

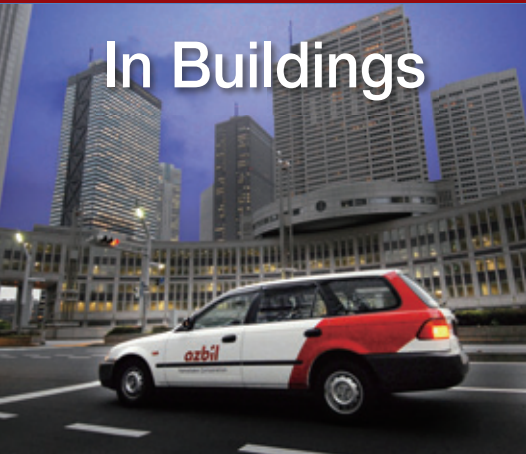
azbil

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

What automation can do to make people happy "Human-centered Automation"

The azbil Group provides people with safety, comfort, and fulfillment in buildings, factories, and their daily lives and contributes to global environmental preservation through "human-centered automation."

In Buildings



We realize safety, comfort, high productivity, and reduced environmental impact for buildings, which are required for the sustainable development of society.

In Factories



We enable environmental measures, energy conservation, and safety, as well as enhanced business capabilities in factories and production sites that can deal with changes in markets and the external environment.

In Daily Life



As the population ages and the birthrate declines, we will contribute to lifestyles that offer peace of mind to local communities and individuals.



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

Highlights

Fiscal years ended March 31

Overview of Consolidated Results for Fiscal Year 2009, ended March 31, 2010

Although sales decreased in the challenging business environment, our business portfolio consisting of three businesses, each of which operates in a different market structure, had a favorable effect. Although income decreased, we were able to secure a reasonable level that met our initial targets.

(Millions of yen)

Fiscal years	2005	2006	2007	2008	2009
For the year:					
Net sales	188,321	234,572	248,551	236,173	212,213
Operating income	13,515	17,314	20,484	17,832	12,385
Net income	9,795	10,646	10,709	9,525	6,242
Capital expenditures	6,790	5,273	4,488	6,414	2,704
Depreciation	2,352	3,891	4,387	4,503	4,751
R&D costs	8,360	8,776	9,844	9,636	8,640
At year-end:					
Total assets	217,882	230,679	228,844	220,846	218,472
Total equity	110,859	118,967	121,721	124,984	129,278
Per share data (yen):					
Net income per share	132.52	144.71	145.63	127.87	84.52
Net assets per share	1,506.25	1,602.33	1,641.73	1,672.91	1,728.64
Cash dividends per share	50.00	50.00	60.00	62.00	62.00
Financial indicators:					
Shareholders' equity ratio (%)	50.9	51.1	52.6	55.9	58.4
Return on equity (ROE) (%)	9.3	9.3	9.0	7.8	5.0
Dividend on equity (DOE) (%)	3.5	3.2	3.7	3.7	3.6
Environmental indexes*:					
CO ₂ emissions (Tons CO ₂)	—	34,367	34,538	31,285	27,460
Unit (Tons CO ₂ /100 Millions of yen)	—	14.7	13.9	13.2	12.9
Total volume of waste generated (Tons)	—	1,574	1,416	1,485	1,215
Rate of recycling/reuse (%)	—	99.3	99.1	99.0	98.9

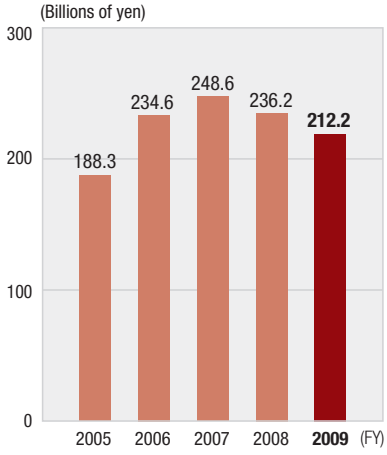
Scope of financial data: Yamatake and consolidated subsidiaries

