

INDUSTRIAL ELECTRIC COMPONENTS

MECHATRONICS COMPONENTS

OTHER

INDUSTRIAL ELECTRICAL CONTROL SYSTEMS

MECHATRONICS SYSTEMS

YASKAWA ELECTRIC CORPORATION

2001 ANNUAL REPORT

Year Ended March 20, 2001



YASKAWA

Profile

Established in 1915, Yaskawa Electric Corporation has grown to become one of the world's leading manufacturers of a diverse lineup of mechatronics products, including MOTOMAN industrial robots, inverters, servos, and programmable and motion controllers for use in all types of highly advanced machinery. Yaskawa also manufactures and markets an array of systems products, including products for integrated manufacturing systems for factory automation. In addition, the Company offers various heavy electrical products, including induction motors, generators, switches, and breakers. In recent years, the Company has steadily expanded the scope of its overseas activities, which it carries out through an international network of offices, subsidiaries, and affiliates as well as in collaboration with local communities.

Consolidated Financial Highlights

Yaskawa Electric Corporation and Consolidated Subsidiaries
Years ended March 20

	Millions of Yen (except per share amounts)			Thousands of U.S. Dollars (except per share amounts)
	2001	2000	1999	2001
Net sales	¥266,068	¥229,844	¥227,457	\$2,158,773
Ordinary income	11,879	3,364	155	96,386
Net income (loss) after taxes and minority interest	3,319	(1,712)	(3,880)	26,936
Total assets	252,912	240,932	227,335	2,052,024
Net income (loss) per 100 shares of common stock (Yen and U.S. Dollars)	¥ 1,431	¥ (738)	¥ (1,672)	\$ 11.61

Note: ¥123.25=US\$1 (as of March 20, 2001).

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Sales by Product Group

(Percentage of net sales)

Industrial Electrical Control Systems

•¥22.4 billion (8.4%)

- Electrical systems products for industrial plants
- Electrical systems products for utilities:
Water-purification plants
Sewage-treatment plants

Central monitoring system
for incinerating plant

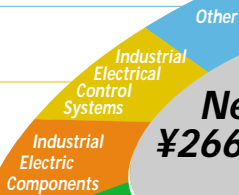


Inverters controlling
papermaking machines



Other

•¥21.8 billion (8.2%)



Net Sales
¥266.0 billion

Mechatronics Components

•¥133.8 billion (50.3%)

- Inverters
- AC/DC servomotors
- Servo controllers
- Motion controllers
- Programmable controllers
- Numerical controls
- Motors for machine tools



Inverters: Varispeed Series



AC Servo Drives: Σ - II Series

Industrial Electric Components

•¥26.1 billion (9.9%)

- Induction motors
- Synchronous machines
- Generators
- DC machines
- VS motors
- Industrial drive systems
- LT switches and controls
- HT breakers and contactors
- Switchgear and control panels
- Pole-mounted SF₆ gas load breakers



Large inverter motor



Energy-saving VS-686SS5

Mechatronics Systems

•¥61.7 billion (23.2%)

- Industrial robots
- Super-Mechatronics products



New super clean room
transfer equipment

Industrial robots: MOTOMAN Series



Hiroshi Nagatsugi
Chairman of the Board

During the first half of fiscal 2001, ended March 20, 2001, the Japanese economy witnessed significant expansion in private-sector investment related to information technology (IT). In the latter half of the year, however, effects from the slowdown in the U.S. economy became evident in declining exports, and the sluggish performance of the semiconductor business. On the whole, fiscal 2001 showed little promise of real economic improvement.

The Mechatronics Division, Yaskawa's core business, ended the year by posting strong overall growth. This was achieved despite a loss of momentum in the latter half of the year in semiconductor-related sales, which had previously surged. The Company's consolidated net sales increased 15.8%, to ¥266.0 billion. Fueled by the healthy performance of the highly profitable Mechatronics Division, ordinary income grew to ¥11.8 billion. Net income also posted significant growth, reaching ¥3.3 billion despite a loss of ¥2.3 billion from revaluation of securities.

Strong nonconsolidated sales and profits enabled us to resume payment of dividends, amounting to ¥4.00 per share for fiscal 2001.

