

Shareholder-oriented Management and Measures to Maintain and Improve a Sound Financial Structure



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Aiming to increase enterprise value, we are focusing on shareholder-oriented management, on maintaining and improving a sound financial structure, and on enhancing systems to guarantee the reliability of financial reporting.

One aspect of shareholder-oriented management that we consider to be an important management issue is returning profits to shareholders, and we are positively working to raise the dividend level.

In fiscal 2007, the year ended March 31, 2008, we paid a full-year dividend of ¥60 per share, a ¥10 increase on the previous fiscal year and the fifth consecutive year we have increased our ordinary dividend. Herewith, we are realizing significantly high levels for our dividend payout ratio and dividend on equity (DOE) compared with the average for the stock market as a whole.

Going forward, the management would like to maintain stable dividends while striving to increase its dividend

payout, taking into account comprehensively its consolidated performance, levels of return on equity (ROE), DOE as well as retained earnings for strengthening its business structure and developing future businesses.

In addition, we will sustain a sound financial structure capable of withstanding any change within our operating environment, while emphasizing cash flow. We will also be mindful of securing funds and ensuring our procurement capabilities for investment to realize future growth and expanded operations, as well as to rapidly recover and continue operations in the event of a natural disaster.

We have been establishing systems to guarantee appropriate financial reporting through the enhancement of quarterly reporting based on the Financial Instruments and Exchange Law, enforced in fiscal 2008, the year ending March 31, 2009, and the upgrade and evaluation of internal controls.

Notes to Eleven-Year Financial Summary

*1 Following the adoption of accounting standards for employees' retirement benefits, liabilities for retirement benefits was recorded at the amount based on the projected benefit obligation and plan assets at the end of the fiscal year. As a result, a variance of ¥18,984 million that occurred on the adoption of these accounting standards was recorded in this fiscal year as an extraordinary loss.

*2 Accompanying the enforcement of the Defined Benefit Corporate Pension Law, the Company was exempted by the Minister of Health, Labour and Welfare from its obligation to provide the future part of the substitutional portion of the projected benefit obligation. Consequently, the Company eliminated ¥11,021 million of the corresponding substitutional portion on the day the exemption was granted, and the same amount was recorded in this fiscal year as an extraordinary profit.

*3 As a result of the shift to a DC pension plan in June 2004, an extraordinary loss of ¥3,453 million was incurred.

*4 An extraordinary profit of ¥2,716 million was recorded as a gain on sales of property, plant and equipment on the sale of a former factory site.

*5 Kimmon Manufacturing Co., Ltd. was made a consolidated subsidiary. At the end of fiscal 2005, the year ended March 31, 2006, only the balance sheet was consolidated, and for fiscal 2006, ended March 31, 2007, the profit and loss accounts were also consolidated.

*6 For fiscal 2005, the year ended March 31, 2006, the full-year dividend of ¥50 per share consisted of an ordinary dividend of ¥40 per share and a special dividend of ¥10 per share to commemorate the Company's 100 year anniversary.

*7 An extraordinary profit of ¥2,832 million was recorded as a gain on sales of property, plant and equipment on the sale of former factory sites. However, an extraordinary loss of ¥2,091 million was registered following an asset-impairment loss equivalent to the loss in market value of goodwill, investments and other assets due to a significant fall in the market value of shares in Kimmon and an extraordinary loss of ¥1,017 million was recorded as an impairment loss on Kimmon operational-use property, plant and equipment.

Eleven-Year Financial Summary

	1997	1998	1999	2000*1	2001	2002*2	2003	2004*3	2005*4 *5 *6	2006*5	2007*7
Millions of yen except per share data											
For the year:											
Net sales	¥ 198,932	¥178,896	¥169,634	¥ 177,940	¥167,164	¥167,969	¥169,951	¥180,763	¥188,321	¥234,572	¥248,551
Operating income	12,733	7,458	7,198	11,694	4,527	3,275	6,820	9,353	13,515	17,314	20,484
Income before income taxes and minority interests (loss)	10,102	6,848	6,332	(9,576)	4,345	11,235	6,493	5,769	15,650	17,856	19,540
Net income (loss)	5,020	2,520	3,413	(5,918)	2,121	5,308	3,241	3,709	9,795	10,646	10,709
Depreciation and amortization	2,813	2,951	2,810	2,655	2,809	2,655	2,346	2,291	2,352	3,891	4,387
R&D expenses	9,835	9,447	7,482	8,674	8,770	8,881	8,099	8,170	8,360	8,776	9,844
Capital expenditures	3,624	2,869	2,350	3,552	2,255	2,065	2,065	2,460	6,790	5,273	4,488
Return on equity (ROE) %	4.6%	2.3%	3.0%	(5.5)%	2.1%	5.6%	3.5%	3.8%	9.3%	9.3%	9.0%
At year-end:											
Total assets	¥ 196,456	¥181,654	¥179,054	¥ 186,302	¥180,958	¥162,919	¥165,264	¥172,586	¥217,882	¥230,679	¥228,844
Total equity	110,995	112,353	114,603	99,495	98,886	91,780	95,530	99,848	110,859	118,967	121,721
Per share data (yen):											
Net income (loss)	¥ 53.63	¥ 26.93	¥ 36.47	¥ (64.74)	¥ 25.09	¥ 68.65	¥ 43.51	¥ 49.88	¥ 132.52	¥ 144.71	¥ 145.63
Cash dividends	12.00	12.00	12.00	12.00	12.00	12.00	14.00	23.00	50.00	50.00	60.00
Total equity	1,1185.81	1,200.32	1,224.36	1,176.54	1,169.39	1,247.07	1,297.95	1,356.65	1,506.25	1,602.33	1,641.73

Consolidated Results

Net Sales

In fiscal 2007, ended March 31, 2008, the Building Automation and Advanced Automation businesses both recorded strong sales, and for the first time each surpassed the ¥100 billion mark. As a result, total net sales grew ¥13,978 million year on year, or 6.0%, to ¥248,551 million, and the Group recorded increased sales for the sixth consecutive fiscal year.

Building Automation Business

The Building Automation business achieved major increases in both sales and profits. Sales increased ¥11,539 million year on year, or 13.0%, to ¥100,517 million, and operating income grew ¥3,292 million, or 38.9%, to ¥11,752 million.

Sales in Yamatake's market for new buildings continued to grow, primarily due to investment in construction continuing to expand for redevelopment projects centered in the Tokyo metropolitan area and also in the manufacturing industry. Moreover, Yamatake achieved significant sales growth in both existing buildings and services, including its ESCO (Energy Service Company) business. This can be explained by a new emphasis on measures and regulations aimed at meeting Japan's commitment to reduce carbon dioxide emissions, as laid down in the Kyoto Protocol, as well as by heightened corporate concerns about conserving energy. Furthermore, in the security (room access control) business, sales have grown significantly as a result of increased demand among customers, particularly financial institutions. Yamatake's international business has been affected by manufacturers' reassessing their production bases in China and in the Southeast Asian region, and by the resulting postponement of investment. In particular, the slowdown in projects for Japanese-owned factories in China has led to a small drop in revenue.

Advanced Automation Business

Sales in the Advanced Automation business increased ¥5,696 million year on year, or 5.7%, to ¥105,446 million, while operating income decreased ¥143 million, or 1.6%, to ¥8,925 million, due to factors including the rising costs of raw materials.

Despite the increasing uncertainty regarding domestic capital investment, customer needs for safety, stable operations, energy savings and advanced control remain as strong as ever. Yamatake was able to increase sales in each of these fields by providing a range of solutions for its customer needs, via its unique, high-value-added products and applications. In its international business, Yamatake's overseas sales subsidiaries and affiliates recorded solid growth, particularly in Asia. Also, the results of Royal Control Co., Ltd., which became a consolidated subsidiary in the second half of fiscal 2006, contributed to the overall increase in sales.

Life Automation Business

Life Automation business sales declined ¥348 million, or 0.9%, to ¥36,457 million, while an operating loss of ¥286 million was recorded, a year-on-year improvement of ¥238 million. In the Life Automation business, Kimmon Manufacturing Co., Ltd. has been facing a difficult business environment as a result of such factors as the steep rise in the cost of raw materials and a drop in sales prices. Responding to these conditions, increased cooperation within the Group has facilitated implementation of the "Kimmon-Yamatake Jump-Up Plan", which aims to strengthen the company's business structure and improve profitability.

In the city gas equipment business, demand declined during the fiscal year due to an extension in the length of the period required between mandatory equipment testing. Despite this, efforts have been made to strengthen sales, for example by working with the Advanced Automation business to expand the product lineup. Also, the LP gas equipment business is entering a period of increased demand and sales opportunities have been actively pursued.

In the emergency dispatch service and care service fields, Yamatake has striven to improve operational efficiency. It has also made some progress in expanding the business field, such as offering a service for the prevention of lifestyle-related diseases.

Other Businesses

Sales of Other businesses declined ¥2,712 million year on year, or 24.4%, to ¥8,411 million, and operating income fell 76.5%, to ¥83 million.

Operating Income

Higher sales led to an increase in cost of sales of ¥8,812 million year on year, or 5.9%, to ¥158,605 million. Despite the rising costs of raw materials, cost-reduction efforts resulted in the cost of sales ratio falling 0.1 percentage point, to 63.8%, while gross profit rose ¥5,166 million, or 6.1%, to ¥89,946 million. Selling, general and administrative expenses increased ¥1,996 million, or 3.0%, to ¥69,462 million.

