



YASKAWA

YASKAWA ELECTRIC CORPORATION
2005 ANNUAL REPORT

Year Ended March 20, 2005



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We devote ourselves to the development of society and the well-being of all people by providing innovative technologies and solutions.

Since Yaskawa Electric was founded in 1915, we have committed ourselves to providing unique technologies and products that meet the needs of society. Our achievements are now well known in the fields of electric power applications, mechatronics, robotics, industrial automation, and factory automation. Keeping "Quality and Beauty" in mind, with our passion for developing cutting-edge technology that is good for people and the earth, we create and provide value to society as a responsible corporate citizen.

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)
	2005	2005
Net sales	¥ 309,615	\$ 2,956,316
Operating income (loss)	17,527	167,364
Income before income taxes and minority interests	9,222	88,055
Net income	1,860	\$ 17,760

Per Share Data

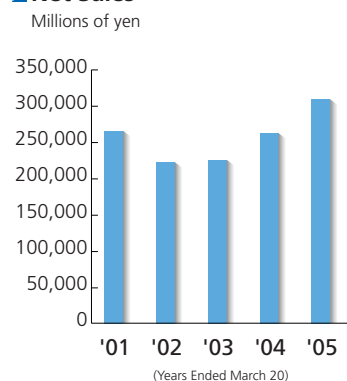
Net income (loss) (Yen)	¥ 7.80	\$ 0.074
Cash dividends (Yen)	—	—

At Year-End

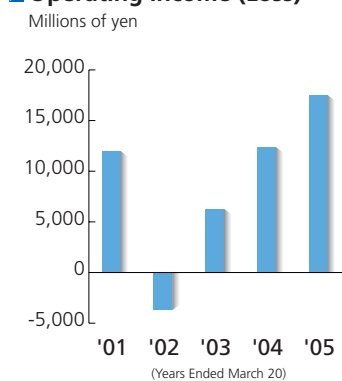
Total assets	¥ 254,439	\$ 2,429,476
Shareholders' equity	38,367	366,342

Note: Dollar figures are translated, for convenience only, at the rate of ¥104.73 to US\$1.

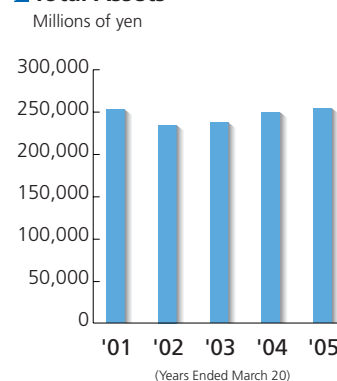
Net Sales



Operating Income (Loss)



Total Assets



Based on our three-year mid-term management plan called *Win 21 Plus*, the Yaskawa Group is establishing a strong foundation for sustainable growth through successful structural reforms. In fiscal year 2004, our management efforts focused on turning Yaskawa into a highly efficient and highly profitable enterprise.

Win 21 Plus three-year business plan

The Yaskawa Group is currently completing a three-year business plan which is in its final year. The plan focuses on completing structural reforms in business, management, and finance as well as in corporate organization. We thereby aim to strengthen our business competitiveness and attain sustainable growth, so that we can remain profitable even if faced with demand changes greater than 30%.

Our goals outlined in *Win 21 Plus* are:

- To double added value productivity,
- To increase ordinary income rate to 10%, and
- To reduce Debt/Equity ratio to 1.0 or less.

Corporate Value and Stakeholder Satisfaction

Taking into consideration the increasing interest in the creation of corporate value, Yaskawa Electric's priority is to improve capital efficiency for greater financial returns to our shareholders. In order to do so, we will continue to improve customer satisfaction by providing products and services with added value to our customers. We will also continue our efforts to enhance employee satisfaction so that our employees feel more loyal and proud to work at Yaskawa. We believe that these activities will result in increased corporate value, greater profitability, and a larger financial return on your investment.

Corporate Governance

The social and economic conditions surrounding our businesses are ever changing. We aim to respond to these changes with quick decision-making, and swift and accurate disclosure of information. Legal compliance and corporate ethics are also high priorities.

At the same time, we commit ourselves to establishing better relationships with all of our stakeholders, including our shareholders, customers, clients, local communities and employees. Our goal is to make Yaskawa open and transparent to all stakeholders, and build a sound management structure and increase our corporate value.



Total Solution Company
"YASKAWA"



We take the initiative to inform all of our stakeholders of our activities to establish better relationships with them. Our goal is to make Yaskawa open and transparent to everyone as a responsible corporate citizen.



Customers



Customers and end users receive product and technical information from virtual showrooms.

URL:<http://www.e-mechatronics.com/en/index2.html>

Shareholders and Investors

Local Communities

Employees



Signing of R&D agreement with Kyushu Institute of Technology

The Japanese government encourages information exchanges between companies and universities to facilitate the transfer of knowledge and research results. As a result, companies can bolster their competitiveness with the R&D results at universities. We take great pride in working in cooperation with universities to complement technical developments in fields outside of our core areas.

Educational and Research Organizations



Green Procurement

Seminars on green procurement are held not only to aid in the removal harmful chemical substances from our existing product line but also to aid in the development of new green products. These seminars are conducted with the cooperation of our suppliers who provide information about their products and make proposals for replacements.

Administration

Suppliers

Mass Media



China International Exhibition of Elevator Equipment & Technology

Our products were on display at the international exhibition of elevator equipment held at the International Exhibition Center in Shanghai. Our inverter-drive system with IPM motor attracted the interest of elevator makers. Our lecture entitled, "Power Conversion in an Environmental Age," covered our commitment to the environment.



Shin Nakayama
Chairman of the Board

Over the years, we have seen many changes and observed many cycles in business and technology as well as in the economy. We have proven our staying power and have made in this past year our greatest profits in Yaskawa's history.

Progress and Results

The first half of the fiscal year 2004 saw economic recovery in Japan due to increased exports because of steady economic growth in Europe, the US, and Asia. This economic recovery was also boosted by increased corporate capital expenditures, improvements in employment conditions, and a gain in personal consumption following the increase in corporate earnings. In the second half, a slowdown in economic growth was observed as the result of a sudden rise in the price of raw materials such as oil and steel, the continuing weak dollar, and inventory adjustments in the semiconductor sector.

As for the markets that Yaskawa Electric and its group companies focus on, the automobile-related market experienced stable and steady growth, and the semiconductor- and LCD-related markets grew in the first half of the 2004 fiscal year. Regionally speaking, high growth continued in Asian markets, most notably China, and Europe and the US also experienced steady growth.

While good economic conditions continued, the Yaskawa Group was active in continuing the implementation of *Win 21 Plus*, which is now in its final year. In fiscal year 2004, we focused on structural reforms in business, corporate, management, and finance to turn Yaskawa into a high-earning enterprise. With the *Win21 Plus* plan, we are realizing greater competitiveness and efficiency in our business operations.

We defined the fiscal year 2004 as a year to implement policies aimed at generating greater added value and expanding business through market strategy and innovation. As for the actual market strategy, we focused on core products with an already competitive advantage and large market shares, such as industrial robots, inverters, AC servomotors and controllers. We concentrated our marketing efforts on those products in the fields we have had positive results like the markets related to automobiles, air conditioning, elevators, semiconductors, and LCDs. While we received more orders, efforts were made to improve profits by cost reductions in the manufacturing of each product. Furthermore, we introduced new cost-efficient products and promoted them in high-profit markets and customers to raise profitability.

As a result, sales greatly increased by 17.7 % compared to the last fiscal year to 309,615 million yen. Although intense competition and sudden increases in the prices of raw materials resulted in some losses, the sales increase contributed to operating income rising by 41.3% to 17,527 million yen and ordinary income rising by 45.0% to 17,414 million yen. Those numbers set record highs for sales, operating income, and ordinary income.

As the result of an extraordinary loss due to the impairment of goodwill at Syntetics Solutions, Inc., a subsidiary of Yaskawa making systems for semiconductor equipment manufacturers, consolidated net income, however, decreased by 68% to 1,860 million yen. Although both sales and ordinary income set record highs in this fiscal year, decrease in the stock price of Syntetics Solutions resulted in a net loss of 3,982 million yen at Yaskawa Electric.



Koji Toshima
President

Management Initiatives and Challenges

With the *Win 21 Plus* mid-term plan in its final fiscal year, we are working towards its successful completion. We will continue to advance the structural reforms in the four target areas mentioned to establish a solid business infrastructure.

Last year's large increase in consolidated sales helped us reach our sales target of 300,000 million yen one year ahead of schedule. We will continue to focus on the automobile-related market, which is expected to continue to have robust growth, and also on markets in Europe, the US, and Asia. We will also make sure that timely marketing of semiconductor- and LCD-related products takes advantage of recoveries in these markets.

To achieve higher profit rates as targeted in *Win 21 Plus*, we need to focus more on new cost-efficient products and on high-profit markets. We are also working on cost reduction in procurement and production by increasing globalization of our manufacturing base.

Another ongoing challenge is the reduction of lead-times to make sure that we meet the growing demand for our products in a timely manner. In the second half of fiscal year 2004, we increased our production capacity and strengthened our production management in our efforts to construct a stable and robust production structure.

To further expand our business, we reorganized Yaskawa's headquarters for better coordination between the departments for sales, production, and product development. This will enable the timely marketing of strategic new products through a corporate-wide marketing strategy.

Also, we are doing our best to improve the financial performance of Synetics Solutions, our subsidiary in the US.

As for our long-term policy, we are accelerating the development and the fostering of new technologies for the next generation of products to build strong brand name recognition. We believe that successful creation of brand value by adopting new technology together with long-standing trust in our quality will improve our competitiveness and make sustainable growth a certainty for our business.

