Consolidated Results for the First Three Quarters of the Fiscal Year Ending March 20, 2017

[Japan GAAP]

January 23, 2017

Listed company name: YASKAWA Electric Corporation
https://www.yaskawa.co.jp/en/
Representative: Hiroshi Ogasawara, Representative Director, President
Stock exchange listings: Tokyo (First section), Fukuoka
Stock ticker number: 6506

(Note: This document is a summarized translation of the financial statement submitted to the Tokyo Stock Exchange and Fukuoka Stock Exchange for the period stated above. Figures under ¥1 million are rounded down.)

1. Summary of Consolidated Results for the First Three Quarters of the Fiscal Year Ending March 20, 2017 (March 21, 2016 to December 20, 2016)

(1) Consolidated Statements of Income

(Millions of yen, except ratio and per share data)

	Nine months ended December 20, 2016	Change	Nine months ended December 20, 2015	Change
Net sales	284,679	(7.1)%	306,421	6.6%
Operating income	21,618	(20.5)%	27,190	23.3%
Ordinary income	22,491	(18.6)%	27,613	15.9%
Profit attributable to owners parent	14,721	(19.3)%	18,245	1.9%
Earnings per share (basic, Yen)	55.28	-	69.30	-
Earnings per share (diluted, Yen)	-	-	68.65	-

Note1: Earnings per share (diluted) for the nine months ended December 20, 2016 is not shown as there is no dilutive shares.

Note2:	Nine months ended December 20, 2016	Change	Nine months ended December 20, 2015	Change
Comprehensive income (Millions of yen)	14,351	(19.3)%	17,774	(43.1)%

(2) Consolidated Financial Position

(Millions of yen, except ratio)

	As of December 20, 2016	As of March 20, 2016
Total assets	380,653	373,533
Net assets	192,904	183,901
Shareholders' equity ratio (%)	50.0	48.5

Reference: Shareholders' equity
As of December 20, 2016: ¥190,298 million
As of March 20, 2016: ¥181,281 million

2. Dividends

		Year ended March 20, 2016	Year ending March 20, 2017	Year ending March 20, 2017 (forecast)
Dividends per share (Yen)	End of 1Q	-	-	-
	End of 2Q	10.00	10.00	-
	End of 3Q	-	-	-
	Year-end	10.00	-	10.00
	Annual total	20.00	-	20.00

Note: Revisions to the most recently announced dividend forecast: None

3. Projected Consolidated Results for the Fiscal Year Ending March 20, 2017 (from March 21, 2016 to March 20, 2017)

Projected consolidated results are revised as follows based on the nine months results and the order trends in the core segments.

(Millions of yen, except per share data)

	Year ending March 20, 2017	Change
Net sales	395,000	(4.0)%
Operating income	31,000	(15.6)%
Ordinary income	31,500	(12.1)%
Profit attributable to owners parent	20,000	(10.6)%
Earnings per share (Yen)	75.10	-

Note: Revisions to the most recently announced sales and earnings forecast: Yes
Reference: These forecasts are based on average exchange rate assumptions of 1 USD = 115 JPY and 1 EUR = 120 JPY during the period from December 21, 2016 to March 20, 2017.

***Notes:**

(1) Major change in scope of consolidation: None

(2) Use of accounting methods that are specific to the preparation of the quarterly consolidated financial statements: None

(3) Changes in accounting policies, changes in accounting estimates, and restatements:

1. Changes in accounting policies accompanying revisions in accounting standards: Yes
2. Changes other than in 1.: Yes
3. Changes in accounting estimates: Yes
4. Restatements: None

Note: Please refer to “(3) Changes in accounting policies, changes in accounting estimates, and restatements” of “5. Notes to Summary Information” on page 4.

(4) Number of Common Shares Outstanding

1. The number of shares outstanding including treasury shares:
   As of December 20, 2016: 266,690,497 shares
   As of March 20, 2016: 266,690,497 shares
2. The number of treasury shares:
   As of December 20, 2016: 386,793 shares
   As of March 20, 2016: 400,990 shares
3. Average during period (quarter cumulative):
   Nine months ended December 20, 2016: 266,292,475 shares
   Nine months ended December 20, 2015: 263,290,993 shares

*Information concerning implementation status of quarterly review procedure
This quarterly financial report is not subject to the quarterly review procedure prescribed by the Financial Instruments and Exchange Act. The review procedure for the quarterly consolidated financial statements had not been completed when this report was released.

