



Sustainability Information

2021

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1

Message

A Message from Our President

Contributing to Society by Creating Products with High Added Value

Since its founding, KEYENCE has pursued business efficiency together with the creation of added value, based on two concepts: ensuring the long-term success of the company, and achieving maximum added value with minimum capital.

To ensure the long-term success of the company, we believe that it is absolutely essential not only to develop products that are useful to society and that address the issues faced by our customers, but ultimately to be the kind of company that is supported by a society that includes our customers, employees, business partners, and shareholders.

Based on this way of thinking, we aim to achieve sustainable growth and a high level of profitability through the creation of products with a high level of added value and continuous contribution to society, while not only complying with laws and regulations but also showing care for the global environment by means such as reducing energy and resource consumption.

Future Expansions

A high-priority task for KEYENCE's management is the creation of products with a high level of added value.

By gaining a deep understanding of the current state of manufacturing, and predicting future trends, we can create products that offer unique value, solving problems that our customers could not have imagined.

Another major task is increasing our sales ratio outside Japan.

Our current overseas sales ratio frankly does not live up to our potential.

I firmly believe that, in overseas markets where there is significant room for growth, our direct sales business model has the potential to take hold and lead to a major expansion in sales.

All of our employees will continue working together, doing their utmost to provide the greatest possible added value for our customers and society.



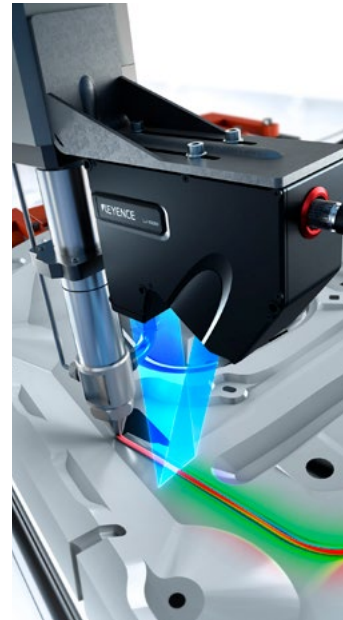
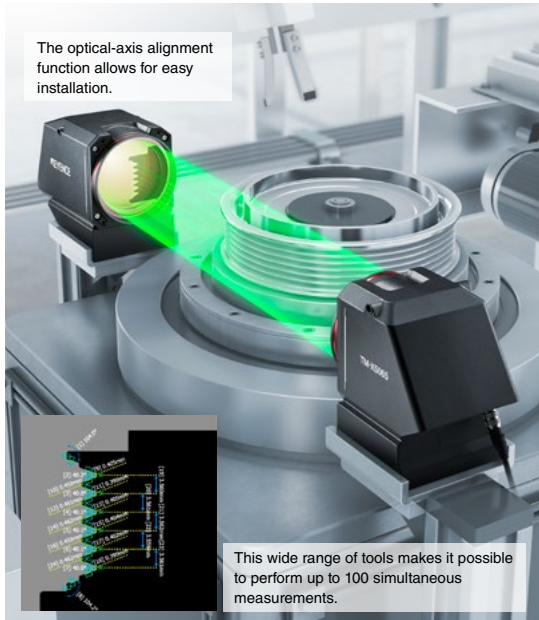
Yu Nakata, President

2 Opportunity

Solving Social Issues Using Our Products

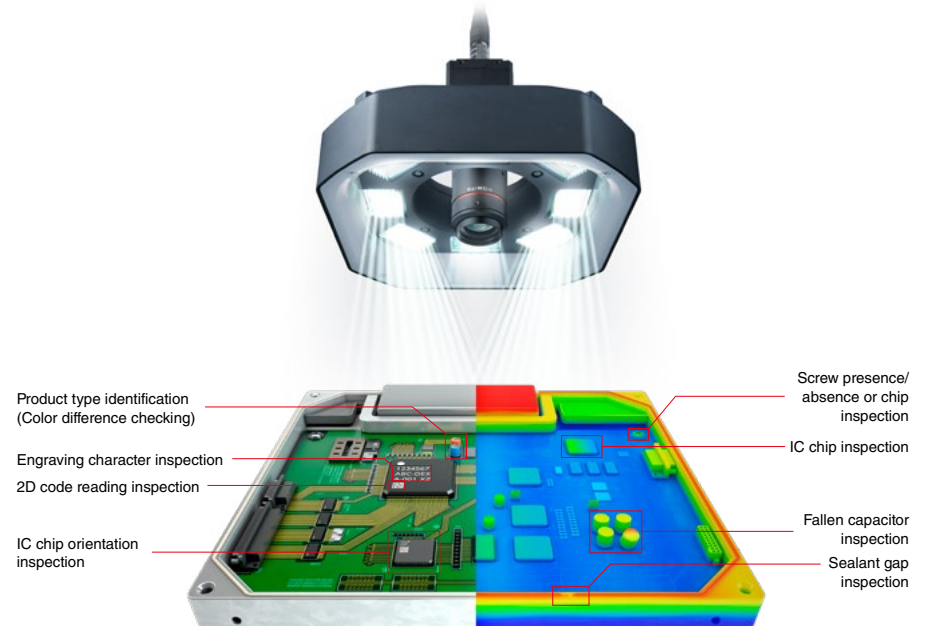
Improving Productivity

Against a backdrop of labor shortages and other social issues, manufacturers are pursuing automation and streamlining as a means to increase productivity. KEYENCE is helping to reduce production time and improve production by proposing products and applications that lead to improved manufacturing efficiency.



Enhancing Quality

As the sophistication and miniaturization of products increase thanks to technological innovation, advancements in manufacturing must keep pace. Consumers demand ever higher quality year after year, and a defective product can severely harm a company's brand image and reduce profitability. KEYENCE helps solve the problems these advanced manufacturing sites must grapple with.



Opportunity Solving Social Issues Using Our Products

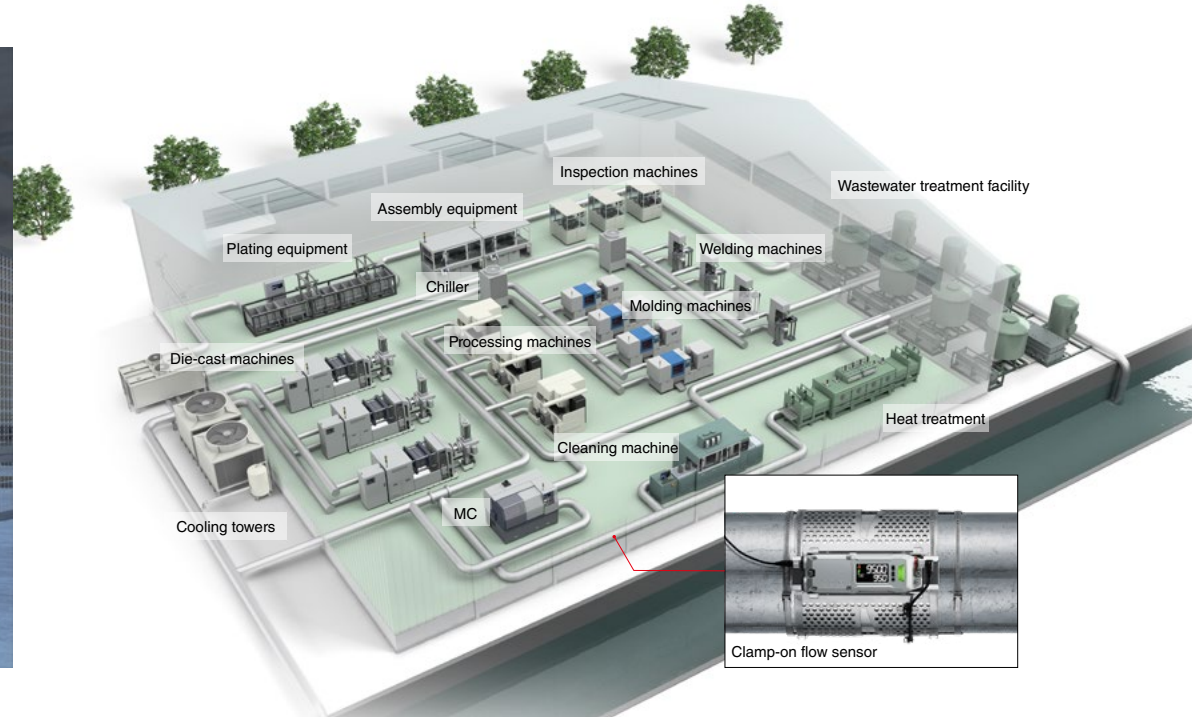
Ensuring Safety in the Workplace

KEYENCE creates products that help ensure safety at manufacturing sites. Specifically, we are promoting the improvement of on-site safety by developing safety equipment that ensures that workers are safe from hazardous elements such as machinery and robots while maintaining a high level of productivity.



