

FY2015 1st Half Financial Results (Ended September 20, 2015)

FY2015 2nd Half and Full-year Forecasts (Ending March 20, 2016)

YASKAWA ELECTRIC CORPORATION (TSE 6506)

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Motion Control (M)

[Core products]

- AC servo motors and controllers
- Linear servo motors
- AC drives
- PV inverters
- Motor drive systems for EV, etc.



AC servo drives



General purpose
AC drive



PV inverter using
GaN 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, etc.



New spot-welding
robot with 7 axes



Delta robot



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.



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.

1. FY2015 1H Financial Results

(Ended September 20, 2015)

- Both sales and profits were record high for 1H.

	<u>FY2015 1H</u>	FY2015 1H forecasts	Changes from the forecasts	FY2014 1H	<u>Changes</u>	
					<u>Amounts</u>	<u>%</u>
Net sales	<u>¥ 207.9bn.</u>	¥ 208.0bn.	-¥ 0.1bn.	¥ 193.9bn.	<u>+¥ 14.0bn.</u>	<u>+7.2%</u>
Operating income	<u>¥ 19.0bn.</u>	¥ 15.5bn.	+¥ 3.5bn.	¥ 14.9bn.	<u>+¥ 4.1bn.</u>	<u>+27.2%</u>
Ordinary income	<u>¥ 19.0bn.</u>	¥ 16.0bn.	+¥ 3.0bn.	¥ 15.6bn.	<u>+¥ 3.4bn.</u>	<u>+21.5%</u>
Net income	<u>¥ 12.0bn.</u>	¥ 10.0bn.	+¥ 2.0bn.	¥ 11.7bn.	<u>+¥ 0.3bn.</u>	<u>+2.9%</u>

FY2015 1H Financial Results by Business Segment (1)

- Growth in both sales and operating income was led by (M) and (R).

(Billions of yen)

		FY2015 1H		FY2015 1H		Change from Forecast	FY2014 1H		Changes	
			Income ratio	Forecast	Income ratio			Income ratio	Amounts	%
Net sales		207.9		208.0		-0.1	193.9		+14.0	+7.2%
(M)	Motion Control	98.2		99.5		-1.3	90.7		+7.5	+8.3%
(R)	Robotics	77.4		76.5		+0.9	67.2		+10.1	+15.1%
(S)	System Engineering	17.6		17.5		+0.1	15.5		+2.1	+13.3%
	Other	14.8		14.5		+0.3	20.5		-5.7	-27.8%
Operating income		19.0	9.1%	15.5	7.5%	+3.5	14.9	7.7%	+4.1	+27.2%
(M)	Motion Control	12.3	12.5%	11.8	11.9%	+0.5	10.5	11.5%	+1.8	+17.5%
(R)	Robotics	8.9	11.5%	6.3	8.2%	+2.6	5.8	8.6%	+3.1	+53.9%
(S)	System Engineering	-2.1	-	-2.2	-	+0.1	-1.2	-	-0.9	-
	Other	0.5	3.6%	0.3	1.7%	+0.3	0.4	2.2%	+0.1	+17.5%
	Elimination or Corporate	-0.6	-	-0.7	-	-	-0.5	-	-0.1	-
Ordinary income		19.0	9.1%	16.0	7.7%	+3.0	15.6	8.1%	+3.4	+21.5%
Net income		12.0	5.8%	10.0	4.8%	+2.0	11.7	6.0%	+0.3	+2.9%

Notes: The figures of FY2015/1H forecasts were announced on July 21, 2015

Motion Control

- **AC servo sales for machine tool and semiconductor industries grew mainly in the U.S. The profits grew as switch to the new product progressed in China.**
- **AC drive demand was sluggish in the U.S. oil/gas industry and the Chinese infrastructure markets. The overall business was firm as the PV inverter sales of Solectria Renewables, LLC contributed.**

Robotics

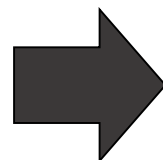
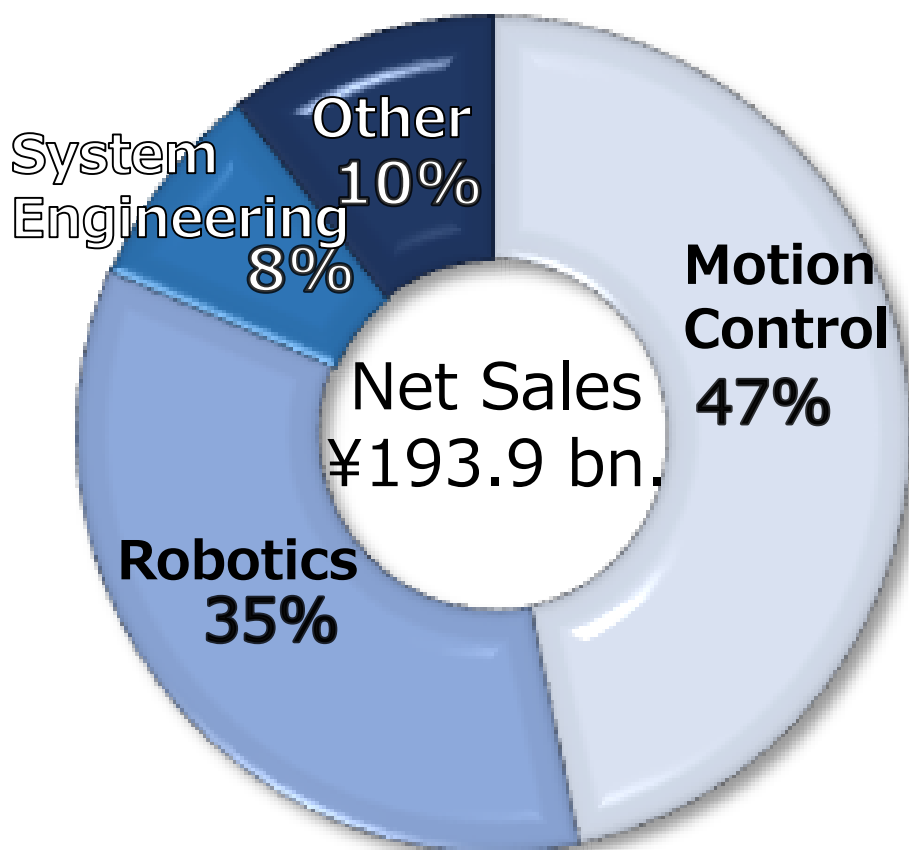
- **Strong performance was achieved especially in the U.S. and China.**
- **Captured strong demand from automobile and general industries using robot centers.**

