

Overview of FY2006 & The Yamatake Group's New Medium-term Management Plan

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FY2006 dividend and FY2007 dividend forecast



Yamatake Corporation

10 May 2007

FY2004-2006 Medium-term Plan Operating Results

FY2006 sales of ¥234.6 billion and operating income of ¥17.3 billion far exceeded original targets (13 May 2004).



—Growth in BA and AA businesses led to exceeding the initial target, and with the consolidation of Kimmon Mfg., sales increased by above ¥ 30 billion.

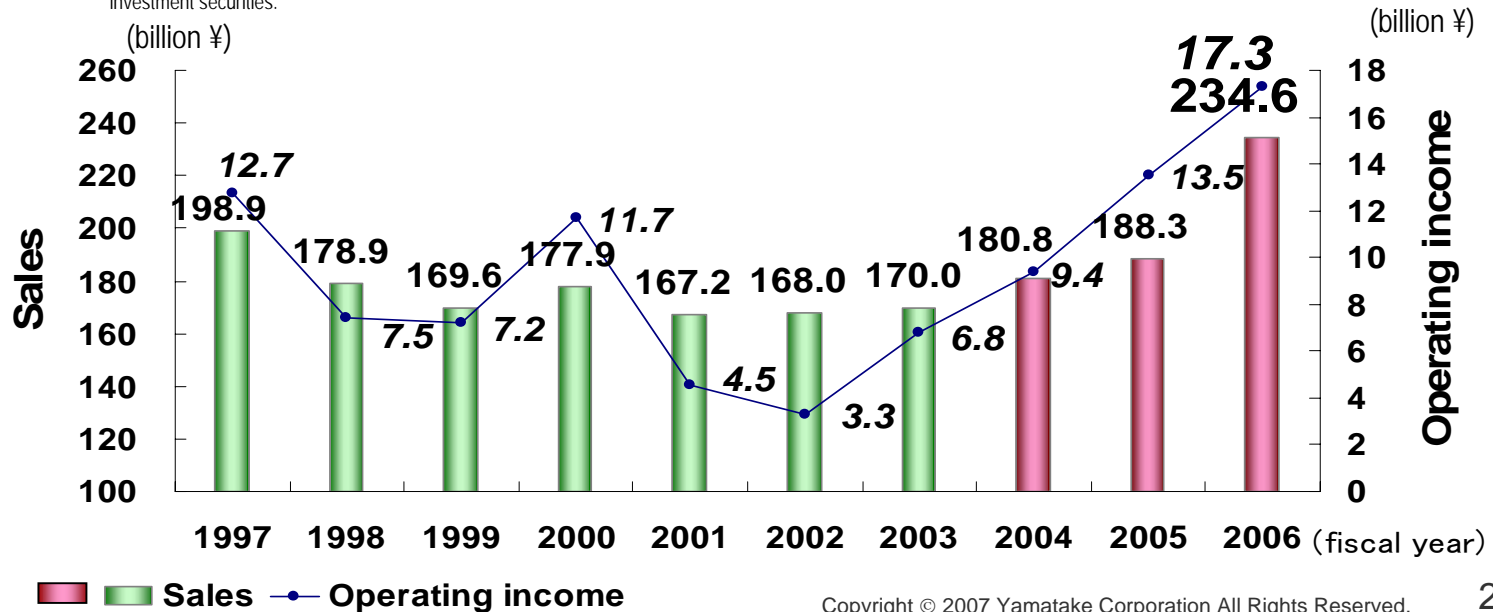
Creating a new business
(business structural reform)

Progress achieved with strengthening and expanding the peripheral domains, crossover fields, and international business, and also with building the foundation for Life Automation, Yamatake's third core business.

	FY2003 Actual (a)	FY2004 Actual	FY2005 Actual	FY2006		Growth over 3 years (b)-(a)	
				Actual (b)	Original plan (2004.5.13)	Yen	%
Sales	170.0 bil.	180.8 bil.	188.3 bil.	234.6 bil.	(200.0 ^{bil.})	64.6 bil.	38.0%
Op. income	6.8 bil.	9.4 bil.	13.5 bil.	17.3 bil.	(13.0 ^{bil.})	10.5 bil.	153.9%
ROE	3.5%	3.8%	9.3%	9.3%	(7%)		

6.1% * 7.5% *

* Provided here for reference are ROE figures without any extraordinary profit and loss. In FY2004, an extraordinary charge of ¥3.5 billion was recorded by shift to a DC pension plan. In FY2005, an extraordinary gain resulted from the land sale of part of the site of Yamatake's Industrial Operations Tokyo office and from sales of investment securities.



