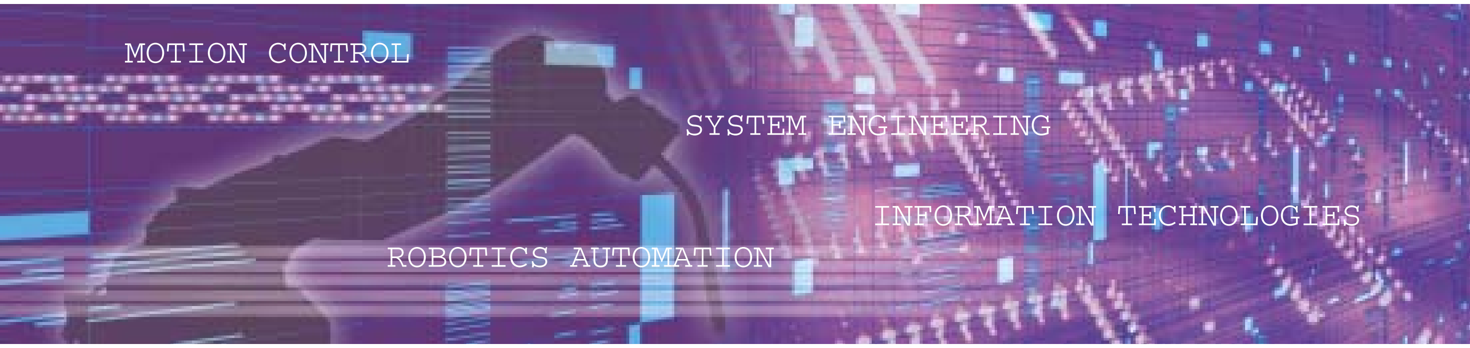


YASKAWA ELECTRIC CORPORATION

2004 ANNUAL REPORT

Year Ended March 20, 2004

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

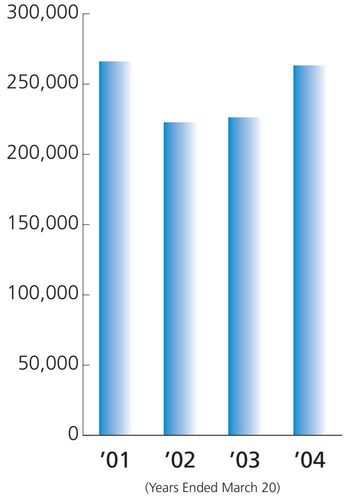
Consolidated Financial Highlights

Yaskawa Electric Corporation and Consolidated Subsidiaries Years ended March 20

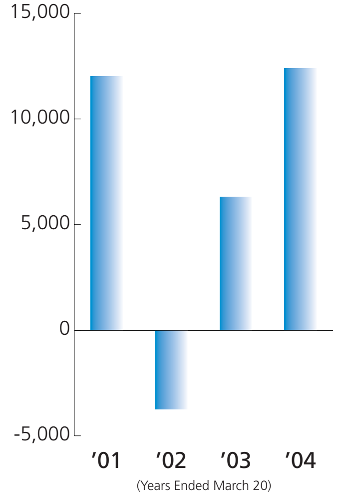
	Millions of yen				Thousands of U.S. dollars (except per share amounts)
	2004	2003	2002	2001	**2004**
Net sales	**¥263,045**	¥226,144	¥222,707	¥266,068	**$2,462,277**
Operating income (loss)	**12,407**	6,308	(3,728)	12,013	**116,138**
Income (loss) before income taxes and minority interests	**11,089**	(850)	(18,897)	6,755	**103,800**
Net income (loss)	**5,820**	(2,524)	(12,657)	3,319	**54,479**
Per Share Data					
Net income (loss) (Yen)	**¥ 24.80**	¥ (11.00)	¥ (54.54)	¥ 14.31	**$ 0.232**
Cash dividends (Yen)	**3.00**	–	–	4.00	**0.028**
At Year-End					
Total assets	**¥249,830**	¥237,641	¥234,560	¥252,912	**$2,338,575**
Shareholders' equity	**36,716**	30,632	36,525	47,070	**343,686**

Note: Dollar figures are translated, for convenience only, at the rate of ¥106.83 to US$1.

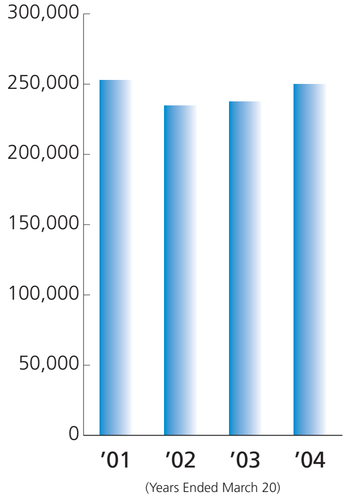
Net Sales
Millions of yen



Operating Income (Loss)
Millions of yen



Total Assets
Millions of yen



Shin Nakayama
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.

Progress and Results

The first half of 2003 was a period of instability in world affairs influenced by the war in Iraq and SARS. The Japanese economy failed to recover due to a slump in personal consumption resulting from the tight employment situation and continued deflation. During the latter half of 2003, however, the economy experienced a strengthening recovery due to increases both in exports to the United States and other countries and in domestic capital expenditures despite the stronger yen and weakening dollar. In the international economy, while the European economy remained weak, the United States experienced a clear and definite economic recovery and Asia remained strong.

In the midst of this economic environment, we began the new Win21 Plus mid-term plan to transform the Company into a high-earning enterprise by 2005. The new plan seeks to further expand the results of the original Win21 plan's structural reforms in the four areas of business, corporate, management and finance. Through these four areas and in combination with achieving the targets of the original mid-term plan, Win21 Plus is focused on strengthening business competitiveness and realizing greater efficiency of business operations. With the 2003 fiscal year as the starting year of the Win21 Plus three-year plan, establishing a cost model framework and balance sheet reforms are two key objectives in realizing a solid financial infrastructure that is consistent with the goal of becoming a high-earning enterprise.

In addition to cost reductions in current products, products with a high added value and new competitively priced products were developed or introduced to the marketplace in efforts to realize a new cost model and increase the Company's profit ratio. Also, along with an increase in productivity of Yaskawa Group manufacturing companies within Japan, a worldwide production system that utilizes the most suitable location has progressed, as demonstrated by the increased production in China. Furthermore, expansion of the centralization of the Company's purchasing system and the purchasing of parts overseas resulted in a reduction in the costs of parts and procurement of materials. Also, increased effectiveness through business process improvement and right-sizing of the workforce has progressed the reduction of overhead costs.

In regard to the balance sheet reforms,while orders largely increased, use of ERP/SCM (Enterprise Resource Planning/Supply Chain Management) made it possible to have detailed control over daily inventory. This combined with the effects of a better turnover of trade receivables resulted in the compression and greater efficiency of assets, which helped provide the liquidity necessary to decrease interest-incurring debt.

The positive results of this year were largely due to the focused effort on increased orders from growing markets such as the semiconductor-, LCD- and automobile-related markets as well as results stemming from the measures mentioned above. Recovery of the U.S. economy contributed to the strong growth of our exports, and with the establishment this year of the Chinese Market Strategy Department, promotion into the fast-growing Chinese market is advancing.

As a result of driving forward the policies based on Win21 Plus, sales rose 16.3% over last period to ¥263 billion. Operating income increased ¥6.1 billion to end the period at ¥12.4 billion, and net income substantially improved by ¥8.3 billion to set a record of ¥5.8 billion for the period.

Koji Toshima
President

Management Initiatives and Challenges

The economic forecast as of now is a recovery of the world economy. Included in this is a continued general recovery of the Japanese economy along with ongoing growth of exports and domestic capital expenditures and a positive outlook on the sluggish personal consumption and non-manufacturing industries. However, other expectations include continued appreciation of the yen, high energy and raw material prices, and region-specific unrest overseas, all of which could have a negative impact on the Japanese economy.

As we carry out the many initiatives of Win21 Plus to transform the Yaskawa Group into a high-earning enterprise, we are developing policies to make this year a year in which the Company will be in a position to plan for business expansion while adding greater value to our products and services. This will be made possible through our market strategy and innovation.

To increase added value, the structural ratio of new products with reduced costs will be increased and key promotion efforts will focus on high-profit products and markets.

Within the Group, our manufacturing companies will continue to increase productivity even more, further expand manufacturing overseas, and enforce even stricter cost-reduction measures to lower procurement costs. In this fiscal year, we will strive for further profitability improvements and continually maximize earnings through consistent reform and improvement of the cost structure.

Greater coordination between the strategies for marketing and product development is being implemented. In addition, the timely introduction of strategic, new products into the stably growing automobile-related market, the rapidly growing LCD- and semiconductor-related market and the Chinese markets are advancing business expansion.

Furthermore, with policies that contain a mid-term view, future competitiveness and growth potential will be ensured through accelerating both the development of core competencies and the fostering of new generations of technologies. Along with the strengthening of our brand-name image with a focus on our quality and technology, the realization of the Company as a high-profit organization will be advanced.

We appreciate the continued support and understanding from all of our shareholders.

Shin Nakayama

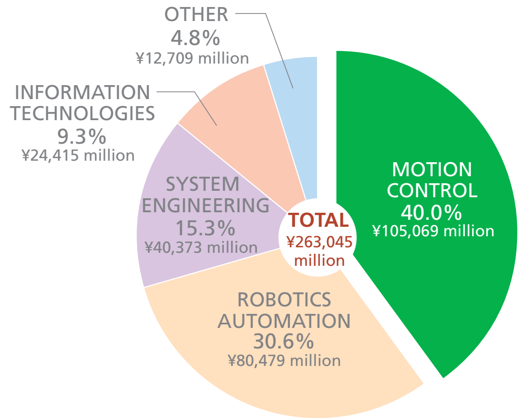
Shin Nakayama
Chairman of the Board

K. Toshima

Koji Toshima
President

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.

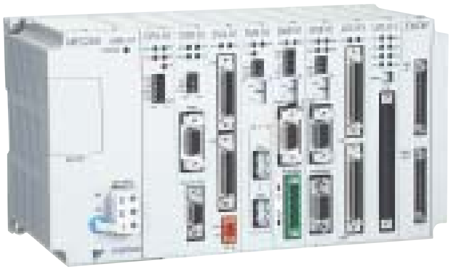


2004 Business Segments
* Year Ended March 20
* does not include inter-segment sales

Main products

AC servomotors and controllers, general-purpose inverters, AC spindle motors and controllers for machine tools, linear motors and controllers, DC servomotors and controllers, high-speed motors, compact precision motors, hybrid motors, energy-saving motors and inverters, high-frequency inverters, programmable controllers, machine controllers, numerical control systems, vision systems, etc.

PRODUCT INFORMATION



Machine Controller MP2200

With a high-speed control cycle of 0.5 ms that ranks at the top of the industry and full synchronous control of 256 axes, the MP2200 is our leading model in machine controllers. Strong promotional campaigns for these greater high-speed, high-accuracy machines have been planned for our entry into new markets.

Note: 1 ms = 1/1000 sec.

Energy-saving Variable Speed Inverter Drive Varispeed F7S

To increase the energy savings of fluid machinery, the Varispeed F7S inverter drive employs the world's most innovative technology on the leading edge in energy savings. In accordance with energy-conservation laws, greater efficiency and new functions are required for energy management, and the heating, ventilation, and air conditioning of large-scale buildings, factories, and businesses are being targeted. Ongoing promotional activities are planned to continue for the Varispeed F7S.

