

# Selected Financial Data

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

	Millions of yen					Thousands of U.S. dollars*
	2000	2001	2002	2003	2004	2004
<b>For the year</b>						
Net sales	¥169,634	¥177,940	¥167,164	¥167,969	¥169,951	\$1,603,310
Operating income	7,198	11,694	4,527	3,275	6,820	64,343
Income (loss) before income taxes	6,332	(9,576)	4,345	11,235	6,493	61,253
Net income (loss)	3,413	(5,918)	2,121	5,308	3,241	30,575
Per Share (in yen and U.S. dollars)						
Net income (loss)	36.47	(64.74)	24.77	68.65	43.51	0.41
Cash dividends	12.00	12.00	12.00	12.00	14.00	0.13
Shareholders' equity	1,224.36	1,176.54	1,169.07	1,247.07	1,297.95	12.24
Depreciation and amortization	2,810	2,655	2,809	2,655	2,346	22,136
R&D expenses	7,482	8,674	8,770	8,881	8,099	76,404
Capital expenditures	2,350	3,552	2,255	2,065	2,065	19,487
	2000	2001	2002	2003	2004	2004
<b>At year-end</b>						
Total assets	¥179,054	¥186,302	¥180,958	¥162,919	¥165,264	\$1,559,092
Total shareholders' equity	114,603	99,495	98,886	91,780	95,530	901,227
Number of shares outstanding (thousands)	93,604	84,566	84,566	84,566	73,576	
Number of employees	6,691	6,857	7,106	7,092	7,092	
Return on equity (%)	3.0	(5.5)	2.1	5.6	3.5	

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

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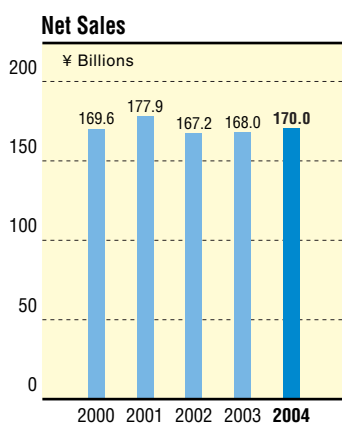
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# Financial Review

## Consolidated Results

### Net Sales

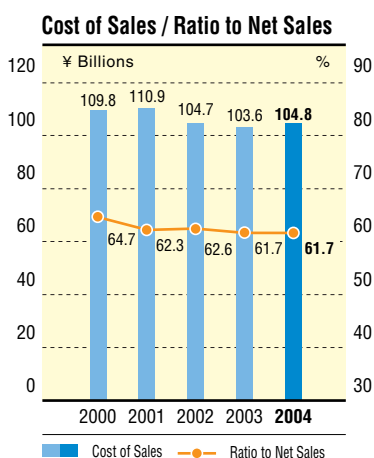
Net sales, under the effects of change in the scope of consolidation, increased 1.2% over the previous fiscal year to 170.0 billion yen. In the Building Systems business, the business climate continued to be severe due to sluggish investment in construction and a decline in the price of building construction. Under these unfavorable conditions, we actively shifted management resources to the solution business, which reported an increase in sales thanks to favorable growth of TEMS (ESCO) and other products and services. Sales of building automation business, however, dropped due to a decrease in new buildings sales, resulting in decreased total sales for the Building Systems business. Despite a decline in systems sales in the Advanced Automation business due to reductions in the petroleum refinery market, we achieved an increase in total sales due to recovery in the domestic semiconductor and electric/electronics markets, along with growth in international markets, mainly China.



### Operating Income

Cost of sales increased 1.2 billion yen over the previous fiscal year to 104.8 billion yen due to an increase in net sales. The increased cost of sales ratio was offset by cost reductions obtained through streamlining the procurement of components, including overseas production. This maintained the ratio at 61.7%. As a result, gross profits on sales increased 0.8 billion yen over the previous year.

Selling, general and administrative expenses increased by 0.5 billion yen under the effects of change in the scope of consolidation. However, efforts to reduce administrative expenses enabled us to achieve a 2.8 billion yen reduction over the previous year, to 58.3 billion yen. Factors contributing to the reduction include reviewing the bonus and retirement allowance schemes, which enabled a reduction of 1.6 billion yen in personnel expenses, and the impact of depreciation and impairment of slow-moving inventories booked in the previous fiscal year, which enabled a reduction of 0.9 billion yen. Owing to these measures, operating income for the year rose by 3.5 billion yen, an increase of 108.3%, to 6.8 billion yen.



### Net Income

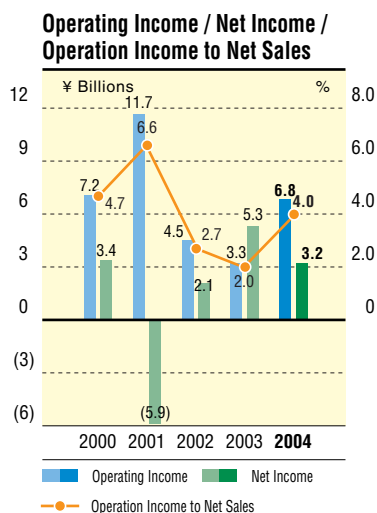
Net income for the fiscal year was 3.2 billion yen on a consolidated basis.

#### • Other Income and Expenses

In the fiscal year in review, special factors reported in the previous year, such as a 11 billion yen gain on exemption from future pension obligations of the governmental program, a 1.5 billion yen loss on sales of investment securities and a 0.8 billion yen loss on impairment of investment securities, were all settled. These resulted in income before income tax to decrease 4.7 billion yen, or 42.2% from the previous year, to 6.5 billion yen.