Business Performance by Product Group

•Mechatronics Components

Led by the growing demand for AC servos in semiconductor markets and general-purpose inverters, net sales by this product group rose 23.4%, to ¥133.8 billion. IT-related subsidiaries also performed well, thanks to burgeoning demand for personal computer peripherals.

•Mechatronics Systems

Net sales in this category grew by 37.8%, to ¥61.7 billion, driven by strong performance in industrial robots,

where the Company succeeded in expanding its shares of the arc welding market as well as the rapidly expanding LCD glass substrate transport market. Another support was provided in Super-Mechatronics, where clean room vacuum transport systems sales benefited from healthy performance in the semiconductor manufacturing industry.

•Industrial Electric Components

Net sales by this product group contracted 9.5%, to ¥26.1 billion. Sales of energy-saving motors and other high value-added products increased. However, transfer of Yaskawa's medium and small general-purpose motor business to a nonconsolidated affiliate had a negative impact on the Company's net sales.

•Industrial Electrical Control Systems

Due to falling private-sector investment in plant and equipment, net sales in this category declined 24.4%, to ¥22.4 billion.

•Other Product Groups

Boosted by growth achieved by subsidiaries in information system and logistics systems, net sales advanced 21.5%, to ¥21.8 billion.

Ongoing Structural Reform

Yaskawa is following up last year's efforts to implement "Win 21," its mid-term management plan scheduled for completion in fiscal 2003. The plan is designed to achieve rapid streamlining of operations and create a highly profitable corporate structure able to overcome the challenges of the quickly changing business environment. In line with this goal, the Company is implementing an aggressive program of structural reform.

Efforts to reform the business and the corporate structures were focused on bolstering our core Mechatronics Division. Specific measures included the acquisition of the isolation-technology clean-air business unit of Huntair, Inc. of the United States. Following its restructuring, the business was established as the new Synetics Solutions, Inc. in that country as part of a plan to expand semiconductor-related operations. The drive products business unit of MagneTek, Inc. was acquired by Yaskawa Electric America, Inc. in the United States to strengthen inverter operations in the North American market. Furthermore, Yaskawa signed a joint venture

agreement with Siemens AG of Germany to develop the machine tools business. In addition, an original equipment manufacturing (OEM) agreement was signed with Adept Technology, Inc. of the United States to supply small object transport robots.

The key to business structure reform is to return to the basics of corporate business and focus on "Customer Satisfaction." The Company is currently implementing a group-wide customer satisfaction improvement program. The program involves the establishment at Yaskawa of a Customer Satisfaction Promotion Department, under the president's direct management. The department's goal is to design superior products and services from the customer's standpoint.

Plans are also underway to implement a performance evaluation system that will link financial rewards to results. A new supply-chain management system is being introduced as part of the program of financial structure reform. The new system is designed to improve operating efficiency and reduce inventory. Work has also begun to establish functionally enhanced capital procurement and management designed to optimize and implement minimum standards for the entire group.

Outlook for the Future

In the coming fiscal year, Yaskawa expects that the difficult business environment will continue. We anticipate lingering effects from the U.S. economic slowdown that occurred in the latter half of last year and the worldwide slump in semiconductor-related markets.

We will pursue the implementation of structural reforms in line with our "Win 21" mid-term management plan, to transform ourselves into a company structured for high profitability.

The range of measures put in place up to this fiscal year to bolster our Mechatronics Division will be enhanced even further in fiscal 2002. We will implement measures to completely reform our cost structure and increase the Company's global market share.

As part of its program to reform its business and corporate structure, Yaskawa will establish a new solution center that can quickly provide products and technology to meet customers' system needs. This action is designed to enhance our capacity as a customer solutions provider. In addition, on March 21, 2001, we streamlined the efficiency of the industrial electric systems business and positioned ourselves for further improvement by officially absorbing the operations of



Shin Nakayama

*President and
Chief Executive Officer*

Yaskawa Plant Engineering Co., Ltd., our subsidiary responsible for connecting electronic and mechanical equipment.

To overcome intensifying competition related to product costs and hedge against fluctuations in currency rates, the Company will implement a program of thorough cost reduction and reform its financial structure. In line with this drive to fundamentally reduce costs, we will restructure our systems by means such as shifting production to overseas bases.

