

## Consolidated Results for the Fiscal Year Ended February 29, 2020 [IFRS]

May 28, 2020

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 Fiscal Year Ended February 29, 2020 (from March 1, 2019 to February 29, 2020)

#### (1) Consolidated Statements of Income

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

	Revenue		Operating profit		Profit before tax		Profit		Profit attributable to owners of parent		Total comprehensive income	
	Yen	%	Yen	%	Yen	%	Yen	%	Yen	%	Yen	%
Year ended February 29, 2020	410,957	-13.4%	24,198	-54.4%	24,642	-55.2%	15,742	-63.4%	15,572	-63.4%	7,878	-77.6%
Year ended February 28, 2019	474,638	-	53,098	-	55,051	-	42,997	-	42,524	-	35,119	-

	Earnings per share (basic, Yen)	Earnings per share (diluted, Yen)	Return on equity attributable to owners of parent (%)	Profit before tax on total assets (%)	Operating profit ratio (%)
Year ended February 29, 2020	59.42	59.39	6.6	5.4	5.9
Year ended February 28, 2019	161.00	160.92	17.9	12.1	11.2

Reference: Equity in earnings of affiliates

Year ended February 29, 2020: ¥1,289 million

Year ended February 28, 2019: ¥1,627 million

#### (2) Consolidated Financial Position

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

	Total assets	Total equity	Equity attributable to owners of parent	Ratio of equity attributable to owners of parent to total assets (%)	Equity attributable to owners of parent per share (Yen)
As of February 29, 2020	450,127	231,167	228,362	50.7	873.69
As of February 28, 2019	463,965	246,917	243,967	52.6	924.77

#### (3) Consolidated Statements of Cash Flows

(Millions of yen)

	Net cash provided by operating activities	Net cash used in investing activities	Net cash provided by (used in) financing activities	Cash and cash equivalents at end of period
Year ended February 29, 2020	21,480	-20,645	491	40,307
Year ended February 28, 2019	34,347	-27,111	-10,268	39,289

## 2. Dividends

	Dividends per share (yen)					Annual cash dividends paid (Millions of yen)	Dividend payout ratio (%, Consolidated)	Dividend on net assets (%, Consolidated)
	End of 1Q	End of 2Q	End of 3Q	Year-end	Annual total			
Year ended February 28, 2019	-	26.00	-	26.00	52.00	13,742	32.3	5.8
Year ended February 29, 2020	-	26.00	-	26.00	52.00	13,627	87.5	5.8

Note: Dividends for the end of second quarter and year-end of the fiscal year ending February 28, 2021 have not been determined. We plan to disclose our dividend forecasts immediately after it becomes possible.

## 3. Projected Consolidated Results for the First Quarter of Fiscal Year Ending February 28, 2021 (from March 1, 2020 to May 31, 2020)

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

	Revenue		Operating profit		Profit attributable to owners of parent	
Three months ending May 31, 2020	92,500	-	4,000	-	3,000	-

Reference: The Yaskawa Group has voluntarily adopted International Financial Reporting Standards (IFRS) starting with its annual securities report for the year ended February 2020. Consolidated forecasts for the first quarter of the fiscal year ending February 2021 are made based on IFRS. Therefore, the percentage change from the actual value for the first quarter of the fiscal year ended February 2020 to which Japan GAAP was applied is not shown. The consolidated financial forecasts for the full year will not be announced because the trend of capital investment by customers is unclear due to the spread of the new coronavirus and it is difficult to forecast the full-year financial figures.

These forecasts are based on average exchange rate assumptions of 1 USD = 107.0 JPY, 1 EUR = 118.0 JPY, 1 CNY = 15.20 JPY and 1 KRW = 0.088 JPY during the period from March 1, 2020 to May 31, 2020.

**\*Notes:**

(1) Major Change in Scope of Consolidation: No

(2) Changes in Accounting Policies, Changes in Accounting Estimates:

1. Changes in accounting policies required by IFRS: No
2. Changes in accounting policies other than the above: No
3. Changes in accounting estimates: No

(3) Number of Common Shares Outstanding

	Year ended February 29, 2020	Year ended February 28, 2019
The number of shares outstanding including treasury shares at the end of period	266,690,497	266,690,497
The number of treasury shares at the end of period	5,314,950	2,877,251
Average number of shares during period	262,072,679	264,120,233

\* This financial report is not subject to the audit procedure.

\*About the appropriate use of business forecasts and other matters

The Yaskawa Group has adopted International Financial Reporting Standards (IFRS) from the consolidated financial statements in its securities report for the year ended February 2020. It released a summary of its financial results for the fiscal year ended February 2020 based on Japanese GAAP on April 10, 2020.

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.

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## 1. Business Results

### Overview on Business Performance

#### Business Performance of Fiscal 2019 (Fiscal year ended February 29, 2020)

In the current fiscal year, the business environment in Yaskawa Group has become increasingly cautious about capital investment on a global scale, reflecting the growing impact of prolonged trade friction between the U.S. and China. In the second half of the year, demand for semiconductor-related products began to recover in some parts of Asia, including the Americas and South Korea, but conditions were generally difficult due to the impact of the outbreak of a new coronavirus at the end of the year.

In this environment, Yaskawa Group's results reflected lower sales in the Motion Control and Robotics businesses compared to a strong year earlier. Operating profit decreased due to a decline in capacity utilization caused by weak sales and inventory adjustments.

#### <Management environment of each region>

##### Japan:

Although some markets, including those for automobiles, remained firm, capital investment, mainly in the manufacturing sector, continued to be restrained due to the global economic slowdown.

##### U.S.:

Oil and gas related demand was firm in the first half, and there were signs of recovery in some parts of the semiconductor market in the second half, but overall demand, particularly in the machine tool and automobile markets, remained sluggish.

##### Europe:

Although market conditions showed signs of bottoming out in the second half, capital investment remained sluggish in the manufacturing sector as a whole, particularly in the automotive sector.

##### China:

Market conditions deteriorated, particularly in the automobile market, due to the growing impact of prolonged trade friction between the U.S. and China. Although there was a recovery trend in the second half of the fiscal year, overall conditions were difficult due in part to the impact of the new coronavirus that emerged at the end of the fiscal year.

##### Other Asian Countries:

Capital investment in semiconductor-related equipment, mainly in South Korea, showed signs of recovery toward the end of the fiscal year, but the impact of the sluggish market was considerable and demand generally weakened.

The business performance of fiscal 2019 is as follows.

