

## Consolidated Financial Results for the Year Ended March 31, 2017 (Japan GAAP)

May 10, 2017

Name of Listed Company: Yokogawa Electric Corporation (the “Company” herein)  
 Stock Exchanges Where the Company’s Shares Are Listed: Tokyo Stock Exchange, Section 1  
 Stock Code: 6841 (URL: <http://www.yokogawa.com/>)  
 Name and Position of the Representative: Takashi Nishijima, President and Chief Executive Officer  
 Name and Position of Person in Charge: Sadamu Kawanaka, General Manager Investor Relations Department  
 Telephone Number: +81-422-52-6845  
 Planned Date of the Regular General Meeting of Shareholders: June 27, 2017  
 Planned Dividend Payment Starting Date: June 28, 2017  
 Planned Annual Report Filing Date: June 27, 2017  
 Financial Results Supplemental Materials: Yes  
 Financial Results Presentation Meeting: Yes (for institutional investors)

(Any amount less than one million yen is disregarded.)

### 1. Consolidated business results for the year ended March 31, 2017 (April 1, 2016-March 31, 2017)

#### (1) Results of operations on a consolidated basis

(Percentages show the change from the same period of the previous year.)

|                                   | Net Sales       |       | Operating Income |        | Ordinary Income |        | Profit Attributable to Owners of Parent |        |
|-----------------------------------|-----------------|-------|------------------|--------|-----------------|--------|---|--------|
|                                   | Millions of yen | %     | Millions of yen  | %      | Millions of yen | %      | Millions of yen                         | %      |
| For the year ended March 31, 2017 | 391,433         | (5.4) | 31,608           | (20.3) | 33,014          | (18.9) | 25,759                                  | (14.6) |
| For the year ended March 31, 2016 | 413,732         | 2.0   | 39,639           | 32.9   | 40,714          | 22.0   | 30,164                                  | 75.1   |

(Note) Comprehensive income: For the year ended March 31, 2017 22,927 million yen [34.2%]  
 For the year ended March 31, 2016 17,080 million yen [(49.4)%]

|                                   | Basic Earnings per Share | Diluted Earnings per Share | Return on equity | Ordinary Income to Total Asset Ratio | Operating Income to Net Sales Ratio |
|-----------------------------------|--------------------------|----------------------------|------------------|--------------------------------------|-------------------------------------|
|                                   | Yen                      | Yen                        | %                | %                                    | %                                   |
| For the year ended March 31, 2017 | 96.44                    | —                          | 10.4             | 7.7                                  | 8.1                                 |
| For the year ended March 31, 2016 | 114.03                   | —                          | 13.2             | 9.5                                  | 9.6                                 |

(Note) Profit or loss from investments accounted for by the equity method: For the year ended March 31, 2017 580 million yen  
 For the year ended March 31, 2016 687 million yen

#### (2) Financial conditions on a consolidated basis

|                      | Total Assets    | Net Assets      | Shareholders’ Equity Ratio | Shareholders’ Equity per Share |
|----------------------|-----------------|-----------------|----------------------------|--------------------------------|
|                      | Millions of yen | Millions of yen | %                          | Yen                            |
| As of March 31, 2017 | 440,498         | 262,515         | 58.2                       | 959.58                         |
| As of March 31, 2016 | 413,061         | 246,895         | 58.2                       | 900.75                         |

(Reference) Shareholders’ equity: As of March 31, 2017: 256,407 million yen As of March 31, 2016: 240,446 million yen

#### (3) Consolidated cash flow status

|                                   | Net Cash Provided by Operating Activities | Net Cash Provided by (used in) Investment Activities | Net Cash Provided by (used in) Financing Activities | Cash and Cash Equivalents at the End of the Period |
|-----------------------------------|---|--|---|--|
|                                   | Millions of yen                           | Millions of yen                                      | Millions of yen                                     | Millions of yen                                    |
| For the year ended March 31, 2017 | 39,245                                    | (36,498)   | 6,489   | 73,563   |
| For the year ended March 31, 2016 | 31,931                                    | (10,894)   | (26,886)  | 64,922   |

(Note) For the fiscal year ended March 31, 2017, a tentative accounting treatment for the merger of businesses was applied for Industrial Evolution, Inc. and three other companies. The results of operations on a consolidated basis and the financial conditions on a consolidated basis for the fiscal year ended March 31, 2016 have been restated to reflect the revision of the initially allocated acquired costs that was decided upon finalization of the tentative accounting treatment.

## 2. Dividend status

|   | Dividends per Share |              |             |               |              | Total Dividends (annual) | Payout Ratio (consol.) | Net Asset Dividend Rate (consol.) |
|---|---------------------|--------------|-------------|---------------|--------------|--------------------------|------------------------|-----------------------------------|
|   | June 30             | September 30 | December 31 | End of Period | Annual Total |                          |                        |                                   |
|   | Yen                 | Yen          | Yen         | Yen           | Yen          | Millions of yen          | %                      | %                                 |
| For year ended March 31, 2016             | —                   | 12.50        | —           | 12.50         | 25.00        | 6,670                    | 21.9                   | 2.9                               |
| For year ended March 31, 2017             | —                   | 12.50        | —           | 12.50         | 25.00        | 6,680                    | 25.9                   | 2.7                               |
| For year ending March 31, 2018 (forecast) | —                   | 15.00        | —           | 15.00         | 30.00        |                          | 29.7                   |                                   |

(Note) Breakdown of September 30 dividends for year ended March 31, 2016: Ordinary dividend 7.50 yen, commemorative dividend 5.00 yen

## 3. Business forecast for the year ending March 31, 2018 (April 1, 2017-March 31, 2018)

(Percentages show the change from the previous year.)

|           | Net Sales       |     | Operating Income |      | Ordinary Income |     | Profit Attributable to Owners of Parent |     | Basic Earnings per Share |        |
|-----------|-----------------|-----|------------------|------|-----------------|-----|---|-----|--------------------------|--------|
|           | Millions of yen | %   | Millions of yen  | %    | Millions of yen | %   | Millions of yen                         | %   | Yen                      |        |
| Full year | 400,000         | 2.2 | 36,000           | 13.9 | 35,500          | 7.5 | 27,000                                  | 4.8 |                          | 101.04 |

### <Notes>

(1) Changes to important subsidiaries during the period: No  
(changes to consolidated subsidiaries accompanying changes to specific subsidiaries)

(2) Changes in accounting policies, changes in accounting estimates, restatements

- a. Changes accompanying revision of accounting standards: Yes
- b. Changes other than (a) above: No
- c. Changes in accounting estimates: No
- d. Restatements: No

(3) Number of shares issued (common stock)

- a. Number of shares outstanding at the end of the period (including treasury shares)
  - For the year ended March 31, 2017 268,624,510 shares
  - For the year ended March 31, 2016 268,624,510 shares
- b. Treasury shares at the end of the period
  - For the year ended March 31, 2017 1,416,623 shares
  - For the year ended March 31, 2016 1,683,346 shares
- c. Average number of shares in the period
  - For the year ended March 31, 2017 267,097,184 shares
  - For the year ended March 31, 2016 264,538,256 shares

(Reference) Summary of non-consolidated business results

1. Non-consolidated business results for the year ended March 31, 2017 (April 1, 2016-March 31, 2017)

(1) Results of operations on a non-consolidated basis

(Percentages show the change from the previous year.)

