

MOTION CONTROL

SYSTEM ENGINEERING

OTHERS

ROBOTICS AUTOMATION

YASKAWA ELECTRIC CORPORATION

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ANNUAL REPORT

Year Ended March 20, 2002



YASKAWA

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
	2002	2001	2000	2002 (except per share amounts)
Net sales	¥222,707	¥266,068	¥229,844	\$1,683,350
Ordinary income	(6,009)	11,879	3,364	(45,420)
Net income (loss) after taxes and minority interest	(12,657)	3,319	(1,712)	(95,669)
Total assets	234,559	252,912	240,932	1,772,940
Net income (loss) per 100 shares of common stock (Yen and U.S. Dollars)	¥ (5,454)	¥ 1,431	¥ (738)	\$ (41.22)

Note: ¥132.3=US\$1 (as of March 20, 2002).

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The Yaskawa Electric Group has been implementing a variety of measures in line with our Win 21 mid-term management plan from fiscal 1999 through fiscal 2002.

Win 21 is designed to transform the Company into a highly profitable corporate organization. In addition to continuing the business structure reforms already in place, corporate restructuring will continue along with a thorough revamping of subsidiaries and corporate groupings, and improvements to the financial structure.

Our management perspective in the years ahead will center on giving more priority to shareholders and improving capital efficiency. This focus will be combined with the three key concepts of Win 21: competition, performance-driven management, and self-reliance.

Together, these ideas will shape all our corporate activities, such as strategy-building, product development and management organization. As the 21st century unfolds, we are dedicated to creating a stronger Yaskawa Group and bringing products and services of real worth to the global community.

Basic Policy

The Win21, through its four areas of structural reform, business, corporate, management and finance, has been designed to transform Yaskawa into a high efficient corporate organization. This shift in structure will impart the Yaskawa group, with its 8,000 employees, the flexibility to absorb annual sales fluctuations up to 30%.

(1) Business Reforms

The reforms to our business structure are designed to make the most effective use of limited resources, by expediting the elimination and consolidation of business areas. For example, resources will be shifted toward our highly profitable mechatronics business area to increase our global market share. Unprofitable sectors will be spun off as separate companies to enable their recovery or eliminated through restructuring by downsizing and attrition.

These business structure reforms will not only allow us economic self-sufficiency but will also aggressively pursue collaborative projects with other companies.

(2) Corporate Reforms

The reforms to our corporate structure are designed to shape Yaskawa into a self-reliant business operation, by helping us keep pace with today's era of global competition and consolidated accounting. These reforms have been created to maximize our corporate value through the elimination and consolidation of corporate divisions. Yaskawa will increasingly carry out corporate structure reforms through revamping of subsidiaries and corporate groupings.

(3) Management Reforms

Implementing our structural reforms and transforming Yaskawa into a highly profitable company will involve a fundamental reevaluation of our current management style, centered on the following areas:

- Create performance-based personnel evaluations to promote a responsibility-driven management system
- Assess our personnel evaluation system to make it results-driven

(4) Financial Reforms

The following measures will reduce the amount of Yaskawa's interest-bearing debts:

- Cost structure improvements by outsourcing production to electronics manufacturing services (EMS), and basing production overseas
- Introduction of ERP/SCM systems, which will improve business operation efficiency, shorten lead times and reduce Groupwide inventory assets
- Drastic improvement of capital structure, through the sales of idle assets, ending unprofitable business areas, and pursuing business partnerships
- Groupwide credit liquidity

Sales by Product Group

(Percentage of net sales)

SYSTEM ENGINEERING

•¥37.4 billion (16.8%)

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



Central monitoring system for sewage treatment plant



IPM motor for high-speed elevators



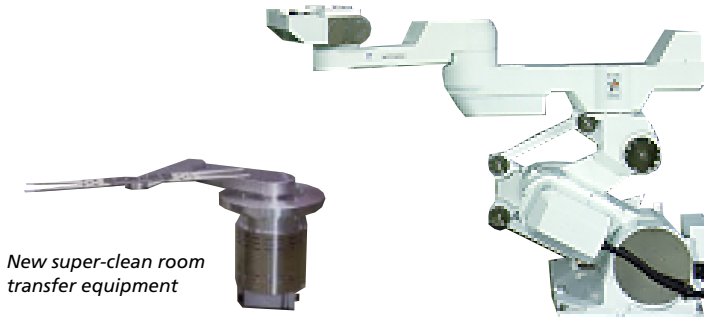
Continuous casting facility



System Engineering
16.8%

ROBOTICS AUTOMATION

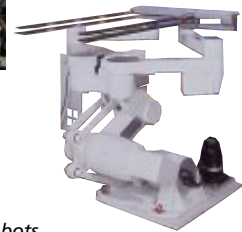
•¥67.9 billion (30.5%)



