Yokogawa Electric Corporation

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

Junichi Anabuki

Director, Executive Vice President
Corporate Administration Headquarters

February 9, 2021

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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>**

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

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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)	–	–

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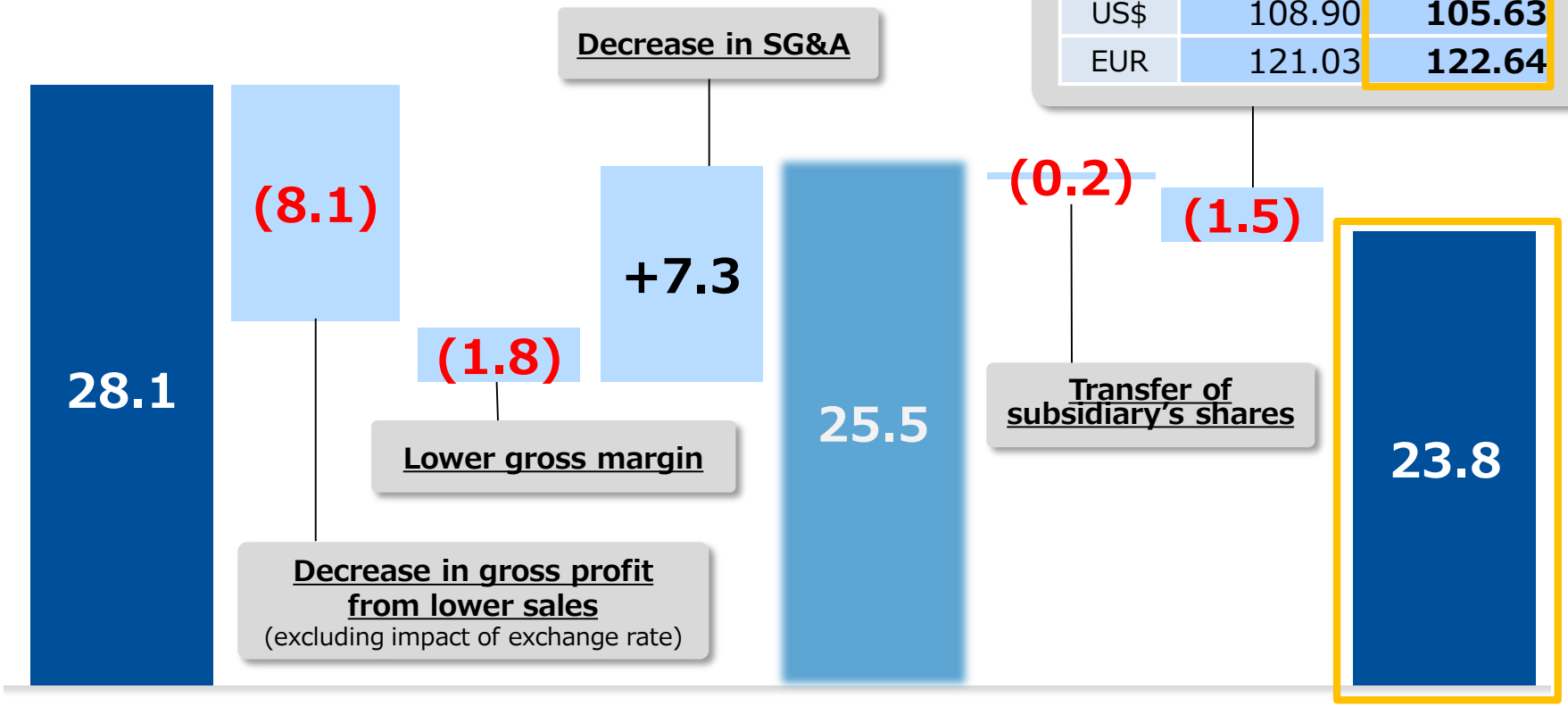
Analysis of Operating Income (FY19 1Q-3Q/FY20 1Q-3Q comparison)

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

(Billion¥)

Exchange rate (¥)

	FY19_3Q	FY20_3Q
US$	108.90	**105.63**
EUR	121.03	**122.64**



FY19 1Q-3Q Operating income

FY20 1Q-3Q Operating income (excluding impact of transfer of subsidiary's shares and exchange rate)

FY20 1Q-3Q Operating income

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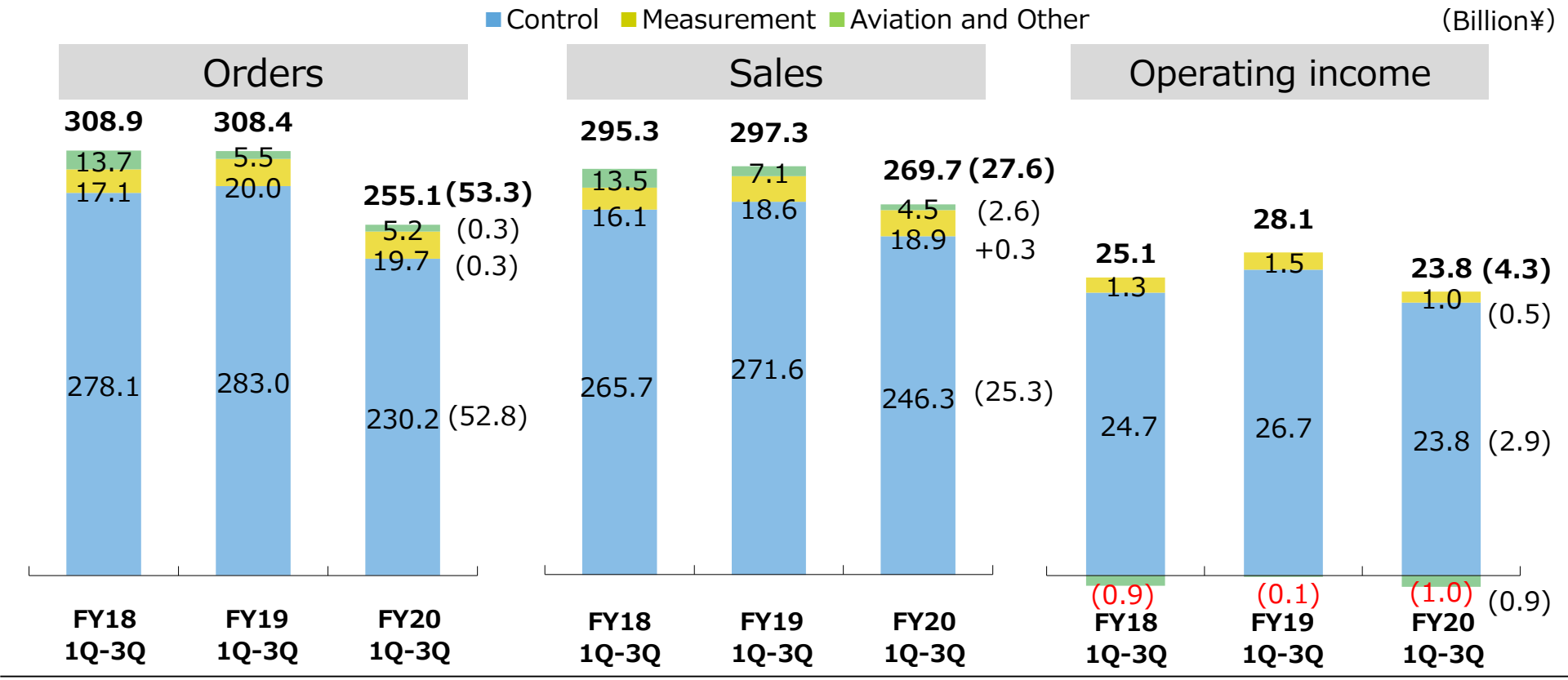
FY19 1Q-3Q/FY20 1Q-3Q Comparison for Orders, Sales, and Operating income by Segment

