

Yokogawa Electric Corporation

Financial Results for Fiscal Year 2018 1Q (April 1 - June 30, 2018)

Aug. 7, 2018

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

Summary of FY18 1Q Results

- ◆ Orders and sales were up thanks to firm results in the control segment.
- ◆ Operating income was up due to increased sales and improvement of the gross margin.
- ◆ Profit attributable to owners of parent was at nearly the same level as last year; this can be attributed to the recording of 2.4 billion yen of extraordinary income in the same period of the previous fiscal year.

(Billion ¥)

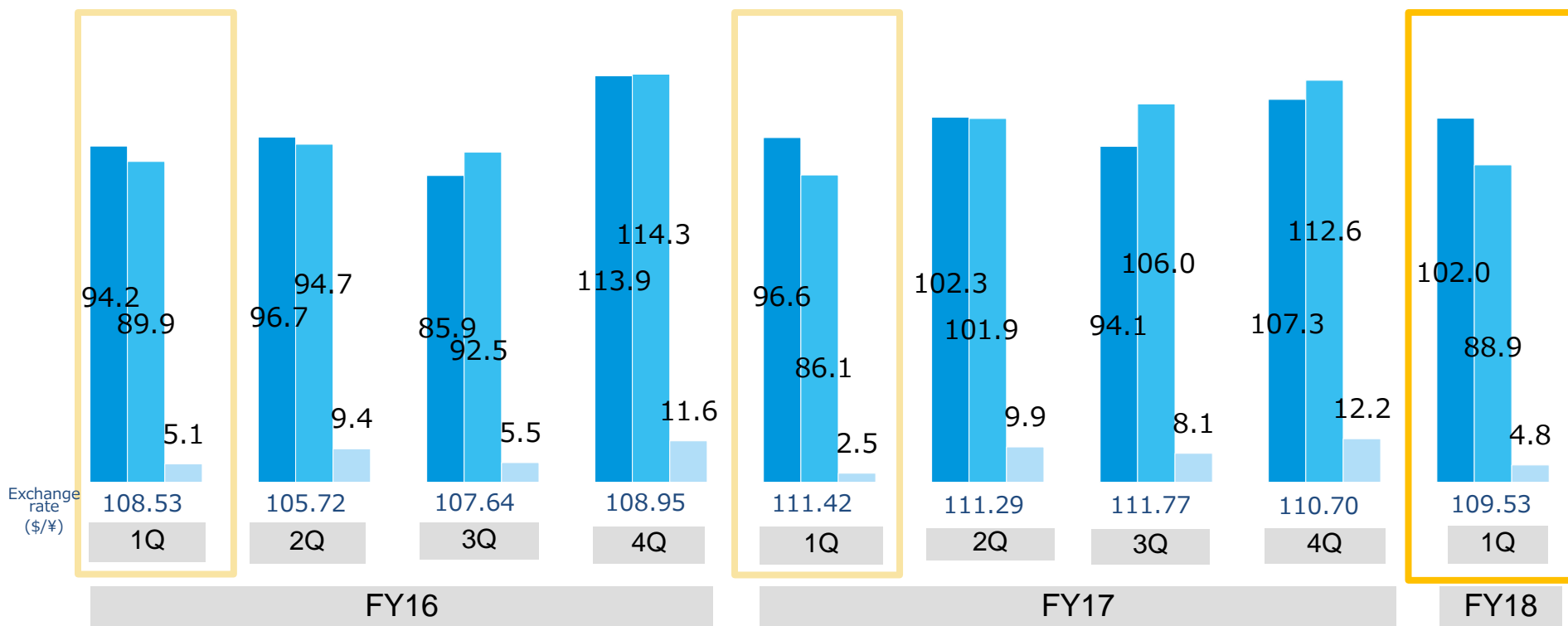
	FY17 1Q	FY18 1Q	Difference	Growth rate	Impact of exchange rate
Orders	96.6	102.0	+5.4	+5.6%	(0.1)
Sales	86.1	88.9	+2.8	+3.3%	(0.3)
Operating income	2.5	4.8	+2.3	+88.1%	(0.3)
ROS (%)	3.0	5.4	+2.4 pts	-	-
Ordinary income	2.9	5.6	+2.7	+92.6%	(0.2)
Profit attributable to owners of parent	3.3	3.4	+0.1	+1.9%	(0.2)
EPS (¥)	12.35	12.61	+0.26	+2.1%	-
Exchange rate	1\$ = ¥111.42	¥109.53	(1.89)	-	-

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.

(Billion ¥)

