

Annual Report 2005

For the year ended March 31, 2005



Taking up the Challenge of Creating a New Automation Paradigm



TAKEHIKO YAMAGUCHI Yamatake's founder



1936 Started producing control valves in Japan



A Century of Progress in Measurement and Control

Advances in measurement and control technologies in Japan started with Yamatake nearly 100 years ago. The company's business began with the import and sales of industrial products made in the U.S. and Europe. In due course, it blossomed into a flourishing business by production and sales in Japan. Steady growth has been driven in part by a partnership forged in the early 1950s with U.S. company Honeywell International Inc.

Yamatake has grown along with advances in measurement and control in Japan. Throughout the years, the company has remained committed to contributing to Japan's economic development through the provision of HVAC (Heating, Ventilating and Air-conditioning) control systems and security solutions for office buildings, and automated production lines to industrial plants and factories.

A Business Born From a Commitment to Customer Satisfaction

Years of involvement in this business have given Yamatake in-depth knowledge of our business frontline, the ability to develop products and create systems to meet customer requests, and the capability to provide solutions to customers. Above all, though, Yamatake has earned the trust of customers.

In April 2003, we redefined our core businesses as the Building Systems and Advanced Automation businesses. In each, we established an integrated framework from development, manufacturing and sales to installation and maintenance. Drawing on our unique strengths, we work with customers to provide an array of original products, services and solutions, which are tailored to customer needs more than ever, thereby responding to the trust customers place in us. This is an approach that underscores our strong commitment to customer satisfaction, and together with our commitment to measurement and control technologies, shapes our businesses.

New Automation Paradigm

The world has been almost completely transformed in the past 100 years. During this time, and particularly in recent years, needs in society for measurement and control technologies have grown infinitely larger. New applications for measurement and control technologies that transcend traditional boundaries abound—from energy savings, environmental management, manufacturing execution systems in factories, as well as the management of building security. And we are now also seeing potential markets emerge in new domains such as care services, environmental solutions and biotechnology, all of which are beyond our traditional markets of buildings, factories and plants.

Yamatake's unwavering commitment to measurement and control technologies has opened the door to new possibilities in every era. Taking up the challenge of creating a new automation paradigm, we will continue to further contribute to the realization of a more prosperous society.

Profile

Since its founding in 1906, Yamatake has engaged in businesses centered on its core measurement and control technologies. Today, Yamatake's Building Systems and Advanced Automation businesses conduct operations in the building and industrial automation markets, respectively.

Our strength lies in an integrated framework, extending from development, manufacturing and sales to installation and maintenance. With this strength, we deliver comprehensive solutions that combine technology, engineering, services and wide-ranging know-how to solve issues facing our customers, which enables Yamatake to be the best partner with customers. Utilizing the measurement and control technologies we have built up over many years, we are stepping up efforts to develop businesses in new domains of the "Life Automation Business." Going beyond our traditional businesses, the Life Automation Business encompasses the fields of the environment, care services and biotechnology to fill the emerging needs in society.

The Yamatake Group is firmly committed to its "Savemation" philosophy of *saving through automation*. This means helping customers to conserve energy and resources, enhance safety and provide comfortable environments in factories, plants and buildings through unsurpassed measurement and control technologies and high-quality products. Savemation contributes to environmental protection and an affluent society. Based on the "Savemation" philosophy, we fulfill the Yamatake Group's vision of realizing a world that is easier both on people and the environment, as follows:

For people, we provide comfortable and optimum indoor environments, realize creative and value-added work, as well as provide care services to the elderly, all through our products and expertise.

As an environmentally aware company, we deliver solutions that address environmental and energy issues, while reducing our environmental impact through our activities.

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Cautionary Statement: 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 its 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.

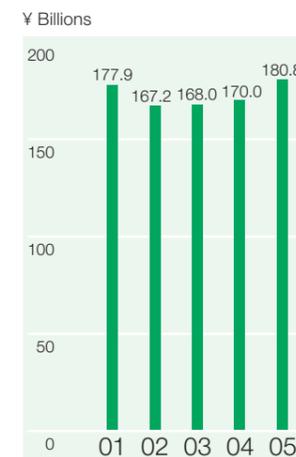
Financial Highlights

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

	Millions of Yen					Thousands of U.S. Dollars	
	2000	2001	2002	2003	2004	2005	2005
For the year:							
Net sales	¥ 169,634	¥ 177,940	¥ 167,164	¥ 167,969	¥ 169,951	¥ 180,763	\$1,689,371
Operating income	7,198	11,694	4,527	3,275	6,820	9,353	87,409
Income (loss) before income taxes	6,332	(9,576)	4,345	11,235	6,493	5,769	53,915
Net income (loss)	3,413	(5,918)	2,121	5,308	3,241	3,709	34,666
Per share (in yen and U.S. dollars):							
Net income (loss)	¥ 36.47	¥ (64.74)	¥ 24.77	¥ 68.65	¥ 43.51	¥ 49.88	\$ 0.47
Cash dividends	12.00	12.00	12.00	12.00	14.00	23.00	0.21
Shareholders' equity	1,224.36	1,176.54	1,169.07	1,247.07	1,297.95	1,356.65	12.68
Depreciation and amortization	2,810	2,655	2,809	2,655	2,346	2,291	21,414
R&D expenses	7,482	8,674	8,770	8,881	8,099	8,170	76,354
Capital expenditures	2,350	3,552	2,255	2,065	2,065	2,460	22,993
At year-end:							
Total assets	¥ 179,054	¥ 186,302	¥ 180,958	¥ 162,919	¥ 165,264	¥ 172,586	\$1,612,953
Total shareholders' equity	114,603	99,495	98,886	91,780	95,530	99,848	933,157
Number of shares outstanding (thousands)	93,604	84,566	84,566	84,566	73,576	73,576	
Number of employees	6,691	6,857	7,106	7,092	7,092	6,977	
Return on equity (%)	3.0	(5.5)	2.1	5.6	3.5	3.8	

* The U.S. dollar amounts have been translated from yen, for convenience only, at the rate of ¥107 to U.S.\$1, the approximate exchange rate as of March 31, 2005, as described in Note 1 of Notes to Consolidated Financial Statements.

Net Sales



(Years ended March 31)

Shareholders' Equity/ Return on Equity



(Years ended March 31)

Operating Income/ Net Income (Loss)/ Operating Income Margin



(Years ended March 31)

Book-value per Share/ Earnings per Share



(Years ended March 31)

To Our Shareholders

New Growth in Yamatake's Second Century

Needs in society for the Yamatake Group's measurement and control technologies continue to increase. As the 100th anniversary of our founding draws near in fiscal 2006, we have new growth firmly in our sights to kick off our second century.

Fiscal 2004 was the first year of our current three-year business plan ending on March 31, 2007. I am pleased to report that we beat our first-year targets for both sales and profits. Net sales rose 6.4% to 180.8 billion yen. On the back of this, we posted operating income of 9.4 billion yen, 37.1% higher than a year earlier. And our net income increased 14.4% to 3.7 billion yen, despite taking an extraordinary charge of 3.5 billion yen incurred by the termination of the defined benefit pension plan. As the first year of a medium-term plan that will carry us through to a new century of business, I believe we made a solid start.

Seizing More Opportunities for Growth

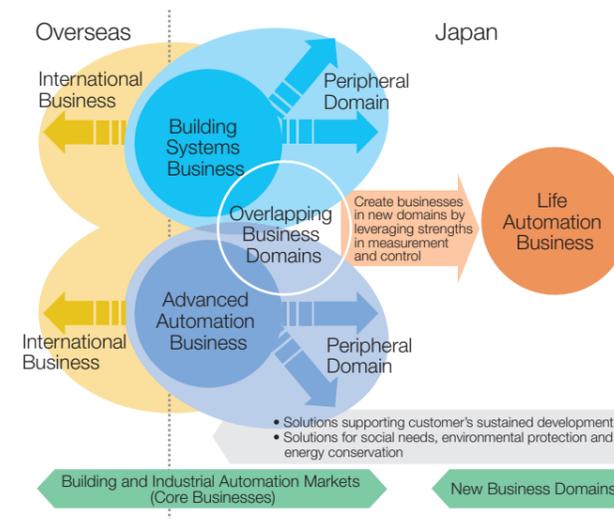
Fiscal 2004 was noteworthy not only as a successful start of our medium-term plan. It was also a year in which we saw an increase in business opportunities on many fronts for the Yamatake Group that give us greater conviction for further growth lying ahead.

Change is the keyword. Change in our business environment both in Japan and overseas. Change in the structure of society. Change in individual lifestyles and values. Indeed, change is spawning new needs for measurement and control in our core business domains of the building automation and industrial automation as well as in other markets. Underpinned by our "Savemation" corporate philosophy, we aim to develop various businesses related to measurement and control that contribute to resource and energy conservation, labor savings, safety and comfortable environments.

Over nearly a century in business, we have chalked up numerous accomplishments and amassed considerable expertise. These accomplishments and expertise underpin Yamatake today. Taking full advantage of our strengths in terms of experience, technologies and business structure, we continue to open up new possibilities in response to a wide variety of needs in various markets. Examples include factory HVAC (Heating, Ventilation and Air-conditioning) and solutions for

Left: Yoshiharu Sato, Chairman
Right: Seiji Onoki, President and Chief Executive Officer

Business Structural Reforms and Domain Expansion



energy savings in the industrial automation market, and access control for buildings. We also continue to break into domains on the periphery of the traditional businesses and develop new business models that go beyond our core businesses.

New needs are being created by changes in society, including an aging population, environmental problems and increasing interest in safety and security. Under the banner of Life Automation, we will create new businesses in the fields of the care services, the environment, and biotechnology that draw on our automation technologies.

As we approach our 100th anniversary, we are determined to seize these business opportunities and turn them into sources of new growth in our second century.

Creating on Three Concepts

Yamatake has set forth the targets of net sales of 200.0 billion yen and operating income of 13.0 billion yen to mark our 100th year in business in fiscal 2006, ending March 31, 2007. These targets are one milestone on the way to sustainable growth in our next century. To ensure this achievement, we will take up the challenge of creating new automation businesses that target new business opportunities. There are three concepts to this creation drive: changing the business structure, creating a new workstyle, and creating a new corporate culture imbued with a spirit of challenge.

Steps are being taken to transform our corporate culture and business foundation. We have taken various actions to improve creativity and productivity in various functions, including staff operations, product development, engineering and manufacturing.

Now we are widening the scope of these activities and accelerating this creation drive.

Returning the Fruits of Growth to Shareholders

Yamatake's measurement and control technologies have the potential to form the basis for various businesses. We fully intend to take advantage of these opportunities and meet shareholders' expectations by turning opportunities into growth to boost our corporate value. We emphasize the interests of shareholders and, with this in mind, our basic goal at Yamatake is to raise the level of ROE. Specifically, we have set a target of achieving ROE on a consolidated basis of at least 7% in fiscal 2006, ending March 31, 2007, by raising profits and capital efficiency.

Returning profits to shareholders is one of our most important management policies, as well. Our policy is to maintain a stable dividend while striving to increase it. In accordance with this policy, the dividend applicable to fiscal 2004, ending March 31, 2005, was set at 23 yen per share, 9 yen per share higher than for the previous fiscal year. In the current fiscal year, we plan to return more profits to shareholders by raising the dividend to 40 yen per share, taking into consideration both the success of ongoing initiatives intended to enhance the company's business and the outlook for performance improvement. We also plan to pay a commemorative dividend of 10 yen per share to mark our 100th anniversary in 2006.

The Yamatake Group is committed to raising its corporate value not just through its business activities, but also through activities that help protect the environment and contribute to society. In this way, we will repay the trust shown in us by shareholders, customers and all other stakeholders. Yamatake has embarked on a new growth drive. Expect to see more from us in the years ahead.

August 2005

Yoshiharu Sato
Yoshiharu Sato Chairman

Seiji Onoki
Seiji Onoki President and Chief Executive Officer

Issues and Measures

Implementing the Reforms Necessary for Growth in Our Second Century

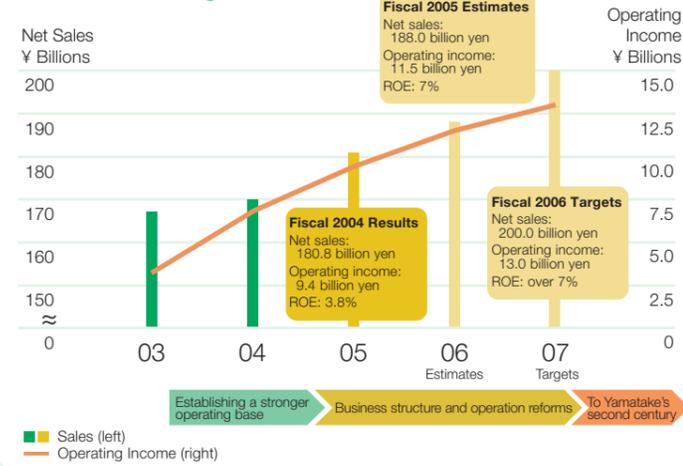
Yamatake is engaged in a concerted drive to transform the structure of its businesses and operations, expand business and improve the quality of management. Viewing our management targets in fiscal 2006, we are on the path to further growth.

In fiscal 2004, ended March 31, 2005, we made advances in reforms and conducted vigorous sales activities through the in-house companies put in place in fiscal 2003. At the same time, we worked to reduce operating expenses and lower costs. As a result, we posted an operating income of 9.4 billion yen on net sales of 180.8 billion yen. In terms of both sales and earnings, we surpassed our November 2004 revised forecasts of 180.0 billion yen and 9.1 billion yen, respectively.