Scope of CO₂ emission volumes: Yamatake, Yamatake & Co., Yamatake Control Products, Yamatake Care-Net, Safety Service Center Headquarters, Kimmon Manufacturing and its consolidated subsidiaries in Japan, Yamatake Mizuho, Royal Controls, and Taishin

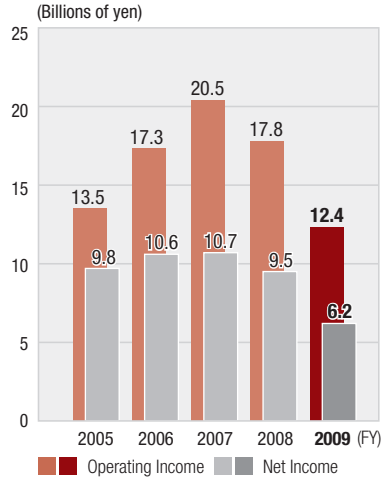
Scope of total volume of waste generated: Yamatake's Fujisawa Technology Center, Shonan and Isehara factories, Yamatake Control Products, Yamatake Mizuho, and Taishin

* Figures for environmental indexes have been restated to reflect the expansion of the scope of data in fiscal 2009.

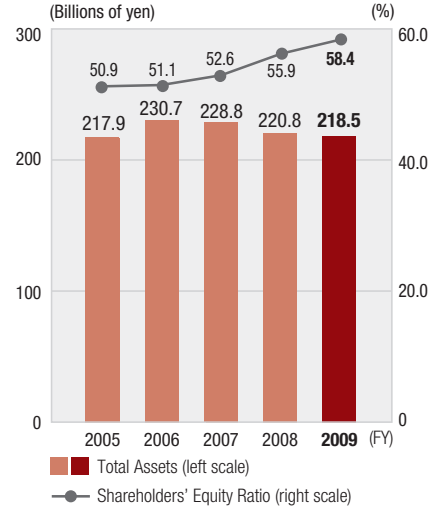
Net Sales



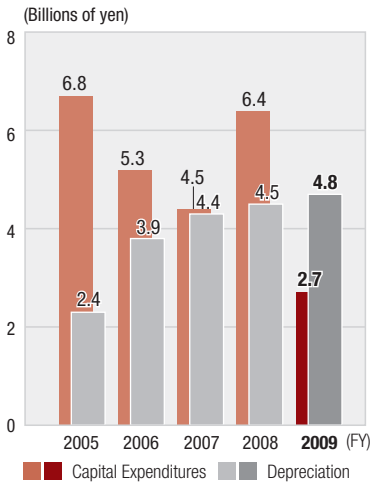
Operating Income/ Net Income



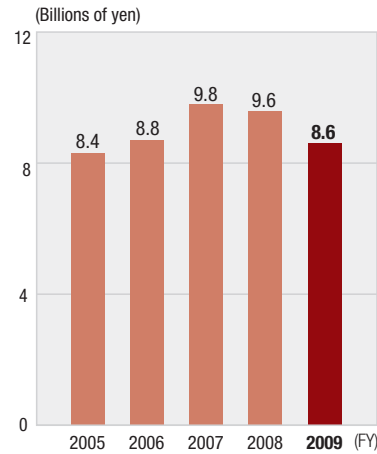
Total Assets/ Shareholders' Equity Ratio



