
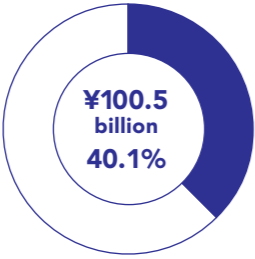

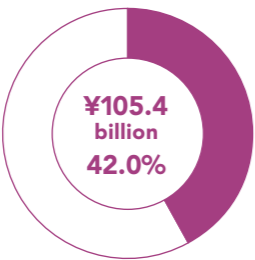

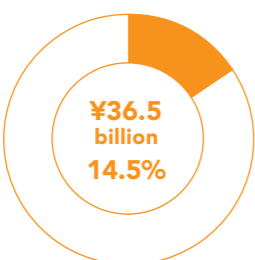

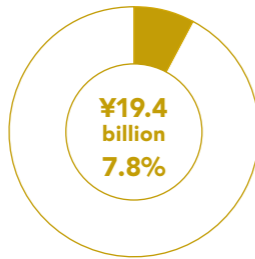
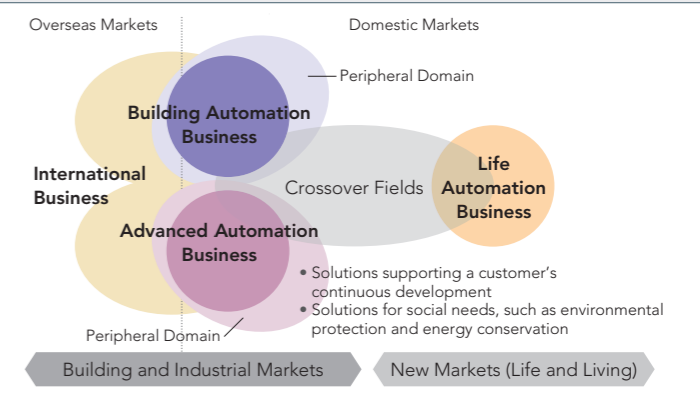


Business Overview

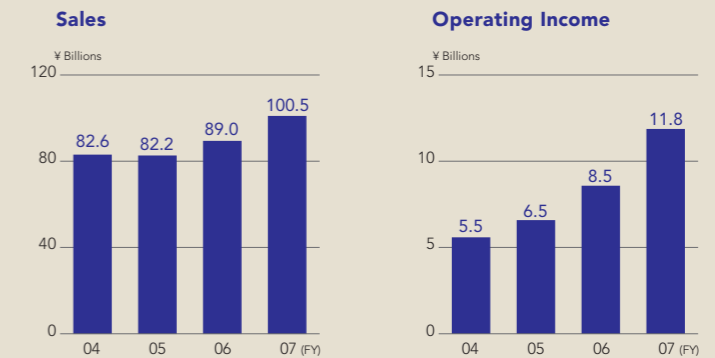
Business	Net Sales by Business/ Share of Total Sales	Business Outline	Markets	Main Products and Services
Building Automation Business 	 <p>¥100.5 billion 40.1%</p>	<p>Yamatake offers total solutions for building automation equipment and systems through an integrated structure including development, manufacturing, marketing, installation, engineering, maintenance and operation management. Our original environmental technologies, which underpin our product lineup, help customers to create business and production spaces where people can work efficiently and in comfort, and to improve their building management capabilities, while contributing to reducing the environmental impact.</p>	<ul style="list-style-type: none"> Offices Manufacturing facilities Research facilities Hospitals Government and institutional buildings Schools Hotels Department stores Shopping centers, etc. 	<ul style="list-style-type: none"> Building management systems Controllers Sensors Actuators Valves Security systems Building preventive maintenance services Total energy management services Building operations support services, etc.
Advanced Automation Business 	 <p>¥105.4 billion 42.0%</p>	<p>Yamatake develops, manufactures and markets a wide range of products indispensable to plant and factory operations, including switches, sensors, controllers, valves, systems and software packages. We also provide consulting, engineering, instrumentation and maintenance services to support the optimum management of equipment throughout their lifecycle, and enable customers to increase enterprise value at their worksites.</p>	<ul style="list-style-type: none"> Petrochemical/chemical Water supply and sewerage Oil refining Electric power and gas Iron and steel Pulp and paper Shipping and marine Semiconductor/semiconductor manufacturing equipment Electrical/electronic components Machine tools Automobiles Pharmaceuticals Foods and beverages/packaging Furnace/oven/boiler manufacturing Residential and commercial buildings, etc. 	<ul style="list-style-type: none"> Monitoring and control systems and controllers Solution packages Field instruments (pressure transmitters, flowmeters and control valves, etc.) Facility diagnosis equipment Digital indicating controllers Recorders Combustion control equipment Photoelectric sensors, etc. Maintenance services, etc.
Life Automation Business 	 <p>¥36.5 billion 14.5%</p>	<p>At Yamatake, we possess measurement and control technologies cultivated over many years in the building and industrial markets and also a personal commitment to customers through our services. In the Life Automation business, which mainly serves the domestic market, we are drawing on our strengths in automation technologies and human resources to provide total solutions to societal needs for safety, peace of mind and environmental conservation. These include lifeline-related, such as gas and water; and lifestyle support, such as nursing care and healthcare-related.</p>	<ul style="list-style-type: none"> Measurement/metering equipment, such as gas and water meters and measurement and instrumentation systems Commercial-use waste processors: markets connected with food production and retailing as well as food service Individual residential homes Elderly nursing care services (preventive care) Lifestyle support for the elderly Lifestyle disease prevention for the middle-aged and elderly, etc. 	<ul style="list-style-type: none"> Various gas meters, safety equipment, regulators, various water meters, flowmeters, etc. Residential central air-conditioning system Lifestyle support services Nursing care support services Commercial-use, biodegrading kitchen waste processor, etc.

Business	Overseas Sales/ Ratio to Net Sales	Business Outline	Core Business Structure
International Business 	 <p>¥19.4 billion 7.8%</p>	<p>Yamatake is expanding its Building Automation and Advanced Automation businesses internationally, backed by the technologies and expertise accumulated from domestic operations. The Group currently has overseas subsidiaries, affiliates, business offices and factories in 14 countries and 25 locations, principally in Asia. We deliver best-fit solutions for the differing problems and needs of customers in each region, by utilizing our comprehensive capabilities of providing sensors, valves, field instruments and systems through to maintenance and services.</p> <p><small>* International businesses (overseas sales) figures are included within the sales of Building Automation, Advanced Automation and Life Automation businesses. Sales statistics denote figures from overseas subsidiaries and affiliates and direct exports. Indirect exports are not included.</small></p>	<p>Core Business Structure</p> <p>Concentrating on "human-centered automation," Yamatake has three core businesses: Building Automation, which specializes in automation for buildings; Advanced Automation, which focuses on automation for plants and factories; and Life Automation, which applies automation technologies to life and living.</p> <p>While all three businesses are closely connected with society and the individual, their markets have significantly different characteristics. Nevertheless, combining these businesses and promoting synergies will support the long-term growth of Yamatake.</p>



Sales rose in all three markets—new buildings, existing buildings and maintenance services—and breached ¥100 billion, a milestone, while operating income increased sharply, climbing 38.9% year on year, to ¥11.8 billion. Yamatake will continue utilizing its original environmental control technologies to create business and production spaces where people can work efficiently and in comfort, while at the same time contributing to reducing the environmental burden (carbon dioxide), in order to attain growth and maintain earnings in this business.