For fiscal 2005, ending March 31, 2006, we are forecasting a 7.2 billion yen, or 4.0%, increase in net sales to 188.0 billion yen and a 2.1 billion yen, or 23.0%, rise in operating income to 11.5 billion yen. These forecasts are premised on higher sales and profits in both the Building Systems and Advanced Automation businesses. In the former, although a harsh business environment is expected to persist in Japan, we are targeting expansion in value-added solutions that help to save energy, control access, offer safety and security, and reduce the lifecycle cost of facilities. In the Advanced Automation business, we will further upgrade proposal sales activities closely tied to customer needs. Continued expansion in demand in Japan and overseas is also expected to boost results in this business.

Yamatake has set forth the targets of net sales of 200.0 billion yen and operating income of 13.0 billion yen to mark our 100th year in business in fiscal 2006, ending March 31, 2007.

Sales and Operating Income Actual and Target



(Years ended March 31)

Business Environment and Measures

Several trends continue to create a harsh operating environment for the Building Systems business. There is a nationwide decline in the building industry, despite growth in certain markets such as large projects in the Tokyo metropolitan area and higher capital investment in the manufacturing industry. Furthermore, prices are falling further due to severe price competition in the building industry. Meanwhile, in the Advanced Automation business domain, although capital investment has soared in Japan, spurred by the technical superiority of domestic digital equipment industries, there has been a relatively small increase in capital investment in areas related to the Yamatake Group's businesses. On the other hand, the solutions businesses that support customers' continuous growth and help solve certain needs in society, such as environmental and energy conservation, have witnessed rapid growth both in the Building Systems and Advanced Automation businesses. Indeed, new social needs are supporting expansion in the new field of Life Automation, which encompasses environmental, care services and other businesses. Overseas, high growth and rising capital investments continue to characterize Asian economies, including China, South Korea, Taiwan and Thailand. China, in particular, is growing as an important market, despite some causes for concern. Against this backdrop, the Yamatake Group will boldly develop business, focusing on the following implementations.

(1) The Building Systems and Advanced Automation businesses, while mature sectors, still have growth potential that can be captured by changing the combination of three key elements: customers, products and technologies. Yamatake has

collective strengths that extend from development, manufacturing and sales to installation and maintenance services. Transcending the boundaries of traditional businesses, Yamatake is using these strengths to develop new business models and domains not previously targeted. Illustrating this are factory HVAC (Heating, Ventilation and Air-conditioning) and environmental solutions such as energy savings for the industrial automation market, and access control for buildings.

- (2) Based on its original technologies, such as microflow, Yamatake's high-performance products facilitate more advanced control and even greater precision in measurement. They are key products for helping solve customers' problems. Yamatake plans to speed up development of high-performance products as it seeks to aggressively develop markets in China and other overseas countries, as well as in Japan.
- (3) Yamatake will foster growth of the Life Automation Business, including care services, safety and biotechnology by leveraging automation technologies.
- (4) At Yamatake, each in-house company has an integrated business framework. While this organizational structure will remain intact, Yamatake will create opportunities for creative collaboration between in-house companies, actively combining proprietary technologies to not only develop traditional business domains but also new ones.
- (5) Yamatake will establish a framework for facilitating fair management and a structure to promote flexible and fast operations, as well as continue to practice management with a commitment to corporate social responsibility (CSR).

Reforms to Establish a Foundation for Sustained Growth

To achieve fiscal 2006 targets and create a company primed for a second century of growth, Yamatake is mustering its collective strengths. Yamatake continues to allocate management resources and functions among group companies for the best possible results. Activities are ongoing to changing the business structure, creating a new workstyle, and creating the foundation for sustained growth.

Business Structural Reforms

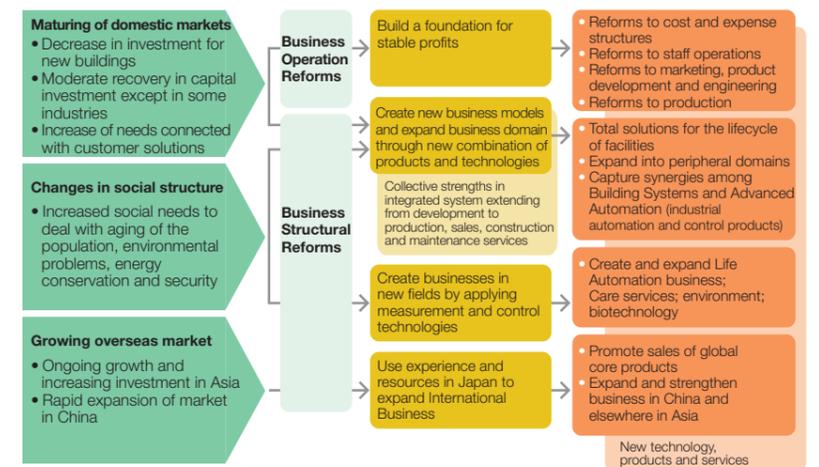
- **Develop business models and expand domains through new combinations of products and technologies**
Yamatake's business structure, which integrates from development, manufacturing and sales to installation and maintenance services, is unrivaled. Using its collective strengths, Yamatake will focus on the provision of total solutions spanning the lifecycle of customers' facilities, while also striving to derive synergies among businesses and expand in peripheral fields.
- **Cultivate new business fields by leveraging measurement and control technologies**
Yamatake will foster and expand the Life Automation Business such as care services, environmental and biotechnology fields matched to the needs of society.

- **Expand International Business using experience and resources accumulated in Japan**
We will promote sales of global core products, especially in China and other Asian markets.

Business Operation Reforms

Reforms are being executed as follows: staffing reforms to create a small, highly efficient workforce; company-wide marketing and product development reforms to create competitive products through cross-divisional development and cooperation among businesses; and manufacturing reform involving revisions to the production structure, methods and the product line-up of each manufacturing base to bolster production capabilities. Yamatake plans to expand the scope of these measures to create a stronger operating base.

Business Environments and Structural/Operation Reforms



Operations at a Glance

The Yamatake Group's core businesses are Building Systems and Advanced Automation. Grounded on measurement and control technologies, these businesses target the building and industrial automation markets, where Yamatake has a long-standing presence that dates back to its inception. In addition, we are leveraging the technologies and know-how amassed in these core businesses to expand in other business domains, namely International business and Life Automation business.

Core Businesses



Building Systems Business

Sales
¥ Billions

Year	03	04	05
Sales	81.3	79.1	82.6

(Years ended March 31)

Share of total sales

45.3%

Fiscal 2004 in Review

- Sales rose 4.5% to 82.6 billion yen.
- Sales were up in the market for new buildings on the back of a sustained upturn spurred by higher capital investments in the manufacturing industry. In the market for existing buildings, the ESCO business recorded steady sales growth.
- Services businesses continued to post healthy growth.

Business Outline

Yamatake supplies building automation equipment and systems through consolidating development, manufacturing, sales, installation, engineering, maintenance and management, which contribute to maintaining and raising the value of customers' buildings through improvements in energy efficiency, resource conservation, comfort, safety and convenience.



Advanced Automation Business

Sales
¥ Billions

Year	03	04	05
Sales	76.5	78.2	84.3

(Years ended March 31)

Share of total sales

46.2%

Fiscal 2004 in Review

- Sales increased 7.9% year on year to 84.3 billion yen.
- Demand increased in the manufacturing industry as a whole, driven by the electric/electronics, semiconductor and automotive markets. Growth was also recorded overseas in Asia, mainly China.
- Yamatake made steady progress in increasing sales of new products and growing in peripheral business fields.

Business Outline

Yamatake is a one-stop shop, offering switches, sensors, controllers, valves, systems and software packages vital to the operation of industrial plants and factories as well as of engineering and maintenance services. Yamatake helps customers solve their automation issues by working closely with them on-site to deliver customized solutions throughout the lifecycle of their facilities, from the set up of production lines to their operation.

Strategic Businesses



International Business

Sales
¥ Billions

Year	03	04	05
Sales	10.2	11.4	14.3

(Years ended March 31)

Business Outline

Drawing on technologies and know-how gained in Japan, Yamatake is developing its Building Systems and Advanced Automation businesses on a global scale. Tightly focused on each region where it operates, these businesses deliver optimal products and services to customers precisely when they need them. The International Business Headquarters and 18 overseas subsidiaries in 11 countries work as one to respond to customer needs in this way.

Fiscal 2004 in Review

Sales climbed 26% to 14.3 billion yen due to marked growth in Asia, mainly China, most notably in sales of transmitters, valves, electromagnetic flow meters and other products.

* The results of International Business are included in the Building Systems and Advanced Automation businesses on a consolidated basis. The figures in the graph for International Business were extracted from both these businesses.



Life Automation Business

Care Services
Environment Business
Home Comfort Business

Business Outline

Yamatake applies measurement and control technologies to respond to new needs in society. Businesses include care services and emergency dispatch services for people needing support and peace of mind; support for traceability to ensure food safety; effective sewage inflow prediction information services and infiltration and inflow investigations for the prevention of river pollution; and a home comfort business to provide comfortable indoor spaces in private residences.

Fiscal 2004 in Review

Sales rose in the Environment Business due to the greater uptake of traceability systems for agricultural products as public interest rises in food safety. Care Services achieved a steady increase in sales due to activities such as the opening of sales offices.

Core Businesses
Building Systems Business

Services and solutions that respond to customer needs such as ESCO generated steady growth. A firm recovery in capital investment in Japan drove further expansion of the business targeting the factory HVAC* market. We plan to focus on developing value-added solutions for energy savings, safety and security, and reduced life-cycle costs for customers.

* HVAC: Heating, Ventilation and Air-conditioning

Business Environment and Direction

Conditions in the Building Systems Business are in a phase of major change. The market for new buildings, which in the past has been a consistent source of profits, is in long-term decline, despite some areas of growth in and around Tokyo and in the manufacturing industry. However, demand is growing for reducing the lifecycle cost of buildings and improving safety and security of buildings. In addition, demand is also increased by upgrading and expansion of the tax credit and regulations related to environmental conservation.

Seizing this opportunity, we are shifting our focus to offer total solutions to enable customers to maintain and improve the lifecycle value of buildings. As a market leader, leveraging our expertise and data accumulated from half a century in the building automation business, as well as our strength from development, manufacturing and sales to installation, maintenance and management, we provide the services that add value to a building over its entire life-cycle. Only Yamatake can offer such a comprehensive lifecycle service business.



Hiroaki Kobayashi
Executive Director,
Managing Executive Officer and
Building Systems Company President

Sales and Operating Income



(Years ended March 31)

● **Expand solution business**

- In the markets for existing buildings and services, we plan to expand the business by refocusing on value-added solutions associated with repair and refurbishing of buildings and operations and with lifecycle management.
- By assessing new customer demands due to a changing business environment, we plan to expand domains peripheral to the building automation business such as building security.

● **Generate profits from the market for new buildings while pursuing structural reform**

- We plan to reduce overall costs significantly via the development of new low-cost products and the expansion of overseas production.

- We also aim to boost profits by implementing structural reforms throughout processes in production, sales, installation and services.

● **Reinforce overseas developments**

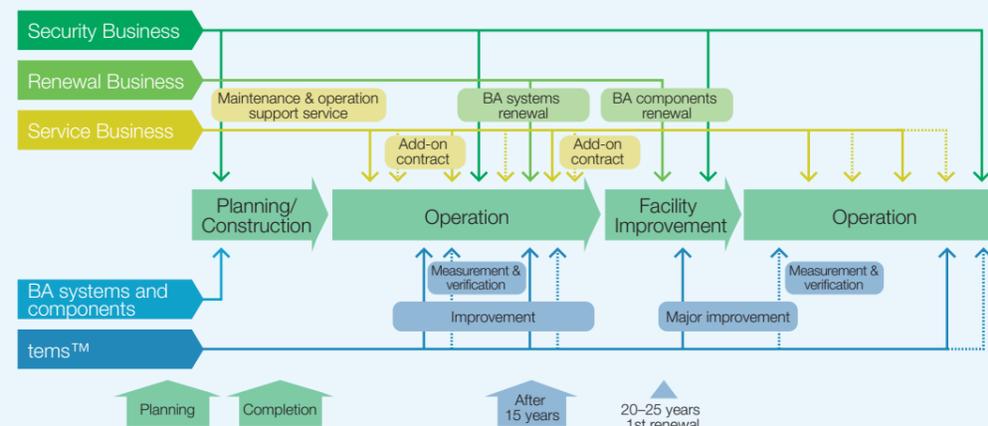
- We are working to raise our competitiveness by promoting original products as well as services and field technologies, mainly in China and other areas including South Korea, Taiwan and Southeast Asia.
- We are building and reinforcing regional sales networks to raise profitability while enhancing the presence of Yamatake.

Performance

Conditions in the building industry remained harsh as public-sector investment levels and building prices both continued to decline. More hopeful signs included an increase in the large-scale development projects in the Tokyo metropolitan area and a sustained upturn in capital investment, led by the manufacturing industry.

In the market for new buildings, a decrease of office building developments ensured that conditions remained tough. However, we were able to generate year-on-year sales growth through rapid assessment of market needs coupled with a strengthened focus on offering advanced and value-added solutions. This enabled us to tap into capital investment-related demand in the manufacturing industry, notably within the electric and electronics sectors.

Building lifecycles and the Building Systems business



Markets

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



RESO Naruohama
Health Spa and Resort



Rissho University
Osaki Campus



Sumitomo Chemical Co., Ltd.
Organic Synthesis Research Laboratory

* Shown here are examples of orders showcased in Yamatake's *Savemation* public relations brochure. Presented with the consent of customers.

In the market for existing buildings, we generated growth through solutions and services such as ESCO services, or tems for optimal energy and cost savings and network-based building management services, which are tailored to changing customer needs. With the rising demand for environmental conservation due to the ratification of the Kyoto Protocol, there has been growth in demand for total energy management both for HVAC and the production line in factories. Thus, we are focusing in particular on expanding the domains of overlap with the Advanced Automation business.

