

# FY2007 1H Consolidated Financial Results and The Conversion of Kimmon Manufacturing as a Wholly Owned Subsidiary of Yamatake

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Conversion of Kimmon Mfg. as a wholly owned subsidiary
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**Yamatake Corporation**  
**8 November 2007**

# FY2007 1H operating results:

Solid growth, with both sales and operating income exceeding initial targets



- Sales of ¥114.7 billion, up ¥10.4 billion on the same period last year, representing 10% growth.
- Operating income of ¥7.2 billion, up ¥1.8 billion on the same period last year, representing 34% growth.
- Net income of ¥3.3 billion, below initial target owing to extraordinary loss <sup>\*1</sup>.

(Unit : Billions yen)

	FY2006 (Mar. 31.2007)		FY2007 (Mar.31.2008)							
	1H Actual (a) (Nov.16.2006)	1H Actual (b) (Nov.8.2007)	Difference		Revised Plan(c) (Oct.4.2007)	Difference		BOY Plan(d) (May.10.2007)	Difference	
			(b)-(a)	%		(b)-(c)	%		(b)-(d)	%
Consoli. Sales	104.3 bil.	114.7 bil.	10.4 bil.	10.0 %	114.0 bil.	0.7 bil.	0.6 %	112.0 bil.	2.7 bil.	2.4 %
Operating income	5.4 bil.	7.2 bil.	1.8 bil.	34.2 %	7.1 bil.	0.1 bil.	1.3 %	7.0 bil.	0.2 bil.	2.7 %
<i>%Charge</i>	5.1 %	6.3 %			6.2 %			6.3 %		
Recurring income	5.6 bil.	7.4 bil.	1.8 bil.	31.3 %	7.3 bil.	0.1 bil.	1.4 %	6.9 bil.	0.5 bil.	7.3 %
Income before Taxes	5.6 bil.	7.4 bil.	1.9 bil.	33.8 %						
Net income	3.3 bil.	3.3 bil. <sup>*1</sup>	0.0 bil.	0.6 %	3.3 bil. <sup>*2</sup>	0.0 bil.	0.6 %	3.9 bil.	(0.6) bil.	(14.9) %

\*1 Despite posting an extraordinary profit on the sale of the site of a former factory and other fixed, Yamatake posted 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 Manufacturing Co., Ltd. Yamatake has also posted an extraordinary loss mainly due to the impairment of Kimmon's business fixed assets.

\*2 As a result of posting an extraordinary loss for the impairment of Kimmon Mfg.'s assets, on October 30 there was a revision in net income alone.

## FY2007 1H operating results:

Both BA & AA businesses achieve growth greater than the same period last year

- BA business:** Markets for new and existing buildings continued to be buoyant, so both sales and operating income greatly exceeded figures for the same period last year, and growth was above initial targets.
- AA business:** Despite weakness evident in some markets, steady performance has been maintained for process market products; results have thus again exceeded the same period last year, and initial targets for growth have almost been achieved.
- LA business:** A fall in sales has been unavoidable, given the severe business environment, and targets have not been met; however, progress is being made with strengthening the business structure, and operating income is improving.

(Unit : Billions yen)

		FY2006 (Mar. 31.2007)		FY2007 (Mar.31.2008)				
		1H Actual (a) (Nov.16.2006)	1H Actual (b) (Nov.8.2007)	Difference		BOY Plan(c) (May.10.2007)	Difference	
				(b)-(a)	%		(b)-(c)	%
BA	Sales	36.5 bil.	43.3 bil.	6.8 bil.	18.7 %	41.5 bil.	1.8 bil.	4.4 %
	Operating income	1.6 bil.	3.2 bil.	1.6 bil.	96.2 %	2.7 bil.	0.5 bil.	17.7 %
	<i>%Charge</i>	4.4 %	7.3 %			6.5 %		
AA	Sales	45.0 bil.	49.5 bil.	4.5 bil.	10.0 %	49.5 bil.	0.0 bil.	0.0 %
	Operating income	3.8 bil.	4.1 bil.	0.3 bil.	7.3 %	4.2 bil.	(0.1) bil.	(1.8) %
	<i>%Charge</i>	8.5 %	8.3 %			8.5 %		
LA	Sales	18.6 bil.	18.5 bil.	(0.1) bil.	(0.6) %	18.7 bil.	(0.2) bil.	(1.3) %
	<i>Kimmon Mfg (Detailed)</i>	16.4 bil.	16.3 bil.	(0.1) bil.	(0.5) %	16.4 bil.	(0.1) bil.	(0.6) %
	Operating income	(0.3) bil.	(0.2) bil.	0.1 bil.	— %	(0.1) bil.	(0.1) bil.	— %
	<i>%Charge</i>	(1.5) %	(1.2) %			(0.4) %		
Others	Sales	5.3 bil.	4.3 bil.	(1.0) bil.	(18.9) %	4.5 bil.	(0.2) bil.	(4.4) %
	Operating income	0.2 bil.	0.1 bil.	(0.1) bil.	(47.2) %	0.1 bil.	0.0 bil.	0.0 %
	<i>%Charge</i>	3.4 %	2.2 %			1.1 %		