|                                   | Net Sales       |       | Operating Income |   | Ordinary Income |        | Profit          |        |
|-----------------------------------|-----------------|-------|------------------|---|-----------------|--------|-----------------|--------|
|                                   | Millions of yen | %     | Millions of yen  | % | Millions of yen | %      | Millions of yen | %      |
| For the year ended March 31, 2017 | 97,683          | (8.1) | (5,916)          | — | 14,459          | (42.2) | 16,202          | (38.9) |
| For the year ended March 31, 2016 | 106,341         | 4.3   | (2,228)          | — | 25,016          | 116.9  | 26,531          | 413.4  |

|                                   | Basic Earnings per Share | Diluted Earnings per Share |
|-----------------------------------|--------------------------|----------------------------|
|                                   | Yen                      | Yen                        |
| For the year ended March 31, 2017 | 60.66                    | —                          |
| For the year ended March 31, 2016 | 100.29                   | —                          |

(2) Financial conditions on a non-consolidated basis

|                      | Total Assets    | Net Assets      | Shareholders' Equity Ratio | Shareholders' Equity per Share |
|----------------------|-----------------|-----------------|----------------------------|--------------------------------|
|                      | Millions of yen | Millions of yen | %                          | Yen                            |
| As of March 31, 2017 | 249,793         | 173,353         | 69.4                       | 648.76                         |
| As of March 31, 2016 | 224.886         | 162,666         | 72.3                       | 609.37                         |

(Reference) Shareholders' equity: As of March 31, 2017: 173,353 million yen As of March 31, 2016: 162,666 million yen

\* Financial results reports are not required to be audited.

Note concerning appropriate use of business forecasts, etc.

The above forecasts are based on the information that was available at the time this document was released and involve assumptions regarding uncertain factors that may have an effect on future performance. Actual performance may vary greatly due to a variety of factors. For premises underlying the assumptions for business forecasts and cautions concerning the use of business forecasts, please refer to “1. Overview of Business Results and Others (4) Future forecast” on page 6.

The Company plans to hold a quarterly financial results presentation meeting for institutional investors on May 11, 2017. The Company also plans to promptly post to its website the materials that are used at the meeting.

Attachment  
Contents

|  |    |
|--|----|
| 1. Overview of Business Results and Others .....   | 5  |
| (1) Overview of business results for the fiscal year under review .....                                      | 5  |
| (2) Overview of financial conditions for the fiscal year under review .....                                  | 6  |
| (3) Cash flow status for the fiscal year under review .....  | 6  |
| (4) Future forecast .....  | 6  |
| (5) Policy on appropriation of profit and dividends for the period under review and subsequent periods ..... | 8  |
| 2. Policy on selection of accounting standards .....   | 8  |
| 3. Consolidated Financial Statements .....   | 9  |
| (1) Consolidated balance sheets .....  | 9  |
| (2) Consolidated statements of income and statements of comprehensive income .....                           | 11 |
| Consolidated statements of income for the FY2016 .....   | 11 |
| Consolidated statements of comprehensive income for the FY2016 .....   | 12 |
| (3) Consolidated statements of changes in net assets .....   | 13 |
| (4) Consolidated cash flow statements .....  | 15 |
| (5) Notes on Consolidated Financial Statements .....   | 17 |
| (Notes for going concern) .....  | 17 |
| (Important items used as the basis for creation of consolidated financial statements) .....                  | 17 |
| (Changes in accounting policies) .....   | 17 |
| (Changes to the method of display) .....   | 18 |
| (Segment information) .....  | 19 |
| (Merger of businesses) .....   | 20 |
| (Per-share information) .....  | 21 |
| (Important post-balance sheet events) .....  | 21 |
| Consolidated Financial Statements for the Year Ended March 31, 2017 .....                                    | 22 |

## 1. Overview of Business Results and Others

### (1) Overview of business results for the fiscal year under review

The Yokogawa Group's ("the Group") understanding regarding the conditions in its specific markets for the fiscal year under review (April 1, 2016 to March 31, 2017) is as follows.

Although, amid a moderate recovery trend in the global economy, crude oil prices may be bottoming out and signs of improvement are also continuing in the supply-demand balance of such trade, market conditions in the energy and materials-related sectors remained challenging with a broad scope of the market experiencing such trends, as a continuation of postponements or cancellations of investments in resource development projects. Against this backdrop, while investments by countries such as Japan that import resources and by industries that benefit from lower costs for raw materials and fuels were comparatively firm, a cautious investment stance has been observed in other industries due to the uncertain business outlook. Under such circumstances, the economic situation of overall market showed little improvement.

#### <Initiatives by the Yokogawa Group>

Amid these continued harsh circumstances, the Group, in line with its mid-term business plan Transformation 2017 ("TF2017"), proactively strove toward "creating new value" in its business activities, particularly with respect to post-merger integration (PMI) efforts with UK-based firm KBC Advanced Technologies plc (KBC), which was acquired in April, 2016, while striving to accelerate transformation by "maximizing efficiency" through cost-reductions and other initiatives.

Despite strong real growth in the Japanese market, net sales for the fiscal year under review were down 22.2 billion yen from the previous fiscal year, due mainly to the effects of the appreciation of the yen and reduced investments in resource development projects outside Japan. Despite cost reduction efforts, operating income fell 8.0 billion yen year on year due to the appreciation of the yen and the decline in sales, as well as an increase in one-time costs and the amortization of goodwill following the acquisition of KBC and others. Moreover, there was a 4.4 billion yen year on year decrease in the profit attributable to owners of parent that can be explained mainly by the aforementioned decrease in operating income.

Business results are as follows.

|   | Unit: billion yen |         |            |         |
|---|-------------------|---------|------------|---------|
|   | FY2015            | FY2016  | Difference | Change  |
| Net Sales                                       | 413.732           | 391.433 | (22.298)   | (5.4)%  |
| Operating Income                                | 39.639            | 31.608  | (8.031)    | (20.3)% |
| Ordinary Income                                 | 40.714            | 33.014  | (7.699)    | (18.9)% |
| Profit Attributable to Owners of Parent         | 30.164            | 25.759  | (4.404)    | (14.6)% |
| (Reference) Average rate to 1 U.S. dollar (Yen) | 119.99            | 108.95  | (11.04)    | —       |

Results by individual segment are outlined below.

#### <Industrial Automation and Control Business>

|                  | Unit: billion yen |         |            |         |
|------------------|-------------------|---------|------------|---------|
|                  | FY2015            | FY2016  | Difference | Change  |
| Net Sales        | 366.723           | 348.047 | (18.676)   | (5.1)%  |
| Operating Income | 36.685            | 30.636  | (6.049)    | (16.5)% |

Net sales for the industrial automation and control business segment as a whole fell 18.6 billion yen year on year due to the appreciation of the yen in markets outside Japan and the sluggish investments in resource development projects. This was despite the continued strength in Japan, as seen in increased investment in the replacement of plant equipment and increased demand for operation and maintenance services, as well as our initiatives in solution businesses. Operating income also fell, decreasing 6.0 billion yen year on year due to the appreciation of the yen, decline in net sales, and the increase in one-time costs and the amortization of goodwill following the acquisition of KBC.

