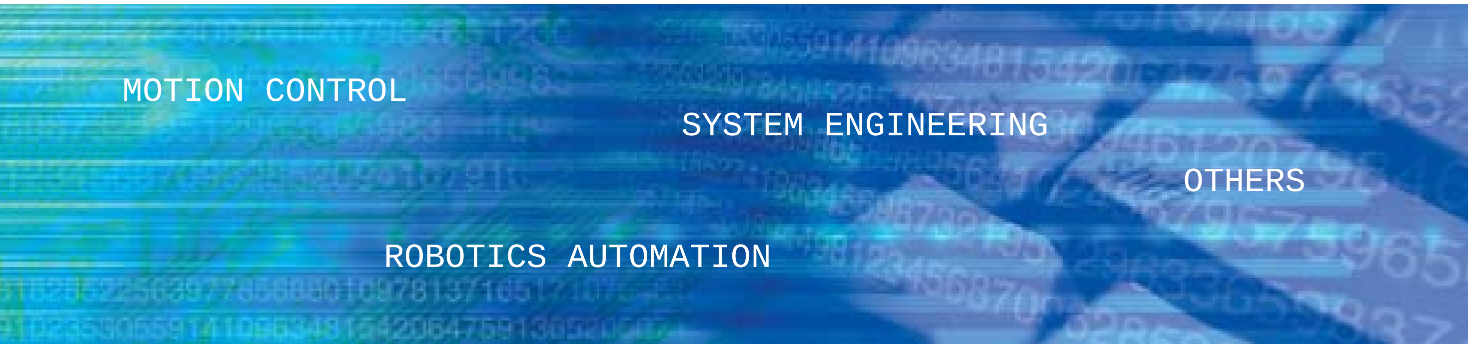


YASKAWA ELECTRIC CORPORATION

2003 ANNUAL REPORT

Year Ended March 20, 2003

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.

Contents

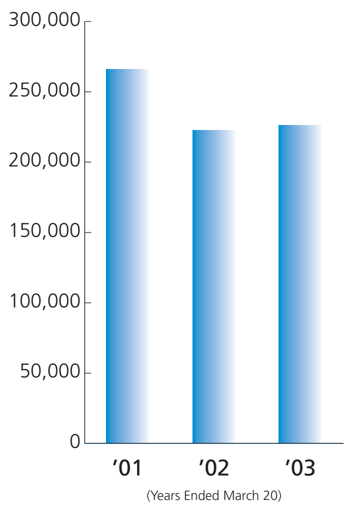
Consolidated Financial Highlights

Yaskawa Electric Corporation and Consolidated Subsidiaries Years ended March 20

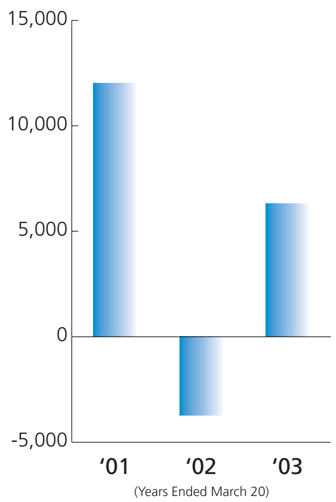
	Millions of yen (except per share amounts)			Thousands of U.S. dollars (except per share amounts)
	2003	2002	2001	**2003**
Net sales	**¥226,144**	¥222,707	¥266,068	**$ 1,878,272**
Operating income (loss)	**6,308**	(3,728)	12,013	**52,392**
Income (loss) before income taxes and minority interests	**(850)**	(18,897)	6,755	**(7,060)**
Net income (loss)	**(2,524)**	(12,657)	3,319	**(20,963)**
Per Share Data				
Net income (loss) (Yen)	**¥ (11.00)**	¥ (54.54)	¥ 14.31	**$ (0.091)**
Cash dividends (Yen)	**–**	–	4.00	–
At Year-End				
Total assets	**¥237,641**	¥234,560	¥252,912	**$ 1,973,754**
Shareholders' equity	**30,632**	36,525	47,070	**254,418**

Note: Dollar figures are translated, for convenience only, at the rate of ¥120.4 to US$1.

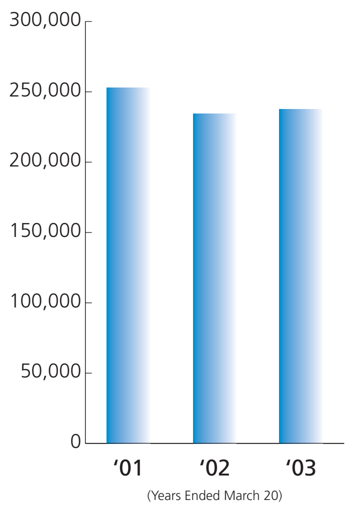
Net Sales
Millions of yen



Operating Income (Loss)
Millions of yen



Total Assets
Millions of yen



To Our Shareholders

Hiroshi Nagatsugi
Chairman of the Board

We would like to express our sincere gratitude to you for extending your support to us. We are pleased to report a summary of this year's operating results.

During fiscal year 2002 (ended March 20, 2003), Japan's economic situation continued to be difficult. The stock market was weak because of uncertainty concerning the financial sector and the future direction of the economy. Although the decline in private sector capital investment showed signs of leveling out, there was little positive sentiment that a recovery was near. Internationally, China and other Asian countries achieved steady results. The global outlook overall, however, remained clouded, as anxieties about possible recession appeared in the United States and Europe against the backdrop of an unstable international situation.

Result of "Win21"

Fiscal year 2002 was the concluding year of mid-term plan "Win21" and the structural reforms that we pursued under this plan. In this last year's harsh business environment, we redoubled our efforts to achieve the plan's four reform targets.

We achieved nearly all the main objectives initially set out under "Win21" for business structure reforms. For instance, in our Motion Control Strategic Business Unit (SBU) we positioned the solutions business as its core activity. We focused on increasing orders received through more accurate customer needs analysis. Ensuring timely solutions for our customers has increased customer satisfaction.

We executed reforms to our corporate structure by concentrating operations in three SBUs: Motion Control, Robotics Automation, and System Engineering. We also implemented rapid and efficient business operations. The functions of our corporate headquarters were further strengthened in order to provide greater support to each SBU, and we executed several complementary measures such as office consolidations.

A new performance-based personnel system aimed at greater customer satisfaction was the focus of management structure reforms. This new system was implemented throughout the Yaskawa Group.

Under the auspices of financial structure reforms, the fundamental cost structure of our company was transformed through activities such as the introduction of enterprise resource planning (ERP) and supply chain management (SCM). Through these measures and company-wide centralized purchasing and the reduction of suppliers, we achieved the largest cost reductions to date in the Company's history. We also dramatically improved production efficiency, to ensure we remain competitive against tough cost competition at the global level. In addition to boosting production volume in China, in the Motion Control business sector, we established a new production company within the Group. Finally, many fixed costs have been converted to variable costs for greater flexibility.

As a result of promoting various measures based on "Win21" as described above, consolidated net sales increased by 1.5% compared to the previous fiscal year to ¥226.1 billion.

By devoting our full efforts to cutting cost and reducing overhead as pricing conditions grew increasingly severe, we increased operating income from a negative ¥3.7 billion of the previous year to a very sound ¥6.3 billion for fiscal year 2002. Due to some extraordinary items, including amortization relating to the change in accounting method for retirement benefits, losses on the sale of marketable securities, and return of the entrusted portion of the employee welfare pension fund to the government, we were unable to avoid a net loss for the year. However, this year's net loss of ¥2.5 billion represents an 80% increase over the previous year.

As a result, we regretfully decided to forgo dividend payments this year. On behalf of the Company, we would like to express our appreciation for our shareholders' understanding and support of this difficult decision.

Turning to the next period, we anticipate conditions will remain unchanged, with little likelihood of an upbeat outlook. We expect the future direction of the global economy to remain uncertain as the international situation remains unstable.

Shin Nakayama
President and Chief Executive Officer

New Mid-Term Plan "Win21 Plus"

Given these circumstances, we have launched "Win21 Plus," our new three-year mid-term plan (FY 2003–FY 2005). Our objective under this plan is to turn our company into the highest earnings firm within our industry. Faced with intense changes in our operating environment, we will further expand the "Win21" mid-term plan objectives that were the focus of our efforts over the past four years.

The fundamental objectives of "Win21 Plus" are to (1) double added-value productivity, (2) attain a 10% ordinary income margin, and (3) achieve a debt/equity ratio (ratio of interest-bearing liabilities to shareholders' equity) of 1.0 or less. By building on the four structural reforms of "Win21," we will attain several new goals. Yaskawa will, through "Win21 Plus," create continuous cost reductions and faster time-to-market, increase the competitive dominance of our core businesses in the marketplace, cultivate new business, and create a new corporate model.

In this endeavor we will focus first and foremost on financial reforms. Under "Win21" we began fundamental cost structure reforms. To successfully complete this effort, we will execute cost reduction measures for each business process. This will include cost reductions from the product development stage, sweeping improvements to production costs through expansion of overseas production and optimized local production. There will be reductions in the number of necessary positions and redundant costs through enhanced operating efficiency and consolidation of functions and locations.

Balance sheet reforms will include substantive reductions to inventory assets, total assets and the repayment of interest-bearing debt.

The second area of concentration will be business reforms. To achieve further growth in our share of the mechatronics business sector, which we emphasized under "Win21," we will introduce high added-value or low-cost products in markets where we anticipate growth. These include key industries such as automobiles, semiconductors and liquid crystal panels and key geographic markets such as China.

We are also planning to expand our business area by positioning our information business alongside our three SBUs as the fourth pillar of our company.

In the past we devoted our efforts to creating new businesses from mechatronics application sectors, such as handling robots for semiconductor and liquid crystal panel manufacturing devices, to strengthen and expand our core businesses. In the future, we will develop and accelerate new business areas such as environmental application and energy conservation, robotics and information. We will also continue to apply and develop core technologies in which we excel and enter into strategic alliances.

Under our management and corporate reforms, we will continue toward creation of our highly profitable corporate model by building upon structural reforms of "Win21," focusing on results-oriented activities. Specifically, under management reforms, we will improve on the reforms already begun in the areas of customer satisfaction, human resources, and business processes. Under corporate structure reforms, we will reform our value chain.

Under "Win21," we substantially improved our cost structure and heightened every employee's awareness of the reforms. By responding rapidly to business environment changes in the future, and anticipating trends in the marketplace ahead of the competition, we will create a new corporate model and move towards completion of critical policies and objectives of "Win21 Plus," our new mid-term plan.

We look forward to continuing to serve you and we thank you for your continuing support.

H. Nagatsugi

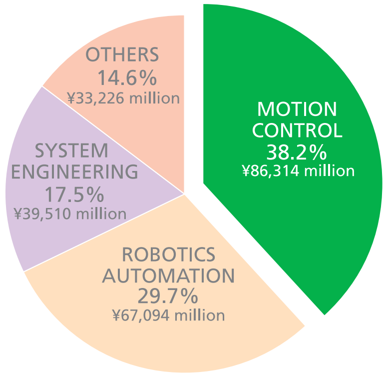
Hiroshi Nagatsugi
Chairman of the Board

Shin Nakayama

Shin Nakayama
President and Chief Executive Officer

MOTION CONTROL

In every application, Yaskawa draws upon its rich product line and abundant applications expertise to provide high-productivity solutions with high performance and reliability.



2003 Business Segments
* Year Ended March 20
* does not include inter-segment sales

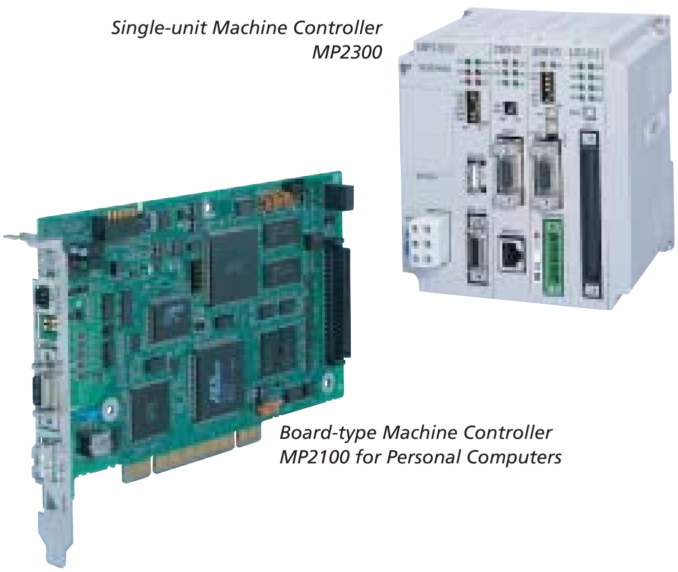
PRODUCT INFORMATION

Machine Controller MP2000 Series

Highly accurate, high-speed, easy-to-use controllers are always in demand. With our Machine Controller MP2000 Series we achieved a transmission speed 2.5 times faster than our traditional product speed by using MECHATROLINK-II, our own unique network.

