

**Stock Code : 6841  
Yokogawa Electric Corporation**

# **Financial Results for 1st Half of Fiscal Year 2021**

November 2, 2021

# Contents

## 1. FY21 1H Results and FY21 Forecast P.3

**Michiko Nakajima**

Vice President

Accounting & Treasury Headquarters

## 2. Financial Appendix P.16

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. Current Situation and Yokogawa's Future Accelerate Growth 2023 P.24

**Hitoshi Nara**

President & Chief Executive Officer

# Financial Results for Fiscal Year 2021 1H and FY21 Forecast

(April 1, 2021 – September 30, 2021)

**Michiko Nakajima**

Vice President

Accounting & Treasury Headquarters

November 2, 2021

# Key Points

## ■ FY21 1H results: Sales were up, but operating income declined.

- **Summary** : Orders increased year on year, and sales were up due to the increase in orders. Operating income decreased due to a decline in the gross margin, the impact of a decrease in government subsidies, an increase in SG&A expenses, and other factors. Profit attributable to owners of parent decreased.
- **Segments** :
  - Control** : Sales were up, but operating income declined. (Excluding the impact of exchange rates, orders increased 10.1%, sales increased 0.7%, and operating income declined 15.4% year on year.)
  - Measuring instruments** : Sales and operating income were up.
  - Aviation and other** : Sales were up, but operating income declined.
- **Regions** : Orders were firm mainly for small projects. (The situation varies, depending on the region.)
- **Industries** : Sales were strong in the downstream sector and the chemicals industry.

## ■ FY21 earnings forecasts: <Change>

- Revised factors:**
  1. Revised exchange rate (US\$1: ¥105 ➔ ¥107.5)
  2. Orders revised upward based on 1H result and outlook
  3. No change in profit attributable to owners of parent

## ■ FY21 dividend forecast: Total annual dividend of ¥34 <No change>

From the first quarter, as a result of revising the Group's internal management classification, the life innovation business that was previously included in the test and measurement business segment has been reclassified into the industrial automation and control business segment. In addition, the name of the reportable segment previously known as the test and measurement business has been changed to the measuring instruments business. Moreover, segment information for the second quarter of the previous fiscal year has been presented based on the changed classification.

# Summary of FY21 1H Results (FY20 1H / FY21 1H comparison)

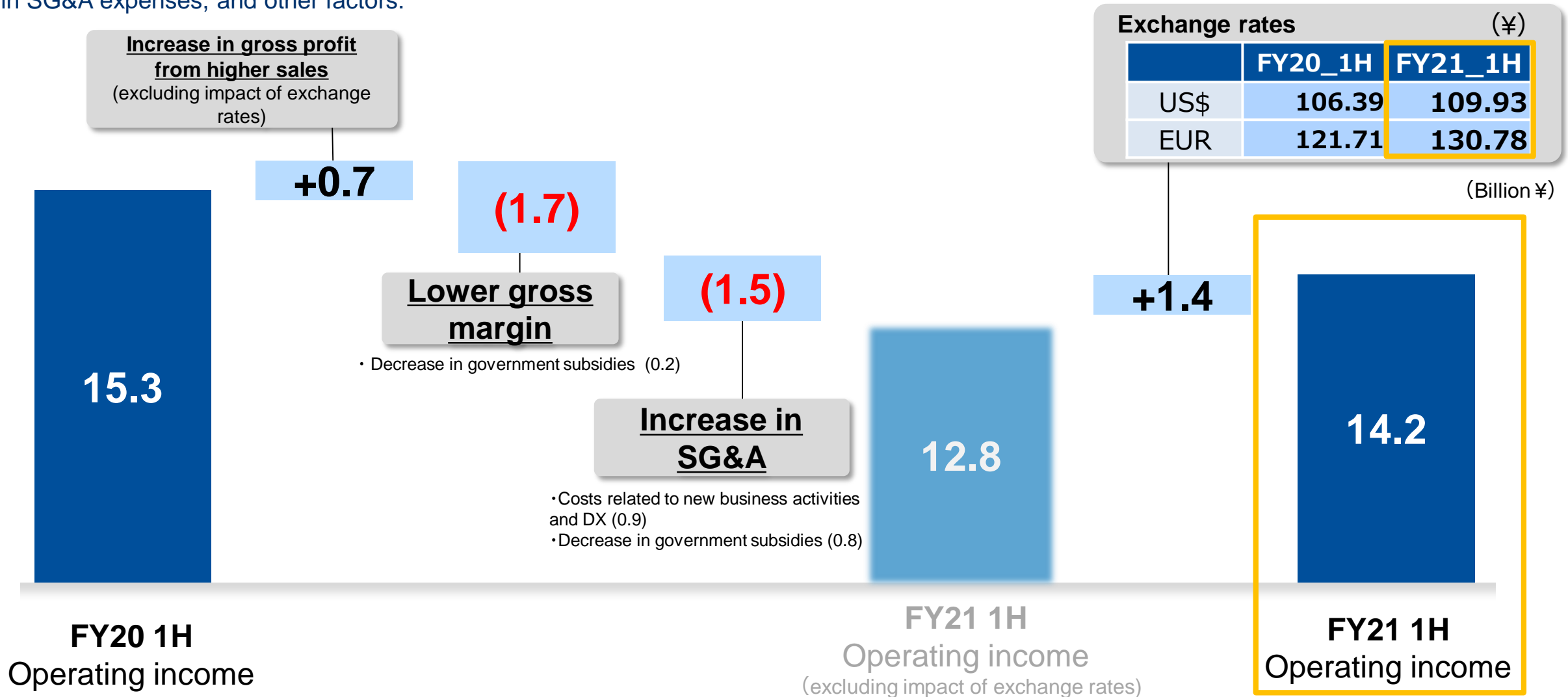
- ◆ Orders increased (excluding the impact of exchange rates: +9.4% year on year).
- ◆ Sales increased due to the increase in orders (excluding impact of exchange rates: +0.9% year on year).
- ◆ Operating income decreased due to a decline in the gross margin, the impact of a decrease in government subsidies, an increase in SG&A expenses, and other factors.

(Billion ¥)

|   | FY20_1H         | FY21_1H | Difference | Growth rate | Impact of exchange rate |
|---|-----------------|---------|------------|-------------|-------------------------|
| Orders                                  | 169.0           | 193.8   | +24.7      | +14.6%      | +8.9                    |
| Sales                                   | 174.4           | 184.4   | +10.0      | +5.8%       | +8.4                    |
| Operating income                        | 15.3            | 14.2    | (1.2)      | (7.7%)      | +1.4                    |
| ROS (%)                                 | 8.8             | 7.7     | (1.1pts)   | —           | —                       |
| Ordinary income                         | 16.3            | 15.1    | (1.2)      | (7.2%)      | +1.5                    |
| Profit attributable to owners of parent | 9.8             | 9.1     | (0.7)      | (6.9%)      | +1.2                    |
| Exchange rate                           | USD1\$= ¥106.39 | ¥109.93 | +3.54      | —           | —                       |

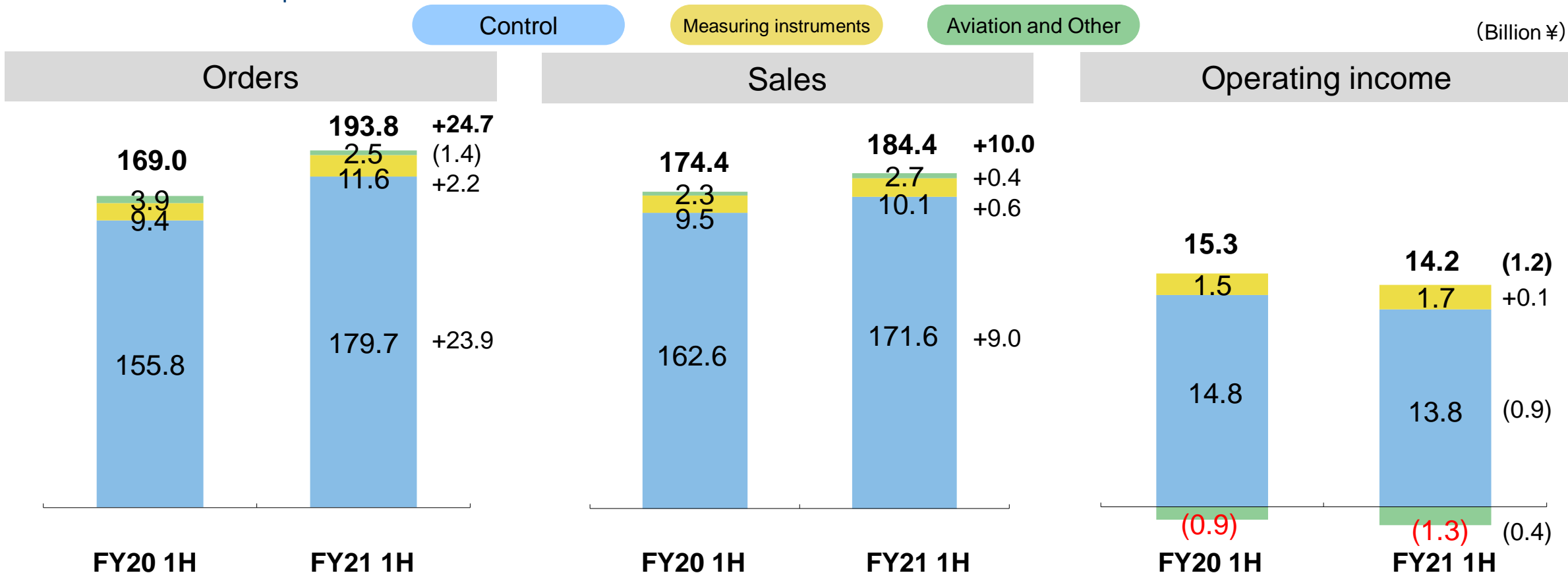
# Analysis of Operating Income (FY20 1H / FY21 1H comparison)

- Operating income decreased due to a decline in the gross margin, the impact of a decrease in government subsidies, an increase in SG&A expenses, and other factors.



# FY20 / FY21 Comparison for Orders, Sales, and Operating Income by Segment

- ◆ **Control:** Orders were firm mainly for small projects. Sales increased due to the increase in orders (excluding impact of exchange rates: orders +10.1%, sales +0.7% year on year). Operating income decreased due to a decline in the gross margin, the impact of a decrease in government subsidies, an increase in SG&A expenses, etc. (excluding impact of exchange rates: -¥2.3 billion, -15.4% year on year).
- ◆ **Measuring instruments:** Sales were strong, and operating income increased.
- ◆ **Aviation and other:** The gross margin in the aviation business is improving, but sales and operating income decreased due to an increase in the other businesses' SG&A expenses.