# Outlook for FY2007 operating results:

Both sales and operating income forecasts adjusted upwards



- **Sales** have been adjusted upwards to ¥248.5 billion. Based on the 1H market environment, the 2H sales forecast has been revised upwards to ¥133.8 billion. The sales target for FY2007 is thus ¥248.5 billion, ¥13.9 billion (6%) more than last year.
- **Operating income** has been adjusted upwards to ¥20.3 billion. Profits have been affected by a severe business environment, with stiff competition and sharp rises in the cost of raw materials, but with increased sales and strengthening of the business structure Yamatake has for the first time set a firm target for operating income at above ¥20 billion.
- As regards **net income**, though impacted by the extraordinary loss\* posted in the first half, Yamatake will continue to strive to improve profits and the adjusted target has now been set at a 7% increase on last year.

\* In the first half, despite posting an extraordinary profit on the sale of the site of a former factory and other fixed, Yamatake posted 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 Manufacturing Co., Ltd. Yamatake has also posted an extraordinary loss mainly due to the impairment of Kimmon's business fixed assets.

(Unit : Billions yen)

		FY2007 (Mar.31.2008)						
		Actual (a) (May.10.2007)	Annual forecast (b) (Nov.8.2007)	Difference		BOY Plan(c) (May.10.2007)	Difference	
				(b)-(a)	%		(b)-(c)	%
Consoli. Sales	234.6 bil.	248.5 bil.	13.9 bil.	5.9 %	244.0 bil.	4.5 bil.	1.8 %	
Operating income	17.3 bil.	20.3 bil.	3.0 bil.	17.2 %	20.0 bil.	0.3 bil.	1.5 %	
<i>%Charge</i>	7.4 %	8.2 %			8.2 %			
Recurring income	17.9 bil.	20.3 bil.	2.4 bil.	13.7 %	19.6 bil.	0.7 bil.	3.6 %	
Income before Taxes	17.9 bil.	20.3 bil.	2.4 bil.	13.7 %	19.3	1.0 bil.	5.2 %	
Net income	10.6 bil.	11.4 bil.	0.8 bil.	7.1 %	12.0 bil.	(0.6) bil.	(5.0) %	

# Outlook for FY2007 operating results:

BA business to bolster operating results,  
while AA business is committed to sales and income increases on last year



- **BA business:** Making the most of the favorable market environment, Yamatake is aiming at sales of ¥99.8 billion (up ¥10.8 billion or 12% on last year) and operating income of ¥10.7 billion (up ¥2.2 billion or 26% on last year); both these figures exceed initial targets.
- **AA business:** As a result of weakness in some markets, such as semiconductors, and a business environment that is expected to be difficult, the outlook for FY2007 has been revised; however, Yamatake will maintain year-on-year sales and income growth.
- **LA business:** A fall in earnings is expected owing to a business environment that continues to be grueling; however, Yamatake will seek to improve profit structure with further efforts to develop the business infrastructure in the second half.

(Unit : Billions yen)

