

FY2019-2021 Mid-term Business Plan "Challenge 25"

June 6th, 2019

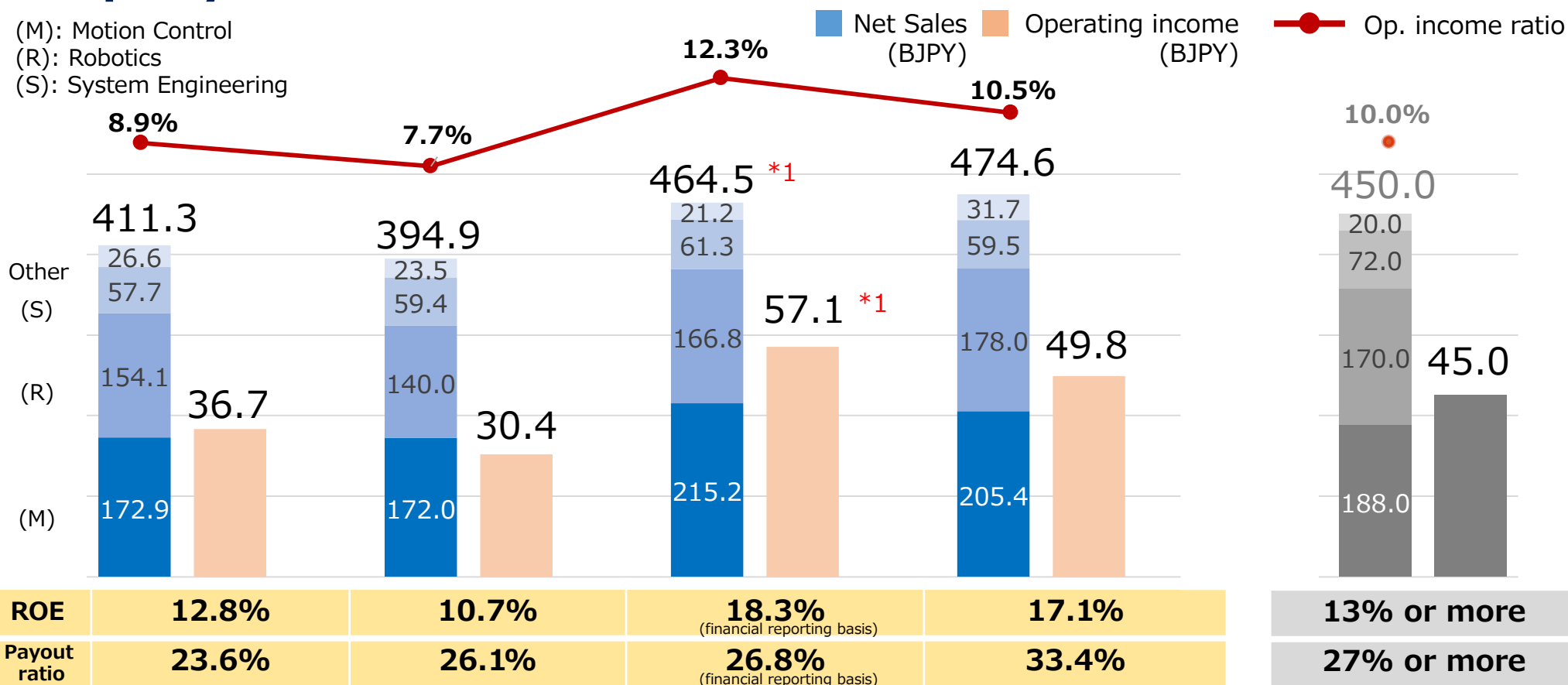
YASKAWA ELECTRIC CORPORATION

Review of Previous Mid-term Business Plan "Dash 25"

Review of Previous Mid-term Business Plan "Dash 25" (1)

Company-wide financial indices for "Dash 25" were achieved

(M): Motion Control
(R): Robotics
(S): System Engineering



FY2015 (Actual)

FY2016 (Actual)

FY2017 (Actual)

FY2018 (Actual)

Note: FY2015/2016 reflect changes in segment classification introduced in FY2017

*1 Reference values resulting from change in date of financial closure (refer to P.23)

FY2018 (Goal) *2

*2 Goals established in April of FY2016

Mid-term Business Plan "Dash 25" (FY2016-FY2018)

Review of Previous Mid-term Business Plan “Dash 25” (2)

“Dash 25” achievements and challenges

Maximize Results of “Realize 100”

