

**Consolidated Financial Results for the First Quarter of the Fiscal Year Ending March 31, 2020
(Japan GAAP)**

August 6, 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: Hitoshi Nara, 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: August 7, 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 quarter of the year ending March 31, 2020 (April 1-June 30, 2019)

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

(Percentages show the change from the same period of the previous year.)

	Net Sales		Operating Profit		Ordinary Profit		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, 2020	90,271	1.5	6,570	37.5	6,760	20.5	2,100	(37.7)
For first quarter of year ended March 31, 2019	88,945	3.3	4,780	89.1	5,610	93.5	3,370	2.2

(Note) Comprehensive income: For first quarter of year ending March 31, 2020 (2,226) million yen [–%]
 For first quarter of year ended March 31, 2019 3,820 million yen [(36.7)%]

	Basic Earnings per Share	Diluted Earnings per Share
	Yen	Yen
For first quarter of year ending March 31, 2020	7.87	–
For first quarter of year ended March 31, 2019	12.61	–

(2) Financial conditions on a consolidated basis

	Total Assets	Net Assets	Shareholders’ Equity Ratio
	Millions of yen	Millions of yen	%
As of June 30, 2019	465,698	289,316	60.8
As of March 31, 2019	470,114	296,150	61.7

(Reference) Shareholders’ equity: As of June 30, 2019: 282,905 million yen As of March 31, 2019: 289,859 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, 2019	–	15.00	–	17.00	32.00
For year ending March 31, 2020	–	–	–	–	–
For year ending March 31, 2020 (forecast)	–	17.00	–	17.00	34.00

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

3. Business forecast for the year ending March 31, 2020 (April 1, 2019-March 31, 2020)

(Percentages show the change from the previous year.)

	Net Sales		Operating Profit		Ordinary Profit		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	420,000	4.0	40,000	15.6	40,000	8.8	29,000	1.9	108.64	

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

The Company’s net sales and operating profit 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 quarter of the year ending March 31, 2020 | 268,624,510 shares |
| For the year ended March 31, 2019 | 268,624,510 shares |
| b. Treasury shares at the end of the period | |
| For the first quarter of the year ending March 31, 2020 | 1,689,503 shares |
| For the year ended March 31, 2019 | 1,689,149 shares |
| c. Average number of shares in the period (quarterly consolidated accumulated period) | |
| For the first quarter of the year ending March 31, 2020 | 266,935,076 shares |
| For the first quarter of the year ended March 31, 2019 | 267,226,924 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 August 6, 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 quarter of the current fiscal year (April 1, 2019 to June 30, 2019), the Yokogawa Group (“the Group”) worked toward the three reforms 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” based on the “Transformation 2020” mid-term business plan, which is now in its second year. Furthermore, as the foundation for all these reform initiatives, the Group worked toward “creating opportunity for growth” and “establishing a foundation for growth” using “digital transformation,” which makes full use of digital technology, as the driving force of value creation.

In terms of the Group’s business performance during the first quarter, mainly the industrial automation and control business was firm, which led to increased revenue and increased operating profit year on year. Net sales were robust, particularly overseas, increasing 1.3 billion yen year on year. Operating profit was up 1.7 billion yen year on year on account of increased revenues and improvements in the gross profit margin ratio. However, profit attributable to owners of parent decreased 1.2 billion yen year on year due mainly to recording extraordinary losses of 3.0 billion yen as a provision for reinforcing measures against soft errors in order to further reinforce soft error* measures and support for customers.

*Soft error

Due to effects of cosmic ray neutrons, semiconductor components may suffer a transient abnormality that is called a “soft error.” This soft error is the symptom that data on a storage element is reversed. The soft error differs from permanent failure of hardware, as it is only a data inversion, and returns to normal operation by rewriting with the correct data.

Soft errors are generated more frequently due to excessive influence of cosmic ray neutrons, as the semiconductor devices being used become more highly integrated and miniaturized. This is also an urgent issue in other industries, and the Group is working on analysis and research.

Business results are as follows.

Unit: billion yen

	First quarter of FY2018	First quarter of FY2019	Difference	Change
Net Sales	88.945	90.271	1.325	1.5%
Operating Profit	4.780	6.570	1.790	37.5%
Ordinary Profit	5.610	6.760	1.149	20.5%
Profit Attributable to Owners of Parent	3.370	2.100	(1.270)	(37.7)%
(Reference) Average rate to 1 U.S. dollar (Yen)	109.53	109.67	0.14	—

Results by individual segment are outlined below.

