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# **Yaskawa Electric Corporation**

## **(TSE:6506)**

- **First Half of Fiscal Year 2004 Financial Results Summary**  
**(Ended September 20, 2004)**
- **Fiscal Year 2004 Financial Forecast Summary**  
**(Ending March 20, 2005)**

**Presented by Koji Toshima, President**  
**(Original in Japanese)**

**November 5, 2004**

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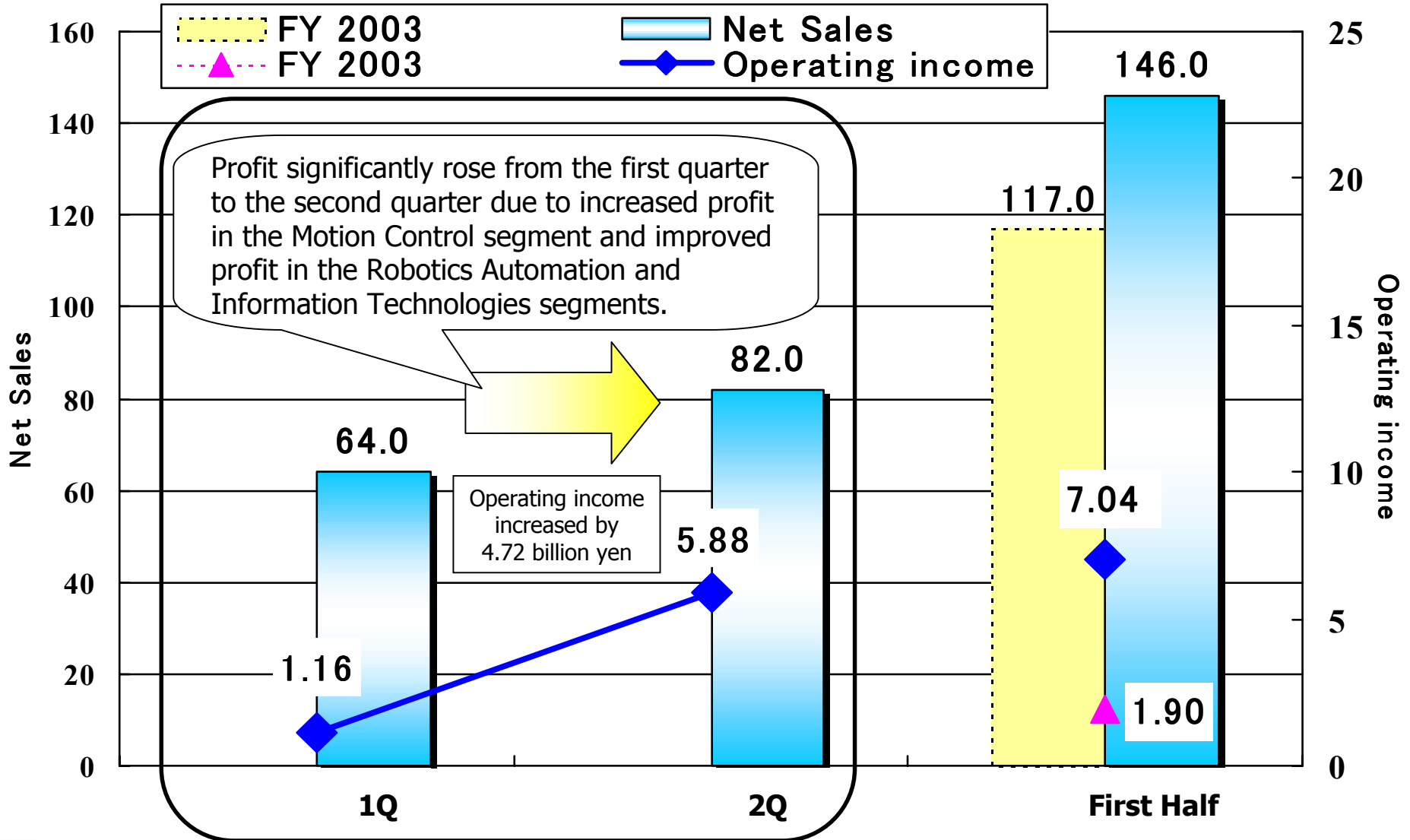
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## First Half FY 2004 Financial Results Summary

- **Consolidated net sales of 146.0 billion yen, 25% increase from the same period in the previous year**  
In the markets that are the focus of the Mid-term plan, the semiconductor- and LCD-related markets showed strong growth and the automobile-related market grew steadily. Along with expansion in the Chinese and Asian markets, record high net sales were achieved.
- **Operating income of 7.04 billion yen, 270% increase from the same period in the previous year**  
**Ordinary income of 7.20 billion yen, 430% increase from the same period in the previous year**  
Record high operating income and ordinary income were achieved due to increased sales and good financial results in Group subsidiaries.
- **First half net income of 2.16 billion yen, 2.71 billion yen improvement from the same period in the previous year**  
Although there were extraordinary losses such as a non-recurring accounting charge to correct the pension provision, net income significantly improved over last year due to the increase in ordinary income.