In spite of the above factors, operating income climbed ¥3,171 million, or 18.3%, to ¥20,484 million. Not only was this the fifth consecutive fiscal year of increased earnings, it was also the first time the Group has surpassed ¥20 billion for operating income.

Net Income

Other (Expenses) Income

In the year under review, other expenses of ¥944 million were charged whereas other income of ¥542 million was recorded in the previous year. Although gain on sales of property, plant and equipment-net amounted to ¥2,384 million, loss on impairment of long-lived assets of ¥3,108 million was recorded in the year under review.

As a result, income before income taxes and minority interests climbed ¥1,685 million, or 9.4%, to ¥19,540 million.

Income Taxes

Total income taxes increased ¥1,519 million, or 21.7%, to ¥8,518 million.

The actual effective tax rate on income before income taxes and minority interests was 43.6%, an increase of 4.4 percentage points from the previous fiscal year, while minority interests in net income climbed ¥102 million, or 48.3%, to ¥313 million. As a consequence, net income increased ¥63 million year on year, or 0.6%, to ¥10,709 million, the fourth consecutive fiscal year of increased earnings has been recorded.

Financial Position

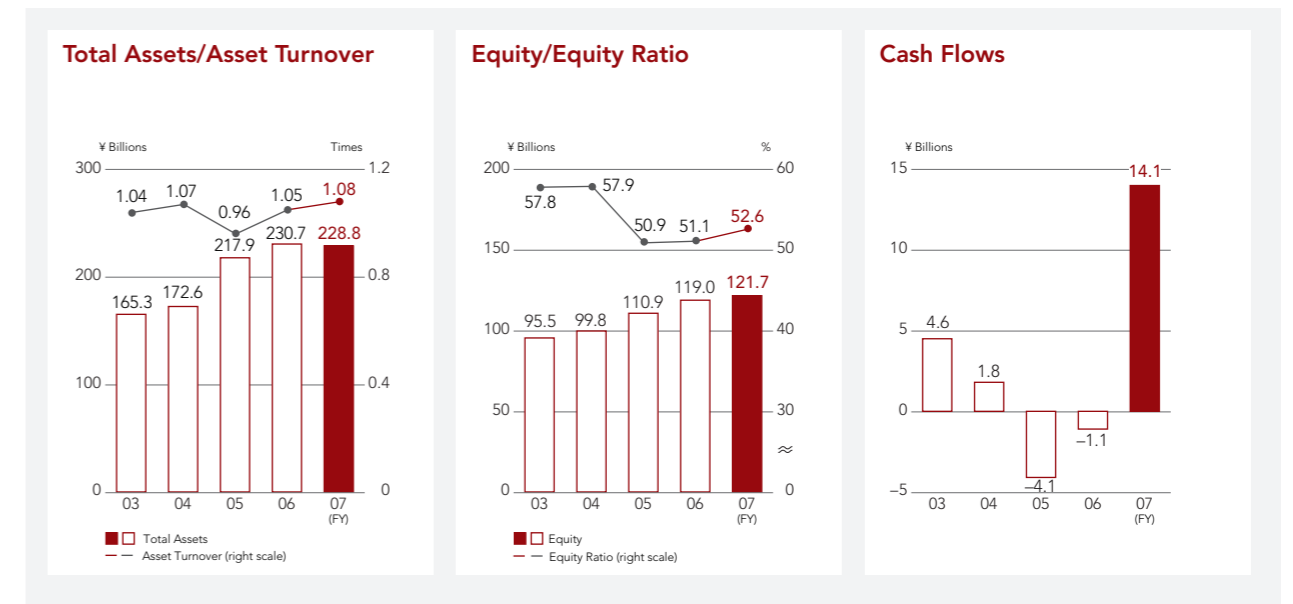
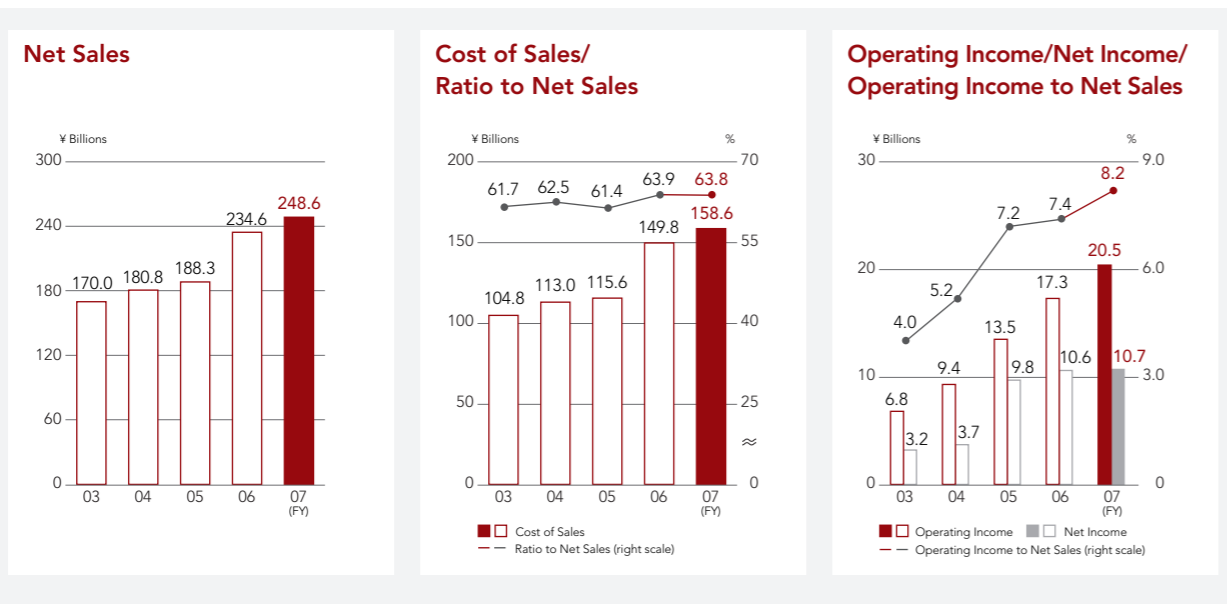
Assets

Total assets at March 31, 2008, were down ¥1,835 million year on year, or 0.8%, to ¥228,844 million. This was principally because an increase in current assets of ¥9,861 million, or 6.2%, to ¥169,582 million, was exceeded by a decrease in property, plant and equipment of ¥11,697 million, or 16.5%, to ¥59,262 million. The major changes were as follows.

Current Assets

Cash and cash equivalents: Increased ¥14,066 million due to an increase in cash from operating activities and because the fiscal year-end fell on a holiday for financial institutions in fiscal 2006, in contrast to fiscal 2007 when it fell on a weekday.

Notes and accounts receivable-trade: Decreased ¥3,657 million, as in fiscal 2006 the balance of notes and accounts receivable increased as the fiscal year-end fell on a holiday for financial institutions, while in fiscal 2007 the year-end fell on a weekday.



Property, Plant and Equipment, Investment and Other Assets

Buildings and structures: Decreased ¥682 million, as a result of the sale of former factory sites.

Goodwill: Decreased ¥1,211 million, due to the amortization of goodwill and the recording of an impairment loss stemming from a fall in the market value of Kimmon Manufacturing Co., Ltd.

Investment securities: Decreased ¥7,739 million, because of a fall in the market value of stock holdings.

Liabilities

Total liabilities at March 31, 2008, decreased ¥4,590 million year on year, or 4.1%, to ¥107,123 million, as although total current liabilities increased ¥96 million, or 0.1%, to ¥87,064 million, total long-term liabilities decreased ¥4,685 million, or 18.9%, to ¥20,059 million. The major changes were as follows.

Long-Term Liabilities

Long-term debt: Decreased ¥2,046 million, due to repayments.

Liabilities for retirement benefits: Decreased ¥1,867 million, due to the discontinuance of lump-sum retirement payments.

Total Equity

Total equity on March 31, 2008, the end of fiscal 2007, had increased ¥2,754 million year on year, or 2.3%, to ¥121,721 million.

A year-on-year comparison of asset performance indicators (simple average at beginning and end of the year) is as follows.

- Receivables/sales (days): decreased 3 days to 128 days.
- Inventories/cost of sales (days): decreased 1 day to 55 days.
- Asset turnover (times): increased 0.03 times to 1.08 times.
- The ratio of equity to total assets: increased 1.6 percentage points to 53.2%.

Per Share Data

Net income per share increased ¥0.92 year on year to ¥145.63, and net assets per share rose ¥39.4 to ¥1,641.73.

Cash Flows

Cash and cash equivalents (subsequently, net cash) on March 31, 2008, the end of fiscal 2007, increased ¥14,066 million year on year, or 40.0%, to ¥49,256 million. The primary reason was an increase in net cash provided by operating activities.

Net cash provided by operating activities increased ¥13,563 million year on year, or 180.3%, to ¥21,086 million, primarily due to an increase in income before income taxes and minority interests and a decrease in notes and accounts receivable.

Net cash used in investing activities decreased ¥1,863 million year on year, or 75.3%, to ¥612 million, mainly because proceeds from sales of property, plant and equipment of ¥3,244 million and redemption of investment securities of ¥1,550 exceeded purchase of property, plant and equipment of ¥4,507 million.

Net cash used in financing activities increased ¥85 million, or 1.3%, to ¥6,433 million. The primary reason was an increase in payment of long-term debt and dividends paid.

