Q&A for FY2025 3Q Results Briefing (Summary)
Yaskawa Electric Corporation
(January 9, 2026 (Fri.))

[Speakers]
Ayumi Hayashida, Senior Executive Officer, General Manager, Corporate Branding Div.
Yasushi Ichiki, Senior Executive Officer, General Manager, Corporate Planning & Finance Div.

(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

[Performance]

Q Both revenue and operating profit landed as expected, but the 3Q profit margin dropped to single digits from a level that exceeded 10% in 2Q. How do you evaluate the performance of Motion Control?

A The results were in line with expectations. In 3Q, we had anticipated that special factors would cause the profit margin to fall temporarily. Specifically, we were proceeding with structural reforms in China and reviewed excess production capacity, such as integrating two substrate assembly plants into one. This resulted in temporary costs. In addition, production was ahead of revenue in 2Q, so some adjustments were made in 3Q. As a result, production profits accumulated in 2Q did not occur in 3Q. Another factor was the inventory valuation loss on semiconductor-related products due to supply-demand imbalances. However, demand related to semiconductors have shown a strong recovery, and we plan to offset the valuation loss in 4Q as semiconductor-related revenue increase.

Q What was the actual scale of the temporary negative impact on Motion Control?

A Approximately 1.5 billion yen. While part of it was included in other expenses, the majority was included in cost. All inventory valuation losses related to semiconductor products were included in cost.

Q At the 2Q financial results announcement, you mentioned production adjustments aimed at reducing inventory. How did this play out in 3Q?

A We implemented the adjustments in 3Q for the inventory increase that occurred in 2Q. However, we plan to increase production in 4Q as demand recovery is higher than expected.

Q In 3Q for the Robotics, could you explain the reasons behind the decline in profitability due to the mix of projects?

A This was caused by the expansion in revenue volume of projects for automotive OEMs in China and South Korea. In particular, projects for Korean OEMs continued to record revenue since 2Q, and their share of total revenue increased in 3Q.

Q Robotics profitability has been on a downward trend for three consecutive quarters. When will you complete revenue recognition for projects with low profitability?

A While some projects are scheduled for revenue recognition next fiscal year, the majority have already been recognized in 1Q-3Q of the current fiscal year.

[Outlook]

Q Will Motion Control be able to achieve its profit target for 4Q?

A Although we plan to achieve a high profit margin, 70–80% of the 4Q revenue plan is expected to come from existing backlogs, which makes the outlook highly certain. The temporary costs incurred in 3Q due to structural reforms in China will not occur in 4Q, and we also plan to recover the inventory valuation losses that were recorded earlier. As a result, profitability in 4Q is expected to improve, and we believe achieving the plan is possible.

[Markets]

Q Has the inventory adjustments for domestic semiconductor-related products progressed?

A Customers' inventory adjustments are largely complete. Therefore, the focus is now on the timing of the shift to increased production of equipment. Recently, December activity has been strong, and signs of increased production are emerging in AI-related and memory sectors. In particular, major Korean manufacturers are expected to increase production, and orders from related equipment manufacturers are starting to come in. Naturally, Japanese equipment manufacturers will also join this trend, so further recovery is expected.

Q Is demand for equipment exports in China showing signs of recovery?

A The situation is severe for domestic demand, but exports outside China are not so bad. As our AC servo is used in equipment for export, this trend remains positive for our company.

Q In the U.S., non-EV models are becoming popular. Has there been any change in market trends in response to this?

A There are some inquiries that are not related to EVs, including hybrids, but there has been no significant change.

[Orders]

Q Domestic orders for AC servo in 3Q declined compared to the previous quarter. What is the outlook for order trends, including those for electronic components such as chip mounters?

A Orders for chip mounters, which showed strong growth in 2Q, decreased in 3Q. On the other hand, AC servo orders in 3Q have recovered in the U.S. for semiconductor-related applications. We believe that major equipment manufacturers who are our customers, have completed inventory digestion and production adjustments.

Q Could you share the status of AC servo orders in Europe and Asia? Also, what is the trend for Drives in the Americas?

A The majority of AC servo customers in Europe are machine tool manufacturers. Until the previous quarter, the business conditions were extremely difficult, with ongoing restructuring and production/inventory adjustments. This situation had continued for about one to two years, but now we are finally seeing a recovery in orders to our company.

In Asia, AC servo is driven largely by the Korean market, where demand from equipment manufacturers is recovering as memory manufacturers increase production. Additionally, in Taiwan, our past sales efforts are paying off, and orders related to major foundries are increasing.

