FY2019-FY2022 Mid-term Business Plan
"Challenge 25 Plus"

April 9th, 2021
YASKAWA ELECTRIC CORPORATION

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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

<table>
<thead>
<tr>
<th></th>
<th>FY2018</th>
<th>FY2019</th>
<th>FY2020</th>
</tr>
</thead>
<tbody>
<tr>
<td>ROE</td>
<td>17.9%</td>
<td>6.6%</td>
<td>8.0%</td>
</tr>
<tr>
<td>ROIC</td>
<td>17.7%</td>
<td>5.9%</td>
<td>7.0%</td>
</tr>
<tr>
<td>Dividend payout ratio</td>
<td>33.4%</td>
<td>87.5%</td>
<td>33.1%</td>
</tr>
</tbody>
</table>

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”

<table>
<thead>
<tr>
<th>Basic Policy 1. Transform Business Model through i³-Mechatronics</th>
</tr>
</thead>
<tbody>
<tr>
<td>• Establishment of “i³-Mechatronics CLUB”</td>
</tr>
<tr>
<td>• Strengthened service structure by group reorganization</td>
</tr>
<tr>
<td>• Started operation of “Yaskawa Technology Center”</td>
</tr>
<tr>
<td>• Launched new AC servo, drives and integrated controller</td>
</tr>
<tr>
<td>• Established i³ DIGITAL Corporation, a joint venture for IoT solutions</td>
</tr>
<tr>
<td>• Started robot production Slovenia factory</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>Basic Policy 2. Maximize Profitability in the Growing “Robotics” Business Field</th>
</tr>
</thead>
<tbody>
<tr>
<td>• Expanded robot lineups (collaborative robot, SCARA, semiconductors, etc.)</td>
</tr>
<tr>
<td>• Strengthened initiatives with market-specific joint venture partners</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>Basic Policy 3. Expand New Domains by Strengthening Resources through “Selection and Concentration”</th>
</tr>
</thead>
<tbody>
<tr>
<td>• Reorganization of System Engineering business</td>
</tr>
<tr>
<td>• Launched new PV inverters</td>
</tr>
</tbody>
</table>

**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                                      |

#### Management issues of “Challenge 25”

- 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

Vision 2025

Challenge 25 Plus

- Challenge for creating new values and markets
- Profitability improvement

Dash 25

Establish profitable business structure

2016 - 2018

2019 – 2022

2023 - 2025

Realize 25

Realize “Vision 2025”
Achieve operating profit ratio of 13.0% with improving profitability as the most important goal.

<table>
<thead>
<tr>
<th>Year</th>
<th>Revenue (bn. JPY)</th>
<th>Operating Profit (bn. JPY)</th>
<th>Op. Profit Ratio (%)</th>
</tr>
</thead>
<tbody>
<tr>
<td>FY2020 Actual</td>
<td>389.7</td>
<td>27.2</td>
<td>7.0</td>
</tr>
<tr>
<td>FY2021 Forecast</td>
<td>430.0</td>
<td>42.0</td>
<td>9.8</td>
</tr>
<tr>
<td>FY2022 Target</td>
<td>470.0</td>
<td>61.0</td>
<td>13.0</td>
</tr>
</tbody>
</table>

(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, KRW0.096JPY
# Revenue, Operating Profit, and Operating Profit Ratio Targets by Segment

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

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

<table>
<thead>
<tr>
<th>Financial Indicators</th>
<th>FY2020 Actual</th>
<th>FY2021 Forecast</th>
<th>FY2022 Target</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>ROE*¹</strong></td>
<td>8.0%</td>
<td>12.3%</td>
<td>15.0% or more</td>
</tr>
<tr>
<td><strong>ROIC*²</strong></td>
<td>7.0%</td>
<td>11.3%</td>
<td>15.0% or more</td>
</tr>
<tr>
<td><strong>Dividend payout ratio</strong></td>
<td>33.1%</td>
<td>33.1%</td>
<td>30.0%+α</td>
</tr>
</tbody>
</table>

**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 meet 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 service businesses through demonstration of i³-Mechatronics

Develop new services that contribute to improving customers’ production efficiency

Strengthen manufacturing functions to demonstrate i³-Mechatronics

Develop concept of “Yaskawa Solution Factory” that will transform manufacturing and business
Contribute to the solving issues through implementing i³-Mechatronics

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

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

Model distribution
Data delivery

Analysis using AI/IoT

YASKAWA Cockpit

Connected with data

Cell Controller
YRM controller

Change to motion

Other products
(Sensors, equipment, etc.)

Robot
Drives
Motion Control

Understand customers' management issues through communication between top management

“Component” + “Digital data Solution”
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)

Centralization of Development Functions

Robotics technology
Drive technology
Motor and Actuator technology
Controller technology
Reliability
Production technology
IoT technology

Consecutive R&D Structure

Base Technology Development
Product development
Product & Facility design
Quality Control
Mass production prototypes

Production Technology development

Open Innovation

Promoting joint research to accelerate industry-academia collaboration

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

- Production automation
- Visualization and utilization of data
- Digital data solutions

High efficiency, High-quality, Non-stop

Drastic productivity improvement

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

Preliminary diagnosis utilizing product operational data collected by YASKAWA Cockpit

Provide field remote services and preventive maintenance before failure

Realize "Non-Stop" through advanced data data analysis

Creating new high added value services based on preliminary diagnosis
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

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*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

Energy Saving

Clean Power

Food & Agriculture

Humatronics

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 technology.

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

**Clean Power**

**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

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*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.

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

Realization of Digital Management
Establish management style that predicts the future and take pre-emptive steps

Real-time Management

Group-wide Management

Utilization of digital data
Digital Management Board

Simulation using data analysis and AI
Real-time data visualization

Centralized global database

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

Data Retrieval

Implement quality management
Improve quality of operation and strengthen job operating capabilities through implementation of TQM* 

*TQM: Total Quality Management

External data

Data
Field
Operation

Development
Procurement
Production
Sales
Quality
Accounting
HR

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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

<table>
<thead>
<tr>
<th>Sophisticated business management</th>
<th>Improve productivity</th>
<th>Work style reform</th>
<th>Awareness reform</th>
</tr>
</thead>
<tbody>
<tr>
<td>Enhancement of added value through visualization of management data</td>
<td>Efficiency improvement through visualization of business data</td>
<td>Realizing flexible and diverse working styles</td>
<td>Enhancing employee job satisfaction</td>
</tr>
</tbody>
</table>
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
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