Yokogawa Electric Corporation

FY17 Results and FY18 Forecast

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May 8, 2018

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- Topics
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Summary of FY17 Results

- Orders and sales were up, due mainly to the weak yen
  (Impact of withdrawal from businesses : orders -¥3.9 billion, sales -¥3.9billion)
- Although the ¥2.1 billion allowance for doubtful accounts was recorded, operating income was up due to the impact of increased sales and the weak yen.
- Profit attributable to owners of parent decreased (impairment loss: ¥9.2 billion, extraordinary income: ¥5.8 billion).

(Billion ¥)

	FY16	FY17	Difference	Growth rate	Impact of exchange rate
Orders	390.7	**400.3**	+9.6	+2.5%	+11.7
Sales	391.4	**406.6**	+15.2	+3.9%	+11.7
Operating income	31.6	**32.7**	+1.1	+3.5%	+2.0
ROS (%)	8.1	**8.0**	(0.1 pts)	–	–
Ordinary income	33.0	**33.3**	+0.3	+1.0%	+2.2
Profit attributable to owners of parent	25.8	**21.4**	(4.4)	-16.7%	+1.8
EPS (¥)	96.44	**80.27**	(16.17)	-16.8%	–
ROE (%)	10.4	**8.1**	(2.3 pts)	–	–
Exchange rate 1$=	¥108.95	**¥110.70**	+1.75	–	–

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Summary of FY17 Results
(Comparison with forecast)

-Orders, sales, operating income, ordinary income, and profit attributable to owners of parent all were nearly as expected.

(Billion ¥)

		FY17 2/6 forecast	FY17 results	Difference
Orders		400.0	**400.3**	0.3
Sales		400.0	**406.6**	+6.6
Operating income		33.0	**32.7**	(0.3)
Ordinary income		34.0	**33.3**	(0.7)
Profit attributable to owners of parent		20.0	**21.4**	+1.4
EPS (¥)		74.84	**80.27**	+5.43
Exchange rate	1$ =	¥110.00	**¥110.70**	+¥0.70

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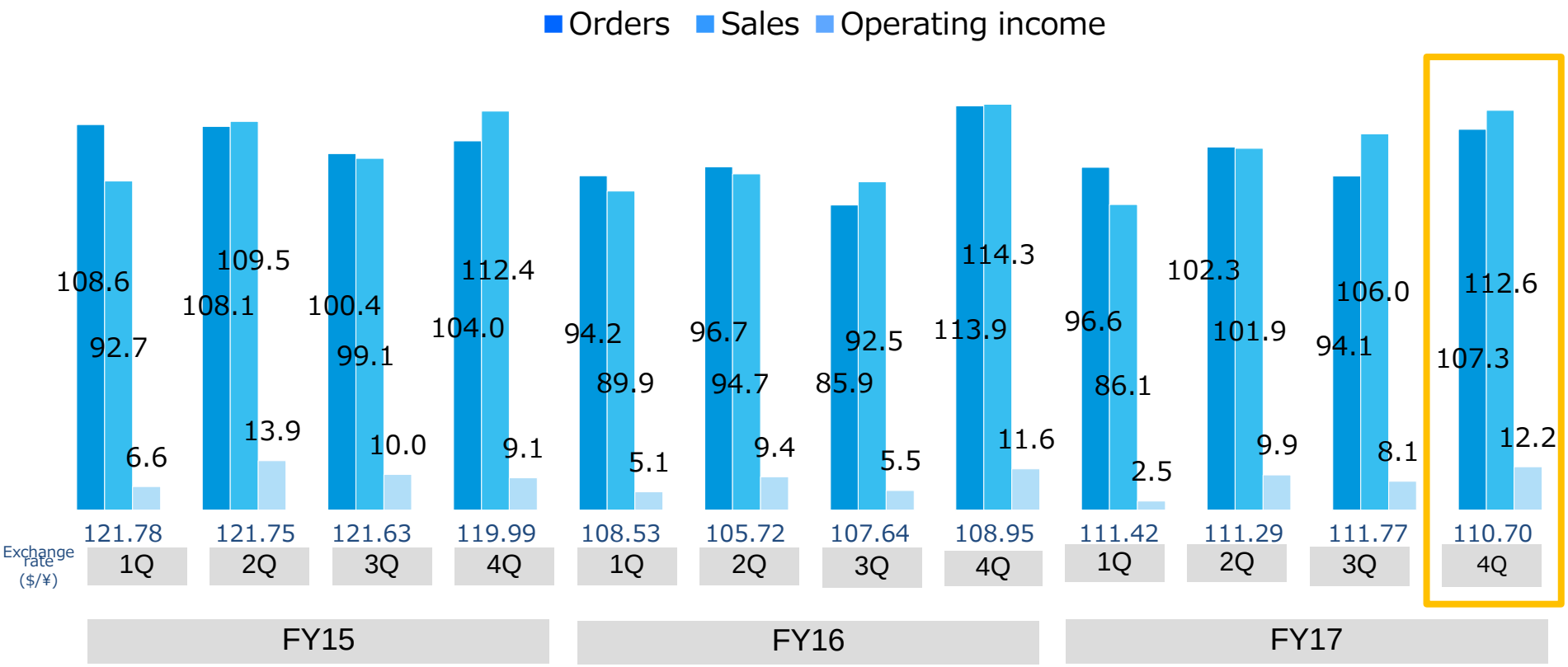
Quarterly Financial Results

- Sales and operating income tend to be higher in 2Q and 4Q, and this trend is particularly strong in the Japanese control segment.

(Billion ¥)



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Analysis of Operating Income (FY16/FY17 comparison)

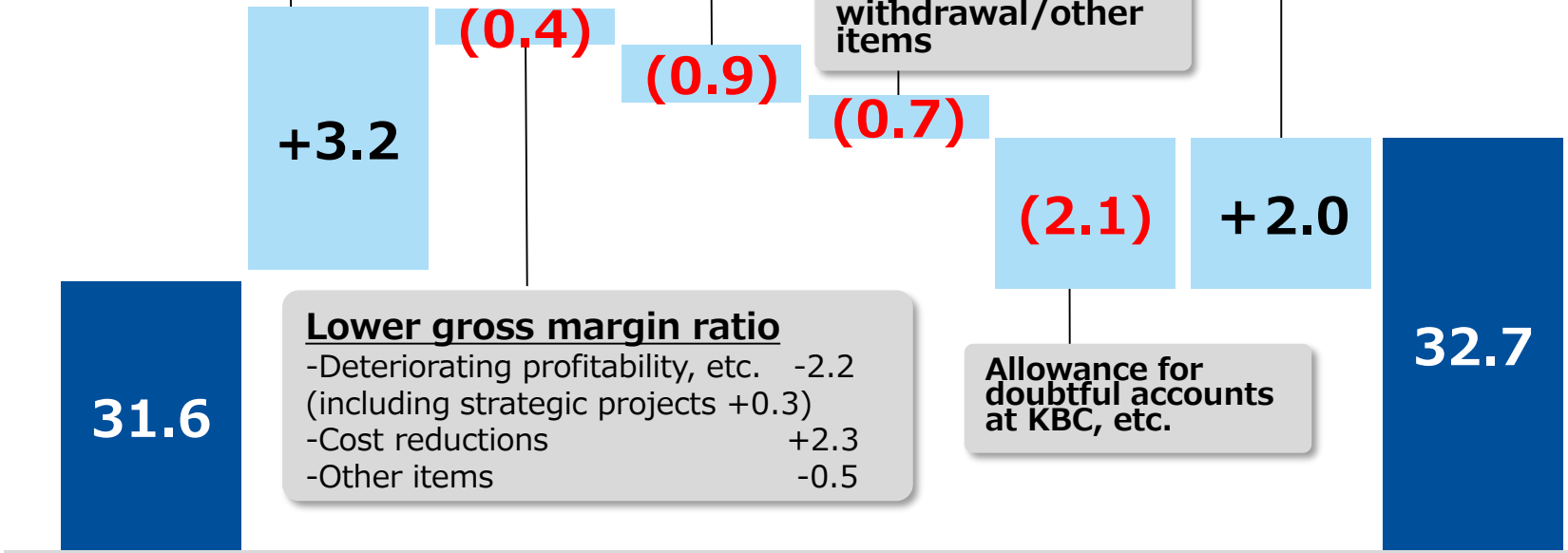
(Billion¥)

Increase in gross profit from higher sales
(excluding impact of exchange rate and business withdrawal)

Increase in SG&A
-Strategic investments -0.5
(including reduction in transaction costs of KBC, etc. +0.4)
-Cost reductions +0.1
-Other items -0.5

Exchange rate (¥)

	FY16	FY17
US$	108.95	**110.70**
EUR	118.81	**130.25**



Impact of business withdrawal/other items

Lower gross margin ratio
-Deteriorating profitability, etc. -2.2
(including strategic projects +0.3)
-Cost reductions +2.3
-Other items -0.5

Allowance for doubtful accounts at KBC, etc.

