

# **YASKAWA Electric Corporation**

## **(TSE 6506)**

- **FY2014 1st Half Financial Results**  
**(Ended September 20, 2014)**
- **FY2014 2nd Half and Full-year 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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## 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. FY2014 1st Half (1H) Financial Results

# FY2014/1H Financial Highlights

- Achieved 1H targets due to robust performance in (M) and (R)
- Both sales and net income were record high

	<u>FY2014/1H</u>	FY2014/1H forecasts	Changes from the forecasts	FY2013/1H	<u>Changes</u>	
					<u>Amounts</u>	<u>%</u>
Net Sales	<u>¥ 193.9 bn.</u>	¥ 190.0 bn.	+ ¥ 3.9 bn.	¥ 177.2 bn.	<u>+ ¥ 16.8 bn.</u>	<u>+9.5%</u>
Operating Income	<u>¥ 14.9 bn.</u>	¥ 13.0 bn.	+ ¥ 1.9bn.	¥ 12.6 bn.	<u>+ ¥ 2.3 bn.</u>	<u>+18.1%</u>
Ordinary Income	<u>¥ 15.6 bn.</u>	¥ 13.0 bn.	+ ¥ 2.6bn.	¥ 13.4 bn.	<u>+ ¥ 2.2 bn.</u>	<u>+16.7%</u>
Net Income	<u>¥ 11.7 bn.</u>	¥ 8.0 bn.	+ ¥ 3.7 bn.	¥ 7.3 bn.	<u>+ ¥ 4.4 bn.</u>	<u>+61.1%</u>

Note: 1. FY2014/1H forecasts are the figures announced on July 17, 2014  
 2. (M)= Motion Control , (R)=Robotics

# FY2014/1H Financial Results by Business Segment (1)

- Both sales and operating income were record high in (M) and (R)

(Unit: Billions of yen, %)

	FY2014/1H		FY2014/1H		Changes from the forecasts	FY2013/1H		Changes	
		Income ratio	Forecasts	Income ratio			Income ratio	Amounts	%
<b>Net Sales</b>	<b>193.9</b>	-	<b>190.0</b>	-	<b>+3.9</b>	<b>177.2</b>	-	<b>+16.8</b>	<b>+9.5%</b>
(M) Motion Control	90.7	-	89.5	-	+1.2	82.3	-	+8.4	+10.2%
(R) Robotics	67.2	-	65.0	-	+2.2	58.6	-	+8.6	+14.6%
(S) System Engineering	15.5	-	15.0	-	+0.5	16.2	-	-0.7	-4.2%
Other	20.5	-	20.5	-	-	20.0	-	+0.4	+2.2%
<b>Operating Income</b>	<b>14.9</b>	<b>7.7%</b>	<b>13.0</b>	<b>6.8%</b>	<b>+1.9</b>	<b>12.6</b>	<b>7.1%</b>	<b>+2.3</b>	<b>+18.1%</b>
(M) Motion Control	10.5	11.5%	9.8	10.9%	+0.7	8.5	10.4%	+1.9	+22.6%
(R) Robotics	5.8	8.6%	5.2	7.9%	+0.6	4.8	8.2%	+0.9	+19.3%
(S) System Engineering	-1.2	-	-1.3	-	+0.1	-0.4	-	-0.8	-
Other	0.4	2.2%	0.1	0.2%	+0.3	0.3	1.6%	+0.1	+40.7%
Corporate or Elimination	-0.5	-	-0.7	-	+0.2	-0.6	-	+0.1	-
<b>Ordinary Income</b>	<b>15.6</b>	<b>8.1%</b>	<b>13.0</b>	<b>6.8%</b>	<b>+2.6</b>	<b>13.4</b>	<b>7.6%</b>	<b>+2.2</b>	<b>+16.7%</b>
<b>Net income</b>	<b>11.7</b>	<b>6.0%</b>	<b>8.0</b>	<b>4.2%</b>	<b>+3.7</b>	<b>7.3</b>	<b>4.1%</b>	<b>+4.4</b>	<b>+61.1%</b>

Note: FY2014/1H forecasts are the figures announced on July 17, 2014

**(M):**

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

**(R):**

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

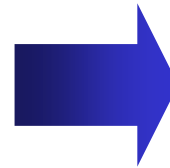
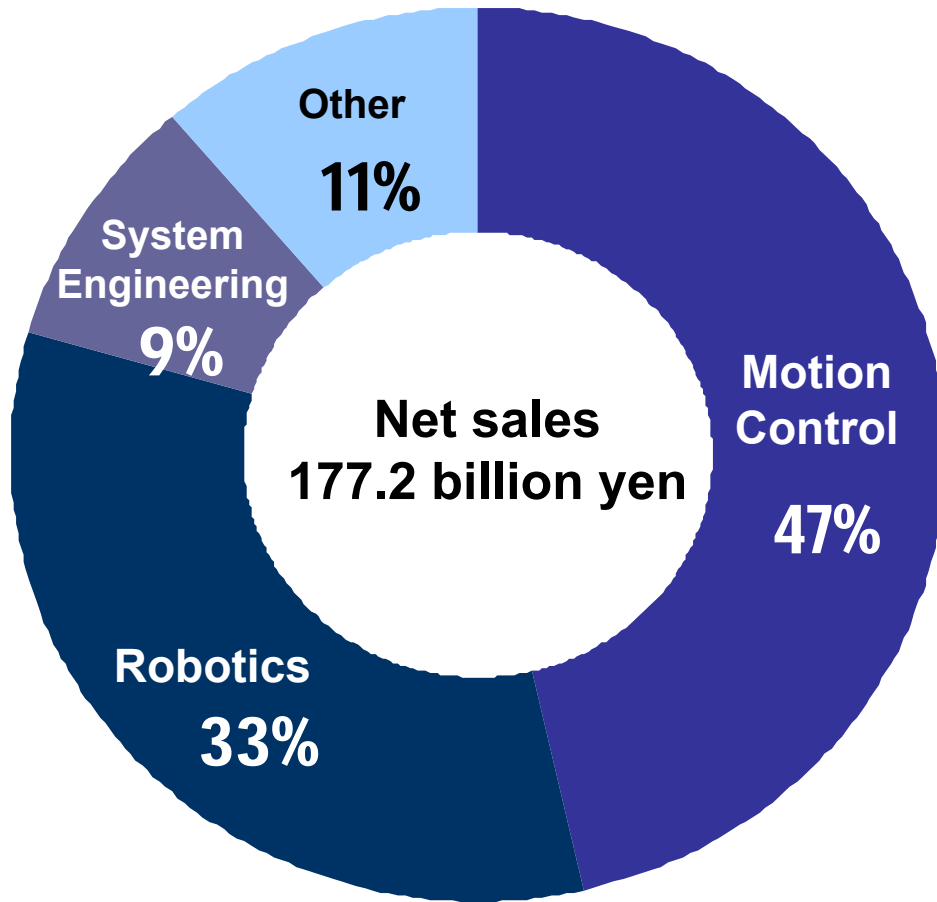
**(S):**