Kiyofumi Saito
Executive Director
Senior Managing Executive Officer
Building Systems Company President
Yamatake Corporation



Business Overview

In the Building Automation business, Yamatake has installed more than 20,000 systems, allowing it to accumulate a rich track record of experience. Its commanding market share greatly exceeds that of its peers. In the market for new buildings, changes in plans for building construction, which fluctuate in tandem with demand for offices and other buildings, have affected operations. However, our commanding market share has afforded major strengths, and we have continuously taken advantage of business opportunities in maintenance services and facility renewals after systems delivery and other support services over the building lifecycle. This in turn has generated growth in the business for existing buildings, which registered stable, high profits. Moreover, we have been actively tapping into new business fields, including the security room access control business, and international business, which hold prospects for growth.

Fiscal 2007 Performance

In the Building Automation business, both sales and income increased by double digits, with consolidated sales amounting to ¥100.5 billion, up 13.0%, and operating income totaling ¥11.8 billion, up 38.9%. In the construction industry,

investment has remained brisk for new buildings, existing buildings and maintenance services and market conditions have been favorable.

In the market for new buildings, for active redevelopment projects, particularly in the Tokyo metropolitan area, Yamatake utilized the advantages afforded by its rich track record and its integrated structure of providing from products and systems through to installation and engineering to expand its operations. At the same time, the Group worked to strengthen its earnings capabilities and competitiveness by developing and launching high-performance products that can generate profits. Furthermore, we forged synergies through cooperation with the Advanced Automation business to increase sales for factory HVAC amid ongoing growth in construction investment by the manufacturing industry. Moreover, now that needs for reducing energy consumption have been rising rapidly before international pledges for cutting carbon dioxide emissions take effect under the Kyoto Protocol, the market for existing buildings, including a comprehensive energy service (ESCO business) for total energy management, and maintenance services grew rapidly. In the security business, the need for safety, peace of mind and the prevention of information leakage have been increasing. Particularly in fiscal 2007, sales grew

on the back of needs for preventing information leakage and for internal controls among financial institutions. However, in international operations, negative repercussions from moderate construction investment, particularly in China, as Japanese companies realigned their production bases in China and Southeast Asia, depressed sales somewhat.

Policies and Outlook

In the market for new buildings, Yamatake thinks active redevelopment projects will foster robust demand over the medium-to-long-term in Tokyo as well in Yokohama and Osaka. However, for fiscal 2008 the completion of major new office buildings has reached a temporary lull in the Tokyo metropolitan area. That said, we anticipate ongoing growth in sales for factory HVAC in light of robust capital investment plans in the manufacturing industry. In the market for existing buildings, with latent demand building up for renewal projects on the buildings that were completed around 1990 during the so-called “bubble era,” we believe the need for renewals to reduce energy consumption will rise further, as was noted, in tandem with more stringent government regulations for meeting international pledges stemming from the Kyoto Protocol.

In maintenance services as well, needs for reducing energy consumption should fuel sales growth, and we expect contracts for maintenance services to increase for redevelopment projects in the Tokyo metropolitan area that have been completed in recent years.

Although price competition continues to create challenging business conditions, Yamatake is responding by reducing costs and introducing new products that have cutting-edge performance features and generate strong profits. In addition, the Environmental Solutions Headquarters was established in April 2008 as an exclusive unit for reducing energy consumption and minimizing carbon dioxide emissions as part of initiatives to tap into the rising needs for renovation for cutting energy consumption. Moreover, on the medium- and long-term horizons, further bolstering international operations will be essential to generate sales growth. Accordingly, Yamatake is setting up new operating bases in Vietnam, Dubai and other countries, adding to its operations in China, South Korea, Taiwan and Thailand, and establishing stronger underlying platforms in regions where Japanese companies are expected to step up their capital investment. Based on these measures, for fiscal 2008, we forecast consolidated sales of ¥103 billion, up 2.5% year over year, and operating income of ¥12.7 billion, a gain of 8.1%.

Application*



Ricoh Technology Center, Ricoh Company, Ltd.

The center is working to reduce carbon dioxide emissions under some of the highest targets. By introducing BEMS (building energy management systems) and intelligent components, the center is fully overseeing energy consumption under PDCA (Plan, Do, Check, Act) initiatives.



PACIFICO YOKOHAMA, PACIFIC CONVENTION PLAZA YOKOHAMA

A cutting-edge central monitoring and control system and equipment were installed at this world-class convention center. The system unifies the management of building operation data and coordinates with the booking management system, which contributes immensely to improving operational management.



Hiratsuka LUSCA, SHONAN STATION BUILDING Co., Ltd.

BEMS was introduced to consolidate the management of multiple shopping centers, including Hiratsuka LUSCA, as a first step in environmental management. Since then, it has realized effective building management and operation, as well as efficiently reduced energy consumption.

Close Up!

savic-net™ FX Building Management System

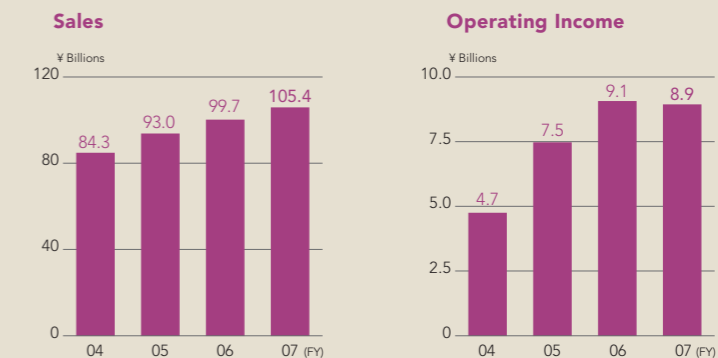
Offering a maximum 30,000 objects, the savic-net™ FX enables consolidated management for large-scale buildings and complexes, and contributes to rationalizing utility management and enhancing operational efficiency. Customers freely select the system, equipment, specifications and other features they want to match the size and applications of their properties. It may be used for a wide range of applications, such as office buildings, hotels, hospitals, schools, complexes and factories, and enhances comfort and safety for tenants while helping to reduce the building's lifecycle costs and environmental burden.



*Shown here are some example orders showcased in our public relations brochure. They are shown with the permission of the customer.

By accurately addressing customer needs for safe and stable plant operations, reduced energy consumption and advanced controls, the Advanced Automation business has been able to attain sales surpassing ¥100 billion in the fiscal year under review despite difficult operating conditions characterized by dulling capital investment in Japan. Looking ahead, we aim to realize production sites that enable workers to meet their full potential under safe conditions and create new value through cooperation with our customers.