FY16 FY17

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Non-operating /Extraordinary Income and Expenses

(Billion ¥)

	FY16	FY17
Operating income	**31.6**	**32.7**
Non-operating income	4.0	4.1
Non-operating expenses	2.6	3.5
Ordinary income	**33.0**	**33.3**
Extraordinary income	3.4	5.8
Extraordinary expenses	0.9	9.8
Income before tax	**35.5**	**29.4**
Tax, etc.	9.7	7.9
Profit attributable to owners of parent	**25.8**	**21.4**
(Effective tax rate)	25.3%	22.6%

FY16:

Gain on sales of investment securities: ¥1.8 billion

Gain on sales of shares of subsidiaries and affiliates: ¥0.9 billion

Gain on step acquisitions: ¥0.6 billion

FY17:
Gain on sales of investment securities: ¥3.7 billion

Gain on sale of non-current assets: ¥2.1 billion

FY17: Impairment loss: ¥9.2 billion

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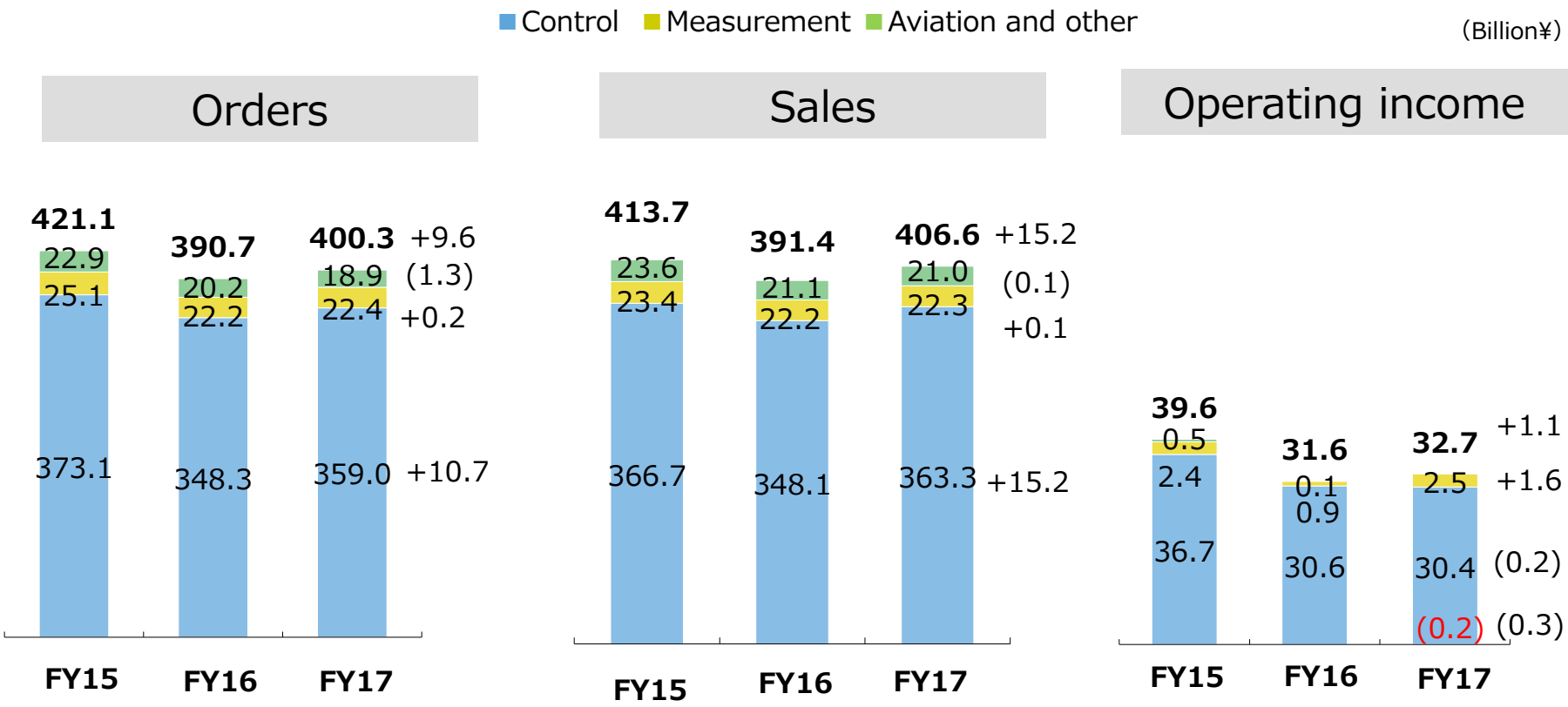
FY16/FY17 Comparison for Orders, Sales, and Operating Income by Segment

- Control: Market conditions remained favorable in Japan, mainly in non-energy related businesses. Outside Japan, orders and sales trended upward due to the weak yen and the strong performance of the operation and maintenance services business. However, operating income remained at nearly the same level year on year due to recording the allowance for doubtful accounts.
- Measurement: Operating income was up from FY16 mainly due to the higher gross margin ratio.



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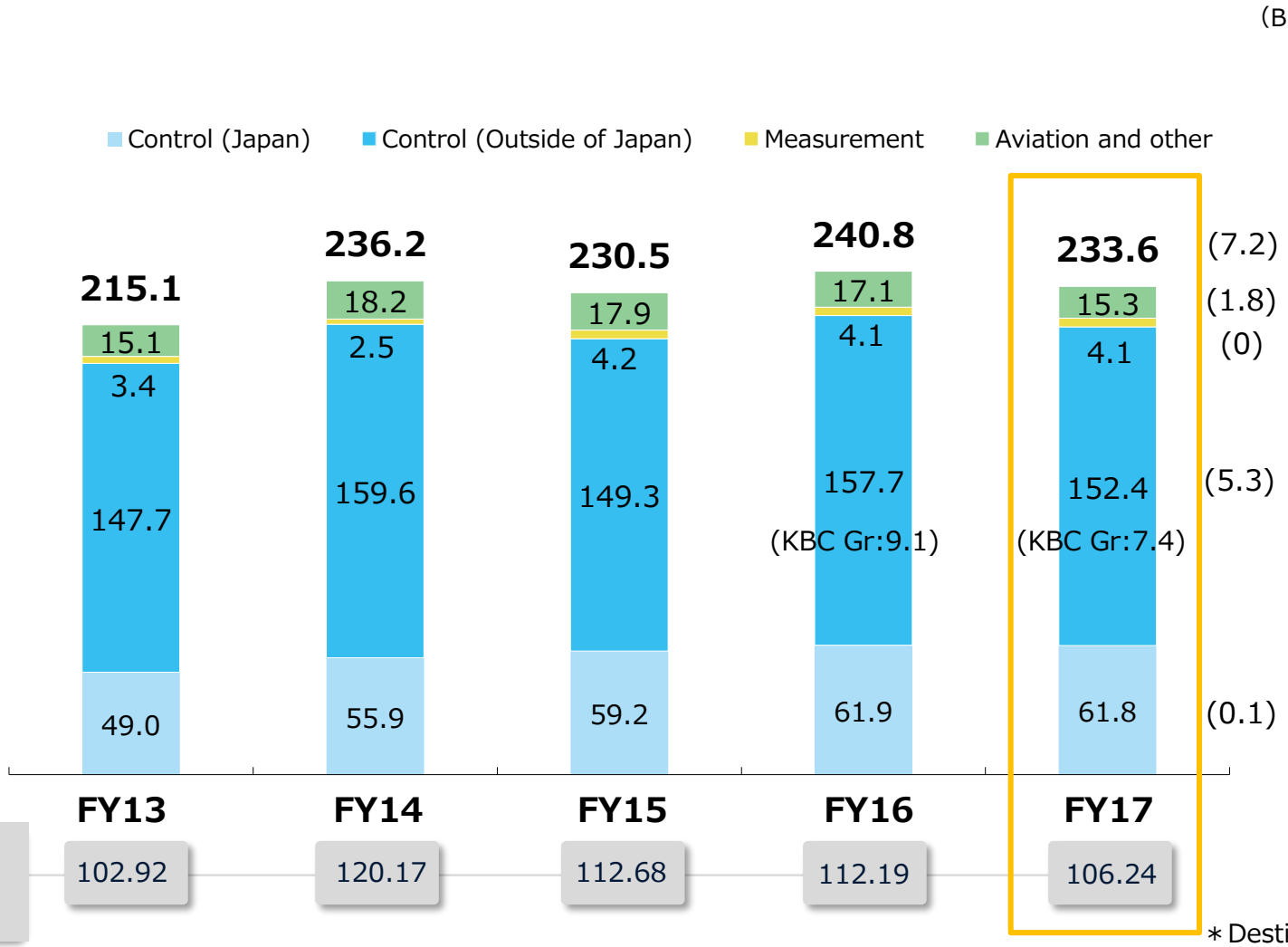
Order Backlog Trend by Segment



