

azbil

Annual Report 2006

For the year ended March 31, 2006



Yamatake Corporation

Achieving Sustained Growth Into the Future With “Human-centered Automation.”

Over the years, Yamatake has followed its own growth path by leveraging automation technologies to contribute to the creation of value for customers and to the protection of the environment. By providing solutions unique to Yamatake to customers, we have developed an original and significant presence in the market and enjoy a strong reputation among our customers.

In today's markets, we face social structural changes, progress in production technology and research activities, and heightened environmental protection and energy conservation requirements. Many new business opportunities are emerging from these changes in the building and industrial markets. Through new applications of our automation technology, we are expanding our business domains to such fields as Lifeline, Life Assist and Life Science.

While the changes in our business environment represent an opportunity for Yamatake to target sustained growth in its second century of operations, they also represent business obstacles that must be overcome. To do so, we are switching from the previous concept of controlling equipment to fulfilling people's satisfaction. We will continue to supply customers with value in the traditional fields of energy and resource conservation, and global environmental protection. We will also provide new value through “human-centered automation”, which we define as the provision of technologies, products and services that contribute to people's safety, comfort, and fulfillment. By providing value in this domain, we will achieve sustained growth in our second century.

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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.

To realize safety, comfort and fulfillment in people's lives through "human-centered automation", and contribute to the global environment.

To achieve our philosophy,

- **We create value together with customers at their site.**
- **We pursue our unique value based on the idea of "human-centered."**
- **We think about the future and act progressively.**

This is the new corporate philosophy of the Yamatake Group.

In line with this philosophy, we have created a new symbol to unify all employees of the Group, enabling them to demonstrate the necessary teamwork to solve customer problems.

The symbol is azbil (Automation-Zone-Builder).

Building
Automation
Business

Advanced
Automation
Business

Life
Automation
Business

azbil

[ázbil]

The roundness of the letters signifies tender humanity, and the oval shape curving upward to the right expresses our unlimited potential.

Unified by this symbol, the Yamatake Group will continue to strive to create a corporate culture that generates the reforms necessary for the Group to meet the expectations of its shareholders, customers, local communities, and society as a whole.

One Hundred Years Since We Started “Freeing People from Drudgery” Today, We Are Pursuing Human-centered Automation

Yamatake has grown in step with the advancement of automation in Japan. Since our founding, we have constantly sought through automation to provide value unique to Yamatake in response to the needs of the times. Today, as we look ahead to a second century in business, we have evolved from a company with the humble aim of freeing people from drudgery to one that is fully committed to realizing human-centered automation.



1953

Yamatake formed an equity-based alliance with Honeywell Inc. (currently Honeywell International Inc.) of the U.S. Honeywell acquired a 50% share based on a technical license agreement.

1963

Established wholly owned subsidiary Yamatake Keiso, which was renamed Yamatake Building Systems Co., Ltd. in July 1998.

Taking advantage of business opportunities provided by the construction boom in preparation for the Tokyo Olympics, Yamatake started offering a complete package of heating, ventilation and air conditioning in its Building Automation business, which had just begun full-scale expansion at the time.

1965

Took a 50% equity interest in Sanwa Keiso Co., Ltd., a company that performed maintenance work on industrial instruments, renamed Yamatake Maintenance Co., Ltd. (then later Yamatake Industrial Systems Co., Ltd. in July 1998)

1950

First in control

Shared catchphrase of both companies of being “first in control” after Yamatake formed alliance with Honeywell.

Changing Needs and Industry Trends

The Dawn of the Automation Era Responding to Rapid Growth of the Japanese Economy



1969

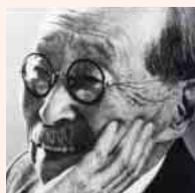
Company listed on the First Section of the Tokyo Stock Exchange

1904

Kimmon Manufacturing Co., Ltd. developed Japan's first gas meter

1936

Yamatake successfully started manufacturing the first control valves in Japan



1913

Kimmon Manufacturing began manufacturing Japan's first water meters

1906

Yamatake Shokai established by founder Takehiko Yamaguchi, commenced import and sale of machine tools and other equipment from the U.S. and Europe.

1920

Concluded sales agency agreement with U.S. company Brown Instrument Co. (later merged with Honeywell)

1932

Yamatake Shokai converted to a joint-stock company (*kabushiki gaisha*), began assembling industrial instruments

Changing Needs and Industry Trends

Pre-industrial Instruments Era From Imports to Domestic Manufacture

1906

Free people from drudgery

Management aim since Yamatake's founding.



Formulated new Group philosophy and symbol

To realize safety, comfort and fulfillment in people's lives through "human-centered automation", and contribute to the global environment.

2006

azbil

1981

Kimmon Manufacturing developed Japan's first gas meter-equipped microprocessor with a safety function



1983

TDC3000 total distributed control system

1982

SAVIC integrated building automation system



Changing Needs and Industry Trends

Open Network Systems

Provision of Solutions to Meet Increasing Environmental and Energy-saving Needs in Society and Support Sustainable Development

2006

Kimmon Manufacturing Co., Ltd. made a consolidated subsidiary

2006

Launch of gemkey™ on-demand customized DNA chips



1978

Savemation

A term derived from saving through automation, delivering unsurpassed technology and high-quality products that help our customers to conserve energy and resources, enhance safety, and provide comfortable environments.

Changing Needs and Industry Trends

The Shift From Analog to Digital Instrumentation

Increasing Needs for Energy Saving, Higher Performance and Accuracy

1997

μF™ (Microflow) sensors



2003

Yamatake Corporation, Yamatake Building Systems Co., Ltd. and Yamatake Industrial Systems Co., Ltd. merged into a single company



1985

ST3000 Smart Pressure Transmitter
CV3000 control valve



2002

Equity-based alliance with Honeywell ended



1975

MagneW electromagnetic flowmeters



1995

Harmonas harmonized automation system



2000

Took a 67% equity interest in Safety Service Center Co., Ltd.

1999

Established Yamatake Care-Net Co., Ltd. as a wholly owned subsidiary

1998

Yamatake-Honeywell renamed Yamatake Corporation

New Growth in Yamatake's Second Century

Yamatake was founded in 1906 and in the ensuing years has served both society and customers by delivering solutions to issues relating to "saving" with respect to resources, energy and other areas. Underpinning this ability are our sophisticated measurement and control technologies and the extensive knowledge we have acquired over the years. As we mark our 100th anniversary, our operating environment is undergoing major change. Society's and customers' expectations of us are also changing.

These conditions prompted us to clarify our raison d'être and readdress how we can live up to it. This is our new corporate philosophy we introduced and the symbol "azbil" that represents our new corporate philosophy.

One point is clear—our measurement and control technologies will remain the cornerstone of this company. Our approach will change, however. Heretofore, our approach has centered on the control of machinery and equipment. From here on, though, our approach will transform to ensuring that people feel a sense of satisfaction through our work. In other words, our aim is to enrich people's lives and help create better working environments. Measurement and control have many uses and we can use them to create value. These technologies can realize safer homes and workplaces, yielding a sense of security. They can realize a sense of comfort that can facilitate activity. And they can help realize a sense of accomplishment when goals are achieved.

In order to realize our corporate philosophy based on azbil, we must know and understand our customers and use that knowledge to create value hand in hand with customers at their work sites. We must understand what it takes to make people happy and deliver technologies, products and services to help realize that. We must constantly pursue innovation utilizing measurement and control. And we must continue to rise to the challenge of creating a corporate culture that transforms in response to the expectations of customers, regional communities, society at large and shareholders, thinking all the time of what mark we should leave on the future and taking actions in that regard. We must put greater stock in these things than ever before.

Right: Yoshiharu Sato, Chairman

Left: Seiji Onoki, President and Chief Executive Officer



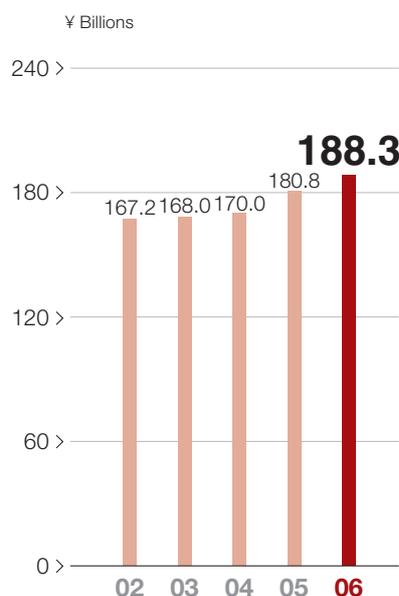
Financial Highlights

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

	Millions of Yen					Thousands of U.S. Dollars	
	2001	2002	2003	2004	2005	2006	2006
For the year:							
Net sales	¥ 177,940	¥ 167,164	¥ 167,969	¥ 169,951	¥ 180,763	¥ 188,321	\$1,609,579
Operating income	11,694	4,527	3,275	6,820	9,353	13,515	115,512
Income (loss) before income taxes	(9,576)	4,345	11,235	6,493	5,769	15,650	133,762
Net income (loss)	(5,918)	2,121	5,308	3,241	3,709	9,795	83,720
Depreciation and amortization	2,655	2,809	2,655	2,346	2,291	2,352	20,098
R&D expenses	8,674	8,770	8,881	8,099	8,170	8,360	71,451
Capital expenditures	3,552	2,255	2,065	2,065	2,460	6,790	58,038
Return on equity (%)	(5.5)	2.1	5.6	3.5	3.8	9.3	
At year-end:							
Total assets	¥ 186,302	¥ 180,958	¥ 162,919	¥ 165,264	¥ 172,586	¥ 217,882	\$1,862,242
Total shareholders' equity	99,495	98,886	91,780	95,530	99,848	110,859	947,509
Per share (in yen and U.S. dollars):							
Net income (loss)	¥ (64.74)	¥ 24.77	¥ 68.65	¥ 43.51	¥ 49.88	¥ 132.52	\$ 1.13
Cash dividends	12.00	12.00	12.00	14.00	23.00	50.00	0.43
Shareholders' equity	1,176.54	1,169.07	1,247.07	1,297.95	1,356.65	1,506.25	12.87

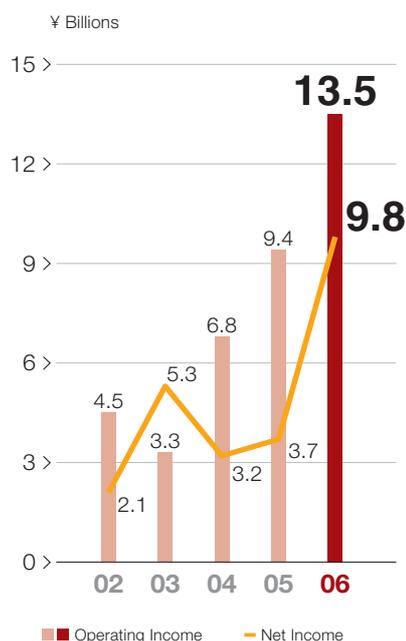
* The U.S. dollar amounts have been translated from yen, for convenience only, at the rate of ¥117 to U.S.\$1, the approximate exchange rate as of March 31, 2006, as described in Note 1 of Notes to Consolidated Financial Statements.

Net Sales



(Years ended March 31)

Operating Income/ Net Income



(Years ended March 31)

Fiscal 2005 Consolidated Performance Highlights

Final year of medium-term management plan (Fiscal 2006)
Achieved operating income target one year early

Delivered higher year-on-year sales and earnings

Achieved plan targets for both sales and earnings

Declared large increase in annual dividend

[Consolidated Net Sales] Rose **4.2%** to **¥188.3** billion

[Consolidated Operating Income] Climbed **44.5%** to **¥13.5** billion

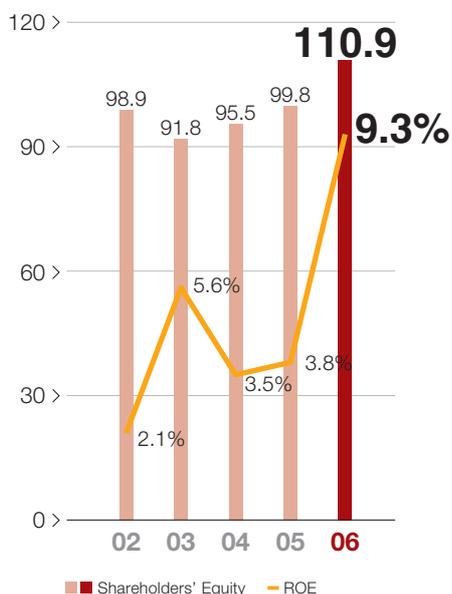
[Consolidated Net Income] Jumped **164.1%** to **¥9.8** billion

[ROE] Increased from **3.8%** in fiscal 2004 to **9.3%**

[Annual Dividend per Share] Raised from **¥23** to **¥50**, an increase of **¥27**

Shareholders' Equity/ ROE

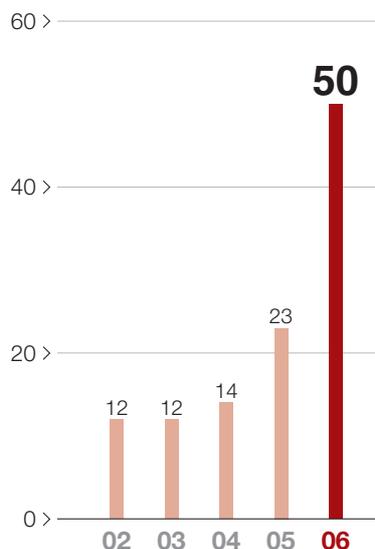
¥ Billions/%



(Years ended March 31)

Cash Dividends per Share

¥



(Years ended March 31)

To Our Shareholders

Unified under the symbol of **azbil**, we will achieve sustained growth by strengthening our business foundation through pursuing three creation concepts.

Fiscal 2005, ended March 31, 2006, was a notable year for the Yamatake Group, one in which we attained the operating income target for the final year (fiscal 2006) of our current three-year medium-term management plan one year ahead of schedule, and placed our feet firmly on the path toward growth in our coming second century of operations.

Under our medium-term management plan, which got under way in April 2004, we began transforming our corporate culture and our business foundation to achieve sustainable growth for the future along with our customers as a value-creating company. Now, we are finally starting to see results emerge.

Heading toward the start of our second century in 2007, with azbil as our symbol, the Yamatake Group is working as a team in pursuing the concept of human-centered automation to further expand its operations. We believe that this initiative meets the expectations of all our stakeholders, including shareholders, customers, local communities, and society as a whole.

Fiscal 2005 Performance
Net sales and earnings exceed medium-term management plan targets.

Operating income jumps to targeted figure for the final year (fiscal 2006) of the plan.

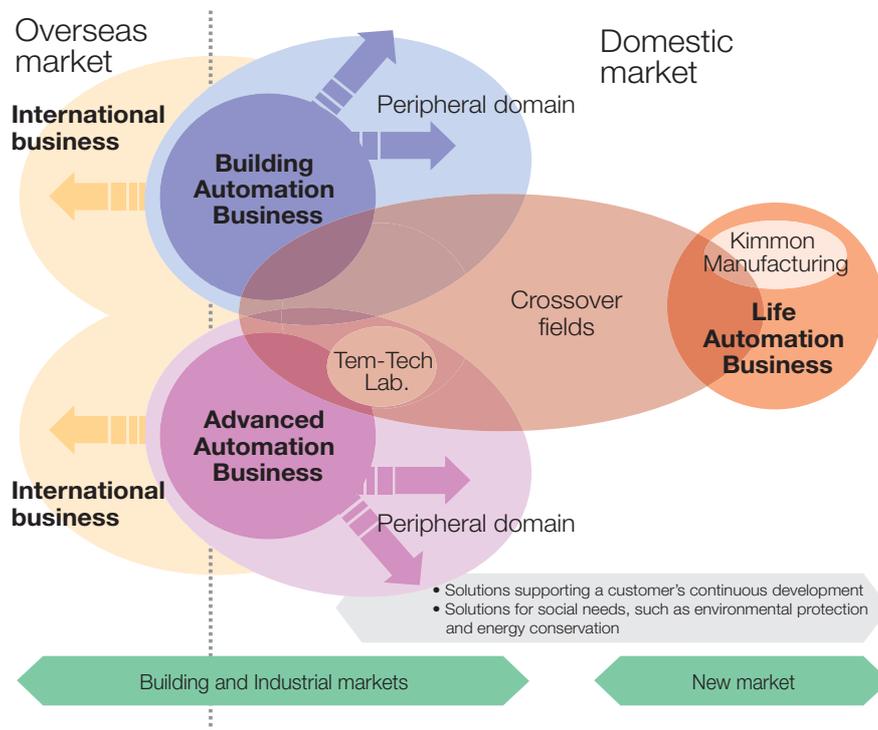
The Yamatake Group posted strong results in the fiscal year under review. Consolidated net sales totaled 188.3 billion yen while operating income rose to 13.5 billion yen and net income climbed to 9.8 billion yen. These figures met our performance targets for the second year of the medium-term management plan, and in the case of operating income, even surpassed the goal for the final year of the plan.

These strong results can be attributed to the Yamatake Group being able to deliver optimum solutions to its customers on site. This was made possible by the entire Group working together under a collaborative structure and through partnerships that went beyond organizations. We believe that the Group has met the expectations of its shareholders by increasing corporate value, reflecting progress in corporate performance.



President and Chief Executive Officer
Seiji Onoki

Business Structural Reforms and Domain Expansion



Results in Fiscal 2005

Strengthening of earning base and acceleration in business domain expansion through steady progress in reforms.

[Business Climate]

Looking at the business climate in fiscal 2005, the second year of the medium-term management plan, the Japanese economy mounted a firm recovery. Despite concerns over the impact of the sharp increase in oil prices, capital investment in the private-sector increased with the strength of better corporate performances, as well as the upward personal consumption by improvements in hiring conditions and in personal incomes. Overseas economies also performed well, with the Chinese economy maintaining its high growth rate and the U.S. economy posting expansion. Reflecting these favorable conditions, demand rose in Yamatake's various markets.

[Business Domains and Three Creation Concepts]

In this business environment, Yamatake leveraged its various strengths in measurement and control technologies to expand its Building Automation and Advanced Automation businesses. We also continued to create new businesses by breaking into the peripheral domain, such as crossover fields as well as actively developing business overseas. In addition, we took steps to create and expand our Life Automation business, building it into our third core business.

As we head toward our 100th anniversary in the fiscal year ending March 31, 2007, we are implementing a Group-wide creation drive to reinforce our corporate power. We are achieving this goal by boosting the value-creation capabilities and productivity of the full gamut of our business functions, sales, staff operations, product development, engineering and production. The three key concepts of our creation drive to transform our corporate culture, and our business foundations are:

Changing the business structure, creating a new work style, and creating a new corporate culture imbued with the spirit of challenge.

[Performance by Business Segment and Business Structural Reforms]

In fiscal 2005, we focused our plans on the market for existing buildings in the Building Automation business, mainly our ESCO business, a total energy management service that optimizes energy conservation in entire buildings. The service business also achieved steady growth based on offering more sophisticated services and introducing new products. Sales declined unavoidably, edging down 0.5% year on year, to 82.2 billion yen because of a substantial drop off in the number of new buildings after the low construction starts recorded in the previous fiscal year. Nevertheless, changes in business composition and improvements in the earning base yielded operating income of 6.5 billion yen, up 16.7% from the previous fiscal year. The picture is looking much brighter for the current fiscal year, with demand in the market for new buildings already rebounding and orders received during fiscal 2005 climbing 11.5% year on year to 86.0 billion yen.

In the Advanced Automation business, capital investment in the manufacturing industry continued to grow both in Japan and overseas. Sales of Yamatake's specialty products, such as sensors, controllers, and valves, recorded substantial growth, including the system business. As a result, sales for the Advanced Automation business rose 10.3% year on year to 93.0 billion yen, while operating income soared 58.4% to 7.5 billion yen. During the fiscal year, we invested in Tem-Tech Lab., also signing a wide-ranging business alliance agreement with the company. Tem-Tech Lab. possesses special capabilities in advanced pressure sensors, and promises to demonstrate strong synergies with our business. We took this action to further develop and deepen our business activities in the semiconductor and food industries.

Sales of the Life Automation business advanced 1.8%, to 4.6 billion yen, supported by development of businesses that target opportunities created by revisions in laws and regulations, such as the nursing care and environmental recycling fields.

