

Stock Code: 6841
Yokogawa Electric Corporation

Financial Results for Fiscal Year 2021 1Q

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August 10, 2021

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FY21 1Q Results

(April 1, 2021 – June 30, 2021)

■ FY21 1Q results: Sales were up but operating income declined

- Summary: Orders increased year on year. Sales were up due to the impact of fluctuations in exchange rates. 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 is at about the same level as the previous fiscal year due to the recording of an extraordinary loss in the same period of the previous fiscal year.

- Segments:

Control: Sales were up but operating income declined (excluding impact of exchange rates: orders increased 10.3%, sales declined 0.2%, and operating income declined 30.3% year on year).

Measuring instruments: Sales and operating income were up.

Aviation and other: Sales were up but operating income declined.

- Regions: Driven by small projects, orders are recovering, but sales are lagging (situation varies, depending on region).

- Industries: Sales were strong in the downstream sector and the chemicals industry.

■ FY21 earnings forecasts: No change (Forecast exchange rate (US\$1) :¥105, (€1):¥125)

From the first quarter of the current fiscal year, 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 first quarter of the previous fiscal year has been presented based on the changed classification.

Summary of FY21 1Q Results

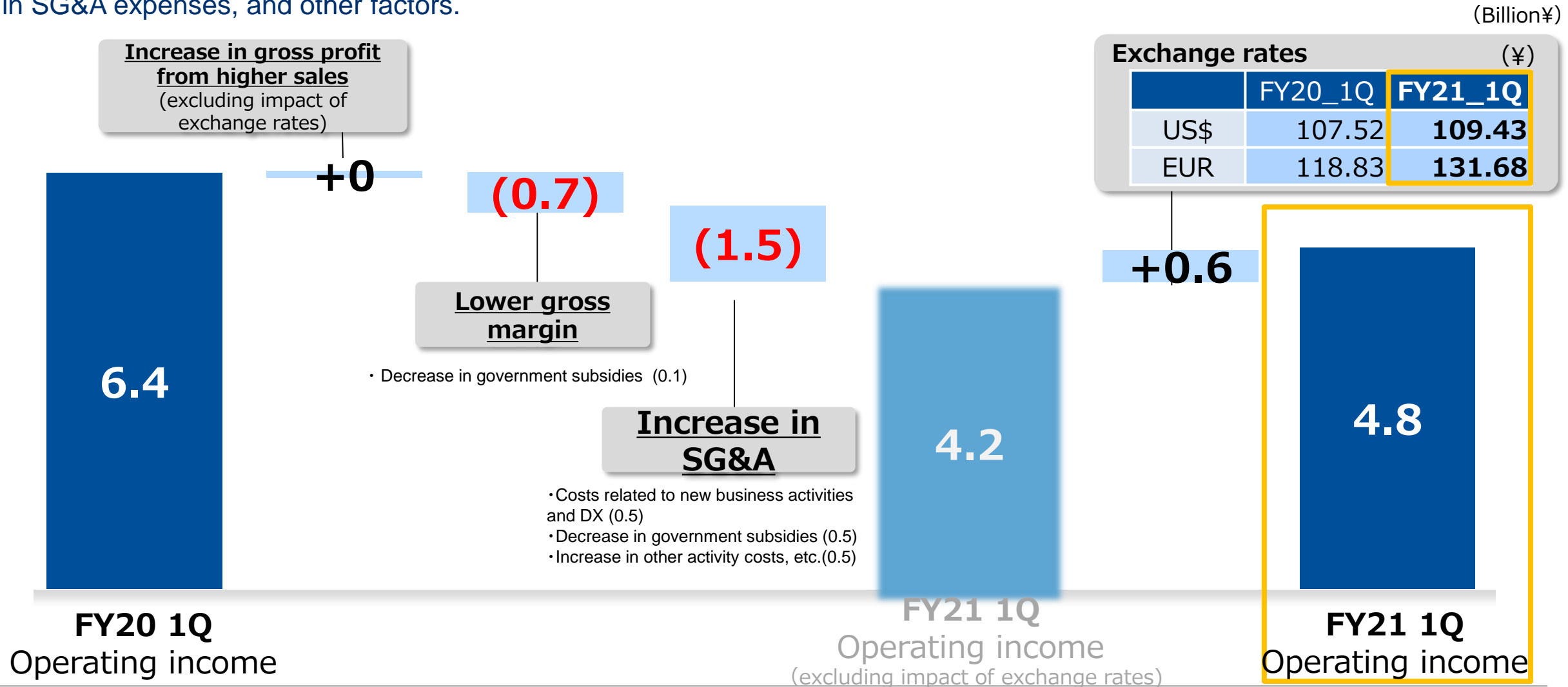
- ◆ Orders increased (excluding impact of exchange rates: +9.5% year on year).
- ◆ Sales increased due to the impact of fluctuations in exchange rates (excluding impact of exchange rates: +0.1% year on year).
- ◆ Operating income decreased due to a decline in the gross margin, the impact of a decrease in government subsidies, an increase in SG&A expenses, and other factors.
- ◆ Profit attributable to owners of parent is at the same level as the previous fiscal year due to the recording of an extraordinary loss in the same period of the previous fiscal year.

(Billion ¥)

		FY20_1Q	FY21_1Q	Difference	Growth rate	Impact of exchange rate
Orders		83.1	95.6	+12.5	+15.1%	+4.7
Sales		82.0	86.3	+4.3	+5.2%	+4.3
Operating income		6.4	4.8	(1.6)	(25.2%)	+0.6
ROS (%)		7.8	5.6	(2.2pts)	—	—
Ordinary income		7.2	5.3	(1.9)	(26.5%)	+0.6
Profit attributable to owners of parent		3.0	3.0	(0)	(0.1%)	+0.5
Exchange rate	1\$=	¥107.52	¥109.43	+1.91	—	—

