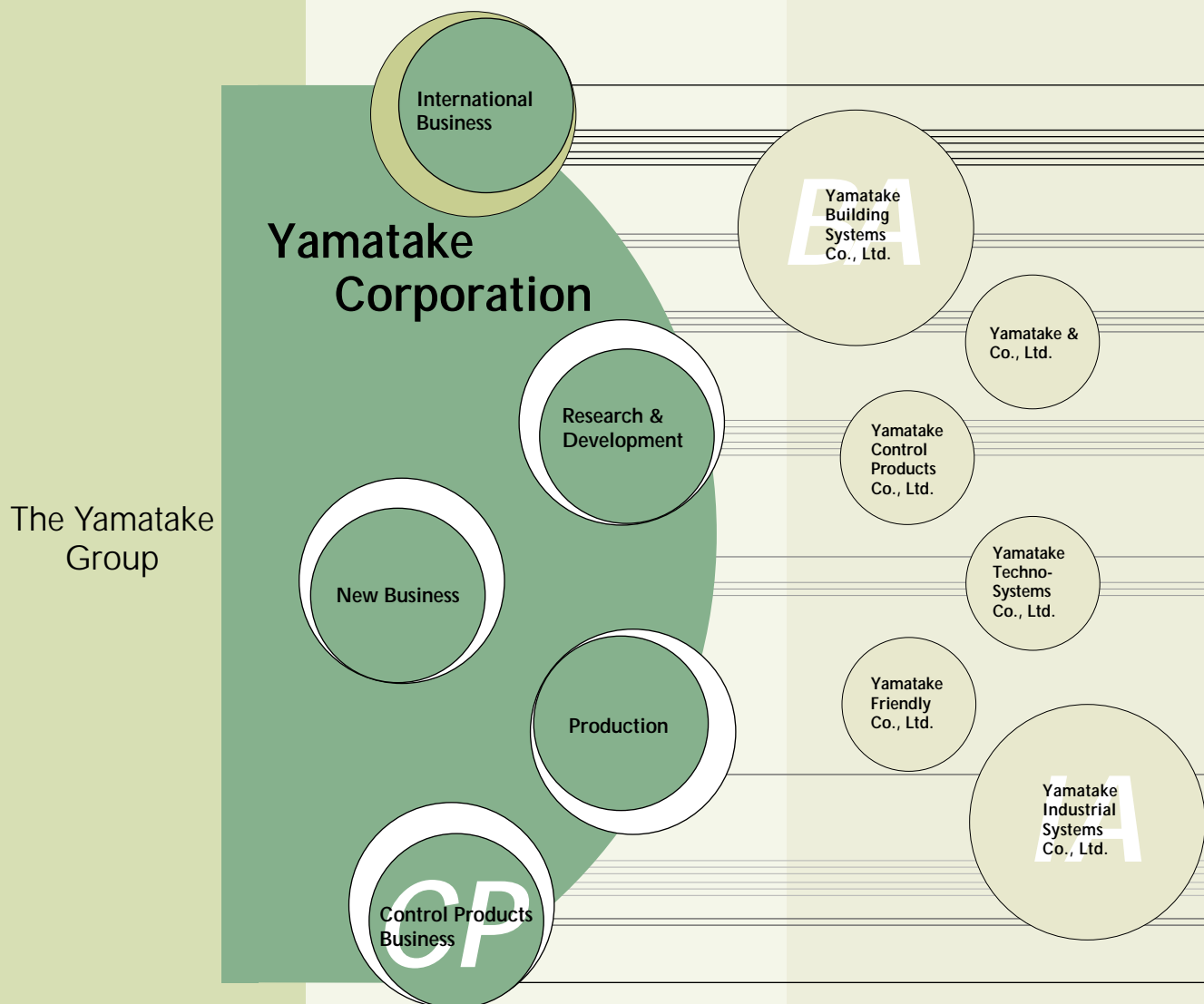


# The Yamatake Group at a Glance



## ■ Business Area

### **BA** Building Automation Business

#### Key Products

- Integrated automation systems
  - savic-net5/10/11
  - savic-net15EV/20EV/50EV/80EV
- HVAC controls
  - DDC controllers
  - Thermostats
  - Sensors
  - Valve actuators
  - Damper actuators
- Security systems
- Energy/facility management systems
- Building operation support service (BOSS)

#### Major Markets

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

### **IA** Industrial Automation Business

#### Key Products

- Industrial automation systems
  - Advanced-PS
  - Industrial-DEO
  - Euprexa
  - Harmonas
- Field instruments
- Control valves

#### Major Markets

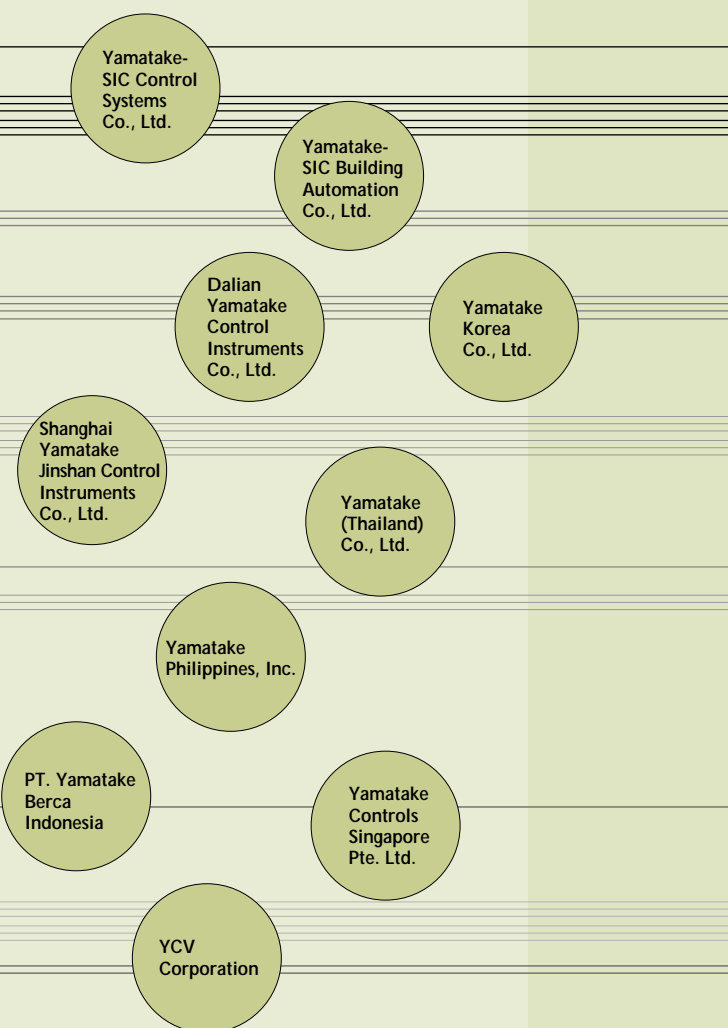
- Refining
- Petrochemical/chemical
- Pulp and paper
- Shipping and marine
- Public utilities
- Iron and steel
- Food and beverage
- Pharmaceutical
- Electric power and gas
- Semiconductors

## ■ Profile

Since its establishment in 1906, Yamatake has built on its expertise in Process Automation (PA), Factory Automation (FA) and Building Automation (BA), to expand sales and position itself as the leading manufacturer of measurement and control equipment.

With today's rapidly increasing competition worldwide, Japan's industries must rise to meet an international challenge. In response, our company reorganized as the Yamatake Group in October 1998, creating a more competitive company capable of providing our customers with higher quality products and services, and even greater satisfaction.

The strength of our core technologies, our 93-year history and vast wealth of experience give us the ideal foundation to build dedicated relationships with our customers and ensure continued growth and prosperity in the future.



## Contents

Highlights of the Year .....	2
Financial Highlights .....	3
Our Vision .....	4
To Our Shareholders .....	5
Building Automation Business ....	8
Industrial Automation Business ....	10
Control Products Business .....	12
International Business .....	14
Environmental Responsibility .....	16
Research & Development .....	18
Board of Directors and Auditors ...	19
Selected Financial Data .....	20
Financial Review .....	21
Consolidated Balance Sheets .....	22
Consolidated Statements of Income .....	24
Consolidated Statements of Shareholders' Equity .....	25
Consolidated Statements of Cash Flows .....	26
Notes to Consolidated Financial Statements .....	27
Report of Independent Accountants .....	32
Corporate Data .....	33

## CP Control Products Business

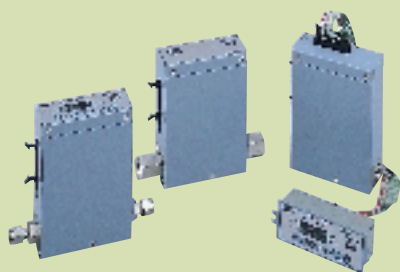
### Key Products

- Machine controllers
- Automatic recognition machines
- Instrumentation controls
- Combustion safety controls
- Recorders
- Programmable controllers
- Photoelectric switches
- Proximity switches
- Electronic air cleaners
- Central air-conditioning systems

### Major Markets

- Semiconductor manufacturing
- Automotive
- Food and pharmaceutical
- Furnace/oven/boiler manufacturing
- Residential/commercial buildings
- Home controls

# Highlights of the Year



- **Yamatake broadens product line utilizing micro-flow sensing technology.**

With development and expansion of core technologies as one of our fundamental principles, Yamatake has been strengthening its research & development capabilities. One of the significant results of our long-term R&D efforts is our revolutionary micro-flow sensing technology, which measures the slightest fluid flow with greater speed and accuracy than previously possible.

This micro-flow sensing technology, which is applicable to almost all industries, was used to develop the newly-released Digital Massflow Controller. Such products utilizing micro-flow sensing technology have been highly acclaimed by our customers, and are expected to contribute greatly to our future growth.

Yamatake will continue to promote R&D necessary for industrial advancement, and to maintain the highest level of technology to satisfy the needs of our customers.



- **Yamatake's unique production methods receive domestic and international attention.**

Since 1987, Yamatake has been actively involved in JIT (Just-in-time) productivity improvements (developed by Toyota Motors) to provide customers with higher quality products in less time. Under the guidance of management consultants from Shingijutsu Co., Ltd., Yamatake introduced JUMPS (Just-in-time Upgrade Manufacturing Process + "Savemation") in 1992, to cover not only the production line, but also to apply the concept to order receiving and after-sales service.

Yamatake's own productivity enhancements have gained a lot of attention from manufacturers both in Japan and abroad. In the past year alone, over 750 persons—representing such well-known U.S. firms as Boeing and Pratt & Whitney—received training in JUMPS through factory tours and hands-on practice at Yamatake's Fujisawa, Shonan and Isehara factories, and at Yamatake Control Products Co., Ltd.



- **Yamatake Korea Co., Ltd. is established, commences business activities.**

Yamatake Korea Co., Ltd., a wholly-owned subsidiary of Yamatake Corporation, began operations in March 1999, with capitalization of one billion Korean won (U.S.\$834,000) and an initial workforce of 20 employees. The company's mission is to further expand business in Korea and overseas via Korean engineering firms. It will also handle import, export, and sales of industrial, building, and home automation systems and products, related engineering, installation and other services.

More than ever, Yamatake sees international business, particularly in Asia, as a key area for growth, and Yamatake Korea will play an important role in the on-going development of our Asian network.



- **Yamatake Friendly Co., Ltd. celebrates its first anniversary.**

Yamatake Friendly Co., Ltd., the seventh business venture of the Yamatake Group, is a special subsidiary employing the intellectually challenged. Established in April 1998, the company recently celebrated its first anniversary. It currently has ten employees involved in such activities as cleaning and mail handling at Yamatake Corporation's Fujisawa factory.

For 25 years, Yamatake has been actively committed to the employment of persons with special needs. At present, such employees make up 2.7% of all personnel at Fujisawa factory, well above the 1.8% required by current law.

The concept of Yamatake Friendly came forth in an "idea" contest held during the 90th anniversary celebration of Yamatake's founding. Out of over 5,800 entries, this idea won the President's Award, and the establishment of this new company was soon approved by upper management. Yamatake will continue to address environmental and welfare issues and fulfil its obligation as a responsible corporate citizen.