	Fiscal year ended February 28, 2019	Fiscal year ended February 29, 2020	Change
Revenue	474,638 million JPY	410,957 million JPY	-13.4%
Operating profit	53,098 million JPY	24,198 million JPY	-54.4%
Profit attributable to owners of parent	42,524 million JPY	15,572 million JPY	-63.4%
Average exchange rate for USD	110.49 JPY	109.03 JPY	-1.46 JPY
Average exchange rate for EUR	128.88 JPY	121.37 JPY	-7.51 JPY
Average exchange rate for CNY	16.56 JPY	15.70 JPY	-0.86 JPY
Average exchange rate for KRW	0.099 JPY	0.093 JPY	-0.006 JPY

#### Performance by Business Segment

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

The performance of each business segment for fiscal 2019 is as follows.

Motion Control	Revenue	177,893 million JPY (-16.6% year on year)
	Operating profit	19,227 million JPY (-44.6% year on year)
<p>The Motion Control segment consists of the AC servo &amp; controller business and the drives business. Although sales in the drives business were firm in the first half, primarily in the U.S., sales and earnings for the segment as a whole declined due to weak global sales in the AC servo &amp; controller business, which was largely affected by sluggish demand.</p> <p>[AC servo &amp; controller business]</p> <p>Although demand for semiconductor-related products was on a recovery trend toward the second half of the fiscal year, the impact of the protracted U.S.-China trade friction and the outbreak of a new coronavirus at the end of the fiscal year led to a year-on-year decline in sales, and operating profit also decreased due to lower capacity utilization.</p> <p>[Drives business]</p> <p>Although demand for oil and gas-related products in the U.S. remained firm in the first half of the fiscal year, and there were signs of a recovery in Europe toward the end of the fiscal year, demand for capital investment stagnated, particularly in China and Asia, which led to stagnant sales and operating profit.</p>		
Robotics	Revenue	152,170 million JPY (-14.5% year on year)
	Operating profit	5,639 million JPY (-68.6% year on year)
<p>Overall segment sales decreased from the previous fiscal year due to the impact of trade friction between the U.S. and China and the impact of a new coronavirus that emerged at the end of the fiscal year. Sales of welding and painting robots and other automobile-related products were firm in Japan, while overseas sales were sluggish due to curbs on capital investment stemming from deteriorating market conditions.</p> <p>In the general industrial sector, investment in automation continued to be sluggish, particularly in China. Operating profit decreased from the previous fiscal year due to deterioration in capacity utilization resulting from decreased sales and inventory adjustments.</p>		

System Engineering	Revenue	58,089 million JPY (+12.5% year on year)
	Operating profit	919 million JPY (improved by 1,689 million JPY year on year)
<p>The System Engineering segment consists of the environment and social systems business and the industrial automation drive business of Yaskawa Automation Drives Corp., a subsidiary.  Revenue for the segment as a whole increased due to the impact of new consolidation, and operating profit returned to profitability as a result of structural reforms.  [Environment and Social Systems Business]  While sales in the environmental energy field (Electrical products for photovoltaic power generation and large-scale wind turbines) were sluggish, sales in the social systems field in Japan related to electric systems for water supply and sewage were steady.  [Industrial Automation Drive Business]  Sales increased due to solid sales in the steel plant-related business as well as new consolidation.</p>		
Other	Revenue	22,804 million JPY (-28.2% year on year)
	Operating loss	-20 million JPY (decreased by 146 million JPY year on year)
<p>Other segment is comprised of logistics and other businesses.  Revenue decreased compared with the previous fiscal year and operating profit deteriorated.</p>		

## 2. The Basic Idea for the Selection of the Accounting Standards

The Yaskawa Group has voluntarily adopted International Financial Reporting Standards (IFRS) in place of the existing Japanese standards for the consolidated financial statements included in its annual securities report for the fiscal year ended February 29, 2020, in order to improve management control and the international comparability of financial information in capital markets through the unification of accounting standards.

### 3. Consolidated Financial Statements

#### 1) Consolidated Balance Sheets

	(Millions of yen)		
	As of March 1, 2018 (The date of transition to IFRS)	As of February 28, 2019	As of February 29, 2020
<b>Assets</b>			
<b>Current assets</b>			
Cash and cash equivalents	42,213	39,289	40,307
Trade receivables	127,758	124,715	117,886
Inventories	100,249	111,701	101,975
Other financial assets	3,258	1,569	1,656
Other current assets	22,344	20,128	19,383
<b>Total current assets</b>	<b>295,824</b>	<b>297,405</b>	<b>281,208</b>
<b>Non-current assets</b>			
Property, plant and equipment	67,091	79,448	80,355
Goodwill	951	5,706	6,402
Intangible assets	17,892	18,910	18,497
Right-of-use assets	9,010	9,498	10,910
Investments accounted for using equity method	11,744	8,047	8,079
Other financial assets	30,137	27,901	25,513
Deferred tax assets	16,348	16,702	16,093
Other non-current assets	292	345	3,066
<b>Total non-current assets</b>	<b>153,468</b>	<b>166,560</b>	<b>168,918</b>
<b>Total assets</b>	<b>449,292</b>	<b>463,965</b>	<b>450,127</b>



(Millions of yen)

	As of March 1, 2018 (The date of transition to IFRS)	As of February 28, 2019	As of February 29, 2020
<b>Liabilities and equity</b>			
<b>Liabilities</b>			
<b>Current liabilities</b>			
Trade payables	84,795	71,823	54,730
Borrowings	22,498	28,991	35,595
Income taxes payable	5,665	418	1,033
Lease liabilities	2,113	2,227	2,272
Other financial liabilities	7,346	9,728	4,493
Provisions	1,480	1,285	928
Other current liabilities	43,630	45,217	39,492
<b>Total current liabilities</b>	<b>167,530</b>	<b>159,691</b>	<b>138,545</b>
<b>Non-current liabilities</b>			
Borrowings	8,977	16,858	35,859
Lease liabilities	5,790	6,339	7,852
Other financial liabilities	221	63	210
Retirement benefit liability	26,155	28,109	30,468
Deferred tax liabilities	537	592	703
Provisions	1,415	1,421	1,403
Other non-current liabilities	3,525	3,971	3,916
<b>Total non-current liabilities</b>	<b>46,623</b>	<b>57,356</b>	<b>80,414</b>
<b>Total liabilities</b>	<b>214,154</b>	<b>217,047</b>	<b>218,960</b>
<b>Equity</b>			
<b>Equity attributable to owners of parent</b>			
Share capital	30,562	30,562	30,562
Capital surplus	27,975	28,213	28,161
Retained earnings	163,145	191,692	194,558
Treasury shares	-1,338	-12,487	-22,109
Other components of equity	12,006	5,987	-2,810
<b>Total equity attributable to owners of parent</b>	<b>232,350</b>	<b>243,967</b>	<b>228,362</b>
Non-controlling interests	2,787	2,950	2,805
<b>Total equity</b>	<b>235,138</b>	<b>246,917</b>	<b>231,167</b>
<b>Total liabilities and equity</b>	<b>449,292</b>	<b>463,965</b>	<b>450,127</b>

