

# Selected Financial Data

Yamatake Corporation and consolidated subsidiaries, for the years ended March 31

	Millions of yen					Thousands of U.S. dollars*	
	1999	2000	2001	2002	2003	2003	
<b>For the year</b>							
Net sales	¥178,896	¥169,634	¥177,940	¥167,164	<b>¥167,969</b>	<b>\$1,399,745</b>	
Operating income	7,458	7,198	11,694	4,527	<b>3,275</b>	<b>27,288</b>	
Income (loss) before income taxes	6,848	6,332	(9,576)	4,345	<b>11,235</b>	<b>93,627</b>	
Net income (loss)	2,520	3,413	(5,918)	2,121	<b>5,308</b>	<b>44,235</b>	
Per Share (in yen and U.S. dollars)							
Net income (loss)	26.93	36.47	(64.74)	24.77	<b>68.65</b>	<b>0.57</b>	
Cash dividends	12.00	12.00	12.00	12.00	<b>12.00</b>	<b>0.10</b>	
Shareholders' equity	1,200.32	1,224.36	1,176.54	1,169.07	<b>1,247.07</b>	<b>10.39</b>	
Depreciation and amortization	2,951	2,810	2,655	2,809	<b>2,655</b>	<b>22,126</b>	
R&D expenses	9,447	7,482	8,674	8,770	<b>8,881</b>	<b>74,007</b>	
Capital expenditures	2,869	2,350	3,552	2,255	<b>2,065</b>	<b>17,205</b>	
	1999	2000	2001	2002	2003	2003	
<b>At year-end</b>							
Total assets	¥181,654	¥179,054	¥186,302	¥180,958	<b>¥162,919</b>	<b>\$1,357,659</b>	
Total shareholders' equity	112,353	114,603	99,495	98,886	<b>91,780</b>	<b>764,827</b>	
Number of shares outstanding (thousands)	93,604	93,604	84,566	84,566	<b>84,566</b>		
Number of employees	6,697	6,691	6,857	7,106	<b>7,092</b>		
Return on equity (%)	2.3	3.0	(5.5)	2.1	<b>5.6</b>		

\*The U.S. dollar amounts have been translated from yen, for convenience only, at the rate of ¥120 to U.S.\$1, the approximate exchange rate as of March 31, 2003, as described in Note 1 of Notes to Consolidated Financial Statements.

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# Financial Review

## Consolidated Results

### Overview

Consolidated net income rose ¥3.2 billion to ¥5.3 billion largely due to ¥11.0 billion of extraordinary profit realized by the release from future payment obligations on group pensions entrusted to the company, although there was a reduction in operating income as a result of an increase in selling, general and administrative expenses and losses on both sales of investments and impairment of investments.

Because of the addition of one domestic subsidiary and three overseas subsidiaries to the consolidated accounts, net sales increased by ¥2.5 billion and operating income decreased by ¥37 million. Total assets grew by ¥842 million, and shareholders' equity increased ¥419 million.

Consequently, net income per share increased ¥43.9 year-on-year to ¥68.7 and shareholders' equity per share rose ¥78 over the previous year to ¥1,247.

### Net Sales

Net sales, including the newly consolidated subsidiaries, increased slightly by 0.5% to ¥168.0 billion. Net sales of control products rose, but building automation and industrial automation sales both declined slightly due to continuing economic sluggishness at home and abroad.

### Gross Profit and SGA Expenses

The cost of sales ratio improved in each of the company's three core businesses, and by 0.9 percentage point in total. This was due to streamlining the procurement cost structure for building automation, managing industrial automation project costs more stringently and achieving greater efficiency and productivity in the manufacture of control products.

Gross profit on sales increased ¥1.9 billion from the previous year. Selling, general and administrative (SGA) expenses rose ¥3.2 billion to ¥61.1 billion. The increase in those expenses included ¥1.0 billion for the effects of newly consolidated subsidiaries; ¥1.5 billion due to a rise in personnel costs, including the burden caused by a drop in the expected rate of return on plan assets, and about a ¥900 million loss for impairment of slow-moving assets for maintenance in conjunction with stricter inventory management.

### Operating Income

Operating income fell ¥1.3 billion (27.7%) year-on-year to ¥3.3 billion.

### Other Income and Expenses

Yamatake group obtained approval from Japan's Ministry of Health, Labor and Welfare for exemption from the future benefit obligations of the substitutional portion of the employees' pension funds on December 24, 2002. As of this date, we recognized the extinction of both severance payment liabilities and pension assets to be transferred to the public pension funds. As a result, the company booked an extraordinary profit of ¥11.0 billion.

#### — Sales of Investment Securities

The net loss on the sales of investment securities listed on the stock exchanges for reducing high risk assets totaled ¥1.1 billion, reflecting bearishness in the stock markets.

#### — Amortization of Consolidation Adjustments

Amortization of excess of the acquisition cost over the acquired net equity of ¥761 million was recorded in conjunction with the inclusion of Safety Service Center Inc. in the consolidated financial statements.

### Income before Income Taxes and Minority Interests

Income before income taxes and minority interests came to ¥11.2 billion, an increase of ¥6.9 billion over the previous year.

### Income Taxes

The effective tax rate on income before income taxes rose 2 percentage points to 52.4%. The rise was mainly due to nondeductible amortization of excess of acquired net equity over cost. On March 31, 2003, a tax reform law was enacted in Japan, which changed the normal effective statutory tax rate from approximately 42.0% to 40.4%, effective for years beginning April 1, 2004. The effect of this tax rate reduction on the actual effective tax rate of 2003 is 2.2 percentage point decrease.

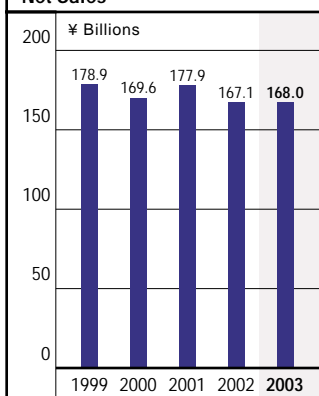
### Net Income

As a result, net income increased ¥3.2 billion year-on-year to ¥5.3 billion.

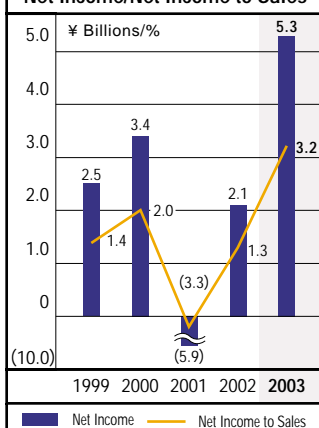
## Financial Position

Total assets at the end of the fiscal year decreased ¥18.0 billion to ¥162.9 billion. The reasons included the purchase of treasury stock (¥10.7 billion cash outflow) in July 2002, decrease in receivables and inventories, and losses on sale and impairment of securities.