＊Destination-based

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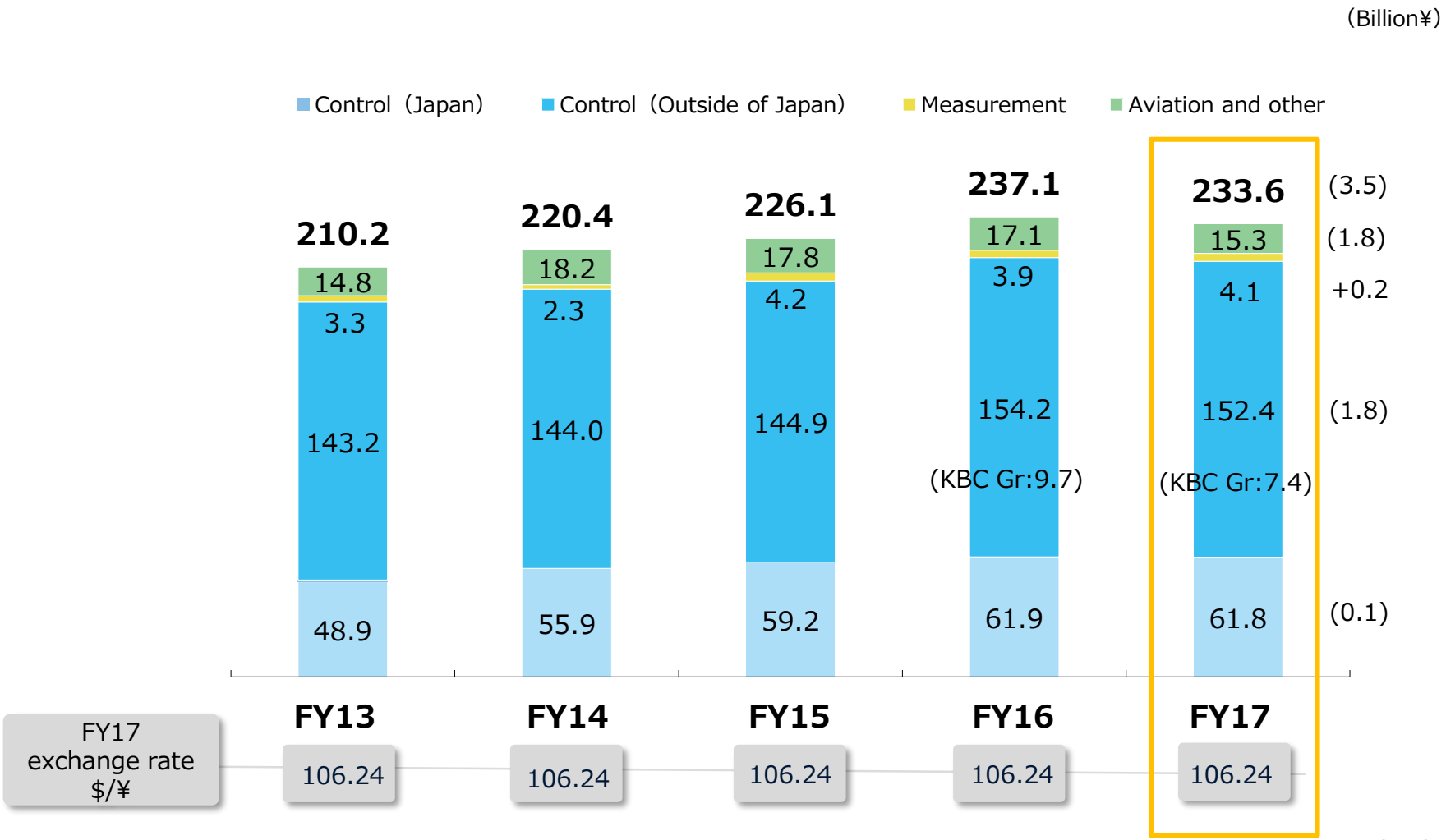
<Reference>Order Backlog Trend by Segment



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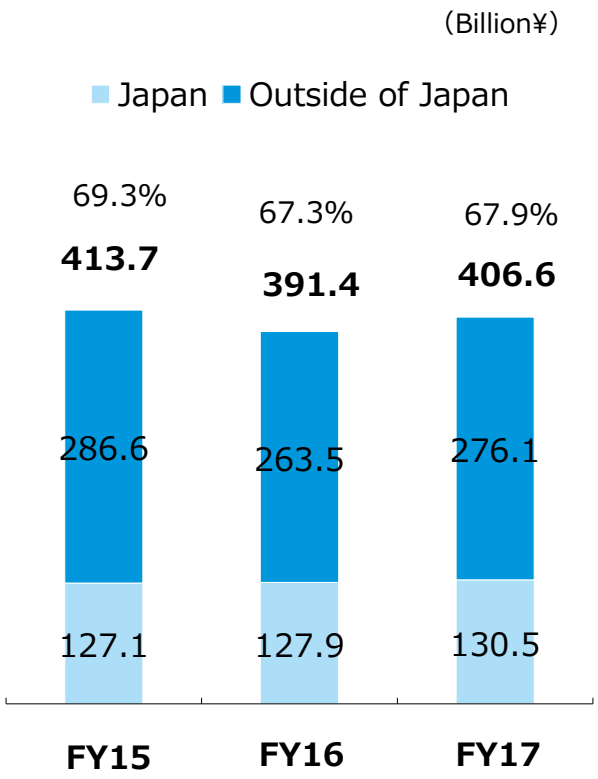
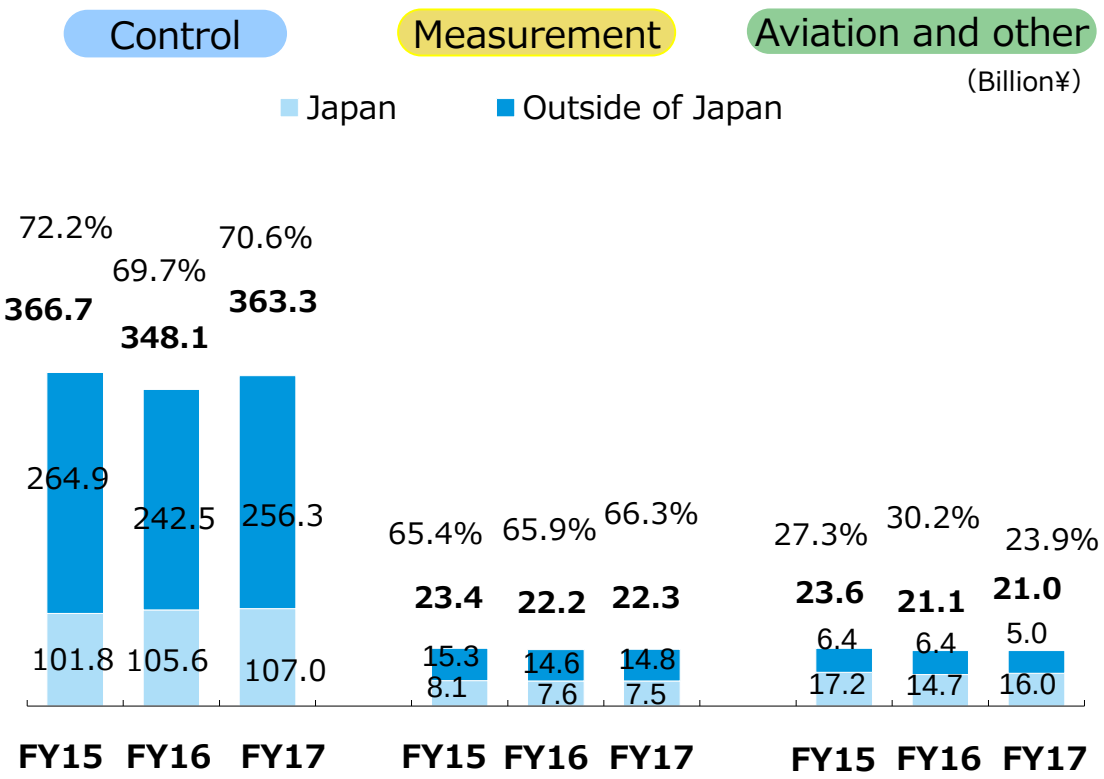
Trend of Global Sales

