

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

August 8, 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 Quarterly Report Filing Date: August 9, 2017
 Planned Dividend Payment Starting Date: –
 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 quarter of the year ending March 31, 2018 (April 1-June 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 quarter of year ending March 31, 2018	86,125	(4.2)	2,540	(49.2)	2,912	(46.1)	3,307	8.6
For first quarter of year ended March 31, 2017	89,939	(3.0)	5,003	(24.7)	5,406	(20.0)	3,046	(40.4)

(Note) Comprehensive income: For first quarter of year ending March 31, 2018 6,046 million yen [–%]
 For first quarter of year ended March 31, 2017 (11,317) million yen [–%]

	Basic Earnings per Share	Diluted Earnings per Share
	Yen	Yen
For first quarter of year ending March 31, 2018	12.38	–
For first quarter of year ended March 31, 2017	11.41	–

(2) Financial conditions on a consolidated basis

	Total Assets	Net Assets	Shareholders' Equity Ratio
	Millions of yen	Millions of yen	%
As of June 30, 2017	442,017	265,152	58.6
As of March 31, 2017	440,498	262,515	58.2

(Reference) Shareholders' equity: As of June 30, 2017: 258,834 million yen As of March 31, 2017: 256,407 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 quarter 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.

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	–				
For year ending March 31, 2018 (forecast)		15.00	–	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	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 quarter 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 quarter of the year ending March 31, 2018 1,417,024 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 quarter of the year ending March 31, 2018 267,207,624 shares
 - For the first quarter of the year ended March 31, 2017 266,941,111 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 August 8, 2017. The Company also plans to promptly post to its website the materials that are used at the meeting.

Attachment
Contents

1. Qualitative Information on Quarterly Consolidated Financial Results	4
(1) Explanation of business results	4
(2) Explanation of financial conditions	5
(3) Explanation of consolidated business forecast and other expectations	5
2. Consolidated Quarterly Financial Statements	6
(1) Consolidated quarterly balance sheets	6
(2) Consolidated quarterly statements of income and statements of comprehensive income	8
Consolidated quarterly statements of income for the first quarter of FY2017	8
Consolidated quarterly statements of comprehensive income for the first quarter of FY2017	9
(3) Notes on Consolidated Quarterly Financial Statements	10
Notes for going concern	10
Notes if there is a remarkable change in the amount of shareholders' equity	10
Segment information	10
[Reference]	
Consolidated Financial Statements for the First Quarter of FY2017	11

1. Qualitative Information on Quarterly Consolidated Financial Results

(1) Explanation of business results

For the first quarter of the current fiscal year (April 1, 2017 to June 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 (“TF2017”) which ends in the current fiscal year.

In terms of the Group’s business performance during the first quarter, revenues and profits fell year on year principally due to the effect of reduced investments in resource development projects outside Japan. Net sales for the first quarter of the fiscal year were down 3.8 billion yen year on year, due mainly to the decline in sales outside Japan. Operating income fell 2.4 billion yen year on year from the decline in net sales. Although there was a decrease in operating income, the profit attributable to owners of parent increased 0.2 billion yen year on year due mainly to the recording of extraordinary income generated from sales of non-current assets.

Business results are as follows.

Unit: billion yen

	First quarter of FY2016	First quarter of FY2017	Difference	Change
Net Sales	89.939	86.125	(3.813)	(4.2)%
Operating Income	5.003	2.540	(2.462)	(49.2)%
Ordinary Income	5.406	2.912	(2.494)	(46.1)%
Profit Attributable to Owners of Parent	3.046	3.307	0.260	8.6%
(Reference) Average rate to 1 U.S. dollar (Yen)	108.53	111.42	2.89	—

Results by individual segment are outlined below.

<Industrial Automation and Control Business>

Unit: billion yen

	First quarter of FY2016	First quarter of FY2017	Difference	Change
Net Sales	81.287	77.525	(3.762)	(4.6)%
Operating Income	5.117	2.436	(2.681)	(52.4)%

Net sales for the industrial automation and control business segment as a whole fell 3.7 billion yen year on year due to the sluggish investments in resource development projects outside Japan. 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 2.6 billion yen year on year due mainly to the decline in net sales.

<Test and Measurement Business>

Unit: billion yen

	First quarter of FY2016	First quarter of FY2017	Difference	Change
Net Sales	4.768	4.901	0.132	2.8%
Operating Income	0.147	0.283	0.135	91.5%

In the test and measurement business segment, net sales and operating income were nearly unchanged from the same period in the previous fiscal year.