Helping Reduce Energy and Resource Consumption in Factories

Environmental issues such as climate change are an urgent problem on a global scale, and year after year the need is growing for measures to conserve energy and resources in factories. KEYENCE, through our products, supports our customers' initiatives to conserve energy and resources.



Opportunity Solving Social Issues Using Our Products

Reducing Environmental Impact at Customer Locations

Various liquids and gases in production—including cutting water, cutting oil, coolant, hydraulic oil, argon gas for welding, air for air blow, and paint for coating—are used in factories. These fluids are conveyed inside the factories using pumps, fans, and other equipment. The pumps, fans, and compressors that move these fluids use large amounts of electricity while running. For energy conservation, flow sensors play an important role in managing and recording the usage of fluids, so any wasteful conveyance is kept to a minimum.

Saving Energy with Flow Sensors

In factories, compressed air is used for air tools, presses, spray guns, and air cylinders that power robots and machine tools. A compressor is used to produce this compressed air, which consumes a large amount of electricity. It's interesting to note that these compressors, which are so important to the operation of factories, tend to leak large amounts of air, which leads to major losses. Accurately managing the flow of compressed air is very important to prevent losses and save energy. Doing this allows you to optimize the amount of electricity used by the compressor, leading to reduced energy consumption. Flow sensors allow for monitoring and visualization of the flow of compressed air. This means that air leaks can be detected, making them a highly effective and important part of energy-saving measures, such as lowering the pressure according to usage, using an inverter, or limiting the number of units.

Clamp-on flow sensors that can be installed on existing pipes



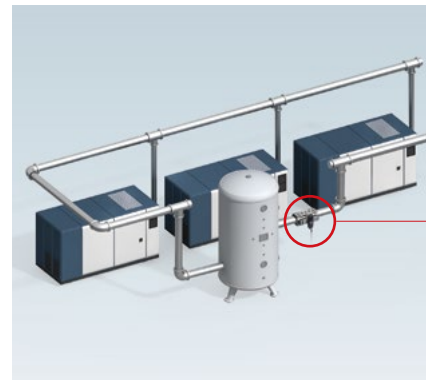
A clamp-on flow sensor for liquids



A clamp-on flow sensor for gases

Usage example: Managing use of compressed air

By determining the flow rate from the receiver tank, the amount of compressed air used throughout the factory can be measured.



World's First

The multi-function display shows the status, even with just the main unit



Opportunity Solving Social Issues Using Our Products Saving Energy at Customer Locations

Saving Energy with Pressure Sensors

Many machine tools use hydraulic cylinders and hydraulic valves. Oil is used not just to run machines, but also for cleaning and cooling. Conventional tools frequently suffer from insufficient hydraulic management of these processes. When considering energy conservation, it is very important to manage hydraulic pressure and keep unnecessary pressure application to a minimum. The most effective way to accomplish hydraulic management is by using oil pressure sensors. By managing oil pressure at all times, changes can be monitored and deterioration and leaks of hydraulic oil can be detected easily.



Hydraulic management of machine tools

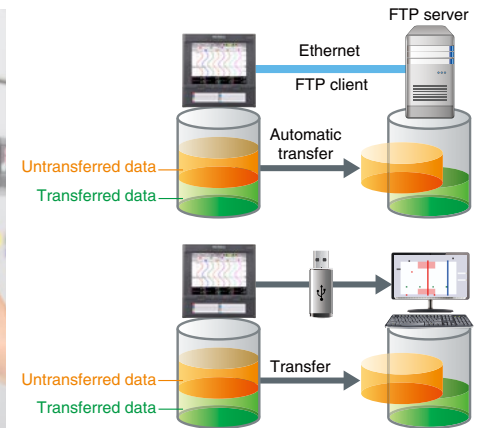


Energy-Saving Measures Based on Visualization of Management Values

To implement energy-saving measures in the manufacturing industry, data must be acquired with devices like flow and pressure sensors, which can then be used to visualize how much energy is being used, where it is used, and by whom. The PDCA (Plan-Do-Check-Act) cycle is used to study energy-saving measures based on an understanding of energy use, and to repeat the process of implementation and improvement, continuously improving practical energy-saving measures.



A touch panel recorder that can be connected to a PC, PLC, or data server



3 Business

A Rich Lineup of Innovative Products

One-Stop Product Lineup for Total Support

KEYENCE plans and develops products that are indispensable for manufacturing, and provides proposal-type direct sales to offer the best products to meet each customer's particular needs. This range of products includes a variety of factory automation sensors such as general-use sensors and displacement sensors, measurement systems, PLCs, barcode readers, laser markers, digital microscopes, and 3D printers.

Our capability to be a single supplier that can solve a variety of issues is one of the core reasons that KEYENCE is many manufacturers' first choice.



Business A Broad Customer Base

A Range of Products Used in a Wide Variety of Applications

At KEYENCE, we plan and develop our products based on a grasp of not only the current needs of our customers but their potential future needs as well, so that they can be utilized in a wide range of industries all over the world. By proposing the optimal product application for your industry—whether that industry be automobiles, semiconductors, LCDs, electronic devices, IT equipment, information and telecommunications, steel and other metals, food, medicine, or logistics—we have created a business environment that is not bound by the trends in specific industries or customers. Today, KEYENCE's products are used by more than 300,000 companies around the globe.



Business Business Fields

Total Support, from R&D to Retail

KEYENCE develops leading-edge products that support our customers' technological innovation, which in turn leads to innovation in manufacturing itself. Our business fields cover all processes, from R&D to manufacturing, assembly, inspection, and logistics.

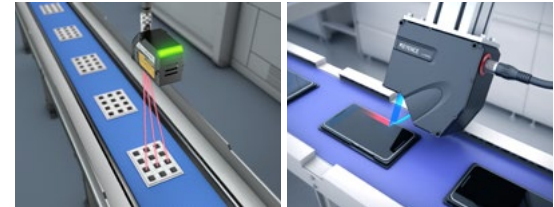
Research and Development

KEYENCE's products contribute to a wide range of research and development fields—including regenerative medicine applications such as iPS cell analysis—as well as scientific and technological applications such as aerospace manufacturing. These accomplishments are in addition to KEYENCE's contribution to conventional applications in manufacturing R&D.



Factory Automation

We are currently living through the so-called Fourth Industrial Revolution, and the emergence of smart factories is accelerating around the globe. Sensors and measuring instruments play an absolutely vital and ever expanding role in automation and data collection in these facilities. Our rich array of products can contribute to manufacturing by handling applications in a wide range of industrial fields.



Retail

Keeping track of things like inventory and order quantity at retail stores is critical to improving work efficiency and reducing losses. By improving usability and reading performance, we are contributing to work efficiency.



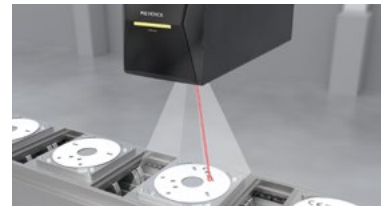
Logistics

With the growing ubiquity of e-commerce and IT, the volume of physical distribution is ever increasing. To meet diverse consumer demand, automated transfer systems, robots, and other methods are being used to construct more efficient logistics systems.



Traceability

KEYENCE products can help implement stringent product management—from raw material procurement to production and shipping—to contribute to the creation of safe, reliable products that bear clear identification of when, where, and by whom they were manufactured.



