

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

[Japan GAAP]

January 23, 2018

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 Three Quarters of the Fiscal Year Ending February 28, 2018 (March 21, 2017 to December 20, 2017)

(1) Consolidated Statements of Income

	(Millions of yen, except ratio and per share data)			
	Nine months ended December 20, 2017	Change	Nine months ended December 20, 2016	Change
Net sales	339,849	19.4%	284,679	(7.1)%
Operating income	41,577	92.3%	21,618	(20.5)%
Ordinary income	41,618	85.0%	22,491	(18.6)%
Profit attributable to owners of parent	29,651	101.4%	14,721	(19.3)%
Earnings per share (basic, Yen)	111.39	-	55.28	-
Earnings per share (diluted, Yen)	-	-	-	-

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

Note:2	Nine months ended December 20, 2017	Change	Nine months ended December 20, 2016	Change
Comprehensive income (Millions of yen)	38,217	166.3%	14,351	(19.3)%

(2) Consolidated Financial Position

	(Millions of yen, except ratio and per share data)	
	As of December 20, 2017	As of March 20, 2017
Total assets	430,123	387,512
Net assets	229,618	200,698
Shareholders' equity ratio (%)	52.8	51.2

Reference: Shareholders' equity

As of December 20, 2017: ¥227,026 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: No

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)	146.51	-

Note: Revisions to the most recently announced sales and earnings forecast: No

Reference: These forecasts are based on average exchange rate assumptions of 1 USD = 110 JPY and 1 EUR = 130 JPY during the period from December 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:	154.02 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: No

(2) Use of accounting methods that are specific to the preparation of the quarterly consolidated financial statements: No

(3) Changes in accounting policies, changes in accounting estimates, and restatements:

1. Changes in accounting policies accompanying revisions in accounting standards: No
2. Changes other than in 1.: Yes
3. Changes in accounting estimates: No
4. Restatements: No

*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 December 20, 2017: 266,690,497 shares
As of March 20, 2017: 266,690,497 shares
2. The number of treasury shares:
As of December 20, 2017: 673,180 shares
As of March 20, 2017: 387,898 shares
3. Average during period (quarter cumulative):
Nine months ended December 20, 2017: 266,189,695 shares
Nine months ended December 20, 2016: 266,292,475 shares

Note: The number of treasury shares includes the shares of the Company (290,100 shares as of December 20, 2017, no shares as of March 20, 2017) held by “Board Benefit Trust (BBT)” and “Employee Stock Ownership Plan (J-ESOP).” The shares of the Company held by BBT and J-ESOP are included in treasury shares deducted in calculating the average number of shares during period. (113,580 shares for the nine months ended December 20, 2017, no shares for the nine months ended December 20, 2016)

*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 January 23, 2018 (Tuesday) for securities analysts and institutional investors. The telephone conference is held in Japanese. The materials discussed at this conference will be posted on the Yaskawa Group website on January 23, 2018.

4. Qualitative Information on Quarterly Results

Overview on Business Performance

Business Performance of the First Three Quarters of the Fiscal Year 2017 (from March 21, 2017 to December 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 Motion Control segment contributed to the significant YoY increase in sales and profits, which led to the achievement of the record high results for the first three quarters.

<Management environment of each region>

Japan: Increase in capital expenditures continued for the purpose of facility replacement and capacity enhancement, and exports to China and other countries also remained at a high level mainly in the manufacturing sector.

U.S.: Semiconductor-related demand remained strong and the oil- and gas-related market continued to recover on the back of steady economic growth.

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 three quarters is as follows.

(Millions of yen, except ratio)

	Nine months ended December 20, 2016	Nine months ended December 20, 2017	Change
Net sales	284,679 million JPY	339,849 million JPY	+19.4%
Operating income	21,618 million JPY	41,577 million JPY	+92.3%
Ordinary income	22,491 million JPY	41,618 million JPY	+85.0%
Profit attributable to owners of parent	14,721 million JPY	29,651 million JPY	+101.4%
Average exchange rate for USD	106.35 JPY	111.70 JPY	+5.35 JPY
Average exchange rate for EUR	118.46 JPY	127.05 JPY	+8.59 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	164,088 million JPY (up by 30.5% year-on-year)
	Operating income	32,240 million JPY (up by 91.0% year-on-year)
<p>Motion Control segment is comprised of AC servo & controller business and drives business. Sales and operating income increased significantly 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 mainly for the semiconductor and electronic component industries because of the promotion of automation of production equipment and steady smartphone-related demand. <p><Drives business></p> <ul style="list-style-type: none"> • Sales and profitability grew on the back of continued recoveries in the U.S. oil- and gas-related demand and infrastructure investment in China. 		
Robotics	Net sales	120,540 million JPY (up by 18.1% year-on-year)
	Operating income	13,501 million JPY (up by 70.3% year-on-year)
<p>Sales remained steady on the back of growth in demand from overseas markets. Operating income increased significantly as productivity improved because production volume remained high-level on the back of strong orders.</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	40,850 million JPY (up by 1.7% year-on-year)
	Operating loss	-3,064 million JPY (loss increased by 1,358 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 in Japan and the U.S. weighed on the segment profitability. 		
Other	Net sales	14,370 million JPY (down by 14.1% year-on-year)
	Operating loss	82 million JPY (improved by 627 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 December 20, 2017
Assets		
Current assets		
Cash and deposits	29,792	26,564
Notes and accounts receivable — trade	129,365	142,502
Merchandise and finished goods	48,148	63,748
Work in process	14,127	18,394
Raw materials and supplies	17,611	22,685
Other	23,733	22,429
Allowance for doubtful accounts	(2,482)	(2,720)
Total current assets	260,295	293,604
Non-current assets		
Property, plant and equipment	61,159	65,460
Intangible assets		
Goodwill	4,053	3,252
Other	20,573	19,191
Total intangible assets	24,627	22,444
Investments and other assets		
Other	41,879	49,018
Allowance for doubtful accounts	(449)	(403)
Total investments and other assets	41,429	48,615
Total non-current assets	127,217	136,519
Total assets	387,512	430,123