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

Shin Nakayama
Chairman of the Board

Koji Toshima
President

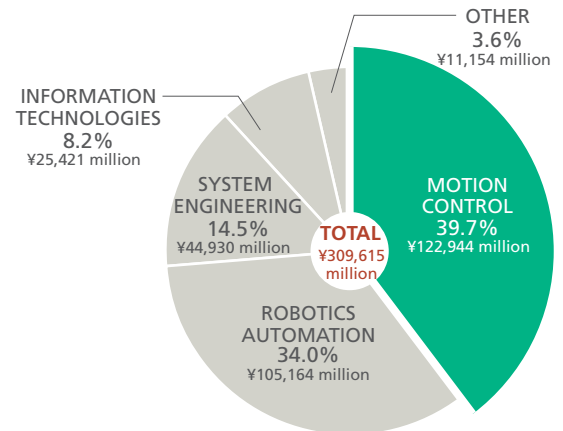
MOTION CONTROL

Combines the components of the rich product lines for Drive, Motion, and Control to provide solutions for high efficiency and productivity in all areas from general industrial machines to machine tools.

Based on the business concept of three i's of integration, intelligence, and innovation, we offer total solutions in motion control with revolutionary mechatronic products that lead the way.

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.



2005 Business Segments
* Year Ended March 20
* does not include inter-segment sales

PRODUCT INFORMATION

Controller

Panel Machine Controller: MP2500

Yaskawa's user-friendly MP series is known for its high level of performance and has the largest share of the controller market in Japan. Our MP2500 controller is based on the new concept of touch-panel functions. The unique software package from Yaskawa Information Systems allows for trouble-free operation and development with the touch panel. Our increasingly rich lineup of controllers is expected to gain an even larger share of the market.



Panel-type
MP2500

MP2000 Series



Board-type
MP2100

Module-type
MP2200

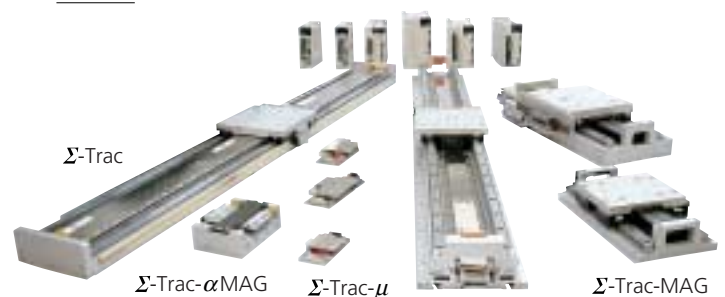
All-in-one
MP2300

Servo Drives

Linear Sliders: Σ -Trac-MAG and Σ -Trac- α MAG

The Sigma (Σ)-Trac series includes both a linear scale and a guide attached to the linear motor, making it even more user friendly. We reduced the weight of the moving parts in the Σ -Trac-MAG, a new member of the Σ -Trac series, for more rapid movement. The Σ -Trac- α MAG is even lighter but can handle the heavy drive-related demands placed on machines such as bonders and press feeders. As a leader in the servo industry, we are always re-evaluating our products so that they can be better and better and meet customer demands.

Σ -Trac Series



Σ -Trac

Σ -Trac- α MAG

Σ -Trac- μ

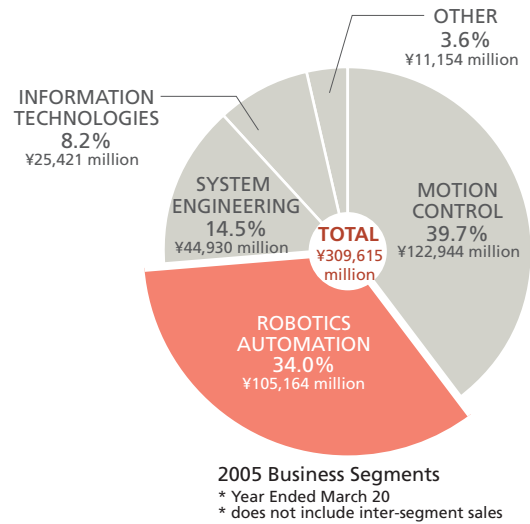
Σ -Trac-MAG

ROBOTICS AUTOMATION

Factories all over the world are using Motoman industrial robots, and the semiconductor industry is using our super mechatronic devices. We also develop and manufacture human-friendly robots that assist people at work and at home in a variety of fields. To meet the needs that arise from new trends in industry and society, Yaskawa develops new robots that help improve productivity and the quality of life.

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

Equipment for Clean and Vacuum Rooms

Ultra-precision XY Air Bearing Stage

The demand is growing for even greater precision in positioning accuracy in semiconductor production and inspection units. Our Ultra-precision XY Air Bearing Stage achieves excellent positioning accuracy to the nanometer (one billionth of a meter) with a ceramic air slider, a Yaskawa linear motor, and a high-resolution linear scale. This is only our first step in increasing the accuracy of our already high-accuracy machines and devices.



Equipment for Clean and Vacuum Rooms

Semiconductor Wafer-transfer Robot: MOTOMAN-RC1000G

Semiconductors are indispensable to our daily lives and are used in our personal computers, cellular phones, and home appliances. As a result, the demand is growing for improved productivity in semiconductor production. The MOTOMAN-RC1000G does not require a traveling mechanism, which is one of the main causes of dust. This robot also has a substantially wide range of motion when its arm is extended. Two end effectors on the arm can be used for different tasks for high functionality when transferring wafers.



Medical Equipment

Portable Therapeutic Exercise Machine: TEM LX2 TypeD

The TEM LX2 TypeD can be used to assist in leg rehabilitation therapy without any trouble in either the home or hospital. Medical agencies have co-operated with Yaskawa in the development of its functions and operation. The TEM LX2 TypeD provides easier operation and more safety than conventional models.



Straps protect legs and reduce stress on knees while ensuring accuracy of angles for bending and stretching.



Easy Operation with Touch Panel



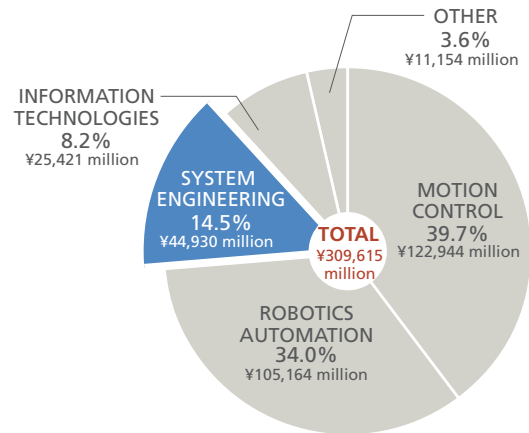
Graph of Treatment Results

SYSTEM ENGINEERING

For many years, Yaskawa has been engaged in the development and production of industrial electrical equipment for large industrial plants and public utilities. We do not only provide unfailing reliability, but also meet the public demands for environmental conservation and cost reduction. Our advanced system engineering technology meets the needs of modern society.

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, medium power generators and power generation equipment, industrial rotators, etc.



2005 Business Segments
* Year Ended March 20
* does not include inter-segment sales

PRODUCT INFORMATION

System Equipment

Ultra-thin, High-function Elevator Controller: FSDrive-EL Series

The FSDrive-EL series consists of ultra-thin, elevator controllers that are 100 mm deep and the world's first ones with matrix converters*. Being extremely compact, the FSDrive-EL series has a regenerative function for energy savings and provides a harmonic-free state for elevators. Also, a vibration-control function suppresses vertical vibrations and thus substantially improves riding comfort in the elevator. Our FSDrive-EL series has performance features and functions that lead the way in the elevator market. Our FSDrive-EL series will revolutionize elevators throughout the world.

*: A converter that converts three-phase AC power directly into three-phase AC waveforms.

Advantages of Matrix Converters

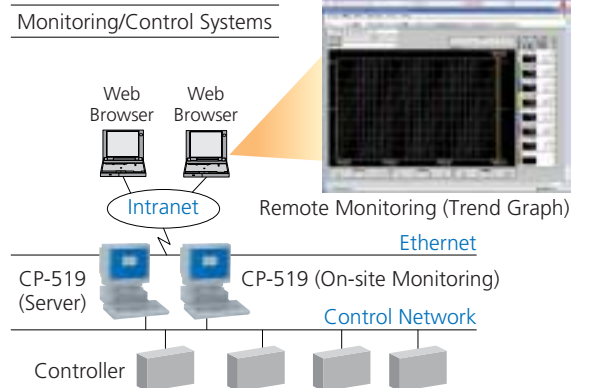
1. Can regenerate the kinetic energy from the elevator's movement into power. (An energy savings of 40% to 60% as compared with using a braking resistor circuit)
2. Extremely low rate of harmonics in power, so special measures are not needed.
3. Low maintenance due to the absence of electrolytic capacitors that limit the product's service life in the main circuit.



System Equipment

Intranet-compatible Monitoring Unit: CP-519

With the proliferation and spread of personal computers, the demand is growing for on-site monitoring of production using Windows-based browsers. Our CP-519 has a good reputation for its ability to provide remote operations and monitoring while connected to an Intranet in offices or other locations away from production sites.



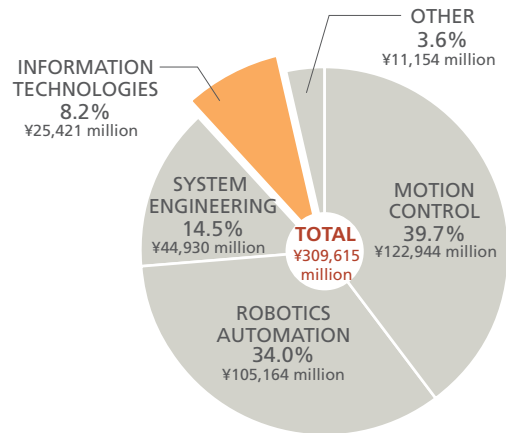
Windows: Registered trademark of Microsoft Corporation, U.S.A.

INFORMATION TECHNOLOGIES

This division's goal is to enlarge its business arena by means of focused allocation of investment, forcing its own growth and development to become Yaskawa's fourth pillar of business.

● Main Products and Services

Floppy disk drives, two-dimensional code marking and reading systems, information processing software and services, office automation equipment, etc.



