Q&A for FY2025 Results Briefing (Summary)
Yaskawa Electric Corporation
(April 13, 2026 (Mon.))

[Speakers]
Hiroshi Ogasawara, Representative Director, Chairman of the Board
Masahiro Ogawa, Representative Director, President
Ayumi Hayashida, Senior Executive Officer, General Manager, Corporate Branding Div.
Yasushi Ichiki, Senior Executive Officer, General Manager, Corporate Management & 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 Operating profit landed below expectations in Motion Control and Robotics. What were the key factors?
A Each segment was affected by temporary factors. In Motion Control, we accelerated restructuring in China, including the consolidation of substrate production and the downsizing of Drives production capacity. These measures had originally been scheduled for FY2026 1Q but were implemented earlier, resulting in costs of approximately 0.4 billion yen. In Robotics, we recorded approximately 0.8 billion yen in costs related to the early execution of structural reforms in Europe that had been planned for FY2026. In addition, the impact of large-scale projects with relatively low value-added also weighed on profitability.

[Outlook]
Q For FY2026, Motion Control revenue is projected to increase by 19%. What is the breakdown between AC servo and Drives?
A We expect total revenue to increase by just under 50 billion yen year on year.

Approximately two-thirds of this increase will come from AC servo, with the remaining one-third from Drives.

Q Robotics is expected to post lower revenue but higher profit in FY2026. What is behind this outlook?

A In FY2025, we had a higher-than-usual contribution from large-scale projects with relatively low value-added. While FY2026 revenue will be negatively impacted by the absence of these projects, we expect profitability to recover through other projects with higher value-added.

Q The FY2026 plan appears conservative, with a further decline in Motion Control orders and flat Robotics revenue. Could you explain the background?

A Based on current order levels, the Motion Control plan may appear conservative. While a clear slowdown in orders has not yet materialized, the geopolitical situation in the Middle East remains uncertain, and we believe it would be risky to assume that the current strong order environment will continue unchanged. Accordingly, our revenue and profit plans incorporate potential demand slowdown risks stemming from geopolitical factors, resulting in a somewhat cautious outlook. In Robotics, while large-scale low-margin projects in Korea and China are expected to phase out, we aim to increase the proportion of standalone unit sales that generate normal profitability, with the goal of restoring revenue to FY2025 levels.

Q In the breakdown of changes in operating profit from FY2025 to FY2026, expenses increase by nearly 18.0 billion yen. What is the breakdown, and how are you thinking about cost control?

A Approximately half of the increase is attributable to higher investment-related costs, including depreciation, while most of the remainder is due to higher personnel expenses. FY2026 investment costs include IT investments such as ERP system upgrades. At the new Robotics Factory No. 5, we are making YDX (YASKAWA Digital Transformation) investments aimed at improving productivity in indirect operations through enhanced data utilization and AI. While fixed costs are expected to increase in FY2026, we view this fiscal year as the phase in which we begin to realize returns on past investments, and we intend to control the absolute level of expenses.

Q Regarding the point that expenses are expected to increase by slightly less than 18 billion yen, the increase appears to be less than 9 billion yen even including depreciation and R&D. Could you elaborate on the remainder?

A As mentioned, approximately half of expenses consists of investment-related costs, which include temporary expenses such as relocation costs associated with factory reorganization. These amounted to more than one billion yen.

[Orders]

Q What drove the increase in Motion Control orders in 4Q?

A Orders for AC servo for semiconductor applications recovered sharply. By region, the recovery was strongest in the United States, followed by Korea and Taiwan, and then Japan. Due to recent memory shortages, the two major Korean memory manufacturers have announced production expansion plans, leading to increased orders for related equipment. In Drives, we also secured orders for data center applications and oil drilling–related projects.

Q Semiconductor-related AC servo orders are strong overall, yet the outlook for China appears weaker. Is this due to a lower semiconductor exposure in China?

