

FY2019-FY2022 Mid-term Business Plan

"Challenge 25 Plus"

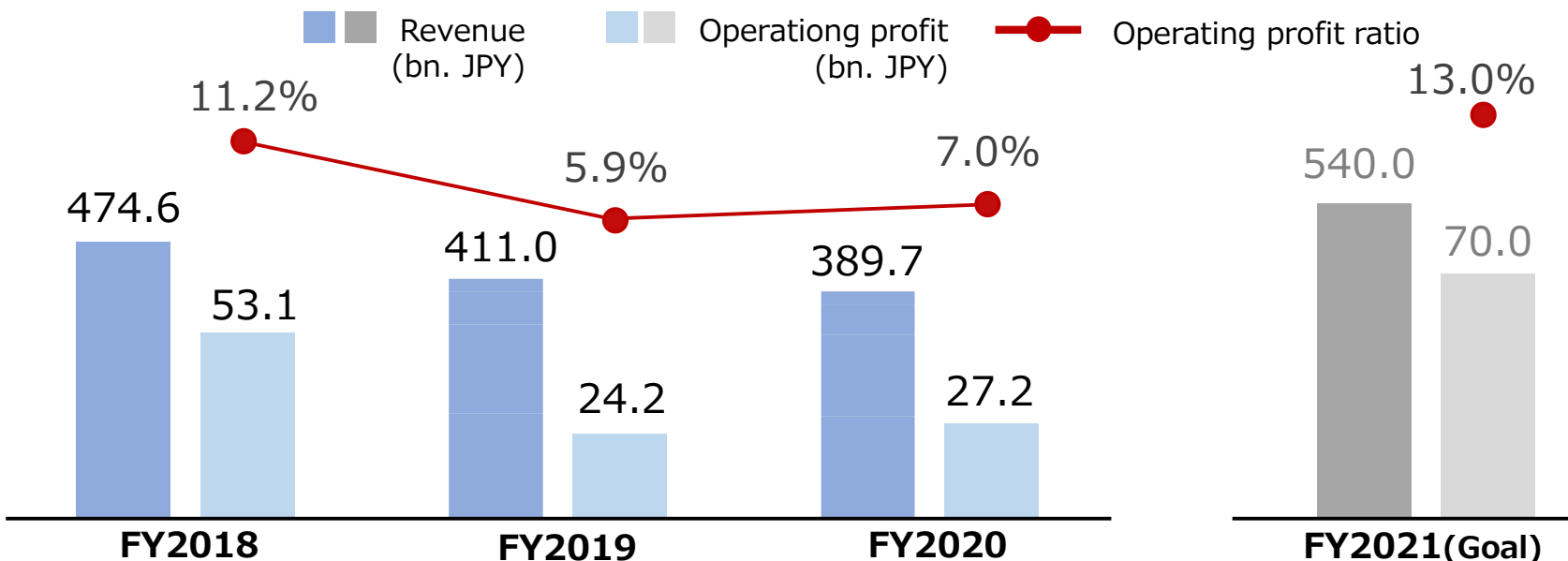
April 9th, 2021

YASKAWA ELECTRIC CORPORATION

Progress of Mid-term Business Plan "Challenge 25"

Progress of Mid-term Business Plan "Challenge 25"

- **Social and environmental assumptions significantly changed due to US-China trade conflict and the impact of Coronavirus (COVID-19)**
- **The market environment surrounding Yaskawa was worse than expected**



	FY2018	FY2019	FY2020
ROE	17.9%	6.6%	8.0%
ROIC	17.7%	5.9%	7.0%
Dividend payout ratio	33.4%	87.5%	33.1%

FY2021 (Goal)
(Announced in June 2019)
15.0% or more
15.0% or more
30.0% or more

Dash 25 (FY2016-FY2018)

Challenge 25 (FY2019-FY2021)

Note 1. IFRS standards for FY2018-FY2020 results

Note 2. FY2021 plan were at the time of "Challenge 25" release (June 2019)

Achievements and Challenges of Mid-term Business Plan "Challenge 25"

Achievements of "Challenge 25"

Management issues of "Challenge 25"

