

FY2018 1st Quarter Financial Results (Three Months Ended May 31, 2018)

Notes:

- **The Company changed its accounting period in fiscal 2017 from March 20 to the last day of February. As a result of this change, the period for the first quarter of the fiscal year ending February 2019 (From March 1, 2018 to May 31, 2018) is different from that of the first quarter of the previous fiscal year (From March 21, 2017 to June 20, 2017). Therefore, the year-on-year changes of the 1Q results in this material are shown as <reference>.**
- 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.
- Figures in this document are rounded off, and may differ from those in other documents such as financial results.

YASKAWA ELECTRIC CORPORATION (TSE6506)

Contents

1. FY2018 1Q Financial Results

- FY2018 1Q Financial Results
(Highlights, By Business Segment)
- Business Segment Overview
(Motion Control, Robotics, System Engineering)
- Sales Breakdown by Business Segment
(FY2017 Apr.-Jun. → FY2018 Mar.-May)
- Sales Breakdown by Destination
(FY2017 Apr.-Jun. → FY2018 Mar.-May)
- Breakdown of Changes in Operating Income
(FY2017 Apr.-Jun. → FY2018 Mar.-May)
- Measures for FY2018 1Q

2. FY2018 1H, Full-Year Forecasts

- FY2018 1H Financial Forecasts
(Highlights, By Business Segment)
- Breakdown of Changes in Operating Income
(FY2017 Apr.-Sep. → FY2018 Mar.-Aug. Forecasts)
- FY2018 Full-Year Financial Forecasts (By Business Segment)

3. Reference

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

Business Overview

Motion Control

【Core products】

- AC servo motors and controllers
- Linear servo motors
- AC drives



AC servo motor
Σ-7 series



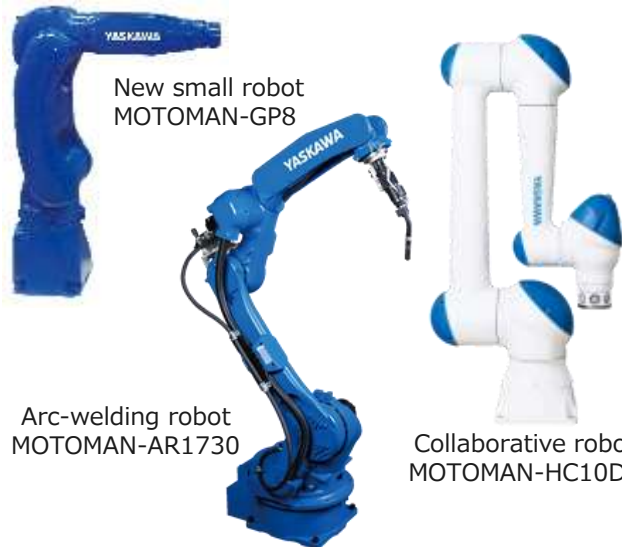
Yaskawa AC drive
new series

Matrix
converter
U1000

Robotics

【Core products】

- Industrial robots
 - Arc and spot welding robots, painting robots
 - FPD glass sheet transfer robots, handling robots
- Semiconductor wafer transfer robots
- Biomedical robots
- Collaborative robots



New small robot
MOTOMAN-GP8

Arc-welding robot
MOTOMAN-AR1730

Collaborative robot
MOTOMAN-HC10DT

System Engineering

【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
- PV inverters



Generator and converter for
large-scale wind turbines



PV inverter for
photovoltaic power
generation



Continuous-casting machine



Electrical
instrumentation
systems for water
and sewerage

Other

【Core products】

- EV drive system
- Logistics

1. FY2018 1Q Financial Results

(Three Months Ended May 31, 2018)

FY2018 1Q_(Mar.-May) Financial Results (Highlights)

- Sales and income significantly increased due to strong demand
(Sales and profits marked record high as 1Q results)**

	FY2018	FY2017	Changes 〈Reference〉	
	Mar.-May	Apr.-Jun.	Amounts	%
Net sales	¥ 128.2bn.	¥ 107.5bn.	+¥ 20.7bn.	+19.3%
Operating income	¥ 17.2bn.	¥ 13.2bn.	+¥ 4.0bn.	+30.0%
Ordinary income	¥ 16.8bn.	¥ 12.6bn.	+¥ 4.2bn.	+33.4%
Profit attributable to owners of parent	¥ 15.7bn.	¥ 9.8bn.	+¥ 5.9bn.	+60.4%

FY2018 1Q_(Mar.-May) Financial Results by Business Segment

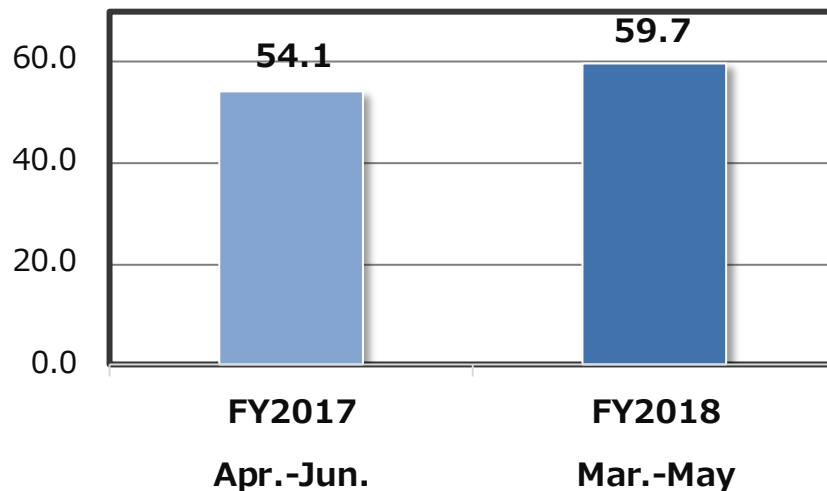
- Sales of all segments increased by capturing the favorable demand in the growing markets
- Profitability significantly increased especially in (R) and (M)

	FY2018 Mar.-May		FY2017 Apr.-Jun.		Changes <Reference>	
	Results	Income ratio	Results	Income ratio	Amounts	%
(Billions of yen)						
Net sales	128.2		107.5		+20.7	+19.3%
Motion Control	59.7		54.1		+5.6	+10.4%
Robotics	43.9		35.7		+8.2	+23.1%
System Engineering	14.0		12.9		+1.1	+8.3%
Other	10.6		4.8		+5.8	+121.0%
Operating income	17.2	13.4%	13.2	12.3%	+4.0	+30.0%
Motion Control	12.4	20.7%	10.8	20.0%	+1.6	+14.3%
Robotics	5.0	11.4%	3.5	9.9%	+1.5	+41.8%
System Engineering	-0.3	-2.3%	-0.7	-5.2%	+0.4	-
Other	0.6	5.7%	-0.1	-1.3%	+0.7	-
Elimination or Corporate	-0.5	-	-0.4	-	-0.1	-
Ordinary income	16.8	13.1%	12.6	11.7%	+4.2	+33.4%
Profit attributable to owners of parent	15.7	12.3%	9.8	9.1%	+5.9	+60.4%

Note: (M) = Motion Control (R) = Robotics

Business Segment Overview: Motion Control

Sales (Billions of yen)



【Sales】

<AC servo & controller business>

- On the back of progress in automation of production, there was strong demand for semiconductor for data centers and for electronic components for vehicles, which led to strong results.

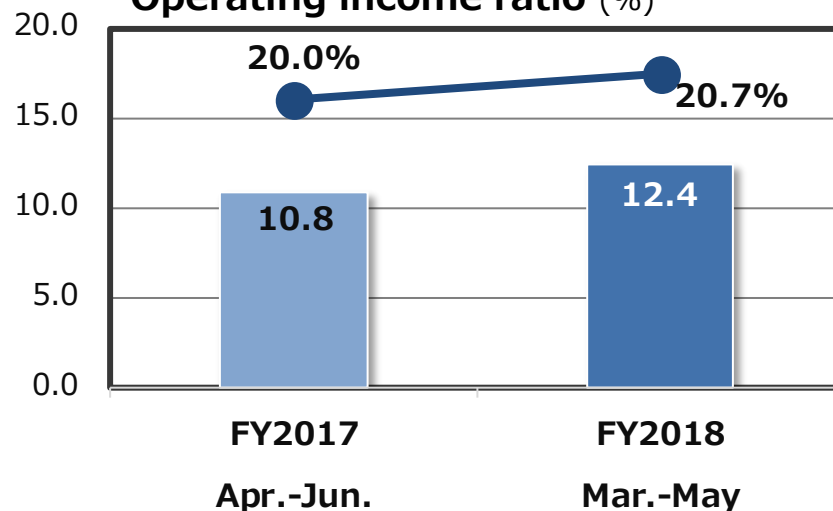
<Drives business>

- Recoveries in the environment-responsive demand in China and steady U.S. oil&gas-related demand led to solid performance.

