

FY2016 Nine Months Financial Results (Ended December 20, 2016)

FY2016 Full-year Financial Forecasts (Ending March 20, 2017)

YASKAWA ELECTRIC CORPORATION (TSE 6506)

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Business Overview

Motion Control (M)

[Core products]

- AC servo motors and controllers
- Linear servo motors
- AC drives
- Power conditioners
- Motor drive systems for EV etc.



AC servo motor
"Z-7" series



General purpose
AC drive
"Zero series"



PV inverter for
photovoltaic power
generation



Motor drive system
for EV

Robotics (R)

[Core products]

- Industrial Robots
 - Arc and spot welding robots, Painting robots
 - FPD glass sheet transfer robots, New generation robots, Handling robots,
- Semiconductor wafer transfer robots
- Biomedical robots
- Cooperative robots etc.



New miniature robot
MOTOMAN-GP8



Collaborative Robot HC10

Robot system for
preprocessing operations

System Engineering (S)

[Core products]

- Electrical systems for steel plants
- Electrical instrumentation systems for water supply plants and sewage treatment facilities
- Large-scale wind power generator and converter etc.



Large-scale wind
power generator
and converter



Continuous-casting machine



Electrical instrumentation
systems for water
and sewerage

Other

[Core products]

- IT-related services
- Logistics, etc.

1. FY2016 Nine Months Financial Results (Ended December 20, 2016)

FY2016 Nine Months Financial Results (Highlights)

- Sales and income declined year on year because of the strong yen.

	<u>FY2016</u> <u>Apr.-Dec.</u>	FY2015 Apr.-Dec.	<u>Changes</u>	
Net Sales	<u>¥ 284.7bn.</u>	¥ 306.4bn.	<u>-¥ 21.7bn.</u>	<u>-7.1%</u>
Operating income	<u>¥ 21.6bn.</u>	¥ 27.2bn.	<u>-¥ 5.6bn.</u>	<u>-20.5%</u>
Ordinary income	<u>¥ 22.5bn.</u>	¥ 27.6bn.	<u>-¥ 5.1bn.</u>	<u>-18.6%</u>
Profit attributable to owners of parent	<u>¥ 14.7bn.</u>	¥ 18.2bn.	<u>-¥ 3.5bn.</u>	<u>-19.3%</u>

FY2016 Nine Months Financial Results by Business Segment (1)

- Sales and profits in (M) and (R) decreased due to the strong yen. Sales and profits in (S) increased with the steady growth in both existing and new businesses.

(Billions of yen)

		FY2016 Apr.-Dec.		FY2015 Apr.-Dec.		Changes	
		Results	Income ratio	Results	Income ratio	Amounts	%
Net sales		284.7		306.4		-21.7	-7.1%
(M)	Motion Control	134.7		143.8		-9.1	-6.3%
(R)	Robotics	102.1		114.3		-12.3	-10.7%
(S)	System Engineering	31.2		27.4		+3.8	+13.8%
	Other	16.7		20.9		-4.2	-20.0%
Operating income		21.6	7.6%	27.2	8.9%	-5.6	-20.5%
(M)	Motion Control	15.5	11.5%	17.4	12.1%	-1.8	-10.5%
(R)	Robotics	7.9	7.8%	12.2	10.7%	-4.3	-35.3%
(S)	System Engineering	-0.8	-2.5%	-2.2	-8.0%	+1.4	-
	Other	-0.1	-0.8%	0.6	2.9%	-0.8	-
	Elimination or Corporate	-0.9	-	-0.9	-	-0.1	-
Ordinary income		22.5	7.9%	27.6	9.0%	-5.1	-18.6%
Profit attributable to owners of parent		14.7	5.2%	18.2	6.0%	-3.5	-19.3%

FY2016 Nine Months Financial Results by Business Segment (2)

Motion Control

- AC servo business was solid especially because of robust demand from the smart phone- and automotive-related industries in China. Profitability improved because of the progress in switching to the core product "Σ-7" series and the effect of local production in China.
- The demand for AC drives was sluggish in the U.S. oil-related industry, while the export-related market in China showed a sign of recovery. The sales of PV inverters in Japan were also weak.

Robotics

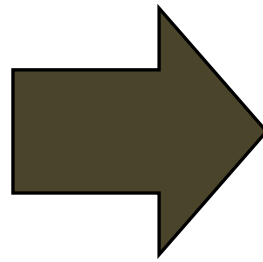
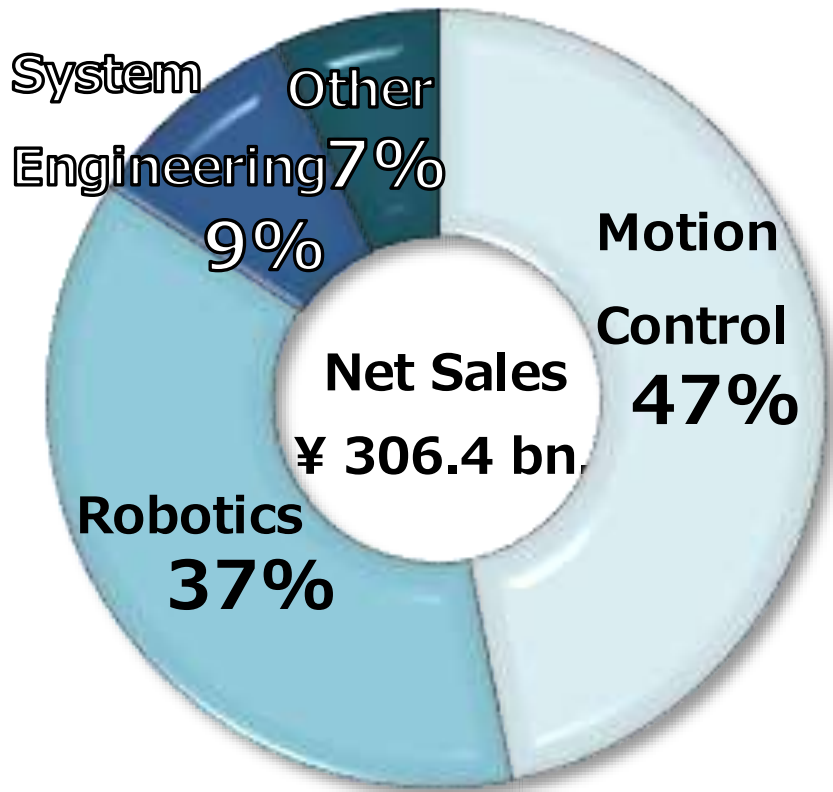
- Automobile-related business in Japan and Europe were solid. Sales efforts were focused on non-automotive general industries*₁ and 3C*₂ markets.
 - Sales and income year on year decreased because of impact of the strong yen.
- *₁food, medical and cosmetics *₂computer, communication and consumer