*About the appropriate use of business forecasts
Forward-looking statements in these materials are based on information available to management at the time this report was prepared and assumptions that management believes are reasonable. Actual results may differ from these statements for a number of reasons.

Supplementary materials on 3Q results will be available on our website.

4. Qualitative Information on Quarterly Results

Business performance of the first nine months of the fiscal year 2016 (Fiscal year ending March 20, 2017)

- The business environment surrounding the Yaskawa Group was generally positive although there was instability in overseas economic conditions.
- In the U.S., the low crude oil prices led to a decline in capital expenditures in energy-related industries, however, consumer spending continued growing steadily because of the improvement in the job market and income environment.
- The European economy saw gradual recovery as the downside risk of global economies arisen by the BREXIT issue turned out to be limited.
- Market conditions in China were brisk because sophistication and automation of production facilities were aggressively promoted
- The overall Japanese economy was on a moderate recovery trend, as the yen, which rose in the first half, depreciated in the third quarter.
- Under these market conditions, the Yaskawa Group aimed to expand business by developing new business in the clean power area, and by improving competitiveness and profitability by launching new products, but rapid appreciation of the yen had a major negative impact on its business results.

  The business performance of each business segment for the first nine months of fiscal 2016 is as follows.

(Millions of yen, except ratio)

	Nine months ended December 20, 2016	
Business segment	Net sales (change from the corresponding period of previous fiscal year)	Operating income (loss) (change from the corresponding period of previous fiscal year)
Motion Control	134,743 (down by 6.3%)	15,544 (down by 10.5%)
Robotics	102,050 (down by 10.7%)	7,928 (down by 35.3%)
System Engineering	31,190 (up by 13.8%)	(773) (-)
Other	16,694 (down by 20.0%)	(140) (-)

Motion Control

- Motion Control segment is comprised of 2 main businesses; AC servo motor and AC drive.
- AC servo sales were robust due to the continued strong demand for capital expenditures in smartphone- and automotive-related industries especially in China. The profitability improved from the corresponding period last year because of the progress in switching to the new product "Σ-7" series and the effect of local production in China.
- AC drive business saw sluggish growth in sales as the demand in oil and gas related industries and for PV inverters in Japan stayed stagnant, while the export-related market in China showed a sign of recovery.
- Both sales and operating income of the segment decreased from the same period last year, because of the effect of yen’s appreciation.

Robotics

- In the automotive related field for our main products of welding and painting applications, and so on, the global demand was firm especially in Japan and Europe.
- We focused our efforts on sales activities to expand robot application in non-automotive general industries such as food, medical and cosmetics industries in Japan, as well as 3C (computer, communication and consumer) markets in China.
- Both sales and operating income of the segment decreased from the same period last year, because of the effect of yen's appreciation.

System Engineering

- The profitability of the segment improved as we captured the demand for facility renovation while the new demand remained weak in the steel plant and social system business.
- The segment aimed at expanding the fields of its clean power business by acquisition of R&D and manufacturing sections of marine drive products of Wärtsilä Norway.
- The sales increased from the same period last year, and operating loss decreased accordingly.

Other

- The Group's information technology business and logistics business are included in this segment.
- The net sales decreased from the same period last year, and the operating loss accrued. The main reasons are restructuring of related subsidiaries and enhancement in the sales function of new businesses.

5. Notes to Summary Information

(1) Major change in scope of consolidation
None

(2) Use of accounting methods that are specific to the preparation of the quarterly consolidated financial statements
None

(3) Changes in accounting policies, changes in accounting estimates, and restatements
Changes in accounting policy

(Application of accounting standards related to business combination)

Beginning with the first quarter consolidated accounting period, the Group adopted the provisions of the Accounting Standards for Corporate Combination (ASBJ Statement No. 21, September 13, 2013), the Accounting Standards for Consolidated Financial Statements (ASBJ Statement No. 22, September 13, 2013), and the Accounting Standards for Business Divestitures (ASBJ Statement No. 7, September 13, 2013). As a result of this change in accounting policy, differences resulting from the changes in Group holdings in subsidiaries remaining under Group control are recorded as capital surplus and expenses related to acquisition are recorded as expenses for the first quarter consolidated accounting period in which they were incurred. The accounting standard for business combination occurring after the beginning of the first quarter consolidated accounting period was changed to a method that reflects a review of the distribution of acquisition costs based on the finalization of provisional accounting treatments onto the consolidated financial statements for the first quarter consolidated accounting period in which the business combination date occurs. Furthermore, we changed how profit is represented and changed from an indication of minority interests to an indication of non-controlling interests and rearranged quarterly consolidated financial statements and consolidated financial statement of the first nine months of the last consolidated accounting period and the last consolidated fiscal year to reflect the changes of indication.

