

**Consolidated Financial Results for the First Two Quarters of the Fiscal Year Ending March 31, 2018
(Japan GAAP)**

November 7, 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: Toshitaka Kobayashi, General Manager Investor Relations Department
 Telephone Number: +81-422-52-6845
 Planned Quarterly Report Filing Date: November 8, 2017
 Planned Dividend Payment Starting Date: December 1, 2017
 Quarterly Financial Results Supplemental Materials: Yes
 Quarterly Financial Results Presentation Meeting: Yes (for institutional investors)

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

1. Consolidated business results for the first two quarters of the year ending March 31, 2018 (April 1-September 30, 2017)

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

(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 first two quarters of year ending March 31, 2018	187,982	1.8	12,447	(13.3)	12,326	(16.3)	9,588	(6.5)
For first two quarters of year ended March 31, 2017	184,612	(8.7)	14,350	(29.9)	14,731	(29.9)	10,260	(36.1)

(Note) Comprehensive income: For first two quarters of year ending March 31, 2018 16,423 million yen [-%]
 For first two quarters of year ended March 31, 2017 (4,712) million yen [-%]

	Basic Earnings per Share	Diluted Earnings per Share
	Yen	Yen
For first two quarters of year ending March 31, 2018	35.88	–
For first two quarters of year ended March 31, 2017	38.43	–

(2) Financial conditions on a consolidated basis

	Total Assets	Net Assets	Shareholders’ Equity Ratio
	Millions of yen	Millions of yen	%
As of September 30, 2017	448,420	275,476	59.9
As of March 31, 2017	440,695	262,503	58.2

(Reference) Shareholders’ equity: As of September 30, 2017: 268,786 million yen As of March 31, 2017: 256,396 million yen

(Note) For the first three quarters of the fiscal year ended March 31, 2017, a tentative accounting treatment for the merger of businesses was applied for KBC Advanced Technologies Limited and 23 other companies. The results of operations on a consolidated basis for the first two quarters of the fiscal year ended March 31, 2017 have been restated to reflect the revision of the initially allocated acquired costs that was decided upon finalization of the tentative accounting treatment.

In addition, for the first two quarters of the fiscal year ending March 31, 2018, a tentative accounting treatment for the merger of businesses was applied for Soteica Visual Mesa, LLC and 4 other companies. The financial conditions on a consolidated basis as of March 31, 2017 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				
	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

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	

(Note) Adjustment on consolidated business forecast in this quarter: No

<Notes>

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

(2) Application of special methods for quarterly consolidated financial statements: No

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

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

(4) Number of shares issued (common stock)

- a. Number of shares outstanding at the end of the period (including treasury shares)
 - For the first two quarters of the year ending March 31, 2018 268,624,510 shares
 - For the year ended March 31, 2017 268,624,510 shares
- b. Treasury shares at the end of the period
 - For the first two quarters of the year ending March 31, 2018 1,395,418 shares
 - For the year ended March 31, 2017 1,416,623 shares
- c. Average number of shares in the period (quarterly consolidated accumulated period)
 - For the first two quarters of the year ending March 31, 2018 267,218,577 shares
 - For the first two quarters of the year ended March 31, 2017 266,985,735 shares

Quarterly financial results reports are not required to be subjected to quarterly reviews.

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. Qualitative Information on Quarterly Consolidated Financial Results (3) Explanation of consolidated business forecast and other expectations" on page 5.

The Company plans to hold a quarterly financial results presentation meeting for institutional investors on November 7, 2017. The Company also plans to promptly post to its website the materials that are used at the meeting.

Attachment
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1. Qualitative Information on Quarterly Consolidated Financial Results

(1) Explanation of business results

For the first two quarters of the current fiscal year (April 1, 2017 to September 30, 2017), the Yokogawa Group (“the Group”) worked on “expanding orders and sales,” “promoting policies for improving profitability” through improving the production and engineering costs and reducing selling, general and administrative expenses, and “executing strategic investment” aimed at achieving dramatic growth for the future based on the mid-term business plan Transformation 2017 which ends in the current fiscal year.