## 2) Consolidated Statements of Income and Comprehensive Income

(Millions of yen)

	Fiscal year ended February 28, 2019	Fiscal year ended February 29, 2020
Revenue	474,638	410,957
Cost of sales	-318,285	-286,461
Gross profit	156,353	124,496
Selling, general and administrative expenses	-106,487	-101,221
Other income	4,953	1,519
Other expenses	-1,720	-596
Operating profit	53,098	24,198
Finance income	895	1,015
Finance costs	-2,496	-1,861
Share of profit of investments accounted for using equity method	1,627	1,289
Profit on sales and valuation of investments in affiliates	1,926	—
Profit before tax	55,051	24,642
Income tax expense	-12,053	-8,899
Profit	42,997	15,742
Profit attributable to		
Owners of parent	42,524	15,572
Non-controlling interests	473	170
Total	42,997	15,742
Earnings per share		
Basic earnings per share	161.00	59.42
Diluted earnings per share	160.92	59.39

Consolidated Statements of Comprehensive Income

(Millions of yen)

	Fiscal year ended February 28, 2019	Fiscal year ended February 29, 2020
Profit	42,997	15,742
Other comprehensive income		
Items that will not be reclassified to profit or loss		
Net change in fair value of equity instruments designated as measured at fair value through other comprehensive income	-4,778	-187
Remeasurements of defined benefit plans	-637	-557
Share of other comprehensive income of investments accounted for using equity method	-132	-16
Total	-5,548	-761
Items that may be reclassified to profit or loss		
Exchange differences on translation of foreign operations	-2,331	-7,095
Effective portion of cash flow hedges	2	-8
Total	-2,329	-7,103
Total other comprehensive income	-7,878	-7,864
Total	<u>35,119</u>	<u>7,878</u>
Comprehensive income attributable to		
Owners of parent	34,709	7,784
Non-controlling interests	410	94
Total	<u>35,119</u>	<u>7,878</u>

### 3) Consolidated Statements of Changes in Net Assets

Fiscal 2018 (From March 1, 2018 to February 28, 2019)

	Equity attributable to owners of parent						(Millions of yen)	
	Share capital	Capital surplus	Retained earnings	Treasury shares	Other components of equity	Total	Non-controlling interests	Total
Balance at beginning of period	30,562	27,975	163,145	-1,338	12,006	232,350	2,787	235,138
Profit	—	—	42,524	—	—	42,524	473	42,997
Other comprehensive income	—	—	—	—	-7,814	-7,814	-63	-7,878
Total	—	—	42,524	—	-7,814	34,709	410	35,119
Purchase of treasury shares	—	—	—	-9,395	—	-9,395	—	-9,395
Disposal of treasury shares	—	-0	—	24	—	23	—	23
Dividends of surplus	—	—	-12,181	—	—	-12,181	-418	-12,600
Share-based payment transactions	—	317	—	—	—	317	—	317
Increase (decrease) by business combination	—	—	—	-1,778	—	-1,778	243	-1,534
Changes without loss of control of subsidiary	—	-78	—	—	—	-78	-61	-140
Transfer from other components of equity to retained earnings	—	—	-1,795	—	1,795	—	—	—
Other	—	—	—	—	—	—	-10	-10
Total	—	238	-13,977	-11,149	1,795	-23,092	-247	-23,340
Balance at end of period	30,562	28,213	191,692	-12,487	5,987	243,967	2,950	246,917

Fiscal 2019 (From March 1, 2019 to February 29, 2020)

	Equity attributable to owners of parent						(Millions of yen)	
	Share capital	Capital surplus	Retained earnings	Treasury shares	Other components of equity	Total	Non-controlling interests	Total
Balance at beginning of period	30,562	28,213	191,692	-12,487	5,987	243,967	2,950	246,917
Profit	—	—	15,572	—	—	15,572	170	15,742
Other comprehensive income	—	—	—	—	-7,788	-7,788	-76	-7,864
Total	—	—	15,572	—	-7,788	7,784	94	7,878
Purchase of treasury shares	—	—	—	-9,702	—	-9,702	—	-9,702
Disposal of treasury shares	—	-1	—	58	—	57	—	57
Dividends of surplus	—	—	-13,662	—	—	-13,662	-239	-13,901
Share-based payment transactions	—	-50	—	—	—	-50	—	-50
Increase (decrease) by business combination	—	—	—	—	—	—	—	—
Changes without loss of control of subsidiary	—	—	—	—	—	—	—	—
Transfer from other components of equity to retained earnings	—	—	1,008	—	-1,008	—	—	—
Other	—	—	-52	21	—	-31	—	-31
Total	—	-51	-12,706	-9,622	-1,008	-23,388	-239	-23,627
Balance at end of period	30,562	28,161	194,558	-22,109	-2,810	228,362	2,805	231,167

## 4) Consolidated Statements of Cash Flows

(Millions of yen)

	Fiscal year ended February 28, 2019	Fiscal year ended February 29, 2020
Cash flows from operating activities		
Profit before tax	55,051	24,642
Depreciation, amortization and impairment loss	17,093	16,815
Finance income	-114	-357
Gain on negative goodwill	-3,637	—
Profit on sales and valuation of investments in affiliates	-1,926	—
Decrease in trade receivables	13,864	3,793
Decrease (increase) in inventories	-9,106	7,112
Decrease in trade payables	-22,732	-16,522
Increase (decrease) in retirement benefit liability	-1,159	709
Decrease in provisions	-153	-263
Other	2,612	-5,421
Subtotal	49,792	30,507
Interest and dividends received	1,792	1,635
Interest paid	-769	-732
Income taxes paid	-16,468	-9,929
Net cash provided by operating activities	34,347	21,480
Cash flows from investing activities		
Purchase of property, plant and equipment, and intangible assets	-23,057	-22,325
Proceeds from sale of property, plant and equipment, and intangible assets	289	392
Purchase of investment securities	-2,640	-2,028
Proceeds from sale of investment securities	98	3,335
Payments for acquisition of subsidiaries	-3,058	—
Proceeds from acquisition of subsidiaries	1,353	—
Other	-97	-19
Net cash provided by (used in) investing activities	-27,111	-20,645
Cash flows from financing activities		
Net increase in short-term borrowings	15,412	2,701
Proceeds from long-term borrowings	10,697	26,290
Repayments of long-term borrowings	-12,114	-2,512
Repayments of lease liabilities	-2,132	-2,405
Payments for purchase of treasury shares	-9,390	-9,697
Dividends paid	-12,181	-13,647
Dividends paid to non-controlling interests	-418	-236
Payments for acquisition of interests in subsidiaries from non-controlling interests	-140	—
Other	0	0
Net cash provided by (used in) financing activities	-10,268	491
Net increase (decrease) in cash and cash equivalents	-3,033	1,326
Cash and cash equivalents at beginning of period	42,213	39,289
Effect of exchange rate changes on cash and cash equivalents	109	-308
Cash and cash equivalents at end of period	39,289	40,307

