

Consolidated Results for the First Half of the Fiscal Year Ending February 29, 2020
[Japan GAAP]

October 10, 2019

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 Half of the Fiscal Year Ending February 29, 2020
(March 1, 2019 to August 31, 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 | |
|----------------------------------|-----------|--------|------------------|--------|-----------------|--------|---|--------|
| Six months ended August 31, 2019 | 211,780 | -14.7% | 12,457 | -59.2% | 12,778 | -58.2% | 8,793 | -66.3% |
| Six months ended August 31, 2018 | 248,244 | - | 30,510 | - | 30,590 | - | 26,063 | - |

Note: Comprehensive income

Six months ended August 31, 2019: -3,712 million yen (-%)

Six months ended August 31, 2018: 20,854 million yen (-%)

| | Earnings per share (basic, Yen) | Earnings per share (diluted, Yen) |
|----------------------------------|---------------------------------|-----------------------------------|
| Six months ended August 31, 2019 | 33.49 | - |
| Six months ended August 31, 2018 | 98.58 | - |

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 half of the fiscal year ended February 2019 (From March 1, 2018 to August 31, 2018) is different from that of the first half of the previous fiscal year (From March 21, 2017 to September 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 August 31, 2019 | 431,002 | 231,327 | 53.1% |
| As of February 28, 2019 | 455,663 | 249,753 | 54.1% |

Reference: Shareholders' equity

As of August 31, 2019: ¥228,664 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) |
|-------------------------------|-----------|----------|------------------|----------|-----------------|----------|---|----------|--------------------------|
| | Amount | % Change | Amount | % Change | Amount | % Change | Amount | % Change | Per Share |
| 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: Yes

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 September 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-global.com/ir/materials/br>)

***Notes:**

(1) Major Change in 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 August 31, 2019 | 266,690,497 | As of February 28, 2019 | 266,690,497 |
| The number of treasury shares | As of August 31, 2019 | 4,861,241 | As of February 28, 2019 | 2,877,251 |
| Average during the period | Six months ended August 31, 2019 | 262,597,002 | Six months ended August 31, 2018 | 264,382,864 |

Note: The number of treasury shares includes the shares of the Company (268,100 shares as of August 31, 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. (277,914 shares for 2Q of the year ending February 2020, 287,872 shares for 2Q 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 results briefing for securities analysts and institutional investors on October 11, 2019.

4. Qualitative Information on Quarterly Results

Business Performance

In the first half of the current fiscal year, although Yaskawa Group's business environment showed signs of recovery at the beginning of the period due to China's economic policies, the business environment in general remained severe as a result of a cautious stance on capital investment around the world, which was exacerbated by prolonged trade friction between the United States and China and the postponement of semiconductor-related investment.

In this environment, both sales and operating income of Yaskawa Group, particularly in the motion control business in China and other Asian countries, declined from the same period of the previous fiscal year, when performance were strong.

<Management environment of each region>

Japan:

Although social infrastructure-related demand remained firm, semiconductor-related capital investment was sluggish.

U.S.:

Although the semiconductor and automobile markets remained sluggish, oil and gas-related demand remained firm on the back of solid economic growth.

Europe:

As a result of the economic downturn in the manufacturing sector as a whole, capital investment, particularly in automobile-related sectors, was restrained.

China:

Capital investment to comply with environmental regulations and social infrastructure-related investments were made. And there were signs of recovery due to monetary easing and other fiscal policies at the beginning of the year. However, due to the impact of prolonged trade friction between the United States and China, demand for upgrading and automating production facilities, which had been at a high level in the same period last year, declined significantly.

Asia except China:

Demand was sluggish due to the impact of a decrease in capital investment in semiconductor-related facilities, mainly in South Korea.

