



Message from the President

The Yaskawa Group is Committed to Building a Business Model that will Contribute to the Development of a Sustainable Society while Devoting Ourselves to Being “a Company Founded on Technology.”

Representative Director
President

R. Gasawara

Summary of FY2020

Major progress toward shoring up our corporate structure

For the past year and a half, we have been at the mercy of the threat of COVID-19 (hereafter, COVID.) I would like to express my heartfelt gratitude to all those who support our lives, including those who are struggling in the harsh medical field.

This crisis caused by COVID is different in nature from the crisis that once had a huge impact on the economy. The Lehman Shock stopped the flow of money, and the trade friction between the United States and China stopped the flow of goods. In contrast, the flow of people stopped in COVID crisis. However, despite temporary stagnation in the manufacturing field, the situation quickly normalized due to large-scale monetary easing. As a result, in FY2020 we were able to maintain plant operations and fulfill our supply responsibilities, paying close attention to infection control to protect the safety of our employees. Even before the crisis caused by COVID, we worked to improve our profit structure by strengthening cost management and reforming the way we work. Learning from this crisis helped us accelerate our evolution to a company that can generate profits without relying on revenue expansion. As a result, we are confident about the fact that we were able to achieve an increase in operating profit, although revenue declined compared to FY2019.

Growth story of Yaskawa

Securing the profits necessary for the survival and development of the company

Since the 1990s, Yaskawa has been focusing on factory automation (FA,) expanding its business and gradually shifting its focus from quantity to quality. I, who took over the management baton in 2016, further strengthened our quality-oriented management stance by sending out a message throughout the company that “profits are more important than revenue.” This is connected to “improving management efficiency and securing profits necessary for the survival and development of the company” in management principle.

I believe that Yaskawa’s BtoB business in FA differs from BtoC in that it is a business where customers’ profits are

shared. Therefore, the more profit customers make, the more profit Yaskawa will be able to make. If customers can increase their added value by using Yaskawa products and win in the market, they will be able to purchase Yaskawa products at a price commensurate with that value. As customers and Yaskawa generate profits, they invest to win further in the market, and Yaskawa returns profits to its shareholders and employees, as well as implement growth investments, creating a virtuous cycle. Accordingly, Yaskawa’s profits are proof that customers value its products. This is a major reason why I focus on profit, and when I think about it, the perspective of “How can we make our customers win?” naturally comes into being, which is the origin of our activities.

Yaskawa’s solution concept, “i³-Mechatronics,” does not focus on a broad range of market needs, but focuses on the cells and equipment inside plants, in order to address the management issues of customers at hand. The establishment of a business model through “i³-Mechatronics,” YDX (YASKAWA Digital Transformation,) which is the foundation for digital management, and YASKAWA Technology Center (YTC,) which integrates technologies, are all indispensable elements of Yaskawa Group’s growth story in order to make our customers win by leveraging the strengths of the Yaskawa Group. Data is the common language required for these activities.

YASKAWA Digital Transformation (YDX)

First year of YDX saw steady progress

FY2020 is positioned as the first year of YDX, and I am taking the lead in promoting it. YDX embodies our strong desire to realize DX for the Yaskawa Group through our own originality and ingenuity, without being misled by the general definition of DX. The first step for YDX is to unify accounting and other codes for approximately 70 consolidated companies. This made it possible to transform operations into cockpits that enable real-time monitoring of consolidated business conditions, including orders, revenue, profits, expenses, production and quality. In the consolidated financial results, data can now be prepared in about one week for quarterly financial results and in about two weeks for interim and final financial results. YDX has achieved its major goals.

The next step is to standardize operations so that



employees can work without taking over at the time of personnel changes. At the same time, we will create a system that allows employees to work autonomously and that enables fair evaluation of their performance. We will make Yaskawa a company that is more rewarding to work for, rather than a company that is easier to work for, and this will lead to the creation of a corporate culture that is unique to Yaskawa. Furthermore, while sharing data with suppliers and cooperating companies to improve production efficiency, we provide solutions directly linked to solving customers' management issues, such as reducing defective products and improving utilization rates, by linking customers' product lifecycles, including after-sales service, with data. This data is then fed back to the development team to improve product quality.

Strategic significance of YASKAWA Technology Center (YTC)

Integration of technologies as a final step for "i³-Mechatronics" in the company

Since 2017, we have been promoting the "i³-Mechatronics" solution concept by integrating production, sales, service and data. YTC, which integrates technologies, is the final step in this process. The building was completed in March 2021, and full-scale operation began in September.

Since the 1990s, Yaskawa's business has been based on the differentiation by the pursuit of superior functions, performance, and quality of AC servo motor, AC drive, and industrial robots and on the sales of those globally competitive components to customers. In recent years, however, competition for solutions for automation and labor-saving using IoT and AI has intensified, and Yaskawa needs to respond to customer demands by providing total added value by linking cells and equipment through "i³-Mechatronics." However, we cannot win the competition when the technical development departments that support it are dispersed and develop common technologies individually. Therefore, YTC was newly established for the purpose of gathering the functions of technology development in one place, not only sharing information by utilizing IT, but also creating an environment that lead to co-creation, and greatly improving technological capabilities and the

speed of development.

In order to promote “profit-oriented” management, it is very important for us to be chosen by customers. We believe that YTC, which integrates technology development and conducts basic research, prototyping, and production line development, as well as open innovation through collaboration with our business partners, will be a place of appreciation not only for our customers but also for the advancement of industry-academia-government collaboration.

Mid-term business plan “Challenge 25 Plus”

Leveraging centralized data to improve profitability

The mid-term business plan “Challenge 25,” which was positioned as a step till FY2021 toward realizing long-term business plan “Vision 2025,” has produced steady results, including business model reforms centered on the YDX and “i3-Mechatronics.” On the other hand, due to the major changes in the market environment such as U.S.-China trade friction and COVID crisis, it is difficult to achieve the target of 70 billion yen in operating profit for FY2021. Therefore, we extended the plan period by one year until FY2022 and revised it as “Challenge 25 Plus.” We will maintain our original target of a 13% operating profit ratio and place emphasis on improving profitability. As demand, which had been restrained in FY2020, increases in momentum, we will strive to meet our targets by steadily capturing demand in growth markets such as automobiles, 5G, and semiconductors, while maintaining and strengthening the robust earnings structure established in COVID crisis. I believe that the integration of global data created by YDX will be very effective.

Toward sustainable enhancement of corporate value

Pursuing sustainability steadily

The Yaskawa Group’s passion for “contributing to the development of society and the welfare of humankind through the execution of business” which is management principle, has been handed down from generation to generation since its foundation more than 100 years ago,

and we consistently strives to improve Yaskawa’s corporate value by solving social problems and contributing to sustainable growth.

