

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

[Japan GAAP]

July 20, 2016

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 Quarter of the Fiscal Year Ending March 20, 2017 (March 21, 2016 to June 20, 2016)

(1) Consolidated Statements of Income

	(Millions of yen, except ratio and per share data)			
	Three months ended June 20, 2016	Change	Three months ended June 20, 2015	Change
Net sales	90,380	(10.6)%	101,050	11.0%
Operating income	5,465	(40.2)%	9,145	34.3%
Ordinary income	5,273	(47.2)%	9,997	53.0%
Profit to attributable to owners of the parent	3,438	(40.5)%	5,783	29.3%
Earnings per share (basic, Yen)	12.91	-	22.13	-
Earnings per share (diluted, Yen)	-	-	21.81	-
Note 1:	Three months ended June 20, 2016	Change	Three months ended June 20, 2015	Change
Comprehensive income (Millions of yen)	1,424	(84.9)%	9,437	(93.0)%

Note 2: Earnings per share (diluted) as of June 20, 2016 is not shown due to no dilutive shares.

(2) Consolidated Financial Position

	(Millions of yen, except ratio)	
	As of June 20, 2016	As of March 20, 2016
Total assets	367,243	373,533
Net assets	182,941	183,901
Shareholders' equity ratio (%)	49.1	48.5

Reference: Shareholders' equity

As of June 20, 2016: ¥180,218 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)
	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)

(Millions of yen, except per share data)				
	Six months ending September 20, 2016	Change	Year ending March 20, 2017	Change
Net sales	192,500	(7.4)%	400,000	(2.7)%
Operating income	11,000	(42.0)%	28,000	(23.8)%
Ordinary income	11,000	(42.1)%	28,500	(20.5)%
Profit attributable to owners of the parent	7,000	(41.8)%	18,000	(19.5)%
Earnings per share (Yen)	26.29	-	67.60	-

Note: Revisions to the most recently announced sales and earnings forecast: None

Reference: Average exchange rate assumptions during the period from June 21, 2016 to September 20, 2016 are 1 USD = 105 JPY and 1 EUR = 115 JPY. In addition, 1st half and full-year forecasts announced as of April 20, 2016 remain unchanged.

This material contains earnings forecasts, projections, and other forward-looking statements which are based on available information and certain assumptions that are considered reasonable at the time of preparation. Various factors may cause actual results to be materially different from those expressed in these forward-looking statements.

*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

*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 June 20, 2016: 266,690,497 shares
 - As of March 20, 2016: 266,690,497 shares
2. The number of treasury shares:
 - As of June 20, 2016: 401,817 shares
 - As of March 20, 2016: 400,990 shares
3. Average during period (quarter cumulative):
 - Three months ended June 20, 2016: 266,289,110 shares
 - Three months ended June 20, 2015: 261,293,961 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.

- Supplementary materials on 1Q results will be available on our website.

4. Qualitative Information on Quarterly Results

Overview on Business Performance

Business Performance of the First Quarter of the Fiscal Year 2016 (Fiscal year ending March 20, 2017)

- Chinese as well as emerging nations' economies recovered from slowdown since the last fiscal year and the market environment is upswing.
- Economy in advanced countries such as in the U.S. was steadily buoyed mainly by firm demand.
- Downside risk of overseas economies increases because of increasing geopolitical risk globally result from unrest in middle east and appearing anxiety to future political system in the U.S. and Europe, so strengthens uncertainty about the future.
- The overall Japanese economy remains unpredictable because of transition to appreciation of the yen, while was on moderate recovery trend.
- 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, but the business results are not reflected.

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

(Millions of yen, except ratio)

Business segment	Three months ended June 20, 2016	
	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	43,531 (down by 10.2%)	4,297 (down by 33.7%)
Robotics	32,390 (down by 15.0%)	2,226 (down by 46.3%)
System Engineering	9,021 (up by 15.6%)	(617) (-)
Other	5,437 (down by 18.5%)	(110) (-)

Motion Control

- Although AC servo business progressed well due to the recovery of a demand for instrumental investment in smartphone and automotive field especially centering in China from the last quarter. The progression of switching to the new product "Σ-7" series has improved. However, the sales and profits decreased from the same period last year because of transition to appreciation of the yen.
- AC drive business showed a sluggish demand on the oil and gas related business in the U.S.
- The sales of domestic PV inverter business was sluggish.
- As a result, net sales and operating income decreased from the same period last year.

Robotics

- In automotive field that develops its main products such as welding and painting robots, while the global demand is firm especially in Japan and Europe continues, Yaskawa faced tough market competition in China due to a declined economy from the beginning of the year.
- Although we expanded robot centers over the world that help the customers and system integrators consider and validate a new installation of robots and these centers are applicable for the rest of automotive related industry such as food industry, etc.