- 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.



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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 rate1$=	¥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 rate1$=	¥108.90	¥105.63	(¥3.27)

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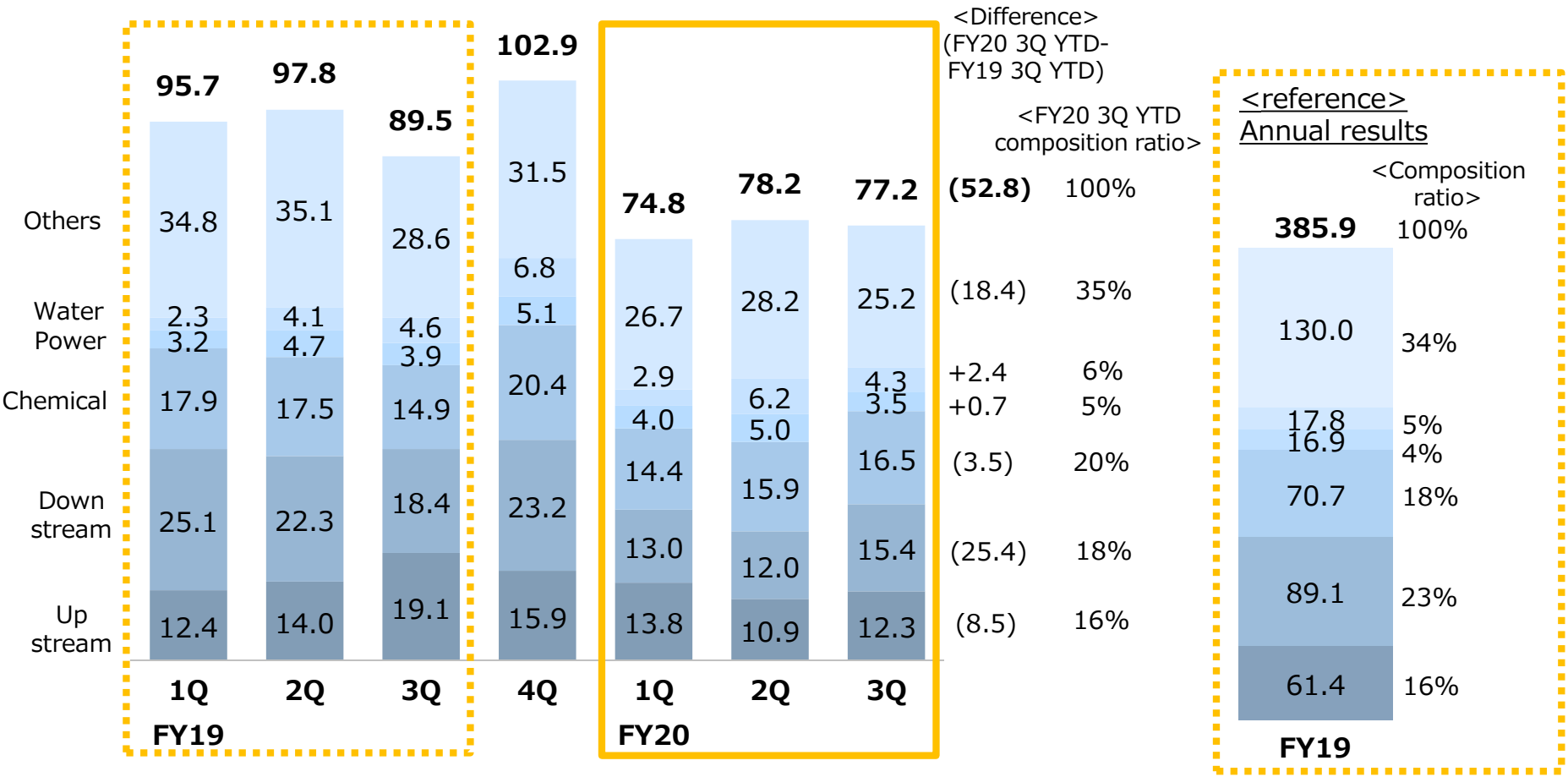
Orders by Industry in Control Segment

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

(Billion¥)



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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)	–