New super-clean room transfer equipment

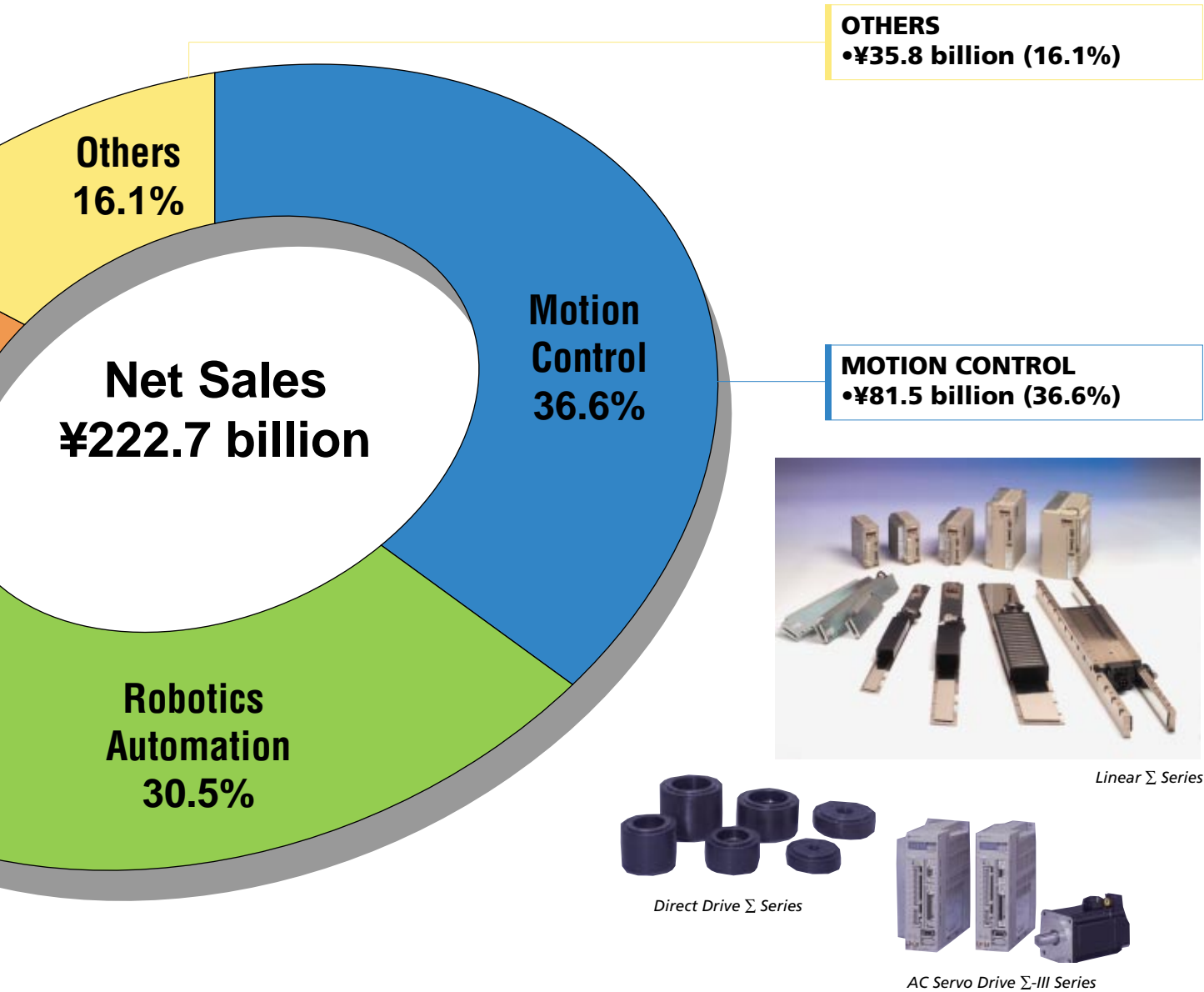


MOTOMAN Series industrial robots



Product name	Application	Company's share (See Note)		Strengths of the Company's products
		Domestic	Global	
Arc welding robots	Welding (automobiles, etc.)	1st in arc welding	2nd place	1. Products that meet market needs <ul style="list-style-type: none"> •Waterproof, dust-resistant structure •High speed 2. In-house production of servo-controllers 3. Global network (sales network, local system integrator)
Spot welding robots	Transfer equipment (automobiles, foods, LCDs, etc.)			
Handling robots	Painting			
FPD transfer robots	Painting			
Painting robots	Painting			
Silicon wafer transfer clean-vacuum room robots	Semiconductor manufacturing equipment	—		1. Leader in vacuum technology 2. Leader in system engineering 3. Long-standing R&D in cooperation with customers 4. Integrated strength in servo control and robot technology
Vacuum robots				

Note: Company estimates based on statistics from a wide range of industrial and research organizations.