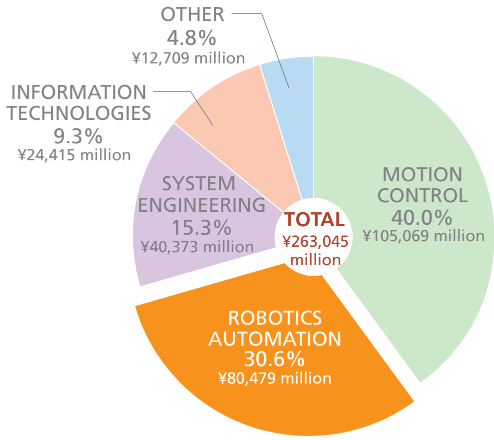
Compact High-precision Linear Slider Σ-Trac-μ (Micro) Series

The Σ-Trac-μ series of thin, high-accuracy linear sliders is designed to meet the increasing demands for miniaturization in the production of several types of digital products, including digital cameras and DVD recorders. Compared to rotary motors with precision capabilities of 2 μm to 5 μm, the Σ-Trac-μ series of linear sliders has a positioning accuracy within 0.5 μm. In addition to its current usages, applications in inspection apparatus and medical equipment are also being explored.

Note: 1 ms = 1/1000 sec.

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.



2004 Business Segments
* Year Ended March 20
* does not include inter-segment sales

Main products

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

PRODUCT INFORMATION

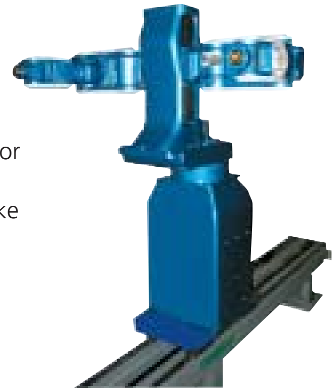
LCD Glass Substrate Transfer Robots(6th and 7th Generations) MOTOMAN-CSL2200D and 2400D

As demand in the market shifts to larger LCD screens, the substrate sizes of mother glass have also grown. Yaskawa's clean robots for the transferring of sixth-generation substrates (1500 mm x 1900 mm) and seventh-generation substrates (1800 mm x 2400 mm) have been introduced to the market, and sales/orders are expected to increase.

Dual-arm Vacuum Robot XU-RV1060D6 for Transferring Glass Substrates

In addition to our single-arm vacuum robot series, we have developed the XU-RV1060D6 dual-arm vacuum robot. Because dual-arm robots can handle glass substrates at a faster rate than single-arm robots, they are invaluable for improving the productivity of production systems in vacuum environments and have been well received by the market.

Compact Dual-arm Handling Robot MOTOMAN-UPJ3D



The UPJ3D is a dual-arm handling robot that was developed for the assembly and handling of smaller goods. It's dual arms allow for human-like movement that, when combined with like robots, allows for hand-to-hand exchanges. New markets are being explored for this new model.

Topics

MOTOMAN Production Surpassed 100,000 Units

In 1977, the first generation of MOTOMAN robots was released. Cumulative shipments reached 10,000 by 1988 and totaled 50,000 by 1998. In the short five-year span since then, shipments rapidly rose to surpass 100,000 units. The commemorative 100,000th unit was a MOTOMAN-ES165N,a new spot-welding robot, designed for a top European car manufacturer.

Share Position

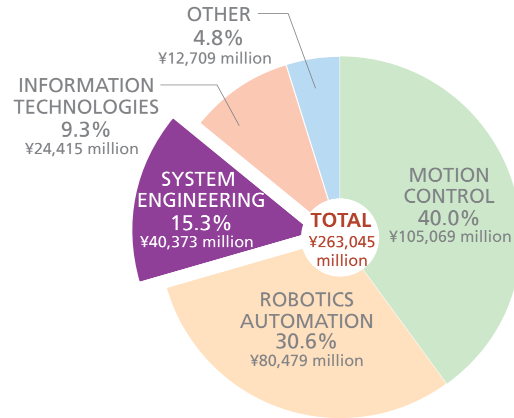
The MOTOMAN series held the top share in 2002 based on shipments, holding 18% of the market. Yaskawa continued to hold the top share for arc-welding robots (43% in 2002) and clean robots for transferring glass substrates (60% in first half of FY2003).

SYSTEM ENGINEERING

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

Main products

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-voltage inverters, high-voltage 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.

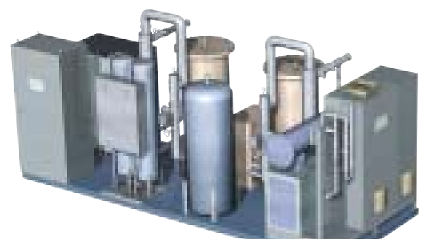


2004 Business Segments
* Year Ended March 20
* does not include inter-segment sales

PRODUCT INFORMATION

On-site Ozone Water Treatment Equipment

Government and local bodies have a continued need for water-treatment techniques to purify water from a variety of sources, including water parks, restrooms, and car washes. Ozone treatment is an effective approach but requires large-scale layouts and factories. Yaskawa has developed an innovative solution to this problem by creating compact, economical, on-site water treatment facilities. To ensure the effective utilization of the water treatment equipment and to further improve the quality of the wastewater, we are currently submitting proposals to several local governments.



Actual product may differ.

Main Results

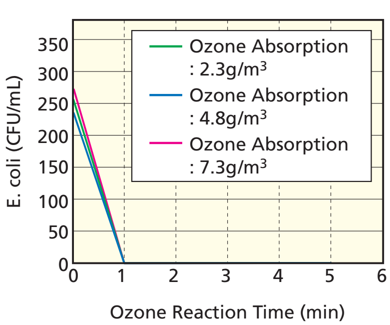
Our tests show impressive results in the removal of bacteria, color, and odors and other applications.

- Elimination of bacteria including E. coli
- Decreased COD (chemical oxygen demand) levels
- Reduced residual color
- Elimination of odors

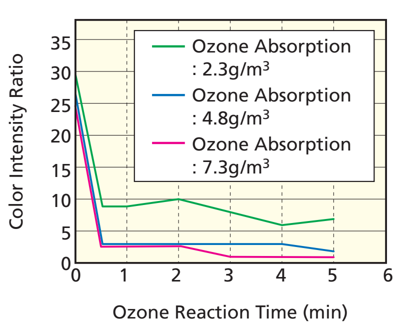
Before Treatment

After Treatment

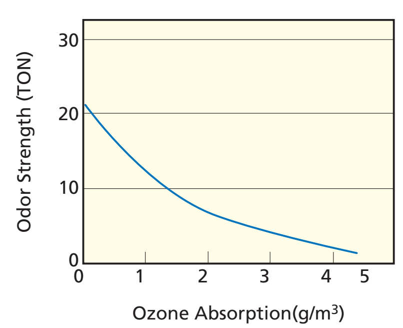
Elimination of E. coli



Decolorization



Elimination of Odors



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

Testing of Next-generation Technology SmartPal

With the next generation of robotics technology focusing on the cooperation and coexistence of humans and robots, we are currently developing SmartPal as a platform for testing the new technology. Not limited to simple human interaction, SmartPal will also have uses in industry along with household and office activities. Development of this next generation of robot continues to advance.

SmartPal was unveiled at the International Robot Fair 2004 held at the West Japan General Exhibition Center. When asked to pick up an item, SmartPal was able to decisively distinguish it from a number of items on the table, gently pick it up, and hand it to the person, earning a warm response from those in attendance. The crowd also anxiously gathered to ask questions, and an enthusiastic interest in robots was evident throughout the event.

*Metallic Molding with Automatic Polishing System**

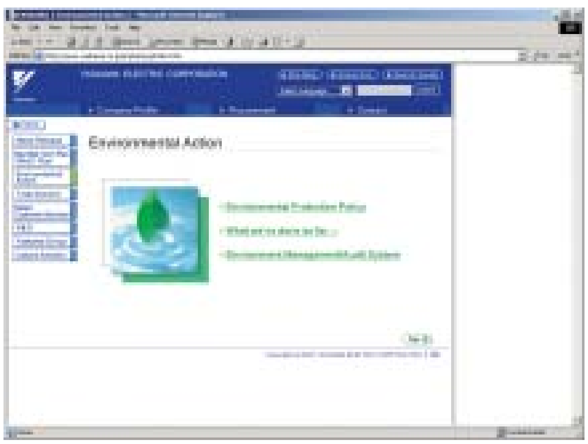
The demand for metallic molds used in plastic bottle production has been rising in recent years, but the making of these molds remains a labor-intensive process in which the pressure used to mold and polish a three-dimensional metallic surface must be carefully managed. Up until now metallic molding was entrusted only to expert craftsmen. Yaskawa, however, has successfully developed an automatic finishing system that employs a manipulator equipped with an elastic polishing device. With the system, the manipulator has the ability to imitate the polishing operations of an expert craftsman, and the control software installed in the system allows the user to regulate the motion and strength from a personal computer.

*Demonstration as part of Regional New Consortium Projects sponsored by METI

Environmental Protection Program

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

Yaskawa Electric is committed to solving environmental problems through programs and activities that promote pollution prevention. In 1993, we adopted the Environmental Protection Promotion Plan along with measures such as the formation of environmental groups and internal audits to ensure environmental responsibility. This helped establish an environmental management system, eventually earning us certification in environmental management showing compliance to ISO 14001 at all five domestic production sites by April 2001. As a way of encouraging continued improvement every year, environmental audits are regularly conducted by outside organizations. For more information on this program, please visit Yaskawa's website at http://www.yaskawa.co.jp/en/.



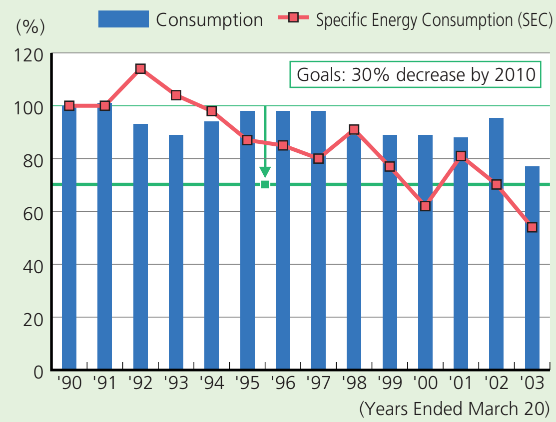
Energy Conservation and Prevention of Global Warming (See graph ❶.)

Regarding greenhouse gasses, specifically CO_2 emissions, we have independently set an environmental standard of a 30% decrease by 2010 of CO_2 emissions per unit of production in comparison to 1990 levels. Every day more new activities are being undertaken to conserve energy. At our casting factory, the energy consumption per unit of production is being reduced as a result of measures taken in 2003 to improve productivity.

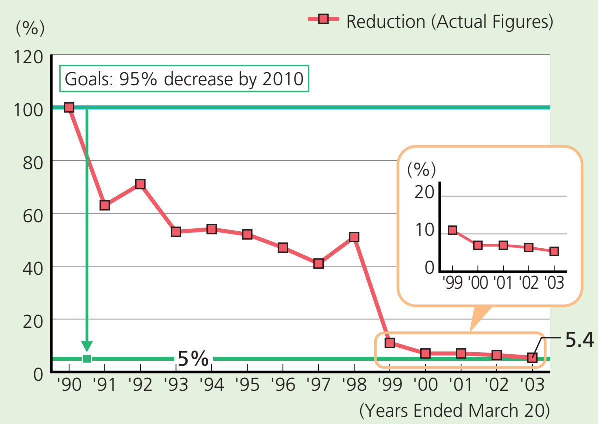
Reduced Production Waste (See graphs ❷ and ❸.)

For the disposal of production waste from our factories, we surpassed our target (a 60% decrease of 1990 levels by 2010) in 1999 and went on to achieve a 95% reduction. This was accomplished through our continued efforts of realizing recycling-oriented socio-economic practices. As a result of the separation of trash, the increased reuse of resources, and other measures, the production waste per unit of production decreased for the year 2003 in comparison to the previous year.