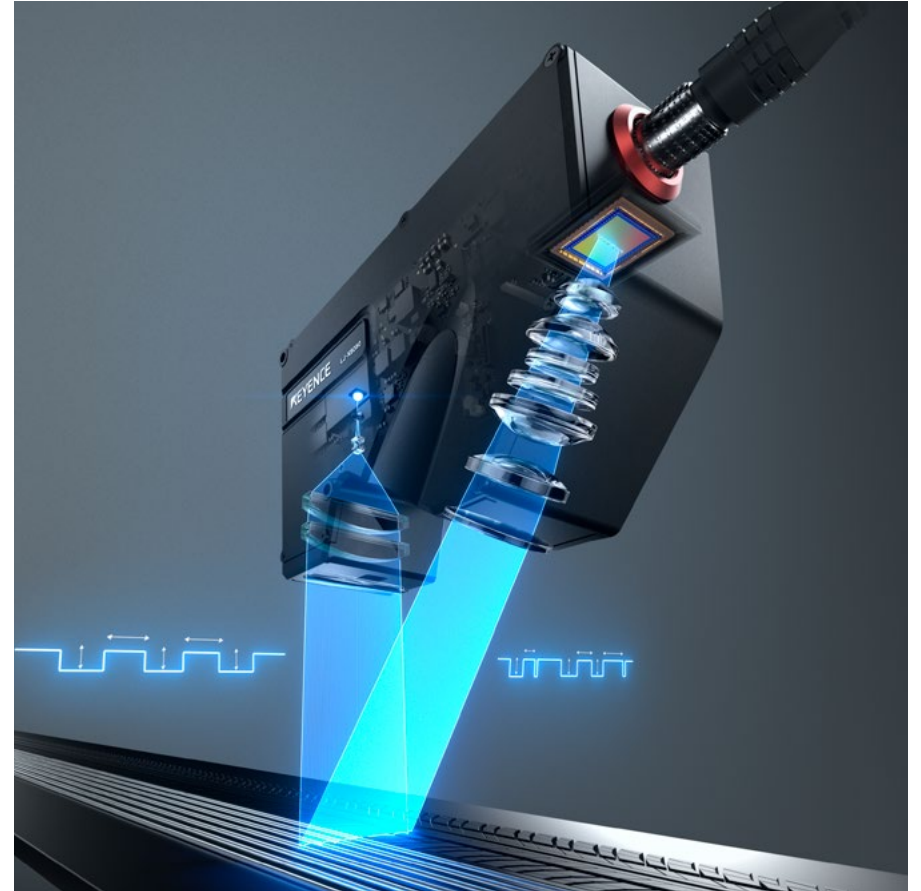
Quality Management

Manufacturing sites demand production that is both high quality and efficient. With impressive inspection accuracy and processing speeds beyond the limitations of the human eye, KEYENCE products contribute to achieving the highest quality.



The Capacity to Plan and Develop Products That Are Industry and World Firsts

Roughly 70% of KEYENCE's new products are either world firsts or industry firsts. We accurately identify the potential needs and problems of our customers through direct sales, and using that information we plan and develop world-first and industry-first products, not for specific fields or as custom-made products, but as standard products that are used in a wide range of fields and industries. Instead of commercializing exactly what the customer wants, we determine their unnoticed, latent needs and develop the kind of innovative products that they could not have imagined. This is the source of KEYENCE's high level of added value.



Case 1 The World's First CMOS Laser Sensor Using a Green Laser



Ultra-compact
1/10 size

Case 2 Large-Scale, Three-Dimensional Measurement with a Wireless Probe



Measurement range
Max. 10 m

Diameter: 7.088
X : 47.245
Y : 30.542
Z : 10.081

✗ Problems with conventional methods

- When installing the sensor in existing equipment, it is necessary to consider the size of the sensor and to manufacture an installation jig.
- We want to make high-precision measurements, but the large size of the sensor makes it difficult to install in our facility.

✓ Solution

- **The combination of a compact case and high detection performance massively cuts down on installation time.**

This is the first ever CMOS laser sensor that uses a green laser. The custom CMOS sensor also provides higher resolution and 100 times greater sensitivity than conventional sensors. By reducing the size of the receiver lens, we have achieved both miniaturization and higher precision.

* This is a comparison with an earlier KEYENCE product (GV-H130)

✗ Problems with conventional methods

- Measurement of large components is labor-intensive.
- Measurement requires two people.
- Incorrect measurements are common.
- Three-dimensional measurements cannot be performed.

✓ Solution

- **All you have to do is place the wireless probe on the target, and measurement can be performed up to a range of 10 m.**

The WM Series uses a new concept with a tracking camera that captures near-infrared light emitted by seven probe markers. The reference camera and probe search camera enable high measurement accuracy, with a repeatability of $\pm 10 \mu\text{m}$ even over a large area.

Fables Production

Rather than doing production in-house, we outsource to partner companies both in Japan and abroad. This means that we can control capital investment and select plants with the optimal equipment and technology according to each product's characteristics. The KEYENCE department in charge procures the materials required for product planning, development, design, and production, and the production technology, production planning, and quality control departments are deeply involved in the production of products to build systems for mass-producing quality products while accumulating knowledge and technology related to their production in-house.

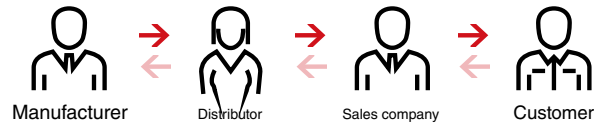
Direct Sales

In order to present customers with unique products that are world or industry firsts, it is critical that sales personnel have a deep understanding of the products and applications. Thanks to our system that uses direct sales rather than distributors, our salespeople can propose appropriate and ready-to-implement solutions using our products, based on a direct awareness of the problems and needs of the customer. And by

building awareness of each customer's potential needs, this can lead to the development of the next innovative product. Even for cross-border projects, our system, with sales representatives at 230 offices in 46 countries, makes it possible for us to provide global support for customers' manufacturing.

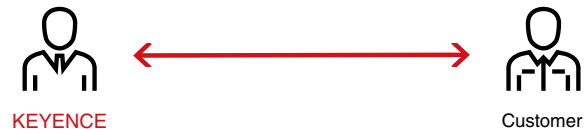
Conventional sales

Sales are made through distributors and sales companies, so it is difficult to gain a true understanding of customers' actual problems.



KEYENCE's direct sales

The direct sales system allows direct understanding of the problems of the customer, and proposal of the optimal solutions.



Same-Day Shipping

We offer same-day shipping on our products, worldwide. This means that our customers don't need to prepare extra stock to have what they need on hand, in the volume they need, when they need it. Customers can select the optimal product without worrying about different delivery dates for individual products, so they have more time to consider specifications. Roughly 70% of new products are world-first or industry-first, and our global direct sales allow us to accurately identify the potential needs of our customers, which enables the planning and development of products that become standard use in a wide range of industries. The fact that we don't perform build-to-order manufacturing is another factor that allows us to offer same-day shipping.

Business

Global Support

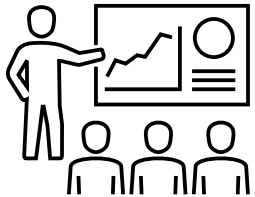
KEYENCE has a sales network that includes 230 offices in 46 countries.
We are growing our business all over the world.

Providing the Same Direct Support in Japan and Overseas

We believe that, in order to support global manufacturing, it is important to become a borderless company that crosses national boundaries. To this end we have developed a system that allows us to provide high-quality service and support all over the world.

Training Programs for Local Staff

KEYENCE holds technical training seminars on the use of sensors, measurement instruments, and other topics for the local staff of our customers. By providing technical support based on the circumstances in each country, we deepen our connection to our customers.



We also have a wide range of manuals and technical guides translated into local languages.

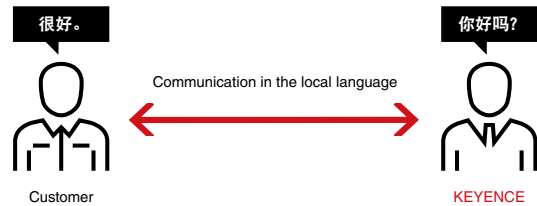


Business Global Support

- The same direct sales system as in Japan
- KEYENCE provides global support for projects that cross national borders
- Same-day shipping of products all over the world
- Free loaning of test devices

