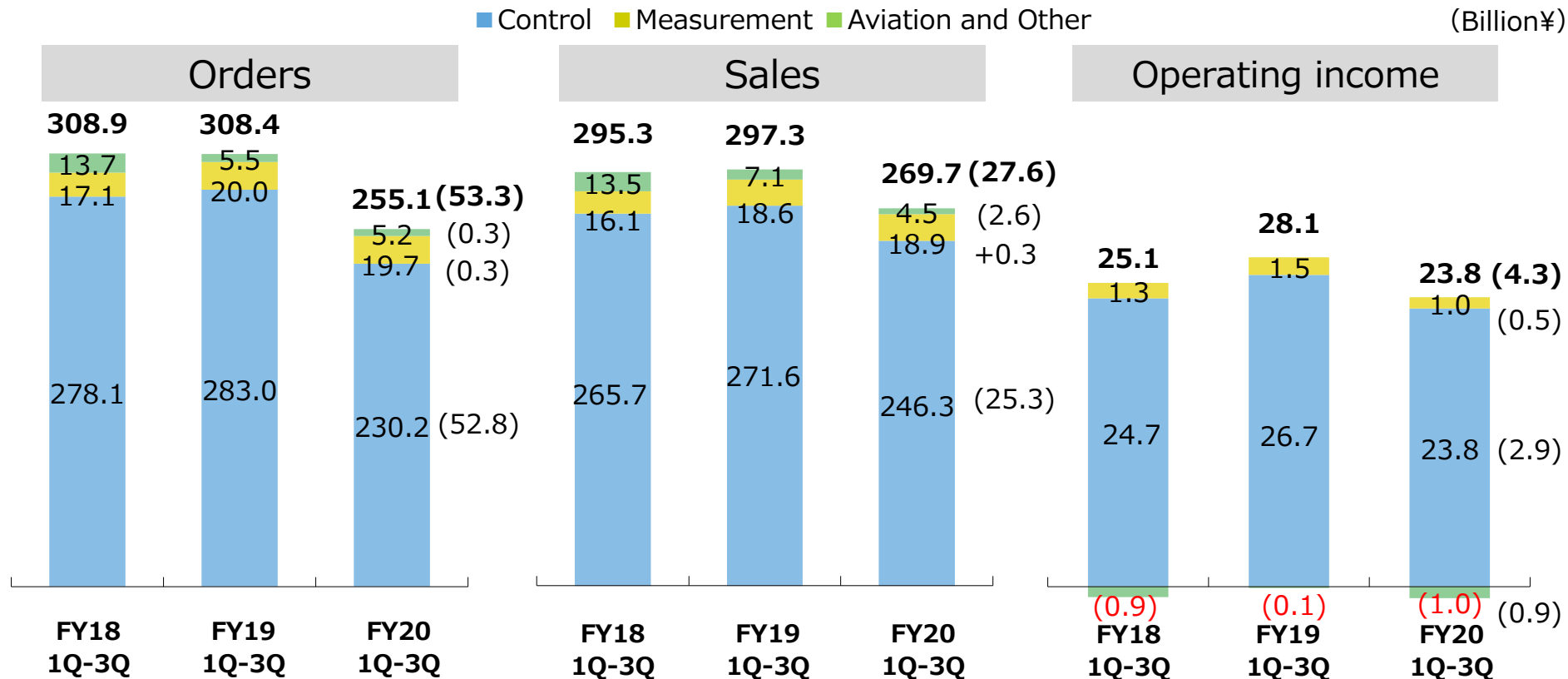
- ◆ Although operating income was affected by the decrease in sales, the decrease in profits was limited due to a reduction in SG&A.

(Billion¥)



FY19 1Q-3Q/FY20 1Q-3Q 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 (excluding the impact of exchange rate and transfer of subsidiary's shares: orders -15.1%, sales -5.9% year on year). Operating income was down due to decreased sales (excluding the impact of exchange rate and transfer of subsidiary's shares: -¥1.3 billion/-4.7% year on year).
- ◆ Measurement: While sales remained strong, operating income was down due to upfront investments in the life innovation business, etc.
- ◆ 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 (excluding the impact of exchange rate and transfer of subsidiary's shares: -¥42.4 billion/-15.1% year on year).
- ◆ Sales were also down overall for the same reasons (excluding the impact of exchange rate and transfer of subsidiary's shares: -¥15.9 billion/-5.9% year on year).

(Billion¥)

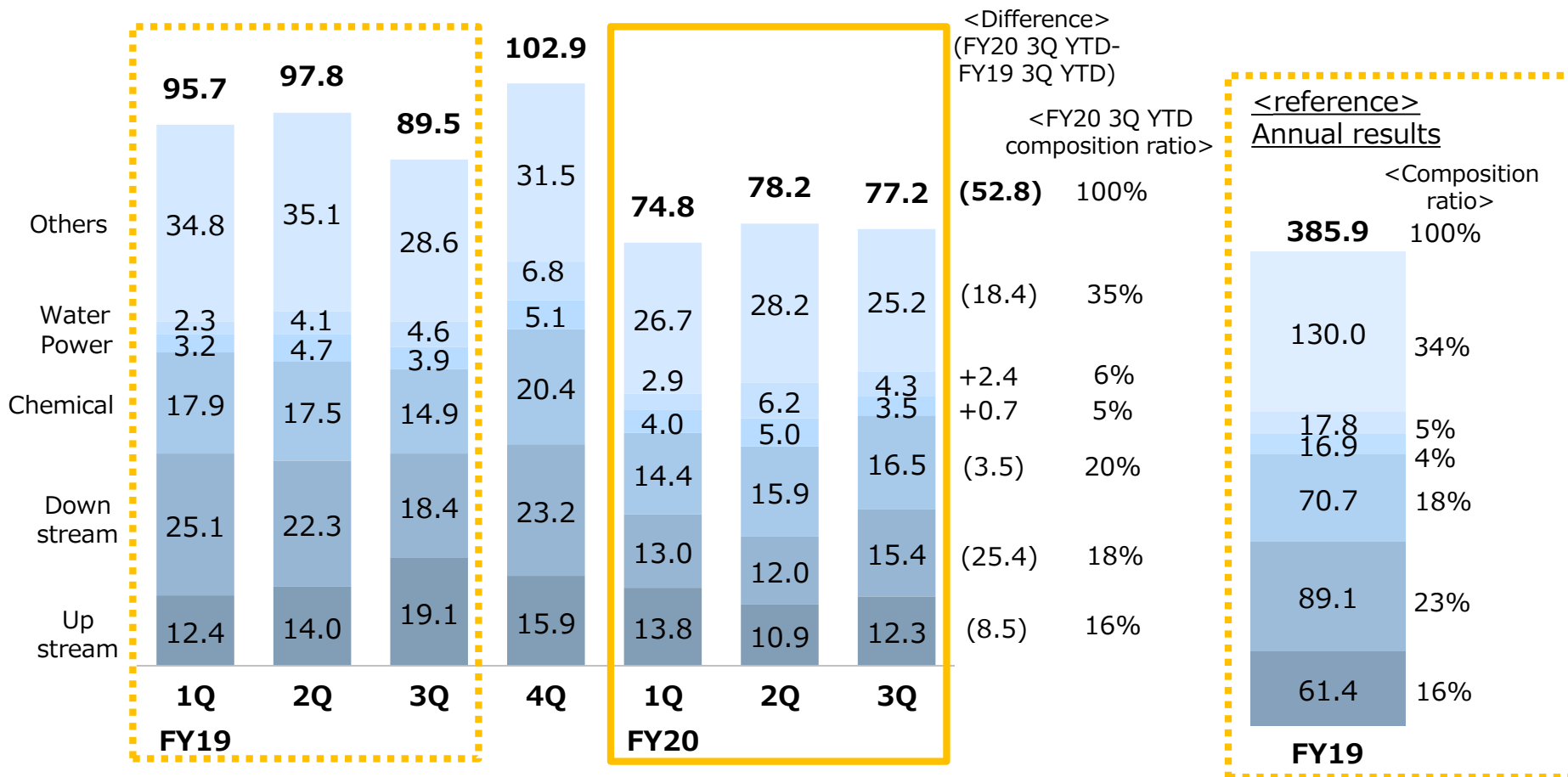
Orders	FY19 1Q-3Q (A)	FY20 1Q-3Q (B)	Difference (B-A)
Japan	81.4	74.1	(7.3)
Asia	91.5	77.8	(13.7)
(South-eastern Asia and Far East)	45.5	38.2	(7.3)
(China)	33.4	31.2	(2.2)
(India)	12.6	8.4	(4.2)
Europe and CIS	36.0	26.7	(9.3)
Middle East and Africa	43.8	29.3	(14.5)
North America	22.9	13.3	(9.6)
Central and South America	7.4	9.0	1.6
Outside Japan	201.6	156.1	(45.5)
Consolidated	283.0	230.2	(52.8)
Exchange rate 1\$ =	¥108.90	¥105.63	(¥3.27)

