



azbil

To Our Stakeholders

We are working to achieve sustainable growth in tandem with our customers and society by creating new value through “human-centered automation.”

Amid the recent fundamental changes in the structure of society, the growing awareness of the need to address global warming and implement energy-saving practices, and the dramatic pace of technological innovation, automation is expected to play a new key role, which Yamatake has been engaged in over the years.

Since its founding in 1906, Yamatake has worked to develop and enhance “automation,” or measurement and control technologies, and to offer the kind of innovative solutions that only Yamatake can provide. With the celebration of our 100th anniversary in 2006, we recognize and embrace the challenging demands in the automation field today. Reflecting our commitment to meet these challenges, our new Group philosophy is “to realize safety, comfort and fulfillment in people’s lives and contribute to the global environment through ‘human-centered automation,’” a philosophy which indicates the new direction we will develop our businesses for the next generation. In addition, we also created a new Group symbol, azbil (Automation · Zone · Builder), to represent this new philosophy.

Drawing on the beliefs embodied in our new philosophy and symbol, we will leverage our strengths—the technologies and expertise in measurement and control we have cultivated over many years—in order to maximize enterprise value through the pursuit of “human-centered automation” and to play a leading role in the realization of a sustainable society.

Toward the establishment and expansion of “human-centered automation,” the entire Yamatake Group is focusing its efforts on achieving the 10-year, long-term goal scheduled for completion in fiscal 2013, ending March 31, 2014. Fiscal 2007, ended March 31, 2008, marked the first year of our new three-year medium-term plan, which is focused on establishing a firm foundation necessary to achieve our long-term goal. Kimmon Manufacturing Co., Ltd. was converted into a wholly owned subsidiary, and we endeavored to further enhance its business foundation through the “Kimmon-Yamatake Jump-Up Plan.” To strengthen our foundation, overseas sales and service networks were expanded. We also took aggressive steps to broaden the scope of our operations, and results in the fiscal year were ahead of our targets. Net sales totaled ¥248.6 billion in fiscal 2007, and operating income totaled ¥20.5 billion, exceeding ¥20.0 billion for the first time. As a result, both net sales and income have increased for five consecutive fiscal years. We thank our shareholders, customers and other stakeholders for their strong understanding and support in making these achievements possible.

Customers, regardless of their industry, need to produce high-added-value products to meet the diversifying and changing needs of their clients. In addition, they must respond to a range of issues, such as maintaining levels of safety and quality, adapting to a declining birthrate and aging population, and reducing their impact on the environment. Founded on our Group philosophy of “human-centered automation,” we are strengthening our business foundation toward the creation of a new corporate group that is able to help each of our customers address these issues and subsequently to contribute to the creation of new value at their worksites.

Business conditions are increasingly uncertain amid sharply increasing crude oil and raw material prices, declining capital investment and other negatives. Nonetheless, changing business conditions afford new business challenges and opportunities. We will boldly meet the challenges ahead and strengthen the foundation for attaining further growth.

July 2008



Seiji Onoki
President and Chief Executive Officer

Business Overview

azbil's "human-centered automation" plays a central role in many environments, from plants and factories to work and home environments. For example...

We increase comfort and profitability in buildings, production plants and living environments while reducing energy consumption. We are also helping to enhance "safety, comfort and fulfillment" in society by creating safer and more reassuring living environments for an aging society and enhancing lifestyles in other ways.

azbil in Many Fields

Hirohito Naito
Corporate Planning Department
Yamatake Corporation



azbil helps society thrive in many ways through its core measurement and control technologies. Combining our expertise in development and manufacturing with our skills in furnishing solutions for customers on-site, we build automation systems for a wide range of fields. Our services for enriching lifestyles, complemented by our "human-centered automation" approach, are the foundation of our efforts to create value on-site for customers.

Hotels

Our priority is maintaining comfortable air-conditioned climates so customers continue to return to the hotels, and also reducing environmental impact through varying energy use by taking into account differences in energy consumption when rooms are unoccupied or at night, etc.

Petroleum Refineries

Petroleum refineries break down crude oil into gasoline and kerosene. Precise temperature controls enable the creation of high-quality gasoline while minimizing the use of energy in production. azbil systems are instrumental for maintaining controls and managing production.