A We are actively pursuing business with local Chinese semiconductor equipment manufacturers, and multiple projects have progressed to the evaluation stage. We expect volumes to increase when equipment incorporating our AC servo enters mass production, which we anticipate in the latter half of the fiscal year. At present, within China's semiconductor market, Robotics is showing relatively stronger order momentum.

Q How do you view orders in FY2026 1Q?

A From 3Q to 4Q, System Engineering saw a significant increase in orders related to steel and social systems projects. While we cannot be overly optimistic about the continuity of these orders given geopolitical uncertainties, we believe Motion Control can offset the decline in 1Q. In Robotics, while the automotive market was challenging in FY2025, we are seeing new inquiries for FY2026, and demand in general industrial applications remains strong. On a year-on-year basis, we expect total company orders to be flat or slightly positive.

Q Semiconductor-related orders increased 40% QoQ in 3Q. How much did they increase in 4Q?

A Semiconductor-related orders increased by approximately 1.5 times QoQ in 4Q. This figure includes both AC servo and Robotics.

[Markets]

Q How do you assess Robotics demand by business and industry this fiscal year?

A Shipments of robots for semiconductor applications are expected to reach an all-time high this fiscal year and remain extremely strong. In the automotive sector, investment by Tier 1 and Tier 2 suppliers had stagnated in recent years due to revisions in EV strategies and delayed model changes. However, based on recent market trends and discussions with customers, signs of renewed investment are becoming clearer. We believe the market has bottomed out and is entering a recovery phase. Demand from general industries such as food remains steady, but automotive continues to be the core driver of stable, large-scale demand.

Q What is the outlook for the Drives market in the Americas from FY2026 onward?

A In 3Q, we received approximately 9 billion yen in orders for oil and gas pipeline projects, and in 4Q we secured additional orders of several billion yen related to oil drilling. HVAC demand also remained strong throughout 4Q. Looking ahead to FY2026, we expect HVAC demand centered on data centers to drive growth. Increased oil and gas production in North America, partly influenced by Middle East conditions, is also expected to be a positive factor.

Q With increasing AI-related investment in China, in which segments are you capturing orders?

A AI-related demand is increasingly driven by data center projects. In Drives, demand is strong for cooling equipment, while in AC servo, demand is robust for substrate and electronic component mounting equipment used in data centers. Many AC servo orders are for Japanese customers rather than local Chinese customers.

Q What is the outlook for energy storage–related demand for AC servo in China?

A At present, the contribution to business performance remains limited. However, in Robotics, we are seeing a certain level of demand related to battery manufacturing, driven by automation of cell production.

[AI Robotics]

Q More than 200 units of MOTOMAN NEXT are reportedly under deployment. What applications are most common?

A Applications and customer segments are expanding, and including projects with firm order commitments, the number of units involved is even higher. Customer penetration is steadily progressing. Historically, robot adoption was constrained by limited operating rates and applicable processes. We believe AI can overcome these constraints. Going forward, we will focus on highly scalable applications such as unpacking and screw fastening to accelerate cross-industry deployment.

Q What payload ranges and tasks are most common for MOTOMAN NEXT?

A As many applications involve replacing human labor, payloads of 10–20 kg are most common. Typical tasks include transport and unpacking.

Q How do you plan to increase MOTOMAN NEXT sales?

A We will catalog “killer applications” such as unpacking and screw fastening and deploy them horizontally. The ability to scale across diverse applications is critical, and this will drive the expansion of physical AI.

Q What is your sales target for MOTOMAN NEXT?

A We view revenue over one billion yen range as a milestone rather than a final goal. Given its high value-added nature, the contribution to profitability is significant.

[Profitability]

Q Fixed costs are expected to increase this fiscal year. How do you assess overall profitability?

A The recent deterioration in profitability is not due to a decline in gross margin but rather to fixed costs increasing beyond expectations and not yet being fully recovered. Going forward, we will recover fixed costs by increasing sales volume and improving productivity through YDX. While FY2026 remains uncertain, if order levels are maintained and fixed costs—particularly in China—do not continue to accumulate, we believe profitability can recover to a certain level.

