



Name of Listed Company: Yokogawa Electric Corporation

(URL: <http://www.yokogawa.com>) (Stock code: 6841, listed in TSE 1st section)

Name and Position of the Representative:

Takashi Nishijima, President and Chief Executive Officer

Name and Position of the Person in Charge:

Toshitaka Kobayashi, General Manager of Investor Relations Department

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February 6, 2018

### **Notice Regarding the Recording of Extraordinary Losses (Impairment Loss) and Adjustments to the Consolidated Business Forecast for the Year Ending March 31, 2018**

Yokogawa Electric Corporation (“the Company”), in its consolidated financial results for the first three quarters of the fiscal year ending March 31, 2018, recorded extraordinary losses (impairment loss), etc. as follows. Accordingly, the Company announces that its Board of Directors has resolved on this date to make the following adjustments to its consolidated business forecast for the year ending March 31, 2018 as announced on May 10, 2017.

#### 1. Regarding the Recording of Extraordinary Losses (Impairment Loss), etc.

At KBC Advanced Technologies Limited (“KBC”), our UK subsidiary acquired in April 2016, due to changes in the business environment after the acquisition including a rapid decline in oil prices, we recorded 2,700 million yen in allowance for doubtful accounts for certain notes and accounts receivable - trade whose collection has been delayed for one year or more past the due date.

Following this recording, we reviewed the business plan of the KBC Group, made up of KBC, Soteica Visual Mesa LLC, and Industrial Evolution, Inc., and because the business plan with regard to KBC and Industrial Evolution, Inc. is progressing slower than originally planned, we recorded 8,900 million yen in impairment loss including goodwill as extraordinary losses.

#### 2. Regarding the Business Forecast

Adjustments to the figures in the consolidated business forecast for the year ending March 31, 2018 (April 1, 2017–March 31, 2018)

|  | 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                      |
| Previously announced forecast (A)                              | 400,000         | 36,000           | 35,500          | 27,000                                  | 101.04                   |
| Revised forecast (B)   | 400,000         | 33,000           | 34,000          | 20,000                                  | 74.84                    |
| Difference (B-A)   | —               | (3,000)          | (1,500)         | (7,000)                                 | —                        |
| Change (%)   | —               | (8.3)            | (4.2)           | (25.9)                                  | —                        |
| (Reference)<br>Results for fiscal year ended<br>March 31, 2017 | 391,433         | 31,608           | 33,014          | 25,759                                  | 96.44                    |

Assuming an exchange rate of 1 U.S. dollar=110 yen (no change)

## Reasons for Adjustments

While there are no changes to our net sales forecast due to firm sales for the industrial automation and control business and other factors, due to the above recording of 2,700 million yen in allowance for doubtful accounts, etc., we adjusted our operating income forecast to 33,000 million yen and our ordinary income forecast to 34,000 million yen.

Moreover, regarding the forecast for profit attributable to owners of parent, while we recorded the above 8,900 million yen in extraordinary losses, due to the recording of extraordinary income following the sales of investment securities held in the third quarter of the current fiscal year and other factors, we adjusted the forecast to 20,000 million yen.

## 3. Dividend Forecast

Regarding our year-end dividend forecast, based on the Company's policy on appropriation of profit announced at the start of the year, "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," taking 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, we have made no change to the year-end dividend of 15.00 yen per share announced on November 7, 2017.

|   | Dividends per Share |              |             |               |       |
|---|---------------------|--------------|-------------|---------------|-------|
|   | June 30             | September 30 | December 31 | End of Period | Total |
|   | Yen                 | Yen          | Yen         | Yen           | Yen   |
| For year ended March 31, 2017             | —                   | 12.50        | —           | 12.50         | 25.00 |
| For year ending March 31, 2018            | —                   | 15.00        | —           |               |       |
| For year ending March 31, 2018 (forecast) |                     |              |             | 15.00         | 30.00 |

(Note) Adjustment on dividend forecast in this quarter: No

## 4. The Future of the KBC Group

The KBC Group is essential to the future growth strategy of Yokogawa Group ("the Group"), and this is shown by the achievements beginning to emerge in the joint business activities with shared customer base. Going forward, the Group aims to realize business expansion through expanding the OPEX\* solutions business by making maximum use of KBC's consulting capabilities, as well as expanding its consulting business and establishing a new revenue model for industries other than refining. At the same time, we will work to further enhance governance.

Furthermore, our next mid-term business plan will include measures for the implementation of KBC's business model throughout the Group.

\*OPEX: Operating Expenditure