

**Supplements to
FY2017 1st Quarter Financial Results
(Ended June 20, 2017)**

YASKAWA ELECTRIC CORPORATION (TSE6506)

July 20, 2017

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The information within this document is made as of the date of writing. Any forward-looking statements are made according to the assumptions of management and are subject to change as a result of risks and uncertainties. YASKAWA Electric Corporation undertakes no obligation to update or revise these forward-looking statements, whether as a result of new information, future events, or otherwise.

Figures in this document are rounded off, and may differ from those in other documents such as financial results.

Business Overview

Motion Control

[Core products]

- AC servo motors and controllers
- Linear servo motors
- AC drives

etc.



AC servo motor
"Σ-7" series

General purpose
AC drive
"Zero series"



Matrix converter
U1000

Robotics

[Core products]

- Industrial Robots
 - Arc and spot welding robots,
 - Painting robots
 - FPD glass sheet transfer 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

[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.
- PV inverters



Large-scale wind
turbine and converter



Continuous-casting machine



PV inverter for
photovoltaic power
generation



Electrical instrumentation
systems for water
and sewerage

Other

[Core products]

- IT-related services
- Logistics, etc.

1. FY2017 1Q Financial Results

(Ended June 20, 2017)

FY2017 1Q Financial Results (Highlights)

- **Sales and profits significantly increased due to robust demand especially from the Chinese market.**
(Sales and profits marked record high as 1Q results)

	<u>FY2017</u>	FY2016	<u>Changes</u>	
	<u>1Q</u>		<u>1Q</u>	<u>Amounts</u>
Net Sales	<u>¥ 107.5bn.</u>	¥ 90.4bn.	<u>+¥ 17.1bn.</u>	<u>+18.9%</u>
Operating income	<u>¥ 13.2bn.</u>	¥ 5.5bn.	<u>+¥ 7.8bn.</u>	<u>+141.9%</u>
Ordinary income	<u>¥ 12.6bn.</u>	¥ 5.3bn.	<u>+¥ 7.3bn.</u>	<u>+138.3%</u>
Profit attributable to owners of parent	<u>¥ 9.8bn.</u>	¥ 3.4bn.	<u>+¥ 6.4bn.</u>	<u>+185.0%</u>

FY2017 1Q Financial Results by Business Segment (1)

- (M): Record high sales achieved by strong AC servo sales in China
- (R): Profitability improved because of the steady sales growth

(Billions of yen)

		FY2017 1Q		FY2016 1Q		Changes	
		Results	Income ratio	Results	Income ratio	Amounts	%
Net sales		107.5		90.4		+17.1	+18.9%
(M)	Motion Control	54.1		40.8		+13.3	+32.6%
(R)	Robotics	35.7		32.4		+3.3	+10.2%
(S)	System Engineering	12.9		11.7		+1.2	+10.1%
	Other	4.8		5.5		-0.7	-12.3%
Operating income		13.2	12.3%	5.5	6.0%	+7.8	+141.9%
(M)	Motion Control	10.8	20.0%	4.6	11.4%	+6.2	+133.0%
(R)	Robotics	3.5	9.9%	2.2	6.9%	+1.3	+58.6%
(S)	System Engineering	-0.7	-5.2%	-0.9	-7.3%	+0.2	-
	Other	-0.1	-1.3%	-0.2	-4.0%	+0.2	-
	Elimination or Corporate	-0.4	-	-0.3	-	-0.1	-
Ordinary income		12.6	11.7%	5.3	5.8%	+7.3	+138.3%
Profit attributable to owners of parent		9.8	9.1%	3.4	3.8%	+6.4	+185.0%

Notes: Revisions were made to the division of businesses segments starting 1Q FY2017. The PV inverter business, which was previously included in Motion Control, is included in System Engineering. The figures for 1Q FY2016 reflect this change. (Please refer to the appendix at the end of this material for details.)

FY2017 1Q Financial Results by Business Segment (2)

Motion Control

- **AC servo sales and operating income grew significantly because of the favorable demand related to smartphones and data centers especially in China.**
- **Sales of the drives business were positive on the back of recovers in the U.S. oil- and gas-related demand and in infrastructure investment in China.**

Robotics

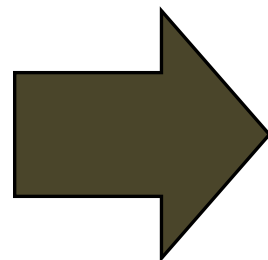
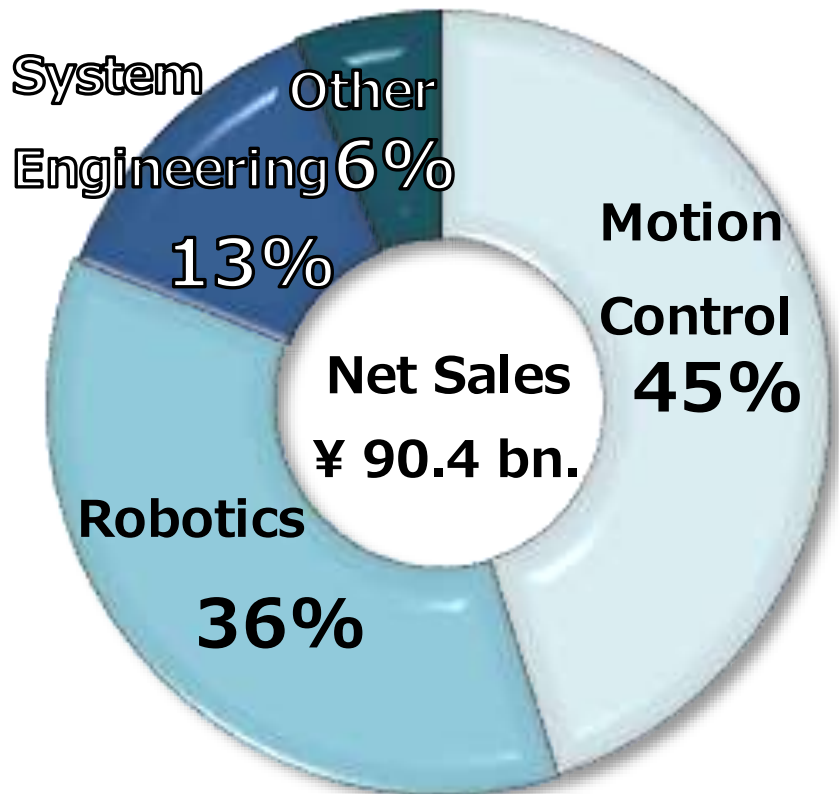
- **Automobile-related sales were solid chiefly in Europe, the U.S. and China.**
- **Sales for non-auto general industries such as production of smartphones and home electronics expanded in China.**
- **Steady demand increase in overseas markets led to the improvement in sales and profit.**