■ Orders ■ Sales ■ Operating income

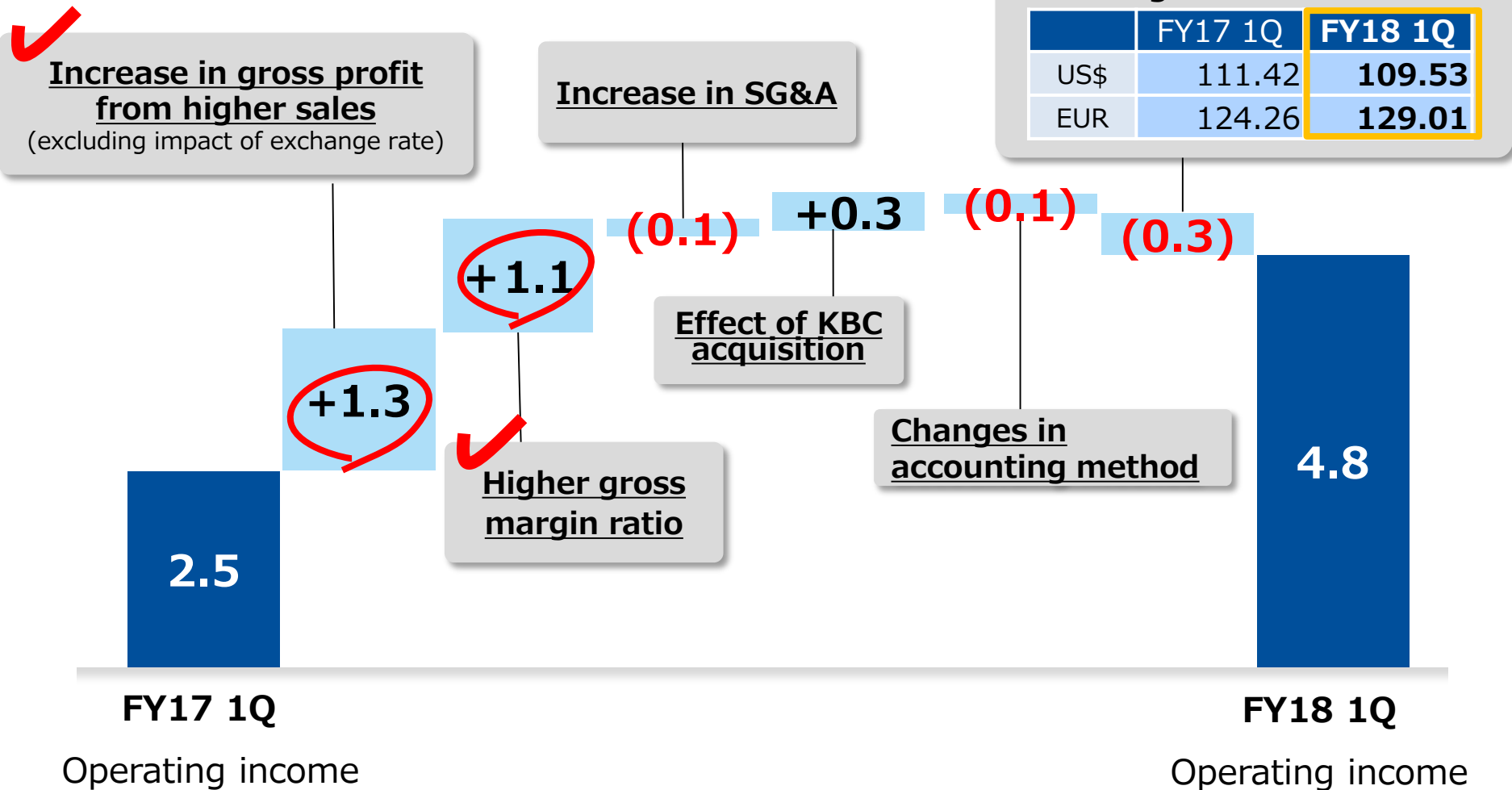


Analysis of Operating Income (FY17 1Q/FY18 1Q comparison)

(Billion¥)

Exchange rate (¥)

	FY17 1Q	FY18 1Q
US\$	111.42	109.53
EUR	124.26	129.01



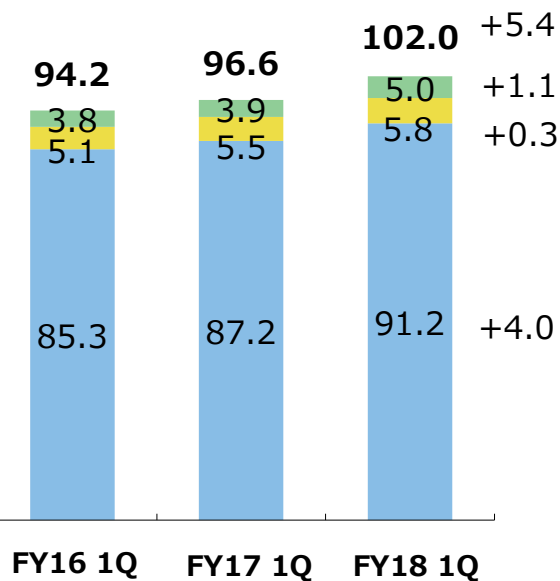
FY17 1Q/FY18 1Q Comparison for Orders, Sales, and Operating Income by Segment

- ◆ Control: Orders and sales were up mainly due to rising product demand outside Japan. Operating income was up due to the impact of the increased sales and the improvement of the gross margin mainly in Japan.
- ◆ Measurement: Orders, sales, and operating income unchanged year on year.
- ◆ Aviation and other: Sales and operating income declined year on year in a market environment that continues to be challenging.

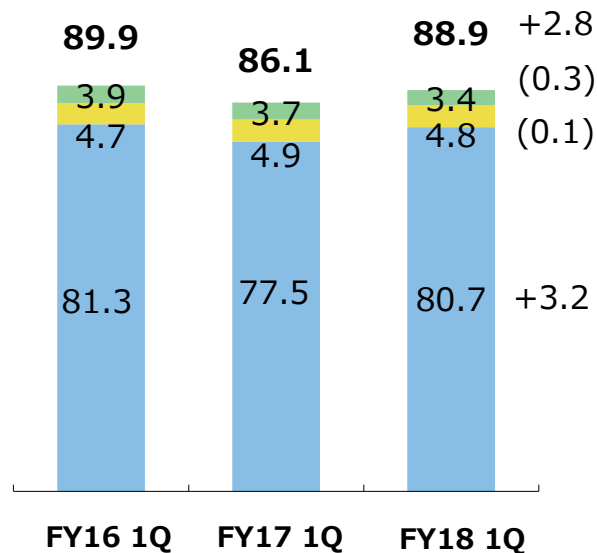
■ Control ■ Measurement ■ Aviation and other

(Billion¥)