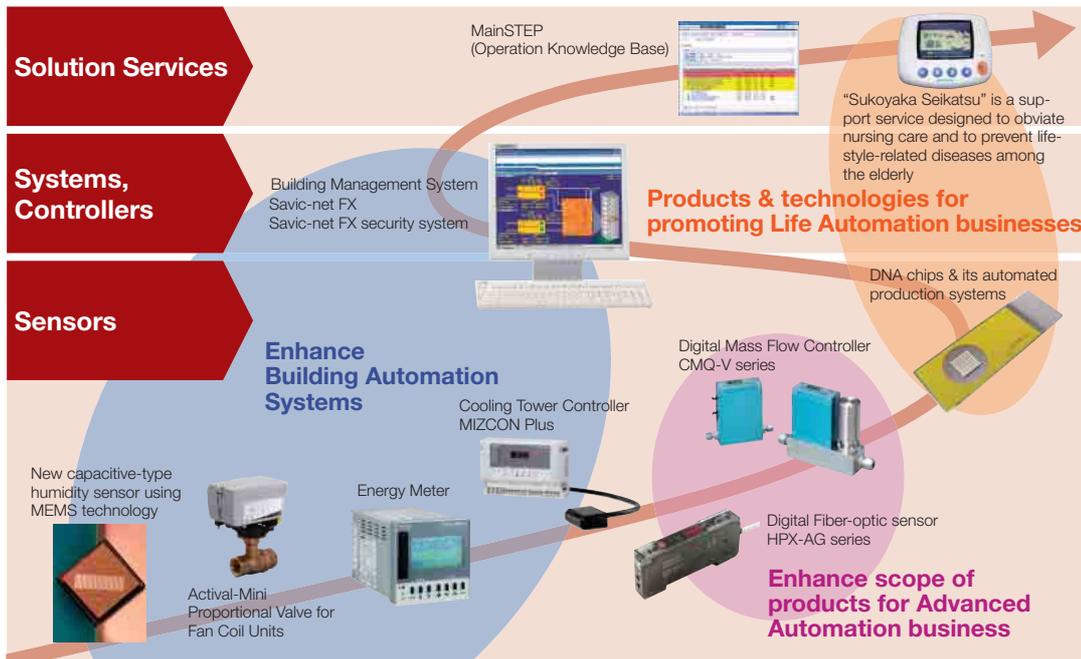
Although the business segment's operating loss improved by 0.5 billion yen from the previous fiscal year, it was still 0.7 billion yen. Among fiscal highlights, **Yamatake made Kimmon Manufacturing Co., Ltd., a major manufacturer of gas and water meters, a subsidiary.** Yamatake is considering a range of business developments utilizing the special capabilities of both companies, especially in the lifeline infrastructure market. By acquiring Kimmon Manufacturing and making it the core of Yamatake's business in this field, the scale* of the business in terms of sales will expand to more than 30.0 billion yen.

* Since the net sales and profits of Kimmon Manufacturing Co., Ltd., will be included in consolidated earnings from the fiscal year ending March 31, 2007, the acquisition had no impact on the fiscal 2005 consolidated performance.

[Business Operation Reforms]

During the fiscal year, we implemented several measures as part of the drive to transform our corporate culture and business foundation that commenced in the previous fiscal year. In November 2005, to prepare the way for a large-scale strengthening and increase in efficiency of our administration, we transferred and integrated our head office functions in our Marunouchi office. In addition, to promote collaborative business between in-house companies of the Group, we gathered our six sales offices, which had been spread out around metropolitan Tokyo, into the Shinagawa office. We also took steps to reform our research and development and engineering functions. To substantially shorten the lead times between basic research and product development and between engineering stages, we will unify these functions in the new Technology Center (provisional name) currently being constructed at the Fujisawa factory. We made further progress with integrating and reorganizing manufacturing facilities, expanding two factories in China (Dalian and Shenzhen), and initiating a reorganization of our domestic factories by function. Finally, we will consolidate manufacturing into six factories in Japan and overseas to optimize our production capabilities.

Enhancing product power with original technologies and new products



[Product Appeal and Brand Power]

High-performance products based on Yamatake's original technologies are the core products that provide solutions through advanced control and precise measurement for the problems customers encounter on site as well as being one of the drivers of our business development. We sought to strengthen Yamatake's product appeal and brand power by launching various new products, including Ultra-high-speed response Digital mass flow controller incorporating a Micro Flow sensor built with original Yamatake technology.

Management Targets for Yamatake's 2nd Century

Focusing on the human condition, we will build a world of automation created through human ingenuity and technology.

In the past, Yamatake has provided value to its customers by contributing to their energy and resources conservation and environmental protection measures through automation technology based on our "Savemation" philosophy of saving through automation. This remains an important business area because we believe that

corporations have a great responsibility to contribute to the sustainable development of society and environmental protection. However, the transformation in the business environment caused by the structural changes in society created by an aging population and a heightened interest in safety and security has produced new demands. The type of value our customers require is changing and new needs are emerging. For Yamatake to continue to be recognized as a solution provider, we must adapt to these changes. We must also be able to clearly indicate to our customers what type of value we can provide, and unify our efforts in providing it. In order to do this, it will be necessary to work together, mutually coordinating personnel, technology, and expertise without regard for borders between businesses or Group companies.

As we approach our 100th anniversary, we are redefining this value provided to customers by Yamatake as human-centered automation. Based on this philosophy, we will help people achieve safety, comfort, and fulfillment, while also contributing to the protection of the environment.

azbil
Automation·Zone·Builder

Operating under the concept of human-centered automation, we will press forward as a unified Group that goes beyond lines of demarcation between businesses and Group companies in collaborating to provide customers with optimum solutions.

As a symbol of that unity, we have created the new symbol azbil. It represents the unity of our Group management—not only within Yamatake but also including newly consolidated Kimmon Manufacturing—in applying teamwork to solve customer problems.

Under this symbol, we will focus on the human, building a world of automation created through human ingenuity and technology. Our long-term goal will be to become a top-class global corporate

group that supports the safety and security of its customers, achieves growth in corporate value, and contributes to solutions for environmental issues.

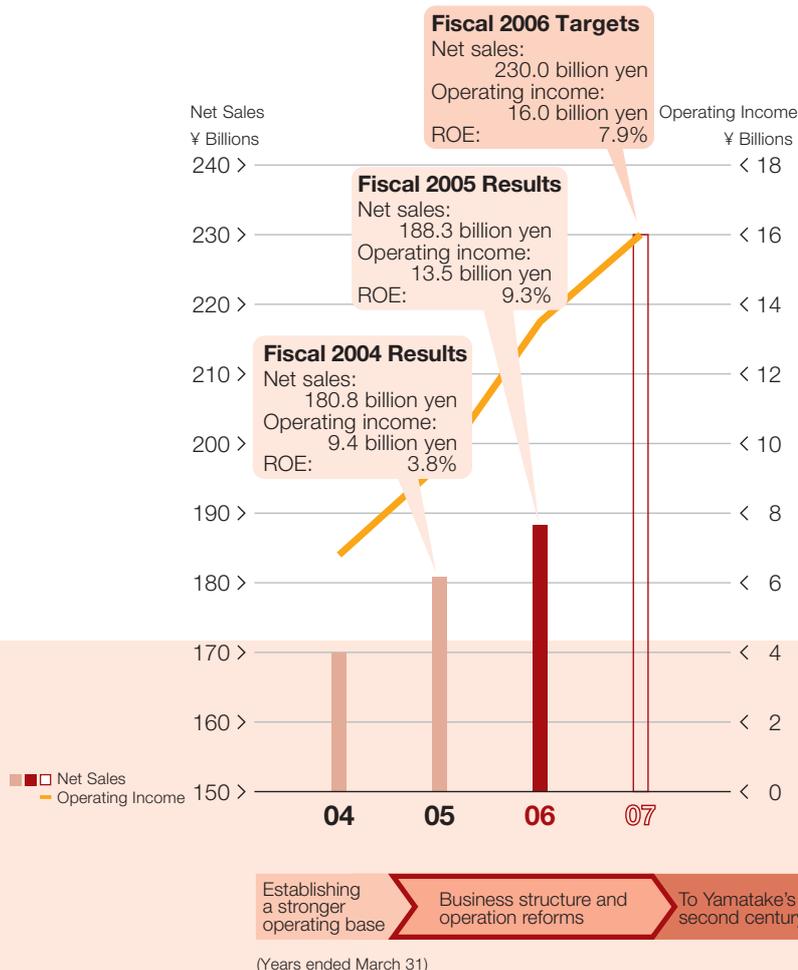
Sustained Growth Through Unique Yamatake Business Collaboration

Putting the finishing touches on the basic framework that will serve as the cornerstone for Yamatake's next leap forward.

Due to the inclusion of Kimmon Manufacturing in consolidation, our ultimate goals for the final year of the medium-term management plan are substantially higher than our original targets. We are now aiming for consolidated net sales of 230.0 billion yen, operating income of 16.0 billion yen, and ROE of 7.9%. These figures are the first hurdle on our previously mentioned "Path to becoming a top class global corporate group." Achieving these goals through rigorous development of the three creation concepts will signify that our Life Automation business has taken its place alongside our Building Automation and Advanced Automation businesses as a core business of the Yamatake Group. Clearing these performance targets will also signify that we are achieving a significant range of unique Yamatake business synergies—not only within the three core business segments but also through inter-business collaboration—by combining customers, products, and technology.

Yamatake is the sole automation systems and equipment manufacturer in the world operating in the Building Automation, Advanced Automation, and Life Automation business domains. Leveraging that strength, many cases of collaboration have already emerged at various levels of our business, from the research stage to the actual operation of businesses. For example, a cooperative effort between the Building Automation and Advanced Automation businesses is developing business in the comprehensive energy management field, which manages energy conservation of both the plant buildings and production facilities at factories. And a collaboration between Kimmon Manufacturing and the Building Automation and

Medium-term Management Plan Targets



Advanced Automation businesses is expanding Yamatake's presence in the Lifeline infrastructure field. Moreover, one of the Group companies in the care services and another in the emergency dispatch services are jointly starting a new service business in the Life Assist field.

The fiscal year ending March 31, 2007 is the final year of our current medium-term management plan "Creating Yamatake's 2nd Century," which covered the period from fiscal 2004 to 2006. Keeping the momentum built up over the past two years, we will proceed with strengthening and developing the Life Automation business and achieving further synergies throughout our businesses, completing the foundation for growth and profitability necessary for our next leap in development.

Returning to Shareholders

Targeting improved payout as well as stable dividend levels.

We recognize returning profits to shareholders as being one of our most important management issues, and strive to increase those payments. In addition to meeting the expectations of shareholders by achieving growth in corporate value and a higher stock price, we also endeavor to increase our dividend payout levels while maintaining stable dividends. For fiscal 2005, ended March 31, 2006, we declared a year-end dividend of 30 yen per share, which included a 10 yen per share commemorative dividend to mark our 100th anniversary. Including an interim dividend of 20 yen per share, therefore, the annual dividend was 50 yen per share. This dividend represents a substantial increase from the annual dividend of 23 yen per share paid in the previous fiscal year and the third consecutive year of increased dividend payout. It also represents an increase in dividend on equity ratio—one of our management performance indicators—to the 3% level from 1.7% in fiscal 2004, rising above the average dividend on equity ratio for Japanese corporations. For fiscal 2006, we plan to increase the regular dividend by 10 yen per share. The interim and year-end dividends are expected to be 25 yen per share, for an annual dividend of 50 yen per share.

Yamatake recognizes the role of internal control systems in helping companies fulfill their corporate social responsibility and pursue sustained growth. In this light, we realize the importance of strengthening corporate governance and risk management, and of thorough compliance, including adherence to relevant laws and regulations and a code of business ethics. Based on this awareness, we will continue to strive for sustained growth and the expansion of corporate value. We will also endeavor to meet the expectations of our shareholders, customers, and other stakeholders through our business activities as well as through our environmental protection and social contribution activities. In meeting the challenges of our 2nd century of operations, we look forward to the continued support of our shareholders.

July 2006

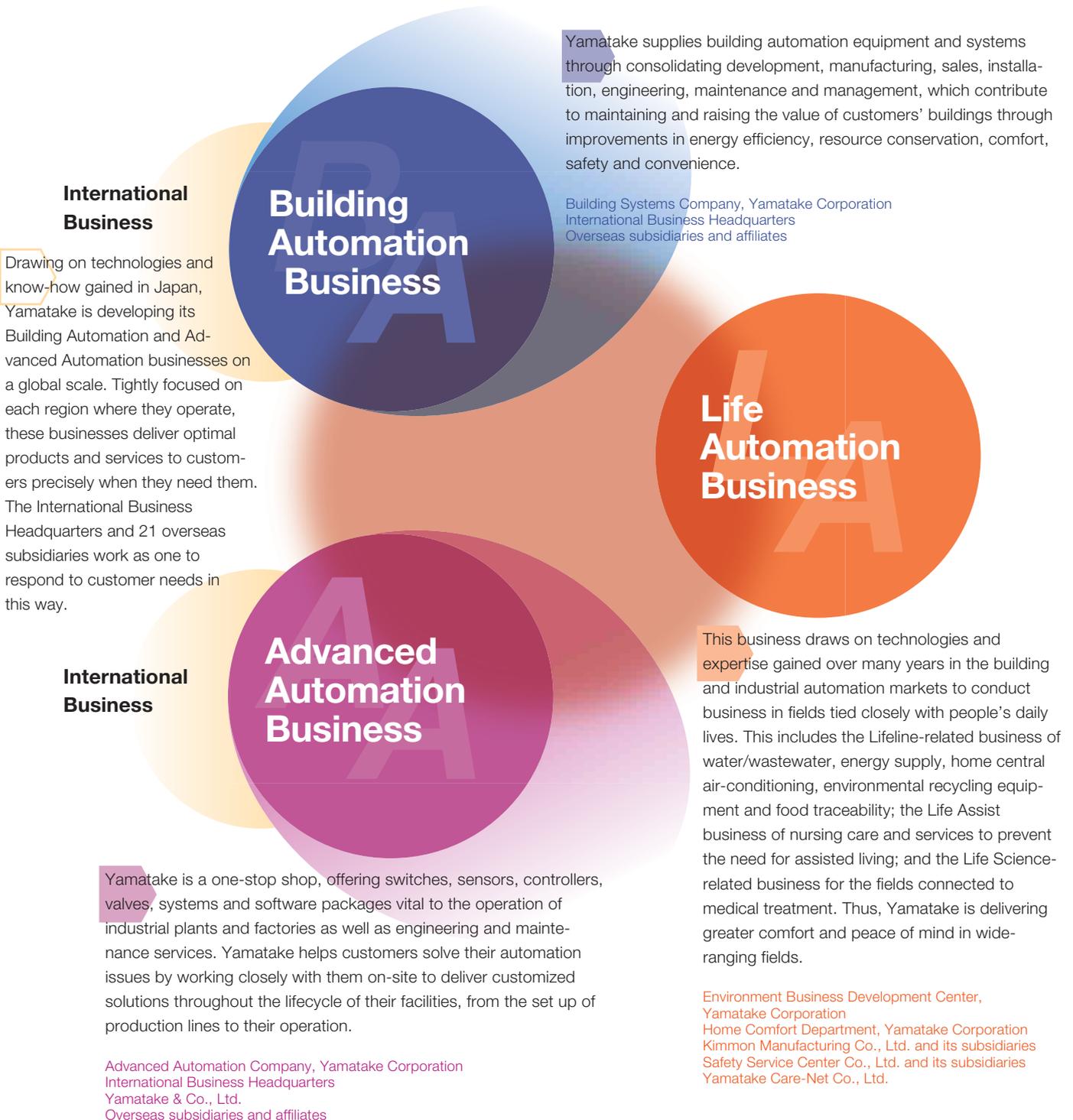


Seiji Onoki, President and Chief Executive Officer



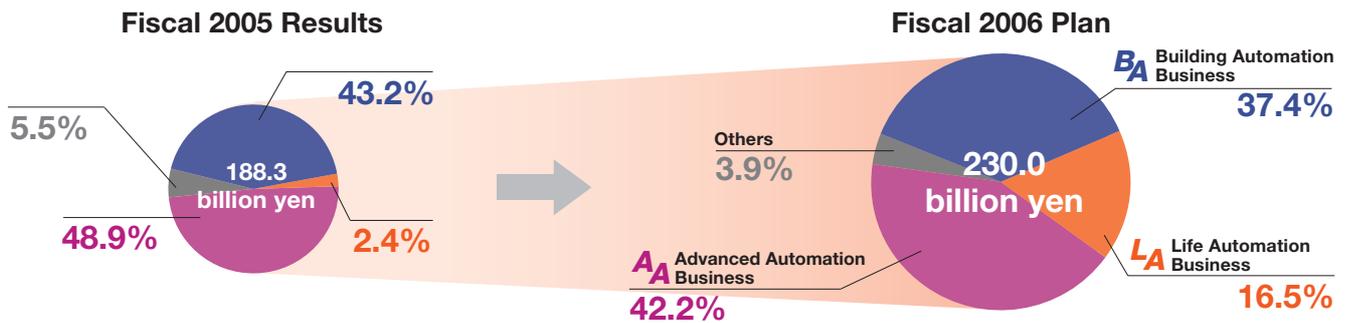
Yamatake at a Glance

The Yamatake Group has three main businesses—**Building Automation, Advanced Automation and Life Automation**—in the building, industrial and life-related markets, the latter including care service and lifeline. Rooted firmly in measurement and control technologies, these businesses all target automation beneficial to modern life. The Group also actively conducts business in overseas markets, targeting further growth.



All businesses are striving to organically combine with Group companies and their functions to create synergies that will help to maximize the corporate value of the Yamatake Group.

Sales by Business (Results and Plan)



Building Automation Business

P14



Fiscal 2005 in Review

- Sales edged down 0.5% to 82.2 billion yen.
- Sales declined due to the effect of lower orders in the previous fiscal year when the market for new buildings was lackluster.
- In the market for existing buildings, ESCO business continued to post healthy growth in sales.
- Services businesses also continued expanding.

TOPIC

Orders were up sharply, by 8.8 billion yen, or 11.5%, year on year to 86.0 billion yen, on the back of increased investment in the construction sector, particularly in the Tokyo metropolitan area.

Advanced Automation Business

P18



Fiscal 2005 in Review

- Sales rose 10.3% year on year to 93.0 billion yen.
- Sales in Japan increased about 9.1%, with both product and system businesses expanding on continued growth in capital expenditures in the manufacturing industry as a whole.
- Expansion was also seen in the products business overseas, particularly in China and elsewhere in Asia, leading to double-digit sales growth.

TOPIC

Yamatake's equity-based alliance with Tem-Tech Lab. accelerated efforts to break into and develop the semiconductor and food industries.

Life Automation Business

P22



Fiscal 2005 in Review

- Sales rose 1.8% to 4.6 billion yen.
- In the Lifeline field, sales increased in the environmental recycling business, which sells biodegrading waste processors. This is the result of growing awareness of the need to reduce environmental impact and moves by companies to comply with the Food Recycling Law. Nevertheless, sales edged down in this field as a whole.
- Sales in the Life Assist field grew as Yamatake expanded its business reach in response to revisions to the Nursing Care Insurance Law and Medical Care System reforms in Japan.
- In the Life Science field, Yamatake proceeded with R&D into biochips and related automated manufacturing systems and began shipping samples.

TOPIC

The consolidation of Kimmon Manufacturing Co., Ltd., one of the largest companies in Japan specializing in gas and water meters, established a firm business base in the lifeline field. Kimmon Manufacturing's operating results, however, were not included in Yamatake's consolidated results for fiscal 2005; only the balance sheet was affected as of March 31, 2006.

International Business

P26

Fiscal 2005 in Review

- Sales climbed 25.1% year on year to 17.9 billion yen.
- Sales grew 29.4%, or 3.2 billion yen, in China and other areas of Asia.
- Sales of products continued to grow in the Advanced Automation business, while sales doubled in the Building Automation business.

TOPIC

The opening of a new engineering center in the heart of the key Chinese market and other developments established a business infrastructure. To seize the opportunity of new market expansion, we also opened a representative office in Vietnam.

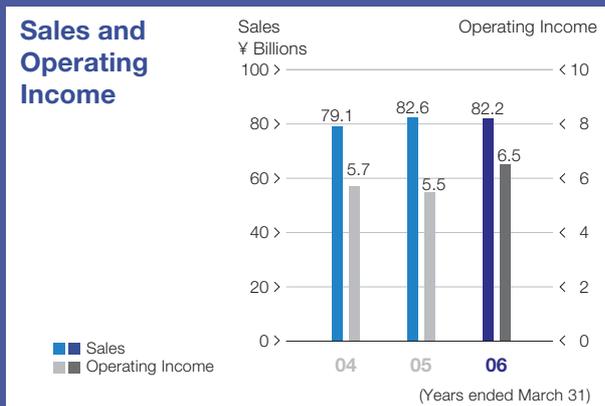


Building Automation Business

Orders have increased significantly, buoyed by robust market conditions, particularly in the Tokyo metropolitan area. This strong order book translates into a strong start to fiscal 2006, ending March 31, 2007. In the market for existing buildings, the ESCO business saw more firm growth. In addition, we actively expanded other businesses as we worked to transform into a solution business. While engaging in continued efforts to expand the solution business, we will also expand security and other business domains.