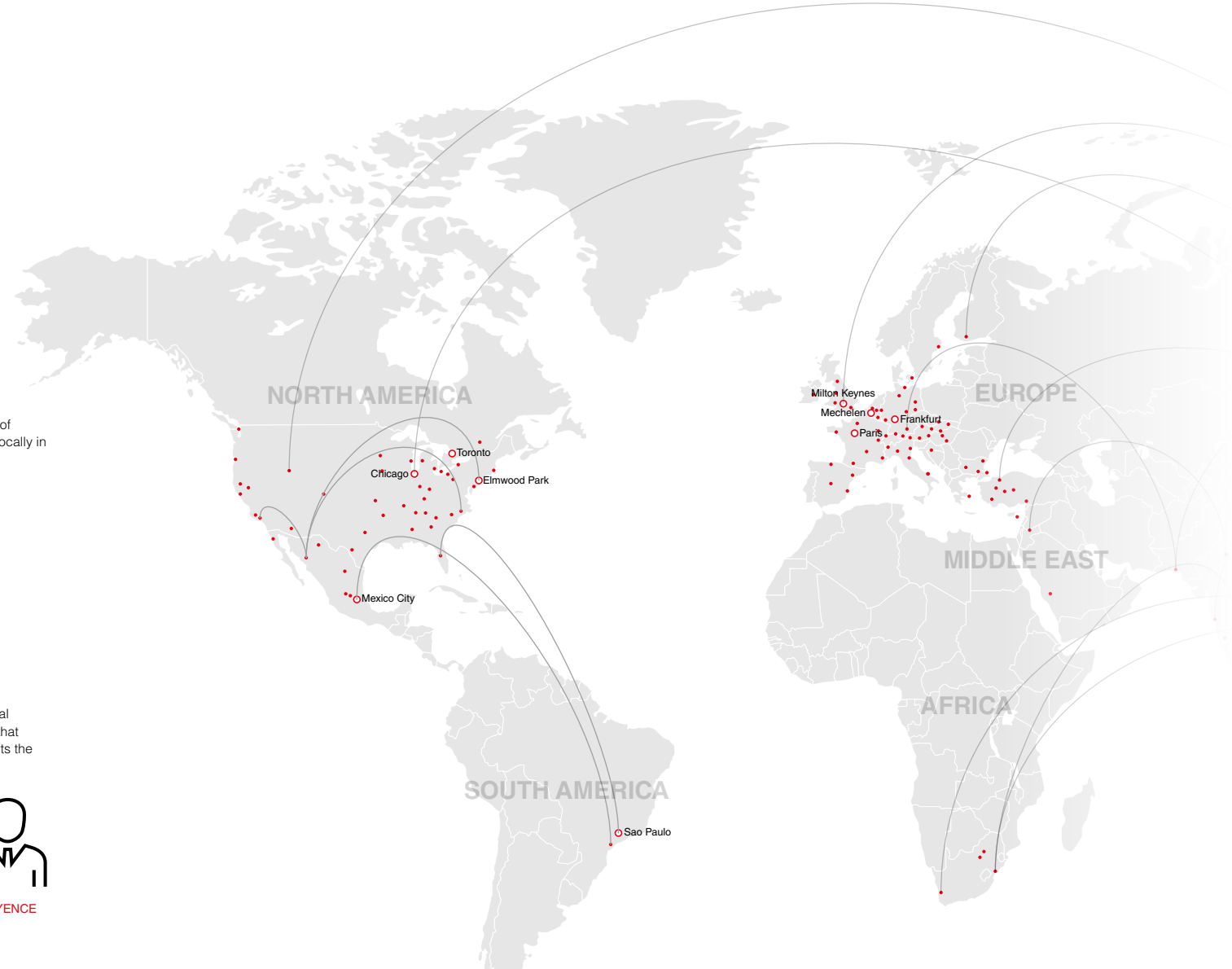
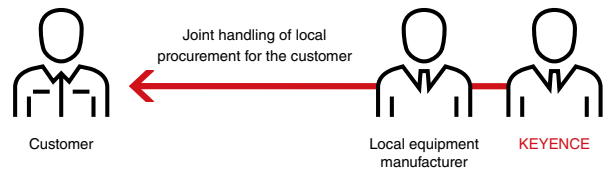
Communication Handled by Local Staff

KEYENCE provides its local sales personnel overseas with the same level of technical training as in Japan. We perform sales activities that are rooted locally in each country.



Collaboration with Local Equipment Manufacturers

For companies engaged in global manufacturing, a major challenge is local procurement of equipment and parts. At KEYENCE, we provide a service that introduces local manufacturers of various types of equipment. This supports the smooth installation of equipment, no matter where the site is located.



Business Further Expansion

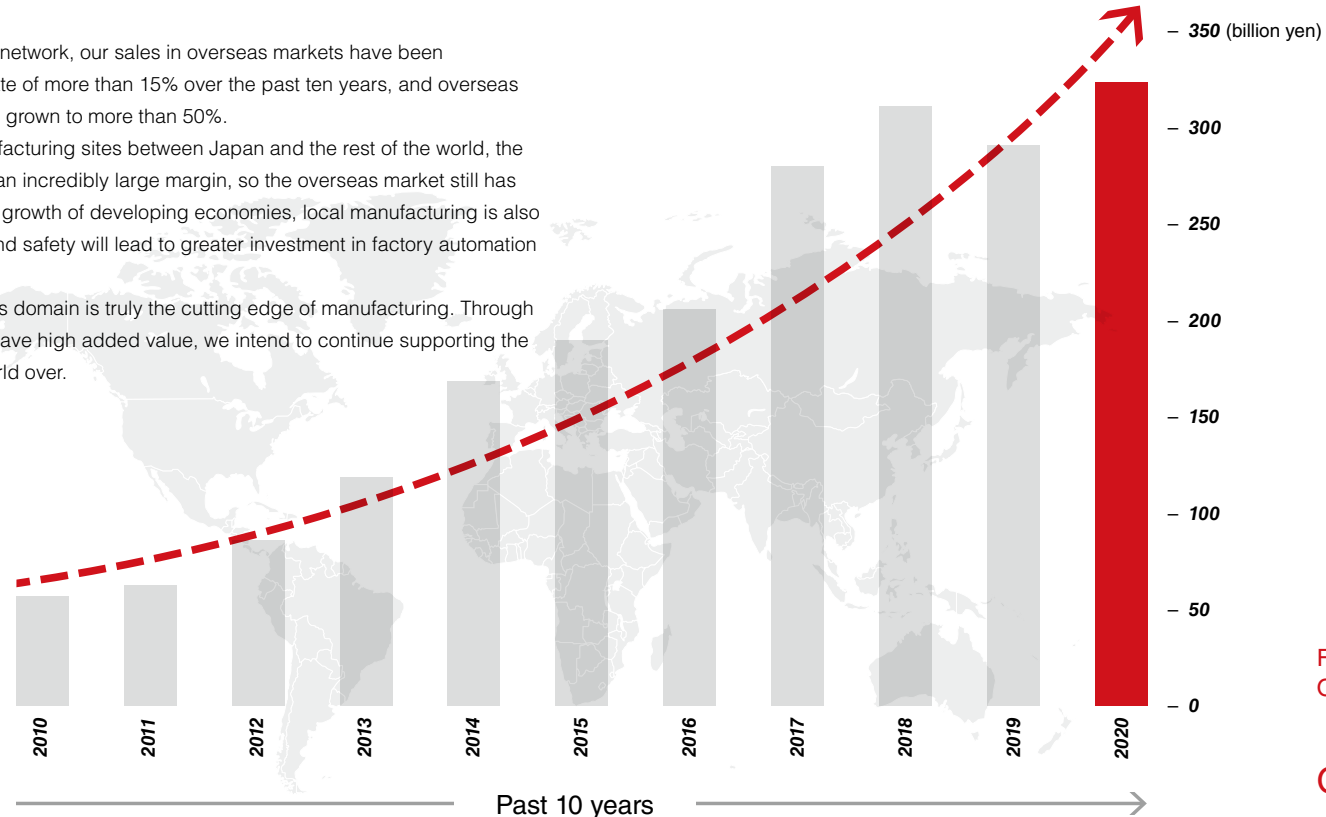
Accelerated Global Expansion

Thanks to the expansion of our global network, our sales in overseas markets have been continuously growing at an average rate of more than 15% over the past ten years, and overseas markets' share of our overall sales has grown to more than 50%.

When comparing the number of manufacturing sites between Japan and the rest of the world, the rest of the world naturally wins out by an incredibly large margin, so the overseas market still has huge potential for expansion. With the growth of developing economies, local manufacturing is also expanding, and the need for quality and safety will lead to greater investment in factory automation in the future.

The focal point of KEYENCE's business domain is truly the cutting edge of manufacturing. Through direct sales of a line of products that have high added value, we intend to continue supporting the development of manufacturing the world over.

Over the past 10 years we have seen
**an average overseas growth
 rate of over 15%**



Fiscal 2010
 Overseas sales ratio

Over **30%**



Fiscal year 2020
 Overseas sales ratio

Over **55%**

Past 10 years

Business Further Expansion

Expansion of Business Fields

KEYENCE has utilized know-how and development strength cultivated in the factory automation market to expand our business in R&D, logistics, retail, and other fields. Going forward, we hope to develop more novel products to open up new markets, and to change the way the world works.

