

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

January 12, 2021

Listed company name: YASKAWA Electric Corporation

<https://www.yaskawa-global.com/>

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 Three Quarters of the Fiscal Year Ending February 28, 2021 (from March 1, 2020 to November 30, 2020)

(1) Consolidated Statements of Income

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

	Revenue		Operating profit		Profit before tax		Profit	
Nine months ended November 30, 2020	279,937	-9.6%	20,041	4.8%	19,083	-0.5%	14,337	4.0%
Nine months ended November 30, 2019	309,801	-%	19,128	-%	19,173	-%	13,792	-%

	Profit attributable to owners of parent		Comprehensive income		Earnings per share (basic, Yen)	Earnings per share (diluted, Yen)
Nine months ended November 30, 2020	14,083	3.3%	16,608	85.8%	53.88	53.86
Nine months ended November 30, 2019	13,636	-%	8,938	-%	51.99	51.97

Note: The Yaskawa Group adopted IFRS in the year ended February 2020. Therefore, the rate of change from the same period of the previous year for the nine months ended November 30, 2019 is not shown.

(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 November 30, 2020	454,749	237,372	234,494	51.6%
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	-	12.00	-		
Year ending February 28, 2021 (Forecasts)				12.00	24.00

Note: Revisions to the most recently announced dividend forecast: No

3. Projected Consolidated Results for the Fiscal Year Ending February 28, 2021

(from March 1, 2020 to February 28, 2021)

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

Year ending February 28, 2021	Revenue		Operating profit		Profit before tax		Profit attributable to owners of parent	
	380,937	-7.3%	27,191	12.4%	26,373	7.0%	18,053	15.9%

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

In the environment surrounding Yaskawa, the new infrastructure-related demand in China and the global semiconductor and electronic component markets have been strong starting from the 3rd quarter, and the AC servo & controller business is expected to recover more strongly than expected. In the Robotics business, the automobile market, particularly in China, is recovering and automation needs are expanding. Demand in Yaskawa's key markets bottomed out in the 2nd quarter, and is recovering steadily throughout the second half of the year.

However, as concerns over a recession caused by the prolonged spread of the new coronavirus infection remain, Yaskawa will continue to make efforts to further improve profitability by thoroughly implementing cost reductions.

Based on the above, we have revised upward our consolidated financial forecasts for the fiscal year ending February 2021 (March 1, 2020 - February 28, 2021).

The financial forecasts are based on average exchange rate assumptions of 1 USD = 102.0 JPY, 1 EUR = 126.0 JPY, 1 CNY = 15.90 JPY and 1 KRW = 0.095 JPY during the period from December 1, 2020 to February 28, 2021.

*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

The number of shares outstanding including treasury shares	As of November 30, 2020	266,690,497	As of February 29, 2020	266,690,497
The number of treasury shares	As of November 30, 2020	5,291,653	As of February 29, 2020	5,314,950
Average during the period	Nine months ended November 30, 2020	261,388,915	Nine months ended November 30, 2019	262,282,770

* 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 January 12, 2021.

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 three quarters under review, Yaskawa Group's business environment was impacted by the worldwide spread of the new coronavirus infection in the first half of the period, which restrained capital investment globally. On the other hand, in China, the normalization of production activities made rapid progress, and there was steady demand due to active investment related to new infrastructure as well as the upturn in the automobile market. In the second half of the period, there were signs of recovery in some regions other than China, such as Europe.

In such an environment, Yaskawa Group's revenue declined year on year due to restrained capital investment globally, particularly for customers in the robotics business, in the first half of the period, and sluggish demand for oil and gas in drives business, although AC servo & controller business saw strong sales in China.

Despite the impact of the decline in revenue, however, profitability improved as a result of thorough cost reductions implemented throughout the period, and operating profit posted year-on-year growth.

<Management environment of each region>

Japan:

Capital investment in the automotive and other manufacturing industries was weak, while demand related to semiconductors and electronic components remained firm as a result of increased IT investment.

U.S.:

Capital investment continued in the semiconductor market, but demand remained sluggish in the automobile and oil & gas markets.

Europe:

Although demand remained weak in the automobile and other markets as a whole, there were signs of recovery in the second half of the period.

China:

Normalization of production activities in the manufacturing industry as a whole progressed, and investment in next-generation communication standard 5G was actively made. In the automobile market, demand recovered as manufacturers planned investment in automation.