Sales	FY19 1Q-3Q (A)	FY20 1Q-3Q (B)	Difference (B-A)
Japan	75.5	73.3	(2.2)
Asia	91.3	83.2	(8.1)
(South-eastern Asia and Far East)	47.0	42.5	(4.5)
(China)	33.3	32.6	(0.7)
(India)	11.0	8.1	(2.9)
Europe and CIS	37.3	30.2	(7.1)
Middle East and Africa	39.1	30.5	(8.6)
North America	21.9	22.8	0.9
Central and South America	6.5	6.3	(0.2)
Outside Japan	196.1	173.0	(23.1)
Consolidated	271.6	246.3	(25.3)
Exchange rate 1\$ =	¥108.90	¥105.63	(¥3.27)

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 <No change>

◆ No changes have been made to the consolidated business forecast for the fiscal year ending March 31, 2021, which was announced on November 4, 2020.

Note: The exchange rate for the FY20 business forecast is 1 USD = 105 yen <no change>

Note: The FY20 crude oil price is expected to remain at around \$30-\$40/barrel <no change> (Billion¥)

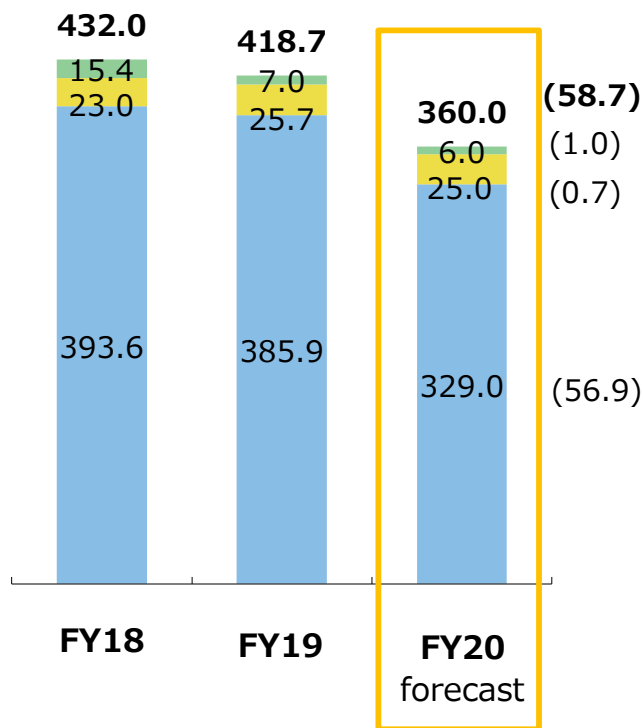
		FY18 (A)	FY19 (B)	FY20 Forecast (C)	Difference (C-B)	Growth rate (C÷B-1)
Orders		432.0	418.7	360.0	(58.7)	(14.0%)
Sales		403.7	404.4	375.0	(29.4)	(7.3%)
Operating income		34.6	35.6	30.0	(5.6)	(15.7%)
ROS (%)		8.6	8.8	8.0	(0.8pts)	—
Ordinary income		36.8	36.3	30.0	(6.3)	(17.4%)
Profit before income taxes		38.4	25.8	29.0	+3.2	+12.4%
Tax, etc.		10.0	11.1	10.0	(1.1)	(9.9%)
Profit attributable to owners of parent		28.4	14.7	19.0	+4.3	+29.4%
EPS (¥)		106.54	55.02	71.18	+16.16	+29.4%
Exchange rate	1\$ =	¥111.07	¥108.96	¥105.00	(¥3.96)	—

FY20 Forecast for Orders, Sales, and Operating Income by Segment <No change>

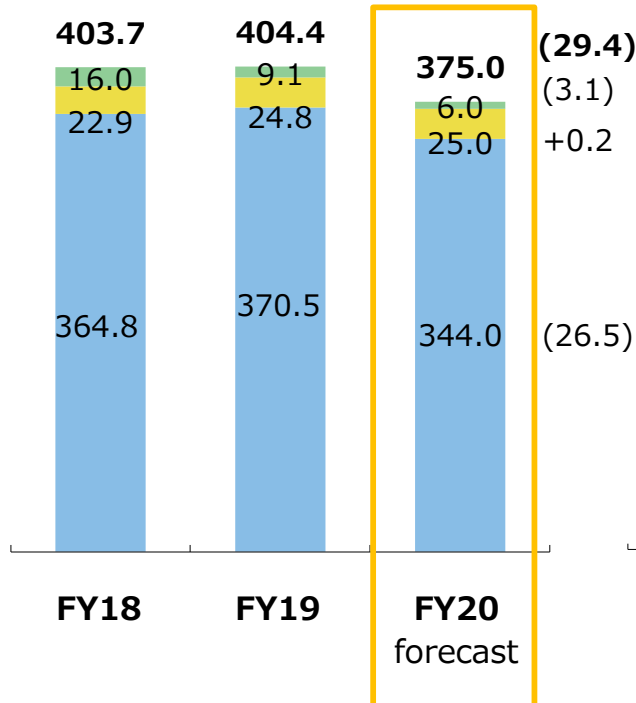
Control Measurement Aviation and Other

(Billion¥)

