

YASKAWA Electric Corporation (TSE 6506)

- **FY2013 Financial Results (Ended March 20, 2014)**
- **FY2014 Financial Forecasts (Ending March 20, 2015)**

**Presented by Junji Tsuda
Representative Director, Chairman of the Board
and President**

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.

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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 drives



General purpose AC drive



Power conditioner for photovoltaic power generation



Motor drive system for EV

Robotics (R)

Core products

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



High path accuracy robot for laser cutting and welding



Dual-arm robot for biomedical fields



Delta robot

System Engineering (S)

Core products

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



Electric instrumentation systems for water and sewerage



Continuous-casting machine



Large-scale wind power generator and converter

Other

Core products

IT-related services, Logistics, etc



Scanner head for high-power laser



Wireless M2M service (Communication Adapter)

1. FY2013 Financial Results (Ended March 20, 2014)

FY2013 Financial Results

- Achieved FY13 targets in sales and profits
- Sales and profits significantly increased due to correction of the yen appreciation

	<u>FY13 Results</u>	FY13 Forecasts	FY12	Year-on-year Changes	
Net sales	<u>¥363.6 bn.</u>	¥360.0 bn.	¥310.4 bn.	<u>+¥53.2 bn.</u>	<u>+17.1%</u>
Operating income	<u>¥25.7 bn.</u>	¥25.5 bn.	¥13.1 bn.	<u>+¥12.6 bn.</u>	<u>+96.6%</u>
Ordinary income	<u>¥27.1 bn.</u>	¥26.0 bn.	¥14.1 bn.	<u>+¥13.0 bn.</u>	<u>+92.7%</u>
Net sales	<u>¥17.0 bn.</u>	¥15.5 bn.	¥6.8 bn.	<u>+¥10.2 bn.</u>	<u>+149.4%</u>

Note: FY13 forecasts are the figures announced on October 21, 2013.

FY2013 Financial Results by Business Segment (1)

- Sales and profits in (M) significantly increased

(Unit: Billions of yen, %)

		FY2013		FY2012		Changes	
			Income Ratio		Income Ratio	Amounts	%
Net Sales		363.6	-	310.4	-	+53.2	+17.1%
(M)	Motion Control	162.3	-	128.9	-	+33.5	+26.0%
(R)	Robotics	122.5	-	110.0	-	+12.5	+11.4%
(S)	System Engineering	35.3	-	39.5	-	-4.2	-10.7%
	Other	43.4	-	32.0	-	+11.4	+35.6%
Operating Income		25.7	7.1%	13.1	4.2%	+12.6	+96.6%
(M)	Motion Control	16.4	10.1%	2.6	2.0%	+13.9	+535.8%
(R)	Robotics	9.5	7.8%	8.1	7.4%	+1.4	+16.9%
(S)	System Engineering	-0.0	-	1.5	3.9%	-1.5	-
	Other	1.1	2.6%	0.9	2.8%	+0.2	+24.3%
Elimination or Corporate		-1.3	-	-0.1	-	-1.3	-
Ordinary Income		27.1	7.4%	14.1	4.5%	+13.0	+92.7%
Net income		17.0	4.7%	6.8	2.2%	+10.2	+149.4%

FY2013 Financial Results by Business Segment (2)

(M):

- Strong performance of AC servo motor business in Japan and overseas was led by the demand from smart-phones and tablets-related industries.
- AC drive business was led by the sales increase in PV power conditioners.
- Both sales and profits significantly increased year on year.

(R):

- Strong demand from automotive industry continued both in Japan and overseas, and the demand from the semiconductor industry was also strong.
- Both sales and profits steadily increased year on year.

(S):

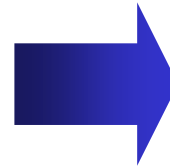
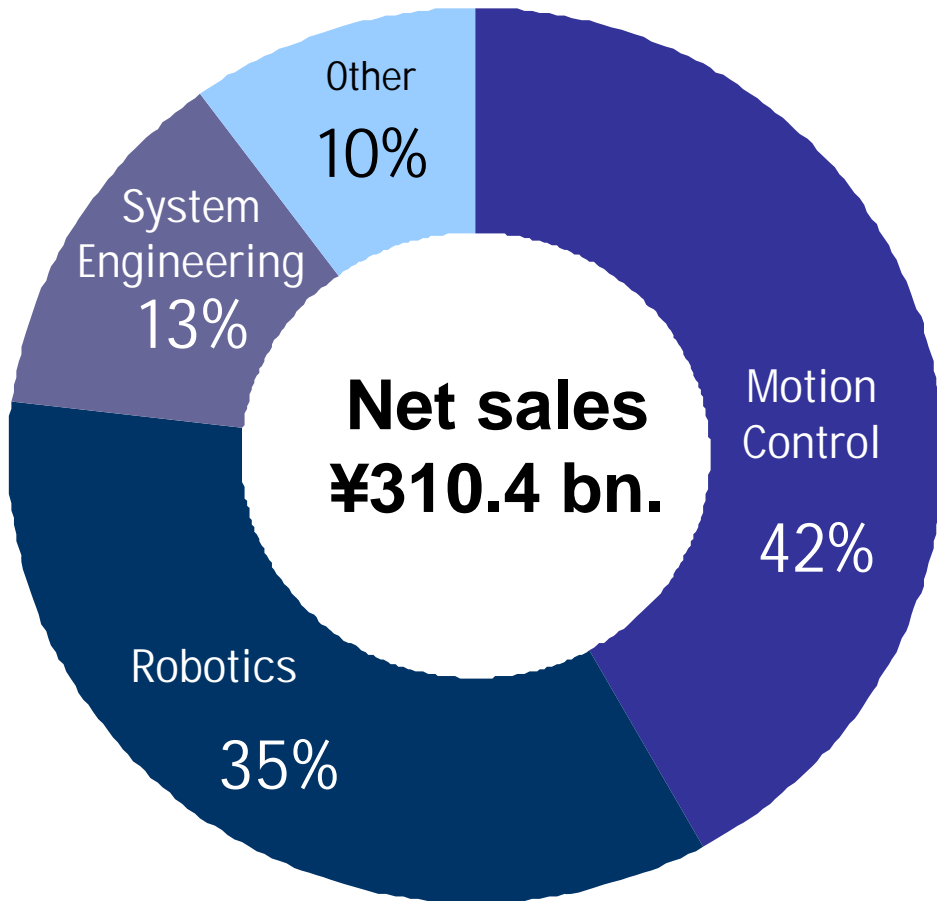
- Investments in steel plants and electric instrumentation systems for water and sewerage were both weak.
- Sales and profits decreased year on year.

