Key Points

- **FY18 1Q results: Increased sales and profits, Steady start**
  - Summary: Orders exceeded 100 billion yen and operating income has almost doubled.
  - Segments: Control was steady, measurement unchanged year on year, aviation and other are off to a slow start.
  - Regions: Firm growth in China, orders up in Middle East, continued firm growth in Japan.
  - Industries: Upstream business is growing.

- **FY18 forecast: No change** (Exchange rates: USD 105¥, EUR 130¥)
  - Market conditions: OPEX related investment remains strong. Some customers have resumed active CAPEX investment.
  - Regions: China is expected to continue growing. We have opportunities for new project orders in North America, the Middle East, and Russia.
  - Industries: CAPEX investment is expected to increase thanks to rising demand for LNG.
  - Risks: Trade friction between the United States and China, etc.
1. FY18 1Q Results
   - Summary of FY18 1Q Results
   - Quarterly Financial Results
   - Analysis of Operating Income
   - Orders, Sales, and Operating Income by Segment
   - Trend of Global Sales
   - Orders and Sales by Region in Control Segment
   - Ratio of Orders and Sales by Industry in Control Segment

2. FY18 Forecast

3. Appendix
   - Non-operating /Extraordinary Income and Expenses
   - Order Backlog Trend by Segment
   - Trend of R&D Expenses, Depreciation, and CAPEX
   - Trend of Balance Sheet
   - News
   - Trend of Stock Price
- Orders : 102 billion¥, up 5.6% year on year. Exceeded 100 billion¥ for the first time in 3 years.

- Sales : 88.9 billion¥, up 3.3% year on year. Firm results in the Control Segment.

- Operating income : 4.8 billion¥, up 88.1% year on year. Large increase partially due to temporary factors during the previous year.

- Profit attributable to owners of parent were 3.4 billion¥, up 0.1 billion¥ year on year. Profit before tax was similar to the previous year, partially due to extraordinary profits of 2.4 billion¥ recorded in the previous period.
Quarterly Financial Results

- Quarterly Financial Results for orders, sales and operating income.

- Several major project orders that were expected in FY17 were postponed to FY18. Some of these orders were received this quarter, resulting in a large increase.

- Additionally, sales and operating income tend to be higher in Q2 and Q4. This trend is particularly strong in the Japanese Control Segment.
Analysis of Operating Income

- Operating income was 4.8 billion ¥, a large increase of 2.3 billion ¥ from the same period of the previous year.

- There are two main reasons for this:
  1. Due to an increase in sales, gross profit increased by 1.3 billion ¥ year on year.
  2. The gross profit margin improved.

- The main reasons for the gross profit margin improvement were a recovery from a temporary deterioration in the Japanese Control Segment in the previous fiscal year and the growth of the service business.
○FY17 1Q/FY18 1Q Comparison for Orders, Sales, and Operating Income by Segment

- The Control Segment has made a firm start.
- Orders increased by 4 billion￥ year on year, sales increased by 3.2 billion￥ year on year, and operating income greatly increased by 2.7 billion￥ year on year.
- The increase in orders and sales can be partially attributed to strong product sales outside of Japan. In particular, sales in China remained strong from the previous period.

- The Measurement Segment remains largely unchanged from last year. Orders increased by 0.3 billion￥, sales decreased by 0.3 billion￥, and operating income increased by 0.1 billion￥ year on year.

- The Aviation and other segments continue to face severe market conditions. As a result, sales decreased by 0.3 billion￥ and operating income decreased by 0.5 billion￥ year on year.
○Trend of Global Sales

- From this fiscal year, we are changing from a region-based to a destination-based.

- Japan: Control Segment is firm. Measurement, Aviation and other segments are unchanged from the previous year.

- Outside of Japan: Control Segment is in strong condition. Aviation and other segments are facing an uphill battle due to severe market conditions.
Orders and Sales by Region in Control Segment

- From this fiscal year, we are changing to a destination-based.

- Asia will henceforth be divided into three areas:

- Sales and orders are growing in China, particularly in the chemical industry.

- In India, the downstream business is to firm and orders are increasing.

- In the Middle East and Africa, orders are increasing due to receiving some large projects which postponed from FY17 to FY18.
Ratio of Orders and Sales by Industry in Control Segment

- Upstream orders and sales are increasing year on year. Orders are up in the Middle East, and sales are increasing in the Middle East, Russia, and other regions.
Current Situation

- There are no significant changes from what we discussed in May.

- Market conditions: We anticipate continued customer’s OPEX investments. Some customers have also showed signs of resuming CAPEX investments.