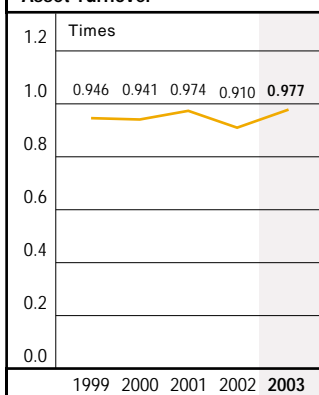
### Net Sales



### Net Income/Net Income to Sales



### Asset Turnover



### Assets

Assets decreased for three primary reasons. First, trade receivables shrank ¥5.6 billion, because the settlement of notes receivable expiring on the last day of the previous financial year was carried over into this financial year due to a financial holiday falling on the close of the previous fiscal year. Second, inventory shrank ¥2.7 billion, due to a decrease in work in process for building and industrial automation at the end of the year, coupled with a loss for impairment of slow-moving inventories. Third, investment securities shrank ¥3.8 billion, due to sales, impairment and the effects of consolidation. Deferred taxable assets decreased ¥1.4 billion, as a result of a gain from the company being released from its entrusted pension plan obligations.

### Liabilities

Liabilities totaled ¥70.7 billion, a decrease of ¥11.0 billion over the previous year. Liabilities for retirement benefits were reduced ¥9.5 billion with the release from entrusted pension plan obligations.

### Shareholders' Equity

Shareholders' equity declined ¥7.1 billion to ¥91.8 billion, due in part to a ¥10.7 billion purchase of treasury stock.

Asset performance indicators (average of balances of beginning and end of the year) improved over the previous year.

- Receivables/Sales (days): decreased 16 days to 142 days
- Inventories/Cost of sales (days): decreased 5 days to 66 days
- Asset turnover (times): increased 0.067 point to 0.977

The ratio of shareholder's equity to total assets rose 1.7% to 56.3%. This was largely due to bank loan repayments and a reduction of liabilities for retirement benefits following the release from entrusted pension plan obligations, although there was a decrease in shareholders' equity due to the purchase of treasury stock.

## Cash Flows

The year-end balance for cash and cash equivalents, including the balances of cash and equivalents held by newly consolidated subsidiaries, decreased ¥2.7 billion to ¥33.7 billion. Net cash flows from operating activities increased ¥3.6 billion to ¥12.0 billion. The main reason was a drop in net working capital (total of trade receivables and inventories less trade payables). Net cash used in investing activities decreased ¥1.0 billion to ¥2.5 billion, primarily due to a ¥2.1 billion increase in receipts from sales of investment securities. Net cash used in financing activities increased significantly by ¥10.5 billion to ¥12.7 billion, as a result of a ¥10.7 billion outlay for the purchase of treasury stock.

## Risk Management

Yamatake business faces a variety of potential risks and uncertainties. These are affected by economic conditions in the markets, particularly capital investment demands; currency exchange rates and interest rates; fluctuations in the prices of key raw materials; and demands for products and services in highly competitive markets.

To manage the financial risk of fluctuations in currency exchange and interest rates, Yamatake carefully monitors foreign currency transaction balances and interest rate movements. Risk is hedged through the use of derivative transactions including forward currency exchange, currency options and interest swaps.

## Seasonality

The highly seasonal nature of Yamatake's sales is due to the peculiarities of key industries, including building construction and materials industries. Accordingly, sales in the second-half of the year are generally much higher than sales in the first half of the year.

## Outlook for Fiscal 2003

For fiscal 2003 ending March 31, 2004, Yamatake forecasts net sales increasing 4.8% to ¥176.0 billion, operating income increasing 113.8% to ¥7.0 billion and net income decreasing 28.4% to ¥3.8 billion.

### Building Systems Business

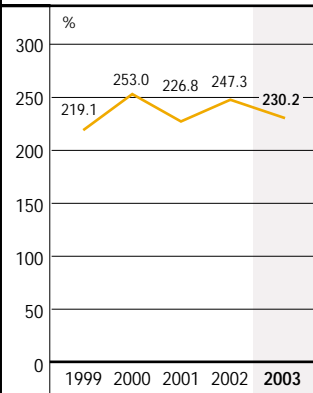
Sales are forecast to increase slightly from the previous fiscal year due to expanding sales in energy saving measures, refurbishment and maintenance services.

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

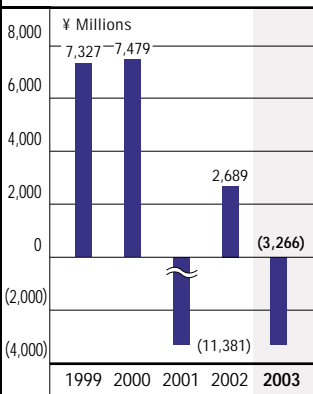
### Advanced Automation Business

Both sales and operating income are forecast to improve from the previous year due to the recovery in the semiconductor and the electronics markets as well as improved efficiency through merging the industrial automation business and control products business.

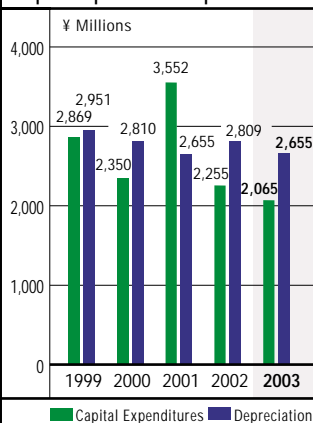
## Current Ratio



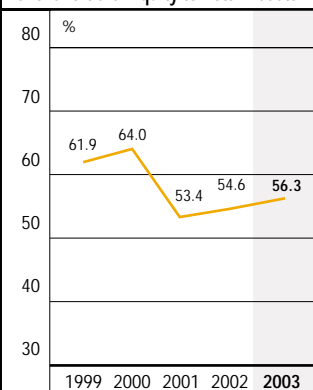
## Cash Flows



## Capital Expenditures/Depreciation



## Shareholders' Equity to Total Assets





# Consolidated Balance Sheets

Yamatake Corporation and consolidated subsidiaries as of March 31, 2003 and 2002

ASSETS	Millions of yen		Thousands of U.S. dollars (Note 1)
	2003	2002	2003
<b>CURRENT ASSETS:</b>			
Cash and cash equivalents	¥ 33,671	¥ 36,383	\$ 280,588
Short-term investments (Note 3)	1,457	564	12,144
Notes and accounts receivable:			
Trade	62,421	68,041	520,175
Other	348	773	2,901
Allowance for doubtful receivable	(343)	(367)	(2,856)
Inventories (Note 5)	17,247	19,961	143,723
Deferred tax assets (Note 9)	6,075	2,517	50,625
Prepaid expenses and other current assets	2,059	1,752	17,154
Total current assets	122,935	129,624	1,024,454
<b>PROPERTY, PLANT AND EQUIPMENT:</b>			
Land (Note 6)	4,537	4,537	37,812
Buildings and structures (Note 6)	18,913	18,843	157,611
Machinery and equipment	10,241	10,424	85,338
Furniture and fixtures	17,601	17,879	146,678
Construction in progress	238	241	1,980
Total	51,530	51,924	429,419
Accumulated depreciation	(34,933)	(34,157)	(291,110)
Net property, plant and equipment	16,597	17,767	138,309
<b>INVESTMENT AND OTHER ASSETS:</b>			
Investment securities (Notes 4 and 6)	8,264	10,456	68,867
Investment in and advances to unconsolidated subsidiaries and associated companies	639	2,092	5,327
Deferred tax assets (Note 9)	7,303	12,272	60,855
Other assets	7,181	8,747	59,847
Total investment and other assets	23,387	33,567	194,896
<b>TOTAL</b>	<b>¥ 162,919</b>	<b>¥ 180,958</b>	<b>\$ 1,357,659</b>

See notes to consolidated financial statements.