<Test and Measurement Business>

Unit: billion yen

|                  | FY2015 | FY2016 | Difference | Change  |
|------------------|--------|--------|------------|---------|
| Net Sales        | 23.372 | 22.242 | (1.129)    | (4.8)%  |
| Operating Income | 2.389  | 0.898  | (1.491)    | (62.4)% |

In the test and measurement business segment, net sales and operating income decreased due mainly to the impact of the strong yen and others.

<Aviation and Other Businesses>

Unit: billion yen

|                  | FY2015 | FY2016 | Difference | Change  |
|------------------|--------|--------|------------|---------|
| Net Sales        | 23.637 | 21.144 | (2.493)    | (10.5)% |
| Operating Income | 0.564  | 0.073  | (0.490)    | (87.0)% |

In the aviation and other businesses segment, net sales and operating income decreased due to the effect of the market deterioration in the marine navigation business.

(2) Overview of financial conditions for the fiscal year under review

Conditions of assets, liabilities, and net assets

In comparison to March 31, 2016, total assets as of March 31, 2017 were up 27.4 billion yen, to 440.4 billion yen, due mainly to the acquisition of KBC. In addition, total liabilities increased by 11.8 billion yen over the same period, to 177.9 billion yen, due mainly to an increase in loans payable following the acquisition of KBC. Also during this time period, net assets increased by 15.6 billion yen, to 262.5 billion yen, due mainly to an increase in retained earnings.

As a result, the shareholders' equity ratio was 58.2%, same as March 31, 2016.

(3) Cash flow status for the fiscal year under review

The cash flow from operating activities in the fiscal year under review was a net inflow of 39.2 billion yen, up 7.3 billion yen from the previous fiscal year. Following 35.5 billion yen in profit before income taxes, this is a consequence of positive factors such as depreciation of 16.2 billion yen and a decrease in inventories of 2.5 billion yen, and negative factors such as decrease in notes and accounts payable - trade of 3.8 billion yen, and income taxes paid of 9.0 billion yen. The cash flow from investing activities was a net outflow of 36.4 billion yen, up 25.6 billion yen, chiefly due to the acquisition of KBC. The cash flow from financing activities was a net inflow of 6.4 billion yen, up 33.3 billion yen, mainly because of the proceeds from borrowings following the acquisition of KBC.

As a result, the balance of cash and cash equivalents at the end of the fiscal year under review was 73.5 billion yen, up 8.6 billion yen from the end of the previous fiscal year.

[Reference]

Trends in cash flow indicators

|   | Year ended<br>March 31, 2013 | Year ended<br>March 31, 2014 | Year ended<br>March 31, 2015 | Year ended<br>March 31, 2016 | Year ended<br>March 31, 2017 |
|---|------------------------------|------------------------------|------------------------------|------------------------------|------------------------------|
| Shareholders' equity ratio (%)<br>(shareholders' equity / total assets)                           | 44.3                         | 46.9                         | 49.0                         | 58.2                         | 58.2                         |
| Market value based shareholders' equity ratio (%)<br>(total market value of stock / total assets) | 64.1                         | 107.6                        | 75.8                         | 75.2                         | 106.3                        |
| Cash flow to interest-bearing debt ratio (year)<br>(interest-bearing debt / cash flow)            | 5.7                          | 2.7                          | 1.7                          | 1.0                          | 1.1                          |
| Interest coverage ratio (multiple)<br>(cash flow / interest payments)                             | 7.8                          | 13.4                         | 21.5                         | 29.1                         | 71.7                         |

- (Notes)
1. All values are calculated using consolidated financial figures.
  2. Total market value of stock has been calculated based on the number of shares issued, excluding treasury shares.
  3. Interest-bearing debt includes all debt listed on the consolidated balance sheets for which interest is being paid.
  4. The figures for cash flow and interest payments utilize the "Cash flows from operating activities" and "Interest expenses paid" shown in the consolidated cash flow statements.

(4) Future forecast

During the final year of TF2017, the Company's operating environment is changing dramatically as mentioned in (1) above. The market environment is harsher than anticipated at the time when the TF2017 was formulated. Under these conditions, in the mainstay energy and materials-related markets, we are beginning to see certain customers change from a cautious to a more proactive stance on investment with improvements in the supply-demand balance for crude oil, for example, which has been underpinning the moderate recovery of the overseas economy.

In the mainstay industrial automation and control business segment, we are observing a positive change in the investment stance of players in the energy and materials-related markets, mainly overseas, and as we expect continuous investment by business sectors that benefit from low fuel costs in resource-importing countries such as Japan, we are projecting orders

received, net sales, and operating income to increase year on year.

In the test and measurement business segment, orders received are expected to remain nearly unchanged year on year, while operating income is forecast to increase due to an increase in sales, among other factors.

In the aviation and other businesses segment, orders received and net sales are projected to decline due to factors such as the market deterioration in the marine navigation business. Nevertheless, profit is expected to increase as a result of efforts to improve profitability.

As a result, the Group expects to see a year-on-year increase in its net sales, operating income, ordinary income and profit attributable to owners of parent.

Based on the above, the current consolidated business forecasts are as follows. The results for fiscal year 2016 are provided for comparison.

Business forecast for the year ending March 31, 2018 (full year)

Unit: billion yen

|   | FY2016  | FY2017 (forecast) | Difference | Change |
|---|---------|-------------------|------------|--------|
| Net Sales                                       | 391.433 | 400.0             | 8.566      | 2.2%   |
| Operating Income                                | 31.608  | 36.0              | 4.391      | 13.9%  |
| Ordinary Income                                 | 33.014  | 35.5              | 2.485      | 7.5%   |
| Profit Attributable to Owners of Parent         | 25.759  | 27.0              | 1.240      | 4.8%   |
| (Reference) Average rate to 1 U.S. dollar (Yen) | 108.95  | 110               | 1.05       | —      |

(Reference) Consolidated business forecast by segment

<Orders received (full year)>

Unit: billion yen

|  | FY2016  | FY2017 (forecast) | Difference | Change  |
|--|---------|-------------------|------------|---------|
| Industrial automation and control business | 348.289 | 360.0             | 11.710     | 3.4%    |
| Test and measurement business              | 22.153  | 22.0              | (0.153)    | (0.7)%  |
| Aviation and other businesses              | 20.217  | 18.0              | (2.217)    | (11.0)% |
| Total                                      | 390.660 | 400.0             | 9.339      | 2.4%    |

<Net sales (full year)>

Unit: billion yen

|  | FY2016  | FY2017 (forecast) | Difference | Change  |
|--|---------|-------------------|------------|---------|
| Industrial automation and control business | 348.047 | 358.0             | 9.952      | 2.9%    |
| Test and measurement business              | 22.242  | 23.5              | 1.257      | 5.7%    |
| Aviation and other businesses              | 21.144  | 18.5              | (2.644)    | (12.5)% |
| Total                                      | 391.433 | 400.0             | 8.566      | 2.2%    |

<Operating income (full year)>

Unit: billion yen

|  | FY2016 | FY2017 (forecast) | Difference | Change |
|--|--------|-------------------|------------|--------|
| Industrial automation and control business | 30.636 | 33.0              | 2.363      | 7.7%   |
| Test and measurement business              | 0.898  | 2.5               | 1.601      | 178.3% |
| Aviation and other businesses              | 0.073  | 0.5               | 0.426      | 581.0% |
| Total                                      | 31.608 | 36.0              | 4.391      | 13.9%  |

<Cautions concerning the use of business forecasts>

As the above business forecast is based on certain assumptions judged by the Company to be reasonable at present, actual business results may differ.

