

Consolidated Results for the First Three Quarters of the Fiscal Year Ending February 29, 2020

[Japan GAAP]

January 9, 2020

Listed company name: YASKAWA Electric Corporation

Stock ticker number: 6506

<https://www.yaskawa.co.jp/en/>

Representative: Hiroshi Ogasawara, Representative Director, President

Stock exchange listings: Tokyo (First section), Fukuoka

(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 29, 2020 (March 1, 2019 to November 30, 2019)

(1) Consolidated Statements of Income

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

	Net sales		Operating income		Ordinary income		Profit attributable to owners of parent	
Nine months ended November 30, 2019	309,801	-14.3%	16,792	-59.7%	17,227	-59.8%	11,115	-70.7%
Nine months ended November 30, 2018	361,320	-	41,638	-	42,830	-	37,930	-

Note: Comprehensive income

Nine months ended November 30, 2019: 5,437 million yen (-83.6%)

Nine months ended November 30, 2018: 33,171 million yen (-%)

	Earnings per share (basic, Yen)	Earnings per share (diluted, Yen)
Nine months ended November 30, 2019	42.38	-
Nine months ended November 30, 2018	143.56	-

Note1: The Company changed its accounting period in fiscal 2017 from March 20 to the last day of February. As a result of this change, the period for the first three quarters of the fiscal year ended February 2019 (From March 1, 2018 to November 30, 2018) is different from that of the first three quarters of the previous fiscal year (From March 21, 2017 to December 20, 2017). Therefore, the percentage changes from the previous fiscal year are not shown.

Note2: Earnings per share (diluted) is not shown as there is no dilutive shares.

(2) Consolidated Financial Position

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

	Total assets	Net assets	Shareholders' equity ratio (%)
As of November 30, 2019	453,051	231,698	50.5
As of February 28, 2019	455,663	249,753	54.1

Reference: Shareholders' equity

As of November 30, 2019: ¥228,891 million

As of February 28, 2019: ¥246,737 million

2. Dividends

	Dividends per share (yen)				
	End of 1Q	End of 2Q	End of 3Q	Year-end	Annual total
Year ended February 28, 2019	-	26.00	-	26.00	52.00
Year ending February 29, 2020	-	26.00			
Year ending February 29, 2020 (forecasts)			-	26.00	52.00

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

3. Projected Consolidated Results for the Fiscal Year Ending February 29, 2020 (from March 1, 2019 to February 29, 2020)

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

	Net sales		Operating income		Ordinary income		Net income attributable to owners of parent		Earnings per share (Yen)
Year ending February 29, 2020	420,000	-11.5%	25,000	-49.8%	26,000	-48.9%	19,000	-53.8%	72.46

Note: Revisions to the most recently announced sales and earnings forecast: No

Reference: These forecasts are based on average exchange rate assumptions of 1 USD = 105.0 JPY, 1 EUR = 120.0 JPY, 1 CNY = 15.00 JPY and 1 KRW = 0.090 JPY during the period from December 1, 2019 to February 29, 2020.

Please refer to the supplements to financial results available on Yaskawa Electric's website for details.
(<https://www.yaskawa.co.jp/en/ir/materials/br>)

***Notes:**

- (1) Changes in significant subsidiaries during the period (changes in specified subsidiaries resulting in changes in the scope of consolidation): No
- (2) Use of accounting methods that are specific to the preparation of the quarterly consolidated financial statements: No
- (3) Changes in Accounting Policies, Changes in Accounting Estimates, and Restatements:
1. Changes in accounting policies accompanying revisions in accounting standards: Yes
 2. Changes other than in 1.: Yes
 3. Changes in accounting estimates: No
 4. Restatements: No

(4) Number of Common Shares Outstanding

The number of shares outstanding including treasury shares	As of November 30, 2019	266,690,497	As of February 28, 2019	266,690,497
The number of treasury shares	As of November 30, 2019	5,338,965	As of February 28, 2019	2,877,251
Average during the period	Nine months ended November 30, 2019	262,282,770	Nine months ended November 30, 2018	264,212,264

Note: The number of treasury shares includes the shares of the Company (745,600 shares as of November 30, 2019, 284,800 shares as of February 28, 2019) held by “Board Benefit Trust (BBT)” and “Employee Stock Ownership Plan (J-ESOP).” The shares of the Company held by BBT and J-ESOP are included in treasury shares deducted in calculating the average number of shares during period. (358,840 shares for 3Q of the year ending February 2020, 286,950 shares for 3Q of the year ended February 2019)

* 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 9, 2020.

