

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

February 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: Sadamu Kawanaka, General Manager Investor Relations Department
 Telephone Number: +81-422-52-6845
 Planned Quarterly Report Filing Date: February 8, 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 three quarters of the year ending March 31, 2017 (April 1-December 31, 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 three quarters of year ending March 31, 2017	277,101	(8.0)	19,988	(34.4)	22,018	(30.6)	17,126	(28.7)
For first three quarters of year ended March 31, 2016	301,345	7.2	30,457	84.4	31,726	73.7	24,029	86.9

(Note) Comprehensive income: For first three quarters of year ending March 31, 2017 17,575 million yen [(13.7)%]
 For first three quarters of year ended March 31, 2016 20,367 million yen [(31.7)%]

	Basic Earnings per Share	Diluted Earnings per Share
	Yen	Yen
For first three quarters of year ending March 31, 2017	64.13	–
For first three quarters of year ended March 31, 2016	91.11	–

(2) Financial conditions on a consolidated basis

	Total Assets	Net Assets	Shareholders’ Equity Ratio
	Millions of yen	Millions of yen	%
As of December 31, 2016	448,163	257,762	56.0
As of March 31, 2016	413,061	246,895	58.2

(Reference) Shareholders’ equity: As of December 31, 2016: 251,133 million yen As of March 31, 2016: 240,446 million yen

(Note) For the first three quarters of the year ending March 31, 2017, a tentative accounting treatment for the merger of businesses was applied for Industrial Evolution, Inc. and three other companies. The financial conditions on a consolidated basis for the fiscal year ended March 31, 2016 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, 2016	–	12.50	–	12.50	25.00
For year ending March 31, 2017	–	12.50	–		
For year ending March 31, 2017 (forecast)				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	395,000 (4.5)	32,000 (19.3)	31,500 (22.6)	22,000 (27.1)	82.37

(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 three quarters 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 three quarters of the year ending March 31, 2017 1,415,712 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 three quarters of the year ending March 31, 2017 267,060,164 shares
 - For the first three quarters of the year ended March 31, 2016 263,737,243 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 was 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 February 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

The Yokogawa Group's ("the Group") understanding regarding the conditions in its specific markets for the first three quarters of the current fiscal year (April 1, 2016 to December 31, 2016) is as follows.

Although crude oil prices may be bottoming out, market conditions are expected to remain challenging in the energy and materials-related sectors, and investments in resource development projects are being postponed or halted. In addition, while investments by countries such as Japan that import resources and by industries that benefit from lower costs for raw materials and fuels were comparatively firm, a cautious investment stance has been observed in other industries due to the uncertain business outlook. Under such circumstances, the overall economic situation showed little improvement.

For the time being, it will be necessary to closely monitor developments such as sudden changes in foreign exchange rates and the price of crude oil, geopolitical risks, and sudden political and economic changes in major markets. Over the mid- to long-term, the demand for energy and other resources is expected to maintain an upward track, driven by rising populations in developing countries and global economic growth. We thus believe that the overall trend will be one of continued growth in investment in the energy and materials-related markets.

<Initiatives by the Yokogawa Group>

Under these continued harsh circumstances, the Group proactively continued to carry out its business activities based on the Transformation 2017 mid-term business plan, which calls for an accelerated transformation by undertaking cost-reductions and other initiatives that will make it more efficient than ever. These activities include a post-merger integration (PMI) process that has been underway since the acquisition of the UK-based firm KBC Advanced Technologies plc (KBC) was finalized in April of last year.

Despite strong real growth in the Japanese market, net sales for the first three quarters of the fiscal year were down 24.2 billion yen from the same period of the previous fiscal year, due mainly to the effects of the appreciation of the yen and reduced investments in resource development projects outside Japan. Despite cost reduction efforts, operating income fell 10.4 billion yen year on year due to the decline in sales, as well as an increase in one-time costs and the amortization of goodwill following the acquisition of KBC. Moreover, there was a 6.9 billion yen year on year decrease in the profit attributable to owners of parent that can be explained mainly by the aforementioned decrease in operating income.

Business results are as follows.