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

# Orders and Sales by Region in Control Segment

- ◆ Orders were firm mainly for small projects. (The situation varies, depending on the region.)
- ◆ Orders: +¥15.7 billion, +10.1% (excluding impact of exchange rates); sales: +¥1.2 billion, +0.7% (excluding impact of exchange rates)

(Billion ¥)

| Orders                            | FY20 1H<br>(A) | FY21 1H<br>(B) | Difference<br>(B-A) |
|-----------------------------------|----------------|----------------|---------------------|
| <b>Japan</b>                      | 52.7           | 55.4           | +2.7                |
| Asia                              | 53.0           | 66.9           | +13.9               |
| (South-eastern Asia and Far East) | 26.6           | 29.1           | +2.5                |
| (China)                           | 21.5           | 30.9           | +9.4                |
| (India)                           | 4.9            | 6.9            | +2.0                |
| Europe and CIS                    | 17.6           | 22.0           | +4.4                |
| Middle East and Africa            | 17.8           | 17.4           | (0.4)               |
| North America                     | 9.2            | 12.9           | +3.7                |
| Central and South America         | 5.5            | 5.1            | (0.4)               |
| <b>Outside Japan</b>              | <b>103.1</b>   | <b>124.3</b>   | <b>+21.2</b>        |
| <b>Consolidated</b>               | <b>155.8</b>   | <b>179.7</b>   | <b>+23.9</b>        |
| Exchange rate USD1\$ =            | ¥106.39        | ¥109.93        | ¥3.54               |

| Sales                             | FY20 1H<br>(A) | FY21 1H<br>(B) | Difference<br>(B-A) |
|-----------------------------------|----------------|----------------|---------------------|
| <b>Japan</b>                      | 48.9           | 49.6           | +0.7                |
| Asia                              | 54.0           | 61.5           | +7.5                |
| (South-eastern Asia and Far East) | 27.6           | 28.5           | +0.9                |
| (China)                           | 21.7           | 27.1           | +5.4                |
| (India)                           | 4.7            | 5.9            | +1.2                |
| Europe and CIS                    | 20.6           | 21.9           | +1.3                |
| Middle East and Africa            | 19.4           | 18.6           | (0.8)               |
| North America                     | 15.9           | 14.6           | (1.3)               |
| Central and South America         | 3.8            | 5.4            | +1.6                |
| <b>Outside Japan</b>              | <b>113.7</b>   | <b>122.0</b>   | <b>+8.3</b>         |
| <b>Consolidated</b>               | <b>162.6</b>   | <b>171.6</b>   | <b>+9.0</b>         |
| Exchange rate USD1\$ =            | ¥106.39        | ¥109.93        | ¥3.54               |

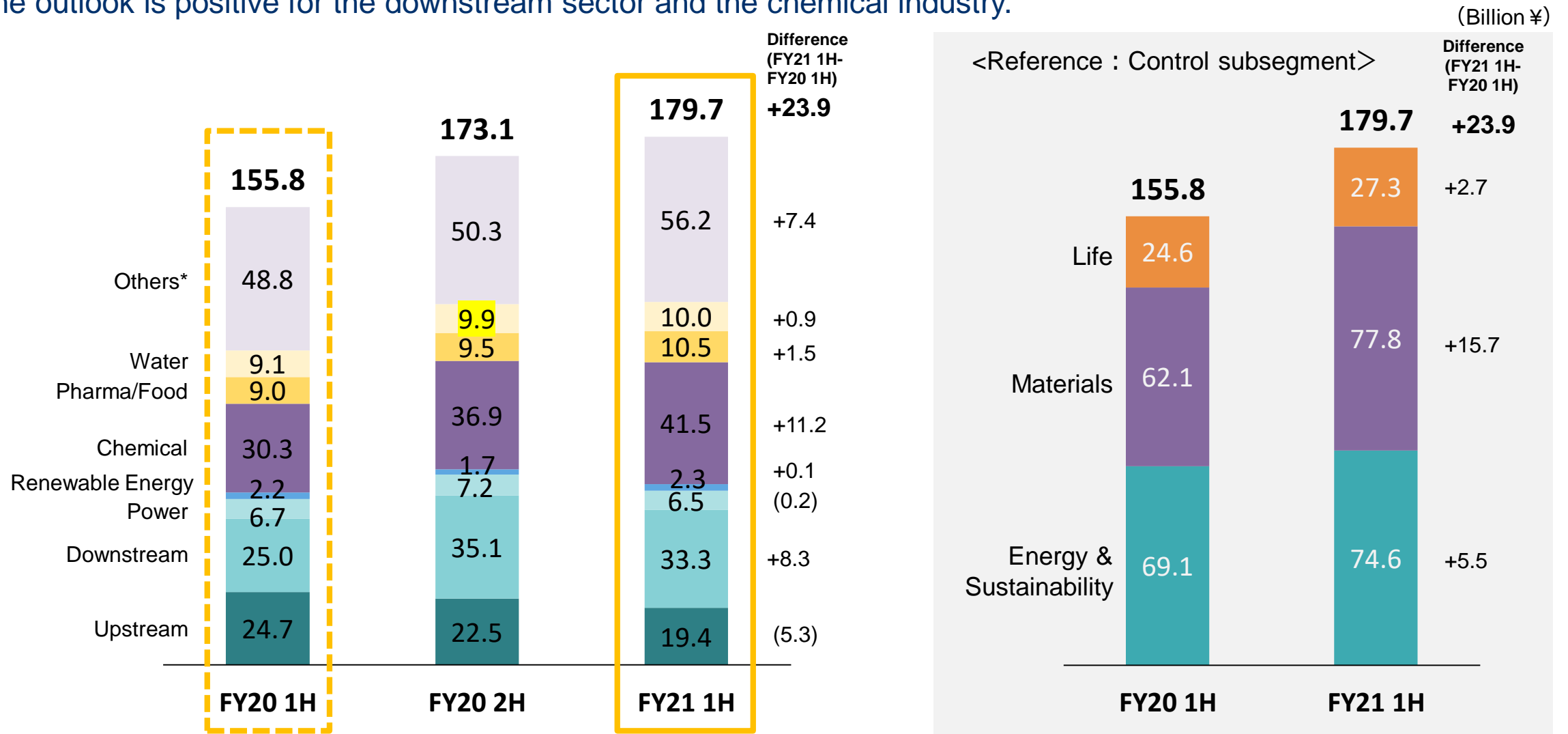
\*The FY20 figures have been changed based on the new segmentation.

| November 2, 2021 |



# Orders by Industry in Control Segment

◆ The outlook is positive for the downstream sector and the chemical industry.

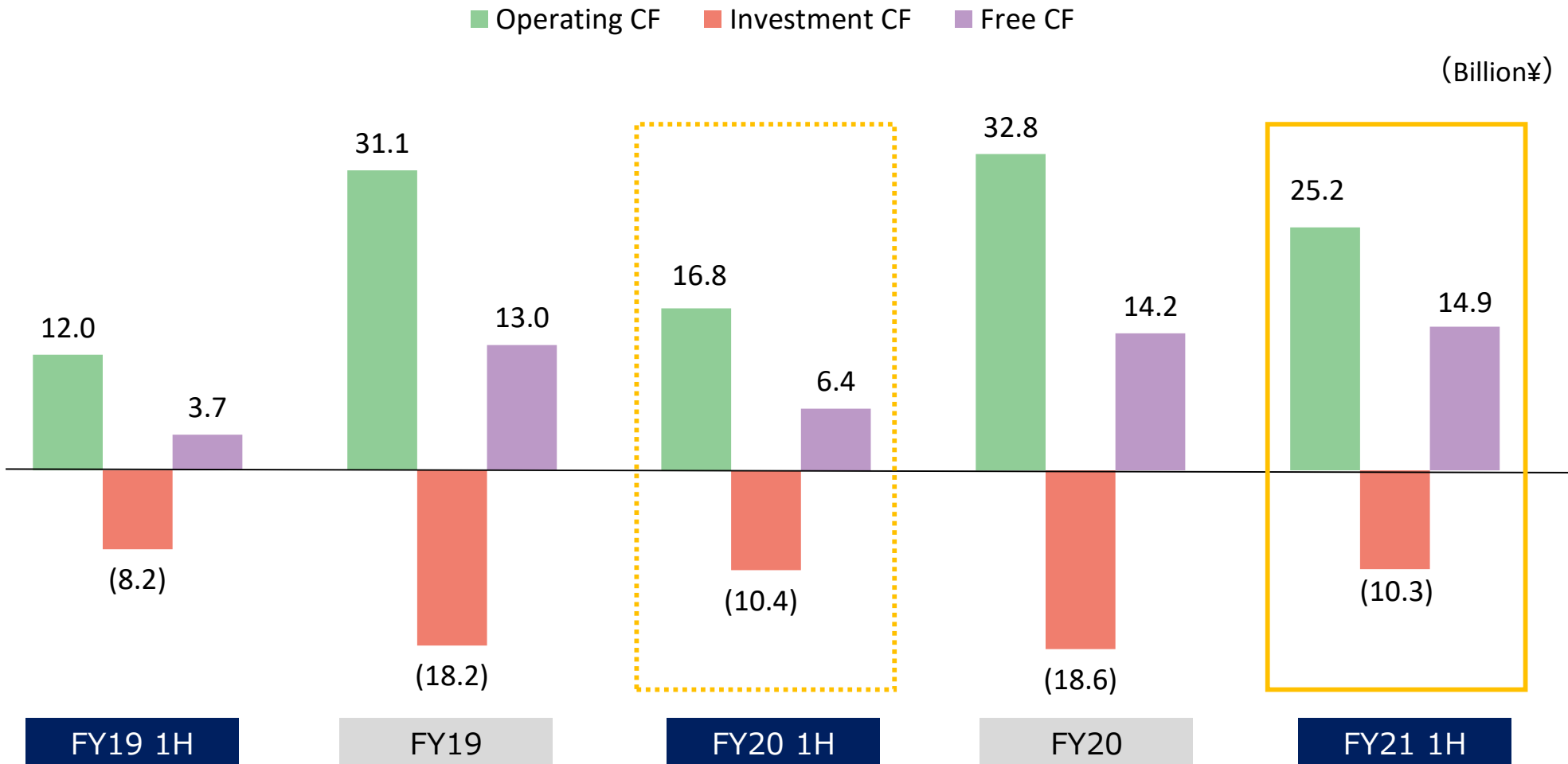


\*Electrical & electronics, iron & steel, pulp & paper, etc.

