

# MESSAGE FROM THE CFO

Realizing sustainable improvement of our corporate value and operation efficiency through increasing our profitability, continuing to improve our return of profits to the society at large, as well as advancing business administration with digital management.

Representative Director;  
Corporate Executive Vice President

**Shuji Murakami**



## **My mission as CFO**

In the Corporate Planning & Finance Div., which I am in charge of, the mission is to understand and share the status of management in a timely manner for making Yaskawa group more competitive globally and maximizing our corporate value, and to make business strategies based on the gained information and develop it to the whole of Yaskawa group. As CFO, I am also committed to increase financial efficiency along with the management strategy and allocate management resources properly. In addition, I am working on improving our corporate value and operation efficiency through IR by appropriate communication and profit allocation as well as making feedback of shareholders and investors reflected in the management.

## **Background of revision of Vision 2025**

The objective of this revision was to narrow down our most important management target to operating income of 100 billion yen. To date, we have targeted both a doubling of sales and an operating income of at least 100 billion yen. Management believes that quality

should be improved rather than volume, and that profit ratio should be given priority. With operating income of approximately 50 billion yen in FY2018, we aim to double earnings over the remaining 7 years by growing profit at an annual rate of 10%. We believe that by focusing on profits, it will be easier to take various measures, and that we can achieve this faster and more reliably through our own efforts.

## **Perspective of indicators for capital efficiency**

Aiming to continue generating returns that exceed the cost of capital by making effective use of the capital invested in Yaskawa, we have raised our ROE target to 15% or more, as we achieved the previous target of 13% level in the previous mid-term business plan. I recognize that Western companies generally achieve this level, but Yaskawa's capital structure suggests that achieving operating income of 100 billion yen will lead to a higher ROE.

In this revision of our vision, we added ROIC as a new index and set a target of at least 15%. By doing so, we aim to establish a structure that will enable us to

consistently improve returns from the perspective of investment efficiency while maintaining a certain level of financial leverage\*, and thereby achieve operating income of 100 billion yen, as set forth in Vision 2025, as soon as possible.

\* Increasing a profit rate on shareholders' equity by utilizing borrowed capital (liability)

### The ways to reduce the cost of capital to increase corporate value

One way to reduce the cost of capital is to reduce the risk and volatility\* of a business. Because the Yaskawa Group's business deals mainly with components such as motors for customers involved in production facilities, we are aware that it is easily affected by economic conditions and has high volatility. To reduce volatility, (1) expand business to a wider range of customers, and (2) expand business into new fields, (3) increase the added value of businesses, and (4) increase the volume of stock-type businesses. From this perspective, Yaskawa is seeking to expand its business into new areas such as clean power, humatronics, and food and vegetable plants as applications of mechatronics, which is our core technologies. As these businesses grow significantly, we can expect to reduce volatility. In the factory automation and optimization business, we are working to provide higher value-added products and proposals based on the i<sup>3</sup>-Mechatronics concept. This approach creates a stock-type business that expands demand timing and increases revenues from operations such as after-sales service and consulting, which also reduces volatility.

The second is to reduce operational risk. Our Company is working to strengthen control over its operations by linking order receipt, production, and sales with data and enhancing linkage. This leads to a reduction in risk associated with capital management and inventory.

The third is to accurately identify and disclose profit opportunities and risks. We need to share our potential and risks with investors through appropriate guidance in our IR activities. We will continue to improve our IR activities from this perspective.

\* Degree of variation

### Advancement of business administration realized by digital management

The goal of promoting digital management is to realize a simple operation as if Yaskawa group is a single company. So far reporting on business administration used the information summarized by each company of

the group or each business, but Yaskawa will build an environment where information collection can be done based on a unified standard for all companies and businesses. Adopting the same system globally also automates business processing with a standard process, and automates/simplifies transactions inside our group as if those are handled by a single company. We will be able to understand abnormal values and the degree of improvement globally in real time by aggregating the unified raw data into the center, and it will facilitate comparison and audit of each company and business.

Furthermore, by incorporating forward-looking management indicators, such as customer information and industry information of the end users, in addition to information within the Group, we will improve the accuracy of forecasts and continually review resource allocation, thereby improving the efficiency and appropriateness of operations and reducing risks. Yaskawa will also evaluate and improve our business from more objective perspective through integrating comparative assessments which include benchmarks of other companies as indicators, and we are building a system to realize more accurate real-time management by collecting more benchmark information of other companies.

### Approach to profitability and return of profits

Yaskawa has been able to maintain high profitability in recent years as it has entered a good cycle of recouping investments, generating profits, redirecting those profits to growth investments, and achieving even higher profitability. We are aiming to become a company with sustainable growth by returning profits to society as a whole through stakeholders, rather than accumulating them as safe assets (retention). We are also aiming to achieve better performance and management efficiency than other companies by using quality improvement indicators such as the operating income ratio and the profit growth ratio as benchmarks of other companies.