Since FY2021, the company has formulated policies and specified sustainability issues and targets (materiality) under the newly established Sustainability Committee. The purpose of this is also to provide stakeholders with a clearer understanding of Yaskawa’s policies and activities, while global efforts to address social issues, including the United Nations’ Sustainable Development Goals (SDGs) and the Paris Agreement, which is the framework for global warming countermeasures, are accelerating in recent years.

One of the most important sustainability issues is human resource development. Yaskawa’s founder established the Meiji Senmon Gakko (current Kyushu Institute of Technology) in 1909 to train personnel. Since then, we have created a cycle in which we contribute to the local community through human resource development, and the human resources contribute to the development of the local community and the sustainable growth of Yaskawa. We intend to promote this virtuous cycle not only in Japan but also globally. We are also steadily fostering the next generation of executives who will succeed management principle and continue to evolve and grow.

As with YDX, Yaskawa’s sustainability is not influenced by the current of the times, and our unique approach is based on whether it contributes to the sustainability of the enhancement of corporate value.

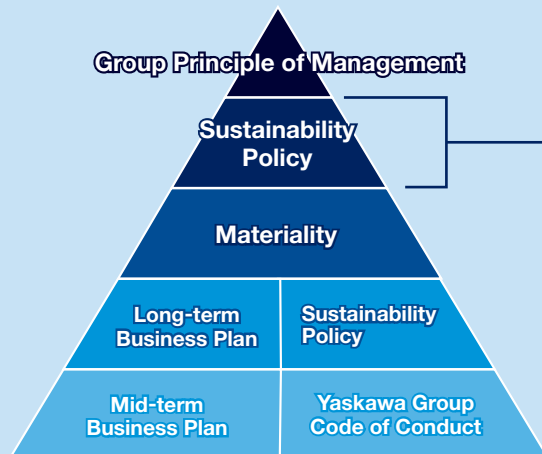
Yaskawa’s corporate motto at the time of its founding was “a Company Founded on Technology.” It is intended to support the advanced industries of the times with our own technologies, not with imitation. It is also my responsibility to pass on this founding spirit as a corporate culture. I am determined to meet the expectations of our shareholders, investors, and other stakeholders with the attitude to always make positive progress while keeping my passion alive as president.

I appreciate your continued support as we move forward.

Strengthening the Sustainability Promotion System

Based on the Group Principle of Management, Yaskawa Group has formulated the Sustainability Policy to accelerate efforts to realize a sustainable society and increase corporate value. In order to achieve this, we will promote sustainability strategically by identifying materiality and developing targets for long-term and mid-term business plans. We have also established various sustainability policies. We will continue to review our materiality and policies on a regular basis, taking into account the needs of the internal/external environment.

► Sustainability Promotion System



Sustainability Policy

We will strive to realize a sustainable society and increase corporate value through the implementation of the Yaskawa Group Principle of Management which is to leverage the pursuit of our business to contribute to the advancement of society and the well-being of humankind.

1. We will contribute to the value creation for customers and society through creating innovation by cutting-edge mechatronics technologies.
2. We will realize fair and transparent corporate management through communication and collaboration with stakeholders around the world.
3. We will work to resolve social issues globally with the aim of achieving SDGs as a universal goal.

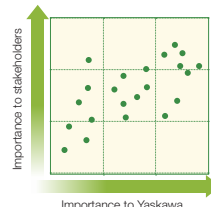
► Identifying Materiality

STEP 1 List of issues

We made a comprehensive list of social issues related to Yaskawa's sustainable growth from the environmental, social and economic perspectives, referring to international frameworks and guidelines such as the SDGs and GRI standards, as well as macroeconomic trends in areas related to Yaskawa.

STEP 2 Assessment and identification of issues

For the issues identified in STEP 1, we selected items of high importance centering on "importance to stakeholders" and "importance to Yaskawa." In addition, discussions were held at internal meetings, including the Board of Directors, and issues of particular importance were identified as sustainability issues and targets.



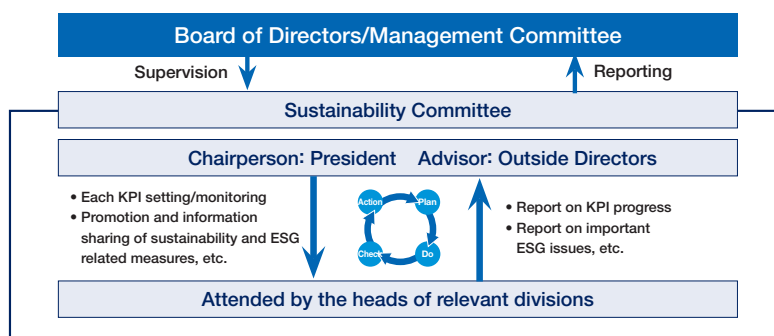
STEP 3 Planning measures for issues (setting KPIs)

The high-priority issues identified in STEP 2 are divided into two axes: "Create Social Value and Solve Social Issues through Business Activities" and "Strengthen Management Foundation that Contributes to Sustainable Society/Businesses," reflecting the opinions expressed at internal meetings.

We have also clarified the direction of each focus area and strategy, and set quantitative and qualitative KPIs.















Strengthening the PDCA system through the Sustainability Committee

Yaskawa Group established the Sustainability Committee in April 2021, which is chaired by the president. As a general rule, this committee meets twice a year to promote the sustainability of the Group. In addition to the heads of divisions who promote materiality measures, the heads of headquarters divisions who are involved in the promotion of sustainability participate, as well as outside directors who serve as advisors. In addition, we promote the planning, deliberation, group-wide development, and monitoring of key measures and policies related to materiality and corporate sustainability.



The first Sustainability Committee meeting was held in May 2021. A total of 21 people, 17 from inside the company, including the President who chairs the committee, and 4 outside directors, participated in the meeting and actively discussed KPIs related to each materiality.

