



2008 Group Sustainability Report



azbil report 2008



Group Philosophy

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

To achieve our philosophy,

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

Yamatake marked its 100th anniversary in October 2006. Using this as an opportunity for the Group to leap ahead into its second century, we created a new symbol to unify all employees of the Group, enabling them to demonstrate the necessary teamwork to solve customers' problems.

azbil (Automation · Zone · Builder) reflects our Group philosophy of "realizing safety, comfort and fulfillment in people's lives, and contributing to the global environment through human-centered automation."

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

Unified by azbil, the Yamatake Group will continue to strive to create a corporate culture for innovation that will enable the Group to meet the expectations of its shareholders, customers, local communities and society at large.

Cautionary Statement: Statements made in this report with regards to Yamatake's plans, targets and strategies and other statements without historical facts are forward-looking statements about the future performance of Yamatake Corporation and its subsidiaries. These projections are based on management's assumptions, intent, and expectations in light of the information currently available to it, and therefore these statements are not guarantees of future performance.

Due to various factors, actual results may differ from those discussed in this document. Such factors include but are not limited to: 1) general economic conditions in Yamatake's markets, particularly levels of capital investments; 2) exchange rates, particularly between the Japanese yen and U.S. dollar and other currencies in which Yamatake makes significant sales or Yamatake's assets and liabilities are denominated; and 3) continued acceptance of Yamatake's products and services offered in highly competitive markets characterized by development of new technologies and the advancement of the global economy.

- The social report was compiled with reference to the Sustainability Reporting Guidelines 2006 (Global Reporting Initiative). Figures and monetary amounts less than whole units have been omitted.
- The environmental report was compiled with reference to the Environmental Report Guidelines 2007 (Ministry of the Environment) and the Sustainability Reporting Guidelines 2006 (Global Reporting Initiative). Figures and monetary amounts have been rounded to the nearest whole unit.
- Financial data and financial statements have been prepared based on "Japanese GAAP" and amounts have been rounded.

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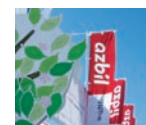
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What is the azbil report?

This azbil report is an important tool for the Yamatake Corporation and its subsidiaries (the "Group") in communicating with stakeholders. By combining the Group's annual, environmental and social reports into a single volume—to enable deeper understanding of its business activities—we have compiled an easy-to-understand report on the Group's philosophy, business contributions and challenges facing it in the areas of the environment and society.

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azbil report editors



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

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.

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.

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.








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.

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.

The History of Yamatake

1906	1950	1960	1970	1980	1990	2000	2008
Towards Continued Growth 1906 <ul style="list-style-type: none">Takehiko Yamaguchi establishes Yamatake Shokai 1939 <ul style="list-style-type: none">Kamata Factory begins operations	1953 <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 1958 <ul style="list-style-type: none">Public share offering	1961 <ul style="list-style-type: none">Listing transferred to the Second Section of the Tokyo Stock ExchangeFujisawa Factory (present-day Fujisawa Technology Center) begins operations 1966 <ul style="list-style-type: none">Yamatake-Honeywell Keiki Co., Ltd. changes its name to Yamatake-Honeywell Co., Ltd. (present-day Yamatake Corporation) 1969 <ul style="list-style-type: none">Listing transferred to the First Section of the Tokyo Stock Exchange	1972 <ul style="list-style-type: none">Samukawa Factory (present-day Shonan Factory) begins operations 1973 <ul style="list-style-type: none">Isehara Factory begins operations  savic-net™ 50		1990 <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 1997 <ul style="list-style-type: none">Strategic alliance agreement with Honeywell is replaced by business unit agreements 1998 <ul style="list-style-type: none">Yamatake-Honeywell Co., Ltd. changes its name to Yamatake Corporation	2002 <ul style="list-style-type: none">Equity alliance with Honeywell is terminated 2005 <ul style="list-style-type: none">Corporate headquarters relocates to Marunouchi, Tokyo, and sales operations are consolidated in ShinagawaYamatake acquires effective control of management of Kimmon Manufacturing Co., Ltd.	2006 <ul style="list-style-type: none">Yamatake introduces its new corporate philosophy and establishes azbil as its Group symbolYamatake celebrates its 100th anniversaryYamatake completes the construction of a new technology building at the Fujisawa Technology Center 2007 <ul style="list-style-type: none">R&D functions are consolidated at the Fujisawa Technology Center 2008 <ul style="list-style-type: none">Kimmon becomes a wholly-owned subsidiary through a share exchange
Towards Further Technological Innovation 1933 <ul style="list-style-type: none">Builds dedicated factories for industrial instruments, starts manufacturing flowmeters, float level gauges and carbon dioxide gas analyzers 1948 <ul style="list-style-type: none">Begins importing electronic meters from Honeywell, of the U.S.	1958 <ul style="list-style-type: none">Begins manufacturing basic microswitches in Japan	1968 <ul style="list-style-type: none">Develops 6J central air-conditioning control system  Micro electro-mechanical instruments and micro-pneumatic instruments	1972 <ul style="list-style-type: none">Unveils Delta 2000 central control system for buildings 1975 <ul style="list-style-type: none">Jointly develops TDCS™ 2000 distributed control system for industrial automation with Honeywell, announces first product  TDCS3000™ LCN	1984 <ul style="list-style-type: none">Begins sales of FE7 series of photoelectric switchesDevelops MagneW™ 3000 electromagnetic flowmeter 1985 <ul style="list-style-type: none">Develops CV3000 series of control valves, the world's most advanced series of its kind 1988 <ul style="list-style-type: none">Begins sales of disaster and security systems	1995 <ul style="list-style-type: none">Begins sales of Harmonas™ automation system for industrial use  Harmonas™	2000 <ul style="list-style-type: none">Develops world's first high-precision, highly corrosion-resistant sapphire pressure sensors 2003 <ul style="list-style-type: none">Begins sales of Infilex™ AC and Infilex™ ZM air-conditioning controllers  Digital controller for air-conditioning	2006 <ul style="list-style-type: none">Begins sales of savic-net™ FX building management system, security systems and Intelligent Compo 2007 <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 environmentThe Measurement Standards Center becomes accredited under the Japan Calibration Service System in three calibration categories: pressure, temperature and humidityBegins sales of WiSensor™ wireless network system
100 Years of History and Our Philosophy <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>				Towards a Sustainable Society			
<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>			
				 Fujisawa Technology Center			

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.

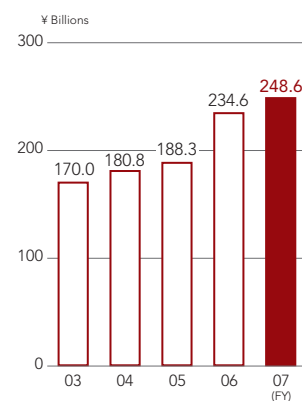
International Businesses

- 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.

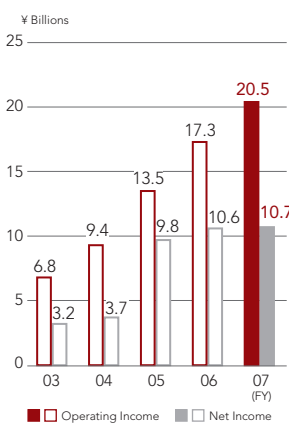
Aiding the Environment and Communities

- 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.

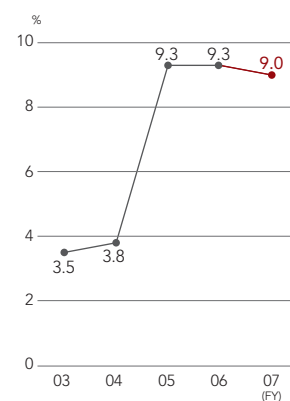
Net Sales



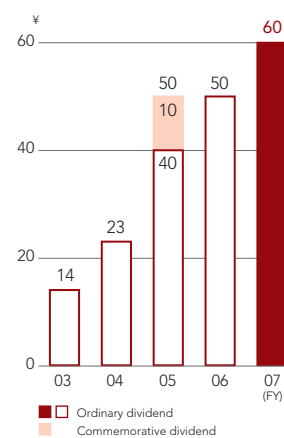
Operating Income/Net Income



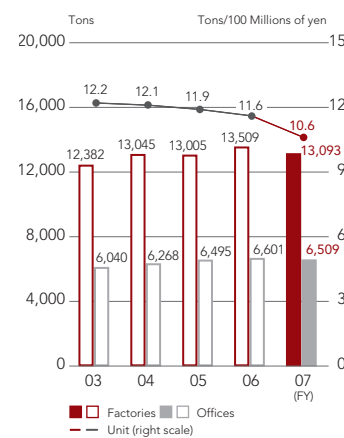
Return on Equity (ROE)



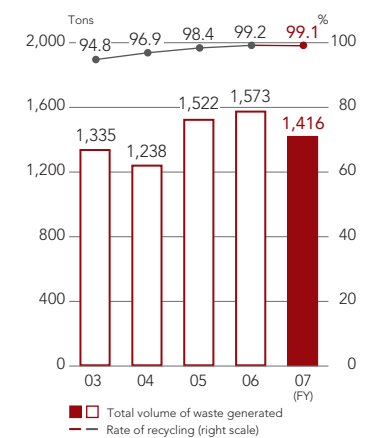
Cash Dividends Per Share



CO₂ Emissions/Unit



Total Volume of Waste Generated/Rate of Recycling





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.

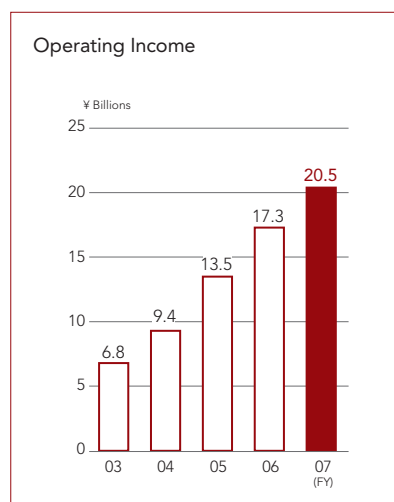
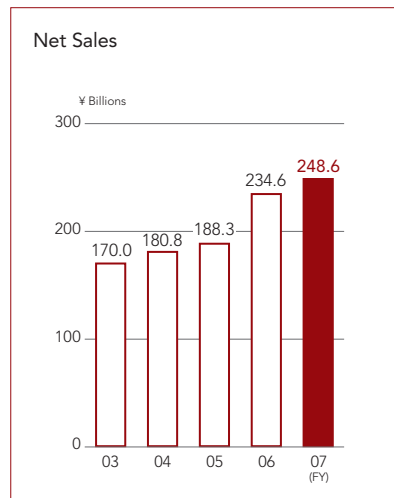
One such synergy centers on the "Kimmon-Yamatake Jump-Up Plan." By stepping up cooperation within the Group, we are working to further reinforce the business foundation and improve the profit structure at Kimmon which is the Group's mainstay company in the Life Automation business. In April 2008, this 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.

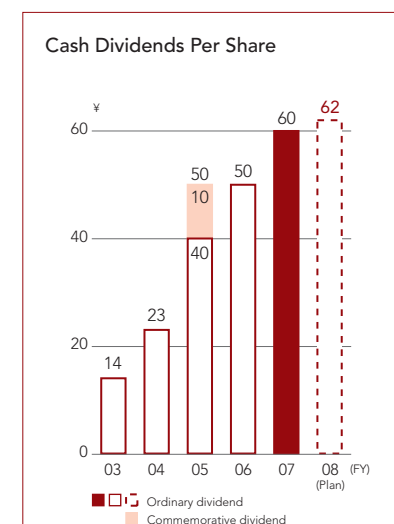
Q. Fiscal 2008 marks an important threshold for reaching Yamatake's 10-year long-term goal. Tell us about the Group's positive efforts toward attaining this goal.

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.



Special Features

By pursuing “human-centered automation,” our core businesses contribute to the realization of a sustainable society.

As problems including global warming, an aging society and risk management deepen, societal conditions are changing with dizzying speed. In addition to individual and regional initiatives, these conditions call for technology, ideas and action transcending companies and countries.

Contributing as a corporate citizen to the realization of a sustainable society lies at the heart of the Group philosophy. In order to provide people with “safety, comfort and fulfillment,” we will draw on rich human resources, advanced technical skills, on-site capabilities and measurement and control technologies developed over many years as a leading manufacturer of control equipment to play useful roles in a wide array of business areas.

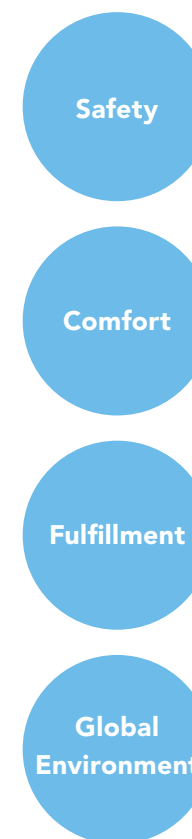
In core businesses, we pursue “human-centered automation” and address such issues as global warming to contribute to the creation of a better society.



“Human-centered automation” Supporting Society

To help realize a better society, we are applying the concept of “human-centered automation” in a wide range of measures, tackling such issues as conserving energy and reducing CO₂.

Group Philosophy



Examples of Our Solutions

- Enabling people to live safely through “lifeline” essential utilities**
Gas meters and water meters with automatic shut-off functions
- Ensuring comfort at work and in everyday life**
Building automation systems and industrial automation systems that improve the comfort of living spaces and reduce workloads
- Ensuring the safety of food production and logistics**
Production management systems that prevent operational errors, logistics management
- Ensuring safety at work and in everyday life**
Security-support solutions for building security management, plant security and safety management
- Enabling energy conservation in buildings and factories**
Operational improvement based on analysis of current status to reduce the CO₂ buildings produce and the amount of energy factories use
- Enabling environmental recycling**
Provision of equipment and consultations for recyclable food resources (kitchen waste)
- Standardizing manufacturing and management expertise**
Creation of databases of experienced employees’ knowledge and expertise; provision of systems support
- Providing services, including nursing care, nursing-care prevention and emergency dispatch**
Specialist nursing care consultations and creation of care plans, provision of emergency dispatch services for elderly people living alone

The Society We Want to Help Create

- A society where people can live safely and in comfort
- A society with low carbon emissions
- A society based on recycling emissions
- A society adapted to an aging population and a declining birth rate

Toward a Low-Carbon Society 1 Conserving Energy in Living Spaces

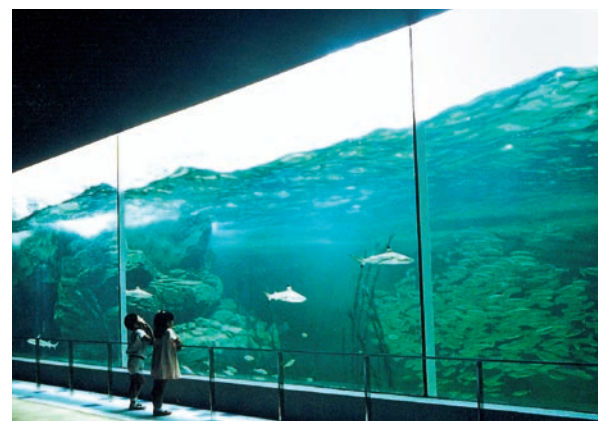
Crude oil price hikes have further focused worldwide attention on energy problems and on environment control technologies that offer reliable, effective ways of addressing these problems through highly efficient energy-conserving devices. Furthermore, mindful of its responsibilities as the chair of the Toyako G8 Summit, the Japanese government has stepped up energy conservation measures not only in the industrial sector, which accounts for approximately half of the energy Japan uses, but also in the general consumer and transportation sectors, which have seen growing demand for energy in recent years. In response to those trends, azbil is developing one-stop environmental solutions businesses to help realize a low-carbon society. We achieve these solutions by exploiting technology for HVAC control, technology for calculating efficient energy conservation plans based on extensive experience and data, and our employees' abundant expertise and technical skills.

ESCO Business Overview

The ESCO (Energy Service Company) business comprises private-sector companies that advance energy conservation by offering comprehensive services combining technology, facilities, personnel, capital and other resources that are necessary for saving energy in factories and buildings. The investment required for energy-saving and operational improvements are all offset by lowering business expenses through energy savings, and energy reductions and plant refurbishments can be accomplished without harming the environment. This generates earnings for customers and helps preserve the global environment.

In Japan, the Group was a pioneering participant in ESCO businesses, and we continue to promote comprehensive energy-saving services centered on our Total Energy Management Service, or tems™.

Introducing ESCO Business Initiatives*



Reducing CO₂ Emissions

Suma Aqualife Park in Kobe

Based on a CO₂ reduction strategy that Kobe City prepared, Suma Aqualife Park became the first aquarium in Japan to embark upon an ESCO project. Moreover, it was the first time Kobe City had taken on such a project at one of their facilities. Upgrading the control systems for aquarium water circulation pumps and HVAC reduced energy usage of such equipment by 46.1%, the equivalent of 400 tons of CO₂ and more than 260 kl of crude oil annually.



Winner Silver in the Superior ESCO Business Awards

Kanbara General Hospital

At Kanbara General Hospital, we implemented the first ESCO project for local government in Shizuoka Prefecture. By upgrading heating equipment, we realized approximate annual reductions of 23% for energy usage and 20% for CO₂ emissions. As the first of its kind at a Tokai region hospital, the ESCO project attracted a lot of attention from the local community. Also, in 2007 the project won silver at the Second Superior ESCO Business Awards organized by the Energy Conservation Center, Japan.



Realizing Japan's First Support-type ESCO Project for Energy Conservation Operations SELVA Shopping Center

At the SELVA shopping center in northern Sendai, in Miyagi Prefecture, we achieved Japan's first support-type ESCO project for energy-conserving operations. The project incorporates an innovative scheme whereby the benefits are distributed not only to the owner and the ESCO provider but to the building management company if the facility outperforms energy conservation targets. In 2008, the project received a special prize at the Third Superior ESCO Business Awards.

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

Toward a Low-Carbon Society 2 Conserving Energy in the Industrial Sector

Conserving energy, manpower, and resources and reducing CO₂ emissions in the industrial sector through automated control of utilities production plant



Toyota Motor Corporation's Tahara Plant

As part of efforts to conserve energy and resources at the Tahara Plant, we introduced the U-OPT (Utility Optimization) System for utilities production plant, which eliminates waste, inconsistencies and overloading in energy usage. By achieving efficient operation of utilities production plant, we helped the plant conserve energy and manpower and reduce CO₂.

Reducing CO₂ Emissions from Energy Usage

Since its establishment, Toyota Motor Corporation has sought to enrich society through automobile manufacturing. Toyota is pursuing sustainability through its three sustainable concepts "Technology," "Manufacturing" and "Social Contribution." As part of those efforts, Toyota hopes to achieve sustainable plants. Since 2002, Toyota has been furthering power innovations in the automotive field through the introduction in stages of systems that support the efficient operation of utilities production plant at its plants. One such plant is Tahara, which produces 500,000 vehicles a year, including hybrid vehicles under the high-end Lexus brand.

At the Tahara Plant, hot and cold water generated from such utilities production plant as boilers, cogeneration systems, chillers and thermal storage tank is supplied throughout the year to the plant's buildings and paint lines. As temperature and humidity levels affect painting quality, stable air-conditioning is critical. When utilities production plant is controlled manually, operations tend to supply more energy than needed. By introducing automated control of utilities production plant, we helped the plant achieve efficient operations that minimize energy, manpower and resources as well as reduce CO₂ emissions.

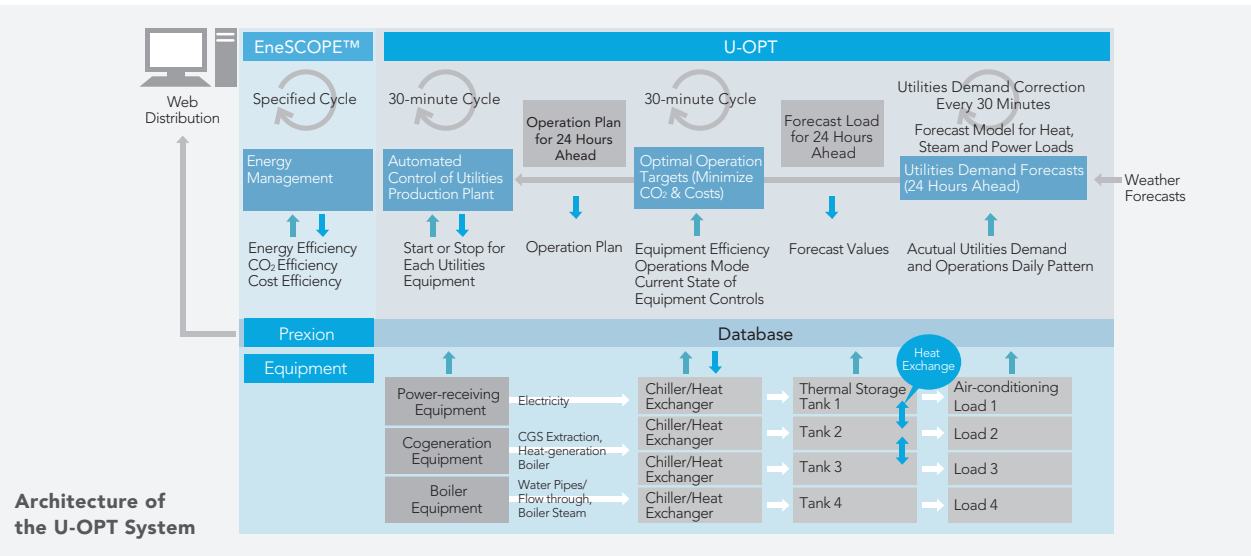
Yamatake Implemented U-OPT System that Customers Can Use with Confidence at Their Sites

In 2006, the Tahara Plant launched a project to introduce support systems for utilities production plant to eliminate waste, inconsistencies and overloading in energy supply. For the plant's utility support systems, Toyota chose to adopt Yamatake's U-OPT System software package, which optimizes energy supply to minimize the CO₂ emissions and energy costs of utilities production plant. Mr. Konno of Toyota commented, "We use many of Yamatake's field instruments in the plant. We always rely on Yamatake because whenever there is a problem, it only takes one telephone call, and they quickly respond. We have chosen them as a partner because we can confidently entrust them with work."

At the Tahara Plant, which operates 24 hours a day, Yamatake advanced the project based on exhaustive consultations and discussions with the plant's personnel on how best to change over from existing operational systems to automated control systems.

Furthermore, before actually starting up the system, we conducted verification for one week. We did that to check the reliability of the system and eliminate any uncertainty among the plant's employees about automated control. Working round the clock in shifts, Yamatake employees spent time consulting with personnel at the plant and helping them transfer from the existing operating system to an automated control system.

Mr. Fujiwara of Toyota recalls that "When building the system, Yamatake heeded the opinions of our employees on-site and took into consideration equipment rotation and constraints of continuous operation. As a result, they created a system that plant personnel find easy to use. Also, the transition went smoothly because, when differences



arose between the direction of operations based on our experience and optimized operations by automated control, Yamatake provided us with readily understandable reports supported by data." As a consequence of this project, the plant's personnel now confidently rely on U-OPT System to control the operation of utilities production plant.

In addition, to further optimize the plant's energy usage, we use the energy management tool, EneSCOPE™, and implement an ongoing PDCA (Plan, Do, Check, Act) cycle. Yamatake is also responsible for adjusting utilities production plant when the plant conditions alter due to production line changes.

Toward Realization of Sustainable Plants

We estimated the introduction of our systems would reduce the plant's CO₂ emissions by 6%. In fact, we achieved reductions of between 4% and 7% in summer and 3% in winter. Of course, our systems also lightened the workload of plant personnel. Moreover, the difference between U-OPT System's energy-use projections and results was only ±3%.

Mr. Tsuda of Toyota remarked, "Because they enable highly accurate projections, Yamatake's systems meet this plant's need for stable supply and stringent control. Also, for a large plant using huge amounts of energy, reducing CO₂ emissions by 4% to 7% is very significant. And, we expect further benefits this year when we begin full-fledge operation of the systems."

Thanks to the success of this project, Yamatake is currently building a U-OPT System for utilities production plant at Toyota's Kinuura Plant, which manufactures drivetrain parts. At the Tahara Plant, which is in its second year of using the U-OPT System, we plan to develop an even more effective system by using EneSCOPE™ to realize continuous improvement and also apply to equipment maintenance. In addition to regular maintenance, collected data will enable appropriate maintenance based on the present condition of equipment.

Mr. Konno of Toyota commented, "With next year's 30th anniversary approaching, we launched our sustainable plant initiative at the Tahara Plant. So that the local community continues to view the plant's presence in a positive light, we have to meet environmental management targets without fail. With that in mind, we will rely on Yamatake's ability to deliver solutions based on an intimate knowledge of our worksites."

Glossary

U-OPT: Utility Optimization System Software Package
U-OPT System has two major functions: to predict utilities demand, such as steam, cooling water and electricity, for the upcoming 24-hour period, and to optimize utilities production plants to better minimize costs and CO₂.

EneSCOPE™ Energy Monitoring, Analysis and Management System
EneSCOPE™ enables PDCA cycles in ongoing energy conservation activities by collecting, analyzing and managing data on the usage volumes of electricity, various types of fuel, steam and water. This energy management system allows plant managers to "visualize" energy usage volumes, CO₂ emission volumes and how much energy chillers, boilers and other heat source equipment are using.

Tahara Plant, Toyota Motor Corporation

Location: 3-1, Midorigahama, Tahara City, Aichi Prefecture, Japan
Start of operations: January 1979
Main products: Lexus (LS, GS, IS), Land Cruiser PRADO, etc.
On a consolidated basis, Toyota is vying to become the world's largest automobile manufacturer in terms of vehicle production. The company brought hybrid vehicles to market ahead of competitors and is advancing a range of industry-leading environmental measures.



Hiroaki Konno
Manager, Power Supply & Maintenance Section No. 4, Plant Engineering Division



Shiyunji Tsuda
Plant Planning Department, Plant Engineering Division



Masukuni Fujiwara
Power Supply & Maintenance Section No. 4, Plant Engineering Division

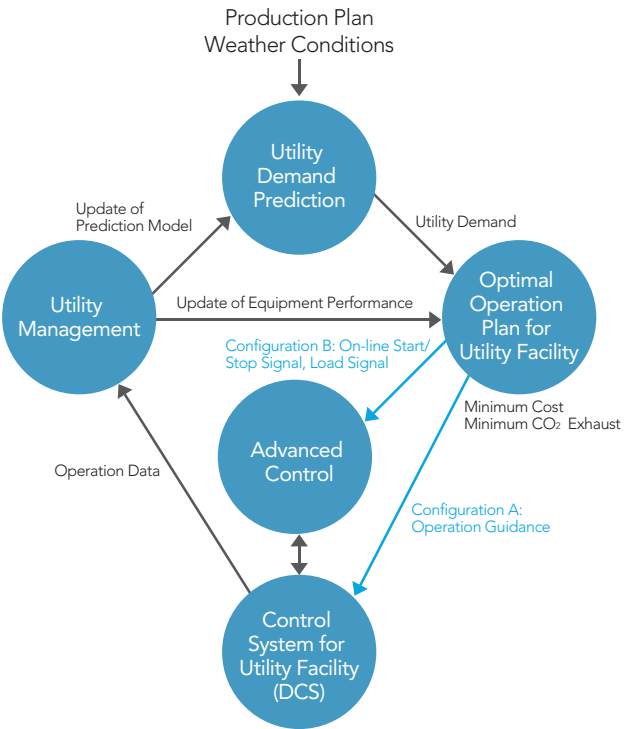
*Shown here is an example order showcased in our public relations brochure. It is shown with the permission of the customer.

Toward a Low-Carbon Society 3 Contributing to CO₂ Reduction through the Research and Development Sector

In order to realize a low-carbon society, rather than forcing ordinary people to assume the burden of CO₂ reduction, we must develop the technological capabilities to reduce CO₂ while providing “safety, comfort and fulfillment.” The wellspring of the Group’s growth is original research and development focused on measurement and control technologies. Accordingly, we are strengthening and stepping up the pace of research and development through the Fujisawa Technology Center, in which, upon its completion in 2006, we consolidated our advanced technology development departments. This section showcases some development achievements of recent years that have already become innovative products or integral parts of one-stop environmental solutions businesses, which are conserving energy and labor and reducing CO₂ emissions in buildings and factories.