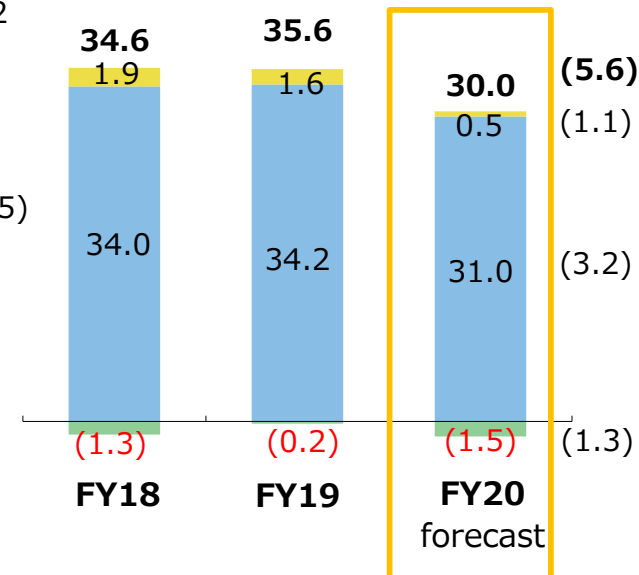
Orders



Sales



Operating income



FY20 Forecast for Control Orders and Sales by Region <No change>

(Billion¥)

Orders	FY19 Results (A)	FY20 Forecast (B)	Difference (B-A)
Japan	115.4	109.5	(5.9)
Asia	122.7	109.5	(13.2)
(South-eastern Asia and Far East)	62.8	56.0	(6.8)
(China)	42.3	42.5	0.2
(India)	17.6	11.0	(6.6)
Europe and CIS	49.7	39.0	(10.7)
Middle East and Africa	56.8	40.0	(16.8)
North America	32.2	21.0	(11.2)
Central and South America	9.1	10.0	0.9
Outside Japan	270.5	219.5	(51.0)
Consolidated	385.9	329.0	(56.9)
Exchange rate1\$ =	¥108.96	¥105.00	(¥3.96)

Sales	FY19 Results (A)	FY20 Forecast (B)	Difference (B-A)
Japan	109.8	108.5	(1.3)
Asia	118.4	109.5	(8.9)
(South-eastern Asia and Far East)	61.9	54.0	(7.9)
(China)	42.5	45.5	3.0
(India)	14.0	10.0	(4.0)
Europe and CIS	50.0	41.0	(9.0)
Middle East and Africa	54.1	46.0	(8.1)
North America	29.4	30.0	0.6
Central and South America	8.8	9.0	0.2
Outside Japan	260.7	235.5	(25.2)
Consolidated	370.5	344.0	(26.5)
Exchange rate1\$ =	¥108.96	¥105.00	(¥3.96)

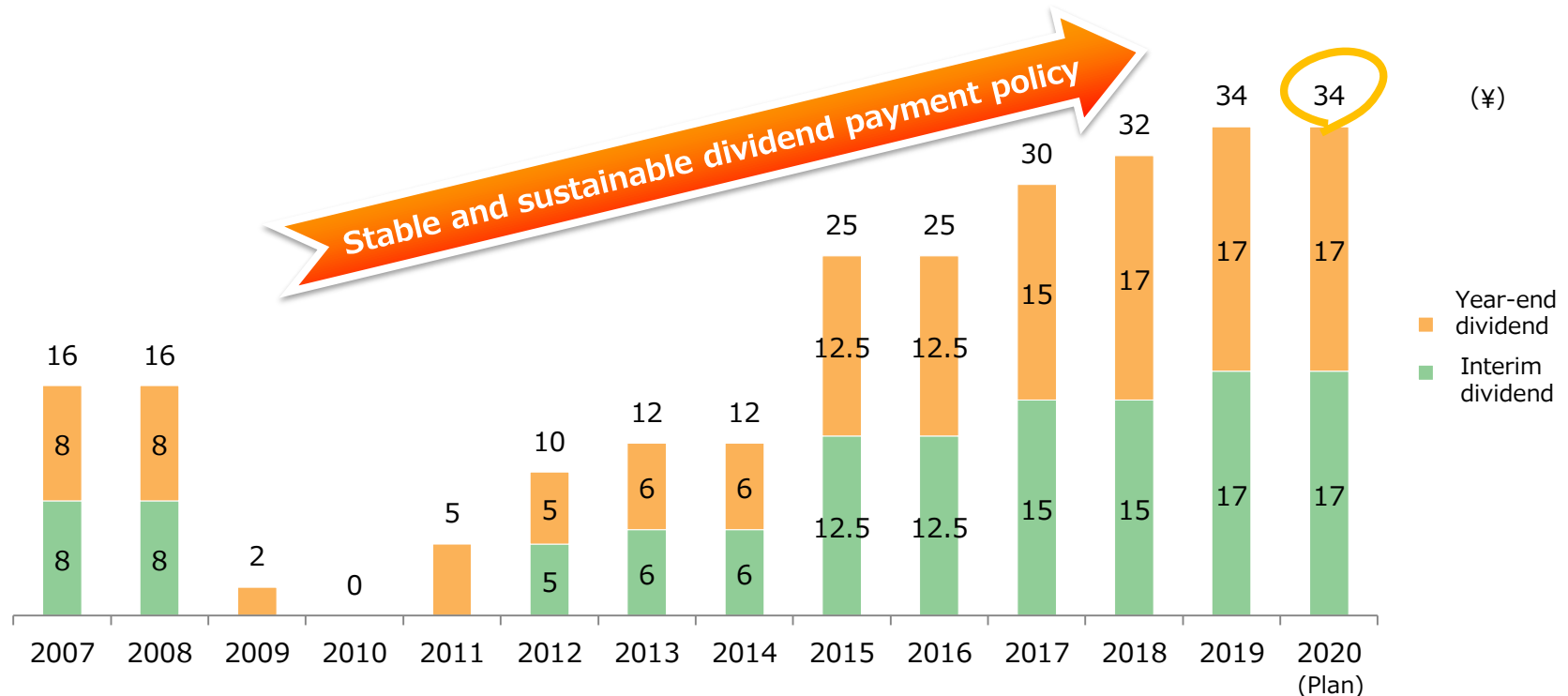
Dividend

<No change>

The FY20 annual dividend will remain at a record high level.

