

YASKAWA Electric Corporation

(TSE 6506)

- **FY2014 1st Quarter Financial Results
(Ended June 20, 2014)**
- **FY2014 1st Half Forecasts
(Ending September 20, 2014)**

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.

1. FY2014 1st Quarter (1Q) Financial Results

- FY2014/1Q Financial Results
- FY2014/1Q Sales Breakdown by Business Segment (FY13/1Q ⇒ FY14/1Q)
- Sales Breakdown by Destination (FY13/1Q ⇒ FY14/1Q)
- Breakdown of Changes in Operating Income (FY13/1Q ⇒ FY14/1Q)

2. FY2014 1st Half (1H) Financial Forecasts

- FY2014/1H Financial Forecasts
- Breakdown of Changes in Operating Income (FY13/1H ⇒ FY14/1H Forecast)
- Measures for FY2014/1Q

3. Reference

- Capital Expenditure, R&D Investment, Forex Rates
- Financial Indices
- FY2003-2015 Net Sales/Operating Income
- Quarterly Sales Trends
- Major Production Bases

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-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. FY2014/1Q Financial Results (Ended June 20, 2014)

FY2014/1Q Financial Results



- Achieved increases in both sales and operating income led by robust performance in the main businesses

	<u>FY2014</u>	FY2013	<u>Changes</u>	
	<u>1Q</u>	1Q	<u>Amount</u>	<u>%</u>
Net Sales	<u>¥ 91.0 bn.</u>	¥ 85.5 bn.	<u>+ ¥ 5.5 bn.</u>	<u>+6.4%</u>
Operating Income	<u>¥ 6.8 bn.</u>	¥ 6.4 bn.	<u>+ ¥ 0.4 bn.</u>	<u>+7.0%</u>
Ordinary Income	<u>¥ 6.5 bn.</u>	¥ 6.6 bn.	<u>- ¥ 0.1 bn.</u>	<u>-1.3%</u>
Net Income	<u>¥ 4.5 bn.</u>	¥ 3.4 bn.	<u>+ ¥ 1.1 bn.</u>	<u>+32.5%</u>

FY2014/1Q Financial Results by Business Segment



- Both sales and operating income of (M) and (R) increased.

(Unit: Billions of yen, %)

		14/1Q		13/1Q		Change	
			Income ratio		Income ratio	Amount	%
Net Sales		91.0		85.5		+5.5	+6.4%
(M)	Motion Control	43.5		41.8		+1.8	+4.2%
(R)	Robotics	31.2		27.9		+3.3	+11.8%
(S)	System Engineering	6.3		7.4		-1.1	-14.3%
	Other	10.0		8.5		+1.5	+17.8%
Operating Income		6.8	7.5%	6.4	7.4%	+0.4	+7.0%
(M)	Motion Control	5.1	11.8%	4.5	10.8%	+0.6	+13.6%
(R)	Robotics	2.6	8.4%	2.4	8.7%	+0.2	+7.0%
(S)	System Engineering	-0.7	-	-0.1	-	-0.5	-
	Other	-0.1	-	-0.0	-	+0.0	-
	Corporate or Elimination	-0.2	-	-0.3	-	+0.1	-
Ordinary Income		6.5	7.2%	6.6	7.7%	-0.1	-1.3%
Net income		4.5	4.9%	3.3	3.9%	+1.1	+32.5%

Note: The figures in each segment are based on the new segmentation announced on July 18, 2013.

FY2014/1Q Financial Results by Business Segment



(M)

- The global AC servo drive business was robust led by the strong demand from smart-phone and tablet-related industries.
The production increase at Shenyang plant also contributed.
- AC drive business was robust.
PV inverter business performed weaker than FY13/1Q when the sales were especially strong.

(R)

- Robust demand in the global automobile industry, especially in China.

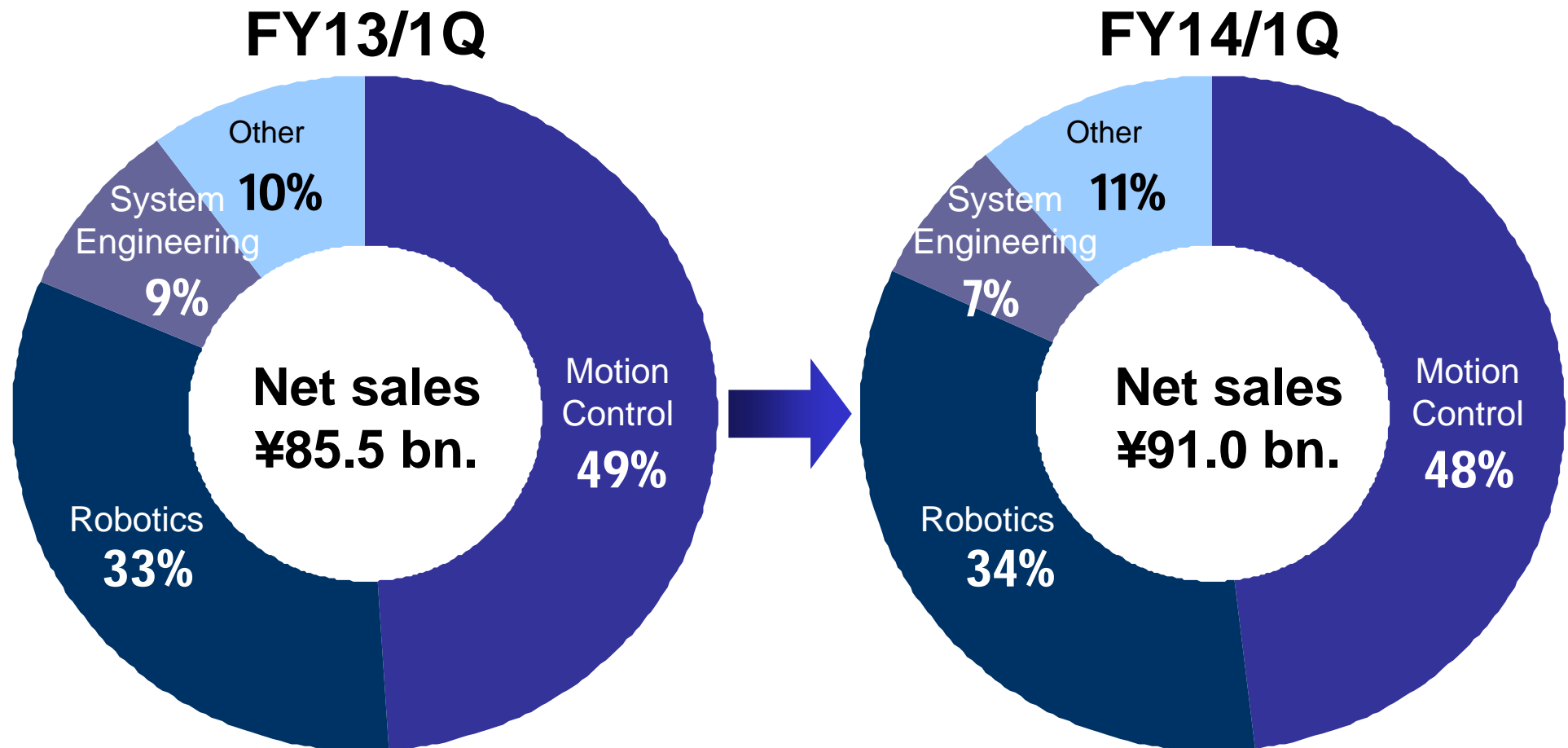
(S)