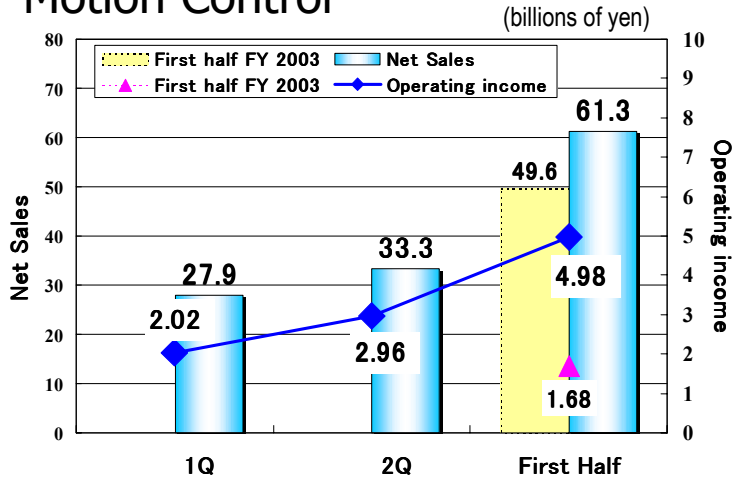
# First Half FY 2004 Consolidated Net Sales and Operating Income

(billions of yen)



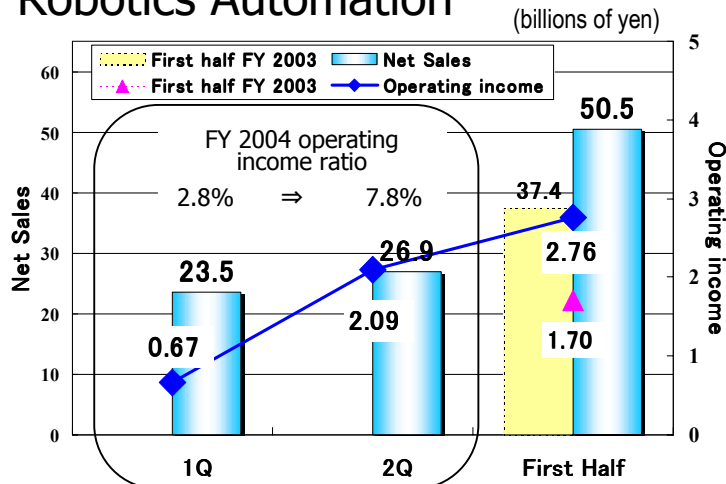
## First Half FY 2004 Consolidated Year-on-year Results by Segment

### Motion Control



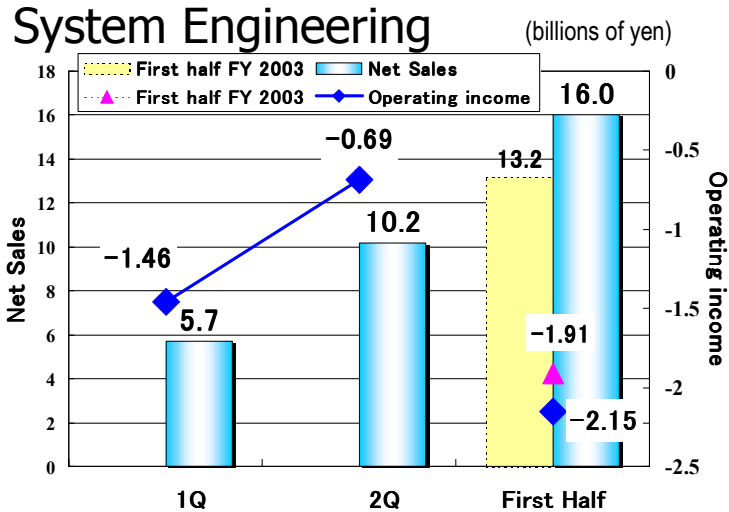
- The AC servomotor sales associated with the markets related to semiconductor and LCD showed strong growth, and there was stable growth in machine tools and metal working machinery. Sales in America and Asia increased.
- Inverter sales associated with the air-conditioning-related market showed stable growth. In foreign sales, Europe and China experienced strong growth.
- High profit was achieved through increased sales and profitability improvements.