-The percentage of sales generated outside Japan was up due to the weak yen and strong sales in China.

Total



By segment



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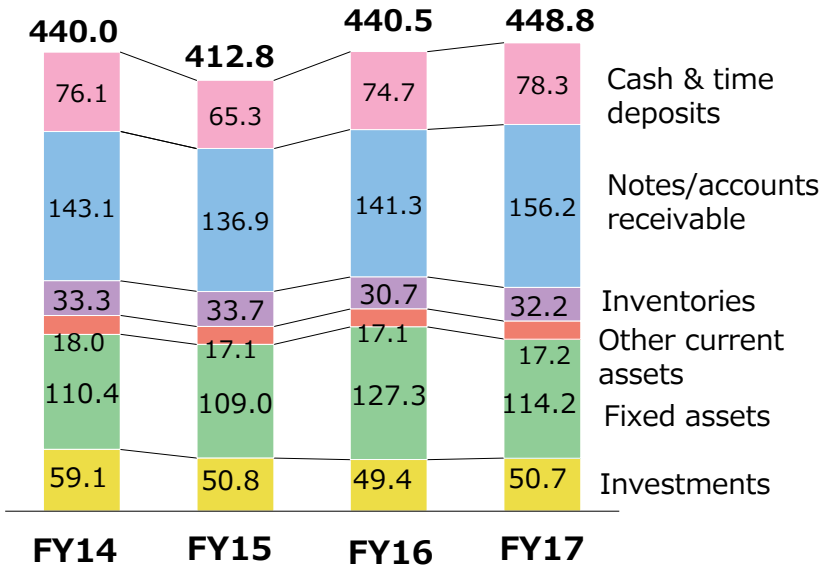
Trend of Balance Sheet

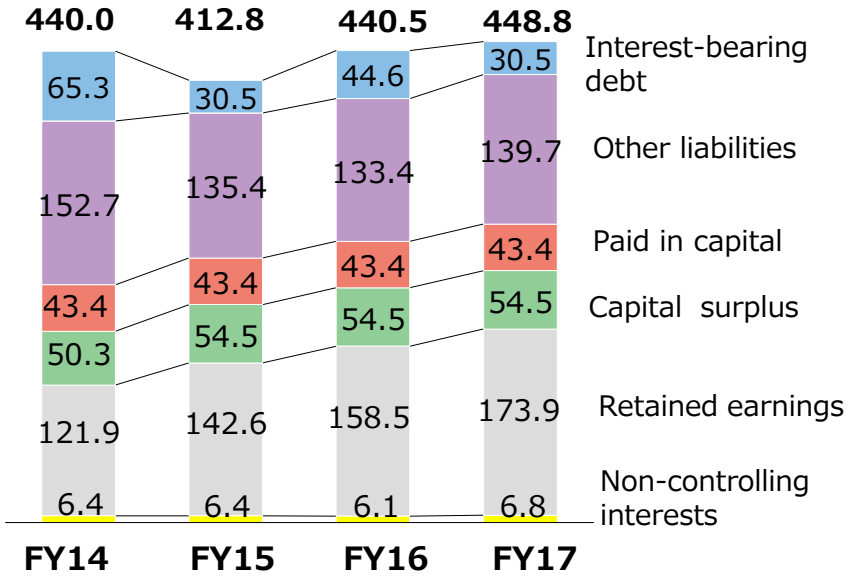
- Assets: Although there was a decrease in goodwill and other items due to the recording of an impairment loss, notes and accounts receivable increased.
- Liabilities: Short-term loans payable, and etc. were decreased.
- Net assets per share was 1,017 yen in FY17, a new record.

Assets



	FY14	FY15	FY16	**FY17**
Total asset turnover (ROA)	4.1%	7.1%	6.0%	**4.8%**
Return on equity (ROE)	8.6%	13.2%	10.4%	**8.1%**
Total asset turnover	0.97	0.96	0.92	**0.91**

Liabilities and equity



	FY14	FY15	FY16	**FY17**
Debt/equity ratio	30.3%	12.7%	17.4%	**11.2%**
Shareholders' equity ratio	49.0%	58.3%	58.2%	**60.6%**
Net assets per share (yen)	837	901	960	**1,017**

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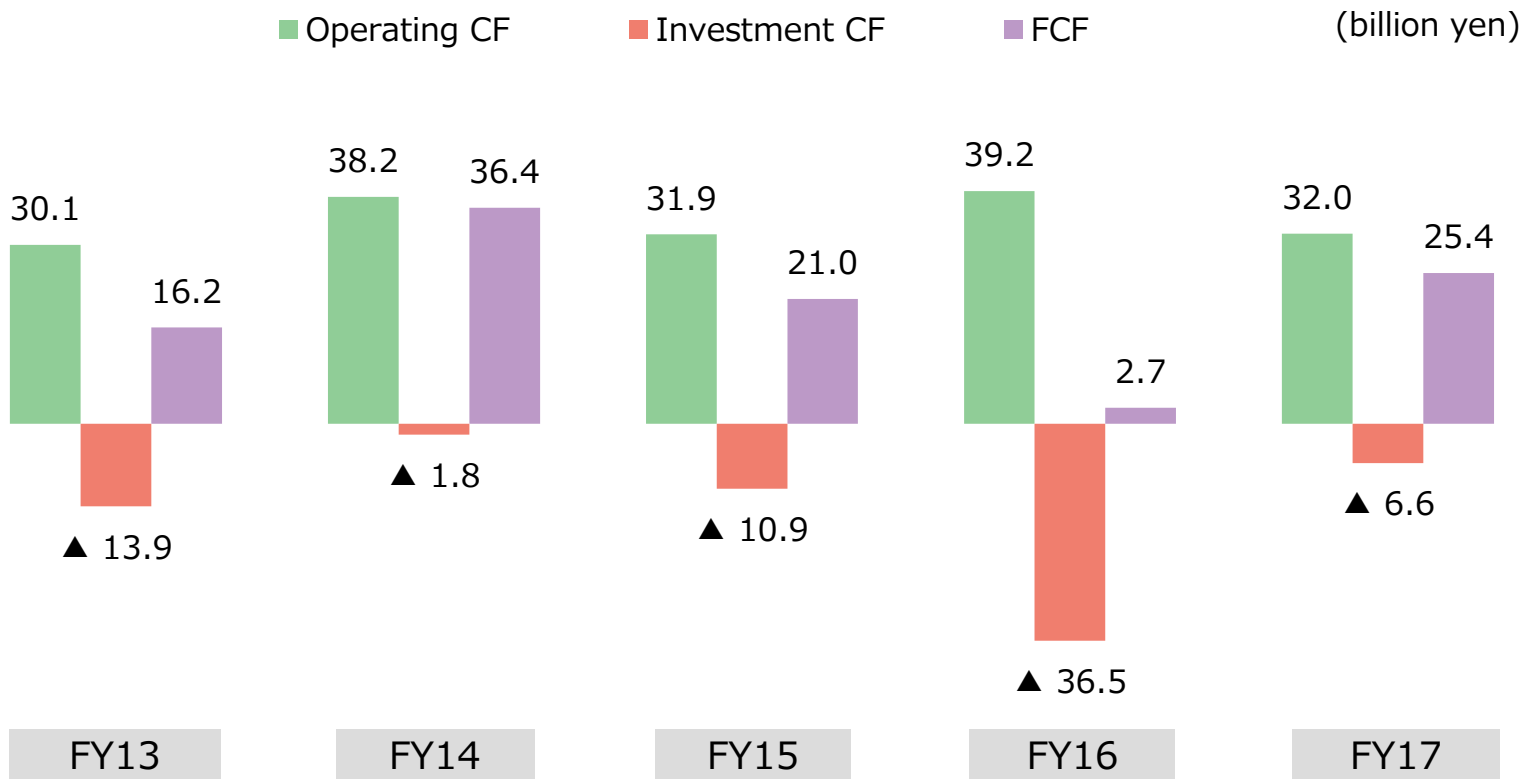
Trend of Cash Flow