Outlook for Fiscal 2008

For fiscal 2008, ending March 31, 2009, we forecast year-on-year increases of ¥4,400 million in net sales, or 1.8%, to ¥253,000 million; ¥600 million in operating income, or 3.0%, to ¥21,100 million; and ¥1,400 million in net income, or 13.9%, to ¥12,200 million.

Building Automation Business

Despite a fall in new building projects within the Tokyo metropolitan area, large-scale production facility projects are planned, and it is thus expected that the Building Automation business will continue to operate in high gear. In the markets for existing buildings and maintenance services, because of the new focus on meeting Japan's commitment to reduce carbon dioxide emissions, as laid down in the Kyoto Protocol, government regulations will be tightened; it is also expected that there will be heightened demand for energy-saving upgrades to facilities. Overseas, local business infrastructure development will be encouraged. By maintaining operating systems appropriate to each business environment and steadily converting business opportunities into improved performance, we are forecasting year-on-year increases in net sales of ¥2,400 million, or 2.5%, to ¥103,000 million, and in operating income of ¥900 million, or 8.1%, to ¥12,700 million.

Advanced Automation Business

Uncertainty in the domestic market environment will increase, and generally speaking it is predicted Yamatake will be faced with an extremely difficult business climate. Even so, Yamatake will enhance its sales structure to propose solutions that combine its original technologies, products and services for customers involved with equipment for manufacturing flat panel displays and high-function materials. Furthermore, investment is expected to continue among customers seeking to secure safety, stable operations in existing factories and plants, and Yamatake will similarly enhance its ability to propose solutions and services to meet this need. Overseas in the Asian region, where economic conditions are expected to remain favorable, Yamatake will make progress with developing the business infrastructure for sales, etc.—especially in China, Korea and Southeast Asia. At the same time, overseas subsidiaries and affiliates will be encouraged to expand their business by offering solutions to issues facing their customers. Taking into account the business climate and proposed measures outlined above, in the Advanced Automation business we forecast increases in net sales of ¥500 million year on year, or 0.5%, to ¥106,000 million, and decrease in operating income of ¥700 million, or 8.1%, to ¥8,200 million.

Life Automation Business

Yamatake is aiming to improve the profitability of Kimmon in particular, but also in other business fields and to look for opportunities to expand in peripheral business fields. For Kimmon, a recovery is expected in demand for city gas meters, following that for LP gas meters. Further improvements will come from management integration following Yamatake's conversion of Kimmon into a wholly owned subsidiary, as in enhanced profitability, business field expansion, and infrastructure development. Achieving these improvements surely and speedily is expected to lead to increased sales and profits. As regards the emergency dispatch and nursing care services, in response to the Health Insurance Law revisions and moves to reform Japan's health service, Yamatake will seek to expand the scope of its business. Based on these measures, we forecast year-on-year increases in net sales of ¥1,200 million, or 3.4%, to ¥37,700 million, and in operating income of ¥50 million.

Risk Management

The following are some of the risks that could affect the Group's business results and financial position. Forward-looking statements are based on the Group's judgments at the end of fiscal 2007, ended March 31, 2008.

1 Effect of a Major Economic Downturn

Structural factors make the Building Automation and Advanced Automation businesses susceptible to fluctuations in the Japanese economy. There is a risk of major fluctuation in market demand, and therefore the Group's business results could be affected by unforeseen fluctuations.

2 Effect of Changes in Operating Environments of Overseas Business

The Group conducts business mainly in Asia through 21 local companies overseas. In the rapidly growing Chinese market, the Group manufactures and sells products, carries out instrumentation work and conducts other business locally through 10 subsidiaries and affiliates. The Group has established manufacturing bases in Dalian and Shenzhen, where products are manufactured for the Japanese market. While the Group will continue to expand its business overseas, unexpected changes in the political climate, currency fluctuations, legal and other reforms, natural disasters, terrorism, strikes and other developments in countries where it has advanced could affect the Group's business results and financial position.

3 Effect of Defects in Products, Systems or Services

The Group's products, systems and services are used for vital measurement and control systems related to safety and quality in a variety of plants and buildings. The Group has established a committee to oversee quality assurance and, through sharing and visualization of quality information, has a rigorous quality control system. Furthermore, the Group has taken out insurance policies, giving due consideration to damages for product liability. However, an incident caused by defects in the Group's products, systems or services could

result in substantial costs and severely damage the Group's credibility with customers. This in turn could have an adverse impact on the Group's operations, business results and financial position.

4 Effect of Earthquakes on Production Bases

The Group has taken various preemptive actions to mitigate the effects of earthquakes, including shifting production bases overseas, mainly to China; reinforcing buildings and other structures to minimize damage; establishing a business continuation plan to quickly return operations to normal; and taking out earthquake insurance. However, in the Building Automation and Advanced Automation businesses, four of the Group's five domestic production bases, including manufacturing subsidiaries, are concentrated in Kanagawa Prefecture. As a result, depending on its magnitude, an earthquake in the Tokyo metropolitan area could disrupt production for a certain period of time.

Seasonality

The Group's sales tend to be focused in the end of the first half of the fiscal year and the fiscal-year end. The highly seasonal nature of Yamatake's sales is due to the peculiarities of key industries, including building construction and materials industries, and this seasonal nature is particularly evident in the concentration of sales at the fiscal-year end.

Basic Policies Concerning the Control of the Company

Yamatake Corporation, at a Board of Directors meeting held May 9, 2008, resolved on "basic policy relating to persons responsible for the control of the Company's financial and business decisions and on special measures to realize these policies." These special measures are intended to increase enterprise value by steadily implementing management plans and effectively utilizing management assets. In addition, one part of these special measures defines rules for large-scale share purchases (defined as a purchase of more than 20% of shares without the agreement of the Yamatake Board of Directors). Rules for large-scale purchases ensure the purchasing party provides necessary and sufficient information in a timely manner, to enable shareholders to decide if the purchase will be in their common interests. The purchasing party must comply with the prescribed purchase procedures, and these rules do not set any concrete defensive measures for takeover, such as the allotment of new shares or the issuance of share warrants.

Please refer to the Company's home page, "Investor relations," for further details.

(<http://jp.yamatake.com/ir/kabu/index.html>)

Consolidated Balance Sheets

Yamatake Corporation and Consolidated Subsidiaries
March 31, 2008 and 2007

	Millions of Yen		Thousands of U.S. Dollars (Note 1)
	2008	2007	2008
ASSETS			
Current Assets:			
Cash and cash equivalents (Note 6)	¥ 49,256	¥ 35,191	\$ 492,562
Notes and accounts receivable:			
Trade	85,526	89,184	855,265
Other	845	1,118	8,447
Allowance for doubtful receivables	(394)	(356)	(3,942)
Inventories (Note 4)	23,432	24,703	234,316
Deferred tax assets (Note 9)	5,692	5,716	56,921
Prepaid expenses and other current assets	5,225	4,165	52,252
Total current assets	169,582	159,721	1,695,821
Property, Plant and Equipment:			
Land (Notes 5 and 6)	6,474	6,548	64,737
Buildings and structures (Notes 5 and 6)	36,855	37,537	368,548
Machinery and equipment (Note 5)	17,304	17,292	173,042
Furniture and fixtures (Note 5)	19,486	19,407	194,873
Construction in progress	881	387	8,805
Total	81,000	81,171	810,005
Accumulated depreciation	(51,655)	(50,494)	(516,551)
Net property, plant and equipment	29,345	30,677	293,454
Investment and Other Assets:			
Investment securities (Notes 3 and 6)	16,250	23,989	162,500
Investments in and advances to unconsolidated subsidiaries and associated companies	713	577	7,122
Goodwill (Note 5)	3,023	4,234	30,232
Deferred tax assets (Note 9)	659	244	6,588
Other assets (Note 5)	9,272	11,237	92,723
Total investment and other assets	29,917	40,281	299,165
Total	¥228,844	¥230,679	\$2,288,440

See notes to consolidated financial statements.

	Millions of Yen		Thousands of U.S. Dollars (Note 1)
	2008	2007	2008
LIABILITIES AND EQUITY			
Current Liabilities:			
Short-term borrowings (Note 6)	¥ 12,354	¥ 12,069	\$ 123,535
Current portion of long-term debt (Note 6)	2,089	2,209	20,893
Notes and accounts payable:			
Trade	42,131	42,200	421,305
Other	2,625	3,490	26,250
Income taxes payable	5,764	4,939	57,639
Accrued bonuses	9,030	8,842	90,304
Other accrued expenses and current liabilities	13,071	13,218	130,708
Total current liabilities	87,064	86,967	870,634
Long-Term Liabilities:			
Long-term debt (Note 6)	4,527	6,573	45,270
Liabilities for retirement benefits (Note 7)	14,181	16,048	141,808
Deferred tax liabilities (Note 9)	1,073	1,954	10,730
Other long-term liabilities	278	170	2,787
Total long-term liabilities	20,059	24,745	200,595
Commitments and Contingent Liabilities (Notes 11, 12 and 13)			
Equity (Notes 8 and 14.b):			
Common stock—authorized, 279,710,000 shares; issued, 73,576,256 shares	10,523	10,523	105,227
Capital surplus	12,648	12,648	126,477
Retained earnings	93,688	87,025	936,883
Unrealized gain on available-for-sale securities	3,858	7,477	38,578
Deferred gain (loss) on derivatives under hedge accounting	1	(1)	9
Foreign currency translation adjustments	317	218	3,172
Treasury stock—at cost, 258,935 shares in 2008 and 8,463 shares in 2007	(668)	(10)	(6,677)
Total	120,367	117,880	1,203,669
Minority interests	1,354	1,087	13,542
Total equity	121,721	118,967	1,217,211
Total	¥228,844	¥230,679	\$2,288,440