Automobile Assembly Plants

Plants consume huge volumes of energy, and we work diligently to make electricity use more efficient, enhance the effectiveness of production methods and reduce environmental impact. Production plants depend on many switches and controllers for assembly. azbil production controls and air-conditioning technologies are major contributors to enhancing efficiencies in auto plant operations.

Homes and Lifelines

City gas and LP gas are transported from regional gas governor stations. azbil supplies gas governor stations with superior safety features, including highly reliable mechanisms that constantly check for abnormalities and other features, and home gas meters. We provide central air-conditioning systems that control living environments and also can reduce energy use and prevent "sick house syndrome" and other health problems among residents.

Chemical Plants

Plastic products and chemical fibers and textiles are assembled and produced using chemical processes. azbil systems preserve the quality of materials during chemical reactions and oversee the blending of materials and other operations.

Waste Treatment Plants and Public Facilities

azbil systems, which include bacteria temperature controls at sewage treatment plants, incineration temperature controls at waste treatment plants, utility controls at power stations, emergency response during abnormal operation and other activities, play important roles for ensuring environmental preservation and safety at plants in the communities we operate in.

Semiconductor and Electric Equipment Plants

Integrated circuits (ICs), liquid crystal displays (LCDs) and other components for mobile phones and personal computers are manufactured with azbil sensors and switches in their inner workings. In addition, azbil systems are instrumental for maintaining consistent temperatures and humidity and for defect analysis at plants in order to reduce defective parts produced.

Office Buildings

We prepare safe and comfortable working environments in buildings used by a broad array of workers and residents. Our building systems have comprehensive controls over living conditions and security on each floor and minimize energy costs in the most effective way.

Lifestyles

We offer a rapid emergency response service for elderly persons living alone, as well as lifestyle support services including daily health management. Other services are nursing care, nursing consultation and group home management.

Research Centers

We help to maintain special room conditions necessary for testing and other purposes while using energy and managing record-keeping in the most efficient way possible. Security of important materials and research units are maintained with strict precision.

Food Processing Plants and Pharmaceutical Plants

At food processing plants, azbil sensors and systems are crucial for mixing ingredients for flavoring, controlling temperature, avoiding the use of impurities in production processes, providing cleansers for sanitizing trays and containers and for the final shipment of products. It is, at pharmaceutical plants and hospitals, extremely important for many kinds of medicines to be rightly compounded with thorough and strict quality control. The precision equipment and production control systems of azbil enhance the safety and high quality of pharmaceutical products.

Department Stores and Shopping Centers

We ensure that the shopping space is comfortable while keeping energy use at minimally suitable levels by tailoring operations to match floor and tenant needs for temperature controls during peak hours and for cooler atmosphere in warm weather.








Hospitals

For round-the-clock safe environments at hospitals that are vital for maintaining human life, we provide special air-conditioning systems that prevent in-hospital infections and also install security systems. We analyze energy use and propose ways to curtail energy consumption, thereby helping to support hospital management.

Schools

We provide integrated control systems for the buildings and facilities serving many different purposes on school grounds. We also offer security for the school's main reference rooms and research facilities.