Product name	Application	Company's share (See Note)		Strengths of the Company's products
		Domestic	Global	
AC servo motors, controllers	Electronic component mounting devices Machine tools Industrial robots Semiconductor manufacturing equipment Injection molding machine	1st place	1st place	1. Products that meet market needs •Miniaturization •High performance 2. Rich product assortment, system response power driven by extensive application expertise 3. Top-share strength
General-purpose inverters	Fluid machinery (pumps, fans, etc.) Machine tools Elevators Cargo handling equipment General machinery (extruders, agitators, etc.)	3rd place	1st place	1. Products that meet market needs •Miniaturization •Low noise •Waterproof, dust-resistant structure 2. Global network (sales network, overseas production, etc.) 3. Extensive application expertise

Note: Company estimates based on statistics from a wide range of industrial and research organizations.



Hiroshi Nagatsugi
Chairman of the Board

During the fiscal year ended March 20, 2002, Japan's economy faced a number of challenges due to the global recession in information technology (IT) and the tragic events of September 11th. These challenges worsened in severity because of reductions in exports, consumer spending, and corporate capital investment.

To overcome these difficult challenges, we aggressively implemented our mid-term management plan "Win 21," during the fiscal year under review. Despite our efforts, our core product group, Motion Control, suffered a large drop in net sales. As a result, consolidated net sales declined 16.3% in comparison with the previous fiscal year to ¥222.7 billion. Expenses were greatly reduced, but we could not compensate for the large drop in net sales. As a result, an ordinary loss of ¥6.0 billion was recorded. Due to extraordinary charges, including a valuation loss on marketable securities, a net loss of ¥12.7 billion was recorded.

On a non-consolidated basis, Yaskawa Electric Corporation also posted a substantial reduction in net sales and a net loss of ¥10.3 billion. Consequently, with regret the Company decided to forgo a declaration of dividends during the year.

Performance Results by Segment

•Motion Control

Net sales in this product group declined 28.7% to ¥81.5 billion. One reason for this significant drop was the sluggish global demand for AC servomotors from our main customers, the semiconductor-related and machine tool industries. Even though the sales of general-purpose inverters for various industries recorded solid sales growth during the first half of the fiscal year, they trended downward in the second half of the year.

•Robotics Automation

Net sales in this category dropped 11.0% to ¥67.9 billion. Sales were steadily high in welding robotics for the automobile industry and in robotics for clean rooms for

liquid crystal display (LCD) production. The total number of orders declined dramatically, however, due to the significant impact of the reduction in corporate capital spending.

•System Engineering

Although orders declined for electrical instrumentation for water/sewage systems, the reduction was largely counterbalanced by growth in electrical systems business from steel manufacturing plants. Accordingly, net sales in this product group fell a slight 0.9% to ¥37.4 billion.

•Others

Even though the information service operation showed fairly healthy growth, operations relating to transportation/storage and computer peripheral units showed signs of weakness. As a result, net sales were down 4.7% to ¥35.8 billion.

Ongoing Efforts to Restructure

To achieve rapid streamlining of operations and create a highly profitable corporate structure strong enough to overcome the challenges of the quickly changing business environment, we are aggressively implementing four corporate-wide reform programs based on "Win 21," our mid-term management plan scheduled for completion in fiscal 2002.

Our initial goal in our business reform program was achieved mainly through the March 21, 2001 acquisition of Yaskawa Plant Engineering.

In our corporate structural reform program, in addition to the reorganization of our two strategic business units (SBUs), Motion Control and System Engineering, we created a Robotics Automation group by combining the robotics and super-mechatronics operations to make our management system more efficient. Moreover, we have established a Solution Center as a part of our efforts to strengthen our core business, Motion Control. The Solution Center serves several important functions, such as giving us the opportunity to more closely identify with the customer, tackle our challenges together, and pool our resources to propose and implement the best solutions.

In our management reform program, to boost the motivation of employees we launched a new performance-based personnel evaluation system that applies to all workers. Our affiliate companies also are incorporating the performance evaluation system.

