

CORPORATE GOVERNANCE

We recognize the importance of corporate ethics based on compliance with laws and regulations, etc., and consider the increasing of shareholder value through expediting of managerial decision making in accordance with changing social and economic environments and improvement of soundness of management to be an important theme. To make these possible, the Yaskawa Group will develop good relations with each of its stakeholders—its customers, its suppliers,

the community, and its employees—and make renewed efforts to bolster the strength of its organizations including its current shareholder meetings, board of directors' meetings, audit and other committees, and accounting auditors as it fortifies corporate governance.

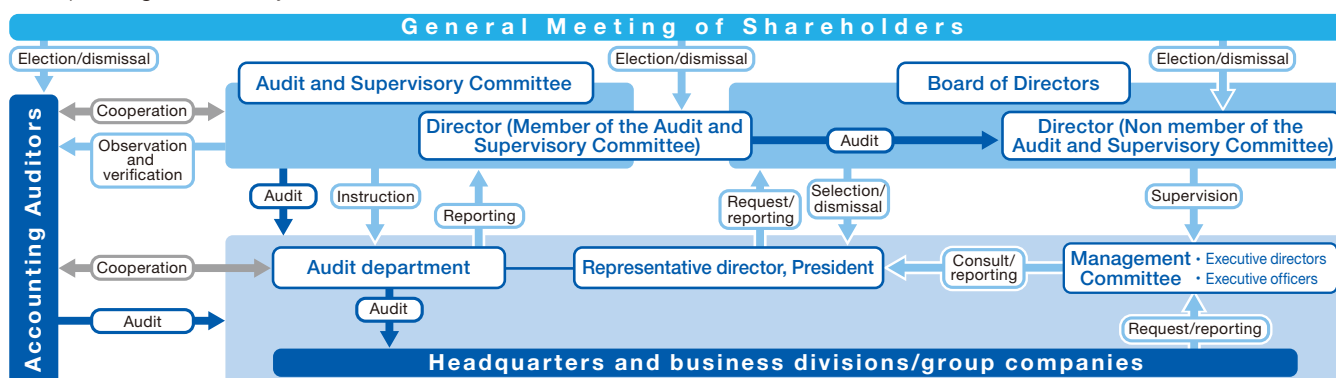
Yaskawa will also attempt to offer information to its shareholders and investors in a prompt and accurate manner and improve the transparency of its management by releasing a broad array of information.

Overview

Yaskawa has in place a board of directors' meeting which includes external directors who monitor the activities of each of its directors and executive officers. To further strengthen corporate governance and the supervisory functions of the Board of Directors with respect to the management and improve soundness and efficiency of management, Yaskawa has in place a system with the Audit and Supervisory

Committee in FY2015. It has also adopted an executive officer system in order to enhance the speed at which business is performed. It has the Management Committee that consists of internal directors and executive officers who deliberate on any board's resolution matters that require advance deliberation and important decision-making matters regarding the execution of business operations.

▽Corporate governance system



Management System

▶ Board of Directors

Yaskawa's Board of Directors consists of a total of 11 directors with eight internal directors and three outside directors.

The Board of Directors makes decisions on important matters related to business and matters required by laws and regulations as well as directs the continuous monitoring of the execution of business. To make clear their administrative responsibilities and to respond in an agile manner to volatile changes in the business environment, directors serve for a period of one year. 12 Board of Directors' meetings were held during FY2016.

We have appointed Yoshiki Akita, Kazumasa Tatsumi and Junichi Sakane as outside directors, and expect them to contribute to ensuring legal compliance and appropriateness by observing the company from the standpoint of investors, customers and the general public. During deliberations at the meetings of the Board of Directors, outside directors after having fully grasped the current circumstances of the company based on information that is addressed or reported by internal control divisions, internal audit divisions,

head office divisions and the Accounting Auditor, provide recommendations, etc., using their respective knowledge, thus serving as an appropriate supervisory function.

▶ Management Committee

The Yaskawa Electric's Management Committee is comprised of executive directors, executive officers, etc., who deliberate on important decision-making matters regarding the execution of business operations. The Management Committee is held once a month in principle and extraordinarily as needed in the formation of a flexible and agile business execution system.

▶ Audit and Supervisory Committee

The Audit and Supervisory Committee is comprised of five directors (three of whom are outside directors) who are members of the Audit and Supervisory Committee. 15 audit and supervisory committee meetings were held in FY2016.

