



2009 azbil Group Sustainability Report

azbil report 2009



**I wonder
what tomorrow's
automation
can do...**

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Cautionary Statement: Statements made in this report with regards to Yamatake's plans, targets and strategies and other statements without historical facts are forward-looking statements about the future performance of Yamatake Corporation and its subsidiaries. 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:

- 1) General economic conditions in Yamatake's markets, particularly levels of capital investments.
- 2) Exchange rates, particularly between the Japanese yen and U.S. dollar and other currencies in which Yamatake makes significant sales or Yamatake's assets and liabilities are denominated.
- 3) Continued acceptance of Yamatake's products and services offered in highly competitive markets characterized by development of new technologies and the advancement of the global economy.

- “Management and Society” was compiled with reference to the Sustainability Reporting Guidelines 2006 (Global Reporting Initiative). Figures and monetary amounts less than whole units have been omitted.
- “The Environment” was compiled with reference to the Environmental Report Guidelines 2007 (Ministry of the Environment) and the Sustainability Reporting Guidelines 2006 (Global Reporting Initiative). Figures and monetary amounts have been rounded off to the nearest whole unit.
- Financial data and financial statements have been prepared based on Japanese GAAP and amounts have been rounded.
- The names of azbil Group companies are written with “Co., Ltd.” and similar corporate designations omitted.
- Some products, services and solutions in this report are available in Japan only.



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."

I want to make buildings that are more comfortable and also kind to the environment.



I want to make my family and friends feel really happy.



I want to build factories that are safe and enable workers to work energetically and enthusiastically.

What automation can do to make people happy

"Human-centered Automation"

Group Philosophy

Under azbil, the Group strives to realize safety, comfort and fulfillment in people's lives and contribute to global environmental preservation through "human-centered automation."

- 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.

Business Profile



Building Automation Business

The Building Automation business provides systems that optimize air-conditioning and ensure security for the comfort and peace of mind of occupants and users in office buildings, hotels, shopping centers and other buildings. azbil works to balance comfort and energy conservation. Moreover, treating each building as a single system, we measure, reduce and manage energy output by employing various sensors, controllers and systems. azbil's products and know-how support the operation, management and energy conservation of buildings that provide comfort and peace of mind.

1 Building Management Systems

These systems provide total building management, from optimal operation to energy and environmental management.

2 Controllers/Valves/Actuators

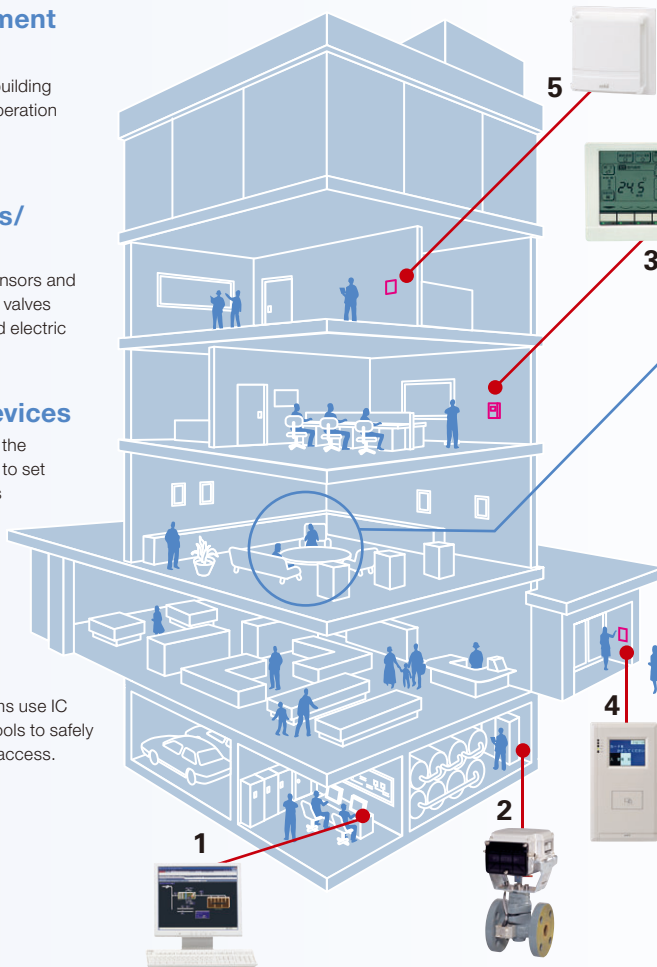
Using the data supplied by sensors and detectors, our controllers and valves precisely control water, air and electric power.

3 User-operated Devices

These devices are linked with the building management system to set environmental factors such as temperature and humidity to levels that users want.

4 Security Systems

Our advanced security systems use IC cards, biometrics and other tools to safely and reliably manage building access.



5 Sensors

Sensors accurately gauge building environments with precise sensing technology and instantaneously transmit detected information to controllers.

6 Solutions Menu

azbil offers its Total Energy Management Service, building lifecycle cost optimization and building renovation in its menu of solutions.

7 Service Menu

Through facility diagnosis and 24/7 services, azbil implements optimal maintenance of facilities and raises the value of customers' buildings.

Life Automation Business

In response to growing concerns about the aging of society, and safety and peace of mind in daily life, the Life Automation business contributes to people's well-being from a variety of angles, including lifestyle support and nursing care support services, improvement of social infrastructure through gas and water meters, and provision of residential air-conditioning. azbil helps individuals, society and cities to realize peace of mind and comfort, and also conserve energy.

1 Lifestyle Support

These services provide reliable and speedy response in case of emergency, health consultations and mental health care for elderly persons living alone and others.

2 Nursing Care Support

Using specialized technologies, azbil provides high-quality nursing care services.

3 Residential Air-Conditioning

azbil's central air-conditioning systems maintain a constant and comfortable temperature throughout the house year-round.



Advanced Automation Business

The Advanced Automation business specializes in measurement, data collection, process control and management for the purpose of efficient manufacture of superior products at oil refineries and chemical, automotive, semiconductor and food plants. We use a variety of measurement and control instruments and monitoring systems to offer data collection for production processes, optimal process control, and the creation and management of manufacturing and operational plans. Our products and know-how support energy conservation in plant operation, productivity improvements, safe operation and preventative maintenance.

1 Monitoring & Control Systems

Our systems provide monitoring and control, from large-scale plants to small production sites. We offer a variety of applications for the realization of maximum efficiency.

2 Recorders

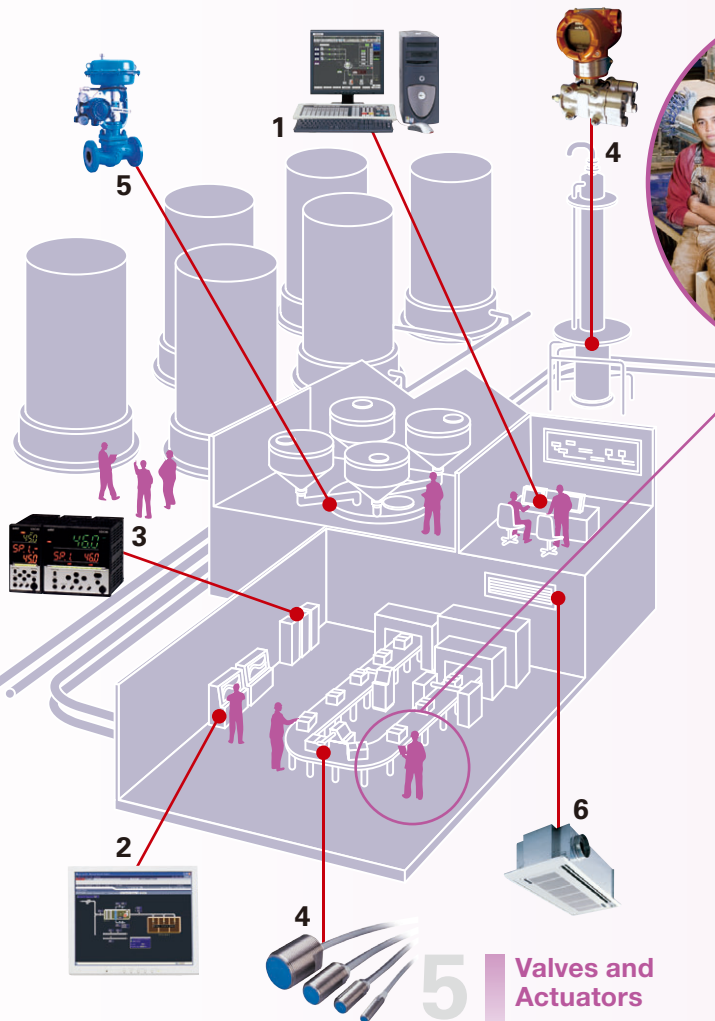
These indicate, record and store information in a timely manner to support quality management of machinery and equipment in production facilities, as well as the management of production processes.

3 Digital Indicating Controllers

Using state-of-the-art control logic and tuning technologies, our controllers provide constant optimal control of moving machinery and equipment in production facilities.

4 Sensors/Switches/Field Instruments

Our sensors and switches feature highly precise and highly reliable detection in production facilities. Our extensive lineup responds to every kind of factory-floor issue.



6 Electronic Air Cleaners

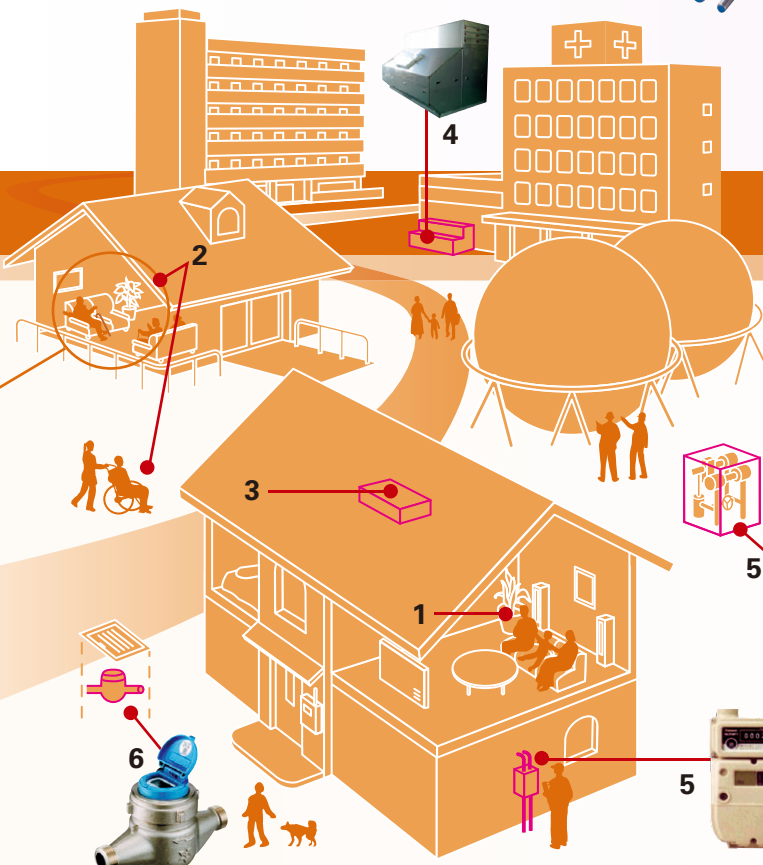
These devices keep the air clean in all kinds of facilities, including offices, retail stores and amusement facilities.