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

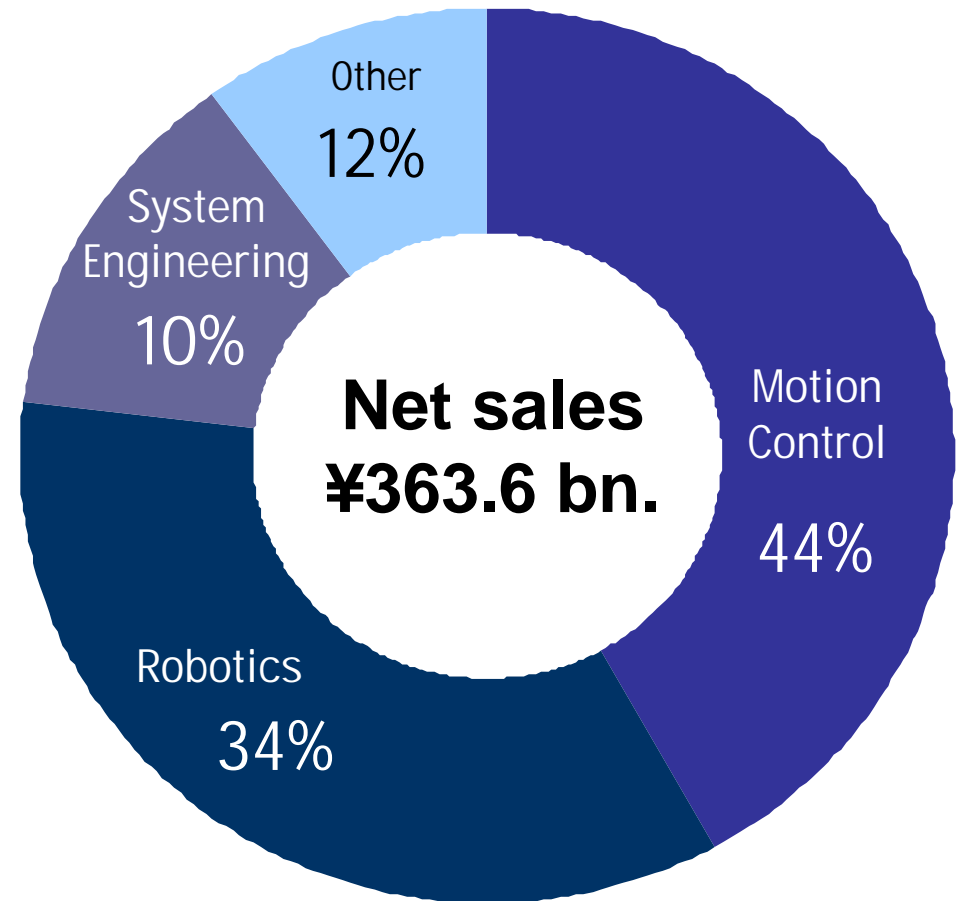
Sales Breakdown by Business Segment (3)

- (M) grew mainly due to sales increases in AC servo motors and PV power conditioners

FY12



FY13



Note: (M)= Motion Control

Sales Breakdown by Destination (1)

- Overseas sales ratio expanded due to correction of the yen appreciation

(Unit: Billions of yen, %)

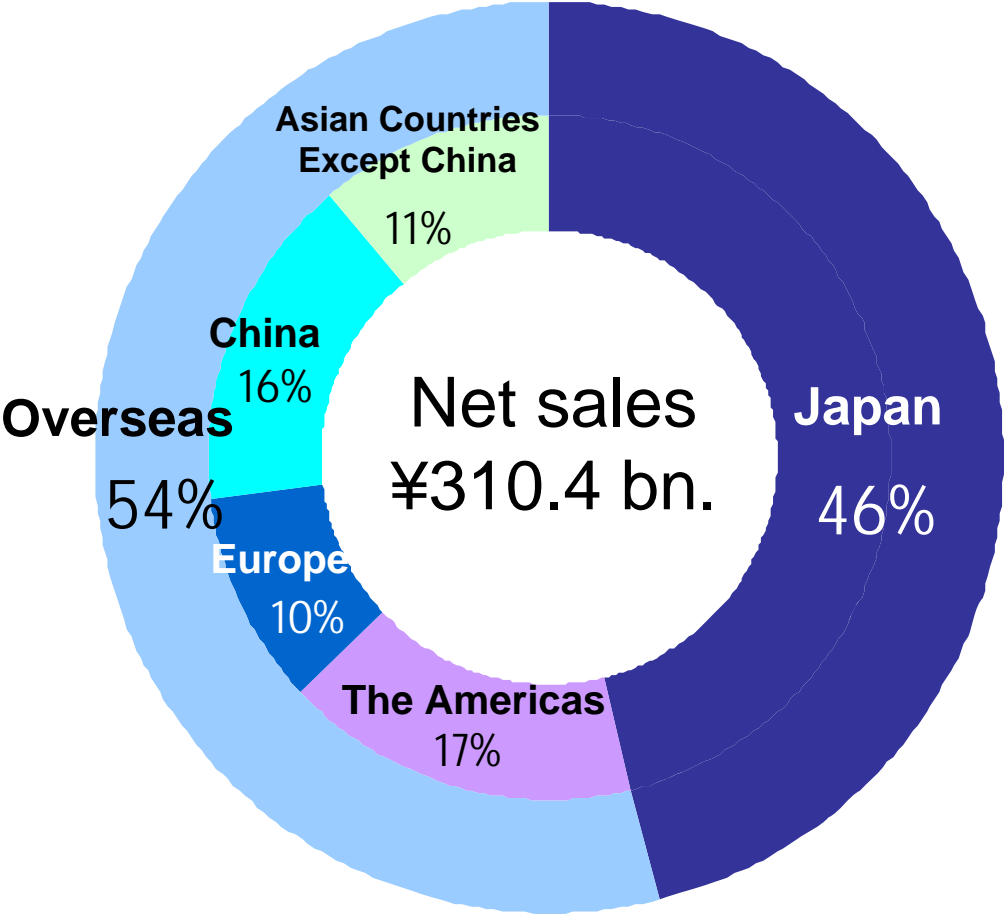
	FY2013	FY2012	Changes	
			Amounts	%
Net sales	363.6	310.4	+53.2	+17.1%
Japan	150.1	143.5	+6.6	+4.6%
Overseas	213.5	166.9	+46.5	+27.9%
The Americas	58.5	51.1	+7.4	+14.4%
Europe	42.5	32.0	+10.5	+32.6%
China	67.2	48.6	+18.6	+38.3%
Asian Countries Except China	41.4	32.8	+8.7	+26.5%

Note: The figures for "Other areas" including Australia and South Africa, etc. are omitted in the above table.

