



FOR IMMEDIATE RELEASE
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Notification of Conversion of Kimmon Manufacturing Co., Ltd. into Wholly Owned Subsidiary of Yamatake Corporation Through Share Exchange

Yamatake Corporation (hereafter “Yamatake”) and Kimmon Manufacturing Co., Ltd. (hereafter “Kimmon”) hereby notify all parties concerned that, as detailed below, the Boards of Directors of both firms at meetings held on November 8, 2007 approved the conversion of Kimmon into a wholly owned subsidiary of Yamatake with effect from April 1, 2008 by means of an exchange of shares (hereafter “the share exchange”), and that an agreement governing the share exchange has been duly concluded.

1. Purpose of the share exchange

Yamatake’s long-term goal is to focus on the human, building a world of automation created through human ingenuity and technology to become a top-class global corporate group that enhances the safety and security of its customers, helps to improve their corporate value, and contributes to solutions for global environmental issues. To this end, Yamatake is undertaking initiatives to strengthen the management and business foundation of the company and to achieve sustainable growth of its business.

Yamatake has utilized its strength in measurement and control technologies to expand its two core businesses of Building Automation (for buildings) and Advanced Automation (for plants and factories). In addition, Yamatake has been reinforcing the foundation of its Life Automation (hereafter “LA”) business to develop it into the third core business

To strengthen the LA business in Lifeline-related fields (including energy and water supply), in December 2005 Yamatake acquired an equity stake in Kimmon, the largest company in Japan in the field of Lifeline-related metering (with products such as town gas meters, LPG meters and water meters). As well as positioning Kimmon as an important part of the LA business, Yamatake has also sought to promote collaboration between Kimmon’s strengths in the metering of gas and water supplies and Yamatake’s strengths in measurement, control and management. Both sides have targeted synergistic business growth through joint initiatives such as cooperation in sales and the supply of products to each other.

To establish the foundation of the LA business as Yamatake’s third pillar, further progress is required in terms of: combining and integrating the resources of both companies under unified governance; improving flexibility in management to respond quickly to the changing business



environment; and improving management efficiency. To this end, Yamatake believes that the conversion of Kimmon into a wholly owned subsidiary via the planned share exchange is in the best interests of both companies. Following the share exchange, the company plans to focus on increasing the corporate value of the Yamatake Group by strengthening the business foundation of Kimmon and developing the LA business. This will involve making progress on a number of fronts, such as pursuing further synergies in sales, accelerating the joint development of technologies and products, and optimizing the use of production facilities owned by Kimmon.

Note: In December 2005, Yamatake purchased all of the Class I preferred stock in Kimmon owned by the Industrial Revitalization Corporation of Japan (IRCJ), along with all of the Class II preferred stock in Kimmon owned by Resona Bank, Ltd. and by Mizuho Corporate Bank, Ltd. Yamatake at that point owned all shares of Kimmon Class I and Class II preferred stock. The Class I preferred stock was subsequently converted into common stock in January 2006, as a result of which Kimmon became a consolidated subsidiary of Yamatake.

For its part, Kimmon has been strengthening its cooperation with Yamatake in order to cement the gains that were made during the corporate revitalization process conducted under the auspices of the IRCJ prior to Yamatake taking an equity stake in the company. Kimmon views the share exchange as a good way of responding to the ongoing changes in the business environment and satisfying the needs of customers faced with increasingly diverse and complex issues. Management believes that the share exchange is in the best interests of shareholders, employees and other Kimmon stakeholders. By moving beyond mere collaboration with Yamatake to promoting integrated management in all fields, and being able to leverage Kimmon's accumulated technologies, the move should help the company enhance its corporate value through the provision of various products and services of value to customers.

In light of the above, the two companies concluded the share exchange agreement in the belief that it would serve to enhance their earnings power and corporate value at both the parent and consolidated levels. Both sides are committed to working as one toward meeting the expectations of existing Yamatake shareholders and of shareholders of Kimmon that will become new Yamatake shareholders through the share exchange.

The share exchange is due to acquire legal force on April 1, 2008, subject to approval of the share exchange agreement by Kimmon shareholders at an Extraordinary Meeting of Shareholders scheduled for February 20, 2008. In line with the provisions of Article 796 Section 3 of the Company Law concerning procedures for simplified exchanges of shares, Yamatake plans to undertake the share exchange without seeking prior shareholder approval of the relevant agreement.

There are a number of provisions in the Company Law that are designed to protect the rights of minority shareholders in relation to the procedures detailed above. Under Articles 785 and 786 of the Company Law, Kimmon shareholders have the right to demand the purchase of the shares that they own. Under Articles 797 and 798 of the same law, Yamatake shareholders have the right to demand the purchase of the shares that they own.

