

**Consolidated Financial Results for the First Three Quarters of the Fiscal Year Ending March 31, 2019
(Japan GAAP)**

February 5, 2019

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: Hirohiko Nakatani, Department Manager of Treasury & IR Department
 Telephone Number: +81-422-52-6845
 Planned Quarterly Report Filing Date: February 6, 2019
 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 three quarters of the year ending March 31, 2019 (April 1-December 31, 2018)

(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 three quarters of year ending March 31, 2019	295,280	0.4	25,117	22.2	26,064	26.9	19,060	119.5
For first three quarters of year ended March 31, 2018	294,020	6.1	20,550	2.9	20,532	(6.7)	8,685	(49.3)

(Note) Comprehensive income: For first three quarters of year ending March 31, 2019 15,595 million yen [(14.0)%]
 For first three quarters of year ended March 31, 2018 18,139 million yen [3.2%]

	Basic Earnings per Share	Diluted Earnings per Share
	Yen	Yen
For first three quarters of year ending March 31, 2019	71.38	–
For first three quarters of year ended March 31, 2018	32.50	–

(2) Financial conditions on a consolidated basis

	Total Assets	Net Assets	Shareholders’ Equity Ratio
	Millions of yen	Millions of yen	%
As of December 31, 2018	444,154	285,943	62.7
As of March 31, 2018	444,617	278,704	61.2

(Reference) Shareholders’ equity: As of December 31, 2018: 278,432 million yen As of March 31, 2018: 271,907 million yen

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, 2018	–	15.00	–	15.00	30.00
For year ending March 31, 2019	–	15.00	–		
For year ending March 31, 2019 (forecast)				15.00	30.00

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

3. Business forecast for the year ending March 31, 2019 (April 1, 2018-March 31, 2019)

(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	410,000	0.8	36,000	10.1	36,000	8.0	25,500	18.7	95.50	

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

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.

<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: Yes
 - 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 three quarters of the year ending March 31, 2019 268,624,510 shares
 - For the year ended March 31, 2018 268,624,510 shares
 - b. Treasury shares at the end of the period
 - For the first three quarters of the year ending March 31, 2019 1,688,729 shares
 - For the year ended March 31, 2018 1,397,149 shares
 - c. Average number of shares in the period (quarterly consolidated accumulated period)
 - For the first three quarters of the year ending March 31, 2019 267,033,032 shares
 - For the first three quarters of the year ended March 31, 2018 267,221,815 shares

Quarterly financial results reports are exempt from quarterly reviews conducted by certified public accountants or an audit corporation.

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 via telephone conference on February 5, 2019. 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 three quarters of the current fiscal year (April 1, 2018 to December 31, 2018), the Yokogawa Group (“the Group”) implemented the three basic strategies of “transformation of existing businesses,” “creation of new businesses and transformation of the company’s business model,” and “improvement of productivity through Group-wide optimization” and began working on “establishing a foundation for growth” and “creating opportunity for growth” while utilizing digital technology, in accordance with the mid-term business plan Transformation 2020, which commenced in the current fiscal year.

In terms of the Group’s business performance for the first three quarters of the current fiscal year, the industrial automation and control business was firm, which led to both increased revenue and profit year on year. Net sales were robust, particularly overseas, increasing 1.2 billion yen year on year. Operating income was up 4.5 billion yen year on year on account of increased revenues and improvements in the gross profit margin ratio. In addition, profit attributable to owners of parent increased 10.3 billion yen year on year owing to the recording of impairment loss including goodwill, etc. in the same period of the previous fiscal year.

Business results are as follows.

Unit: billion yen

	First three quarters of FY2017	First three quarters of FY2018	Difference	Change
Net Sales	294.020	295.280	1.259	0.4%
Operating Income	20.550	25.117	4.567	22.2%
Ordinary Income	20.532	26.064	5.532	26.9%
Profit Attributable to Owners of Parent	8.685	19.060	10.375	119.5%
(Reference) Average rate to 1 U.S. dollar (Yen)	111.77	111.34	(0.43)	-

Results by individual segment are outlined below.

