

Building Automation Business



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Major Markets

- ◆ Commercial buildings
- ◆ Manufacturing facilities
- ◆ Hospitals
- ◆ Government and institutional buildings
- ◆ Schools
- ◆ Hotels
- ◆ Department stores



MESSAGE

In the three years since we consolidated and reorganized Yamatake, our Building Automation business has evolved into a comprehensive solutions-oriented business providing a full menu of services, ranging from system design to after-sales maintenance. As part of this evolution, we have reinforced our strengths in several key areas to provide value-added, customer-oriented solutions.

We established the Environmental Engineering Research Center to develop basic technologies that we need to continue growing. Major activities of the Center include basic research into thermal environments for the creation of more comfortable building environments and advanced research on control technology for energy saving. Such efforts have and will continue to enable us to create new products imbued with enhanced value.

At our new Data Ware Center, we now compile and analyze operational data from customer facilities to advise on how to lower operating costs and enhance environmental conditions. The Center enables us to provide tailored building-automation solutions to a wide range of customers.

We have also established server-based infrastructure to keep pace with trends in computer networks. Our network systems are well positioned to make increasingly important contributions to Yamatake's Building Automation business.

Building Automation sales and income declined as the new building market contracted both in terms of order volume and unit sales prices in fiscal 2001. Nevertheless, we moved ahead with the development of promising markets in the fields of "ESCO" (guaranteed energy conservation), and controls for critical environments, which we entered recently. Among existing business, we earned increasing praise from customers with our consulting services for reducing the lifetime operational costs of their buildings.



PY8000D

Air differential pressure transmitter for detecting slight pressure changes in critical environments

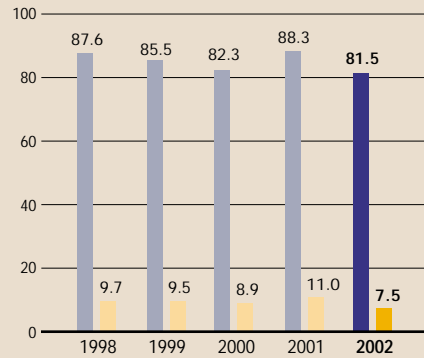


savic-net EV model 10

Network building automation system

Sales / Operating Income

¥ Billions Sales Operating Income



PERFORMANCE

Building Automation sales fell 8% to 81.5 billion yen in fiscal 2001. Operating income dropped 31% to 7.5 billion yen as severe competition forced down unit sales prices. Sales in the existing building market rose 11% over the previous year, thanks to a busy market for the repair of office buildings, hotels and hospitals, as well as our aggressive sales of energy-saving systems. Sales in the new building market fell sharply by 23% after a spike in new-building construction in the previous year.

The Building Automation market became even more challenging in fiscal 2001, the consequence of reduced public spending and a serious decline in capital investment due to the IT recession.

In view of low prospects for the new buildings market, we shifted our emphasis to the existing buildings market. We responded quickly to customer needs by enhancing our engineering and solutions capabilities based on integrated services for development, construction and maintenance. We also developed total energy management services to guarantee greater cost performance through energy saving.

Reforms in our manufacturing operations yielded lower costs of products through cuts in purchase costs, as well as reduced inventories and shorter delivery times.

OUTLOOK

In view of the continued sluggishness in the construction of new buildings, the basic strategy for our Building Automation business is to expand opportunities among existing buildings and enter new fields of business, as well as to strengthen our competitiveness with respect to the increasing number of companies, both foreign and domestic, entering the Building Automation market in Japan.

In the existing buildings market, we expect to develop substantial business with the renewal of Yamatake Building Automation systems and products, which represent a large and promising market thanks to our traditional strength in Building Automation. We will also

expand business in helping customers to reduce the operational costs of their existing buildings, as well as facility repair and a variety of other fields.

In the Building Automation services market, we are expanding support services to help customers raise the value of their buildings and reduce running costs. In addition, we are connecting with the facility and management networks of our customers to provide them with more extensive support. Increased use of networks is also enabling us to develop new types of Building Automation services.

Ongoing efforts to develop new business include our deepening involvement with the ESCO and nursing care fields, as well as strengthening our expertise in the promising field of controls for critical environments, which we entered recently with much success. We are also developing new business in the fields of energy saving and resource conservation, in response to increased demands associated with the prevention of global warming, the protection of the environment and the liberalization of Japan's energy industry.

We are also responding to the increasing internationalization of the Japanese Building Automation market due to the growing presence of foreign manufacturers. In particular, we are buttressing our position in the market by lowering costs through increased offshore production and developing a product lineup that offers both global-standard competitiveness and distinction from rivals.

Although orders for new building are anticipated to rise in the new fiscal year, falling unit prices are expected to result in less profitability. We forecast Building Automation sales of 83 billion yen sales, up 2%, and operating income of 6.8 billion yen, down 10%.