<u>Notes to Consolidated Financial Results</u>

I. Developments in the fiscal year ending March 31, 2003

New Business

1. Introduced as an urban disaster prevention measure, the Net-TCBM employs proprietary forecasting technology, Topological Case-Based Modeling (TCBM), to predict sewage inflow volume hours in advance and thereby help wastewater treatment plants to avoid overflow and discharge of unfiltered sewage on rainy days. The Net-TCBM earned certification from the Japan Institute of Wastewater Engineering Technology as the first software product of its kind approved for use in municipal wastewater treatment facilities.

2. To meet consumer needs for food safety and traceability, Japan's Ministry of Agriculture, Forestry and Fisheries adopted Yamatake's PC-based data tracking and management system in 2002 for further development and commercialization as a produce traceability system. Field-testing was completed in March 2003.

Production Facilities

Yamatake transferred production of select control components and instruments to a factory in Shenzhen, China, in December 2002. Products include sensors and controllers.

Others

Yamatake repurchased 10.99 million shares from its largest shareholder, Honeywell Asia-Pacific Inc, a subsidiary of Honeywell International Inc., thereby ending the equity relationship between the two companies.

II. Market conditions and results by business segment

Summary of Consolidated Financial Results

Consolidated net sales for the fiscal year in review were 167.9 billion yen, an increase of 805 million yen (0.5%) from the previous fiscal year, including the accounts of newly consolidated subsidiaries. (Safety Service Center Inc. and three overseas subsidiaries were newly included in the consolidation.)

Consolidated operating income was 3.2 billion yen, down 1,252 million yen (27.7%) from the previous year.

Net income was 5.3 billion yen, reflecting an extraordinary profit of approximately 11 billion yen due to the release from future payment obligations related to the portion of the employees' pension plan that was entrusted to the Company.

Building Automation

Sales were 81.3 billion yen, down 0.2% from the previous year. Operating income was 7 billion yen, down 6.4% from the previous year.

The business environment of Japan's building industry was difficult, reflecting depressed capital investments in both the public and private sector markets. Under these conditions, Yamatake focused on the existing buildings sector and shifted more resources to this market.

Sales to new buildings increased owing to redevelopment projects in Tokyo, mainly in Shiodome, Roppongi and Shinagawa areas.

In the existing buildings business, although sales of ESCO and systems for critical environments increased, overall sales fell due to declining sales in areas other than Tokyo.

Sales of service and maintenance increased steadily.

Manufacturing costs were reduced by adopting centralized purchasing for main products and expanding offshore production of HVAC valves at Dalian Yamatake Control Instruments in China.

Industrial Automation

Sales were 52.5 billion yen, a slight decrease from the previous year. An operating loss of 478 million yen was recorded due to weak sales overseas.

Conditions in the industrial sector were difficult, with customers moving production overseas thereby shrinking the domestic market, as well as growing price competition.

In the oil refinery market, sales increased sharply compared with the previous year, driven by demand for environmental protection measures and the renewal of oil storage systems.

Sales in the food and beverages market were boosted by greater investment in safety-enhancing equipment.

Sales in the shipping market grew owing to the rise in construction of LNG carriers.

In the electric power and gas markets, sales decreased due to a freeze and postponement of new plant construction.

Sales in the chemical and steel markets fell, affected by restrained investments in equipment.

In overseas markets, sales of field instruments and control valves in China and Southeast Asia increased. Overall, sales decreased, reflecting weak sales of automation systems and the effect of the Iraq war.

Control Products

Sales were 27.2 billion yen, up 3.3% from the previous year, including newly consolidated subsidiaries. An operating loss of 1,979 million yen was posted mainly due to amortization of dead stock.

Business conditions for control products remained challenging, impacted by persisting deflation.

In the industrial sector market, sales increased slightly compared with the previous year due to a recovery in semiconductor manufacture and electric/electronic markets.

Sales of Yamatake's unique gas flow control products, such as microflow sensors and mass flow controllers, increased steadily owing to greater demand for advanced measures in energy conservation.

In the residential market, although sales of radiant floor heating were brisk, the decrease in air cleaner sales due to price competition resulted in lower sales overall.

Outside Japan, sales of photoelectrical sensors and controllers increased in China, Taiwan and Korea due to brisk business in the electric/electronic market.