Basic Policy 1. Transform Business Model through i³-Mechatronics

- Establishment of "i³-Mechatronics CLUB"
- Strengthened service structure by group reorganization
- Started operation of "Yaskawa Technology Center"
- Launched new AC servo, drives and integrated controller
- Established i³ DIGITAL Corporation, a joint venture for IoT solutions
- Started robot production Slovenia factory

Basic Policy 2. Maximize Profitability in the Growing "Robotics" Business Field

- Expanded robot lineups (collaborative robot, SCARA, semiconductors, etc.)
- Strengthened initiatives with market-specific joint venture partners

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

- Reorganization of System Engineering business
- Launched new PV inverters

Enhancement of Management Foundation

- Establishment of Sustainability Policy
- Unified global data and promoted integration of business processes
- Introduction of flexible working styles such as remote work

Develop successful i³-Mechatronics cases

Expand sales of new products of Motion Control and Robotics

Stabilize profits of Environmental business

Improve productivity by making full use of ICT

Yaskawa Group's Sustainability Challenges and Targets (Materiality)

**Identify Materiality with newly established Sustainability Policy,
and develop initiatives for solutions in the Mid-term Business Plan**

Yaskawa Group's Materiality

Create Social Value and Solve Social Issues through Business Activities



Realize revolutionary industrial automation through i³-Mechatronics



Build clean social infrastructure and foundation for safe and comfortable living



Develop new technologies and business domains through open innovations



Strengthen Management Foundation that Contributes to Sustainable Society/Businesses



Sustainable and productive manufacturing



Create a rewarding workplace and human resource development



Fair and transparent governance system



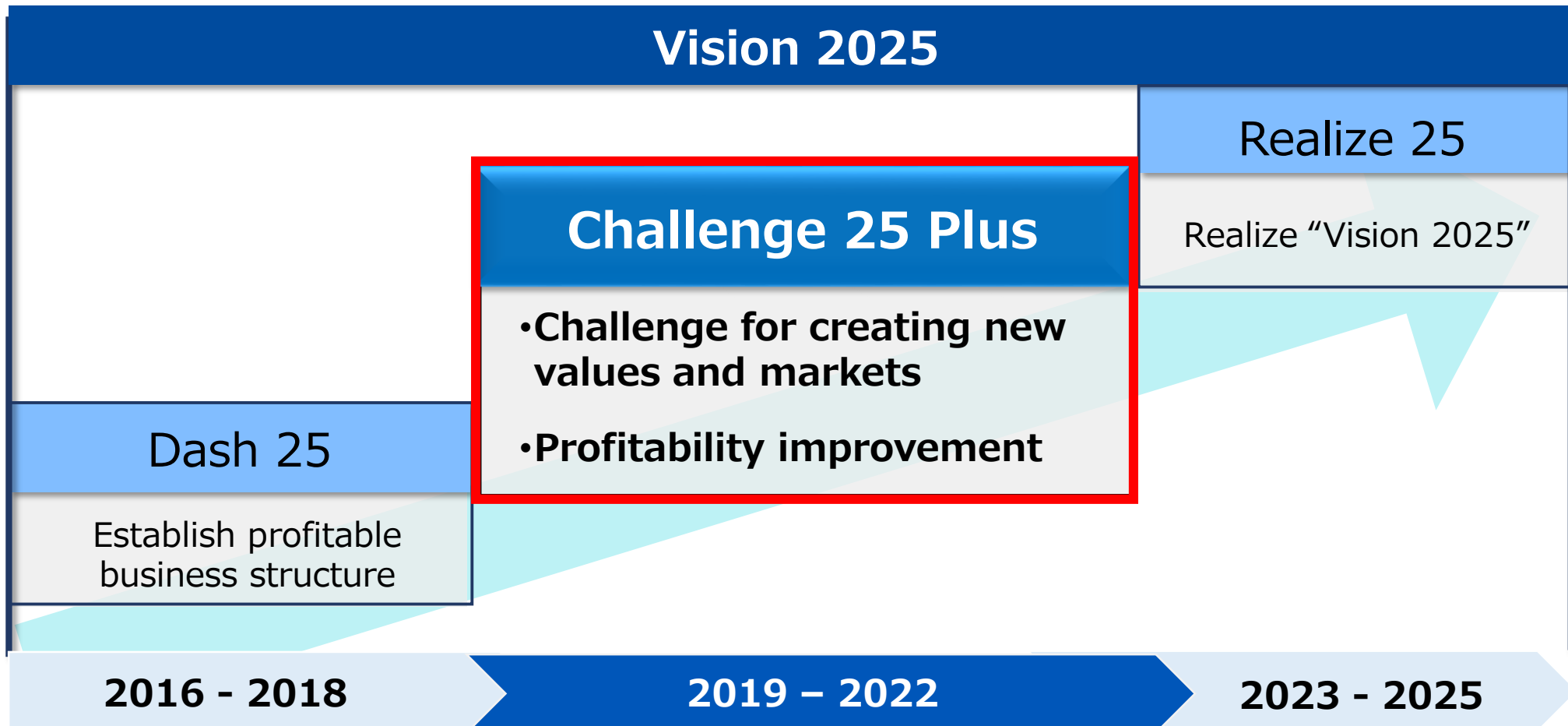
Mid-term Business Plan "Challenge 25 Plus"

