

Corporate Governance





11

9

7

5

3

1

Directors (Non-Member of the Audit and Supervisory Committee)

1

Representative Director
Chairman of the Board

Junji Tsuda

March 1976 Joined the Company
June 2005 Director
June 2009 Director, Managing Executive Officer
March 2010 Representative Director, President
June 2013 Representative Director, Chairman of the Board and President
March 2016 Representative Director, Chairman of the Board (incumbent)

2

Representative Director
President

Hiroshi Ogasawara

March 1979 Joined the Company
June 2006 Director
June 2013 Director, Managing Executive Officer
March 2015 Representative Director, Senior Managing Executive Officer
March 2016 Representative Director, President (incumbent)

3

Representative Director
Senior Managing Executive Officer

Shuji Murakami

March 1982 Joined the Company
June 2008 Director
March 2012 Director, Executive Officer
March 2014 Director, Managing Executive Officer
March 2016 Representative Director, Senior Managing Executive Officer (incumbent)

Directors who are Members of the Audit and Supervisory Committee

7

Director
Member of the Audit and
Supervisory Committee

Konosuke Noda

8

Director
Member of the Audit and
Supervisory Committee

Koichi Tsukahata

9

Outside Director
Member of the Audit and
Supervisory Committee

Yoshiki Akita

Executive Officer

Managing Executive Officer

Hiroyuki Ougi

Executive Officer

Michihiko Zenke

Executive Officer

Masahiro Ogawa

Executive Officer

Takeshi Ikuyama

Executive Officer

Masanori Imafuku

Executive Officer

Akira Kumagae



2

4

6

8

10

12

4 Director
Managing Executive Officer
Yoshikatsu Minami
December 1983 Joined the Company
June 2008 Director
June 2012 Executive Officer
June 2015 Director, Managing Executive Officer (incumbent)

5 Director
Managing Executive Officer
Koichi Takamiya
March 1983 Joined the Company
June 2010 Director
June 2012 Executive Officer
March 2016 Managing Executive Officer
June 2016 Director, Managing Executive Officer (incumbent)

6 Director
Executive Officer
Yuji Nakayama
March 1983 Joined the Company
June 2010 Director
June 2012 Executive Officer
June 2013 Director, Executive Officer (incumbent)

10 Outside Director
Member of the Audit and Supervisory Committee
Kazumasa Tatsumi

11 Outside Director
Member of the Audit and Supervisory Committee
Junichi Sakane

12 Outside Director
Member of the Audit and Supervisory Committee
Junko Sasaki

Executive Officer
Manfred Stern

Executive Officer
Michael Stephen Knapek

Executive Officer
Yasuhiko Morikawa

Executive Officer
Junichi Nakano

Executive Officer
Nobuaki Jinnouchi

Corporate Governance

Corporate governance is promoted for the realization of management principles and enhancement of corporate value.

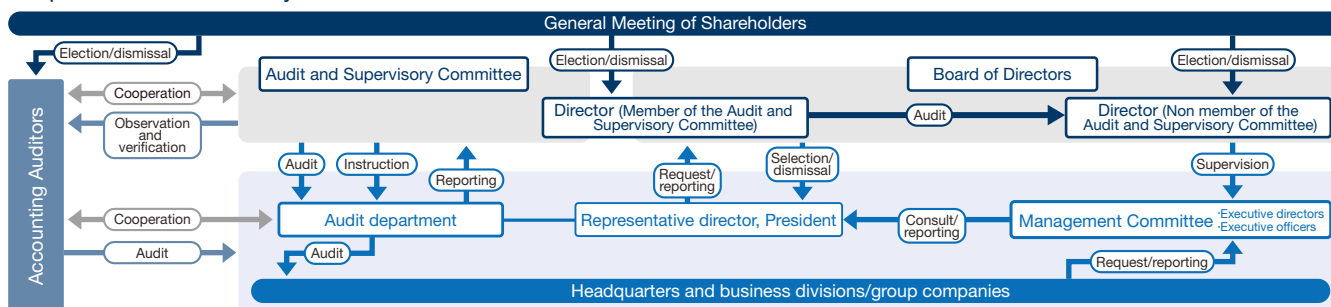
Corporate Governance System

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. Supervising function is working by leveraging the functions of Audit and Supervisory Committee, for example the fact that members of the Committee are able to exercise their voting rights as directors at board of directors' meetings on important matters within the company such as the election and dismissal of the representative

directors, to validate results on the execution of business by executive directors and to state their opinions on representative directors' election, dismissal, or remuneration at shareholder meetings. The Company has also adopted an executive officer system in order to enhance the speed at which business is performed.