Kanichiro Shimoda
Executive Director
Managing Executive Officer
Advanced Automation Company President
Yamatake Corporation



Business Overview

Yamatake develops, manufactures and markets products, such as sensors, controllers, valves and other field equipment, and systems that are crucial for automation in production sites. These products and systems are utilized by customers in a wide range of industries, including oil refining, petrochemical/chemical, iron and steel, pharmaceuticals, foods and beverages, automobiles, electrical/electronic components and semiconductors. We address the key issues facing our customers at their production sites as their cooperative business partner offering from consulting, products, system engineering through to maintenance services, and also consider the provision of optimal solutions for meeting our customers' needs as an essential role. Our products are created and honed from exhaustive quality assurance and cutting-edge technologies, and serve as the core with an abundant range of applications for meeting the needs of our customers. Our engineering services that are based on leading-edge expertise are also our strength. Making the best of these products and services, that we offer optimal solutions tailored to facility lifecycles, from the initial design stages for factories and plants through to ensuring stable operations and renewing facilities at customer sites.

Fiscal 2007 Performance

Operating conditions in the Advanced Automation business were especially problematic in fiscal 2007 amid growing uncertainties in the market and faltering growth in domestic capital investment. Nonetheless, sales increased 5.7% year on year, to ¥105.4 billion, representing continuing growth. This favorable showing was attributable to several important factors. First, our keen abilities in pinpointing the precise needs of our customers at their production sites and providing products and services attuned to their needs were essential. Second, international operations expanded, particularly in Asia. Other factors included the consolidation of Royal Controls Co., Ltd. in the second half of fiscal 2006. However, operating income dipped 1.6%, to ¥8.9 billion, weighed down by surging raw material prices, which inevitably caused earnings to edge lower from the previous fiscal year. In the domestic manufacturing industry, weakening capital investment in the market, such as in semiconductors, became evident at the beginning of the term and spread to a range of other markets starting in the fall. This cast shadows over business conditions, which had been favorable for a protracted period. That said, needs for safe and stable operations, for energy-saving initiatives at established factories and plants, and for advanced controls

enabling high-performance materials production remained as strong as ever. Yamatake made diligent efforts to meet these needs and attain growth through its unique, value-added products, applications and services. Meanwhile, in international operations, China and other Asian countries, where capital investment has remained firm, have been positioned as important markets, and we have aggressively promoted business expansion in Asia. As a result, overseas subsidiaries and affiliates generated steady sales growth over the fiscal year.

Policies and Outlook

Murky sentiment about capital investment in Japan has shown no sign of abating, and we expect severe operating conditions on the whole. Nevertheless, under these conditions we anticipate firm investment in areas including stable and safe plant operations, reduced energy consumption and response to environmental concerns, and also in investment in production facilities required for advanced controls, which are essential for manufacturing high-added-value products.

To take full advantage of business opportunities here, Yamatake is enhancing its sales structure, which proposes solutions by combining technologies, products and services

that are unique to Yamatake, and strengthening its capabilities in the field of production equipment for high-performance materials and other areas. We are also accelerating the provision of solutions and services that meet the need for steady and stable operations at plants and factories. In international operations, we continue to focus resources on growth in businesses in China and elsewhere in Asia. Our focus for business development is not only on supplying products individually but also on providing the means for resolving the issues facing our customers. Moreover, while fortifying our marketing systems, naturally, we are expanding our framework for local production and local engineering services, and further bolstering training systems along with consulting and other customer support—including call center services. As a result of these measures, we forecast consolidated sales will increase 0.5% year on year, to ¥106.0 billion, and operating income will decrease 8.1%, to ¥8.2 billion, in fiscal 2008.

Application*



EZAKI GLICO CO., LTD. and SENDAI GLICO CO., LTD.

Responding to growing concerns about food safety, SENDAI GLICO adopted a traceability system built from the perspective of its production site. The company also maintains a structure to ensure product quality.



Kimitsu Works, Nippon Steel Corporation

Maintenance support system, which visualizes conditions of control valves on-site, enables personnel without expertise or fine sensibilities in equipment diagnosis to objectively analyze equipment to realize safe, stable, and efficient plant operations.



Okayama Gas Co., Ltd.

Accurate measurement is increasingly essential now that demand for liquid natural gas in production is increasing. This has fostered demand for our high-precision, compact and multifunctional gas meters for intermediate-pressure applications.

Close Up!

CMQ-V Digital Mass Flow Controller

The CMQ-V series of digital mass flow controllers employs the Yamatake-designed Micro Flow™ thermal mass flow sensor as the detecting element.

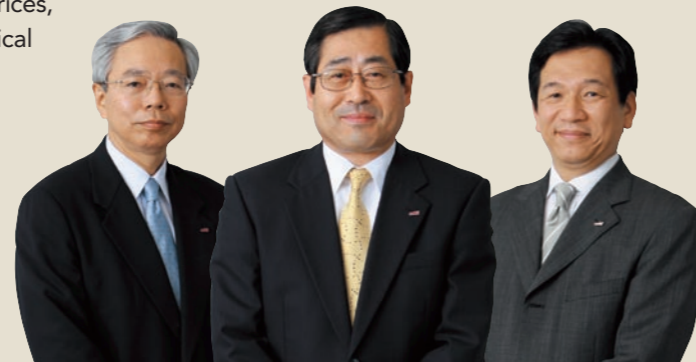
The CMQ-V is a high-performance gas mass flow controller with a proportional actuator driven by advanced PID (proportional, integral and differential) control technologies. It is designed for use with thin film deposition (such as sputtering) equipment for the production of quartz oscillators and lenses used in mobile phones and digital cameras.

CMQ-V flow controllers offer gas flow control with high precision and repeatability, as well as excellent resistance to high-frequency noise. For high-speed control, low differential pressure sensing, wide-range flow regulation and other applications, they are in the vanguard. CMQ-V flow controllers, which are available in a number of product variations, can also contribute to stable quality and improved yields in a customer's manufacturing operations.



*Shown here are some example orders showcased in our public relations brochure. They are shown with the permission of the customer.

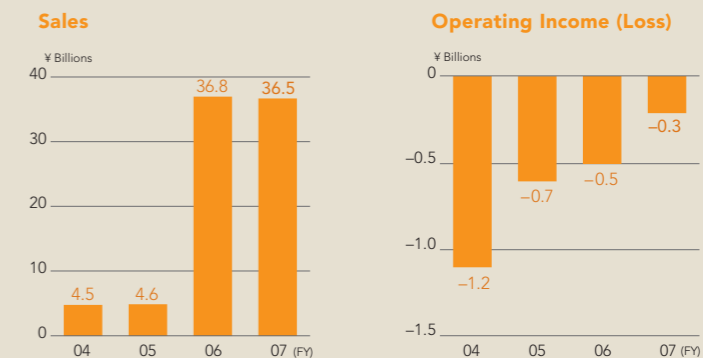
In the Life Automation business, challenging operating conditions have persisted, as evidenced by declining prices, surging raw material prices and the weak phase in cyclical demand. These factors inevitably depressed sales, but earnings improved significantly, backed by cost reductions and measures for enhancing profits.



Sadachika Ogawa
Executive Officer
Yamatake Corporation

Masaaki Iwai
President
Kimmon Manufacturing Co., Ltd.

