

Yokogawa Electric Corporation

Financial Results for Fiscal Year 2020

May 11, 2021

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Junichi Anabuki
Director, Executive Vice President
Corporate Administration Headquarters

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Financial Results for Fiscal Year 2020

(April 1, 2020 – March 31, 2021)

Junichi Anabuki

Director, Executive Vice President

Corporate Administration Headquarters

Key Points

■ FY20 results

- 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 goodwill and other impairment losses 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 13.8%, sales declined 5.2%, and operating income declined 2.1% year on year.
 - Measurement: Sales were up, but operating income declined.
 - Aviation and other: Sales declined and the operating loss increased.
- Regions: Although all regions faced harsh conditions, China and Central and South America posted strong orders.
- Industries: Energy-related industries were adversely impacted by COVID-19, and large project orders were down from the previous year.

■ FY20 year-end dividend : No change (estimated to be 17 yen, as originally planned)

■ FY21 earnings and dividend forecasts: A year-on-year decline in sales and operating income. Dividend expected to be unchanged from FY20

- Earnings forecast: It is expected that the decline in orders due to stagnant economic conditions and other factors will bottom out as a result of a slowdown in the spread of COVID-19, and this will lead to a gradual recovery; however, a recovery in net sales will likely take some time as the order backlog has dropped significantly. Operating income is expected to fall due to an increase in upfront investments for new businesses and the decline in sales.
- Dividend forecast: Although profits are expected to decline, the annual dividend will remain the same as the previous year: 34 yen.

Summary of FY20 Results

- ◆ Orders decreased (excluding impact of exchange rate and transfer of subsidiary's shares: -12.7% year on year).
- ◆ Sales decreased (excluding impact of exchange rate and transfer of a subsidiary's shares: -5.2% year on year).
- ◆ Operating income was down due to decreased sales.
- ◆ Profit attributable to owners of parent increased due mainly to the recording of goodwill and other impairment losses in the same period of the previous fiscal year.

(Billion ¥)

		FY19	FY20	Difference	Growth rate	Impact of exchange rate and transfer of subsidiary's share
Orders		418.7	355.8	(62.9)	(15.0%)	(10.3)
Sales		404.4	374.2	(30.2)	(7.5%)	(9.3)
Operating income		35.6	31.6	(4.0)	(11.2%)	(2.0)
ROS (%)		8.8	8.4	(0.4pts)	—	—
Ordinary income		36.3	34.1	(2.2)	(6.0%)	(2.1)
Profit attributable to owners of parent		14.7	19.2	+4.5	+30.9%	(1.8)
EPS (¥)		55.02	72.00	+16.98	+30.9%	—
ROE (%)		5.1	6.5	1.4pts	—	—
Exchange rate	1\$=	¥108.96	¥106.01	(2.95)	—	—

Summary of FY20 Results (Comparison with forecast)

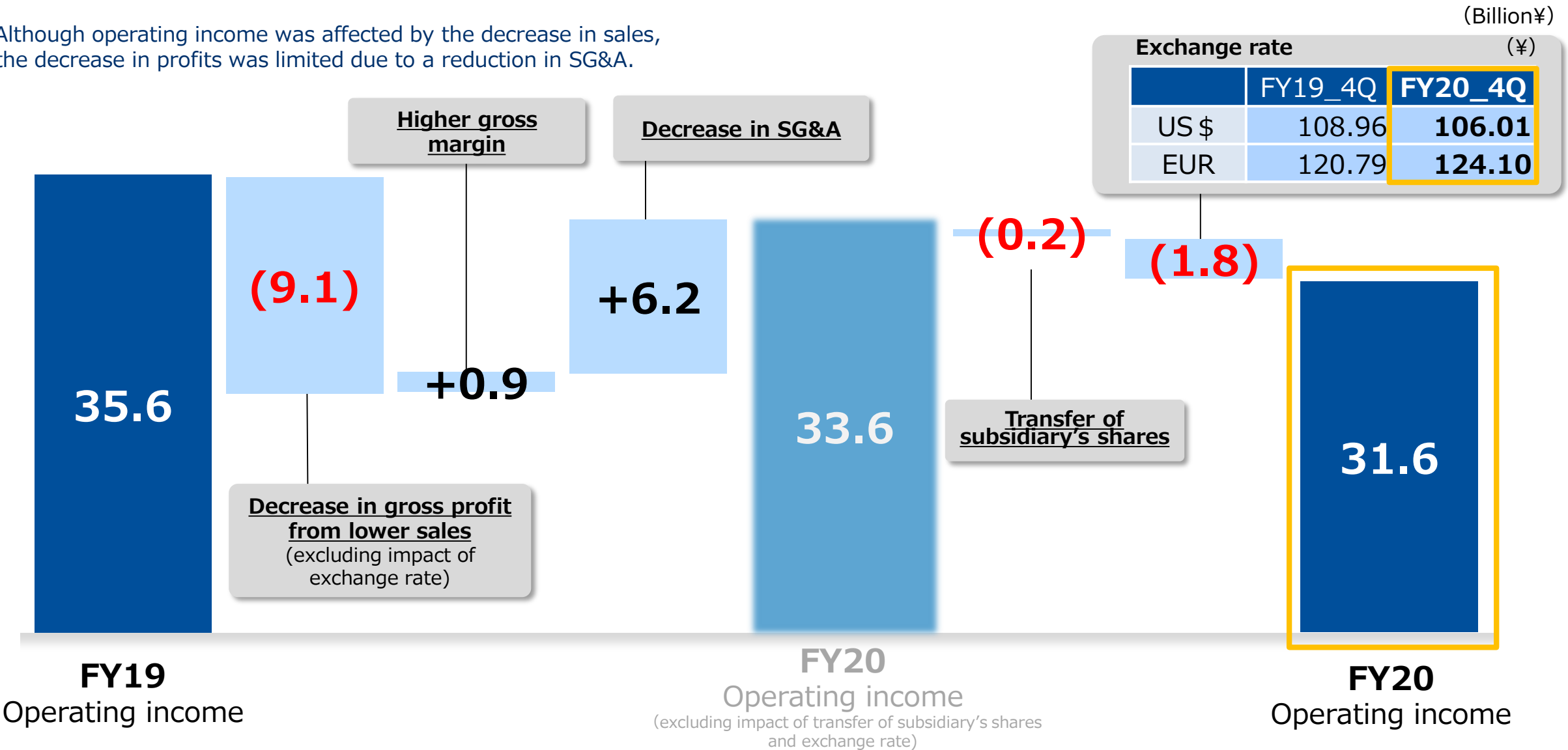
- ◆ Sales, operating income, and profit attributable to owners of parent were almost as expected.

(Billion ¥)

		FY20 2/9 forecast	FY20 results	Difference
Orders		360.0	355.8	(4.2)
Sales		375.0	374.2	(0.8)
Operating income		30.0	31.6	+1.6
ROS (%)		8.0	8.4	+0.4pts
Ordinary income		30.0	34.1	+4.1
Profit attributable to owners of parent		19.0	19.2	+0.2
EPS (¥)		71.18	72.00	+0.82
Exchange rate	1\$ =	¥105.00	¥106.01	¥1.01