An all-in-one fluorescence microscope that contributes to research in biochemistry and medicine



A code reader that contributes to improved productivity at distribution centers

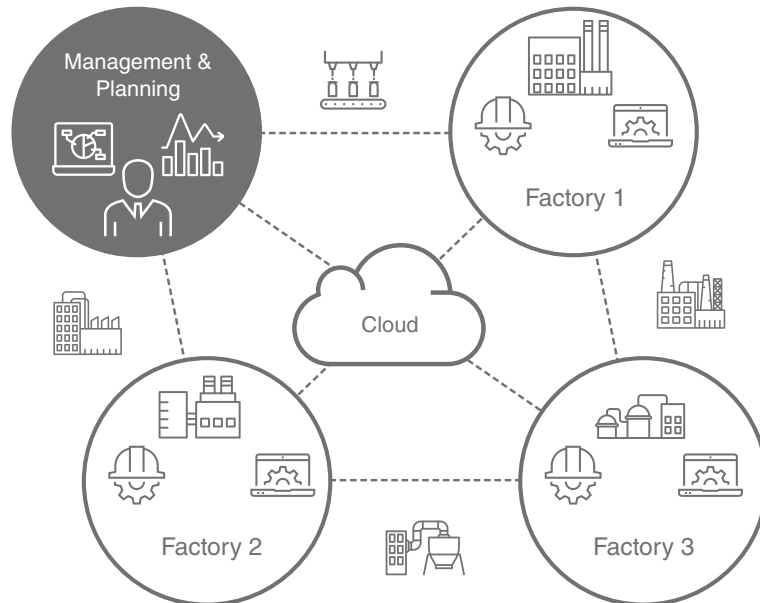


Data analysis software that derives effective strategies from the data held by companies



Accelerating Advances in Manufacturing

In addition to improving productivity and product quality at manufacturing sites, technological innovation is bringing about a variety of other reforms. Manufacturing is truly evolving on a global scale, whether it is electrification in the automotive industry, greater sophistication in smartphones, or the digital transformation (DX) that digital technology has promoted at production sites. By producing innovative products that predict potential needs, we are supporting the evolution of manufacturing.



DX is expected to massively improve productivity in the manufacturing industry going forward. Data utilization at factories starts with the connection of sensors and other devices to networks and collection of data. With the wide range of products KEYENCE offers, we will continue to contribute to the evolution of manufacturing sites brought about by the digital revolution.



4 People

Personnel Who Create High Added Value

We put a focus on creating a workplace that respects individuals' humanity, and we provide an environment where people can work with a sense of initiative.

Creating a Workplace That Respects Individuals' Humanity

In order to achieve lasting promotion of added value as a company, it is critical to provide a workplace where people respect each other's humanity and have a real sense of fulfillment in their work. Guided by this principle, at KEYENCE we have emphasized the creation of a workplace environment where it is easy to work, both physically and mentally. We have a strong awareness of the importance of conducting business activities with not only legal compliance but also the highest of ethical standards, while paying attention to human rights issues and other challenges that arise with globalization. Based on this awareness, we have implemented a Group-wide Code of Conduct that mandates respect for human rights, such as by eliminating discrimination, child labor, and forced labor. We have also produced guidelines to promote understanding of and compliance with this Code of Conduct to all directors and employees. By creating opportunities to promote this understanding, we are striving to eliminate unfair discrimination based on characteristics such as race, gender, nationality, creed, age, or disability, and are conducting our business activities with the highest ethical standards. The KEYENCE Group Code of Conduct applies not only to our directors and employees, but also to suppliers and partner companies, whose compliance we also request.

Handling of Harassment and Other Issues

We have established a contact point for issues relating to compliance, harassment, and other such matters. Under this system, if a problem occurs, it is investigated and appropriate action is taken while taking due care to protect the privacy of those involved.

Occupational Health and Safety

In order to achieve sustained growth through improved productivity and a work style that pays due attention to the health and safety of our employees, we have been reducing overtime and ensuring appropriate work time management, and our managers assign work duties so that no employee is overburdened by the volume and difficulty of their work. We also strive for proper employee health management, through means such as offering advice to each department based on their particular circumstances.

Subsidies for Health Inspections and Physical Examinations

In addition to providing an environment where employees can receive regular medical checkups at each business location, we provide these medical checkups annually as required by

law. Additionally, employees and their spouses aged 35 and older can have their medical costs fully covered by the annual health insurance association when receiving medical checkups at external medical facilities. For any employees that need to undergo surgery or make lifestyle changes, we provide appropriate follow-up on an individual basis. Since 2019, the company has also covered the cost of brain scans to help employees maintain their health.

Ensuring Occupational Safety

- We implement safety measures based on production equipment risk assessment and regular surveys
- We promote automatic equipment with the goal of reducing the burden on and increasing the safety of workers
- For dangerous work, we request the use of goggles at production sites and masks at solvent work sites

Days Off

Fiscal 2020 had a total of 128 holidays. Golden Week, summer holidays, and winter holidays were each 7–9 days, allowing employees to refresh both their bodies and minds and achieve balance in their work and life.

People Personnel Who Create High Added Value

Training System for Skills Development

In addition to practical skills training, we plan and develop a multifaceted training program. We also have various systems in place to allow employees to take appropriate courses as needed.

Career-based training



Developmental System

MDP (Management Development Program)

We have a training system for managers that sees current managers in charge share their responsibilities with their successors for a certain period to allow their successor to gain an understanding of the job. This program not only encourages growth, but also effectively develops leader candidates and helps to maintain an active organization.

CDP (Career Development Program)

This program allows employees to move to another section of the company for a certain period of time to work in a new role. Experiencing various types of work outside of their specialties cultivates broad skillsets and promotes development of new capacities.

Multi-assessment

To foster management development, this program gives members the opportunity to complete an evaluation (survey) to provide feedback to those in charge. The purpose is to periodically share the strengths and concerns of the people in charge, and to thereby improve the quality of management.

Practical Training

Practical skills training

Employees learn the skills needed for each field by getting hands-on practice.

Training for newly appointed managers

New managers acquire the knowledge needed to be a manager, from labor management to company regulations.

External Training

We provide support for employees to attend outside seminars, language training, and other training opportunities.

5

Environment

Environmental Policy

Through our business activities and products, KEYENCE is working toward the fulfillment of our social responsibilities, particularly environmental conservation.

Basic Ideal

We recognize that global warming prevention and global environmental preservation are of paramount importance to our planet, and we consistently act with consideration toward the preservation and improvement of the global environment in all areas of our corporate activities.

Environmental Policy

Based on the following policy, we are making efforts to reduce our environmental impact through the development, manufacture, and sales of automatic control equipment, measurement equipment, information equipment and related electronic application equipment, optoelectronic equipment, and systems for these.

1. We will make an effort to protect the environment by complying with environmental laws and regulations, as well as other requirements recognized by the company, and by establishing voluntary management standards.

2. To reduce our environmental impact, we will establish and maintain an environmental management system, make continuous improvements, and promote the prevention of environmental pollution.

3. We will focus our efforts on the following environmental impact items related to our activities, products, and services:

- i Establish and maintain a chemical substance management system that includes eliminating and preventing the use of harmful chemical substances in consideration of globalization.
- ii Establish and promote a system for the management of electricity consumption, in order to curb/reduce our carbon footprint.
- iii Promote efforts to reduce waste, save energy, and recycle to make more effective use of resources.
- iv Promote the design and development of products that are mindful of environmental burden reduction activities on the part of our customers.
- v Promote activities that are mindful of biodiversity.

Environmental Management System

We have constructed and are operating an environmental management system in accordance with the ISO 14001 international standard for environmental management. By doing so, we are promoting sustainable improvement of our

environmental conservation measures such as a reduction of our environmental impact.

Under the leadership of the president, who is responsible for our company-wide environmental management system, the environmental departments, in coordination with other relevant parties such as the various divisions of KEYENCE and our trading partners, are proactively striving to achieve our environmental goals, by means such as setting environmental tasks from product planning to development, production, shipping, and repair.

Internal Environmental Audits

We have established an environmental management system, overseen by the president, in accordance with the ISO 14001 international standard. In addition to periodic audits by ISO certifying bodies, we also implement regular internal audits. This is done to confirm that the environmental management system is maintained effectively and is in compliance with the relevant laws, as well as to implement continuous improvements to the management system and our environmental performance.

Environment Reducing Our Environmental Impact Through Our Products

Contributing to Global Environmental Conservation

KEYENCE contributes to the environment not only by creating products with the environment in mind, but also by reducing environmental impact at locations where customers use our products, as well as in society as a whole where our customers use these products and services. That is what KEYENCE means when we say environmental contribution. We create high-added-value products with a minimal input of energy and resources, contributing to improved productivity and reduced environmental impact at manufacturing sites. Our constant pursuit of greater added value will lead to environmental contributions.

Product Development for Lower Environmental Impact

SMALLER—Reduce the amount of materials used

PR Series Photoelectric Sensors

Achieving the smallest size in its class thanks to a unique hybrid structure.

Size
(compared with
conventional models)

-30%

Shock resistance
(compared with
conventional models)

5x



STRONGER—Extend the duration of material usage

GL-R Series Safety Light Curtains

Achieving all-round robustness that minimizes the number of times parts need to be replaced due to damage. In addition to protecting the optical surface, which is subject to the most damage, the design is constructed with large twin bumpers that protect all the way up to the display, providing robustness with high shock resistance even for the mounting bracket.



LESS—Reduce energy usage

BT Series Handheld Mobile Computers

The battery degradation control algorithm allows for massively extended battery life. This reduces frequency of battery changes.



