

FY2016 1st Quarter Financial Results (Ended June 20, 2016)

FY2015 1st Half Forecasts (Ending September 20, 2016)

YASKAWA ELECTRIC CORPORATION (TSE6506)

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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]

- 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



Robot system for preprocessing operations



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.



Large-scale wind power generator and converter



Continuous-casting machine



Electrical instrumentation systems for water and sewerage

Other

[Core products]

- IT-related services
- Logistics, etc.

1. FY2016 1Q Financial Results

(Ended June 20, 2016)

FY2016 1Q Financial Results Highlights

- **Sales and income decline because of slowdown in China and the strong yen.**

	<u>FY2016</u> <u>1Q</u>	FY2015 1Q	<u>Changes</u>	
Net Sales	<u>¥ 90.4bn.</u>	¥ 101.1bn.	<u>-¥ 10.7bn.</u>	<u>-10.6%</u>
Operating income	<u>¥ 5.5bn.</u>	¥ 9.1bn.	<u>-¥ 3.7bn.</u>	<u>-40.2%</u>
Ordinary income	<u>¥ 5.3bn.</u>	¥ 10.0bn.	<u>-¥ 4.7bn.</u>	<u>-47.2%</u>
Profit attributable to owners of parent	<u>¥ 3.4bn.</u>	¥ 5.8bn.	<u>-¥ 2.3bn.</u>	<u>-40.5%</u>

FY2016 1Q Financial Results by Business Segment (1)

- Sales and profits in (M) and (R) decrease due to the strong yen.
- The sales and profits in (S) increased in accordance with the steady growth in the large-scale wind turbine business.

(Billions of yen)

		FY2016 1Q		FY2015 1Q		Changes	
		Results	Income ratio	Results	Income ratio	Amounts	%
Net sales		90.4		101.1		-10.7	-10.6%
(M)	Motion Control	43.5		48.5		-4.9	-10.2%
(R)	Robotics	32.4		38.1		-5.7	-15.0%
(S)	System Engineering	9.0		7.8		+1.2	+15.6%
	Other	5.4		6.7		-1.2	-18.5%
Operating income		5.5	6.0%	9.1	9.1%	-3.7	-40.2%
(M)	Motion Control	4.3	9.9%	6.5	13.4%	-2.2	-33.7%
(R)	Robotics	2.2	6.9%	4.1	10.9%	-1.9	-46.3%
(S)	System Engineering	-0.6	-6.8%	-1.4	-17.5%	+0.7	-
	Other	-0.1	-2.0%	0.1	1.8%	-0.2	-
	Elimination or Corporate	-0.3	-	-0.2	-	-0.1	-
Ordinary income		5.3	5.8%	10.0	9.9%	-4.7	-47.2%
Profit attributable to owners of parent		3.4	3.8%	5.8	5.7%	-2.3	-40.5%

FY2016 1Q Financial Results by Business Segment (2)

Motion Control

- **In AC servo, sales were solid especially in the machine tool and the semiconductor industries led by a recovery of the smart phone- and automotive-related demand in China. The profitability improved as switch to the new product progressed.**
- **The demand of AC drive was sluggish in the U.S. oil-related industry, and the sales of PV inverter business was also weak.**

Robotics

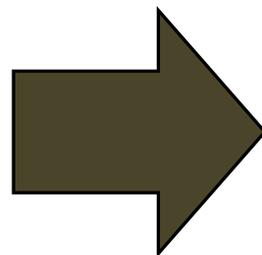
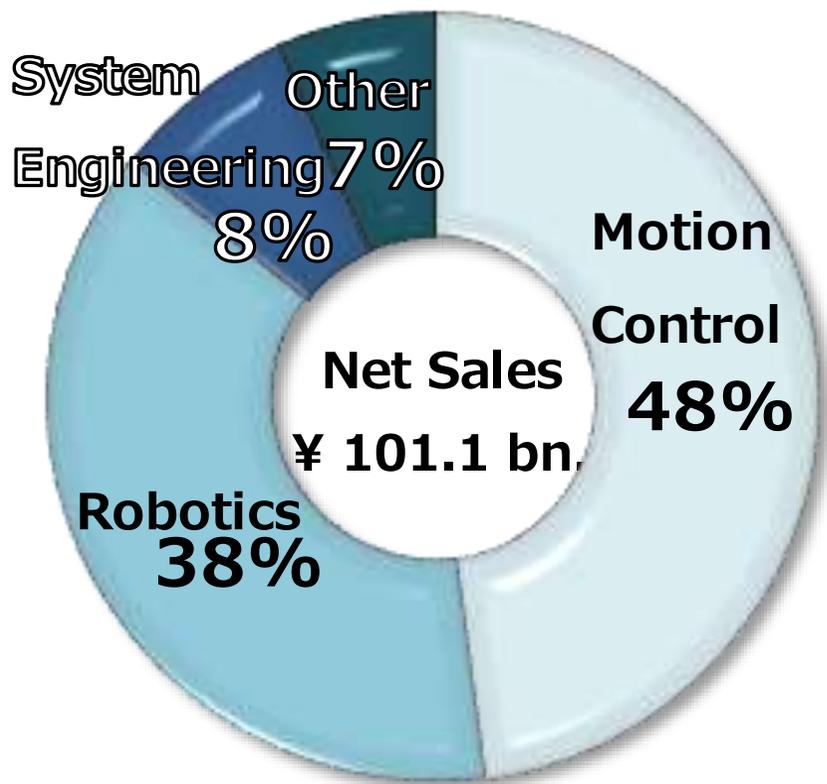
- **Sales in China decreased that was reflected from weak order trend in the previous quarter, and sales in the Americas was also weak due to less involvement of projects. However, sales in Japan and Europe increased.**
- **Global order trend in 1Q/FY16 was firm led by improved demand in China.**