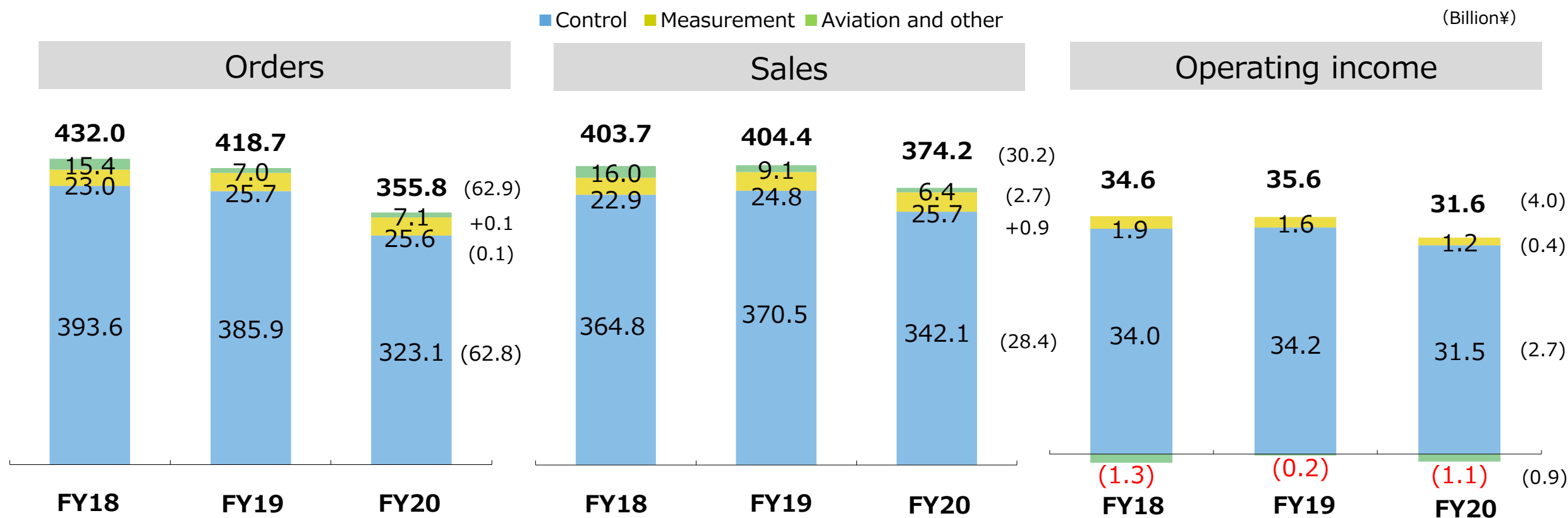
Analysis of Operating Income (FY19/FY20 comparison)

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



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 (excluding the impact of exchange rate and transfer of subsidiary's shares: orders -13.8%, sales -5.2% year on year).
Operating income was down due to decreased sales (excluding the impact of exchange rate and transfer of subsidiary's shares: -¥0.7 billion/-2.1% year on year).
- ◆ Measurement: While sales remained strong, operating income was down due to factors such as 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

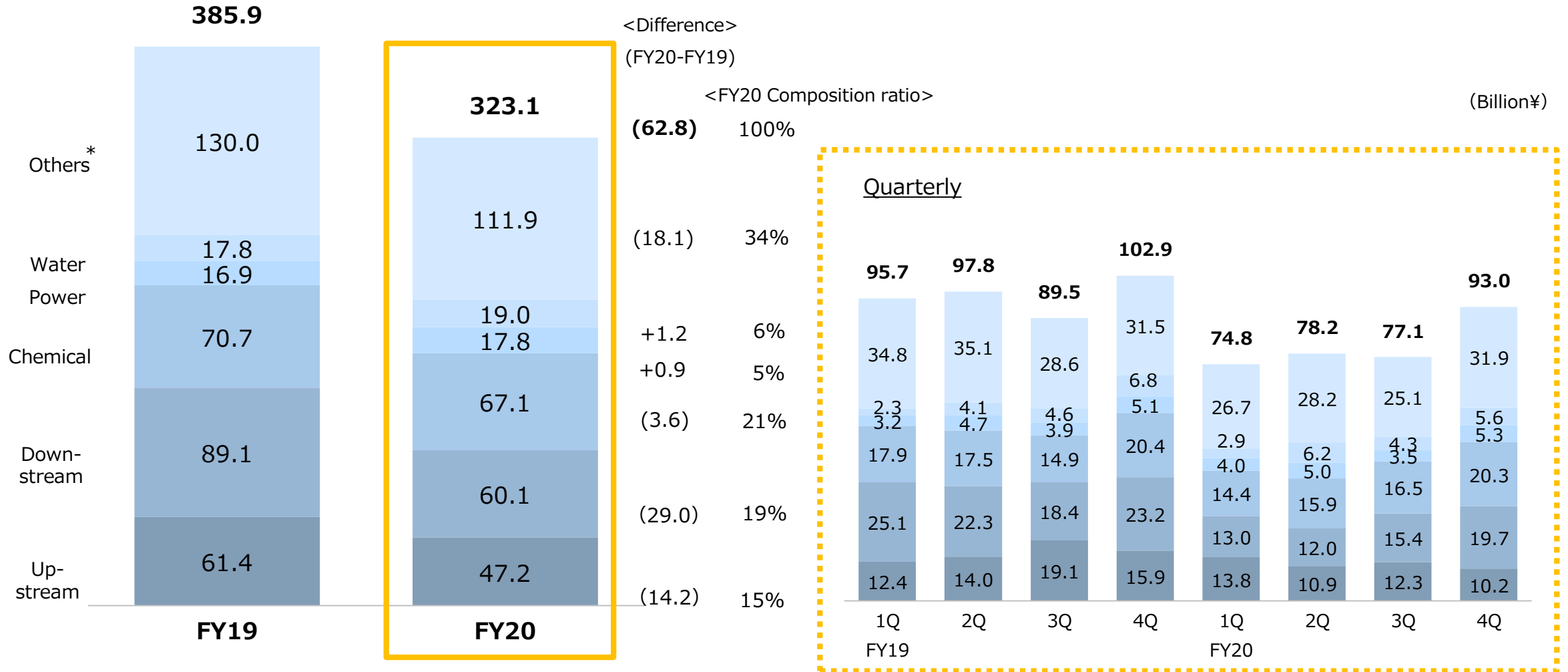
- ◆ Orders were down overall due to the impact of COVID-19 and the exchange rate, but they were up in Central and South America (excluding the impact of exchange rate and transfer of subsidiary's shares: -¥52.8 billion/-13.8% year on year).
- ◆ Sales were also down overall for the same reasons (excluding the impact of exchange rate and transfer of subsidiary's shares: -¥19.2 billion/-5.2% year on year).

(Billion¥)

Orders	FY19 (A)	FY20 (B)	Difference (B-A)	Sales	FY19 (A)	FY20 (B)	Difference (B-A)
Japan	115.4	110.0	(5.4)	Japan	109.8	106.4	(3.4)
Asia	122.7	104.8	(17.9)	Asia	118.4	113.5	(4.9)
(South-eastern Asia and Far East)	62.8	49.9	(12.9)	(South-eastern Asia and Far East)	61.9	56.4	(5.5)
(China)	42.3	43.0	0.7	(China)	42.5	44.8	2.3
(India)	17.6	11.9	(5.7)	(India)	14.0	12.3	(1.7)
Europe and CIS	49.7	39.1	(10.6)	Europe and CIS	50.0	41.1	(8.9)
Middle East and Africa	56.8	37.9	(18.9)	Middle East and Africa	54.1	42.0	(12.1)
North America	32.2	20.3	(11.9)	North America	29.4	29.6	0.2
Central and South America	9.1	11.0	1.9	Central and South America	8.8	9.5	0.7
Outside Japan	270.5	213.1	(57.4)	Outside Japan	260.7	235.7	(25.0)
Consolidated	385.9	323.1	(62.8)	Consolidated	370.5	342.1	(28.4)
Exchange rate1\$ =	¥108.96	¥106.01	(¥2.95)	Exchange rate1\$ =	¥108.96	¥106.01	(¥2.95)