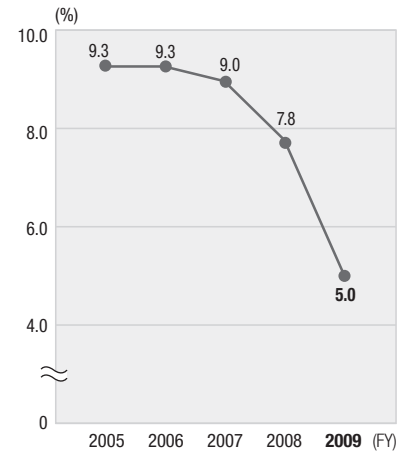
Capital Expenditures/ Depreciation



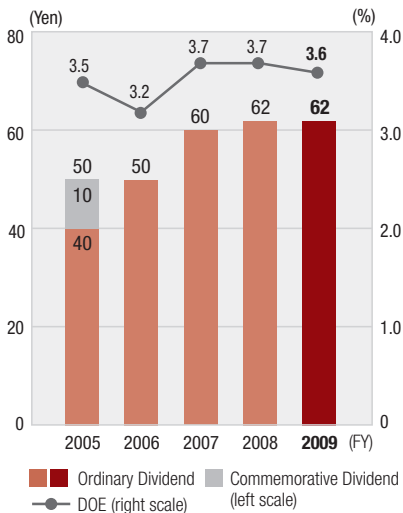
R&D Costs



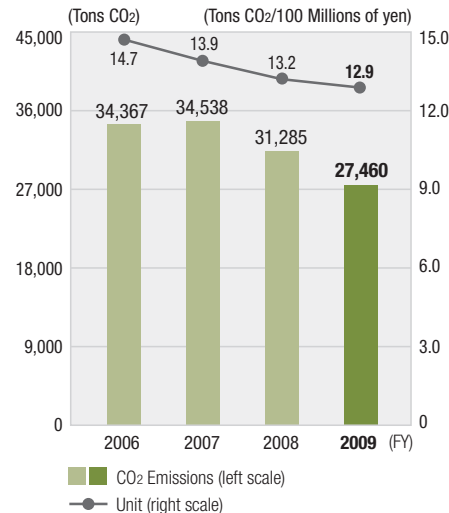
ROE



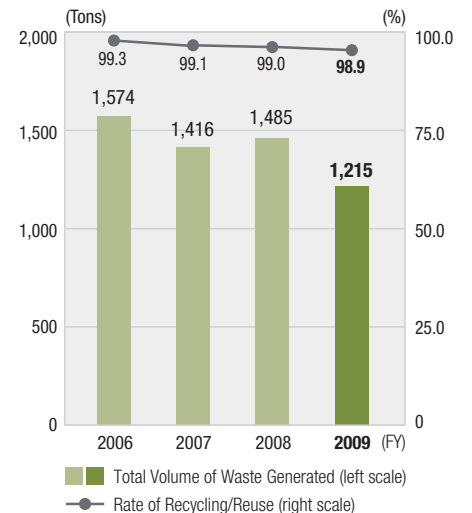
Cash Dividends per Share/ DOE



CO₂ Emissions/Unit



Waste Disposal and Rate of Recycling/Reuse



To Our Stakeholders

Under the Group philosophy of “human-centered automation,” the azbil Group has set a long-term goal for the period from fiscal year 2004, ended March 31, 2005, to fiscal year 2013, ending March 31, 2014. In order to achieve this goal, we are carrying out medium-term plans in stages. Under our medium-term plan for the three years from fiscal year 2007, ended March 31, 2008, positioned as the “period of firmly establishing the foundation,” we have been working as a Group on business structure reform and business operation reform in order to strengthen our management foundation and business structure in our business fields of Building Automation, Advanced Automation, and Life Automation.

We had no choice but to revise the initial targets of the medium-term plan due to global business conditions from the second half of fiscal year 2008, ended March 31, 2009. Nevertheless, from the perspective of strengthening our foundation, I’m confident that we have made steady progress in areas such as improving productivity and our ability to propose solutions that are unique to the azbil Group.

The four years of our new medium-term plan from fiscal year 2010, ending March 31, 2011, positioned as the “period of growth,” have already started. We aim to be an enterprise group that can make a greater contribution to resolving issues at customers’ sites, based on the management foundation that we have been strengthening.

I would like to thank our shareholders, local communities, and other stakeholders for their continuing support and guidance.

July 2010



Seiji Onoki

President and Chief Executive Officer

Executive Interview



Please describe the measures implemented in fiscal year 2009, ended March 31, 2010, as the final year of the “period of firmly establishing the foundation,” and provide a summary of the three-year medium-term plan.