- Region: Product sales are strong in China, and market conditions remain strong in Japan. We also see opportunities for project orders in North America, the Middle East, and Russia.

- Industry: We expect that gas demands will increase in the mid- to long-term.
  - In particular, we anticipate increased market demand for the eco-friendly LNG.
  - We anticipate several promising projects in regions such as North America and Russia.

- There are concerns about market deterioration due to the trade friction between the United States and China. The situation is unclear.
FY18 Forecast

- We seem to be off to a good start in the first quarter, but due to risks such as the trade friction between the United States and China, some future factors remain uncertain, so there are no changes.
Factors Accounting for Increase/Decrease in FY18 Operating Income (No change)

- Effect of KBC acquisition and changes in accounting was divided.
FY18 Forecast for Orders, Sales, and Operating Income by Segment (No change)

- Control: Sales are projected to decline due to appreciation of the yen, while operating income is expected to increase.
- Measurement: Orders, sales, and operating income are expected to remain unchanged year on year.
- Aviation and other: Orders and sales are expected to remain unchanged year on year, while operating income is expected to increase due to changes in the sales composition.

<table>
<thead>
<tr>
<th>Orders</th>
<th>Sales</th>
<th>Operating income</th>
</tr>
</thead>
<tbody>
<tr>
<td>FY16 390.7</td>
<td>FY16 318.1</td>
<td>FY16 31.6</td>
</tr>
<tr>
<td>FY17 400.3</td>
<td>FY17 338.8</td>
<td>FY17 32.7</td>
</tr>
<tr>
<td>FY18 forecast 410.0</td>
<td>FY18 forecast 406.6</td>
<td>FY18 forecast 33.0</td>
</tr>
<tr>
<td>410.0 +9.7</td>
<td>406.6 21.3</td>
<td>33.0 +0.3</td>
</tr>
<tr>
<td>348.3 20.0</td>
<td>348.1 22.0</td>
<td>30.6 0.9</td>
</tr>
<tr>
<td>359.0 23.0</td>
<td>363.3 22.3</td>
<td>30.4 2.5</td>
</tr>
<tr>
<td>367.0 +8.0</td>
<td>361.0 21.0</td>
<td>30.5 2.5</td>
</tr>
</tbody>
</table>

- No corrections at this point in time.
Appendix:

- Non-operating /Extraordinary Income and Expenses
- Order Backlog Trend by Segment
- Trend of R&D Expenses, Depreciation, and CAPEX
- Trend of Balance Sheet
- News
- Trend of Stock Price
## Appendix: Non-operating / Extraordinary Income and Expenses

(Billion ¥)

<table>
<thead>
<tr>
<th></th>
<th>FY17 1Q</th>
<th>FY18 1Q</th>
</tr>
</thead>
<tbody>
<tr>
<td>Operating income</td>
<td>2.5</td>
<td>4.8</td>
</tr>
<tr>
<td>Non-operating income</td>
<td>1.1</td>
<td>1.1</td>
</tr>
<tr>
<td>Non-operating expenses</td>
<td>0.7</td>
<td>0.3</td>
</tr>
<tr>
<td>Ordinary income</td>
<td>2.9</td>
<td>5.6</td>
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<tr>
<td>Extraordinary income</td>
<td>2.4</td>
<td>0.4</td>
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<tr>
<td>Extraordinary expenses</td>
<td>0.1</td>
<td>0.0</td>
</tr>
<tr>
<td>Income before tax</td>
<td>5.2</td>
<td>6.0</td>
</tr>
<tr>
<td>Tax, etc.</td>
<td>1.9</td>
<td>2.6</td>
</tr>
<tr>
<td>Profit attributable to owners of parent</td>
<td>3.3</td>
<td>3.4</td>
</tr>
</tbody>
</table>

(Effective tax rate) 31.2% 37.0%

FY17:
- Gain on sale of non-current assets: ¥1.8 billion
- Gain on sales of investment securities: ¥0.6 billion

FY18:
- Gain on sales of investment securities: ¥0.4 billion
Appendix: Order Backlog Trend by Segment

(Billion¥)

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

<table>
<thead>
<tr>
<th>FY15</th>
<th>FY16</th>
<th>FY17 1Q</th>
<th>FY17</th>
<th>FY18 1Q</th>
</tr>
</thead>
<tbody>
<tr>
<td>230.5</td>
<td>240.8</td>
<td>258.3</td>
<td>233.6</td>
<td>247.7</td>
</tr>
</tbody>
</table>

Exchange rate at end of each period:
- FY15: 112.68
- FY16: 112.19
- FY17: 112.00
- FY17 1Q: 106.24
- FY18 1Q: 110.54