In performing audits, the Audit and Supervisory Committee ascertains the current circumstances of this company sufficiently based on information reported from internal

control divisions, internal audit divisions, and head office divisions, and the internal directors conduct inspections while carrying out their duties appropriately. Further, duties are performed in collaboration with the Accounting Auditor and the duties of the Accounting Auditor are monitored and verified. The company has also selected and is under contract with Ernst & Young ShinNihon LLC as its accounting auditor in monitoring and validating the status of its audits.

▶ **Nomination Advisory Committee and Remuneration Advisory Committee**

For directors, we have established a Nomination Advisory Committee that serves as an advisory body for the president. This is to ensure transparency and fairness in the process of nominating candidates for directors and selecting Representative Directors and executive directors, and to ensure that outside directors who are members of the Audit and Supervisory Committee are given sufficient information to form opinions about the nomination of officers, etc., and that opportunities to discuss such issues are provided. When raising a matter at the board of directors such as that pertaining to the designation of an officer, it obtains a report from the committee and ensures that the details are fully reflected.

For remuneration of directors (excluding those who are members of the Audit and Supervisory Committee) and executive officers, we have established a Remuneration Advisory Committee that serves as an advisory body for the president for the purpose of ensuring justification and transparency, and to ensure that outside directors who are members of the Audit and Supervisory Committee are given sufficient information to form opinions about the remuneration for discussion. The committee discusses remuneration for executives based on calculations made through regulations, etc. for officer remuneration in response to inquiries from the president and other

matters pertaining to officer remuneration from the standpoint of justification and answers to the president.

▶ **Officer Compensation**

The annual compensation limit for directors (excluding director members of the Audit and Supervisory Committee) is the total (excluding employee wages) of the fixed annual amount up to 430 million yen and the profit-linked amount of not more than 1.0% of the consolidated net income for the fiscal year prior to that of the General Meeting of Shareholders at which the director was appointed or reappointed. The annual compensation limit for director members of the Audit and Supervisory Committee is not more than 100 million yen. The amounts of compensation, etc., of the directors and auditors for FY2016 are as follows.

▽ Compensation, etc., paid to directors and auditors

Directors (excluding members of the Audit and Supervisory Committee)	7	389 million yen
Directors (members of the Audit and Supervisory Committee)	5	75 million yen
Total (outside officers)	12(3)	464 million yen (28 million yen)

*Includes one director who retired from his post at the conclusion of the 100th General Meeting of Shareholders held in June 2016.

In addition to the above, as of FY2017 the company is planning to introduce a “Board Benefit Trust” system for its stock-based compensation plan. This is a system for introducing share-based compensation for directors (excluding director members of the Audit and Supervisory Committee) that is linked with the achievement level of the company’s mid-term business plan and share-based compensation that is not linked with company performance for director members of the Audit and Supervisory Committee.

Internal Control System

In order for the Board of Directors and Management Committee and other bodies to carry out appropriate and effective administration of business operations through internal control systems, the Company maintain the articles of incorporation, information disclosure policy, risk management systems, division of duties, operational authority and group company management. Regarding their basic policy, the Board of Directors issues resolutions, and they are revised as needed.

Also, with regard to norms for corporate activities,

compliance and enlightenment of these norms are being promoted within the company and group companies including subsidiaries, with the development and promotion of a compliance system through the “Group Principle of Management” and the “Guidance on Yaskawa Corporate Activity Standards.” In addition, we have established the “Basic Regulations for Group Compliance” in order to maintain the compliance system, and have also established a whistle-blowing system “Compliance Hot Line” for this company and each group company and business partners.

Risk Management

In developing its risk management system, Yaskawa has a Compliance Committee for the purpose of promoting company-wide adherence and enlightenment of the “Yaskawa Corporate Activity Standards” and the strengthening of compliance structure.

The company also has established a Risk Management Committee for the purpose of drafting and promoting policies pertaining to risk management, following up on the risk management structure, and offering enlightenment on people’s awareness. “Basic Regulations for Risk Management” clearly set out the basic policies for day-to-day preparedness and emergencies of a risk incident.

It also consults with and receives advice from the company attorney when legal decisions are needed.

Compliance System

Based on the “Guidance on Yaskawa Group Code of Conduct” as rules for corporate actions, we shall engage in structuring a system for promoting compliance and implementing compliance measures. In addition to conducting training sessions provided according to job rank, it conducted compliance training with external speakers in FY2016 for company directors and executives at group companies in Japan as well as conduct questionnaires on compliance with employees at Yaskawa and its group companies in Japan and hold compliance meetings at each workplace. The Yaskawa Group is taking initiative to strengthen its information security and has deployed its Rules for the Management of Information Security at group companies in Japan.