

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 | Change | Six months ended September 20, 2015 | Change |
|---|--|--------|--|---------|
| 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 | 54,500 | - % |
| 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.