System Engineering

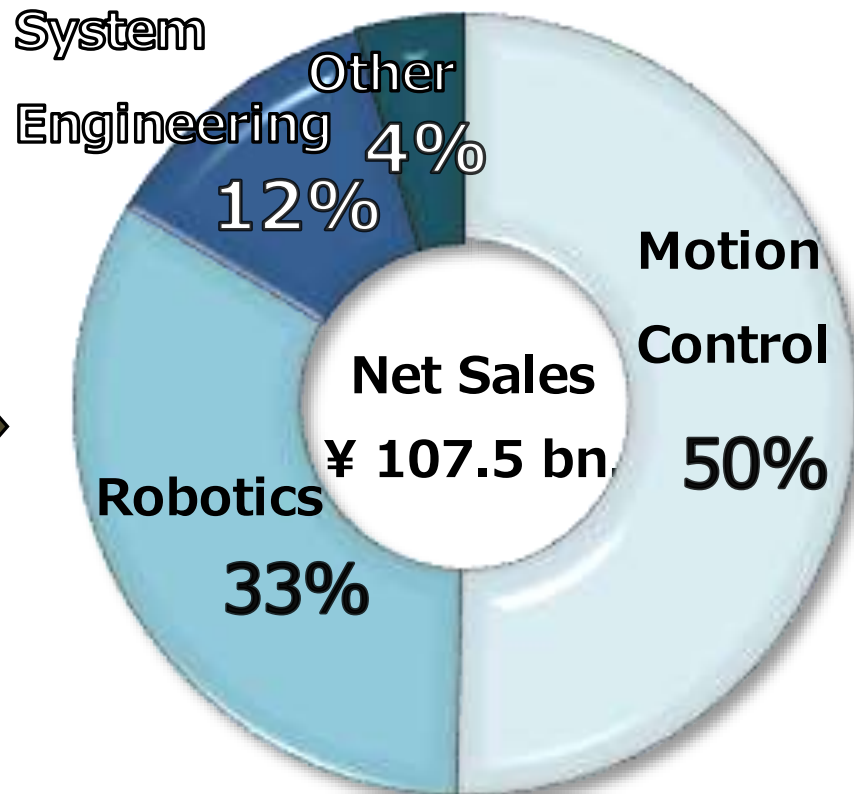
- **Sales for steel plant and social system businesses were solid.**
- **Sales related to large-scale wind turbines were solid.**
- **PV inverter sales were sluggish.**

Sales Breakdown by Business Segment

FY2016_1Q



FY2017_1Q



Sales Breakdown by Destination (1)

- Sales for all destination areas, especially China and other Asian countries, increased.

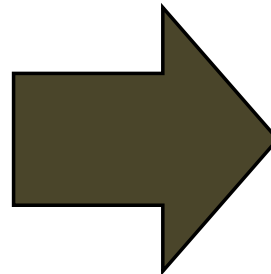
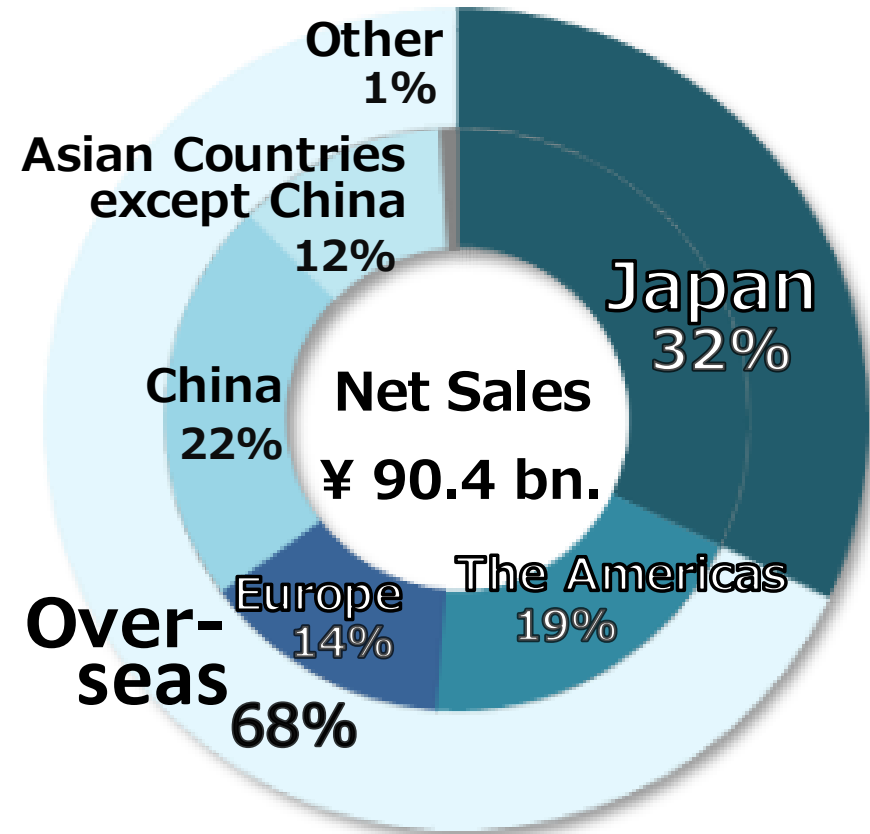
(Billions of yen)

	FY2017	FY2016	Changes	
	1Q	1Q	Amounts	%
Net sales	107.5	90.4	+17.1	+18.9%
Japan	32.8	29.1	+3.7	+12.9%
Overseas	74.7	61.3	+13.4	+21.8%
The Americas	20.0	17.3	+2.7	+15.4%
Europe	13.1	12.3	+0.8	+6.4%
China	26.9	20.3	+6.5	+32.1%
Asian Countries except China	13.9	10.5	+3.4	+32.0%
Other	0.9	0.9	+0.0	+2.0%

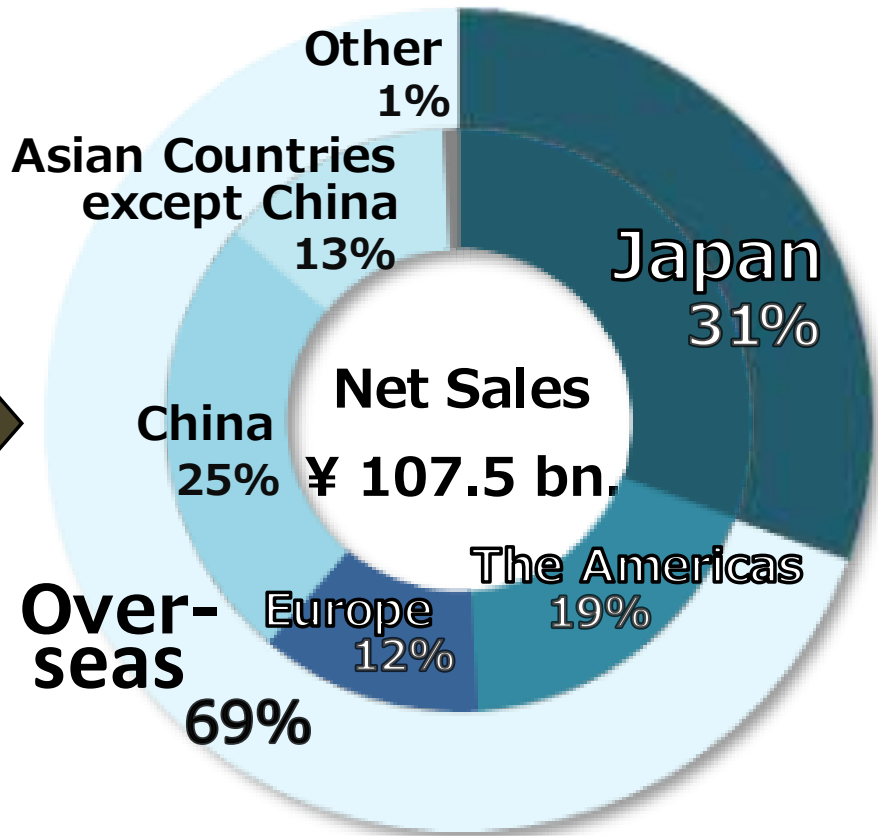
Note: "Other" category includes Australia and South Africa, etc.

