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# **Yaskawa Electric Corporation**

## **(TSE:6506)**

**Fiscal Year 2003 Financial Results Summary (Ending March 2004)**  
**Fiscal Year 2004 Financial Forecast Summary (Ending March 2005)**  
**Presented by Koji Toshima, President**  
**(Original in Japanese)**

**May 14, 2004**

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## FY 2003 Financial Results Summary

- **Consolidated revenues increase from previous year**  
**Revenues of 263 billion yen, 16.3% increase from 2002**  
Growth in the semiconductor-, LCD- and automobile-related markets, with markets in China and the rest of Asia allowing expansion in Motion Control and Robotics Automation businesses.
- **Operating income of 12.4 billion yen, 96.7% increase from 2002**  
**Record high ordinary income of 12.0 billion yen, 199.6% increase from previous year**  
Improved sales resulted in a profit increase.
- **Record high net income of 5.8 billion yen, 8.3 billion yen improvement from previous year**  
An increase in ordinary income netted an 8.3 billion yen improvement on last year's results.
- **Improvement in free cash flow**  
**Free cash flow of 19.6 billion yen, 202.2% increase from 2002**  
An 18.5 billion yen increase through business activities, and a 1.1 billion yen increase through investment resulted in a drastic improvement on last year. Excess cash was allocated to reducing interest-incurring debts.

## Cost Model Implementation (Consolidated – Estimate)

(Comparison to FY 2002)

### 8 billion yen increase in ordinary income

#### The new C-50 Cost Reduction Program

- Cost reduction through development, re-engineering of current products
- EMS / Overseas production
- New manufacturing subsidiaries (est. 2002) result in cost reduction

#### Workforce rightsizing

- Effects of ERP implementation
- Location and functionality centralization
- Business process improvements

#### Overhead cost reduction

- Central purchasing and e-purchasing

#### Value chain improvements

- Greater added-value, productivity improvements, and cost reductions in each process
- Elimination of administrative and operational cost redundancies

#### Improved profits through sales increase

## Balance Sheet Reform (Consolidated)

### D/E Ratio meets the target

**FY 2002 Actual**

**March 2003**

■ **D/E Ratio: 3.2**

**Major initiatives**

- Achievement of profit target
- Sale of assets
- Depreciation of pension fund, etc.

- Reduction of interest-incurring debt
- Increase shareholders' equity

**FY 2003 Actual**

**March 2004**

■ **D/E Ratio: 2.2**

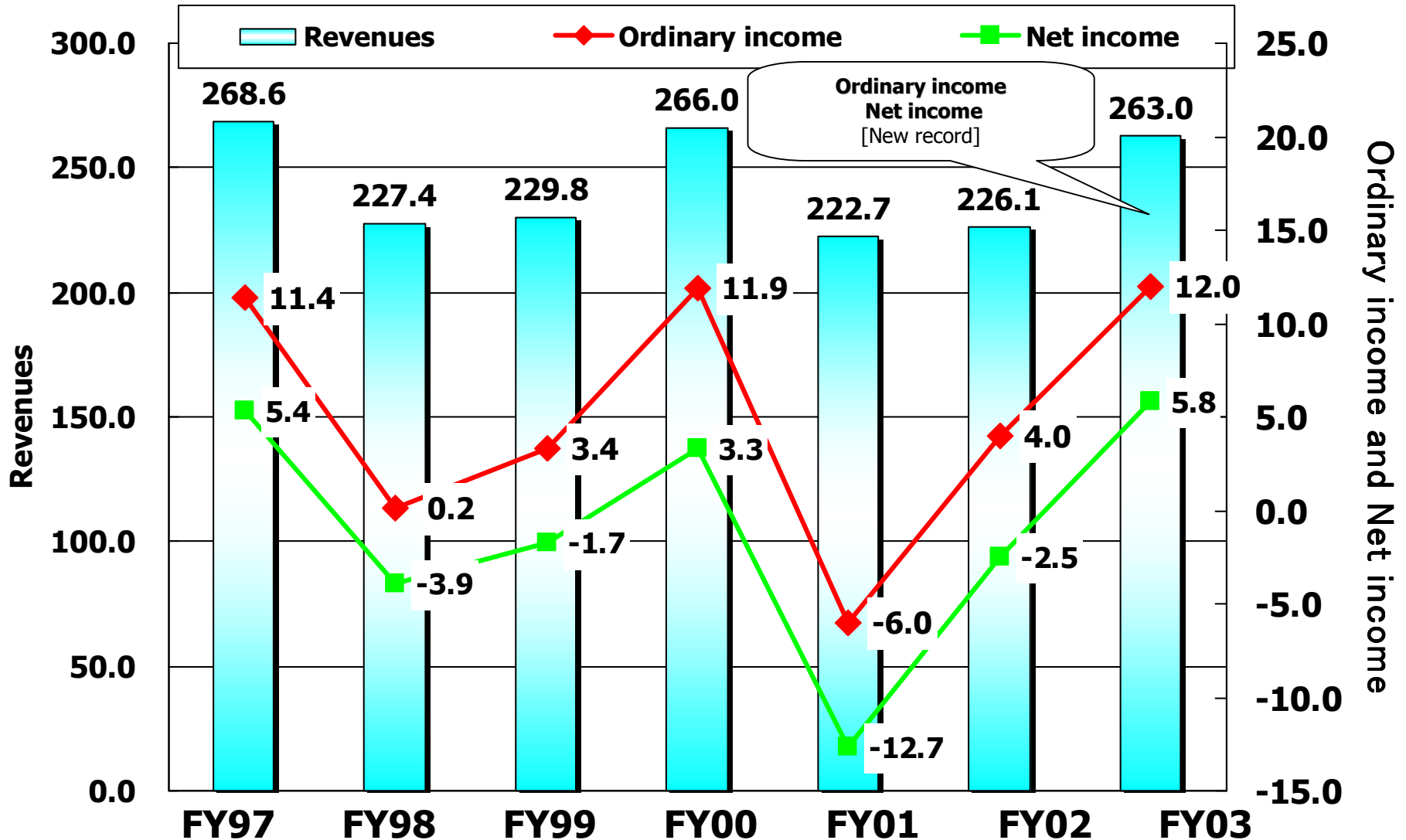
**Structured so that an increase in sales does not represent an increase in inventory value.**