The management structure will be reformed by adopting changes to create a more results-oriented personnel system.

As indicated by the slate of reforms described above, Yaskawa is adopting a more shareholder-oriented approach, placing top priority on adding value to the shareholder. We will accomplish this by creating products and services that please the customer by implementing a program of activities to improve customer satisfaction. At the same time, we will continue to strive to be a corporation that inspires employees to create their own bright future. We are confident that this approach will enable us to enhance corporate value and profitability in a way that provides satisfactory returns to shareholders.

June 2001


Hiroshi Nagatsugi
Chairman of the Board


Shin Nakayama
President and Chief Executive Officer

Strengthening North American Semiconductor Operations

•Newly Established Synetics Solutions Opens Its First Plant

Yaskawa has embarked on a new program to strengthen its semiconductor-related operations in the U.S. market. The first steps of the program were the acquisition of Huntair, Inc.'s semiconductor system business division in June 2000. Following its restructuring, the business was established as a new subsidiary, Synetics Solutions, Inc., in Portland, Oregon.

This development will give the Company a strong foothold in the U.S. markets for mechatronics and



Interior of the new clean room

Super-Mechatronics products, as well as the right to utilize Huntair's highly specialized isolated clean-air technology, and manufacture and sell related products.

In February 2001, Synetics Solutions opened its new plant, in line with the Company's strategy to raise production capacity, significantly boost its share of the North American market and enhance its systems capabilities.



Synetics Solutions

Expanding the Sales Network for Inverters in the U.S. Market

•Yaskawa Purchases MagneTek's Drive Products Unit in the United States

As part of its strategy to bolster its operations and cement its position as the leading firm in the global inverter market, the Company purchased the drive product unit of MagneTek of the United States through its wholly owned subsidiary, Yaskawa Electric America, Inc., in January 2001.

Until recently, Yaskawa products had been marketed in the North American market on an OEM basis. Among its OEM customers, MagneTek boasted the largest sales network and strongest solutions capability. The acquisition of MagneTek's drive products unit will thus enable the Company to aim for the top share in the North American market by launching its own brand name.

This new operation is expected to contribute significantly to the business of the Yaskawa Electric Group.

The new plant belonging to Yaskawa's drive products unit



Using the Small Robot Lineup in an Aggressive Advance into the Electronic Component Assembly and Transport Markets

•OEM Alliance with Adept Technology of the United States

In August 2000, Yaskawa contracted an OEM agreement with Adept Technology, Inc. of the United States to supply a line of robots for transporting small electronic components. Adept Technology, one of the top U.S. firms in the field of robotics, is a leading manufacturer of electronic components and semiconductor production equipment. Under the terms of the alliance, Yaskawa's vertically articulated robots (six degrees of freedom), along with basic units of clean robots, will be marketed under the Adept Technology name.

The agreement with Adept Technology, which holds the largest market share for robots for transporting small electronic components in the United States and Europe, will open the way to rapid expansion of operations, giving Yaskawa a strong foothold in the fast-growing mobile equipment market as well as the

market for assembly and transport of personal computers.



MOTOMAN-SV3



MOTOMAN-CR20

Launching a New Clean Robot to Transport FPD Glass Substrates

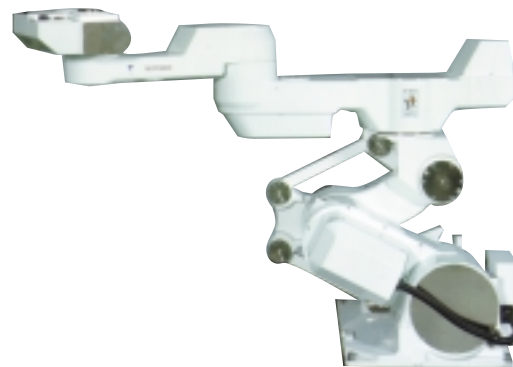
•Featuring High-Speed Transport of Super-Large FPD Glass Substrates

Yaskawa has succeeded in producing two new models of clean robots used for transporting flat panel displays (FPDs) such as extra-large liquid crystal display panels and plasma display panels (PDPs).