		FY2006	FY2007					
		(Mar. 31.2007)	(Mar.31.2008)					
		Actual (a)	Annual forecast (b)	Difference		BOY Plan(c)	Difference	
		(May.10.2007)	(Nov.8.2007)	(b)-(a)	%	(May.10.2007)	(b)-(c)	%
BA	Sales	89.0 bil.	99.8 bil.	10.8 bil.	12.2 %	95.0 bil.	4.8 bil.	5.1 %
	Operating income	8.5 bil.	10.7 bil.	2.2 bil.	26.2 %	10.0 bil.	0.7 bil.	6.8 %
	<i>% Charge</i>	9.5 %	10.7 %			10.5 %		
AA	Sales	99.8 bil.	105.5 bil.	5.8 bil.	5.8 %	106.5 bil.	(1.0) bil.	(0.9) %
	Operating income	9.1 bil.	9.6 bil.	0.6 bil.	6.1 %	10.0 bil.	(0.4) bil.	(3.8) %
	<i>% Charge</i>	9.1 %	9.1 %			9.4 %		
LA	Sales	36.8 bil.	35.8 bil.	(1.0) bil.	(2.7) %	36.5 bil.	(0.7) bil.	(1.9) %
	<i>Kimmon Mfg (Detailed)</i>	32.2 bil.	31.8 bil.	(0.4) bil.	(1.3) %	31.5 bil.	0.3 bil.	1.0 %
	Operating income	(0.5) bil.	(0.2) bil.	0.3 bil.	(64.4) %	(0.1) bil.	(0.1) bil.	78.0 %
	<i>% Charge</i>	(1.4) %	(0.5) %			(0.3) %		
Others	Sales	11.1 bil.	8.8 bil.	(2.3) bil.	(20.9) %	9.1 bil.	(0.3) bil.	(3.3) %
	Operating income	0.4 bil.	0.2 bil.	(0.2) bil.	(44.6) %	0.1 bil.	0.1 bil.	39.3 %
	<i>% Charge</i>	3.2 %	2.2 %			1.5 %		

# Outlook for FY2007 operating results:

Enhancing local sales strength and expanding international business



- Growth in the international business has been slowed by multiple factors, but by focusing on strengthening the business infrastructure locally Yamatake will aim at continued growth.

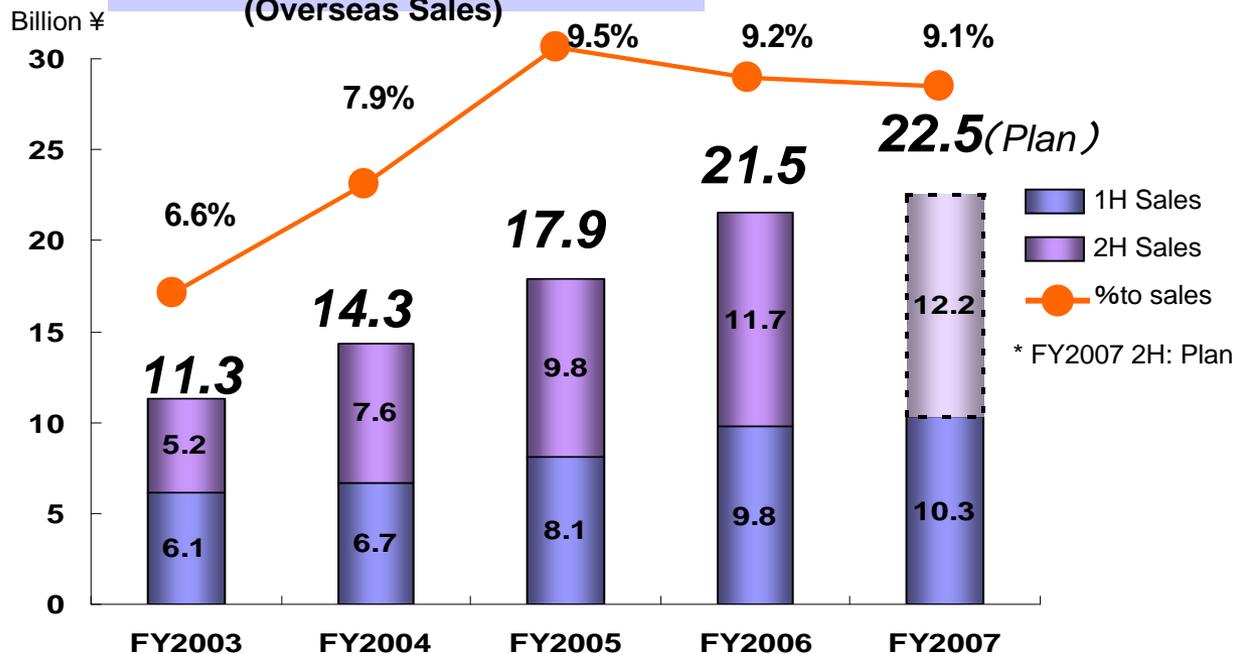
(Unit : Billions yen)					(Unit : Billions yen)					
	FY2006 (Mar. 31.2007)		FY2007 (Mar.31.2008)			FY2006 (Mar. 31.2007)		FY2007 (Mar.31.2008)		
	1H Actual (a) (Nov.16.2006)		1H Actual (b) (Nov.8.2007)	Difference (b)-(a)		Actual (c) (May.10.2007)		Annual forecast (d) (Nov.8.2007)	Difference (d)-(c)	
International (Overseas Sales)	9.8 bil.		10.3 bil.	0.5 bil. 5.5 %		21.5 bil.		22.5 bil.	1.0 bil. 4.7 %	
Business * <i>売上比%</i>	0.9 %		0.9 %			0.9 %		0.9 %		

\*International Business sales are included in the sales of BA,AA, and LA business.