Environment Reducing Our Environmental Impact Through Business Activities

Efforts Toward Collection and Recycling

Paper recycling

We also conduct thorough collection and management of paper materials. In addition to efforts to digitize application forms that used paper in the past, we have installed recycling containers on each floor of our office. Paper is collected by a used paper company for delivery to a paper manufacturer. Through this recycling process, the paper can be reused for the production of cardboard boxes and other products.

Efforts Toward the Reduction of CO₂

Switching to LED lighting

As part of our efforts to reduce our environmental impact, we are reducing our carbon footprint by switching to LED lighting at our head office building and all distribution locations. LED lighting reduces carbon dioxide emissions by approximately 64% compared to conventional lighting.

Replacing AC Equipment with High-Efficiency Equivalents

By switching to energy-saving air conditioner models with lower power consumption and compact models that use less resources, KEYENCE is employing environmentally friendly technology that will reduce its carbon footprint.

Adoption of Environmentally Friendly Vehicles

To further reduce its environmental impact, KEYENCE is gradually changing its fleet of commercial vehicles in Japan to environmentally friendly models.

Efforts Toward the Reduction of Waste at Distribution Locations

In the past, because packaging boxes were prepared for each product size, it was necessary to use cushioning material to fill the extra space. Through the use of automatic packaging equipment, we have cut down on the wasted space inside packaging. This has allowed us to reduce the amount of cushioning material that is required. It also contribute to the unification of packaging, and allows us to run facilities with a smaller investment of resources and space.

Acquisition of ISO 9001/14001 Certification

KEYENCE has acquired ISO 9001/14001 certification for its efforts to contribute to the environment through business activities and products.



ISO 9001



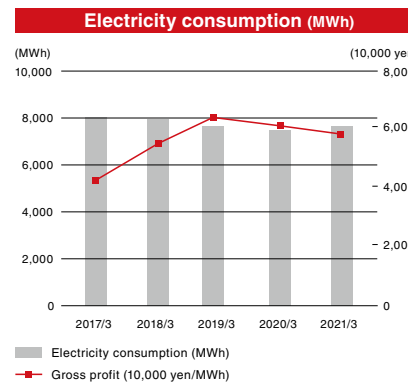
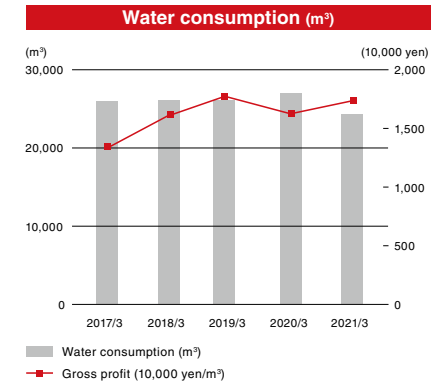
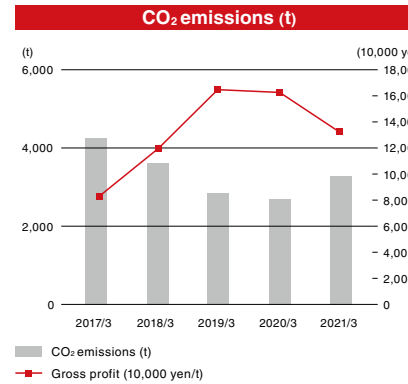
ISO 14001

Environment Environmental Numerical Data

Our efforts are focused on achieving the maximum added value with the minimum environmental impact.

	Mar. 2017	Mar. 2018	Mar. 2019	Mar. 2020	Mar. 2021
CO ₂ emissions (t)*	4,225	3,592	2,821	2,671	3,268
Gross profit per t (10,000 yen)	7,890	12,047	17,140	16,900	13,493
Water consumption (m ³)*	26,052	26,102	26,091	27,084	24,364
Gross profit per m ³ (10,000 yen)	1,280	1,658	1,853	1,667	1,810
Electricity consumption (MWh)*	8,005	7,910	7,596	7,431	7,610
Gross profit per MWh (10,000 yen)	4,164	5,470	6,365	6,075	5,793
Industrial waste (t)*	113	170	153	171	136
Gross profit per t (million yen)	2,952	2,548	3,162	2,643	3,237

* Scope 1, 2 (Target range: Head office building, Quality Lab, Takatsuki Logistics Center, production control center, Takatsuki office)



6

Compliance

Providing Responsible Products

Procurement Guidelines

To ensure a workplace that shows respect for human rights, we have established procurement guidelines for our supply chain, and request that our suppliers follow these guidelines. In addition, as part of our basic business agreement, we ask that these businesses make efforts to reduce their environmental impact and prevent environmental pollution to protect our planet.

Green Procurement

In order to promote green procurement, we are implementing the following initiatives.

- Formulate environmental control substance management regulations, and request suppliers' compliance with these regulations.
- Confirm and provide guidance on suppliers' environmental management systems through on-site guidance and interviews with questionnaires.
- For each part, request that suppliers submit non-inclusion certificates as well as information on substances contained therein in industry-standard formats.
- Implement training for employees in the form of environmental education seminars.
- Put in place an environmental management system based on ISO 14001.

Promotion of Supply Chain Management

We clarify our basic policies and rules regarding product manufacturing, and share our environmental policy with each subcontracted plant. Our supply chain management system includes the following points:

- Fair trade in compliance with the law.
- Prohibition of forced labor, slave labor, child labor, discriminatory practices, unknowingly hurting other individuals, and using one's status or position to harass other individuals.
- Strict confidentiality, protection of the work environment, maintenance of safety, and strict compliance with all laws and regulations.
- Compliance with and maintenance of standards, and making efforts to fulfill environmental policies.
- Creation of a workplace environment that ensures the maximum respect for each person.

KEYENCE's fabless production system subcontracts product assembly and inspection to third-party cooperating factories ("subcontracted plants"), but for areas that have implications for product quality and compliance, such as production technology, manufacturing technology, inspection specifications, and procurement of components, management and oversight are carried out under the responsibility of KEYENCE's production control and materials procurement

departments. For this reason, subcontracted plants are not required to have ISO 9001/14001 or other such certification. Because KEYENCE has the responsibility to manage and oversee our subcontracted plants, we conduct audits of a certain number of these subcontracted plants each year. When procuring parts, it is impossible to address issues such as conflict minerals and materials that are hazardous to the environment without the cooperation of our suppliers, and we request the provision of information on these matters when procuring parts. With regard to issues such as forced labor, child labor, and human rights violations, we request the compliance of subcontracted plants and suppliers of parts by means of guidelines and basic transactional agreements.

Supplier Capacity Building

In order to encourage deeper understanding of KEYENCE's basic policies on the part of our suppliers, we have been striving to build up our suppliers' capacity by means such as having our production control and materials procurement control departments visit our suppliers and providing advice, making requests, and issuing guidance as necessary.

Compliance **Efforts Toward the Responsible Procurement of Minerals**

Basic Concept

There is major concern regarding minerals that are sourced from areas such as the Democratic Republic of the Congo and nearby countries (DRC-adjacent countries). These minerals present issues ranging from environmental harm and human rights abuses such as child labor in the mining process to providing a source of funding to armed groups, and they even pose a risk of expanding and extending the violent conflicts.

KEYENCE has as its basic policy (*1) a prohibition on the use of such illegally mined minerals. In addition, the responsible department works with the procurement department, using the tools provided by RMI (Responsible Minerals Initiative), an organization that promotes responsible procurement of minerals, to perform surveys of our suppliers and otherwise implement the necessary measures on a regular basis. The results of these surveys show that 290 companies specified within KEYENCE's supply chain were on RMI's list of standard smelters, and of those some 267, or 92%, met RMI's criteria for Conformant Smelters.

Going forward, KEYENCE will continue to engage in risk analysis and evaluation of our supply chain, and perform further surveys on risks.

***1 KEYENCE's Policy on Responsible Procurement of Minerals**

There is major concern regarding minerals that are sourced from conflict-affected regions and high-risk areas such as the Democratic Republic of the Congo and nearby countries (DRC-adjacent countries). These minerals include, but are not limited to, tin, tantalum, tungsten, gold, and cobalt, and the issues relating to them range from environmental harm and human rights abuses such as child labor in the mining process to their providing a source of funding to armed groups, and they even pose a risk of expanding and extending the violent conflicts.

At KEYENCE, we have established a basic policy of not using minerals that have been procured through illegitimate means in the electronic components included in our products or otherwise. This basic policy has been compiled in line with the OECD Due Diligence Guidance for Responsible Supply Chains of Minerals from Conflict-Affected and High-Risk Areas and other guidelines, and, with the cooperation of our suppliers, we are promoting the following goals:

1. We strive to maintain a thorough awareness of our supply chain, such as by performing annual surveys using the tools provided by RMI (Responsible Minerals Initiative), an organization that promotes responsible procurement of minerals.