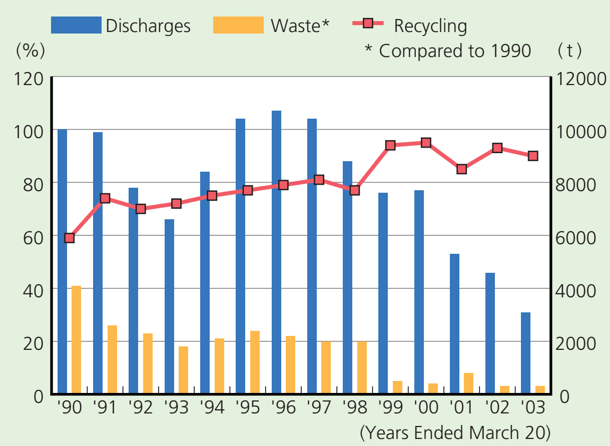
❶ Energy Consumption



❷ Industrial Waste Disposal SEC



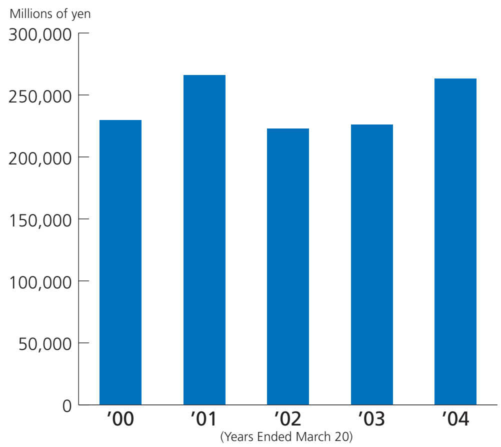
❸ Industrial Waste Discharges and Recycling Rate



Financial Section

Beginning this period, the Yaskawa Group has implemented the new Win21 Plus Mid-term Plan which will run for three years until fiscal year 2005. This plan seeks to further expand the results of the original Win21 plan's structural reforms in the four areas of business, corporate, management and finance. Through these four areas and in combination with achieving the targets of the original mid-term plan, Win21 Plus is focused on strengthening business competitiveness and realizing greater efficiency of business operations.

Net Sales



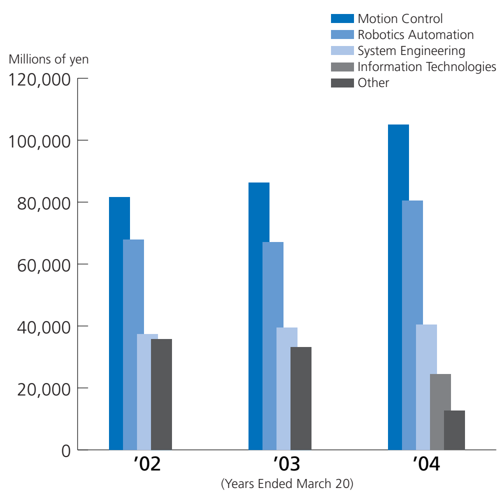
Group Overview

The Yaskawa Group includes 74 subsidiaries and 24 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, 2004, Yaskawa accounts for 62 companies as consolidated subsidiaries, 18 firms as affiliated companies to which equity method accounting is applied and four companies as non-consolidated subsidiaries to which equity method accounting is applied.

The Group is organized into five main business segments. These are Motion Control (AC servomotors and controllers, general purpose inverters, etc.), Robotics Automation (welding, painting and handling robots, clean room and vacuum room robots for use with semiconductor and liquid crystal manufacturing devices, etc.), System Engineering (electrical machinery systems for steel plants, electrical instrumentation for service water supply plants and sewage treatment facilities systems, etc.), Information Technologies (floppy disk drives, information processing services, etc.), and Other (distribution services, etc.).

The Other segment originally included Information Technologies as well. However, due to the increased importance of the operating income in this segment, Information Technologies will be accounted for and shown separately from Other starting this year. Year-on-year comparison ratios of consolidated results for these segments have been recalculated to include this change.

Net Sales by Segment



Net Sales

For the fiscal year ended March 20, 2004, Yaskawa recorded consolidated net income of ¥263,045 million, an increase of 16.3% over the previous fiscal year. By product segment, we expanded sales in the Motion Control, Robotics Automation and Other segments, which helped to increase total consolidated net sales compared to the previous fiscal year. Sales in our System Engineering and information Technologies segments were roughly even with the previous year. Business segment results are reported below.

Motion Control

The AC servomotor sales associated with the markets related to LCD manufacturing devices and metal working machinery again showed strong growth for the period. Sales in the semiconductor equipment markets recovered in the latter half of this year, and inverter sales continued to be strong due to increasing exports to the continuously high capital expenditure Chinese markets. As a result, sales for the segment increased by 21.7% to ¥105,069 million.

Robotics Automation

The automobile-related markets experienced large increases in sales of products for arc welding and especially for spot welding, with special note of the customers' high evaluation of our robots with built-in cables. Sales also greatly increased for painting applications, increasing our overall share in these products. Sales of new LCD panel transfer robots grew substantially due to the timely introduction of new products designed to handle larger panels and expansion into Korea and Taiwan. In July 2003, new robots for optimum end-user welding and handling were increasingly being introduced to the market with heightened promotion efforts. Concerning semiconductor production equipment, vacuum and clean robot orders were sluggish in the first half of the fiscal year but quickly recovered in the latter half. As a result, sales increased by 19.9% to ¥80,478 million.

System Engineering

Demand for equipment in steel plants compensated for the influence of increased competition experienced in the area of automation systems for wastewater process equipment. As a result, sales increased over the previous fiscal year by 2.2% to ¥40,373 million.

Information Technologies

Prices in information processing services and computer peripherals continued their downward trend due to intense market competition. Sales for the Information Technologies segment increased by 3.5% to ¥24,414 million.

Other

Sales in this segment increased by 32.0% to ¥12,709 million.

By geographical area, sales in Japan increased by 18.4% to ¥219,104 million, sales in North America increased by 3.6% to ¥35,154 million, sales in Europe increased by 17.4% to ¥32,490 million and sales in Asia increased by 23.2% to ¥16,843 million. The sales totals provided above for geographical area are prior to inter-company eliminations.

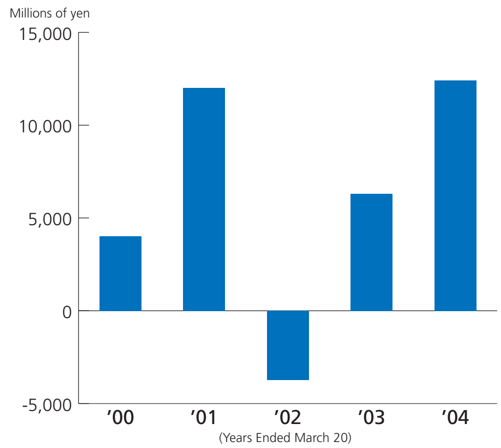
Cost of Sales, Selling, General and Administrative Expenses and Operating Income

Cost of sales for the fiscal year amounted to ¥192,786 million, 16.6% greater than the previous fiscal year, and the Company's cost of sales ratio rose by 0.2% to 73.3%. This is the result of increases in outside order expenses and business commissions that accompany increases in production.

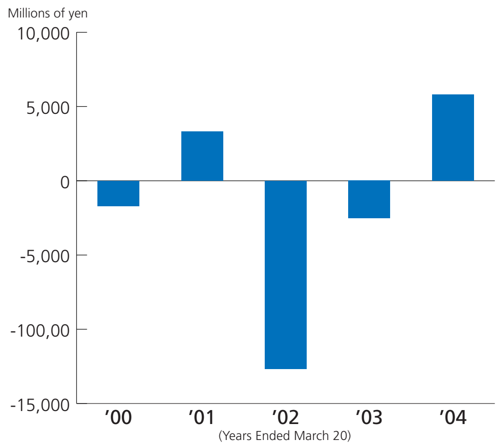
Selling, general and administrative expenses rose 6.1% to ¥57,851 million. SG&A expenses as a percentage of net sales decreased by 2.1% to 22.0%. As a result, the entire Yaskawa Group achieved positive operating income of ¥12,407 million, a significant increase when compared to the previous fiscal year's operating income of ¥6,308 million. Operating income as a percentage of sales was 4.7%, an improvement over the previous year's 2.8%.

By business segment, the Motion Control segment generated operating income of ¥4,037 million, compared to ¥305 million in the previous fiscal year. Operating income in the Robotics Automation

Operating Income (Loss)



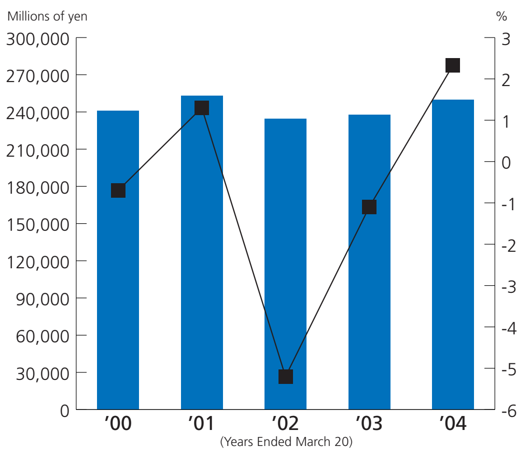
Net Income (Loss)



segment increased to ¥5,266 million, compared to ¥2,985 million in the previous fiscal year, and operating income in the System Engineering segment was ¥958 million, compared to ¥1,259 million in the previous fiscal year. The Information Technologies segment's operating income was ¥1,172 million. In the Other segment, operating income totaled ¥1,072 million.

By geographical area, operating income in Japan totaled ¥7,398 million, compared to ¥3,697 million in the previous fiscal year, and operating income in North America totaled ¥1,392 million, a change from the operating loss of ¥134 million in the previous fiscal year. Operating income in Europe totaled ¥2,344 million, compared to ¥1,501 million in the previous fiscal year, and operating income in Asia totaled ¥1,192 million, compared to ¥1,042 million in the previous fiscal year. The operating income totals provided above for geographical area are prior to inter-company eliminations.

Total Assets & Return on Assets



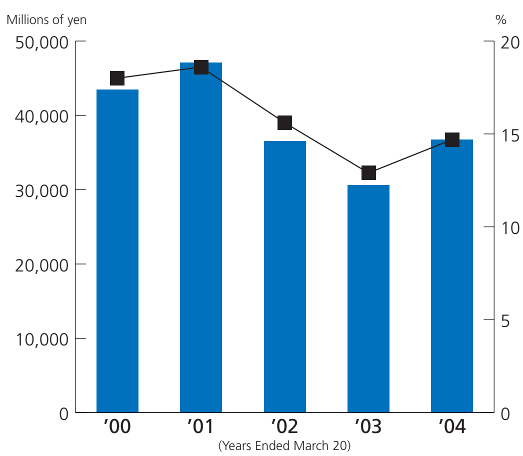
Net Income

Due to improved results in affiliated companies to which equity method accounting is applied, non-operating income jumped 91.2% to ¥2,333 million and non-operating expenses fell 22.4% to ¥2,730 million. Extraordinary income for the period was ¥5,481 million, a decrease of 4.0%. Extraordinary losses totaled ¥6,402 million, a decrease of 39.4%, due to a loss relating to a non-recurring accounting charge to correct the pension provision and a decrease in the valuation loss on marketable securities.

As a result of the above activities, net income before taxes and minority interest totaled ¥11,089 million, compared to a ¥849 million loss the previous year. Net income after corporate, inhabitants and enterprise taxes and minority interests totaled ¥5,819 million, compared to the previous year's net loss of ¥2,524 million. Net income per share was ¥24.80, compared with an ¥11.00 per share loss the previous year. Given this result, the Company paid a dividend of ¥3 per share.

ROE (return on equity), a key management indicator, greatly improved from a negative 7.5% to a positive 17.3%.

Shareholders' Equity & Shareholders' Equity Ratio



Financial Position

At the end of the financial period under review, consolidated total assets increased by 5.1% to ¥249,829 million, up ¥12,187 million from the end of previous fiscal year.

Current assets increased by 7.0% to¥169,611 million, up ¥11,151 million compared to the previous fiscal year. The main factor was a higher balance for notes and accounts receivable, which increased by ¥14,035 million to ¥84,186 million along with growth in sales.

Fixed assets were ¥80,217 million. This was ¥1,036 million greater than the previous fiscal year, a 1.3% increase that resulted from a decrease in tangible fixed assets and increases in assets included in Investments and Other Assets.