7 Solutions Menu

To help customers get the most out of their facilities, we offer consulting and engineering support for the renovation and improvement of production facilities, and for better energy management and operations management.

8 Service Menu

Through services such as 24/7 emergency response and facility diagnosis, we provide safe and optimal facility maintenance for maximally efficient, trouble-free operation.



4 Environmental Recycling

azbil provides a variety of solutions for recyclable food resources (kitchen waste), including consulting, equipment selection, supply and installation, maintenance, and matching recycled food resources with potential buyers.

5 City Gas & LP Gas Business

In order to dependably and safely deliver gas, we provide equipment including gas meters, gas sensors, gas leakage detectors and pressure regulators for pipelines.

6 Water Meter Business

azbil manufactures water meters that accurately measure tap water, are environment-friendly and promote safety.

Highlights

Fiscal years ended March 31

Overview of Fiscal Year 2008, ended March 31, 2009, Consolidated Results

There was an unavoidable 5.0% decrease in net sales due to rapid deterioration in the business environment in the second half of fiscal year 2008, but azbil limited the decrease in operating income to 12.9% by strengthening the profit structure and reducing costs.

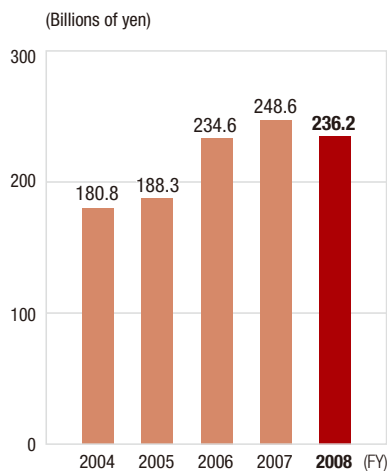
	(Millions of yen)				
Fiscal years	2004	2005	2006	2007	2008
For the year:					
Net sales	180,763	188,321	234,572	248,551	236,173
Operating income	9,353	13,515	17,314	20,484	17,832
Net income	3,709	9,795	10,646	10,709	9,525
Capital expenditures	2,460	6,790	5,273	4,488	6,414
Depreciation	2,291	2,352	3,891	4,387	4,503
R&D costs	8,170	8,360	8,776	9,844	9,636
At year-end:					
Total assets	172,586	217,882	230,679	228,844	220,846
Total equity	99,848	110,859	118,967	121,721	124,984
Per share data (yen):					
Net income per share	49.88	132.52	144.71	145.63	127.87
Net assets per share	1,356.65	1,506.25	1,602.33	1,641.73	1,672.91
Cash dividends per share	23.00	50.00	50.00	60.00	62.00
Financial indicators:					
Shareholders' equity ratio (%)	57.9	50.9	51.1	52.6	55.9
Return on equity (ROE) (%)	3.8	9.3	9.3	9.0	7.8
Dividend on equity (DOE) (%)	1.7	3.5	3.2	3.7	3.7
Environmental indexes:					
CO ₂ emissions (Tons CO ₂)	19,314	19,500	20,167	19,762	18,555
Unit (Tons CO ₂ /100 Millions of yen)	12.1	11.9	11.6	10.7	10.5
Total volume of waste generated (Tons)	1,238	1,522	1,573	1,416	1,464
Rate of recycling/reuse (%)	96.9	98.4	99.2	99.1	99.0

Scope of financial data: Yamatake and consolidated subsidiaries

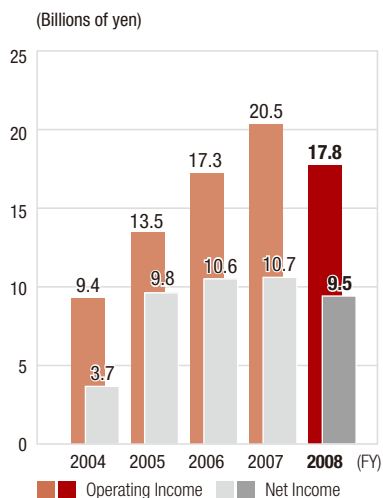
Scope of CO₂ emission volumes: All Yamatake workplaces, Yamatake Control Products, Taishin and Yamatake Mizuho