System Engineering

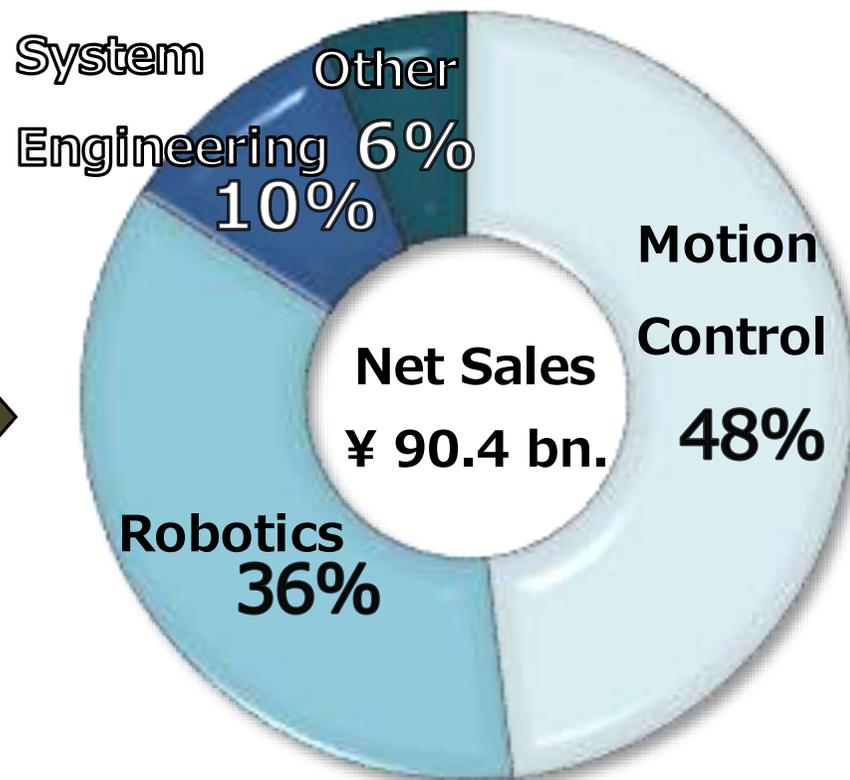
- **Profitability improved because sales in the water treatment system and the large-scale wind turbine businesses increased.**

Sales Breakdown by Business Segment

FY15/1Q



FY16/1Q



Sales Breakdown by Destination (1)

- Overseas sales except Europe decline because of the strong yen.

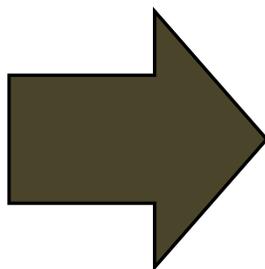
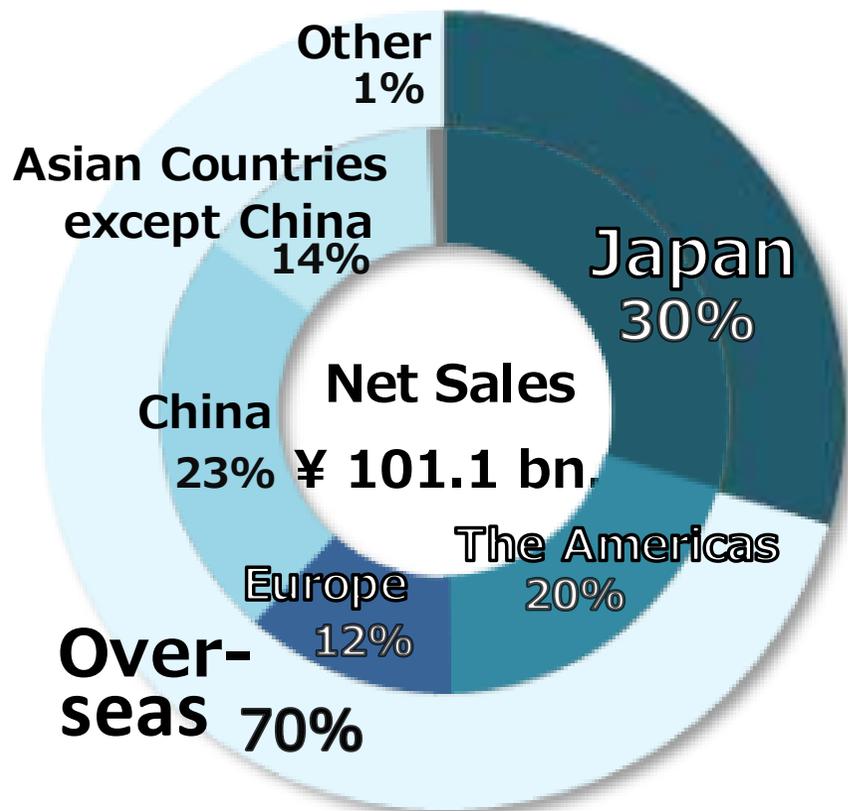
(Billions of yen)

	FY16/1Q	FY15/1Q	Changes	
			Amounts	%
Net sales	90.4	101.1	-10.7	-10.6%
Japan	29.1	29.9	-0.9	-2.9%
Overseas	61.3	71.1	-9.8	-13.8%
The Americas	17.3	20.4	-3.1	-15.0%
Europe	12.3	12.1	+0.2	+1.4%
China	20.3	23.6	-3.3	-14.0%
Asian Countries except China	10.5	14.0	-3.5	-24.9%
Other	0.9	1.0	-0.1	-14.6%