Consolidated total liabilities increased by 3.0% to ¥208,852 million, ¥6,068 million greater than the previous fiscal year. Under current liabilities, although the Company decreased short-term loans payable by ¥21,945 million, notes and accounts payable increased by ¥14,183 million to ¥63,382 million as production increased. Under long-term liabilities, long-term debt increased by ¥2,712 million and accrued retirement benefits for employees increased by ¥4,304 million. Also, due to the arrival of long-term debt maturity within one year, ¥15,000 million in convertible debt was transferred from long-term liabilities to current liabilities. As a result, current liabilities increased by ¥14,082 million while long-term liabilities decreased by ¥8,013 million.

Total shareholders` equity increased by 19.9% to ¥36,715 million, up ¥6,083 million from the previous fiscal year. This was mainly because of an increase in consolidated retained earnings.

The debt/equity ratio, one of our key management indicators, finished the period at 2.2. This was the result of the reduction of interest-incurring debt by ¥19,200 million and the increase in total equity by ¥6,100 million.

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

Cash Flows

The balance of cash and cash equivalents at the end of the consolidated fiscal year increased to ¥17,098 million, up ¥831 million over the previous fiscal year. The factors affecting cash flows for the consolidated fiscal year are described below.

Cash flows from operating activities:

Cash flows from operating activities ended at a positive ¥18,504 million, mainly due to income before income taxes and minority interests of ¥11,089 million. Income taxes were paid in the amount of ¥3,978 million along with expenditures without capital of ¥10,302 million.

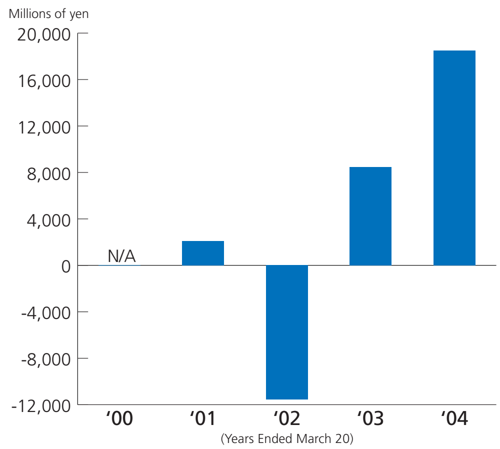
Cash flows from investing activities:

Cash flows from investing activities ended at a positive ¥1,118 million. This result was mainly due to a cash in-flow of ¥4,613 million from the sale of tangible fixed assets and investment securities and a ¥3,555 million subsidy for expropriation of company property for public use. A cash out-flow for the acquisition of tangible fixed assets and purchases of investment securities totaled ¥7,582 million. Free Cash Flow ended at a positive ¥19,622 million for this fiscal year.

Cash flows from financing activities:

Cash flows from financing activities ended at a minus ¥18,877 million. While long-term debt provided ¥7,846 million, there was a decrease in short-term bank loans of ¥14,071 million and a repayment of long-term debt in the amount of ¥12,210 million.

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, 2004, 2003 and 2002

ASSETS	Millions of yen 2004	2003	2002	Thousands of U.S. dollars (Note 3) 2004
Current assets:				
Cash and time deposits (Note 4)	**¥ 16,194**	¥ 15,638	¥ 16,138	**$ 151,587**
Short-term investments (Notes 4 and 5)	**1,143**	1,360	674	**10,699**
Trade receivables				
Notes	**15,653**	13,562	11,328	**146,522**
Accounts (Note 7)	**68,533**	56,589	50,360	**641,515**
Allowance for doubtful accounts	**(830)**	(602)	(609)	**(7,770)**
Inventories (Notes 6 and 7)	**54,346**	54,162	54,341	**508,715**
Deferred tax assets (Note 9)	**5,337**	6,711	6,280	**49,958**
Other current assets	**9,236**	11,041	9,450	**86,455**
Total current assets	**169,612**	158,461	147,962	**1,587,681**
Property, plant and equipment, at cost (Notes 7 and 15):				
Land	**9,103**	9,411	9,667	**85,210**
Buildings and structures	**34,536**	35,612	36,777	**323,280**
Machinery and equipment	**28,607**	33,764	34,193	**267,781**
Other	**22,899**	24,077	25,473	**214,350**
	95,145	102,864	106,110	**890,621**
Less accumulated depreciation	**(58,301)**	(63,763)	(63,197)	**(545,737)**
Net property, plant and equipment	**36,844**	39,101	42,913	**344,884**
Investments and other assets:				
Investment securities (Note 5)	**10,541**	8,965	14,069	**98,671**
Investments in and advances to unconsolidated subsidiaries and affiliates	**4,316**	3,975	4,328	**40,401**
Deferred tax assets (Note 9)	**10,785**	10,835	8,960	**100,955**
Other assets	**17,732**	16,304	16,328	**165,983**
Total investments and other assets	**43,374**	40,079	43,685	**406,010**
Total assets	**¥249,830**	¥237,641	¥234,560	**$2,338,575**

See notes to consolidated financial statements.

LIABILITIES AND SHAREHOLDERS' EQUITY

	Millions of yen			Thousands of U.S. dollars (Note 3)
	2004	2003	2002	**2004**
Current liabilities:				
Short-term bank loans (Notes 4 and 7)	**¥ 35,390**	¥ 50,028	¥ 61,160	**$ 331,274**
Current portion of long-term debt (Note 7)	**19,983**	12,289	4,458	**187,054**
Trade payables				
Notes	**9,149**	7,817	7,587	**85,641**
Accounts	**54,233**	41,381	31,251	**507,657**
Accrued income taxes (Note 9)	**2,791**	2,483	1,275	**26,126**
Accrued expenses	**14,812**	12,608	15,769	**138,650**
Other current liabilities	**16,307**	11,976	9,114	**152,644**
Total current liabilities	**152,665**	138,582	130,614	**1429,046**
Long-term liabilities:				
Long-term debt (Note 7)	**24,591**	36,879	42,153	**230,188**
Accrued retirement benefits for employees (Note 8)	**29,277**	24,973	19,825	**274,052**
Deferred tax liabilities (Note 9)	**25**	122	429	**234**
Other long-term liabilities	**2,295**	2,227	1,936	**21,483**
Total long-term liabilities	**56,188**	64,201	64,343	**525,957**
Minority interests	**4,261**	4,226	3,078	**39,886**
Contingent liabilities (Note 10)				
Shareholders' equity (Notes 11 and 17):				
Common stock:				
Authorized: 560,000,000 shares				
Issued: 232,059,582 shares	**15,541**	15,541	15,541	**145,474**
Additional paid-in capital	**14,000**	14,750	14,750	**131,049**
Retained earnings (deficit)	**6,172**	(286)	2,517	**57,774**
Net unrealized holding gain on securities	**1,041**	250	2,006	**9,744**
Foreign currency translation adjustments	**154**	582	1,720	**1,442**
Treasury stock, at cost: 718,411 shares in 2004; 609,209 shares in 2003;18,110 shares in 2002	**(192)**	(205)	(9)	**(1,797)**
Total shareholders' equity	**36,716**	30,632	36,525	**343,686**
Total liabilities and shareholders' equity	**¥249,830**	¥237,641	¥234,560	**$2,338,575**

See notes to consolidated financial statements.

Consolidated Statements of Operations

Yaskawa Electric Corporation and Consolidated Subsidiaries Years Ended March 20, 2004, 2003 and 2002

	Millions of yen			Thousands of U.S. dollars (Note 3)
	2004	2003	2002	**2004**
Net sales	**¥263,045**	¥226,144	¥222,707	**$2,462,277**
Cost of sales (Note 12)	**192,786**	165,318	169,232	**1,804,606**
Gross profit	**70,259**	60,826	53,475	**657,671**
Selling, general and administrative expenses (Note 12)	**57,852**	54,518	57,203	**541,533**
Operating income (loss)	**12,407**	6,308	(3,728)	**116,138**
Other income (expenses):				
Interest and dividend income	**231**	381	625	**2,162**
Interest expense	**(1,507)**	(2,188)	(2,573)	**(14,107)**
Other, net (Note 13)	**(42)**	(5,351)	(13,221)	**(393)**
Income (loss) before income taxes and minority interests	**11,089**	(850)	(18,897)	**103,800**
Income taxes (Note 9):				
Current	**4,206**	2,702	749	**39,371**
Deferred	**797**	(1,039)	(7,021)	**7,460**
Income (loss) before minority interests	**6,086**	(2,513)	(12,625)	**56,969**
Minority interests	**266**	11	32	**2,490**
Net income (loss)	**¥ 5,820**	¥ (2,524)	¥(12,657)	**$ 54,479**

PER SHARE OF COMMON STOCK	Yen			U.S.dollars
Net income (loss) – basic	**¥ 24.80**	¥ (11.00)	¥ (54.54)	**$0.232**
Net income – diluted	**23.32**	–	–	**0.218**
Cash dividends	**3.00**	–	–	**0.028**

See notes to consolidated financial statements.

Consolidated Statements of Shareholders' Equity

Yaskawa Electric Corporation and Consolidated Subsidiaries Years Ended March 20, 2004, 2003 and 2002

	Millions of yen			Thousands of U.S. dollars (Note 3)
	2004	2003	2002	**2004**
Common stock				
Balance at beginning and end of year	**¥15,541**	¥15,541	¥15,541	**$145,474**
Additional paid-in capital				
Balance at beginning of year	**¥14,750**	¥14,750	¥14,750	**$138,070**
Transfer to retained earnings (Note 11)	**(750)**	–	–	**(7,021)**
Balance at end of year	**¥14,000**	¥14,750	¥14,750	**$131,049**
Retained earnings (deficit)				
Balance at beginning of year	**¥ (286)**	¥ 2,517	¥16,780	**$ (2,677)**
Net income (loss)	**5,820**	(2,524)	(12,657)	**54,479**
Cash dividends	**–**	–	(928)	**–**
Bonuses to directors and corporate auditors	**(60)**	(50)	(127)	**(562)**
Effect of increase in consolidated subsidiaries	**60**	(201)	–	**562**
Effect of increase in affiliates accounted for by the equity method	**1**	–	1	**9**
Effect of decrease in consolidated subsidiaries	**(28)**	(28)	(220)	**(262)**
Effect of decrease in affiliates accounted for by the equity method	**(85)**	–	30	**(796)**
Transfer from additional paid-in capital (Note 11)	**750**	–	–	**7,021**
Other	**–**	–	(362)	**–**
Balance at end of year	**¥ 6,172**	¥ (286)	¥ 2,517	**$ 57,774**
Net unrealized holding gain on securities				
Balance at beginning of year	**¥250**	¥ 2,006	¥ –	**$ 2,340**
Net changes during the year	**791**	(1,756)	2,006	**7,404**
Balance at end of year	**¥ 1,041**	¥ 250	¥ 2,006	**$ 9,744**
Foreign currency translation adjustments				
Balance at beginning of year	**¥ 582**	¥ 1,720	¥ –	**$ 5,448**
Net changes during the year	**(428)**	(1,138)	1,720	**(4,006)**
Balance at end of year	**¥ 154**	¥ 582	¥ 1,720	**$ 1,442**
Treasury stock, at cost				
Balance at beginning of year	**¥ (205)**	¥ (9)	¥ (1)	**$ (1,919)**
Net changes during the year	**13**	(196)	(8)	**122**
Balance at end of year	**¥ (192)**	¥ (205)	¥ (9)	**$ (1,797)**

See notes to consolidated financial statements.

