

Profile

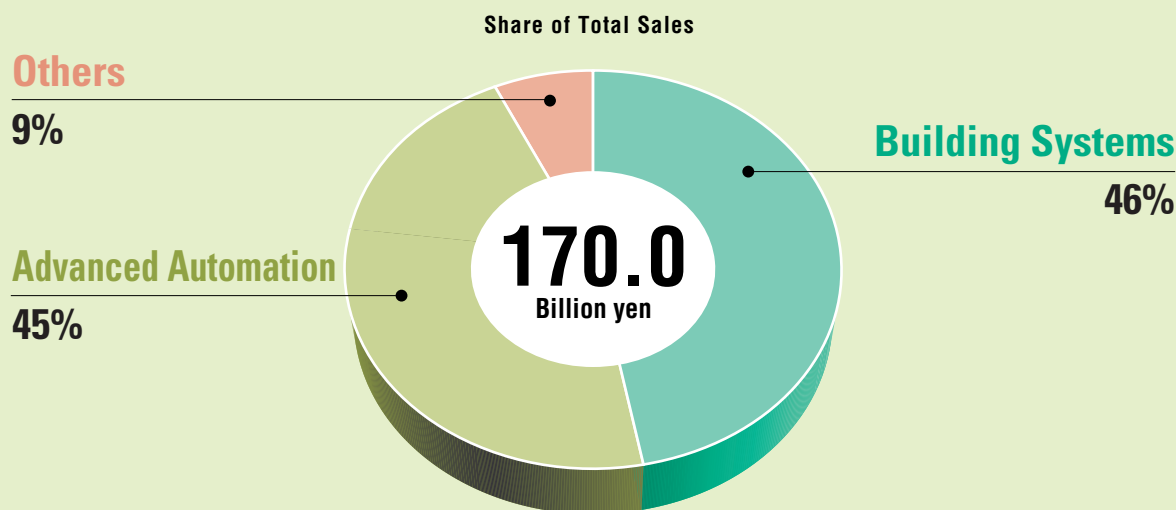
Since its founding in 1906, Yamatake has aggressively developed its core measurement and control technologies as Japan's leading company in the fields of building automation, industrial automation and control products.

On April 1, 2003, to improve management efficiency in response to dramatic shifts in markets, we merged the subsidiaries of our building systems business and our industrial systems business into Yamatake Corporation, with its existing control products business. These new businesses were reorganized into two in-house companies, named the Building Systems Company and the Advanced Automation Company, which have served to strengthen our core business operations—from development, manufacturing and sales to installation and maintenance services. Utilizing our many years of technological prowess, combined with our vast expertise accumulated in the field, we are providing comprehensive solutions that best meet the requirements of each customer.

Our core competence in measurement and control technologies, as well as manufacturing technologies, are applied to provide value-added solutions to customers. We also pursue excellence in care services, environmental solutions, home comfort and other new businesses by applying proprietary technologies to meet the new needs of an evolving society.

The Yamatake Group is firmly committed to the “Savemation” philosophy of *saving through automation*, delivering unsurpassed technology and high-quality products that help customers to conserve energy and resources, enhance safety and provide comfortable environments. In specific terms, developing solutions that add value throughout the lifecycle of our customers' facilities represents the true corporate value of the Yamatake Group.

Our vision of realizing a world that is easier on both people and the environment serves as the fundamental focus of all of our activities. It is our hope that our customers and shareholders, will share in this vision of the Yamatake Group as we prepare to enter our second century of operation.



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• Statements made in this annual report with regards to Yamatake's plans, targets and strategies and other statements without historical facts are forward-looking statements about the future performance of Yamatake Corporation and subsidiaries. These projections are based on management's assumptions, intent and expectations in light of the information currently available to it, and therefore these statements are not guarantees of future performance.

Due to various factors, actual results may differ from those discussed in this document. Such factors include but are not limited to (i) general economic conditions in Yamatake's markets, particularly levels of capital investments; (ii) exchange rates particularly between the Japanese yen and U.S. dollar and other currencies in which Yamatake makes significant sales or Yamatake's assets and liabilities are denominated; and (iii) continued acceptance of Yamatake's products and services offered in highly competitive markets characterized by development of new technologies and the advancement of the global economy.