#### • Income Taxes

The income tax rate on income before income taxes decreased 3.4 percentage point over the previous fiscal year to 49.0%. This was mainly due to a reduction in the amortization of goodwill which was a non-deductible expense.



## Financial Position

### Assets

Increases in cash and deposits and the value of investment securities at the end of fiscal year were larger than decreases in deferred tax assets and net amounts of tangible fixed assets. Total assets at the end of the fiscal year increased 2.3 billion yen to 165.3 billion yen.

Main factors for the increase and decrease were: cash and deposits increased 2.6 billion yen due to an increase in profits, while the value of investment securities at the end of fiscal year increased 2.5 billion yen. Deferred tax assets decreased 3.5 billion yen due to a reduction in taxation losses brought forward after the recording of profits, and due to an increase in deferred tax liabilities resulting from re-valuation of investment securities recorded at the end of the fiscal year.

### Liabilities

Total liabilities at the end of the fiscal year decreased 1.4 billion yen to 69.3 billion yen mainly due to a 3.2 billion yen decrease in income taxes payable.

### Shareholders' Equity

Total shareholders' equity at the end of the fiscal year increased 3.8 billion yen over the previous year to 95.5 billion yen mainly by recording net income.

Due to the increase stated above, asset performance indicators (average of balances of beginning and end of the year) improved over the previous year as follows:

- Receivables/Sales (days): decreased 7 days to 135 days.
- Inventories/Cost of sales (days): decreased 7 days to 59 days.
- Asset turnover (times): increased 0.06 point to 1.04
- The ratio of shareholders' equity to total assets rose 1.5 % to 57.8 %.

#### Per share data

- Net income per share: decreased 25.14 yen over the previous year to 43.51 yen.
- Shareholders' equity per share: increased 50.88 yen over the previous year to 1,297.95 yen.

## Cash Flows

The year-end balance for cash and cash equivalents, including the balances of cash and cash equivalents held by newly consolidated subsidiaries, increased 4.7 billion yen to 38.4 billion yen. Net cash flows provided by operating activities decreased 6.7 billion yen to 5.3 billion yen. The main reason for the decline is that accounts receivables increased 0.7 billion yen through an increase in sales, while accounts receivables had decreased by 6 billion yen in the previous fiscal year.

Net cash used in investing activities decreased 2.2 billion yen to 0.3 billion yen, primarily due to a purchased of a share of investment trust for 1.3 billion yen in the previous year, but purchased a share of investment trust for 1.1 billion yen and sold a share of investment trust for 2.3 billion yen in the year under review. Net cash used in financing activities declined significantly to 0.3 billion yen when compared to 12.7 billion yen, including 10.7 billion yen on the buy-back of Yamatake shares.

## Risk Management

Economic fluctuations in Japan and abroad, along with a decline in customer investment confidence caused by changes or elimination of government subsidy policies, have potential effects on the performance and financial position of Yamatake. In addition, potential defects of products in and systems may also be assumed to have an influence. To avoid these types of problems, we have reinforced our quality control system and have taken out product liability insurance. While Yamatake's factories are mostly located in Kanagawa Prefecture, the production of some products has been shifted overseas, and a quick recovery system has been established. Nevertheless, it is highly likely that production lines could be stopped for some time if a particularly destructive earthquake occurs. Moreover, there are possibilities that retirement allowance liabilities and retirement allowance payments may increase, if the discount rate to evaluate retirement allowance liabilities has to be reduced, or if returns from the investment of employees' pension funds are less than expected at the current return rate.

## 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 2004

For fiscal 2004 ending March 31, 2005, forecasts call for a sales increase of 5.3% to 179 billion yen and an increase in operating income of 21.7 % to 8.3 billion yen, along with a 38.3% decrease in net income to 2 billion yen.

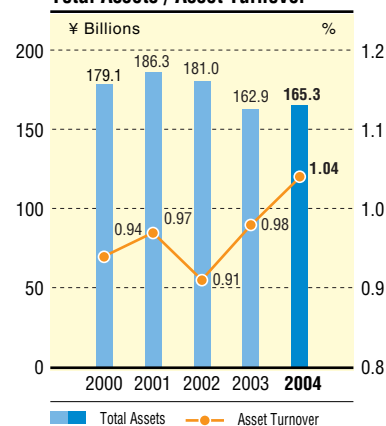
### Building Systems Business

Reinforcing the solution business with TEMS as a core, sales are expected to increase. Although price competition is still intensified, operating income is forecasted to increase by maintaining the cost of sales ratio level by employing cost reductions.

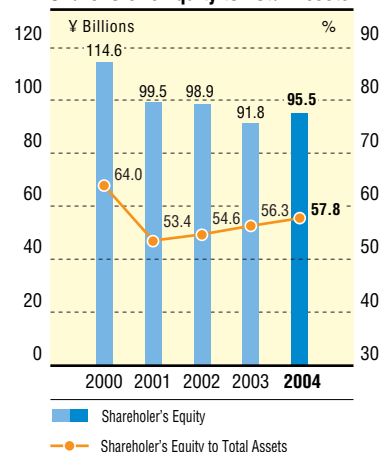
### Advanced Automation Business

Increases in sales and operating income are expected through further recovery in the semiconductor and electric/electronics markets.