# Financial Highlights

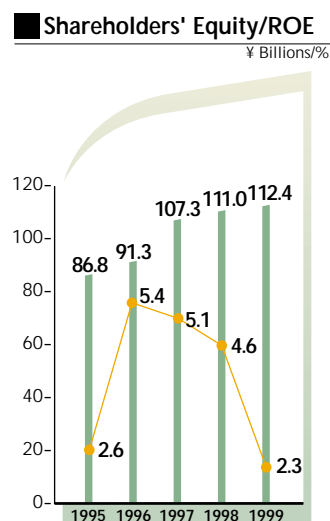
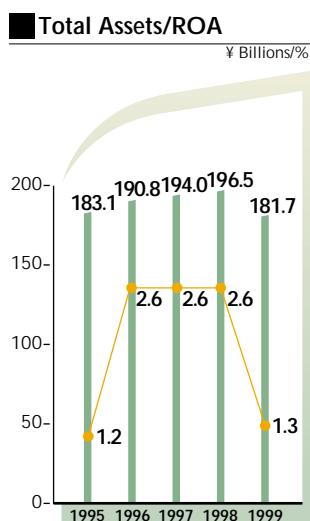
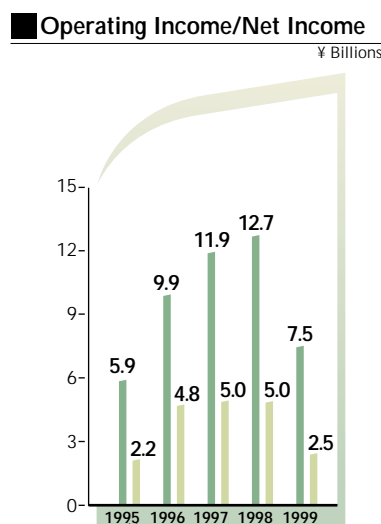
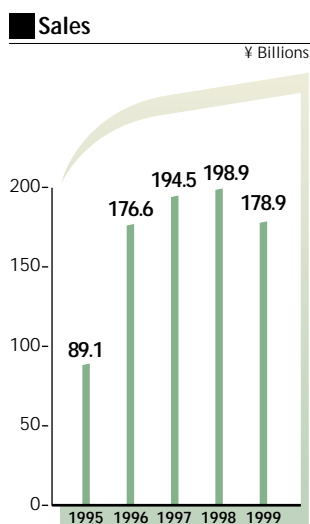
Yamatake Corporation and consolidated subsidiaries, for years ended March 31.

	Millions of yen		Thousands of U.S. dollars*
	1999	1998	1999
<b>For the year</b>			
Sales	¥ 178,896	¥ 198,932	\$ 1,478,483
Operating income	7,458	12,733	61,638
Net income	2,520	5,020	20,830
<b>Per Share (in yen and U.S. dollars)</b>			
Net income	¥ 26.93	¥ 53.63	\$ 0.22
Cash dividends	12.00	12.00	0.10

## At year-end

Total assets	¥ 181,654	¥ 196,456	\$ 1,501,275
Total shareholders' equity	112,353	110,995	928,537

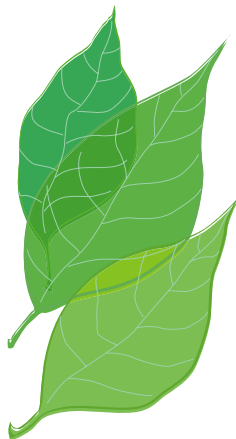
\*The U.S. dollar amounts have been translated from yen, for convenience only, at the rate of ¥121 to U.S.\$1, the approximate exchange rate as of March 31, 1999, as described in Note 2 of the Notes to Consolidated Financial Statements.



\*\*Effective March 31, 1995, the Company changed its fiscal year-end from September 30 to March 31. Accordingly, fiscal 1995 includes only six months of operations.

# Our Vision

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The Yamatake Group companies share a common ideal expressed in the key concept of "Savemation," an innovative word we coined by combining "Save" with "Automation." In the operation of our three core businesses of Building Automation, Industrial Automation, and Control Products, we utilize our advanced measurement and control technologies to provide our customers with unique, high-quality products and services that contribute

directly to their realization of resource, energy, and power conservation, safety, and the creation of comfortable working and living environments. In this way, we are making an ongoing contribution to protecting the global environment, while supporting our customers in their creation of value.

The rapid development of an advanced information-based society, economic globalization and the maturing of markets have all significantly impacted the business strategies of the Yamatake Group companies. In October 1998, the Yamatake Group was reorganized to provide a clear focus and organization based on business categories, with the objective to heighten capital efficiency and raise profits in today's difficult business environment and to provide a platform for continued growth. In addition, we have set clear numerical targets for management in order to enhance value for our shareholders. We aim to deliver an ROE of 8% in the early part of the 21st century.

The Yamatake Group has long offered integrated services encompassing development, construction, engineering and maintenance, with consistently high quality and speedy delivery—qualities vital to being recognized as a provider of business solutions. The reorganization of the Yamatake Group will reinforce these strengths and enable us to become a leader in measurement and control in the global market, improve customer satisfaction and realize both our corporate ideals and business targets.

# To Our Shareholders



Yoshiharu Sato, President

Ichiro Ido, Chairman

**Q** Fiscal 1999 has seen the reorganization of the three former Yamatake companies into the Yamatake Group. In reference to this new corporate identity and the Group's overall business strengths, how has the Group performed?

**A** The Yamatake Group is the product of a strategic evaluation of all our business activities. By October 1998, the Group was among the first of all other companies in its business field to consolidate administration resources through reorganization.

The market in which the Yamatake Group operates has moved into a more mature phase, and this reorganization moves us closer to our customers, helps us to more quickly seize business opportunities and, in an environment of increasingly rapid globalization, provides a clear strategy for growth in the 21st century.

The reorganization consolidated our building automation businesses into Yamatake Building Systems Co., Ltd., and the industrial automation businesses into Yamatake Industrial Systems Co., Ltd. The Group also achieved greater flexibility and

speedier response to global expansion through consolidating our control products and international businesses, together with research & development and production, under the direct management of Yamatake Corporation. The transfer of business to the three new companies was carried out harmoniously, and business activities are now being expanded.

However, while the Group was tackling business reorganization during Fiscal 1999, Japan experienced its second consecutive year of negative economic growth, with a concomitant reduction in public investment and a decrease in construction starts. A slump in Asia's economies further exacerbated an already extremely poor economic environment, which in turn has had an adverse effect on the results of the Yamatake Group. The Group's results marked a downturn from the previous term, with an inevitable loss of income and profits.

Consolidated sales for the term were ¥178,896 million, a decrease of 10.1% over the previous term. Operating income was ¥7,458 million, and current net income was affected by a loss from devaluation of investment securities, finishing the term at ¥2,520 million. Results for the term were significantly affected by the current depressed economic situation.



On the other hand, shareholders can expect no change in our policy of providing long-term, stable rewards. For the term, dividends of ¥12 per share were paid. Furthermore, our business reorganization has set the pace for accelerated enhancement of the Yamatake Group's competitive edge worldwide—a move which we believe will greatly contribute to our future achievements.

**Q Viewing the businesses of the new Yamatake Group, what current business activities deserve special mention in light of the active development of the solution business for customers?**

**A** Our Solution Business is predicated on utilizing the full range of the Yamatake Group's comprehensive, integrated capabilities to address customers' challenges and provide the answers that have led to our success in this new business approach. The key to our success lies in integrating our work; from the upstream businesses of equipment and software development, manufacture, and sales operations; to the downstream businesses of construction, engineering and maintenance. It all depends on the superiority of the complete solutions we provide on an ongoing basis.

The reorganization into the Yamatake Group has made the offerings of our solution business more comprehensive and integrated. In the building automation business, we are adding "energy savings" to "comfort and safety," our traditional strength in this area, so that we can provide an even higher level of customer satisfaction throughout the lifecycle of a



**Yoshiharu Sato**, President

building. In industrial automation, to measurement and control we are adding information, the environment, safety, and ergonomics as key bases for helping customers to realize their vision. These are the primary features



of Yamatake's solution business. Currently, we are also strengthening our business capabilities to guarantee energy savings throughout the buildings, while in industrial systems we are advancing our business offerings to optimize efficiency for the lifetime of the plant or factory. In the future we will work even more closely with our customers in order to isolate problems and provide solutions, and to establish a strong base for our Solution Business.

**Q What can you tell us in concrete terms about the future globalization of the Yamatake Group? In particular, could you outline the regions you will be moving into most strongly, and the prospects in these markets?**

**A** Global expansion of the Yamatake Group is considered indispensable to the growth of the company. We place great value on the new relationship between Yamatake and Honeywell formed in October 1997, and aim to grow further as a global enterprise. We have started by building our relationships with Japanese enterprises, together with expanding our presence in China and other Asian nations through our affiliates, service centers and other facilities. Our latest initiative in the Asian region was the formation of Yamatake Korea Co., Ltd. in March of this year. Although the Asian economies remain depressed, we feel that the potential in these markets remains very strong and a recovery is inevitable, so we will be watching political and economic developments there very carefully as we grow our business operations worldwide.

Our maintenance business and network allow us to work closely with our customers. Bolstering this, the Group's strengths in control valves, pressure transmitters and other industrial control products, together with various FA sensors, all boost our sales activities. The strengthening of our Trade Administration Department and production capabilities through increasing global sourcing of materials has created an organization in which global expansion provides maximum value for the customer, and at the same time promotes awareness of the "Yamatake" brand.

**Q** How will new products and services contribute to your results, what do you see as the growth areas, and how do you plan to continue improving the Yamatake Group's technological capability?

**A** Building on our research & development, the Yamatake Group is focused on developing and broadening our core technologies. One of the significant results of our long-term research & development is our revolutionary micro-flow sensing technology, which measures fluid flows that are so slight they are imperceptible to the touch. Our first product to apply this technology is a gas flow sensor. We have also developed an image processing sensor which can easily distinguish the most minute image deviations. This sensor, the product of joint research with academic institutions, is based on "phase-only correlation" technology and is utilized in a unique fingerprint access control unit. These new proprietary Yamatake technologies can be used in many industrial fields, offering great potential for future business developments. To further enhance our R&D capabilities, the three research & development departments were consolidated in July 1998. We continue to pursue even better results and higher efficiency, as we develop the technologies that will contribute to our future business expansion.

**Q** Tell us about the steps you have taken in dealing with the Y2K issue.

**A** The Yamatake Group recognizes that the problems associated with the year 2000 are an extremely important issue in terms of the continuity of business and relationships with our customers. In response, we created a committee to oversee overall measures to deal with these problems. Our products can be used without worry in the change to the year 2000. We are providing countermeasures to our customers, and making the necessary changes to ensure a trouble-free change-over. All countermeasures for Yamatake's internal information system are on schedule to be in place by September 1999. The direct cost to the Group for dealing with Y2K is estimated to be some ¥130 million. The potential cost for problems occurring after this period is estimated at ¥90 million. The Yamatake Group is making every effort to ensure that there will be no adverse effects. However, the nature of the problem precludes a complete assurance that customers' in-house systems will cause no negative impact.

**Q** Please tell us briefly about your outlook for the business environment in the near future, and the actions you are taking in response.

**A** For the fiscal year beginning April 1, 1999, the tough times we have experienced recently look set to continue. We still cannot predict whether the Japanese economy has bottomed out, while Asian economies remain stagnant. A quick recovery in public investment and construction starts is not expected, while competition will continue to intensify.

In this severe economic environment, the Yamatake Group will concentrate on the establishment of its comprehensive and integrated solution business as well as product globalization, always aiming for complete customer satisfaction. We will also continue to broaden our business base, rationalize operations, and reduce costs to increase profitability, expand cash flow, and raise the value of our shareholders' investment.

June 1999



Ichiro Ido, Chairman



Yoshiharu Sato, President



Ichiro Ido, Chairman



# BA Building Automation Business

*As part of the Group's reorganization, Yamatake Building Systems Co., Ltd. was created as the core of our Building Automation business, consolidating Engineering Service with the former Building Automation Development and Sales departments of Yamatake Corporation.*

*The objective of this consolidation is to improve management efficiency as well as create a business offering total solutions for building management, from systems development, manufacturing and sales, construction and engineering to maintenance and on-going management support. This integration enables us to improve our management efficiency together with the quality of services we offer. During this term, despite the effect of the recession in the construction industry, we continued to receive excellent support from our customers and maintained our market share and profit levels. We are determined to expand investments even more aggressively and look forward to achieving continued growth in the future.*



**Sadao Inoue**

President of Yamatake Building Systems Co., Ltd.

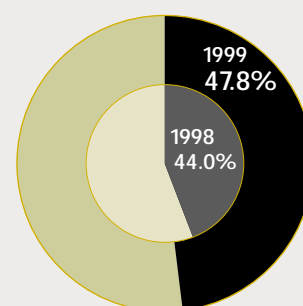
## Operating Results

The construction market remains lodged in a harsh business environment, the direct result of the lingering economic depression and the restraint in capital investment due to declining business profits. As a result, both sales volume and profits have decreased for our new building business mainly due to the deterioration in the office building and factory markets. Strong sales activities by the Sales Department, however, enabled us to maintain sales volume in our Existing Building Business at the previous year's level. Moreover, in the highly profitable service market, we achieved 10% profit growth over the previous term with an increase in the number of contracts for building management service and maintenance.

With current business activities focused on domestic operations, our results are not affected by overseas markets. However, we recognize the importance of expanding into international markets for future growth.

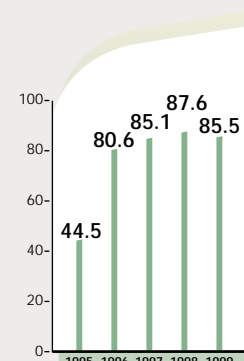
Although gross sales volume for the Building Automation Business decreased by 2.4% to ¥85,466 million over the previous term, operating income, at ¥9,534 million, maintained the levels achieved in the previous year.

**Breakdown of Sales**



**Sales**

¥ Billions



\*\*Effective March 31, 1995, the Company changed its fiscal year-end from September 30 to March 31. Accordingly, fiscal 1995 includes only six months of operations.

## Market Situation

The domestic market for new buildings is not expected to grow in the near future. In fact, we anticipate activity will level off or even contract slightly. As a result of this difficult environment, the entire construction industry has begun to change focus and look for new growth in the renovation of existing buildings.