- Investments in steel plants and electric instrumentation systems for water and sewerage were both weak.

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

Sales Breakdown by Business Segment

- Ratios remain almost unchanged.



Sales Breakdown by Destination (1)

- Overseas sales ratio grew with the robust sales in China

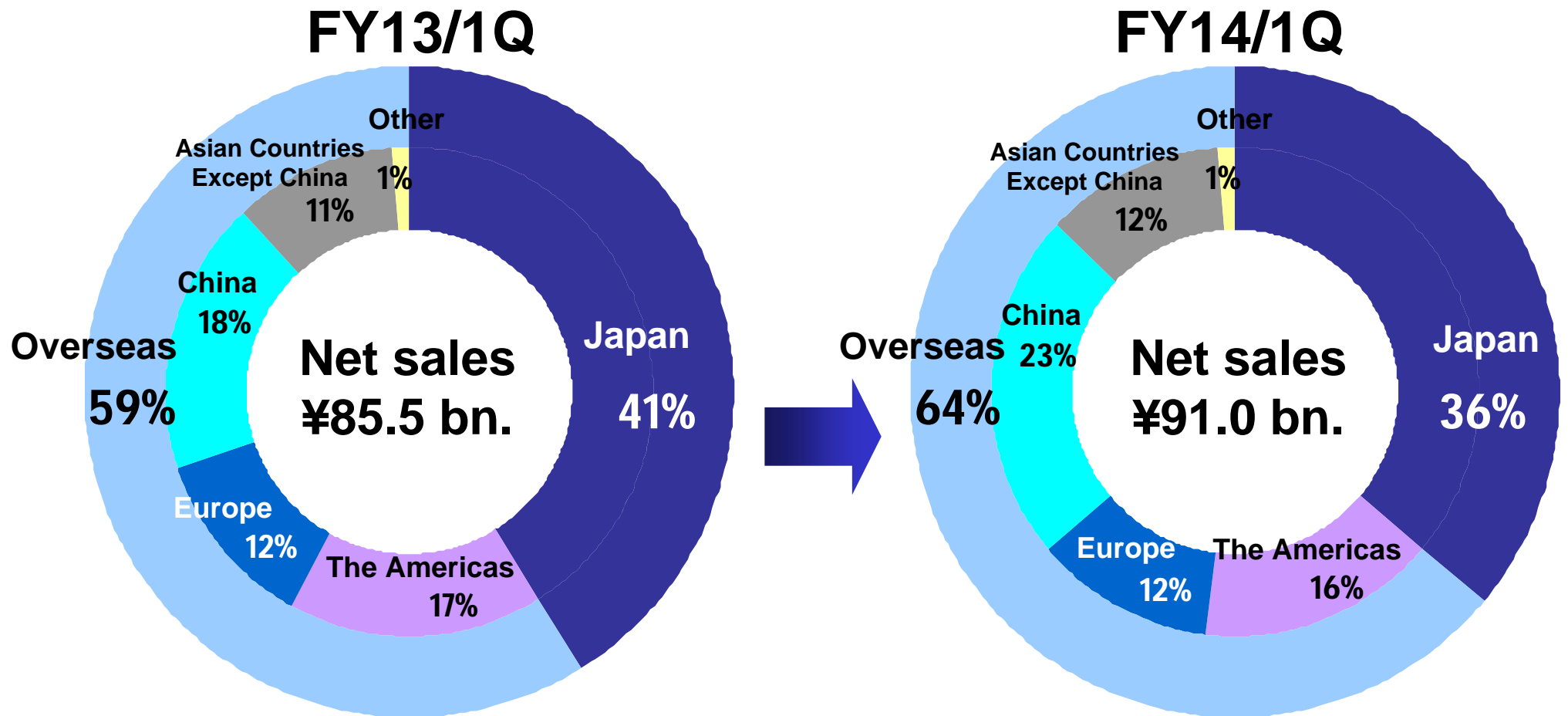
(Unit: Billions of yen, %)

	FY14/1Q	FY13/1Q	Change	
			Amount	%
Net Sales	91.0	85.5	+5.5	+6.4%
Japan	33.0	34.7	-1.7	-5.0%
Overseas	58.1	50.8	+7.2	+14.2%
The Americas	14.7	14.6	+0.0	+0.1%
Europe	10.6	10.3	+0.3	+3.3%
China	20.8	15.8	+5.0	+31.8%
Asian Countries except China	11.2	9.3	+1.8	+19.4%