- ✓ Expanded lineup of core products and its sales
- ✓ Strengthened sales capabilities by integrating sales functions
- ✓ Expanded local production, particularly in China and EU

Build Foundation for Realizing “Vision 2025”

- ✓ Started new solution concept i³-Mechatronics
- ✓ Established FAMS Co. for full-fledged automation of food production
- ✓ Established AI Cube Inc., subsidiary for AI solutions

Grow Clean Power as Core Business

- ✓ Growth of sales and improved profitability for wind power generation equipment
- ✓ Launched new products for PV equipment
- ✓ Mass production of EV components at Chinese JV
- ✓ Restructuring of the global Clean Power business structure

Establishing a competitive advantage for products and services in the automation domain

Creating businesses based on i³-Mechatronics concept

Building a stable profitability structure for Clean Power business

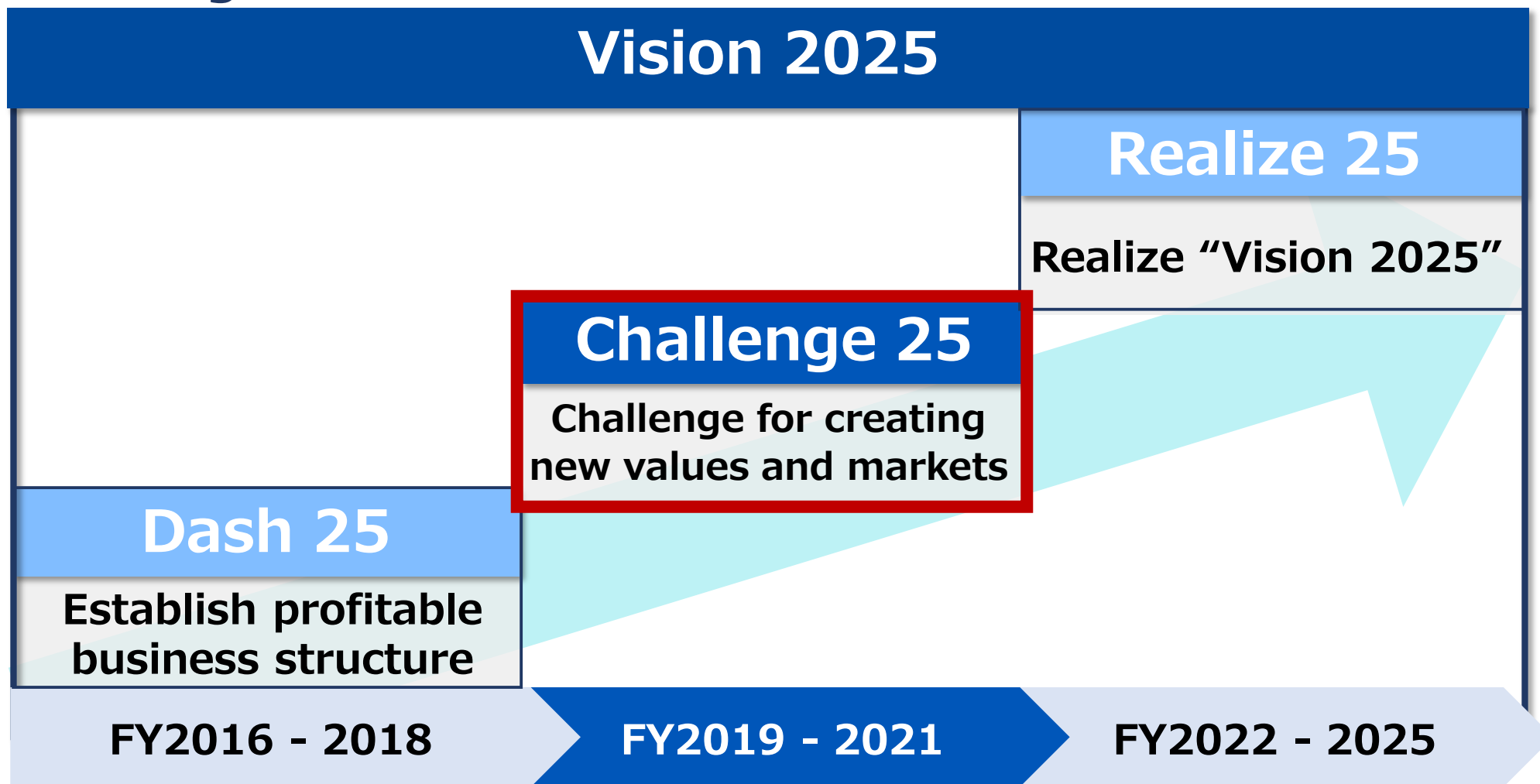
Develop measures for “Challenge 25”