The main factors that may cause changes in the results are as follows.

- Changes in foreign exchange rates, particularly the U.S. dollar, the euro, Asian currencies, and the currencies of the Middle East
- Sudden changes in the price of crude oil
- Sudden changes in the political and economic situation in major markets
- Geopolitical risks by terrorism, etc.
- Changes in the business environment such as revisions to trade regulations
- Dramatic shifts in product supply and demand
- Changes in Japanese share prices
- Protection of the Company's patents and the licensing of patents held by other companies
- M&A and business alliances with other companies for purposes such as product development
- Occurrences of natural disasters such as earthquakes, floods, and tsunamis

(5) Policy on appropriation of profit and dividends for the period under review and subsequent periods

The distribution of earnings to shareholders is a top management priority for the Company. By achieving growth in earnings, we aim to steadily increase our dividend payments.

The calculation of the dividend amount will take into consideration our business results and cash flow, the need to secure an internal reserve for mid- to long-term investment, and the overall financial health of the Company. Our target is a consolidated dividend payout ratio of 30%.

Based on its business plan and financial conditions, the Company plans to pay a year-end dividend of 12.50 yen per share for fiscal year 2016. Accordingly, the dividend payments for the fiscal year will total 25 yen per share.

Based on the policy above, the dividend payments for fiscal year 2017 will total 30 yen per share (interim 15.00 yen, year-end 15.00 yen).

2. Policy on selection of accounting standards

For the time being, the Group will compile its consolidated financial statements based on generally accepted Japanese accounting principles. This is to ensure consistency in our financial statements for different accounting periods and to facilitate comparison with the financial statements of other companies.

We have been monitoring accounting trends in and outside Japan and will consider the adoption of other accounting standards if it is judged that this will enhance our corporate value.



3. Consolidated Financial Statements

(1) Consolidated balance sheets

Millions of yen

|  | (Reference)<br>End of FY2015<br>(March 31, 2016) | End of FY2016<br>(March 31, 2017) |
|--|--|-----------------------------------|
| <b>Assets</b>                          |  |                                   |
| Current assets                         |  |                                   |
| Cash and deposits                      | 65,306   | 74,746                            |
| Notes and accounts receivable - trade  | 136,933  | 141,288                           |
| Merchandise and finished goods         | 15,216   | 11,738                            |
| Work in process                        | 8,113  | 8,218                             |
| Raw materials and supplies             | 10,389   | 10,773                            |
| Deferred tax assets                    | 3,722  | 3,377                             |
| Other                                  | 15,649   | 16,286                            |
| Allowance for doubtful accounts        | (2,316)  | (2,622)                           |
| Total current assets                   | 253,014  | 263,807                           |
| Non-current assets                     |  |                                   |
| Property, plant and equipment          |  |                                   |
| Buildings and structures, net          | 48,603   | 47,248                            |
| Machinery, equipment and vehicles, net | 6,934  | 6,935                             |
| Tools, furniture and fixtures, net     | 6,090  | 5,880                             |
| Land                                   | 16,295   | 16,235                            |
| Leased assets, net                     | 431  | 411                               |
| Construction in progress               | 2,013  | 2,119                             |
| Total property, plant and equipment    | 80,368   | 78,830                            |
| Intangible assets                      |  |                                   |
| Software                               | 18,887   | 18,428                            |
| Goodwill                               | 3,447  | 16,842                            |
| Other                                  | 6,566  | 13,144                            |
| Total intangible assets                | 28,901   | 48,414                            |
| Investments and other assets           |  |                                   |
| Investment securities                  | 42,718   | 41,848                            |
| Deferred tax assets                    | 2,427  | 2,133                             |
| Other                                  | 5,828  | 5,659                             |
| Allowance for doubtful accounts        | (197)  | (194)                             |
| Total investments and other assets     | 50,777   | 49,446                            |
| Total non-current assets               | 160,047  | 176,691                           |
| Total assets                           | 413,061  | 440,498                           |

Millions of yen

|   | (Reference)<br>End of FY2015<br>(March 31, 2016) | End of FY2016<br>(March 31, 2017) |
|---|--|-----------------------------------|
| <b>Liabilities</b>                                    |  |                                   |
| Current liabilities                                   |  |                                   |
| Notes and accounts payable - trade                    | 34,566   | 31,363                            |
| Short-term loans payable                              | 9,353  | 15,536                            |
| Accounts payable - other                              | 10,939   | 11,340                            |
| Income taxes payable                                  | 4,204  | 4,872                             |
| Advances received                                     | 31,898   | 31,637                            |
| Provision for bonuses                                 | 16,947   | 14,625                            |
| Provision for loss on construction contracts          | 4,371  | 4,417                             |
| Other   | 21,318   | 23,116                            |
| Total current liabilities                             | 133,599  | 136,909                           |
| Non-current liabilities                               |  |                                   |
| Long-term loans payable                               | 21,175   | 29,024                            |
| Deferred tax liabilities                              | 4,234  | 5,763                             |
| Net defined benefit liability                         | 4,090  | 3,924                             |
| Other   | 3,067  | 2,360                             |
| Total non-current liabilities                         | 32,567   | 41,073                            |
| Total liabilities                                     | 166,166  | 177,983                           |
| <b>Net assets</b>                                     |  |                                   |
| Shareholders' equity                                  |  |                                   |
| Capital stock   | 43,401   | 43,401                            |
| Capital surplus                                       | 54,473   | 54,494                            |
| Retained earnings                                     | 139,922  | 158,911                           |
| Treasury shares                                       | (1,673)  | (1,409)                           |
| Total shareholders' equity                            | 236,123  | 255,397                           |
| Accumulated other comprehensive income                |  |                                   |
| Valuation difference on available-for-sale securities | 9,803  | 10,450                            |
| Deferred gains or losses on hedges                    | (122)  | 2                                 |
| Foreign currency translation adjustment               | (3,943)  | (8,286)                           |
| Remeasurements of defined benefit plans               | (1,413)  | (1,156)                           |
| Total accumulated other comprehensive income          | 4,323  | 1,010                             |
| Non-controlling interests                             | 6,448  | 6,107                             |
| Total net assets                                      | 246,895  | 262,515                           |
| Total liabilities and net assets                      | 413,061  | 440,498                           |