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

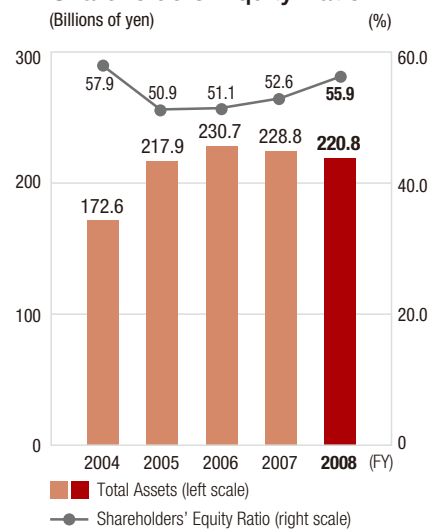
Net Sales



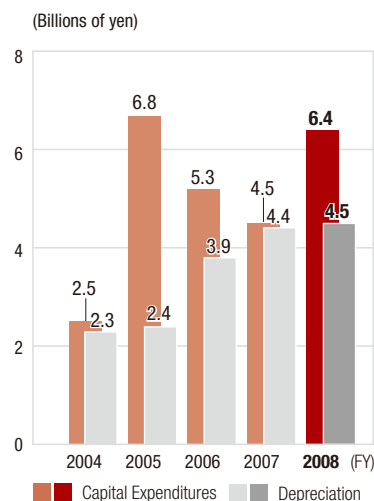
Operating Income/Net Income



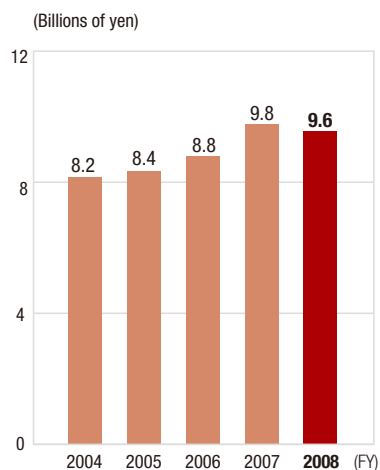
Total Assets/Shareholders' Equity Ratio



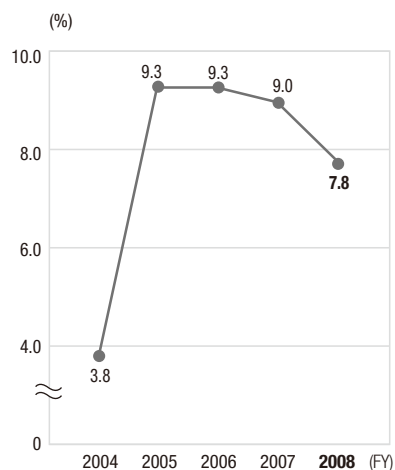
Capital Expenditures/Depreciation



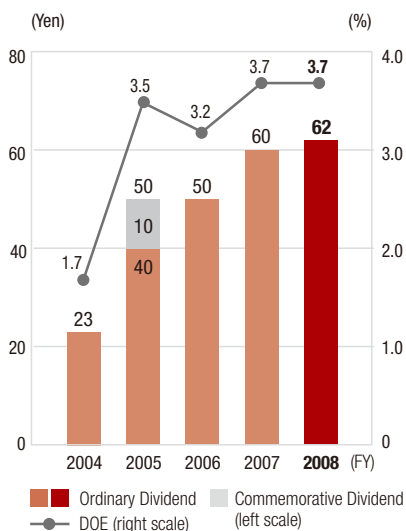
R&D Costs



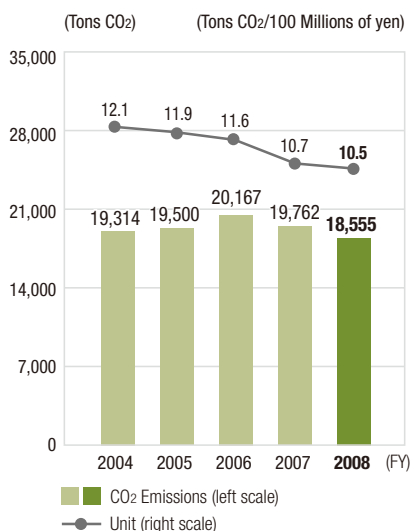
ROE



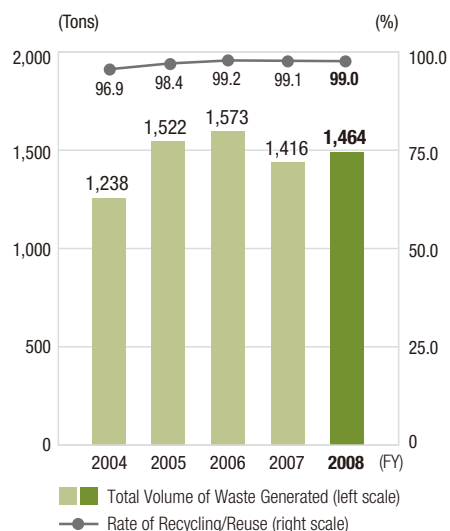
Cash Dividends per Share/DOE



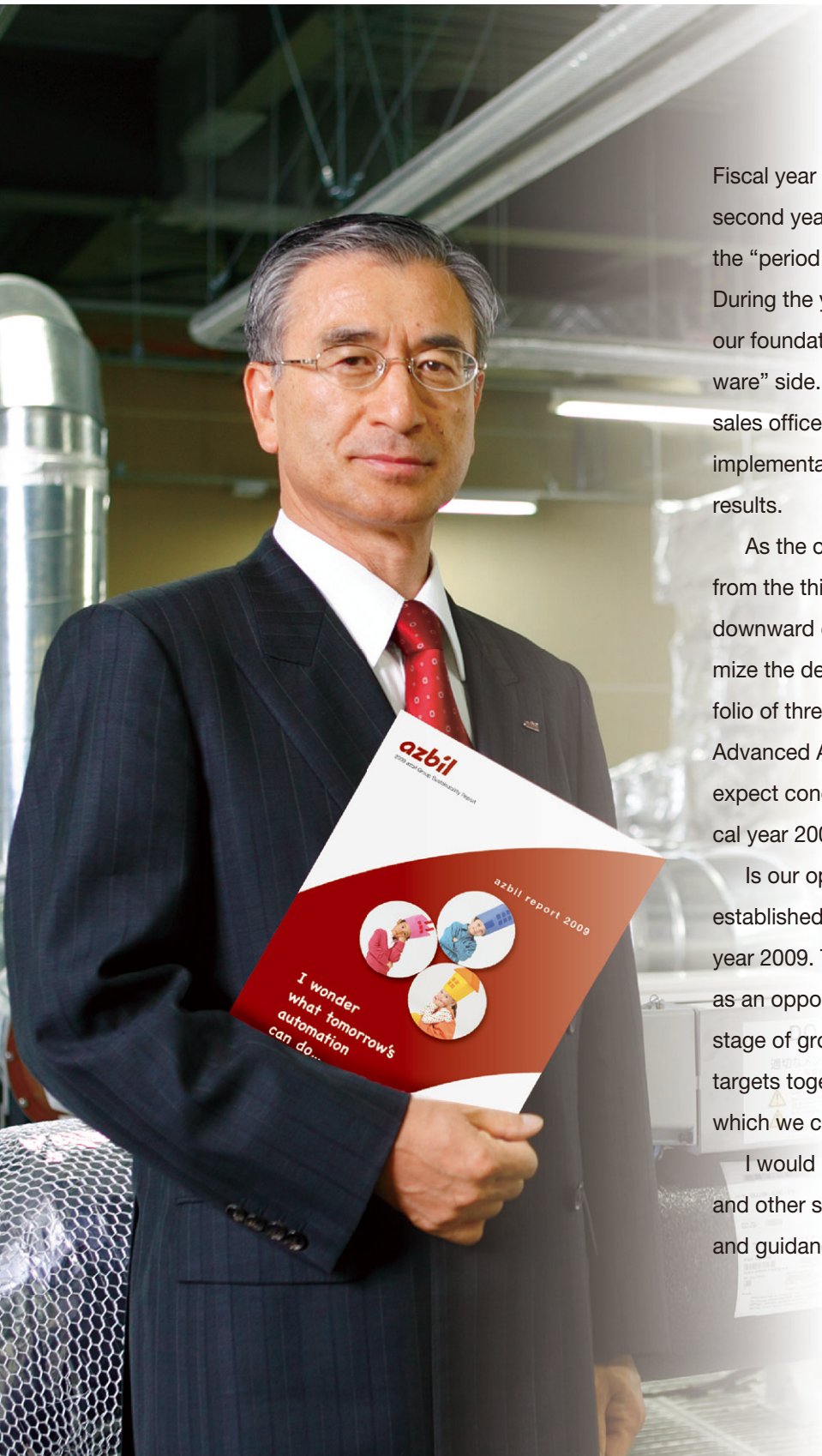
CO2 Emissions/Unit



Waste Disposal and Rate of Recycling/Reuse



To Our Stakeholders



Fiscal year 2008, ended March 31, 2009, was the second year of our medium-term plan, positioned as the “period of firmly establishing the foundation.” During the year, we promoted the strengthening of our foundation with a focus on bolstering the “hard-ware” side. This included moving and integrating sales offices and reorganizing production bases. The implementation of these measures steadily bore results.

As the operating environment deteriorated rapidly from the third quarter, we had no choice but to revise downward our initial targets. We were able to minimize the decreases in our results thanks to our portfolio of three core businesses, Building Automation, Advanced Automation and Life Automation, but we expect conditions to be even more challenging in fiscal year 2009, ending March 31, 2010.

Is our operating foundation becoming firmly established? That will be seen in our results for fiscal year 2009. Taking the severe operating environment as an opportunity, we will aim to advance to the next stage of growth by taking up the challenge of higher targets together under the “azbil Group” name, which we changed to in October 2008.

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

July 2009

Seiji Onoki

President and Chief Executive Officer

Interior of the advanced technology laboratory building

The advanced technology laboratory building was completed in February 2009. Its goal is to accelerate the development of advanced technologies in areas including energy, the environment, biotechnology, safety, communication and software. It is equipped with various kinds of experimental equipment including a thermal environment experiment facility that is unique in the world.



In October 2008, the Yamatake Group changed its name to the “azbil Group.” Please describe the background and purpose of this change.

As we pursue “human-centered automation,” we changed to the azbil Group name in order to heighten each individual’s awareness, and bind us together in spirit.

In 2006, we created azbil as the Group symbol on the occasion of the 100th anniversary of our foundation. Recognition of azbil as a brand progressed favorably over the next two years. Moreover, it is consistently spreading throughout the Group, as employees increasingly make judgments and take actions based on the azbil philosophy in various business situations.

The “human-centered automation” that azbil advocates means automation that is not just for simply controlling machines, but also for satisfying people. Challenges remain on the business side to realize this aim.

The current change to the azbil Group name is an opportunity to further heighten each individual’s awareness of “human-centered automation” and bind us together in spirit.

Moreover, to outside the Group, the name change stands for the determination of the entire Group to realize “human-centered automation.”

We will continue to grow by providing society with the value that only azbil can conceive and produce by unifying in pursuit of “human-centered automation” under the azbil Group name.

Fiscal year 2008 was a year of upheavals. How do you evaluate the operating environment and the azbil Group's results for this year?

Our portfolio of three core businesses succeeded in securing consistent results amid a rapid economic downturn.

We aimed for further growth in our results following our strong performance from fiscal year 2007, ended March 31, 2008. Although there were differences among businesses, overall results for fiscal year 2008 were firm through the first half. However, the impact of the global financial crisis that originated in the U.S. subprime mortgage meltdown caused a sudden decrease in corporate capital investment from the second half, which led to rapid deterioration in the azbil Group's operating environment. The impact of the decrease in capital investment was particularly significant in the Advanced Automation business. As a result, on a consolidated basis, net sales for fiscal year 2008 decreased 5.0% year on year to ¥236.2 billion, operating income decreased 12.9% to ¥17.8 billion and net income decreased 11.1% to ¥9.5 billion.

Regrettably, results fell shy of our initial plan for fiscal year 2008. However, we were able to keep results at a consistent level under such challenging conditions in Japan and overseas, amid what is being called a once-in-a-century recession.

The characteristics of the azbil Group's business portfolio contributed significantly to that outcome because the three businesses that comprise the portfolio, Building Automation, Advanced Automation

and Life Automation, all have different business cycles. In the current economic downturn, the Advanced Automation business was directly impacted by changes in the operating environment, but the effect on the Building Automation and Life Automation businesses was comparatively minor. As a result of efforts to bolster their profitability, both businesses recorded an increase in operating income from the previous fiscal year. We recognize this diversified business portfolio as a strength of the Group.

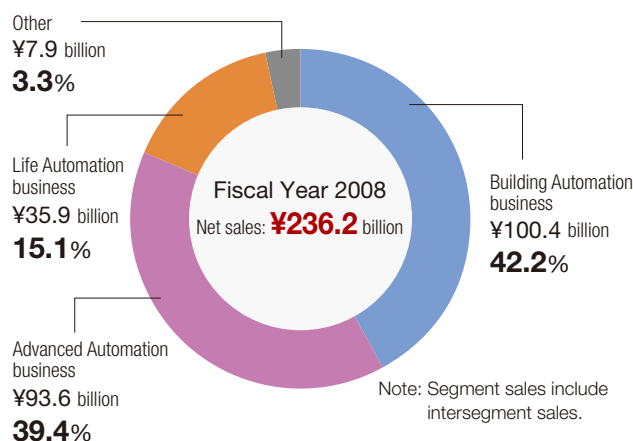
Please tell us about progress toward the targets of the current medium-term plan and about planned initiatives for fiscal year 2009, the final year of the plan.

We are steadily making progress in strengthening the foundation. In fiscal year 2009, we will finish strengthening the foundation by allocating management resources and other means, and aim to further enhance customer satisfaction.

Fiscal year 2008 was the second year of the current medium-term plan, which is positioned as the "period of firmly establishing the foundation." We steadily strengthened our foundation during the fiscal year.

One example is cooperation across businesses and Group companies. We have always worked to resolve challenges through cooperation and teamwork spanning businesses and organizations. In fiscal year 2008, we increased operating efficiency and further enhanced Group synergies by integrating and consolidating business bases in each region and concentrating resources, including moving and integrating the headquarters of three Group companies. This led to a greater sense of cooperation within the Group, which was seen in our results. Moreover, we steadily consolidated development and engineering functions in order to strengthen our product development capabilities, and redistributed production functions. A series of initiatives including consolidating the water meter production lines of Kimmon Manufacturing at the Aomori Factory in fiscal year 2008 fortified that company's operations and contributed significantly to profitability.

Percentage of Net Sales by Business Segment



The operating environment is expected to remain challenging in fiscal year 2009, but we will press forward with the reforms mentioned previously in order to finish strengthening the foundation in the final year of the medium-term plan. And because the environment is challenging, all employees could feel a sense of crisis, which can be an opportunity to improve our business structure.

As part of this improvement of business structure, we are working to increase added value by optimum allocation of management resources. In addition, we are moving aggressively forward with developing the environmental field and other new business domains, which are growth markets.

For the optimum allocation of management resources, we are boldly carrying out flexible organizational changes and rotations under our business plan. One of these changes was the integration and fortification of the Building Automation and Advanced Automation businesses' service functions, which are the strengths of those businesses. The integration of the service departments instantly created an organization of about 1,000 people, to which we added another 200. Going forward, we will differentiate ourselves from competitors by strengthening our solutions capabilities through the combination of technological capabilities.

In the environmental market, we have a track record in Japan and know-how in energy-saving refurbishments and services for buildings, where customer needs are high. We are leveraging these advantages to promote this business and enhance its product lineup.

We are also working aggressively to develop new business domains for future growth. One such area is environmental controls for the pharmaceutical and biotechnology markets. These use the instantaneous microbial detection equipment developed by BioVigilant Systems of the U.S., which became a Group company in May 2009.

Whether our operating foundation is firmly established or not will be evaluated based on our results for fiscal year 2009, when the operating environment is projected to be severe. The azbil Group will overcome this challenge together, aiming to advance to the next stage of the Group's growth.



Promoting corporate social responsibility (CSR) management is a key item in the current medium-term plan. What is its status?

Employee awareness of CSR is growing, and we are promoting all kinds of CSR management, including environmental activities.

We understand that CSR management is a major responsibility that we must take up as a global enterprise. Based on this thinking, the azbil Group's efforts are centered on eight important fields: compliance (business ethics and legal compliance); disaster prevention; information security; financial reporting; labor and safety; quality; the environment; and management infrastructure and Group governance.

In fiscal year 2008, azbil focused on the newly started internal controls for financial reporting known as J-SOX. We repeatedly evaluated and improved the application of J-SOX and made further progress in enhancing management standards and making business processes transparent.

Regarding the environment, we have set the target of reducing Group CO₂ emissions by 6.2% below the fiscal year 2006 level by fiscal year 2012 to reduce our environmental impact throughout our business activities. We are making steady progress toward this goal.

The azbil Group's CSR practices the philosophy of "human-centered automation." We will continue our efforts to be a company that is trusted by the diverse humanity that makes up society and that lives up to those people's expectations.

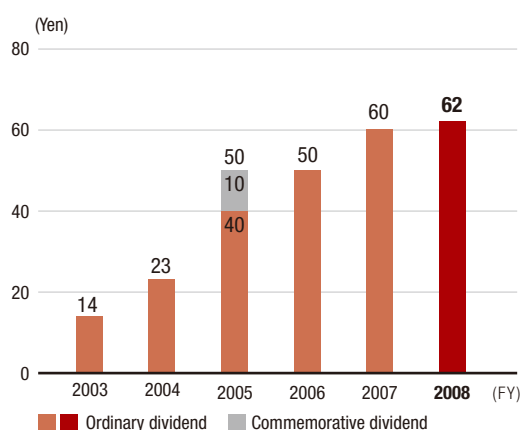


The azbil Group is maintaining its policy of high dividends despite the challenging operating environment. What is your policy on returns for shareholders?

Taking into account comprehensively our consolidated performance, we have increased ordinary dividends for six consecutive fiscal years. We would like to maintain and increase returns for shareholders.