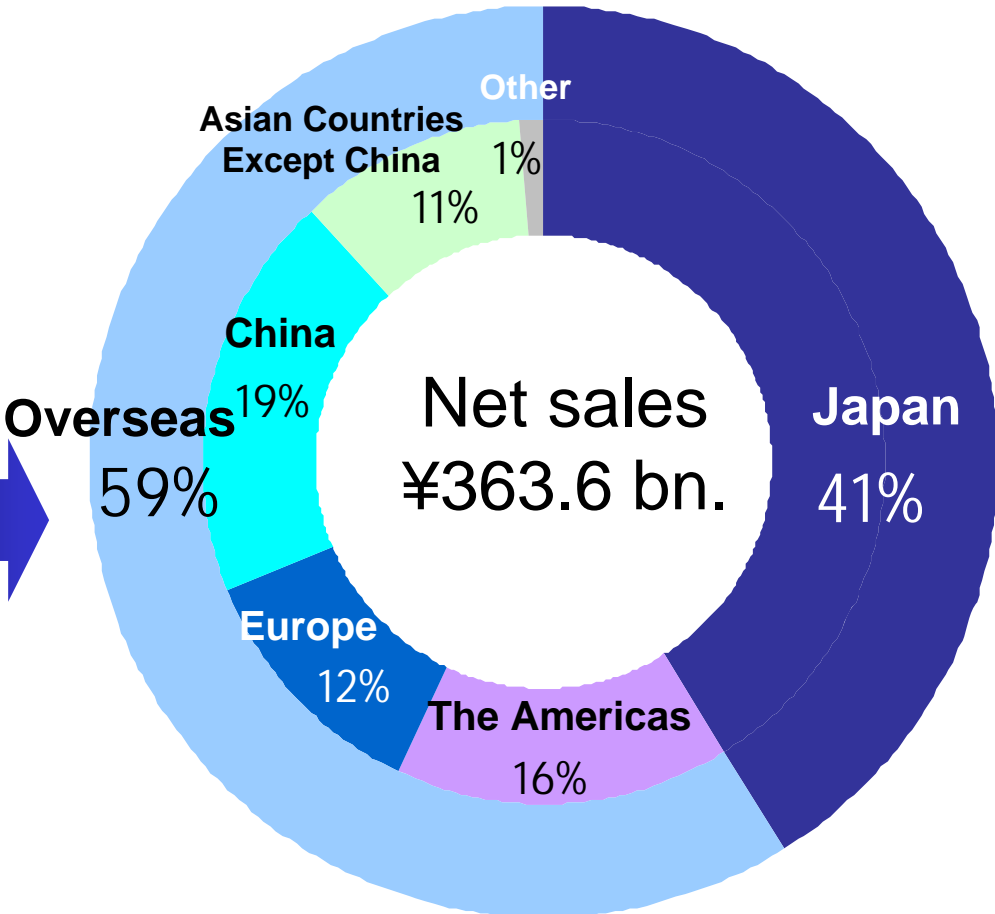
Sales Breakdown by Destination (2)