(2) Consolidated statements of income and statements of comprehensive income  
Consolidated statements of income for the FY2016

|   | Millions of yen  |  |
|---|--|--|
|   | (Reference)<br>FY2015<br>(April 1, 2015-March 31,<br>2016) | FY 2016<br>(April 1, 2016-March 31,<br>2017) |
| Net sales   | 413,732  | 391,433                                      |
| Cost of sales   | 236,943  | 222,322                                      |
| Gross profit  | 176,789  | 169,111                                      |
| Selling, general and administrative expenses                  | 137,149  | 137,502                                      |
| Operating income  | 39,639   | 31,608                                       |
| Non-operating income  |  |  |
| Interest income   | 616  | 557  |
| Dividend income   | 1,729  | 1,693  |
| Share of profit of entities accounted for using equity method | 687  | 580  |
| Miscellaneous income  | 785  | 1,180  |
| Total non-operating income                                    | 3,819  | 4,011  |
| Non-operating expenses  |  |  |
| Interest expenses   | 927  | 522  |
| Commission fee  | 469  | 360  |
| Foreign exchange losses                                       | 307  | 286  |
| Miscellaneous loss  | 1,040  | 1,435  |
| Total non-operating expenses                                  | 2,744  | 2,604  |
| Ordinary income   | 40,714   | 33,014                                       |
| Extraordinary income  |  |  |
| Gain on sales of non-current assets                           | 817  | 31   |
| Gain on sales of investment securities                        | 831  | 1,803  |
| Gain on sales of shares of subsidiaries and associates        | —  | 929  |
| Gain on step acquisitions                                     | —  | 648  |
| Total extraordinary income                                    | 1,649  | 3,412  |
| Extraordinary losses  |  |  |
| Loss on sales of non-current assets                           | 17   | 7  |
| Loss on retirement of non-current assets                      | 412  | 253  |
| Loss on sales of investment securities                        | —  | 8  |
| Restructuring loss  | —  | *  |
| Total extraordinary losses                                    | 430  | 903  |
| Profit before income taxes                                    | 41,933   | 35,523                                       |
| Income taxes - current  | 9,428  | 8,923  |
| Income taxes - deferred                                       | 1,029  | 45   |
| Total income taxes  | 10,457   | 8,969  |
| Profit  | 31,475   | 26,553                                       |
| Profit attributable to non-controlling interests              | 1,311  | 794  |
| Profit attributable to owners of parent                       | 30,164   | 25,759                                       |

Consolidated statements of comprehensive income for the FY2016

|  | Millions of yen  |  |
|--|--|--|
|  | (Reference)<br>FY2015<br>(April 1, 2015-March 31,<br>2016) | FY 2016<br>(April 1, 2016-March 31,<br>2017) |
| Profit   | 31,475   | 26,553                                       |
| Other comprehensive income   |  |  |
| Valuation difference on available-for-sale securities                                | (5,544)  | 643  |
| Deferred gains or losses on hedges   | (782)  | 124  |
| Foreign currency translation adjustment  | (7,911)  | (4,608)                                      |
| Remeasurements of defined benefit plans, net of tax                                  | (90)   | 257  |
| Share of other comprehensive income of entities<br>accounted for using equity method | (65)   | (43)   |
| Total other comprehensive income   | (14,395)   | (3,626)                                      |
| Comprehensive income   | 17,080   | 22,927                                       |
| Comprehensive income attributable to   |  |  |
| Comprehensive income attributable to owners of<br>parent                             | 16,309   | 22,445                                       |
| Comprehensive income attributable to<br>non-controlling interests                    | 770  | 481  |

(3) Consolidated statements of changes in net assets  
(Reference) FY 2015 (April 1, 2015-March 31, 2016)

Millions of yen

|   | Shareholders' equity |                 |                   |                 |                            |
|---|----------------------|-----------------|-------------------|-----------------|----------------------------|
|   | Capital stock        | Capital surplus | Retained earnings | Treasury shares | Total shareholders' equity |
| Balance at beginning of current period  | 43,401               | 50,344          | 114,638           | (11,019)        | 197,364                    |
| Cumulative effects of changes in accounting policies                                      |                      |                 |                   |                 | —                          |
| Restated balance  | 43,401               | 50,344          | 114,638           | (11,019)        | 197,364                    |
| Changes of items during period  |                      |                 |                   |                 |                            |
| Dividends of surplus  |                      |                 | (4,879)           |                 | (4,879)                    |
| Profit attributable to owners of parent   |                      |                 | 30,164            |                 | 30,164                     |
| Purchase of treasury shares   |                      |                 |                   | (4)             | (4)                        |
| Disposal of treasury shares   |                      | 4,266           |                   | 9,350           | 13,616                     |
| Change of scope of consolidation  |                      |                 |                   |                 | —                          |
| Change in ownership interest of parent due to transactions with non-controlling interests |                      | (136)           |                   |                 | (136)                      |
| Other   |                      |                 | (0)               |                 | (0)                        |
| Net changes of items other than shareholders' equity                                      |                      |                 |                   |                 |                            |
| Total changes of items during period  | —                    | 4,129           | 25,283            | 9,345           | 38,758                     |
| Balance at end of current period  | 43,401               | 54,473          | 139,922           | (1,673)         | 236,123                    |

|   | Total other comprehensive income                      |                                    |   |                              |                                  | Non-controlling interests | Total net assets |
|---|---|------------------------------------|---|------------------------------|----------------------------------|---------------------------|------------------|
|   | Valuation difference on available-for-sale securities | Deferred gains or losses on hedges | Foreign currency translation adjustment | Pension liability adjustment | Total other comprehensive income |                           |                  |
| Balance at beginning of current period  | 15,325  | 660                                | 3,516                                   | (1,323)                      | 18,178                           | 6,433                     | 221,976          |
| Cumulative effects of changes in accounting policies                                      |   |                                    |   |                              | —                                |                           | —                |
| Restated balance  | 15,325  | 660                                | 3,516                                   | (1,323)                      | 18,178                           | 6,433                     | 221,976          |
| Changes of items during period  |   |                                    |   |                              |                                  |                           |                  |
| Dividends of surplus  |   |                                    |   |                              |                                  |                           | (4,879)          |
| Profit attributable to owners of parent   |   |                                    |   |                              |                                  |                           | 30,164           |
| Purchase of treasury shares   |   |                                    |   |                              |                                  |                           | (4)              |
| Disposal of treasury shares   |   |                                    |   |                              |                                  |                           | 13,616           |
| Change of scope of consolidation  |   |                                    |   |                              |                                  |                           | —                |
| Change in ownership interest of parent due to transactions with non-controlling interests |   |                                    |   |                              |                                  |                           | (136)            |
| Other   |   |                                    |   |                              |                                  |                           | (0)              |
| Net changes of items other than shareholders' equity                                      | (5,522)   | (782)                              | (7,459)                                 | (90)                         | (13,854)                         | 15                        | (13,839)         |
| Total changes of items during period  | (5,522)   | (782)                              | (7,459)                                 | (90)                         | (13,854)                         | 15                        | 24,919           |
| Balance at end of current period  | 9,803   | (122)                              | (3,943)                                 | (1,413)                      | 4,323                            | 6,448                     | 246,895          |

FY 2016 (April 1, 2016-March 31, 2017)

Millions of yen

|   | Shareholders' equity |                 |                   |                 |                            |
|---|----------------------|-----------------|-------------------|-----------------|----------------------------|
|   | Capital stock        | Capital surplus | Retained earnings | Treasury shares | Total shareholders' equity |
| Balance at beginning of current period  | 43,401               | 54,473          | 139,922           | (1,673)         | 236,123                    |
| Cumulative effects of changes in accounting policies                                      |                      |                 | 27                |                 | 27                         |
| Restated balance  | 43,401               | 54,473          | 139,949           | (1,673)         | 236,150                    |
| Changes of items during period  |                      |                 |                   |                 |                            |
| Dividends of surplus  |                      |                 | (6,676)           |                 | (6,676)                    |
| Profit attributable to owners of parent   |                      |                 | 25,759            |                 | 25,759                     |
| Purchase of treasury shares   |                      |                 |                   | (3)             | (3)                        |
| Disposal of treasury shares   |                      | 78              |                   | 267             | 346                        |
| Change of scope of consolidation  |                      |                 | (120)             |                 | (120)                      |
| Change in ownership interest of parent due to transactions with non-controlling interests |                      | (58)            |                   |                 | (58)                       |
| Other   |                      |                 |                   |                 | —                          |
| Net changes of items other than shareholders' equity                                      |                      |                 |                   |                 |                            |
| Total changes of items during period  | —                    | 20              | 18,962            | 263             | 19,246                     |
| Balance at end of current period  | 43,401               | 54,494          | 158,911           | (1,409)         | 255,397                    |