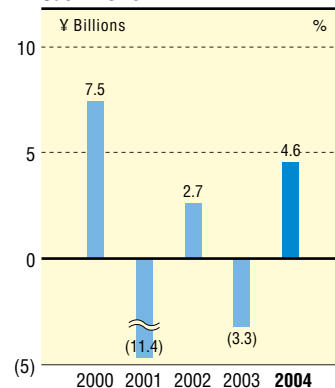
### Total Assets / Asset Turnover



### Shareholder's Equity / Shareholder's Equity to Total Assets



### Cash Flows



# Consolidated Balance Sheets

Yamatake Corporation and consolidated subsidiaries as of March 31, 2004 and 2003

ASSETS	Millions of yen		Thousands of U.S. dollars (Note 1)
	2004	2003	2004
<b>CURRENT ASSETS:</b>			
Cash and cash equivalents	¥ 38,401	¥ 33,671	\$ 362,276
Short-term investments (Note 3)	97	1,457	914
Notes and accounts receivable:			
Trade	63,313	62,421	597,295
Other	578	348	5,452
Allowance for doubtful receivable	(342)	(343)	(3,229)
Inventories (Note 5)	16,662	17,247	157,187
Deferred tax assets (Note 9)	3,415	6,075	32,213
Prepaid expenses and other current assets	3,367	2,059	31,768
Total current assets	125,491	122,935	1,183,876
<b>PROPERTY, PLANT AND EQUIPMENT:</b>			
Land (Note 6)	4,515	4,537	42,593
Buildings and structures (Note 6)	18,479	18,913	174,332
Machinery and equipment	10,065	10,241	94,953
Furniture and fixtures	16,773	17,601	158,236
Construction in progress	116	238	1,095
Total	49,948	51,530	471,209
Accumulated depreciation	(34,329)	(34,933)	(323,863)
Net property, plant and equipment	15,619	16,597	147,346
<b>INVESTMENT AND OTHER ASSETS:</b>			
Investment securities (Notes 4 and 6)	10,714	8,264	101,071
Investment in and advances to unconsolidated subsidiaries and associated companies	352	639	3,325
Deferred tax assets (Note 9)	6,419	7,303	60,553
Other assets	6,669	7,181	62,921
Total investment and other assets	24,154	23,387	227,870
<b>TOTAL</b>	<b>¥ 165,264</b>	<b>¥ 162,919</b>	<b>\$ 1,559,092</b>

See notes to consolidated financial statements.

LIABILITIES AND SHAREHOLDERS' EQUITY	Millions of yen		Thousands of U.S. dollars (Note 1)
	2004	2003	2004
<b>CURRENT LIABILITIES:</b>			
Short-term borrowings (Note 6)	¥ 1,892	¥ 1,272	\$ 17,852
Current portion of long-term debt (Note 6)	3,280	1,380	30,944
Notes and accounts payable:			
Trade	28,762	27,190	271,344
Other	457	704	4,310
Income taxes payable	903	4,143	8,522
Accrued bonuses	5,816	6,680	54,866
Other accrued expenses and current liabilities	11,020	12,024	103,951
Total current liabilities	52,130	53,393	491,789
<b>LONG-TERM LIABILITIES:</b>			
Long-term debt (Note 6)	2,405	4,567	22,686
Liabilities for retirement benefits (Note 7)	14,773	12,730	139,370
Other long-term liabilities	35	54	334
Total long-term liabilities	17,213	17,351	162,390
<b>MINORITY INTERESTS</b>	<b>391</b>	<b>395</b>	<b>3,686</b>
<b>COMMITMENTS AND CONTINGENT LIABILITIES (Notes 11, 12 and 13)</b>			
<b>SHAREHOLDERS' EQUITY (Notes 8 and 14):</b>			
Common stock—authorized, 279,710,000 shares in 2004 and 290,700,000 shares in 2003; issued, 73,576,256 shares in 2004 and 84,566,256 shares in 2003	10,523	10,523	99,271
Capital surplus	12,648	6,792	119,317
Retained earnings	70,783	85,155	667,762
Unrealized gain (loss) on available-for-sale securities	1,632	(47)	15,404
Foreign currency translation adjustments	(50)	12	(469)
Total	95,536	102,435	901,285
Treasury stock—at cost, 6,395 shares in 2004 and 10,995,660 shares in 2003	(6)	(10,655)	(58)
Total shareholders' equity	95,530	91,780	901,227
<b>TOTAL</b>	<b>¥ 165,264</b>	<b>¥ 162,919</b>	<b>\$ 1,559,092</b>



# Consolidated Statements of Shareholders' Equity

Yamatake Corporation and consolidated subsidiaries, for the years ended March 31, 2004 and 2003

	Thousands		Millions of yen				
	Outstanding 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, 2002</b>	84,562	¥ 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)			
Repurchase of treasury stock	(10,991)						(10,651)
Net decrease in unrealized loss on available-for-sale securities					58		
Increase in foreign currency translation adjustments						51	
<b>BALANCE, MARCH 31, 2003</b>	73,571	10,523	6,792	85,155	(47)	12	(10,655)
Adjustment of retained earnings for newly consolidated subsidiaries				(192)			
Net income				3,241			
Cash dividends, ¥14 per share				(883)			
Bonuses to directors				(32)			
Adjustment resulting from merger of consolidated subsidiaries			5,856	(5,856)			
Repurchase of treasury stock	(1)						(1)
Disposal of treasury stock				(10,650)			10,650
Net increase in unrealized gain on available-for-sale securities					1,679		
Net decrease in foreign currency translation adjustments						(62)	
<b>BALANCE, MARCH 31, 2004</b>	73,570	¥ 10,523	¥ 12,648	¥ 70,783	¥ 1,632	¥ (50)	¥ (6)

	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, 2003</b>	\$ 99,271	\$ 64,071	\$ 803,353	\$ (448)	\$ 111	\$ (100,515)	
Adjustment of retained earnings for newly consolidated subsidiaries			(1,827)				
Net income			30,575				
Cash dividends, \$0.1 per share			(8,329)				
Bonuses to directors			(302)				
Adjustment resulting from merger of consolidated subsidiaries		55,246	(55,246)				
Repurchase of treasury stock							(5)
Disposal of treasury stock			(100,462)				100,462
Net increase in unrealized gain on available-for-sale securities				15,852			
Net decrease in foreign currency translation adjustments					(580)		
<b>BALANCE, MARCH 31, 2004</b>	\$ 99,271	\$ 119,317	\$ 667,762	\$ 15,404	\$ (469)	\$ (58)	

See notes to consolidated financial statements.