- Overseas sales ratio increased mainly due to China

FY12

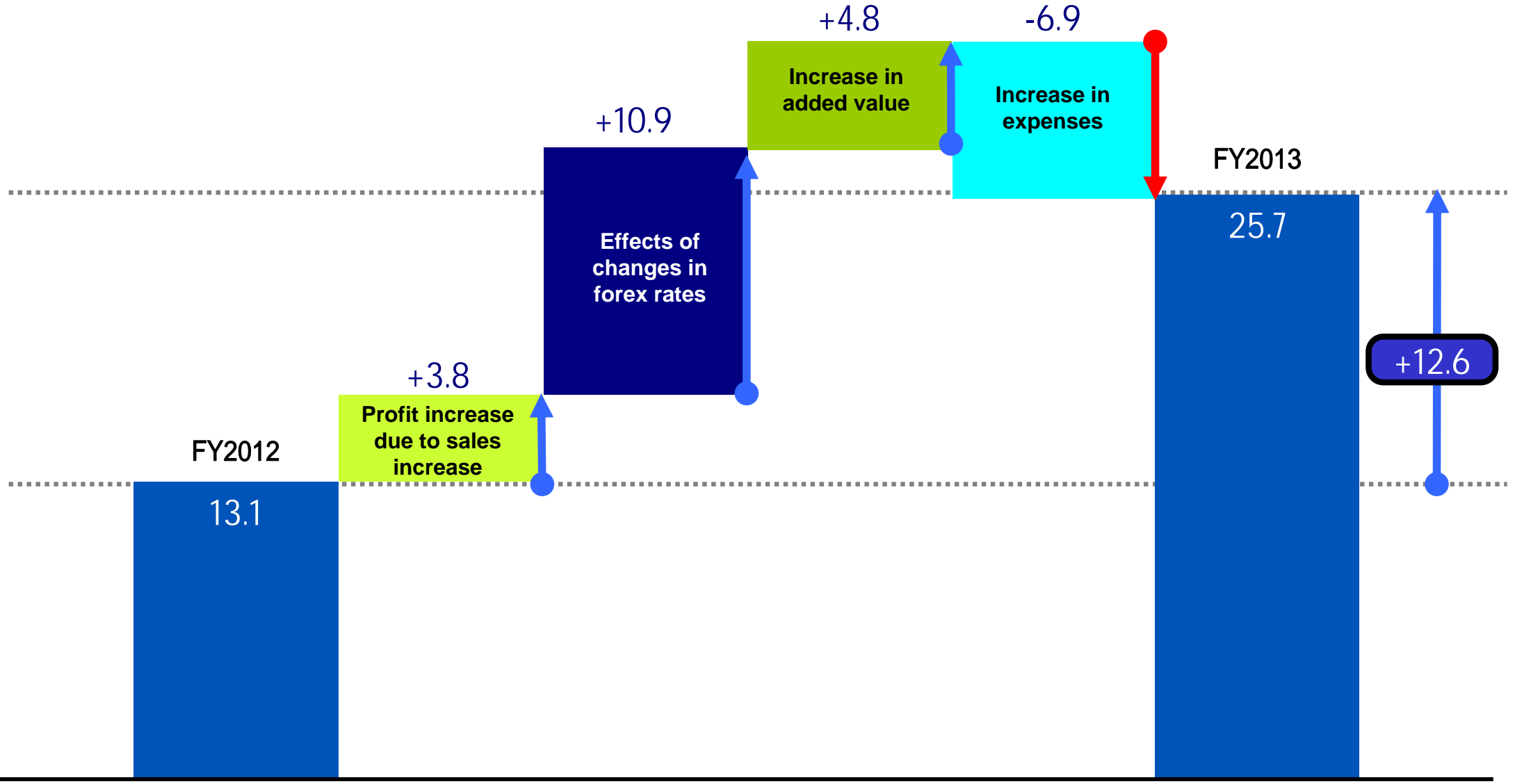


FY13



Breakdown of Changes in Operating Income (FY2012 FY2013)

(Unit: Billions of yen)



Measures in FY2013 (1)

1) Increase Shares in Core Businesses: Sales increase in favorable and growing markets

- **Sales increases in China**
 - Strengthened the local development capabilities
 - Invested in “Hangzhou Kaierda Robot Technology” as an equity method affiliate in Nov. 2013 to reinforce sales of arc welding robot system
- **Develop businesses in the Middle East and East Europe**
 - Established a local affiliate in Turkey
- **Increase orders by maximizing the effects of investments**
 - Create synergies with VIPA
 - Advance global establishment of robot centers
- **Transfer of DD motor business from Yokogawa Electric**



YASKAWA Turkey



VIPA

Measures in FY2013 (2)

2) Improve profitability of core businesses

- **Improve cost structures**
 - Make the maximum use of Shenyang plant
 - Reinforce robot production system
(Reorganize factories in Japan,
launch production in China)
- **Launch new products and reduce cost in core products**
 - Cost reduction in the main AC drive products
 - Launch of new MOTOMAN robots
 - Release of new AC servo motor “ -7” in Nov. 2013
 - Aiming to significantly improve automation of production
from 50% of previous models to 90%
- **Streamline the operation with the K30 program**



Arc welding
robot

Spot welding
robot

Handling
robot



Measures in FY2013 (3)

3) Develop new businesses

- **Expand PV power conditioner business**

FY13 net sales: ¥13.0 bn.

Launched a differentiated product for residential use



Power conditioner for outdoor installation
(for residential and commercial uses)

- **Expand sales of large-scale wind power generators and converters**

Create synergy through business alliance with the Switch

- **Develop new robot applications**

Expand sales in the biomedical fields

Develop markets in medical and rehabilitation fields

- **Development of rehabilitation devices**
(Kawahira method, Ankle-assist walking device, Transfer-assist device)
- **Commercialization of a physical therapy robot for the lower extremities**
which received medical device approval in Japan in Dec. 2013
- **Strategic partnership with ARGO Medical Technologies, Ltd.**
(Walking assist device “ReWalk” exoskeleton)



MOTOMAN-BMDA3



Physical therapy robot for
the lower extremities LR2

2. FY2014 Financial Forecasts (Ending March 20, 2015)

FY2014 Financial Forecasts (Highlights)

- Sales and profits increase with steady recovery in China, Europe, and the Americas.

	FY2013 Results	<u>FY2014 Forecasts</u>	Changes	
Net sales	¥363.6 bn.	<u>¥380.0 bn.</u>	<u>+¥16.4 bn.</u>	<u>+4.5%</u>
Operating income	¥25.7 bn.	<u>¥27.5 bn.</u>	<u>+¥1.8 bn.</u>	<u>+7.5%</u>
Ordinary income	¥27.1 bn.	<u>¥28.0 bn.</u>	<u>+¥0.9 bn.</u>	<u>+3.4%</u>
Net income	¥17.0 bn.	<u>¥17.5 bn.</u>	<u>+¥0.5 bn.</u>	<u>+3.2%</u>

