

Consolidated Results for the First Quarter of the Fiscal Year Ending February 28, 2018
[Japan GAAP]

July 20, 2017

Listed company name: YASKAWA Electric Corporation

<http://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 Quarter of the Fiscal Year Ending February 28, 2018 (March 21, 2017 to June 20, 2017)

(1) Consolidated Statements of Income

(Millions of yen, except ratio and per share data)				
	Three months ended June 20, 2017	Change	Three months ended June 20, 2016	Change
Net sales	107,498	18.9%	90,380	(10.6)%
Operating income	13,218	141.9%	5,465	(40.2)%
Ordinary income	12,568	138.3%	5,273	(47.2)%
Profit attributable to owners of parent	9,799	185.0%	3,438	(40.5)%
Earnings per share (basic, Yen)	36.80	-	12.91	-
Earnings per share (diluted, Yen)	-	-	-	-

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

Note2:	Three months ended June 20, 2017	Change	Three months ended June 20, 2016	Change
Comprehensive income (Millions of yen)	10,256	620.0%	1,424	(84.9)%

(2) Consolidated Financial Position

(Millions of yen, except ratio)	
	As of June 20, 2017
Total assets	400,457
Net assets	208,294
Shareholders' equity ratio (%)	51.4

Reference: Shareholders' equity

As of June 20, 2017: ¥206,022 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 (forecast)
End of 1Q	-	-	
End of 2Q	10.00		15.00
End of 3Q	-		-
Year-end	10.00		15.00
Annual total	20.00		30.00

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)				
	Six months ending September 20, 2017	Change	Year ending February 28, 2018	Change
Net sales	228,500	21.8%	429,000	-
Operating income	28,200	104.1%	45,500	-
Ordinary income	27,200	97.7%	45,000	-
Profit attributable to owners of parent	18,300	112.6%	30,000	-
Earnings per share (Yen)	68.72	-	112.65	-

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 = 120 JPY during the period from June 21, 2017 to September 20, 2017. (The performance forecast for the second half of the fiscal year is unchanged and the exchange rate assumptions for that period also remain unchanged at 1 USD = 110 JPY and 1 EUR = 115 JPY.)

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:	445,000 million JPY (up by 12.7% year-on-year)
Operating income:	48,500 million JPY (up by 59.5% year-on-year)
Ordinary income:	48,000 million JPY (up by 50.2% year-on-year)
Net income attributable to owners of parent:	32,000 million JPY (up by 56.9% year-on-year)
Earnings per share:	120.16 JPY

*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 4) Notes to the Quarterly Consolidated Financial Statements on page 11.

(4) Number of Common Shares Outstanding

1. The number of shares outstanding including treasury shares:
As of June 20, 2017: 266,690,497 shares
As of March 20, 2017: 266,690,497 shares
2. The number of treasury shares:
As of June 20, 2017: 388,505 shares
As of March 20, 2017: 387,898 shares
3. Average during period (quarter cumulative):
Three months ended June 20, 2017: 266,302,312 shares
Three months ended June 20, 2016: 266,289,110 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 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

Sales in the first quarter significantly increased from the corresponding period of previous fiscal year especially because the sales of the AC servo business were strong as we captured the robust semiconductor- and electronic component-related demand in China. Operating income also significantly increased due to such factors as sales increase.

<Economies and market environment of each region>

Japan: Economy gradually recovered as exports of manufacturers remained high level on the back of increasing demand from China, while consumer spending was stagnant.

U.S.: Economy gradually expanded with strong capital expenditures in the semiconductor industry, etc. and the recovery in oil- and gas-related market.

Europe: Economy gradually recovered due to recovery in capital expenditures in automobile and other industries.

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

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

As a result, the business performance of the first quarter was as follows.