Consolidated Statements of Cash Flows

Yaskawa Electric Corporation and Consolidated Subsidiaries Years Ended March 20, 2004, 2003 and 2002

	Millions of yen			Thousands of U.S. dollars (Note 3)
	2004	2003	2002	**2004**
Cash flows from operating activities				
Income (Loss) before income taxes and minority interests	**¥11,089**	¥ (850)	¥(18,897)	**$ 103,800**
Depreciation and amortization	**6,048**	6,752	6,882	**56,613**
Gain on sales of property, plant and equipment	**(589)**	(172)	(3,850)	**(5,513)**
Loss on devaluation of investment securities	**33**	1,493	3,792	**309**
Gain on sales of investment securities	**(1,801)**	(1,522)	(1,041)	**(16,859)**
Gain on expropriation of property, plant and equipment	**(2,420)**	(3,197)	–	**(22,653)**
Interest and dividend income	**(231)**	(381)	(625)	**(2,162)**
Interest expense	**1,507**	2,188	2,573	**14,107**
Provision for employees' retirement benefits, net of payments	**4,255**	5,142	(501)	**39,830**
(Increase) decrease in trade receivables	**(13,227)**	(8,944)	25,057	**(123,814)**
(Increase) decrease in inventories	**(203)**	(827)	8,796	**(1,900)**
Increase (decrease) in trade payables	**14,254**	10,806	(23,721)	**133,427**
Other, net	**5,043**	1,871	(4,982)	**47,206**
Subtotal	**23,758**	12,359	(6,517)	**222,391**
Interest and dividend received	**237**	428	778	**2,218**
Interest paid	**(1,512)**	(2,367)	(2,672)	**(14,153)**
Income taxes paid	**(3,978)**	(1,976)	(3,133)	**(37,237)**
Net cash provided by (used in) operating activities	**18,505**	8,444	(11,544)	**173,219**
Cash flows from investing activities				
Purchases of property, plant and equipment and intangible assets	**(6,178)**	(6,139)	(10,907)	**(57,830)**
Proceeds from sales of property, plant and equipment and intangible assets	**1,360**	2,228	2,814	**12,731**
Purchases of investment securities	**(1,405)**	(1,165)	(509)	**(13,152)**
Proceeds from sales of investment securities	**3,254**	2,510	1,414	**30,460**
Proceeds from sales of stock of affiliated companies	**222**	1,232	–	**2,078**
Proceeds from expropriation of property, plant and equipment	**3,556**	–	–	**33,286**
Other, net	**309**	(616)	(819)	**2,892**
Net cash Provided by (used in) investing activities	**1,118**	(1,950)	(8,007)	**10,465**
Cash flows from financing activities				
Net increase (decrease) in shot-term debt	**(14,072)**	(9,939)	23,613	**(131,723)**
Proceeds from long-term debt	**7,846**	7,801	5,260	**73,444**
Repayments of long-term debt	**(12,210)**	(4,707)	(4,629)	**(114,294)**
Proceeds from issuance of convertible bonds, net	**–**	9,964	–	**–**
Redemption of bonds	**–**	(10,000)	–	**–**
Dividends paid to stockholders of the Company	**–**	–	(928)	**–**
Dividends paid to minority shareholders	**(179)**	(139)	(73)	**(1,676)**
Other, net	**(262)**	494	(54)	**(2,452)**
Net cash Provided by (used in) financing activities	**(18,877)**	(6,526)	23,189	**(176,701)**
Effect of exchanges rate changes on cash and cash equivalents	**(31)**	20	84	**(290)**
Net increase (decrease) in cash and cash equivalents	**715**	(12)	3,722	**6,693**
Cash and cash equivalents at beginning of year	**16,268**	16,228	12,506	**152,279**
Increase due to inclusion of subsidiaries in consolidation	**148**	139	–	**1,385**
Decrease due to exclusion of subsidiaries from consolidation	**(33)**	(87)	–	**(308)**
Cash and cash equivalents at end of year (Note 4)	**¥17,098**	¥16,268	¥16,228	**$160,049**

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 in Japan, which are different in certain respects as to the application and disclosure requirements of International Financial Reporting Standards, and have been compiled from the consolidated financial statements prepared by the Company as requird 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.

Certain amounts in the prior years' financial statements have been reclassified to conform to the current year presentation.

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.

Certain subsidiaries are consolidated on the basis of fiscal periods ending December 20, December 31 or the end of February, which differ from that of the Company. The necessary adjustments are made to the financial statements of such subsidiaries to reflect any significant transactions from their respective fiscal year ends to March 20.

(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.Translation adjustments are presented as a component of shareholders' equity and minority interests in the accompanying consolidated financial statements.

(d) Securities

Securities other than equity securities issued by 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. The Company has neither trading nor held-to-maturity securities as of March 20, 2004, 2003 and 2002. 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 principally carried at cost. Cost of securities sold is principally 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

Depreciation of property, plant and equipment is determined primarily by the declining-balance method, except for buildings of the Company and certain subsidiaries on which depreciation is computed primarily by the straight-line method, at rates based on the estimated useful lives of the respective assets. 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 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 costs of computer software for internal use are amortized over a period of five years.

(i) Accrued retirement benefits for employees

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 at the balance sheet date, as adjusted for unrecognized net retirement benefit obligation at transition and unrecognized actuarial gain or loss. The retirement benefit obligation is attributed to each period by the straight-line method over the estimated years of service of 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 or loss is 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.

(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

Basic net income (loss) per share is computed based on the net income (loss) attributable to shareholders of common stock and the weighted average number of shares of common stock outstanding during each year. Diluted net income per share is computed based on the net income attributable to the shareholders of common stock outstanding during each year assuming full conversion of convertible bonds.

Cash dividends per share represent the cash dividends declared as applicable to the respective years.

(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) 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. See Note 17.

(p) New accounting standards

A new Japanese accounting standard "Impairment of Fixed Assets" was issued in August 2002 that is effective for fiscal years beginning on or after April 1, 2005. Early adoption is permitted. The new standard requires that tangible and intangible fixed assets be carried at cost less depreciation, and be reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount of an asset may not be recoverable. Companies would be required to recognize an impairment loss in their income statement if certain indicators of asset impairment exist and the book value of an asset exceeds the undiscounted sum of future cash flows of the asset. The Company is currently assessing the impact of this new accounting standard on its financial position and operating results.

3. U.S. Dollar Amounts

The translation of yen amounts into U.S. dollar amounts is included solely for convenience, as a matter of arithmetic computation only, at the rate of ¥106.83 = US$1.00, the exchange rate prevailing on March 20, 2004. The translation should not be construed as a representation that yen have been, could have been, or could in the future be, converted into 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, 2004, 2003 and 2002 were as follows:

	Millions of yen			Thousands of U.S. dollars
	2004	2003	2002	**2004**
Cash and time deposits	**¥ 16,194**	¥ 15,638	¥16,138	**$151,587**
Time deposits with a maturity of more than three months	**(124)**	(124)	(144)	**(1,161)**
Short-term investments with a maturity of three months or less	**1,028**	1,054	559	**9,623**
Bank overdrafts included in short-term bank loans	**–**	(300)	(325)	**–**
Cash and cash equivalents	**¥ 17,098**	¥ 16,268	¥16,228	**$160,049**

5. Securities

a) Information regarding marketable securities classified as other securities as of March 20, 2004, 2003 and 2002 is as follows:

	March 20, 2004					
	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	**¥ 3,652**	**¥ 5,931**	**¥ 2,279**	**$ 34,185**	**$ 55,518**	**$ 21,333**
Bonds	**112**	**113**	**1**	**1,049**	**1,058**	**9**
Others	**14**	**14**	**–**	**131**	**131**	**–**
Subtotal	**¥ 3,778**	**¥ 6,058**	**¥ 2,280**	**$ 35,365**	**$ 56,707**	**$ 21,342**
Securities whose acquisition cost exceeds their carrying value:						
Stocks	**¥ 2,860**	**¥ 2,319**	**¥ (541)**	**$ 26,772**	**$ 21,708**	**$ (5,064)**
Bonds	**50**	**50**	**–**	**468**	**468**	**–**
Others	**25**	**23**	**(2)**	**234**	**215**	**(19)**
Subtotal	**¥ 2,935**	**¥ 2,392**	**¥ (543)**	**$ 27,474**	**$ 22,391**	**$ (5,083)**
Total	**¥ 6,713**	**¥ 8,450**	**¥ 1,737**	**$ 62,839**	**$ 79,098**	**$ 16,259**

	March 20, 2003		
	Millions of yen		
	Acquisition cost	Carrying value	Difference
Securities whose carrying value exceeds their acquisition cost:			
Stocks	¥ 2,370	¥ 3,719	¥ 1,349
Bonds	162	165	3
Others	–	–	–
Subtotal	¥ 2,532	¥ 3,884	¥ 1,352
Securities whose acquisition cost exceeds their carrying value:			
Stocks	¥ 4,346	¥ 3,433	¥ (913)
Bonds	–	–	–
Others	61	38	(23)
Subtotal	¥ 4,407	¥ 3,471	¥ (936)
Total	¥ 6,939	¥ 7,355	¥ 416

	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, 2004, 2003 and 2002 is summarized as follows:

	Millions of yen			Thousands of U.S. dollars
	2004	2003	2002	**2004**
Proceeds from sales	**¥ 3,281**	¥ 2,510	¥ 1,411	**$ 30,712**
Gains on sales	**1,883**	1,618	1,098	**17,626**
Losses on sales	**82**	96	57	**767**

c) The redemption schedule for securities with maturity dates classified as other securities as of March 20, 2004 is summarized as follows:

	March 20, 2004							
	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**	**¥ 68**	–	–	**$ 889**	**$ 637**	–	–
Others	–	–	–	–	–	–	–	–
Total	**¥ 95**	**¥ 68**	–	–	**$ 889**	**$ 637**	–	–

6. Inventories

Inventories at March 20, 2004, 2003 and 2002 consisted of the following:

	Millions of yen			Thousands of U.S. dollars
	2004	2003	2002	**2004**
Finished products	**¥ 25,693**	¥ 26,588	¥ 25,657	**$240,504**
Semifinished products, work in process	**12,867**	10,004	11,287	**120,444**
Raw materials	**15,786**	17,570	17,397	**147,767**
	¥ 54,346	¥ 54,162	¥ 54,341	**$508,715**

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

The weight average interest rates of short-term bank loans were 1.1%, 1.3% and 1.5% at March 20, 2004, 2003 and 2002, respectively.

Short-term bank loans at March 20, 2004, 2003 and 2002 consisted of following:

	Millions of yen			Thousands of U.S. dollars
	2004	2003	2002	**2004**
Secured	**¥ 1,264**	¥ 1,977	¥ 5,020	**$ 11,832**
Unsecured	**34,126**	48,051	56,140	**319,442**
	¥35,390	¥50,028	¥61,160	**$331,274**

Long-term debt at March 20, 2004, 2003 and 2002 consisted of the following:

	Millions of yen			Thousands of U.S. dollars
	2004	2003	2002	**2004**
Unsecured convertible bonds in yen:				
0.30% due 2005	**¥ 15,000**	¥ 15,000	¥ 15,000	**$140,410**
Unsecured bonds in yen:				
2.50% due 2003	**–**	–	10,000	**–**
1.66% due 2008	**10,000**	10,000	–	**93,606**
Bank loans with interest rates ranging from 0.87% to 7.07%, due, in installments, through 2011:				
Secured	**3,764**	1,610	1,890	**35,234**
Unsecured	**15,810**	22,558	19,721	**147,992**
	44,574	49,168	46,611	**417,242**
Current portion of long-term debt	**(19,983)**	(12,289)	(4,458)	**(187,054)**
	¥ 24,591	¥ 36,879	¥ 42,153	**$230,188**

At March 20, 2004, 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, 2004, 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, 2004 are summarized as follows:

Year ending March 20,	Millions of yen	Thousands of U.S. dollars
2005	¥19,983	$187,054
2006	4,706	44,051
2007	5,199	48,666
2008	12,448	116,522
2009	1,865	17,458
2010 and thereafter	373	3,491
	¥44,574	$417,242

The assets pledged as collateral for short-term bank loans and long-term bank loans at March 20, 2004, 2003 and 2002 were as follows:

	Millions of yen			Thousands of U.S. dollars
	2004	2003	2002	**2004**
Accounts receivable	**¥3,161**	¥2,676	¥2,857	**$ 29,589**
Inventories	**3,279**	746	811	**30,693**
Property, plant and equipment, at net book value	**3,346**	4,472	3,897	**31,321**
	¥9,786	¥7,894	¥7,565	**$ 91,603**

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 sheets as of March 20, 2004, 2003 and 2002 for the Company's and the consolidated subsidiaries' defined benefit plans:

	Millions of yen			Thousands of U.S. dollars
	2004	2003	2002	**2004**
Retirement benefit obligation	**¥(81,987)**	¥(73,411)	¥(121,183)	**$(767,453)**
Plan assets at fair value	**21,430**	17,660	54,655	**200,599**
Unfunded retirement benefit obligation	**(60,557)**	(55,751)	(66,528)	**(566,854)**
Unrecognized net retirement benefit obligation at transition	**7,152**	10,782	25,628	**66,948**
Unrecognized actuarial loss	**24,128**	19,996	21,075	**225,854**
Accrued retirement benefits for employees	**¥(29,277)**	¥(24,973)	¥ (19,825)	**$(274,052)**

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 for the year ended March 20, 2003. The pension assets that are to be transferred were calculated at ¥30,411 million at March 20, 2003.