Because the business environment was challenging, all azbil Group employees felt a sense of crisis. We were therefore able to steadily execute all measures. As a result, we attained significant progress toward the medium-term plan target of “strengthening the foundation.”

In the business environment in fiscal year 2009, recovery was apparent in domestic production and exports. However, conditions were challenging, as capital investment was weak with the exception of a few markets. Conditions were similar overseas, with the added effect of the strong yen. Unfortunately, the significant impact of these conditions on the Advanced Automation business, which provides products and solutions for production sites such as plants and factories, caused its sales to decrease substantially. However, the impact of the economic downturn was comparatively limited on the Building Automation business, which provides products and services for HVAC

(heating, ventilating, and air conditioning), mainly to offices and other commercial buildings, and on the Life Automation business, which delivers gas and water meters and provides nursing care, lifestyle support, and other services.

In this challenging business environment, net sales for fiscal year 2009 decreased 10.1% year on year to ¥212.2 billion, operating income decreased 30.5% to ¥12.4 billion, and net income decreased 34.5% to ¥6.2 billion. However, our business portfolio consisting of Building Automation, Advanced Automation, and Life Automation, each of which operates in a different market structure, had a favorable effect. We achieved the income target of our initial plan, and I believe the levels we were able to attain were reasonable.

In fiscal year 2009, which was positioned as a “year of reform,” the Group undertook drastic improvements to its business structure, progressing in quantum leaps in the breadth, depth, and speed of implementation of the measures in capping a great final year of the “period of firmly establishing the foundation.” This included merging and reinforcing the service functions that are the Group’s strengths and restructuring and consolidating production frameworks to enhance our ability to cope with changes in manufacturing output. As in fiscal year 2008, ended March 31, 2009, all Group employees shared a sense of crisis, realizing that a prompt recovery in this business environment was

not forthcoming. We therefore reformed our cost structure and worked aggressively to expand the fields where we offer solutions, including the growth market of the environment-related field, in order to further enhance our business structure. As a result, I believe we were able to achieve more than we expected in two key components of sustainable growth: improving productivity and enhancing our solution capabilities that effectively combine and leverage the entire Group's strengths.

Implementing the three reform activities that we have worked on so far — fostering azbil spirit (creation of a new corporate culture), creating new work styles (business operation reform), and creating new businesses (business structure reform) — has been an invaluable asset and will certainly be of great assistance in the future growth of the azbil Group.

Please give us an overview of the new medium-term plan, which is positioned as the “period of growth.”

We will contribute to resolving customers' issues in the field by delivering products and services unique to the azbil Group, and thereby aim for further growth.