Hirokazu Sekine
President
Yamatake Care-Net Co., Ltd./
Safety Service Center Co., Ltd.



Business Overview

The Life Automation business makes concerted efforts to achieve stability and consistent growth in the Group's overall business portfolio by pioneering operations in specific domains that differ from the fields covered by the Building Automation and Advanced Automation businesses, which are susceptible to economic cycles and trends in capital investment. We contribute to people's active lives through the use of measurement and control technologies developed over many years and also our high-quality services. These are applied to gas, water and other lifelines; to the residential environment; and to care and health support. Efforts are centered on strengthening the business foundation to become a third pillar of the Group's operations.

Fiscal 2007 Performance

Consolidated sales in the Life Automation business declined 0.9% year on year, to ¥36.5 billion, as declining selling prices, surging raw material prices, the sluggish phase in cyclical demand and other adverse factors created severe operating conditions. Despite these difficulties, we made diligent efforts to improve earnings and operating losses came to ¥0.3 billion, marking an improvement of ¥0.2 billion from the previous fiscal year despite contracting revenues.

Kimmon Manufacturing Co., Ltd. manufactures gas and water meters and other equipment, such as automatic gas shut-off valves and other safety equipment, and gas governors (pressure regulators) and other equipment essential for gas supply lines. Business conditions were harsh for this company amid rapidly rising raw material prices, falling selling prices and a cyclical slowdown in demand that was prompted by initiatives in city gas equipment businesses to extend periods between mandatory equipment testing. Under these conditions, we worked to expand the product lineup through close cooperation with the Advanced Automation business, and to tap into the private-sector water meter market and enhance marketing in conjunction with the Building Automation business. We were thus able to minimize the repercussions of eroding business conditions and aggressively promote sales in the LP gas meter business, as it enters the high demand phase. Moreover, the "Kimmon-Yamatake Jump-Up Plan" made headway in effectively utilizing resources within the Group, and we focused more keenly on strengthening our business foundation and enhancing underlying business quality. On April 1, 2008, Kimmon became a wholly owned subsidiary through a share exchange, with the aim to strengthen the business

foundation and improve profitability by implementing measures more rapidly and effectively.

For Safety Service Center Co., Ltd., which provides emergency dispatch services, and Yamatake Care-Net Co., Ltd., which operates in the field of nursing care and lifestyle disease prevention services, budget constraints in local government social-welfare services, amendments to the Nursing Care Insurance Law and other negatives continued creating challenging business conditions over the course of the fiscal year. Nevertheless, we worked to improve operating efficiencies and expanded into new business domains such as lifestyle disease prevention services in response to amendments in the Health Insurance Law and reforms to the medical care system.

Also, in environment-related operations for selling residential central air-conditioning systems, commercial-use waste processors and other products, unprofitable businesses were disbanded or liquidated. As a result, profits improved in the Life Automation business.

earnings capabilities and aggressively seek expansion in peripheral business domains.

For Kimmon, the Life Automation business foresees demand rebounding for city gas meters in the wake of a recovery for LP gas meters. Furthermore, the integrated management created after the full consolidation of this company will accelerate the strengthening of its business-foundation and the expansion of its business fields. We will continue striving to make the best use of human resources and personnel placements within the Group, to cooperate with Kimmon in marketing and to develop technologies and products backed by the strengths of Yamatake and Kimmon. Also, efforts are under way to realign production bases, restructure and reorganize its sales and marketing structure, expand the scope of engineering and maintenance businesses, and pursue other reforms. In emergency dispatch services and nursing care and lifestyle disease prevention services, we are firmly committed to expanding operations in response to amendments in the Health Insurance Law and reforms to the medical care system.

Based on these measures, we forecast consolidated sales will increase 3.4% year on year, to ¥37.7 billion, and operating income will improve ¥0.3 billion, to ¥0.05 billion, in fiscal 2008.

Application*



Health and Welfare Section, Kashiwa City

With Japan's falling birth rate and aging of society leading to a growing population of elderly persons living alone, we support regional safety and peace of mind with emergency dispatch services that protect lives and provide emotional support.



SAPPORO ENERGY SUPPLY CO., LTD.

District heating and cooling, in which a single heat source supplies energy to multiple buildings, realizes efficiency in energy use. By utilizing Yamatake and Kimmon's remote monitoring systems, the Company can provide more meticulous services.

Principal Operations by Group Company

Yamatake Corporation
Residential central air-conditioning, environmental recycling

Yamatake Care-Net Co., Ltd.
Nursing care support services

Safety Service Center Co., Ltd.
Lifestyle support services for the elderly

Kimmon Manufacturing Co., Ltd.
City gas, LP gas equipment business, hydraulic equipment business, others.

Close Up!

Battery-powered Electromagnetic Flowmeter

Yamatake Corporation has extensive expertise and track record in the industrial and building markets. Kimmon has rich experience in the gas and water meter areas. The new Battery-powered Electromagnetic Flowmeter is developed vitalizing both companies' technologies and strengths.

Battery-powered technology enables wireless operation, and the meter can be easily installed in the place away from the source of AC power. It is effective for water-flow monitoring in filtering devices casting devices and other equipment, and for monitoring water levels and other measurements in order to oversee energy-saving operations in plants and buildings.



Product exhibited at Measurement and Control Show 2007 Tokyo (November 2007) and launch scheduled for 2008

*Shown here are some example orders showcased in our public relations brochure. They are shown with the permission of the customer.

International Business

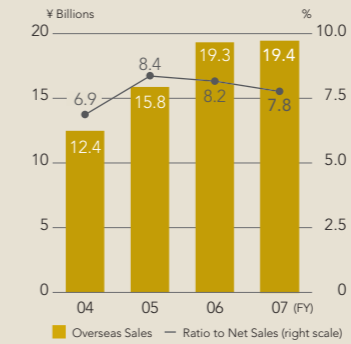
In fiscal 2007, ended March 31, 2008, sales in the international business edged up 0.6% year on year, to ¥19.4 billion, as sales of products and systems to industrial markets by overseas subsidiaries and affiliates grew, but overseas sales of the Building Automation business and direct exports by the Advanced Automation business contracted. However, measures to adapt to changing business conditions, including expansion in our sales network, are already being advanced, and we continue focusing resources on increasing sales by local overseas subsidiaries and affiliates.

Toshitsune Okubo
Managing Executive Officer
Yamatake Corporation

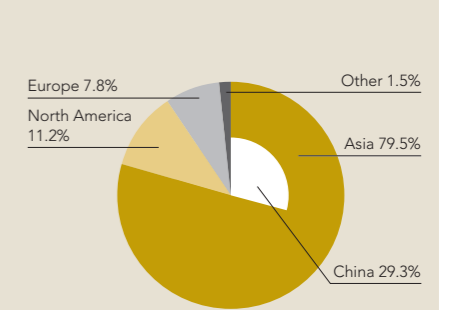


*International businesses (overseas sales) figures are included within the sales of Building Automation, Advanced Automation and Life Automation businesses. Sales statistics denote figures from overseas subsidiaries and affiliates and direct exports. Indirect exports are not included.