### Robotics Automation

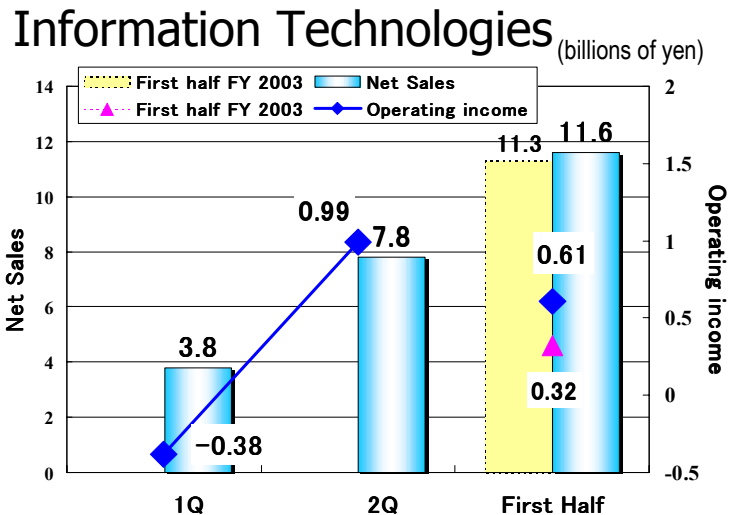


- In INR (Industrial Robotics), LCD-related sales greatly increased particularly in Korea and Taiwan and automobile-related sales grew stably.
- A recovery in SER (Semiconductor Manufacturing Equipment/ Robotics) was maintained from the second half of last fiscal year.
- Profitability improved from the first quarter to the second quarter partly due to the further enhancement in the production capability to handle sudden order increases.

## First Half FY 2004 Consolidated Year-on-year Results by Segment



- While net sales increased relative to the same period last year due to increases in foreign sales related to steel plants and harbor cranes, low prices resulting from intense competition negatively affected profitability.



- Increased sales in Yaskawa Information Systems, a subsidiary, compensated for decreased sales of computer peripherals in Y-E Data, another subsidiary. Accordingly, net sales remained mostly unchanged.
- Profitability improved as the result of cost reduction efforts such as decreased overhead.

## FY 2004 Forecast and Information

- **Net sales will exceed the Mid-term plan target for FY 2005 of 300 billion yen one year early. This will be achieved through the continuation of stable growth in the automobile-related market, focused efforts in China and Asia which are expected to sustain high growth, and an increase in market share of our core products.**
- **While growth in the markets related to semiconductor and LCD appears to be slowing down and a fear exists concerning unfavorable exchange rate trends and rising prices for parts and materials, increased sales and cost reductions will improve profitability.**

### FY 2004 Forecast

(Comparison with previous fiscal year)

• <b>Net Sales</b>	<b>310.0 Billion Yen</b>	<b>(+47.0 B, +18%)</b>
• <b>Operating income</b>	<b>19.8 Billion Yen</b>	<b>(+7.39 B)</b>
• <b>Ordinary income</b>	<b>20.0 Billion Yen</b>	<b>(+7.99 B)</b>
• <b>Net income</b>	<b>8.0 Billion Yen</b>	<b>(+2.18 B)</b>

**The above FY 2004 forecast is the highest in the history of Yaskawa.**

## Win21 Plus in FY 2004

### FY 2004 new policies

- **Business growth 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)**
  - results will be apparent beginning FY 2005
- **Initiative to maintain and raise prices**

### Continued Policies

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

### ■ Introduction of strategic products into target markets; Product line-up improvement

- **Semiconductor-, LCD-related**
  - Linear servo motors, DD servo motors
  - Large LCD panel transfer robots, 300mm wafer transfer robots
- **Automobile-related**
  - Robots with built-in cables, assembly robots
- **China**
  - Servo motors, inverters, steel plant-related, harbor crane-related