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

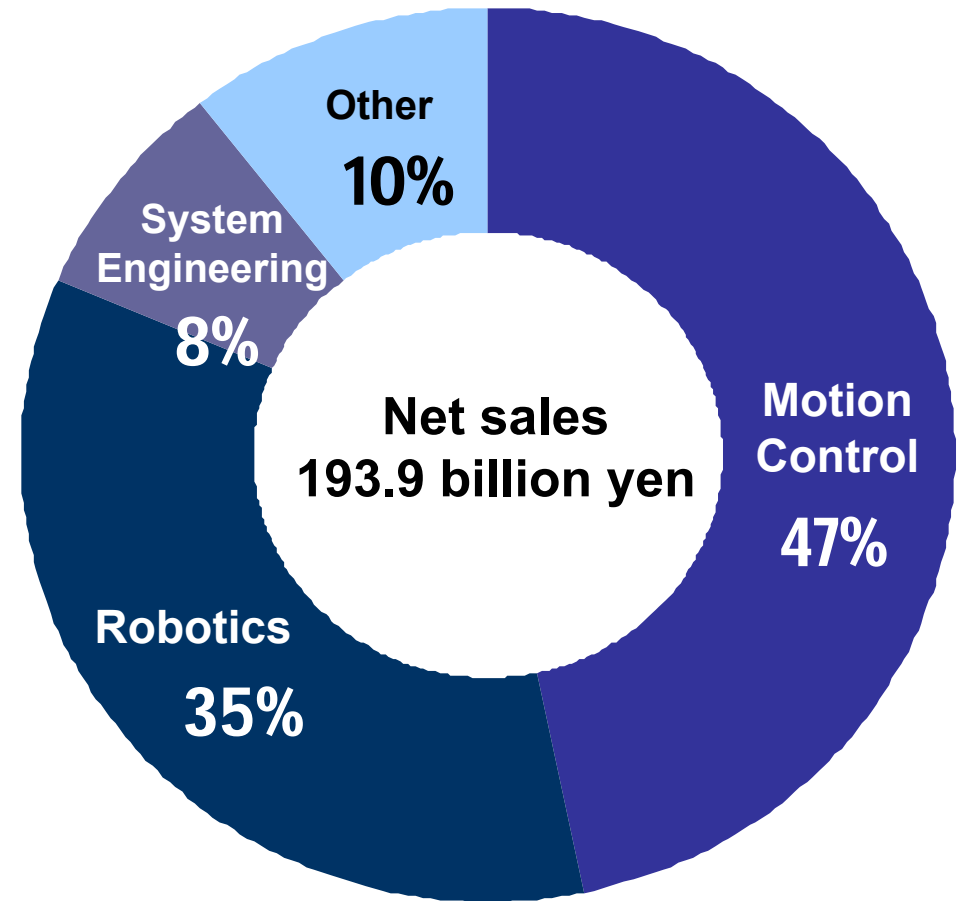
Note: (M)= Motion Control (R)= Robotics (S)=System Engineering

# Sales Breakdown by Business Segment

## FY2013/1H



## FY2014/1H





# Sales Breakdown by Destination (1)

- Overseas sales increased significantly mainly in China and other Asian countries

(Unit: Billions of yen, %)

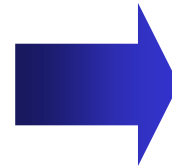
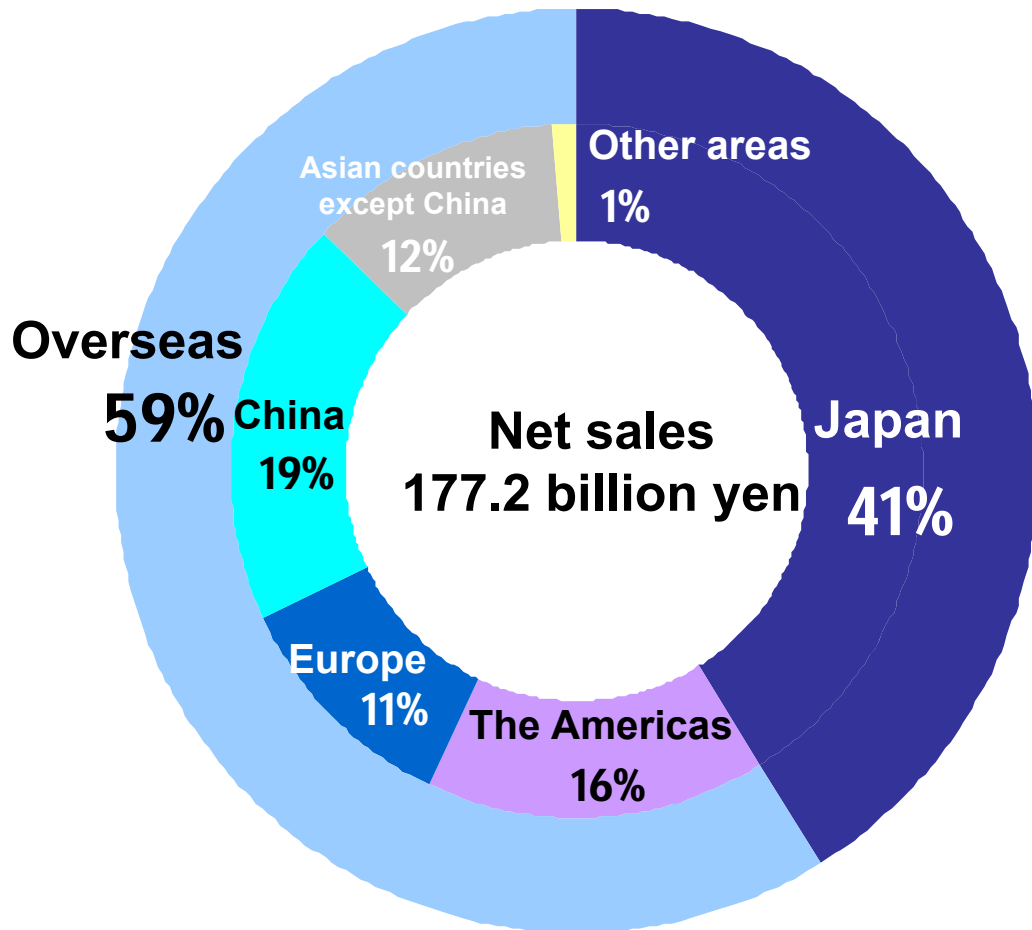
	FY14/1H	FY13/1H	Changes	
			Amounts	%
<b>Net Sales</b>	<b>193.9</b>	<b>177.2</b>	<b>+16.7</b>	<b>+9.5%</b>
<b>Japan</b>	<b>72.7</b>	<b>72.0</b>	<b>+0.8</b>	<b>+1.1%</b>
<b>Overseas</b>	<b>121.2</b>	<b>105.2</b>	<b>+16.0</b>	<b>+15.2%</b>
The Americas	<b>32.0</b>	<b>29.0</b>	<b>+2.9</b>	<b>+10.1%</b>
Europe	<b>21.8</b>	<b>20.3</b>	<b>+1.6</b>	<b>+7.7%</b>
China	<b>41.8</b>	<b>33.7</b>	<b>+8.1</b>	<b>+23.9%</b>
Asian countries except China	<b>23.7</b>	<b>20.3</b>	<b>+3.4</b>	<b>+16.7%</b>
Other areas	<b>1.9</b>	<b>1.8</b>	<b>+0.1</b>	<b>+3.0%</b>