Sales Breakdown by Destination (2)

FY2016_1Q

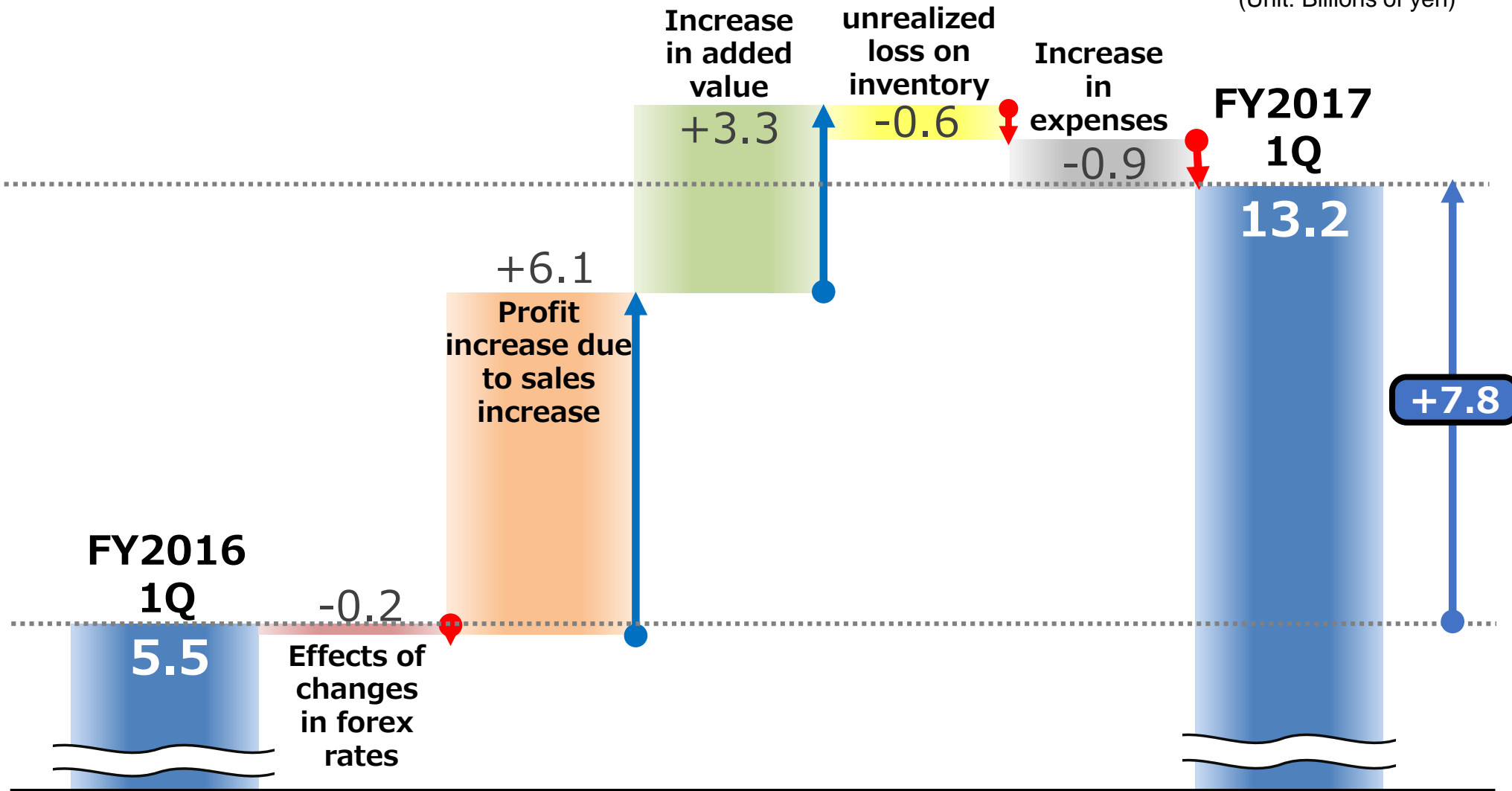


FY2017_1Q



Breakdown of Changes in Operating Income (FY2016 1Q → FY2017 1Q)

(Unit: Billions of yen)



Measures for FY2017 1Q

➤ Profitability improvement in core businesses

• Sales expansion by concentrating resources on priority markets

➔ Expansion of robotics sales to general electronics markets

- Establish a joint company with Shenzhen Everwin Precision Technology Co.,LTD in China (Scheduled in August 2017)

➔ Expansion of lineup of products

- Launch of U1000L matrix converter for elevator application
- Launch of MOTOMAN-GP25 multi-purpose robot
- Launch of MOTOMAN-MPX2600 new painting robot

• Development of new markets and business areas

➔ Creation of applications with new products

- Launch of MOTOMAN-HC10 collaborative robot
- Launch of MotoMINI the smallest and lightest in industry
- Launch of world's first GaN power semiconductor-equipped servo motor with built-in amplifier (half the size compared with conventional models)



Matrix converter
U1000L



MOTOMAN-GP25



MOTOMAN-MPX2600



GaN power semiconductor-equipped
servo motor with built-in amplifier

➤ Evolution of development, production and sales capabilities

• Expansion of global production capacity

- (M): double production in Shenyang plant (Scheduled in 1H 2018)
construction of a plant in Japan (Scheduled in June 2018)
- (R): double production in Changzhou (Scheduled in September 2018)
construction of a plant in Slovenia (Scheduled in September 2018)



MotoMINI

2. FY2017/1H Financial Forecasts **(Ending September 20, 2017)**

Full-Year Financial Forecasts **(Ending February 28, 2018)**

FY2017/1H Financial Forecasts (Highlights)

- Record high sales and profits are forecasted based on strong orders

	FY2017 1H Forecasts	<u>FY2017 1H Previous forecasts</u>	Changes from Previous forecasts	FY2016 1H Results	Changes (Year On Year)	
					Amounts	%
Net sales	<u>¥ 228.5bn.</u>	¥ 213.5bn.	+¥ 15.0bn.	¥ 187.6bn.	<u>+¥ 40.9bn.</u>	<u>+21.8%</u>
Operating income	<u>¥ 28.2bn.</u>	¥ 19.7bn.	+¥ 8.5bn.	¥ 13.8bn.	<u>+¥ 14.4bn.</u>	<u>+104.1%</u>
Ordinary income	<u>¥ 27.2bn.</u>	¥ 20.2bn.	+¥ 7.0bn.	¥ 13.8bn.	<u>+¥ 13.4bn.</u>	<u>+97.7%</u>
Profit attributable to owners of parent	<u>¥ 18.3bn.</u>	¥ 13.3bn.	+¥ 5.0bn.	¥ 8.6bn.	<u>+¥ 9.7bn.</u>	<u>+112.6%</u>

Notes: The figures of FY2017 1H Previous Forecasts were announced on April 20, 2017

FY2017/1H Financial Forecasts (by Business Segment)

- Significant growth in sales and profits are forecasted especially in (M) and (R).