The components of retirement benefit expenses for the years ended March 20, 2004, 2003 and 2002 are outlined as follows:

	Millions of yen			Thousands of U.S. dollars
	2004	2003	2002	**2004**
Service cost	**¥ 2,185**	¥ 2,863	¥ 2,823	**$ 20,453**
Interest cost	**2,164**	3,133	2,337	**20,257**
Expected return on plan assets	**(509)**	(1,414)	(799)	**(4,765)**
Amortization of net retirement benefit obligation at transition	**3,576**	5,698	6,407	**33,474**
Amortization of net actuarial loss	**1,307**	1,298	–	**12,234**
Periodic benefit expenses before extraordinary adjustments	**8,723**	11,578	10,768	**81,653**
Gain on return of the substitutional portion of welfare pension fund plans	**–**	(126)	–	**–**
Total	**¥ 8,723**	¥11,452	¥10,768	**$ 81,653**

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

	2004	2003	2002
Discount rate	**2.5%**	3.0%	3.0%
Expected return on plan assets	**3.0%**	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 2004, 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, 2004, 2003 and 2002 differs from the statutory tax rate for the following reasons:

	2004	2003	2002
Statutory tax rate	**41.7%**	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	**3.1**	(31.2)	(1.1)
Dividend income deductible for income tax purposes	**–**	–	0.8
Elimination of dividend income from overseas subsidiaries	**3.5**	(68.1)	(2.1)
Equity in earnings or losses of unconsolidated subsidiaries and affiliates	**(3.7)**	(36.1)	(1.1)
Changes in valuation allowance	**(2.9)**	(95.0)	–
Adjustment in deferred tax assets and liabilities due to the change in tax rate	**3.5**	–	–
Other, net	**(0.1)**	(7.0)	(0.1)
Effective tax rates	**45.1%**	(195.7)%	33.2%

New legislation was enacted in March 2003, which will change the aggregate statutory tax rate from 41.7% to 40.4% effective the fiscal year beginning after March 20, 2005. The effect of this tax rate change was to decrease net deferred tax assets (net of deferred tax liabilities) by ¥361 million ($3,379 thousand) and to increase net unrealized holding gain on securities by ¥23 million ($215 thousand) at March 20, 2004 and to increase income tax - deferred by ¥384 million ($3,594 thousand) for the year ended March 20, 2004.

The significant components of deferred tax assets and liabilities as of March 20, 2004, 2003 and 2002 were as follows:

	Millions of yen			Thousands of U.S. dollars
	2004	2003	2002	**2004**
Deferred tax assets:				
Allowance for doubtful accounts	**¥ 170**	¥ 89	¥ 103	**$ 1,591**
Accrued bonus	**1,738**	1,205	988	**16,269**
Retirement allowances	**10,133**	8,151	5,686	**94,852**
Investment securities	**857**	2,595	2,079	**8,022**
Constructive dividend	**289**	299	294	**2,705**
Inventories	**966**	925	1,749	**9,042**
Tax loss carry forwards	**2,580**	5,869	6,709	**24,151**
Other	**3,217**	1,791	2,204	**30,113**
Total gross deferred tax assets	**19,950**	20,924	19,812	**186,745**
Valuation allowance	**(3,076)**	(3,185)	(2,725)	**(28,793)**
Total deferred tax assets	**16,874**	17,739	17,087	**157,952**
Deferred tax liabilities:				
Net unrealized holding gains on securities	**(715)**	(174)	(1,474)	**(6,693)**
Reserve under Special Taxation Measures Law	**–**	–	(272)	**–**
Other	**(62)**	(142)	(530)	**(580)**
Total deferred tax liabilities	**(777)**	(316)	(2,276)	**(7,273)**
Net deferred tax assets	**¥ 16,097**	¥17,423	¥14,811	**$150,679**

10. Contingent Liabilities

The Company and its consolidated subsidiaries had the following contingent liabilities at March 20, 2004:

	Millions of yen	Thousands of U.S. dollars
Trade notes receivable discounted with banks	¥13,833	$129,486
Guarantor of indebtedness of:		
Employee	210	1,966
Other two companies	327	3,061

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 additional paid-in capital account equals 25% of the common stock account. The legal reserve amounted to ¥0, ¥2,732 million, and ¥2,732 million, at March 20, 2004, 2003 and 2002.

The Code provides that neither additional paid-in capital 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. The Code also provides that if the total amount of additional paid-in capital 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. During the year ended March 20, 2004, additional paid-in capital in the amount of ¥750 million ($7,021 thousand) was transferred to retained earnings to eliminate a deficit in accordance with the resolution by shareholders.

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, 2004, 2003 and 2002 amounted to ¥7,573 million ($70,887 thousand), ¥6,946 million and ¥7,683 million, respectively.

13. Other Income (Expenses)

Other, net included in Other income (expenses) for the years ended March 20, 2004, 2003 and 2002 consisted of the following:

	Millions of yen			Thousands of U.S. dollars
	2004	2003	2002	**2004**
Gain on sales of investment securities	**¥ 1,801**	¥ 1,522	¥ 1,041	**$ 16,859**
Royalty income	**65**	331	703	**608**
Gain on expropriation of property, plant and equipment	**2,420**	3,197	–	**22,653**
Foreign exchange	**(744)**	(286)	174	**(6,964)**
Equity in (losses) earnings of affiliates	**1,032**	(702)	(500)	**(9,660)**
Gain on sales of property, plant and equipment	**589**	172	3,850	**5,513**
Loss on devaluation of investment securities	**(33)**	(1,493)	(3,792)	**(309)**
Amortization of net retirement benefit obligation at transition	**(3,576)**	(5,698)	(6,407)	**(33,474)**
Additional retirement benefits paid to employees	**–**	(1,105)	(2,451)	**–**
Business restructuring costs	**(1,248)**	(661)	(2,644)	**(11,682)**
Other, net	**(348)**	(628)	(3,195)	**(3,257)**
	¥ (42)	¥(5,351)	¥(13,221)	**$ (393)**

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 Treasury Division and the status of derivative transactions is reported on a monthly basis to the Board of Directors.

The fair value of the Company's derivative financial instruments at March 20, 2004, 2003 and 2002 were as follows:

	March 20, 2004					
	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	**¥ –**	**¥ –**	**¥ –**	**$ –**	**$ –**	**$ –**

	March 20, 2003		
	Millions of yen		
	Contract amount	Fair value	Unrealized gains (losses)
Forward foreign exchange contracts:			
Sell			
U.S. dollars	¥ 591	¥ 602	¥(11)

	March 20, 2002		
	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. In addition, the disclosure of the fair value for derivatives, which are accounted for as hedges is omitted.

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, 2004, 2003 and 2002:

	Millions of yen			Thousands of U.S. dollars
	2004	2003	2002	**2004**
Acquisition costs:				
Tools, furniture and fixtures	**¥40**	¥89	¥236	**$375**
Accumulated depreciation:				
Tools, furniture and fixtures	**¥32**	¥70	¥199	**$300**
Net book value:				
Tools, furniture and fixtures	**¥ 8**	¥19	¥ 37	**$ 75**

Lease income relating to finance leases accounted for as operating leases in the accompanying consolidated financial statements amounted to ¥7 million ($66 thousand), ¥18 million and ¥38 million for the years ended March 20, 2004, 2003 and 2002, respectively. Depreciation of the assets leased under finance leases accounted for as operating leases amounted to ¥7 million ($66 thousand), ¥18 million and ¥38 million for the years ended March 20, 2004, 2003 and 2002, respectively.

Future minimum lease income subsequent to March 20, 2004 for finance leases accounted for as operating leases is summarized as follows:

Year ending march 20,	Millions of yen	Thousands of U.S. dollars
2005	¥ 5	$ 47
2006 and thereafter	3	28
Total	¥ 8	$ 75

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, 2004, 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
	2004	2003	2002	**2004**
Acquisition costs:				
Tools, furniture and fixtures	**¥ 4,003**	¥ 4,500	¥ 4,604	**$ 37,471**
Software	**841**	900	1,106	**7,872**
Other	**190**	98	171	**1,779**
	¥ 5,034	¥ 5,498	¥ 5,881	**$ 47,122**
Accumulated depreciation:				
Tools, furniture and fixtures	**¥ 2,567**	¥ 2,832	¥ 2,763	**$24,029**
Software	**458**	513	649	**4,287**
Other	**133**	66	126	**1,245**
	¥ 3,158	¥ 3,411	¥ 3,538	**$ 29,561**
Net book value:				
Tools, furniture and fixtures	**¥ 1,436**	¥ 1,668	¥ 1,841	**$ 13,442**
Software	**383**	387	457	**3,585**
Other	**57**	32	45	**534**
	¥ 1,876	¥ 2,087	¥ 2,343	**$ 17,561**

Lease payments relating to finance leases accounted for as operating leases amounted to ¥985 million ($9,220 thousand), ¥1,151 million and ¥1,178 million, which were equal to the depreciation expense of the leased assets computed by the straight-line method over the respective lease terms, for the years ended March 20, 2004, 2003 and 2002, respectively.

Future minimum lease payments (including the interest portion thereon) subsequent to March 20, 2004 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
2005	¥ 820	¥ 890	$ 7,676	$ 8,331
2006 and thereafter	1,056	5,490	9,885	51,390
Total	¥ 1,876	¥ 6,380	$ 17,561	$ 59,721

16. Segment Information

Business segments

The business segment information for the Company and its consolidated subsidiaries for the years ended March 20, 2004, 2003 and 2002 is outlined as follows:

	Year ended March 20, 2004 Millions of yen							
	Motion Control	Robotics Automation	System Engineering	Information Technologies	Other	Total	Eliminations or Corporate	Consolidated
Net sales								
Sales to third parties	**¥105,069**	**¥80,479**	**¥ 40,373**	**¥24,415**	**¥ 12,709**	**¥263,045**	**¥ –**	**¥263,045**
Inter-segment sales and transfers	**11,196**	**4,669**	**2,007**	**2,933**	**15,275**	**36,080**	**(36,080)**	**–**
Total sales	**116,265**	**85,148**	**42,380**	**27,348**	**27,984**	**299,125**	**(36,080)**	**263,045**
Operating cost and expense	**112,228**	**79,881**	**41,422**	**26,176**	**26,912**	**286,619**	**(35,981)**	**250,638**
Operating income	**¥ 4,037**	**¥ 5,267**	**¥ 958**	**¥ 1,172**	**¥ 1,072**	**¥ 12,506**	**¥ (99)**	**¥ 12,407**
Total assets	**¥93,672**	**¥72,725**	**¥ 37,337**	**¥17,394**	**¥16,226**	**¥237,354**	**¥ 12,476**	**¥249,830**
Depreciation	**3,543**	**1,458**	**666**	**122**	**236**	**6,025**	**23**	**6,048**
Capital expenditures	**4,459**	**1,515**	**971**	**180**	**199**	**7,324**	**(436)**	**6,888**