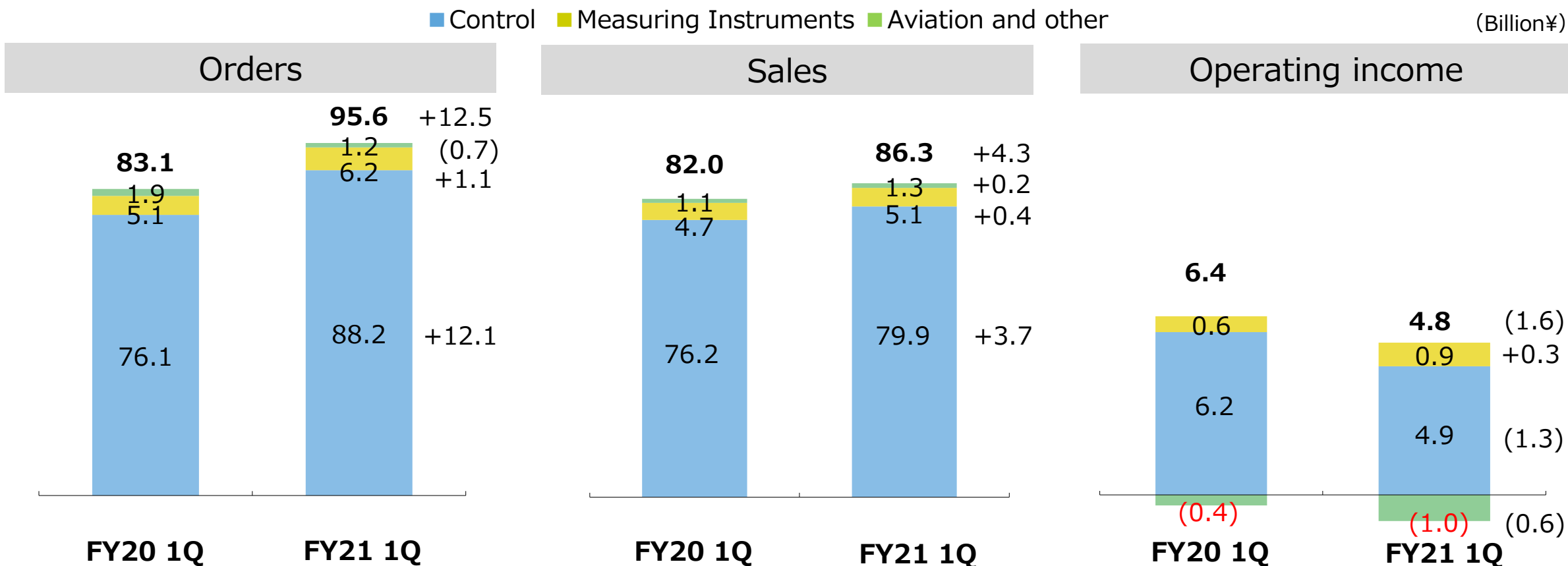
Analysis of Operating Income (FY20 1Q / FY21 1Q comparison)

- 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 impact of fluctuations in exchange rates (excluding impact of exchange rates: orders +10.3%, sales -0.2% 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: -¥1.9 billion, -30.3% year on year).
- ◆ Measuring instruments: Sales were strong, and sales and operating income increased.
- ◆ Aviation and other: Sales were strong but operating income decreased due to factors such as 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

- ◆ Driven by small projects, orders are recovering, but sales are lagging (situation varies, depending on region).
- ◆ Orders: +¥7.9 billion, +10.3% (excluding impact of exchange rates); sales: -¥0.2 billion, -0.2% (excluding impact of exchange rates)

(Billion¥)

Orders	FY20 1Q (A)	FY21 1Q (B)	Difference (B-A)
Japan	22.6	26.0	3.4
Asia	27.1	32.6	5.5
(South-eastern Asia and Far East)	14.2	14.4	0.2
(China)	10.9	15.1	4.2
(India)	2.0	3.1	1.1
Europe and CIS	8.9	12.4	3.5
Middle East and Africa	10.5	8.8	(1.7)
North America	4.0	5.9	1.9
Central and South America	3.0	2.5	(0.5)
Outside Japan	53.5	62.2	8.7
Consolidated	76.1	88.2	12.1
Exchange rate 1\$ =	¥107.52	¥109.43	¥1.91

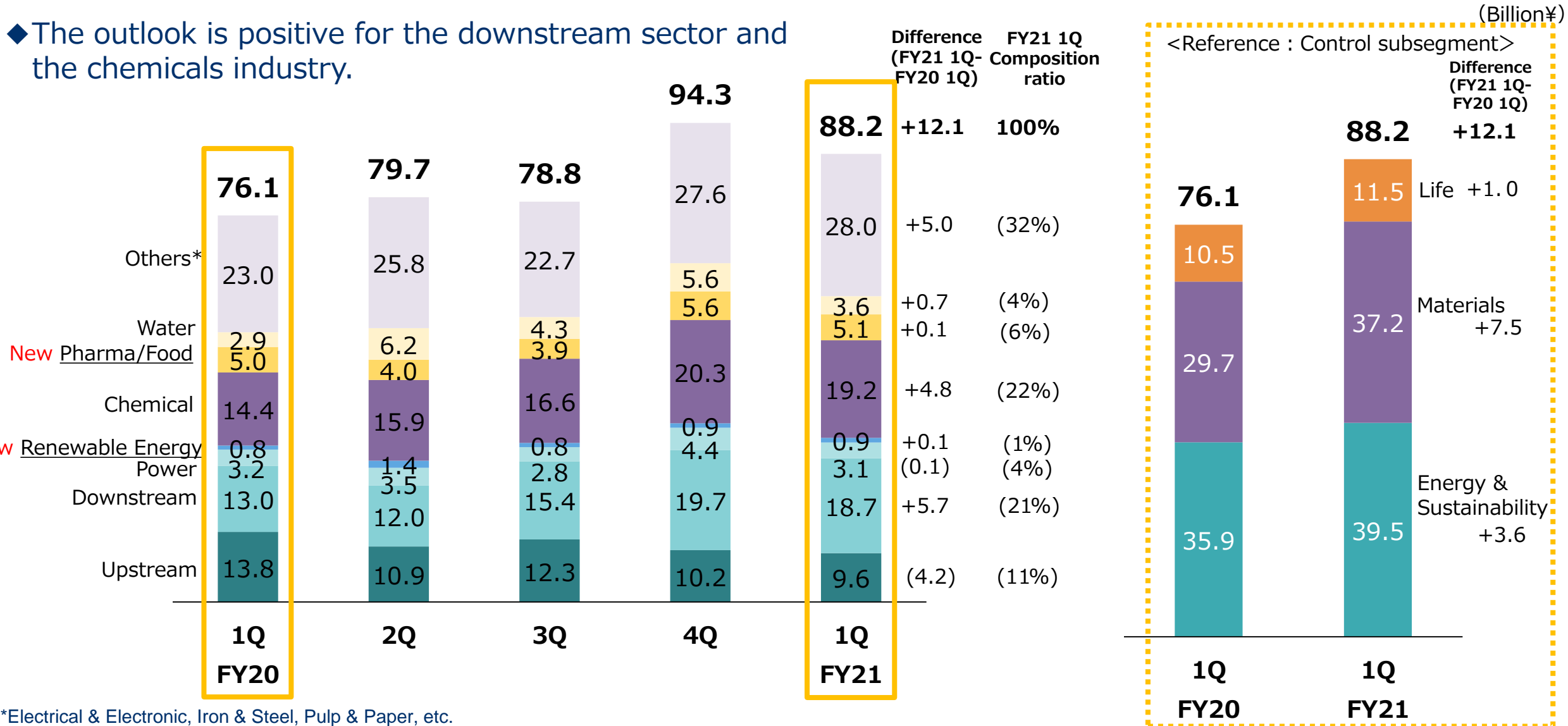
Sales	FY20 1Q (A)	FY21 1Q (B)	Difference (B-A)
Japan	22.7	22.0	(0.7)
Asia	25.6	28.3	2.7
(South-eastern Asia and Far East)	13.4	13.4	0
(China)	10.2	12.8	2.6
(India)	2.0	2.1	0.1
Europe and CIS	10.2	10.7	0.5
Middle East and Africa	8.9	9.0	0.1
North America	7.2	7.3	0.1
Central and South America	1.6	2.6	1.0
Outside Japan	53.5	57.9	4.4
Consolidated	76.2	79.9	3.7
Exchange rate 1\$ =	¥107.52	¥109.43	¥1.91

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

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Orders by Industry in Control Segment

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



*Electrical & Electronic, Iron & Steel, Pulp & Paper, etc.