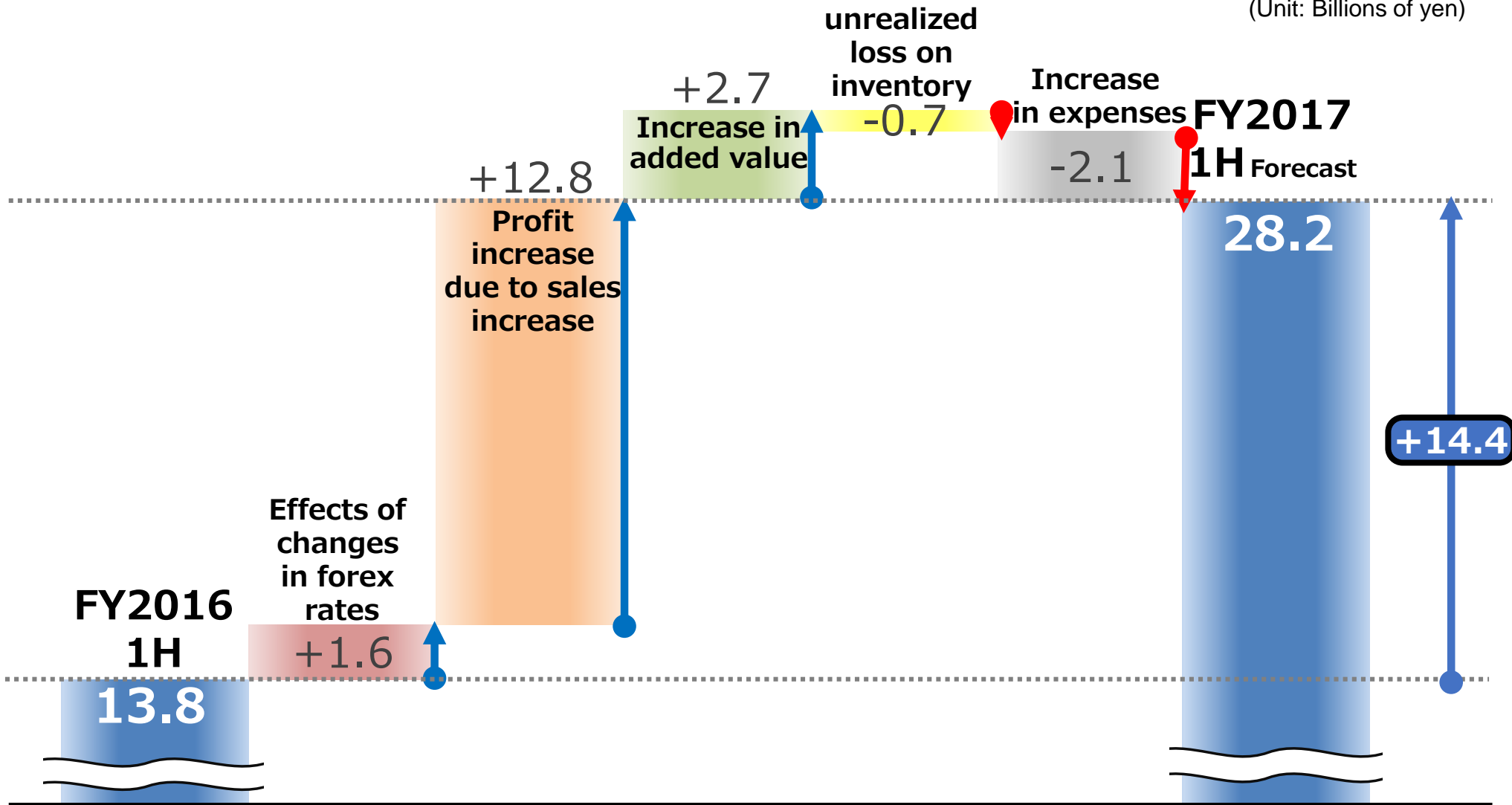
(Unit: Billions of yen)

	FY2017 1H		FY2017 1H		Change from previous forecasts	FY2016 1H		Changes	
	Forecasts	Income ratio	Previous forecasts	Income ratio		Results	Income ratio	Amounts	%
Net sales	228.5		213.5		+15.0	187.6		+40.9	+21.8%
(M) Motion Control	109.5		94.2		+15.3	83.2		+26.3	+31.6%
(R) Robotics	80.0		77.0		+3.0	68.4		+11.6	+17.0%
(S) System Engineering	29.0		31.2		-2.2	24.7		+4.3	+17.5%
Other	10.0		11.1		-1.1	11.4		-1.4	-11.9%
Operating income	28.2	12.3%	19.7	9.2%	+8.5	13.8	7.4%	+14.4	+104.1%
(M) Motion Control	21.6	19.7%	14.9	15.9%	+6.7	10.8	13.0%	+10.8	+100.0%
(R) Robotics	8.5	10.6%	6.6	8.6%	+1.9	5.6	8.2%	+2.9	+52.2%
(S) System Engineering	-0.8	-2.8%	-0.6	-2.1%	-0.2	-1.6	-6.5%	+0.8	-
Other	-0.2	-2.0%	-0.4	-4.0%	+0.2	-0.4	-3.7%	+0.2	-
Elimination or Corporate	-0.9	-	-0.7	-	-0.2	-0.6	-	-0.3	-
Ordinary income	27.2	11.9%	20.2	9.5%	+7.0	13.8	7.3%	+13.4	+97.7%
Profit attributable to owners of parent	18.3	8.0%	13.3	6.2%	+5.0	8.6	4.6%	+9.7	+112.6%

Notes: The figures of FY2017 1H Previous Forecasts were announced on April 20, 2017

Breakdown of Changes in Operating Income (FY2016/1H → FY2017/1H Forecast)

(Unit: Billions of yen)



【Reference】 FY2017 Full-year Financial Forecasts ‹Reference basis›

	FY2017	FY2017	Changes from Previous forecasts	FY2016 Results	Changes (Year On Year)	
	Forecasts ‹Reference basis›	<u>Previous forecasts</u>			<u>Amounts</u>	<u>%</u>
Net sales	<u>¥ 445.0bn.</u>	¥ 430.0bn.	+¥ 15.0bn.	¥ 394.9bn.	+¥ 50.1bn.	+12.7%
Operating income	<u>¥ 48.5bn.</u>	¥ 40.0bn.	+¥ 8.5bn.	¥ 30.4bn.	+¥ 18.1bn.	+59.5%
Ordinary income	<u>¥ 48.0bn.</u>	¥ 41.0bn.	+¥ 7.0bn.	¥ 32.0bn.	+¥ 16.0bn.	+50.2%
Profit attributable to owners of parent	<u>¥ 32.0bn.</u>	¥ 27.0bn.	+¥ 5.0bn.	¥ 20.4bn.	+¥ 11.6bn.	+56.9%

Note: The figures of FY2017 Forecasts ‹Reference basis› and previous forecasts are based on the assumption that the accounting period remains unchanged. (from March 21, 2017 to March 20, 2018) (Please refer to the appendix at the end of this material for details.)