<Industrial Automation and Control Business>

Unit: billion yen

	First three quarters of FY2017	First three quarters of FY2018	Difference	Change
Net Sales	263.659	265.654	1.995	0.8%
Operating Income	19.265	24.756	5.490	28.5%

Net sales for the industrial automation and control business segment increased 1.9 billion yen year on year due to robust operating performance arising from the replacement of plant equipment, improved efficiency of operations, increased demand for operation and maintenance services, our initiatives in solution businesses, among other activities. Operating income rose 5.4 billion yen year on year due to the rise in net sales, the improvements in the gross profit margin ratio, a decrease in allowance for doubtful accounts and others.

<Test and Measurement Business>

Unit: billion yen

	First three quarters of FY2017	First three quarters of FY2018	Difference	Change
Net Sales	16.095	16.107	0.011	0.1%
Operating Income	1.621	1.299	(0.321)	(19.9)%

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 three quarters of FY2017	First three quarters of FY2018	Difference	Change
Net Sales	14.266	13.518	(0.747)	(5.2)%
Operating Income	(0.337)	(0.938)	(0.601)	—

In the aviation and other businesses segment, amid a market environment that still continues to be challenging, declined revenues and deterioration in the gross profit margin ratio resulted in falls in both net sales and operating income compared with the same period in the previous fiscal year.

(2) Explanation of financial conditions

In comparison to March 31, 2018, total assets as of December 31, 2018 were down 0.4 billion yen to 444.1 billion yen, due mainly to decreases in notes and accounts receivable – trade, and non-current assets, despite increases in cash and deposits, and inventories. In addition, total liabilities decreased by 7.7 billion yen over the same period to 158.2 billion yen, due mainly to decreases in notes and accounts payable – trade, accounts payable – other and provision for bonuses, despite an increase in advances received. Also during this time period, net assets increased by 7.2 billion yen to 285.9 billion yen, due mainly to the recognition of profit attributable to owners of parent. As a result, the shareholders' equity ratio was 62.7%, up 1.5 percentage points from March 31, 2018.

(3) Explanation of consolidated business forecast and other expectations

No changes have been made to the consolidated business forecast for the fiscal year ending March 31, 2019, which was announced on November 6, 2018. The operating results forecast assumes a foreign exchange rate of 1 USD = 110 yen.

Please refer to page 12 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 in Middle East and East Asia, 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 FY2017 (March 31, 2018)	End of FY2018 3rd quarter (December 31, 2018)
Assets		
Current assets		
Cash and deposits	78,264	84,904
Notes and accounts receivable - trade	153,646	151,719
Merchandise and finished goods	12,475	14,405
Work in process	8,573	10,355
Raw materials and supplies	11,206	13,805
Other	15,706	16,477
Allowance for doubtful accounts	(3,534)	(4,010)
Total current assets	276,337	287,655
Non-current assets		
Property, plant and equipment		
Buildings and structures, net	45,730	44,730
Other, net	31,000	28,686
Total property, plant and equipment	76,731	73,417
Intangible assets		
Software	17,780	16,135
Goodwill	7,246	6,716
Other	12,765	10,965
Total intangible assets	37,791	33,817
Investments and other assets		
Investment securities	43,692	39,545
Other	12,802	12,563
Allowance for doubtful accounts	(2,737)	(2,845)
Total investments and other assets	53,757	49,263
Total non-current assets	168,280	156,498
Total assets	444,617	444,154

