



November 8, 2007

## Consolidated Financial Results for the First Half of Fiscal 2007 ending March 31, 2008

### 1. Performance for the half year (from April 1, 2007 to September 30, 2007)

- The Japanese financial accounting standards are applied for this statement of accounts.
- Amounts indicated are rounded down.
- Percentage shows the increase/(decrease) from the previous fiscal year.

#### (1) Results

(Millions of yen, except for per share figures & % of inc./dec.)

	Sales		Operating income		Recurring income		Net income	
First Half of Fiscal 2007	114,678	10.0%	7,199	34.4%	7,411	31.5%	3,307	0.3%
First Half of Fiscal 2006	104,273	23.4%	5,358	32.0%	5,638	31.3%	3,298	(14.9%)
Fiscal 2006	234,572	-	17,313	-	17,857	-	10,646	-

	Net income per share (Yen)
First Half of Fiscal 2007	44.96
First Half of Fiscal 2006	44.84
Fiscal 2006	144.71

#### (2) Financial Position

(Millions of yen, except for per share figures)

	Total assets	Net assets	Shareholder's equity to net asset	Net assets per share
	Million yen	Million yen	%	yen
As of September 30, 2007	219,490	119,607	53.9	1,608.61
As of September 30, 2006	207,021	111,511	53.5	1,506.34
As of March 31, 2007	230,679	118,966	51.1	1,602.33

Notes: Shareholders' equity

September 30, 2007 118,341 million yen      September 30, 2006 110,819 million yen  
March 31, 2007 117,879 million yen

#### (3) Cash Flows

(Millions of yen)

	Cash flows from operating activities	Cash flows from investing activities	Cash flows from financing activities	Cash and cash equivalents
	Million yen	Million yen	Million yen	Million yen
First Half of Fiscal 2007	7,167	1,816	(2,855)	41,586
First Half of Fiscal 2006	861	(4,337)	(2,919)	29,926
Fiscal 2006	7,523	(2,475)	(6,347)	35,190

### 2. Dividends per Share

	Dividends per Share (Yen)		
	Interim	Final	Annual
Fiscal 2006	25.00	25.00	50.00
Fiscal 2007 (Actual)	30.00	-	60.00
Fiscal 2007 (Plan)	-	30.00	

### 3. Forecast for Fiscal 2007 ( April 1, 2007 to March 31, 2008 )

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Percentage shows the increase/(decrease) from the previous fiscal year.

	Sales		Operating income		Recurring income		Net income		Net income per share
	Million yen	%	Million yen	%	Million yen	%	Million yen	%	Yen
Year ending March 31, 2008	248,500	5.9	20,300	17.2	20,300	13.7	11,400	7.1	154.96

\* 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: (i) general economic conditions in Yamatake's markets, particularly levels of capital investments; (ii) exchange rates, particularly between the Japanese yen and US dollar and other currencies in which Yamatake makes significant sales or Yamatake's assets and liabilities are denominated; (iii) continued acceptance of Yamatake's products and services which are offered in highly competitive markets characterized by rapid development of new technologies and the advancement of the global economy.

## 4. Other

### (1) Change in scope of consolidation: None

**(2) Change in accounting principles and procedures:** The method of translation for the statements of income of the consolidated foreign subsidiaries was changed from the year ending March 31, 2008. In prior periods, all income and expenses of consolidated foreign subsidiaries were translated into Japanese yen at the period-end rates. From this period, all income and expenses of consolidated foreign subsidiaries are translated into Japanese yen at the average rate during the period. The effects of this change in accounting policy are immaterial.