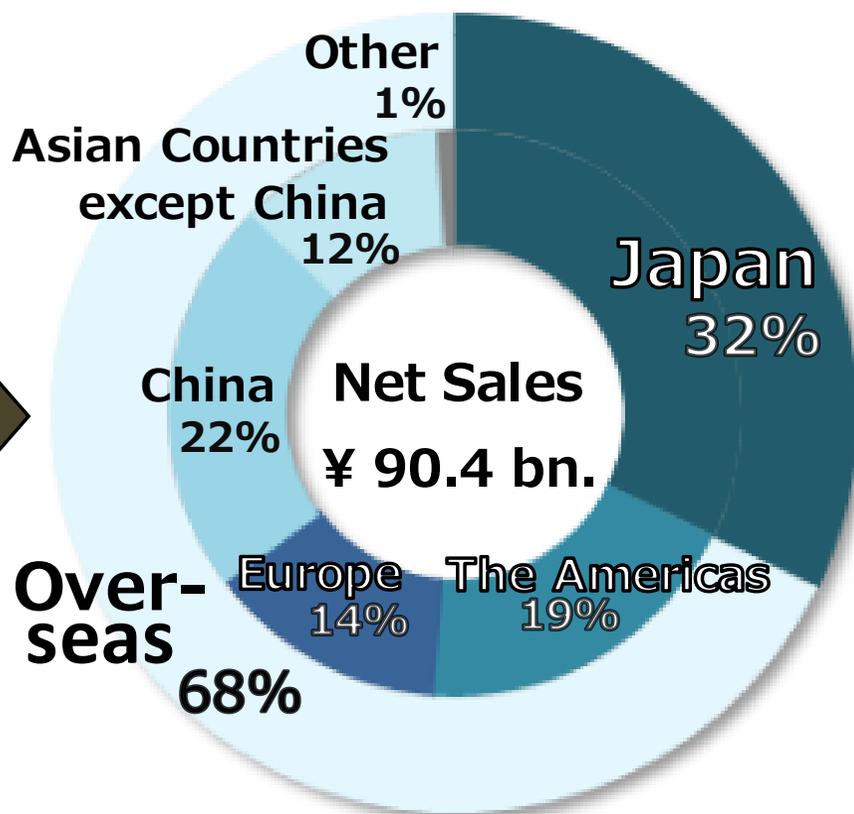
Note: "Other" category includes Australia and South Africa, etc.

Sales Breakdown by Destination (2)

FY15/1Q

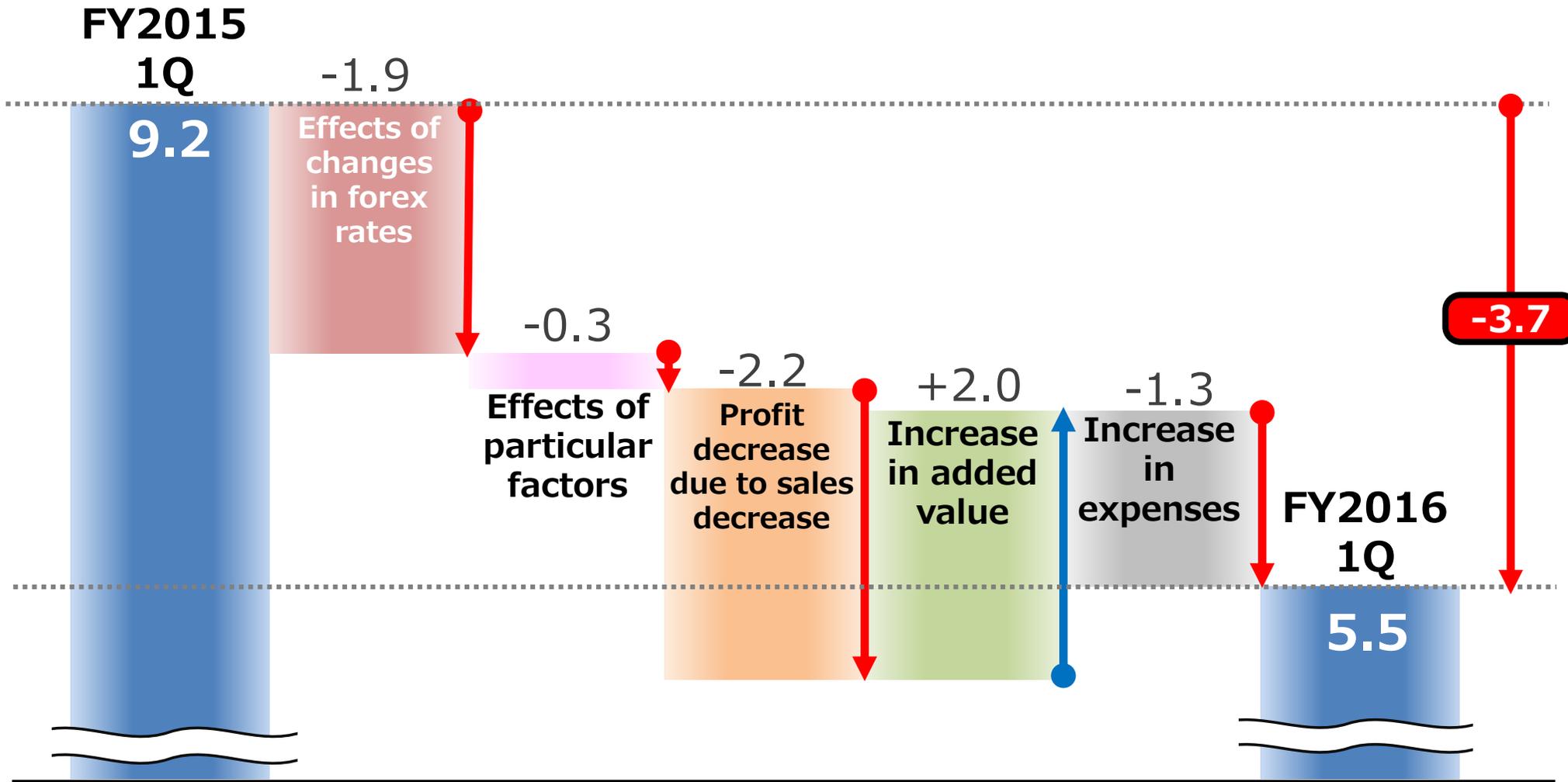


FY16/1Q



Breakdown of Changes in Operating Income (FY2015/1Q → FY2016/1Q)

(Unit: Billions of yen)



Measures for FY2016 1Q

➤ Expand sales from core businesses

• Enhance sales of AC servo motor “Σ-7” series

※FY16 1Q switch rate to Σ-7 series: Approx. 50%
(China: Approx. 80%)

• Launched new AC drive “Zero series”

• Expand sales of Matrix converter U1000

➤ Reinforce development, production and sales capabilities

• Developed “Path Planning function” to realize easier introduction of robots

• Established YASKAWA Polska Sp.z o.o. in Poland

➔ Reinforce sales capabilities for Central and Eastern European markets

➤ Create new businesses

• Establish Chery Yaskawa E-drive System Co., Ltd. (Sep. 2016)