The azbil Group places great importance on returning profits to shareholders. Management's basic policy is to comprehensively consider the levels of consolidated performance, return on equity (ROE) and dividend on equity (DOE), and retained earnings that are necessary to strengthen its business structure and

Cash Dividends Per Share



develop future businesses, while working to maintain stable dividends and improve the dividends payout.

We were not able to achieve our initial targets for fiscal year 2008, but taking into account comprehensively our consolidated performance, we paid a year-end dividend of ¥31 per share. As a result, total dividends for the fiscal year came to ¥62 per share, and ordinary dividends have now increased for six consecutive years. We also repurchased 1 million shares of our treasury stock during this fiscal year.

The operating environment is forecast to remain challenging during fiscal year 2009. However, in line with our basic policy, we plan an annual dividend of ¥62 per share, which is the same as for fiscal year 2008.

The final year of the medium-term plan will take place under a challenging operating environment. How will you approach the year ahead?

Taking the challenging operating environment as an opportunity, we will work together for the fulfillment of goals of the medium-term plan. Expect future growth from the azbil Group.

Fiscal year 2009 is the final year of the medium-term plan. The operating environment is forecast to become even more challenging. However, this is an opportunity for the azbil Group, which is strengthening its business foundations, or in other words, improving its business structure. New knowledge and power will be born from the spirit and deeds of those who confront this challenging environment. The azbil Group will maximally leverage this knowledge and power to press forward with business structural and operational reforms in order to build a solid business foundation.

Using this strengthened business foundation as a base, we will aim to achieve our targets by providing our unique high added value.

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

Feature

Yamatake Mizuho's flow calibration rig has the only two-stage elevated water tank system in Japan. At a height of 35m, the tanks are also the highest in Japan. It can run eight systems simultaneously, and its weighing system with maximum flow of 5,000m³/h makes this calibration rig the largest of its kind in Japan.



We gather and integrate know-how from a wide range of business areas to provide solutions that always incorporate the customer's perspective.



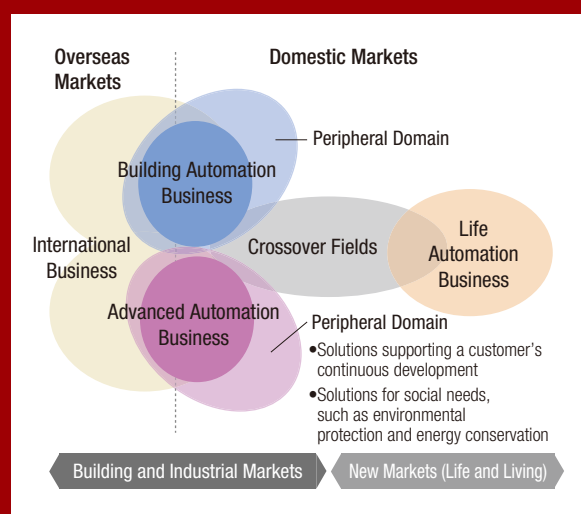
We are developing the azbil brand in various ways, including through having uniforms.

Amid upheavals in the economy and society, the azbil Group is working together to meet the needs of customers and society while pursuing “human-centered automation.” We will verify the strengthening of our operating foundation and further penetration of our philosophy for promoting this objective.

- Portfolio of Three Businesses and Integration of Production Bases Realize Stability and Flexibility
- The azbil Group's Comprehensive Solutions Meet the Diversified Needs of Society and Customers
- The azbil Brand, with “Human-centered Automation” at the Core

Portfolio of Three Businesses and Integration of Production Bases Realize Stability and Flexibility

Since beginning its previous medium-term plan in fiscal year 2004, ended March 31, 2005, the azbil Group has been reforming its businesses and operations to ensure business continuity and growth. That is, we have been working on “creating new businesses, or business structural reform,” with the aim of changing our business model and expanding business domains, and also “creating new work styles, or business operation reform,” with the goals of enhancing productivity and our ability to solve customers’ issues. These efforts have created our current business structure comprising three core businesses and our efficient production framework, and we are building a resilient business foundation that supports growth and insulates against the effect of external factors such as fluctuating economic conditions.



Three Core Businesses Structuring a Diversified Business Portfolio

The azbil Group's distinguishing feature is that its businesses are all centered on automation-related technologies, products and services, yet are developed in three markets, each of which has its own business cycle.

The Building Automation business provides HVAC control for large buildings and other structures and is subject to the cycle for newly constructed buildings and refurbishment plans. Its business cycle differs from that of the Advanced Automation business, which provides automated control of production facilities at plants and factories and is subject to capital investment trends. These two businesses insulate the azbil Group against the effect of fluctuating economic conditions. In both businesses, we have been promoting business overseas and expanding into peripheral business domains for insulation against economic fluctuation and as areas of growth for the future. In 2006 we established the Life Automation business to benefit from a more diversified business portfolio. Utilizing the technologies, products and services developed in the Building Automation and Advanced Automation businesses, the Life Automation business operates in the lifeline, lifestyle, nursing care and health support markets with an economic cycle that is different from the other two businesses.

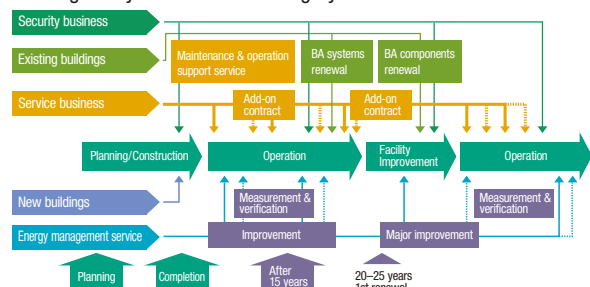
Lifecycle-Based Business Working Closely and Continuously On-site

Another defining feature of the azbil Group's businesses is that business development is based on customer relationships built on trust throughout the lifecycles of customers' facilities. The products and systems we deliver are used by customers over long periods of 10 to 20 years, and demand for maintenance and renewal recurs continuously. For example, maintenance and other services account for approximately 40% of sales in the Building Automation business, which contributes to stable profitability (see diagram at right).

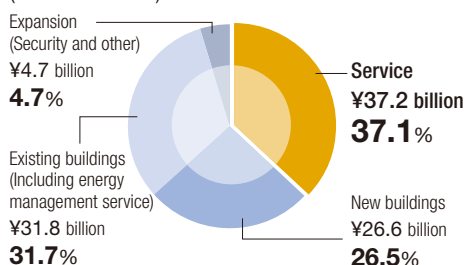
Production Reorganization Responding Swiftly to Changes in Production Volume and Customer Needs

The azbil Group has built and operated its production systems with a just-in-time approach. As part of moves to strengthen our foundation, since 2006 we have worked toward Groupwide optimization to establish an even more highly efficient and flexible production framework. For instance, we have introduced the continuous lean manufacturing system, which consolidated the production flow at each production base, to shorten lead times and reduce inventories. We also integrated the production bases of Group company Kimmon Manufacturing and restructured the functions of Kimmon's Kyoto Factory so that it specializes in the manufacture of electromagnetic flowmeters. The integration of production bases has contributed significantly to improving Kimmon Manufacturing's profitability. In addition, Group company Yamatake Mizuho, which operates one of the largest flow calibration rigs in Asia, serves the electromagnetic flowmeter business in Japan and overseas and will support the calibration business in the future. In fiscal year 2009, ending March 31, 2010, we will centralize production at Group company Yamatake Control Products with the objective of strengthening responsiveness to changes in production volume to not simply respond to rapid changes in economic conditions, but to turn them into opportunities.

Building Lifecycles and the Building Systems Business



Breakdown of Building Automation Business Sales (Fiscal Year 2008)



Electromagnetic Flowmeter Factory Equipped with World-Class Calibration Rig

~Yamatake Mizuho Co., Ltd.~



**Nobuyuki
Sugiyama**

Kyoto Branch,
Shonan Factory,
Yamatake Corporation

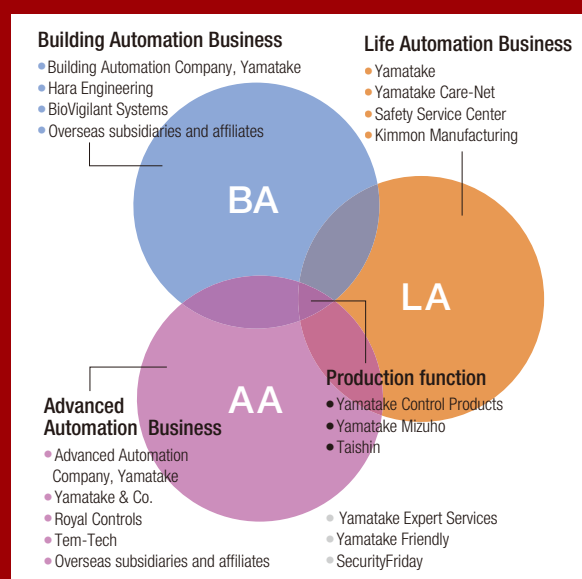
In the past, Yamatake Mizuho primarily produced water meters as Kimmon Manufacturing's Kyoto Factory. However, with the azbil Group studying how to optimize the Group's production framework, the electromagnetic flowmeter production line at Yamatake's Shonan Factory was relocated to Yamatake Mizuho and began operating in April 2009. While relocating the production lines, we installed a new calibration rig for electromagnetic flowmeters with world-class accuracy and capacity, which can calibrate flow for all electromagnetic flowmeters from 2.5mm to 1,100mm caliber. We have now completed our continuous lean manufacturing system, from production to processing and calibration. Furthermore, we have devoted resources to training production personnel, and have smoothly passed along technical skills and know-how based on systematic preparation. These moves to strengthen production have enabled us to expand orders from customers in Japan as well as overseas.



Calibration rig for electromagnetic flowmeters

The azbil Group's Comprehensive Solutions Meet the Diversified Needs of Society and Customers

The azbil Group provides solutions that meet customer requirements at every stage from the development of products and applications to sales, installation and service. The Group's ability to deploy its comprehensive capabilities to provide solutions unique to the azbil Group is one of its greatest strengths. In fiscal year 2009, ending March 31, 2010, we forecast that the service business including factory facility management and social infrastructure operation, such as water supply, sewerage systems and district heating and cooling, will expand as customer needs become increasingly sophisticated. In order to strengthen our ability to provide solutions, we integrated the service departments of the Building Automation and Advanced Automation businesses to inaugurate an organization comprising a staff of approximately 1,000 employees, then adding another 200 employees.



Group Synergies

Unique Solutions through Mutual Cooperation

The azbil Group is promoting vertical and horizontal cooperation among Group functions and organizations to concentrate and integrate know-how in its broad range of business fields so that it can provide unique, finely-tuned solutions not available from other companies. For example, the Group can deliver comprehensive solutions for production facilities, from HVAC to utility and production equipment control. The azbil Group formulated a concept of "centralization and distribution" with the objective of strengthening its ability to provide solutions through overall Group synergy. It concentrates functions that are expected to create synergy, and distributes them near customers to create value at their site. For example, we integrated the head office functions and consolidated the sales functions in the Tokyo metropolitan area. Since 2008 we have been carrying out Groupwide relocation and integration of sales offices within each region throughout Japan and wrapping up the framework to provide solutions near the customer's site, through synergies unique to the azbil Group.