### (3) Number of shares issued(common stock)

- Number of shares outstanding(including treasury stocks)

September 30, 2007	73,576,256 shares	September 30, 2006	73,576,256 shares
March 31, 2007	73,576,256 shares		
- Number of treasury stocks

September 30, 2007	8,666 shares	September 30, 2006	7,928 shares
March 31, 2007	8,463 shares		

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## Consolidated Balance Sheets

(Millions of yen)

ASSETS							
	(A) As of Sep. 30, 2006		(B) As of Sep. 30, 2007		Difference (B)-(A)	As of Mar. 31, 2007	
<b>Current assets</b>	136,996	66.2	156,112	71.1	19,115	159,720	69.2
Cash	22,759		22,485		(273)	24,075	
Notes and accounts receivable	73,421		78,804		5,383	89,183	
Marketable securities	2,996		15,995		12,998	5,992	
Inventories	24,896		26,470		1,574	24,702	
Deferred tax assets	4,120		4,288		167	5,716	
Prepaid expenses and other current assets	9,240		8,394		(845)	10,405	
Allowance for doubtful receivable	(438)		(326)		111	(356)	
<b>Fixed assets</b>	70,024	33.8	63,377	28.9	(6,646)	70,958	30.8
Property, plant and equipment	30,843	14.9	29,558	13.5	(1,284)	30,677	13.3
Buildings and structures	12,553		15,906		3,352	16,527	
Others	18,289		13,652		(4,637)	14,149	
Intangible fixed assets	6,527	3.1	5,219	2.4	(1,308)	6,174	2.7
Goodwill	4,584		3,322		(1,261)	4,233	
Others	1,943		1,896		(46)	1,940	
Investment and other assets	32,653	15.8	28,599	13.0	(4,053)	34,106	14.8
Investment securities	21,781		20,523		(1,257)	24,368	
Deferred tax assets	1,504		225		(1,278)	244	
Other assets	9,912		8,405		(1,507)	9,976	
Allowance for doubtful receivable	(544)		(554)		(9)	(482)	
<b>Total</b>	207,021	100.0	219,490	100.0	12,469	230,679	100.0

(Millions of yen)

LIABILITIES AND NET ASSETS							
	(A) As of Sep. 30, 2006		(B) As of Sep. 30, 2007		Difference (B)-(A)	As of Mar. 31, 2007	
<b>Current liabilities</b>	70,588	34.1	76,833	35.0	6,245	86,967	37.7
Notes and accounts payable	34,142		37,922		3,779	42,200	
Short-term borrowings	14,117		14,046		(70)	14,017	
Income taxes payable	1,240		1,706		466	4,938	
Advance payments	4,015		4,399		383	3,382	
Accrued bonuses	6,092		6,641		548	8,754	
Allowance for bonuses to directors and corporate auditors	34		48		14	88	
Provision for product warranties	294		447		153	407	
Provision for order losses	45		190		145	231	
Other current liabilities	10,606		11,430		824	12,945	
<b>Long-term liabilities</b>	24,920	12.0	23,048	10.5	(1,871)	24,744	10.7
Bonds	-		365		365	420	
Long-term debt	6,987		5,236		(1,750)	6,152	
Liability for employees' retirement benefits	16,305		14,962		(1,342)	15,874	
Liability for retirement benefits for directors and corporate auditors	93		167		73	173	
Other long term liabilities	1,534		2,317		783	2,124	
<b>Total liabilities</b>	95,509	46.1	99,882	45.5	4,373	111,712	48.4
<b>Shareholders' equity</b>	104,679	50.6	111,652	50.9	6,973	110,185	47.8
Common stock	10,522	5.1	10,522	4.8	-	10,522	4.6
Capital surplus	12,647	6.1	12,647	5.8	-	12,647	5.5
Retained earnings	81,517	39.4	88,493	40.3	6,975	87,025	37.7
Treasury stock	(8)	(0.0)	(10)	(0.0)	(2)	(10)	(0.0)
<b>Evaluation and translation adjustments</b>	6,139	3.0	6,688	3.0	548	7,694	3.3
Variances on securities valuations	6,089	3.0	6,143	2.8	53	7,477	3.2
Deferred hedge liabilities (assets)	(0)	(0.0)	(0)	(0.0)	(0)	(1)	(0.0)
Foreign currency translation adjustments	50	0.0	546	0.2	495	218	0.1
<b>Minority interests</b>	692	0.3	1,265	0.6	573	1,086	0.5
<b>Total net assets</b>	111,511	53.9	119,607	54.5	8,095	118,966	51.6
<b>Total liabilities and net assets</b>	207,021	100.0	219,490	100.0	12,469	230,679	100.0