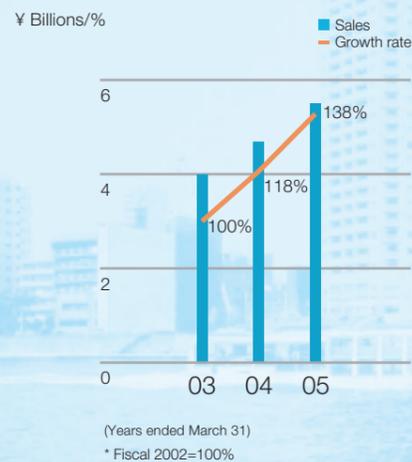
International business recorded higher sales than in the previous year, aided by strong capital investment in Asian markets and the development of new operating bases centered on China.

Sales rose by 3.5 billion yen, or 4.5%, to 82.6 billion yen. Operating income declined by 0.2 billion yen, or 2.8%, to 5.5 billion yen, due to sales rising in the market for new buildings, a sector where the gross margin tends to be lower, while sales fell temporarily in the market for existing buildings. The operating margin declined by 0.5% to 6.7%.

Business Plan and Outlook

Although demand is expected to remain buoyant in the factory HVAC market, the ongoing decline in investment within the public and construction sectors will keep overall business conditions challenging. Our plan is to expand value-added solutions for energy saving, safety and security, and reduced lifecycle costs for customers. At the same time, we will continue working to expand internationally. For fiscal 2005, ending March 31, 2006, we forecast an increase in sales of 2.4 billion yen, or 2.9%, to 85.0 billion yen and an increase in operating income of 0.4 billion yen, or 8.4%, year on year to 6.0 billion yen.

Sales of tems™



Our principal ongoing initiatives are outlined below.

● Market for new buildings

- Expand further into manufacturing industry, which continues brisk performance.
- Expand into total energy management both for HVAC and production line in factories, particularly those that overlap with the Advanced Automation business.

● Markets for existing buildings and services

- Expand through promotion of ESCO services, or tems to assist customers with energy conservation and cost reduction in existing buildings.

● Peripheral business domains and international business

- Reinforce presence of Yamatake in the field of building security leveraging product range from simple to high-function products and systems.
- Expand operations in overseas markets such as in China, South Korea and Taiwan.

New Products

● Building Automation System savic-net™ FX

Compatible with the latest networking technologies such as IPv6*1, Linux*2, XML*3, SVG*4 and Java*5, this system facilitates remote building monitoring and gives customers access to a broad choice of monitoring terminals and functions, irrespective of building size. The savic-net FX system is designed for the new age of ubiquitous networking.



● Access Control System IDSMART™

This advanced but low-cost system enhances the security of buildings such as offices, research facilities and factories. It can be linked to a customer's existing LAN or PC network. The electric key control device is compact enough to be fitted directly onto an external wall. Installation in an existing building is both simple and inexpensive.



● Highly Accurate HVAC Controller for Clean Rooms Inflex™ CR

This controller is designed for clean rooms and research laboratories. Easy to install in an existing air-conditioning system, it provides high-precision temperature and humidity controls while contributing to lower energy consumption of up to 50% (based on energy-saving settings within control standards).



*1 Internet Protocol Version 6

*2 Linux is a trademark of Linus Torvalds in the U.S.A. and other countries.

*3 eXtensible Markup Language

*4 Scalable Vector Graphics

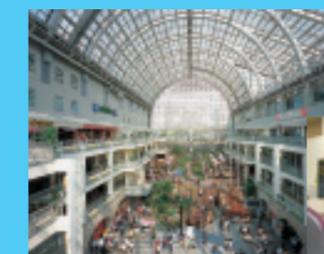
*5 Java and words including Java are trademarks of Sun Microsystems, Inc., U.S.A., and of products using Java technology.

savic-net, IDSMART and Inflex CR are trademarks of Yamatake Corporation in Japan.

Applications

● Sapporo Factory and Hotel Clubby Sapporo Giant Mall Installs Energy-Conservation Systems With No Initial Investment

Drawing on Yamatake's expertise in total energy management services, Sapporo Factory in 2002 was able to introduce a shared-saving ESCO arrangement using a subsidy from the New Energy and Industrial Technology Development Organization (NEDO) without having to use its own funds. In 2004, this successful scheme was extended to Hotel Clubby, which is located on the same site.



savic-net50 was employed as an additional energy conservation measure following the introduction of BEMS (Building Environment Management System) in the giant atrium of the Sapporo Factory complex.

Hotel Clubby Sapporo

Main Products and Services

- Building automation systems
- Controllers
- Sensors
- Valves
- Actuators
- Security systems
- Building preventive maintenances services
- Total energy management service
- Building operation support services



tems, savic-net, Neopanel and ACTIVAL are trademarks of Yamatake Corporation in Japan.

Core Businesses
Advanced Automation Business

In fiscal 2004, the increase in capital investment in the manufacturing industry as a whole contributed to sales growth in various markets, mainly control products and field instruments.

Our goal is to continuously expand business by meeting customer needs in respect of energy savings, safety, quality improvement and environmental conservation.

Business Environment and Direction

The markets for the Advanced Automation Business continued to grow steadily, both in Japan and overseas in fiscal 2004. There was a move to shift production bases of value-added products back to Japan, and a brisk performance was seen in the domestic materials industry.

Overseas, there was market expansion especially in China. In addition to these market forces, we benefited from the successful outcome of various initiatives implemented since the formation of the Advanced Automation Company. These factors combined to support continuous growth in sales and profits in fiscal 2004. Rather than settling for this, however, we are determined to focus our energy on strengthening our business to build a foundation for sustained growth. This will be accomplished by grasping the changes in our operating environment from a medium- to long-term standpoint.

● **Strengthening Business Synergies**

In April 2003, Yamatake reorganized its businesses with the dual goals of providing optimal solutions for customers in the industrial market, while also generating stable earnings. This reorganization launched the Advanced Automation Company as an in-house company and the core of Yamatake's businesses in the industrial market. Since its formation, we have pursued synergies by combining the resources of the control products and the industrial automation businesses, which were merged to create the in-house company. Consequently, we have achieved much success. Our aim is to grow by creating business models and developing new products that are unique to Yamatake, and further enhance synergies.

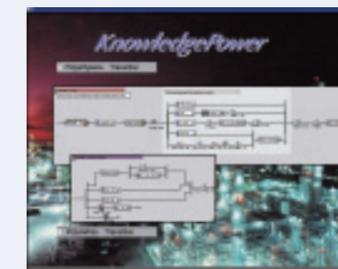
Moreover, we will also develop the business of providing both HVAC and the production line in factories by integrating the capabilities of the Building Systems business.

● **Responding to Risk-based Management**

The corporate operating environment is undergoing a major upheaval regarding the company's responsibility, including accountability for the safety of manufacturing facilities and safety management, as well as for the

need for proper management of aging facilities. Companies must take greater responsibility for safety assurance due to the easing of legal inspection standards. Today, corporate operations cannot be managed without taking risks into consideration. Indeed, for a company to sustain growth, it is vital that it identify potential risks in its activities and implement measures to precisely respond to and manage those risks.

Yamatake aims to grow through the provision of solutions that respond to changing market demands in respect of safety and reliability. One example is a quality tracking management system that facilitates the tracing of products in the pharmaceuticals and food markets, from the sourcing of raw materials to final consumption. Another is support to ensure the safety operation of plants after the retirement of skilled operators.



Knowledge Power™
 Knowledge Management Package for Plant Operation

Performance

In the Advanced Automation Business, following the rebound in corporate earnings, capital investment has recovered in the manufacturing industry as a whole, with the driving force provided by the semiconductor, electrical, electronic and automotive markets. Sales of control products, field instruments and control valves expanded significantly, resulting in a healthy business performance. Under these circumstances, we recorded world-leading unit sales of two-wire electromagnetic flowmeters. Furthermore, we expanded our solutions business, helping customers to enhance and optimize production as well as solve issues surrounding quality control management, energy and environmental management and other aspects of their operations.

The Yamatake Group provided value-added products and solutions employing original technologies and conducted proposal-sales activities tailored to individual customers. In this way, we responded to their needs in terms of energy savings, enhanced safety, quality improvement and environmental friendliness. Leveraging synergies in our operations, we also strengthened the development and performance of new products and supplied solutions to meet diversifying customer needs.



Hisayoshi Mori
 Managing Executive Officer and
 Advanced Automation Company President

Sales and Operating Income



(Years ended March 31)

Markets

- Petrochemical/chemical
- Water supply and sewerage
- Oil refining
- Electric power and gas
- Iron and steel
- Pulp and paper
- Shipping and marine
- Semiconductor/semiconductor manufacturing equipment
- Electrical/electronic components
- Machine tools
- Automobiles
- Pharmaceuticals
- Foods and beverages/packaging
- Furnace/oven/boiler manufacturing
- Residential and commercial buildings, etc.



Toyobo Co., Ltd.
 Iwakuni Plant



Honda Motor Co., Ltd.
 Saitama Factory
 The Production Line for Bumpers



Komatsu Gas Corporation
 The L-CNG refueling system

* Shown here are examples of orders showcased in Yamatake's *Savemation* public relations brochure. Presented with the consent of customers.

In international business, we deepened ties with overseas subsidiaries, achieving an increase in sales overall, especially in China, Taiwan and Thailand, as we shrugged off the effects of production slowdown of semiconductor manufacturing.

As a result, sales in the Advanced Automation Business increased 7.9% year on year to 84.3 billion yen, and operating income surged 81.3% to 4.7 billion yen.

Business Plan and Outlook

We are forecasting a 3.6 billion yen, or 4.4%, increase in sales to 88.0 billion yen in the Advanced Automation Business, on continuing growth in demand in domestic and overseas markets as well as stepped-up proposal-based sales activities closely tailored to customer needs. In terms of profits, our forecast calls for a 1.0 billion yen, or 22.8%, increase in operating income to 5.8 billion yen due to a further improvement in the cost of sales and other factors.

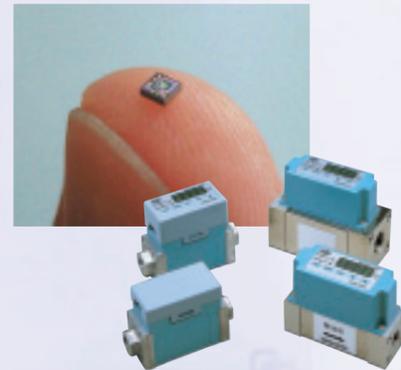
● Stronger Relationships With Customers Through Cooperation

A feature of our business is long-term relationships with our customers that last throughout the lifecycle of their plant facilities and equipment. These extended relationships

start with the sales of products and systems and continue with the provision of maintenance services. Because of this, it is vital to build relationships of trust and have the ability as a business partner to provide optimal solutions that address customers' frontline issues. We therefore place priority on building solid customer relationships by implementing rigorous quality management so that our customers can use our products and services with confidence. This commitment extends to the provision of product solutions applied by sophisticated technologies and of added-value production, engineering and services based on high specialization.

● Creation of New Business Domain

There is a tendency to regard the manufacturing facility market, which is the target market of the Advanced Automation Business, as mature. If anything, the market is seeing new demand spawned by the need to achieve greater energy conservation, respond to environmental issues, address safety concerns, enhance production and improve quality management and control. By taking into consideration these changes in the business environment, we will evaluate and strengthen business segments. We will also create new business models that leverage synergies among businesses and expand



μF™ (Microflow) sensor and products applying microflow sensor

business domains by offering products that apply original technologies such as mass flow measurement and acoustic diagnosis technologies. By creating business segments found only at Yamatake, we will expand our activities and drive significant growth in the Advanced Automation Business.

● Further Expansion Overseas

We plan to further expand our sales and service network and strengthen the quality assurance framework of overseas subsidiaries in Asia, particularly in China. This will also involve greater support from Japan for overseas subsidiaries.

New Products

● Harmonized Automation System-Dependable Open Harmonas-DEO™ R300

This production control system for factories is equipped with online control capabilities through the web, while enhancing safety and security for the operation of a plant from various places. With these fully web-enabled systems, operators can safely control and monitor plant operations from the most convenient and efficient location.

Harmonas-DEO is a trademark of Yamatake Corporation in Japan.



● Stainless Steel Sensing Face Proximity Sensor FL7S Series

The FL7S is a proximity sensor specially designed for welding applications on the automobile manufacturing line. The sensing face is integrated into a stainless steel housing having high shock resistance and superior abrasion resistance. Sensors have a spatter and slag proof special coating. An electromagnetic field noise elimination circuit is built in.



● Sapphire Capacitance Diaphragm Gauge for High Temperature Sapphire-based Capacitive Pressure Sensor

This highly precise capacitance diaphragm gauge, which combines Yamatake's original technologies, is used in semiconductor manufacturing processes. The gauge is equipped with a micromachined capacitive pressure sensor employing an industrial single crystal sapphire, which provides much higher corrosion resistance than with conventional materials.

The innovative sensor chip technology draws on Micro Electro Mechanical System (MEMS) technology developed by our microflow sensor technologies. We succeeded in development of this highly precise diaphragm gauge by utilizing this sensor chip technology together with Yamatake's original packaging and high-precision capacitance measurement circuitry technologies.



Main Products and Services

- Distributed control systems
- Software packages
- Field instruments (pressure transmitters and flowmeters)
- Control valves
- Facility diagnosis equipment
- Temperature controllers
- Recorders
- Combustion control equipment
- Photoelectric and proximity sensors
- Service operation programs, etc.



Harmonized Automation System **Harmonas™**

Smart Electromagnetic Flowmeter **MagneW™3000 PLUS**

Control Valve/Smart Valve Positioner

DigitroniK Digital Indicating Controller **SDC™ series**

Sensors

Harmonas, MagneW, SDC and μF are trademarks of Yamatake Corporation in Japan.

Applications

● Nippon Electric Glass Co., Ltd. Combustion Control Technology for a Leading Specialty Glass Manufacturer

This oxygen-fired furnace is used to manufacture specialty glass and other high-tech glass for IT and AV equipment. Manufacturing glass of a uniform quality requires that the temperature inside massive glassmaking furnaces be held constant at between 1,500°C and 1,700°C. Leveraging advanced technological capabilities and an extensive product lineup amassed over many years in the combustion control field, Yamatake has helped optimize oxygen-fired technology in the glassmaking furnaces of specialty glass manufacturer Nippon Electric Glass Co., Ltd.