Other businesses

Other businesses consist of New business, such as care services and environment business, and the import of industrial machines and equipment. Sales in New business increased mainly due to newly consolidated subsidiaries, whereas sales of imported industrial machines and equipment declined.

III. Outlook for the fiscal year ending March 31, 2003

Group reorganization

To respond to the current challenging business environment as well as to changes in our customers' value perception and needs of Japanese society, Yamatake decided to reorganize its business structure in order to effectively meet these challenges and provide customers with true value.

On April 1, 2003 Yamatake Corporation and its subsidiaries Yamatake Building Systems Co., Ltd. and Yamatake Industrial Systems Co., Ltd. merged and reorganized its core businesses into “in-house companies.”
Yamatake's Building Automation business was reorganized and named “Building Systems Company.” The Industrial Automation business and Control Products business were merged into a single entity and named “Advanced Automation Company.”
The in-house company is responsible for everything related to its designated business – from development, manufacture, sales through to service & maintenance.
By consolidating all functions into a single entity and further strengthening the comprehensive business promotion framework, Yamatake is aiming to improve profitability of its Core business as well as develop and expand its Strategic business, including International business and New business solutions for social issues, such as the environment and the aging population.

¥ Billions

<table>
<tr><th></th><th colspan="2">FY2002
3/2003</th><th></th><th colspan="2">FY2003
3/2004</th><th>Inc.
(Dec)</th><th>%
Chg</th></tr>
<tr><td rowspan="2">Building Automation</td><td>Sales</td><td>81.3</td><td rowspan="2">Building Systems</td><td>Sales</td><td>82.7</td><td>1.3</td><td>1.7</td></tr>
<tr><td>Op Income</td><td>7.0</td><td>Op Income</td><td>6.6</td><td>(0.4)</td><td>(6.7)</td></tr>
<tr><td rowspan="2">Industrial Automation</td><td>Sales</td><td>52.5</td><td rowspan="4">Advanced Automation</td><td rowspan="2">Sales</td><td rowspan="2">80.7</td><td rowspan="2">—</td><td rowspan="2">—</td></tr>
<tr><td>Op Income</td><td>(0.4)</td></tr>
<tr><td rowspan="2">Control Products</td><td>Sales</td><td>27.2</td><td rowspan="2">Op Income</td><td rowspan="2">1.5</td><td rowspan="2">—</td><td rowspan="2">—</td></tr>
<tr><td>Op Income</td><td>(1.9)</td></tr>
<tr><td rowspan="2">Other businesses</td><td>Sales</td><td>11.6</td><td rowspan="2">Other businesses</td><td>Sales</td><td>15.0</td><td>3.3</td><td>28.3</td></tr>
<tr><td>Op Income</td><td>(1.2)</td><td>Op Income</td><td>(1.1)</td><td>(0)</td><td>—</td></tr>
<tr><td rowspan="3">Consolidated</td><td>Sales</td><td>167.9</td><td rowspan="3">Consolidated</td><td>Sales</td><td>176.0</td><td>8.0</td><td>4.8</td></tr>
<tr><td>Op Income</td><td>3.2</td><td>Op Income</td><td>7.0</td><td>3.7</td><td>113.8</td></tr>
<tr><td>Net Income</td><td>5.3</td><td>Net Income</td><td>3.8</td><td>(1.5)</td><td>(28.4)</td></tr>
</table>

With the reorganization of three core businesses into two in-house companies, business segments are classified into three categories of Building Systems business, Advanced Automation business and Others, as of April 1, 2003.

Comparison of AA business with the previous fiscal year was omitted due to difficulties in comparing AA business with IA business and CP business of the previous year.

For the fiscal year ending March 31, 2004, Yamatake forecasts consolidated net sales of 176 billion yen, an increase of 8.0 billion yen (4.8%) from the previous year. Operating income is expected to grow by 7 billion yen due to Advanced Automation business.

Building Systems Business

Sales are forecast to increase slightly from the previous fiscal year due to expanding sales in energy saving measures, refurbishment and maintenance service.

Operating income is expected to decrease slightly, reflecting weak market conditions.

Advanced Automation Business

Both sales and operating income are forecast to improve from the previous year due to the recovery in the semiconductor and electric/electronics markets as well as improved efficiency through merging the IA business and CP business.