The MOTOMAN-CSL1200D is designed for use with PDP glass substrates up to 1,200 by 1,000 millimeters in size, while the MOTOMAN-CSL1500D is designed for use with PDP glass substrates up to 1,200 by 1,500 millimeters in size. Both models are designed to meet requirements for high-volume transport and offer a solution to the problem of sagging at the substrate's center, making it possible to transport super-large FPD glass substrates at high speeds.

The Company will strive to increase its already commanding share of the global market for clean robots used in manufacturing FPDs in 2000 by introducing new

types of products as well as strengthening its development, production and sales operations.



MOTOMAN-CSP1500

Business Results

For the fiscal year ended March 20, 2001, Yaskawa recorded an increase of 15.8% in consolidated net sales, to ¥266.0 billion. By product group, sales in Mechatronics Components advanced 23.4%, to ¥133.8 billion, accounting for 50.3% of net sales. Sales in Mechatronics Systems rose 37.8%, to ¥61.7 billion, comprising 23.2% of the Group's net sales. Sales in Industrial Electric Components decreased 9.5%, to ¥26.1 billion, which accounted for 9.9% of net sales. In Industrial Electrical Control Systems, sales fell 24.4%, to ¥22.4 billion, or 8.4% of net sales, primarily because of stagnating private domestic capital investment. Sales in Others increased 21.5%, to ¥21.8 billion, or 8.2% of net sales. This improvement reflected an expansion in business recorded by the Company's consolidated subsidiaries in information systems and logistics systems.

Cost of sales amounted to ¥191.1 billion, and the cost of sales ratio was 71.9%, 1.6 percentage points below that of the previous fiscal year. Selling, general & administrative (SG&A) expenses totaled ¥62.8 billion. SG&A expenses as a percentage of net sales decreased to 23.6%, from 24.7% a year earlier. Net operating income jumped 199.2%, to ¥12.0 billion, and ordinary income surged 253.1%, to ¥11.8 billion. Net income after taxes and minority interest totaled ¥3.3 billion, as the Company returned to profitability after a net loss of ¥1.7 billion the prior year.

On a non-consolidated basis, Yaskawa recorded net sales of ¥158.9 billion, an increase of 17.2% from the previous fiscal year. Cost of sales rose 12.2%, to ¥119.2 billion, while SG&A expenses were up 16.1%, to ¥35.1 billion. The cost of sales ratio decreased 3.3 percentage points. Net operating income totaled ¥4.5 billion, a distinct improvement over the net operating loss of ¥0.8 billion the previous year, and ordinary income surged to ¥6.0 billion, from ¥1.0 billion the year before. Net income after taxes amounted to ¥1.0 billion, a significant increase in profitability following the net loss after taxes of ¥1.8 billion the previous fiscal year.

Financial Position

At the fiscal year-end, consolidated total assets amounted to ¥252.9 billion, up 5.0% from a year earlier. Working capital expanded to ¥45.5 billion, from ¥32.8 billion at the previous fiscal year-end, mainly because of a reduction in short-term loans payable. Fixed liabilities increased to ¥63.4 billion, from ¥53.3 billion the prior year, primarily reflecting the issuance of convertible bonds. The current ratio improved to 1.3, from 1.2. Total shareholders' equity grew to ¥47.0 billion, up ¥3.6 billion from the previous fiscal year-end.

On a non-consolidated basis, total assets at the fiscal year-end increased 5.6% from a year earlier, to ¥173.1 billion. Total shareholders' equity amounted to ¥39.6 billion, 2.8% higher than at the prior fiscal year-end.

Non-Consolidated Five-Year Summary

Yaskawa Electric Corporation Years ended March 20

	Millions of Yen (except per share amounts)					Thousands of U.S. Dollars (except per share amounts)
	2001	2000	1999	1998	1997	2001
Net sales	¥158,944	¥135,671	¥135,165	¥155,492	¥151,548	\$1,289,613
Cost of sales	119,210	106,227	106,625	115,702	113,215	967,225
Selling, general & administrative expenses	35,150	30,284	33,069	35,316	34,346	285,193
Net operating income (loss)	4,584	(840)	(4,529)	4,473	3,985	37,194
Ordinary income (loss)	6,019	1,027	(1,700)	4,420	4,181	48,843
Provision for taxes	—	—	156	1,837	2,235	—
Corporate, inhabitants and enterprise taxes	88	91	—	—	—	719
Corporate tax adjustment	1,181	1,365	—	—	—	9,584
Net income (loss) after taxes	1,099	(1,878)	(2,964)	1,590	1,283	8,918
Total assets	¥173,135	¥163,889	¥149,026	¥168,567	¥160,086	\$1,404,754
Total shareholders' equity	39,693	38,594	36,348	40,523	39,896	322,055
Net income (loss) per 100 shares of common stock (Yen and U.S. Dollars)	¥474	¥(810)	¥(1,277)	¥685	¥553	\$3.84
Cash dividends per 100 shares of common stock (Yen and U.S. Dollars)	—	—	—	500	400	—