Orders by Industry in Control Segment

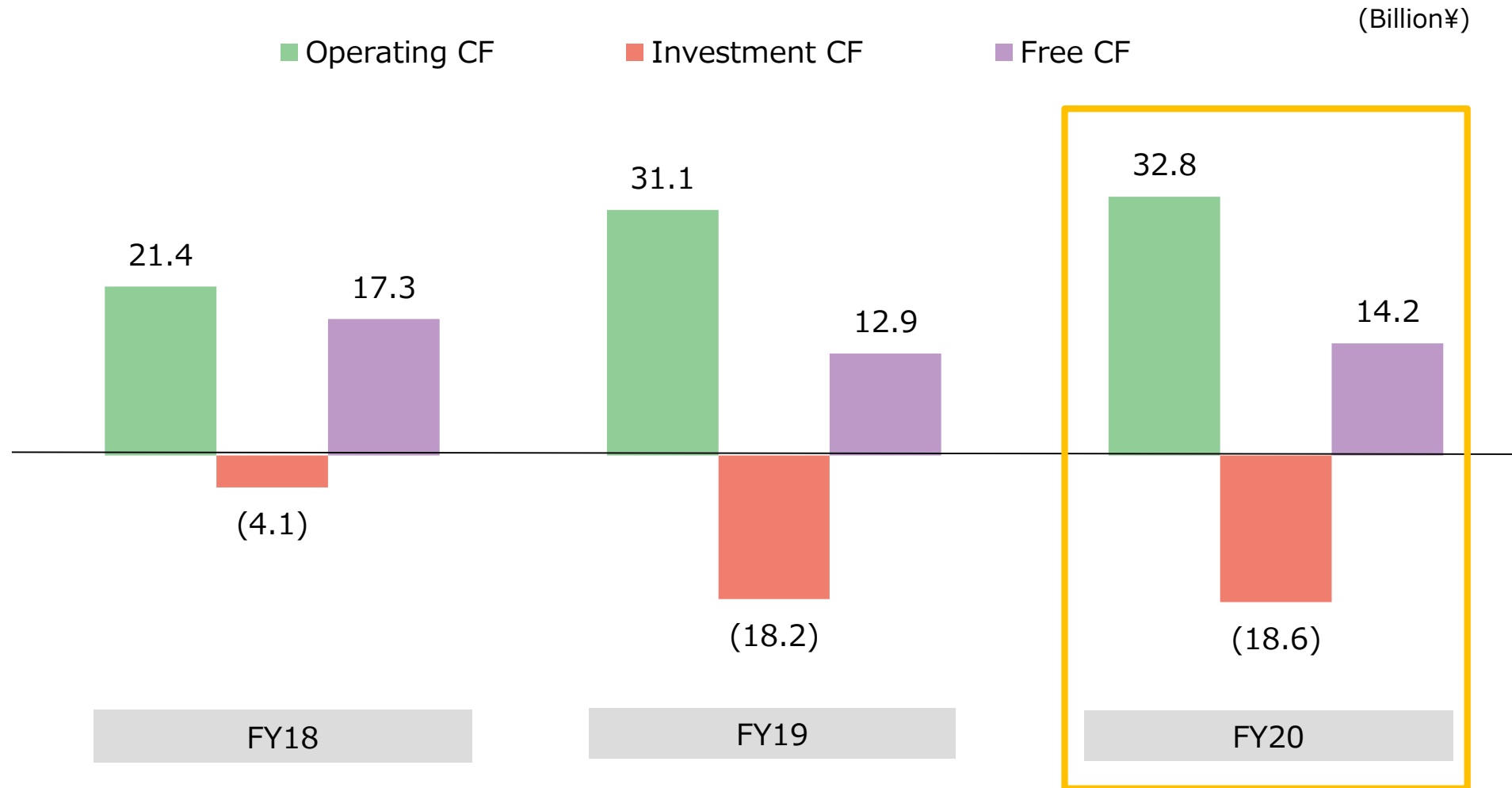
◆In energy-related industries, orders were severely impacted by the COVID-19 pandemic, and large project orders were down from the previous year.



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

Note: Industry segments will change in FY21.

Trend of Cash Flow



FY21 Forecast

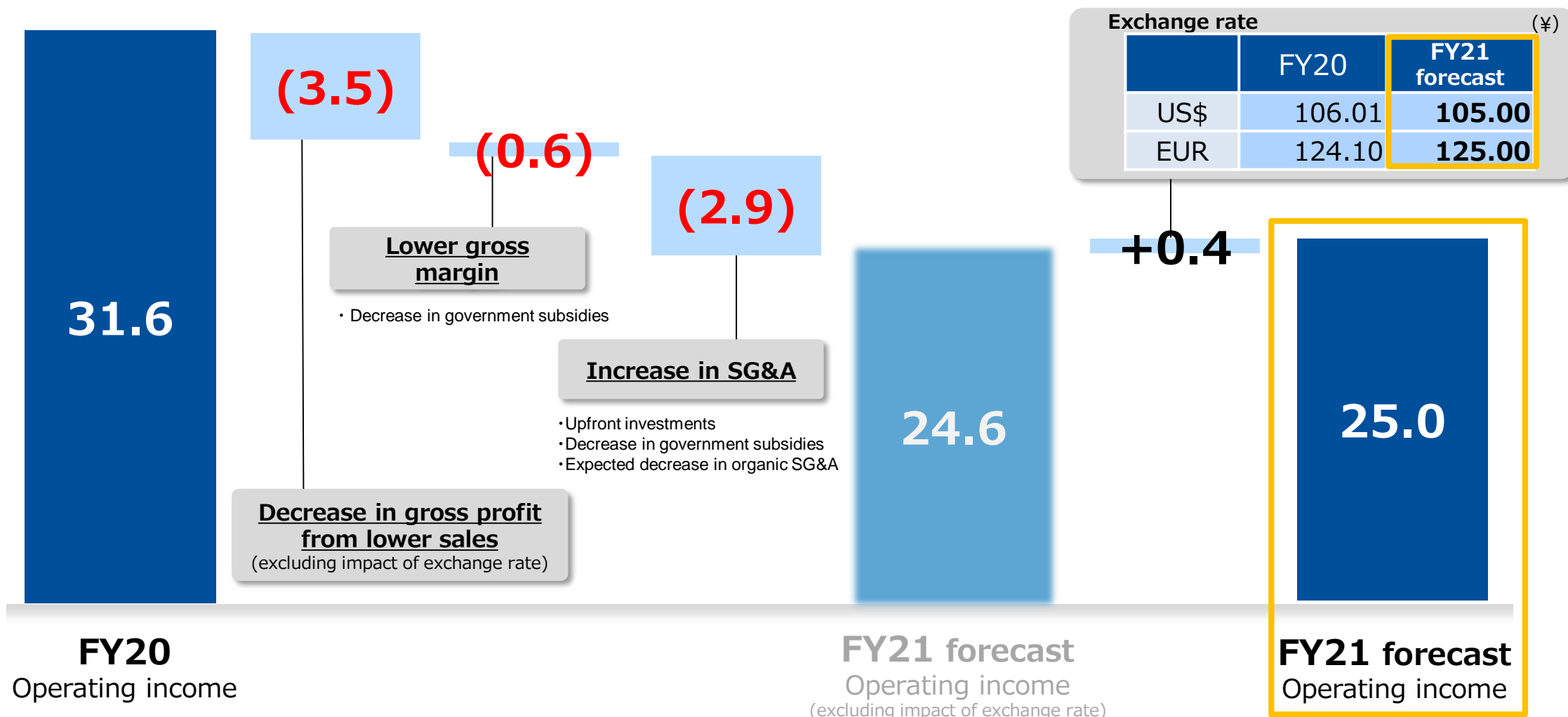
- ◆ The decline in orders due to stagnant economic conditions caused by the spread of COVID-19 will bottom out, and a gradual recovery is expected. We expect the recovery will start from small projects (mainly OPEX-related), and the recovery in large projects (mainly CAPEX-related) will take longer.
- ◆ Sales are expected to decline due to an anticipated slow recovery in net sales as a result of a significant drop in the order backlog.
- ◆ Operating income is expected to fall due to the decline in sales, a decrease in government subsidies, an increase in upfront investments for new businesses.

		FY19 (A)	FY20 (B)	FY21 Forecast (C)	Difference (C-B)	Growth rate (C÷B-1)	(Billion¥)
Orders		418.7	355.8	380.0	+24.2	+6.8%	
Sales		404.4	374.2	370.0	(4.2)	(1.1%)	
Operating income		35.6	31.6	25.0	(6.6)	(20.9%)	
ROS (%)		8.8	8.4	6.8	(1.6pts)	—	
Ordinary income		36.3	34.1	25.0	(9.1)	(26.7%)	
Profit before income taxes		25.8	31.5	25.0	(6.5)	(20.6%)	
Tax, etc.		11.1	12.3	9.0	(3.3)	(26.8%)	
Profit attributable to owners of parent		14.7	19.2	16.0	(3.2)	(16.7%)	
EPS (¥)		55.02	72.00	59.94	(12.06)	(16.8%)	
Exchange rate	1\$ =	¥108.96	¥106.01	¥105.00	(¥1.01)	—	

Factors Accounting for Increase/Decrease in FY21 Operating Income

◆Includes a decrease in sales and an increase in costs due to upfront investments in new businesses, etc.