## 5) Notes to the Consolidated Financial Statements

(Notes pertaining to the presumption of a going concern)

None

(Segment information)

### 1. Overview of Reporting Segments

Yaskawa Group's reportable segments are components of Yaskawa Group for which separate financial information is available and which are subject to periodic review by the Board of Directors to determine the allocation of management resources and to evaluate performance.

The organization of Yaskawa Group is based on three business units: motion control, robotics and system engineering. Each business unit formulates comprehensive strategies for Japan and overseas and develops business activities.

Accordingly, Yaskawa Group has three reportable segments, namely, "Motion Control" "Robotics" and "System Engineering".

"Motion Control" develops, manufactures, sells and provides maintenance services for AC servo motor, controllers and AC drives. "Robotics" develops, manufactures, sells and provides maintenance services for industrial robots and other products. "System Engineering" mainly develops, manufactures, sells and provides maintenance services for electrical systems for steel plants and water and sewage systems.

The method of accounting for the reported business segments is generally the same as that used for the preparation of the consolidated financial statements.

Reportable segment income is based on operating profit.

Intersegment sales or transfers are primarily based on prevailing market prices.

## 2. Revenue, profit (loss) and other items for each reporting segment

Fiscal 2018 (March 1, 2018 - February 28, 2019)

	Reporting Segments					Total	Adjustment *2	(Millions of yen) Amounts in consolidated financial statements
	Motion Control	Robotics	System Engineering	Total	Other *1			
Revenue								
Revenue to external customers	213,260	177,995	51,627	442,883	31,755	474,638	-	474,638
Intersegment revenue and transfers	19,595	4,098	253	23,947	17,816	41,764	-41,764	-
Total	232,855	182,094	51,881	466,831	49,571	516,402	-41,764	474,638
Operating profit (loss)	34,697	17,986	-770	51,913	126	52,039	1,059	53,098
Finance income								895
Finance costs								-2,496
Share of profit (loss) of investments accounted for using equity method								1,627
Profit (loss) on sales and valuation of investments in affiliates								1,926
Profit before tax								55,051
Other items								
Depreciation and amortization	7,329	5,946	1,791	15,068	639	15,708	219	15,927
Impairment loss	179	-	398	578	96	674	491	1,166

### Notes

1. Logistics services, etc. are included in the Other segment.

2. The components of adjustment are as follows:

Operating profit adjustment of 1,059 million yen includes inter-segment eliminations of 72 million yen and corporate earnings and expenses of 986 million yen that are not allocated to each segment. Corporate earnings mainly include gains on negative goodwill not attributable to reportable segments. Corporate expenses mainly consist of expenses related to basic research, etc. that are not attributable to any reportable segment.

3. The accounting treatment for the reporting segments disclosed in the previous fiscal year was in accordance with Japanese GAAP, but the accounting treatment for the reporting segments disclosed in the current fiscal year is in accordance with IFRS. Therefore, the accounting treatment for reporting segments for the previous fiscal year has been retroactively applied to IFRS.

Fiscal 2019 (March 1, 2019 - February 29, 2020)

	Reporting Segments					Total	Adjustment *2	(Millions of yen) Amounts in consolidated financial statements
	Motion Control	Robotics	System Engineering	Total	Other *1			
Revenue								
Revenue to external customers	177,893	152,170	58,089	388,152	22,804	410,957	-	410,957
Intersegment revenue and transfers	14,880	2,533	1,174	18,588	15,667	34,256	-34,256	-
Total	192,774	154,703	59,263	406,741	38,472	445,213	-34,256	410,957
Operating profit (loss)	19,227	5,639	919	25,786	-20	25,766	-1,567	24,198
Finance income								1,015
Finance costs								-1,861
Share of profit (loss) of investments accounted for using equity method								1,289
Profit (loss) on sales and valuation of investments in affiliates								-
Profit before tax								24,642
Other items								
Depreciation and amortization	7,739	6,089	2,023	15,852	642	16,494	251	16,746
Impairment loss	10	17	-	28	-	28	41	69

Notes

1. Logistics services, etc. are included in the Other segment.

2. The components of adjustment are as follows:

Operating profit adjustment of -1,567 million yen includes inter-segment eliminations of 97 million yen and corporate earnings and expenses of -1,665 million yen that are not allocated to each segment. Corporate earnings mainly include gains on negative goodwill not attributable to reportable segments. Corporate expenses mainly consist of expenses related to basic research, etc. that are not attributable to any reportable segment.



### 3. Information on products and services

Since the classification of products and services is the same as the reportable segment classification, the description is omitted.

### 4. Regional information

#### 1) Revenue to external customers

Fiscal 2018 (March 1, 2018 - February 28, 2019)

(Millions of yen)

	Reporting Segments				Amounts in consolidated financial statements
	Motion Control	Robotics	System Engineering	Other	
Regions					
Japan	59,764	39,697	31,228	23,848	154,539
The Americas	47,269	31,712	5,909	16	84,908
EMEA	23,298	37,482	9,642	12	70,436
China	50,182	43,103	3,139	6,979	103,404
Asia except China	32,529	25,779	1,707	898	60,914
Other	216	219	-	-	435
Total	213,260	177,995	51,627	31,755	474,638

Note: Revenue is classified by country or region based on the customer's location. China includes Hong Kong.