By combining the series with Servo Drive Σ-III, customers can attain even higher speeds. Yaskawa will continue to serve our customers controller needs, and improve our market share as a result.

Single-unit Machine Controller MP2300



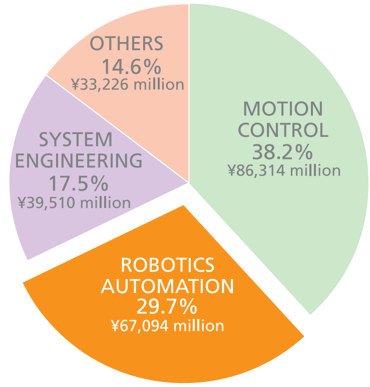
Board-type Machine Controller MP2100 for Personal Computers

MECHATROLINK

MECHATROLINK, our high-speed motion network, is now available in open architecture. This represents the first adaptation of open architecture in this sector in Japan. To broadly disseminate MECHATROLINK throughout the market, we established MECHATROLINK Members Club. We are actively recruiting member firms and providing user support. Component products that can be connected with MECHATROLINK have already been commercialized by member firms, and the product lineup will continue to grow in the future.

ROBOTICS AUTOMATION

Yaskawa's MOTOMAN industrial robots are the most widely used industrial robots in the world. Yaskawa also offers super-mechatronics products that have earned extensive acclaim in the semiconductor industry. Yaskawa combines these products and others to provide total solutions.



2003 Business Segments
* Year Ended March 20
* does not include inter-segment sales

PRODUCT INFORMATION

Vacuum Robot RV Series

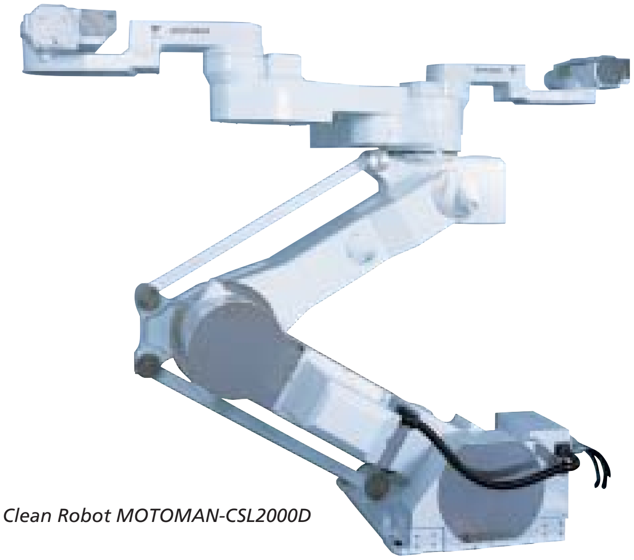
Yaskawa has commercialized its RV Series vacuum-environment robots, capable of transferring glass panels measuring up to 400 x 500 mm used in the manufacturing of organic EL displays that are now moving towards practical application in cellular telephone, small and medium-sized televisions and personal computers. We will broaden the product lineup in the future with enhancements, such as a double arm for handling high-speed transfers.

Vacuum Robot RV Series XU-RV960S5

Clean Robot Series

We have begun selling MOTOMAN-CSL2000D, a clean-room robot capable of high-speed replacement of large-scale liquid crystal panels (maximum size 2,150 x 2,250 mm) by using a double arm.

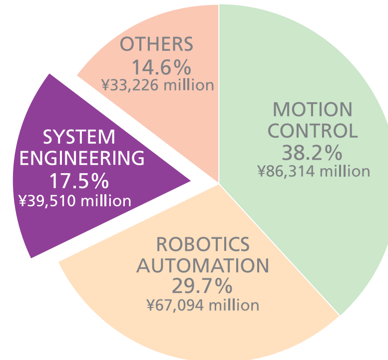
As a result, Yaskawa has a full lineup that can support the transfer of the very small to the ultra large glass panels. Through products like this we have achieved and will continue to hold the world's leading share in clean-room robot sales.



Clean Robot MOTOMAN-CSL2000D

SYSTEM ENGINEERING

Yaskawa solutions are applied to applications that improve the environment, manufacture products, and provide public services of all types.



2003 Business Segments
* Year Ended March 20
* does not include inter-segment sales

PRODUCT INFORMATION

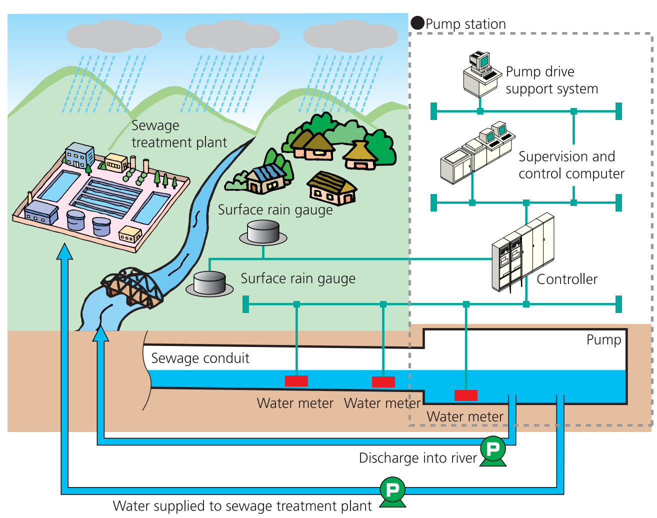
High-voltage Inverter

Our VARISPEED-686HV5 series is the industry's first voltage type multiple series high-voltage inverter that we began selling in 1996. It has earned strong positive evaluations from customers based on its substantial energy-saving results from use of wind and water energy from components such as fans and pumps. We recently commercialized a more compact, easy-to-use VARISPEED-686HV5SD with dramatically improved customer benefits including enhanced motor control performance and telecommunications function, smooth restart following momentary power loss and reduced maintenance requirements.

High-voltage inverter VARISPEED-686HV5SD

Inflow Volume Projection System

Rainwater collected at pumping stations through sewage pipes during periods of rainfall is discharged into rivers and the ocean by pumping operations to prevent local flooding. For these pumping operations, we developed the Inflow Volume Projection System, software capable of operations that correspond to flow volume. We will promote creation of systems utilizing this software in the future.



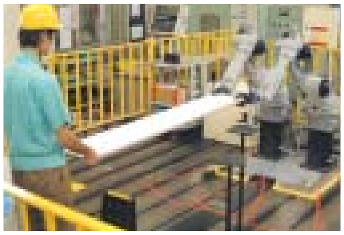
We are aggressively promoting technology development essential for new products to respond rapidly to the diverse demands in this era of globalization.

R&D REVIEW

Robot Systems That Cooperate and Coexist with People

At Yaskawa, we dream of joint human-robot activities, in numerous fields including assembly, equipment maintenance, service and rehabilitation. We are now developing a variety of technologies that will be needed in a future society where humans and robots cooperate and coexist. With these technologies, individuals will be able to give robots instructions on the direction and speed at which they should move by adjusting the amount of pressure at which a common object is being handled. Voice commands will also become more reliable for people communicating with robots.

*Robot system cooperates and coexists with people**



Industrial robot

Transfer robot

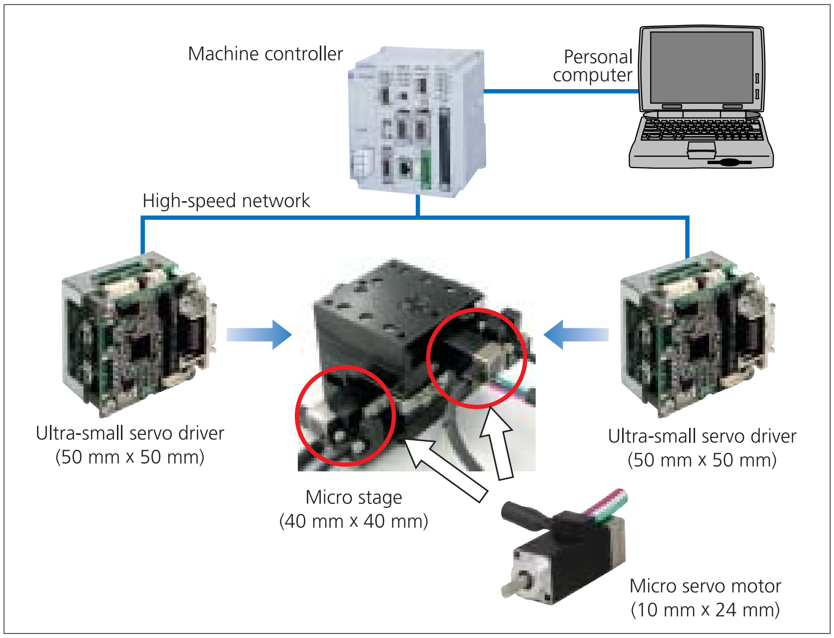
*Rehabilitation therapy machine**

Guided robot

**A NEDO Project*

Micro-servos

We've developed micro-servos composed of small, high-output efficient micro-servo motors and ultra-compact servo drivers. Industries in which we expect these products to find broad application are growth sectors such as micromachining, humanoid robotics, biotechnology and nanotechnology and optical communications.



Micro servo application sample

We are aggressively promoting development of technology essential for new product development to respond rapidly to the diversified demands in this era of globalization.

1. Environmental Protection Policy

At Yaskawa, we recognize that environmental issues are vital to our business. The Company has enacted the following fundamental environmental protection concepts and basic action program.

Basic Philosophy

Yaskawa's Management Philosophy states that "Our Company's Mission is to contribute to the evolution of society and the welfare of mankind through the conduct of our business." The Yaskawa Group therefore recognizes protection of the earth's environment as one of the most important issues common to mankind. We must consider and plan for environmental protection in every aspect of business. In so doing, we will fulfill our management philosophy and accomplish our duty to society.

Basic Activities

1. Set goals for environmental protection and continually improve environmental protection activities.
2. Evaluate the environment impact within the realm of our business activities and product development. Cooperate to reduce our burden on the environment in each phase of activity including manufacturing, distribution, use and disposal.
3. Observe environmental laws and regulations, establish our own standards and further increase our levels of control through the audit process.
4. Provide environmental education to increase every employee's awareness concerning environmental protection. Work with regional communities to create environmental protection programs.
5. Inform both the general public and the Company's employees about Yaskawa's environmental plans and activities.

2. Reduction of Environmental Burden

Yaskawa is aiming to reduce various environmental burdens and seeks to improve its activities each and every day. All of the Company's offices have obtained ISO14001 environmental management system certification.

1. Energy conservation
   During fiscal year 2002, we reduced our energy consumption requirement per output standard unit by 12% compared with the previous fiscal year, through measures such as efficient operation of air conditioning equipment, conversion of lighting and production facilities to inverters, and adjustments of summertime electric usage.
2. Reduction of waste materials
   The Company reduced its volume of final industrial waste per output standard unit in fiscal year 2002 by 14% compared with the previous fiscal year, by promoting recycling efforts such as full separation of materials and use of waste materials as fuel.
3. Reduction of hazardous air pollutants
   During fiscal year 2002, the Company increased its production volume. As a result, our atmospheric emissions of dichloromethane also rose slightly compared with the previous fiscal year. We will take steps to cut emissions in the future by introducing alternative washing tanks.
4. Launch of Yaskawa's lead-free project team
   In response to lead regulations in Europe and other regions, Yaskawa formed a company-wide project team that has begun activities aimed at ensuring every Company product is lead-free by April 2006. The Company began applying lead-free production for part of its inverter models at the end of fiscal year 2002.