Note: "Other areas" include Australia and South Africa, etc.

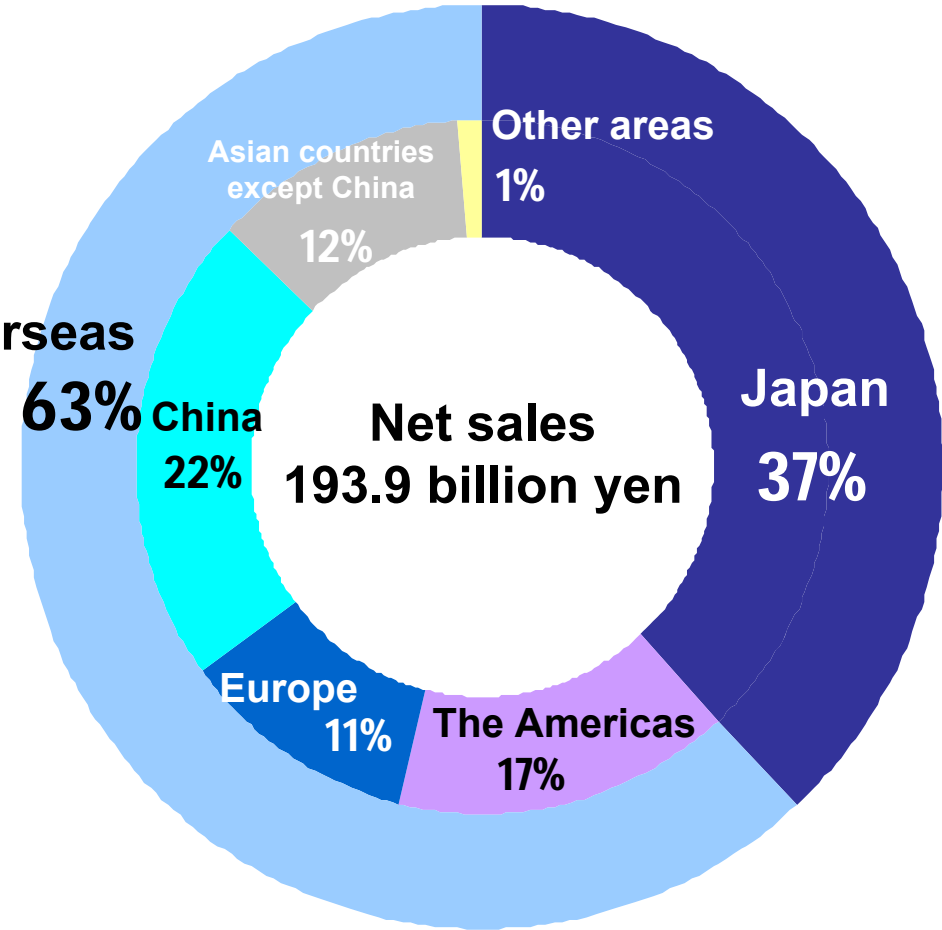
# Sales Breakdown by Destination (2)