Fiscal 2019 (March 1, 2019 - February 29, 2020)

(Millions of yen)

	Reporting Segments				Amounts in consolidated financial statements
	Motion Control	Robotics	System Engineering	Other	
Regions					
Japan	50,831	42,898	37,506	20,244	151,481
The Americas	43,988	24,003	5,659	255	73,906
EMEA	20,043	32,174	9,018	39	61,275
China	41,833	31,349	4,571	2,219	79,974
Asia except China	21,034	21,480	1,332	45	43,892
Other	162	264	0	-	428
Total	177,893	152,170	58,089	22,804	410,957

Note: Revenue is classified by country or region based on the customer's location. China includes Hong Kong.

(a) Motion Control Business

In the motion control business, we develop, manufacture, sell and maintain AC servo motor, control devices and AC drives, and sell them to customers in Japan and overseas.

Revenue from the sale of products in the motion control business is recognized at the time when control of the products is transferred to the customer, i.e. when the products are delivered to or accepted by the customer, so that the legal ownership, physical possession, and significant risks and economic value associated with the ownership of the products are transferred to the customer, and the right to receive payment from the customer is obtained. Revenues from the sale of these products are measured at the transaction prices associated with customer contracts. The consideration for the transaction is mainly received within four months after fulfillment of the performance obligation and does not include significant financial factors.

As for maintenance contracts for products related to the motion control business, the amount of transactions related to contracts with customers is recognized as revenue equally over the contract period because the performance obligations are satisfied over time.

(b) Robotics Business

In the robotics business, we develop, manufacture, sell and provide maintenance services for industrial robots and the like, and sell them to customers in Japan and overseas.

Revenue from the sale of products in the robotics business is recognized at the time when control of the products is transferred to the customer, i.e. when the products are delivered to or accepted by the customer, so that the legal ownership, physical possession, and significant risks and economic value associated with the ownership of the products are transferred to the customer, and the right to receive payment from the customer is obtained. Revenues from the sale of these products are measured at the transaction prices associated with customer contracts. The consideration for the transaction is mainly received within five months after fulfillment of the performance obligation and does not include significant financial factors.

In the robotics business, the Group recognizes revenue in accordance with the manner in which expenses are incurred because the Group fulfills its obligation by manufacturing products based on customer specifications over a long period of time and providing them to customers. As for maintenance contracts for products related to the robotics business, the amount of transactions related to contracts with customers is recognized as revenue equally over the contract period because the obligation to fulfill the obligation is satisfied over time.

(c) System Engineering Business

In the System Engineering Business, the Group develops, manufactures, sells and provides maintenance services for electric systems for steel plants and water and sewage systems, and sells

these systems to customers in Japan and overseas.

Revenue from the sale of products in the system engineering business is recognized at the time when control of the products is transferred to the customer, i.e. when the products are delivered to or accepted by the customer, so that the legal ownership, physical possession, and significant risks and economic value associated with the ownership of the products are transferred to the customer, and the right to receive payment from the customer is obtained. Revenues from the sale of products in the system engineering business are measured at the transaction prices for contracts with customers. The consideration for the transaction is mainly received within five months after fulfillment of the performance obligation and does not include significant financial factors.

In the system engineering business, revenues are recognized based on the manner in which costs are incurred because the fulfillment of performance obligations is fulfilled by manufacturing products based on customer specifications over a long period of time and providing them to customers. As for maintenance contracts for products related to the systems engineering business, the amount of transactions related to contracts with customers is recognized as revenue equally over the contract period because the performance obligations are fulfilled over time.

(d) Other businesses

The Other segment includes logistics services and other businesses.

2) Non-current assets (Excluding financial instruments, deferred tax assets and assets related to retirement benefits)

	(Millions of yen)		
	As of March 1, 2018 (The date of transition to IFRS)	As of February 28, 2019	As of February 29, 2020
Japan	54,990	71,093	72,266
The Americas	7,308	8,019	8,268
EMEA	15,020	16,886	19,589
China	14,826	14,479	13,223
Asia except China	3,036	3,421	3,234
Total	<u>95,183</u>	<u>113,899</u>	<u>116,583</u>

Note: Non-current assets are classified by country or region based on the location of the assets. China includes Hong Kong.

5. Information on major customers

Information has been omitted because no outside customers account for more than 10% of revenue on the consolidated income statement.

(Per share information)

1. Earnings per share (basic)

	Fiscal year ended February 28, 2019	Fiscal year ended February 29, 2020
Earnings per share (basic, yen)	161.00	59.42
Basis for calculation		
Profit attributable to owners of parent (millions of yen)	42,524	15,572
Average number of common shares outstanding during the year (thousand shares)	<u>264,120</u>	<u>262,072</u>

2. Earnings per share (diluted)

	Fiscal year ended February 28, 2019	Fiscal year ended February 29, 2020
Earnings per share (basic, yen)	160.92	59.39
Basis for calculation		
Profit attributable to owners of parent (millions of yen)	134	125
Average number of common shares outstanding during the year (thousand shares)	<u>264,255</u>	<u>262,198</u>

(Subsequent Events)

None

#### 4. Disclosure on transition to IFRS

Yaskawa Group has disclosed its consolidated financial statements in accordance with IFRS since the current consolidated fiscal year. The most recent consolidated financial statements prepared in accordance with Japanese GAAP relate to the year ended February 28, 2019 and the date of transition to IFRS is March 1, 2018.

IFRS 1 "First Application of International Financial Reporting Standards" requires that companies applying IFRS for the first time retroactively apply the standards as required by IFRS. However, as some of the requirements of IFRS are exempted from retrospective application, Yaskawa Group adopted the following exemption.

##### (1) Business combination

For business combinations that took place before the date of transition to IFRS, the Company has elected not to retroactively apply IFRS 3 "business combination". As a result, the amount of goodwill arising from business combinations prior to the date of transition to IFRS is based on the book value in Japan.

##### (2) Cumulative effect of foreign currency translation adjustments on foreign operations

The Company elected not to retrospectively apply IAS 21 "Impact of foreign exchange rate fluctuations" to the accumulated foreign currency translation adjustments of foreign operations. As a result, the accumulated foreign currency translation adjustments of foreign operations as of the date of transition to IFRS are considered to be nil.

##### (3) Lease

IFRS 1 allows first-time adopters to determine whether a lease is included in a contract existing at the date of transition to IFRS based on the facts and circumstances existing at the date of transition. The companies are also allowed to measure lease liabilities and right-of-use assets at the date of transition. In addition, short-term leases and leases with small underlying assets are not recognized as lease liabilities or right-of-use assets. Yaskawa Group applied the waiver to determine, based on the facts and circumstances existing at the date of transition, whether the contracts existing at the date of transition include leases and, except for short-term leases and leases that have small underlying assets, measured the lease liability at the present value of the remaining lease payments at the date of transition discounted at the lessee's incremental borrowing rate at the date of transition and the right-of-use asset was measured at the same value as the lease liability.

