

March 28, 2003

Yaskawa Electric Corporation's New Mid-Term Plan "Win21 Plus"

Summary:

-During the last mid-term plan "Win21" (FY1999 – 2002), the 4 Structural Reforms were completed. In particular, within the Business Structural Reform actions, unprofitable businesses were restructured and the mechatronics-shift (business and product focus shift toward mechatronics) was completed.

-The new mid-term plan "Win21 Plus" (FY2003 – 2005) will focus on quickly realizing the outcomes of the 4 Structural Reforms and advancing them further. "Win21 Plus" also focuses on achieving the financial goals of "Win21".

-The new mid-term plans also includes the goal of transforming Yaskawa into a high-earnings, high-efficiency, industry leader through continuous cost reform, core business strategy enhancement, and new business cultivation.

-The creation of a new corporate model will be based upon cross-functional activities that are aimed at improving strategy implementation. The promotion of greater understanding and professionalism among the employees will support this policy.

March 28, 2003 – Yaskawa Electric Corporation (President & CEO Shin Nakayama) announced the conclusion of the 4 Structural Reforms- 1.Business, 2.Corporate, 3.Management, 4.Financial- under the 1999 – 2002 mid-term plan "Win21". In particular, the shift to the core business units, Motion Control and Robotics Automation, into which management resources were focused during the term of "Win21", was completed. However, due to the stagnant economic environment during the period, the expected financial results of the structural reforms could not be realized.

In order to quickly realize the goals of "Win21" a new mid-term plan will be implemented beginning this fiscal year (2003). The new mid-term plan scheduled for completion in 2005 takes up the challenge to realize the goals of the concluded mid-term plan and further advance the 4 Structural Reforms, to become "a highly profitable, highly efficient company and industry leader" and is therefore named "Win21 Plus".

1 Win21 Plus Goals

– Basic Policy of the New Mid-term Plan

Yaskawa will promote the strategies for real structural change in the finance and business areas reflecting the post-mechatronics shift status and policies for truly effective, rather than systematic, reforms in the corporate and management areas in continuation of the 4 Structural Reforms of "Win21". Establishment of a new cost model, market strategy and innovation, and a new business model, all strategies of "Win21 Plus", will be supported by the reinforcement of strategy implementation capabilities through cross-functional activity.

Yaskawa anticipates the resulting realization of the original "Win21" goals as well as the transformation into an organization capable of realizing a profit even in conditions of up to 30% change in market demand.

- Basic Targets

The fundamental targets of “Win21 Plus” are the following

1. Double value-added productivity
2. 10% Operating Profit
3. D/E Ratio of One (1.0)

The expected result will be an “A” rating for Yaskawa (unconsolidated).