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

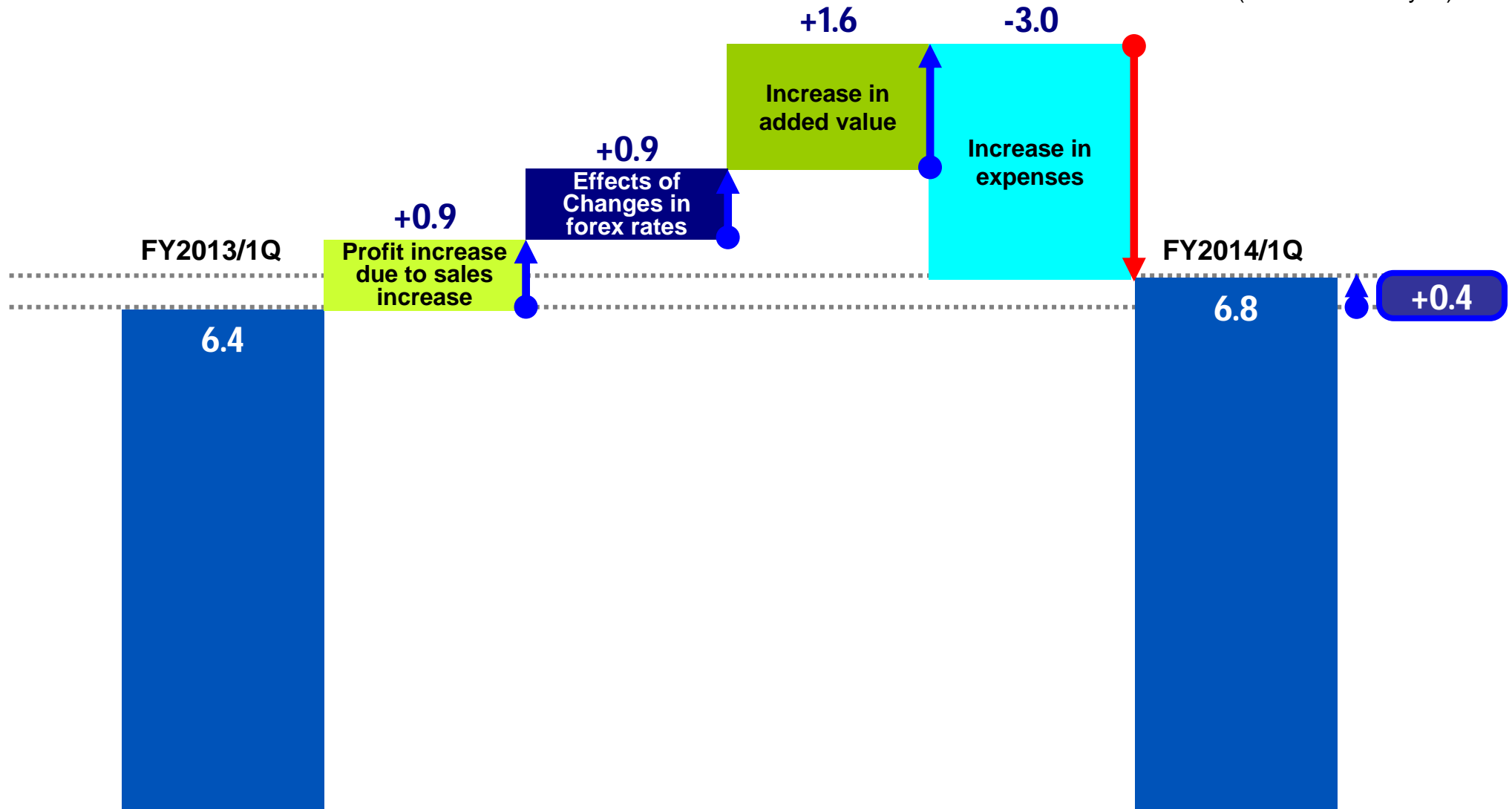
Sales Breakdown by Destination (2)

- Sales ratio for China increased.



Breakdown of Changes in Operating Income

(Unit: Billions of yen)



2. FY2014/1H Financial Forecasts (Ending September 20, 2014)

FY2014/1H Financial Forecasts



- FY14/1H forecasts are revised up due to strong order trends in the main businesses.
- The full-year forecasts remain unchanged due to the uncertain demand trends in the 2nd half.

	<u>14/1H</u>	14/1H	Change from the previous forecast	13/1H	<u>Change</u>	
	<u>Current forecast</u>	Previous forecast			<u>Amount</u>	<u>%</u>
Net Sales	<u>¥190.0 bn.</u>	¥185.0 bn.	+¥5.0 bn.	¥177.2 bn.	<u>+¥12.8 bn.</u>	<u>+7.2%</u>
Operating Income	<u>¥13.0 bn.</u>	¥11.0 bn.	+¥2.0 bn.	¥12.6 bn.	<u>+¥0.4 bn.</u>	<u>+2.9%</u>
Ordinary Income	<u>¥13.0 bn.</u>	¥11.0 bn.	+¥2.0 bn.	¥13.4 bn.	<u>-¥0.4 bn.</u>	<u>-3.0%</u>
Net Income	<u>¥8.0 bn.</u>	¥6.5 bn.	+¥1.5 bn.	¥7.3 bn.	<u>+¥0.7 bn.</u>	<u>+10.3%</u>

Notes: The figures in FY2014/1H previous forecast were announced on April 21, 2014

FY2014/1H Financial Forecasts by Business Segment



- Both sales and operating income increased due to strong performance in the AC servo business of (M).