4. Qualitative Information on Quarterly Results

Business Performance

The business environment in the Yaskawa group for the first three quarters of fiscal 2019 (March 1, 2019-November 30, 2019) was generally severe as a result of the growing cautious stance on capital investment on a global basis, partly due to the effects of the prolonged trade friction between the United States and China, although some markets including those for domestic automobiles and the oil and gas industry in the United States remained firm.

Under these circumstances, the Yaskawa group's performance, particularly in the motion control business in China and other Asian countries, decreased both in sales and operating income compared with the same period of the previous fiscal year, when sales were solid.

<Management environment of each region>

Japan:

Although the automotive and other markets remained firm, the overall manufacturing industry continued to restrain capital investment.

U.S.:

In addition to solid oil and gas-related demand, there were signs of recovery in some areas of the semiconductor market in the second half of the fiscal year, but overall demand was weak, particularly in the machine tool and automobile markets.

Europe:

Although the economy, which had been on a downtrend since the beginning of the fiscal year, showed signs of recovery in the second half of the fiscal year, overall capital investment, particularly in the automotive sector, remained sluggish.

China:

At the beginning of the fiscal year, although there were signs of a recovery due to monetary easing and other fiscal policies, the prolonged trade friction between the United States and China worsened the market conditions and the automobile market remained stagnant. Demand dropped sharply due to a decline in the appetite to invest in automation and labor saving in production facilities overall.

Asia except China:

Demand slumped, largely due to a decline in capital investment in the semiconductor industry, especially in South Korea.

The business performance of the first three quarters of fiscal 2019 is as follows.

	Nine months ended November 30, 2018	Nine months ended November 30, 2019	Change
Net sales	361,320 million JPY	309,801 million JPY	-14.3%
Operating income	41,638 million JPY	16,792 million JPY	-59.7%
Ordinary income	42,830 million JPY	17,227 million JPY	-59.8%
Profit attributable to owners of parent	37,930 million JPY	11,115 million JPY	-70.7%
Average exchange rate for USD	110.44 JPY	108.87 JPY	-1.57 JPY
Average exchange rate for EUR	129.78 JPY	121.52 JPY	-8.26 JPY
Average exchange rate for CNY	16.65 JPY	15.71 JPY	-0.94 JPY
Average exchange rate for KRW	0.100 JPY	0.093 JPY	-0.007 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 2019 is as follows.

Beginning in the first quarter of this fiscal year, the Yaskawa Group has reclassified its business segments through organizational changes designed to optimize functionality and effectively utilize resources. The PM motor business previously included in the "System Engineering" is now included in the Drives business in "Motion Control".

Accordingly, the year-on-year change in each segment is calculated by reclassifying the figures for the same period of the previous year into the revised segment.

Motion Control	Net sales	135,386 million JPY (-19.4% year-on-year)
	Operating income	14,911 million JPY (-49.7% year-on-year)
<p>Motion Control segment is comprised of AC servo & controller business and drives business. Although sales in the drives business remained firm in the United States and other countries, sales in the AC servo & controller business declined globally due to sluggish demand. As a result, the overall segment sales and profits decreased.</p> <p><AC servo & controller business></p> <p>Although there were signs of recovery in semiconductor-related demand in the United States in the second half of the fiscal year, the prolonged trade friction between the United States and China intensified the economic slowdown in China. This led to a decrease in net sales and a decrease in operating income due to a decline in capacity utilization.</p> <p><Drives business></p> <p>Although oil and gas-related demand in the United States was strong mainly in the first half of the fiscal year, both sales and operating income stagnated compared with the same period of the previous fiscal year due to stagnant demand for capital investment in regions other than the United States.</p>		
Robotics	Net sales	116,544 million JPY (-11.6% year-on-year)
	Operating income	4,155 million JPY (-69.5% year-on-year)
<p>Sales of welding and painting robots and other automobile-related applications were solid in Japan, while overseas sales were weak due to curbs on capital investment stemming from deteriorating market conditions. Sales in the segment as a whole decreased from the same period of the previous fiscal year due to the continued lackluster investment in automation in the general industry sector, particularly in China, which was greatly affected by trade friction between the United States and China.</p> <p>Operating income declined from the same period of the previous fiscal year due to a decline in net sales and inventory adjustments.</p>		