Change in Consolidated Inventory Assets				
	FY 2000	FY 2001	FY 2002	FY 2003
Inventory assets (billions of yen)	60.1	54.3	54.2	54.3
Turnover period (months)	2.7	2.9	2.9	2.5
Sales revenue (billions of yen)	266.0	222.7	226.1	263.0

Target: Turnover under 2 months

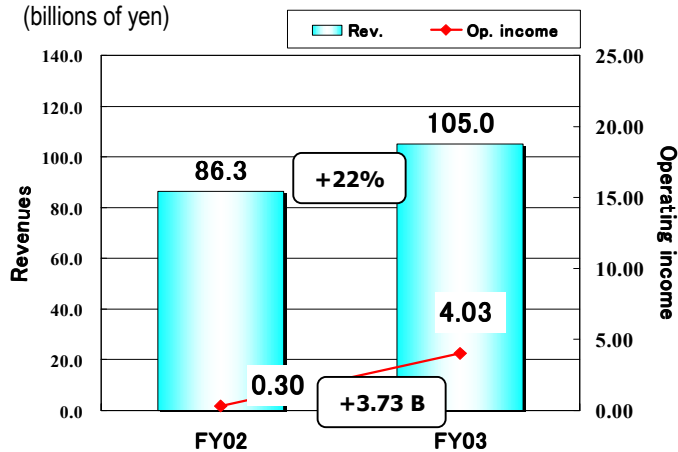
# Trend in consolidated revenues, ordinary income and net income

(billions of yen)



## FY 2003 Consolidated Results by Segment

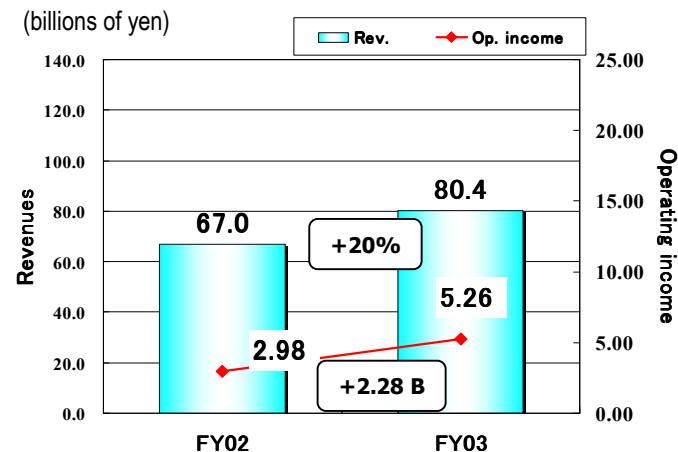
### Motion Control



### Increased revenues and operating income

- Predicted recovery of the semiconductor, LCD, and electronic markets
- Revenues nearly reaching 2005 target of 110 billion yen and a large increase in profits due to an expansion of overseas markets such as the those in China and Asia