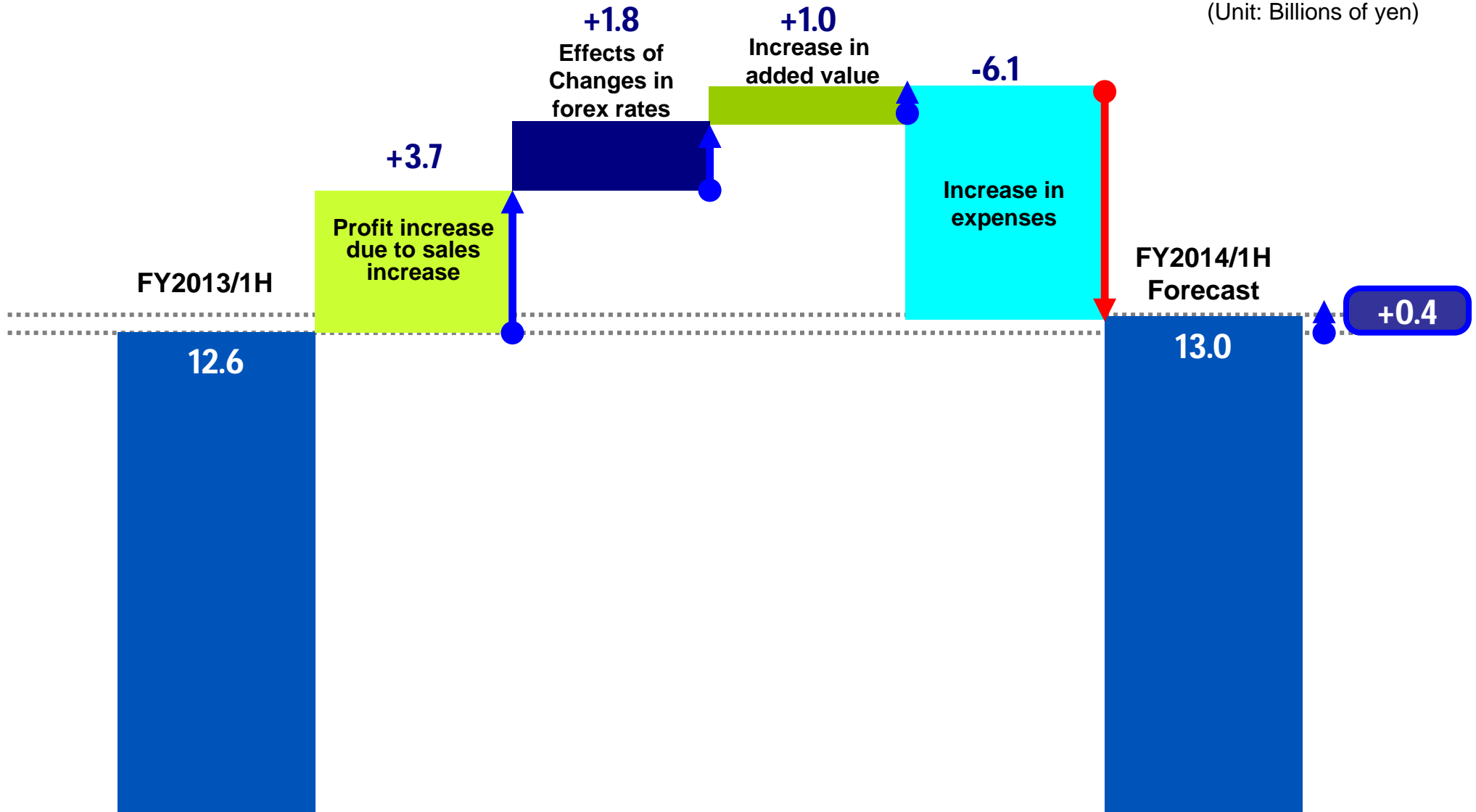
(Unit: Billions of yen, %)

	FY2014/1H		FY2014/1H		Change from the previous forecast	FY2013/1H		Change	
	Current forecast	Income Ratio	Previous forecast	Income Ratio		Income Ratio	Amount	%	
Net Sales	190.0		185.0		+5.0	177.2		+12.8	+7.2%
(M) Motion Control	89.5		86.0		+3.5	82.3		+7.2	+8.8%
(R) Robotics	65.0		65.5		-0.5	58.6		+6.4	+10.8%
(S) System Engineering	15.0		14.0		+1.0	16.2		-1.2	-7.5%
Other	20.5		19.5		+1.0	20.0		+0.5	+2.4%
Operating Income	13.0	6.8%	11.0	5.9%	+2.0	12.6	7.1%	+0.4	+2.9%
(M) Motion Control	9.8	10.9%	7.7	8.9%	+2.1	8.5	10.4%	+1.3	+14.9%
(R) Robotics	5.2	7.9%	5.3	8.1%	-0.1	4.8	8.2%	+0.3	+6.7%
(S) System Engineering	-1.3	-	-1.3	-	-	-0.4	-	-0.9	-
Other	0.1	0.2%	0.1	0.3%	-	0.3	1.6%	-0.3	-84.3%
Corporate or Elimination	-0.7	-	-0.7	-	-	-0.6	-	-0.1	-
Ordinary Income	13.0	6.8%	11.0	5.9%	+2.0	13.4	7.6%	-0.4	-3.0%
Net income	8.0	4.2%	6.5	3.5%	+1.5	7.3	4.1%	+0.7	+10.3%

Notes: 1. The figures in FY2014/1H previous forecast were announced on April 21, 2014
 2. The figures are based on the new segmentation announced on July 18, 2013

Breakdown of Changes in Operating Income

(Unit: Billions of yen)



Measures for FY2014/1Q

- **Expand sales of components for wind turbines by acquisition of The Switch Engineering Oy in Finland**
⇒ Create synergies to expand business domain from wind/tidal generation to nautical and other industrial applications.
- **Enter the U.S. PV generation market by acquisition of Solectria Renewables, LLC in the U.S.**
⇒ Meet various customer needs with broader lineup from low- to high-capacity PV inverters
⇒ Create synergies in development, production and sales by combining industrial drive technologies
- **Capital and business alliance of a subsidiary (Yaskawa Information Systems Corporation) with Mitsui & Co., Principal Investments Ltd.**
⇒ Strengthen the IoT / M2M businesses
⇒ Became an equity method affiliate



The Switch Engineering Oy



Solectria Renewables, LLC



Solectria Renewables, LLC's product lineup

3. Reference

Capital Expenditure, R&D Investment, Forex Rates



◆ Capital expenditure

(Unit: Billions of yen)

	FY2012	FY2013	FY2014 Plan
Capital Expenditure	15.89	16.98	28.00
Depreciation and Amortization	8.11	9.22	11.00

◆ R&D investment

(Unit: Billions of yen)

	FY2012	FY2013	FY2014 Plan
R&D investment	10.73	14.03	15.00

◆ Forex rates

(unit: Yen)