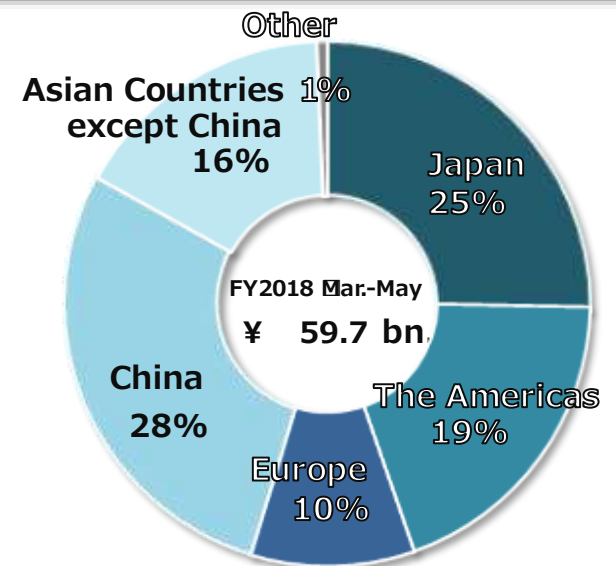
【Operating income】

- Profitability remained high level due to expansion of overseas sales and local production, especially in China.

Operating income/loss (Billions of yen)
Operating income ratio (%)

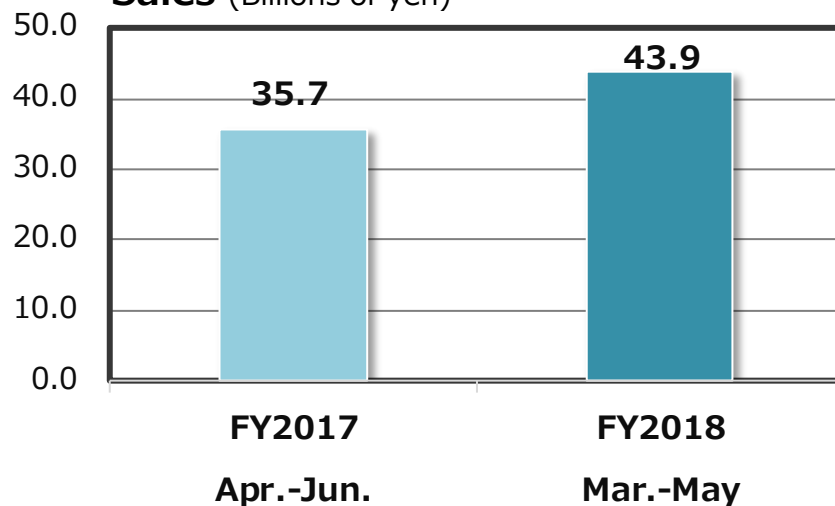


Sales breakdown by region



Business Segment Overview: Robotics

Sales (Billions of yen)



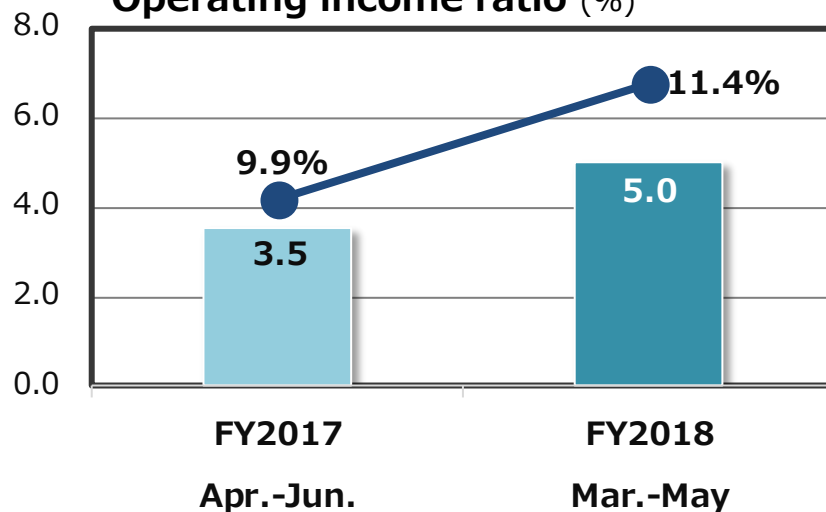
【Sales】

- Automotive-related sales were strong globally, especially in Japan and Europe.
- Sales for general industries increased especially in China, on the back of robust demand for production automation.

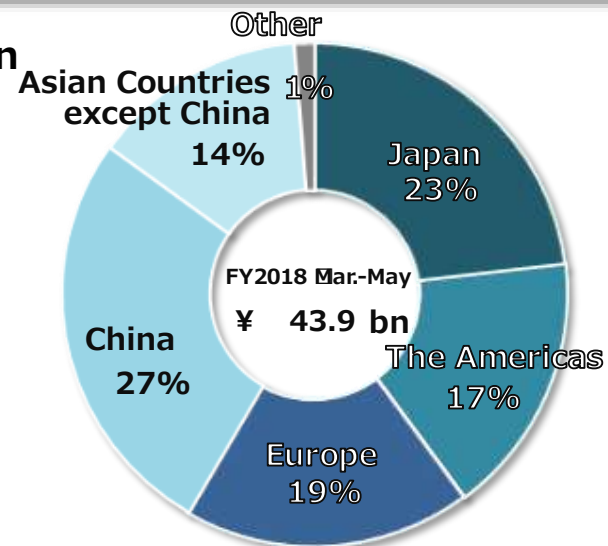
【Operating income】

- Productivity improved because of the growth in the sales volume, which led to increase in profit.

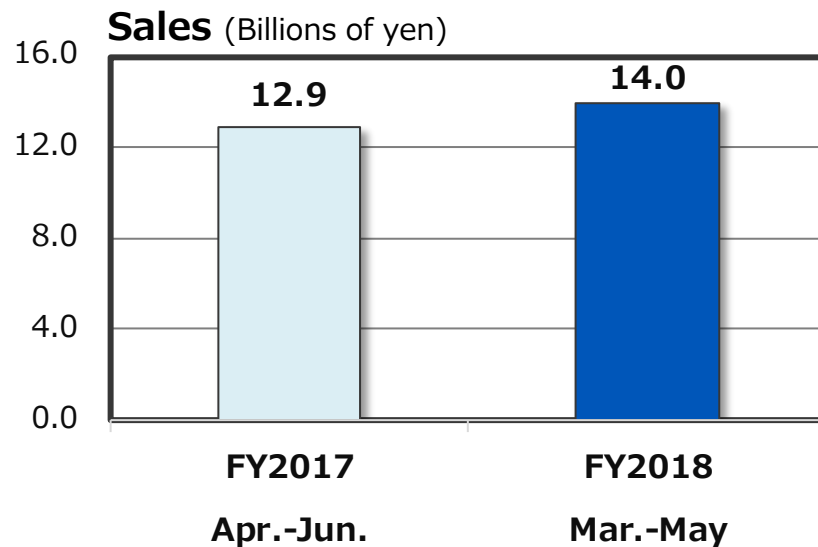
Operating income/loss (Billions of yen)
Operating income ratio (%)



Sales breakdown by region



Business Segment Overview: System Engineering

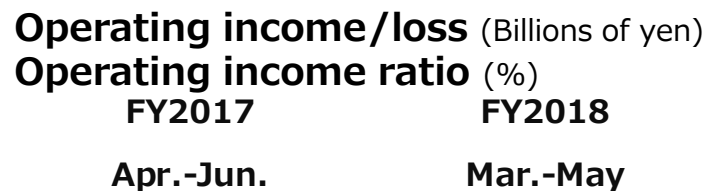


【Sales】

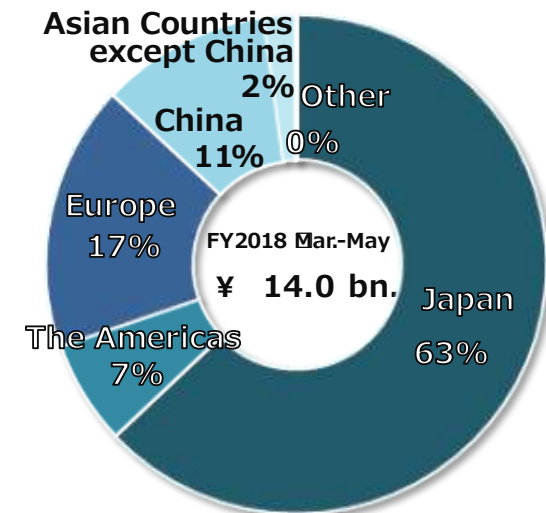
- Sales of the steel plant and social system businesses were solid, even though there was some effect from the issue in the progress of projects in Japan.
- As for the clean power business, sales related to large-scale wind turbines grew in Europe, while the PV inverter sales were sluggish.

【Operating income】

- Profitability saw a slight improvement due to the positive effect from the change of accounting period.