Aiming at further enhancing customer satisfaction, the Yamatake Group will become a corporate entity that employs “human-centered automation” (**azbil**) to realize safety, comfort and fulfillment in people’s lives, while also contributing to the global environment.

New Medium-term Plan

This 3-year period is seen as a time for “firmly establishing the foundation” for achieving Yamatake’s philosophy (above). The “Three Creation Concepts” will be further developed, and Yamatake will promote reforms in its core businesses.



FY2004-2006: “Period of fostering Group Spirit”

FY2007-2009: “Period of firmly establishing the foundation”

FY2010-2013: “Period of growth”



Three Creation Concepts: “Creating a new business”, “Creating a new work style”, “Building Yamatake Spirit”



Core businesses: Building Automation (BA), Advanced Automation (AA), Life Automation (LA)

Numerical targets

- Starting from FY2004, the 10-year target for operating income is above ¥30 billion (approx. 3 times the figure for FY2004), and that for sales is ¥300 billion approx.
- Interim target to be achieved by FY2009, the final year of the new Medium-term Plan, are above ¥23 billion in operating income and ¥260 billion in sales approx.

Yamatake Group's Long-term Goals & Roadmap

Over the FY2007-2009 period, the Three Creation Concepts will be implemented to firmly establish the foundation



FY2004-2006
"Period of fostering Group Spirit"

FY2007-2009
"Period of firmly establishing the foundation"

FY2010-2013
"Period of growth"

Building Yamatake Spirit
(Creation of a new corporate culture)

- Strengthen collaboration via "synergy" – the keyword
- Establishment of the new Group philosophy & *azbil* symbol, 100th anniversary celebrations

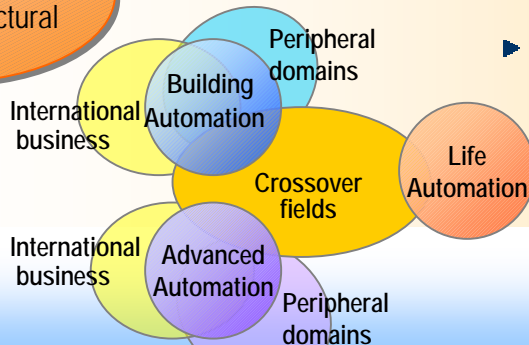


Fujisawa Technology Center (completed in Dec. 2006)
Located in Fujisawa City, Kanagawa Pref.
No. of employees: 2,000 approx.

Creating a new work style
(Business operation reform)

- Enhancing productivity and problem-solving capabilities by structuring and making transparent business operations, and implementing matrix operation for the entire Yamatake Group.
 - ▶ Strengthen systems for marketing collaboration
 - Sales synergy involving BA, AA and Kimmon Manufacturing
 - ▶ Strengthen product development capabilities; enhance collaboration and on-site problem-solving capabilities
 - ▶ Optimize Group production frameworks in Japan & overseas
 - Enhance domestic production frameworks
 - Expansion of factories in China, etc.
 - ▶ Enhance staff productivity
 - ▶ Strengthen cooperation between BA departments, AA departments and trading company functions within the Group

Creating a new business
(Business structural reform)



- Reform the current BA, AA and LA businesses into "human-centered automation" businesses

- ▶ Three core businesses – BA, AA and LA – and the international business

Establish "human-centered automation" as a business

Develop the Yamatake Group into a Top-class global company

Strengthening corporate governance and CSR management

FY2013 operating income:
above ¥30 billion

Kimmon-Yamatake Jump-up Plan

Kimmon Manufacturing – Strengthening business structure and cooperation within the Yamatake Group, and implementing measures to enhance profitability



Fostering synergy between Kimmon & Yamatake through enhanced cooperation within the Yamatake Group so as to strengthen Kimmon's infrastructure and improve its profit structure, thus contributing to achieving the goals of the FY2007-2009 Medium-term Plan

● Cooperation in sales activities

- Cooperation between Kimmon and AA business lines (offering solutions to major gas companies, etc.)
- Cooperation between Kimmon and BA business lines (encouraging customers to replace water meters when official certification expires, etc.)

