

Q&A for FY2023 1Q Results Briefing (Summary)
Yaskawa Electric Corporation
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[Speakers]

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(Note):

Motion Control: Motion Control segment

AC servo: AC servo & controller business (Motion Control segment)

Drives: Drives business (Motion Control segment)

Robotics: Robotics segment

System Engineering: System Engineering segment

Other: Other segment

Q What is the currency impact on revenue for FY2023 1Q?

A +5.3 billion yen overall

Breakdown: Motion Control +2.7 billion yen, Robotics +2.2 billion yen,
System Engineering +0.4 billion yen

Q What is the regional revenue ratio in AC servo and Drives for FY2023 1Q ?

A AC servo: 32% in Japan, 18% in the Americas, 11% in Europe, 32% in China,
7% in Asia excluding China

Drives: 20% in Japan, 42% in the Americas, 10% in Europe, 18% in China,
10% in Asia excluding China

Q What is the percentage of AC servo and Drives in Motion Control revenue for
FY2023 1Q?

A 54 : 46

Q With regard to the graph of quarterly orders on P. 25, please tell us the regional
and groupwide rate of change in each business in 3Q FY2022.

A •AC servo

YoY: -37 % overall

Breakdown: Japan -50 %, the Americas -55 %, Europe -42 %, China +36 %,
and Asia excluding China -82%

QoQ: +7% overall

Breakdown: Japan -23 %, the Americas -10 %, Europe -23 %, China +97 %, and Asia excluding China -35 %

•Drives

YoY: -18 % overall

Breakdown: Japan -5 %, the Americas -10 %, Europe -53 %, China -26 %, and Asia excluding China -22 %

QoQ: +5 % overall

Breakdown: Japan +20 %, the Americas +2 %, Europe -24 %, China +3 %, and Asia excluding China +14 %

•Robotics

YoY: -10 % overall

Breakdown: Japan -28 %, the Americas +27 %, Europe -8 %, China -48 %, and Asia excluding China +98 %

QoQ: +7% overall

Breakdown: Japan -3 %, the Americas -13 %, Europe -18 %, China +17 %, and Asia excluding China +64 %

*YoY=year-on-year, QoQ=quarter-on-quarter

Q Regarding AC servo orders received in China, what is the review of 1Q and the current situation?

Why did the big increase of +97% occurred QoQ?

A Orders for AC servo usually tend to rise after the Chinese New Year. Therefore, we were thinking on the assumption that 1Q order would improve this year as well, but the recovery has been gradual. On the other hand, even in such a situation, active investment in solar power generation has progressed, and we have certainly captured such demand. In addition, the situation has been better than expected, partly because highly competitive customers such as laser processing machine manufacturers in China have adopted our products. This area has been a policy focus of China, and we believe that demand will continue to be steady.

Q Is there no inventory adjustment happening in China?

A Since we did not increase inventory in the first place, there is no adjustment.

Q In breakdown of changes in operating profit, why is the change in added value of motion control -0.7 billion yen?

A The change in the composition ratio of AC servo and drives is the main factor. While the demand for AC servo is weak, the demand for drives has remained solid. However, because the marginal profit ratio of drives is lower than that of AC servo, the ratio of value added has decreased due to the increased composition ratio of drives. It will recover when demand for AC servo rises in the semiconductor market and other area.

Q Is order in China expected to continue its moderate recovery?

A While we do not expect a sustained recovery in Chinese domestic demand in the short term, we believe that markets for solar and batteries, followed by energy storage are gradually emerging and will drive the next demand. In the 3C (Computer, Consumer, Communication) and consumer goods sectors, domestic investment in China is not very active as production bases are shifting from China to Asia, but we expect that the trend of procuring equipment in China and exporting it overseas becomes the mainstream, which is expected to have a positive impact on our orders.

Q Are semiconductor inventory adjustments likely to pause?

A We expect the demand in the semiconductor market in the first half of the year to remain flat at a low level. Although some customers have started ordering, this is not the trend of demand recovery in the overall market. We assume that a full launch will take place from the latter half of the second half of this year to next year.

Q What is the breakdown of the added value of +0.7 billion yen year on year?

A The main factors were the impact of rising materials costs, which was -1.7 billion yen, the impact of logistics costs, which peaked out and was +0.6 billion yen, and the impact of price pass-through, which was +1.4 billion yen.

Q What was the switching rate of Σ -X?

A A little less than 50% in China and a little more than 30% globally.

Q How did the 1Q financial results compare to the company's initial plan?

A It was almost as expected for the company's internal plan. The weak yen was positive, but this was offset by the loss on retirement of fixed assets of about 0.7 billion yen in other income. On revenue side, in robotics in-process inventory increased as part of sales were postponed, but this was offset by the recovery of production in drives business.

Q How did orders compare to the initial plan?

A In robotics, projects related to EVs were delayed so orders fell slightly below our expectations. Except for that, orders were largely as expected because we had not expected strong orders. As for the trends in each market, capital investments related to lithium-ion batteries have paused recently. The general industrial sector has also remained weak in line with overall consumption trends in China, but on the other hand, demand for mass production facilities of solar panels has been strong, driven by Chinese policy. In the automobile market, investment in the ICE vehicles was weak, but capital investment in EVs is rising in Europe and the U.S. and this demand is expected to start increasing in 2Q.

Q With the adoption of EVs, Giga Press is attracting attention. What impact will it have on Yaskawa's business?

A We don't have strong presence in spot welding robots for assembly lines of OEMs, so adoption of Giga Press will have little impact on us directly. For the adoption of EVs, the area of parts processing will expand as the use of arc welding and laser welding for battery cases expands, which will have a positive impact on Yaskawa's business.

Q What is the outlook for 2Q orders?

A Orders of motion control in China was strong in 1Q and we expect this to get slightly lower after 2Q as usual. Robotics orders are expected to rise in 2Q as some orders were postponed from 1Q. We have a fairly large backlog of orders in drives, and it's hard to tell what will happen to orders as lead times improve, so there could be some adjustments around 2Q. On a group-wide basis, we expect orders to remain roughly flat from 1Q.

Q Looking at the QoQ orders of robotics in 1Q, the growth in Asia excluding China was strong. What is behind this? Is it sustainable?

A This is largely due to the fact that we received an order for large EV-related project from a major OEM in Korea. Doolim Yaskawa, which became a consolidated subsidiary last year, receives several large projects a year, so the orders in Asia fluctuate significantly.

Q What is the competitive environment with local manufacturers in China's solar market?

A Yaskawa's customers are the top manufacturers of manufacturing equipment for solar panels. They seek value in improving the quality and yield of the solar panels produced by their equipment rather than cost. Yaskawa offers high value-added proposals based on i³-Mechatronics concept. Also, large robots are used between the processes where the equipment is installed so we are working on a project involving customer's equipment and Yaskawa robots. Therefore, we will not be competing with local manufacturers on price.

Q Why did Robotics revenue decline from 4Q to 1Q?

A The main reason was the decline in Asia excluding China. In 1Q, we did not have such a large-scale project which turned into sales as in 4Q. Frequent request of delayed delivery does not take place. Also, many system projects are in process in 1Q so we expect they will turn into revenue in 2Q.

Q The company had planned to increase expenses by 10 billion yen in this fiscal year, but expenses have already increased by 4 billion yen in 1Q. What do you think?

A This was mainly because expenses in 1Q of last year had been low due to the impact of the

lockdown in China. Annual expenses will be controlled as planned at the beginning of this fiscal year.