New Mid-term Business Plan "Challenge 25"

~ Financial Targets and Basic Policies ~

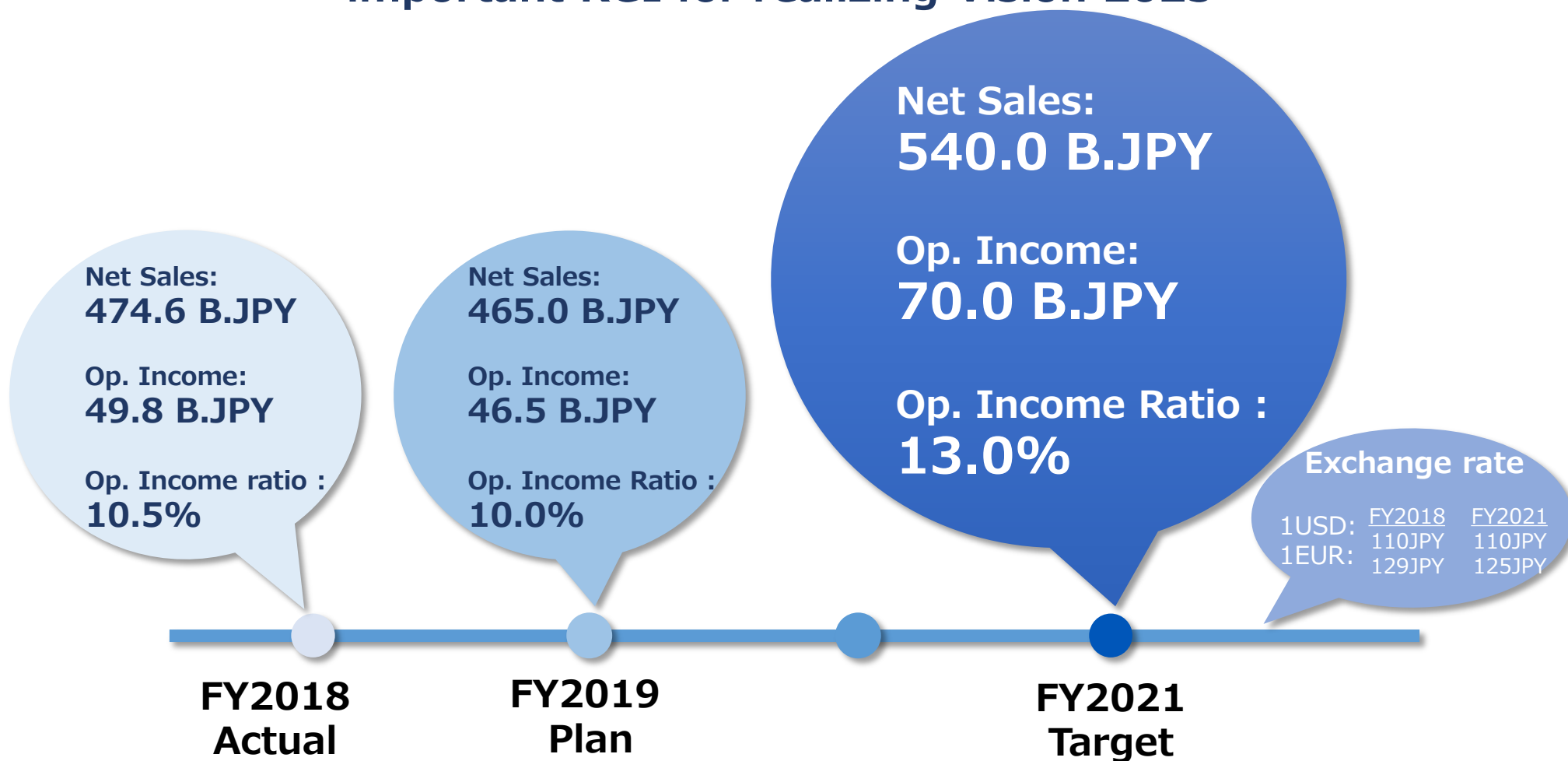
Positioning of New Mid-term Business Plan "Challenge 25"