- The three-year cumulative total for operating cash flow is 103.1 billion yen.



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FY18 Forecast

- 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)	–

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Factors Accounting for Increase/Decrease in FY18 Operating Income

(Billion¥)

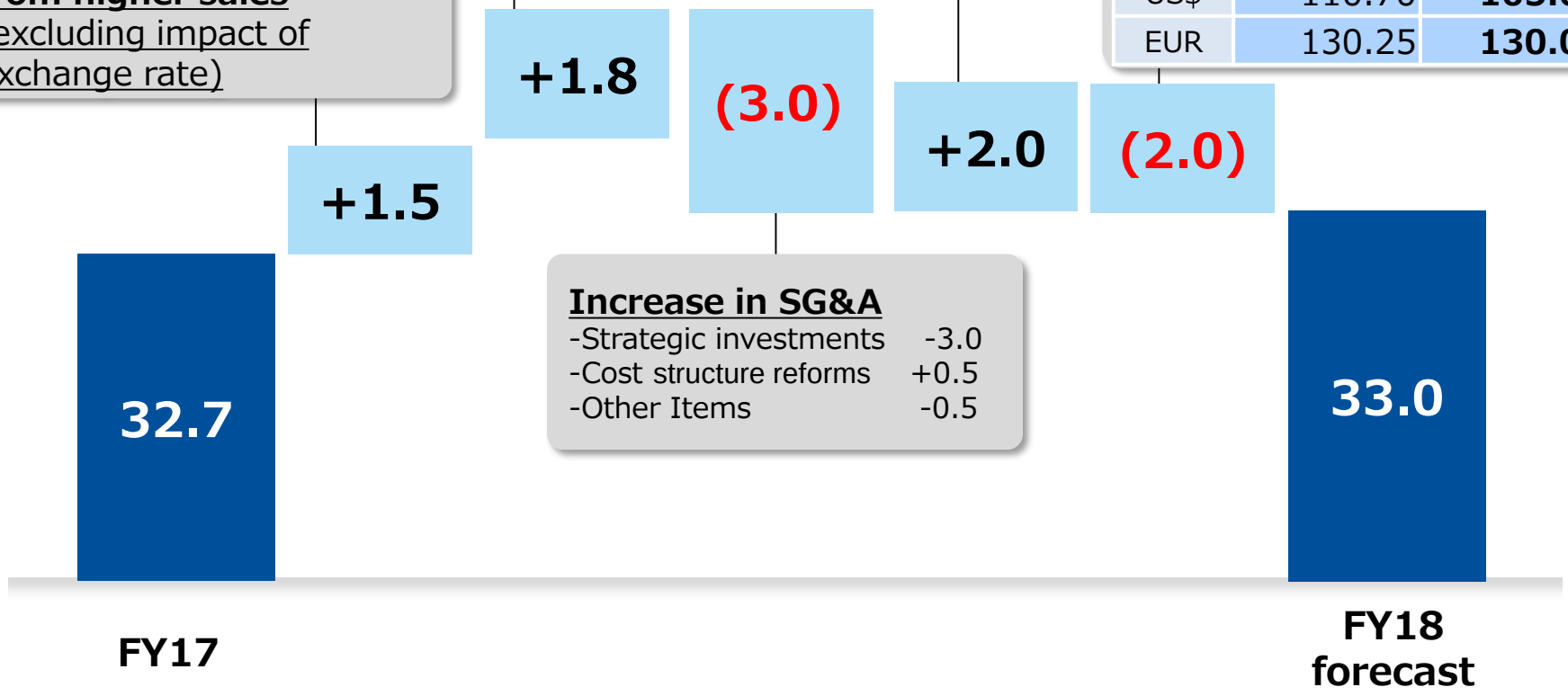
Gross profit improvement
- Cost structure reforms +1.5
- Other Items. +0.3

Effect of KBC acquisition / Changes in accounting method
-Decreases of goodwill and allowance for doubtful accounts at KBC +3.0
-Changes in accounting method -1.0

Exchange rate (¥)

	FY17	FY18 forecast
US$	110.70	**105.00**
EUR	130.25	**130.00**

Increase in gross profit from higher sales (excluding impact of exchange rate)



Increase in SG&A
-Strategic investments -3.0
-Cost structure reforms +0.5
-Other Items -0.5

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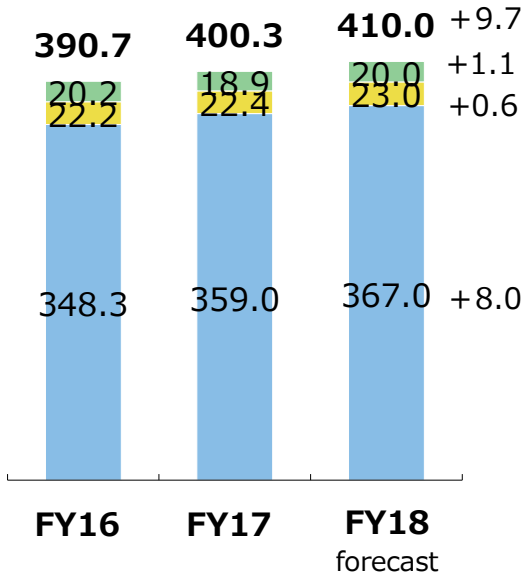
FY18 Forecast for Orders, Sales, and Operating Income by Segment

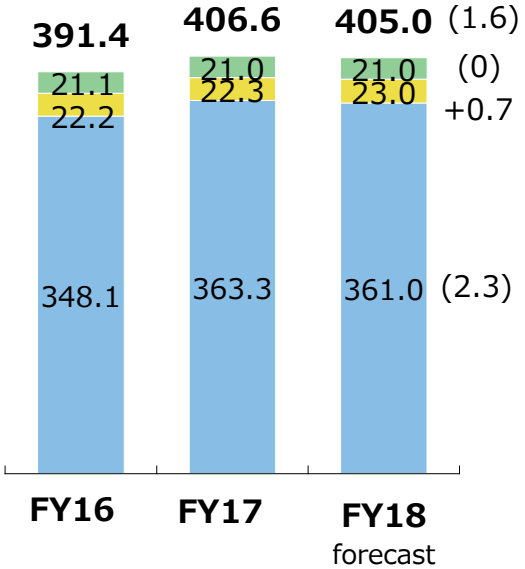
- Control: Sales are projected to decline due to appreciation of the yen, while operating income is expected to increase.
- Measurement: Orders, sales, and operating income are expected to remain unchanged year on year.
- Aviation and other: Orders and sales are expected to remain unchanged year on year,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

Control Measurement Aviation and Other (Billion¥)