CV3000 alphaplus™, which controls gas flows, and the SVP3000 Smart Valve Positioner

alphaplus is a trademark of Yamatake Corporation in Japan.

The Multivariable Flow Transmitter measures the inflow of oxygen into the furnace



Glass making furnaces at the Otsu Plant of Nippon Electric Glass

Strategic Businesses International Business

Sales surged 26% year on year to 14.3 billion yen on sharp growth in China and elsewhere in Asia. We aim to expand our business further by implementing various initiatives, including establishing and enhancing representative offices, sales and agency networks and other business bases as well as improving the framework for offering services locally.

Yamatake conducts its international business worldwide, and expands its business through 18 subsidiaries in 11 countries, mainly in Asia. Yamatake has years of experience of international business since forming a capital relationship with U.S. company Honeywell more than 30 years ago. We have utilized our decades of experience and track record to deliver best-fit solutions for the differing problems and needs of customers in each region around the world, winning strong acceptance in the process. Tapping into the favorable operating environment created by brisk capital investment in Asia, particularly China, we are expanding our international business. This expansion will be driven by developing the product solution business, which is centered on unique and superior products through business models reflecting regional characteristics.

Jun Kawachi
Executive Director
Managing Executive Officer

Business Performance by Region

China/Asia

In fiscal 2004, sales grew significantly in China and other countries of Asia, particularly of products such as transmitters, valves and electromagnetic flow meters. Sales increased 62% in China to 3.6 billion yen and 33% to 7.3 billion yen in other parts of Asia.

In fiscal 2004, we actively took steps to strengthen sales and distribution channels and our service framework in China. One move was to establish Yamatake Automation Products Shanghai Co., Ltd., which started operations in May 2004. The following July we opened the Shanghai Demonstration & Training Center. Furthermore, Shanghai Yamatake Automation Co., Ltd. in April 2004 completed second-phase construction of the Nanqiao factory, which began operations in 2003. Subsequently, efforts focused on strengthening engineering functions of this factory.

We plan to grow the Advanced Automation business in China by stepping up activities targeting the petrochemicals, automotive, semiconductor and electric/electronics markets. Concurrent with these activities, we will expand our Building Systems business, targeting Japanese-owned transplants in China.

In Southeast Asia, Yamatake will expand both the Building Systems and Advanced Automation businesses that target Japanese customers, mainly in Thailand. Furthermore, we plan to expand the Building Systems business

in Indonesia, a country undergoing a startling economic recovery.

In another move, we will open a representative office in Vietnam, which is attracting investment from overseas, particularly Japan, as we look to expand business in this country.

In South Korea and Taiwan, our goal is to achieve further growth in both the Building Systems and Advanced Automation businesses in the electric/electronics and semiconductor as well as traditional markets, including petrochemicals, shipbuilding and chemicals.

Europe

Sales increased in the European market in fiscal 2004 by 0.2 billion yen to 1.4 billion yen. In this market, we are aiming to expand business by focusing on certain products and promoting cooperation between Yamatake Europe N.V. and partner companies.

North America

Sales were down in the U.S. in fiscal 2004. However, in Canada in May 2004, we signed a sales tie-up with zed.i solutions inc. as we moved to expand business involving natural gas flow measurement. In North America, we are deter-



Yamatake signed a sales tie-up agreement with Canadian company zed.i solutions in flow measurement components for natural gas in May 2004.

mined to raise sales of electromagnetic flow meters and other products by strengthening our sales network.

Topics

Overseas Bases

Yamatake Automation Products Shanghai Co., Ltd. started operations in May 2004

This company sells control products such as controllers, sensors and switches to customers in the automotive, electrical and electronics, semiconductor, food, transportation, industrial furnace and other industries. Yamatake Automation Products Shanghai also serves as a logistics center for manufacturing and sales in China, facilitating the speedy supply of group products.

Shanghai Demonstration & Training Center opened in July 2004

Shanghai Demonstration & Training Center serves as a source of information on Yamatake's building automation products and technologies and as a knowledge and training center.



Exhibitions

Yamatake actively takes part in various exhibitions to enhance the Yamatake presence in China. In fiscal 2004, it showcased products and services at China Refrigeration 2004 and MICONEX2004, the biggest exhibitions in Asia in the fields of the Building Systems and Advanced Automation businesses, respectively.



China Refrigeration
The 15th International Exhibition for Refrigeration, Heating, Ventilation and Air-conditioning, Frozen Food Processing, Packaging and Storage.
April 8-10, 2004 Site: Shanghai, China

MICONEX2004
September 14-17, 2004 Site: Beijing, China

Shanghai Yamatake Automation Wins Designation From SAEFI

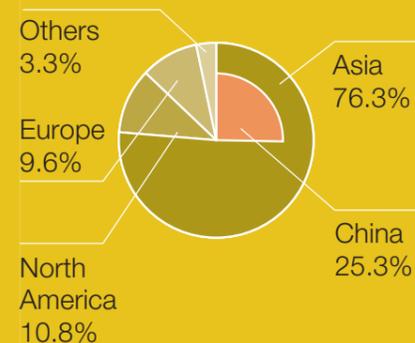
Shanghai Yamatake Automation, which manufactures and sells industrial automation systems and products, was recently designated as a "Foreign-funded Enterprise with Advanced Technology" by the Shanghai Association of Enterprises with Foreign Investment (SAEFI). This designation reflects the association's evaluation of the company's technological capabilities, percentage of product parts manufactured in China and other factors.

Overseas Sales/Share of Total Sales



(Years ended March 31)

Overseas Sales by Region



Network of Overseas Subsidiaries



Strategic Businesses

Life Automation Business

Yamatake's new Life Automation Business encompasses the fields of health and care services, the environment, and biotechnology. Our goal is to develop and expand this business, growing it into a third earnings pillar alongside the Building Systems Business and Advanced Automation Business.

Care Services

BUSINESS OUTLINE

Yamatake offers various services in support of people's lives, including emergency dispatch services in the event of a medical emergency, care services and lifestyle support services. We also develop products and services that leverage our measurement and control technologies.

Markets

- Care services
- Lifestyle support for the elderly

Major Products and Services

Care services, including emergency dispatch services, home-use medical equipment, helpdesks, health consultation hotlines, and mental healthcare; and in-home care services, and the sale and rental of care equipment

Yamatake provides care services that incorporate sensing technologies in the field of measurement and control, as well as IT know-how. These services are provided by Group companies Safety Service Center Co., Ltd. and Yamatake Care-Net Co., Ltd. The former provides emergency dispatch services and health consultation, while the latter conducts in-home care services.

In care services business, we endeavored to steadily expand business with the aim of offering services closely linked to regional needs. In fiscal 2004, the number of municipal governments in Japan using Safety Service Center's emergency dispatch services totaled 473, and the number of registered customers grew steadily to around 56,000. Yamatake Care-Net opened six additional caregiver facilities and care equipment delivery shops. Plans call for growing business and raising earnings by enhancing the emergency dispatch services and expanding the care service domain. In tandem with these efforts, we will actively forge alliances with other companies and take other actions to create value-added businesses, including disease management services and support services to prevent lifestyle-related diseases among the elderly. Part of our approach has been to enter into an alliance with U.S. company Health Hero



Location search information service
This service performs a location search using a PHS or GPS device to determine the whereabouts of the wearer of a lightweight dedicated terminal, within a radius of 10 to 100 meters.

Network, Inc., Tokyo Metropolitan Institute of Gerontology and J.EAP Co., Ltd. Health Hero Network has a proven track record through the provision of a service for preventing chronic diseases, while the latter two have an outstanding reputation in the field of support services for preventing lifestyle-related diseases.

Sales in fiscal 2004 rose 0.4 billion yen, or 11%, from the previous year to 3.4 billion yen, as this business continued to grow gradually. We are targeting more sales growth in fiscal 2005 through expansion of business domains and a shift to businesses offering added value.

Environment Business

BUSINESS OUTLINE

We will provide products and services that respond to growing interest in society in environmental conservation and food safety, leveraging measurement and control technologies amassed in our core businesses.

Markets

- Traceability: Production, collection and shipment, distribution, processing, wholesaling and retailing of agricultural products
- Sewage inflow prediction information service: Operation, maintenance and management of public wastewater treatment plants

Main Products and Services

Trace Navi™ traceability system and Net-TCBM™, a sewage inflow prediction system

Food Safety Business

Yamatake's Trace Navi traceability system comprises various systems. These include production, collection and shipment, and distribution support systems for agricultural products and a support system for providing information on individual agricultural products at retail stores. Trace Navi manages production and distribution via the Internet using IC

cards, IC tags, two-dimensional codes and bar codes, making it possible to trace produce through all stages of distribution from the farm to the consumer. Trace Navi was the first system in Japan that can trace and track the production and distribution history of agricultural products based on the Guidelines for Introduction of Food Traceability Systems issued in 2003 by The Ministry of Agriculture, Forestry and Fisheries of Japan. Sales of this system have grown in fiscal 2004 on the back of rising interest in food safety. We expect sales of Trace Navi to grow further in fiscal 2005 as interest in food safety continues to rise.

Urban Disaster Prevention Business

This business mainly involves our Net-TCBM (Topological Case-Based Modeling) system for sewage inflow prediction. Combining proprietary TCBM forecasting technology and meteorological data, this system provides forecasts of sewage inflow volumes up to 22 hours in advance. The enforcement of new ordinances in Japan is expected to spur new investment in improving combined sewer systems (those conveying both sewage and storm water) of 4.6 trillion yen over the next 10 years. This is anticipated to increase the demand for sewage inflow prediction, a vital



Trace Navi™ traceability system
Yamatake's traceability business is focusing on database management of information, such as agricultural chemical safety gathered from producers of agricultural products.

part of this reform process, and Net-TCBM has demonstrated its ability to control overflows from combined sewer systems. TCBM technology has also proven effective in identifying infiltration and inflow of storm water in separate sanitary systems, helping to prevent water pollution. The latter market is also expected to expand in line with the rapid increase in the number of aging city sewer pipes that were installed more than 20 years ago. In fiscal 2004, we provided Dr-TCBM™ infiltration and inflow investigation to seven users, including the Tokyo, Yokohama and Hiroshima municipal governments and Japan Institute of Wastewater Engineering Technology (JIWET). In fiscal 2005, we will bolster sales activities as we look to make the Net-TCBM the industry's de facto standard, leveraging its technical superiority as the only software of its type in Japan to have received the Technology Certification from JIWET.

Home Comfort Business

BUSINESS OUTLINE

We provide integrated services covering the design, installation and maintenance of central air-conditioning systems for individual residential homes, based on Yamatake's extensive experience in building automation.

Market

- Individual residential homes

Main Products and Services

Kikubari™: a central air-conditioning system for airtight and well-insulated homes

The Kikubari central air-conditioning system provides single residences with the same level of indoor comfort as is commonly found in hotels. Yamatake has installed such systems in over 2,000 homes to date. Owners frequently praise the system's high efficiency and economical running costs. Yamatake provides an integrated design,

installation and maintenance service for Kikubari systems, including 24-hour support. Our service is one of the most advanced in the industry. Yamatake aims to increase sales and profits from this growing business through upgraded marketing efforts, including the promotion of the system to leading homebuilders as standard equipment and tie-ups targeting national and regional contractors, as well as an informative website and announcements via email to reach potential customers.



The central air-conditioning system Kikubari™ is installed in airtight and well-insulated homes.



A controller for humidity, temperature and ventilation

In addition to the above business fields, Yamatake is targeting the growing biotechnology field. We are currently developing technologies to sow the seeds for a new business. Our approach extends to joint research on biochips and related automated manufacturing systems with a French national research institution.

Research & Development/Intellectual Property

Organization and Overview

The Yamatake Group prioritizes investment in R&D activities and technical personnel so that resources are allocated to upgrade core technologies such as sensing, in the fields of measurement and control. R&D functions are charged with accelerating the market introduction of new, differentiated products and systems based on Yamatake's original technologies.



Sapphire sensor

gains in performance over conventional methods based on Pulsed DC.

In strategic technologies, work continued on R&D in the health and social services and environment and new energy fields. Yamatake developed Dr. TCBM, an infiltration and inflow investigation service.

In the field of micro devices, R&D has developed a diaphragm gauge that plays a crucial role in semiconductor manufacturing processes, the first product to market equipped with an electrostatic capacitance-type pressure sensor employing sapphire for the measurement component.

In advanced technologies, Yamatake is engaged in joint research with a number of universities and external research institutions to develop next-generation technologies. Commercialization work accelerated during the year on spherical SAW (Surface Acoustic Wave) gas sensors for use in fuel cells. In biotechnology-related areas, Yamatake pursued joint research into in situ synthesized DNA chips, as well as automated production systems for such products.

Ongoing R&D Activities

Besides ongoing work on products for core businesses, Yamatake plans to enhance resources to strategic and advanced technologies, and will seek out new business chances founded on R&D programs.

The SAW gas sensor is a particular area of focus, with work continuing on boosting durability and response speed to create a commercial product for use in fuel-cell applications. With the DNA chip project, work is progressing on creating prototype chips and synthesis devices.



DNA chip

Strengthening Intellectual Property Protection

Intellectual property is a major issue for Yamatake as it develops the new domain of Life Automation. When entering a new field, it is essential to protect new technologies that draw on Yamatake's expertise and to avoid infringement of pre-existing intellectual property rights. This is precisely what Yamatake is doing to build a sound operating foundation as it expands its business operations. The importance of intellectual property protection outside Japan has increased as Yamatake's operations have become more global. The accumulation of industrial property rights will thus be a critical element of Yamatake's business activities in the 21st century. Intellectual property support has become a particularly urgent issue for Yamatake's operations in China and other Asian markets. As in fiscal 2004, in fiscal 2005, Yamatake plans to collate information on the various legal intellectual property protection regimes in other countries in order to identify differences while establishing rights that make its businesses more competitive.