Financial Highlights

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

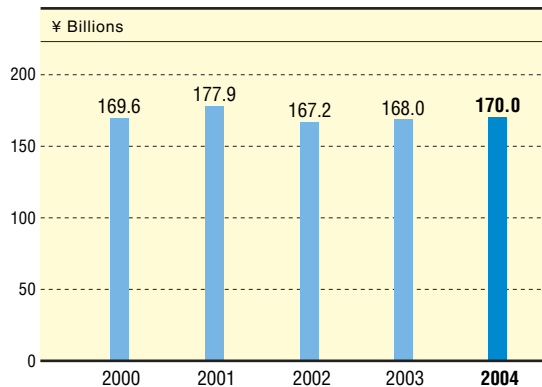
Millions of yen

Thousands of U.S. dollars*

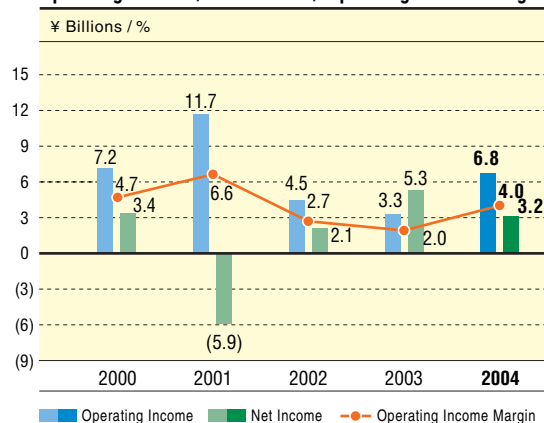
Years ended March 31, 2004 and 2003	2004	2003	2004
For the year			
Net Sales	¥ 169,951	¥ 167,969	\$ 1,603,310
Operating income	6,820	3,275	64,343
Net income	3,241	5,308	30,575
Per Share (in yen and U.S. dollars)			
Net income	¥ 43.51	¥ 68.65	\$ 0.41
Cash dividends	14.00	12.00	0.13
At year-end			
Total assets	¥ 165,264	¥ 162,919	\$ 1,559,092
Total shareholders' equity	95,530	91,780	901,227

*The U.S. dollar amounts have been translated from yen, for convenience only, at the rate of ¥106 to US \$1, the approximate exchange rate as of March 31, 2004, as described in Note 1 of Notes to Consolidated Financial Statements.

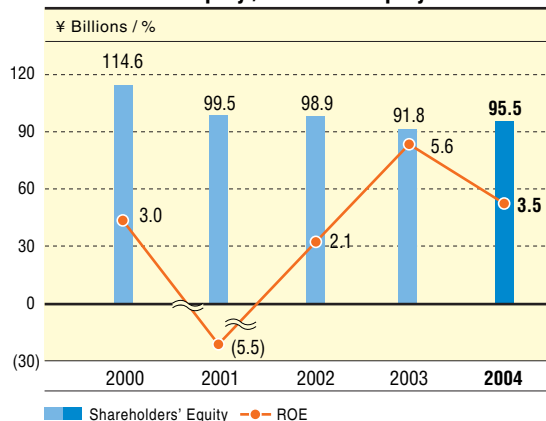
Net Sales



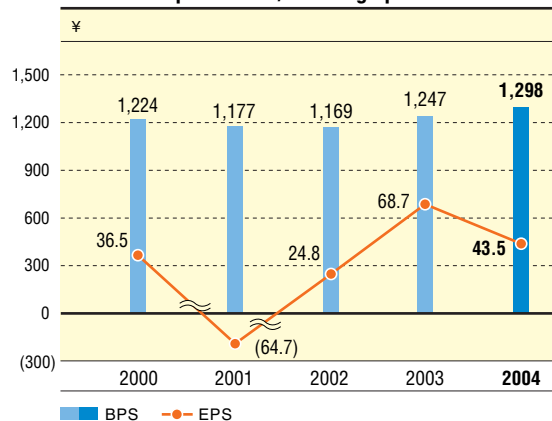
Operating Income / Net Income / Operating Income Margin



Shareholders' Equity / Return on Equity



Book-value per Share / Earnings per Share



To Our Shareholders



Yoshiharu Sato
Chairman

Seiji Onoki
President and Chief Executive Officer

New challenges for our 100th anniversary

Yamatake is now looking forward to celebrating 100 years as a business enterprise in 2006. We are already preparing for the challenges of our second century. To strengthen the profitability of our core businesses while further developing and growing our strategic businesses for the next generation, on April 1, 2003, we merged the wholly-owned subsidiaries Yamatake Building Systems Co., Ltd. and Yamatake Industrial Systems Co., Ltd. with Yamatake Corporation. Those two organizations and the Control Products division in Yamatake Corporation were reorganized into two in-house companies, which are Building Systems Company and Advanced Automation Company.

Over a year has passed since this merger and reorganization, and we are now in a position to begin another 100 years of growth and success. On June 29, Yamatake Corporation President and Chief Executive Officer Yoshiharu Sato assumed the position of Chairman, while Seiji Onoki, President of the Advanced Automation Company, was appointed President and Chief Executive Officer of Yamatake Corporation.

In the years to come, this new management structure will accelerate the implementation of new strategies and enhance growth and diversification in Yamatake's second century of progress.