► Yaskawa Group's Sustainability Challenges and Targets (Materiality)

| Sustainability Challenges and Targets (Materiality) | Initiatives [Targets] | Related SDGs |
|--|--|---|
| Create Social Value and Solve Social Issues through Business Activities | | |
| ① Realize revolutionary industrial automation with our partners through “i ³ -Mechatroncis” | <ul style="list-style-type: none">Accumulation of “i³-Mechatroncis” project success cases |  |
| ② Build clean social infrastructure and foundation for safe and comfortable living | <ul style="list-style-type: none">Achieve CCE 100 (Contribution to Cool Earth 100)*¹ [FY2025: 100 times]Expanding examples of mechatronics technology applications |     |
| ③ Develop new technologies and business domains through open innovations | <ul style="list-style-type: none">Strengthen initiatives in new areas through M & A and alliancesReinforcement of Industry-Academia-Government collaborationExpansion of venture investments by YIP*² |  |
| Strengthen Management Foundation that Contributes to Sustainable Society/Businesses | | |
| ④ Sustainable and productive manufacturing | | |
| <ul style="list-style-type: none">Introduction of cutting-edge manufacturing | <ul style="list-style-type: none">Improvement of production efficiency at in-house plants (improvement of productivity index*³) [FY2022: + 17% FY2025: + 23% (compared to FY2019)] |    |
| <ul style="list-style-type: none">Reduction of greenhouse gas emission through the Green Process | <ul style="list-style-type: none">Reduction of greenhouse gas (CO₂) emissions [FY2025: - 18% (compared to FY2018)] | |
| <ul style="list-style-type: none">Improvement of product safety and quality | <ul style="list-style-type: none">Improving product quality through the introduction of new systems [FY2022: Start of global operation of market quality information centralized system] | |
| <ul style="list-style-type: none">Construction of a sustainable supply chain | <ul style="list-style-type: none">Improving the rate of compliance with Sustainable Procurement Guidelines [FY2022: Compliance rate: 50% (target: major suppliers of Yaskawa Electric) FY2025: Compliance rate: 100% (target: major suppliers of Yaskawa Group)] | |
| ⑤ Create a rewarding workplace and human resource development | | |
| <ul style="list-style-type: none">Diversity and inclusion | <ul style="list-style-type: none">Raising the ratio of female managers [FY2025: Non-consolidated/Group in Japan: Double (compared to FY2021)] |     |
| <ul style="list-style-type: none">Human resource development | <ul style="list-style-type: none">Increase the ratio of professional human resources*⁴ [FY2025: Double (compared to FY2021) Construction of new human resources development curriculum] | |
| <ul style="list-style-type: none">Occupational safety | <ul style="list-style-type: none">Improvement of lost-time injury frequency rate [FY2025: Non-consolidated: Maintain 0.2 or less Major production bases in Japan and overseas: Maintain 0.4 or less] | |
| <ul style="list-style-type: none">Human rights and work practices | <ul style="list-style-type: none">Implementation and establishment of human rights due diligence (DD) processes for employees [FY2022: Implementation of human rights DD for group companies in Japan FY2025: Implementation at all global sites] | |
| <ul style="list-style-type: none">Contribution to local communities | <ul style="list-style-type: none">Development of human resources in science and engineering who will realize “evolution of manufacturing” [FY2022: Launch of a new manufacturing human resource development program] | |
| ⑥ Fair and transparent governance system | | |
| <ul style="list-style-type: none">“Aggressive” governance system utilizing the Corporate Governance Code | <ul style="list-style-type: none">Implementation of the Principles of the Corporate Governance Code (Reasonable explanation where not implemented) |  |
| <ul style="list-style-type: none">Strengthening of information security | <ul style="list-style-type: none">Improving the level of information security through the use of external auditing organizations | |
| <ul style="list-style-type: none">Enhancement of compliance | <ul style="list-style-type: none">Strengthen compliance through internal reporting | |

*1 A target of reducing CO₂ emissions through Yaskawa products by 100 times or more of the CO₂ emissions of the Group by FY 2025

*2 Abbreviation of Yaskawa Innovation Program. New business creation scheme with CVC functions launched in FY2016

*3 Revenue per person for indirect and direct personnel at plants in Japan (compared to FY2019)

*4 Refers to human resources who have a rating of 3 or higher on a four-point scale in accordance with company rules



Message from the Management

We Aim to Maximize Corporate Value by Promoting Sustainable Management.

Representative Director, Senior Managing Executive Officer,
In charge of CSR, In charge of Administration,
General Manager, Corporate Planning Div.

Shuji Murakami

Establishing a management foundation resistant to environmental changes

In FY2020, revenue declined due to the impact of the global spread of the COVID-19, but operating profit increased as we managed to reduce costs by approximately 10 billion yen compared to FY2019, thanks to cost controls we had been working on since before the COVID crisis.

In FY2021 and beyond, we plan to increase both revenue and profits as the market environment recovers. As for expenses, although strategic investments such as depreciation and amortization of the newly established YASKAWA Technology Center (YTC) and the YDX (YASKAWA Digital Transformation) project will increase, we will keep expenses for other activities within 10% of revenue's increase, thus maintaining a robust cost structure.

I believe that the most important thing for a company to do in response to the recent uncertain business

environment is to quickly steer management. "YDX," which is being worked on by the entire company, is expected to raise the level of management of each group company by enabling the centralized management of global data. In addition, we are striving to improve profitability through multifaceted initiatives such as business model reform based on "i³-Mechatronics" and IT-based work style reform, and to build a flexible management foundation that is resilient to environmental changes.

Capital policy and contribution to a sustainable society

In terms of capital efficiency, assuming a cost of equity of approximately 10%, we aim to achieve at least 15% of ROE and ROIC in our mid-term business plan.

At present, the capital structure is in an ideal state, but our basic policy is to secure financial safety by controlling the net debt-to-equity ratio to a certain level. At the same

time, we will seek to maximize returns and improve capital efficiency by appropriately utilizing leverage.

For a FA-related company like Yaskawa, fluctuations in demand in specific markets are inevitable, but we will strive to diversify risks as much as possible by expanding our market and customer base and developing new business models, in order to reduce capital costs.

In June 2021, Yaskawa procured funds through green bonds for the construction of the YTC, for the first time. In the future, we will continue to make the best use of the procurement format that utilizes the evaluation of ESG initiatives to reduce capital and procurement costs and contribute to the construction of a sustainable social system.

Accelerating the expansion of sustainable businesses through mechatronics technology

COVID crisis's significant environmental changes are forcing people to change their sense of values. In this era, it is important to return to management principle, which is the foundation of Yaskawa, and to use Yaskawa's strengths to resolve new social issues.

From the perspective of risk elimination and stable production, Yaskawa will continue to accelerate factory automation, which is one of its strengths. In Yaskawa's solution concept "i3-Mechatronics," we will expand our business domain by providing digital data solutions to our component products and strategically developing collaboration with partners in the automation field. In particular, through these efforts, we will strive to take advantage of automation in the areas of food preparation and agriculture, where labor shortages are a concern, as a major opportunity for further growth.

In addition, we will accelerate the expansion of sales of green products such as AC drives as well as PV inverters for solar power generation and electrical products for wind power generation, thereby contribute to a reduction of 100 times of our own CO₂ emissions also by promoting green processes through energy conservation and the use of renewable energy in Yaskawa production activities.

In addition, through joint ventures, industry-academia-government collaborations, and venture investment, we will apply Yaskawa technology to new fields and aim to contribute to solving social issues. We will also promote further growth by providing feedback on the knowledge we have gained in these fields to our core businesses and by refining our technologies.