3. International Environmental Technical Cooperation

Yaskawa conducts activities such as training for overseas trainees in the use of energy-saving equipment operations. During fiscal year 2002, the Company provided training on 13 product models for 130 overseas trainees.

Orientation of trainees

4. Environment-friendly Products

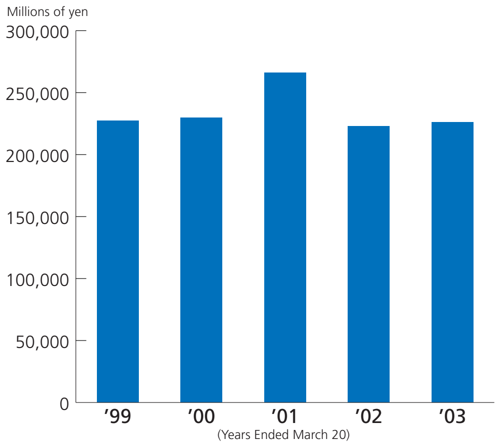
1. Yaskawa supplies society with highly energy efficient electric power application products. Examples of such products released in fiscal year 2002 are the Company's L7 Series special-purpose inverters for elevators, and its VS-686HV5SD inverter series for fan pumps.
2. Yaskawa is focusing its efforts not only on technology to reduce consumption of existing energy sources, but also on development of products that effectively utilize natural energy. The Company began developing a wind power generation system prototype during fiscal year 2002, and conducted empirical tests and marketing surveys.

Financial Section

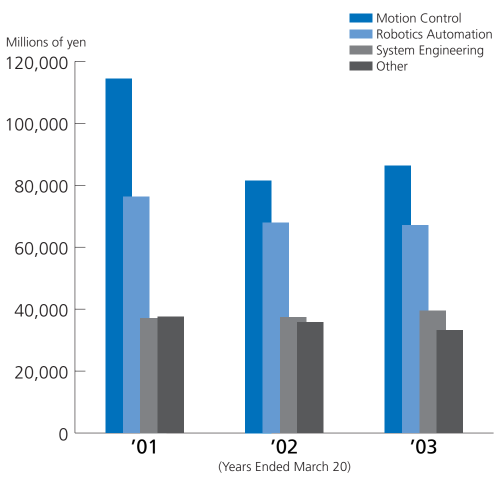
This year marked the final fiscal year of "Win21," the mid-term plan the Yaskawa Electric Group implemented during fiscal years 1999 through 2002. Under "Win21," we resolutely carried out four structural reforms (business, corporate, management and financial). In particular, we completed the shift of our business structure to Yaskawa's core businesses in Motion Control and Robotics Automation, concentrating management resources in these sectors. Although wrenching changes in our external environment prevented us from fully realizing the anticipated results of this structural reform, we did attain tangible results such as lower production costs. These reforms are contributing greatly to improvement of our profit structure.

By expanding the four structural reforms implemented under "Win21," Yaskawa will construct a new enterprise model under which we will achieve continuous cost reductions and early market introductions of new products, and foster new businesses while increasing our competitive dominance in core businesses.

Net Sales



Net Sales by Segment



Group Overview

The Yaskawa Group includes 75 subsidiaries and 27 affiliated companies, with Yaskawa Electric Corporation as the central entity. Based on the scope of consolidation and application of equity method accounting for the fiscal year ended March 20, 2003, Yaskawa accounts for 59 companies as consolidated subsidiaries, 20 firms as affiliated companies to which equity method accounting is applied and two companies as non-consolidated subsidiaries to which equity method accounting is applied.

The Group is organized into four main business segments. These are Motion Control (AC servo motors and controllers, general purpose inverters and other products), Robotics Automation (including welding, painting and handling robots, and clean room and vacuum room robots for use with semiconductor and liquid crystal manufacturing devices), System Engineering (electrical machinery systems for steel plants, electrical machinery and instrumentation systems for service water and sewage systems, other systems), and Others (floppy disk drives, information processing services, distribution services, etc.).

Net Sales

For the fiscal year ended March 20, 2003, Yaskawa recorded an increase of 1.5% in consolidated net sales to ¥226,144 million. By product segment, we expanded sales in both our Motion Control SBU and our System Engineering SBU, which helped to increase total consolidated net sales compared to previous fiscal year. Sales in our Robotics Automation SBU were roughly even with the previous year, but declined in our other business segments. Business segment results are reported below.

In the Motion Control SBU, sales of AC servo motors and controllers, the SBU's main products, remained steady for metalworking and injection molding machinery-related applications, while sales to semiconductor and electronic components-related industries showed a recovering trend from the previous year's sharply depressed level. Exports to Asia and China, in particular of general-purpose inverters used mainly for general industrial applications, also continued at a strong pace. As a result, net sales in this product segment rose 5.8% to ¥86,314 million.

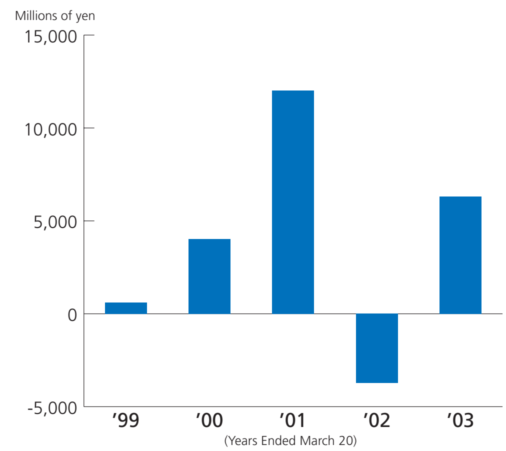
The Robotics Automation business succeeded in expanding market share by aggressively increasing sales of spot welding and painting robots for the automobile industry, even as capital investment in that industry as a whole remained flat. Sales of products for liquid crystal manufacturing devices remained steady, and clean room and vacuum room robots for semiconductor-related applications showed an upward trend from the slack demand of the previous year. Nevertheless, it is obvious that the robotics automation industry as a whole still has room for recovery. As a result of the overall industry climate, net sales in this product segment edged downward 1.3% to ¥67,094 million.

Sales of electrical machinery systems for steel plants and service water and sewage treatment plants, the key System Engineering SBU products, were basically unchanged from the previous year. However, we were able to expand sales in our new system solutions business for set manufacturers. Accordingly, net sales in this product segment increased 5.7% to ¥39,510 million.

In our other business segments, information services continued at a steady pace but demand in the computer peripherals business was weak. Net sales for this product segment declined 7.2% to ¥33,226 million.

By geographical segment, sales in Japan increased 5.8% to ¥184,997 million, sales in North America fell 12.1% to ¥33,919 million, sales in Europe were off 1.4% to ¥27,681 million and sales in Asia jumped 49.2% to ¥13,675 million. These figures for sales by geographical segment are prior to inter-Company sales.

Operating Income (Loss)



Cost of Sales, Selling, General and Administrative Expenses and Operating Income

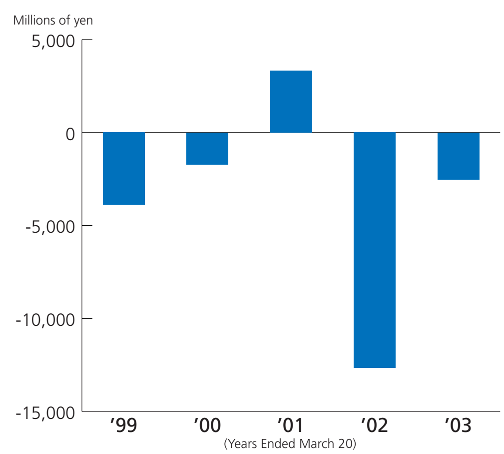
Cost of sales for the fiscal year amounted to ¥165,318 million, 2.3% less than in the previous fiscal year. This lowered the Company’s cost of sales ratio by 2.9 percentage points, to 73.1%. The main reason for this improvement was our success in implementing cost reduction measures thoroughly across all business sectors through execution of “Win21,” Yaskawa Group’s mid-term management plan.

Selling, general and administrative expenses declined 4.7% to ¥54,518 million. SG&A expenses as a percentage of net sales decreased by 1.6 percentage points to 24.1%. As a result, the entire Yaskawa Group achieved positive operating income of ¥6,308 million, compared to an operating loss of ¥3,728 million in the previous fiscal year.

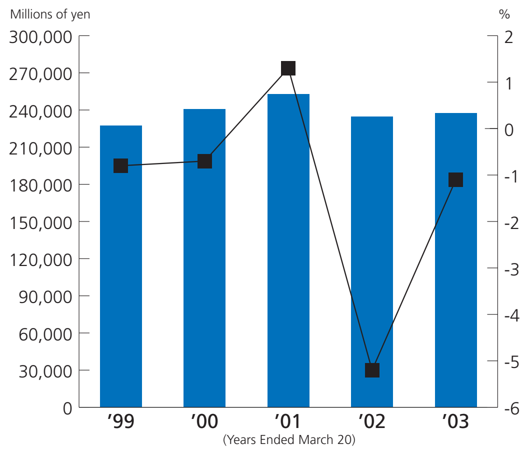
By business segment, the Motion Control SBU returned to profitability and generated operating income of ¥305 million, after incurring an operating loss of ¥6,099 million in the previous fiscal year. Operating income in the Robotics Automation SBU increased 15.6 times to ¥2,985 million, and operating income in the System Engineering SBU jumped 44.4% to ¥1,260 million. Other business segments, operating income rose 33.4% to ¥1,681 million. The effect from cost reductions is contributing substantially to achieving higher profitability, even in business segments that experienced a drop in sales.

By geographical segment, activities in Japan turned an operating loss of ¥4,361 million in the previous fiscal year into operating income of ¥3,698 million in the fiscal year under review. Although our operations in North America incurred another operating loss, we’ve begun to see a better sales and expenditures balance and we reduced the operating loss from ¥3,114 million in the previous fiscal year to ¥134 million. In Europe,

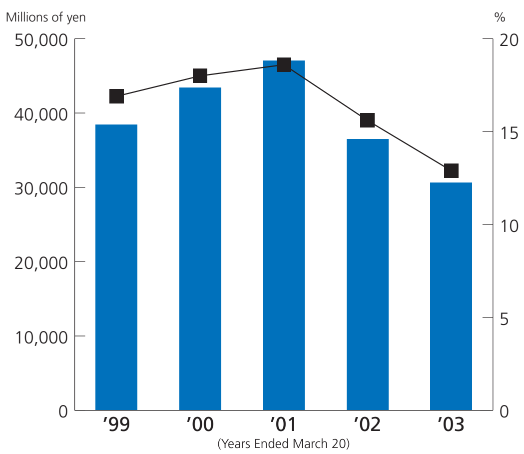
Net Income (Loss)



Total Assets & Return on Assets



Shareholders' Equity & Shareholders' Equity Ratio



operating income was affected by lower sales and decreased 22.7% to ¥1,502 million. Operating income in Asia rose 57.9% to ¥1,042 million as a result of higher sales. The figures provided above for operating income (loss) by geographical segment are prior to inter-company eliminations.

Net Loss

Although non-operating income dropped 39.0% to ¥381 million and non-operating expenses also fell 52.3% to ¥7,539 million, there were no factors causing these changes that deserve special mention. Extraordinary gains were ¥5,710 million, 19.0% higher than in the previous fiscal year, mainly due to gains on sale of marketable securities and a gain on return of the entrusted portion of the employee welfare pension fund. On the other hand, as extraordinary losses we booked a loss relating to the one-time change in accounting standards for retirement benefits, and a valuation loss on marketable securities. Although the extraordinary loss was 40.2% less than in the previous fiscal year, the absolute amount was ¥10,568 million, still a high level. As a result of the above activities, for the second consecutive year Yaskawa Group incurred a loss before taxes and minority interests totaling ¥850 million compared to a loss before taxes and minority interests of ¥18,897 million in the previous fiscal year. Net loss after corporate, inhabitants and enterprise taxes, corporate tax adjustment and minority interest was ¥2,524 million, compared to a net loss in the previous fiscal year of ¥12,657 million. Net loss per share was ¥11.00, compared to a net loss per share in the previous fiscal year of ¥54.54. Given this result, the Company's board of directors decided not to pay a dividend for the fiscal year. This was a difficult decision we deeply regret, but which we believe prudent in light of the circumstances.