	Three months ended June 20, 2016	Three months ended June 20, 2017	Change
Net sales	90,380 million JPY	107,498 million JPY	+18.9%
Operating income	5,465 million JPY	13,218 million JPY	+141.9%
Ordinary income	5,273 million JPY	12,568 million JPY	+138.3%
Profit attributable to owners of parent	3,438 million JPY	9,799 million JPY	+185.0%
Average exchange rate for USD	110.79 JPY	111.85 JPY	+1.06 JPY
Average exchange rate for EUR	124.47 JPY	120.93 JPY	-3.54 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 this 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	54,110 million JPY (up by 32.6% year-on-year)
	Operating income	10,831 million JPY (up by 133.0% year-on-year)
Motion Control segment is comprised of AC servo business and drives business. Both sales and operating income significantly increased compared to FY2016 1Q as AC servo business achieved high performance and demand recovered for the drives business. <AC servo business> - Sales for semiconductor, electronic component, and machine tool industries were strong as investment demand in smartphone, data centers and automobile markets were active globally and especially in China. - Profitability significantly improved compared to the corresponding period last year by sales increase backed by strong demand and also by the effect of switchover to the core product Sigma-7 series. <Drives business> - Sales were positive on the back of recovery in infrastructure investment in China and recovery in the U.S. oil- and gas-related demand.		
Robotics	Net sales	35,685 million JPY (up by 10.2% year-on-year)
	Operating income	3,531 million JPY (up by 58.6% year-on-year)
Steady demand increase in overseas markets led to sales increase and significant improvement in profit compared to FY2016 1Q. - Automobile-related sales for core products such as welding and painting robots increased chiefly in Europe, the U.S. and China. - Sales for non-auto general industries increased mainly in China where production of smartphones and home electronics are being automated.		
System Engineering	Net sales	12,918 million JPY (up by 10.1% year-on-year)
	Operating loss	-678 million JPY (improved by 179 million JPY year-on-year)
Sales increased year-on-year and operating loss decreased. - Sales increased and profitability improved for steel plant and social system businesses by capturing the needs for facility renovation. - As for the environment and energy business, PV inverter sales were sluggish due to stagnant market conditions in the U.S., while sales related to large-scale wind turbines were positive especially in Europe.		
Other	Net sales	4,782 million JPY (down by 12.3% year-on-year)
	Operating loss	-59 million JPY (improved by 160 million JPY year-on-year)
Other segment is comprised of IT-related business and logistics business. Sales decreased due to exclusion of a part of related subsidiaries from the scope of consolidation, while loss decreased due to sales increase in a part of related subsidiaries.		

5. Consolidated Financial Statements

1) Consolidated Balance Sheets

(Millions of yen)

	As of March 20, 2017	As of June 20, 2017
Assets		
Current assets		
Cash and deposits	29,792	36,056
Notes and accounts receivable—trade	129,365	126,556
Merchandise and finished goods	48,148	53,526
Work in process	14,127	16,706
Raw materials and supplies	17,611	19,433
Other	23,733	22,624
Allowance for doubtful accounts	(2,482)	(2,856)
Total current assets	260,295	272,048
Non-current assets		
Property, plant and equipment	61,159	62,263
Intangible assets		
Goodwill	4,053	3,748
Other	20,573	20,829
Total intangible assets	24,627	24,578
Investments and other assets		
Other	41,879	42,015
Allowance for doubtful accounts	(449)	(448)
Total investments and other assets	41,429	41,567
Total non-current assets	127,217	128,408
Total assets	387,512	400,457

(Millions of yen)

	As of March 20, 2017	As of June 20, 2017
Liabilities		
Current liabilities		
Notes and accounts payable—trade	69,974	76,586
Short-term loans payable	24,647	26,316
Provision for directors' bonuses	66	13
Other	46,950	46,050
Total current liabilities	141,638	148,966
Non-current liabilities		
Long-term loans payable	11,145	9,333
Provision for directors' retirement benefits	175	134
Net defined benefit liability	28,019	27,947
Other	5,834	5,779
Total non-current liabilities	45,174	43,195
Total liabilities	186,813	192,162
Net assets		
Shareholders' equity		
Capital stock	30,562	30,562
Capital surplus	27,704	27,704
Retained earnings	132,607	139,741
Treasury shares	(249)	(250)
Total shareholders' equity	190,624	197,757
Accumulated other comprehensive income		
Valuation difference on available-for-sale securities	8,627	8,773
Deferred gains or losses on hedges	101	50
Foreign currency translation adjustment	1,292	1,532
Remeasurements of defined benefit plans	(2,132)	(2,091)
Total accumulated other comprehensive income	7,889	8,264
Non-controlling interests	2,184	2,272
Total net assets	200,698	208,294
Total liabilities and net assets	387,512	400,457