3. Reference

Impact of change in accounting period

Impact of change in accounting period from March 20 to the last day of February

FY2017 Financial Forecasts (Unit: Billions of yen)		Before Change			After Change		
		1H Forecasts	2H Forecasts	Full-year Forecasts	2H Forecasts	Full-year Forecasts	Changes
Net Sales		228.5	216.5	445.0	200.5	429.0	-16.0
(M)	Motion Control	109.5	91.4	200.9	88.3	197.8	-3.1
(R)	Robotics	80.0	80.0	160.0	76.5	156.5	-3.5
(S)	System Engineering	29.0	33.8	62.8	25.4	54.4	-8.4
	Other	10.0	11.3	21.3	10.3	20.3	-1.0
Operating Income		28.2	20.3	48.5	17.3	45.5	-3.0
(M)	Motion Control	21.6	13.1	34.7	12.6	34.2	-0.5
(R)	Robotics	8.5	6.8	15.3	6.1	14.6	-0.7
(S)	System Engineering	-0.8	1.4	0.6	-0.3	-1.1	-1.7
	Other	-0.2	-0.4	-0.6	-0.4	-0.6	-0.1
	Elimination or Corporate	-0.9	-0.7	-1.6	-0.7	-1.6	0.0
Ordinary Income		27.2	20.8	48.0	17.8	45.0	-3.0
Profit attributable to owners of parent		18.3	13.7	32.0	11.7	30.0	-2.0

Impact of retroactive application of revision in the division of business segments① (FY2016 1Q , 2Q)

- The impact of revisions to the division of businesses segments starting 1Q FY2017 is as follows.

(Unit: Billions of yen)

		FY2016 (Before segment revision)				FY2016 (After segment revision)				Changes	
		1Q	Income ratio	2Q	Income ratio	1Q	Income ratio	2Q	Income ratio	① VS ③	② VS ④
		①		②		③		④		Amounts	Amounts
Net sales		90.4		97.3		90.4		97.3		-	-
(M)	Motion Control	43.5		45.2		40.8		42.4		-2.7	-2.7
(R)	Robotics	32.4		36.0		32.4		36.0		-	-
(S)	System Engineering	9.0		10.2		11.7		13.0		+2.7	+2.7
	Other	5.4		5.9		5.5		5.9		+0.0	+0.0
Operating income		5.5	6.0%	8.4	8.6%	5.5	6.0%	8.4	8.6%	-	-
(M)	Motion Control	4.3	9.9%	5.3	11.8%	4.6	11.4%	6.2	14.5%	+0.3	+0.8
(R)	Robotics	2.2	6.9%	3.4	9.3%	2.2	6.9%	3.4	9.3%	-	-
(S)	System Engineering	-0.6	-6.8%	-0.1	-0.5%	-0.9	-7.3%	-0.7	-5.7%	-0.2	-0.7
	Other	-0.1	-2.0%	-0.1	-1.2%	-0.2	-4.0%	-0.2	-3.3%	-0.1	-0.1
	Elimination or Corporate	-0.3	-	-0.2	-	-0.3	-	-0.2	-	-	-

Impact of retroactive application of revision in the division of business segments② (FY2016 1H , Full-year)

- The impact of revisions to the division of businesses segments starting 1Q FY2017 is as follows.

(Unit: Billions of yen)

		FY2016 (Before segment revision)				FY2016 (After segment revision)				Changes	
		1 H	Income ratio	Full-Year	Income ratio	1 H	Income ratio	Full-Year	Income ratio	⑤ VS ⑦	⑥ VS ⑧
		⑤		⑥		⑦		⑧		Amounts	Amounts
Net sales		187.6		394.9		187.6		394.9		-	-
(M)	Motion Control	88.7		183.3		83.2		172.0		-5.5	-11.3
(R)	Robotics	68.4		140.0		68.4		140.0		-	-
(S)	System Engineering	19.3		48.2		24.7		59.4		+5.4	+11.2
	Other	11.3		23.4		11.4		23.5		+0.0	+0.1
Operating income		13.8	7.4%	30.4	7.7%	13.8	7.4%	30.4	7.7%	-	-
(M)	Motion Control	9.6	10.9%	20.8	11.3%	10.8	13.0%	22.8	13.2%	+1.2	+2.0
(R)	Robotics	5.6	8.2%	10.3	7.3%	5.6	8.2%	10.3	7.3%	-	-
(S)	System Engineering	-0.7	-3.5%	0.9	1.9%	-1.6	-6.5%	-0.6	-1.0%	-0.9	-1.5
	Other	-0.2	-1.6%	-0.2	-0.8%	-0.4	-3.7%	-0.7	-3.1%	-0.2	-0.5
	Elimination or Corporate	-0.6	-	-1.3	-	-0.6	-	-1.3	-	-	-

Capital Expenditure, R&D Investment, Forex Rates

◆Capital expenditure (Consolidated)

(Unit:Billions of yen)

	FY2015	FY2016	FY2017 Plan
Capital Expenditure	16.8	14.9	20.0
Depreciation and Amortization	13.1	12.1	13.0

◆R&D investment (Consolidated)

(Unit:Billions of yen)

	FY2015	FY2016	FY2017 Plan
R&D investment	16.8	18.0	18.0

◆Forex rates (Consolidated)

(Unit: Yen)

	FY2015			FY2016			FY2017 Forecasts				
	1Q	1H	Full-year	1Q	1H	Full-year	1Q actual	2Q	1H	2H	Full-year
U.S. dollar	120.2	121.9	120.8	110.8	107.1	108.4	111.9	110.0	110.9	110.0	110.5
Euro	131.2	134.3	133.0	124.5	120.0	119.2	120.9	120.0	120.5	115.0	117.7

Note:Average rate during the period

Note:Average exchange rate assumptions for the second half of FY2017 remain unchanged from the figures announced on April 20, 2017.

Financial Indices

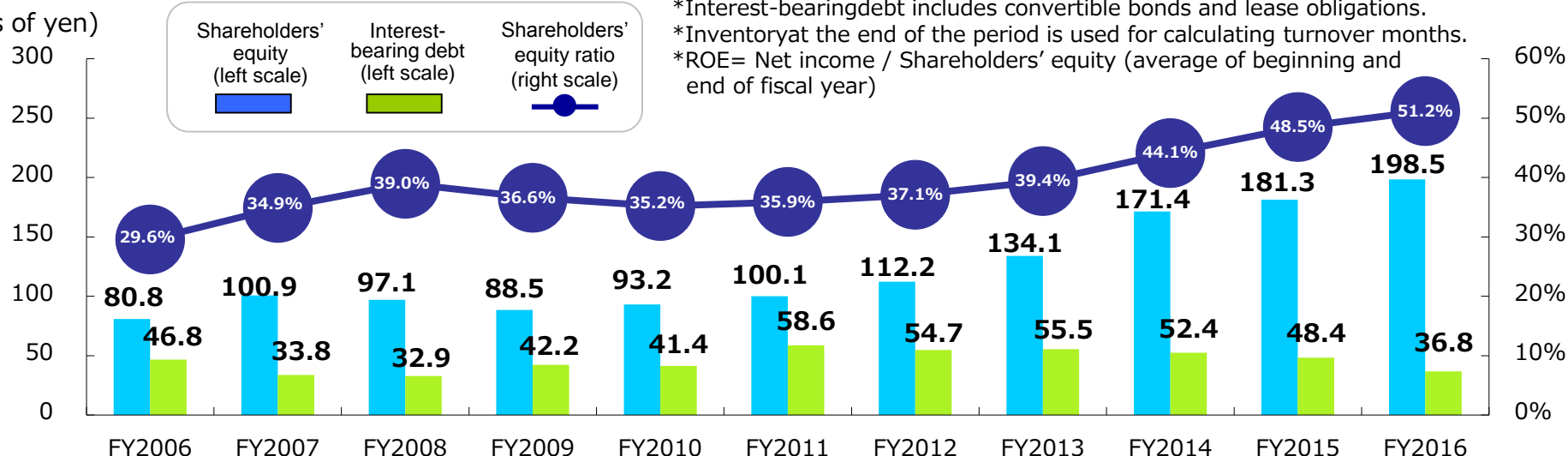
As of March 20, 2017

➤ Shareholders' equity ratio	51.2%
➤ Shareholders' equity	198.5 billion yen
➤ Interest-bearing debt	36.8 billion yen
➤ D/E ratio	0.19
(Net D/E ratio)	0.04
➤ Inventory Turnover	79.9 billion yen 2.4 months
ROE	10.7%