● Production base restructuring

- Consolidation into a mother factory system tailored to Kimmon's business, and production bases focused on water meters
- Strengthening of Kimmon's infrastructure by upgrading its production/manufacturing engineering functions
- As part of the Group's production restructuring, start manufacture of Yamatake products at Kimmon Manufacturing factories (build new manufacturing facilities at Kimmon's Kyoto factory to expand output of Yamatake's flowmeters and also to prepare for production of next-generation products), etc.



Kyoto Factory,
Kimmon Manufacturing

● Ensuring full utilization and optimum assignment of the Group's human resources

- Make use of the surplus human resources resulting from productivity enhancements at Kimmon to strengthen production capabilities in line with the expansion of Yamatake's businesses; reassign staff principally to engineering services so as to reinforce Yamatake's engineering force
- As part of production restructuring, engage in the production of Yamatake products at Kimmon Manufacturing factories, etc.

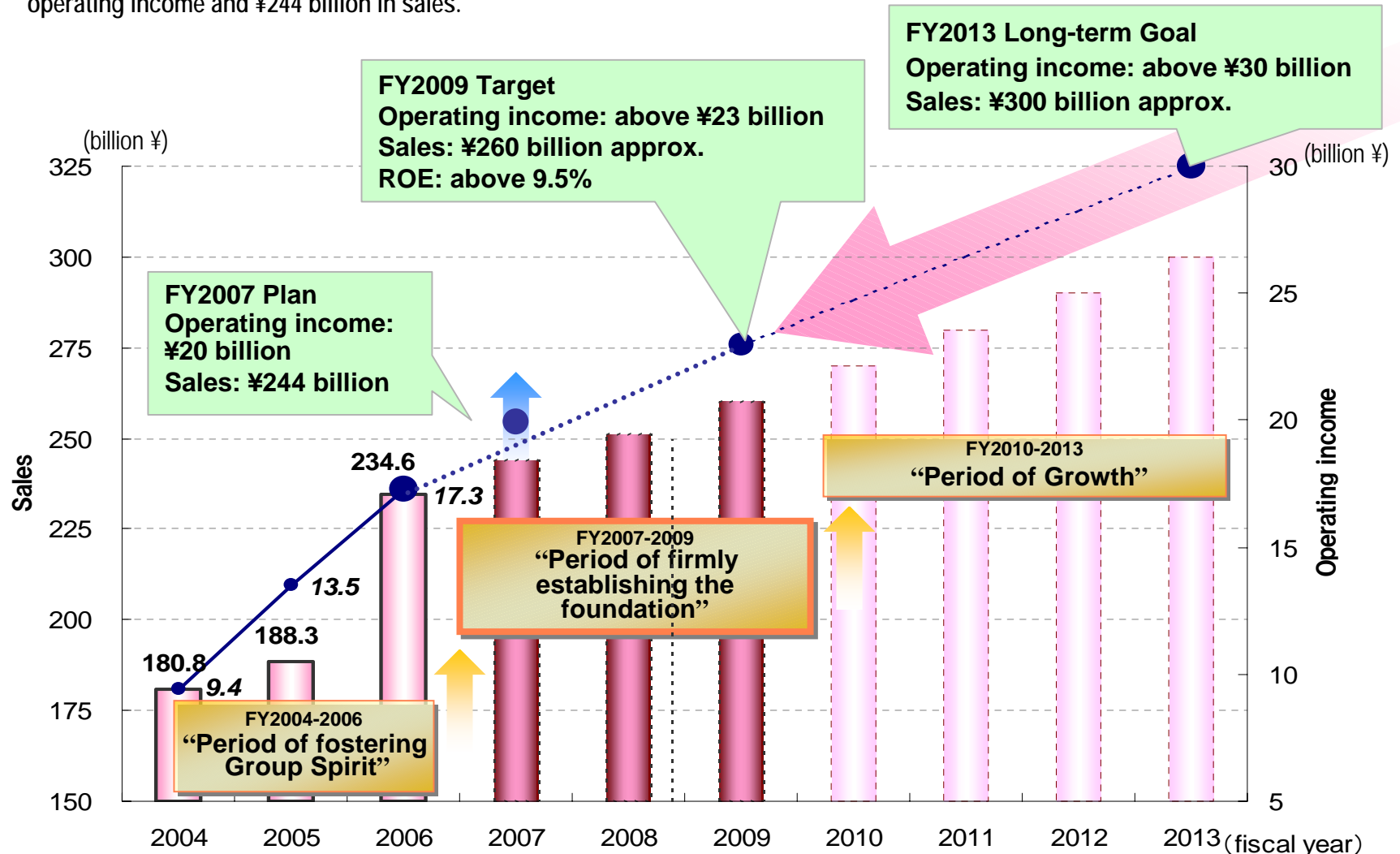
● Making more efficient use of assets and reducing costs

- Reduce procurement costs for the whole Group (participation of Kimmon in Yamatake Group procurement, etc.)
- Make more efficient use of premises and facilities, etc. (consolidation of Kimmon and Yamatake business premises, etc.)