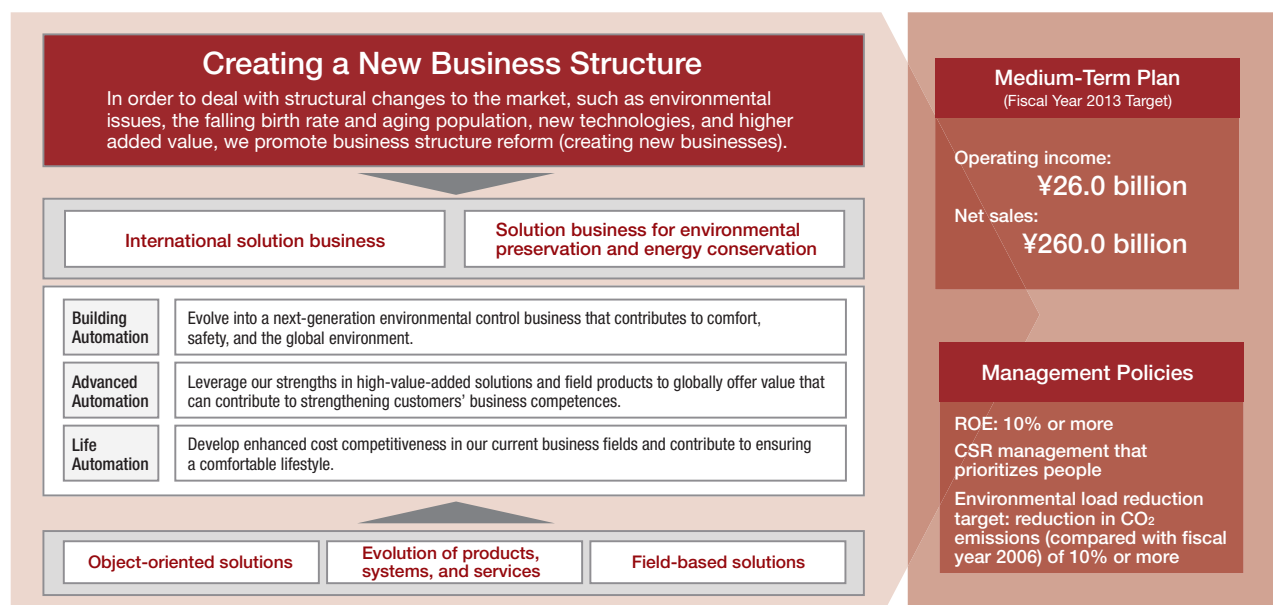
We were able to achieve some results in “fostering azbil spirit” and “creating new work styles” under the previous medium-term

plans. However, as the change in the business environment resulting from structural changes in the market was unexpectedly rapid, we recognized a response to these structural changes as an urgent issue. In the “period of growth,” we will focus our efforts on “creating a new business structure” and thus transforming our business, especially developing overseas businesses and cultivating the field of environmental preservation and energy conservation.

Expanding overseas is absolutely necessary from the perspective of securing new growth fields while improving customer satisfaction in order to achieve the sustainable growth of the azbil Group. We have been steadily implementing measures for strengthening our foundation, including the establishment of overseas subsidiaries, to provide solutions unique to the azbil Group that fit with the life cycles of our customers' facilities.

In fact, the azbil Group has many customers, particularly in Asia, who are using systems mainly from the Advanced Automation business that were installed in the 1980s and 1990s. We will steadily capture customer demand for renewal of these systems, making the best use of the azbil Group's competitive edge in providing a variety of original solutions. These include the “evolution of products, systems, and services (continuous evolution)” to minimize the costs and risks associated with renewal, and “field-based solutions” that range from systems and field instruments to engineering services. In the International business, we plan to expand our solution business, ranging from

Overview of the Medium-Term Plan for the “Period of Growth” from Fiscal Year 2010 to Fiscal Year 2013



sales and engineering to after-sales services, in emerging nations in Asia and elsewhere, in addition to our existing product sales business.

In the field of environmental preservation and energy conservation, we will differentiate ourselves, mainly in the Building Automation business, with our comprehensive framework that ranges from analysis and proposals for the reduction of environmental load (CO₂ emissions) that leverage the database built from our extensive track record, to practical operation and maintenance service on site. Recently, in the Building Automation business, demand for energy-saving refurbishments has increased as rising CO₂ emission volume, particularly from office buildings, has come to be seen as a problem. In addition, the Revised Act on the Rational Use of Energy and the Tokyo Municipal Environmental Protection Ordinance have ushered in a period of practical reductions in CO₂ emissions starting in April 2010. We will grow steadily by capturing this environment-related demand. We also aim to establish a next-generation environmental control business that contributes to comfort, safety, and the global environment through the expertise in environment-related solutions we have cultivated over the years.

Under these policies, our targets for the “period of growth” from fiscal year 2010, ending March 31, 2011, to fiscal year 2013, ending March 31, 2014, are operating income of ¥26.0 billion and net sales of ¥260.0 billion. Setting these targets as an interim point, we aim to rapidly achieve operating income of ¥30.0 billion or more and net sales of around ¥300.0 billion.

You continue to promote CSR management even during the “period of growth.” Please describe the azbil Group’s approach to CSR.