As of June 20, 2017

➤ Shareholders' equity ratio	51.4%
➤ Shareholders' equity	206.0 billion yen
➤ Interest-bearing debt	36.6 billion yen
➤ D/E ratio	0.18
(Net D/E ratio)	0.00
➤ Inventory Turnover	89.7 billion yen 2.5 months

(Billions of yen)



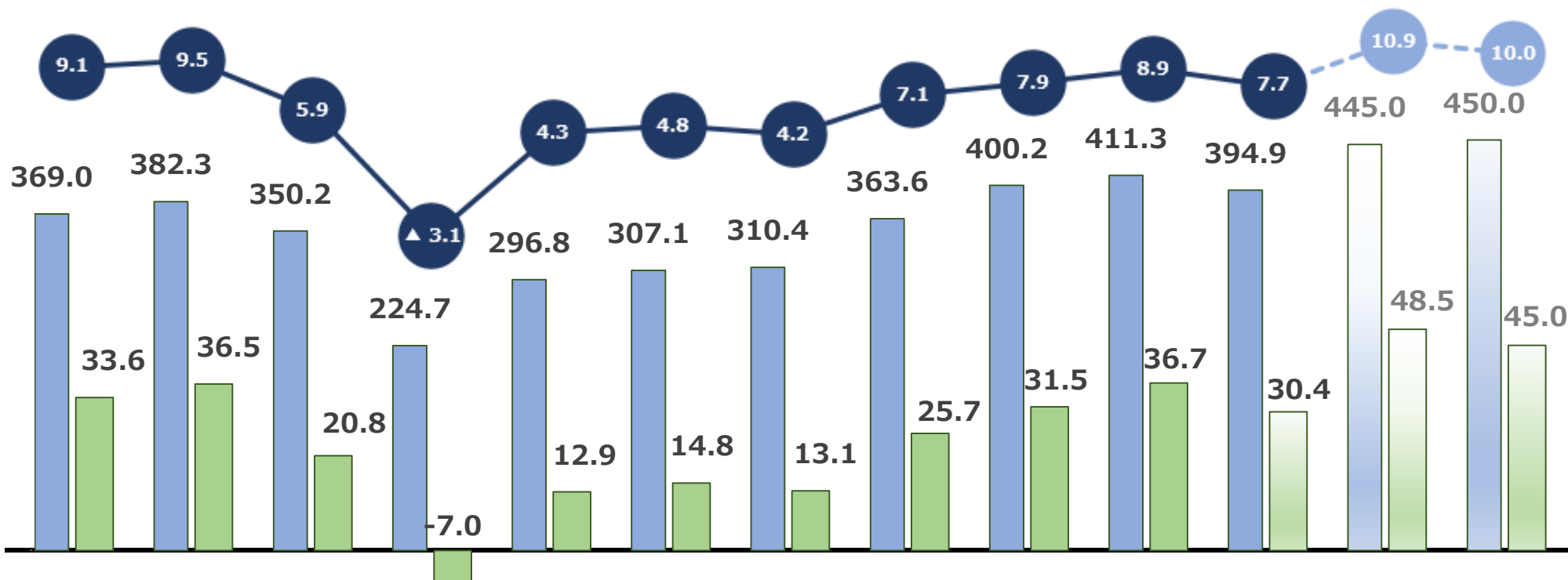
*Interest-bearing debt includes convertible bonds and lease obligations.
 *Inventory at the end of the period is used for calculating turnover months.
 *ROE = Net income / Shareholders' equity (average of beginning and end of fiscal year)

	FY2006	FY2007	FY2008	FY2009	FY2010	FY2011	FY2012	FY2013	FY2014	FY2015	FY2016
Operating CF	15.0	17.7	12.5	4.0	2.5	6.4	24.6	24.0	29.0	32.0	33.8
Investment CF	-6.1	-9.9	-10.7	-6.5	-6.7	-11.9	-18.1	-16.9	-27.9	-22.4	-18.9
Free CF	8.9	7.8	1.8	-2.4	-4.3	-5.5	6.6	7.0	1.1	9.5	14.8

(Billions of yen)

Net Sales/Operating Income (FY2006-2018 Plan)

■ Net sales (Billions of yen)
 ■ Operating income (Billions of yen)
 ● Operating margin (%)



06
07
08
09
10
11
12
13
14
15
16
17
18

Results

Plan

Dash 100

Challenge 100

Realize 100

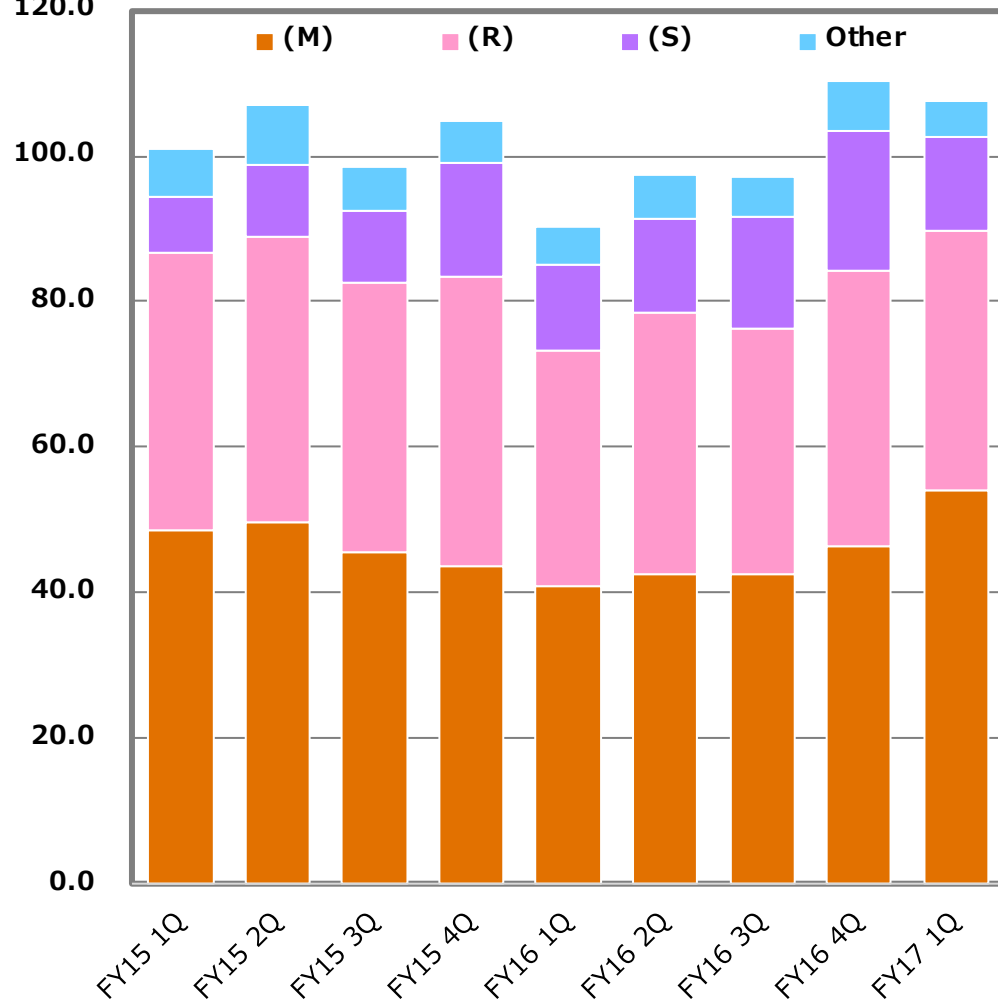
Dash 25

Mid-term Business Plan

Quarterly Sales Trends (1)