	FY2012		FY2013		FY2014 Forecast	
	1Q	1H	1Q	1H	1Q (Actual)	1H
U.S. dollar	81.3	80.1	97.9	98.2	102.2	101.1
Euro	106.1	102.0	127.1	128.5	141.0	140.5

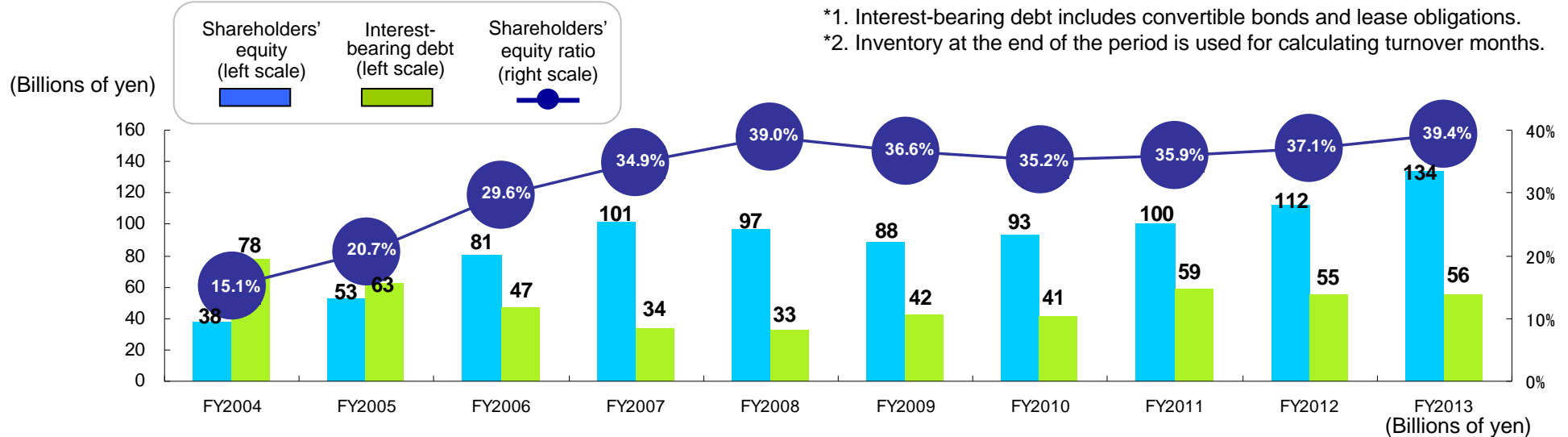
Financial Indices

As of March 20, 2014

- Shareholders' equity ratio 39.4%
- Shareholders' equity 134.1 billion yen
- Interest-bearing debt*1 55.5 billion yen
- D/E ratio 0.41
(Net D/E ratio) 0.24
- Inventory 78.4 billion yen
- Inventory Turnover*2 2.6 months

As of June 20, 2014

- Shareholders' equity ratio 40.7%
- Shareholders' equity 137.5 billion yen
- Interest-bearing debt*1 54.6 billion yen
- D/E ratio 0.40
(Net D/E ratio) 0.25
- Inventory 82.2 billion yen
- Inventory Turnover*2 2.7 months