In order to further strengthen governance, Corporate Governance Promotion Office was established under Human Resources & General Affairs Div. as a dedicated department for corporate governance.

Corporate Governance System



Board of Directors

Yaskawa's Board of Directors consists of a total of 12 directors with eight internal directors and four 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.

We have appointed Yoshiaki Akita, Kazumasa Tatsumi, Junichi Sakane, and newly appointed Junko Sasaki in 2018 as outside directors, and expect them observe 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. During FY2017 with the change in accounting period, 11 Board of Directors meetings were held and attendance rate for outside directors was 100%.

Audit and Supervisory Committee

The Audit and Supervisory Committee is comprised of six directors (four of whom are outside directors) who are members of the Audit and Supervisory Committee.

The Audit and Supervisory Committee performs audits based on sufficient information reported from internal control divisions, internal audit divisions, and head office divisions, and examinations conducted by the internal directors. Further, duties are performed in collaboration with ERNST & YOUNG SHINNIHON LLC, the Accounting Auditor the Company has selected. The duties of the Accounting Auditor are monitored and verified from an independent standpoint. During FY2017, 13 Audit and Supervisory Committee meetings were held and attendance rate for outside directors who are the members of Audit and Supervisory Committee was 100%.

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.

Committee Structure for Enhancement of Monitoring Function of the Board of Directors

Nomination Advisory Committee

The nomination advisory committee, an advisory body to the president, is in place for the purpose of securing transparency and fairness for the designation of candidate directors and the selection process for representative directors as well as titled officers, and for the purpose of securing means for outside directors, who are member of Audit and Supervisory Committee, to discuss matters based on ample information necessary for developing opinions, on agenda items such as the designation of officers. When proposals are being presented to the board of directors' meeting concerning such matters as the designation of officers, we report the proposal to the pertaining committee to fully reflect its opinions to the discussion.

Remuneration Advisory Committee

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.

Structures for the Board of Directors, the Audit and Supervisory Committee, and Advisory Committees

Name	Position	Duty	Board of Directors	Audit and Supervisory Committee	Nomination Advisory Committee	Remuneration Advisory Committee
Junji Tsuda	Representative Director, Chairman of the Board		◎			
Hiroshi Ogasawara	Representative Director, President	In charge of human resources development; Manager, ICT Strategy Promotion Div.	○		◎	
Shuji Murakami	Representative Director, Senior Managing Executive Officer	In charge of CSR & compliance; In charge of administration; General Manager, Corporate Planning Div.	○			○
Yoshikatsu Minami	Director, Managing Executive Officer	General Manager, Production Management & Operations Div.; General Manager, Export Administration Div.	○			
Koichi Takamiya	Director, Managing Executive Officer	General Manager, Corporate Sales & Marketing Div.	○			
Yuji Nakayama	Director, Executive Officer	General Manager, Human Resources & General Affairs Div.	○			○
Konosuke Noda	Director and Member of the Audit and Supervisory Committee		○	◎		
Koichi Tsukahata	Director and Member of the Audit and Supervisory Committee		○	○		
Yoshiki Akita	Outside Director and Member of the Audit and Supervisory Committee		○	○	○	◎
Kazumasa Tatsumi	Outside Director and Member of the Audit and Supervisory Committee		○	○	○	○
Junichi Sakane	Outside Director and Member of the Audit and Supervisory Committee		○	○	○	○
Junko Sasaki	Outside Director and Member of the Audit and Supervisory Committee		○	○	○	○

◎Chairman ○Member

Evaluation of the Effectiveness of the Board of Directors' Meetings

By having all the directors become aware of and share the direction and issues that the meeting should aim for, we have been conducting "Questionnaire on Evaluation of Board of Directors' Meetings" (anonymous survey) once a year since 2016 for the purpose of realizing continuous improvements in corporate value. As a result, we determine that the board of directors' meetings have secured general effectiveness based on the points below:

- Initiatives for separating the business execution function from the supervisory function are underway, as result of establishment of Audit and Supervisory Committee.
- Several independent outside directors have been selected

to comprise the board of directors' meetings and an appropriate structure is established, both in terms of size and composition.