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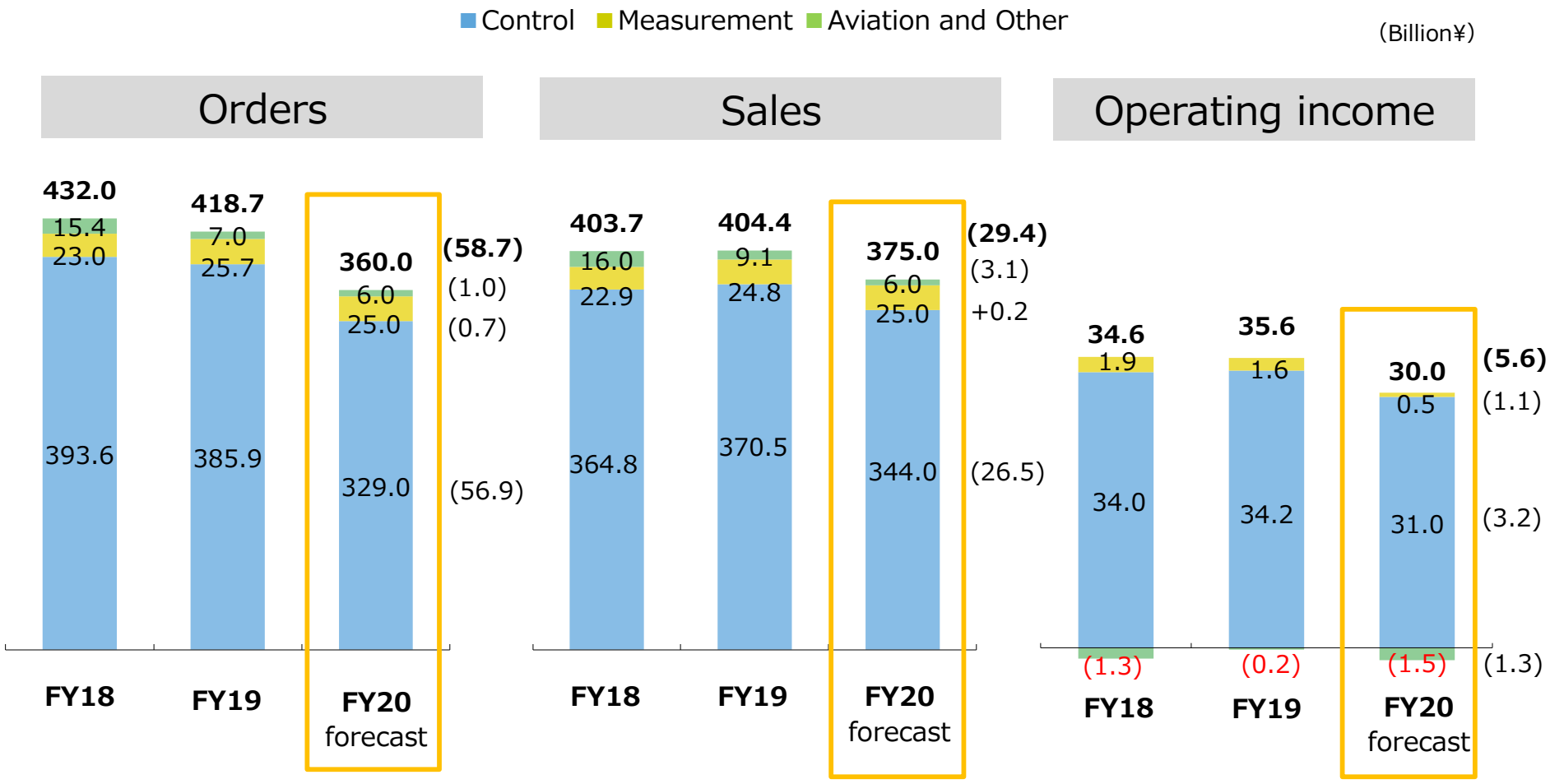
FY20 Forecast for Orders, Sales, and Operating Income by Segment <No change>



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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)

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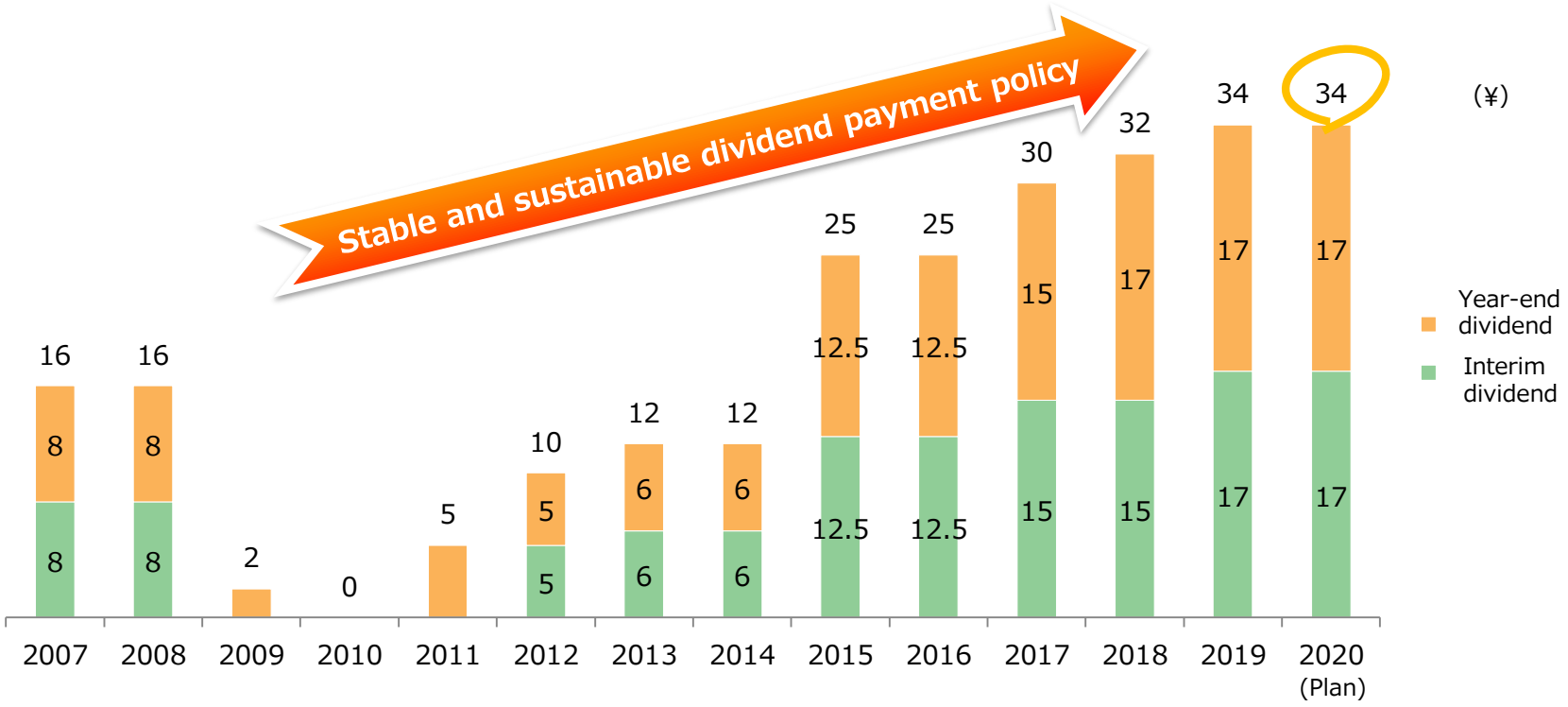
Dividend