##### (4) Designation of previously recognized financial instruments

With respect to the classification under IFRS 9, certain equity financial assets are designated as financial assets to be measured through other comprehensive income, based on the facts and circumstances existing at the date of transition to IFRS.

##### (5) Borrowing cost

IFRS 1 provides the option of not retroactively applying IAS 23 to borrowing costs for eligible assets incurred prior to the date of transition. Yaskawa Group has elected not to retroactively apply IAS 23 to borrowing costs for eligible assets that arose before the date of transition.

##### (6) Stock compensation

Under IFRS 1, it is allowed to elect to retroactively apply IFRS 2 or to apply it prospectively to any stock-based compensation that is vested before the date of transition to IFRS. Yaskawa Group has elected not to retroactively apply IFRS 2 to stock-based compensation vest before the date of transition to IFRS.

(7) Revenue

IFRS 15 provides that first-time adopters are permitted to not restate contracts that were completed at the beginning of the first reporting period and contracts that were restructured prior to the beginning of the period. By applying this practical method, Yaskawa Group has not restated contracts that were completed as of March 1, 2018, the beginning of the first reporting period, or contracts that were modified prior to that date.

The effect of the adoption of this method on the consolidated statement of financial position and the consolidated statement of income is immaterial.

The impact of the transition from Japanese GAAP to IFRS is shown in the reconciliation table below.

"Reclassification of presentation" in the reconciliation statement includes items that do not affect retained earnings and comprehensive income, and "Differences in recognition and measurement" includes items that affect retained earnings and comprehensive income.

Adjustments to capital at the date of transition to IFRS (March 1, 2018)

(Millions of yen)

Titles in Japanese GAAP	Japanese GAAP	Reclassification of presentation	Differences in recognition and measurement	IFRS	Note	Titles in IFRS
Assets						Assets
Current assets						Current assets
Cash and deposits	42,279	-65	-	42,213		Cash and cash equivalents
Notes and accounts receivable — trade	142,039	-14,281	0	127,758		Trade receivables
Merchandise and finished goods	58,640	-58,640	-	-		
Work in process	19,311	-19,311	-	-		
Raw materials and supplies	22,100	-22,100	-	-		
	-	100,051	198	100,249		Inventories
Deferred tax assets	9,369	-9,369	-	-		
	-	3,258	-	3,258		Other financial assets
Other	13,951	8,392	-	22,344		Other current assets
Allowance for doubtful accounts	-2,695	2,695	-	-		
Total current assets	304,995	-9,369	198	295,824		Total current assets
Non-current assets						Non-current assets
Property, plant and equipment	67,956	-864	-	67,091		Property, plant and equipment
Intangible assets						
Goodwill	2,931	-	-1,979	951	B	Goodwill
Software	9,457	-9,457	-	-		
Other	9,650	8,241	-0	17,892		Intangible assets
	-	1,911	7,098	9,010	A	Right-of-use assets
Investments and other assets						
Investment securities	37,061	-37,061	-	-		
	-	11,744	-	11,744		Investments accounted for using equity method
	-	28,550	1,587	30,137	C	Other financial assets
Retirement benefit asset	54	-54	-	-		
Deferred tax assets	5,840	9,369	1,138	16,348	G	Deferred tax assets
Other	3,680	-3,388	-	292		Other non-current assets
Allowance for doubtful accounts	-379	379	-	-		
Total non-current assets	136,254	9,369	7,844	153,468		Total non-current assets
Total assets	441,249	-	8,043	449,292		Total assets

(Millions of yen)

Titles in Japanese GAAP	Japanese GAAP	Reclassification of presentation	Differences in recognition and measurement	IFRS	Note	Titles in IFRS
						Liabilities and equity
Liabilities						Liabilities
Current liabilities						Current liabilities
Notes and accounts payable — trade	84,795	-	-	84,795		Trade payables
Short-term loans payable	22,498	-	-	22,498		Borrowings
Accrued expenses	24,038	-24,038	-	-		
Income taxes payable	6,338	-672	-	5,665		Income taxes payable
Provision for bonuses for directors (and other officers)	59	-59	-	-		
	-	96	2,016	2,113	A	Lease liabilities
	-	7,346	-	7,346		Other financial liabilities
Provision for product warranties	1,480	-	-	1,480		Provisions
Other	22,462	17,303	3,864	43,630	D,E	Other current liabilities
Total current liabilities	161,673	-23	5,881	167,530		Total current liabilities
Non-current liabilities						Non-current liabilities
Long-term loans payable	8,977	-	-	8,977		Borrowings
	-	675	5,115	5,790	A	Lease liabilities
Provision for retirement benefits for directors (and other officers)	202	-202	-	-		
Provision for stocks payment	367	-367	-	-		
	-	221	-	221		Other financial liabilities
Retirement benefit liability	25,917	-	238	26,155	F	Retirement benefit liability
	-	671	-134	537	G	Deferred tax liabilities
Provision for product warranties	785	629	-	1,415		Provisions
Other	4,698	-1,861	688	3,525	D	Other non-current liabilities
Total non-current liabilities	40,949	-233	5,907	46,623		Total non-current liabilities
Total liabilities	202,623	-257	11,788	214,154		Total liabilities
Net assets						Equity
Shareholders' equity						Equity attributable to owners of parent
Capital stock	30,562	-	-	30,562		Share capital
Capital surplus	27,717	257	-	27,975		Capital surplus
Retained earnings	164,360	-	-1,214	163,145	J	Retained earnings
Treasury shares	-1,338	-	-	-1,338		Treasury shares
Total accumulated other comprehensive income	14,563	-	-2,557	12,006	C,F,H	Other components of equity
	235,865	257	-3,771	232,350		Total equity attributable to owners of parent
Non-controlling interests	2,761	-	26	2,787		Non-controlling interests
Total net assets	238,626	257	-3,745	235,138		Total equity
Total liabilities and net assets	441,249	-	8,043	449,292		Total liabilities and equity



Adjustments to capital at the end of the previous fiscal year (as of February 28, 2019)

(Millions of yen)