The History of Yamatake

1906	1950	1960	1970	1980	1990	2000	2008
<p>Towards Continued Growth</p> <p>1906</p> <ul style="list-style-type: none"> Takehiko Yamaguchi establishes Yamatake Shokai <p>1939</p> <ul style="list-style-type: none"> Kamata Factory begins operations 	<p>1953</p> <ul style="list-style-type: none"> Forms equity-based alliance with Honeywell Inc. of the U.S., acquiring a 50% stake based on technical license agreement <p>1958</p> <ul style="list-style-type: none"> Public share offering 	<p>1961</p> <ul style="list-style-type: none"> Listing transferred to the Second Section of the Tokyo Stock Exchange Fujisawa Factory (present-day Fujisawa Technology Center) begins operations <p>1966</p> <ul style="list-style-type: none"> Yamatake-Honeywell Keiki Co., Ltd. changes its name to Yamatake-Honeywell Co., Ltd. (present-day Yamatake Corporation) <p>1969</p> <ul style="list-style-type: none"> Listing transferred to the First Section of the Tokyo Stock Exchange 	<p>1972</p> <ul style="list-style-type: none"> Samukawa Factory (present-day Shonan Factory) begins operations <p>1973</p> <ul style="list-style-type: none"> Isehara Factory begins operations 	 <p>savic-net™ 50</p>	<p>1990</p> <ul style="list-style-type: none"> Honeywell reduces its stake from 50% to 24.15% Technical license agreement with Honeywell is converted into strategic alliance agreement <p>1997</p> <ul style="list-style-type: none"> Strategic alliance agreement with Honeywell is replaced by business unit agreements <p>1998</p> <ul style="list-style-type: none"> Yamatake-Honeywell Co., Ltd. changes its name to Yamatake Corporation 	<p>2002</p> <ul style="list-style-type: none"> Equity alliance with Honeywell is terminated <p>2005</p> <ul style="list-style-type: none"> Corporate headquarters relocates to Marunouchi, Tokyo, and sales operations are consolidated in Shinagawa Yamatake acquires effective control of management of Kimmon Manufacturing Co., Ltd. 	<p>2006</p> <ul style="list-style-type: none"> Yamatake introduces its new corporate philosophy and establishes azbil as its Group symbol Yamatake celebrates its 100th anniversary Yamatake completes the construction of a new technology building at the Fujisawa Technology Center <p>2007</p> <ul style="list-style-type: none"> R&D functions are consolidated at the Fujisawa Technology Center <p>2008</p> <ul style="list-style-type: none"> Kimmon becomes a wholly-owned subsidiary through a share exchange
<p>Towards Further Technological Innovation</p> <p>1933</p> <ul style="list-style-type: none"> Builds dedicated factories for industrial instruments, starts manufacturing flowmeters, float level gauges and carbon dioxide gas analyzers <p>1948</p> <ul style="list-style-type: none"> Begins importing electronic meters from Honeywell, of the U.S. 	<p>1958</p> <ul style="list-style-type: none"> Begins manufacturing basic microswitches in Japan 	<p>1968</p> <ul style="list-style-type: none"> Develops 6J central air-conditioning control system  <p>Micro electro-mechanical instruments and micro-pneumatic instruments</p>	<p>1972</p> <ul style="list-style-type: none"> Unveils Delta 2000 central control system for buildings <p>1975</p> <ul style="list-style-type: none"> Jointly develops TDCS™ 2000 distributed control system for industrial automation with Honeywell, announces first product  <p>TDCS3000™ LCN</p>	<p>1984</p> <ul style="list-style-type: none"> Begins sales of FE7 series of photoelectric switches Develops MagneW™ 3000 electromagnetic flowmeter <p>1985</p> <ul style="list-style-type: none"> Develops CV3000 series of control valves, the world's most advanced series of its kind <p>1988</p> <ul style="list-style-type: none"> Begins sales of disaster and security systems 	<p>1995</p> <ul style="list-style-type: none"> Begins sales of Harmonas™ automation system for industrial use  <p>Harmonas™</p>	<p>2000</p> <ul style="list-style-type: none"> Develops world's first high-precision, highly corrosion-resistant sapphire pressure sensors <p>2003</p> <ul style="list-style-type: none"> Begins sales of Inflex™ AC and Inflex™ ZM air-conditioning controllers  <p>Digital controller for air-conditioning</p>	<p>2006</p> <ul style="list-style-type: none"> Begins sales of savic-net™ FX building management system, security systems and Intelligent Compo <p>2007</p> <ul style="list-style-type: none"> Creates lineup of Restriction of Hazardous Substances (RoHS)-compliant air-conditioning control systems, addressing the need to reduce impact on the environment The Measurement Standards Center becomes accredited under the Japan Calibration Service System in three calibration categories: pressure, temperature and humidity Begins sales of WiSensor™ wireless network system
<p>100 Years of History and Our Philosophy</p> <p>Yamatake Corporation celebrated its 100th anniversary on December 1, 2006. Over the course of 100 years, we have contributed to Japan's economic and social development by accurately gauging trends and addressing the problems of our customers and society as a whole in such areas as labor conservation, resource and energy conservation, comfort and safety by counting on our expertise and know-how in measurement and control technologies. Takehiko Yamaguchi, the founder of Yamatake, believed that the pursuit of money and money alone was frivolous and the Company should work to free people from drudgery. These views have been passed from generation to</p>  <p>Hiroshi Gotou General Affairs Department Yamatake Corporation</p> <p>generation, and they are an important component of the "human-centered automation" philosophy. "100 Years of Yamatake," which was published in June 2007, can be viewed in the Company history section of our web site, http://jp.yamatake.com/corp/history/</p>	<p>Towards a Sustainable Society</p> <p>1995</p> <ul style="list-style-type: none"> Kicks off the Environmental Promotion Project <p>1996</p> <ul style="list-style-type: none"> Fujisawa Factory becomes the first Company facility in the control instruments industry to obtain ISO14001 Shonan Factory becomes the first facility that manufactures field measurement and control instruments for the industrial market to obtain ISO14001 <p>1997</p> <ul style="list-style-type: none"> Isehara Factory becomes the first facility that manufactures systems for the industrial market and systems for the building market to obtain ISO14001 Yamatake Control Products Co., Ltd. obtains ISO14001 	<p>2000</p> <ul style="list-style-type: none"> ESCO (Energy Service Company) business is launched <p>2001</p> <ul style="list-style-type: none"> Yamatake establishes Environmental Charter summarizing the Group's philosophy concerning environmental protection and related activities <p>2002</p> <ul style="list-style-type: none"> Yamatake begins tours of a model factory for energy conservation at the Fujisawa Factory (now the Fujisawa Technology Center)  <p>Fujisawa Technology Center</p>	<p>2007</p> <ul style="list-style-type: none"> The new technology building at the Fujisawa Technology Center earned the highest rank (S) in the Comprehensive Assessment System for Building Environmental Efficiency "CASBEE-new building" Total number of visitors who have taken part in the tours of a model factory for energy conservation at the Fujisawa Technology Center surpasses 5,000 				