Strengthening Business at Customers' Sites

Integrating and Enhancing Service Businesses

Creating value at customers' sites is another aspect of the unique solutions of the azbil Group. The service business is just that, providing a wide range of operations from product maintenance, shutdown maintenance and renovations to operations management, which is a huge advantage of the azbil Group. The Group has integrated and strengthened the service departments of the Building Automation and Advanced Automation businesses and established a structure for providing high value-added services. In doing so, it plans to increase sales related to the service business by more than 25% of the current level in three years, or 2012.

Merger of R&D Functions Timely Transforming Customer Needs into Products

R&D and engineering functions have been concentrated at the Fujisawa Technology Center in another move to raise productivity through centralization and strengthen the azbil Group's ability to provide solutions through synergy. Through centralization, we have strengthened communication and synergy and significantly shortened the flow from basic research to product development and engineering operations to accelerate product commercialization. We will develop products that are unique to the azbil Group and also with high added-value for customers, making the best of technologies and expertise accumulated in the Building Automation, Advanced Automation and Life Automation businesses, and release products to market in a timely manner.

The social and business environments are changing dynamically, such as the growing needs for environmental conservation, ensuring of safety, and quality improvement. For instance, environmental regulations are becoming more stringent, as demonstrated by the enactment of the revision of the Law Concerning the Rational Use of Energy. The azbil Group transforms these changes into favorable opportunities and aggressively cultivates new business fields to generate further growth through providing its product lineup and diverse service menu, which draw on its ability to provide solutions unique to the azbil Group, enabled by the development, sales and service capabilities explained earlier.



IMD™ (Instantaneous Microbial Detection™) (BioVigilant Systems, Inc.)

An environmental control solution for pharmaceutical and biotechnology markets. Yamatake acquired control of BioVigilant Systems, Inc. in May 2009.

Integration of Service Departments

~Strengthening the Ability to Provide Solutions
at Customers' Sites~



Junji Funamoto

Managing
Executive Officer
General Manager, Service
Engineering Headquarters
Yamatake Corporation

Following the fields of production, sales and R&D, the service departments of the Building Automation and Advanced Automation businesses were also integrated to create a new organization that provides comprehensive solutions for customers. In doing so, the azbil Group is further strengthening its solution business based on working closely with customers to solve their issues, as well as providing services with even higher added value, developing new products and cultivating new markets. For example, we aim to respond to customer needs and expand our business in the field of facility management for production sites by using the know-how we have developed in the Building Automation business, including energy-conserving technology, and through strengthening services for the operation and management of social infrastructure.



The azbil Brand, with “Human-centered Automation” at the Core

The former Yamatake Group changed its name to the azbil Group in October 2008. The azbil Group is working together to realize human-centered automation as we move forward in providing new value to customers.



The azbil Group's corporate advertising uses these three children as characters.

Ambition Behind the Change in Group Name

In 2006 we formulated a corporate philosophy that revolves around “human-centered automation” with the term “azbil” as its symbol. Since then, we have developed our businesses and brand with azbil at the core. With our operating environment changing dramatically recently, we must further promote business reforms by sharing values and goals throughout the Group. We raised employee consciousness and fully exercised comprehensive Group strengths in working toward the Group name change in October 2008.

Strengthening the azbil Brand with our Corporate Philosophy at the Core

The azbil Group's strengths include technological capabilities acquired through many years of experience, customer relationships, and on-site know-how. We are putting our corporate philosophy into practice in continuing to create value together with customers at their site. Examples including business collaboration among Group companies and the pursuit of comfort and safety by realizing “human-centered automation” demonstrate the effect of permeation of our corporate philosophy.

Changing the Names of Overseas Subsidiaries

Overseas markets are essential to the growth of the azbil Group. With the goal of establishing our brand in global markets, we began with Azbil Control Solutions (Shanghai) and Azbil North America in adding azbil to the names of Group companies overseas to further promote business development.



Employees of Azbil North America, where we introduced the azbil name to further strengthen the brand.

1

Business Overview

We remotely supervise and control customers' facilities 24 hours a day, 365 days a year.



Applying the latest technologies and know-how at production facilities



In-home nursing care by professionals

The Building Automation business, Advanced Automation business and Life Automation business. The azbil Group operates businesses in three different markets, centered on technologies, products and services related to automation. Having a business portfolio composed of these three core businesses with their different business cycles is a unique strength of the azbil Group, and contributes substantially to continuous operation. This section presents the market conditions, results and outlook for each of the businesses.

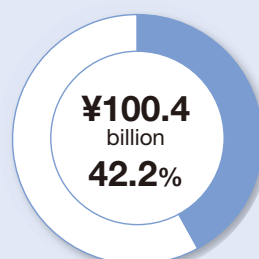
Business Overview

BA

Building Automation Business



Net Sales by Business/
Share of Total Sales



Business Outline

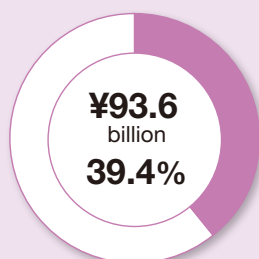
The azbil Group offers total solutions for building automation equipment and systems through an integrated structure including development, manufacturing, marketing, installation, engineering, maintenance and operation management. Our original environmental technologies, which underpin our product lineup, engineering solutions and services covering all aspects of building automation, help customers to create business and production spaces where people can work efficiently and in comfort, and also improve their building management capabilities, while contributing to reducing the environmental impact.

Markets

- Offices
- Manufacturing facilities
- Research facilities
- Clean rooms
- Hospitals
- Computer centers
- Government and institutional buildings
- Schools
- Hotels
- Department stores
- Shopping centers, etc.

AA

Advanced Automation Business

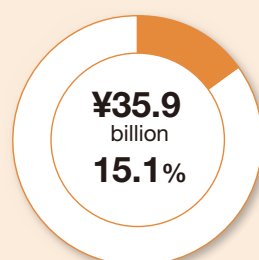


The azbil Group develops, manufactures and markets a wide range of products indispensable to plant and factory operations, including switches, sensors, controllers, valves, systems and software packages. We also provide consulting, engineering and maintenance services to support the optimum management of equipment throughout their lifecycle, and enable customers to increase enterprise value at their worksites.

- Petrochemical/chemical
- Water supply and sewerage
- Oil refining
- Electric power and gas
- Iron and steel
- Pulp and paper
- Shipping and marine
- Semiconductor/semiconductor manufacturing equipment
- Electrical/electronic components
- Machine tools
- Automobiles
- Pharmaceuticals
- Food/beverage packaging
- Industrial furnace controls
- Equipment for residential and commercial buildings, etc.

LA

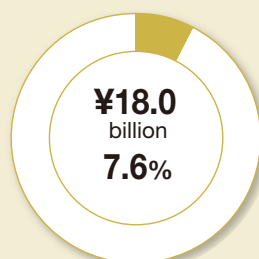
Life Automation Business



At the azbil Group, we possess measurement and control technologies cultivated over many years in the building and industrial markets and also a personal commitment to customers through our services. In the Life Automation business, which mainly serves the domestic market, we are drawing on our strengths in automation technologies and human resources to provide total solutions to societal needs for safety, peace of mind and environmental conservation. These include lifeline-related, such as gas and water; and lifestyle support-related, such as nursing care and healthcare.

- Measurement/metering equipment, such as gas and water meters and measurement and instrumentation systems
- Commercial-use food waste processing and recycling for food production/retailing, food service, etc.
- Individual residential homes
- Elderly nursing care services (preventive care)
- Lifestyle support for the elderly
- Lifestyle-related disease prevention for the middle-aged and elderly, etc.

International Business



The azbil Group is expanding its Building Automation and Advanced Automation businesses internationally, backed by the technologies and expertise accumulated from domestic operations. The Group currently has overseas subsidiaries, affiliates, business offices and factories in 13 countries and 23 locations, principally in Asia. We deliver best-fit solutions for the differing problems and needs of customers in each region, by utilizing our comprehensive capabilities of providing sensors, valves, field instruments and systems through to maintenance and services.

- International business (overseas sales) figures are included within the sales of the Building Automation, Advanced Automation and Life Automation businesses. Sales statistics denote figures from overseas subsidiaries and affiliates and direct exports. Indirect exports are not included.

Note: Segment sales include intersegment sales.

Main Products and Services

- Building management systems
- User-operated devices
- Controllers
- Sensors
- Valves and actuators
- Security systems
- Building preventative maintenance service
- Total energy management service
- Building operations support service
- CO₂ reduction solutions, etc.

Building Management Systems



Our systems provide overall building management and enable optimal control over building environments while reducing costs. We offer and build flexible systems that are tailored to specific applications as well as size and scope.

Direct Digital Controllers (DDC)



DDC regulates HVAC equipment and facilities, controlling temperature, humidity and operation of equipment and facilities.

Security Systems



Our security systems offer integrated and consolidated control of security data and access data. By integrating building management systems, we make building management and security more effective.

Intelligent Component



An Intelligent Component is a control terminal, such as a sensor, damper, valve or other device, with a built-in microprocessor. Valuable but previously unavailable control data can be collected.

- Monitoring and control systems and controllers
- Solution packages
- Field instruments
- Valves and actuators
- Digital indicating controllers
- Recorders
- Sensors and switches
- Combustion control equipment
- Electronic air cleaners
- Facility diagnosis equipment
- Maintenance services, etc.

Monitoring and Control Systems



We offer open, highly reliable systems tailored to the size and circumstances of the production facility, from large-scale systems to on-site operational supervision systems.

Digital Indicating Controllers



Our controllers consistently afford the best possible control of equipment and facilities on-site. We have developed a product lineup meeting multiple application needs.

Smart Field Instruments



Smart field instruments are high-performance devices with built-in microprocessors. Our product lineup includes flowmeters, temperature transmitters, valve-positioners, pressure transmitters and other products.

Sensors and Switches



Our sensors and switches provide reliable detection on the production site, with superior resistance to tough environments. A wide variety of models meet the many priorities of customers.

- Various gas meters, safety and security equipment, regulators, system devices, various water meters, flowmeters, etc.
- Residential central air-conditioning systems
- Lifestyle support services
- Nursing care support services
- Environmental recycling (solutions for recyclable food waste), etc.

City Gas and LP Gas



We offer gas meters, gas leak alarms, automatic shut-off valves and other gas safety equipment, gas regulators, etc.

Water Meter Business



Based upon know-how gained through long experience, we provide accurate water metering products that are environment-friendly and also promote safety.

Lifestyle Support Services



Services include emergency dispatch, health management support, preventative nursing care, lifestyle-related disease prevention, etc.

Nursing Care Support Services

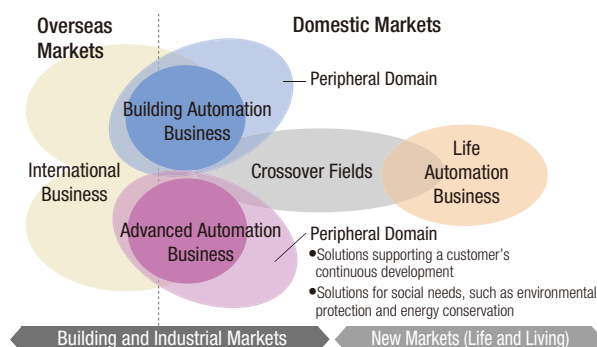


We offer nursing care services, in-home care services, the sale and rental of nursing care equipment, an elderly group home, etc.