Yaskawa Group has established ROE (return on equity) as one of its key management indicators. Because we incurred a net loss as a result of extraordinary losses for amortization, our ROE was -7.5%. Nevertheless, because of our various management efforts based on "Win21," this represents a vast improvement from our -30.3% ROE of the previous fiscal year.

Financial Position

At the end of the financial period under review, consolidated total assets increased 1.3% to ¥237,641 million, up ¥3,081 million from the end of the previous fiscal year.

Current assets increased by ¥10,499 million, up 7.1% compared to the previous fiscal year-end to ¥158,461 million. The main factor was a higher balance for notes and accounts receivable, which increased by ¥8,463 million to ¥70,151 million along with growth in sales.

Fixed assets were ¥79,181 million. This was ¥7,417 million less than at the end of the previous fiscal year, an 8.6% decrease that resulted from a review of tangible fixed asset purchases as part of the Company's capital investment efficiency improvement effort and the sale of marketable securities.

Consolidated total liabilities increased 4.0% to ¥202,783 million at the end of the fiscal year under review, ¥7,826 million greater than at the end of the previous fiscal year. Although the Company decreased short-term loans payable by ¥3,300 million, trade payables increased by ¥10,360 million to ¥49,198 million as we increased production.

Total shareholders' equity declined 16.1% to ¥30,632 million, ¥5,893 million less than at the end of the previous fiscal year. This was mainly because of a decrease in consolidated retained earnings and a smaller balance for other securities valuation.

The debt/equity ratio, one of our key management indicators, deteriorated slightly to 2.85 from 2.48 at the end of the previous fiscal year. Although we repaid ¥3,301 million of interest-bearing debt and reduced total interest-bearing debt by 3.6% to ¥87,317 million, the debt/equity ratio was affected by the fall in shareholders' equity as expressed above.

Yaskawa seeks to achieve a maximum increase in earnings on invested shareholders' equity. The Company is also concerned with the interests of all its stakeholders, including shareholders and employees. Yaskawa will therefore aggressively work to improve the level of its management indicators in the future.

Cash Flows

The balance of cash and cash equivalents at the end in the consolidated fiscal year under review increased to ¥16,268 million, up ¥40 million. The factors affecting cash flows for the consolidated fiscal year are described below.

Cash flows from operating activities:

Net cash provided by operating activities was ¥8,444 million, an improvement of ¥19,988 million compared with the previous fiscal year. Although the Company incurred a loss before income taxes and minority interests of ¥850 million, cash flow improved mainly due to ¥13,900 million in non-cash expenses.

Cash flows from investing activities:

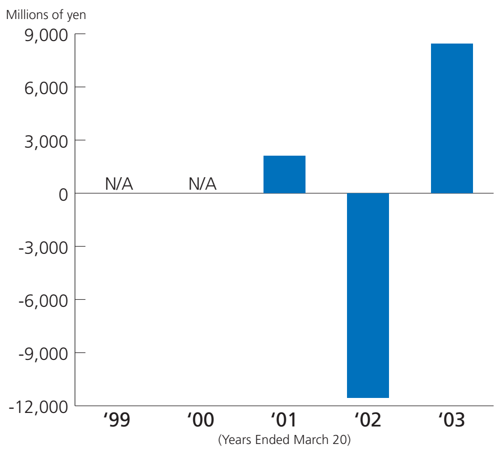
Net cash used in investing activities was ¥1,950 million. Proceeds from sales of marketable securities and fixed assets were ¥5,970 million, and payments for capital equipment and information technology investments totaled ¥7,303 million. Net cash used in investing activities improved by ¥6,057 million compared to previous fiscal year.

As a result free cash flow, calculated as cash flows from operating activities less cash flows from investing activities, was greatly improved from a negative amount of ¥19,550 million in the previous fiscal year to a positive ¥6,494 million.

Cash flows from financing activities:

Net cash used in financing activities was ¥6,526 million, a reversal of ¥29,715 million from the previous fiscal year. Although Yaskawa raised ¥7,801 million as proceeds from long-term debt, the Company decreased short-term borrowings by ¥9,939 million, repaid ¥4,707 million of long-term debt and redeemed ¥10,000 million of debentures.

Cash Flows from Operating Activities



Note: Disclosure of Cash Flows from Operating Activities commenced year ended March 20, 2001. Data from earlier periods is not available.

Consolidated Balance Sheets

Yaskawa Electric Corporation and Consolidated Subsidiaries As of March 20, 2003 and 2002

ASSETS	Millions of yen 2003	2002	Thousands of U.S. dollars (Note 3) 2003
Current assets:			
Cash and time deposits (Note 4)	**¥ 15,638**	¥ 16,138	**$ 129,884**
Short-term investments (Notes 4 and 5)	**1,360**	674	**11,296**
Trade receivables			
Notes	**13,562**	11,328	**112,641**
Accounts (Note 7)	**56,589**	50,360	**470,008**
Allowance for doubtful accounts	**(602)**	(609)	**(5,000)**
Inventories (Notes 6 and 7)	**54,162**	54,341	**449,842**
Other current assets (Note 9)	**17,752**	15,730	**147,442**
Total current assets	**158,461**	147,962	**1,316,113**
Investments:			
Investment securities (Note 5)	**8,965**	14,069	**74,460**
Investments in and advances to unconsolidated subsidiaries and affiliates	**3,975**	4,328	**33,015**
	12,940	18,397	**107,475**
Property, plant and equipment, at cost (Note 7)**:**			
Land	**9,411**	9,667	**78,164**
Buildings and structures	**35,612**	36,777	**295,781**
Machinery and equipment	**33,764**	34,193	**280,432**
Other	**24,077**	25,473	**199,975**
	102,864	106,110	**854,352**
Less accumulated depreciation	**(63,763)**	(63,197)	**(529,593)**
Net property, plant and equipment	**39,101**	42,913	**324,759**
Other assets (Note 9)	**27,139**	25,288	**225,407**
Total assets	**¥237,641**	¥234,560	**$1,973,754**

See notes to consolidated financial statements.

LIABILITIES AND SHAREHOLDERS' EQUITY	Millions of yen		Thousands of U.S. dollars (Note 3)
	2003	2002	**2003**
Current liabilities:			
Short-term bank loans (Notes 4 and 7)	**¥ 50,028**	¥ 61,160	**$ 415,515**
Current portion of long-term debt (Note 7)	**12,289**	4,458	**102,068**
Trade payables			
Notes payable	**7,817**	7,587	**64,925**
Accounts payable	**41,381**	31,251	**343,696**
Accrued income taxes (Note 9)	**2,483**	1,275	**20,623**
Other current liabilities	**24,584**	24,883	**204,170**
Total current liabilities	**138,582**	130,614	**1,150,997**
Long-term liabilities:			
Long-term debt (Note 7)	**36,879**	42,153	**306,304**
Accrued retirement benefits (Note 8)	**24,973**	19,825	**207,417**
Other long-term liabilities (Note 9)	**2,349**	2,365	**19,518**
Total long-term liabilities	**64,201**	64,343	**533,239**
Minority interests	**4,226**	3,078	**35,100**
Contingent liabilities (Note 10)			
Shareholders' equity (Note 11):			
Common stock:	**15,541**	15,541	**129,078**
Authorized: 560,000,000 shares			
Issued: 232,059,582 shares			
Additional paid-in capital	**14,750**	14,750	**122,508**
Retained earnings (deficit)	**(286)**	2,517	**(2,375)**
Net unrealized holding gain on securities	**250**	2,006	**2,076**
Foreign currency translation adjustments	**582**	1,720	**4,834**
Treasury stock, at cost: 609,209 shares in 2003; 18,110 shares in 2002	**(205)**	(9)	**(1,703)**
Total shareholders' equity	**30,632**	36,525	**254,418**
Total liabilities and shareholders' equity	**¥ 237,641**	¥ 234,560	**$1,973,754**

See notes to consolidated financial statements.

Consolidated Statements of Operations

Yaskawa Electric Corporation and Consolidated Subsidiaries   Years Ended March 20, 2003 and 2002

	Millions of yen		Thousands of U.S. dollars (Note 3)
	2003	2002	**2003**
Net sales	**¥226,144**	¥222,707	**$1,878,272**
Operating costs and expenses:			
Cost of sales (Note 12)	**165,318**	169,232	**1,373,073**
Selling, general and administrative expenses (Note 12)	**54,518**	57,203	**452,807**
Operating income (loss)	**6,308**	(3,728)	**52,392**
Other income (expenses):			
Interest and dividend income	**381**	625	**3,164**
Interest expense	**(2,188)**	(2,573)	**(18,173)**
Other, net (Note 13)	**(5,351)**	(13,221)	**(44,443)**
Loss before income taxes and minority interests	**(850)**	(18,897)	**(7,060)**
Income taxes (Note 9):			
Current	**2,702**	749	**22,442**
Deferred	**(1,039)**	(7,021)	**(8,630)**
Loss before minority interests	**(2,513)**	(12,625)	**(20,872)**
Minority interests	**11**	32	**91**
Net loss	**¥ (2,524)**	¥ (12,657)	**$ (20,963)**

PER SHARE OF COMMON STOCK	Yen		U.S. dollars
Net loss – basic	**¥ (11.00)**	¥ (54.54)	**$ (0.091)**
Cash dividends	**–**	–	**–**

See notes to consolidated financial statements.

Consolidated Statements of Shareholders' Equity

Yaskawa Electric Corporation and Consolidated Subsidiaries Years Ended March 20, 2003 and 2002

	Millions of yen		Thousands of U.S. dollars (Note 3)
	2003	2002	**2003**
Common stock			
Balance at beginning of year	**¥ 15,541**	¥ 15,541	**$ 129,078**
Balance at end of year	**¥ 15,541**	¥ 15,541	**$ 129,078**
Additional paid-in capital			
Balance at beginning of year	**¥ 14,750**	¥ 14,750	**$ 122,508**
Balance at end of year	**¥ 14,750**	¥ 14,750	**$ 122,508**
Retained earnings (deficit)			
Balance at beginning of year	**¥ 2,517**	¥ 16,780	**$ 20,905**
Net loss	**(2,524)**	(12,657)	**(20,963)**
Cash dividends	**–**	(928)	**–**
Bonuses to directors and corporate auditors	**(50)**	(127)	**(415)**
Effect of increase in consolidated subsidiaries	**19**	396	**158**
Effect of decrease in consolidated subsidiaries	**(248)**	(585)	**(2,060)**
Other	**–**	(362)	**–**
Balance at end of year	**¥ (286)**	¥ 2,517	**$ (2,375)**
Net unrealized holding gain on securities			
Balance at beginning of year	**¥ 2,006**	¥ –	**$ 16,661**
Net changes during the year	**(1,756)**	2,006	**(14,585)**
Balance at end of year	**¥ 250**	¥ 2,006	**$ 2,076**
Foreign currency translation adjustments			
Balance at beginning of year	**¥ 1,720**	¥ (325)	**$ 14,286**
Net changes during the year	**(1,138)**	2,045	**(9,452)**
Balance at end of year	**¥ 582**	¥ 1,720	**$ 4,834**
Treasury stock, at cost			
Balance at beginning of year	**¥ (9)**	¥ (1)	**$ (75)**
Net changes during the year	**(196)**	(8)	**(1,628)**
Balance at end of year	**¥ (205)**	¥ (9)	**$ (1,703)**

See notes to consolidated financial statements.

