

Q&A for FY2025 1Q Results Briefing (Summary)
Yaskawa Electric Corporation
(July 4, 2025 (Fri.))

[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

[Impact of U.S. tariffs]

Q What is your thought on the impact of tariffs? Also, there are competitors with local production. Is there any negative impact due to the surcharge?

A The direct impact of tariffs is calculated on the assumption that it will be 10% from April onwards and 24% from July 9 onwards. Of the negative impact of 6.5 billion yen for the full year, about 5 billion yen will occur when the U.S. subsidiary imports products from Japan, and about 1.5 billion yen will occur when parts are procured from outside of the U.S. for local production in the U.S. We plan to cover the impact with surcharges. Almost all of our competitors, including those with a high ratio of local production, have widely announced a policy of price pass-through. Therefore, we believe that there will be little impact on the competitive environment.

Q Which segment will be affected the most by tariffs?

A AC servo and Drives will have an approximate impact of 2.5 billion yen each. In Robotics, as there are many cases where we build robot systems locally and sell, the impact is relatively small and it is about 1 billion yen. As we plan to cover the increasing cost by surcharge, the range of price pass-through will also vary depending on changes in the impact of tariffs, but for now, all of the 6.5 billion yen impact can be fully covered by surcharge.

[Forecast]

Q The revised full-year forecast suggests that you expect a slight recovery toward the second half of the year. How confident are you in achieving the new plan?

A We have not heard from our customers about any specific revision or

postponement of their investment plans. Therefore, in revising our forecast, we have incorporated the maximum possible risk for potential orders from 2Q onward for each business, taking into account our relationships with customers and past business experiences. The plan is based on a thorough examination of potential orders and received orders and the ratio of received orders for Robotics and System Engineering is higher than that for Motion Control which is about one third of the whole. Therefore, we incorporated higher risks into AC servo forecast in particular.

Q The cost is heavy against the revenue in the revised full-year forecast. Do you have any concerns about achieving the operating profit plan of 43 billion yen?

A Regarding overhead cost reduction, we have incorporated only the measures that have already been executed and showing results, but we are also considering further reduction measures.

Q At the beginning of this fiscal year, risks were included in the forecast. What kind of risks were further anticipated at this time?

A Considering the imposition of high additional tariffs or prolonged tariff negotiations, risks such as the postponement, downsizing, or cancellation of customers' capital investment which may occur going forward are included in the forecast.

Q Regarding the change in added value in the breakdown of changes in operating profit, the figure for Motion Control is revised positively and that for Robotics is revised negatively from the full-year forecast at the beginning of the fiscal year. What is the breakdown?

A In Drives in the United States, while the oil and gas market is sluggish, orders for HVAC and general industry are on a recovery trend, and the added value is expected to improve along with the change in business mix. Also, the added value in AC servo is expected to improve in China, too. On the other hand, in Robotics, the profitability of large scale EV-related projects in China is lower than that of ordinary businesses, so we incorporated this impact in Robotics plan.

Q Regarding the breakdown of changes in operating profit in the full-year forecast, the impact of a profit decrease due to revenue decrease of Motion Control seems to be large. What is the reason?

A In the revised full-year forecast, about 10% of potential orders for Drives and Robotics were factored in the revenue plan as risks, while about 20% of that for AC servo was factored in. In the initial plan, the recovery of AC servo was expected to be larger than that of other businesses in the second half of the fiscal year. Hence, this revision resulted in a larger decrease in revenue of AC servo and a larger impact of a decrease in profit caused by a decrease in revenue.

Q What are the new risks that are incorporated into the revised full-year forecast by region and application?

A We check changes in the market environment and customer orders in a timely manner, including the forecast, but there are no specific signs of deterioration in the figures for any region or application. If there is a clear risk, such as a notice of investment postponement, it is natural to revise downward for that amount. However, since this is not apparent, we have assumed a certain amount of risk for each business and factored it in.

[Orders]

Q Why did orders for AC servo and Drives fall in China and Asian countries year on year? On the other hand, why did orders for Robotics perform well?

A Orders for AC servo decreased in China and Asia. In particular, orders in China decreased year on year compared to favorable conditions up until FY2024 1Q. Orders slowed down after the 2Q of last year due to the economic slowdown. In South Korea, there were signs of recovery in the semiconductor sector in the 1Q of last year, but there has been no real rise this year. In Drives business, investment in infrastructure in China and Asia was slightly lower than in the 1Q of last year. On the other hand, sales of Robotics have been firm in both China and Asia. In China and South Korea, large projects related to automobiles have contributed.

Q AC servo orders, including those in Japan, are on a negative trend. What is the trend in semiconductor demand?

A The semiconductor-related demand is somewhat lower than initially expected. Our main customers are equipment manufacturers, and they are currently in a temporary stagnation phase as production and order adjustments occurred in 1Q despite a recovery trend. We expect the same trend to continue in the current 2Q, but from the 3Q (September) onwards, investment is expected to resume, mainly in South Korea, and large-scale projects are expected to start moving. We also hear that equipment manufacturers are preparing for this trend.

Q AC servo orders in China decreased 3% QoQ. Other companies in the same industry showed a recovery trend from April to May, but why is your company different?

A The QoQ decrease is mainly due to the effect of foreign exchange rates, and if the effect of foreign exchange rates is excluded, the order slightly increased. In reality, the situation has not worsened. It is difficult to make a simple comparison with other companies because not all of us compete in the same market. We do not recognize that we are inferior in our target markets.

Q Other Japanese manufacturing companies have reported signs of recovery in automobiles and smartphones. Do you see such a trend?

A Investment related to smartphones and PCs in China are active, and at Yaskawa, the positive impact has been seen in the electronic components sector in Japan. Demand for chip mounters has increased rapidly.

Q Is there any significant change in developments in China?

A There is no significant improvement, nor deterioration. The situation remains the same.

Q Taking into account the current situation, what is your outlook for orders in the 2Q by segment?

A We expect orders for Motion Control to be positive compared to 1Q and that for Robotics to be slightly negative compared to 1Q, when large orders were received.

Q Which regions do you expect orders for Motion Control to be positive in the 2Q?

A We expect orders for AC servo to be positive in all regions except Europe. Drives will be led by the U.S.

[Others]

Q In the Motion Control segment in the Americas, the Drives business seems to be stagnant in oil and gas operations. What is the current profit margin? You have a plan for capital investment in the U.S., but is there any concern that the cost burden will come first and affect the profit margin?

A The profit margin of the business in the Americas as a whole in 1Q has remained slightly below 10%. Drives business is the main source of profit, and AC servo is not as profitable as Drives, but it has secured a reasonable level in terms of its volume. In the next mid-term business plan, we aim to achieve more than a double-digit profit margin in 2028, including the investment cost burden.

Q Why was the announcement of the investment in the U.S. delayed?

A The delay was caused only by external factors. Our company made the investment decision long ago, but it took time to coordinate with local governments. The timing of the announcement was delayed as a result.