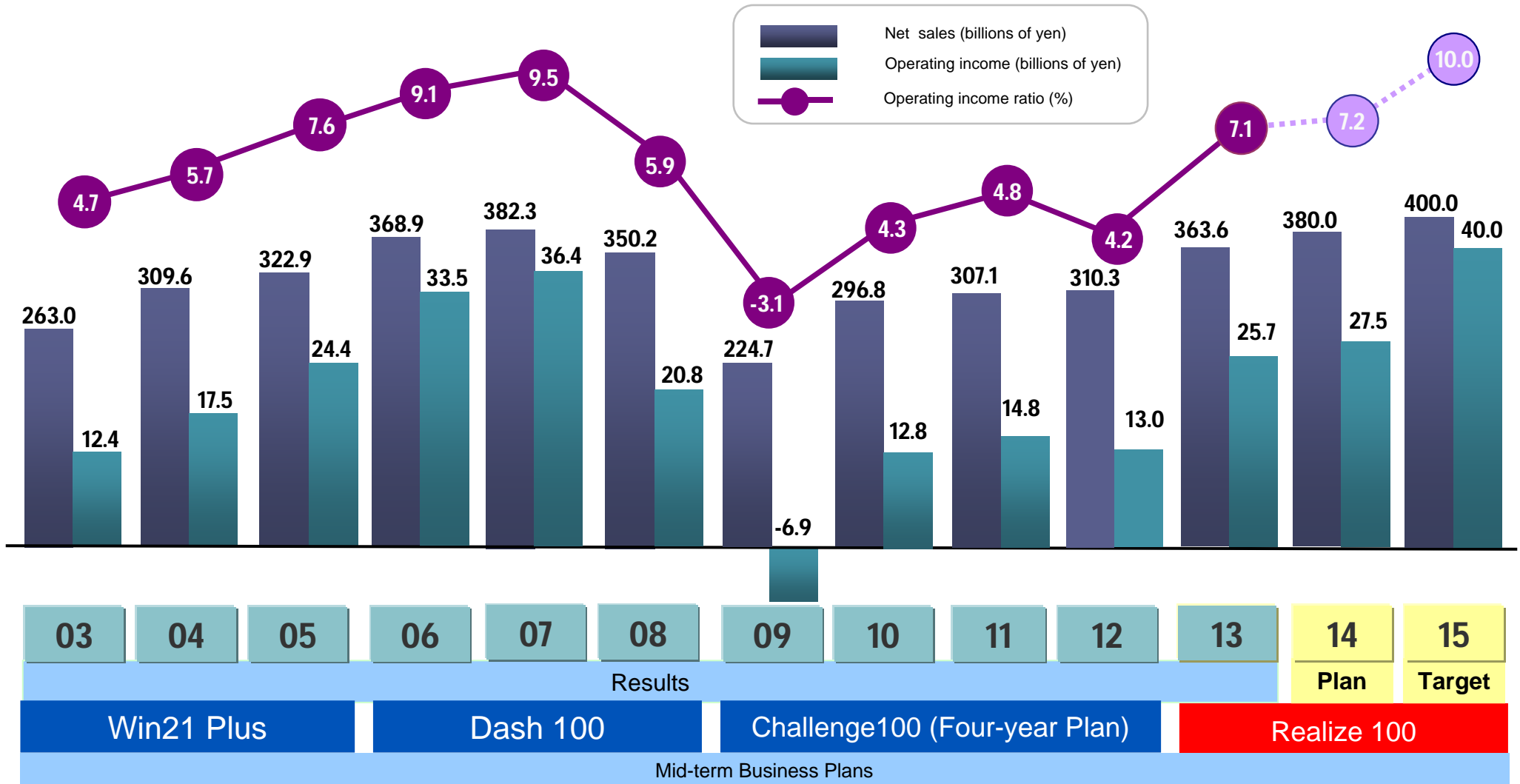


*1. Interest-bearing debt includes convertible bonds and lease obligations.

*2. 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

FY2003-2015 Net Sales/Operating Income

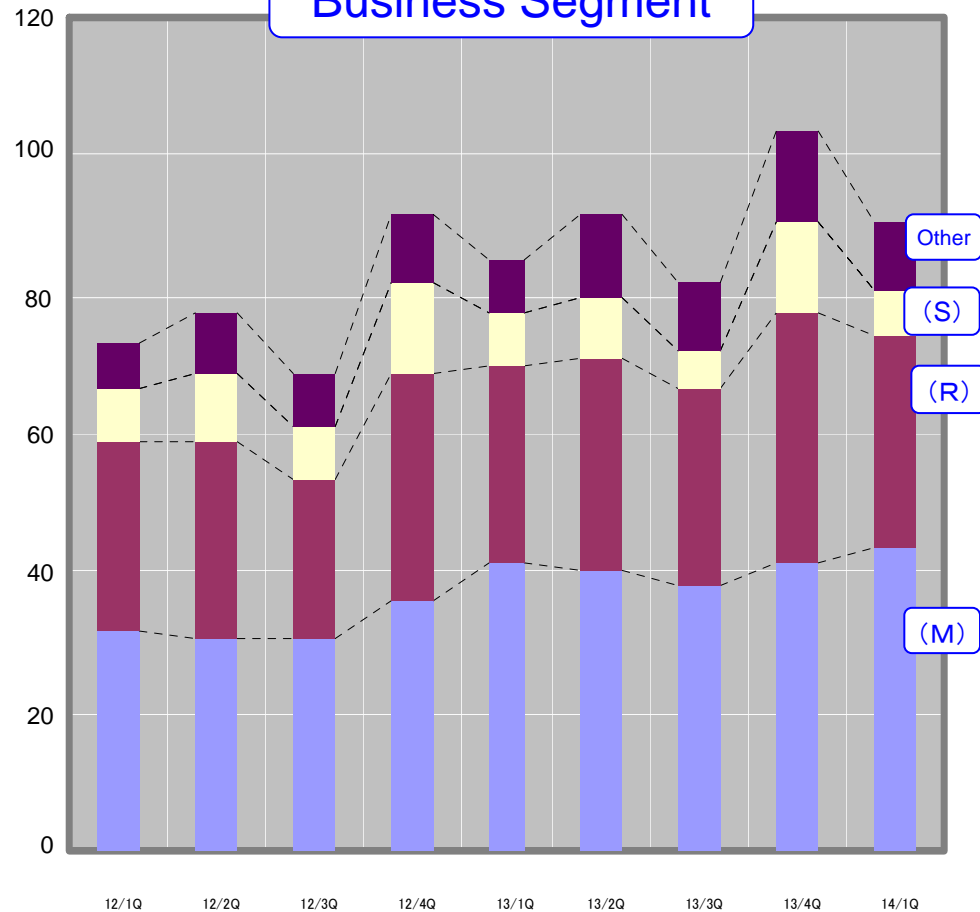


Quarterly Sales Trends



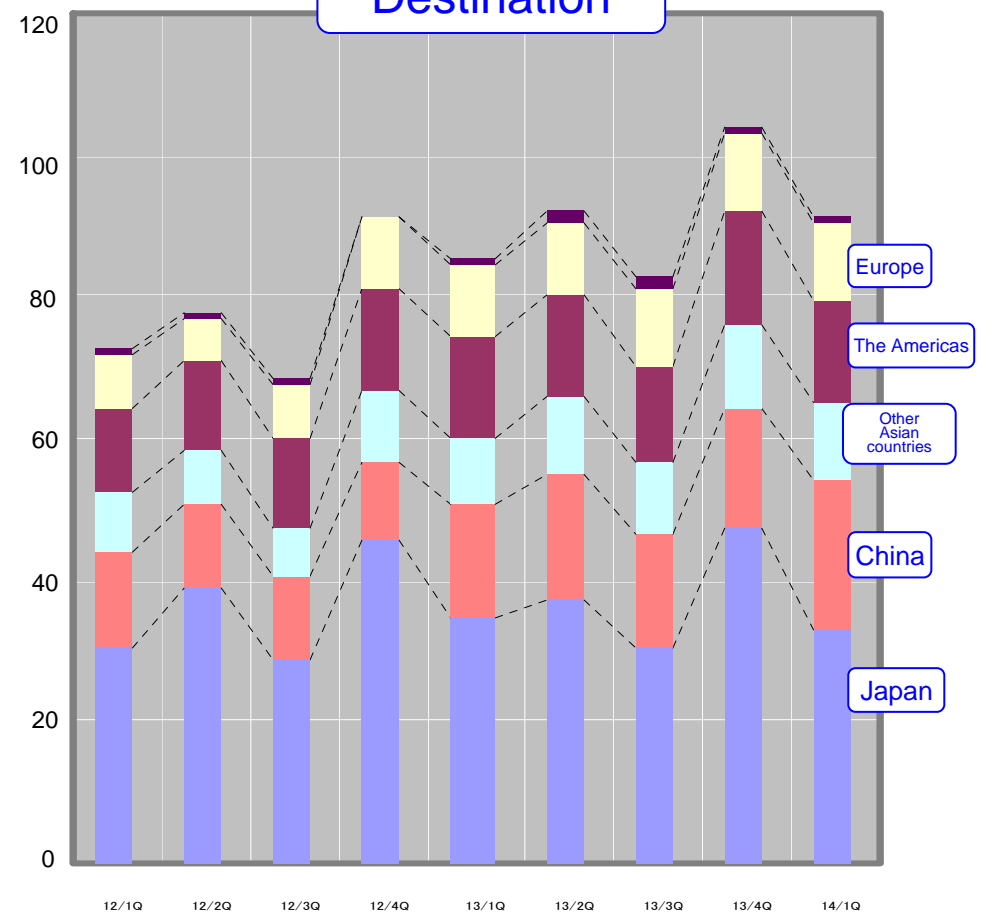
(Billions of yen)