Consolidated Statements of Income

Yamatake Corporation and Consolidated Subsidiaries
Years Ended March 31, 2008 and 2007

	Millions of Yen		Thousands of U.S. Dollars (Note 1)
	2008	2007	2008
Net Sales	¥248,551	¥234,572	\$2,485,509
Cost of Sales (Note 7 and 11)	158,605	149,792	1,586,048
Gross profit	89,946	84,780	899,461
Selling, General and Administrative Expenses (Notes 7, 10 and 11)	69,462	67,466	694,617
Operating income	20,484	17,314	204,844
Other Income (Expenses):			
Interest income	240	122	2,399
Dividend income	326	288	3,260
Interest expense	(278)	(210)	(2,785)
Foreign currency exchange (loss) gain	(280)	132	(2,799)
Gain (loss) on sales of property, plant and equipment—net	2,384	(243)	23,845
Gain on sales of investment securities—net	276	76	2,761
Loss on impairment of long-lived assets (Notes 2.g and 5)	(3,108)		(31,077)
Others—net	(504)	377	(5,044)
Other (expenses) income—net	(944)	542	(9,440)
Income Before Income Taxes and Minority Interests	19,540	17,856	195,404
Income Taxes (Note 9):			
Current	7,360	5,971	73,604
Deferred	1,158	1,028	11,575
Total income taxes	8,518	6,999	85,179
Minority Interests in Net Income	(313)	(211)	(3,132)
Net Income	¥ 10,709	¥ 10,646	\$ 107,093
		Yen	U.S. Dollars (Note 1)
	2008	2007	2008
Per Share of Common Stock (Note 2.q):			
Net income	¥145.63	¥144.71	\$1.46
Cash dividends applicable to the year	60.00	50.00	0.60

See notes to consolidated financial statements.

Consolidated Statements of Changes in Equity

Yamatake Corporation and Consolidated Subsidiaries
Years Ended March 31, 2008 and 2007

	Thousands							Millions of Yen			
	Outstanding Number of Shares of Common Stock	Common Stock	Capital Surplus	Retained Earnings	Unrealized Gain on Available- for-Sale Securities	Deferred Gain (Loss) on Derivatives under Hedge Accounting	Foreign Currency Translation Adjustments	Treasury Stock	Total	Minority Interests	Total Equity
Balance, April 1, 2006	73,569	¥10,523	¥12,648	¥80,472	¥7,164		¥60	¥ (8)	¥110,859		¥110,859
Reclassified balance as of March 31, 2006 (Note 2.i)										¥ 682	682
Net income				10,646					10,646		10,646
Cash dividends, ¥50 per share				(4,046)					(4,046)		(4,046)
Bonuses to directors				(47)					(47)		(47)
Purchase of treasury stock	(1)							(2)	(2)		(2)
Net change in the year					313	¥ (1)	158		470	405	875
Balance, March 31, 2007	73,568	10,523	12,648	87,025	7,477	(1)	218	(10)	117,880	1,087	118,967
Net income				10,709					10,709		10,709
Cash dividends, ¥55 per share				(4,046)					(4,046)		(4,046)
Purchase of treasury stock	(251)							(658)	(658)		(658)
Disposal of treasury stock											
Net change in the year					(3,619)	2	99		(3,518)	267	(3,251)
Balance, March 31, 2008	73,317	¥10,523	¥12,648	¥93,688	¥3,858	¥ 1	¥317	¥(668)	¥120,367	¥1,354	¥121,721
											Thousands of U.S. Dollars (Note 1)
		Common Stock	Capital Surplus	Retained Earnings	Unrealized Gain on Available- for-Sale Securities	Deferred Gain (Loss) on Derivatives under Hedge Accounting	Foreign Currency Translation Adjustments	Treasury Stock	Total	Minority Interests	Total Equity
Balance, March 31, 2007		\$105,227	\$126,476	\$870,252	\$74,779	\$(14)	\$2,181	\$(102)	\$1,178,799	\$10,869	\$1,189,668
Net income				107,093					107,093		107,093
Cash dividends, \$0.55 per share				(40,462)					(40,462)		(40,462)
Purchase of treasury stock								(6,576)	(6,576)		(6,576)
Disposal of treasury stock			1					1	2		2
Net change in the year					(36,201)	23	991		(35,187)	2,673	(32,514)
Balance, March 31, 2008		\$105,227	\$126,477	\$936,883	\$38,578	\$ 9	\$3,172	\$(6,677)	\$1,203,669	\$13,542	\$1,217,211

See notes to consolidated financial statements.

Consolidated Statements of Cash Flows

Yamatake Corporation and Consolidated Subsidiaries
Years Ended March 31, 2008 and 2007

	Millions of Yen		Thousands of U.S. Dollars (Note 1)
	2008	2007	2008
Operating Activities:			
Income before income taxes and minority interests	¥19,540	¥17,856	\$195,404
Adjustments for:			
Income taxes—paid	(6,675)	(5,596)	(66,745)
Depreciation and amortization	5,037	4,580	50,373
Provision for (reversal of) doubtful receivables	204	(200)	2,040
Increase in accrued bonuses	188	653	1,875
(Gain) loss on sales of property, plant and equipment—net	(2,384)	243	(23,845)
Gain on sales of investment securities—net	(276)	(76)	(2,761)
Loss on impairment of long-lived assets	3,108		31,077
Decrease (increase) in notes and accounts receivable	3,730	(9,414)	37,305
Decrease (increase) in inventories	1,241	(3,120)	12,413
(Decrease) increase in notes and accounts payable	(74)	2,245	(742)
Decrease in liabilities for retirement benefits	(1,867)	(681)	(18,670)
Others—net	(686)	1,034	(6,859)
Total adjustments	1,546	(10,332)	15,461
Net cash provided by operating activities	21,086	7,524	210,865
Investing Activities:			
Proceeds from sales of property, plant and equipment	3,244	1,998	32,441
Purchase of property, plant and equipment	(4,507)	(5,335)	(45,065)
Proceeds from sales of investment securities	366	225	3,665
Purchase of investment securities	(52)	(268)	(516)
Proceeds from purchase of Royal Controls Co., Ltd., net of cash acquired		1,307	
Proceeds from sales of beneficiary securities of trust	1,029	3,237	10,286
Purchase of beneficiary securities of trust		(3,199)	
Others—net	(692)	(440)	(6,929)
Net cash used in investing activities	(612)	(2,475)	(6,118)
Financing Activities:			
Net increase in short-term borrowings	336	46	3,357
Proceeds from long-term debt	100		1,000
Repayment of long-term debt	(2,157)	(2,332)	(21,571)
Purchase of treasury stock	(658)	(2)	(6,576)
Dividends paid	(4,044)	(4,044)	(40,438)
Others—net	(10)	(16)	(101)
Net cash used in financing activities	(6,433)	(6,348)	(64,329)
Foreign Currency Translation Adjustments on Cash and Cash Equivalents	24	187	238
Net Increase (Decrease) In Cash and Cash Equivalents	14,065	(1,112)	140,656
Cash and Cash Equivalents, Beginning of Year	35,191	36,303	351,906
Cash and Cash Equivalents, End of Year	¥49,256	¥35,191	\$492,562
Noncash Investing Activities:			
Increase in assets and liabilities, cash paid for the capital and goodwill due to the purchase of Royal Controls Co., Ltd.:			
Assets acquired		¥3,538	
Liabilities assumed		3,296	
Cash paid for the capital		215	
Goodwill		(27)	

See notes to consolidated financial statements.

Notes to Consolidated Financial Statements

Yamatake Corporation and Consolidated Subsidiaries
Years Ended March 31, 2008 and 2007

1. BASIS OF PRESENTING CONSOLIDATED FINANCIAL STATEMENTS

The accompanying consolidated financial statements have been prepared in accordance with the provisions set forth in the Japanese Financial Instruments and Exchange Law (formerly, the Japanese Securities and Exchange Law) and its related accounting regulations, and in conformity with accounting principles generally accepted in Japan ("Japanese GAAP"), which are different in certain respects as to application and disclosure requirements of International Financial Reporting Standards.

In preparing these 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 which is more familiar to readers outside Japan. In addition, certain reclassifications have been made in the 2007 consolidated financial statements to conform to the classifications used in 2008.

The consolidated financial statements are stated in Japanese yen, the currency of the country in which Yamatake Corporation ("Yamatake") is incorporated and operates. The translation of Japanese yen amounts into U.S. dollar amounts is included solely for the convenience of readers outside Japan and has been made at the rate of ¥100 to \$1, the approximate rate of exchange as of March 31, 2008. Such translation should not be construed as representation that the Japanese yen amounts could be converted into U.S. dollars at that or any other rate.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

a. Consolidation—The consolidated financial statements as of March 31, 2008 and 2007, include the accounts of Yamatake and its 36 significant subsidiaries (together, "Yamatake Group").

Under the control or influence concept, those companies in which Yamatake, directly or indirectly, is able to exercise control over operations are fully consolidated.

Investments in unconsolidated subsidiaries and associated companies are stated at cost. If the equity method of accounting had been applied to the investments in these companies, the effect on the accompanying consolidated financial statements would not be material.

