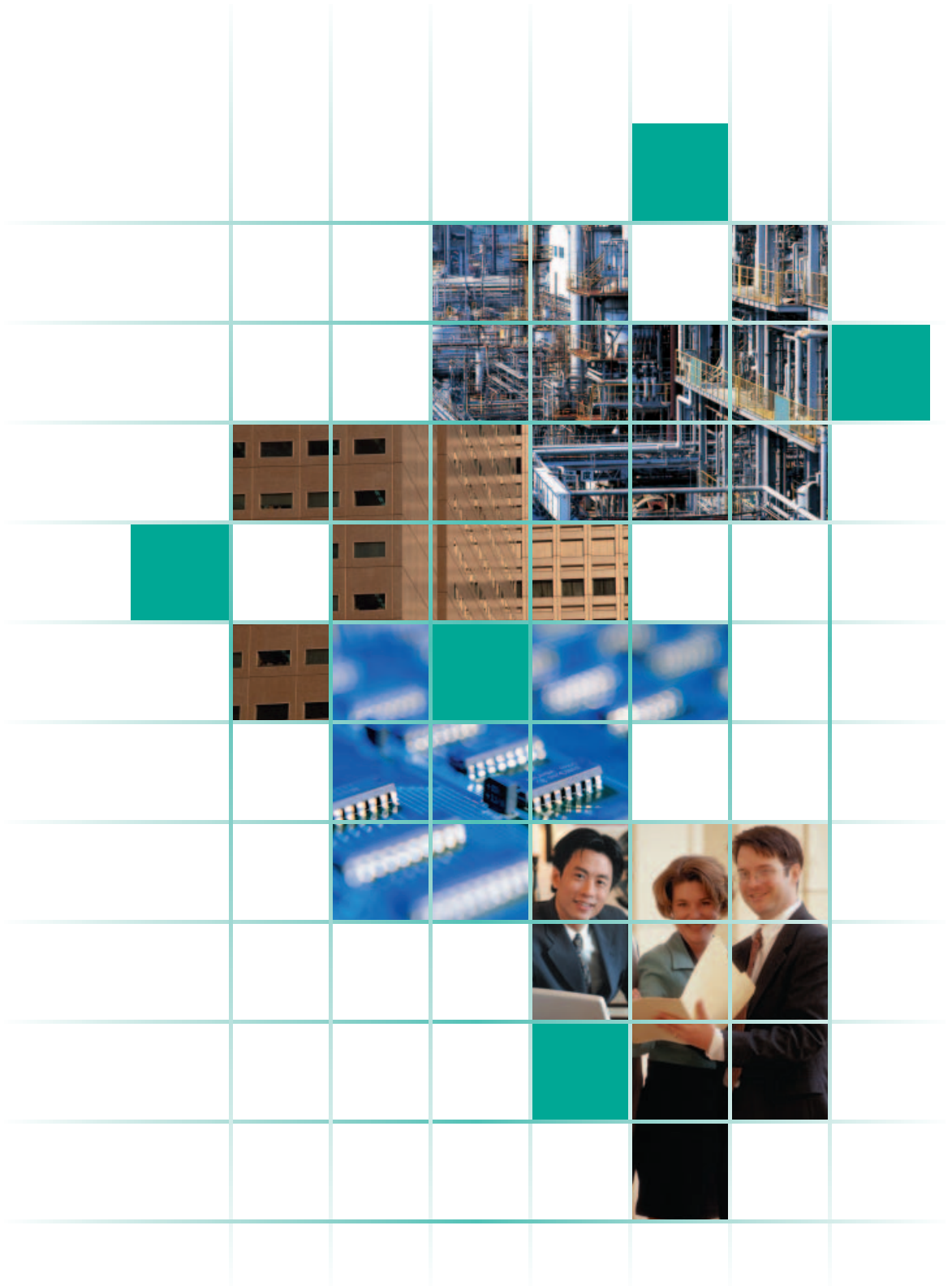


Annual Report 2004



Profile

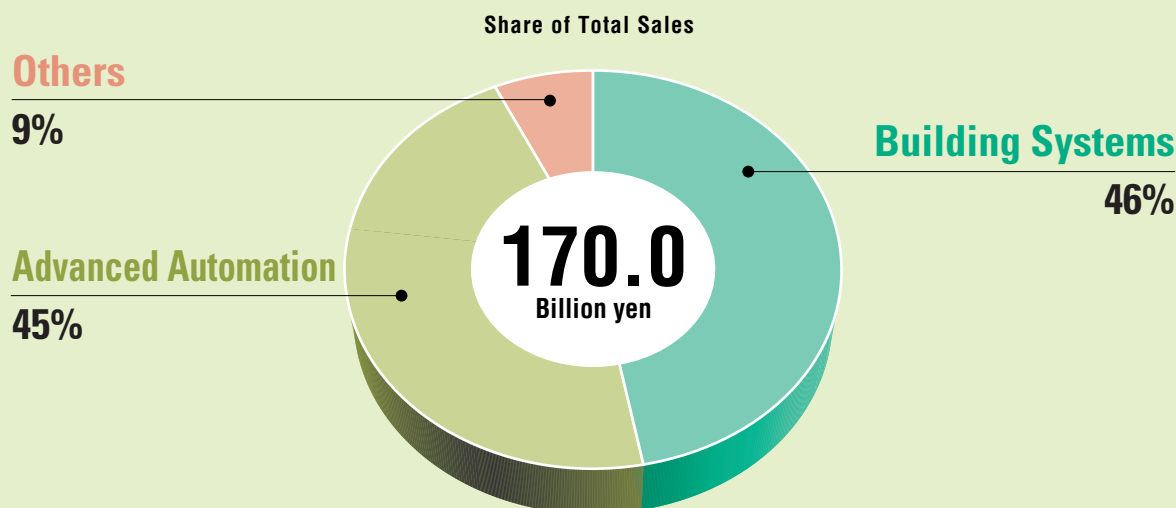
Since its founding in 1906, Yamatake has aggressively developed its core measurement and control technologies as Japan's leading company in the fields of building automation, industrial automation and control products.

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.

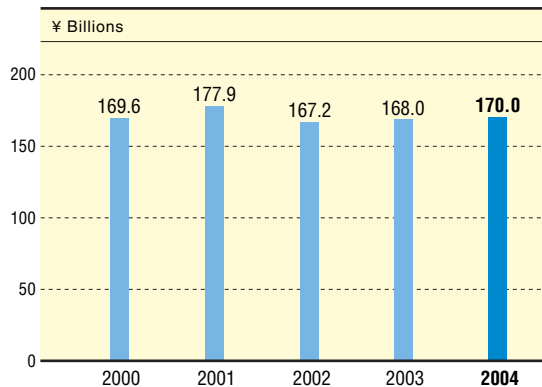
Millions of yen

Thousands of U.S. dollars*

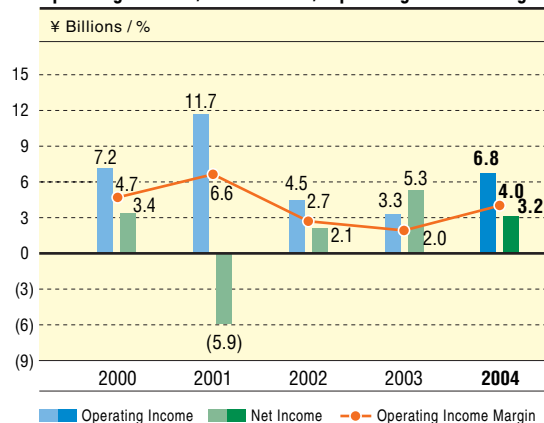
Years ended March 31, 2004 and 2003	2004	2003	2004
For the year			
Net Sales	¥ 169,951	¥ 167,969	\$ 1,603,310
Operating income	6,820	3,275	64,343
Net income	3,241	5,308	30,575
Per Share (in yen and U.S. dollars)			
Net income	¥ 43.51	¥ 68.65	\$ 0.41
Cash dividends	14.00	12.00	0.13
At year-end			
Total 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.

