Q&A for FY2026 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

[Performance]

Q How do you evaluate 1Q orders, revenue, and profit compared with your expectations?

A Orders exceeded our expectations. At the time of the FY2025 full-year results announcement, we had incorporated the possibility of a reactionary decline following the sharp recovery in semiconductor-related demand in 4Q. However, such an impact did not materialize, and orders came in above our assumptions. In particular, strong demand from semiconductor equipment manufacturers continued, and quarterly orders for both AC servo and Robotics reached record highs. In Robotics, in addition to increased orders from general industrial applications, including data center-related demand, orders for semiconductor-related robots also remained at a high level. Revenue was below expectations due to lower production volume caused by temporary production line shutdowns associated with the implementation of the new ERP system to strengthen our management foundation. Although we sought to minimize the impact by utilizing inventory, we believe revenue could have been higher without the production constraints. As for profit, expenses related to business structural reforms in Europe were recorded in 1Q as planned at the beginning of the fiscal year. In addition, while we had incorporated a certain impact from the implementation of the new ERP system in advance, the effect on production exceeded our assumptions.

Q In Robotics, we understand that one-time expenses related to restructuring in Europe totaled approximately 1.8 billion yen across FY2025 4Q and FY2026 1Q. In addition, expansion of the Slovenia production site was announced on July 1. Could you comment on the current situation of the European business?

A The restructuring costs in Europe were related to workforce reductions in Germany, where system production capacity exceeded actual demand. We recorded approximately 1.0 billion yen of one-time expenses in 1Q. The expansion of the production site in Slovenia has two objectives. The first is to consolidate Robotics logistics functions in Europe into Slovenia and improve logistics efficiency within the region. The second is to relocate the system integration factory, which had been separated from the robot production plant, to an adjacent site and improve the production efficiency of robot systems. This investment does not include additional manipulator production capacity. However, space has been secured for future expansion.

[Outlook]

Q Should we expect both orders and revenue, particularly in Motion Control, to remain solid from 2Q onward? Also, is it correct to assume that the BB ratio will normalize to around 1.0 in the second half?

A Current orders do not include projects with exceptionally long lead times. However, many of the projects have lead times that are approximately one month longer than the normal lead time for AC servo products, which is about three months. The reason revenue did not keep pace with orders is that, although Motion Control had prepared for increased production, utilization rates did not rise sufficiently. However, utilization rates have improved considerably recently. From the second half onward, we will further increase production capacity, including through the use of two-shift operations, and steadily link orders to revenue. Based on current foreign exchange assumptions, the revenue plan for each quarter after 2Q is just under 150 billion yen. Using the actual exchange rates seen in 1Q, revenue would be approximately 156 billion yen. We expect the gap between orders and revenue to gradually narrow from 2Q onward and move toward normalization.

Q Is there any impact from higher costs related to the situation in the Middle East in the full-year plan? Has there been any change from your original assumptions?

A The increase in costs related to the Middle East situation in 1Q was lower than originally assumed. The impact was less than 1.0 billion yen. While it is difficult to isolate the Middle East factor alone, we have incorporated approximately 4.0 billion yen of annual risk factors. As geopolitical risks remain uncertain, we have not changed our estimate of the full-year impact.

[Orders]

Q What were the monthly order trends during 1Q? Also, what is the outlook for 2Q?

A Motion Control orders remained at a consistently high level without significant monthly fluctuations. In Robotics, order levels tend to fluctuate depending on project timing. As a result, there was some variation from month to month, but 1Q finished at a high level overall. Orders in June also remained strong, and we expect both Motion Control and Robotics orders in 2Q to be at levels comparable to 1Q.

Q What was the trend in semiconductor-related orders during 1Q?

A Semiconductor-related AC servo orders increased more than 200% YoY and 16% QoQ. Semiconductor-related Robotics orders increased 141% YoY and 55% QoQ. Orders remained strong in both Motion Control and Robotics.

Q Other than semiconductors, which industries contributed to the recovery in AC servo orders in Japan and China? Also, which industries are driving the recovery in Drives? Has demand from the automotive sector not yet recovered in Robotics?

A In Japan, AC servo orders increased not only in semiconductors but also in electronic components and machine tools. In China, AC servo adoption in semiconductor applications has only recently begun, and the recovery is being driven mainly by machine tool applications. In Drives, demand for vacuum pumps used in semiconductor applications is strong in Japan. Demand for vacuum pumps also remains at a high level in Asia. In addition, data center construction is progressing not only in the United States and China but also in other regions, and we have secured orders related to such projects. Automotive-related orders in Robotics have remained flat. On the other hand, growth in general industrial and semiconductor applications is driving the increase in orders.

Q What was the percentage of Robotics revenue related to semiconductors in 1Q?