➔ Expand automotive electric drive system business in China

• Fortify product development in Humatronics fields

➔ Launched rehabilitation device for lower limbs “LR²”

➔ Launched robot nursing care equipment “Indoor walk support device”

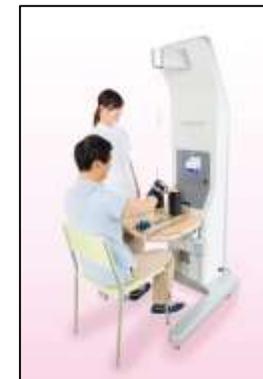


New AC drive
“Zero series”



New AC drive
“Zero series”

Matrix Converter
U1000



Rehabilitation device for
lower limbs “LR²”



Indoor walk
support device

2. FY2016/1H Financial Forecasts **(Ending September 20, 2016)**

FY2016/1H Financial Forecasts (Highlights)

- **FY2016/1H forecasts remain the same due to the favorable order situation.**

	<u>FY2016 1H</u>	FY2015 1H	<u>Changes</u>	
	<u>Forecasts</u>	Results	<u>Amounts</u>	<u>%</u>
Net sales	<u>¥ 192.5bn.</u>	¥ 207.9bn.	<u>-¥ 15.4bn.</u>	<u>-7.4%</u>
Operating income	<u>¥ 11.0bn.</u>	¥ 19.0bn.	<u>-¥ 8.0bn.</u>	<u>-42.0%</u>
Ordinary income	<u>¥ 11.0bn.</u>	¥ 19.0bn.	<u>-¥ 8.0bn.</u>	<u>-42.1%</u>
Profit attributable to owners of parent	<u>¥ 7.0bn.</u>	¥ 12.0bn.	<u>-¥ 5.0bn.</u>	<u>-41.8%</u>

FY2016 1H Financial Forecasts (by Business Segment)

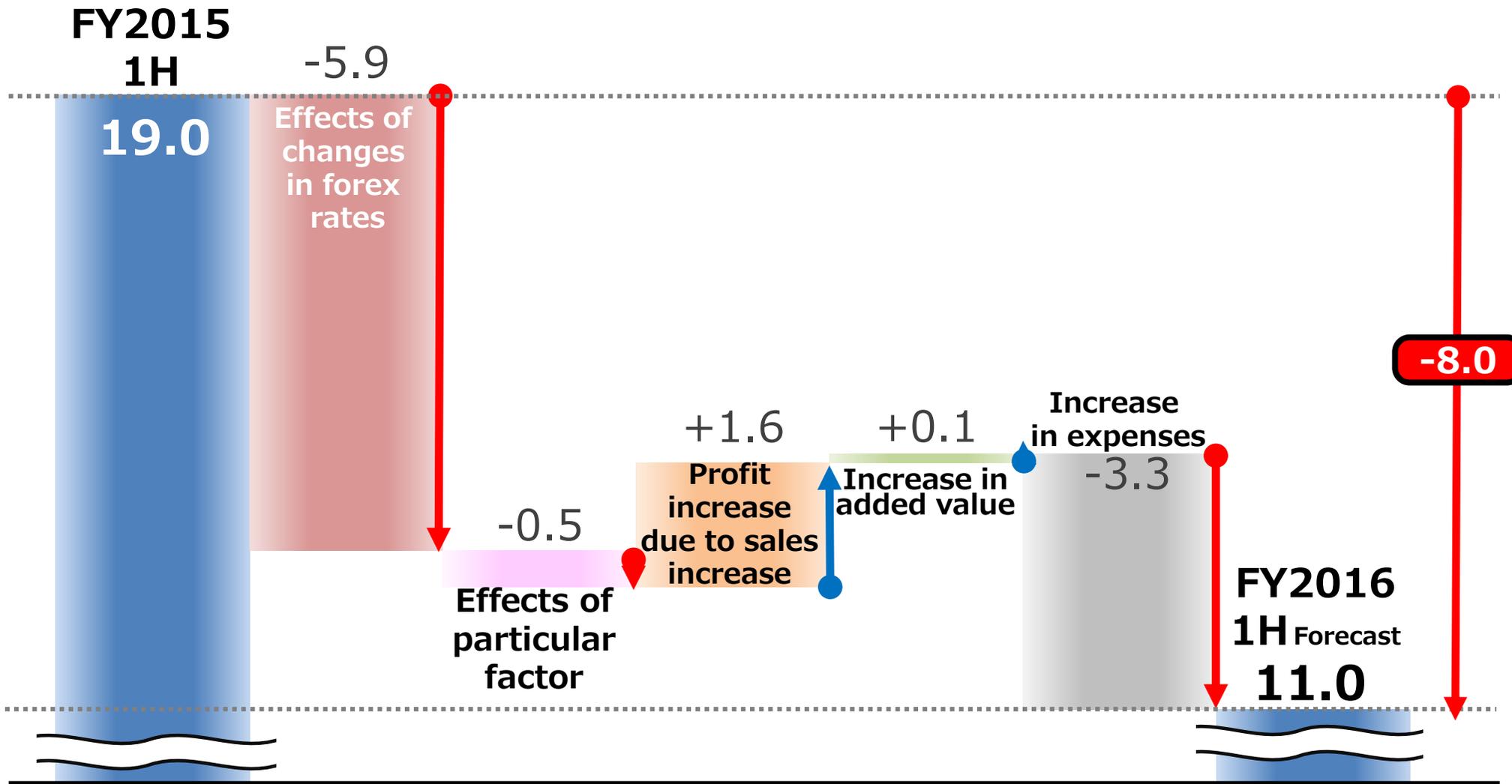
- Sales and profits in (M) and (R) decline because of the strong yen.