"Proceeds from changes in ownership interests in subsidiaries that do not result in change in scope of consolidation" and "Payments from changes in ownership interests in subsidiaries that do not result in change in scope of consolidation" are shown in Cash flows from financing activities of Consolidated Statements of Cash Flow of the first nine months of the consolidated accounting period. "Purchase of investment of subsidiaries resulting in change in scope of consolidation" and "Purchase and sale of shares of subsidiaries" are shown in Cash flows from operating activities of Consolidated Statements of Cash Flow of the first nine months of the consolidated accounting period.

The application of the Accounting Standard for Business Combination is subject to transitional treatment as outlined in Accounting Standard for Business Combination Paragraph 58-2 (4), Accounting Standard for Consolidated Financial Statements Paragraph 44-5 (4), and Accounting Standard for Business Divestitures Paragraph 57-4 (4). As such, the application of these standards is implemented from the start of the current consolidated fiscal year.

The impact of these changes on income for the first nine months is expected to be minor.

Changes in accounting policies to be distinguished from changes in accounting estimates

(Change in depreciation method for depreciable assets)

Previously, the declining-balance method of accounting was used to calculate the depreciation of tangible fixed assets belonging to our company and some of the consolidated subsidiaries. However, this was changed to the straight-line method from the first quarter consolidated accounting period.

Under a management policy of further promoting glocal management, our group is enhancing its overseas production system, as we see our overseas sales ratio increasing from year to year. In these circumstances as well as the occasion of formulating a new mid-term business plan "Dash 25" as the first step of our new long-term business plan "2025 Vision," we reviewed future production plans and the status of operations at production facilities in Japan, and found that production facilities in Japan are expected to continue to operate stably, and we have therefore judged to adopt the straight-line method as the depreciation method for tangible fixed assets in Japan (excluding leased assets) will make periodic profit or loss calculations more rational.

The impact of these changes on income for the first nine months is expected to be minor.

Consolidated Financial Statements

(1) Consolidated Balance Sheets

(Millions of yen)

	As of March 20, 2016	As of December 20, 2016
Assets		
Current assets		
Cash and deposits	31,712	30,046
Notes and accounts receivable — trade	117,834	119,569
Merchandise and finished goods	50,052	52,556
Work in process	11,140	14,371
Raw materials and supplies	16,401	17,432
Other	24,011	22,372
Allowance for doubtful accounts	(2,495)	(2,030)
Total current assets	248,656	254,318
Non-current assets		
Property, plant and equipment	61,001	61,491
Intangible assets		
Goodwill	5,037	4,342
Other	20,425	20,194
Total intangible assets	25,463	24,536
Investments and other assets		
Other	38,652	40,521
Allowance for doubtful accounts	(240)	(215)
Total investments and other assets	38,412	40,306
Total non-current assets	124,876	126,334
Total assets	373,533	380,653

(Millions of yen)

	As of March 20, 2016	As of December 20, 2016
Liabilities		
Current liabilities		
Notes and accounts payable — trade	62,672	67,579
Short-term loans payable	27,853	23,207
Provision for directors' bonuses	58	47
Other	42,193	44,563
Total current liabilities	132,778	135,397
Non-current liabilities		
Long-term loans payable	19,466	15,952
Provision for directors' retirement benefits	189	173
Net defined benefit liability	31,204	30,081
Other	5,993	6,143
Total non-current liabilities	56,853	52,351
Total liabilities	189,632	187,749
Net assets		
Shareholders' equity		
Capital stock	30,562	30,562
Capital surplus	27,705	27,704
Retained earnings	117,268	126,931
Treasury shares	(246)	(247)
Total shareholders' equity	175,288	184,951
Accumulated other comprehensive income		
Valuation difference on available-for-sale securities	6,020	7,994
Deferred gains or losses on hedges	8	93
Foreign currency translation adjustment	4,104	493
Remeasurements of defined benefit plans	(4,141)	(3,234)
Total accumulated other comprehensive income	5,992	5,347
Non-controlling interests	2,620	2,605
Total net assets	183,901	192,904
Total liabilities and net assets	373,533	380,653