U-OPT
Minimizing the CO₂ Emissions and Energy Costs of Energy-producing Systems
U-OPT is a system that improves energy conservation and minimizes the energy costs and CO₂ emission volumes. U-OPT System achieves highly accurate load projections up to 24 hours in advance based on weather forecast data, outside air conditions and load results. Furthermore, to minimize CO₂ emissions, the system prepares optimal operational plans for boilers, cogeneration systems, chillers and thermal storage tanks. Also, the system’s simulation function allows plant personnel to examine the feasibility control methods for utilities production plant and improvements to operating plans. The system also has energy management functions that help realize further energy conservation by allowing personnel to monitor efficiency and understand effects (please see pages 20–21 for examples).

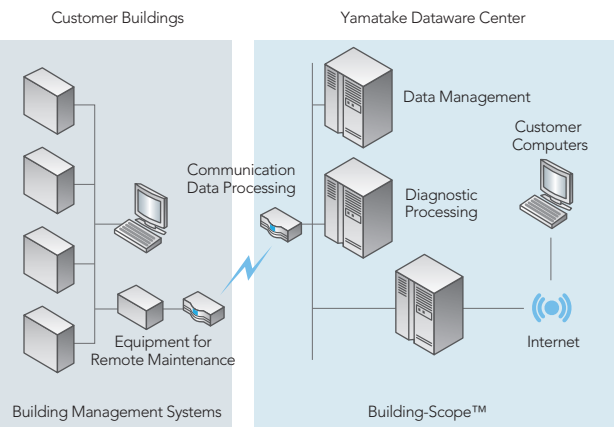
Building-Scope™
Contributing to Responses to the Revised Law Concerning the Rational Use of Energy through Building-Scope™ Energy Data Delivery Service
Analysis of energy operations is essential to conserve energy used by buildings while maintaining their comfort. However, analysis of energy operations places a considerable burden on building owners because it involves complex and difficult tasks that include checking meters, collecting data and analyzing and preparing graphs. Building-Scope™ is a groundbreaking energy and indoor comfort data service, which collects building management data on temperature, humidity and other indicators through connections between the building management systems of



customers that have concluded system maintenance contracts and Yamatake Dataware Center. We process the data on energy usage and indoor comfort, covering the period up until the preceding day, to make it easily digestible for customers. We then deliver it to them via the Internet. Amid the increasing stringency of energy-related and environmental laws and statutory regulations in recent years, our service enables building owners to comply with the energy usage targets for buildings while creating comfortable living environments.

Intelligent Compo Series
Achieving Further Energy Conservation in Buildings through Intelligent Control Terminals, the Intelligent Compo Series: From Position Control to Flow Volume Control
Through the incorporation of microcomputers within building automation equipment, such as sensors, dampers and valves and the use of control terminals, the Intelligent Compo series enables the collection of site-specific control-related data that was previously impossible to collect. In the Intelligent Compo series, ACTIVAL™, a motorized control valve with flow measurement and control functions, can maintain optimal flows by measuring through-flow volumes in addition to conventional valve functions. Therefore, the product enables optimal building operations that conserve energy and reduce CO₂ emissions.

Energy Conservation PDCA
Providing and Verifying Energy Conservation Solutions for Buildings Based on Energy Conservation PDCA Data
Since a building’s energy consumption varies greatly according to weather conditions and usage, expertise in equipment as well as planned verification of energy data are required. At Yamatake, we apply our original data processing technologies, such as RSM-S (Response Surface Methodology by Spline), which capitalizes on our research into datamation technology (multivariate data processing technology), and TCBM™ (Topological Case-Based Modeling) to create models of a building’s energy consumption characteristics from operational data collected from building management systems. Based on these models, we provide energy conservation solutions tailored to individual buildings. Using the results of these solutions, we advance PDCA cycles in tireless pursuit of further energy conservation.

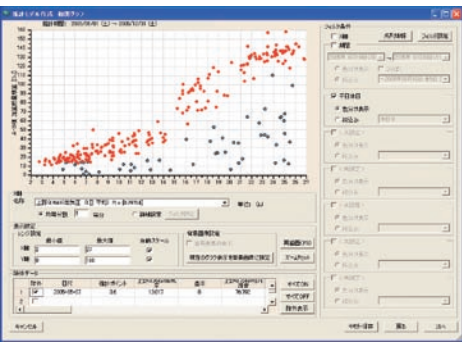


Basic Structure

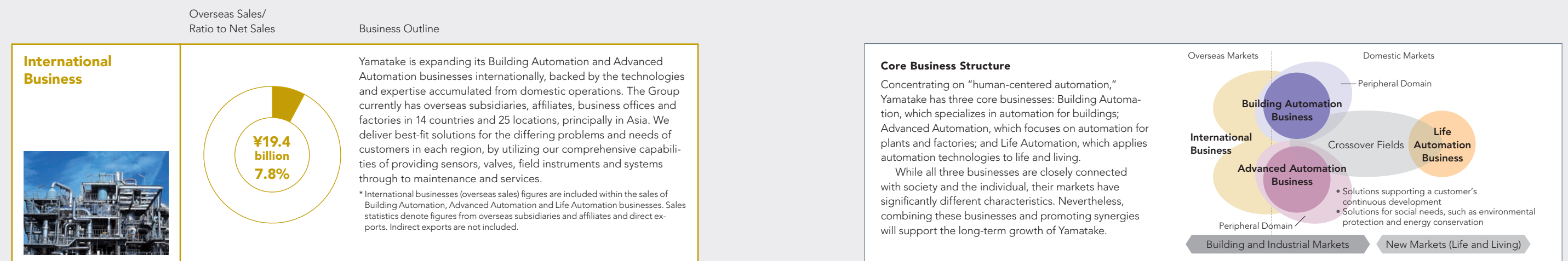
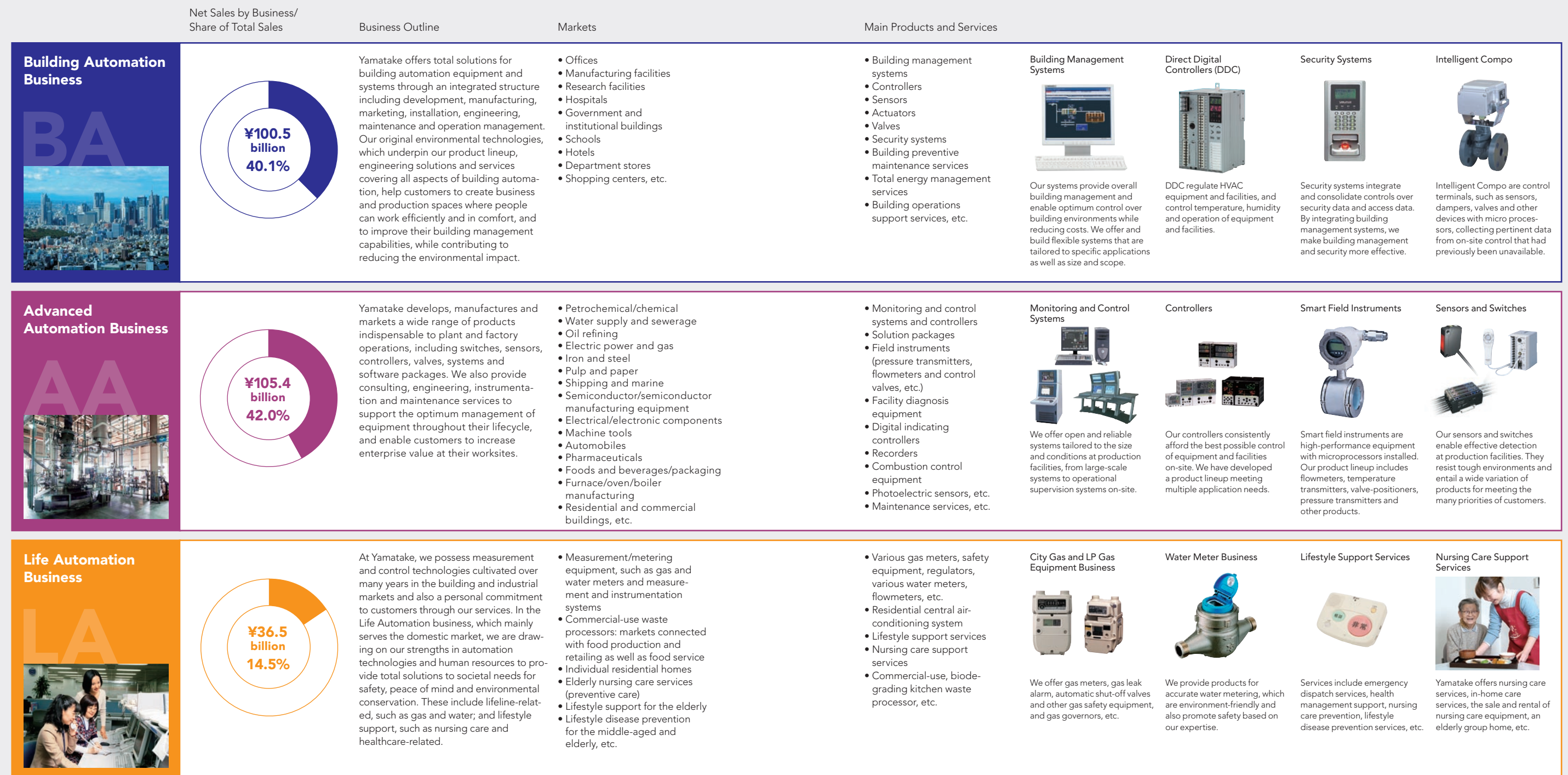
Data storage
CPU is installed, valve operations monitored. Data on past performance is stored.

- “Operations Period” integrated value
- “Position” integrated value
- “Energized Period” integrated value
- Frequency of operation

Sensor
Newly developed temperature and pressure sensors are installed and the flow rate is calculated. The position of the valve is automatically controlled to maintain an optimum flow rate.



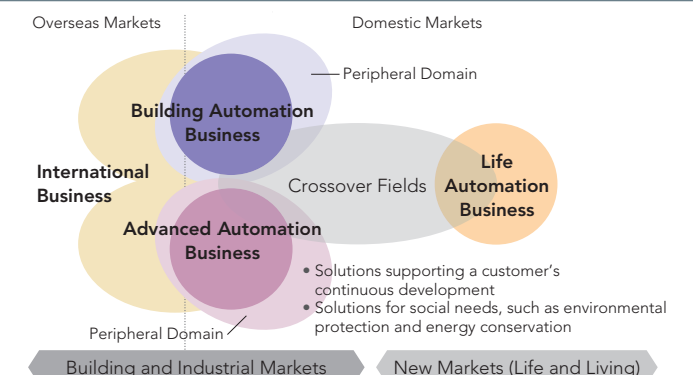
Business Overview



Core Business Structure

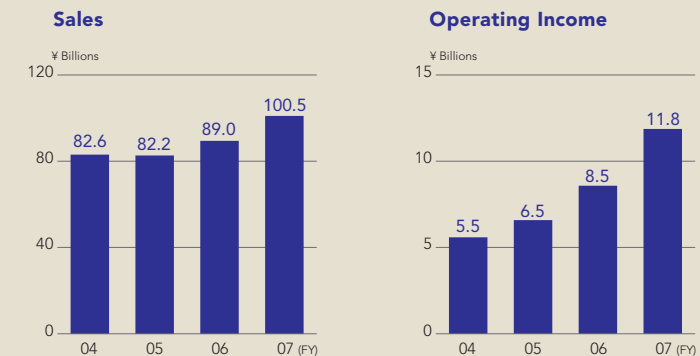
Concentrating on "human-centered automation," Yamatake has three core businesses: Building Automation, which specializes in automation for buildings; Advanced Automation, which focuses on automation for plants and factories; and Life Automation, which applies automation technologies to life and living.

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.



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

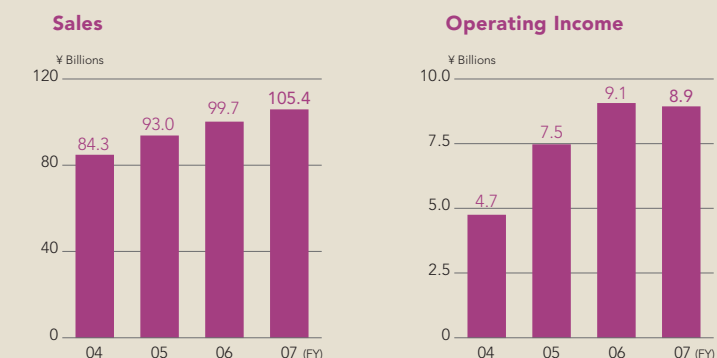
enabling high-performance materials production remained as strong as ever. Yamatake made diligent efforts to meet these needs and attain growth through its unique, value-added products, applications and services. Meanwhile, in international operations, China and other Asian countries, where capital investment 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.

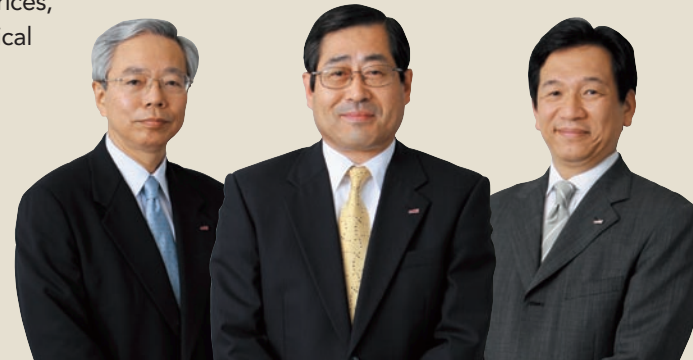
The CMQ-V is a high-performance gas mass flow controller with a proportional actuator driven by advanced PID (proportional, integral and differential) control technologies. It is designed for use with thin film deposition (such as sputtering) equipment for the production of quartz oscillators and lenses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

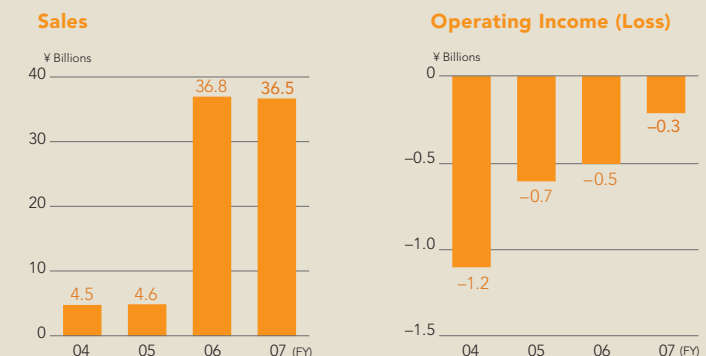
Policies and Outlook

In the Life Automation business, we are not content with merely taking advantage of improving business conditions in some markets and will continue working to improve

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

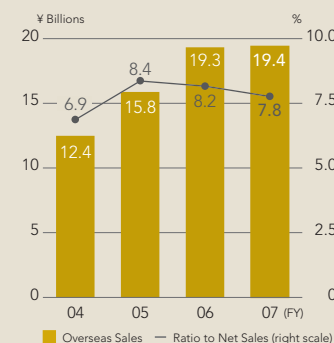
In fiscal 2007, ended March 31, 2008, sales in the international business edged up 0.6% year on year, to ¥19.4 billion, as sales of products and systems to industrial markets by overseas subsidiaries and affiliates grew, but overseas sales of the Building Automation business and direct exports by the 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

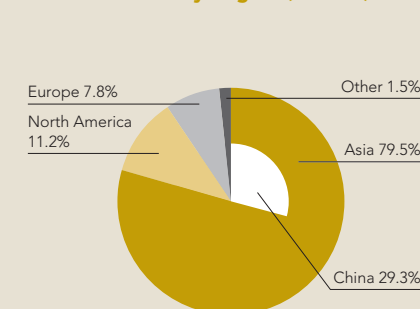


*International businesses (overseas sales) figures are included within the sales of Building Automation, Advanced Automation and Life Automation businesses. Sales statistics denote figures from overseas subsidiaries and affiliates and direct exports. Indirect exports are not included.

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.

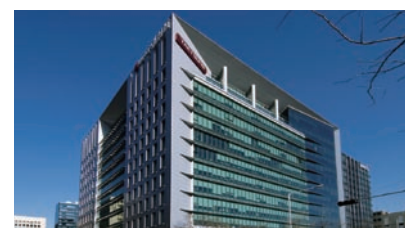


Largest Measurement and Instrumentation Exhibit in Asia

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.

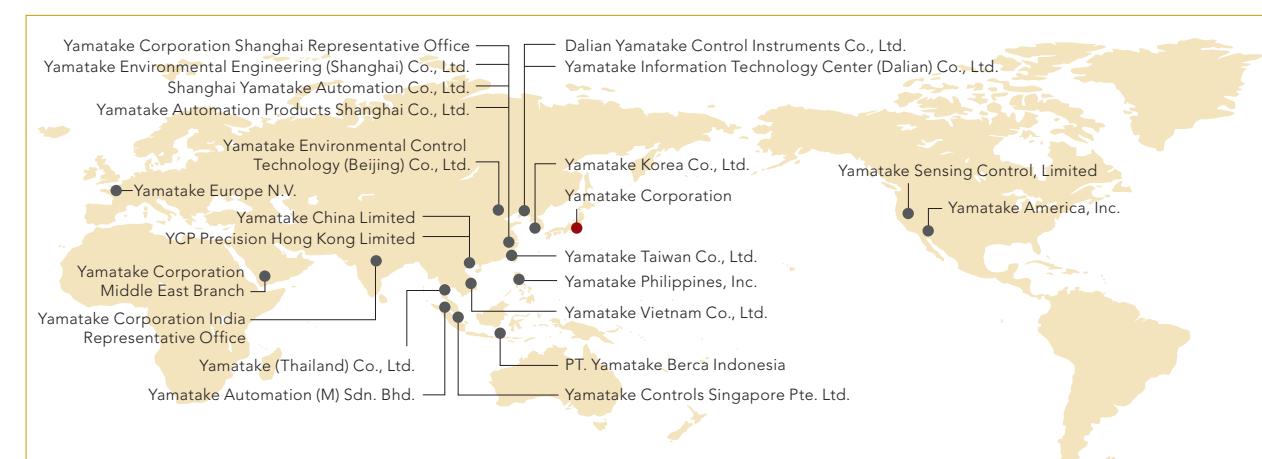
Close Up!

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



*Shown here is an example order showcased in our public relations brochure. It is shown with the permission of the customer.

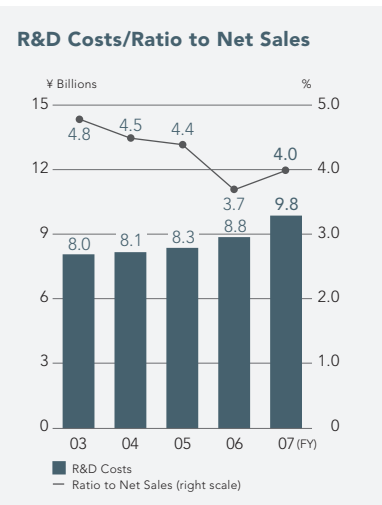
In order to achieve lasting growth, enterprises have to accurately gauge customer needs and quickly develop the necessary technologies. We are strengthening our R&D operations so that we can take advantage of intra-Group synergies and deliver appealing products to our customers in a timely fashion, thereby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

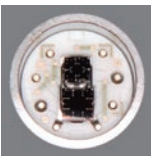
In corporate R&D, technological developments have a direct impact in contributing to businesses. Naturally, we are working to meet challenges to create high-performance and highly advanced proprietary technologies, and to promote basic research for developing new products and businesses in next-generation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

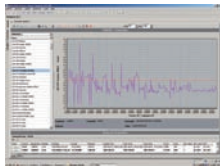
To ensure that we can offer a stable lineup of products, we are working to combine our own measurement and control technologies with the proprietary technologies for household gas meters and water meters honed over the years by Kimmon Manufacturing Co., Ltd. This should help us expand our lineup of more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

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

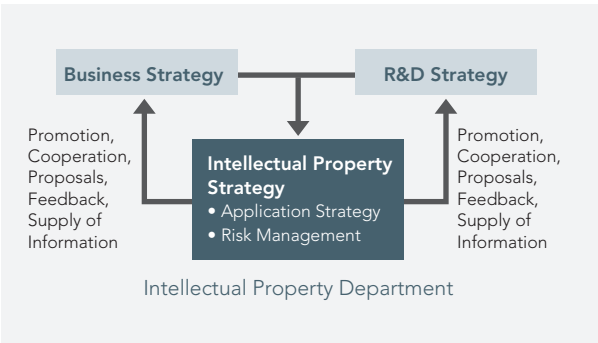


Naoyuki Aota
Core Technology Center
Research and Development
Headquarters
Yamatake Corporation

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

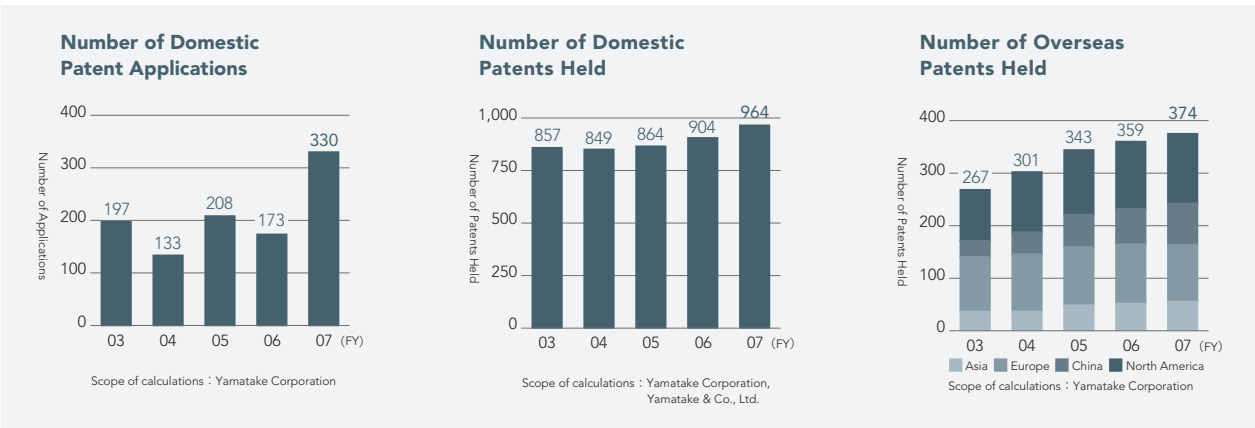
	Japan	Overseas	Total
Applications (fiscal 2007)	15	28	43
Registrations	146	88	234

Reinforcing Intellectual Property Strategy, Rapidly Increasing Patent Application Numbers

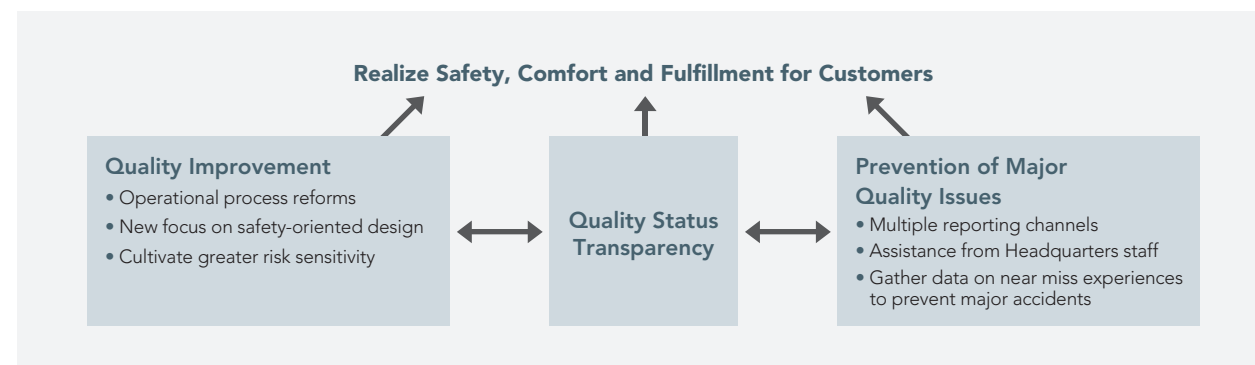


Norio Murase
General Manager
Legal and Intellectual Property Department
Yamatake Corporation

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

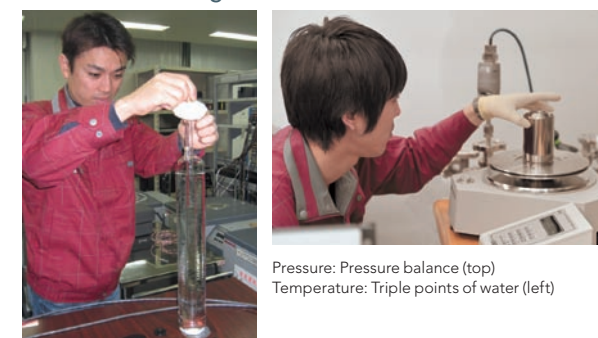
Yamatake's Measurement Standards Center is accredited (registration number 0155) to certify calibration in the temperature, pressure and humidity categories by the JCSS under the authority of the Measurement Law. As of May 2008, the Center had filed for accreditation in the electricity (direct current 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



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.

Meeting the Expectations of Society by Fulfilling Our Corporate Social Responsibilities

Tadayuki Sasaki
Executive Director
Managing Executive Officer
Yamatake Corporation



At Yamatake, we recognize that companies are important members of society and understand that earning the trust of society is achieved through meeting the expectations that the public has in us. The Group is currently implementing broad-ranging corporate social responsibility (CSR) management to fulfill responsibilities to its stakeholders and society at large. We pursue CSR management from two perspectives.

The first relates to our fundamental CSR activities, specifically, implementing thorough business ethics and legal compliance, strengthening responses to and managing all risks in the business environment, enhancing the workplace, ensuring the safety and security of employees, improving the quality of products and services, and preventing product-related problems. These are the most fundamental responsibilities we must carry out as a member of society. At Yamatake, we believe that there are no shortcuts to earning society's trust. Combined with resolute initiatives to further strengthen corporate governance, we strive for management that is always fair and honest.

The second perspective is contributing to society through our social contribution activities and through our businesses by leveraging our technological and operational strengths. Rooted in our company culture and spirit, our employees take part in a range of social contribution activities, such as helping to educate the public about the environment and participating in the organization of an environment-friendly international marathon. Furthermore, we are positively contributing to the development of a sustainable society by utilizing our technologies to reduce CO₂ emissions as well as spread safety-related business practices. In these ways, we believe that we are meeting society's expectations.

Based on our Group philosophy of "human-centered automation," all actions of the Group are centered on a consideration for the environment and a desire to **enrich people's lives. Our CSR management is how we turn philosophy into practice.** We work to earn the trust of our stakeholders and all members of society by being a company that meets expectations.

During fiscal 2006, ended March 31, 2007, the 100th year of Yamatake's establishment, we formulated a new CSR philosophy identifying medium-term CSR management objectives. These objectives reflect our values as a company, as well as our efforts to meet them that began in fiscal 2007, and how we are realizing management that will meet society's expectations and enable us to remain a trusted member of society.

Promoting CSR Management

As a Group, we will continue to combine our CSR-related efforts to meet shared management objectives.

Corporate Governance

Founded on our Group philosophy, we will continuously increase corporate value by fulfilling our corporate social responsibility to observe laws, regulations and business ethics and to establish social contribution activities as part of management policy.

Risk Management

We will increase management stability by improving our ability to respond to and manage any risk that may affect the Company's business.

Compliance

To promote sound and ethical business activities, we will work to ensure that every officer and employee understands and carries out our policy of compliance with all relevant laws, regulations and internal rules, including those for sound and ethical business practices.

Employee Relations

We will promote greater dynamism in the workforce and within the Company by emphasizing links among employees, the Company and society in general.

For Local Communities

Conscious of our role as a member of society, we will positively develop social contribution activities that will enrich people's lives and help protect the environment.

The Group is promoting CSR management under its three-year medium-term management plan, which began in 2007. We recognize that initiatives to ensure good compliance, internal controls, risk management, quality control, environmental protection, and health and safety are crucial for gaining the trust of society and for ensuring our growth.

Basic Guidelines for CSR Management

The Group has established three basic objectives as guideline for CSR that serve as the foundations of its management.