FY2007-2009 Medium-term Plan

Plan raises sales and profit targets for FY2007 to ensure that the Long-term Goal are met.

- FY2009 performance targets are based on the Long-term Goal for operating income of above ¥30 billion. To achieve this target, deliberately ambitious performance targets have been set for FY2007, the first year of the new Medium-term Plan: ¥20 billion in operating income and ¥244 billion in sales.

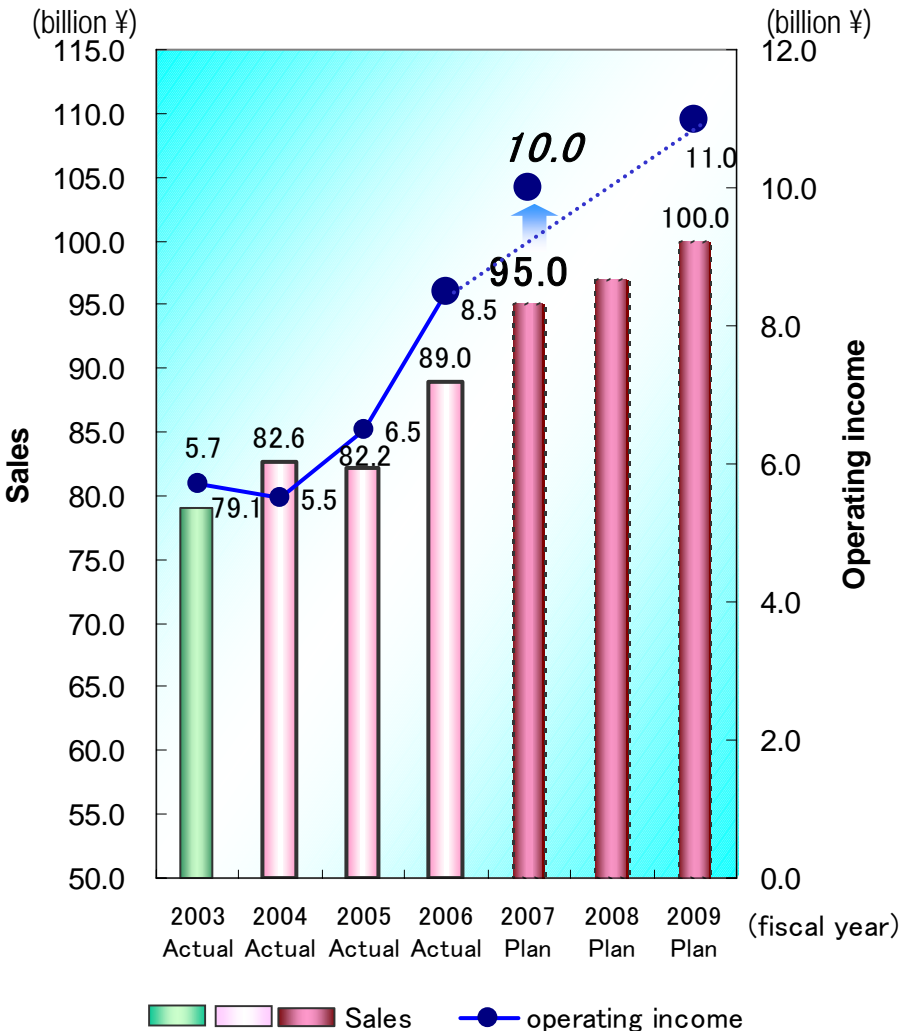


Building Automation Business

FY2009: Operating income above ¥11 billion, sales in excess of ¥100 billion. Aim is to become a leader in the environmental control domain.



