

Consolidated Results for the First Quarter of the Fiscal Year Ending March 20, 2015
[Japan GAAP]

July 17 2014

Listed company name: YASKAWA Electric Corporation

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

Representative: Junji Tsuda, Representative Director, Chairman of the Board, 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, 2015
(March 21, 2014 to June 20, 2014)

(1) Consolidated Statements of Income

(Millions of yen, except ratio and per share data)				
	Three months ended June 20, 2014	Change	Three months ended June 20, 2013	Change
Net sales	91,021	6.4%	85,518	17.8%
Operating income	6,810	7.0%	6,364	191.9%
Ordinary income	6,533	(1.3)%	6,620	231.2%
Net income	4,472	32.5%	3,376	276.6%
Earnings per share (basic, Yen)	17.77	-	13.42	-
Earnings per share (diluted, Yen)	16.87	-	12.73	-
Note:				
	Three months ended June 20, 2014	Change	Three months ended June 20, 2013	Change
Comprehensive income (Millions of yen)	4,888	(43.5)%	8,647	- %

(2) Consolidated Financial Position

(Millions of yen, except ratio)	
	As of June 20, 2014
Total assets	337,742
Net assets	142,806
Shareholders' equity ratio (%)	40.7

Reference: Shareholders' equity

As of June 20, 2014: ¥137,487 million

As of March 20, 2014: ¥134,076 million

2. Dividends

	Year ended March 20, 2014	Year ending March 20, 2015	Year ending March 20, 2015 (forecast)
End of 1Q	-	-	-
End of 2Q	6.00	-	7.00
End of 3Q	-	-	-
Year-end	6.00	-	7.00
Annual total	12.00	-	14.00

Note: Revisions to the most recently announced dividend forecast: None

3. Projected Consolidated Results for the Fiscal Year Ending March 20, 2015 (from March 21, 2014 to March 20, 2015)

	(Millions of yen, except per share data)			
	Six months ending September 20, 2014	Change	Year ending March 20, 2015	Change
Net sales	190,000	7.2%	380,000	4.5%
Operating income	13,000	2.9%	27,500	7.0%
Ordinary income	13,000	(3.0)%	28,000	3.4%
Net income	8,000	10.3%	17,500	3.2%
Earnings per share (Yen)	31.79	-	69.55	-

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 = 100 JPY and 1 EUR = 140 JPY during the period from June 21, 2014 to March 20, 2015.

*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.: None
 3. Changes in accounting estimates: None
 4. Restatements: None
- (4) Number of Common Shares Outstanding
 1. The number of shares outstanding including treasury shares:
 - As of June 20, 2014: 252,331,938 shares
 - As of March 20, 2014: 252,331,938 shares
 2. The number of treasury shares:
 - As of June 20, 2014: 713,498 shares
 - As of March 20, 2014: 712,921 shares
 3. Average during period (quarter cumulative):
 - Three months ended June 20, 2014: 251,618,728 shares
 - Three months ended June 20, 2013: 251,624,413 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

Business Performance

- Markets in emerging markets such as the ASEAN region were stagnant, while the Chinese smart phone-related market was robust. Markets in the Americas recovered gradually.
- Capital expenditures in Japan increased because of the growth in corporate earnings backed by weaker yen, and the market recovered gradually.

Considering the above, the Yaskawa Group is currently implementing the following policies and measures:

- Increase bookings in core businesses
- Continue developing R&D, production and sales capabilities to achieve higher profitability
- Expand the Environment and Energy business, and establish a framework to fully commercialize the Human Assist business

The business performance of each business segment for the first quarter of fiscal 2014 is as follows.

(Millions of yen, except ratio)

Business segment	Three months ended June 20, 2014	
	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	43,548 (up by 4.2%)	5,139 (up by 13.6%)
Robotics	31,151 (up by 11.8%)	2,602 (up by 7.0%)
System Engineering	6,334 (down by 14.3%)	(661) (-)
Other	9,987 (up by 17.8%)	(51) (-)

Motion Control

- Growth in global sales of AC servo motors and controllers mainly for smart phones and automobile-related industries. Production increase at Shenyang plant contributed to the significant growth in China.
- The sales of general purpose AC drives were firm. The sales of PV inverters were lower than the corresponding period of previous fiscal year when the market was strong.
- Both net sales and operating income have increased compared to FY2013 Q1.

Robotics

- Steady growth in sales of welding, handling and painting robots to global automobile-related industries. Captured the expansion of the Chinese market.
- Both net sales and operating income have increased compared to FY2013 Q1.

System Engineering

- The segment remained stagnant due to weak demand for steel plant and water and sewerage electric instrumentation systems.

Other

- The Group's information technology business and logistics business are included in this segment.