The Group’s net sales for the first two quarters of the current fiscal year increased by 3.3 billion yen as a result of yen depreciation while its operating income decreased by 1.9 billion yen mainly due to deterioration of the gross profit margin ratio and the selling, general and administrative expense ratio. This resulted in increased revenues and decreased profit year on year. The profit attributable to owners of parent decreased 0.6 billion yen year on year.

Business results are as follows.

	Unit: billion yen			
	First two quarters of FY2016	First two quarters of FY2017	Difference	Change
Net Sales	184.612	187.982	3.370	1.8%
Operating Income	14.350	12.447	(1.903)	(13.3)%
Ordinary Income	14.731	12.326	(2.405)	(16.3)%
Profit Attributable to Owners of Parent	10.260	9.588	(0.671)	(6.5)%
(Reference) Average rate to 1 U.S. dollar (Yen)	105.72	111.29	5.57	-

Results by individual segment are outlined below.

<Industrial Automation and Control Business>

	Unit: billion yen			
	First two quarters of FY2016	First two quarters of FY2017	Difference	Change
Net Sales	165.589	168.155	2.566	1.5%
Operating Income	13.915	11.761	(2.153)	(15.5)%

Net sales for the industrial automation and control business segment increased 2.5 billion yen year on year due to yen depreciation, as well as increased investment in the replacement of plant equipment and increased demand for operation and maintenance services, and our initiatives in solution businesses in Japan. Although there was an increase in net sales, operating income fell, decreasing 2.1 billion yen year on year due mainly to deterioration of the gross profit margin ratio and the selling, general and administrative expense ratio.

<Test and Measurement Business>

Unit: billion yen

	First two quarters of FY2016	First two quarters of FY2017	Difference	Change
Net Sales	10.010	10.406	0.396	4.0%
Operating Income	0.616	0.793	0.177	28.8%

In the test and measurement business segment, net sales and operating income increased due mainly to yen depreciation.

<Aviation and Other Businesses>

Unit: billion yen

	First two quarters of FY2016	First two quarters of FY2017	Difference	Change
Net Sales	9.013	9.420	0.407	4.5%
Operating Income	(0.180)	(0.107)	0.073	—

In the aviation and other businesses segment, net sales and operating income were nearly unchanged from the same period in the previous fiscal year.

(2) Explanation of financial conditions

In comparison to March 31, 2017, total assets as of September 30, 2017 were up 7.7 billion yen, to 448.4 billion yen, due mainly to increases in notes and accounts receivable - trade, inventories and investment securities. In addition, total liabilities decreased by 5.2 billion yen over the same period, to 172.9 billion yen, due mainly to decreases in short-term loans payable, accounts payable - other and provision for bonuses, despite an increase in advances received. Also during this time period, net assets increased by 12.9 billion yen, to 275.4 billion yen, due mainly to increases in foreign currency translation adjustment and valuation difference on available-for-sale securities. As a result, the shareholders' equity ratio was 59.9%, up 1.7 percentage points from March 31, 2017.

The cash flow from operating activities in the first two quarters of the current fiscal year was a net inflow of 11.4 billion yen, down 8.4 billion yen from the same period in the previous fiscal year, mainly due to a decrease in notes and accounts receivable - trade. The cash flow from investing activities was a net outflow of 4.7 billion yen, down 27.7 billion yen, chiefly due to the purchase of shares of subsidiaries. The cash flow from financing activities was a net outflow of 7.9 billion yen, compared with a net inflow of 20.7 billion yen in the same period of the previous fiscal year, mainly because of the repayments of short-term loans payable.

As a result, the balance of cash and cash equivalents as of September 30, 2017 remained largely unchanged from March 31, 2017 at 73.5 billion yen.

(3) Explanation of consolidated business forecast and other expectations

The Company maintains unchanged its revised consolidated business forecast for the year ending March 31, 2018, as announced on May 10, 2017.