~Financial Targets~

Positioning of Mid-term Business Plan “Challenge 25 Plus”

- Extended “Challenge 25” a year to accelerate the strategic development
- Accelerate YDX* and improve profitability to realize “Vision 2025”

* Promoting DX in Yaskawa Group



Revenue, Operating Profit, and Operating Profit Ratio Targets

Achieve operating profit ratio of 13.0%
with improving profitability as the most important goal

Revenue:
389.7 bn. JPY
Operating Profit:
27.2 bn. JPY
Op. Profit Ratio:
7.0%

FY2020
Actual

Revenue:
430.0 bn. JPY
Operating Profit:
42.0 bn. JPY
Op. Profit Ratio:
9.8%

FY2021
Forecast




Revenue:
470.0 bn. JPY
Operating Profit:
61.0 bn. JPY
Op. Profit Ratio:
13.0%

FY2022
Target

(Reference)
Previous Targets for FY2021
Revenue: 540 bn. JPY
Op. Profit: 70 bn. JPY
Op. Profit Ratio : 13.0%

FY2020(Actual): USD105.99JPY, EUR122.82JPY, CNY15.55JPY, KRW0.091JPY
FY2021 and FY2022(Forecast): USD110JPY, EUR130JPY, CNY16.80JPY, KRW0.096 JPY

Revenue, Operating Profit, and Operating Profit Ratio Targets by Segment

		FY2020 Actual	FY2021 Forecast	FY2022 Target
Motion Control 	Revenue	176.0 bn. JPY	199.0 bn. JPY	221.0 bn. JPY
	Op. Profit	24.6 bn. JPY	33.1 bn. JPY	43.7 bn. JPY
	Op. Profit Ratio	14.0%	16.6%	19.8%
Robotics 	Revenue	139.5 bn. JPY	160.0 bn. JPY	177.7 bn. JPY
	Op. Profit	6.9 bn. JPY	11.7 bn. JPY	19.5 bn. JPY
	Op. Profit Ratio	5.0%	7.3%	11.0%
System Engineering 	Revenue	50.8 bn. JPY	51.0 bn. JPY	51.0 bn. JPY
	Op. Profit	-1.0 bn. JPY	1.5 bn. JPY	2.0 bn. JPY
	Op. Profit Ratio	-2.0%	2.9%	3.9%

FY2020(Actual): USD105.99JPY, EUR122.82JPY, CNY15.55JPY, KRW0.091JPY
FY2021 and FY2022(Forecast): USD110JPY, EUR130JPY, CNY16.80JPY, KRW0.096JPY

Core Indicators of “Financial Capital Strategy”

Pursue “Financial Capital Strategy” aimed at raising corporate value

		FY2020 Actual	FY2021 Forecast	FY2022 Target
Financial Indicators	ROE* ¹	8.0%	12.3%	15.0% or more
	ROIC* ²	7.0%	11.3%	15.0% or more
	Dividend payout ratio	33.1%	33.1%	30.0%+α
FY2021-FY2022 Investment Plan		Cumulative investments (including M&A investment) 60.0 bn. JPY (Ratio to Sales: 6.7% of cumulative net sales)		

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

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

Mid-term Business Plan "Challenge 25 Plus"

~Basic Policies~

Basic Policies of “Challenge 25 Plus”

Promote and strengthen businesses that contribute to the development of sustainable society and accelerate improvement of profitability by management efficiency through YDX.