5. Consolidated Financial Statements

1) Consolidated Balance Sheets

	(Millions of yen)	
	As of March 20, 2014	As of June 20, 2014
Assets		
Current assets		
Cash and time deposits	23,104	19,674
Trade notes and accounts receivable	108,706	103,958
Merchandise and finished goods	48,251	51,562
Goods in process	11,637	12,804
Raw materials and supplies	18,476	17,834
Other	28,519	29,537
Allowance for doubtful accounts	(1,626)	(1,589)
Total current assets	237,068	233,781
Fixed assets		
Property, plant and equipment	50,586	51,274
Intangible assets	15,043	14,810
Investments and other assets		
Other	38,121	38,189
Allowance for doubtful accounts	(313)	(313)
Total investments and other assets	37,807	37,876
Total fixed assets	103,437	103,960
Total assets	340,506	337,742
Liabilities		
Current liabilities		
Trade notes and accounts payable	67,999	67,601
Short-term bank loans	24,395	24,710
Accrued directors' bonus	39	12
Other	42,039	40,352
Total current liabilities	134,474	132,676
Long-term liabilities		
Convertible bonds	15,000	15,000
Long-term debt	15,357	13,895
Provision for employees' retirement benefits	26,234	25,435
Provision for directors' retirement benefits	232	189
Other	9,335	7,739
Total long-term liabilities	66,160	62,259
Total liabilities	200,635	194,936
Net assets		
Shareholders' equity		
Capital	23,062	23,062
Additional paid-in capital	18,689	18,689
Retained earnings	81,431	84,392
Treasury shares, at cost	(476)	(477)
Total shareholders' equity	122,706	125,666
Accumulated other comprehensive income		
Net unrealized holding gain on securities	5,286	6,544
Foreign currency translation adjustments	6,083	5,276
Total accumulated other comprehensive income	11,370	11,820
Minority interests	5,794	5,318
Total net assets	139,870	142,806
Total liabilities and net assets	340,506	337,742

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

(Millions of yen)

	Three Months Ended June 20, 2013	Three Months Ended June 20, 2014
Net sales	85,518	91,021
Cost of sales	59,681	62,467
Gross profit	25,836	28,553
Selling, general and administrative expenses	19,472	21,742
Operating income	6,364	6,810
Non-operating income		
Interest income	29	31
Dividends received	10	52
Equity in earnings of associated companies	31	-
Foreign exchange gains	231	-
Proceeds from subsidy	129	101
Other	74	46
Total non-operating income	508	231
Non-operating expenses		
Interest expenses	167	207
Equity in losses of associated companies	-	155
Foreign exchange losses	-	119
Other	83	24
Total non-operating expenses	251	508
Ordinary income	6,620	6,533
Extraordinary gains		
Gain on sales of fixed assets	4	110
Total extraordinary gains	4	110
Extraordinary losses		
Loss on sales and disposal of fixed assets	25	27
Loss on devaluation of investment securities	1	-
Loss on ending of retirement benefit scheme	-	225
Other	-	1
Total extraordinary losses	27	254
Income before income taxes and minority interests	6,598	6,388
Provision for income taxes- current	1,350	1,428
Provision for income taxes- deferred	1,715	481
Total income taxes	3,066	1,910
Income before minority interests	3,531	4,478
Minority interests in income	155	6
Net income	3,376	4,472

Consolidated Statements of Comprehensive Income (cumulative)

(Millions of yen)

	Three Months Ended June 20, 2013	Three Months Ended June 20, 2014
Income before minority interests	3,531	4,478
Other comprehensive income		
Valuation difference on available-for-sale securities	443	1,250
Foreign currency translation adjustment	4,578	(758)
Share of other comprehensive income of associates accounted for using equity method	93	(82)
Total other comprehensive income	5,115	410
Comprehensive income	8,647	4,888
(Breakdown)		
Comprehensive income attributable to shareholders of the Company	8,344	4,923
Comprehensive income attributable to minority interests	302	(34)

3) Consolidated Statements of Cash Flows

(Millions of yen)

	Three Months Ended June 20, 2013	Three Months Ended June 20, 2014
Cash flows from operating activities		
Income before income taxes and minority interests	6,598	6,388
Depreciation and amortization	2,235	2,456
Decrease in allowance for doubtful accounts	(89)	(21)
Increase (decrease) in provision for employees' retirement benefits, net of payments	186	(792)
Decrease in provision for directors' retirement benefits, net of payments	(4)	(43)
Loss (gain) on sales and retirement of fixed assets	20	(82)
Loss on valuation of investment securities	1	-
Interest and dividend income	(40)	(83)
Interest expense	167	207
Decrease in trade receivables	7,546	2,946
Increase in inventories	(3,599)	(4,354)
Increase in trade payables	486	170
Increase in accrued expenses	221	901
Other, net	(3,570)	(1,629)
Subtotal	10,160	6,064
Interest and dividends received	219	217
Interest paid	(169)	(195)
Income taxes paid	(2,320)	(3,128)
Net cash provided by operating activities	7,889	2,957
Cash flows from investing activities		
Purchase of property, plant and equipment and intangible assets	(3,486)	(4,084)
Proceeds from sales of property, plant and equipment and intangible assets	244	208
Purchase of investment securities	(14)	(1)
Other, net	130	(103)
Net cash used in investing activities	(3,126)	(3,982)
Cash flows from financing activities		
Increase (decrease) in short-term debt	(976)	652
Proceeds from long-term debt	70	70
Repayments of long-term debt	(628)	(1,434)
Dividends paid	(1,259)	(1,511)
Dividends paid to minority shareholders	(4)	(5)
Other, net	(17)	(8)
Net cash used in financing activities	(2,815)	(2,236)
Effect of exchange rate changes on cash and cash equivalents	1,159	(168)
Net increase (decrease) in cash and cash equivalents	3,107	(3,429)
Cash and cash equivalents at beginning of year	19,389	22,992
Increase due to inclusion of subsidiaries in consolidation	1,183	-
Increase in cash and cash equivalents resulting from merger with unconsolidated subsidiaries	58	-
Cash and cash equivalents at the end of period	23,737	19,562