With growing demands for action against global warming and environmental destruction, the whole construction industry is engaged in developing and proposing new solutions for building construction and operation, with an eye to creating new business demand. This shift in focus includes actively promoting the construction of buildings that meet standards known as "LCCO<sub>2</sub>" (Life Cycle CO<sub>2</sub>), which aims to improve and apply energy saving measures and minimize waste. Our customers who own buildings have benefitted from the rising asset value of their properties and enhanced management productivity. This, in turn, has significantly increased demand in the existing building market.

## Future Strategies

Our core business strategy is to supply high value-added building services by establishing close partnerships with building owners, meeting their current needs and anticipating their future needs. Utilizing our current business base, we will strengthen our existing building business and expand our service business, replacing our new building business as the engine for business growth.

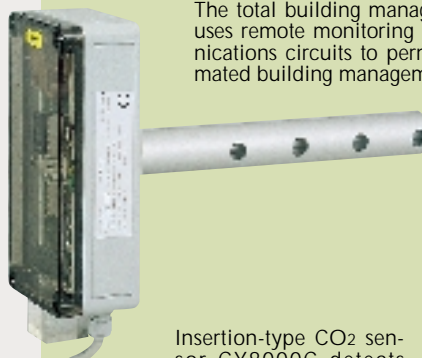
In developing new products and services we work strategically to fully network our service structure, and create new energy-saving applications and environmental conservation products. In addition, we are planning to start new businesses that leverage the companies' strengths in new fields, such as ESCO (Energy Service Company), and to develop the area management business. Overseas, we are committed to promoting the globalization of our business.



The savic-net 20EV system installed in the central security office of the New Hankyu Hotel.



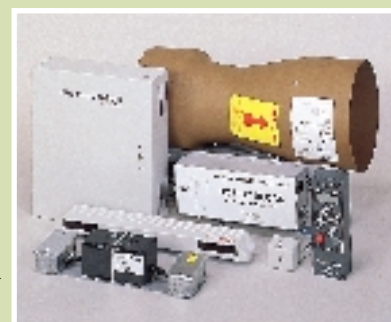
The total building management service BOSS-24 uses remote monitoring and control via communications circuits to permit semi- and fully-automated building management.



Insertion-type CO<sub>2</sub> sensor CY8000C detects CO<sub>2</sub> concentration in ducts.



The compact, centralized control panel SmartScreen



The Fume Hood airflow control system assures safe, efficient control of hazardous gas emissions.

*As part of the group reorganization undertaken in October 1998, Industrial Automation Businesses and several engineering and maintenance functions were consolidated into Yamatake Industrial Systems Co., Ltd.*

*In the face of severe business conditions, which have seen a significant drop in our customers' capital investment, we acted quickly to establish our new business operation. While it is true that the market for industrial systems and products remains stagnant, the creation of Yamatake Industrial Systems Co., Ltd. will enable us to meet rising customer expectations for better business practices.*

*As "a company dedicated to offering customers economic value through better solutions," we are moving toward realizing a model for business in the 21st century based on the concept of "New Automation Navigator" in which control information and ergonomics are harmonized. Thus we can meet our business goals of early anticipation of customer needs and efficient adaptation to change through a focus on leveraging our core expertise.*



**Tadaharu Ohba**

President of Yamatake Industrial Systems Co., Ltd.

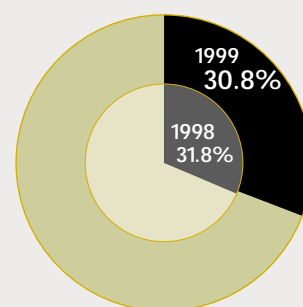
## Operating Results

In spite of the current business conditions, in which we do not foresee a favorable change in private capital investment in our major domestic markets, we are actively expanding our core businesses, ranging from system development to field engineering services, as part of the dynamic new Yamatake Industrial Systems Co., Ltd. In addition to growing our instrumentation sales and services through our 60 offices in Japan, we are aiming to enhance customer satisfaction through the aggressive promotion of such activities as advanced controls and optimization for large plants, expanding sales in the information integration business, streamlining of small- to mid-sized plants and winning renovation work, among other projects.

During this term, we began sales of "Advanced-PS," a new-generation plant automation system, and "SVP3000 Alphaplus", a smart valve positioner. In the export sector, the currency crises and prolonged economic stagnation affecting Asian countries have caused some projects to be deferred or cancelled, resulting in a large decline in exports.

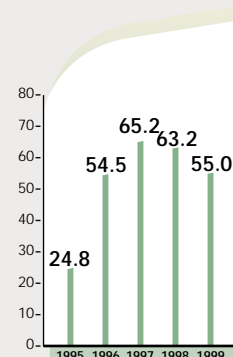
As a result, sales volume decreased by 12.9% from the previous term to ¥55,040 million and we incurred an operating loss of ¥2,185 million.

**Breakdown of Sales**



**Sales**

¥ Billions



\*\*Effective March 31, 1995, the Company changed its fiscal year-end from September 30 to March 31. Accordingly, fiscal 1995 includes only six months of operations.

## Market Situation

In key industries such as petroleum and steel, new capital investment has been subject to on-going constraint. Automation-related investment has also tended to decrease due to corporate alliances and the rationalization of excess production facilities. In the power and water and wastewater treatment industries, investment has also been restrained.

On the other hand, in the downstream chemical and food industries there has been a steady increase in investment in environmental and energy-saving measures, quality control, process management and operation management. We anticipate that in the light of customers' objectives of achieving stable operations over the long term, demand for the examination and renovation of facilities, improvement of safety control systems and related services will increase significantly.

In export markets, however, even though we can see signs of economic recovery in some parts of Asia, we anticipate that the difficult conditions will continue, and our overall business is not expected to show significant growth.

## Future Strategies

Aiming to become the standard-setting "New Automation Navigator," we are determined to expand our solution business by providing for the entire lifecycle of our customers' plants and factories, from control and information systems, sensors, and control valves to maintenance services. To this we add a depth of experience in applications and engineering, as well as a business focus on solving customer problems. In our products business, we aim to increase our market share by promoting direct sales and solution-oriented consultation. In the systems business, we will strengthen our ability to respond to changing customer needs in the food, pharmaceutical, machinery and automotive markets. To achieve this, we will focus on providing systems that support customers' "strategic production decision-making processes," and encompass an open-system product lineup, value chain and supply chain management.

In export markets, we will boost the sales of products for which we are renowned, such as control valves and pressure transmitters, and work to raise awareness of the "Yamatake brand" in the global market.



The next-generation plant automation system Advanced-PS



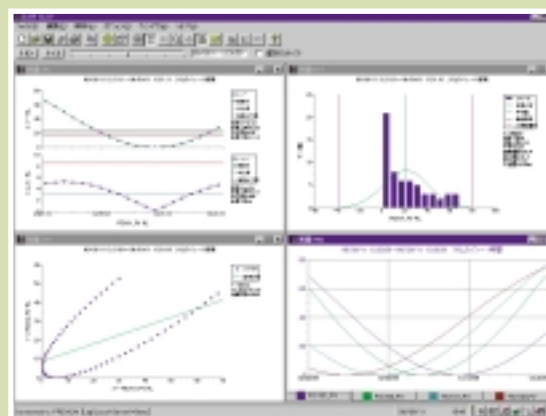
The highly reliable open automation system Industrial-DEO



CV3000 Alphaplus control valve



SVP3000 Alphaplus smart valve positioner



Operational displays of Harmonas



# Control Products Business

*In this term, the Control Products (CP) Business experienced the most difficult business conditions ever encountered, resulting in negative growth. Looking at each business sector, however, sales in our new home comfort business (residential air-conditioning) and of our new gas flow sensor enjoyed favorable growth, and have been successfully established as core businesses of the future. In the mid- to long-term, the demand for more advanced technologies, energy-savings and improvements in the environment will increase, expanding demand for our sensors, controllers and actuators.*

*In this sector, we are committed to gaining a competitive edge through the development of products designed specifically for key markets, with the aim of providing the best products in our key markets.*



**Yutaka Yamada**

Executive Director,  
General Manager of  
Control Products Division

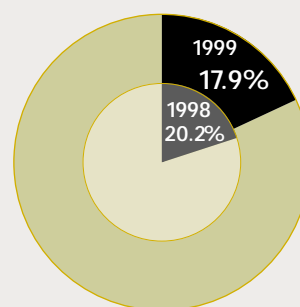
## Operating Results

Although the domestic market for control products experienced a slight upturn in the second half of the term, it was not sustained throughout the whole year, due to the sluggish Japanese economy. Overseas, in contrast to the buoyant North American market, Asian and European markets have been subdued overall, and Yamatake's performance faced similar setbacks.

In the industrial sector, the semiconductor market remained dull, while the machine tool market, which had been meeting expectations, started to fall off in the second half of the term. As a result, sales of products, mainly sensors used in private capital investment, fell significantly.

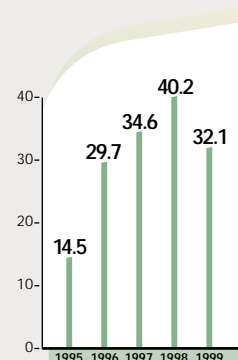
As a result, sales in the Control Products business decreased by 20.3% to ¥32,059 million. Operating income fell sharply to ¥23 million.

**Breakdown of Sales**



**Sales**

¥ Billions



\*\*Effective March 31, 1995, the Company changed its fiscal year-end from September 30 to March 31. Accordingly, fiscal 1995 includes only six months of operations.



## Market Situation

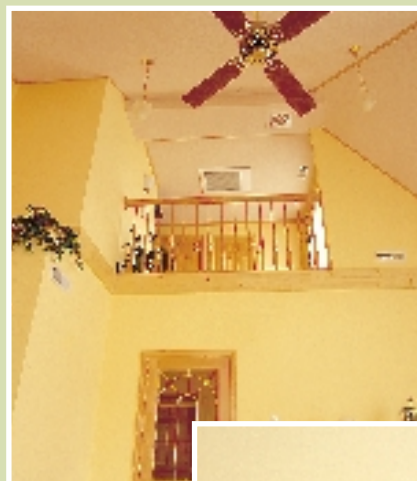
Amid intense competition, the Control Products business is feeling the adverse effect of flat private capital investment. Due to the sustained downturn in the Japanese economy, excessive production facilities have been trimmed, and the overall size of the market for control products shrank. Like Yamatake, all our competitors have become intensively competitive in order to survive.

The semiconductor market showed signs of recovery in Japan and East Asia toward the end of the year, but the automotive and machine tool industries remain sluggish. In the residential and combustion/furnace markets, despite intensifying competition, we expect to see growth in the industrial, medical, and home-use markets thanks to the advantages of our sensor and control technologies incorporated in micro-flow related products.

## Future Strategies

As Yamatake Corporation's core business, the Control Product Business aims to achieve future growth through aggressive business development. In concrete terms, in defining our "market selection and business focus," we have concentrated on five core markets—semiconductors, automotive and machine tools, food and packaging, electric and electronics, and furnace ovens—and promoting product development that precisely meets customer needs.

Further, we will continue to strengthen our combined sales force and establish a sales and business structure to work more closely with our customers. To realize these goals, we will put even more effort into improving product quality, giving priority to large investments in developing new products to meet customers' specific needs. We are also committed to further reducing product costs.



Kikubari central air-conditioning system



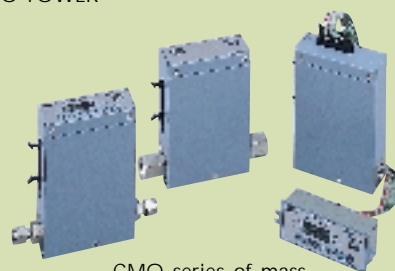
Kikubari control panel



CMS20/50 mass flow meter



New free-standing type air cleaner  
BIO-TOWER



CMQ series of mass flow controllers



The SVS100/200 screen sensor for positioning provides the same operability and speed as general-purpose sensors

*Along with the reorganization of the Yamatake Group, the International Business Division has consolidated its industrial automation and building automation activities. To enhance our network of affiliates, the Division has begun to establish affiliates able to work more closely to local conditions in the Asia-Pacific, China and Western regions.*

*For the future, we are rapidly promoting the global development of our solution, product and component businesses by "providing our customers with the best possible products and the best possible solutions in the best possible time."*

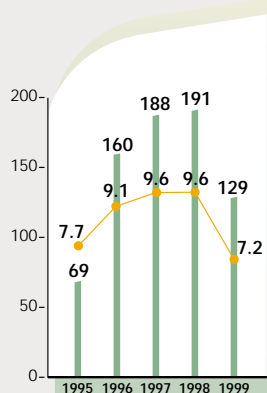


**Masaaki Togo**

Managing Director,  
General Manager of  
International Business Division

## Operating Results

With today's maturing of the domestic market, the increasing overseas expansion of our main domestic customers, and our new relationship with Honeywell, we continue to establish sales, maintenance and service systems that will enable long-term profit growth. Recent developments include the establishment of our South Korean subsidiary in March 1999, and the near-completion of our network in China and other key Asian countries. We also continue our efforts to expand our American subsidiary, YCV Corporation, and focus on product sales, along with systems and solutions. As a result of these efforts, profits from the operations of our international affiliates (with some exceptions) expanded smoothly. However, such setbacks as the drop in orders from domestic plant engineering firms inevitably led to poor performance of our international business.