# Consolidated Statements of Cash Flows

Yamatake Corporation and consolidated subsidiaries, for the years ended March 31, 2004 and 2003

Thousands of  
U.S. dollars  
(Note 1)

	Millions of yen		2004
	2004	2003	
<b>OPERATING ACTIVITIES:</b>			
Income before income taxes and minority interests	¥ 6,493	¥ 11,235	\$ 61,253
Adjustments for:			
Income taxes—paid	(6,148)	(4,454)	(57,997)
Income taxes—refunded	515	372	4,854
Depreciation and amortization	2,346	2,655	22,136
Amortization of excess of cost over acquired net equity	65	806	616
Provision for doubtful receivables	117	152	1,102
Gain on exemption from future pension obligation of the governmental program		(11,021)	
Loss on disposals of property, plant and equipment—net	333	310	3,138
(Gain) loss on sales of investment securities—net	(178)	1,053	(1,682)
Loss on impairment of investment securities	40	783	379
Changes in assets and liabilities, net of effects from consolidating previously unconsolidated subsidiaries:			
(Increase) decrease in notes and accounts receivable	(729)	6,019	(6,876)
Decrease in inventories	590	2,540	5,567
Increase (decrease) in notes and accounts payable	1,550	(887)	14,623
Increase in liabilities for retirement benefits	2,043	1,116	19,271
Other—net	(1,774)	1,294	(16,732)
Total adjustments	(1,230)	738	(11,601)
Net cash provided by operating activities	5,263	11,973	49,652
<b>INVESTING ACTIVITIES:</b>			
Proceeds from sales of property, plant and equipment	206	122	1,944
Purchase of property, plant and equipment	(1,861)	(1,407)	(17,552)
Proceeds from sales of investment securities (Note 4)	454	2,257	4,284
Purchase of investment securities	(173)	(1,964)	(1,632)
Additional purchase of subsidiary stocks	(139)		(1,316)
(Increase) decrease of time deposits with maturity over three months	(38)	255	(357)
Decrease of bank deposit with the restriction	146	104	1,376
Purchase of beneficiary securities of trust	(1,097)	(1,252)	(10,347)
Proceeds from sales of beneficiary securities of trust	2,349		22,163
Other—net	(118)	(615)	(1,118)
Net cash used in investing activities	(271)	(2,500)	(2,555)
<b>FINANCING ACTIVITIES:</b>			
Increase in short-term borrowings	654	1	6,167
Proceeds from long-term debt	1,174	502	11,075
Repayment of long-term debt	(1,284)	(1,617)	(12,108)
Repurchase of treasury stock	(1)	(10,650)	(6)
Dividends paid	(883)	(948)	(8,327)
Dividends paid for minority in consolidated subsidiary company	(1)	(35)	(10)
Other—net	13	7	115
Net cash used in financing activities	(328)	(12,740)	(3,094)
NET CASH (USED IN) PROVIDED BY TRANSLATION OF CASH AND CASH EQUIVALENTS	(89)	1	(844)
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	4,575	(3,266)	43,159
CASH AND CASH EQUIVALENTS OF NEWLY CONSOLIDATED SUBSIDIARIES, BEGINNING OF YEAR	155	554	1,470
CASH AND CASH EQUIVALENTS, BEGINNING OF YEAR	33,671	36,383	317,647
CASH AND CASH EQUIVALENTS, END OF YEAR	¥ 38,401	¥ 33,671	\$ 362,276
<b>NON-CASH ACTIVITIES:</b>			
Increase due to consolidation of subsidiaries previously unconsolidated (Note 2.a):			
Assets	¥ 331	¥ 2,158	\$ 3,118
Liabilities	84	527	791
Minority interests		34	

See notes to consolidated financial statements.

# Notes to Consolidated Financial Statements

Yamatake Corporation and consolidated subsidiaries, for the years ended March 31, 2004 and 2003

## 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 generally accepted in Japan, which are different in certain respects as to application and disclosure requirements of International Financial Reporting Standards.

In preparing these consolidated financial statements, certain reclassifications and rearrangements have been made to the consolidated financial statements issued domestically in order to present them in a form which is more familiar to readers outside Japan. In addition, certain reclassifications have been made in the 2003 consolidated financial statements to conform to the classifications used in 2004.

The consolidated financial statements are stated in Japanese yen, the currency of the country in which Yamatake Corporation ("Yamatake") is incorporated and operates. The translation of Japanese yen amounts into U.S. dollar amounts is included solely for the convenience of readers outside Japan and has been made at the rate of ¥106 to \$1, the approximate rate of exchange as of March 31, 2004. Such translation 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, 2004 and 2003, include the accounts of Yamatake and its 21 significant subsidiaries (together, "Yamatake Group").

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

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

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 5 years with the exception of minor amounts which are charged to income in the period of acquisitions.

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

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

Cash equivalents include time deposits, certificate of deposits 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 employees' pension plan and a non-contributory pension plan covering substantially all of their employees.

The contributory 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 domestic subsidiaries recognized a gain on exemption from future pension obligation of the governmental program in the amount of ¥11,021 million in accordance with a transitional measurement of the accounting standard for employees' retirement benefits for the year ended March 31, 2003.

The non-contributory pension plan was established by an agreement with certain trust banking corporations and insurance companies. Certain domestic consolidated subsidiaries have non-contributory 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** — Basic net income per share is computed by dividing net income available to common shareholders 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 73,570,236 shares for 2004 and 76,853,343 shares for 2003.