<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%)



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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

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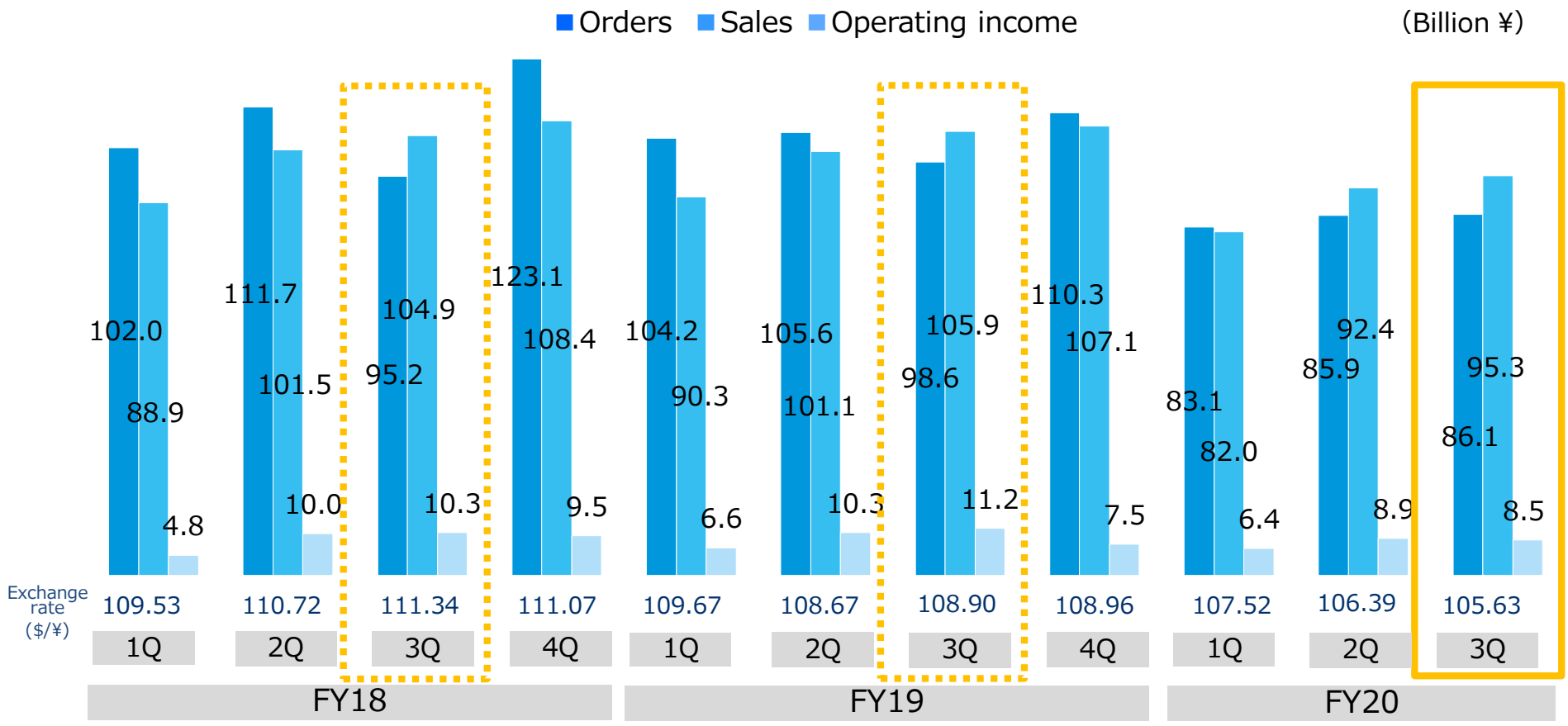
Appendix: Quarterly Financial Results

◆ 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



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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%