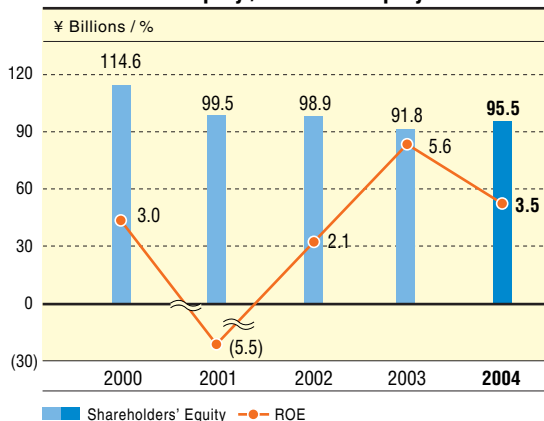
Net Sales



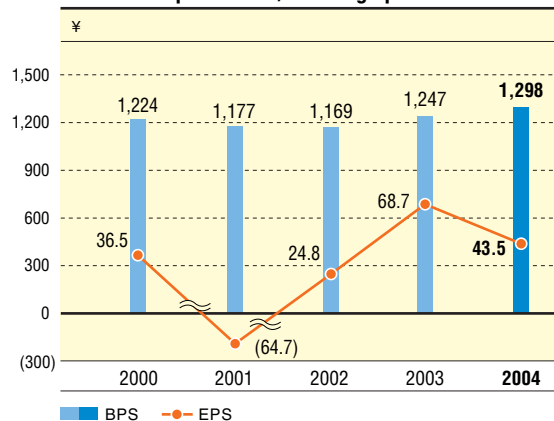
Operating Income / Net Income / Operating Income Margin



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:

-
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 that reads "Yoshiharu Sato". The signature is written in a cursive, flowing style.

Yoshiharu Sato, Chairman

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

Seiji Onoki, President and Chief Executive Officer

Operations at a Glance

Core Businesses

Building Systems Business

Net sales

790.8 (Billions of yen)

Share of total sales

46%



• Major Market

Commercial buildings, manufacturing facilities, hospitals, hotels, department stores and schools

• Major products and services

Building automation systems, controllers, sensors, valves, actuators, security systems, preventive maintenance, total energy management service (ESCO), building operation support service

Advanced Automation Business

Net sales

781.6 (Billions of yen)

Share of total sales

45%



• Major Market

Petroleum, petrochemical, chemical, iron and steel, electric power and gas, water supply and sewerage, pulp and paper, semiconductor, electrical and electronic component, industrial machinery, automobiles, pharmaceuticals, foods

• Major products and services

Distributed control systems, software packages, field instruments (pressure transmitters, flowmeters), control valves, facility diagnosis equipment, temperature controllers, recorders, combustion control equipment, photoelectric and proximity sensors, service operation programs.

Strategic Businesses

Business outline

Strategy

International Business



Yamatake serves its international customers through a network of 17 bases in 11 countries. Valued-added products and services centered on building systems and advanced automation are tailored for customers worldwide. Yamatake has also built up its production and distribution structures and promoted the development of new products from a global perspective. One example is the expansion of its production capabilities in China.

- Create regional business models that give Yamatake a competitive advantage and develop businesses that leverage local characteristics for each core product.
- Strengthen local sales and service structures, with an emphasis on Asian markets. In particular, we will actively invest resources in China, our key market, and build a local sales network and logistics infrastructure.

Business Outline

Yamatake provides an array of sensors, valves, systems, and security equipment for building automation.

By consolidating development through manufacturing, sales, installation, engineering, maintenance and management, Yamatake saves energy and resources and delivers comfort and safety, which enable customers to enhance the building's value throughout its lifecycle.

Strategy

- Expand business throughout the lifecycle of a building, from installation to operation and refurbishment, based on 50 years of accumulated knowledge and experience in building automation.
- Expand operations by bolstering our security business and introducing facility management to meet demands for security and cost reduction throughout a building's lifecycle.

Business Outline

Yamatake is a one-stop shop, supplying switches, sensors, controllers, valves, systems and software packages that are indispensable for industrial plants and factories, as well as engineering and maintenance service. Yamatake helps customers to solve their automation issues by working closely with them on-site to provide tailored solutions throughout the lifecycle of their plants and factories.

Strategy

- Expand our business domain by creating new business models targeting equipment manufacturers and end-users. For this initiative, we will leverage our assets, including engineering technologies and products of both the industrial automation and control product businesses.
- Accelerate the development of products and services employing proprietary technologies, including microflow sensors and acoustic diagnosis.

To pursue this strategy, in April 2003, Yamatake Corporation merged with Yamatake Industrial Systems Co., Ltd., which operates an industrial automation business. Yamatake Industrial Systems was then consolidated with the control products division of Yamatake Corporation, where it was launched as the Advanced Automation Company (an in-house company).

Business outline

New Business

- Environment Business
- Care Services
- Home Comfort



Yamatake is strategically expanding into new businesses to better leverage its measurement and control technologies, and provide a new foundation for long-term growth and profitability. Critical needs are being met in such areas as the environment, new energy, and care service for the elderly.

Strategy

- Create and expand a unique service business for the elderly, using our strengths in measurement and control technologies. This business will receive top priority in the allocation of resources.
- Capture markets by using our advantage as a pioneer in produce traceability and the prediction of sewage inflow volume.
- Promote sales of residential air-conditioning systems through partnerships with leading homebuilders.

Building Systems Business



Hiroaki Kobayashi
Executive Director
Managing Executive Officer
and Building Systems Company President
Yamatake Corporation

Major Markets

- Commercial buildings
- Manufacturing facilities
- Hospitals
- Government and institutional buildings
- Schools
- Hotels
- Department stores

Message

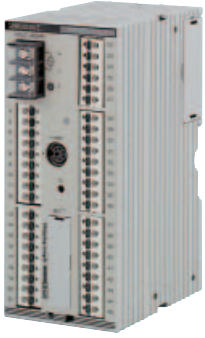
In the building automation industry in Japan, investment in new-building construction is low, accompanied by increasing demand for repair and refurbishing of existing buildings. Demand is also growing for measures to reduce the lifecycle cost of buildings; while an increase and expansion of tax credit programs for environmental protection measures have created more demand for facility improvement, representing good opportunities for Yamatake to provide products and services. In addition, energy deregulation has led to numerous new business possibilities.

For Yamatake, all of these developments represent business opportunities to provide comprehensive solutions that maintain and improve the asset value of our customer's buildings throughout their lifecycle. Through our 50 years of success in building automation, we have developed advanced measurement and control technologies unparalleled in the field, along with comprehensive expertise in energy saving and remote monitoring and control technology. All of this has contributed to the strategic development of our business operations, and has earned us a high level of trust in the industry.

We are currently in the process of reforming our business organizations with the aim of improving profitability in the new-building construction market. In addition, we are working to expand our solution business by developing new markets in refurbishing and service operations for existing buildings. We are also putting efforts into our security business to meet increasing demand. Through researching the market to identify new business possibilities adjacent to the building automation field, we plan to swiftly expand our business domain. In overseas markets, we are placing particular emphasis on China and Korea, where the mid-term business outlook for growth is favorable.