Basic Objectives

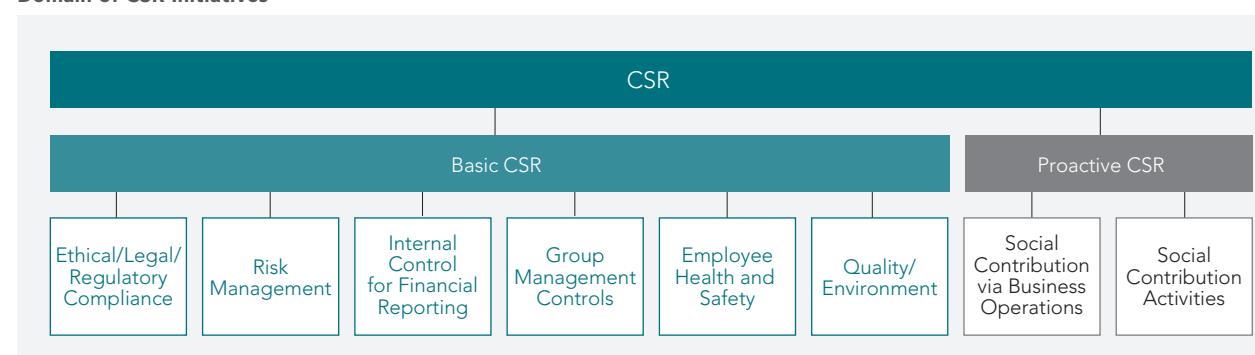
We shall establish and carry out CSR management as a world-class manufacturer of a comprehensive range of automation equipment.

1. The Group will strengthen its corporate structure through the combined initiatives of the Headquarters, in-house companies and Group companies in CSR fields that are paramount to its survival and success. This entails working actively to promote quality, environmental preservation and safety through compliance practices throughout our organization in accordance with related laws and ordinances, further gaining the trust of the communities where we work.
2. We will hone and enhance our preparedness for dealing with any risks facing the Group and establish tangible response mechanisms for dealing with emergencies as they occur so that we will not lose the trust of the communities around us or any of our enterprise value.
3. Through its businesses, the Group will establish and fulfill goals for aggressively promoting CSR initiatives that contribute to society and improve the environment and activities that help the community and will seek to consistently increase enterprise value. We will also convey information concerning these initiatives to our stakeholders.

Domain of CSR Initiatives

In line with the basic objectives of the three-year medium-term management plan, the Group has divided CSR activities into basic and more proactive initiatives and has

Domain of CSR Initiatives



identified six areas of focus. In each of these six areas, the Group is geared toward promoting CSR activities that help the community as well as enhance its business operations. We will promote CSR practices through initiatives in each of these areas.

CSR Promotion Framework

The Group's CSR Promotion Committee was established to enact initiatives over a broad range of fields and oversee PDCA (Plan, Do, Check, Act) cycles. The committee is comprised of senior managers in charge of promoting CSR at individual Group companies and meets once every two months. CSR initiative planning, execution, appraisal and reporting are conducted principally by the committee.

Initiatives Enacted in Fiscal 2007, ended March 31, 2008

Management of Compliance Risks

1. Promoting thorough Compliance
In commemoration of the Company's 100th anniversary, the Group is promoting training sessions for the revised Business Conduct Guidelines at all Group workplaces conveying messages from the president in Corporate Ethics Awareness Month, issuing special CSR reports in internal publications and carrying out other activities to thoroughly convey the importance of adhering to good corporate ethics and obeying laws and ordinances.
2. Strengthening Legal Response
The Group has been focusing on developing the tangible means to educate, explain and effectively respond to important legislations and regulations as a priority in its activities.
3. Building Companywide Internal Risk Management System
The Group is strengthening measures for predicting, appraising and preventing risks and limiting potential

damages from exposure to the risks faced by the Group that may result from changes in its business environment.

Internal Control of Financial Data

To prepare for the April 2008 implementation of Article 24.4.4 of the Financial Instruments and Exchange Law (relating to internal controls for company financial reporting, also known as J-SOX), in March 2007 a Groupwide project was established to ensure J-SOX compliance for internal control is achieved, centered on the activities of a section in the Internal control Conduct Department. In addition, the Group has pushed forward with preparations for the documentation of business processes and the creation of appropriate management systems.

Initiatives in Other Areas

1. For personnel and workplace safety, Groupwide activities are taking place with the goal of creating healthy and safe workplaces.
2. In the areas of quality, product liability and the environment, the Group continues to strengthen its policies for promoting quality and product liability response and has established goals and policies for the Group to further reduce carbon dioxide emissions.
3. For contributing to communities, the Group fosters environmental protection through several means and, under its new basic policies established for social contribution, promotes activities to aid local communities.

Future CSR Policy Initiatives

Management of Compliance Risks

1. Promoting thorough Compliance
Future policies will focus on compliance and monitoring over a wide range of Group managers and employees to instill awareness of compliance issues and gauge important themes.
2. Strengthening Legal Responses and Risk Management
The Group will develop more extensive mechanisms for dealing with laws. Also, key measures targeting specific risks will be subject to annual management-level reviews, and the Group as a whole will strive to develop counter-measures most appropriate to each risk.

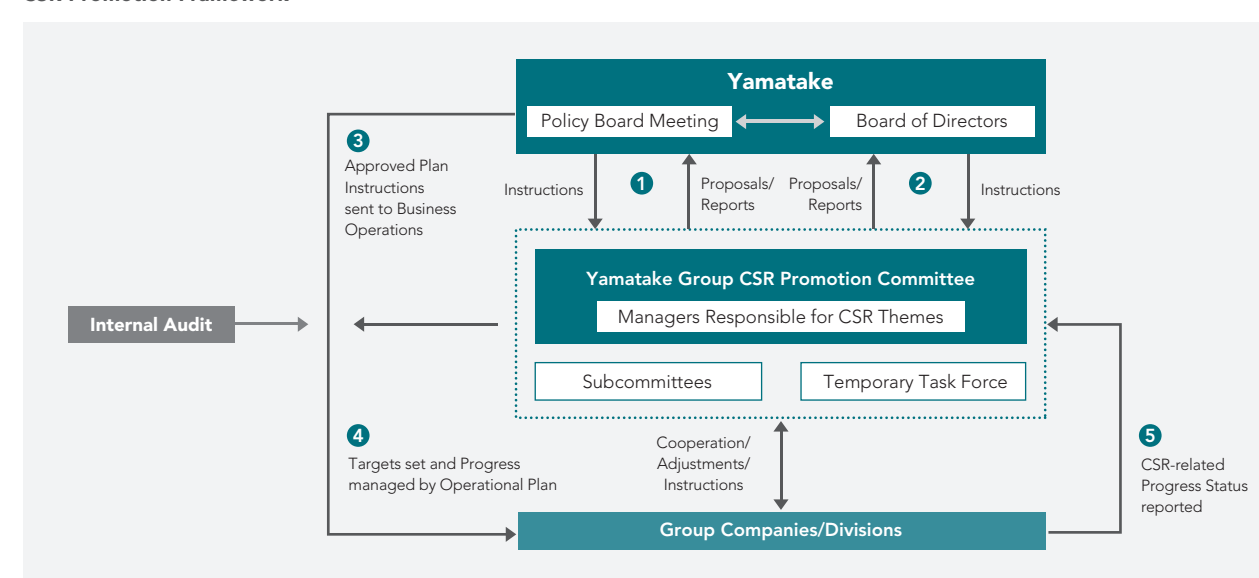
Internal Control over Financial Reporting

Founded on the preparations it completed prior to April 2008, the Group will continue to focus its energies on meeting J-SOX requirements reporting by evaluating the current status of internal control and by implementing continuous improvements relating to "Reliability of Financial Reporting."

Other Areas for Initiatives

The Group will clarify objectives and implementation plans for initiatives in various fields based on the achievements seen in fiscal 2007 and under the guidance of the CSR Promotion Committee, will continue to work to accomplish the plans.

CSR Promotion Framework



Yamatake has introduced an executive officer system for corporate governance that separates decision making from actual execution of Company policy to facilitate the prompt implementation of policy initiatives. In addition, the Board of Directors and the Board of Corporate Auditors oversee and monitor the actions of executive officers.

Viewpoint on Corporate Governance

Our basic policy on corporate governance is to promote policies that fulfill our social responsibilities based on good ethical practices and contribute to the welfare of the community based on sound legal and regulatory compliance, and we work to consistently increase enterprise value for the benefit of our shareholders and all our stakeholders by enhancing policies and schemes to realize highly efficient, fair and transparent business practices.

Framework for Corporate Governance

Board of Directors and Executive Officer System

The Board of Directors makes decisions on legal issues and other important matters and oversees conditions for the implementation of policy actions. The executive officer system, separating decision making from actual policy execution, provides the means for swift policy execution and has strengthened the auditing and oversight capabilities of business activities.

The Board of Directors generally meets monthly, and for executive personnel implementing actual business policy, Board meetings comprising an executive board of representatives of the Board of Corporate Auditors and executive officers* meet twice monthly as part of initiatives to further strengthen business operations through prompt decision making and policy execution.

* Executive officers include the president, senior managing directors and managing directors

Corporate Auditor System and Internal Audits

Yamatake uses a corporate auditor system that comprises five corporate auditors including three external auditors, with three of these auditors serving on a full-time basis. Auditors attend meetings of the Board of Directors and other management council meetings. They assess business conditions through audits conducted at workplaces, and through audits of in-house companies, including strict auditing of business and policy decisions of directors and executive officers.

With a staff of 11, the Internal Audit Office conducts regular internal audits of the Company's head office staff divisions as well as of each in-house company. Its audits encompass all aspects of management activities.

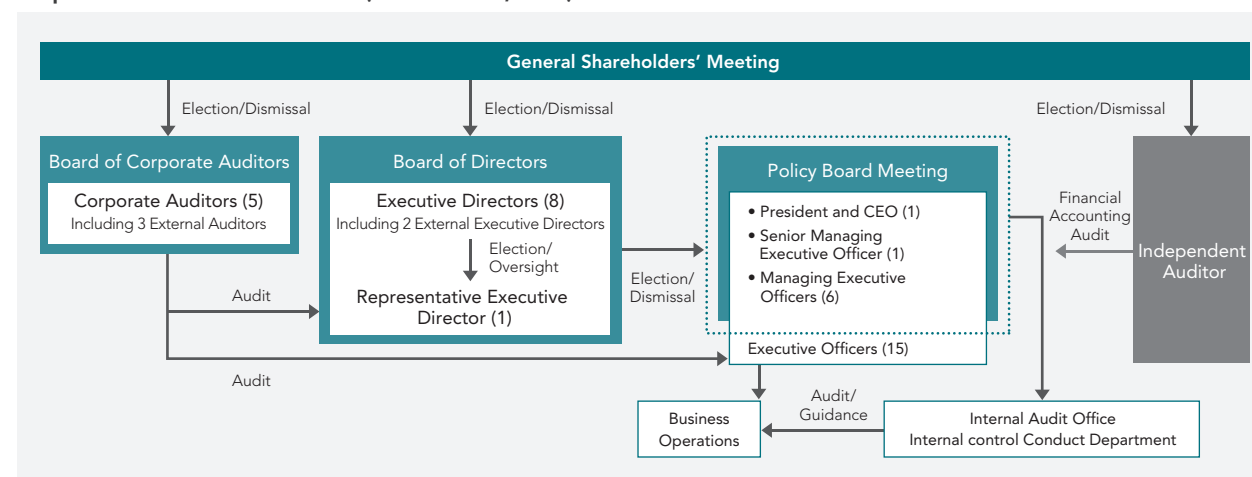
Current Framework

Yamatake's Board of Directors was composed of eight members as of July 1, 2008, including five members that also serve as executive officers and three members (including two external directors) with no day-to-day management or oversight of Company operations. These independent directors provide oversight and business advice from a broader and more independent perspective.

Remuneration for Directors and Corporate Auditors

Yamatake discloses the total remuneration for directors and corporate auditors in its official Company accounts and at regularly convened general shareholders' meetings. In fiscal 2007, ended March 31, 2008, total remuneration paid to eight directors amounted to ¥359 million (the uppermost limit on remuneration is ¥450 million). For the five auditors, total remuneration amounted to ¥87 million (the uppermost limit is ¥120 million).

Corporate Governance Framework (As of June 27, 2008)



Risk management for forecasting and assessing risks from changing business conditions, for preventing risks to the Group as a whole and for taking proper steps to alleviate losses is essential for ensuring the consistent and stable growth of the Group. We are extending our network of risk control and increasing stability in business management.

Groupwide Total Risk Management

To strengthen Groupwide risk management, in fiscal 2007 we surveyed and brought together the responses of all major business divisions within the Group regarding what risks they considered to have the potential to impact Company management significantly.

Until the present, we have kept priority response measures in place for each Group company to deal with the most serious risks that Yamatake must be able to respond to. Going forward, we will additionally investigate and evaluate alterations to our management environment so that we may fully grasp any changes to present risks or the appearance of new risks. Going forward, we will conduct regular and thorough analysis and evaluation of changes in our management environment to ensure all potential risks are discovered. Then, after management-level decisions to identify and prioritize the risks that must be addressed, we will decisively implement measures most appropriate to each risk. In this way, we will strive as a Group to construct an infallible risk management system.

Earthquake-Risk Prevention

In 2003, the Group's Emergency Response Manual was compiled to ensure rapid response to emergencies and other disasters by clarifying command hierarchies and organizing response teams. In 2004, the Earthquake Emergency Procedure Manual, originally compiled in 1996 following a major earthquake in Kobe, was revised and improved. In 2005, our system for confirming the safety of employees and their family members was expanded to include e-mail in addition to voice-response to ensure quicker and more extensive communication between parties. In 2006, recognizing that major earthquakes can also occur in regions not normally prone to seismic activity, the Group decided to extend its measures for earthquake responsiveness to all offices and factories in Japan. We have drawn detailed maps pinpointing equipment that may potentially fall and areas at risk of falling objects in our

offices and started enacting measures to reduce on-site hazards. In addition, we have identified and provided emergency provisions for employees who may have difficulty returning home and clarified safe routes for them to return to the Company in the event of a major earthquake or other disaster.

The Shonan and Isehara factories are equipped with the Emergency Earthquake Information System that we developed in-house, which uses using real-time seismic bulletins to issue warnings prior to the arrival of seismic waves at offices and factories. The aim is to enable workers to reach safe locations 20–30 seconds before seismic activity begins. In 2007, disaster drills using the system were conducted when the Fujisawa Technology Center began operations.

Business Continuity Plans

Based on earthquake prediction data, in 2005 Yamatake started enacting plans to ensure ongoing business operations in the event of major earthquakes in the Tokai or Kanto areas. In 2006, we analyzed the potential impact from disasters on key businesses, data communication systems and factory infrastructure and formulated precautionary measures and policies for restoring operations immediately after problems occur. In 2007, comprehensive earthquake disaster drills were conducted at two factories to confirm the efficiency of our planning and preparedness for a disaster scenario.



Verification of business continuity plans (Headquarters)

Information Security Management

Yamatake has built management systems, devised regulations and developed innovative security mechanisms in conjunction with privacy legislation enacted in Japan.

In 2006, we introduced access control systems using integrated circuit IC cards at our main workplaces. In 2007, the Group's Information Security Regulations were devised, and the Information Security Subcommittee for the overall Group was inaugurated to promote data management for the Group as a whole.



Earthquake disaster drills (Isehara factory)

Yamatake recognizes that compliance is essential in gaining the respect and trust of society, thereby ensuring the Company's continued existence and development. Compliance requires not only that we observe the relevant laws and regulations but also that each of our officers and employees truly understand and follow sound and ethical business practices.

Business Conduct Policy and Business Conduct Guidelines Business Conduct Policy

Grounded in our philosophy at the time, in 1993 the Group established and put into practice a "Business Conduct Policy" as business conduct standards for officers and employees. We revised this Business Conduct Policy in fiscal 2006, ended March 31, 2007, to correspond with the revisions made to the Group's philosophy on the occasion of Yamatake's 100th anniversary. The Business Conduct Policy covers six areas: the Company's public responsibilities; its social responsibilities; compliance with antitrust and other fair trading legislation; respect for human rights; management and use of Company property; and the promotion of environmental protection.

Business Conduct Guidelines

Based on the Business Conduct Policy, in 2000 Yamatake drew up—from both legal and ethical perspectives—the Group's Business Conduct Guidelines, which covers all business activities. Prompted by the revisions made to the Group's philosophy and Business Conduct Policy, we also revised our Business Conduct Guidelines in 2006 to incorporate: 1) items to accommodate the increasingly international nature of the business, 2) a more proactive stance, 3) a shift from prohibitive to declarative expressions, and 4) the perspective gained from the results of our compliance monitoring. In addition, along with expanding the scope of these new guidelines with our business partners, we have also made them public by posting them on our web site. Furthermore, we created a card-size version of the Business Conduct Policy and Business Conduct Guidelines and distributed them to Group companies and business partners. Our overseas affiliates in Europe, North America and Asia have begun preparing their own versions of these new guidelines.



Portable card-size version (above) Business Conduct Guidelines (left)

Promoting Compliance Corporate Ethics Committee

As the body charged with promoting compliance, the Group's Corporate Ethics Committee, chaired by the officer in charge of CSR, convenes twice each year to ensure compliance on both regulatory and ethical issues.

Promoting Internal Controls

The Internal control Conduct Department is responsible for driving forward compliance-driven activities at Group companies. Specifically, the department's functions include providing information about the revised Business Conduct Guidelines, monitoring compliance status, providing education and holding seminars on compliance-related issues, and using all types of media sources such as Company magazines to disseminate information. The department is also involved in CSR issues, social contribution, comprehensive risk management and compliance with the Financial Instruments and Exchange Law.

Compliance Manager and Leader Structure

In 2006, when the guidelines were revised, we decided to create a new structure for compliance management and leadership that was comprised of individuals with organizational responsibility at the manager level or higher from throughout the Group. This new structure, intended as a framework to ensure the coordinated and effective implementation of compliance, became fully operational in 2007. The compliance managers and leaders are responsible for extending compliance in the workplace and providing guidance (e.g., helping to disseminate the Group's philosophy, Business Conduct Policy and Business Conduct Guidelines and educating employees about them), developing and managing solid guidelines for the workplace and uncovering and reporting various risks.

Disseminating the Business Conduct Guidelines

To disseminate the Business Conduct Guidelines, and based on a request made during fiscal 2007 from the officer in charge of CSR, the compliance managers and leaders at each workplace explained the revised guidelines, and then all employees were tested for their own knowledge of compliance. Weaknesses can be gauged from the results of these on-site meetings and self-assessment tests, allowing managers and responsible departments to reinforce the relevant areas. This information can then be used in subsequent training sessions.

Compliance Education

In fiscal 2007, we decided to offer compliance education tailored to each employment level after reviewing the

objectives, content and methods used for compliance education. First, we held a seminar for Group officers on "Internal Controls and the Company" conducted by outside experts during Corporate Ethics Awareness Month. We have also provided Group training for compliance managers and leaders and other professionals on compliance education methods and matters connected with antitrust laws, on information security and on construction industry laws that are of particular importance to our industry. This training has been conducted by sending representatives from the department in charge to branches and offices throughout Japan.

As a trial, we have also conducted training using case studies in compliance. We have been conducting an online compliance training program in stages, and in fiscal 2007 we completed a round of training for Group executives, mid-level managers and regular employees. To train new employees, we provide an explanation of the Group's philosophy, the Business Conduct Policy and the Business Conduct Guidelines as well as conduct ethical training using case studies. The presidents of our overseas affiliates, as well as the managers of our overseas offices, undergo training twice each year and others being stationed overseas receive training before going abroad.

Disseminating Information

During Corporate Ethics Awareness Month in October 2007, the president of Yamatake Corporation and the chairman of the CSR Promotion Committee respectively sent a message to employees. Additionally, web pages tailored for compliance managers and leaders were added to the "compliance web" administered by the Internal control Conduct Department, which we use as a means to distribute various types of information. The compliance web is a web site especially for posting compliance-related information, such as Corporate Ethics Awareness Month messages, details about the mission and the role of compliance managers and leaders and how the system works, training materials for the compliance managers and leaders, and self-assessment tools.

Compliance Monitoring

In February and March 2008, we conducted a compliance awareness and acceptance survey to officers and both regular and contract employees across the Group, receiving responses from nearly 90% of personnel queried. This response rate indicates that there is a growing awareness of compliance among all employees because of our compliance training, online learning programs and the encouragement from the compliance managers and leaders for employees in the workplace.

Internal Whistle-blowing System

In October 2003, we launched a "Voice of Conscience" hotline as a mechanism for internal reporting and counseling. In addition to mitigating compliance risk, the program is intended to function as a mechanism that allows employees to report transgressions and as a means to foster an ethical organizational culture. The scheme originally covered the Group, but in October 2006 it was extended to partner companies and other parties. This system for internal reporting and counseling offers conduits: an internal contact and an external contact at a neutral third-party organization.

CSR Initiatives in the Building Systems Company



Hitoshi Fukui Manager of the General Affairs Section, Building Systems Company, Yamatake Corporation

In accordance with the Group's Business Conduct Guidelines, the Building Systems Company is working to ensure that it fully adheres to the law in all of its practices.

In fiscal 2007, we conducted seven seminars in 13 locations nationwide, reaching a total of 2,024 employees. In particular, we began conducting compliance classes on compliance for laws and regulations that directly affect our business activities. These sessions went beyond theoretical issues to provide useful and tangible information, and attendees paid close attention and asked many pertinent questions. This illustrates that these sessions raised employee awareness and that compliance has become entrenched within our corporate culture.

While the number of corporate scandals across the globe has been declining, they unfortunately do still occur from time to time. Yamatake, along with further raising employee awareness, is working together with partner companies to ensure full compliance. Going forward, we will continuously strive to ensure that we remain trusted by customers and shareholders and that we serve society to the best of our abilities.

We are continuing to focus on developing human resources as part of our efforts to make “human-centered automation” a reality. In doing so, we are putting into practice Yamatake’s long-standing view that our employees are a valued asset, the source of corporate cultural renewal and the creative source of our enterprise value.

Responding to Changing Times
New Remuneration Scheme

In April 2008, Yamatake began using a new remuneration system for regular employees. The previous system was put in place in April 2004, but we decided to revise this system with three goals in mind: 1) maintaining and enhancing employee motivation, 2) fostering the drive to take on new challenges, and 3) enhancing teamwork capabilities.

The remuneration scheme is important to achieve these goals, and we have conducted seminars throughout Japan to give our employees a deeper understanding of the new system. Additionally, we plan to continue holding biannual training sessions to ensure that evaluations are fair and acceptable and that the new system becomes well established.

Rehiring Employees after Retirement (Senior Employees)

Following amendments to the Law Concerning Stabilization of Employment of Older Persons, Yamatake has expanded and improved its system for reemploying personnel who have officially retired. We created an environment in which employees who are still healthy and eager to work after reaching the retirement age of 60 can continue to provide leadership and remain active in the workplace based on their knowledge, expertise and extensive experience.

Consequently, the post-retirement reemployment rate exceeds 70%, and the number of employees working after being rehired as “senior employees” increased from 62 in fiscal 2006 to 146 in fiscal 2007. These senior employees actively put their wealth of experience and broad range of skills to use in a variety of workplaces.



Senior employees remain active in a variety of workplaces

Nurturing Human Resources Development
throughout the Company

With the goal of making “human-centered automation” a reality, Yamatake is promoting reform in a plethora of business areas, and strengthening and expanding its international operations. In addition to our existing education programs, we are making a concentrated effort to: 1) shore up management at all levels as the foundation of our efforts

to achieve business targets, 2) foster human resources on a global level to assume the essential responsibilities for our international business, and 3) encourage employees to study on their own to acquire credentials and language skills.

Based on the principle that human resources are the underlying source of growth and that an enterprise cannot grow if its personnel are not nurturing and expanding their own skills, we are working to build even more solid foundations for the Group through a more concerted focus on personal training and development.

Utilizing our Diverse Human Resources
Hiring Overseas Employees (Hiring Exchange Students,
Offering Internships)

Each year, the Group offers internships to students from overseas. More than 50 people have taken advantage of internships offered by the Group. In fiscal 2007, university students from Canada, England, Portugal and Germany spent one year undergoing on-site training in R&D and product development. They learned about Japan’s latest technologies and took strides in developing skills that will be especially useful in their native countries for future employment.

We also invited three foreign students from Germany, China and Mongolia who are attending Japanese universities to work alongside our staff during two-week sessions. As the students are already extremely proficient in the Japanese language, they experienced no language barriers and could communicate freely with our staff. They have expressed interest in working for Japanese companies upon graduation, and we hope that their experience at our workplaces will be put to good use in pursuing their careers.



Interns in fiscal 2007 (foreign-exchange students)

Growth in Employee Headcount Overseas

Yamatake has continued to aggressively expand overseas since establishing its first overseas unit in China in 1993 and now has more than 20 locally incorporated subsidiaries and offices overseas. There are approximately 1,000 people

working for Group companies overseas, including about 100 employees sent overseas from Japan.

Among these employees are a growing number of individuals who have served as key employees at overseas affiliates since these companies were founded and who now serve as managers. At our local affiliates in the U.S., Europe, China and South Korea, local employees have been serving as directors and had been appointed to important managerial posts. Their expertise is crucial for meeting the needs of our many customers in providing products, services and expertise in markets worldwide.

More Active Involvement of Women in the Workplace

From December 2007 to February 2008, targeting female managers and section chief deputies, Yamatake enacted a program designed to encourage greater involvement among female employees in the workplace. After the program was completed, each individual drew up an action plan that will be reviewed in conjunction with supervisors over three- and six-month intervals.



Training session for female employees

Yamatake Friendly: Hiring People with
Developmental Disabilities

Yamatake Friendly, a special subsidiary that meets the needs of people with developmental disabilities, celebrated its 10th anniversary in February 2008. In addition to performing work that is essential to operations in the Group, Yamatake Friendly is increasingly accepting consignment projects and work for outside companies and organizations. This company hosts tours and employs trainees to work alongside people with developmental disabilities, which enables people to see firsthand the considerable potential that people with developmental disabilities have to participate in the workforce, and encourages a greater understanding of the challenges they face.

Number of Tours and Outside Trainees (1998 to 2007)

- Tours: 409, with a total of 2,965 visitors
- Number of trainees accommodated: 163 sessions, over a total of 1,048 days

Creating a Healthy Workplace
Addressing Mental Health Issues

Through its automation operations, the Group aims to provide customers with a sense of safety, comfort and accomplishment. These automation operations are founded on the efforts of our employees, each of who is vital to Yamatake. We have created systems to provide full support and backup for employee health management. Recently, the seriousness of mental health issues—a problem shared by all of society—has come to light. Yamatake implements mental health support measures tailored to the lifestyles of each employee. For example, after new employees complete their training and are placed in a work location, a specialist counselor will visit each workplace to provide counseling.

Regular Testing for Metabolic Syndrome

Since fiscal 2008, Yamatake has offered regular testing to detect metabolic syndrome. In addition, Safety Service Center Co., Ltd., a Group member, has been contracted to provide employees with health guidance via motivational and active support after the completion of the regular testing. Utilizing communication and technology for health support, Yamatake is committed to providing everyone, but particularly the elderly, with a sense of safety, comfort and accomplishment through health care operations that offer peace of mind. This commitment of course includes supporting the health of its employees and their families.

Labor Initiatives toward a Work-Life Balance

Now that lifestyles and values are diversifying, employees are seeking more fulfilling lives, ways of working best suited to their lifestyles and more time out of the workplace.

We believe that increasing job satisfaction and motivating employees to apply themselves to their jobs raises productivity and enables us to maintain consistent quality in the workforce. Consequently, we established the Work-Life Balance (WLB) Committee with representatives from both labor unions and management to work toward achieving harmony between the individual, his or her individual pursuits and work. The goal here is for employees to achieve peace of mind as well as a sense of comfort and accomplishment.

Based on the Group’s “human-centered automation” concept for helping communities, enriching individual lives and promoting environmental protection, we actively contribute to the welfare of our fellow citizens through environmental protection, education, health and welfare, and community initiatives.

Social Contribution

In fiscal 2007, ended March 31, 2008, Yamatake worked to realize safety, comfort and fulfillment in people’s lives and to help create a better global environment under its “human-centered automation” concept for Group companies. We reconfirmed these policies through social contribution activities in the communities where we live and work. We also recognize the need to actively promote social responsibility as a good corporate citizen and will remain actively engaged in pursuits that help the community.

Basic Policies for Contributing to Society

- We work to realize safety, comfort and fulfillment in people’s lives under our “human-centered automation” concept. All employees are dedicated to promoting environmental preservation, education and training for youth, health and welfare, and activities for enhancing communities and individual well-being and improving the global environment. Contributing to the community is one of our most important missions as a company.
- We promote these activities bearing in mind the value created both for individuals and for our stakeholders.
- We are committed to ongoing participation in activities that enrich the culture and spirit of society.