2005 Business Segments
* Year Ended March 20
* does not include inter-segment sales

PRODUCT INFORMATION

IT Products and Services

Yaskawa Information Systems Corporation

Next-generation Platform: xP-5000

The xP-5000 is our own CPU board, which is used in products such as PDAs*, information terminals, videophones, and other mobile devices. Its platform includes the PXA270 CPU, the fastest and most multi-functional of all the XScale® application processors from Intel Corporation. The xP-5000 also has the latest operating system with Windows CE 5.0 from Microsoft Corporation. This platform helps to substantially reduce time and costs for the development of new applications. We developed this new CPU board ahead of our rivals because of a special contract that we had with Intel. By signing such contracts with other companies, we can develop new business opportunities.

*: Personal Digital Assistance

A device that consists of a portable terminal used to view information for personal use and has some of the functions of a computer. Some PDAs can be connected to the Internet and provide high-speed communications over wireless LAN.



xP-5000

Main Features

- High-speed processing of motion pictures with high-speed operation.
- High-quality screen captures of 4 mega pixels.
- Fine power adjustments for varying situations.
- Memory stick interface.
- Software library.

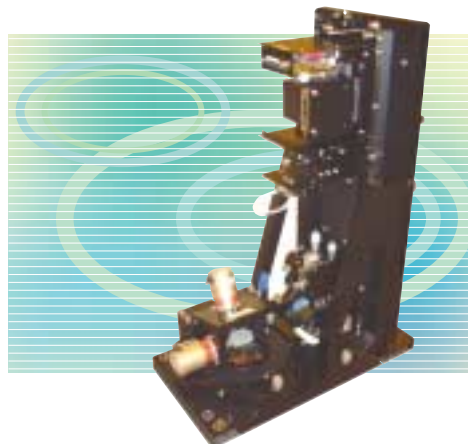
IT Products and Services

Y-E Data Inc.

Laser-marking System with VLD-exposure Engine

The demand for laser-marking systems has been rapidly growing. With this product, codes for production management can be marked on equipment used in the production of flat displays such as liquid-crystal displays and plasma displays.

In 2004, Y-E Data marketed as one of our new products a laser-marking system that uses a high-speed, high-performance exposure engine. The exposure engine uses Violet Laser Diodes (VLDs) from an internal laser as a source of light.



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

Next-generation Robot: SmartPal

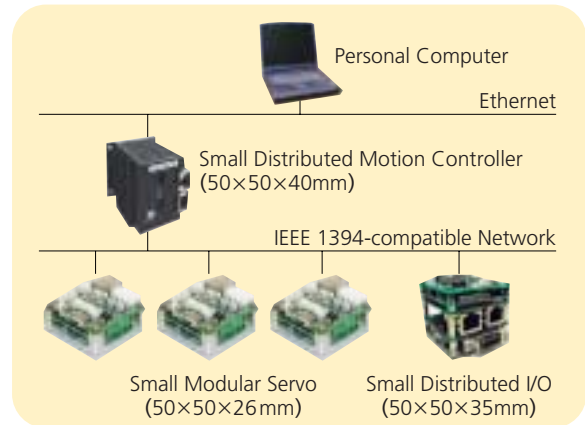
SmartPal is a mobile robot on wheels with moveable arms as well as communicative and environment-recognition functions – all of which are necessary for interacting amicably with humans. In February 2005, SmartPal served as a receptionist at a research development office in Fukuoka. SmartPal did tasks such as guiding visitors to elevators, handing out brochures, and calling another SmartPal to deliver luggage. SmartPal serves as a demonstration platform to show our start-of-the-art devices such as Yaskawa motors and amplifiers that are used in its system. Yaskawa will then apply these new technologies to new fields such as automated assembly and to larger markets in non-manufacturing sectors.



Distributed Motion Control for Small Controllers

The demand is growing for general industrial machinery and robots that are more compact. To meet this demand, we at Yaskawa Electric are concentrating on the development of high-speed networks and distributed motion control (MC) for unique machine and unit configurations. Our technologies are now being used in the construction of small controllers and distributed I/O prototypes. Yaskawa is continuing in its role of innovator with new developments in mechatronics, a field that we created.

Ethernet: Registered trademark of Xerox Corporation.



Nano-tech Servomotors

We have constructed prototypes of a nanocomposite magnet and a servomotor* using a new kind of magnet. The nanocomposite magnet uses a micro-emulsion process developed by Kyushu University. These prototypes were exhibited at "Fukuoka Nano-Tech Now 2004," a technical exhibit sponsored by Fukuoka Prefecture in July 2004. These examples of nano technology in use attracted the attention of high-tech researchers, engineers, government agencies, corporations, as well as science and engineering students.



*: Results of Research and Development Project 1, "2001 Regional New Consortium Projects/New Industry creative-Type Technology R&D Promotion Program" commissioned by the Kyushu Bureau of Economy, Trade and Industry and the Japanese Ministry of Economy, Trade and Industry.

America

◆ Motoman Inc.

Motoman Robots in “Paycheck”

Two Motoman robots appear in the sci-fi, futuristic movie thriller, “Paycheck.” In the movie, the robots are featured in several action-packed scenes. A staff member with Yaskawa Motoman Canada Ltd. spent six weeks on location in Vancouver to program the robots. He said that at first everybody on the set seemed to think the robots were not real. But, after they realized how quickly the robots moved and how powerful they were, everybody had a completely different idea about robots. He also said that he was very nervous because he needed to program the robots so they did not injure any actors in the powerful scenes. Motoman also appears in “The Terminator.” We expect more people to become Motoman fans after seeing these movies.



Motoman Robot on the Set

President of Motoman Inc., Named “Executive of the Year”

In January 2005, Motoman president Craig Jennings was named “Executive of the Year” for 2004 by the Dayton Business Journal in their third annual “Business of the Year” awards. The winner is selected by a panel of business leaders in Dayton, Ohio based on the responses of corporate executives to questions relating to the executive’s customer-service philosophy, relationship with employees, development of the company’s products and services, contributions to the community, and so on. Like Craig Jennings, the whole Yaskawa group will strive for continued corporate success in all areas.



“Executive of the Year” Award Craig Jennings, President

Pack Expo 2004

Yaskawa products were on display at the packing machine industry’s largest exhibition in Chicago. With a total of 17 demonstrations of our robots and motion products, we had a great opportunity to reach new audience. Many high profile companies visited the booth to learn more about Yaskawa and the products we offer and how our solutions can make a difference to their businesses.



Yaskawa Booth

Europe

Yaskawa Electric UK Ltd.

10th Anniversary

In May 2004, Yaskawa Electric UK Ltd. in Scotland marked ten years of inverter production. Since its founding in 1903 to May 2004, Yaskawa Electric UK has produced and shipped one million inverters. In September 2004, production of servo amplifiers also began. Yaskawa's British team will continue to work hard to reach new, higher targets.



Yaskawa Electric UK Ltd.



Management Team at the Ceremony

Asia

Shanghai Yaskawa Drive Co., Ltd.

New Factory Completed

A new factory was built to help the existing factory meet the recent rapidly growing demand for products. The new building, which has one- and two-story section, features a bright interior and air conditioning. The steel-frame building occupies 6624 m² (48 m wide and 138 m long). The combined production capacity of the two factories is three times greater than that of the existing factory.

In December 2004, the city of Shanghai certified Shanghai Yaskawa Drive as an advanced high-tech company with foreign investments in Shanghai. All 800 of the Shanghai employees will strive for higher QCD levels so that the factory may continue to live up to this well-earned reputation.



The New Factory



Greeting from the President



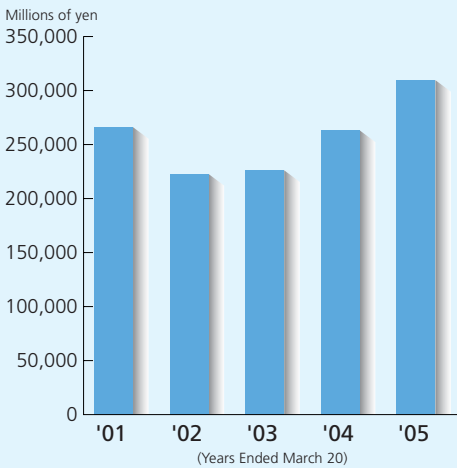
Tape-cutting Ceremony



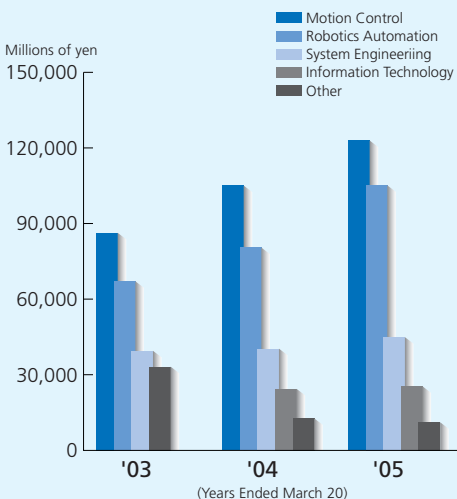
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Net Sales



Net Sales by Segment



Based on the 3-year mid-term management plan called *Win 21 Plus*, which is in its final year in 2005, Yaskawa Group is progressing the structural reforms to establish a strong foundation for sustainable growth. We aim to achieve a new cost model, market strategy and innovation, and a new business model, thereby enhancing the corporate value. In fiscal year 2004, our management efforts focused on turning Yaskawa into a highly efficient and highly profitable enterprise.

Group Overview

Based on the scope of consolidation and application of equity method accounting for the fiscal year ended March 20, 2005, the Yaskawa Group includes 62 consolidated subsidiaries and 14 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 inverter, etc.), **Robotics Automation** (Welding, painting and handling robots, clean room and vacuum cluster robots for use in 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.).

Net Sales

In fiscal year 2004, which ended on March 20, 2005, Yaskawa hit the record high in net sales, earning ¥309,615 million, an increase of 17.7% from the previous fiscal year. The businesses of Motion Control, Robotics Automation, and System Engineering saw a robust growth in this fiscal year, which contributed to the overall sales growth.