Core Business Structure

Concentrating on "human-centered automation," the azbil Group has three core businesses: Building Automation, which specializes in automation for buildings; Advanced Automation, which focuses on automation for plants and factories; and Life Automation, which applies automation technologies to life and living.

While all three businesses are closely connected with society and the individual, their markets have significantly different characteristics. Nevertheless, combining these businesses and promoting synergies will support the long-term growth of the Group.



Building Automation Business



“ We make the best use of business opportunities related to growing needs to reduce environmental load (CO₂ emissions) led by tightening regulations. We are also expanding our business domain as we further promote our “transformation into a environmental control manufacturer.” ”

Kiyofumi Saito

Executive Director
Senior Managing Executive Officer
Building Systems Company President
Yamatake Corporation

Market Overview

Although business conditions worsened sharply from the second half of fiscal year 2008, ended March 31, 2009, the Building Automation business benefited from a large volume of orders backlog, so business performance remained robust. As a result, sales were above ¥100 billion, at ¥100.4 billion. The Building Automation business achieved an 11.2% increase in operating income to ¥13.1 billion, owing to several initiatives for profitability such as operational improvements and reforms.

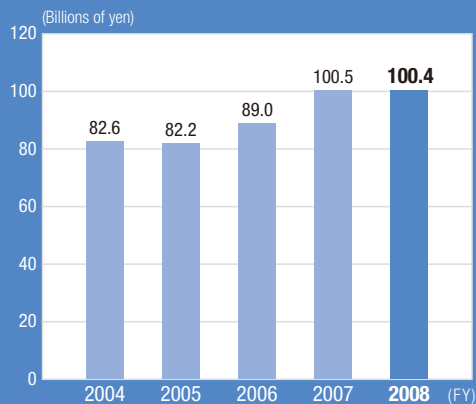
Operating Environment

The deterioration in business conditions from the second half of fiscal year 2008 impacted orders for factory HVAC systems. However, the Building Automation business was steady overall, particularly for maintenance services, which have been a stable source of earnings. Stricter regulations to reduce environmental load (CO₂ emissions) are scheduled, such as the revision of the Law Concerning the Rational Use of Energy. We therefore expect that the operating environment will remain steady in the market for existing buildings and maintenance services, both of which provide continuous support throughout a building's life cycle. In addition, the operating environment for the security (room access control) business is firm against a background of demand for building safety and security and data protection.

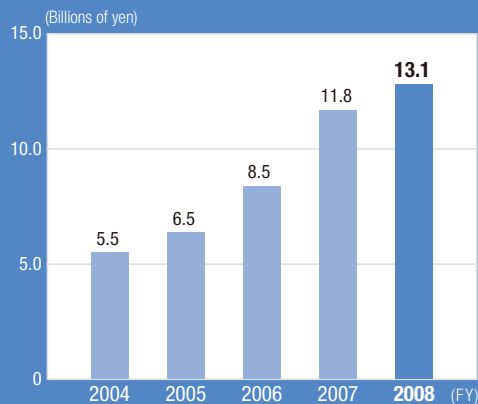
Fiscal Year 2008 Performance

The domestic market for new buildings remained healthy thanks in part to job completions for both large-scale commercial building redevelopment projects and new large-scale production facility projects. As regards the market for existing buildings, despite the fact that there was continuing strong demand for refurbishment of buildings to reduce CO₂ emissions and to conserve energy, sales fell owing to subdued investment caused by the deterioration in business confidence, and by the fact that the ESCO business saw a rush of projects in the previous fiscal year due to the change in the subsidy system. In contrast, the service business saw a steady increase in sales; with a growing number of contracts, measures were also taken to expand service menus that meet market needs, including the addition of energy conservation options. The security business did experience a fall in sales, but this reflects the fact that there was a large project for a financial institution in the first half of the previous fiscal year. In fact, business performance continued to be healthy, reflecting increasing concerns for building safety and security issues, and the needs for stronger data protection and internal controls. Turning overseas, active steps were taken to expand business with the establishment of branches and subsidiaries in Dubai and Vietnam and a business tie-up in Australia.

Sales



Operating Income



Nevertheless, performance was affected by the strong yen and by cutbacks in investments for factory HVAC systems.

Fiscal Year 2009 Outlook

For fiscal year 2009, ending March 31, 2010, we are concerned about a decrease in new large-scale redevelopment projects and reduction or postponement of refurbishments due to the economic slowdown. However, there is substantial potential

demand for refurbishments and also services for existing buildings because buildings completed in the 1990s are due for refurbishments and also regulations to reduce environmental load (CO₂ emissions) get stricter. Although it will be difficult to avoid the impact of worsening business conditions, we will work to secure results by unearthing demand through aggressive development of energy-conservation proposals based on our track record and accumulated data in Japan.

Reducing CO₂ Emissions while Making Overnight Guests Comfortable



Hotel Kasugai

To accommodate the need for finely-tuned air-conditioning of guest rooms, we installed hybrid air-conditioning units that allow switching freely between cooling and heating in each room throughout the year. At the same time, we introduced the savic-net™ FX building management system to monitor, control and manage energy usage for the entire hotel. Energy consumption decreased 8.5% annually following the installations.

We achieved significant results not only in room comfort but also in costs by using subsidies. In addition, the hotel is the first in the industry to participate in Japan's Voluntary Emissions Trading Scheme (J-VETS). By analyzing and managing CO₂ emissions with the customer, we reduced emissions more than our original target of 300 tons. I believe our relationship of trust with the customer deepened through the sense of achievement that came from taking on this major issue together.

Teppei Asano
Environmental Sales Department, Environmental Solution Headquarters,
Building Systems Company, Yamatake Corporation



Advanced Automation Business



“ While conducting further reforms of business and operational structures in order to strengthen profitability, we steadily implement measures to expand growth domains, such as overseas business and also responding to customer needs for safety and environmental conservation. ”

Masaaki Inozuka

Executive Director
Managing Executive Officer
Advanced Automation Company President
Yamatake Corporation

Market Overview

Sales decreased 11.2% year on year to ¥93.6 billion due to the impact of restrained capital investment from the third quarter of fiscal year 2008, ended March 31, 2009. The unavoidable decrease in operating income that resulted from the decrease in sales was limited to 44.4% year on year to ¥5.0 billion owing to reorganization of production systems and reallocation of human resources to strengthen the business structure, as well as concerted efforts to reduce costs.

Operating Environment

Trends in capital investment significantly impacted the Advanced Automation business, which provides a variety of automation solutions for factories and plants. By the second quarter of fiscal year 2008, although there were some differences by industry, the operating environment was comparatively steady overall. However, from the third quarter the decrease in production resulting from the global recession caused a drastic decline in corporate earnings. Capital investment was consequently restrained more quickly and broadly than ever seen before. Overseas markets were similarly damaged, with deterioration of all regional operating environments, particularly Europe and the U.S. The strong yen also had an impact.

Fiscal Year 2008 Performance

The Advanced Automation business operates in a wide range of industries, from the raw material

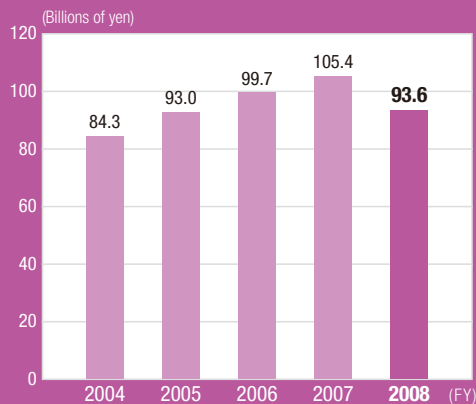
industries of oil refining and chemicals to processing and assembly industries, such as automobiles and electricals, as well as life cycle businesses for end users such as maintenance services. As a result, the risk of market downturn tends to be diversified, but the current situation is extremely challenging as a result of restricted capital investment across almost all industries from the third quarter.

In Japan, capital investment rapidly declined in the electronic component, semiconductor manufacturing, machine tool and automobile industries. In addition, production decreases and postponement of investment in new plants grew among material industries such as chemicals and iron and steel. This caused a substantial decrease in sales of the products business, particularly for those products aimed at processing and assembly lines. In addition, a decrease in sales of the solutions business, which provides systems and maintenance to plants, was also unavoidable.

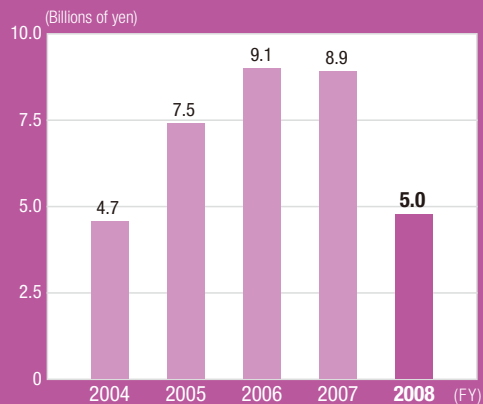
Overseas, we achieved higher sales in China through steady growth despite the impact of the strong yen. However, the decrease in overall sales for the rest of Asia was inevitable although amounts differed by country. The economic downturn was a direct cause of decreased sales in Europe and the U.S.

In spite of the decreased sales that resulted from the sudden deterioration of the operating environment in Japan and overseas, we worked to mitigate the effect on profits by reorganizing production systems and reforming our cost structure, and also took

Sales



Operating Income



initiatives including enhancing overseas bases to expand future operations.

Fiscal Year 2009 Outlook

We forecast that restrained capital investment will continue in fiscal year 2009, ending March 31, 2010, making it difficult to be optimistic about improvement in the operating environment. An urgent response to this situation is to execute further reform of our cost structure, starting with consolidating production

frameworks and implementing the optimum allocation of human resources on a large scale, in order to respond to demand fluctuations. In addition, even in this challenging environment we will steadily take business opportunities related to safety and the environment, where we expect investment. Although decreased sales resulting from restrained capital investment in all industries in Japan and overseas will be inevitable, we will work on these initiatives to secure positive operating income.

Traceability System Strengthens Management of Raw Materials and Prevents Work Errors



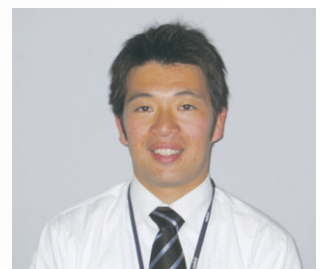
KENKO Mayonnaise Co., Ltd.

In response to customer demand for food safety and reliability, we introduced the Super Kanrishoku manufacturing execution system/traceability system to support quality and management operations for a wide range of food products. In addition to minimizing workload increase, we achieved accurate and fast traceability and prevention of work errors in weighing and filling processes.

We held ongoing, close consultation with the customer on system design and construction due to the importance of quality, safety, and workload reduction in on-site operation. Improvement efforts with the customer have continued after delivery to support efficient operation. I believe this stance on issue resolution embodies azbil's aim to create value on-site, and is the source of the trust we receive from our customers.

