

Consolidated Results for the First Half of the Fiscal Year Ending February 28, 2018

[Japan GAAP]

October 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 Half of the Fiscal Year Ending February 28, 2018

(March 21, 2017 to September 20, 2017)

(1) Consolidated Statements of Income

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

	Six months ended September 20, 2017	Change	Six months ended September 20, 2016	Change
Net sales	229,114	22.1%	187,644	(9.8)%
Operating income	27,800	101.2%	13,818	(27.2)%
Ordinary income	27,457	99.6%	13,754	(27.6)%
Profit attributable to owners of parent	21,095	145.0%	8,609	(28.4)%
Earnings per share (basic, Yen)	79.23	-	32.33	-
Earnings per share (diluted, Yen)	-	-	-	-

Note1: Earnings per share (diluted) for the six months ended September 20, 2016 and 2017 are not shown as there is no dilutive shares.

Note:2	Six months ended September 20, 2016		Six months ended September 20, 2015	
Comprehensive income (Millions of yen)	25,509	- %	7	(99.9)%

(2) Consolidated Financial Position

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

	As of September 20, 2017	As of March 20, 2017
Total assets	422,727	387,512
Net assets	222,762	200,698
Shareholders' equity ratio (%)	52.1	51.2

Reference: Shareholders' equity

As of September 20, 2017: ¥220,449 million

As of March 20, 2017: ¥198,513 million

2. Dividends

		Year ended March 20, 2017	Year ending February 28, 2018	Year ending February 28, 2018 (forecasts)
Dividends per share (Yen)	End of 1Q	-	-	-
	End of 2Q	10.00	20.00	-
	End of 3Q	-	-	-
	Year-end	10.00	-	20.00
	Annual total	20.00	-	40.00

Note: Revisions to the most recently announced dividend forecast: Yes

3. Projected Consolidated Results for the Fiscal Year Ending February 28, 2018

(from March 21, 2017 to February 28, 2018)

(Millions of yen, except per share data)		
	Year ending February 28, 2018	Change
Net sales	450,000	- %
Operating income	54,000	- %
Ordinary income	54,000	- %
Profit attributable to owners of parent	39,000	- %
Earnings per share (Yen)	146.47	-

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 = 110 JPY and 1 EUR = 130 JPY during the period from September 21, 2017 to February 28, 2018.

The Company changes its accounting period starting fiscal 2017 from March 20 to the last day of February. The percentage change for the year ending February 28, 2018 is not shown as the accounting period is different from the previous year.

Reference information:

Projected consolidated results based on an assumption that the accounting period remains unchanged. (from March 21, 2017 to March 20, 2018)

Net sales:	466,000 million JPY (up by 18.0% year-on-year)
Operating income:	57,000 million JPY (up by 87.4% year-on-year)
Ordinary income:	57,000 million JPY (up by 78.3% year-on-year)
Net income attributable to owners of parent:	41,000 million JPY (up by 101.0% year-on-year)
Earnings per share:	153.99 JPY

Please refer to the supplements to financial results available on Yaskawa Electric's website for details.
(<http://www.yaskawa.co.jp/en/ir/materials/br>)

***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: None
2. Changes other than in 1.: Yes
3. Changes in accounting estimates: None
4. Restatements: None

*Please see Changes in Accounting Policies of 3) Notes to the Consolidated Financial Statements on page 10 for details.

(4) Number of Common Shares Outstanding

1. The number of shares outstanding including treasury shares:
As of September 20, 2017: 266,690,497 shares
As of March 20, 2017: 266,690,497 shares
2. The number of treasury shares:
As of September 20, 2017: 574,728 shares
As of March 20, 2017: 387,898 shares
3. Average during period (quarter cumulative):
Six months ended September 20, 2017: 266,248,949 shares
Six months ended September 20, 2016: 266,288,717 shares

*This financial report is not subject to the audit procedure.

*About the appropriate use of business forecasts and other matters

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 23, 2017 (Monday) and an information meeting on October 24, 2017 (Tuesday) in Tokyo for securities analysts and institutional investors. The telephone conference and information meeting are held in Japanese. A summary of the materials distributed at this meeting will be posted on the Yaskawa Group website on October 23, 2017.

4. Qualitative Information on Quarterly Results

Overview on Business Performance

Business Performance of the First Half of the Fiscal Year 2017 (from March 21, 2017 to September 20, 2017)

- Strong overseas performance especially in China due to robust demand backed by automation and sophistication of production equipment in the manufacturing sector
- Growth in the sales of AC servo business contributed to the significant YoY increase in sales and profits, which led to the achievement of the record high results for the first half.