(Billion¥)

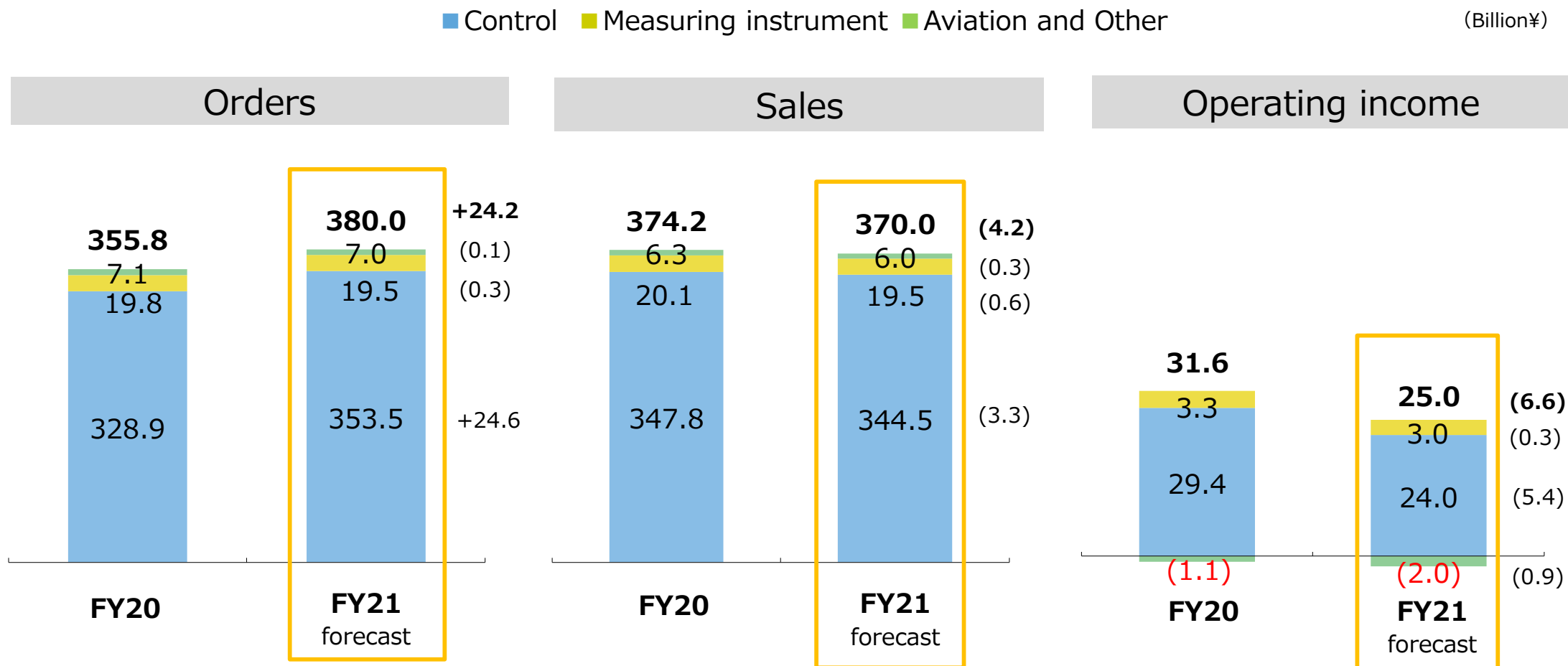


Segmentation Change and FY21 Forecast

- ◆The measurement segment has been renamed; the new name is “measuring instruments.”
- ◆The life innovation business, which has been part of the measurement segment, has moved to the industrial automation and control segment.

Old segments		New segments	FY21 Forecast (Billion ¥)		Forecast
<div>Industrial automation and control</div> <div>Test and measurement</div> <div>Aviation and other</div>	Life Innovation Business	Industrial automation and control	Orders	353.5	Orders are expected to increase due to an anticipated recovery in customers' willingness to make investments as the number of COVID-19 cases declines.
			Sales	344.5	A recovery in net sales will take some time as the order backlog has dropped significantly.
			Operating income	24.0	Operating income is forecast to fall due to a decline in sales and an increase in upfront investments in new businesses.
		Measuring instruments (name change)	Orders	19.5	Orders received, net sales, and operating income are all forecast to be at about the same level as the previous year.
			Sales	19.5	
			Operating income	3.0	
		Aviation and other	Orders	7.0	Although orders received and net sales are forecast to be at about the same level year on year, operating income is expected to drop mainly due to an increase in upfront investments for new businesses (bio-related, etc.).
			Sales	6.0	
			Operating income	▲2.0	

FY21 Forecast for Orders, Sales, and Operating Income by segment



*The FY20 figures have been changed based on the new segmentation.

Impact of changes to business segmentation (Measurement → Control): Orders +¥5.9 billion, sales +¥5.7 billion, operating income -¥2.1 billion

FY21 Forecast for Control Orders and Sales by Region

(Billion¥)

Orders	FY20 Results (A)	FY21 Forecast (B)	Difference (B-A)
Japan	112.9	116.0	3.1
Asia	104.9	112.5	7.6
(South-eastern Asia and Far East)	49.9	54.0	4.1
(China)	43.1	44.5	1.4
(India)	11.9	14.0	2.1
Europe and CIS	40.0	44.0	4.0
Middle East and Africa	37.9	45.0	7.1
North America	22.2	25.0	2.8
Central and South America	11.0	11.0	0
Outside Japan	216.0	237.5	21.5
Consolidated	328.9	353.5	24.6
Exchange rate 1\$ =	¥106.01	¥105.00	(¥1.01)

Sales	FY20 Results (A)	FY21 Forecast (B)	Difference (B-A)
Japan	109.3	109.0	(0.3)
Asia	113.6	111.0	(2.6)
(South-eastern Asia and Far East)	56.4	56.0	(0.4)
(China)	44.9	42.0	(2.9)
(India)	12.3	13.0	0.7
Europe and CIS	41.9	42.5	0.6
Middle East and Africa	42.0	45.0	3.0
North America	31.5	27.0	(4.5)
Central and South America	9.5	10.0	0.5
Outside Japan	238.5	235.5	(3.0)
Consolidated	347.8	344.5	(3.3)
Exchange rate 1\$ =	¥106.01	¥105.00	(¥1.01)

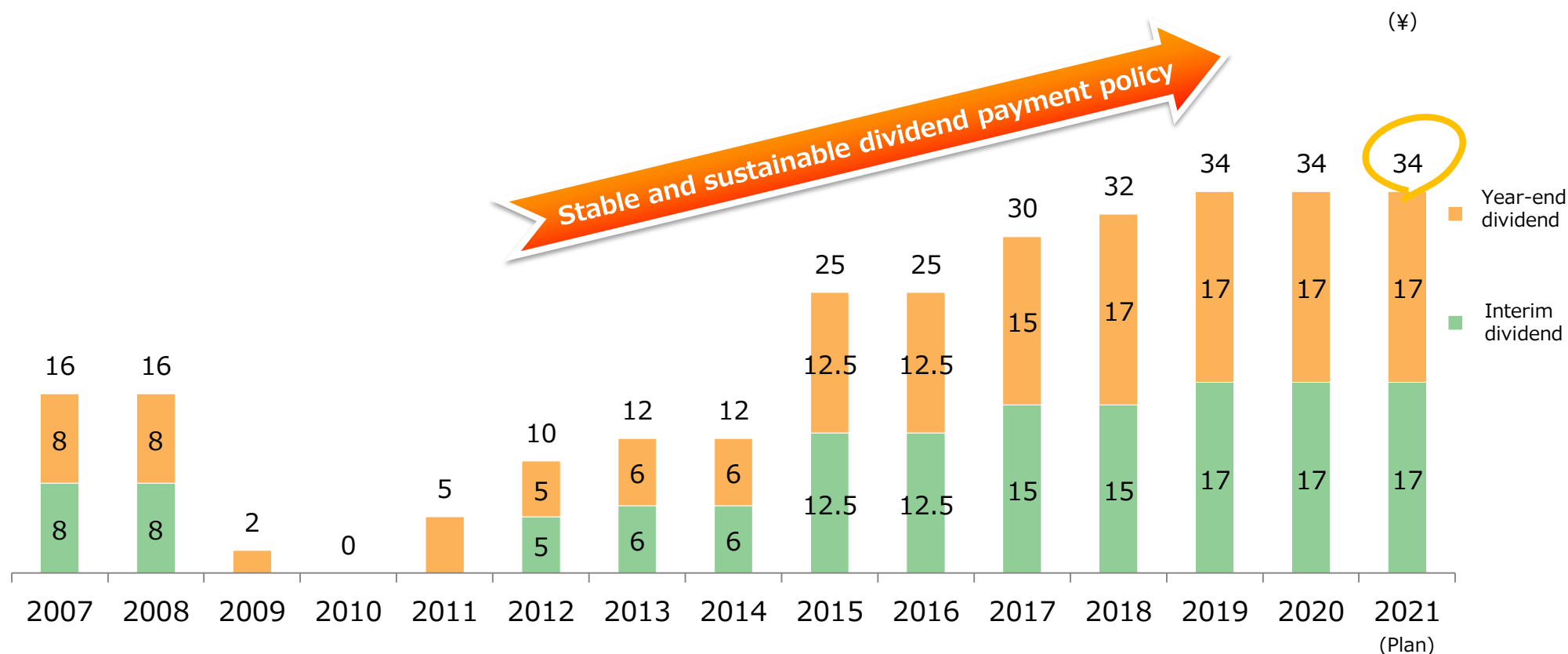
*The FY20 figures have been changed based on the new segmentation.