LIABILITIES AND SHAREHOLDERS' EQUITY	Millions of yen		Thousands of U.S. dollars (Note 1)
	2003	2002	2003
<b>CURRENT LIABILITIES:</b>			
Short-term borrowings (Note 6)	¥ 1,272	¥ 1,024	\$ 10,599
Current portion of long-term debt (Note 6)	1,380	737	11,501
Notes and accounts payable:			
Trade	27,190	27,925	226,583
Other	704	547	5,866
Income taxes payable	4,143	3,552	34,523
Accrued bonuses	6,680	6,209	55,666
Other accrued expenses and current liabilities	12,024	12,418	100,209
<b>Total current liabilities</b>	<b>53,393</b>	<b>52,412</b>	<b>444,947</b>
<b>LONG-TERM LIABILITIES:</b>			
Long-term debt (Note 6)	4,567	6,574	38,058
Liabilities for retirement benefits (Note 7)	12,730	22,636	106,087
Other long-term liabilities	54	90	447
<b>Total long-term liabilities</b>	<b>17,351</b>	<b>29,300</b>	<b>144,592</b>
<b>MINORITY INTERESTS</b>	<b>395</b>	<b>360</b>	<b>3,293</b>
<b>COMMITMENTS AND CONTINGENT LIABILITIES (Notes 11, 12 and 13)</b>			
<b>SHAREHOLDERS' EQUITY (Notes 8 and 14):</b>			
Common stock—authorized, 290,700,000 shares; issued, 84,566,256 shares	10,523	10,523	87,689
Capital surplus	6,792	6,792	56,596
Retained earnings	85,155	81,719	709,628
Unrealized loss on available-for-sale securities	(47)	(105)	(396)
Foreign currency translation adjustments	12	(39)	98
<b>Total</b>	<b>102,435</b>	<b>98,890</b>	<b>853,615</b>
Treasury stock—at cost, 10,995,660 shares in 2003 and 4,203 shares in 2002	(10,655)	(4)	(88,788)
<b>Total shareholders' equity</b>	<b>91,780</b>	<b>98,886</b>	<b>764,827</b>
<b>TOTAL</b>	<b>¥ 162,919</b>	<b>¥ 180,958</b>	<b>\$ 1,357,659</b>



# Consolidated Statements of Income

Yamatake Corporation and consolidated subsidiaries, for the years ended March 31, 2003 and 2002

	Millions of yen		Thousands of U.S. dollars (Note 1)
	2003	2002	2003
<b>NET SALES</b>	¥ 167,969	¥ 167,164	\$ 1,399,745
<b>COST OF SALES</b>	(103,592)	(104,723)	(863,271)
Gross profit	64,377	62,441	536,474
<b>SELLING, GENERAL AND ADMINISTRATIVE EXPENSES (Note 10)</b>	(61,102)	(57,914)	(509,186)
Operating income	3,275	4,527	27,288
<b>OTHER INCOME (EXPENSES):</b>			
Interest income	77	50	641
Dividend income	111	96	929
Interest expense	(174)	(206)	(1,454)
Exchange gain (loss)	(190)	129	(1,586)
Loss on impairment of investment securities	(783)	(597)	(6,523)
Gain (loss) on sales of investment securities—net	(1,053)	140	(8,779)
Gain on exemption from future pension obligation of the governmental program (Note 2.g)	11,021		91,845
Other—net	(1,049)	206	(8,734)
Other income (expenses)—net	7,960	(182)	66,339
<b>INCOME BEFORE INCOME TAXES AND MINORITY INTERESTS</b>	11,235	4,345	93,627
<b>INCOME TAXES (Note 9):</b>			
Current	4,516	4,231	37,636
Deferred	1,376	(2,038)	11,464
Total income taxes	5,892	2,193	49,100
<b>MINORITY INTERESTS IN NET INCOME</b>	(35)	(31)	(292)
<b>NET INCOME</b>	¥ 5,308	¥ 2,121	\$ 44,235

	Yen		U.S. dollars
	2003	2002	2003
<b>PER SHARE OF COMMON STOCK (Note 2.o):</b>			
Basic net income	¥ 68.65	¥ 24.77	\$ 0.57
Cash dividends applicable to the year	12.00	12.00	0.10

See notes to consolidated financial statements.

# Consolidated Statements of Shareholders' Equity

Yamatake Corporation and consolidated subsidiaries, for the years ended March 31, 2003 and 2002

	Thousands		Millions of yen				
	Issued Number of Shares of Common Stock	Common Stock	Capital Surplus	Retained Earnings	Unrealized Gain (Loss) on Available-for- sale Securities	Foreign Currency Translation Adjustments	Treasury Stock
<b>BALANCE, APRIL 1, 2001</b>	84,566	¥ 10,523	¥ 6,792	¥ 80,934	¥ 1,247		¥ (1)
Adjustment of retained earnings for newly consolidated subsidiaries				(321)			
Net income				2,121			
Cash dividends, ¥12 per share				(1,015)			
Purchase of treasury stock							(3)
Net decrease in unrealized gain on available-for-sale securities					(1,352)		
Adjustments of foreign currency translation for newly consolidated subsidiaries						¥ (39)	
<b>BALANCE, MARCH 31, 2002</b>	84,566	10,523	6,792	81,719	(105)	(39)	(4)
Adjustment of retained earnings for newly consolidated subsidiaries				(897)			
Net income				5,308			
Cash dividends, ¥12 per share				(948)			
Bonuses to directors				(27)			
Purchase of treasury stock							(10,651)
Net decrease in unrealized loss on available-for-sale securities					58		
Net increase in foreign currency translation						51	
<b>BALANCE, MARCH 31, 2003</b>	84,566	¥ 10,523	¥ 6,792	¥ 85,155	¥ (47)	¥ 12	¥ (10,655)

	Thousands of U.S. dollars (Note 1)						
	Common Stock	Capital Surplus	Retained Earnings	Unrealized Gain (Loss) on Available-for- sale Securities	Foreign Currency Translation Adjustments	Treasury Stock	
<b>BALANCE, MARCH 31, 2002</b>	\$ 87,689	\$ 56,596	\$ 681,003	\$ (879)	\$ (325)	\$ (35)	
Adjustment of retained earnings for newly consolidated subsidiaries			(7,480)				
Net income			44,235				
Cash dividends, \$0.1 per share			(7,905)				
Bonuses to directors			(225)				
Purchase of treasury stock							(88,753)
Net decrease in unrealized loss on available-for-sale securities				483			
Net increase in foreign currency translation					423		
<b>BALANCE, MARCH 31, 2003</b>	\$ 87,689	\$ 56,596	\$ 709,628	\$ (396)	\$ 98	\$ (88,788)	

See notes to consolidated financial statements.