Toward the instillation of sustainable thoughts

In recent years, climate change and abnormal weather caused by global warming have come to be felt in our daily lives, and a sense of crisis about the sustainability of the global environment is a pressing issue. Under these circumstances, Yaskawa Group has formulated its Sustainability Policy and declared its intention to accelerate the promotion of sustainable business both internally and externally. As a result, we will firmly establish sustainable thoughts based on management principle as Group's corporate culture. We believe that even if the business environment and management system change, this philosophy will remain universal and will be the foundation for the future. We also incorporated actions to address sustainability issues and targets (materiality) into our mid-term business plan "Challenge 25 Plus," and are working to achieve this in a strategic manner.

Yaskawa Group is proud to be a "company founded on technology" and will continue to strive to create social value through its business based on mechatronics technology. In addition, we will promote "*glocal* management" rooted in each local community, such as the development of "manufacturing human resources" at each business site that has expanded globally, and promote activities that contribute to each local community from a long-term perspective. We place importance on dialogue with a wide range of stakeholders, practice highly transparent management that is trusted, and contribute to the sustainability of society through our business and corporate activities.

We look forward to your continued support for the sustainable growth of Yaskawa in the future.

We Accelerate Decarbonization Efforts through Production Activities (Green Processes) and Products (Green Products)

Introduction on how Yaskawa Group will improve its corporate value through the promotion of environmental management, including the establishment of “2050 CARBON NEUTRAL CHALLENGE” and information disclosure based on TCFD recommendations (hereafter, TCFD information disclosure.)



Director, Managing Executive Officer,
General Manager, Production
Management & Operations Div.,
General Manager, Export & Import
Administration Div.

Yoshikatsu Minami

Yaskawa's environmental management

In the Paris Agreement agreed at the 21st Session of the Conference of the Parties to the United Nations Framework Convention on Climate Change (COP 21) in December 2015, the international goal of keeping the increase in global average temperature from pre-industrial levels to 1.5°C while keeping it well below 2°C was set. In October 2020, Japan declared that it would aim for carbon neutrality by 2050, and companies are required to show goals and directions to be achieved in response to global warming. In response to that, Yaskawa Group's environmental vision, YASKAWA ECO

VISON, promotes environmental management toward decarbonization by reducing environmental impact through production activities (green processes) and reducing the environmental impact of society through the supply of Yaskawa products (green products.)

In green processes, we are promoting energy conservation and energy creation measures in production activities. For example, we are saving energy by actively using our own equipment such as AC drive and power regeneration converters. In addition, we installed solar panels on the rooftops of each facility, with a total generating capacity of approximately 2.5 MW (February 2021.) Furthermore, as of May 2021, approximately 43% of the total electricity demand of Yaskawa Group's

production activities in Japan was covered by renewable energy, as a result of introducing 100% renewable energy into the three main domestic sites (Yahatanishi, Nakama, and Kokura.)

At the same time, green products have contributed to the reduction of CO₂ emissions by efficiently driving motor drives through the supply of Yaskawa's main products such as AC drive and IPM motors. We also supply equipment necessary for renewable energy generation, such as PV inverter for solar power generation and electrical appliances for wind power generation. The amount of CO₂ emissions reduced through sales of these products on a global scale totaled approximately 35 million t-CO₂ over 5 years from FY2016 to FY2020. This is equivalent to greening an area of approximately 29,000 km² (approximately 6 times the area of Fukuoka Prefecture.)

In addition, in order to promote sound environmental management, the degree of achievement of the target of reducing CO₂ emissions through Yaskawa products is adopted as one of the indicators for calculating the stock compensation of Yaskawa directors.

“CCE 100,” a unique index that combines green processes and green products

Recognizing that the response to climate change is an urgent global issue, Yaskawa Group has established its own index for CO₂ emission reduction efforts called “CCE 100 (Contribution to Cool Earth 100.)” This is a unique indicator with the goal of contributing to 100 times or more reduction in CO₂ emissions through products sold by Yaskawa Group, compared to annual CO₂ emissions from Yaskawa Group's production activities, and is targeted for achievement by FY2025.

In FY2019, the index was about 75 times, but in FY2020 it was only about 63 times because the revenue of green products decreased due to the spread of the novel coronavirus infection and other factors.

In Yaskawa Group, IoT, AI, and big data are utilized through “i3-Mechatronics” to reduce production lead times, improve utilization rates, and contribute to improving productivity. By doing so, we believe that energy consumption per unit of production at plants will be reduced, leading to a reduction in CO₂ emissions at the Yaskawa Group's and our customers' plants.

Efforts toward decarbonization (Carbon neutral and TCFD information disclosure)

As a long-term goal for decarbonization, in March 2021, Yaskawa Group set a goal of substantially zero CO₂ emissions (2050 CARBON NEUTRAL CHALLENGE) from its global business activities in 2050. As a milestone, a goal to reduce CO₂ emissions in FY2030 by 36% from the FY2018 level was also set. In FY2020, we achieved a 10% reduction from the FY2018 level and are making steady progress. (For details, see “Natural Capital” on page 43 and 44.)

In September 2019, we expressed our support for the philosophy of the Task Force on Climate-related Financial Disclosures, and in May 2021 we disclosed TCFD information (See pages 23 and 24 for details.) When we analyzed the impact of climate change on Yaskawa Group, we came to the conclusion that revenue growth in products and solutions related to energy conservation, productivity improvement, and renewable energy power generation was greater than revenue decline due to increased risks such as abnormal weather and resource shortages.

In light of this, we will continue to take concrete measures to address the identified risks, while also seeing various global responses to climate change as a great opportunity to expand our business, thereby achieving both contribution to the environment and our own growth.

Future environmental management to improve corporate value

Environmental initiatives are becoming increasingly important as a requirement for being a company that is chosen by customers and other stakeholders. Yaskawa Group will promote the introduction of renewable energy-derived electricity to its other business sites in Japan (including the Iruma and Yukuhashi Plants,) with the aim of meeting all of the Group's total electricity demand in Japan with renewable energy by FY2030. In addition, by continuously investing in the environment with a portion of profits and promoting initiatives for decarbonization, we will realize sustainable operations on a global scale and the sustainable improvement of corporate value.

Disclosure of Climate Change-Related Information Based on TCFD^{*1} Recommendations

Yaskawa group expressed its support for the TCFD Recommendations in September 2019, and in September 2020, we participated in the Ministry of the Environment Support Project for Scenario Analysis of Climate Risks and Opportunities in line with the TCFD Recommendations. Through these and other activities, we have disclosed information related to climate change based on the TCFD Recommendations.

Going forward, we will continue to enhance information disclosure related to climate change and continue to conduct business activities that are even more environmentally friendly, in order to contribute to the realization of a sustainable society and further enhance our corporate value.