|   | Accumulated other comprehensive income                |                                    |   |   |  | Non-controlling interests | Total net assets |
|---|---|------------------------------------|---|---|--|---------------------------|------------------|
|   | Valuation difference on available-for-sale securities | Deferred gains or losses on hedges | Foreign currency translation adjustment | Remeasurements of defined benefit plans | Total accumulated other comprehensive income |                           |                  |
| Balance at beginning of current period  | 9,803   | (122)                              | (3,943)                                 | (1,413)                                 | 4,323  | 6,448                     | 246,895          |
| Cumulative effects of changes in accounting policies                                      |   |                                    |   |   | —  |                           | 27               |
| Restated balance  | 9,803   | (122)                              | (3,943)                                 | (1,413)                                 | 4,323  | 6,448                     | 246,922          |
| Changes of items during period  |   |                                    |   |   |  |                           |                  |
| Dividends of surplus  |   |                                    |   |   |  |                           | (6,676)          |
| Profit attributable to owners of parent   |   |                                    |   |   |  |                           | 25,759           |
| Purchase of treasury shares   |   |                                    |   |   |  |                           | (3)              |
| Disposal of treasury shares   |   |                                    |   |   |  |                           | 346              |
| Change of scope of consolidation  |   |                                    |   |   |  |                           | (120)            |
| Change in ownership interest of parent due to transactions with non-controlling interests |   |                                    |   |   |  |                           | (58)             |
| Other   |   |                                    |   |   |  |                           | —                |
| Net changes of items other than shareholders' equity                                      | 647   | 124                                | (4,343)                                 | 256                                     | (3,313)                                      | (341)                     | (3,654)          |
| Total changes of items during period  | 647   | 124                                | (4,343)                                 | 256                                     | (3,313)                                      | (341)                     | 15,592           |
| Balance at end of current period  | 10,450  | 2                                  | (8,286)                                 | (1,156)                                 | 1,010  | 6,107                     | 262,515          |

(4) Consolidated cash flow statements

|   | Millions of yen  |  |
|---|--|--|
|   | (Reference)<br>FY2015<br>(April 1, 2015-March 31,<br>2016) | FY 2016<br>(April 1, 2016-March 31,<br>2017) |
| <b>Cash flows from operating activities</b>   |  |  |
| Profit before income taxes  | 41,933   | 35,523                                       |
| Depreciation  | 15,124   | 16,292                                       |
| Amortization of goodwill  | 314  | 1,717  |
| Increase (decrease) in allowance for doubtful accounts                                      | 419  | 174  |
| Increase (decrease) in provision for bonuses  | 2,163  | (2,073)                                      |
| Increase (decrease) in net defined benefit liability  | 252  | (187)  |
| Interest and dividend income  | (2,346)  | (2,250)                                      |
| Interest expenses   | 927  | 522  |
| Share of (profit) loss of entities accounted for using equity method                        | (687)  | (580)  |
| Loss (gain) on sales of investment securities   | (831)  | (1,794)                                      |
| Loss (gain) on sales of shares of subsidiaries and associates                               | —  | (929)  |
| Loss (gain) on step acquisitions  | —  | (648)  |
| Loss (gain) on sales of non-current assets  | (799)  | (24)   |
| Loss on retirement of non-current assets  | 412  | 253  |
| Loss on business restructuring  | —  | 634  |
| Decrease (increase) in notes and accounts receivable - trade                                | (843)  | 757  |
| Decrease (increase) in inventories  | (2,532)  | 2,542  |
| Increase (decrease) in notes and accounts payable - trade                                   | 3,657  | (3,860)                                      |
| Other, net  | 194  | 546  |
| <b>Subtotal</b>   | <b>57,359</b>  | <b>46,617</b>                                |
| Interest and dividend income received   | 2,293  | 2,244  |
| Interest expenses paid  | (1,096)  | (547)  |
| Payments for extra retirement payments and other  | (15,852)   | —  |
| Income taxes (paid) refund  | (10,772)   | (9,068)                                      |
| <b>Net cash provided by (used in) operating activities</b>                                  | <b>31,931</b>  | <b>39,245</b>                                |
| <b>Cash flows from investing activities</b>   |  |  |
| Payments into time deposits   | (65)   | (756)  |
| Proceeds from withdrawal of time deposits   | 971  | —  |
| Purchase of property, plant and equipment   | (7,157)  | (6,484)                                      |
| Proceeds from sales of property, plant and equipment  | 2,249  | 349  |
| Purchase of intangible assets   | (6,735)  | (7,217)                                      |
| Proceeds from sales and redemption of investment securities                                 | 1,621  | 4,112  |
| Purchase of shares and investments in capital of subsidiaries                               | —  | (433)  |
| Purchase of shares of subsidiaries resulting in change in scope of consolidation            | (2,485)  | (27,563)                                     |
| Proceeds from sales of shares of subsidiaries resulting in change in scope of consolidation | —  | 1,173  |
| Other, net  | 706  | 320  |
| <b>Net cash provided by (used in) investing activities</b>                                  | <b>(10,894)</b>  | <b>(36,498)</b>                              |

Millions of yen

|  | (Reference)<br>FY2015<br>(April 1, 2015-March 31,<br>2016) | FY 2016<br>(April 1, 2016-March 31,<br>2017) |
|--|--|--|
| Cash flows from financing activities                         |  |  |
| Net increase (decrease) in short-term loans payable          | 2,230  | 867  |
| Proceeds from long-term loans payable                        | 10,000   | 18,416                                       |
| Repayments of long-term loans payable                        | (46,621)   | (5,113)                                      |
| Proceeds from sales of treasury shares                       | 13,362   | —  |
| Cash dividends paid  | (4,876)  | (6,672)                                      |
| Dividends paid to non-controlling interests                  | (964)  | (715)  |
| Proceeds from share issuance to non-controlling shareholders | 274  | —  |
| Other, net   | (292)  | (294)  |
| Net cash provided by (used in) financing activities          | (26,886)   | 6,489  |
| Effect of exchange rate change on cash and cash equivalents  | (3,951)  | (595)  |
| Net increase (decrease) in cash and cash equivalents         | (9,800)  | 8,641  |
| Cash and cash equivalents at beginning of period             | 74,722   | 64,922                                       |
| Cash and cash equivalents at end of period                   | 64,922   | 73,563                                       |



(5) Notes on Consolidated Financial Statements

(Notes for going concern)

Not applicable

(Important items used as the basis for creation of consolidated financial statements)

1. Items related to the range of consolidation

(1) Consolidated subsidiaries: 109 companies

The range of consolidation has been revised due to changes involving the following companies:

(Increase: 25 companies)

Acquisition of Shares: KBC Advanced Technologies Limited (former company name: KBC Advanced Technologies plc) (The United Kingdom) and its 19 subsidiaries  
Soteica Visual Mesa, LLC (The United States) and its 4 subsidiaries

(Decrease: 3 companies)

Liquidation: Yokogawa Marex Limited (The United Kingdom)  
Yokogawa Engineering Services de Mexico, S.A. de C.V. (Mexico)

Sale of Shares: YDC Corporation

(2) Non-consolidated subsidiaries: 1 company

(Name of major company) Yokogawa Foundry Corporation

This company does not significantly influence the consolidated financial statements, and has therefore been excluded from the range of consolidation.