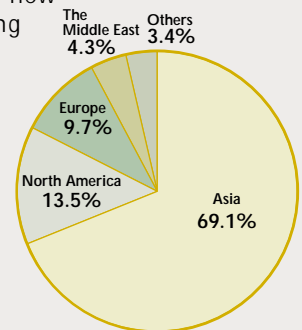


Overseas Sales/Overseas Sales to Sales

¥ Billions/%

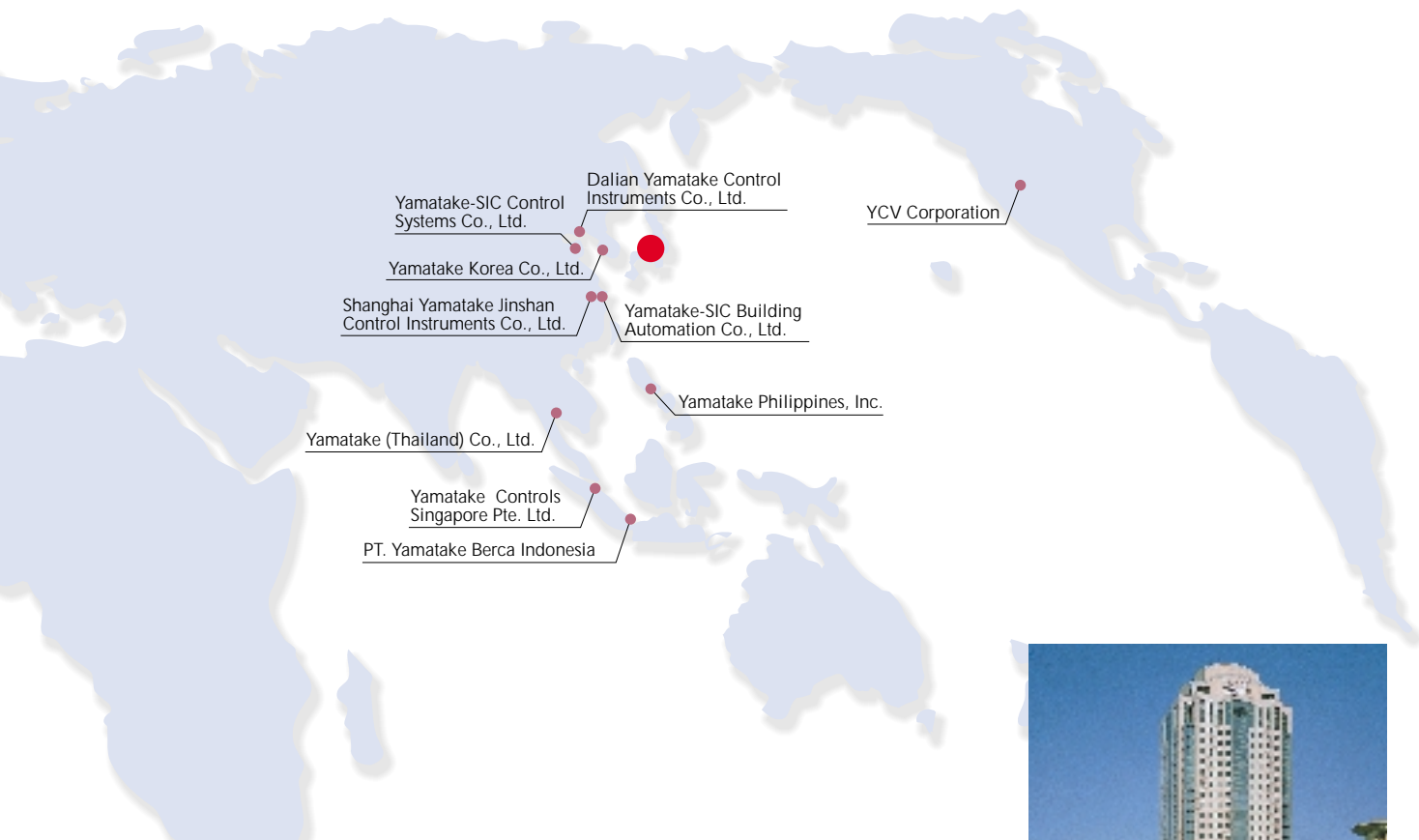
## Future Strategies

In pursuit of greater customer satisfaction through value-added service and functions, we are promoting the expansion of operations in Asia as well as in Western regions, strengthening localization of affiliates, and focusing more than ever on global growth of production, sales, maintenance and service for our main products. In this challenging business environment, we are working to secure stable profitability by developing products created specifically for foreign markets, making use of information technology, cultivating new markets and new businesses, and forming strategic alliances. The aims of these activities in the long term are to position Yamatake as a superior "Global Product Supplier," raise name recognition, and establish a comprehensive solution business.



Breakdown of Overseas Sales by Area

\*\*Effective March 31, 1995, the Company changed its fiscal year-end from September 30 to March 31. Accordingly, fiscal 1995 includes only six months of operations.



• **The automation system at the Huanghe Beer Co., Ltd., Gansu Province, China**

Our "solution" for the Huanghe Beer Company's brewery in China's Gansu Province comprised a Harmonas system and field instruments which we supplied through our local subsidiary SYJC.



• **Q Systems, our first representative office in Vietnam**

Q Systems was set up as a subsidiary in Vietnam with offices in Hanoi and Ho Chi Minh City, in anticipation of growth in that country's building automation and process automation markets.

• **U.S. subsidiary YCV successfully exhibited at ISA98 in Houston, Texas**

Our U.S. subsidiary YCV exhibited for the first time at ISA98, America's largest measurement equipment trade show. Yamatake's exhibit of control valves, field equipment and field bus technology attracted many visitors.



# Topics



• **Control and management for the Shanghai Senmao International Building, China**

A joint venture between the International Business Division and local subsidiary YSB provided intelligent building management systems to rival the best such systems in Japan for the 46-story Shanghai Senmao International Building in Shanghai's Pudong district.



• **Control systems at PT Pertamina's Cilacap oil refinery in Indonesia**

Our "solution" for Indonesian oil company PT Pertamina's Cilacap refinery was a distributed control system comprised of an automation system and field instruments.



• **Exhibit at Control Asia 98 in Manila, Philippines**

Philippine subsidiary YPI's exhibit at the Control Asia 98 control equipment trade show significantly increased the presence of Yamatake's products and solution business in the Philippine market.



# Environmental Responsibility

*At the Yamatake Group, environmental considerations are an ongoing and integral part of our corporate planning as we work to combine administrative efficiency and environmental conservation.*



## Organization

Embracing Savemation as our corporate philosophy, the Yamatake Group has been a leading force in refining control technology for many years. We meet our customers' needs with systems and products which reduce energy usage and materials consumption while addressing other environmental problems. In recent years, we have become even more active in developing products which address environmental concerns and more environmentally conscious in our own manufacturing activities.

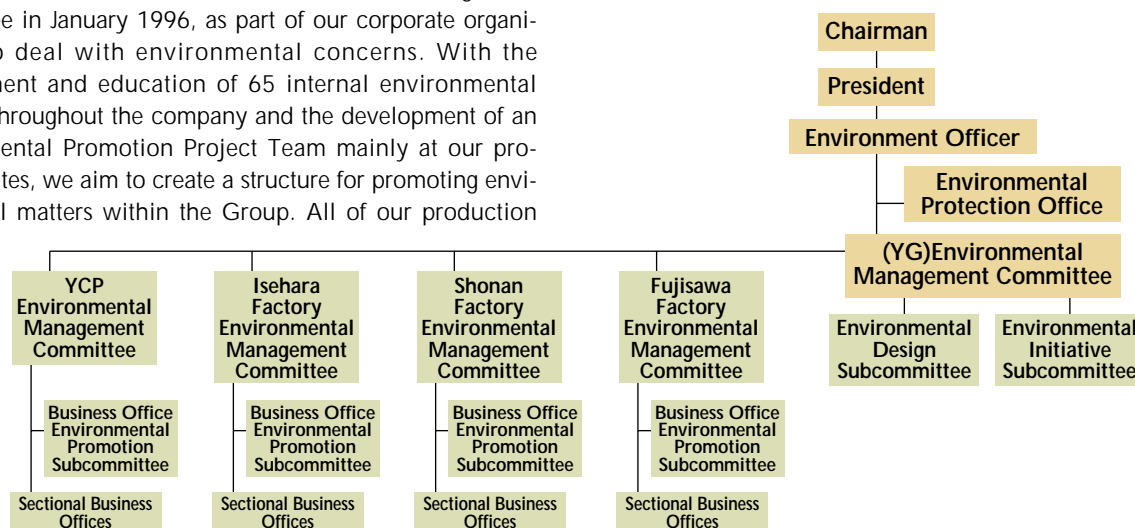
In May 1995 we established our Environmental Protection Office, and then the Environmental Management Committee in January 1996, as part of our corporate organization to deal with environmental concerns. With the appointment and education of 65 internal environmental auditors throughout the company and the development of an Environmental Promotion Project Team mainly at our production sites, we aim to create a structure for promoting environmental matters within the Group. All of our production

facilities have now succeeded in obtaining ISO 14001 certification for environmental management systems.

Looking to the future, our corporate philosophy reflects the emphasis management has placed on the crucial importance of the environment. We aim to protect the global environment and resources through the prevention of pollution and constant improvement of our environmental protection activities.

In concrete terms, this means issuing environmental reports, promoting the purchase of "green" materials, supervising costs and information disclosure for chemical consumption, developing an environmental measurement system, and total administration. All activities are aimed at meeting emerging needs for even greater energy savings, resource conservation and pollution control.

### ■ Organization of Environmental Management



### ■ Mission Statement

## 1 CORPORATE PHILOSOPHY

The Yamatake Group's corporate mission, "Savemation," brings a global perspective to our efforts in protecting our fragile environment. We strive to make efficient use of our limited resources and foster harmony between the environment and technology, thereby contributing to a better world. Our commitment to "Savemation" is clearly present in our day-to-day operations, both within and outside of the company, as we focus on realizing our mission.

## 2 PRINCIPLES OF ENVIRONMENTAL PROTECTION

In line with our corporate mission, Yamatake considers environmental preservation as one of our top priorities. We aim to protect our environment through conserving energy and resources, preventing pollution, and constantly enhancing our environmental protection program.

### OUR INITIATIVES

1. Review our current organization and management systems in terms of how the Yamatake Group can promote environmental conservation.
2. Strictly observe environmental laws and regulations as we establish our own standards for environmental preservation.
3. Reduce our industrial waste output and promote recycling.
4. Develop products that minimize impact on the environment.
5. Conduct environmental audits to maintain and improve our environmental management systems.
6. Contribute to neighboring communities through environmental protection initiatives.
7. Sponsor training programs that raise awareness of environmental issues.
8. Make public our environmental protection program.



## Achievements

### 1. Completion of an environmental management system

- Maintaining company-wide data on environmental load
- Creating and making public an Internet site focusing on environmental issues

### 2. Improvement of environmental protection activities

- Recycling rate at all our production facilities improved from 60% the previous term to 75% for the current term
- Energy usage at all production facilities was reduced by 2.3% compared to the previous year

### 3. Development of environmentally-friendly products

- Carrying out an environmental assessment program in new product development throughout the company
- Achieving 15% improvement in the rate of environmental protection (based on in-house inspection)

### 4. Development of environmental technology

- High-precision modeling (virtual sensor technology) for environmental measurement
- More precise control of the air-fuel ratio reduces NOx emissions in water heaters
- Energy-saving control technology for buildings
- Natural bio-process technology for decomposition and purification of organic garbage
- Photocatalyst-deodorization technology applied to air cleaners

### ■ Environmentally-friendly products



**Multiple seat valve:** compact body features high performance, low oscillation and low noise, and a valve seat leakage just 1/50th that of conventional units.



**Building heat source controller:** improved overhaul capability through screwless construction and elimination of different types of interconnected materials, thus enabling easy dismantling and recycling.



**Compact high-performance gas meter:** a semiconductor flow sensor with reduced size and weight, and high precision.

### ■ ISO 14001

All Yamatake Corporation production facilities received ISO 14001 accreditation for meeting international standards for environmental management systems.



**Fujisawa Factory**  
Certified in July 1996



**Shonan Factory**  
Certified in November 1996



**Isehara Factory**  
Certified in March 1997

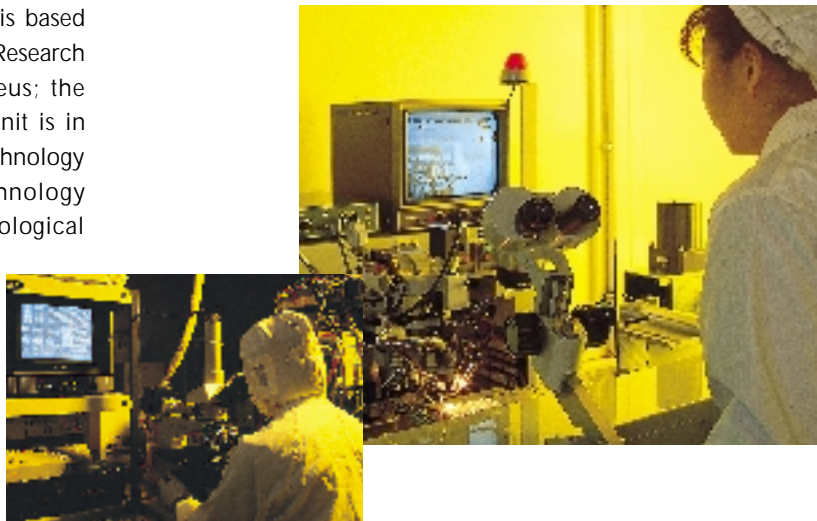


# Research & Development

Research & development at the Yamatake Group is based on a three-pillar system: Yamatake Corporation's Research and Development Headquarters form the nucleus; the Development Department within each business unit is in charge of new product development; and the Technology Committee deliberates on the Group-wide technology research strategy and deals with common technological issues. Last year, a single R&D Center was established, unifying the three corporate R&D centers which had existed separately for more than 10 years. Centralizing the Research and Development Headquarters enables us to strengthen the collaboration between divisions and expand into new areas. At our top class research center which leads in the development of micro-device and other technologies, current work is focused on basic research that will provide the technical R&D functions for the next generation—activities that reinforce joint research and new product development throughout the company.