FY2014 Financial Forecasts by Business Segment

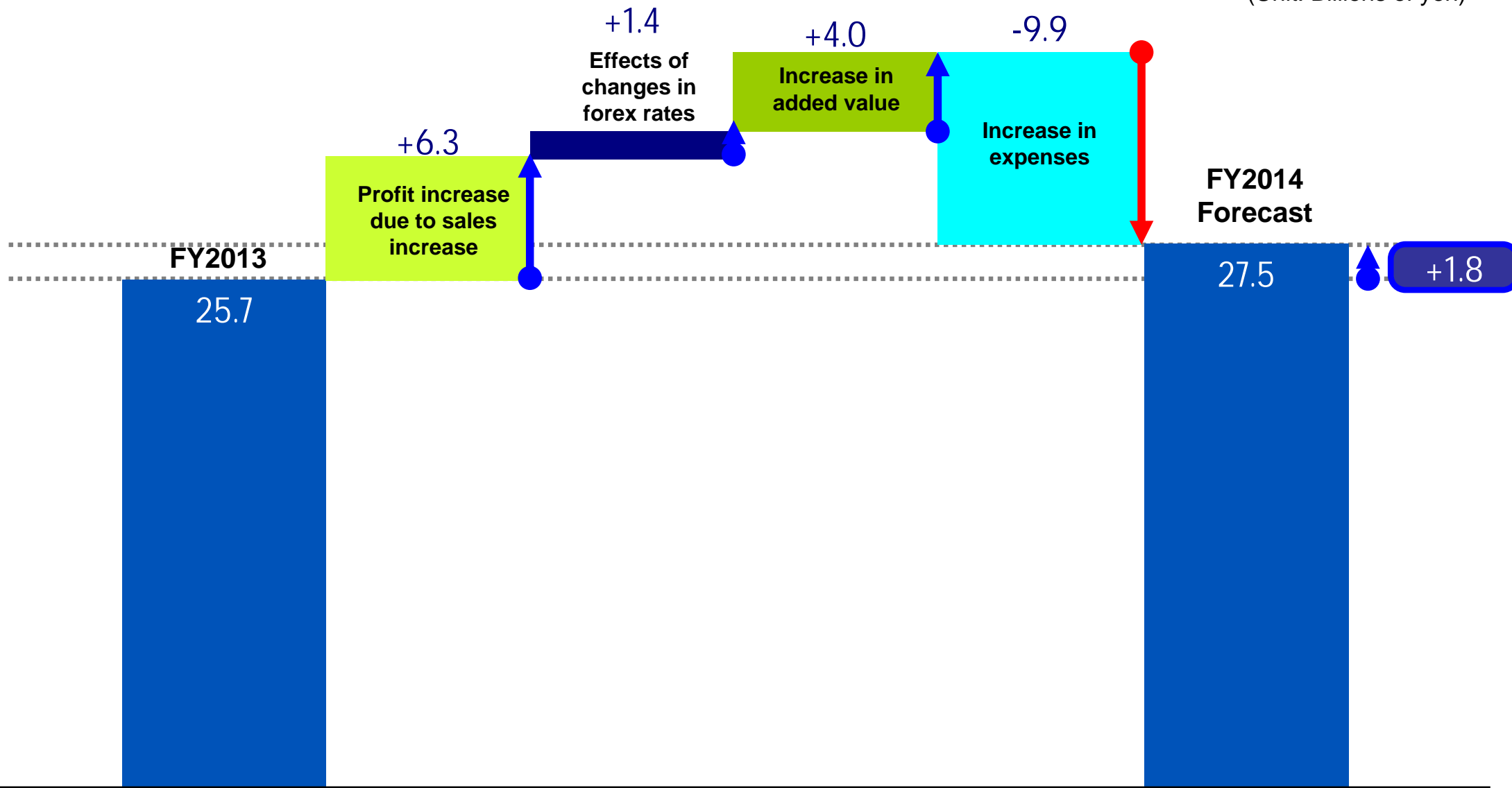
Sales and profits steadily increase mainly in (M) and (R)

(Unit: Billions of yen, %)

	FY2014		FY2013		Changes	
	Forecasts	Income ratio	Results	Income ratio	Amounts	%
Net sales	380.0	-	363.6	-	+16.4	+4.5%
(M) Motion Control	173.5	-	162.3	-	+11.2	+6.9%
(R) Robotics	131.5	-	122.5	-	+9.0	+7.3%
(S) System Engineering	35.0	-	35.3	-	-0.3	-0.9%
Other	40.0	-	43.4	-	-3.4	-7.7%
Operating income	27.5	7.2%	25.7	7.1%	+1.8	+7.0%
(M) Motion Control	17.2	9.9%	16.4	10.1%	+0.8	+4.6%
(R) Robotics	11.3	8.6%	9.5	7.8%	+1.8	+18.8%
(S) System Engineering	-0.2	-	-0.0	-	-0.1	-
Other	0.6	1.4%	1.1	2.6%	-0.6	-50.5%
Elimination or Corporate	-1.4	-	-1.4	-	-0.0	-
Ordinary income	28.0	7.4%	27.1	7.4%	+0.9	+3.4%
Net income	17.5	4.6%	17.0	4.7%	+0.5	+3.2%

Breakdown of Changes in Operating Income (FY2013 FY2014 Forecast)

(Unit: Billions of yen)



FY2003-2015 Net Sales/Operating Income



Measures for FY2014 (1)

1) Expand orders in core businesses

- **Strengthen sales network and system**
Reinforce the local development capabilities on a global basis, especially in China.
- **Enhance collaboration with business partners**
Maximize synergy with VIPA
Reinforce cooperation with Hangzhou Kaierda Robot Technology.
Advance establishment of robot centers (SI bases)
- **Increase shares by expanding sales of new differentiated products**
Expand sales of -7
Increase sales of new models of MOTOMAN robots



VIPA



Arc welding robot



Spot welding robot



Handling robot

Measures for FY2014 (2)

2) Realize higher profitability by enhancing production, sales, and development capabilities

- Strengthen global production system

 - Enhance automaton at global production sites

 - Advance automaton of the -7 production line

 - (From the production automation ratio of 50% (previous model) to 90% (Target for -7))

 - Launch -7 production in Shenyang plant (FY14/1H)



YASKAWA Electric (Shenyang) Co., Ltd

- Improve group development capabilities

 - Launch development of next generation AC drive

 - Develop AC servo motors to capture region-specific demand

- Implement K30 program globally to streamline business operation

Measures for FY2014 (3)

3) Expand environment and energy businesses

- **Expand sales of PV power conditioners**
Increase shares by launching new products
- **Commercialize large-scale wind power generators and converters**
Create synergy with the Switch and secure mass production orders
- **Commercialize EV drive systems**
Secure orders from Japanese manufactures
Proactively target Chinese manufactures



Announcement of the world's first power conditioner with GaN (Oct. 2012)



MOTOMAN-BMDA3

4) Develop businesses in human assist domain

- **Expand robot business in biomedical fields**
Establishment of the business division
- **Progress medical, nursing, welfare businesses**
Establish sales network for "ReWalk" of Argo
Promote "LR²" physical therapy robot for the lower extremities in China



Physical therapy robot for the lower extremities LR2

3. Reference

Capital Expenditure, R&D Investment, Forex Rates

Capital expenditure (Consolidated)

(Unit: Billions of yen)

	FY2012	FY2013	FY2014 Plan
Capital Expenditure	15.9	17.0	23.0
Depreciation and Amortization	8.1	9.2	11.0

R&D investment (Consolidated)

(Unit: Billions of yen)

	FY2012	FY2013	FY2014 Plan
R&D investment	10.7	14.0	15.0

Forex rates (Consolidated)

(Yen)

