

Consolidated Results for the First Three Quarters of the Fiscal Year Ending February 28, 2019
[Japan GAAP]

January 10, 2019

Listed company name: YASKAWA Electric Corporation

Stock ticker number: 6506

<https://www.yaskawa.co.jp/en/>

Representative: Hiroshi Ogasawara, Representative Director, President

Stock exchange listings: Tokyo (First section), Fukuoka

(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, 2019 (March 1, 2018 to November 30, 2018)

(1) Consolidated Statements of Income

(Millions of yen, percentage change from the previous year)

	Net sales		Operating income		Ordinary income		Profit attributable to owners of parent	
Nine months ended November 30, 2018	361,320	-	41,638	-	42,830	-	37,930	-
Nine months ended December 20, 2017	339,849	19.4%	41,577	92.3%	41,618	85.0%	29,651	101.4%

Note: Comprehensive income

Nine months ended November 30, 2018: 33,171 million yen (-%)

Nine months ended December 20, 2017: 38,217 million yen (166.3%)

	Earnings per share (basic, Yen)	Earnings per share (diluted, Yen)
Nine months ended November 30, 2018	143.56	-
Nine months ended December 20, 2017	111.39	-

Note1: The Company changed its accounting period in fiscal 2017 from March 20 to the last day of February. As a result of this change, the period for the first three quarters of the fiscal year ending February 2019 (From March 1, 2018 to November 30, 2018) is different from that of the first half of the previous fiscal year (From March 21, 2017 to December 20, 2017). Therefore, the percentage changes from the previous fiscal year are not shown.

Note2: Earnings per share (diluted) is not shown as there is no dilutive shares.

(2) Consolidated Financial Position

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

	Total assets	Net assets	Shareholders' equity ratio (%)
As of November 30, 2018	476,210	248,297	51.5
As of February 28, 2018	441,249	238,626	53.5

Reference: Shareholders' equity

As of November 30, 2018: ¥245,400 million

As of February 28, 2018: ¥235,865 million

2. Dividends

	Dividends per share (yen)				
	End of 1Q	End of 2Q	End of 3Q	Year-end	Annual total
Year ended February 28, 2018	-	20.00	-	20.00	40.00
Year ending February 28, 2019	-	26.00			
Year ending February 28, 2019 (forecasts)			-	26.00	52.00

Note: Revisions to the most recently announced dividend forecast: No

3. Projected Consolidated Results for the Fiscal Year Ending February 28, 2019 (from March 1, 2018 to February 28, 2019)

(Millions of yen, percentage change from the corresponding period of the previous year)

	Net sales		Operating income		Ordinary income		Net income attributable to owners of parent		Earnings per share (Yen)
Year ending February 28, 2019	482,000	-	53,000	-	54,400	-	45,500	-	172.21

Note: Revisions to the most recently announced sales and earnings forecast: Yes

Note: As the transitional year for the change in accounting period, the previous fiscal year was from March 21, 2017 to February 28, 2018. Therefore, the percentage changes from the previous fiscal year are not shown.

Reference: These forecasts are based on average exchange rate assumptions of 1 USD = 110 JPY, 1 EUR = 125 JPY, 1 CNY = 16.00 JPY and 1 KRW = 0.100 JPY during the period from December 1, 2018 to February 28, 2019.

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

***Notes:**

- (1) Changes in significant subsidiaries during the period (changes in specified subsidiaries resulting in changes in the 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.: No
 - 3. Changes in accounting estimates: No
 - 4. Restatements: No

(4) Number of Common Shares Outstanding

The number of shares outstanding including treasury shares	As of November 30, 2018	266,690,497	As of February 28, 2018	266,690,497
The number of treasury shares	As of November 30, 2018	2,876,326	As of February 28, 2018	674,399
Average during the period	Nine months ended November 30, 2018	264,212,264	Nine months ended December 20, 2017	266,189,695

Note: The number of treasury shares includes the shares of the Company (284,800 shares as of November 30, 2018, 290,100 shares as of February 28, 2018) 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. (286,950 shares for 3Q of the year ending February 2019, 113,580 shares for 3Q of the year ended February 2018)

* 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, and are not disclosed for the purpose of making a commitment to their achievement. Actual results may differ from these statements for a number of reasons.
- The Company will hold a telephone conference for securities analysts and institutional investors on January 10, 2019.

4. Qualitative Information on Quarterly Results

Business Performance

The Company changed its accounting period in fiscal 2017 from March 20 to the last day of February. As a result of this change, the period for the first three quarters of the fiscal year ending February 2019 (From March 1, 2018 to November 30, 2018) is different from that of the first three quarters of the previous fiscal year (From March 21, 2017 to December 20, 2017). Therefore, the year-on-year changes of the management results are not shown.