System Engineering

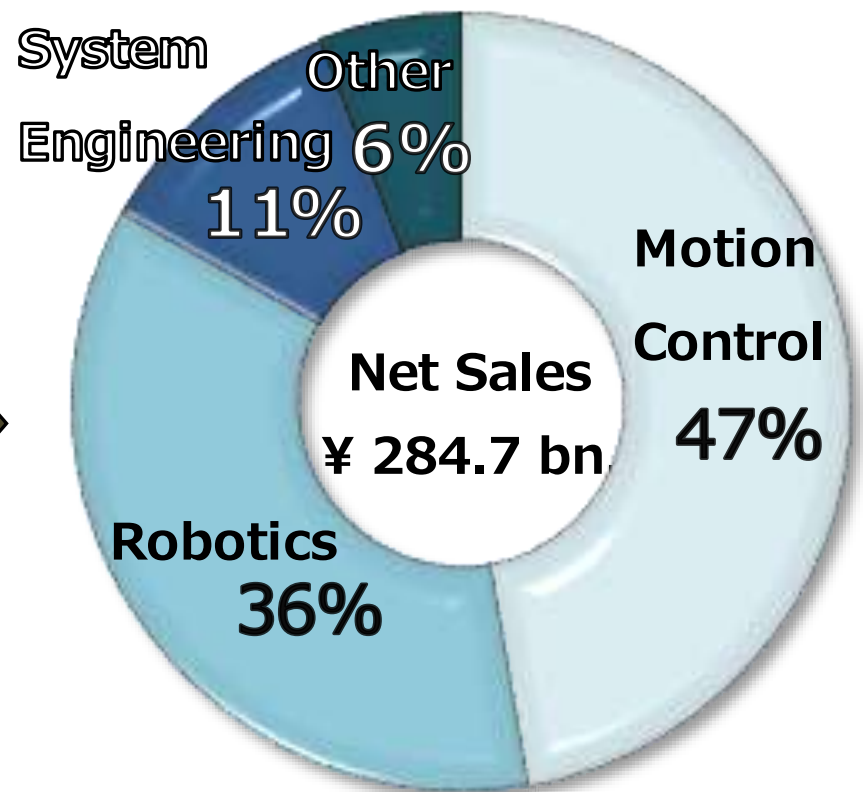
- Profitability improved as we captured the demand for facility renovation in the steel plants and social systems.
- Sales increased in the large-scale wind turbine business in Europe and China. Business was expanded to the marine field.

Sales Breakdown by Business Segment

FY2015 Apr.-Dec.



FY2016 Apr.-Dec.



Sales Breakdown by Destination (1)

- Overseas sales declined because of the strong yen.

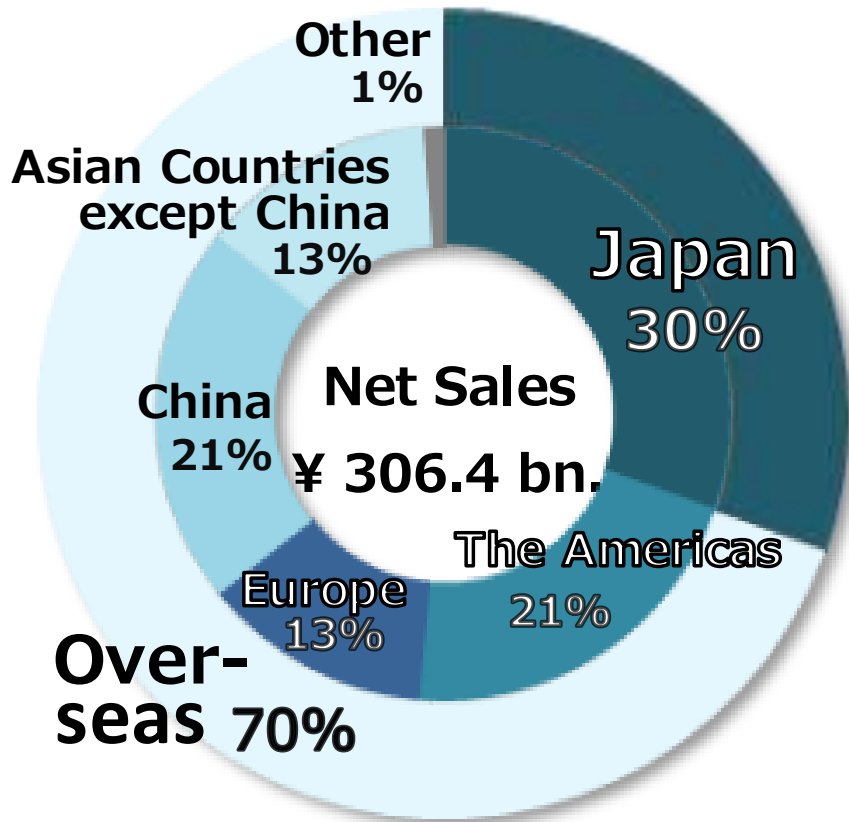
(Billions of yen)

	FY2016 Apr.-Dec.	FY2015 Apr.-Dec.	Changes	
			Amounts	%
Net sales	284.7	306.4	-21.7	-7.1%
Japan	94.3	93.4	+0.9	+1.0%
Overseas	190.3	213.0	-22.7	-10.6%
The Americas	54.4	64.5	-10.1	-15.7%
Europe	36.7	39.1	-2.4	-6.2%
China	61.5	65.6	-4.1	-6.2%
Asian Countries except China	34.6	40.5	-5.9	-14.6%
Other	3.2	3.3	-0.1	-3.6%