Motion Control

The sales of AC servomotor and controller in Japan as well as North America and Asia increased during the first half of the fiscal year compared to the corresponding period in the previous fiscal year. This is attributed to the active promotion of new products and increased demand from the semiconductor- and LCD-related markets as well as the stable growth of machine tools and metal working machinery markets. However, the demand in the domestic semiconductor- and LCD-related markets has decreased since the beginning of the second half of the previous fiscal year. As for inverters, sales continued to steadily grow for the air conditioning and elevator markets, particularly in China and the rest of Asia.

As a result, sales in Motion Control increased by 17.0% to ¥122,944 million in the fiscal year 2004, and operating income increased by 125.9% to ¥9,121 million.

Robotics Automation

Many large car manufacturers and parts suppliers in the automobile-related industry employed our painting robots and new robots optimally designed for end-user applications in arc and spot welding. This contributed to Yaskawa's increased market share in Japan, the US, and Europe.

Also, the sales of LCD panel transfer robots experienced strong growth

especially in Korea and Taiwan due to increased demand for LCD televisions and cell phones. In response to the market growth, we made sure the timely introduction of our new robots capable of handling larger glass substrates.

Regarding the clean room and vacuum cluster robots for semiconductor production, we conducted cooperative development projects with existing customers, and also continued to cultivate relationships with new customers.

We strengthened our production capacity and established a more advanced production structure to meet the growing demand for our products.

As a result, sales in Robotics Automation increased by 30.7% to ¥105,164 million in 2004 fiscal year, and operating income rose by 38.3% to ¥7,282 million.

System Engineering

While the growth in the exports of steel materials led to increased renovation demand of steel plants, we promoted new products such as high-voltage inverters, compressor drive systems and electric products for elevators. Although we implemented cost reduction measures in automation systems for wastewater process equipment, a slowdown in public investment and intense competition had an impact on sales and profits.

As a result, sales for this segment increased by 11.3% to ¥44,930 million, however there was an operating loss of ¥2,092 million in the fiscal year 2004.

Information Technologies

In the information services industry, steadily growing investments related to IT and demand for information appliances experienced a downturn in the second half of the fiscal year. Market competition for these products and services also became more intense. Intense competition continued also in the computer peripherals market.

As a result, sales for this segment increased by 4.1% to ¥25,421 million and operating income increased by 28.0% to ¥1,500 million.

Other

Sales in other businesses decreased by 12.2% to ¥11,154 million and operating income increased by 62.4% to ¥1,739 million.

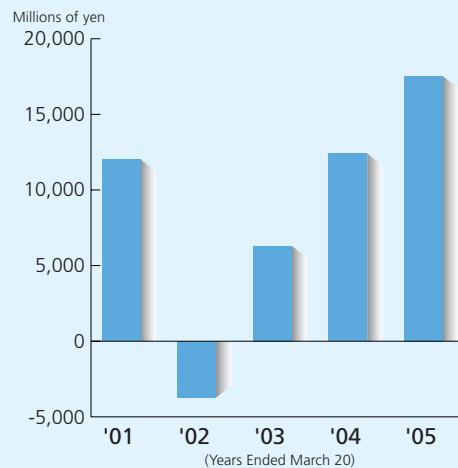
Cost of Sales, Selling, General and Administrative Expenses and Operating Income

Cost of sales for the fiscal year 2004 amounted to ¥229,498 million, 19.0% greater than the previous fiscal year, and the Company's cost of sales ratio rose by 0.8% to 74.1%. This is due to the increases in the expenses of contracting out and business commissions following the increase in production.

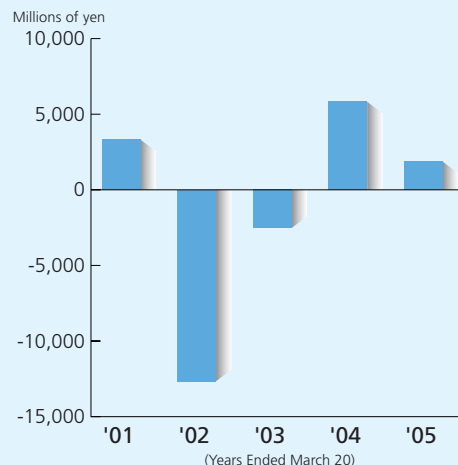
Selling, general and administrative (SG&A) expenses rose by 8.2% to ¥62,589 million. The percentage of SG&A expenses against net sales decreased by 1.8% to 20.2%. As a result, the entire Yaskawa Group achieved positive operating income of ¥17,527 million, a significant increase of 41.3% compared to the previous fiscal year. The percentage of operating income against net sales was 5.7%, an increase of 1% from the previous year.

Regarding each business segment, the Motion Control segment generated operating income of ¥9,121 million, compared to ¥4,037 million in the previous year. Operating income in the Robotics Automation segment increased to ¥7,282 million, compared to the previous year's ¥5,266 million. As to the System Engineering segment, there was an operating loss of ¥2,092 million, compared to the previous year's operating income of ¥958 million.

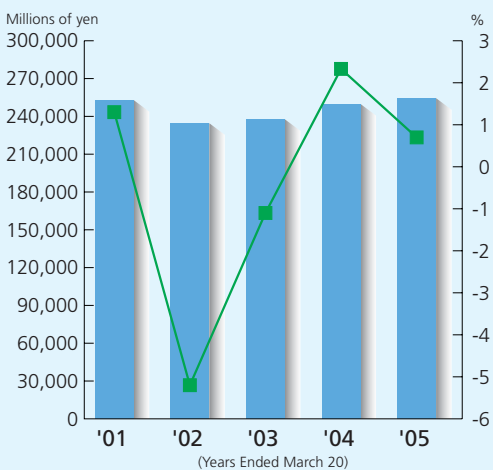
Operating Income (Loss)



Net Income (Loss)



■ Total Assets & Return on Assets



The Information Technologies segment's operating income was ¥1,500 million. The other businesses generated ¥1,739 million.

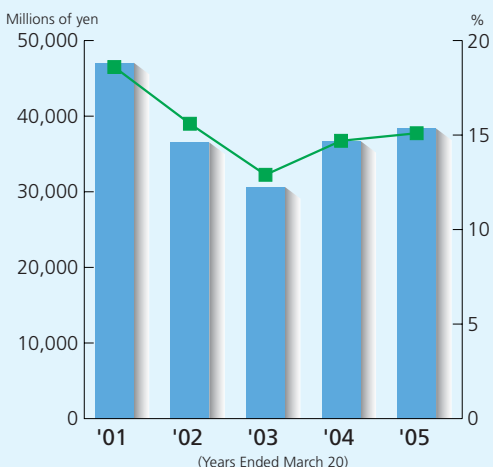
Regionally speaking, operating income in Japan totaled ¥9,725 million, compared to ¥7,398 million in the previous fiscal year. Operating income in North America totaled ¥3,312 million, a dramatic increase from ¥1,392 million in the previous year. Operating income in Europe totaled ¥3,101 million, compared to ¥2,344 million in the previous fiscal year. In Asia, operating income totaled ¥1,856 million, compared to ¥1,192 million in the previous year. The operating income totals provided above for geographical area are prior to inter-company eliminations.

■ Net Income

Because of the decrease in the stock value of Synthetics Solutions, Inc., following its extraordinary loss due to the impairment of goodwill, non-operating income fell by 38.5% to ¥1,433 million. Non-operating expenses also fell by 43.4% to ¥1,546 million. Extraordinary income for the period was ¥2,861 million, a decrease of 47.8%. Extraordinary losses totaled ¥11,053, an increase from the previous year's ¥6,402. This is due to the impairment of goodwill at Synthetics Solutions.

As a result, net income before taxes and minority interest totaled ¥9,222 million, compared to ¥11,089 in the previous year. Net income after corporate, inhabitants and enterprise taxes and minority interests totaled ¥1,860 million, a decrease from the previous year's ¥5,819. Net income per share was ¥7.80, a decrease of 68.5% from the previous year. ROE (return on equity), a key management indicator, in the fiscal year 2004 fell by 12.3% to 5.0%.

■ Shareholders' Equity & Shareholders' Equity Ratio



■ Financial Position

At the end of the financial period of 2004, consolidated total assets increased by 1.8% to ¥254,438 million, up ¥4609 million from the end of previous fiscal year.

Current assets increased from the previous period by ¥5,894 million, ending at ¥175,505 million. Trade notes and accounts receivable increased by ¥6,942 million, which is a main contributing factor for the increase in current assets. Inventories decreased by ¥1,664 million.

While investments and other assets increased by ¥2,770 million, intangible fixed assets decreased by ¥4,669 million due to the impairment of goodwill at Synthetics Solutions, Inc. Fixed assets therefore decreased by ¥1,284 million to ¥78,933 at the end of the financial period.

Consolidated total liabilities increased from the previous period by ¥3,150 million to end the fiscal year at ¥212,002 million. Although there were increases in trade notes and accounts payable and accrued income taxes, current liabilities decreased by ¥13,827 million as the result of, among other things, bond repayments totaling ¥15,000 million. Long-term liabilities increased by ¥16,976 million due to the issuance of convertible bonds totaling ¥15,000 million, an increase in accrued retirement benefits by ¥3,147 million and other increases.

Shareholders' equity, partially as a result of an increase in retained earnings, increased from the previous period by ¥1,651 million to end the fiscal year at ¥38,366 million.

The Debt/Equity ratio, one of our key management indicators, was 2.0 at the end of fiscal year 2004. We reduced interest-incurring debt by ¥2,200 million and the total equity increased by ¥1,700 million.

Yaskawa seeks to achieve a maximum increase in earnings on invested shareholders' equity. We will continue to work towards higher levels of management indicators through various measures.