In "Challenge 25", Yaskawa will take on a challenge for creating new business models to realize "Vision 2025"






Net Sales and Operating Income Targets

Aim for operating income of 70.0 B.JPY and operating income ratio of 13.0% in FY2021, through setting "Operating Income" as the most important KGI for realizing Vision 2025



Net Sales and Operating Income Targets by Segment

		FY2018 Actual	FY2019 Plan*	FY2021 Target
Motion Control 	Net Sales	205.4 B.JPY	207 B.JPY	240.0 B.JPY
	Op. Income	33.9 B.JPY	30.6 B.JPY	43.4 B.JPY
	Op. Income Ratio	16.5%	14.8%	18.1%
Robotics 	Net Sales	178.0 B.JPY	175.7 B.JPY	210.0 B.JPY
	Op. Income	17.3 B.JPY	17.6 B.JPY	27.3 B.JPY
	Op. Income Ratio	9.7%	10.0%	13.0%
System Engineering 	Net Sales	59.5 B.JPY	54.6 B.JPY	60.0 B.JPY
	Op. Income	0.1 B.JPY	0.7 B.JPY	1.8 B.JPY
	Op. Income Ratio	0.1%	1.2%	3.0%
Exchange rate		1 USD: 110 JPY 1 EUR: 129 JPY	1 USD: 110 JPY 1 EUR: 125 JPY	1 USD: 110 JPY 1 EUR: 125 JPY

*Figures reflect the impact of revision of segment classification from FY2019

Core Indicator of “Financial Capital Strategy”

Pursue “Financial Capital Strategy” aimed at raising corporate value

		FY2018 Actual	FY2019 Outlook	FY2021 Target
Financial indicators	ROE* ¹	17.1%	13.8%	15.0% or more
	ROIC* ²	17.2%	13.5%	15.0% or more
	Dividend Payout ratio	33.4%	38.9%	30.0%+α
FY2019-2021 Investment Plan		Cumulative investment (Including M&A investment): 100 B.JPY (6.6% of cumulative net sales)		

*1 ROE: Return on Equity = Net income attributable to owners of parent divided by shareholders' equity

*2 ROIC: Return on Invested Capital = Net income attributable to owners of parent divided by invested capital

Basic Policies of "Challenge 25"

Basic Policy 1



**Transform
Business Model
through
i³-Mechatronics**

Basic Policy 2



**Maximize
Profitability in the
Growing "Robotics"
Business Field**

Basic Policy 3



**Expand New
Domains by
Strengthening
Resources through
"Selection and
Concentration"**

Basic Policy 1.

Transform Business Model through i³-Mechatronics

Contribute to solving customer's managerial issues through evolution of production, sales and technology

Customers' management issues

Establish Sales Structure to Realize i³-Mechatronics

Develop Technologies and Products to Realize i³-Mechatronics



Centralization of technology and product development functions that accurately meets customer needs



