

Consolidated Results for the First Quarter of Fiscal Year Ending February 28, 2021 [IFRS]

July 10, 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 First Quarter of Fiscal Year Ending February 28, 2021 (from March 1, 2020 to May 31, 2020)

(1) Consolidated Statements of Income

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

	Revenue		Operating profit		Profit before tax		Profit	
	Amount	% Change	Amount	% Change	Amount	% Change	Amount	% Change
Three months ended May 31, 2020	90,802	-15.5%	6,227	-21.6%	5,896	-21.4%	4,577	-17.4%
Three months ended May 31, 2019	107,443	-%	7,946	-%	7,499	-%	5,540	-%

	Profit attributable to owners of parent		Comprehensive income		Earnings per share (basic, Yen)	Earnings per share (diluted, Yen)
	Amount	% Change	Amount	% Change	Amount	Amount
Three months ended May 31, 2020	4,519	-16.7%	-180	-%	17.29	17.28
Three months ended May 31, 2019	5,426	-%	-1,652	-%	20.62	20.61

(2) Consolidated Financial Position

(Millions of yen, except ratio)

	Total assets	Total equity	Equity attributable to owners of parent	Ratio of equity attributable to owners of parent to total assets
As of May 31, 2020	451,778	223,888	221,176	49.0%
As of February 29, 2020	450,127	231,167	228,362	50.7%

2. Dividends

	Dividends per share (yen)				
	End of 1Q	End of 2Q	End of 3Q	Year-end	Annual total
Year ended February 29, 2020	-	26.00	-	26.00	52.00
Year ending February 28, 2021	-				
Year ending February 28, 2021 (Forecasts)		12.00	-	-	-

Note: Revisions to the most recently announced dividend forecast: Yes

Dividends for the 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 Half of Fiscal Year Ending February 28, 2021
(from March 1, 2020 to August 31, 2020)**

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

	Revenue		Operating profit		Profit attributable to owners of parent	
Six months ending August 31, 2020	180,802	-%	10,727	-%	8,019	-%

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

The Yaskawa Group has voluntarily adopted International Financial Reporting Standards (IFRS) starting with its annual securities report submitted on May 28, 2020. Consolidated forecasts for the second quarter of the fiscal year ending February 2021 are made based on IFRS. Therefore, the percentage change from the actual value for the second quarter of the fiscal year ended February 2020 to which Japan GAAP was applied is not shown.

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 June 1, 2020 to August 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

	Three months ended May 31, 2020	Year ended February 29, 2020
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	5,315,110	5,314,950
Average number of shares during period	261,375,464	263,173,184

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

*About the appropriate use of business forecasts and other matters

- Forward-looking statements in these materials are based on information available to management at the time this report was prepared and assumptions that management believes are reasonable, and are not disclosed for the purpose of making a commitment to their achievement. Actual results may differ from these statements for a number of reasons.
- The Company will hold a telephone conference for securities analysts and institutional investors on July 10, 2020.

4. Qualitative Information on Quarterly Results

Business Performance

Yaskawa Group has voluntarily adopted International Financial Reporting Standards (IFRS) since its Annual Securities Report submitted on May 28, 2020, in order to enhance business management through the unification of accounting standards and to improve the international comparability of financial information in capital markets. We have also changed the allocation method for corporate expenses since fiscal 2020.

As a result, the figures for the same period of the previous fiscal year were calculated taking into account the impact of these changes.

In the first quarter under review, Yaskawa Group's business environment was impacted by the worldwide spread of the new coronavirus infection, which led to a growing reluctance to implement capital expenditures on a global basis. On the other hand, in China, in addition to the normalization of production activities in the manufacturing industry as a whole, investments in new infrastructure-related areas were actively made. In these circumstances, Yaskawa Group's revenue, particularly in the robotics business, declined year on year. Although operating profit decreased due to the impact of a drop in revenue, profitability remained flat compared to the same period of the previous fiscal year due to cost control and other factors.

<Management environment of each region>

Japan:

Although capital investment in semiconductors and electronic components remained firm due to increased investment in information infrastructure, demand in many markets, including the automobile market, was sluggish.

U.S.:

Although there was a trend to continue capital investment in the semiconductor market, demand was generally sluggish, particularly in the automobile market.

Europe:

Demand remained weak in the automobile and other markets as a whole.

China:

In addition to the normalization of production activities in the manufacturing industry as a whole, investments in next-generation communications standards "5G" and other areas were actively made. On the other hand, overseas demand was sluggish due to the spread of the new coronavirus worldwide.

Other Asian Countries:

Although capital investment remained firm in the semiconductor and electronic parts markets, particularly in South Korea, overall demand in the manufacturing industry was sluggish.

The business performance of the first quarter of fiscal 2020 is as follows.