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.

**p. New Accounting Pronouncements** — In August 2002, the Business Accounting Council issued a Statement of Opinion, "Accounting for Impairment of Fixed Assets," and in October 2003 the Accounting Standards Board of Japan ("ASB") issued ASB Guidance No. 6, "Guidance for Accounting Standard for Impairment of Fixed Assets." These new pronouncements are effective for fiscal years beginning on or after April 1, 2005 with early adoption permitted for fiscal years ending on or after March 31, 2004.

The new accounting standard requires an entity to review its long-lived assets for impairment whenever events or changes in circumstances indicate that the carrying amount of an asset or asset group may not be recoverable. An impairment loss would be recognized if the carrying amount of an asset or asset group exceeds the sum of the undiscounted future cash flows expected to result from the continued use and eventual disposition of the asset or asset group. The impairment loss would be measured as the amount by which the carrying amount of the asset exceeds its recoverable amount, which is the higher of the discounted cash flows from the continued use and eventual disposition of the asset or the net selling

price at disposition.

Yamatake is currently in the process of assessing the effect of adoption of these pronouncements.

### 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, 2004 and 2003, consisted of the following:

	Millions of yen		Thousands of U.S. dollars
	2004	2003	2004
Non-current:			
Marketable equity securities	¥ 8,850	¥ 6,295	\$ 83,487
Trust fund investments and other	1,864	1,969	17,584
Total	¥ 10,714	¥ 8,264	\$ 101,071

The carrying amounts and aggregate fair values of investment securities as of March 31, 2004 and 2003, were as follows:

	Millions of yen			
	Cost	Unrealized Gains	Unrealized Losses	Fair Value
<b>2004</b>				
Securities classified as available-for-sale:				
Equity securities	¥ 4,180	¥ 2,780	¥ 45	¥ 6,915
Trust fund investments and other	856	8		864

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

	Thousands of U.S. dollars			
	Cost	Unrealized Gains	Unrealized Losses	Fair Value
<b>2004</b>				
Securities classified as available-for-sale:				
Equity securities	\$ 39,438	\$ 26,225	\$ 430	\$ 65,233
Trust fund investments and other	8,075	73		8,148

Available-for-sale securities whose fair value is not readily determinable as of March 31, 2004 and 2003, were as follows:

	Carrying Amount		
	Millions of yen	Thousands of U.S. dollars	2004
<b>2004</b>			
Available-for-sale:			
Equity securities	¥ 1,935	¥ 1,942	\$ 18,254
Trust fund investments and other	1,000	1,000	9,436

Proceeds from sales of available-for-sale securities for the years ended March 31, 2004 and 2003 were ¥454 million (\$4,284 thousand) and ¥2,257 million, respectively. Gross realized gains and losses on these sales, computed on the moving average cost basis, were ¥192 million (\$1,810 thousand) and ¥14 million (\$128 thousand), respectively, for the year ended March 31, 2004 and ¥489 million and ¥1,542 million, respectively, for the year ended March 31, 2003.

### 5. INVENTORIES

Inventories as of March 31, 2004 and 2003, consisted of the following:

	Millions of yen		Thousands of U.S. dollars
	2004	2003	2004
Merchandise	¥ 1,127	¥ 1,398	\$ 10,626
Finished products	1,313	1,119	12,384
Work in process	10,082	10,377	95,117
Raw materials	4,140	4,353	39,060
Total	¥ 16,662	¥ 17,247	\$ 157,187

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

Short-term borrowings as of March 31, 2004 and 2003, 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% as of March 31, 2004 and 2003.

Long-term debt as of March 31, 2004 and 2003, consisted of the following:

	Millions of yen		Thousands of U.S. dollars
	2004	2003	2004
Loans from banks and other financial institutions, due serially to 2029 with interest rates ranging from 0.6% to 5.4% in 2004 and from 0.7% to 5.2% in 2003:			
Collateralized	¥ 1,891	¥ 1,916	\$ 17,842
Unsecured	3,794	4,031	35,788
Total	5,685	5,947	53,630
Less current portion	(3,280)	(1,380)	(30,944)
Long-term debt, less current portion	¥ 2,405	¥ 4,567	\$ 22,686

As of March 31, 2004, Yamatake had an unused line of credit amounting to ¥30,000 million (\$283,019 thousand) of which ¥10,000 million (\$94,340 thousand) related to commitment line with five banks and ¥20,000 million (\$188,679 thousand) related to medium term notes program.

Annual maturities of long-term debt as of March 31, 2004, were as follows:

Year Ending March 31	Millions of yen	Thousands of U.S. dollars
2005	¥ 3,280	\$ 30,944
2006	1,569	14,800
2007	115	1,088
2008	112	1,054
2009	105	991
2010 and thereafter	504	4,753
Total	¥ 5,685	\$ 53,630

The carrying amounts of assets pledged as collateral for the above collateralized long-term debt as of March 31, 2004, were as follows:

	Millions of yen	Thousands of U.S. dollars
Land	¥ 40	\$ 377
Buildings and structures	177	1,668
Investment securities	2,704	25,516
Total	¥ 2,921	\$ 27,561

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 requests.