Understand Customers' issues through approach to top management

Strengthen Manufacturing Function to Demonstrate i³-Mechatronics

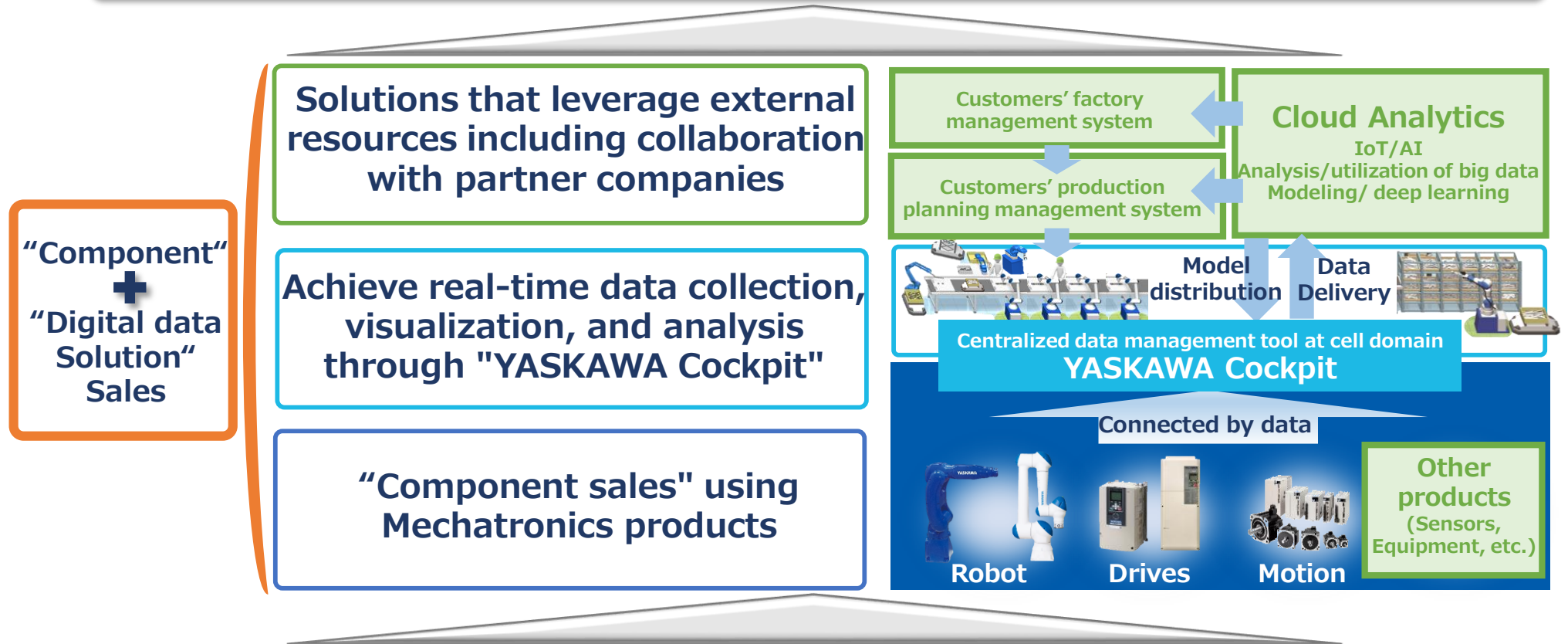


Development of next-generation factories that will transform manufacturing and business

Establish Sales Structure to Realize i³-Mechatronics

Establishment of a sales scheme that enables transformation to "Component + Digital Data Solution" sales

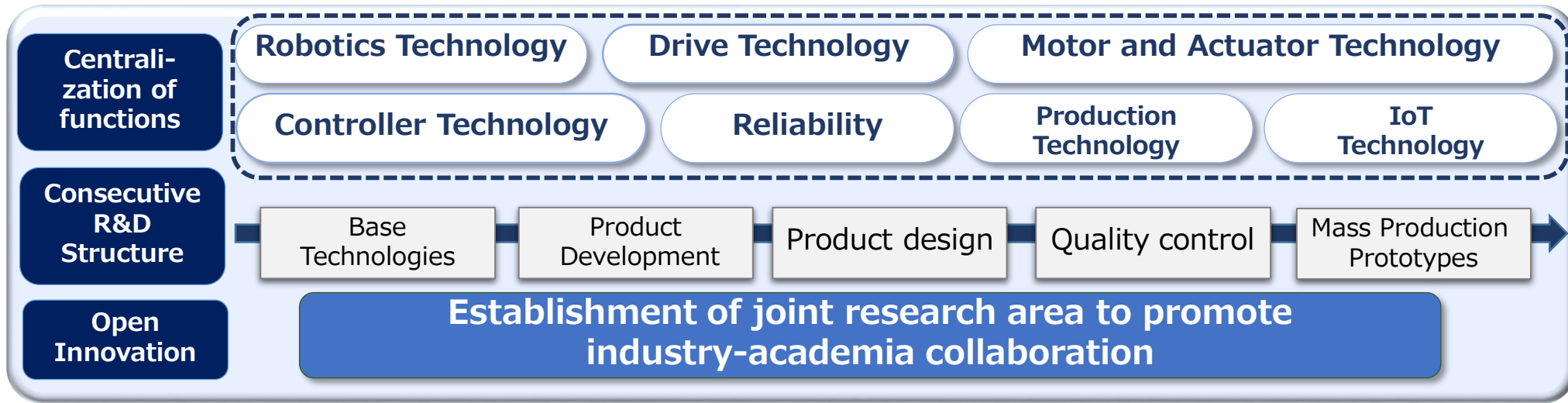
Contribute to solving issues through implementing i³-Mechatronics



Understand customers' management issues through communication between top managements

Develop Technologies and Products to Realize i³-Mechatronics

Increase product development speed by centralizing R&D functions to the YASKAWA Technology Center* (Tentative name)



*YASKAWA Technology Center (Tentative name):