Dividend

- FY21 annual dividend will remain the same as the previous year.

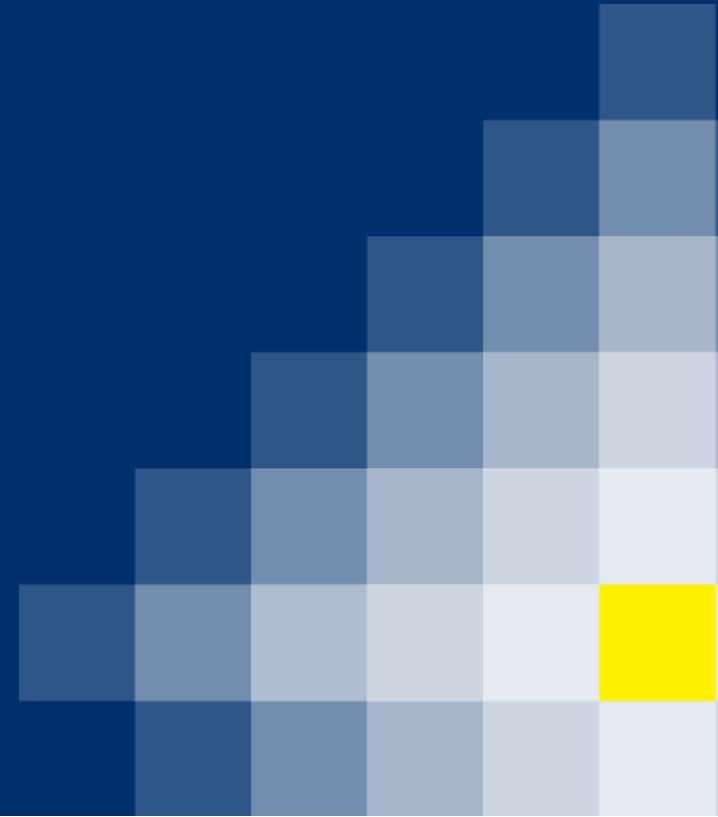
FY20: ¥34 (payout ratio 47.2%)

FY21: ¥34 (payout ratio 56.7%)



Financial Appendix:

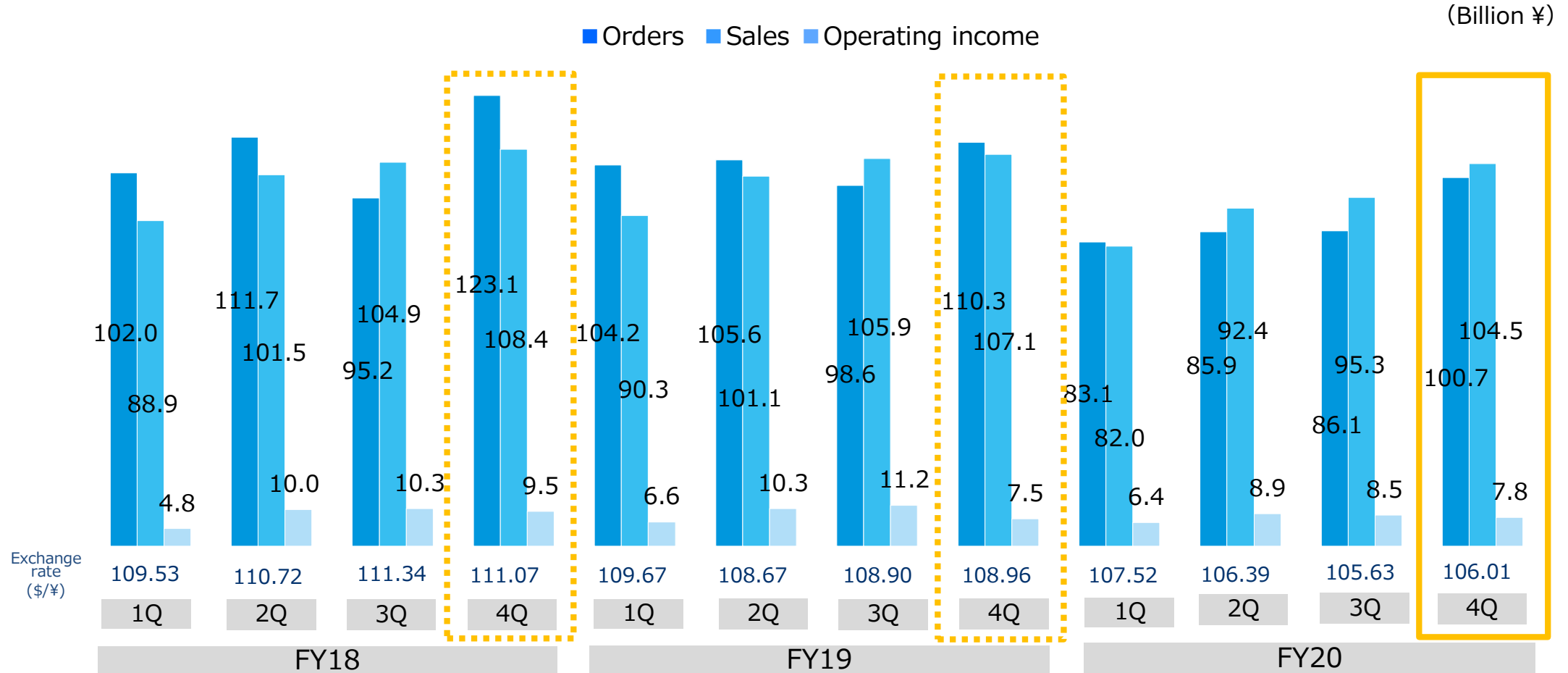
- Quarterly Financial Results
- Non-operating /Extraordinary Income and Expenses
- Order Backlog Trend by Segment
- Trend of R&D Expenses, Depreciation, and CAPEX
- Trend of Balance Sheet
- Trend of Stock Price



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



Appendix: Non-operating /Extraordinary Income and Expenses



	(Billion ¥)	
	FY19	FY20
Operating income	35.6	31.6
Non-operating income	4.9	4.4
Non-operating expenses	4.2	1.9
Ordinary income	36.3	34.1
Extraordinary income	2.8	0.2
Extraordinary expenses	13.4	2.8
Income before tax	25.8	31.5
Tax, etc.	11.1	12.3
Profit attributable to owners of parent	14.7	19.2
(Effective tax rate)	36.3%	32.4%