- As a result, both sales and operating income decreased from the same period last year, because of transition to appreciation of the yen.

System Engineering

- The segment aimed at increasing sales by capturing the demand for facility renovation while the demand remains weak in the steel plant and social system business.
- The sales of large-scale wind power generation business increased mainly in Europe by the acquisition of The Switch Engineering Oy.
- As a result, the sales increased compared to same period a year ago, and operating loss improved accordingly.

Other

- The Group's information technology business and logistics business are included in this segment.
- The net sales decreased from same period a year ago in Japan and the operating income decreased a little.

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 current 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 net income 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 last first quarter 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 quarter 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 quarter 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 quarter 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.

6. Consolidated Financial Statements

1) Consolidated Balance Sheets

(Millions of yen)

	As of March 20, 2016	As of June 20, 2016
Assets		
Current assets		
Cash and deposits	31,712	35,940
Notes and accounts receivable — trade	117,834	110,221
Merchandise and finished goods	50,052	51,003
Work in process	11,140	12,574
Raw materials and supplies	16,401	16,073
Other	24,011	22,306
Allowance for doubtful accounts	(2,495)	(2,071)
Total current assets	248,656	246,048
Non-current assets		
Property, plant and equipment	61,001	59,549
Intangible assets		
Goodwill	5,037	4,662
Other	20,425	19,934
Total intangible assets	25,463	24,596
Investments and other assets		
Other	38,652	37,282
Allowance for doubtful accounts	(240)	(232)
Total investments and other assets	38,412	37,049
Total non-current assets	124,876	121,195
Total assets	373,533	367,243

(Millions of yen)

	As of March 20, 2016	As of June 20, 2016
Liabilities		
Current liabilities		
Notes and accounts payable — trade	62,672	63,161
Short-term loans payable	27,853	23,538
Provision for directors' bonuses	58	14
Other	42,193	41,041
Total current liabilities	132,778	127,755
Non-current liabilities		
Long-term loans payable	19,466	19,888
Provision for directors' retirement benefits	189	156
Net defined benefit liability	31,204	30,840
Other	5,993	5,659
Total non-current liabilities	56,853	56,546
Total liabilities	189,632	184,302
Net assets		
Shareholders' equity		
Capital stock	30,562	30,562
Capital surplus	27,705	27,705
Retained earnings	117,268	118,313
Treasury shares	(246)	(248)
Total shareholders' equity	175,288	176,333
Accumulated other comprehensive income		
Valuation difference on available-for-sale securities	6,020	5,341
Deferred gains or losses on hedges	8	5
Foreign currency translation adjustment	4,104	2,370
Remeasurements of defined benefit plans	(4,141)	(3,832)
Total accumulated other comprehensive income	5,992	3,885
Non-controlling interests	2,620	2,722
Total net assets	183,901	182,941
Total liabilities and net assets	373,533	367,243

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

(Millions of yen)

	Three Months Ended June 20, 2015	Three Months Ended June 20, 2016
Net sales	101,050	90,380
Cost of sales	67,703	61,749
Gross profit	33,347	28,631
Selling, general and administrative expenses	24,202	23,165
Operating income	9,145	5,465
Non-operating income		
Interest income	63	47
Dividend income	438	93
Share of profit of entities accounted for using equity method	255	404
Foreign exchange gains	180	—
Subsidy income	61	22
Other	86	45
Total non-operating income	1,086	613
Non-operating expenses		
Interest expenses	212	164
Foreign exchange losses	—	571
Other	21	68
Total non-operating expenses	233	805
Ordinary income	9,997	5,273
Extraordinary income		
Gain on sales of non-current assets	5	2
Gain on sales of investment securities	11	—
Total extraordinary income	17	2
Extraordinary losses		
Loss on sales and retirement of non-current assets	37	17
Loss on valuation of investment securities	283	—
Total extraordinary losses	321	17
Income before income taxes and minority interests	9,693	5,259
Income taxes — current	2,390	1,929
Income taxes — deferred	1,121	(278)
Total income taxes	3,511	1,651
Profit	6,181	3,608
Profit attributable to non-controlling interests	398	169
Profit attributable to owners of parent	5,783	3,438

(Consolidated Statements of Comprehensive Income)

(Millions of yen)

	Three Months Ended June 20, 2015	Three Months Ended June 20, 2016
Profit	6,181	3,608
Other comprehensive income		
Valuation difference on available-for-sale securities	100	(690)
Foreign currency translation adjustment	3,091	(1,692)
Remeasurements of defined benefit plans, net of tax	38	304
Share of other comprehensive income of entities accounted for using equity method	24	(105)
Total other comprehensive income	3,255	(2,183)
Comprehensive income	9,437	1,424
Comprehensive income attributable to		
Comprehensive income attributable to owners of parent	8,954	1,320
Comprehensive income attributable to non-controlling interests	482	104

