

Consolidated Financial Results for the First Quarter of the Fiscal Year Ending March 31, 2017 (Japan GAAP)

August 9, 2016

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 of Corporate Communications Department
 Telephone Number: +81-422-52-5530
 Planned Quarterly Report Filing Date: August 10, 2016
 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, 2017 (April 1-June 30, 2016)

(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, 2017	89,939	(3.0)	5,087	(23.4)	5,490	(18.7)	3,080	(39.8)
For first quarter of year ended March 31, 2016	92,690	12.0	6,640	154.2	6,756	151.3	5,112	368.5

(Note) Comprehensive income: For first quarter of year ending March 31, 2017 (11,287) million yen [–%]
 For first quarter of year ended March 31, 2016 10,759 million yen [577.3%]

	Basic Earnings per Share	Diluted Earnings per Share
	Yen	Yen
For first quarter of year ending March 31, 2017	11.54	–
For first quarter of year ended March 31, 2016	19.85	–

(2) Financial conditions on a consolidated basis

	Total Assets	Net Assets	Shareholders' Equity Ratio
	Millions of yen	Millions of yen	%
As of June 30, 2016	422,112	232,525	53.7
As of March 31, 2016	412,772	246,892	58.3

(Reference) Shareholders' equity: As of June 30, 2016: 226,586 million yen As of March 31, 2016: 240,444 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, 2016	–	12.50	–	12.50	25.00
For year ending March 31, 2017	–				
For year ending March 31, 2017 (forecast)		12.50	–	12.50	25.00

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

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

(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	407,000 (1.6)	36,000 (9.2)	35,000 (14.0)	23,000 (23.7)	86.16

(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: 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 quarter of the year ending 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 first quarter of the year ending March 31, 2017 1,683,420 shares
 - For the year ended March 31, 2016 1,683,346 shares
- c. Average number of shares in the period (quarterly consolidated accumulated period)
 - For the first quarter of the year ending March 31, 2017 266,941,111 shares
 - For the first quarter of the year ended March 31, 2016 257,535,324 shares

Note regarding the implementation of the quarterly review procedures

This quarterly consolidated financial results report is not subject to the quarterly review procedures specified in the Financial Instruments and Exchange Act. A review of the quarterly financial statements based on the Act has been completed before the release of the quarterly consolidated financial results.

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 9, 2016. 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

The Yokogawa Group's ("the Group") understanding regarding the conditions in its specific markets for the first quarter of the current fiscal year (April 1, 2016 to June 30, 2016) is as follows.

The price of crude oil is showing signs of having bottomed out, but continues to trend in a low price range. As a result, market conditions remain challenging in the energy and materials-related sectors, and investments in resource development projects are being postponed or halted. On the other hand, countries such as Japan that import resources and industries that benefit from lower costs for raw materials and fuels should be able to allocate more funds for investment.

There is as yet no clear trend in either direction in the market environment, but over the long term, the demand for energy and other resources is expected to resume its upward track, driven by rising populations in emerging countries and global economic growth. While there may be some variance in the level of energy and materials-related capital investment in specific regions and industries, overall we believe that this trend of growth in demand will continue.

Nevertheless, it will remain necessary to closely monitor developments such as sudden changes in foreign exchange rates and the price of crude oil, geopolitical risks, and sudden political or economic changes in major markets.

<Initiatives by the Yokogawa Group>

Under these circumstances, the Group proactively carried out business activities based on its Transformation 2017 mid-term business plan that included the acquisition of KBC Advanced Technologies plc (KBC) in the U.K.

Despite strong real growth in the mainstay industrial automation and control business, net sales for the first quarter of the fiscal year were down 2.7 billion yen from the same period of the previous fiscal year, due mainly to the effects of the appreciation of the yen. Operating income fell 1.5 billion yen year on year due to the appreciation of the yen, as well as one-time costs and the amortization of goodwill following the acquisition of KBC. Moreover, there was a 2.0 billion yen year-on-year decrease in the profit attributable to owners of parent that can be explained by a decline in extraordinary income and other items, and by the aforementioned decrease in operating income.