Basic Policy 1



Transform Business Model through i³-Mechatronics

Basic Policy 2



Maximize Profitability in the Growing Market through i³-Mechatronics

Basic Policy 3



Expand New Domains for Building a Sustainable Society



Develop New Technologies and Business Domains through Open Innovation

Strengthening the Management Foundation through YDX

Digital Management

Work style innovation

Basic Policy 1. Transform Business Model through i³-Mechatronics

Contribute to solving customers' management issues through cross-business initiatives with evolution of manufacturing, sales and technology

Make Our Customers Win

Develop technologies/products to realize i³-Mechatronics



Develop technologies and products that accurately meets customer needs timely by integrated development functions

Strengthen sales capability to realize i³-Mechatronics



Offer optimal solutions through communication with customers including top management

Strengthen manufacturing functions to demonstrate i³-Mechatronics



Develop concept of "Yaskawa Solution Factory" that will transform manufacturing and business

Strengthen service businesses through demonstration of i³-Mechatronics



Develop new services that contribute to improving customers' production efficiency

Strengthen Sales Capability to Realize i³-Mechatronics

Aim to expand solutions that realize i³-Mechatronics and strengthen our ability to offer solutions that increases added value of customers

Contribute to the solving issues through implementing i³-Mechatronics

"Component" + "Digital data Solution"

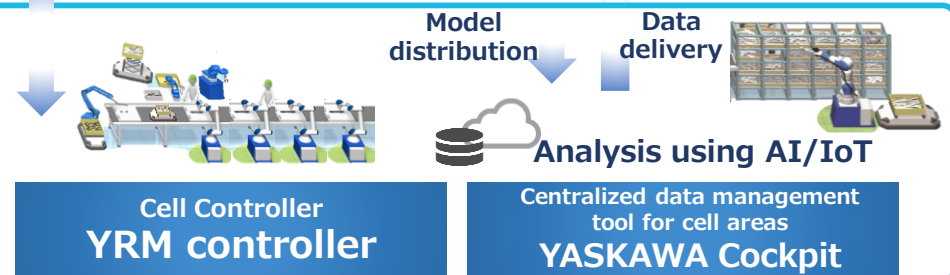
Solutions that leverage external resources including collaboration with partner companies

**Utilization of real-time data generated at production sites
(Collection, Visualization, and Analysis)
"YRM Controller"
"YASKAWA Cockpit"**

Mechatronics products that realize an increase in added value

Customer's production system

• Production planning management system, factory management system, and upper-level controller



Change to motion

Connected with data



Robot



Drives



Motion Control

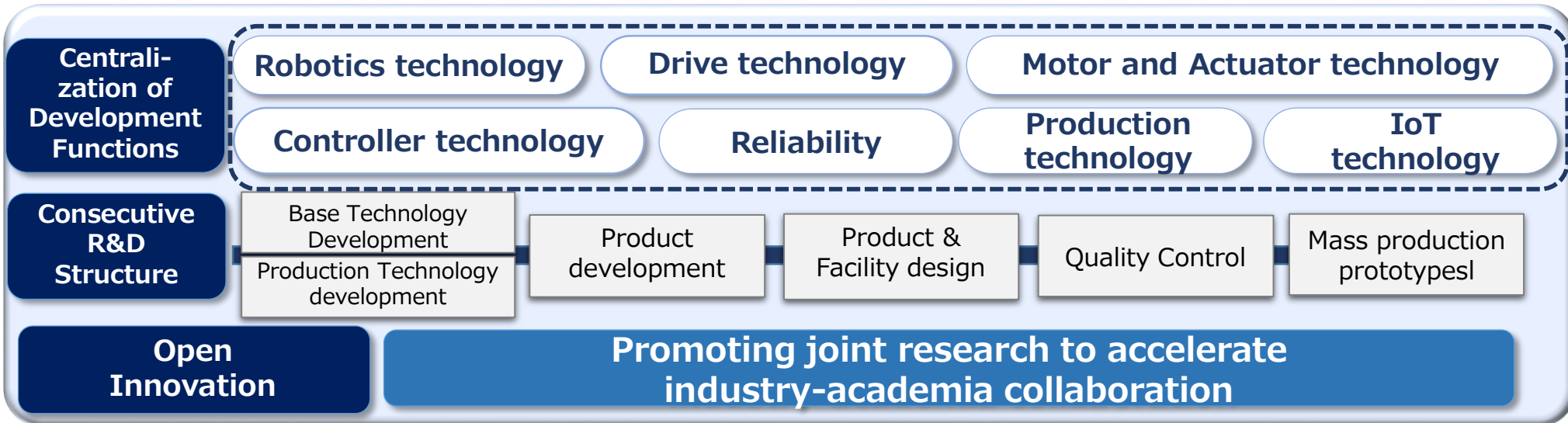
**Other products
(Sensors,
equipment, etc.)**