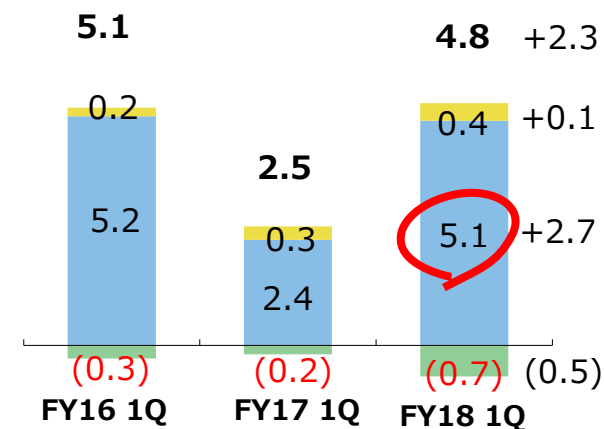
Orders



Sales

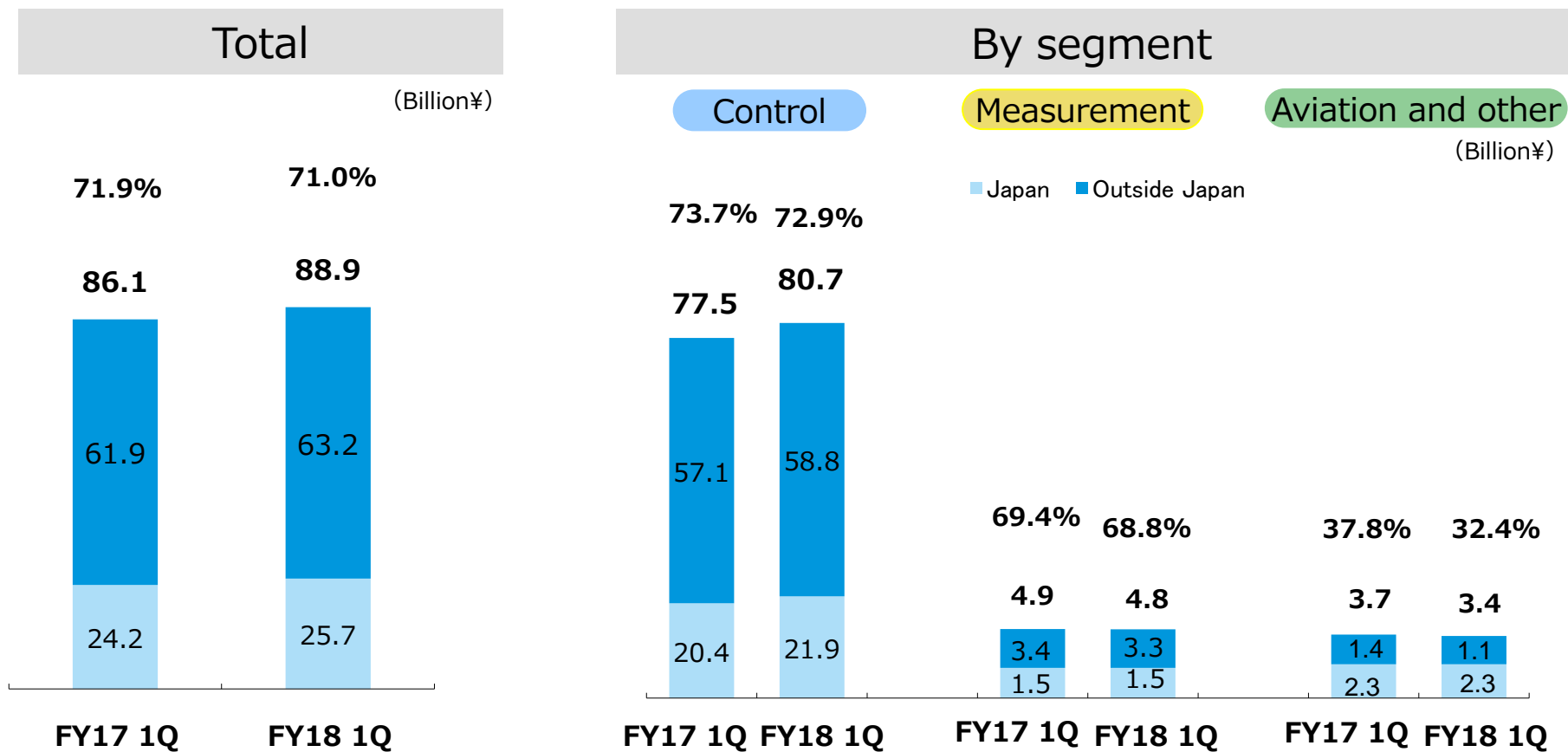


Operating income



Trend of Global Sales

- ◆ The regional sales by segment have changed as they are now based on destination. (The impact of this change is insignificant.)



Orders and Sales by Region in Control Segment

- ◆ Orders and sales by region are now destination-based. (The impact of this change is insignificant.)
- ◆ China had firm growth and orders were up in the Middle East.

(Billion¥)

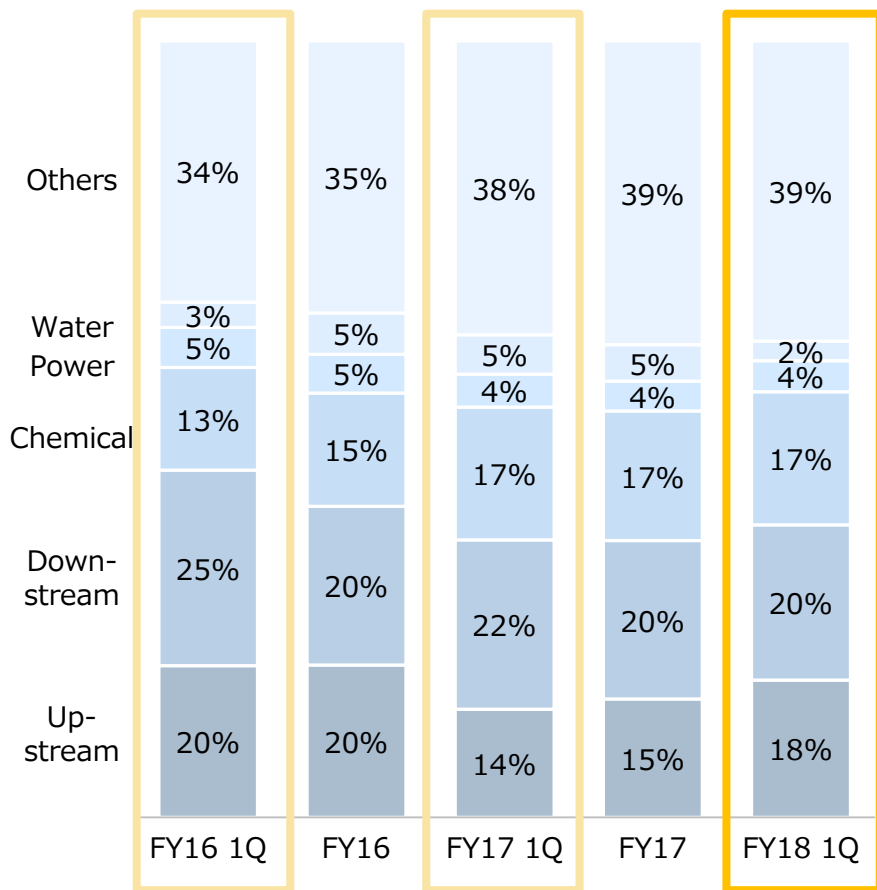
Orders	FY17 1Q	FY18 1Q	FY18 (forecast)
Japan	23.5	23.0	110.0
Asia	32.5	33.4	119.0
(South-eastern Asia and Far East)	18.4	16.7	67.0
(China)	11.3	12.5	40.0
(India)	2.8	4.2	12.0
Europe and CIS	13.3	15.4	63.0
Middle East and Africa	10.0	11.5	40.0
North America	5.9	6.3	28.0
Central and South America	2.0	1.6	7.0
Outside Japan	63.7	68.2	257.0
Consolidated	87.2	91.2	367.0

Sales	FY17 1Q	FY18 1Q	FY18 (forecast)
Japan	20.4	21.9	110.0
Asia	25.9	27.3	117.0
(South-eastern Asia and Far East)	15.2	15.5	68.0
(China)	8.0	9.8	37.0
(India)	2.7	2.0	12.0
Europe and CIS	10.1	11.7	61.0
Middle East and Africa	12.2	11.2	39.0
North America	7.0	7.1	27.0
Central and South America	1.9	1.5	7.0
Outside Japan	57.1	58.8	251.0
Consolidated	77.5	80.7	361.0