Efforts are directed both to reinforce the development of products and systems for the Building Systems and Advanced Automation businesses and to strategically invest in basic research and technical development to support the creation of next-generation products and new businesses. The R&D organization consists of the R&D Headquarters, the Micro Device Center and the Speed Production Engineering Center. These resources are shared by the entire company. Development teams within each business unit also undertake product development work. Close coordination

R&D Expenses



(Years ended March 31)

between each part of the R&D organization helps to maximize the efficiency of R&D efforts across the Yamatake Group.

R&D Successes in Fiscal 2004

In fiscal 2004, resources were divided between R&D programs specializing in core, strategic and advanced technologies and in micro devices. In core technologies, Yamatake developed and launched savic-net FX, a next-generation building automation system compatible with open-source network technologies such as IPv6. In addition to development of wireless sensors and set point management units, savic-net FX is a value-added product for the ubiquitous network age. It promises to raise Yamatake's competitiveness significantly in the fiercely competitive markets for new and existing buildings.

Another product recently developed within core technologies is Inflex CR, a new HVAC controller for clean rooms that achieves reductions in energy consumption of up to 50% using original control technology. This product strengthens the lineup for the Advanced Automation business, making use of Building Systems technology.

The Harmonas-DEO manufacturing control system was developed for the Advanced Automation business. Boasting online operation through the Web as well as enhanced security and safety features, the system is applicable to production control in pharmaceuticals, food & beverages, automobiles, semiconductors and other plants. It also has applications in utility monitoring and control.

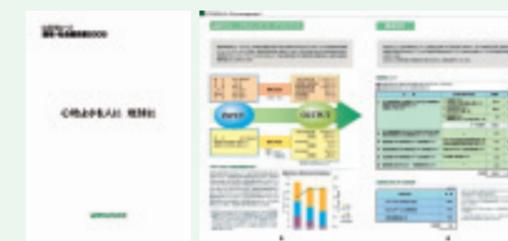
In other R&D work, Yamatake researchers developed TIDAS (Time Derivative of vector potential A Sensing) Technology for use in electromagnetic flow meters. This improved technology promises substantial

Environmental Responsibility and Social Contribution

Environmental Responsibility Activities Basic Stance on Environmental Issues

The 21st century is said to be the "century of environmental awareness," as we must cope with a growing number of environmental issues facing humankind today, from global warming to waste disposal, and resource depletion.

The Yamatake Group's philosophy of "Savemation," a term derived from saving through automation, and its corporate vision of realizing a world that is easier both on people and the environment, have been the key to Yamatake's business activities, as it aspires to make society more affluent while also contributing to environmental conservation. The Yamatake Group Environmental Charter adopted in 2001 calls for all Group companies to help foster the creation of an environmentally-sustainable and recycling-oriented society.



The Yamatake Group published the Environmental and Social Report in 2005.

There are two main aspects to environmental management at Yamatake. First, we try to reduce the environmental impact of our business operations. Second, we aim to help customers and society tackle environmental problems by providing products and services based on advanced measurement and control technologies. This latter aspect forms part of the fundamental business principle of the Yamatake Group as it works to help create

a sustainable, recycling-oriented society. Yamatake continues to make progress in both aspects of its environmental activities.

Accomplishments in fiscal 2004

Waste recycling activities made further progress as the Fujisawa factory joined the Shonan factory in achieving zero emissions. Ahead of the enforcement of the EU directive on the Restriction of Harmful Substances (RoHS), Yamatake developed a management framework for eliminating designated harmful chemicals contained in products. Named the "eCOMAST" system, it is now being set up. Elsewhere, as part of efforts to reduce CO₂ emissions through the use of alternative energy, a solar power generator was installed at the Isehara factory.

The other notable achievements included:

1. Consolidation of the ISO 14001 certification for Yamatake Group companies' environmental management systems in July 2004.
2. Trial operation of an "Econavi" system for managing all environmental data in February 2005.
3. Total CO₂ emissions from Yamatake factories increased 1% during the year compared with fiscal 1990 levels. The recycling rate for all waste was 97%.
4. Proportion of products developed by Yamatake that met environmental labeling certification standards was 81%.
5. The database of chemical substances used in Yamatake products is being established, and further progress was made with the shift to lead-free solder.

Plans for Fiscal 2005

Yamatake plans to generate further improvements in the environmental performance of its operations in fiscal 2005 as follows:

1. Environmental management systems are due to be upgraded to the updated ISO 14001: 2004.
2. The CO₂ emissions target is an overall year-on-year reduction of 1.5% from fiscal 2004 levels, and the target for the recycling rate is 98%.
3. To ensure its product lineup is RoHS-compliant, Yamatake also plans to find alternatives for chemicals banned under RoHS.
4. Yamatake will develop an internal system to manage the switchover process comprising the database of harmful chemicals and product surveys.

Social Contribution Activities

Valuing relationships with society, the Yamatake Group endeavors to make an active contribution to society through activities that benefit local communities. Being a good corporate citizen is part of Yamatake's aim to coexist in harmony with society. Major social contribution activities in fiscal 2004 are outlined below.

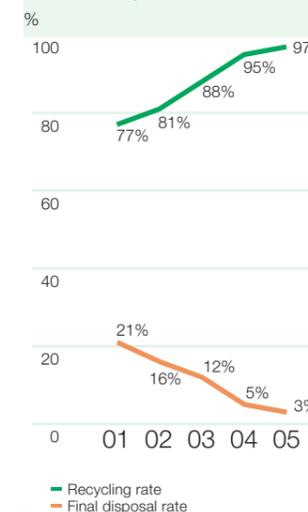
● Environmental education and volunteer programs

The Fujisawa factory also operates as a model factory that showcases the use of Yamatake products and systems for energy saving. Many customers take part in tours of this model factory. Visits from parties of elementary school children and members of the public are also accepted.

● Disaster Relief

Yamatake joined its employees in responding to the major natural disasters that occurred during the year, sending donations to victims of the Niigata earthquake in Japan and the Indian Ocean earthquake and tsunami. Yamatake Group company Safety Service Center Co., Ltd. donated emergency dispatch services and health consultation for victims of the Niigata earthquake living in temporary housing.

Waste Recycling Rate/ Final Disposal Rate



(Years ended March 31)

CO₂ Emissions



(Years ended March 31)

* Indexed at 2001 levels=100

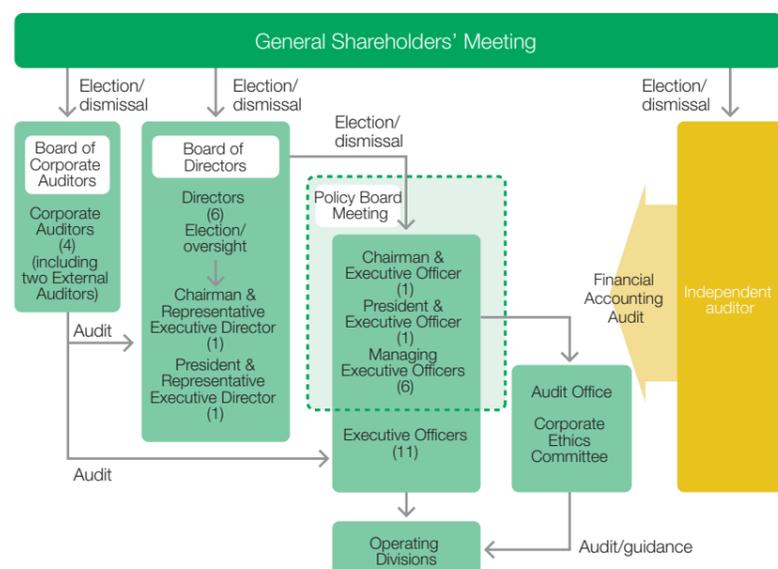
Corporate Governance

Yamatake's business policies go beyond legal and regulatory compliance to incorporate contributing to society and fulfilling social responsibilities based on business ethics. Yamatake aims to deliver sustained growth in corporate value for the benefit of shareholders and other stakeholders through highly effective, fair and transparent management practices. Therefore, the role of corporate governance for Yamatake is to ensure that the structures, systems and policies are in place to enable the business to be managed in such a way, which is regarded as a priority issue for management. Yamatake continues to take measures to reinforce its corporate governance as follows.

(1) Governance Functions and Internal Control Systems

1. Governance functions and internal control systems

Executive functions are separated between the Board of Directors, which is responsible for deciding basic business policies, various statutory items and other important business matters as well as for overseeing policy execution, and the system of executive officers, which is responsible for policy implementation and operations. This framework aims to ensure swift execution of policy while strengthening the oversight of execution functions.



Yamatake has adopted the corporate auditor system specified in the Japanese Commercial Code. Currently, four corporate auditors are appointed, of whom two are external auditors and three serve on a full-time basis. The corporate auditors strictly audit the business decisions taken by directors and executive officers and the execution of policy, primarily from the perspective of ensuring full legal compliance.

As of June 29, 2005, five of the six appointed directors served concurrently as executive officers. One served exclusively as a director with non day-to-day management and operation roles, thereby providing the opportunity for a pure oversight role from an independent perspective to enhance the growth of Yamatake's corporate value. Yamatake is also considering the appointment of an external director to provide additional oversight.

The Board of Directors meets as a rule on a monthly basis. The Policy Board Meeting, which is attended by executive officers who also serve as directors and corporate auditors, convenes twice a month to facilitate more effective business development through swifter decision-making and execution.

2. Internal audits and audits by corporate auditors

The Audit Office, which has a staff of nine, reports directly to the president. This group conducts regular internal audits of management and operation systems, risks and compliance issues related to headquarter functions and the various business operations of each in-house company within the Yamatake Group. The Audit Office also provides the advice and proposals regarding the monitoring and improvement of business functions and operations.

Corporate auditors, besides attending meetings of the Board of Directors and the Policy Board Meeting, conduct interviews at operating sites and with personnel in operating divisions in order to assess the status of company management. Their primary role is to strictly audit the business decisions taken by directors and executive officers and execution of policy mainly from the perspective of legal compliance. The corporate auditors also cooperate closely with internal auditing functions and the independent auditor to exchange opinions and information as required with the aim of improving the efficiency and effectiveness of auditing processes.

3. Financial accounting audits

Yamatake has appointed Deloitte Touche Tohmatsu to provide independent financial auditing services in line with the provisions of the Securities and Exchange Law and the Commercial Code of Japan. No conflict of interest exists between Yamatake and Deloitte Touche Tohmatsu and the employees of Deloitte Touche Tohmatsu assigned to audits of Yamatake's operations. Deloitte Touche Tohmatsu also has voluntary internal systems in effect to ensure that staff assigned to Yamatake audits are rotated at least every seven years. Yamatake pays contractually stipulated fees to Deloitte Touche Tohmatsu in respect of auditing services provided under the Securities and Exchange Law and the Commercial Code of Japan. The names of the lead certified public accountants (CPAs) assigned to such audits for the year ended March 2005 and the composition of the assisting audit team are given below.

- Names of lead CPAs assigned to audit:
 - Keikichi Suwabe, Ichiro Ebihara
- Composition of audit team:
 - 5 CPAs, 7 assistant accountants, 3 other staff

4. External directors and auditors

Yamatake has not appointed any external directors. As of June 29, 2005, five of the six appointed directors held dual roles as executive officers.

Two corporate auditors are externally appointed. Neither has any other commercial or financial relationship with Yamatake. Both undertake audits from an objective viewpoint.

(2) Risk Management Systems

Yamatake aims to be a trusted corporate group. In an effort to ensure high levels of legal and regulatory compliance, Yamatake has formulated the code of conduct to provide an ethics guideline for all executives and employees of the Yamatake Group. Efforts are made to ensure that all activities are grounded in business ethics. Various sets of internal rules concerning business decision-making and operations exist to delineate roles and responsibilities and to provide a system with appropriate checks and balances, thus promoting fair and effective management. Regular internal audits conducted by the Audit Office provide the primary internal control function. Yamatake also set up the Business Conduct Office in April 2003. Under the direct supervision of the president, this office is responsible for promoting legal and ethical compliance along with measures to prevent illegal or unethical behavior. The Corporate Ethics Committee monitors compliance-related issues and provides guidance on operational compliance matters to the Yamatake Group. Yamatake also has a compliance hotline for employees to report internal problems in an effort to uncover any illegal behavior.

Separately, Yamatake also retains the services of attorneys, accountants and other external experts to provide advice on legal, financial and other business matters as required.

(3) Director and Corporate Auditor Remuneration

Total remuneration to seven directors of Yamatake for the year ended March 2005 amounted to ¥208 million (the corresponding remuneration ceiling being ¥280 million). Directors' bonuses from appropriated retained earnings for the same seven directors totaled ¥35 million. Total remuneration to four corporate auditors for the same period amounted to ¥63 million (with a corresponding remuneration ceiling of ¥80 million).

(4) Independent Auditor Remuneration

Payments made to independent auditor Deloitte Touche Tohmatsu for auditing services rendered in accordance with Article 2 Section 1 of the Certified Public Accountant Law (Law No. 103, 1948) totaled ¥42 million. Payments for other services totaled ¥1 million.

Board of Directors, Executive Officers and Corporate Auditors

As of June 29, 2005

YOSHIHARU SATO
Chairman

SEIJI ONOKI
President
and Chief Executive Officer

NOBUYUKI TAKAI
Executive Director

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

MASAAKI IWAI
Managing Executive Officer

KIYOFUMI SAITO
Managing Executive Officer
and Chief Financial Officer

GOROU INOUE
Executive Officer

MASAAKI INOZUKA
Executive Officer

SADACHIKA OGAWA
Executive Officer

IKUYA KITTA
Executive Officer

TADAYUKI SASAKI
Executive Officer

KAZUO SHIMIZU
Executive Officer

KANICHIROU SHIMODA
Executive Officer

HIROZUMI SONE
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



Board of Directors From left: Hiroaki Kobayashi, Masaaki Togo, Seiji Onoki, Yoshiharu Sato, Nobuyuki Takai, Jun Kawachi

Financial Review

Consolidated Results

Net Sales

In fiscal 2004, ended March 31, 2005, net sales increased 10.8 billion yen, or 6.4%, year on year to 180.8 billion yen. This increase was underpinned by an improved operating environment and driven by proactive sales activities.