2. We promote minimization of the risk in procurement of minerals from the standpoint of social responsibility, such as by selecting smelters from the list of Conformant Smelters who have conformed with the supervision of RMI.

Management of Chemical Substances Contained in Products

More and more regulations are being applied to the chemical substances contained in electrical and electronic products around the globe. KEYENCE promotes green procurement of components and materials that we use in our products while sharing the various standards related to chemical substances in products with our suppliers. We are also working to fully comply with the various national and regional regulations on chemical substances as represented by the RoHS Directive and REACH regulation in the EU.

Efforts Regarding the EU's RoHS Directive

In order to contribute to both the health of the human race and the conservation of our global environment, we are working to eliminate heavy metals and other harmful substances from our products. We are also continuously working for compliance with the RoHS Directive, the most prominent of the regulations on chemical substances contained in products.

7 Governance

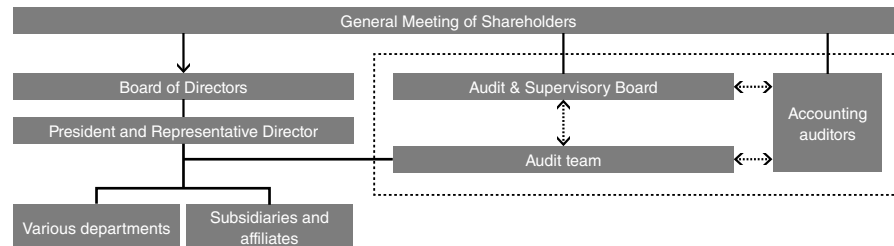
Corporate Governance

Basic Concept of Corporate Governance

To ensure lasting and sustainable growth of the company, the KEYENCE Group places importance on making swift and appropriate management decisions based on our corporate management philosophy and action guidelines, and strives to further enhance corporate governance.

Corporate Governance System

Our corporate governance system makes use of an auditor system that includes three outside auditors. The corporate auditors do not have full-time staff in KEYENCE; the audit team works together with them, and the corporate auditors attend various important company meetings. The company has eight directors, including two outside directors, which enables quick and thorough information exchange to achieve both supervision and implementation. We are building an internal control system where on-site audits are performed by a special department, information is quickly transmitted, and a checking function is demonstrated. The following is an overview of the corporate governance system and the business management organization for management decision-making, implementation, and supervision.



Directors' Compensation

Basic Approach to Compensation

KEYENCE's basic approach to the compensation of directors (excluding that of outside directors) is as indicated below.

- It should clarify the management team's responsibility for management, with the goal of improving corporate value.
- It contributes to incentives to improve company performance.
- The process for determining compensation should be both transparent and objective.

Method of Determining Compensation and Policies

We have laid out a policy whereby the amount of compensation, etc., and the method of calculating such amount, are determined based on the internal regulations on director compensation, over which the Board of Directors has decision-making authority. The Board of Directors determines the amount of compensation, etc. within the limits on compensation amounts deliberated upon at the General Meeting of Shareholders. The compensation amount is calculated based on a reference value equivalent to the annual salary of an employee (an officer responsible for an organization) in the previous fiscal year. The level of compensation is determined by multiplying this reference value by a coefficient of no greater than 3.0, in consideration of the balance with the salaries of KEYENCE employees. The annual salary of an employee in the previous fiscal year that is used as a reference value is tied with company performance (operating income), and the responsibility to increase profits is thus made clear. The ratio of the performance-linked portion of the reference value is generally 60–70%. The compensation amount for each individual director is, based on a resolution of the Board of Directors, first entrusted to the President and Representative Director, who then determines the apportionment of compensation in accordance with the internal regulations on director compensation, and then the determined amount of compensation is paid out to each director as a monthly salary. The compensation for outside directors, in order to ensure their independence, is not connected to company performance, and consists of a set value.

Governance Building a Disciplined Organization

Employee Code of Conduct

To maintain an organization that is less prone to fraud and harassment, we have built and operate a system where all employees regularly review the corporate policies and business guidelines that form our code of conduct. In addition, by actively using this code of conduct as the judgment criteria in our daily business, we are working to ensure thorough compliance and improve compliance awareness.

Internal Audit Team

A dedicated audit team has been formed to conduct internal audits. The audit team conducts internal audits focusing on the appropriateness and effectiveness of business operations at locations in Japan and overseas, and reports the audit results and other information to the president regularly and as required.

Unemployment Income and Perquisites

Actions connected to unemployment income and perquisites relating to the work for which one is responsible that benefit only oneself are prohibited by KEYENCE, and this prohibition is made clear in the business guidelines.

Distinction Between Public and Private

We strictly prohibit our employees from bringing non-business related matters to the table when making decisions or receiving personal benefits during business, and we do not tolerate the personal use of corporate assets including company equipment, vehicles, mobile phones, fixtures, furniture, machinery, tools, or office supplies in addition to personal use of e-mail and the Internet during business.

Fairness and Impartiality

In order to conduct business activities in an appropriate manner, fairness and impartiality are essential. An essential rule for ensuring impartiality and fairness is that we do not allow close relatives of current officers or employees to join the company, and we forbid the acceptance of entertainment or gifts during business transactions. Furthermore, to promote impartiality and fairness, we have prohibited the use by employees of their role or position for their own benefit.

Risk Management

Risk Management System

With regard to risks relating to compliance, the environment, natural disasters, quality control, and management of exports, the individual departments responsible for these matters establish rules and guidelines as required and designate individuals in charge of managing those risks. In addition to this, they organize training sessions and produce/distribute manuals. In the event of a need to address newly emerging risks, the individuals responsible for the relevant departments will make a report to the Board of Directors, and the risk management system will be amended.

Information Security

At KEYENCE, we handle important, confidential information, including customer information and information on our product development. Damage to the company and the loss of social credibility due to information leaks or illegal use of information pose a major risk. We are therefore doing our utmost to prevent these from occurring. We have established an information security policy and continue to strengthen both our ability to prevent external leaks of confidential information and our response to cyber attacks.



Social

KEYENCE Foundation

In 2018, KEYENCE established the KEYENCE Foundation to contribute to the development of human resources who will in turn contribute to society.

Many people take advantage of scholarships for economic reasons, but with traditional scholarships, the majority of the monetary value is treated as a loan, and the need to pay back these loans after graduating is a problem for society.

To resolve of this issue, we are seeing changes such as an expansion of government-sponsored scholarships, but it must be acknowledged that the support system for young people seeking to attend college continues to be inadequate. With this in mind, we wanted to help create an environment where students can concentrate on their studies with peace of mind while providing financial support to promising eligible students through scholarships that do not have to be repaid. By launching our support for scholarships, we have gained a renewed awareness of the massive numbers of students who, after entering university, have a strong sense of their own dreams and goals, and are making daily strides to achieve them. This is very encouraging for the future of Japan, and it further fueled our desire to support the many students who are working hard on their studies in whatever way we can. We decided to provide economic support in the form of monetary grants that do not need to be repaid.

Outline of Scholarships

Grant-type scholarships for new freshman students

 For university freshmen 500 people	 Grant-type scholarship Repayment not required	 Grant amount 80,000 yen per month	 Grant period Support over a four-year period	 Four-year university For all departments
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Results Academic year 2019: Decision made to grant scholarships to 125 students at 28 universities nationwide
 Academic year 2020: Decision made to grant scholarships to 500 students at 46 universities nationwide
 Academic year 2021: Decision made to grant scholarships to 500 students at 51 universities nationwide

Support grants for new 2nd–4th year students (Students of Japan! We've got your back!)