Millions of yen

	(Reference) End of FY2017 (March 31, 2018)	End of FY2018 3rd quarter (December 31, 2018)
Liabilities		
Current liabilities		
Notes and accounts payable - trade	25,466	23,729
Electronically recorded obligations - operating	10,569	9,139
Short-term loans payable	1,539	1,632
Accounts payable - other	12,058	8,253
Income taxes payable	4,947	2,997
Advances received	32,173	35,492
Provision for bonuses	14,791	9,925
Provision for loss on construction contracts	5,881	7,460
Other	21,695	22,836
Total current liabilities	129,124	121,468
Non-current liabilities		
Long-term loans payable	28,936	28,848
Net defined benefit liability	3,586	4,213
Other	4,265	3,680
Total non-current liabilities	36,789	36,742
Total liabilities	165,913	158,210
Net assets		
Shareholders' equity		
Capital stock	43,401	43,401
Capital surplus	54,560	54,602
Retained earnings	173,034	184,082
Treasury shares	(1,393)	(1,396)
Total shareholders' equity	269,602	280,689
Accumulated other comprehensive income		
Valuation difference on available-for-sale securities	11,873	7,806
Deferred gains or losses on hedges	(29)	18
Foreign currency translation adjustment	(8,426)	(8,902)
Remeasurements of defined benefit plans	(1,112)	(1,179)
Total accumulated other comprehensive income	2,305	(2,257)
Non-controlling interests	6,796	7,511
Total net assets	278,704	285,943
Total liabilities and net assets	444,617	444,154

(2) Consolidated quarterly statements of income and statements of comprehensive income
Consolidated quarterly statements of income for the first three quarters of FY2018

Millions of yen

	(Reference) First three quarters of FY2017 (April 1-December 31, 2017)	First three quarters of FY2018 (April 1-December 31, 2018)
Net sales	294,020	295,280
Cost of sales	166,203	166,591
Gross profit	127,817	128,688
Selling, general and administrative expenses	107,266	103,571
Operating income	20,550	25,117
Non-operating income		
Interest income	406	519
Dividend income	676	548
Share of profit of entities accounted for using equity method	619	793
Other	748	628
Total non-operating income	2,451	2,489
Non-operating expenses		
Interest expenses	235	303
Foreign exchange losses	1,200	613
Other	1,033	626
Total non-operating expenses	2,469	1,543
Ordinary income	20,532	26,064
Extraordinary income		
Gain on sales of non-current assets	2,058	21
Gain on sales of investment securities	3,615	718
Gain on sales of shares of subsidiaries and associates	–	1,804
Total extraordinary income	5,674	2,544
Extraordinary losses		
Loss on sales of non-current assets	4	5
Loss on retirement of non-current assets	130	195
Loss on sales of investment securities	39	2
Loss on valuation of investment securities	64	–
Impairment loss	9,134	–
Total extraordinary losses	9,374	203
Profit before income taxes	16,831	28,405
Income taxes - current	7,146	7,490
Income taxes - deferred	(87)	589
Total income taxes	7,059	8,080
Profit	9,772	20,325
Profit attributable to non-controlling interests	1,087	1,265
Profit attributable to owners of parent	8,685	19,060

Consolidated quarterly statements of comprehensive income for the first three quarters of FY2018

	Millions of yen	
	(Reference) First three quarters of FY2017 (April 1-December 31, 2017)	First three quarters of FY2018 (April 1-December 31, 2018)
Profit	9,772	20,325
Other comprehensive income		
Valuation difference on available-for-sale securities	2,624	(4,078)
Deferred gains or losses on hedges	(42)	47
Foreign currency translation adjustment	5,852	(605)
Remeasurements of defined benefit plans, net of tax	(62)	(66)
Share of other comprehensive income of entities accounted for using equity method	(4)	(27)
Total other comprehensive income	8,367	(4,729)
Comprehensive income	18,139	15,595
Comprehensive income attributable to		
Comprehensive income attributable to owners of parent	16,875	14,498
Comprehensive income attributable to non-controlling interests	1,264	1,097

(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

Changes in accounting policies

The consolidated subsidiaries outside Japan have adopted IFRS 15 (Revenue from Contracts with Customers) from the first quarter of the fiscal year ending March 31, 2019. The impact of the application of IFRS 15 on the consolidated quarterly financial statements is insignificant.