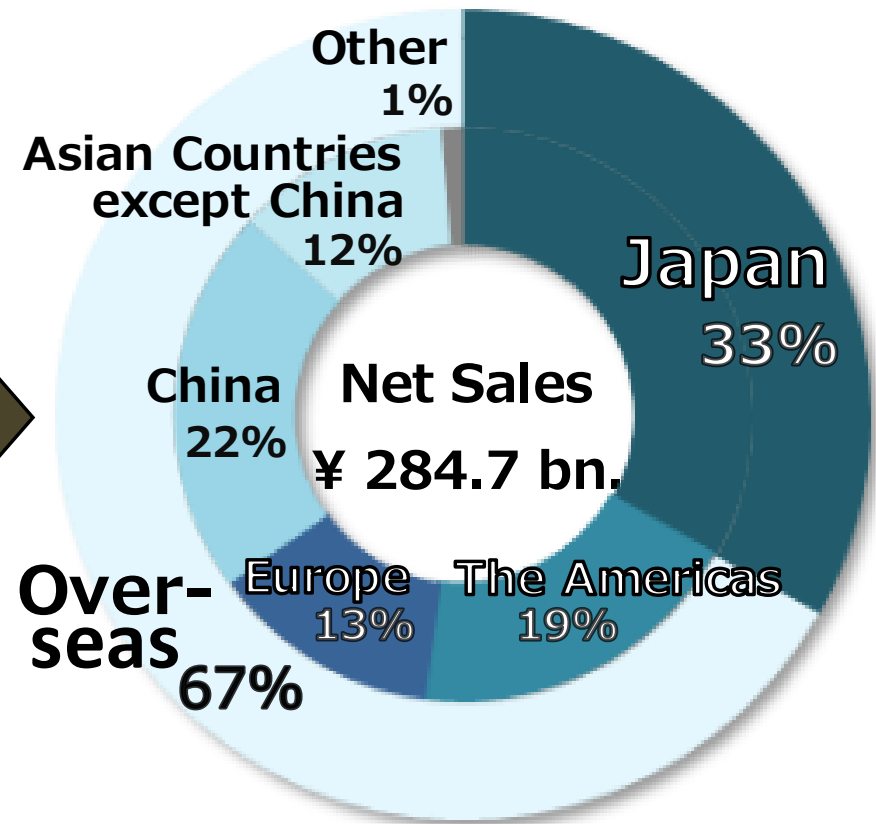
Note: "Other" category includes Australia and South Africa, etc.

Sales Breakdown by Destination (2)

FY2015 Apr.-Dec.

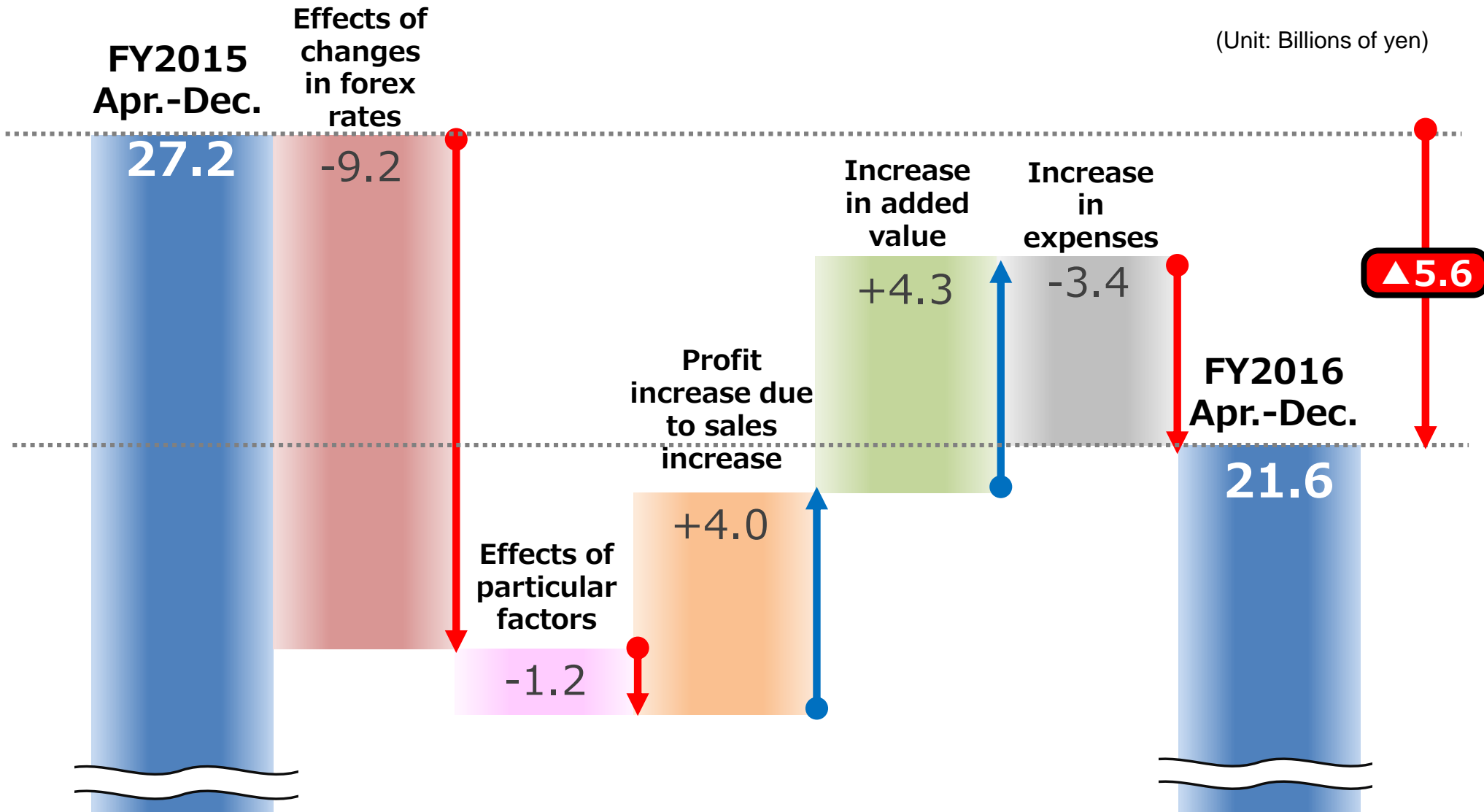


FY2016 Apr.-Dec.



Breakdown of Changes in Operating Income

(FY15 Nine Months → FY16 Nine Months)



Measures for FY2016 3Q

➤ Expand sales from core businesses

- **Establishment of a next-generation plant**

- ➔ Verification of YASKAWA Industrie 4.0 (Launch scheduled in April 2018)

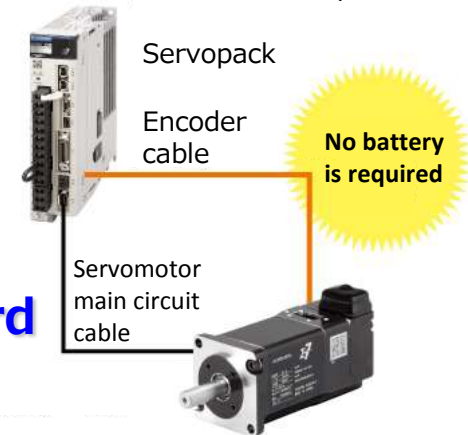
- **Expansion of AC servo “Σ-7” series lineup**

- ➔ Launch of servo motors with batteryless encoders

- **MECHATROLINK is certified as Chinese National Standard**

- ➔ Compliant to the standard in force since November 1, 2016

Characteristics of servo motors with batteryless encoders



Servo motor with batteryless encoder

➤ Expand production capacity

- **Establishment of Plant No.3 in Shenyang** (Launch scheduled in Spring 2018)