## 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, 2004 and 2003, were ¥465 million (\$4,390 thousand) and ¥429 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, 2004 and 2003, consisted of the following:

	Millions of yen		Thousands of U.S. dollars
	2004	2003	2004
Projected benefit obligation	¥ 62,213	¥ 53,211	\$ 586,919
Fair value of plan assets	(27,926)	(23,917)	(263,453)
Unrecognized prior service cost	(4,694)	(2,122)	(44,282)
Unrecognized actuarial gain	(15,370)	(14,950)	(145,004)
Prepaid pension expense	85	79	800
Net liability	¥ 14,308	¥ 12,301	\$ 134,980

The components of net periodic benefit costs for the years ended March 31, 2004 and 2003, are as follows:

	Millions of yen		Thousands of U.S. dollars
	2004	2003	2004
Service cost	¥ 2,516	¥ 3,174	\$ 23,732
Interest cost	1,339	1,910	12,633
Expected return on plan assets	(238)	(1,057)	(2,244)
Amortization of prior service cost	210	(2)	1,986
Amortization of actuarial gain	1,092	1,059	10,306
Extraordinary severance payment	8	23	71
Net periodic benefit costs	¥ 4,927	¥ 5,107	\$ 46,484

Assumptions used for the years ended March 31, 2004 and 2003, are set forth as follows:

	2004	2003
Discount rate	2.0%	2.5%
Expected rate of return on plan assets	1.0%	2.5%
Amortization period of prior service cost	10–15 years	15–17 years
Recognition period of actuarial gain/loss	10–15 years	15–17 years

## 8. SHAREHOLDERS' EQUITY

Japanese companies are subject to the Japanese Commercial Code (the "Code") to which certain amendments have become 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 the balance of common stock. The amount of total additional paid-in capital and legal reserve that exceeds 25% of the balance of 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, 2003. The repurchased amount of treasury stock cannot exceed the amount available for future dividend plus the 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 ¥63,285 million (\$597,037 thousand) as of March 31, 2004, 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, 2004 and 2003.

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 on or after April 1, 2003. The effect of this change on deferred taxes in the consolidated statement of income for the year ended March 31, 2003 is approximately ¥246 million.

The tax effects of significant temporary differences and tax loss carryforwards which resulted in deferred tax assets and liabilities as of March 31, 2004 and 2003, are as follows:

	Millions of yen		Thousands of U.S. dollars
	2004	2003	2004
Deferred tax assets:			
Pension and severance costs	¥ 5,881	¥ 4,985	\$ 55,483
Accrued expenses	2,725	3,051	25,708
Depreciation	920	819	8,677
Loss on impairment of land	808	808	7,623
Loss on impairment of investment securities	152	482	1,434
Tax loss carryforwards	520	2,629	4,904
Others	753	1,242	7,105
Less valuation allowance	(309)	(96)	(2,911)
Total	11,450	13,920	108,023
Deferred tax liabilities:			
Net unrealized gain on available-for-sale securities	1,107	32	10,443
Special advanced depreciation	512	396	4,833
Others		115	
Total	1,619	543	15,276
Net deferred tax assets	¥ 9,831	¥ 13,377	\$ 92,747

A reconciliation between the normal effective statutory tax rate for the years ended March 31, 2004 and 2003, and the actual effective tax rates reflected in the accompanying consolidated statements of income is as follows:

	2004	2003
Normal effective statutory tax rate	42.0%	42.0%
Nondeductible expenses	3.2	1.5
Per capita levy of inhabitant tax	3.5	2.5
Effect of tax rate reduction		(2.2)
Amortization of goodwill		7.2
Others—net	0.3	1.4
Actual effective tax rate	49.0%	52.4%

As of March 31, 2004, Yamatake and certain subsidiaries have tax loss carryforwards aggregating approximately ¥1,115 million (\$10,516 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
2008	¥ 216	\$ 2,039
2010 and thereafter	899	8,477
Total	¥ 1,115	\$ 10,516

## 10. RESEARCH AND DEVELOPMENT COSTS

Research and development costs charged to income were ¥8,099 million (\$76,404 thousand) and ¥8,881 million for the years ended March 31, 2004 and 2003, 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, 2004 and 2003, were ¥4,957 million (\$46,763 thousand) and ¥4,864 million, respectively, including ¥532 million (\$5,016 thousand) and ¥574 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, 2004 and 2003, was as follows:

	Millions of yen				
	Buildings and Structures	Machinery and Equipment	Furniture and Fixtures	Software	Total
	2004				
Acquisition cost	¥ 5	¥ 138	¥ 2,119	¥ 87	¥ 2,349
Accumulated depreciation	5	73	1,568	55	1,701
Net leased property	¥	¥ 65	¥ 551	¥ 32	¥ 648
	2003				
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
	Thousands of U.S. dollars				
	Buildings and Structures	Machinery and Equipment	Furniture and Fixtures	Software	Total
	2004				
Acquisition cost	\$ 47	\$ 1,300	\$ 19,989	\$ 821	\$ 22,157
Accumulated depreciation	47	687	14,792	517	16,043
Net leased property	\$	\$ 613	\$ 5,197	\$ 304	\$ 6,114

Obligations under finance leases:

	Millions of yen		Thousands of U.S. dollars
	2004	2003	2004
Due within one year	¥ 589	¥ 607	\$ 5,557
Due after one year	1,730	1,923	16,319
Total	¥ 2,319	¥ 2,530	\$ 21,876

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 ¥502 million (\$4,733 thousand) and ¥568 million for the years ended March 31, 2004 and 2003, 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, 2004 and 2003, was as follows:

	Millions of yen		Thousands of U.S. dollars
	2004	2003	2004
Receivables under finance leases:			
Due within one year	¥ 133	¥ 129	\$ 1,254
Due after one year	1,113	1,216	10,504
Total	¥ 1,246	¥ 1,345	\$ 11,758

## 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 and credit risk.

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, 2004 and 2003, was as follows:

	Millions of yen		
	2004		
	Contract or Notional Amount	Fair Value	Unrealized Loss
Interest rate swaps—Pay fixed/receive floating	¥ 2,000	¥ (24)	
Exchange contract—Buy Japanese yen	30	30	

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

	Thousands of U.S. dollars		
	2004		
	Contract or Notional Amount	Fair Value	Unrealized Loss
Interest rate swaps—Pay fixed/receive floating	\$18,868	\$ (223)	\$ 2
Exchange contract—Buy Japanese yen	283	283	

## 13. COMMITMENT AND CONTINGENT LIABILITIES

As of March 31, 2004, Yamatake Group had the following contingent liabilities:

	Millions of yen		Thousands of U.S. dollars
	2004	2003	2004
Trade notes discounted	¥ 53		\$ 502
Guarantees and similar items of loans and sublease	47		439

Commitment outstanding as of March 31, 2004, for the purchase of property, plant and equipment and other assets were approximately ¥11 million (\$103 thousand).