Cash Flows

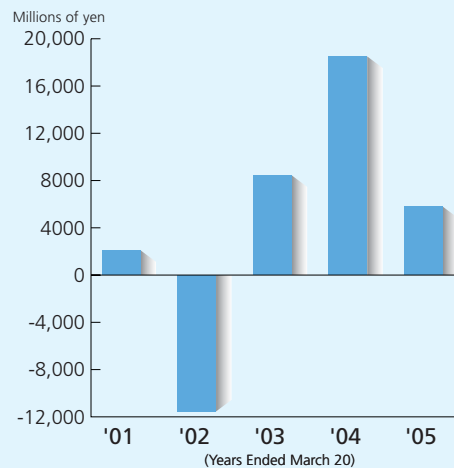
The balance of cash and cash equivalents at the end of the consolidated fiscal year was ¥17,906 million, up ¥808 million from the previous year. The factors affecting cash flows for the consolidated fiscal year are as follows.

Cash flows from operating activities ended at a positive ¥5,789 million. This was due to earnings before taxes of ¥9,222 million, non-cash expenses such as depreciation and retirement allowances, which totaled ¥13,695 million, an increase of ¥6,859 million in trade notes and accounts receivable due to increased sales and the payment of income taxes totaling ¥5,447 million.

Cash flows from investment activities ended at a negative ¥2,242 million. While there was a cash inflow of ¥2,775 million from sales of tangible fixed assets, the acquisition of tangible fixed assets totaled ¥6,889 million and purchases of investment securities totaled ¥2,812 million. Free cash flow ended at a positive ¥3,547 million.

Cash flows from financing activities ended at a negative ¥2,823 million. Although there were cash inflows of ¥5,391 million proceeding from long-term debt and ¥14,903 million from the issuance of bonds, short-term debt decreased by ¥1,901 million, repayments of long-term debt totaled ¥5,356 million and the redemption of bonds totaled ¥14,998 million.

■ Cash Flows from Operating Activities





Consolidated Balance Sheets

Yaskawa Electric Corporation and Consolidated Subsidiaries As of March 20, 2005 and 2004

ASSETS	Millions of yen		Thousands of U.S. dollars (Note 3)
	2005	2004	2005
Current assets:			
Cash and cash equivalents	¥ 17,907	¥ 17,098	\$ 170,983
Short-term investments (Notes 4)	223	239	2,129
Trade receivables			
Notes	17,765	15,653	169,626
Accounts (Note 6)	73,364	68,533	700,506
Allowance for doubtful accounts	(770)	(830)	(7,352)
Inventories (Notes 5 and 6)	52,682	54,346	503,027
Deferred tax assets (Note 8)	5,689	5,337	54,321
Other current assets	8,645	9,236	82,545
Total current assets	175,505	169,612	1,675,785
Property, plant and equipment, at cost (Notes 6 and 14):			
Land	9,041	9,103	86,327
Buildings and structures	34,874	34,536	332,990
Machinery and equipment	30,521	28,607	291,425
Other	23,471	22,899	224,110
	97,907	95,145	934,852
Less accumulated depreciation	(60,447)	(58,301)	(577,170)
Net property, plant and equipment	37,460	36,844	357,682
Investments and other assets:			
Investment securities (Note 4)	13,614	10,541	129,991
Investments in and advances to unconsolidated subsidiaries and affiliates	4,393	4,316	41,946
Deferred tax assets (Note 8)	11,488	10,785	109,692
Other assets	11,979	17,732	114,380
Total investments and other assets	41,474	43,374	396,009
Total assets	¥ 254,439	¥ 249,830	\$ 2,429,476

See notes to consolidated financial statements.

LIABILITIES AND SHAREHOLDERS' EQUITY	Millions of yen		Thousands of U.S. dollars (Note 3)
	2005	2004	2005
Current liabilities:			
Short-term bank loans(Note 6)	¥ 33,342	¥ 35,390	\$ 318,362
Current portion of long-term debt (Note 6)	5,725	19,983	54,664
Trade payables			
Notes	10,035	9,149	95,818
Accounts	55,443	54,233	529,390
Accrued income taxes (Note 8)	6,292	2,791	60,078
Accrued expenses	15,424	14,812	147,274
Other current liabilities	12,576	16,307	120,080
Total current liabilities	138,837	152,665	1,325,666
Long-term liabilities:			
Long-term debt (Note 6)	38,741	24,591	369,913
Accrued retirement benefits for employees (Note 7)	32,424	29,277	309,596
Deferred tax liabilities (Note 8)	13	25	124
Other long-term liabilities	1,987	2,295	18,973
Total long-term liabilities	73,165	56,188	698,606
Minority interests	4,070	4,261	38,862
Contingent liabilities (Note 9)			
Shareholders' equity (Note 10):			
Common stock:			
Authorized: 560,000,000 shares			
Issued: 232,061,682 shares in 2005			
232,059,582 shares in 2004	15,542	15,541	148,401
capital surplus	14,002	14,000	133,696
Retained earnings	7,291	6,172	69,617
Net unrealized holding gain on securities	1,933	1,041	18,457
Foreign currency translation adjustments	(115)	154	(1,098)
Treasury stock, at cost: 751,488 shares in 2005;			
718,411 shares in 2004	(286)	(192)	(2,731)
Total shareholders' equity	38,367	36,716	366,342
Total liabilities and shareholders' equity	¥ 254,439	¥ 249,830	\$ 2,429,476

See notes to consolidated financial statements.



Consolidated Statements of Operations

Yaskawa Electric Corporation and Consolidated Subsidiaries Years Ended March 20, 2005 and 2004

	Millions of yen		Thousands of U.S. dollars (Note 3)
	2005	2004	2005
Net sales	¥ 309,615	¥ 263,045	\$ 2,956,316
Cost of sales (Note 11)	229,498	192,786	2,191,330
Gross profit	80,117	70,259	764,986
Selling, general and administrative expenses (Note 11)	62,589	57,852	597,622
Operating income	17,528	12,407	167,364
Other income (expenses):			
Interest and dividend income	328	231	3,132
Interest expense	(1,170)	(1,507)	(11,172)
Other, net (Note 12)	(7,464)	(42)	(71,269)
Income before income taxes and minority interests	9,222	11,089	88,055
Income taxes (Note 8):			
Current	8,968	4,206	85,630
Deferred	(1,754)	797	(16,748)
Income before minority interests	2,008	6,086	19,173
Minority interests	148	266	1,413
Net income	¥ 1,860	¥ 5,820	\$ 17,760

			U.S. dollars (Note 3)
PER SHARE OF COMMON STOCK			
Net income – basic	¥ 7.80	¥ 24.80	\$ 0.074
Net income – diluted	7.30	23.32	0.070
Cash dividends	—	3.00	—

See notes to consolidated financial statements.

Consolidated Statements of Shareholders' Equity

Yaskawa Electric Corporation and Consolidated Subsidiaries Years Ended March 20, 2005 and 2004

	Millions of yen		Thousands of U.S. dollars (Note 3)
	2005	2004	2005
Common stock			
Balance at beginning of year	¥ 15,541	¥ 15,541	\$ 148,391
Conversion of convertible bonds	1	—	10
Balance at end of year	¥ 15,542	¥ 15,541	\$ 148,401
Capital surplus			
Balance at beginning of year	¥ 14,000	¥ 14,750	\$ 133,676
Conversion of convertible bonds	1	—	10
Gain on sales of treasury stock	1	—	10
Transfer to retained earnings (Note 10)	—	(750)	—
Balance at end of year	¥ 14,002	¥ 14,000	\$ 133,696
Retained earnings (deficit)			
Balance at beginning of year	¥ 6,172	¥ (286)	\$ 58,932
Net income	1,860	5,820	17,760
Cash dividends	(696)	—	(6,646)
Bonuses to directors and corporate auditors	(110)	(60)	(1,050)
Effect of increase in consolidated subsidiaries	—	60	—
Effect of increase in affiliates accounted for by the equity method	3	1	29
Effect of decrease in consolidated subsidiaries	—	(28)	—
Effect of decrease in affiliates accounted for by the equity method	62	(85)	592
Transfer from additional paid-in capital (Note 10)	—	750	—
Balance at end of year	¥ 7,291	¥ 6,172	\$ 69,617
Net unrealized holding gain on securities			
Balance at beginning of year	¥ 1,041	¥ 250	\$ 9,940
Net changes during the year	892	791	8,517
Balance at end of year	¥ 1,933	¥ 1,041	\$ 18,457
Foreign currency translation adjustments			
Balance at beginning of year	¥ 154	¥ 582	\$ 1,470
Net changes during the year	(269)	(428)	(2,568)
Balance at end of year	¥ (115)	¥ 154	\$ (1,098)
Treasury stock, at cost			
Balance at beginning of year	¥ (192)	¥ (205)	\$ (1,833)
Net changes during the year	(94)	13	(898)
Balance at end of year	¥ (286)	¥ (192)	\$ (2,731)

See notes to consolidated financial statements.