- Record-high overseas sales ratio of the half year achieved

## FY2013/1H

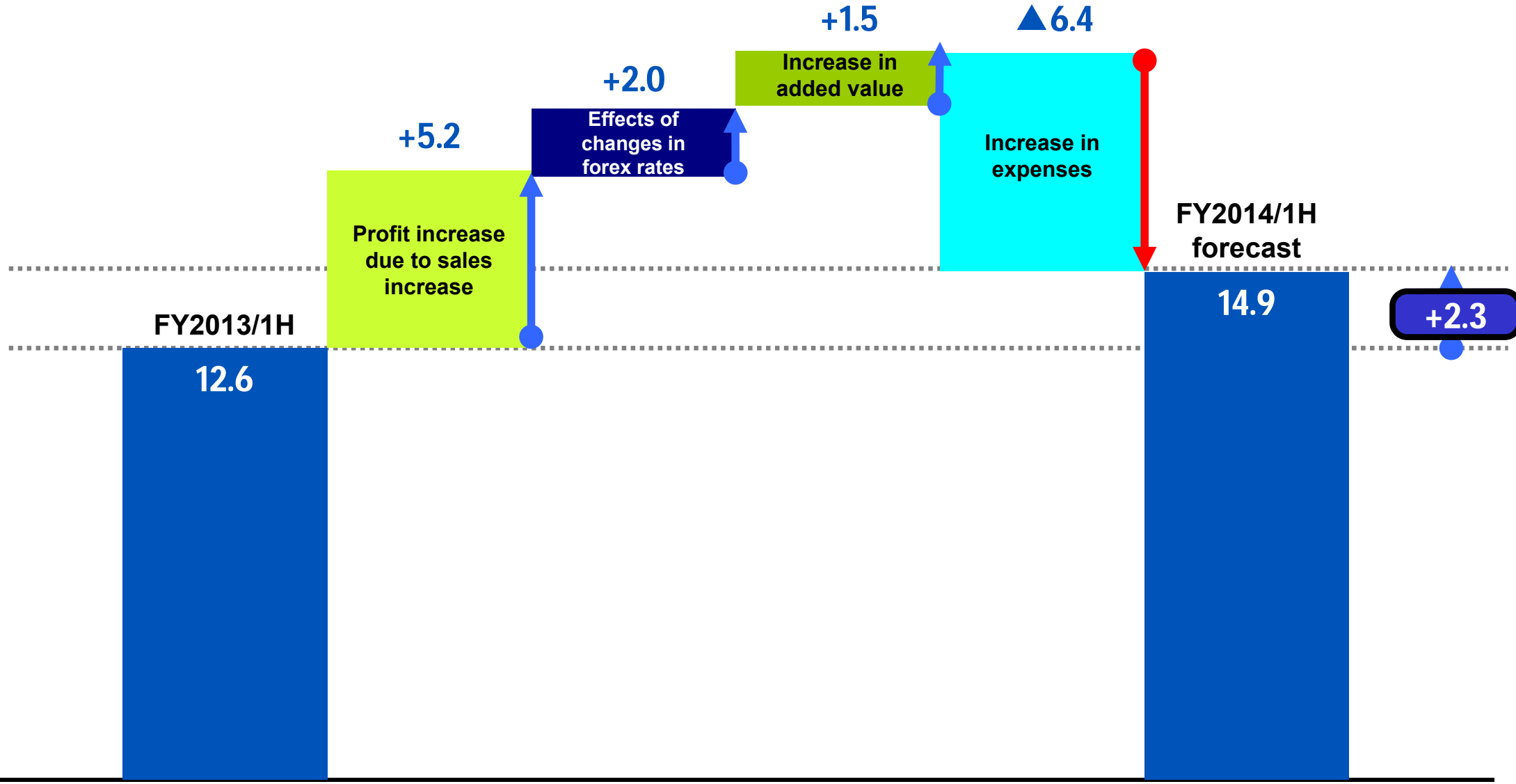


## FY2014/1H



# Breakdown of Changes in Operating Income (FY2013/1H⇒FY2014/1H)

(Unit: Billions of yen)



## 2. FY2014 2nd Half (2H) and Full-year Forecasts

# FY2014 Full-year Financial Forecasts

- FY14 targets were revised up because of weaker yen and success in core businesses
- Record-high sales and net income expected

	<b>FY14 Current Forecasts</b>	<b>FY14 Previous Forecasts</b>	<b>Changes from the previous forecasts</b>	<b>FY13</b>	<b>Changes</b>	
					<b>Amounts</b>	<b>%</b>
<b>Net Sales</b>	<b>¥ 395.0 bn.</b>	¥ 380.0 bn.	¥ +15.0 bn.	¥ 363.6 bn.	<b>+ ¥ 31.4 bn.</b>	<b>+8.6%</b>
<b>Operating Income</b>	<b>¥ 30.0 bn.</b>	¥ 27.5 bn.	¥ +2.5 bn.	¥ 25.7 bn.	<b>+ ¥ 4.3 bn.</b>	<b>+16.7%</b>
<b>Ordinary Income</b>	<b>¥ 31.0 bn.</b>	¥ 28.0 bn.	¥ +3.0 bn.	¥ 27.1 bn.	<b>+ ¥ 3.9 bn.</b>	<b>+14.5%</b>
<b>Net Income</b>	<b>¥ 22.5 bn.</b>	¥ 17.5 bn.	¥ +5.0 bn.	¥ 17.0 bn.	<b>+ ¥ 5.5 bn.</b>	<b>+32.6%</b>

Note: FY14 previous forecasts are the figures announced on April 21, 2014.

# FY2014 Full-year Financial Forecasts by Business Segment



- Sales and profits increase due to robust performance in (M) and (R)
- In addition to weaker yen, the expansion of overseas production and procurement will improve the profitability

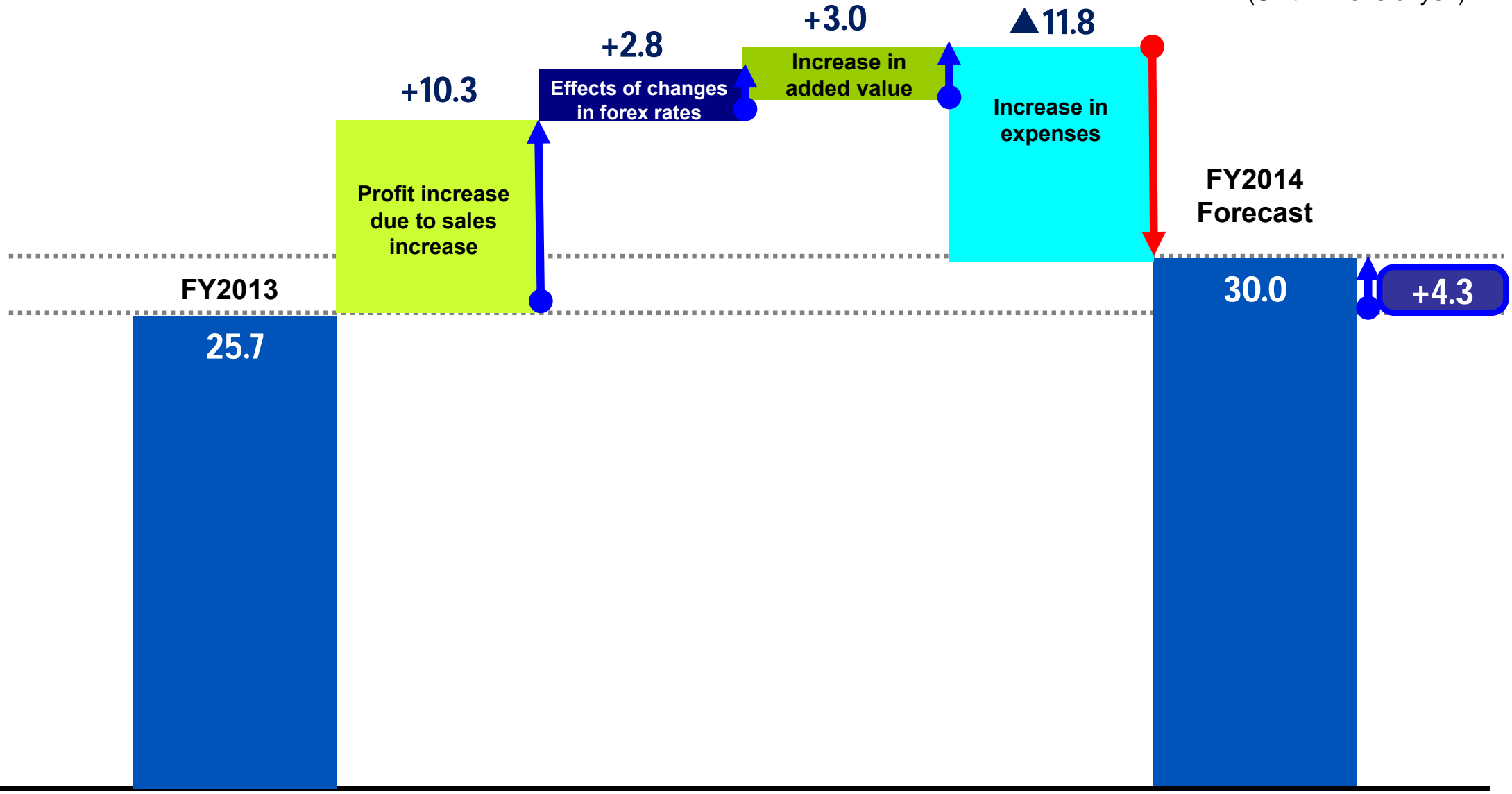
(Unit: Billions of yen, %)