### Robotics Automation

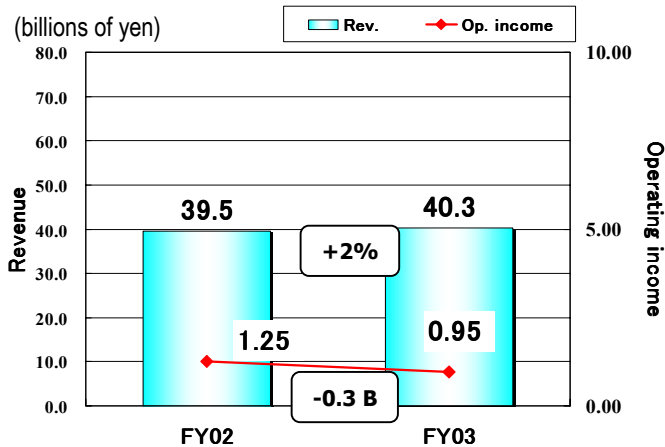


### Increased revenues and operating income

- Orders for automobile-related robotics rose steadily
- Sales of LCD glass-handling clean robots grew, particularly in the Korean and Taiwanese markets
- According to company estimates, world share of INR (Industrial Robots) for FY 2003 was 20%, already exceeding the Win21 Plus target for FY 2005

## FY 2003 Consolidated Results by Segment

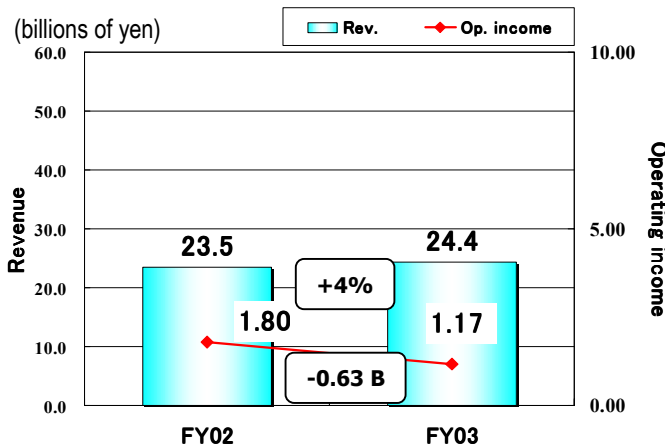
### System Engineering



### Maintaining revenues but decreased operating income

- Steel plant-related sales continued to grow due to renovation demands
- Sales in sewage and water treatment facilities decreased from last period due to weak public spending
- Intensifying competition in the marketplace resulted in decreased profits

### Information Technology



### Maintaining revenues but decreased operating income

- Revenues were mostly unchanged despite the delay of projected orders and the decrease in orders from some key customers
- Due to stronger competition and rising development costs, profits suffered a decline



## Win21 Plus in FY 2004

### Market environment in FY 2004

**Semiconductor-related market**  
⇒ strong recovery

**LCD-related market**  
⇒ high growth

**Automobile-related market**  
⇒ steady growth

**Chinese/Asian markets**  
⇒ high growth

### FY 2004 new policies

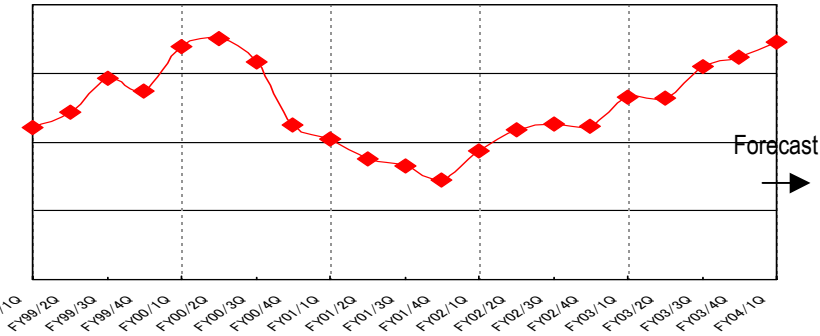
- **Expanding businesses as well as improving added-value by market strategy and innovation.**
  - Timely introduction of strategic new products
  - Targeted sales promotion to high-profit markets and customers (improvement of market and product mix)
  - Initiative to maintain and raise prices

### Consolidation of policies implemented in FY 2003

- **Realization of cost model**
  - Focus on reducing core product manufacturing costs
  - Thoroughness in finding low-cost suppliers (purchasing revolution)
- **Compression of assets for the reduction of interest-incurring debts**