YASKAWA's R&D base, which integrates the functions of technology & product development, and production technology development, from the development of base technologies to prototypes for mass production. (To be established in 2020)

Develop Technologies and Products to Meet Customer Needs in a Timely Manner

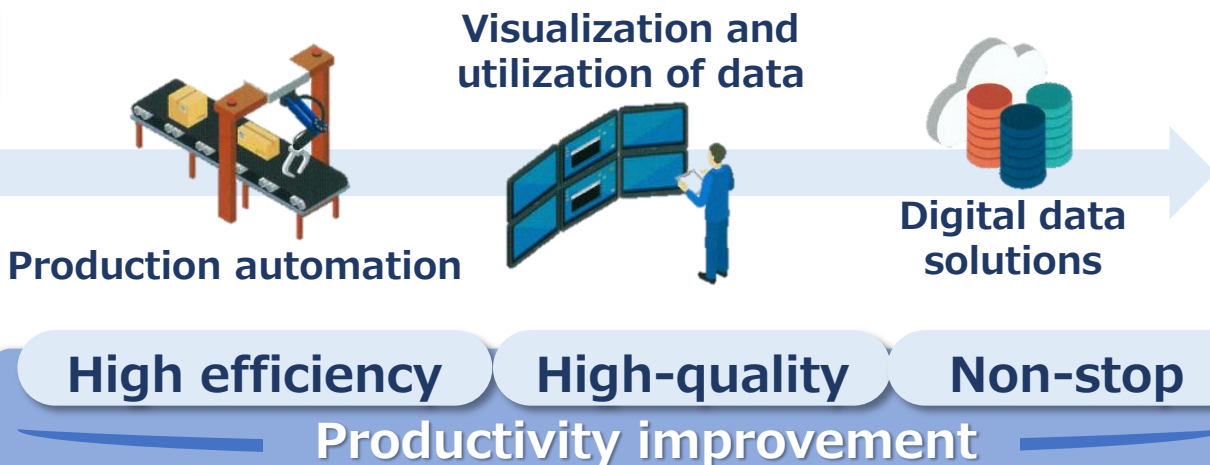


*Completion image

Strengthen Manufacturing Function to Demonstrate i³-Mechatronics

Evolve i³-Mechatronics through implementation of the concept at the next-generation factory "YASKAWA Solution Factory*"

YASKAWA Solution Factory



Apply know-how gained from next-generation factory to product R&D

Propose specific solutions to improve customer's productivity

Expand YASKAWA Solution Factory concept to global sites

***YASKAWA Solution Factory:**
A new AC-servo drive manufacturing plant that uses YASKAWA's automation technology and the latest ICT/AI technology to implement YASKAWA's Smart Factory and i³-Mechatronics concept

Basic Policy 2.

Maximize Profitability in the Growing “Robotics” Business Field

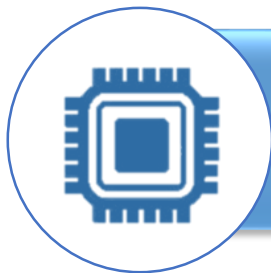
**Promote business expansion in the rapidly growing
“Robotics” market*¹**



Create presence in Chinese and Asian markets centered on “**3C**” *² market



Promote initiatives with car manufacturers and parts manufacturers in “**Automotive**” market



Strengthen initiatives in the “**Semiconductor**” production equipment market

*¹ “**Robotics**” Market: Automation areas including robots

*² **3C**: Abbreviations for consumer and digital communications equipment
(from acronyms of Computer, Communication and Consumer Electronics)

Basic Policy 3. Expand New Domains by Strengthening Resources through "Selection and Concentration"

Centralize resources to fields where strength of mechatronics technology can be leveraged, and accelerate expansion of new business domains



Energy Saving

Energy saving devices

High efficiency motors

Expand application field



Food & Agri

Vegetable production system

HMR* Factory Automation

Full-scale launch of business



Clean Power

Wind power

Solar power

Electric vehicle (EV)

Enhance profitability



Humatronics

Rehabilitation equipment

Biomedical

Construct business model

*HMR: Home Meal Replacement

Expansion of Energy Saving Application through New Value Proposals

Expand scope of energy saving applications through high added-value proposals through combining high-performance AC drives and high-efficiency motors



- Improvement of machine performance through application-specific functions
- High added-value through combined proposal of AC drives and high-efficiency motors