Business Segment



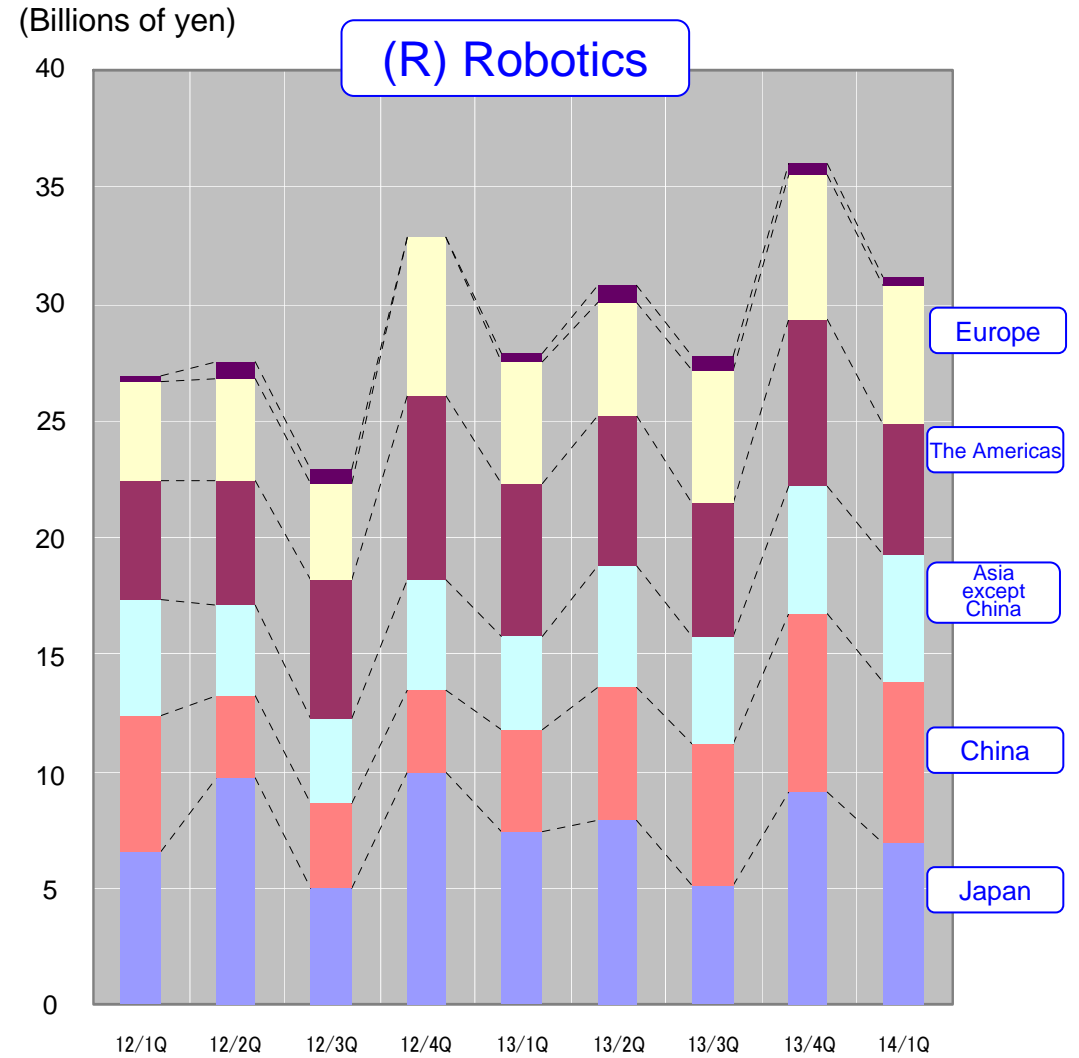
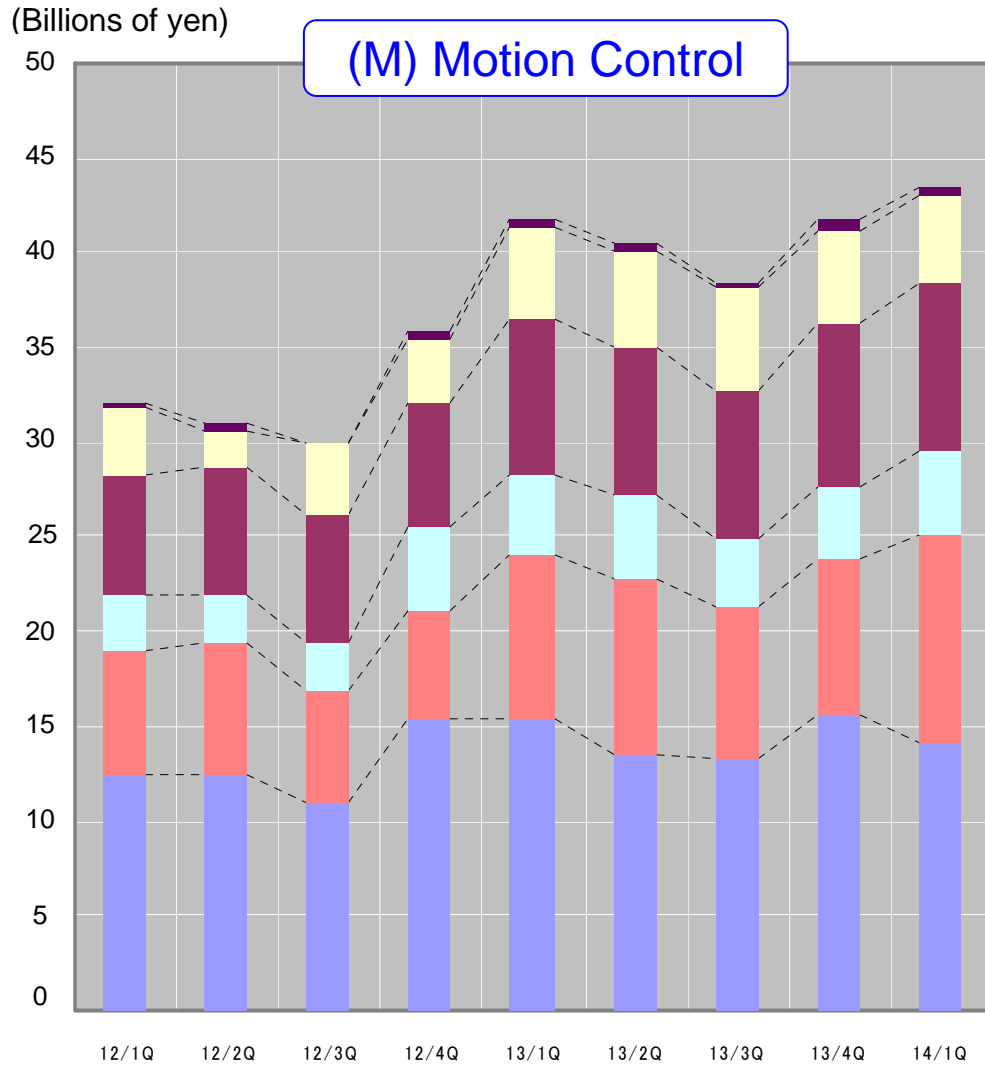
(Billions of yen)