Consolidated Statements of Cash Flows

Yaskawa Electric Corporation and Consolidated Subsidiaries Years Ended March 20, 2003 and 2002

	Millions of yen		Thousands of U.S. dollars (Note 3)
	2003	2002	**2003**
Cash flows from operating activities			
Loss before income taxes and minority interests	**¥ (850)**	¥(18,897)	**$ (7,060)**
Depreciation and amortization	**6,752**	6,882	**56,080**
Interest and dividend income	**(381)**	(625)	**(3,164)**
Interest expense	**2,188**	2,573	**18,173**
Gain on sales of property, plant and equipment, net	**(172)**	(3,850)	**(1,429)**
Amortization of net retirement benefit obligation at transition	**5,698**	6,407	**47,325**
Write-down of investment securities	**1,493**	3,792	**12,400**
(Increase) decrease in trade receivables	**(8,944)**	25,057	**(74,285)**
(Increase) decrease in inventories	**(827)**	8,796	**(6,869)**
Increase (decrease) in trade payables	**10,806**	(23,721)	**89,751**
Other, net	**(3,404)**	(12,931)	**(28,272)**
Subtotal	**12,359**	(6,517)	**102,650**
Interest and dividend received	**428**	778	**3,555**
Interest paid	**(2,367)**	(2,672)	**(19,659)**
Income taxes paid	**(1,976)**	(3,133)	**(16,412)**
Net cash provided by (used in) operating activities	**8,444**	(11,544)	**70,134**
Cash flows from investing activities			
Purchases of property, plant and equipment and intangible assets	**(6,139)**	(10,907)	**(50,988)**
Proceeds from sales of property, plant and equipment	**2,228**	2,814	**18,505**
Purchases of investment securities	**(1,165)**	(509)	**(9,676)**
Proceeds from sales of investment securities	**2,510**	1,414	**20,847**
Other, net	**616**	(819)	**5,116**
Net cash used in investing activities	**(1,950)**	(8,007)	**(16,196)**
Cash flows from financing activities			
(Decrease) increase in shot-term debt	**(9,939)**	23,613	**(82,550)**
Proceeds from long-term debt	**7,801**	5,260	**64,792**
Repayments of long-term debt	**(4,707)**	(4,629)	**(39,095)**
Proceeds from issuance of convertible bonds	**9,964**	–	**82,757**
Redemption of bonds	**(10,000)**	–	**(83,056)**
Dividends paid to stockholders of the Company	**–**	(928)	**–**
Other, net	**355**	(127)	**2,949**
Net cash (used in) provided by financing activities	**(6,526)**	23,189	**(54,203)**
Effect of exchanges rate changes on cash and cash equivalents	**20**	84	**165**
Net (decrease) increase in cash and cash equivalents	**(12)**	3,722	**(100)**
Cash and cash equivalents at beginning of year	**16,228**	12,506	**134,784**
Increase due to inclusion of subsidiaries in consolidation	**139**	–	**1,155**
Decrease due to exclusion of subsidiaries from consolidation	**(87)**	–	**(723)**
Cash and cash equivalents at end of year (Note 4)	**¥16,268**	¥ 16,228	**$135,116**

See notes to consolidated financial statements.

1. Basis of Preparation

YASKAWA ELECTRIC CORPORATION (the "Company") and its domestic subsidiaries maintain their books of account in conformity with the financial accounting standards of Japan, and its foreign subsidiaries maintain their books of account in conformity with those of their countries of domicile.

The accompanying consolidated financial statements have been prepared in accordance with accounting principles and practices generally accepted and applied in Japan, which may differ in certain material respects from accounting principles and practices generally accepted in countries and jurisdictions other than Japan, and have been compiled from the consolidated financial statements prepared by the Company as required by the Securities and Exchange Law of Japan.

In preparing the accompanying consolidated financial statements, certain reclassifications and rearrangements have been made to the consolidated financial statements issued domestically in order to present them in a form that is more familiar to readers outside Japan.

2. Summary of Significant Accounting Policies

(a) Principles of consolidation and accounting for investments in unconsolidated subsidiaries and affiliates

The accompanying consolidated financial statements include the accounts of the Company and significant companies controlled directly or indirectly by the Company. Significant companies over which the Company exercises significant influence in terms of their operating and financial policies are included in the consolidated financial statements on an equity basis. All significant intercompany balances and transactions are eliminated in consolidation.

The excess of cost over underlying net assets at fair value as of the dates of acquisition is amortized over a period of 5 years on a straight-line basis.

Investments in subsidiaries and affiliates, which are not consolidated or accounted for by the equity method, are carried at cost or less. Where there has been a permanent decline in the value of such investments, the Company has written down the investments.

(b) Cash equivalents

All highly liquid investments with a maturity of three months or less when purchased are considered cash equivalents.

(c) Foreign currency translation

Monetary assets and liabilities denominated in foreign currencies are translated into yen at the exchange rates prevailing at the balance sheet date. All revenues and expenses associated with foreign currencies are translated at the rates of exchange prevailing when such transactions were made. The resulting exchange gains and losses are credited or charged to income.

The revenue and expense accounts of the foreign subsidiaries are translated into yen at the rates of exchange in effect at the balance sheet date. Except for the components of shareholders' equity, the balance sheet accounts are also translated into yen at the rates of exchange in effect at the balance sheet date. The components of shareholders' equity are translated at their historical exchange rates.

(d) Securities

Securities other than those of subsidiaries and affiliates are classified into three categories: trading, held-to-maturity or other securities. Trading securities are carried at fair value and held-to-maturity securities are carried at amortized cost. Marketable securities classified as other securities are carried at fair value with changes in unrealized holding gain or loss, net of the applicable income taxes, included directly in shareholders' equity. Non-marketable securities classified as other securities are carried at cost. Cost of securities sold is determined by the moving average method.

(e) Inventories

Ordered finished products and work in process are mainly stated at cost determined by the specific identification method. Standard finished products, semi-finished products and raw materials are mainly stated at cost determined by the average method.

(f) Allowance for doubtful accounts

The allowance for doubtful receivables is provided at an amount determined based on the historical experience of bad debt with respect to ordinary receivables, plus an estimate of uncollectible amounts determined by reference to specific doubtful receivables from customers which are experiencing financial difficulties.

(g) Property, plant and equipment and intangible fixed assets

Depreciation of property, plant and equipment is calculated principally by the declining-balance method. The useful lives of property, plant and equipment are summarized as follows:

Buildings and structures	3 to 50 years
Machinery and equipment	3 to 17 years

Maintenance and repairs, including minor renewals and improvements, are charged to income as incurred.

(h) Intangible fixed assets

Intangible fixed assets are amortized by the straight-line method.

Effective the year ended March 20, 2003, the Company's U.S. consolidated subsidiaries have adopted SFAS No. 142, "Goodwill and Other Intangible Assets." Under SFAS No. 142, goodwill and certain other intangible assets which have an indefinite useful life will no longer be amortized, but will be devalued for impairment on an annual basis and between annual tests as well if an event occurs or circumstances change that would more likely than not reduce the fair value below the carrying amount. As a result of the adoption of SFAS No. 142, loss before income taxes and minority interests for the year ended March 20, 2003 decreased by ¥534 million ($4,435 thousand) from the amount which would have been reported if the previous method of accounting (the straight-line method over 10 to 15 years) had been applied.

Capitalized computer software costs are being amortized over a period of five years.

(i) Accrued retirement benefits

Accrued retirement benefits for employees are provided mainly at an amount calculated based on the retirement benefit obligation and the fair value of the pension plan assets as of balance sheet date, as adjusted for unrecognized net retirement benefit obligation at transition, unrecognized actuarial gain or loss, and unrecognized prior service cost. The retirement benefit obligation is attributed to each period by the straight-line method over the estimated years of service of the eligible employees.

The net retirement benefit obligation at transition is being amortized principally over a period of five years by the straight-line method. Actuarial gain and loss are amortized in the year following the year in which the gain or loss is recognized primarily by the straight-line method over the average remaining years of service of the employees (16 years).

See Note 9 for the method of accounting for the separation of the substitutional portion of the benefit obligation from the corporate portion of the benefit obligation under Welfare Pension Fund Plan.

(j) Leases

Non-cancelable lease transactions are primarily accounted for as operating leases except that lease agreements which stipulate the transfer of ownership of the leased assets to the lessee are accounted for as finance leases.

(k) Research and development expenses and advertising costs

Research and development expenses and advertising costs are charged to income as incurred.

(l) Income taxes

Deferred tax assets and liabilities are determined based on the differences between financial reporting and the tax bases of the assets and liabilities and are measured using the enacted tax rates and laws which will be in effect when the differences are expected to reverse.

(m) Amounts per share

In accordance with a new accounting standard for earnings per share which became effective March 21, 2002, basic net loss per share for the year ended March 20, 2003 was computed based on the net loss attributable to shareholders of common stock and the weighted average number of shares of common stock outstanding during each year. Diluted net loss per share was computed based on the net loss attributable to the shareholders and the weighted average number of shares of common stock outstanding during each year assuming full conversion of convertible bonds. The effect of the adoption of this new standard on net loss per share for the year ended March 20, 2002 was immaterial.

No diluted net loss per share is presented for the years ended March 20, 2003 and 2002 because the effect of any conversion would be antidilutive.

Cash dividends per share represent the cash dividends declared as applicable to the respective years, together with the interim cash dividends paid.

(n) Derivative financial instruments

The Company has entered into various derivative transactions in order to manage certain risks arising from adverse fluctuations in foreign currency exchange rates and interest rates. Derivative financial instruments are carried at fair value with changes in unrealized gain or loss charged or credited to operations, except for those which meet the criteria for deferral hedge accounting under which unrealized gain or loss is deferred as an asset or a liability. Receivables and payables hedged by qualified forward foreign exchange contracts are translated at the corresponding foreign exchange contract rates.

(o) Treasury stock and reduction of legal reserves

Effective March 21, 2002, the Company adopted a new accounting standard for treasury stock and reduction of legal reserves. The effect of the adoption of this new standard was immaterial for the year ended March 20, 2003.

(p) Appropriation of retained earnings

Under the Commercial Code of Japan, the appropriation of retained earnings with respect to a given financial period is made by resolution of the shareholders at a general meeting to be held subsequent to the close of such financial period. The accounts for that period do not, therefore, reflect such appropriations.

3. U.S. Dollar Amounts

The Company and its consolidated subsidiaries in Japan maintain their books of account in yen. The U.S. dollar amounts included in the accompanying consolidated financial statements and the notes thereto represent the arithmetic results of translating yen into U.S. dollars at ¥120.4 = U.S.$1, the approximate rate of exchange prevailing on March 20, 2003.

The U.S. dollar amounts are presented solely for the convenience of the reader and the translation is not intended to imply that the assets and liabilities which originated in yen have been or could readily be converted, realized or settled in U.S. dollars at the above or any other rate.

4. Cash and Cash Equivalents

The components of cash and cash equivalents at March 20, 2003 and 2002 were as follows:

	Millions of yen		Thousands of U.S. dollars
	2003	2002	**2003**
Cash and time deposits	**¥ 15,638**	¥16,138	**$129,884**
Time deposits with a maturity of more than three months	**(124)**	(144)	**(1,030)**
Short-term investments with a maturity of three months or less	**1,054**	559	**8,754**
Bank overdrafts included in short-term bank loans	**(300)**	(325)	**(2,492)**
Cash and cash equivalents	**¥ 16,268**	¥16,228	**$135,116**

5. Securities

a) Information regarding marketable securities classified as other securities as of March 20, 2003 and 2002 is as follows:

	March 20, 2003					
	Millions of yen			Thousand of U.S. dollars		
	Acquisition cost	Carrying value	Difference	Acquisition cost	Carrying value	Difference
Securities whose carrying value exceeds their acquisition cost:						
Stocks	**¥ 2,370**	**¥ 3,719**	**¥ 1,349**	**$ 19,684**	**$ 30,889**	**$ 11,205**
Bonds	**162**	**165**	**3**	**1,346**	**1,370**	**24**
Others	**–**	**–**	**–**	**–**	**–**	**–**
Subtotal	**¥ 2,532**	**¥ 3,884**	**¥ 1,352**	**$ 21,030**	**$ 32,259**	**$ 11,229**
Securities whose acquisition cost exceeds their carrying value:						
Stocks	**¥ 4,346**	**¥ 3,433**	**¥ (913)**	**$ 36,096**	**$ 28,513**	**$ (7,583)**
Bonds	**–**	**–**	**–**	**–**	**–**	**–**
Others	**61**	**38**	**(23)**	**506**	**315**	**(191)**
Subtotal	**¥ 4,407**	**¥ 3,471**	**¥ (936)**	**$ 36,602**	**$ 28,828**	**$ (7,774)**
Total	**¥ 6,939**	**¥ 7,355**	**¥ 416**	**$ 57,632**	**$ 61,087**	**$ 3,455**