Overseas Sales/ Ratio to Net Sales



Overseas Sales by Region (FY2007)



Business Overview

Yamatake has a track record of more than 40 years in international business since forming a capital relationship with U.S. company Honeywell and was formerly called Yamatake-Honeywell Co., Ltd. After the alliance agreement with Honeywell was revised in 1997, the Building Automation and Advanced Automation businesses have been developing their operations independently, mainly in China and other Asian countries, which were experiencing notable economic growth and maintaining brisk capital spending. Currently, Yamatake has subsidiaries, affiliates, business offices and manufacturing facilities in 14 countries and 25 locations, and has been expanding its businesses by selling various type of sensors, valves, positioners and other products, nurtured through Yamatake's technologies and expertise. Business models attuned to the characteristics of each country are also being cultivated and expanded.

Fiscal 2007 Performance

Sales of products and systems for manufacturing industries by overseas subsidiaries and affiliates grew, but overseas sales rose only marginally from the previous term to ¥19.4 billion. Lackluster sales growth was attributable to the Building Automation business, in which flagging investment

by Japanese companies in China and the switch in some related orders to local construction channels weighed on results. However, in the Advanced Automation business, sales of products and systems for manufacturing industries by overseas affiliates increased, as noted, particularly in the important markets of China and other areas of Asia. That said, several factors such as the culmination of major projects in China and the Middle East in fiscal 2006, ended March 31, 2007, caused direct exports to drop off, with adverse repercussions.

In the Asian market, we anticipate healthy growth and development going forward. We will be establishing solid underpinnings for attaining new growth based on the unique characteristics of each country. As part of this effort, we are stepping up education and training at overseas subsidiaries and affiliates and working to enhance and expand our subsidiary networks abroad. In addition, we will be setting up subsidiary and sales offices in Vietnam, India, Dubai and other countries that are expected to attain additional growth. Moreover, we are upgrading our overseas production framework, introducing new products and actively working to further bolster our capacities in the solution service businesses for tackling the issues faced by our customers in each country.

Topics

Cutting-edge, Energy-saving Technologies for Buildings Introduced at Energy-saving Forum in China

In January 2008, Yamatake gave a presentation at the Fiscal 2007 China Building Energy-Saving Forum hosted in Beijing. We introduced specific examples of ways to reduce energy consumption by using BEMS (building energy management systems). Approximately 200 visitors attended our presentation, which was very well received. In China, where the government is promoting long-term strategies for energy conservation and environmental protection, Yamatake impressed attendees with its advanced solutions for saving energy based on its rich track record of experience. Looking ahead, we will expand energy-saving services for buildings in China and the rest of Asia to help promote reductions in energy consumption in each country.

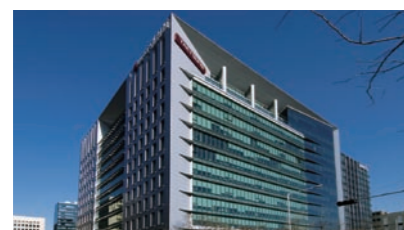


Largest Measurement and Instrumentation Exhibit in Asia

Yamatake and Shanghai Yamatake Automation Co., Ltd. operated a booth at MICONEX 2007, the largest exhibition for measuring and instrumentation equipment in Asia—held in Shanghai in September 2007. The Group's corporate philosophy and the azbil brand were introduced, and our booth highlighting new products and other displays proved especially popular. More than 35,000 visitors attended the exhibition, and many were attracted to Yamatake as a total supplier of instrumentation equipment.



Application*



TAEYOUNG CORPORATION

Yamatake's extensive experience and track record forged in Japan have now been put to use in South Korea's leading, cutting-edge building. Our building management systems create comfort for tenants while at the same time conserving energy.

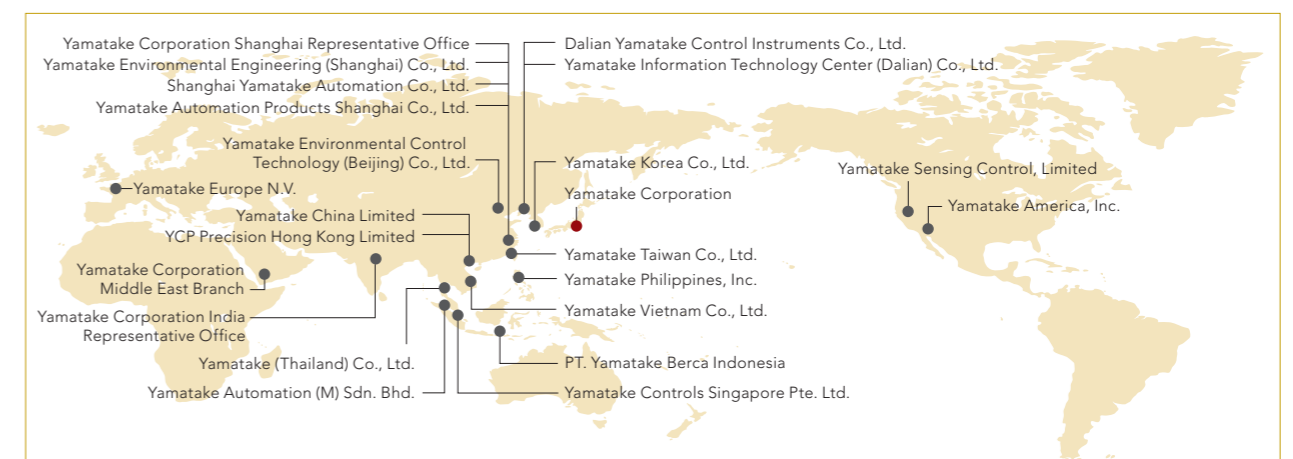
Close Up!

MagneW™ Two-wire PLUS+ Smart Two-wire Electromagnetic Flowmeter

Yamatake has completed the process of satisfying safety and explosion-proof regulations and other directives for this flowmeter series in Japan, the United States, Europe and major Asian countries. Since the launch in 2002, the MagneW™ Two-wire PLUS+ has been praised extensively for its ability to reduce power consumption to 1/100th the level of four-wire magnetic flowmeters, cutting energy use considerably and for easy installation and other advantages. Around 4,000 orders were received in fiscal 2006, and its market share has already grown to exceed 40%.



Overseas Network



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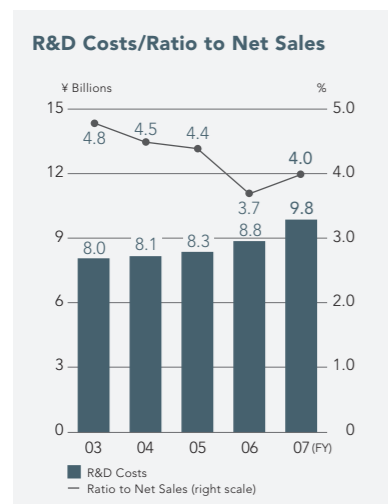
In order to achieve lasting growth, enterprises have to accurately gauge customer needs and quickly develop the necessary technologies. We are strengthening our R&D operations so that we can take advantage of intra-Group synergies and deliver appealing products to our customers in a timely fashion, thereby contributing to society through our core businesses.