(Billions of yen)

		FY2016 1H		FY2015 1H		Changes	
		Forecasts	Income ratio	Results	Income ratio	Amounts	%
Net sales		192.5		207.9		-15.4	-7.4%
(M)	Motion Control	89.5		98.2		-8.7	-8.9%
(R)	Robotics	70.5		77.4		-6.9	-8.9%
(S)	System Engineering	20.0		17.6		+2.4	+13.6%
	Other	12.5		14.8		-2.3	-15.3%
Operating income		11.0	5.7%	19.0	9.1%	-8.0	-42.0%
(M)	Motion Control	8.4	9.3%	12.3	12.5%	-3.9	-32.1%
(R)	Robotics	4.7	6.6%	8.9	11.5%	-4.2	-47.5%
(S)	System Engineering	-1.1	-5.5%	-2.1	-11.9%	+1.0	-
	Other	-0.2	-1.8%	0.5	3.6%	-0.7	-
	Elimination or Corporate	-0.7	-	-0.6	-	-0.1	-
Ordinary income		11.0	5.7%	19.0	9.1%	-8.0	-42.1%
Profit attributable to owners of parent		7.0	3.6%	12.0	5.8%	-5.0	-41.8%

Breakdown of Changes in Operating Income (FY2015/1H → FY2016/1H Forecast)

(Billions of yen)



3. Reference

Capital Expenditure, R&D Investment, Forex Rates

◆ Capital expenditure (Consolidated)

(Unit: Billions of yen)

	FY2014	FY2015	FY2016 Plan
Capital Expenditure	36.4	16.8	19.0
Depreciation and Amortization	11.5	13.1	13.0

◆ R&D investment (Consolidated)

(Unit: Billions of yen)

	FY2014	FY2015	FY2016 Plan
R&D investment	15.3	16.8	18.0

◆ Forex rates (Consolidated)

(Unit: Yen)

	FY2014			FY2015			FY2016 Forecasts		
	1Q	2Q	1H	1Q	2Q	1H	1Q	2Q	1H
U.S. dollar	102.2	102.3	102.2	120.2	123.5	121.9	110.8	105.0	107.9
Euro	141.0	137.9	139.4	131.2	137.4	134.3	124.5	115.0	119.7

Note: Average rate during the period

Financial Indices

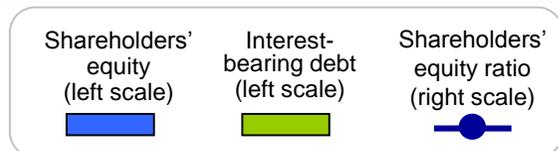
As of March 20, 2016

➤ Shareholders' equity ratio	48.5%
➤ Shareholders' equity	181.3 billion yen
➤ Interest-bearing debt	48.5 billion yen
➤ D/E ratio	0.27
(Net D/E ratio)	0.09
➤ Inventory	77.5 billion yen
Turnover	2.3 months
➤ ROE	12.8%

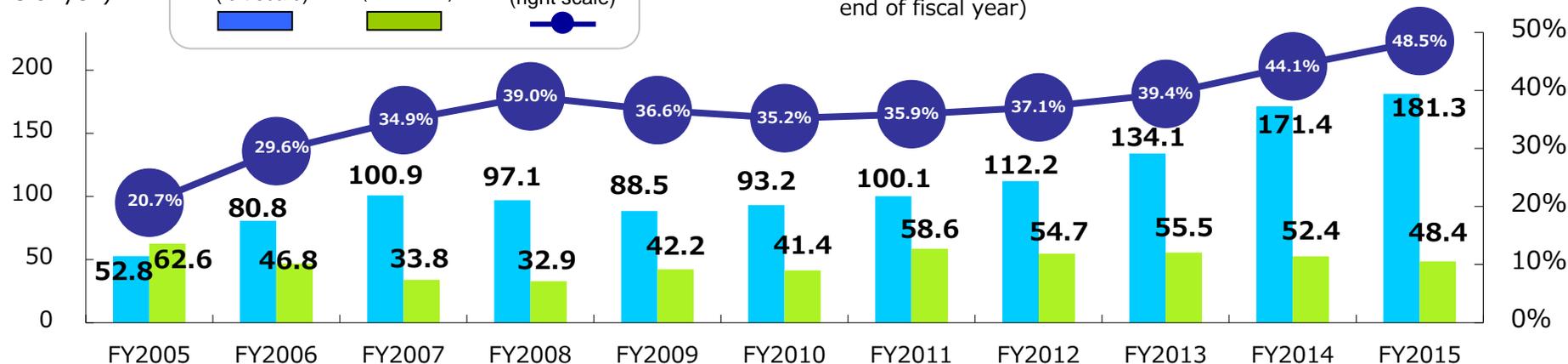
As of June 20, 2016

➤ Shareholders' equity ratio	49.1%
➤ Shareholders' equity	180.4 billion yen
➤ Interest-bearing debt	44.5 billion yen
➤ D/E ratio	0.25
(Net D/E ratio)	0.05
➤ Inventory	79.8 billion yen
Turnover	2.6 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)