FY19: ¥34 (payout ratio 61.8%)

FY20: ¥34 (payout ratio 47.8%)



Appendix:

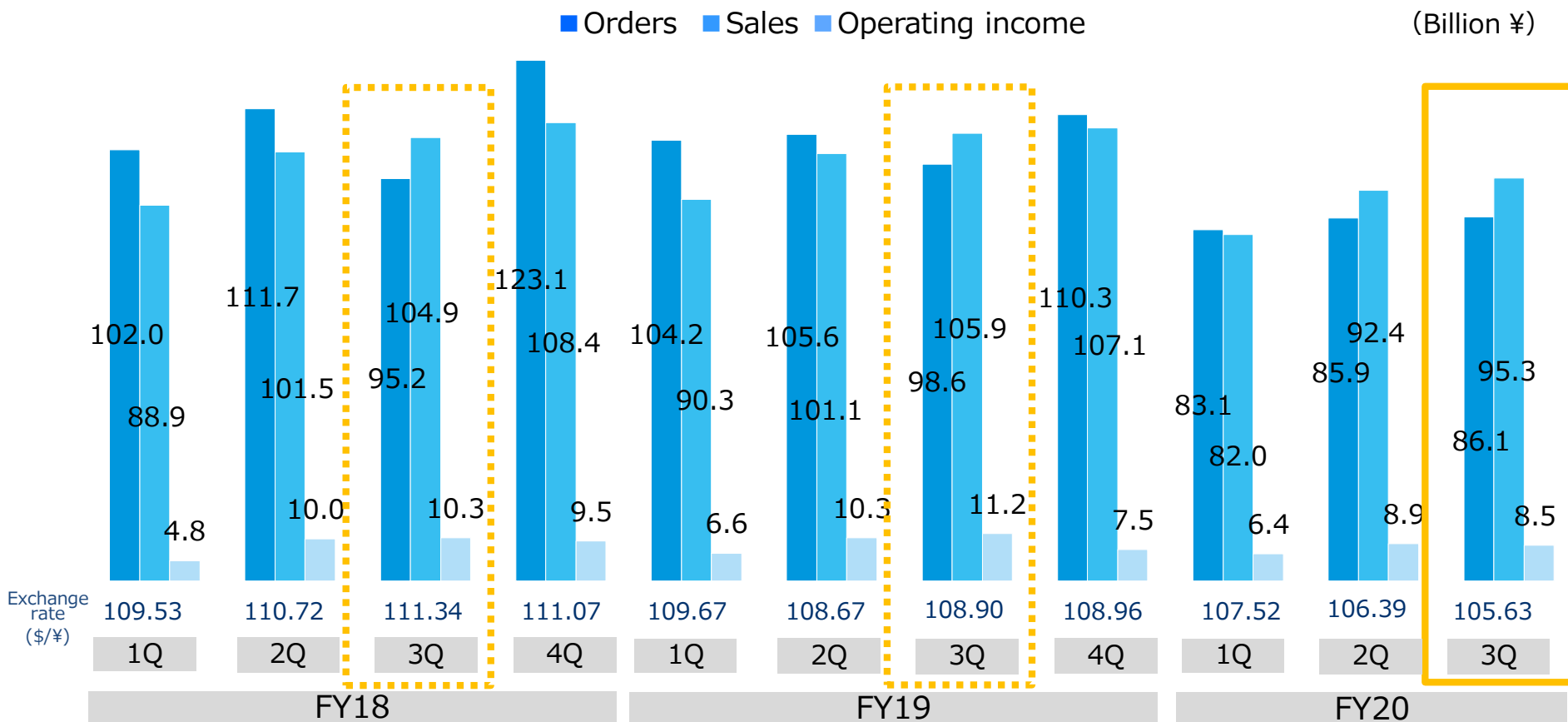
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- Trend of R&D Expenses, Depreciation, and CAPEX
- Trend of Balance Sheet
- Trend of Stock Price

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



Appendix: Non-operating / Extraordinary Income and Expenses

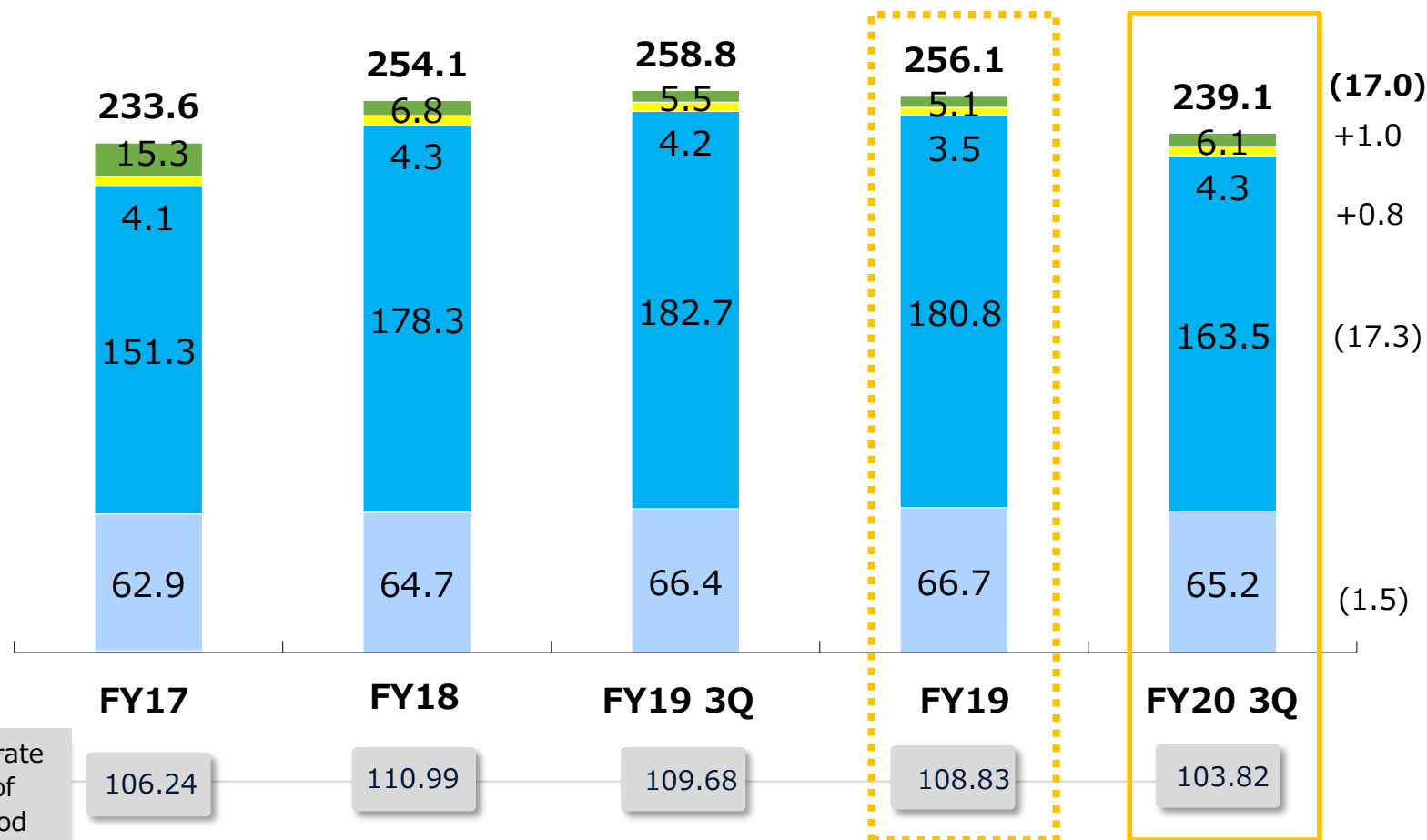
(Billion ¥)