Governance

Based on our sustainability policy^{*2}, Yaskawa is identifying sustainability challenges and targets (materiality) in the Board of Directors and Management Committee that serve as important challenges for sustainable growth and deciding on measures to solve those challenges and targets. We have also established the Sustainability Committee, which is chaired by the president and attended by heads of related divisions and outside directors as advisors, as our sustainability promotion system^{*3} in order to monitor and accelerate the deployment of sustainability measures for the Group as a whole.

For our response to climate change, we have positioned it as an important challenge in our materiality, and we are monitoring it in

the Sustainability Committee. For the overall execution of these and other measures, we are conducting PDCA (plan, do, check, action) management in the organization for environmental promotion^{*4}, which is run by the corporate environmental officer appointed by the president.

Additionally, the achievement of CO₂ emissions reduction targets through Yaskawa products is being evaluated and incorporated into the compensation of directors (excluding outside directors and directors who are members of the Audit and Supervisory Committee) with the goals of achieving sustainable corporate activities and responding to social issues.

Strategy

We have investigated the risks and opportunities caused by climate change in motion control, robotics, and system engineering, which are our primary businesses. These risks and opportunities can be thought of as transition risks and opportunities caused by changes such as measures for climate change (e.g., policies and regulations) and physical risks caused by changes such as natural disasters and rising temperatures.

We have derived these risks and opportunities and evaluated their impact on our business activities as serious, moderate, or minor. The derived risks and opportunities (see table on page 26) with a moderate and serious impact were analyzed with 2°C and 4°C scenarios for society in 2030.

As a result, the 4°C scenario assumes carbon reductions have not gone ahead and unusual weather intensifies, so the response to physical risks caused by this are considered the most important challenges.

The 2°C scenario also requires a certain response to the intensification of unusual weather, but the response to the rising cost of

materials and resources is more important. On the other hand, we understand that there are opportunities created by moving forward with reductions in carbon, such as expanding demands for factory automation devices, industrial AC drives, and renewable power generation equipment, as well as a solutions business that increases productivity and energy saving performance in the factories and equipment of companies by using these devices.

We have also learned that the impact on our financial plan from these analysis results is a larger increase in sales due to opportunities than a reduction in sales due to risks.

As a response to these opportunities, the Yaskawa Group is working on factory automation and optimization based on "i³-Mechatronics," and moving into new challenges that expand the areas in which mechatronics are applied for the sustainable development of the society as the goal in our long-term business plan "Vision 2025."

^{*1} TCFD (Task Force on Climate-related Financial Disclosures) : The task force was set up by the Financial Stability Board (FSB: Financial Stability Board) in December 2015, an international organization for stabilizing the financial system. In June 2017, it published a proposal for "Supporting companies that disclose information on climate-related risks and opportunities" and "Stabilize financial markets through a smooth transition to a low-carbon society."

^{*2} Sustainability Policy: <https://www.yaskawa-global.com/company/csr/group/policy>

^{*3} Sustainability Promotion System: <https://www.yaskawa-global.com/company/csr/group/promotion>

^{*4} Organization for Environmental Promotion: <https://www.yaskawa-global.com/company/csr/env/management>

► Business Impacts Related to Risk and Opportunity Factors

| Risk/ Opportunity | Transition/ Physical | Factor | Impact | Evaluation |
|----------------------|-------------------------|--|--|------------|
| Risk | Transition | Carbon price | • Increased fuel and material procurement costs due to the introduction of carbon taxes by national governments. | Serious |
| | | Government policies on carbon emissions | • Increased costs (e.g., purchasing clean energy) that accompany the introduction of emissions trading and the strengthening of emissions regulations. | Serious |
| | | Transformation to energy savings and carbon reductions | • Production impacts due to price increases and procurement difficulties for reasons such as insufficient related materials from electrification and the transition to electric vehicles. | Serious |
| | | Recycling regulations | • Increased costs from using substitute materials, etc., due to regulations such as those on plastics. | Minor |
| | | Growth of low-carbon technologies | • Increased investment costs, such as R & D costs, due to increased competition in the energy saving performance of products against a background of increasing demands for energy savings. | Moderate |
| | | Changing behavior of investors and customers | • Increased support costs due to investors and customers preferring companies that are more environmentally responsive. • Decreased company valuation and loss of business opportunities due to delayed responsiveness to environmental responsibility related to information disclosure and procurement. | Minor |
| | Physical | Increasing average temperatures | • Increased energy costs due increased air conditioning energy in our factories. • Need to move production sites where the risk of flooding exceeds tolerances due to sea rise. | Moderate |
| | | Intensification of unusual weather | • Operation stoppages, reductions in production, and additional investment to restore equipment from typhoons, tornadoes, and flooding. | Serious |
| Opportunity | Transition | Transformation to energy savings and carbon reductions | • Increased demands for factory automation devices and industrial AC drives due to increased energy saving needs. • Expanded business opportunities for solutions that increase the productivity and energy saving performance of factories and equipment. • Expanded demand for solar power generators and wind power/geothermal power/biomass power generation equipment due to feed-in tariff incentives and so on. • Expanded business opportunities for electronics in electric vehicles as the electrification of automobiles progresses. • Expanded business opportunities for marine electronics due to increased demands for electric and hybrid ships. | Serious |
| | | Changing behavior of investors and customers | • Increased investor valuation, increased ESG investment, and increased corporate value due to expansion of businesses that contribute to the environment. | Minor |

Main scenarios used in the scenario analysis

- Used mainly to analyze transition risks: IEA*5: SDS*6, STEPS*7
- Used mainly to analyze physical risks: IPCC*8: RCP2.6*9, RCP8.5*10

*5 International Energy Agency

*6 Sustainable development scenario

*7 Stated policies scenario

*8 Intergovernmental panel on climate change

*9 Scenario in which the average temperature of the world rises about 2°C over the average temperature before the industrial revolution

*10 Scenario in which the average temperature of the world rises about 4°C over the average temperature before the industrial revolution

Risk Management

The Yaskawa Group has established the Risk Management Committee with a committee head appointed by the president to swiftly and accurately handle risks that may pose a problem either directly or indirectly to the management and business operations of the Group. The Risk Management Committee evaluates, manages, plans measures, and implements those measures for company-wide risks.

This committee also evaluates and manages risks related to climate change. When a crisis occurs, this committee establishes a crisis

response headquarters according to the level of the crisis and implements a suitable response.

The Risk Management Committee shares information with the Board of Directors, Management Committee, and Sustainability Committee, and it supervises and monitors risk management for the entire company while also attempting to enhance risk management company-wide by ensuring consistency in risk assessments and materiality analysis.