<Management environment of each region>

Japan: Exports of manufacturers remained high level on the back of increasing demand from China, and consumer spending showed a recovery.

U.S.: Semiconductor-related demand remained strong and the oil- and gas-related market recovered.

Europe: Demand for capital expenditures mainly in the automobile industry was steady.

China: Demand remained high as automation and sophistication of production equipment progressed even more chiefly in smartphone-related market, and infrastructure investment recovered.

Other Asian Countries: Semiconductor-related capital expenditures especially for OLED in South Korea were strong.

The performance of each business segment for fiscal 2017 first half is as follows.

(Millions of yen, except ratio)

	Six months ended September 20, 2016	Six months ended September 20, 2017	Change
Net sales	187,644 million JPY	229,114 million JPY	+22.1%
Operating income	13,818 million JPY	27,800 million JPY	+101.2%
Ordinary income	13,754 million JPY	27,457 million JPY	+99.6%
Profit attributable to owners of parent	8,609 million JPY	21,095 million JPY	+145.0%
Average exchange rate for USD	107.15 JPY	111.45 JPY	+4.30 JPY
Average exchange rate for EUR	120.03 JPY	124.41 JPY	+4.38 JPY

Performance by Business Segment

Revisions were made to the division of businesses segments for the purpose of expanding environment and energy-related business starting fiscal 2017 first quarter. The PV inverter business, which was previously included in Motion Control, is included in System Engineering. The figures indicating change from the corresponding period of previous fiscal year are calculated based on the figures that reflect this change.

Motion Control	Net sales	110,384 million JPY (up by 32.6% year-on-year)
	Operating income	21,777 million JPY (up by 101.6% year-on-year)
<p>Motion Control segment is comprised of AC servo & controller business and drives business. Sales increased significantly and operating income doubled YoY as AC servo business achieved high performance and demand recovered for the drives business.</p> <p><AC servo & controller business></p> <ul style="list-style-type: none"> • Sales and operating income grew significantly because of the promotion of automation of production equipment and strong smartphone-related demand. <p><Drives business></p> <ul style="list-style-type: none"> • Sales and profitability grew on the back of recoveries in infrastructure investment in China and the U.S. oil- and gas-related demand. 		
Robotics	Net sales	80,445 million JPY (up by 17.7% year-on-year)
	Operating income	8,566 million JPY (up by 53.3% year-on-year)
<p>The demand from overseas markets remained high level, which led to YoY increases in sales and operating income, and significant improvement in profitability.</p> <ul style="list-style-type: none"> • Automobile-related sales for core products such as welding and painting robots significantly increased in overseas markets. • Sales for the non-auto general industries increased because of the strong demand for production automation of smartphones and home electronics in China. 		
System Engineering	Net sales	28,159 million JPY (up by 14.1% year-on-year)
	Operating loss	-1,777 million JPY (loss increased by 177 million JPY year-on-year)
<p>Sales increased YoY but operating loss increased.</p> <ul style="list-style-type: none"> • Steel plant and social system businesses remained steady by capturing the needs for facility renovation. • As for the environment and energy business, sales related to large-scale wind turbines were positive, however the sluggish PV inverter sales weighed on the segment earnings. 		
Other	Net sales	10,124 million JPY (down by 10.8% year-on-year)
	Operating loss	-53 million JPY (improved by 363 million JPY year-on-year)
<p>Other segment is comprised of IT-related business and logistics business.</p> <p>Structural reforms aimed at increasing management efficiency led to a drop in sales and improvement in operating loss.</p>		

5. Consolidated Financial Statements

1) Consolidated Balance Sheets

(Millions of yen)

	As of March 20, 2017	As of September 20, 2017
Assets		
Current assets		
Cash and deposits	29,792	35,180
Notes and accounts receivable — trade	129,365	140,709
Merchandise and finished goods	48,148	56,088
Work in process	14,127	16,054
Raw materials and supplies	17,611	20,846
Other	23,733	24,708
Allowance for doubtful accounts	(2,482)	(2,990)
Total current assets	260,295	290,598
Non-current assets		
Property, plant and equipment	61,159	63,375
Intangible assets		
Goodwill	4,053	3,506
Other	20,573	21,588
Total intangible assets	24,627	25,094
Investments and other assets		
Other	41,879	44,106
Allowance for doubtful accounts	(449)	(446)
Total investments and other assets	41,429	43,659
Total non-current assets	127,217	132,129
Total assets	387,512	422,727

(Millions of yen)