Major Fields of Social Contribution Activities

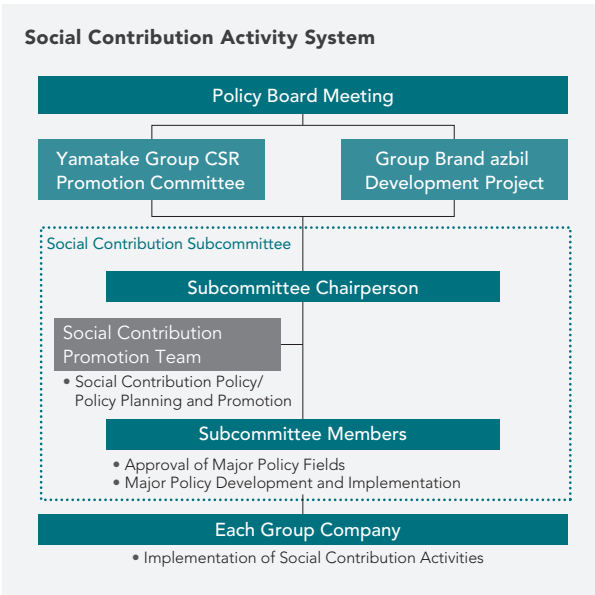
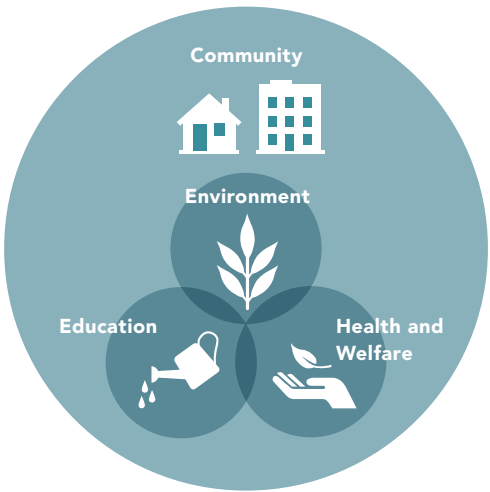
Taking into account our strengths and special characteristics as a company and the needs of society around us, we decided in fiscal 2006 to focus our social contribution efforts

- into four particular fields: environment, education, health and welfare, and community initiatives.
- **Environment:** We promote energy-saving and educational activities on environmental matters and instigate clean-up campaigns for beaches and mountains as part of our environmental support initiatives.
 - **Education:** We provide educational opportunities through personal participation in projects, principally in the environmental field for elementary school students, and promote local community activities for youth.
 - **Health and Welfare:** Activities include visits by employees, their families and the Company’s club and volunteer groups to day-service care facilities.
 - **Community:** Activities include support for local sporting events (promoting environmental awareness, collecting and separating garbage, and other pursuits), PC refurbishment and donation and assistance with disaster recovery.

Promoting Social Contribution

Whereas our activities were run by our social contribution secretarial team, in fiscal 2007 we established the Social Contribution Subcommittee under the administration of the CSR Promotion Committee to establish basic policies for social welfare activities, to set up systems for contribution and to flexibly and systematically design and promote social welfare programs. Our efforts geared toward social contribution are as outlined below.

Major Areas of Social Contribution Activities



In the four areas of environment, education for youth, health and welfare, and community initiatives, we have been promoting a number of measures to contribute to society. Here, we introduce some of these activities from fiscal 2007.

Environment Education Health and Welfare Community

Tour of Model Factory for Energy Conservation

A wide range of visitors, ranging from corporate and government personnel in charge of environmental and energy-saving practices to elementary, middle and high school students, visit our factory. During these visits, we showcase our energy-saving initiatives, including those created by the Fujisawa Technology Center. More than 5,500 visitors were welcomed in fiscal 2007.



Factory tour



Garbage-processing equipment

Participating in Earth Day Tokyo 2007

Yamatake was a participant in Earth Day Tokyo 2007, an event to raise environmental awareness. We lent waste-processing equipment for turning garbage into fertilizer to the event free of charge. We also applied Life Cycle Analysis to assess the event’s environmental impact, as we did in 2006.

Participating in Festivals at Regional Facilities

Yamatake is an active participant in festivals at regional facilities as an officially registered manager for such events. The Company independently plans and exhibits displays on eco-brands, education about good dietary practices, scientific experiments, industrial arts and other features that have proved especially popular with visitors. In addition, we plan and manage independent festivals at such facilities as the Kamatori Community Center in Midori Ward, Chiba City, which holds a music festival.



Festival at Kamatori Community Center



Study session at Tokiwamatsu Public Elementary School

Supporting Environmental Education for Elementary School Students

The Company has supported environmental training at the Tokiwamatsu Public Elementary School in Shibuya Ward, Tokyo, since fiscal 2004. Our theme in 2007 was “Refuse.” Children took field trips to the Fujisawa Technology Center to study the theme during the year and were given practical lessons about recycling, how not to waste resources and other lessons in how refuse directly affects our lives.

Yamatake’s Original “Eco-Kids Series” Environmental Education Program

Yamatake independently operates an environmental education program at the Social Education Center in Taito Ward, Tokyo, and the Kamatori Community Center in Midori Ward, Chiba City (both are operated by the Company as an officially registered manager). Sessions are held twice in the summer and the autumn by Yamatake in conjunction with student environmental volunteers.



Eco-Kids

Supporting Environmental Activities at 2008 Shonan International Marathon

Yamatake seeks to raise awareness of environmental issues, such as by being a leading Eco-Friendship supporter at the 2008 Shonan International Marathon. We cooperate with organizers to plan and manage the event’s environmental-related activities, including on-site recycling. Employees participate in providing major assistance to runners, volunteers and spectators cheering the event, and enliven them through the Company’s Team azbil. We once again provided the popular Eco Café in 2008, and the environment-friendly beverages proved immensely popular.



Sorting refuse (left)
Eco Café (below)



Yamatake is taking positive measures to achieve its goal of minimizing the impact placed on the environment by its business activities. These include measures to conserve energy and natural resources, prevent pollution and manage chemical substances

Jun Kawachi
Executive Director
Managing Executive Officer
Yamatake Corporation



Currently, the most important environmental issue that we face is how to prevent global warming. At the Group, we have set the medium-term management target of reducing CO₂ emissions by the end of fiscal 2012, ended March 31, 2013, by 6.2% compared with the level at the end of fiscal 2006.

All Group employees are striving to conserve energy to enable us to expand operations without increasing CO₂ emissions. We are now focusing our energies on what steps we can take to conserve energy within our business activities.

We have practically completed energy conservation measures for building infrastructure at our production bases, such as those relating to air-conditioning and lighting, and production lines are being redesigned with the goal of energy conservation. At every sales office, in addition to energy conservation measures for building infrastructure, we are also pursuing initiatives for Group-owned vehicles.

In R&D, we are devoting resources to developing products that are considerate to the environment throughout their lifecycles. Moreover, we are looking into how to utilize “new energies” and carbon offsetting in future strategies.

The Group’s Medium-term Target

By fiscal 2012, reduce Group CO₂ emissions 6.2% compared to the level at the end of fiscal 2006.

Yamatake Corporation's Environmental Objectives and Targets

	Categories	Objectives	Targets for Fiscal 2007	Results for Fiscal 2007	Self-assessment	Targets for Fiscal 2008	Targets for Fiscal 2010
Eco Factories, Eco Offices	Preventing global warming (reduction of CO ₂ emissions)	• By fiscal 2012, reduce total volume of CO ₂ emissions by 6.2% compared to fiscal 2006 Fiscal 2006 total volume: 20,110 tons of CO ₂	• Reduce by 1% compared to fiscal 2006 • Establish new medium-term targets following reorganization of production sites	• Reduced by 2.5% compared to fiscal 2006, total volume: 19,602 tons • Re-established medium-term targets	○	• Reduce CO ₂ emissions by 3.1% compared to fiscal 2006. Total volume: 19,421 tons • Construct a environment-conscious advanced technology laboratory building	• Reduce by 0.5% compared to 2006, total volume 19,948 tons —
	Preventing environmental pollution	• By fiscal 2009, completely discontinue use of dichloromethane*1 • Incidents of wastewater noncompliance: 0	• Investigate complete discontinuance of dichloromethane • Instances where process wastewater exceeds the levels agreed upon with the local community: 0	• Use at Shonan factory: fiscal 2006, 15 tons: fiscal 2007, 4.5 tons, a 70% reduction • Instances where process-use water exceeded the levels agreed upon with the local community: 1 • Discontinued cell cleaning process • Introduced new wastewater treatment facilities	○ ×	• Completely discontinue use of dichloromethane at Shonan factory • Instances where process-use water exceeds agreed-upon levels: 0 • Instances where kitchen-use water exceeds agreed-upon levels: 0	— • Continue previous targets
	Conservation natural resources	• By fiscal 2012, reduce total amount of purchased copier-use paper by 30% compared to fiscal 2006	• Reduce by 5% compared to fiscal 2006 Total volume: 53.2 million sheets	• Reduced by 2.1% from fiscal 2006 Total volume: 52.0 million sheets	△	• Reduce by 10% compared to fiscal 2006	• Reduce by 20% compared to 2006
Eco Products, Eco Services	Managing chemical substances	• By fiscal 2011, create and establish Groupwide CMS*2 management systems	• Prepare for introduction of CMS promotion structure by CMS project team	• Prepared for introduction of CMS structure by CMS project team from fiscal 2008 • Established related internal rules	△	• Inaugurate CMS Promotion Committee • Respond to most important CMS management issues • Implement responses to REACH regulations, ship recycling law, etc.	• Complete 50% of equipment for CMS product line • Continue and review responses to most important CMS management issues
	Environment-conscious design	• Create numerical benchmarks to measure improvements in environment-conscious design • Increase ratio of new products classified as eco products*3 • By fiscal 2011, increase LCA*4 implementation rate to 100% (for new products)	• Simplify input of LCA data, move to a database system, survey trends in product environmental efficiency • Eco-product rate: 90% • LCA implementation rate: 30%	• Began preparations for LCA management guidelines • Eco-product rate: 88% • LCA implementation rate: 30%	○	• Create LCA management guidelines • Rate of new products as eco products: 90% or above • LCA implementation rate: 10% or above	• Review LCA management guidelines • Rate of new products as eco products: 70% or above • LCA implementation rate: 50% or above
	Green procurement	• Green procurement rate (purchase-balance ratio) to 95% or above	• Target expanding and deepening of Yamatake Eco Program (YEP: a program to help trading partners create environmental management systems) registered companies to 60	• Green procurement rate: 67% • Number of YEP registered companies: 64	○	• Achieve green procurement rate of 95% • Support the independence of trading partner's environmental management systems	• Continue previous targets
Eco Communication	Disclosing environmental information, coexisting with society	• Participate in environmental events and local environmental activities • Promote the use of clean energy • Encourage all employees and their families to reduce CO ₂ emissions	• Cleaning activities in areas close to offices and plants, cooperate with NGOs and NPOs and support for the Shonan international marathon	• Completed cleaning activities in areas close to offices and plants, cooperated with NGOs and NPOs and supported the Shonan international marathon • Introduced solar power generation equipment at Yamatake Shonan Training Center (10kWh)	○	• Cleaning activities in areas close to offices and plants, cooperate with NGOs and NPOs and support the Shonan international marathon • Investigate expanded use of clean energy • Hold energy conservation programs for children during summer holidays	• Continue previous targets

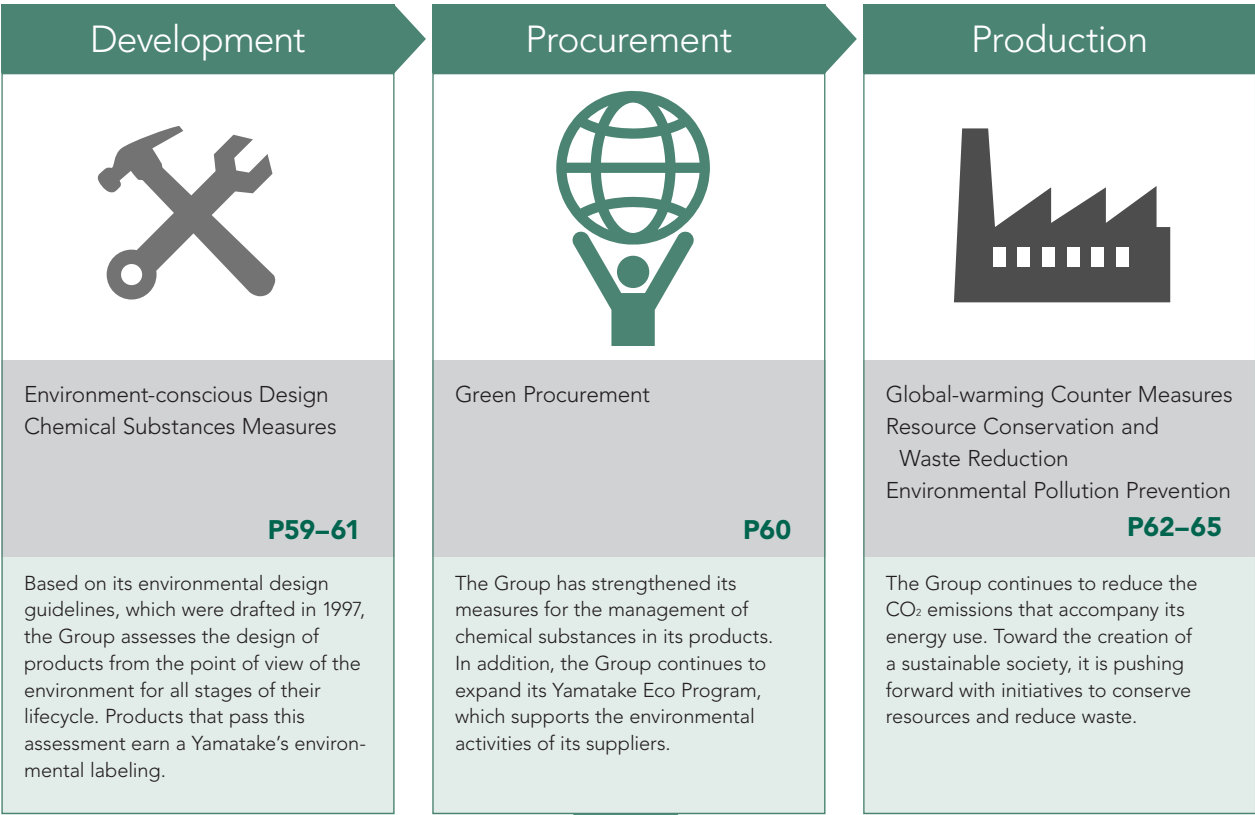
*1 Excluding certain products *2 CMS: Chemical-substances Management Systems *3 Eco products: new products that have cleared environmental certification benchmarks
*4 LCA: Life Cycle Assessment

Yamatake engages in a range of activities to contribute to the environment, from product development and design to product use, disposal and recycling. We undertake quantitative analysis of environmental impact in all of our business activities and adopt appropriate measures for lessening impact.

Electricity	31.0 million kWh	LPG	129,000 m ³	Paper	18.0 million sheets
Heavy Oil* ¹	0.0 kl	LNG	197,000 m ³		
Kerosene	17.7 kl	Water	100,000 m ³	💡 Natural Energy* ²	0.2 million kWh

Scope: Yamatake Corporation's Fujisawa Technology Center, Shonan and Isehara factories, Yamatake Control Products Co., Ltd. and Taishin Co., Ltd.

INPUT



OUTPUT

Greenhouse Gas (CO ₂) Emissions	12,990.0 tons	Chemical Substance Airborne Emissions	14.2 tons
Total Discharge of Waste	1,416.3 tons	SOx Emissions	11.3 tons
Waste for Final Disposal	12.6 tons	NOx Emissions	8.7 tons

*1 There has been no use of heavy oil since fiscal 2005.
*2 Since natural energy is clean energy, it is deemed to have no environmental impact.

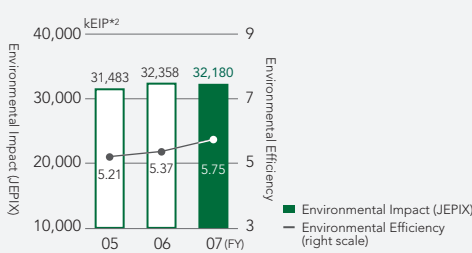
Improving Environmental Efficiency

Aiming for the sustainable development of our environmental-improvement initiatives, we introduced, on a trial basis, an environmental efficiency target from fiscal 2006, ended March 31, 2007. In fiscal 2007, we successfully met and exceeded our target, achieving a 7.0% improvement compared to the target of 4.0%.

Environmental Efficiency = $\frac{\text{Net Sales}}{\text{Environmental Impact (JEPIX*)}}$

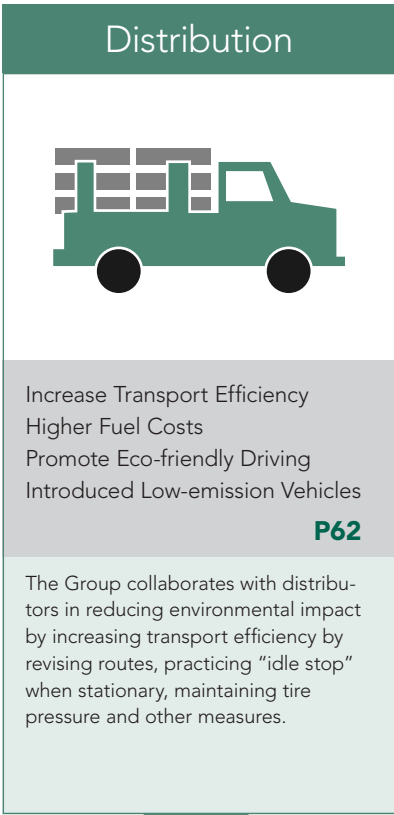
*1 JEPIX: Environmental Policy Priorities Index for Japan (environmental measures priority index)
*2 EIP: Environmental Indicator Point

Environmental Impact and Environmental Efficiency



Gasoline* ³	36.2 kl
Diesel Oil* ³	170.1 kl

INPUT



OUTPUT

Greenhouse Gas (CO ₂) Emissions	530.5 tons
SOx Emissions	0.9 tons
NOx Emissions	7.7 tons

*3 Charter services and services by commissioned transport companies are not included.
*4 Since natural energy is clean energy, it is deemed to have no environmental impact.

Electricity	9.7 million kWh
Gasoline	1,398.6 kl
Diesel Oil	20.4 kl
Paper	38.3 million sheets
💡 Natural Energy* ⁴	0.5 million kWh

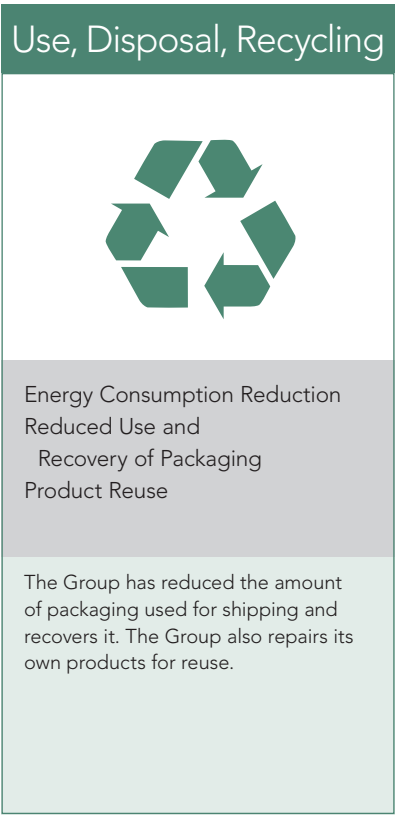
INPUT



OUTPUT

Greenhouse Gas (CO ₂) Emissions	6,949.5 tons
SOx Emissions	16.5 tons
NOx Emissions	40.0 tons

Scope: 140 sales offices of Yamatake Corporation in Japan, Yamatake & Co., Ltd. and Safety Service Center Co., Ltd.



Yamatake engages in environmental preservation activities that are grounded in its environmental charter and environmental policy. Through efforts that revolve around the PDCA (Plan, Do, Check, Act) cycle, we are working to continuously reduce or prevent the environmental impact and risks associated with our business activities.

Environmental Charter and Environmental Policy

The Group sees contributing to the global environment as a paramount issue for management and will continue to pursue environmental preservation activities that contribute to building a sustainable, recycling-oriented economic society. This spirit is summarized in the Group’s Environmental Charter. Each Group company has drawn up its own environmental policy based on this environmental charter, and these policies serve as the basis for each of their environmental preservation activities.

For more details, please visit:
<http://www.yamatake.com/csr/eco/group.html>

Framework for Driving Environmental Activities

The Environmental Management Officer plays a central role in promoting environmental preservation activities and reports directly to the President of Yamatake Corporation. This officer oversees all environmental preservation activities and assists the president. The Group Environmental Management Committee serves as the deliberative body that oversees environmental management. The committee drives as well as reviews environmental management planning and has various subcommittees that review common issues in addition to more specialized issues.

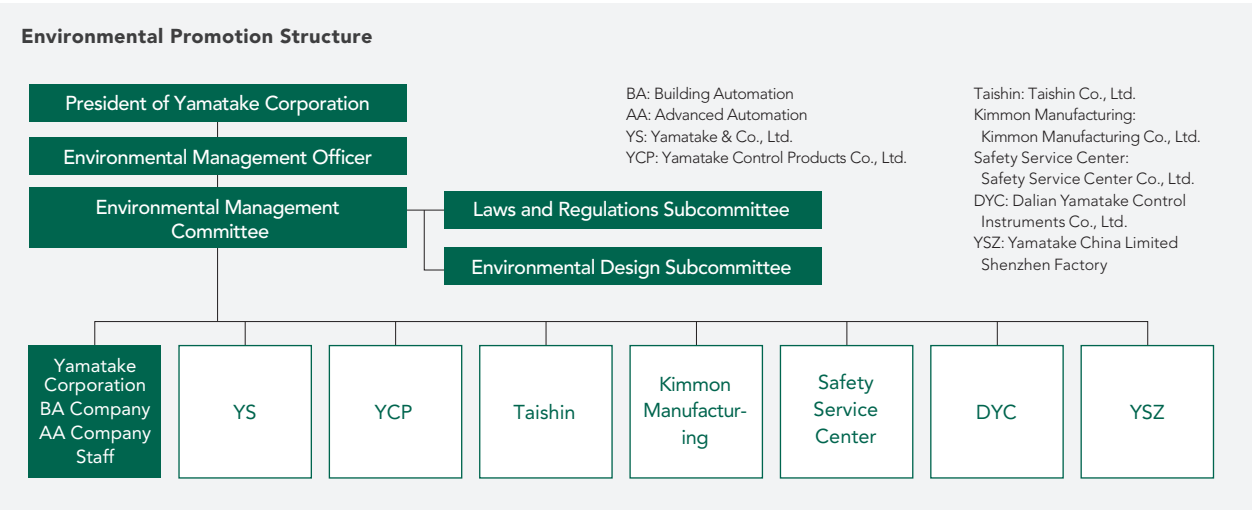
ISO 14001 Certification

In 1996, the Group became the first company in the control instruments industry in Japan to obtain certification, and since then has continued to acquire certification for its various locations in incremental stages. In February 2004, we integrated the environmental management systems of Yamatake Corporation to achieve improvements in administration-level quality and heightened efficiency for control and maintenance. In fiscal 2005, ended March 31, 2006, we expanded the scope to include all offices and operating sites in Japan. We have also been working to obtain certification for locations overseas. In fiscal 2007, Yamatake China Limited was certified.

ISO 14001 Certification History

Aug. 1996	Yamatake Corporation
Sept. 1997	Yamatake Control Products Co., Ltd.
July 2000	Taishin Co., Ltd.
Dec. 2001	Dalian Yamatake Control Instruments Co., Ltd.
Feb. 2004	Yamatake & Co., Ltd.
June 2004	Yamatake Corp. certification integrated
June 2006	Yamatake Korea Co., Ltd.
July 2007	Yamatake China Limited

The certifying bodies were as follows: Yamatake Corporation (Lloyd’s Register Quality Assurance Limited Japan), Kimmon Manufacturing Co., Ltd. (Japanese Standards Association (JSA), Dalian Yamatake Control Instruments (China Quality Certification Centre), Yamatake & Co., Ltd. (The High Pressure Gas Safety Institute of Japan), Yamatake Korea Co., Ltd. (DAS Korea International Certification Co., Ltd.), and for others SGS Japan Inc.



Environmental Audit Results: Reviewing the Characteristics of Environmental Auditing Practices

Based on an external audit conducted in fiscal 2007, Yamatake has been able to verify that its environmental management system (EMS) is operated and maintained in an effective manner and is continuously being improved. We conducted a thorough review of EMS with reference to the results of the audit which specified environmental aspects that require improvements. Depending on the operation, themes outside of the paper, waste and electricity field could not be identified, and EMS activities were at a standstill in some cases. We therefore revised the definitions of environmental aspects related to significant impacts, benefits and our business operations, and switched to a framework in which environmental aspects were selected and evaluated in connection with management planning by theme for each operations. As a result, emphasis shifted from paper, waste and electricity to activities that ultimately have a favorable impact on the environment. This has strengthened the connections between ISO and the business operations.

Environmental Regulation Compliance

The Laws and Regulations Subcommittee meets quarterly to discuss important regulatory issues that must be addressed by the Group and to share information concerning regulatory matters. In fiscal 2007, the Group did not violate any laws, was not penalized or fined and was not subject to any litigation or complaints concerning environmental matters. However, there was one instance in which the levels agreed upon with the local community were exceeded with respect to water quality, and we reported this to the relevant authorities and proceeded to make improvements (please see page 65).

Environmental Education

Yamatake believe contributing to the protection of the global environment is a paramount issue, and we proactively raise environmental awareness among our employees and develop organizational activities. For example, we have developed educational programs tailored to our employees’ position and roles (e.g., new employee training, training based on job function and factory training) that are designed to raise environmental awareness as well as promote the understanding of our environmental preservation activities. Yamatake also conducts its own training for internal auditors. In fiscal 2007, 176 employees became new internal auditors,

and these individuals are now playing environmental point roles in the workplace. To continue expanding our network of environmental preservation activities overseas, we also provide environmental education as part of the training given to employees before they are posted to overseas units.

Environmental Education Record

	Course Content	Total No. of Participants	Total No. of Hours Spent
Employment Stage	New employee training, mid-level employee courses	162	734
Experts	Internal auditor training, management and monitor courses	260	2,505
Factory Training	General environmental courses	11,609	1,866

- Records of Yamatake Corporation’s Fujisawa Technology Center, Shonan and Isehara factories, Yamatake Control Products Co., Ltd. and Taishin Co., Ltd.
- In fiscal 2007, 18 employees received environmental training before being transferred to overseas operations.

Changing Environmental Auditing Methods: Shifting to Simultaneous Environmental and Quality Audits



Toru Hasuoka
Environmental Protection Section,
Environment & Standardization
Promotion Department

In June 2007, Yamatake revised its auditing methods so that environmental and quality audits can be conducted simultaneously. Up to this point, the scope and nature of these activities under each management system (MS) were different. Audits were conducted separately under three different MS structures, including the MS for environmental activities for the Company as a whole and for quality at each Group company. However, from the perspective of each individual business division, this method was time-consuming as in addition to having to constantly respond to auditing requests the contents of the audits often overlapped. The new auditing methods are being attempted for the first time by an organization of our size, which has created some major challenges for the auditing organization. Nonetheless, we have not hesitated to take our first important steps toward integrating auditing systems in the future.



Seiji Onoki, President and CEO, Yamatake Corporation (left), and Hirofumi Niikura, Lloyd’s Register Quality Assurance Limited Japan (right), at the certification ceremony

Yamatake has been compiling environmental accounting reports since fiscal 1999, ended March 31, 2000, to quantitatively assess global environmental conservation costs and the economic and environmental effects of Yamatake conservation activities. We are working to revise and expand the aggregate scope of these activities. Taishin Co. Ltd. was added to the scope of environmental accounting from fiscal 2007.

Results of Fiscal 2007 Environmental Accounting

In fiscal 2007, capital investment totaled ¥221.4 million, down ¥61.4 million from the previous year. In the main categories, conservation cost for investments in energy-reducing equipment to help prevent global warming, and other global environment conservation cost, came to ¥98.6 million. Pollution prevention cost for enacting policies to prevent soil contamination and for treatment and drainage

increased ¥62.3 million, to ¥100.4 million. Meanwhile, expenditures came to ¥915.8 million, down ¥63.7 million, while administration cost increased because Taishin Co., Ltd. was added to the scope of our environmental accounts from this fiscal year. In addition, energy-expense saving through energy conservation was ¥75.9 million, bringing the total economic benefits to ¥136.9 million, an increase of ¥130.0 million overall.