- ➔ Double production capacity of AC servo, Consolidate development function

- **Establishment of a robot plant in Europe** (Launch scheduled in Septmebr, 2018)

- ➔ Build production system of 300 units per month in Slovenia by FY2020

➤ Create new businesses

- **Expansion of lineup of biomedical robots**

- ➔ Launch of MOTOMAN-MH5BM

- **Full-fledged start of venture investment for creation of new businesses and expansion of core business areas**

- ➔ Investment scale: 2 billion JPY in three years between FY2016 and FY2018



MOTOMAN-MH5BM



Rendering of Shenyang plant

2. FY2016 Full-year Financial Forecasts (Ending March 20, 2017)

FY2016 Full-year Financial Forecasts (Highlights)

- Full-year forecasts are revised up because of the favorable environment in the core businesses

	<u>FY2016 Forecasts</u>	FY2016 Previous forecast	Change from previous forecast	FY2015 Results	<u>Changes</u>	
					<u>Amounts</u>	<u>%</u>
Net sales	<u>¥ 395.0bn.</u>	¥ 390.0bn.	+¥ 5.0bn.	¥ 411.3bn.	<u>-¥ 16.3bn.</u>	<u>-4.0%</u>
Operating income	<u>¥ 31.0bn.</u>	¥ 28.0bn.	+3.0bn.	¥ 36.7bn.	<u>-¥ 5.7bn.</u>	<u>-15.6%</u>
Ordinary income	<u>¥ 31.5bn.</u>	¥ 28.5bn.	+3.0bn.	¥ 35.8bn.	<u>-¥ 4.3bn.</u>	<u>-12.1%</u>
Profit attributable to owners of parent	<u>¥ 20.0bn.</u>	¥ 18.0bn.	+2.0bn.	¥ 22.4bn.	<u>-¥ 2.4bn.</u>	<u>-10.6%</u>

Notes: The figures of FY2016 Previous forecasts were announced on October 20, 2016

FY2016 Full-year Financial Forecasts (by Business Segment)

- Sales and operating income forecasts especially in (M) are revised up

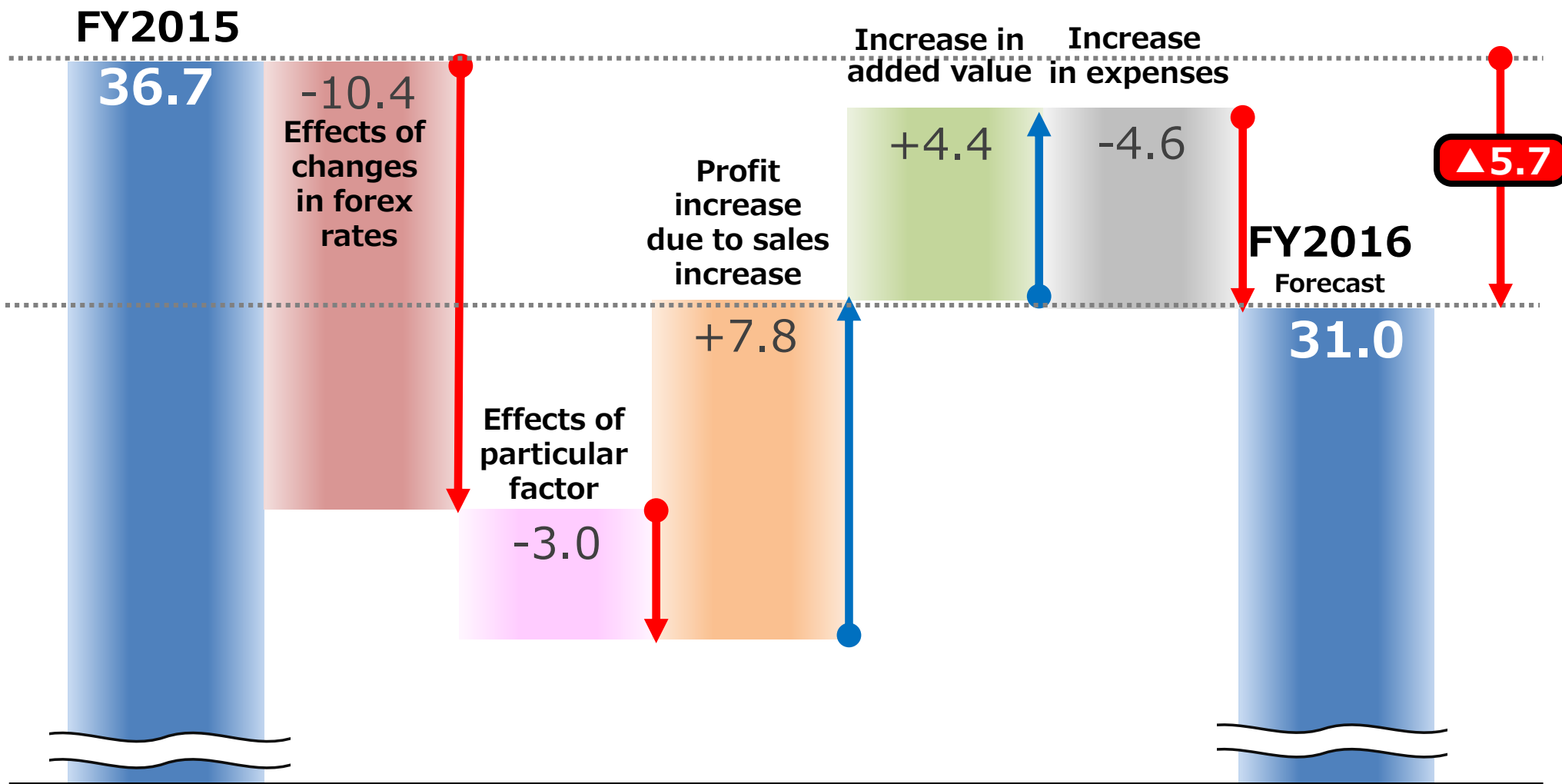
(Billions of yen)

	FY2016		FY2016		Change from previous forecasts	FY2015		Changes	
	Forecasts	Income ratio	Previous forecasts	Income ratio		Results	Income ratio	Amounts	%
Net sales	395.0		390.0		+5.0	411.3		-16.3	-4.0%
(M) Motion Control	182.0		178.0		+4.0	187.5		-5.5	-3.0%
(R) Robotics	140.0		139.5		+0.5	154.1		-14.1	-9.1%
(S) System Engineering	49.5		50.0		-0.5	43.1		+6.4	+15.0%
Other	23.5		22.5		+1.0	26.6		-3.1	-11.6%
Operating income	31.0	7.8%	28.0	7.2%	+3.0	36.7	8.9%	-5.7	-15.6%
(M) Motion Control	20.9	11.5%	17.9	10.1%	+3.0	22.4	12.0%	-1.5	-6.8%
(R) Robotics	11.1	7.9%	11.0	7.8%	+0.2	15.3	9.9%	-4.2	-27.5%
(S) System Engineering	0.5	1.0%	0.6	1.2%	-0.1	-0.8	-1.8%	+1.3	-
Other	-0.3	-1.3%	-0.3	-1.4%	+0.0	0.9	3.2%	-1.2	-
Elimination or Corporate	-1.2	-	-1.2	-	-0.0	-1.1	-	-0.1	-
Ordinary income	31.5	8.0%	28.5	7.3%	+3.0	35.8	8.7%	-4.3	-12.1%
Profit attributable to owners of parent	20.0	5.1%	18.0	4.6%	+2.0	22.4	5.4%	-2.4	-10.6%