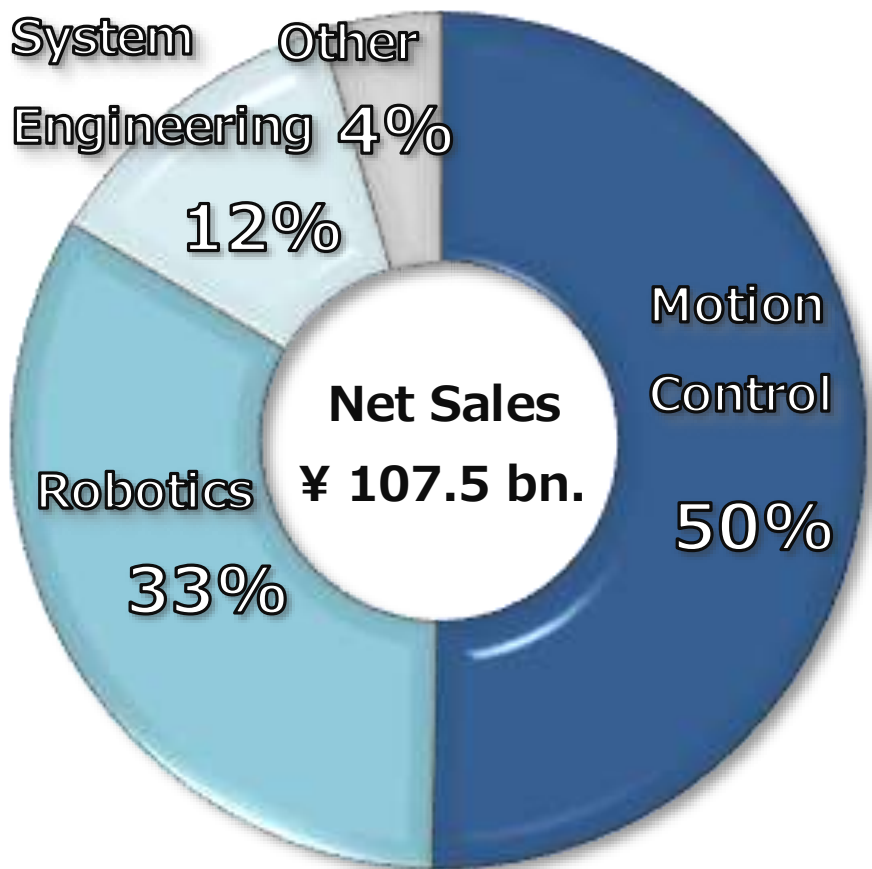


Sales breakdown by region

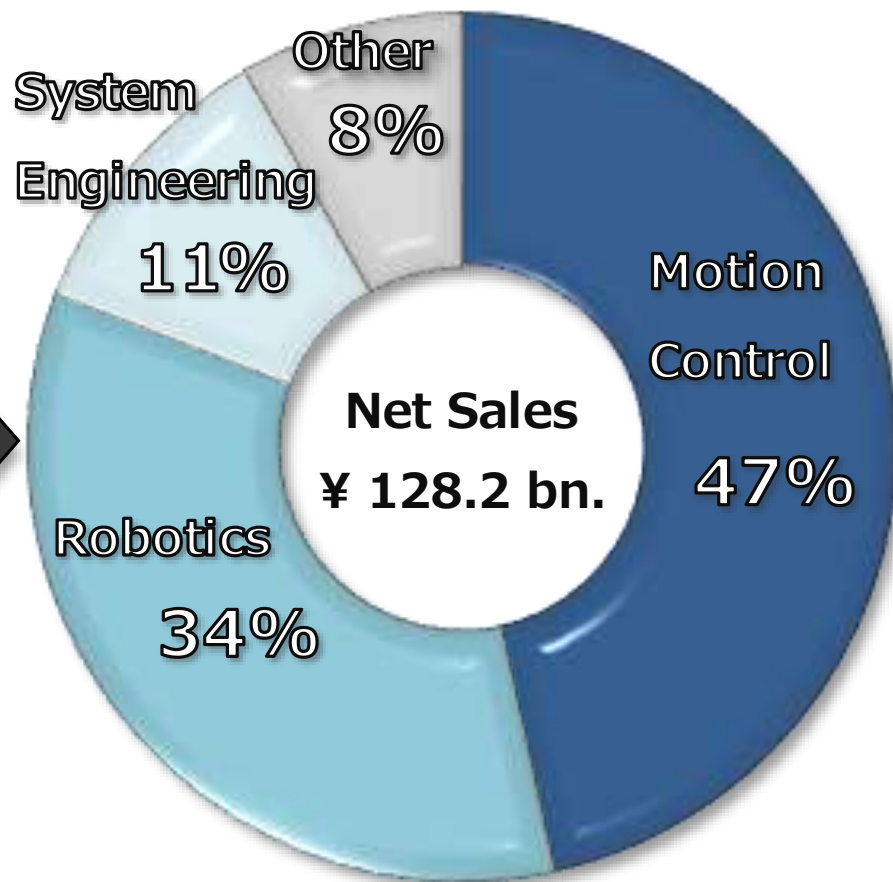


Sales Breakdown by Business Segment

FY2017 Apr.-Jun.



FY2018 Mar.-May



Sales Breakdown by Destination (1) (FY2017 Apr.-Jun. → FY2018 Mar.-May)

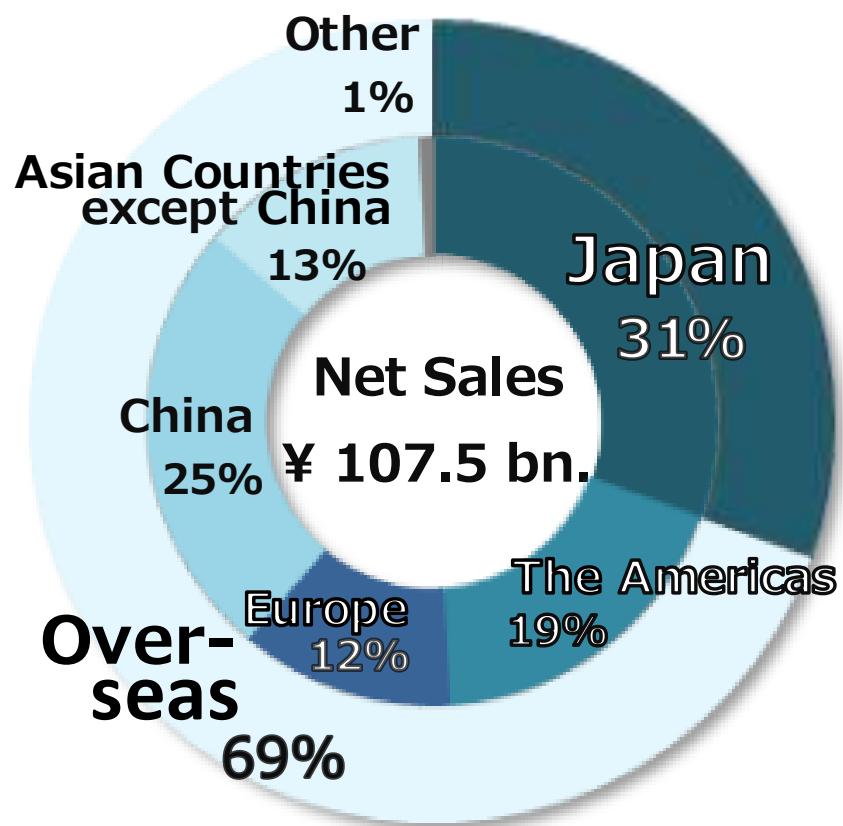
- Sales substantially increased globally.

(Billions of yen)	FY2018 Mar.-May	FY2017 Apr.-Jun.	Changes <Reference>	
			Amounts	%
Net sales	128.2	107.5	+20.7	+19.3%
Japan	40.2	32.8	+7.4	+22.5%
Overseas	88.0	74.7	+13.3	+17.9%
The Americas	19.8	20.0	-0.1	-0.7%
Europe	16.6	13.1	+3.5	+26.8%
China	33.1	26.9	+6.3	+23.3%
Asian Countries except China	17.6	13.9	+3.7	+26.6%
Other	0.9	0.9	+0.0	+3.0%

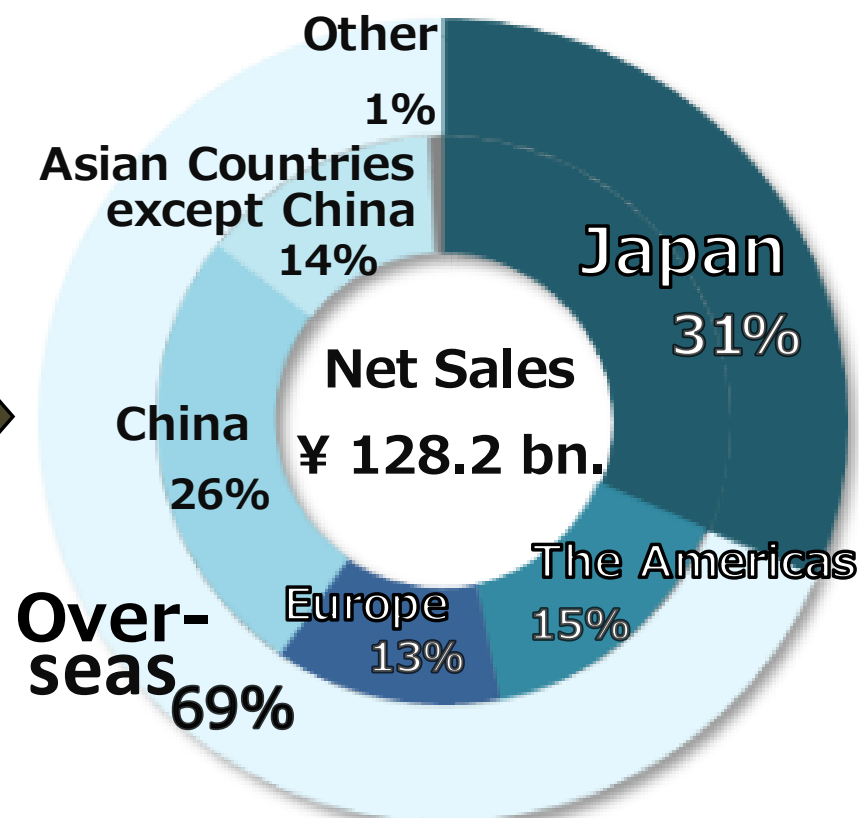
Note: Other includes Australia and South Africa, etc.

Sales Breakdown by Destination (2)

FY2017 Apr.-Jun.