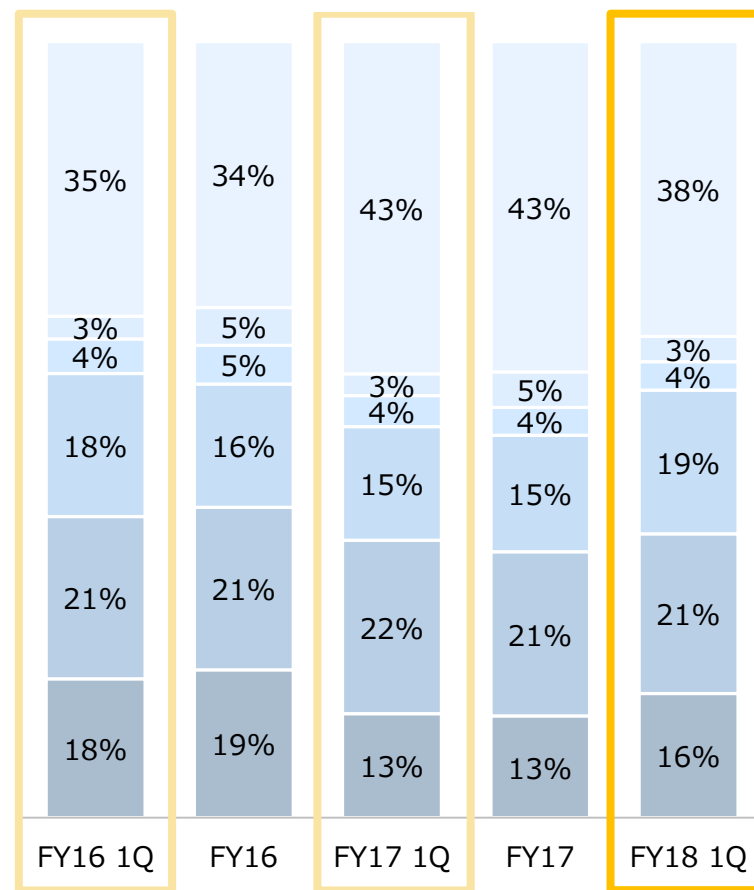
<Reference> Ratio of Orders and Sales by Industry in Control Segment (Using FY18 budget rate)

◆ Upstream orders and sales were up.

Orders



Sales



Current Situation

Market conditions

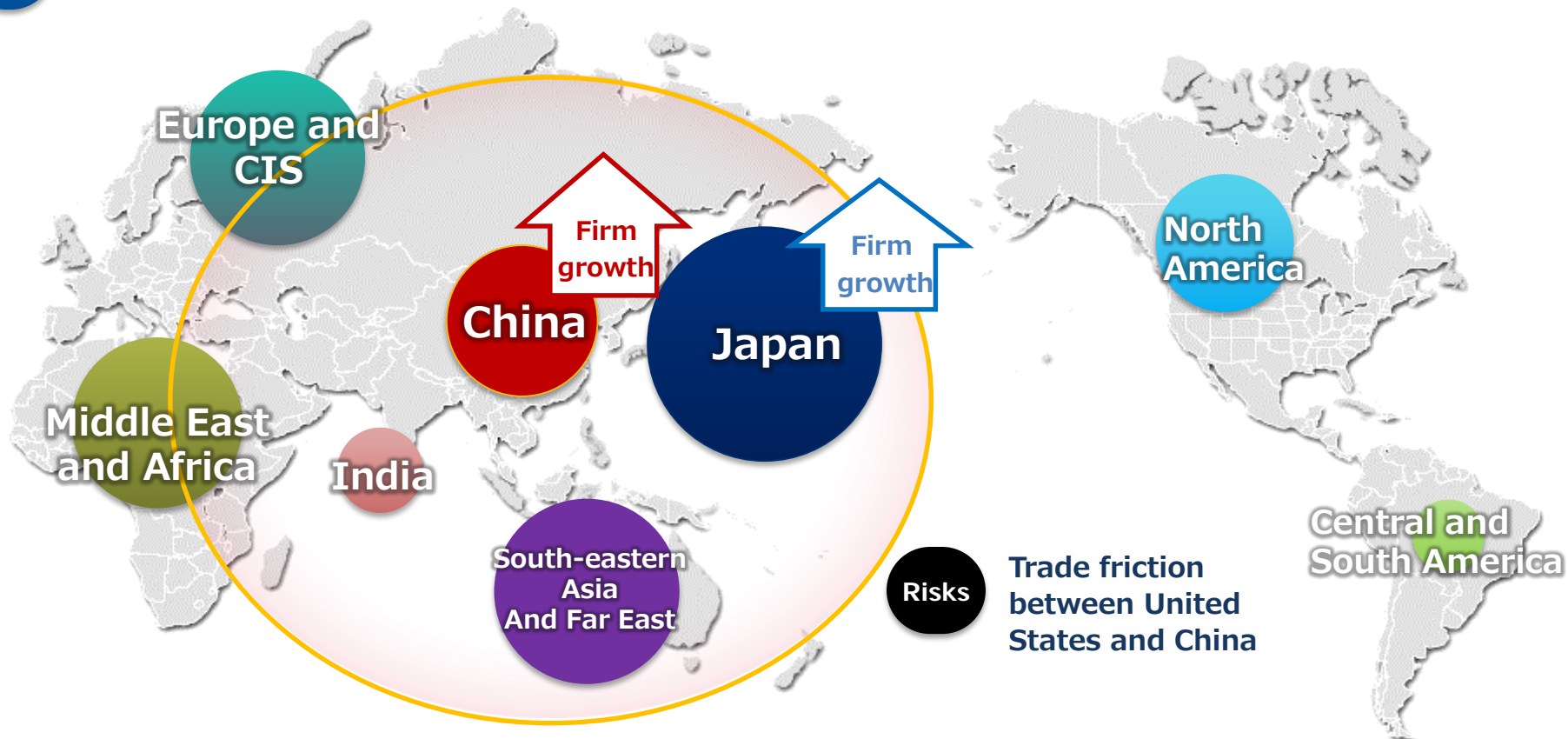
OPEX-related investment continues to pick up. We are also seeing more inquiries from customers who have resumed making CAPEX investments.

Region

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

Industry

We expect to see an increase in CAPEX investment due to rising demand for LNG.



FY18 Forecast (No change)