	Year ended March 20, 2004 Thousands of U.S. dollars							
	Motion Control	Robotics Automation	System Engineering	Information Technologies	Other	Total	Eliminations or Corporate	Consolidated
Net sales								
Sales to third parties	**$983,516**	**$753,337**	**$377,918**	**$228,541**	**$ 118,965**	**$ 2,462,277**	**$ –**	**$2,462,277**
Inter-segment sales and transfers	**104,802**	**43,705**	**18,787**	**27,455**	**142,984**	**337,733**	**(337,733)**	**–**
Total sales	**1,088,318**	**797,042**	**396,705**	**255,996**	**261,949**	**2,800,010**	**(337,733)**	**2,462,277**
Operating cost and expense	**1,050,529**	**747,739**	**387,738**	**245,025**	**251,914**	**2,682,945**	**(336,806)**	**2,346,139**
Operating income	**$ 37,789**	**$ 49,303**	**$ 8,967**	**$ 10,971**	**$ 10,035**	**$ 117,065**	**$ (927)**	**$ 116,138**
Total assets	**$ 876,832**	**$680,754**	**$349,499**	**$162,820**	**$151,887**	**$ 2,221,792**	**$116,783**	**$2,338,575**
Depreciation	**33,165**	**13,648**	**6,234**	**1,142**	**2,209**	**56,398**	**215**	**56,613**
Capital expenditures	**41,739**	**14,181**	**9,089**	**1,685**	**1,863**	**68,557**	**(4,081)**	**64,476**

	Year ended March 20, 2003 Millions of yen							
	Motion Control	Robotics Automation	System Engineering	Information Technologies	Other	Total	Eliminations or Corporate	Consolidated
Net sales								
Sales to third parties	¥86,314	¥67,094	¥ 39,510	¥23,595	¥ 9,631	¥226,144	¥ –	¥226,144
Inter-segment sales and transfers	3,144	5,291	3,870	3,365	10,196	25,866	(25,866)	–
Total sales	89,458	72,385	43,380	26,960	19,827	252,010	(25,866)	226,144
Operating cost and expense	89,153	69,400	42,120	25,153	19,937	245,763	(25,927)	219,836
Operating income	¥ 305	¥ 2,985	¥ 1,260	¥ 1,807	¥ (110)	¥ 6,247	¥ 61	¥ 6,308
Total assets	¥91,315	¥72,691	¥ 32,627	¥16,371	¥16,158	¥229,162	¥ 8,479	¥237,641
Depreciation	3,699	2,006	678	152	230	6,765	(13)	6,752
Capital expenditures	2,844	2,017	917	27	267	6,072	–	6,072

	Year ended March 20, 2002							
	Millions of yen							
	Motion Control	Robotics Automation	System Engineering	Information Technologies	Other	Total	Eliminations or Corporate	Consolidated
Net sales								
Sales to third parties	¥81,558	¥67,955	¥ 37,391	¥23,649	¥12,154	¥222,707	¥ –	¥222,707
Inter-segment sales and transfers	2,401	4,792	5,662	4,478	10,453	27,786	(27,786)	–
Total sales	83,959	72,747	43,053	28,127	22,607	250,493	(27,786)	222,707
Operating cost and expense	90,058	72,555	42,181	26,356	23,118	254,268	(27,833)	226,435
Operating income	¥ (6,099)	¥ 192	¥ 872	¥ 1,771	¥ (511)	¥ (3,775)	¥ 47	¥ (3,728)
Total assets	¥87,782	¥66,611	¥ 32,854	¥18,635	¥14,711	¥220,593	¥ 13,967	¥234,560
Depreciation	3,495	2,242	725	193	235	6,890	(8)	6,882
Capital expenditures	4,532	3,284	1,579	136	242	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) Depreciation and capital expenditures include amortization of and additions to long-term prepaid expenses.

Geographical areas

The geographical area information for the Company and its consolidated subsidiaries for the years ended March 20, 2004, 2003 and 2002 is outlined as follows:

	Year ended March 20, 2004						
	Millions of yen						
	Japan	North America	Europe	Asia	Total	Eliminations or Corporate	Consolidated
Net sales							
Sales to third parties	**¥184,113**	**¥34,916**	**¥31,300**	**¥12,716**	**¥263,045**	**¥ –**	**¥263,045**
Inter-segment sales and transfers	**34,991**	**239**	**1,190**	**4,128**	**40,548**	**(40,548)**	**–**
Total sales	**219,104**	**35,155**	**32,490**	**16,844**	**303,593**	**(40,548)**	**263,045**
Operating cost and expense	**211,705**	**33,763**	**30,146**	**15,651**	**291,265**	**(40,627)**	**250,638**
Operating income (loss)	**¥ 7,399**	**¥ 1,392**	**¥ 2,344**	**¥ 1,193**	**¥ 12,328**	**¥ 79**	**¥ 12,407**
Total assets	**¥192,326**	**¥27,995**	**¥19,755**	**¥10,511**	**¥250,587**	**¥ (757)**	**¥249,830**

	Year ended March 20, 2004						
	Thousands of U.S. dollars						
	Japan	North America	Europe	Asia	Total	Eliminations or Corporate	Consolidated
Net sales							
Sales to third parties	**$1,723,421**	**$ 326,837**	**$ 292,989**	**$ 119,030**	**$2,462,277**	**$ –**	**$2,462,277**
Inter-segment sales and transfers	**327,539**	**2,237**	**11,139**	**38,641**	**379,556**	**(379,556)**	**–**
Total sales	**2,050,960**	**329,074**	**304,128**	**157,671**	**2,841,833**	**(379,556)**	**2,462,277**
Operating cost and expense	**1,981,700**	**316,044**	**282,187**	**146,504**	**2,726,435**	**(380,296)**	**2,346,139**
Operating income (loss)	**$ 69,260**	**$ 13,030**	**$ 21,941**	**$ 11,167**	**$ 115,398**	**$ 740**	**$ 116,138**
Total assets	**$1,800,300**	**$262,052**	**$184,920**	**$ 98,390**	**$2,345,662**	**$ (7,087)**	**$2,338,575**

	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 and transfers	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, 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 and transfers	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) Corporate assets included in "Eliminations or Corporate" at March 20, 2004, 2003 and 2002 amounted to ¥28,341 million ($265,291 thousand), ¥19,807 million and ¥24,765 million, respectively. The assets principally consisted of excess funds (cash and cash equivalents and short-term investments), 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, 2004, 2003 and 2002 are summarized as follows:

	Year ended March 20, 2004				
	Millions of yen				
	North America	Europe	Asia	Other	Total
Overseas sales	**¥ 34,456**	**¥ 31,234**	**¥ 30,356**	**¥ 2,437**	**¥98,483**
Consolidated net sales	**–**	**–**	**–**	**–**	**263,045**
Overseas sales as a percentage of consolidated net sales	**13.1%**	**11.9%**	**11.5%**	**0.9%**	**37.4%**

	Year ended March 20, 2004				
	Thousands of U.S. dollars				
	North America	Europe	Asia	Other	Total
Overseas sales	**$ 322,531**	**$ 292,371**	**$284,152**	**$ 22,812**	**$ 921,866**
Consolidated net sales	**–**	**–**	**–**	**–**	**2,462,277**
Overseas sales as a percentage of consolidated net sales	**13.1%**	**11.9%**	**11.5%**	**0.9%**	**37.4%**

	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, 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, The United Kingdom

(3) Asia – Singapore, Korea, The People's Republic of China

17. Subsequent Events

(1) Effective April 1, 2004, the Company and 9 domestic consolidated subsidiaries amended their retirement benefit plans which resulted in a recognition of prior service costs of ¥4,937 million ($46,214 thousand) (a reduction of liabilities). These prior service costs will be amortized over the average remaining years of services of employees by the straight-line method.

(2) The following appropriations of retained earnings of the Company, which have not been reflected in the consolidated financial statements for the year ended March 20, 2004, were approved at a shareholders' meeting held on June 17, 2004:

	Millions of yen	Thousands of U.S. dollars
Cash dividends (¥3.00 = $0.028 per share)	¥ 696	$ 6,515
Bonuses to directors and corporate auditors	35	327
	¥ 731	$ 6,842

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, 2004, 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 express an opinion on these financial statements based on our audits.

We conducted our audits in accordance with auditing standards generally accepted in Japan. Those standards 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, 2004, 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.
As described in Note 17 (1) to the consolidated financial statements, effective April 1, 2004, the Company and 9 domestic consolidated subsidiaries amended their retirement benefit plans.

The U.S. dollar amounts in the accompanying consolidated financial statements with respect to the year ended March 20, 2004 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.

Ernst & Young ShinNihon

Ernst & Young ShinNihon
Fukuoka,Japan
June 17, 2004

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
	2004	2003	2002	2001	2000	**2004**
Net sales	**¥263,045**	¥226,144	¥222,707	¥266,068	¥229,844	**$2,462,277**
Cost of sales	**192,786**	165,318	169,232	191,178	169,016	**1,804,606**
Gross profit						
Selling, general and administrative expenses	**57,852**	54,518	57,203	62,877	56,812	**541,533**
Operating income (loss)	**12,407**	6,308	(3,728)	12,013	4,015	**116,138**
Income (loss) before income taxes and minority interests	**11,089**	(850)	(18,897)	6,755	(705)	**(103,800)**
Income taxes	**5,003**	1,663	(6,272)	3,239	908	**46,831**
Net income (loss)	**5,820**	(2,524)	(12,657)	3,319	(1,712)	**(54,479)**
At Year-End						
Total assets	**¥249,830**	¥237,641	¥234,560	¥252,912	¥240,932	**$2,338,575**
Shareholders' equity	**36,716**	30,632	36,525	47,070	43,458	**343,686**

Per Share Data	Yen					U.S. dollars
Net income (loss)	**¥ 24.80**	¥ (11.00)	¥ (54.54)	¥ 14.31	¥ (7.38)	**$ (0.232)**
Cash dividends	**3.00**	–	–	4.00	–	**0.028**
Shareholders' equity	**158.35**	132.31	157.41	202.84	187.27	**1.48**

Ratios	%				
Return on equity	**17.3**	(7.5)	(30.3)	7.3	(4.2)
Return on assets	**2.3**	(1.1)	(5.2)	1.3	(0.7)
Shareholders' equity ratio	**14.7**	12.9	15.6	18.6	18.0

Note: Dollar figures are translated, for convenience only, at the rate of ¥106.83 to US$1.