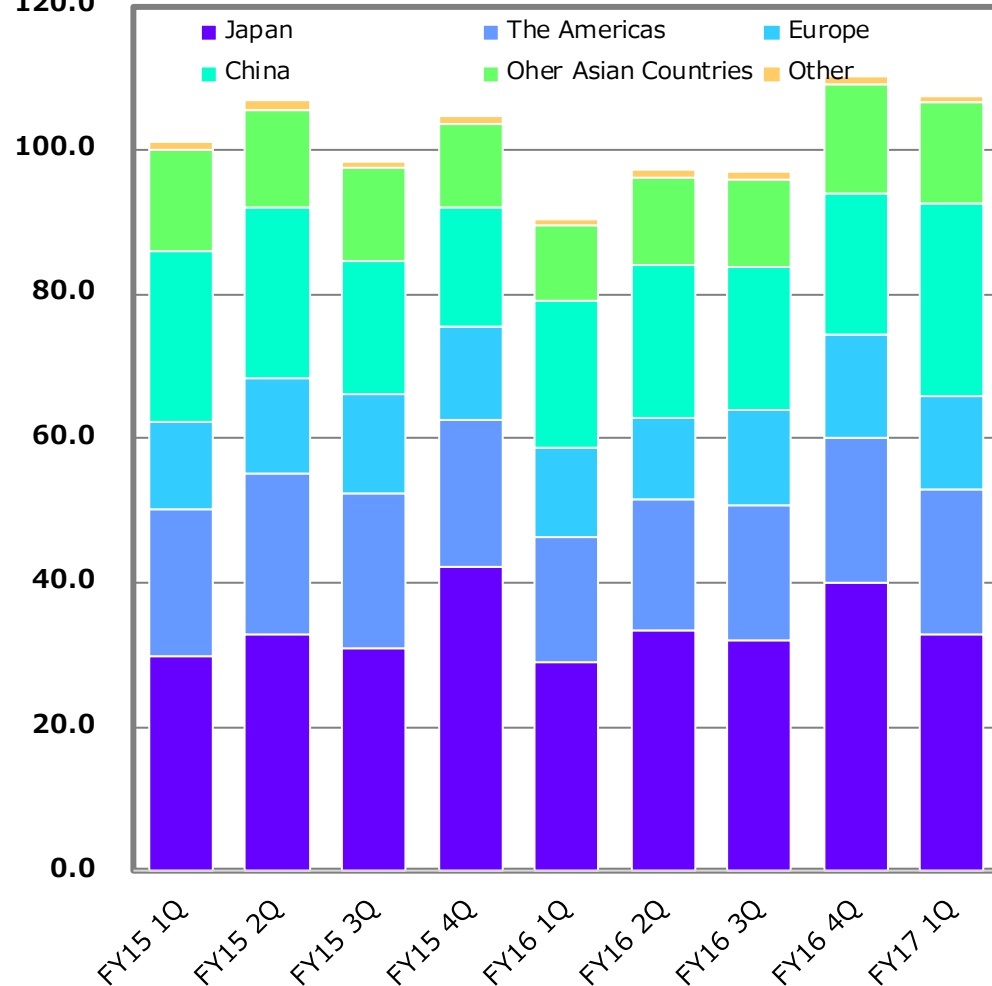
(Billions of yen)
120.0

Business Segment



(Billions of yen)
120.0

Destination



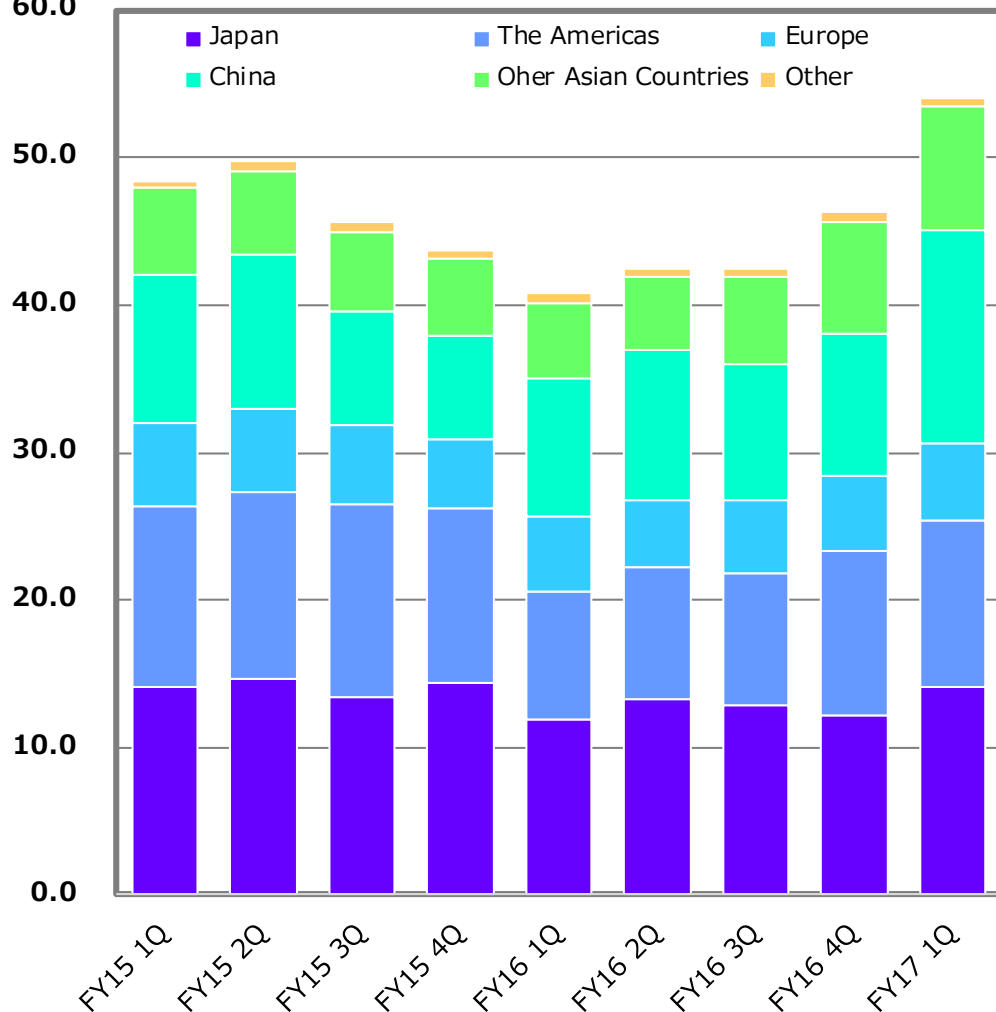
Notes: (M) = Motion Control (R) = Robotics (S) = System Engineering