<Industrial Automation and Control Business>

Unit: billion yen

	First quarter of FY2018	First quarter of FY2019	Difference	Change
Net Sales	80.684	82.903	2.219	2.8%
Operating Profit	5.127	6.661	1.533	29.9%

Net sales for the industrial automation and control business segment increased 2.2 billion yen year on year mainly due to robust operating performance particularly overseas. Operating profit rose 1.5 billion yen year on year due to the rise in net sales and the improvements in the gross profit margin ratio.

<Test and Measurement Business>

Unit: billion yen

	First quarter of FY2018	First quarter of FY2019	Difference	Change
Net Sales	4.845	5.372	0.527	10.9%
Operating Profit	0.358	0.081	(0.276)	(77.2)%

In the test and measurement business segment, while net sales centered on measuring instruments business remained strong, the effects of upfront investment to establish the life innovation business, etc., led operating profit to decrease 0.2 billion yen year on year.

<Aviation and Other Businesses>

Unit: billion yen

	First quarter of FY2018	First quarter of FY2019	Difference	Change
Net Sales	3.416	1.995	(1.420)	(41.6)%
Operating Profit	(0.705)	(0.171)	0.533	—

In the aviation and other businesses segment, the transfer of subsidiaries led net sales to decrease but due to reductions in selling, general, and administrative expenses, etc. the operating profit increased.

(2) Explanation of financial conditions

In comparison to March 31, 2019, total assets as of June 30, 2019, were down 4.4 billion yen to 465.6 billion yen, due to a decrease in notes and accounts receivable – trade, despite an increase in other in property, plant and equipment due to the application of IFRS 16 (Leases) as stipulated in “Changes in accounting policies.” In addition, total liabilities increased by 2.4 billion yen over the same period to 176.3 billion yen, due to increases in other current liabilities and other non-current liabilities due to the application of IFRS 16 (Leases), despite decreases in notes and accounts payable – trade, and provision for bonuses. Also during this time period, net assets decreased by 6.8 billion yen to 289.3 billion yen, due mainly to a decrease in foreign currency translation adjustment. As a result, the shareholders’ equity ratio was 60.8%, down 0.9 percentage points from the end of the previous fiscal year.

(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, 2020, which was announced on May 8, 2019. 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 the Middle East and East Asia, etc.
- Changes in the business environment such as revisions to trade regulations
- Dramatic shifts in product supply and demand in the market
- 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

	(Reference) End of FY2018 (March 31, 2019)	End of FY2019 1st quarter (June 30, 2019)
Millions of yen		
Assets		
Current assets		
Cash and deposits	86,515	83,165
Notes and accounts receivable - trade	171,084	162,691
Merchandise and finished goods	13,092	14,201
Work in process	9,126	10,400
Raw materials and supplies	14,622	15,293
Other	16,250	15,124
Allowance for doubtful accounts	(4,130)	(3,941)
Total current assets	306,560	296,936
Non-current assets		
Property, plant and equipment		
Buildings and structures, net	45,721	45,091
Other	29,420	36,117
Total property, plant and equipment	75,141	81,208
Intangible assets		
Software	15,798	15,198
Goodwill	6,608	6,099
Other	11,650	10,913
Total intangible assets	34,057	32,211
Investments and other assets		
Investment securities	42,550	43,199
Other	13,820	14,105
Allowance for doubtful accounts	(2,016)	(1,962)
Total investments and other assets	54,354	55,341
Total non-current assets	163,553	168,762
Total assets	470,114	465,698