Unit: billion yen

	First three quarters of FY2015	First three quarters of FY2016	Difference	Change
Net Sales	301.345	277.101	(24.243)	(8.0)%
Operating Income	30.457	19.988	(10.469)	(34.4)%
Ordinary Income	31.726	22.018	(9.708)	(30.6)%
Profit Attributable to Owners of Parent	24.029	17.126	(6.903)	(28.7)%
(Reference) Average rate to 1 U.S. dollar (Yen)	121.63	107.64	(13.99)	(11.5)%

Results by individual segment are outlined below.

<Industrial Automation and Control Business>

Unit: billion yen

	First three quarters of FY2015	First three quarters of FY2016	Difference	Change
Net Sales	269.294	248.376	(20.917)	(7.8)%
Operating Income	28.197	19.225	(8.971)	(31.8)%

Net sales for the industrial automation and control business segment fell 20.9 billion yen year on year due to the appreciation of the yen in markets outside Japan and the sluggish investments in resource development projects. 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. Operating income also fell, decreasing 8.9 billion yen year on year due to the appreciation of the yen, decline in net sales, and the increase in one-time costs and the amortization of goodwill following the acquisition of KBC.

<Test and Measurement Business>

Unit: billion yen

	First three quarters of FY2015	First three quarters of FY2016	Difference	Change
Net Sales	16.781	15.548	(1.232)	(7.3)%
Operating Income	1.758	0.954	(0.803)	(45.7)%

In the test and measurement business segment, net sales and operating income decreased due mainly to the impact of the strong yen.

<Aviation and Other Businesses>

Unit: billion yen

	First three quarters of FY2015	First three quarters of FY2016	Difference	Change
Net Sales	15.269	13.176	(2.093)	(13.7)%
Operating Income	0.502	(0.191)	(0.694)	—

In the aviation and other businesses segment, net sales and operating income decreased due to the effect of the market deterioration in the marine navigation business.

(2) Explanation of financial conditions

In comparison to March 31, 2016, total assets as of December 31, 2016 were up 35.1 billion yen, to 448.1 billion yen, due mainly to the acquisition of KBC. In addition, total liabilities increased by 24.2 billion yen over the same period, to 190.4 billion yen, due mainly to an increase in loans payable following the acquisition of KBC. Also during this time period, net assets increased by 10.8 billion yen, to 257.7 billion yen, due mainly to an increase in retained earnings. As a result, the shareholders' equity ratio was 56.0%, down 2.2 percentage points from March 31, 2016.

(3) Explanation of consolidated business forecast and other expectations

The Company maintains unchanged its revised consolidated business forecast for the year ending March 31, 2017, as announced on November 1, 2016.

<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 were 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 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 Limited (former company name: KBC Advanced Technologies plc). Accordingly, KBC and its 19 subsidiaries are now included in the range of consolidation.

Furthermore, in the second quarter of the fiscal year ending March 31, 2017, Yokogawa Marex Limited was dissolved. Accordingly, the company has been removed from the range of consolidation.

Furthermore, in the first three quarters of the fiscal year ending March 31, 2017, the Company acquired all of the issued shares of its equity-method affiliate Soteica Visual Mesa, LLC. Accordingly, that company and its four subsidiaries are now included in the range of consolidation.

Consequently, the number of consolidated subsidiaries is 111.

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

In the first three quarters of the fiscal year ending March 31, 2017, Soteica Visual Mesa, LLC was included in the range of consolidation and excluded from the range of application of the equity method. As a result, the number of equity-method affiliates of the Company is now three.

3. Consolidated Quarterly Financial Statements

(1) Consolidated quarterly balance sheets

	Millions of yen	
	(Reference) End of FY2015 (March 31, 2016)	End of FY2016 3rd quarter (December 31, 2016)
Assets		
Current assets		
Cash and deposits	65,306	78,623
Notes and accounts receivable - trade	136,933	133,350
Merchandise and finished goods	15,216	16,868
Work in process	8,113	11,752
Raw materials and supplies	10,389	11,238
Other	19,372	19,660
Allowance for doubtful accounts	(2,316)	(2,300)
Total current assets	253,014	269,192
Non-current assets		
Property, plant and equipment		
Buildings and structures, net	48,603	47,322
Other, net	31,764	30,952
Total property, plant and equipment	80,368	78,275
Intangible assets		
Software	18,887	19,104
Goodwill	3,447	17,735
Other	6,566	13,224
Total intangible assets	28,901	50,064
Investments and other assets		
Investment securities	42,718	42,746
Other	8,256	8,080
Allowance for doubtful accounts	(197)	(195)
Total investments and other assets	50,777	50,631
Total non-current assets	160,047	178,971
Total assets	413,061	448,163