In order to provide solid support for the strategic expansion of our business, we are implementing the following improvements.

1. As a platform to expand our business, we intend to offer a series of new products, from systems to components, with a view toward entering overseas markets.
2. We aim to reduce production costs, while maintaining the quality and competitiveness of our products by shifting some production overseas, restructuring our factories and reviewing our product line.
3. We aim to reduce field costs by 30% during the medium term by providing on-site support, with personnel from the production and engineering-related departments, to take full advantage of the merits of our in-house company organization that integrates sales and manufacturing. Another measure to reduce field costs is through the adoption of information technology to increase efficiency.
4. We are implementing a mid-term strategy that promotes knowledge management in employee training and shifts resources to fields of growth, while maintaining the current level of staff and personnel costs.



Inflex AC / Inflex ZM
WY5117 / WY5122
Controller

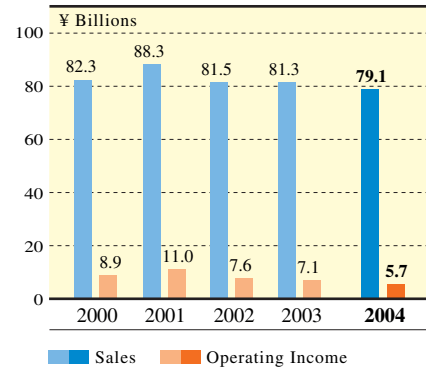


ACTIVAL-Mini VY6212
Motorized Spring Return Valve for
Fan Coil Unit



Neosensors
Room Temperature /
Humidity Sensors

Sales / Operating Income



Performance

Sales were 79.1 billion yen, down 2.3 billion yen (2.8%) from the previous fiscal year. Operating income was 5.7 billion yen, a decrease of 1.4 billion yen (19.5%) compared to the previous fiscal year.

In the building automation industry, the business climate continued to be unfavorable owing to a low level of public investment and a decline in the price of building construction. In the Building Systems business, in view of the faltering and downsizing market for new buildings, we have actively shifted management resources to a solution business serving the market for existing buildings, in order to establish a stable profit base. Furthermore, we have strengthened our internal organization and established a building security department to better accommodate the expanding security market, focusing resources on this business.

In the market for new buildings, demand for factory HVAC (Heating, Ventilating and Air-Conditioning) systems grew, accompanied by the increase in capital investments in the electric, electronic and automotive industries. However, sales for new buildings fell owing to the completion of a round of construction projects for large-scale buildings in the Tokyo metropolitan area.

Sales for existing buildings increased by actively promoting Yamatake's own ESCO service (TEMS: Total Energy Management Service), which offers energy-savings for an entire building, and by strengthening proposals for refurbishing properties already covered by a service contract.

Sales in the services business have been buoyant, reflecting our emphasis on promoting BESTMAN-EV, a new maintenance service that includes a network-based management service, a data analysis and diagnosis service that uses network technologies.

In addition, we have been actively developing a critical environment business that offers enhanced safety for researchers working in chemical laboratories at universities, pharmaceutical companies, etc.

Outlook

In fiscal 2004, we have set a goal of 81 billion yen in sales, and operating income of 6 billion yen. To achieve this, we will improve profitability in the markets for new buildings, existing buildings and maintenance services; while also allocating resources to international business, the security business and value-added business, all of which are considered sources of mid-term growth. In all of these areas, we intend to deepen the partnerships with our customers to achieve stronger business ties with them in the future. We are continuing to revamp our business structure to be more customer-oriented, and will implement the following measures in each market.

1) New building market:

By improving productivity and reducing overall operating costs, we intend to enhance profitability. In the factory market, reforming our organization to attain closer ties with owners will enable us to better meet customer needs. We are also engaged in market research to expand business areas related to our building automation business. In the school market, the transformation into independent administrative institutions is spurring demand for cost reductions. We are responding with a program that offers energy-saving measures and productivity improvement.

2) Existing buildings and service markets:

Since the field of facility management has yet to be fully developed in Japan, we continue to develop services which will be first offered to institutions, such as foreign-capitalized companies and schools. Our services are being transformed from labor-oriented to consulting-oriented, with emphasis placed on selling remote maintenance services.

3) International business:

We are establishing a service operations center function in Shanghai with the aim of coordinating our building systems business in China, a country with a great potential for growth. In Korea, we have stepped up our "spec-in" activities, under which Yamatake systems and products are incorporated into new buildings in the design stage, to boost sales.

4) Security business

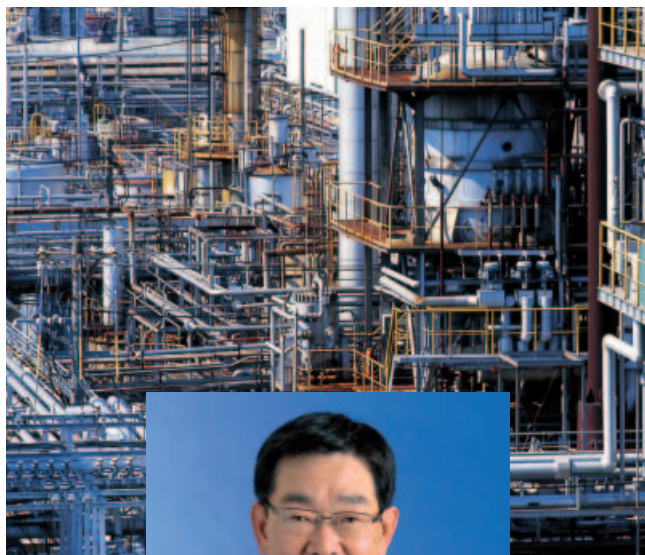
In the market for high performance products configured into systems, we have introduced fingerprint recognition systems and other equipment. We have also secured profitability in specialized markets such as pharmaceuticals, food processing and R&D facilities. In the medium-scale building market, we will introduce a simple card reader system in the second half of the fiscal year, and are anticipating continued growth.

5) Value-added sector

We have stepped up our promotion of products and services, such as ESCO services and controls for critical environments systems, while devoting resources to new business areas. In the first half of fiscal 2004 we will launch the first stage of our "Green Amenity Service," which leases unique air-cleaners to offices, hotels and residences. Preparations will also begin for such new ventures as the recycling of building automation equipment and the monitoring of indoor air quality.

As a shared platform for all of our business operations, this year we will introduce savic-net FX, a next-generation building automation system that employs the latest technologies, such as IPV6. We are also bringing controllers, wireless temperature and humidity sensors, and other products to market. These controllers feature a 50% reduction in both size and cost. These remarkable new systems and products are expected to improve our competitiveness not only in Japan, but also worldwide.

Advanced Automation Business



Hisayoshi Mori
Managing Executive Officer
and Advanced Automation Company President
Yamatake Corporation

Major Markets

- Petrochemical/chemical
- Public utilities
- Refining
- Electric power and gas
- Iron and steel
- Pulp and paper
- Shipping and marine
- Semiconductor/Semiconductor manufacturing
- Electrical/Electronic component
- Industrial machinery
- Automobiles
- Pharmaceutical
- Foods and beverage, Packaging
- Furnace/oven/boiler manufacturing
- Residential/commercial buildings

Message

The Advanced Automation Company was formed in April 2003 as an in-house company of Yamatake Corporation through the merger of our control products and industrial automation businesses. This in-house company now represents the core of our business in the industrial market, with the aim of providing customers with optimum solutions while also generating more stable earnings. In its first year of operation, both the industrial automation and control products businesses combined their resources to achieve remarkable synergy, leading to an excellent start.