Metrics and Targets

In order to prevent global warming, which is a social issue for all humankind, Yaskawa will go carbon neutral in 2050, essentially eliminating the CO₂*11 emissions (scope 1*12 + scope 2*13) that accompany Yaskawa Group global business activities, and as a milestone for achieving that goal, we have also established a target called "2050 CARBON NEUTRAL CHALLENGE" to reduce those same CO₂ emissions by 36% in 2030 compared to 2018. We are also contributing to the reduction of CO₂ emissions in the world through the supply of AC drives and other products that boast the world's highest performance utilizing power conversion

technology, which is Yaskawa's core technology. To this end, Yaskawa is working to achieve "CCE 100*14," with which it will promote the reduction of CO₂ emissions of the world through its products and make the reduction more than 100 times the amount of CO₂ emitted by Yaskawa Group in 2025.

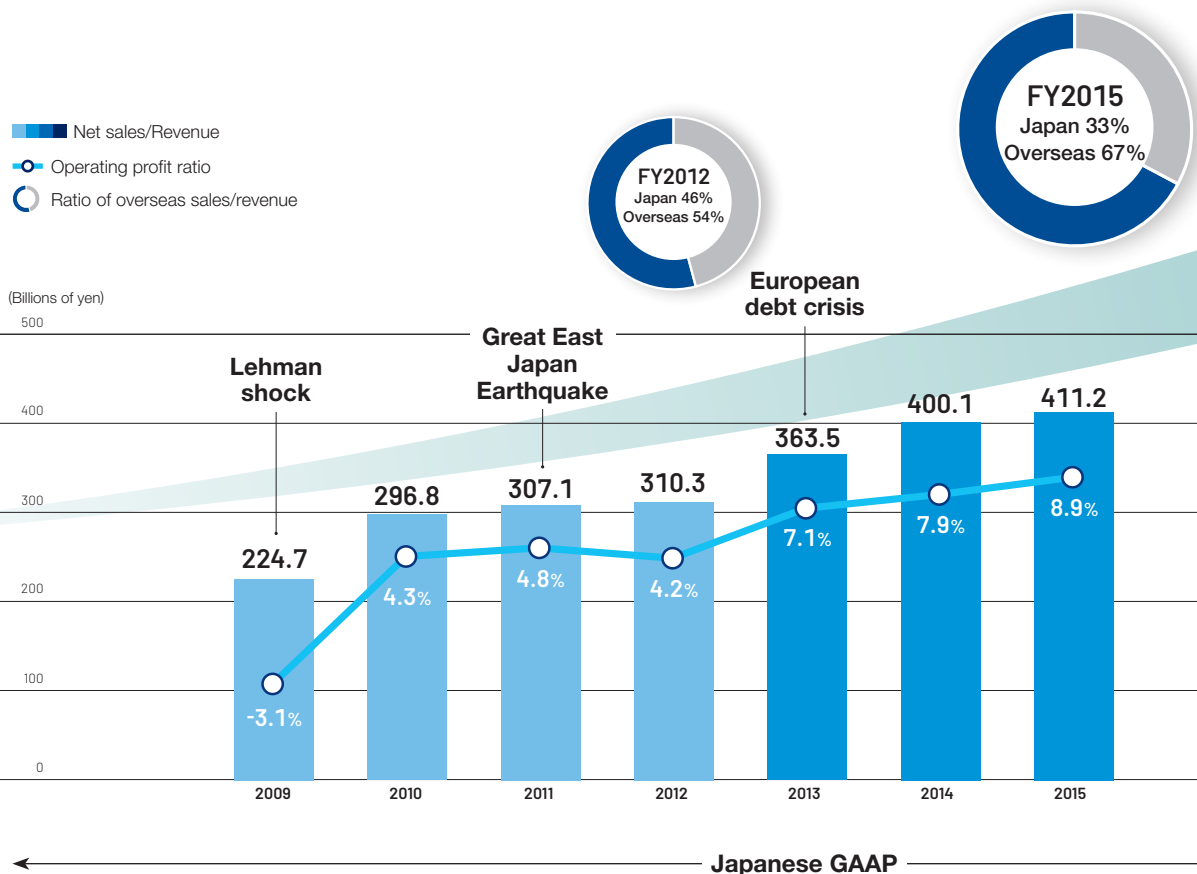
Taking this opportunity to set new targets, we will continue our business activities with greater consideration for the environment, thereby contributing to the realization of a sustainable society and increasing our corporate value.

*11 Including carbon dioxide and other greenhouse gases (e.g., chlorofluorocarbon) *12 Emissions primarily from using fuels (direct emissions)

*13 Emissions from using purchased electricity and heat (indirect emissions by power companies and other entities) *14 Contribution to Cool Earth 100

Review of Mid-Term Business Plans

As part of our medium- to long-term business plan, we have strengthened our core businesses and promoted initiatives for new businesses. At the same time, we have built a global management structure that is resistant to changes in the market environment and foreign exchange fluctuations. We will contribute to the creation of a sustainable society through our mechatronics technologies and accelerate global growth.



Challenge 100

(FY2009 – FY2012)

Expansion of Mechatronics Business Areas

Results

- Developed new markets in the robot business, such as food manufacturing and biomedical markets
- Expanded environmental and energy businesses, particularly in PV inverter
- Expanded overseas production and sales networks, particularly in China
- Reinforced sales capabilities through mergers and acquisitions

Challenges

- Timely launch of competitive products in each region
- Improve market responsiveness by further shifting resources to demand areas
- Improving the profit structure of existing businesses

Realize 100

(FY2013 – FY2015)