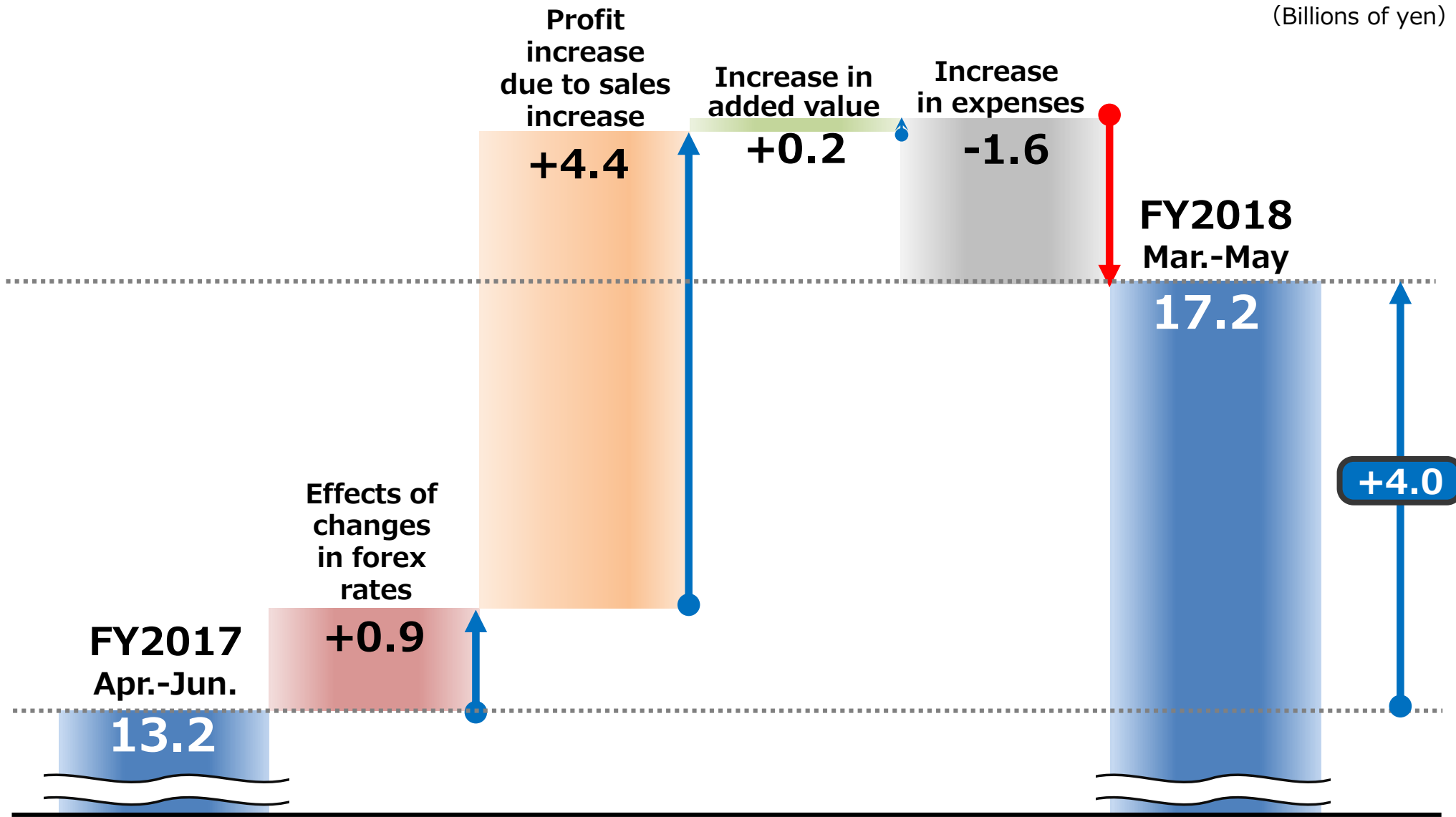


FY2018 Mar.-May



Breakdown of Changes in Operating Income (FY2017 Apr.-Jun. → FY2018 Mar.-May)

(Billions of yen)



Measures for FY2018 1Q

➤ Profitability improvement in core businesses

➔ Release of software tool “YASKAWA Cockpit”(June 2018)

- A key tool for the realization of “i³-Mechatronics” concept
- Enables visualization and diagnosis of statuses at the manufacturing floor, and diagnosis of malfunction

➔ Launch of matrix converter “U1000” that conforms to Marine Classification Standards (May 2018)

- Eliminates harmonic effect to marine generators, which makes it possible to use smaller control consoles



Matrix converter “U1000” that conforms to Marine Classification Standards

➤ Continuous evolution of capabilities in development, production and sales

➔ Establishment of “AI Cube” a subsidiary for the development of AI solutions (March 2018)

- Accelerate development of AI technology utilizing big data generated at the manufacturing floor

➔ Establishment of the test facility for EMC* (March 2018)

- Accumulation of test data and knowhow by conducting in-house EMC tests

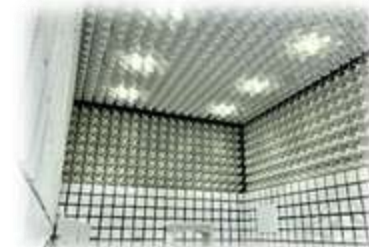
*Abbreviation for Electromagnetic Compatibility. A characteristic that does not affect peripheral equipment with noise, or tolerability to electromagnetic interference

➔ Completion of No.3 robot plant in Changzhou, China (June 2018)

- Production capacity increased from 1,000 to 1,500 (units per month)

➔ Acquisition of Suematsu Kyuki Co., Ltd. as a subsidiary (March 2018)

- Enhance solution provision by rebuilding sales structure



Interior of EMC test facility located at the headquarters



No.3 robot plant in Changzhou

2. FY2018/1H Financial Forecasts

(Six Months Ending August 31, 2018)

Full-Year Financial Forecasts

(Year Ending February 28, 2019)

FY2018 1H_(Mar.-Aug.) Financial Forecasts (Highlights)

- Record high sales and profits are forecasted based on the strong demand

	FY2018 1H (Mar.-Aug.) Forecasts	FY2017 1H (Apr.-Sep.) Results	Changes 〈Reference〉	
			Amounts	%
Net sales	¥ 258.5bn.	¥ 229.1bn.	+¥ 29.3bn.	+12.8%
Operating income	¥ 33.3bn.	¥ 27.8bn.	+¥ 5.5bn.	+19.8%
Ordinary income	¥ 33.8bn.	¥ 27.5bn.	+¥ 6.3bn.	+23.1%
Profit attributable to owners of parent	¥ 26.5bn.	¥ 21.1bn.	+¥ 5.4bn.	+25.6%

FY2018 1H_(Mar.-Aug.) Financial Forecasts by Business Segment

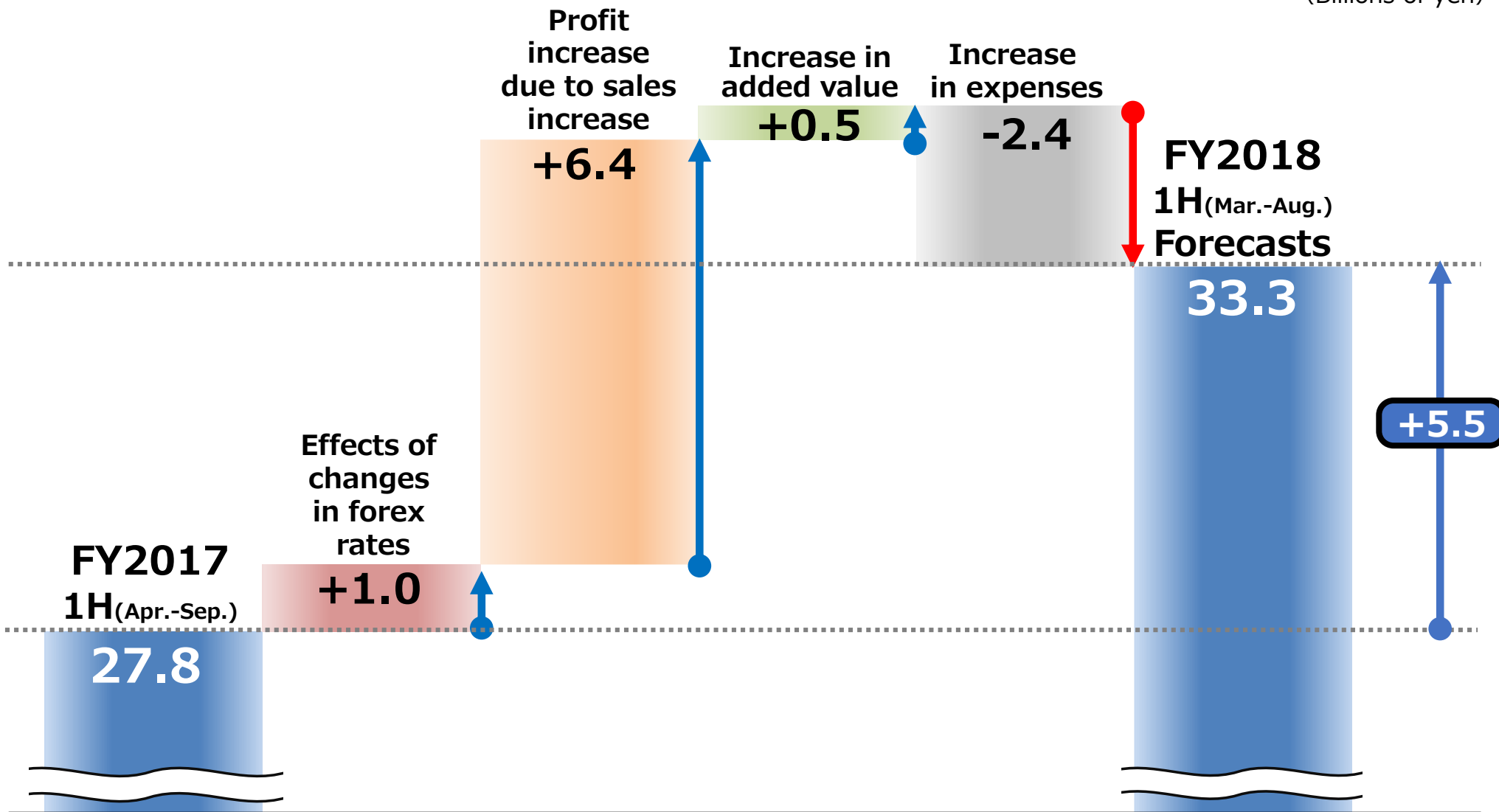
- Growth in sales and profits are forecasted especially in Motion Control and Robotics