Consolidated Statements of Cash Flows

Yaskawa Electric Corporation and Consolidated Subsidiaries Years Ended March 20, 2005 and 2004

	Millions of yen		Thousands of U.S. dollars (Note 3)
	2005	2004	2005
Cash flows from operating activities			
Income before income taxes and minority interests	¥ 9,222	¥ 11,089	\$ 88,055
Depreciation and amortization	6,499	6,048	62,055
Gain on sales of property, plant and equipment	(1,744)	(589)	(16,652)
Loss on devaluation of investment securities	30	33	286
Gain on sales of investment securities	(469)	(1,801)	(4,478)
Gain on sales of investments in affiliates	(561)	—	(5,357)
Gain on expropriation of property, plant and equipment	—	(2,420)	—
Impairment loss on goodwill	4,056	—	38,728
Interest and dividend income	(328)	(231)	(3,132)
Interest expense	1,170	1,507	11,172
Provision for employees' retirement benefits, net of payments	3,141	4,255	29,991
Increase in trade receivables	(6,860)	(13,227)	(65,502)
Decrease (increase) in inventories	1,440	(203)	13,750
Increase in trade payables	2,255	14,254	21,532
Other, net	(5,792)	5,043	(55,304)
Subtotal	12,059	23,758	115,144
Interest and dividends received	356	237	3,399
Interest paid	(1,179)	(1,512)	(11,258)
Income taxes paid	(5,447)	(3,978)	(52,010)
Net cash provided by operating activities	5,789	18,505	55,275
Cash flows from investing activities			
Purchases of property, plant and equipment and intangible assets	(6,890)	(6,178)	(65,788)
Proceeds from sales of property, plant and equipment and intangible assets	2,776	1,360	26,506
Purchases of investment securities	(2,813)	(1,405)	(26,860)
Proceeds from sales of investment securities	939	3,254	8,966
purchases of investments in affiliates	(133)	—	(1,270)
Proceeds from sales of investments in affiliates	871	222	8,317
Proceeds from expropriation of property, plant and equipment	3,556	3,556	33,954
Other, net	(548)	309	(5,232)
Net cash (used in) Provided by investing activities	(2,242)	1,118	(21,407)
Cash flows from financing activities			
Net decrease in short-term debt	(1,901)	(14,072)	(18,151)
Proceeds from long-term debt	5,391	7,846	51,475
Repayments of long-term debt	(5,357)	(12,210)	(51,151)
Proceeds from issuance of bonds, net	14,903	—	142,299
Redemption of bonds	(14,998)	—	(143,206)
Dividends paid to stockholders of the Company	(696)	—	(6,646)
Dividends paid to minority shareholders	(205)	(179)	(1,957)
Other, net	40	(262)	382
Net cash used in financing activities	(2,823)	(18,877)	(26,955)
Effect of exchanges rate changes on cash and cash equivalents	85	(31)	812
Net increase in cash and cash equivalents	809	715	7,725
Cash and cash equivalents at beginning of year	17,098	16,268	163,258
Increase due to inclusion of subsidiaries in consolidation	—	148	—
Decrease due to exclusion of subsidiaries from consolidation	—	(33)	—
Cash and cash equivalents at end of year	¥ 17,907	¥ 17,098	\$ 170,983

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 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 required by the Securities and Exchange Law of Japan.

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

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 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 had neither trading nor held-to-maturity securities as of March 20, 2005 and 2004. 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.

Goodwill recorded by the Company's U.S. consolidated subsidiaries has been accounted for in accordance with 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 amortised, 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.

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, unrecognized prior service cost 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 amortised principally over a period of five years by the straight-line method. Prior service cost is amortised as incurred over the average remaining years of services of employees by the straight-line method. Prior service cost is amortised as incurred over the average remaining years of services of employees by the straight-line method. Actuarial gain or loss is amortised in the year following the year in which the gain or loss is recognised 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 per share is computed based on the net income 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 and the weighted average number of shares of common stock outstanding during each year assuming full conversion of convertible bonds and full exercise of stock acquisition rights.

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.

(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 ¥104.73 = US\$1.00, the exchange rate prevailing on March 20, 2005. 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. Securities

a) Information regarding marketable securities classified as other securities as of March 20, 2005 and 2004 is as follows:

	March 20, 2005					
	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	¥ 5,027	¥ 8,657	¥ 3,630	\$ 48,000	\$ 82,660	\$ 34,660
Bonds	92	93	1	878	888	10
Others	39	41	2	372	391	19
Subtotal	¥ 5,158	¥ 8,791	¥ 3,633	\$ 49,250	\$ 83,939	\$ 34,689
Securities whose acquisition cost exceeds their carrying value:						
Stocks	¥ 2,946	¥ 2,566	¥ (380)	\$ 28,130	\$ 24,502	\$ (3,628)
Bonds	70	70	-	668	668	-
Subtotal	¥ 3,016	¥ 2,636	¥ (380)	\$ 28,798	\$ 25,170	\$ (3,628)
Total	¥ 8,174	¥ 11,427	¥ 3,253	\$ 78,048	\$ 109,109	\$ 31,061

	March 20, 2004		
	Millions of yen		
	Acquisition cost	Carrying value	Difference
Securities whose carrying value exceeds their acquisition cost:			
Stocks	¥ 3,652	¥ 5,931	¥ 2,279
Bonds	112	113	1
Others	14	14	-
Subtotal	<u>¥ 3,778</u>	<u>¥ 6,058</u>	<u>¥ 2,280</u>
Securities whose acquisition cost exceeds their carrying value:			
Stocks	¥ 2,860	¥ 2,319	¥ (541)
Bonds	50	50	-
Others	25	23	(2)
Subtotal	<u>¥ 2,935</u>	<u>¥ 2,392</u>	<u>¥ (543)</u>
Total	<u>¥ 6,713</u>	<u>¥ 8,450</u>	<u>¥ 1,737</u>

b) Sales of securities classified as other securities for the years ended March 20, 2005 and 2004 is summarized as follows:

	Millions of yen		Thousands of U.S. dollars
	2005	2004	2005
Proceeds from sales	¥ 939	¥ 3,281	\$ 8,966
Gains on sales	469	1,883	4,478
Losses on sales	-	82	-

c) The redemption schedule for securities with maturity dates classified as other securities as of March 20, 2005 is summarized as follows:

	March 20, 2005							
	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	¥ 30	¥ 39	-	-	\$ 287	\$ 372	-	-
Others	95	-	-	-	907	-	-	-
Total	<u>¥ 125</u>	<u>¥ 39</u>	<u>-</u>	<u>-</u>	<u>\$ 1,194</u>	<u>\$ 372</u>	<u>-</u>	<u>-</u>

5. Inventories

Inventories at March 20, 2005 and 2004 consisted of the following:

	Millions of yen		Thousands of U.S. dollars
	2005	2004	2005
Finished products	¥ 21,024	¥ 25,693	\$ 200,745
Semifinished products and work in process	14,165	12,867	135,253
Raw materials	17,493	15,786	167,029
	<u>¥ 52,682</u>	<u>¥ 54,346</u>	<u>\$ 503,027</u>

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

The weight average interest rates of short-term bank loans were 1.0% and 1.1% at March 20, 2005 and 2004, respectively.

Short-term bank loans at March 20, 2005 and 2004 consisted of following:

	Millions of yen		Thousands of U.S. dollars
	2005	2004	2005
Secured	¥ 1,225	¥ 1,264	\$ 11,697
Unsecured	32,117	34,126	306,665
	<u>¥ 33,342</u>	<u>¥ 35,390</u>	<u>\$ 318,362</u>

Long-term debt at March 20, 2005 and 2004 consisted of the following:

	Millions of yen		Thousands of U.S. dollars
	2005	2004	2005
Unsecured 0.3% convertible bonds in yen due 2005	¥ –	¥ 15,000	\$ –
Unsecured 0.0% bonds in yen due 2009 with stock acquisition rights	15,000	–	143,225
Unsecured 1.66% bonds in yen due 2008	1,000	10,000	95,484
Bank loans with interest rates ranging from 0.87% to 7.07%, due, in installments, through 2011:			
Secured	2,397	3,764	22,887
Unsecured	17,069	15,810	162,981
	44,466	44,574	424,577
Current portion of long-term debt	(5,725)	(19,983)	(54,664)
	¥ 38,741	¥ 24,591	\$ 369,913

At March 20, 2005, the stock acquisition rights incorporated in the unsecured 0.0% bonds, unless the bonds have been previously redeemed or purchased and cancelled or become due and repayable, entitle the bearer to acquire fully-paid and non-assessable shares of common stock of the Company at a conversion price of ¥740. The rights are exercisable up to and including 10th August, 2009.

At March 20, 2005, if all the outstanding stock acquisition rights had been exercised at the then current conversion price, 20,270 thousand new shares of common stock would have been issuable.

Under the trust deeds of the convertible bonds, the 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 exercise of all outstanding stock acquisition rights.

The aggregate annual maturities of long-term debt subsequent to 20th March, 2005 are summarized as follows:

Year ending March 20,	Millions of yen		Thousands of U.S. dollars
2006	¥ 5,725		\$ 54,664
2007	5,918		56,507
2008	13,406		128,005
2009	2,910		27,786
2010	16,222		154,894
2011 and thereafter	285		2,721
	¥ 44,466		\$ 424,577

The assets pledged as collateral for short-term bank loans and long-term bank loans at March 20, 2005 and 2004 were as follows:

	Millions of yen		Thousands of U.S. dollars
	2005	2004	2005
Accounts receivable	¥ 2,683	¥ 3,161	\$ 25,618
Inventories	3,252	3,279	31,051
Property, plant and equipment, at net book value	3,078	3,346	29,390
	¥ 9,013	¥ 9,786	\$ 86,059

7. Retirement Benefit Plans

The Company and its domestic consolidated subsidiaries have defined benefit plans, i.e., pension plans 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 recognised in the consolidated balance sheets as of March 20, 2005 and 2004 for the Company's and the consolidated subsidiaries' defined benefit plans:

	Millions of yen		Thousands of U.S. dollars
	2005	2004	2005
Retirement benefit obligation	¥ (77,489)	¥ (81,987)	\$ (739,893)
Plan assets at fair value	22,652	21,430	216,290
Unfunded retirement benefit obligation	(54,837)	(60,557)	(523,603)
Unrecognized net retirement benefit obligation at transition	3,576	7,152	34,145
Unrecognized actuarial loss	23,465	24,128	224,052
Unrecognized prior service cost	(4,628)	–	(44,190)
Accrued retirement benefits for employees	¥ (32,424)	¥ (29,277)	\$ (309,596)

Effective April 1, 2004, the Company and nine domestic consolidated subsidiaries amended their retirement benefit plans which resulted in a recognition of prior service cost of ¥4,937 million (\$47,140 thousand) for the year ended March 20, 2005.