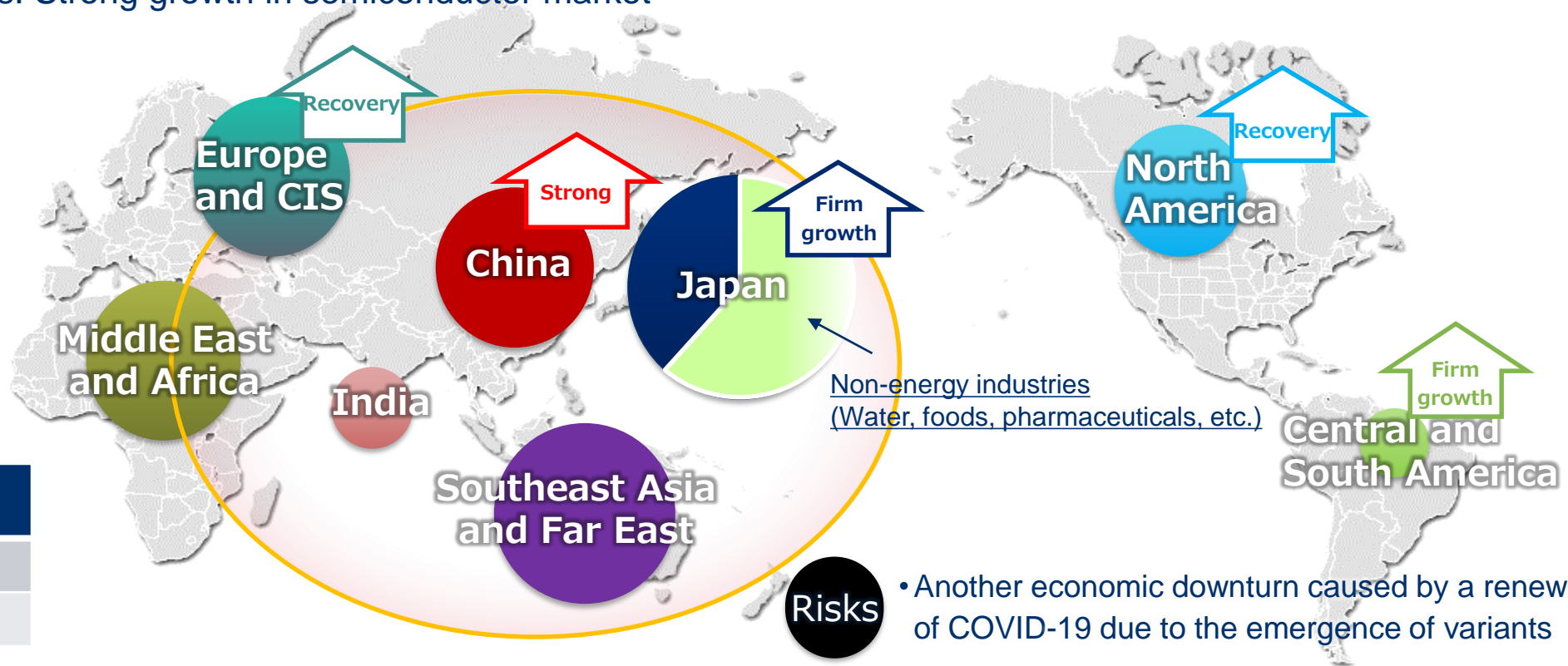
*The FY20 figures have been changed based on the new segmentation.

Current Situation

Steady recovery with the resumption of economic activity.

Regions China: Strong due to recovery in domestic demand / Japan: Firm growth
Europe: Recovering from last year's decline

Industries Downstream & chemicals: Recovery trend due to increased demand
Materials: Strong growth in semiconductor market



Outside Japan sales ratio	
FY20 1Q	70.0%
FY21 1Q	72.0%

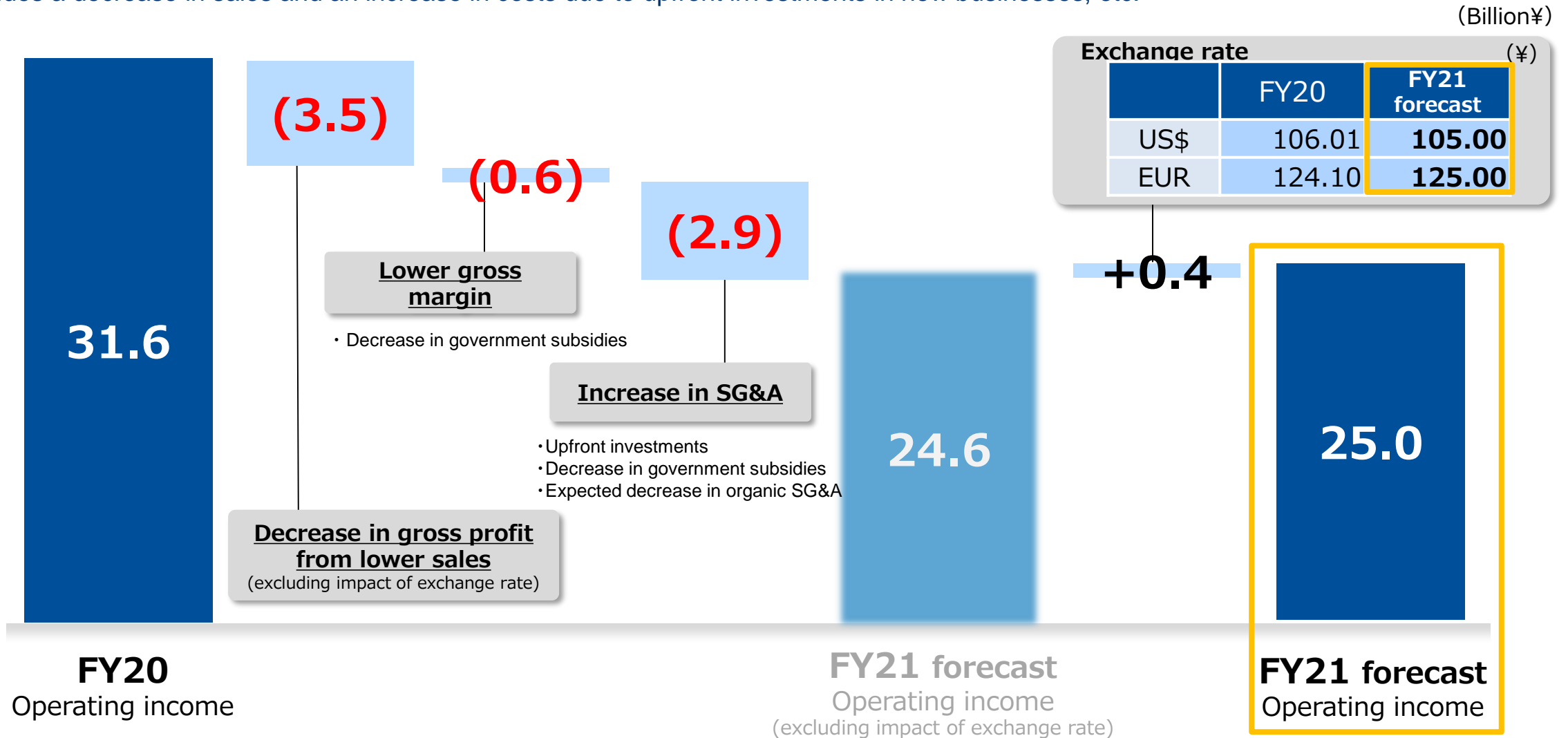
FY21 Forecast (No change)