	March 20, 2002		
	Millions of yen		
	Acquisition cost	Carrying value	Difference
Securities whose carrying value exceeds their acquisition cost:			
Stocks	¥ 3,177	¥ 7,591	¥ 4,414
Bonds	32	34	2
Others	–	–	–
Subtotal	¥ 3,209	¥ 7,625	¥ 4,416
Securities whose acquisition cost exceeds their carrying value:			
Stocks	¥ 5,901	¥ 4,769	¥ (1,132)
Bonds	130	130	–
Others	60	48	(12)
Subtotal	¥ 6,091	¥ 4,947	¥ (1,144)
Total	¥ 9,300	¥ 12,572	¥ 3,272

b) Sales of securities classified as other securities for the years ended March 20, 2003 and 2002 is summarized as follows:

	Millions of yen		Thousands of U.S. dollars
	2003	2002	**2003**
Proceeds from sales	**¥2,510**	¥1,411	**$ 20,847**
Gains on sales	**1,618**	1,098	**13,439**
Losses on sales	**96**	57	**797**

c) The redemption schedule for securities with maturity dates classified as other securities as of March 20, 2003 is summarized as follows:

	March 20, 2003							
	Millions of yen				Thousands of U.S. dollars			
	Due within 1 year	Due after 1 year and within 5 years	Due after 5 years and within 10 years	Due after 10 years	Due within 1 year	Due after 1 year and within 5 years	Due after 5 years and within 10 years	Due after 10 years
Bonds	**¥ 95**	**¥ 60**	**¥10**	**–**	**$ 789**	**$ 498**	**$ 83**	**–**
Others	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**–**
Total	**¥ 95**	**¥ 60**	**¥10**	**–**	**$ 789**	**$ 498**	**$ 83**	**–**

6. Inventories

Inventories at March 20, 2003 and 2002 consisted of the following:

	Millions of yen		Thousands of U.S. dollars
	2003	2002	**2003**
Finished products	**¥ 26,587**	¥ 25,657	**$220,822**
Semifinished products, work in process	**10,005**	11,287	**83,090**
Raw materials	**17,570**	17,397	**145,930**
	¥ 54,162	¥ 54,341	**$449,842**

7. Short-Term Bank Loans and Long-Term Debt

The weighted average interest rates of short-term bank loans were 1.3% and 1.5% at March 20, 2003 and 2002, respectively.

Short-term bank loans at March 20, 2003 and 2002 consisted of following:

	Millions of yen		Thousands of U.S. dollars
	2003	2002	**2003**
Secured	**¥ 1,977**	¥ 5,020	**$ 16,420**
Unsecured	**48,051**	56,140	**399,095**
	¥50,028	¥61,160	**$415,515**

Long-term debt at March 20, 2003 and 2002 consisted of the following:

	Millions of yen		Thousands of U.S. dollars
	2003	2002	**2003**
Unsecured convertible bonds:			
0.30% due 2005	**¥ 15,000**	¥ 15,000	**$124,585**
Unsecured bonds:			
2.50% due 2003	**–**	10,000	**–**
1.66% due 2008	**10,000**	–	**83,056**
Bank loans with interest rates ranging from 0.87% to 7.07%, due through 2008:			
Secured	**1,610**	1,890	**13,372**
Unsecured	**22,558**	19,721	**187,359**
	49,168	46,611	**408,372**
Current portion of long-term debt	**(12,289)**	(4,458)	**(102,068)**
	¥ 36,879	¥ 42,153	**$306,304**

At March 20, 2003, unsecured convertible bonds, unless previously redeemed, were convertible at the option of the holders into shares of common stock of the Company at the current conversion prices as follows:

	Conversion price per share (yen)	Conversion period
0.3% bonds due 2005	¥ 952	September 1, 2000 – March 17, 2005

At March 20, 2003, if all the outstanding convertible bonds had been converted at the then current conversion prices, 15,756 thousand new shares of common stock would have been issuable.

Under the indentures and trust deeds of the convertible bonds, conversion price is subject to adjustment in certain cases which include stock splits. A sufficient number of shares of common stock is reserved for the conversion of all outstanding convertible bonds.

The aggregate annual maturities of long-term debt subsequent to March 20, 2003 are summarized as follows:

Year ending March 20,	Millions of yen	Thousands of U.S. dollars
2004	¥12,289	$102,068
2005	18,264	151,694
2006	3,112	25,847
2007	2,804	23,289
2008	11,064	91,894
2009 and thereafter	1,635	13,580
	¥49,168	$408,372

The assets pledged as collateral for short-term bank loans and long-term bank loans at March 20, 2003 and 2002 were as follows:

	Millions of yen		Thousands of U.S. dollars
	2003	2002	**2003**
Accounts receivable	**¥2,676**	¥2,857	**$ 22,226**
Inventories	**746**	811	**6,196**
Property, plant and equipment, at net book value	**4,472**	3,897	**37,143**
	¥7,894	¥7,565	**$ 65,565**

As is customary in Japan, substantially all loans from banks (including short-term loans) are made under general agreements which provide that, the request of the banks, the borrower is required to provide collateral or guarantors (or additional collateral or guarantors, as appropriate) with respect to such loans, and that all assets pledged as collateral under such agreements will be applicable to all present and future indebtedness to the banks concerned. These general agreements further provide that the banks have the right, as the indebtedness matures or becomes due prematurely by default, to offset deposits at the banks against the indebtedness due to the banks.

8. Retirement Benefit Plans

The Company and its domestic consolidated subsidiaries have defined benefit plans, i.e., welfare pension fund plans (WPFP) and lump-sum payment plans, covering substantially all employees who are entitled to lump-sum or annuity payments, the amounts of which are determined by reference to their basic rates of pay, length of service, and the conditions under which termination occurs.

The following table sets forth the funded and accrued status of the plans, and the amounts recognized in the consolidated balance sheet as of March 20, 2003 and 2002 for the Company's and the consolidated subsidiaries' defined benefit plans:

	Millions of yen		Thousands of U.S. dollars
	2003	2002	**2003**
Retirement benefit obligation	**¥(73,411)**	¥(121,183)	**$(609,726)**
Plan assets at fair value	**17,660**	54,655	**146,678**
Unfunded retirement benefit obligation	**(55,751)**	(66,528)	**(463,048)**
Unrecognized net retirement benefit obligation at transition	**10,782**	25,628	**89,551**
Unrecognized actuarial loss	**19,996**	21,075	**166,080**
Accrued retirement benefits	**¥(24,973)**	¥ (19,825)	**$(207,417)**

The substitutional portion of the benefits under the WPFP has been included in the amounts shown in the above table.

On January 17, 2003, the Company received approval from the Minister of Health, Labor and Welfare with respect to its application for an exemption from the obligation for benefits related to future employee services under the substitutional portion of the WPFP. In accordance with the transitional provision stipulated in "Practical Guidelines for Accounting for Retirement Benefits," the Company accounted for the separation of the substitutional portion of the benefit obligation from the corporate portion of the benefit obligation under its WPFP as of the date of approval of its exemption assuming that the transfer to the Japanese government of the substitutional portion of the benefit obligation and related pension plan assets had been completed as of that date. As a result, the Company recognized a gain of ¥126 million ($1,047 thousand) for the year ended March 20, 2003. The pension assets that are to be transferred were calculated at ¥30,411 million ($252,583 thousand) at March 20, 2003.

The components of retirement benefit expenses for the years ended March 20, 2003 and 2002 are outlined as follows:

	Millions of yen		Thousands of U.S. dollars
	2003	2002	**2003**
Service cost	**¥ 2,863**	¥ 2,823	**$ 23,779**
Interest cost	**3,133**	2,337	**26,022**
Expected return on plan assets	**(1,414)**	(799)	**(11,744)**
Amortization of net retirement benefit obligation at transition	**5,698**	6,407	**47,325**
Amortization of net actuarial loss	**1,298**	–	**10,781**
Periodic benefit costs before extraordinary adjustments	**11,578**	10,768	**96,163**
Gain on return of the substitutional portion of welfare pension fund plans	**(126)**	–	**(1,047)**
Total	**¥11,452**	¥10,768	**$ 95,116**

The assumptions used in the accounting for the above plans are as follows:

	2003	2002
Discount rate	**3.0%**	3.0%
Expected return on plan assets	**3.0%**	3.5%

9. Income Taxes

Income taxes applicable to the Company and its domestic consolidated subsidiaries comprised corporation tax, enterprise tax and inhabitants' taxes which, in the aggregate, resulted in a statutory tax rate of approximately 41.7% for both 2003 and 2002. Income taxes of the foreign consolidated subsidiaries are based generally on the tax rates applicable in their countries of incorporation.

The effective tax rates reflected in the consolidated statements of operations for the years ended March 20, 2003 and 2002 differs from the statutory tax rate for the following reasons:

	2003	2002
Statutory tax rate	**41.7%**	41.7%
Effect of:		
Net operating loss of subsidiaries	**–**	(5.7)
Elimination of unrealized profits	**–**	0.8
Expenses not deductible for income tax purposes	**(31.2)**	(1.1)
Dividend income deductible for income tax purposes	**–**	0.8
Elimination of dividend income from overseas subsidiaries	**(68.1)**	(2.1)
Equity in earnings of unconsolidated subsidiaries and affiliates	**(36.1)**	(1.1)
Changes in valuation allowance	**(95.0)**	–
Other, net	**(7.0)**	(0.1)
Effective tax rates	**(195.7)%**	33.2%

The significant components of deferred tax assets and liabilities as of March 20, 2003 and 2002 were as follows:

	Millions of yen		Thousands of U.S. dollars
	2003	2002	**2003**
Deferred tax assets:			
Allowance for doubtful accounts	**¥ 89**	¥ 103	**$ 739**
Accrued bonus	**1,205**	988	**10,008**
Retirement allowances	**8,151**	5,686	**67,699**
Investments securities	**2,595**	2,079	**21,553**
Constructive dividend	**299**	294	**2,483**
Inventories valuation	**925**	1,749	**7,683**
Tax loss carry forwards	**5,869**	6,709	**48,746**
Other	**1,791**	2,204	**14,876**
Total gross deferred tax assets	**20,924**	19,812	**173,787**
Valuation allowance	**(3,185)**	(2,725)	**(26,453)**
Total deferred tax assets	**17,739**	17,087	**147,334**
Deferred tax liabilities:			
Net unrealized holding gains on securities	**(174)**	(1,474)	**(1,445)**
Special tax-purpose reserve for condensed booking of reserve fixed assets	**–**	(272)	**–**
Other	**(142)**	(530)	**(1,180)**
Total deferred tax liabilities	**(316)**	(2,276)	**(2,625)**
Net deferred tax assets	**¥17,423**	¥14,811	**$144,709**

Net deferred tax assets and liabilities as of March 20, 2003 and 2002 were included in the consolidated balance sheets as follows:

	Millions of yen		Thousands of U.S. dollars
	2003	2002	**2003**
Other current assets	**¥ 6,711**	¥ 6,280	**$ 55,739**
Other assets	**10,835**	8,960	**89,991**
Other long-term liabilities	**(123)**	(429)	**(1,021)**
Net deferred tax assets	**¥ 17,423**	¥ 14,811	**$144,709**

10. Contingent Liabilities

The Company and its consolidated subsidiaries had the following contingent liabilities at March 20, 2003:

	Millions of yen	Thousands of U.S. dollars
Trade notes receivable discounted with banks	¥ 9,796	$ 81,362
Guarantor of indebtedness of:		
Employee	212	1,761
Others	151	1,254

11. Additional Paid-In Capital and Retained Earnings

In accordance with the Commercial Code of Japan (the "Code"), the Company has prepared a legal reserve, which was included in retained earnings. The Code provides that an amount equal to at least 10% of the amount to be disbursed as a distribution of earnings be appropriated to the legal reserve until the total of such reserve and the capital surplus account equals 25% of the common stock account. The legal reserve amounted to ¥2,732 million ($22,691 thousand) as of both March 20, 2003 and 2002.

The Code provides that neither capital surplus nor the legal reserve is available for dividends, but both may be used to reduce or eliminate a deficit by resolution of the shareholders or may be transferred to common stock by resolution of the Board of Directors. On October 1, 2001, an amendment (the "Amendment") to the Code became effective. The Amendment provides that if the total amount of capital surplus and the legal reserve exceeds 25% of the amount of common stock, the excess may be distributed to the shareholders either as a return of capital or as dividends subject to the approval of the shareholders. In addition, the Amendment eliminates the stated par value of the Company's outstanding shares, which resulted in all outstanding shares having no par value as of October 1, 2001. The Amendment also provides that all share issuances after September 30, 2001 will be of shares with no par value. Prior to the date on which the Amendment came into effect, the Company's shares had a par value of ¥50.

