

Consolidated Results for the First Three Quarters of the Fiscal Year Ending March 20, 2016

[Japan GAAP]

January 20, 2016

Listed company name: YASKAWA Electric Corporation

<https://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 Three Quarters of the Fiscal Year Ending March 20, 2016 (March 21, 2015 to December 20, 2015)

(1) Consolidated Statements of Income

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

	Nine months ended December 20, 2015		Nine months ended December 20, 2014	
		Change		Change
Net sales	306,421	6.6%	287,442	10.7%
Operating income	27,190	23.3%	22,054	28.9%
Ordinary income	27,613	15.9%	23,821	29.0%
Net income	18,245	1.9%	17,906	59.0%
Earnings per share (basic, Yen)	69.30	-	71.17	-
Earnings per share (diluted, Yen)	68.65	-	67.53	-
Note:	Nine months ended December 20, 2015		Nine months ended December 20, 2014	
Comprehensive income (Millions of yen)	17,774	(43.1)%	31,235	50.9%

(2) Consolidated Financial Position

(Millions of yen, except ratio)

	As of December 20, 2015		As of March 20, 2015	
Total assets	389,482		388,205	
Net assets	189,868		175,190	
Shareholders' equity ratio (%)	48.1		44.1	

Reference: Shareholders' equity

As of December 20, 2015: ¥187,377 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 (forecast)
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 dividends for the Company's centenary of 2 yen is included in the year-end dividends 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)

Projected consolidated results are revised as follows based on the effects of economic slowdown mainly in China and the current order trends.

	(Millions of yen, except per share data)	
	Year ending March 20, 2016	Change
Net sales	410,000	2.5%
Operating income	35,500	12.6%
Ordinary income	35,500	4.8%
Net income	23,000	(7.3)%
Earnings per share (Yen)	87.11	-

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 = 125 JPY during the period from December 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

(4) Number of Common Shares Outstanding

1. The number of shares outstanding including treasury shares:
As of December 20, 2015: 266,690,497 shares
As of March 20, 2015: 260,967,884 shares
2. The number of treasury shares:
As of December 20, 2015: 401,611 shares
As of March 20, 2015: 717,242 shares
3. Average during period (quarter cumulative):
Nine months ended December 20, 2015: 263,290,993 shares
Nine months ended December 20, 2014: 251,618,350 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

- Slowdown of Chinese as well as emerging nations' economies in the latter half of the fiscal year, significant decline in resource prices, and rising geopolitical risks, etc. gave a decelerating effect on our managing environment, while the overall global economy was steady buoyed mainly 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 uncertainty is increasing over the outlook of global economy.

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 three quarters.

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

(Millions of yen, except ratio)

Business segment	Nine months ended December 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	143,829 (up by 3.8%)	17,377 (up by 4.9%)
Robotics	114,321 (up by 16.5%)	12,248 (up by 63.4%)
System Engineering	27,412 (up by 14.5%)	(2,183) (-)
Other	20,857 (down by 22.1%)	614 (down by 6.1%)

Motion Control

- Sales of AC servo motors and controllers were strong for the machine tool and semiconductor industries especially in the U.S., while the smartphone-related sales were relatively weak due to the slowdown of the Chinese economy. 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 increased compared to the first three quarters of FY2014.

Robotics

- Earnings significantly improved because strong performance was achieved as for the welding and painting robots for the automobile industry due to continued positive demand in Europe and the U.S. while the market decline was seen in China.
- We conducted aggressive sales activities 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 significantly increased compared to the first three quarters of FY2014.