- ◆ 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 (No Change)

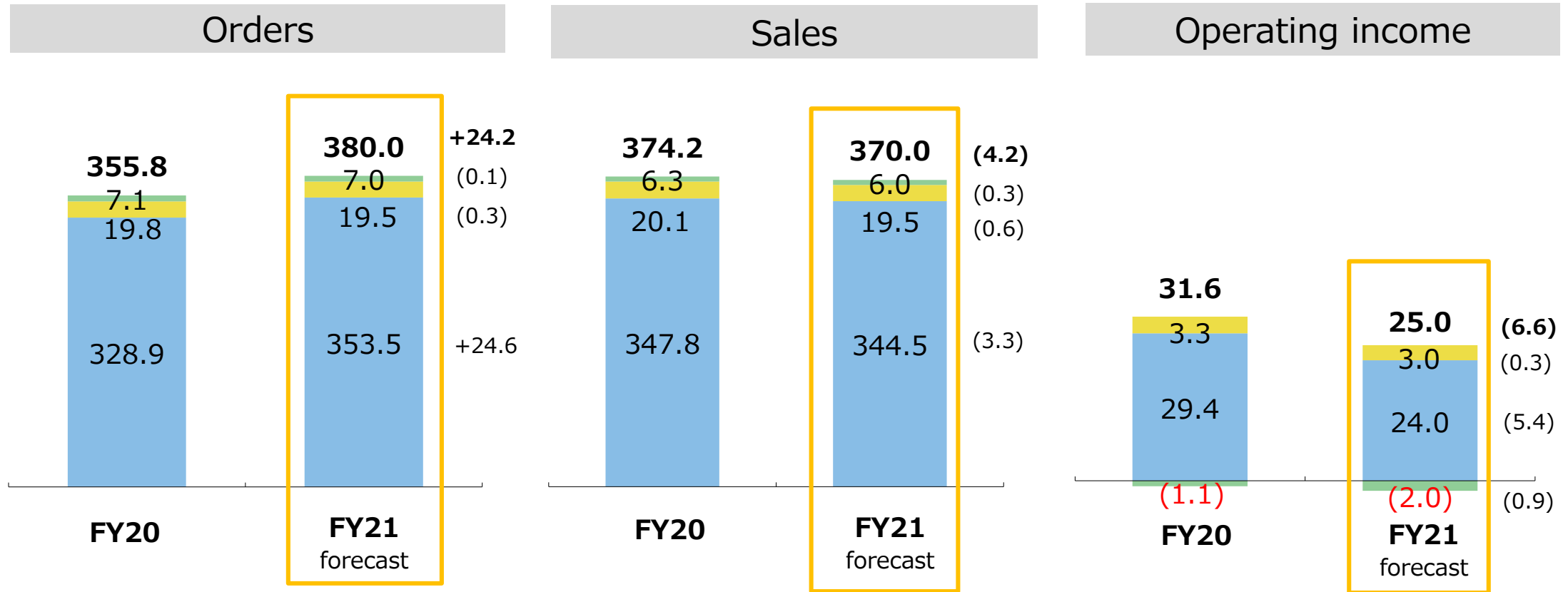
◆ Includes a decrease in sales and an increase in costs due to upfront investments in new businesses, etc.



FY21 Forecast for Orders, Sales, and Operating Income by Segment (No Change)

■ Control ■ Measuring instruments ■ Aviation and Other

(Billion¥)



*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 (No Change)

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 rate1\$ =	¥106.01	¥105.00	(¥1.01)

(Billion¥)

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 rate1\$ =	¥106.01	¥105.00	(¥1.01)