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

| November 2, 2021 |

# Trend of Cash Flow



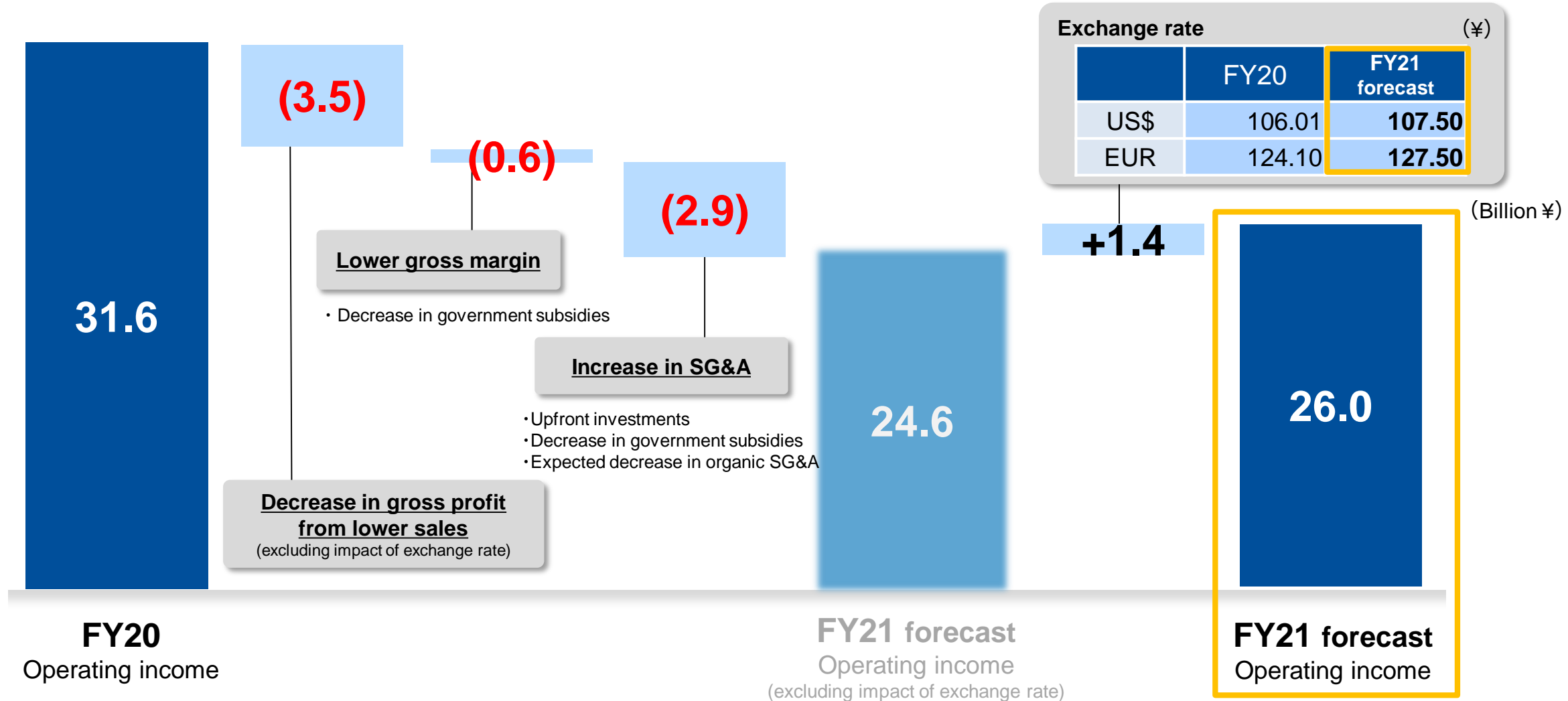
# FY21 Forecast (Change from May 11, 2021)

- ◆ Orders have been revised upward by ¥10.0 billion based on changes in exchange rate assumptions, actual results in the first half, and the future outlook (impact of exchange rates: +¥5.0 billion) .
- ◆ Sales, operating income, and ordinary income have been revised upward based on changes in exchange rate assumptions (impact of exchange rates: sales +¥5.0 billion, operating income +¥1.0 billion, ordinary income +¥1.0 billion).
- ◆ Profit attributable to owners of parent has not been revised.

|   |          | (Billion ¥) |                              |                              |                                 |                                     |                        |
|---|----------|-------------|------------------------------|------------------------------|---------------------------------|-------------------------------------|------------------------|
|   |          | FY20<br>(A) | FY21<br>Forecast<br>5/11 (B) | FY21<br>Forecast<br>11/2 (C) | Forecast<br>Difference<br>(C-B) | Year on Year<br>Difference<br>(C-A) | Growth rate<br>(C/A-1) |
| Orders                                  |          | 355.8       | 380.0                        | <b>390.0</b>                 | +10.0                           | +34.2                               | +9.6%                  |
| Sales                                   |          | 374.2       | 370.0                        | <b>375.0</b>                 | +5.0                            | 0.8                                 | +0.2%                  |
| Operating income                        |          | 31.6        | 25.0                         | <b>26.0</b>                  | +1.0                            | (5.6)                               | (17.7%)                |
| ROS (%)                                 |          | 8.4         | 6.8                          | <b>6.9</b>                   | +0.2pts                         | (1.5pts)                            | —                      |
| Ordinary income                         |          | 34.1        | 25.0                         | <b>26.0</b>                  | +1.0                            | (8.1)                               | (23.8%)                |
| Profit before income taxes              |          | 31.5        | 25.0                         | <b>25.0</b>                  | 0                               | (6.5)                               | (20.6%)                |
| Tax, etc.                               |          | 12.3        | 9.0                          | <b>9.0</b>                   | 0                               | (3.3)                               | (26.8%)                |
| Profit attributable to owners of parent |          | 19.2        | 16.0                         | <b>16.0</b>                  | 0                               | (3.2)                               | (16.8%)                |
| EPS (¥)                                 |          | 72.00       | 59.94                        | <b>59.94</b>                 | 0                               | (12.06)                             | (16.8%)                |
| Exchange rate                           | USD1\$ = | ¥106.01     | ¥105.00                      | <b>¥107.50</b>               | ¥2.50                           | ¥1.49                               | —                      |

# Factors Accounting for Increase / Decrease in FY21 Operating Income (Change from May 11, 2021)

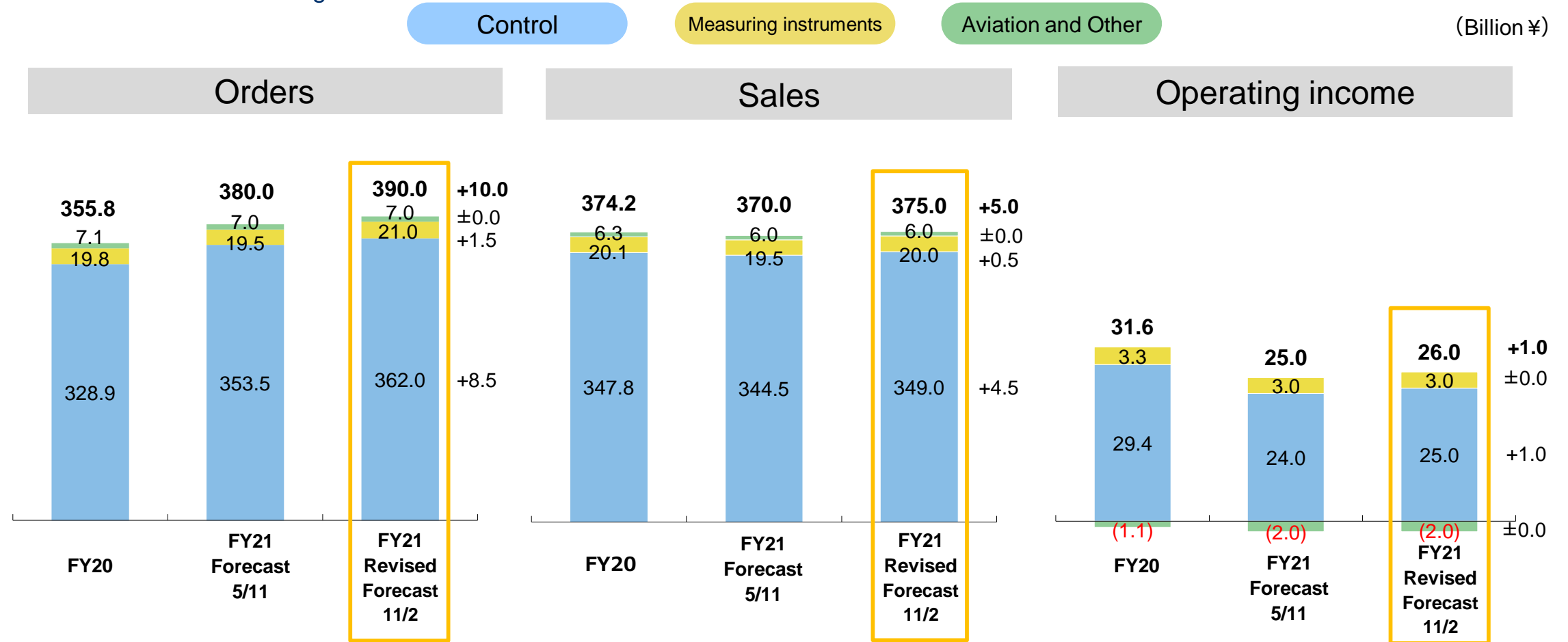
◆ Revised upward based on changes in exchange rate assumptions.



# FY21 Forecast for Orders, Sales, and Operating Income by Segment (Change from May 11, 2021)

◆ **Control and measuring instruments:** Revised upward based on changes in exchange rate assumptions. Orders have been revised based on the outlook.

◆ **Aviation and other:** No change



\*The FY20 figures have been changed based on the new segmentation from FY21.