Shareholders should be aware that exercising these rights through the required procedures is at the sole discretion and responsibility of shareholders.

As a result of the share exchange, Kimmon will become a wholly owned subsidiary of Yamatake with effect from the (planned) date of April 1, 2008. In accordance with the de-listing standards of Tokyo Stock Exchange, Inc., Kimmon shares are scheduled for de-listing from the TSE with effect from March 26, 2008 (with the final day of share trading scheduled for March 25, 2008).

In light of the fact that Yamatake is the largest shareholder in Kimmon with voting rights of 43.34% (as of March 31, 2007), and also owns Class II preferred stock (as of March 31, 2007, equivalent to 9.05% of total shares outstanding, resulting in an overall shareholding of 59.40% of total common stock issued assuming conversion at the initial acquisition price), both firms



commissioned separate third-party evaluations to advise on the appropriate share-exchange ratio. The ratio was agreed between both parties through a process of negotiation and consultation based on the results of these independent evaluations and subsequently approved by both boards of directors.

The members of the Board of Directors of Kimmon attending the meeting that was convened today voted unanimously in favor of the resolution to approve the share exchange agreement. However, to avoid any conflict of interest, those directors of Kimmon with concurrent positions as either executive officer or director of Yamatake did not participate in the vote on the resolution. The four corporate auditors of Kimmon, who include three external auditors, also voted unanimously in favor of the resolution at the same Board meeting.

2. Outline of the share exchange

(1) Timetable for share exchange

Approval at meetings of boards of directors (both companies)	November 8, 2007
Signing of share exchange agreement (both companies)	November 8, 2007
Public notice of simplified exchange of shares (Yamatake)	November 9, 2007 (planned)
Public notice of record date for Extraordinary Meeting of Shareholders (Kimmon)	November 16, 2007 (planned)
Record date for Extraordinary Meeting of Shareholders (Kimmon)	December 1, 2007 (planned) *
Extraordinary Meeting of Shareholders (Kimmon)	February 20, 2008 (planned)*
Final day of share trading (Kimmon)	March 25, 2008 (planned)
De-listing of shares (Kimmon)	March 26, 2008 (planned)
Planned date of share exchange (effective date)	April 1, 2008 (planned)
Delivery date of shares	late May, 2008 (planned)

*Note: In line with the provisions of Article 796 Section 3 of the Company Law, Yamatake plans to undertake the share exchange without seeking prior shareholder approval of the relevant agreement.

(2) Share allocation pertaining to share exchange

	Yamatake (parent company)	Kimmon (wholly owned subsidiary)
Share-exchange ratio	1	0.045

Notes: 1. Share allocation ratio

The share allocation shall be 0.045 shares of Yamatake common stock per 1 share of Kimmon common stock. Moreover, no share allocations shall be made due to the share exchange in respect of the 26,086,956 shares of Kimmon common stock and 6,000,000 shares of Class II preferred stock that are owned by Yamatake.

2. Number of new shares to be issued due to share exchange

Common stock: 1,539,845 shares

(3) Basis of calculation of share allocation pertaining to share exchange

(i) Basis of calculation and provenance

To advise on the appropriate share-exchange ratio for the share exchange, Yamatake commissioned a third-party evaluation from Nomura Securities Co., Ltd. (hereafter "Nomura Securities"), while Kimmon commissioned a third-party evaluation from Daiwa Securities SMBC Co., Ltd. (hereafter "Daiwa Securities SMBC").

Nomura Securities provided to Yamatake an analysis of appropriate share-exchange ratios based on the average market pricing and discounted cash flow (DCF) valuation methods as applied to the shares of Yamatake and Kimmon. The table below shows the results of these calculations for each method in terms of the number of shares of Yamatake common stock to be allocated per one share of Kimmon common stock.

Valuation method	Valuation range for share-exchange ratio
Average market pricing method	0.038
DCF method	0.031~0.049

The valuation derived from the average market pricing method was calculated based on the closing share price on November 6, 2007 and the average closing share price for the period from October 31, 2007 to November 6, 2007.

Note: The results of the calculations that were made by Nomura Securities (hereafter "the Nomura Securities valuation") were based on information relating to both firms received from Yamatake, along with publicly available information. Assuming that the content of this information was appropriate and accurate, Nomura Securities did not undertake any internal procedures to test its veracity or completeness. Moreover, Nomura Securities based its calculation of the share-exchange ratio on information available at that time, including certain data relating to economic, market and other conditions, along with its own internal assumptions. Nomura Securities also assumed that the content of such information was appropriate and accurate. Hence, the Nomura Securities valuation is subject to change should circumstances differ from those that existed at the time of the calculation or should any related developments occur. Such factors notwithstanding, Nomura Securities bears no legal obligation to revise or alter its valuation, or otherwise to provide any supplementary information.