Goodwill represents the excess of the cost of an acquisition over the fair value of the net assets of the acquired subsidiary and associated company at the date of acquisition. Goodwill on acquisition of Kimmon Manufacturing Co., Ltd. ("Kimmon") has been amortized over 7 years. Other goodwill is to be amortized on the straight-line basis over 5 years with the exception of minor amounts which are charged to income in the period of acquisitions.

All significant intercompany balances and transactions have been eliminated in consolidation. All material unrealized profit included in assets resulting from transactions within Yamatake Group is also eliminated.

b. Cash Equivalents—Cash equivalents are short-term investments that are readily convertible into cash and that are exposed to insignificant risk of changes in value.

Cash equivalents include time deposits, certificate of deposits, beneficiary securities of trust under resale agreements and commercial paper, all of which mature or become due within three months of the date of acquisition.

c. Inventories—Inventories, other than raw materials, are principally stated at cost on the specific identification basis. Raw materials are principally stated at cost determined by the moving-average method.

d. Allowance for Doubtful Receivables—The allowance for doubtful receivables is stated in amounts considered to be appropriate based on Yamatake Group's past credit loss experience and an evaluation of potential losses in the receivables outstanding.

e. Investment Securities—Investment securities are classified and accounted for, depending on management's intent, as follows: (1) held-to-maturity debt securities, which are expected to be held to maturity with the positive intent and ability to hold to maturity, are reported at amortized cost, and (2) available-for-sale securities are reported at fair value, with unrealized gains and losses, net of applicable taxes in a separate component of equity.

Non-marketable available-for-sale securities are principally stated at cost determined by the moving-average method. For other than temporary declines in fair value, non-marketable available-for-sale securities are reduced to net realizable value by a charge to income.

f. Property, Plant and Equipment—Property, plant and equipment are stated at cost. Depreciation of Yamatake and domestic consolidated subsidiaries is computed by the declining-balance method, while the straight-line method is applied to buildings acquired after April 1, 1998.

Depreciation of foreign consolidated subsidiaries is mainly computed by the straight-line method. The range of useful lives is from 15 to 50 years for buildings and structures, from 4 to 12 years for machinery and equipment, and from 2 to 6 years for furniture and fixtures.

g. Long-lived Assets—Yamatake Group reviews its long-lived assets for impairment whenever events or changes in circumstances indicate the carrying amount of an asset or asset group may not be recoverable. An impairment loss would be recognized if the carrying amount of an asset or asset group exceeds the sum of the undiscounted future cash flows expected to result from the continued use and the eventual disposition of the asset or asset group. The impairment loss would be measured as the amount by which the carrying amount of the asset exceeds its recoverable amount, which is the higher of the discounted cash flows from the continued use and the eventual disposition of the asset or the net selling price at disposition.

h. Retirement and Pension Plans—Yamatake has a non-contributory funded pension plan and a defined contribution pension plan covering substantially all of its employees.

Most of the consolidated subsidiaries have non-contributory funded pension plans and unfunded retirement benefit plans.

The liability for employees' retirement benefits is provided at the amount based on the projected benefit obligation and plan assets at the balance sheet date.

Retirement benefits to directors and corporate auditors are provided at the amount which would be required if all directors and corporate auditors retired at each balance sheet date.

i. Presentation of Equity—On December 9, 2005, the Accounting Standards Board of Japan (the "ASBJ") published a new accounting standard for presentation of equity. Under this accounting standard, certain items which were previously presented as liabilities or assets, as the case may be, are now presented as components of equity. Such items include stock acquisition rights, minority interests, and any deferred gain or loss on derivatives accounted for under hedge accounting. This standard was effective for fiscal years ending on or after May 1, 2006. The balances of such items as of March 31, 2006 were reclassified as separate components of equity as of April 1, 2006 in the consolidated statement of changes in equity

j. Research and Development Costs—Research and development costs are charged to income as incurred.

k. Leases—All leases are accounted for as operating leases. Under Japanese accounting standards for leases, finance leases that deem to transfer ownership of the leased property to the lessee are to be capitalized, while other finance leases are permitted to be accounted for as operating lease transactions if certain "as if capitalized" information is disclosed in the notes to the lessee's financial statements.

l. Bonuses to Directors—Bonuses to directors are accrued at the year end to which such bonuses are attributable. The balance of such accrued bonuses as of March 31, 2008 and 2007 were ¥80 million (\$802 thousand) and ¥89 million, respectively

m. Income Taxes—The provision for income taxes is computed based on the pretax income included in the consolidated statements of income. The asset and liability approach is used to recognize deferred tax assets and liabilities for the expected future tax consequences of temporary differences between the carrying amounts and the tax bases of assets and liabilities. Deferred taxes are measured by applying currently enacted tax laws to the temporary differences and tax loss carryforwards.

n. Foreign Currency Transactions—All short-term and long-term monetary receivables and payables denominated in foreign currencies are translated into Japanese yen at the exchange rates at the balance sheet date. The foreign exchange gains and losses from the translation are recognized in the consolidated statements of income to the extent that they are not hedged by forward exchange contracts.

o. Foreign Currency Financial Statements—The balance sheet accounts of the foreign consolidated subsidiaries are translated into Japanese yen at the current exchange rate as of the balance sheet date except for equity, which is translated at the historical rate. Differences arising from such translation are shown as "Foreign currency translation adjustments" in a separate component of equity.

Revenue and expense accounts of foreign consolidated subsidiaries were translated into yen at the average exchange rate in 2008 and the current exchange rate as of the balance sheet date in 2007, respectively.

p. Derivatives Financial Instruments—Yamatake Group uses derivative financial instruments to manage its exposures to fluctuations in

foreign exchange. Foreign exchange forward contracts are utilized by Yamatake Group to reduce foreign currency exchange risks. Yamatake Group does not enter into derivatives for trading or speculative purposes.

All derivatives are recognized as either assets or liabilities and measured at fair value with gains or losses on derivative transactions recognized in the consolidated statements of income. If derivatives qualify for hedge accounting because of high correlation and effectiveness between the hedging instruments and the hedged items, the hedge accounting is applied.

Foreign exchange forward contracts are utilized to hedge foreign exchange exposures for export sales and import purchases. Trade receivables and payables denominated in foreign currencies are translated at the contracted rates if the forward contracts qualify for hedge accounting. Forward contracts related to forecasted (or committed) transactions are measured at the fair value but the unrealized gains/losses are deferred until the underlying transactions are completed.

q. Per Share Information—Net income per share is computed by dividing net income available to shareholders of common stock by the weighted-average number of shares of common stock outstanding for the period, retroactively adjusted for stock splits. The weighted-average number of shares of common stock used in the computation was 73,538,092 shares for 2008 and 73,568,242 shares for 2007.

Cash dividends per share presented in the accompanying consolidated statements of income are dividends applicable to the respective years including dividends to be paid after the end of the year.

Diluted net income per share is not disclosed because it is anti-dilutive.

r. New Accounting Pronouncements

Measurement of Inventories—Under Japanese GAAP, inventories are currently measured either by the cost method, or at the lower of cost or market. On July 5, 2006, the ASBJ issued ASBJ Statement No. 9, "Accounting Standard for Measurement of Inventories," which is effective for fiscal years beginning on or after April 1, 2008 with early adoption permitted. This standard requires that inventories held for sale in the ordinary course of business be measured at the lower of cost or net selling value, which is defined as the selling price less additional estimated manufacturing costs and estimated direct selling expenses. The replacement cost may be used in place of the net selling value, if appropriate. The standard also requires that inventories held for trading purposes be measured at the market price.

Lease Accounting—On March 30, 2007, the ASBJ issued ASBJ Statement No. 13, "Accounting Standard for Lease Transactions," which revised the existing accounting standard for lease transactions issued on June 17, 1993. The revised accounting standard for lease transactions is effective for fiscal years beginning on or after April 1, 2008 with early adoption permitted for fiscal years beginning on or after April 1, 2007.

Under the existing accounting standard, finance leases that deem to transfer ownership of the leased property to the lessee are to be capitalized, however, other finance leases are permitted to be accounted for as operating lease transactions if certain "as if

capitalized" information is disclosed in the note to the lessee's financial statements. The revised accounting standard requires that all finance lease transactions shall be capitalized recognizing lease assets and lease obligations in the balance sheet.