KIYOFUMI SAITO
Executive Director
Senior Managing Executive Officer
President, Building Systems Company



Business Environment and Direction

Conditions in the Building Automation business are undergoing major change. Despite brisk activity in some areas in the Tokyo metropolitan area and in the manufacturing industry, the market for new buildings, once a source of consistent profits, is mature and in long-term decline, meaning prospects for significant growth are weak.

Contrastingly, demand is growing for reducing the lifecycle cost of buildings and improving the safety and security of buildings. Another factor driving demand is revision and expansion of regulations and tax credits related to environmental conservation. One example of this is the amended Energy Conservation Law in Japan.

Determined to capitalize on this market change, we are shifting our focus to offer total solutions to enable customers to maintain and improve the lifecycle value of buildings. In this way, we aim to expand our business and generate earnings.

Fiscal 2005 Performance

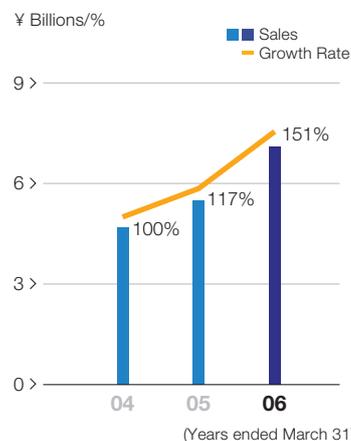
In Japan's building industry, the real estate market is gaining momentum, particularly in the Tokyo metropolitan area, spurred by the country's economic recovery. Yamatake was quick to respond to changes in customer needs and markets in the market for new buildings. This fast response and our ability to satisfy customers translated into a large increase in orders. Notwithstanding this growth, net sales declined, reflecting the effect of lower orders in the previous fiscal year when the same market was lackluster.

In the market for existing buildings, ESCO business (*tems*: Total Energy Management Service), a comprehensive energy management service for conserving energy in entire buildings targeting building owners as well as operators and managers, continued to post healthy growth. The service business, meanwhile, expanded as we actively rolled out facility management and network-based building management services for owners. And we extended our reach by initiating a business that targets the Specified Manager System*.

Additionally, with demand for greater safety and security increasing, our security business experienced steady growth.

Besides these building markets, on the back of rising demand for environmental conservation due to Russia's ratification of the Kyoto Protocol and other factors, there was growth in demand for total energy management that integrates HVAC, utilities and the production lines in

tems™ Sales



* tems is a trademark of Yamatake Corporation in Japan and other countries.

* Specified Manager System: Established as part of the change in the Local Government Act in September 2003, this system allows a local government to specify a private sector company to handle the management and operation of its public facilities.

Markets

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

Kambara General Hospital



Kyushu Sangyo University



The Shinano Mainichi Shimbun

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

factories. In this climate, we continued to expand our business in domains overlapping with the Advanced Automation business.

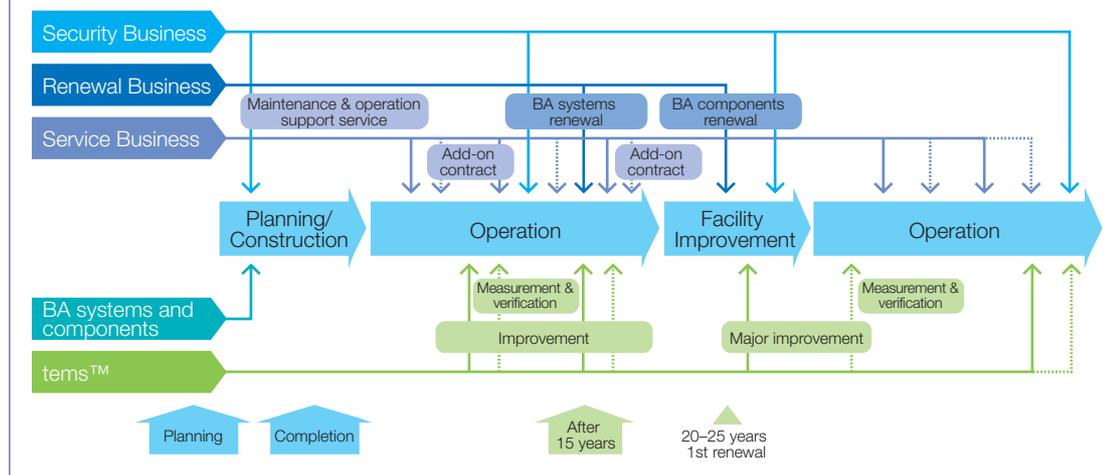
International business recorded higher sales than in the previous year, as we concentrated on upgrading our business structure in the expanding markets of China, South Korea, Taiwan and Southeast Asia.

As a result of the above and other factors, Building Automation business orders rose 11.5% to 86.0 billion yen. However, sales edged down 0.5% to 82.2 billion yen. Operating income rose 16.7% to 6.5 billion yen, reflecting improved profitability due to increasing sales of products with enhanced competitiveness in terms of functions and cost.

Business Plan and Outlook

Business targeted at new buildings is expected to expand steadily, spurred by continuing strength in the factory HVAC market as well as recovering capital investment in construction, particularly for urban redevelopment. Expansion is also forecast for the international business and the value-added solution business;

Building Lifecycles and the Building Automation Business



The Building Automation business has been in business for more than half a century. During that time, it has accumulated a reservoir of expertise and data and captured a leading market share. It also boasts an integrated structure from development, manufacturing and sales to installation, engineering, maintenance and management. These qualities are unique to and differentiate Yamatake's Building Automation business, enabling it to provide the services that add value to a building over its entire lifecycle.

Main Products and Services

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

Room Temperature/Humidity Sensor
Neosensor



Proximity IC Card Reader

Building Management System
savic-net™



Direct controller for Air-handling unit
Inflex™ AC

Motorized Two-Way Valve
ACTIVAL™



* savic-net, Inflex and ACTIVAL are trademarks of Yamatake Corporation in Japan and other countries.

the latter helps customers save energy, improve security and achieve safety as well as reduce lifecycle costs. Consequently, for fiscal 2006, ending March 31, 2007, we are projecting a 3.8 billion yen, or 4.7%, increase in sales to 86.0 billion yen, and an increase in operating income of 0.4 billion yen, or 6.8%, to 6.9 billion yen. We plan to implement the following initiatives to achieve our performance targets in the Building Automation business.

We aim to improve profitability and bolster competitiveness in both the market for new buildings and existing buildings. We will achieve this by continuously bringing to market products that are competitive in terms of both the sophisticated functions they offer and cost. Overseas production, alongside new product development, will be important to this end.

We are looking to expand business in the market for existing buildings, particularly ESCO business, or *tems*, to assist customers with energy conservation and cost reduction. We're also determined to transform the structure of our

business into one capable of delivering value-added solutions for customers by actively engaging in the refurbishment and operation of building utilities as well as lifecycle management of buildings.

In addition to the aforementioned measures in the markets for new and existing

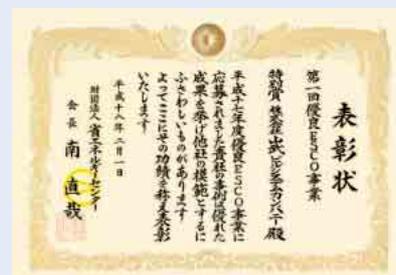
buildings, we will engage in efforts to expand and grow our business domains. This will include cultivating business for the factory HVAC market through collaborative efforts with the Advanced Automation business and strengthening our product lineup to drive expansion in the security business.

Topic

Yamatake Wins First Superior ESCO Business Award

Yamatake has been awarded a special award in the First Superior ESCO Business Awards sponsored by The Energy Conservation Center, Japan (ECCJ) for two ESCO businesses: Daiei Shin-urayasu and Suma Aqualife Park in Kobe.

This award was established in 2005 by ECCJ to promote the proliferation of superior ESCO businesses. The first award was open to ESCO businesses in Japan operating for at least a year and with proven records in delivering outstanding performance and energy conservation. Applications opened in December 2005, after which documentation concerning implementation examples was screened and site surveys and interviews conducted. Entrants also made presentations before the final selection of superior ESCO businesses.



New Products

● Building Management System savic-net™ FX

savic-net FX is a building management system for medium-sized and large buildings. Yamatake has now built a new building management system for overseas use with advanced functions such as multilingual capability, open networks, and energy saving. We will sell this globally compatible system in all regions of Asia, including China, Southeast Asia, India, and the Middle East.

Yamatake has also released a series of new products for overseas markets, including various kinds of air-conditioning valves and controllers. By strengthening our lineup of overseas products, ranging from systems to controllers, sensors, and valves, we will accelerate the overseas expansion of the Building Automation business.



● Energy Meter WTY8000A

Energy Meters, which measure and total up the quantity of heat consumed, have traditionally been used for the management of cooling and heating volumes as well as for the billing to various types of heat source equipment and air conditioners on medium-sized and large buildings and on district heating and cooling (DHC) systems. In tandem with the enforcement of the revised Law Concerning the Rational Use of Energy in April 2006, Yamatake added functions such as a trend graph display for data enabling the analysis of heat load consumption and the ability to record large volumes of data. We started selling the product with these reinforced management functions.



● Cooling Tower Controller MIZCON™ Plus

MIZCON Plus regulates the conductivity and temperature of chilled water used in cooling towers for office building air conditioners. In cooling towers, when the density of impurities rises due to the evaporation of water, scale may build up related to the chilled-water loop, which lowers the capacity of refrigerators and compressors and can cause malfunctions such as the blockage of cooling towers and pipes. Furthermore, the management of chilled-water temperature is a key point in the revised Law Concerning the Rational Use of Energy. MIZCON Plus is a cooling tower controller that offers a combination of water cost saving as well as water quality maintenance and temperature control for chilled water. It also enables management that conforms to the rationalization standards of the revised Law Concerning the Rational Use of Energy.



* savic-net and MIZCON are trademarks of Yamatake Corporation in Japan and other countries.

Applications for Security System

Nihonbashi Mitsui Tower Room Access for Multiple Buildings Using a Single Contactless IC Card Spells Efficient Management

Nihonbashi Mitsui Tower is an ultra high-rise building housing a hotel, offices, shops and cultural arts facilities. Yamatake technology was instrumental in equipping this building with a large-scale security system, which achieves the required levels of flexibility, safety and efficiency. In addition to a proud track record in system installation, as well as its operational and support frameworks, Yamatake has been lauded for its comprehensive capabilities, which also include the ability to add functions, namely room access management using contactless IC cards and compatibility with electronic money.



The security system is made up of savic-net ssEV, a monitoring system designed solely for security purposes, card readers compatible with contactless IC cards and a management system for the key-hold box compatible with these cards. This is a large-scale system comprising some 90 card reader controllers and around 700 contactless IC card readers for the roughly 20,000 cards issued to building users.

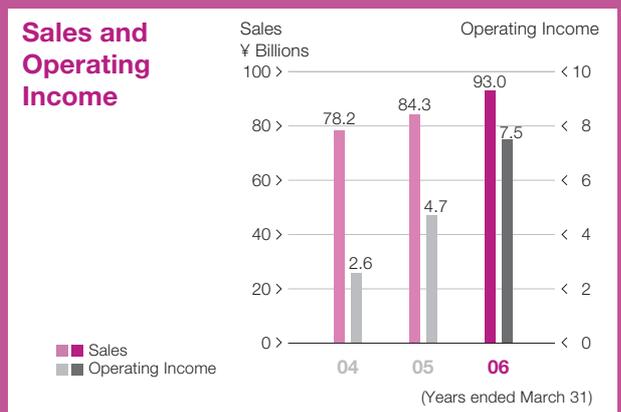


Advanced Automation Business

Sales rose sharply in various markets on the back of increased capital investments in Japan and overseas. Looking ahead, we are determined to sustain growth in the Advanced Automation business by developing businesses that only Yamatake can, businesses that leverage our proprietary technologies and synergies within the Yamatake Group.



HISAYOSHI MORI
Executive Director
Senior Managing Executive Officer
and Advanced Automation Company President



Business Environment and Direction

The markets for the Advanced Automation business continued to grow at a healthy clip in the past fiscal year. 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 continued market expansion, especially in China. The growth in capital investment in Japan and overseas is giving immense impetus to Yamatake. On the other hand, customer requests are becoming more exacting and sophisticated. Quickly identifying and responding to their needs will be pivotal to our ability to sustain growth.

A feature of the Advanced Automation business is that we form long-term relationships with customers that last throughout the entire lifecycle of their plant facilities and equipment through the provision of products, systems engineering, maintenance services, consulting and other 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. Therein lies the strength of Yamatake.

We 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 underpinned by sophisticated technologies and of added-value engineering and services based on a high degree of specialization.

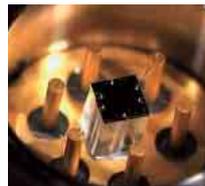
Fiscal 2005 Performance

During the past fiscal year in Japan, investments in constructing and upgrading facilities remained strong in the manufacturing industry as a whole on the back of a rebound in corporate earnings. Overseas, meanwhile, markets continued to grow in the Asian region outside Japan, most notably in China. Under these circumstances, we made steady progress putting in place a business base overseas, and in Japan we worked to expand

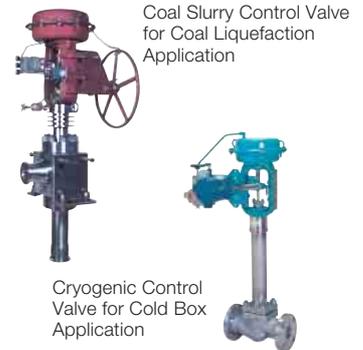
Product Solutions



Sapphire Pressure Sensor



Semiconductor Pressure Sensor



Coal Slurry Control Valve for Coal Liquefaction Application

Cryogenic Control Valve for Cold Box Application

Yamatake draws on its comprehensive capabilities—extending from R&D into cutting-edge sensing technologies to the development of products that meet frontline needs based on strong customer relations—to create proprietary product solutions.

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.

Chugai Ro Co., Ltd.



Asahi Kasei Chemicals Corporation, Mizushima Works



DENSO CORPORATION, Toyohashi Plant



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

business domains by conducting sales activities in close contact with customers and capturing synergies within the Yamatake Group. These efforts resulted in many achievements during the year.

In fiscal 2005, we launched a number of new products that are rooted in our proprietary technologies and extensive expertise. These products included a MicroFlow vortex flowmeter, Ultra-high-speed-response Digital mass flow controller, and an advanced function model of Digital fiber-optic sensors. Moreover, we expanded our service lineup in the solution business for supporting innovation in factories. These include the upgrade and optimization of production facilities, improved quality management, and energy and environmental management.

In a development during fiscal 2005, we invested in Tem-Tech Lab., a company that specialized in advanced pressure measurement for the semiconductor, food and other industries. We also initiated a broad-based business alliance with this company. Moving forward, we will conduct sales of each other's products

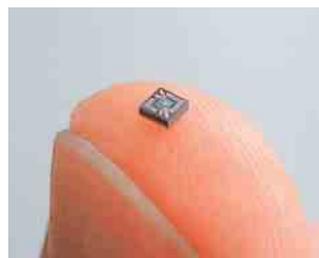
with Tem-Tech Lab., which has established deeply entrenched relationships with major semiconductor firms, and also work with Tem-Tech Lab. on product development. This cooperation is expected to be mutually beneficial, leading to expansion in both companies' business in the semiconductor market.

As a result of the above and other factors, Advanced Automation business orders increased 11.0% to 95.7 billion yen and sales rose 10.3% to 93.0 billion yen. Operating income climbed 58.4% to 7.5 billion yen.

Business Plan and Outlook

With companies in Japan's manufacturing industry expected to continue investing heavily in facilities, Yamatake plans to strengthen sales activities in close contact with customers and make further strides in developing business in new domains within the Yamatake Group. Overseas, we aim to grow sales by focusing our energies on expanding the product business in China and elsewhere in Asia. Through expansion both in Japan and in international business, we are projecting a 4.0 billion yen, or 4.3%, year-on-year increase in sales in fiscal 2006

Micro Flow sensor and products applying Micro Flow sensor



Micro Flow™ sensor



Digital Mass Flow Controller CMQ™-V series

Gas Mass Flow Meter CMS series

Main Products and Services

- Distributed control systems
- Solution packages
- Field instruments (pressure transmitters and flowmeters)
- Control valves
- Facility diagnosis equipment
- Digital indicating controllers
- Recorders
- Combustion control equipment
- Photoelectric sensors etc.
- Industrial Services Operation Program (ISOP™)



Smart Electromagnetic Flowmeter
MagneW™ 3000PLUS



Control Valve/
Smart Valve
Positioner

Harmonized Automation System
Harmonas™



DigitroniK™ Digital Indicating Controller
SDC™ series



Photoelectric Sensors
HPX-AG / HP100



* ISOP, Harmonas, MagneW, SDC and DigitroniK are trademarks of Yamatake Corporation in Japan and other countries.

to 97.0 billion yen. On the earnings front, we are forecasting a 0.5 billion yen, or 6.9%, increase in operating income to 8.0 billion yen due to the higher sales and reductions in costs. We plan to implement the following initiatives to achieve our performance goals in the Advanced Automation business.

We plan to further expand our sales and service network and strengthen the quality assurance framework and production systems of overseas subsidiaries in Asia, particularly in China. This will also involve greater support from Japan for overseas subsidiaries. Through these and other measures, we intend to step up the pace at which we develop business overseas.

We are determined to expand business by capturing synergies. For example, we plan to increase orders for comprehensive energy management systems in the industrial market in conjunction with the Building Automation business. In cooperation with Tem-Tech Lab., we will expand sales of products in the semiconductor and food industries.

And with Kimmon Manufacturing Co., Ltd., we want to unearth business opportunities at gas companies.

Another initiative is to continue developing business hand in hand with customers at their sites. Yamatake places great stock in cooperation with customers

and earning their trust. From this point, we will review our existing work flows as we look to rebuild our business structure, an initiative that will encompass not only sales but also engineering, services, development, production and quality assurance.

Topic

Equity-based Business Alliance With Tem-Tech Lab. Targets Business Expansion in the Semiconductor Manufacturing and Other Industries

In August 2005, Yamatake purchased a 25% equity interest in Tem-Tech Lab. and initiated an extensive business alliance.

Tem-Tech Lab. has a strong presence in the front-end semiconductor production equipment market, boasting a powerful brand backed by products such as pressure sensors for high-purity special gases. Yamatake, meanwhile, is leveraging its high-precision, sophisticated control technologies to expand business in the front-end semiconductor process market with products such as temperature controllers. The alliance will see Yamatake and Tem-Tech Lab. use each other's products and sales channels as well as cooperate in R&D, the development of new products and their manufacture. The synergies derived from this business alliance are expected to enable the companies to shorten development lead times, bring products to market faster and provide timely, customized solutions to client needs, driving business expansion.

New Products

● Digital Mass Flow Controller CMQ™-V series

For unparalleled gas-flow control, CMQ-V series controllers are equipped with the Micro Flow™ sensor, a tiny thermal flow sensor manufactured exclusively by Yamatake. Leveraging the high-speed response—just 1ms (1/1000 sec.)—that is a feature of the Micro Flow sensor, Yamatake is able to supply a range of products that combine exclusive control algorithms with flow-channel design expertise accumulated through many years of experience in the industry. Other manufacturers have been unable to compete with our burner air-fuel ratio control technology—used for the fusing and cutting of glass tubes for applications such as LCD backlights and fluorescent lamps—and our flow-control technologies for general industrial gases like nitrogen, argon, and hydrogen. These technologies have won a high market share for Yamatake. We are actively promoting sales of the newly developed CMQ-V series for deposition (sputtering) applications requiring high-speed control and resistance to electrical noise, and also for fuel cell evaluation equipment, which demands even higher levels of absolute accuracy and repeatability.



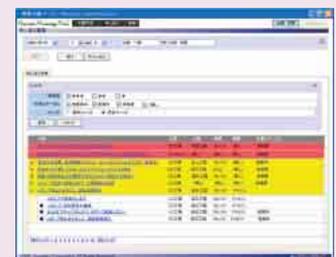
● Two-wire electromagnetic flowmeters MagneW™ Two-wirePLUS+

Yamatake has a sales track record of more than ten years since first supplying smart two-wire electromagnetic flowmeters to the industrial market in March 1992. During this period, by utilizing our diverse experience in the field, we developed the MagneW Two-wire PLUS+ of two-wire electromagnetic flowmeters, which have adopted the “multilevel excitation current method employing voltage control-type excitation circuits.” These products achieved a steady increase in sales from the time of their launch, with sales reaching 2,900 units in fiscal 2004 and 3,200 units in fiscal 2005, marking the highest sales volume in the world. With the aim of ensuring higher performance in response to customers' further requirements, we have launched sales of a new product with a name that includes a plus sign to indicate this improvement in performance.