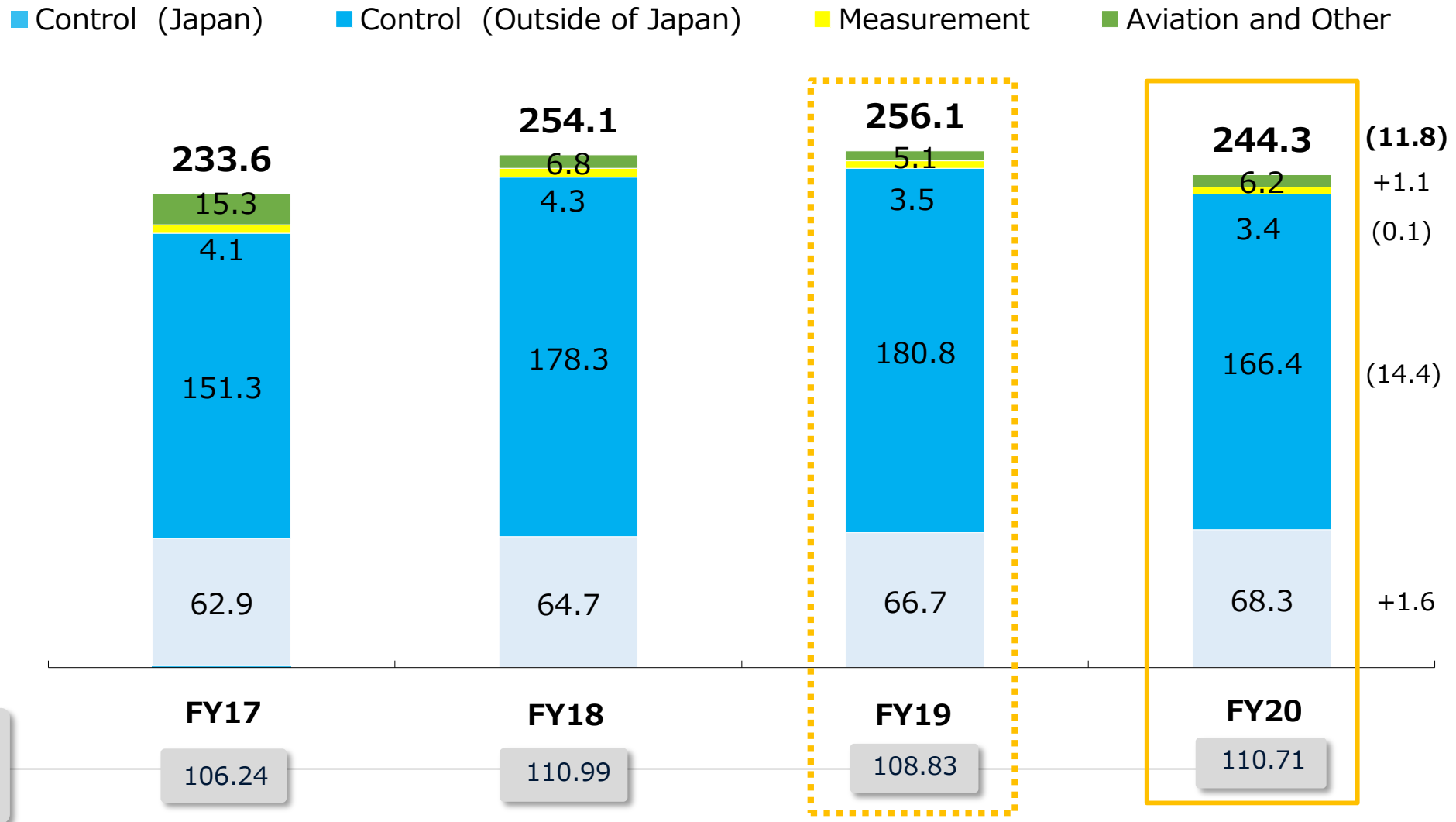
FY19:
Foreign exchange losses: ¥1.9 billion

FY19:
Gain on sales of investment securities, etc.: ¥1.5 billion
Gain on sales of business: ¥0.8 billion

FY19:
Impairment loss: ¥9.5 billion (KBC)
Provision for reinforcing measures against soft errors: ¥3.5 billion
FY20: Business restructuring expenses ¥1.7 billion

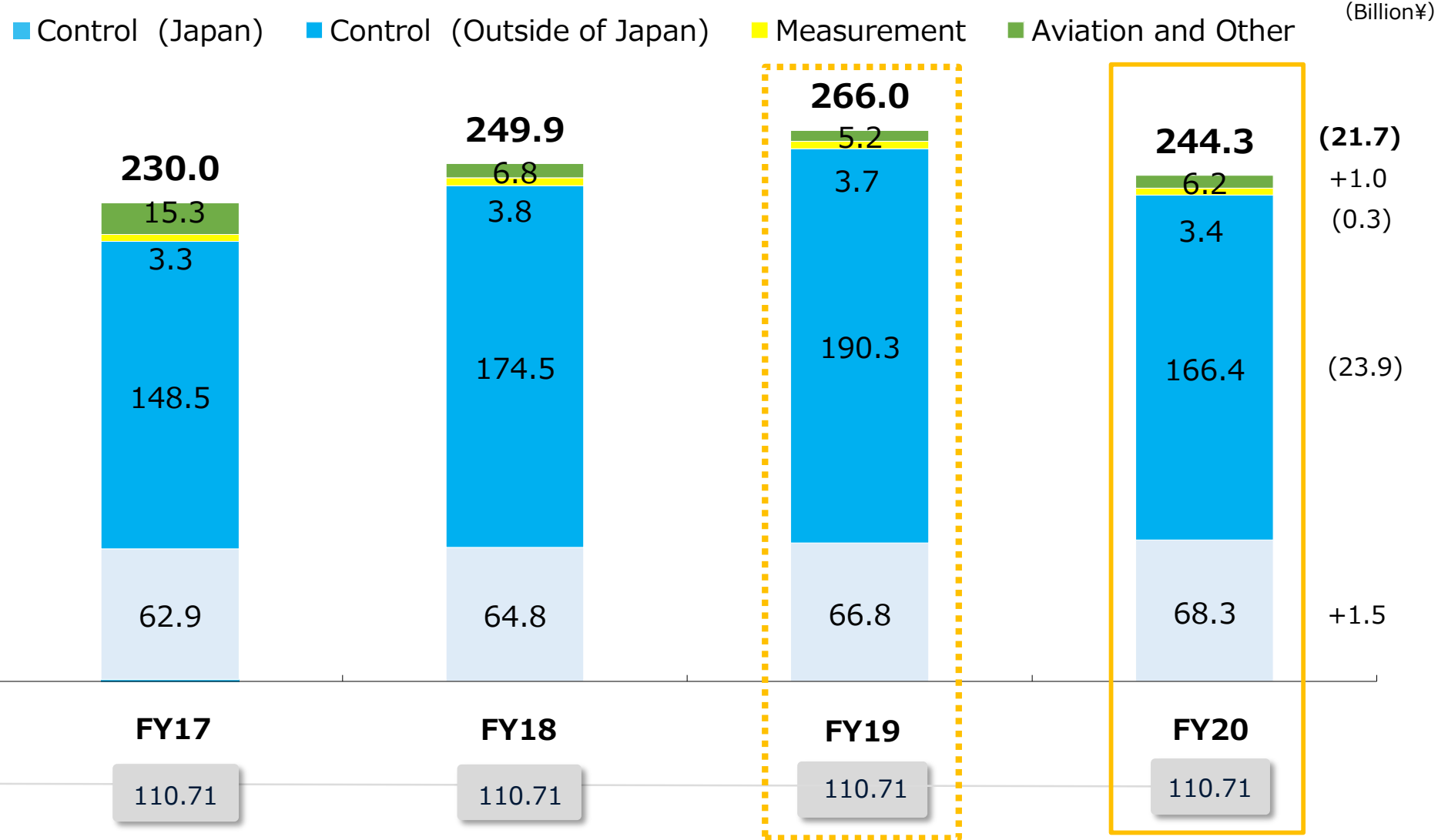
Appendix: Order Backlog Trend by Segment

(Billion¥)