	FY19 1Q-3Q	FY20 1Q-3Q
Operating income	28.1	23.8
Non-operating income	2.8	2.7
Non-operating expenses	2.7	1.4
Ordinary income	28.2	25.2
Extraordinary income	2.7	0.1
Extraordinary expenses	8.9	1.6
Income before tax	22.0	23.7
Tax, etc.	9.5	7.0
Profit attributable to owners of parent	12.5	16.7
(Effective tax rate)	37.2%	23.5%

Appendix: Order Backlog Trend by Segment

(Billion¥)

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

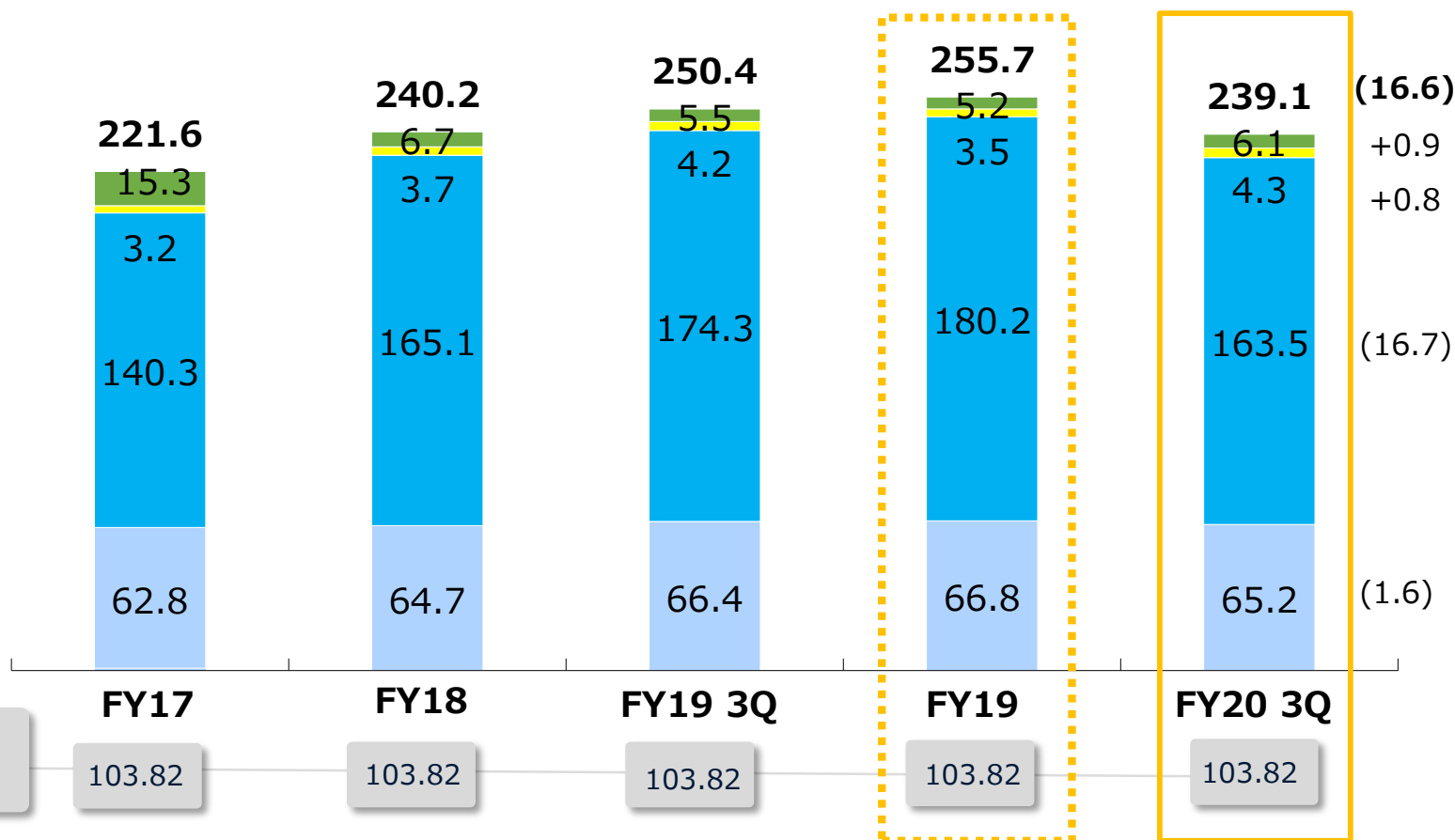


*Refined segment classification and revised FY19 numbers

<Reference> Order Backlog Trend by Segment (Using FY20 3Q exchange rate)

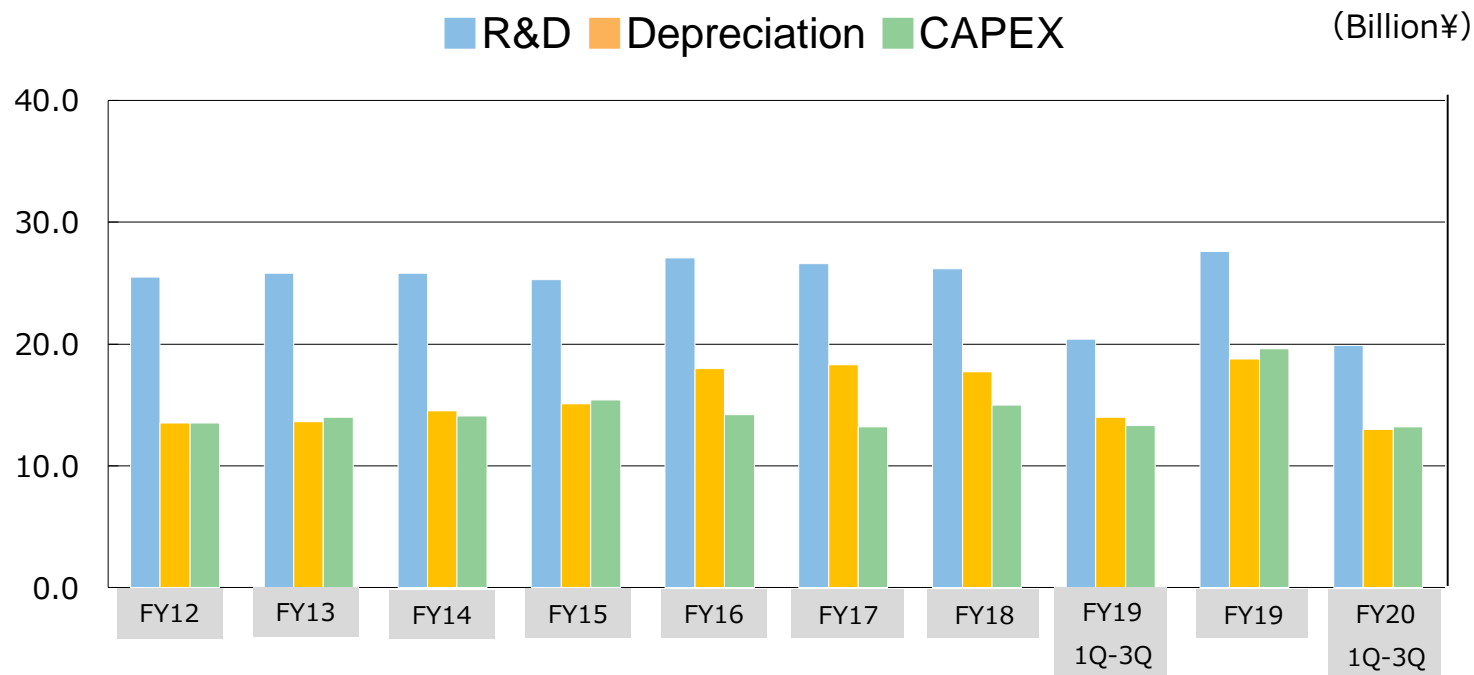
(Billion¥)