### ■ Improving added value

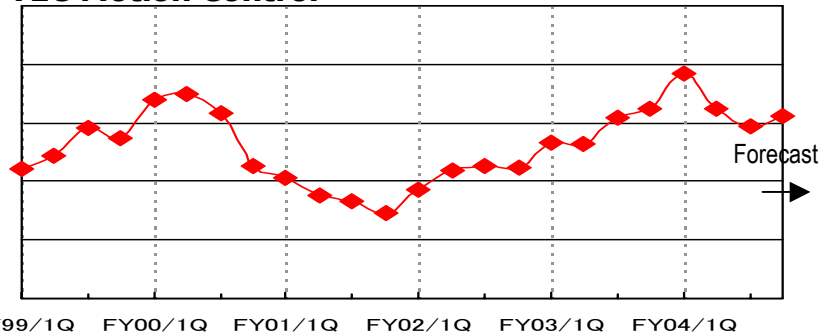
- **Increase sales of new products with reduced costs**
- **Sales efforts (proposals for more profitable substitutes, etc.)**

### ■ In Robotics Automation, production capability to handle sudden order increases (without production cost increases)

- **Reduction of the inventory turnover period**  
(March 04: 2.5 months ⇒ March 06: 2.0 months or less)

## Order Trends in 2004

### YEC Motion Control

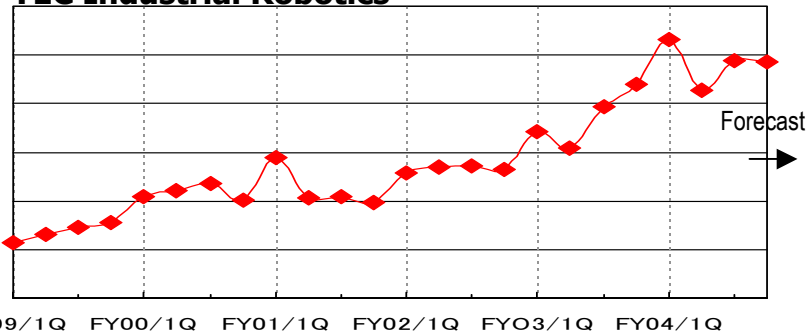


### Motion Control

**After peaking in the first quarter, a high level continued throughout the second quarter. A similar level of orders is targeted for the second half of the fiscal year.**

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

### YEC Industrial Robotics

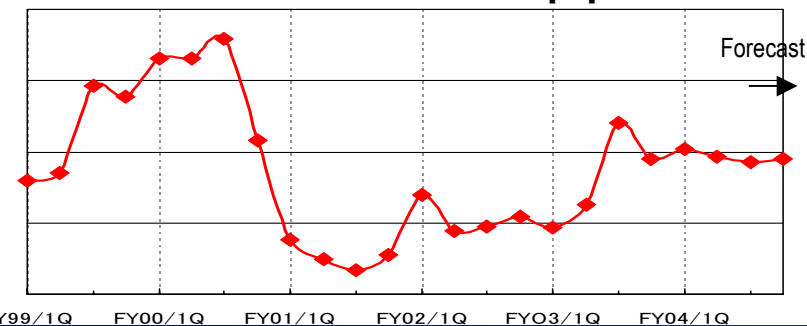


### Industrial Robotics

**Automobile-related orders continued to grow steadily, and LCD-related orders remained at a high level even after the peak in the first quarter. Steady growth is expected for automobile-related orders again in the second half of the fiscal year along with LCD-related orders remaining at the same high level as in the second quarter.**