	FY2018 1H (Mar.-Aug.)		FY2017 1H (Apr.-Sep.)		Changes <Reference>	
	Forecasts	Income ratio	Results	Income ratio	Amounts	%
(Billions of yen)						
Net sales	258.5		229.1		+29.3	+12.8%
Motion Control	118.3		110.4		+8.0	+7.2%
Robotics	92.7		80.4		+12.3	+15.2%
System Engineering	28.5		28.2		+0.3	+1.2%
Other	18.9		10.1		+8.8	+86.8%
Operating income	33.3	12.9%	27.8	12.1%	+5.5	+19.8%
Motion Control	23.9	20.2%	21.8	19.7%	+2.1	+9.5%
Robotics	10.5	11.3%	8.6	10.6%	+1.9	+22.3%
System Engineering	-0.5	-1.8%	-1.8	-6.3%	+1.3	-
Other	0.6	3.4%	-0.1	-0.5%	+0.7	-
Elimination or Corporate	-1.1	-	-0.7	-	-0.4	-
Ordinary income	33.8	13.1%	27.5	12.0%	+6.3	+23.1%
Profit attributable to owners of parent	26.5	10.3%	21.1	9.2%	+5.4	+25.6%

Breakdown of Changes in Operating Income

(FY2017 Apr.-Sep. → FY2018 Mar.-Aug. Forecasts)

(Billions of yen)



【Reference】 FY2018 Full-year Financial Forecasts by Business Segment

- Initial forecasts for the entire consolidated sales and income remain unchanged, but segment forecast figures are revised

	FY2018		FY2018		Change from previous forecasts	FY2017		Changes	
	Forecasts	Income ratio	Previous forecasts	Income ratio		Results (Reference basis)	Income ratio	Amounts	%
Net sales (Billions of yen)	510.0		510.0		-	464.5		+45.5	+9.8%
Motion Control	229.5		231.5		-2.0	215.2		+14.2	+6.6%
Robotics	185.9		183.2		+2.7	166.8		+19.1	+11.4%
System Engineering	58.7		60.5		-1.8	61.3		-2.6	-4.3%
Other	35.9		34.8		+1.2	21.1		+14.8	+69.9%
Operating income	65.5	12.8%	65.5	12.8%	-	57.1	12.3%	+8.4	+14.7%
Motion Control	45.2	19.7%	45.8	19.8%	-0.5	42.3	19.6%	+3.0	+7.0%
Robotics	21.7	11.7%	21.1	11.5%	+0.6	18.5	11.1%	+3.2	+17.5%
System Engineering	-0.2	-0.3%	0.0	0.0%	-0.2	-2.1	-3.4%	+1.9	-
Other	0.9	2.5%	0.7	1.9%	+0.2	-0.2	-0.7%	+1.1	-
Elimination or Corporate	-2.1	-	-2.1	-	-0.1	-1.4	-	-0.8	-
Ordinary income	67.0	13.1%	67.0	13.1%	-	58.3	12.6%	+8.7	+14.9%
Profit attributable to owners of parent	50.0	9.8%	50.0	9.8%	-	41.7	9.0%	+8.3	+19.8%

Note: The data for FY2017 are made on a reference basis. (March 21, 2017 – March 20, 2018)

3 . Reference

Capital Expenditure, R&D Investment, Forex Rates

Capital expenditure

(Unit : Billions of yen)

	F Y 2 0 1 6	F Y 2 0 1 7	F Y 2 0 1 8 (Plan)
Capital expenditure	14.9	19.7	30.0
Depreciation and Amortization	12.1	12.7	14.0

R&D investment

(Unit : Billions of yen)

	F Y 2 0 1 6	F Y 2 0 1 7	F Y 2 0 1 8 (Plan)
R&D investment	18.0	19.1	21.0

Forex rates

(Unit : Yen)

	F Y 2 0 1 6			F Y 2 0 1 7			F Y 2 0 1 8 (Forecasts)				
	Apr.-Jun.	1H	Full-Year	Apr.-Jun.	1H	Full-Year	Mar.-May	Jun.-Aug.	1H	2H	Full-Year
U.S. dollar	110.8	107.1	108.4	111.9	111.5	111.4	107.8	105.0	106.4	105.0	105.7
Euro	124.5	120.0	119.2	120.9	124.4	128.8	130.9	130.0	130.4	130.0	130.2

Note: Average rate during the period

Financial Indices

As of February 28, 2018

➤ Shareholders' equity ratio	53.5%
➤ Shareholders' equity	235.9 billion yen
➤ Interest-bearing debt	32.2 billion yen
➤ D/E ratio	0.14
(Net D/E ratio)	-0.04
➤ Inventory	100.1 billion yen
Turnover	2.7 months
➤ ROE	18.3%

As of May 31, 2018

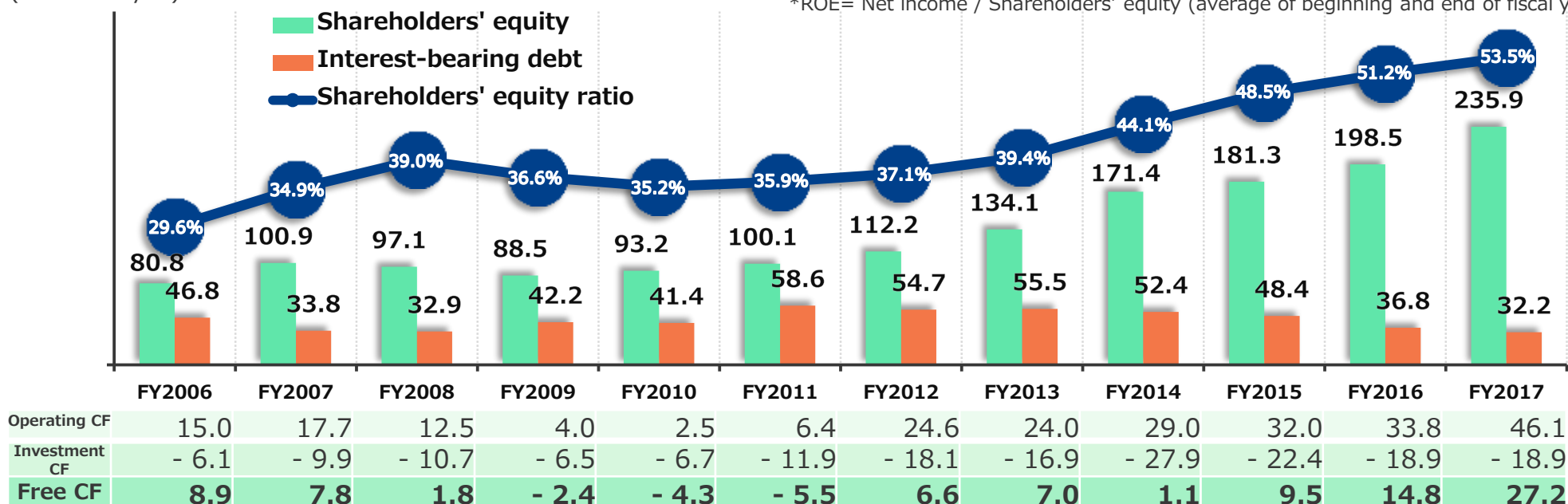
➤ Shareholders' equity ratio	50.3%
➤ Shareholders' equity	232.6 billion yen
➤ Interest-bearing debt	45.0 billion yen
➤ D/E ratio	0.19
(Net D/E ratio)	-0.02
➤ Inventory	103.9 billion yen
Turnover	2.4 months

*Interest-bearing debt includes lease obligations.

*Inventory at the end of the period is used for calculating turnover months.