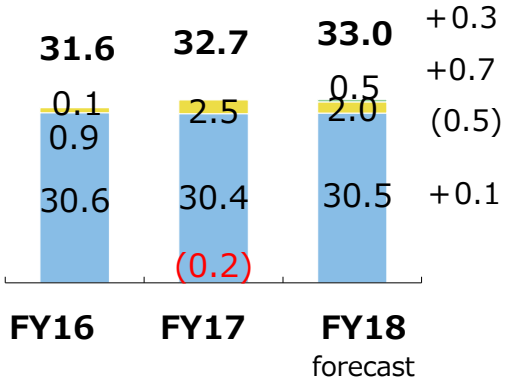
Orders



Sales



Operating income



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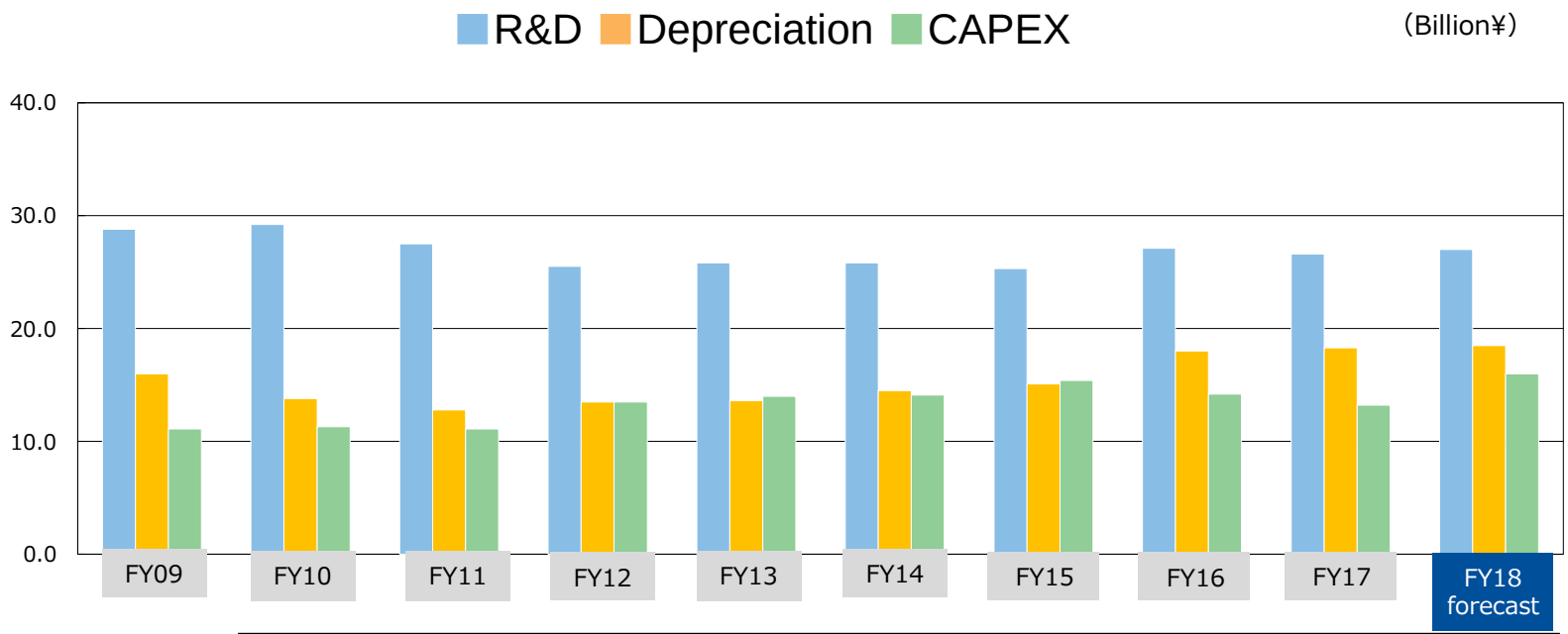
Trend of R&D Expenses, Depreciation, and CAPEX

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



	FY09	FY10	FY11	FY12	FY13	FY14	FY15	FY16	FY17	FY18 forecast
R&D expenses	28.8	29.2	27.5	25.5	25.8	25.8	25.3	27.1	26.6	27.0
(% of sales)	9.1%	9.0%	8.2%	7.3%	6.6%	6.4%	6.1%	6.9%	6.5%	6.7%
Depreciation	16.0	13.8	12.8	13.5	13.6	14.5	15.1	18.0	18.3	18.5
(% of sales)	5.1%	4.2%	3.8%	3.9%	3.5%	3.6%	3.6%	4.6%	4.5%	4.6%
CAPEX	11.1	11.3	11.1	13.5	14.0	14.1	15.4	14.2	13.2	16.0
(% of sales)	3.5%	3.5%	3.3%	3.9%	3.6%	3.5%	3.7%	3.6%	3.3%	4.0%

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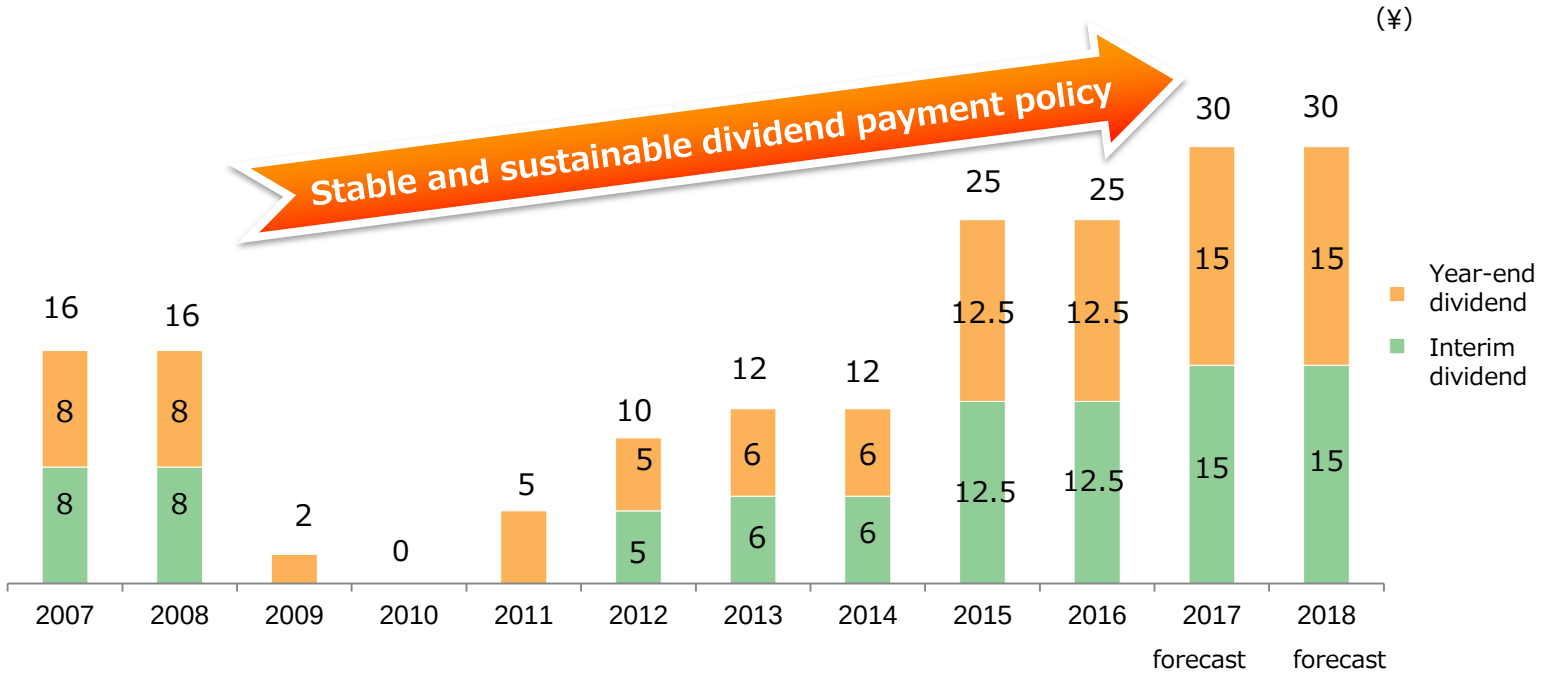
Dividend

- The distribution of earnings to shareholders is a primary management concern.
- We will strive to exceed a 30% consolidated dividend payout ratio.
  Our aim is to maintain a stable dividend based on the shareholder's equity ratio, even when there is a decline in business performance due to temporary factors.

