

Consolidated Results for the First Half of the Fiscal Year Ending March 20, 2016 [Japan GAAP]

October 20, 2015

Listed company name: YASKAWA Electric Corporation

<http://www.yaskawa.co.jp/en/>

Representative: Junji Tsuda, Representative Director, Chairman of the Board, 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 Half of the Fiscal Year Ending March 20, 2016 (March 21, 2015 to September 20, 2015)

(1) Consolidated Statements of Income

(Millions of yen, except ratio and per share data)				
	Six months ended September 20, 2015	Change	Six months ended September 20, 2014	Change
Net sales	207,947	7.2%	193,923	9.5%
Operating income	18,979	27.2%	14,920	18.1%
Ordinary income	18,999	21.5%	15,640	16.7%
Net income	12,030	2.9%	11,692	61.1%
Earnings per share (basic, Yen)	45.94	-	46.47	-
Earnings per share (diluted, Yen)	45.31	-	44.09	-
	Six months ended September 20, 2015	Change	Six months ended September 20, 2014	Change
Note:				
Comprehensive income (Millions of yen)	10,405	(38.0)%	16,794	37.4%

(2) Consolidated Financial Position

(Millions of yen, except ratio and per share data)		
	As of September 20, 2015	As of March 20, 2015
Total assets	389,411	388,205
Net assets	183,099	175,190
Shareholders' equity ratio (%)	46.4	44.1

Reference: Shareholders' equity

As of September 20, 2015: ¥180,828 million

As of March 20, 2015: ¥171,388 million

2. Dividends

		Year ended March 20, 2015	Year ending March 20, 2016	Year ending March 20, 2016 (forecasts)
Dividends per share (Yen)	End of 1Q	-	-	-
	End of 2Q	8.00	10.00	-
	End of 3Q	-	-	-
	Year-end	12.00	-	10.00
	Annual total	20.00	-	20.00

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

*Commemorative dividend for the Company's centenary of 2 yen is included in the year-end dividend for the year ended March 20, 2015.

3. Projected Consolidated Results for the Fiscal Year Ending March 20, 2016 (from March 21, 2015 to March 20, 2016)

(Millions of yen, except per share data)		
	Year ending March 20, 2016	Change
Net sales	420,000	5.0%
Operating income	36,500	15.8%
Ordinary income	37,000	9.2%
Net income	24,000	(3.3)%
Earnings per share (Yen)	90.90	-

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 = 120 JPY and 1 EUR = 130 JPY during the period from September 21, 2015 to March 20, 2016.

*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.: None
3. Changes in accounting estimates: None
4. Restatements: None

Note: Please see (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 September 20, 2015: 264,830,940 shares
 - As of March 20, 2015: 260,967,884 shares
2. The number of treasury shares:
 - As of September 20, 2015: 400,202 shares
 - As of March 20, 2015: 717,242 shares
3. Average during period (quarter cumulative):
 - Six months ended September 20, 2015: 261,887,953 shares
 - Six months ended September 20, 2014: 251,618,399 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 significantly from these statements for a number of reasons.
- The Company issued convertible bonds expiring in 2017, and as of October 6, 2015 all of the bonds were converted through exercise of right. Also, for the share exchange merger of YE Data, Inc., the Company issued new shares. Earnings per share of the projected consolidated results include these effects.
- The Yaskawa Group will hold an information meeting for securities analysts and institutional investors on October 21, 2015 (Wednesday). A summary of the materials distributed at this meeting will be posted on the Yaskawa Group website following the meeting.

4. Qualitative Information on the First Half Results

Business Performance

- Overall economic growth in Asia, especially in China, decelerated, while the overall global economy saw gradual recovery buoyed by firm demand in the U.S. and Europe.
- The overall Japanese economy was firm, although the markets are under varying conditions while a sense of caution is increasing over the Chinese market.

Under these market conditions, the Yaskawa Group aimed at expanding business by developing new business domains and increasing competitiveness and profitability through launch of new products. As a result, we marked record highs in sales and profits for the first half.

The business performance of each business segment for the first half of fiscal 2015 is as follows.