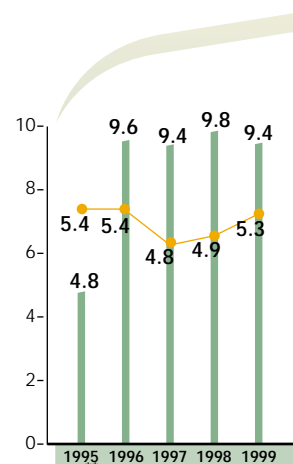
This term, the company developed a Gas Mass Flow Meter and Gas Flow Monitor utilizing micro-flow sensing technology, in addition to a smart vision sensor. These developments are expected to greatly contribute to our future growth. In basic technical research, we developed a pressure sensor which can be used in more demanding high-temperature and high-pressure environments than existing semiconductor sensors, a technology which we anticipate applying in future product developments.

For the future, research & development is focusing on strengthening new product development and globalizing our main businesses, advancing production and business processes, and actively promoting new business R&D and marketing activities. Partnerships are being built internally and outside the company with universities and other organizations to participate in public projects while promoting standardization. We are continuously striving to create the optimal organization management structure to take advantage of the rapid changes in technology and to improve R&D productivity.



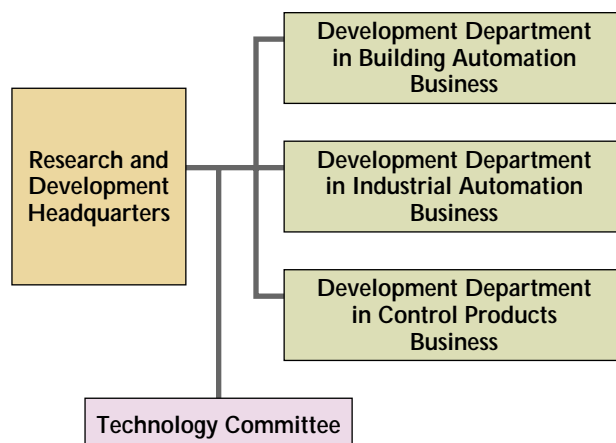
■ R&D Expenses/R&D Expenses to Sales

¥ Billions/%



\*\*Effective March 31, 1995, the Company changed its fiscal year-end from September 30 to March 31. Accordingly, fiscal 1995 includes only six months of operations.

## ■ Organization of R&D Systems





*(seated, from left) Ichiro Ido, Chairman and Yoshiharu Sato, President  
(standing, from left) Hiroshi Shima, Managing Director, Nobuyuki Takai, Executive Vice President, Kozo Tanaka, Managing Director and Masaaki Togo, Managing Director*

<b>Chairman</b>	Ichiro Ido
<b>President</b>	Yoshiharu Sato
<b>Executive Vice President</b>	Nobuyuki Takai
<b>Managing Directors</b>	Kozo Tanaka Hiroshi Shima Masaaki Togo
<b>Executive Directors</b>	Shosaku Maeda Masao Shima Jun Kawachi Masao Ogawa Kouichi Kamisawa Tetsuo Ishiyama Sadachika Ogawa Yutaka Yamada Masaaki Kousaka
<b>Standing Statutory Auditors</b>	Tadashi Sonobe Muneo Toda
<b>Statutory Auditors</b>	Eiichiro Kawai Akihiko Shiratori

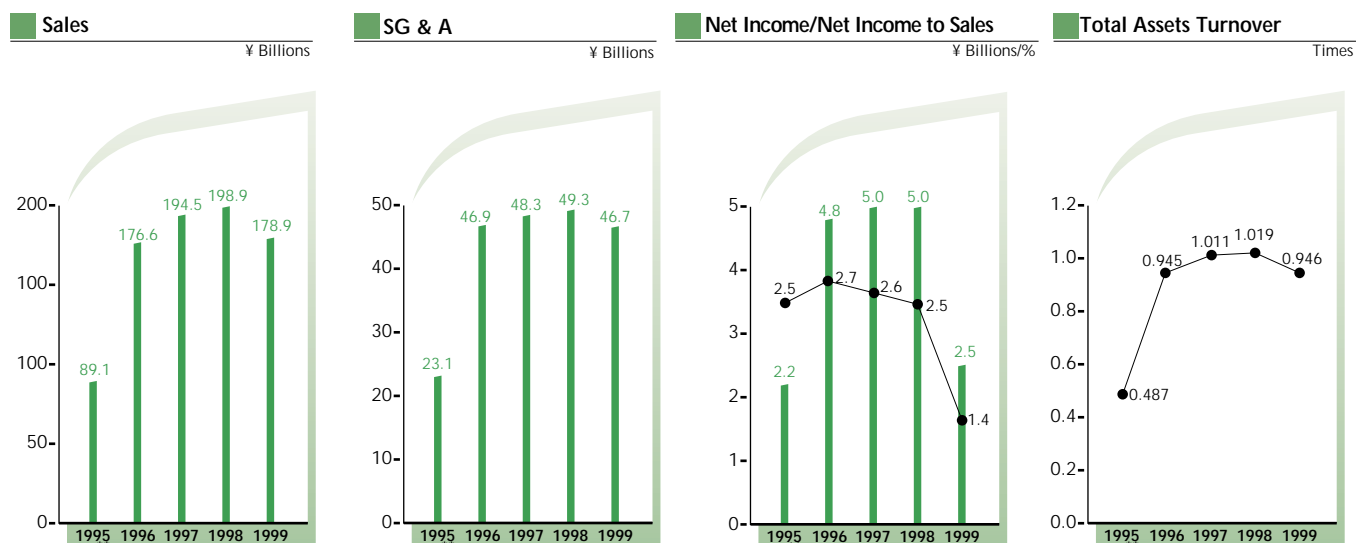
# Selected Financial Data

Yamatake Corporation and consolidated subsidiaries, for the years ended March 31, 1999, 1998, 1997 and 1996, and for the six-month period ended March 31, 1995.

	Millions of yen					Thousands of U.S. dollars*
	1995**	1996	1997	1998	1999	1999
<b>FOR THE YEAR</b>						
Sales	¥ 89,140	¥176,640	¥194,511	¥198,932	<b>¥178,896</b>	<b>\$ 1,478,483</b>
Operating income	5,868	9,855	11,862	12,733	<b>7,458</b>	<b>61,638</b>
Income before income taxes	4,442	9,750	9,594	10,102	<b>6,848</b>	<b>56,594</b>
Net income	2,216	4,808	5,045	5,020	<b>2,520</b>	<b>20,830</b>
Per share (Yen and U.S. dollars)						
Net income	26.39	57.20	56.76	53.63	<b>26.93</b>	<b>0.22</b>
Cash dividends	5.50	11.00	13.00	12.00	<b>12.00</b>	<b>0.10</b>
Shareholders' equity	1,032.80	1,080.22	1,146.11	1,185.81	<b>1,200.32</b>	<b>9.92</b>
Depreciation	1,545	2,750	2,652	2,813	<b>2,951</b>	<b>24,386</b>
R&D expenses	4,804	9,560	9,420	9,835	<b>9,447</b>	<b>78,076</b>
Capital expenditure	1,140	3,713	4,046	3,624	<b>2,869</b>	<b>23,714</b>
	1995**	1996	1997	1998	1999	1999
<b>AT YEAR-END</b>						
Total assets	¥ 183,060	¥190,790	¥193,986	¥196,456	<b>¥181,654</b>	<b>\$ 1,501,275</b>
Total shareholders' equity	86,754	91,282	107,279	110,995	<b>112,353</b>	<b>928,537</b>
Number of shares outstanding (thousands)	84,000	84,504	93,604	93,604	<b>93,604</b>	
Number of employees	7,376	7,166	6,946	6,770	<b>6,697</b>	
Return on equity (%)	2.6	5.4	5.1	4.6	<b>2.3</b>	

\*The U.S. dollar amounts have been translated from yen, for convenience only, at the rate of ¥121 to U.S.\$1, the approximate exchange rate as of March 31, 1999, as described in Note 2 of Notes to Consolidated Financial Statements.

\*\*Effective March 31, 1995, the Company changed its fiscal year-end from September 30 to March 31. Accordingly, fiscal 1995 includes only six months of operations.



\*\*Effective March 31, 1995, the Company changed its fiscal year-end from September 30 to March 31. Accordingly, fiscal 1995 includes only six months of operations.

# Financial Review

## Consolidated Operating Results

Fiscal 1999 was characterized by a lack of consumer spending and plant investment, reflecting a sharp cut in private capital investment by key industries—especially in steel, petroleum, chemicals, semiconductors, automobiles and machine tools. This, combined with the worsening business environment in overseas markets, particularly in Southeast Asia, continued through calendar 1998, resulting in a significant drop in income and profits. Consolidated sales were thus ¥178,896 million, a drop of 10.1% in comparison to the previous fiscal year; operating income was ¥7,458 million, down 41.1%, and the operating margin fell 2.2% points to 4.2%. The cost of sales was ¥124,722 million as intensified price competition

increased the cost of sales ratio by 0.9% points to 69.7%. R&D expenses, included in cost of sales, amounted to ¥9,447 million, a 3.9% decrease over the previous fiscal year; however, with lowered revenue, this figure increased by 0.4% points to 5.3% as a proportion of the total sales. Selling, general and administrative expenses were ¥46,716 million mainly due to the change of disclosure for enterprise tax to be included in income taxes effective from fiscal 1999. This total represents a reduction of 5.1% from the previous fiscal year, but rose by 1.3% points to 26.1% as a percentage of total sales, as a result of the decrease in income.

## Business Segment Information

Although operating results for our Building Automation segment held steady from the previous fiscal year, Industrial Automation and Control Products segments were both heavily affected by the deterioration of the market, causing a steep drop in business results.

- In the Building Automation segment, consolidated sales reflect the sluggishness of other business segments a downturn in new building business offset a rise in building management service and maintenance for total sales of ¥85,466 million, a decline of ¥2,119 million or 2.4%; operating income increased 4.5% from the previous fiscal year to ¥9,534 million mainly due to the change of disclosure for enterprise tax.

- The Industrial Automation segment was hit especially hard by the downturn in capital investment and weak overseas markets, particularly in Southeast Asia. Consolidated sales were ¥55,040 million, a significant ¥8,157 million, or 12.9% decline. As a result, profits fell from operating income of ¥421 million to operating loss of ¥2,185 million.

- The Control Products segment was affected by weakness in its major markets, especially semiconductors and the public welfare sector, resulting in total sales of ¥32,059 million, an ¥8,160 million, or 20.3% drop, while operating income also fell steeply from ¥2,881 million in the previous fiscal year to ¥23 million.

## Financial Position

A ¥20,036 million decline in sales and consequent ¥14,062 million drop in trade receivables brought total assets down by ¥14,802 million to ¥181,654 million as of March 31, 1999. Total current liabilities likewise were affected by the decline in sales, with trade

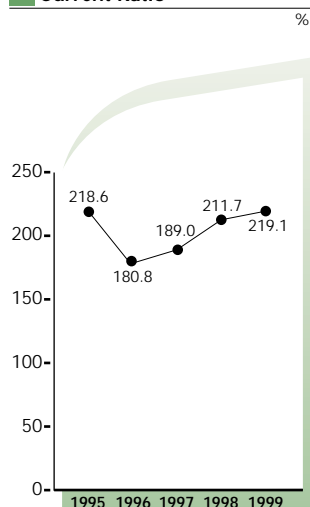
payables decreasing by ¥8,643 million, while debt fell by ¥2,558 million through repayment. At the same time, shareholders' equity rose by 1.2% to ¥112,353 million, with the shareholders' equity ratio rising by 5.3% points to 61.8%.