System Engineering

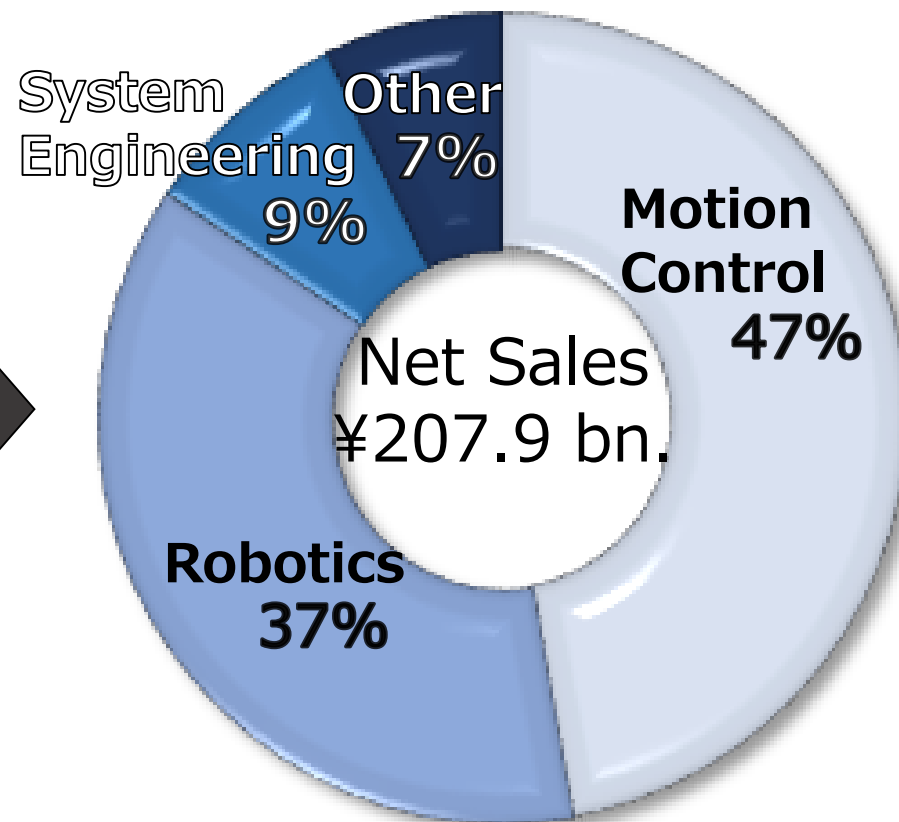
- **The steel plant and social system businesses were solid.**
- **The large-scale wind generation sales increased by the acquisition of The Switch Engineering Oy.**

Sales Breakdown by Business Segment

FY14/1H



FY15/1H



Sales Breakdown by Destination (1)

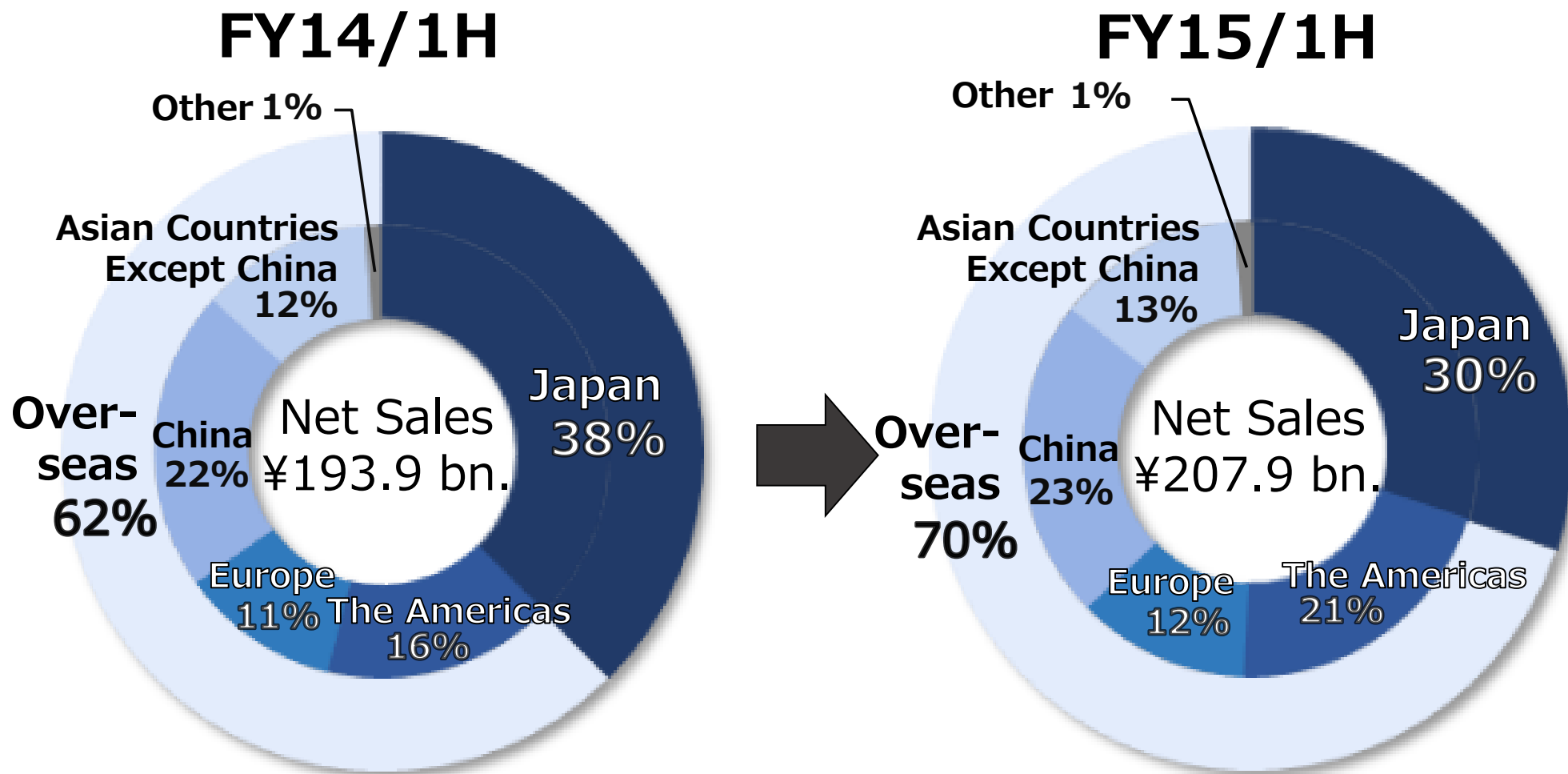
• Overseas sales expanded especially in the Americas.