Titles in Japanese GAAP	Japanese GAAP	Reclassification of presentation	Differences in recognition and measurement	IFRS	Note	Titles in IFRS
Assets						Assets
Current assets						Current assets
Cash and deposits	39,320	-30	-	39,289		Cash and cash equivalents
Notes and accounts receivable — trade	136,201	-11,486	-	124,715		Trade receivables
Merchandise and finished goods	66,668	-66,668	-	-		
Work in process	19,221	-19,221	-	-		
Raw materials and supplies	25,599	-25,599	-	-		
	-	111,489	212	111,701	D	Inventories
Deferred tax assets	8,937	-8,937	-	-		
	-	1,560	9	1,569		Other financial assets
Other	12,561	7,566	-	20,128		Other current assets
Allowance for doubtful accounts	-2,379	2,379	-	-		
Total current assets	306,130	-8,947	221	297,405		Total current assets
Non-current assets						Non-current assets
Property, plant and equipment	80,142	-694	-	79,448		Property, plant and equipment
Intangible assets						
Goodwill	6,797	-	-1,091	5,706	B	Goodwill
Software	8,042	-8,042	-	-		
Other	14,209	4,735	-34	18,910		Intangible assets
	-	3,834	5,663	9,498	A	Right-of-use assets
Investments and other assets						
Investment securities	28,865	-28,865	-	-		
	-	7,960	86	8,047	B	Investments accounted for using equity method
	-	25,911	1,989	27,901	C	Other financial assets
Retirement benefit asset	9	-9	-	-		
Deferred tax assets	6,591	8,937	1,173	16,702	G	Deferred tax assets
Other	5,587	-5,241	-	345		Other non-current assets
Allowance for doubtful accounts	-420	420	-	-		
Total non-current assets	149,826	8,947	7,786	166,560		Total non-current assets
Total assets	455,957	-	8,008	463,965		Total assets

(Millions of yen)

Titles in Japanese GAAP	Japanese GAAP	Reclassification of presentation	Differences in recognition and measurement	IFRS	Note	Titles in IFRS
						Liabilities and equity
Liabilities						Liabilities
Current liabilities						Current liabilities
Notes and accounts payable — trade	71,823	-	-	71,823		Trade payables
Short-term loans payable	28,991	-	-	28,991		Borrowings
Accrued expenses	25,862	-25,862	-	-		
Income taxes payable	798	-380	-	418		Income taxes payable
Provision for bonuses for directors (and other officers)	70	-70	-	-		
	-	615	1,611	2,227	A	Lease liabilities
	-	9,728	-	9,728		Other financial liabilities
Provision for product warranties	1,285	-	-	1,285		Provisions
Other	24,800	15,969	4,447	45,217	D,E	Other current liabilities
Total current liabilities	153,632	-	6,059	159,691		Total current liabilities
Non-current liabilities						Non-current liabilities
Long-term loans payable	16,858	-	-	16,858		Borrowings
	-	2,198	4,140	6,339	A	Lease liabilities
Provision for retirement benefits for directors (and other officers)	232	-232	-	-		
Provision for stocks payment	707	-322	-385	-	I	
	-	63	-	63		Other financial liabilities
Retirement benefit liability	27,148	-	961	28,109	F	Retirement benefit liability
	-	1,152	-559	592	G	Deferred tax liabilities
Provision for product warranties	796	625	-	1,421		Provisions
Other	6,828	-3,711	853	3,971	D,I	Other non-current liabilities
Total non-current liabilities	52,571	-225	5,010	57,356		Total non-current liabilities
Total liabilities	206,203	-225	11,069	217,047		Total liabilities
Net assets						Equity
Shareholders' equity						Equity attributable to owners of parent
Capital stock	30,562	-	-	30,562		Share capital
Capital surplus	27,638	225	348	28,213	I	Capital surplus
Retained earnings	193,333	-	-1,641	191,692	J	Retained earnings
Treasury shares	-12,487	-	-	-12,487		Treasury shares
Total accumulated other comprehensive income	7,690	-	-1,703	5,987	C,F,H	Other components of equity
	246,737	225	-2,996	243,967		Total equity attributable to owners of parent
Non-controlling interests	3,015	-	-65	2,950		Non-controlling interests
Total net assets	249,753	225	-3,061	246,917		Total equity
Total liabilities and net assets	455,957	-	8,008	463,965		Total liabilities and equity

Adjustments to income statements and comprehensive income of the previous fiscal year ended February 28, 2019

(Millions of yen)

Titles in Japanese GAAP	Japanese GAAP	Reclassification of presentation	Differences in recognition and measurement	IFRS	Note	Titles in IFRS
Net sales	474,638	-	-	474,638		Revenue
Cost of sales	-317,946	-	-338	-318,285	D,E,F	Cost of sales
Gross profit	156,692	-	-338	156,353		Gross profit
Selling, general and administrative expenses	-106,926	-52	491	-106,487	A,B,D, E,F,I	Selling, general and administrative expenses
	-	5,594	-641	4,953	C,D,F	Other income
	-	-2,994	1,274	-1,720	C	Other expenses
Operating profit	49,766	2,547	784	53,098		Operating profit
Non-Operating profit	3,572	-3,572	-	-		
Non-operating expenses	-2,494	2,494	-	-		
Extraordinary income	6,148	-6,148	-	-		
Extraordinary losses	-2,829	2,829	-	-		
	-	834	61	895		Finance income
	-	-2,328	-167	-2,496	A	Finance costs
	-	1,456	170	1,627	B,F	Share of profit of investments accounted for using equity method
	-	1,834	91	1,926		Profit on sales and valuation of investments in affiliates
Profit before income taxes	54,163	-52	940	55,051		Profit before tax
Income taxes — current	-10,817	-1,627	391	-12,053	G	Income tax expense
Income taxes — deferred	-1,679	1,679	-	-		
Profit	41,666	-	1,331	42,997		Profit
Other comprehensive income						Other comprehensive income
Valuation difference on available-for-sale securities	-3,884	-	-893	-4,778	C	Net change in fair value of equity instruments designated as measured at fair value through other comprehensive income
Remeasurements of defined benefit plans, net of tax	-850	-	213	-637	F	Remeasurements of defined benefit plans
Foreign currency translation adjustment	-2,078	-	-253	-2,331		Exchange differences on translation of foreign operations
Deferred gains or losses on hedges	2	-	-	2		Effective portion of cash flow hedges
Share of other comprehensive income of entities accounted for using equity method	-125	-	-7	-132		Share of other comprehensive income of investments accounted for using equity method
Total other comprehensive income	-6,936	-	-941	-7,878		Total other comprehensive income
Comprehensive income	34,729	-	389	35,119		Total comprehensive income

## Reconciliation of Japanese GAAP to IFRS on Equity and Comprehensive Income

### (1) Notes on reclassification

Certain reclassifications have been made in accordance with IFRS, as follows:

- Time deposits with an original maturity of over three months that were included in "Cash and cash equivalents" under Japanese GAAP are reclassified into "Other financial assets (current)" under IFRS.
- Deferred tax assets and liabilities recognized as current are reclassified to non-current assets and liabilities.
- In accordance with IFRS presentation rules, financial assets and financial liabilities are listed separately.
- In accordance with IFRS presentation rules, investments accounted for by the equity method are presented separately.