Building Systems Business

In the Building Systems Business, consolidated sales increased 3.5 billion yen, or 4.5%, to 82.6 billion yen. The business environment in the building industry in fiscal 2004 continued to face challenges such as reduced public investment and falling construction prices.

However, there were some positive signs, such as an increase of construction projects for large-scale buildings, principally in the Tokyo metropolitan area, and capital investment mainly in the manufacturing industry.

Against this backdrop, in the market for new buildings, the needs for capital investments expanded in the manufacturing industry, especially in the electric and electronics fields. Meanwhile, in the market for existing buildings, growth was seen in solutions and services that responded to customer needs. These included tems (Total Energy Management Service), a comprehensive energy management service for conserving energy and lowering energy costs, and a new network-based management service. In international business, we made progress establishing operating bases, with a particular focus on China.

Advanced Automation Business

In the Advanced Automation Business, sales rose 6.2 billion yen, or 7.9%, to 84.3 billion yen. Amid recovering capital investments in the

manufacturing industry as a whole, on the back of improved corporate earnings, we responded to customer needs in respect of energy saving, safety, quality improvement, environmental friendliness and other areas. Synergies were also created through cooperation between the industrial automation and control products businesses. Furthermore, in the international business, although our operations were affected in part by production slowdown in semiconductors we forged stronger ties with overseas subsidiaries.

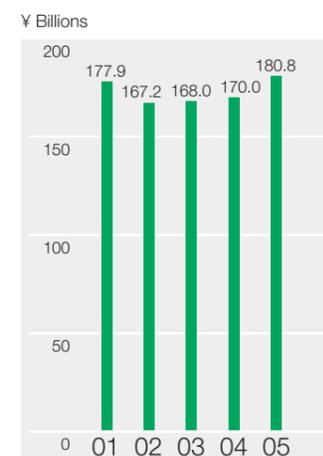
Other Businesses

In the Other segment, sales rose 0.9 billion yen, or 6.3%, to 15.5 billion yen. One reason was steady growth in sales of imported inspection and measurement equipment due to strength in the automotive, electric and electronics markets. Environment businesses also posted high year-on-year sales due to such factors as progress made in introducing traceability systems for tracing agricultural products. Moreover, sales for the care services business grew steadily due to various initiatives, including the establishment of new service centers.

Operating Income

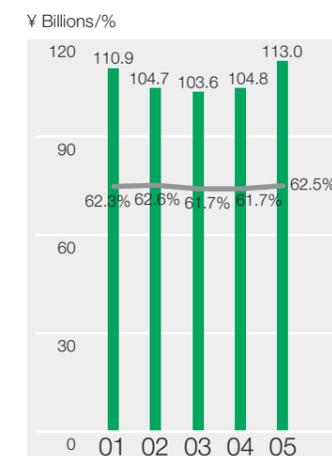
Cost of sales increased 8.2 billion yen, or 7.8%, to 113.0 billion yen. The cost of sales ratio was 62.5%, the result mainly of lower sales prices, although efforts were made to reduce costs. Gross profit rose 2.6 billion yen, or 4.0%, to 67.8 billion yen. Selling, general and administrative expenses rose 0.1 billion yen, or 0.2%, to 58.4 billion yen, reflecting increased R&D expenses. As a result of the foregoing, operating income climbed 2.5 billion yen, or 37.1%, to 9.4 billion yen.

Net Sales



(Years ended March 31)

Cost of Sales/ Ratio to Net Sales



(Years ended March 31)

Operating Income/Net Income (Loss)/ Operating Income to Net Sales



(Years ended March 31)

Net Income

Other Income and Expenses

Other expenses increased 3.3 billion yen to 3.6 billion yen. This mainly reflected a 3.5 billion yen loss on transfer of the pension plan in June 2004 to a defined contribution pension plan. As a result of the above, income before income taxes and minority interests declined 0.7 billion yen, or 11.2%, to 5.8 billion yen.

Income Taxes

Total income taxes declined 1.2 billion yen to 2.0 billion yen. The actual effective tax rate on income before income taxes and minority interests was 33.9%, decreasing 15.1% from the previous fiscal year. This was mainly due to special tax deductions for experimental and research expenses. After minority interests in net income of 0.1 billion yen, consolidated net income for fiscal 2004 was 3.7 billion yen.

Financial Position

Assets

Total assets at March 31, 2005 increased 7.3 billion yen to 172.6 billion yen. This reflected a 1.8 billion yen increase to 40.2 billion yen in cash and cash equivalents, due to higher earnings; a 3.3 billion yen rise to 66.6 billion yen in trade notes and accounts receivable, due to higher net sales; and a 3.4 billion yen increase to 14.1 billion yen in investment securities due to year-end fair market valuations and other factors.

Liabilities

Total liabilities at March 31, 2005 were 72.2 billion yen, 2.9 billion yen higher than a year ago. While liabilities for retirement benefits declined 2.8 billion yen to 12.0 billion yen, trade notes and accounts payable

increased 1.7 billion yen to 30.5 billion yen and income taxes payable rose 2.5 billion yen to 3.4 billion yen. There were also increases in accrued bonuses and other accounts.

Shareholders' Equity

Total shareholders' equity at the end of the fiscal year increased 4.3 billion yen over the previous year to 99.8 billion yen, reflecting mainly net income of 3.7 billion yen and an increase of 2.0 billion yen in unrealized gain on available-for-sale securities.

Asset performance indicators (average of balances at beginning and end of the year) improved over the previous year as follows:

- Receivables/Sales (days): decreased 4 days to 131 days.
- Inventories/Cost of sales (days): decreased 6 days to 53 days.
- Asset turnover (times): increased 0.03 to 1.07.
- The ratio of shareholders' equity to total assets: increased 0.1% to 57.9%.

Per Share Data

Net income per share increased 6.37 yen over the previous year to 49.88 yen. Shareholders' equity per share increased 58.70 yen to 1,356.65 yen.

Cash Flows

Net cash provided by operating activities increased 3.2 billion yen year on year to 8.5 billion yen. The main component of the increase was 5.8 billion yen from income before income taxes and minority interests. This was offset mainly by a 3.3 billion yen increase in notes and accounts receivable.

Net cash used in investing activities increased 3.4 billion yen to 3.7 billion yen, primarily due to outflows for the purchase of beneficiary

securities of trust and cash used for the purchase of property, plant and equipment.

Net cash used in financing activities increased 2.6 billion yen to 2.9 billion yen year on year. This increase reflected outflows for the repayment of long-term debt and an increase in dividends paid.

The year-end balance of cash and cash equivalents increased 1.8 billion yen to 40.2 billion yen.

Risk Management

The following are some of the risks that could affect the Yamatake Group's business results and financial position. Forward-looking statements are based on the Group's judgments when this annual report was produced.

(1) Impact of a Major Economic Downturn

Structural factors make both the Building Systems Business and Advanced Automation Business susceptible to fluctuations in the Japanese economy. In the Advanced Automation Business, in particular, there is a risk of a major fluctuation in demand in the semiconductor, electric and electronics markets. Therefore, the Group's business results could be affected by unforeseen fluctuations.

(2) Effect of Changes or Elimination of Government Subsidies

The Group provides various solutions that help to address social issues facing customers. These solutions that address social issues are eligible for subsidies, such as the introduction of BEMS (Building Energy Management System) and regional energy conservation, as well as promoting the introduction of food traceability systems. Consequently, a decrease in customers' confidence to invest in systems involving these issues due to the revision or elimination of subsidies could have a direct or indirect impact on the Group's businesses.

(3) Effect of Defects in Products, Systems or Services

The Group's products, systems and services are used for vital measurement and control systems related to safety and quality in a variety of plants and buildings. The Group has established a committee to oversee quality assurance and, through the information sharing and a visual inspection of information about quality, has a rigorous quality control system. Furthermore, the Group has taken out insurance policies, giving due consideration to damages for product liability. However, an incident caused by defects in the Group's products, systems and services could result in substantial costs and severely damage the Group's credibility with customers. This in turn could have an adverse impact on the Group's operations, business results and financial position.

(4) Effect of Earthquakes on Production Bases

The Group has taken various preemptive actions to mitigate the effects of earthquakes, including shifting production bases overseas, mainly in China; reinforcing buildings and other structures to minimize damage; establishing a system to quickly return operations to normal by formulating a production restoration manual; and taking out earthquake insurance. However, four of the Group's five domestic production bases, including manufacturing subsidiaries, are concentrated in Kanagawa Prefecture. As a result, depending on its magnitude, an earthquake in the Tokyo metropolitan area could disrupt production for a certain period of time.

(5) Retirement Benefit and Pension Asset Risk

The Group's retirement benefit obligations and retirement benefit expenses could increase if the discount rate used for calculating the former is reduced to less than the current 2.0% due to a decrease in the interest rate on government bonds or other factors, or if returns on pension assets are less than the current expected rate of return on plan assets.

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 2005

For fiscal 2005, ending March 31, 2006, forecasts call for an increase in net sales of 4.0% to 188.0 billion yen and an increase in operating income of 23.0% to 11.5 billion yen, along with a 110.3% increase in net income to 7.8 billion yen.

Building Systems Business

Sales are expected to increase due to expansion of the value-added solutions business and growth of international business. Amid downward pressure on prices and intensified price-based competition, operating income is expected to increase due to the implementation of cost-reduction initiatives and other measures.

Advanced Automation Business

Sales in this segment are expected to increase due to efforts to step up close-contact and proposal sales activities to meet growing demand in both domestic and overseas markets. Operating income is also expected to rise, owing to measures such as further improved cost of sales and other efforts.

Total Assets/Asset Turnover

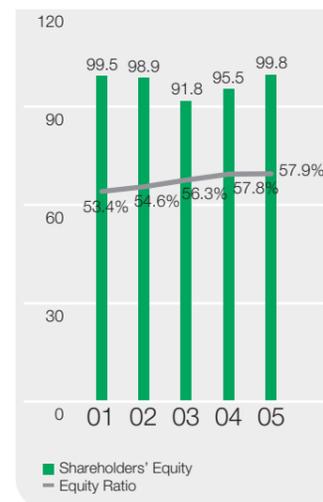
¥ Billions/Times



(Years ended March 31)

Shareholders' Equity/Equity Ratio

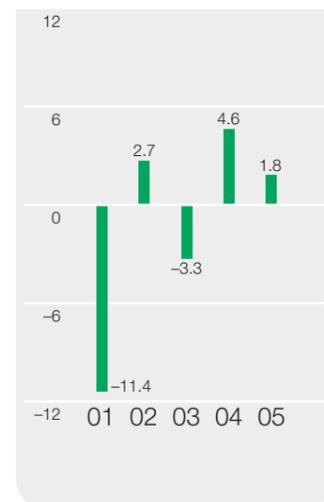
¥ Billions/%



(Years ended March 31)

Cash Flows

¥ Billions



(Years ended March 31)

Consolidated Balance Sheets

Yamatake Corporation and Consolidated Subsidiaries
March 31, 2005 and 2004

	Millions of Yen		Thousands of U.S. Dollars (Note 1)
	2005	2004	2005
Assets			
Current assets:			
Cash and cash equivalents	¥ 40,250	¥ 38,401	\$ 376,166
Short-term investments (Note 3)	1,659	97	15,510
Notes and accounts receivable:			
Trade	66,577	63,313	622,215
Other	723	578	6,755
Allowance for doubtful receivables	(398)	(342)	(3,723)
Inventories (Note 5)	16,455	16,662	153,784
Deferred tax assets (Note 9)	5,327	3,415	49,786
Prepaid expenses and other current assets	1,779	3,367	16,633
Total current assets	132,372	125,491	1,237,126
Property, plant and equipment:			
Land (Note 6)	4,495	4,515	42,006
Buildings and structures (Note 6)	18,522	18,479	173,101
Machinery and equipment	10,083	10,065	94,238
Furniture and fixtures	16,332	16,773	152,638
Construction in progress	266	116	2,483
Total	49,698	49,948	464,466
Accumulated depreciation	(34,623)	(34,329)	(323,581)
Net property, plant and equipment	15,075	15,619	140,885
Investment and other assets:			
Investment securities (Notes 4 and 6)	14,138	10,714	132,133
Investments in and advances to unconsolidated subsidiaries and associated companies	404	352	3,775
Deferred tax assets (Note 9)	4,161	6,419	38,890
Other assets	6,436	6,669	60,144
Total investment and other assets	25,139	24,154	234,942
Total	¥172,586	¥165,264	\$1,612,953

See notes to consolidated financial statements.

