

# Consolidated Results for the First Half of the Fiscal Year Ending March 20, 2017 [Japan GAAP]

October 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 Half of the Fiscal Year Ending March 20, 2017 (March 21, 2016 to September 20, 2016)

### (1) Consolidated Statements of Income

	(Millions of yen, except ratio and per share data)			
	Six months ended September 20, 2016	Change	Six months ended September 20, 2015	Change
Net sales	187,644	(9.8)%	207,947	7.2%
Operating income	13,818	(27.2)%	18,979	27.2%
Ordinary income	13,754	(27.6)%	18,999	21.5%
Profit attributable to owners of parent	8,609	(28.4)%	12,030	2.9%
Earnings per share (basic, Yen)	32.33	-	45.94	-
Earnings per share (diluted, Yen)	-	-	45.31	-

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

Note2:

	Six months ended September 20, 2016		Six months ended September 20, 2015	
Comprehensive income (Millions of yen)	7	(99.9)%	10,405	(38.0)%

### (2) Consolidated Financial Position

	(Millions of yen, except ratio and per share data)	
	As of September 20, 2016	As of March 20, 2016
Total assets	364,846	373,533
Net assets	181,281	183,901
Shareholders' equity ratio (%)	49.0	48.5

Reference: Shareholders' equity

As of September 20, 2016: ¥178,865 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 (forecasts)
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)

(Millions of yen, except per share data)		
	Year ending March 20, 2017	Change
Net sales	390,000	(5.2)%
Operating income	28,000	(23.8)%
Ordinary income	28,500	(20.5)%
Profit attributable to owners of parent	18,000	(19.5)%
Earnings per share (Yen)	67.60	-

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 = 105 JPY and 1 EUR = 115 JPY during the period from September 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 5.

(4) Number of common shares outstanding

1. The number of shares outstanding including treasury shares:
  - As of September 20, 2016: 266,690,497 shares
  - As of March 20, 2016: 266,690,497 shares
2. The number of treasury shares:
  - As of September 20, 2016: 402,510 shares
  - As of March 20, 2016: 400,990 shares
3. Average during period:
  - Six months ended September 20, 2016: 266,288,717 shares
  - Six months ended September 20, 2015: 261,887,953 shares

\*Information concerning implementation status of review procedure

This quarterly financial report is not subject to the review procedure prescribed by the Financial Instruments and Exchange Act. The review procedure for the 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.

The Yaskawa Group will hold a telephone conference on October 20, 2016 (Thursday) and an information meeting on October 21, 2016 (Friday) for securities analysts and institutional investors. A summary of the materials distributed at this meeting will be posted on the Yaskawa Group website on October 20, 2016.

#### 4. Qualitative Information on Quarterly Results

##### Overview on Business Performance

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

- Economy in advanced countries as the U.S. continued to be robust and the downside risk of global economies arisen by the BREXIT issue turned out to be limited.
- The Chinese economy recovered from the slowdown that started at the end of last year, and upswing in the market conditions was seen because sophistication and automation of production facilities were aggressively promoted
- The overall Japanese economy was on a moderate recovery trend, while appreciation of the yen continued.
- 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 half of fiscal 2016 is as follows.

(Millions of yen, except ratio)

Business segment	Six months ended September 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	88,699 (down by 9.7%)	9,631 (down by 21.6%)
Robotics	68,367 (down by 11.6%)	5,586 (down by 36.9%)
System Engineering	19,253 (up by 9.4%)	(668) (-)
Other	11,323 (down by 23.3%)	(179) (-)

##### Motion Control

- AC servo business progressed well due to the robust demand for instrumental investment in smartphone and automotive industries especially in China, however the sales decreased from the same period last year because of the appreciation of the yen. The operating income remained flat from the same period last year because of the increase in sales volume and improvement in profitability caused by the progress in switching to the new product "Σ-7" series.
- AC drive business saw decrease in sales and operating income caused by a sluggish demand in the oil and gas related industries in the U.S. and by sluggish sales of PV inverters in Japan and overseas markets.