Oil & gas



Elevator



Pump



Crane

Drive function field



Air conditioning fan



Compressor

Energy saving function field



Water treatment

Full-scale launch of Food & Agri business

Strengthen automation solutions for food production process

Challenges of Food Manufacturing Industry

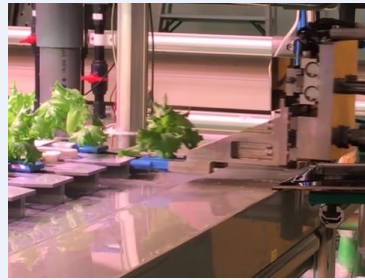
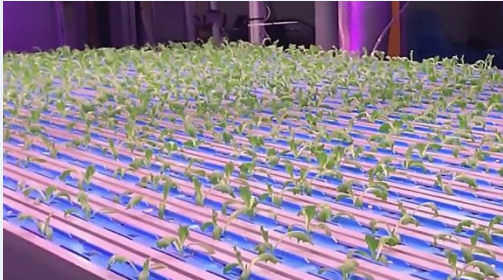
Safety and health

Stable procurement
of raw materials

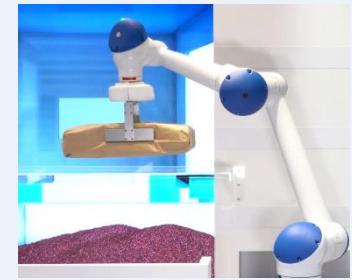
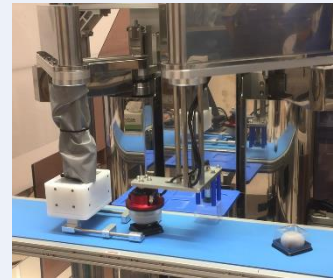
Securement of
labor productivity

Promote commercialization of automated solutions through
collaboration with key partners

Automatic vegetable production system



Robots with flexibility



Realize “predictive maintenance” and “traceability” through **i³-Mechatronics**

Strengthen Profitability of Clean Power Business

Strengthen profitability by focusing on competitive fields and specific regions

Wind power generation

- Focus on business in China
- Stable profitability of joint ventures with leading partners



EV

Solar power generation

- Focus on business in Europe
- Increase revenue through securing orders from leading wind turbine manufacturer



- Focus on business in the U.S.
- Expand market share of PV inverters through new products



Improvement of profitability by restructuring business structure

Building Business Models for Humatronics Equipment

Develop business model by expanding demonstration of Humatronics equipment

Rehabilitation Equipment

Deepen robot rehabilitation market by strengthening sales schemes and expanding product lineup

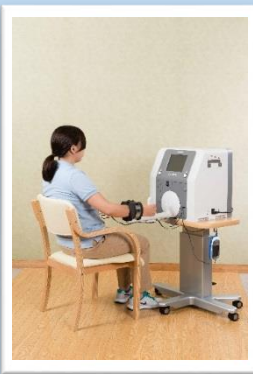


AR² for upper limb rehabilitation system

- ✓ Strengthen sales activities with sales partners (leasing business, etc.)
- ✓ Enhance product capabilities by promoting clinical evaluation



Ankle assist device AAD



Forearm rehabilitation device PR²
(Under clinical evaluation)

Biomedical Robot

Establish trustee business of genome analytics by accelerating industry-academia-government collaboration



Life sciences research robot LabDroid

- ✓ Commercialize trustee business for pre-processing of cancer genome diagnostics
- ✓ Strengthen trustee business of genome analysis for drug discovery research

New Mid-term Business Plan "Challenge 25"

~ Enhancement of business foundation ~

Improve Management Efficiency through Digital and Quality Management

Realization of digital management

Establish management style that predicts the future and take pre-emptive steps

Real-time Management

Group-wide Management



Simulation using data analysis and AI

Utilization of digital data
Digital Board



Real-time data visualization

Centralized global database

Global business process standardization/automation
(Higher work efficiency, reduction of tasks, shift to high-value-added tasks)