## 14. SUBSEQUENT EVENTS

### a. Appropriations of Retained Earnings

At the Company's general shareholders meeting held on June 29, 2004, Yamatake's shareholders approved the following:  
Appropriation of retained earnings as of March 31, 2004

	Millions of yen	Thousands of U.S. dollars
Year-end cash dividends, ¥8.0 (\$0.08) per share	¥ 589	\$ 5,552
Bonuses to directors	35	330

### b. Pension Plans

According to the enactment of the Defined Contribution Pension Plan Law, Yamatake implemented a defined contribution pension plan in June 2004 by which the former non-contributory pension plan was terminated. The effect of this transfer will be to decrease income before income tax and minority interest by approximately ¥3,600 million (\$33,962 thousand) and will be recorded as loss on transfer of pension plans in the income statement for the year ending March 31, 2005.

According to the enactment of the Defined Benefit Pension Plan Law, Yamatake implemented a new non-contributory pension plan in June 2004, by which the former contributory pension plan was terminated. Yamatake will apply the above accounting treatments. The effect of this transfer will be to decrease projected benefit obligation and unrecognized prior service cost by approximately ¥5,300 million (\$50,000 thousand) for the year ending March 31, 2005.

## 15. SEGMENT INFORMATION

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

The industrial automation business designs, develops, manufactures, distributes and provides engineering/maintenance service for industrial automation products such as field measurement instruments, 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 business designs, develops, manufactures and distributes control products such as digital controllers, 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 our new businesses such as nursing care services and residential central air conditioning systems, and the import of industrial machines and equipment.

Information about industry segments of the Yamatake Group for the years ended March 31, 2004 and 2003, is as follows:

**(1) Industry Segments**

**a. Sales and Operating Income**

Millions of yen						
2004						
	Building Automation	Advanced Automation	Other	Total	Eliminations/Corporate	Consolidated
Sales to customers	¥ 78,525	¥ 77,298	¥ 14,128	¥ 169,951		¥ 169,951
Intersegment sales	553	862	482	1,897	¥ (1,897)	
Total sales	79,078	78,160	14,610	171,848	(1,897)	169,951
Operating expenses	73,383	75,554	16,019	164,956	(1,825)	163,131
Operating income (losses)	¥ 5,695	¥ 2,606	¥ (1,409)	¥ 6,892	¥ (72)	¥ 6,820

Millions of yen						
2003						
	Building Automation	Advanced Automation	Other	Total	Eliminations/Corporate	Consolidated
Sales to customers	¥ 80,669	¥ 75,530	¥ 11,770	¥ 167,969		¥ 167,969
Intersegment sales	663	1,006	679	2,348	¥ (2,348)	
Total sales	81,332	76,536	12,449	170,317	(2,348)	167,969
Operating expenses	74,260	78,821	13,974	167,055	(2,361)	164,694
Operating income (losses)	¥ 7,072	¥ (2,285)	¥ (1,525)	¥ 3,262	¥ 13	¥ 3,275

Thousands of U.S. dollars						
2004						
	Building Automation	Advanced Automation	Other	Total	Eliminations/Corporate	Consolidated
Sales to customers	\$ 740,804	\$ 729,225	\$ 133,281	\$ 1,603,310		\$ 1,603,310
Intersegment sales	5,215	8,131	4,552	17,898	\$ (17,898)	
Total sales	746,019	737,356	137,833	1,621,208	(17,898)	1,603,310
Operating expenses	692,291	712,771	151,120	1,556,182	(17,215)	1,538,967
Operating income (losses)	\$ 53,728	\$ 24,585	\$ (13,287)	\$ 65,026	\$ (683)	\$ 64,343

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

Millions of yen						
2004						
	Building Automation	Advanced Automation	Other	Total	Eliminations/Corporate	Consolidated
Assets	¥ 44,169	¥ 63,466	¥ 6,205	¥ 113,840	¥ 51,424	¥ 165,264
Depreciation	868	1,416	62	2,346		2,346
Capital expenditures	824	1,144	97	2,065		2,065

Millions of yen						
2003						
	Building Automation	Advanced Automation	Other	Total	Eliminations/Corporate	Consolidated
Assets	¥ 51,925	¥ 59,773	¥ 5,604	¥ 117,302	¥ 45,617	¥ 162,919
Depreciation	909	1,672	74	2,655		2,655
Capital expenditures	606	1,397	62	2,065		2,065

Thousands of U.S. dollars						
2004						
	Building Automation	Advanced Automation	Other	Total	Eliminations/Corporate	Consolidated
Assets	\$ 416,689	\$ 598,738	\$ 58,538	\$ 1,073,965	\$ 485,127	\$ 1,559,092
Depreciation	8,185	13,363	588	22,136		22,136
Capital expenditures	7,776	10,795	917	19,488		19,488

Note: Corporate assets of ¥52,117 million (\$491,668 thousand) and ¥47,139 million for the years ended March 31, 2004 and 2003, 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

**Deloitte**

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## INDEPENDENT AUDITORS' REPORT

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, 2004 and 2003, 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 generally accepted in Japan. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the consolidated financial position of Yamatake Corporation and consolidated subsidiaries as of March 31, 2004 and 2003, and the consolidated results of their operations and their cash flows for the years then ended in conformity with accounting principles generally accepted in Japan.