# Order Trends in 2004

## YEC Motion Control

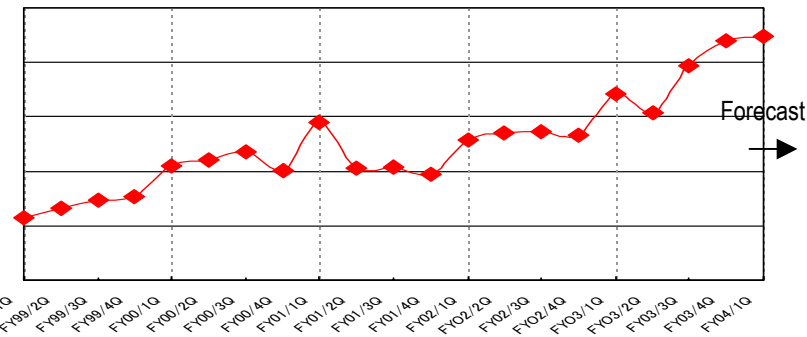


## Motion Control

**From the start of FY 2003, orders rose, and a continued high level is expected during FY 2004.**

Related Markets: semiconductor and LCD manufacturing equipment, electronics, machine tools, injection molding machines, metal forming, elevator, HVAC, textiles.

## YEC Industrial Robotics

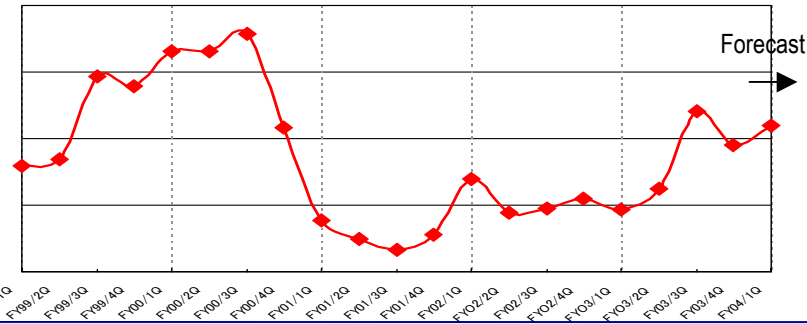


## Industrial Robotics

**Automobile-related orders continued to grow steadily, and LCD-related orders showed strong growth. Orders during FY 2004 are expected to continue this trend.**

Related Markets: arc welding, spot welding, painting, handling, LCD sheet handling.

## YEC Semiconductor Manufacturing Equipment



## Semiconductor Manufacturing Equipment/Robotics

**In the second half of FY 2003 there was an abrupt recovery of orders, and a strong recovery is expected in FY 2004.**

Related Markets: semiconductor manufacturing equipment.

Note: The information within this document includes forward-looking statements that are subject to change as a result of risks and uncertainties. The Company undertakes no obligation to update or revise these forward-looking statements.

## FY 2004 Cost Model Implementation (Consolidated – Estimate)

(Comparison to FY 2003)

**2004 target of ordinary income 18 billion yen,  
Increase of 6 billion yen from 2003**

### The new C-50 cost reduction program

- Cost reduction through development, re-engineering of current products
- EMS, expansion of foreign production, productivity improvement

### Rightsizing of workforce

- Effects of ERP implementation
- Location and functionality centralization
- Business process improvements

### Overhead cost reduction

- Central purchasing and e-purchasing

### Value chain improvements

- Greater added-value, productivity improvements, and cost reductions in each process
- Elimination of administrative and operational cost redundancies

### Improved profits through sales increase

- Promotion of new products through integration of operational and development strategies
- Expansion in growing markets

## FY 2004 Forecast and Information

- **Early achievement of FY 2005 goals in both Motion Control and Robotics Automation through increased sales in the semiconductor- and LCD-related market and Chinese markets. Revenue will increase 12% over FY 2003 results**
- **Increased profitability through continuous cost structural reform and a rise in added-value, with a minimal fixed cost increase**
- **Efforts to produce extraordinary profit in order to compensate for extraordinary loss predicted due to a one-off alteration to pension accounts**

### FY 2004 Forecast

(Comparison with previous fiscal year)

• <b>Revenues</b>	<b>295.0 Billion Yen</b>	<b>(+32.0 B, +12%)</b>
• <b>Operating income</b>	<b>18.1 Billion Yen</b>	<b>(+5.7 B, +46%)</b>
• <b>Ordinary income</b>	<b>18.0 Billion Yen</b>	<b>(+6.0 B, +50%)</b>
• <b>Net income</b>	<b>8.0 Billion Yen</b>	<b>(+2.2 B, +37%)</b>