● MainSTEP™ Operation Knowledge Base™ —Shiftwork communication support system

In the past, handing down skills from generation to generation in the manufacturing work place was mainly done verbally and through actual practice (so-called on-the-job training). However, as these opportunities have diminished in tandem with the retirement of skilled employees, establishing an environment to support the handing down of skills has become a major issue. Operation Knowledge Base is a system that entails accumulating through daily operations know-how and experience regarding handling, avoiding, and resolving past trouble possessed by each individual in the manufacturing work place. This is done by means of the electronic recording of shiftwork communication. The know-how and experience can then be utilized as the property of all employees involved in manufacturing.



* CMQ, Micro Flow, MagneW, MainSTEP and Operation Knowledge Base are trademarks of Yamatake Corporation in Japan and other countries.

Applications for Traceability

Nippon Milk Community Co., Ltd. Manufacturing Process Traceability Management System for Establishing the Safety and Reliability of MEGMILK-brand Products

Demand is rising in the food industry for the creation of frameworks to ensure the safety and reliability of food products via the accurate tracing of data throughout the production process. Yamatake provides support for the creation of such frameworks. Nippon Milk Community employed Yamatake's Manufacturing Execution System for Food and Beverages when it put in place its milk community quality assurance (MCQA) system. Nippon Milk Community Co., Ltd. conducts business based on a belief that all trust starts with quality to ensure safety. Yamatake has won high marks for its proven track record as one of Japan's leading manufacturers of traceability systems in the food industry and for its nationwide base and service network. Yamatake's Manufacturing Execution System for Food and Beverages has already been installed at 11 Nippon Milk Community plants throughout Japan.



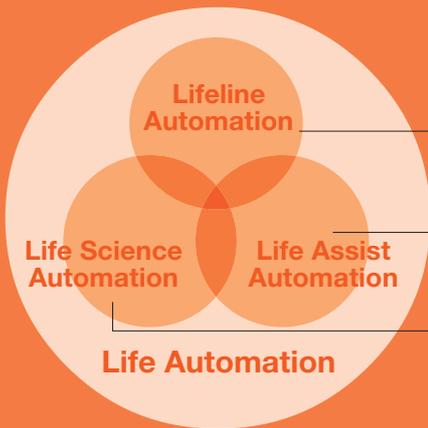
Manufacturing Execution System for Food and Beverages

This production traceability system precisely records manufacturing history, including raw milk received, materials received, measuring instructions, quality control, and cleaning records.



Life Automation Business

New needs are being created by changes in society, including an aging population, environmental problems and increasing interest in safety and security. Yamatake defines Life Automation as a business domain in which it delivers solutions for these needs by drawing on its automation technologies. We are now creating and developing businesses in this field. In the past fiscal year, with the consolidation of Kimmon Manufacturing Co., Ltd., we established a business foundation for positioning Life Automation as a third core business alongside Building Automation and Advanced Automation.



The three fields of Life Automation

Encompasses businesses involving lifeline measurement and metering, such as for energy and utilities, and safety management of lifelines.

Here we help people lead healthy lives in safety and security, and support people's lifestyles by using technologies that harmonize people with machines.

Includes businesses that use automation to support life science-related businesses, including microorganisms, soil remediation and medical management.

Business Environment and Direction

Social needs involving environmental problems, safety, security and other issues continue to increase. These trends are a major force behind the expansion of the Life Automation business. On the other hand, the operating environment is rapidly changing and there are many competitors in some fields. Undaunted by these challenges, we aim to grow this business by leveraging the inherent strengths in the technologies and expertise we have gained in our Building Automation and Advanced Automation businesses. In the past fiscal year, we pushed forward with business activities, defining three pivotal fields where we believe we can exert these strengths: the Lifeline field, which involves support for people's lives through activities targeting energy, utilities and other sectors; the Life Assist field for supporting people; and the Life Science field, including biotechnology. A major development in the Lifeline field in the past fiscal year was the acquisition of Kimmon Manufacturing, which became a

subsidiary of Yamatake. We intend to link Kimmon Manufacturing's products, technological capabilities, customer relationships and brand equity with our sophisticated technologies and application

expertise, which extend from control to networks and engineering, to make a wider range of proposals to customers. Doing so will make us even more competitive and drive expansion of our businesses.

Main Products and Services

Lifeline Automation

- Various gas meters, safety equipment, regulators, various water meters, flowmeters, etc.
- Trace Navi™ traceability system; production support systems, agricultural chemical databases and collection and shipment support systems
- Dr-TCBM™ infiltration and inflow investigation service, biodegrading volume-reduction waste processor, decompression volume-reduction dryer, electromagnetic, drying-type waste processor
- Kikubari™ central air-conditioning system



Various meters and supply equipment

Life Assist Automation

- Care services, including emergency dispatch services, home-use medical equipment, helpdesks, health consultation hotline, mental healthcare, nursing care prevention services, lifestyle disease prevention services, etc.
- In-home care services, and the sale and rental of nursing care equipment



In-home care services

Life Science Automation

- DNA chips gemkey™

* Trace Navi, TCBM, Kikubari and gemkey are trademarks of Yamatake Corporation in Japan and other countries.

Markets

Lifeline Automation

- Measurement/metering equipment such as gas and water meters and measurement and instrumentation systems
- Agricultural product traceability: covering the production, distribution, processing, sales and consumption of agricultural products
- Infiltration and inflow investigation service: operation, maintenance and management of public sewer systems and wastewater treatment plants
- Commercial-use waste processors: markets connected with food production and retailing as well as foodservice
- Individual residential homes

Life Assist Automation

- Elderly nursing care services (preventive care) market
- Lifestyle support for the elderly
- Lifestyle disease prevention for the middle-aged and elderly

Life Science Automation

- Molecular biology, clinical medicine

Lifeline Automation

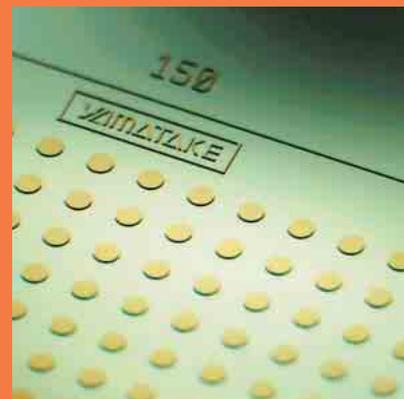
Trace Navi™: traceability system (left)
Kikubari™: central air-conditioning system (right)



Life Science Automation
DNA chips
gemkey™



Life Assist Automation
Emergency dispatch services



Fiscal 2005 Performance

During fiscal 2005, we developed a river flood warning system and searched for new possibilities in urban disaster prevention in the Lifeline field as we augmented an existing business for predicting sewage inflow and taking measures against infiltration and inflow. And with awareness rising of the need to reduce environmental impact as well as to respond to the Food Recycling Law in Japan, we saw increased sales in the environment business, which sells waste processors, and in the urban disaster prevention business, which provides an infiltration and inflow investigation service. However, due to a decline in the food safety business, involving traceability systems for agricultural products, overall sales in the lifeline field were down slightly from fiscal 2004.

In the Life Assist field, we continued to grow as we expanded the scope of our operations. In addition to our current

businesses, we entered into the group home business. At the same time, we expanded operations in the areas of preventive nursing care and the prevention of lifestyle diseases. With new competitors entering our markets, we revamped our operating structure, strengthened sales activities and rolled out new services, such as a service to help prevent lifestyle diseases. These actions enabled us to post a steady increase in sales in the Life Assist field.

In the Life Science field, we proceeded with development of DNA chips and their automated production systems, with a view to creating a viable business in the expanding biotechnology field.

As a result of the above items and other factors, the Life Automation business posted sales of 4.6 billion yen, up 1.8%. However, this business recorded an operating loss of 0.7 billion yen, which was a year-on-year improvement of 0.5 billion yen. Sales and earnings

of Kimmon Manufacturing will be included in consolidated results from the fiscal year ending March 31, 2007 and therefore did not affect fiscal 2005 results.

Business Plan and Outlook

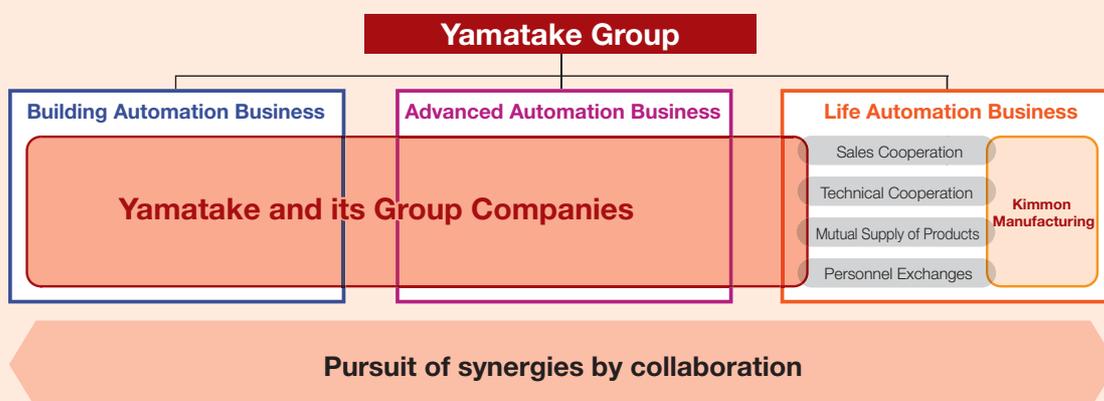
Yamatake plans to strengthen businesses in the Life Assist field in response to revisions to the Health Insurance Law and medical system reforms in Japan. With the addition also of the sales and earnings of Kimmon Manufacturing, Yamatake is forecasting a 33.4 billion yen increase in sales, up 734%, year on year to 38.0 billion yen. Similarly, operating income is expected to increase 1.5 billion yen to 0.8 billion yen.

Making Kimmon Manufacturing a Group Company and Harnessing Synergies to Expand the Life Automation Business

Kimmon Manufacturing Co., Ltd., a large, prominent company in Japan that makes meters for city gas, LP gas and water supplies, was made a subsidiary of Yamatake in January 2006. This move was made in order to leverage the business foundation and competitive advantages possessed by the company, position Kimmon Manufacturing at the core of the Life Automation business, and establish a framework for expanding the business. Combining the gas- and water-related products, metering management capabilities, and technological capacities possessed by Kimmon Manufacturing, which center on metering as well as the company's customer relationships and brand, with Yamatake's technologies for measurement and instrumentation, its robust technological strength spanning control, networks and engineering, and its ability to develop applications, will serve to expand the range of solutions Yamatake is capable of providing

to its customers and boost its market superiority.

Both Yamatake and Kimmon Manufacturing are involved in the fields of metering and measurement, but there is no overlap so it should be relatively easy to generate synergies. Yamatake has already begun concrete activities with its new partner, promoting sales of products that apply microflow sensors through Kimmon Manufacturing's sales network. Discussions are also underway on commercializing multiple projects that include proposals for meter replacements using Yamatake's database of property information and proposing systems for the safety of gas supply networks using network technology. With energy supply diversifying, the scope of deregulation expanding, and customer needs growing increasingly varied, Yamatake intends to continue to develop the Life Automation business by taking advantage of these changes as opportunities for growth.



Town Gas and LP Gas businesses

Kimmon Manufacturing has been a pioneer in the meter industry for over 100 years since developing Japan's first gas meter in 1904, constantly expanding its business with advanced technology. In addition to gas meters, which function as instruments for metering, ensuring safety and monitoring energy, Kimmon Manufacturing also handles safety devices like gas leak alarms, automatic shutoff valves, and pressure governors, which are necessary for pipelines to deliver gas safely and stably. These gas supply products have earned a strong reputation for their stable performance and durability in the gas supply field.



Water Meter business

In 1913, Kimmon Manufacturing became the first company in Japan to begin producing water meters. With a view to making safe, environmentally conscious products that measure water accurately, more recently Kimmon Manufacturing worked to rapidly develop a lead-free, copper-alloy water meter, which it started selling in 1992. Beating its competitors, it was the first company in the industry to sell a water meter certified by the Japan Water Works Association.



Company Overview (As of March 31, 2006)

Name: Kimmon Manufacturing Co., Ltd.
 Founded: March 1904
 Established: July 1948
 Head Office: 13-1 Ohara-cho, Itabashi-ku, Tokyo
 Business Office: 2-3-6 Mukogaoka, Bunkyo-ku, Tokyo
 Branches: Tokyo, Osaka, Fukuoka, Hokkaido, Hiroshima, Sendai, Nagoya, etc.

Sales Offices: Okayama, Kagoshima, Kushiro, Aomori, Morioka, Fukushima
 Production Sites: Hokkaido, Aomori, Sendai, Fukushima, Tokyo, Wakayama, Kyoto, etc.
 Capital: ¥3,157.5 million (Listed on First Section of Tokyo Stock Exchange)

Employees: 1,384 (As of March 31, 2006; consolidated basis)
 Net sales: ¥33.3 billion (Fiscal 2005; consolidated basis)
 Business: City gas meters, LP gas meters, water meters, oil meters, energy meters, etc.

► Topics

“Flood Warning System” Based on River Overflow predictions

Predicts river water levels and sends e-mail messages giving five hours' warning of the danger of flooding.

Yamatake's flood warning system predicts river water levels up to five hours in advance and sends e-mail messages to the mobile phones of personnel in charge of disaster prevention when the danger of flooding rises. The system transmits river level forecast data to Hodogaya Ward Office in the City of Yokohama.



Predicts river water levels and sends e-mail messages giving five hours' warning of the danger of flooding.

Environmental Recycling Business —Growth Driven by Food Recycling Law

Japan's Food Recycling Law aims to ensure that all food service-related providers raise their implementation rate for recycling to at least 20% during fiscal 2006. This has spawned a market for recycling food waste, which used to be incinerated, into products such as fertilizer and animal feed. Yamatake is engaged in the business of delivering solutions for organic waste, including the provision of biodegrading waste processors and a service for recycling residual waste. Operations extend from hardware to the design and planning of systems as well as related maintenance. Yamatake is proud to have installed one of the largest biodegrading waste processors at MALera, one of Japan's largest malls in Gifu, for recycling into fertilizer the residual waste remaining after processing the food waste generated by the complex's 50 or so tenant stores. Yamatake also installed a biodegrading waste processor at Shinwa Gakuen in Hiratsuka, Kanagawa Prefecture, that recycles food waste into organic fertilizer for use in the vegetable patch within the school's grounds.



One of the largest biodegrading waste processors is installed at the MALera mall in Gifu, Japan. This system can process 750kg of garbage a day.

“Sukoyaka” Lifestyle Service —Service for Preventive Nursing Care

Safety Service Center Co., Ltd., a Yamatake Group company which operates a 24-hour health consultation service call center, has conducted a pilot study in Hino City, Tokyo, of Sukoyaka Lifestyle, a support service that aims to prevent the elderly from needing nursing care by helping them learn ways to change their lifestyles. The study was a resounding success. Building on this success, Safety Service Center launched this service, a new paradigm in preventive nursing care that is also eligible for assistance under the revised Nursing Care Insurance Law and reformed Medical Care System in Japan. The service aims to prevent the elderly from needing nursing care as well as the onset and advance of diseases. Preventing the elderly from becoming isolated and housebound is another aim of this new service. By helping users to confidently lead healthier lifestyles, the service can also be expected to help national and regional governments expenditures for nursing care insurance and medical care in Japan.



A Sukoyaka Ryota™ terminal that allows elderly users to send messages from their homes.

* Sukoyaka Ryota is a trademark of Yamatake Corporation in Japan.

Entering the Group Home Business —“Katakuri no Sato Rokugo” Opens

Yamatake subsidiary Yamatake Care-Net Co., Ltd. operates an in-home nursing care service, adult day care centers and care equipment rental in 30 locations throughout the Tokyo metropolitan area. In the past fiscal year, Yamatake Care-Net started a business of group homes to provide care for elderly patients with dementia. In April 2006, it completed construction and opened a new facility in Tokyo's Ota Ward that combines a group home and adult day care center under the name Katakuri no Sato Rokugo. With the number of elderly afflicted by dementia expected to increase rapidly in the coming years, Yamatake Care-Net plans to expand its business centered on facilities, including group homes for the elderly, mainly in the Tokyo metropolitan area.



Katakuri no Sato Rokugo

Life Automation Business —Entering the DNA Chip Market

“gemkey” is the name for Yamatake's optimal, on-demand customized DNA chips that are fit for basic and applied research. In 2002, Yamatake teamed up with CEA-Leti, the French Atomic Energy Commission's research laboratory, to conduct joint development with regard to in situ synthesized DNA chips and automated production technology. Due to the application of Yamatake's Micro Electro Mechanical System (MEMS) technology, a system has been developed that allows probes to be freely placed and easily redesigned, meaning DNA chips can be designed to fit various research purposes. Yamatake sees “gemkey” as one step in its drive to develop activities targeting personalized medical treatment, a field that is expected to become mainstream in the near future.



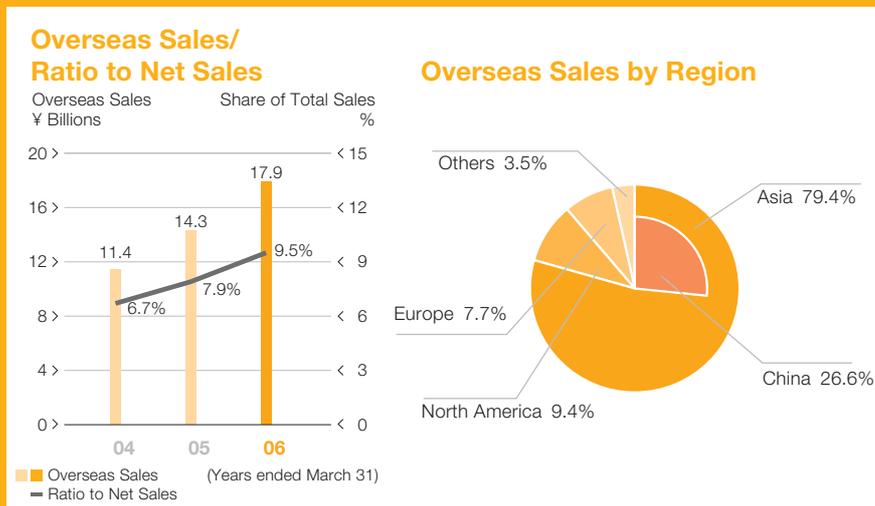
gemkey™—on-demand customized DNA chips

International Business

Sales surged 25% year on year to 17.9 billion yen on continued growth in China and other countries in Asia, where capital investment was robust. We aim to achieve the target of 20.0 billion yen in sales in the medium-term management plan by enhancing and expanding the business framework, including further reinforcing sales office and agency networks.



JUN KAWACHI
Executive Director
Managing
Executive Officer



Yamatake is expanding its international business, which is centered on the product solution business. At the core of this business lie products such as various types of sensors, valves, and positioners that utilize Yamatake's unique technologies and expertise. Yamatake has 21 overseas subsidiaries and affiliates, overseas offices and manufacturing facilities, in 12 countries and is developing business models in each of those regions that fit regional characteristics.

Yamatake has more than 30 years of experience of international business since forming a capital relationship with U.S. company Honeywell. 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.

We see the trend of strong growth in capital investment in various Asian countries, including China, as a favorable opportunity. To capitalize on this, while aiming to achieve the sales target of 20.0 billion yen in our medium-term management plan, we will focus on enhancing and expanding our

overseas business framework in order to record further growth.

Business Performance by Region

China/Other areas of Asia

Capital investment increased strongly in China and other countries of Asia in the past fiscal year, supporting a steep rise in Yamatake's sales in the region, particularly of products displaying originality and market edge. Sales in China increased 30% to 4.7 billion yen and sales in other parts of Asia rose 29% to 9.4 billion yen.