Masanori Matsuo

Sales Department, Business Headquarters,
Advanced Automation Company, Yamatake Corporation



Life Automation Business

“ We work to continuously improve profitability, expand business areas through cooperation between the azbil Group companies and develop new services that leverage our unique strengths. ”

Sadachika Ogawa

Executive Officer
Yamatake
Corporation

Hirozumi Sone

Managing Executive Officer
Yamatake Corporation
President, Yamatake
Care-Net Co., Ltd./
Safety Service Center
Co., Ltd.

Masaaki Iwai

President
Kimmon
Manufacturing
Co., Ltd.



Market Overview

The sudden economic downturn impacted the recovery of demand for gas meters produced by Kimmon Manufacturing, which accounts for most of the sales of the Life Automation business. As a result, total Life Automation business sales for fiscal year 2008, ended March 31, 2009, slightly decreased 1.5% to ¥35.9 billion. However, operating loss improved to ¥0.2 billion despite an increase in amortization of goodwill,* as policies being implemented at each Life Automation business company to improve the structure of the business bore fruit, particularly at Kimmon Manufacturing.

*Amortization of goodwill increased as a result of making Kimmon Manufacturing a wholly owned subsidiary. Amortization of goodwill for fiscal year 2008 was approximately ¥1.3 billion per annum, an increase of ¥0.6 billion over the previous fiscal year.

Operating Environment

The Life Automation business covers businesses related to lifeline and lifestyle facilities, and nursing care and health support. It comprises several companies in different business environments, which are all focused on developing an automation business that supports people's active lives.

Kimmon Manufacturing, the company that accounts for the bulk of Life Automation business sales, operates under a cycle of demand for replacement meters that is based on regulations. Currently, replacement demand for LP gas meters is on an upswing, and demand for city gas meters is also expected to recover from fiscal year 2009, ending March 31, 2010. However, due to the economic downturn and restrained capital investment, demand for new meters and new products for manufacturing

equipment has weakened.

Yamatake Care-Net and Safety Service Center operate in the nursing care and lifestyle support fields. While challenging conditions will continue due to factors including budget constraints in local government social welfare services and revisions to the Nursing Care Insurance Law, we expect demand will be brisk due to the aging of society and reforms to the medical care system.

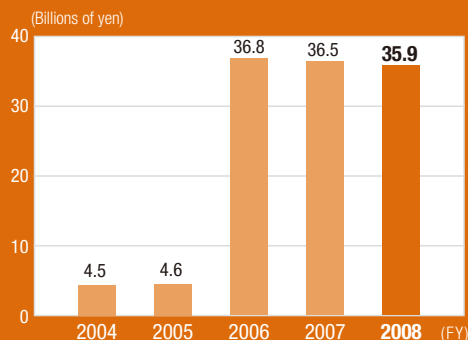
Yamatake operates in the residential air-conditioning and environmental recycling field. Despite the economic downturn and a negative impact on new housing starts caused by revision of the Building Standards Act, overall demand is steady due to increasing awareness for health and comfort in residences, environmental conservation and executing the Act Concerning the Promotion of Utilization of Recyclable Food Waste.

Fiscal Year 2008 Performance

Kimmon Manufacturing saw a weakening in the recovery of demand for gas meters as a result of the economic downturn. At the same time, because of the fall in capital investment throughout the manufacturing industry, sales of industrial-use city gas equipment, such as regulators, also decreased. This meant a fall in sales, but profits were improved as a result of implementing the "Kimmon-Yamatake Jump-Up Plan." This plan is designed to reinforce Kimmon Manufacturing's business infrastructure, centered on eliminating and consolidating its factories and improving the profit structure.

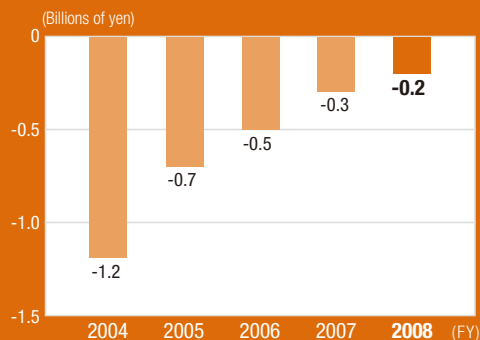
The operating environment for Yamatake Care-Net and Safety Service Center is challenging. However, we

Sales



Note: Kimmon Manufacturing was acquired and its income added to consolidation from fiscal year 2006.

Operating Income (Loss)



Note: The acquisition of Kimmon Manufacturing in fiscal year 2006 generated amortization of goodwill. Although making Kimmon Manufacturing a wholly owned subsidiary increases amortization of goodwill from fiscal year 2008, profitability is steadily increasing.

promoted and offered products and services such as rentals of assistive products and sales of lifestyle disease prevention plans, which respond to changing demand amid market expansion stemming from an aging society. We also addressed the upgrade of the service center infrastructure and increased the number of users of emergency dispatch services, for which Yamatake has the largest number of users in Japan. As a result, we secured profit.

Profitability improved for Yamatake's residential central air-conditioning and environmental recycling businesses as they expanded.

Fiscal Year 2009 Outlook

For fiscal year 2009, we forecast overall sales of the Life Automation business to decrease slightly, mainly due to the impact of the weak economy on demand for the meters of Kimmon Manufacturing, although we will take initiatives including expanding business domains through synergies between Group companies and offering new products that respond to market needs. We aim for the Life Automation business to produce positive operating income by continuing and further strengthening the initiatives to improve profitability that showed steady progress in fiscal year 2008.

Installation of Central Air-Conditioning System in Home Renovation



Renovation of Tadao Shimamoto's Home

We created a comfortable environment throughout the home by installing the "Kikubari" residential central air-conditioning system during renovation. A high-performance electronic air cleaner in the system resolved pollen, mite and house dust problems. While achieving a comfortable living environment, the effect on energy and cost conservation was greater than expected.

Installing central air-conditioning system during renovation involves numerous difficulties, such as airtightness and insulation efficiency of existing house and installation space for each equipment. So very few house builders can achieve that. However, as a company that puts customer satisfaction first, azbil is actively challenging the installation of central air-conditioning system in renovation, and has already completed a number of renovation projects. We as a provider of air-conditioning systems can communicate directly with customers, and our client was very pleased with the results. This was a very fulfilling project for me since I'm always focused on customer satisfaction.



Tomofusa Kumazawa

Home Comfort Department, Yamatake Corporation

International Business



“ Although we faced the headwinds of a strong yen and the global recession, the azbil Group steadily progressed in reinforcing the operating bases needed to expand the International business. We changed the name of each overseas subsidiary to include “azbil” and, with the new spirit that imbued, we aimed at expanding business operations by delivering the same unique solutions overseas that the azbil Group offers in Japan. ”

Toshitsune Okubo

Managing Executive Officer
Yamatake Corporation

Market Overview

We recorded total annual sales growth in China and the Asian region of 10% or more on a local currency basis, but due to the sudden economic downturn globally and the impact of the strong yen, yen-denominated sales of overseas subsidiaries decreased, and overall overseas sales were ¥18.0 billion, a decrease of 6.9% from the previous fiscal year.

Note: Figures for the International business are calculated as the total of each individual segment. This includes direct exports and sales of overseas subsidiaries, but not indirect exports.

country, an overall decrease in sales was unavoidable, partly due to the impact of the strong yen. Sales in Europe and the U.S. decreased due to weakening of the regional economies and the impact of the strong yen. As a result, International business sales totaled ¥18.0 billion, a decrease of 6.9% from the previous fiscal year.

A one-time pause in the growth of the International business was unavoidable due to the worsening business conditions. However, our view of this business as a future growth domain has not changed, and we have been working to reinforce and strengthen operating bases.

In North America and China, we integrated subsidiaries in the same areas to expand contacts with customers, strengthen proposal capabilities and enhance operational efficiency through sharing resources. In addition, we actively promoted business development in new areas, establishing branches and subsidiaries in Vietnam, India and the Middle East. We worked to expand operations through tie-ups, signing a distribution agreement with Environmental Automation Pty Ltd. in Australia and investing in South Korea's leading equipment and electrical system design company, Hanil Mechanical & Electrical Consultants Ltd. We also established a new valve maintenance center in Taiwan and strengthened functions of existing centers in China and Thailand in order to bolster our capability to respond to customers in capacities including local maintenance.

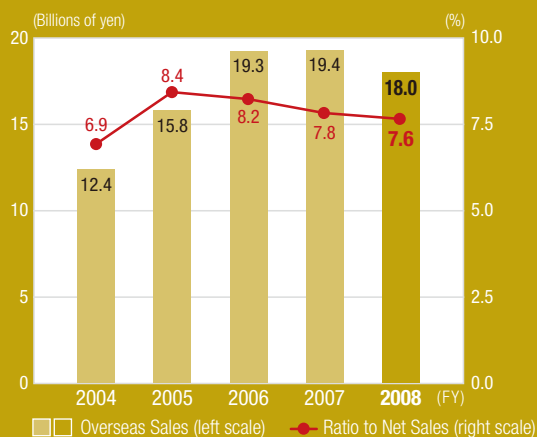
Operating Environment

In Europe and the U.S., the economy weakened rapidly as the serious impact of the financial crisis that originated in the U.S. spread to the real economy. This slowed the economies of China and the rest of Asia, causing what appears to be a simultaneous global recession. The operating environment of the azbil Group was negatively affected. Even in the Chinese and Southeast Asian markets—which were relatively healthy in the first half of fiscal year 2008—performance was affected by the sudden freeze and cutbacks on capital investment from the third quarter onwards, mainly by Japanese companies.

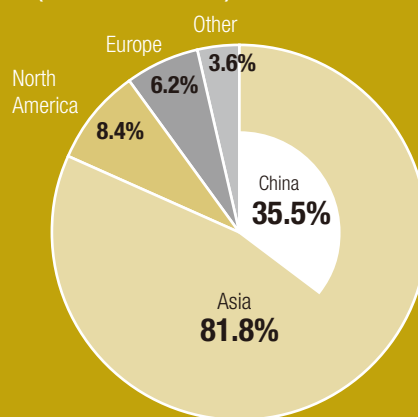
Fiscal Year 2008 Performance

In China, steady business growth offset the impact of the strong yen, and we were able to achieve sales increases. Although conditions in the rest of Asia differed by

Overseas Sales/Ratio to Net Sales



Overseas Sales by Region (Fiscal Year 2008)



Sales Begin for New AT9000 Advanced Transmitter Model GTX Differential Pressure/High Pressure Transmitter

Plant Safety Instrumentation with the World's Most Advanced Functions

The AT9000 Advanced Transmitter Model GTX is a new differential pressure/high pressure transmitter that the azbil Group has positioned as a global strategic model. Since the Group's Yamatake Corporation launched the world's first smart* differential pressure/high pressure transmitter in 1983, the Group has achieved sales of over 1 million units worldwide. Now, with the launch of AT9000 Advanced Transmitter Model GTX, the azbil Group aims to further expand transmitter sales volume.

*Smart devices are equipped with internal microprocessors.