In our financial reform program, we have launched a local production system in China and in other regions in Asia, dramatically improving productivity. This structure also

allows us to respond quickly to changes in customer demand. In addition, we incorporated enterprise resources planning (ERP)/supply chain management (SCM) systems to further shorten lead times and reduce inventories. The sales of idle assets to reduce total assets is yet another project aimed at improving our efficiency. To build an efficient management structure, we actively consolidated our regional offices and their duties.

Challenges and Outlook for the Future

Although clear signs of recovery in some industries are finally visible, due to the prolonged recession in Japan our business environment will remain challenging during the next fiscal year.

Our Company and the entire Group plan to make fiscal 2002 the year of completion for our "Win 21" initiatives. As previously mentioned, we will rapidly yet effectively implement all four of the major reform efforts to transform ourselves into a solid profit-generating enterprise.

Specifically, in our business reforms, we will strongly try to sustain the positive outcomes achieved during the previous year.

In our corporate reforms, we will carefully manage our three SBUs to strengthen their effectiveness.

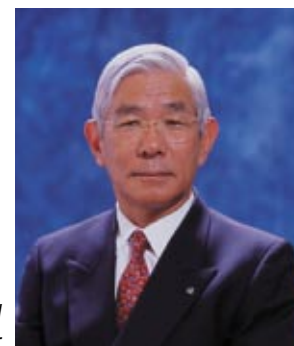
The newly established Solution Center in the Motion Control SBU will be used to the fullest possible extent to precisely meet the needs of customers and to quickly provide solutions that satisfy them.

In the Robotics Automation SBU, we will gain maximum benefit from the consolidation of the robot and super-mechatronics operations. By standardizing our products intended for semiconductor manufacturers, the areas of product development, production, sales, and services will become more active and efficient. From this strong base, we will search for new markets in which to promote our products.

In the System Engineering SBU, by utilizing our advances in technology for energy-saving (for our inverters and high-efficiency motors) and environmental purification, we will dedicate ourselves to the expansion of our product lines and services to meet client needs and provide timely responses.

The corporate staff has been reorganized to strengthen our strategic position. In addition, the support provided to assist the SBUs will be centralized, and we will start building a structure that allows us the option of spinning off each SBU in the future.

By establishing a performance-based personnel evaluation system as an integral part of our management restructuring, we will increase the level of quality of our



Shin Nakayama

*President and
Chief Executive Officer*

products. Management focused on customer satisfaction (CS) will not stop at the parent-company level but will also be expanded to the entire Group.

In our financial structural reforms, our highest priority must be to review the cost structure. In particular, the newly established Purchasing Department will focus on centralized integrated procurement and cost reduction by consolidating suppliers. We will also control production costs by increasing production overseas and by outsourcing. Reducing fixed costs by cutting inventory and raising the efficiency of the Company's support functions are other areas we are committed to improving.

By means of these projects, Yaskawa will transform itself into an organization that is unbeatable even in a vigorously changing business environment. Our policy of "focusing on shareholders" will be stronger than ever, and the return on shareholders' investment will always be our first and foremost priority. To achieve this, we will continue our CS activities and will provide products and services that further boost customer satisfaction. Also, we must recognize the importance of employee satisfaction (ES). The organization to which our employees belong must be a place that makes work worthwhile. Happy employees will increase the Company's value and generate profits. As a result, Yaskawa will be—and will remain—in a position to maximize shareholders' equity for many years to come.

June 2002


Hiroshi Nagatsugi
Chairman of the Board


Shin Nakayama
President and Chief Executive Officer

Yaskawa Opens New Company in Taiwan

•Taipei Corporation Functions as Solution Center



Opening ceremony for Yaskawa Electric Taiwan Corporation

To help expand sales of our mechatronics products such as inverters and servos for factory automation, Yaskawa has established a new company in Taiwan. Located in Taipei, Yaskawa Electric Taiwan Corporation opened in October 2001 and offers solutions tailored to the local Taiwanese market.

With the expansion of its general machinery manufacturing and its increasing use of mechatronics products, Taiwan is a market characterized by rapid advances in industry. Yaskawa Electric Taiwan is designed

to bring Yaskawa's highly developed range of solutions and customer-satisfaction (CS) services to this market in a timely manner, by sharing the responsibilities of the customer relationship management (CRM) system with the Solution Center at our Iruma Division.

In the years ahead, Yaskawa will implement strategies for further sales increases, by establishing new bases in other locations such as Taichung and Tainan.



Celebrants at the opening ceremony

Yaskawa Builds New Solution Center

•Six Areas of Expertise for Customer Support

In December 2001, Yaskawa built a new Solution Center in Iruma, Saitama. The center's aim is to provide precise solutions to customer needs in a timely, globally oriented manner.