3) Consolidated Statements of Cash Flows

(Millions of yen)

	Three Months Ended June 20, 2015	Three Months Ended June 20, 2016
Cash flows from operating activities		
Income before income taxes and minority interests	9,693	5,259
Depreciation	2,987	3,501
Amortization of goodwill	301	282
Decrease in allowance for doubtful accounts	(319)	(387)
Decrease in provision for retirement benefits	(387)	(359)
Decrease in provision for directors' retirement benefits	(1)	(42)
Loss on sales and retirement of non-current assets	32	14
Gain on sales of investment securities	(11)	—
Loss on valuation of investment securities	283	—
Interest and dividend income	(502)	(140)
Interest expenses	212	164
Decrease in notes and accounts receivable — trade	1,856	7,266
Increase in inventories	(2,783)	(2,721)
Increase in notes and accounts payable — trade	2,375	588
Decrease in accounts payable — other	(118)	(1,375)
Other, net	(2,209)	3,756
Subtotal	11,408	15,807
Interest and dividend income received	709	183
Interest expenses paid	(218)	(173)
Income taxes paid	(5,462)	(2,328)
Net cash provided by operating activities	6,437	13,489
Cash flows from investing activities		
Purchase of property, plant and equipment and intangible assets	(3,371)	(3,037)
Proceeds from sales of property, plant and equipment and intangible assets	12	34
Purchase of investment securities, etc.	(99)	(0)
Proceeds from sales of investment securities, etc.	30	—
Other, net	(11)	(72)
Net cash provided used in investing activities	(3,438)	(3,076)
Cash flows from financing activities		
Net increase (decrease) in short-term loans payable	3,090	(3,596)
Proceeds from long-term loans payable	80	2,359
Repayments of long-term loans payable	(2,020)	(2,306)
Cash dividends paid	(3,126)	(2,665)
Dividends paid to non-controlling interests	(2)	—
Other, net	(32)	(19)
Net cash used in financing activities	(2,012)	(6,229)
Effect of exchange rate change on cash and cash equivalents	845	(234)
Net increase in cash and cash equivalents	1,832	3,949
Cash and cash equivalents at beginning of period	24,347	31,656
Increase in cash and cash equivalents from newly consolidated subsidiary	—	277
Cash and cash equivalents at end of period	26,180	35,882

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 quarter ended June 2015 (March 21, 2015 - June 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
<u>Net sales</u>							
Sales to external customers	48,457	38,111	7,805	6,675	101,050	-	101,050
Intersegment sales and transfers	3,904	76	222	4,053	8,257	(8,257)	-
Total sales	52,361	38,188	8,028	10,729	109,308	(8,257)	101,050
Segment operating income	6,478	4,145	(1,362)	122	9,383	(237)	9,145

(Notes)

1. IT-related business and logistics services, etc. are included in the Other segment.
2. The deduction of ¥237 million for Adjustment includes expenses related to basic research that do not belong to any reporting segments.
3. Segment operating income has been adjusted to consolidated operating income described in quarterly consolidated statements of income.

II The first quarter ended June 2015 (March 21, 2016 - June 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
<u>Net sales</u>							
Sales to external customers	43,531	32,390	9,021	5,437	90,380	-	90,380
Intersegment sales and transfers	3,744	242	119	3,796	7,903	(7,903)	-
Total sales	47,275	32,632	9,141	9,233	98,283	(7,903)	90,380
Segment operating income	4,297	2,226	(617)	(110)	5,796	(331)	5,465

(Notes)

1. IT-related business and logistics services, etc. are included in the Other segment.
2. The deduction of ¥331 million for Adjustment includes expenses related to basic research that do not belong to any reporting segments.
3. Segment operating income has been adjusted to consolidated operating income described in quarterly consolidated statements of income.

Reference Information

Overseas Sales

	Three months ended June 20, 2015				(Millions of yen)
	The Americas	Europe	Asia	Other	Total
Overseas sales	20,374	12,102	37,657	995	71,130
Consolidated sales	-	-	-	-	101,050
Percentage of overseas sales in consolidated sales	20%	12%	37%	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

	Three months ended June 20, 2016				(Millions of yen)
	The Americas	Europe	Asia	Other	Total
Overseas sales	17,318	12,270	30,872	850	61,312
Consolidated sales	-	-	-	-	90,380
Percentage of overseas sales in consolidated sales	19%	14%	34%	1%	68%

(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