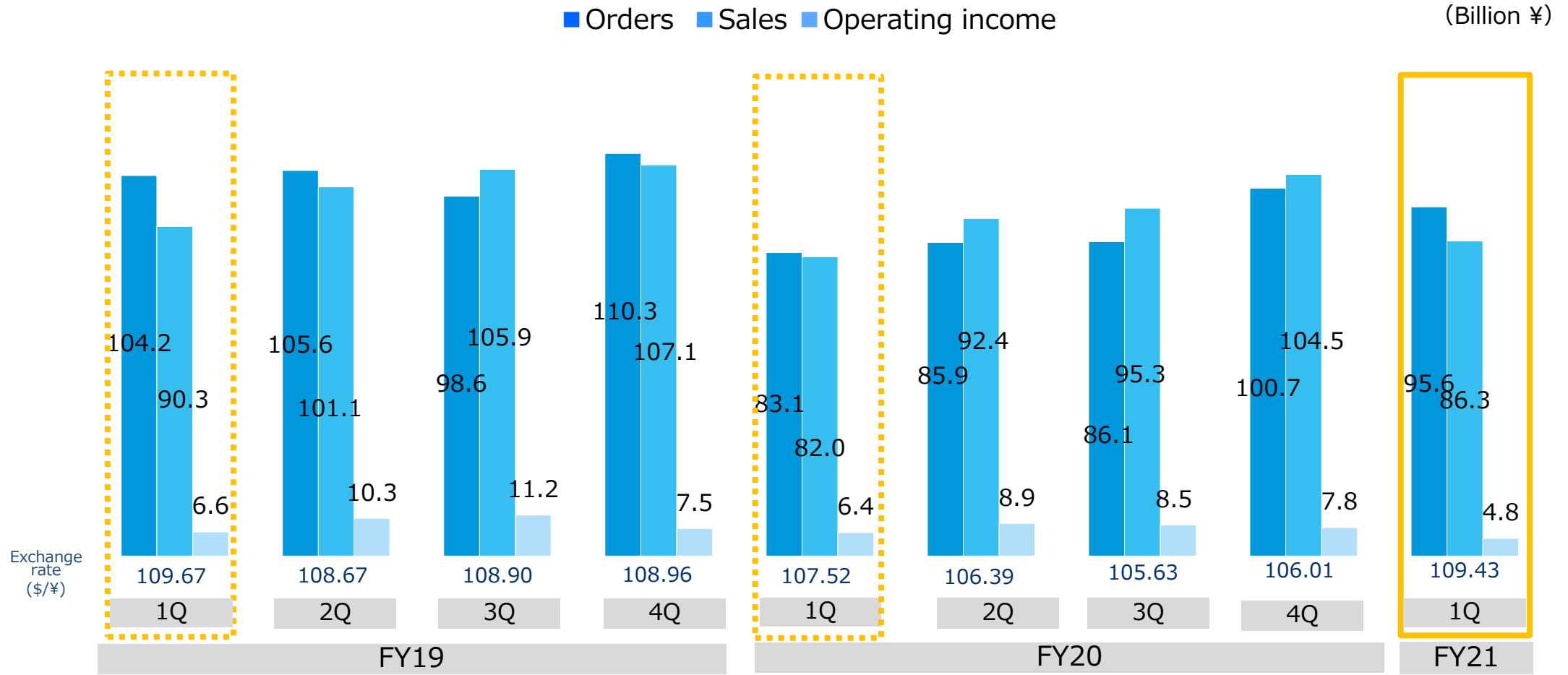
*The FY20 figures have been changed based on the new segmentation.

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.



Appendix: Non-operating /Extraordinary Income and Expenses

(Billion ¥)

	FY20_1Q	FY21_1Q
Operating income	6.4	4.8
Non-operating income	1.3	1.1
Non-operating expenses	0.6	0.6
Ordinary income	7.2	5.3
Extraordinary income	0	0
Extraordinary expenses	0.9	0.3
Income before tax	6.3	5.0
Tax, etc.	3.3	2.0
Profit attributable to owners of parent	3.0	3.0

FY20 : Business restructuring expenses ¥0.9 billion

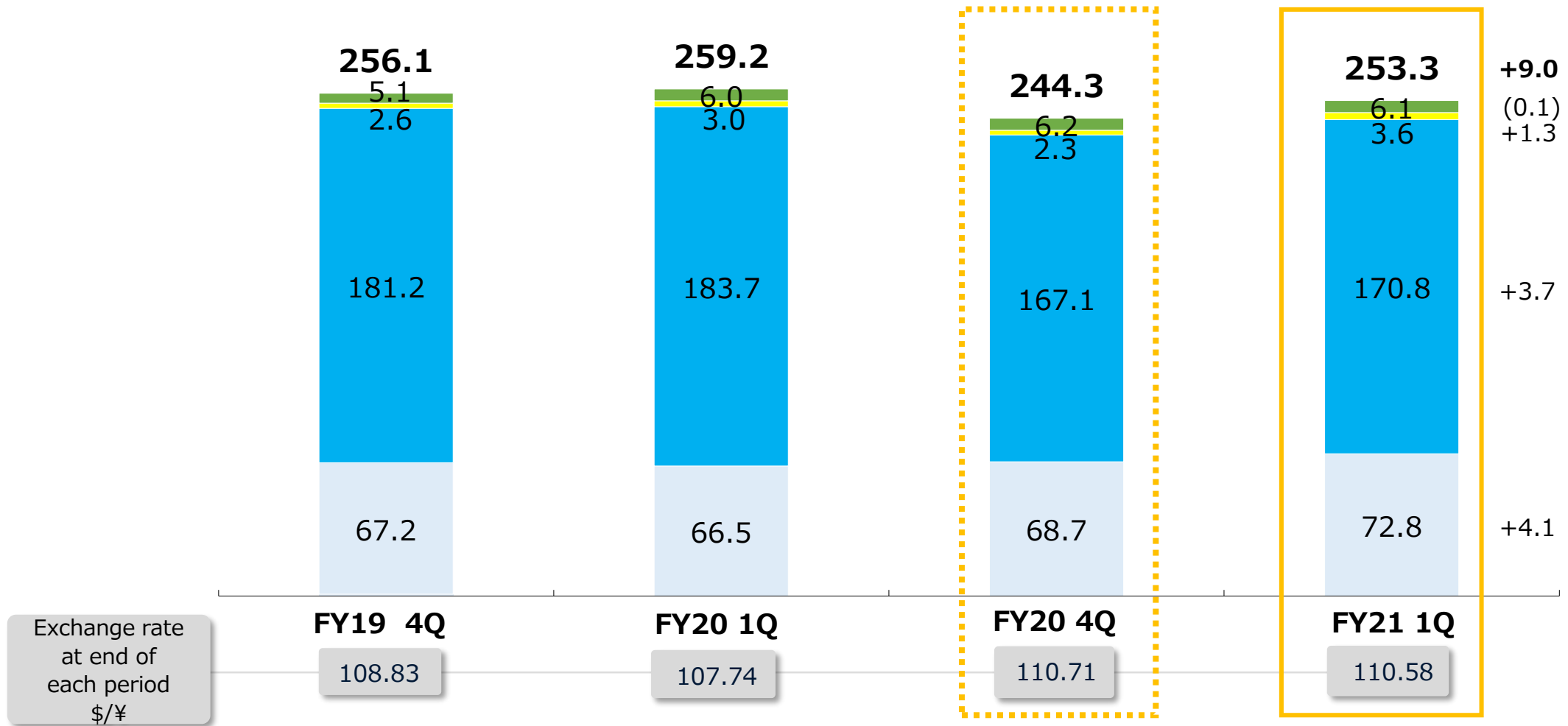
(Effective tax rate)