(Billions of yen)

	FY15 1H	FY14 1H	Changes	
			Amounts	%
Net sales	207.9	193.9	+14.0	+7.2%
Japan	62.6	72.7	-10.1	-13.9%
Overseas	145.3	121.2	+24.2	+19.9%
The Americas	42.9	32.0	+10.9	+34.3%
Europe	25.2	21.8	+3.3	+15.3%
China	47.3	41.8	+5.6	+13.3%
Asian Countries Except China	27.5	23.7	+3.8	+16.1%
Other	2.4	1.9	+0.5	+24.8%

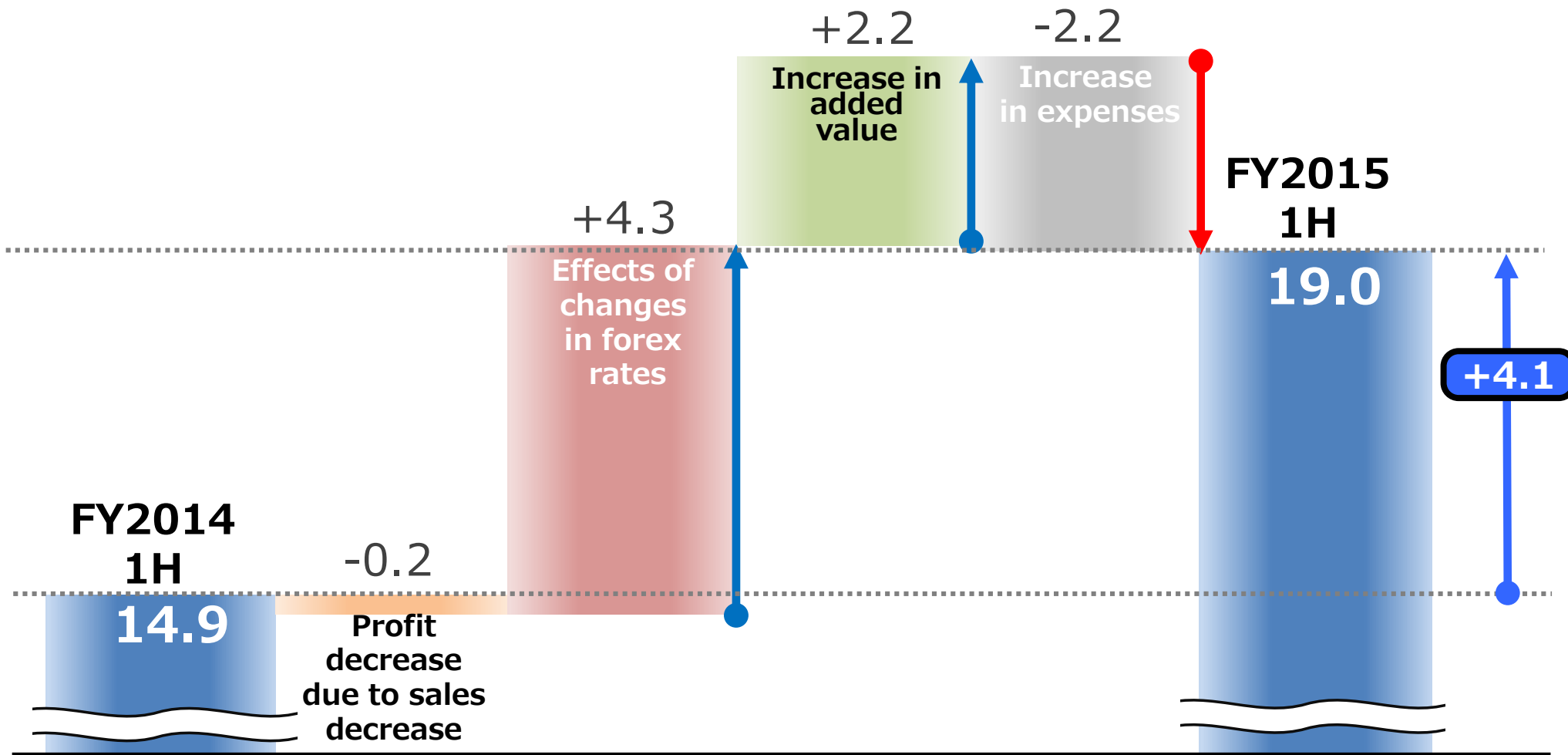
Note: "Other" include Australia and South Africa, etc.

- The sales ratio of the Americas significantly expanded



Breakdown of Changes in Operating Income (FY14/1H → FY15/1H)

(Unit: Billions of yen)



• Strengthen sales capabilities in China

- ➔ Promote in production sites in cooperation with Midea Group, a leading household appliance manufacturer in China
- ➔ Cultivate nursing and rehabilitation markets in China where aging accelerates
- ➔ Establish two joint ventures for industrial business (end of Oct. 2015) and service robot business (planned in Mar. 2016)



New robot factory No. 3

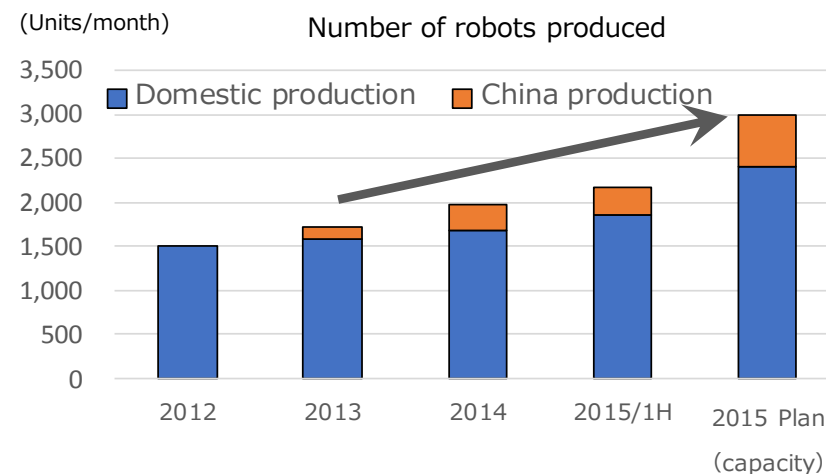
• Reinforce global production and sales capabilities

- ➔ Increase robot production capacity to 3,000 units / month

- Launched new robot factory No. 3 in Sep.
Capacity in Japan: 2,400 units / month (formerly 2,200)
- Capacity in China... 600 units / month (formerly 300)

- ➔ Expand sales of new products

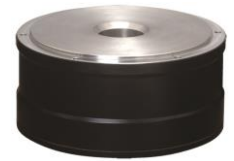
- Increase production capacity of AC servo "Σ-7" in China
- Enhance sales of matrix converter "U1000"



Measures for FY2015 2Q (2) : Release new products

- **Expand the lineup of AC servo drive “ Σ -7” series**

- ➔ Released a new model to expand applications to the medical devices, etc. in Aug.
- ➔ Released new direct drive motor in Jul.