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 businesses.
- The sales of large-scale wind generation business increased in Europe and China 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 three quarters 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 three quarters 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 three quarters 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 December 20, 2015
Assets		
Current assets		
Cash and deposits	24,472	26,903
Notes and accounts receivable - trade	121,051	119,248
Merchandise and finished goods	54,369	56,683
Work in process	12,451	13,681
Raw materials and supplies	18,648	18,245
Other	29,243	25,715
Allowance for doubtful accounts	(3,146)	(2,420)
Total current assets	257,090	258,057
Non-current assets		
Property, plant and equipment	60,796	63,427
Intangible assets		
Goodwill	6,423	5,717
Other	22,351	21,811
Total intangible assets	28,774	27,528
Investments and other assets		
Other	41,868	40,712
Allowance for doubtful accounts	(324)	(244)
Total investments and other assets	41,544	40,468
Total non-current assets	131,114	131,424
Total assets	388,205	389,482

(Millions of yen)

	As of March 20, 2015	As of December 20, 2015
Liabilities		
Current liabilities		
Notes and accounts payable - trade	68,588	64,327
Short-term loans payable	24,185	27,273
Provision for directors' bonuses	57	43
Other	55,072	49,493
Total current liabilities	147,903	141,136
Non-current liabilities		
Bonds with subscription rights to shares	5,440	—
Long-term loans payable	21,901	20,780
Provision for directors' retirement benefits	191	189
Net defined benefit liability	28,792	30,974
Other	8,785	6,533
Total non-current liabilities	65,111	58,477
Total liabilities	213,014	199,614
Net assets		
Shareholders' equity		
Capital stock	27,842	30,562
Capital surplus	23,474	27,704
Retained earnings	103,092	113,147
Treasury shares	(486)	(246)
Total shareholders' equity	153,922	171,168
Accumulated other comprehensive income		
Valuation difference on available-for-sale securities	9,456	8,327
Foreign currency translation adjustment	12,518	11,772
Remeasurements of defined benefit plans	(4,509)	(3,889)
Total accumulated other comprehensive income	17,465	16,209
Minority interests	3,802	2,490
Total net assets	175,190	189,868
Total liabilities and net assets	388,205	389,482

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

(Millions of yen)

	Nine Months Ended December 20, 2014	Nine Months Ended December 20, 2015
Net sales	287,442	306,421
Cost of sales	196,111	204,438
Gross profit	91,331	101,982
Selling, general and administrative expenses	69,276	74,792
Operating income	22,054	27,190
Non-operating income		
Interest income	160	161
Dividend income	448	675
Share of profit of entities accounted for using equity method	207	848
Foreign exchange gains	868	—
Subsidy income	713	467
Other	237	190
Total non-operating income	2,636	2,343
Non-operating expenses		
Interest expenses	688	633
Foreign exchange losses	—	919
Other	180	367
Total non-operating expenses	869	1,920
Ordinary income	23,821	27,613
Extraordinary income		
Gain on sales of non-current assets	110	17
Gain on sales of investment securities	504	105
Gain on sales of shares of subsidiaries and associates	439	28
Gain on extinguishment of tie-in shares	—	119
Total extraordinary income	1,055	271
Extraordinary losses		
Loss on sales and retirement of non-current assets	91	216
Loss on valuation of investment securities	0	283
Loss on sales of investment securities	—	0
Loss on sales of shares of subsidiaries and associates	—	177
Loss on sales of investments in capital	—	73
Loss on abolishment of retirement benefit plan	225	—
Other	5	—
Total extraordinary losses	322	751
Income before income taxes and minority interests	24,554	27,133
Income taxes - current	6,079	6,153
Income taxes - deferred	574	1,949
Total income taxes	6,653	8,102
Income before minority interests	17,900	19,030
Minority interests in income (loss)	(6)	785
Net income	17,906	18,245

(Consolidated Statements of Comprehensive Income)

(Millions of yen)

	Nine Months Ended December 20, 2014	Nine Months Ended December 20, 2015
Income before minority interests	17,900	19,030
Other comprehensive income		
Valuation difference on available-for-sale securities	4,207	(1,160)
Foreign currency translation adjustment	9,085	(702)
Remeasurements of defined benefit plans, net of tax	—	578
Share of other comprehensive income of entities accounted for using equity method	41	27
Total other comprehensive income	13,334	(1,256)
Comprehensive income	31,235	17,774
Comprehensive income attributable to		
Comprehensive income attributable to owners of parent	30,912	16,989
Comprehensive income attributable to minority interests	323	785