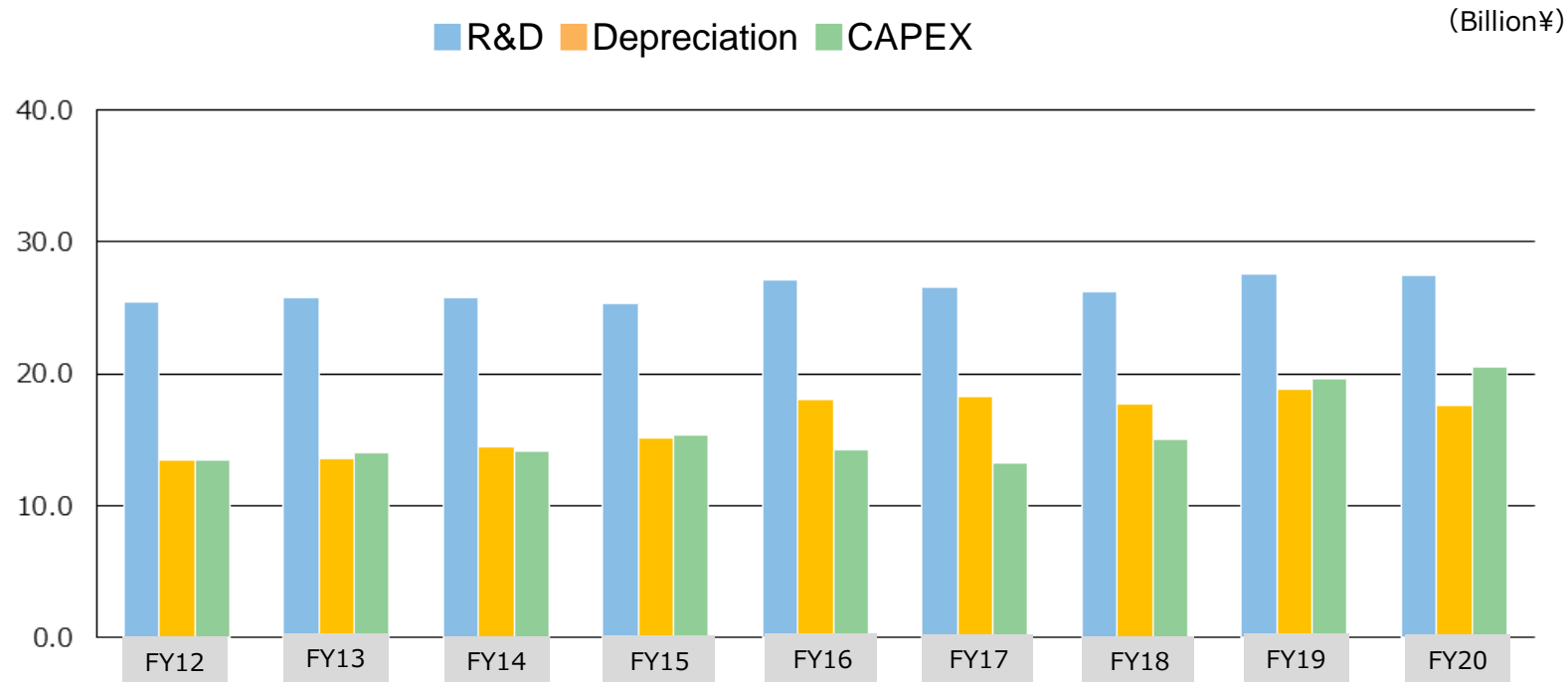


Appendix: Order Backlog Trend by Segment

(Using FY20 4Q exchange rate)



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

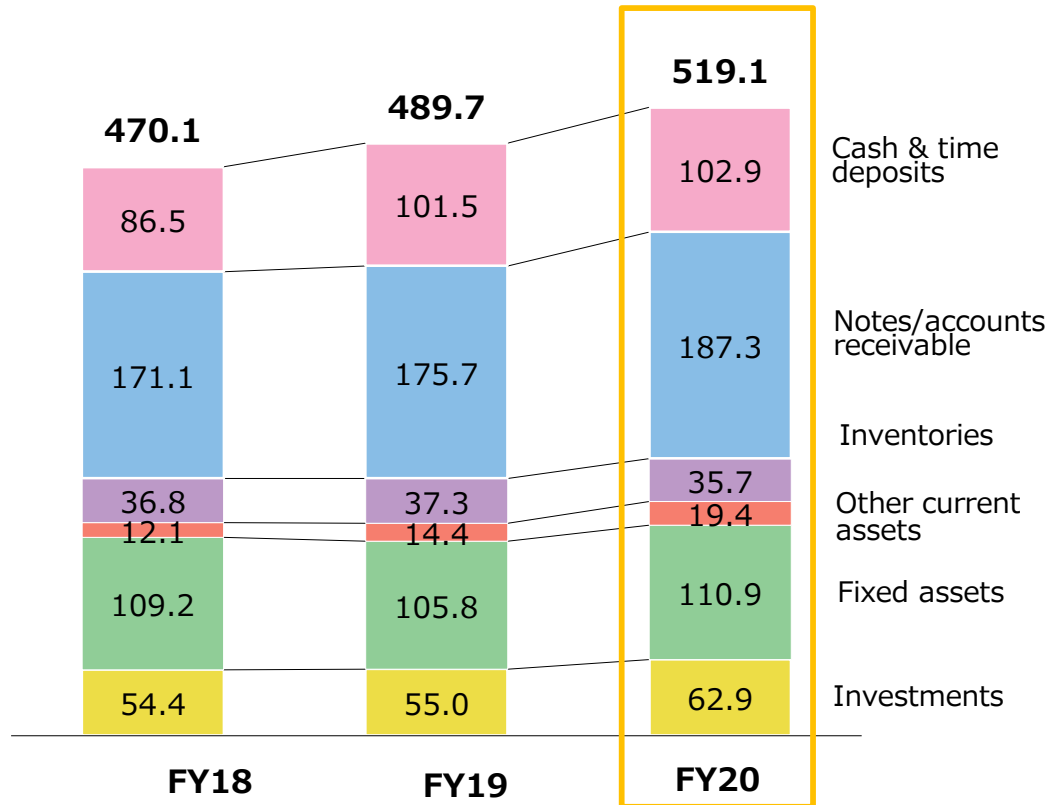


	FY12	FY13	FY14	FY15	FY16	FY17	FY18	FY19	FY20
R&D expenses (% of sales)	25.5	25.8	25.8	25.3	27.1	26.6	26.2	27.6	27.5
	7.3%	6.6%	6.4%	6.1%	6.9%	6.5%	6.5%	6.8%	7.3%
Depreciation (% of sales)	13.5	13.6	14.5	15.1	18.0	18.3	17.7	18.8	17.6
	3.9%	3.5%	3.6%	3.6%	4.6%	4.5%	4.4%	4.6%	4.7%
CAPEX (% of sales)	13.5	14.0	14.1	15.4	14.2	13.2	15.0	* 19.6	20.6
	3.9%	3.6%	3.5%	3.7%	3.6%	3.2%	3.7%	4.9%	5.5%