The components of retirement benefit expenses for the years ended March 20, 2005 and 2004 are outlined as follows:

	Millions of yen		Thousands of U.S. dollars
	2005	2004	2005
Service cost	¥ 2,287	¥ 2,185	\$ 21,837
Interest cost	1,899	2,164	18,132
Expected return on plan assets	(526)	(509)	(5,022)
Amortization of net retirement benefit obligation at transition	3,576	3,576	34,145
Amortization of net actuarial loss	1,644	1,307	15,697
Amortization of prior service cost	(309)	—	(2,950)
Total	¥ 8,571	¥ 8,723	\$ 81,839

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

	2005	2004
Discount rate	2.5%	2.5%
Expected return on plan assets	2.5%	3.0%

8. 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 2005 and 2004. 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 income for the years ended March 20, 2005 and 2004 differs from the statutory tax rate for the following reasons:

	2005	2004
Statutory tax rate	41.7%	41.7%
Effect of:		
Expenses not deductible for income tax purposes	3.0	(3.1)
Elimination of dividend income from overseas subsidiaries	15.0	3.5
Equity in earnings or losses of unconsolidated subsidiaries and affiliates	(2.9)	(3.7)
Changes in valuation allowance	24.1	(2.9)
Adjustment in deferred tax assets and liabilities due to the change in tax rate	—	3.5
Other, net	(2.7)	(0.1)
Effective tax rates	78.2%	(45.1)%

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 and to increase net unrealized holding gain on securities by ¥23 million at March 20, 2004 and to increase income tax - deferred by ¥384 million for the year ended March 20, 2004.

The significant components of deferred tax assets and liabilities as of March 20, 2005 and 2004 were as follows:

	Millions of yen		Thousands of U.S. dollars
	2005	2004	2005
Deferred tax assets:			
Allowance for doubtful accounts	¥ 162	¥ 170	\$ 1,547
Accrued bonus	2,250	1,738	21,484
Retirement allowances	12,099	10,133	115,526
Investment securities	431	857	4,115
Constructive dividend	289	289	2,759
Inventories	1,106	966	10,560
Goodwill	1,425	—	13,606
Tax loss carry forwards	2,325	2,580	22,220
Other	3,248	3,217	31,014
Total gross deferred tax assets	23,335	19,950	222,811
Valuation allowance	(4,806)	(3,076)	(45,889)
Total deferred tax assets	18,529	16,874	176,922
Deferred tax liabilities:			
Net unrealized holding gains on securities	(1,316)	(715)	(12,566)
Other	(77)	(62)	(735)
Total deferred tax liabilities	(1,393)	(777)	(13,301)
Net deferred tax assets	¥ 17,136	¥ 16,097	\$ 163,621

9. Contingent Liabilities

The Company and its consolidated subsidiaries had the following contingent liabilities at March 20, 2005:

	Millions of yen	Thousands of U.S. dollars
Trade notes receivable discounted with banks	¥ 6,030	\$ 57,577
Beneficiary certificates of notes receivable trusts transferred	5,454	52,077
Guarantor of indebtedness of employees	205	1,957

10. Capital surplus and Retained Earnings

The Commercial Code of Japan (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 a legal reserve until the total of such reserve and the capital surplus account equals 25% of the common stock account. No legal reserve was recorded at March 20, 2005 and 2004.

The Code provides that neither capital surplus nor the legal reserve is available for dividends, but both may be used to reduce or eliminate a deficit by resolution of the shareholders or may be transferred to common stock by resolution of the Board of Directors. The Code also provides that if the total amount of capital surplus and the legal reserve exceeds 25% of the amount of common stock, the excess may be distributed to the shareholders either as a return of capital or as dividends subject to the approval of the shareholders. During the year ended March 20, 2004, capital surplus in the amount of ¥750 million was transferred to retained earnings to eliminate a deficit in accordance with the resolution by shareholders.

11. Research and Development Expenses

Research and development expenses included in manufacturing costs and selling, general and administrative expenses for the years ended March 20, 2005 and 2004 amounted to ¥7,738 million (\$73,885 thousand) and ¥7,573 million, respectively.

12. Other Income (Expenses)

Other income (expenses) – other, net for the years ended March 20, 2005 and 2004 consisted of the following:

	Millions of yen		Thousands of U.S. dollars
	2005	2004	2005
Gain on sales of investment securities	¥ 469	¥ 1,801	\$ 4,478
Gain on sales of investments in affiliates	561	—	5,357
Royalty income	45	65	430
Gain on expropriation of property, plant and equipment	—	2,420	—
Foreign exchange gain (loss)	76	(744)	725
Equity in earnings of affiliates	268	1,032	2,559
Gain on sales of property, plant and equipment	1,744	589	16,652
Loss on devaluation of investment securities	(30)	(33)	(286)
Amortization of net retirement benefit obligation at transition	(3,576)	(3,576)	(34,145)
Business restructuring costs	(1,904)	(1,248)	(18,180)
Impairment loss on goodwill	(4,056)	—	(38,728)
Other, net	(1,061)	(348)	(10,131)
	¥ (7,464)	¥ (42)	\$ (71,269)

13. 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 of all derivative transactions is conducted pursuant to the internal management rule for derivatives which includes limitation of transaction amounts. A derivative transaction is executed by the treasury group in accordance with a policy approved by the officer in charge of Treasury and the treasury group keeps records of the transactions and reconciles the balances with the counterparties. In addition, the treasury group reports details of the transactions and related balances to the officer in charge of Treasury and the accounting group.

The fair value of the Company's derivative financial instruments at March 20, 2005 and 2004 were as follows:

	March 20, 2005					
	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	¥ 593	¥ 596	¥ (3)	\$ 5,662	\$ 5,691	\$ (29)
Euro	1,141	1,175	(34)	10,895	11,219	(324)
Total	¥ 1,734	¥ 1,771	¥ (37)	\$ 16,557	\$ 16,910	\$ (353)

		March 20, 2004		
		Millions of yen		
		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)

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.

14. 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, 2005 and 2004:

		Millions of yen		Thousands of U.S. dollars
		2005	2004	2005
Acquisition costs:				
Tools, furniture and fixtures		¥ 26	¥ 40	\$ 248
Accumulated depreciation:				
Tools, furniture and fixtures		23	32	219
Net book value:				
Tools, furniture and fixtures		¥ 3	¥ 8	\$ 29

Lease income relating to finance leases accounted for as operating leases in the accompanying consolidated financial statements amounted to ¥5 million (\$48 thousand) and ¥7 million for the years ended March 20, 2005 and 2004, respectively. Depreciation of the assets leased under finance leases accounted for as operating leases amounted to ¥5 million (\$48 thousand), and ¥7 million for the years ended March 20, 2005 and 2004, respectively.

Future minimum lease income subsequent to March 20, 2005 for finance leases accounted for as operating leases is summarized as follows:

Year ending March 20,	Millions of yen	Thousands of U.S. dollars
2006	¥ 2	\$ 19
2007 and thereafter	—	—
Total	¥ 2	\$ 19

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, 2005 and 2004 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
		2005	2004	2005
Acquisition costs:				
Tools, furniture and fixtures		¥ 2,855	¥ 4,003	\$ 27,261
Software		1,096	841	10,465
Other		249	190	2,377
		¥ 4,200	¥ 5,034	\$ 40,103
Accumulated depreciation:				
Tools, furniture and fixtures		¥ 1,681	¥ 2,567	\$ 16,051
Software		588	458	5,614
Other		128	133	1,222
		¥ 2,397	¥ 3,158	\$ 22,887
Net book value:				
Tools, furniture and fixtures		¥ 1,174	¥ 1,436	\$ 11,210
Software		508	383	4,851
Other		121	57	1,155
		¥ 1,803	¥ 1,876	\$ 17,216

Lease payments relating to finance leases accounted for as operating leases amounted to ¥825 million (\$7,877 thousand) and ¥985 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, 2005 and 2004, respectively.

Future minimum lease payments (including the interest portion thereon) subsequent to March 20, 2005 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
2006	¥ 696	¥ 841	\$ 6,646	\$ 8,030
2007 and thereafter	1,107	4,669	10,570	44,581
Total	¥ 1,803	¥ 5,510	\$ 17,216	\$ 52,611

15. Segment Information

Business segments

The business segment information for the Company and its consolidated subsidiaries for the years ended March 20, 2005 and 2004 is outlined as follows:

	Year ended March 20, 2005								
	Millions of yen							Eliminations or Corporate	Consolidated
	Motion Control	Robotics Automation	System Engineering	Information Technologies	Other	Total			
Net sales									
Sales to third parties	¥ 122,944	¥ 105,164	¥ 44,931	¥ 25,422	¥ 11,154	¥ 309,615	¥ –	¥ 309,615	
Inter-segment sales and transfers	15,919	2,667	1,970	3,460	21,431	45,447	(45,447)	–	
Total sales	138,863	107,831	46,901	28,882	32,585	355,062	(45,447)	309,615	
Operating costs and expenses	129,741	100,549	48,993	27,382	30,846	337,511	(45,424)	292,087	
Operating income(loss)	¥ 9,122	¥ 7,282	¥ (2,092)	¥ 1,500	¥ 1,739	¥ 17,551	¥ (23)	¥ 17,528	
Total assets	¥ 95,365	¥ 74,108	¥ 34,344	¥ 22,754	¥ 15,418	¥ 241,989	¥ 12,450	¥ 254,439	
Depreciation	4,279	1,386	629	171	259	6,724	(225)	6,499	
Capital expenditures	4,976	1,694	969	177	165	7,981	(63)	7,918	

	Year ended March 20, 2005								
	Thousands of U.S. dollars							Eliminations or Corporate	Consolidated
	Motion Control	Robotics Automation	System Engineering	Information Technologies	Other	Total			
Net sales									
Sales to third parties	\$ 1,173,914	\$ 1,004,144	\$ 429,017	\$ 242,739	\$ 106,502	\$ 2,956,316	\$ –	\$ 2,956,316	
Inter-segment sales and transfers	152,000	25,465	18,811	33,037	204,631	433,944	(433,944)	–	
Total sales	1,325,914	1,029,609	447,828	275,776	311,133	3,390,260	(433,944)	2,956,316	
Operating costs and expenses	1,238,814	960,078	467,803	261,453	294,529	3,222,677	(433,725)	2,788,952	
Operating income(loss)	\$ 87,100	\$ 69,531	\$ (19,975)	\$ 14,323	\$ 16,604	\$ 167,583	\$ (219)	\$ 167,364	
Total assets	\$ 910,580	\$ 707,610	\$ 327,929	\$ 217,263	\$ 142,217	\$ 2,310,599	\$ 118,877	\$ 2,429,476	
Depreciation	40,857	13,234	6,006	1,633	2,473	64,203	(2,148)	62,055	
Capital expenditures	47,513	16,175	9,252	1,690	1,575	76,205	(601)	75,604	

	Year ended March 20, 2004								
	Thousands of U.S. dollars							Eliminations or Corporate	Consolidated
	Motion Control	Robotics Automation	System Engineering	Information Technologies	Other	Total			
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 costs and expenses	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	

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

2) Corporate assets included in "Eliminations or Corporate" at March 20, 2005 and 2004 amounted to ¥28,016 million (\$267,507 thousand) and ¥28,341 million, respectively. Those assets principally consisted of excess funds (cash and cash equivalents and short-term investments) and long-term investments (investment securities) of the Company.