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

### YEC Semiconductor Production Equipment



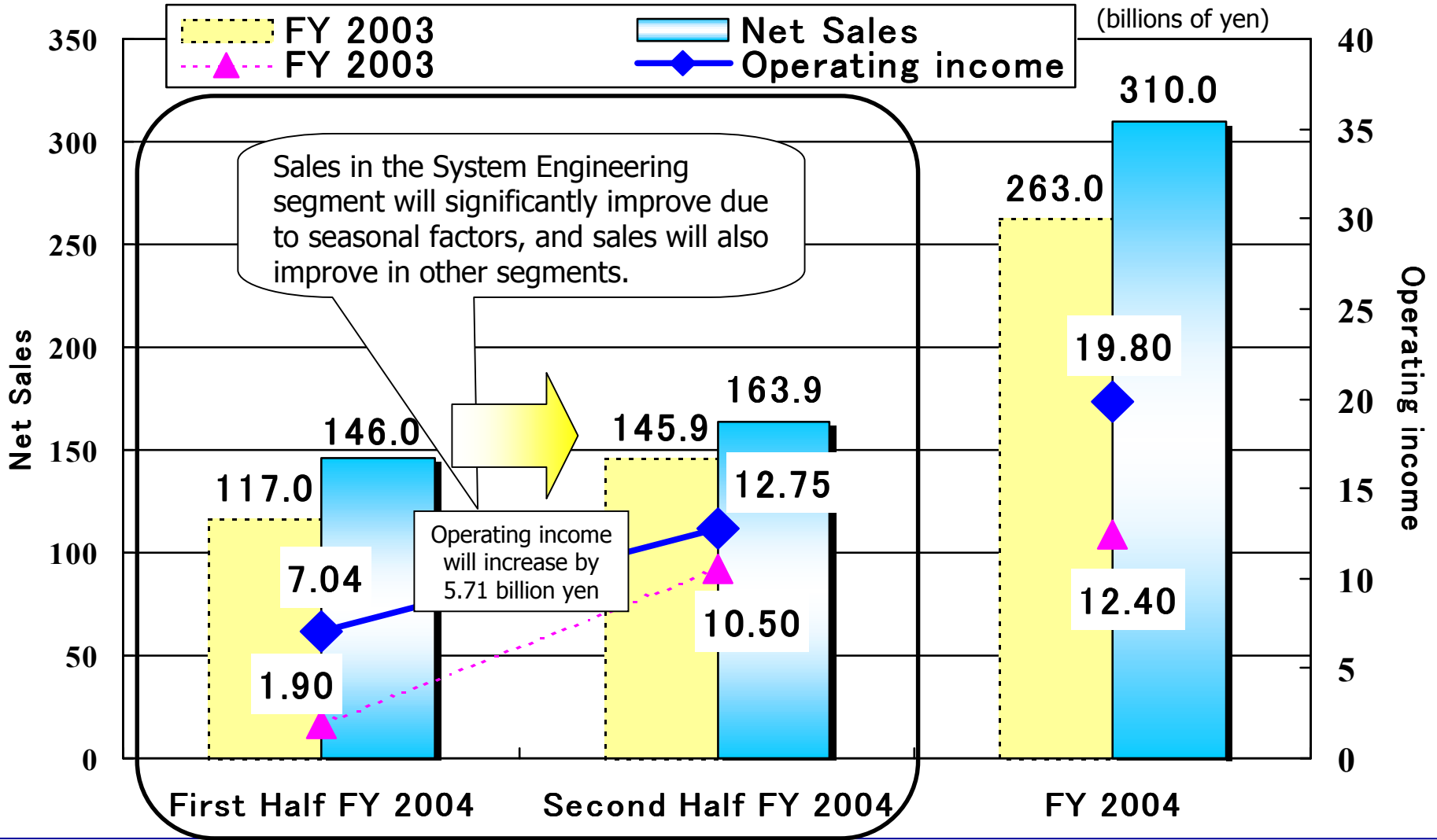
### Semiconductor Production Equipment/Robotics

**The semiconductor production equipment market began slowing after reaching a peak, but orders for our robots used in 300mm wafer transferring are growing. Orders in the second half of the fiscal year are expected to be relatively unchanged from the first half.**

Related Markets: semiconductor production 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.**