# Consolidated Statements of Cash Flows

Yamatake Corporation and consolidated subsidiaries, for the years ended March 31, 2003 and 2002

	Millions of yen		Thousands of U.S. dollars (Note 1)
	2003	2002	2003
<b>OPERATING ACTIVITIES:</b>			
Income before income taxes and minority interests	¥ 11,235	¥ 4,345	\$ 93,627
Adjustments for:			
Income taxes—paid	(4,082)	(4,322)	(34,017)
Depreciation and amortization	2,655	2,809	22,126
Amortization of excess of acquired net equity over cost	806		6,716
Provision for doubtful receivables	152	271	1,265
Gain on exemption from future pension obligation of the governmental program	(11,021)		(91,845)
Loss (gain) on sale of property, plant and equipment—net	310	(187)	2,582
Loss (gain) on sales of investment securities—net	1,053	(140)	8,779
Loss on impairment of investment securities	783	597	6,523
Changes in assets and liabilities, net of effects from consolidating previously unconsolidated subsidiaries:			
Decrease in notes and accounts receivable	6,019	7,675	50,154
Decrease in inventories	2,540	1,397	21,170
Decrease in notes and accounts payable	(887)	(3,917)	(7,389)
Increase in liabilities for retirement benefits	1,116	1,353	9,296
Other—net	1,294	(1,487)	10,790
Total adjustments	738	4,049	6,150
Net cash provided by operating activities	11,973	8,394	99,777
<b>INVESTING ACTIVITIES:</b>			
Proceeds from sale of property, plant and equipment	122	613	1,019
Purchase of property, plant and equipment	(1,407)	(2,149)	(11,722)
Proceeds from sale of investment securities (Note 4)	2,257	197	18,806
Purchase of investment securities	(1,964)	(2,383)	(16,366)
Decrease of time deposits with maturity over three months	255	218	2,125
Decrease (increase) of deposit with the restriction	104	(152)	871
Increase of beneficiary securities of trust	(1,252)		(10,437)
Other—net	(615)	153	(5,125)
Net cash used in investing activities	(2,500)	(3,503)	(20,829)
<b>FINANCING ACTIVITIES:</b>			
Increase (decrease) in short-term borrowings	1	(275)	5
Proceeds from long-term debt	502	2,048	4,183
Repayment of long-term debt	(1,617)	(2,967)	(13,477)
Purchase of treasury stock	(10,650)	(3)	(88,753)
Dividends paid	(948)	(1,015)	(7,901)
Dividends paid for minority in consolidated subsidiary company	(35)	(22)	(292)
Other—net	7		62
Net cash used in financing activities	(12,740)	(2,234)	(106,173)
<b>NET CASH PROVIDED BY TRANSLATION OF CASH AND CASH EQUIVALENTS</b>	<b>1</b>	<b>32</b>	<b>4</b>
<b>NET (DECREASE) INCREASE IN CASH AND CASH EQUIVALENTS</b>	<b>(3,266)</b>	<b>2,689</b>	<b>(27,221)</b>
<b>CASH AND CASH EQUIVALENTS NEWLY</b>			
<b>CONSOLIDATED SUBSIDIARIES, BEGINNING OF YEAR</b>	<b>554</b>	<b>835</b>	<b>4,617</b>
<b>CASH AND CASH EQUIVALENTS, BEGINNING OF YEAR</b>	<b>36,383</b>	<b>32,859</b>	<b>303,192</b>
<b>CASH AND CASH EQUIVALENTS, END OF YEAR</b>	<b>¥ 33,671</b>	<b>¥ 36,383</b>	<b>\$ 280,588</b>
<b>NON-CASH ACTIVITIES:</b>			
Increase due to consolidation of subsidiaries previously unconsolidated (Note 2.a):			
Assets	¥ 2,158	¥ 3,878	\$ 17,981
Liabilities	527	270	4,390
Minority interests	34	146	285

See notes to consolidated financial statements.



# Notes to Consolidated Financial Statements

Yamatake Corporation and consolidated subsidiaries, for the years ended March 31, 2003 and 2002

## 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 Securities and Exchange Law and its related accounting regulations, and in conformity with accounting principles and practices generally accepted in Japan, which are different in certain respects as to application and disclosure requirements of International Financial Reporting Standards. The consolidated financial statements are not intended to present the financial position, results of operations and cash flows in accordance with accounting principles and practices generally accepted in countries and jurisdictions other than Japan.

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.

Certain reclassifications have been made in the 2002 consolidated financial statements to conform to the classifications adopted in 2003.

The consolidated financial statements are stated in Japanese yen, the currency of the country in which Yamatake Corporation ("Yamatake") is incorporated and operates. The translations of Japanese yen amounts into U.S. dollar amounts are included solely for the convenience of readers outside Japan and have been made at the rate of ¥120 to \$1, the approximate rate of exchange as of March 31, 2003. Such translations should not be construed as representations 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, 2003, include the accounts of Yamatake and its 21 significant (17 in 2002) 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.

The cost in excess of net assets of subsidiaries and associated companies at the time of acquisition which cannot be specifically assigned to individual assets is amortized on the straight-line basis over five 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 and beneficiary securities of trust under resale agreements, all of which mature or become due within three months of the date of acquisition.

**c. Inventories** — Inventories are primarily stated at cost on the specific identification basis. Raw materials are stated at cost determined by the moving-average method.

**d. Allowance for Doubtful Receivable** — The allowance for doubtful receivable 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. Marketable and Investment Securities** — Marketable and investment securities are classified as available-for-sale securities and are reported at fair value, with unrealized gains and losses, net of

applicable taxes, reported in a separate component of shareholders' equity.

Non-marketable available-for-sale securities are 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 is computed by the declining-balance method while the straight-line method is applied to buildings acquired after April 1, 1998. 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. Retirement and Pension Plans** — Yamatake and certain domestic subsidiaries have two funded pension plans, i.e., a contributory trust employees' pension plan and a non-contributory trust pension plan covering substantially all of their employees.

The contributory trust employees' pension plan was established by an agreement with certain trust banking corporations and insurance companies in accordance with the Japanese Employees' Pension Insurance Law. According to the enactment of the Defined Benefit Pension Plan Law in April 2002, Yamatake applied for an exemption from obligation to pay benefits for future employee services related to the substitutional portion which would result in the transfer of the pension obligations and related assets to the government by another subsequent application. Yamatake obtained an approval of exemption from future obligation by the Ministry of Health, Labour and Welfare on December 24, 2002.

As a result of this exemption, Yamatake and certain subsidiaries recognized a gain on exemption from future pension obligation of the governmental program in the amount of ¥11,021 million (\$91,845 thousand) in accordance with a transitional measurement of the accounting standard for employees' retirement benefits for the year ended March 31, 2003.

The non-contributory trust pension plan was established by an agreement with certain trust banking corporations and insurance companies. Certain consolidated subsidiaries have non-contributory trust pension plans or a multiemployer plan which substantially cover all employees.

The liability for employees' retirement benefits is provided at the amount based on the projected benefit obligations 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.

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

**i. 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.

**j. 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.

k. **Appropriations of Retained Earnings** — Appropriations of retained earnings are reflected in the financial statements for the following year upon shareholders' approval.

l. **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 translation are recognized in the consolidated statement of income to the extent that they are not hedged by forward exchange contracts.

m. **Foreign Currency Financial Statements** — The balance sheet accounts of the consolidated foreign subsidiaries are translated into Japanese yen at the current exchange rate as of the balance sheet date except for shareholders' equity, which is translated at the historical rate.