As of March 20, 2017 As of September 20, 2017

Liabilities		
Current liabilities		
Notes and accounts payable — trade	69,974	80,237
Short-term loans payable	24,647	25,955
Provision for directors' bonuses	66	27
Other	46,950	50,782
Total current liabilities	141,638	157,003
Non-current liabilities		
Long-term loans payable	11,145	9,096
Provision for directors' retirement benefits	175	138
Net defined benefit liability	28,019	27,807
Other	5,834	5,919
Total non-current liabilities	45,174	42,961
Total liabilities	186,813	199,965
Net assets		
Shareholders' equity		
Capital stock	30,562	30,562
Capital surplus	27,704	27,704
Retained earnings	132,607	151,037
Treasury shares	(249)	(802)
Total shareholders' equity	190,624	208,501
Accumulated other comprehensive income		
Valuation difference on available-for-sale securities	8,627	10,085
Deferred gains or losses on hedges	101	1
Foreign currency translation adjustment	1,292	3,826
Remeasurements of defined benefit plans	(2,132)	(1,964)
Total accumulated other comprehensive income	7,889	11,948
Non-controlling interests	2,184	2,312
Total net assets	200,698	222,762
Total liabilities and net assets	387,512	422,727

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

(Millions of yen)

	Six months ended September 20, 2016	Six months ended September 20, 2017
Net sales	187,644	229,114
Cost of sales	127,694	151,593
Gross profit	59,949	77,521
Selling, general and administrative expenses	46,131	49,720
Operating income	13,818	27,800
Non-operating income		
Interest income	100	115
Dividend income	218	243
Share of profit of entities accounted for using equity method	938	379
Subsidy income	38	117
Gain on bad debts recovered	—	95
Other	107	84
Total non-operating income	1,403	1,036
Non-operating expenses		
Interest expenses	296	303
Foreign exchange losses	1,044	787
Other	125	288
Total non-operating expenses	1,466	1,379
Ordinary income	13,754	27,457
Extraordinary income		
Gain on sales of non-current assets	6	7
Gain on sales of investment securities	—	0
Gain on sales of shares of subsidiaries and associates	—	0
Gain on liquidation of subsidiaries and associates	—	7
Other	—	0
Total extraordinary income	6	15
Extraordinary losses		
Loss on sales and retirement of non-current assets	180	68
Loss on valuation of investment securities	—	91
Loss on valuation of shares of subsidiaries and associates	—	7
Loss on sales of shares of subsidiaries and associates	37	—
Impairment loss	23	14
Other	0	0
Total extraordinary losses	242	182
Profit before income taxes	13,518	27,291
Income taxes — current	4,110	7,285
Income taxes — deferred	522	(1,395)
Total income taxes	4,632	5,889
Profit	8,885	21,401
Profit attributable to non-controlling interests	276	306
Profit attributable to owners of parent	8,609	21,095

Consolidated Statements of Comprehensive Income

(Millions of yen)

	Six months ended September 20, 2016	Six months ended September 20, 2017
Profit	8,885	21,401
Other comprehensive income		
Valuation difference on available-for-sale securities	(705)	1,430
Deferred gains or losses on hedges	(25)	(94)
Foreign currency translation adjustment	(8,335)	2,585
Remeasurements of defined benefit plans, net of tax	616	131
Share of other comprehensive income of entities accounted for using equity method	(427)	55
Total other comprehensive income	(8,878)	4,107
Comprehensive income	7	25,509
(Breakdown)		
Comprehensive income attributable to owners of parent	(31)	25,154
Comprehensive income attributable to non-controlling interests	38	354

3) Notes to the Consolidated Financial Statements

(Notes Pertaining to the Presumption of a Going Concern)

None

(Notes on Significant Changes in Shareholders' Equity)

None

(Changes in Accounting Policies)

(Revision in key hedge accounting methods)

Thus far, for foreign exchange contracts that meet the requirements for allocation processing, we have been processing them such that we apply allocation processing, we apply exception processing for interest rate swap that meet the requirements for exception processing, and we apply integral processing for interest rate currency swap that meet the requirements for integral processing (exception processing and allocation processing).

However, starting from the current first quarter consolidated accounting period, principal processing method will be updated. Such update in accounting policy was implemented as a result of the review of the hedge policy and management system with regards to the foreign exchange risk and interest rate risk as well as reviewing the adequacy of the hedge accounting, it was determined that principal processing method can present consolidated financial statements more appropriately.

Furthermore, since the revision in the hedge accounting method has minimum impact on previous periods, there is no retroactive application.