Understand customers' management issues through communication between top management

Develop Technologies/Product Development to Realize i³-Mechatronics



Accelerate global development across businesses by building an integrated development structure at “Yaskawa Technology Center” (started operation in March 2021)



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

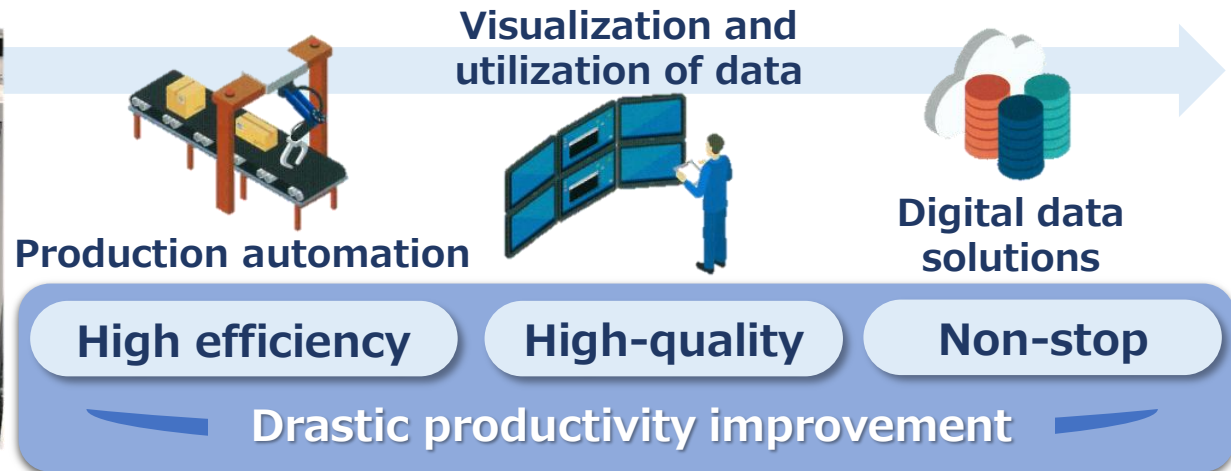
Strengthen Manufacturing Functions to Demonstrate i³-Mechatronics

Expand "Yaskawa Solution Factory" concept globally to realize efficient and optimal manufacturing

YASKAWA Solution Factory



A manufacturing factory that uses YASKAWA's automation technology and the latest ICT/AI technology to implement and evolve i³-Mechatronics



Apply know-how gained from the implementation of i³-Mechatronics

Propose specific solutions to improve customer's productivity

Expand YASKAWA Solution Factory concept to global sites

Strengthen Service Businesses through Demonstration of i³-Mechatronics

**Contribute to improving customer's production efficiency
by offering new data services based on predictive diagnostics**



**Realize "Non-Stop" through
advanced data analysis**

**Creating new high added value services
based on preliminary diagnosis**

Basic Policy 2. Maximize Profitability in the Growing Market through i³-Mechatronics

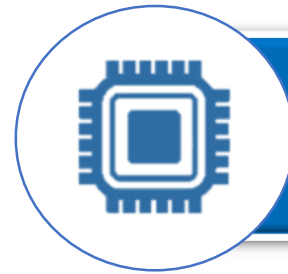
Business expansion by leveraging open innovation in the rapid growing “Robotics” market*¹



Strengthen creating market presence in China and Asia, centered on “3C*²” “**New Infrastructure***³” market



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



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

*1 “Robotics” Market: Automation area including robots

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

*3 New Infrastructure: Digitization of industries in China, centered on 7 fields which includes the next-generation communications standard “5G”, “new-energy vehicles”, and “AI.”