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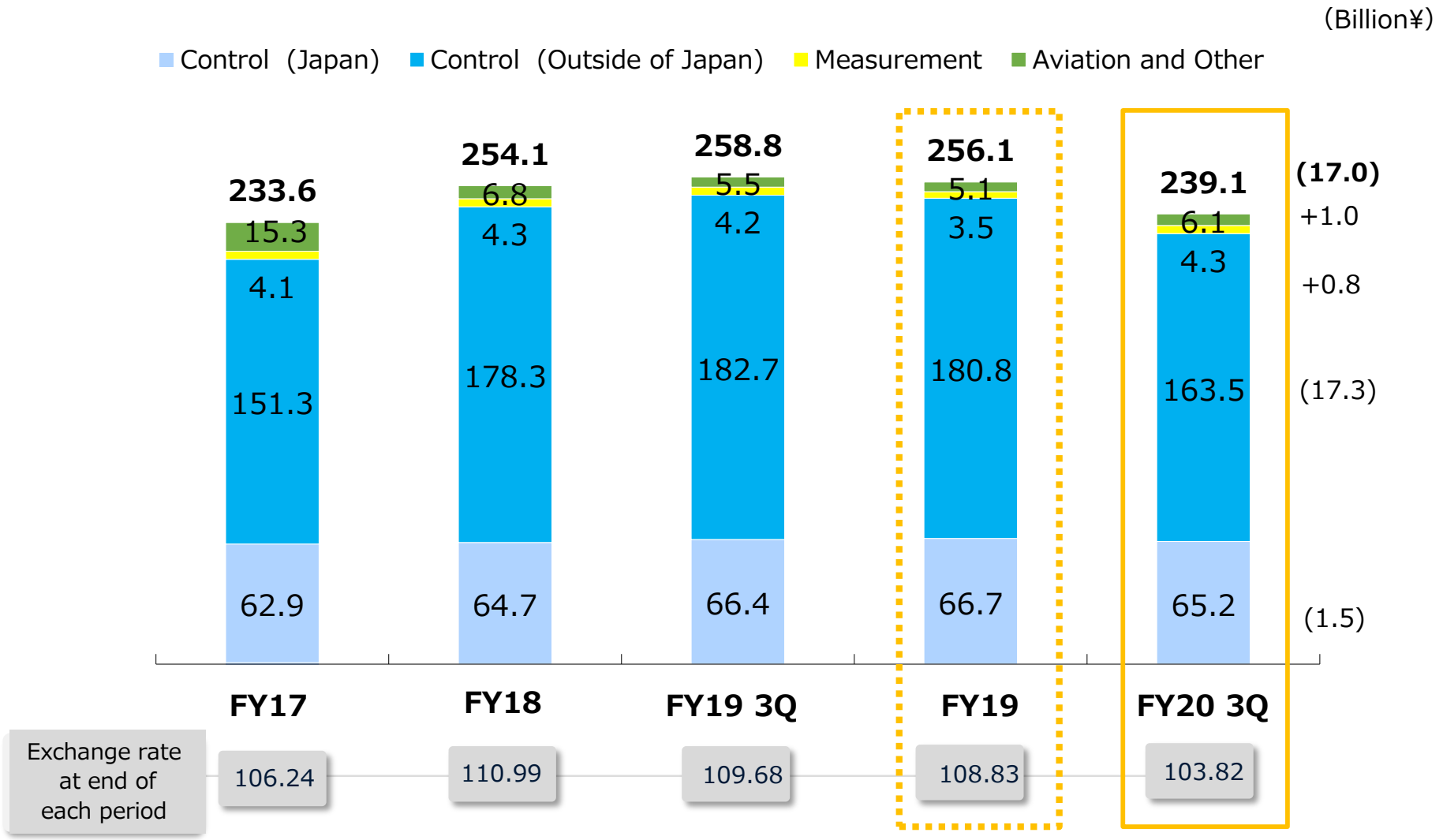
Appendix: Order Backlog Trend by Segment



*Refined segment classification and revised FY19 numbers

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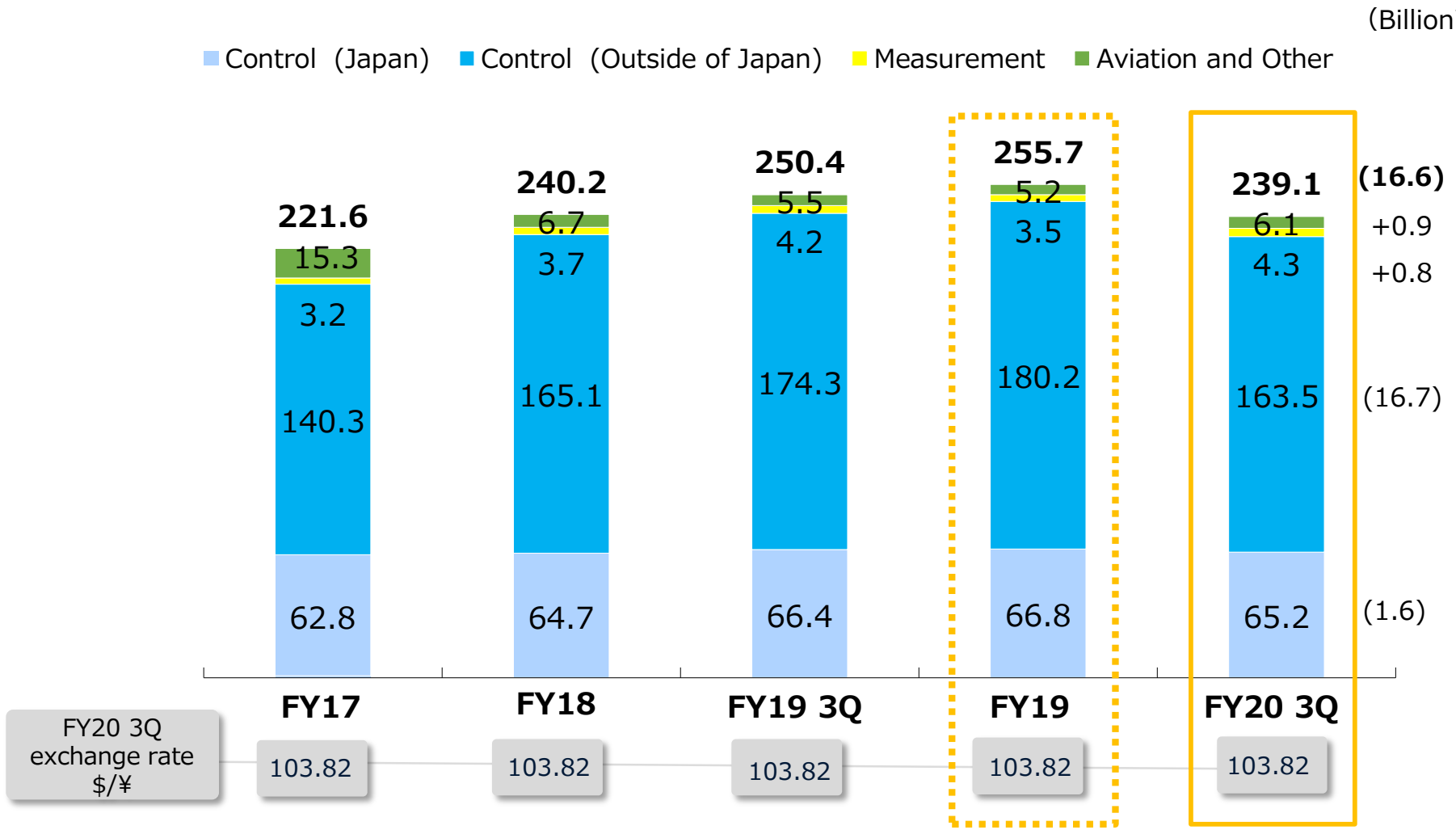
<Reference> Order Backlog Trend by Segment (Using FY20 3Q exchange rate)