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

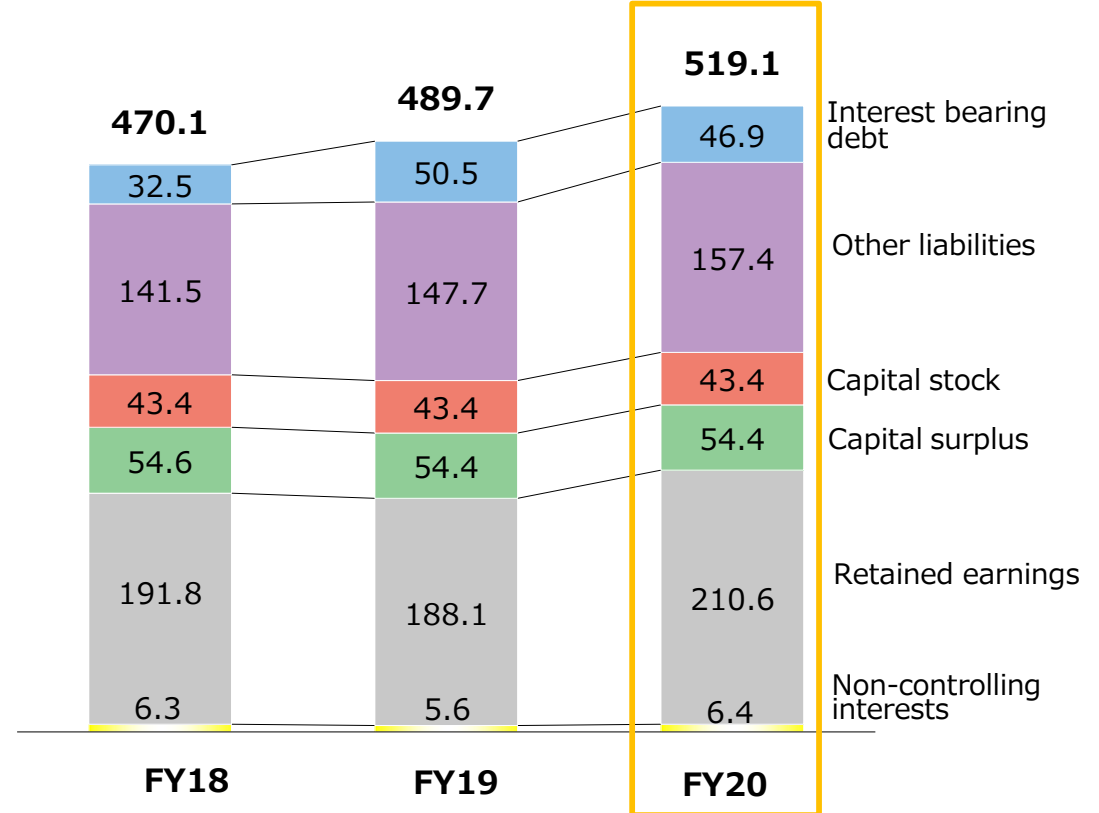
Appendix: Trend of Balance Sheet

Assets



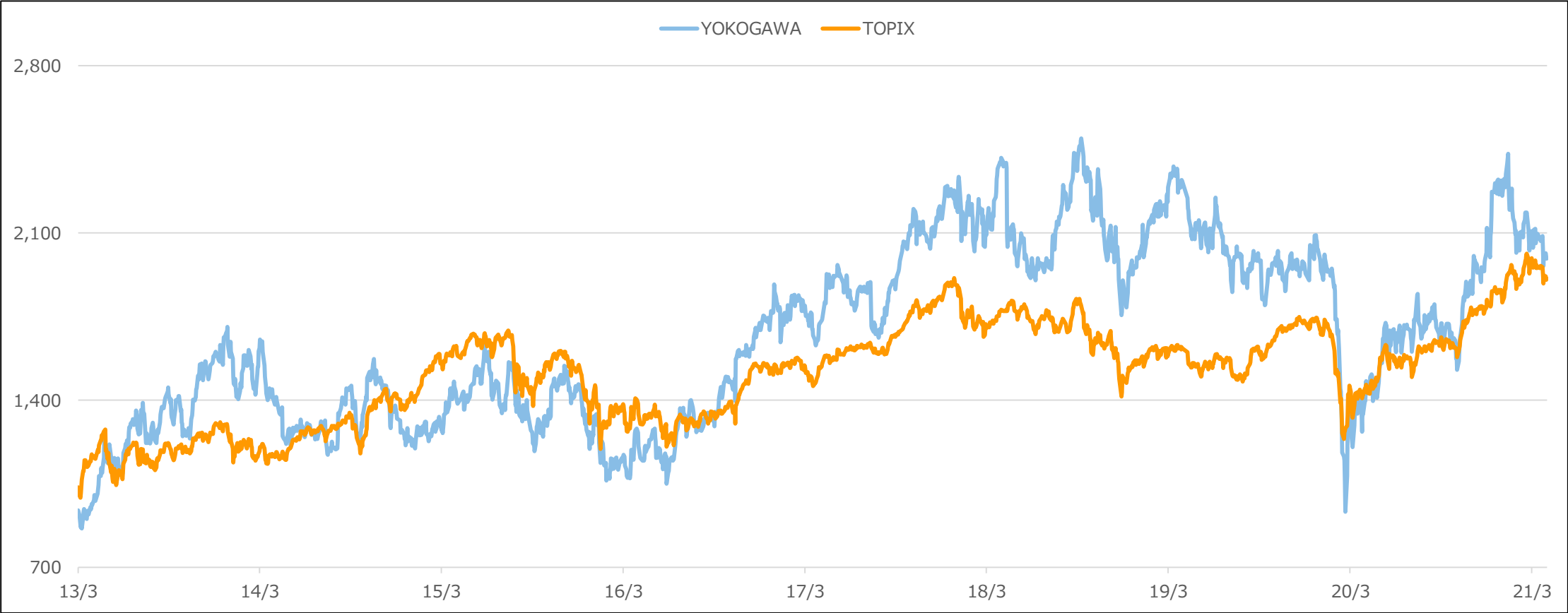
	FY18	FY19	FY20
Total asset turnover (ROA)	6.2%	3.1%	3.8%
Return on equity (ROE)	10.1%	5.1%	6.5%
Total asset turnover	0.88	0.84	0.74

Liabilities and equity



	FY18	FY19	FY20
Debt/equity ratio	11.2%	17.7%	15.2%
Shareholders' equity ratio	61.7%	58.4%	59.4%
Net assets per share (yen)	1,086	1,071	1,155

Appendix: Trend of Stock Price



(円)

	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	21/3	21/4/28
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	2,038	1,992
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	1,954	1,909

Reference:

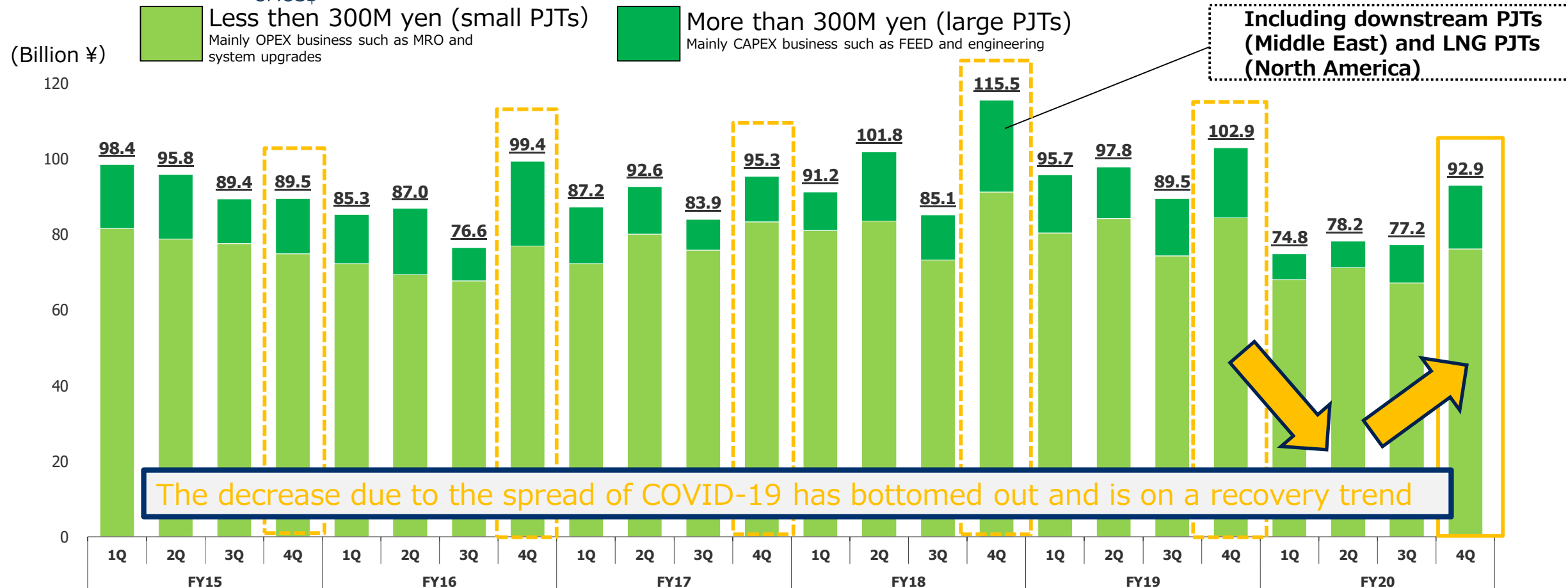
- Control segment order trend, by project size
- News
- Yokogawa's Main ESG Indexes etc.

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\$



	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
USD	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	106.39	105.63	106.01

Reference: News (from February 8 to May 11) <Updated>

Feb.

Release by Yokogawa Test & Measurement of DL950 ScopeCorder and IS8000 integrated measurement software platform
- For improved efficiency in the development of automobiles, mechatronics, and power electronics -

Signed investment and partnership agreement with HIROTSU BIO SCIENCE to widen use of N-NOSE cancer screening test

Entered into partnership agreement with ICQ Consultants for biopharmaceutical business
- Enables support of bioreactor systems and related products in the United States -



Mar.

Established Yokogawa Bio Frontier Inc. to advance biomass materials business
- Will produce and market biomass materials to enable a sustainable carbon cycle -

Launched turbidity detector, residual chlorine sensor unit, and converter as part of OpreX Analyzers lineup
- Bringing high-quality drinking water to the world -

Yokogawa IR Day (bio-related business briefing)
<https://www.yokogawa.com/about/ir/reports/business-briefing/>



Apr.

Selected C3 AI Suite as a platform to enhance enterprise AI applications

Announcement of agreement with NTT DOCOMO to conduct proof of concept test of 5G, cloud, and AI for remote control of plant systems

Received Digital Transformation Certification based on guidelines of the Ministry of Economy, Trade and Industry.



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

Reference: Yokogawa's main ESG indexes, etc.

<Updated>

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



Member of
**Dow Jones
Sustainability Indices**

Powered by the S&P Global CSA

As of April 2021



FTSE4Good



FTSE Blossom
Japan



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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