	FY2014		FY2014		Changes from the forecasts	FY2013		Changes	
	Current Forecasts	Income Ratio	Forecasts	Income Ratio			Income Ratio	Amounts	%
<b>Net Sales</b>	<b>395.0</b>	-	<b>380.0</b>	-	<b>+15.0</b>	<b>363.6</b>	-	<b>+31.4</b>	<b>+8.6%</b>
(M) Motion Control	185.0	-	173.5	-	+11.5	162.3	-	+22.7	+14.0%
(R) Robotics	135.0	-	131.5	-	+3.5	122.5	-	+12.5	+10.2%
(S) System Engineering	39.5	-	35.0	-	+4.5	35.3	-	+4.2	+11.8%
Other	35.5	-	40.0	-	-4.5	43.4	-	-7.9	-18.2%
<b>Operating Income</b>	<b>30.0</b>	<b>7.6%</b>	<b>27.5</b>	<b>7.2%</b>	<b>+2.5</b>	<b>25.7</b>	<b>7.1%</b>	<b>+4.3</b>	<b>+16.7%</b>
(M) Motion Control	20.6	11.1%	17.2	9.9%	+3.4	16.4	10.1%	+4.2	+25.3%
(R) Robotics	11.3	8.4%	11.3	8.6%	+0.0	9.5	7.8%	+1.8	+18.9%
(S) System Engineering	-1.2	-	-0.2	-	-1.0	-0.0	-	-1.2	-
Other	0.7	1.8%	0.6	1.4%	+0.1	1.1	2.6%	-0.5	-41.2%
Corporate or Elimination	-1.4	-	-1.4	-	-0.0	-1.3	-	-0.0	-
<b>Ordinary Income</b>	<b>31.0</b>	<b>7.8%</b>	<b>28.0</b>	<b>7.4%</b>	<b>+3.0</b>	<b>27.1</b>	<b>7.4%</b>	<b>+3.9</b>	<b>+14.5%</b>
<b>Net Income</b>	<b>22.5</b>	<b>5.7%</b>	<b>17.5</b>	<b>4.6%</b>	<b>+5.0</b>	<b>17.0</b>	<b>4.7%</b>	<b>+5.5</b>	<b>+32.6%</b>

Notes: FY2014 forecasts are the figures announced on April 21, 2014

# Breakdown of Changes in Operating Income (FY2013 ⇒ FY2014 Forecast)

(Unit: Billions of yen)



# 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.
  - ⇒ Plan to establish the global system of 400 R&D personnel by Mar. 2015
- **Enhance collaboration with business partners**
  - ⇒ Maximize synergy with VIPA
  - ⇒ Reinforce cooperation with Hangzhou Kaiierda Robot Technology
- **Expand application of robots in non-automobile fields**
  - ⇒ Accelerate development of Robot Centers(SI base)
    - Plan to establish Chubu Robot Center in Apr. 2015
- **Increase shares by expanding sales of new differentiated products**
  - ⇒ Start sales of  $\Sigma$ -7 in China in Sep. 2014
  - ⇒ Launch matrix converter U1000 in the market



VIPA



Chubu Robot Center (image)



New matrix converter U1000



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

- **Improvement in quality by automation of domestic production**
  - ⇒ Advance automation of the  $\Sigma$ -7 production line  
(From the production automation ratio of 70% (previous model) to 90%)
  - ⇒ Introduce new automated production line for AC drives
- **Promote local production in China**
  - ⇒ Start producing and delivering  $\Sigma$ -7 in China(Shenyang) in Sep. 2014
  - ⇒ Boost production and increase production models at robot factory in Changzhou
- **Implement K30 program and accelerate its global development**



YASKAWA Electric (Shenyang) Co., Ltd



$\Sigma$ -7 series

# Measures for FY2014 (3)

## 3) Expand environment and energy businesses

- Expand sales of PV power conditioners
  - ⇒ Remodeling of main product PV1000
  - ⇒ Launch new products with GaN for residential use in the 2nd half of 2014
  - ⇒ Create synergy with Solectria Renewables, LLC and expand photovoltaic generation business in the U.S.
- Expand sales of large-scale wind turbine and converters
  - ⇒ Maximize synergy with The Switch  
(Expand business domain into the ship market)



Enewell-SOL 10kW/9.9kW



Solectria Renewables, LLC  
(products)



The Switch Engineering Oy

## 4) Develop businesses in human assist domain

- Expand robot business in biomedical fields
  - ⇒ Established the business division in Apr. 2014
- Progress medical, nursing, welfare businesses
  - ⇒ Accelerate cooperation with ReWalk Robotics (former Argo)  
(Listed in the NASDAQ in September 2014)
  - ⇒ Aim to gain certification of medical device in China for “LR2” physical therapy robot for the lower extremities



MOTOMAN-BMDA3



ReWalk

## 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	31.0
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)

(Unit: Yen)

	FY2012			FY2013			FY2014 Forecast		
	1H	2H	Full-year	1H	2H	Full-year	1H	2H	Full-year
U.S. dollar	80.1	83.7	81.9	98.2	101.0	99.6	102.2	105.0	103.6
Euro	102.0	109.4	105.7	128.5	136.9	132.7	139.4	135.0	137.2