Differences arising from such translation were shown as "Foreign currency translation adjustments" in a separate component of shareholders' equity. Revenue and expense accounts of consolidated foreign subsidiaries are also translated into yen at the current exchange rate as of the balance sheet date.

n. **Derivatives Financial Instruments** — Yamatake Group uses derivative financial instruments to manage its exposures to fluctuations in foreign exchange and interest rates. Foreign exchange forward contracts and interest rate swaps are utilized by Yamatake Group to reduce foreign currency exchange and interest rate 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, and gains or losses on derivative transactions are recognized in the statement of income and for derivatives used for hedging purposes, if derivatives qualify for hedge accounting because of high correlation and effectiveness between the hedging instruments and the hedged items, gains or losses on derivatives are deferred until maturity of the hedged transactions.

The 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 applied for forecasted (or committed) transactions are measured at the fair value but the unrealized gains/losses are deferred until the underlying transactions are completed.

Interest rate swaps are utilized to hedge interest rate exposures of long-term debt. These swaps, which qualify for hedge accounting, are measured at market value at the balance sheet date and the unrealized gains or losses are deferred until maturity as other assets or liabilities.

o. **Per Share Information** — Effective April 1, 2002, Yamatake adopted a new accounting standard for earnings per share of common stock issued by the Accounting Standards Board of Japan. Under the new standard, basic net income per share is computed by dividing net income available to common shareholders, which is more precisely computed than under previous practices, by the weighted-average number of common shares outstanding for the period, retroactively adjusted for stock splits. The weighted-average number of common shares used in the computation was 76,853,343 shares for 2003 and 84,564,518 shares for 2002.

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

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.

### 3. SHORT-TERM INVESTMENTS

Short-term investments consist of beneficiary securities of trust under resale agreements, time deposits and banking arrangements other than cash equivalents.

### 4. INVESTMENT SECURITIES

Investment securities as of March 31, 2003 and 2002, consisted of the following:

	Millions of yen		Thousands of U.S. dollars
	2003	2002	2003
Non-current:			
Marketable equity securities	¥ 6,295	¥ 8,456	\$ 52,456
Trust fund investments and other	1,969	2,000	16,411
Total	¥ 8,264	¥ 10,456	\$ 68,867

The carrying amounts and aggregate fair values of investment securities at March 31, 2003 and 2002, were as follows:

	Millions of yen			
	2003			
	Cost	Unrealized Gains	Unrealized Losses	Fair Value
Securities classified as available-for-sale:				
Equity securities	¥ 4,451	¥ 495	¥ 593	¥ 4,353
Trust fund investments and other	956	13		969

	Millions of yen			
	2002			
	Cost	Unrealized Gains	Unrealized Losses	Fair Value
Securities classified as available-for-sale:				
Equity securities	¥ 8,540	¥ 1,336	¥ 1,525	¥ 8,351
Trust fund investments and other				

	Thousands of U.S. dollars			
	2003			
	Cost	Unrealized Gains	Unrealized Losses	Fair Value
Securities classified as available-for-sale:				
Equity securities	\$37,093	\$ 4,122	\$ 4,939	\$36,276
Trust fund investments and other	7,966	112		8,078

Available-for-sale securities whose fair value is not readily determinable as of March 31, 2003 and 2002, were as follows:

	Carrying Amount		
	Millions of yen		Thousands of U.S. dollars
	2003	2002	2003
Available-for-sale:			
Equity securities	¥ 1,942	¥ 105	\$ 16,180
Trust fund investments and other	1,000	2,000	8,333

Proceeds from sales of available-for-sale securities for the years ended March 31, 2003 and 2002 were ¥3,310 million (\$27,585 thousand) and ¥197 million, respectively. Gross realized gains and losses on these sales, computed on the moving average cost basis, were ¥489 million (\$4,073 thousand) and ¥1,542 million (\$12,852 thousand), respectively, for the year ended March 31, 2003 and ¥140 million and ¥0 million, respectively, for the year ended March 31, 2002.

### 5. INVENTORIES

Inventories as of March 31, 2003 and 2002, consisted of the following:

	Millions of yen		Thousands of U.S. dollars
	2003	2002	2003
Merchandise	¥ 1,398	¥ 1,937	\$ 11,645
Finished products	1,119	1,375	9,328
Work in process	10,377	12,137	86,475
Raw materials	4,353	4,512	36,275
Total	¥ 17,247	¥ 19,961	\$ 143,723

## 6. SHORT-TERM BORROWINGS AND LONG-TERM DEBT

Short-term borrowings as of March 31, 2003 and 2002, mainly consisted of notes to banks and bank overdrafts. The annual interest rates applicable to the short-term bank loans ranged from 0.6% to 1.9% and from 0.6% to 2.5% as of March 31, 2003 and 2002, respectively.

Long-term debt as of March 31, 2003 and 2002, consisted of the following:

	Millions of yen		Thousands of U.S. dollars
	2003	2002	2003
Loans from banks and other financial institutions, due serially to 2027 with interest rates ranging from 0.7% to 5.2% in 2003 and from 0.7% to 5.5% in 2002:			
Collateralized	¥ 1,916	¥ 2,876	\$ 15,966
Unsecured	4,031	4,435	33,593
Total	5,947	7,311	49,559
Less current portion	(1,380)	(737)	(11,501)
Long-term debt, less current portion	¥ 4,567	¥ 6,574	\$ 38,058

As of March 31, 2003, Yamatake had an unused line of credit amounting to ¥30,000 million (\$250,000 thousand) of which ¥10,000 million (\$83,333 thousand) related to commitment line with five banks and ¥20,000 million (\$166,667 thousand) related to medium term notes program.

Annual maturities of long-term debt as of March 31, 2003, were as follows:

Year Ending March 31	Millions of yen	Thousands of U.S. dollars
2004	¥ 1,380	\$ 11,501
2005	3,198	26,646
2006	541	4,512
2007	123	1,027
2008	115	959
2009 and thereafter	590	4,914
Total	¥ 5,947	\$ 49,559

The carrying amounts of assets pledged as collateral for the above collateralized long-term debt at March 31, 2003, were as follows:

	Millions of yen	Thousands of U.S. dollars
Land	¥ 40	\$ 333
Buildings and structures	198	1,654
Investment securities	1,658	13,815
Total	¥ 1,896	\$ 15,802

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.

In addition, collateral must be provided if requested by the lending banks and 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 bank concerned. Yamatake Group has never received any such request.