- Market
- Share Price
- Competitors
- Shareholders
- Customers
- Forex

Data

Field

Operation

HR

Accounting

Sales

Production

Procurement

Development

Quality

External data

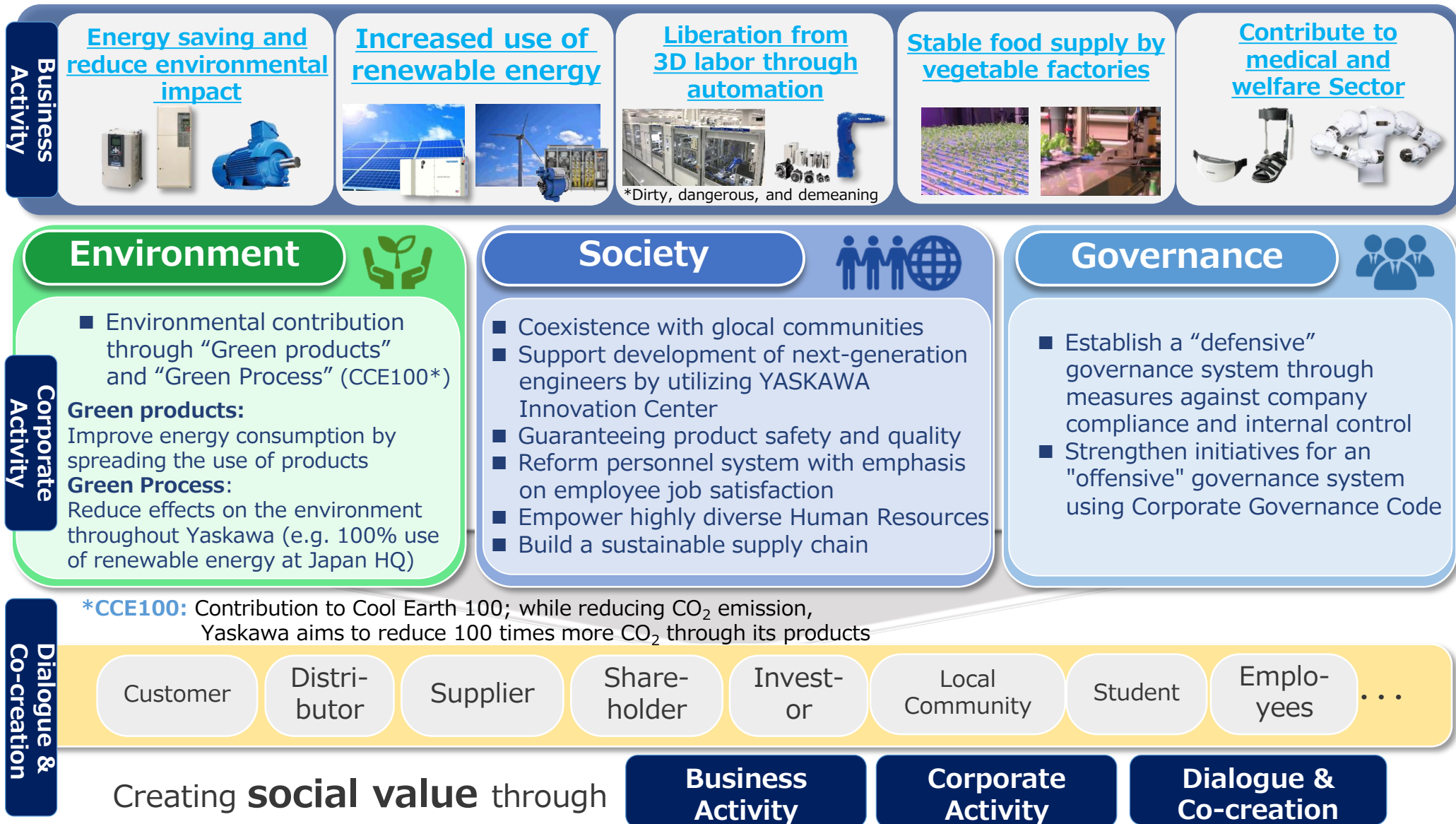
Data Retrieval

Implement quality management

Improve quality of operation and strengthen job operating capabilities (Genba-ryoku) through implementation of TQM*

*TQM: Total Quality Management

Initiatives for Sustainable Social Development and Enhancement of Corporate Value



Disclaimer

- The Company changed its accounting period in fiscal 2017 from March 20 to the last day of February. The results of fiscal 2017 are shown as <reference>. The <reference> figures are based on an assumption that the accounting period remained unchanged (from March 21, 2017 to March 20, 2018).
- The information within this document is made as of the date of writing. Any forward-looking statements are made according to the assumptions of management and are subject to change as a result of risks and uncertainties.

YASKAWA Electric Corporation undertakes no obligation to update or revise these forward-looking statements, whether as a result of new information, future events, or otherwise.

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