Note: ¥123.25=US\$1 (As of March 20, 2001).

Major Consolidated Subsidiaries

As of March 21, 2001

Corporate Name	Head Office	Founded	Capital— Millions of Yen (Thousands of U.S. Dollars)	Number of Employees	President	Main Products & Businesses
Y-E Data Inc.	Tokyo, Japan	1973	¥5,008 (\$40,633)	180	Kensuke Tarumi	Manufacturing and sales of computers
YASKAWA Controls Co., Ltd.	Yukuhashi, Japan	1967	¥200 (\$1,623)	260	Masayuki Shibata	Electric machines, instruments and parts
YASKAWA Electric Engineering Corporation	Kitakyushu, Japan	1971	¥210 (\$1,704)	544	Katsutoshi Koide	Maintenance, test operation and adjustment of electric machines and facilities and technical training
YASKAWA Information Systems Co., Ltd.	Kitakyushu, Japan	1978	¥200 (\$1,623)	597	Takashi Takahashi	Information processing, software development, and sales of system equipment
YASKAWA Logistec Corporation	Kitakyushu, Japan	1976	¥90 (\$730)	181	Yasuo Goda	General product distribution
YASKAWA Electric America, Inc.	Chicago, U.S.A.	1967	¥3,504 (\$28,435)	521	Norie Matsuno	Import, manufacturing, sales and after-sales service of electric equipment
YASKAWA Electric Europe GmbH	Schwalbach, Germany	1980	¥282 (\$2,292)	82	Haruo Watanabe	Import, manufacturing, sales and after-sales service of electric equipment
YASKAWA Electric UK Ltd.	Scotland, U.K.	1991	¥528 (\$4,291)	114	Shuichi Mine	Manufacturing, sales and after- sales service of inverters
MOTOMAN Inc.	Ohio, U.S.A.	1989	¥616 (\$5,000)	465	Craig Jennings	Manufacturing, sales and after-sales service of robots and robot systems
MOTOMAN Robotics Europe AB	Torsas, Sweden	1984	¥367 (\$2,982)	166	Berndt Sigfridsson	Manufacturing, sales and after-sales service of robots and robot systems
Synetics Solutions Inc.	Portland, U.S.A.	2000	¥6,582 (\$53,409)	225	Greg Marvell	Semiconductor system sector, clean room front-end equipment development, design production and sales

Note: ¥123.25=US\$1 (As of March 20, 2001).

Consolidated Five-Year Summary

Yaskawa Electric Corporation and Consolidated Subsidiaries Years ended March 20

	Millions of Yen (except per share amounts)					Thousands of U.S. Dollars (except per share amounts)
	2001	2000	1999	1998	1997	2001
Net sales	¥266,068	¥229,844	¥227,457	¥268,642	¥247,511	\$2,158,773
Cost of sales	191,178	169,016	166,044	192,412	180,455	1,551,142
Selling, general & administrative expenses	62,877	56,812	60,817	62,868	58,434	510,160
Net operating income	12,013	4,015	596	13,361	8,620	97,470
Ordinary income	11,879	3,364	155	11,415	6,213	96,386
Provision for taxes	—	—	2,259	4,460	4,069	—
Corporate, inhabitants and enterprise taxes	3,453	2,364	—	—	—	28,022
Corporate tax adjustment	(214)	(1,456)	—	—	—	(1,737)
Net income (loss) after taxes and minority interest	3,319	(1,712)	(3,880)	5,365	1,210	26,936
Total assets	¥252,912	¥240,932	¥227,335	¥252,355	¥238,717	\$2,052,024
Total shareholders' equity	47,070	43,458	38,468	43,641	39,310	381,911
Net income (loss) per 100 shares of common stock (Yen and U.S. Dollars)	¥1,431	¥(738)	¥(1,672)	¥2,312	¥522	\$11.61

Note: ¥123.25=US\$1 (As of March 20, 2001).