## 7. RETIREMENT AND PENSION PLANS

Yamatake Group has severance payment plans for employees, 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 service and certain other factors. Such retirement benefits are made in the form of a lump-sum severance payment 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, by death, or by voluntary retirement 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, 2003 and 2002, were ¥429 million (\$3,575 thousand) and ¥867 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, 2003 and 2002, consisted of the following:

	Millions of yen		Thousands of U.S. dollars
	2003	2002	2003
Projected benefit obligation	¥ 53,211	¥ 88,950	\$ 443,426
Fair value of plan assets	(23,917)	(50,260)	(199,311)
Unrecognized prior service cost	(2,122)	1,367	(17,686)
Unrecognized actuarial gain	(14,950)	(18,355)	(124,582)
Prepaid pension expense	79	67	665
Net liability	¥ 12,301	¥ 21,769	\$ 102,512

The components of net periodic benefit costs for the years ended March 31, 2003 and 2002, are as follows:

	Millions of yen		Thousands of U.S. dollars
	2003	2002	2003
Service cost	¥ 3,174	¥ 4,042	\$ 26,451
Interest cost	1,910	2,208	15,913
Expected return on plan assets	(1,057)	(2,795)	(8,810)
Amortization of prior service cost	(2)	129	(14)
Amortization of actuarial gain	1,059	959	8,824
Extraordinary severance payment	23	43	196
Net periodic benefit costs	¥ 5,107	¥ 4,586	\$ 42,560

Assumptions used for the years ended March 31, 2003 and 2002, are set forth as follows:

	2003	2002
Discount rate	2.5%	2.5%
Expected rate of return on plan assets	2.5%	5.5%
Amortization period of prior service cost	15-17 years	15-17 years
Recognition period of actuarial gain/loss	15-17 years	15-17 years

## 8. SHAREHOLDERS' EQUITY

Japanese companies are subject to the Japanese Commercial Code (the "Code") to which certain amendments became effective from October 1, 2001.

The Code was revised whereby common stock par value was eliminated resulting in all shares being recorded with no par value and at least 50% of the issue price of new shares is required to be recorded as common stock and the remaining net proceeds as additional paid-in capital, which is included in capital surplus. The Code permits Japanese companies, upon approval of the Board of Directors, to issue shares to existing shareholders without consideration as a stock split. Such issuance of shares generally does not give rise to changes within the shareholders' accounts.

The revised Code also provides that an amount at least equal to 10% of the aggregate amount of cash dividends and certain other appropriations of retained earnings associated with cash outlays applicable to each period shall be appropriated as a legal reserve (a component of retained earnings) until such reserve and additional paid-in capital equals 25% of common stock. The amount of total additional paid-in capital and legal reserve that exceeds 25% of the common stock may be available for dividends by resolution of the shareholders. In addition, the Code permits the transfer of a portion of additional paid-in capital and legal reserve to the common stock by resolution of the Board of Directors.

The revised Code eliminated restrictions on the repurchase and use of treasury stock allowing Japanese companies to repurchase treasury stock by a resolution of the shareholders at the general shareholders meeting and dispose of such treasury stock by resolution of the Board of Directors beginning April 1, 2002. The repurchased amount of treasury stock cannot exceed the amount available for future dividend plus amount of common stock, additional paid-in capital or legal reserve to be reduced

in the case where such reduction was resolved at the general shareholders meeting.

The amount of retained earnings available for dividends under the Code was ¥21,800 million (\$181,623 thousand) as of March 31, 2003, based on the amount recorded in the parent company's general books of account. In addition to the provision that requires an appropriation for a legal reserve in connection with the cash payment, the Code imposes certain limitations on the amount of retained earnings available for dividends.

Dividends are approved by the shareholders at a meeting held subsequent to the fiscal year to which the dividends are applicable. Semiannual interim dividends may also be paid upon resolution of the Board of Directors, subject to certain limitations imposed by the Code.

## 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 42% for the years ended March 31, 2003 and 2002.

On March 31, 2003, a tax reform law was enacted in Japan which changed the normal effective statutory tax rate from approximately 42.0% to 40.4%, effective for years beginning April 1, 2004. The effect of this change on deferred taxes in the consolidated statements of income for the year ended March 31, 2003 is approximately ¥246 million (\$2,056 thousand).

The tax effects of significant temporary differences and tax loss carryforwards which resulted in deferred tax assets and liabilities as of March 31, 2003 and 2002, are as follows:

	Millions of yen		Thousands of U.S. dollars
	2003	2002	2003
<b>Deferred tax assets:</b>			
Pension and severance costs	¥ 4,985	¥ 9,135	\$ 41,544
Accrued expenses	3,051	2,065	25,422
Depreciation	819	781	6,829
Loss on impairment of land	808	840	6,733
Loss on investment securities	482	515	4,020
Tax loss carryforwards	2,629	1,526	21,909
Others	1,242	858	10,341
Less valuation allowance	(96)	(371)	(801)
Total	13,920	15,349	115,997
<b>Deferred tax liabilities:</b>			
Net unrealized gain on available-for-sale securities	32	38	265
Special advanced depreciation	396	486	3,298
Others	115	45	957
Total	543	569	4,520
Net deferred tax assets	¥ 13,377	¥ 14,780	\$ 111,477

A reconciliation between the normal effective statutory tax rate for the years ended March 31, 2003 and 2002, and the actual effective tax rates reflected in the accompanying consolidated statements of income is as follows:

	2003	2002
Normal effective statutory tax rate	42.0%	42.0%
Expenses not deductible for income tax purposes	1.5	5.4
Equalization tax	2.5	3.7
Effect of tax rate reduction	(2.2)	
Amortization of goodwill	7.2	
Others—net	1.4	(0.7)
Actual effective tax rate	52.4%	50.4%

As of March 31, 2003, Yamatake and certain subsidiaries have tax loss carryforwards aggregating approximately ¥6,297 million (\$52,473 thousand) which are available to be offset against taxable income of such companies 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
2005	¥ 646	\$ 5,383
2007	1,273	10,611
2008	4,157	34,642
2009 and thereafter	221	1,837
Total	¥ 6,297	\$ 52,473

## 10. RESEARCH AND DEVELOPMENT COSTS

Research and development costs charged to income were ¥8,881 million (\$74,007 thousand) and ¥8,770 million for the years ended March 31, 2003 and 2002, respectively.

## 11. LEASES

### (1) Financing Leases as a Lessee

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

Total rental expenses under the above leases for the years ended March 31, 2003 and 2002, were ¥4,864 million (\$40,533 thousand) and ¥4,648 million, respectively, including ¥574 million (\$4,783 thousand) and ¥399 million of lease payments under finance leases.

Pro forma information of leased property such as acquisition cost, accumulated depreciation, obligation under finance lease, depreciation expense 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, 2003 and 2002, was as follows:

	Millions of yen				
	2003				
	Buildings and Structures	Machinery and Equipment	Furniture and Fixtures	Software	Total
Acquisition cost	¥ 5	¥ 152	¥ 2,392	¥ 80	¥ 2,629
Accumulated depreciation	4	114	1,743	36	1,897
Net leased property	¥ 1	¥ 38	¥ 649	¥ 44	¥ 732
Millions of yen					
2002					
	Buildings and Structures	Machinery and Equipment	Furniture and Fixtures	Software	Total
Acquisition cost	¥ 5	¥ 251	¥ 1,287		¥ 1,543
Accumulated depreciation	3	211	946		1,160
Net leased property	¥ 2	¥ 40	¥ 341		¥ 383
Thousands of U.S. dollars					
2003					
	Buildings and Structures	Machinery and Equipment	Furniture and Fixtures	Software	Total
Acquisition cost	\$ 42	\$ 1,267	\$ 19,935	\$ 666	\$ 21,910
Accumulated depreciation	35	949	14,525	300	15,809
Net leased property	\$ 7	\$ 318	\$ 5,410	\$ 366	\$ 6,101

### Obligations under finance leases:

	Millions of yen		Thousands of U.S. dollars
	2003	2002	2003
Due within one year	¥ 607	¥ 423	\$ 5,062
Due after one year	1,923	1,494	16,021
Total	¥ 2,530	¥ 1,917	\$ 21,083

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

Depreciation expense, which is not reflected in the accompanying consolidated statements of income, 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 was ¥568 million (\$4,734 thousand) and ¥335 million for the years ended March 31, 2003 and 2002, respectively.