In accordance with IFRS presentation rules, items presented under non-operating profit, non-operating expenses, extraordinary income and extraordinary losses under Japanese GAAP are presented under finance-related items as finance income and finance costs, and other items are presented under other income and other expenses, share of profit (loss) of investments accounted for using equity method and profit (loss) on sales and valuation of investments in affiliates.

### (2) Notes on Recognition and Measurement Differences

#### A. Lease

Under Japanese GAAP, leases were classified as finance leases or operating leases and operating leases were treated in accordance with the method applicable to ordinary lease transactions.

Because IFRS does not classify a lease belonging to a lessee as a finance lease or an operating lease, the Company recognizes right-of-use assets and lease liabilities for lease transactions.

#### B. Goodwill

Under Japanese GAAP, Yaskawa Group was required to determine whether an impairment loss would be required only if there were indications of impairment, whereas IFRS requires an impairment test on an annual basis.

As the recoverable amount of the goodwill was lower than its carrying amount as a result of the impairment test conducted on the transition date, the book value of the goodwill of Solectria Renewables, LLC, a U.S. subsidiary of the systems engineering business, was reduced to its recoverable amount, and an impairment loss of 1,979 million yen was recognized. The recoverable amount is calculated based on the value in use, and the estimated value in use of goodwill for which an impairment loss has been recognized is the discount rate (29.2%) calculated based on the weighted average cost of capital before taxes.

The value in use is estimated using a forecast of cash flows before taxes for a period of four years based on the business plan approved by the management in the cash-generating unit, and the continuous value is calculated for the period exceeding the period covered by the business plan. Business plans reflect management's assessment of future industry trends and historical data, and are prepared based on external and internal information. The growth rate (3.0%) of each cash-generating unit is used to calculate the running value.

Under Japanese GAAP, goodwill was amortized on a straight-line basis over five or 10 years, but under IFRS, amortization has been suspended since the transition date. As a result, selling, general and administrative expenses decreased by 955 million yen in the previous consolidated fiscal year.

C. Financial Instruments

Investments in equity instruments without market prices were measured at cost under Japanese GAAP and at fair value under IFRS.

Financial assets measured at fair value through other comprehensive income have been reclassified to net income (loss) under Japanese GAAP, but have not been reclassified to net income (loss) under IFRS.

D. Liabilities on unused paid leave

The estimated amount of liabilities for unused paid leave was not required to be accounted for under Japanese GAAP. IFRS recognizes them as "other current liabilities" and "other non-current liabilities".

E. Imposition on fixed asset taxes

For items that fall under the imposition of fixed asset tax, etc., for which payment is required, under Japanese GAAP, expenses are charged over the fiscal year. However, under IFRS, the full amount is recognized when the event occurs.

F. Liabilities related to retirement benefits

With respect to the remeasurement of net liabilities (assets) for defined benefit plans, under Japanese GAAP the Company recognized a gain or loss on a straight-line basis over a certain period of the average remaining service period of employees at the time of accrual, but under IFRS, the full amount is recognized in other capital components through other comprehensive income at the time of accrual and then immediately transferred to retained earnings.

In Japanese GAAP, prior service cost was recognized in profit or loss mainly on a straight-line basis over a certain period of the average remaining service period of employees when incurred, but in IFRS, the full amount is recognized in profit or loss when incurred.

In addition, under Japanese GAAP, certain subsidiaries calculated their defined benefit obligation using the simplified method prescribed by Japanese GAAP, while under IFRS, they calculate it using the projected unit accumulation method.

G. Income tax

The tax effect of elimination of unrealized gains and losses was calculated using the effective tax rate of the seller in Japanese GAAP, whereas it is calculated using the effective tax rate of the buyer in IFRS.

Deferred tax assets and liabilities were also adjusted due to temporary differences arising from the adjustment of Japanese GAAP to IFRS.

H. Effect of exchange rate changes on foreign operations

All balances of accumulated foreign currency translation adjustments of foreign operations as of the date of transition to IFRS have been transferred to retained earnings, by electing the exemption specified in IFRS 1.

I. Adjustment to capital surplus

Yaskawa has introduced a stock-based compensation plan "Board Benefit Trust (BBT)" for directors and executive officers. In addition, Yaskawa has established a stock-based compensation plan "Employee Stock Ownership Plan (J-ESOP)" for the employees of Yaskawa Electric and the directors of its domestic affiliates.

Under Japanese GAAP, an estimated benefit obligation under the stock-based compensation plan (BBT and J-ESOP) is recognized as a provision, while under IFRS, an expense is recognized based

on fair value, an equal amount of equity-settled share-based payment is recognized as an increase in equity, and an equal amount of cash-settled share-based payment is recognized as an increase in liabilities.

#### J. Retained Earnings

The effect of adoption of IFRS on retained earnings is as follows. The amount of each adjustment is after adjustment of the related tax effect and non-controlling interest.

	As of March 1, 2018 (The date of transition to IFRS)	(Millions of yen) As of February 28, 2019
Adjustment of lease (Refer to A.)	-	-65
Adjustment of goodwill (Refer to B.)	-1,618	-590
Adjustment of financial instruments (Refer to C.)	57	83
Adjustment of unused paid leave (Refer to D.)	-2,674	-3,070
Adjustment of imposition on fixed asset tax, etc. (Refer to E.)	-327	-328
Adjustment of liabilities related to retirement benefits (Refer to F.)	-703	-1,815
Adjustment of deferred tax assets and deferred tax liabilities (Refer to G.)	-77	-175
Adjustment to effect of exchange rate changes on foreign operations (Refer to H.)	4,126	4,126
Other	2	194
Total	<u>-1,214</u>	<u>-1,641</u>

Adjustment for cash flows for the previous consolidated fiscal year (From March 1, 2018 to February 28, 2019)

Lease payments under operating lease transactions, which were classified as "cash flows from operating activities" under Japanese GAAP, are classified as repayment of lease liabilities under IFRS, which are classified as "cash flows from financing activities". As a result, cash flows from operating activities increased by 1,523 million yen and cash flows from financing activities decreased by the same amount.