R&D: Functions and Organization

The Company's R&D consists of two key functions: the technology development function, which conducts R&D to support the Company's core businesses; and the corporate R&D function, which in addition to supporting the development of measurement and control technologies and those technologies that are being developed in collaboration throughout the Group, also takes on the challenge of developing new, proprietary technologies. These functions are of equal importance and kept in balance in order to facilitate smooth communication and to commercialize new technologies as quickly as possible. This horizontal structure encourages the prompt sharing of technical information and customers' needs across the Group. We have established the Materials Engineering Department, which analyzes and evaluates the physical properties of materials at the development stage and undertakes basic research, and the Safety Design Department, which ensures safety and reliability and conducts research on how products should be designed for safety. Together, these two departments comprise our corporate R&D function, which seeks to respond to changes in the development environment from a Groupwide perspective. Through cooperation in these ways, Yamatake plans to continue furnishing safe and defect-free products to its customers.

R&D Investment

In fiscal 2007, ended March 31, 2008, Yamatake's total expenditures on R&D amounted to ¥9.8 billion, equivalent to 4.0% of net sales. From a strategic standpoint, our



investment is concentrated in growth areas and is carried out in a well-controlled fashion. R&D spending is geared toward two goals: technological development aimed at strengthening our core Building Automation and Advanced Automation businesses, and the development of new technologies for the Life Automation business.

Cross functional project teams are set up for developing topics that require especially close cooperation among business and marketing departments and Group companies. Such interaction between a wide array of personnel encourages technical assets to be shared even more effectively and enables more efficient management. Until now, our core operations have been in the Building Automation and Advanced Automation businesses. Since the automation needs of our customers have advanced and become increasingly diverse, we have been promoting a number of different measures to take advantage of synergies between the businesses in areas where there are strong connections between the two, allowing Yamatake to respond more quickly and flexibly. One of these measures was the consolidation of R&D operations and marketing operations at a new building at the Fujisawa Technology Center that was completed at the end of 2006. This has encouraged rapid sharing and dissemination of business information and made R&D project development more transparent, helping to accelerate R&D that leverages intra-Group synergies.

Directions of R&D Strategy in Business Framework

In the Advanced Automation business, R&D is focused on resolving issues connected with energy conservation, safety, product quality improvement and environmental responsiveness at factories and plants, as well as creating safe and comfortable working environments. We are working to develop products and systems that help our customers resolve key issues they face at their site, further enhance productivity, afford optimal results and maximize the potential of individual workers. In the Building Automation business, we are making strides in R&D designed for realizing comfort, functionality and energy conservation attuned to individual buildings, and furnishing comfortable and pleasant spaces that can raise intellectual productivity. In addition to our proprietary technologies, we are developing highly advanced building automation technologies using our cutting-edge engineering prowess and reducing lifecycle costs and CO₂ emissions. In the Life Automation business, we continue focusing our efforts squarely on developing technologies compatible with the Group's

existing technologies in services and precision measurement technologies, based on the expertise we have amassed over many years in measurement and control.

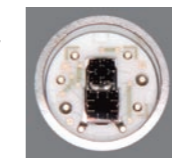
In corporate R&D, technological developments have a direct impact in contributing to businesses. Naturally, we are working to meet challenges to create high-performance and highly advanced proprietary technologies, and to promote basic research for developing new products and businesses in next-generation automation fields. Our core technologies are:

Microsystem Technologies

Yamatake has consistently been the industry leader in micro-device technologies, including Micro Flow™ sensors and sapphire sensors. Looking ahead, we will continue to proactively conduct research in areas such as microdevices and microsystems in order to respond to the growing trend towards miniaturization and precision in industries.

Measurement and Control Technologies

Among the many types of control technologies, our core expertise is in measurement and control for thermal comfort, and measurement and control in fluidics. In pressure sensors, not only are we strengthening our existing design and analyzing technologies and developing new technologies for manufacturing processes to keep pace with the market's demands for safety and dependability, but we are also beefing up our R&D efforts in semiconductor sensors combining various performance features such as differential pressure measurement, static-pressure measurement and temperature measurement.



High-performance multivariable dual sensor

Measurement Data Processing Technologies (Prediction and Visualization Technologies)

In addition to analyzing measured data, technology that helps people to make decisions by projecting and assessing future conditions, simulating and then visually representing these trends is important. By evolving and developing unique technologies such as our proprietary TCBM and RSM-S technologies, Yamatake contributes to the advances in automation in society.

Next-generation Automation system Technologies

Yamatake has adopted the latest network technologies (such as IP-v6), open-platform technologies (including Linux), database technologies, wireless technologies and other highly reliable technologies in research. For promoting and developing the next generation of automation systems, Yamatake is working under its "human-centered

automation" concept to revitalize its customers' systems, integrate data management and develop new solution technologies that revolve around humans and systems working in unison.

Micromachining Technologies

Yamatake is developing micromachining technologies for materials used in various high-performance sensors that are hard to cut, such as sapphires and stainless steel, and in precision jointing technologies.

Communication Services Technologies

Looking ahead, creating ways for information to be exchanged between people and also between people and systems/equipment and ways to analyze and break down quantitative data in these areas will become critical. One such critical area is development, and we are conducting research as a priority in technologies that model human cognitive traits and in visualization technologies that utilize correlations between causal elements and statistical methods.

Composite and Fusion Technologies in Measuring and Metering Field

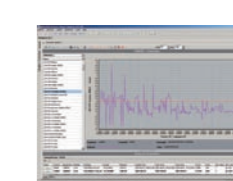
To ensure that we can offer a stable lineup of products, we are working to combine our own measurement and control technologies with the proprietary technologies for household gas meters and water meters honed over the years by Kimmon Manufacturing Co., Ltd. This should help us expand our lineup of more advanced products.

Creating On-site Value in Tandem with Customers in their Workplace

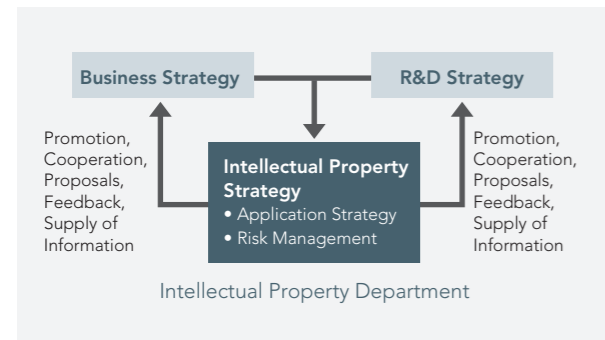


Naoyuki Aota
Core Technology Center
Research and Development
Headquarters
Yamatake Corporation

We conduct research into technology for adding value to measured data and provide support services for customer businesses while searching for insights connected with the next wave of development, including new priorities and new business needs. By visiting factory sites, seeing for ourselves how our products are used and applied and grappling with the priorities in the field, "we create value together with customers at their site," as outlined by our Group philosophy.