Notes: The figures of FY2016 Previous forecasts were announced on October 20, 2016

Breakdown of Changes in Operating Income (FY2015 → FY2016 Forecast)

(Billions of yen)



3. Reference

Capital Expenditure, R&D Investment, Forex Rates

◆ Capital expenditure (Consolidated)

(Unit: Billions of yen)

	FY2014	FY2015	FY2016 Plan
Capital Expenditure	36.4	16.8	16.0
Depreciation and Amortization	11.5	13.1	13.0

◆ R&D investment (Consolidated)

(Unit: Billions of yen)

	FY2014	FY2015	FY2016 Plan
R&D investment	15.3	16.8	18.0

◆ Forex rates (Consolidated)

(Unit: Yen)

	FY2014				FY2015				FY2016 Forecasts			
	4-12	4Q	2H	Full-year	4-12	4Q	2H	Full-year	4-12 Actual	4Q	2H	Full-year
U.S. dollar	104.8	118.4	114.2	108.2	121.6	118.5	119.8	120.8	106.3	115.0	109.9	108.5
Euro	139.5	140.0	139.9	139.7	134.2	129.7	131.8	133.0	118.5	120.0	117.7	118.8

Note: Average rate during the period

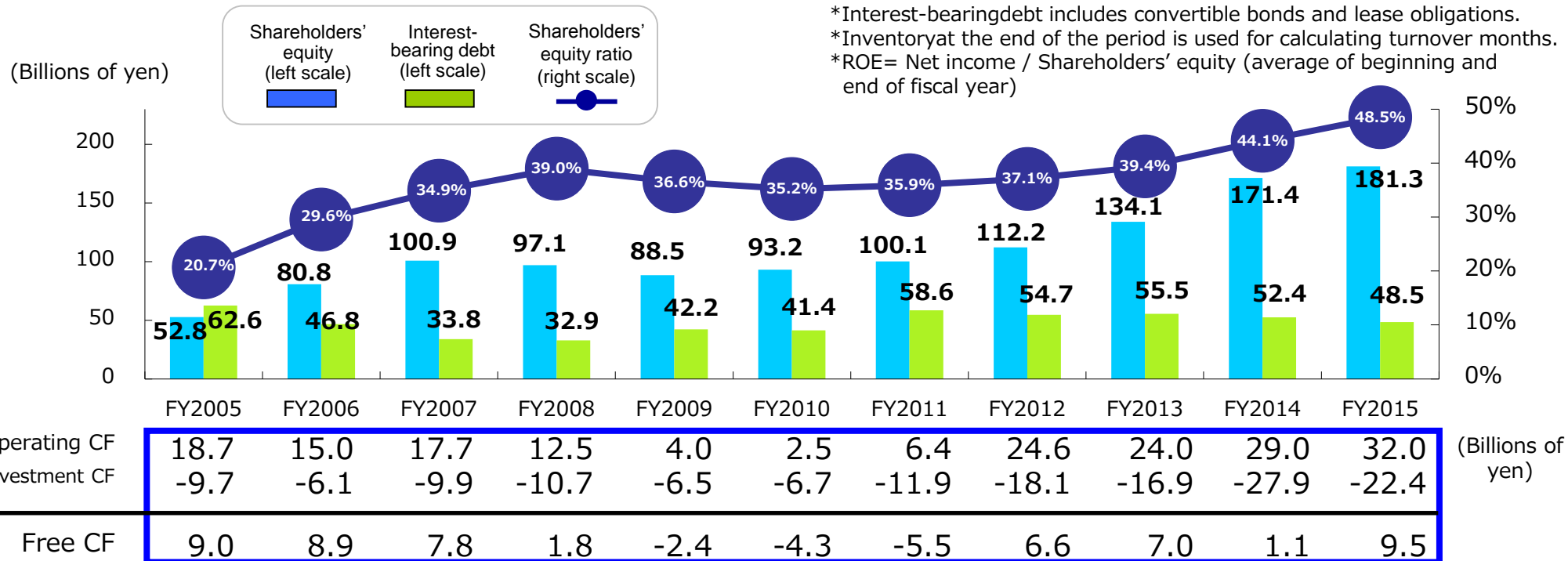
Financial Indices

As of March 20, 2016

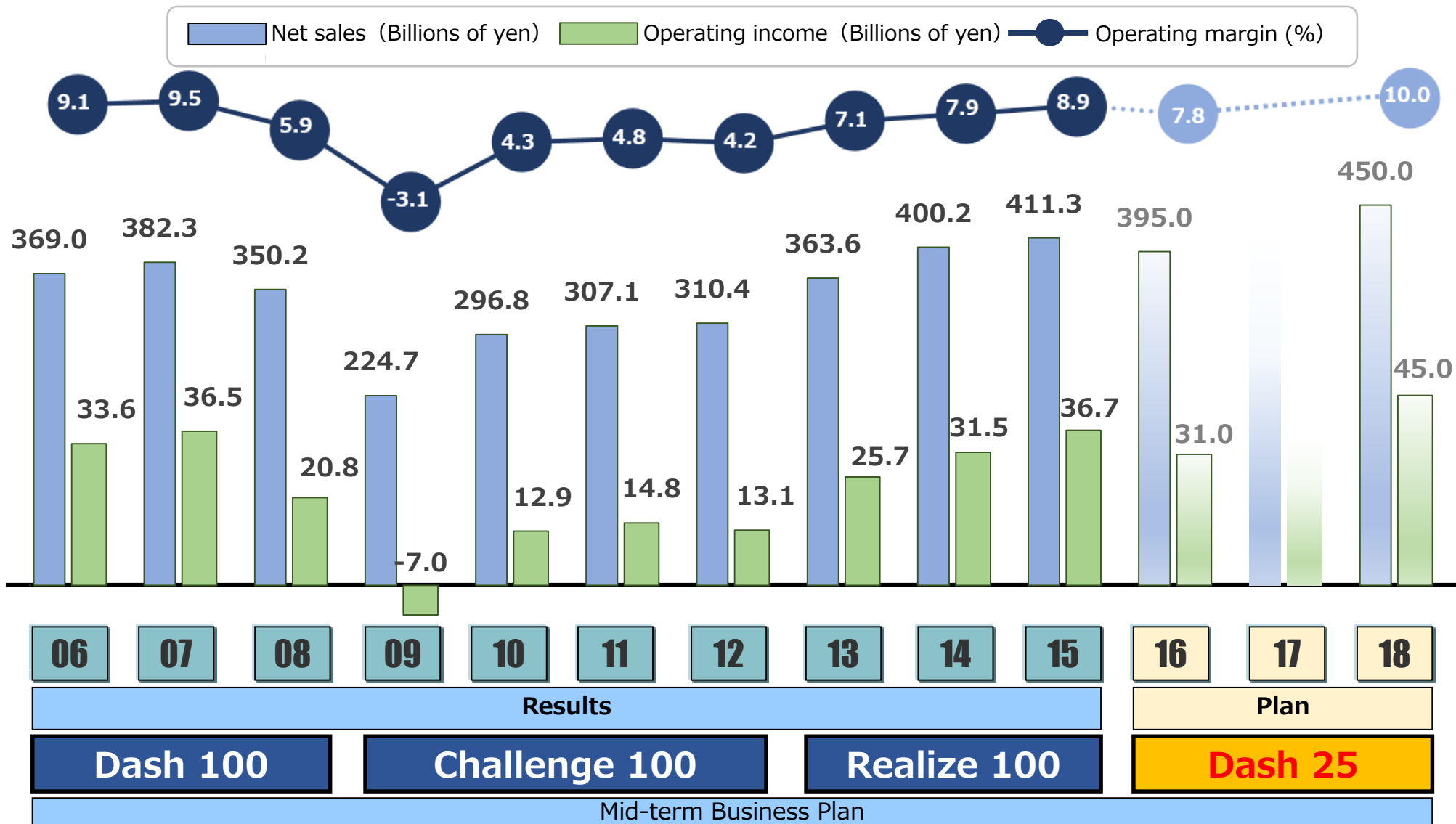
➤ Shareholders' equity ratio	48.5%
➤ Shareholders' equity	181.3 billion yen
➤ Interest-bearing debt	48.5 billion yen
➤ D/E ratio	0.27
(Net D/E ratio)	0.09
➤ Inventory	77.5 billion yen
Turnover	2.3 months
➤ ROE	12.8%

As of December 20, 2016

➤ Shareholders' equity ratio	50.0%
➤ Shareholders' equity	190.3 billion yen
➤ Interest-bearing debt	40.1 billion yen
➤ D/E ratio	0.21
(Net D/E ratio)	0.05
➤ Inventory	84.4 billion yen
Turnover	2.6 months



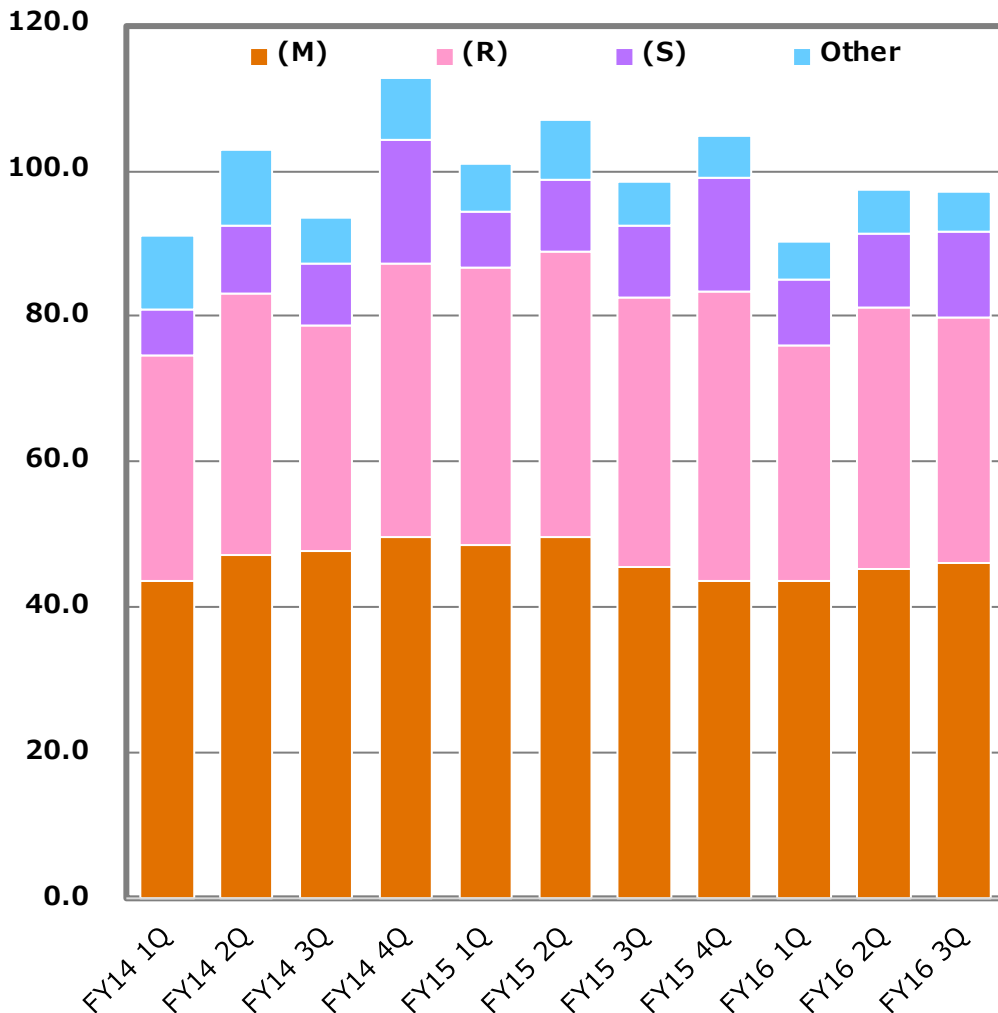
Net Sales/Operating Income (FY2006-2018 Plan)



Quarterly Sales Trends (1)

(Billions of yen)