■ 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



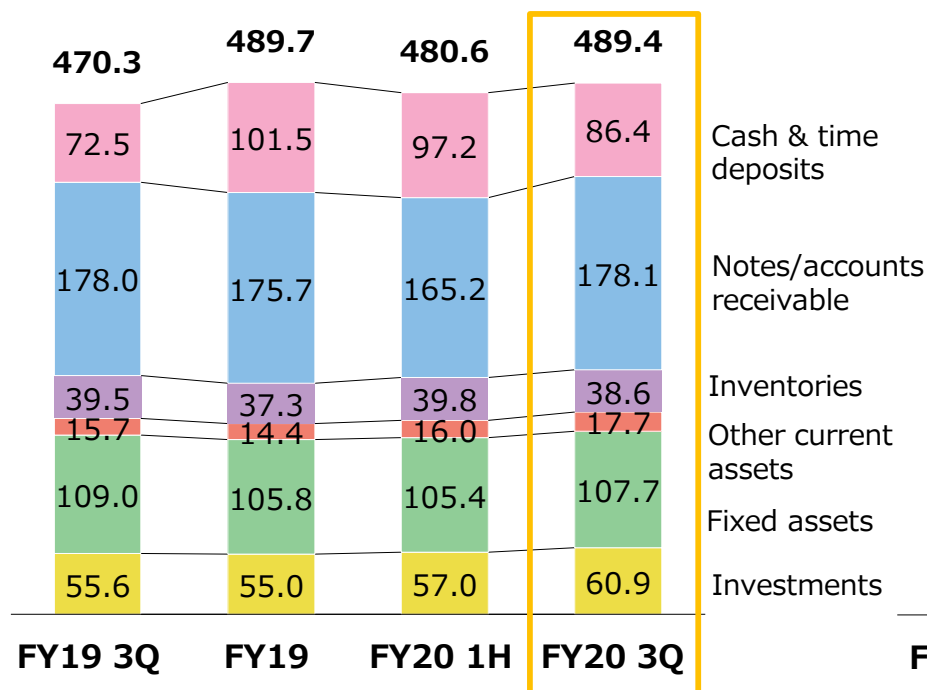
	FY12	FY13	FY14	FY15	FY16	FY17	FY18	FY19 1Q-3Q	FY19	FY20 1Q-3Q
R&D expenses (% of sales)	7.3%	6.6%	6.4%	6.1%	6.9%	6.5%	6.5%	6.9%	6.8%	7.4%
Depreciation (% of sales)	3.9%	3.5%	3.6%	3.6%	4.6%	4.5%	4.4%	4.7%	4.6%	4.8%
CAPEX (% of sales)	3.9%	3.6%	3.5%	3.7%	3.6%	3.2%	3.7%	4.5%	4.9%	4.9%

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

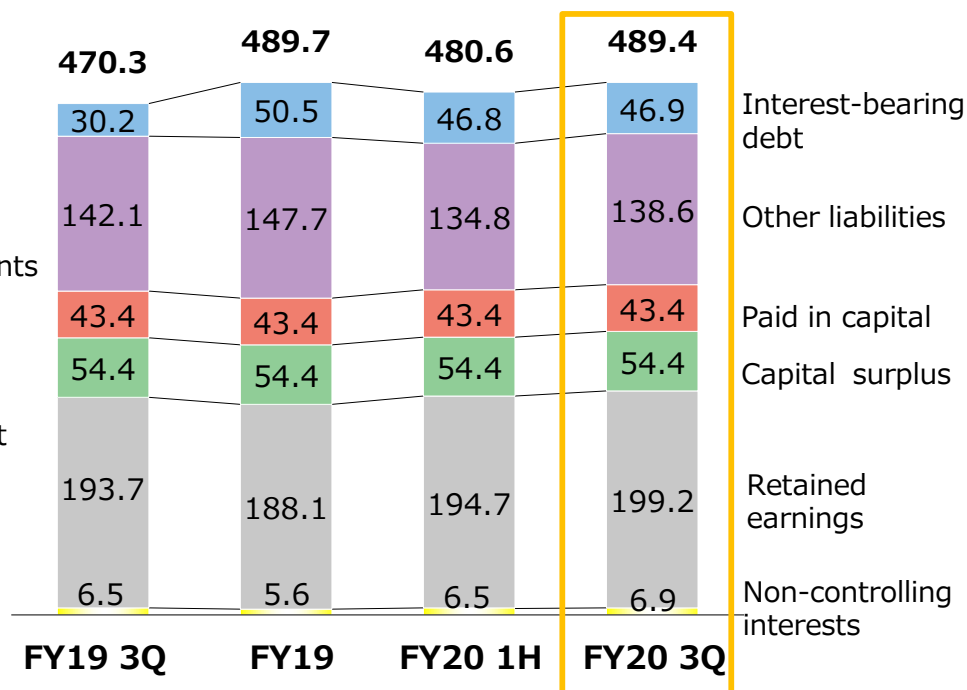
Appendix: Trend of Balance Sheet

(Billion¥)