Note: Average rate during the period

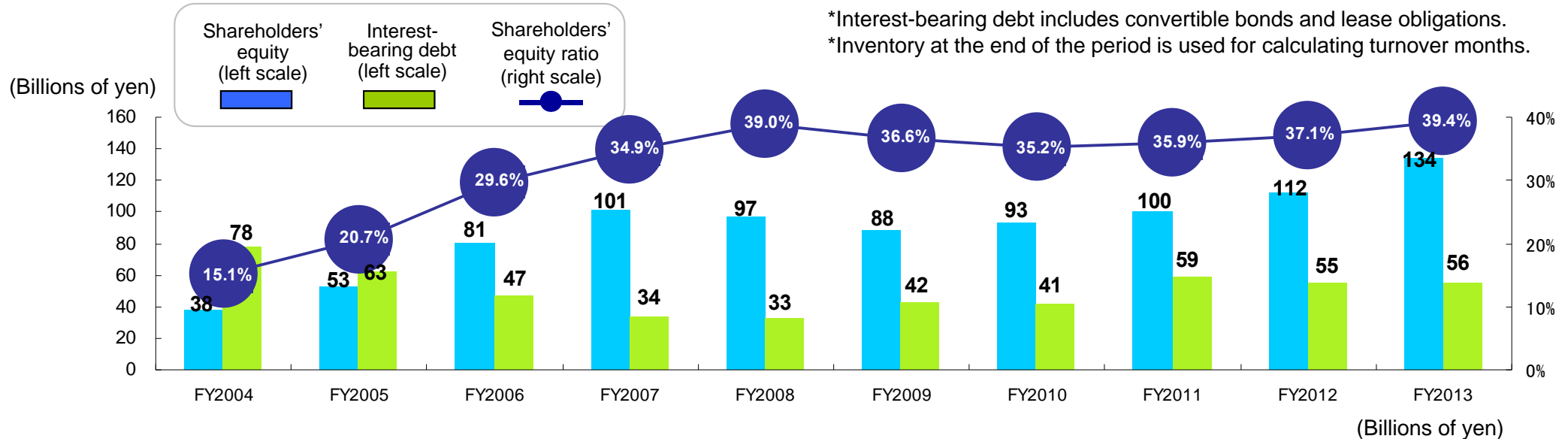
# Financial Indices

## 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

## As of September 20, 2014

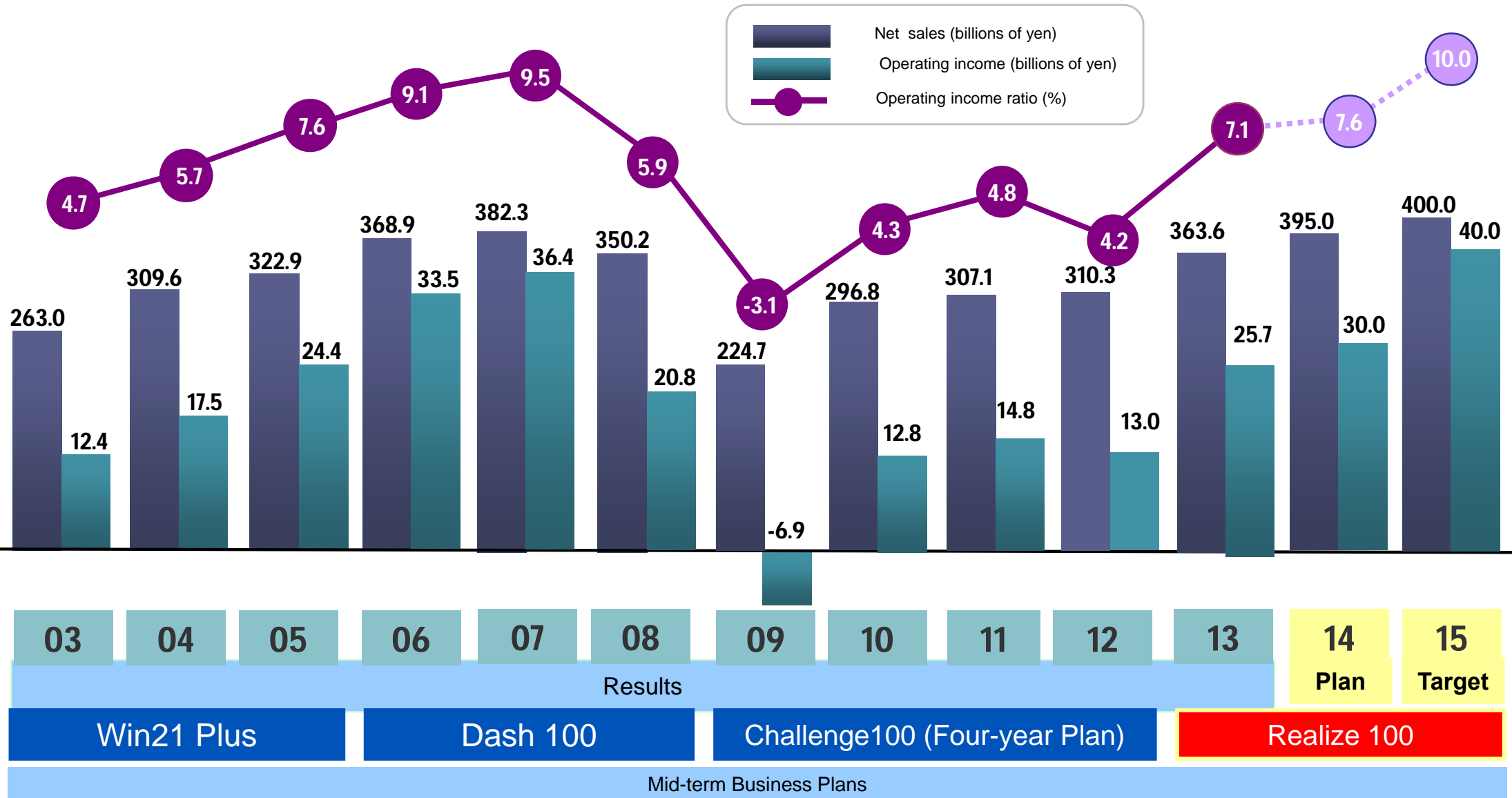
- Shareholders' equity ratio 42.0%
- Shareholders' equity 149.7 billion yen
- Interest-bearing debt 57.2 billion yen
- D/E ratio 0.38  
(Net D/E ratio) 0.22
- Inventory 80.8 billion yen  
Turnover 2.5 months