## Consolidated Statements of Operations

(Millions of yen)

	(A) Apr. 1, 2006 to Sep. 30, 2006		(B) Apr. 1, 2007 to Sep. 30, 2007		Difference (B)-(A)	Apr. 1, 2006 to Mar. 31, 2007	
<b>Net sales</b>	104,273	100.0	114,678	100.0	10,404	234,572	100.0
Cost of sales	66,676	63.9	73,896	64.4	7,219	149,792	63.9
<b>Gross profit</b>	37,596	36.1	40,781	35.6	3,185	84,779	36.1
Selling, general and administrative expenses	32,238	31.0	33,581	29.3	1,343	67,466	28.7
<b>Operating income</b>	5,358	5.1	7,199	6.3	1,841	17,313	7.4
<b>Non-operating income</b>	543	0.5	541	0.5	(2)	1,109	0.4
Interest income	39		111		72	121	
Dividend income	197		222		24	287	
Exchange gain	48		21		(27)	132	
Others	257		185		(71)	567	
<b>Non-operating expenses</b>	264	0.2	329	0.3	65	565	0.2
Interest expense	87		136		49	209	
Commitment fee	25		24		(0)	45	
Others	151		168		16	310	
<b>Recurring profit</b>	5,638	5.4	7,411	6.5	1,773	17,857	7.6
<b>Extraordinary profit</b>	60	0.1	3,081	2.7	3,021	629	0.3
Reversal of allowance for doubtful receivable	56		-		(56)	169	
Gain on sales of investment securities	2		250		248	76	
Gain on sales of property, plant and equipment	1		2,831		2,829	384	
<b>Extraordinary loss</b>	131	0.2	3,057	2.7	2,925	631	0.3
Loss on sales or disposals of property, plant and equipment	51		185		133	208	
Loss on impairment of investment securities	1		3		1	2	
Factory relocation expenses	79		144		64	418	
Impairment loss	-		2,464		2,464	-	
Others	-		261		261	1	
<b>Income before income taxes and minority interests</b>	5,566	5.3	7,435	6.5	1,869	17,855	7.6
Income taxes - current	955	0.9	1,547	1.4	592	5,970	2.6
Income taxes - deferred	1,236	1.2	2,401	2.1	1,164	1,027	0.4
Minority interests in net income	75	0.0	179	0.1	103	211	0.1
<b>Net income</b>	3,298	3.2	3,307	2.9	8	10,646	4.5

## Consolidated Statements of Changes in Net Asset

Fiscal 2007 (April 1, 2007 to September 30, 2007)

(Millions of yen)

	Shareholders' equity				
	Common stock	Capital surplus	Retained earnings	Treasury stock	Total shareholders' equity
Balance as of March 31, 2007	10,522	12,647	87,025	(10)	110,185
Changes of items during the period					
Dividends from retained earnings			(1,839)		(1,839)
Net income			3,307		3,307
Purchase of treasury stock				(0)	(0)
Net changes of items other than shareholders' equity during the period					
Total changes of items during the period	--	--	1,468	(0)	1,467
Balance as September 30, 2007	10,522	12,647	88,493	(10)	111,652

	Adjustments for valuation, foreign currency translation and others				Minority interests	Total net assets
	Unrealized gain on available-for-sale securities	Loss on deferred hedge	Foreign currency translation adjustments	Total Adjustments for valuation, foreign currency translation and others		
Balance as of March 31, 2007	7,477	(1)	218	7,694	1,086	118,966
Changes of items during the period						
Dividends from retained earnings						(1,839)
Net income						3,307
Purchase of treasury stock						(0)
Net changes of items other than shareholders' equity during the period	(1,334)	0	328	(1,006)	179	(827)
Total changes of items during the period	(1,334)	0	328	(1,006)	179	640
Balance as September 30, 2007	6,143	(0)	546	6,688	1,265	119,607

**Fiscal 2006 (April 1, 2006 to September 30, 2006)**

(Millions of yen)