Additional information

Application of "Partial Amendments to Accounting Standard for Tax Effect Accounting" and relevant Guidances

The Group has applied the "Partial Amendments to Accounting Standard for Tax Effect Accounting" (ASBJ Statement No. 28, February 16, 2018) and relevant Guidances effective from the beginning of the first quarter of the fiscal year ending March 31, 2019. Accordingly, deferred tax assets were presented under "Investments and other assets" and deferred tax liabilities were presented under "Non-current liabilities."

Segment information

Segment sales and profits (losses)

Millions of yen

		(Reference) First three quarters of FY2017 (April 1-December 31, 2017)	First three quarters of FY2018 (April 1-December 31, 2018)	Change
Industrial automation and control	Net sales to unaffiliated customers	263,659	265,654	1,995
	Operating income (loss)	19,265	24,756	5,490
Test and measurement	Net sales to unaffiliated customers	16,095	16,107	11
	Operating income (loss)	1,621	1,299	(321)
Aviation and other	Net sales to unaffiliated customers	14,266	13,518	(747)
	Operating income (loss)	(337)	(938)	(601)
Consolidated	Net sales to unaffiliated customers	294,020	295,280	1,259
	Operating income (loss)	20,550	25,117	4,567

[Reference]

Sales by geographical location

Millions of yen

	(Reference) First three quarters of FY2017 (April 1-December 31, 2017)		First three quarters of FY2018 (April 1-December 31, 2018)		Change
	Amount	Composition ratio (%)	Amount	Composition ratio (%)	Amount
Japan	89,543	30.4	89,511	30.3	(31)
Outside Japan	204,476	69.6	205,768	69.7	1,291
Asia	82,791	28.2	88,442	30.0	5,650
Europe	23,045	7.8	23,407	7.9	361
North America	22,887	7.8	23,714	8.0	826
Middle East	34,033	11.6	28,903	9.8	(5,129)
Other	41,718	14.2	41,300	14.0	(418)
Consolidated net sales	294,020	100.0	295,280	100.0	1,259

(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]

February 5, 2019
Yokogawa Electric Corporation

Consolidated Financial Statements for the First Three Quarters of FY2018

Millions of yen

	First three quarters of FY2017		First three quarters of FY2018		Change	
	Amount	Ratio to net sales	Amount	Ratio to net sales	Amount	Ratio to net sales
Net Sales	294,020	–	295,280	–	1,259	–
Operating Income	20,550	7.0%	25,117	8.5%	4,567	1.5%
Ordinary Income	20,532	7.0%	26,064	8.8%	5,532	1.8%
Profit Attributable to Owners of Parent	8,685	3.0%	19,060	6.5%	10,375	3.5%
Total Assets	439,838		444,154		4,315	
Net Assets	273,155		285,943		12,787	
Return on Equity	3.3%		6.9%		3.6%	
Basic Earnings per Share	32.50 yen		71.38 yen		38.88 yen	
Capital Investment	8,179		8,401		222	
Depreciation	13,933		12,667		(1,265)	
Research and Development Expenses	19,836		19,646		(190)	
Average Exchange Rate during the Period (USD)	111.77 yen		111.34 yen		(0.43) yen	

Consolidated orders by segment

Millions of yen

	First three quarters of FY2017	First three quarters of FY2018	FY2018 full year (forecast)
Industrial automation and control business	263,676	278,073	382,000
Test and measurement business	16,924	17,117	23,000
Aviation and other businesses	12,401	13,706	15,000
Total	293,002	308,897	420,000

Consolidated sales by segment

Millions of yen

	First three quarters of FY2017	First three quarters of FY2018	FY2018 full year (forecast)
Industrial automation and control business	263,659	265,654	371,000
Test and measurement business	16,095	16,107	23,000
Aviation and other businesses	14,266	13,518	16,000
Total	294,020	295,280	410,000

Consolidated operating income by segment

Millions of yen

	First three quarters of FY2017	First three quarters of FY2018	FY2018 full year (forecast)
Industrial automation and control business	19,265	24,756	35,000
Test and measurement business	1,621	1,299	2,000
Aviation and other businesses	(337)	(938)	(1,000)
Total	20,550	25,117	36,000