Consolidated Performance

Realize an increase in operating income

During the fiscal year ended March 2004, capital investment in the Japanese market began to pick up, while strong growth continued in China and other Asian markets. While this represented a favorable situation for the Yamatake Group, personal consumption in Japan continued to be stagnant, leading to continued uncertainty about economic recovery. Amidst this business climate, the Group achieved profitability and growth in its core businesses. We have also continued to expand our international business, while developing new businesses such as care services and expanding our solution business.

In the year under review, recovery in some markets, as well as the earnings of newly consolidated subsidiaries, contributed to a 1.2% increase in consolidated sales to 170.0 billion yen. As a result of cost reductions, such as general and administrative costs, consolidated operating income significantly increased by 108% to 6.8 billion yen. While net income was down 38.9% over the previous year, dropping to 3.2 billion yen from 5.3 billion yen, the latter figure reflected an extraordinary gain of approximately 11 billion yen due to profit from the transfer of the substitutional portion of the employee pension fund to public pension funds.

Note: From fiscal 2003, consolidated performance reflects the business results of Yamatake Care-Net, and Yamatake Environmental Control Technology (Beijing), a subsidiary in China.

Major Activities

Start of a new corporate structure

The Advance Automation Company and Building Systems Company, launched on April 1, 2003, signify the start of a new corporate structure. The operations of these two in-house companies represent Yamatake's core business aimed at the building automation market and industrial automation market. Synergistic linkages were created spanning development, manufacturing, sales and maintenance in order to offer to our customers a range of comprehensive solutions based upon our extensive expertise. Amidst the difficult business climate at present, this has secured us a more stable profit base. In addition, on April 1, 2004, Yamatake Techno Systems Co., Ltd. was merged with Yamatake Corporation in order to further strengthen our solutions business.

In international business, Yamatake's competitiveness in the Chinese market was further strengthened by the completion, in December 2003, of the new Shanghai Nanqiao factory by a local subsidiary, Shanghai Yamatake Automation Co., Ltd. This production base can assemble and configure products to customer specifications. Expanding production in China, we have also developed an information and distribution infrastructure, which provides a faster and more direct link between manufacturing and sales.

In addition to the core businesses outlined above, the Yamatake Group is devoting resources into the further development of new business to meet society's needs for environmental protection, security, optimization and energy conservation. In our care service business, which serves the needs of Japan's rapidly aging society, the scale and scope of our operations continue to expand. One example is an emergency dispatch service provided by Safety Service Center, Co., Ltd. which currently has over 50,000 registered customers. Further, in our urban disaster prevention business, we have begun full-scale operation of our sewage inflow prediction system, Net-TCBM, which uses Yamatake's original forecasting technology named Topical Case-Based Modeling (TCBM). In our home comfort business, which provides central air conditioning to private residences, revisions in the building codes have made it mandatory to install ventilation equipment as a countermeasure to "sick house syndrome," thus increasing the need for better indoor air quality, and contributing to growth in this business.

In our research and development activities, we have completed the development of multivariable sensors and dual sensors, which employ Micro Electro Mechanical System (MEMS) technology, for use in gas flow meters, and have now entered mass production. In the growing biotechnology field, we are currently working together with France's CEA-LETI (a laboratory of the French Atomic Energy Commission) to develop bio-chips and automated manufacturing equipment for their production. In other areas of cutting-edge technology, we are engaged in joint research with Tohoku University and several companies, and have just successfully completed a prototype of Surface Acoustic Wave (SAW) sensors that are indispensable for the practical application of fuel cells.

Positioning for the Future

Improving profitability and expanding businesses that meet emerging needs

While a recovery in capital investment is accompanied by a slight upturn in the business environment, the intensifying competition within the industry is continuing the difficult business situation for Yamatake. However, the emergence of new and different needs represents a growing sphere of opportunity.

In our building systems business, while the Japanese market experiences a continuation of intense price competition and a drop in new construction, our value-added solutions business in the areas of energy conservation, security and lifecycle cost reduction is certain to continue expanding. Yamatake has extensive resources in the form of comprehensive technologies in energy conservation, open architecture and building operation management that can actually cultivate new needs. In addition, the building market overseas, particularly in China, is expected to expand steadily.



In our advanced automation business, while large scale capital investment is down in all but a few industries, we are expecting strong

growth in demand for high value-added products, as well as solutions which address social concerns, particularly in the fields of safety, security, environmental protection, energy conservation and resource conservation. In addition, we anticipate growth in Asia, particularly in China, accompanied by a strong and steady expansion in capital investment.

In order to expand our business while improving our management performance, we are concentrating our efforts on certain businesses as well as focusing more closely on target markets to improve our profit structure. In our core businesses of building systems and advanced automation, we are seeking to improve and enhance profitability in our current business domain. In addition, we intend to broaden our business by providing new solutions in such fields as security, critical environment control, as well as facility maintenance using acoustic diagnosis technology. We will also deploy unique technologies to expand our presence through increased sales of high performance products.