	Shareholders' equity				
	Common stock	Capital surplus	Retained earnings	Treasury stock	Total shareholders' equity
Balance as of March 31, 2006	10,522	12,647	80,471	(8)	103,634
Changes of items during the period					
Dividends from appropriation of surplus (Note)			(2,207)		(2,207)
Bonuses paid to directors and corporate auditors from appropriation of surplus (Note)			(46)		(46)
Net income			3,298		3,298
Purchase of treasury stock				(0)	(0)
Net changes of items other than shareholders' equity during the period					
Total changes of items during the period	--	--	1,045	(0)	1,045
Balance as September 30, 2006	10,522	12,647	81,517	(8)	104,679

	Adjustments for valuation, foreign currency translation and others				Minority interests	Total net assets
	Unrealized gain on available-for-sale securities	Loss on deferred hedge	Foreign currency translation adjustments	Total Adjustments for valuation, foreign currency translation and others		
Balance as of March 31, 2006	7,164	--	59	7,224	682	111,540
Changes of items during the period						
Dividends from appropriation of surplus (Note)						(2,207)
Bonuses paid to directors and corporate auditors from appropriation of surplus (Note)						(46)
Net income						3,298
Purchase of treasury stock						(0)
Net changes of items other than shareholders' equity during the period	(1,075)	(0)	(9)	(1,084)	10	(1,074)
Total changes of items during the period	(1,075)	(0)	(9)	(1,084)	10	(28)
Balance as September 30, 2006	6,089	(0)	50	6,139	692	111,511

(Note) Dividends and Bonuses paid to directors and corporate auditors from appropriation of surplus was resolved at annual shareholders meeting on 29 June, 2006.

## Fiscal 2006 (April 1, 2006 to March 31, 2007)

(Millions of yen)

	Shareholders' equity					Total shareholders' equity
	Common stock	Capital surplus	Retained earnings	Treasury stock		
Balance as of March 31, 2006	10,522	12,647	80,471	(8)		103,634
Changes of items during the period						
Dividends from appropriation of surplus (Note)			(2,207)			(2,207)
Dividends from retained earnings			(1,839)			(1,839)
Bonuses paid to directors and corporate auditors from appropriation of surplus (Note)			(46)			(46)
Net income			10,646			10,646
Purchase of treasury stock				(2)		(2)
Net changes of items other than shareholders' equity during the period						
Total changes of items during the period	--	--	6,553	(2)		6,551
Balance as March 31, 2007	10,522	12,647	87,025	(10)		110,185
	Adjustments for valuation, foreign currency translation and others				Minority interests	Total net assets
	Unrealized gain on available-for-sale securities	Loss on deferred hedge	Foreign currency translation adjustments	Total Adjustments for valuation, foreign currency translation and others		
Balance as of March 31, 2006	7,164	--	59	7,224	682	111,540
Changes of items during the period						
Dividends from appropriation of surplus (Note)						(2,207)
Dividends from retained earnings						(1,839)
Bonuses paid to directors and corporate auditors from appropriation of surplus (Note)						(46)
Net income						10,646
Purchase of treasury stock						(2)
Net changes of items other than shareholders' equity during the period	313	(1)	158	470	404	874
Total changes of items during the period	313	(1)	158	470	404	7,425
Balance as March 31, 2007	7,477	(1)	218	7,694	1,086	118,966

(Note) Dividends and Bonuses paid to directors and corporate auditors from appropriation of surplus was resolved at annual shareholders meeting on 29 June, 2006.



## Consolidated Statements of Cash Flows

(Millions of yen)