Consolidated Balance Sheets

Yaskawa Electric Corporation and Consolidated Subsidiaries As of March 20, 2001 and 2000

Assets	Millions of Yen		Thousands of U.S. Dollars
	2001	2000	2001
Current assets	¥185,118	¥174,718	\$1,501,977
Cash & deposits	16,014	17,909	129,932
Trade receivables	84,701	77,745	687,234
Inventories	60,068	51,136	487,367
Other current assets	24,796	27,927	201,188
Allowance for doubtful accounts	(461)	—	(3,744)
Fixed assets	67,468	65,045	547,413
Tangible fixed assets	40,748	40,832	330,617
Intangible fixed assets	10,281	1,007	83,421
Investments & others	16,508	23,205	133,947
Allowance for doubtful accounts	(70)	—	(572)
Foreign currency translation adjustments	324	1,168	2,633
Total assets	¥252,912	¥240,932	\$2,052,024

Liabilities and Shareholders' Equity	Millions of Yen		Thousands of U.S. Dollars
	2001	2000	2001
Current liabilities	¥139,524	¥141,840	\$1,132,048
Trade payables	59,952	53,103	486,427
Short-term loans payable	43,092	57,362	349,631
Other current liabilities	36,480	31,375	295,989
Fixed liabilities	63,400	53,336	514,401
Debentures	10,000	10,000	81,135
Convertible bond	15,000	—	121,703
Other fixed liabilities	38,400	43,336	311,562
Total liabilities	202,925	195,176	1,646,450
Minority shareholders' equity in consolidated subsidiaries	2,916	2,296	23,662
Capital stock	15,540	15,540	126,092
Capital in excess of par value	14,749	14,749	119,675
Consolidated retained earnings	16,780	13,187	136,147
Less: Treasury stock	(0)	(19)	(0)
Total shareholders' equity	47,070	43,458	381,911
Total liabilities and shareholders' equity	¥252,912	¥240,932	\$2,052,024

Note: ¥123.25=US\$1 (As of March 20, 2001).

Consolidated Statements of Operations

Yaskawa Electric Corporation and Consolidated Subsidiaries Years ended March 20, 2001 and 2000

	Millions of Yen		Thousands of U.S. Dollars
	2001	2000	2001
Net sales	¥266,068	¥229,844	\$2,158,773
Cost of sales	191,178	169,016	1,551,142
Selling, general & administrative expenses	62,877	56,812	510,160
Net operating income	12,013	4,015	97,470
Non-operating income & expenses			
Non-operating income	3,268	3,334	26,517
Non-operating expenses	3,401	3,985	27,601
Ordinary income	11,879	3,364	96,386
Extraordinary gains & losses			
Extraordinary gains	3,242	4,039	26,307
Extraordinary losses	8,366	8,108	67,886
Net income (loss) before taxes and minority interest	6,755	(705)	54,807
Corporate, inhabitants and enterprise taxes	3,453	2,364	28,022
Corporate tax adjustment	(214)	(1,456)	(1,737)
Minority gains	195	99	1,586
Net income (loss) after taxes and minority interest	¥3,319	¥(1,712)	\$26,936

Note: ¥123.25=US\$1 (As of March 20, 2001).

Consolidated Statements of Retained Earnings

Yaskawa Electric Corporation and Consolidated Subsidiaries Years ended March 20, 2001 and 2000

	Millions of Yen		Thousands of U.S. Dollars
	2001	2000	2001
Balance at beginning of period	¥13,187	¥14,336	\$106,993
Increase of retained earnings of consolidated subsidiaries	329	620	2,670
Decrease of retained earnings of consolidated subsidiaries	61	67	498
Net income (loss) after taxes and minority interest	3,319	(1,712)	26,936
Foreign currency translation adjustments	5	9	45
Balance at end of period	¥16,780	¥13,187	\$136,147

Note: ¥123.25=US\$1 (As of March 20, 2001).

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