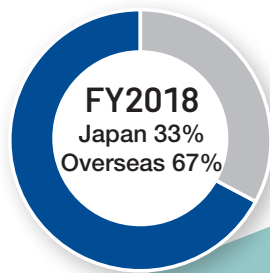
Realization of *Glocal* Management

Results

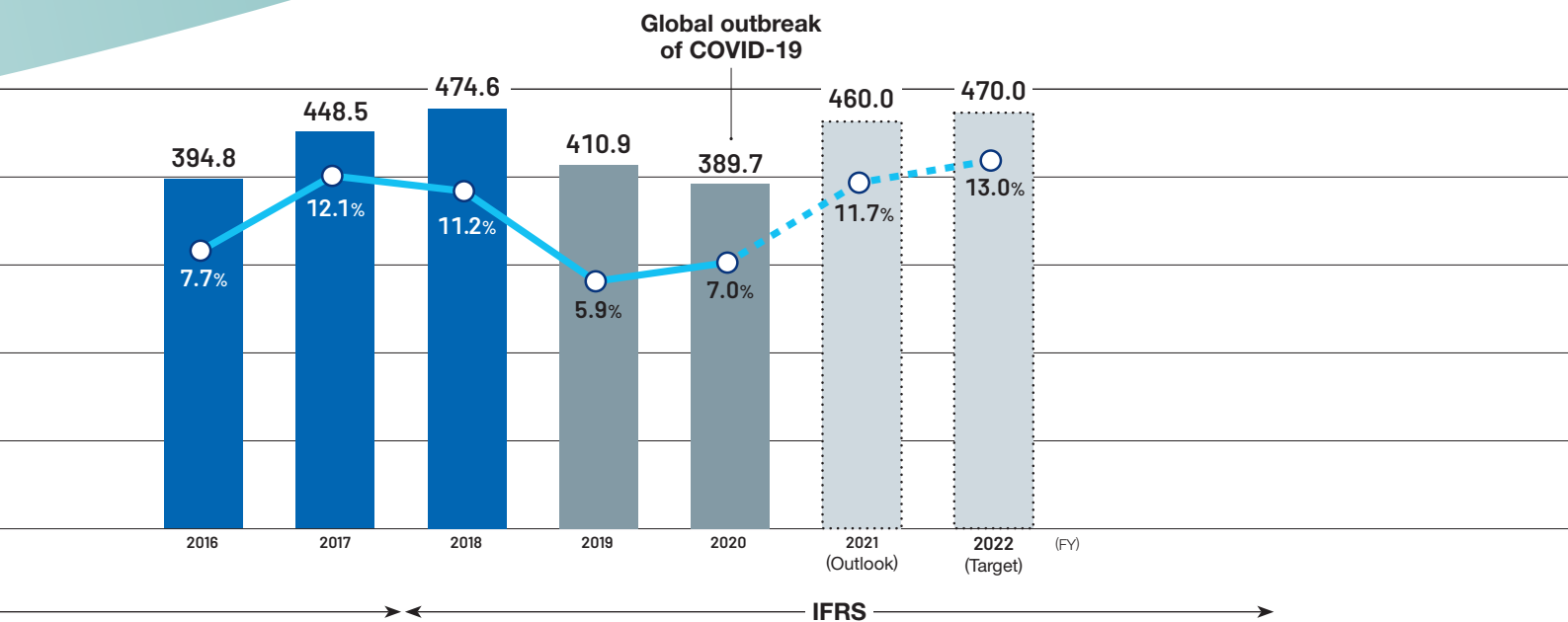
- Raised the ratio of overseas revenue and the ratio of local production in demand areas
- Doubled the number of local development engineers
- Implemented M&A in Clean Power business areas (wind power generation/ photovoltaic power generation)
- Improved profitability by launching and switching to AC servo drive Σ-7 series

Challenges

- Increase profitability in core businesses
- Continual evolution of development, production and sales capabilities
- Accelerating the establishment of corporate foundations
- Expanding Clean Power business and reaping investment



FY2025
Operating profit
**100 billion yen
or more**



Dash 25

(FY2016 – FY2018)

Challenge 25 Plus

(FY2019 – FY2022)

Establishment of A Highly Profitable Corporate Structure

Results

- Launched new solution concept “i³-Mechatronics”
- Strengthened sales capabilities through integration of sales functions
- Expanded sales and lineup of core products
- Expanded production in demand areas, mainly in China and Europe
- Expanded revenue and profitability of electrical products for large-scale wind power generation

Challenges

- Establish competitive advantage of Yaskawa products and services in the automation field
- Creating businesses based on “i³-Mechatronics”
- Building a stable earnings structure for the Clean Power business

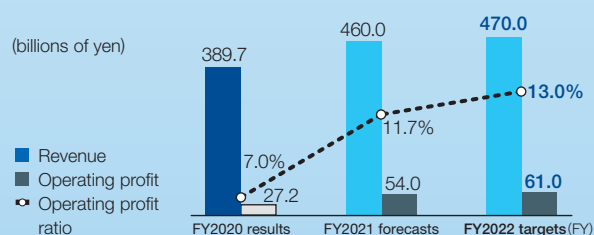
Accelerating Profitability Improvements, Centered on “i³-Mechatronics,” toward the Realization of “Vision 2025”

In April 2021, Yaskawa revised its plan by extending the final year of mid-term business plan “Challenge 25” (FY2019 – FY2021) by 1 year and announced mid-term business plan “Challenge 25 Plus” (FY2019 – FY2022.) Amid significant changes in the market environment as a result of the spread of the novel coronavirus infection, the Company will implement activities based on Yaskawa Sustainability Policy into its management strategy and work to further improve measures to achieve the goals set forth in its long-term business plan “Vision 2025.”



“Challenge 25 Plus” Financial Targets

In light of the significant changes in the market environment caused by the COVID-19, new targets for “Challenge 25 Plus” were set at 470 billion yen for revenue, 61 billion yen for operating profit, and 13.0% for operating profit ratio. By expanding our business through the implementation of “i³-Mechatronics” and increasing efficiency through YDX, we will seek to increase profitability toward the target of 100 billion yen operating profit in “Vision 2025.”



| | FY2020 results | FY2021 forecasts ^{*3} | FY2022 targets |
|-----------------------|----------------|--------------------------------|----------------|
| ROE ^{*1} | 8.0% | 15.5% | 15.0% or more |
| ROIC ^{*2} | 7.0% | 14.3% | 15.0% or more |
| Dividend payout ratio | 33.1% | 33.2% | 30.0%+α |

^{*1} ROE : Return on Equity = Profit attributable to owners of parent/ Equity attributable to owners of parent
^{*2} ROIC : Return on Invested Capital = Profit attributable to owners of the parent/Invested capital
^{*3} Forecasts as of the announcement of financial results for the first quarter of FY2022 (July 9, 2021)

Basic Policy

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.

Strengthen manufacturing functions to demonstrate “i³-Mechatronics”



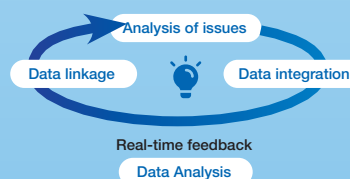
Expand “YASKAWA Solution Factory” concept globally to realize efficient and optimal manufacturing.

Develop technologies/product development to realize “i³-Mechatronics”



Accelerate global development across businesses by building an integrated development structure at “YASKAWA Technology Center.”

Strengthen sales capability to realize “i³-Mechatronics”



Aim to expand solutions that realize “i³-Mechatronics” and strengthen our capabilities to offer solutions that increases added value of customers.

Strengthen service businesses through demonstration of “i³-Mechatronics”



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

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



We define the automation domain of various industries, including robots, as the “robotics market,” and accelerate business expansion by utilizing open innovation in each market where high growth is expected.