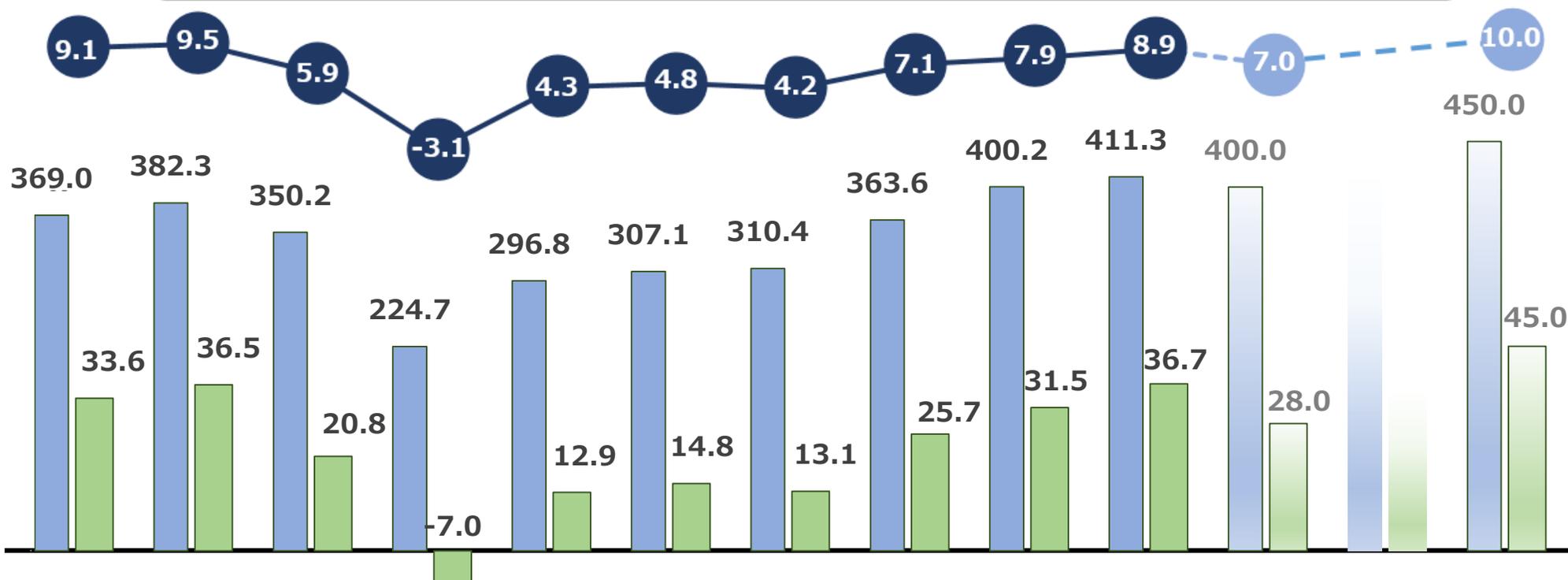
Operating CF
Investment CF

	FY2005	FY2006	FY2007	FY2008	FY2009	FY2010	FY2011	FY2012	FY2013	FY2014	FY2015
Operating CF	18.7	15.0	17.7	12.5	4.0	2.5	6.4	24.6	24.0	29.0	32.0
Investment CF	-9.7	-6.1	-9.9	-10.7	-6.5	-6.7	-11.9	-18.1	-16.9	-27.9	-22.4
Free CF	9.0	8.9	7.8	1.8	-2.4	-4.3	-5.5	6.6	7.0	1.1	9.5

(Billions of yen)

Net Sales/Operating Income (FY2006-2018 Plan)

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



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Results

Plan

Dash 100

Challenge 100

Realize 100

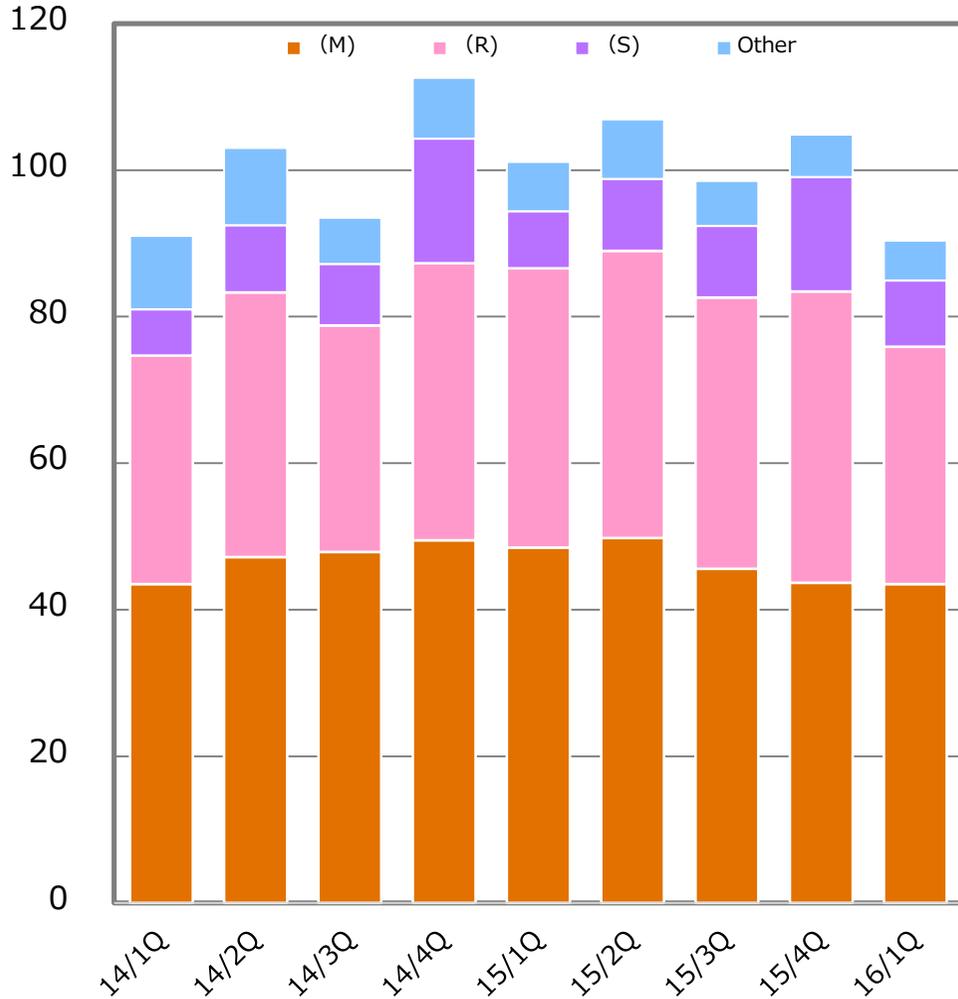
Dash 25

Mid-term Business Plan

Quarterly Sales Trends (1)

(Billions of yen)