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

(Millions of yen)

	Three months ended June 20, 2016	Three months ended June 20, 2017
Net sales	90,380	107,498
Cost of sales	61,749	70,029
Gross profit	28,631	37,468
Selling, general and administrative expenses	23,165	24,249
Operating income	5,465	13,218
Non-operating income		
Interest income	47	47
Dividend income	93	23
Share of profit of entities accounted for using equity method	404	43
Subsidy income	22	9
Gain on bad debts recovered	—	95
Other	45	55
Total non-operating income	613	274
Non-operating expenses		
Interest expenses	164	155
Foreign exchange losses	571	622
Other	68	147
Total non-operating expenses	805	925
Ordinary income	5,273	12,568
Extraordinary income		
Gain on sales of non-current assets	2	3
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
Total extraordinary income	2	11
Extraordinary losses		
Loss on sales and retirement of non-current assets	17	23
Loss on valuation of investment securities	—	91
Total extraordinary losses	17	114
Profit before income taxes	5,259	12,464
Income taxes—current	1,929	2,321
Income taxes—deferred	(278)	248
Total income taxes	1,651	2,570
Profit	3,608	9,894
Profit attributable to non-controlling interests	169	95
Profit attributable to owners of parent	3,438	9,799

(Consolidated Statements of Comprehensive Income)

(Millions of yen)

	Three months ended June 20, 2016	Three months ended June 20, 2017
Profit	3,608	9,894
Other comprehensive income		
Valuation difference on available-for-sale securities	(690)	161
Deferred gains or losses on hedges	—	(45)
Foreign currency translation adjustment	(1,692)	195
Remeasurements of defined benefit plans, net of tax	304	22
Share of other comprehensive income of entities accounted for using equity method	(105)	27
Total other comprehensive income	(2,183)	361
Comprehensive income	1,424	10,256
Comprehensive income attributable to		
Comprehensive income attributable to owners of parent	1,320	10,175
Comprehensive income attributable to non-controlling interests	104	81

3) Consolidated Statements of Cash Flows

(Millions of yen)

	Three months ended June 20, 2016	Three months ended June 20, 2017
Cash flows from operating activities		
Profit before income taxes	5,259	12,464
Depreciation	3,501	3,021
Amortization of goodwill	282	289
Increase (decrease) in allowance for doubtful accounts	(387)	367
Decrease in net defined benefit liability	(359)	(181)
Decrease in provision for directors' retirement benefits	(42)	(40)
Loss on sales and retirement of non-current assets	14	19
Gain on sales of investment securities	—	(0)
Gain on liquidation of subsidiaries and associates	—	(0)
Loss on valuation of investment securities	—	91
Interest and dividend income	(140)	(70)
Interest expenses	164	155
Decrease in notes and accounts receivable—trade	7,266	3,441
Increase in inventories	(2,721)	(9,493)
Increase in notes and accounts payable—trade	588	6,592
Increase (decrease) in accounts payable—other	(1,375)	365
Other, net	3,756	1,532
Subtotal	15,807	18,556
Interest and dividend income received	183	631
Interest expenses paid	(173)	(158)
Income taxes paid	(2,328)	(4,591)
Net cash provided by operating activities	13,489	14,437
Cash flows from investing activities		
Purchase of property, plant and equipment and intangible assets	(3,037)	(3,944)
Proceeds from sales of property, plant and equipment and intangible assets	34	8
Purchase of investment securities etc	(0)	(268)
Proceeds from sales and redemption of investment securities etc	—	0
Other, net	(72)	(295)
Net cash used in investing activities	(3,076)	(4,499)
Cash flows from financing activities		
Net increase (decrease) in short-term loans payable	(3,596)	931
Proceeds from long-term loans payable	2,359	3
Repayments of long-term loans payable	(2,306)	(1,802)
Cash dividends paid	(2,665)	(2,665)
Other, net	(19)	(46)
Net cash used in financing activities	(6,229)	(3,580)
Effect of exchange rate change on cash and cash equivalents	(234)	(92)
Net increase in cash and cash equivalents	3,949	6,264
Cash and cash equivalents at beginning of period	31,656	29,735
Increase in cash and cash equivalents from newly consolidated subsidiary	277	—
Cash and cash equivalents at end of period	35,882	36,000