(Millions of yen)

	As of March 20, 2017	As of December 20, 2017
Liabilities		
Current liabilities		
Notes and accounts payable — trade	69,974	83,046
Short-term loans payable	24,647	26,785
Provision for directors' bonuses	66	42
Other	46,950	50,095
Total current liabilities	141,638	159,969
Non-current liabilities		
Long-term loans payable	11,145	6,832
Provision for directors' retirement benefits	175	148
Net defined benefit liability	28,019	27,601
Other	5,834	5,952
Total non-current liabilities	45,174	40,535
Total liabilities	186,813	200,505
Net assets		
Shareholders' equity		
Capital stock	30,562	30,562
Capital surplus	27,704	27,717
Retained earnings	132,607	154,262
Treasury shares	(249)	(1,333)
Total shareholders' equity	190,624	211,208
Accumulated other comprehensive income		
Valuation difference on available-for-sale securities	8,627	12,355
Deferred gains or losses on hedges	101	12
Foreign currency translation adjustment	1,292	5,275
Remeasurements of defined benefit plans	(2,132)	(1,826)
Total accumulated other comprehensive income	7,889	15,817
Non-controlling interests	2,184	2,592
Total net assets	200,698	229,618
Total liabilities and net assets	387,512	430,123

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

(Millions of yen)

	Nine months ended December 20, 2016	Nine months ended December 20, 2017
Net sales	284,679	339,849
Cost of sales	193,892	223,674
Gross profit	90,786	116,175
Selling, general and administrative expenses	69,168	74,598
Operating income	21,618	41,577
Non-operating income		
Interest income	139	178
Dividend income	329	368
Share of profit of entities accounted for using equity method	1,323	849
Subsidy income	230	162
Gain on bad debts recovered	—	95
Other	146	172
Total non-operating income	2,169	1,828
Non-operating expenses		
Interest expenses	444	456
Foreign exchange losses	703	1,099
Other	148	231
Total non-operating expenses	1,296	1,786
Ordinary income	22,491	41,618
Extraordinary income		
Gain on sales of non-current assets	27	75
Gain on sales of investment securities	0	36
Gain on sales of shares of subsidiaries and associates	—	0
Gain on liquidation of subsidiaries and associates	—	7
Gain on exchange from business combination	—	25
Other	—	0
Total extraordinary income	27	145
Extraordinary losses		
Loss on sales and retirement of non-current assets	193	70
Loss on valuation of investment securities	439	446
Loss on valuation of shares of subsidiaries and associates	—	7
Loss on sales of shares of subsidiaries and associates	193	20
Loss on sales of investments in capital	36	—
Impairment loss	49	2,555
Other	0	0
Total extraordinary losses	914	3,101
Profit before income taxes	21,604	38,663
Income taxes — current	5,894	10,285
Income taxes — deferred	574	(1,836)
Total income taxes	6,468	8,449
Profit	15,135	30,214
Profit attributable to non-controlling interests	413	562
Profit attributable to owners of parent	14,721	29,651

Consolidated Statements of Comprehensive Income

(Millions of yen)

	Nine months ended December 20, 2016	Nine months ended December 20, 2017
Profit	15,135	30,214
Other comprehensive income		
Valuation difference on available-for-sale securities	1,982	3,705
Deferred gains or losses on hedges	117	(83)
Foreign currency translation adjustment	(3,358)	3,948
Remeasurements of defined benefit plans, net of tax	893	250
Share of other comprehensive income of entities accounted for using equity method	(419)	182
Total other comprehensive income	(784)	8,002
Comprehensive income	14,351	38,217
Comprehensive income attributable to		
Comprehensive income attributable to owners of parent	14,066	37,580
Comprehensive income attributable to non-controlling interests	284	636

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.