2. Items related to application of the equity method

(1) Non-consolidated subsidiaries: 1 company

(Name of the company) Yokogawa Foundry Corporation

(2) Affiliated companies: 2 companies

(Name of major company) Yokogawa Rental & Lease Corporation (Japan)

(3) Financial statements related to a company's most recent fiscal year are used if the equity method is applicable to the company and the company has a closing date that differs from the consolidated closing date.

(4) The scope of application of the equity method has been revised due to changes involving the following company:

(Decrease: 1 company)

Conversion into consolidated subsidiary by additional acquisition of shares Soteica Visual Mesa, LLC  
(The United States)

3. Items related to the fiscal year of consolidated subsidiaries, etc.

Starting with the fiscal year under review, the closing date for Yokogawa Electric China Co., Ltd. and 20 other non-Japan subsidiaries is December 31. For creation of consolidated financial statements, financial statements based on the provisional settlement of accounts implemented on the consolidated closing date are used for these companies.

4. Application of consolidated taxation system

The Company and some of its consolidated subsidiaries have applied a consolidated taxation system.

(Changes in accounting policies)

(Application of ASBJ Guidance on Recoverability of Deferred Tax Assets)

Effective from the fiscal year ended March 31, 2017, the Company has applied the "Guidance on Recoverability of Deferred Tax Assets" (ASBJ Guidance No. 26, March 28, 2016; hereinafter the "Guidance on Recoverability") and revised a part of its accounting treatment on recoverability of deferred tax assets.

The application of the Guidance on Recoverability by the Company is subject to the tentative treatment provided for in paragraph 49(4) of the Guidance on Recoverability. Consequently, the respective differences between the amounts of deferred tax assets and deferred tax liabilities when the provisions for the cases of paragraph 49(3) (i) to (iii) of the Guidance on Recoverability were applied on April 1, 2016 and the amounts of deferred tax assets and deferred tax liabilities on March 31, 2016 were added to the beginning balances of retained earnings of the fiscal year ended March 31, 2017.

The impact of these changes is immaterial.

(Changes to the method of display)

*Consolidated cash flow statements*

“Amortization of goodwill” that were included in “Other” under “Cash flows from operating activities” in the previous fiscal year have been reclassified and are now shown as a separate line item. This was necessitated by the fact that the total amount of such payments was significantly larger in the fiscal year under review.

Note that the amortization of goodwill in “Other” under “Cash flows from operating activities” for the previous fiscal year amounted to 314 million yen.

“Purchase of treasury shares” in “Cash flows from financing activities” that was shown as a separate line item in the previous fiscal year is now included in “Other, net.” This was necessitated by the fact that the total amount of such payments was significantly smaller in the fiscal year under review. The consolidated financial statements of the previous fiscal year have been reclassified to reflect this change in presentation.

*Consolidated statements of income*

\* Restructuring loss

Fiscal year 2016 (from April 1, 2016 to March 31, 2017)

Restructuring loss represents expenses and losses related to liquidation of a consolidated subsidiary following withdrawal from business.

(Segment information)

1. Overview of reporting segments

The business segments for financial reporting are categorized as the industrial automation and control business, test and measurement business, and aviation and other businesses.

The industrial automation and control business offers comprehensive solutions including field instruments such as flowmeters, differential pressure/pressure transmitters, and process analyzers; control systems and programmable controllers; various types of software that enhance productivity; and services that minimize plant lifecycle costs.

The test and measurement business offers waveform measuring instruments; optical communications measuring instruments; signal generators; electric power, temperature, and pressure measuring instruments; and confocal scanners for observation of live cells.

The aviation and other businesses segment mainly offers cockpit flat-panel displays, engine meters, and other instruments for aviation use; marine navigation equipment such as gyrocompasses and autopilot systems; and meteorological/hydrological monitoring systems equipment.

2. Segment sales and profits (losses)

Millions of yen

|   |                                     | (Reference)<br>FY2015<br>(April 1, 2015-March<br>31, 2016) |                          | FY2016<br>(April 1, 2016-March<br>31, 2017) |                          | Change   |
|---|-------------------------------------|--|--------------------------|---|--------------------------|----------|
|   |                                     | Amount   | Composition<br>Ratio (%) | Amount                                      | Composition<br>Ratio (%) |          |
| Industrial automation<br>and control business | Net sales to unaffiliated customers | 366,723  | 88.6                     | 348,047                                     | 88.9                     | (18,676) |
|   | Operating income (loss)             | 36,685   | 92.6                     | 30,636                                      | 96.9                     | (6,049)  |
| Test and measurement<br>business              | Net sales to unaffiliated customers | 23,372   | 5.7                      | 22,242                                      | 5.7                      | (1,129)  |
|   | Operating income (loss)             | 2,389  | 6.0                      | 898   | 2.9                      | (1,491)  |
| Aviation and other<br>businesses              | Net sales to unaffiliated customers | 23,637   | 5.7                      | 21,144                                      | 5.4                      | (2,493)  |
|   | Operating income (loss)             | 564  | 1.4                      | 73  | 0.2                      | (490)    |
| Consolidated                                  | Net sales to unaffiliated customers | 413,732  | 100.0                    | 391,433                                     | 100.0                    | (22,298) |
|   | Operating income (loss)             | 39,639   | 100.0                    | 31,608                                      | 100.0                    | (8,031)  |

3. Sales by geographical location

Millions of yen

|                        |               | (Reference)<br>FY2015<br>(April 1, 2015-March 31, 2016) |                          | FY2016<br>(April 1, 2016-March 31, 2017) |                          | Change   |
|------------------------|---------------|---|--------------------------|--|--------------------------|----------|
|                        |               | Amount  | Composition<br>ratio (%) | Amount                                   | Composition<br>ratio (%) | Amount   |
| Japan                  |               | 127,111   | 30.7                     | 127,943                                  | 32.7                     | 832      |
| Outside Japan          |               | 286,620   | 69.3                     | 263,489                                  | 67.3                     | (23,130) |
|                        | Asia          | 100,477   | 24.3                     | 98,120                                   | 25.1                     | (2,356)  |
|                        | Europe        | 34,821  | 8.4                      | 31,184                                   | 8.0                      | (3,637)  |
|                        | North America | 40,435  | 9.8                      | 32,906                                   | 8.4                      | (7,529)  |
|                        | Middle East   | 46,761  | 11.3                     | 45,555                                   | 11.6                     | (1,206)  |
|                        | Other         | 64,124  | 15.5                     | 55,722                                   | 14.2                     | (8,402)  |
| Consolidated net sales |               | 413,732   | 100.0                    | 391,433                                  | 100.0                    | (22,298) |

(Note) Sales are based on a customer's geographical location (classified above as a country or region).

The breakdown of countries and regions belonging to groups is as follows.

- (1) Asia China, Singapore, South Korea, India, etc.
- (2) Europe Netherlands, France, United Kingdom, Germany, etc.
- (3) North America United States, Canada, etc.
- (4) Middle East Bahrain, Saudi Arabia, etc.
- (5) Other Russia, Brazil, Australia, etc.