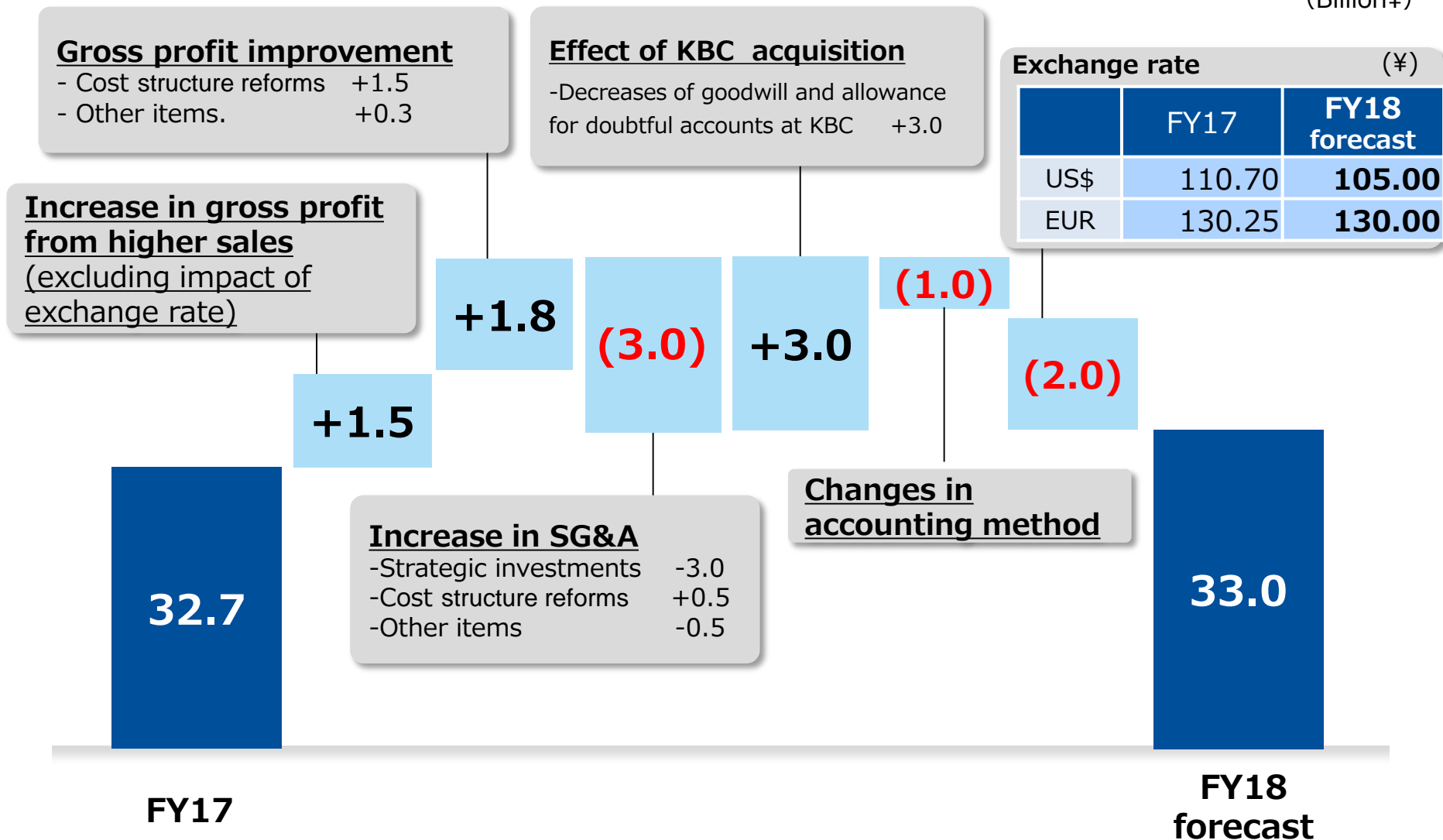
◆ Sales are projected to decline due to appreciation of the yen, while operating income is expected to increase.

(Billion¥)

	FY16 (A)	FY17 (B)	FY18 forecast(C)	Difference (C-B)	Growth rate (C÷B-1)
Orders	390.7	400.3	410.0	+9.7	+2.4%
Sales	391.4	406.6	405.0	(1.6)	(0.4%)
Operating income	31.6	32.7	33.0	+0.3	+0.9%
ROS (%)	8.1	8.0	8.1	+0.1 pts	—
Ordinary income	33.0	33.3	32.0	(1.3)	(3.9%)
Profit before income taxes	35.5	29.4	32.0	+2.6	+8.8%
Tax, etc.	9.7	7.9	10.5	+2.6	+32.9%
Profit attributable to owners of parent	25.8	21.4	21.5	+0.1	+0.5%
EPS (¥)	96.44	80.27	80.46	+0.19	—
Exchange rate	1\$ = ¥108.95	¥110.70	¥105	(¥5.70)	—

Factors Accounting for Increase/Decrease in FY18 Operating Income (No change)

(Billion¥)

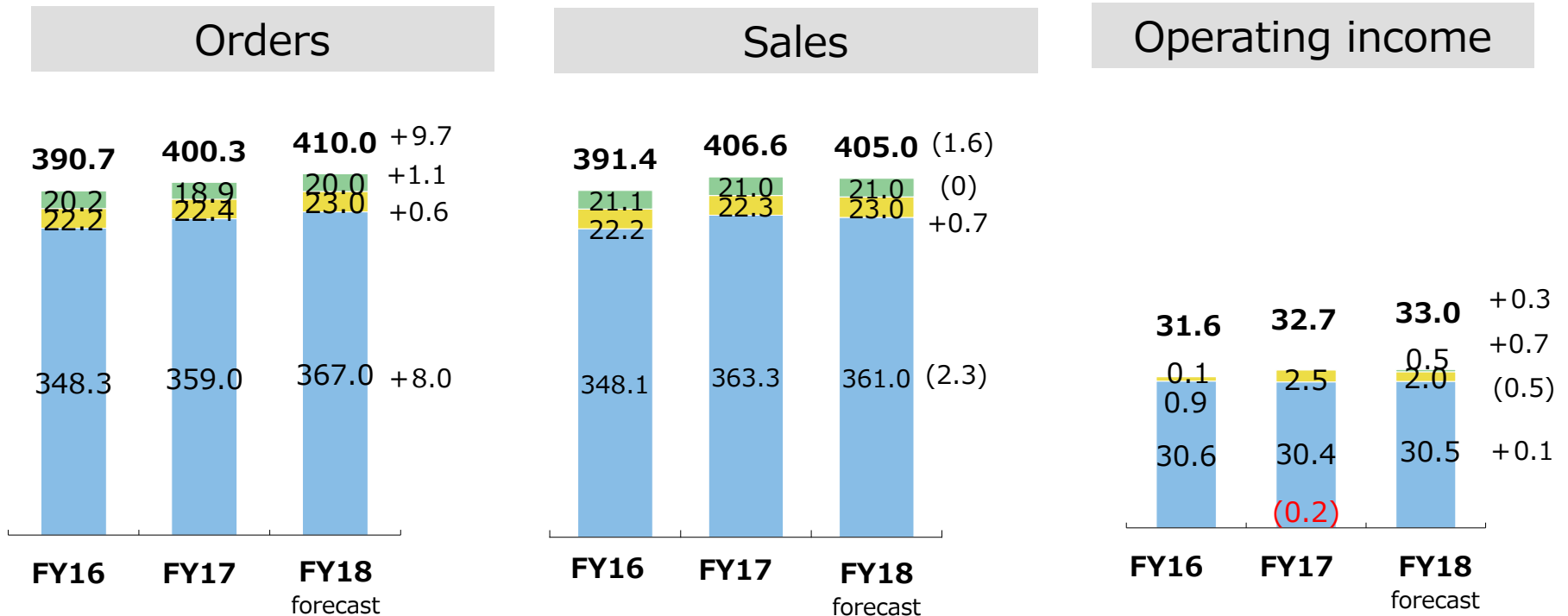


FY18 Forecast for Orders, Sales, and Operating Income by Segment (No change)

- ◆ 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.