<Aviation and Other Businesses>

Unit: billion yen

	First quarter of FY2016	First quarter of FY2017	Difference	Change
Net Sales	3.882	3.698	(0.183)	(4.7)%
Operating Income	(0.262)	(0.178)	0.083	—

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 June 30, 2017 were up 1.5 billion yen, to 442.0 billion yen, due mainly to increases in cash and deposits, and inventories, despite a decrease in notes and accounts receivable - trade. In addition, total liabilities decreased by 1.1 billion yen over the same period, to 176.8 billion yen, due mainly to decreases in notes and accounts payable - trade and provision for bonuses, despite increases in accounts payable - other and advances received. Also during this time period, net assets increased by 2.6 billion yen, to 265.1 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 58.6%, up 0.4 percentage points from March 31, 2017.

(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.

Please refer to page 11 for the current consolidated business forecast by segment.

<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 1st quarter (June 30, 2017)
Assets		
Current assets		
Cash and deposits	74,746	82,283
Notes and accounts receivable - trade	141,288	131,072
Merchandise and finished goods	11,738	13,616
Work in process	8,218	10,563
Raw materials and supplies	10,773	11,182
Other	19,664	19,007
Allowance for doubtful accounts	(2,622)	(2,650)
Total current assets	263,807	265,077
Non-current assets		
Property, plant and equipment		
Buildings and structures, net	47,248	46,842
Other, net	31,582	31,220
Total property, plant and equipment	78,830	78,062
Intangible assets		
Software	18,428	19,553
Goodwill	16,842	16,881
Other	13,144	11,362
Total intangible assets	48,414	47,798
Investments and other assets		
Investment securities	41,848	43,327
Other	7,793	7,970
Allowance for doubtful accounts	(194)	(219)
Total investments and other assets	49,446	51,079
Total non-current assets	176,691	176,940
Total assets	440,498	442,017

Millions of yen

	(Reference) End of FY2016 (March 31, 2017)	End of FY2017 1st quarter (June 30, 2017)
Liabilities		
Current liabilities		
Notes and accounts payable - trade	31,363	29,105
Short-term loans payable	15,536	14,379
Accounts payable - other	11,340	18,976
Income taxes payable	4,872	5,021
Advances received	31,637	35,286
Provision for bonuses	14,625	7,739
Provision for loss on construction contracts	4,417	3,693
Other	23,116	21,021
Total current liabilities	136,909	135,224
Non-current liabilities		
Long-term loans payable	29,024	29,027
Net defined benefit liability	3,924	4,357
Other	8,124	8,255
Total non-current liabilities	41,073	41,640
Total liabilities	177,983	176,865
Net assets		
Shareholders' equity		
Capital stock	43,401	43,401
Capital surplus	54,494	54,494
Retained earnings	158,911	158,879
Treasury shares	(1,409)	(1,410)
Total shareholders' equity	255,397	255,364
Accumulated other comprehensive income		
Valuation difference on available-for-sale securities	10,450	11,627
Deferred gains or losses on hedges	2	(141)
Foreign currency translation adjustment	(8,286)	(6,759)
Remeasurements of defined benefit plans	(1,156)	(1,256)
Total accumulated other comprehensive income	1,010	3,469
Non-controlling interests	6,107	6,318
Total net assets	262,515	265,152
Total liabilities and net assets	440,498	442,017

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

	Millions of yen	
	(Reference) First quarter of FY2016 (April 1-June 30, 2016)	First quarter of FY2017 (April 1-June 30, 2017)
Net sales	89,939	86,125
Cost of sales	50,208	49,210
Gross profit	39,730	36,914
Selling, general and administrative expenses	34,726	34,374
Operating income	5,003	2,540
Non-operating income		
Interest income	126	154
Dividend income	327	317
Share of profit of entities accounted for using equity method	213	292
Other	140	306
Total non-operating income	807	1,070
Non-operating expenses		
Interest expenses	134	94
Foreign exchange losses	70	149
Other	198	453
Total non-operating expenses	404	698
Ordinary income	5,406	2,912
Extraordinary income		
Gain on sales of non-current assets	4	1,845
Gain on sales of investment securities	—	595
Total extraordinary income	4	2,441
Extraordinary losses		
Loss on sales of non-current assets	—	1
Loss on retirement of non-current assets	83	10
Loss on sales of investment securities	—	35
Loss on valuation of investment securities	—	64
Total extraordinary losses	83	112
Profit before income taxes	5,328	5,242
Income taxes - current	2,124	2,048
Income taxes - deferred	42	(411)
Total income taxes	2,166	1,636
Profit	3,161	3,605
Profit attributable to non-controlling interests	114	297
Profit attributable to owners of parent	3,046	3,307