One example of this synergy is the sale of control products to industrial automation customers in a wide array of industries, ranging from upstream production of raw materials to downstream manufacturing of pharmaceuticals, foods, automobiles, semiconductors and electric/electronics components. In turn, we have also been able to sell industrial automation products to control products customers, increasing sales and improving customer satisfaction. Another benefit is that engineering and services cultivated in the industrial automation business are used to develop business proposals for control products customers.

Combining industrial automation and control products activities has enabled us to better understand the diversity of requirements of each customer throughout the lifecycle of their facilities, and to find ways to develop those requirements to expand our business. This synergy will be further enhanced in the coming fiscal year as we devote more resources toward configuring new business models and developing new products to support them. Meanwhile, through original Yamatake technologies, such as mass flow measurement and acoustic diagnosis, we will expand our business domains. In addition, we will further develop and expand our international business.

We are providing maintenance services for systems and equipment after delivery in line with the lifecycle of the customer's equipment and facilities. This leads to long-term partnerships with our customers, enabling us to further refine the solutions we tailor for them. Also, we can work more closely with the customer on-site to further improve our capability to provide optimum solutions. As a result, we gain the deep trust of our customers as we demonstrate the true value of our concept of "Creating Solutions Together."



Harmonized Automation System

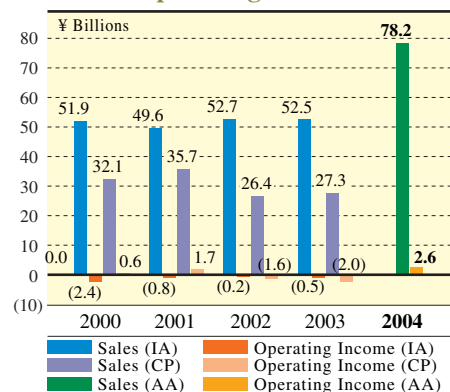


PBZ Series Edge Sensors



DigitroniK Digital Indicating Controller SDC 25/26, 35/36

Sales / Operating Income



Performance

Sales were 78.2 billion yen, up 1.6 billion yen (2.1%) from the previous fiscal year. Because of an increase in sales and a reduction in selling and administrative expenses, operating income increased to 2.6 billion yen from a loss of 2.3 billion yen over the previous fiscal year.

In Japan's domestic industries affecting the Advanced Automation business, although recovery of some markets was delayed, there were signs that the slump in the economy had come to an end, resulting in improved business.

In the buoyant semiconductor, electrical, electronic and automotive markets where a drastic recovery of capital investment was seen, there was a considerable increase in sales of microflow sensor products, fiber optic photoelectric sensors, modular controllers and other control products. Also, there was growth in our solution business, such as facility diagnosis using Yamatake's proprietary acoustic diagnostic technology.

In the chemical and steel markets, there has been an upswing in the performance of customers' businesses, and sales grew owing to an increase in capital investment.

In the food and beverages market, heightened consumer concern regarding the safety and quality of food has spurred customers to install tracking systems.

In the pharmaceutical and oil-refining markets, we have bolstered our sales activities, maintaining close contacts with customers and supplying solutions for the upgrading and optimizing of production control, equipment control and operation control. We have also continued to offer solutions to meet demands for quality control management and energy conservation. However, a sustained recovery in capital spending has yet to materialize and sales fell.

In the International Business, new investment projects have been effectively shifted from Japan to China, Korea, Thailand and other overseas markets. We have been closely coordinating with overseas affiliates and have succeeded in increasing sales, especially to the growing number of Japanese companies that are building chemical and semiconductor plants in China and Thailand. Sales of control products have also increased due to brisk activity in the electrical and electronic markets, particularly in China, Korea and Taiwan. As a result, there was significant growth in overseas sales.

Outlook

Favorable trends in Japan's economy, along with continued improvements in overseas markets, mainly in China, will be keys to better performance in the short term. From the mid- and long-range viewpoint, shifts in the business climate require changes in our business activities in order to secure a stable foundation for profit and further growth.

One means to encourage further growth is to create business models unique to Yamatake, which call for the development of new products and services, taking advantage of the synergies in the functions and technologies of the industrial automation and control products businesses. For example, control products and industrial automation engineering technologies can be combined to create business models and products from the equipment lifecycle standpoint through such services as facility maintenance diagnosis and parts management. These services can prove to be advantageous to both manufacturers and end-users of equipment.

We are also stepping up our international business activities by streamlining sales, marketing, quality assurance, service, development and production organizations. Subsidiaries in Asia, particularly China, will be strengthened, while the functions of local subsidiaries and our organization in Japan will be more closely connected for greater efficiency.

In order to achieve higher profitability, we will continue to reduce various fixed costs, increase offshore production and procurement, improve our engineering capability, review our product lines and develop new products. Business areas marked by lower profits will be reviewed with an eye toward the reorganization of business structures.

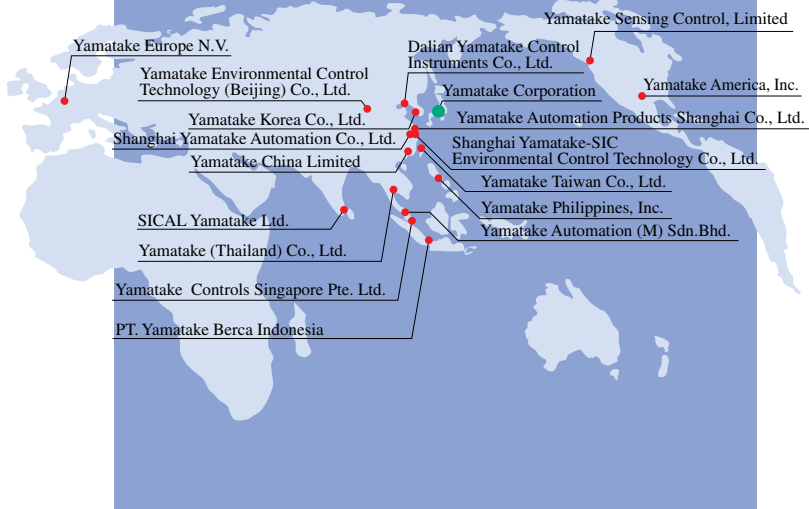
For the coming fiscal year, we are forecasting sales of 83 billion yen and operating income of 3.1 billion yen.

International Business



Jun Kawachi
Executive Director
Managing Executive Officer
Yamatake Corporation

Global Network



Message

Yamatake has over thirty years of international business experience to its credit, built upon the strengths of our core business in measurement and control technologies developed over nearly a century. Our knowledge and expertise in engineering and maintenance has been honed in actual on-site experience, enabling us to provide optimum solutions tailored to the specific requirements of each region around the world.

In the world market, facility and equipment investment is currently brisk, particularly in China. However, quite a number of measurement and control companies, ranging from giants in the industry to small- to medium- sized companies, are creating a situation of intensifying competition. Nevertheless, Yamatake has identified areas that represent significant business opportunities, such as the shift to natural gas as a clean energy source, an area in which Yamatake has particular strengths owing to its vast experience and expertise in technologies related to energy saving, environmental protection and safety.

In our international activities, our product solution business centers upon our strengths in various products with unique and superior characteristics. Our strengths in product lines ranging from field instruments to comprehensive systems, along with our expertise in engineering and maintenance, give us the edge in offering services and solutions to customers.

In our product solutions business, we actively develop and sell products unique to Yamatake, which employ the advanced technologies that represent our core competence. Examples include photoelectric sensors, temperature controllers, and control valves and smart valve positioners, which are aggressively marketed.