Environmental Conservation Cost*1

		Millions of yen					
Category	Key Activity and the Outcome	Investment			Cost		
		FY2006	FY2007	Change	FY2006	FY2007	Change
1 Environmental conservation cost to control environmental impacts which result from key business operations within the business area (Business area cost)	A Pollution prevention cost	38.1	100.4	62.3	24.1	23.5	-0.6
	B Global environmental conservation cost	225.2	98.6	-126.6	102.4	87.8	-14.6
	C Resource circulation cost	10.5	22.4	11.9	68.0	38.1	-29.9
	Total of above	273.8	221.4	-52.4	194.5	149.4	-45.1
2 Environmental conservation cost to control environmental impacts which result from key business operations upstream or downstream (Upstream/downstream cost)	-	0.0	0.0	0.0	0.4	6.2	5.8
3 Environmental conservation cost stemming from administrative activities (Administration cost)	Maintaining ISO 14001 certification, environmental information disclosure, environmental advertising, environmental education, greening and beautification of offices, etc.	0.0	0.0	0.0	191.8	223.4	31.6
4 Environmental conservation cost stemming from R&D activities (R&D cost)	R&D in such fields as the environment and alternative energy	0.0	0.0	0.0	591.6	535.4	-56.2
5 Environmental conservation cost stemming from social activities (Social activity cost)	Cleaning rivers, waterfront and other areas	9.0	0.0	-9.0	1.2	1.4	0.2
6 Cost incurred for dealing with environmental degradation (Environmental remediation cost)	-	0.0	0.0	0.0	0.0	0.0	0.0
Total		282.8	221.4	-61.4	979.5	915.8	-63.7

Economic Benefit Associated with Environmental Conservation Activities*1

Details of Benefit	FY2006	FY2007	Change
Disposal cost saving through lower resource input or recycling	49.5	65.4	15.9
Energy expense saving through energy conservation	-39.2	75.9	115.1
Cost saving from reduced resource use (Water)	-3.4	-4.4	-1.0
Total	6.9	136.9	130.0

Environmental Conservation Benefit*2

Details of Benefit	FY2006	FY2007	Change
Electricity (million kWh)	41.6	40.5	-1.1
Water (10,000 m³)	9.8	10.0	0.2
Gasoline/Diesel Oil for Transport (kl)	1,614.9	1,625.7	10.8
CO₂ Emissions (tons)	2,0867.2	20,405.8	-461.4
Total Discharge of Waste (tons)	1,573.1	1,416.3	-156.8
Waste for Final Disposal (tons)	11.8	12.6	0.8

Target period FY2006: April 1, 2006 to March 31, 2007
FY2007: April 1, 2007 to March 31, 2008

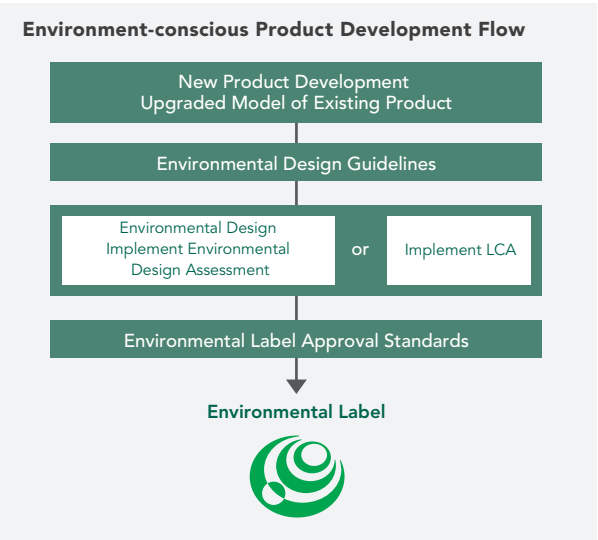
Scope of calculations*1 FY2006: Yamatake Corporation's Fujisawa Technology Center, Shonan and Isehara factories and Yamatake Control Products Co., Ltd.
FY2007: Yamatake Corporation's Fujisawa Technology Center, Shonan and Isehara factories, Yamatake Control Products Co., Ltd. and Taishin Co., Ltd.
Scope of calculations*2 Yamatake Corporation, Yamatake Control Products Co., Ltd, Taishin Co., Ltd., Yamatake & Co., Ltd. and Safety Service Center Co., Ltd.

- Environmental conservation cost is presented in a format equivalent to that given in the Ministry of the Environment's Environmental Accounting Guidelines 2005.
- Since the amounts represent the cost and benefit of activities to reduce the environmental impact, primarily production-related activities, the income and expenses from the environmental business and environment-conscious products and services are not included.
- Capital investment is fully booked in the fiscal year they were made, but are not included in the depreciation expenses calculation.
- Deemed benefit is not included. Economic benefit is limited to actual benefit, such as amounts saved due to reducing energy use.

In 1997, Yamatake formulated environmental design guidelines for easing environmental impact with the aim of creating environment-conscious products and services. In new product development and for our existing product lineup, we actively promote the development of environment-conscious products and services with added performance features and new models throughout their life cycles.

Flow of Environment-conscious Product Development

Limiting environmental impact requires stringent environmental assessments at all stages of a product's life cycle, from the early development, planning and design stages through to materials procurement, production, distribution, marketing, use and final product disposal. All of our new products and other offerings undergo a thorough environmental design assessment, and we are building the mechanisms for life cycle assessment (LCA) as a basic principle behind product design, development and use. Products that satisfy or exceed LCA standards are designated as environment-conscious and acquire the self-declared Type II Environmental Label.



LCA (Life Cycle Assessment) Initiatives

In fiscal 2007, ended March 31, 2008, Yamatake developed an internal LCA manual for deciphering and understanding ISO14040: 2006 and ISO14044: 2006 designations for international LCA standards, and plans to hold LCA seminars and further disseminate information on LCA standards in fiscal 2008. In addition, we will compile basic policies and standards as LCA guidelines for formulating LCA profiles.

Environmental Design Assessments

The Group has been using environmental design guidelines for developing environment-conscious products and upgrading the performance features of its existing products since 1997. Products are assessed for their environmental design in eight categories*1 and then appraised based on

the extent that they have improved in four categories in comparison with existing products. In the fiscal year under review, new LCA assessments were incorporated into the process and standards were tightened for chemical substances and energy conservation. As a result, the overall average improvement*2 was 16.2%. The Group made notable progress in complying with requirements for reducing toxic chemicals under the European Union's Restriction of Hazardous Substances (RoHS) directives and in satisfying other regulations and achieved a 29.6% score under environmental safety measures. Moreover, energy conservation improved 18.4%.

*1 Reusability and recyclability; disposability; environmental preservation; resource conservation; energy conservation; length of service; packaging material; and information disclosure
*2 Overall improvement denotes the simple sum of environmental assessment results for Group companies and does not denote a Groupwide improvement rate.

Results of Overall Assessment in fiscal 2007



Environmental Labeling

Yamatake introduced a certification system for environmental labeling that complies with international ISO14021 standards in April 2001 and actively discloses environment-related data on its products to customers. The Group uses the self-declared Type II Environmental Label.

Environmental Labeling Standards

- Products must be better than current products in at least one of the areas below, based on the environmental design assessment:
- Improvement of 30% or more in each category and a positive overall evaluation
 - Improvement of 10% or more in the overall evaluation



Building and promoting chemical substance management mechanisms is essential in order to comply with the European Union's RoHS directives^{*1}, REACH directives^{*2} and other regulations governing chemical substances in products. Toward this end, the Group has revised its green procurement practices and clearly defined and developed chemical substance management mechanisms.

^{*1} Restriction of the use of certain Hazardous Substances in electrical and electronic equipment.
^{*2} Regulation concerning the Registration, Evaluation, Authorization and Destruction of chemicals.

Building Mechanisms for Managing Chemical Substances Used in Products

Activities for managing products that contain chemical substances must extend not only across the breadth of the Group but also over its entire supply chain as well, including its procurement practices for components, products and basic materials. Yamatake has revised its written criteria for green parts and materials supply under its green procurement guidelines and disclosed new guidelines for chemical substance management in order to construct management mechanisms for chemical substances covering all Group companies as well as its customers and business partners. In addition, we have clarified written criteria for regulating chemical substances in packaging materials. Looking ahead, based on these guidelines the Group will apply management mechanisms for chemical substances to all of its operations, including supply chains. We will work together closely with customers and business partners and continuously seek their understanding through our ongoing efforts to refine and revamp the system. Yamatake's Green Procurement Guideline can be viewed at: <http://www.yamatake.com/csr/eco/green.html>

Broadened Regulations Governing Chemical Substances and Products

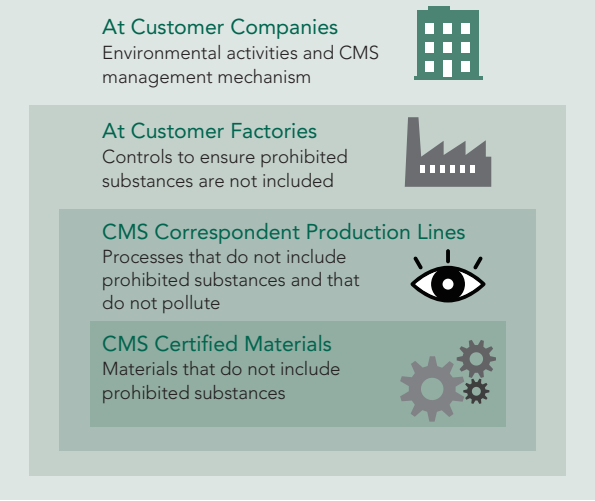
In fiscal 2007, ended March 31, 2008, the Group added chlorine-based organic solvents and other chemical substances to its list of substances prohibited from use in production and assembly processes that had been revised in fiscal 2006, for managing and reducing chemical substances. These substances are excluded from use by the Group as well as its business partners, which helps enhance worker safety and hygiene on the production floor. We plan to review our regulations in conjunction with the list of candidates of chemical substance management that is slated for disclosure under the European Union's REACH directives.

Green Procurement Survey: The Yamatake Eco Program (YEP)

Yamatake assesses the green procurement survey of its business partners and suppliers to supply environment-conscious products and services to expend green procurement to a broader realm, we help our business partners and suppliers through the Yamatake Eco Program (YEP), which is based on the Eco Action 21 program developed by the Ministry of the Environment. The program is mainly comprised of employees who served as the contact

representatives with suppliers. A total of 22 employees had finished training as of March 31, 2008 as YEP instructors. In fiscal 2007, 39 companies newly registered for YEP, which makes for a total of 64 participating companies since the program was introduced in fiscal 2005.

Our Chemical Substance Management Philosophy



CMS: Management systems for chemical substances included in products

Yamatake Eco Program (YEP) Instructors



Kazurou Hiranuma (left)
Manufacturing Section,
Isehara Production Department,
Advanced Automation Company



Yoshiyuki Usui (right)
CP Procurement Section,
Procurement Department,
Advanced Automation Company

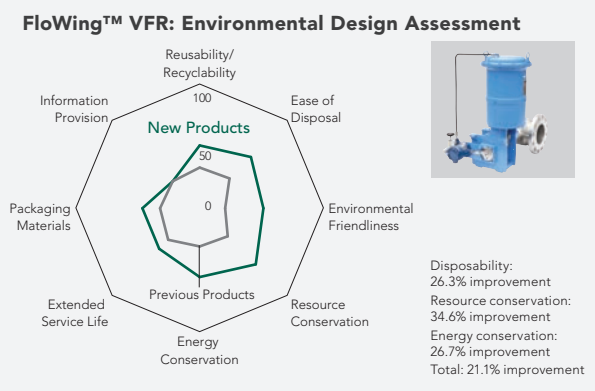
YEP instructors provide suppliers and business partners with direct consultations, offering support and advice for their environmental activities. Many of these business partners are small and medium-sized companies, and it is sometimes difficult for them to operate under the PDCA cycle. We guide them through the process while also focusing on lowering costs. Evaluations have positive external benefits for our business partners and suppliers, and we can clearly see the positive results that ensue. We hope that YEP activities encourage business partners to seek the next level in acquiring public certification and achieving other higher standards. One issue is to enhance our skills as YEP instructors. Looking ahead, we want to continue promoting environmental conservation activities in conjunction with our business partners and suppliers.

Yamatake would like to introduce some of its main products that have shown particular improvement and also meet environmental labeling standards in environmental assessments.

For more details, please visit: <http://jp.yamatake.com/csr/eco/hairyo.html> (Japanese)

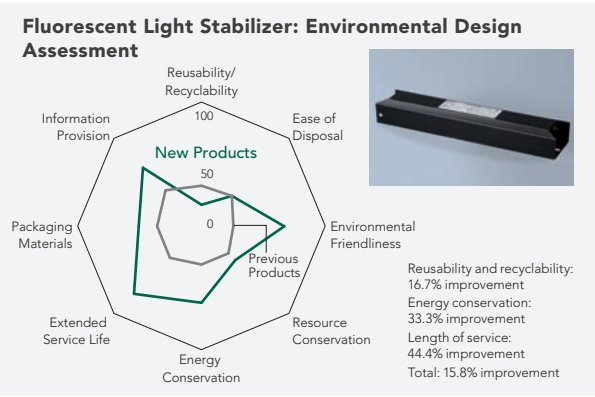
FloWing™ Eccentric Rotary Control Valve (VFR)

The FloWing™ VFR is a control valve that has a rotary plug with stabilizer wing, and features large capacity and wide rangeability. It has high resource- and energy-conservation capabilities because it is smaller and lighter than globe control valves and reduces air consumption. High differential pressure-type VFR can be applied to high-pressure fluid by changing the port area. As a result, VFR further improves resource- and energy-conservation capabilities.



Fluorescent Light Stabilizer with Dimming Capabilities*

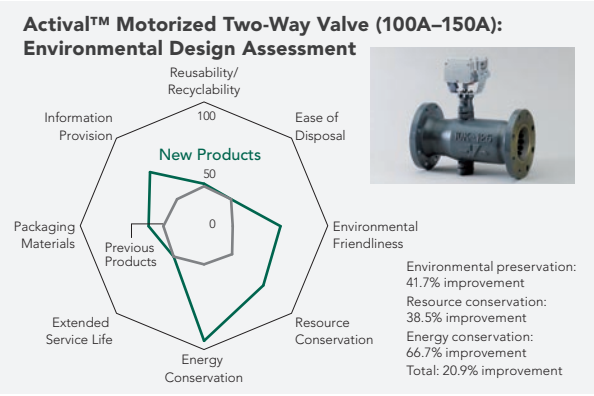
Changing the light stabilizers that are required for keeping fluorescent lights burning steadily is an important way to reduce energy use from lighting. This stabilizer is made of copper and steel and lasts more than 50% longer than current electronic stabilizers. A high-precision device built to resist high-wave harmonic noise, it is also the first copper-steel stabilizer in Japan with light-dimming functions, reducing energy needs up to 40%. The priorities ahead will be making the device lighter, incorporating it into systems and enhancing its capabilities in other ways.



* This product is handled only in Japan

Actival™ Motorized Two-Way Valve, for High Differential Pressure Application Series (VY51)

Using original corn-shaped diffusers, Actival™ can reduce erosion caused by cavitation from problems with control valves that result from intense high-differential pressure over long periods in air-conditioning and heating circulation. Compared with established globe control valves, volume is approximately 50% less, and the smaller drive-force needed than with established globe control valves—along with diminished driving power required for valves—thereby cutting electricity consumption more than 80% (100A–150A). Moreover, valves and actuators are integrated and miniaturized, which saves resources and space.



Role in Developing High-Differential Response Series (VY51)



Yoshio Nomaguchi (left),
Yasumasa Honma (right)
Development Department 2,
Development Headquarters,
Building Systems Company



We have been working to develop products that can be used in intense air-conditioning and heating conditions under high-differential pressure. After testing theories and experimenting with trial-and-error on ways to improve the basic structure of products for preventing driving forces and erosion that results in cavitation from high-differential pressure, we are finally having success in developing environment-conscious products that conserve energy and resources. Looking ahead, these products will be used in many plants—in Japan as well as overseas—and we hope they make important contributions in reducing environmental impact.

Policies for energy conservation in order to contribute to the prevention of global warming continue to be one of Yamatake’s leading priorities. We are setting new targets for energy use, including measures for our production lines and our own vehicles, as we redouble efforts to address the problem of global warming.

Achievements in Reducing Carbon Dioxide Emissions and Future Reduction Targets

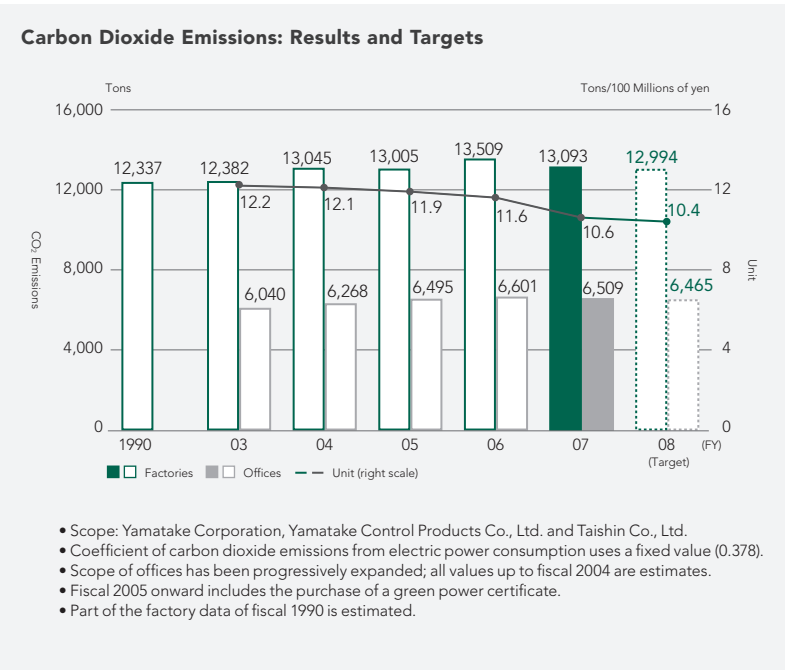
The Group has enacted a series of measures since fiscal 2005, ended March 31, 2006, to transform its underlying business foundations by relocating head office functions, integrating sales offices, consolidating R&D and engineering operations and realigning production sites in the Group. We broadened these initiatives in fiscal 2007 to gain a more precise understanding of energy use (electricity, gas, lighting and other power sources) at all Yamatake offices, including those belonging to tenants, and at production companies in the Group, and of vehicle fuel consumption. In fiscal 2007, a greater awareness of levels of energy consumption Groupwide and the benefits from the initiatives to consolidate factories and offices noted above contributed to reducing total energy consumption of 2.5% year on year. Moreover, energy consumption improved 8.4% on a unit sales basis over fiscal 2006.

The Group steadily reduced carbon dioxide emissions through fiscal 2003, principally by cutting air-conditioning, lighting and other energy needs at its production facilities. However, even though unit energy costs improved as production and other operations expanded, carbon dioxide

emissions increased. Consequently, in conjunction with our established policies we radically rethought our strategies for attaining medium- and long-term targets and revamped policies for fiscal 2007, setting new overall goals for reducing energy use. We are revamping policies for production facilities and production in ways we did not fully consider before, including switching to fuel-efficient vehicles and promote eco-friendly driving practices.

Carbon Dioxide Emission Reductions in Logistics

Yamatake first began grappling with the issue of energy use in logistics in 2002, and has gradually expanded the scope of its understanding and worked to refine its assessments. Given that most logistics are outsourced to transportation companies, our efforts are centered on fine-tuning delivery routes, improving loading, revising packaging materials and other improvements in cooperation with transportation companies. However, distribution volume increased 8% year on year in fiscal 2007 as production increased. Our total distribution volume was 3.5 million ton kilometers in the fiscal year, meaning that the Company was not classified as a specialty shipping enterprise—a company shipping 30 million ton kilometers or more.

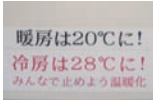


Energy Conservation Activities at AAC's Kyushu Branch



Hiromi Takahara
Business Section,
Kyushu Regional
Division, Advanced
Automation Company

Signs displaying temperature settings to lead to energy conservation



One important way to prevent global warming is through air-conditioning control measures. Since fiscal 2005, ended March 31, 2006, we have been aiming to reduce energy consumption from air-conditioning. We have strictly adhered to a policy of keeping indoor air temperature at no less than 20°C in warm periods and no more than 28°C in cool periods and taken other steps to conserve energy and make better use of resources. For example, we make simple hot-water bottles by putting boiling water in empty plastic containers to keep us warm in winter and use fans and folding fans for staying cool in the summertime. These efforts resulted in a 20.3% reduction in electricity use in fiscal 2007 compared with the previous year, and energy-conservation policies are showing tangible gains. Under the catchphrase "We're not stingy, we're eco-minded" we are all working together to conserve energy and to contribute to the environment.

Energy Conservation Activities at Taishin Co., Ltd



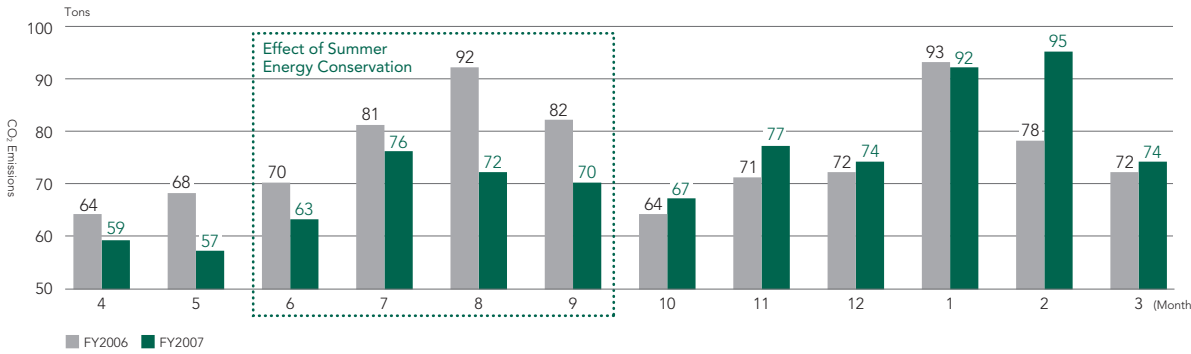
Shigeaki Nakamura
Planning Group,
Administration Section,
General Affairs Division,
Taishin Co., Ltd.



Reflow air heater with insulation

We have been adopting ideas from the Environmental Committee, composed of office workers and engineers, and are independently working to conserve energy in a number of different ways. For example, reflow air heaters, used in soldering, heat the surrounding area and adversely affect air cooling systems in the summertime, so we wrap plastic picnic sheets around them for insulation and heat conservation. This cuts our air-conditioning load in the summertime. In the winter, we let the heat escape into the room, which reduces heating costs and resource needs. In August 2007, as part of the Yamatake Taishin Carbon Dioxide Reduction Project, we replaced leaking joints and installed new air pipes for reducing wasteful air compression. Meanwhile, the Shinshu Energy-Conservation Patrol Group pointed out to us that our power supply transmission for compressors was overloaded, so we quickly idled one compressor for safety reasons, and this has reduced our energy consumption by a surprisingly large amount. Also, we are blessed with abundant water supply in the surrounding area, so we sprinkle water on roofs in the summertime to reduce indoor temperatures. These energy-conserving practices reduced our energy use 3.4% from the previous year. The results of our energy-conservation measures are reported to all employees once a month at the morning assembly, and all of us are making concerted efforts to cooperate in reducing energy. We plan to reduce energy use at clean rooms and in the remaining reflow tanks, and put screens around our outdoor equipment as part of upcoming efforts.

Carbon Dioxide Emissions by Month



Business activities themselves have an impact on the environment, but Yamatake places importance on furnishing products, services and solutions to its customers that minimize the use of resources to the greatest extent possible. We are striving to reduce the use of resources and curtail waste to build a society with recycling as an integral part of its foundations.

For more details, please visit: <http://www.yamatake.com/csr/eco/perform.html>

Results in Waste Reduction

The waste generated at our factories and offices is carefully sorted by material and type. We are currently rethinking the way we collect waste and thoroughly educating our employees in waste separation methods to ensure that all resources are reused and recycled.

In fiscal 2007, ended March 31, 2008, our recycling rate was 99.1%, reaching its uppermost limit at a number of factories. The total volume of waste has fallen in the wake of moves to restructure and relocate offices and factories, which caused a temporary surge in volume. We will continue focusing resources on curtailing waste.

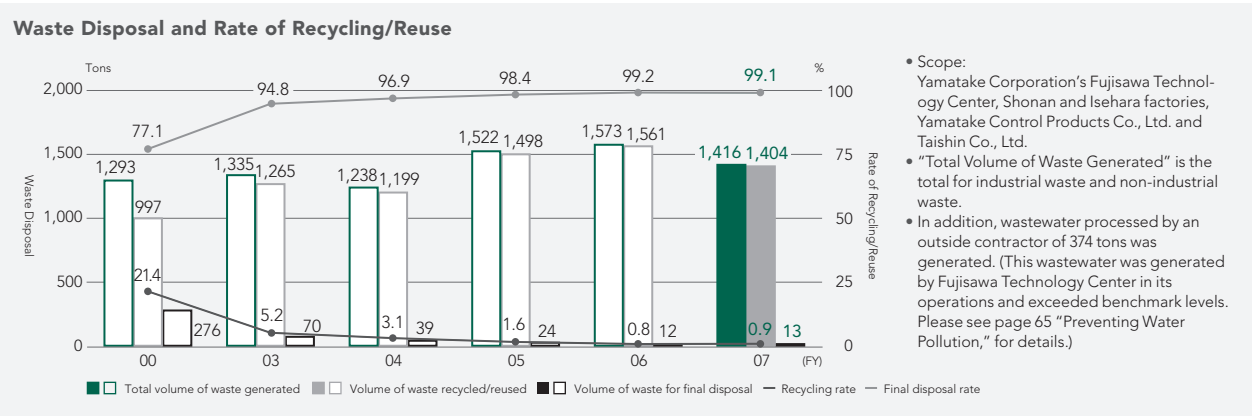
Reducing Paper Use

Yamatake is making concerted efforts to reduce the use of paper at all of its offices through information technology (IT) activities. We are stepping up the use of common Group-wide electronic bulletin boards for sharing data and electronic reports and are developing owner's manuals and

product specifications in electronic form. In fiscal 2007, we worked actively to curtail the use of paper. Volume declined only 2.1% compared with our aim of a 5% reduction, but volume was down 8% on a unit sales basis. Increased paper-material deliveries to suppliers is a significant factor, and going forward we will coordinate with customers to push forward long-term efforts for reductions.

Reducing Water Use

Water is a precious resource. Yamatake has enacted various water-conservation measures and is promoting the use of pure water and cold water recycling as part of initiatives to reduce consumption. Since our strategies in the past have successfully cut water use, our aim for the time being is to keep volume from rising. In fiscal 2007, water volume rose marginally, but this reflected a move by tenants (and utility costs) to the Company's own buildings as offices were consolidated. Water used did not increase.



Recycling Used Uniforms, Eco Goods and Other Items



Tatsuo Ishii (left)
Salary and Social Welfare Section,
Human Resources Department

Ayako Nagayama (right)
Environmental Protection Section,
Environment & Standardization
Promotion Department

In October 2007, all Group companies adopted the same uniform design and styling. The discarded uniforms (37,000 items, weighing 15 tons) were recycled as material used for reusable shopping bags, work gloves or other eco goods, and leftover materials were turned into waterproof sheets for construction sites. As a result, we have been able to reduce waste. Eco goods are not only distributed and sold to employees but are also used in many ways to help communities, including use in forest conservation and beach cleanup, and for environmental education in elementary schools. All the electricity required for producing eco goods comes from green sources.



Recycled eco goods

Yamatake makes concerted efforts to prevent atmospheric, water and soil pollution with the aim of minimizing the environmental impact of its production activities. We periodically analyze and measure gas emissions and wastewater and maintain and manage equipment for eliminating pollution. Moreover, we make sure that chemical substances are adequately managed and promote safe alternatives for them, and provide our employees with training in environmental auditing and emergency response.

Preventing Atmospheric Pollution

Yamatake stopped using boilers and other specific equipment damaging to the atmosphere in fiscal 2005, ended March 31, 2006, and has completed the removal of fuel tankers and other equipment harmful to the air.

Dichloromethane, a degreasing detergent, removes toxins from equipment and controls the density of exhaust fumes. Substitutes for dichloromethane are being incrementally introduced for different types of cleaning equipment as safer substitutes (water, semi-water and hydrocarbon cleaning solvents for each production process).

As a result, dichloromethane use declined 70% year on year in fiscal 2007 amid ongoing efforts to completely eliminate the chemical at production facilities.

Preventing Water Pollution

Yamatake adequately cleans wastewater from its factories and from their kitchens and other facilities and then releases it back into the public waterways. Wastewater is periodically analyzed and continuously monitored for quality.