Business results are as follows.

	Unit: billion yen			
	First quarter of FY2015	First quarter of FY2016	Difference	Change
Net Sales	92.690	89.939	(2.751)	(3.0)%
Operating Income	6.640	5.087	(1.553)	(23.4)%
Ordinary Income	6.756	5.490	(1.265)	(18.7)%
Profit Attributable to Owners of Parent	5.112	3.080	(2.032)	(39.8)%
(Reference) Average rate to 1 U.S. dollar (Yen)	121.78	108.53	(13.25)	—

Results by individual segment are outlined below.

<Industrial Automation and Control Business>

	Unit: billion yen			
	First quarter of FY2015	First quarter of FY2016	Difference	Change
Net Sales	83.576	81.287	(2.288)	(2.7)%
Operating Income	6.518	5.201	(1.316)	(20.2)%

Net sales for the industrial automation and control business segment fell 2.3 billion yen year on year due mainly to the impact of the strong yen. This was despite the continued strength of Japan's resource, energy, and materials sectors, as seen in increased investment in the replacement of plant equipment and increased demand for operation and maintenance services. Operating income also fell, decreasing 1.3 billion yen year on year due to the decline in net sales and the incurrence of one-time costs and the amortization of goodwill following the acquisition of KBC.

<Test and Measurement Business>

Unit: billion yen

	First quarter of FY2015	First quarter of FY2016	Difference	Change
Net Sales	5.014	4.768	(0.245)	(4.9)%
Operating Income	0.273	0.147	(0.125)	(45.9)%

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 quarter of FY2015	First quarter of FY2016	Difference	Change
Net Sales	4.099	3.882	(0.216)	(5.3)%
Operating Income	(0.151)	(0.262)	(0.111)	—

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, 2016, total assets as of June 30, 2016 were up 9.340 billion yen, to 422.112 billion yen, due mainly to the acquisition of KBC. In addition, total liabilities increased by 23.707 billion yen over the same period, to 189.587 billion yen, due mainly to an increase in short-term loans payable following the acquisition of KBC. Also during this time period, net assets decreased by 14.367 billion yen, to 232.525 billion yen, due mainly to a decrease in the foreign currency translation adjustment. As a result, the shareholders' equity ratio was 53.7%, down 4.6 percentage points from March 31, 2016.

(3) Explanation of consolidated business forecast and other expectations

The Company maintains unchanged its consolidated business forecast for the year ending March 31, 2017, as announced on May 10, 2016.

Please refer to page 13 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. Notes on Summary Information

(1) Changes in accounting policies, changes in accounting estimates and restatements

Changes in accounting policies

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

Effective from the first quarter of the fiscal year ending 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 are 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 and accumulated other comprehensive income of the first quarter of the fiscal year ending March 31, 2017.

The impact of these changes is immaterial.

(2) Changes to the range of consolidation and the range of application of the equity method

1) Items related to the range of consolidation

During the first quarter of the fiscal year ending March 31, 2017, the Company acquired KBC Advanced Technologies plc. Accordingly, the company and its 19 subsidiaries have been newly included in the range of consolidation.

Consequently, the number of consolidated subsidiaries is 107.

2) Significant changes to the range of application of the equity method

No significant changes

3. Consolidated Quarterly Financial Statements

(1) Consolidated quarterly balance sheets

	Millions of yen	
	(Reference) End of FY2015 (March 31, 2016)	End of FY2016 1st quarter (June 30, 2016)
Assets		
Current assets		
Cash and deposits	65,306	75,768
Notes and accounts receivable - trade	136,933	122,212
Merchandise and finished goods	15,216	15,867
Work in process	8,113	9,785
Raw materials and supplies	10,389	10,611
Other	19,372	17,938
Allowance for doubtful accounts	(2,316)	(2,012)
Total current assets	253,014	250,171
Non-current assets		
Property, plant and equipment		
Buildings and structures, net	48,603	46,656
Other	31,764	30,306
Total property, plant and equipment	80,368	76,962
Intangible assets		
Software	18,887	20,558
Goodwill	4,181	21,362
Other	5,543	5,066
Total intangible assets	28,612	46,986
Investments and other assets		
Investment securities	42,718	40,342
Other	8,256	7,846
Allowance for doubtful accounts	(197)	(197)
Total investments and other assets	50,777	47,991
Total non-current assets	159,757	171,941
Total assets	412,772	422,112