*Refined segment classification and revised FY19 numbers

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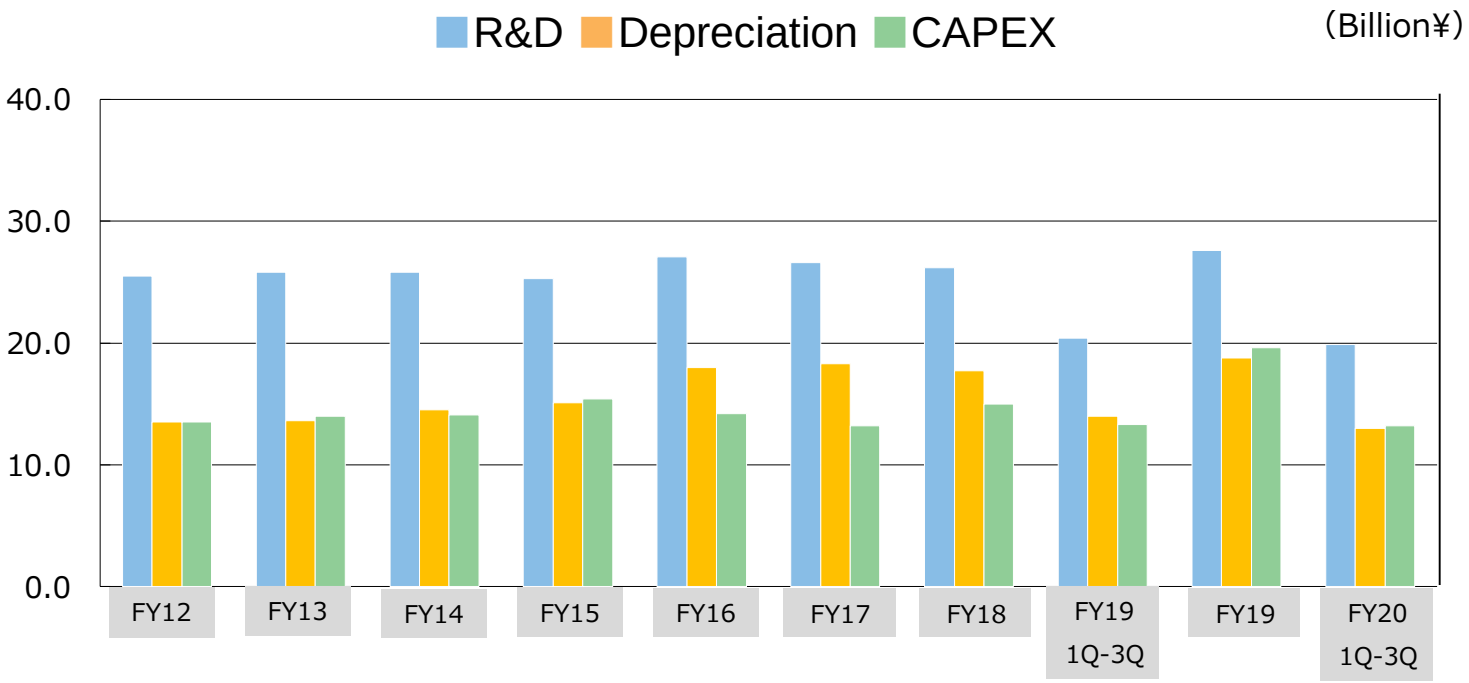
Appendix: Trend of R&D Expenses, Depreciation, and CAPEX



	FY12	FY13	FY14	FY15	FY16	FY17	FY18	FY19 1Q-3Q	FY19	FY20 1Q-3Q
R&D expenses	25.5	25.8	25.8	25.3	27.1	26.6	26.2	20.4	27.6	19.9
(% of sales)	7.3%	6.6%	6.4%	6.1%	6.9%	6.5%	6.5%	6.9%	6.8%	7.4%
Depreciation	13.5	13.6	14.5	15.1	18.0	18.3	17.7	14.0	18.8	13.0
(% of sales)	3.9%	3.5%	3.6%	3.6%	4.6%	4.5%	4.4%	4.7%	4.6%	4.8%
CAPEX	13.5	14.0	14.1	15.4	14.2	13.2	15.0	*13.3	19.6	13.2
(% 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.

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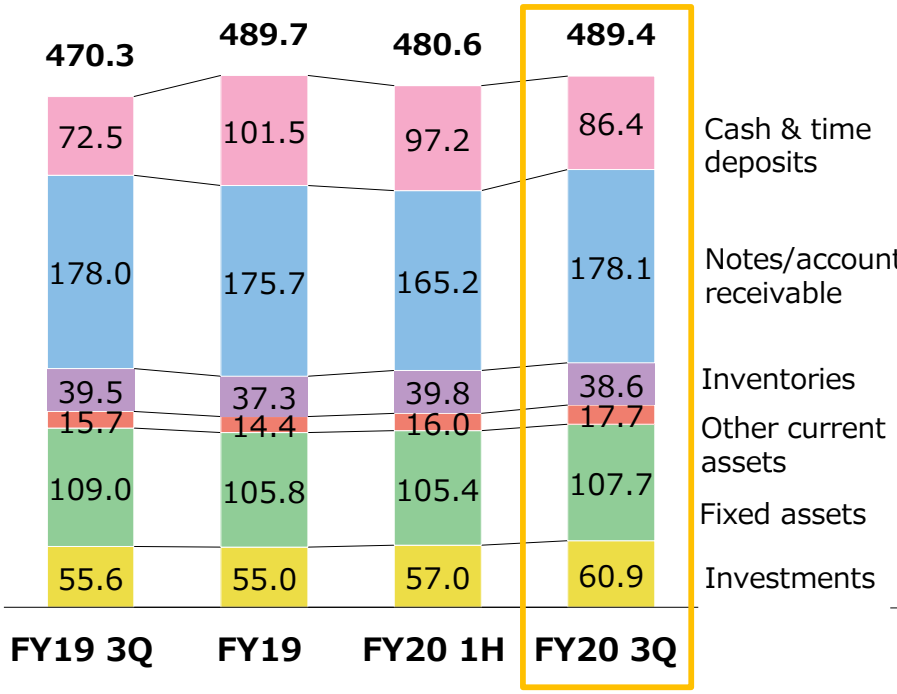
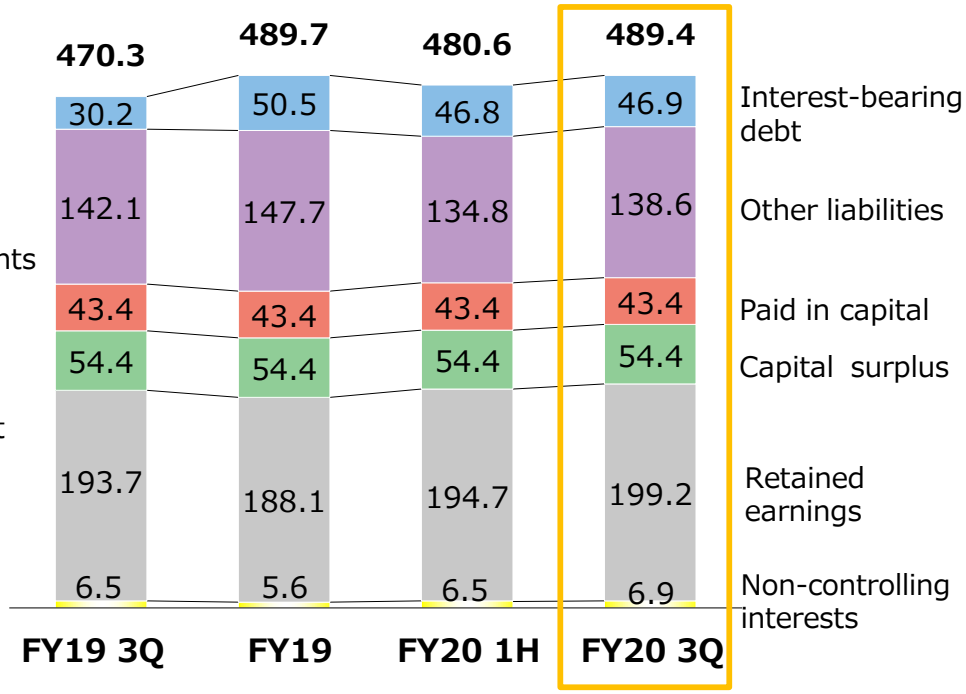
Appendix: Trend of Balance Sheet