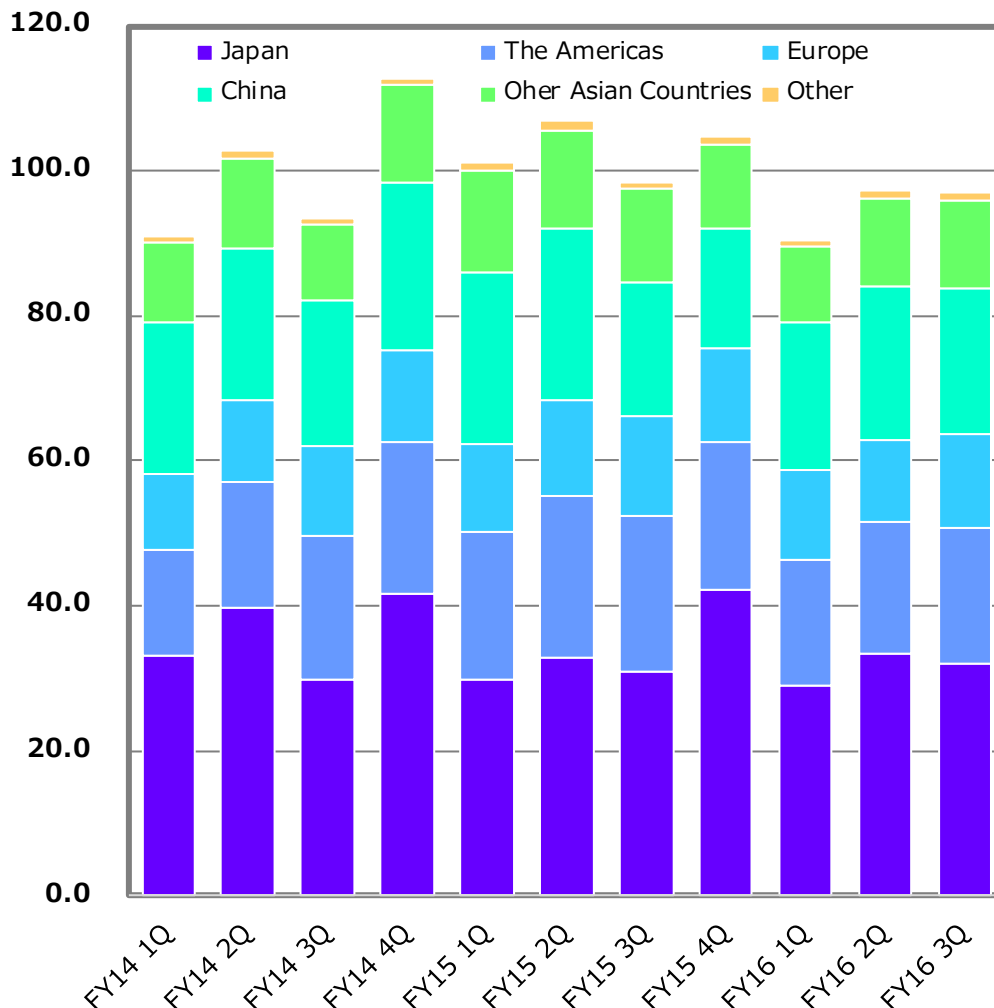
Business Segment



Notes: (M) = Motion Control (R) = Robotics (S) = System Engineering

(Billions of yen)

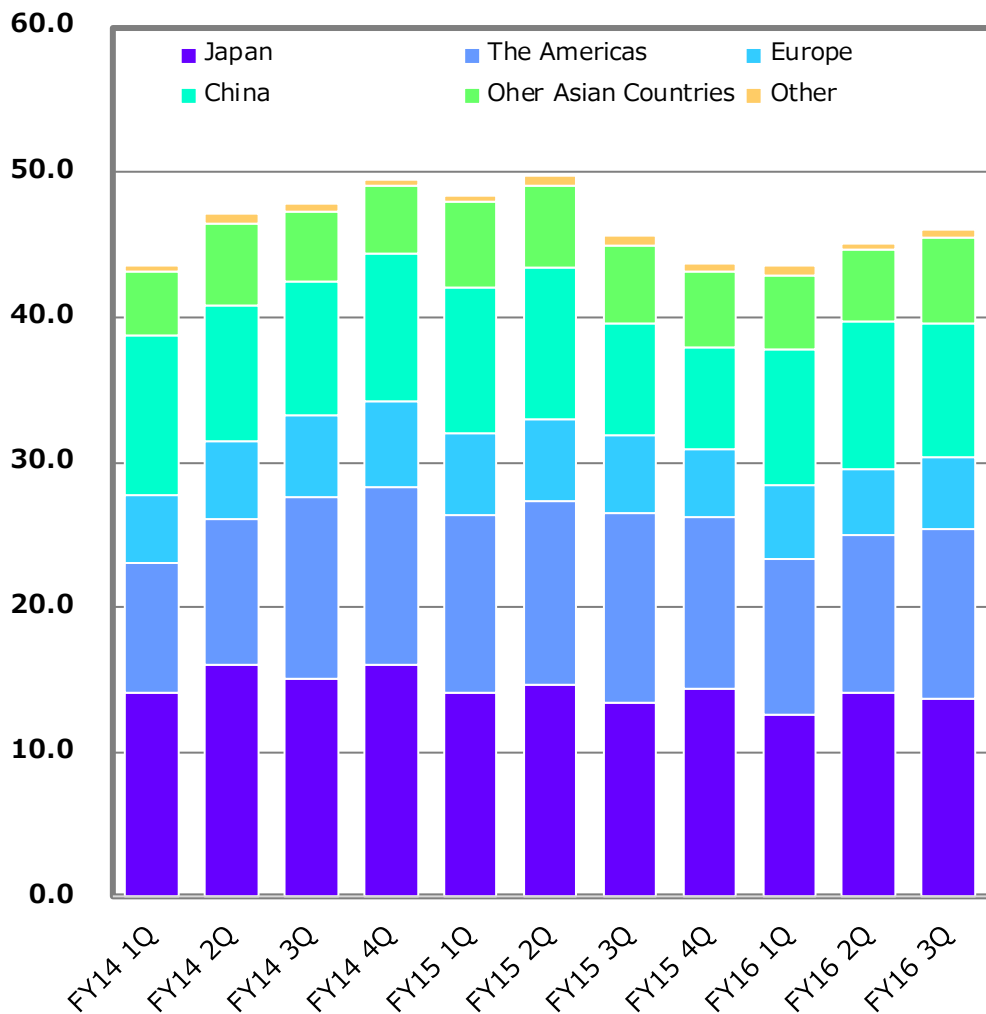
Destination



Quarterly Sales Trends (2)