	FY2012	FY2013	FY2014 Forecasts
U.S. dollar	81.9	99.6	100.0
Euro	105.7	132.7	140.0

Note: Average rate during the period

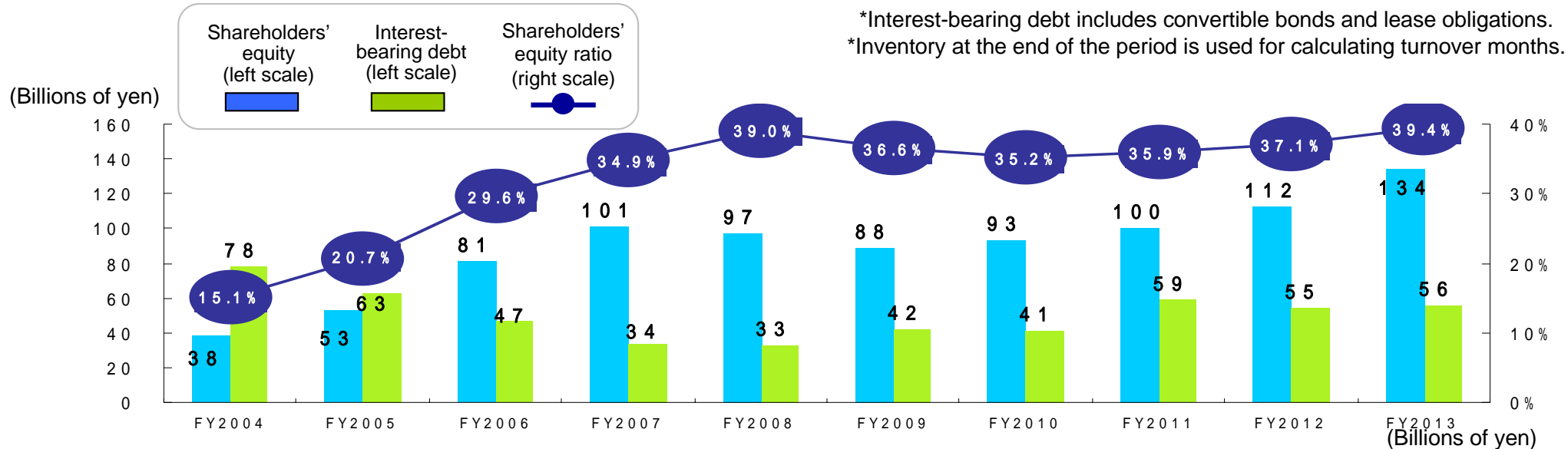
Financial Indices

As of March 20, 2013

- Shareholders' equity ratio 37.1%
- Shareholders' equity 112.2 billion yen
- Interest-bearing debt 54.7 billion yen
- D/E ratio 0.49
(Net D/E ratio) 0.31
- Inventory 64.3 billion yen
Turnover 2.5 months

As of March 20, 2014

- Shareholders' equity ratio 39.4%
- Shareholders' equity 134.1 billion yen
- Interest-bearing debt 55.5 billion yen
- D/E ratio 0.41
(Net D/E ratio) 0.24
- Inventory 78.4 billion yen
Turnover 2.6 months



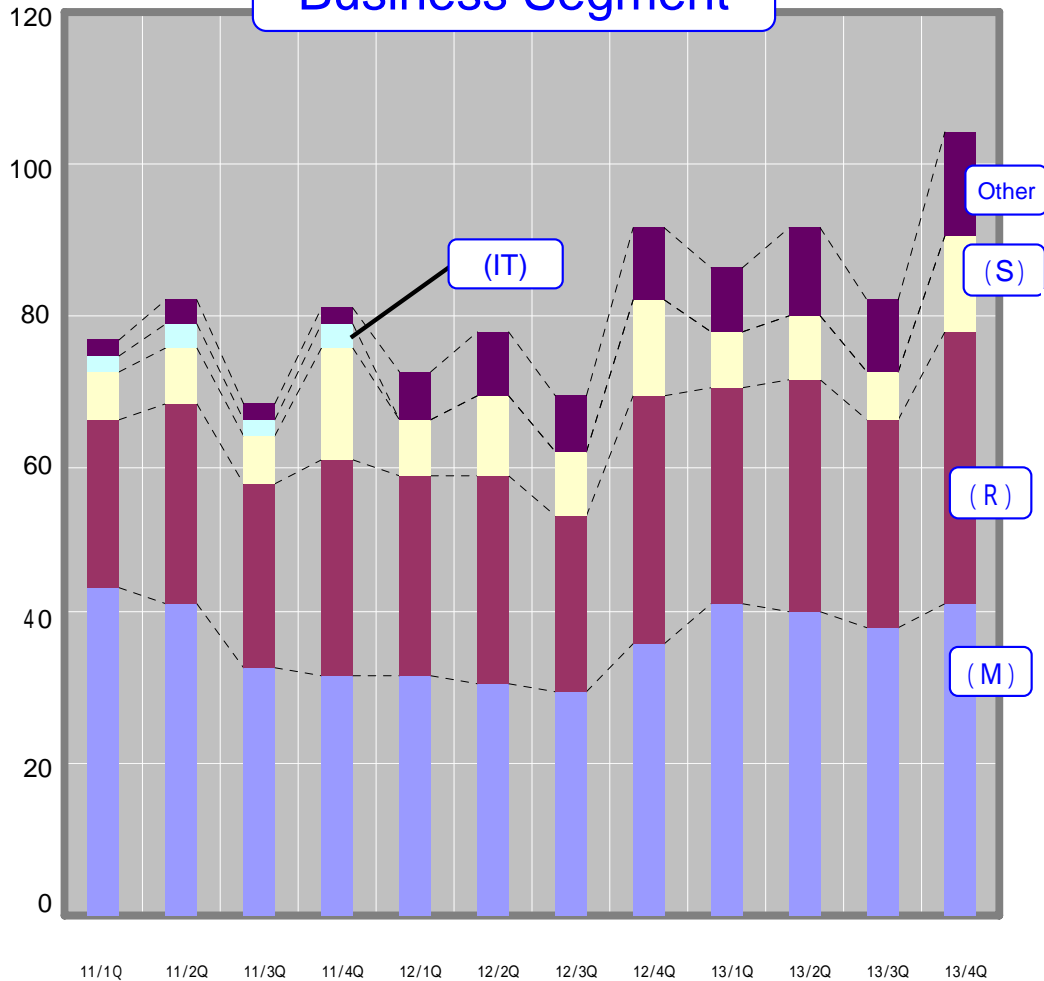
*Interest-bearing debt includes convertible bonds and lease obligations.
*Inventory at the end of the period is used for calculating turnover months.