- An environment where independent outside directors feel free to make their opinions is facilitated at the board of directors' meetings.

This questionnaire has also enabled us to acknowledge various issues, such that we need to further discuss things from a medium- to long-term perspective, to further improve our effectiveness. We will bear this point in mind and take steps to further improve our effectiveness (Please also refer to Page 59 for details).

Remuneration Policy

The annual compensation limit for directors (excluding director members of the Audit and Supervisory Committee) is the total (excluding employee wages) of (a) the fixed annual amount and (b) the profit-linked amount.

(a) Up to 430 million yen per annum

On our directors (except for outside directors), as they are responsible for improving corporate value, a certain amount will be paid in accordance with their performance appraisals and titles. As for outside directors, as they are responsible for supervising the execution of duties, they will be paid a fixed sum as determined in advance.

(b) Less than 1.0% of consolidated net profit for the business year prior to election or reappointment at shareholders' meeting

In order to make clearer the association with consolidated performance, directors will receive remuneration at less than 1.0% of consolidated net profit for the previous business year, which will not be paid to outside directors.

In addition to the above, in FY2017, we introduced a stock-based compensation plan for directors and executive officers as strengthened incentive for achieving its long-term business plan "Vision 2025". This has enhanced the clarity of the association among remuneration paid to directors, etc., our company performance and stock prices. It also allows our directors, etc., to share with stockholders not only the advantages brought about by rises in stock prices but also even the risks of falling share prices, and is intended to raise awareness of medium- to long-term improvements in performance and of contributions in increasing corporate value.

Also, in addition to the conventional function of Audit and Supervisory Committee to oversee the execution of business, in order to make the achievement of our mid-term business plan and other business plans a more definite reality, we have introduced a stock-based compensation plan for members of Audit and Supervisory Committee in FY2017, considering that they are responsible for monitoring the execution of management. Furthermore, to eliminate impact on the supervising function over the execution of business, the number of stocks delivered to Audit and Supervisory Committee members under this plan does not change in parallel with company's performance.

Policy Pertaining to Cross-Held Shares

Our company holds cross-held shares for the purpose of strengthening ties or alliances with partner companies.

As for individual cross-held shares, we make a regular review of our business strategy, business ties with our partners, and other such items from a medium- to long-term standpoint each year, as an agenda item for monitoring by the board of directors' meeting, and deliberate continued

holdings as well as the number of stocks which are held.

Also, we exercise voting rights for cross-held shares after checking the necessity against the holding purposes, considering whether they contribute to improvements in our corporate value. Furthermore, we will hold dialogue with the issuing companies on the details of them as necessary.

Internal Control System

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. Establishing and managing the internal control system is one of the important and indispensable measures to realize this issue, and we assume that the establishment and maintenance

of this system is necessary based on this idea. The Company is working on strengthening the internal control system to promote appropriateness of group-wide corporate actions in the context of improvement in the efficiency of execution of operations, compliance, management of the risk of loss, securing the reliability of financial reports, management of subsidiaries, internal audits and management of the Audit and Supervisory Committee, etc.

Risk Management System

In developing its risk management system, the Company is promoting company-wide adherence and enlightenment of the "Yaskawa Group Code of Conduct". As for the strengthening of compliance structure, it has established Compliance Committee for the purpose of group-wide deployment and promotion. It has also established 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.

Measures Against Disaster Risks

Probability for an earthquake of magnitude of approximately 7.2 within 30 years to occur at Fukuchiyama fault belt, which is near the Kitakyushu city, where Yaskawa Electric headquarters are located is estimated to be 0~3% by headquarters for Earthquake Research Promotion. The head office building is designed to secure the functions needed for the minimum activities in the event of an earthquake with a seismic intensity of 6 upper.



The Head Office Building

Compliance System

Based on the "Basic Regulations for Group Compliance" we are engaged in structuring a system for promoting compliance and implementing compliance measures, as well as providing compliance training according to job rank.

In FY2017, we provided employee training on the background of tightening regulations related to protection of personal information, and posted statement approved by the Board of Directors as required in the UK Modern Slavery Act 2015 on our corporate website. Also, we translated "Yaskawa Group Code of Conduct" into 18 languages and distributed to the employees in each country, at the same time provided compliance training for employees at subsidiaries in the Asian region.