New direct drive motor
(SGM7D model)

- **Released handling robot MOTOMAN – MH600 with payload of 600 kg (Sep.)**

- ➔ Optimized for handling of large-sized parts for automobiles, construction materials, etc.



MOTOMAN-MH600

- **Expand Humatronics* business domain**

- ➔ Promote sales of “LR²” physical therapy robot for the lower extremities
- ➔ Promote sales of walk-assist device “ReWalk”
- ➔ Developed new rehabilitation device for repetitive facilitation exercise therapy for supination and pronation of the forearm (Aug.)
- ➔ Developed small-sized joint drive unit for medical/welfare fields (Oct.)



“LR²” physical therapy robot

- **Developed the world’s first matrix converter with SiC power device (Aug.)**

- ➔ Realized downsizing and energy-saving with sine wave input and output of voltage and current



Small-sized joint drive unit

2. FY2015/2H and Full-year Financial Forecasts (Ending March 20, 2016)

FY2015 Full-year Financial Forecasts (Highlights)

- Overall outlook is uncertain as the growth of China is slowing down.
- The profit forecasts remain unchanged as profitability improves, while sales forecast is revised down.

	<u>FY2015 Forecast</u>	FY2015 Previous forecast	Change from previous forecast	FY2014 Results	<u>Changes</u>	
					<u>Amounts</u>	<u>%</u>
Net sales	<u>¥ 420.0bn.</u>	435.0bn.	-15.0bn.	¥ 400.2bn.	<u>+¥ 19.8bn.</u>	<u>+5.0%</u>
Operating income	<u>¥ 36.5bn.</u>	36.5bn.	-	¥ 31.5bn.	<u>+¥ 5.0bn.</u>	<u>+15.8%</u>
Ordinary income	<u>¥ 37.0bn.</u>	37.0bn.	-	¥ 33.9bn.	<u>+¥ 3.1bn.</u>	<u>+9.2%</u>
Net income	<u>¥ 24.0bn.</u>	24.0bn.	-	¥ 24.8bn.	<u>-¥ 0.8bn.</u>	<u>-3.3%</u>

Notes: The figures of FY2015 forecasts were announced on April 20, 2015

FY2015 Full-year Financial Forecasts (by Business Segment)

- (M) and (S) forecasts are revised down mainly due to deceleration of growth in China and stagnating U.S. oil/gas demand
- (R) forecasts are revised up due to favorable market conditions.

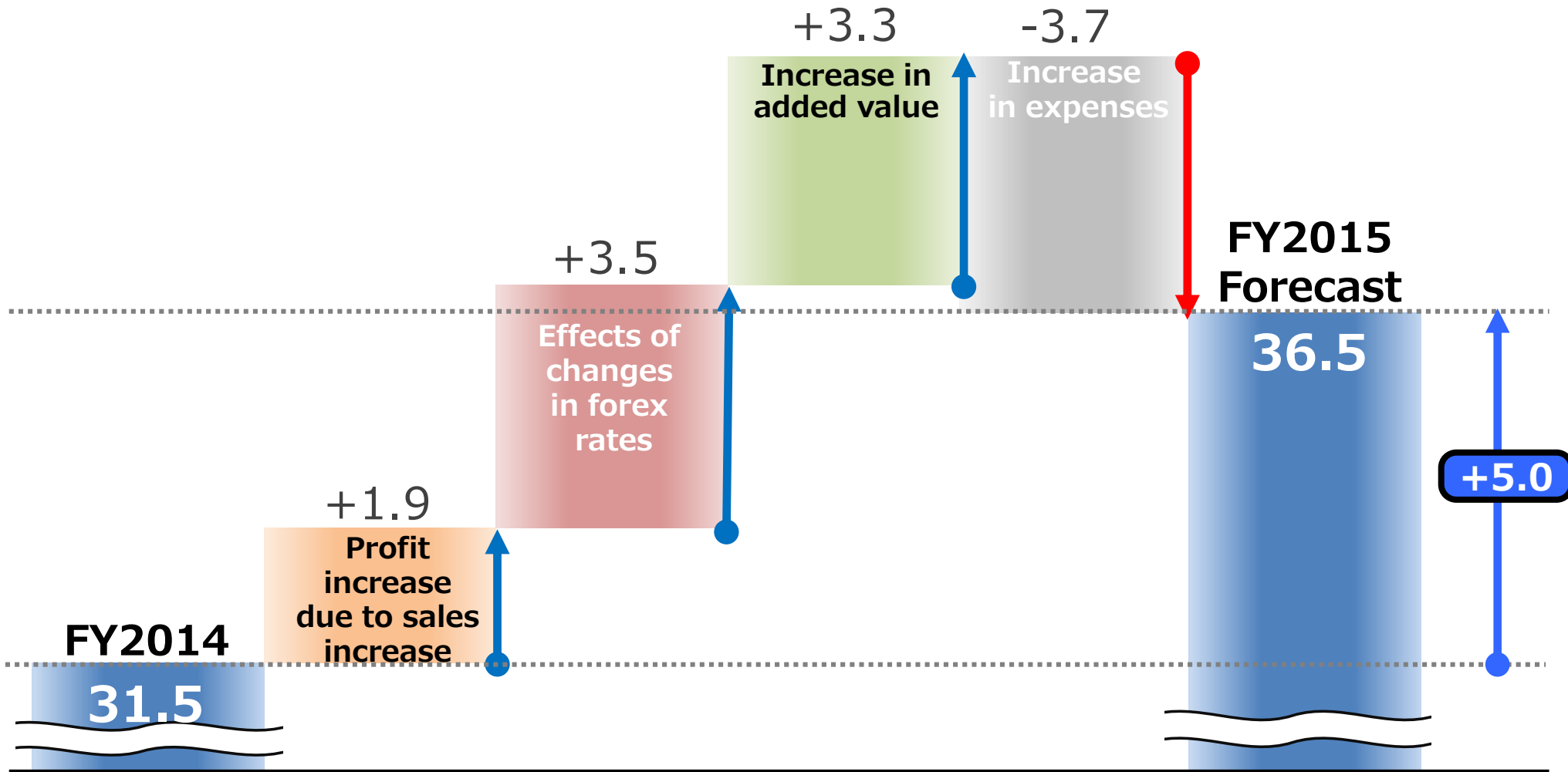
(Billions of yen)