Millions of yen

	(Reference) End of FY2015 (March 31, 2016)	End of FY2016 1st quarter (June 30, 2016)
Liabilities		
Current liabilities		
Notes and accounts payable - trade	34,566	31,682
Short-term loans payable	9,353	39,881
Accounts payable - other	10,939	19,125
Income taxes payable	4,204	3,942
Advances received	31,898	31,221
Provision for bonuses	16,947	7,701
Provision for loss on construction contracts	4,371	4,651
Other	21,318	20,241
Total current liabilities	133,599	158,446
Non-current liabilities		
Long-term loans payable	21,175	21,164
Net defined benefit liability	4,090	3,915
Other	7,015	6,060
Total non-current liabilities	32,280	31,140
Total liabilities	165,879	189,587
Net assets		
Shareholders' equity		
Capital stock	43,401	43,401
Capital surplus	54,473	54,473
Retained earnings	139,919	140,045
Treasury shares	(1,673)	(1,673)
Total shareholders' equity	236,120	236,245
Accumulated other comprehensive income		
Valuation difference on available-for-sale securities	9,803	7,774
Deferred gains or losses on hedges	(122)	(108)
Foreign currency translation adjustment	(3,942)	(15,941)
Remeasurements of defined benefit plans	(1,413)	(1,384)
Total accumulated other comprehensive income	4,323	(9,659)
Non-controlling interests	6,448	5,939
Total net assets	246,892	232,525
Total liabilities and net assets	412,772	422,112

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

	Millions of yen	
	(Reference) First quarter of FY2015 (April 1-June 30, 2015)	First quarter of FY2016 (April 1-June 30, 2016)
Net sales	92,690	89,939
Cost of sales	52,733	50,208
Gross profit	39,956	39,730
Selling, general and administrative expenses	33,315	34,643
Operating income	6,640	5,087
Non-operating income		
Interest income	170	126
Dividend income	353	327
Share of profit of entities accounted for using equity method	177	213
Other	243	140
Total non-operating income	944	807
Non-operating expenses		
Interest expenses	424	134
Foreign exchange losses	157	70
Other	246	198
Total non-operating expenses	828	404
Ordinary income	6,756	5,490
Extraordinary income		
Gain on sales of non-current assets	768	4
Gain on sales of investment securities	29	—
Total extraordinary income	797	4
Extraordinary losses		
Loss on sales of non-current assets	8	—
Loss on retirement of non-current assets	17	83
Total extraordinary losses	25	83
Profit before income taxes	7,528	5,411
Income taxes - current	2,282	2,124
Income taxes - deferred	(229)	93
Total income taxes	2,053	2,217
Profit	5,475	3,194
Profit attributable to non-controlling interests	362	114
Profit attributable to owners of parent	5,112	3,080

Consolidated quarterly statements of comprehensive income for the first quarter of FY2016

	Millions of yen	
	(Reference) First quarter of FY2015 (April 1-June 30, 2015)	First quarter of FY2016 (April 1-June 30, 2016)
Profit	5,475	3,194
Other comprehensive income		
Valuation difference on available-for-sale securities	3,053	(2,043)
Deferred gains or losses on hedges	(325)	13
Foreign currency translation adjustment	2,615	(12,457)
Remeasurements of defined benefit plans, net of tax	(66)	137
Share of other comprehensive income of entities accounted for using equity method	7	(131)
Total other comprehensive income	5,283	(14,481)
Comprehensive income	10,759	(11,287)
Comprehensive income attributable to		
Comprehensive income attributable to owners of parent	10,278	(10,903)
Comprehensive income attributable to non-controlling interests	480	(383)