	Apr. 1, 2006 to Sep. 30, 2006	Apr. 1, 2007 to Sep. 30, 2007	Apr. 1, 2006 to Mar. 31, 2007
<b>Operating activities</b>			
Income(loss) before income taxes and minority interests	5,566	7,435	17,855
Depreciation and amortization	1,788	2,084	3,890
Amortization of excess of acquired net equity over cost	372	350	689
Provision for doubtful receivables	(69)	102	(199)
Increase(decrease) in liabilities for retirement benefits	35	(911)	(652)
Interest and dividend income	(237)	(334)	(409)
Interest expenses	87	136	209
Foreign exchange loss(gain)	(30)	4	(36)
Gain on sale or disposal property, plant and equipment	(1)	(2,831)	(383)
Loss on sale or disposal property, plant and equipment	51	166	205
Gain on sale of investment securities	(2)	(250)	(76)
Loss on sale of investment securities	-	-	1
Loss on impairment of investment securities	1	3	2
Impairment loss	-	2,464	-
Bonuses to directors	(46)	-	(46)
Decrease(increase) in accounts receivable	6,108	10,422	(9,414)
Decrease(increase) in inventories	(3,744)	(1,763)	(3,120)
Increase(decrease) in notes and accounts payable	(4,629)	(4,324)	2,244
Increase of other current assets	(469)	120	(371)
Decrease of other current liabilities	138	(1,068)	2,546
Sub Total	4,919	11,806	12,936
Receipt of interest and dividend income	235	333	396
Payment for interest expenses	(94)	(114)	(213)
Income taxes - paid	(4,198)	(4,857)	(5,596)
<b>Net cash provided by operating activities</b>	<b>861</b>	<b>7,167</b>	<b>7,523</b>
<b>Investing activities</b>			
Purchase of time deposits with maturity over three months	(144)	(228)	(216)
Proceeds from time deposits with maturity over three months	3	252	24
Purchase of deposit with the restriction	(133)	-	(229)
Purchase of marketable securities	-	(1,619)	-
Proceeds from marketable securities	-	1,630	-
Purchase of share of investment trust over three months	(1,677)	-	(3,198)
Proceeds from sale of share of investment trust over three months	1,686	-	3,236
Purchase of property, plant and equipment	(3,826)	(2,975)	(5,334)
Proceeds from sale of property, plant and equipment	4	3,226	1,997
Purchase of intangible fixed assets	-	(238)	(369)
Purchase of investment securities	(69)	(20)	(267)
Proceeds from sale of investment securities	4	299	230
Redemption of investment securities	50	1,550	100
Purchase of stocks of newly consolidated subsidiaries	-	-	1,307
Other - net	(234)	(59)	244
<b>Net cash used in investing activities</b>	<b>(4,337)</b>	<b>1,816</b>	<b>(2,475)</b>
<b>Financing activities</b>			
Increase in short-term borrowings	580	724	2,429
Repayment of short-term borrowings	(415)	(670)	(2,382)
Increase in long-term debt	-	100	-
Repayment of long-term debt	(862)	(954)	(2,276)
Redmption of bond	-	(205)	(55)
Dividends paid	(2,205)	(1,838)	(4,044)
Dividends paid for minority in consolidated subsidiary company	(15)	(10)	(15)
Purchase of treasury stock	(0)	(0)	(2)
<b>Net cash used in financing activities</b>	<b>(2,919)</b>	<b>(2,855)</b>	<b>(6,347)</b>
<b>Net cash used in translation of cash &amp; cash equivalents</b>	<b>17</b>	<b>266</b>	<b>186</b>
<b>Net increase(decrease) in cash &amp; cash equivalents</b>	<b>(6,376)</b>	<b>6,395</b>	<b>(1,112)</b>
<b>Cash &amp; cash equivalents ,beginning of year</b>	<b>36,303</b>	<b>35,190</b>	<b>36,303</b>
<b>Cash &amp; cash equivalents, end of year</b>	<b>29,926</b>	<b>41,586</b>	<b>35,190</b>

## Notes to Consolidated Financial Results

*\*All figures in this note are rounded down.*

### 1. Operating results for the first half of FY2007

#### 1) Summary of Consolidated Financial Results

Yamatake Group operating results for the first half of FY2007 have thus been buoyed by a favorable market environment and also by the additional earnings of Royal Controls, which became a consolidated subsidiary from FY2006 2H. Overall sales grew to 114.6 billion yen, an increase of 10.0% compared with the same period last year. Turning to profits, as a result of outlay efficiencies, operating income of 7.1 billion yen was recorded (up 34.4%), while recurring income was 7.4 billion yen (up 31.5%). Owing to a heavier tax burden, current net income rose only marginally (0.3%) to 3.3 billion yen.