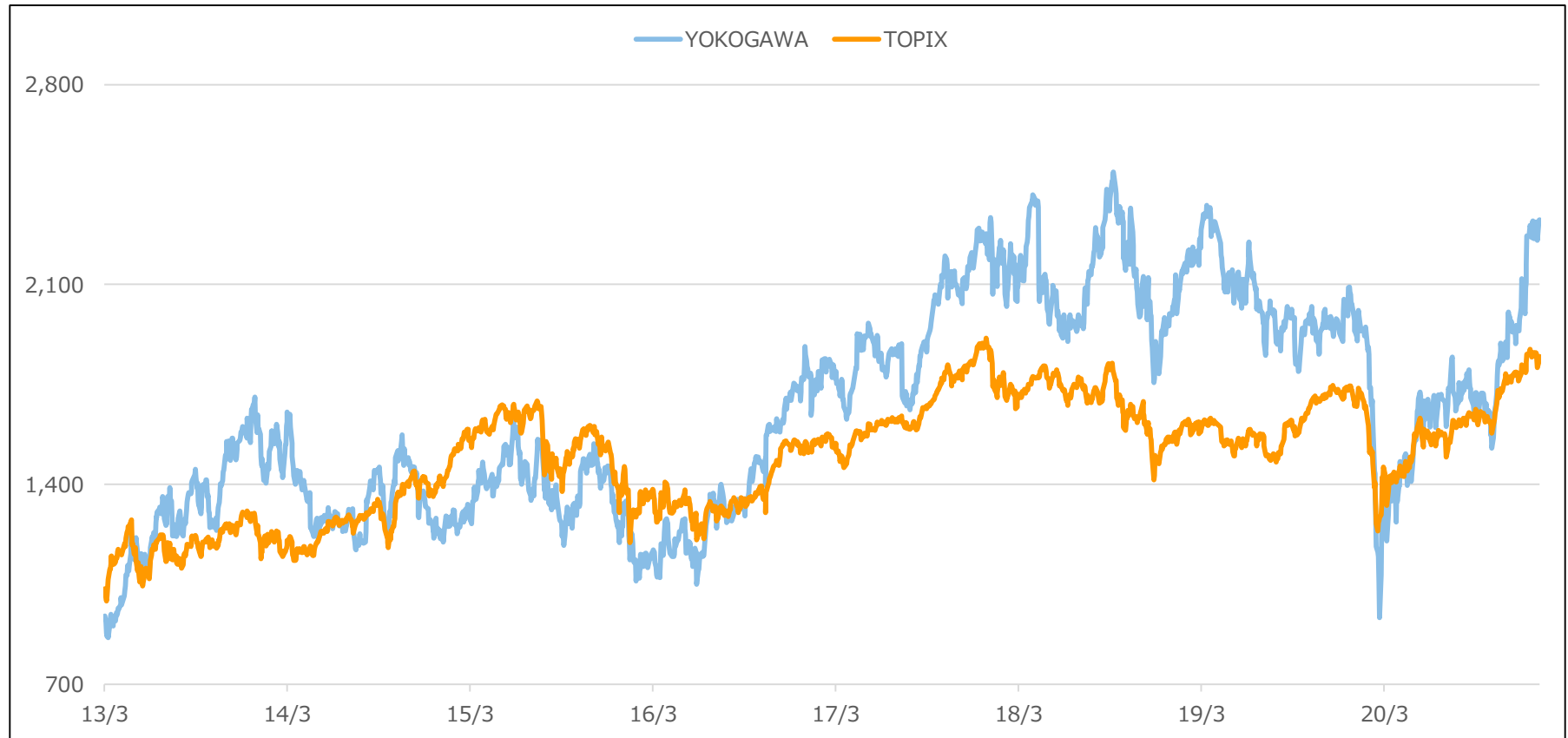
Assets



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	20/9	20/12	21/2/2
Yokogawa	946	1,667	1,295	1,163	1,752	2,198	2,291	2,112	1,977	1,929	1,303	1,680	1,665	1,588	2,327
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	1,625	1,611	1,847

Reference:

- FY20 Basic policy
- Control segment order trend, by project size
- Solution portfolio in control segment
- News
- Target industry Renewable energy
- Yokogawa's main ESG indexes, etc.

Reference: FY2020 Basic policy <No change>

- ◆ 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



Significant opportunities to respond to demand for remotization, autonomy (IA2IA) and other solutions that will enhance safety, security, productivity, and efficiency.

(Reference) **YOKOGAWA IR DAY**
Explaining global trends, customer issues, and Yokogawa's efforts under the theme of IA2IA



Meeting documents
Link



Reference: Control segment order trend, by project size

<Updated>

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

* 3MUS\$

(Billion ¥)
120

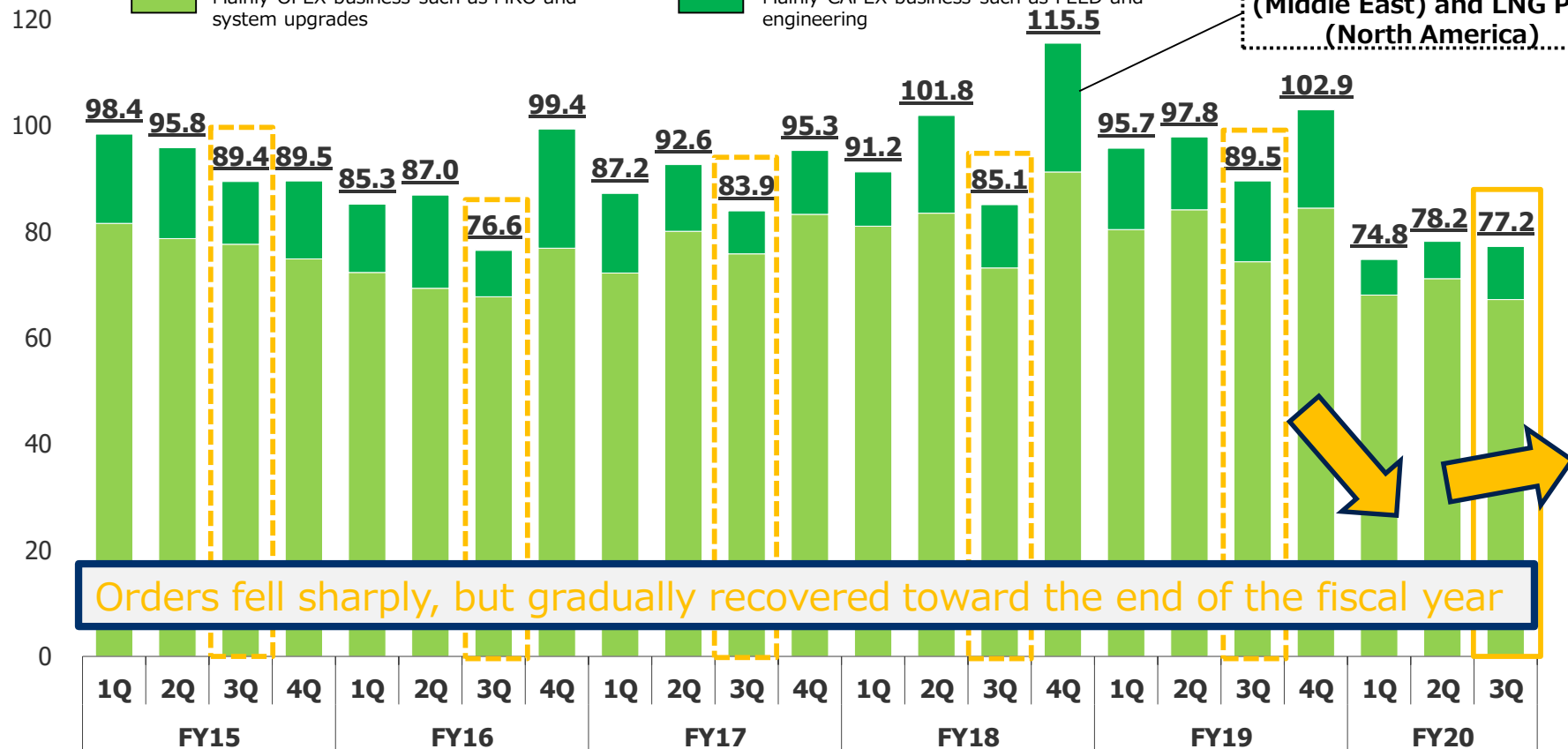


Less than 300M yen (small PJTs)
Mainly OPEX business such as MRO and system upgrades