For treating wastewater at the Fujisawa Technology Center, in August 2007 Yamatake stopped using a method for washing air-cleaner cells that led to it exceeding the levels agreed upon with the local community for biochemical oxygen demand (BOD) established by the Fujisawa municipal government.

However, BOD measurements exceeded the agreed upon levels (15mg/l, maximum 20mg/l) during testing of new wastewater treatment facilities in September. It is difficult to fully eliminate BOD in wastewater processing and continuous measurement of minute BOD levels is also problematic, so we have responded by using patch treatments (or treating only excessive BOD). Meanwhile, we are consistently strengthening our management oversight and looking into new methods for ongoing surveillance.

Soil Contamination

Following the building of new testing facilities at the Fujisawa Technology Center, Yamatake had the soil analyzed at the site where the old facilities were dismantled. We identified small amounts of lead (0.016mg/l versus the 0.01mg/l permissible standard), arsenic (0.012mg/l versus 0.01mg/l) and fluorine (0.8mg/l versus 1.1mg/l) in samples of surface layers taken from part of the area. After reporting these findings to the Fujisawa municipal government, the soil was then treated and improved.

Finding Substitutes for Dichloromethane Degreasing Detergent



Takahiro Horie
Shonan Production Engineering Department,
Advanced Automation Company

Yamatake is completely eliminating the use of dichloromethane for cleaning metal parts after machining and parts before assembly and in tool cleaning. Complementing our initiatives so far, we have set our sights on enhancing environment-conscious practices, safety and productivity, and have become more selective about applying the correct cleaning methods for each particular component and about the kinds of liquid solvents we use. Cleaning materials are repeatedly tested and evaluated for quality as we work to improve them for our equipment. By shifting to water- and hydrocarbon-based solvents and other substitutes, we succeeded in completely eliminating the use of dichloromethane in fiscal 2008.

Compliance with PRTR Law*

PRTR-designated substances that the Group uses one ton or more of annually are shown below.
*The Pollutant Release and Transfer Register (PRTR) Law promotes improved measurement and management of emissions into the environment of designated chemical substances.

PRTR Law Class 1 Designated Chemical Substances

Office or Factory	Designated Substance	FY2005 Usage	FY2006 Usage	FY2007 Usage	Atmospheric Emissions	Water and Soil Emissions	Transported as Waste	Landfill Disposal	Transported for Recycling
Yamatake Corporation's Shonan factory	Dichloromethane	19,500	15,000	4,500	3,050	0	0	0	1,450
	Toluene	6,500	7,480	7,170	7,170	0	0	0	0
	Xylene	3,130	4,050	4,040	2,830	0	1,210	0	0
Yamatake Control Products Co., Ltd.	Toluene	1,289	1,219	1,268	0.899	0	0.369	0	0
	Xylene	1,614	1,841	1,624	1,128	0	0.496	0	0
	Lead	6,605	3,090	2,983	0	0	0	0	1,203

Reporting requirement did not apply to Yamatake Corporation's Fujisawa Technology Center, Isehara factory and Taishin Co., Ltd. (Use of PRTR-designated substances was less than one ton annually.)
All lead is from soldering. An amount used for products was 1,780 tons.

Shareholder-oriented Management and Measures to Maintain and Improve a Sound Financial Structure

Tadayuki Sasaki
Executive Director
Managing Executive Officer
Yamatake Corporation



Aiming to increase enterprise value, we are focusing on shareholder-oriented management, on maintaining and improving a sound financial structure, and on enhancing systems to guarantee the reliability of financial reporting.

One aspect of shareholder-oriented management that we consider to be an important management issue is returning profits to shareholders, and we are positively working to raise the dividend level.

In fiscal 2007, the year ended March 31, 2008, we paid a full-year dividend of ¥60 per share, a ¥10 increase on the previous fiscal year and the fifth consecutive year we have increased our ordinary dividend. Herewith, we are realizing significantly high levels for our dividend payout ratio and dividend on equity (DOE) compared with the average for the stock market as a whole.

Going forward, the management would like to maintain stable dividends while striving to increase its dividend

payout, taking into account comprehensively its consolidated performance, levels of return on equity (ROE), DOE as well as retained earnings for strengthening its business structure and developing future businesses.

In addition, we will sustain a sound financial structure capable of withstanding any change within our operating environment, while emphasizing cash flow. We will also be mindful of securing funds and ensuring our procurement capabilities for investment to realize future growth and expanded operations, as well as to rapidly recover and continue operations in the event of a natural disaster.

We have been establishing systems to guarantee appropriate financial reporting through the enhancement of quarterly reporting based on the Financial Instruments and Exchange Law, enforced in fiscal 2008, the year ending March 31, 2009, and the upgrade and evaluation of internal controls.

Notes to Eleven-Year Financial Summary

- *1 Following the adoption of accounting standards for employees' retirement benefits, liabilities for retirement benefits was recorded at the amount based on the projected benefit obligation and plan assets at the end of the fiscal year. As a result, a variance of ¥18,984 million that occurred on the adoption of these accounting standards was recorded in this fiscal year as an extraordinary loss.
- *2 Accompanying the enforcement of the Defined Benefit Corporate Pension Law, the Company was exempted by the Minister of Health, Labour and Welfare from its obligation to provide the future part of the substitutional portion of the projected benefit obligation. Consequently, the Company eliminated ¥11,021 million of the corresponding substitutional portion on the day the exemption was granted, and the same amount was recorded in this fiscal year as an extraordinary profit.
- *3 As a result of the shift to a DC pension plan in June 2004, an extraordinary loss of ¥3,453 million was incurred.
- *4 An extraordinary profit of ¥2,716 million was recorded as a gain on sales of property, plant and equipment on the sale of a former factory site.

- *5 Kimmon Manufacturing Co., Ltd. was made a consolidated subsidiary. At the end of fiscal 2005, the year ended March 31, 2006, only the balance sheet was consolidated, and for fiscal 2006, ended March 31, 2007, the profit and loss accounts were also consolidated.
- *6 For fiscal 2005, the year ended March 31, 2006, the full-year dividend of ¥50 per share consisted of an ordinary dividend of ¥40 per share and a special dividend of ¥10 per share to commemorate the Company's 100 year anniversary.
- *7 An extraordinary profit of ¥2,832 million was recorded as a gain on sales of property, plant and equipment on the sale of former factory sites. However, an extraordinary loss of ¥2,091 million was registered following an asset-impairment loss equivalent to the loss in market value of goodwill, investments and other assets due to a significant fall in the market value of shares in Kimmon and an extraordinary loss of ¥1,017 million was recorded as an impairment loss on Kimmon operational-use property, plant and equipment.

Eleven-Year Financial Summary

	1997	1998	1999	2000 ^{*1}	2001	2002 ^{*2}	2003	2004 ^{*3}	2005 ^{*4 *5 *6}	2006 ^{*5}	2007 ^{*7}
Millions of yen except per share data											
For the year:											
Net sales	¥ 198,932	¥178,896	¥169,634	¥177,940	¥167,164	¥167,969	¥169,951	¥180,763	¥188,321	¥234,572	¥248,551
Operating income	12,733	7,458	7,198	11,694	4,527	3,275	6,820	9,353	13,515	17,314	20,484
Income before income taxes and minority interests (loss)	10,102	6,848	6,332	(9,576)	4,345	11,235	6,493	5,769	15,650	17,856	19,540
Net income (loss)	5,020	2,520	3,413	(5,918)	2,121	5,308	3,241	3,709	9,795	10,646	10,709
Depreciation and amortization	2,813	2,951	2,810	2,655	2,809	2,655	2,346	2,291	2,352	3,891	4,387
R&D expenses	9,835	9,447	7,482	8,674	8,770	8,881	8,099	8,170	8,360	8,776	9,844
Capital expenditures	3,624	2,869	2,350	3,552	2,255	2,065	2,065	2,460	6,790	5,273	4,488
Return on equity (ROE) %	4.6%	2.3%	3.0%	(5.5)%	2.1%	5.6%	3.5%	3.8%	9.3%	9.3%	9.0%
At year-end:											
Total assets	¥ 196,456	¥181,654	¥179,054	¥186,302	¥180,958	¥162,919	¥165,264	¥172,586	¥217,882	¥230,679	¥228,844
Total equity	110,995	112,353	114,603	99,495	98,886	91,780	95,530	99,848	110,859	118,967	121,721
Per share data (yen):											
Net income (loss)	¥ 53.63	¥ 26.93	¥ 36.47	¥ (64.74)	¥ 25.09	¥ 68.65	¥ 43.51	¥ 49.88	¥ 132.52	¥ 144.71	¥ 145.63
Cash dividends	12.00	12.00	12.00	12.00	12.00	12.00	14.00	23.00	50.00	50.00	60.00
Total equity	1,1185.81	1,200.32	1,224.36	1,176.54	1,169.39	1,247.07	1,297.95	1,356.65	1,506.25	1,602.33	1,641.73

Consolidated Results

Net Sales

In fiscal 2007, ended March 31, 2008, the Building Automation and Advanced Automation businesses both recorded strong sales, and for the first time each surpassed the ¥100 billion mark. As a result, total net sales grew ¥13,978 million year on year, or 6.0%, to ¥248,551 million, and the Group recorded increased sales for the sixth consecutive fiscal year.

Building Automation Business

The Building Automation business achieved major increases in both sales and profits. Sales increased ¥11,539 million year on year, or 13.0%, to ¥100,517 million, and operating income grew ¥3,292 million, or 38.9%, to ¥11,752 million.

Sales in Yamatake's market for new buildings continued to grow, primarily due to investment in construction continuing to expand for redevelopment projects centered in the Tokyo metropolitan area and also in the manufacturing industry. Moreover, Yamatake achieved significant sales growth in both existing buildings and services, including its ESCO (Energy Service Company) business. This can be explained by a new emphasis on measures and regulations aimed at meeting Japan's commitment to reduce carbon dioxide emissions, as laid down in the Kyoto Protocol, as well as by heightened corporate concerns about conserving energy. Furthermore, in the security (room access control) business, sales have grown significantly as a result of increased demand among customers, particularly financial institutions. Yamatake's international business has been affected by manufacturers' reassessing their production bases in China and in the Southeast Asian region, and by the resulting postponement of investment. In particular, the slowdown in projects for Japanese-owned factories in China has led to a small drop in revenue.

Advanced Automation Business

Sales in the Advanced Automation business increased ¥5,696 million year on year, or 5.7%, to ¥105,446 million, while operating income decreased ¥143 million, or 1.6%, to ¥8,925 million, due to factors including the rising costs of raw materials.

Despite the increasing uncertainty regarding domestic capital investment, customer needs for safety, stable operations, energy savings and advanced control remain as strong as ever. Yamatake was able to increase sales in each of these fields by providing a range of solutions for its customer needs, via its unique, high-value-added products and applications. In its international business, Yamatake's overseas sales subsidiaries and affiliates recorded solid growth, particularly in Asia. Also, the results of Royal Control Co., Ltd., which became a consolidated subsidiary in the second half of fiscal 2006, contributed to the overall increase in sales.

Life Automation Business

Life Automation business sales declined ¥348 million, or 0.9%, to ¥36,457 million, while an operating loss of ¥286 million was recorded, a year-on-year improvement of ¥238 million. In the Life Automation business, Kimmon Manufacturing Co., Ltd. has been facing a difficult business environment as a result of such factors as the steep rise in the cost of raw materials and a drop in sales prices. Responding to these conditions, increased cooperation within the Group has facilitated implementation of the "Kimmon-Yamatake Jump-Up Plan", which aims to strengthen the company's business structure and improve profitability.

In the city gas equipment business, demand declined during the fiscal year due to an extension in the length of the period required between mandatory equipment testing. Despite this, efforts have been made to strengthen sales, for example by working with the Advanced Automation business to expand the product lineup. Also, the LP gas equipment business is entering a period of increased demand and sales opportunities have been actively pursued.

In the emergency dispatch service and care service fields, Yamatake has striven to improve operational efficiency. It has also made some progress in expanding the business field, such as offering a service for the prevention of lifestyle-related diseases.

Other Businesses

Sales of Other businesses declined ¥2,712 million year on year, or 24.4%, to ¥8,411 million, and operating income fell 76.5%, to ¥83 million.

Operating Income

Higher sales led to an increase in cost of sales of ¥8,812 million year on year, or 5.9%, to ¥158,605 million. Despite the rising costs of raw materials, cost-reduction efforts resulted in the cost of sales ratio falling 0.1 percentage point, to 63.8%, while gross profit rose ¥5,166 million, or 6.1%, to ¥89,946 million. Selling, general and administrative expenses increased ¥1,996 million, or 3.0%, to ¥69,462 million.

In spite of the above factors, operating income climbed ¥3,171 million, or 18.3%, to ¥20,484 million. Not only was this the fifth consecutive fiscal year of increased earnings, it was also the first time the Group has surpassed ¥20 billion for operating income.

Net Income

Other (Expenses) Income

In the year under review, other expenses of ¥944 million were charged whereas other income of ¥542 million was recorded in the previous year. Although gain on sales of property, plant and equipment-net amounted to ¥2,384 million, loss on impairment of long-lived assets of ¥3,108 million was recorded in the year under review.

As a result, income before income taxes and minority interests climbed ¥1,685 million, or 9.4%, to ¥19,540 million.

Income Taxes

Total income taxes increased ¥1,519 million, or 21.7%, to ¥8,518 million.

The actual effective tax rate on income before income taxes and minority interests was 43.6%, an increase of 4.4 percentage points from the previous fiscal year, while minority interests in net income climbed ¥102 million, or 48.3%, to ¥313 million. As a consequence, net income increased ¥63 million year on year, or 0.6%, to ¥10,709 million, the fourth consecutive fiscal year of increased earnings has been recorded.

Financial Position

Assets

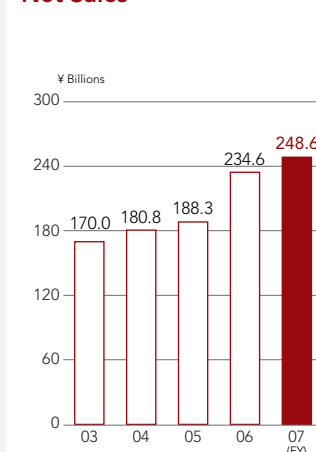
Total assets at March 31, 2008, were down ¥1,835 million year on year, or 0.8%, to ¥228,844 million. This was principally because an increase in current assets of ¥9,861 million, or 6.2%, to ¥169,582 million, was exceeded by a decrease in property, plant and equipment of ¥11,697 million, or 16.5%, to ¥59,262 million. The major changes were as follows.

Current Assets

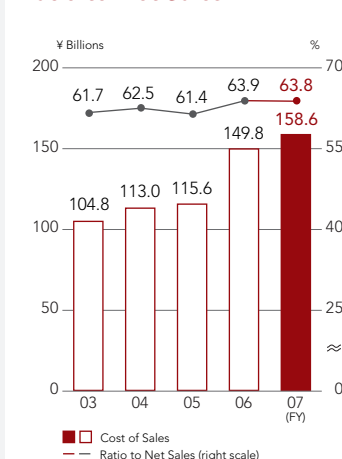
Cash and cash equivalents: Increased ¥14,066 million due to an increase in cash from operating activities and because the fiscal year-end fell on a holiday for financial institutions in fiscal 2006, in contrast to fiscal 2007 when it fell on a weekday.

Notes and accounts receivable-trade: Decreased ¥3,657 million, as in fiscal 2006 the balance of notes and accounts receivable increased as the fiscal year-end fell on a holiday for financial institutions, while in fiscal 2007 the year-end fell on a weekday.

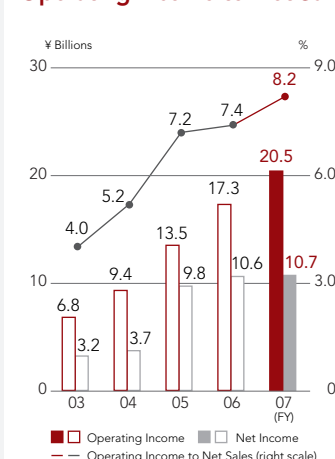
Net Sales



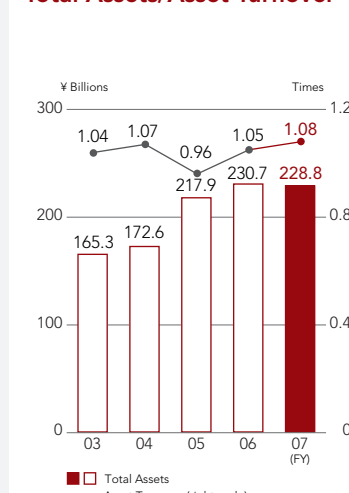
Cost of Sales/ Ratio to Net Sales



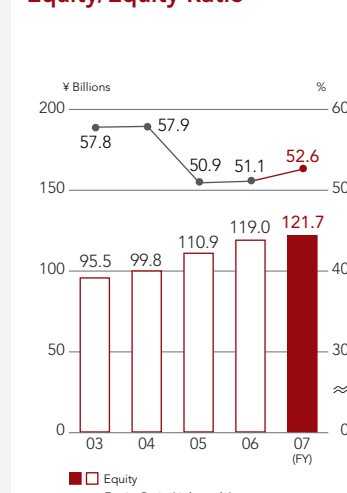
Operating Income/Net Income/ Operating Income to Net Sales



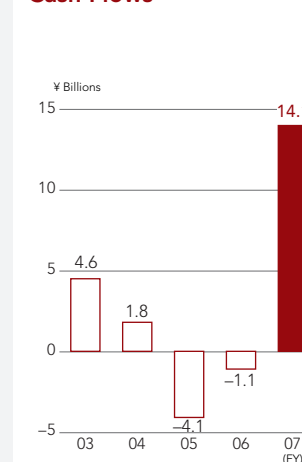
Total Assets/Asset Turnover



Equity/Equity Ratio



Cash Flows



Property, Plant and Equipment, Investment and Other Assets

Buildings and structures: Decreased ¥682 million, as a result of the sale of former factory sites.

Goodwill: Decreased ¥1,211 million, due to the amortization of goodwill and the recording of an impairment loss stemming from a fall in the market value of Kimmon Manufacturing Co., Ltd.

Investment securities: Decreased ¥7,739 million, because of a fall in the market value of stock holdings.

Liabilities

Total liabilities at March 31, 2008, decreased ¥4,590 million year on year, or 4.1%, to ¥107,123 million, as although total current liabilities increased ¥96 million, or 0.1%, to ¥87,064 million, total long-term liabilities decreased ¥4,685 million, or 18.9%, to ¥20,059 million. The major changes were as follows.

Long-Term Liabilities

Long-term debt: Decreased ¥2,046 million, due to repayments.

Liabilities for retirement benefits: Decreased ¥1,867 million, due to the discontinuance of lump-sum retirement payments.

Total Equity

Total equity on March 31, 2008, the end of fiscal 2007, had increased ¥2,754 million year on year, or 2.3%, to ¥121,721 million.

A year-on-year comparison of asset performance indicators (simple average at beginning and end of the year) is as follows.

- Receivables/sales (days): decreased 3 days to 128 days.
- Inventories/cost of sales (days): decreased 1 day to 55 days.
- Asset turnover (times): increased 0.03 times to 1.08 times.
- The ratio of equity to total assets: increased 1.6 percentage points to 53.2%.

Per Share Data

Net income per share increased ¥0.92 year on year to ¥145.63, and net assets per share rose ¥39.4 to ¥1,641.73.

Cash Flows

Cash and cash equivalents (subsequently, net cash) on March 31, 2008, the end of fiscal 2007, increased ¥14,066 million year on year, or 40.0%, to ¥49,256 million. The primary reason was an increase in net cash provided by operating activities.

Net cash provided by operating activities increased ¥13,563 million year on year, or 180.3%, to ¥21,086 million, primarily due to an increase in income before income taxes and minority interests and a decrease in notes and accounts receivable.

Net cash used in investing activities decreased ¥1,863 million year on year, or 75.3%, to ¥612 million, mainly because proceeds from sales of property, plant and equipment of ¥3,244 million and redemption of investment securities of ¥1,550 exceeded purchase of property, plant and equipment of ¥4,507 million.

Net cash used in financing activities increased ¥85 million, or 1.3%, to ¥6,433 million. The primary reason was an increase in payment of long-term debt and dividends paid.

Outlook for Fiscal 2008

For fiscal 2008, ending March 31, 2009, we forecast year-on-year increases of ¥4,400 million in net sales, or 1.8%, to ¥253,000 million; ¥600 million in operating income, or 3.0%, to ¥21,100 million; and ¥1,400 million in net income, or 13.9%, to ¥12,200 million.

Building Automation Business

Despite a fall in new building projects within the Tokyo metropolitan area, large-scale production facility projects are planned, and it is thus expected that the Building Automation business will continue to operate in high gear. In the markets for existing buildings and maintenance services, because of the new focus on meeting Japan's commitment to reduce carbon dioxide emissions, as laid down in the Kyoto Protocol, government regulations will be tightened; it is also expected that there will be heightened demand for energy-saving upgrades to facilities. Overseas, local business infrastructure development will be encouraged. By maintaining operating systems appropriate to each business environment and steadily converting business opportunities into improved performance, we are forecasting year-on-year increases in net sales of ¥2,400 million, or 2.5%, to ¥103,000 million, and in operating income of ¥900 million, or 8.1%, to ¥12,700 million.

Advanced Automation Business

Uncertainty in the domestic market environment will increase, and generally speaking it is predicted Yamatake will be faced with an extremely difficult business climate. Even so, Yamatake will enhance its sales structure to propose solutions that combine its original technologies, products and services for customers involved with equipment for manufacturing flat panel displays and high-function materials. Furthermore, investment is expected to continue among customers seeking to secure safety, stable operations in existing factories and plants, and Yamatake will similarly enhance its ability to propose solutions and services to meet this need. Overseas in the Asian region, where economic conditions are expected to remain favorable, Yamatake will make progress with developing the business infrastructure for sales, etc.—especially in China, Korea and Southeast Asia. At the same time, overseas subsidiaries and affiliates will be encouraged to expand their business by offering solutions to issues facing their customers. Taking into account the business climate and proposed measures outlined above, in the Advanced Automation business we forecast increases in net sales of ¥500 million year on year, or 0.5%, to ¥106,000 million, and decrease in operating income of ¥700 million, or 8.1%, to ¥8,200 million.

Life Automation Business

Yamatake is aiming to improve the profitability of Kimmon in particular, but also in other business fields and to look for opportunities to expand in peripheral business fields. For Kimmon, a recovery is expected in demand for city gas meters, following that for LP gas meters. Further improvements will come from management integration following Yamatake's conversion of Kimmon into a wholly owned subsidiary, as in enhanced profitability, business field expansion, and infrastructure development. Achieving these improvements surely and speedily is expected to lead to increased sales and profits. As regards the emergency dispatch and nursing care services, in response to the Health Insurance Law revisions and moves to reform Japan's health service, Yamatake will seek to expand the scope of its business. Based on these measures, we forecast year-on-year increases in net sales of ¥1,200 million, or 3.4%, to ¥37,700 million, and in operating income of ¥50 million.

Risk Management

The following are some of the risks that could affect the Group's business results and financial position. Forward-looking statements are based on the Group's judgments at the end of fiscal 2007, ended March 31, 2008.

1 Effect of a Major Economic Downturn

Structural factors make the Building Automation and Advanced Automation businesses susceptible to fluctuations in the Japanese economy. There is a risk of major fluctuation in market demand, and therefore the Group's business results could be affected by unforeseen fluctuations.

2 Effect of Changes in Operating Environments of Overseas Business

The Group conducts business mainly in Asia through 21 local companies overseas. In the rapidly growing Chinese market, the Group manufactures and sells products, carries out instrumentation work and conducts other business locally through 10 subsidiaries and affiliates. The Group has established manufacturing bases in Dalian and Shenzhen, where products are manufactured for the Japanese market. While the Group will continue to expand its business overseas, unexpected changes in the political climate, currency fluctuations, legal and other reforms, natural disasters, terrorism, strikes and other developments in countries where it has advanced could affect the Group's business results and financial position.

3 Effect of Defects in Products, Systems or Services

The Group's products, systems and services are used for vital measurement and control systems related to safety and quality in a variety of plants and buildings. The Group has established a committee to oversee quality assurance and, through sharing and visualization of quality information, has a rigorous quality control system. Furthermore, the Group has taken out insurance policies, giving due consideration to damages for product liability. However, an incident caused by defects in the Group's products, systems or services could

result in substantial costs and severely damage the Group's credibility with customers. This in turn could have an adverse impact on the Group's operations, business results and financial position.

4 Effect of Earthquakes on Production Bases

The Group has taken various preemptive actions to mitigate the effects of earthquakes, including shifting production bases overseas, mainly to China; reinforcing buildings and other structures to minimize damage; establishing a business continuation plan to quickly return operations to normal; and taking out earthquake insurance. However, in the Building Automation and Advanced Automation businesses, four of the Group's five domestic production bases, including manufacturing subsidiaries, are concentrated in Kanagawa Prefecture. As a result, depending on its magnitude, an earthquake in the Tokyo metropolitan area could disrupt production for a certain period of time.

Seasonality

The Group's sales tend to be focused in the end of the first half of the fiscal year and the fiscal-year end. The highly seasonal nature of Yamatake's sales is due to the peculiarities of key industries, including building construction and materials industries, and this seasonal nature is particularly evident in the concentration of sales at the fiscal-year end.

Basic Policies Concerning the Control of the Company

Yamatake Corporation, at a Board of Directors meeting held May 9, 2008, resolved on "basic policy relating to persons responsible for the control of the Company's financial and business decisions and on special measures to realize these policies." These special measures are intended to increase enterprise value by steadily implementing management plans and effectively utilizing management assets. In addition, one part of these special measures defines rules for large-scale share purchases (defined as a purchase of more than 20% of shares without the agreement of the Yamatake Board of Directors). Rules for large-scale purchases ensure the purchasing party provides necessary and sufficient information in a timely manner, to enable shareholders to decide if the purchase will be in their common interests. The purchasing party must comply with the prescribed purchase procedures, and these rules do not set any concrete defensive measures for takeover, such as the allotment of new shares or the issuance of share warrants.

Please refer to the Company's home page, "Investor relations," for further details.
(<http://jp.yamatake.com/ir/kabu/index.html>)

Consolidated Balance Sheets

Yamatake Corporation and Consolidated Subsidiaries
March 31, 2008 and 2007

	Millions of Yen		Thousands of U.S. Dollars (Note 1)
	2008	2007	2008
ASSETS			
Current Assets:			
Cash and cash equivalents (Note 6)	¥ 49,256	¥ 35,191	\$ 492,562
Notes and accounts receivable:			
Trade	85,526	89,184	855,265
Other	845	1,118	8,447
Allowance for doubtful receivables	(394)	(356)	(3,942)
Inventories (Note 4)	23,432	24,703	234,316
Deferred tax assets (Note 9)	5,692	5,716	56,921
Prepaid expenses and other current assets	5,225	4,165	52,252
Total current assets	169,582	159,721	1,695,821
Property, Plant and Equipment:			
Land (Notes 5 and 6)	6,474	6,548	64,737
Buildings and structures (Notes 5 and 6)	36,855	37,537	368,548
Machinery and equipment (Note 5)	17,304	17,292	173,042
Furniture and fixtures (Note 5)	19,486	19,407	194,873
Construction in progress	881	387	8,805
Total	81,000	81,171	810,005
Accumulated depreciation	(51,655)	(50,494)	(516,551)
Net property, plant and equipment	29,345	30,677	293,454
Investment and Other Assets:			
Investment securities (Notes 3 and 6)	16,250	23,989	162,500
Investments in and advances to unconsolidated subsidiaries and associated companies	713	577	7,122
Goodwill (Note 5)	3,023	4,234	30,232
Deferred tax assets (Note 9)	659	244	6,588
Other assets (Note 5)	9,272	11,237	92,723
Total investment and other assets	29,917	40,281	299,165
Total	¥228,844	¥230,679	\$2,288,440

See notes to consolidated financial statements.