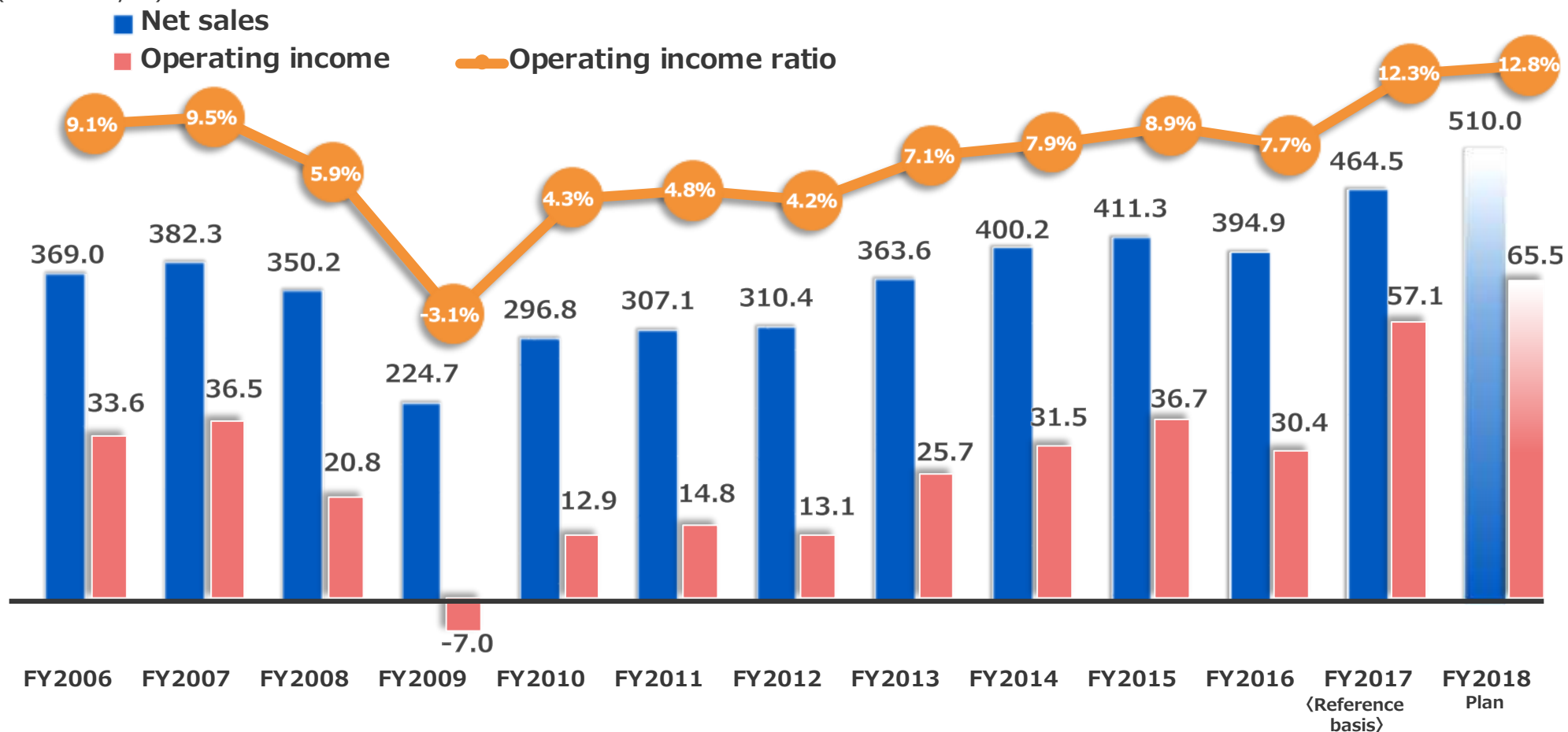
*ROE= Net income / Shareholders' equity (average of beginning and end of fiscal year)

(Billions of yen)



Net Sales/Operating Income (FY2006-2018 Plan)

(Billions of yen)



Dash 100

Challenge 100

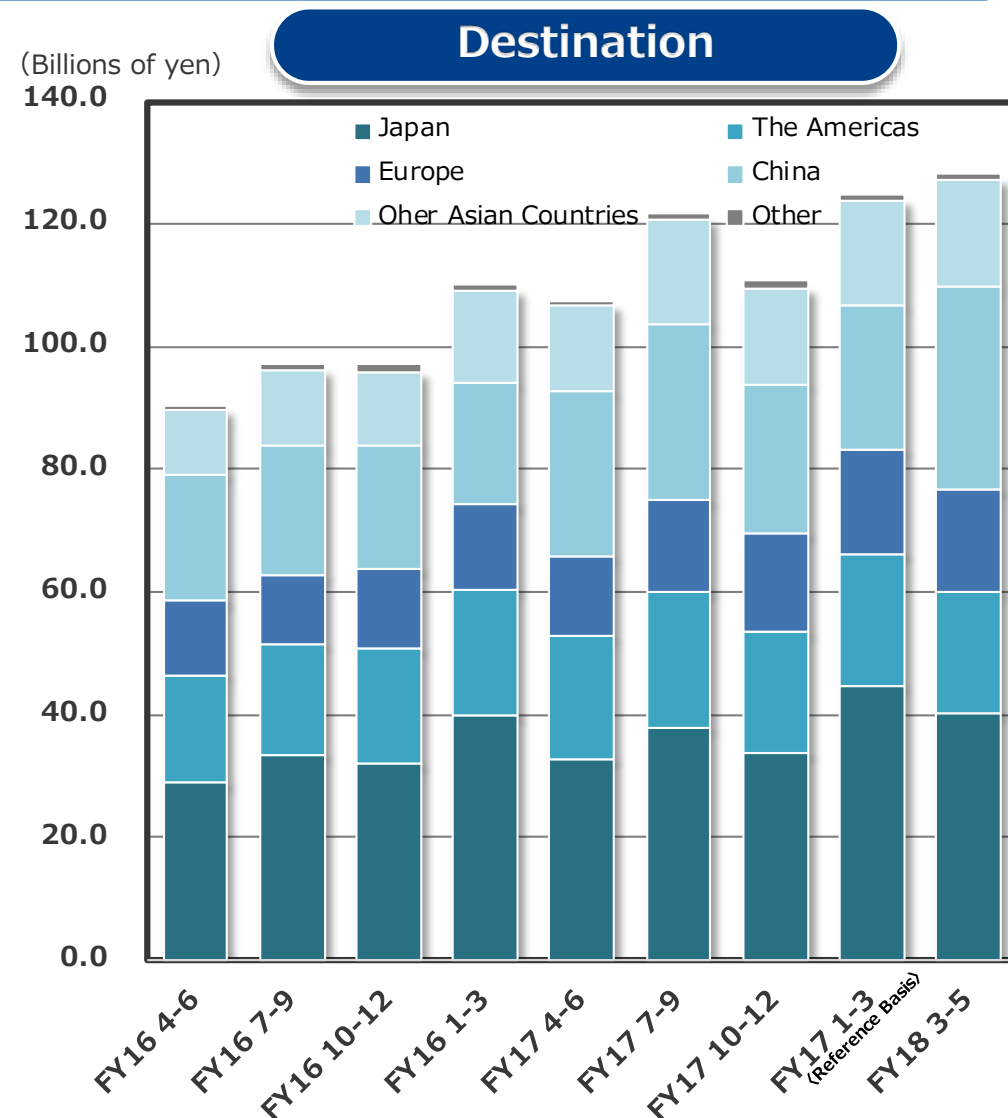
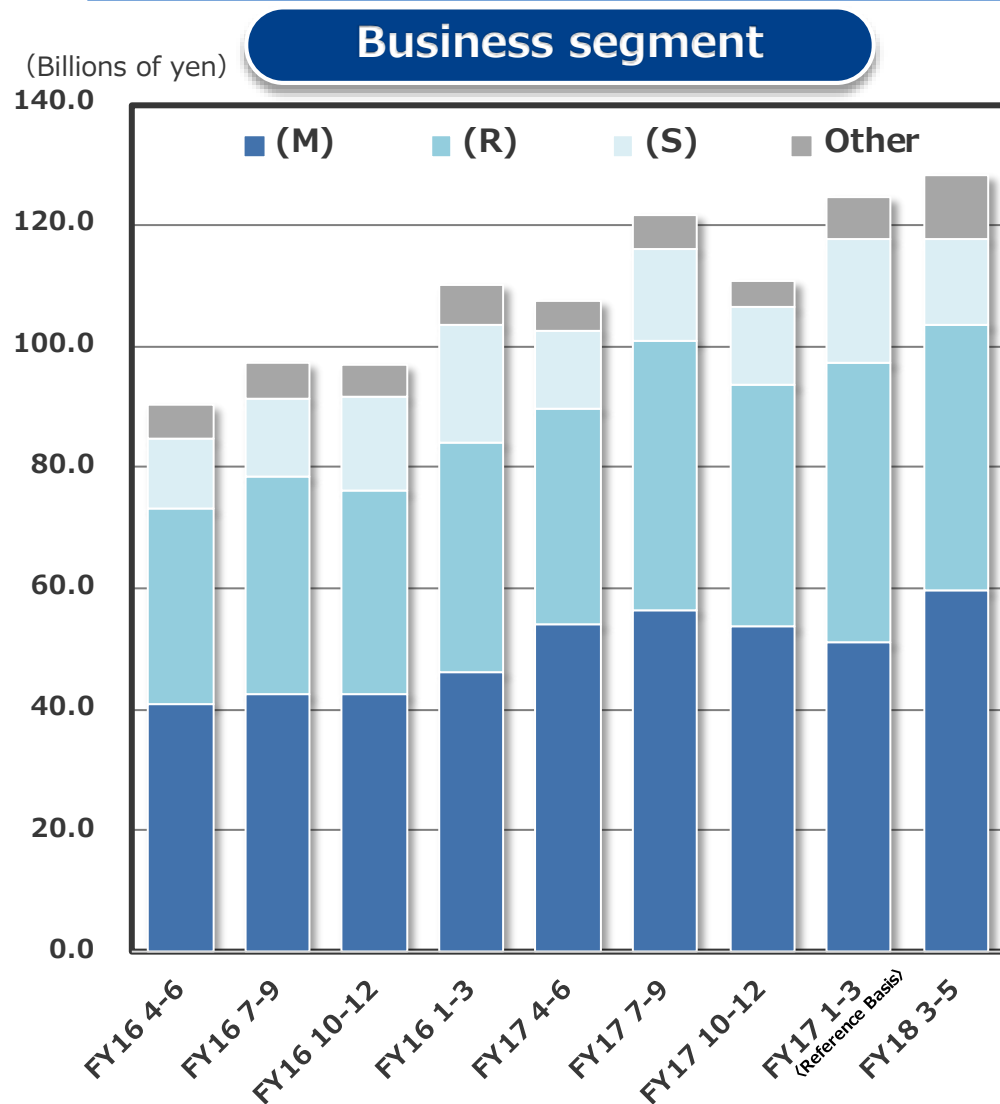
Realize 100