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 (Change from May 11, 2021)

(Billion ¥)

| Orders                            | FY20 Results<br>(A) | FY21 Forecast<br>(B) | Difference<br>(B-A) |
|-----------------------------------|---------------------|----------------------|---------------------|
| <b>Japan</b>                      | <b>112.9</b>        | <b>116.0</b>         | <b>+3.1</b>         |
| Asia                              | 104.9               | 122.0                | +17.1               |
| (South-eastern Asia and Far East) | 49.9                | 55.0                 | +5.1                |
| (China)                           | 43.1                | 53.0                 | +9.9                |
| (India)                           | 11.9                | 14.0                 | +2.1                |
| Europe and CIS                    | 40.0                | 45.0                 | +5.0                |
| Middle East and Africa            | 37.9                | 41.0                 | +3.1                |
| North America                     | 22.2                | 27.0                 | +4.8                |
| Central and South America         | 11.0                | 11.0                 | 0                   |
| <b>Outside Japan</b>              | <b>216.0</b>        | <b>246.0</b>         | <b>+30.0</b>        |
| <b>Consolidated</b>               | <b>328.9</b>        | <b>362.0</b>         | <b>+33.1</b>        |
| Exchange rate USD1\$ =            | ¥106.01             | ¥107.50              | ¥1.49               |

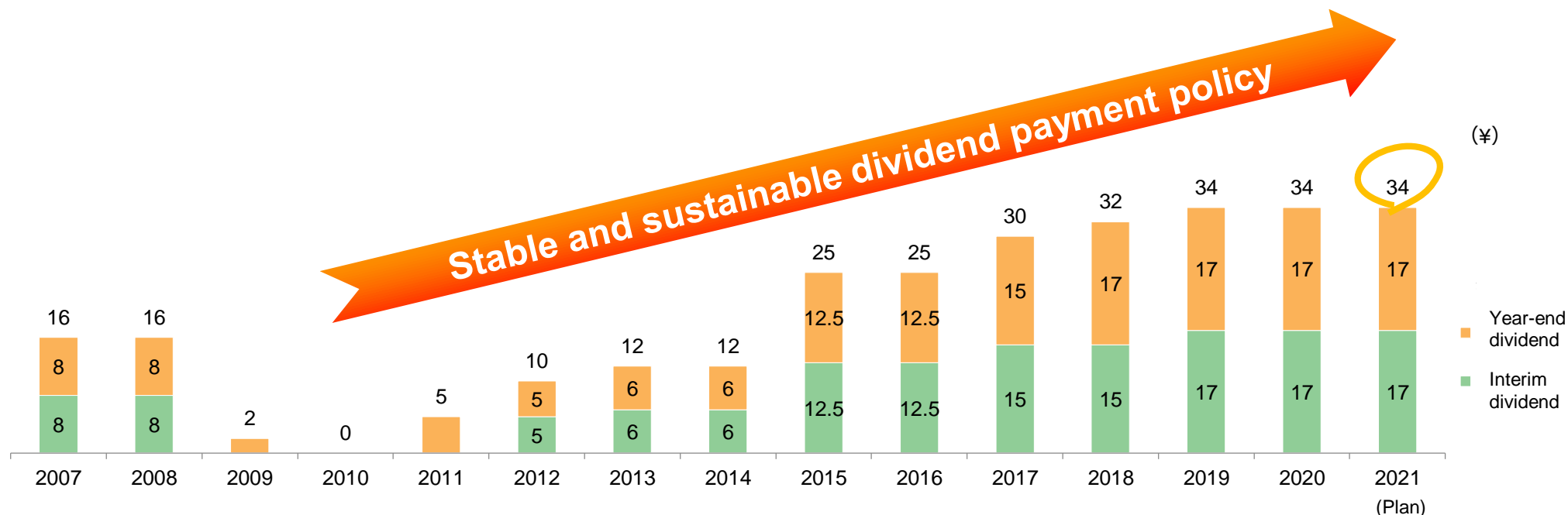
| Sales                             | FY20 Results<br>(A) | FY21 Forecast<br>(B) | Difference<br>(B-A) |
|-----------------------------------|---------------------|----------------------|---------------------|
| <b>Japan</b>                      | <b>109.3</b>        | <b>109.0</b>         | <b>(0.3)</b>        |
| Asia                              | 113.6               | 115.5                | +1.9                |
| (South-eastern Asia and Far East) | 56.4                | 56.0                 | (0.4)               |
| (China)                           | 44.9                | 46.5                 | +1.6                |
| (India)                           | 12.3                | 13.0                 | +0.7                |
| Europe and CIS                    | 41.9                | 43.5                 | +1.6                |
| Middle East and Africa            | 42.0                | 42.0                 | 0                   |
| North America                     | 31.5                | 29.0                 | (2.5)               |
| Central and South America         | 9.5                 | 10.0                 | +0.5                |
| <b>Outside Japan</b>              | <b>238.5</b>        | <b>240.0</b>         | <b>+1.5</b>         |
| <b>Consolidated</b>               | <b>347.8</b>        | <b>349.0</b>         | <b>+1.2</b>         |
| Exchange rate USD1\$ =            | ¥106.01             | ¥107.50              | ¥1.49               |

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

# Dividend

- The decision has been made to pay a ¥17 interim dividend. <No change>
- The FY21 annual dividend will remain at a record high level.

**FY20: ¥34 (payout ratio 47.2%)**  
**FY21: ¥34 (payout ratio 56.7%)**



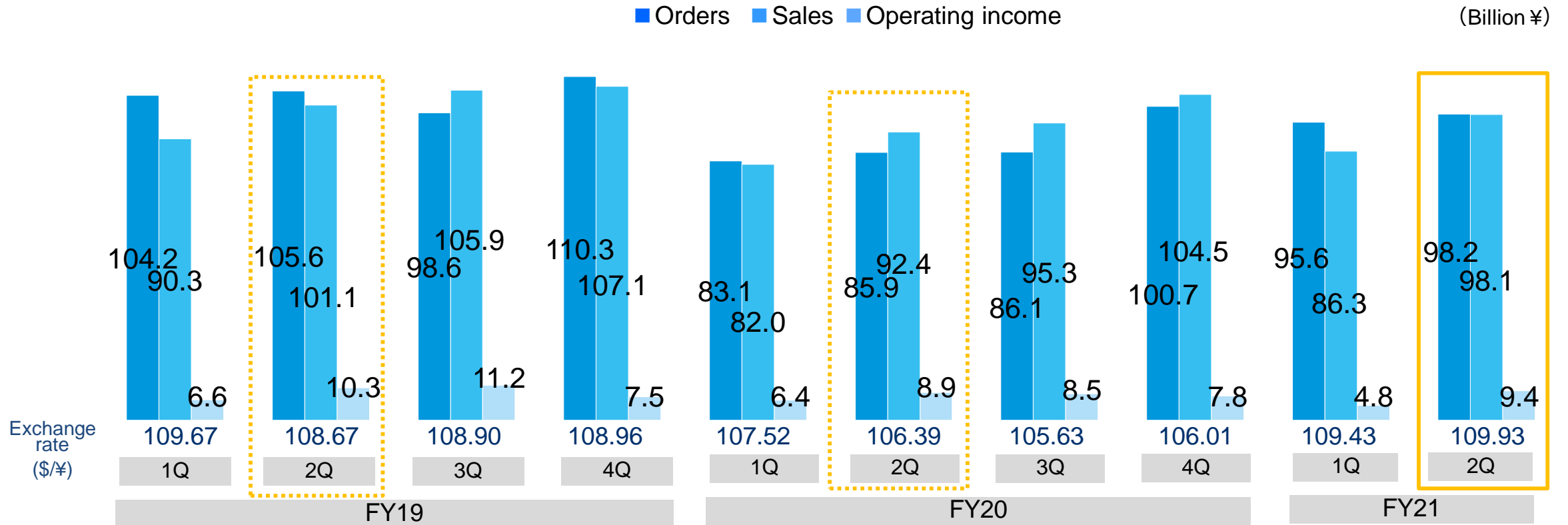
## Financial Appendix:

- 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 robust in the Japanese control segment.



# Appendix: Non-operating /Extraordinary Income and Expenses

(Billion ¥)

|   | FY20_1H | FY21_1H |
|---|---------|---------|
| Operating income                        | 15.3    | 14.2    |
| Non-operating income                    | 1.9     | 2.1     |
| Non-operating expenses                  | 1.0     | 1.1     |
| Ordinary income                         | 16.3    | 15.1    |
| Extraordinary income                    | 0       | 0       |
| Extraordinary expenses                  | 1.4     | 0.3     |
| Income before tax                       | 14.9    | 14.8    |
| Tax, etc.                               | 5.2     | 5.7     |
| Profit attributable to owners of parent | 9.8     | 9.1     |

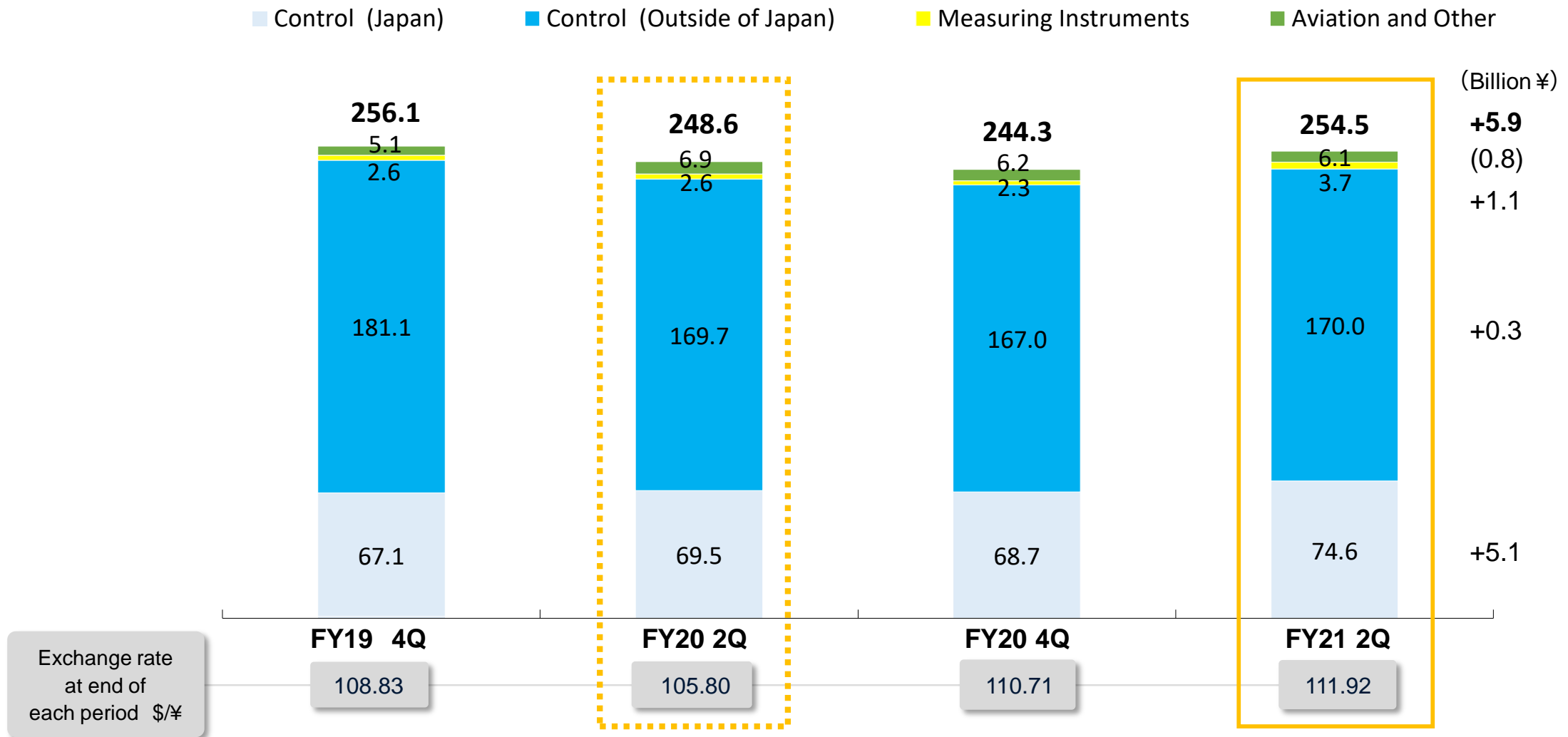
FY20 : Business restructuring expenses ¥1.0 billion