(3) Consolidated Statements of Cash Flows

(Millions of yen)

	Nine Months Ended December 20, 2014	Nine Months Ended December 20, 2015
Cash flows from operating activities		
Income before income taxes and minority interests	24,554	27,133
Depreciation	7,885	9,621
Amortization of goodwill	463	932
Increase (decrease) in allowance for doubtful accounts	742	(720)
Decrease in provision for retirement benefits	(167)	—
Decrease in provision for retirement benefits	—	(1,221)
Increase (decrease) in provision for directors' retirement benefits	(17)	24
Loss (gain) on sales and retirement of non-current assets	(19)	199
Gain on sales of investment securities	(504)	(105)
Loss (gain) on sales of shares of subsidiaries and associates	(439)	148
Loss on sales of investment in capital of subsidiaries and associates	—	73
Loss on valuation of investment securities	0	283
Interest and dividend income	(608)	(837)
Interest expenses	688	633
Decrease in notes and accounts receivable – trade	1,045	3,716
Increase in inventories	(6,175)	(3,511)
Decrease in notes and accounts payable – trade	(7,987)	(3,319)
Increase in accounts payable - other	238	34
Other, net	1,294	(1,123)
Subtotal	20,993	31,962
Interest and dividend income received	804	1,686
Interest expenses paid	(708)	(633)
Income taxes paid	(6,481)	(10,563)
Net cash provided by operating activities	14,608	22,451
Cash flows from investing activities		
Purchase of property, plant and equipment and intangible assets	(10,454)	(16,116)
Proceeds from sales of property, plant and equipment and intangible assets	222	69
Purchase of investment securities, etc.	(2)	(502)
Proceeds from sales and redemption of investment securities	1,016	304
Purchase of shares of subsidiaries	—	(231)
Purchase of investments in subsidiaries resulting in change in scope of consolidation	(8,141)	—
Payments for sales of shares of subsidiaries resulting in change in scope of consolidation	(930)	(212)
Proceeds from sales of shares of subsidiaries resulting in change in scope of consolidation	—	96
Other, net	(317)	(115)
Net cash used in investing activities	(18,606)	(16,708)

Cash flows from financing activities		
Net increase (decrease) in short-term loans payable	(212)	2,775
Proceeds from long-term loans payable	10,446	5,330
Repayments of long-term loans payable	(4,108)	(5,291)
Cash dividends paid	(3,526)	(5,773)
Cash dividends paid to minority shareholders	(458)	(438)
Other, net	(71)	(96)
Net cash provided by (used in) financing activities	2,068	(3,494)
Effect of exchange rate change on cash and cash equivalents	2,301	158
Net increase in cash and cash equivalents	371	2,407
Cash and cash equivalents at beginning of period	22,992	24,347
Increase in cash and cash equivalents resulting from merger with unconsolidated subsidiaries	—	93
Cash and cash equivalents at end of period	23,363	26,848

(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 2014 (March 21, 2014 - December 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	138,566	98,155	23,945	26,775	287,442	-	287,442
Intersegment sales and transfers	9,580	231	716	13,564	24,092	(24,092)	-
Total sales	148,147	98,386	24,662	40,339	311,535	(24,092)	287,442
Segment operating income	16,560	7,495	(1,653)	654	23,056	(1,002)	22,054

(Notes)

1. IT-related business and logistics services, etc. are included in the Other segment.
2. Adjustment in the segment operating income of (1,002) 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 2015 (March 21, 2015 - December 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	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.

Reference Information

Overseas Sales

	Nine months ended December 20, 2014				(Millions of yen)
	The Americas	Europe	Asia	Other	Total
Overseas sales	51,792	34,145	96,215	2,740	184,893
Consolidated sales	-	-	-	-	287,442
Percentage of overseas sales in consolidated sales	18%	12%	33%	1%	64%

(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, 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

Subsequent Events

None