Millions of yen

	(Reference) End of FY2018 (March 31, 2019)	End of FY2019 1st quarter (June 30, 2019)
Liabilities		
Current liabilities		
Notes and accounts payable - trade	25,130	22,220
Electronically recorded obligations - operating	9,966	10,980
Short-term borrowings	13,832	13,654
Accounts payable – other	13,530	17,590
Income taxes payable	4,332	3,738
Advances received	36,891	36,613
Provision for bonuses	15,538	7,411
Provision for loss on construction contracts	7,806	7,161
Provision for reinforcing measures against soft errors	–	471
Other	20,639	22,465
Total current liabilities	147,669	142,308
Non-current liabilities		
Long-term borrowings	18,670	18,672
Retirement benefit liability	4,050	3,995
Provision for reinforcing measures against soft errors	–	2,578
Other	3,572	8,827
Total non-current liabilities	26,293	34,073
Total liabilities	173,963	176,382
Net assets		
Shareholders' equity		
Share capital	43,401	43,401
Capital surplus	54,602	54,602
Retained earnings	193,468	191,031
Treasury shares	(1,397)	(1,398)
Total shareholders' equity	290,074	287,636
Accumulated other comprehensive income		
Valuation difference on available-for-sale securities	9,431	8,688
Deferred gains or losses on hedges	20	4
Foreign currency translation adjustment	(8,314)	(12,121)
Remeasurements of defined benefit plans	(1,351)	(1,302)
Total accumulated other comprehensive income	(214)	(4,730)
Non-controlling interests	6,290	6,410
Total net assets	296,150	289,316
Total liabilities and net assets	470,114	465,698

(2) Consolidated quarterly statements of income and statements of comprehensive income
Consolidated quarterly statements of income for the first quarter of FY2019

Millions of yen

	(Reference) First quarter of FY2018 (April 1-June 30, 2018)	First quarter of FY2019 (April 1-June 30, 2019)
Net sales	88,945	90,271
Cost of sales	50,535	49,748
Gross profit	38,410	40,522
Selling, general and administrative expenses	33,630	33,951
Operating profit	4,780	6,570
Non-operating income		
Interest income	131	145
Dividend income	295	333
Share of profit of entities accounted for using equity method	184	454
Foreign exchange gains	95	–
Other	385	250
Total non-operating income	1,093	1,183
Non-operating expenses		
Interest expenses	58	125
Foreign exchange losses	–	513
Other	204	355
Total non-operating expenses	262	994
Ordinary profit	5,610	6,760
Extraordinary income		
Gain on sales of non-current assets	1	80
Gain on sales of investment securities	428	13
Gain on sale of businesses	–	*1 823
Total extraordinary income	430	918
Extraordinary losses		
Loss on sales of non-current assets	1	8
Loss on retirement of non-current assets	30	97
Provision for reinforcing measures against soft errors	–	*2 3,049
Total extraordinary losses	31	3,155
Profit before income taxes	6,009	4,523
Income taxes – current	2,436	2,122
Income taxes – deferred	(210)	(73)
Total income taxes	2,225	2,048
Profit	3,783	2,474
Profit attributable to non-controlling interests	413	374
Profit attributable to owners of parent	3,370	2,100

Consolidated quarterly statements of comprehensive income for the first quarter of FY2019

	Millions of yen	
	(Reference) First quarter of FY2018 (April 1-June 30, 2018)	First quarter of FY2019 (April 1-June 30, 2019)
Profit	3,783	2,474
Other comprehensive income		
Valuation difference on available-for-sale securities	(260)	(745)
Deferred gains or losses on hedges	105	(15)
Foreign currency translation adjustment	262	(3,888)
Remeasurements of defined benefit plans, net of tax	(64)	49
Share of other comprehensive income of entities accounted for using equity method	(6)	(101)
Total other comprehensive income	36	(4,701)
Comprehensive income	3,820	(2,226)
Comprehensive income attributable to		
Comprehensive income attributable to owners of parent	3,445	(2,415)
Comprehensive income attributable to non-controlling interests	374	188

(3) Notes on consolidated quarterly financial statements

Notes for going concern

Not applicable

Consolidated quarterly statements of income

*1 Gain on sale of businesses

This gain relates to the transfer of the plastic vortex flow sensors business.

*2 Provision for reinforcing measures against soft errors

This provision is the amount of projected expenses incurred with the reinforcement of soft error measures and support for customers.

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

Not applicable

Changes in accounting policies

The Group's consolidated subsidiaries outside Japan have adopted IFRS 16 (Leases) from the first quarter of the fiscal year ending March 31, 2020. Due to the application of this accounting standard, for lease transactions as a lessee, in principle, along with recognizing right-of-use assets and lease liabilities, the Group is recording the depreciation of the right-of-use assets and interest expenses related to the lease liabilities.