Yamatake has taken a long-term stance in overseas investment, having established 17 subsidiaries in 11 countries, primarily in Asia. Operations in China are coordinated through the Shanghai Representative Office. We have recently expanded production in our Dalian and Shenzhen factories, and have established a distribution center in the Shanghai bonded area for improved distribution, primarily of control products. This integrated business structure has been set up to ensure the smooth and timely manufacturing and distribution of core products in response to demand in China's huge and rapidly growing market. Further efforts will be made to strengthen production, sales, services and engineering capabilities of subsidiaries established in major regions around the world.

Yamatake will continue to enhance its international business potential by centering on its product solution

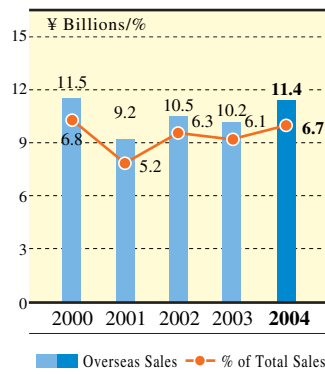


ISA EXPO 2003
The largest automation and control exhibition in North America organized by ISA in Houston, Texas 2003.

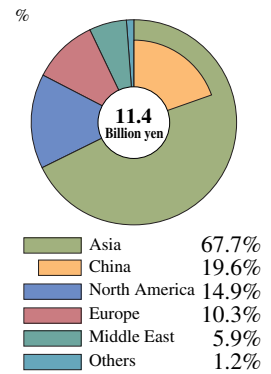


Nanqiao Factory
A configuration factory that started operations in November 2003.

Overseas Sales



Overseas Markets



business, responding to the needs of individual customers worldwide.

Performance

International business sales, which are part of our consolidated business results, totaled 10.5 billion yen, including our newly consolidated subsidiary in China.

Though our Building Systems business was affected by a difficult business environment, total sales grew steadily, helped by the recovery of investment in China and other countries during the latter half of the fiscal year.

Our Advanced Automation business was up due to significantly increased sales of control valves and field instruments in a broad area stretching from China, Korea and Taiwan to the Middle East.

Thanks to brisk demand in markets for semiconductors and electric/electronics—mainly in China, Taiwan and Korea—along with the benefits of reinforced distribution channels, sales of photoelectric sensors and temperature controllers increased. In addition, increased sales of systems in Asia further contributed to an overall increase in sales.

Shanghai Yamatake Automation Co., Ltd. (formerly Shanghai Yamatake Jinshan Control Instruments Co., Ltd.) completed its Nanqiao factory, which was configuring various products, such as control valves and field instruments, to customer specifications in the Chinese market. This is expected to accelerate the increase in business in China's industrial market.

Outlook

In fiscal 2004, we will further develop our international business by cooperating with in-house companies. International Business Headquarters will integrate and coordinate all of our international business strategies in actual operations, and will work closely with in-house companies and R&D sections related to international business, to strengthen operations ranging from marketing and R&D to production. Overseas subsidiaries will carry out their business strategies under the direction of International Business Headquarters.

Business operations will center on core products, while human resources and our sales bases will continue to be reinforced. China and Korea show great potential due to continuous economic growth, with other priority areas

including Thailand, which is now recovering, and North America, where high-performance products are in demand.

In China, growth in our Advanced Automation business will originate primarily in the petrochemical industry as well as the automotive industry which places demands on numerous industries ranging from raw materials (chemicals, glass, rubber and metal) to parts and components production, equipment, painting and assembly. This represents enormous opportunities in a wide range of industries. To strengthen distribution, Yamatake Automation Products Shanghai Co., Ltd. will start to operate in May 2004, with a prompt delivery system.

In Korea, we are planning the development of a products business in the chemical and foods markets, in addition to operations in petroleum, petrochemicals and shipbuilding. We will also devote resources in the development and expansion of our building systems business.

In Thailand, the economy is now recovering, making the time right for the reinforcement of sales forces, and the expansion of markets and customers.

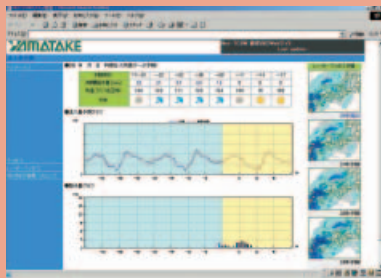
In the U.S., markets for control products such as photoelectric sensors, temperature controllers and microflow sensors will be developed centering on Yamatake Sensing Control, Ltd. Our other subsidiary, Yamatake America, Inc., will devote its efforts to expanding distribution channels.

In Europe, we will continue to develop our operations centering on the natural gas market, while promoting our product business with selected products in this area.

In the Middle East, petroleum and petrochemicals industries are our main target markets. Focusing on the renewal demand of existing systems, we will aggressively pursue our product business, centering on control valves and smart valve positioners.

Yamatake will maintain its development of advanced and unique products, while also configuring a globally optimized production system. We also intend to develop products which address environmental and energy issues in order to offer enhanced solutions to our international customers.

New Businesses



Net-TCBM (Topological Case-Based Modeling)
TCBM-based system for forecasting fluctuation in sewage flowing into wastewater treatment plants



Call center at Safety Service Center Co., Ltd.
Safety Service Center offers emergency dispatch services and health consultation



Care Services
Yamatake Care-Net Co., Ltd. provides assisted care services to elderly and bedridden persons living at home.

Environment Business

Yamatake put forth its best efforts to establish its own unique business models in the fields of its environment business. In businesses where synergy with our core business can be expected, we worked to expand business opportunities through cooperation with the in-house companies.

In the area of urban disaster prevention, our Net-TCBM (Topological Case-Based Modeling) system for sewage inflow prediction received certification from the Japan Institute of Wastewater Engineering Technology in March 2003. The Net-TCBM was also certified by the Ministry of Land, Infrastructure and Transport and other accreditation organizations, and listed in the 2003 Newest Construction Technologies Guidebook. This year, Yamatake completed its task of providing consultation with its sewage inflow prediction system for wastewater treatment plants along the Sagami River, west of Yokohama. To date, significant results have been achieved in controlling overflows from combined (sewage, rainwater, etc.) sewer systems, as well as identifying inflow and infiltration of rainwater in separate (sewage only) sanitary sewer systems, thereby helping to prevent the pollution of public waters. In fiscal 2004, marketing activities will be strengthened, and it is hoped that Net-TCBM will be adopted at all of the 1,900 wastewater treatment plants in Japan, gaining recognition as the de facto standard.

We were assigned to develop and verify a system for tracing and tracking fresh produce by the Ministry of Agriculture, Forestry and Fisheries (MAFF) in 2002. We successfully developed and verified the system in close cooperation with a private-sector association promoting produce traceability. In 2003, we were again assigned to develop and verify a system for tracking processed foods. With the introduction of a large-scale government program that subsidizes the implementation of traceability systems, in 2003 we marketed Trace Navi, a system for tracing the production history and tracking the distribution of produce from the farm to supermarket. Trace Navi has taken the lead in this field based on the Guidelines for Introduction of Food Traceability Systems issued in 2003 by the MAFF.



Conference

Yamatake gave a presentation at the 2nd International Water Association's Leading-Edge Conference on Water and Wastewater Treatment Technologies, held in Prague, Czech Republic, in June 2004.

Remote management systems to verify the performance of 28 residential fuel cell systems were ordered by the New Energy Foundation and fuel cell manufacturers. Looking toward the marketing of residential fuel cells in fiscal 2005, extensive testing will be performed by fuel cell manufacturers, and we are anticipating many requests for performance testing in fiscal 2004.