Sales / Operating income



Further strengthening of profitability in the domestic market, and expansion of the security and international businesses

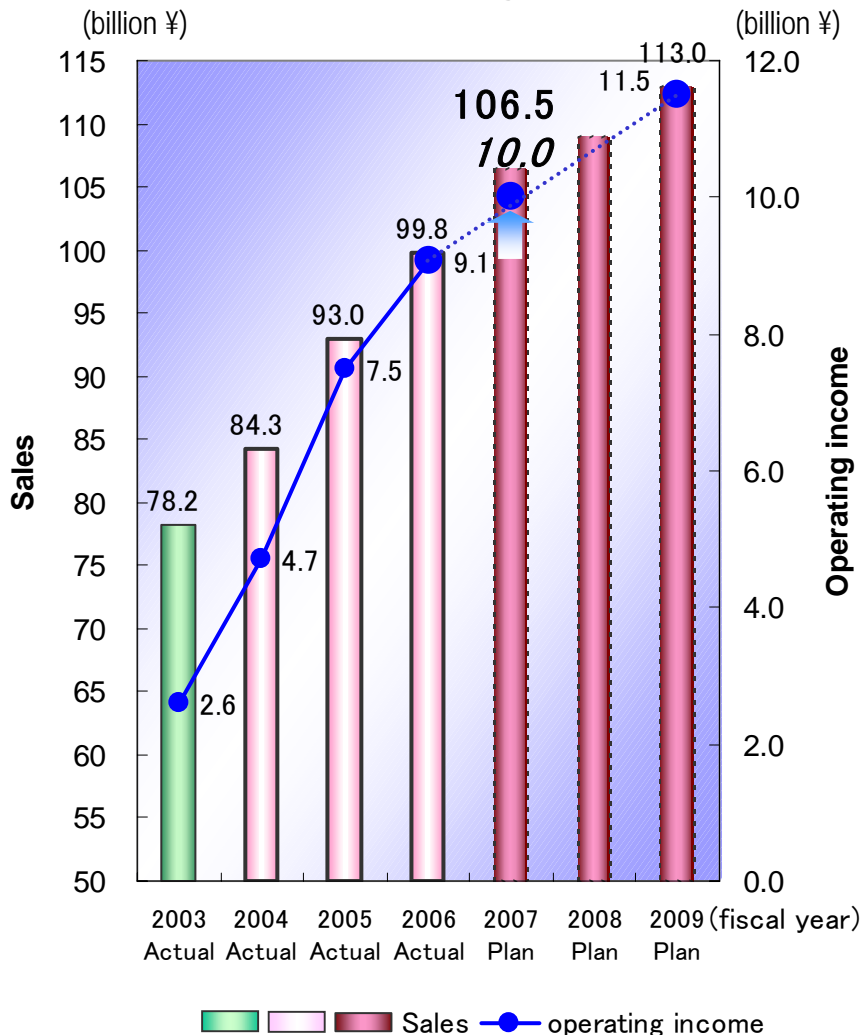
- Domestic market for new buildings will continue to be active through FY2007, with focus on large-scale redevelopment projects in the Tokyo metropolitan area.
- Profitability and competitive strength will be enhanced by developing and marketing high-performance, high-profit products (e.g. Intelligent Compo™).
- Domestic market for existing buildings and services will remain firm, buoyed by growth in energy-saving needs. These businesses will also contribute to enhancing profitability.
- Drawing on Group synergies, BA will put increased focus on adopting individual approaches tailored to different types of buildings (factories, R&D facilities, hospitals).
- The security business will be expanded by launching products that satisfy market needs (Location monitoring, 3D biometrics, etc.)
- In international business, sales of more competitive products (BA systems, sensors, valves) will start in earnest. Greater emphasis will be put on developing the solution business targeting the still considerable HVAC market for Japanese-owned factories.

Advanced Automation Business

Approaching operating income of ¥10 billion and sales in excess of ¥100 billion, targets for FY2009 are: operating income above ¥11.5 billion, sales in excess of ¥110 billion



Sales / Operating income



Further promoting the product business in Japan and overseas by making full use of Yamatake's unique products and applications