We are prioritizing new business, such as care service and produce traceability systems, along with our international business, centered in China, as strategic businesses and aggressively deploying management resources toward them. To address social concerns such as safety, security, environmental protection, energy conservation, resource conservation and the aging of society, the Yamatake Group will apply its resources in technology, engineering, services and comprehensive knowledge to provide tailored solutions that create true value for our customers.

We intend to achieve a significant reform of our cost structure by optimizing our manufacturing structure, including overseas production, reforming staff operation processes and restructuring information systems. Improvement in marginal profit in relation to total personnel cost will be adopted as an index of management efficiency.

Measures for stronger corporate governance have also been implemented. On April 1, 2003 we established a Business Conduct Office, under direct supervision of the President, to strengthen legal compliance and corporate ethics. We also made revisions in the Executive Officer System which, in addition to the current practice of placing the President as the head of the executive officers, created a new position of Chairman, which presides over the Board of Directors. This development is expected to further strengthen corporate governance.

Implementation and Outlook

Developing businesses that are unique to Yamatake

In accordance with the new management policies outlined above, Yamatake will step up efforts to create closer relationships with customers. We intend to take a unique approach in all of our activities by taking advantage of our expertise from development, manufacturing, sales, engineering to maintenance services, to further differentiate Yamatake in the market while building a firmer foundation for profit and expanding our business domain. In our second century, we intend to further our commitment to social responsibility as a company that provides value-added solutions. In line with the changes in both the global business environment and society, we will enter new business areas that reflect the diversification of personal lifestyles and changes in values. In order to achieve these objectives, we will implement the following measures:

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1. In our building systems business and advanced automation business, we will further strengthen our efforts in deploying our advanced measurement and control technologies and expertise, to offer our customers comprehensive, value-added solutions.
 2. We will review our product line up by taking into consideration the advantages of our technologies, and apply our original technologies to offer world-class products that excel in terms of functionality, quality, value, as well as environmental friendliness.
 3. We will actively expand our care service business and strengthen our business in the environmental and energy-saving fields, by making use of our measurement and control technologies.
 4. We will aggressively expand our international business in China, as well as strengthen our business throughout Asia, by using our production capability in China.
 5. We will tackle the reform of our cost structure by establishing a globally optimized production system. We will also reform our business processes by effectively deploying the latest information technology.
 6. We will further strengthen the safety and accident-response of our facilities in order to reduce injury and damage in the event of industrial accidents and natural disasters, such as earthquakes. At the same time, we will provide accident and disaster countermeasures to our customers by applying our many years of experience and expertise in measurement and control technologies.
 7. We will further our efforts toward a more transparent management and a more agile and responsive business structure, while also promoting corporate social responsibility (CSR) as a management objective.

The implementation of these measures is expected to contribute to improved performance. For fiscal 2004, our consolidated forecast calls for a 9 billion yen (5.3%) increase in sales to 179 billion yen, with operating income increasing by 1.5 billion yen (21.7%) to 8.3 billion yen. However, owing to a change in the employee pension system (to defined contribution pension from defined benefit pension), an extraordinary loss of 3.6 billion will be incurred, which will result in a drop of 1.2 billion yen (38.3%) in net income to 2 billion yen.

Return to Shareholders Increased Dividend for 2004

Yamatake places great importance on the distribution of profits to its shareholders. The management would like to maintain stable dividends over the long term while striving to increase its dividend payout, taking into account consolidated performance, levels of ROE (Return On Equity), dividend ratio to shareholders' equity as well as retained earnings, to strengthen the business structure and develop future businesses comprehensively.

It is with these principles in mind that the management of Yamatake decided to increase the annual dividend by 2 yen to 14 yen per share for the fiscal year ended March 31, 2004. For the fiscal year ending March 31, 2005, we plan to further increase the annual dividend by 6 yen to 20 yen per share.

In addition, we have revised the Articles of Incorporation to make it possible to acquire the Company's own shares by a board resolution, enabling the Company to pursue a dynamic capital policy. As for consolidated ROE, our target is to achieve more than 7% in 3 years, through improved profitability and capital efficiency.

The Yamatake Group also places great importance on maintaining the trust of its stockholders and customers, as well as other stakeholders. Through our efforts in our business, as well as our activities to support environmental protection and social concerns, we are working to further increase our corporate value. In this connection, we look forward to your continued support.



July 2004

A handwritten signature in black ink, reading "Yoshiharu Sato". The signature is written in a cursive, flowing style.

Yoshiharu Sato, Chairman

A handwritten signature in black ink, reading "Seiji Onoki". The signature is written in a cursive, flowing style.

Seiji Onoki, President and Chief Executive Officer