(Effective tax rate)

28.1%

31.1%

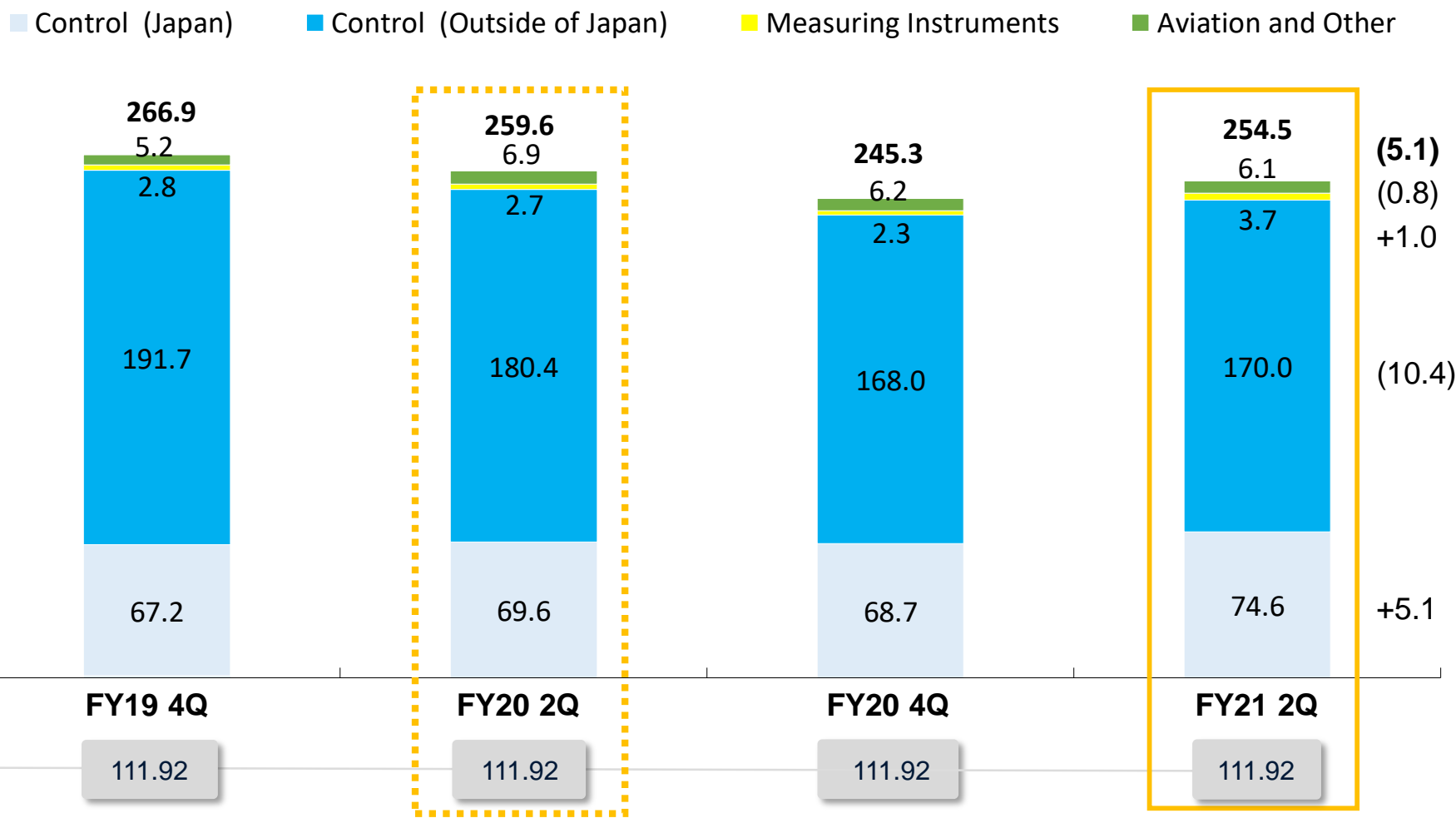
# Appendix: Order Backlog Trend by Segment



\*The FY19 and FY20 figures have been changed based on the new segmentation.

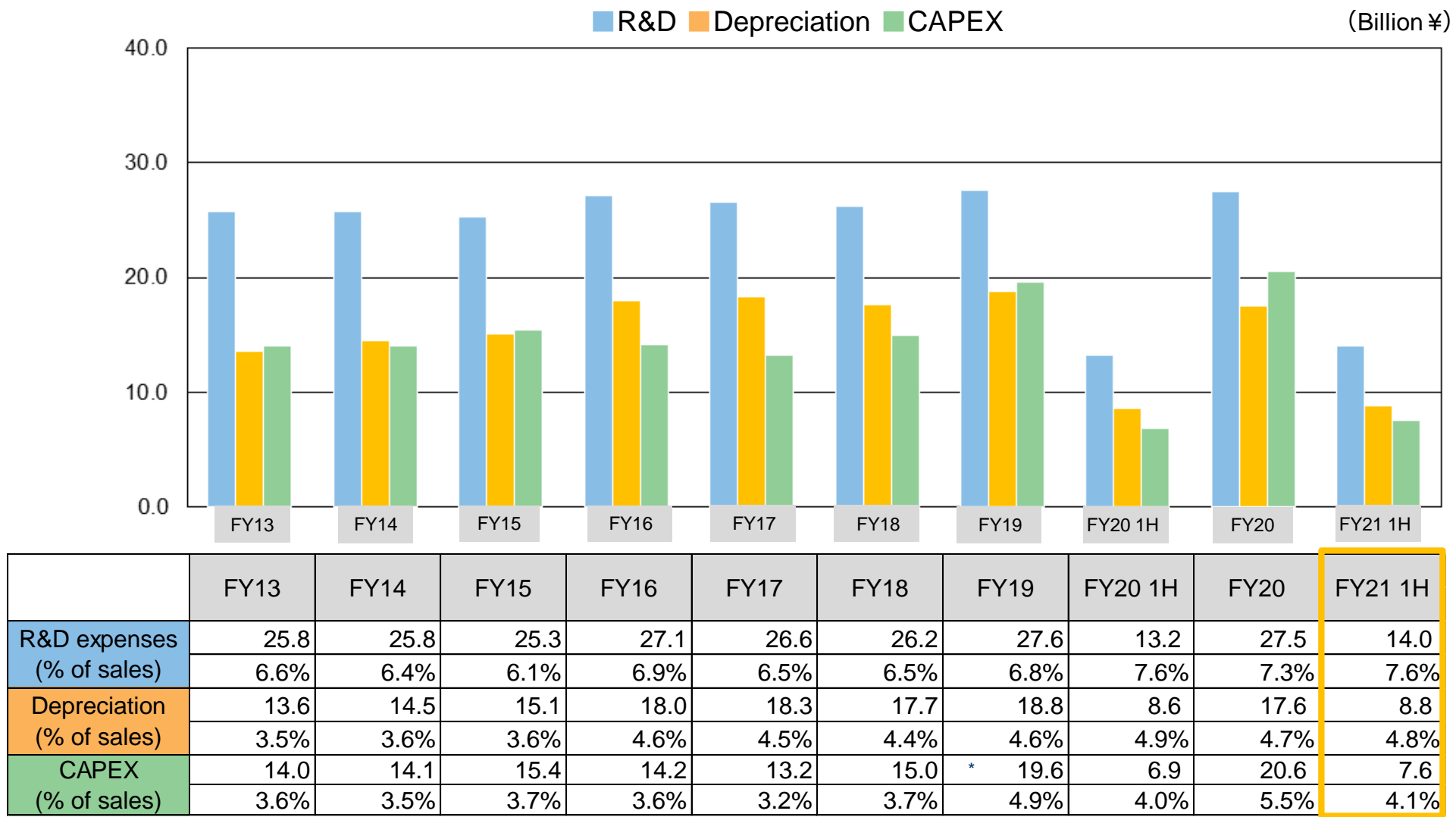
# Appendix: Order Backlog Trend by Segment (Using FY21 1H exchange rate)

(Billion ¥)



\*The FY19 and FY20 figures have been changed based on the new segmentation.

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

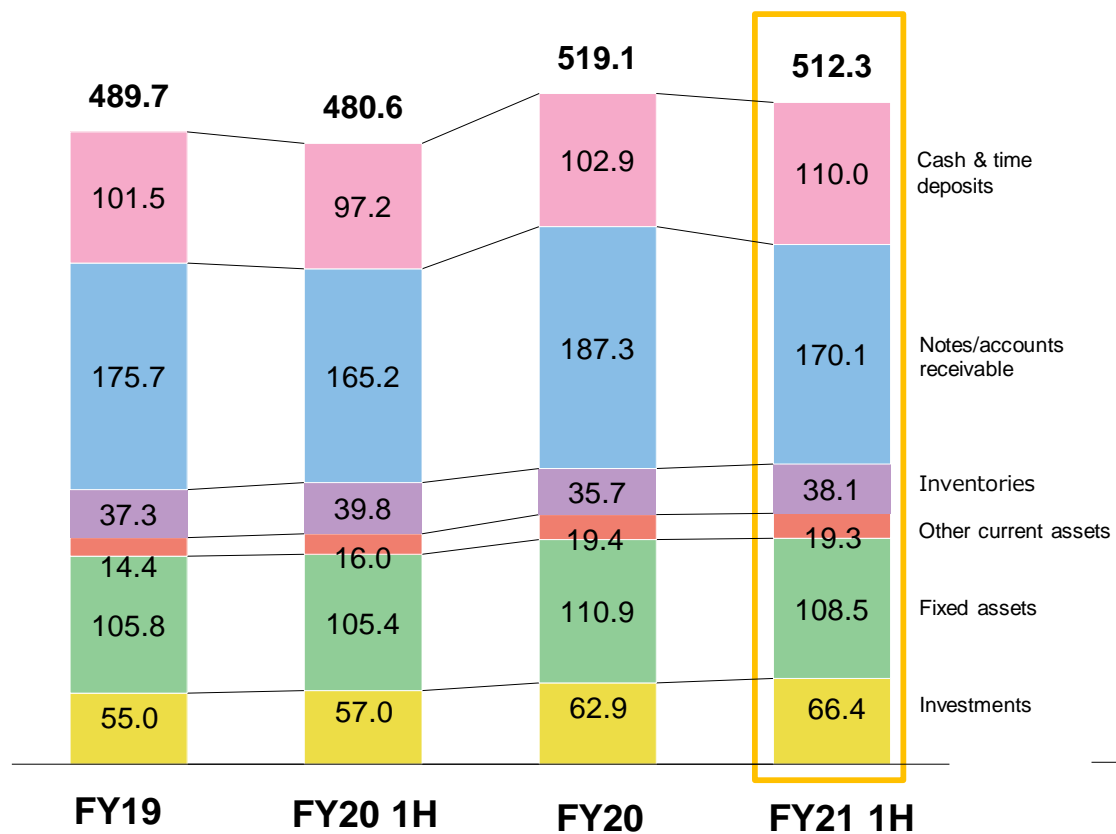


\*The Group's consolidated subsidiaries outside Japan have adopted IFRS 16 (Leases) from FY19.