Q Will profitability in the North American Drives business exceed that of Motion Control overall or the former China business?

A Profitability in North America is steadily improving, although it has not yet reached the exceptionally high margins once achieved in China. However, if capital investment at the Franklin campus proceeds as planned, we believe it can approach those historical levels.

Q What types of Robotics projects generate high value-added?
A Arc welding remains a highly profitable application.

Q Despite various initiatives such as expanding applications and diversifying the customer base, improvements in Robotics profitability are not yet evident. What kind of trigger or timing will lead to an improvement in Robotics profitability? Additionally, what specific initiatives are being undertaken to achieve this improvement?
A Under a customization-heavy business model, it is difficult to improve profitability. Technological advances are gradually reducing constraints on applications and tasks. As robot quality improves, higher volumes will lead to better profitability. As robots become capable of replacing a wider range of human tasks, we expect adoption barriers will decline. To accelerate this trend, we believe that the functionality of humanoid robots capable of performing tasks while moving will be critical. At present, we are at a turning point after nearly 50 years of robot history, and we believe that the robot market and its applications will soon enter a stage that is fundamentally different from the past.

Q Will you focus more on high-margin Robotics projects going forward?
A Large-scale low-margin projects were acquired strategically with the expectation of recovering profitability through after-sales services. While these projects weighed on profits in FY2025, conditions will improve in FY2026. Our policy of enhancing profitability by demonstrating the value of i³-Mechatronics solutions remains unchanged.

Q What is currently lacking for Robotics margins to exceed 10%?
A In addition to improvements in value added through a better product mix, FY2026 profitability is being constrained by higher investment-related costs due to the launch of the new Robotics Factory No. 5. Furthermore, as part of the final phase of European restructuring, workforce optimization is planned for 1Q, with temporary layoff costs of approximately 1 billion yen included. To exceed a 10% margin, we must increase utilization at the new Robotics factory and the

machining facilities invested in during FY2024, and expand standalone robot sales.

Q How much of the impact from the phase-out of low-margin Robotics projects is reflected in the FY2026 outlook?

A The negative impact on revenue is approximately 20 billion yen. There is no remaining order backlog related to these projects.

Q Were these large low-margin Robotics projects unprofitable?

A No. Even excluding future after-sales revenue, they were profitable on a standalone basis.

[Semiconductors]

Q What percentage of AC servo revenue is related to semiconductors and AI?

A End-market exposure for AC servo is approximately 25% semiconductors (front-end and back-end), 10% electronic components, and 25% machine tools and metal processing. We currently view data center–related investment as AI-related demand. AI investment generates broad demand for peripheral components and equipment, including substrate mounters, cooling systems, harness cables, and molded connectors. In China, investment remains strong not only for leading-edge semiconductors but also for equipment used in legacy semiconductors. Demand is expanding even without necessarily involving the latest process technologies, and the related markets continue to perform steadily.

Q Is the current strength in servo demand driven by real demand, or is inventory building occurring? Is the Motion Control revenue plan conservative in this context?

A Semiconductor cycles have repeated historically, and forecasting inflection points is difficult. While current demand reflects real demand, orders include a mix of short- and medium- to long-term deliveries. Inventory levels at semiconductor component manufacturers, distributors, and equipment makers also influence supply-demand dynamics. The current market environment has some bubble-like characteristics, making it difficult to gauge the level at which demand will normalize. As a result, our full-year plan partially includes projects with long lead times. Even if the bubble were to burst and market conditions were to slow sharply, we do not anticipate a severe downturn, as companies in the semiconductor market tend to rein in excessive investment and avoid worst-case scenarios. Should the situation reach a point that has a material impact on management, we will provide an explanation at an appropriate time.