(2) Consolidated Statements of Income and Consolidated Statements of Comprehensive Income

(Millions of yen)

	Nine months ended December 20, 2015	Nine months ended December 20, 2016
Net sales	306,421	284,679
Cost of sales	204,438	193,892
Gross profit	101,982	90,786
Selling, general and administrative expenses	74,792	69,168
Operating income	27,190	21,618
Non-operating income		
Interest income	161	139
Dividend income	675	329
Share of profit of entities accounted for using equity method	848	1,323
Subsidy income	467	230
Other	190	146
Total non-operating income	2,343	2,169
Non-operating expenses		
Interest expenses	633	444
Foreign exchange losses	919	703
Other	367	148
Total non-operating expenses	1,920	1,296
Ordinary income	27,613	22,491
Extraordinary income		
Gain on sales of non-current assets	17	27
Gain on sales of investment securities	105	0
Gain on sales of shares of subsidiaries and associates	28	—
Gain on extinguishment of tie-in shares	119	—
Total extraordinary income	271	27
Extraordinary losses		
Loss on sales and retirement of non-current assets	216	193
Loss on valuation of investment securities	283	439
Loss on sales of investment securities	0	—
Loss on sales of shares of subsidiaries and associates	177	193
Loss on sales of investments in capital	73	36
Impairment loss	—	49
Other	—	0
Total extraordinary losses	751	914
Income before income taxes and minority interests	27,133	21,604
Income taxes — current	6,153	5,894
Income taxes — deferred	1,949	574
Total income taxes	8,102	6,468
Profit	19,030	15,135
Profit attributable to non-controlling interests	785	413
Profit attributable to owners of parent	18,245	14,721

(Consolidated Statements of Comprehensive Income)

(Millions of yen)

	Nine months ended December 20, 2015	Nine months ended December 20, 2016
Profit	19,030	15,135
Other comprehensive income		
Valuation difference on available-for-sale securities	(1,160)	1,982
Deferred gains or losses on hedges	—	117
Foreign currency translation adjustment	(702)	(3,358)
Remeasurements of defined benefit plans, net of tax	578	893
Share of other comprehensive income of entities accounted for using equity method	27	(419)
Total other comprehensive income	(1,256)	(784)
Comprehensive income	17,774	14,351
Comprehensive income attributable to		
Comprehensive income attributable to owners of parent	16,989	14,066
Comprehensive income attributable to non-controlling interests	785	284

(3) Consolidated Statements of Cash Flows

(Millions of yen)

	Nine months ended December 20, 2015	Nine months ended December 20, 2016
Cash flows from operating activities		
Income before income taxes and minority interests	27,133	21,604
Depreciation	9,621	8,943
Impairment loss	—	49
Amortization of goodwill	932	872
Decrease in allowance for doubtful accounts	(720)	(388)
Decrease in provision for retirement benefits	(1,221)	(1,074)
Increase (decrease) in provision for directors' retirement benefits	24	(25)
Loss on sales and retirement of non-current assets	199	166
Gain on sales of investment securities	(105)	(0)
Loss on sales of shares of subsidiaries and associates	148	193
Loss on sales of investment in capital of subsidiaries and associates	73	36
Loss on valuation of investment securities	283	439
Interest and dividend income	(837)	(469)
Interest expenses	633	444
Decrease (increase) in notes and accounts receivable - trade	3,716	(522)
Increase in inventories	(3,511)	(7,767)
Increase (decrease) in notes and accounts payable - trade	(3,319)	5,035
Increase (decrease) in accounts payable - other	34	(1,150)
Other, net	(1,123)	5,760
Subtotal	31,962	32,148
Interest and dividend income received	1,686	1,475
Interest expenses paid	(633)	(458)
Income taxes paid	(10,563)	(6,102)
Net cash provided by operating activities	22,451	27,062
Cash flows from investing activities		
Purchase of property, plant and equipment and intangible assets	(16,116)	(11,653)
Proceeds from sales of property, plant and equipment and intangible assets	69	65
Purchase of investment securities, etc.	(502)	(3,398)
Proceeds from sales and redemption of investment securities	304	363
Purchase of shares of subsidiaries	(231)	—
Payments for sales of shares of subsidiaries resulting in change in scope of consolidation	(212)	—
Proceeds from sales of shares of subsidiaries resulting in change in scope of consolidation	96	—
Other, net	(115)	(722)
Net cash used in investing activities	(16,708)	(15,345)
Cash flows from financing activities		
Net increase (decrease) in short-term loans payable	2,775	(4,337)
Proceeds from long-term loans payable	5,330	2,361
Repayments of long-term loans payable	(5,291)	(5,411)
Cash dividends paid	(5,773)	(5,331)
Dividends paid to non-controlling interests	(438)	(240)
Payments from changes in ownership interests in subsidiaries that do not result in change in scope of consolidation	—	(117)
Other, net	(96)	(122)
Net cash used in financing activities	(3,494)	(13,199)
Effect of exchange rate change on cash and cash equivalents	158	(463)
Net increase (decrease) in cash and cash equivalents	2,407	(1,946)