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

| | Six months ended August 31, 2018 | Six months ended August 31, 2019 | Change |
|---|-------------------------------------|-------------------------------------|------------|
| Net sales | 248,244 million JPY | 211,780 million JPY | -14.7% |
| Operating income | 30,510 million JPY | 12,457 million JPY | -59.2% |
| Ordinary income | 30,590 million JPY | 12,778 million JPY | -58.2% |
| Profit attributable to owners of parent | 26,063 million JPY | 8,793 million JPY | -66.3% |
| Average exchange rate for USD | 109.34 JPY | 109.22 JPY | -0.12 JPY |
| Average exchange rate for EUR | 129.87 JPY | 122.59 JPY | -7.28 JPY |
| Average exchange rate for CNY | 16.81 JPY | 15.91 JPY | -0.90 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 half 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, effectively utilize resources, and improve production efficiency. 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 | 92,361 million JPY (-21.6% year-on-year) |
| | Operating income | 10,896 million JPY (-51.3% year-on-year) |
| <p>Motion Control segment is comprised of AC servo & controller business and drives business. Although sales of the drives business were firm in the U.S. and China, the AC servo & controller business saw a decline in sales on a global basis due to sluggish demand, which led to decline in the overall segment results.</p> <p>[AC servo & controller business] In addition to a slump in demand for smartphone-related products and postponement of semiconductor-related investment, there was also an increase in the impact of prolonged trade friction between the United States and China. As a result, demand for upgrading and automating production equipment, which had been at a high level in the same period of the previous year, decelerated, and this led to a decrease in net sales and a decrease in operating income due to a decline in productivity.</p> <p>[Drives business] Both sales and operating income were firm, reflecting continued capital investment in China to comply with environmental regulations and investment in social infrastructure, as well as solid oil and gas-related demand in the United States.</p> | | |
| Robotics | Net sales | 80,629 million JPY (-8.6% year-on-year) |
| | Operating income | 3,353 million JPY (-63.7% year-on-year) |
| <p>Sales of welding and painting robots and other automobile-related products were solid in Japan, while sales stagnated in the United States, and varying conditions existed in different regions. In China in particular, overall segment sales declined from the same period last year as automation investment continued to be sluggish due to the impact of trade friction between the United States and China.</p> <p>Operating income declined from the same period of the previous year due to a decrease in sales and inventory adjustments that led to a deterioration in the operating rate.</p> | | |
| System Engineering | Net sales | 27,371 million JPY (+16.6% year-on-year) |
| | Operating loss | -725 million JPY (declined by 38 million yen 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>As a whole, sales in this segment increased due to the effects of new consolidation, while profitability deteriorated slightly due to a decline in sales related to steel plants.</p> <p>[Environmental and social system business] In the environmental energy field, sales of PV inverter were sluggish, while in the social systems field, sales of electrical systems for water and sewage systems in Japan remained firm.</p> <p>[Industrial automation drive business] In the steel plant business, sales declined due to the postponement of projects, but overall business performance was firm as shipments to port cranes remained firm.</p> | | |

| | | |
|---|----------------|---|
| Other | Net sales | 11,418 million JPY (-39.1% year-on-year) |
| | Operating loss | -187 million JPY (declined by 760 million yen year-on-year) |
| <p>Other segment includes logistics services. Sales decreased and operating income 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 August 31, 2019 |
|---------------------------------------|-------------------------|-----------------------|
| Assets | | |
| Current assets | | |
| Cash and deposits | 39,320 | 36,570 |
| Notes and accounts receivable — trade | 136,201 | 127,477 |
| Merchandise and finished goods | 66,668 | 58,709 |
| Work in process | 19,221 | 18,314 |
| Raw materials and supplies | 25,599 | 24,504 |
| Other | 12,561 | 9,043 |
| Allowance for doubtful accounts | -2,379 | -2,226 |
| Total current assets | 297,193 | 272,394 |
| Non-current assets | | |
| Property, plant and equipment | 80,142 | 77,128 |
| Intangible assets | | |
| Goodwill | 6,797 | 6,774 |
| Other | 22,252 | 26,421 |
| Total intangible assets | 29,050 | 33,195 |
| Investments and other assets | | |
| Other | 49,696 | 48,714 |
| Allowance for doubtful accounts | -420 | -430 |
| Total investments and other assets | 49,276 | 48,283 |
| Total non-current assets | 158,469 | 158,608 |
| Total assets | 455,663 | 431,002 |