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 2013 (March 21, 2013 - June 20, 2013)

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	41,773	27,873	7,390	8,479	85,518	-	85,518
Intersegment sales and transfers	2,475	77	114	4,811	7,478	(7,478)	-
Total sales	44,249	27,951	7,505	13,291	92,996	(7,478)	85,518
Segment operating income (loss)	4,525	2,432	(152)	(97)	6,709	(345)	6,364

(Notes)

1. IT-related business and logistics services, etc. are included in the Other segment.
2. The deduction of ¥345 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 2014 (March 21, 2014 - June 20, 2014)

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	43,548	31,151	6,334	9,987	91,021	-	91,021
Intersegment sales and transfers	3,626	80	271	4,459	8,438	(8,438)	-
Total sales	47,175	31,231	6,605	14,446	99,459	(8,438)	91,021
Segment operating income (loss)	5,139	2,602	(661)	(51)	7,028	(218)	6,810

(Notes)

1. IT-related business and logistics services, etc. are included in the Other segment.
2. The deduction of ¥218 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, 2013				(Millions of yen)
	The Americas	Europe	Asia	Other	Total
Overseas sales	14,647	10,279	25,162	750	50,840
Consolidated sales	-	-	-	-	85,518
Percentage of overseas sales in consolidated sales	17%	12%	29%	1%	59%

(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, 2014				(Millions of yen)
	The Americas	Europe	Asia	Other	Total
Overseas sales	14,661	10,623	32,004	779	58,069
Consolidated sales	-	-	-	-	91,021
Percentage of overseas sales in consolidated sales	16%	12%	35%	1%	64%

(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

Subsequent Events

Acquisition of The Switch Engineering Oy

Yaskawa Electric Corporation entered into a contract to acquire all shares of The Switch Engineering Oy, a Finnish supplier of components for wind turbines, on July 2, 2014.

1. Name of the acquired company and its business

Name of the acquired company: The Switch Engineering Oy

Description of business: Development, manufacturing and sales of components for wind turbines

2. Reason for merger

Expansion of Environment and Energy business

3. Date of merger

July 10, 2014

4. Legal form of merger

Acquisition of equity interest

5. Name of the acquired company after merger

Name of the acquired company does not change after acquisition.

6. Percentage of voting power acquired

100%

7. Proof of acquisition by the acquiring company

Acquisition of equity interest paid in cash by Yaskawa Electric Corporation

Acquisition of Solectria Renewables, LLC

Yaskawa America, Inc., a consolidated subsidiary of Yaskawa Electric Corporation, entered into a contract to acquire all shares of Solectria Renewables, LLC, a U.S. supplier of PV inverters, on July 16, 2014.

1. Name of the acquired company and its business

Name of the acquired company: Solectria Renewables, LLC

Description of business: Development, manufacturing and sales of PV inverters

2. Reason for merger

Acceleration of the global development of Environment and Energy business

3. Date of merger

August 31, 2014 (plan)

4. Legal form of merger

Acquisition of equity interest

5. Name of the acquired company after merger

Name of the acquired company does not change after acquisition.

6. Percentage of voting power acquired

100%

7. Proof of acquisition by the acquiring company

Acquisition of equity interest paid in cash and cash equivalents by Yaskawa America, Inc. a consolidated subsidiary of Yaskawa Electric Corporation

Transfer of shares of major subsidiary, etc.

Yaskawa Electric Corporation entered into a contract to transfer a portion of shares of Yaskawa Information Systems Co. Ltd., a consolidated subsidiary of Yaskawa Electric Corporation, to Mitsui & Co., Principal Investments Limited Partnership for Investment managed by Mitsui & Co., Principal Investments Ltd. on July 16, 2014.

The capital and business alliance with Yaskawa Information Systems Co. Ltd. and Mitsui & Co., Principal Investments Ltd. is expected to enable Yaskawa Information Systems' business to grow by taking advantage of the broad operating base of Mitsui & Co. Ltd. Group.

1. Name of the subsidiary and its business

Name of the subsidiary: Yaskawa Information Systems Co. Ltd.

Description of Business: Information processing services such as construction and management of information systems, software and development and sales of information processing

2. Name of the transferee company

Mitsui & Co., Principal Investments Limited Partnership for Investment

3. Reason for business divestitures

Vide supra

4. Date of business divestitures

August 29, 2014 (plan)

5. Outline of transaction including legal form

Legal form: Share transfer agreement

Number of shares transferred: 3,599,700 shares

Ownership ratio after transfer: 38.5%