Board of Directors
As of June 17, 2004

Chairman of the Board
Shin Nakayama

President
Koji Toshima

Executive Managing Director
Junichi Hamada

Managing Directors
Kenichi Matsumoto
Koichi Takei
Tadakazu Hotta
Yoshifumi Shimizu
Noboru Usami

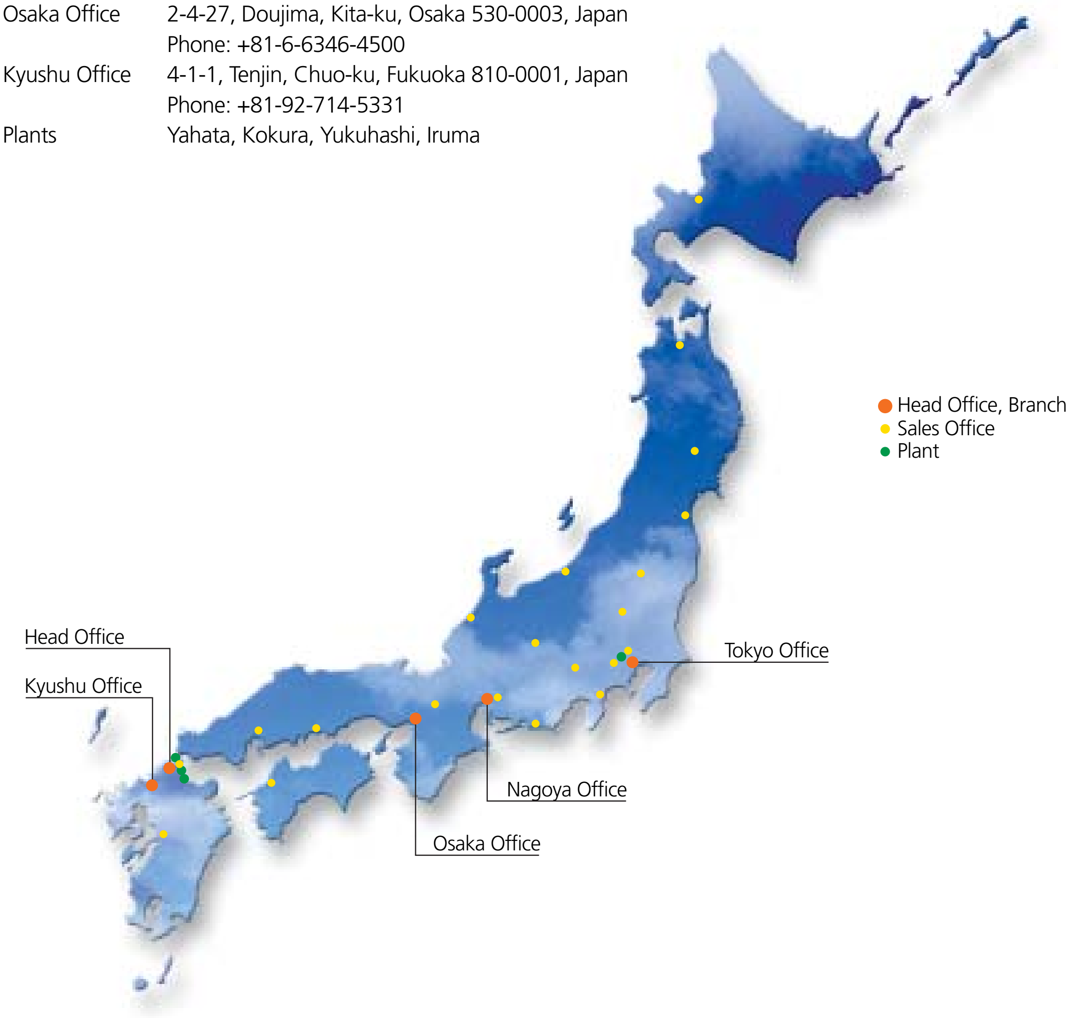
Directors
Mitsuaki Sato
Masao Kito
Kaneyuki Hamada
Toshihiro Sawa
Sadahiro Iwata
Hajime Masubuchi
Norio Miyahara

Standing Auditor
Isao Nakamura

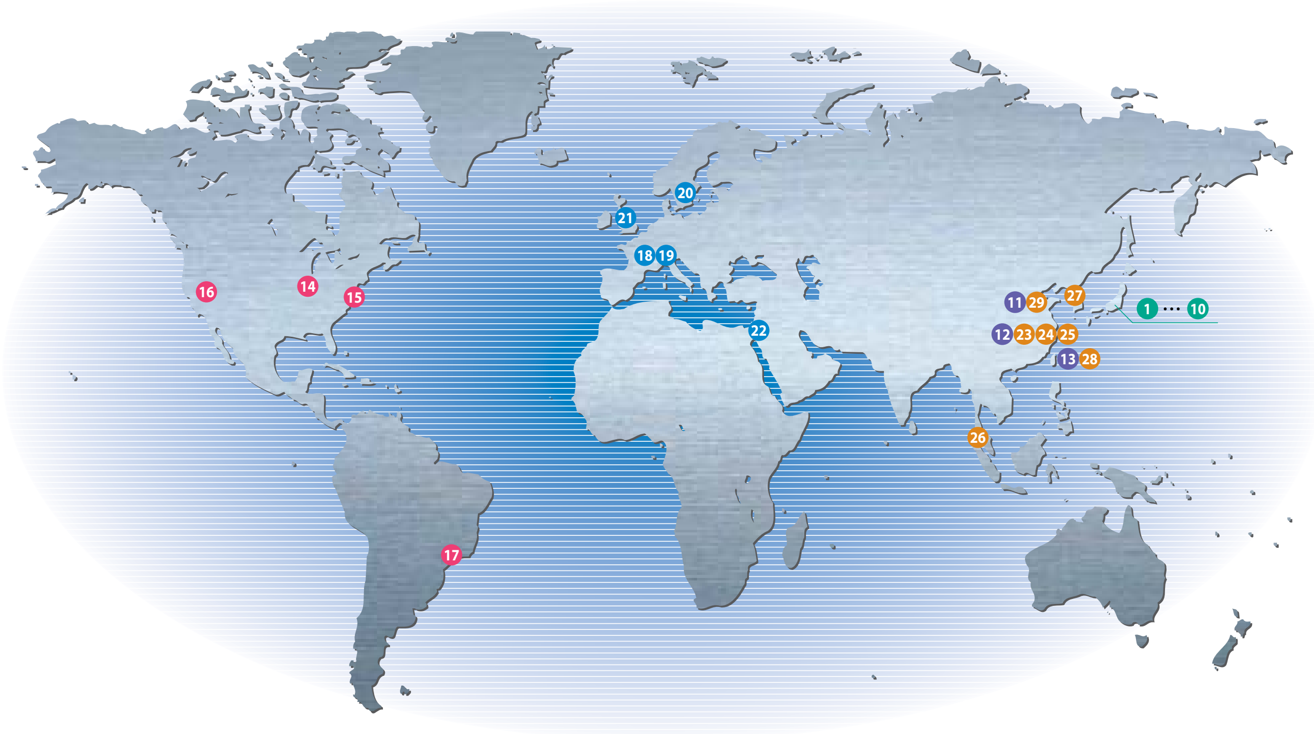
Auditors
Muneshige Yamazaki
Masaaki Tani
Ichiro Takita

Corporate Data

Trade name	YASKAWA Electric Corporation	
Established	July 16, 1915	
Employees	7,635 (Consolidated)	
Offices	Head Office	2-1, Kurosaki-shiroishi, Yahatanishi-ku, Kitakyushu 806-0004, Japan Phone: +81-93-645-8801
	Tokyo Office	New Pier Takeshiba South Tower, 1-16-1, Kaigan, Minato-ku, Tokyo 105-6891, Japan Phone: +81-3-5402-4502
	Nagoya Office	3-25-9, Meieki, Nakamura-ku, Nagoya 450-0002, Japan Phone: +81-52-581-2761
	Osaka Office	2-4-27, Doujima, Kita-ku, Osaka 530-0003, Japan Phone: +81-6-6346-4500
	Kyushu Office	4-1-1, Tenjin, Chuo-ku, Fukuoka 810-0001, Japan Phone: +81-92-714-5331
	Plants	Yahata, Kokura, Yukuhashi, Iruma



Main Subsidiaries



Japan

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

Overseas Offices

11 **BEIJING OFFICE**	Room 1011A, Tower W3 Oriental Plaza, No.1 East Chang An Ave., Dong Cheng District, Beijing 100738, P.R.China Phone: +86-10-8518-1862 Fax: +86-10-8518-1863
12 **SHANGHAI OFFICE**	No.18 Xizang Zhong Rood, Room 1302, Harbour Ring Plaza, Shanghai 200001, P.R.China Phone: +86-21-5385-2370 Fax: +86-21-5385-2375
13 **TAIPEI OFFICE**	9F, 16, Nanking E. Rd., Sec. 3, Taipei, Taiwan Phone: +886-2-2502-5003 Fax: +886-2-2505-1280

North America & South America

⑭ **YASKAWA ELECTRIC AMERICA, INC.** Import, manufacture, sales, and service of electric equipment	Chicago Office (Headquarters) 2121 Norman Drive South, Waukegan, IL 60085, U.S.A. Phone: +1-847-887-7000 Fax: +1-847-887-7370
⑮ **MOTOMAN, INC.** Manufacture, sales, and service of robots and robot systems	805 Liberty Lane West Carrollton, OH45449, U.S.A. Phone: +1-937-847-6200 Fax: +1-937-847-6277
⑯ **SYNETICS SOLUTIONS, INC.** Development, design, production and sales of semiconductor manufacturing equipment	18870 NE Riverside Parkway, Portland, OR 97230, U.S.A. Phone: +1-503-465-6000 Fax: +1-503-465-6393
⑰ **YASKAWA ELÉTRICO DO BRASIL COMÉRCIO LTDA.** Import, manufacturing, sales, and after-sales service of electric equipment	Avenida Fagundes Filho, 620 Bairro Saude-Sao Paulo-SP, CEP: 04304-000 Brasil Phone: +55-11-5071-2552 Fax: +55-11-5581-8795

Europe

⑱ **YASKAWA ELECTRIC EUROPE GmbH** Import, sales, and service of electric equipment	Headquarters Am Kronberger Hang 2, 65824 Schwalbach, Germany Phone: +49-6196-569-300 Fax: +49-6196-569-312
⑲ **MOTOMAN ROBOTEC GmbH** Manufacture, sales, and service of robots and robot systems	Kammerfeldstrasse 1, 85391 Allershausen, Germany Phone: +49-8166-90-100 Fax: +49-8166-90-103
⑳ **MOTOMAN ROBOTICS EUROPE AB** Manufacture, sales, and service of robots and robot systems	Franks Vagen 10 SE-390 04 Kalmar, Sweden Phone: +46-480-417800 Fax: +46-480-417999
㉑ **YASKAWA ELECTRIC UK LTD.** Manufacture, sales, and service of inverters	1 Hunt Hill, Orchardton Woods, Cumbernauld, G68 9LF, U.K. Phone: +44-1236-735000 Fax: +44-1236-458182
㉒ **YASKAWA ESHED TECHNOLOGY LTD.** Development and manufacturing of motion control products	Rechov HaMelacha 13 Afeg Industrial Estate, Rosh HaAyin 48091, Israel Phone: +972-3-900-4114 Fax: +972-3-903-0412

Asia

㉓ **YASKAWA ELECTRIC (SHANGHAI) CO., LTD.** Import, sales and service of electric equipment	No.18 Xizang Zhong Road, Room 1805, Harbour Ring Plaza, Shanghai 2000001, P.R.China Phone: +86-21-5385-2200 Fax: +86-21-5385-3299
㉔ **SHANGHAI YASKAWA-TONGJI M & E CO., LTD.** Manufacture, sales, and service of electric equipment	No.27 Hui He Road, Shanghai 200437, P.R.China Phone: +86-21-6553-6060 Fax: +86-21-5588-1190
㉕ **Y-E DRIVE COMPANY LIMITED SHANGHAI** Manufacture and sales of electric equipment	No.915, Jiaxin Road, Jiading District, Shanghai, 201818, P.R.China Phone: +86-21-5951-0067 Fax: +86-21-5951-0467
㉖ **YASKAWA ELECTRIC (SINGAPORE) PTE. LTD.** Import, sales, and service of electric equipment	151 Lorong Chuan, #04-01, New Tech Park 556741, Singapore Phone: +65-6282-3003 Fax: +65-6289-3003
㉗ **YASKAWA ELECTRIC KOREA CORPORATION** Import, sales, and service of electric equipment	7F Doore Bldg. 24, Yeoido-Dong, Youngdungpo-ku, Seoul, 150-877, Korea Phone: +82-2-784-7844 Fax: +82-2-784-8495
㉘ **YASKAWA ELECTRIC TAIWAN CORPORATION** Import, sales, and service of electric equipment	9F, 16, Nanking E. Rd. Sec. 3, Taipei Taiwan Phone: +886-2-2502-5003 Fax: +886-2-2505-1280
㉙ **SHOUGANG MOTOMAN ROBOT CO., LTD.** Sales of electric machines and instruments	No.7 Yongchang-North Road, Beijing Economic & Technological Development Area, Beijing, 100076, P.R.China Phone: +86-10-6788-0551 Fax: +86-10-6788-2878

YASKAWA ELECTRIC CORPORATION
2-1, Kurosaki-shiroishi, Yahatanishi-ku, Kitakyushu 806-0004, Japan
Phone: +81-93-645-8801 Fax: +81-93-631-8837
URL: http://www.yaskawa.co.jp/en/

Printed in Japan
This report is printed on recycled paper.