12. Research and Development Expenses

Research and development expense included in manufacturing cost and selling, general and administrative expenses for the years ended March 20, 2003 and 2002 amounted to ¥6,946 million ($57,691 thousand) and ¥7,683 million, respectively.

13. Other Income (Expenses)

Other income (expenses)-other, net for the years ended March 20, 2003 and 2002 consisted of the following:

	Millions of yen		Thousands of U.S. dollars
	2003	2002	**2003**
Gain on sales of investment securities	**¥ 1,522**	¥ 1,041	**$ 12,641**
Royalty income	**331**	703	**2,749**
Gain on expropriation of plant	**3,197**	–	**26,553**
Foreign exchange (losses) gains	**(286)**	174	**(2,375)**
Equity in losses of affiliates	**(702)**	(500)	**(5,831)**
Gain on sales of property, plant and equipment, net	**172**	3,850	**1,429**
Loss on write-down of investment securities	**(1,493)**	(3,792)	**(12,400)**
Amortization of net retirement benefit obligation at transition	**(5,698)**	(6,407)	**(47,325)**
Additional retirement benefits paid to employees	**(1,105)**	(2,451)	**(9,178)**
Business restructuring costs	**(661)**	(2,644)	**(5,490)**
Other, net	**(628)**	(3,195)	**(5,216)**
	¥(5,351)	¥(13,221)	**$(44,443)**

14. Derivative Financial Instruments

The Company has entered into forward foreign exchange contracts and interest rate swaps in order to hedge risks of adverse fluctuations in foreign currency exchange rates and interest rates associated with export-import transactions and financial liabilities, but does not enter into such transactions for speculative purposes.

The Company is exposed to credit risk in the event of nonperformance by the counterparties to the derivative transactions, but any such loss would not be material because the Company enters into transactions only with financial institutions with high credit ratings.

Execution and management of all derivative transactions are conducted pursuant to the internal management rule for derivatives by the Finance Department and the status of derivative transactions is reported on a monthly basis to the Board of Directors.

The fair value of the Companies' derivative financial instruments at March 20, 2003 and 2002 were as follows:

	March 20, 2003					
	Millions of yen			Thousands of U.S. dollars		
	Contract amount	Fair value	Unrealized gains (losses)	Contract amount	Fair value	Unrealized gains (losses)
Forward foreign exchange contracts:						
Sell						
U.S. dollars	**¥ 591**	**¥ 602**	**¥(11)**	**$ 4,909**	**$ 5,000**	**$(91)**

March 20, 2002 Millions of yen	Contract amount	Fair value	Unrealized gains (losses)
Forward foreign exchange contracts:			
Sell			
U.S. dollars	¥ 379	¥ 410	¥(31)

Note: The contract amounts of the forward foreign exchange contracts presented above exclude those entered into to hedge receivables and payables denominated in foreign currencies which have been translated and are reflected at their corresponding contracted rates in the accompanying consolidated balance sheets.

15. Leases

a) Lessors' accounting

The following amounts represent the acquisition costs, accumulated depreciation and net book value of leased assets relating to finance leases accounted for as operating leases at March 20, 2003 and 2002:

	Millions of yen		Thousands of U.S. dollars
	2003	2002	**2003**
Acquisition costs:			
Property, plant and equipment			
Machinery and equipment	**¥ 89**	¥ 236	**$739**
Accumulated depreciation:			
Property, plant and equipment			
Machinery and equipment	**¥ 70**	¥ 199	**$581**
Net book value:			
Property, plant and equipment			
Machinery and equipment	**¥ 19**	¥ 37	**$158**

Lease income relating to finance leases accounted for as operating leases in the accompanying consolidated financial statements amounted to ¥18 million ($150 thousand) and ¥38 million for the years ended March 20, 2003 and 2002, respectively. Depreciation of the assets leased under finance leases accounted for as operating leases income amounted to ¥18 million ($150 thousand) and ¥38 million for the years ended March 20, 2003 and 2002, respectively.

Future minimum lease income subsequent to March 31, 2003 for finance leases accounted for as operating leases is summarized as follows:

Year ending march 20,	Millions of yen	Thousands of U.S. dollars
2004	¥10	$ 83
2005 and thereafter	9	75
Total	¥19	$158

b) Lessees' accounting

The following pro forma amounts represent the acquisition costs (including the interest portion), accumulated depreciation and net book value of the leased property as of March 20, 2003 and 2002 which would have been reflected in the consolidated balance sheets if finance lease accounting had been applied to the finance leases currently accounted for as operating leases:

	Millions of yen		Thousands of U.S. dollars
	2003	2002	**2003**
Acquisition costs:			
Property, plant and equipment			
Machinery and equipment	**¥ 4,500**	¥ 4,604	**$ 37,375**
Other	**98**	171	**814**
Other assets			
Intangible fixed assets (Software)	**900**	1,106	**7,475**
	¥ 5,498	¥ 5,881	**$ 45,664**
Accumulated depreciation:			
Property, plant and equipment			
Machinery and equipment	**¥ 2,832**	¥ 2,763	**$ 23,521**
Other	**66**	126	**548**
Other assets			
Intangible fixed assets (Software)	**513**	649	**4,261**
	¥ 3,411	¥ 3,538	**$ 28,330**
Net book value:			
Property, plant and equipment			
Machinery and equipment	**¥ 1,668**	¥ 1,841	**$ 13,854**
Other	**32**	45	**266**
Other assets			
Intangible fixed assets (Software)	**387**	457	**3,214**
	¥ 2,087	¥ 2,343	**$ 17,334**

Lease payments relating to finance leases accounted for as operating leases amounted to ¥1,151 million ($9,660 thousand) and ¥1,178 million for the years ended March 20, 2003 and 2002, respectively. The depreciation expense of the leased assets computed by the declining-balance method over the respective lease terms amounted to ¥1,151 million ($9,660 thousand) and ¥1,178 million for the years ended March 20, 2003 and 2002, respectively.

Future minimum lease payments (including the interest portion thereon) subsequent to March 20, 2003 on non-cancelable operating leases and finance leases accounted for as operating leases are summarized as follows:

Year ending March 20,	Millions of yen		Thousands of U.S. dollars	
	Finance leases	Operating leases	Finance leases	Operating leases
2004	¥ 865	¥ 893	$ 7,185	$ 7,417
2005 and thereafter	1,228	6,124	10,199	50,864
Total	¥ 2,093	¥ 7,017	$ 17,384	$ 58,281

16. Segment Information

Business segments

The business segment information for the Company and its consolidated subsidiaries for the years ended March 20, 2003 and 2002 is outlined as follows:

	Year ended March 20, 2003						
	Millions of yen						
	Motion Control	Robotics Automation	System Engineering	Other	Total	Eliminations or Corporate	Consolidated
Net sales							
Sales to third parties	**¥86,314**	**¥ 67,094**	**¥39,510**	**¥33,226**	**¥226,144**	**¥ –**	**¥226,144**
Inter-segment sales	**3,144**	**5,291**	**3,870**	**12,307**	**24,612**	**(24,612)**	**–**
Total sales	**89,458**	**72,385**	**43,380**	**45,533**	**250,756**	**(24,612)**	**226,144**
Operating cost and expense	**89,153**	**69,400**	**42,120**	**43,852**	**244,525**	**(24,689)**	**219,836**
Operating income	**¥ 305**	**¥ 2,985**	**¥ 1,260**	**¥ 1,681**	**¥ 6,231**	**¥ 77**	**¥ 6,308**
Total assets	**¥91,315**	**¥ 72,691**	**¥32,627**	**¥34,268**	**¥230,901**	**¥ 6,740**	**¥237,641**
Depreciation	**3,699**	**2,006**	**678**	**381**	**6,764**	**(12)**	**6,752**
Capital expenditures	**2,844**	**2,017**	**917**	**295**	**6,073**	**–**	**6,073**

	Year ended March 20, 2003						
	Thousands of U.S. dollars						
	Motion Control	Robotics Automation	System Engineering	Other	Total	Eliminations or Corporate	Consolidated
Net sales							
Sales to third parties	**$716,894**	**$557,259**	**$328,156**	**$275,963**	**$1,878,272**	**$ –**	**$1,878,272**
Inter-segment sales	**26,113**	**43,945**	**32,143**	**102,218**	**204,419**	**(204,419)**	**–**
Total sales	**743,007**	**601,204**	**360,299**	**378,181**	**2,082,691**	**(204,419)**	**1,878,272**
Operating cost and expense	**740,473**	**576,412**	**349,834**	**364,219**	**2,030,938**	**(205,058)**	**1,825,880**
Operating income	**$ 2,534**	**$ 24,792**	**$ 10,465**	**$ 13,962**	**$ 51,753**	**$ 639**	**$ 52,392**
Total assets	**$758,430**	**$603,754**	**$270,988**	**$284,618**	**$1,917,790**	**$ 55,964**	**$1,973,754**
Depreciation	**30,723**	**16,661**	**5,632**	**3,164**	**56,180**	**(100)**	**56,080**
Capital expenditures	**23,621**	**16,752**	**7,616**	**2,450**	**50,439**	**–**	**50,439**

	Year ended March 20, 2002						
	Millions of yen						
	Motion Control	Robotics Automation	System Engineering	Other	Total	Eliminations or Corporate	Consolidated
Net sales							
Sales to third parties	¥81,558	¥67,955	¥37,391	¥35,803	¥222,707	¥ –	¥222,707
Inter-segment sales	2,401	4,792	5,662	12,993	25,848	(25,848)	–
Total sales	83,959	72,747	43,053	48,796	248,555	(25,848)	222,707
Operating cost and expense	90,058	72,555	42,181	47,536	252,330	(25,895)	226,435
Operating income (loss)	¥ (6,099)	¥ 192	¥ 872	¥ 1,260	¥ (3,775)	¥ 47	¥ (3,728)
Total assets	¥87,782	¥66,611	¥32,854	¥33,079	¥220,326	¥ 14,234	¥234,560
Depreciation	3,495	2,242	725	428	6,890	(8)	6,882
Capital expenditures	4,532	3,284	1,579	378	9,773	1,056	10,829

Notes: 1) The business segments are classified based on similarity of product nature and manufacturing methods and selling methods, etc.

2) Corporate assets included in "Eliminations or Corporate" at March 20, 2003 and 2002 amounted to ¥19,807 million ($164,510 thousand) and ¥24,765 million, respectively. The assets principally consisted of working capital (cash and cash equivalents), long-term investments (investment securities) of the Company.

3) Depreciation and capital expenditures include amortization of and additions to long-term prepaid expenses.