In fiscal 2005, we actively endeavored to bolster our business bases and service framework to lay the foundations for future business expansion. In April 2005, we opened a new engineering center within the Nanqiao factory in the suburbs of Shanghai operated by Chinese subsidiary Shanghai Yamatake Automation Co., Ltd. This move strengthened technical support and the service structure. Heretofore, this factory has performed local operations ranging from the customization of control valves and transmitters according to

customer specifications to the final staging of system products. However, as we have now established a framework enabling maintenance of field equipment, control valves, and other products, we can now provide support tailored to customer needs in areas spanning product manufacturing, training, and after-sales service. In July 2005, we also opened a training center in Thailand in a move aimed at reinforcing business in the factory market. Furthermore, to seize the opportunity of new market expansion, we opened a representative office in Ho Chi Minh City, Vietnam, in November 2005.

In addition, to respond to a forecast increase in production volume, we also expanded facilities at our Chinese manufacturing bases with the aim of accelerating business expansion in China. In November 2005, we completed the construction of a new production facility in the Dalian factory of Dalian Yamatake Control Instruments Co., Ltd. We are also expanding the Shenzhen factory, with this new capacity scheduled to come on stream in October 2006.

Topic

Opening of Representative Office in Vietnam

Since first supplying automatic control equipment to the Japanese Embassy in Hanoi in 1997, Yamatake has provided products and services for buildings, factories and plants in Vietnam. To further expand business in this country, we opened the Vietnam Representative Office in Ho Chi Minh City in November 2005.



Representative office opening ceremony

Successive Acquisition of ISO 9001 Certification for Quality Assurance Systems by Overseas Subsidiaries

Yamatake is striving to strengthen quality assurance systems at its overseas subsidiaries. Our subsidiaries in Korea and Singapore have already acquired ISO 9001 certification.

In June 2005, Shanghai Yamatake-SIC Environmental Control Technology Co., Ltd. obtained ISO 9001 certification. The following August, the Nanqiao factory of Shanghai Yamatake Automation Co., Ltd. also acquired ISO 9001 certification, followed by Yamatake Taiwan Co., Ltd. in March 2006. The same month, Shanghai Yamatake-SIC Environmental Control Technology also obtained CCC (China Compulsory Certification) certification relating to the control panel.

Exhibitions

Yamatake actively takes part in various exhibitions to enhance Yamatake's presence in the markets of China and North America. In fiscal 2005, it showcased products and services at SEMICON WEST, one of the world's largest exhibitions related to semiconductor manufacturing. We also exhibited at China Refrigeration 2005 and MICONEX2005, the biggest exhibitions in Asia in the fields of the Building Automation and Advanced Automation businesses, respectively.

- China Refrigeration
The 16th International Exhibition for Refrigeration, Heating, Ventilation and Air-conditioning, Frozen Food Processing, Packaging and Storage
April 12-14, 2005
Site: Beijing, China
- SEMICON WEST
July 12-14, 2005
Site: San Francisco, U.S.A.
- MICONEX2005
September 13-16, 2005
Site: Shanghai, China



MICONEX2005

We plan to accelerate our business expansion in the Chinese market by targeting the petrochemical, automotive, semiconductor, and electric/electronics markets. At the same time, we will expand our Building Automation business, targeting Japanese-owned plants in China. We will also achieve growth by strengthening our initiatives in new markets where growth is expected such as India.

Europe

Owing partly to market conditions for equipment manufacturers, sales in the European market unfortunately remained flat year on year at 1.4 billion yen in fiscal 2005. In this market, we have expanded business by focusing on certain products and promoting cooperation with partner companies. In addition to endeavoring to strengthen this business framework, we

aim to grow business by expanding into Eastern Europe and other areas.

North America

Supported by robust economic growth in the U.S., sales rose 0.2 billion yen year on year to 1.7 billion yen in fiscal 2005. Going forward, we aim to expand operations through the steady implementation of various measures, including the broadening of our customer coverage.

Overseas Network



Research & Development/Intellectual Property

Research and Development Organization and Overview

The Yamatake Group makes research and development expenditures in specific strategic areas on a priority basis, optimally deploys technical personnel, and allocates other resources in order to bolster core measurement and control technologies, such as sensing, and to accelerate the market launch of new, differentiated products and systems based on proprietary technologies. Efforts are made to enhance development of products and systems that support the Building Automation and Advanced Automation businesses and to strategically engage in basic research and technology development for next-generation products and new businesses.

The R&D Headquarters, Micro Device Center and Speed Production Engineering Center conduct research and development activities for the company in general, while product development for specific businesses is handled by development departments within each business unit. Close coordination among these departments helps ensure that R&D is advanced in an optimal manner for the Yamatake Group as a whole.

R&D Successes in Fiscal 2005

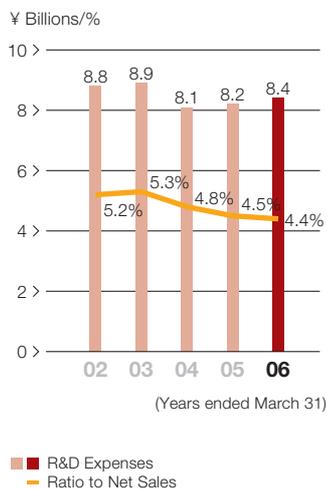
In fiscal 2005, Yamatake carried out research and development based on a framework in which R&D resources were concentrated on core technologies, strategic technologies, advanced technologies, micro devices and production technologies.

In the area of core technologies, new product development departments in each business unit and the R&D Headquarters worked together to develop next-generation products. The partnership yielded TidAS™, a technology for measuring flow rate via an electromagnetic flow meter with an automatic correction function. A paper on TidAS won the Technology Award of The Society of Instrument and Control Engineers.

Also in the area of core technologies, Yamatake developed MVF series Micro Flow vortex flowmeters for gas applications. The MVF series uses a proprietary developed Micro Flow sensor™ for the detector, which enables measurement of low flow rates that is not

possible with conventional vortex flowmeters. A 100:1 measurement range was achieved (conventional products have a range of 15:1). In addition, inclusion of temperature and pressure compensation functions eliminates the need for separately installed temperature and pressure measurement meters, which had been necessary with conventional products. This makes the new product ideal for helping to conserve resources and cut costs.

R&D Expenses & Ratio to Net Sales



For strategic technologies, Yamatake made progress in R&D in the areas of the environment and new energy, and successfully developed the FINEDEW micro chilled-mirror hygrometer. The sample chamber is an indispensable part of conventional chilled-mirror hygrometers, but FINEDEW renders it unnecessary. This and other developments allowed the company to make the sensor less than 1/100th the size of those in regular chilled-mirror hygrometers. FINEDEW is expected to be used in sensors for accurately controlling the high temperature, humid state of fuel gases, which are essential to making proton-exchange membrane fuel cells practically viable.



FINEDEW™

In the area of advanced technologies, the R&D Headquarters spearheads the company's research and development work in the field of biotechnology, which is largely advanced through partnerships with universities and external research institutions. The R&D Headquarters is in charge of developing next-generation technologies and possesses world-class technologies. It provides support for new business and new product development at Yamatake Group companies and also works to commercialize its own technologies.

The company's R&D in micro devices is geared to enhancing existing sensor technologies and accelerating the development of applications for microflow sensors and sapphire-based pressure sensors.

Ongoing R&D Activities

While maintaining a strong focus on core businesses, Yamatake also intends to bolster development activities for strategic and advanced technologies and devote efforts to research in areas where there are prospects for commercialization. For research and development related to core businesses, the company will accumulate and upgrade core technologies, including for control, measurement data processing, and sensors, and will work with its business divisions to develop new products with an overwhelming advantage, from a medium- to long-term perspective. R&D for strategic new businesses will involve generating new technologies and products oriented toward business development in the Life Automation business.



Spherical SAW sensor

In the area of advanced technologies, Yamatake will accelerate application research for spherical surface acoustic wave (SAW) devices and their gas sensors, which will serve as sources of new growth for the company. It will work

to improve durability and response time when used in practical application in an effort to develop technologies for application to fuel cells. With regard to DNA chips with synthesis directly on the chip and automation technology related to their production being developed with CEA-Leti, the French Atomic Energy Commission's research laboratory for electronic and information technology, Yamatake will accelerate the development of synthesis devices and DNA chip prototypes and start

sales of the chips on orders under the gemkey name. Further, the company plans to make additional progress toward the practical application of wireless technologies. For its research and development activities going forward, Yamatake plans to partner with universities and outside research institutes in Japan and overseas in the aforementioned fields and further expedite research and technology development while participating in and coordinating with public projects.



gemkey™
dramatically
boost techno-
logical synergies
across the
company.

Construction of the Technology Center (provisional name) at the Fujisawa factory will be completed in November 2006. The R&D departments of each business unit as well as the corporate R&D departments will be concentrated in one location, which will serve to



Yamatake Technology Center (Rendering)

Intellectual Property Strengthening Protection of Intellectual Property

Quickly and effectively acquiring rights for employee inventions is essential to strengthening protection of intellectual property. For this reason, Yamatake motivates technical personnel to strive for breakthroughs through educational seminars on intellectual property and invention discovery activities and encourages employees to propose ideas that have the potential to become strong intellectual property rights for the company.

With amendments to Article 35 of the Patent Law of Japan, it has become mandatory to clarify the handling of employee inventions, which has been a topic of discussion in recent years. Accordingly, in fiscal 2005 Yamatake revised its internal rules for employee inventions, created a better system of incentives for inventors, and made changes to comply with the amendments. In conjunction with this, Yamatake completely revamped its method of evaluating inventions and enhanced basic information for building patent portfolios. Going forward, the company intends to focus on intellectual property management based on building patent portfolios.

Responding to ongoing globalization is also a pressing necessity, so Yamatake intends to secure intellectual property rights overseas, especially in Asia, and take steps to deal with imitation products locally. These activities will serve to support the company's international business from an intellectual property standpoint.

* TidAS, Micro Flow, FINEDEW and gemkey are trademarks of Yamatake Corporation in Japan and other countries.

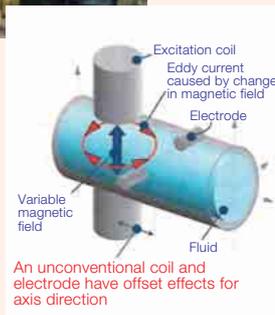
Next-generation Flowmeter Technology, TidAS, Wins 2005 SICE Technology Award

The Society of Instrument and Control Engineers (SICE) annually selects and honors outstanding papers, technologies and new products at an international academic symposium. Yamatake was awarded the technology prize for a paper entitled "TidAS: Measuring Flow Rate via an Electromagnetic Flow Meter With Automatic Correction."

The paper proposed a new method for correcting flow rate in real time while maintaining the flow of the fluid by detecting electromotive force proportional to the flow rate, which is also detected by conventional electromagnetic flowmeters, as well as induced electromotive force, which is generated by variations in the magnetic field, by changing the composition of the sensor. An electromagnetic flowmeter using the new method enables high-frequency excitation by making the corrections mentioned above, resulting in improved basic performance in terms of a high S/N ratio and high-speed response. Further, because additional fluid properties and states can be grasped there are numerous possible applications that go beyond the framework of conventional flowmeters. Yamatake is currently moving forward with development on products that use this technology.



(From left) Makoto Morikawa, Yoshio Yamazaki, Tomoshige Yamamoto of the R&D Headquarters, which developed TidAS flow measurement technology.



Basic measurement principles

Environmental Responsibility/Social Contribution

Environmental Protection

Environmental Management System Improvements

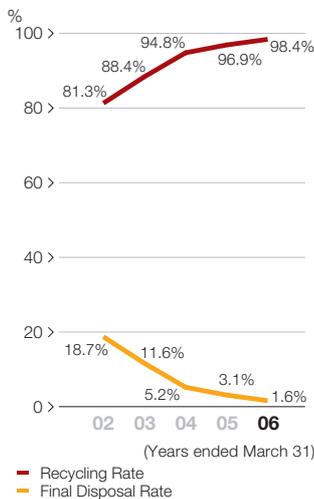
With the goal of being environmentally responsible, the Yamatake Group promotes environmental management and protection activities to both reduce its own environmental impact and help solve the environmental problems facing its customers and society as a whole.

Yamatake has expanded the scope of ISO 14001 certification, acquiring certification for all its operating sites, including branches and sales offices. Yamatake also devised an environmental efficiency indicator and introduced it on a trial basis starting in fiscal 2006. The new indicator was introduced because from the standpoint of building a sustainable society it is important to not only grasp and evaluate environmental performance in terms of total volumes, but also evaluate it in connection with sales, production volumes and other factors.

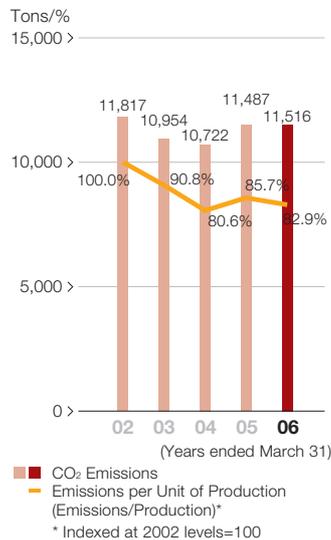
Accomplishments in Fiscal 2005

In fiscal 2005, asbestos became a full-fledged societal issue in Japan. Yamatake worked to replace parts containing asbestos that had been used in control valves and other products, and by March 2006 had made replacements for all affected products.

Waste Recycling Rate/ Final Disposal Rate



CO₂ Emissions



Improving the environmental conservation activities of suppliers is essential to promoting green procurement, so the company designed the Yamatake Eco Program to provide support for their activities in this regard. In fiscal 2005, 36 suppliers participated in the program.

For compliance with the RoHS Directive, the company surveyed chemical substances contained in its products, converted to lead-free solder, and found substitutes for prohibited substances. Going forward, it plans to build a chemical substances management system to prevent adulteration or contamination by prohibited substances.

1. ISO 14001 certification acquired for all Yamatake operating sites
2. System for collecting environmental performance data built and put into operation
3. CO₂ emissions at all factories increased 0.2% over the previous year; recycling rate for all waste was 98%
4. Proportion of products meeting environmental labeling certification standards was 95%
5. Replaced prohibited substances in products subject to the RoHS Directive

Plans for Fiscal 2006

Yamatake will strengthen its initiatives in fiscal 2006 to improve environmental performance.

1. Trial introduction of environmental efficiency indicator; improve environmental efficiency at Yamatake Corporation by 5%
2. Reduce CO₂ emissions; Improve by 5% of CO₂ emissions per unit of sales at Yamatake Corporation
3. Achieve "zero emissions" at all factories in Japan
4. Build system for managing chemical substances contained in products

Social Contribution

Yamatake carries out people-oriented social contribution activities around the twin axes of society (Life Automation) and the environment. In fiscal 2005, the company classified the many social contribution activities that had been carried out individually into four categories on the basis of their purpose and characteristics. Yamatake will conduct social contribution activities based on the following four categories going forward:

- **Activities Led by Employees and Supported by the Company**
 - Support for environmental education for elementary school students
 - Running tours of a model factory for energy conservation for companies, the general public and students at the Fujisawa factory
- **Activities Led by the Company**
 - Support for Earth Day Tokyo 2006 (free use of Yamatake's waste processors, Powerful Bactor and analysis of the environmental impact of the event)
 - Cooperation with the non-profit organization Conet Shonan (donation of refurbished computers to Asian countries)
 - Support for overseas universities (including donation of automated control instruments and systems to Chulalongkorn University in Thailand and University of the Philippines)
- **Activities Led by the Company and Carried out by Employees**
 - Cleanup activities around factories and operating sites
 - Fundraising activities for disaster relief (Pakistan earthquake, Hurricane Katrina)
- **Activities Led by Individuals**
 - Interaction with local communities through concerts by the Big Band Jazz Orchestra, which is made up primarily of employees (performances given at welfare facilities and other locations)
 - Race support by the running club (participation in the 24th Yokohama International Women's Ekiden as roadside security)

Corporate Governance

Yamatake has worked to upgrade corporate governance. Actions have included establishing the post of executive officer to demarcate decision-making and business execution and thereby put in place a more responsive framework for executing business policies. Furthermore, Yamatake is strengthening the supervision and auditing of business execution by the Board of Directors and Board of Corporate Auditors.

Basic Stance on Corporate Governance

Yamatake's basic stance on corporate governance extends beyond legal and regulatory compliance to incorporate fulfilling social responsibilities based on business ethics and contributing to society. Yamatake aims to deliver sustained growth in corporate value for shareholders and other stakeholders through highly effective, fair and transparent management practices. Therefore, Yamatake is strengthening structures and systems to enable the business to be managed in such a way.

Governance Framework

Board of Directors and System of Executive Officers

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 Board of Directors' oversight of executive functions.

The Board of Directors meets as a rule on a monthly basis. The Policy Board Meeting, which is responsible for business execution and 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.

Corporate Auditor System and Internal Audits

Yamatake employs the corporate auditor system. Currently, there are four corporate auditors, two of whom are external auditors; three serve on a full-time basis. Corporate auditors, besides attending meetings of the Board of Directors, the Policy Board Meeting and other important meetings, 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. The Internal Audit Office, which

has a staff of eight, reports directly to the president. This group conducts regular internal audits of management and operation systems, task execution, risks and compliance issues related to headquarters operations and the various business operations of each in-house company. The Internal Audit Office also provides advice and proposals regarding the monitoring and improvement of functional and business operations.

Current System

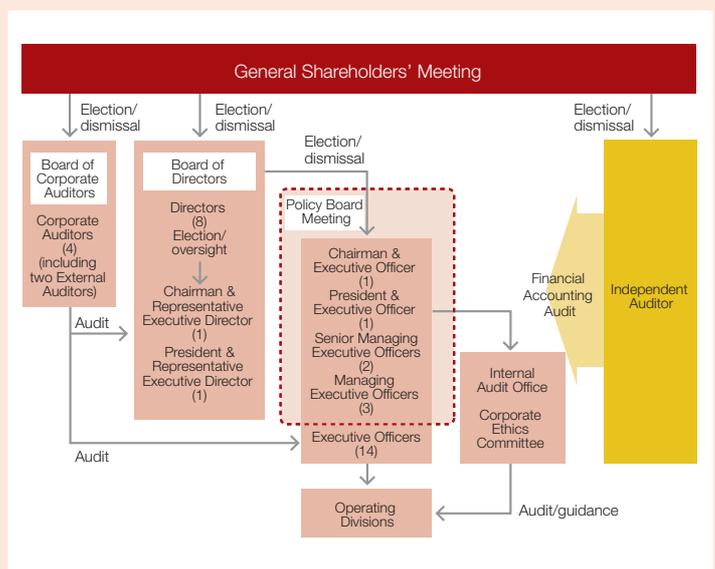
As of July 1, 2006, Yamatake has eight directors, two of whom serve exclusively as directors with no day-to-day management and operation roles, thereby providing the opportunity for a pure oversight role from an independent perspective. In addition, corporate auditors cooperate closely with internal 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.

Director and Corporate Auditor Remuneration

Yamatake discloses total remuneration for its directors and corporate auditors as well as the total amount of director bonuses distributed from profits in its securities report (*Yuka Shoken Hokokusho*) and earnings releases.

Internal Control System

To comply with the Company Law of Japan, which came into force in May 2006, and the Financial Instruments and Exchange Law, which is scheduled to take effect in April 2008, Yamatake is determined to incorporate the areas requiring strengthening in its action plans after confirming the present status of internal controls. Moreover, to ensure that frameworks and initiatives are being implemented, the Board of Corporate Auditors confirms that the entire framework is functioning and the Audit Office confirms the functioning of specific initiatives under the framework.



Compliance/Risk Management

Yamatake recognizes that rigorous compliance extending beyond observance of all relevant laws and regulations and internal regulations to include sound and ethical conduct is vital to earning the recognition and trust of society. Furthermore, we continue to upgrade our frameworks for regularly identifying, evaluating and preventing corporate risks, which change due to factors such as our operating environment.

Business Conduct Policy and Ethics and Business Conduct Guideline

In 1993, Yamatake formulated its Business Conduct Policy, based on its corporate philosophy, as a code of conduct for executives and employees. In 2000, the Yamatake Group formulated its Ethics and Business Conduct Guideline based on this policy and from the two viewpoints of legal compliance and ethics. The guideline consists of 43 items covering all business activities. This policy and guideline have been distributed to all executives and employees, and are stressed during new employee training and overseas affiliate meetings. The Business Conduct Policy is displayed at the offices and factories of all Yamatake Group companies.

Compliance Promotion Framework

To ensure compliance with laws and uphold ethical standards, Yamatake established the Yamatake Group Corporate Ethics Committee in February 2000. The committee, which holds regular meetings, works to ensure that the Group's activities comply with the Business Conduct Policy and Ethics and Business Conduct Guideline. It is also responsible for providing an adequate response to all laws and reports of ethical issues. Yamatake also set up the Business Conduct Office in April 2003, with the aim of entrenching and improving

compliance and to conduct educational and PR activities. Today, the Business Conduct Office also plans and promotes activities relating to CSR, social contribution and total risk management, and functions as the secretariat of the Corporate Ethics Committee.