Enhancement of Compliance Measures Overseas

At Yaskawa Group, on the background that the importance of our overseas business activities is increasing, we implement such measures as the establishment of global whistle-blowing system and compliance training at overseas subsidiaries in order to penetrate the awareness for compliance in the group companies abroad.



Posters to publicize whistle-blowing system



Compliance training at an overseas subsidiary

Interview with Junji Tsuda, Chairman of the Board, and Yoshiki Akita, Outside Director

We intend to further increase our corporate value by enhancing capabilities to create innovation through aggressive management, sticking to be the best in the world.



- First of all, let us look back on what was talked in the interview two years ago in "YASKAWA Report 2016." The interview covered the establishment of the Audit and Supervisory Committee and the Nomination Advisory Committee as well as the introduction of an executive officer system, and explained the backdrop how the corporate governance structure had been strengthened at Yaskawa Electric. While Yaskawa has facilitated its defensive governance through these initiatives for strengthening its

structure, challenges were also raised, such as how the company would look at governance to conduct more aggressive business and how it can become an organization that can generate new innovation. Two years have passed since the previous talk. How do you feel Yaskawa Electric has changed during this period?

Akita: During these past two years, Yaskawa Electric has precisely captured business opportunities, boosted its per-

formance, and achieved its operating profit target in the Dash 25 mid-term business plan (FY2016-2018), a year earlier than scheduled. As a result, I feel that we have generated a lot of expectation for growth from the stock market, and Yaskawa has grown to be a company with market capitalization that exceeds a trillion yen. I feel that there is extremely great meaning to this growth. Amid such conditions, an environment has been facilitated in the board of directors' meetings so that outside directors are able to proactively state opinions for improving corporate value. I am also seeing the changes that the functionality and effectiveness of the meetings has steadily improved as the information needed for our discussions is fully prepared, and that we're having more specific, more constructive and deeper discussions. Also from the financial perspective, I think the improvement in our cash flow has enabled us to enter a new stage where we will be thinking about how to spend our money while considering an optimal capital structure.

Tsuda: Mr. Akita had extended efforts for us since the time prior to our establishment of the Audit and Supervisory Committee in June 2015 and I feel that our board of directors' meetings has been able to change from a venue for obtaining approvals to a venue for further deepening discussions. We have also achieved performance levels that we have never before achieved in the past, and I feel that we have become able to hold vigorous discussions on an optimal capital structure aimed at maximizing our corporate value. I feel that we are also deepening our discussions on the ways for Yaskawa's contribution to our various stakeholders.

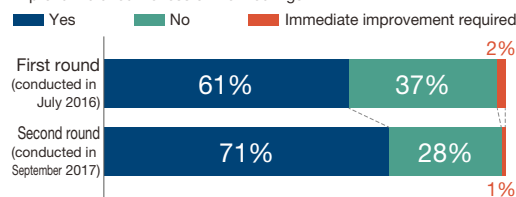
- Amid a social trend that for a company to achieve sustainable growth, improvements in the functionality of board of directors' meetings are indispensable, attention is turning toward the status of evaluating board of directors' meetings. With such a backdrop, Yaskawa Electric conducted a questionnaire on the evaluation of the board of directors' meetings for all directors, including audit and supervisory committee members, twice—in July 2016 and in September 2017.

Akita: As indicated by the questionnaire results, the effectiveness of the board of directors' meetings has generally been



Questionnaire on Evaluation of Board of Directors' Meetings

Are the following 28 items being properly addressed respectively to improve the effectiveness of the meetings?



Subjects: All directors, including members of the Audit and Supervisory Committee
Number of questions: 28

secured, and I feel that we're on a trend for improvement. For example, I think we're obtaining materials beforehand so we can better understand the background of the items that are presented in our agenda, and the environment is becoming such that questions on the details can be checked in advance. In these ways, we are now able to reach resolutions with ample discussion, even within the limited amount of time that we have. I think these are the types of improvements that we have been building, which have been shown in these results.

Tsuda: While I regret that the burden is being increased on our outside directors by providing them with information ahead of time, I am also seeing the change that they came to be able to monitor the status of our business execution from a different perspective. While there is some insufficiency in our provision of data analysis and availability, a key to delve into the essence of our discussions, I feel that the quality of our materials is steadily improving.