During the first half of FY2007, Japan's economy experienced steep rises in the price of oil and other raw materials as well as some weakness in investment in manufacturing equipment. Nevertheless, capital investment has been robust, underpinned by an improvement in corporate earnings and growth in demand. Also, an upturn in employment supported a gentle recovery in consumer spending, so the economy continued its recovery.

Meanwhile in overseas markets, the U.S. economy continued to show signs of a slowdown against the background of a faltering residential market caused by sub prime loans. But in Europe business conditions have been buoyant, and economic growth continues in China and other Asian countries. On the whole, therefore, the global economy has been performing well.

Operating in this business climate, Yamatake's Building Automation business has benefited from the economic recovery, which has led to brisk investment in construction, particularly in the Tokyo metropolitan area. By introducing products with high added value and by promoting its ESCO (Energy Service COmpany) business in response to increased customer interest in conserving energy and reducing environmental load, Yamatake expanded its business.

In the Advanced Automation business, the recovery in corporate earnings has meant that capital investment has continued to be robust, although some weakness in investment in manufacturing equipment has been evident in the semiconductor market. Responding to the

safety, security, and environment-related needs of its customers, Yamatake has offered unique products and services with high added value.

Turning to Yamatake's Life Automation business, with the steep rise in the cost of raw materials and sluggish demand, the business environment continues to be severe for Kimmon Manufacturing, which represents the core of the Lifeline field. Accordingly, the Kimmon-Yamatake Jump-up Plan has been implemented to strengthen the company's management and business structure.

As regards new products introduced in the first half of FY2007, in the Building Automation business Yamatake's savic-net FX building automation system now incorporates ultra large-scale building complex monitoring functions; it is thus suited for managing giant complexes that can include offices, commercial facilities, hotels, and residential apartments. Also, in the Advanced Automation business, Yamatake has begun sales of the MagneW Two-wire PLUS+, a 2-wire electromagnetic flowmeter that has been made compliant with European, North American, Chinese and Korean standards. In addition to being able to operate on just 1% of the power required by a 4-wire electromagnetic flowmeter, this new model is highly rated for its ease of installation and low wiring costs.

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Summarized below is the performance for each of Yamatake's business segments.

## **2) Building Automation Business**

Sales for Building Automation business for the first half of FY2007 were 43.3 billion yen, an increase of 18.7% on the same period last year. An operating income of 3.1 billion yen was recorded, an increase of 96.2% on the same period last year.

Strong price competition is still evident in the construction industry, and the market environment continues to be challenging. Nevertheless, stimulated by the underlying recovery in business conditions, there has been brisk investment in construction, particularly in the office building market within the Tokyo metropolitan area and in the manufacturing industry.

In the market for new buildings, the Yamatake Group has expanded sales by introducing products with high added value for customers, and also, by working closely with the Advanced Automation Company to enhance organizational capabilities in the factory HVAC

market for finding solutions to the issues faced by customers. In the market for existing buildings, sales have increased as a result of heightened corporate concerns about energy-saving; this has meant that Yamatake's ESCO business has continued to perform well. Furthermore, in the security (room access control) business, sales have grown significantly as a result of a growing demand among customers – particularly financial institutions – for stronger data protection and internal controls.

Turning to Yamatake's international business, there has been an unavoidable drop in sales during the first half of FY2007 as a result of customers reassessing their production bases in the Southeast Asian region and postponing capital investment to the following accounting period or later.

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### **3) Advanced Automation Business**

Sales for Advanced Automation business for the first half of FY2007 were 49.5 billion yen, an increase of 10.0% on the same period last year. An operating income of 4.1 billion yen was recorded, an increase of 7.2% on the same period last year.

In the Advanced Automation business, as a result of the recovery in corporate earnings, capital investment has continued to be steady, although some weakness in investment in manufacturing equipment has been evident in the semiconductor market.

In the domestic market the Yamatake Group has succeeded in increasing sales. Despite faltering capital investment in some industries, customer needs for safety, stable operations, and energy savings are undiminished, and in these fields Yamatake has offered unique products with high added value, supplying customers with solutions and services. Moreover, working in coordination with Kimmon Manufacturing, one of its subsidiary companies, Yamatake has made solid progress in gas-related markets.