	Three months ended May 31, 2019	Three months ended May 31, 2020	Change
Revenue	107,443 million JPY	90,802 million JPY	-15.5%
Operating profit	7,946 million JPY	6,227 million JPY	-21.6%
Profit attributable to owners of parent	5,426 million JPY	4,519 million JPY	-16.7%
Average exchange rate for USD	110.96 JPY	107.63 JPY	-3.33 JPY
Average exchange rate for EUR	124.73 JPY	117.87 JPY	-6.86 JPY
Average exchange rate for CNY	16.38 JPY	15.21 JPY	-1.17 JPY
Average exchange rate for KRW	0.096 JPY	0.088 JPY	-0.008 JPY

Performance by Business Segment

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

The performance of each business segment for the first quarter of fiscal 2020 is as follows.

Motion Control	Revenue	44,230 million JPY (- 8.4% year-on-year)
	Operating profit	6,579 million JPY (+ 5.4% year-on-year)
<p>Motion Control segment is comprised of AC servo & controller business and drives business. Sales in China increased in AC servo & controller business while U.S. sales in drives business declined. In the whole segment, revenue decreased year on year due to the impact of the new coronavirus on a global basis, but operating profit increased mainly due to cost control.</p> <p><AC servo & controller business> In China, sales of products for use in electronic components and metal processing machines grew on the back of an increase in demand related to 5G, and demand related to semiconductors increased in other regions. Operating profit increased year on year due to factors such as a recovery in sales in China and cost control.</p> <p><Drives business> Although domestic sales remained firm, oil and gas-related demand in the United States declined significantly, resulting in a year-on-year decrease in revenue and a sluggish operating profit.</p>		
Robotics	Revenue	29,268 million JPY (-25.2% year-on-year)
	Operating profit	260 million JPY (-87.0% year-on-year)
<p>As for automobile-related products, such as welding and painting robots, capital investment was curbed on a global basis, mainly in Europe and the United States, and revenue remained sluggish, affected by the suspension of operations at customers' plants.</p> <p>As for general industrial applications, although there were signs of a recovery in investment for automation of production facilities in China's 3C market against the backdrop of 5G-related demand, growth in revenue was sluggish due to the impact of the new coronavirus.</p> <p>On the other hand, sales of semiconductor wafer handling robots were strong in Japan and South Korea. Overall segment operating profit decreased from the same period of the previous fiscal year mainly due to the impact of a decline in revenue.</p>		

System Engineering	Revenue	11,973 million JPY (-16.1% year-on-year)
	Operating profit	88 million JPY (+37.0% 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.</p> <p>Although overall revenue decreased mainly in Japan, operating profit increased mainly due to structural reforms and the launch of new products.</p> <p>[Environment and Social Systems Business]</p> <p>Revenue of PV inverter for solar power generation increased due to the launch of new products, while revenue of electrical equipment for large-scale wind power generation and water supply and sewerage systems decreased due to the impact of the new coronavirus.</p> <p>[Industrial Automation Drive Business]</p> <p>Although revenue of steel plant-related products were sluggish, revenue for port cranes and other products were solid.</p>		
Other	Revenue	5,330 million JPY (-7.2% year-on-year)
	Operating loss	-71 million JPY (worsened by 119 million JPY year-on-year)
<p>Other segment is comprised of logistics and other businesses.</p> <p>Revenue decreased mainly in Japan compared with the corresponding period of previous fiscal year and operating profit deteriorated.</p>		

5. Consolidated Financial Statements

1) Consolidated Balance Sheets

(Millions of yen)

	As of February 29, 2020	As of May 31, 2020
Assets		
Current assets		
Cash and cash equivalents	40,307	49,514
Trade receivables	117,886	111,556
Inventories	101,975	106,797
Other financial assets	1,656	2,048
Other current assets	19,383	14,587
Total current assets	<u>281,208</u>	<u>284,502</u>
Non-current assets		
Property, plant and equipment	80,355	78,808
Goodwill	6,402	6,398
Intangible assets	18,497	18,027
Right-of-use assets	10,910	10,686
Investments accounted for using equity method	8,079	8,919
Other financial assets	25,513	24,194
Deferred tax assets	16,093	17,424
Other non-current assets	3,066	2,816
Total non-current assets	<u>168,918</u>	<u>167,276</u>
Total assets	<u><u>450,127</u></u>	<u><u>451,778</u></u>

(Millions of yen)