##### Robotics

- In the automotive related field where we supply our main products for welding and painting applications, the global demand was firm especially in Japan and Europe.
- We focused our efforts on sales activities to expand robot application to general industries such as food industry besides automotive by utilizing the global robot centers where customers and system integrators consider and validate a new installation of robots.
- Both sales and operating income decreased from the same period last year, because of the slow sales recovery in China in the first quarter and the appreciation of the yen.

##### System Engineering

- The segment aimed at increasing sales by capturing the demand for facility renovation while the demand

remained weak in the steel plant and social system business.

- The Switch Engineering Oy, our subsidiary in Finland evolved its large-scale wind turbine business.
- As a result, 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.

## 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 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 first half 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 half 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 half 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 half 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 global 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 half is expected to be minor.

## 6. Consolidated Financial Statements

### 1) Consolidated Balance Sheets

(Millions of yen)

	As of March 20, 2016	As of September 20, 2016
<b>Assets</b>		
Current assets		
Cash and deposits	31,712	35,846
Notes and accounts receivable – trade	117,834	111,820
Merchandise and finished goods	50,052	48,172
Work in process	11,140	12,916
Raw materials and supplies	16,401	15,742
Other	24,011	23,027
Allowance for doubtful accounts	(2,495)	(1,990)
Total current assets	248,656	245,534
Non-current assets		
Property, plant and equipment	61,001	59,305
Intangible assets		
Goodwill	5,037	4,072
Other	20,425	19,454
Total intangible assets	25,463	23,527
Investments and other assets		
Other	38,652	36,710
Allowance for doubtful accounts	(240)	(231)
Total investments and other assets	38,412	36,478
Total non-current assets	124,876	119,311
Total assets	373,533	364,846

(Millions of yen)

	As of March 20, 2016	As of September 20, 2016
<b>Liabilities</b>		
Current liabilities		
Notes and accounts payable— trade	62,672	63,624
Short-term loans payable	27,853	23,829
Provision for directors' bonuses	58	30
Other	42,193	42,352
Total current liabilities	132,778	129,836
Non-current liabilities		
Long-term loans payable	19,466	17,434
Provision for directors' retirement benefits	189	160
Net defined benefit liability	31,204	30,395
Other	5,993	5,738
Total non-current liabilities	56,853	53,728
Total liabilities	189,632	183,565
<b>Net assets</b>		
Shareholders' equity		
Capital stock	30,562	30,562
Capital surplus	27,705	27,705
Retained earnings	117,268	123,485
Treasury shares	(246)	(249)
Total shareholders' equity	175,288	181,503
Accumulated other comprehensive income		
Valuation difference on available-for-sale securities	6,020	5,308
Deferred gains or losses on hedges	8	(25)
Foreign currency translation adjustment	4,104	(4,404)
Remeasurements of defined benefit plans	(4,141)	(3,516)
Total accumulated other comprehensive income	5,992	△2,638
Non-controlling interests	2,620	2,415
Total net assets	183,901	181,281
Total liabilities and net assets	373,533	364,846



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

(Millions of yen)

	Six months ended September 20, 2015	Six months ended September 20, 2016
Net sales	207,947	187,644
Cost of sales	138,795	127,694
Gross profit	69,151	59,949
Selling, general and administrative expenses	50,171	46,131
Operating income	18,979	13,818
Non-operating income		
Interest income	104	100
Dividend income	565	218
Share of profit of entities accounted for using equity method	640	938
Subsidy income	63	38
Other	143	107
Total non-operating income	1,517	1,403
Non-operating expenses		
Interest expenses	436	296
Foreign exchange losses	1,005	1,044
Other	55	125
Total non-operating expenses	1,497	1,466
Ordinary income	18,999	13,754
Extraordinary income		
Gain on sales of non-current assets	13	6
Gain on sales of investment securities	11	—
Gain on sales of shares of subsidiaries and associates	28	—
Total extraordinary income	54	6
Extraordinary losses		
Loss on sales and retirement of non-current assets	147	180
Loss on valuation of investment securities	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	37
Impairment loss	—	23
Other	—	0
Total extraordinary losses	531	242
Income before income taxes and minority interests	18,522	13,518
Income taxes— current	5,451	4,110
Income taxes— deferred	461	522
Total income taxes	5,913	4,632
Profit	12,609	8,885
Profit attributable to non-controlling interests	578	276
Profit attributable to owners of parent	12,030	8,609