Unification of Accounting Policies Applied to Foreign Subsidiaries for the Consolidated Financial Statements—Under Japanese GAAP, a company currently can use the financial statements of foreign subsidiaries which are prepared in accordance with generally accepted accounting principles in their respective jurisdictions for its consolidation process unless they are clearly unreasonable. On May 17, 2006, the ASBJ issued ASBJ Practical Issues Task Force ("PITF") No. 18, "Practical Solution on Unification of Accounting Policies Applied to Foreign Subsidiaries for the Consolidated Financial Statements." The new PITF prescribes: (1) the accounting policies and procedures applied to a parent company and its subsidiaries for similar transactions and events under similar circumstances should in principle be unified for the preparation of the consolidated financial statements, (2) financial statements prepared by foreign subsidiaries in accordance with either International Financial Reporting Standards or the generally accepted accounting principles in the United States tentatively may be used for the consolidation process, (3) however, the following items should be adjusted in the consolidation process so that net income is accounted for in accordance with Japanese GAAP unless they are not material;

- (1) Amortization of goodwill
- (2) Actuarial gains and losses of defined benefit plans recognized outside profit or loss
- (3) Capitalization of intangible assets arising from development phases
- (4) Fair value measurement of investment properties, and the revaluation model for property, plant and equipment, and intangible assets
- (5) Retrospective application when accounting policies are changed
- (6) Accounting for net income attributable to a minority interest

The carrying amounts and aggregate fair values of investment securities whose fair value is readily determinable as of March 31, 2008 and 2007, were as follows:

	2008				2007				2008			
	Cost	Unrealized Gains	Unrealized Losses	Fair Value	Cost	Unrealized Gains	Unrealized Losses	Fair Value	Cost	Unrealized Gains	Unrealized Losses	Fair Value
Securities classified as available-for-sale:												
Equity securities	¥6,118	¥8,650	¥108	¥14,660	¥6,146	¥14,623	¥35	¥20,734	\$61,183	\$86,501	\$1,083	\$146,601
Trust fund investments and other	78		8	70	636	4		640	776		77	699

The carrying amounts of investment securities whose fair value is not readily determinable as of March 31, 2008 and 2007, were as follows:

	Carrying Amount		
	2008	2007	2008
Securities classified as available-for-sale:			
Equity securities	¥1,464	¥1,532	\$14,639
Trust fund investments and other	56	1,083	561

The new task force is effective for fiscal years beginning on or after April 1, 2008 with early adoption permitted.

Construction Contracts—Under the current Japanese GAAP, either the completed-contract method or the percentage-of-completion method is permitted to account for construction contracts. On December 27, 2007, the ASBJ published a new accounting standard for construction contracts. Under this accounting standard, the construction revenue and construction costs should be recognized by the percentage-of-completion method, if the outcome of a construction-contract can be estimated reliably. When total construction revenue, total construction costs and the stage of completion of the contract at the balance sheet date can be reliably measured, the outcome of a construction contract can be estimated reliably. If the outcome of a construction contract cannot be reliably estimated, the completed-contract method shall be applied. When it is probable that total construction costs will exceed total construction revenue, an estimated loss on the contract should be immediately recognized by providing for loss on construction contracts. This standard is applicable to construction contracts and software development contracts and effective for fiscal years beginning on or after April 1, 2009 with early adoption permitted for fiscal years beginning on or before March 31, 2009 but after December 27, 2007.

3. INVESTMENT SECURITIES

Investment securities as of March 31, 2008 and 2007, consisted of the following:

	Millions of Yen		Thousands of U.S. Dollars
	2008	2007	2008
Non-current:			
Marketable equity securities	¥16,124	¥22,266	\$161,240
Trust fund investments and other	126	1,723	1,260
Total	¥16,250	¥23,989	\$162,500

Proceeds from sales of available-for-sale investment securities for the years ended March 31, 2008 and 2007 were ¥366 million (\$3,665 thousand) and ¥225 million, respectively. Net realized gains on these sales, computed on the moving average cost basis, were ¥276 million (\$2,761 thousand) and ¥76 million for the years ended March 31, 2008 and 2007, respectively.

4. INVENTORIES

Inventories as of March 31, 2008 and 2007, consisted of the following:

	Millions of Yen		Thousands of U.S. Dollars
	2008	2007	2008
Merchandise	¥ 1,627	¥ 2,201	\$ 16,268
Finished products	2,942	2,475	29,418
Work in process	12,536	13,739	125,362
Raw materials	6,327	6,288	63,268
Total	¥23,432	¥24,703	\$234,316

5. LONG-LIVED ASSETS

Yamatake Group reviewed its long-lived assets for impairment as of March 31, 2008 and recognized an impairment loss of ¥3,108 million (\$31,077 thousand) for goodwill and certain assets of Kimmon. The carrying amount of the relevant property, plant and equipment was written down to the net selling price, and the carrying amount of the goodwill and other assets was written down to the recoverable amount. No impairment loss was recognized in the year ended March 31, 2007.

6. SHORT-TERM BORROWINGS AND LONG-TERM DEBT

Short-term borrowings as of March 31, 2008 and 2007, mainly consisted of notes to banks and bank overdrafts. The annual interest rates applicable to the short-term bank loans ranged from 1.0% to 3.8% as of March 31, 2008 and from 0.9% to 5.8% as of March 31, 2007.

Long-term debt as of March 31, 2008 and 2007, consisted of the following:

	Millions of Yen		Thousands of U.S. Dollars
	2008	2007	2008
Loans from banks and other financial institutions, due serially to 2026 with interest rates ranging from 1.1% to 3.3% in 2008 and from 1.1% to 2.8% in 2007:			
Collateralized	¥ 444	¥ 509	\$ 4,443
Unsecured	5,752	7,593	57,520
Bond due serially to 2011 with interest rates ranging from 0.8% to 1.5% in 2008 and from 0.8% to 1.5% in 2007:			
Collateralized	140	170	1,400
Unsecured	280	510	2,800
Total	6,616	8,782	66,163
Less current portion	(2,089)	(2,209)	(20,893)
Long-term debt, less current portion	¥4,527	¥6,573	\$45,270

As of March 31, 2008, Yamatake had an unused line of credit amounting to ¥30,000 million (\$300,000 thousand) of which ¥10,000 million (\$100,000 thousand) related to the unused portion of commitment lines with four banks and ¥20,000 million (\$200,000 thousand) related to the medium term notes program.

Annual maturities of long-term debt as of March 31, 2008, for the next five years and thereafter were as follows:

Year Ending March 31	Thousands of U.S. Dollars	
	Millions of Yen	U.S. Dollars
2009	¥2,089	\$20,893
2010	2,378	23,782
2011	1,809	18,086
2012	97	974
2013	33	327
2014 and thereafter	210	2,101
Total	¥6,616	\$66,163

The carrying amounts of assets pledged as collateral for the above collateralized long-term debt as of March 31, 2008, were as follows:

	Thousands of U.S. Dollars	
	Millions of Yen	U.S. Dollars
Time deposit	¥ 135	\$ 1,350
Land	40	400
Buildings and structures	178	1,778
Investment securities	1,553	15,530
Total	¥1,906	\$19,058

As is customary in Japan, Yamatake Group maintains deposit balances with banks with which it has bank loans. Such deposit balances are not legally or contractually restricted as to withdrawal.

General agreements with respective banks provide, as is customary in Japan, that additional collateral must be provided under certain circumstances if requested by the lending banks and that certain banks have the right to offset cash deposited with them against any bank loan or obligation that becomes due and, in case of default and certain other specified events, against all other debt payable to the banks. Yamatake Group has never received any of such requests.

7. RETIREMENT AND PENSION PLANS

Yamatake Group has retirement and pension plans for employees, and retirement benefit plans for directors and corporate auditors.

Under most circumstances, employees terminating their employment are entitled to retirement benefits determined based on the rate of pay at the time of termination, years of services and certain other factors. Such retirement benefits are made in the form of lump-sum severance payments from Yamatake Group and annuity payments from a trustee. Employees are entitled to larger payments if the termination is involuntary, by retirement at the mandatory retirement age or by death, than the voluntary termination at certain specific ages prior to the mandatory retirement age. The liability for retirement benefits for directors and corporate auditors for the years ended March 31, 2008 and 2007, was ¥186 million (\$1,863 thousand) and ¥174 million, respectively. The retirement benefits for directors and corporate auditors are paid subject to the approval of the shareholders.

The liability for employees' retirement benefits as of March 31, 2008 and 2007, consisted of the following:

	Thousands of U.S. Dollars		
	2008	2007	2008
Projected benefit obligation	¥43,171	¥46,457	\$431,710
Fair value of plan assets	(25,505)	(27,838)	(255,053)
Unrecognized prior service costs	2,869	2,841	28,687
Unrecognized actuarial loss	(6,656)	(5,698)	(66,560)
Prepaid pension expense	116	112	1,161
Net liability	¥13,995	¥15,874	\$139,945

The components of net periodic benefit costs for the years ended March 31, 2008 and 2007, were as follows:

	Thousands of U.S. Dollars		
	2008	2007	2008
Service cost	¥ 726	¥1,313	\$ 7,258
Interest cost	807	860	8,070
Expected return on plan assets	(821)	(379)	(8,213)
Amortization of prior service costs	(224)	(224)	(2,241)
Recognized actuarial loss	507	694	5,067
Payment for defined contribution pension plan and other	767	758	7,675
Net periodic benefit costs	¥1,762	¥3,022	\$17,616

Assumptions used for the years ended March 31, 2008 and 2007, were set forth as follows:

	2008	2007
Discount rate	2.0%	2.0%
Expected rate of return on plan assets	3.0%-3.5%	1.5%
Amortization period of prior service cost	10-15 years	10-15 years
Recognition period of actuarial gain/loss	10-15 years	10-15 years

8. EQUITY

Since May 1, 2006, Japanese companies have been subject to the Corporate Law of Japan (the "Corporate Law"), which reformed and replaced the Commercial Code of Japan. The significant provisions in the Corporate Law that affect financial and accounting matters are summarized below:

a. Dividends

Under the Corporate Law, companies can pay dividends at any time during the fiscal year in addition to the year-end dividend upon resolution at the shareholders meeting. For companies that meet certain criteria such as; (1) having the Board of Directors, (2) having independent auditors, (3) having the Board of Corporate Auditors, and (4) the term of service of the directors is prescribed as one year rather than two years of normal term by its articles of incorporation, the Board of Directors may declare dividends (except for dividends in kind) at any time during the fiscal year if the company has prescribed so in its articles of incorporation. However, Yamatake cannot do so because it does not meet all the above criteria. The Corporate Law permits companies to distribute dividends-in-kind (non-cash assets) to shareholders subject to a certain limitation and additional requirements. Semiannual interim dividends may also be paid once a year upon resolution by the Board of Directors if the articles of incorporation of the company so stipulate.