As a result, for the first quarter of the current fiscal year, other in property, plant and equipment increased by 7,450 million yen, other current liabilities increased by 2,022 million yen, and other non-current liabilities increased by 5,414 million yen. The impact of this change on the consolidated quarterly statements of income is insignificant.

In the application of IFRS 16, the Group has adopted the method where the cumulative effect of applying this standard is recognized at the date of initial application, subject to the transitional treatment.

Segment information

Segment sales and profits (losses)

Millions of yen

		(Reference) First quarter of FY2018 (April 1-June 30, 2018)	First quarter of FY2019 (April 1-June 30, 2019)	Change
Industrial automation and control	Net sales to unaffiliated customers	80,684	82,903	2,219
	Operating profit (loss)	5,127	6,661	1,533
Test and measurement	Net sales to unaffiliated customers	4,845	5,372	527
	Operating profit (loss)	358	81	(276)
Aviation and other	Net sales to unaffiliated customers	3,416	1,995	(1,420)
	Operating profit (loss)	(705)	(171)	533
Consolidated	Net sales to unaffiliated customers	88,945	90,271	1,325
	Operating profit (loss)	4,780	6,570	1,790

[Reference]

Sales by geographical location

Millions of yen

	(Reference) First quarter of FY2018 (April 1-June 30, 2018)		First quarter of FY2019 (April 1-June 30, 2019)		Change
	Amount	Composition ratio (%)	Amount	Composition ratio (%)	Amount
Japan	25,768	29.0	25,010	27.7	(758)
Outside Japan	63,177	71.0	65,260	72.3	2,083
Southeast Asia, Far East	16,510	18.6	15,994	17.7	(516)
China	11,317	12.7	9,645	10.7	(1,672)
India	2,131	2.4	3,414	3.8	1,283
Europe	7,501	8.4	7,878	8.7	376
Russia	4,845	5.4	4,784	5.3	(61)
North America	7,702	8.7	8,030	8.9	327
Middle East, Africa	11,527	13.0	13,280	14.7	1,752
Central and South America	1,640	1.8	2,232	2.5	592
Consolidated net sales	88,945	100.0	90,271	100.0	1,325

[Reference]

August 6, 2019
Yokogawa Electric Corporation

Consolidated Financial Statements for the First Quarter of FY2019

Millions of yen

	First quarter of FY2018		First quarter of FY2019		Change	
	Amount	Ratio to net sales	Amount	Ratio to net sales	Amount	Ratio to net sales
Net Sales	88,945	–	90,271	–	1,325	–
Operating Profit	4,780	5.4%	6,570	7.3%	1,790	1.9%
Ordinary Profit	5,610	6.3%	6,760	7.5%	1,149	1.2%
Profit Attributable to Owners of Parent	3,370	3.8%	2,100	2.3%	(1,270)	(1.5)%
Total Assets	443,393		465,698		22,305	
Net Assets	278,262		289,316		11,053	
Return on Equity	1.2%		0.7%		(0.5)%	
Basic Earnings per Share	12.61 yen		7.87 yen		(4.74) yen	
Capital Investment	2,167		2,363		196	
Depreciation	4,273		4,603		329	
Research and Development Expenses	6,247		6,210		(37)	
Average Exchange Rate during the Period (USD)	109.53 yen		109.67 yen		0.14 yen	

Consolidated orders by segment

Millions of yen

	First quarter of FY2018	First quarter of FY2019	FY2019 full year (forecast)
Industrial automation and control business	91,185	95,728	400,000
Test and measurement business	5,785	6,495	24,000
Aviation and other businesses	5,064	1,970	6,000
Total	102,034	104,193	430,000

Consolidated sales by segment

Millions of yen

	First quarter of FY2018	First quarter of FY2019	FY2019 full year (forecast)
Industrial automation and control business	80,684	82,903	387,000
Test and measurement business	4,845	5,372	24,000
Aviation and other businesses	3,416	1,995	9,000
Total	88,945	90,271	420,000

Consolidated operating profit by segment

Millions of yen

	First quarter of FY2018	First quarter of FY2019	FY2019 full year (forecast)
Industrial automation and control business	5,127	6,661	39,000
Test and measurement business	358	81	1,500
Aviation and other businesses	(705)	(171)	(500)
Total	4,780	6,570	40,000