## Cash Flows

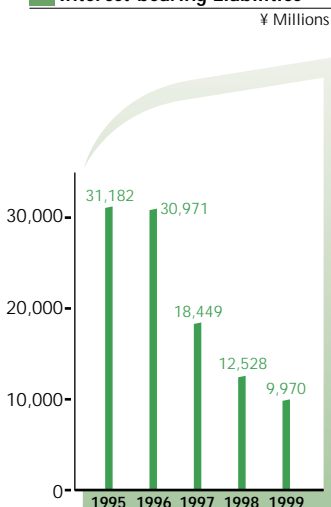
Although affected by negative cash flows stemming from decrease in notes and accounts payable of ¥9,189 million and payment for income taxes of ¥7,887, cash flows from operating activities provided cash of ¥7,230 million mainly due to decrease in notes and accounts receivables of ¥14,090 million and depreciation & amortization of ¥2,947 million. In cash flows from investing activities, time

deposits with maturity over three months provided an inflow of ¥3,779 million. At the same time, cash flows from financing activities included long- and short-term debt repayments of ¥5,038 million, and net cash used in financing activities was ¥3,674 million. As a result, cash inflow totaled ¥7,327 million, with cash and cash equivalents increasing 24.9% to ¥36,705 million over the previous term.

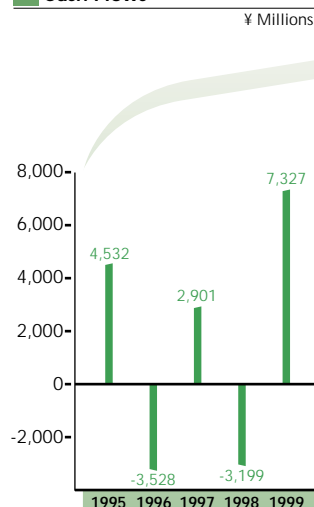
Current Ratio



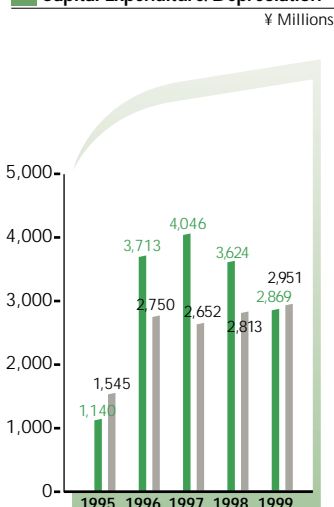
Interest-bearing Liabilities



Cash Flows



Capital Expenditure/Depreciation



\*\*Effective March 31, 1995, the Company changed its fiscal year-end from September 30 to March 31. Accordingly, fiscal 1995 includes only six months of operations.

# Consolidated Balance Sheets

Yamatake Corporation and consolidated subsidiaries as of March 31.

ASSETS	Millions of yen		Thousands of U.S. dollars (Note 2)
	1999	1998	1999
<b>Current assets:</b>			
Cash and cash equivalents	¥ 36,705	¥ 29,378	\$ 303,346
Time deposits with maturity over 3 months	1,290	8,835	10,661
Notes and accounts receivable			
Trade	72,891	86,953	602,409
Officers and employees	179	230	1,479
Other	2,949	598	24,375
Allowance for doubtful notes and accounts	(587)	(603)	(4,851)
Inventories (Note 3)	22,770	24,412	188,184
Deferred taxes (Note 7)	1,045	1,709	8,637
Prepaid expenses and other current assets	921	1,021	7,608
<b>Total current assets</b>	<b>138,163</b>	<b>152,533</b>	<b>1,141,848</b>
<b>Property, plant and equipment:</b>			
Land	6,623	6,623	54,732
Buildings	18,329	18,225	151,480
Machinery and equipment	28,360	32,592	234,380
Construction in progress	200	353	1,656
	<b>53,512</b>	<b>57,793</b>	<b>442,248</b>
Less-Accumulated depreciation	(32,154)	(35,661)	(265,738)
<b>Total property, plant and equipment</b>	<b>21,358</b>	<b>22,132</b>	<b>176,510</b>
<b>Other assets:</b>			
Investment securities (Note 4)	11,042	9,811	91,254
Rental deposits	4,011	3,785	33,150
Long-term loans to officers and employees	2,276	2,858	18,814
Deferred taxes-long-term (Note 7)	1,577	1,806	13,032
Other assets	3,227	3,531	26,667
<b>Total other assets</b>	<b>22,133</b>	<b>21,791</b>	<b>182,917</b>
<b>Total assets</b>	<b>¥ 181,654</b>	<b>¥ 196,456</b>	<b>\$1,501,275</b>

\*The accompanying notes are an integral part of these statements.



LIABILITIES, MINORITY INTEREST IN INCOME OF CONSOLIDATED SUBSIDIARY AND SHAREHOLDERS' EQUITY	Millions of yen		Thousands of U.S. dollars (Note 2)
	1999	1998	1999
<b>Current liabilities:</b>			
Bank loans (Note 5)	¥ 690	¥ 2,615	\$ 5,706
Notes payable-			
Trade	21,244	28,183	175,571
Construction	426	640	3,521
Accounts payable-			
Trade	13,010	14,714	107,522
Other	1,573	1,951	12,998
Accrued income taxes	1,676	4,193	13,846
Accrued bonuses to employees	5,767	6,451	47,656
Current portion of long-term debt (Note 5)	6,560	731	54,217
Accrued expenses and other current liabilities	12,112	12,583	100,102
<b>Total current liabilities</b>	<b>63,058</b>	<b>72,061</b>	<b>521,139</b>
<b>Long-term liabilities:</b>			
Long-term debt (Note 5)	2,720	9,182	22,482
Accrued severance indemnities (Note 6)	2,639	3,083	21,810
Excess of acquired net equity over cost	372	619	3,071
<b>Total long-term liabilities</b>	<b>5,731</b>	<b>12,884</b>	<b>47,363</b>
<b>Minority interest in income of consolidated subsidiary</b>	<b>512</b>	<b>516</b>	<b>4,236</b>
<b>Shareholders' equity (Note 8):</b>			
Capital-			
Common stock, ¥50 par value:			
Authorized - 300,000,000 shares			
Issued and outstanding - 93,603,631 shares	10,510	10,510	86,856
Additional paid-in capital	6,313	6,313	52,175
Retained earnings	95,531	94,173	789,513
Common stock in treasury, at cost (758 shares in 1999 and 514 shares in 1998)	(1)	(1)	(7)
<b>Total shareholders' equity</b>	<b>112,353</b>	<b>110,995</b>	<b>928,537</b>
<b>Commitments and contingent liabilities (Note 11)</b>			
<b>Total liabilities, minority interest in income of consolidated subsidiary and shareholders' equity</b>	<b>¥ 181,654</b>	<b>¥ 196,456</b>	<b>\$1,501,275</b>

# Consolidated Statements of Income

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

	Millions of yen		Thousands of U.S. dollars (Note 2)
	1999	1998	1999
Sales (Note 12)	¥ 178,896	¥ 198,932	\$1,478,483
Cost of sales (Note 9(a))	124,722	136,948	1,030,760
Gross profit	54,174	61,984	447,723
Selling, general and administrative expenses (Notes 7,9 (b) and 10)	46,716	49,251	386,085
Operating income (Note 12)	7,458	12,733	61,638
Other income (expenses):			
Interest income	278	266	2,297
Dividend income	132	131	1,092
Reversal of allowance for doubtful notes and accounts receivable	19	-	154
Interest expenses	(206)	(297)	(1,701)
Cash discounts	(6)	(7)	(50)
Foreign exchange (losses) / gains-net	(93)	117	(767)
Gain on sale of investment securities	793	11	6,551
Loss from devaluation of investment securities	(785)	(2,725)	(6,485)
Loss on sale or disposal of fixed assets	(592)	(192)	(4,893)
Amortization of excess of acquired net equity over cost	259	-	2,137
Other-net	(409)	65	(3,379)
Total other income (expenses)	(610)	(2,631)	(5,044)
Income before income taxes	6,848	10,102	56,594
Income taxes (Note 7):			
Current	3,424	5,038	28,292
Deferred	893	358	7,381
Total income taxes	4,317	5,396	35,673
Minority interest in consolidated subsidiary company	11	31	91
Amortization of excess of acquired net equity over cost	-	(345)	-
Net income	¥ 2,520	¥ 5,020	\$ 20,830
	Yen		U.S. dollars
Per share amounts:			
Net income	¥ 26.93	¥ 53.63	\$ 0.22
Cash dividends	¥ 12.00	¥ 12.00	\$ 0.10

\*The accompanying notes are an integral part of these statements.

# Consolidated Statements of Shareholders' Equity

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

	Thousands Number of shares issued	Millions of yen		
		Common stock	Additional paid-in capital	Retained earnings
<b>Balance as of March 31, 1997</b>	93,604	¥ 10,510	¥ 6,313	¥ 90,457
Net income	-	-	-	5,020
Cash dividends	-	-	-	(1,264)
Bonuses to directors	-	-	-	(40)
<b>Balance as of March 31, 1998</b>	93,604	10,510	6,313	94,173
Net income	-	-	-	2,520
Cash dividends	-	-	-	(1,122)
Bonuses to directors	-	-	-	(40)
<b>Balance as of March 31, 1999</b>	<b>93,604</b>	<b>¥ 10,510</b>	<b>¥ 6,313</b>	<b>¥ 95,531</b>

	Thousands of U.S. dollars (Note 2)		
	Common stock	Additional paid-in capital	Retained earnings
<b>Balance as of March 31, 1998</b>	\$ 86,856	\$ 52,175	\$ 778,296
Net income	-	-	20,830
Cash dividends	-	-	(9,283)
Bonuses to directors	-	-	(330)
<b>Balance as of March 31, 1999</b>	<b>\$ 86,856</b>	<b>\$ 52,175</b>	<b>\$ 789,513</b>

\*The accompanying notes are an integral part of these statements.

# Consolidated Statements of Cash Flows

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

	Millions of yen		Thousands of U.S. dollars (Note 2)
	1999	1998	1999
<b>Cash flows from operating activities:</b>			
Income before income taxes	¥ 6,848	¥ 11,491(*)	\$ 56,594
Adjustments to reconcile net income to net cash provided by operating activities-			
Depreciation and amortization	2,947	2,810	24,358
Amortization of excess of acquired net equity over cost	(259)	(345)	(2,137)
Loss on sale or disposal of fixed assets	592	192	4,893
Gain on sale of investment securities	(793)	(11)	(6,551)
Loss from devaluation of investment securities	785	2,725	6,485
(Decrease) increase in allowance for doubtful notes and accounts	(23)	14	(193)
Bonuses to directors	(40)	(40)	(330)
Interest and dividend income	(410)	(397)	(3,389)
Interest expenses	206	297	1,701
Foreign exchange losses/(gains)-net	10	(24)	86
Other changes that (used) provided cash:			
Notes and accounts receivable	14,090	(6,400)	116,449
Inventories	1,642	792	13,572
Prepaid expenses and other current assets	99	100	816
Notes and accounts payable	(9,189)	4,291	(75,941)
Accrued severance indemnities-net of payment	(443)	(620)	(3,664)
Other accrued liabilities	(1,153)	(155)	(9,529)
<b>Subtotal</b>	<b>14,909</b>	<b>14,720</b>	<b>123,220</b>
Receipt for interest and dividend income	415	381	3,433
Payment for interest expenses	(207)	(301)	(1,716)
Payment for income taxes	(7,887)	(4,942)	(65,181)
<b>Net cash provided by operating activities</b>	<b>7,230</b>	<b>9,858</b>	<b>59,756</b>
<b>Cash flows from investing activities:</b>			
Payment for acquisition of fixed assets	(2,914)	(3,490)	(24,079)
Proceeds from sale of fixed assets	103	21	850
Acquisition of interest in consolidated subsidiary	(2)	(11)	(12)
Payment for purchase of investment securities	(2,699)	(110)	(22,309)
Proceeds from sale of investment securities	1,477	43	12,206
Purchases of time deposits with maturity over 3 months	(16,230)	(10,930)	(134,132)
Collections of time deposits with maturity over 3 months	23,775	7,840	196,488
Rental deposits (disbursed) reimbursed	(226)	179	(1,871)
Decrease in other assets	495	574	4,087
<b>Net cash provided by (used in) investing activities</b>	<b>3,779</b>	<b>(5,884)</b>	<b>31,228</b>
<b>Cash flows from financing activities:</b>			
Proceeds from long-term debt	1,119	1,354	9,248
Payment of long-term debt	(1,752)	(6,029)	(14,478)
Proceeds from bank loans	1,370	226	11,322
Payment of bank loans	(3,286)	(1,480)	(27,157)
Dividends paid	(1,125)	(1,266)	(9,299)
Proceeds from sale of common stock in treasury	18	9	151
Purchase of common stock in treasury	(18)	(9)	(151)
<b>Net cash used in financing activities</b>	<b>(3,674)</b>	<b>(7,195)</b>	<b>(30,364)</b>
<b>Net cash (used in) provided by translation of cash and cash equivalents</b>	<b>(8)</b>	<b>22</b>	<b>(67)</b>
<b>Net increase (decrease) in cash and cash equivalents</b>	<b>7,327</b>	<b>(3,199)</b>	<b>60,553</b>
<b>Cash and cash equivalents:</b>			
At beginning of year	29,378	32,577	242,793
At end of year	¥ 36,705	¥ 29,378	\$ 303,346

(\*) For comparative purposes, income before income taxes of ¥11,491 million for the year ended March 31, 1998 in the above statement is reclassified. Amortization of excess of acquired net equity over cost of ¥345 million, and enterprise tax of ¥1,044 million (Note 7) included in selling, general and administrative expenses are added to income before income taxes of ¥10,102 million in the consolidated statements of income.

\*The accompanying notes are an integral part of these statements.

# Notes to Consolidated Financial Statements

Yamatake Corporation and consolidated subsidiaries.