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

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

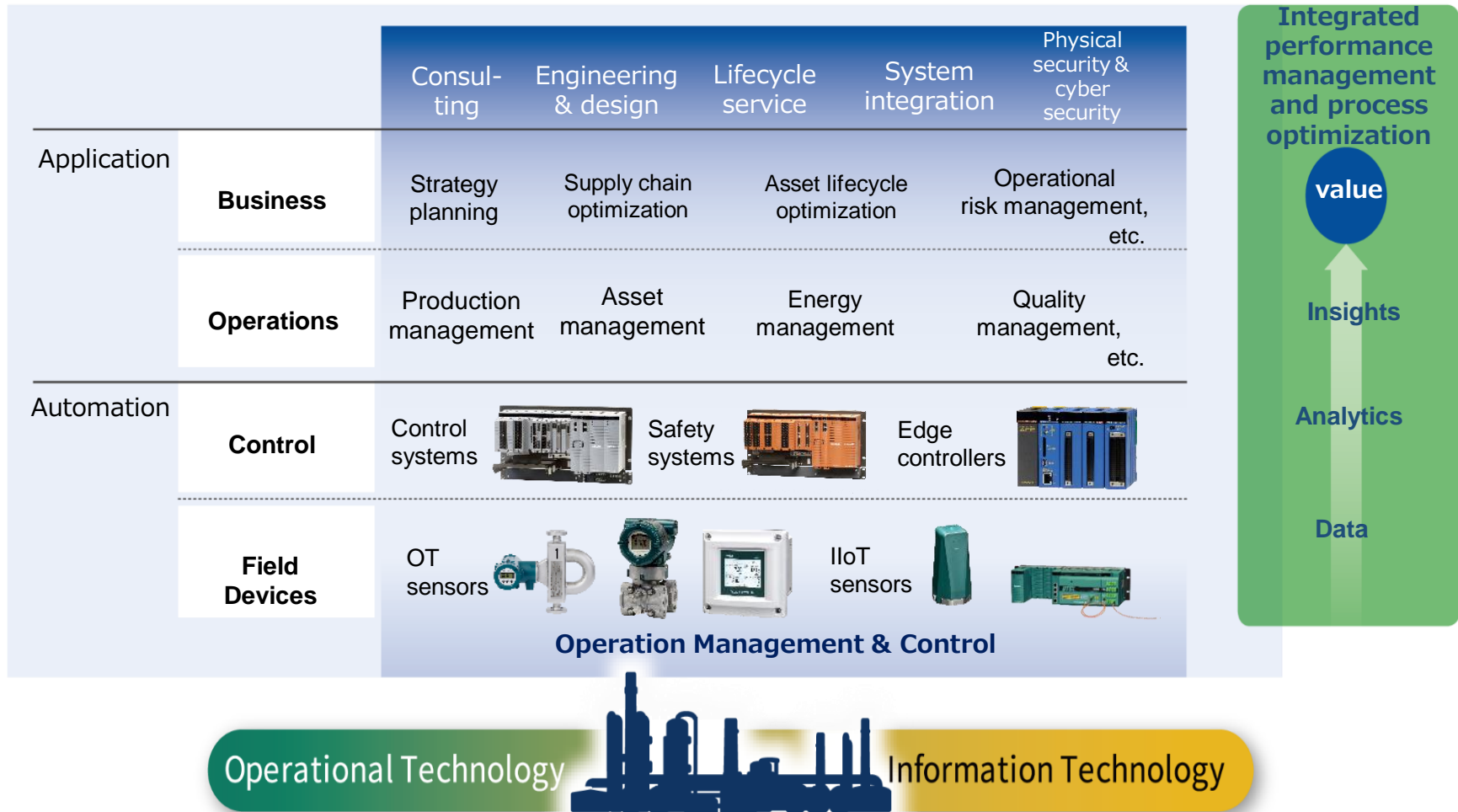


Orders fell sharply, but gradually recovered toward the end of the fiscal year

	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
USD	121.8	121.8	121.6	120	108.5	102.9	107.6	109	111.4	111.3	111.8	110.7	109.5	110.7	111.3	111.1	109.7	108.7	108.9	109	107.52	106.39	105.63

Reference: Solution portfolio in control segment <No change>

From “Automation Supplier” to “Trusted Partner”



Reference: News (from November 5 to February 9)

<Updated>



Nov.

Included for the first time in DJSI World Index
Published 2020 Sustainability Report [Link](#)

Invested in and signed a business alliance agreement with PeptiStar, a manufacturer of peptide drug substances
Announced agreement with Power Factors for the resale of a renewable energy asset performance management platform (see slide 27)
-Integration with Yokogawa portfolio makes possible a “sensor-to-enterprise” solution for solar, wind, and energy storage projects-

Dec.

Signed partnership agreement with InSphero
-Supporting drug development research through the use of HCA and three-dimensional culture models-
Received prestigious A scores from CDP for our global climate and water stewardship
Invested in venture fund specializing in biotech and life sciences
-Accelerating new developments in the life innovation business-
YOKOGAWA IR DAY (about IA2IA) [Link](#)



Jan.

Started construction in Kobe of a pilot VPP plant that will use city waterworks pumping stations and industrial storage batteries
-Adjusting the regional balance of electricity supply and demand and supporting the expanded use of renewable energy-
Receipt of control system and integration service order for Lahendong geothermal power plant in Indonesia (see slide 27)
-Renewable energy continues to play a significant role in the company's sustainability efforts-

Feb.

Signed VAR contract with Cognite in Japan
-Analysis of plant data to identify relationships that unlock new value-

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

Reference : Target industry Renewable energy

<Updated>



Collaboration in the fields of wind power, solar power, biomass, and geothermal power generation

Points on business

- Providing solutions for monitoring/control, data measurement, equipment maintenance, etc.
- Expanding our business portfolio by collaborating with other companies that have know-how
 - ➔ **Reseller agreement with US-based Power Factors (Dec 2, 2020)**
Have started to market Power Factors' industry-leading Drive software platform of asset performance management solutions for solar, wind, energy storage, and other renewable power facilities



DRIVE PLATFORM

<Examples of efforts to realize a low-carbon society>

- **Winning of control system and integration service order for Lahendong geothermal power plant in Indonesia (Jan 26, 2021)**
 - ➔ With geothermal power, no fuels are burned aboveground and only minimal amounts of carbon dioxide are released.
 - ➔ The government of Indonesia aims to increase the country's installed geothermal power generation capacity from the current 2100MW to 8000MW by 2030.
 - ➔ Points that led to the order are durability in the presence of corrosive substances and reliability of remote monitoring/diagnosis and other functions.



Reference: Yokogawa's main ESG indexes, etc.

<Updated>

As of February 2021

DJSI-World Index (New)
DJSI-Asia Pacific Index
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 Climate Change A List (New)
CDP Water Security A List
SNAM Sustainability Index
S&P/JPX Carbon Efficient Index



CLIMATE



WATER

Member of
**Dow Jones
Sustainability Indices**

Powered by the S&P Global CSA



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

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

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