 For university sophomores, juniors, and seniors 1,000 people	 Support grants Repayment not required	 Per-person grant amount ¥300,000	 Four-year university For all departments	 Support for students who work hard Regardless of financial situation
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Results Academic year 2020: Decision made to grant scholarships to 1,000 students at 98 universities nationwide
 Academic year 2021: Decision made to grant scholarships to 994 students at 132 universities nationwide

9

Financial Information

Financial Information

Consolidated Statement of Income

Unit: 1,000,000 yen

	Previous consolidated fiscal year (March 21, 2019 – March 20, 2020)	Current consolidated fiscal year (March 21, 2020 – March 20, 2021)
Sales	551,843	538,134
Cost of goods sold	100,406	97,250
Gross profit	451,436	440,884
Selling, general and administrative expenses	173,805	164,125
Operating income	277,631	276,758
Non-operating income		
Interest received	1,246	754
Equity in earnings of unconsolidated subsidiaries and affiliates	4,158	4,528
Foreign exchange gains	—	3,375
Miscellaneous income	1,182	1,295
Total non-operating income	6,587	9,954
Non-operating expenses		
Foreign exchange loss	3,647	—
Miscellaneous losses	317	118
Total non-operating expenses	3,965	118
Ordinary income	280,253	286,594
Net income for the current fiscal year before adjusting for taxes, etc.	280,253	286,594
Corporate tax, residence tax, and business tax	80,520	91,952
Income taxes-deferred	1,608	(2,647)
Total income taxes	82,129	89,305
Net income for the current fiscal year	198,124	197,289
Net income for the current fiscal year attributable to owners of the parent	198,124	197,289

Consolidated Statement of Comprehensive Income

Unit: 1,000,000 yen

	Previous consolidated fiscal year (March 21, 2019 – March 20, 2020)	Current consolidated fiscal year (March 21, 2020 – March 20, 2021)
Net income for the current fiscal year	198,124	197,289
Other comprehensive income (loss)		
Valuation difference of other marketable securities	(909)	3,403
Foreign currency conversion adjustments	(3,136)	2,598
Share of other comprehensive income (loss) in associates by equity method	(8)	1
Total other comprehensive income (loss)	(4,054)	6,004
Comprehensive income	194,069	203,293
(Breakdown)		
Comprehensive income attributable to owners of the parent	194,069	203,293

Consolidated Statement of Changes in Equity

Unit: 1,000,000 yen

	Previous consolidated fiscal year (March 21, 2019 – March 20, 2020)	Current consolidated fiscal year (March 21, 2020 – March 20, 2021)
Cash flow from sales activities		
Net income for the current fiscal year before adjusting for taxes, etc.	280,253	286,594
Depreciation expenses	7,995	7,555
Interest and dividend income received	(1,326)	(838)
Foreign exchange losses (gains)	2	(1)
Equity in losses (gains) of unconsolidated subsidiaries and affiliates	(4,158)	(4,528)
Decrease (increase) in notes and accounts receivable	4,171	(21,969)
Decrease (increase) in inventory assets	4,311	(943)
Increase (decrease) in notes and accounts payable	3,308	920
Increase (decrease) in bonus reserves	23	1,184
Other	(1,261)	(838)
Subtotal	293,319	267,134
Amount of interest and dividend income received	1,597	1,158
Income taxes paid	(91,481)	(75,640)
Cash flow from sales activities	203,434	192,652
Cash flow from investment activities		
Decrease (increase) in time deposits	(53,413)	45,365
Decrease (increase) in marketable securities	(159,990)	(217,793)
Payments for acquisition of tangible fixed assets	(8,243)	(4,358)
Other	(1,064)	(700)
Cash flow from investment activities	(222,712)	(177,487)
Cash flow from financial activities		
Decrease (increase) in treasury stock	(43)	(26)
Dividends paid	(24,252)	(48,505)
Cash flow from financial activities	(24,296)	(48,532)
Effect of exchange rate changes on cash and cash equivalents	582	338
Increase (decrease) in cash and cash equivalents	(42,990)	(33,028)
Cash and cash equivalents carried over at the beginning of the year	265,894	222,903
Cash and cash equivalents carried over at the end of the year	* 222,903	189,875

Financial Information Financial Information

Balance Sheet

Unit: 1,000,000 yen

	Previous fiscal year (March 20, 2020)	Current fiscal year (March 20, 2021)
Assets		
Current assets		
Cash on hand and in banks	476,637	401,201
Bills receivable and accounts receivable	162,611	186,943
Marketable securities	467,502	528,797
Inventory	33,677	34,940
Other	8,886	6,807
Allowance for doubtful accounts	(400)	(466)
Total current assets	1,148,916	1,158,223
Fixed assets		
Tangible fixed assets		
Buildings and structures	22,731	23,265
Accumulated depreciation	(15,572)	(16,440)
Buildings and structures (net amount)	7,158	6,824
Tools, furniture, and fixtures	40,142	42,789
Accumulated depreciation	(31,525)	(35,204)
Tools, furniture, and fixtures (net amount)	8,617	7,585
Land	7,022	6,990
Other	4,555	4,892
Accumulated depreciation	(1,799)	(2,485)
Other (net amount)	2,755	2,406
Total tangible fixed assets	25,554	23,806
Intangible fixed assets		
Other	5,172	4,251
Total intangible fixed assets	5,172	4,251
Investments and other assets		
Investments in securities	647,422	813,077
Deferred tax assets	5,413	6,571
Other	3,601	4,005
Allowance for doubtful accounts	(61)	(61)
Total investments and other assets	656,375	823,592
Total fixed assets	687,102	851,651
Total assets	1,836,018	2,009,874

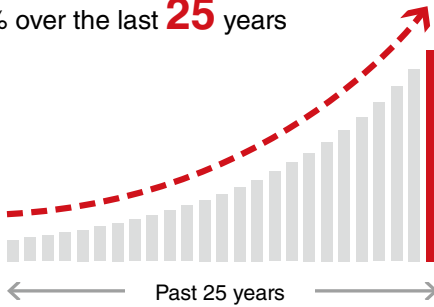
Unit: 1,000,000 yen

	Previous fiscal year (March 20, 2020)	Current fiscal year (March 20, 2021)
Liabilities		
Current liabilities		
Bills payable and accounts payable	9,619	10,540
Income taxes payable	34,884	51,344
Allowance for bonuses	10,087	11,297
Other	20,788	21,339
Total current liabilities	75,379	94,521
Fixed liabilities		
Other	2,555	2,507
Total fixed liabilities	2,555	2,507
Total liabilities	77,935	97,029
Net assets		
Shareholder equity		
Capital	30,637	30,637
Capital surplus	30,538	30,541
Retained earnings	1,698,140	1,846,924
Treasury stock	(3,734)	(3,763)
Total shareholder equity	1,755,581	1,904,339
Other accumulated comprehensive income		
Valuation difference of other marketable securities	2,015	5,418
Foreign currency conversion adjustments	480	3,085
Accumulated adjustments for retirement benefits	6	2
Total other accumulated comprehensive income	2,501	8,505
Total net assets	1,758,083	1,912,844
Total liabilities and net assets	1,836,018	2,009,874

10 About Us

KEYENCE by the Numbers

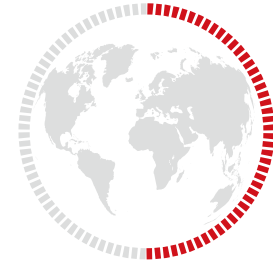
An average growth rate of over **10%** over the last **25** years



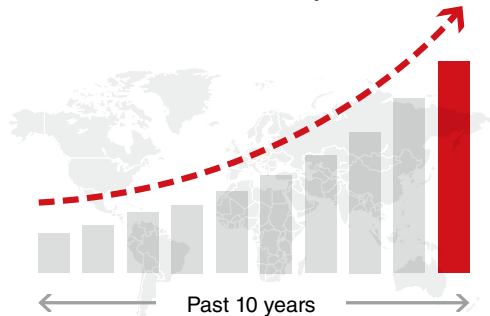
Around **300,000** customers worldwide



Overseas business ratio of over **50%**



An average overseas growth rate of over **15%** over the last **10** years



230 offices in **46** countries



Roughly **70%** of KEYENCE's new products are either world firsts or industry firsts



About Us

Company Name	KEYENCE CORPORATION
Founded	May 27, 1974
Capital	¥30,637,540,000
Stock Listing	Listed on the First Section of the Tokyo Stock Exchange
Representative	President: Yu Nakata
Consolidated Number of Employees	8,380 (as of March 2021)
Business Contents	Sensors, measurement systems, vision systems, control and measuring instruments, analysis equipment for research and development, business information equipment
Global Headquarters and Research Institute	1-3-14, Higashi-Nakajima, Higashi-Yodogawa-ku, Osaka, 533-8555, Japan


Global Headquarters and Research Institute

2000: Won the Outstanding Structure Award from the International Association for Bridge and Structural Engineering

1995: Won the Osaka Machinami Award from Osaka City



Please visit: www.keyence.com

 **SAFETY INFORMATION**
Please read the instruction manual carefully in order to safely operate any KEYENCE product.

GLOBAL NETWORK CONTACT YOUR NEAREST OFFICE FOR RELEASE STATUS

AUSTRIA	CANADA	FRANCE	HUNGARY	ITALY	MALAYSIA	PHILIPPINES	SINGAPORE	SWITZERLAND	UK & IRELAND
BELGIUM	CHINA	GERMANY	INDIA	JAPAN	MEXICO	POLAND	SLOVAKIA	TAIWAN	USA
BRAZIL	CZECH REPUBLIC	HONG KONG	INDONESIA	KOREA	NETHERLANDS	ROMANIA	SLOVENIA	THAILAND	VIETNAM