## Current of International Business

(Overseas Sales)

- Sales figures for overseas affiliates have increased but growth in Yamatake's sales has been slowed by third-party exports from Japan and also because of the completion of large projects in the previous period.
- By continuing to focus on enhancing local sales strength in the second half, Yamatake will strive to grow its overall international business.



# Establishing the business infrastructure of Yamatake : Establishing infrastructure to meet changes in the social and business environments



● In response to changes in the social environment, Yamatake has embarked on the creation of a new corporate alignment, centering on the corporate philosophy of “human-centered automation.”

Changes in the social and business environments

- Environmental issues
- Falling birthrate & aging population
- Improving safety/quality
- Technology trends
- High added-value products

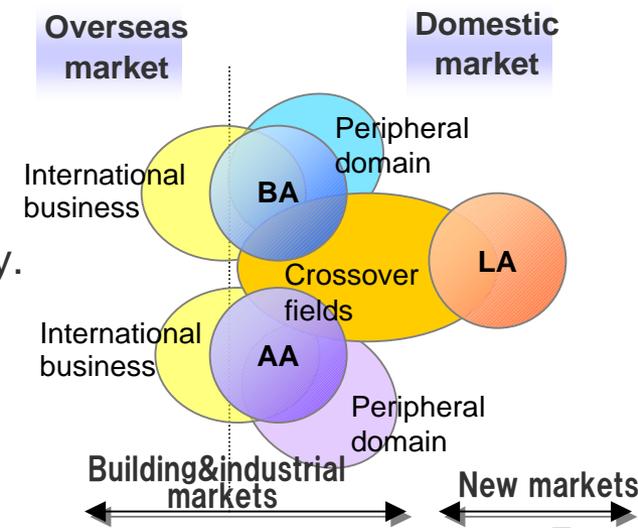
● Yamatake is currently developing a solid business infrastructure.

✓ Based on the Three Creation Concepts, Yamatake will develop its business and operational infrastructure:

*“Creating a new business”, “Creating a new work style”, “Building Yamatake Spirit”*

✓ Building Automation (BA), Advanced Automation (AA), and Life Automation (LA) – Yamatake will develop the infrastructure for each of its three core businesses, pursuing initiatives for the future such as implementing business reforms based on synergy.

● As part of infrastructure establishment, Kimmon Mfg. will become a wholly owned subsidiary of Yamatake.



- **Yamatake's subsidiary Kimmon Manufacturing Co., Ltd. (Itabashi-ku, Tokyo) will become wholly owned through a share exchange. (On November 8, the boards of both companies approved the share exchange and concluded the contract.)**
- **Following an extraordinary meeting of Kimmon Mfg. shareholders, the agreement will go into effect on April 1, 2008.**

- ▶ **The decision to make Kimmon Mfg. a wholly owned subsidiary is designed to reinforce the business and operational infrastructure of both companies in the face of mature Japanese markets, and to enhance – synergistically and for the long term – corporate strengths and capabilities for finding solutions to customers' on-site issues.**
- ▶ **Yamatake currently owns 43.3% of the common stock in Kimmon Mfg., which will rise to 59.3% when its Class II preferred stock is converted. (Conversion is possible from October 2008.)**
- ▶ **In the share-exchange, 0.045 shares of Yamatake shall be allocated to 1 share of Kimmon.**
- ▶ **In parallel with the implementation of this share exchange, both companies will pursue further synergies in sales and – by accelerating the development of technologies and products through integration as well as making more effective use of manufacturing facilities – they will strive to strengthen the business infrastructure and develop the Life Automation business, thus raising corporate value.**

The strengths of Kimmon Mfg. in gas/water metering will be combined with Yamatake's strengths in instrumentation, control and monitoring to enhance efficiency in existing businesses, to expand into new business fields, and to further strengthen the management foundation.

## ✓ Promoting further coordination in sales.

The business domain will be expanded by combining the sales strengths, products and services of both companies so as to offer customers comprehensive solutions ranging from metering and measurement to control and monitoring.