Cash and cash equivalents at beginning of period	24,347	31,656
Increase in cash and cash equivalents from newly consolidated subsidiary	—	277
Increase in cash and cash equivalents resulting from merger with unconsolidated subsidiaries	93	—
Cash and cash equivalents at end of period	26,848	29,987

(4) Notes to the Quarterly Consolidated Financial Statements

Notes Pertaining to the Presumption of a Going Concern

None

Notes on Significant Changes in Shareholders' Equity

None

Segment Information, etc.

Segment information

I The first three quarters ended December 2015 (March 21, 2015 - December 20, 2015)

Sales, income or loss for each reportable segment

(Millions of yen)

	Motion Control	Robotics	System Engineering	Other *1	Total	Adjustment *2	Amounts in consolidated financial statements *3
Net sales							
Sales to external customers	143,829	114,321	27,412	20,857	306,421	-	306,421
Intersegment sales and transfers	11,525	409	567	12,390	24,892	(24,892)	-
Total sales	155,354	114,730	27,980	33,248	331,314	(24,892)	306,421
Segment operating income	17,377	12,248	(2,183)	614	28,057	(866)	27,190

(Notes)

1. IT-related business and logistics services, etc. are included in the Other segment.
2. Adjustment in the segment operating income of (866) million yen includes expenses in basic research and other activities that do not belong to any reportable segments.
3. Segment operating income has been adjusted to consolidated operating income described in quarterly consolidated statements of income.

II The first three quarters ended December 2016 (March 21, 2016 - December 20, 2016)

Sales, income or loss for each reportable segment

(Millions of yen)

	Motion Control	Robotics	System Engineering	Other *1	Total	Adjustment *2	Amounts in consolidated financial statements *3
Net sales							
Sales to external customers	134,743	102,050	31,190	16,694	284,679	-	284,679
Intersegment sales and transfers	11,771	790	398	11,912	24,872	(24,872)	-
Total sales	146,514	102,840	31,588	28,607	309,551	(24,872)	284,679
Segment operating income	15,544	7,928	(773)	(140)	22,559	(940)	21,618

(Notes)

1. IT-related business and logistics services, etc. are included in the Other segment.
2. Adjustment in the segment operating income of (940) million yen includes expenses in basic research and other activities that do not belong to any reportable segments.
3. Segment operating income has been adjusted to consolidated operating income described in quarterly consolidated statements of income.

Reference Information

Overseas Sales

Nine months ended December 20, 2015 (Millions of yen)

	The Americas	Europe	Asia	Other	Total
Overseas sales	64,498	39,064	106,170	3,273	213,007
Consolidated sales	-	-	-	-	306,421
Percentage of overseas sales in consolidated sales	21%	13%	35%	1%	70%

(Notes)
1. Geographical areas are divided into categories based on their geographical proximity.
2. The regions that belong to each area are as follows.
   (1) The Americas – U.S.A., etc
   (2) Europe – Germany, Sweden, The United Kingdom, etc
   (3) Asia – The People's Republic of China, Singapore, Republic of Korea, etc
   (4) Other – South Africa, Australia, etc

Nine months ended December 20, 2016 (Millions of yen)

	The Americas	Europe	Asia	Other	Total
Overseas sales	54,360	36,656	96,175	3,156	190,349
Consolidated sales	-	-	-	-	284,679
Percentage of overseas sales in consolidated sales	19%	13%	34%	1%	67%

(Notes)
1. Geographical areas are divided into categories based on their geographical proximity.
2. The regions that belong to each area are as follows.
   (1) The Americas – U.S.A., etc
   (2) Europe – Germany, Sweden, The United Kingdom, etc
   (3) Asia – The People's Republic of China, Singapore, Republic of Korea, etc
   (4) Other – South Africa, Australia, etc