■ Control ■ Measurement ■ Aviation and Other

(Billion¥)



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 ¥)

	FY17 1Q	FY18 1Q
Operating income	2.5	4.8
Non-operating income	1.1	1.1
Non-operating expenses	0.7	0.3
Ordinary income	2.9	5.6
Extraordinary income	2.4	0.4
Extraordinary expenses	0.1	0.0
Income before tax	5.2	6.0
Tax, etc.	1.9	2.6
Profit attributable to owners of parent	3.3	3.4
(Effective tax rate)	31.2%	37.0%

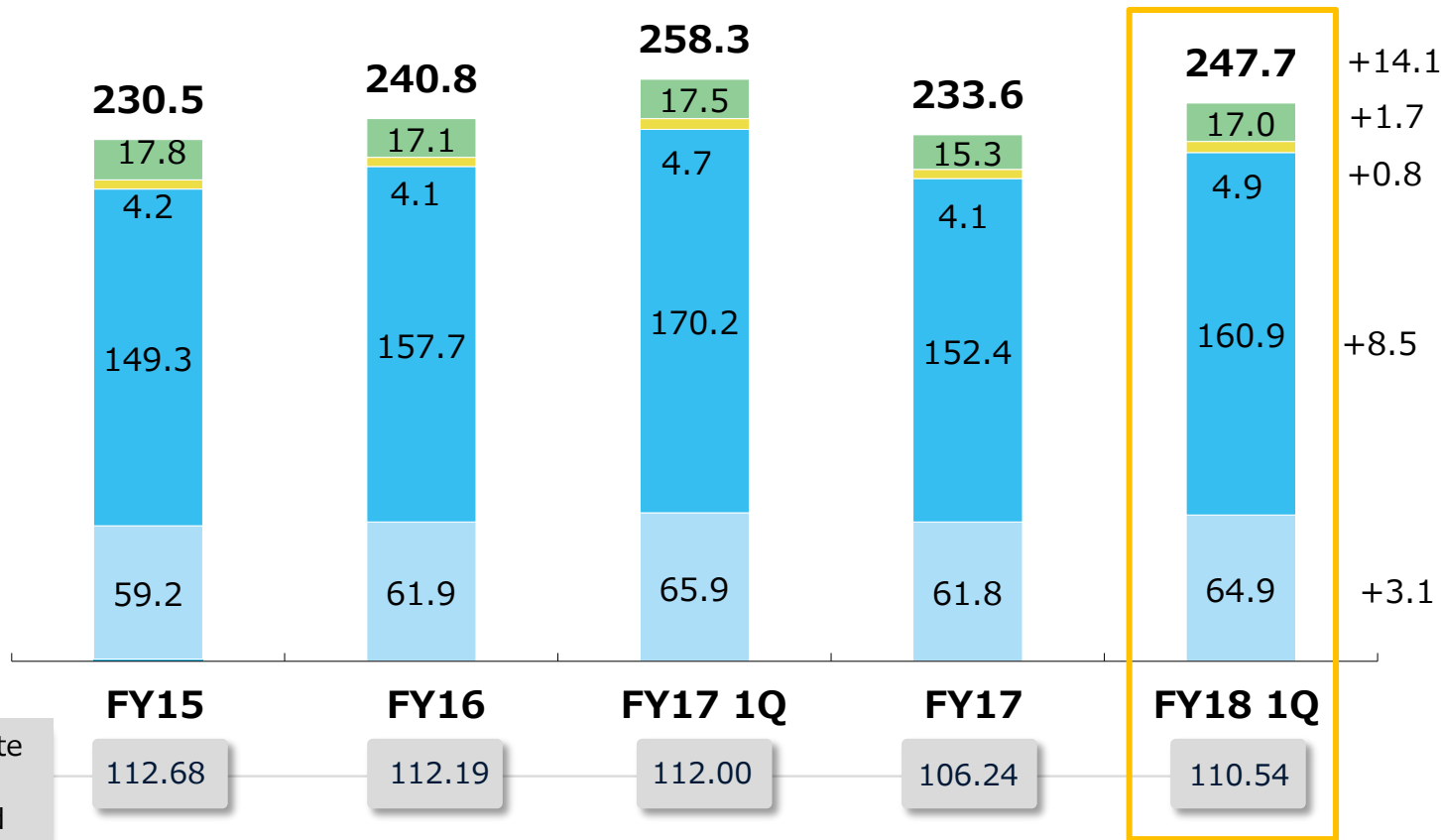
FY17:
Gain on sale of non-current assets: ¥1.8 billion
Gain on sales of investment securities: ¥0.6 billion

FY18:
Gain on sales of investment securities: ¥0.4 billion

Appendix: Order Backlog Trend by Segment

(Billion¥)

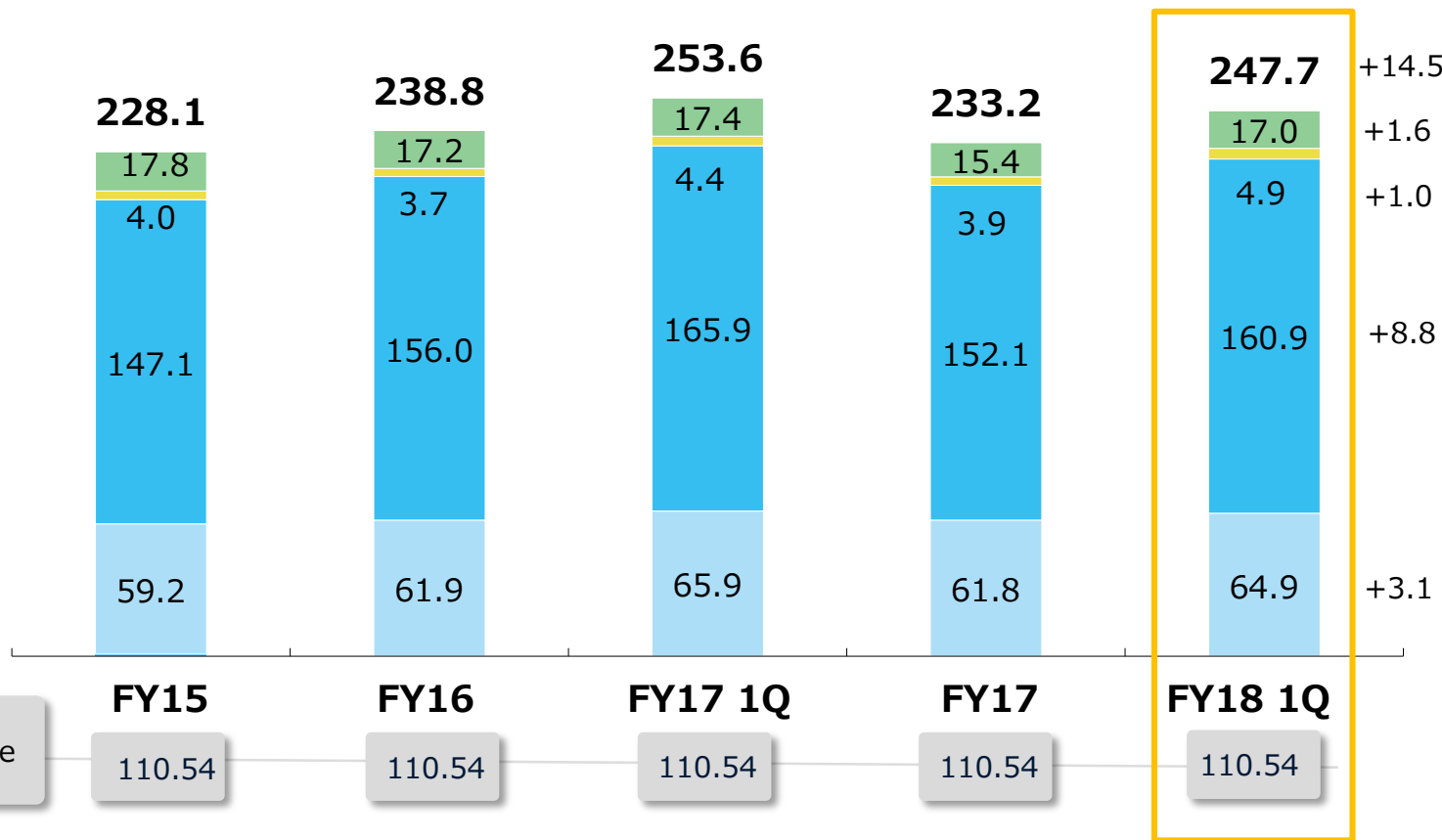
■ Control (Japan) ■ Control (Outside of Japan) ■ Measurement ■ Aviation and Other