(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 FY2015 (April 1-June 30, 2015)	First quarter of FY2016 (April 1-June 30, 2016)	Change
Industrial automation and control	Net sales to unaffiliated customers	83,576	81,287	(2,288)
	Operating income (loss)	6,518	5,201	(1,316)
Test and measurement	Net sales to unaffiliated customers	5,014	4,768	(245)
	Operating income (loss)	273	147	(125)
Aviation and other	Net sales to unaffiliated customers	4,099	3,882	(216)
	Operating income (loss)	(151)	(262)	(111)
Consolidated	Net sales to unaffiliated customers	92,690	89,939	(2,751)
	Operating income (loss)	6,640	5,087	(1,553)

[Reference]

Sales by geographical location

Millions of yen

	(Reference) First quarter of FY2015 (April 1-June 30, 2015)		First quarter of FY2016 (April 1-June 30, 2016)		Change
	Amount	Composition ratio (%)	Amount	Composition ratio (%)	Amount
Japan	23,455	25.3	25,244	28.1	1,788
Outside Japan	69,234	74.7	64,694	71.9	(4,539)
Asia	23,605	25.5	23,231	25.8	(373)
Europe	8,848	9.5	7,890	8.8	(957)
North America	10,590	11.4	8,613	9.6	(1,977)
Middle East	10,909	11.8	11,520	12.8	610
Other	15,279	16.5	13,438	14.9	(1,841)
Consolidated net sales	92,690	100.0	89,939	100.0	(2,751)

(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 The Netherlands, France, the United Kingdom, Germany, etc.
- (3) North America The 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 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 to be included in the consolidated financial statements

April 1, 2016 to June 30, 2016

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

20.092 billion yen

The amount of goodwill is a provisionally calculated figure, as the distribution of the acquisition costs had not been completed by the end of the first quarter of the fiscal year.

(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

[Reference]

August 9, 2016
Yokogawa Electric Corporation

Consolidated Financial Statements for the First Quarter of FY2016

Millions of yen

	First quarter of FY2015		First quarter of FY2016		Change	
	Amount	Ratio to net sales	Amount	Ratio to net sales	Amount	Ratio to net sales
Net Sales	92,690	—	89,939	—	(2,751)	—
Operating Income	6,640	7.2%	5,087	5.7%	(1,553)	(1.5)%
Ordinary Income	6,756	7.3%	5,490	6.1%	(1,265)	(1.2)%
Profit Attributable to Owners of Parent	5,112	5.5%	3,080	3.4%	(2,032)	(2.1)%
Total Assets	438,616		422,112		(16,503)	
Shareholders' Equity	231,261		232,525		1,264	
Return on Equity	2.3%		1.3%		(1.0)%	
Basic Earnings per Share	19.85 yen		11.54 yen		(8.31) yen	
Capital Investment	3,192		2,348		(843)	
Depreciation	3,529		4,014		485	
Research and Development Expenses	5,874		6,593		719	
Average Exchange Rate during the Period (USD)	121.78 yen		108.53 yen		(13.25) yen	

Consolidated orders by segment

Millions of yen

	First quarter of FY2015	First quarter of FY2016	FY2016 full year (forecast)
Industrial automation and control business	98,378	85,289	366,000
Test and measurement business	5,480	5,135	23,000
Aviation and other businesses	4,728	3,775	19,000
Total	108,587	94,201	408,000

Consolidated sales by segment

Millions of yen

	First quarter of FY2015	First quarter of FY2016	FY2016 full year (forecast)
Industrial automation and control business	83,576	81,287	360,000
Test and measurement business	5,014	4,768	24,000
Aviation and other businesses	4,099	3,882	23,000
Total	92,690	89,939	407,000

Consolidated operating income by segment

Millions of yen

	First quarter of FY2015	First quarter of FY2016	FY2016 full year (forecast)
Industrial automation and control business	6,518	5,201	33,000
Test and measurement business	273	147	2,000
Aviation and other businesses	(151)	(262)	1,000
Total	6,640	5,087	36,000