(Merger of businesses)

Acquisition of company through acquisition of shares

On February 17, 2016, the Company reached agreement on the acquisition of KBC Advanced Technologies plc (Headquarters: Walton on Thames, Surrey, UK, CEO: Andrew Howell) (hereafter "KBC") through the purchase of all the shares issued by this company, and commenced procedures for making KBC a wholly owned subsidiary. The Company acquired the shares on April 7, 2016.

1. Overview

(1) Name and business description of the acquired company

Company name: KBC Advanced Technologies plc

Business description: Provides consulting services and software to various customers in the oil and gas industry

(2) Reason for acquisition

The integration of KBC's executive consulting services and software capabilities with the Company's operational excellence in the supply of control systems and other industrial automation solutions will enable it to become a one-stop provider of solutions for every aspect of its customers' activities, from senior management on down to field engineering operations.

By seamlessly providing consulting services, control equipment, and other solutions that utilize its strong technologies and innovative capabilities, the Company considers that it will be able to create added value for both existing and new customers at every phase of the asset lifecycle.

(3) Date of merger

April 7, 2016

(4) Legal form of business acquisition

Share acquisition in exchange for cash

(5) Name of resulting entity

KBC Advanced Technologies Limited

(6) Percentage of voting rights acquired

100%

(7) Main grounds for determining the acquiring entity

The acquisition of 100% of the issued shares of KBC by the Company in exchange for cash

2. Period for which the acquired company's business results are included in the consolidated financial statements

April 1, 2016 to March 31, 2017

3. Acquisition price of the acquired company and acquisition cost breakdown

Acquisition price: GBP 180 million in cash (27.921 billion yen)

4. Details and amounts of main acquisition costs

Advisory fee, etc.: 788 million yen

5. Amount, reason, amortization method and period of goodwill recognized

(1) Amount of goodwill recognized

14.305 billion yen

(2) Reason for goodwill recognized

The future excess earning power expected as a result of business development going forward

(3) Method and period of amortization

Straight-line method over 10 years

6. Assets acquired and liabilities assumed on the date of business combination and their major components

|                         |                          |
|-------------------------|--------------------------|
| Current assets          | 10,421 million yen       |
| Non-current assets      | 2,405 million yen        |
| <hr/> Total assets      | <hr/> 12,826 million yen |
| Current liabilities     | 4,997 million yen        |
| Non-current liabilities | —                        |
| <hr/> Total liabilities | <hr/> 4,997 million yen  |

(Note) Amounts allocated to intangible assets other than goodwill and their related deferred tax assets are not included.

7. Amounts allocated to intangible assets other than goodwill, their major component types, and weighted average amortization period by major type

| Type                    | Amount<br>(Millions of yen) | Weighted average amortization<br>period by major types (Year) |
|-------------------------|-----------------------------|---|
| Customer related assets | 3,718                       | 15  |
| Technology assets       | 1,996                       | 7   |
| Others                  | 1,518                       | 4   |
| Total                   | 7,233                       | 8   |

8. Estimated amount and calculation method of the impact on the consolidated statements of income for the fiscal year under review assuming that the merger had been completed at the beginning of this year

As the deemed acquisition date is the beginning of the fiscal year under review, the acquisition date has been omitted.

(Per-share information)

|                                | FY2015 | FY2016 |
|--------------------------------|--------|--------|
| Net assets per share (yen)     | 900.75 | 959.58 |
| Basic earnings per share (yen) | 114.03 | 96.44  |

(Notes) 1. The amount of the fully diluted earnings per share for the fiscal year under review is not described because there is no residual security.

2. The basis for calculation of basic earnings per share is as follows:

|   | FY2015      | FY2016      |
|---|-------------|-------------|
| Profit attributable to owners of parent (millions of yen)                         | 30,164      | 25,759      |
| Profit attributable to owners of parent related to common stock (millions of yen) | 30,164      | 25,759      |
| Average number of shares during the period  | 264,538,256 | 267,097,184 |

(Important post-balance sheet events)

Not applicable

[Reference]

May 10, 2017  
Yokogawa Electric Corporation

## Consolidated Financial Statements for the Year Ended March 31, 2017

Millions of yen

|   | FY2015     |                    | FY2016     |                    | Change      |                    |
|---|------------|--------------------|------------|--------------------|-------------|--------------------|
|   | Amount     | Ratio to net sales | Amount     | Ratio to net sales | Amount      | Ratio to net sales |
| Net Sales                                     | 413,732    | —                  | 391,433    | —                  | (22,298)    | —                  |
| Operating Income                              | 39,639     | 9.6%               | 31,608     | 8.1%               | (8,031)     | (1.5)%             |
| Ordinary Income                               | 40,714     | 9.8%               | 33,014     | 8.4%               | (7,699)     | (1.4)%             |
| Profit Attributable to Owners of Parent       | 30,164     | 7.3%               | 25,759     | 6.6%               | (4,404)     | (0.7)%             |
| Comprehensive Income                          | 17,080     | 4.1%               | 22,927     | 5.9%               | 5,846       | 1.8%               |
| Total Assets                                  | 413,061    |                    | 440,498    |                    | 27,436      |                    |
| Shareholders' Equity                          | 246,895    |                    | 262,515    |                    | 15,619      |                    |
| Return on Equity                              | 13.2%      |                    | 10.4%      |                    | (2.8)%      |                    |
| Basic Earnings per Share                      | 114.03 yen |                    | 96.44 yen  |                    | (17.59) yen |                    |
| Shareholders' Equity per Share                | 900.75 yen |                    | 959.58 yen |                    | 58.83 yen   |                    |
| Capital Investment                            | 15,377     |                    | 14,168     |                    | (1,208)     |                    |
| Depreciation                                  | 15,438     |                    | 18,009     |                    | 2,571       |                    |
| Research and Development Expenses             | 25,286     |                    | 27,126     |                    | 1,839       |                    |
| Average Exchange Rate during the Period (USD) | 119.99 yen |                    | 108.95 yen |                    | (11.04) yen |                    |

### Consolidated orders by segment

Millions of yen

|  | FY2015  | FY2016  | FY2017 full year (forecast) |
|--|---------|---------|-----------------------------|
| Industrial automation and control business | 373,084 | 348,289 | 360,000                     |
| Test and measurement business              | 25,149  | 22,153  | 22,000                      |
| Aviation and other businesses              | 22,868  | 20,217  | 18,000                      |
| Total                                      | 421,103 | 390,660 | 400,000                     |

### Consolidated sales by segment

Millions of yen

|  | FY2015  | FY2016  | FY2017 full year (forecast) |
|--|---------|---------|-----------------------------|
| Industrial automation and control business | 366,723 | 348,047 | 358,000                     |
| Test and measurement business              | 23,372  | 22,242  | 23,500                      |
| Aviation and other businesses              | 23,637  | 21,144  | 18,500                      |
| Total                                      | 413,732 | 391,433 | 400,000                     |

### Consolidated operating income by segment

Millions of yen

|  | FY2015 | FY2016 | FY2017 full year (forecast) |
|--|--------|--------|-----------------------------|
| Industrial automation and control business | 36,685 | 30,636 | 33,000                      |
| Test and measurement business              | 2,389  | 898    | 2,500                       |
| Aviation and other businesses              | 564    | 73     | 500                         |
| Total                                      | 39,639 | 31,608 | 36,000                      |