As for Drives, there are large-scale projects related to oil and gas in the Americas. Although revenue recognition will be in the next fiscal year, orders are increasing as investments are made for pipeline control. Furthermore, in the HVAC sector, mainly for data centers, we have received new orders from equipment manufacturers for applications such as air-conditioning of entire data centers and cooling of AI chips.

Q What is the trend in AC servo orders in China?

A There is a gradual recovery, mainly in semiconductors, and orders from machine tool manufacturers are also slowly increasing.

Q What is the scale of the large oil and gas project ordered in the Americas for Drives business?

A Approximately 9 billion yen. However, the contribution to revenue and profits will be in the next fiscal year.

Q What is the reason behind the increase in Robotics orders in China compared to the previous quarter? Also, please share trends in other regions.

A In China, the growth is driven by orders from automotive Tier 1 suppliers rather than OEMs. As for other regions, there have been no significant movements in Japan and Europe, while Korea in Asia is showing a recovery trend.

Q In terms of orders, how do you evaluate the landing in 3Q and the outlook heading into 4Q.

A Overall, orders in 3Q were in line with expectations. As for Motion Control in 4Q, the recovery of semiconductors is becoming more evident than before. In addition, orders are expected to decrease through 4Q due to the large oil and gas projects in 3Q, but if we exclude that large projects, we plan to maintain a firm performance. Robotics is expected to remain flat, while in System Engineering, we expect to receive orders for social systems and steel projects that were postponed from 3Q, so orders for 4Q are expected to increase.

[AI Robotics]

Q With regard to the initiatives to expand the AI robotics domain described on page 15 of the supplements to financial results, what factors make you judge that the

AI robotics domain is expanding?

A We are trying to advance Motion Control technology by utilizing AI, but AI robotics is still in its early stages, and we do not have any factors to clearly judge that the domain is expanding at present. However, we have already commercialized the autonomous robot “MOTOMAN NEXT”, which is equipped with AI, and we believe that expanding the AI robotics domain will lead to increased sales of “MOTOMAN NEXT”. We will provide more details in the upcoming disclosure of the next mid-term business plan, scheduled for early FY2026.

Q Market expectations for physical AI are rising, and competitors are also developing various products and making active moves. What is your strategy in the field of physical AI?

A When “MOTOMAN NEXT” was launched two years ago, its capability to handle high-mix, variable-volume production was still limited. However, at the recent International Robot Exhibition, we have demonstrated our efforts to further advance the use of AI, and we believe that we have been able to demonstrate our leadership in the field of AI robotics ahead of other companies. At the exhibition, it was clear that competitors are also looking ahead to the development of physical AI. Such trends are a positive sign that AI robotics will not end up as a temporary boom. Our company intends to expand its business in the future by accumulating examples using AI and accelerating specific initiatives.

Q As you accelerate your efforts in physical AI, are you currently receiving more inquiries?

A Projects have increased following the International Robot Exhibition. However, it will take a little more time before they contribute to our business performance.

[Humanoid]

Q In the president’s interview article, it was mentioned that the company will enter the humanoid market. Could you provide more details?

A While humanoid are often associated with bipedal walking, we are not particularly focused on that. Our concept involves using AMRs (Autonomous Mobile Robots) for mobility and mounting a humanoid-like upper body on top. For this reason, we acquired Tokyo Robotics to secure core technology and are developing actuators to enhance humanoid performance. Our company is not denying bipedal walking technology. It is an interesting technology, and if there is a need for its use, we will focus on it.

[Geopolitical Risk]

Q How will China's export restrictions on rare earths affect Motion Control business? Also, how much rare earths do you have in stock?

A We have long been concerned about our dependence on China for rare earths and have secured the required quantities through long-term contracts with leading domestic magnet manufacturers. Therefore, there is little risk that the tightening of restrictions will affect our current business performance. However, if it is prolonged, there is concern that it will have a serious impact not only on our company but also on Japan’s entire industry, so swift and appropriate action by the government is essential.

[Next Long-Term and Mid-Term Business Plan]

Q What kind of message will be conveyed in the announcement of the new mid-term business plan? Could you share the nuance?

A In the current long-term and mid-term business plans, we set ambitious targets and worked toward them, but as a result, we failed to achieve them. In the next plan, we will carefully identify issues and take solid actions to avoid disappointing expectations. In terms of direction, for existing businesses, we will reinforce our strengths in each region. We will pursue both quantity and quality but place particular emphasis on quality. We will also present a new policy for financial approaches such as capital allocation for growth and growth investments, aiming to provide content that institutional investors can understand and support. AI robotics is about to go into a full-scale phase, and we will take serious action to establish our position in this field.