## Note 1. Summary of significant accounting policies:

### (a) Basis of presenting financial statements

The accompanying consolidated financial statements of the Yamatake and its consolidated subsidiaries (the "Yamatake") are basically an English version of those which have been prepared in accordance with accounting principles and practices generally accepted in Japan and filed with the Japanese Ministry of Finance and the Tokyo Stock Exchange. The consolidated statements of shareholders' equity and cash flows have been prepared to provide additional information. The consolidated statements of cash flows have been voluntarily prepared in accordance with "Opinion Concerning Establishment of Standards for Preparation of Consolidated Statement of Cash Flows," issued by the Business Accounting Deliberation Council on March 13, 1998, which requires to prepare a consolidated statements of cash flows effective from fiscal years beginning on and after April 1, 1999.

The accompanying consolidated financial statements incorporate certain reclassifications and rearrangements in order to present these statements in a form which is more familiar to readers of these statements outside Japan. In addition, the notes to the consolidated financial statements include information which is not required under generally accepted accounting principles and practices in Japan, but is presented herein as additional information.

The accompanying financial statements are not intended to present the financial position and results of operations and cash flows in accordance with accounting principles and practices generally accepted in countries and jurisdictions other than Japan.

### (b) Basis of consolidation and accounting for investments in affiliated companies

The consolidated financial statements include the accounts of the parent company and, with minor exceptions, those of its majority-owned subsidiary companies. All significant intercompany transactions, accounts and unrealized intercompany profits are eliminated in consolidation.

Investments in 20 percent- to 50 percent- held companies and unconsolidated subsidiaries are stated at cost. The equity method of accounting for these investments has not been applied by Yamatake since the effect of its application is not material.

The difference between the cost of equity investments and the amount of underlying net equity of investment in consolidated subsidiary at the date of acquisition is amortized on a straight-line method over a period of five years with the exception of minor amounts which are charged to income in the period of acquisition. In accordance with the amendment to the Japanese accounting principles and practices, effective from the fiscal year ended March 31, 1999, amortization of the difference is included in "Other income (expenses)" in the consolidated statement of income and the unamortized difference is included in the "Long-term

liabilities" in the balance sheet.

### (c) Translation of foreign currency transactions and accounts

Current receivables and payables in foreign currencies are translated at the current foreign exchange rate at each balance sheet date, except for those hedged by forward exchange contracts. Foreign currency transactions and accounts with related forward exchange contracts are translated using the contract rates. Foreign exchange gains and losses are included in the determination of current income.

### (d) Cash and cash equivalents

Cash equivalents include all highly liquid investments with original maturity of three months or less, that are readily convertible to known amounts of cash.

### (e) Inventories

Inventories other than materials and supplies are valued by the individual cost method, and materials and supplies are stated at cost, cost being determined by the average cost method.

### (f) Property, plant and equipment and depreciation

Property, plant and equipment, including significant renewals and additions, are carried at cost less accumulated depreciation. When retired or otherwise disposed of, the cost and related depreciation are cleared from the respective accounts and the net difference less any amounts realized on disposal is reflected in earnings. Maintenance and repairs including minor renewals and betterments are charged to income as incurred.

Depreciation is mainly computed by the declining balance method at rates based on estimated useful lives of the assets according to general class, type of construction and use. Yamatake changed estimated useful lives of certain buildings, with a minor effect, in line with the amendment to the Japanese tax rules and regulations.

### (g) Investment securities

Marketable securities are stated at the lower of cost or market, cost being determined based on the average cost method. Investment securities other than marketable securities are stated at cost, cost being determined based on the average cost method. Yamatake changed its accounting for these securities from weighted average cost method to average cost method. Gains and losses on sale of securities are computed based on the average cost at the time of sales. In connection with this change, income before income taxes for the year ended March 31, 1999 increased by ¥236 million.

### (h) Accrued severance indemnities and pension plans

Employees whose service with Yamatake is terminated are, under most circumstances, entitled to lump-sum severance indemnities determined by reference to current basic rate of pay, length of service and conditions under which the termination occurs. Japanese income tax regulations permit a deduction, generally speaking, equal to only 37 percent of the periodic accrual based upon those conditions of termination



requiring the smallest payment, plus actual payments in excess of the allowed provision. Yamatake provides, for accrued severance indemnities, the amount which would be required if all employees had voluntarily retired at the end of the year, after excluding the portion covered by the contributory trust employees' pension plan, plus the non-contributory trust pension plan at the end of the year which are described in the following paragraph.

The parent company's retirement allowance plan, including two funded pension plans, i.e. a contributory trust employees' pension plan and a non-contributory trust pension plan, covers substantially all employees. The contributory trust employees' pension plan, called the "Yamatake-Honeywell Employees' Pension Fund," was established by an agreement in 1977, and revised in 1984, with certain trust banking corporations and insurance companies in accordance with the Japanese Employees' Pension Insurance Law.

In 1993, two consolidated subsidiaries and a non-consolidated subsidiary participated in the parent company's contributory trust employees' pension plan which was renamed the "Yamatake Group Employees' Pension Fund."

The non-contributory trust pension plan of the parent company was established by an agreement in 1990 with certain trust banking corporations and insurance companies. Each consolidated subsidiary has either non-contributory trust pension plans or a multiemployer plan which substantially cover all employees.

Pension costs charged to current income include current service costs, amortization of past service costs and interest on the unfunded past service costs.

With respect to directors and statutory auditors, provision is made for lump-sum severance indemnities on a basis considered adequate for such future payments as may be approved by the shareholders.

#### (i) 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 basis of assets and liabilities.

#### (j) Research and development expenses

Research and development expenses are charged to income as incurred.

#### (k) Financing leases

Under the Japanese accounting principles and practices, financing leases must be capitalized by the lessee except for those which do not transfer ownership of the leased assets to lessee as a part of the lease. Such exceptions can be accounted for either as financing leases, or operating leases with appropriate footnote disclosures which are being phased in beginning with fiscal years starting on or after April 1, 1996 with full disclosures

expected for fiscal years starting on or after April 1, 1998.

#### (l) Appropriation of retained earnings

The Japanese Commercial Code provides that appropriations of retained earnings require approval of shareholders at an annual ordinary general meeting. Appropriations of retained earnings are, therefore, not reflected in the consolidated financial statements for the period to which they relate, but are recorded in the consolidated financial statements in the subsequent accounting period after shareholders' approval has been obtained.

#### (m) Net income and dividends per share

Net income per share of common stock shown in the accompanying consolidated statements of income is computed based on the average number of shares outstanding during each period.

Cash dividends per share shown in the accompanying consolidated statements of income represent dividends declared and paid as applicable to the respective fiscal year.

### Note2. U.S. dollar amounts:

The U.S. dollar amounts are included solely for convenience. These translations should not be construed as representations that the Japanese yen amounts actually represent, or have been or could be converted into U.S. dollars. As the amounts shown in U.S. dollars are for convenience only, and are not intended to be computed in accordance with generally accepted translation procedures, the rate of ¥121=U.S.\$1, the approximate current rate prevailing on March 31, 1999, has been used for the purpose of presentation of the U.S. dollar amounts in the accompanying consolidated financial statements.

### Note3. Inventories:

The components of inventories as of March 31, 1999 and 1998 are as follows:

	Millions of yen		Thousands of U.S. dollars
	1999	1998	1999
Finished goods	¥ 1,355	¥ 1,808	\$ 11,200
Work in process	14,466	13,728	119,557
Merchandise	2,452	3,758	20,263
Materials and supplies	4,399	4,879	36,357
Goods in transit	98	239	807
	<b>¥22,770</b>	<b>¥24,412</b>	<b>\$188,184</b>

### Note4. Investment securities:

The aggregate cost and market value of marketable equity securities included in investment securities as of March 31, 1999 and 1998 are as follows:

	Millions of yen		Thousands of U.S. dollars
	1999	1998	1999
Market	¥11,313	¥10,344	\$ 93,497
Carrying amount	10,221	9,198	84,475

#### Note5. Bank loans and long-term debt:

Bank loans of ¥690 million (\$5,706 thousand) as of March 31, 1999 include overdrafts and notes, bearing interest ranging from 0.7 percent to 5.9 percent per annum.

Substantially all of the notes are with banks which have written basic agreements with Yamatake to the effect that, with respect to all present or future loans with the banks, Yamatake shall provide collateral or guarantors therefore immediately upon the bank's request and that any collateral furnished, pursuant to such agreements or otherwise, will be applicable to all indebtedness to such banks.

The components of long-term debt as of March 31, 1999 are as follows:

	Millions of yen	Thousands of U.S. dollars
Loans principally from banks and insurance companies, due 1999 to 2029 with interest ranging from 1.65% to 8.9%:		
Secured	¥ 5,550	\$ 45,868
Unsecured	3,730	30,831
	9,280	76,699
Less-portion due within one year	6,560	54,217
	¥ 2,720	\$ 22,482

Investment securities of ¥3,127 million (\$25,841 thousand) are pledged as collateral for long-term debt as of March 31, 1999.

The aggregate annual maturities of long-term debt are as follows:

Year ending March 31	Millions of yen	Thousands of U.S. dollars
2000	¥ 6,560	\$ 54,217
2001	685	5,661
2002	155	1,283
2003	155	1,283
2004 and thereafter	1,725	14,255
	¥ 9,280	\$ 76,699

In accordance with customary business practices in Japan, Yamatake maintains substantial deposit balances with banks from which Yamatake has borrowings. Withdrawal of such deposits is not restricted legally or by contract.

#### Note6. Accrued severance indemnities and pension plans:

The charges to income for severance indemnities and pension costs with respect to employees for the years

ended March 31, 1999 and 1998 are as follows:

	Millions of yen		Thousands of U.S. dollars
	1999	1998	1999
	¥ 2,372	¥ 2,306	\$ 19,605

Accrued severance indemnities as of March 31, 1999 and 1998 include ¥587 million (\$4,854 thousand) and ¥841 million respectively, for lump-sum severance indemnities to directors and statutory auditors as may be approved by the shareholders.

#### Note7. Income taxes:

Income taxes comprise corporation tax, inhabitants taxes and enterprise tax.

Yamatake is subject to a number of different income taxes which, in the aggregate, indicate the normal statutory tax rates of approximately 48 percent and 51 percent for the years ended March 31, 1999 and 1998, respectively. Due to a change in Japanese income tax regulations, effective April 1, 1999, the statutory rate was reduced to approximately 42 percent and such rate has been used in calculating the future expected tax effects of the temporary differences.

Enterprise tax, which is deductible from taxable income when paid, is computed on the basis of taxable income. In accordance with the amendment to the Japanese accounting principles and practices, enterprise tax for the year ended March 31, 1999 is included in "Income taxes" while enterprise tax for the year ended March 31, 1998 is included in "Selling, general and administrative expenses." Enterprise tax for the years ended March 31, 1999 and 1998 is as follows:

	Millions of yen		Thousands of U.S. dollars
	1999	1998	1999
	¥ 908	¥ 1,044	\$ 7,508

Reconciliation of the differences between statutory tax rate and income tax rate in the consolidated statement of income for the year ended March 31, 1999 is as follows:

Statutory tax rate	48.0%
Increase (reduction) in taxes resulting from:	
Entertainment and other non-deductible expenses	5.0
Dividend and other non-taxable income	(0.7)
Equalization tax	2.5
Tax credit for increased R&D expenses	(2.1)
Effect of change in tax rates	5.3
Amortization of excess of acquired net equity over cost	(1.8)
Unrecognized tax effect for elimination of unrealized profit in inventories	7.4
Others	(0.6)
Income tax rate in the consolidated statement of income	63.0%

The significant components of deferred tax assets and liabilities at March 31, 1999 are as follows:

	Millions of yen	Thousands of U.S. dollars
Deferred tax assets:		
Software expenses disallowed	¥ 838	\$ 6,923
Operating loss carryforwards for tax purposes	416	3,437
Retirement allowance disallowed	407	3,365
Accrued bonuses disallowed	283	2,341
Inventory write-down disallowed	165	1,361
Accrued enterprise taxes	153	1,268
Depreciation disallowed	152	1,253
Other	421	3,483
Gross deferred tax assets	2,835	23,431
Deferred tax liabilities:		
Elimination of allowance for doubtful notes and accounts	41	338
Other	172	1,424
Gross deferred tax liabilities	213	1,762
Net deferred tax assets	¥ 2,622	\$ 21,669

#### Note8. Shareholders' equity:

The Japanese Commercial Code provides that an amount equal to at least 10 percent of the sum of cash dividends and other distributions from retained earnings paid in cash be appropriated as a legal reserve included in "Retained earnings." No further appropriation is required when the legal reserve equals 25 percent of the stated capital as defined on a separate legal entity basis.

The Japanese Commercial Code permits a company to distribute profits by way of interim or term-end dividends under certain conditions. The term-end dividends of ¥562 million (\$4,641 thousand) for the year ended March 31, 1999 were proposed and approved at Yamatake's shareholders' meeting held on June 29, 1999; such dividends are not reflected in the accompanying consolidated financial statements.