As discussed in Note 14 to the consolidated financial statements, the Company implemented a defined contribution pension plan and a new non-contributory pension plan in June 2004 by which the former two funded pension plans are terminated.

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 29, 2004

# Corporate Data

As of March 31, 2004

<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>	5,645
<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 &amp; Co., Ltd.*</b>	Tokyo, Japan	<b>Yamatake Korea Co., Ltd.*</b>	Seoul, Korea
Ownership	100%	Ownership	100%
2004 Sales	¥14.9 billion	<b>Yamatake Taiwan Co., Ltd.*</b>	Taipei, Taiwan
Employees	179	Ownership	100%
<b>Yamatake Control Products Co., Ltd.*</b>	Kanagawa, Japan	<b>Yamatake (Thailand) Co., Ltd.*</b>	Bangkok, Thailand
Ownership	100%	Ownership	99.9%
2004 Sales	¥9.4 billion	<b>Yamatake Philippines, Inc.*</b>	Makati, Philippines
Employees	226	Ownership	99.9%
<b>Yamatake Techno-Systems Co., Ltd.*</b>	Tokyo, Japan	<b>Yamatake Automation (M) Sdn.Bhd.*</b>	Petaling Jaya, Malaysia
Ownership	100%	Ownership	100%
Employees	60 <1>	<b>Yamatake Controls Singapore Pte. Ltd.*</b>	Singapore
<b>Yamatake Expert Services Co., Ltd.</b>	Tokyo, Japan	Ownership	100%
Ownership	100%	<b>Yamatake Controls Berca Indonesia*</b>	Jakarta, Indonesia
<b>Yamatake Friendly Co., Ltd.</b>	Kanagawa, Japan	Ownership	55%
Ownership	100%	<b>SICAL Yamatake Ltd</b>	Chennai, India
<b>Yamatake Care-Net Co., Ltd.*</b>	Tokyo, Japan	Ownership	25%
Ownership	100%	<b>Dalian Yamatake Control Instruments Co., Ltd.*</b>	Dalian, China
<b>Safety Service Center Co., Ltd.*</b>	Tokyo, Japan	Ownership	100%
Ownership	100%	<b>Yamatake Environmental Control Technology (Beijing) Co., Ltd.*</b>	Beijing, China
2004 Sales	¥2.1 billion	Ownership	100%
Employees	77	<b>Yamatake Automation Products Shanghai Co., Ltd.</b>	Shanghai, China
<b>ESD Co., Ltd.</b>	Tokyo, Japan	Ownership	100%
Ownership	51%	<b>Shanghai Yamatake-SIC Environmental Control Technology Co., Ltd.*</b>	Shanghai, China
<b>Kumamoto Safety Service Center Co., Ltd.</b>	Kumamoto, Japan	Ownership	60%
Ownership	Wholly owned by Safety Service Center Co., Ltd.	<b>Shanghai Yamatake Jinshan Control Instruments Co., Ltd.*</b>	Shanghai, China
<b>SecurityFriday Co., Ltd.</b>	Kanagawa, Japan	Ownership	60% <2>
Ownership	85%	<b>Yamatake China Limited*</b>	Hong Kong, China
<b>Taishin Co., Ltd.*</b>	Nagano, Japan	Ownership	99.9%
Ownership	50%	<b>YCP Precision Hong Kong Limited</b>	Hong Kong, China
2004 Sales	¥3.7 billion	Ownership	99.9%
Employees	107	<b>Yamatake Sensing Control, Limited*</b>	Santa Clara, CA, U.S.A.
<b>Building Performance Consulting, Inc.</b>	Tokyo, Japan	Ownership	100%
Ownership	45%	<b>Yamatake America, Inc.*</b>	Houston, TX, U.S.A.
<b>Hara Engineering Co., Ltd.</b>	Kanagawa, Japan	Ownership	100%
Ownership	16.7% owned by Yamatake & Co., Ltd	<b>Yamatake Europe N.V.*</b>	Brussels, Belgium
		Ownership	99.9%

\*Consolidated subsidiary

<1> Company merged into Yamatake Corporation in April 2004.

<2> Company name changed to Shanghai Yamatake Automation Co.,Ltd in June 2004.

# Stock Information

As of March 31, 2004

<b>Total Number of Authorized Shares</b>	279,710,000
<b>Shares of Common Stock Issued</b>	73,576,256
<b>Shareholders</b>	5,323
<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>	12,404	16.9
<b>Meiji Yasuda Life Insurance Co.</b>	5,214	7.1
<b>Japan Trustee Services bank, Ltd.</b>	4,765	6.5
<b>The Master Trust Bank of Japan, Ltd.</b>	2,951	4.0
<b>Mizuho Corporate Bank, Ltd.</b>	2,850	3.9
<b>Nippon Life Insurance Co.</b>	2,714	3.7
<b>Mizuho Trust &amp; Banking Co., Ltd.</b>	2,301	3.1
<b>Sompo Japan Insurance Inc.</b>	2,000	2.7
<b>Mellon Bank Treaty Clients Omnibus</b>	1,988	2.7
<b>The Dai-ichi Mutual Life Insurance Co.</b>	1,100	1.5

## ■ Ownership among Shareholders

<b>Japanese Financial Institutions</b>	42.4%
<b>Other Japanese Corporations</b>	9.4%
<b>Foreign Institutions and Individuals</b>	35.2%
<b>Japanese Individuals and Others</b>	13.0%
<b>Treasury Stock</b>	0%