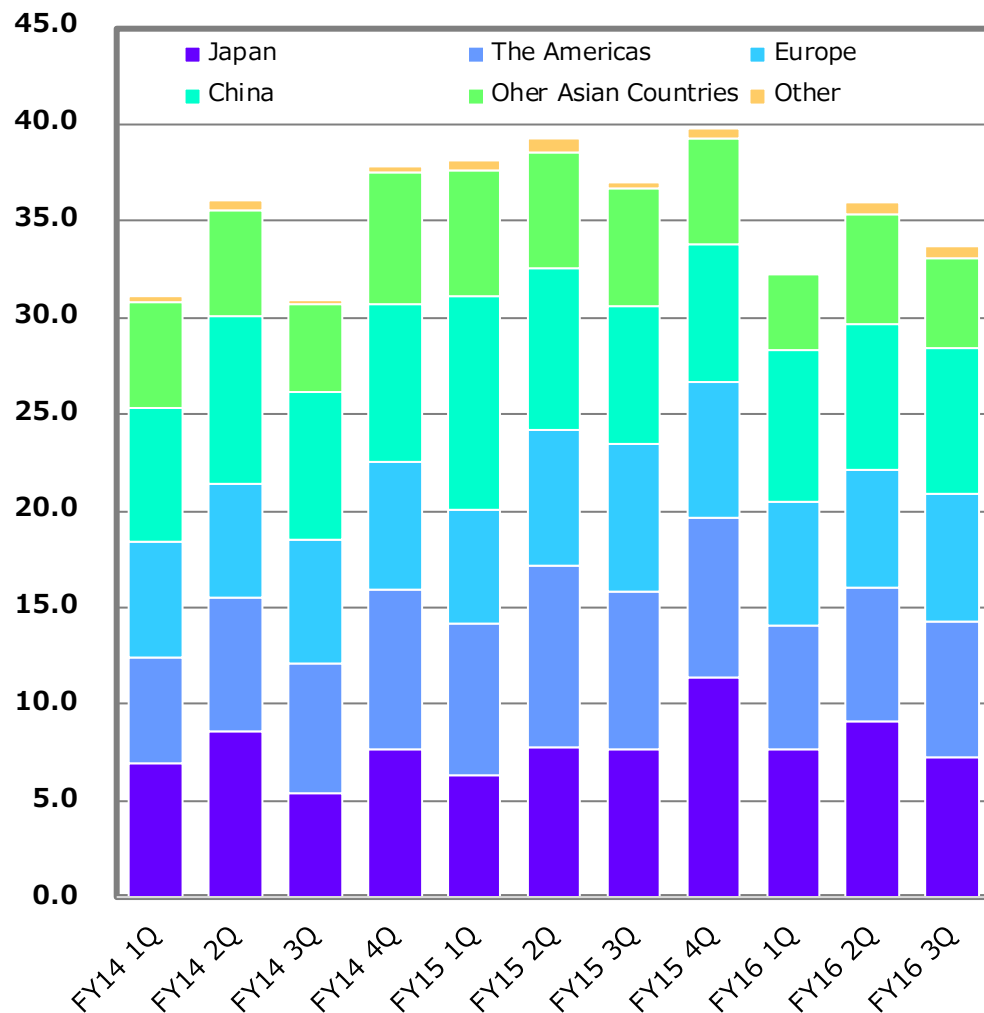
(Billions of yen)

Motion Control



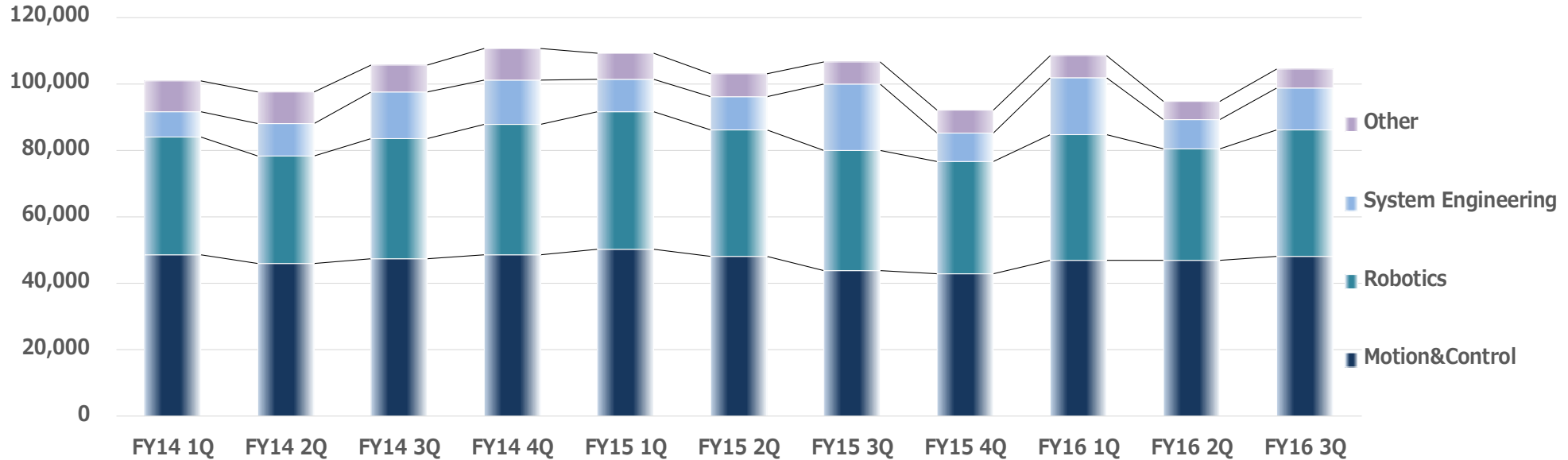
(Billions of yen)

Robotics



Quarterly Order Trends

(Millions of Yen)



		FY2014				FY2015				FY2016		
		1Q	2Q	3Q	4Q	1Q	2Q	3Q	4Q	1Q	2Q	3Q
Total	YoY	+11%	+15%	+15%	+30%	+8%	+6%	+1%	-17%	-1%	-8%	-2%
	QoQ	+18%	-3%	+8%	+5%	-1%	-6%	+3%	-14%	+18%	-13%	+10%
YoY	(M)	+11%	+23%	+20%	+22%	+3%	+5%	-8%	-12%	-7%	-3%	+10%
	(R)	+22%	+10%	-2%	+30%	+17%	+18%	+1%	-14%	-9%	-11%	+5%
	(S)	-3%	+1%	+58%	+60%	+23%	+3%	+40%	-37%	+78%	-13%	-36%
QoQ	(M)	+22%	-5%	+3%	+3%	+3%	-4%	-9%	-2%	+9%	-0%	+3%
	(R)	+18%	-9%	+12%	+9%	+6%	-8%	-4%	-7%	+12%	-11%	+13%
	(S)	-7%	+26%	+44%	-5%	-28%	+5%	+96%	-57%	+103%	-48%	+44%
Forex rates	U.S. dollar	102.2	102.3	110.0	118.4	120.2	123.5	121.0	118.5	110.8	103.5	104.8
	Euro	141.0	137.9	139.8	140.0	131.2	137.4	133.9	129.7	124.5	115.6	115.3

Notes: (M) = Motion Control (R) = Robotics (S) = System Engineering

Major Production Bases



YASKAWA