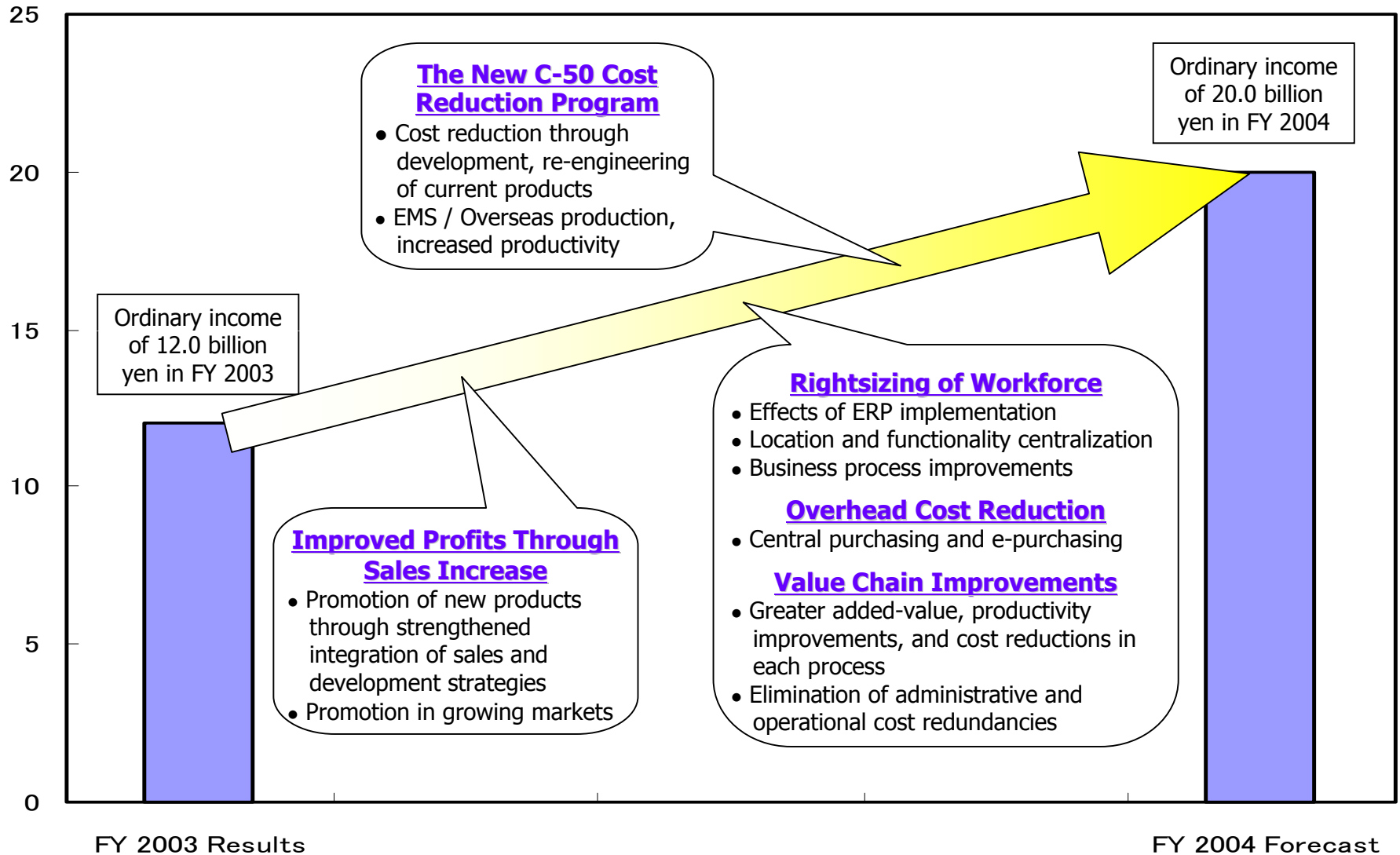
## Outlook for Net Sales and Operating Income (Consolidated)



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# Cost Model Implementation (Consolidated – Estimate)

(Comparison to FY 2003)



## Balance Sheet Reform (Consolidated)

### Balance Sheet Reform

#### 15 Billion Yen Zero Coupon Convertible Bonds Due 2009

- Financial structure strengthening through the conversion of convertible bonds (conversion price: 740 yen)
- Low-cost capital procurement (0% interest)

**FY 2003  
Actual**

**D/E Ratio: 2.2**

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

**FY 2004  
Forecast**

**D/E Ratio: 1.8**

The issuance of 15 billion yen in convertible bonds in August 2004 resulted in a temporary increase of interest-incurring debt

Repayment of 15 billion yen in convertible bonds in March 2005

	Mar-03	Sep-03	Mar-04	Sep-04	Mar-05 (forecast)
D/E ratio	3.2	3.0	2.2	2.4	1.8

Goal of D/E ratio of 1.0 or less by FY 2005

Inventory turnover period (months)	2.9	2.9	2.5	2.5
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Goal of reducing turnover period to 2.0 months or less by FY 2005

## FY 2004 Risk Factors

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

**A peak in LCD- and semiconductor-related orders was reached during the first quarter of FY 2004. However, a possibility exists that orders will be lower than expected during the second half of FY 2004 and a slowdown of growth will continue for an extended period of time.**

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

**Although strenuous efforts are being made to keep the influence of rising prices on profits within an expected range, continued strong pressure of price increases may negatively affect profitability.**

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

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

**First half FY 2004 exchange rate: \$1 = ¥109.72, €1 = ¥134.25**

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

**(assumed exchange rate for the second half is unchanged from the first half estimate.)**

## FY 2005 Mid-term Objectives: Realizing Continuous Growth

### Market Trends

#### Automobile-related

Domestic and foreign automakers and parts suppliers are steadily increasing investment, especially in China and Asia.