		FY2015		FY2015		Change from previous forecast	FY2014 1H		Changes	
		Current forecast	Income ratio	Previous forecast	Income ratio			Income ratio	Amounts	%
Net sales		420.0		435.0		-15.0	400.2		+19.8	+5.0%
(M)	Motion Control	194.5		211.0		-16.5	188.1		+6.4	+3.4%
(R)	Robotics	153.0		149.0		+4.0	136.0		+17.0	+12.5%
(S)	System Engineering	43.0		46.0		-3.0	41.0		+2.0	+4.9%
	Other	29.5		29.0		+0.5	35.1		-5.6	-16.0%
Operating income		36.5	8.7%	36.5	8.4%	0	31.5	7.9%	+5.0	+15.8%
(M)	Motion Control	22.4	11.5%	25.3	12.0%	-2.9	21.7	11.6%	+0.7	+3.0%
(R)	Robotics	15.6	10.2%	12.6	8.5%	+3.0	10.6	7.8%	+5.1	+48.2%
(S)	System Engineering	-1.3	-	-1.0	-	-0.3	-0.8	-	-0.5	-
	Other	1.0	3.2%	0.8	2.8%	+0.2	1.3	3.6%	-0.3	-25.6%
	Elimination or Corporate	-1.2	-	-1.2	-	-0.5	-1.3	-	+0.1	-
Ordinary income		37.0	8.8%	37.0	8.5%	0	33.9	8.5%	+3.1	+9.2%
Net income		24.0	5.7%	24.0	5.5%	0	24.8	6.2%	-0.8	-3.3%

Notes: The figures in FY2015 previous forecast were announced on April 20, 2015

Breakdown of Changes in Operating Income (FY2014 → FY2015)

(Billions of yen)



- **Develop and release new products in (M) and (R)**

- ➔ Plan to launch next generation of AC drives in FY16
- ➔ Plan to launch 2016 model of robots in FY16

- **Expand sales of AC servo motor “Σ-7”**

- ➔ Strengthen production system in China and enhance introduction of Σ-7 in China and Asia
- ➔ Accelerate switch to Σ-7 in the U.S., Europe, and Japan



Σ-7 Series

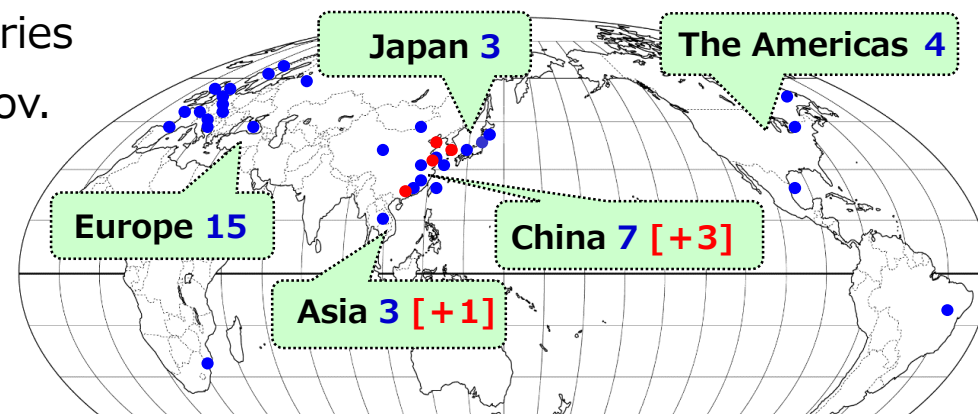
- **Increase sales to the general industries through robot centers (RC)**

- ➔ Foster and develop SIers in general industries
- ➔ Plan to establish RC in Korea (Taegu) in Nov.

Number of robot centers in the world

32 (by FY15/2Q) + 4 (in FY15 2H)

36 (at the end of FY15)



3. Reference

Capital Expenditure, R&D Investment, Forex Rates

◆Capital expenditure

(Unit: Billions of yen)

	FY2013	FY2014	FY2015 Plan
Capital Expenditure	17.0	36.4	18.0
Depreciation and Amortization	9.2	11.5	13.5

◆R&D investment

(Unit: Billions of yen)

	FY2013	FY2014	FY2015 Plan
R&D investment	14.0	15.3	15.0

◆Forex rates

(unit: Yen)

	FY2013			FY2014			FY2015 Forecast		
	1H	2H	Full-year	1H	2H	Full-year	1H(Results)	2H	Full-year
U.S. dollar	98.2	101.0	99.6	102.2	114.2	108.2	121.9	120.0	120.9
Euro	128.5	136.9	132.7	139.4	139.9	139.7	134.3	130.0	132.2