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

Geographical areas

The geographical area information for the Company and its consolidated subsidiaries for the years ended March 20, 2005 and 2004 is outlined as follows:

	Year ended March 20, 2005						
	Millions of yen						
	Japan	North America	Europe	Asia	Total	Eliminations or Corporate	Consolidated
Net sales							
Sales to third parties	¥ 214,891	¥ 41,785	¥ 34,306	¥ 18,633	¥ 309,615	¥ -	¥ 309,615
Inter-segment sales and transfers	42,472	176	515	5,178	48,341	(48,341)	-
Total sales	257,363	41,961	34,821	23,811	357,956	(48,341)	309,615
Operating cost and expense	247,637	38,649	31,719	21,955	333,960	(47,873)	292,087
Operating income (loss)	¥ 9,726	¥ 3,312	¥ 3,102	¥ 1,856	¥ 17,996	¥ (468)	¥ 17,528
Total assets	¥ 199,897	¥ 22,354	¥ 22,033	¥ 14,001	¥ 258,285	¥ (3,846)	¥ 254,439

	Year ended March 20, 2005						
	Thousands of U.S. dollars						
	Japan	North America	Europe	Asia	Total	Eliminations or Corporate	Consolidated
Net sales							
Sales to third parties	\$ 2,051,857	\$ 398,978	\$ 327,566	\$ 177,915	\$ 2,956,316	\$ -	\$ 2,956,316
Inter-segment sales and transfers	405,538	1,681	4,917	49,441	461,557	(461,577)	-
Total sales	2,457,395	400,659	332,483	227,356	3,417,893	(461,577)	2,956,316
Operating cost and expense	2,364,528	369,035	302,864	209,634	3,246,061	(457,109)	2,788,952
Operating income (loss)	\$ 92,867	\$ 31,624	\$ 29,619	\$ 17,722	\$ 171,832	\$ (4,468)	\$ 167,364
Total assets	\$ 1,908,689	\$ 213,444	\$ 210,379	\$ 133,687	\$ 2,466,199	\$ (36,723)	\$ 2,429,476

	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

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

2) Major nations or regions included in each geographical area:

(1) North America – U.S.A.

(2) Europe – Germany, Sweden, The United Kingdom

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

3) Corporate assets included in "Eliminations or Corporate" at March 20, 2005 and 2004 amounted to ¥28,016 million (\$267,507 thousand) and ¥28,341 million, respectively. Those assets principally consisted of excess funds (cash and cash equivalents and short-term investments) and 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, 2005 and 2004 are summarized as follows:

	Year ended March 20, 2005				
	Millions of yen				
	North America	Europe	Asia	Other	Total
Overseas sales	¥ 40,726	¥ 34,589	¥ 51,538	¥ 3,402	¥ 130,255
Consolidated net sales	-	-	-	-	309,615

	Year ended March 20, 2005				
	Thousands of U.S. dollars				
	North America	Europe	Asia	Other	Total
Overseas sales	\$ 388,867	\$ 330,268	\$ 492,104	\$ 32,483	\$ 1,243,722
Consolidated net sales	-	-	-	-	2,956,316
Overseas sales as a percentage of consolidated net sales	13.1%	11.2%	16.7%	1.1%	42.1%

	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%

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



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, 2005 and 2004, and the related consolidated statements of income, 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, 2005 and 2004, and the consolidated results of their operations and their cash flows for the years then ended in conformity with accounting principles generally accepted in Japan..

The U.S. dollar amounts in the accompanying consolidated financial statements with respect to the year ended March 20, 2005 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 16, 2005

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
	2005	2004	2003	2002	2001	2005
Net sales	¥ 309,615	¥ 263,045	¥ 226,144	¥ 222,707	¥ 266,068	\$ 2,456,316
Cost of sales	229,498	192,786	165,318	169,232	191,178	2,191,330
Gross profit	80,117	70,259	60,826	53,475	74,890	764,986
Selling, general and administrative expenses	62,589	57,852	54,518	57,203	62,877	597,622
Operating income (loss)	17,528	12,407	6,308	(3,728)	12,013	167,364
Income (loss) before income taxes and minority interests	9,222	11,089	(850)	(18,897)	6,755	88,055
Income taxes	7,214	5,003	1,663	(6,272)	3,239	46,831
Net income (loss)	1,860	5,820	(2,524)	(12,657)	3,319	17,760
At Year-End						
Total assets	¥ 254,439	¥ 249,830	¥ 237,641	¥ 234,560	¥ 252,912	\$ 2,429,476
Shareholders' equity	38,367	36,716	30,632	36,525	47,070	366,342
Per Share Data						
	Yen					U.S. dollars
Net income (loss)	¥ 7.80	¥ 24.80	¥ (11.00)	¥ (54.54)	¥ 14.31	\$ 0.074
Cash dividends	–	3.00	–	–	4.00	–
Shareholders' equity	165.63	158.35	132.31	157.41	202.84	1.58
Ratios						
	%					
Return on equity	5.0	17.3	(7.5)	(30.3)	7.3	
Return on assets	0.7	2.3	(1.1)	(5.2)	1.3	
Shareholders' equity ratio	15.1	14.7	12.9	15.6	18.6	

Note: Dollar figures are translated, for convenience only, at the rate of ¥104.73 to US\$1.

Board of Directors

As of June 16, 2005



Shin Nakayama
Chairman of the Board



Koji Toshima
President



Junichi Hamada
Executive Managing Director



Kenichi Matsumoto
Managing Director



Koichi Takei
Managing Director



Mitsuaki Sato
Director(External)



Masao Kito
Director



Toshihiro Sawa
Director



Sadahiro Iwata
Director



Norio Miyahara
Director



Tadakazu Hotta
Director



Yoshifumi Shimizu
Director



Noboru Usami
Director



Hideki Goto
Director



Junji Tsuda
Director



Isao Nakamura
Standing Auditor



Muneshige Yamazaki
Auditor



Masaaki Tani
Auditor(External)



Ichiro Takita
Auditor(External)

Chairman of the Board

Shin Nakayama

President

Koji Toshima

Executive Managing Director

Junichi Hamada
Regional Head, North & South America, Europe
Chairman, Yaskawa Electric America, Inc.

Managing Directors

Kenichi Matsumoto
General Manager
Production Management Division

Koichi Takei
General Manager
Personnel, General Affairs, Finance & Accounting

Director (External)

Mitsuaki Sato
Representative Director
Executive Vice President
Kyushu Electric Power Co., Inc.

Directors

Masao Kito
General Manager
Robotics Automation Division

Toshihiro Sawa
Deputy General Manager
Motion Control Division

Sadahiro Iwata
General Manager
Finance Division

Norio Miyahara
General Manager
Technology & Development Division
Corporate Research & Development Center

Tadakazu Hotta
General Manager
Motion Control Division

Yoshifumi Shimizu
Deputy General Manager
Production Management Division
General Manager
Export Administration Division

Noboru Usami
General Manager
Personnel & General Affairs Division

Hideki Goto
General Manager
Corporate Marketing Division

Junji Tsuda
General Manager
Inverters Division

Standing Auditor

Isao Nakamura

Auditor

Muneshige Yamazaki

Auditors (External)

Masaaki Tani
President
The Bank of Fukuoka, Ltd.

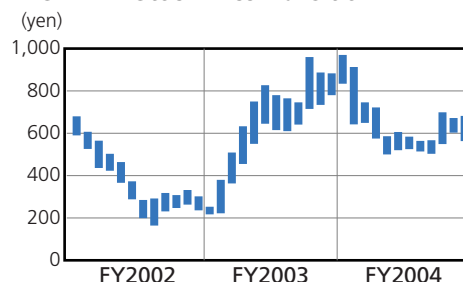
Ichiro Takita
Managing Director
Kurosaki Harima Corporation

Corporate Data

Trade name YASKAWA Electric Corporation
Established July 16, 1915
Employees 7,620 (Consolidated)

Stock Exchange Listings: (#6506)Tokyo and Fukuoka

YASKAWA Stock Price Transition



Note: The graph shows the peak and bottom prices by month on the Tokyo stock Exchange.



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 OJI ELECTRIC MFG. CO., LTD.	Manufacture and sales of electric equipment
7 YASKAWA LOGISTEC CORPORATION	Comprehensive distribution and logistics planning
8 YASKAWA OBVIOUS COMMUNICATIONS INC.	Planning, implementation, and production of tools and materials for advertising, promotion, and education
9 YASKAWA BUSINESS STAFF CORPORATION	Temporary personnel, fee-based employment agency, security business, and various out-sourcing businesses

Overseas Offices

10 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
11 SHANGHAI OFFICE	No.18 Xizang Zhong Road, Room 1302, Harbour Ring Plaza, Shanghai 200001, P.R.China Phone: +86-21-5385-2370 Fax: +86-21-5385-2375
12 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

13 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
14 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
15 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
16 YASKAWA ELÉTRICO DO BRASIL COMÉRCIO LTD.A. 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

17 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
18 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
19 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
20 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
21 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

22 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
23 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
24 SHANGHAI YASKAWA DRIVE CO., LTD. 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
25 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
26 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
27 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
28 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

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URL: <http://www.yaskawa.co.jp/en/>