System Engineering	Net sales	40,558 million JPY (+13.1% year-on-year)
	Operating loss	-768 million JPY (worsened by 161 million JPY year-on-year)
<p>The System Engineering segment consists of the environmental and social system business and the industrial automation drive business handled by Yaskawa Automation & Drives Corp., a subsidiary.</p> <p>Net sales in the segment as a whole increased partly due to the effect of newly consolidated subsidiaries, while profit slightly deteriorated.</p> <p>< Environmental and social system business ></p> <p>In the field of environmental energy (electrical equipment for photovoltaic generation and large-scale wind turbines), sales were weak, while in the field of social systems, domestic sales of electric systems for water supply and sewage systems remained firm.</p> <p>< Industrial automation drive business ></p> <p>The overall business was firm, supported by solid sales for steel plants as well as an increase in sales from newly consolidated subsidiaries.</p>		
Other	Net sales	17,310 million JPY (-32.3% year-on-year)
	Operating loss	-104 million JPY (worsened by 531 million JPY year-on-year)
<p>Other segment includes logistics services.</p> <p>Sales decreased and operating loss worsened compared with the same period of the previous year due to the effect of the reclassification of segment categories resulting from the organizational change.</p>		

5. Consolidated Financial Statements

1) Consolidated Balance Sheets

(Millions of yen)

	As of February 28, 2019	As of November 30, 2019
Assets		
Current assets		
Cash and deposits	39,320	44,283
Notes and accounts receivable — trade	136,201	130,054
Merchandise and finished goods	66,668	60,529
Work in process	19,221	20,241
Raw materials and supplies	25,599	25,711
Other	12,561	10,945
Allowance for doubtful accounts	-2,379	-2,233
Total current assets	297,193	289,532
Non-current assets		
Property, plant and equipment	80,142	81,329
Intangible assets		
Goodwill	6,797	6,539
Other	22,252	25,844
Total intangible assets	29,050	32,383
Investments and other assets		
Other	49,696	51,471
Allowance for doubtful accounts	-420	-1,665
Total investments and other assets	49,276	49,805
Total non-current assets	158,469	163,518
Total assets	455,663	453,051

(Millions of yen)

	As of February 28, 2019	As of November 30, 2019
Liabilities		
Current liabilities		
Notes and accounts payable — trade	71,823	56,641
Short-term loans payable	28,991	45,625
Provision for directors' bonuses	70	18
Provision for product warranties	1,285	827
Other	51,462	50,249
Total current liabilities	153,632	153,362
Non-current liabilities		
Long-term loans payable	16,858	29,558
Provision for directors' retirement benefits	232	206
Provision for stocks payment	707	627
Provision for product warranties	796	864
Net defined benefit liability	27,148	26,107
Other	6,534	10,625
Total non-current liabilities	52,277	67,990
Total liabilities	205,909	221,352
Net assets		
Shareholders' equity		
Capital stock	30,562	30,562
Capital surplus	27,638	27,638
Retained earnings	193,333	190,787
Treasury shares	-12,487	-22,128
Total shareholders' equity	239,047	226,859
Accumulated other comprehensive income		
Valuation difference on available-for-sale securities	6,948	7,659
Deferred gains or losses on hedges	15	3
Foreign currency translation adjustment	1,959	-4,563
Remeasurements of defined benefit plans	-1,232	-1,066
Total accumulated other comprehensive income	7,690	2,032
Non-controlling interests	3,015	2,806
Total net assets	249,753	231,698
Total liabilities and net assets	455,663	453,051

2) Consolidated Statements of Income and Comprehensive Income

(Millions of yen)