\*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

# FY2003-2015 Net Sales/Operating Income

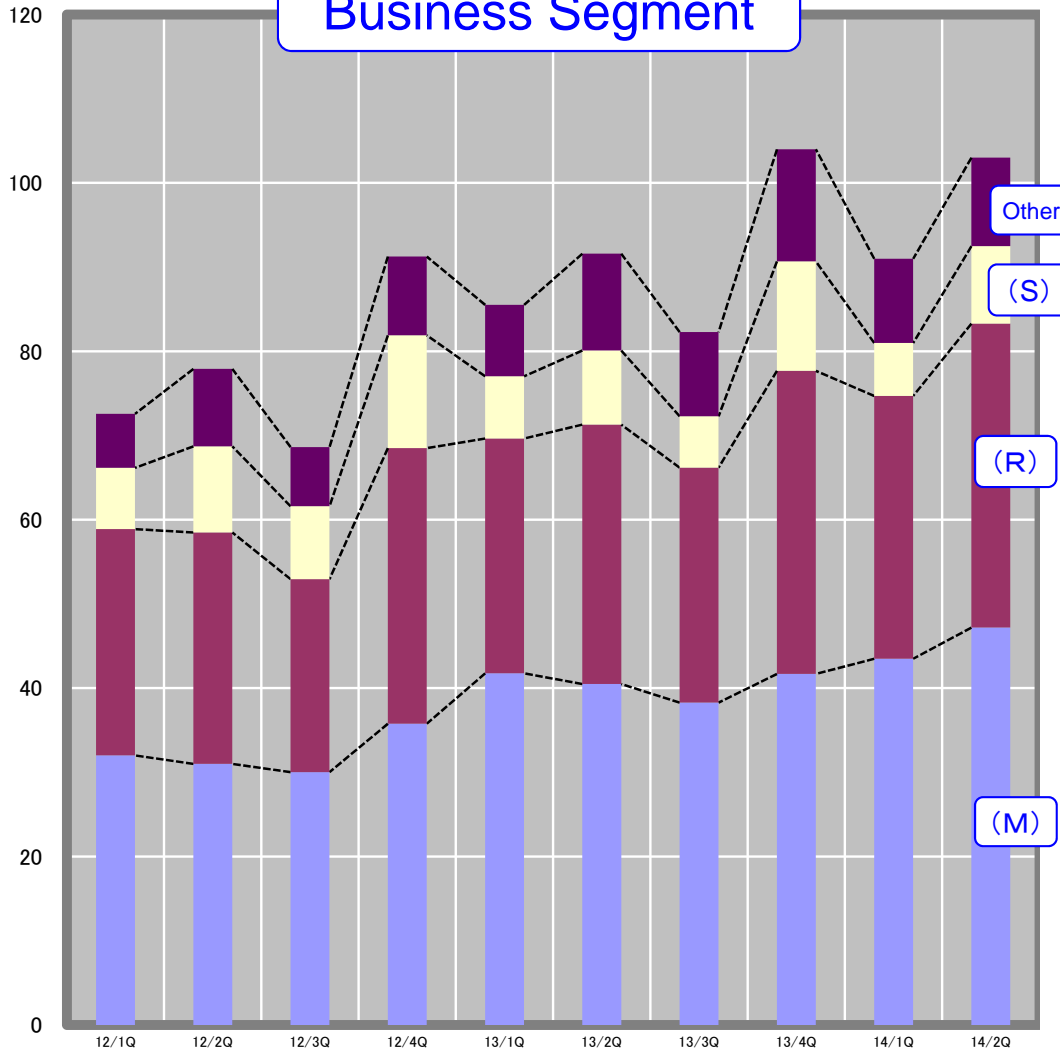


# Quarterly Sales Trends



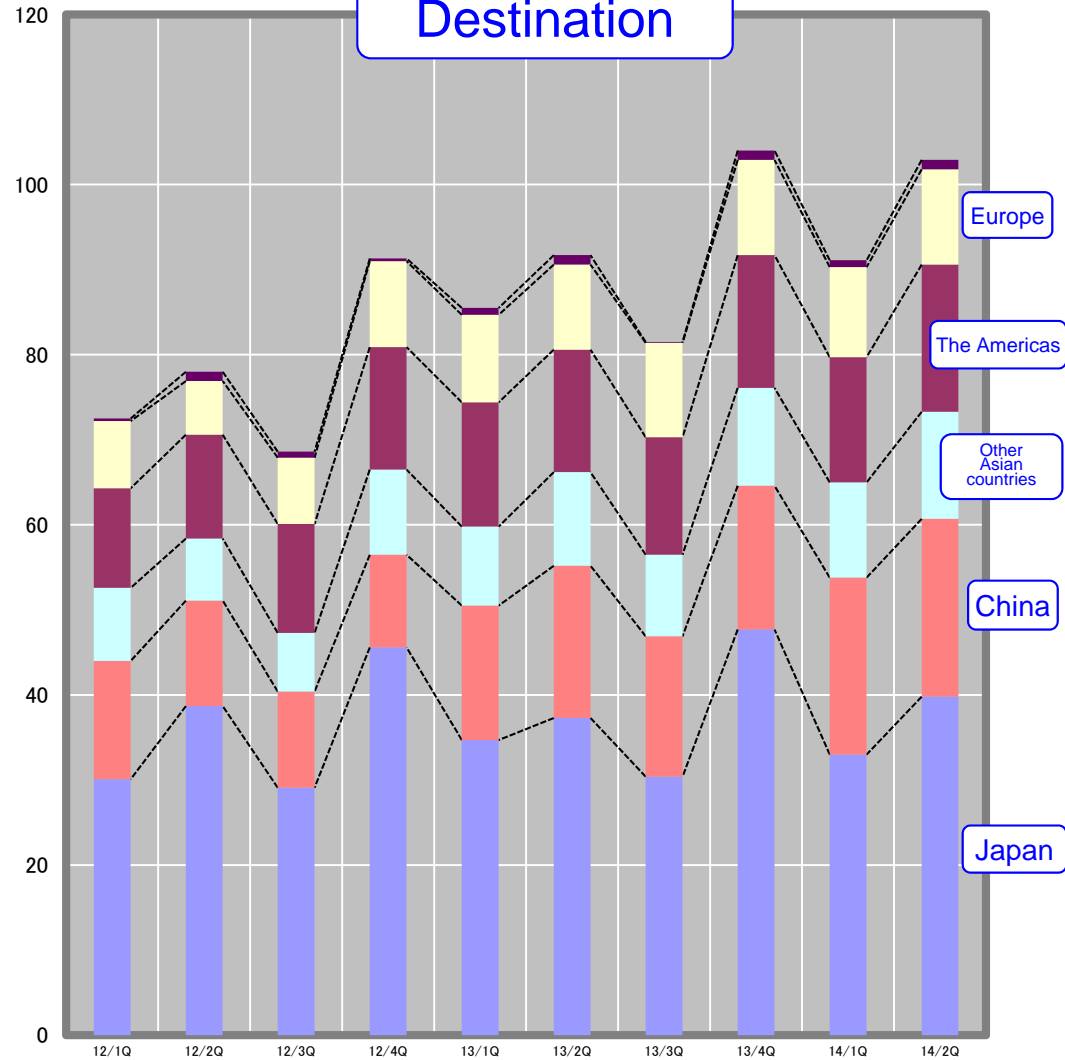
( Billions of yen )

Business Segment



( Billions of yen )