Highlights

Yamatake Corporation and Consolidated Subsidiaries

Overview of Fiscal 2007, ended March 31, 2008, Consolidated Results

Group sales and income rose for the fifth consecutive fiscal year, with operating income topping ¥20.0 billion for the first time.

Net Sales increased **6.0%** year on year, to **¥248.6 billion**.

Operating Income climbed **18.3%** year on year, to **¥20.5 billion**.

Net Income rose **0.6%**, to **¥10.7 billion**, as we posted extraordinary losses with a view to fortifying our business foundation.

ROE (Return on Equity) of **9.0%** was achieved for the third straight term.

Annual Dividend Per Share increased by **¥10** per share, and dividends on ordinary shares rose for the fifth consecutive term.

Topics in Fiscal 2007, ended March 31, 2008

Operations and Management

- Kimmon Manufacturing Co., Ltd. was converted into a wholly owned subsidiary through a share exchange to speed up initiatives for reinforcing its business structure.
- Yamatake began building an advanced technology laboratory building with the aim of accelerating research and development and further bolstering our product capabilities.

Building Automation Business

- We recorded a substantial increase in both sales and profits, with sales surpassing ¥100 billion for the first time.
- Investment in the market for new buildings remained robust, particularly for redevelopment projects in the Tokyo metropolitan area in Japan.
- Energy-saving businesses grew sharply in the market for existing buildings, backed by growing needs for reducing environmental impact (CO₂).

Advanced Automation Business

- Net sales reached ¥100 billion for the first time even as business conditions were characterized by flagging capital investment in Japan during the fiscal year.
- Production of electromagnetic flowmeters was shifted to Kimmon's Kyoto plant to enhance business foundation for attaining business growth.
- We bolstered production facilities at the Shonan Factory in order to manufacture the next generation of high-performance products.
- We promoted solutions-based businesses for meeting customer needs for safe and stable operations, reductions in energy consumption and advanced controls, which are expected to become the focus of investment going forward.