▼ Pressure regulator (MAFV governor unit)



▲ Medium-pressure Meter: CMP series

Progress to date

- Comprehensive proposals made to gas companies involving both pressure regulators and monitoring/control systems
- Yamatake sales of gas meters and water meters
- Kimmon Mfg. sales of intermediate-pressure gas meters

## ✓ Optimization of Group's overall production infrastructure

Yamatake will enhance its competitive strengths as a manufacturer by optimizing the Yamatake Group's production structure, including the production facilities and structure of Kimmon Mfg.



Kimmon Mfg. Kyoto factory

Progress to date

- New manufacturing facilities for the production of Yamatake's latest electromagnetic flowmeters are being built at Kimmon Mfg.'s Kyoto factory. (Announced in June 2007, they are to become fully operational in 2008).



Battery-powered electromagnetic flow meter

## ✓ Acceleration of the development of technologies and products through integration of both companies

New technologies and products will be developed that integrate Kimmon Mfg.'s metering technologies with Yamatake's measurement and control technologies.

Progress to date

- Battery-powered electromagnetic flow meter developed

## ● Share's exchange ratio

	Yamatake	:	Kimmon
Share's exchange ratio	1	:	0.045

**Currently outstanding Yamatake stock:** 73,576,256 shares of common stock  
**Outstanding Yamatake stock after the share exchange :** 75,116,101 shares of common stock

\* The number of new shares issued for the share exchange will be 1,539,845 (common stock), approximately 2% of outstanding Yamatake stock.

## ● Share's exchange schedule

- **8 Nov. 2007**                      **Approval at meetings of boards of directors** (both companies)  
    **Signing of share exchange agreement** (both companies)
- **16 Nov. 2007 ( Plan )**        **Public notice of record date for Extraordinary Meeting of Shareholders**  
    (Kimmon Mfg.)
- **1 Dec. 2007 ( Plan )**         **Record date for Extraordinary Meeting of Shareholders** (Kimmon Mfg.)
- **20 Feb. 2008 ( Plan )**        **Extraordinary Meeting of Shareholders** (Kimmon Mfg.)
- **11-31 Mar. 2008 ( Plan )**    **Request to purchase shares of opposing shareholders**
- **26 Mar. 2008 ( Plan )**        **De-listing of shares** (Kimmon Mfg.)
- **1 Apr. 2008 ( Plan )**         **Planned date of share exchange** (effective date)

## 4 FY2007 interim and year-end dividend forecast

Yamatake expects to issue interim and year-end dividends of 30 yen per share, making an annual dividend of 60 yen per share, as previously announced.

$$\text{FY2007} \quad \begin{matrix} \text{(Interim)} \\ \mathbf{30} \text{ yen} \end{matrix} + \begin{matrix} \text{(Year-end)} \\ \mathbf{30} \text{ yen} \end{matrix} = \begin{matrix} \text{(Annual)} \\ \mathbf{60} \text{ yen} \end{matrix}$$

### ■ Current of dividend (Per share)

	FY2004 (Actual)	FY2005 (Actual)	FY2006 (Actual)	FY2007 (Forecast)
Interim dividend	10 yen	20 yen	25 yen	30 yen
Year-end dividend	13 yen	30 ※ yen	25 yen	30 yen
Annual dividend	23 yen	50 yen	50 yen	60 yen

Dividend on equity ratio  
(Consolidated base)

1.7%

3.5%

3.2%

3.6%

Pay out ratio  
(Consolidated base)

45.6%

37.3%

34.6%

38.7%

※Including the Memorial dividend 10yen

# Yamatake Corporation & Kimmon Manufacturing Overview

Company Name	Yamatake Corporation (Consoli.) (parent company)
Nature of business	Development, design, manufacture, sale and maintenance of a full range of control devices, systems and related equipment
Established	August 22, 1949
Head office location	2-7-3 Marunouchi, Chiyoda-ku Tokyo
Name and position of legal representative	Seiji Onoki, President and Chief Executive Officer
Paid-in Capital	10,522 Million yen
Shares of common stock issued	73,576,256
Net assets	118,966 Million yen
Gross assets	230,679 Million yen
Fiscal year-end	March 31
Employees	8,192

Company Name	Kimmon Manufacturing Co.Ltd. (Consoli.) (wholly owned subsidiary)
Nature of business	Manufacture and sale of town gas meters, LPG meters, water meters and related equipment
Established	July 27, 1948
Head office location	13-1 Ohara-cho, Itabashi-ku Tokyo
Name and position of legal representative	Masaaki Iwai, President
Paid-in Capital	3,157 Million yen
Shares of common stock issued	60,305,748
Net asset	4,027 Million yen
Gross asset	31,054 Million yen
Fiscal year-end	March 31
Employees	1,358

(As of Mar, 2007.)