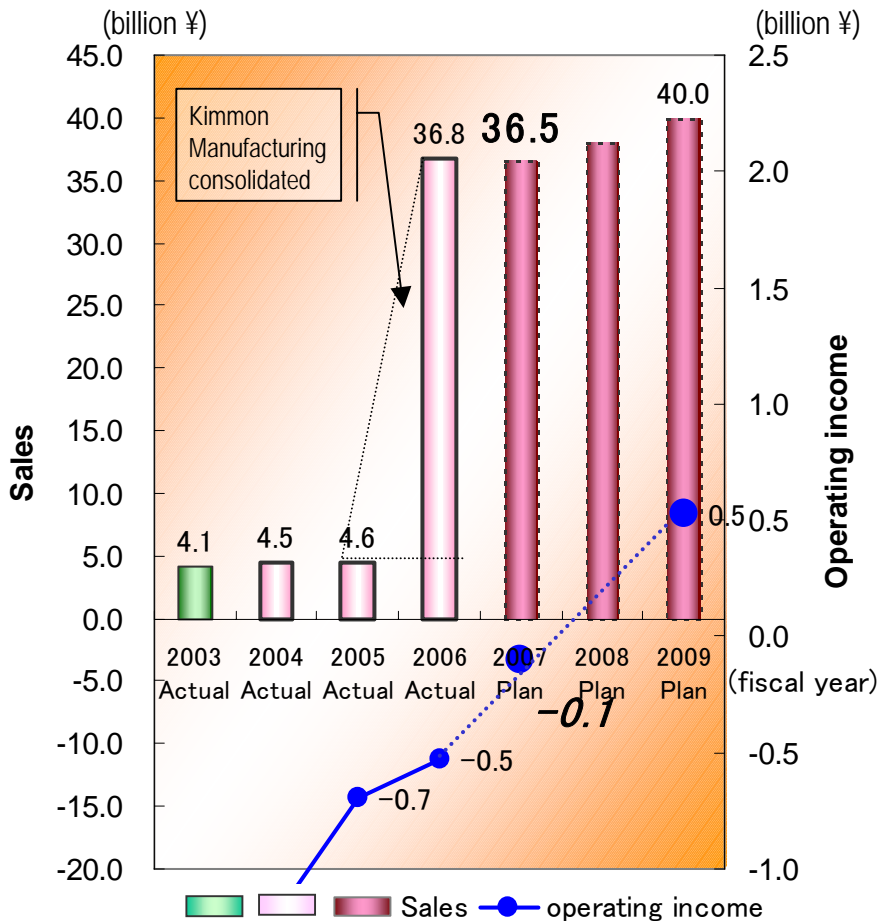
- Domestic capital investment will continue to be firm, despite disparities between industries (some slowing is evident in such products as sensors for the processing and assembly market, but recovery is predicted; sales of products for the process market will remain growth.) It is forecast that capital investment will remain at a high level in FY2007.
- The product business will be expanded making use of products unique to Yamatake.
- By shifting to high value-added businesses and making efforts to improve labor productivity, especially in the solution service business, a more profitable business structure will be established.
- International businesses will be promoted (FY2009 sales target has been set at 20% or more), with a focus on the product business, taking such steps as fostering and strengthening overseas affiliates, launching new products for overseas markets, and enhancing production frameworks.

Life Automation Business

Aiming to increase added value by upgrading the operating base



Sales /Operating income



Note: Operating income indicated on this graph include the profit and loss generated by Kimmon Manufacturing and other parts of the Life Automation segment as well as the amortization of goodwill, etc. The amortization of goodwill is calculated from the current figure (¥700 million approx.) to which is added, for FY2008 and later, the estimated sum for conversion of Class B preferred stock, assuming the same conditions for amortization apply.

Implementing measures to strengthen the business structure and improve the profitability of Kimmon Manufacturing, which serves as the core of Life Automation, while concentrating on business fields with growth potential

● Lifeline Automation

- ▶ Measures to strengthen the business structure and profitability of Kimmon Manufacturing, and to extend its core business
- ▶ Focus on the business designed to realize a comfortable life environment and the environmental recycling business (waste recycling solutions)

● Life Assist Automation

- ▶ Strengthen the business of Yamatake Care-Net and Safety Service Center
- ▶ Initiate new businesses such as support and services to prevent nursing care and lifestyle-related diseases among the elderly

● Life Science Automation

- ▶ Develop new business around the *gemkey* biochip, a life-science sensor
- ▶ Invest in research aimed at future applications of life-science technologies for industry and home