## (Consolidated Statements of Comprehensive Income)

(Millions of yen)

	Six months ended September 20, 2015	Six months ended September 20, 2016
Profit	12,609	8,885
Other comprehensive income		
Valuation difference on available-for-sale securities	(1,915)	(705)
Deferred gains or losses on hedges	—	(25)
Foreign currency translation adjustment	(707)	(8,335)
Remeasurements of defined benefit plans, net of tax	312	616
Share of other comprehensive income of entities accounted for using equity method	106	(427)
Total other comprehensive income	(2,203)	(8,878)
Comprehensive income	10,405	7
Comprehensive income attributable to		
Comprehensive income attributable to owners of parent	9,846	(31)
Comprehensive income attributable to non-controlling interests	558	38

## 3) Consolidated Statements of Cash Flows

(Millions of yen)

	Six months ended September 20, 2015	Six months ended September 20, 2016
<b>Cash flows from operating activities</b>		
Income before income taxes and minority interests	18,522	13,518
Depreciation	6,214	6,170
Impairment loss	—	23
Amortization of goodwill	621	548
Decrease in allowance for doubtful accounts	(492)	(309)
Decrease in provision for retirement benefits	(813)	(724)
Increase (decrease) in provision for directors' retirement benefits	12	(38)
Loss on sales and retirement of non-current assets	133	174
Gain on sales of investment securities	(11)	—
Gain on sales of shares of subsidiaries and associates	(1)	—
Loss on sales of investment in capital of subsidiaries and associates	73	37
Loss on valuation of investment securities	283	—
Interest and dividend income	(670)	(318)
Interest expenses	436	296
Decrease in notes and accounts receivable— trade	2,234	1,162
Increase in inventories	(2,063)	(3,353)
Increase (decrease) in notes and accounts payable - trade	(1,535)	2,262
Decrease in accounts payable - other	(394)	(1,114)
Other, net	480	4,101
Subtotal	23,029	22,438
Interest and dividend income received	972	382
Interest expenses paid	(433)	(301)
Income taxes paid	(7,204)	(3,817)
Net cash provided by operating activities	16,364	18,702
<b>Cash flows from investing activities</b>		
Purchase of property, plant and equipment and intangible assets	(11,206)	(7,836)
Proceeds from sales of property, plant and equipment and intangible assets	62	46
Purchase of investment securities etc	(116)	(92)
Proceeds from sales of investment securities	76	0
Purchase of shares of subsidiaries	(3)	—
Payments for sales of shares of subsidiaries resulting in change in scope of consolidation	(212)	—
Other, net	(47)	238
Net cash used in investing activities	(11,447)	(7,643)
<b>Cash flows from financing activities</b>		
Net increase (decrease) in short-term loans payable	3,121	(3,353)
Proceeds from long-term loans payable	330	2,361
Repayments of long-term loans payable	(3,373)	(3,117)
Cash dividends paid	(3,126)	(2,665)
Dividends paid to non-controlling interests	(5)	—
Other, net	(62)	(88)
Net cash used in financing activities	(3,116)	(6,862)
Effect of exchange rate change on cash and cash equivalents	78	(340)
Net increase in cash and cash equivalents	1,878	3,855
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	26,226	35,788

(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 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.

II The first half ended September 2016 (March 21, 2016 - September 20, 2016)

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	88,699	68,367	19,253	11,323	187,644	-	187,644
Intersegment sales and transfers	7,780	487	238	7,738	16,245	(16,245)	-
Total sales	96,480	68,855	19,491	19,061	203,889	(16,245)	187,644
Segment operating income	9,631	5,586	(668)	(179)	14,370	(552)	13,818

(Notes)

1. IT-related business and logistics services, etc. are included in the Other segment.
2. Adjustment in the segment operating income of (552) 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, 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

	Six months ended September 20, 2016				(Millions of yen)
	The Americas	Europe	Asia	Other	Total
Overseas sales	35,449	23,638	64,105	1,995	125,188
Consolidated sales	-	-	-	-	187,644
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