Operating CF	5.8	18.7	15.0	17.7	12.5	4.0	2.5	6.4	24.6	24.1
Investment CF	-2.2	9.7	-6.1	-9.9	-10.7	-6.5	-6.7	-11.9	-18.1	-17.0
Free CF	3.5	9.0	8.9	7.8	1.8	-2.4	-4.3	-5.5	6.6	7.0

Quarterly Sales Trends

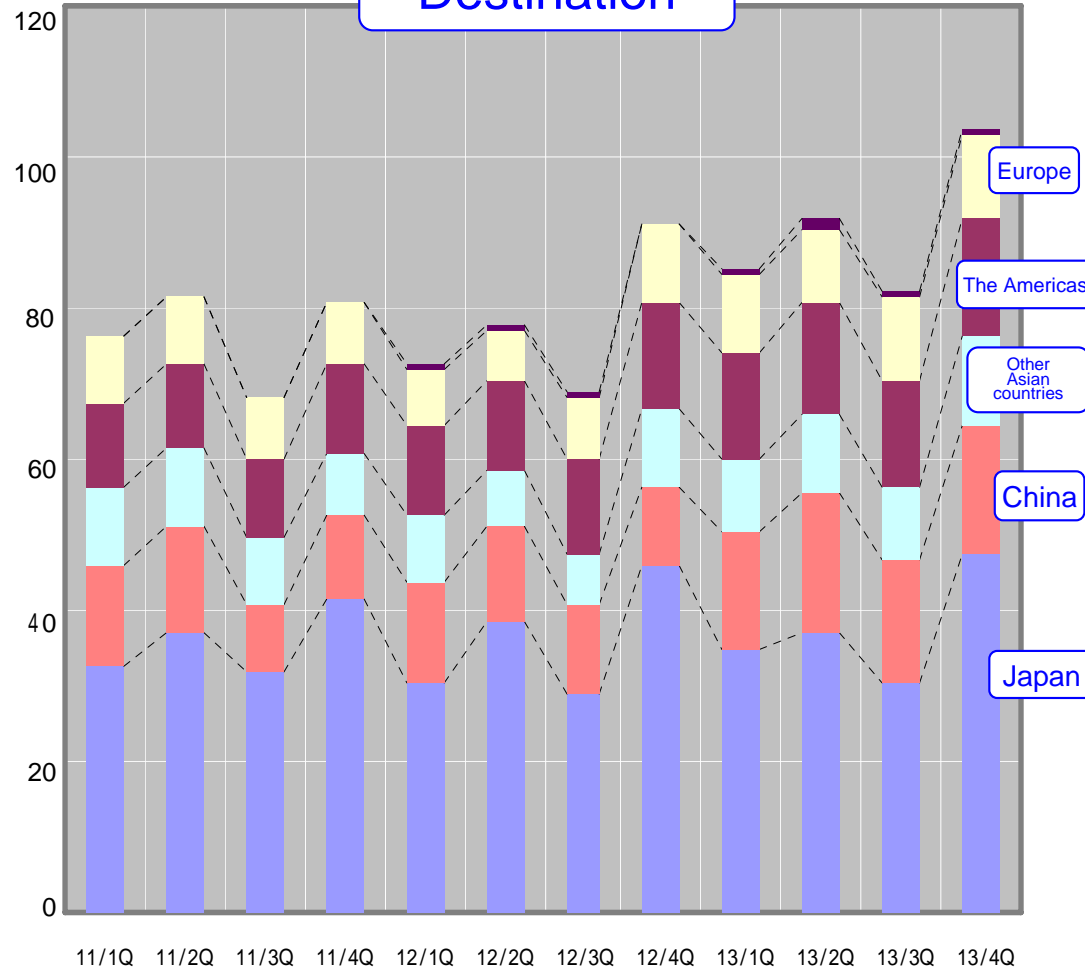
(Billions of yen)

Business Segment



(Billions of yen)