The business performance of the Yaskawa Group in the first three quarters of fiscal 2018 (March 1, 2018 – November 30, 2018) was steady overall as we captured the global automotive-related demand, while we saw a slowdown mainly in the Chinese market. As a result, the Yaskawa Group achieved record-high sales and profits for the first three quarters.

<Management environment of each region>

Japan:

Capital expenditures were strong due to demand for facility replacement for the purpose of improvement in the production efficiency in the automobile-related sector, while some markets such as semiconductor-related started to see signs of a slowdown.

U.S.:

Although there was a concern over the possible effect of U.S. China trade conflict on the production activities and consumption, the demand for machine tools, etc. were solid backed by the steady economic growth. The oil&gas-related demand also remained firm.

Europe:

Capital expenditures in the clean power sector, including those for large-scale wind generation remained high, in addition to the steady capital expenditures in the automobile-related industry

China:

While the growth markets such as EV-related industry were steady, the smartphone-related demand, which was strong in the previous year, dropped. A cautious stance was taken in the manufacturing sector overall for capital expenditures due to the effect of U.S. China trade conflict.

Asia except China:

The semiconductor- and OLED-related demand was sluggish especially in Korea, while capital investments in the automobile and infrastructure sector remained steady.

The business performance of the first three quarters of fiscal 2018 is as follows.

	Nine months ended December 20, 2017	Nine months ended November 30, 2018	Change
Net sales	339,849 million JPY	361,320 million JPY	-
Operating income	41,577 million JPY	41,638 million JPY	-
Ordinary income	41,618 million JPY	42,830 million JPY	-
Profit attributable to owners of parent	29,651 million JPY	37,930 million JPY	-
Average exchange rate for USD	111.70 JPY	110.44 JPY	-1.26 JPY
Average exchange rate for EUR	127.05 JPY	129.78 JPY	+2.73 JPY
Average exchange rate for CNY	16.56 JPY	16.65 JPY	+0.09 JPY
Average exchange rate for KRW	0.099 JPY	0.100 JPY	+0.001 JPY

Performance by Business Segment

The business of the Yaskawa Group is divided into four segments.

The performance of each business segment for the first three quarters of fiscal 2018 is as follows.

Motion Control	Net sales	161,777 million JPY
	Operating income	29,295 million JPY
<p>Motion Control segment is comprised of AC servo & controller business and drives business. The segment performance stagnated because sales for AC servo & controller business slowed down especially in China and other Asian countries, although sales for drives business were steady globally.</p> <p><AC servo & controller business></p> <ul style="list-style-type: none"> Although the demand was driven by the progress of sophistication and automation of production equipment in the manufacturing sector, the effects of the U.S. China trade conflict were seen especially in China and the semiconductor-related capital expenditures were weak. As a result, sales and profits stagnated. <p><Drives business></p> <ul style="list-style-type: none"> Sales remained solid globally on the back of steady U.S. oil&gas-related demand and the increase in the infrastructure-related demand in Japan. 		
Robotics	Net sales	131,817 million JPY
	Operating income	13,604 million JPY
<p>Sales and profits were strong on the back of robust global demand.</p> <ul style="list-style-type: none"> Automobile-related sales including such products as welding and painting robots were strong globally. Sales especially in the European market grew significantly. Sales for the general industries were stagnant due to shrinking demand in the smartphone-related sector, which was strong in the previous year. 		
System Engineering	Net sales	42,140 million JPY
	Operating loss	-251 million JPY
<p>Sales remained steady, and operating loss saw an improvement because of cost reduction achieved through business reforms in the clean power area.</p> <ul style="list-style-type: none"> Sales of the steel plant and social system businesses were solid. As for the clean power business, sales in Europe significantly increased due to continued orders related to large-scale wind turbines, while the PV inverter sales in the U.S. market were sluggish. 		