Millions of yen

	(Reference) End of FY2015 (March 31, 2016)	End of FY2016 3rd quarter (December 31, 2016)
Liabilities		
Current liabilities		
Notes and accounts payable - trade	34,566	29,948
Short-term loans payable	9,353	20,778
Commercial papers	—	12,000
Accounts payable - other	10,939	7,844
Income taxes payable	4,204	3,877
Advances received	31,898	35,841
Provision for bonuses	16,947	9,418
Provision for loss on construction contracts	4,371	4,455
Other	21,318	27,140
Total current liabilities	133,599	151,304
Non-current liabilities		
Long-term loans payable	21,175	25,116
Net defined benefit liability	4,090	5,041
Other	7,301	8,938
Total non-current liabilities	32,567	39,097
Total liabilities	166,166	190,401
Net assets		
Shareholders' equity		
Capital stock	43,401	43,401
Capital surplus	54,473	54,494
Retained earnings	139,922	150,399
Treasury shares	(1,673)	(1,408)
Total shareholders' equity	236,123	246,886
Accumulated other comprehensive income		
Valuation difference on available-for-sale securities	9,803	11,101
Deferred gains or losses on hedges	(122)	43
Foreign currency translation adjustment	(3,943)	(5,437)
Remeasurements of defined benefit plans	(1,413)	(1,460)
Total accumulated other comprehensive income	4,323	4,246
Non-controlling interests	6,448	6,628
Total net assets	246,895	257,762
Total liabilities and net assets	413,061	448,163

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

	Millions of yen	
	(Reference) First three quarters of FY2015 (April 1-December 31, 2015)	First three quarters of FY2016 (April 1-December 31, 2016)
Net sales	301,345	277,101
Cost of sales	171,484	156,037
Gross profit	129,861	121,063
Selling, general and administrative expenses	99,403	101,075
Operating income	30,457	19,988
Non-operating income		
Interest income	431	360
Dividend income	619	584
Foreign exchange gains	543	891
Share of profit of entities accounted for using equity method	540	613
Other	803	839
Total non-operating income	2,937	3,289
Non-operating expenses		
Interest expenses	773	384
Other	895	876
Total non-operating expenses	1,669	1,260
Ordinary income	31,726	22,018
Extraordinary income		
Gain on sales of non-current assets	829	18
Gain on sales of investment securities	761	1,727
Gain on step acquisitions	—	648
Total extraordinary income	1,590	2,394
Extraordinary losses		
Loss on sales of non-current assets	22	5
Loss on retirement of non-current assets	229	184
Loss on sales of investment securities	—	0
Total extraordinary losses	252	190
Profit before income taxes	33,064	24,222
Income taxes - current	6,999	6,099
Income taxes - deferred	901	381
Total income taxes	7,901	6,481
Profit	25,163	17,741
Profit attributable to non-controlling interests	1,133	614
Profit attributable to owners of parent	24,029	17,126

Consolidated quarterly statements of comprehensive income for the first three quarters of FY2016

	Millions of yen	
	(Reference)	
	First three quarters of FY2015 (April 1-December 31, 2015)	First three quarters of FY2016 (April 1-December 31, 2016)
Profit	25,163	17,741
Other comprehensive income		
Valuation difference on available-for-sale securities	(1,004)	1,302
Deferred gains or losses on hedges	(618)	165
Foreign currency translation adjustment	(3,102)	(1,562)
Remeasurements of defined benefit plans, net of tax	(36)	(46)
Share of other comprehensive income of entities accounted for using equity method	(33)	(25)
Total other comprehensive income	(4,795)	(165)
Comprehensive income	20,367	17,575
Comprehensive income attributable to		
Comprehensive income attributable to owners of parent	19,487	17,049
Comprehensive income attributable to non-controlling interests	879	525