Due to the enactment of the Food Recycling Law in 2001, the further development of the waste disposal equipment market is anticipated. Our organic waste disposal unit Powerful Bactor, for which we completed performance evaluations in October 2003 at our Fujisawa and Shonan factories and field test at our Isehara factory, is now being marketed. We will also begin a recycling service of the residual fertilizer in 2004.

In our environmental management business, we have provided consulting services to support the design and construction of environmental management systems, and environmental communications to verify the environmental impact of business activities and accurately report results to interested parties. Companies in Japan are actively promoting the refinement of manufacturing processes to simultaneously reduce both environmental impact and operating costs. These activities afford opportunities to expand our solution business through combining measurement and control technologies with environment evaluation technology to differentiate our services from those of our competitors. We will further expand this business through collaboration with the in-house companies.

As a corporation providing products, services and consulting in the field of environmental management, we put great efforts into sustainable management support. In cooperation with the Sustainable Management Forum of Japan and the Japan Science and Technology Corporation—and drawing upon successes and experience acquired from European firms specializing in advanced environmental consulting—Yamatake has participated in the development of the Japan Environmental Policy Index (JEPIX) and its promotion for use by industries in Japan.



Trace Navi
PC-based data tracking and management system

Care Services

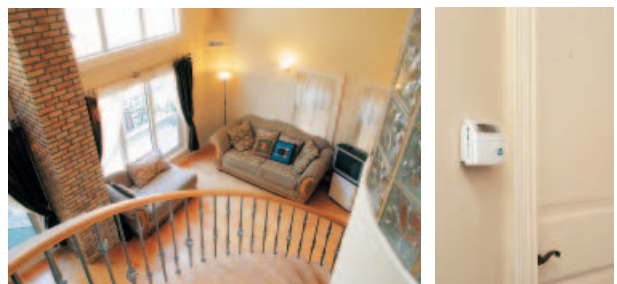
Yamatake care services incorporate measurement, control and sensing technologies, as well as IT know-how, to enhance the safety and well-being of elderly persons. Group business in this sector is centered on Safety Service Center, Co., Ltd., which offers emergency dispatch services for seniors living at home, and Yamatake Care-Net Co., Ltd., a provider of in-home care services.

Offices were added in selected regions of Japan for stronger sales and services in local markets. Safety Service Center has contracted with 530 local governments, and has currently over 50,000 registered customers. Yamatake Care-Net opened six additional caregiver facilities and care equipment delivery shops in Tokyo and neighboring Kanagawa Prefecture. Yamatake Corporation and Safety Service Center jointly began support services to prevent the progress of lifestyle-related diseases.

Home Comfort

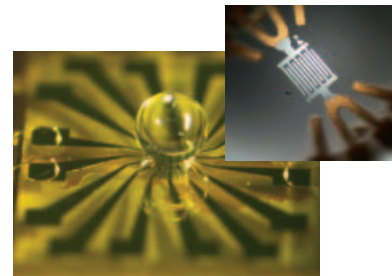
With long experience in commercial-use air conditioning systems, Yamatake also offers central air conditioning systems for home use. These central air conditioning systems operate efficiently and economically to ensure greater indoor comfort for well-insulated homes, 24 hours a day throughout the year. The number of Yamatake's "Kikubari" central air-conditioning systems installed has steadily increased, with the brand becoming very popular with high income customers who are concerned about comfort, safety, energy conservation and environmental issues. In 2003, building codes were revised in response to "sick-house" syndrome, calling for the mandatory installation of mechanical ventilation facilities. This has made people more concerned about indoor air quality.

The system's superior performance and proven track record have led to partnerships with leading homebuilders. In addition to boasting fully integrated design, installation and maintenance, these air-conditioning systems are supported with a 24-hour customer hotline, an informative website and announcements via email. Yamatake also markets negative-ion air conditioning systems for healthier indoor environments.



Kikubari
Central air-conditioning system

Research & Development



Spherical SAW Gas Sensor and Interdigital Transducer

Organization Outline

Yamatake's R&D Headquarters, Micro Device Center, and Speed Production Engineering Center constitute the Company's research and development organization, a resource shared by the entire Yamatake Group. Although each core business unit and in-house company has an internal R&D office responsible for product R&D, these work in tandem with the research organization for more efficient R&D throughout the Yamatake Group. During the year under review, the Company has realigned its allocation of R&D resources to focus in the fields of core technologies, strategic technologies, advanced technologies and micro devices.

Core Technologies, which focuses on the industrial and building markets, develops next-generation products for the Building Systems and Advanced Automation businesses. It serves as the new-product R&D arm for our in-house companies.

Strategic Technologies works in the health care field together with our Health & Social Services Development Office, which develops healthcare and related services; and Safety Service Center Inc., a Group company offering emergency dispatch services for seniors living at home. Strategic Technologies also handles research into environmental and energy technologies, developing lines of business in urban disaster-preparedness, and new-energy technologies.

Advanced Technologies works with universities and other outside research institutions in the fields of biotechnology, as well as control, sensing, and measured data processing technologies. Building on the Company's world-class technologies, this opens up new lines of business and supports the development of new products for Yamatake in-house companies and Group companies, as well as developing technologies into businesses itself.

Performance

In Micro Devices, development of a multi-variable sensor and dual sensor for use in gas flow meters has been completed and has moved into mass production.

In metering information processing, we have applied our proprietary forecasting technology, Topological Case-Based Modeling (TCBM), to use several years' worth of accumulated data recorded at wastewater treatment plants and rainfall data to develop a model for predicting sewage inflow volume to the treatment plant. This prediction model is being used in our Net-TCBM service of providing inflow predictions to wastewater treatment plants via the Internet. Working together with nationally designated cities in Japan, we are using TCBM technology to identify areas where rainwater is entering through cracks in sanitary pipes designed to collect sewage only.

In waste-processing technologies, we have brought to market a commercial-use garbage processor, Powerful Bactor, developed jointly with our Environment Business Development Center. This model has industry-leading waste compaction, uses microorganisms for low running costs, and its residue by-product can be used as compost.

In collaboration with the University of Tohoku, Toppan

Printing, and Ball Semiconductor, we have developed a prototype of the world's first spherical SAW (Surface Acoustic Wave) gas sensors with a 1-mm diameter. They were designed for use with advanced energy technologies, such as fuel cells, an area with considerable potential.

We have joined forces with France's CEA-LETI (a laboratory of the French Atomic Energy Commission) to respond to the growing market for DNA chips and automated production systems for them. Development planning at CEA-LETI's Grenoble lab is complete, and we now are moving towards new joint development at our Fujisawa factory.

An outgrowth of technology from our R&D Headquarters, we have founded Security Friday, our first internal startup, which is developing and commercializing a network-intrusion protection tool. The Company's service received the Data Communications Prize from Nikkei Business Publications' Technology Awards.

Outlook

While the R&D Headquarters will continue to be responsible for the technologies that are part of Yamatake's core operations, we will also be enhancing the areas of strategic technologies and advanced technologies. Moreover, we will continue to dedicate resources to identify research areas with commercial potential.

In the field of micro devices, development continues on sapphire pressure sensors that are resistant to heat and corrosion, and microflow sensors for liquids and corrosive gases.

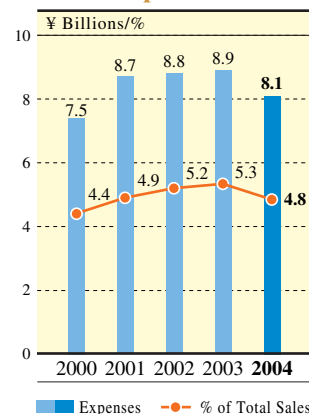
In core technologies, we will continue to build up and enhance the measurement, control and sensing technologies used in the building and industrial markets. We are taking a mid- to long-term view and working with our in-house companies, while developing new products that will gain market dominance.