The Company's net sales and operating income tend to increase in the second and fourth quarters, and this is particularly the case with the industrial automation and control business.

<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

2. Consolidated Quarterly Financial Statements

(1) Consolidated quarterly balance sheets

(Millions of yen)

	(Reference) End of FY2016 (March 31, 2017)	End of FY2017 2nd quarter (September 30, 2017)
Assets		
Current assets		
Cash and deposits	74,746	73,681
Notes and accounts receivable - trade	141,288	143,445
Merchandise and finished goods	11,738	14,004
Work in process	8,218	9,807
Raw materials and supplies	10,773	11,045
Other	19,664	19,320
Allowance for doubtful accounts	(2,622)	(3,035)
Total current assets	263,807	268,269
Non-current assets		
Property, plant and equipment		
Buildings and structures, net	47,248	46,507
Other, net	31,582	31,250
Total property, plant and equipment	78,830	77,757
Intangible assets		
Software	18,428	18,525
Goodwill	16,461	17,784
Other	13,721	12,729
Total intangible assets	48,611	49,039
Investments and other assets		
Investment securities	41,848	45,426
Other	7,793	8,146
Allowance for doubtful accounts	(194)	(218)
Total investments and other assets	49,446	53,353
Total non-current assets	176,888	180,151
Total assets	440,695	448,420

(Millions of yen)

	(Reference) End of FY2016 (March 31, 2017)	End of FY2017 2nd quarter (September 30, 2017)
Liabilities		
Current liabilities		
Notes and accounts payable - trade	31,363	30,817
Short-term loans payable	15,536	11,591
Accounts payable - other	11,340	9,233
Income taxes payable	4,872	5,032
Advances received	31,637	35,531
Provision for bonuses	14,625	12,904
Provision for loss on construction contracts	4,417	4,314
Other	23,116	20,764
Total current liabilities	136,909	130,190
Non-current liabilities		
Long-term loans payable	29,024	29,077
Net defined benefit liability	3,924	4,348
Other	8,331	9,327
Total non-current liabilities	41,281	42,753
Total liabilities	178,191	172,944
Net assets		
Shareholders' equity		
Capital stock	43,401	43,401
Capital surplus	54,494	54,560
Retained earnings	158,901	165,160
Treasury shares	(1,409)	(1,389)
Total shareholders' equity	255,386	261,732
Accumulated other comprehensive income		
Valuation difference on available-for-sale securities	10,450	12,902
Deferred gains or losses on hedges	2	(121)
Foreign currency translation adjustment	(8,286)	(4,448)
Remeasurements of defined benefit plans	(1,156)	(1,278)
Total accumulated other comprehensive income	1,009	7,053
Non-controlling interests	6,107	6,690
Total net assets	262,503	275,476
Total liabilities and net assets	440,695	448,420

(2) Consolidated quarterly statements of income and statements of comprehensive income
Consolidated quarterly statements of income for the first two quarters of FY2017

(Millions of yen)

	(Reference) First two quarters of FY2016 (April 1-September 30, 2016)	First two quarters of FY2017 (April 1-September 30, 2017)
Net sales	184,612	187,982
Cost of sales	103,415	106,130
Gross profit	81,197	81,851
Selling, general and administrative expenses	66,846	69,404
Operating income	14,350	12,447
Non-operating income		
Interest income	236	299
Dividend income	370	358
Share of profit of entities accounted for using equity method	426	473
Other	500	474
Total non-operating income	1,533	1,606
Non-operating expenses		
Interest expenses	263	174
Foreign exchange losses	512	690
Other	376	862
Total non-operating expenses	1,152	1,727
Ordinary income	14,731	12,326
Extraordinary income		
Gain on sales of non-current assets	12	1,852
Gain on sales of investment securities	222	668
Total extraordinary income	234	2,520
Extraordinary losses		
Loss on sales of non-current assets	5	4
Loss on retirement of non-current assets	128	59
Loss on sales of investment securities	0	38
Loss on valuation of investment securities	-	64
Total extraordinary losses	134	167
Profit before income taxes	14,832	14,678
Income taxes - current	4,073	4,861
Income taxes - deferred	83	(453)
Total income taxes	4,157	4,407
Profit	10,674	10,271
Profit attributable to non-controlling interests	414	682
Profit attributable to owners of parent	10,260	9,588