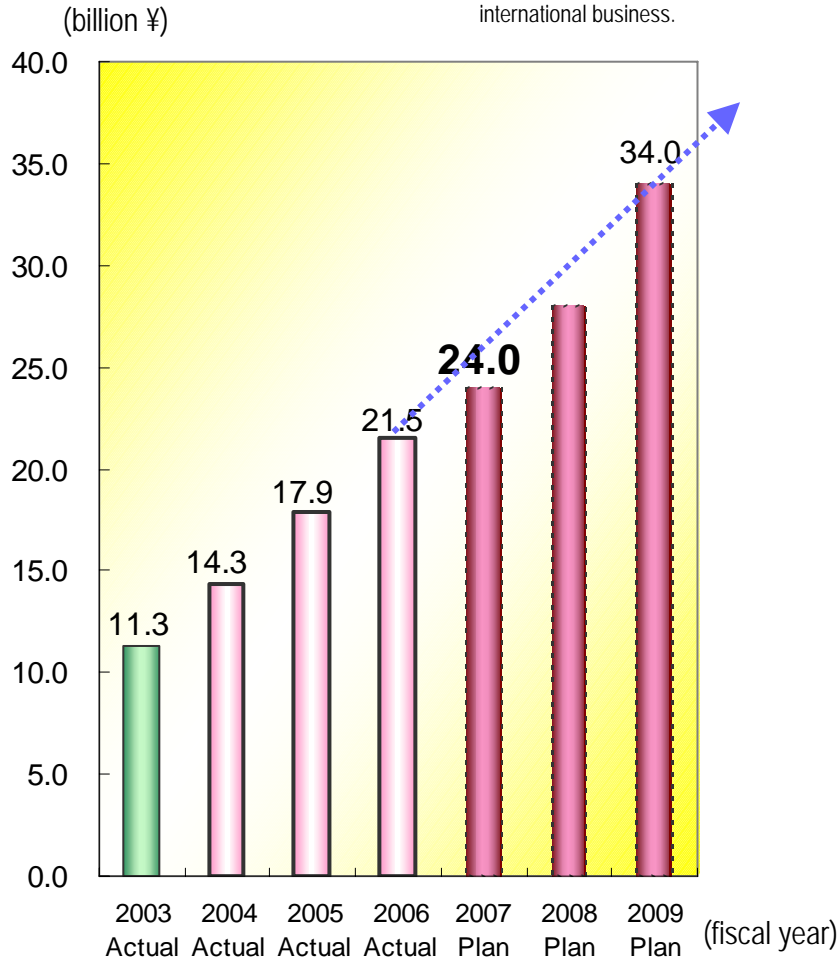
International Business

Having recorded sales growth from ¥10 billion to ¥20 billion over the previous 3 years, the target for the new Medium-term Plan is ¥35 billion approx.



Sales

Note: These figures represent the total calculated from each segment's international business.



Upgrading the business infrastructure and further emphasizing growth strategies, with a focus on the product business

- With the healthy growth evident in China and other Asian countries, the ¥20 billion sales target for the FY2004-2006 Medium-term Plan will be achieved.
 - ▶ In the Advanced Automation business, product sales will increase sharply. System sales for Advanced Automation business and sales for Building Automation business will increase steadily, establishing a bridgehead for future gains.
- In those overseas markets that are expected to continue expanding, Yamatake is aiming at growth of almost 20%.
- Looking at further growth in the future, the production capacity of Yamatake's overseas factories will be expanded; marketing capabilities will be strengthened in China, the priority market, and other Asian countries; and business alliances will be reinforced in Europe and North America.