Basic Policy 3. Expand New Domains for Building a Sustainable Society

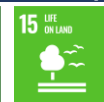
**Contribute to realizing sustainable society
through world-class mechatronic technologies**



**SUSTAINABLE
DEVELOPMENT GOALS**



Expand of Energy-Saving Equipment and Renewable Energy in Consideration of the Global Environment



**Take on the challenge of technological innovation
to realize carbon free society and change the future
through products utilizing the industry's top-level power conversion**



**Contribute to reducing CO₂
emissions by 100 times of the
amount emitted by Yaskawa
(CCE100*)**



AC Drives

Improve machine performance through
expanding products by application



High-efficiency motors

Expand application areas
in combination with AC drives

Photovoltaic power generation

Focus on business in Japan and the U.S.



Wind power generation

Focus on business in Europe



Motor drive system for EV

Focus on business of joint ventures in China



*CCE100 (Contribution to Cool Earth 100): Target to reduce CO₂ emissions from our products by more than 100 times by 2025

Develop Automation Solutions that Contribute to Solving “Food Issues”

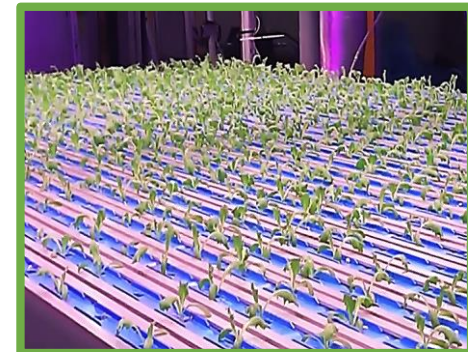


Contribute to stabilization of food supply by applying industry leading automation technologies to food production processes and agriculture



Automatic vegetable production system

Stabilization of vegetable production which is not affected by climate change



Automation in agriculture area

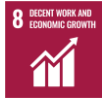
Securing production labor forces in the agriculture area which needs heavy labor

Automation of food production processes

Securing a productive labor force and quality improvement in safety and health



Development of Robotics Technologies that Contribute to People's Health and Welfare



Support people's health and lifestyles by establishing a business model to respond to demand for automation in the medical and welfare field



Biomedical

- Pre-process of cancer genome diagnostics
- iPS cell culture
- Automation of the medical examination process, such as PCR testing