Consolidated quarterly statements of comprehensive income for the first two quarters of FY2017

(Millions of yen)

	(Reference) First two quarters of FY2016 (April 1-September 30, 2016)	First two quarters of FY2017 (April 1-September 30, 2017)
Profit	10,674	10,271
Other comprehensive income		
Valuation difference on available-for-sale securities	(1,013)	2,459
Deferred gains or losses on hedges	96	(124)
Foreign currency translation adjustment	(14,625)	3,902
Remeasurements of defined benefit plans, net of tax	159	(54)
Share of other comprehensive income of entities accounted for using equity method	(3)	(31)
Total other comprehensive income	(15,387)	6,152
Comprehensive income	(4,712)	16,423
Comprehensive income attributable to		
Comprehensive income attributable to owners of parent	(4,534)	15,632
Comprehensive income attributable to non-controlling interests	(178)	790

(3) Quarterly consolidated statements of cash flows

(Millions of yen)

	(Reference) First two quarters of FY2016 (April 1-September 30, 2016)	First two quarters of FY2017 (April 1-September 30, 2017)
Cash flows from operating activities		
Profit before income taxes	14,832	14,678
Depreciation	8,258	8,203
Amortization of goodwill	834	990
Increase (decrease) in allowance for doubtful accounts	(143)	328
Increase (decrease) in provision for bonuses	(3,824)	(1,812)
Decrease (increase) in notes and accounts receivable - trade	11,127	3,544
Decrease (increase) in inventories	(3,560)	(3,649)
Increase (decrease) in notes and accounts payable - trade	(6,810)	(1,106)
Decrease (increase) in accounts receivable - other	2,291	318
Increase (decrease) in accounts payable - other	(622)	438
Increase (decrease) in accrued expenses	(289)	(2,692)
Loss (gain) on sales of non-current assets	-	(1,847)
Loss on retirement of non-current assets	-	59
Loss (gain) on sales of investment securities	(221)	(629)
Loss (gain) on valuation of investment securities	-	64
Other, net	1,921	(1,900)
Subtotal	23,793	14,989
Interest and dividend income received	1,492	1,537
Interest expenses paid	(295)	(204)
Income taxes (paid) refund	(5,089)	(4,914)
Net cash provided by (used in) operating activities	19,901	11,408
Cash flows from investing activities		
Payments into time deposits	(338)	-
Proceeds from withdrawal of time deposits	-	1,046
Purchase of property, plant and equipment	(3,130)	(4,026)
Proceeds from sales of property, plant and equipment	60	1,965
Purchase of intangible assets	(3,527)	(3,394)
Proceeds from sales and redemption of investment securities	740	1,015
Purchase of shares of subsidiaries resulting in change in scope of consolidation	(26,634)	(1,391)
Other, net	380	50
Net cash provided by (used in) investing activities	(32,451)	(4,733)
Cash flows from financing activities		
Net increase (decrease) in short-term loans payable	10,836	(3,947)
Proceeds from long-term loans payable	14,416	-
Repayments of long-term loans payable	(525)	(88)
Cash dividends paid	(3,333)	(3,338)
Dividends paid to non-controlling interests	(456)	(334)
Other, net	(147)	(279)
Net cash provided by (used in) financing activities	20,790	(7,987)
Effect of exchange rate change on cash and cash equivalents	(6,534)	1,292
Net increase (decrease) in cash and cash equivalents	1,705	(20)
Cash and cash equivalents at beginning of period	64,922	73,563
Cash and cash equivalents at end of period	66,628	73,542