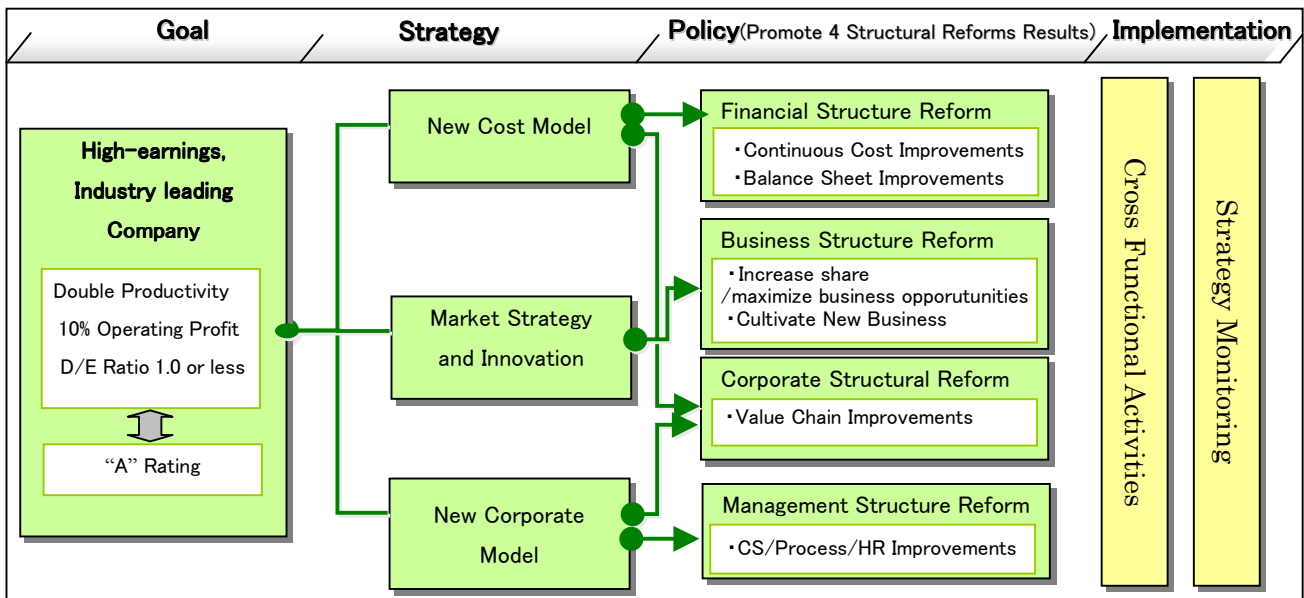
- Financial Targets

Yaskawa intends to grow its revenues from 227B Yen to 300B Yen on a consolidated basis, and from 126.5B Yen to 160B Yen on an unconsolidated basis by the end of “Win21 Plus”. By cutting costs, Yaskawa also expects to yield a higher increase in its Operating Profit, from a 2002 base of 3.6B Yen to 30B Yen in 2005 consolidated, and 3.8B Yen to 16 B Yen unconsolidated. As part of the actions that will be taken to realize these financial targets, the headcount will be right-sized for the new structure. Eliminations will result in a reduction of headcount from 7,981 to 7,450 on a consolidated basis and from 3,230 to 2,600 unconsolidated.

2 Win21 Plus Strategy and Measures

Through each of the 4 Structural Reforms, in 3 years cost reductions approximating 30B Yen will be realized. The increase of the core business’ competitiveness will be accompanied by the cultivation of new business as well as the conversion to a high profit organization.

The relationship between the cost model, strategy and results is portrayed in the diagram below.



Strategy by Business Segment

The Mechatronics Business into which management resources were focused during “Win21” comprises Motion Control SBU and Robotics Automation SBU. The strategies for these business areas consist of market share increase and continuous cost reform.

Also, along with the 3 SBUs, the Information Business has been added as a fourth pillar of the Yaskawa organization. Its growth and development strategy is another major part of “Win21 Plus”.

Motion Control SBU

By maintaining its top share in the global market as well as securing its profitability Motion Control will become an industry leader. The global market share targets are: 22% (#1) in the AC servo market, and; 16% (#1) in the inverter market. The Motion Control SBU's main policies are:

- gain market share by strengthening the cost competitiveness of its full range and by providing solution packages for its customers.
- increase product and technology differentiation, increase value-added offerings by enlarging the functions of the Solution Center
- actively engage in alliances and partnerships based on Mechatrolink
- cost-reducing R&D, expanding global production, cost reform by way of better operational efficiency

Robotics Automation SBU

Robotics Automation will establish itself as the world's No. 1 robot manufacturer by opening new markets and increasing the market share it already holds. Its global market share target is 20% (#1) in the industrial robotics area. The division's main policies are:

- increase market share through the introduction of new high functionality and high quality products
- expand the applicability of current robotics technology to create new business opportunities
- cost reforms including introduction of new products with superior cost competitiveness, and more efficient production and business processes

System Engineering SBU

Business structural changes along with management fundamentals are the basis for creating stable earnings for the System Engineering group. Its main policies are:

- shift resources to new areas such as system components and other fields
- maintain current business levels and improve earnings
- cost reform through optimized production system, including subcontractors, and reduced overhead

Information SBU

This division's goal is to enlarge its business arena by means of investment, forcing its own growth and development to become Yaskawa's fourth pillar of business. The policies that will be used to obtain these goals include:

- increase the "componentware" business
- enhance application of low cost production model with EMS
- carve out niche market based on a differentiation strategy and high value-added products
- foster new business including possible alliances

Promotion and Improvement of the 4 Structural Reforms

Financial structure reforms (cost and balance sheet improvements) along with swift introduction of products that will maximize business opportunities into the market will be the particular focus of this first year of "Win21 Plus".