Dash 25

Mid-term business plans

Note: The data for FY2017 are made on a reference basis. (March 21, 2017 – March 20, 2018)

Quarterly Sales Trends (1)



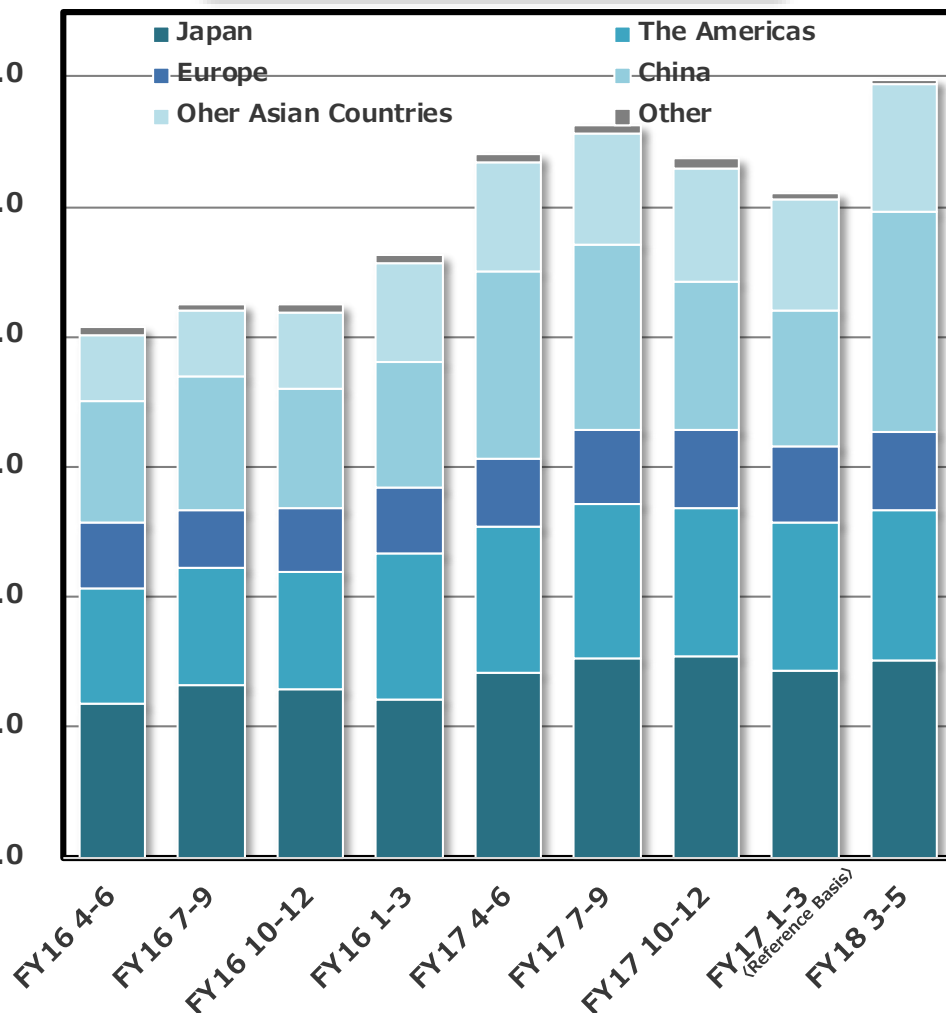
Note1: The data for FY2017 4Q(1-3) are made on a reference basis. (December 21, 2017 – March 20, 2018)

Note2: (M) = Motion Control (R) = Robotics (S) = System Engineering

Quarterly Sales Trends (2)

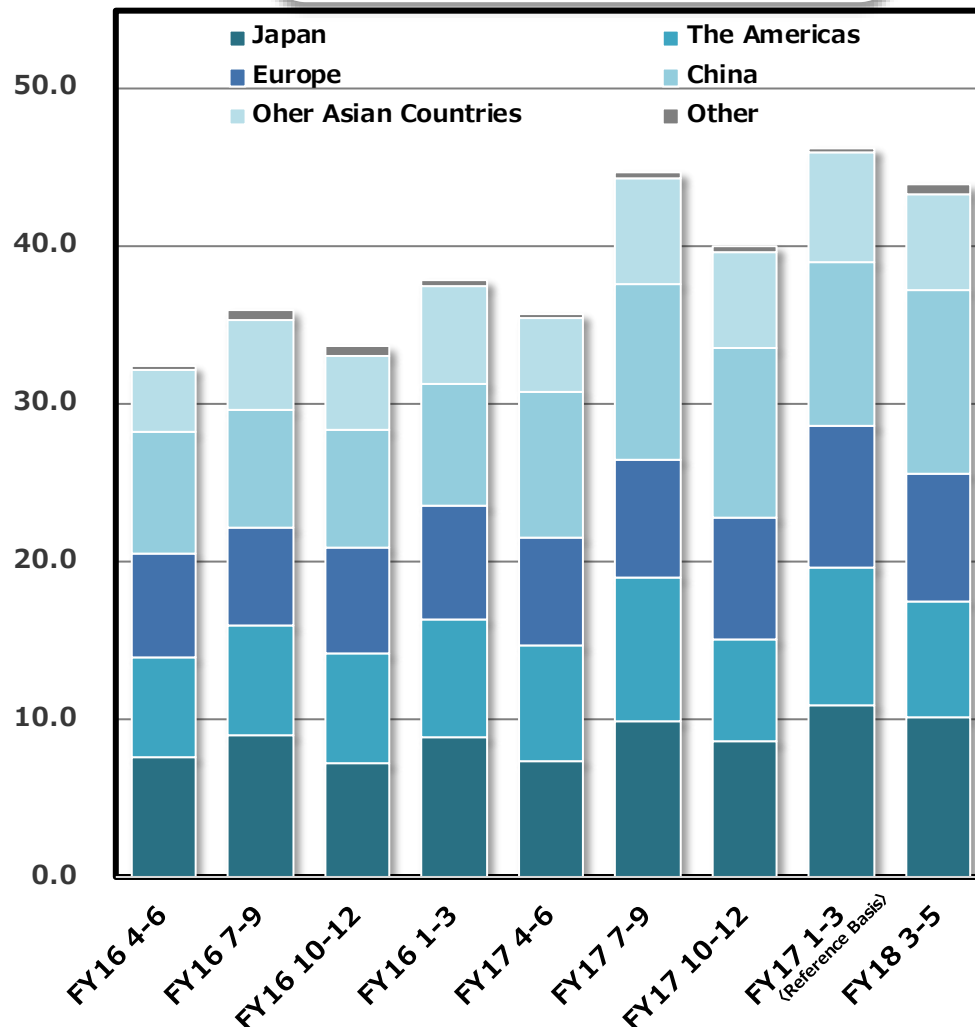
Motion Control

(Billions of yen)



Robotics

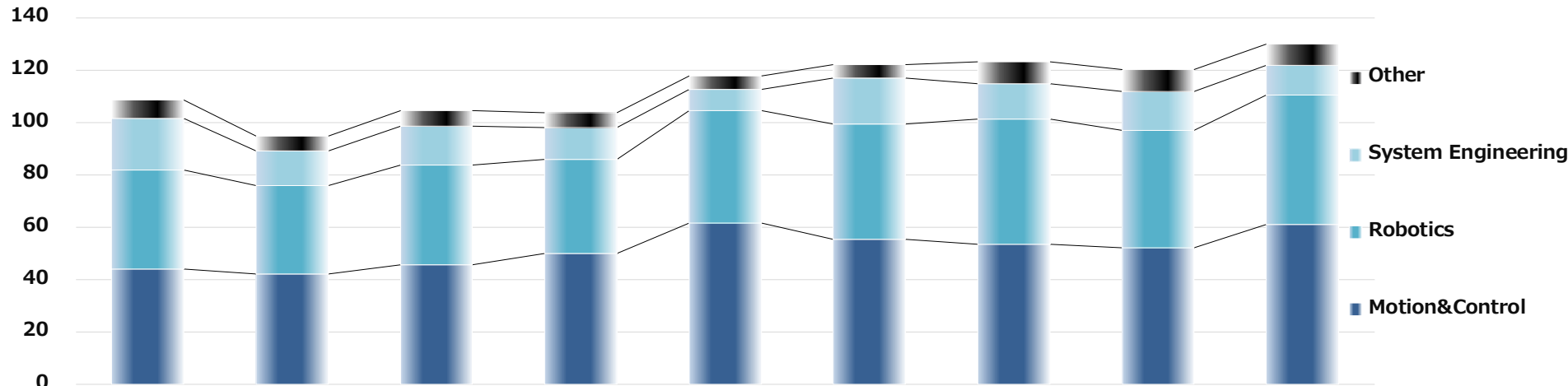
(Billions of yen)



