

Industrial Automation Business



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Major Markets

- ◆ Petrochemical/chemical
- ◆ Public utilities
- ◆ Refining
- ◆ Electric power and gas
- ◆ Iron and steel
- ◆ Food and beverage
- ◆ Pharmaceutical
- ◆ Automobile
- ◆ Pulp and paper
- ◆ Semiconductor
- ◆ Shipping and marine
- ◆ Electric/Electronic component

MESSAGE

Our Industrial Automation business is based on our unique New Automation Navigator concept, by which we identify needs at production sites and then work with customers to develop automation solutions through a process of “Creative Collaboration.”

Although capital investment remained sluggish in Japan, customers invested selectively in strategic sectors to enhance their competencies. As a result, we were able to capitalize on opportunities to develop solutions aimed at maximizing the effectiveness of customers’ investments and thereby enhancing their competencies. At the same time, we reorganized our Industrial Automation operations to achieve greater customer satisfaction and we also strengthened our quality control and development (QCD) operations to deliver more superior solutions.

We extended our range of solutions beyond the customer’s factory floor to expand into production control, quality control and research & development. In our Automation Asset Management (AAM) business, which focuses on management of facility operations, we created systems for applying our market-differentiated acoustic diagnosis technology. In response to market demands for stronger risk management, we developed innovative solutions and services for enhanced control of quality and security both in manufacturing and research & development operations, mainly for the food and pharmaceutical industries.

PERFORMANCE

Industrial Automation sales rose 6% to 52.7 billion yen, despite declines in markets such as shipping and the public sector. Backed by substantial growth in income from the domestic market and a reduced loss overseas, Industrial Automation produced an operating loss of 245 million yen, which was 571 million yen less than the previous year’s loss.

The market for Industrial Automation continued to suffer from restrained capital investment due to the depressed global economy and reduced demand in the IT sector.



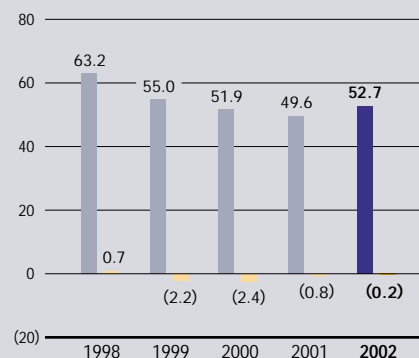
Supervisory station, explosion-proof model
Designed for chemical and pharmaceutical plants



PlantWalker-HV
Handheld computer for plant operations

Sales / Operating Income

¥ Billions Sales Operating Income



Faced with a very difficult market, we aggressively pursued business in the optimization of existing systems and sales of manufacturing execution systems (MES) for high-value-added production, quality and facility management. We also targeted sales of monitoring/control and measurement instruments for energy saving, the renewal and new projects utilizing our "Harmonas" harmonized automation systems, and the development of new customers.

In manufacturing, we cut costs for our main products through offshore sourcing and value engineering. In overseas purchasing, we worked with Dalian Yamatake Control Instruments Co., Ltd. in China, mainly for purchases of precision diecasts, which enabled us to lower our purchasing costs while maintaining quality equal to that of Japanese-made products.

Industrial Automation sales in the petroleum refining market sales grew 33% due to large-scale orders for renewal and repair in the environmental and oil-stock fields. The chemicals market also accounted for favorable sales due to the construction of large-scale production facilities and strategic capital investment in facilities to manufacture profitable products. In the LNG-dominated energy market, sales rose 14% due to brisk business with small and medium-sized gas companies. Sales in the pharmaceuticals and foods industries combined scored impressive growth of 59%, thanks to the successful marketing of large-scale MES due to increased investment in safety.

OUTLOOK

The major objective in the new fiscal year is to further strengthen our foundation for providing effective, value-added Industrial Automation products, systems and services.

In terms of products, we are developing new on-site solutions that utilize our Industrial Automation products to address customer needs in a variety of fields, including adapting to Japan's stringent new wastewater regulations and enhancing investments in environmental protection and

energy saving.

In terms of systems, we are focusing on renewal projects for industrial complexes; management systems for energy supply chains that respond to expected shifts in energy use; production- and quality-control systems for fine chemicals, pharmaceuticals, foods and other downstream industries where capital investment has remained relatively strong; and total utility-control systems for security and energy saving in the automobile, machinery and electric/electronic industries.

In field engineering services, we are concentrating on providing lifecycle solutions for customers' total operations, from frontline facilities to back-office control systems. In addition to basic maintenance, our total engineering services for industrial complexes include scheduled-maintenance service packages, support for running environmental plants, and calibration and Hazard Analysis and Critical Control Point (HACCP) services for quality control.

In addition to enhancing our core Industrial Automation capabilities, we will further develop our expertise in AAM over the medium term. This will include providing services ranging from basic inspections to total partnership over the entire lifecycle of customer assets. The result will be greater customer satisfaction by helping companies to maximize their automation-asset operations and efficiently manage plant lifecycles for enhanced value. We will also expand our Industrial Automation consulting business through specialized, knowledge-intensive support of customers' total manufacturing processes.

We forecast Industrial Automation sales of 56 billion yen, up 6%, and a 200 million yen surplus in operating income. These favorable projections reflect expectations of better performance in our solutions business for downstream industries in Japan, such as pharmaceuticals and foods, and improved capabilities of our overseas subsidiaries.