(Millions of yen, except ratio)

Business segment	Six months ended September 20, 2015	
	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	98,225 (up by 8.3%)	12,292 (up by 17.5%)
Robotics	77,359 (up by 15.1%)	8,857 (up by 53.9%)
System Engineering	17,603 (up by 13.3%)	(2,093) (-)
Other	14,758 (down by 27.8%)	525 (up by 17.5%)

Motion Control

- Sales of AC servo motors and controllers grew for the machine tool and semiconductor industries especially in the U.S. The profitability improved as switch to the new product “Σ-7 series” progressed.
- The demand for AC drives was sluggish in the U.S. oil/gas industry and the Chinese infrastructure-related markets. However, the sales of PV inverters of Solectria Renewables, LLC contributed to the overall business performance.
- Both net sales and operating income have increased compared to FY2014 1H.

Robotics

- The sales grew due to firm demand for welding and painting robots for the automobile industry especially in the U.S.
- Solid sales were achieved especially in China by expanding robot applications to general industries besides automobiles through the global robot centers where customers and system integrators can test and verify new robot applications.
- Both net sales and operating income have increased compared to FY2014 1H.

System Engineering

- The segment aimed at increasing sales by capturing the demand for facility renovation while the demand remains sluggish in the steel plant and social system business.
- The sales of large-scale wind generation business increased by the acquisition of The Switch Engineering Oy, while goodwill amortization resulted in increase in the operating loss.

Other

- The Group's information technology business and logistics business are included in this segment.

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

Change in accounting policies

(Application of Accounting Standard, etc., related to Retirement Benefits)

Effective from the first quarter of the current consolidated fiscal year, the Company has applied the "Accounting Standard for Retirement Benefits" (Accounting Standards of Japan (ASBJ) No. 26, May 17, 2012. Hereinafter referred to as the "Accounting Standard for Retirement Benefits") and the "Application Guidance of the Accounting Standard for Retirement Benefits" (ASBJ Guidance No. 25, May 17, 2012. Hereinafter referred to as the "Application Guidance of Retirement Benefits") in accordance with the provisions set forth in the text of paragraph 35 of the Accounting Standard for Retirement Benefits and the text of paragraph 67 of the Application Guidance of Retirement Benefits, and as a result of review of the accounting method of the retirement benefits liabilities and service cost, changed the period attribution method of the estimated amount of retirement benefits from the straight-line formula to the benefits computation formula, and also changed the method of determination of a discount rate from a discount rate based on the number of years similar to the average residual length of service of employees to the method using a single weighted average discount rate reflecting the estimated payment period of retirement benefits and the amount for each estimated payment period.

In applying the Accounting Standard for Retirement Benefits, etc., the amount of financial impact in connection with the change of the accounting method of the retirement benefits liabilities and service cost is reconciled in retained earnings at the beginning of the first quarter of the current consolidated fiscal year in accordance with the transitional treatment provided for in paragraph 37 of the Accounting Standard for Retirement Benefits.

As a result, the liabilities for retirement benefits at the beginning of the first half of the current consolidated fiscal year increased by 3,488 million yen, and retained earnings decreased by 2,416 million yen. Impact on profit and loss in the first half of the current consolidated term is immaterial.

6. Consolidated Financial Statements

(1) Consolidated Balance Sheets

(Millions of yen)

	As of March 20, 2015	As of September 20, 2015
Assets		
Current assets		
Cash and deposits	24,472	26,280
Notes and accounts receivable - trade	121,051	119,361
Merchandise and finished goods	54,369	56,917
Work in process	12,451	12,898
Raw materials and supplies	18,648	17,586
Other	29,243	27,863
Allowance for doubtful accounts	(3,146)	(2,652)
Total current assets	257,090	258,254
Non-current assets		
Property, plant and equipment	60,796	63,303
Intangible assets		
Goodwill	6,423	6,044
Other	22,351	22,258
Total intangible assets	28,774	28,302
Investments and other assets		
Other	41,868	39,790
Allowance for doubtful accounts	(324)	(239)
Total investments and other assets	41,544	39,550
Total non-current assets	131,114	131,156
Total assets	388,205	389,411

(Millions of yen)