Other Asian Countries:

Although demand for automobile-related products, particularly in ASEAN countries, was sluggish, capital investment in the semiconductor and LCD industries remained firm in South Korea,

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

	Nine months ended November 30, 2019	Nine months ended November 30, 2020	Change
Revenue	309,801 million JPY	279,937 million JPY	-9.6%
Operating profit	19,128 million JPY	20,041 million JPY	+4.8%
Profit attributable to owners of parent	13,636 million JPY	14,083 million JPY	+3.3%
Average exchange rate for USD	108.87 JPY	106.54 JPY	-2.33 JPY
Average exchange rate for EUR	121.52 JPY	121.61 JPY	+0.09 JPY
Average exchange rate for CNY	15.71 JPY	15.38 JPY	-0.33 JPY
Average exchange rate for KRW	0.093 JPY	0.090 JPY	-0.003 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 three quarters of fiscal 2020 is as follows.

Motion Control	Revenue	128,041 million JPY (-6.7% year-on-year)
	Operating profit	18,247 million JPY (+11.2% year-on-year)
<p>Motion Control segment is comprised of AC servo & controller business and drives business. In AC servo & controller business, revenue in China and other Asian countries increased, while sales in drives business were sluggish, mainly in the U.S. As a result, overall segment revenue decreased compared to the same period of the previous fiscal year, but operating profit increased due to an improvement in profitability reflecting growth in revenue in China and the effect of cost control in each region.</p> <p><AC servo & controller business> In China, growth of new infrastructure-related demand such as 5G and new energy led to revenue increase, while global demand for semiconductors and electronic component-related products remained firm.</p> <p><Drives business> Global demand slumped as the U.S. oil and gas market declined, and revenue decreased.</p>		
Robotics	Revenue	99,639 million JPY (-14.5% year-on-year)
	Operating profit	4,219 million JPY (-12.6% year-on-year)
<p>In the automobile market, which is the main market of this segment, revenue was sluggish in the first half of the period due to restrained capital investment caused by the impact of the new coronavirus in regions except China. On the other hand, in the general industrial sector, capital investment was seen mainly in China against the backdrop of expanding needs for automation, and sales of semiconductor robots were solid. In terms of profits, despite efforts to cut costs, operating profit posted a year-on-year decrease due to factors such as a decrease in revenue.</p>		
System Engineering	Revenue	35,126 million JPY (-9.4% year-on-year)
	Operating profit	6 million JPY (improved by 259 million JPY year-on-year)
<p>The System Engineering segment consists of the Environment and Social Systems Business and the Industrial Automation Drive Business. Although revenue declined mainly in Japan, operating profit improved mainly due to structural reforms and the effect of launching new products.</p> <p>[Environment and Social Systems Business] Although sales of PV inverter for solar power generation were solid as new products were launched, revenue for water supply and sewerage electrical systems decreased due to the impact of the new coronavirus.</p> <p>[Industrial Automation Drive Business] Revenue of the steel plant business was sluggish due to the postponement of capital investment in Japan.</p>		

Other	Revenue	17,129 million JPY (-1.0% year-on-year)
	Operating loss	-258 million JPY (worsened by 294 million JPY year-on-year)
<p>Other segment is comprised of logistics and other businesses. Revenue decreased mainly in Japan compared with the corresponding period of previous fiscal year and operating loss expanded.</p>		

5. Consolidated Financial Statements

1) Consolidated Balance Sheets

(Millions of yen)

	As of February 29, 2020	As of November 30, 2020
Assets		
Current assets		
Cash and cash equivalents	40,307	52,815
Trade receivables	117,886	108,547
Inventories	101,975	105,117
Other financial assets	1,656	1,307
Other current assets	19,383	18,102
Total current assets	<u>281,208</u>	<u>285,890</u>
Non-current assets		
Property, plant and equipment	80,355	78,232
Goodwill	6,402	6,542
Intangible assets	18,497	17,767
Right-of-use assets	10,910	11,661
Investments accounted for using equity method	8,079	8,219
Other financial assets	25,513	27,174
Deferred tax assets	16,093	15,893
Other non-current assets	3,066	3,367
Total non-current assets	<u>168,918</u>	<u>168,858</u>
Total assets	<u><u>450,127</u></u>	<u><u>454,749</u></u>

(Millions of yen)

	As of February 29, 2020	As of November 30, 2020
Liabilities and equity		
Liabilities		
Current liabilities		
Trade payables	54,730	52,047
Borrowings	35,595	29,762
Income taxes payable	1,033	1,458
Lease liabilities	2,272	2,293
Other financial liabilities	4,493	4,693
Provisions	928	747
Other current liabilities	39,492	43,757
Total current liabilities	<u>138,545</u>	<u>134,761</u>
Non-current liabilities		
Borrowings	35,859	39,357
Lease liabilities	7,852	8,605
Other financial liabilities	210	160
Retirement benefit liability	30,468	28,642
Deferred tax liabilities	703	829
Provisions	1,403	1,539
Other non-current liabilities	3,916	3,480
Total non-current liabilities	<u>80,414</u>	<u>82,615</u>
Total liabilities	<u>218,960</u>	<u>217,377</u>
Equity		
Equity attributable to owners of parent		
Share capital	30,562	30,562
Capital surplus	28,161	28,091
Retained earnings	194,558	198,727
Treasury shares	-22,109	-22,022
Other components of equity	-2,810	-864
Total equity attributable to owners of parent	<u>228,362</u>	<u>234,494</u>
Non-controlling interests	<u>2,805</u>	<u>2,877</u>
Total equity	<u>231,167</u>	<u>237,372</u>
Total liabilities and equity	<u>450,127</u>	<u>454,749</u>