	Millions of Yen		Thousands of U.S. Dollars (Note 1)
	2005	2004	2005
Liabilities and shareholders' equity			
Current liabilities:			
Short-term borrowings (Note 6)	¥ 3,161	¥ 1,892	\$ 29,540
Current portion of long-term debt (Note 6)	1,080	3,280	10,089
Notes and accounts payable:			
Trade	30,508	28,762	285,130
Other	1,032	454	9,641
Income taxes payable	3,389	903	31,669
Accrued bonuses	7,710	5,816	72,055
Other accrued expenses and current liabilities	11,198	11,023	104,665
Total current liabilities	58,078	52,130	542,789
Long-term liabilities:			
Long-term debt (Note 6)	1,590	2,405	14,858
Liabilities for retirement benefits (Note 7)	11,951	14,773	111,687
Other long-term liabilities	609	35	5,694
Total long-term liabilities	14,150	17,213	132,239
Minority interests	510	391	4,768
Commitments and contingent liabilities (Notes 11, 12 and 13)			
Shareholders' equity (Notes 8 and 14):			
Common stock—authorized, 279,710,000 shares; issued, 73,576,256 shares	10,523	10,523	98,343
Capital surplus	12,648	12,648	118,202
Retained earnings	73,130	70,783	683,461
Unrealized gain on available-for-sale securities	3,639	1,632	34,007
Foreign currency translation adjustments	(85)	(50)	(791)
Total	99,855	95,536	933,222
Treasury stock—at cost, 7,105 shares in 2005 and 6,395 shares in 2004	(7)	(6)	(65)
Total shareholders' equity	99,848	95,530	933,157
Total	¥172,586	¥165,264	\$1,612,953

Consolidated Statements of Income

Yamatake Corporation and Consolidated Subsidiaries
Years Ended March 31, 2005 and 2004

	Millions of Yen		Thousands of U.S. Dollars (Note 1)
	2005	2004	2005
Net sales	¥180,763	¥169,951	\$1,689,371
Cost of sales	113,009	104,821	1,056,155
Gross profit	67,754	65,130	633,216
Selling, general and administrative expenses (Note 10)	58,401	58,310	545,807
Operating income	9,353	6,820	87,409
Other income (expenses):			
Interest income	20	18	184
Dividend income	160	109	1,494
Interest expense	(121)	(122)	(1,133)
Exchange gain (loss)	85	(221)	795
Loss on disposals of property, plant and equipment—net	(257)	(333)	(2,402)
Gain on sales of investment securities—net	5	178	49
Loss on transfer of pension plans	(3,453)		(32,268)
Other—net	(23)	44	(213)
Other expenses—net	(3,584)	(327)	(33,494)
Income before income taxes and minority interests	5,769	6,493	53,915
Income taxes (Note 9):			
Current	2,946	809	27,530
Deferred	(990)	2,371	(9,250)
Total income taxes	1,956	3,180	18,280
Minority interests in net income	(104)	(72)	(969)
Net income	¥ 3,709	¥ 3,241	\$ 34,666
		Yen	U.S. Dollars
Per share of common stock (Note 2.o):			
Basic net income	¥ 49.88	¥ 43.51	\$ 0.47
Cash dividends applicable to the year	23.00	14.00	0.21

See notes to consolidated financial statements.

Consolidated Statements of Shareholders' Equity

Yamatake Corporation and Consolidated Subsidiaries
Years Ended March 31, 2005 and 2004

	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, 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)
Repurchase of treasury stock	(1)						(1)
Disposal of treasury stock							(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)
Net income							3,709
Cash dividends, ¥23 per share							(1,324)
Bonuses to directors							(38)
Repurchase of treasury stock	(1)						(1)
Net increase in unrealized gain on available-for-sale securities							2,007
Net decrease in foreign currency translation adjustments							(35)
Balance, March 31, 2005	73,569	¥10,523	¥ 12,648	¥ 73,130	¥ 3,639	¥ (85)	¥ (7)

	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, 2004	\$98,343	\$118,202	\$661,521	\$15,261	\$(464)	\$ (58)	
Net income							34,666
Cash dividends, \$0.21 per share							(12,376)
Bonuses to directors							(350)
Repurchase of treasury stock							(7)
Net increase in unrealized gain on available-for-sale securities							18,746
Net decrease in foreign currency translation adjustments							(327)
Balance, March 31, 2005	\$98,343	\$118,202	\$683,461	\$34,007	\$(791)	\$ (65)	

See notes to consolidated financial statements.

Consolidated Statements of Cash Flows

Yamatake Corporation and Consolidated Subsidiaries
Years Ended March 31, 2005 and 2004

	Millions of Yen		Thousands of U.S. Dollars (Note 1)
	2005	2004	2005
Operating activities:			
Income before income taxes and minority interests	¥ 5,769	¥ 6,493	\$ 53,915
Adjustments for:			
Income taxes—paid	(751)	(6,148)	(7,021)
Income taxes—refunded	2,079	515	19,433
Depreciation and amortization	2,291	2,346	21,414
Provision for doubtful receivables	143	117	1,334
Increase (decrease) in accrued bonuses	1,894	(882)	17,702
Loss on disposals of property, plant and equipment—net	257	333	2,402
Gain on sales of investment securities—net	(5)	(178)	(49)
Changes in assets and liabilities, net of effects from consolidating previously unconsolidated subsidiaries:			
Increase in notes and accounts receivable	(3,263)	(729)	(30,498)
Decrease in inventories	207	590	1,934
Increase in notes and accounts payable	1,727	1,550	16,143
Increase (decrease) in liabilities for retirement benefits	(2,823)	2,043	(26,380)
Other—net	978	(787)	9,134
Total adjustments	2,734	(1,230)	25,548
Net cash provided by operating activities	8,503	5,263	79,463
Investing activities:			
Proceeds from sales of property, plant and equipment	210	206	1,962
Purchase of property, plant and equipment	(1,877)	(1,861)	(17,538)
Proceeds from sales of investment securities (Note 4)	21	454	197
Purchase of investment securities	(106)	(173)	(995)
Additional purchase of subsidiary stocks	(12)	(139)	(107)
Net decrease of bank deposit with the restriction	1	146	9
Proceeds from sales of beneficiary securities of trust	999	2,349	9,340
Purchase of beneficiary securities of trust	(2,590)	(1,097)	(24,205)
Other—net	(353)	(156)	(3,307)
Net cash used in investing activities	(3,707)	(271)	(34,644)
Financing activities:			
Net increase in short-term borrowings	1,255	654	11,734
Proceeds from long-term debt	800	1,174	7,477
Repayment of long-term debt	(3,676)	(1,284)	(34,356)
Dividends paid	(1,324)	(883)	(12,365)
Dividends paid for minority in consolidated subsidiary company	(1)	(1)	(10)
Other—net	24	12	215
Net cash used in financing activities	(2,922)	(328)	(27,305)
Net cash used in translation of cash and cash equivalents	(25)	(89)	(238)
Net increase in cash and cash equivalents	1,849	4,575	17,276
Cash and cash equivalents of newly consolidated subsidiaries, beginning of year		155	
Cash and cash equivalents, beginning of year	38,401	33,671	358,890
Cash and cash equivalents, end of year	¥40,250	¥38,401	\$376,166
Non-cash activities:			
Increase due to consolidation of subsidiaries previously unconsolidated (Note 2.a):			
Assets		¥ 331	
Liabilities		84	

See notes to consolidated financial statements.

Notes to Consolidated Financial Statements

Yamatake Corporation and Consolidated Subsidiaries
Years Ended March 31, 2005 and 2004

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 2004 consolidated financial statements to conform to the classifications used in 2005.

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 ¥107 to \$1, the approximate rate of exchange as of March 31, 2005. Such translation should not be construed as representation 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, 2005, include the accounts of Yamatake and its 20 significant (21 in 2004) 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 had non-contributory and contributory funded pension plans covering substantially all of its employees.

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. Yamatake applied the accounting treatment specified in the guidance issued by the Accounting Standards Board of Japan ("ASB"). The effect of this transfer, which was recorded as loss on transfer of pension plan in the consolidated statement of income for the year ended March 31, 2005, was to decrease income before income taxes and minority interest by ¥3,453 million (\$32,268 thousand).

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 applied the accounting treatment specified in the guidance issued by the ASB. The effect of this transfer was to decrease projected benefit obligation and unrecognized prior service cost by ¥5,056 million (\$47,252 thousand) for the year ended March 31, 2005.

Other consolidated subsidiaries have non-contributory funded pension plans and unfunded retirement benefit plans.

The liability for employees' retirement benefits is provided at the amount based on the projected benefit obligation 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 statements 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 are 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 with gains or losses on derivative transactions recognized in the consolidated statements of income, 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.

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 related to 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 on 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 73,569,523 shares for 2005 and 73,570,236 shares for 2004.

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.

The carrying amounts and aggregate fair values of investment securities as of March 31, 2005 and 2004, were as follows:

	Millions of Yen				Thousands of U.S. Dollars							
	2005		2004		2005		2004					
	Unrealized Cost	Unrealized Gains	Unrealized Losses	Fair Value	Unrealized Cost	Unrealized Gains	Unrealized Losses	Fair Value				
Securities classified as available-for-sale:												
Equity securities	¥5,057	¥6,102	¥3	¥11,156	¥4,180	¥2,780	¥45	¥6,915	\$47,260	\$57,034	\$30	\$104,264
Trust fund investments and other	750	8		758	856	8		864	7,012	74		7,086

Available-for-sale securities whose fair value is not readily determinable as of March 31, 2005 and 2004, were as follows:

	Carrying Amount		
	Millions of Yen	2004	Thousands of U.S. Dollars
	2005	2004	2005
Available-for-sale:			
Equity securities	¥1,125	¥1,935	\$10,512
Trust fund investments and other	1,099	1,000	10,271

Proceeds from sales of available-for-sale securities for the years ended March 31, 2005 and 2004 were ¥21 million (\$197 thousand) and ¥454 million, respectively. Gross realized gains and losses on these sales, computed on the moving average cost basis, were ¥6 million (\$52 thousand) and ¥0 million (\$3 thousand), respectively, for the year ended March 31, 2005 and ¥192 million and ¥14 million, respectively, for the year ended March 31, 2004.

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 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, 2005 and 2004, consisted of the following:

	Millions of Yen		Thousands of U.S. Dollars
	2005	2004	2005
Non-current:			
Marketable equity securities	¥12,281	¥ 8,850	\$114,776
Trust fund investments and other	1,857	1,864	17,357
Total	¥14,138	¥10,714	\$132,133

5. INVENTORIES

Inventories as of March 31, 2005 and 2004, consisted of the following:

	Millions of Yen		Thousands of U.S. Dollars
	2005	2004	2005
Merchandise	¥ 1,343	¥ 1,127	\$ 12,554
Finished products	1,591	1,313	14,873
Work in process	9,563	10,082	89,371
Raw materials	3,958	4,140	36,986
Total	¥16,455	¥16,662	\$153,784

6. SHORT-TERM BORROWINGS AND LONG-TERM DEBT

Short-term borrowings as of March 31, 2005 and 2004, 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 3.5% as of March 31, 2005 and from 0.6% to 1.9% as of March 31, 2004.

Long-term debt as of March 31, 2005 and 2004, consisted of the following:

	Millions of Yen		Thousands of U.S. Dollars
	2005	2004	2005
Loans from banks and other financial institutions, due serially to 2026 with interest rates ranging from 0.6% to 5.1% in 2005 and from 0.6% to 5.4% in 2004:			
Collateralized	¥ 1,480	¥ 1,891	\$ 13,825
Unsecured	1,190	3,794	11,122
Total	2,670	5,685	24,947
Less current portion	(1,080)	(3,280)	(10,089)
Long-term debt, less current portion	¥ 1,590	¥ 2,405	\$ 14,858

As of March 31, 2005, Yamatake had an unused line of credit amounting to ¥30,000 million (\$280,374 thousand) of which ¥10,000 million (\$93,458 thousand) related to commitment lines with four banks and ¥20,000 million (\$186,916 thousand) related to medium term notes program.

Annual maturities of long-term debt as of March 31, 2005, were as follows:

Year Ending March 31	Millions of Yen	Thousands of U.S. Dollars
2006	¥1,080	\$10,089
2007	510	4,767
2008	106	995
2009	100	934
2010	475	4,436
2011 and thereafter	399	3,726
Total	¥2,670	\$24,947

The carrying amounts of assets pledged as collateral for the above collateralized long-term debt as of March 31, 2005, were as follows:

	Millions of Yen	Thousands of U.S. Dollars
Land	¥ 40	\$ 374
Buildings and structures	158	1,477
Investment securities	2,584	24,145
Total	¥2,782	\$25,996

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 lump-sum severance payments 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, 2005 and 2004, were ¥457 million (\$4,272 thousand) and ¥465 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, 2005 and 2004, consisted of the following:

	Millions of Yen		Thousands of U.S. Dollars
	2005	2004	2005
Projected benefit obligation	¥ 40,235	¥ 62,213	\$ 376,032
Fair value of plan assets	(21,173)	(27,926)	(197,881)
Unrecognized prior service cost	3,163	(4,694)	29,557
Unrecognized actuarial loss	(10,829)	(15,370)	(101,209)
Prepaid pension expense	98	85	916
Net liability	¥ 11,494	¥ 14,308	\$ 107,415

The components of net periodic benefit costs for the years ended March 31, 2005 and 2004, were as follows:

	Millions of Yen		Thousands of U.S. Dollars
	2005	2004	2005
Service cost	¥2,004	¥2,516	\$18,730
Interest cost	867	1,339	8,105
Expected return on plan assets	(210)	(238)	(1,966)
Amortization of prior service cost	(104)	210	(970)
Recognized actuarial loss	974	1,092	9,106
Payment for defined contribution pension plan and other	604	8	5,642
Net periodic benefit costs	4,135	4,927	38,647
Loss on transfer of pension plans	3,453		32,268
Total	¥7,588	¥4,927	\$70,915

Assumptions used for the years ended March 31, 2005 and 2004, are set forth as follows:

	2005	2004
Discount rate	2.0%	2.0%
Expected rate of return on plan assets	1.0%	1.0%
Amortization period of prior service cost	10-15 years	10-15 years
Recognition period of actuarial gain/loss	10-15 years	10-15 years

8. SHAREHOLDERS' EQUITY

Japanese companies are subject to the Japanese Commercial Code (the "Code").

The Code requires that all shares of common stock are 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 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 balance by resolution of the Board of Directors.

The Code allows Japanese companies to repurchase treasury stock and dispose of such treasury stock by resolution of the Board of Directors. The repurchased amount of treasury stock cannot exceed the amount available for future dividends 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.

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. The amount of retained earnings available for dividends under the Code was ¥64,410 million (\$601,963 thousand) as of March 31, 2005, based on the amount recorded in the parent company's general books of account.