<Reference>Order Backlog Trend by Segment

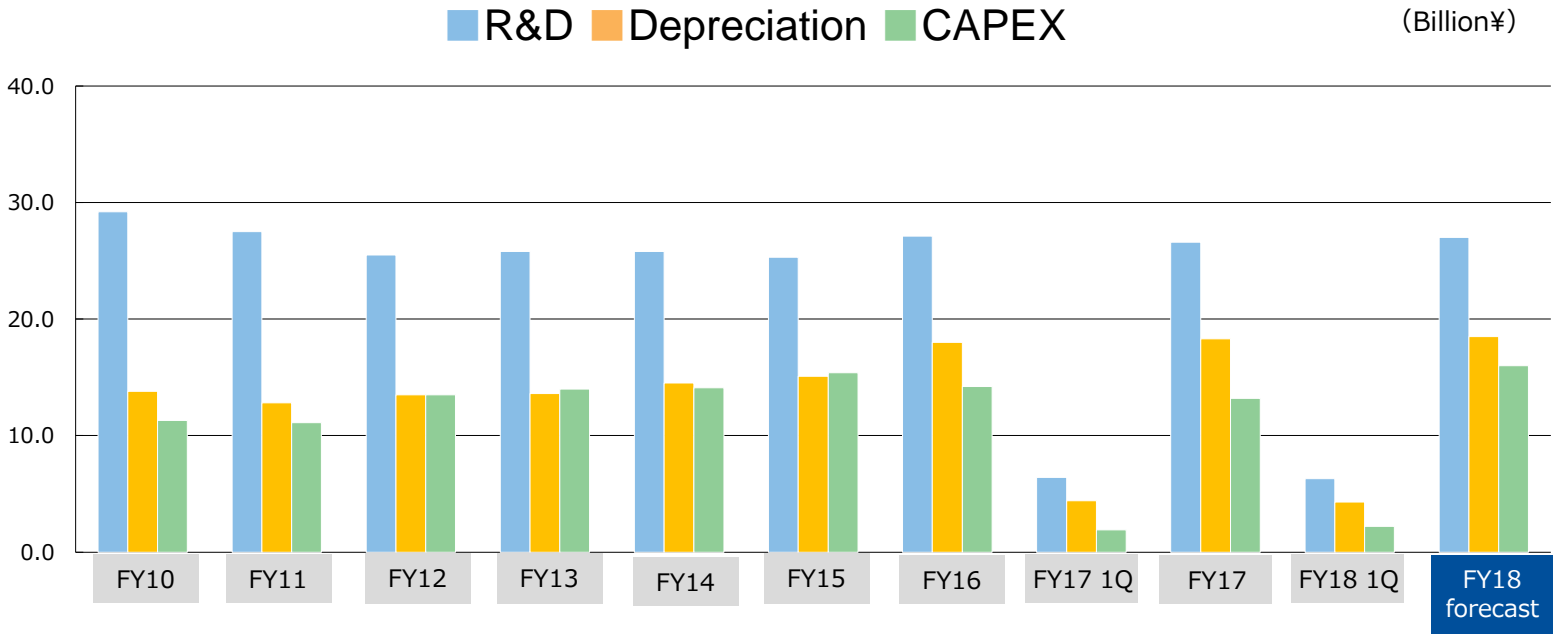
(Billion¥)

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



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

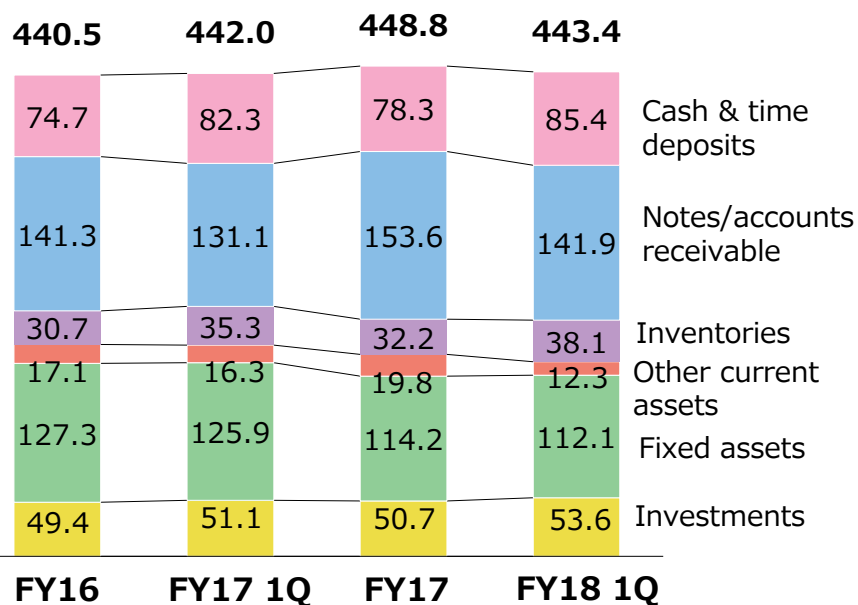
◆ CAPEX is expected to increase slightly due to strategic investments in line with the new mid-term business plan.