Life Automation Business

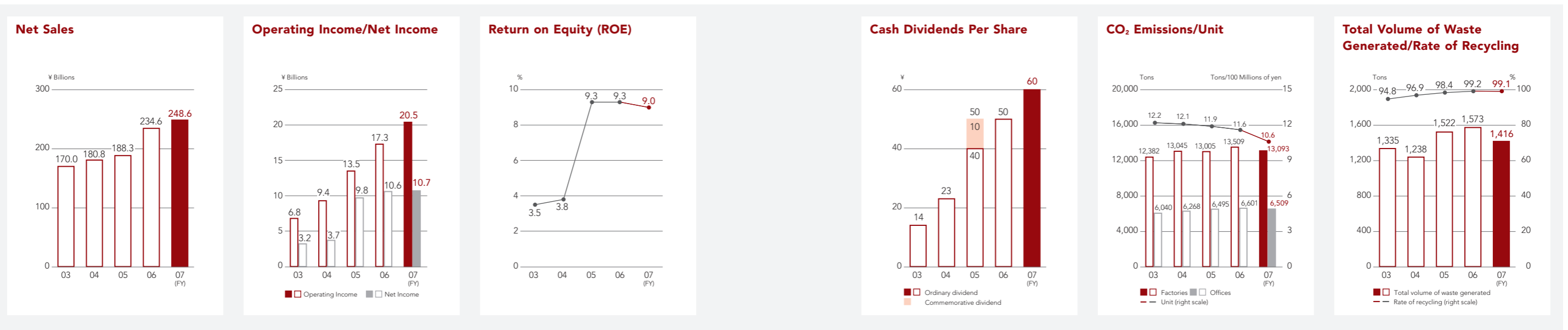
- The "Kimmon-Yamatake Jump-Up Plan" was advanced amid aggressive activities to strengthen business foundation and underlying quality.
- Synergies were forged for sales activities, product development and other integrated operations in the Group.
- In the Life Assist field, business domains were expanded in lifestyle disease prevention, nursing care (preventive care) and other services.

International Businesses

- Sales of products and systems for manufacturing industries by overseas subsidiaries and affiliates rose steadily in China and other Asian countries.
- Overseas subsidiaries, affiliates and offices were strengthened and expanded in Asia and the Middle East to build a more solid structure for international operations.

Aiding the Environment and Communities

- More than 5,000 visitors toured the Fujisawa Technology Center, a model factory for energy conservation.
- Yamatake was a supporter of the 2008 Shonan International Marathon and promoted an environment-conscious event.
- The Fujisawa Technology Center was awarded a special prize by the Commendation Society at the 6th Japan Environmental Management Awards.





The Group is realizing reforms in its businesses by pursuing its philosophy of “human-centered automation,” and aspiring to be a global top-class corporate group. Toward the achievement of these goals, it continues to push forward with initiatives to strengthen its business foundation.

Q. What are the goals Yamatake hopes to achieve under the Group’s “human-centered automation” philosophy?

Through the pursuit of “human-centered automation,” we aim to play a pioneering role in the creation of a sustainable society and to maximize our enterprise value.

A. Yamatake has been developing automation businesses centered on measurement and control technologies since its founding in 1906. The word “automation” has a slightly negative connotation, conjuring up images of machine control and human subordination. This view was particularly prevalent during the rapid growth period for mass production and mass consumption. However, we believe automation is essentially just a tool for enriching human life and enhancing personal comfort. Automation of the kind where people are used by machines is not the kind we want to create. As change engulfs society and the world around us, the value that customers and society as a whole requires from automation has been shifting from automating machine operations and enhancing efficiency to ensuring safety and quality, addressing the challenges presented by an aging society, alleviating environmental impact and manufacturing original, high-added-value products.

In October 2006, Yamatake celebrated its 100th anniversary, and we took this opportunity to return to automation’s starting point—“the human in control.” In other words, automation’s role should be to help people have more comfortable and enjoyable lives and enable them to perform their jobs more easily. This resulted in distinctive new roles and priorities for us in the automation field. Global warming is a case in point. Yamatake can help preserve the environment by making diligent efforts to lessen the environmental impact of office buildings, production plants, hospitals, shopping centers, homes and other places, while at the same time ensuring that human comfort and convenience are not sacrificed as a result. Our goal is to minimize environmental impact while taking crucial steps to enhance safety, comfort and fulfillment in our daily lives. This is what our goals for “human-centered automation” entail.

