Name of Listed Company: Yokogawa Electric Corporation
(URL: https://www.yokogawa.com) (Stock code: 6841, listed in TSE 1st section)
Name and Position of the Representative:
Hitoshi Nara, President and Chief Executive Officer
Name and Position of the Person in Charge:
Hirohiko Nakatani, Department Manager of Treasury & IR Department
Telephone Number: +81-422-52-6845

February 4, 2020

Notice Regarding the Recording of Extraordinary Losses (Impairment Loss) and Adjustments to the Consolidated Business Forecast for the Year Ending March 31, 2020

Yokogawa Electric Corporation ("the Company"), in its consolidated financial results for the first three quarters of the fiscal year ending March 31, 2020, recorded extraordinary losses (impairment loss) as follows. Accordingly, the Company announces that its Board of Directors has resolved on this date to make the following adjustments to its consolidated business forecast for the year ending March 31, 2020 as announced on May 8, 2019.

1. Regarding the Recording of Extraordinary Losses (Impairment Loss)

The business plan with regard to KBC Advanced Technologies Limited ("KBC"), our UK subsidiary acquired in April 2016, is progressing slower than originally planned, due to changes in the business environment after the acquisition including a rapid decline in oil prices. While orders received have thereafter shown an improvement trend in the current fiscal year under the new business plans formulated based on the outlook of improvement in the business environment, earnings under the plan remain unfavorable.

Under such circumstances, the Company carefully examined the recoverable amounts in consideration of the progress on KBC's current business plans and the future business outlook. As a result, we recorded 5,600 million yen in impairment loss including goodwill as extraordinary losses for the first three quarters thereof.

2. Regarding the Business Forecast

Adjustments to the figures in the consolidated business forecast for the year ending March 31, 2020 (April 1, 2019–March 31, 2020)

	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
Previously announced forecast (A)	420,000	40,000	40,000	29,000	108.64
Revised forecast (B)	408,000	38,000	38,000	18,000	67.43
Difference (B-A)	(12,000)	(2,000)	(2,000)	(11,000)	—
Change (%)	(2.9)	(5.0)	(5.0)	(37.9)	—
(Reference) Results for fiscal year ended March 31, 2019	403,711	34,594	36,770	28,446	106.54

<Exchange rate assumption for full year>

	Previously announced forecast (May 8, 2019)	Revised forecast (February 4, 2020)
Average rate to 1 U.S. dollar	110 yen	109 yen
Average rate to 1 euro	130 yen	121 yen

Reasons for Adjustments

While net sales for the industrial automation and control business was firm as a whole, we adjusted our forecast to 408,000 million yen, down 12,000 million yen, mainly by considering the effects of foreign exchange fluctuations. We also revised our operating income forecast and ordinary income forecast to 38,000 million yen, respectively, down 2,000 million yen, in accordance with the revision of our net sales forecast.

Regarding the forecast for profit attributable to owners of parent, we adjusted the figure to 18,000 million, down 11,000 million yen, mainly due to the recording of extraordinary losses stated above, in addition to the revision of our operating income and ordinary income forecasts.

3. Dividend Forecast

Regarding our year-end dividend forecast, based on the Company's policy on appropriation of profit announced at the start of the year, "The distribution of earnings to shareholders is a top management priority for the Company. By achieving growth in earnings, we aim to steadily increase our dividend payments. While giving overall consideration to our business results, the need to secure investment funds for maximizing mid- to long-term shareholder value, and maintain the financial base supporting growth investment, we will strive to secure a consolidated dividend payout ratio in excess of 30%. Furthermore, we will maintain a stable dividend based on the shareholders' equity ratio, even when business results deteriorate due to temporary factors." taking into consideration our business results and cash flow, the need to secure an internal reserve for mid- to long-term investment, and the overall financial health of the Company, we have made no change to the year-end dividend of 17.00 yen per share announced on May 8, 2019.

	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	—	17.00	—		
For year ending March 31, 2020 (forecast)				17.00	34.00

(Note) Adjustment on dividend forecast most recently announced: No

4. Future Efforts

In addition to the integrated effects of sharing customer base and sharing products, services and solutions in which achievements is already beginning to emerge through our joint business activities with KBC, we are proceeding with the development of new solutions through the fusion of technologies, knowledge and human resources of those two companies, and are performing activities with the aim of further expanding the integrated effect.

KBC's technologies, knowledge and human resources are essential to our growth strategy through OPEX* business expansion, along with the realization of digital transformation in the "Transformation 2020" mid-term business plan for which we are currently working. We will expand the "new OPEX solutions business" by effectively fusing KBC's consulting capability and technologies to our strengths.

*OPEX: Operating Expenditure