	Millions of Yen		Thousands of U.S. Dollars (Note 1)
	2008	2007	2008
LIABILITIES AND EQUITY			
Current Liabilities:			
Short-term borrowings (Note 6)	¥ 12,354	¥ 12,069	\$ 123,535
Current portion of long-term debt (Note 6)	2,089	2,209	20,893
Notes and accounts payable:			
Trade	42,131	42,200	421,305
Other	2,625	3,490	26,250
Income taxes payable	5,764	4,939	57,639
Accrued bonuses	9,030	8,842	90,304
Other accrued expenses and current liabilities	13,071	13,218	130,708
Total current liabilities	87,064	86,967	870,634
Long-Term Liabilities:			
Long-term debt (Note 6)	4,527	6,573	45,270
Liabilities for retirement benefits (Note 7)	14,181	16,048	141,808
Deferred tax liabilities (Note 9)	1,073	1,954	10,730
Other long-term liabilities	278	170	2,787
Total long-term liabilities	20,059	24,745	200,595
Commitments and Contingent Liabilities (Notes 11, 12 and 13)			
Equity (Notes 8 and 14.b):			
Common stock—authorized, 279,710,000 shares; issued, 73,576,256 shares	10,523	10,523	105,227
Capital surplus	12,648	12,648	126,477
Retained earnings	93,688	87,025	936,883
Unrealized gain on available-for-sale securities	3,858	7,477	38,578
Deferred gain (loss) on derivatives under hedge accounting	1	(1)	9
Foreign currency translation adjustments	317	218	3,172
Treasury stock—at cost, 258,935 shares in 2008 and 8,463 shares in 2007	(668)	(10)	(6,677)
Total	120,367	117,880	1,203,669
Minority interests	1,354	1,087	13,542
Total equity	121,721	118,967	1,217,211
Total	¥228,844	¥230,679	\$2,288,440

Consolidated Statements of Income

Yamatake Corporation and Consolidated Subsidiaries
Years Ended March 31, 2008 and 2007

	Millions of Yen		Thousands of U.S. Dollars (Note 1)
	2008	2007	2008
Net Sales	¥248,551	¥234,572	\$2,485,509
Cost of Sales (Note 7 and 11)	158,605	149,792	1,586,048
Gross profit	89,946	84,780	899,461
Selling, General and Administrative Expenses (Notes 7, 10 and 11)	69,462	67,466	694,617
Operating income	20,484	17,314	204,844
Other Income (Expenses):			
Interest income	240	122	2,399
Dividend income	326	288	3,260
Interest expense	(278)	(210)	(2,785)
Foreign currency exchange (loss) gain	(280)	132	(2,799)
Gain (loss) on sales of property, plant and equipment—net	2,384	(243)	23,845
Gain on sales of investment securities—net	276	76	2,761
Loss on impairment of long-lived assets (Notes 2.g and 5)	(3,108)		(31,077)
Others—net	(504)	377	(5,044)
Other (expenses) income—net	(944)	542	(9,440)
Income Before Income Taxes and Minority Interests	19,540	17,856	195,404
Income Taxes (Note 9):			
Current	7,360	5,971	73,604
Deferred	1,158	1,028	11,575
Total income taxes	8,518	6,999	85,179
Minority Interests in Net Income	(313)	(211)	(3,132)
Net Income	¥ 10,709	¥ 10,646	\$ 107,093
		Yen	U.S. Dollars (Note 1)
	2008	2007	2008
Per Share of Common Stock (Note 2.q):			
Net income	¥145.63	¥144.71	\$1.46
Cash dividends applicable to the year	60.00	50.00	0.60

See notes to consolidated financial statements.

Consolidated Statements of Changes in Equity

Yamatake Corporation and Consolidated Subsidiaries
Years Ended March 31, 2008 and 2007

	Thousands					Millions of Yen					
	Outstanding Number of Shares of Common Stock	Common Stock	Capital Surplus	Retained Earnings	Unrealized Gain on Available- for-Sale Securities	Deferred Gain (Loss) on Derivatives under Hedge Accounting	Foreign Currency Translation Adjustments	Treasury Stock	Total	Minority Interests	Total Equity
Balance, April 1, 2006	73,569	¥10,523	¥12,648	¥80,472	¥7,164		¥60	¥ (8)	¥110,859		¥110,859
Reclassified balance as of March 31, 2006 (Note 2.i)										¥ 682	682
Net income				10,646					10,646		10,646
Cash dividends, ¥50 per share				(4,046)					(4,046)		(4,046)
Bonuses to directors				(47)					(47)		(47)
Purchase of treasury stock	(1)							(2)	(2)		(2)
Net change in the year					313	¥ (1)	158		470	405	875
Balance, March 31, 2007	73,568	10,523	12,648	87,025	7,477	(1)	218	(10)	117,880	1,087	118,967
Net income				10,709					10,709		10,709
Cash dividends, ¥55 per share				(4,046)					(4,046)		(4,046)
Purchase of treasury stock	(251)							(658)	(658)		(658)
Disposal of treasury stock											
Net change in the year					(3,619)	2	99		(3,518)	267	(3,251)
Balance, March 31, 2008	73,317	¥10,523	¥12,648	¥93,688	¥3,858	¥ 1	¥317	¥(668)	¥120,367	¥1,354	¥121,721

	Thousands of U.S. Dollars (Note 1)										
	Common Stock	Capital Surplus	Retained Earnings	Unrealized Gain on Available- for-Sale Securities	Deferred Gain (Loss) on Derivatives under Hedge Accounting	Foreign Currency Translation Adjustments	Treasury Stock		Total	Minority Interests	Total Equity
Balance, March 31, 2007	\$105,227	\$126,476	\$870,252	\$74,779	\$(14)	\$2,181	\$ (102)	\$1,178,799	\$10,869		\$1,189,668
Net income			107,093					107,093			107,093
Cash dividends, \$0.55 per share			(40,462)					(40,462)			(40,462)
Purchase of treasury stock							(6,576)	(6,576)			(6,576)
Disposal of treasury stock		1					1	2			2
Net change in the year				(36,201)	23	991		(35,187)	2,673		(32,514)
Balance, March 31, 2008	\$105,227	\$126,477	\$936,883	\$38,578	\$ 9	\$3,172	\$(6,677)	\$1,203,669	\$13,542		\$1,217,211

See notes to consolidated financial statements.

Consolidated Statements of Cash Flows

Yamatake Corporation and Consolidated Subsidiaries
Years Ended March 31, 2008 and 2007

	Millions of Yen		Thousands of U.S. Dollars (Note 1)
	2008	2007	2008
Operating Activities:			
Income before income taxes and minority interests	¥19,540	¥17,856	\$195,404
Adjustments for:			
Income taxes—paid	(6,675)	(5,596)	(66,745)
Depreciation and amortization	5,037	4,580	50,373
Provision for (reversal of) doubtful receivables	204	(200)	2,040
Increase in accrued bonuses	188	653	1,875
(Gain) loss on sales of property, plant and equipment—net	(2,384)	243	(23,845)
Gain on sales of investment securities—net	(276)	(76)	(2,761)
Loss on impairment of long-lived assets	3,108		31,077
Decrease (increase) in notes and accounts receivable	3,730	(9,414)	37,305
Decrease (increase) in inventories	1,241	(3,120)	12,413
(Decrease) increase in notes and accounts payable	(74)	2,245	(742)
Decrease in liabilities for retirement benefits	(1,867)	(681)	(18,670)
Others—net	(686)	1,034	(6,859)
Total adjustments	1,546	(10,332)	15,461
Net cash provided by operating activities	21,086	7,524	210,865
Investing Activities:			
Proceeds from sales of property, plant and equipment	3,244	1,998	32,441
Purchase of property, plant and equipment	(4,507)	(5,335)	(45,065)
Proceeds from sales of investment securities	366	225	3,665
Purchase of investment securities	(52)	(268)	(516)
Proceeds from purchase of Royal Controls Co., Ltd., net of cash acquired		1,307	
Proceeds from sales of beneficiary securities of trust	1,029	3,237	10,286
Purchase of beneficiary securities of trust		(3,199)	
Others—net	(692)	(440)	(6,929)
Net cash used in investing activities	(612)	(2,475)	(6,118)
Financing Activities:			
Net increase in short-term borrowings	336	46	3,357
Proceeds from long-term debt	100		1,000
Repayment of long-term debt	(2,157)	(2,332)	(21,571)
Purchase of treasury stock	(658)	(2)	(6,576)
Dividends paid	(4,044)	(4,044)	(40,438)
Others—net	(10)	(16)	(101)
Net cash used in financing activities	(6,433)	(6,348)	(64,329)
Foreign Currency Translation Adjustments			
on Cash and Cash Equivalents	24	187	238
Net Increase (Decrease) In Cash and Cash Equivalents	14,065	(1,112)	140,656
Cash and Cash Equivalents, Beginning of Year	35,191	36,303	351,906
Cash and Cash Equivalents, End of Year	¥49,256	¥35,191	\$492,562
Noncash Investing Activities:			
Increase in assets and liabilities, cash paid for the capital and goodwill due to the purchase of Royal Controls Co., Ltd.:			
Assets acquired		¥3,538	
Liabilities assumed		3,296	
Cash paid for the capital		215	
Goodwill		(27)	

See notes to consolidated financial statements.

Notes to Consolidated Financial Statements

Yamatake Corporation and Consolidated Subsidiaries
Years Ended March 31, 2008 and 2007

1. BASIS OF PRESENTING CONSOLIDATED FINANCIAL STATEMENTS

The accompanying consolidated financial statements have been prepared in accordance with the provisions set forth in the Japanese Financial Instruments and Exchange Law (formerly, the Japanese Securities and Exchange Law) and its related accounting regulations, and in conformity with accounting principles generally accepted in Japan (“Japanese GAAP”), which are different in certain respects as to application and disclosure requirements of International Financial Reporting Standards.

In preparing these consolidated financial statements, certain reclassifications and rearrangements have been made to the consolidated financial statements issued domestically in order to present them in a form which is more familiar to readers outside Japan. In addition, certain reclassifications have been made in the 2007 consolidated financial statements to conform to the classifications used in 2008.

The consolidated financial statements are stated in Japanese yen, the currency of the country in which Yamatake Corporation (“Yamatake”) is incorporated and operates. The translation of Japanese yen amounts into U.S. dollar amounts is included solely for the convenience of readers outside Japan and has been made at the rate of ¥100 to \$1, the approximate rate of exchange as of March 31, 2008. Such translation should not be construed as representation that the Japanese yen amounts could be converted into U.S. dollars at that or any other rate.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

a. Consolidation—The consolidated financial statements as of March 31, 2008 and 2007, include the accounts of Yamatake and its 36 significant subsidiaries (together, “Yamatake Group”).

Under the control or influence concept, those companies in which Yamatake, directly or indirectly, is able to exercise control over operations are fully consolidated.

Investments in unconsolidated subsidiaries and associated companies are stated at cost. If the equity method of accounting had been applied to the investments in these companies, the effect on the accompanying consolidated financial statements would not be material.

Goodwill represents the excess of the cost of an acquisition over the fair value of the net assets of the acquired subsidiary and associated company at the date of acquisition. Goodwill on acquisition of Kimmon Manufacturing Co., Ltd. (“Kimmon”) has been amortized over 7 years. Other goodwill is to be amortized on the straight-line basis over 5 years with the exception of minor amounts which are charged to income in the period of acquisitions.

All significant intercompany balances and transactions have been eliminated in consolidation. All material unrealized profit included in assets resulting from transactions within Yamatake Group is also eliminated.

b. Cash Equivalents—Cash equivalents are short-term investments that are readily convertible into cash and that are exposed to insignificant risk of changes in value.

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

c. Inventories—Inventories, other than raw materials, are principally stated at cost on the specific identification basis. Raw materials are principally stated at cost determined by the moving-average method.

d. Allowance for Doubtful Receivables—The allowance for doubtful receivables is stated in amounts considered to be appropriate based on Yamatake Group’s past credit loss experience and an evaluation of potential losses in the receivables outstanding.

e. Investment Securities—Investment securities are classified and accounted for, depending on management’s intent, as follows: (1) held-to-maturity debt securities, which are expected to be held to maturity with the positive intent and ability to hold to maturity, are reported at amortized cost, and (2) available-for-sale securities are reported at fair value, with unrealized gains and losses, net of applicable taxes in a separate component of equity.

Non-marketable available-for-sale securities are principally stated at cost determined by the moving-average method. For other than temporary declines in fair value, non-marketable available-for-sale securities are reduced to net realizable value by a charge to income.

f. Property, Plant and Equipment—Property, plant and equipment are stated at cost. Depreciation of Yamatake and domestic consolidated subsidiaries is computed by the declining-balance method, while the straight-line method is applied to buildings acquired after April 1, 1998.

Depreciation of foreign consolidated subsidiaries is mainly computed by the straight-line method. The range of useful lives is from 15 to 50 years for buildings and structures, from 4 to 12 years for machinery and equipment, and from 2 to 6 years for furniture and fixtures.

g. Long-lived Assets—Yamatake Group reviews its long-lived assets for impairment whenever events or changes in circumstances indicate the carrying amount of an asset or asset group may not be recoverable. An impairment loss would be recognized if the carrying amount of an asset or asset group exceeds the sum of the undiscounted future cash flows expected to result from the continued use and the eventual disposition of the asset or asset group. The impairment loss would be measured as the amount by which the carrying amount of the asset exceeds its recoverable amount, which is the higher of the discounted cash flows from the continued use and the eventual disposition of the asset or the net selling price at disposition.

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

Most of the consolidated subsidiaries have non-contributory funded pension plans and unfunded retirement benefit plans.

The liability for employees’ retirement benefits is provided at the amount based on the projected benefit obligation and plan assets at the balance sheet date.

Retirement benefits to directors and corporate auditors are provided at the amount which would be required if all directors and corporate auditors retired at each balance sheet date.

i. Presentation of Equity—On December 9, 2005, the Accounting Standards Board of Japan (the “ASBJ”) published a new accounting standard for presentation of equity. Under this accounting standard, certain items which were previously presented as liabilities or assets, as the case may be, are now presented as components of equity. Such items include stock acquisition rights, minority interests, and any deferred gain or loss on derivatives accounted for under hedge accounting. This standard was effective for fiscal years ending on or after May 1, 2006. The balances of such items as of March 31, 2006 were reclassified as separate components of equity as of April 1, 2006 in the consolidated statement of changes in equity

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

k. Leases—All leases are accounted for as operating leases. Under Japanese accounting standards for leases, finance leases that deem to transfer ownership of the leased property to the lessee are to be capitalized, while other finance leases are permitted to be accounted for as operating lease transactions if certain “as if capitalized” information is disclosed in the notes to the lessee’s financial statements.

l. Bonuses to Directors—Bonuses to directors are accrued at the year end to which such bonuses are attributable. The balance of such accrued bonuses as of March 31, 2008 and 2007 were ¥80 million (\$802 thousand) and ¥89 million, respectively

m. Income Taxes—The provision for income taxes is computed based on the pretax income included in the consolidated statements of income. The asset and liability approach is used to recognize deferred tax assets and liabilities for the expected future tax consequences of temporary differences between the carrying amounts and the tax bases of assets and liabilities. Deferred taxes are measured by applying currently enacted tax laws to the temporary differences and tax loss carryforwards.

n. Foreign Currency Transactions—All short-term and long-term monetary receivables and payables denominated in foreign currencies are translated into Japanese yen at the exchange rates at the balance sheet date. The foreign exchange gains and losses from the translation are recognized in the consolidated statements of income to the extent that they are not hedged by forward exchange contracts.

o. Foreign Currency Financial Statements—The balance sheet accounts of the foreign consolidated subsidiaries are translated into Japanese yen at the current exchange rate as of the balance sheet date except for equity, which is translated at the historical rate. Differences arising from such translation are shown as “Foreign currency translation adjustments” in a separate component of equity.

Revenue and expense accounts of foreign consolidated subsidiaries were translated into yen at the average exchange rate in 2008 and the current exchange rate as of the balance sheet date in 2007, respectively.

p. Derivatives Financial Instruments—Yamatake Group uses derivative financial instruments to manage its exposures to fluctuations in

foreign exchange. Foreign exchange forward contracts are utilized by Yamatake Group to reduce foreign currency exchange risks. Yamatake Group does not enter into derivatives for trading or speculative purposes.

All derivatives are recognized as either assets or liabilities and measured at fair value with gains or losses on derivative transactions recognized in the consolidated statements of income. If derivatives qualify for hedge accounting because of high correlation and effectiveness between the hedging instruments and the hedged items, the hedge accounting is applied.

Foreign exchange forward contracts are utilized to hedge foreign exchange exposures for export sales and import purchases. Trade receivables and payables denominated in foreign currencies are translated at the contracted rates if the forward contracts qualify for hedge accounting. Forward contracts related to forecasted (or committed) transactions are measured at the fair value but the unrealized gains/losses are deferred until the underlying transactions are completed.

q. Per Share Information—Net income per share is computed by dividing net income available to shareholders of common stock by the weighted-average number of shares of common stock outstanding for the period, retroactively adjusted for stock splits. The weighted-average number of shares of common stock used in the computation was 73,538,092 shares for 2008 and 73,568,242 shares for 2007.

Cash dividends per share presented in the accompanying consolidated statements of income are dividends applicable to the respective years including dividends to be paid after the end of the year.

Diluted net income per share is not disclosed because it is anti-dilutive.

r. New Accounting Pronouncements
Measurement of Inventories—Under Japanese GAAP, inventories are currently measured either by the cost method, or at the lower of cost or market. On July 5, 2006, the ASBJ issued ASBJ Statement No. 9, “Accounting Standard for Measurement of Inventories,” which is effective for fiscal years beginning on or after April 1, 2008 with early adoption permitted. This standard requires that inventories held for sale in the ordinary course of business be measured at the lower of cost or net selling value, which is defined as the selling price less additional estimated manufacturing costs and estimated direct selling expenses. The replacement cost may be used in place of the net selling value, if appropriate. The standard also requires that inventories held for trading purposes be measured at the market price.

Lease Accounting—On March 30, 2007, the ASBJ issued ASBJ Statement No. 13, “Accounting Standard for Lease Transactions,” which revised the existing accounting standard for lease transactions issued on June 17, 1993. The revised accounting standard for lease transactions is effective for fiscal years beginning on or after April 1, 2008 with early adoption permitted for fiscal years beginning on or after April 1, 2007.

Under the existing accounting standard, finance leases that deem to transfer ownership of the leased property to the lessee are to be capitalized, however, other finance leases are permitted to be accounted for as operating lease transactions if certain “as if

capitalized” information is disclosed in the note to the lessee’s financial statements. The revised accounting standard requires that all finance lease transactions shall be capitalized recognizing lease assets and lease obligations in the balance sheet.

Unification of Accounting Policies Applied to Foreign Subsidiaries for the Consolidated Financial Statements—Under Japanese GAAP, a company currently can use the financial statements of foreign subsidiaries which are prepared in accordance with generally accepted accounting principles in their respective jurisdictions for its consolidation process unless they are clearly unreasonable. On May 17, 2006, the ASBJ issued ASBJ Practical Issues Task Force (“PITF”) No. 18, “Practical Solution on Unification of Accounting Policies Applied to Foreign Subsidiaries for the Consolidated Financial Statements.” The new PITF prescribes: (1) the accounting policies and procedures applied to a parent company and its subsidiaries for similar transactions and events under similar circumstances should in principle be unified for the preparation of the consolidated financial statements, (2) financial statements prepared by foreign subsidiaries in accordance with either International Financial Reporting Standards or the generally accepted accounting principles in the United States tentatively may be used for the consolidation process, (3) however, the following items should be adjusted in the consolidation process so that net income is accounted for in accordance with Japanese GAAP unless they are not material;

- (1) Amortization of goodwill
- (2) Actuarial gains and losses of defined benefit plans recognized outside profit or loss
- (3) Capitalization of intangible assets arising from development phases
- (4) Fair value measurement of investment properties, and the revaluation model for property, plant and equipment, and intangible assets
- (5) Retrospective application when accounting policies are changed
- (6) Accounting for net income attributable to a minority interest

The carrying amounts and aggregate fair values of investment securities whose fair value is readily determinable as of March 31, 2008 and 2007, were as follows:

	Millions of Yen								Thousands of U.S. Dollars			
	2008				2007				2008			
	Cost	Unrealized Gains	Unrealized Losses	Fair Value	Cost	Unrealized Gains	Unrealized Losses	Fair Value	Cost	Unrealized Gains	Unrealized Losses	Fair Value
Securities classified as available-for-sale:												
Equity securities	¥6,118	¥8,650	¥108	¥14,660	¥6,146	¥14,623	¥35	¥20,734	\$61,183	\$86,501	\$1,083	\$146,601
Trust fund investments and other	78		8	70	636	4		640	776		77	699

The carrying amounts of investment securities whose fair value is not readily determinable as of March 31, 2008 and 2007, were as follows:

	Carrying Amount		
	Millions of Yen		Thousands of U.S. Dollars
	2008	2007	2008
Securities classified as available-for-sale:			
Equity securities	¥1,464	¥1,532	\$14,639
Trust fund investments and other	56	1,083	561

The new task force is effective for fiscal years beginning on or after April 1, 2008 with early adoption permitted.

Construction Contracts—Under the current Japanese GAAP, either the completed-contract method or the percentage-of-completion method is permitted to account for construction contracts. On December 27, 2007, the ASBJ published a new accounting standard for construction contracts. Under this accounting standard, the construction revenue and construction costs should be recognized by the percentage-of-completion method, if the outcome of a construction-contract can be estimated reliably. When total construction revenue, total construction costs and the stage of completion of the contract at the balance sheet date can be reliably measured, the outcome of a construction contract can be estimated reliably. If the outcome of a construction contract cannot be reliably estimated, the completed-contract method shall be applied. When it is probable that total construction costs will exceed total construction revenue, an estimated loss on the contract should be immediately recognized by providing for loss on construction contracts. This standard is applicable to construction contracts and software development contracts and effective for fiscal years beginning on or after April 1, 2009 with early adoption permitted for fiscal years beginning on or before March 31, 2009 but after December 27, 2007.

3. INVESTMENT SECURITIES

Investment securities as of March 31, 2008 and 2007, consisted of the following:

	Millions of Yen		Thousands of U.S. Dollars
	2008	2007	2008
Non-current:			
Marketable equity securities	¥16,124	¥22,266	\$161,240
Trust fund investments and other	126	1,723	1,260
Total	¥16,250	¥23,989	\$162,500

Proceeds from sales of available-for-sale investment securities for the years ended March 31, 2008 and 2007 were ¥366 million (\$3,665 thousand) and ¥225 million, respectively. Net realized gains on these sales, computed on the moving average cost basis, were ¥276 million (\$2,761 thousand) and ¥76 million for the years ended March 31, 2008 and 2007, respectively.

4. INVENTORIES

Inventories as of March 31, 2008 and 2007, consisted of the following:

	Millions of Yen		Thousands of U.S. Dollars
	2008	2007	2008
Merchandise	¥ 1,627	¥ 2,201	\$ 16,268
Finished products	2,942	2,475	29,418
Work in process	12,536	13,739	125,362
Raw materials	6,327	6,288	63,268
Total	¥23,432	¥24,703	\$234,316

5. LONG-LIVED ASSETS

Yamatake Group reviewed its long-lived assets for impairment as of March 31, 2008 and recognized an impairment loss of ¥3,108 million (\$31,077 thousand) for goodwill and certain assets of Kimmon. The carrying amount of the relevant property, plant and equipment was written down to the net selling price, and the carrying amount of the goodwill and other assets was written down to the recoverable amount. No impairment loss was recognized in the year ended March 31, 2007.

6. SHORT-TERM BORROWINGS AND LONG-TERM DEBT

Short-term borrowings as of March 31, 2008 and 2007, mainly consisted of notes to banks and bank overdrafts. The annual interest rates applicable to the short-term bank loans ranged from 1.0% to 3.8% as of March 31, 2008 and from 0.9% to 5.8% as of March 31, 2007.

Long-term debt as of March 31, 2008 and 2007, consisted of the following:

	Millions of Yen		Thousands of U.S. Dollars
	2008	2007	2008
Loans from banks and other financial institutions, due serially to 2026 with interest rates ranging from 1.1% to 3.3% in 2008 and from 1.1% to 2.8% in 2007:			
Collateralized	¥ 444	¥ 509	\$ 4,443
Unsecured	5,752	7,593	57,520
Bond due serially to 2011 with interest rates ranging from 0.8% to 1.5% in 2008 and from 0.8% to 1.5% in 2007:			
Collateralized	140	170	1,400
Unsecured	280	510	2,800
Total	6,616	8,782	66,163
Less current portion	(2,089)	(2,209)	(20,893)
Long-term debt, less current portion	¥4,527	¥6,573	\$45,270

As of March 31, 2008, Yamatake had an unused line of credit amounting to ¥30,000 million (\$300,000 thousand) of which ¥10,000 million (\$100,000 thousand) related to the unused portion of commitment lines with four banks and ¥20,000 million (\$200,000 thousand) related to the medium term notes program.

Annual maturities of long-term debt as of March 31, 2008, for the next five years and thereafter were as follows:

Year Ending March 31	Millions of Yen	Thousands of U.S. Dollars
2009	¥2,089	\$20,893
2010	2,378	23,782
2011	1,809	18,086
2012	97	974
2013	33	327
2014 and thereafter	210	2,101
Total	¥6,616	\$66,163

The carrying amounts of assets pledged as collateral for the above collateralized long-term debt as of March 31, 2008, were as follows:

	Millions of Yen	Thousands of U.S. Dollars
Time deposit	¥ 135	\$ 1,350
Land	40	400
Buildings and structures	178	1,778
Investment securities	1,553	15,530
Total	¥1,906	\$19,058

As is customary in Japan, Yamatake Group maintains deposit balances with banks with which it has bank loans. Such deposit balances are not legally or contractually restricted as to withdrawal.

General agreements with respective banks provide, as is customary in Japan, that additional collateral must be provided under certain circumstances if requested by the lending banks and that certain banks have the right to offset cash deposited with them against any bank loan or obligation that becomes due and, in case of default and certain other specified events, against all other debt payable to the banks. Yamatake Group has never received any of such requests.

7. RETIREMENT AND PENSION PLANS

Yamatake Group has retirement and pension plans for employees, and retirement benefit plans for directors and corporate auditors.

Under most circumstances, employees terminating their employment are entitled to retirement benefits determined based on the rate of pay at the time of termination, years of services and certain other factors. Such retirement benefits are made in the form of lump-sum severance payments from Yamatake Group and annuity payments from a trustee. Employees are entitled to larger payments if the termination is involuntary, by retirement at the mandatory retirement age or by death, than the voluntary termination at certain specific ages prior to the mandatory retirement age. The liability for retirement benefits for directors and corporate auditors for the years ended March 31, 2008 and 2007, was ¥186 million (\$1,863 thousand) and ¥174 million, respectively. The retirement benefits for directors and corporate auditors are paid subject to the approval of the shareholders.

The liability for employees' retirement benefits as of March 31, 2008 and 2007, consisted of the following:

	Millions of Yen		Thousands of U.S. Dollars
	2008	2007	2008
Projected benefit obligation	¥43,171	¥46,457	\$431,710
Fair value of plan assets	(25,505)	(27,838)	(255,053)
Unrecognized prior service costs	2,869	2,841	28,687
Unrecognized actuarial loss	(6,656)	(5,698)	(66,560)
Prepaid pension expense	116	112	1,161
Net liability	¥13,995	¥15,874	\$139,945

The components of net periodic benefit costs for the years ended March 31, 2008 and 2007, were as follows:

	Millions of Yen		Thousands of U.S. Dollars
	2008	2007	2008
Service cost	¥ 726	¥1,313	\$ 7,258
Interest cost	807	860	8,070
Expected return on plan assets	(821)	(379)	(8,213)
Amortization of prior service costs	(224)	(224)	(2,241)
Recognized actuarial loss	507	694	5,067
Payment for defined contribution pension plan and other	767	758	7,675
Net periodic benefit costs	¥1,762	¥3,022	\$17,616

Assumptions used for the years ended March 31, 2008 and 2007, were set forth as follows:

	2008	2007
Discount rate	2.0%	2.0%
Expected rate of return on plan assets	3.0%–3.5%	1.5%
Amortization period of prior service cost	10–15 years	10–15 years
Recognition period of actuarial gain/loss	10–15 years	10–15 years

8. EQUITY

Since May 1, 2006, Japanese companies have been subject to the Corporate Law of Japan (the "Corporate Law"), which reformed and replaced the Commercial Code of Japan. The significant provisions in the Corporate Law that affect financial and accounting matters are summarized below:

a. Dividends

Under the Corporate Law, companies can pay dividends at any time during the fiscal year in addition to the year-end dividend upon resolution at the shareholders meeting. For companies that meet certain criteria such as; (1) having the Board of Directors, (2) having independent auditors, (3) having the Board of Corporate Auditors, and (4) the term of service of the directors is prescribed as one year rather than two years of normal term by its articles of incorporation, the Board of Directors may declare dividends (except for dividends in kind) at any time during the fiscal year if the company has prescribed so in its articles of incorporation. However, Yamatake cannot do so because it does not meet all the above criteria. The Corporate Law permits companies to distribute dividends-in-kind (non-cash assets) to shareholders subject to a certain limitation and additional requirements. Semiannual interim dividends may also be paid once a year upon resolution by the Board of Directors if the articles of incorporation of the company so stipulate.