In strategic technologies, our main focus is on the environment, new energy and healthcare, which are guiding our new technologies and new product R&D. In measured data processing, for example, we are conducting tests and further development to improve our performance in identifying seepage and cracks in sanitary sewage pipes.

In advanced technologies, Yamatake is devoting R&D resources toward network security and other growth-oriented areas, such as biotechnology.

Ongoing R&D efforts will continue in all these fields, and the Company will partner with universities and other outside research institutions, and actively seek out public projects to accelerate the pace of R&D and technology development.

R&D Expenses



Environmental Responsibility



Environmental Responsibility

The 21st Century has been said to be the “century of environmental awareness,” as people are starting to create solutions to significant environmental issues collectively faced by mankind, such as global warming, waste disposal, environmental pollution and the depletion of natural resources. Yamatake has adopted a Group-wide vision of realizing a world that is easier on both people and the environment, with the aim of all Yamatake companies supporting environmental protection in their business activities as a means to realize a more comfortable society of people in harmony with the earth. The Yamatake Group Environmental Charter adopted, in April 2001, calls for all Group enterprises, in Japan and overseas, to engage in their respective business activities in ways that support the realization of an environmentally sustainable society.

During fiscal 2003, Yamatake Corporation, Yamatake Building Systems Co., Ltd. and Yamatake Industrial Systems Co., Ltd. were merged, and the six separate management systems of Yamatake Headquarters, factories and in-house companies were integrated into one unified system in February 2004. As a result, we have been able to achieve higher levels of environmental management and environmental protection within the Company.

Yamatake realizes the importance of environmental accountability in management from two different viewpoints.

First, through its business activities, Yamatake is reducing the impact of its operations on the environment. By strict adherence to all environmental laws and regulations in both Japan and overseas, in all of our operations we are working towards the prevention of environmental pollution, a reduction in the use of chemical substances, more efficient use of energy and resources, the prevention of global warming, the promotion of “green” procurement, and the provision of environmentally friendly products and services. In these ways, we are able to reduce the environmental load, while engaging in activities which make a positive contribution to the environment.

Second, we are also responding to the environmental issues of our customers and society. Our many years of experience in measurement and control have resulted in a vast accumulation of technology and expertise in both products and services, which have long supported greater efficiency in the use of energy and resources to benefit both our customers, and society as a whole. This work forms the core of the Yamatake Group business, and

enables us to fulfill our responsibility to help create a sustainable society.

Yamatake has made its Fujisawa Factory a model for environmental conservation, and has already received good evaluations from nearly 1,400 visitors ranging from students to adults.

In the years to come, Yamatake will continue its various activities, based on the “Savemation” philosophy, and in close partnership with society.

Accomplishments in 2003

- Environmental Management
 - A new unified environmental management system started operation in February 2004.
 - Ten new business offices of the Advanced Automation Company earned ISO 14001 certification.
- Environmental Performance
 - CO₂ emissions at domestic production facilities were further reduced by 2%.
 - Waste recycling at domestic production facilities was increased by 7%.
 - Lead-free solder has been introduced in several manufacturing lines, and a company-wide plan for expanding lead-free solder was implemented.
- Environmental Design
 - Environmentally labeled products made up 65% of total products developed.
 - Examples of these new products:
 - BESTMAN-EV building maintenance service
 - savic-net FX system core server for building automation
 - SDC15 digital indicating controller
 - Harmonas-FLeX distributed controller
 - Life Cycle Assessment operations
 - Infilex AC air conditioning controller
- Social contribution
 - The Fujisawa Factory, a model factory for environmental conservation, has been toured by 1,375 visitors.

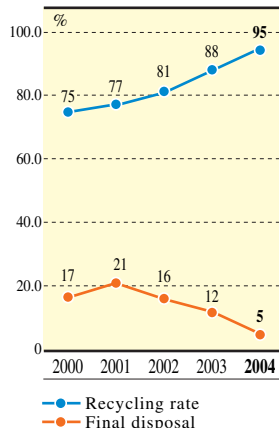
Objectives for 2004

- Restructure the Environmental Management System to integrate the certification of all Company organizations (June)
- Improve environmental performance
- Create and offer products, services and solutions which address environmental issues
- Promote the use of replacements for materials which are prohibited by the new RoHS regulations in Europe
- Create a database of chemical substances used in our products, which can easily be searched and referenced.

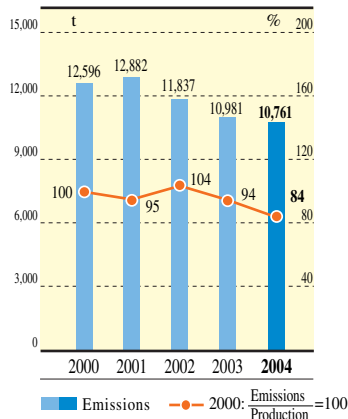
Targets for 2006

- Reduce the total CO₂ emissions at all of our domestic production facilities to 9% less than 1990 levels.
- Achieve zero emissions at all of our domestic production facilities.
- Eliminate the use of dichloromethane in all operations.
- Promote environmentally aware design, and raise environmental labeling certification to 72% of new products.
- Improve the management of harmful chemical substances

Waste Recycling



CO₂ Emissions



Board of Directors, Executive Officers and Corporate Auditors



Board of Directors

(Seated from left) Seiji Onoki, Yoshiharu Sato

(Standing from left) Jun Kawachi, Hiroshi Shima, Nobuyuki Takai, Masaaki Togo, Hiroaki Kobayashi

Yoshiharu Sato

Chairman

Seiji Onoki

President
and Chief Executive Officer

Nobuyuki Takai

Executive Vice President
and Chief Financial Officer

Hiroshi Shima

Executive Vice President
and Chief Technology Officer

Masaaki Togo

Executive Director
Managing Executive Officer
and Chief Information Officer

Jun Kawachi

Executive Director
Managing Executive Officer

Hiroaki Kobayashi

Executive Director
Managing Executive Officer
and Building Systems Company President

Hisayoshi Mori

Managing Executive Officer
and Advanced Automation Company
President

Gorou Inoue

Executive Officer

Masaaki Iwai

Executive Officer

Makoto Iwakura

Executive Officer

Sadachika Ogawa

Executive Officer

Ikuya Kitta

Executive Officer

Kiyofumi Saito

Executive Officer

Tadayuki Sasaki

Executive Officer

Kazuo Shimizu

Executive Officer

Toshio Hiraoka

Executive Officer

Tadashi Hirooka

Executive Officer

Takuzo Furuki

Executive Officer

Yukihiko Tsuruta

Corporate Auditor

Shosaku Maeda

Corporate Auditor

Tomonori Kobayashi

Corporate Auditor

Makoto Yasuda

Corporate Auditor

As of July 1, 2004

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
For the year						
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
At year-end						
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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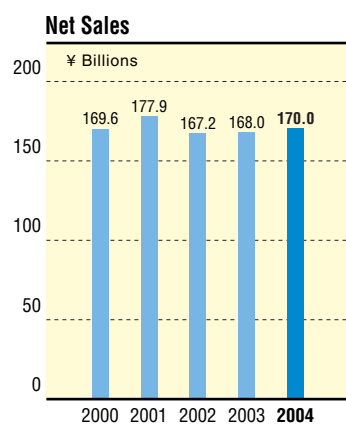
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Financial Review

