

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

October 9, 2020

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

(1) Consolidated Statements of Income

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

	Revenue		Operating profit		Profit before tax		Profit	
Six months ended August 31, 2020	186,846	-11.8%	13,294	-8.3%	13,109	-7.4%	9,646	-5.2%
Six months ended August 31, 2019	211,780	-%	14,494	-%	14,161	-%	10,172	-%

	Profit attributable to owners of parent		Comprehensive income		Earnings per share (basic, Yen)	Earnings per share (diluted, Yen)
Six months ended August 31, 2020	9,510	-5.3%	8,446	-%	36.38	36.37
Six months ended August 31, 2019	10,042	-%	-2,307	-%	38.24	38.23

(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 August 31, 2020	446,893	232,347	229,685	51.4%
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: Yes

The year-end dividend for the fiscal year ending February 2021 had not been determined, but is newly announced in accordance with the calculation of the full-year consolidated earnings forecast.

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 second quarter under review, the business environment in Yaskawa Group was impacted by the worldwide spread of the new coronavirus infection, which caused a harsh business environment as companies continued to refrain from capital investment globally. Against this background, in China, production activities were quickly normalized, investment in new infrastructure-related fields was actively carried out, and the automobile market also showed signs of recovery.

In this environment, although the revenue of AC servo & controller business in China grew, the Yaskawa overall revenue declined from the same period of the previous fiscal year due to the impact of a decline in operations at customers' factories, particularly in the robotics business. Although operating profit decreased due to a decrease in revenue, operating profit ratio improved from the same period of the previous fiscal year due to expense controls.

<Management environment of each region>

Japan:

Capital investment related to semiconductors and electronic components remained firm as a result of increased IT investment, but demand in the automobile market and other markets were generally sluggish.

U.S.:

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

Europe:

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

China:

The manufacturing industry as a whole has been normalizing its production activities, and investments in next-generation communications standards "5G" and related fields have been actively made. Capital investment in public infrastructure in China was also steady.

Other Asian Countries:

Although capital investment remained firm in the semiconductor market in South Korea, automotive-related demand, particularly in ASEAN countries, was sluggish.

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

	Six months ended August 31, 2019	Six months ended August 31, 2020	Change
Revenue	211,780 million JPY	186,846 million JPY	-11.8%
Operating profit	14,494 million JPY	13,294 million JPY	-8.3%
Profit attributable to owners of parent	10,042 million JPY	9,510 million JPY	-5.3%
Average exchange rate for USD	109.22 JPY	107.22 JPY	-2.00 JPY
Average exchange rate for EUR	122.59 JPY	120.41 JPY	-2.18 JPY
Average exchange rate for CNY	15.91 JPY	15.23 JPY	-0.68 JPY
Average exchange rate for KRW	0.093 JPY	0.089 JPY	-0.004 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 half of fiscal 2020 is as follows.

Motion Control	Revenue	85,865 million JPY (- 8.1% year-on-year)
	Operating profit	12,431 million JPY (+ 4.4% year-on-year)
<p>Motion Control segment is comprised of AC servo & controller business and drives business. In AC servo & controller business, China's revenue increased while U.S. sales in drives business declined. As a result, overall segment revenue decreased year on year, but operating profit increased due to improvements in profitability reflecting revenue growth in China and the effect of cost control.</p> <p><AC servo & controller business> In China, revenue grew for applications such as electronic components and metal processing equipment, while semiconductor-related demand in the United States and other countries remained firm, resulting in steady revenue.</p> <p><Drives business> Although China's infrastructure sector performed well, revenue suffered a decline due to a sharp drop in U.S. oil & gas-related demand.</p>		
Robotics	Revenue	65,396 million JPY (-18.9% year-on-year)
	Operating profit	2,486 million JPY (-36.7% year-on-year)
<p>In the automobile market, there were signs of a recovery in sales, but capital investment was restrained due to a decline in the operations of customers' plants, and growth in revenue was sluggish. In the general industrial sector, in addition to China's demand related to 5G, there was a movement to actively invest to meet the accelerating automation needs in the wake of the new coronavirus. Sales of semiconductor robots were also steady in Japan and South Korea. The segment operating profit decreased due to a decrease in revenue and deterioration in capacity utilization, despite cost reductions.</p>		
System Engineering	Revenue	24,425million JPY (-7.2% year-on-year)
	Operating profit	195 million JPY (improved by 377 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, the operating profit improved mainly due to structural reforms and the effect of launching new products. [Environment and Social Systems Business] Although sales of PV inverter for solar power generation improved due to the launch of new products, revenue of electrical equipment for large-scale wind turbines and water supply and sewerage systems decreased due to the impact of the new coronavirus.</p>		

5. Consolidated Financial Statements

1) Consolidated Balance Sheets

(Millions of yen)

	As of February 29, 2020	As of August 31, 2020
Assets		
Current assets		
Cash and cash equivalents	40,307	45,734
Trade receivables	117,886	109,073
Inventories	101,975	106,593
Other financial assets	1,656	1,805
Other current assets	19,383	14,762
Total current assets	<u>281,208</u>	<u>277,968</u>
Non-current assets		
Property, plant and equipment	80,355	78,735
Goodwill	6,402	6,545
Intangible assets	18,497	18,146
Right-of-use assets	10,910	12,263
Investments accounted for using equity method	8,079	8,655
Other financial assets	25,513	24,727
Deferred tax assets	16,093	16,869
Other non-current assets	3,066	2,981
Total non-current assets	<u>168,918</u>	<u>168,924</u>
Total assets	<u><u>450,127</u></u>	<u><u>446,893</u></u>