Destination

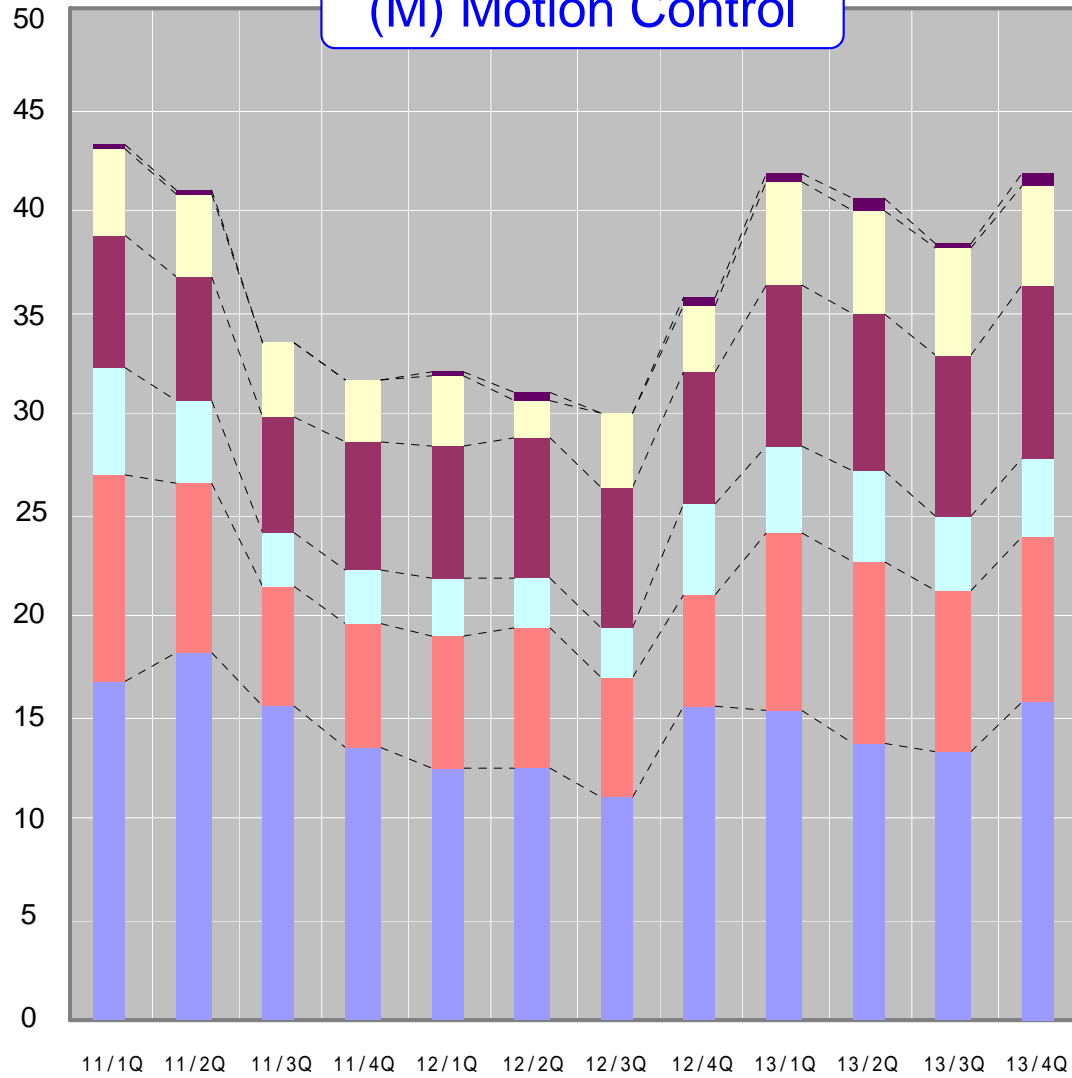


Notes: 1. (M) = Motion Control (R) = Robotics (S) = System Engineering (IT)=Information Technologies
 2. The figures for FY12 and FY 13 reflect segmentation changes announced on July 18, 2013.

Quarterly Sales Trends

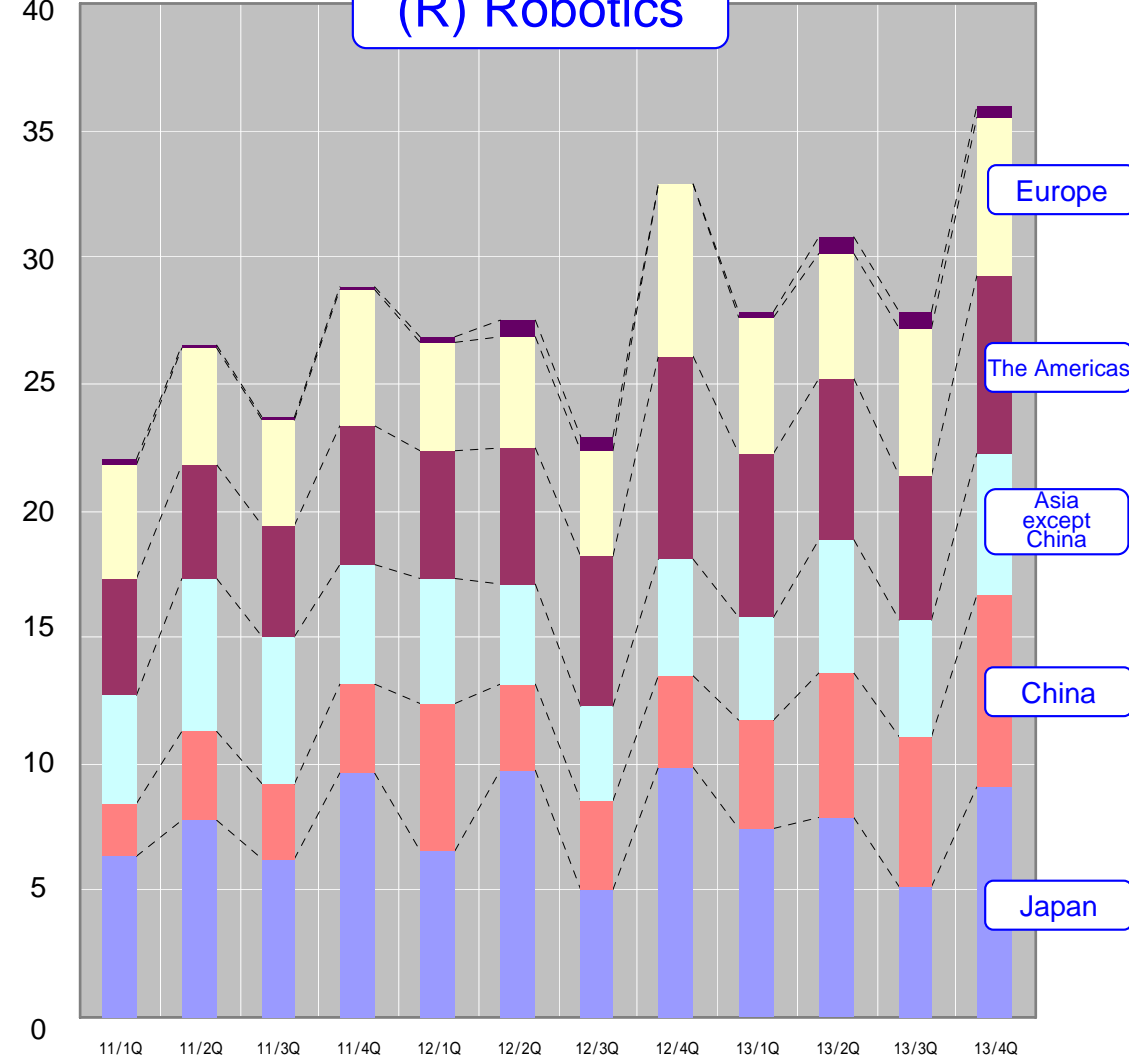
(Billions of yen)

(M) Motion Control



(Billions of yen)

(R) Robotics



Note: The figures for FY12 and FY 13 reflect segmentation changes announced on July 18, 2013.

Major Production Bases



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