Moreover, we have arrived at the conclusion that it is up to us to go ahead of our peers and attempt to deal with these challenges, as we have unparalleled experience in providing automation solutions for the variety of problems that have occurred in our customers’ workplaces over many years. Based on this conclusion, and as expressed in the philosophy underpinning the azbil Group brand, we intend to develop businesses that create the kind of value unique to Yamatake, to maximize our enterprise value through our initiatives and achievements in “human-centered automation” and to play a pivotal role in creating a sustainable society. Our customers fully associate this way of thinking with the azbil brand, and have heaped praise on our approach. The expectations of our customers renew our determination to succeed, and, with this in mind, we are working to further enhance our operations by fortifying our business foundation.

Q. Yamatake’s three-year medium-term plan that got under way in fiscal 2007, ended March 31, 2008, is positioned as a period of firmly establishing the foundation. What exactly does this entail?

Pursuing business reforms based on “human-centered automation,” we are establishing the strong business foundation to achieve sustainable growth.

A. Yamatake is promoting and developing businesses with the aim of attaining its long-term goal under the 10-year plan running to fiscal 2013, the plan’s final year. Our ultimate goal is to establish “human-centered automation” businesses that are unique to Yamatake and become a global top-class corporate group. To achieve these goals, the plan has been broken down into three periods:

the period of fostering Yamatake spirit, fiscal 2004 to fiscal 2006; the period of firmly establishing foundation, fiscal 2007 to fiscal 2009; and the period of growth, fiscal 2010 to fiscal 2013. We have devised strategies and are enacting them in conjunction with the themes for each of these periods.

For the current three-year medium-term plan, positioned as the period of firmly establishing the foundation, our emphasis is on enhancing Yamatake's foundation to achieve ongoing growth by executing three key concepts: creating new businesses, or business structure reform; creating new work styles, or business operation reform; and building Yamatake spirit, or creation of new corporate culture. Based on these three concepts, we will strengthen foundation and achieve sustainable growth by focusing on customer satisfaction and providing Yamatake's unique value.

Through the achievements of our previous three-year medium-term plan, we made major headway in meeting challenges and building a collaborative corporate culture founded on teamwork. As part of the current three-year medium-term plan, we intend to make our operations more transparent and more structured, and also aim to improve our ability to carry out operations by establishing teamwork capable of rapid, precise and high-level responses to any customer need.

We will also accelerate our shift to "human-centered automation" businesses. With this in mind, we will pinpoint directions for our core Building Automation business, Advanced Automation business and Life Automation business and work to achieve tangible successes here. By positively pursuing and realizing changes in our operations, we believe sustainable growth is achievable. We will aggressively enact the necessary policies and make the required investments to further reinforce the Group's foundation and build true underlying strength.

Q. Looking back at fiscal 2007, the first year of the period of firmly establishing the foundation, how would you appraise Yamatake's achievements and results and the progress made in achieving its goals?

Net sales and income have increased for five consecutive fiscal years, with operating income topping ¥20.0 billion for the first time ever in fiscal 2007. We continued to strengthen our profit structure and further reinforced our foundation.

A. Yamatake achieved healthy consolidated growth in fiscal 2007, with both net sales and income increasing for the fifth consecutive year. For the three-year medium-term plan that began in this fiscal year, we initially set goals for consolidated net sales of ¥244.0 billion and consolidated operating income of ¥20.0 billion, but later upwardly revised these forecasts to consolidated net sales of ¥248.5 billion and consolidated operating income of ¥20.3 billion. Even so, we cleared both of these revised targets. Yamatake's initiatives for bolstering the foundation made steady progress, and I believe we were able to achieve favorable results. We are deeply grateful to our shareholders and customers for their support and for the achievements of all the employees of Group companies. Nevertheless, operating conditions have been characterized by increasing uncertainties. Starting in the second half of the fiscal year, raw material and crude oil prices rose appreciably, and the subprime loan problem slowed the U.S. economy and caused repercussions elsewhere. Currently, there is a tendency among Japanese companies toward curbing capital investment, and the strengthened yen and weakened dollar has also been another challenging factor. To cope with these developments, Yamatake strove to further strengthen its business foundations and a solid profit structure.

Q. Can you tell us about Yamatake's policies for fiscal 2008, the second year of the period of firmly establishing the foundation?



President and CEO Seiji Onoki discussing "human-centered automation" with employees

Policies are being steadily implemented to fortify operations at Kimmon Manufacturing Co., Ltd. and we are building a new technology laboratory building and expanding our overseas operating bases.