(Millions of yen)

	As of February 29, 2020	As of August 31, 2020
Liabilities and equity		
Liabilities		
Current liabilities		
Trade payables	54,730	54,245
Borrowings	35,595	36,716
Income taxes payable	1,033	1,774
Lease liabilities	2,272	2,364
Other financial liabilities	4,493	4,490
Provisions	928	791
Other current liabilities	39,492	39,076
Total current liabilities	<u>138,545</u>	<u>139,459</u>
Non-current liabilities		
Borrowings	35,859	30,520
Lease liabilities	7,852	9,125
Other financial liabilities	210	167
Retirement benefit liability	30,468	29,149
Deferred tax liabilities	703	1,025
Provisions	1,403	1,504
Other non-current liabilities	3,916	3,593
Total non-current liabilities	<u>80,414</u>	<u>75,085</u>
Total liabilities	<u>218,960</u>	<u>214,545</u>
Equity		
Equity attributable to owners of parent		
Share capital	30,562	30,562
Capital surplus	28,161	28,091
Retained earnings	194,558	197,012
Treasury shares	22,109	22,021
Other components of equity	2,810	3,959
Total equity attributable to owners of parent	<u>228,362</u>	<u>229,685</u>
Non-controlling interests	<u>2,805</u>	<u>2,662</u>
Total equity	<u>231,167</u>	<u>232,347</u>
Total liabilities and equity	<u>450,127</u>	<u>446,893</u>

2) Consolidated Statements of Income and Comprehensive Income

(Millions of yen)

	Six months ended August 31, 2019	Six months ended August 31, 2020
Revenue	211,780	186,846
Cost of sales	146,374	130,294
Gross profit	65,405	56,551
Selling, general and administrative expenses	51,880	43,885
Other income	1,090	960
Other expenses	120	332
Operating profit	14,494	13,294
Finance income	800	386
Finance costs	1,721	1,087
Share of profit of investments accounted for using equity method	588	516
Profit before tax	14,161	13,109
Income tax expense	3,989	3,462
Profit	10,172	9,646
Profit attributable to		
Owners of parent	10,042	9,510
Non-controlling interests	129	136
Total	10,172	9,646
Earnings per share		
Basic earnings per share	38.24	36.38
Diluted earnings per share	38.23	36.37

Consolidated Statements of Comprehensive Income

(Millions of yen)

	Six months ended August 31, 2019	Six months ended August 31, 2020
Profit	10,172	9,646
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	1,292	319
Remeasurements of defined benefit plans	498	378
Share of other comprehensive income of investments accounted for using equity method	10	8
Total	783	707
Items that may be reclassified to profit or loss		
Exchange differences on translation of foreign operations	11,692	1,910
Effective portion of cash flow hedges	3	2
Total	11,695	1,907
Total other comprehensive income	12,479	1,200
Comprehensive income	2,307	8,446
Comprehensive income attributable to		
Owners of parent	2,188	8,405
Non-controlling interests	119	40
Total	2,307	8,446

3) Consolidated Statements of Changes in Equity

First half of Fiscal 2019 (From March 1, 2019 to August 31, 2019)

(Millions of yen)

	Equity attributable to owners of parent					Total	Non-controlling interests	Total
	Share capital	Capital surplus	Retained earnings	Treasury shares	Other components of equity			
Balance at beginning of period	30,562	28,213	191,692	12,487	5,987	243,967	2,950	246,917
Profit	—	—	10,042	—	—	10,042	129	10,172
Other comprehensive income	—	—	—	—	12,230	12,230	248	12,479
Comprehensive income	—	—	10,042	—	12,230	2,188	119	2,307
Purchase of treasury shares	—	—	—	7,743	—	7,743	—	7,743
Disposal of treasury shares	—	1	—	58	—	57	—	57
Dividends of surplus	—	—	6,860	—	—	6,860	227	7,088
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	—	—	50	—	50	—	—	—
Other	—	—	22	—	—	22	—	22
Total	—	51	6,787	7,685	50	14,575	227	14,803
Balance at end of period	30,562	28,161	194,946	20,172	6,294	227,203	2,603	229,806

First half of Fiscal 2020 (From March 1, 2020 to August 31, 2020)

(Millions of yen)

	Equity attributable to owners of parent					Total	Non-controlling interests	Total
	Share capital	Capital surplus	Retained earnings	Treasury shares	Other components of equity			
Balance at beginning of period	30,562	28,161	194,558	22,109	2,810	228,362	2,805	231,167
Profit	—	—	9,510	—	—	9,510	136	9,646
Other comprehensive income	—	—	—	—	1,104	1,104	96	1,200
Comprehensive income	—	—	9,510	—	1,104	8,405	40	8,446
Purchase of treasury shares	—	—	—	3	—	3	—	3
Disposal of treasury shares	—	3	—	91	—	95	—	95
Dividends of surplus	—	—	6,796	—	—	6,796	124	6,921
Share-based remuneration transactions	—	72	—	—	—	72	—	72
Increase (decrease) by business combination	—	—	—	—	—	—	15	15
Changes in ownership interest in subsidiaries	—	1	—	—	—	1	74	76
Transfer from other components of equity to retained earnings	—	—	44	—	44	—	—	—
Other	—	—	304	—	—	304	—	304
Total	—	70	7,056	88	44	7,082	184	7,266
Balance at end of period	30,562	28,091	197,012	22,021	3,959	229,685	2,662	232,347

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