	Nine months ended November 30, 2018	Nine months ended November 30, 2019
Net sales	361,320	309,801
Cost of sales	240,485	215,164
Gross profit	120,834	94,636
Selling, general and administrative expenses	79,196	77,843
Operating profit	41,638	16,792
Non-operating income		
Interest income	239	243
Dividend income	329	396
Share of profit of entities accounted for using equity method	1,169	761
Subsidy income	1,024	629
Other	146	203
Total non-operating income	2,909	2,234
Non-operating expenses		
Interest expenses	435	560
Foreign exchange losses	1,139	814
Other	142	424
Total non-operating expenses	1,717	1,799
Ordinary profit	42,830	17,227
Extraordinary income		
Gain on sales of non-current assets	33	182
Gain on sales of investment securities	87	599
Gain on sales of shares of subsidiaries and associates	—	193
Gain on acquisition of subsidiary	6,014	—
Gain on change in equity	4	16
Other	—	21
Total extraordinary income	6,139	1,012
Extraordinary losses		
Loss on sales and retirement of non-current assets	173	116
Loss on valuation of investment securities	509	322
Loss on valuation of shares of subsidiaries and associates	—	194
Loss on sales of investment securities	—	0
Loss on liquidation of subsidiaries and associates	—	15
Impairment loss	495	41
Other	0	0
Total extraordinary losses	1,177	690
Profit before income taxes	47,792	17,550
Income taxes — current	10,901	6,493
Income taxes — deferred	-1,424	-206
Total income taxes	9,476	6,286
Profit	38,315	11,263
Profit attributable to non-controlling interests	385	148
Profit attributable to owners of parent	37,930	11,115

Consolidated Statements of Comprehensive Income

(Millions of yen)

	Nine months ended November 30, 2018	Nine months ended November 30, 2019
Profit	38,315	11,263
Other comprehensive income		
Valuation difference on available-for-sale securities	-3,622	712
Deferred gains or losses on hedges	-3	-11
Foreign currency translation adjustment	-1,611	-6,306
Remeasurements of defined benefit plans, net of tax	194	132
Share of other comprehensive income of entities accounted for using equity method	-101	-353
Total other comprehensive income	-5,144	-5,826
Comprehensive income	33,171	5,437
Comprehensive income attributable to		
Comprehensive income attributable to owners of parent	32,897	5,456
Comprehensive income attributable to non-controlling interests	274	-19

3) Notes to the Consolidated Financial Statements

(Notes pertaining to the presumption of a going concern)

None

(Note in case of significant changes in the amount of shareholders' equity)

None

(Change in accounting policies)

(Application of Accounting Standards for Revenue Recognition)

As it became possible to apply "Accounting standard for revenue recognition" (Business Accounting Standards No. 29, March 30, 2018 hereinafter referred to as "revenue recognition accounting standard".) and "Guidance on Accounting Standard for Revenue Recognition" (ASBJ Guidance No. 30 of March 30, 2018) at the beginning of the fiscal year beginning on or after April 1, 2018, the Company applied accounting standards for revenue recognition, etc. at the beginning of the first quarter under review, and recognized revenue in the amount that it expects to receive in exchange for a promised good or service when control of that good or service is transferred to a customer.

The application of the revenue recognition accounting standard, etc. is in accordance with the transitional treatment as provided in the proviso of Paragraph 84 of the revenue recognition accounting standard, and if a new accounting policy is retroactively applied before the beginning of the current first quarter, the cumulative effect is added or deducted from the retained earnings at the beginning of the current first quarter, and the new accounting policy is applied from the balance at the beginning of the current first quarter. However, the Company has applied the policy prescribed in Paragraph 86 of the Revenue Recognition Accounting Standard, and has not retroactively applied the new accounting policy to contracts for which almost all amounts of revenue were recognized prior to the beginning of the current 1st quarter under the previous treatment.

The effect of the adoption of this accounting standard on the quarterly consolidated financial statements is immaterial.

(Application of IFRS No. 16 "Leasing")

Certain overseas consolidated subsidiaries apply IFRS No. 16 "Leasing" from the beginning of the first quarter under review and record assets and liabilities on the quarterly consolidated balance sheet, in principle, for all leases as lessees' accounting treatment.

The Company adopts a method to recognize the cumulative effect of adoption of this new accounting standard, which is recognized as a transitional measure, on the initial date of adoption.

The effect of the adoption of this accounting standard on the quarterly consolidated financial statements is immaterial.