(Billion¥)

Assets



Liabilities and equity



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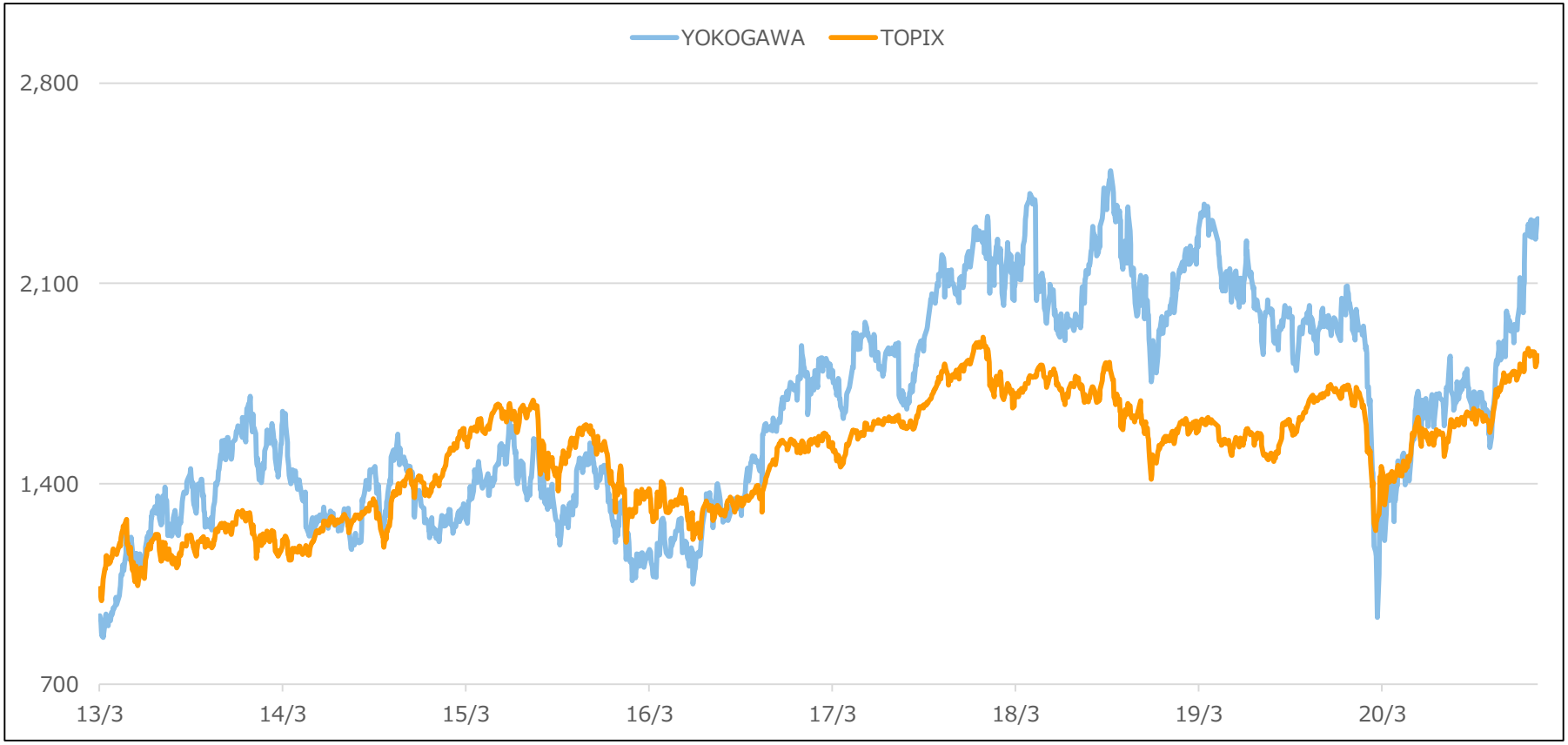
Appendix: Trend of Stock Price



(¥)

	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

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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.