#### LCD-related

Decreased investment and the advancement of larger glass sheets is expected in FY 2005.

#### Semiconductor-related

Although the market is expected to peak out, a large drop similar to that after the IT bubble burst will not occur since a broader range of semiconductor demand exists. Also, devices related to 300mm wafers will become key products after the second half of FY 2004.

#### China and Asia

High growth is expected to continue in FY 2005

### Motion Control

Stronger ties with customers through "MECHATROLINK"

Sales strengthening through the use of sales agencies specialized in technology

Utilization of Solutions for sales strengthening

Increase share in domestic semiconductor and LCD markets

Strengthen relations with major LCD- and semiconductor-related customers in Korea

Introduction of exclusive products for markets in China

### Robotics Automation

Promotion targeted at domestic automakers

Establish relationships with U.S. and European automakers and expand sales to them

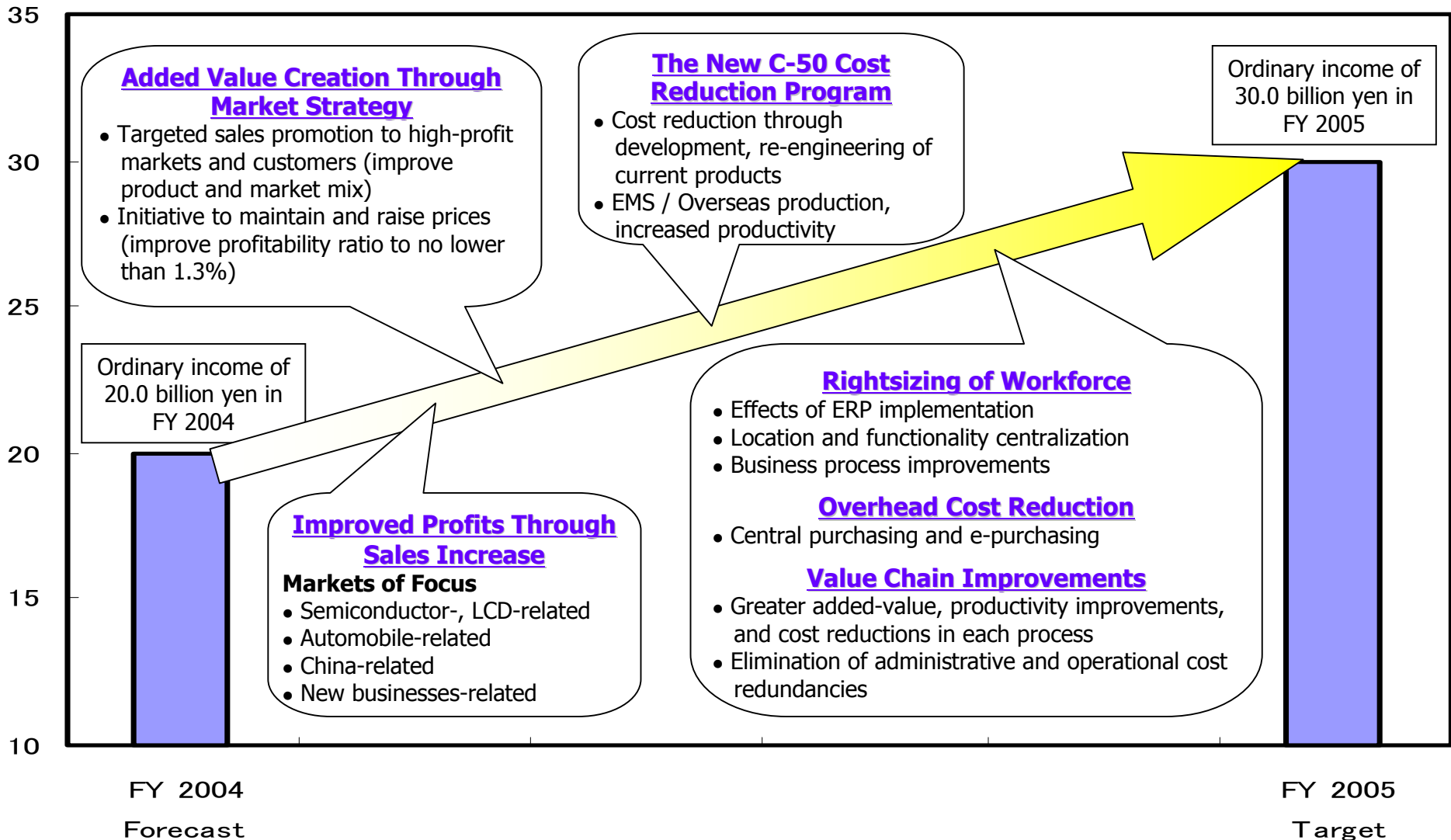
Respond quickly to the increasing size of glass sheets and further strengthen our leading position