	As of February 29, 2020	As of May 31, 2020
Liabilities and equity		
Liabilities		
Current liabilities		
Trade payables	54,730	55,601
Borrowings	35,595	41,364
Income taxes payable	1,033	1,883
Lease liabilities	2,272	2,227
Other financial liabilities	4,493	4,765
Provisions	928	833
Other current liabilities	39,492	43,783
Total current liabilities	<u>138,545</u>	<u>150,459</u>
Non-current liabilities		
Borrowings	35,859	33,193
Lease liabilities	7,852	7,685
Other financial liabilities	210	167
Retirement benefit liability	30,468	30,207
Deferred tax liabilities	703	981
Provisions	1,403	1,476
Other non-current liabilities	3,916	3,719
Total non-current liabilities	<u>80,414</u>	<u>77,430</u>
Total liabilities	<u>218,960</u>	<u>227,890</u>
Equity		
Equity attributable to owners of parent		
Share capital	30,562	30,562
Capital surplus	28,161	28,161
Retained earnings	194,558	191,654
Treasury shares	-22,109	-22,110
Other components of equity	-2,810	-7,092
Total equity attributable to owners of parent	<u>228,362</u>	<u>221,176</u>
Non-controlling interests	<u>2,805</u>	<u>2,712</u>
Total equity	<u>231,167</u>	<u>223,888</u>
Total liabilities and equity	<u>450,127</u>	<u>451,778</u>

2) Consolidated Statements of Income and Comprehensive Income

(Millions of yen)

	Three months ended May 31, 2019	Three months ended May 31, 2020
Revenue	107,443	90,802
Cost of sales	-73,258	-62,851
Gross profit	34,185	27,951
Selling, general and administrative expenses	-26,405	-22,293
Other income	240	600
Other expenses	-74	-30
Operating profit	7,946	6,227
Finance income	323	105
Finance costs	-1,019	-663
Share of profit of investments accounted for using equity method	248	227
Profit before tax	7,499	5,896
Income tax expense	-1,958	-1,318
Profit	5,540	4,577
Profit attributable to		
Owners of parent	5,426	4,519
Non-controlling interests	113	58
Total	5,540	4,577
Earnings per share		
Basic earnings per share (yen)	20.62	17.29
Diluted earnings per share (yen)	20.61	17.28

Consolidated Statements of Comprehensive Income

(Millions of yen)

	Three months ended May 31, 2019	Three months ended May 31, 2020
Profit	5,540	4,577
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	-1,554	-33
Remeasurements of defined benefit plans	375	-89
Share of other comprehensive income of investments accounted for using equity method	9	-4
Total	<u>-1,169</u>	<u>-127</u>
Items that may be reclassified to profit or loss		
Exchange differences on translation of foreign operations	-6,035	-4,625
Effective portion of cash flow hedges	11	-5
Total	<u>-6,024</u>	<u>-4,631</u>
Total other comprehensive income	<u>-7,193</u>	<u>-4,758</u>
Comprehensive income	<u><u>-1,652</u></u>	<u><u>-180</u></u>
Comprehensive income attributable to		
Owners of parent	-1,670	-87
Non-controlling interests	18	-92
Total	<u><u>-1,652</u></u>	<u><u>-180</u></u>

3) Consolidated Statements of Changes in Equity

First quarter of Fiscal 2019 (From March 1, 2019 to May 31, 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	28,213	191,692	-12,487	5,987	243,967	2,950	246,917
Profit	—	—	5,426	—	—	5,426	113	5,540
Other comprehensive income	—	—	—	—	-7,097	-7,097	-95	-7,193
Comprehensive income	—	—	5,426	—	-7,097	-1,670	18	-1,652
Purchase of treasury shares	—	—	—	-7,741	—	-7,741	—	-7,741
Disposal of treasury shares	—	—	—	—	—	—	—	—
Dividends of surplus	—	—	-6,867	—	—	-6,867	—	-6,867
Transfer from other components of equity to retained earnings	—	—	-38	—	38	—	—	—
Other	—	—	22	—	—	22	—	22
Total	—	—	-6,884	-7,741	38	-14,587	—	-14,587
Balance at end of period	30,562	28,213	190,234	-20,228	-1,071	227,709	2,968	230,678

First quarter of Fiscal 2020 (From March 1, 2020 to May 31, 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	28,161	194,558	-22,109	-2,810	228,362	2,805	231,167
Profit	—	—	4,519	—	—	4,519	58	4,577
Other comprehensive income	—	—	—	—	-4,607	-4,607	-150	-4,758
Comprehensive income	—	—	4,519	—	-4,607	-87	-92	-180
Purchase of treasury shares	—	—	—	-0	—	-0	—	-0
Disposal of treasury shares	—	-0	—	0	—	0	—	0
Dividends of surplus	—	—	-6,796	—	—	-6,796	—	-6,796
Transfer from other components of equity to retained earnings	—	—	-325	—	325	—	—	—
Other	—	—	-301	—	—	-301	—	-301
Total	—	-0	-7,423	-0	325	-7,098	—	-7,098
Balance at end of period	30,562	28,161	191,654	-22,110	-7,092	221,176	2,712	223,888

4) Notes to the Consolidated Financial Statements
(Notes pertaining to the presumption of a going concern)
None