Drawing on a wealth of technological expertise, the center's staff provide a complete range of customer support activities with its six areas of expertise. By rapidly providing optimum solutions, the center will improve customer satisfaction (CS) and strengthen the confidence of Yaskawa's customers.

Six Areas of Expertise

- Call center
- Total system evaluation
- Consulting
- Consolidated solution development
- Global technical support
- Global documentation



View of the Solution Center

Yaskawa Releases Front-End System for 300-Millimeter Wafers

•Super-Clean, Small Footprint, and High Throughput

Building on our lineup of semiconductor manufacturing equipment, Yaskawa has developed a new clean system for 300-millimeter wafers in localized environments. Released in February 2002, the Front End Module F3 Series is designed to transfer wafers between production lines and wafer processing modules.

The new series offers an extremely clean wafer transfer environment, high reliability and a small footprint. As a high-performance front-end system, its clean robots and linear shafts have the industry's fastest operational speed and enable an outstanding throughput of 200 wafers per hour.

The release of this new series was a move to expand Yaskawa's share of the front-end system market in fiscal 2002.

Specifications

Vertical movement speed: 300 millimeters/second
Retraction/extension speed during forward/back arm movement: 1466 millimeters /second
Cleanliness: Class 1



Front End Module F3 Series

New Yaskawa Robot Optimizes Arc Welding Processes

•The Industry's First Model with a Built-in Torch Cable

Seeking to enhance our lineup of arc welding robots, Yaskawa has developed a new model that incorporates a torch cable in the robot arm. Released in November 2001, the MOTOMAN-EA1400 is an industry-first designed to offer better workpiece expansion, weld quality, reliability and ease of use.

Incorporating a torch cable into the robot arm eliminates the problem of interference between a robot-mounted torch cable and the upper arm, workpiece or jig.

Yaskawa's arc welding robots currently hold the top share in the world market. With the release of this new model, Yaskawa is seeking to further expand its share of the arc welding robot market, in areas such as vehicle part welding, and to increase our production and sales.



MOTOMAN-EA 1400

Business Results

For the fiscal year ended March 20, 2002, Yaskawa recorded a decrease of 16.3% in consolidated net sales, to ¥222.7 billion. By product group, sales in Motion Control decreased 28.7%, to ¥81.5 billion, which accounted for 36.6% of net sales. Sales in Robotics Automation fell 11.0%, to ¥67.9 billion, comprising 30.5% of the Group's net sales. Sales in System Engineering decreased 0.9%, to ¥37.3 billion, which accounted for 16.8% of net sales. Sales in Others decreased 4.7%, to ¥35.8 billion, or 16.1% of net sales.

Cost of sales amounted to ¥169.2 billion, and the cost of sales ratio was 76.0%, 4.1 percentage points above that of the previous fiscal year. Selling, general and administrative (SG&A) expenses totaled ¥57.2 billion. SG&A expenses as a percentage of net sales increased to 25.7%, up from 23.6%. Net operating income (loss) fell 131.0%, to a loss of ¥3.7 billion, and ordinary income (loss) fell 150.6%, to a loss of ¥6.0 billion. The net loss after taxes and minority interest totaled ¥12.6 billion, a downturn from net income of ¥3.3 billion the previous year.

On a non-consolidated basis, Yaskawa recorded net sales of ¥113.4 billion, a decrease of 28.6%. Cost of sales fell 21.6%, to ¥93.4 billion, while SG&A expenses were down 18.7%, to ¥28.5 billion. The cost of sales ratio increased 7.4 percentage points. Net operating income (loss) fell to a loss of ¥8.5 billion, down from income of ¥4.5 billion the prior year. Ordinary income (loss) dropped to a loss of ¥5.8 billion, down from income of ¥6.0 billion the previous year. The net income (loss) after taxes amounted to a loss of ¥10.3 billion, down from income of ¥1.0 billion a year earlier.

Financial Position

At the end of the year under review, consolidated total assets dropped to ¥234.5 billion, down 7.3%. Working capital fell to ¥17.3 billion, down from ¥45.5 billion from the prior year, due to a large increase in short-term loans payable. Fixed liabilities increased to ¥64.3 billion, up from ¥63.4 billion. The current ratio decreased to 1.1, down from 1.3. Total shareholders' equity fell to ¥36.5 billion, down ¥10.5 billion.

On a non-consolidated basis, total assets at the end of the year under review decreased 4.1%, to ¥166.0 billion. Total shareholders' equity fell 22.1%, to ¥30.9 billion.