A On a revenue basis, the ratio was approximately 10% in 1Q, with no significant change. On an order basis, the ratio has increased to approximately 15%.

Q Based on orders, could the semiconductor ratio rise above 20% for the full year?

A As we also expect growth in orders from general industrial and automotive applications, we expect the semiconductor-related order ratio to remain at approximately 15% for the full year.

Q What is the regional breakdown of semiconductor robotics orders?

A Orders are mainly destined for Japan, China, the United States, South Korea, and Taiwan. In China in particular, localization of semiconductor manufacturing equipment has progressed considerably. Order levels in 1Q were very high, and we expect this trend to continue.

[Impact of the new ERP system]

Q What level of impact from the new ERP system is assumed for the full year? Also, by how much did revenue and profit in AC servo, Drives, and Robotics fall short of expectations?

A The impact on operating profit from lower production caused by the new ERP system was approximately 2.5 billion yen in 1Q, consisting of 1.5 billion yen in Motion Control and 1.0 billion yen in Robotics. In addition, restructuring costs in Europe amounted to approximately 1.0 billion yen and were entirely attributable to Robotics. As a result, these factors reduced 1Q operating profit by approximately 3.5 billion yen. Reported operating profit in 1Q was 8.5 billion yen. However, assuming a recovery in production and excluding the temporary restructuring costs in Europe, we believe the underlying operating profit level in 1Q was approximately 12.0 billion yen. Regarding revenue, we had already incorporated a certain level of risk associated with the implementation of the new ERP system into our assumptions, and therefore actual results were not significantly different from expectations. However, if the system had been launched smoothly, revenue could have been approximately 3.0 billion yen higher.

Q What assumptions had you made regarding the impact of the new ERP system on 1Q revenue?

A In Robotics, orders in the second half of FY2025 were weak, and revenue in FY2026 1Q based on deliveries from FY2025 4Q orders was close to the bottom level. Therefore, we assumed that revenue would increase from 2Q onward as orders recovered. In AC servo, we had been preparing to increase production in line with rising orders. However, taking into account the implementation of the new ERP system, we assumed that a full-scale production increase would begin from 2Q onward.

Q Regarding the impact of the new ERP system, what were the actual and assumed utilization rates in 1Q and 2Q?

A Overall utilization in 1Q was slightly below 75%. Motion Control was above 75%, while Robotics was below 75%. From 2Q onward, we expect utilization rates to improve to 85–90% and eventually exceed 100%. As production capacity is expected to increase in the second half, our goal is to achieve 100% utilization of the expanded production capacity.

Q How much additional cost was incurred from the implementation of the new ERP system in 1Q and for the full year?

A Most implementation costs are capitalized as fixed assets. On a depreciation basis, the annual impact is approximately 0.7–0.8 billion yen. In addition, approximately 0.4 billion yen was expensed during the implementation phase.

Q Did the implementation of the new ERP system have any impact on orders, such as suspension of order intake?

A There has been no impact on orders. We did not suspend order intake. Customers have made strong requests regarding delivery schedules. However, together with distributors and customers, including coordination of inventory held throughout the supply chain, we have worked closely to minimize any impact on customer production. At present, we do not recognize any movement by customers to switch suppliers due to delivery concerns.

Q Do you expect to recover the impact of the new ERP system within the fiscal year?

A The impact on production improved progressively throughout 1Q. While operations have not yet returned to full capacity, production conditions in June improved significantly compared with May. We expect operations to return largely to normal levels in July and to achieve stable system operation in August. Going forward, we will establish stable operations and build increased production capacity in both Motion Control and Robotics. By linking the recovery of production capacity to higher revenue, we aim to improve performance in the second half of the fiscal year.

Q Once the new ERP system is operating normally, what level of production capacity do you expect in each business in the second half?

A In Motion Control, we aim to increase production capacity by approximately 30–40% compared with the first half. In Robotics, we aim to increase production of semiconductor robots by approximately 30–40%, as production has not yet caught up with demand.

Q Why was the new ERP system implemented at this timing? In some companies, ERP-related impacts continue for several years. What stage are you currently at?

A The implementation of S/4HANA is a main initiative within our YDX (YASKAWA Digital Transformation) project and has been under preparation for approximately three years. Because replacing the system significantly changes the way work is performed, we prepared carefully in advance. The system replacement was completed during the Golden Week holidays, and the system itself is operating largely as intended. However, in terms of operations, employees must adapt their work processes to the new ERP system. Although extensive testing had been conducted beforehand, certain issues only became apparent after actual operation began. As a result, some production lines were temporarily halted in May while operational procedures were reviewed. The operational issues are now clearly understood, and the entire company is working together toward stable operation. Responding to customer needs remains our highest priority, and we are making every effort, including manual workarounds where necessary.