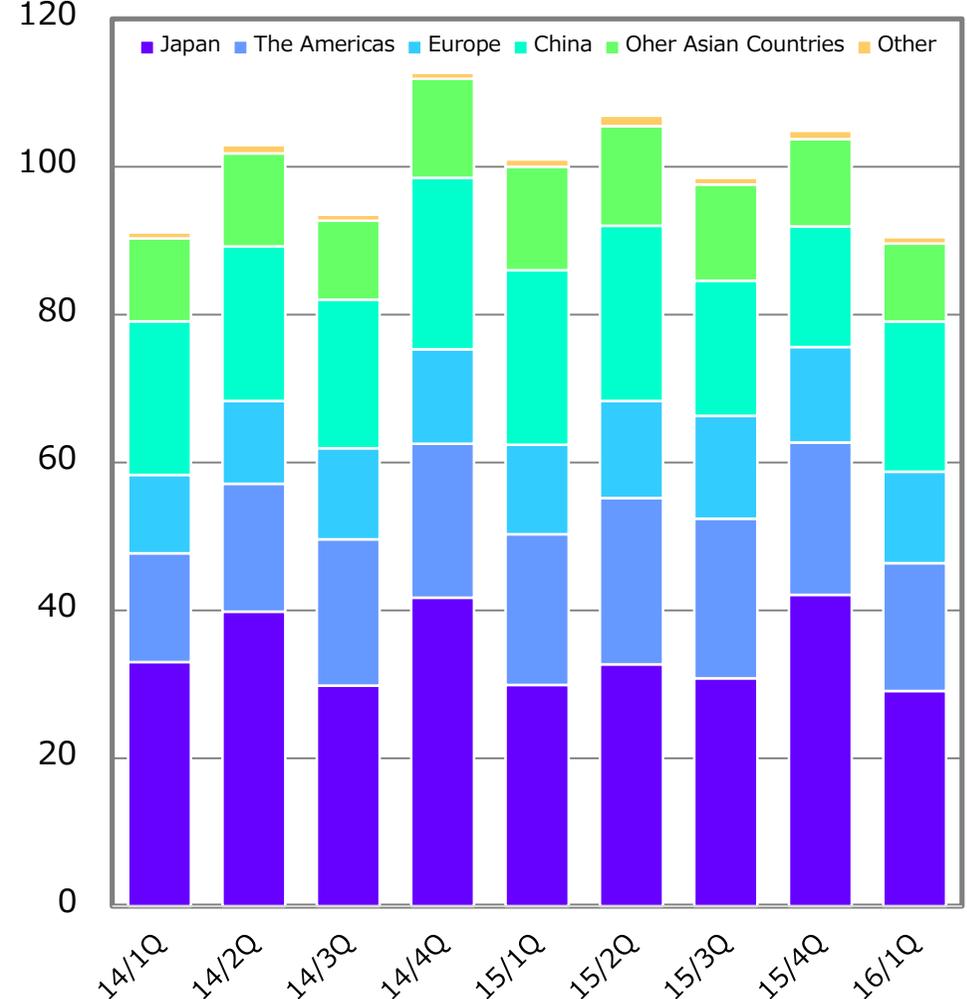
Business Segment



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

(Billions of yen)

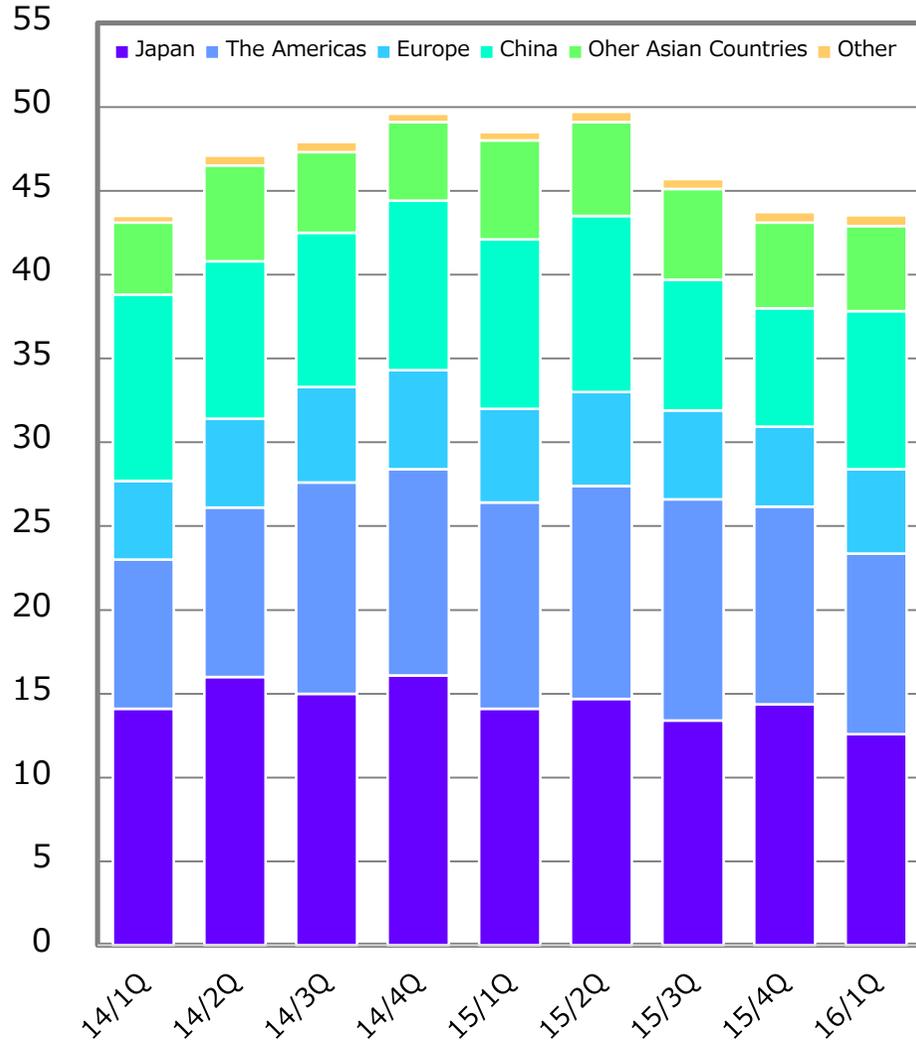
Destination



Quarterly Sales Trends (2)