FY17: ¥30 (payout ratio 37.4%)
FY18: ¥30 (payout ratio 37.3%)



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Appendix:

- KPIs
- Trend of Global Sales in Control Segment
- Sales by Region
- Topics
- Trend of Stock Price

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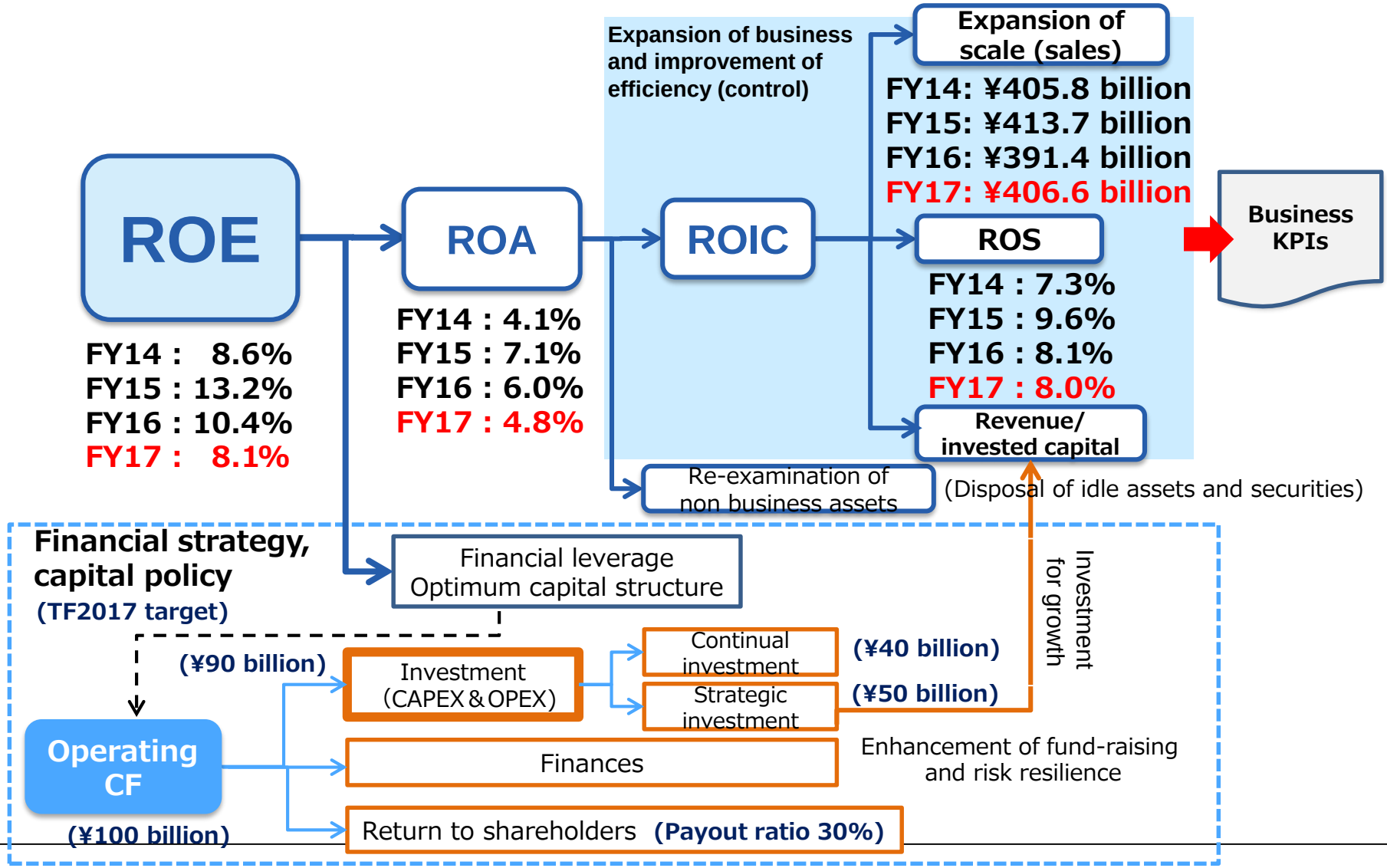
Appendix: KPIs result



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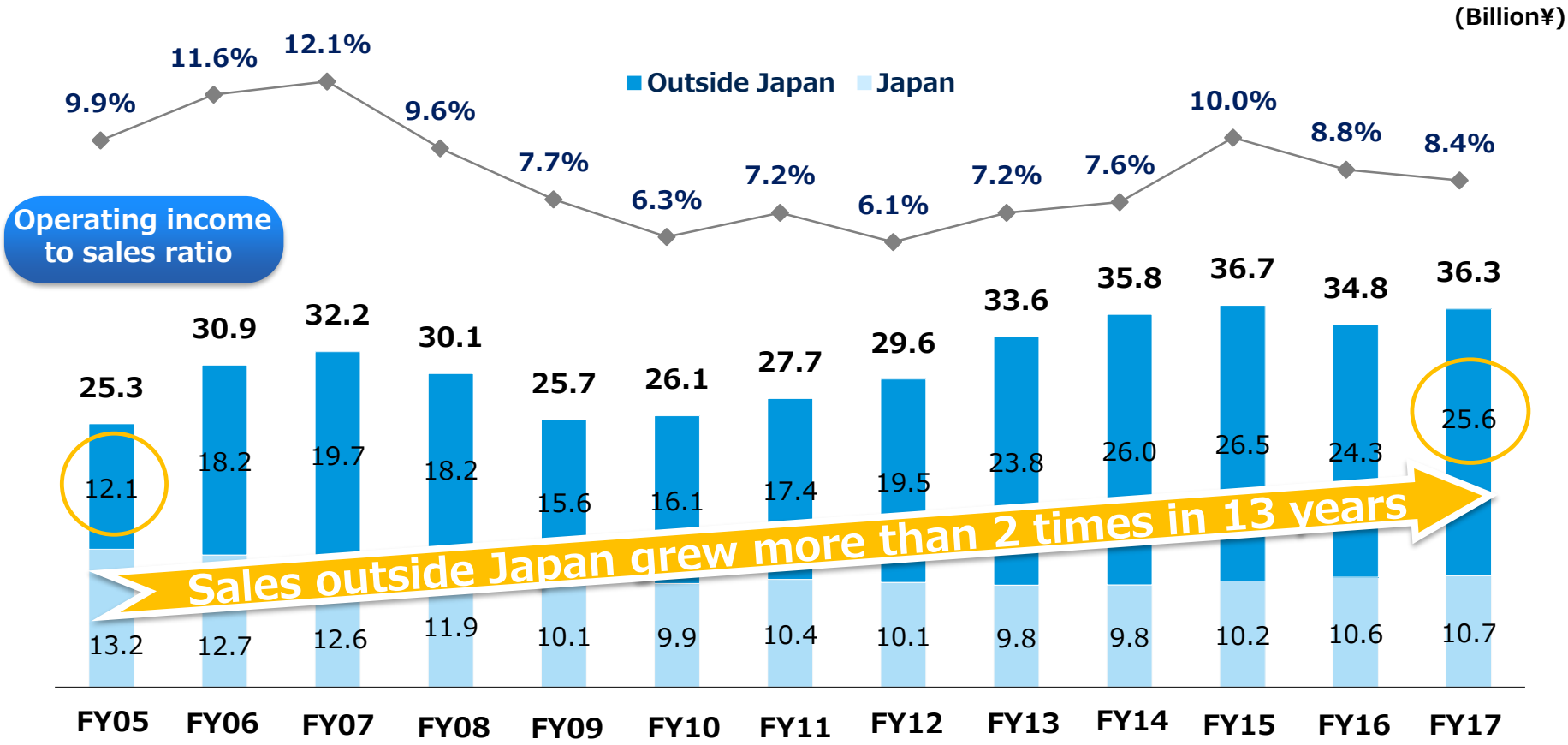
Appendix:
Trend of Global Sales in Control Segment



<Exchange rate>

	FY06	FY07	FY08	FY09	FY10	FY11	FY12	FY13	FY14	FY15	FY16	FY17
US$	117.00	113.80	100.66	92.61	85.13	78.82	83.33	100.67	110.58	119.99	108.95	110.70