Notes: The figures for FY2015 do not reflect the change in the division of business segments as of 1Q FY2017

Quarterly Sales Trends (2)

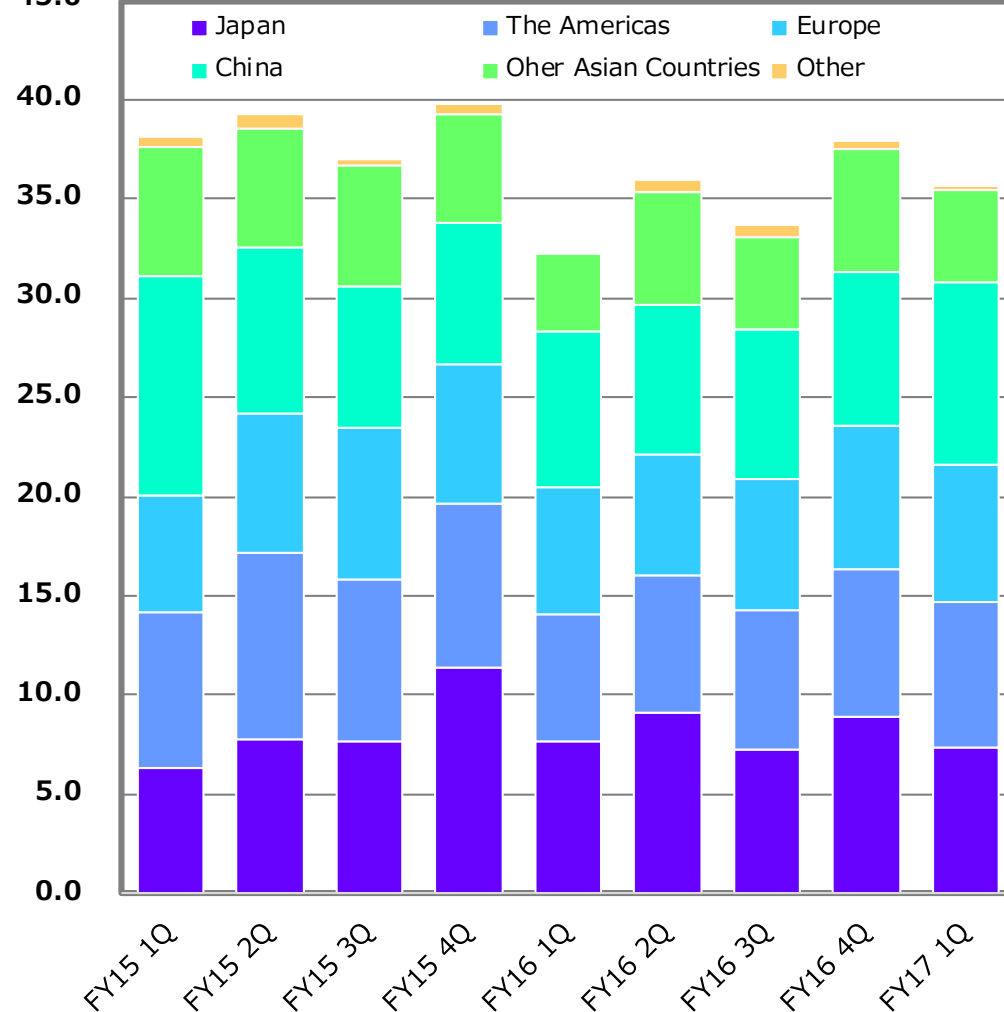
(Billions of yen)
60.0

Motion Control



(Billions of yen)
45.0

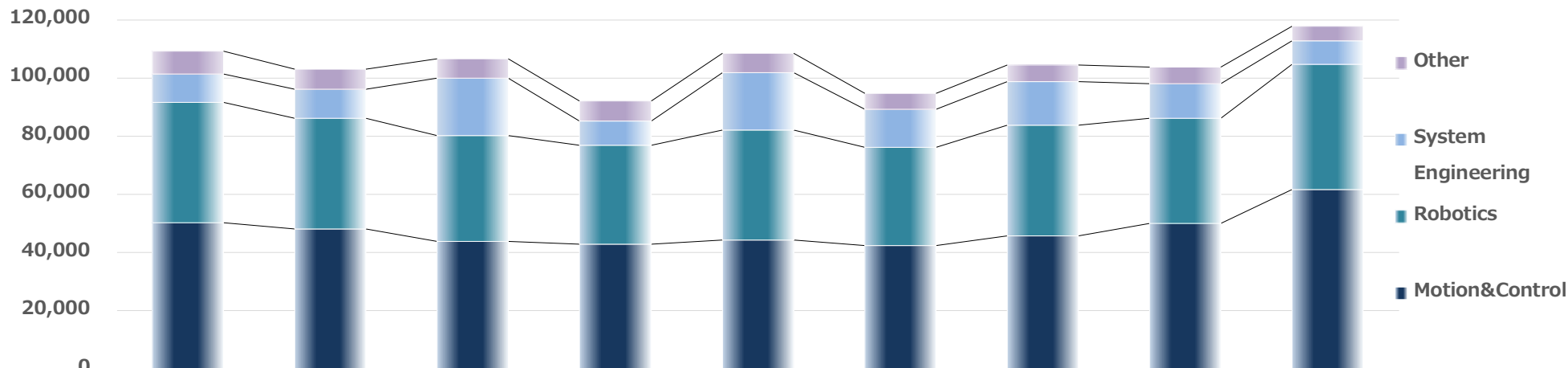
Robotics



Notes: The figures for FY2015 do not reflect the change in the division of business segments as of 1Q FY2017

Quarterly Order Trends

(Millions of Yen)



		FY2015				FY2016				FY2017
		1Q	2Q	3Q	4Q	1Q	2Q	3Q	4Q	1Q
Total	YoY	+8%	+6%	+1%	▲17%	▲1%	▲8%	▲2%	+13%	+8%
	QoQ	▲1%	▲6%	+3%	▲14%	+18%	▲13%	+10%	▲1%	+13%
YoY	(M)	+3%	+5%	▲8%	▲12%	▲12%	▲12%	+5%	+17%	+39%
	(R)	+17%	+18%	+1%	▲14%	▲9%	▲11%	+5%	+7%	+14%
	(S)	+23%	+3%	+40%	▲37%	+106%	+31%	▲24%	+43%	▲59%
QoQ	(M)	+3%	▲4%	▲9%	▲2%	+3%	▲4%	+8%	+9%	+23%
	(R)	+6%	▲8%	▲4%	▲7%	+12%	▲11%	+13%	▲5%	+19%
	(S)	▲28%	+5%	+96%	▲57%	+134%	▲33%	+14%	▲20%	▲33%
Forex rates	U.S. dollar	120.2	123.5	121.0	118.5	110.8	103.5	104.8	114.5	111.9
	Euro	131.2	137.4	133.9	129.7	124.5	115.6	115.3	121.5	120.9

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

Notes: The figures for FY2015 do not reflect the change in the division of business segments as of 1Q FY2017

Major Production Bases



YASKAWA