Consolidated Results

Net Sales

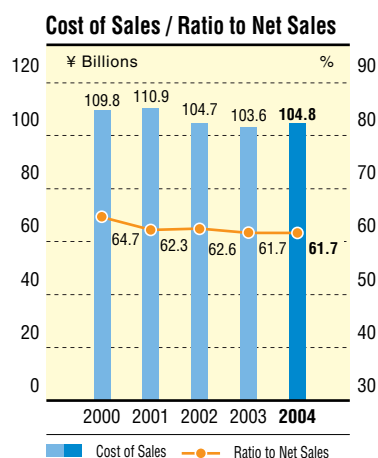
Net sales, under the effects of change in the scope of consolidation, increased 1.2% over the previous fiscal year to 170.0 billion yen. In the Building Systems business, the business climate continued to be severe due to sluggish investment in construction and a decline in the price of building construction. 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

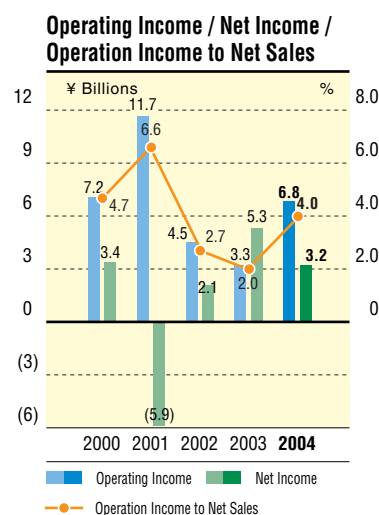
Net income for the fiscal year was 3.2 billion yen on a consolidated basis.

• 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.

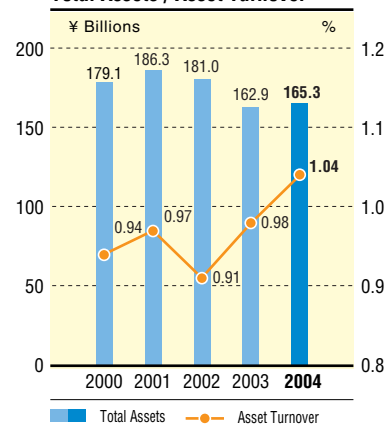
Building Systems Business

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.

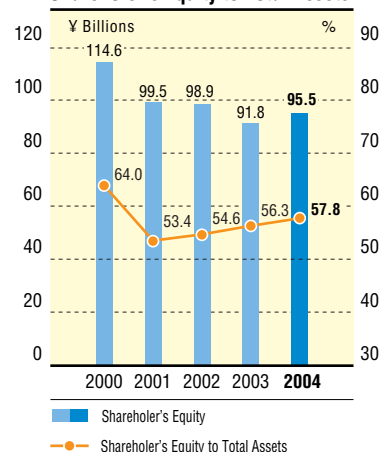
Advanced Automation Business

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

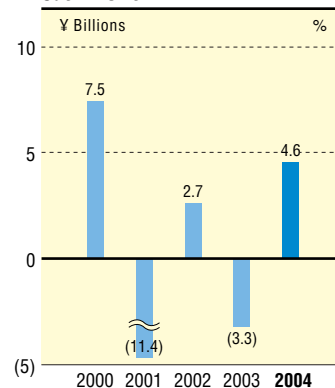
Total Assets / Asset Turnover



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
CURRENT ASSETS:			
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
PROPERTY, PLANT AND EQUIPMENT:			
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
INVESTMENT AND OTHER ASSETS:			
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
TOTAL	¥ 165,264	¥ 162,919	\$ 1,559,092

See notes to consolidated financial statements.

LIABILITIES AND SHAREHOLDERS' EQUITY	Millions of yen		Thousands of U.S. dollars (Note 1)
	2004	2003	2004
CURRENT LIABILITIES:			
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
LONG-TERM LIABILITIES:			
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
MINORITY INTERESTS	391	395	3,686
COMMITMENTS AND CONTINGENT LIABILITIES (Notes 11, 12 and 13)			
SHAREHOLDERS' EQUITY (Notes 8 and 14):			
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
TOTAL	¥ 165,264	¥ 162,919	\$ 1,559,092

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
BALANCE, APRIL 1, 2002	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	
BALANCE, MARCH 31, 2003	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)	
BALANCE, MARCH 31, 2004	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	
BALANCE, MARCH 31, 2003	\$ 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)		
BALANCE, MARCH 31, 2004	\$ 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	
OPERATING ACTIVITIES:			
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
INVESTING ACTIVITIES:			
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)
FINANCING ACTIVITIES:			
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
NON-CASH ACTIVITIES:			
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
2004				
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
2003				
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
2004				
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
2004			
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
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

	Millions of yen				
	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

	Thousands of U.S. dollars				
	Buildings and Structures	Machinery and Equipment	Furniture and Fixtures	Software	Total
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

Oversea 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

Company Name	Yamatake Corporation
Headquarters	Totate International Building 2-12-19 Shibuya, Shibuya-ku Tokyo 150-8316, Japan
Founded	December 1, 1906
Incorporated	August 22, 1949
Paid-in Capital	¥10,523 million
Factories	Fujisawa, Shonan, Isehara
Employees	5,645
Contact	Tel: 81-3-3486-2011 Fax: 81-3-3409-7388
Website	http://www.yamatake.com

Subsidiaries and Affiliates

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

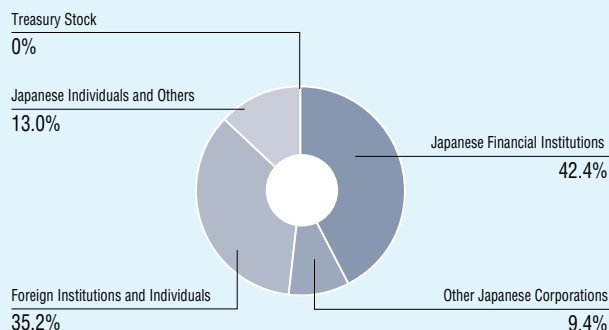
Total Number of Authorized Shares	279,710,000
Shares of Common Stock Issued	73,576,256
Shareholders	5,323
Fiscal Year	April 1—March 31
Annual Shareholders' Meeting	June
Stock Listing	Tokyo Stock Exchange, 1st Section
Transfer Agent	Mizuho Trust & Banking Co., Ltd.

Major Shareholders

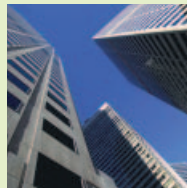
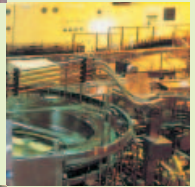
	Number of shares held (thousands)	Percentage of total shares outstanding
Northern Trust Company (AVFC) Sub-account American Clients	12,404	16.9
Meiji Yasuda Life Insurance Co.	5,214	7.1
Japan Trustee Services bank, Ltd.	4,765	6.5
The Master Trust Bank of Japan, Ltd.	2,951	4.0
Mizuho Corporate Bank, Ltd.	2,850	3.9
Nippon Life Insurance Co.	2,714	3.7
Mizuho Trust & Banking Co., Ltd.	2,301	3.1
Sompo Japan Insurance Inc.	2,000	2.7
Mellon Bank Treaty Clients Omnibus	1,988	2.7
The Dai-ichi Mutual Life Insurance Co.	1,100	1.5

Ownership among Shareholders

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



Savemation



The Yamatake Group is dedicated to “Savemation,”
a term derived from *saving through automation*,
delivering unsurpassed technology and high-quality products
that help our customers to conserve energy and resources, enhance safety,
and provide comfortable environments.

Yamatake Corporation
Totate International Building
2-12-19 Shibuya, Shibuya-ku
Tokyo 150-8316 Japan
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<http://www.yamatake.com>