The Corporate Law provides certain limitations on the amounts available for dividends or the purchase of treasury stock. The limitation is defined as the amount available for distribution to the shareholders, but the amount of net assets after dividends must be maintained at no less than ¥3 million.

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

The Corporate Law requires that an amount equal to 10% of dividends must be appropriated as a legal reserve (a component of retained earnings) or as additional paid-in capital (a component of capital surplus) depending on the equity account charged upon

the payment of such dividends until the total of aggregate amount of legal reserve and additional paid-in capital equals 25% of the common stock. Under the Corporate Law, the total amount of additional paid-in capital and legal reserve may be reversed without limitation. The Corporate Law also provides that common stock, legal reserve, additional paid-in capital, other capital surplus and retained earnings can be transferred among the accounts under certain conditions upon resolution of the shareholders.

c. Treasury Stock and Treasury Stock Acquisition Rights

The Corporate Law also provides for companies to purchase treasury stock and dispose of such treasury stock by resolution of the Board of Directors. The amount of treasury stock purchased cannot exceed the amount available for distribution to the shareholders which is determined by specific formula. Under the Corporate Law, stock acquisition rights, which were previously presented as a liability, are now presented as a separate component of equity, if any. The Corporate Law also provides that companies can purchase both treasury stock acquisition rights and treasury stock. Such treasury stock acquisition rights are presented as a separate component of equity, if any, or deducted directly from stock acquisition rights.

9. INCOME TAXES

Yamatake and its domestic subsidiaries are subject to Japanese national and local income taxes which, in the aggregate, resulted in a normal effective statutory tax rate of approximately 40.4% for the years ended March 31, 2008 and 2007.

The tax effects of significant temporary differences and tax loss carryforwards which resulted in deferred tax assets and liabilities as of March 31, 2008 and 2007, were as follows:

	Millions of Yen		Thousands of U.S. Dollars
	2008	2007	2008
Deferred tax assets:			
Pension and severance costs	¥5,170	¥6,441	\$51,704
Accrued expenses	4,807	4,753	48,075
Depreciation	1,392	950	13,917
Loss on impairment of property, plant and equipment	572	286	5,715
Allowance for doubtful receivables	290	274	2,903
Tax loss carryforwards	3,179	3,185	31,791
Others	1,570	2,720	15,700
Less valuation allowance	(6,149)	(7,012)	(61,491)
Total	10,831	11,597	108,314
Deferred tax liabilities:			
Net unrealized gain on available-for-sale securities	3,367	6,055	33,667
Special advanced depreciation	1,831	1,182	18,314
Others	355	354	3,554
Total	5,553	7,591	55,535
Net deferred tax assets	¥5,278	¥4,006	\$52,779

A reconciliation between the normal effective statutory tax rate and the actual effective tax rate reflected in the accompanying consolidated statements of income for the years ended March 31, 2008 and 2007, was as follows:

	2008	2007
Normal effective statutory tax rate	40.4%	40.4%
Expenses not deductible for tax purposes	1.4	1.7
Tax benefits for qualified expenses	(4.6)	(4.2)
Valuation allowance increase	7.6	
Others—net	(1.2)	1.3
Actual effective tax rate	43.6%	39.2%

As of March 31, 2008, certain subsidiaries have tax loss carryforwards aggregating approximately ¥9,770 million (\$97,700 thousand) which are available to be offset against taxable income of such subsidiaries in future years. These tax loss carryforwards, if not utilized, will expire as follows:

Year Ending March 31	Millions of Yen	Thousands of U.S. Dollars
2010	¥ 600	\$ 6,000
2011	1,520	15,200
2012	130	1,300
2013	560	5,600
2014	4,680	46,800
2015 and thereafter	2,280	22,800
Total	¥9,770	\$97,700

Pro forma information of leased property such as acquisition cost, accumulated depreciation, accumulated impairment loss, obligations under finance leases, depreciation expense and other information of finance leases that do not transfer ownership of the leased property to the lessee on an “as if capitalized” basis for the years ended March 31, 2008 and 2007, was as follows:

	2008				2007			
	Machinery and Equipment	Furniture and Fixtures	Software	Total	Machinery and Equipment	Furniture and Fixtures	Software	Total
Acquisition cost	¥955	¥1,911	¥703	¥3,569	¥925	¥2,212	¥619	¥3,756
Accumulated depreciation	467	1,202	298	1,967	361	1,468	206	2,035
Accumulated impairment loss	130	148	40	318				
Net leased property	¥358	¥ 561	¥365	¥1,284	¥564	¥ 744	¥413	¥1,721

	2008			
	Machinery and Equipment	Furniture and Fixtures	Software	Total
Acquisition cost	\$9,550	\$19,113	\$7,026	\$35,689
Accumulated depreciation	4,674	12,024	2,976	19,674
Accumulated impairment loss	1,297	1,481	399	3,177
Net leased property	\$3,579	\$ 5,608	\$3,651	\$12,838

Obligations under finance leases:

	2008		2007	2008
	Millions of Yen	Thousands of U.S. Dollars	Millions of Yen	Thousands of U.S. Dollars
Due within one year	¥ 969	¥1,012	\$ 9,686	
Due after one year	3,331	3,195	33,317	
Total	¥4,300	¥4,207	\$43,003	

The above obligations under finance leases include the imputed interest portion.

Allowance for impairment loss on leased property of ¥221 million (\$2,211 thousand) as of March 31, 2008 is not included in obligations under finance leases.

10. RESEARCH AND DEVELOPMENT COSTS

Research and development costs charged to income were ¥9,844 million (\$98,440 thousand) and ¥8,776 million for the years ended March 31, 2008 and 2007, respectively.

11. LEASES

(1) Financing Leases as a Lessee

Yamatake Group leases certain machinery, computer equipment, office space and other assets as a lessee.

Total rental expenses under the above leases for the years ended March 31, 2008 and 2007, were ¥5,587 million (\$55,866 thousand) and ¥5,161 million, respectively.

For the year ended March 31, 2008, Yamatake Group recorded an impairment loss of ¥361 million (\$3,608 thousand) on certain leased property held under finance leases that do not transfer ownership and an allowance for impairment loss on leased property, which is included in long-term liabilities—other.

Depreciation expense and other information under finance leases:

	2008		2007	2008
	Millions of Yen	Thousands of U.S. Dollars	Millions of Yen	Thousands of U.S. Dollars
Depreciation expense	¥680	¥817	\$6,798	
Lease payments	842	821	8,421	
Reversal of allowance for impairment loss on leased property	140		1,396	
Impairment loss	361		3,608	

Depreciation expense, which is not reflected in the accompanying consolidated statements of income, is computed mainly by the declining-balance method at rates based on the period of those financing leases with remaining value of 10% of total lease payment.

The minimum rental commitments under noncancelable operating leases as of March 31, 2008 and 2007 were as follows:

	2008		2007	2008
	Millions of Yen	Thousands of U.S. Dollars	Millions of Yen	Thousands of U.S. Dollars
Due within one year	¥ 752	¥ 751	\$ 7,516	
Due after one year	1,081	1,829	10,814	
Total	¥1,833	¥2,580	\$18,330	

(2) Financing Leases as a Lessor

Yamatake Group leases certain machinery and equipment as a lessor.

12. DERIVATIVES

Yamatake Group enters into foreign currency forward contracts to hedge foreign exchange risk associated with trade receivables and payable denominated in foreign currencies.

It is Yamatake Group’s policy to use derivatives only for the purpose of reducing market risks associated with assets and liabilities, not to hold or issue derivatives for speculative or trading purposes.

Since all of Yamatake Group’s foreign currency forward contracts are related to qualified hedges of underlying business exposures, market gain or loss risk in the derivative instruments is effectively off-

	2008			2007			2008		
	Contract Amount	Fair Value	Unrealized Gain	Contract Amount	Fair Value	Unrealized Gain	Contract Amount	Fair Value	Unrealized Gain
Exchange contract:									
Sell Japanese yen				¥48	¥48				
Buy Japanese yen	¥15	¥16	¥1				\$153	\$155	\$2

13. COMMITMENT AND CONTINGENT LIABILITIES

As of March 31, 2008, Yamatake Group had the following contingent liabilities:

	2008	
	Millions of Yen	Thousands of U.S. Dollars
Trade notes discounted	¥392	\$3,918
Trade notes endorsed	87	869
Guarantees and similar items of loans	26	264

14. SUBSEQUENT EVENTS

a. Conversion of Kimmon to a Wholly Owned Subsidiary of Yamatake through Share Exchange

Effective April 1, 2008, Yamatake made Kimmon, a 43% owned subsidiary, into a wholly owned subsidiary of Yamatake by means of a share exchange.

(1) Objectives

To establish the foundation of the Life Automation business, further progress was required in terms of: combining and integrating the resources of both companies under a unified governance; improving the flexibility of management to respond quickly to the changing business environment; and improving management efficiency. To this end, Yamatake decided that the conversion of Kimmon to a wholly owned subsidiary via the planned share exchange agreement was in the best interests of both companies.

(2) Nature of business about Kimmon

Manufacture and sale of town gas meters, LPG meters, water meters and related equipment.

(3) Method and content of share exchange

Pro forma information of leased property such as receivables under the finance leases that do not transfer ownership of the leased property to the lessee on an "as if capitalized" basis for the years ended March 31, 2008 and 2007, was as follows:

	2008		2007	2008
	Millions of Yen	Thousands of U.S. Dollars	Millions of Yen	Thousands of U.S. Dollars
Receivables under finance leases:				
Due within one year	¥ 305	¥ 264	\$ 3,046	
Due after one year	2,137	1,820	21,370	
Total	¥2,442	¥2,084	\$24,416	

set by opposite movements in the value of the hedged assets or liabilities.

Because the counterparties to these derivatives are limited to major international financial institutions, Yamatake Group does not anticipate any losses arising from credit risk.

Derivative transactions entered into by Yamatake Group have been made in accordance with internal policies which regulate the authorization and credit limit amounts.

The fair value of Yamatake Group’s derivative financial instruments as of March 31, 2008 and 2007, was as follows:

	2008			2007			2008		
	Contract Amount	Fair Value	Unrealized Gain	Contract Amount	Fair Value	Unrealized Gain	Contract Amount	Fair Value	Unrealized Gain
Exchange contract:									
Sell Japanese yen				¥48	¥48				
Buy Japanese yen	¥15	¥16	¥1				\$153	\$155	\$2

(a) Share Allocation Pertaining to Share Exchange

	Yamatake (Parent Company)	Kimmon (Subsidiary)
Share-exchange ratio	1	0.045

Note: The share allocation shall be 0.045 shares of Yamatake common stock per 1 share of Kimmon common stock.

(b) Basis of Calculation of Share Allocation Pertaining to Share Exchange

With reference to the results of the share-exchange ratio calculations provided in the independent third-party valuations, and taking into full consideration factors such as the financial condition of both companies, financial projections and price trends in the Japanese stock market, Yamatake and Kimmon decided the share-exchange ratio as noted (3) (a) above.

(c) Number of New Shares to Be Issued

1,539,845 shares

(d) Acquisition Cost and Breakdown

	2008	
	Millions of Yen	Thousands of U.S. Dollars
Common stock of Yamatake	¥4,550	\$45,502
Direct expenditure related to the acquisition	50	500
Total acquisition cost	¥4,600	\$46,002

Note: The acquisition cost was calculated based on the share price as of the delivery date of the shares.

b. Appropriation of Retained Earnings

The following appropriation of retained earnings as of March 31, 2008 was approved at the Yamatake’s general shareholders meeting held on June 27, 2008:

	2008	
	Millions of Yen	Thousands of U.S. Dollars
Year-end cash dividends, ¥30 (\$0.30) per share	¥2,200	\$21,995

15. SEGMENT INFORMATION

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

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

The advanced automation segment designs, develops, manufactures, distributes and provides switches, sensors, controllers, valves, systems and software packages vital to the operation of industrial plants and factories as well as of engineering and maintenance services, primarily for such markets as petrochemical/chemical, water supply and sewerage, oil refining, electric power and gas, iron and

steel, pulp and paper, shipping and marine, semiconductors, electrical/electronic components, machine tools, automobiles, pharmaceuticals, foods and beverages/packaging, furnace/oven/boiler manufacturing and residential/commercial buildings.

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

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

Information about industry segments of Yamatake Group for the years ended March 31, 2008 and 2007, was as follows:

(1) Industry Segments

a. Sales and Operating Income (Losses)

Millions of Yen							
	2008						
	Building Automation	Advanced Automation	Life Automation	Other	Total	Eliminations/Corporate	Consolidated
Sales to customers	¥99,504	¥104,555	¥36,278	¥8,214	¥248,551		¥248,551
Intersegment sales	1,013	891	179	197	2,280	¥(2,280)	
Total sales	100,517	105,446	36,457	8,411	250,831	(2,280)	248,551
Operating expenses	88,765	96,521	36,743	8,328	230,357	(2,290)	228,067
Operating income (losses)	¥11,752	¥ 8,925	¥ (286)	¥ 83	¥ 20,474	¥ 10	¥ 20,484

Millions of Yen							
	2007						
	Building Automation	Advanced Automation	Life Automation	Other	Total	Eliminations/Corporate	Consolidated
Sales to customers	¥88,499	¥98,677	¥36,735	¥10,661	¥234,572		¥234,572
Intersegment sales	479	1,073	69	463	2,084	¥(2,084)	
Total sales	88,978	99,750	36,804	11,124	236,656	(2,084)	234,572
Operating expenses	80,519	90,682	37,327	10,772	219,300	(2,042)	217,258
Operating income (losses)	¥ 8,459	¥ 9,068	¥ (523)	¥ 352	¥ 17,356	¥ (42)	¥ 17,314

Thousands of U.S. Dollars							
	2008						
	Building Automation	Advanced Automation	Life Automation	Other	Total	Eliminations/Corporate	Consolidated
Sales to customers	\$ 995,045	\$1,045,548	\$362,778	\$82,138	\$2,485,509		\$2,485,509
Intersegment sales	10,126	8,912	1,791	1,973	22,802	\$(22,802)	
Total sales	1,005,171	1,054,460	364,569	84,111	2,508,311	(22,802)	2,485,509
Operating expenses	887,655	965,207	367,425	83,284	2,303,571	(22,906)	2,280,665
Operating income (losses)	\$ 117,516	\$ 89,253	\$ (2,856)	\$ 827	\$ 204,740	\$ 104	\$ 204,844

b. Assets, Depreciation, Impairment Loss and Capital Expenditures

Millions of Yen							
	2008						
	Building Automation	Advanced Automation	Life Automation	Other	Total	Eliminations/Corporate	Consolidated
Assets	¥53,491	¥74,570	¥32,601	¥5,063	¥165,725	¥63,119	¥228,844
Depreciation	999	2,182	1,154	52	4,387		4,387
Impairment loss			4,605		4,605	(1,497)	3,108
Capital expenditures	1,080	3,160	230	18	4,488		4,488

Millions of Yen							
	2007						
	Building Automation	Advanced Automation	Life Automation	Other	Total	Eliminations/Corporate	Consolidated
Assets	¥55,555	¥75,340	¥36,604	¥5,752	¥173,251	¥57,428	¥230,679
Depreciation	1,024	1,600	1,233	34	3,891		3,891
Capital expenditures	1,624	3,213	337	99	5,273		5,273

Thousands of U.S. Dollars							
	2008						
	Building Automation	Advanced Automation	Life Automation	Other	Total	Eliminations/Corporate	Consolidated
Assets	\$534,908	\$745,703	\$326,013	\$50,631	\$1,657,255	\$631,185	\$2,288,440
Depreciation	9,990	21,830	11,536	515	43,871		43,871
Impairment loss			46,050		46,050	(14,973)	31,077
Capital expenditures	10,805	31,590	2,303	184	44,882		44,882

Note:Corporate assets of ¥64,779 million (\$647,789 thousand) and ¥60,807 million for the years ended March 31, 2008 and 2007, respectively, included in “Eliminations/corporate” mainly consist of cash and cash equivalents and investment securities.

(2) Geographical Segments

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

(3) Sales to Foreign Customers

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



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INDEPENDENT AUDITORS' REPORT

To the Board of Directors of
Yamatake Corporation:

We have audited the accompanying consolidated balance sheets of Yamatake Corporation (the "Company") and consolidated subsidiaries as of March 31, 2008 and 2007, and the related consolidated statements of income, changes in equity, and cash flows for the years then ended, all expressed in Japanese yen. These consolidated financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these consolidated financial statements based on our audits.

We conducted our audits in accordance with auditing standards generally accepted in Japan. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the consolidated financial position of Yamatake Corporation and consolidated subsidiaries as of March 31, 2008 and 2007, and the consolidated results of their operations and their cash flows for the years then ended in conformity with accounting principles generally accepted in Japan.

As discussed in Note 14.a to the consolidated financial statements, effective April 1, 2008, the Company made Kimmon Manufacturing Co., Ltd., a 43% owned subsidiary, a wholly owned subsidiary of the Company by means of a share exchange.

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

Deloitte Touche Tohmatsu

June 27, 2008

Member of
Deloitte Touche Tohmatsu

Corporate Data

As of March 31, 2008

Company Name	Yamatake Corporation	Paid-in Capital	¥10,523 million
Headquarters	Tokyo Building 2-7-3 Marunouchi, Chiyoda-ku Tokyo 100-6419, Japan	Factories	Fujisawa Technology Center, Shonan, Isehara
Founded	December 1, 1906	Employees	5,448
Incorporated	August 22, 1949		

Subsidiaries and Affiliates * indicates consolidated subsidiary

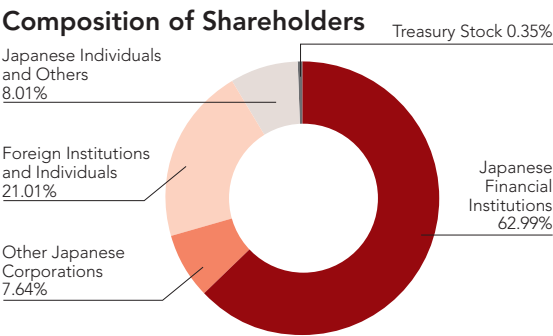
Japan		
Yamatake & Co., Ltd.* Tokyo, Japan Ownership 100%	Aomori Manufacturing Co., Ltd.* Aomori, Japan Ownership 100% owned by Kimmon Manufacturing Co., Ltd.	Kimmon Iwase Co., Ltd.* Fukushima, Japan Ownership 100% owned by Kimmon Manufacturing Co., Ltd.
Yamatake Control Products Co., Ltd.* Kanagawa, Japan Ownership 100%	Wakayama Seiki Co., Ltd.* Wakayama, Japan Ownership 100% owned by Kimmon Manufacturing Co., Ltd.	Kimmon Environment Equipment Co., Ltd.* Kanagawa, Japan Ownership 100% owned by Kimmon Manufacturing Co., Ltd.
Yamatake Expert Services Co., Ltd. Tokyo, Japan Ownership 100%	Sirakawa Seiki Co., Ltd.* Fukushima, Japan Ownership 98.5% owned by Kimmon Manufacturing Co., Ltd.	Hokkaido Kimmon Construction Co., Ltd.* Hokkaido, Japan Ownership 100% owned by Kimmon Manufacturing Co., Ltd.
Yamatake Friendly Co., Ltd. Kanagawa, Japan Ownership 100%	Kimmon Sirasawa Co., Ltd.* Fukushima, Japan Ownership 100% owned by Kimmon Manufacturing Co., Ltd.	Tohoku Kimmon Construction Co., Ltd.* Fukushima, Japan Ownership 100% owned by Kimmon Manufacturing Co., Ltd.
Yamatake Care-Net Co., Ltd.* Tokyo, Japan Ownership 100%	Kimmon Aizu Co., Ltd.* Fukushima, Japan Ownership 100% owned by Kimmon Manufacturing Co., Ltd.	Royal Controls Co., Ltd.* Tokyo, Japan Ownership 51%
Safety Service Center Co., Ltd.* Tokyo, Japan Ownership 100%	Kumamoto Safety Service Center Co., Ltd.* Kumamoto, Japan Ownership 100% owned by Safety Service Center Co., Ltd.	Taishin Co., Ltd.* Nagano, Japan Ownership 50%
Security Friday Co., Ltd. Kanagawa, Japan Ownership 85%	Kimmon Haramati Co., Ltd.* Fukushima, Japan Ownership 100% owned by Kimmon Manufacturing Co., Ltd.	Building Performance Consulting, Inc. Tokyo, Japan Ownership 45%
Hara Engineering Co., Ltd. Kanagawa, Japan Ownership 100% owned by Yamatake & Co., Ltd.	Kimmon Mizuho Co., Ltd.* Kyoto, Japan Ownership 100% owned by Kimmon Manufacturing Co., Ltd.	Tem-Tech Lab. Tokyo, Japan Ownership 25%
Kimmon Manufacturing Co., Ltd.* Tokyo, Japan Voting right 43.3%*	Kimmon Karatu Co., Ltd.* Saga, Japan Ownership 100% owned by Kimmon Manufacturing Co., Ltd.	
Overseas		
Yamatake Korea Co., Ltd.* Seoul, Korea Ownership 100%	Dalian Yamatake Control Instruments Co., Ltd.* Dalian, China Ownership 100%	Yamatake Automation Products Shanghai Co., Ltd.* Shanghai, China Ownership 100%
Yamatake Taiwan Co., Ltd.* Taipei, Taiwan Ownership 100%	Yamatake Information Technology Center (Dalian) Co., Ltd. Dalian, China Ownership 100%	YCP Precision Hong Kong Limited Hong Kong, China Ownership 100% owned by Yamatake Control Products Co., Ltd.
Yamatake (Thailand) Co., Ltd.* Bangkok, Thailand Ownership 99.9%	Yamatake Environmental Control Technology (Beijing) Co., Ltd.* Beijing, China Ownership 100%	Yamatake Sensing Control, Limited* Santa Clara, CA, U.S.A. Ownership 100%
Yamatake Philippines, Inc.* Makati, Philippines Ownership 99.9%	Yamatake Environmental Engineering (Shanghai) Co., Ltd.* Shanghai, China Ownership 100%	Yamatake America, Inc.* Phoenix, AZ, U.S.A. Ownership 100%
Yamatake Automation (M) Sdn. Bhd.* Petaling Jaya, Malaysia Ownership 100%	Shanghai Yamatake Automation Co., Ltd.* Shanghai, China Ownership 60%	Yamatake Europe N.V.* Brussels, Belgium Ownership 99.9%
Yamatake Controls Singapore Pte. Ltd.* Singapore Ownership 100%	Yamatake China Limited* Hong Kong, China Ownership 99.9%	SICAL Yamatake Ltd. Chennai, India Ownership 25%
PT. Yamatake Berca Indonesia* Jakarta, Indonesia Ownership 55%		Two other affiliates

* Kimmon Manufacturing Co., Ltd. became a wholly owned subsidiary on April 1, 2008, by means of an exchange of shares.

Stock Information

As of March 31, 2008

Total Number of Authorized Shares	279,710,000
Shares of Common Stock Issued	73,576,256
Shareholders	5,552
Fiscal Year	April 1–March 31
Annual Shareholders’ Meeting	June
Stock Listing	Tokyo Stock Exchange, 1st Section
Transfer Agent	Mizuho Trust & Banking Co., Ltd.

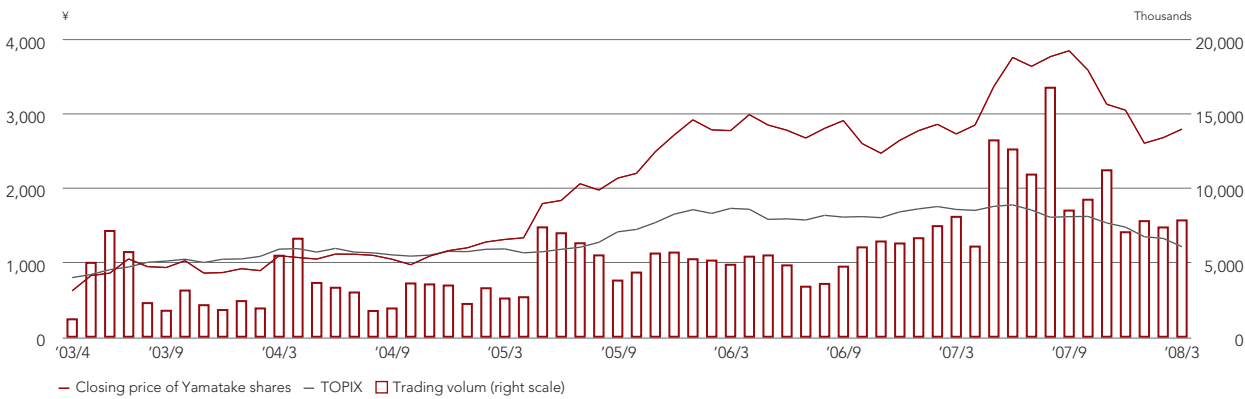


Major Shareholders

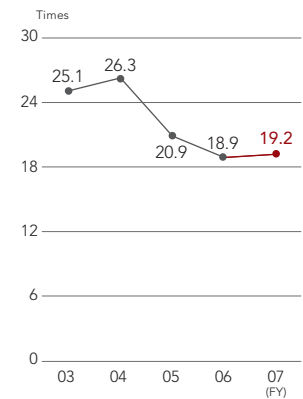
	Number of Shares Held (thousands)	Percentage of Total Shares Issued
The Master Trust Bank of Japan, Ltd.	11,201	15.27%
Japan Trustee Services Bank, Ltd.	8,536	11.64
Meiji Yasuda Life Insurance Co.	5,214	7.11
Nippon Life Insurance Co.	2,669	3.64
Mizuho Trust & Banking Co., Ltd.	2,301	3.13
Mizuho Corporate Bank, Ltd.	2,228	3.03
Northern Trust Company (AVFC) Sub-account American Clients	2,106	2.87
The Nomura Trust and Banking Co., Ltd.	1,863	2.54
Sompo Japan Insurance Inc.	1,700	2.31
Shiteitan (individually operated and designated money trust); Recipient, Chuo Mitsui Asset Trust and Banking Company, Limited	1,215	1.65

Equity position is calculated excluding treasury stock (259 thousand)

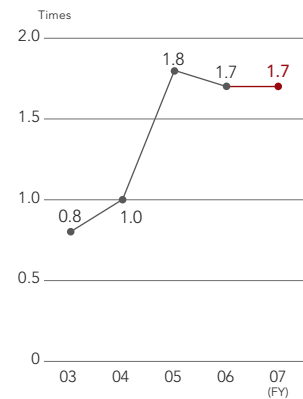
Trends in Share Price and Trading Volume



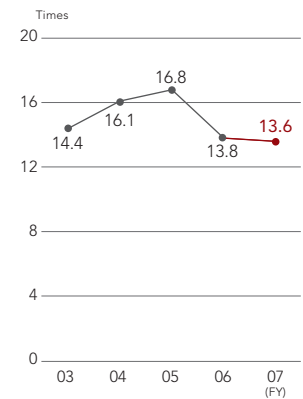
Price Earnings Ratio



Price–Book Value Ratio



Price Cash–Flow Ratio



Board of Directors, Executive Officers and Corporate Auditors

As of June 27, 2008



Seiji Onoki
President and Chief Executive Officer



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



Jun Kawachi
Executive Director
Managing Executive Officer



Tadayuki Sasaki
Executive Director
Managing Executive Officer



Kanichiro Shimoda
Executive Director
Managing Executive Officer
Advanced Automation Company
President



Makoto Yasuda
Director



Eugene H. Lee
Director



Hajime Ikeda
Director

Yukihiko Tsuruta
Corporate Auditor

Hirozumi Sone
Managing Executive Officer

Yasuyuki Washi
Executive Officer

Keiichi Fuwa
Executive Officer

Kozo Edanami
Corporate Auditor

Toshitsune Okubo
Managing Executive Officer

Toshimitsu Miyaji
Executive Officer

Junji Funamoto
Executive Officer

Tomonori Kobayashi
Corporate Auditor

Masaaki Inozuka
Managing Executive Officer

Kenji Mochimaru
Executive Officer

Toshio Yoshida
Executive Officer

Kinya Fujimoto
Corporate Auditor

Sadachika Ogawa
Executive Officer

Kazuo Shimizu
Executive Officer

Takuji Hosoya
Executive Officer

Katsuhiko Tanabe
Corporate Auditor

Toshio Hiraoka
Executive Officer

Tadashi Kawashima
Executive Officer

Osamu Tamayori
Executive Officer

Yoshiharu Sato
Advisor

Tadashi Hirooka
Executive Officer

Ichio Kunii
Executive Officer

Makoto Kawai
Executive Officer

Contact

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