Yamatake believes intellectual property is an important business resource, and as such the Company ranks its intellectual property strategy as one of its key business strategies. This strategy forms an important triumvirate in combination with business and R&D strategies. The Company is enacting its intellectual property strategy with a focus on building a patent network in major product lines and technological fields, and managing risks from any infringements of intellectual properties of other companies.



Devising and Enacting the Intellectual Property Strategy

In fiscal 2007, ended March 31, 2008, Yamatake enacted the following measures to further strengthen its intellectual property strategy:

- 1 Built a patent network in major product lines and technological fields
- 2 Minimized risks from patent infringements in Yamatake business areas—to strengthen its evaluation system for possible infringements of patents of other companies, etc.
- 3 Developed integrated intellectual property controls for the Group companies—to clarify overall Group management policies for their intellectual properties, etc.

Building Patent Network in Production and Technological Fields

Patent Applications in Japan

Having made significant headway in bolstering its intellectual property strategy, we were able to file 330 patent

applications in fiscal 2007, nearly double the 173 filings in fiscal 2006. In applying for patents, intellectual property is appraised for its commercial and technological aspects and described in visual formats in these areas. Appropriate feedback for the business and R&D departments, and the resulting analysis, is crucial for developing business and R&D strategies. We apply this methodology for patent portfolio management and work to achieve tangible results through the process.

Number of Patents Held

Yamatake holds 964 patents in Japan and 374 patents overseas, and figures in both areas have been increasing every fiscal year. For our registered patents in Japan, we have devised standards for appraisal and are taking appropriate steps for maintaining and managing patents. For overseas patent holdings, the numbers have been trending higher in response to the globalization of our businesses. Particularly in China and Asia, our granted patents have been rising notably and will have a positive effect for preventing counterfeiting.

Strengthening Evaluation System for Patent Publications of Other Companies

We are working to avoid disputes involving our products with patents belonging to other companies by evaluating patents based on a unified evaluating system. Since introducing a network system using electronic tools in June 2007, we have been able to check more than 1,000 official open patent publications of other companies each month. We believe this will reduce business risks and greatly increase our freedom to promote R&D.

Regulations for Employee Inventions

Regulations for employee inventions were revised on January 1, 2006 to more strictly oversee the Company's intellectual property rights in line with amendments to the Patent Law, with the aim of providing greater encouragement and incentives to inventors. Inventors compensation based on the regulations includes subsidies for applications and registration, and compensation for achievements, and we have continued to provide payments along these lines. Subsidies for applications consist of payments to employee inventors for patent applications and design patent applications when inventions are furnished by personnel to the Company. Subsidies for registration are payments made to employee inventors when patent applications and other intellectual property are registered. Compensation payments for achievements denote payments made to employee inventors in response to rights appraisals when the Company itself uses an invention, when it is licensed to other companies or when rights are transferred to other parties. There are no upward limits to the rewards for these compensation rights.

Integrated Intellectual Property Management for the Group Companies

Policies for the Group's intellectual property management were clarified when Kimmon Manufacturing Co., Ltd. was converted into a wholly owned subsidiary on April 1, 2008. This has facilitated uniform management and oversight of patents and other intellectual property belonging to Group companies. In addition, all operations concerning Kimmon's intellectual property, ranging from patent applications to support, administration and the management of rewards and compensation systems, are now under the control of Yamatake's Intellectual Property Department.

Policies for Counterfeit Products

Our most forthright efforts have been directed at strengthening intellectual property in Asia for detecting pirated versions of the Company's products. In fiscal 2007, we found counterfeit products in China and made diligent efforts to enhance our capabilities for patent, design and commercial application in all appropriate countries.

Trademark and Design Management

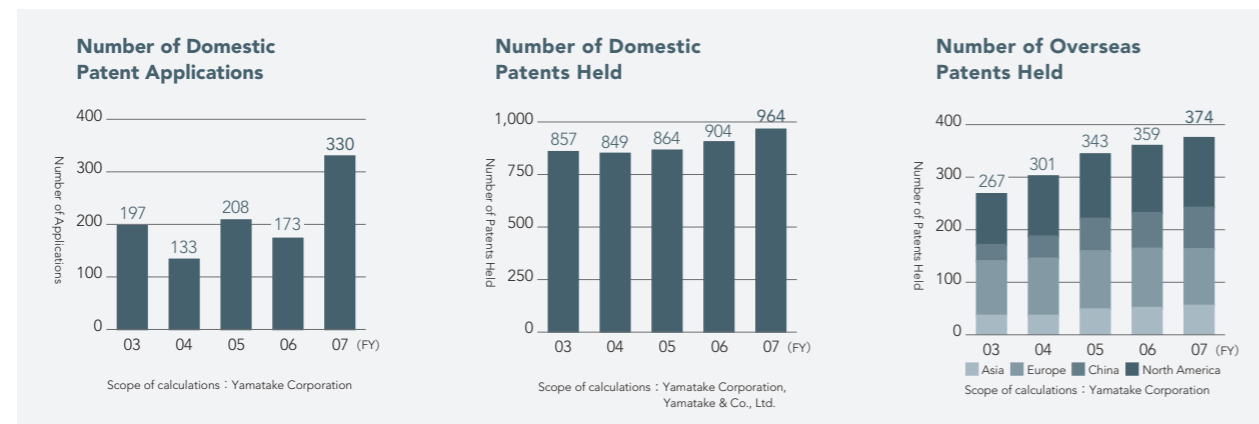
Brand is the most important business resource, and we are focusing efforts on further boosting brand recognition. The Group symbol azbil, created in commemoration of our 100th anniversary, affords new avenues for reinforcing brand strengths. From an intellectual property standpoint, we are investigating trademarks, applying for trademarks and making other efforts to manage our brands in different countries. Also, for design patents we are stepping up applications for design controls in China, mainly in recognition of needs to cope with counterfeit products there.

Number of Trademark Applications and Registrations

	Japan	Overseas	Total
Applications (fiscal 2007)	18	52	70
Registrations	461	244	705

Number of Design Patent Applications and Registrations

	Japan	Overseas	Total
Applications (fiscal 2007)	15	28	43
Registrations	146	88	234

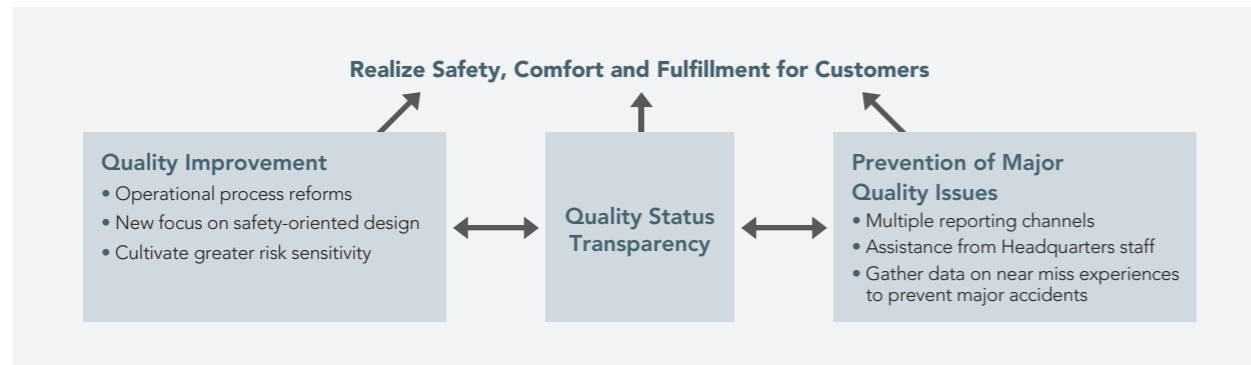


Reinforcing Intellectual Property Strategy, Rapidly Increasing Patent Application Numbers

Norio Murase
General Manager
Legal and Intellectual Property Department
Yamatake Corporation

Yamatake has continued strengthening its strategy for intellectual property. The number of our patent applications grew rapidly in fiscal 2007. The increase was attributable to fruitful results from our intellectual property strategy, greater efficiencies from consolidating R&D functions at the Fujisawa Technology Center, more effective actions in the intellectual property field and a stronger relationship between the R&D departments and Intellectual Property Department.