(Millions of yen)

| | As of February 28, 2019 | As of August 31, 2019 |
|---|-------------------------|-----------------------|
| Liabilities | | |
| Current liabilities | | |
| Notes and accounts payable — trade | 71,823 | 52,458 |
| Short-term loans payable | 28,991 | 31,758 |
| Provision for directors' bonuses | 70 | 12 |
| Provision for product warranties | 1,285 | 993 |
| Other | 51,462 | 45,635 |
| Total current liabilities | 153,632 | 130,858 |
| Non-current liabilities | | |
| Long-term loans payable | 16,858 | 30,203 |
| Provision for directors' retirement benefits | 232 | 194 |
| Provision for stocks payment | 707 | 627 |
| Provision for product warranties | 796 | 718 |
| Net defined benefit liability | 27,148 | 26,297 |
| Other | 6,534 | 10,774 |
| Total non-current liabilities | 52,277 | 68,816 |
| Total liabilities | 205,909 | 199,675 |
| Net assets | | |
| Shareholders' equity | | |
| Capital stock | 30,562 | 30,562 |
| Capital surplus | 27,638 | 27,638 |
| Retained earnings | 193,333 | 195,281 |
| Treasury shares | -12,487 | -20,172 |
| Total shareholders' equity | 239,047 | 233,309 |
| Accumulated other comprehensive income | | |
| Valuation difference on available-for-sale securities | 6,948 | 6,002 |
| Deferred gains or losses on hedges | 15 | 11 |
| Foreign currency translation adjustment | 1,959 | -9,549 |
| Remeasurements of defined benefit plans | -1,232 | -1,110 |
| Total accumulated other comprehensive income | 7,690 | -4,645 |
| Non-controlling interests | 3,015 | 2,663 |
| Total net assets | 249,753 | 231,327 |
| Total liabilities and net assets | 455,663 | 431,002 |

2) Consolidated Statements of Income and Comprehensive Income

(Millions of yen)

| | Six months ended August 31, 2018 | Six months ended August 31, 2019 |
|--|-------------------------------------|-------------------------------------|
| Net sales | 248,244 | 211,780 |
| Cost of sales | 164,904 | 146,452 |
| Gross profit | 83,340 | 65,328 |
| Selling, general and administrative expenses | 52,829 | 52,871 |
| Operating profit | 30,510 | 12,457 |
| Non-operating income | | |
| Interest income | 168 | 173 |
| Dividend income | 306 | 370 |
| Share of profit of entities accounted for using equity method | 624 | 493 |
| Subsidy income | 566 | 556 |
| Other | 93 | 156 |
| Total non-operating income | 1,759 | 1,751 |
| Non-operating expenses | | |
| Interest expenses | 284 | 356 |
| Foreign exchange losses | 1,270 | 944 |
| Other | 124 | 129 |
| Total non-operating expenses | 1,679 | 1,429 |
| Ordinary profit | 30,590 | 12,778 |
| Extraordinary income | | |
| Gain on sales of non-current assets | 33 | 167 |
| Gain on sales of investment securities | 84 | — |
| Gain on sales of shares of subsidiaries and associates | — | 193 |
| Gain on acquisition of subsidiary | 2,963 | — |
| Gain on change in equity | 4 | 16 |
| Other | — | 21 |
| Total extraordinary income | 3,085 | 398 |
| Extraordinary losses | | |
| Loss on sales and retirement of non-current assets | 60 | 65 |
| Loss on valuation of investment securities | 353 | 300 |
| Loss on valuation of shares of subsidiaries and associates | — | 159 |
| Loss on sales of investment securities | — | 0 |
| Impairment loss | 0 | — |
| Other | 0 | 0 |
| Total extraordinary losses | 414 | 525 |
| Profit before income taxes | 33,261 | 12,652 |
| Income taxes — current | 6,871 | 4,476 |
| Income taxes — deferred | 117 | -741 |
| Total income taxes | 6,988 | 3,734 |
| Profit | 26,272 | 8,917 |
| Profit attributable to non-controlling interests | 208 | 124 |
| Profit attributable to owners of parent | 26,063 | 8,793 |

Consolidated Statements of Comprehensive Income

(Millions of yen)

| | Six months ended August 31, 2018 | Six months ended August 31, 2019 |
|--|-------------------------------------|-------------------------------------|
| Profit | 26,272 | 8,917 |
| Other comprehensive income | | |
| Valuation difference on available-for-sale securities | -1,882 | -958 |
| Deferred gains or losses on hedges | 5 | -3 |
| Foreign currency translation adjustment | -3,311 | -11,396 |
| Remeasurements of defined benefit plans, net of tax | 154 | 100 |
| Share of other comprehensive income of entities accounted for using equity method | -383 | -370 |
| Total other comprehensive income | -5,417 | -12,629 |
| Comprehensive income | 20,854 | -3,712 |
| Comprehensive income attributable to | | |
| Comprehensive income attributable to owners of parent | 20,786 | -3,542 |
| Comprehensive income attributable to non-controlling interests | 67 | -169 |

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.