In addition, Nomura Securities prepared its valuation purely as a third-party opinion to provide the Board of Directors of Yamatake with information as reference in the determination of the share-exchange ratio. Nomura Securities expresses no opinion concerning the fairness of the share-exchange ratio as stated in 2. (2) above.



Daiwa Securities SMBC provided Kimmon with calculations of share-exchange ratios based on both the average market pricing and DCF valuation methods as applied to the shares of Yamatake and Kimmon. The valuation derived from the average market pricing method was calculated based on the closing share prices for the period from October 5, 2007 to November 6, 2007. The table below shows the results of these calculations for each method in terms of the number of shares of Yamatake common stock to be allocated per one share of Kimmon common stock.

Valuation method	Valuation range for share-exchange ratio
Average market pricing method	0.0373~0.0378
DCF method	0.0286~0.0479

Note: The results of the calculations made by Daiwa Securities SMBC (hereafter “the Daiwa Securities SMBC valuation”) were based on information relating to both firms received from Kimmon, along with publicly available information. Assuming that the content of this information was appropriate and accurate, Daiwa Securities SMBC did not test its veracity or completeness internally. Furthermore, Daiwa Securities SMBC based its calculation of the share-exchange ratio on information available at that time, including certain data relating to economic, market and other conditions, along with its own internal assumptions. Daiwa Securities SMBC also assumed that the content of such information was appropriate and accurate. Hence, the Daiwa Securities SMBC valuation is subject to change should circumstances differ from those that existed at the time of the calculation or should any related developments occur. Such factors notwithstanding, Daiwa Securities SMBC bears no legal obligation to revise or alter its valuation, or otherwise to provide any supplementary information.

In addition, Daiwa Securities SMBC prepared its valuation purely as a third-party opinion to provide the Board of Directors of Kimmon with reference information in determining the share-exchange ratio. Daiwa Securities SMBC expresses no opinion concerning the fairness of the share-exchange ratio as stated in 2. (2) above.

With reference to the results of the share-exchange ratio calculations provided in the independent third-party valuations, and taking into full consideration factors such as the financial condition of both companies, financial projections and price trends in the Japanese stock market, Yamatake and Kimmon entered into extensive consultation and negotiations. While recognizing that there is a significant difference between the share price levels in December 2005 when the capital relationship was initiated and the current share prices of both companies, Yamatake and Kimmon concluded that the relevant share-price movements could be largely explained by changes in the business environment and in operating performance. Both firms studied the issue carefully, taking into consideration the share-price movements recorded during the observation periods used by each independent valuation consultant (November 6, 2007 and the period from October 31, 2007 to November 6, 2007 for Nomura Securities, and the period from October 5, 2007 to November 6, 2007 for Daiwa Securities SMBC). As a result of these deliberations, Yamatake and Kimmon decided that the share-exchange ratio as stated in 2. (2) above represents fair value and is beneficial to the interests of the shareholders of both companies. On this basis, the boards of directors of both companies approved resolutions at meetings held on November 8, 2007 and signed the share exchange agreement on the same day.

The proposed share-exchange ratio is subject to change based on the results of further consultation should any major development cause a significant change in the various conditions used as the basis for calculations of the ratio.

(ii) Relationships with valuation consultants



Neither Nomura Securities nor Daiwa Securities SMBC have any specific relationship with either Yamatake or Kimmon.



(4) Treatment of stock options and convertible bonds issued by company becoming wholly owned subsidiary through share exchange

Not applicable (Kimmon has not issued any stock options or convertible bonds)