Cash Flows

Net cash used in operating activities was ¥11.5 billion, largely due to a net loss before taxes of ¥18.8 billion for the year under review. Net cash used in investing activities was ¥8.0 billion. This total reflected income from sales of land and negotiable securities, which was offset by an outlay for capital investments. Net cash provided by financing activities was ¥23.1 billion. This included ¥23.6 billion in short-term loans and ¥5.2 billion in long-term loans procured to provide capital to cover the deficits in the cash flows from operating activities and investing activities, and to cover ¥4.6 billion for the repayment of long-term loans. As a result of these activities, the balance of cash and cash equivalents at the end of the year under review increased to ¥16.2 billion, up ¥3.7 billion.

Major Consolidated Subsidiaries

As of June 21, 2002

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.	Saitama, Japan	1973	¥5,008 (\$37,853)	180	Isao Ishikawa	Manufacturing and sales of computers
YASKAWA Controls Co., Ltd.	Yukuhashi, Japan	1967	¥200 (\$1,511)	259	Masayuki Shibata	Electric machines, instruments and parts
YASKAWA Electric Engineering Corporation	Kitakyushu, Japan	1971	¥210 (\$1,587)	547	Katsutoshi Koide	Maintenance, test operation and adjustment of electric machines and facilities and technical training
YASKAWA Information Systems Co., Ltd.	Kitakyushu, Japan	1978	¥400 (\$3,023)	587	Takashi Takahashi	Information processing, software development, and sales of system equipment
YASKAWA Logistec Corporation	Kitakyushu, Japan	1976	¥90 (\$680)	184	Yasuo Goda	General product distribution
YASKAWA Electric America, Inc.	Chicago, U.S.A.	1967	¥5,183 (\$39,177)	477	Jody Kurthzhalts	Import, manufacturing, sales and after-sales service of electric equipment
YASKAWA Electric Europe GmbH	Schwalbach, Germany	1980	¥316 (\$2,392)	97	Gen Kudoh	Import, manufacturing, sales and after-sales service of electric equipment
YASKAWA Electric UK Ltd.	Scotland, U.K.	1991	¥565 (\$4,270)	91	Shuichi Mine	Manufacturing, sales and after- sales service of inverters
MOTOMAN Inc.	Ohio, U.S.A.	1989	¥1,323 (\$10,000)	425	Craig Jennings	Manufacturing, sales and after-sales service of robots and robot systems
MOTOMAN Robotics Europe AB	Torsas, Sweden	1984	¥631 (\$4,767)	513	Berndt Sigfridsson	Manufacturing, sales and after-sales service of robots and robot systems
Synetics Solutions Inc.	Portland, U.S.A.	2000	¥7,079 (\$53,509)	183	Greg Marvell	Semiconductor system sector, clean room front-end equipment development, design production and sales

Note: ¥132.3=US\$1 (As of March 20, 2002).

Consolidated Balance Sheets

Yaskawa Electric Corporation and Consolidated Subsidiaries As of March 20, 2002 and 2001

Assets	Millions of Yen		Thousands of U.S. Dollars
	2002	2001	2002
Current assets	¥147,961	¥185,118	\$1,118,381
Cash & deposits	16,138	16,014	121,984
Trade receivables	61,687	84,701	466,267
Inventories	54,340	60,068	410,738
Other current assets	16,404	24,796	123,995
Allowance for doubtful accounts	(608)	(461)	(4,603)
Fixed assets	86,598	67,468	654,559
Tangible fixed assets	42,913	40,748	324,364
Intangible fixed assets	13,072	10,281	98,813
Investments & others	30,887	16,508	233,467
Allowance for doubtful accounts	(275)	(70)	(2,086)
Foreign currency translation adjustments	—	324	—
Total assets	¥234,559	¥252,912	\$1,772,940

Liabilities and Shareholders' Equity	Millions of Yen		Thousands of U.S. Dollars
	2002	2001	2002
Current liabilities	¥130,613	¥139,524	\$987,256
Trade payables	38,837	59,952	293,558
Short-term loans payable	65,618	43,092	495,985
Other current liabilities	26,157	36,480	197,713
Fixed liabilities	64,343	63,400	486,342
Debentures	10,000	10,000	75,586
Convertible bond	15,000	15,000	113,379
Other fixed liabilities	39,343	38,400	297,378
Total liabilities	194,957	202,925	1,473,598
Minority shareholders' equity in consolidated subsidiaries	3,077	2,916	23,260
Capital stock	15,540	15,540	117,467
Capital in excess of par value	14,749	14,749	111,489
Consolidated retained earnings	2,517	16,780	19,028
Other securities valuation difference	2,006	—	15,164
Foreign currency translation adjustment	1,720	—	13,003
Less: Treasury stock	(9)	(0)	(69)
Total shareholders' equity	36,525	47,070	276,081
Total liabilities and shareholders' equity	¥234,559	¥252,912	\$1,772,940

Note: ¥132.3=US\$1 (As of March 20, 2002).