Note: Average rate during the period

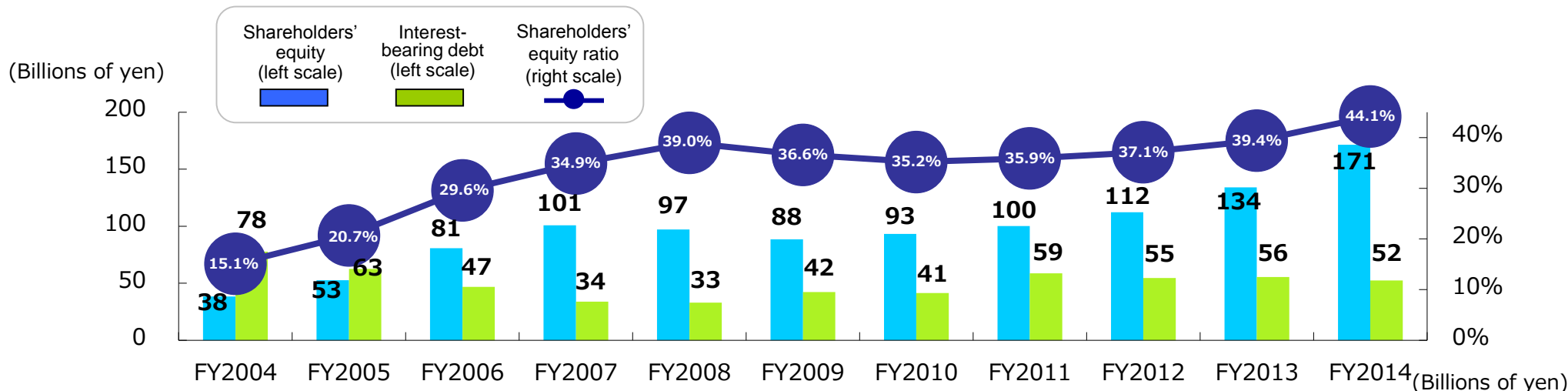
Financial Indices

As of March 20, 2015

➤ Shareholders' equity ratio	44.1%
➤ Shareholders' equity	171.4 billion yen
➤ Interest-bearing debt	52.4 billion yen
➤ D/E ratio	0.31
(Net D/E ratio)	0.16
➤ Inventory	85.5 billion yen
Turnover	2.6 months
➤ ROE	16.3%

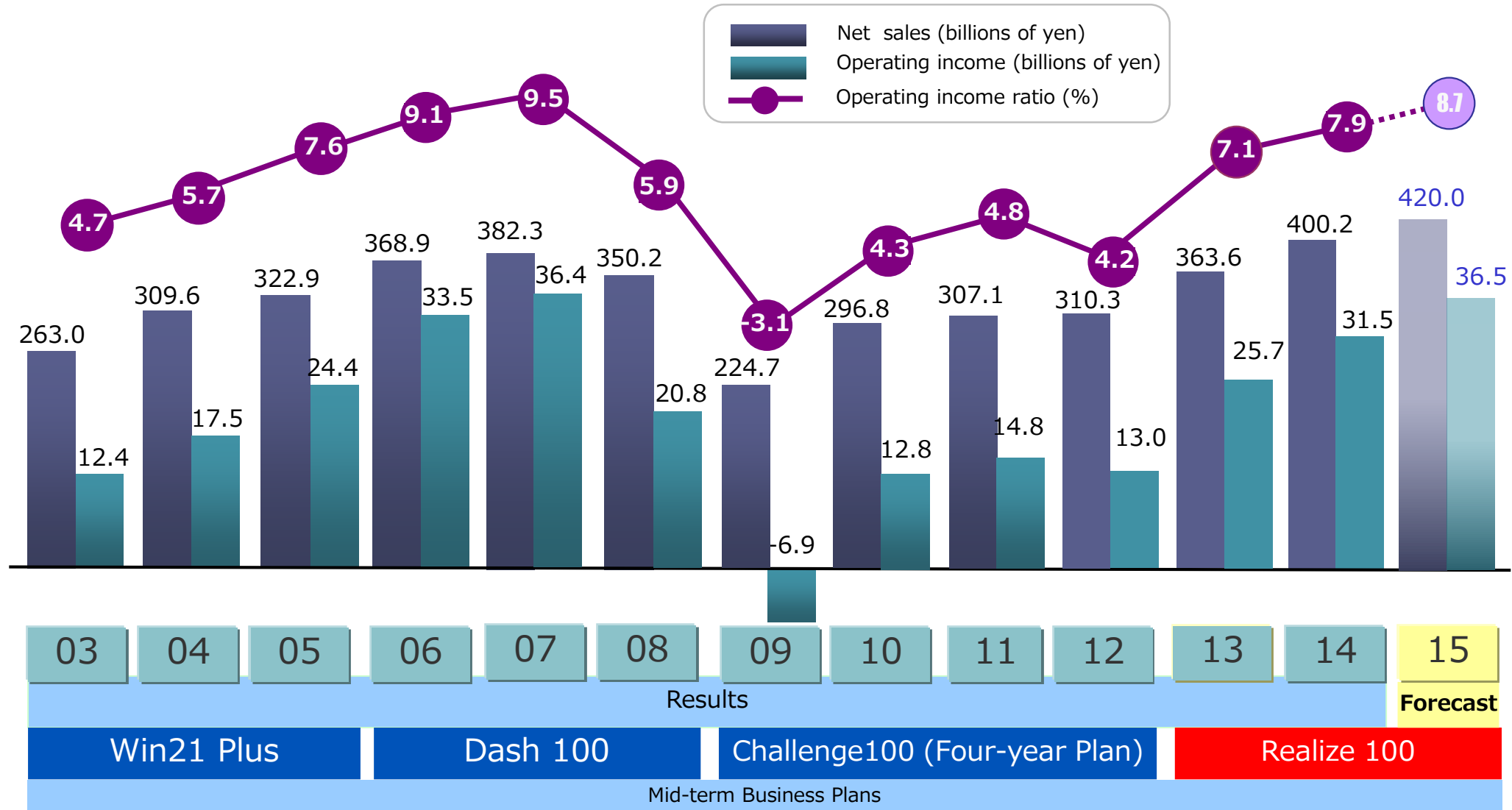
As of September 20, 2015

➤ Shareholders' equity ratio	46.4%
➤ Shareholders' equity	180.8 billion yen
➤ Interest-bearing debt	48.5 billion yen
➤ D/E ratio	0.27
(Net D/E ratio)	0.12
➤ Inventory	87.4 billion yen
Turnover	2.5 months



Operating CF	5.8	18.7	15.0	17.7	12.5	4.0	2.5	6.4	24.6	24.0	29.0
Investment CF	-2.2	-9.7	-6.1	-9.9	-10.7	-6.5	-6.7	-11.9	-18.1	-16.9	-27.9
Free CF	3.5	9.0	8.9	7.8	1.8	-2.4	-4.3	-5.5	6.6	7.0	1.1