3. Outline of parties to share exchange (as of March 31, 2007)

(1) Company names	Yamatake Corporation (consolidated) (parent company)	Kimmon Manufacturing Co., Ltd. (consolidated) (wholly owned subsidiary)
(2) Nature of business	Development, design, manufacture, sale and maintenance of a full range of control devices, systems and related equipment	Manufacture and sale of town gas meters, LPG meters, water meters and related equipment
(3) Established	August 22, 1949	July 27, 1948
(4) Head office location	7-3, Marunouchi 2-chome, Chiyoda-ku, Tokyo	13-1, Ohara-cho, Itabashi-ku, Tokyo
(5) Name and position of legal representative	Seiji Onoki, President and Chief Executive Officer	Masaaki Iwai, President
(6) Paid-in capital	10,522 million yen	3,157 million yen
(7) Shares outstanding	(Common stock) 73,576,256 shares	(Common stock) 60,305,748 shares (Class II preferred stock) 6,000,000 shares
(8) Net assets (consolidated)	118,966 million yen	4,027 million yen
(9) Total assets (consolidated)	230,679 million yen	31,054 million yen
(10) Fiscal year-end	March 31	March 31
(11) Employees (consolidated)	8,192	1,358
(12) Major business partners	Takasago Thermal Engineering Co., Ltd. Taikisha Ltd. Shinryo Corporation	Tokyo Gas Co., Ltd. Osaka Gas Co., Ltd. Saibu Gas Co., Ltd.
(13) Major shareholders (shareholding ratios)	1. Japan Trustee Services Bank, Ltd. (Trust Account) (10.44%) 2. Northern Trust Company (AVFC) Sub-account American Clients (7.10%) 3. Meiji Yasuda Life Insurance Co. (7.08%) 4. The Master Trust Bank of Japan, Ltd. (Trust Account) (6.59%) 5. Nippon Life Insurance Co. (3.62%)	1. Yamatake Corporation (43.26%) 2. Japan Securities Finance Co., Ltd. (2.96%) 3. Meiji Yasuda Life Insurance Co. (1.66%) 4. Resona Bank, Ltd. (1.66%) 5. The Master Trust Bank of Japan, Ltd. (Trust Account) (1.47%)
(14) Principal banks	Mizuho Corporate Bank, Ltd. Mizuho Trust & Banking Co., Ltd. The bank of Yokohama, Ltd. The Bank of Tokyo-Mitsubishi UFJ, Ltd. Sumitomo Mitsui Banking Corporation	Mizuho Corporate Bank, Ltd. Resona Bank, Ltd. Mizuho Trust & Banking Co., Ltd.



(15) Relationships between parties	Capital	Yamatake owns 26,086,956 shares of common stock (total voting rights 43.34%) and 6,000,000 shares of Class II preferred stock in Kimmon.
	Personnel (as of October 31, 2007)	One executive officer and one director at Yamatake are directors of Kimmon. In addition, 10 employees of Yamatake are working on assignment at Kimmon and 43 employees of Kimmon and its subsidiaries are assigned to work at Yamatake.
	Commercial (year ended March 2007)	Yamatake's sales to Kimmon amounted to 200 million yen (or 0.08% of the total). Kimmon's sales to Yamatake amounted to 50 million yen (or 0.18% of the total).
	Specific inter-party relationships	Kimmon is a consolidated subsidiary of Yamatake.

(16) Three-year historical performance (consolidated)

(Unit: millions of yen)

Years ending March 31	Yamatake Corp. (parent company)			Kimmon Manufacturing Co., Ltd. (wholly owned subsidiary)		
	2005	2006	2007	2005	2006	2007
Net sales	180,762	188,320	234,572	38,265	33,318	32,233
Operating income	9,352	13,514	17,313	1,346	2,120	825
Recurring income	9,495	13,938	17,857	606	1,579	556
Net income	3,709	9,795	10,646	6,247	1,054	367
Net income per share (yen)	49.88	132.52	144.71	186.07	27.19	6.10
Dividends per share (yen)	Common stock 23.00	Common stock 50.00	Common stock 50.00	Common stock -	Common stock -	Common stock -
				Class I preferred stock -	Class II preferred stock -	Class II preferred stock -
				Class II preferred stock -		
Net assets per share (yen)	1,356.65	1,506.25	1,602.33	△ 102.64	9.85	17.02



4. Projected situation after share exchange

(1) Company name	Yamatake Corporation
(2) Nature of business	Development, design, manufacture, sale and maintenance of a range of control devices, systems and related equipment
(3) Head office location	7-3, Marunouchi 2-chome, Chiyoda-ku, Tokyo
(4) Name and position of legal representative	Seiji Onoki, President and Chief Executive Officer
(5) Paid-in capital	10,522 million yen
(6) Net assets (consolidated)	To be decided
(7) Total assets (consolidated)	To be decided
(8) Fiscal year-end	March 31
(9) Accounting treatment	Since control will not be affected, Yamatake expects to treat the share exchange as a transaction with minority shareholders for accounting purposes. Although the share exchange will generate goodwill, the amounts involved are yet to be determined.
(10) Outlook	Yamatake plans to release detailed projections of the effect that the share exchange will have on performance at the consolidated and parent levels in due course. Yamatake is currently making progress in implementing the three-year medium-term business plan for the Yamatake Group announced in May 2007. This contains a Kimmon-Yamatake Jump-Up Plan that calls for deeper cooperation between the two companies on the sales and production fronts. The share exchange will serve to accelerate the plan's progress. For further details of the Kimmon-Yamatake Jump-Up Plan, please refer to page 5 of the document available at the URL below. URL: http://jp.yamatake.com/ir/pdf/tanshin/19_4strategy.pdf