## FY 2004 Risk factors

### **Sudden fluctuations in the market environment**

**Despite commitment to the LCD- and semiconductor-related markets, the company assumes the possibility of these markets failing to grow (especially given the order trends in the latter half of FY 2004).**

### **Rising raw material and component prices**

**In the event that raw material and component costs cannot be transferred to product price, there is a possibility that some cost reduction targets may not be achieved.**

### **Influence of changing currency value**

**There is a possibility of a decline in exports and a concomitant reduction in profits due to appreciation of the yen further than expected.**

**FY 2004 assumed exchange rate: \$1 = ¥110, €1 = ¥130**

**FY 2005 Objectives: Implementation of Cost Model (Consolidated – Estimate) (Comparison to FY 2004)**

**Realizing ordinary income 30 billion yen,  
Increase of 12 billion yen from 2004**

**Increase in profits through sales**

- Continuous growth: Commitment to Chinese markets and semiconductor-, LCD- and automobile-related markets.
- Timely introduction of next-generation products into the marketplace
- Growth in new markets

**The new C-50 Cost Reduction Program**

- Cost reduction through development, re-engineering of current products
- EMS, expansion of foreign production, productivity improvement

**Higher added-value through market strategy**

- Targeted sales promotion to high-profit markets and customers
- Initiative to maintain and raise prices

**Workforce rightsizing**

- Effects of ERP implementation
- Location and functionality centralization
- Business process improvements

**Overhead cost reduction**

- Central purchasing and e-purchasing

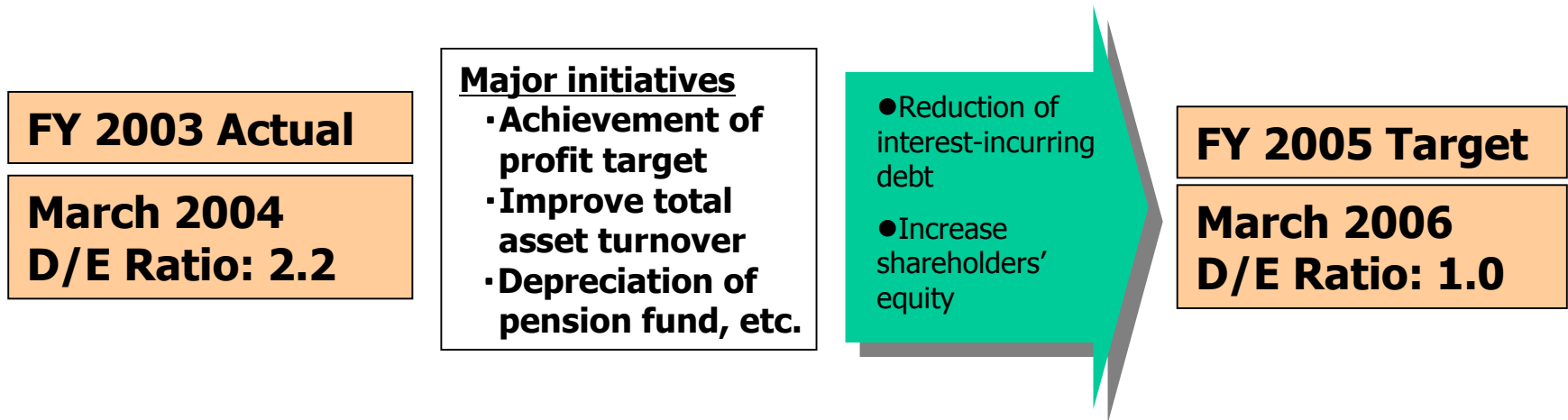
**Value chain improvements**

- Greater added-value, productivity improvements, and cost reductions in each process
- Elimination of administrative and operational cost redundancies

## FY 2005 Objectives: Balance Sheet Reform (Consolidated – Estimate)

# Balance Sheet Reform

**D/E Ratio of 1.0 will be realized even if the 1.5 billion yen convertible bonds remain unconverted in March 2005.**



- ※Capital expenditures are limited to the depreciation of fixed assets.
- ※Despite an increase in sales, the value of inventory assets stays fixed, and is accommodated through the reduction of yearly turnover.

## Notes

### Disclaimer:

**The information within this document is made as of the date of writing. Any forward-looking statements are made according to the assumptions of management and are subject to change as a result of risks and uncertainties. Yaskawa Electric undertakes no obligation to update or revise these forward-looking statements, whether as a result of new information, future events, or otherwise.**