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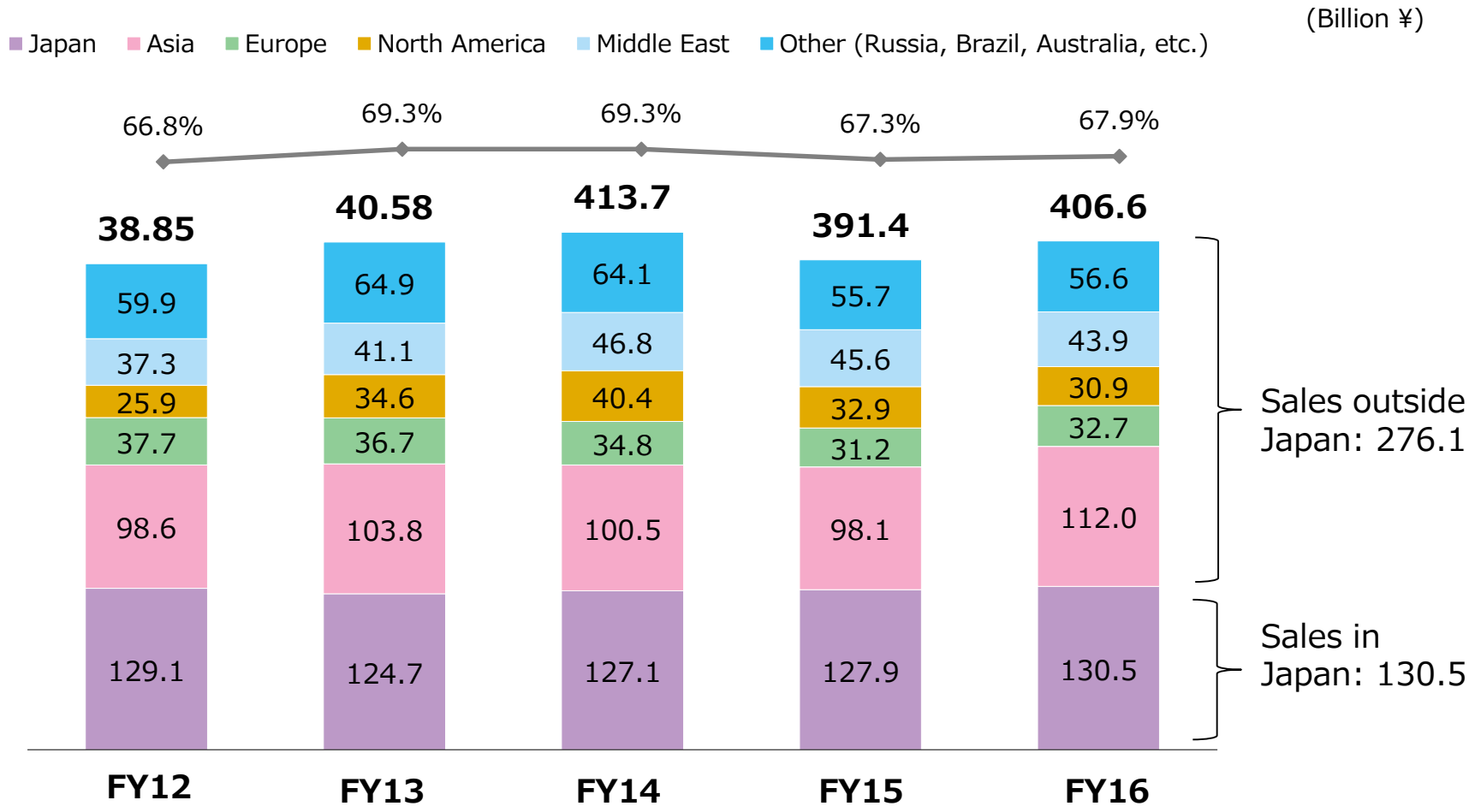
Appendix: Sales by Region



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Appendix: News（from February 7 to May 8)

Feb.

Yokogawa releases Operations Management software package

Yokogawa releases Device Lifecycle Management, a new IIoT service for the cloud-based management of device information

Mar.

Yokogawa releases CellLibrarian™ high-content data management system for improved efficiency in drug discovery and biological and medical research through the uniform management of microscopic images

Yokogawa Test & Measurement releases AQ6360 optical spectrum analyzer

Yokogawa wins order from Zhejiang Petrochemical to supply 190 GC8000 gas chromatographs for new integrated refinery and petrochemical complex in China

GC8000

Nomination of candidates for director and Audit & Supervisory Board member positions and abolishment of senior advisor, advisor, and honorary corporate associate positions

Apr.

Yokogawa releases Plant Resource Manager (PRM®) R4.01

Yokogawa announces establishment of Single Cellome Co-innovators' Consortium

May.

Introduction of new performance-linked stock compensation plan (performance share unit plan) (Plan)

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

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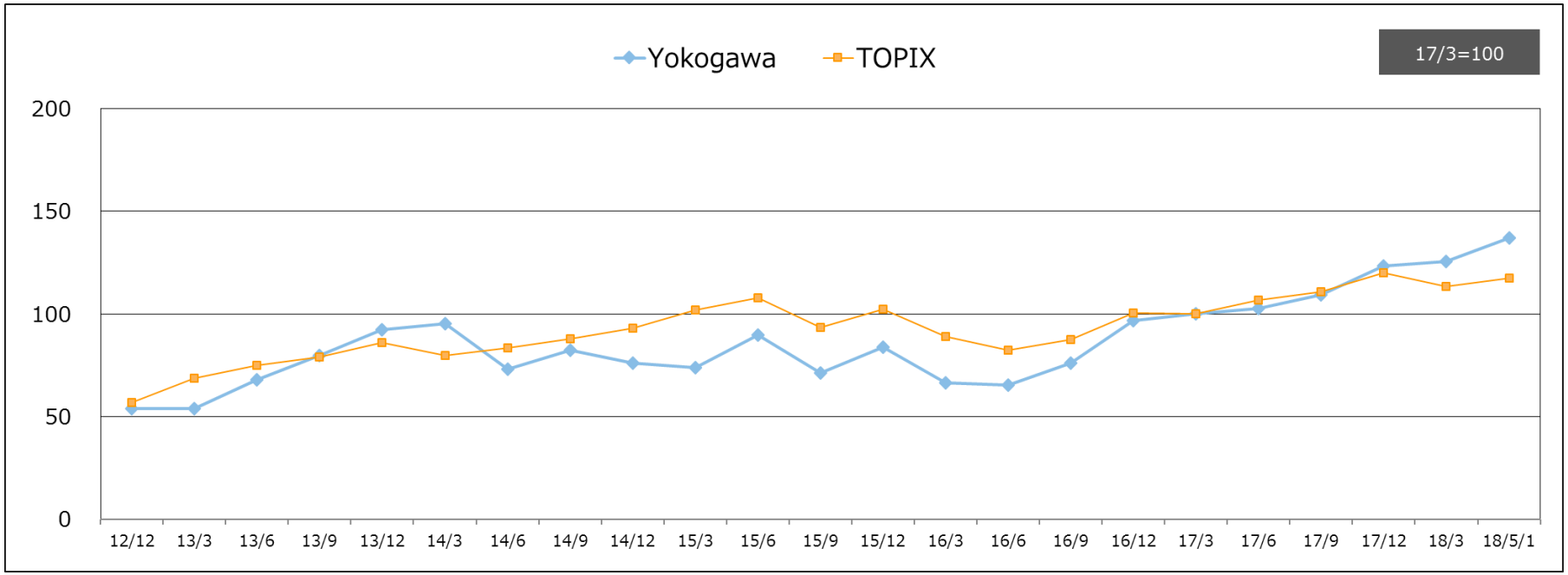
Appendix: Trend of Stock Price



	12/12	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	18/5/1
Yokogawa	941	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	2,398
TOPIX	860	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	1,774

	12/12	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	18/5/1
Yokogawa	54	54	68	80	92	95	73	82	76	74	90	71	84	66	65	76	97	100	103	109	123	125	137
TOPIX	57	68	75	79	86	80	84	88	93	102	108	93	102	89	82	87	100	100	107	111	120	113	117

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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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URL: http://www.yokogawa.com/pr/ir/index.htm

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