(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 three quarters of FY2015 (April 1-December 31, 2015)	First three quarters of FY2016 (April 1-December 31, 2016)	Change
Industrial automation and control	Net sales to unaffiliated customers	269,294	248,376	(20,917)
	Operating income (loss)	28,197	19,225	(8,971)
Test and measurement	Net sales to unaffiliated customers	16,781	15,548	(1,232)
	Operating income (loss)	1,758	954	(803)
Aviation and other	Net sales to unaffiliated customers	15,269	13,176	(2,093)
	Operating income (loss)	502	(191)	(694)
Consolidated	Net sales to unaffiliated customers	301,345	277,101	(24,243)
	Operating income (loss)	30,457	19,988	(10,469)

[Reference]

Sales by geographical location

Millions of yen

	(Reference) First three quarters of FY2015 (April 1-December 31, 2015)		First three quarters of FY2016 (April 1-December 31, 2016)		Change
	Amount	Composition ratio (%)	Amount	Composition ratio (%)	Amount
Japan	83,336	27.7	85,498	30.9	2,162
Outside Japan	218,008	72.3	191,602	69.1	(26,406)
Asia	75,750	25.1	71,358	25.7	(4,391)
Europe	26,361	8.7	22,301	8.0	(4,059)
North America	31,244	10.4	24,705	8.9	(6,538)
Middle East	34,638	11.5	32,576	11.8	(2,062)
Other	50,013	16.6	40,660	14.7	(9,353)
Consolidated net sales	301,345	100.0	277,101	100.0	(24,243)

(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.

Merger of businesses

Acquisition of company through acquisition of shares

(Finalization of the tentative accounting treatment for merger of businesses)

Concerning KBC Advanced Technologies Limited, whose shares were acquired by the Company in the first quarter of the fiscal year ending March 31, 2017, as acquisition cost allocation had not yet been completed, tentative accounting treatment was performed in the accounting periods for the first quarter and the second quarter of the fiscal year ending March 31, 2017. However, by the end of the period under review, the acquisition cost allocation had been completed and the relevant accounting treatment had been finalized.

The revised amount of goodwill resulting from the completion of the allocation of acquisition costs is as follows.

Items relevant to revision	Revised amount of goodwill (Millions of yen)
Goodwill (before revision)	20,092
Intangible assets	(7,233)
Deferred tax liabilities	1,446
Total revised amount	(5,786)
Goodwill (after revision)	14,305

[Reference]

February 7, 2017
Yokogawa Electric Corporation

Consolidated Financial Statements for the First Three Quarters of FY2016

Millions of yen

	First three quarters of FY2015		First three quarters of FY2016		Change	
	Amount	Ratio to net sales	Amount	Ratio to net sales	Amount	Ratio to net sales
Net Sales	301,345	—	277,101	—	(24,243)	—
Operating Income	30,457	10.1%	19,988	7.2%	(10,469)	(2.9)%
Ordinary Income	31,726	10.5%	22,018	7.9%	(9,708)	(2.6)%
Profit Attributable to Owners of Parent	24,029	8.0%	17,126	6.2%	(6,903)	(1.8)%
Total Assets	426,709		448,163		21,454	
Shareholders' Equity	250,808		257,762		6,953	
Return on Equity	10.5%		7.0%		(3.5)%	
Basic Earnings per Share	91.11 yen		64.13 yen		(26.98) yen	
Capital Investment	10,542		8,746		(1,795)	
Depreciation	11,228		13,561		2,332	
Research and Development Expenses	18,003		19,856		1,852	
Average Exchange Rate during the Period (USD)	121.63 yen		107.64 yen		(13.99) yen	

Consolidated orders by segment

Millions of yen

	First three quarters of FY2015	First three quarters of FY2016	FY2016 full year (forecast)
Industrial automation and control business	283,611	248,918	350,000
Test and measurement business	19,233	16,530	22,000
Aviation and other businesses	14,242	11,304	19,000
Total	317,087	276,753	391,000

Consolidated sales by segment

Millions of yen

	First three quarters of FY2015	First three quarters of FY2016	FY2016 full year (forecast)
Industrial automation and control business	269,294	248,376	350,000
Test and measurement business	16,781	15,548	23,000
Aviation and other businesses	15,269	13,176	22,000
Total	301,345	277,101	395,000

Consolidated operating income by segment

Millions of yen

	First three quarters of FY2015	First three quarters of FY2016	FY2016 full year (forecast)
Industrial automation and control business	28,197	19,225	30,000
Test and measurement business	1,758	954	1,500
Aviation and other businesses	502	(191)	500
Total	30,457	19,988	32,000