Q Demand for AC servo is extremely strong, driven by semiconductor and AI-related applications. If demand were to accelerate further going forward, are there any concerns regarding production capacity constraints?

A We do not see issues with production capacity itself, but component supply could become a constraint. Servo products use many semiconductors, and shortages of even a single component could disrupt production, potentially leading to intense competition for semiconductors across the industry. That said, in practice we would adjust production while carefully monitoring supply-demand balance rather than producing without limit. Semiconductor manufacturing equipment capacity is more constrained than our servo capacity, so we do not view this as an immediate concern.

[Revenue Growth Strategy]

Q Compared with other companies, revenue growth appears modest. Should revenue expansion and market share be set as a higher-level KPI?

A We are not de-emphasizing revenue growth. Our strategy going forward is to pursue scale expansion through operational execution. In the Chinese market, price-led expansion by local manufacturers is approaching its limits, and we intend to identify effective strategies by benchmarking competitors. In the semiconductor market, Yaskawa products are increasingly positioned as core components in manufacturing equipment, while peripheral components supplied by local Chinese manufacturers are often incorporated around them. By increasing the number of such equipment configurations, we aim to secure stable revenue. The Chinese semiconductor market is highly competitive, and expanding future market share will require strategies that go beyond competition solely among servo manufacturers. It is essential to adopt an approach that includes our customers and end users, identify markets in which our customers are strong, and focus our efforts accordingly. If the way our products are used does not differ materially from those of competitors, it will not be possible to expand profits. It is therefore critical to clearly articulate and propose our distinct strengths to customers, and AI is an indispensable element in achieving this.

[Geopolitical Risk]

Q How is the situation in the Middle East reflected in your performance outlook?

A At present, direct impact on our FA business is limited, and we do not expect a sharp slowdown in generative AI–related investment. However, deteriorating market sentiment could indirectly affect investment appetite. Rising raw material and oil-related costs are partially reflected in our full-year plan through price pass-through assumptions.

Q What is your view on naphtha prices?

A There is no clear impact at present, but we continue to monitor developments closely.

Q Amid expectations of rising crude oil prices due to the situation in the Middle East, there are likely to be moves globally to strengthen supply chains. What impact will this have on Drives?

A Various changes are occurring with respect to supply chains. However, we recognize that the recent growth in Drives is largely attributable to a temporary increase in demand related to oil drilling. As a company, we are focused on providing the core value of Drives such as energy savings and improved energy efficiency and we intend to steadily expand these applications over time. In addition, demand in the solar-related field is also on an upward trend. These initiatives are progressing particularly in Japan and the United States, and we plan to continue placing emphasis on these areas going forward.

Q With rising energy costs due to the situation in the Middle East, concerns over plastics procurement, and reports that robots may become subject to additional tariffs, how are these risks reflected in the FY2026 plan?

A We have incorporated the impact of various cost-increase risks, including geopolitical factors, into assumptions for revenue and value-added changes. Without these risks, operating profit outlook could be higher, but given the broad impact of oil-related factors, we believe it is appropriate to disclose a plan that takes into account potential increases in transportation costs as well as higher costs for petroleum-derived components.

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

Q What is the outlook for depreciation over the next two to three years?

A Details will be explained at the mid-term business plan briefing scheduled for June. In the previous mid-term business plan "Realize 25," we pursued investment relatively aggressively. As a result, capital expenditures under the new mid-term business plan starting this fiscal year are expected to be at a somewhat more restrained level in comparison. That said, investments aimed at expanding physical AI are being considered under a framework different from ordinary capital expenditures, and we intend to make such investments in a strategic manner. Based on these assumptions, depreciation is expected to increase gradually from the current level, and our profit plan has been formulated on that premise.

[Other]

Q With the announcement of changes in Representative Directors, how should investors view the future management structure?

A Due to health considerations, the President will step down from the Board and focus on AI and robotics initiatives. Going forward, the company will continue to explore the best possible management structure in a timely manner, considering all available options.