As for the international business, emphasis has been placed on China, Korea, and the Southeast Asia region, and here there has been steady expansion. It has also been possible to achieve business expansion in the European and North American markets.

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#### **4) Life Automation Business**

Sales for Building Automation business for the first half of FY2007 were 18.4 billion yen, a decrease of 0.6% on the same period last year. An operating loss of 0.2 billion yen was recorded, improve of 60.4 million on the same period last year.

The business environment surrounding Kimmon Manufacturing continues to be severe with the steep rise in the cost of raw materials and sluggish demand. Kimmon Manufacturing, which represents the core of the Lifeline field, faced a slowdown in its town gas equipment business following the extension of periods of certification for equipment safety. Nevertheless, demand in the LP gas equipment business has recovered. Also, aiming to make more effective use of the Group's resources, the Kimmon-Yamatake Jump-up Plan has been implemented to strengthen the company's business structure and improve profitability.

In the Life Assist field the business environment continues to be challenging owing to such factors as budgetary cutbacks by local governments. However, as well as bolstering demand for Yamatake's emergency dispatch service, care service, and day service businesses, there has been a renewed focus on both the senior group homes business and the preventative nursing care business. These efforts have been rewarded with robust sales.

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#### **5) Other Businesses**

Sales for other business for the first half of FY2007 were 4.3 billion yen, a decrease of 18.9% on the same period last year. An operating income of 90.5 million yen was recorded, a decrease of 47.0% on the same period last year.

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## 2. Outlook for FY2007

(Billions of yen)

		FY2006 (Mar.2007)	FY2007 (Mar.2008)	Difference	%
Building Automation	Sales	88.9	99.8	10.8	12.2
	Operating income	8.4	10.7	2.2	26.5
Advanced Automation	Sales	99.7	105.5	5.7	5.8
	Operating income	9.0	9.6	0.5	5.9
Life Automation	Sales	36.8	35.8	(1.0)	(2.7)
	Operating income	(0.5)	(0.2)	0.3	-
Others	Sales	11.1	8.8	(2.3)	(20.9)
	Operating income	0.3	0.2	(0.1)	(43.2)
Consolidated	Sales	234.5	248.5	13.9	5.9
	Operating income	17.3	20.3	2.9	17.2
	Recurring income	17.8	20.3	2.4	13.7
	Net income	10.6	11.4	0.7	7.1

The Building Automation business has seen growth in the new building market as a result of large urban redevelopment projects – mainly located within the Tokyo metropolitan area – and brisk investment in construction, especially in the manufacturing industry. Moreover, in the market for existing buildings Yamatake's ESCO (Energy Service COmpany) business is growing as a result of more stringent government regulations and a sharp increase in demand for upgrading facilities to save energy, reflecting the fact that next year Japan will start implementing its international commitment to reduce carbon dioxide emissions, as laid down in the Kyoto Protocol. Furthermore, Yamatake's security (room access control) business – which offers enhanced building safety, security, and data protection – has been growing steadily. Consequently, overall sales are forecast to increase by 10.8 billion yen. As for profits, stiff price competition is expected to continue, but by ensuring that costs are reduced and introducing high value-added products, Yamatake expects to increase operating income by 2.2 billion yen.

With the global economy expanding, and strong corporate investment in plant and equipment in Japan and overseas, the Advanced Automation business is expected to continue performing well. This forecast applies to both the solutions/services business and products business. Domestically, although some weakness in capital investment has been evident in

part of the market, Yamatake will strive for further business expansion by emphasizing sales activities that employ a close-contact approach and by offering customers on-site solutions to the problems they face in manufacturing. This will be accompanied by growth in the international business resulting from continued emphasis on China, Korea and Southeast Asia, as well as greater sales effort in Europe and North America. These initiatives are expected to increase sales by 5.7 billion yen and operating income by 0.5 billion yen.