45.6%

29.7%

Appendix: Order Backlog Trend by Segment

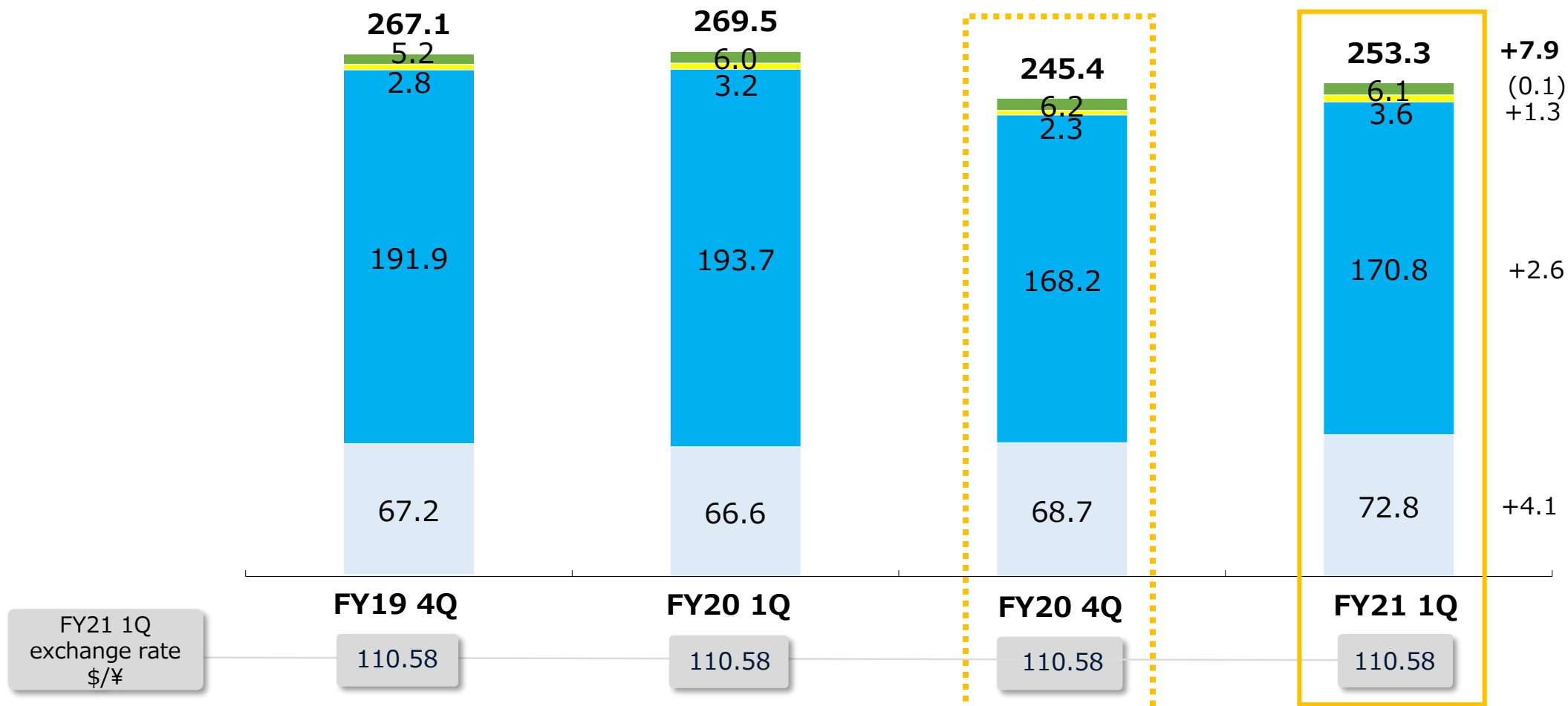
■ Control (Japan)
 ■ Control (Outside of Japan)
 ■ Measuring Instruments
 ■ Aviation and Other
 (Billion¥)



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

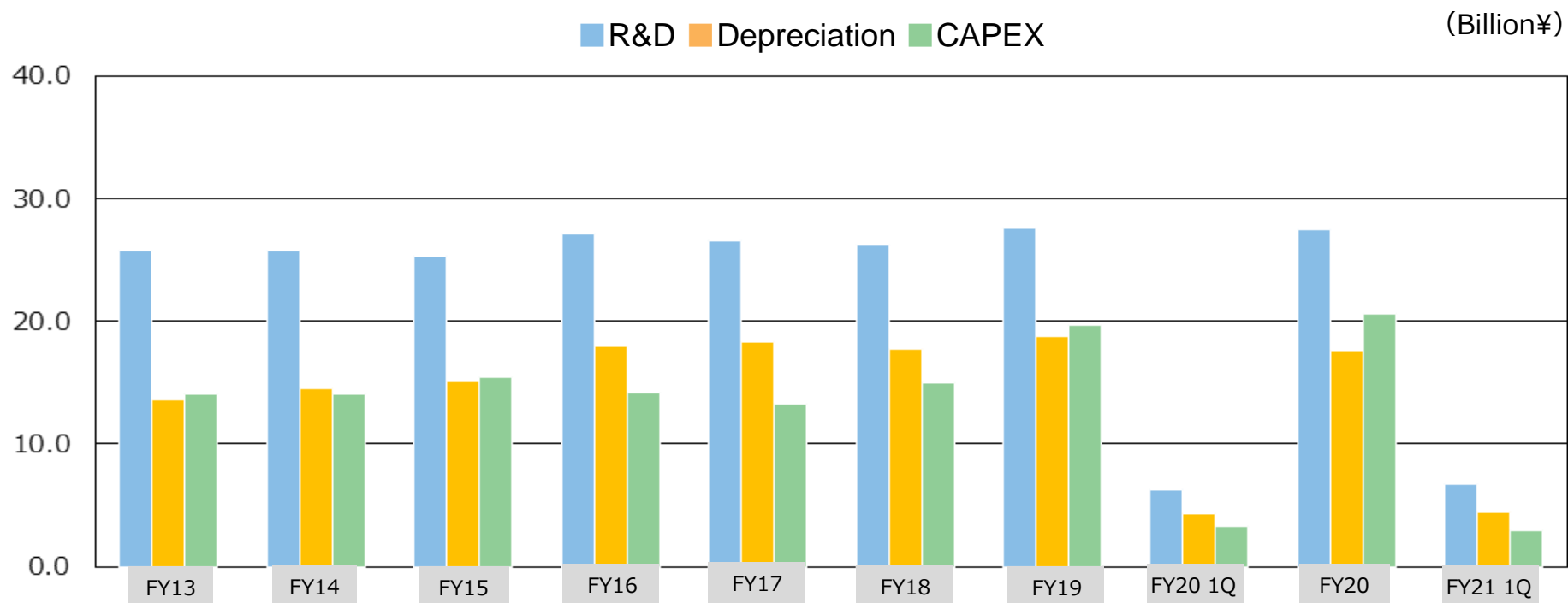
Appendix: Order Backlog Trend by Segment (Using FY21 1Q exchange rate)

■ Control (Japan) ■ Control (Outside of Japan) ■ Measuring Instruments ■ Aviation and Other (Billion¥)