– Financial Structure Reforms (Post-Mechatronics Shift Reforms)

1) Cost Reform

Accomplishing the cost reform goals of "Win21" will require the simultaneous implementation of cost reduction policies through the entire value chain process. This will include increasing development for cost-reduction and overseas production to reduce manufacturing costs. The reduction of personnel and redundant work related costs will come about through increased work efficiency as well as the concentration

of functions and business locations. These actions will result in a continuous and robust cost model.

2) Balance Sheet Improvements

Yaskawa intends to attain a D/E ratio of one (1.0) through inventory and asset management/reduction and profit improvement.

– Business Structural Reforms (Post-Mechatronics Reforms)

1) Increase market share and maximize business opportunities

The plan to increase market share requires both a balanced business mix as well as focus on geographic regions that are growing economically. Introducing high value-added and low-cost products into these markets will maximize our business opportunities.

In relation to the Information Business Unit, the development of its business area is planned according to its position as the 4th Pillar of Yaskawa's business.

2) New Business Cultivation

Yaskawa will foster and create new business through expanded application of its core competencies through strategic alliances. Fiscal 2005 revenues will include approximately 10B Yen from new business areas.

– Corporate Structural Reforms (From System Reforms to Effective Reforms Post- Mechatronics Shift)

1) Value Chain Revolution

-Redesign the value chain based on a high-earnings corporate structure

-Design a reinforced strategy, high-value added measurements, highly-efficient business processes all based on the smile-curve.

-Redundancy within one business unit, one value chain, will be done away with both strategically and tactically. Unprofitable group companies' re-organization will be completed.

2) Corporate Governance Improvement

This activity includes strengthening Corporate Governance as well as Compliance. The optimal corporate-company structure will be reviewed in order to embrace strategic business management and clarify central/decentralization of responsibility.

– Management Structural Reforms (From System Reforms to Effective Reforms Post- Mechatronics Shift)

“Win21 Plus” also aims for improvements in the areas of CS (Customer Satisfaction), business processes, and human resources by making activities for recognizing company strategy, movements toward high earnings and for customer satisfaction customary within the Yaskawa environment.

Developing Strategy Instruments - Implementation through Cross Functional Activities

With a view to realizing the establishment of a new cost model, market strategy and innovation, and a new business model, Yaskawa will make strategy a systemic part of the company. Focused strategies, thoroughness of control objects and targets, clarification of financial target coverage, as well as the implementation and actualization of strategies will all be connected to performance and results of the company.

Further, through the creation of cross functional teams which will cover 9 reform and improvement areas acting across group and organizational boundaries, the company's ability to implement strategies will be exponentially increased.

Finally, the poor conditions of the economic cycle, including the rise of China as “ the world's factory”, deflation, and borderless competition, caused our company to experience drastic changes in its environment during the

period of its last mid-term plan. Despite this, under severe environment changes, Yaskawa completed its 4 Structural Reforms, created the foundation for an organization that will enable Yaskawa to become the industry leader.

Although the new mid-term plan “Win21 Plus” will take up the challenge to attain the financial targets of “Win21”, the cost reforms are themselves nearly completed. From now on, while the core business share is increased and management becomes more efficient through the realization of the results of the enhanced 4 Structural Reforms, Yaskawa will become a high-earnings industry leading company.

Each member of Yaskawa, through alteration of his/her own approach, will support the quick adaptation to changes in the company’s environment. The company will push forward toward the creation of a new corporate model to bring about the fulfillment of the new mid-term plan “Win21 Plus” including all its major policies and targets.