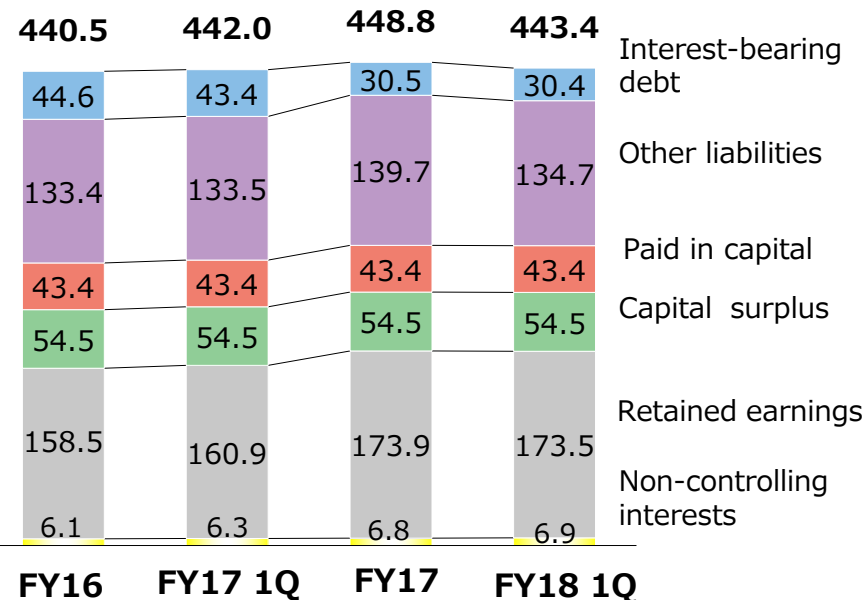
	FY10	FY11	FY12	FY13	FY14	FY15	FY16	FY17 1Q	FY17	FY18 1Q	FY18 forecast
R&D expenses (% of sales)	29.2	27.5	25.5	25.8	25.8	25.3	27.1	6.4	26.6	6.2	27.0
	9.0%	8.2%	7.3%	6.6%	6.4%	6.1%	6.9%	7.4%	6.5%	7.0%	6.7%
Depreciation (% of sales)	13.8	12.8	13.5	13.6	14.5	15.1	18.0	4.4	18.3	4.3	18.5
	4.2%	3.8%	3.9%	3.5%	3.6%	3.6%	4.6%	5.1%	4.5%	4.8%	4.6%
CAPEX (% of sales)	11.3	11.1	13.5	14.0	14.1	15.4	14.2	1.9	13.2	2.2	16.0
	3.5%	3.3%	3.9%	3.6%	3.5%	3.7%	3.6%	2.2%	3.3%	2.4%	4.0%

Appendix: Trend of Balance Sheet

Assets



Liabilities and equity



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.

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

OpreX™

Jun.

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

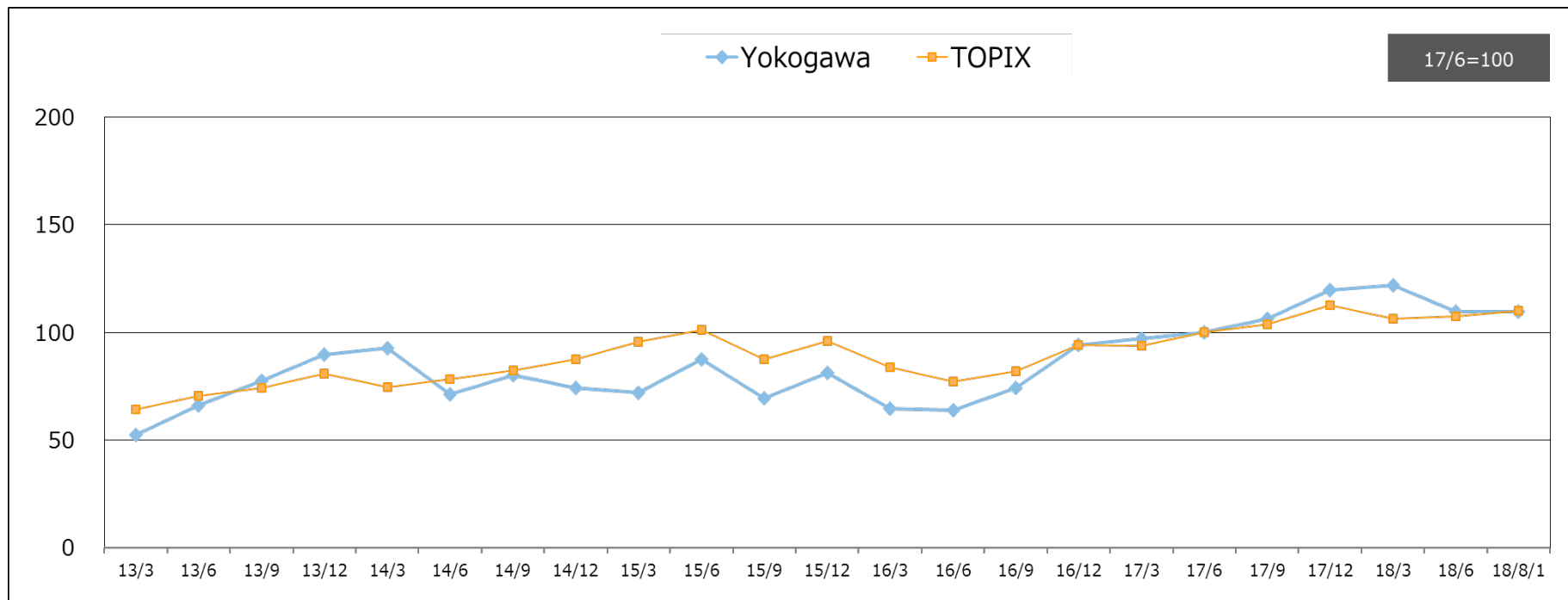
Yokogawa releases Platform for Advanced Control and Estimation R5.02

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



(¥)

	13/3	13/6	13/9	13/12	14/3	14/6	14/9	14/12	15/3	15/6	15/9	15/12	16/3	16/6	16/9	16/12	17/3	17/6	17/9	17/12	18/3	18/6	18/8/1
Yokogawa	946	1,187	1,398	1,615	1,667	1,281	1,442	1,333	1,295	1,574	1,247	1,465	1,163	1,146	1,335	1,693	1,752	1,801	1,916	2,158	2,198	1,972	1,978
TOPIX	1,035	1,134	1,194	1,302	1,203	1,263	1,326	1,407	1,543	1,630	1,411	1,547	1,347	1,245	1,322	1,518	1,512	1,611	1,674	1,817	1,716	1,731	1,770

	13/3	13/6	13/9	13/12	14/3	14/6	14/9	14/12	15/3	15/6	15/9	15/12	16/3	16/6	16/9	16/12	17/3	17/6	17/9	17/12	18/3	18/6	18/8/1
Yokogawa	53	66	78	90	93	71	80	74	72	87	69	81	65	64	74	94	97	100	106	120	122	109	110
TOPIX	64	70	74	81	75	78	82	87	96	101	88	96	84	77	82	94	94	100	104	113	107	107	110

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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