Consolidated Statements of Operations

Yaskawa Electric Corporation and Consolidated Subsidiaries Years ended March 20, 2002 and 2001

	Millions of Yen		Thousands of U.S. Dollars
	2002	2001	2002
Net sales	¥222,707	¥266,068	\$1,683,350
Cost of sales	169,231	191,178	1,279,150
Selling, general & administrative expenses	57,203	62,877	432,375
Net operating income (loss)	(3,727)	12,013	(28,175)
Non-operating income & expenses			
Non-operating income	1,661	3,268	12,560
Non-operating expenses	3,943	3,401	29,805
Ordinary income (loss)	(6,009)	11,879	(45,420)
Extraordinary gains & losses			
Extraordinary gains	4,798	3,242	36,271
Extraordinary losses	17,686	8,366	133,683
Net income (loss) before taxes and minority interest	(18,896)	6,755	(142,833)
Corporate, inhabitants and enterprise taxes	748	3,453	5,660
Corporate tax adjustment	(7,020)	(214)	(53,067)
Minority gains	32	195	244
Net income (loss) after taxes and minority interest	¥(12,657)	¥3,319	\$(95,669)

Note: ¥132.3=US\$1 (As of March 20, 2002).

Consolidated Statements of Retained Earnings

Yaskawa Electric Corporation and Consolidated Subsidiaries Years ended March 20, 2002 and 2001

	Millions of Yen		Thousands of U.S. Dollars
	2002	2001	2002
Balance at beginning of period	¥16,780	¥13,187	\$126,834
Increase of retained earnings of consolidated subsidiaries	396	329	2,997
Decrease of retained earnings of consolidated subsidiaries	1,640	61	12,397
Net income (loss) after taxes and minority interest	(12,657)	3,319	(95,669)
Foreign currency translation adjustments	(362)	5	(2,737)
Balance at end of period	¥2,517	¥16,780	\$19,028

Note: ¥132.3=US\$1 (As of March 20, 2002).

Consolidated Statements of Cash Flows

Yaskawa Electric Corporation and Consolidated Subsidiaries Years ended March 20, 2002 and 2001

	Millions of Yen		Thousands of U.S. Dollars
	2002	2001	2002
CASH FLOWS FROM OPERATING ACTIVITIES:			
Net (loss) income before income taxes	¥(18,896)	¥6,755	\$(142,833)
Adjustments for:			
Depreciation and amortization	6,881	5,662	52,016
Interest receivable and dividend revenue	(624)	(341)	(4,722)
Interest expense	2,572	2,679	19,444
Losses on disposal of fixed assets	(3,850)	—	(29,102)
Depreciation of difference accompanying change in employees' retirement benefits	6,407	—	48,429
Increase (decrease) in notes and accounts receivable	25,057	(8,090)	189,400
Increase (decrease) in inventories	8,795	(8,032)	66,485
Increase (decrease) in notes and accounts payable	(23,720)	5,398	(179,296)
Write-down of marketable securities	3,792	2,962	28,664
Increase (decrease) in accounts payable	(4,041)	4,300	(30,547)
Other, net	(8,891)	(4,298)	(67,204)
Sub-total	(6,517)	6,996	(49,265)
Interest received and dividend revenue	778	366	5,884
Payments of interest	(2,671)	(2,695)	(20,195)
Payments of accrued income taxes	(3,132)	(2,565)	(23,680)
Net cash (used in) provided by operating activities	(11,543)	2,101	(87,256)
CASH FLOWS FROM INVESTING ACTIVITIES:			
Payments for purchases of fixed assets	(10,907)	(12,321)	(82,442)
Proceeds from sales of fixed assets	2,813	2,779	21,269
Payments for purchases of marketable securities	509	(226)	3,849
Proceeds from sales of marketable securities	1,414	2,221	10,691
Other, net	819	1,821	6,193
Net cash (used in) provided by investing activities	(8,007)	(5,725)	(60,524)
CASH FLOWS FROM FINANCING ACTIVITIES:			
Increase (decrease) in short-term borrowings	23,613	(8,622)	178,482
Proceeds from long-term debt	5,260	1,986	39,758
Payments for long-term debt	(4,629)	(5,647)	(34,992)
Proceeds from issuance of convertible bond	—	15,000	—
Payments of cash dividends for the parent company	(928)	—	(7,016)
Other, net	(127)	(86)	(962)
Net cash provided by financing activities	23,188	2,630	175,271
EFFECT OF EXCHANGE RATE CHANGES ON CASH AND CASH EQUIVALENTS	84	148	639
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	3,721	(845)	28,130
CASH AND CASH EQUIVALENTS AT THE BEGINNING OF YEAR	12,506	12,865	94,528
EFFECT OF NEW CONSOLIDATION ON CASH AND CASH EQUIVALENTS	—	485	—
CASH AND CASH EQUIVALENTS AT THE END OF YEAR	¥16,227	¥12,506	\$122,658