2) Consolidated Statements of Income and Comprehensive Income

(Millions of yen)

	Nine months ended November 30, 2019	Nine months ended November 30, 2020
Revenue	309,801	279,937
Cost of sales	-215,038	-194,508
Gross profit	94,762	85,428
Selling, general and administrative expenses	-76,342	-66,196
Other income	1,212	1,173
Other expenses	-504	-364
Operating profit	19,128	20,041
Finance income	676	449
Finance costs	-1,525	-1,424
Share of profit of investments accounted for using equity method	894	17
Profit before tax	19,173	19,083
Income tax expense	-5,381	-4,745
Profit	13,792	14,337
Profit attributable to		
Owners of parent	13,636	14,083
Non-controlling interests	155	254
Total	13,792	14,337
Earnings per share		
Basic earnings per share	51.99	53.88
Diluted earnings per share	51.97	53.86

Consolidated Statements of Comprehensive Income

(Millions of yen)

	Nine months ended November 30, 2019	Nine months ended November 30, 2020
Profit	13,792	14,337
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	691	1,695
Remeasurements of defined benefit plans	1,079	645
Share of other comprehensive income of investments accounted for using equity method	23	19
Total	<u>1,794</u>	<u>2,360</u>
Items that may be reclassified to profit or loss		
Exchange differences on translation of foreign operations	-6,636	-81
Effective portion of cash flow hedges	-11	-7
Total	<u>-6,648</u>	<u>-89</u>
Total other comprehensive income	<u>-4,853</u>	<u>2,271</u>
Comprehensive income	<u><u>8,938</u></u>	<u><u>16,608</u></u>
Comprehensive income attributable to		
Owners of parent	8,903	16,353
Non-controlling interests	34	255
Total	<u><u>8,938</u></u>	<u><u>16,608</u></u>

3) Consolidated Statements of Changes in Equity

First three quarters of fiscal 2019 (From March 1, 2019 to November 30, 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	—	—	13,636	—	—	13,636	155	13,792
Other comprehensive income	—	—	—	—	-4,733	-4,733	-120	-4,853
Comprehensive income	—	—	13,636	—	-4,733	8,903	34	8,938
Purchase of treasury shares	—	—	—	-9,699	—	-9,699	—	-9,699
Disposal of treasury shares	—	-1	—	58	—	57	—	57
Dividends of surplus	—	—	-13,662	—	—	-13,662	-238	-13,900
Share-based remuneration transactions	—	-50	—	—	—	-50	—	-50
Increase (decrease) by business combination	—	—	—	—	—	—	—	—
Changes in ownership interest in subsidiaries	—	—	—	—	—	—	—	—
Transfer from other components of equity to retained earnings	—	—	991	—	-991	—	—	—
Other	—	—	7	—	—	7	—	7
Total	—	-51	-12,662	-9,641	-991	-23,347	-238	-23,586
Balance at end of period	30,562	28,161	192,666	-22,128	262	229,523	2,746	232,269

First three quarters of fiscal 2020 (From March 1, 2020 to November 30, 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	—	—	14,083	—	—	14,083	254	14,337
Other comprehensive income	—	—	—	—	2,269	2,269	1	2,271
Comprehensive income	—	—	14,083	—	2,269	16,353	255	16,608
Purchase of treasury shares	—	—	—	-4	—	-4	—	-4
Disposal of treasury shares	—	3	—	91	—	95	—	95
Dividends of surplus	—	—	-9,933	—	—	-9,933	-124	-10,058
Share-based remuneration transactions	—	-72	—	—	—	-72	—	-72
Increase by business combination	—	—	—	—	—	—	15	15
Changes in ownership interest in subsidiaries	—	-1	—	—	—	-1	-74	-76
Transfer from other components of equity to retained earnings	—	—	323	—	-323	—	—	—
Other	—	—	-304	—	—	-304	—	-304
Total	—	-70	-9,914	87	-323	-10,220	-184	-10,404
Balance at end of period	30,562	28,091	198,727	-22,022	-864	234,494	2,877	237,372

4) Notes to the Consolidated Financial Statements
(Notes pertaining to the presumption of a going concern)

None