Geographical areas

The geographical segment information for the Company and its consolidated subsidiaries for the years ended March 20, 2003 and 2002 is outlined as follows:

	Year ended March 20, 2003						
	Millions of yen						
	Japan	North America	Europe	Asia	Total	Eliminations or Corporate	Consolidated
Net sales							
Sales to third parties	**¥155,678**	**¥33,710**	**¥26,763**	**¥ 9,993**	**¥226,144**	**¥ –**	**¥226,144**
Inter-segment sales	**29,319**	**209**	**918**	**3,682**	**34,128**	**(34,128)**	**–**
Total sales	**184,997**	**33,919**	**27,681**	**13,675**	**260,272**	**(34,128)**	**226,144**
Operating cost and expense	**181,299**	**34,053**	**26,179**	**12,633**	**254,164**	**(34,328)**	**219,836**
Operating income (loss)	**¥ 3,698**	**¥ (134)**	**¥ 1,502**	**¥ 1,042**	**¥ 6,108**	**¥ 200**	**¥ 6,308**
Total assets	**¥189,228**	**¥26,684**	**¥19,182**	**¥ 7,837**	**¥242,931**	**¥ (5,290)**	**¥237,641**

	Year ended March 20, 2003						
	Thousands of U.S. dollars						
	Japan	North America	Europe	Asia	Total	Eliminations or Corporate	Consolidated
Net sales							
Sales to third parties	**$1,293,007**	**$279,983**	**$222,284**	**$ 82,998**	**$1,878,272**	**$ –**	**$1,878,272**
Inter-segment sales	**243,513**	**1,735**	**7,624**	**30,581**	**283,453**	**(283,453)**	**–**
Total sales	**1,536,520**	**281,718**	**229,908**	**113,579**	**2,161,725**	**(283,453)**	**1,878,272**
Operating cost and expense	**1,505,804**	**282,839**	**217,432**	**104,921**	**2,110,996**	**(285,116)**	**1,825,880**
Operating income (loss)	**$ 30,716**	**$ (1,121)**	**$ 12,476**	**$ 8,658**	**$ 50,729**	**$ 1,663**	**$ 52,392**
Total assets	**$1,571,661**	**$221,628**	**$159,319**	**$ 65,091**	**$2,017,699**	**$ (43,945)**	**$1,973,754**

	Year ended March 20, 2002						
	Millions of yen						
	Japan	North America	Europe	Asia	Total	Eliminations or Corporate	Consolidated
Net sales							
Sales to third parties	¥151,029	¥38,448	¥27,238	¥ 5,992	¥222,707	¥ –	¥222,707
Inter-segment sales	23,797	121	844	3,171	27,933	(27,933)	–
Total sales	174,826	38,569	28,082	9,163	250,640	(27,933)	222,707
Operating cost and expense	179,187	41,683	26,139	8,503	255,512	(29,077)	226,435
Operating income (loss)	¥ (4,361)	¥ (3,114)	¥ 1,943	¥ 660	¥ (4,872)	¥ 1,144	¥ (3,728)
Total assets	¥174,941	¥35,635	¥16,291	¥ 5,439	¥232,306	¥ 2,254	¥234,560

Notes: 1) Geographical areas are divided into categories based on their geographical proximity.

2) Major nations or regions included in each geographical area:
(1) North America – U.S.A.
(2) Europe – Germany, Sweden, England
(3) Asia – Singapore, Korea, China

3) Corporate assets included in "Eliminations or Corporate" at March 20, 2003 and 2002 amounted to ¥19,807 million ($164,510 thousand) and ¥24,765 million, respectively. The assets principally consisted of working capital (cash and cash equivalents), long-term investments (investment securities) of the Company.

Overseas sales

Overseas sales, which include export sales of the Company and its domestic consolidated subsidiaries and sales (other than exports to Japan) of its foreign consolidated subsidiaries, for the years ended March 20, 2003 and 2002 are summarized as follows:

	Year ended March 20, 2003				
	Millions of yen				
	North America	Europe	Asia	Other	Total
Overseas sales	**¥ 33,489**	**¥ 27,123**	**¥ 22,802**	**¥ 3,987**	**¥ 87,401**
Consolidated net sales	**–**	**–**	**–**	**–**	**226,144**
Overseas sales as a percentage of consolidated net sales	**14.8%**	**12.0%**	**10.1%**	**1.8%**	**38.7%**

	Year ended March 20, 2003				
	Thousands of U.S. dollars				
	North America	Europe	Asia	Other	Total
Overseas sales	**$ 278,156**	**$ 225,282**	**$ 189,385**	**$ 33,115**	**$ 725,938**
Consolidated net sales	**–**	**–**	**–**	**–**	**1,878,272**
Overseas sales as a percentage of consolidated net sales	**14.8%**	**12.0%**	**10.1%**	**1.8%**	**38.7%**

	Year ended March 20, 2002				
	Millions of yen				
	North America	Europe	Asia	Other	Total
Overseas sales	¥ 39,049	¥ 28,439	¥ 18,525	¥ 4,922	¥ 90,935
Consolidated net sales	–	–	–	–	222,707
Overseas sales as a percentage of consolidated net sales	17.5%	12.8%	8.3%	2.2%	40.8%

Notes: 1) Geographical areas are divided into categories based on their geographical proximity.

2) Major nations or regions included in each geographical area are as follows:
(1) North America – U.S.A.
(2) Europe – Germany, Sweden, England
(3) Asia – Singapore, Korea, China

Independent Auditors' Report

The Board of Directors
YASKAWA ELECTRIC CORPORATION

We have audited the accompanying consolidated balance sheets of YASKAWA ELECTRIC CORPORATION and consolidated subsidiaries as of March 20, 2003 and 2002, and the related consolidated statements of operations, shareholders' equity, and cash flows for the years then ended, all expressed in yen. These financial statements are the responsibility of the Company's management. Our responsibility is to independently express an opinion on these financial statements based on our audits.

We conducted our audits in accordance with auditing standards, procedures and practices generally accepted and applied in Japan. Those standards, procedures and practices require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the consolidated financial position of YASKAWA ELECTRIC CORPORATION and consolidated subsidiaries at March 20, 2003 and 2002, and the consolidated results of their operations and their cash flows for the years then ended in conformity with accounting principles and practices generally accepted in Japan.

Supplemental Information

As described in Note 2 (h) to the consolidated financial statements, the Company's U.S. consolidated subsidiaries have adopted SFAS No. 142, "Goodwill and Other Intangible Assets," effective the year ended March 20, 2003.

The U.S. dollar amounts in the accompanying consolidated financial statements with respect to the year ended March 20, 2003 are presented solely for convenience. Our audit also included the translation of yen amounts into U.S. dollar amounts and, in our opinion, such translation has been made on the basis described in Note 3 to the consolidated financial statements.

Shin Nihon & Co.

June 18, 2003

See Note 1 to the consolidated financial statements which explains the basis of preparation of the consolidated financial statements of YASKAWA ELECTRIC CORPORATION and consolidated subsidiaries under Japanese accounting principles and practices.

Consolidated Five-Year Financial Summary

Yaskawa Electric Corporation and Consolidated Subsidiaries Years ended March 20

	Millions of yen					Thousands of U.S. dollars
	2003	2002	2001	2000	1999	**2003**
Net sales	**¥226,144**	¥222,707	¥266,068	¥229,844	¥227,457	**$1,878,272**
Cost of sales	**165,318**	169,232	191,178	169,016	166,044	**1,373,073**
Gross profit						
Selling, general and administrative expenses	**54,518**	57,203	62,877	56,812	60,817	**452,807**
Operating income (loss)	**6,308**	(3,728)	12,013	4,015	596	**52,392**
Income (loss) before income taxes and minority interests	**(850)**	(18,897)	6,755	(705)	(1,377)	**(7,060)**
Income taxes	**1,663**	(6,272)	3,239	908	2,259	**13,812**
Net income (loss)	**(2,524)**	(12,657)	3,319	(1,712)	(3,880)	**(20,963)**
At Year-End						
Total assets	**¥237,641**	¥234,560	¥252,912	¥240,932	¥227,335	**$1,973,754**
Shareholders' equity	**30,632**	36,525	47,070	43,458	38,468	**254,418**
Per Share Data	Yen					U.S. dollars
Net income (loss)	**¥ (11.00)**	¥ (54.54)	¥ 14.31	¥ (7.38)	¥ (16.72)	**$ (0.091)**
Cash dividends	**–**	–	4.00	–	–	**–**
Shareholders' equity	**132.31**	157.41	202.84	187.27	165.77	**1.10**
Ratios	%					
Return on equity	**(7.5)**	(30.3)	7.3	(4.2)	(9.5)	
Return on assets	**(1.1)**	(5.2)	1.3	(0.7)	(0.8)	
Shareholders' equity ratio	**12.9**	15.6	18.6	18.0	16.9	

Note: Dollar figures are translated, for convenience only, at the rate of ¥120.4 to US$1.

Main Subsidiaries

Japan

YASKAWA ELECTRIC ENGINEERING CORPORATION	Maintenance, trial operation, and adjustment of electric equipment as well as technical guidance
YASKAWA MOTOR CORPORATION	Design, manufacture, sales, and maintenance of motors, generators and motor applications
Y-E DATA INC.	Manufacture and sales of computer peripherals and terminals equipment; Ontrack Data Recovery service
YASKAWA INFORMATION SYSTEMS CO., LTD.	Information processing services, software development, and sales of system equipment
YASKAWA CONTROLS CO., LTD.	Manufacture and sales of electric equipment and related components, such as switches and controllers
YASKAWA MECHATREC CORPORATION	Sales of electric equipment and various other types of machinery devices
OJI ELECTRIC MFG. CO., LTD.	Manufacture and sales of electric equipment
YASKAWA LOGISTEC CORPORATION	Comprehensive distribution and logistics planning
YASKAWA OBVIOUS COMMUNICATIONS INC.	Planning, implementation, and production of tools and materials for advertising, promotion, and education
YASKAWA BUSINESS STAFF CORPORATION	Temporary personnel, fee-based employment agency, security business, and various out-sourcing businesses
DOEI CORPORATION	Sales of various products, insurance and travel agency business, and the management and operation of dining facilities and real estate

North America

YASKAWA ELECTRIC AMERICA, INC.	U.S.A.	Import, manufacture, sales, and service of electric equipment
MOTOMAN INC.	U.S.A.	Manufacture, sales, and service of robots and robot systems
SYNETICS SOLUTIONS INC.	U.S.A.	Development, design, production and sales of semiconductor manufacturing equipment

Europe

YASKAWA ELECTRIC EUROPE GMBH	Germany	Import, sales, and service of electric equipment
MOTOMAN ROBOTEC GMBH	Germany	Manufacture, sales, and service of robots and robot systems
MOTOMAN ROBOTICS EUROPE AB	Sweden	Manufacture, sales, and service of robots and robot systems
YASKAWA ELECTRIC UK LTD.	United Kingdom	Manufacture, sales, and service of inverters

Asia

YASKAWA ELECTRIC (SHANGHAI) CO., LTD.	China (Shanghai)	Import, sales and service of electric equipment
SHANGHAI YASKAWA-TONGJI M&E CO., LTD.	China (Shanghai)	Manufacture, sales, and service of electric equipment
Y-E DRIVE COMPANY LIMITED SHANGHAI	China (Shanghai)	Manufacture and sales of electric equipment
YASKAWA ELECTRIC (SINGAPORE) PTE. LTD.	Singapore	Import, sales, and service of electric equipment
YASKAWA ELECTRIC KOREA CORPORATION	Korea	Import, sales, and service of electric equipment
YASKAWA ELECTRIC TAIWAN CORPORATION	Taiwan	Import, sales, and service of electric equipment

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As of June 18, 2003

Chairman of the Board
Hiroshi Nagatsugi

President and Chief Executive Officer
Shin Nakayama

Executive Managing Directors
Junichi Hamada
Koji Toshima

Managing Directors
Takeshi Tanaka
Kenichi Matsumoto
Masakazu Hatori
Koichi Takei
Sadahiro Iwata
Hajime Masubuchi
Norio Miyahara

Directors
Keiichi Ishikawa
Masao Kito
Kaneyuki Hamada
Toshihiro Sawa

Standing Auditor
Isao Nakamura

Auditors
Muneshige Yamazaki
Masaaki Tani
Shuzo Ogawa

Corporate Data

Trade name YASKAWA Electric Corporation

Established July 16, 1915

Employees 7,720 (Consolidated)

Main products

MOTION CONTROL
AC servo motors and controllers, general-purpose inverters, AC main axis motors and controllers for machine tools, linear motors and controllers, DC servo motors and controllers, high-speed motors, small-scale precision motors, hybrid motors, energy-saving motors and inverters, high-frequency inverters, programmable controllers, machine controllers, numerical control systems, vision systems, etc.

ROBOTICS AUTOMATION
Arc welding robots, spot welding robots, painting robots, handling robots, clean/vacuum room robots for semiconductor and liquid crystal manufacturing equipment, special actuators, transfer systems for clean/vacuum room use, robot-application FA systems, medical care and welfare service robots, etc.

SYSTEM ENGINEERING
Electrical systems for steel plants, electrical instrumentation for service water supply plants and sewage treatment facilities systems, roadway equipment power supplies, system, electrical equipment systems for environmental plants, elevator control systems, power mechatronics systems, control systems for harbor loading and unloading cranes, variable-speed drive systems for products such as paper, film or liquid crystals, system information control equipment, medium-capacity high-pressure inverters, high-pressure switching devices, control centers, system control panels, electric power distribution equipment, permanent magnet internal rotators, medium and large induction motors, small power generators and power generation equipment, etc.

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