A. Presently, to bolster our business foundation, we are enhancing productivity and problem-solving capabilities by building alliances across our three core businesses in all functions, from development and production through to services. In addition, we are cultivating businesses for the next generation, and developing crossover fields of our three core businesses.

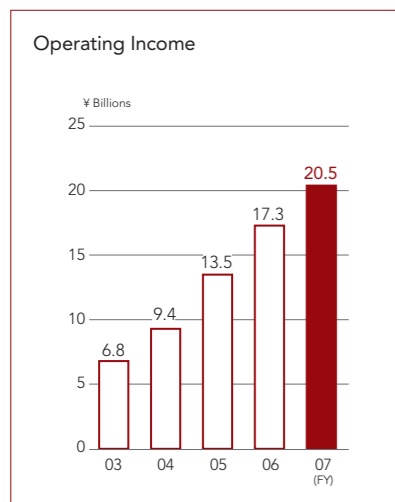
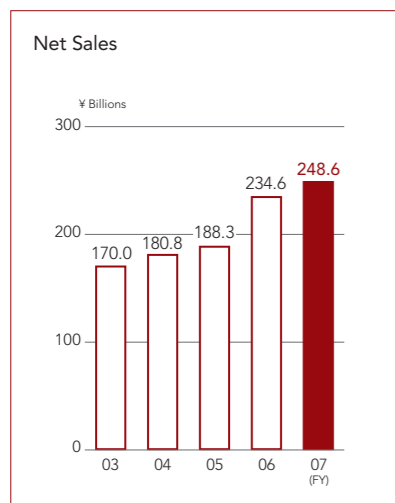
One such synergy centers on the "Kimmon-Yamatake Jump-Up Plan." By stepping up cooperation within the Group, we are working to further reinforce the business foundation and improve the profit structure at Kimmon which is the Group's mainstay company in the Life Automation business. In April 2008, this company was made a wholly owned subsidiary, and management integration with Kimmon has helped us make greater headway in achieving our goals.

Furthermore, at the Fujisawa Technology Center, an advanced technology laboratory will be constructed during the fiscal year with the aim of speeding up research and development and further enhancing the performance features of our products. For overseas business development, we are further strengthening our existing operating bases, adding new offices in Vietnam, India and Dubai and expanding business operations in Asia and the Middle East. In these ways, Yamatake is implementing a range of decisive measures to strengthen its business foundation.

Internationally, Yamatake has limited experience in acting independently because its operations were formerly centered on its alliance with Honeywell Inc., of the U.S. As a result, overseas businesses still account for less than 10% of total sales. Still, put in different terms, I think we have considerable scope for growth. Operations overseas will reduce our exposure to the Japanese market while setting the stage for stable and consistent expansion. We are working to install and better fortify overseas business frameworks as a priority to further enhance the strengths of our corporate foundation. At this point, we are focusing our resources on the Building Automation and Advanced Automation businesses in Asia, where investment has been robust. Looking ahead, we are setting our sights on Europe and the U.S., which are the growth drivers in the global market, and on newly emerging markets in Eastern Europe, Latin America and other regions in response to demands from our customers, which are expanding their own global



Advanced Technology Laboratory (tentative name)





reach. Asia marks the starting point here. We have been building a successful track record and setting the cornerstones for expansion.

At present, a variety of changes are causing the future of Yamatake's operating environment to become increasingly unclear. However, we believe these changes offer us the opportunity to take on the challenge of entering new areas of business.

Q. Corporate social responsibility, including actions addressing environmental issues, has become a larger component of business operations in recent years. Tell us about Yamatake's initiatives in the CSR field.

Yamatake believes CSR is a key management issue, and it is positively pushing forward with a unique range of CSR initiatives, including social contribution through its businesses.

A. Yamatake's CSR operations are grounded on the understanding that, based on its responsibilities as a global enterprise, actively conducting good work in society should be an important priority. We have set goals for CSR operations under the current three-year medium-term plan and are actively working to build the appropriate frameworks and systems to ensure they are achieved. In concrete terms, our efforts are centered on six important fields: business ethics and legal compliance; risk management; internal control for financial reporting; group management (corporate governance); employee relations and health and safety; and quality control and environmental preservation.