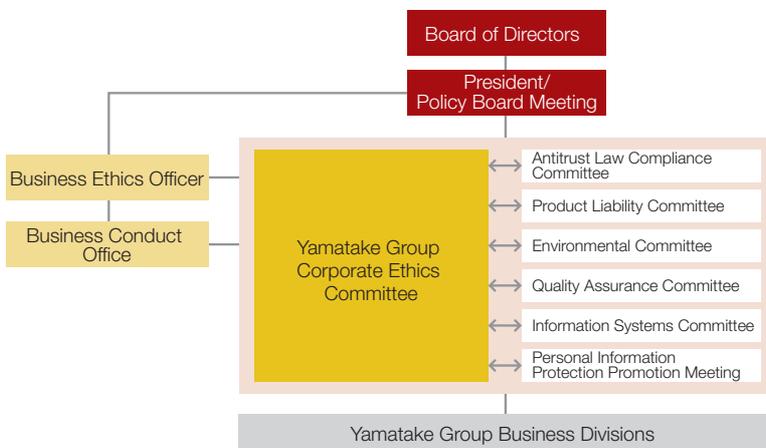
Ethics Months Initiatives

From October to November 2005, Yamatake implemented measures designed to entrench compliance, designating this two-month period as "Ethics Months." In addition to messages from the president and chairperson of the Corporate Ethics Committee, seminars on internal control based on the theme of the Sarbanes-Oxley Act of 2002 were given to all executives and corporate auditors as well as other senior managers. The status of compliance was monitored as part of initiatives during this period. Cards containing the Business Conduct Policy and Ethics and Business Conduct Guideline were also created and distributed to all employees with the intention that they carry these cards around with them.

Internal Whistleblower System

In October 2003, Yamatake introduced an internal whistleblower system called "Voice of Conscience" with the goal of fostering an organizational culture founded on sound ethics through a self-correcting mechanism, as well as to prevent compliance risk. Employees are also able to contact an external hotline that is operated under contract by a neutral third-party organization. Separate from the internal system, this hotline was established to receive reports of compliance issues and to provide consultation for employees. Moreover, responding to the April 2006 enforcement of the Whistleblower Protection Act, Yamatake is formulating internal regulations for its internal whistleblower system and is taking steps to ensure that they are adhered to throughout the organization.

Yamatake Group Compliance System



Self-compliance Check

Yamatake conducted a compliance survey in October 2005. Additionally, members of the Corporate Ethics Committees of Yamatake Group companies discussed the results and issues of compliance activities of their organizations. In another compliance-related move, effective from 2005 the presidents of overseas subsidiaries were appointed as compliance officers and are responsible for conducting and reporting on self-compliance inspections on a semi-annual basis.

Compliance Education

During the past fiscal year, we conducted ethics training as part of the training program for new employees. Since April 2006, we have also been offering Web-based compliance training to managers. Plans call for this training to be offered progressively to a wider range of employees. Presidents and managers of overseas subsidiaries were also given compliance education.

Personal Information Management

Yamatake established the Personal Information Protection Promotion Meeting as an organizational body for safeguarding information ahead of the full enforcement of the Personal Information Protection Law in Japan in April 2005. This meeting has spearheaded our response to this law. We've also formulated guidelines for information system security and updated regulations concerning the handling of confidential information. Other actions include drafting regulations for the handling of personal information as well as a protection policy in this regard, and holding a seminar on the subject for departments mainly responsible for handling personal information.

Responding to the Amended Antitrust Law

The Yamatake Group has taken repeated steps over many years to ensure that none of its actions infringe the Antitrust Law or might be suspected of infringing this law. Seeing the January 2006 enforcement of the amended Antitrust Law as an opportune time, the chairperson of the Antitrust Law Compliance Committee reaffirmed that proper trading transactions are conducted so as to comply with the law and not to engage in acts that might be considered in breach of the law.

Risk Management Past Actions

For the Yamatake Group to achieve continuous growth, it is important to respond to various risks on a Group-wide level. For this, the Business Conduct Office was assigned a Group risk management function and is promoting the refinement of the risk management framework. The 2003 establishment of the Information Systems Committee, to enforce governance of Yamatake Group information systems, and the Environmental Committee, to reduce the company's environmental load and prevent environmental pollution, are just some of the other actions we have taken to counter the various types of risks encountered in our business activities.

In 2003 we compiled the Yamatake Group Emergency Response Manual to clarify the chain of command and set up an organization for responding in a speedy and appropriate manner. The following year we revised our Earthquake Emergency Procedure Manual, renewed registered information for confirming the safety of employees and carried out drills using this confirmation system.

Earthquake Countermeasures and Business Continuity Plan

In 2005 we undertook a review of risks in the Yamatake Group. In the process of identifying risks, we reaffirmed the high risk of and priority response required to earthquakes. This is based on the concentration of four main plants and large offices, including headquarters of group companies, in Kanagawa Prefecture and the coastal area of Tokyo Bay.

In the aftermath of the Great Hanshin-Awaji Earthquake, we completed work to reinforce the earthquake resistance of our buildings and have also made progress shifting to buildings designed under new earthquake structure regulations with respect to the buildings we tenant. As mentioned earlier, we have also published and updated our Earthquake Emergency Procedure Manual and conduct earthquake drills on an ongoing basis. From this base, we have also initiated a business continuation plan predicated on the likely occurrence of a major earthquake in Japan's Tokai region, and another major earthquake in the country's Kanto region.

Additionally, in 2005 we revamped our system for confirming the safety of our employees and their families, and distributed a booklet about our earthquake preparedness and cards containing information on what to do and who to contact in the event of a natural disaster. These actions were taken to help employees and their families to prepare for a major earthquake.

The Yamatake Group published the Environmental and Social Report in 2006.



For further details of pages 30 to 33, please request a copy of the Yamatake Group Environmental and Social Report

Board of Directors, Executive Officers and Corporate Auditors

As of June 29, 2006



Board of Directors From left: Makoto Yasuda, Masaaki Iwai, Kiyofumi Saito, Seiji Onoki, Yoshiharu Sato, Hisayoshi Mori, Jun Kawachi, Masaaki Togo

YOSHIHARU SATO
Chairman

SEIJI ONOKI
President and Chief Executive Officer

HISAYOSHI MORI
*Executive Director
Senior Managing Executive Officer
and Advanced Automation
Company President*

KIYOFUMI SAITO
*Executive Director
Senior Managing Executive Officer
and Building Systems Company
President*

JUN KAWACHI
*Executive Director
Managing Executive Officer*

MASAAKI IWAI
*Executive Director
Managing Executive Officer*

MASAAKI TOGO
Executive Director

MAKOTO YASUDA
Executive Director

YUKIHIKO TSURUTA
Corporate Auditor

SHOSAKU MAEDA
Corporate Auditor

TOMONORI KOBAYASHI
Corporate Auditor

KINYA FUJIMOTO
Corporate Auditor

TADAYUKI SASAKI
Managing Executive Officer

SADACHIKA OGAWA
Executive Officer

TOSHIO HIRAOKA
Executive Officer

TADASHI HIROOKA
Executive Officer

HIROZUMI SONE
Executive Officer

YASUYUKI WASHI
Executive Officer

TOSHITSUNE OOKUBO
Executive Officer

TOSHIMITSU MIYAJI
Executive Officer

KANICHIROU SHIMODA
Executive Officer

TADASHI KAWASHIMA
Executive Officer

ICHIO KUNII
Executive Officer

KEIICHI FUWA
Executive Officer

MASAAKI INOZUKA
Executive Officer

TOSHIO YOSHIDA
Executive Officer

TAKUJI HOSOYA
Executive Officer

Financial Review

Consolidated Results

Net Sales

In fiscal 2005, ended March 31, 2006, net sales increased 7.6 billion yen, or 4.2%, to 188.3 billion yen, driven by proactive sales activities.

Building Automation Business

In the Building Automation business, consolidated sales edged down 0.4 billion yen, or 0.5%, to 82.2 billion yen.

In Japan's building industry, the real estate market is gaining momentum, particularly in the Tokyo metropolitan area, spurred by the country's economic recovery. On the other hand, price-based competition persists. In the market for new buildings, while Yamatake increased orders, sales declined slightly. In the market for existing buildings, Yamatake's ESCO business, a comprehensive energy management service for conserving energy in entire buildings targeting building owners, operators and managers, expanded on the back of rising awareness of energy conservation. In the market for factories, where capital investments are increasing, the Building Automation business collaborated with the Advanced Automation business to conduct aggressive sales activities. Sales grew in the international business, mainly in China and Southeast Asia.

Advanced Automation Business

In the Advanced Automation business, sales rose 8.7 billion yen, or 10.3%, to 93.0 billion yen, with improved corporate earnings, and the consequential increase in capital investments, underpinning continued strength in the market. In this robust market environment, Yamatake conducted sales activities closely tailored to customers. The Company supplied diverse products and solutions that catered to customer needs with respect to energy saving, environmental friendliness, safe operations and productivity enhancements. In the international business, there was a large increase in sales in China and elsewhere in Asia.

Life Automation Business

The Life Automation business saw sales increase 1.8% to 4.6 billion yen. Sales in the Lifeline field declined overall, despite higher sales in the environmental recycling business, spurred by growing awareness of the need to reduce environmental impact and moves by food service-related companies to comply with the Food Recycling Law. In the Life Assist field, sales grew as Yamatake offered disease management and other new services. Stepped-up sales activities and a review of the business operations framework also helped lift sales.

Other Businesses

In this segment, sales declined 0.6 billion yen, or 5.5%, to 10.4 billion yen. Regarding the import, purchasing and sale of inspection and measurement equipment, while there was an increase in capital investments in the automotive, electric and electronic markets, the effect was limited, resulting in a slight drop in sales.

Operating Income

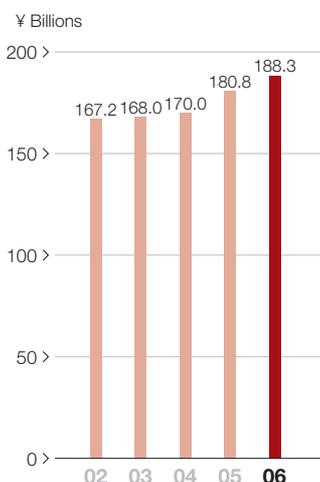
Cost of sales increased 2.5 billion yen, or 2.3%, to 115.6 billion yen. The cost of sales ratio declined 1.1 points to 61.4% thanks to efforts to lower costs. Gross profit rose 5.0 billion yen, or 7.4%, to 72.8 billion yen. Selling, general and administrative expenses rose 0.8 billion yen to 59.3 billion yen, due to a 0.1 billion yen rise from the inclusion of two companies in consolidated operations for the first time, and a 0.2 billion yen increase in R&D expenses. As a result of the foregoing, operating income climbed 4.2 billion yen, or 44.5%, to 13.5 billion yen.

Net Income

Other Income and Expenses

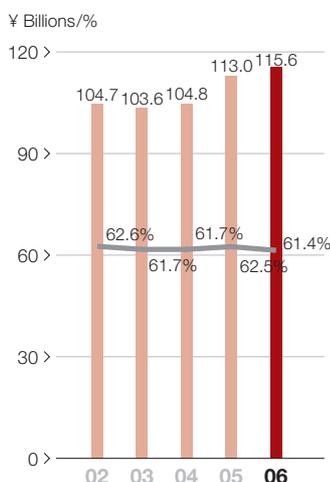
Yamatake recorded other income of 2.1 billion yen, compared with other expenses of 3.6 billion yen in the previous fiscal year. The main factors behind this improvement were a net 1.6 billion yen gain on sales

Net Sales



(Years ended March 31)

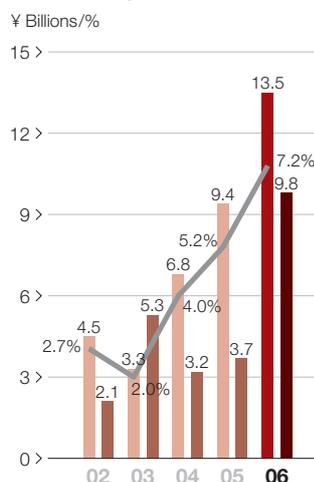
Cost of Sales/ Ratio to Net Sales



■ Cost of Sales
— Ratio to Net Sales

(Years ended March 31)

Operating Income/Net Income/ Operating Income to Net Sales



■ Operating Income
■ Net Income
— Operating Income to Net Sales

(Years ended March 31)

of property, plant and equipment due to the partial sale of land belonging to Yamatake's Tokyo office; a net 0.5 billion yen gain on sales of investment securities; and the absence of the loss on transfer of pension plans recorded in the previous fiscal year.

As a result of the above, income before income taxes and minority interests climbed 9.9 billion yen, or 171.3%, to 15.7 billion yen.

Income Taxes

Total income taxes increased 3.7 billion yen to 5.7 billion yen. The actual effective tax rate on income before income taxes and minority interests was 36.5%, increasing 2.6 percentage points from the previous fiscal year.

After minority interests in net income of 0.1 billion yen, consolidated net income for fiscal 2005 was 9.8 billion yen.

Financial Position

Assets

Total assets at March 31, 2006 stood at 217.9 billion yen, 45.3 billion yen higher than a year ago. While there was a 3.9 billion yen decline in cash and cash equivalents, trade notes and accounts receivable rose in line with higher sales, and there were increases in certain asset accounts due to the consolidation of Kimmon Manufacturing Co., Ltd. and that company's consolidated subsidiaries at the end of the fiscal year. The major changes were as follows:

Cash and cash equivalents: decreased 3.9 billion yen mainly due to the purchase of shares in Kimmon Manufacturing.

Trade notes and accounts receivable: increased 12.9 billion yen due to higher sales and the inclusion of Kimmon Manufacturing.

Property, plant and equipment: increased 15.9 billion yen due to the inclusion of Kimmon Manufacturing and the Technology Center (provisional name) under construction within Yamatake's Fujisawa factory.

Investment securities: increased 9.1 billion yen due to year-end fair

market valuations, in addition to investment securities of Kimmon Manufacturing.

Liabilities

Total liabilities increased 34.1 billion yen to 106.3 billion yen, chiefly reflecting higher trade notes and accounts payable and increases in certain accounts due to the consolidation of Kimmon Manufacturing and that company's consolidated subsidiaries at the end of the fiscal year. The major change was as follows:

Short-term borrowings and Long-term debt: increased 16.0 billion yen due to a 17.0 billion yen increase from the inclusion of Kimmon Manufacturing.

Shareholders' Equity

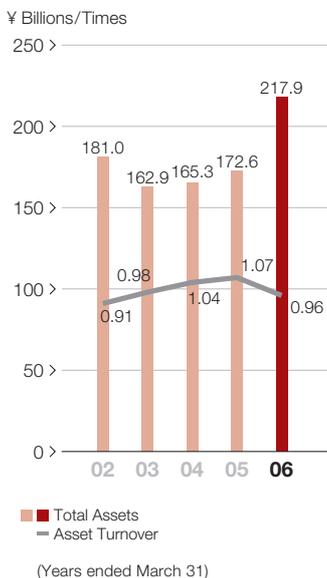
Total shareholders' equity at the end of the fiscal year increased 11.0 billion yen to 110.9 billion yen, due to net income and increase in unrealized gain on available-for-sale securities.

A comparison of asset performance indicators (average balances at beginning and end of the year) with the previous fiscal year is as follows;

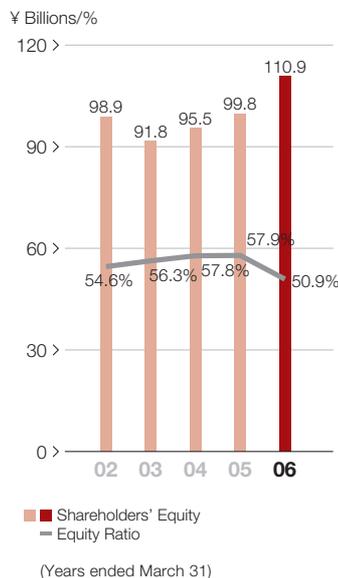
* Please note that only Kimmon Manufacturing and its consolidated subsidiaries' balance sheet was consolidated in Yamatake's consolidated balance sheet at March 31, 2006. To facilitate comparison with March 31, 2005, () represents figures excluding Kimmon Manufacturing and its consolidated subsidiaries.

- Receivables/Sales (days): increased 10 days to 141 days. (increased 4 days to 135 days)
- Inventories/Cost of sales (days): increased 6 days to 59 days. (53 days, no change from previous year)
- Asset turnover (times): decreased 0.11 to 0.96. (decreased 0.03 to 1.04)
- The ratio of shareholders' equity to total assets: decreased 7.0 points to 50.9%. (increased 0.9 points to 58.8%)

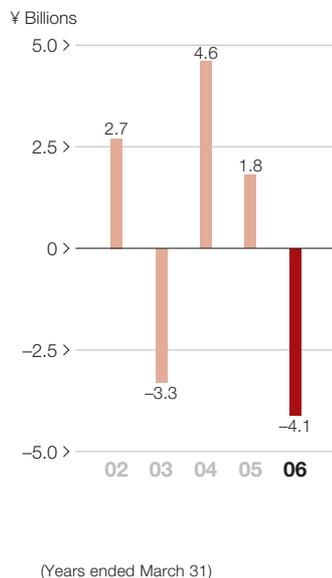
Total Assets/ Asset Turnover



Shareholders' Equity/ Equity Ratio



Cash Flows



Per Share Data

Net income per share increased 82.64 yen over the previous year to 132.52 yen. Shareholders' equity per share rose 149.60 yen to 1,506.25 yen.

Cash Flows

Net cash provided by operating activities declined 2.1 billion yen to 6.4 billion yen, mainly due to increases in notes and accounts receivable and income taxes paid.

Net cash used in investing activities increased 3.7 billion yen to 7.4 billion yen. The major outflows were for the purchase of shares in Kimmon Manufacturing and property, plant and equipment.

Net cash used in financing activities increased 0.4 billion yen to 3.3 billion yen, mainly due to an increase in dividends paid.

The year-end balance of cash and cash equivalents decreased 4.1 billion yen to 36.3 billion yen, despite 0.2 billion yen in cash and cash equivalents of newly consolidated subsidiaries.

Outlook for Fiscal 2006

For fiscal 2006, ending March 31, 2007, forecasts call for an increase in net sales of 22.1% to 230.0 billion yen, and an increase in operating income of 18.3% to 16.0 billion yen. Net income is projected to decline 8.1% to 9.0 billion yen.

Building Automation Business

Sales are expected to rise due to an increase in business in the market for new buildings, as well as growth of the international business and expansion of the value-added solutions business, which aims to help customers save energy, achieve safety and security, and reduce lifecycle costs. 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

The Group will advance further into new domains by stepping up close-contact sales activities and capturing synergies within the Yamatake Group.

Overseas, the Group aims to grow sales by focusing on expansion of its products business in Asia, especially China. This expansion of business both in Japan and overseas is forecast to generate higher sales and earnings.

Life Automation Business

Higher sales are projected in this business, centered on Kimmon Manufacturing, which was consolidated at the end of the past fiscal year.

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 Automation 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 in Operating Environments of Overseas Businesses

The Yamatake Group conducts business mainly in Asia. In the rapidly growing Chinese market, the Group manufactures and sells products, carries out instrumentation work and conducts other business locally through seven subsidiaries and affiliates. The Group has established manufacturing bases in Dalian and Shenzhen where products are manufactured for the Japanese market. While the Group will continue to expand its business overseas, unexpected changes in the political climate, legal and other reforms, natural disasters, terrorism, strikes and other developments in countries where it has advanced, could affect the Group's business results and financial position.

(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 sharing and visualization of quality information, 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 to China; reinforcing buildings and other structures to minimize damage; establishing a business continuation plan to quickly return operations to normal; and taking out earthquake insurance. However, in the Building Automation and Advanced Automation businesses, 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.

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.