	As of March 20, 2015	As of September 20, 2015
Liabilities		
Current liabilities		
Notes and accounts payable - trade	68,588	66,570
Short-term loans payable	24,185	27,019
Provision for directors' bonuses	57	28
Other	55,072	54,175
Total current liabilities	147,903	147,794
Non-current liabilities		
Bonds with subscription rights to shares	5,440	2,055
Long-term loans payable	21,901	18,585
Provision for directors' retirement benefits	191	194
Net defined benefit liability	28,792	31,462
Other	8,785	6,220
Total non-current liabilities	65,111	58,517
Total liabilities	213,014	206,311
Net assets		
Shareholders' equity		
Capital stock	27,842	29,534
Capital surplus	23,474	26,676
Retained earnings	103,092	109,580
Treasury shares	(486)	(243)
Total shareholders' equity	153,922	165,547
Accumulated other comprehensive income		
Valuation difference on available-for-sale securities	9,456	7,564
Deferred gains or losses on hedges	—	5
Foreign currency translation adjustment	12,518	11,886
Remeasurements of defined benefit plans	(4,509)	(4,175)
Total accumulated other comprehensive income	17,465	15,281
Minority interests	3,802	2,270
Total net assets	175,190	183,099
Total liabilities and net assets	388,205	389,411

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

(Millions of yen)

	Six Months Ended September 20, 2014	Six Months Ended September 20, 2015
Net sales	193,923	207,947
Cost of sales	133,431	138,795
Gross profit	60,491	69,151
Selling, general and administrative expenses	45,571	50,171
Operating income	14,920	18,979
Non-operating income		
Interest income	75	104
Dividend income	339	565
Share of profit of entities accounted for using equity method	55	640
Foreign exchange gains	133	—
Subsidy income	507	63
Other	161	143
Total non-operating income	1,273	1,517
Non-operating expenses		
Interest expenses	412	436
Foreign exchange losses	—	1,005
Other	141	55
Total non-operating expenses	553	1,497
Ordinary income	15,640	18,999
Extraordinary income		
Gain on sales of non-current assets	107	13
Gain on sales of investment securities	83	11
Gain on sales of shares of subsidiaries and associates	439	28
Total extraordinary income	630	54
Extraordinary losses		
Loss on sales and retirement of non-current assets	62	147
Loss on valuation of investment securities	0	283
Loss on sales of investment securities	—	0
Loss on sales of shares of subsidiaries and associates	—	27
Loss on sales of investments in capital	—	73
Loss on abolishment of retirement benefit plan	225	—
Other	2	—
Total extraordinary losses	290	531
Income before income taxes and minority interests	15,979	18,522
Income taxes - current	4,302	5,451
Income taxes - deferred	(40)	461
Total income taxes	4,262	5,913
Income before minority interests	11,717	12,609
Minority interests in income	25	578
Net income	11,692	12,030

(Consolidated Statements of Comprehensive Income)

(Millions of yen)

	Six Months Ended September 20, 2014	Six Months Ended September 20, 2015
Income before minority interests	11,717	12,609
Other comprehensive income		
Valuation difference on available-for-sale securities	4,517	(1,915)
Foreign currency translation adjustment	727	(707)
Remeasurements of defined benefit plans, net of tax	—	312
Share of other comprehensive income of entities accounted for using equity method	(167)	106
Total other comprehensive income	5,077	(2,203)
Comprehensive income	16,794	10,405
Comprehensive income attributable to		
Comprehensive income attributable to owners of parent	16,731	9,846
Comprehensive income attributable to minority interests	62	558

(3) Consolidated Statements of Cash Flows

(Millions of yen)