We are focusing on proactive CSR initiatives through our core business operations, which will lead to sustainable improvement of corporate value.

The azbil Group has positioned as “basic CSR” its fundamental responsibilities as a corporate citizen: compliance (business ethics and legal compliance); disaster prevention; information



security; financial reporting; labor and safety; quality; the environment; and management infrastructure and Group governance. Above all, consideration of the global environment is a key theme for the azbil Group, so it works as a unified team on environmental preservation initiatives including reducing CO₂ emissions from its business activities. Even in the current “period of growth,” one of the management targets we have set is to reduce the environmental impact of our business activities. By fiscal year 2013, we aim to decrease the azbil Group’s CO₂ emissions by 10 percent or more compared with the level of fiscal year 2006, ended March 31, 2007.

On the other hand, our “proactive CSR” involves “social contribution via business operations” that leverage the Group’s strengths as well as “voluntary social contribution activities.” They both have a wide-ranging impact and are indispensable to consistently increasing our corporate value. We intend to firmly support customers’ efforts to resolve their issues by providing high-value-added solutions that combine products and services. During the “period of growth,” we will further focus on “proactive CSR” initiatives through our core businesses.

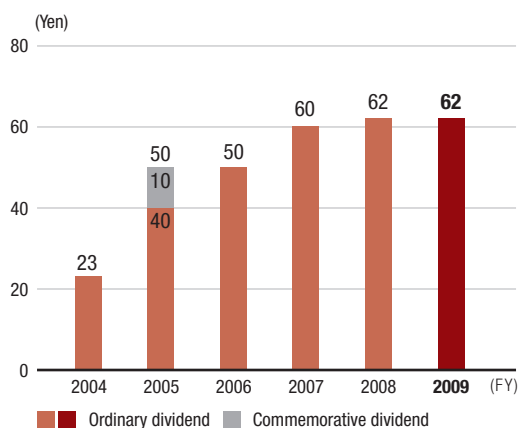


The azbil Group maintained its dividends payment in fiscal year 2009, ended March 31, 2010, in a business environment that was expected to be extremely severe. You have plans to increase the dividends for fiscal year 2010, ending March 31, 2011. What is your policy on returns to shareholders?

We place great importance on profit sharing with shareholders and work to maintain and improve returns to them.

Return to shareholders is one of the top priority issues of the management of the azbil Group. Our basic policy is to maintain

Cash Dividends Per Share



stable dividends while striving to increase the dividend payout, comprehensively taking into account consolidated performance, levels of return on equity (ROE) and dividends on equity (DOE), as well as retained earnings for strengthening the business structure and developing future businesses.

Results for fiscal year 2009 were disappointing, with decreases in net sales and income. However, we paid a year-end dividend of ¥31 per share due to the importance we place on stable returns to shareholders. As a result, including the interim dividend of ¥31 per share, total dividends for the fiscal year came to ¥62 per share, the same as the previous fiscal year.

As for fiscal year 2010, it is true that there remains uncertainty in the business environment; however, improved business performance is forecast, so in order to raise the dividend and thus increase the shareholders' return, our plan is to increase the dividend by ¥1 to issue an annual dividend of ¥63 per share.

Please tell us your expectations as to what the azbil Group will aspire to during the "period of growth."

By focusing on realizing a world of automation created by human ingenuity and technology, we will join the ranks of top-class global automation enterprise groups.

We have finally moved into the final stage of the 10-year plan that started in fiscal year 2004, ended March 31, 2005. Although the unexpected, once-in-a-century global economic situation has prevented smooth sailing, I'm convinced that sharing a sense of crisis has further strengthened the Group's management foundation.

For the next four years, we will further enhance the Group through "creating new businesses" and focus on realizing a world of automation created by human ingenuity and technology, not only in Japan but also in Asia and elsewhere. By continuing in this way to provide value unique to the azbil Group, we will join the ranks of top-class global enterprise groups, both in name and in reality.

Our shareholders, customers, local communities, and other stakeholders can expect continued growth from the steadily evolving azbil Group.