Specifically, we will strengthen our presence in the Chinese and Asian markets centered on the 3C*⁴ and New Infrastructure*⁵ markets, and accelerate initiatives with completed vehicle and component manufacturers in

the automobile-related markets, where Yaskawa Group excels. In addition, we aim to maximize earnings by strengthening initiatives in the semiconductor manufacturing equipment market, where further growth is expected.

*4 3C: Abbreviations for consumer and digital communications equipment (from the acronyms Computer, Communication and Consumer Electronics)

*5 New Infrastructure: Digitization of industries in China, focusing on seven fields, including next-generation communications standards such as 5G, new energy vehicles, and AI

Basic Policy 3 Expand New Domains for Building a Sustainable Society



Yaskawa will contribute to the realization of a sustainable society in areas where it can take advantage of its world-renowned mechatronics technologies.

▶ Energy Saving & Clean Power

We will 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. Through these efforts, our goal in FY2025 is to reduce CO₂ emissions by 100 times of the amount emitted by Yaskawa group (CCE100*⁶.)



Energy Saving



Food & Agriculture

▶ Food & Agriculture

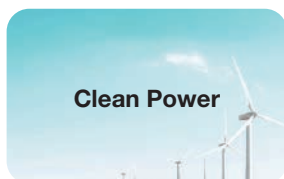
We will contribute to stabilization of food supply by applying industry leading automation technologies to food production processes and agriculture.

▶ Humatronics*⁷

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



Humatronics



Clean Power

SUSTAINABLE DEVELOPMENT GOALS

*6 CCE100 (Contribution to Cool Earth 100): Target to reduce CO₂ emissions from our products by more than 100 times of the amount emitted by Yaskawa by 2025

*7 Humatronics: A coined term combining “human” and “mechatronics”

Strengthening Management Foundation

By promoting digital management and quality management, we will unify management data and standardize business processes. We will strengthen the integrated management of the Group on a global basis, speed up management

decisions, and thoroughly improve management efficiency through YDX. In addition, we will promote and strengthen sustainable management that meets the expectations of society and achieve sustainable growth.

1 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** – Realize flexible and diverse working styles
- **Awareness reform** – Enhance employee job satisfaction

2 Strengthen Management Foundation that Contributes to Sustainable Society/Businesses

We will implement sustainable management that meets the expectations of our diverse stakeholders and strive to create social value and solve social issues.

- **Sustainable and productive manufacturing**
- **Create a rewarding workplace and human resource development**
- **Fair and transparent governance system**



Special Feature: Enhancing Development Capabilities

Managing Executive Officer,
General Manager,
Corporate Technology Div.

Akira Kumagae



Enhancing Our Development Capabilities with YASKAWA Technology Center (YTC), Our New R & D Center that Integrate People and Data.

We are committed to the development of the world's first and most advanced technology by consolidating the data and engineers that had been distributed to each location, realizing innovative and efficient development, and strengthening cooperation with external partners.

YTC's keyword is "integration"

Since its founding in 1915, Yaskawa has relied on its technological prowess as the source of its reputation among customers. As a result of the evolution of technologies in response to the changing needs of the times, from coal mines to steel manufacturing, social infrastructure, and from automobiles to semiconductors, Yaskawa products boast world-class performance and quality and have earned the trust of customers. We will continue to focus on motors and their applications in the future, but we must continue to make further progress by developing technologies and products that move like human hands and arms. By making Yaskawa products easy to use for non-specialist engineers and by linking AC servo drive, AC drive,

robots, sensors, etc., we provide total solutions that solve customers' problems at various manufacturing sites. YASKAWA Technology Center (YTC), which was opened in March 2021, will further enhance the technology. By aggregating and accumulating data as well as engineers, we can achieve true efficiency in development.

Enhancing development capabilities through true efficiency improvements

In the past, development bases for AC servo drive, AC drive, robots, and other products were dispersed, and each company worked with different ways of thinking and rules. As a result, we faced the problem of not being able to share the details of development being

carried out at each base or problems that occurred during development. In addition, because the products produced at each site are different, each technology was independent, so there were a lot of waste and unevenness in terms of the company as a whole, and as competition intensifies on a global scale, we will never be able to win if we continue to do what we have been doing.

At the newly established YTC, engineers are gathered in one place, and various data are collected so that data can be immediately shared and analyzed, such as who is doing what kind of development and experiment, and what kind of evaluation is given to parts and products. When a problem occurs in an experiment, we can easily find a

solution by comparing it with past data. This will not only eliminate waste and unevenness, but also lead to further improvements in product quality.

YTC provides an environment in which people can call out to persons as necessary in technology development, thereby we will achieve true efficiency, dramatically improve our development capabilities, and provide customers with Yaskawa products in a timely manner.

Accelerate co-creation with external partners

With the increasing need for automation in every industry in recent years, we feel we need to expand into areas that Yaskawa has never been involved in before. To this end, we would like to draw on the expertise of not only Yaskawa but also our customers, partners, and universities. In addition to streamlining development, we will consolidate engineers and data to enhance open innovation involving external partners. When our development centers were scattered, partners didn't know who and where to start discussions to work with Yaskawa. Therefore, we have established the Co-Creation Development Office as an environment in which we can promote development by gathering core development members of YTC and invite outside partners who have an interest in Yaskawa to come to YTC. We prepared an environment with security so that project members and partners can concentrate on development. In March 2021, we became the first in Kyushu to obtain a local 5G radio station license. We will

accelerate joint development with external partners through the latest development environment and streamlined systems to create attractive products.

Contributing to the resolution of social issues through technology

Since its foundation, Yaskawa has developed technologies that meet the needs of the times, strengthened its global competitiveness, and grown as a manufacturer that supports manufacturing sites. Yaskawa will continue to contribute to solving social problems such as environmental problems and labor shortages caused by a declining birthrate and aging population through its technologies.

We must also boldly take on new challenges. Yaskawa engineers are required to take on new challenges without fear of failure, rather than following traditional methods. There are few walls in YTC facilities. In the same way, it is more important to remove the barriers of mind, deepen exchanges among engineers, and collaborate with various partners both inside and outside the company. Of course, we will continue to focus our business on Yaskawa's core motor technology and its applications. Going forward, we will work to further improve the performance and quality of our robots and controllers by linking them with peripheral technologies. At the same time, we will steadily advance our technologies with the aim of realizing the management principle "contributing to the development of society and the welfare of humankind through the execution of business."

▶ YTC floor configuration

| | Floor area | Key features |
|---------------|------------------------|---|
| The 4th floor | 8,115.73m ² | Product development and basic technology development |
| The 3rd floor | 6,939.11m ² | Construction of products and production lines in production engineering divisions |
| The 2nd floor | 4,084.06m ² | Prototype evaluation |
| The 1st floor | 6,241.55m ² | Test line verification |



Appearance of YTC



Open atrium



Meeting space where engineers interact