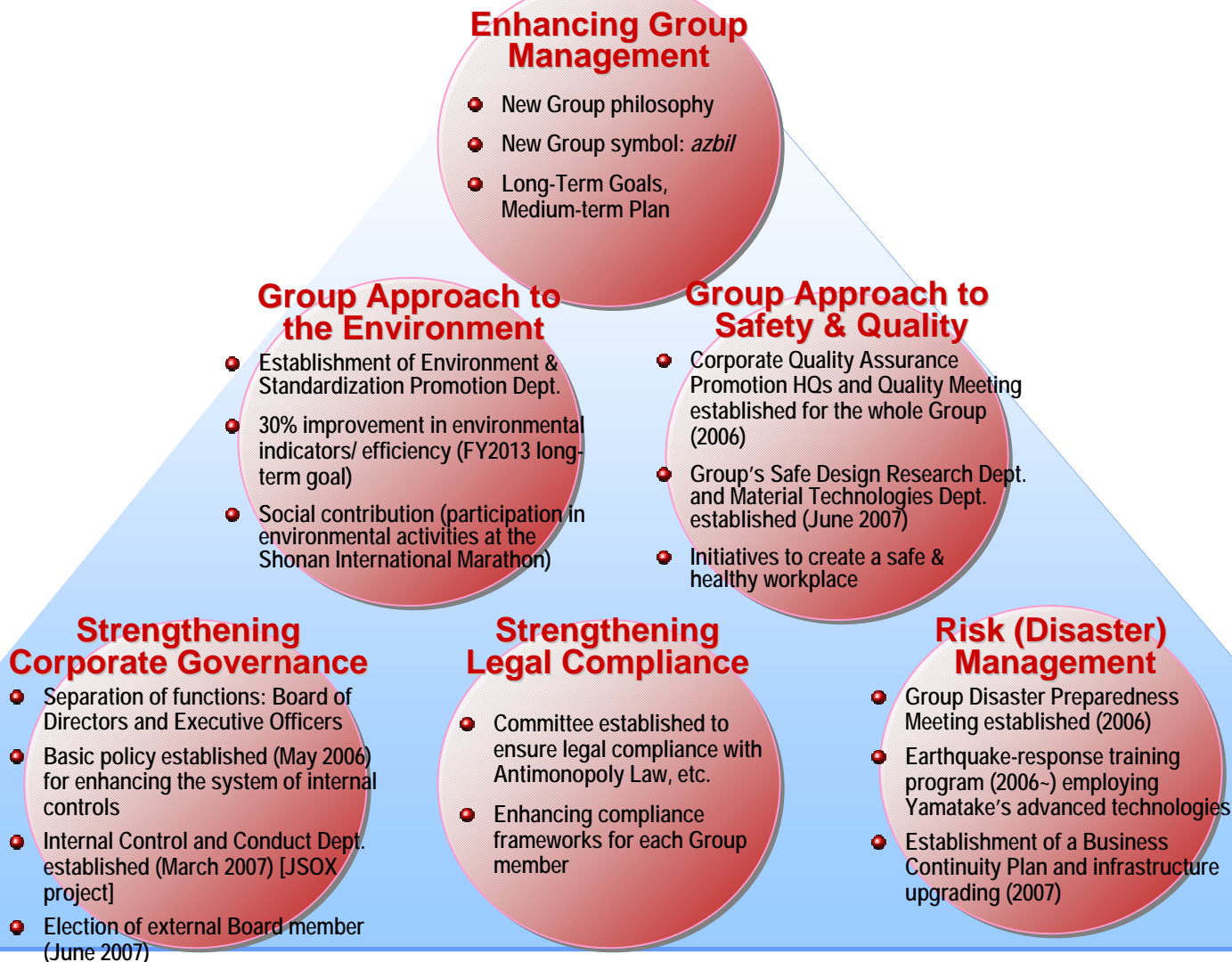
Dalian Factory, China



Shenzhen Factory, China

Strengthening Corporate Governance and CSR Management

The establishment of a system of internal controls and implementation of continuous improvement based on reevaluation will ensure an efficient and compliant business structure.



FY2006 dividend and FY2007 dividend forecast



To further promote shareholder returns, it is planned to increase the FY2007 normal dividend by ¥10

FY2006: Annual dividend of ¥50 per share, as announced

(Plan)

(interim)	(year-end)	(annual)
25 yen	25 yen	50 yen

25 yen + 25 yen = 50 yen

FY2007: Normal annual dividend to be increased by ¥10 to ¥60 per share

Further promoting shareholder returns (Forecast)

(interim)	(year-end)	(annual)
30 yen	30 yen	60 yen

30 yen + 30 yen = 60 yen

	2003	2004	2005	2006	2007
	(actual)	(actual)	(actual)	(plan)	(forecast)
	Annual	Annual	Annual	Annual	Annual
Dividend per share	14.0	23.0	50.0	50.0	60.0
Normal dividend	14.0	23.0	40.0	50.0	60.0
Commemorative dividend	0.0	0.0	10.0	0.0	0.0
Total dividend	¥1.03 billion	¥1.69 billion	¥3.68 billion	¥3.68 billion	¥4.41 billion
Dividend on equity ratio	1.1%	1.7%	3.3% *1	3.2%	3.6%
Payout ratio	31.8%	45.6%	37.6% *2	34.6%	36.8%

* Dividend on equity ratio: Total dividend / Shareholders' equity

* Payout ratio: Total dividend / Net income

*1 Normal dividend of 2.7% + commemorative dividend of ¥10 (0.6%)

*2 Normal dividend of 30.0% + commemorative dividend of ¥10 (7.6%)