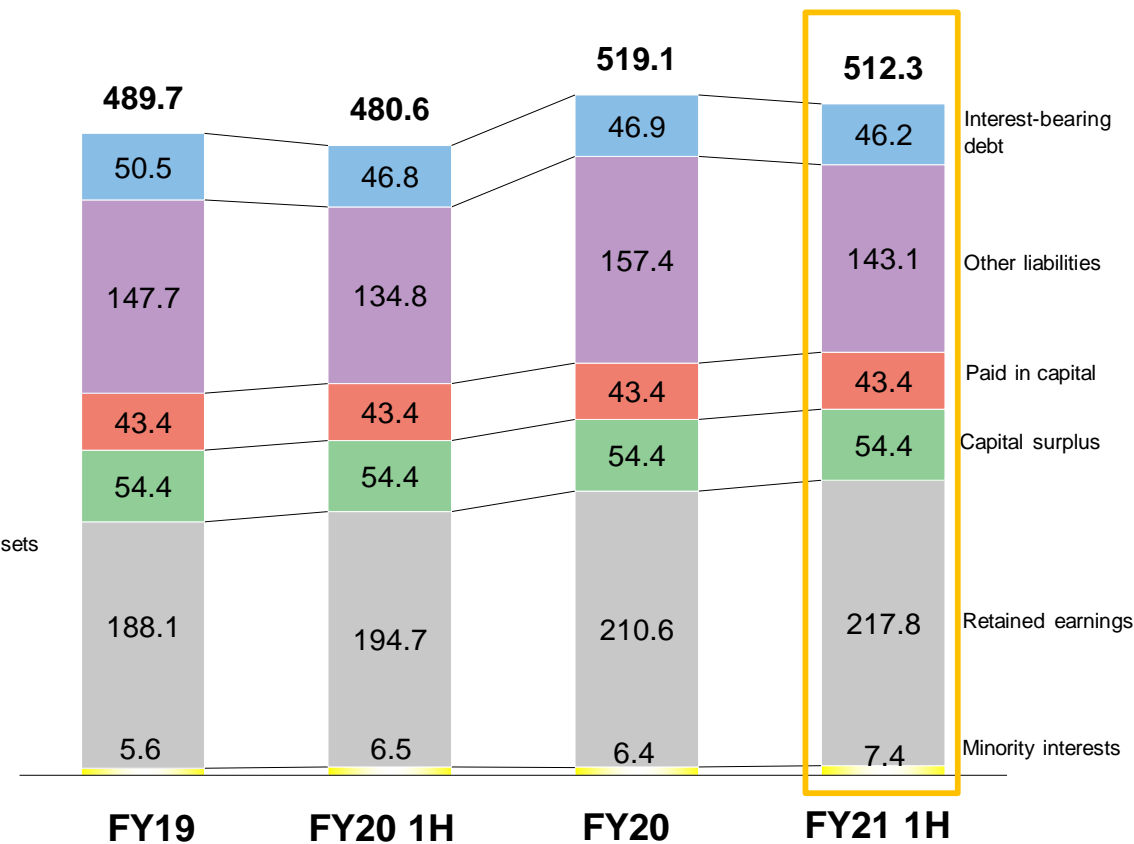
# Appendix: Trend of Balance Sheet

(Billion ¥)

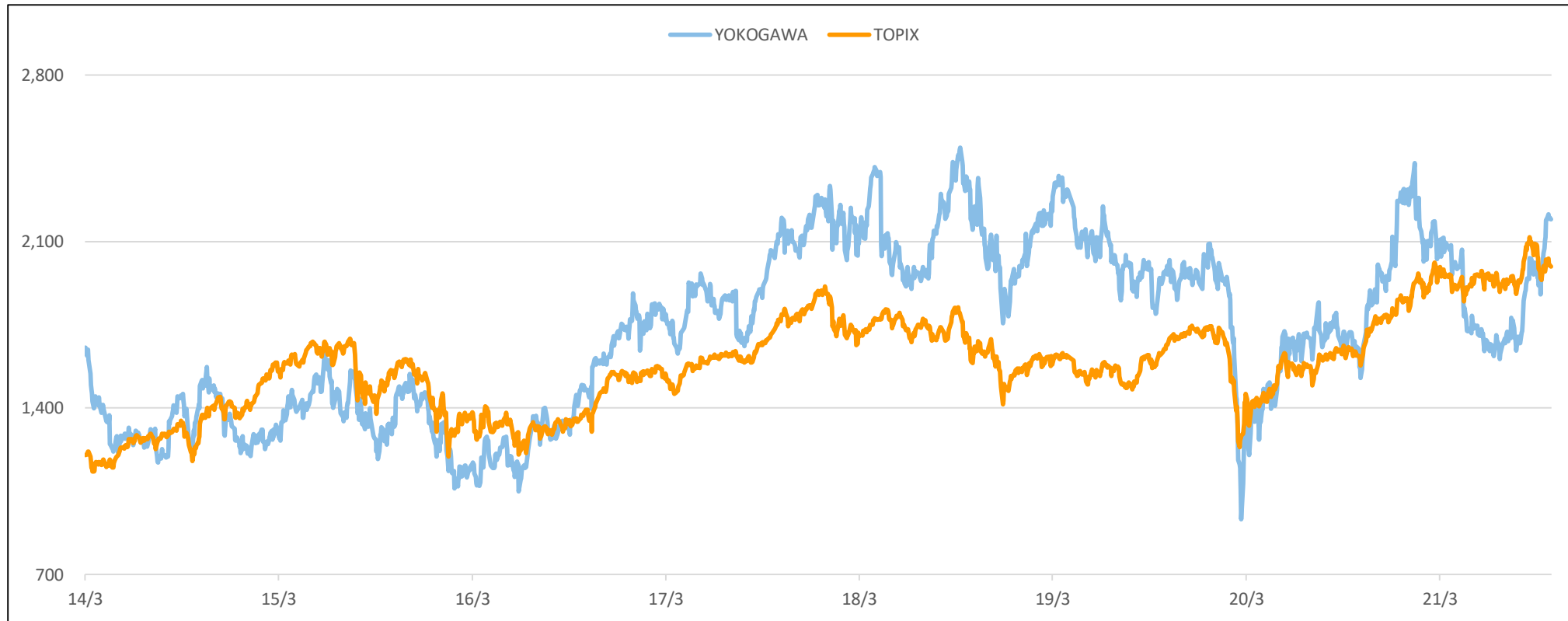
## Assets



## Liabilities and equity



# Appendix: Trend of Stock Price



(¥)

|          | 14/3  | 15/3  | 16/3  | 17/3  | 18/3  | 19/3  | 20/3  | 21/3  | 21/6  | 21/9  | 21/10/25 |
|----------|-------|-------|-------|-------|-------|-------|-------|-------|-------|-------|----------|
| Yokogawa | 1,667 | 1,295 | 1,163 | 1,752 | 2,198 | 2,291 | 1,303 | 2,038 | 1,660 | 1,959 | 2,195    |
| TOPIX    | 1,203 | 1,543 | 1,347 | 1,512 | 1,716 | 1,592 | 1,403 | 1,954 | 1,944 | 2,030 | 1,995    |

Financial Results for 1st half of Fiscal Year 2021  
**Current Situation and  
Future Outlook**  
***Accelerate Growth 2023***

**Hitoshi Nara**

President & Chief Executive Officer

November 2, 2021



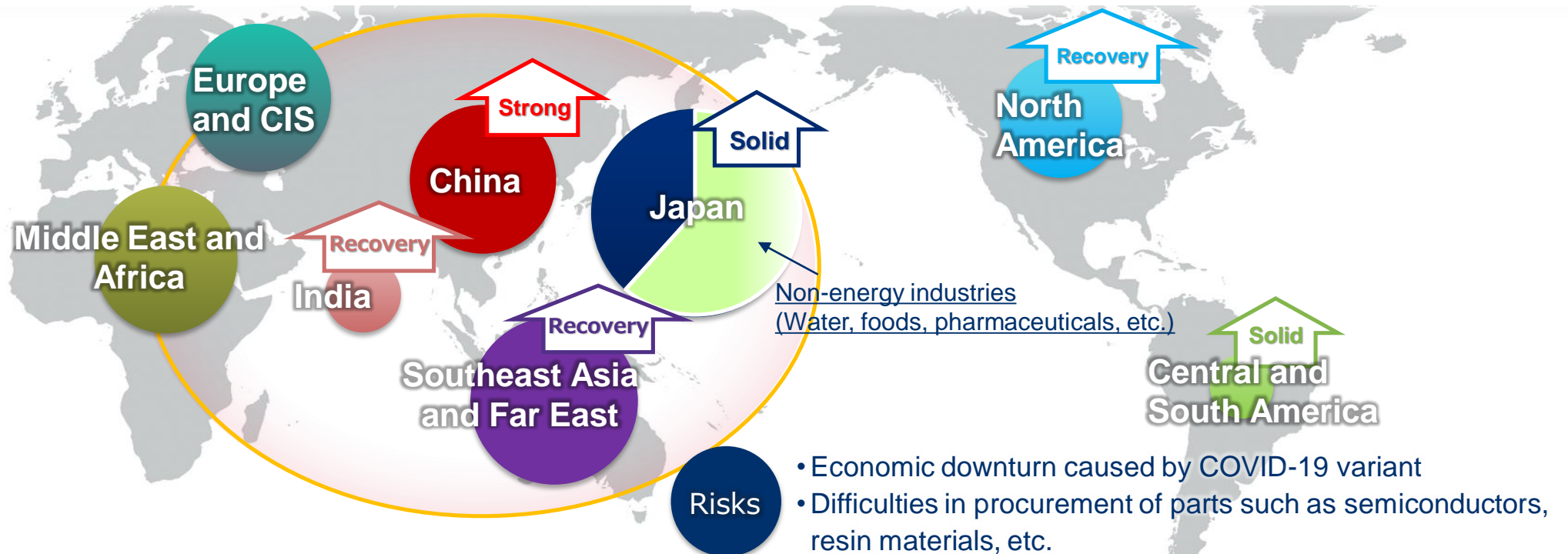
## Expectations for recovery in various areas and industries China continues to drive orders.