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

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

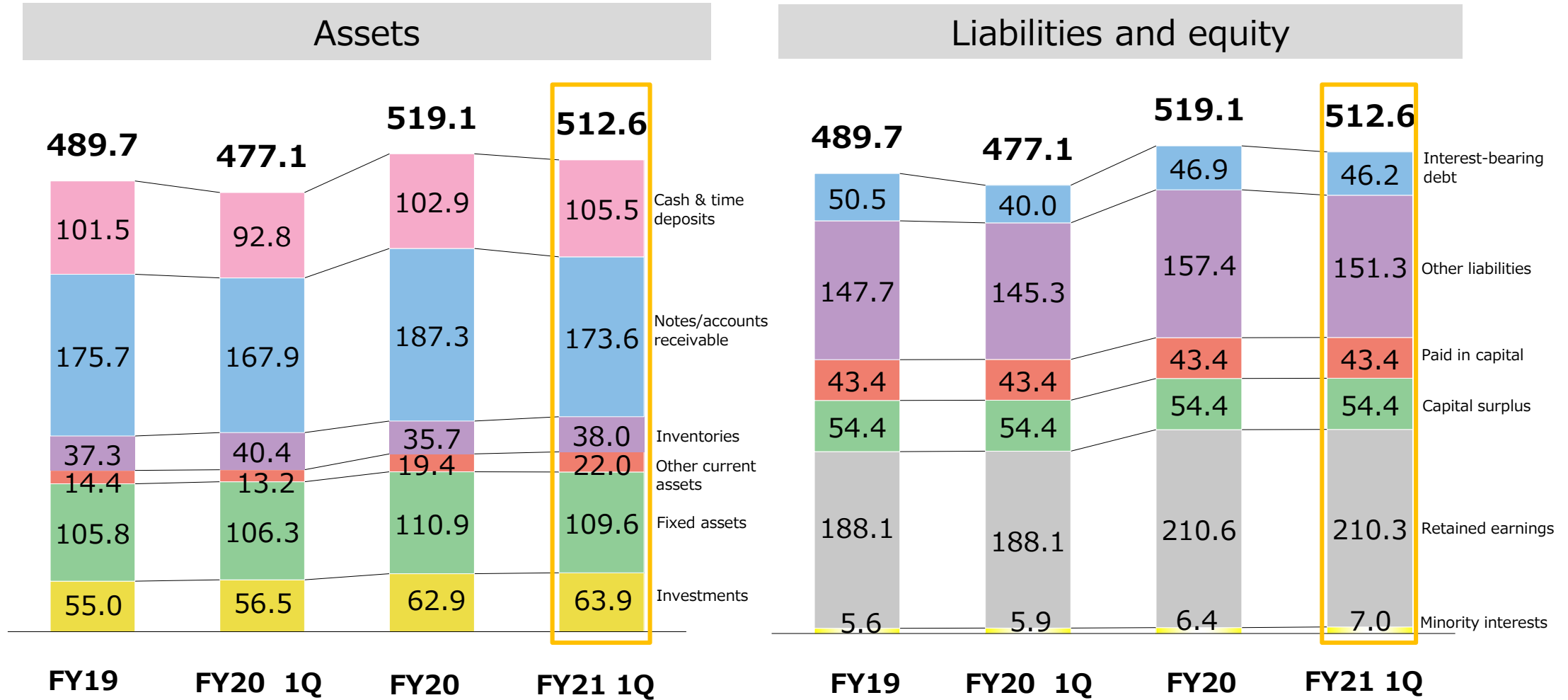


	FY13	FY14	FY15	FY16	FY17	FY18	FY19	FY20 1Q	FY20	FY21 1Q
R&D expenses (% of sales)	25.8 6.6%	25.8 6.4%	25.3 6.1%	27.1 6.9%	26.6 6.5%	26.2 6.5%	27.6 6.8%	6.3 7.6%	27.5 7.3%	6.7 7.8%
Depreciation (% of sales)	13.6 3.5%	14.5 3.6%	15.1 3.6%	18.0 4.6%	18.3 4.5%	17.7 4.4%	18.8 4.6%	4.3 5.3%	17.6 4.7%	4.4 5.1%
CAPEX (% of sales)	14.0 3.6%	14.1 3.5%	15.4 3.7%	14.2 3.6%	13.2 3.2%	15.0 3.7%	* 19.6 4.9%	3.3 4.0%	20.6 5.5%	3.0 3.5%

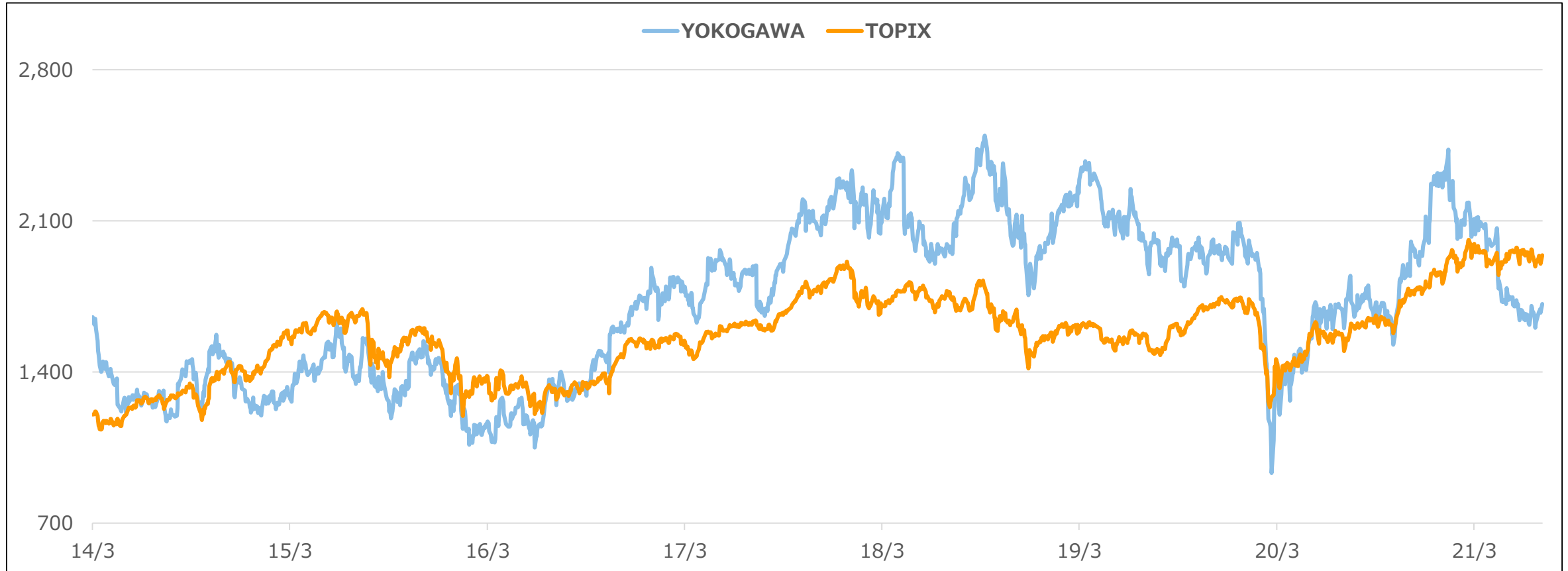
*The Group's consolidated subsidiaries outside Japan have adopted IFRS 16 (Leases) from FY19.