+14.1  +1.7  +0.8  +8.5  +3.1
Appendix: Trend of R&D Expenses, Depreciation, and CAPEX

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

<table>
<thead>
<tr>
<th></th>
<th>FY10</th>
<th>FY11</th>
<th>FY12</th>
<th>FY13</th>
<th>FY14</th>
<th>FY15</th>
<th>FY16</th>
<th>FY17 1Q</th>
<th>FY17</th>
<th>FY18 1Q</th>
<th>FY18 forecast</th>
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</thead>
<tbody>
<tr>
<td>R&amp;D expenses (% of sales)</td>
<td>29.2</td>
<td>27.5</td>
<td>25.5</td>
<td>25.8</td>
<td>25.8</td>
<td>25.3</td>
<td>27.1</td>
<td>6.4</td>
<td>26.6</td>
<td>6.2</td>
<td>27.0</td>
</tr>
<tr>
<td>Depreciation (% of sales)</td>
<td>11.8</td>
<td>12.8</td>
<td>11.3</td>
<td>11.6</td>
<td>11.5</td>
<td>11.5</td>
<td>13.0</td>
<td>4.4</td>
<td>18.7</td>
<td>4.3</td>
<td>16.5</td>
</tr>
<tr>
<td>CAPEX (% of sales)</td>
<td>11.3</td>
<td>11.1</td>
<td>13.5</td>
<td>14.0</td>
<td>14.1</td>
<td>15.4</td>
<td>14.2</td>
<td>1.9</td>
<td>13.2</td>
<td>2.2</td>
<td>16.0</td>
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<tr>
<td>Co-innovating tomorrow™</td>
<td></td>
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## Appendix: Trend of Balance Sheet

### Assets

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<th>FY17 1Q</th>
<th>FY17</th>
<th>FY18 1Q</th>
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<tbody>
<tr>
<td>440.5</td>
<td>74.7</td>
<td>82.3</td>
<td>78.3</td>
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<td></td>
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<td>141.9</td>
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<td>442.0</td>
<td>30.7</td>
<td>35.3</td>
<td>32.2</td>
<td>30.9</td>
</tr>
<tr>
<td></td>
<td>17.1</td>
<td>16.3</td>
<td>19.8</td>
<td>12.7</td>
</tr>
<tr>
<td>448.8</td>
<td>127.3</td>
<td>125.9</td>
<td>114.2</td>
<td>112.1</td>
</tr>
<tr>
<td></td>
<td>49.4</td>
<td>51.1</td>
<td>50.7</td>
<td>53.6</td>
</tr>
</tbody>
</table>

- Cash & time deposits
- Notes/accounts receivable
- Inventories
- Other current assets
- Fixed assets
- Investments

### Liabilities and equity

<table>
<thead>
<tr>
<th></th>
<th>FY16</th>
<th>FY17 1Q</th>
<th>FY17</th>
<th>FY18 1Q</th>
</tr>
</thead>
<tbody>
<tr>
<td>440.5</td>
<td>44.6</td>
<td>43.4</td>
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<td>6.1</td>
<td>6.3</td>
<td>6.8</td>
<td>6.9</td>
</tr>
</tbody>
</table>

- Interest-bearing debt
- Other liabilities
- Paid in capital
- Capital surplus
- Retained earnings
- Non-controlling interests

Aug 7, 2018
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# Appendix: News (from May 9 to August 7)

**May.**  
Looking ahead to the year 2030, Yokogawa sets mid-term sustainability targets
Yokogawa Solution Service’s data driven modeling for optimization (DDMO) solution selected for use at Ishinomaki Mill by Nippon Paper Industries Co., Ltd.

**Jun.**  
Yokogawa Solution Service’s blockage diagnosis solution selected for METI subsidy to promote the sharing and use of production data  
Yokogawa unveils OpreX™ brand covering entire industrial automation portfolio  
Yokogawa launches OpreX™ Profit-driven Operation solution to enable integrated plant performance management  
Yokogawa selected as a constituent of the FTSE4Good Index Series and FTSE Blossom Japan Index for the second consecutive year

**July.**  
Yokogawa releases CENTUM™ VP R6.06, an enhanced version of the core product in the OpreX™ Control and Safety System family  
Yokogawa releases Platform for Advanced Control and Estimation R5.02  
Project that uses operation optimization technology to conserve energy and reduce CO₂ emissions in Indonesian refineries is registered as a joint crediting mechanism (JCM) project  
Yokogawa to deliver statewide centralized water information management system in India

*Note: The month for each news item indicates when it was published.*
Appendix: Trend of Stock Price

![Chart showing trend of stock price over time with specific dates and values.]
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.

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