The Corporate Law provides certain limitations on the amounts available for dividends or the purchase of treasury stock. The limitation is defined as the amount available for distribution to the shareholders, but the amount of net assets after dividends must be maintained at no less than ¥3 million.

b. Increases/Decreases and Transfer of Common Stock, Reserve and Surplus

The Corporate Law requires that an amount equal to 10% of dividends must be appropriated as a legal reserve (a component of retained earnings) or as additional paid-in capital (a component of capital surplus) depending on the equity account charged upon

the payment of such dividends until the total of aggregate amount of legal reserve and additional paid-in capital equals 25% of the common stock. Under the Corporate Law, the total amount of additional paid-in capital and legal reserve may be reversed without limitation. The Corporate Law also provides that common stock, legal reserve, additional paid-in capital, other capital surplus and retained earnings can be transferred among the accounts under certain conditions upon resolution of the shareholders.

c. Treasury Stock and Treasury Stock Acquisition Rights

The Corporate Law also provides for companies to purchase treasury stock and dispose of such treasury stock by resolution of the Board of Directors. The amount of treasury stock purchased cannot exceed the amount available for distribution to the shareholders which is determined by specific formula. Under the Corporate Law, stock acquisition rights, which were previously presented as a liability, are now presented as a separate component of equity, if any. The Corporate Law also provides that companies can purchase both treasury stock acquisition rights and treasury stock. Such treasury stock acquisition rights are presented as a separate component of equity, if any, or deducted directly from stock acquisition rights.

9. INCOME TAXES

Yamatake and its domestic subsidiaries are subject to Japanese national and local income taxes which, in the aggregate, resulted in a normal effective statutory tax rate of approximately 40.4% for the years ended March 31, 2008 and 2007.

The tax effects of significant temporary differences and tax loss carryforwards which resulted in deferred tax assets and liabilities as of March 31, 2008 and 2007, were as follows:

	Thousands of U.S. Dollars		
	2008	2007	2008
Deferred tax assets:			
Pension and severance costs	¥5,170	¥6,441	\$51,704
Accrued expenses	4,807	4,753	48,075
Depreciation	1,392	950	13,917
Loss on impairment of property, plant and equipment	572	286	5,715
Allowance for doubtful receivables	290	274	2,903
Tax loss carryforwards	3,179	3,185	31,791
Others	1,570	2,720	15,700
Less valuation allowance	(6,149)	(7,012)	(61,491)
Total	10,831	11,597	108,314
Deferred tax liabilities:			
Net unrealized gain on available-for-sale securities	3,367	6,055	33,667
Special advanced depreciation	1,831	1,182	18,314
Others	355	354	3,554
Total	5,553	7,591	55,535
Net deferred tax assets	¥5,278	¥4,006	\$52,779

A reconciliation between the normal effective statutory tax rate and the actual effective tax rate reflected in the accompanying consolidated statements of income for the years ended March 31, 2008 and 2007, was as follows:

	2008	2007
Normal effective statutory tax rate	40.4%	40.4%
Expenses not deductible for tax purposes	1.4	1.7
Tax benefits for qualified expenses	(4.6)	(4.2)
Valuation allowance increase	7.6	
Others—net	(1.2)	1.3
Actual effective tax rate	43.6%	39.2%

As of March 31, 2008, certain subsidiaries have tax loss carryforwards aggregating approximately ¥9,770 million (\$97,700 thousand) which are available to be offset against taxable income of such subsidiaries in future years. These tax loss carryforwards, if not utilized, will expire as follows:

Year Ending March 31	Millions of Yen	Thousands of U.S. Dollars
2010	¥ 600	\$ 6,000
2011	1,520	15,200
2012	130	1,300
2013	560	5,600
2014	4,680	46,800
2015 and thereafter	2,280	22,800
Total	¥9,770	\$97,700

Pro forma information of leased property such as acquisition cost, accumulated depreciation, accumulated impairment loss, obligations under finance leases, depreciation expense and other information of finance leases that do not transfer ownership of the leased property to the lessee on an "as if capitalized" basis for the years ended March 31, 2008 and 2007, was as follows:

	2008				2007			
	Machinery and Equipment	Furniture and Fixtures	Software	Total	Machinery and Equipment	Furniture and Fixtures	Software	Total
Acquisition cost	¥955	¥1,911	¥703	¥3,569	¥925	¥2,212	¥619	¥3,756
Accumulated depreciation	467	1,202	298	1,967	361	1,468	206	2,035
Accumulated impairment loss	130	148	40	318				
Net leased property	¥358	¥ 561	¥365	¥1,284	¥564	¥ 744	¥413	¥1,721

	2008			
	Machinery and Equipment	Furniture and Fixtures	Software	Total
Acquisition cost	\$9,550	\$19,113	\$7,026	\$35,689
Accumulated depreciation	4,674	12,024	2,976	19,674
Accumulated impairment loss	1,297	1,481	399	3,177
Net leased property	\$3,579	\$ 5,608	\$3,651	\$12,838

Obligations under finance leases:

	2008		2007	
	Millions of Yen	Thousands of U.S. Dollars	Millions of Yen	Thousands of U.S. Dollars
Due within one year	¥ 969	¥1,012	\$ 9,686	
Due after one year	3,331	3,195	33,317	
Total	¥4,300	¥4,207	\$43,003	

The above obligations under finance leases include the imputed interest portion.

Allowance for impairment loss on leased property of ¥221 million (\$2,211 thousand) as of March 31, 2008 is not included in obligations under finance leases.

10. RESEARCH AND DEVELOPMENT COSTS

Research and development costs charged to income were ¥9,844 million (\$98,440 thousand) and ¥8,776 million for the years ended March 31, 2008 and 2007, respectively.

11. LEASES

(1) Financing Leases as a Lessee

Yamatake Group leases certain machinery, computer equipment, office space and other assets as a lessee.

Total rental expenses under the above leases for the years ended March 31, 2008 and 2007, were ¥5,587 million (\$55,866 thousand) and ¥5,161 million, respectively.

For the year ended March 31, 2008, Yamatake Group recorded an impairment loss of ¥361 million (\$3,608 thousand) on certain leased property held under finance leases that do not transfer ownership and an allowance for impairment loss on leased property, which is included in long-term liabilities—other.

Depreciation expense and other information under finance leases:

	2008		2007	
	Millions of Yen	Thousands of U.S. Dollars	Millions of Yen	Thousands of U.S. Dollars
Depreciation expense	¥680	¥817	\$6,798	
Lease payments	842	821	8,421	
Reversal of allowance for impairment loss on leased property	140		1,396	
Impairment loss	361		3,608	

Depreciation expense, which is not reflected in the accompanying consolidated statements of income, is computed mainly by the declining-balance method at rates based on the period of those financing leases with remaining value of 10% of total lease payment.

The minimum rental commitments under noncancelable operating leases as of March 31, 2008 and 2007 were as follows:

	2008		2007	
	Millions of Yen	Thousands of U.S. Dollars	Millions of Yen	Thousands of U.S. Dollars
Due within one year	¥ 752	¥ 751	\$ 7,516	
Due after one year	1,081	1,829	10,814	
Total	¥1,833	¥2,580	\$18,330	

(2) Financing Leases as a Lessor

Yamatake Group leases certain machinery and equipment as a lessor.

12. DERIVATIVES

Yamatake Group enters into foreign currency forward contracts to hedge foreign exchange risk associated with trade receivables and payable denominated in foreign currencies.

It is Yamatake Group's policy to use derivatives only for the purpose of reducing market risks associated with assets and liabilities, not to hold or issue derivatives for speculative or trading purposes.

Since all of Yamatake Group's foreign currency forward contracts are related to qualified hedges of underlying business exposures, market gain or loss risk in the derivative instruments is effectively off-

	2008			2007			2008		
	Contract Amount	Fair Value	Unrealized Gain	Contract Amount	Fair Value	Unrealized Gain	Contract Amount	Fair Value	Unrealized Gain
Exchange contract:									
Sell Japanese yen				¥48	¥48				
Buy Japanese yen	¥15	¥16	¥1				\$153	\$155	\$2

13. COMMITMENT AND CONTINGENT LIABILITIES

As of March 31, 2008, Yamatake Group had the following contingent liabilities:

	Millions of Yen	Thousands of U.S. Dollars
Trade notes discounted	¥392	\$3,918
Trade notes endorsed	87	869
Guarantees and similar items of loans	26	264

14. SUBSEQUENT EVENTS

a. Conversion of Kimmon to a Wholly Owned Subsidiary of Yamatake through Share Exchange

Effective April 1, 2008, Yamatake made Kimmon, a 43% owned subsidiary, into a wholly owned subsidiary of Yamatake by means of a share exchange.

(1) Objectives

To establish the foundation of the Life Automation business, further progress was required in terms of: combining and integrating the resources of both companies under a unified governance; improving the flexibility of management to respond quickly to the changing business environment; and improving management efficiency. To this end, Yamatake decided that the conversion of Kimmon to a wholly owned subsidiary via the planned share exchange agreement was in the best interests of both companies.