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 normal effective statutory tax rates of approximately 40.4% and 42.0% for the years ended March 31, 2005 and 2004, respectively.

10. RESEARCH AND DEVELOPMENT COSTS

Research and development costs charged to income were ¥8,170 million (\$76,354 thousand) and ¥8,099 million for the years ended March 31, 2005 and 2004, 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, 2005 and 2004, were ¥4,755 million (\$44,438 thousand) and ¥4,957 million, respectively, including ¥507 million (\$4,738 thousand) and ¥532 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, 2005 and 2004, was as follows:

	Millions of Yen								Thousands of U.S. Dollars				
	2005				2004				2005				
	Machinery and Equipment	Furniture and Fixtures	Software	Total	Buildings and Structures	Machinery and Equipment	Furniture and Fixtures	Software	Total	Machinery and Equipment	Furniture and Fixtures	Software	Total
Acquisition cost	¥280	¥1,982	¥104	¥2,366	¥5	¥138	¥2,119	¥87	¥2,349	\$2,613	\$18,525	\$976	\$22,114
Accumulated depreciation	139	1,515	68	1,722	5	73	1,568	55	1,701	1,297	14,155	640	16,092
Net leased property	¥141	¥ 467	¥ 36	¥ 644		¥ 65	¥ 551	¥32	¥ 648	\$1,316	\$ 4,370	\$336	\$ 6,022

The tax effects of significant temporary differences and tax loss carry-forwards which resulted in deferred tax assets and liabilities as of March 31, 2005 and 2004, are as follows:

	Millions of Yen		Thousands of U.S. Dollars
	2005	2004	2005
Deferred tax assets:			
Pension and severance costs	¥ 4,782	¥ 5,881	\$ 44,694
Accrued expenses	4,244	2,725	39,662
Depreciation	822	920	7,685
Loss on impairment of land	808	808	7,551
Loss on impairment of investment securities	169	152	1,576
Tax loss carryforwards	937	520	8,753
Others	1,573	753	14,707
Less valuation allowance	(936)	(309)	(8,753)
Total	12,399	11,450	115,875

Deferred tax liabilities:

	Millions of Yen	Thousands of U.S. Dollars
Net unrealized gain on available-for-sale securities	2,467	1,107
Special advanced depreciation	468	512
Total	2,935	1,619
Net deferred tax assets	¥ 9,464	¥ 9,831

A reconciliation between the normal effective statutory tax rates for the years ended March 31, 2005 and 2004, and the actual effective tax rates reflected in the accompanying consolidated statements of income is as follows:

	2005	2004
Normal effective statutory tax rate	40.4%	42.0%
Nondeductible expenses	3.7	3.2
Per capita levy of inhabitant tax	2.3	3.5
Tax benefits for qualified expenses	(7.6)	
Unrecognized tax effect for elimination of unrealized profit in inventories	(5.1)	
Others—net	0.2	0.3
Actual effective tax rate	33.9%	49.0%

Obligations under finance leases:

	Millions of Yen		Thousands of U.S. Dollars
	2005	2004	2005
Due within one year	¥ 554	¥ 589	\$ 5,176
Due after one year	1,882	1,730	17,586
Total	¥2,436	¥2,319	\$22,762

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 ¥451 million (\$4,219 thousand) and ¥502 million for the years ended March 31, 2005 and 2004, respectively.

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.

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.

	Millions of Yen						Thousands of U.S. Dollars		
	2005			2004			2005		
	Contract or Notional Amount	Fair Value	Unrealized Gain (Loss)	Contract or Notional Amount	Fair Value	Unrealized (Loss)	Contract or Notional Amount	Fair Value	Unrealized Gain (Loss)
Interest rate swaps—Pay fixed/receive floating				¥2,000	¥(24)				
Exchange contract:									
Sell Japanese yen	¥223	¥226	¥(3)				\$2,084	\$2,108	\$(24)
Buy Japanese yen	54	54		30	30		505	508	3

13. COMMITMENT AND CONTINGENT LIABILITIES

As of March 31, 2005, Yamatake Group had the following contingent liabilities:

	Millions of Yen	Thousands of U.S. Dollars
Trade notes discounted	¥50	\$476
Guarantees and similar items of loans and sublease	53	496

14. SUBSEQUENT EVENT

At the Yamatake's general shareholders meeting held on June 29, 2005, shareholders approved the following:

Appropriation of Retained Earnings as of March 31, 2005

	Millions of Yen	Thousands of U.S. Dollars
Year-end cash dividends, ¥13.0 (\$0.12) per share	¥956	\$8,938
Bonuses to directors	40	374

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.

(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, 2005 and 2004, was as follows:

	Millions of Yen		Thousands of U.S. Dollars
	2005	2004	2005
Receivables under finance leases:			
Due within one year	¥ 154	¥ 133	\$ 1,437
Due after one year	1,265	1,113	11,821
Total	¥1,419	¥1,246	\$13,258

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, 2005 and 2004, was as follows:

	Millions of Yen						Thousands of U.S. Dollars		
	2005			2004			2005		
	Contract or Notional Amount	Fair Value	Unrealized Gain (Loss)	Contract or Notional Amount	Fair Value	Unrealized (Loss)	Contract or Notional Amount	Fair Value	Unrealized Gain (Loss)
Interest rate swaps—Pay fixed/receive floating				¥2,000	¥(24)				
Exchange contract:									
Sell Japanese yen	¥223	¥226	¥(3)				\$2,084	\$2,108	\$(24)
Buy Japanese yen	54	54		30	30		505	508	3

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 products 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, primarily for markets such 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 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 Yamatake Group for the years

ended March 31, 2005 and 2004, is as follows:

(1) Industry Segments

a. Sales and Operating Income

Millions of Yen						
2005						
	Building Automation	Advanced Automation	Other	Total	Eliminations/Corporate	Consolidated
Sales to customers	¥81,806	¥83,738	¥15,219	¥180,763		¥180,763
Intersegment sales	792	579	305	1,676	¥(1,676)	
Total sales	82,598	84,317	15,524	182,439	(1,676)	180,763
Operating expenses	77,062	79,593	16,458	173,113	(1,703)	171,410
Operating income (losses)	¥ 5,536	¥ 4,724	¥ (934)	¥ 9,326	¥ 27	¥ 9,353

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

Thousands of U.S. Dollars						
2005						
	Building Automation	Advanced Automation	Other	Total	Eliminations/Corporate	Consolidated
Sales to customers	\$764,544	\$782,602	\$142,225	\$1,689,371		\$1,689,371
Intersegment sales	7,401	5,405	2,857	15,663	\$(15,663)	
Total sales	771,945	788,007	145,082	1,705,034	(15,663)	1,689,371
Operating expenses	720,205	743,860	153,810	1,617,875	(15,913)	1,601,962
Operating income (losses)	\$ 51,740	\$ 44,147	\$ (8,728)	\$ 87,159	\$ 250	\$ 87,409

b. Assets, Depreciation and Capital Expenditures

Millions of Yen						
2005						
	Building Automation	Advanced Automation	Other	Total	Eliminations/Corporate	Consolidated
Assets	¥46,370	¥62,076	¥6,186	¥114,632	¥57,954	¥172,586
Depreciation	928	1,312	51	2,291		2,291
Capital expenditures	776	1,632	52	2,460		2,460

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

Thousands of U.S. Dollars						
2005						
	Building Automation	Advanced Automation	Other	Total	Eliminations/Corporate	Consolidated
Assets	\$433,369	\$580,147	\$57,811	\$1,071,327	\$541,626	\$1,612,953
Depreciation	8,676	12,264	474	21,414		21,414
Capital expenditures	7,253	15,250	490	22,993		22,993

Note: Corporate assets of ¥52,116 million (\$487,065 thousand) and ¥52,117 million for the years ended March 31, 2005 and 2004, respectively, included in "Eliminations/corporate" mainly consist of cash and cash equivalents and investment securities.

(2) Geographical Segments

Overseas sales amounts are less than 10% of consolidated sales.

(3) Sales to Foreign Customers

Sales to foreign customers are less than 10% of consolidated sales.

Independent Auditors' Report

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INDEPENDENT AUDITORS' REPORT

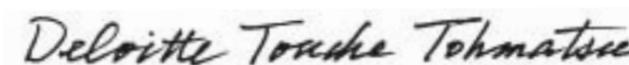
To the Board of Directors and Shareholders of
Yamatake Corporation:

We have audited the accompanying consolidated balance sheets of Yamatake Corporation and consolidated subsidiaries as of March 31, 2005 and 2004, 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, 2005 and 2004, 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.

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.



June 29, 2005

Corporate Data

As of March 31, 2005

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	5,573
Contact	Tel: 81-3-3486-2011 Fax: 81-3-3409-7388
Website	http://www.yamatake.com

Corporate headquarters will move to the following address in November, 2005.

Yamatake Corporation
Tokyo Building
2-7-3 Marunouchi, Chiyoda-ku
Tokyo 100-6419, Japan
Tel: 81-3-6810-1010 Fax: 81-3-5220-7278

Subsidiaries and Affiliates

Japan

Yamatake & Co., Ltd.*

Tokyo, Japan
Ownership 100%
2005 Sales ¥15.6 billion
Employees 176

Yamatake Control Products Co., Ltd.*

Kanagawa, Japan
Ownership 100%
2005 Sales ¥9.9 billion
Employees 222

Yamatake Expert Services Co., Ltd.

Tokyo, Japan
Ownership 100%

Yamatake Friendly Co., Ltd.

Kanagawa, Japan
Ownership 100%

Yamatake Care-Net Co., Ltd.*

Tokyo, Japan
Ownership 100%

Safety Service Center Co., Ltd.*

Tokyo, Japan
Ownership 100%
2005 Sales ¥2.1 billion
Employees 81

ESD Co., Ltd.

Tokyo, Japan
Ownership 51%

Kumamoto Safety Service Center Co., Ltd.

Kumamoto, Japan
Ownership 100% owned by Safety Service Center Co., Ltd.

SecurityFriday Co., Ltd.

Kanagawa, Japan
Ownership 85%

Taishin Co., Ltd.*

Nagano, Japan
Ownership 50%
2005 Sales ¥4.3 billion
Employees 111

Building Performance Consulting, Inc.

Tokyo, Japan
Ownership 45%

Hara Engineering Co., Ltd.

Kanagawa, Japan
Ownership 100% owned by Yamatake & Co., Ltd.

Overseas

Yamatake Korea Co., Ltd.*

Seoul, Korea
Ownership 100%

Yamatake Taiwan Co., Ltd.*

Taipei, Taiwan
Ownership 100%

Yamatake (Thailand) Co., Ltd.*

Bangkok, Thailand
Ownership 99.9%

Yamatake Philippines, Inc.*

Makati, Philippines
Ownership 99.9%

Yamatake Automation (M) Sdn. Bhd.*

Petaling Jaya, Malaysia
Ownership 100%

Yamatake Controls Singapore Pte. Ltd.*

Singapore
Ownership 100%

PT. Yamatake Berca Indonesia*

Jakarta, Indonesia
Ownership 55%

SICAL Yamatake Ltd.

Chennai, India
Ownership 25%

Dalian Yamatake Control Instruments Co., Ltd.*

Dalian, China
Ownership 100%

Yamatake Environmental Control Technology (Beijing) Co., Ltd.*

Beijing, China
Ownership 100%

Yamatake Automation Products Shanghai Co., Ltd.

Shanghai, China
Ownership 100%

Shanghai Yamatake-SIC Environmental Control Technology Co., Ltd.*

Shanghai, China
Ownership 60%

Shanghai Yamatake Automation Co., Ltd.*

Shanghai, China
Ownership 60%

Yamatake China Limited*

Hong Kong, China
Ownership 99.9%

YCP Precision Hong Kong Limited

Hong Kong, China
Ownership 99.9% owned by Yamatake Control Products Co., Ltd.

Yamatake Sensing Control, Limited*

Santa Clara, CA, U.S.A.
Ownership 100%

Yamatake America, Inc.*

Houston, TX, U.S.A.
Ownership 100%

Yamatake Europe N.V.*

Brussels, Belgium
Ownership 99.9%

* Consolidated subsidiary

Stock Information

As of March 31, 2005

Total Number of Authorized Shares	279,710,000
Shares of Common Stock Issued	73,576,256
Shareholders	4,755
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 shares held (%)
Northern Trust Company (AVFC) Sub-account American Clients	8,815	11.98
Meiji Yasuda Life Insurance Co.	5,214	7.08
Japan Trustee Services Bank, Ltd.	4,223	5.73
Northern Trust Company AVFC RE U.S. Tax Exempted Pension Funds	3,628	4.93
The Master Trust Bank of Japan, Ltd.	2,875	3.90
Mizuho Corporate Bank, Ltd.	2,850	3.87
Nippon Life Insurance Co.	2,669	3.62
Mizuho Trust & Banking Co., Ltd.	2,301	3.12
Sompo Japan Insurance Inc.	2,000	2.71
The Nomura Trust and Banking Co., Ltd.	1,977	2.68

Composition of Shareholders



Price Earning Ratio



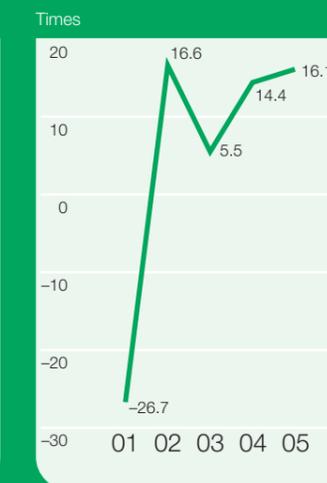
(Years ended March 31)

Price Book-value Ratio



(Years ended March 31)

Price Cash Flow Ratio



(Years ended March 31)

Note: Price Earning Ratio = Stock Price/Net Income per Share
Price Book-value Ratio = Stock Price/Shareholders' Equity per Share
Price Cash Flow Ratio = Stock Price/Cash Flow per Share
Cash Flow = Net Income+Depreciation