Destination



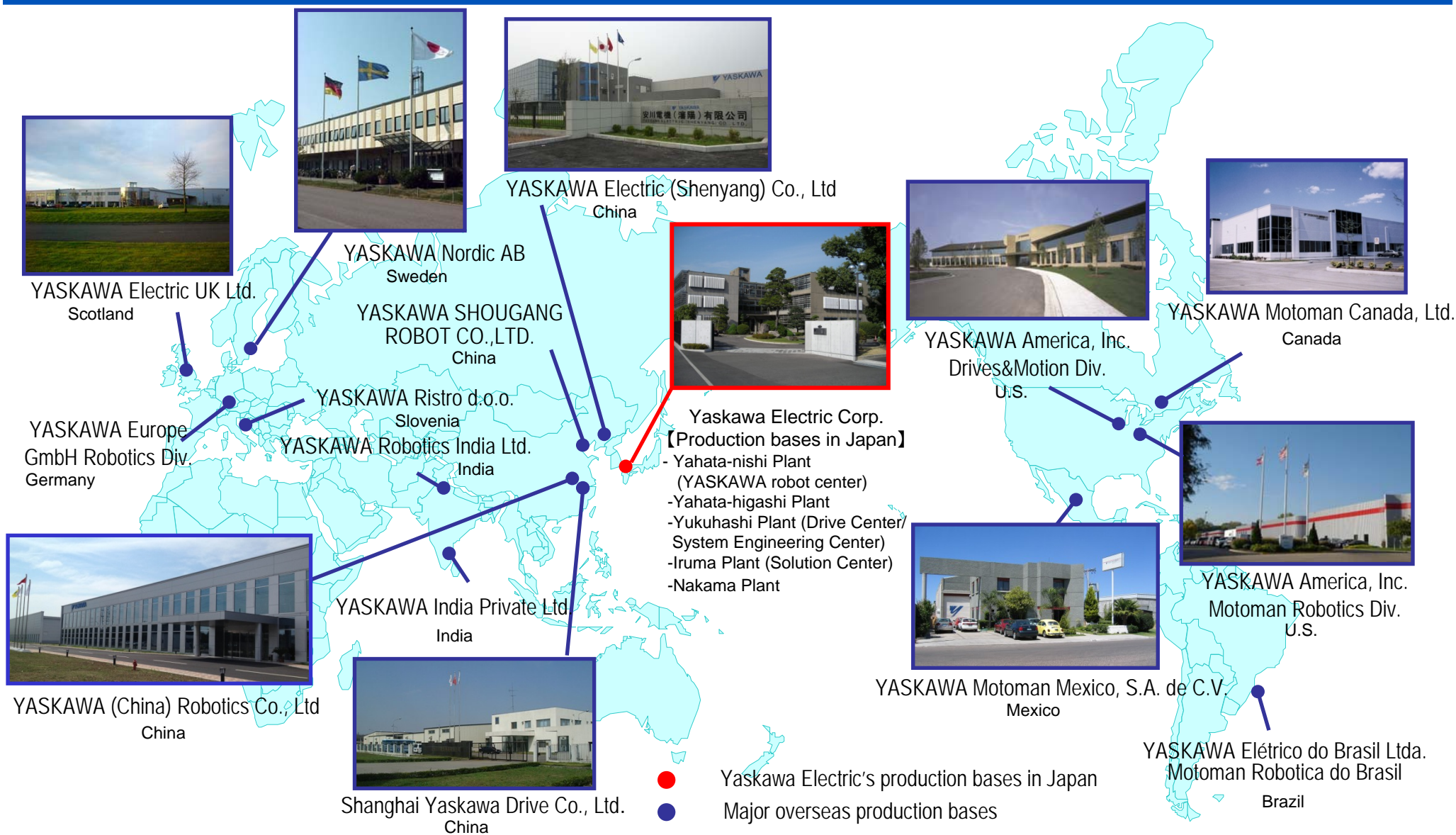
Notes: 1. (M) = Motion Control (R) = Robotics (S) = System Engineering
 2. The figures are based on the new segmentation announced on July 18, 2013

Quarterly Sales Trends



Note: The figures are based on the new segmentation announced on July 18, 2013.

Major Production Bases



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.