## (2) Financing Leases as a Lessor

Yamatake Group leases certain machinery and equipment.

Pro forma information of leased property 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, 2003 and 2002, was as follows:

	Millions of yen		Thousands of U.S. dollars
	2003	2002	2003
Receivables under finance leases:			
Due within one year	¥ 129	¥ 113	\$ 1,078
Due after one year	1,216	1,108	10,131
Total	¥ 1,345	¥ 1,221	\$ 11,209

## 12. DERIVATIVES

Yamatake Group enters into foreign currency forward contracts and currency options to hedge foreign exchange risk associated with trade receivables and payable denominated in foreign currencies. Yamatake Group also enters into interest rate swap contracts to manage its interest rate exposures on long-term debt.

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 and currency options are related to qualified hedges of underlying business exposures, market gains or loss risk in the derivative instruments is effectively offset by opposite movements in the value of the hedged assets or liabilities.

Yamatake Group's interest rate swap contracts are subject to market risk, which is the exposure created by potential fluctuations in market conditions, including interest rates.

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, 2003 and 2002, was as follows:

	Millions of yen		
	2003		
	Contract or Notional Amount	Fair Value	Unrealized Loss
Interest rate swaps—Pay fixed/receive floating	¥ 2,000	¥ (46)	¥ 6

	Millions of yen		
	2002		
	Contract or Notional Amount	Fair Value	Unrealized Loss
Interest rate swaps—Pay fixed/receive floating	¥ 2,000	¥ (63)	¥ 3

	Thousands of U.S. dollars		
	2003		
	Contract or Notional Amount	Fair Value	Unrealized Loss
Interest rate swaps—Pay fixed/receive floating	\$16,667	\$ (386)	\$ 47

## 13. COMMITMENT AND CONTINGENT LIABILITIES

As of March 31, 2003, Yamatake Group had the following contingent liabilities:

	Millions of yen	Thousands of U.S. dollars
Trade notes discounted	¥ 66	\$ 547
Guarantees and similar items of loans and sublease	69	572

Commitment outstanding at March 31, 2003, for the purchase of property, plant and equipment and other assets were approximately ¥14 million (\$122 thousand).

## 14. SUBSEQUENT EVENT

At the general shareholders meeting held on June 27, 2003, Yamatake's shareholders approved the following:

Appropriations of Retained Earnings at March 31, 2003

	Millions of yen	Thousands of U.S. dollars
Year-end cash dividends, ¥6.0 (\$0.05) per share	¥ 441	\$ 3,679
Bonuses to directors	32	267

## 15. SEGMENT INFORMATION

Yamatake Group focuses on creating value through measurement and control technology. The operating segments reported below are the segments of Yamatake 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 performance.

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

The industrial automation segment designs, develops, manufactures, distributes and provides engineering/maintenance service for industrial automation products such as field measurement instruments and control valves and factory automation systems, for primarily such markets as petrochemical/chemical, refining, electric power and gas, iron and steel, food and beverage, pharmaceutical, automobile, pulp and paper, semiconductors, shipping and marine, and electric/electronic components.

The control products segment designs, develops, manufactures and distributes control products such as machine controllers, automatic recognition machines, simple instrumentation controls, combustion safety controls, recorders, proximity switches, photoelectric switches, mass flow meters/controllers and electronic air cleaners, for primarily such markets as semiconductor manufacturing, electric/electronic components, industrial machinery, automobiles, food, packaging, furnace/oven/boiler manufacturing and residential/commercial buildings.

The other segment consists of various operating activities primarily including sales of inspection and measurement equipment for automobile and machinery industries.

Information about industry segments of Yamatake Group for the years ended March 31, 2003 and 2002, was as follows:

**(1) Industry Segments**

**a. Sales and Operating Income**

Millions of yen							
2003							
	Building Automation	Industrial Automation	Control Products	Other	Total	Eliminations/Corporate	Consolidated
Sales to customers	¥ 80,669	¥ 50,943	¥ 25,341	¥ 11,016	¥167,969		¥167,969
Intersegment sales	663	1,558	1,953	680	4,854	¥ (4,854)	
Total sales	81,332	52,501	27,294	11,696	172,823	(4,854)	167,969
Operating expenses	74,260	52,979	29,246	12,957	169,442	(4,748)	164,694
Operating income (losses)	¥ 7,072	¥ (478)	¥ (1,952)	¥ (1,261)	¥ 3,381	¥ (106)	¥ 3,275

Millions of yen							
2002							
	Building Automation	Industrial Automation	Control Products	Other	Total	Eliminations/Corporate	Consolidated
Sales to customers	¥ 80,890	¥ 51,161	¥ 24,605	¥ 10,508	¥ 167,164		¥ 167,164
Intersegment sales	631	1,582	1,823	724	4,760	¥ (4,760)	
Total sales	81,521	52,743	26,428	11,232	171,924	(4,760)	167,164
Operating expenses	73,963	52,989	28,061	12,376	167,389	(4,752)	162,637
Operating income (losses)	¥ 7,558	¥ (246)	¥ (1,633)	¥ (1,144)	¥ 4,535	¥ (8)	¥ 4,527

Thousands of U.S. dollars							
2003							
	Building Automation	Industrial Automation	Control Products	Other	Total	Eliminations/Corporate	Consolidated
Sales to customers	\$672,242	\$424,527	\$211,176	\$ 91,800	\$1,399,745		\$1,399,745
Intersegment sales	5,529	12,980	16,278	5,662	40,449	\$ (40,449)	
Total sales	677,771	437,507	227,454	97,462	1,440,194	(40,449)	1,399,745
Operating expenses	618,838	441,491	243,717	107,976	1,412,022	(39,565)	1,372,457
Operating income (losses)	\$ 58,933	\$ (3,984)	\$ (16,263)	\$ (10,514)	\$ 28,172	\$ (884)	\$ 27,288

**b. Assets, Depreciation and Capital Expenditures**

Millions of yen							
2003							
	Building Automation	Industrial Automation	Control Products	Other	Total	Eliminations/Corporate	Consolidated
Assets	¥ 51,925	¥ 37,065	¥ 24,073	¥ 5,299	¥118,362	¥ 44,557	¥162,919
Depreciation	909	794	884	68	2,655		2,655
Capital expenditures	606	563	834	62	2,065		2,065

Millions of yen							
2002							
	Building Automation	Industrial Automation	Control Products	Other	Total	Eliminations/Corporate	Consolidated
Assets	¥ 55,831	¥ 42,757	¥ 23,404	¥ 4,757	¥ 126,749	¥ 54,209	¥ 180,958
Depreciation	971	843	928	67	2,809		2,809
Capital expenditures	718	862	647	28	2,255		2,255

Thousands of U.S. dollars							
2003							
	Building Automation	Industrial Automation	Control Products	Other	Total	Eliminations/Corporate	Consolidated
Assets	\$432,710	\$308,871	\$200,612	\$ 44,154	\$986,347	\$371,312	\$1,357,659
Depreciation	7,579	6,614	7,367	566	22,126		22,126
Capital expenditures	5,051	4,692	6,951	511	17,205		17,205

Note: Corporate assets of ¥47,139 million (\$392,825 thousand) and ¥55,386 million for the years ended March 31, 2003 and 2002, 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.