Note: ¥132.3=US\$1 (As of March 20, 2002).

Non-Consolidated Balance Sheets

Yaskawa Electric Corporation As of March 20, 2002 and 2001

Assets	Millions of Yen		Thousands of U.S. Dollars
	2002	2001	2002
Current assets	¥89,065	¥115,625	\$673,206
Cash & deposits	7,323	8,931	55,355
Trade receivables	37,210	52,113	281,261
Marketable securities	114	11,052	868
Inventories	27,460	31,494	207,563
Other current assets	16,969	12,038	128,262
Allowance for doubtful accounts	(13)	(6)	(103)
Fixed assets	76,960	57,510	581,714
Tangible fixed assets	28,493	26,586	215,373
Intangible fixed assets	5,419	3,584	40,960
Investments & others	44,019	27,580	332,724
Allowance for doubtful accounts	(971)	(240)	(7,343)
Total assets	¥166,026	¥173,135	\$1,254,920

Liabilities and Shareholders' Equity	Millions of Yen		Thousands of U.S. Dollars
	2002	2001	2002
Current liabilities	¥84,611	¥85,705	\$639,539
Trade payables	25,508	41,658	192,807
Short-term loans payable	45,584	25,512	344,556
Other current liabilities	13,517	18,534	102,175
Fixed liabilities	50,494	47,737	381,666
Debentures	10,000	10,000	75,585
Convertible bond	15,000	15,000	113,378
Other fixed liabilities	25,494	22,737	192,701
Total liabilities	135,105	133,442	1,021,205
Capital stock	15,540	15,540	117,466
Legal capital surplus	14,749	14,749	111,488
Legal retained earnings	2,732	2,603	20,653
Other retained earnings (deficit)	(4,153)	6,799	(31,394)
Other securities valuation difference	2,059	—	15,568
Less: Treasury stock	(9)	—	(69)
Total shareholders' equity	30,920	39,693	233,714
Total liabilities and shareholders' equity	¥166,026	¥173,135	\$1,254,920

Note: ¥132.3=US\$1 (As of March 20, 2002).

Non-Consolidated Statements of Operations

Yaskawa Electric Corporation Years ended March 20, 2002 and 2001

	Millions of Yen		Thousands of U.S. Dollars
	2002	2001	2002
Net sales	¥113,474	¥158,944	\$857,705
Cost of sales	93,461	119,210	706,432
Selling, general & administrative expenses	28,576	35,150	215,998
Net operating income (loss)	(8,563)	4,584	(64,726)
Non-operating income & expenses			
Non-operating income	4,122	3,194	31,156
Non-operating expenses	1,401	1,758	10,596
Ordinary income (loss)	(5,843)	6,019	(44,165)
Extraordinary gains & losses			
Extraordinary gains	4,201	1,728	31,757
Extraordinary losses	15,872	5,379	119,970
Net income (loss) before taxes	(17,513)	2,369	(132,378)
Corporate, inhabitants and enterprise taxes	141	88	1,071
Corporate tax adjustment	(7,332)	1,181	(55,421)
Net income (loss) after taxes	¥(10,323)	¥1,099	\$(78,028)

Note: ¥132.3=US\$1 (As of March 20, 2002).

Non-Consolidated Statements of Retained Earnings

Yaskawa Electric Corporation Years ended March 20, 2002 and 2001

	Millions of Yen		Thousands of U.S. Dollars
	2002	2001	2002
Unappropriated retained earnings	¥(9,386)	¥1,979	\$(70,949)
Reversals of voluntary reserves	18	22	138
Appropriations of retained earnings			
Legal earned surplus	—	97	—
Dividends	—	928	—
Officers' bonuses	—	40	—
Total of retained earnings	—	1,065	—
Retained earnings brought forward to the next period	¥9,368	¥936	\$(70,810)

Note: ¥132.3=US\$1 (As of March 20, 2002).

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