Consolidated Balance Sheets

Yamatake Corporation and Consolidated Subsidiaries
March 31, 2006 and 2005

ASSETS	Millions of Yen		Thousands of U.S. Dollars (Note 1)
	2006	2005	2006
CURRENT ASSETS:			
Cash and cash equivalents	¥ 36,303	¥ 40,250	\$ 310,282
Notes and accounts receivable:			
Trade	79,509	66,577	679,560
Other	935	723	7,989
Allowance for doubtful receivables	(430)	(398)	(3,673)
Inventories (Note 4)	21,248	16,416	181,608
Deferred tax assets (Note 9)	5,155	5,327	44,063
Prepaid expenses and other current assets	3,246	3,477	27,741
Total current assets	145,966	132,372	1,247,570
PROPERTY, PLANT AND EQUIPMENT:			
Land (Notes 5 and 6)	8,132	4,495	69,507
Buildings and structures (Note 6)	34,119	18,522	291,612
Machinery and equipment	20,173	10,083	172,417
Furniture and fixtures	19,147	16,332	163,649
Construction in progress	3,571	266	30,520
Total	85,142	49,698	727,705
Accumulated depreciation	(54,118)	(34,623)	(462,547)
Net property, plant and equipment	31,024	15,075	265,158
INVESTMENT AND OTHER ASSETS:			
Investment securities (Notes 3 and 6)	23,196	14,138	198,258
Investments in and advances to unconsolidated subsidiaries and associated companies	454	404	3,883
Goodwill	4,963		42,423
Deferred tax assets (Note 9)	964	4,161	8,241
Other assets	11,315	6,436	96,709
Total investment and other assets	40,892	25,139	349,514
TOTAL	¥217,882	¥172,586	\$1,862,242

See notes to consolidated financial statements.

	Millions of Yen		Thousands of U.S. Dollars (Note 1)
	2006	2005	2006
LIABILITIES AND SHAREHOLDERS' EQUITY			
CURRENT LIABILITIES:			
Short-term borrowings (Note 6)	¥ 11,757	¥ 3,161	\$ 100,488
Current portion of long-term debt (Note 6)	2,200	1,080	18,800
Notes and accounts payable:			
Trade	38,689	30,508	330,674
Other	3,341	1,032	28,560
Income taxes payable	4,527	3,389	38,690
Accrued bonuses	8,012	7,710	68,478
Other accrued expenses and current liabilities	11,377	11,198	97,239
Total current liabilities	79,903	58,078	682,929
LONG-TERM LIABILITIES:			
Long-term debt (Note 6)	7,913	1,590	67,637
Liabilities for retirement benefits (Note 7)	16,411	11,951	140,266
Deferred tax liabilities (Note 9)	1,320	21	11,280
Other long-term liabilities	794	588	6,789
Total long-term liabilities	26,438	14,150	225,972
MINORITY INTERESTS	682	510	5,832
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	89,938
Capital surplus	12,648	12,648	108,099
Retained earnings	80,472	73,130	687,794
Unrealized gain on available-for-sale securities	7,164	3,639	61,237
Foreign currency translation adjustments	60	(85)	511
Total	110,867	99,855	947,579
Treasury stock—at cost, 7,721 shares in 2006 and 7,105 shares in 2005	(8)	(7)	(70)
Total shareholders' equity	110,859	99,848	947,509
TOTAL	¥217,882	¥172,586	\$1,862,242

Consolidated Statements of Income

Yamatake Corporation and Consolidated Subsidiaries
Years Ended March 31, 2006 and 2005

	Millions of Yen		Thousands of U.S. Dollars (Note 1)
	2006	2005	2006
NET SALES	¥188,321	¥180,763	\$1,609,579
COST OF SALES	115,552	113,009	987,620
Gross profit	72,769	67,754	621,959
SELLING, GENERAL AND ADMINISTRATIVE EXPENSES (Note 10)	59,254	58,401	506,447
Operating income	13,515	9,353	115,512
OTHER INCOME (EXPENSES):			
Interest income	37	20	318
Dividend income	210	160	1,799
Interest expense	(98)	(121)	(840)
Foreign currency exchange gain	223	85	1,910
Gain (loss) on sales of property, plant and equipment—net	1,590	(257)	13,582
Gain on sales of investment securities—net	546	5	4,670
Loss on transfer of pension plans		(3,453)	
Loss on impairment of long-lived assets (Notes 2.g and 5)	(330)		(2,822)
Other—net	(43)	(23)	(367)
Other income (expenses)—net	2,135	(3,584)	18,250
INCOME BEFORE INCOME TAXES AND MINORITY INTERESTS	15,650	5,769	133,762
INCOME TAXES (Note 9):			
Current	4,736	2,946	40,478
Deferred	969	(990)	8,286
Total income taxes	5,705	1,956	48,764
MINORITY INTERESTS IN NET INCOME	(150)	(104)	(1,278)
NET INCOME	¥ 9,795	¥ 3,709	\$ 83,720
		Yen	U.S. Dollars
PER SHARE OF COMMON STOCK (Note 2.p):			
Net income	¥ 132.52	¥ 49.88	\$ 1.13
Cash dividends applicable to the year	50.00	23.00	0.43

See notes to consolidated financial statements.

Consolidated Statements of Shareholders' Equity

Yamatake Corporation and Consolidated Subsidiaries
Years Ended March 31, 2006 and 2005

	Thousands				Millions of Yen		
	Outstanding Number of Shares of Common Stock	Common Stock	Capital Surplus	Retained Earnings	Unrealized Gain on Available-for-sale Securities	Foreign Currency Translation Adjustments	Treasury Stock
BALANCE, APRIL 1, 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 change in foreign currency translation adjustments						(35)	
BALANCE, MARCH 31, 2005	73,569	10,523	12,648	73,130	3,639	(85)	(7)
Adjustment of retained earnings for newly consolidated subsidiaries				14			
Net income				9,795			
Cash dividends, ¥50 per share				(2,427)			
Bonuses to directors				(40)			
Repurchase of treasury stock							(1)
Net increase in unrealized gain on available-for-sale securities					3,525		
Net change in foreign currency translation adjustments						145	
BALANCE, MARCH 31, 2006	73,569	¥10,523	¥ 12,648	¥ 80,472	¥ 7,164	¥ 60	¥ (8)

	Thousands of U.S. Dollars (Note 1)					
	Common Stock	Capital Surplus	Retained Earnings	Unrealized Gain on Available-for-sale Securities	Foreign Currency Translation Adjustments	Treasury Stock
BALANCE, MARCH 31, 2005	\$89,938	\$108,099	\$625,045	\$31,101	\$ (723)	\$(60)
Adjustment of retained earnings for newly consolidated subsidiaries			120			
Net income			83,720			
Cash dividends, \$0.43 per share			(20,750)			
Bonuses to directors			(341)			
Repurchase of treasury stock						(10)
Net increase in unrealized gain on available-for-sale securities				30,136		
Net change in foreign currency translation adjustments					1,234	
BALANCE, MARCH 31, 2006	\$89,938	\$108,099	\$687,794	\$61,237	\$ 511	\$(70)

See notes to consolidated financial statements.

Consolidated Statements of Cash Flows

Yamatake Corporation and Consolidated Subsidiaries
Years Ended March 31, 2006 and 2005

	Millions of Yen		Thousands of U.S. Dollars (Note 1)
	2006	2005	2006
OPERATING ACTIVITIES:			
Income before income taxes and minority interests	¥15,650	¥ 5,769	\$133,762
Adjustments for:			
Income taxes—paid	(3,553)	(751)	(30,371)
Income taxes—refunded	7	2,079	64
Depreciation and amortization	2,352	2,291	20,098
Provision for doubtful receivables	199	143	1,697
Increase in accrued bonuses	46	1,894	396
(Gain) loss on sales of property, plant and equipment—net	(1,590)	257	(13,582)
Gain on sales of investment securities—net	(546)	(5)	(4,670)
Loss on impairment of long-lived assets	330		2,822
Increase in notes and accounts receivable	(6,971)	(3,263)	(59,577)
(Increase) decrease in inventories	(677)	207	(5,786)
Increase in notes and accounts payable	3,092	1,727	26,423
Increase (decrease) in liabilities for retirement benefits	301	(2,823)	2,569
Other—net	(2,254)	978	(19,261)
Total adjustments	(9,264)	2,734	(79,178)
Net cash provided by operating activities	6,386	8,503	54,584
INVESTING ACTIVITIES:			
Proceeds from sales of property, plant and equipment	2,845	210	24,314
Purchase of property, plant and equipment	(3,763)	(1,877)	(32,165)
Proceeds from sales of investment securities	592	21	5,061
Purchase of investment securities	(118)	(106)	(1,008)
Payment for purchase of Kimmon Manufacturing Co., LTD. net of cash acquired	(7,192)		(61,473)
Proceeds from sales of beneficiary securities of trust	4,544	999	38,837
Purchase of beneficiary securities of trust	(4,020)	(2,590)	(34,359)
Other—net	(293)	(364)	(2,490)
Net cash used in investing activities	(7,405)	(3,707)	(63,283)
FINANCING ACTIVITIES:			
Net increase in short-term borrowings	28	1,255	250
Proceeds from long-term debt	100	800	855
Repayment of long-term debt	(1,015)	(3,676)	(8,679)
Dividends paid	(2,427)	(1,324)	(20,747)
Other—net	(14)	23	(125)
Net cash used in financing activities	(3,328)	(2,922)	(28,446)
NET CASH PROVIDED BY (USED IN) TRANSLATION OF CASH AND CASH EQUIVALENTS			
	209	(25)	1,784
NET (DECREASE) INCREASE IN CASH AND CASH EQUIVALENTS CASH AND CASH EQUIVALENTS OF NEWLY CONSOLIDATED SUBSIDIARIES, BEGINNING OF YEAR			
	191		1,629
CASH AND CASH EQUIVALENTS, BEGINNING OF YEAR			
	40,250	38,401	344,014
CASH AND CASH EQUIVALENTS, END OF YEAR			
	¥36,303	¥40,250	\$310,282
NONCASH INVESTING ACTIVITIES:			
Increase in assets and liabilities due to consolidation of subsidiaries previously unconsolidated (Note 2.a):			
Assets	¥ 137		\$ 1,168
Liabilities	40		341
Payment for purchase of Kimmon Manufacturing Co., LTD. (Note 2.a):			
Assets acquired	33,844		289,270
Liabilities assumed	29,314		250,550
Cash paid for the capital	9,493		81,143
Goodwill	4,963		42,423

See notes to consolidated financial statements.

Notes to Consolidated Financial Statements

Yamatake Corporation and Consolidated Subsidiaries
Years Ended March 31, 2006 and 2005

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 2005 consolidated financial statements to conform to the classifications used in 2006.

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 ¥117 to \$1, the approximate rate of exchange as of March 31, 2006. 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, 2006, include the accounts of Yamatake and its 38 significant (20 in 2005) 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.

Goodwill represents the excess of the cost of an acquisition over the fair value of the net assets of the acquired subsidiary and associated company at the date of acquisition. Goodwill on acquisition of Kimmon Manufacturing Co., LTD. amounting to ¥4,963 million (\$42,423 thousand) is to be amortized over seven years.

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, beneficiary securities of trust under resale agreements and commercial paper, all of which mature or become due within three months of the date of acquisition.

c. Inventories — Inventories, other than raw materials, are principally stated at cost on the specific identification basis. Raw materials are principally 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 and accounted for, depending on management's intent, as follows: (1) held-to-maturity debt securities, which are expected to be held to maturity with the positive intent and ability to hold to maturity, are reported at amortized cost, and (2) available-for-sale securities are reported at fair value, with unrealized gains and losses, net of applicable taxes in a separate component of shareholders' equity.

Non-marketable available-for-sale securities are principally 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, plant and equipment of Kimmon Manufacturing Co., LTD. and the portion of subsidiaries. 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. Long-lived Assets — In August 2002, the Business Accounting Council ("BAC") issued a Statement of Opinion, "Accounting for Impairment of Fixed Assets," and in October 2003 the Accounting Standards Board of Japan ("ASBJ") issued ASBJ Guidance No. 6, "Guidance for Accounting Standard for Impairment of Fixed Assets." These new pronouncements were 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.

Yamatake Group adopted the new accounting standard for impairment of fixed assets as of April 1, 2005.

Yamatake Group reviews its long-lived assets for impairment whenever events or changes in circumstances indicate 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.

The effect of adoption of the new accounting standard for impairment of fixed assets was to decrease income before income taxes and minority interests for the year ended March 31, 2006 by ¥330 million (\$2,822 thousand).

h. Retirement and Pension Plans — Yamatake has a non-contributory funded pension plan and a defined contributory pension plan covering substantially all of its employees.

Most of the 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.

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

j. 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.

k. 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.

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

m. 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.

n. 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.

o. 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 caps 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 caps are utilized to hedge interest rate exposures on long-term debt. These caps, 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.

p. Per Share Information — Net income per share is computed by dividing net income available to shareholders of common stock by the weighted-average number of shares of common stock outstanding for the period, retroactively adjusted for stock splits. The weighted-average

number of shares of common stock used in the computation was 73,568,744 shares for 2006 and 73,569,523 shares for 2005.

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.

q. New Accounting Pronouncements

Business combination and business separation

In October 2003, the BAC issued a Statement of Opinion, “Accounting for Business Combinations,” and on December 27, 2005 the ASBJ issued “Accounting Standard for Business Separations” and ASBJ Guidance No. 10, “Guidance for Accounting Standard for Business Combinations and Business Separations.” These new accounting pronouncements are effective for fiscal years beginning on or after April 1, 2006.

The accounting standard for business combinations allows companies to apply the pooling of interests method of accounting only when certain specific criteria are met such that the business combination is essentially regarded as a uniting-of-interests. These specific criteria are as follows:

- (a) the consideration for the business combination consists solely of shares of common stock with voting rights,
- (b) the ratio of voting rights of each predecessor shareholder group after the business combination is nearly equal, and
- (c) there are no other factors that would indicate any control exerted by any shareholder group other than voting rights.

For business combinations that do not meet the uniting-of-interests criteria, the business combination is considered to be an acquisition and the purchase method of accounting is required. This standard also prescribes the accounting for combinations of entities under common control and for joint ventures. Goodwill, including negative goodwill, is to be systematically amortized over 20 years or less, but is also subject to an impairment test.

Under the accounting standard for business separations, in a business separation where the interests of the investor no longer continue and the investment is settled, the difference between the fair value of the consideration received for the transferred business and the book value of net assets transferred to the separated business is recognized as a gain or loss on business separation in the statement of income. In a business separation where the interests of the investor continue and the investment is not settled, no such gain or loss on business separation is recognized.

Stock options

On December 27, 2005, the ASBJ issued “Accounting Standard for Stock Options” and related guidance. The new standard and guidance are applicable to stock options newly granted on and after May 1, 2006.

This standard requires companies to recognize compensation expense for employee stock options based on the fair value at the date of grant and over the vesting period as consideration for receiving goods or services. The standard also requires companies to account for stock options granted to non-employees based on the fair value of either the stock option or the goods or services received. In the balance sheet, the stock option is presented as a stock acquisition right as a separate component of shareholders’ equity until exercised. The standard covers equity-settled, share-based payment transactions, but does not cover cash-settled, share-based payment transactions. In addition, the standard allows unlisted companies to measure options at their intrinsic value if they cannot reliably estimate fair value.

Bonuses to directors and corporate auditors

Prior to the fiscal year ended March 31, 2005, bonuses to directors and corporate auditors were accounted for as a reduction of retained earnings in the fiscal year following approval at the general shareholders meeting. The ASBJ issued ASBJ Practical Issues Task Force (PITF) No. 13, “Accounting Treatment for Bonuses to Directors and Corporate Auditors,” which encouraged companies to record bonuses to directors

and corporate auditors on the accrual basis with a related charge to income, but still permitted the direct reduction of such bonuses from retained earnings after approval of the appropriation of retained earnings.

The ASBJ replaced the above accounting pronouncement by issuing a new accounting standard for bonuses to directors and corporate auditors on November 29, 2005. Under the new accounting standard, bonuses to directors and corporate auditors must be expensed and are no longer allowed to be directly charged to retained earnings. This accounting standard is effective for fiscal years ending on or after May 1, 2006. The companies must accrue bonuses to directors and corporate auditors at the year end to which such bonuses are attributable.

The carrying amounts and aggregate fair values of investment securities as of March 31, 2006 and 2005, were as follows:

	Millions of Yen				Thousands of U.S. Dollars							
	2006				2005							
	Cost	Unrealized Gains	Unrealized Losses	Fair Value	Cost	Unrealized Gains	Unrealized Losses	Fair Value				
Securities classified as available-for-sale:												
Equity securities	¥5,569	¥14,363	¥11	¥19,921	¥5,057	¥6,102	¥3	¥11,156	\$47,596	\$122,766	\$95	\$170,267
Trust fund investments and other	650	4		654	750	8		758	5,557	34		5,591

Available-for-sale securities whose fair value is not readily determinable as of March 31, 2006 and 2005, were as follows:

	Carrying Amount		
	Millions of Yen		Thousands of U.S. Dollars
	2006	2005	2006
Available-for-sale:			
Equity securities	¥1,530	¥1,125	\$13,073
Trust fund investments and other	1,091	1,099	9,327

Proceeds from sales of available-for-sale securities for the years ended March 31, 2006 and 2005 were ¥592 million (\$5,061 thousand) and ¥21 million, respectively. Gross realized gains on these sales, computed on the moving average cost basis, were ¥546 million (\$4,670 thousand) and ¥6 million for the years ended March 31, 2006 and 2005, respectively.

4. INVENTORIES

Inventories as of March 31, 2006 and 2005, consisted of the following:

	Millions of Yen		Thousands of U.S. Dollars
	2006	2005	2006
	Merchandise	¥ 1,736	¥ 1,304
Finished products	1,961	1,591	16,759
Work in process	11,472	9,563	98,055
Raw materials	6,079	3,958	51,960
Total	¥21,248	¥16,416	\$181,608

5. LONG-LIVED ASSETS

Yamatake Group reviewed its long-lived assets for impairment as of March 31, 2006 and recognized an impairment loss of ¥330 million (\$2,822 thousand). The carrying amount of certain idle land was written down to the net selling price at disposition.

3. INVESTMENT SECURITIES

Investment securities as of March 31, 2006 and 2005, consisted of the following:

	Millions of Yen		Thousands of U.S. Dollars
	2006	2005	2006
Non-current:			
Marketable equity securities	¥21,451	¥12,281	\$183,341
Trust fund investments and other	1,745	1,857	14,917
Total	¥23,196	¥14,138	\$198,258

6. SHORT-TERM BORROWINGS AND LONG-TERM DEBT

Short-term borrowings as of March 31, 2006 and 2005, mainly consisted of notes to banks and bank overdrafts. The annual interest rates applicable to the short-term bank loans ranged from 0.4% to 5.4% as of March 31, 2006 and from 0.6% to 3.5% as of March 31, 2005.

Long-term debt as of March 31, 2006 and 2005, consisted of the following:

	Millions of Yen		Thousands of U.S. Dollars
	2006	2005	2006
Loans from banks and other financial institutions, due serially to 2026 with interest rates ranging from 0.5% to 2.7% in 2006 and from 0.6% to 5.1% in 2005:			
Collateralized	¥ 1,418	¥ 1,480	\$ 12,116
Unsecured	8,695	1,190	74,321
Total	10,113	2,670	86,437
Less current portion	(2,200)	(1,080)	(18,800)
Long-term debt, less current portion	¥ 7,913	¥ 1,590	\$ 67,637

As of March 31, 2006, Yamatake had an unused line of credit amounting to ¥30,000 million (\$256,410 thousand) of which ¥10,000 million (\$85,470 thousand) related to the unused portion of commitment lines with four banks and ¥20,000 million (\$170,940 thousand) related to medium term notes program.

Annual maturities of long-term debt as of March 31, 2006, for the next five years and thereafter were as follows:

Year Ending March 31	Millions of Yen	Thousands of U.S. Dollars
2007	¥ 2,200	\$18,800
2008	1,800	15,380
2009	1,895	16,199
2010	2,178	18,619
2011	1,775	15,170
2012 and thereafter	265	2,269
Total	¥10,113	\$86,437

The carrying amounts of assets pledged as collateral for the above collateralized long-term debt as of March 31, 2006, were as follows:

	Millions of Yen	Thousands of U.S. Dollars
Land	¥ 40	\$ 342
Buildings and structures	261	2,227
Investment securities	3,857	32,967
Total	¥4,158	\$35,536

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, 2006 and 2005, were ¥141 million (\$1,210 thousand) and ¥457 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, 2006 and 2005, consisted of the following:

	Millions of Yen		Thousands of U.S. Dollars
	2006	2005	2006
Projected benefit obligation	¥ 47,671	¥ 40,235	\$ 407,443
Fair value of plan assets	(25,976)	(21,173)	(222,019)
Unrecognized prior service cost	2,939	3,163	25,121
Unrecognized actuarial loss	(8,463)	(10,829)	(72,338)
Prepaid pension expense	99	98	849
Net liability	¥ 16,270	¥ 11,494	\$ 139,056

The components of net periodic benefit costs for the years ended March 31, 2006 and 2005, were as follows:

	Millions of Yen		Thousands of U.S. Dollars
	2006	2005	2006
Service cost	¥1,793	¥2,004	\$15,329
Interest cost	794	867	6,788
Expected return on plan assets		(210)	
Amortization of prior service cost	(223)	(104)	(1,910)
Recognized actuarial loss	919	974	7,854
Payment for defined contribution pension plan and other	728	604	6,222
Net periodic benefit costs	4,011	4,135	34,283
Loss on transfer of pension plans		3,453	
Total	¥4,011	¥7,588	\$34,283

Assumptions used for the years ended March 31, 2006 and 2005, are set forth as follows:

	2006	2005
Discount rate	2.0%–2.2%	2.0%
Expected rate of return on plan assets	0.0%	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

Through May 1, 2006, Japanese companies are subject to the Commercial Code of Japan (the "Code").