# Independent Auditors' Report

**Tohmatsu & Co.**

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**Deloitte  
Touche  
Tohmatsu**

To the Board of Directors and Shareholders of  
Yamatake Corporation:

We have audited the accompanying consolidated balance sheets of Yamatake Corporation and consolidated subsidiaries as of March 31, 2003 and 2002, and the related consolidated statements of income, shareholders' 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, procedures and practices generally accepted and applied 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, 2003 and 2002, and the consolidated results of their operations and their cash flows for the years then ended in conformity with accounting principles and practices generally accepted in Japan.

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, 2003

# Corporate Data

As of March 31, 2003

<b>Company Name</b>	Yamatake Corporation
<b>Headquarters</b>	Totate International Building 2-12-19 Shibuya, Shibuya-ku Tokyo 150-8316, Japan
<b>Founded</b>	December 1, 1906
<b>Incorporated</b>	August 22, 1949
<b>Paid-in Capital</b>	¥10,523 million
<b>Factories</b>	Fujisawa, Shonan, Isehara
<b>Employees</b>	1,912
<b>Contact</b>	Tel: 81-3-3486-2011 Fax: 81-3-3409-7388
<b>Website</b>	http://www.yamatake.com

## Subsidiaries and Affiliates

<b>Yamatake Building Systems Co., Ltd.*</b> Tokyo, Japan Ownership 100% 2003 Sales ¥80.6 billion Employees 2,213	<b>Yamatake Korea Co., Ltd.*</b> Seoul, Korea Ownership 100%
<b>Yamatake Industrial Systems Co., Ltd.*</b> Kanagawa, Japan Ownership 100% 2003 Sales ¥46.0 billion Employees 1,609	<b>Yamatake Taiwan Co., Ltd.*</b> Taipei, Taiwan Ownership 99.9%
<b>Yamatake &amp; Co., Ltd.*</b> Tokyo, Japan Ownership 100% 2003 Sales ¥13.4 billion Employees 185	<b>Yamatake (Thailand) Co., Ltd.*</b> Bangkok, Thailand Ownership 99.9%
<b>Yamatake Control Products Co., Ltd.*</b> Kanagawa, Japan Ownership 100% 2003 Sales ¥8.4 billion Employees 242	<b>Yamatake Philippines, Inc.*</b> Makati, Philippines Ownership 99.9%
<b>Yamatake Techno-Systems Co., Ltd.*</b> Tokyo, Japan Ownership 100% 2003 Sales ¥1.0 billion Employees 59	<b>Yamatake Automation (M) Sdn.Bhd.*</b> Petaling Jaya, Malaysia Ownership 100%
<b>Yamatake Expert Services Co., Ltd.</b> Tokyo, Japan Ownership 100%	<b>Yamatake Controls Singapore Pte. Ltd.*</b> Singapore Ownership 100%
<b>Yamatake Friendly Co., Ltd.</b> Kanagawa, Japan Ownership 100%	<b>PT. Yamatake Berca Indonesia*</b> Jakarta, Indonesia Ownership 55%
<b>Yamatake Care-Net Co., Ltd.</b> Tokyo, Japan Ownership Wholly owned by Yamatake Building Systems Co., Ltd.	<b>SICAL Yamatake Limited</b> Chennai, India Ownership 25%
<b>Safety Service Center Inc.*</b> Tokyo, Japan Ownership 77.6% 2003 Sales ¥1.9 billion Employees 56	<b>Dalian Yamatake Control Instruments Co., Ltd.*</b> Dalian, China Ownership 100%
<b>Kumamoto Safety Service Center Co., Ltd.</b> Kumamoto, Japan Ownership Wholly owned by Safety Service Center Inc.	<b>Yamatake Environmental Control Technology (Beijing) Co., Ltd.</b> Beijing, China Ownership 100%
<b>Taishin Co., Ltd.*</b> Nagano, Japan Ownership 50% 2003 Sales ¥2.8 billion Employees 116	<b>Shanghai Yamatake-SIC Environmental Control Technology Co., Ltd.*</b> Shanghai, China Ownership 60%
<b>ESD Co., Ltd.</b> Tokyo, Japan Ownership 51%	<b>Shanghai Yamatake Jinshan Control Instruments Co., Ltd.*</b> Shanghai, China Ownership 60%
<b>Building Performance Consulting, Inc.</b> Tokyo, Japan Ownership 45% owned by Yamatake Building Systems Co., Ltd.	<b>Yamatake China Limited*</b> Hong Kong, China Ownership 99.9%
<b>Hara Engineering Co., Ltd.</b> Kanagawa, Japan Ownership 16.7% owned by Yamatake & Co., Ltd	<b>Yamatake Sensing Control, Limited*</b> Santa Clara, CA, U.S.A. Ownership 100%
	<b>Yamatake America, Inc.*</b> Houston, TX, U.S.A. Ownership 100%
	<b>Yamatake Europe N.V.*</b> Brussels, Belgium Ownership 99.9%

\*Consolidated subsidiary

# Stock Information

As of March 31, 2003

<b>Total Number of Authorized Shares</b>	290,700,000
<b>Shares of Common Stock Issued</b>	84,566,256
<b>Shareholders</b>	4,789
<b>Fiscal Year</b>	April 1—March 31
<b>Annual Shareholders' Meeting</b>	June
<b>Stock Listing</b>	Tokyo Stock Exchange, 1st Section
<b>Transfer Agent</b>	Mizuho Trust & Banking Co., Ltd.

## Major Shareholders

	Number of shares held (thousands)	Percentage of total shares outstanding
<b>Northern Trust Company (AVFC) Sub-account American Clients</b>	12,105	14.3
<b>The Yasuda Mutual Life Insurance Co.</b>	4,339	5.1
<b>Mizuho Corporate Bank, Ltd.</b>	2,850	3.8
<b>Nippon Life Insurance Co.</b>	2,714	3.2
<b>Mitsui Asset Trust Banking Company, Limited</b>	2,455	2.9
<b>Sompo Japan Insurance Inc.</b>	2,357	2.8
<b>Mizuho Trust &amp; Banking Co., Ltd.</b>	2,301	2.7
<b>Boston Safe Deposit BSTD Treaty Clients Omnibus</b>	2,204	2.6
<b>The Master Trust Bank of Japan, Ltd.</b>	1,925	2.3
<b>Commerz Securities (Japan) Co.</b>	1,523	1.8

## Ownership among Shareholders

<b>Japanese Financial Institutions</b>	35.1%
<b>Other Japanese Corporations</b>	8.3%
<b>Foreign Institutions and Individuals</b>	32.6%
<b>Japanese Individuals and Others</b>	11.0%
<b>Treasury Stock</b>	13.0%