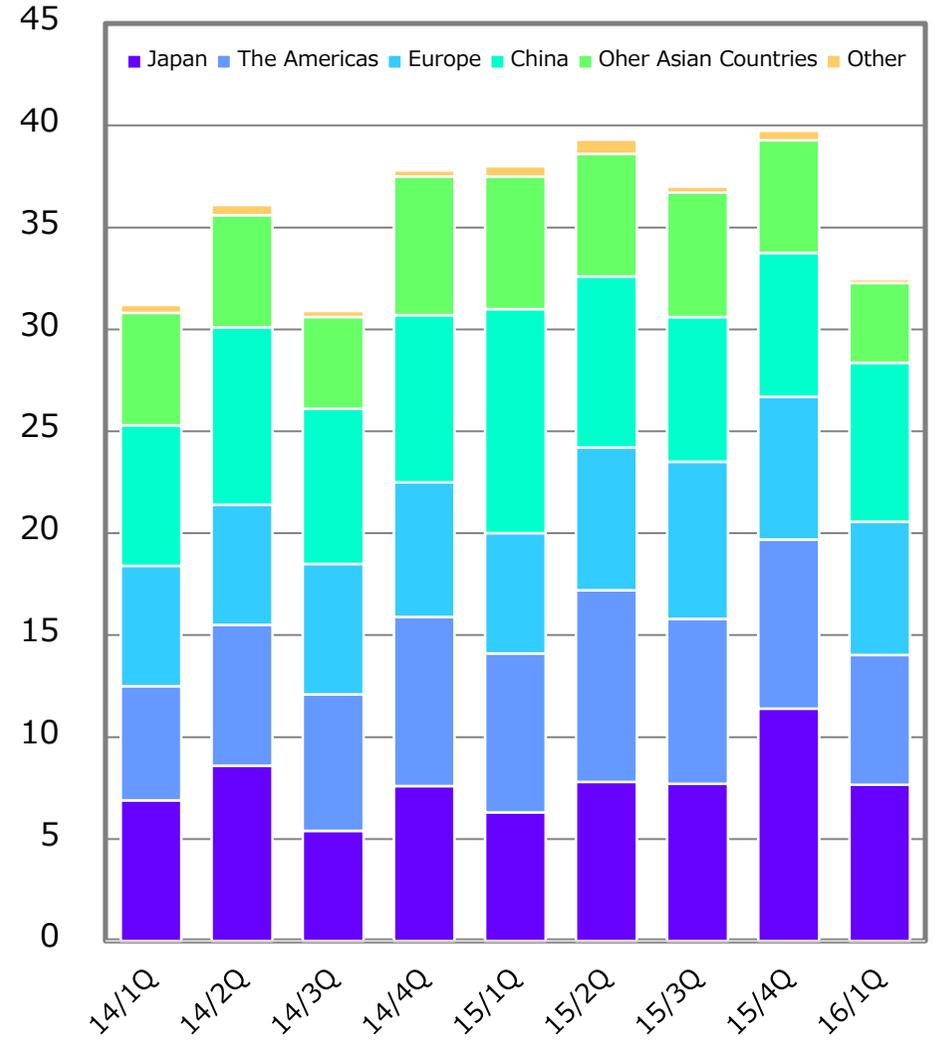
(Billions of yen)

Motion Control

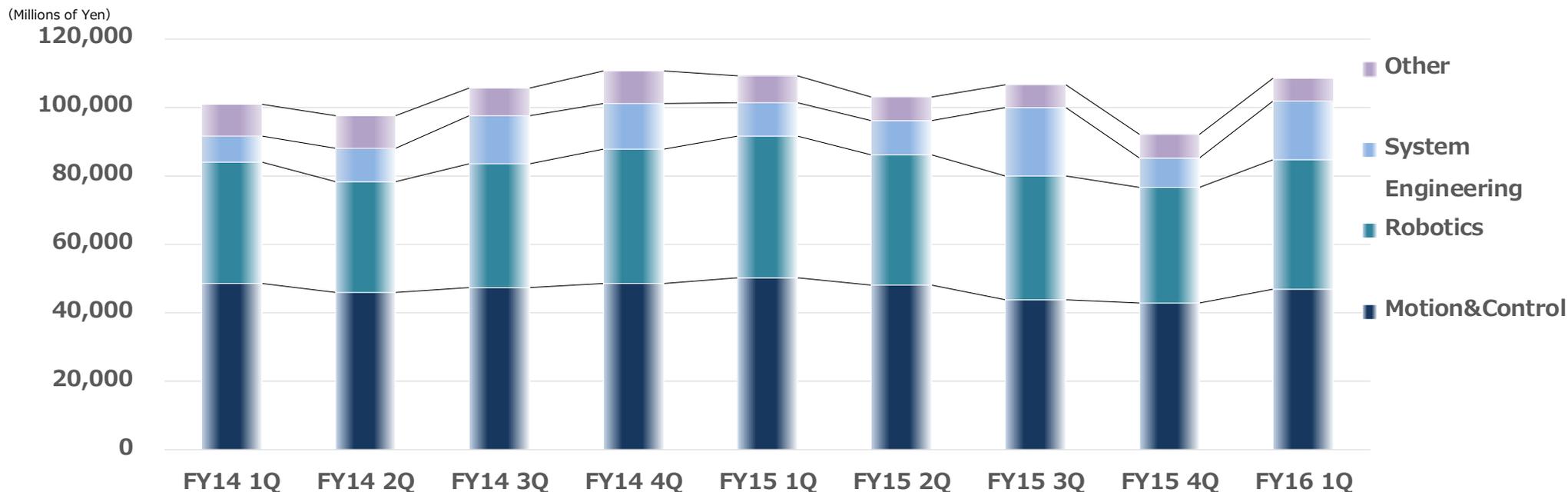


(Billions of yen)

Robotics



Quarterly Order Trends



		FY14				FY15				FY16
		1Q	2Q	3Q	4Q	1Q	2Q	3Q	4Q	1Q
Total	YoY	+11%	+15%	+15%	+30%	+8%	+6%	+1%	-17%	-1%
	QoQ	+18%	-3%	+8%	+5%	-1%	-6%	+3%	-14%	+18%
YoY	(M)	+11%	+23%	+20%	+22%	+3%	+5%	-8%	-12%	-7%
	(R)	+22%	+10%	-2%	+30%	+17%	+18%	+1%	-14%	-9%
	(S)	-3%	+1%	+58%	+60%	+23%	+3%	+40%	-37%	+78%
QoQ	(M)	+22%	-5%	+3%	+3%	+3%	-4%	-9%	-2%	+9%
	(R)	+18%	-9%	+12%	+9%	+6%	-8%	-4%	-7%	+12%
	(S)	-7%	+26%	+44%	-5%	-28%	+5%	+96%	-57%	+103%

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

Major Production Bases



YASKAWA