The Code requires that all shares of common stock be issued 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 are required to be presented 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 by way of 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 of 10% or more of the aggregate amount of cash dividends and certain other appropriations of retained earnings associated with cash outlays applicable to each period (such as bonuses to directors) shall be appropriated as a legal reserve (a component of retained earnings) until the total of such reserve and additional paid-in capital equals 25% of common stock. The amount of total legal reserve and additional paid-in capital that exceeds 25% of the common stock may be available for dividends by resolution of the shareholders after transferring such excess in accordance with the Code. In addition, the Code permits the transfer of a portion of additional paid-in capital and legal reserve to the common stock by resolution of the Board of Directors.

The Code allows Japanese companies to purchase treasury stock and dispose of such treasury stock upon resolution of the Board of Directors. The aggregate purchased 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 that could be transferred to retained earnings or other capital surplus other than additional paid-in capital upon approval of such transfer at the annual general meeting of shareholders.

In addition to the provision that requires an appropriation for a legal reserve in connection with the cash outlays, the Code also imposes certain limitations on the amount of capital surplus and retained earnings available for dividends. The amount of capital surplus and retained

earnings available for dividends under the Code was ¥85,379 million (\$729,635 thousand) as of March 31, 2006, 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 end of 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.

On May 1, 2006, a new corporate law (the "Corporate Law") became effective, which reformed and replaced the Code with various revisions that would, for the most part, be applicable to events or transactions which occur on or after May 1, 2006 and for the fiscal years ending on or after May 1, 2006. The significant changes in the Corporate Law that affect financial and accounting matters are summarized below:

a. Dividends

Under the Corporate Law, companies can pay dividends at any time during the fiscal year in addition to the year-end dividend upon resolution at the shareholders meeting. For companies that meet certain criteria such as: (1) having the Board of Directors, (2) having independent auditors, (3) having the Board of Corporate Auditors, and (4) the term of service of the directors is prescribed as one year rather than two years of normal term by its articles of incorporation, the Board of Directors may declare dividends (except for dividends in kind) if the company has prescribed so in its articles of incorporation.

The Corporate Law permits companies to distribute dividends-in-kind (non-cash assets) to shareholders subject to a certain limitation and additional requirements.

Semiannual interim dividends may also be paid once a year upon resolution by the Board of Directors if the articles of incorporation of the company so stipulate. Under the Code, certain limitations were imposed on the amount of capital surplus and retained earnings available for dividends. The Corporate Law also provides certain limitations on the amounts available for dividends or the purchase of treasury stock. The limitation is defined as the amount available for distribution to the shareholders, but the amount of net assets after dividends must be maintained at no less than ¥3 million.

b. Increases/Decreases and Transfer of Common Stock, Reserve and Surplus

The Corporate Law requires that an amount equal to 10% of dividends must be appropriated as a legal reserve (a component of retained earnings) or as additional paid-in capital (a component of capital surplus) depending on the equity account charged upon the payment of such dividends until the total of aggregate amount of legal reserve and additional paid-in capital equals 25% of the common stock. Under the Code, the aggregate amount of additional paid-in capital and legal reserve that exceeds 25% of the common stock may be made available for dividends by resolution of the shareholders. Under the Corporate Law, the total amount of additional paid-in capital and legal reserve may be reversed without limitation of such threshold. The Corporate Law also provides that common stock, legal reserve, additional paid-in capital, other capital surplus and retained earnings can be transferred among the accounts under certain conditions upon resolution of the shareholders.

c. Treasury Stock and Treasury Stock Acquisition Rights

The Corporate Law also provides for companies to purchase treasury stock and dispose of such treasury stock by resolution of the Board of Directors. The amount of treasury stock purchased cannot exceed the amount available for distribution to the shareholders which is determined by specific formula.

Under the Corporate Law, stock acquisition rights, which were previously presented as a liability, are now presented as a separate component of shareholders' equity.

The Corporate Law also provides that companies can purchase both treasury stock acquisition rights and treasury stock. Such treasury stock acquisition rights are presented as a separate component of shareholders' equity or deducted directly from stock acquisition rights.

On December 9, 2005, the ASBJ published a new accounting standard for presentation of shareholders' equity. Under this accounting standard, certain items which were previously presented as liabilities are now presented as components of shareholders' equity. Such items include stock acquisition rights, minority interest, and any deferred gain or loss on derivatives accounted for under hedge accounting. This standard is effective for fiscal years ending on or after May 1, 2006.

9. INCOME TAXES

Yamatake and its domestic subsidiaries are subject to Japanese national and local income taxes which, in the aggregate, resulted in a normal effective statutory tax rate of approximately 40.4% for the years ended March 31, 2006 and 2005.

As March 31, 2006, certain domestic subsidiaries have tax loss carryforwards aggregating approximately ¥5,300 million (\$45,300 thousand) which are available to be offset against taxable income of such subsidiaries in future years. These tax loss carryforwards, if not utilized, will expire as follows:

Year Ending March 31	Millions of Yen	Thousands of U.S. Dollars
2009	¥ 730	\$ 6,240
2010	1,840	15,726
2011	1,080	9,230
2012	1,650	14,104
Total	¥5,300	\$45,300

The tax effects of significant temporary differences and tax loss carryforwards which resulted in deferred tax assets and liabilities as of March 31, 2006 and 2005, are as follows:

	Millions of Yen		Thousands of U.S. Dollars
	2006	2005	2006
Deferred tax assets:			
Pension and severance costs	¥ 6,578	¥ 4,782	\$ 56,219
Accrued expenses	4,683	4,244	40,031
Depreciation	937	822	8,007
Loss on impairment of land	1,321	808	11,291
Allowance for doubtful receivables	1,199	219	10,246
Tax loss carryforwards	4,036	937	34,497
Others	1,942	1,523	16,599
Less valuation allowance	(8,449)	(936)	(72,215)
Total	12,247	12,399	104,675
Deferred tax liabilities:			
Net unrealized gain on available-for-sale securities	5,799	2,467	49,566
Special advanced depreciation	1,295	468	11,073
Others	356		3,038
Total	7,450	2,935	63,677
Net deferred tax assets	¥ 4,797	¥ 9,464	\$ 40,998

A reconciliation between the normal effective statutory tax rate for the years ended March 31, 2006 and 2005, and the actual effective tax rate reflected in the accompanying consolidated statements of income is as follows:

	2006	2005
Normal effective statutory tax rate	40.4%	40.4%
Expenses not deductible for tax purposes	1.3	3.7
Per capita levy of inhabitant tax	1.0	2.3
Tax benefits for qualified expenses	(5.0)	(7.6)
Unrecognized tax effect for elimination of unrealized profit in inventories		(5.1)
Others—net	(1.2)	0.2
Actual effective tax rate	36.5%	33.9%

10. RESEARCH AND DEVELOPMENT COSTS

Research and development costs charged to income were ¥8,360 million (\$71,451 thousand) and ¥8,170 million for the years ended March 31, 2006 and 2005, 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, 2006 and 2005, were ¥4,819 million (\$41,191 thousand) and ¥4,755 million, respectively, including ¥449 million (\$3,841 thousand) and ¥507 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, 2006 and 2005, was as follows:

	2006				2005				2006			
	Machinery and Equipment	Furniture and Fixtures	Software	Total	Machinery and Equipment	Furniture and Fixtures	Software	Total	Machinery and Equipment	Furniture and Fixtures	Software	Total
Acquisition cost	¥643	¥2,112	¥408	¥3,163	¥280	¥1,982	¥104	¥2,366	\$5,497	\$18,047	\$3,489	\$27,033
Accumulated depreciation	232	1,253	123	1,608	139	1,515	68	1,722	1,982	10,708	1,056	13,746
Net leased property	¥411	¥ 859	¥285	¥1,555	¥141	¥ 467	¥ 36	¥ 644	\$3,515	\$ 7,339	\$2,433	\$13,287

Obligations under finance leases:

	Millions of Yen		Thousands of U.S. Dollars
	2006	2005	2006
Due within one year	¥ 890	¥ 554	\$ 7,604
Due after one year	2,789	1,882	23,841
Total	¥3,679	¥2,436	\$31,445

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 ¥437 million (\$3,732 thousand) and ¥451 million for the years ended March 31, 2006 and 2005, respectively.

The minimum rental commitments under noncancelable operating leases as of March 31, 2006 were as follows:

	Millions of Yen		Thousands of U.S. Dollars
	2006	2005	2006
Due within one year	¥ 749		\$ 6,402
Due after one year	2,576		22,017
Total	¥3,325		\$28,419

(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, 2006 and 2005, was as follows:

	Millions of Yen		Thousands of U.S. Dollars
	2006	2005	2006
Receivables under finance leases:			
Due within one year	¥ 221	¥ 154	\$ 1,888
Due after one year	1,544	1,265	13,200
Total	¥1,765	¥1,419	\$15,088

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.

Yamatake Group's interest rate cap trading is 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, 2006 and 2005, was as follows:

	Millions of Yen						Thousands of U.S. Dollars		
	2006			2005			2006		
	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)
Exchange contract:									
Sell Japanese yen	¥129	¥131	¥ 2	¥223	¥226	¥(3)	\$1,101	\$1,117	\$ 16
Buy Japanese yen	130	132	(2)	54	54		1,111	1,124	(13)

13. COMMITMENT AND CONTINGENT LIABILITIES

As of March 31, 2006, Yamatake Group had the following contingent liabilities:

	Millions of Yen	Thousands of U.S. Dollars
Trade notes discounted	¥1,020	\$8,715
Guarantees and similar items of loans	68	580

14. SUBSEQUENT EVENT

At the Yamatake's general shareholders meeting held on June 29, 2006, shareholders approved the following:

Appropriation of Retained Earnings as of March 31, 2006

	Millions of Yen	Thousands of U.S. Dollars
Year-end cash dividends, ¥30.0 (\$0.26) per share	¥2,207	\$18,864
Bonuses to directors	46	393

15. SEGMENT INFORMATION

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

(1) Industry Segments

a. Sales and Operating Income

	Millions of Yen						
	Building Automation	Advanced Automation	Life Automation	Other	Total	Eliminations/Corporate	Consolidated
Sales to customers	¥81,441	¥92,355	¥4,551	¥ 9,974	¥188,321		¥188,321
Intersegment sales	728	631	4	465	1,828	¥(1,828)	
Total sales	82,169	92,986	4,555	10,439	190,149	(1,828)	188,321
Operating expenses	75,707	85,502	5,248	10,228	176,685	(1,879)	174,806
Operating income (losses)	¥ 6,462	¥ 7,484	¥ (693)	¥ 211	¥ 13,464	¥ 51	¥ 13,515

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

The advanced automation segment designs, develops, manufactures, distributes and provides 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, for primarily such markets as petrochemical/chemical, water supply and sewerage, oil refining, electric power and gas, iron and steel, pulp and paper, shipping and marine, semiconductors, electrical/electronic components, machine tools, automobiles, pharmaceuticals, foods and beverages/packaging, furnace/oven/boiler manufacturing and residential/commercial buildings.

The Life Automation segment consists of various operating fields, such as "Lifeline Automation" "Life Assist Automation," and "Life Science Automation." These businesses draw on the technologies and know-how built up through many years of experience in the building and industrial automation markets. This expertise is applied to fields closely connected with daily life. The life automation covers a broad range of fields, from lifeline infrastructure—such as gas and water meters, sewage and waste disposal systems—to residential air conditioning, food safety, lifestyle support for the elderly, care services and products for biotechnology applications; to provide people from all walks of life with improved comfort and peace of mind.

The other segment consists of mainly the import of industrial machines and equipment.

Information about industry segments of Yamatake Group for the years ended March 31, 2006 and 2005, is as follows:

Millions of Yen							
2005							
	Building Automation	Advanced Automation	Life Automation	Other	Total	Eliminations/Corporate	Consolidated
Sales to customers	¥81,806	¥83,738	¥ 4,471	¥10,748	¥180,763		¥180,763
Intersegment sales	792	579	5	301	1,677	¥(1,677)	
Total sales	82,598	84,317	4,476	11,049	182,440	(1,677)	180,763
Operating expenses	77,062	79,593	5,631	10,828	173,114	(1,704)	171,410
Operating income (losses)	¥ 5,536	¥ 4,724	¥(1,155)	¥ 221	¥ 9,326	¥ 27	¥ 9,353

Thousands of U.S. Dollars							
2006							
	Building Automation	Advanced Automation	Life Automation	Other	Total	Eliminations/Corporate	Consolidated
Sales to customers	\$696,078	\$789,362	\$38,893	\$85,246	\$1,609,579		\$1,609,579
Intersegment sales	6,220	5,393	34	3,975	15,622	\$(15,622)	
Total sales	702,298	794,755	38,927	89,221	1,625,201	(15,622)	1,609,579
Operating expenses	647,068	730,791	44,852	87,418	1,510,129	(16,062)	1,494,067
Operating income (losses)	\$ 55,230	\$ 63,964	\$ (5,925)	\$ 1,803	\$ 115,072	\$ 440	\$ 115,512

b. Assets, Depreciation and Capital Expenditures

Millions of Yen							
2006							
	Building Automation	Advanced Automation	Life Automation	Other	Total	Eliminations/Corporate	Consolidated
Assets	¥52,349	¥63,886	¥38,675	¥5,369	¥160,279	¥57,603	¥217,882
Depreciation	987	1,303	41	21	2,352		2,352
Capital expenditures	2,588	3,952	231	19	6,790		6,790

Millions of Yen							
2005							
	Building Automation	Advanced Automation	Life Automation	Other	Total	Eliminations/Corporate	Consolidated
Assets	¥46,370	¥62,076	¥1,318	¥4,868	¥114,632	¥57,954	¥172,586
Depreciation	928	1,312	31	20	2,291		2,291
Capital expenditures	776	1,632	27	25	2,460		2,460

Thousands of U.S. Dollars							
2006							
	Building Automation	Advanced Automation	Life Automation	Other	Total	Eliminations/Corporate	Consolidated
Assets	\$447,426	\$546,036	\$330,556	\$45,885	\$1,369,903	\$492,339	\$1,862,242
Depreciation	8,433	11,134	354	177	20,098		20,098
Capital expenditures	22,121	33,781	1,974	162	58,038		58,038

Note: Corporate assets of ¥58,192 million (\$497,365 thousand) and ¥58,472 million for the years ended March 31, 2006 and 2005, respectively, included in "Eliminations/Corporate" mainly consist of cash and cash equivalents and investment securities.

(2) Geographical Segments

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

(3) Sales to Foreign Customers

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

Independent Auditors' Report

Deloitte.

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INDEPENDENT AUDITORS' REPORT

To the Board of Directors of
Yamatake Corporation:

We have audited the accompanying consolidated balance sheets of Yamatake Corporation (the "Company") and consolidated subsidiaries (together, "Yamatake Group") as of March 31, 2006 and 2005, 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, 2006 and 2005, and the consolidated results of their operations and their cash flows for the years then ended in conformity with accounting principles generally accepted in Japan.

As discussed in Note 2.g to the consolidated financial statements, Yamatake Group adopted the new accounting standard for impairment of fixed assets as of April 1, 2005.

Our audits also comprehended the translation of Japanese yen amounts into U.S. dollar amounts and, in our opinion, such translation has been made in conformity with the basis stated in Note 1. Such U.S. dollar amounts are presented solely for the convenience of readers outside Japan.

Deloitte Touche Tohmatsu

June 29, 2006

Corporate Data

As of March 31, 2006

Company Name	Yamatake Corporation	Paid-in Capital	¥10,523 million
Headquarters	Tokyo Building 2-7-3 Marunouchi, Chiyoda-ku Tokyo 100-6419, Japan	Factories	Fujisawa, Shonan, Isehara
Founded	December 1, 1906	Employees	5,464
Incorporated	August 22, 1949	Contact	Tel: 81-3-6810-1010 Fax: 81-3-5220-7278
		Website	http://www.yamatake.com

Subsidiaries and Affiliates

Japan

Yamatake & Co., Ltd.*
Tokyo, Japan
Ownership 100%

Yamatake Control Products Co., Ltd.*
Kanagawa, Japan
Ownership 100%

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%

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%

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

Kimmon Manufacturing Co., Ltd.*
Tokyo, Japan
Voting right 43.3%

Aomori Manufacturing Co., Ltd.*
Aomori, Japan
Ownership 100% owned by Kimmon Manufacturing Co., Ltd.

Wakayama Seiki Co., Ltd.*
Wakayama, Japan
Ownership 100% owned by Kimmon Manufacturing Co., Ltd.

Sirakawa Seiki Co., Ltd.*
Fukushima, Japan
Ownership 85.42% owned by Kimmon Manufacturing Co., Ltd.

Kimmon Sirasawa Co., Ltd.*
Fukushima, Japan
Ownership 100% owned by Kimmon Manufacturing Co., Ltd.

Kimmon Aizu Co., Ltd.*
Fukushima, Japan
Ownership 100% owned by Kimmon Manufacturing Co., Ltd.

Kimmon Haramati Co., Ltd.*
Fukushima, Japan
Ownership 100% owned by Kimmon Manufacturing Co., Ltd.

Kimmon Mizuho Co., Ltd.*
Kyoto, Japan
Ownership 100% owned by Kimmon Manufacturing Co., Ltd.

Kimmon Karatu Co., Ltd.*
Saga, Japan
Ownership 100% owned by Kimmon Manufacturing Co., Ltd.

Kimmon Iwase Co., Ltd.*
Fukushima, Japan
Ownership 100% owned by Kimmon Manufacturing Co., Ltd.

Kimmon Environment Equipment Co., Ltd.*
Kanagawa, Japan
Ownership 100% owned by Kimmon Manufacturing Co., Ltd.

Hokkaido Kimmon Construction Co., Ltd.*
Hokkaido, Japan
Ownership 100% owned by Kimmon Manufacturing Co., Ltd.

Tohoku Kimmon Construction Co., Ltd.*
Fukushima, Japan
Ownership 100% owned by Kimmon Manufacturing Co., Ltd.

Kimmon Kanri Co., Ltd.*
Tokyo, Japan
Ownership 100% owned by Kimmon Manufacturing Co., Ltd.

Taishin Co., Ltd.*
Nagano, Japan
Ownership 100%

Building Performance Consulting, Inc.
Tokyo, Japan
Ownership 45%

Tem-Tech Lab.
Tokyo, Japan
Ownership 25%

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%

Dalian Yamatake Control Instruments Co., Ltd.*
Dalian, China
Ownership 100%

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

Yamatake Automation Products Shanghai Co., Ltd.*
Shanghai, China
Ownership 100%

YCP Precision Hong Kong Limited
Hong Kong, China
Ownership 100% owned by Yamatake Control Products Co., Ltd.

Shanghai Hara Seiko Machinery Co., Ltd.
Shanghai, China
Ownership 25% owned by Yamatake & Co., Ltd.

Yamatake Sensing Control, Limited*
Santa Clara, CA, U.S.A.
Ownership 100%

Yamatake America, Inc.*
Phoenix, AZ, U.S.A.
Ownership 100%

Yamatake Europe N.V.*
Brussels, Belgium
Ownership 99.9%

SICAL Yamatake Ltd.
Chennai, India
Ownership 25%

* Consolidated subsidiaries

Stock Information

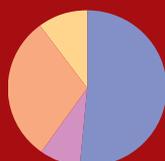
As of March 31, 2006

Total Number of Authorized Shares	279,710,000
Shares of Common Stock Issued	73,576,256
Shareholders	6,469
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	10,133	13.77
Japan Trustee Services Bank, Ltd.	6,100	8.29
The Master Trust Bank of Japan, Ltd.	5,374	7.30
Meiji Yasuda Life Insurance Co.	5,214	7.08
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
Trust & Custody Services Bank, Ltd.	1,858	2.52
The Nomura Trust and Banking Co., Ltd.	1,272	1.72

Composition of Shareholders



Japanese Financial Institutions	51.49%
Other Japanese Corporations	8.30%
Foreign Institutions and Individuals	30.06%
Japanese Individuals and Others	10.14%
Treasury Stock	0.01%



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



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