Regions

**China:** Strong performance     **N. America, SE Asia, and India:** Recovering from impact of Covid-19  
**Japan and Latin America:** Solid growth

Industries

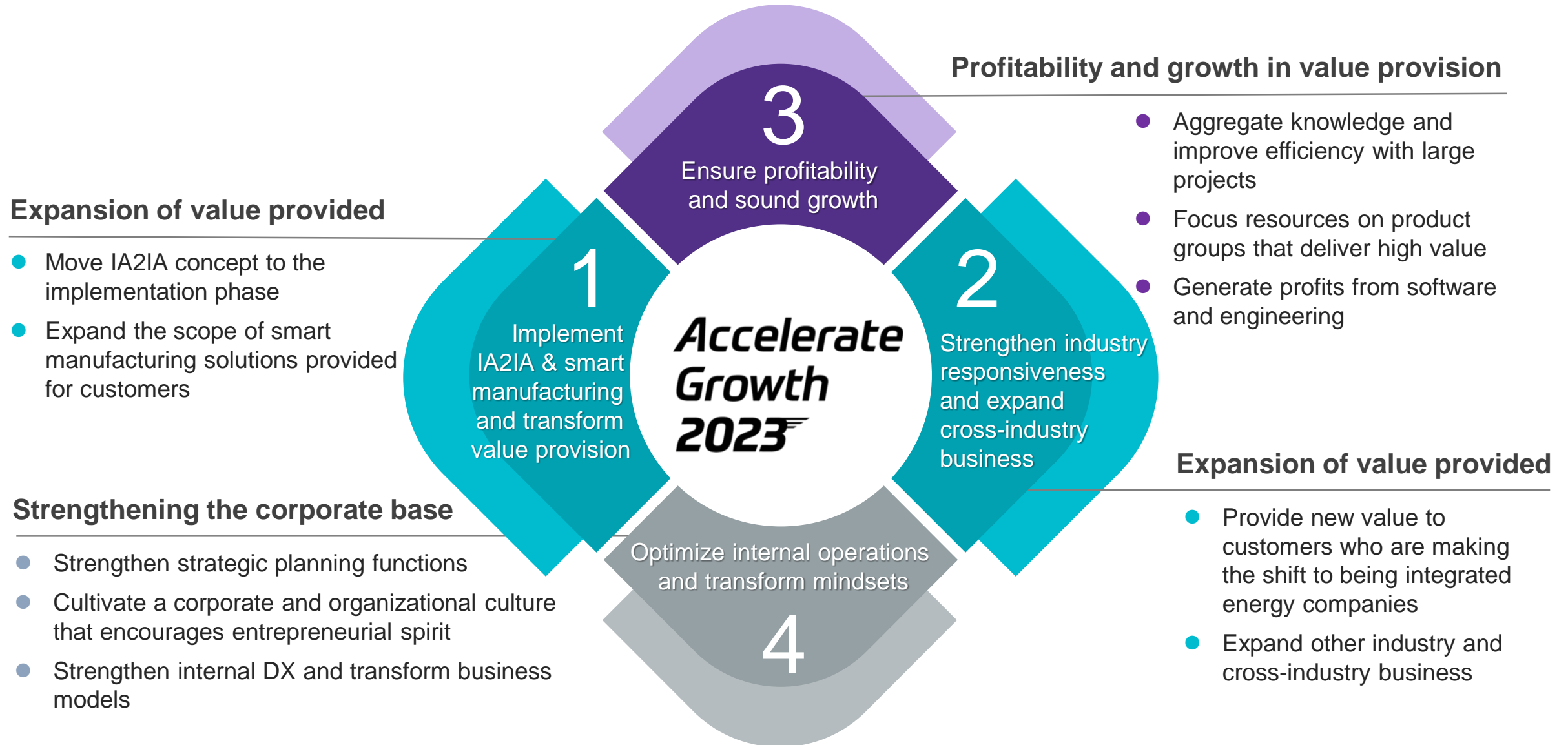
**Downstream & chemicals:** Continued strong growth driven by rising demand  
**Materials:** Strong growth in raw materials used in semiconductors, etc. Mining is also strong.



### Overseas sales ratio

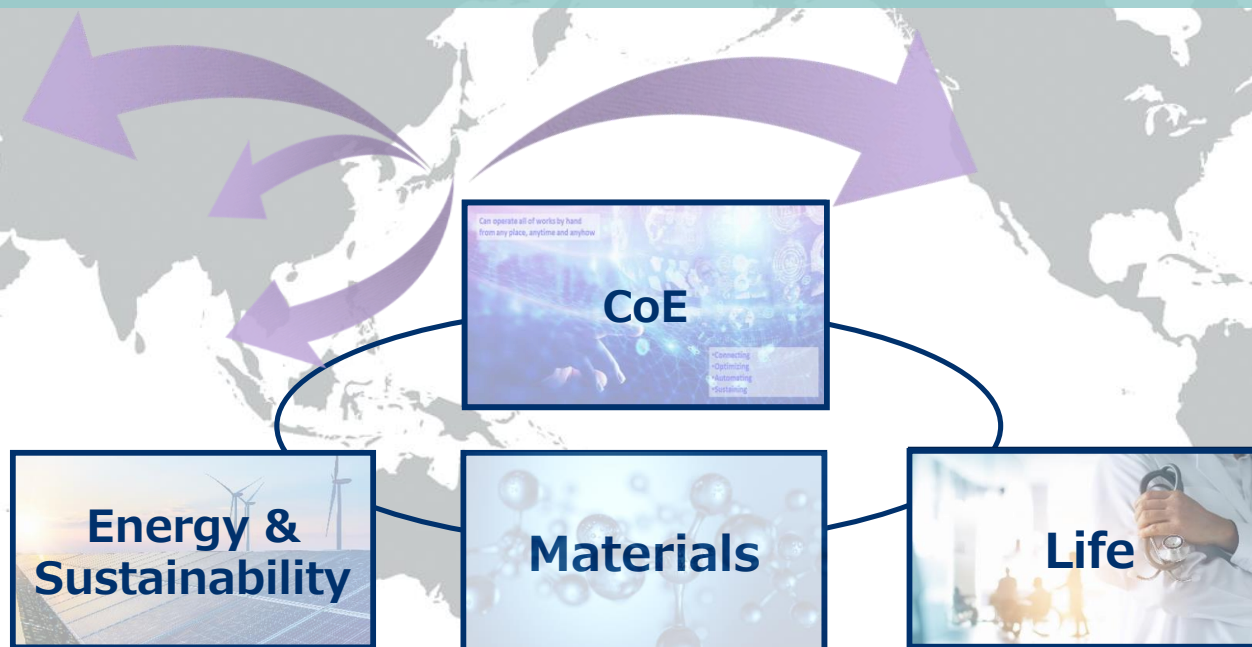
|          |       |
|----------|-------|
| FY 20 1H | 69.4% |
| FY 21 1H | 70.5% |

# Accelerate Growth 2023 Basic strategies



## Launch of three business segments CoE\* × strengthening of regional proposal capabilities = expanded industry coverage

- ✓ Establish CoEs for global sharing of solutions and best practices in response to common customer challenges
- ✓ Accelerate approach by Group companies in each region to customers in a wide range of industries



\*CoE: Center of excellence, a global, cross-organizational organization that brings together highly-skilled personnel with specific types of expertise.

## Expanding global orders in fields that contribute to SDGs

### ***Water***

- ◆ Praagraj Smart City: Drinking water supply system, product maintenance service/ India
- ◆ CAMANA Pjt - One of the largest reclaimed water projects in the region: Products/ Philippines

### ***Food***

- ◆ Monitoring of cooking oil storage tanks: Systems & products (109 plants and 469 tanks)/ Thailand

### ***Pharma***

- ◆ Medical device production: environmental monitoring system, products, validation/ Vietnam

### ***Battery***

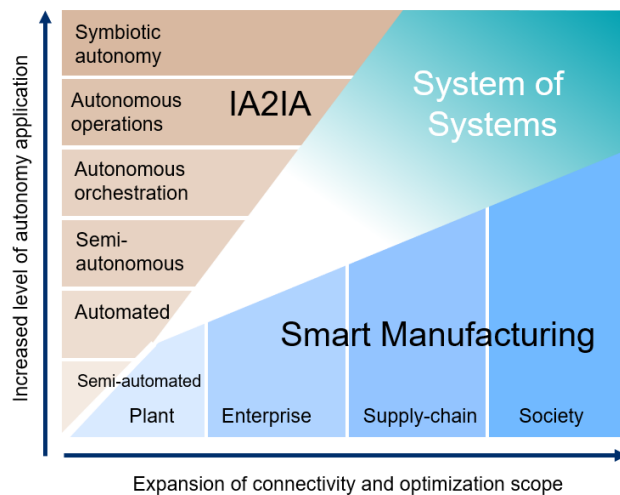
- ◆ Battery process: Film thickness gauges / many orders and inquiries from major customers in Korea, China, etc.