Other	Net sales	25,585 million JPY
	Operating loss	427 million JPY
<p>Other segment is comprised of IT-related business and logistics business. Sales and operating income remained steady due to the temporary effect from reorganization of subsidiaries and newly consolidated subsidiaries, as well as the start of commercial production of EV-related products.</p>		

5. Consolidated Financial Statements

1) Consolidated Balance Sheets

(Millions of yen)

	As of February 28, 2018	As of November 30, 2018
Assets		
Current assets		
Cash and deposits	42,279	45,560
Notes and accounts receivable — trade	142,039	141,627
Merchandise and finished goods	58,640	69,218
Work in process	19,311	21,423
Raw materials and supplies	22,100	25,842
Other	23,320	23,830
Allowance for doubtful accounts	-2,695	-2,244
Total current assets	304,995	325,259
Non-current assets		
Property, plant and equipment	67,956	79,113
Intangible assets		
Goodwill	2,931	7,160
Other	19,108	22,526
Total intangible assets	22,039	29,687
Investments and other assets		
Other	46,637	42,428
Allowance for doubtful accounts	-379	-277
Total investments and other assets	46,258	42,151
Total non-current assets	136,254	150,951
Total assets	441,249	476,210

(Millions of yen)

	As of February 28, 2018	As of November 30, 2018
Liabilities		
Current liabilities		
Notes and accounts payable — trade	84,795	78,221
Short-term loans payable	22,498	31,232
Provision for directors' bonuses	59	48
Other	54,319	66,178
Total current liabilities	161,673	175,681
Non-current liabilities		
Long-term loans payable	8,977	17,304
Provision for directors' retirement benefits	202	274
Provision for stocks payment	367	340
Net defined benefit liability	25,917	26,462
Other	5,484	7,850
Total non-current liabilities	40,949	52,231
Total liabilities	202,623	227,913
Net assets		
Shareholders' equity		
Capital stock	30,562	30,562
Capital surplus	27,717	27,693
Retained earnings	164,360	190,099
Treasury shares	-1,338	-12,484
Total shareholders' equity	221,301	235,870
Accumulated other comprehensive income		
Valuation difference on available-for-sale securities	10,961	7,205
Deferred gains or losses on hedges	13	9
Foreign currency translation adjustment	4,126	2,518
Remeasurements of defined benefit plans	-538	-203
Total accumulated other comprehensive income	14,563	9,530
Non-controlling interests	2,761	2,896
Total net assets	238,626	248,297
Total liabilities and net assets	441,249	476,210

2) Consolidated Statements of Income and Comprehensive Income

(Millions of yen)

	Nine months ended December 20, 2017	Nine months ended November 30, 2018
Net sales	339,849	361,320
Cost of sales	223,674	240,485
Gross profit	116,175	120,834
Selling, general and administrative expenses	74,598	79,196
Operating profit	41,577	41,638
Non-operating income		
Interest income	178	239
Dividend income	368	329
Share of profit of entities accounted for using equity method	849	1,169
Subsidy income	162	1,024
Gain on bad debts recovered	95	—
Other	172	146
Total non-operating income	1,828	2,909
Non-operating expenses		
Interest expenses	456	435
Foreign exchange losses	1,099	1,139
Other	231	142
Total non-operating expenses	1,786	1,717
Ordinary profit	41,618	42,830
Extraordinary income		
Gain on sales of non-current assets	75	33
Gain on sales of investment securities	36	87
Gain on sales of shares of subsidiaries and associates	0	—
Gain on liquidation of subsidiaries and associates	7	—
Gain on acquisition of subsidiary	—	6,014
Gain on exchange from business combination	25	—
Other	0	4
Total extraordinary income	145	6,139
Extraordinary losses		
Loss on sales and retirement of non-current assets	70	173
Loss on valuation of investment securities	446	509
Loss on valuation of shares of subsidiaries and associates	7	—
Loss on sales of shares of subsidiaries and associates	20	—
Impairment loss	2,555	495
Other	0	0
Total extraordinary losses	3,101	1,177
Profit before income taxes	38,663	47,792
Income taxes — current	10,285	10,901
Income taxes — deferred	-1,836	-1,424
Total income taxes	8,449	9,476
Profit	30,214	38,315
Profit attributable to non-controlling interests	562	385
Profit attributable to owners of parent	29,651	37,930

Consolidated Statements of Comprehensive Income

(Millions of yen)

	Nine months ended December 20, 2017	Nine months ended November 30, 2018
Profit	30,214	38,315
Other comprehensive income		
Valuation difference on available-for-sale securities	3,705	-3,622
Deferred gains or losses on hedges	-83	-3
Foreign currency translation adjustment	3,948	-1,611
Remeasurements of defined benefit plans, net of tax	250	194
Share of other comprehensive income of entities accounted for using equity method	182	-101
Total other comprehensive income	8,002	-5,144
Comprehensive income	38,217	33,171
Comprehensive income attributable to		
Comprehensive income attributable to owners of parent	37,580	32,897
Comprehensive income attributable to non-controlling interests	636	274

3) Notes to the Consolidated Financial Statements

(Notes pertaining to the presumption of a going concern)

None

(Note in case of significant changes in the amount of shareholders' equity)

None