#### Note9. Research and development expenses and advertising costs:

##### (a) Research and development expenses

Research and development expenses charged to cost of sales for the years ended March 31, 1999 and 1998 are as follows:

Millions of yen	Thousands of U.S. dollars
1999 1998 1999	
¥ 9,447 ¥ 9,835	\$ 78,076

##### (b) Advertising costs

Advertising costs included in "Selling, general and administrative expenses" for the years ended March 31, 1999 and 1998 are as follows:

Millions of yen	Thousands of U.S. dollars
1999 1998 1999	
¥ 549 ¥ 532	\$ 4,534

#### Note10. Financing leases:

##### (a) Financing leases as a lessee

As described in Note 1 (k), Yamatake, as lessee, charges periodic financing lease payments to expense when paid. Such financing lease charges for the years ended March 31, 1999 and 1998 are as follows:

Millions of yen	Thousands of U.S. dollars
1999 1998 1999	
¥ 504 ¥ 585	\$ 4,168

Had the financing leases, whose lease payments were charged to expense and whose ownership is not transferred to lessee, been capitalized, the leased assets as of March 31, 1999 would be as follows:

	Millions of yen	Thousands of U.S. dollars
Buildings	¥ 5	\$ 42
Machinery and equipment	2,121	17,532
	2,126	17,574
Less-accumulated depreciation	(1,449)	(11,978)
Book value	¥ 677	\$ 5,596

Depreciation expenses of those leased assets for the year ended March 31, 1999 computed mainly by the declining balance method at rates based on the period of those financing leases with remaining value of 10 percents of total lease payment are as follows:

	Millions of yen	Thousands of U.S. dollars
Depreciation expenses	¥ 543	\$ 4,488

The future financing lease payments including interest under the financing leases as of March 31, 1999 and 1998 are as follows:

Year ending March 31	Millions of yen	Thousands of U.S. dollars
1999 1998 1999		
Due within one year	¥ 474 ¥ 430	\$ 3,916
Due beyond one year	810 627	6,696
	¥ 1,284 ¥ 1,057	\$ 10,612

##### (b) Financing leases as a lessor

The future financing lease receipts including interest under the financing leases as of March 31, 1999 are as follows:

Year ending March 31	Millions of yen	Thousands of U.S. dollars
Due within one year	¥ 20	\$ 166
Due beyond one year	112	926
	¥ 132	\$ 1,092

#### Note11. Commitments and contingent liabilities:

As of March 31, 1999, Yamatake has commitments to sell \$292 thousand and to buy \$973 thousand under forward exchange contracts for Japanese currency at contract rates, maturing at various dates through March 28, 2000. Yamatake uses these contracts to hedge foreign currency receivables and payables arising from business operations.

Rental expenses, principally for office space and

warehouses, for the years ended March 31, 1999 and 1998, most of which relate to short-term cancelable leases which are renewed upon expiration, are as follows:

Millions of yen		Thousands of U.S. dollars
1999	1998	1999
¥ 3,787	¥ 3,677	\$ 31,297

Contingent liabilities as of March 31, 1999, primarily for loans guaranteed in the ordinary course of business, amounted to approximately ¥237 million (\$1,957 thousand).

## Note12. Business segment information:

Yamatake is a global automation company focused on creating value through measurement and control technology. The operating segments reported below are the segments of Yamatake for which separate financial information is available and for which operating profit/loss amounts are evaluated regularly by executive management in deciding how to allocate resources and in assessing performance.

The Building Automation segment designs, develops, manufactures, distributes and provides maintenance services

for building automation products, integrated automation systems, security systems and energy & facility management for commercial buildings, manufacturing facilities, government & industrial buildings, hospitals, hotels and schools.

The Industrial Automation segment is engaged in design, development, manufacturing, distribution for industrial automation products such as field measurement instruments and control valves and factory automation systems, for primarily such markets as petrochemical & chemical, refining, electric power & gas utilities, iron & steel, ships & marine, pulp & paper and semiconductors.

The Control Product segment designs, develops, manufactures, and distributes control products such as machine controllers, automatic recognition machines, simple instrumentation controls, combustion safety controls, recorders, proximity switches, photoelectric switches, electronic air cleaners, and central duct air conditioning control systems for highly airtight & insulated residences for semiconductor manufactures, automotive suppliers, food & pharmaceutical companies, and home controls market.

The Other segment consists of other various operating activities primarily including sales of inspection and measurement equipment for automobile and machinery industries.

For the year ended March 31, 1999

	Millions of yen						Consolidated
	Building Automation	Industrial Automation	Control Products	Other	Total	Corporate and Eliminations	
Net sales							
Customers	¥ 85,152	53,694	29,736	10,314	178,896	-	¥ 178,896
Intersegment	314	1,346	2,323	563	4,546	(4,546)	-
Total	85,466	55,040	32,059	10,877	183,442	(4,546)	178,896
Operating cost and expenses	75,932	57,225	32,036	10,730	175,923	4,485	171,438
Operating income (loss)	¥ 9,534	(2,185)	23	147	7,519	(61)	¥ 7,458
Identifiable assets	¥ 51,620	43,624	23,481	5,125	123,850	57,804	¥ 181,654
Depreciation	838	1,058	995	60	2,951	-	2,951
Capital expenditures	972	1,000	837	60	2,869	-	2,869

	Thousands of U.S. dollars						Consolidated
	Building Automation	Industrial Automation	Control Products	Other	Total	Corporate and Eliminations	
Net sales							
Customers	\$ 703,736	443,748	245,758	85,241	1,478,483	-	\$ 1,478,483
Intersegment	2,593	11,127	19,200	4,653	37,573	(37,573)	-
Total	706,329	454,875	264,958	89,894	1,516,056	(37,573)	1,478,483
Operating cost and expenses	627,535	472,931	264,764	88,681	1,453,911	37,066	1,416,845
Operating income (loss)	\$ 78,794	(18,056)	194	1,213	62,145	(507)	\$ 61,638
Identifiable assets	\$ 426,611	360,532	194,056	42,352	1,023,551	477,724	\$ 1,501,275
Depreciation	6,921	8,747	8,221	497	24,386	-	24,386
Capital expenditures	8,034	8,266	6,920	494	23,714	-	23,714

For the year ended March 31, 1998

	Millions of yen						Consolidated
	Building Automation	Industrial Automation	Control Products	Other	Total	Corporate and Eliminations	
Net sales							
Customers	¥ 87,369	62,172	38,219	11,172	198,932	-	¥ 198,932
Intersegment	216	1,024	2,000	510	3,750	(3,750)	-
Total	87,585	63,196	40,219	11,682	202,682	(3,750)	198,932
Operating cost and expenses	78,458	62,775	37,338	11,317	189,888	(3,689)	186,199
Operating income	¥ 9,127	421	2,881	365	12,794	(61)	¥ 12,733
Identifiable assets	¥ 60,607	52,067	23,897	6,042	142,613	53,843	¥ 196,456
Depreciation	745	1,066	940	62	2,813	-	2,813
Capital expenditures	931	1,033	1,555	105	3,624	-	3,624

Note:

- (1) Corporate assets of ¥58,681 million (U.S.\$484,964 thousand) and ¥54,169 million as of March 31, 1999 and 1998, respectively included in "Corporate and Eliminations" mainly consist of cash and cash equivalents and investment securities.
- (2) As described in the note 7 to the consolidated financial statements, disclosure for enterprise tax has been changed. Enterprise tax for the year ended March 31, 1999 is not included in the above information while enterprise tax for the year ended March 31, 1998 is included in the "Operating cost and expenses."

# Report of Independent Accountants

Yebisu Garden Place Tower  
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Shibuya-ku, Tokyo 150-6013

Telephone 03-5424-8100

## *Price Waterhouse*



June 29, 1999

To the Board of Directors  
of Yamatake Corporation  
(Kabushiki Kaisha Yamatake)

We have audited the accompanying consolidated balance sheets of Yamatake Corporation and its consolidated subsidiaries as of March 31, 1999 and 1998, and the related consolidated statements of income, shareholders' equity and cash flows for the years ended March 31, 1999 and 1998. These financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these financial statements based on our audits.

We conducted our audits in accordance with generally accepted auditing standards. 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 audited by us present fairly, in all material respects, the financial position of Yamatake Corporation and its consolidated subsidiaries as of March 31, 1999 and 1998, and the results of their operations and their cash flows for the years ended March 31, 1999 and 1998 in conformity with generally accepted accounting principles in Japan.

The United States dollar amounts shown in the aforementioned financial statements have been translated solely for convenience. We have reviewed this translation and, in our opinion, the financial statements expressed in Japanese yen have been translated into United States dollars on the basis described in Note 2 to the consolidated financial statements.

As described in the note 1(g) to the consolidated financial statements, the Company changed its accounting for securities from weighted average cost method to average cost method.

*Price Waterhouse*

### Notice to readers

The accompanying consolidated financial statements are not intended to present the financial position and results of operations and cash flows in accordance with accounting principles and practices generally accepted in countries and jurisdictions other than Japan. The standards, procedures and practices to audit such financial statements are those generally accepted and applied in Japan.

<b>Name of the Company</b>	Yamatake Corporation
<b>Headquarters</b>	Totate International Building 2-12-19, Shibuya, Shibuya-ku, Tokyo 150-8316, Japan
<b>Founded</b>	December 1, 1906
<b>Incorporated</b>	August 22, 1949
<b>Paid-in Capital</b>	¥10,510 million
<b>Factories</b>	Fujisawa Shonan Isehara
<b>Sales and Service offices</b>	Japan 46 Overseas 3
<b>Employees</b>	2,220
<b>Contact</b>	TEL: 81-3-3486-2011 FAX: 81-3-3409-7388
<b>Website</b>	http://www.yamatake.co.jp

## Subsidiaries and Affiliates

<b>Yamatake Building Systems Co., Ltd.*</b> Headquarters: Tokyo, Japan YC Ownership 100% 1999 Sales ¥74.3 billion Employees 2,240	<b>Yamatake-SIC Building Automation Co., Ltd.</b> Headquarters: Shanghai, China YC Ownership 60%
<b>Yamatake Industrial Systems Co., Ltd.*</b> Headquarters: Kanagawa, Japan YC Ownership 100% 1999 Sales ¥31.3 billion Employees 1,742	<b>Dalian Yamatake Control Instruments Co., Ltd.</b> Headquarters: Dalian, China YC Ownership 100%
<b>Yamatake &amp; Co., Ltd.*</b> Headquarters: Tokyo, Japan YC Ownership 77.41% 1999 Sales ¥17.1 billion Employees 231	<b>Shanghai Yamatake Jinshan Control Instruments Co., Ltd.</b> Headquarters: Shanghai, China YC Ownership 60%
<b>Yamatake Control Products Co., Ltd.*</b> Headquarters: Kanagawa, Japan YC Ownership 100% 1999 Sales ¥8.7 billion Employees 264	<b>Yamatake (Thailand) Co., Ltd.</b> Headquarters: Bangkok, Thailand YC Ownership 99.9%
<b>Yamatake Techno-Systems Co., Ltd.</b> Headquarters: Tokyo, Japan YC Ownership 100%	<b>YCV Corporation</b> Headquarters: Phoenix, AZ, U.S.A. YC Ownership 100%
<b>Yamatake Friendly Co., Ltd.</b> Headquarters: Kanagawa, Japan YC Ownership 100%	<b>Yamatake Philippines, Inc.</b> Headquarters: Makati, Philippines YC Ownership 99.9%
<b>Taishin Co., Ltd.</b> Headquarters: Nagano, Japan YC Ownership 50%	<b>PT. Yamatake Berca Indonesia</b> Headquarters: Jakarta, Indonesia YC Ownership 55%
<b>Yamatake-SIC Control Systems Co., Ltd.</b> Headquarters: Beijing, China YC Ownership 52.9%	<b>Yamatake Controls Singapore Pte. Ltd.</b> Headquarters: Singapore YC Ownership 100%
	<b>Yamatake Korea Co., Ltd.</b> Headquarters: Seoul, Korea YC Ownership 100%

\*Consolidated subsidiary

## Stock Information As of March 31, 1999

<b>Total Number of Authorized Shares</b>	300,000,000
<b>Shares of Common Stock Issued</b>	93,603,631
<b>Shareholders</b>	3,770
<b>Fiscal Year</b>	April 1-March 31
<b>Annual Shareholders' Meeting</b>	June
<b>Stock Listing</b>	Tokyo Stock Exchange, 1st Section
<b>Transfer Agent</b>	The Yasuda Trust and Banking Company, Limited

## Major Shareholders

	Number of shares held (thousands)	Ratio of total shares out standing (%)
Honeywell Asia Pacific Inc.	20,290	21.67
The Yasuda Mutual Life Insurance Co.	4,339	4.63
The Fuji Bank, Ltd.	4,200	4.48
Northern Trust Company (AVFC) Sub-account American Clients	3,165	3.38
Yasuda Fire & Marine Insurance Co., Ltd.	2,557	2.73
Yasuda Trust & Banking Co., Ltd.	2,463	2.63
The Chase Manhattan Bank, N.A. London	2,450	2.61
The Asahi Bank, Ltd.	2,220	2.37
Progressive Pension Management LP	1,940	2.07
Nippon Life Insurance Co.	1,812	1.93

## Ownership among Shareholders (on the number of shares basis)

Government and Local Government	0.00%
Japanese Financial Institutions	34.22%
Japanese Securities Companies	0.08%
Other Japanese Corporations	8.65%
Foreign Institutions and Others (Individuals)	49.18% (0.04%)
Japanese Individuals and Others	7.87%