(4) Notes on Consolidated Quarterly Financial Statements

Notes for going concern

Not applicable

Notes if there is a remarkable change in the amount of shareholders' equity

Not applicable

Segment information

Segment sales and profits (losses)

Millions of yen

		(Reference) First two quarters of FY2016 (April 1-September 30, 2016)	First two quarters of FY2017 (April 1-September 30, 2017)	Change
Industrial automation and control	Net sales to unaffiliated customers	165,589	168,155	2,566
	Operating income (loss)	13,915	11,761	(2,153)
Test and measurement	Net sales to unaffiliated customers	10,010	10,406	396
	Operating income (loss)	616	793	177
Aviation and other	Net sales to unaffiliated customers	9,013	9,420	407
	Operating income (loss)	(180)	(107)	73
Consolidated	Net sales to unaffiliated customers	184,612	187,982	3,370
	Operating income (loss)	14,350	12,447	(1,903)

[Reference]

Sales by geographical location

Millions of yen

	(Reference) First two quarters of FY2016 (April 1-September 30, 2016)		First two quarters of FY2017 (April 1-September 30, 2017)		Change
	Amount	Composition ratio (%)	Amount	Composition ratio (%)	Amount
Japan	57,011	30.9	57,902	30.8	890
Outside Japan	127,600	69.1	130,080	69.2	2,479
Asia	47,248	25.6	51,896	27.6	4,647
Europe	15,395	8.3	14,907	7.9	(487)
North America	16,625	9.0	15,752	8.4	(872)
Middle East	21,770	11.8	22,265	11.9	495
Other	26,560	14.4	25,257	13.4	(1,303)
Consolidated net sales	184,612	100.0	187,982	100.0	3,370

(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.

[Reference]

November 7, 2017
Yokogawa Electric Corporation

Consolidated Financial Statements for the First Two Quarters of FY2017

Millions of yen

	First two quarters of FY2016		First two quarters of FY2017		Change	
	Amount	Ratio to net sales	Amount	Ratio to net sales	Amount	Ratio to net sales
Net Sales	184,612	–	187,982	–	3,370	–
Operating Income	14,350	7.8%	12,447	6.6%	(1,903)	(1.2)%
Ordinary Income	14,731	8.0%	12,326	6.6%	(2,405)	(1.4)%
Profit Attributable to Owners of Parent	10,260	5.6%	9,588	5.1%	(671)	(0.5)%
Total Assets	412,075		448,420		36,345	
Net Assets	238,994		275,476		36,482	
Return on Equity	4.3%		3.7%		(0.6)%	
Basic Earnings per Share	38.43 yen		35.88 yen		(2.55) yen	
Capital Investment	5,307		4,834		(473)	
Depreciation	9,093		9,193		100	
Research and Development Expenses	13,312		13,209		(102)	
Average Exchange Rate during the Period (USD)	105.72 yen		111.29 yen		5.57 yen	

Consolidated orders by segment

Millions of yen

	First two quarters of FY2016	First two quarters of FY2017	FY2017 full year (forecast)
Industrial automation and control business	172,260	179,836	360,000
Test and measurement business	10,549	10,996	22,000
Aviation and other businesses	8,104	8,034	18,000
Total	190,913	198,867	400,000

Consolidated sales by segment

Millions of yen

	First two quarters of FY2016	First two quarters of FY2017	FY2017 full year (forecast)
Industrial automation and control business	165,589	168,155	358,000
Test and measurement business	10,010	10,406	23,500
Aviation and other businesses	9,013	9,420	18,500
Total	184,612	187,982	400,000

Consolidated operating income by segment

Millions of yen

	First two quarters of FY2016	First two quarters of FY2017	FY2017 full year (forecast)
Industrial automation and control business	13,915	11,761	33,000
Test and measurement business	616	793	2,500
Aviation and other businesses	(180)	(107)	500
Total	14,350	12,447	36,000