(2) Nature of business about Kimmon

Manufacture and sale of town gas meters, LPG meters, water meters and related equipment.

(3) Method and content of share exchange

Pro forma information of leased property such as receivables under the finance leases that do not transfer ownership of the leased property to the lessee on an "as if capitalized" basis for the years ended March 31, 2008 and 2007, was as follows:

	2008		2007	
	Millions of Yen	Thousands of U.S. Dollars	Millions of Yen	Thousands of U.S. Dollars
Receivables under finance leases:				
Due within one year	¥ 305	¥ 264	\$ 3,046	
Due after one year	2,137	1,820	21,370	
Total	¥2,442	¥2,084	\$24,416	

set by opposite movements in the value of the hedged assets or liabilities.

Because the counterparties to these derivatives are limited to major international financial institutions, Yamatake Group does not anticipate any losses arising from credit risk.

Derivative transactions entered into by Yamatake Group have been made in accordance with internal policies which regulate the authorization and credit limit amounts.

The fair value of Yamatake Group's derivative financial instruments as of March 31, 2008 and 2007, was as follows:

	2008			2007			2008		
	Contract Amount	Fair Value	Unrealized Gain	Contract Amount	Fair Value	Unrealized Gain	Contract Amount	Fair Value	Unrealized Gain
Share Allocation Pertaining to Share Exchange									
Yamatake (Parent Company)	1								
Kimmon (Subsidiary)			0.045						

(a) Share Allocation Pertaining to Share Exchange

	Yamatake (Parent Company)	Kimmon (Subsidiary)
Share-exchange ratio	1	0.045

Note: The share allocation shall be 0.045 shares of Yamatake common stock per 1 share of Kimmon common stock.

(b) Basis of Calculation of Share Allocation Pertaining to Share Exchange

With reference to the results of the share-exchange ratio calculations provided in the independent third-party valuations, and taking into full consideration factors such as the financial condition of both companies, financial projections and price trends in the Japanese stock market, Yamatake and Kimmon decided the share-exchange ratio as noted (3) (a) above.

(c) Number of New Shares to Be Issued

1,539,845 shares

(d) Acquisition Cost and Breakdown

	Millions of Yen	Thousands of U.S. Dollars
Common stock of Yamatake	¥4,550	\$45,502
Direct expenditure related to the acquisition	50	500
Total acquisition cost	¥4,600	\$46,002

Note: The acquisition cost was calculated based on the share price as of the delivery date of the shares.

b. Appropriation of Retained Earnings

The following appropriation of retained earnings as of March 31, 2008 was approved at the Yamatake's general shareholders meeting held on June 27, 2008:

	Millions of Yen	Thousands of U.S. Dollars
Year-end cash dividends, ¥30 (\$0.30) per share	¥2,200	\$21,995

15. SEGMENT INFORMATION

Yamatake Group focuses on creating value through measurement and control technologies. The operating segments reported below are the segments of Yamatake Group for which separate financial information is available and for which operating profit/loss amounts are evaluated regularly by executive management in deciding how to allocate resources and in assessing the performance.

The building automation segment designs, develops, manufactures, distributes and provides engineering/maintenance services, integrated building automation systems, security systems and energy and facility management, primarily for such markets as commercial buildings, research and manufacturing facilities, hospitals, government and institutional buildings, schools, hotels and department stores.

The advanced automation segment designs, develops, manufactures, distributes and provides switches, sensors, controllers, valves, systems and software packages vital to the operation of industrial plants and factories as well as of engineering and maintenance services, primarily for such markets as petrochemical/chemical, water supply and sewerage, oil refining, electric power and gas, iron and

steel, pulp and paper, shipping and marine, semiconductors, electrical/electronic components, machine tools, automobiles, pharmaceuticals, foods and beverages/packaging, furnace/oven/boiler manufacturing and residential/commercial buildings.

The life automation segment consists of various operating fields, such as "Life-line automation," "Life-assist automation" and "Life science." These businesses draw on the technologies and know-how built up through many years of experience in the building and industrial automation markets. This expertise is applied to fields closely connected with daily life. The life automation covers a broad range of fields, from lifeline infrastructure—such as gas and water meters, sewage and waste disposal systems—to residential air conditioning, food safety, lifestyle support for the elderly, care services and products for biotechnology applications; to provide people from all walks of life with improved comfort and peace of mind.

The other segment consists of mainly the import of industrial machines and equipment.

Information about industry segments of Yamatake Group for the years ended March 31, 2008 and 2007, was as follows:

(1) Industry Segments

a. Sales and Operating Income (Losses)

Millions of Yen							
2008							
	Building Automation	Advanced Automation	Life Automation	Other	Total	Eliminations/Corporate	Consolidated
Sales to customers	¥99,504	¥104,555	¥36,278	¥8,214	¥248,551		¥248,551
Intersegment sales	1,013	891	179	197	2,280	¥(2,280)	
Total sales	100,517	105,446	36,457	8,411	250,831	(2,280)	248,551
Operating expenses	88,765	96,521	36,743	8,328	230,357	(2,290)	228,067
Operating income (losses)	¥11,752	¥ 8,925	¥ (286)	¥ 83	¥ 20,474	¥ 10	¥ 20,484

Millions of Yen							
2007							
	Building Automation	Advanced Automation	Life Automation	Other	Total	Eliminations/Corporate	Consolidated
Sales to customers	¥88,499	¥98,677	¥36,735	¥10,661	¥234,572		¥234,572
Intersegment sales	479	1,073	69	463	2,084	¥(2,084)	
Total sales	88,978	99,750	36,804	11,124	236,656	(2,084)	234,572
Operating expenses	80,519	90,682	37,327	10,772	219,300	(2,042)	217,258
Operating income (losses)	¥ 8,459	¥ 9,068	¥ (523)	¥ 352	¥ 17,356	¥ (42)	¥ 17,314

Thousands of U.S. Dollars							
2008							
	Building Automation	Advanced Automation	Life Automation	Other	Total	Eliminations/Corporate	Consolidated
Sales to customers	\$ 995,045	\$1,045,548	\$362,778	\$82,138	\$2,485,509		\$2,485,509
Intersegment sales	10,126	8,912	1,791	1,973	22,802	\$(22,802)	
Total sales	1,005,171	1,054,460	364,569	84,111	2,508,311	(22,802)	2,485,509
Operating expenses	887,655	965,207	367,425	83,284	2,303,571	(22,906)	2,280,665
Operating income (losses)	\$ 117,516	\$ 89,253	\$ (2,856)	\$ 827	\$ 204,740	\$ 104	\$ 204,844

b. Assets, Depreciation, Impairment Loss and Capital Expenditures

Millions of Yen							
2008							
	Building Automation	Advanced Automation	Life Automation	Other	Total	Eliminations/Corporate	Consolidated
Assets	¥53,491	¥74,570	¥32,601	¥5,063	¥165,725	¥63,119	¥228,844
Depreciation	999	2,182	1,154	52	4,387		4,387
Impairment loss			4,605		4,605	(1,497)	3,108
Capital expenditures	1,080	3,160	230	18	4,488		4,488

Millions of Yen							
2007							
	Building Automation	Advanced Automation	Life Automation	Other	Total	Eliminations/Corporate	Consolidated
Assets	¥55,555	¥75,340	¥36,604	¥5,752	¥173,251	¥57,428	¥230,679
Depreciation	1,024	1,600	1,233	34	3,891		3,891
Capital expenditures	1,624	3,213	337	99	5,273		5,273

Thousands of U.S. Dollars							
2008							
	Building Automation	Advanced Automation	Life Automation	Other	Total	Eliminations/Corporate	Consolidated
Assets	\$534,908	\$745,703	\$326,013	\$50,631	\$1,657,255	\$631,185	\$2,288,440
Depreciation	9,990	21,830	11,536	515	43,871		43,871
Impairment loss			46,050		46,050	(14,973)	31,077
Capital expenditures	10,805	31,590	2,303	184	44,882		44,882

Note: Corporate assets of ¥64,779 million (\$647,789 thousand) and ¥60,807 million for the years ended March 31, 2008 and 2007, respectively, included in "Eliminations/corporate" mainly consist of cash and cash equivalents and investment securities.

(2) Geographical Segments

Overseas sales amounts are less than 10% of consolidated sales.

(3) Sales to Foreign Customers

Sales to foreign customers are less than 10% of consolidated sales.



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INDEPENDENT AUDITORS' REPORT

To the Board of Directors of
Yamatake Corporation:

We have audited the accompanying consolidated balance sheets of Yamatake Corporation (the "Company") and consolidated subsidiaries as of March 31, 2008 and 2007, and the related consolidated statements of income, changes in equity, and cash flows for the years then ended, all expressed in Japanese yen. These consolidated financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these consolidated 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 consolidated financial statements referred to above present fairly, in all material respects, the consolidated financial position of Yamatake Corporation and consolidated subsidiaries as of March 31, 2008 and 2007, 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.

As discussed in Note 14.a to the consolidated financial statements, effective April 1, 2008, the Company made Kimmon Manufacturing Co., Ltd., a 43% owned subsidiary, a wholly owned subsidiary of the Company by means of a share exchange.

Our audits also comprehended the translation of Japanese yen amounts into U.S. dollar amounts and, in our opinion, such translation has been made in conformity with the basis stated in Note 1. Such U.S. dollar amounts are presented solely for the convenience of readers outside Japan.

Deloitte Touche Tohmatsu

June 27, 2008