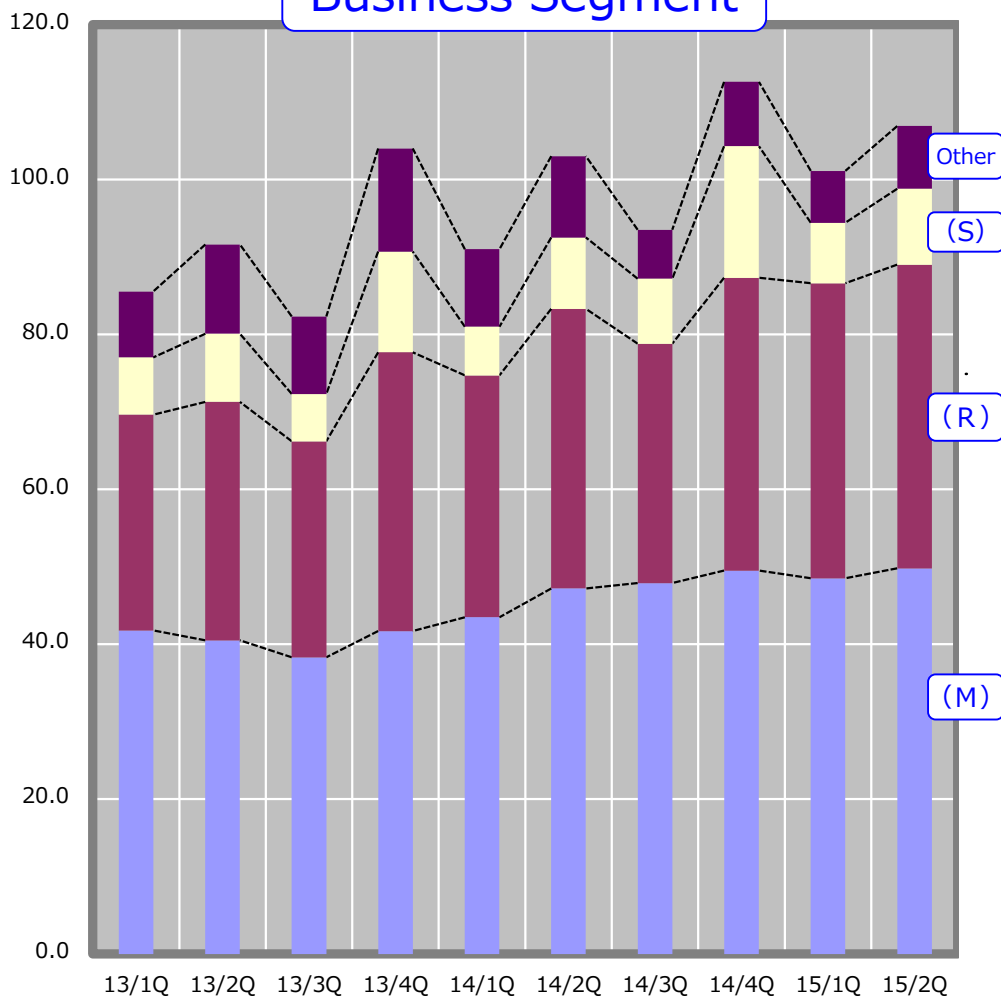
FY2003-2015 Net Sales/Operating Income



Quarterly Sales Trends (1)

(Billions of yen)

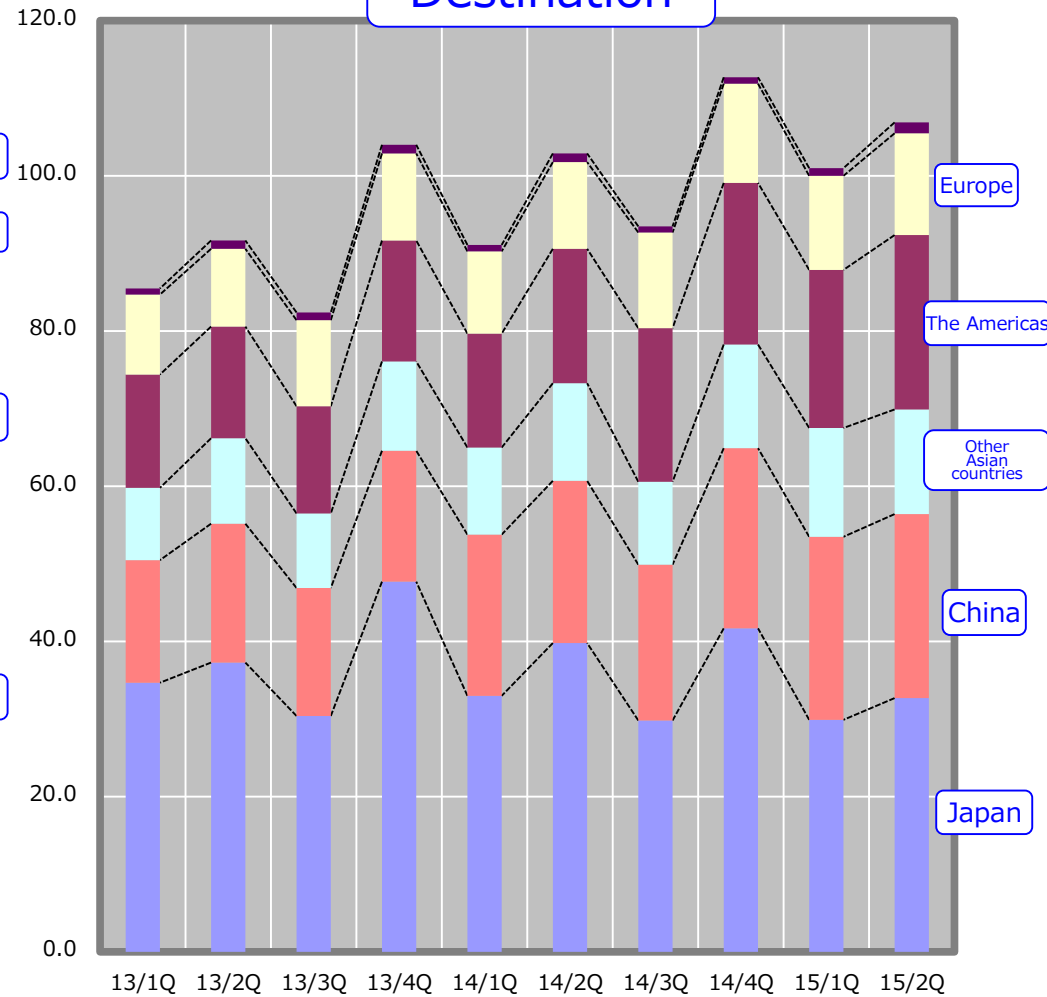
Business Segment



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

(Billions of yen)