Appendix: Trend of Balance Sheet

(Billion¥)



Appendix: Trend of Stock Price



	14/3	15/3	16/3	17/3	18/3	19/3	20/3	21/3	21/6	21/8/2
Yokogawa	1,667	1,295	1,163	1,752	2,198	2,291	1,303	2,038	1,660	1,715
TOPIX	1,203	1,543	1,347	1,512	1,716	1,592	1,403	1,954	1,944	1,940

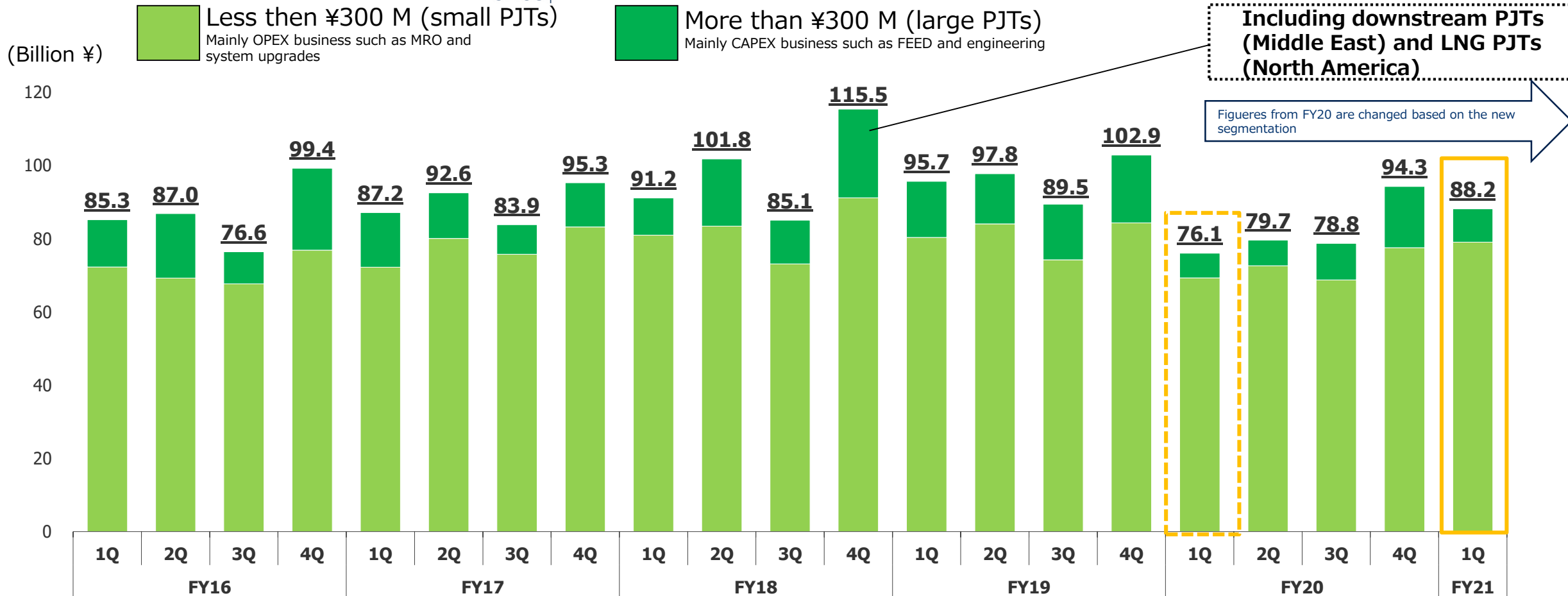
Reference:

- 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.

* 3MUS\$



	FY16				FY17				FY18				FY19				FY20				FY21
	1Q	2Q	3Q	4Q	1Q	2Q	3Q	4Q	1Q	2Q	3Q	4Q	1Q	2Q	3Q	4Q	1Q	2Q	3Q	4Q	1Q
USD	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	109.43

Reference: News (from May 12 to August 10)

May

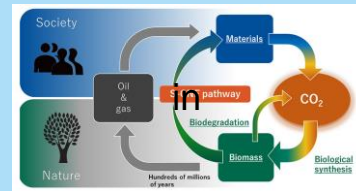
- Release of Platform for Advanced Control and Estimation R5.03
- An OpreX Asset Operations and Optimization solution that improves plant systems interoperability and security through support of the OPC UA communication standard



Jun.

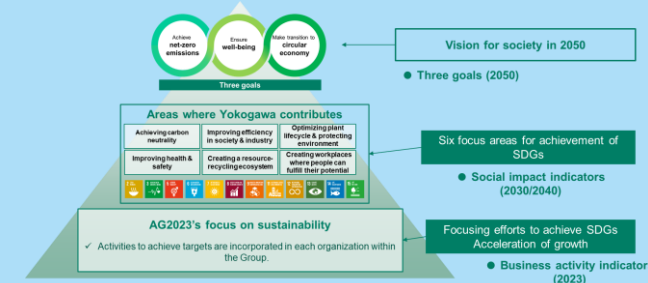
- 【Yokogawa Bio Frontier Inc.】 Launch of sales of S-CNF, a high-performance nanocellulose material
- A new alternative for use by the chemical and materials industries in the production of films, fillers, functional additives, etc.
- 【NEDO/TAKASAGO CHEMICAL CORPORATION/Mitsubishi Tanabe Pharma Corporation/KONICA MINOLTA CHEMICAL/Yokogawa Solution Service Corporation/TEC Project Services Corporation/TAISEI CORPORATION/SHIMADZU CORPORATION/Mitsubishi Kakoki Kaisha/National Institute of Advanced Industrial Science and Technology】 Commercialization of equipment for use in continuous batch production of pharmaceuticals
- Verification of results that point to significant energy savings

- 【Yokogawa Bio Frontier Inc.】 Launch of sales of Panacea, a biostimulant derived from microalgae that is effective promoting plant growth
- Proposal of sustainable solutions to Japanese pesticide and fertilizer manufacturers



Jul.

- Launch of OpreX Data Model Broker, a plant data transformation platform
- Automatically verifies the consistency of data to drastically improve efficiency in plant construction and operation
- Participation in Lunar Industry Vision Council and joint submission of recommendations to the Government of Japan
- Targeting new opportunities through commercial activities on the moon
- Work begins on inter-industry collaboration study project for the realization of a carbon-neutral industrial complex - Decarbonization through the effective use of CO2 emissions
- Setting of sustainability targets for AG2023 mid-term business plan
- Identifying priority issues and aiming for carbon neutrality by 2040



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

Reference: Yokogawa's Main ESG Indexes, etc.

As of July 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
- SNAM Sustainability Index
- S&P/JPX Carbon Efficient Index

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FTSE4Good



FTSE Blossom
 Japan



2021 CONSTITUENT MSCI JAPAN
 ESG SELECT LEADERS INDEX

2021 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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