	Six Months Ended September 20, 2014	Six Months Ended September 20, 2015
Cash flows from operating activities		
Income before income taxes and minority interests	15,979	18,522
Depreciation	4,987	6,214
Amortization of goodwill	227	621
Increase (decrease) in allowance for doubtful accounts	796	(492)
Decrease in provision for retirement benefits	(354)	—
Decrease in liability concerning retirement benefits	—	(813)
Increase (decrease) in provision for directors' retirement benefits	(45)	12
Loss (gain) on sales and retirement of non-current assets	(45)	133
Gain on sales of investment securities	(83)	(11)
Gain on sales of shares of subsidiaries and associates	(439)	(1)
Loss on sales of investment in capital of subsidiaries and associates	—	73
Loss on valuation of investment securities	0	283
Interest and dividend income	(414)	(670)
Interest expenses	412	436
Decrease (increase) in notes and accounts receivable - trade	(4,503)	2,234
Increase in inventories	(2,353)	(2,063)
Increase (decrease) in notes and accounts payable - trade	12	(1,535)
Increase (decrease) in accounts payable - other	605	(394)
Other, net	547	480
Subtotal	15,329	23,029
Interest and dividend income received	605	972
Interest expenses paid	(424)	(433)
Income taxes paid	(4,118)	(7,204)
Net cash provided by operating activities	11,392	16,364
Cash flows from investing activities		
Purchase of property, plant and equipment and intangible assets	(6,522)	(11,206)
Proceeds from sales of property, plant and equipment and intangible assets	212	62
Purchase of investment securities, etc	(6)	(116)
Proceeds from sales of investment securities	93	76
Purchase of shares of subsidiaries	—	(3)
Purchase of investments in subsidiaries resulting in change in scope of consolidation, etc	(2,379)	—
Payments for sales of shares of subsidiaries resulting in change in scope of consolidation a	(930)	(212)
Other, net	(266)	(47)
Net cash used in investing activities	(9,798)	(11,447)
Cash flows from financing activities		
Net increase in short-term loans payable	2,837	3,121
Proceeds from long-term loans payable	106	330
Repayments of long-term loans payable	(2,526)	(3,373)
Cash dividends paid	(1,511)	(3,126)
Cash dividends paid to minority shareholders	(5)	(5)
Other, net	(48)	(62)
Net cash used in financing activities	(1,149)	(3,116)
Effect of exchange rate change on cash and cash equivalents	300	78
Net increase in cash and cash equivalents	744	1,878
Cash and cash equivalents at beginning of period	22,992	24,347
Cash and cash equivalents at end of period	23,737	26,226

(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 half ended September 2014 (March 21, 2014 - September 20, 2014)

Sales, income or loss for each reportable segment

	(Millions of yen)						
	Amounts in						
	Motion Control	Robotics	System Engineering	Other *1	Total	Adjustment *2	consolidated financial statements *3
<u>Net sales</u>							
Sales to external customers	90,702	67,228	15,540	20,452	193,923	-	193,923
Intersegment sales and transfers	6,662	171	496	9,362	16,694	(16,694)	-
Total sales	97,365	67,399	16,037	29,815	210,617	(16,694)	193,923
Segment operating income	10,461	5,756	(1,212)	447	15,452	(532)	14,920

(Notes)

1. IT-related business and logistics services, etc. are included in the Other segment.
2. Adjustment in the segment operating income of (532) 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 half ended September 2015 (March 21, 2015 - September 20, 2015)

Sales, income or loss for each reportable segment

	(Millions of yen)						
	Amounts in						
	Motion Control	Robotics	System Engineering	Other *1	Total	Adjustment *2	consolidated financial statements *3
<u>Net sales</u>							
Sales to external customers	98,225	77,359	17,603	14,758	207,947	-	207,947
Intersegment sales and transfers	8,056	277	405	8,501	17,241	(17,241)	-
Total sales	106,282	77,637	18,009	23,259	225,189	(17,241)	207,947
Segment operating income	12,292	8,857	(2,093)	525	19,581	(601)	18,979

(Notes)

1. IT-related business and logistics services, etc. are included in the Other segment.
2. Adjustment in the segment operating income of (601) 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

	Six months ended September 20, 2014				(Millions of yen)
	The Americas	Europe	Asia	Other	Total
Overseas sales	31,966	21,833	65,486	1,894	121,180
Consolidated sales	-	-	-	-	193,923
Percentage of overseas sales in consolidated sales	17%	11%	34%	1%	63%

(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

	Six months ended September 20, 2015				(Millions of yen)
	The Americas	Europe	Asia	Other	Total
Overseas sales	42,915	25,180	74,873	2,363	145,333
Consolidated sales	-	-	-	-	207,947
Percentage of overseas sales in consolidated sales	21%	12%	36%	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

Subsequent Events

Exercise of right regarding the convertible bonds

The convertible bonds issued by the Company in March 2012 were all converted to new shares after the end of the second quarter and by October 6, 2015, through exercise of right. The breakdown is as follows.

Reduction of convertible bonds	2,055 million yen
Increase in capital stock	1,027 million yen
Increase in capital reserve	1,027 million yen
Kind and number of shares increased	1,859,557 common shares