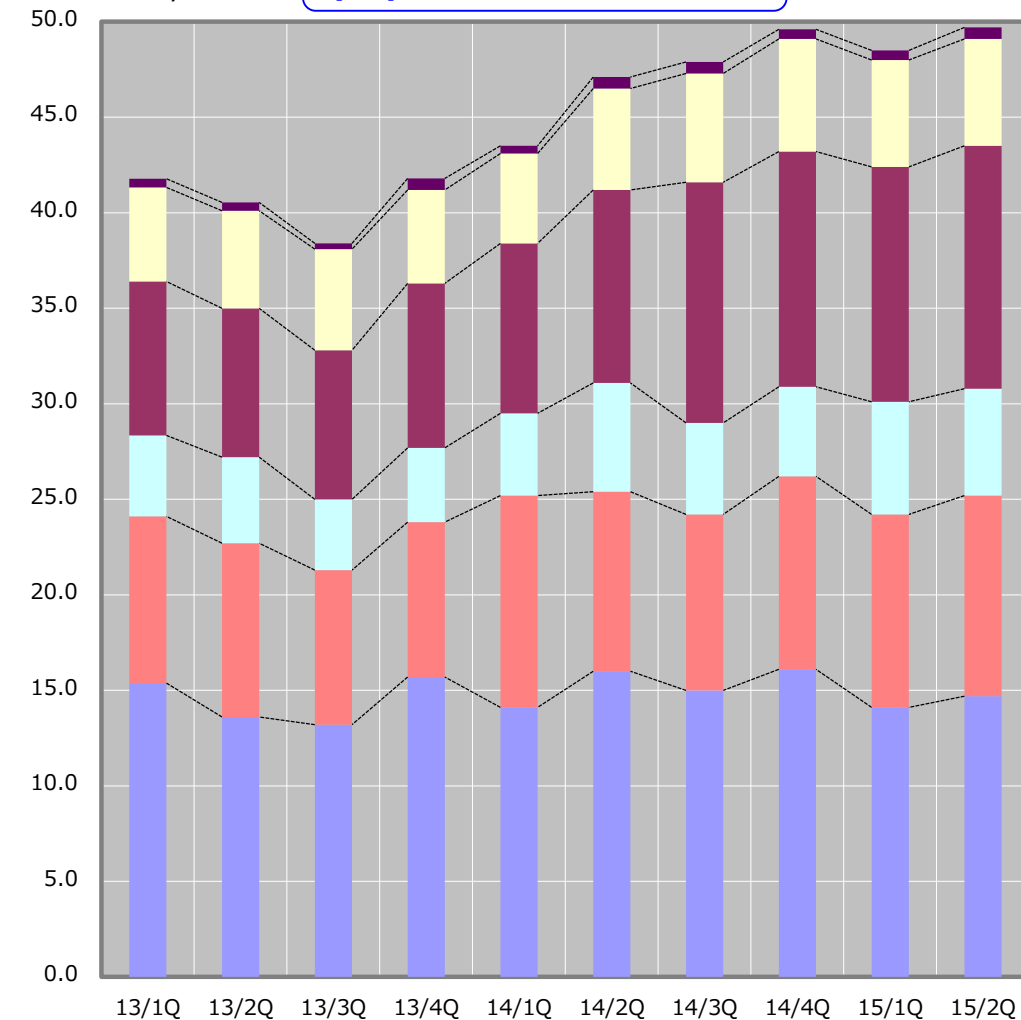
Destination



Quarterly Sales Trends (2)

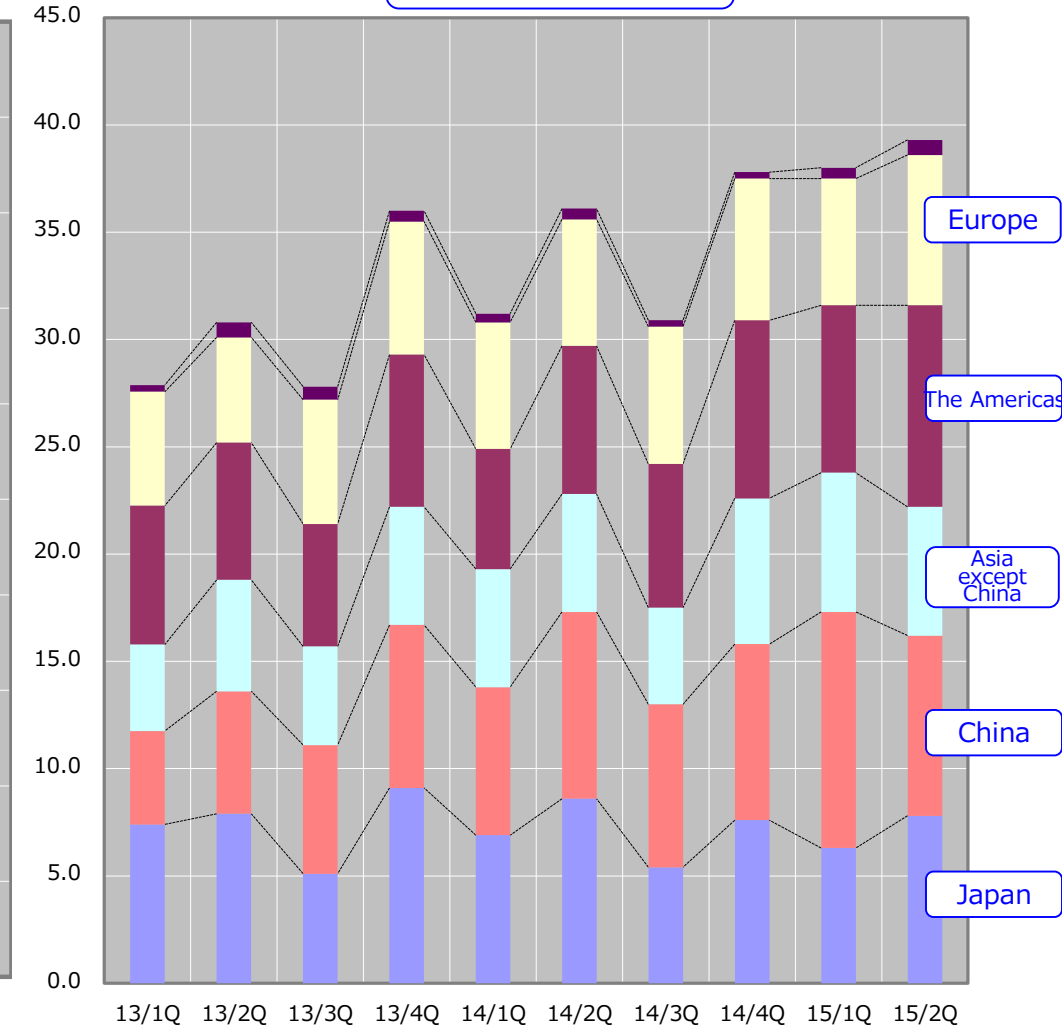
(M) Motion Control

(Billions of yen)



(R) Robotics

(Billions of yen)



Major Production Bases