The Group took crucial new steps in fiscal 2007, ended March 31, 2008, on a Groupwide basis for further enhancing safety, comfort and fulfillment through its products and services. Our initiatives here are centered on enhancing strengths in three areas: preventing major accidents before they occur, further improving product quality and making the quality status transparent.



Preventing Major Accidents Before They Occur

A single mistake in responding to an accident can cause mishaps that incur major losses for customers and for the Group. We are working to prevent such occurrences in the following manner. First, we have built a multiple-route reporting system for secure and speedy information transfer to the top management and a support team composed of our corporate staff. These help prevent accidents from spreading and minimize damages, and prevent customers from losing confidence in the overall quality of our products should a minor quality problem occur. Second, for education and training, we glean the lessons to be learned from major accidents in the past through the case method for increasing risk sensitivity among our employees. Third, based on growing opportunities afforded by stricter social demands for product safety, we established the Safety Design Department into our corporate structure for ensuring product safety from the design stage.

Further Improving Product Quality

Our initiatives for further improving product quality center on reducing defects and flaws in manufacturing, design, services, engineering and other areas. They require strengthening our approaches for seriously delving into and finding the reasons why flaws occur further, and revolutionizing the way we work in order to eliminate the root causes of defects.

Making the Quality Status Transparent

The Group gleans specific observations from analytical surveys asking about levels of satisfaction with the quality of products, services and other operations for contributing to safety, comfort and fulfillment for its customers, about their understanding of the azbil concept, and about their recognition and understanding of the Group's brand value. In addition to focusing on customer satisfaction. In addition to paying attention to levels of customer satisfaction, we also monitor trends in "defect results" indices and other internal indices relating to products and services. We then utilize this information for measures to improve product quality and increase customer satisfaction.

The Group possesses sophisticated measurement technologies recognized under the Japan Calibration Service System (JCSS) in the temperature, pressure, humidity and flowrate categories under the Measurement Law. We help maintain product quality through our measurement technologies for swift and ongoing calibration of measuring instruments.

Measurement Technologies for Maintaining High Product Quality

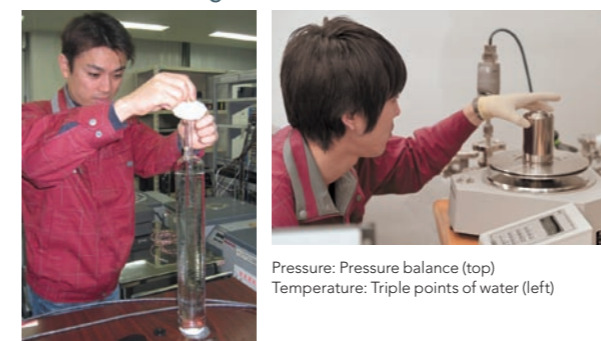
Yamatake's Measurement Standards Center is accredited (registration number 0155) to certify calibration in the temperature, pressure and humidity categories by the JCSS under the authority of the Measurement Law. As of May 2008, the Center had filed for accreditation in the electricity (direct current and low frequency) category. Also, the Calibration Service Center at Kimmon Manufacturing Co., Ltd., a Group member, is accredited in the flowrate category by the JCSS (0134), cooperating with Yamatake in creating measurement technologies for sustaining product quality. Measurement technology is an essential component for consistent product quality. This technology is used for correctly calibrating measuring equipment and for measurement and control that is capable of achieving the high levels of precision that can be used in development and manufacturing. For maintenance and control, measurement management systems are employed to manage the huge volumes of data for measuring equipment, and calibration is carried out regularly while ensuring the traceability of national standards.

For products using quantities not corresponding to national and physical standards, we are able to develop and manufacture high-precision, high-quality products by verifying precision according to the theories and principles of physics and through rapid and high-precision calibration of measuring equipment.

Certification as a Calibration Service Provider

Our Measurement Standards Center was accredited to undertake calibration testing and provide certification in the temperature and pressure categories on February 21, 2007 and in the humidity category on September 7, 2007 by the JCSS in accordance with the Measurement Law. Calibration operation is based on the traceability system under the Measurement Law.

Calibration Testing under the Measurement Law



Pressure: Pressure balance (top)
Temperature: Triple points of water (left)

Quality Systems and Calibration Technologies Required by Accredited Laboratories

- ISO 17025:2005 (quality specification for testing facilities and calibration organizations) standards must be satisfied, and facilities are inspected by accrediting authorities. The Measurement Standards Center is building quality systems in electronic formats and taking steps to further enhance efficiencies for testing and certification.
- Tests must be passed to ensure technological capabilities in each category for calibration, and the proficiency of calibration technologies is verified. The physical basis must be shown to be sufficient, and applications are filed for the scope of calibration and maximum testing capacity, after which the range of calibration operation is accredited.
- Our highest numerical values for measurement capabilities are disclosed to the public via the laboratory accreditation system. These figures testify to our capabilities in measurement technologies.
- After receiving approval from accrediting agencies under standards for international mutual recognition agreements (MRA), certificates with the MRA JCSS symbol for International Laboratory Accreditation Cooperation (ILAC) are issued as proof of accreditation.

Superior Measurement Technologies Upholding Highly Precise Physical Standards

Many of the physical standards for calibration in Japan are furnished by national research organizations. For Yamatake, these now include pressure, temperature, humidity, electricity, flow, vacuum, length, frequency and mass. Of these, the Company can maintain especially highly-precise physical standards owing to the direct supply of physical values by Japanese national research arms in four categories—pressure, temperature, electricity and humidity. Reliable measurement technologies are a main requirement for satisfying these highly-precise physical standards. They are verified under the JCSS calibration laboratory accreditation system. Conditions for Stable Humidity Crucial for Superior Measurement Capabilities

Performance in measurement capabilities are proof of highly advanced calibration technologies with an accredited calibration laboratory.

Yamatake Building Systems Company's Inflex CR Energy-saving Controller for clean rooms provides stable air-conditioning control in the standards rooms for calibration 24 hours a day 365 days a year. It effectively stabilizes humidity, providing the conditions for highly accurate calibration.