Destination

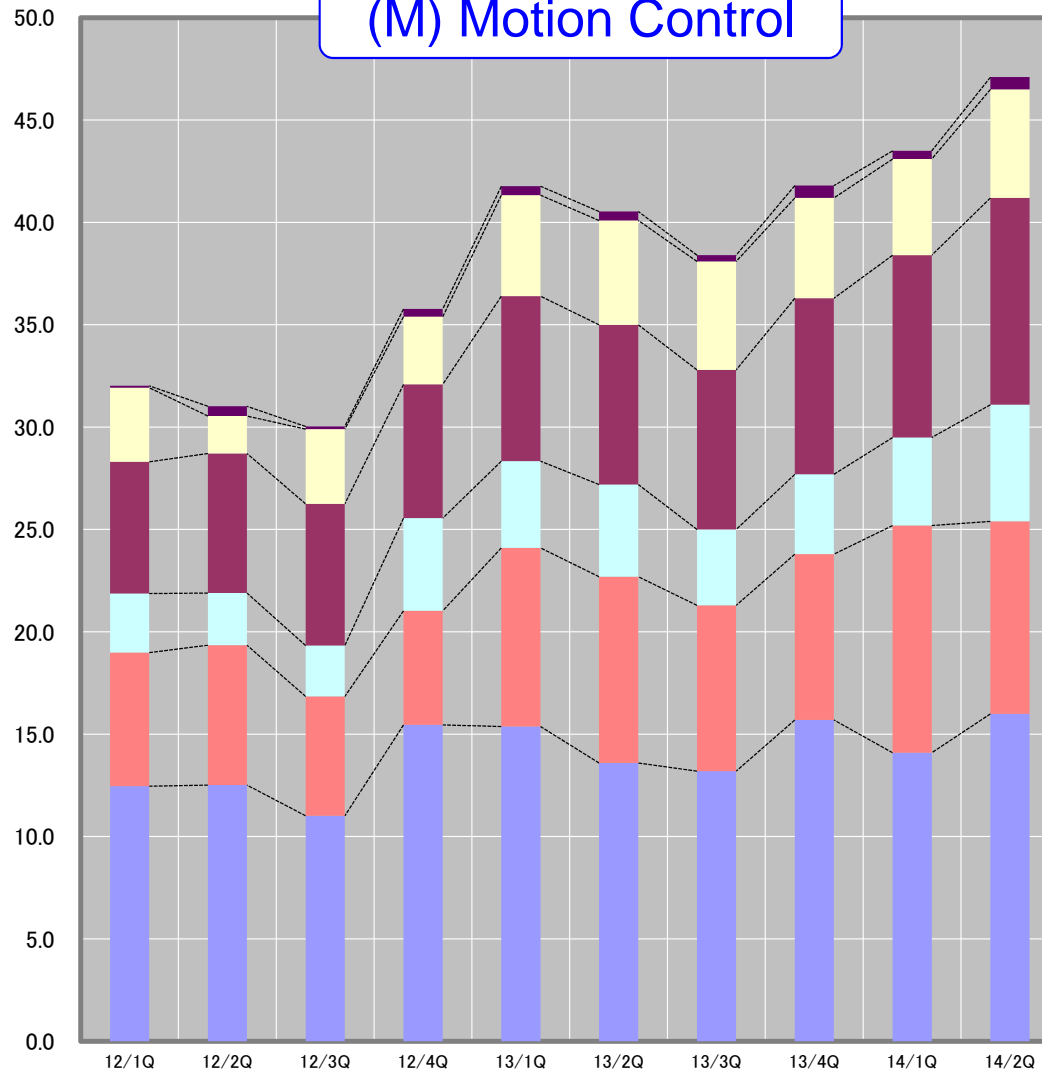


Notes: (M) = Motion Control (R) = Robotics (S) = System Engineering

# Quarterly Sales Trends

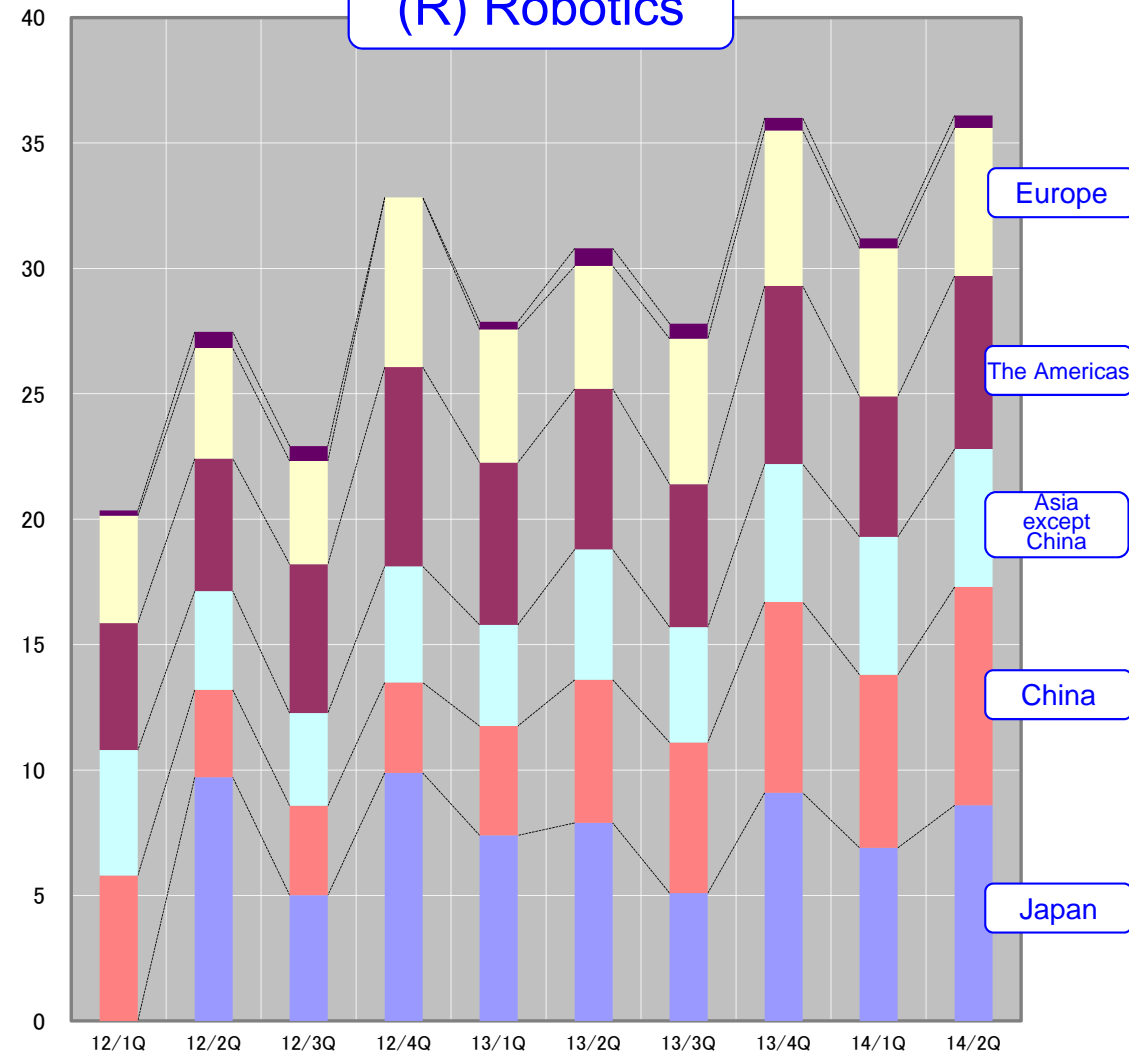
( Billions of yen )

(M) Motion Control



( Billions of yen )

(R) Robotics





# Major Production Bases



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