For environmental issues, we offer on-site education for members of the public, and other efforts including support of a marathon event focused on promoting an environment-conscious event. We have been making aggressive efforts to reduce our environmental impact throughout our business activities. In June 2008, we unveiled new goals for decreasing CO₂ emissions in the Group based on the results of our previous efforts. Looking ahead, Yamatake is aiming to achieve its environmental goals, including for reducing energy consumption on production lines and for switching to more fuel-efficient vehicles.

In addition, a characteristic of the Group is that its business operations themselves are helping to address global environmental issues and are benefiting society. We create production spaces where people can work efficiently and in comfort, we realize production areas where people can develop their own skills in safety and we contribute to society by assuring and maintaining the safety of lifelines and providing nursing and healthcare support services for communities. Also, we are helping address the urgent problem of global warming by utilizing our proprietary Yamatake technologies and expanding operations for decreasing CO₂ emissions.

Q. Yamatake continued electing outside directors to its Board. What are the intentions here?

Yamatake is strengthening its corporate governance by soliciting outside opinions, aiming to further enhance enterprise value and shareholder value.

A. In accordance with Article 2-15 of the Corporate Law and with a view toward strengthened corporate governance, Yamatake appointed Hajime Ikeda and retained Eugene Lee as outside directors. These are in addition to Makoto Yasuda, who was appointed as outside director in 2006. The three outside directors contribute to enhanced enterprise value and to shareholder value by monitoring from an independent perspective company management and business implementation. While working to sharpen corporate governance practices, we are also promoting mechanisms to ensure the accuracy of financial reporting, in accordance with an internal regulatory reporting system that is based on the Financial Instruments and

Exchange Law, which took effect in fiscal 2008. In addition, we have formulated the Basic Policies, concerning the control of the Company and which aim to enhance enterprise value and protect the common interests of shareholders.

Q. Yamatake has continued to raise dividends. What are your thoughts on returns for shareholders?

Yamatake has increased ordinary dividends for five straight fiscal years and will continue working to maintain and increase dividends.

A. For fiscal 2007, we paid a year-end dividend of ¥30 per share. As a result, total dividends for the fiscal year came to ¥60 per share, including the interim dividend, and ordinary dividends have now increased for five consecutive years. Yamatake places great importance on returning profits to shareholders, and Yamatake's management is aiming to maintain stable dividends and to increase its dividend payout. However, it will also comprehensively consider the levels of consolidated performance, return on equity (ROE) and dividend on equity (DOE), and retained earnings that are necessary to strengthen its business base and develop future businesses.

With this in mind, Yamatake plans to raise ordinary dividends by ¥2 per share in fiscal 2008, for a full-year dividend of ¥62 per share.

Q. Fiscal 2008 marks an important threshold for reaching Yamatake's 10-year long-term goal. Tell us about the Group's positive efforts toward attaining this goal.

We are pursuing "human-centered automation" businesses unique to Yamatake and aim to become a global top-class corporate group. Our stakeholders can expect positive developments from Yamatake in the future.

A. Our long-term goal is to become a global top-class corporate group that contributes to increase safety, security and enterprise value for our customers and that helps to address global environmental problems. Reaching this goal requires leveraging the benefits from expansion in our "human-centered automation" businesses and from having established an even more solid business foundation. Judging from the progress we made in fiscal 2007, I think the potential for innovative change is considerable.

In the core Building Automation, Advanced Automation and Life Automation businesses, market characteristics vary considerably. Our business mix is fairly well-balanced between the Building Automation and Advanced Automation businesses, but if we can attain growth and expansion in the Life Automation business, which focuses on lifeline and lifestyle-related fields, we can build a business portfolio with an even more favorable balance.

Moreover, the Group supplies measurement and control equipment and systems that play crucial roles in a range of buildings, such as production facilities at industrial plants and factories and in office buildings. This necessitates that we stably supply and maintain equipment for prolonged periods. Consequently, establishing solid business structures and operating foundation for consistent operations is not only how we respond to the trust our customers place in us, but also connects to the ongoing growth of the Group. This is synonymous with increasing enterprise value, and I think it aligns with the interests of our shareholders as well. We will continue working to meet the expectations of our shareholders, customers, the local communities where we operate and all of our stakeholders, and ask for your continuing understanding and support as Yamatake promotes its "human-centered automation" businesses and seeks to become a global top-class corporate group.