Be a supplier to the top semiconductor production equipment makers in each process

Increase the share of Yaskawa robots for 300mm wafer transferring used by our customers

Strengthen sales and service structure in Asia

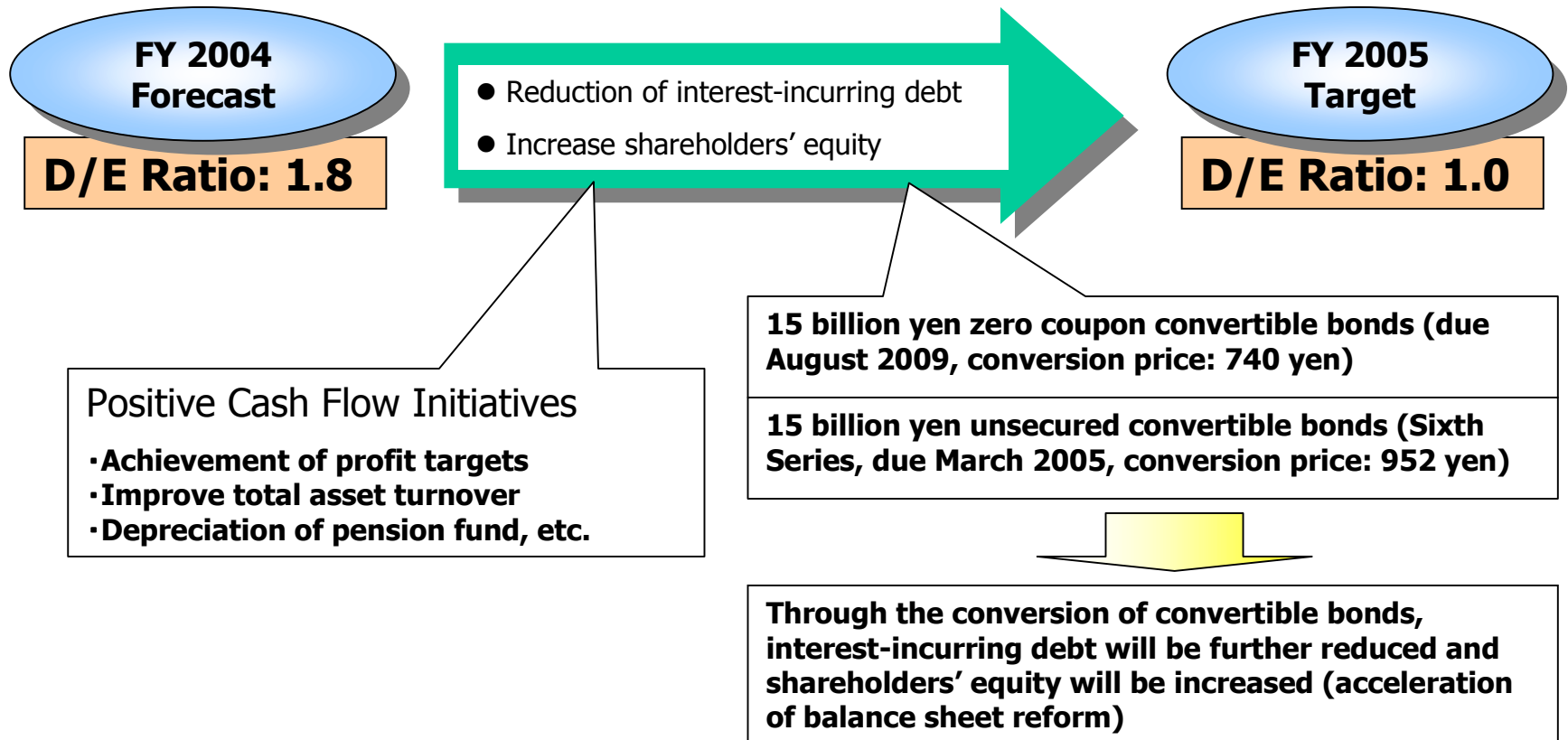
## FY 2005 Objectives: Profitability Improvements (Consolidated – Estimate)



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

### Balance Sheet Reform



## 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.**