Aggressive development of new industry customers by product business too

## IA2IA\* and smart manufacturing Leading customer transformation throughout the value chain

Receipt of approx. 260 orders in FY21-1 H / Steady progress in PoCs\* with customers

**Topics** RIOS: Dramatic increase in profitability demonstrated through PoC with refinery customer



**RIOS** Rigorous integrated optimization system



- Integrated Yokogawa + KBC digital twin solution for simulation of IN(Procurement) - OUT(Driver) process
- **Maximization of profits** by optimizing production throughout the oil refining **supply chain** in response to shifts in demand and crude oil market prices

※IA2IA: Industrial Automation to Industrial Autonomy / PoC: Proof of Concept

## Accelerating initiatives for mid- to long-term transition to clean energy

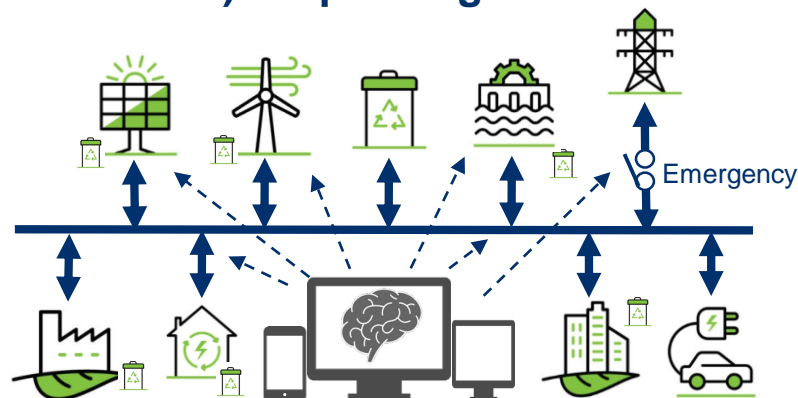
### Creating sustainable value for society as a whole

- ✓ Strengthening efforts for geothermal, hydroelectric, waste / biomass power generation



Control system and integration service order for Lahendong geothermal power plant in Indonesia

- ✓ Strengthening efforts for generation/ distribution of power (including renewable) via power grid



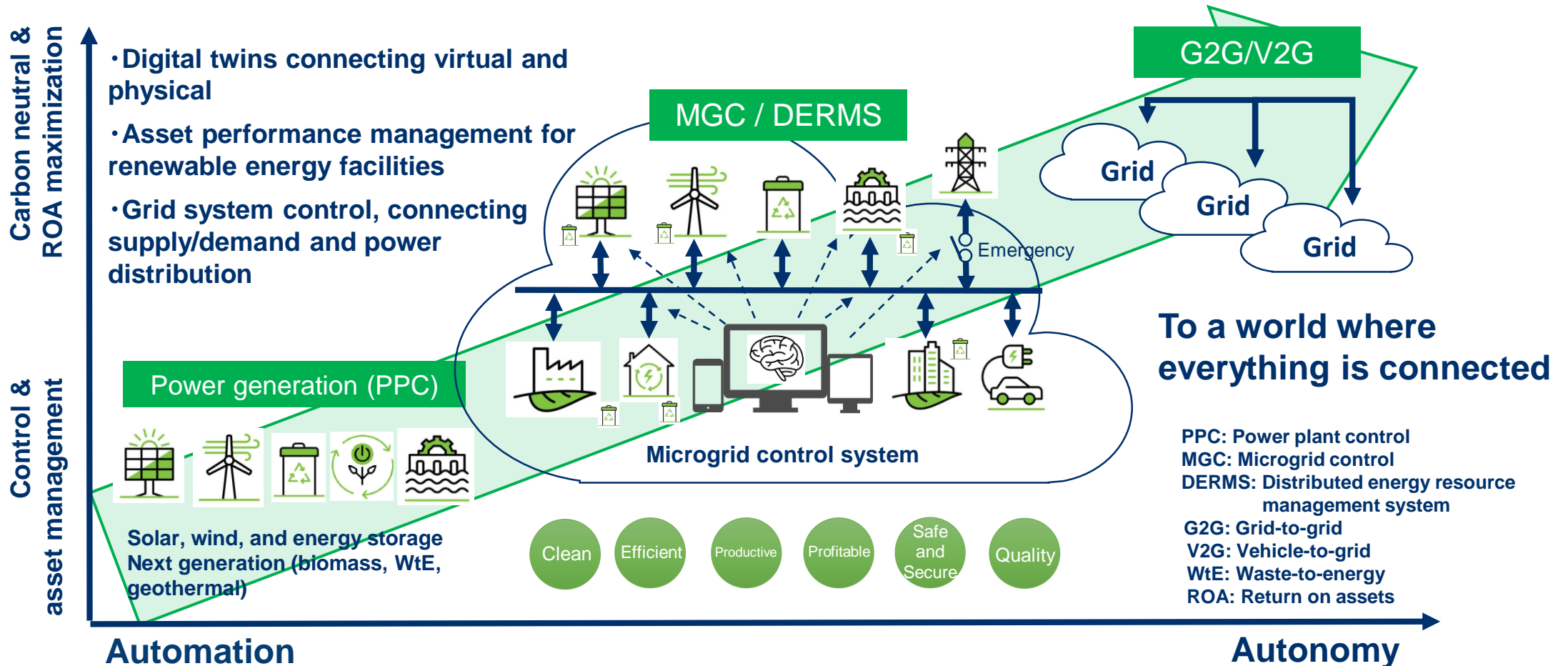
Acceleration of activities for realization of microgrid

- ✓ Strengthening efforts targeting the hydrogen supply chain



Start activities to identify the value we will provide for future hydrogen-based societies

## Accelerating initiatives for mid- to long-term transition to clean energy Creating sustainable value for society as a whole



# Achieving our AG2023 targets

In a rapidly changing business environment, we are **implementing the strategies of AG2023 with a sense of urgency and accelerating efforts to achieve our targets.**

- ✓ Leveraging Yokogawa's strengths to drive **further growth and development**
- ✓ Achieve **high profitability** by expanding the value provided and improving productivity
- ✓ From a long-term perspective, **expanding our business in non-energy industries** and contributing to the realization of a sustainable society

## *Accelerate Growth 2023*

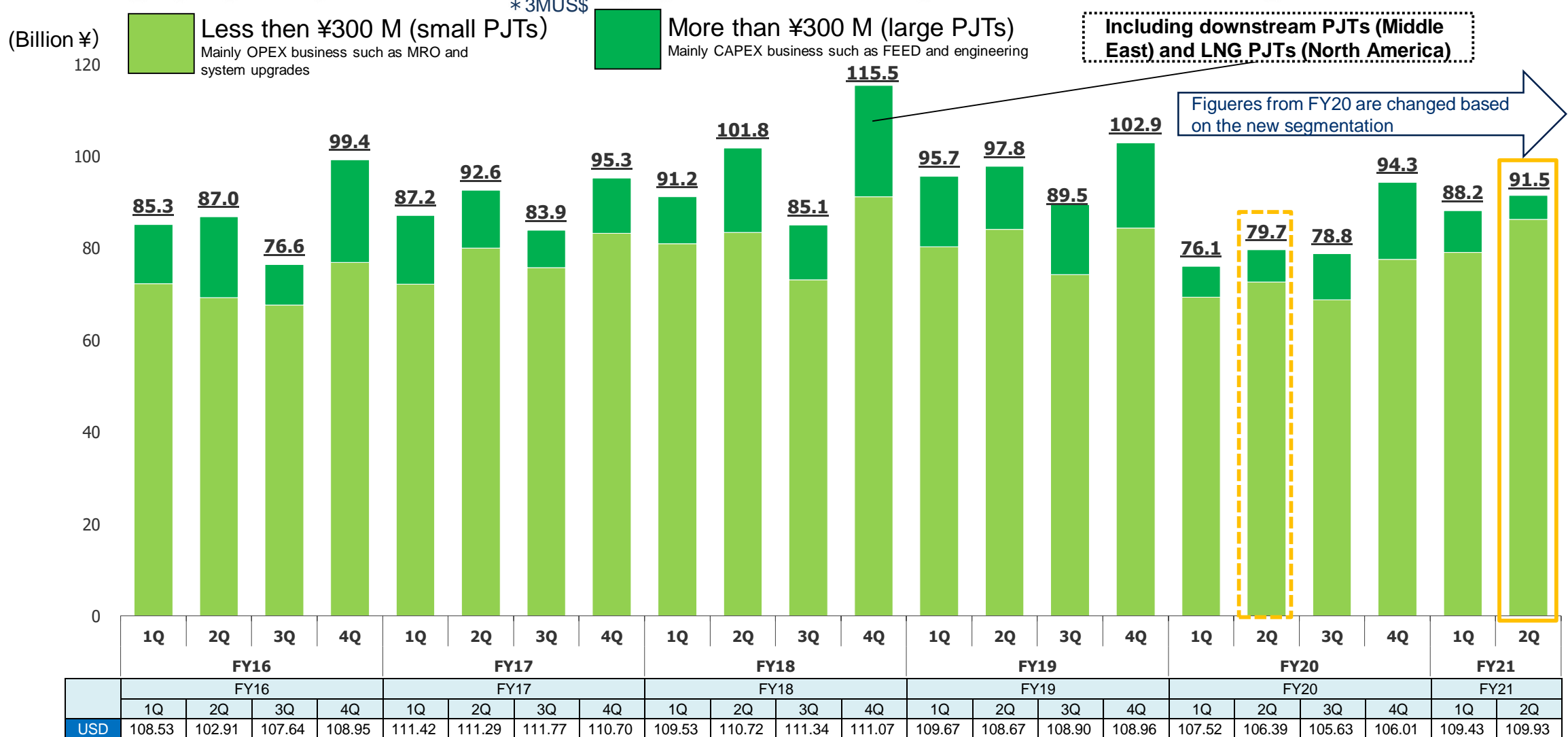


## Reference:

- Control Segment Order Trend by Project Size
- News
- Yokogawa's Main ESG Indexes etc.

# Reference: Control Segment Order Trend by Project Size

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



# Reference: News (from August 11 to November 2)

Aug.

Signed investment and collaboration agreements with Fluence Analytics

- Accelerating adoption in the chemical industry of the world's only system capable of continuous online monitoring of polymerization reactions

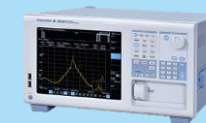
Published 2021 Yokogawa Report [Link](#)

Release by Yokogawa Test & Measurement of AQ6380 optical spectrum analyzer

- Industry-leading performance in dispersive spectroscopy achieves 5 pm wavelength resolution

Released OpreX multi-sensing remote I/O VZ20X analog sensing unit

- World-class compact design and high performance for production maintenance and development of EV batteries and other components



AQ6380 optical spectrum analyzer



OpreX multi-sensing remote I/O VZ20X analog sensing unit

Sep.

Invested in CyberneX, developer of a technology for measuring brainwaves with a high-performance earphone-type device

- Accelerating the joint R&D of braintech to tackle challenges faced by industry and society

Concluded agreement with Oki Electric Industry Co., Ltd. to transfer the aviation equipment business

Yokogawa Solution Service and NTT Communications successfully conducted PoC test of AI plant operation support solution at chemical plant

Oct.

Invested in Web Synergies to expand global digital transformation capabilities

Entered into business partnership agreement with NTT Communications for development and provision of a shared-use OT cloud service to support digital transformation in the manufacturing industry

Won water supply management system order from National Water Company of Senegal

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

# Reference: Yokogawa's Main ESG Indexes, etc.

As of October 2021

- DJSI-World Index
- 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
- CDP Water Security A List
- CDP Supplier Engagement Leaderboard
- 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



**2021** CONSTITUENT MSCI JAPAN  
 ESG SELECT LEADERS INDEX

**2021** CONSTITUENT MSCI JAPAN  
 EMPOWERING WOMEN INDEX (WIN)

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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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