Consolidated quarterly statements of comprehensive income for the first quarter of FY2017

	Millions of yen	
	(Reference) First quarter of FY2016 (April 1-June 30, 2016)	First quarter of FY2017 (April 1-June 30, 2017)
Profit	3,161	3,605
Other comprehensive income		
Valuation difference on available-for-sale securities	(2,043)	1,173
Deferred gains or losses on hedges	13	(144)
Foreign currency translation adjustment	(12,454)	1,492
Remeasurements of defined benefit plans, net of tax	137	(32)
Share of other comprehensive income of entities accounted for using equity method	(131)	(48)
Total other comprehensive income	(14,478)	2,441
Comprehensive income	(11,317)	6,046
Comprehensive income attributable to		
Comprehensive income attributable to owners of parent	(10,933)	5,767
Comprehensive income attributable to non-controlling interests	(383)	279

(3) 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 quarter of FY2016 (April 1-June 30, 2016)	First quarter of FY2017 (April 1-June 30, 2017)	Change
Industrial automation and control	Net sales to unaffiliated customers	81,287	77,525	(3,762)
	Operating income (loss)	5,117	2,436	(2,681)
Test and measurement	Net sales to unaffiliated customers	4,768	4,901	132
	Operating income (loss)	147	283	135
Aviation and other	Net sales to unaffiliated customers	3,882	3,698	(183)
	Operating income (loss)	(262)	(178)	83
Consolidated	Net sales to unaffiliated customers	89,939	86,125	(3,813)
	Operating income (loss)	5,003	2,540	(2,462)

[Reference]

Sales by geographical location

Millions of yen

	(Reference) First quarter of FY2016 (April 1-June 30, 2016)		First quarter of FY2017 (April 1-June 30, 2017)		Change
	Amount	Composition ratio (%)	Amount	Composition ratio (%)	Amount
Japan	25,244	28.1	24,176	28.1	(1,067)
Outside Japan	64,694	71.9	61,948	71.9	(2,745)
Asia	23,231	25.8	25,495	29.6	2,263
Europe	7,890	8.8	5,877	6.8	(2,013)
North America	8,613	9.6	7,638	8.9	(975)
Middle East	11,520	12.8	10,197	11.8	(1,322)
Other	13,438	14.9	12,740	14.8	(697)
Consolidated net sales	89,939	100.0	86,125	100.0	(3,813)

(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]

August 8, 2017
Yokogawa Electric Corporation

Consolidated Financial Statements for the First Quarter of FY2017

Millions of yen

	First quarter of FY2016		First quarter of FY2017		Change	
	Amount	Ratio to net sales	Amount	Ratio to net sales	Amount	Ratio to net sales
Net Sales	89,939	—	86,125	—	(3,813)	—
Operating Income	5,003	5.6%	2,540	3.0%	(2,462)	—
Ordinary Income	5,406	6.0%	2,912	3.4%	(2,494)	—
Profit Attributable to Owners of Parent	3,046	3.4%	3,307	3.8%	260	—
Total Assets	423,605		442,017		18,411	
Shareholders' Equity	232,498		265,152		32,653	
Return on Equity	1.3%		1.3%		(0.0)%	
Basic Earnings per Share	11.41 yen		12.38 yen		0.97 yen	
Capital Investment	2,348		1,908		(439)	
Depreciation	4,698		4,401		(297)	
Research and Development Expenses	6,593		6,440		(152)	
Average Exchange Rate during the Period (USD)	108.53 yen		111.42 yen		2.89 yen	

Consolidated orders by segment

Millions of yen

	First quarter of FY2016	First quarter of FY2017	FY2017 full year (forecast)
Industrial automation and control business	85,289	87,185	360,000
Test and measurement business	5,135	5,493	22,000
Aviation and other businesses	3,775	3,955	18,000
Total	94,201	96,634	400,000

Consolidated sales by segment

Millions of yen

	First quarter of FY2016	First quarter of FY2017	FY2017 full year (forecast)
Industrial automation and control business	81,287	77,525	358,000
Test and measurement business	4,768	4,901	23,500
Aviation and other businesses	3,882	3,698	18,500
Total	89,939	86,125	400,000

Consolidated operating income by segment

Millions of yen

	First quarter of FY2016	First quarter of FY2017	FY2017 full year (forecast)
Industrial automation and control business	5,117	2,436	33,000
Test and measurement business	147	283	2,500
Aviation and other businesses	(262)	(178)	500
Total	5,003	2,540	36,000