Note: The data for FY2017 4Q(1-3) are made on a reference basis. (December 21, 2017 – March 20, 2018)

Quarterly Order Trends by Business Segment *Average forex rates during period used

(Billions of Yen)

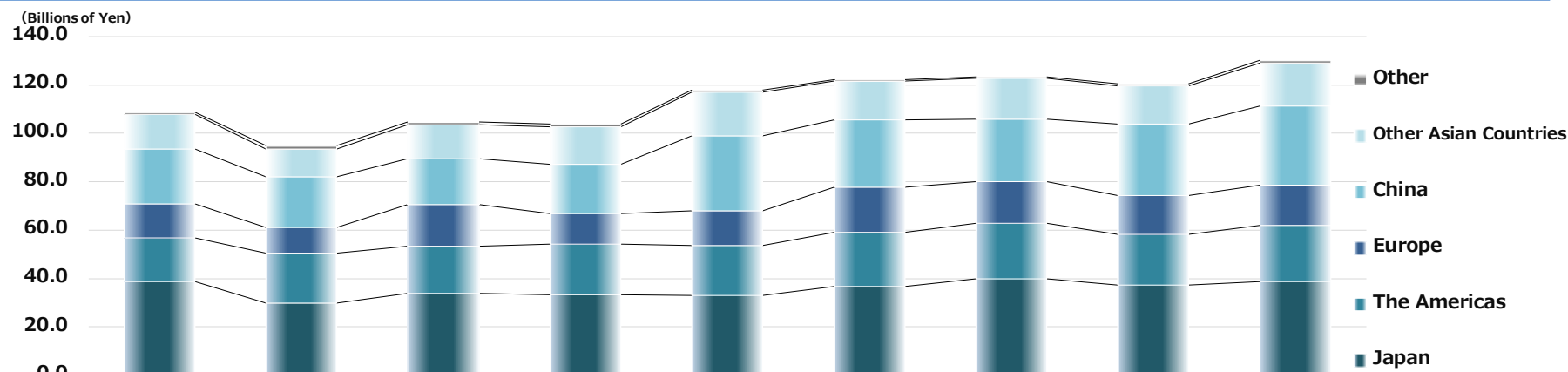


FY2016						FY2017				FY2018
		Apr.-Jun.	Jul.-Sep.	Oct.-Dec.	Jan.-Mar.	Apr.-Jun.	Jul.-Sep.	Oct.-Dec.	Jan.-Mar. (Reference basis)	Mar.-May
Total	YoY	-1%	-8%	-2%	+13%	+8%	+29%	+18%	+16%	+10%
	QoQ	+18%	-13%	+10%	-1%	+13%	+4%	+1%	-2%	+8%
YoY	(M)	-12%	-12%	+5%	+17%	+39%	+31%	+17%	+5%	-1%
	(R)	-9%	-11%	+5%	+7%	+14%	+31%	+25%	+24%	+15%
	(S)	+106%	+31%	-24%	+43%	-59%	+33%	-10%	+24%	+42%
QoQ	(M)	+3%	-4%	+8%	+9%	+23%	-10%	-3%	-2%	+17%
	(R)	+12%	-11%	+13%	-5%	+19%	+2%	+8%	-6%	+11%
	(S)	+134%	-33%	+14%	-20%	-33%	+118%	-23%	+11%	-23%
Forex rates	U.S. dollar	110.8	103.5	104.8	114.5	111.9	111.1	112.2	110.7	107.8
	Euro	124.5	115.6	115.3	121.5	120.9	127.9	132.4	134.2	130.9

Note1: (M) = Motion Control (R) = Robotics (S) = System Engineering

Note2: The data for FY2017 4Q(Jan.-Mar.) are made on a reference basis. (December 21, 2017 – March 20, 2018)

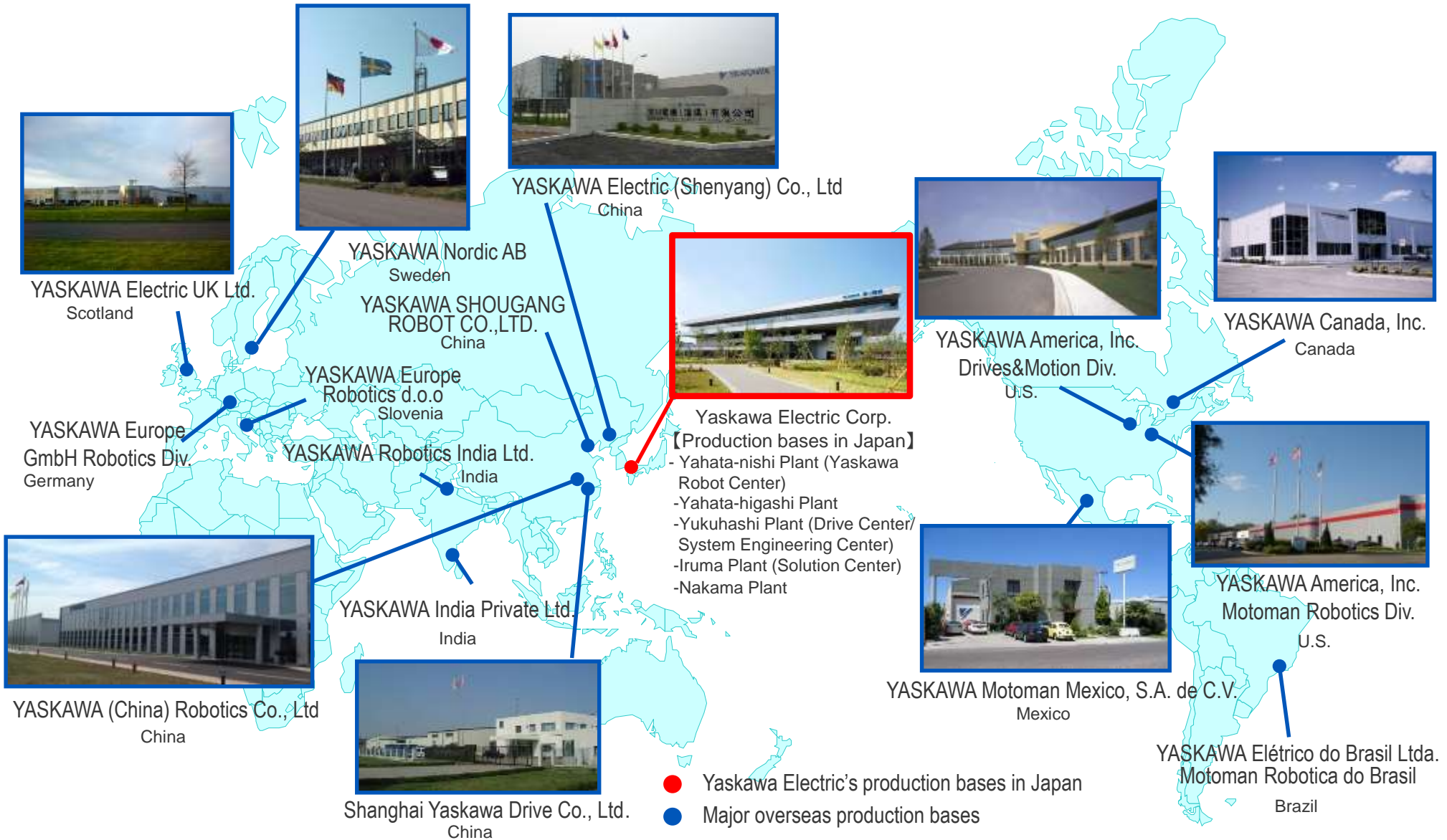
Quarterly Order Trends by Destination *Average forex rates during period used



		FY2016				FY2017				FY2018
		Apr.-Jun.	Jul.-Sep.	Oct.-Dec.	Jan.-Mar.	Apr.-Jun.	Jul.-Sep.	Oct.-Dec.	Jan.-Mar. (Reference basis)	Mar.-May
Total	YoY	-1%	-8%	-2%	+13%	+8%	+29%	+18%	+16%	+10%
	QoQ	+18%	-13%	+10%	-1%	+13%	+4%	+1%	-2%	+8%
YoY	Japan	+9%	-15%	-6%	+11%	-15%	+23%	+18%	+12%	+18%
	The Americas	-17%	-1%	-2%	+7%	+15%	+9%	+17%	+0%	+11%
	Europe	-3%	-18%	+2%	+6%	+2%	+73%	-0%	+25%	+16%
	China	+10%	-2%	-12%	+21%	+36%	+34%	+38%	+47%	+6%
	Other Asian Countries	-13%	-10%	+17%	+15%	+27%	+40%	+20%	+1%	-2%
QoQ	Japan	+29%	-23%	+14%	-2%	-1%	+12%	+9%	-7%	+4%
	The Americas	-8%	+14%	-5%	+7%	-1%	+8%	+2%	-8%	+10%
	Europe	+17%	-23%	+58%	-25%	+13%	+30%	-9%	-6%	+5%
	China	+37%	-9%	-9%	+7%	+53%	-11%	-6%	+15%	+10%
	Other Asian Countries	+4%	-19%	+23%	+10%	+15%	-10%	+5%	-7%	+12%

Note: The data for FY2017 4Q(Jan.-Mar.) are made on a reference basis. (December 21, 2017 – March 20, 2018)

Major Production Bases



YASKAWA