The business environment for Yamatake's Life Automation business continues to be challenging in each of the different fields. In the Lifeline field, Kimmon Manufacturing will not avoid a drop in sales caused by a cyclical fall in town gas meter demand; this has resulted because the period of certification for equipment safety has been extended. Nevertheless, the company will work to improve its profitability by implementing measures to bolster its business structure, including steps to increase profits. In the Life Assist field, in response to the Health Insurance Law revisions and moves to reform Japan's medical care services, Yamatake will seek to expand the scope of its business in the field of senior group homes, etc., in addition to in emergency dispatch and nursing care services. Hence, despite the unavoidable drop in sales, an improvement in profitability is expected.

Based on this analysis, Yamatake forecasts sales of 248.5 billion yen, an increase of 5.9% on the same period last year. As regards profits, profit structure improvements and efficient management of selling, general and administrative expenses are expected to result in operating income of 20.3 billion yen, an increase of 17.2 %, and recurring income of 20.3 billion yen, an increase of 13.7%. As a result, net income is predicted to be 11.4 billion yen, an increase of 7.1% on the same period last year.

### **3. Basic policy regarding profit sharing and the dividend for the current fiscal period**

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Yamatake places great importance on the distribution of profits to its shareholders. The management would like to maintain stable dividends while striving to increase its dividend payout, taking into account comprehensively its consolidated performance, levels of ROE (Return On Equity), DOE (Dividend On Equity), as well as retained earnings for strengthening its business base and developing future businesses.

It is with these principles in mind that the management of Yamatake plans to issue interim and year-end dividends of 30 yen per share, making an annual dividend of 60yen per share for the fiscal year ended March 31, 2008, as previously announced.

As regards the appropriation of retained earnings, the management proposes to make investments designed to reinforce the company's business base and expand businesses for a further increase in shareholder value. These include investments to develop advanced technologies and high value-added products, to enhance the company's global production and sales network, and to create new businesses.



**Orders**

Business segment	Orders April 1, 2007 to September 30, 2007		Backlog As of September 30, 2007	
	Million yen	%	Million yen	%
BA	61,117	109.3	52,740	108.3
AA	52,819	106.9	31,458	102.4
LA	19,008	98.7	1,631	106.3
Others	4,359	74.8	1,162	81.1
Total	137,304	105.3	86,993	105.6
Elimination	(837)	-	(494)	-
Consolidation	136,467	105.7	86,499	105.7

Percentage shows the increase/(decrease) from the previous first half fiscal year.

## Business Segment Information

**Fiscal 2007 (April 1, 2007 to September 30, 2007)**

(Millions of yen)

	BA	AA	LA	Others	Total	Elimination/ Corporate	Consoli- dation
Sales							
1. Customers	42,814	49,226	18,410	4,227	114,678	-	114,678
2. Inter-segment	494	299	50	76	920	(920)	-
Total	43,309	49,525	18,460	4,303	115,599	(920)	114,678
Operating cost and expenses	40,132	45,403	18,860	4,208	108,423	(945)	107,478
Operating income	3,177	4,122	(219)	95	7,175	24	7,199

**Fiscal 2006 (April 1, 2006 to September 30, 2006)**

(Millions of yen)

	BA	AA	LA	Others	Total	Elimination/ Corporate	Consoli- dation
Sales							
1. Customers	35,872	44,696	18,548	5,155	104,273	-	104,273
2. Inter-segment	623	307	25	149	1,105	(1,105)	-
Total	36,495	45,003	18,574	5,305	105,378	(1,105)	104,273
Operating cost and expenses	34,875	41,158	18,857	5,126	100,018	(1,102)	98,915
Operating income	1,619	3,845	(283)	179	5,360	(2)	5,358

**Fiscal 2006 (April 1, 2007 to March 31, 2007)**

(Millions of yen)

	BA	AA	LA	Others	Total	Elimination/ Corporate	Consoli- dation
Sales							
1. Customers	88,499	98,677	36,735	10,660	234,572	-	234,572
2. Inter-segment	478	1,072	69	462	2,083	(2,083)	-
Total	88,977	99,749	36,804	11,123	236,655	(2,083)	234,572
Operating cost and expenses	80,518	90,681	37,328	10,771	219,299	(2,041)	217,258
Operating income	8,459	9,068	(523)	352	17,356	(42)	17,313