- The questionnaire also brought to light some challenges such as an inadequacy of progress reports and results analysis of our mid-term business plan and others, cases where the whereabouts of the risks weren't clear, and the reports on results of approved items not being sufficient.

Tsuda: As one specific challenge, I feel that there are times when we do not have clear, quantitative explanations in our progress reports on business targets. For example, while it's necessary to quantitatively and correctly understand our state of business in our analysis of unachieved business ob-

jectives and results analysis for the steps that we take, it's true that there are some parts which are vague. While this is not something that can be resolved overnight, I think it's important to make up for what isn't enough as we proceed to hold discussions.

- We obtained questionnaire results both on this occasion and on the previous occasion that an environment has been facilitated where independent outside directors can speak freely at the board of directors' meetings.

Akita: I feel that compared to the time when I assumed my role as an outside director, the environment has been facilitated so we can speak freely at the board of directors' meetings and the atmosphere has changed a great deal. While the quality of the information that is provided in advance has also been improved, and I attend the meetings after taking full measure of the details, I make it a rule not to pretend to know all the answers and to ask questions seeking explanations if there is something that I don't understand. Although there are some questions for which I can't immediately receive answers, I think it's possible for Yaskawa Electric to become aware of new things by having those questions posed. I think that asking these types of direct questions adds a good sense of tension to the board of directors' meetings.

- Ms. Junko Sasaki was newly appointed in the 102nd regular shareholders' meeting held in May 2018, making the number of independent outside directors four versus the three that there have been to date.

Tsuda: While the effectiveness of the board of directors' meetings is secured through measures like the establishment of the Audit and Supervisory Committee, we have welcomed Ms. Sasaki as a new addition to our outside directors in order to deepen discussions on our business plans and strategies from a more diverse perspective. In addition to the experience and expertise that she has nurtured at global IT companies to date, we look forward to more vigorous activities in our meetings by having her.

Yoshiki Akita

Sep. 1984 – Registered as a Certified Public Accountant
Jun. 1995 – Assumes position of representative director at Asahi Arthur Andersen, Ltd.
Mar. 2006 – Assumes position of outside director at Bell-Park, Co., Ltd. (incumbent)
Sep. 2007 – Assumes position of representative director and chairman and executive director at Layers Consulting Co., Ltd. (incumbent)
Jun. 2012 – Assumes position of outside director at Yaskawa Electric Corp.
Jun. 2015 – Becomes an outside director and member of the Audit and Supervisory Committee at Yaskawa Electric Corp. (incumbent)

- So, corporate governance at Yaskawa Electric seems to be in the process of advancement. How do you see its direction in looking toward sustainable growth?

Akita: To become a true global company in both name and substance, I think it needs to further advance its matrix management, not only for breakdowns by business division but also considering breakdowns by region. For example, when attempting to understand the state of business by region, I think reports should be received directly from American and European regions in their native language (such as English). For Yaskawa Electric to aim for new heights, I feel that it should conduct business by considering optimum capital structures with an awareness of efficient uses of funds, for example by creating innovation by proactively taking risks or to accelerate its deployments for new businesses.

Tsuda: My awareness is that one of the business challenges faced by our company is the facilitation of a succession plan (plans for developing our next president). As Mr. Akita says, in order for Yaskawa to become a true global company, there is a need to choose an individual who would be taking on the next generation from people with a diverse array of backgrounds and to develop them in a systematic manner. I feel that that would make it possible to create an agile organization that can more flexibly cope with changes in the business environment. On the other hand, I am also aware of the presence of the risk that our company could fall into a so-called innovator's dilemma when we think 30 or 50 years ahead. By that, I'm referring to the risk of being preoccupied by the desire to improve existing products, market requirements changing greatly after technologies are developed from new values, and the structure of the power within the industry being turned around completely. I feel that in order to avoid such a risk, we need to nurture a culture that enables people to come up with disruptive innovation* that can turn around existing values within the company. Needless to say, we have to have sustainable growth in the time to come, and in addition, it's by spreading the areas for making challenges in these ways without fearing failure that I would like to aim to realize a new industrial automation revolution and conduct business sticking to be the best in the world.

*An innovation model that refers to innovation that disrupts the order of an existing market which has been formed by established technologies and business models, and dramatically change the structure of an industry. Defined by the scholar Clayton M. Christensen at Harvard Business School.