Rehabilitation

Collaboration with
medical and rehabilitation
equipment manufacturer

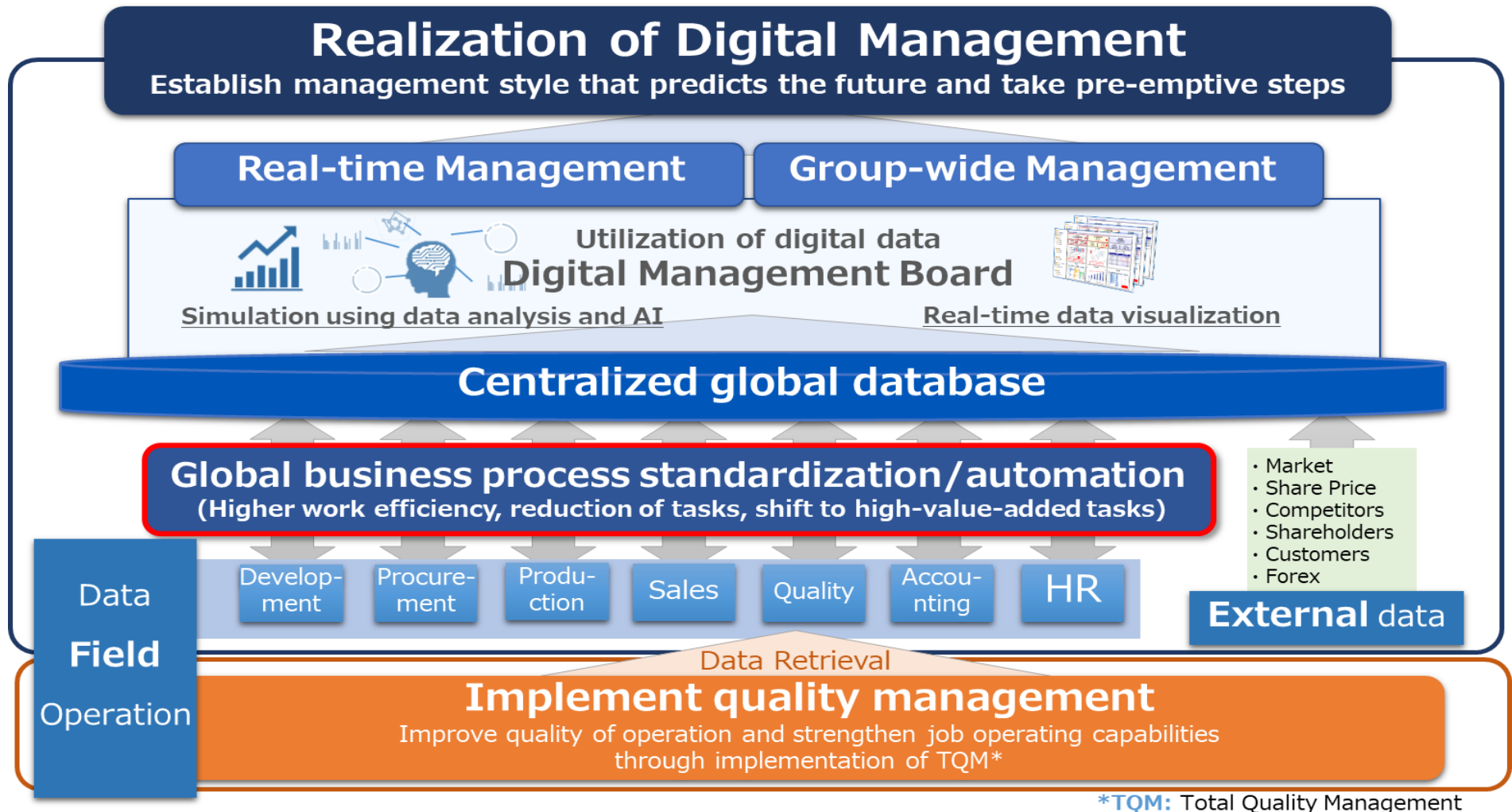
*Humatronics: a coined term combining Human and Mechatronics

Mid-term Business Plan "Challenge 25 Plus"

~ Strengthening Management Foundation ~

Improve Management Efficiency through Digital and Quality Management

Strengthen integrated group management globally and expedite management decisions by unifying management data and standardizing business processes



Improve Management Efficiency through YDX

Promote “visualization of data” and “creation of a rewarding workplace” to improve our management structure that is resilient to market changes accelerated by COVID-19

■ Sophisticated business management



Enhancement of added value through visualization of management data

■ Improve productivity



Efficiency improvement through visualization of business data

■ Work style reform



Realizing flexible and diverse working styles

■ Awareness reform



Enhancing employee job satisfaction

Strengthen Management Foundation that Contributes to Sustainable Society/Businesses

Implement sustainable management that meets the expectations of our diverse stakeholders

Sustainable and productive manufacturing

- Introduction of cutting-edge manufacturing
- Reduction of greenhouse gas emission through the Green Process
- Improvement of product safety and quality
- Construction of a sustainable supply chain

Create a rewarding workplace and human resource development

- Diversity and inclusion
- Human resource development
- Occupational safety
- Human rights and work practices
- Contribution to local communities

Fair and transparent governance system

- "Aggressive" governance system utilizing the Corporate Governance Code
- Strengthening of information security
- Enhancement of compliance

Create social value and solve social issues through

Business Activities

Corporate Activities

Communication and Co-creation

Note

- 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.

- Figures in this document are rounded. Please note that these figures may differ from other materials, such as financial results.

YASKAWA