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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

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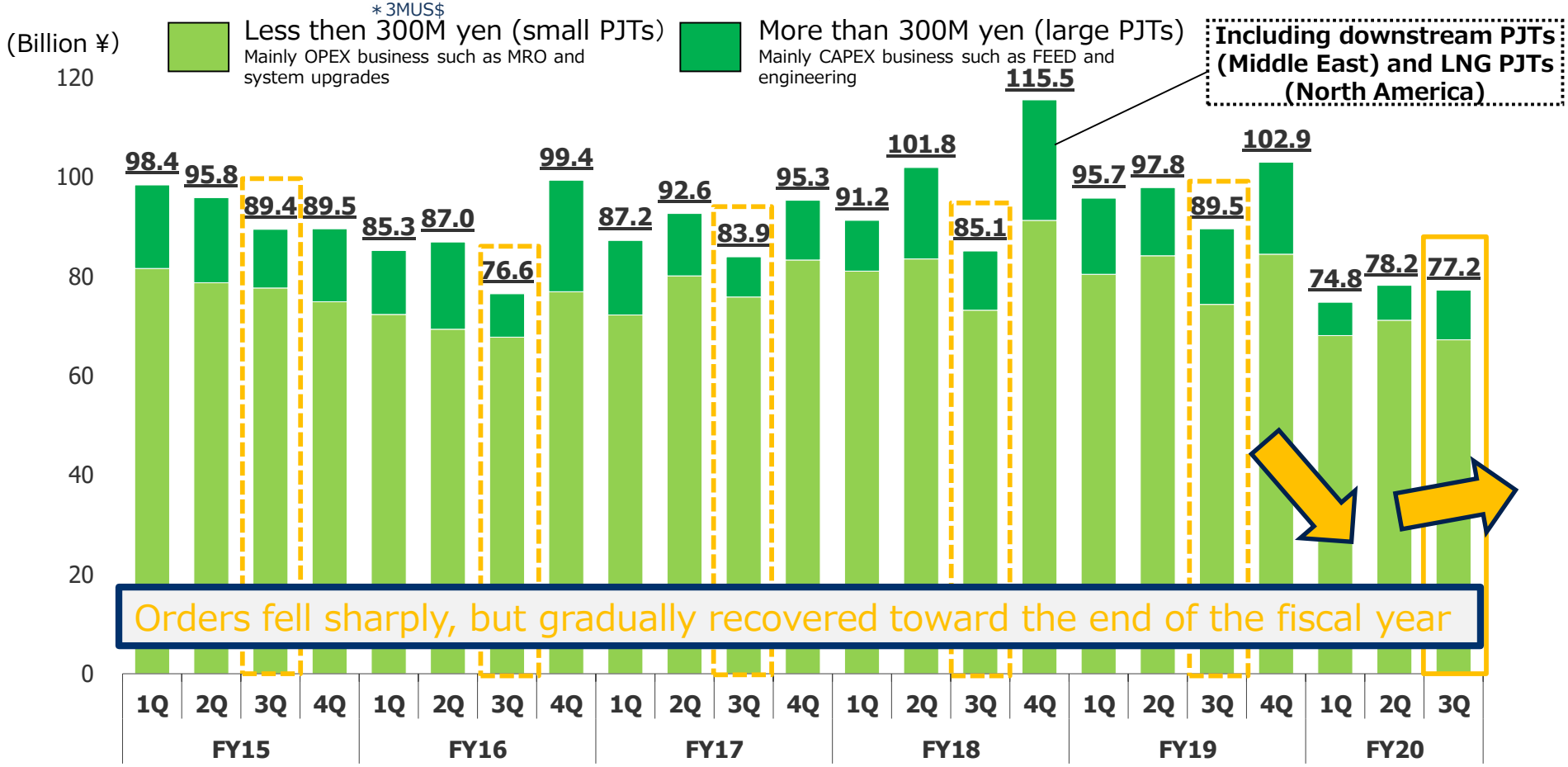
Reference: Control segment order trend, by project size <Updated>

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



	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

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Reference: Solution portfolio in control segment <No change>

From “Automation Supplier” to “Trusted Partner”

		Consul-ting	Engineering & design	Lifecycle service	System integration	Physical security & cyber security
Application	**Business**	Strategy planning	Supply chain optimization	Asset lifecycle optimization	Operational risk management, etc.	
	Operations	Production management	Asset management	Energy management	Quality management, etc.	
Automation	**Control**	Control systems	Safety systems	Edge controllers		
	Field Devices	OT sensors		IIoT sensors		

Operation Management & Control

Integrated performance management and process optimization

value

Insights

Analytics

Data

Operational Technology

Information Technology

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Reference: News（from November 5 to February 9）<Updated>

Nov.

Included for the first time in DJSI World Index

Published 2020 Sustainability Report Link

Dec.

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-

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.

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Reference : Target industry Renewable energy <Updated>

Net-zero Emissions

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

SDGs

UPDATE

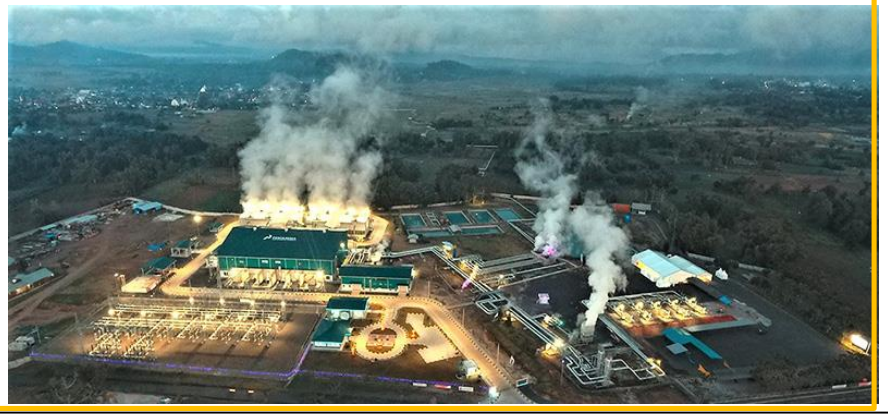
Points on business

- 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

<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.



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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

Member of
Dow Jones Sustainability Indices
Powered by the S&P Global CSA

FTSE4Good

FTSE Blossom Japan

MSCI ESG RATINGS AA
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)

2020 Sompo Sustainability Index

S&P/JPX Carbon Efficient Index

CDP DISCLOSURE INSIGHT ACTION A LIST 2020 CLIMATE

CDP DISCLOSURE INSIGHT ACTION A LIST 2020 WATER

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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.

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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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