AT9000 Advanced Transmitter Model GTX differential pressure/high pressure transmitter

Energy-Conserving Facilities Initiative in Singapore

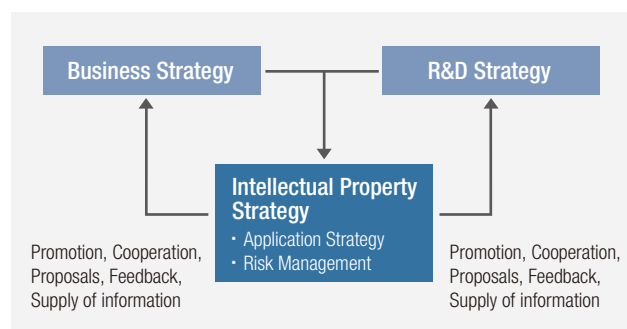


Fusionopolis, Singapore

The azbil Group handled energy conservation measures for Phase I of Fusionopolis, a cutting-edge research and development hub, based on its own proposals. A 120,000m² complex, Fusionopolis Phase I is the first integrated work-live-play-learn development in Singapore, equipped with state-of-the-art infrastructure and facilities. Upon consideration of azbil's proven track record in cooling plants in Singapore, as well as its advanced instrumentation and energy conservation technologies, the savic-net™ FX building management system was selected for use in Fusionopolis. The key issue in designing the system was ensuring that the difference in water temperature between its supply from the local cooling plant to each building's air conditioners and the return of chilled water from the air conditioners was not less than 7°C. The azbil Group, with its one-stop-solution framework encompassing sales, development and maintenance, stayed in close contact with the site after system installation and made proposals for further energy conservation, such as by collecting and analyzing data on amounts of energy used.

Intellectual Property

The azbil Group believes intellectual property is an important business resource, and as such it ranks its intellectual property strategy as one of its key business strategies. The Group is carrying out its business strategy, R&D strategy and intellectual property strategy in concert, with a focus on establishing an intellectual property portfolio in major product lines and technological fields, and managing risks from any infringements of intellectual properties of other companies.



Devising and Enacting the Intellectual Property Strategy

In fiscal year 2008, ended March 31, 2009, Yamatake continued to take the following measures to further strengthen its intellectual property strategy:

1. Established an intellectual property portfolio in major product lines and technological fields.
2. Minimized risks from patent infringements in azbil business areas.

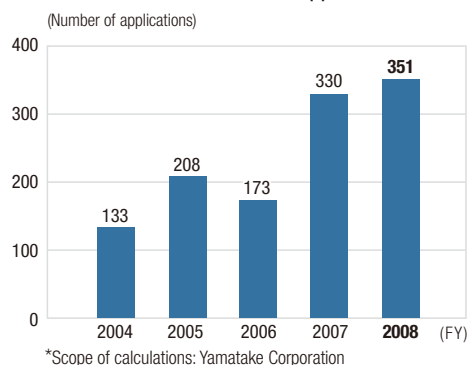
Establishing an Intellectual Property Portfolio in Major Product Lines and Technological Fields

Patent Applications in Japan

Having made significant headway in bolstering our intellectual property strategy, we were able to file 351 patent applications in fiscal year 2008, an increase of 21 from fiscal year 2007.

In applying for patents, Yamatake conducts a patent appraisal, with the results presented in a visual format. Appropriate feedback for the business and R&D departments, and the resulting analysis, is crucial for developing new business and R&D strategies. We apply this methodology for intellectual property portfolio management and focus on achieving tangible results through the process.

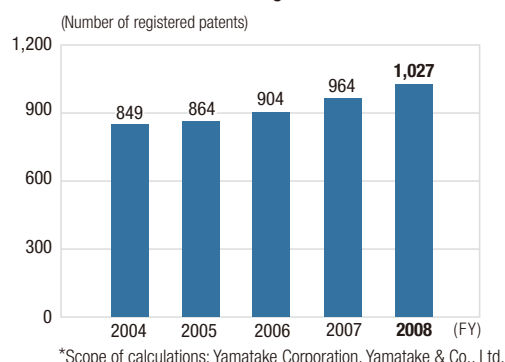
Number of Domestic Patent Applications



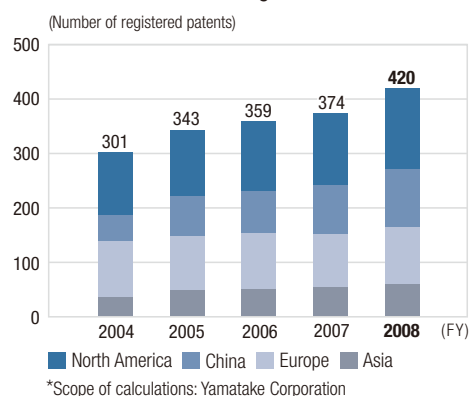
Number of Registered Patents

Yamatake holds 1,027 registered patents in Japan and 420 registered patents overseas, both of which figures have increased from the previous fiscal year.

Number of Domestic Registered Patents



Number of Overseas Registered Patents



Regulations for Employee Inventions

Yamatake continues to pay various kinds of compensation to inventors based on revised regulations for employee inventions that aim to strengthen Company intellectual property rights and provide greater encouragement to inventors.

Minimizing Risks from Patent Infringements in azbil Business Areas

To avoid disputes related to other companies' patents involving our products, we use a work flow system to check more than 1,000 official open patent applications of other companies each month without omissions. This reduces business risks and greatly increases our freedom to promote R&D.

Trademark and Design Management

We are actively applying to register the "azbil" Group symbol as a trademark throughout the world in order to strengthen our brand. Further, we are bolstering our design applications in China with imitation countermeasures in mind.

Research and Development

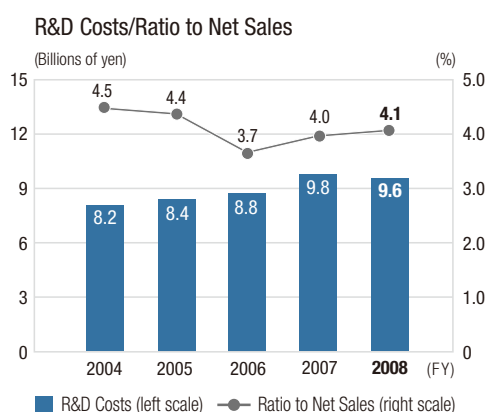
To achieve lasting growth, enterprises have to accurately gauge the customer needs that result from market changes and quickly develop the necessary technologies. We are bolstering our development and application of R&D for timely delivery of appealing products and services that concentrate azbil Group technologies to resolve customers' challenges, thereby continuing to contribute to society through our core businesses.

R&D Functions and Organization

Yamatake's R&D consists of two key functions: the business department development function, which conducts R&D to support the Company's core businesses; and the corporate R&D function, which in addition to supporting the development of measurement and control technologies and those technologies that are being developed in collaboration throughout the azbil Group, also takes on the challenge of developing new, proprietary technologies. These functions are organized in the same layer and kept in balance in order to facilitate smooth communication and to commercialize new technologies as quickly as possible. This horizontal structure encourages the prompt sharing of technical information and customers' needs across the Group. Specifically, we are working on a Groupwide basis to visualize the various problems in development processes and the results of investments in order to optimize the allocation of research resources and solve problems rapidly. Through this close information exchange and collaboration, we will continue to provide appealing products by flexibly responding to market changes.

R&D Investment

In fiscal year 2008, ended March 31, 2009, the azbil Group's total expenditures on R&D amounted to ¥9.6 billion, equivalent to 4.1% of net sales. From a strategic standpoint, our investment is concentrated in growth areas. R&D spending is geared toward two goals: technological development for the Building Automation and Advanced Automation businesses, and technological development aimed at business development for the Life Automation business, a new domain.



Cross functional project teams are set up for developing topics that require especially close cooperation among business and marketing departments and Group companies. Such interaction between a wide array of personnel encourages technological assets to be shared even more effectively. Until now, our Building Automation and Advanced Automation businesses have been operating separately. However, the automation needs of our customers have advanced and become increasingly diverse, so we have been promoting various measures to take advantage of

synergies between these businesses in areas where there are strong connections between the two.

In fiscal year 2008, the consolidation of our R&D and marketing operations at the Fujisawa Technology Center that was completed at the end of 2006 was followed by further initiatives. In order to strengthen synergies among development departments at all Group companies, we consolidated the experiment facilities that were scattered among individual factories at our advanced technology laboratory building constructed on the Fujisawa Technology Center site. This new building is equipped with multipurpose laboratories for the development of advanced sensors such as micro gas sensors and sapphire sensors, as well as materials analysis and wireless technologies, and is enabling efficiency and stronger, speedier interdepartmental collaboration on research experiments. From the perspective of people and products, it is also promoting the prompt sharing of business information and visualization of development processes.



Clean room air-conditioning experiment facility in the advanced technology laboratory building

Directions of R&D Strategy in Business Framework

The azbil Group's R&D is aiming for "human-centered automation." In the Building Automation business, we are making strides in R&D designed for realizing comfort, functionality and energy conservation attuned to individual buildings, and furnishing comfortable and pleasant spaces that can raise intellectual productivity. We are developing highly advanced building automation technologies using our cutting-edge technological prowess and reducing lifecycle costs and CO₂ emissions. In the Advanced Automation business, R&D is focused on resolving issues connected with energy conservation, safety, quality improvement and environmental responsiveness at factories and plants, as well as creating safe and comfortable working environments. In particular, we develop technologies for enhancing productivity and optimizing operations at the customer's site, as well as for products and systems that maximize human abilities. In the Life Automation business, we continue focusing our efforts squarely on developing technologies compatible with the Group's existing technologies in services and precision measurement technologies, based on the expertise we have amassed over many years in measurement and control. In corporate R&D, technological developments have a direct impact in contributing to businesses. Naturally, we are working to meet challenges to create high-performance and highly advanced proprietary technologies, and to promote basic research for developing new products and businesses in next-generation automation fields. Our core technologies are:

Microsystem Technologies

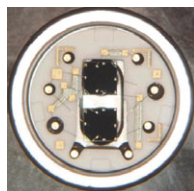
Yamatake has consistently been the industry leader in microdevice technologies, including Micro Flow™ sensors and vacuum gauges that use sapphire microelectromechanical systems (MEMS) technology. We are developing technologies for improved corrosion-resistance, high temperature usage, high-repeatability and others that are indispensable in the industrial field. Looking ahead, we will continue to proactively conduct research in new areas in order to respond to the growing trend towards miniaturization and precision in industries.



Sapphire sensor element, which can precisely measure and directly detect corrosion resistance and high-temperature solids and liquids

Measurement and Control Technologies

Among the many types of control technologies, and particularly for the research and development of pressure sensors, which are important in fluidics, we are strengthening our existing design and analysis technologies and developing new technologies for manufacturing processes to keep pace with the market's demand for safety and stability, and also beefing up our R&D efforts in semiconductor sensors combining various performance features such as differential pressure measurement, static-pressure measurement and temperature measurement.

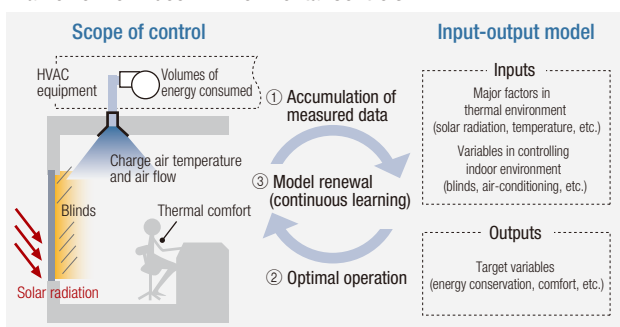


Dual sensors for gas flow meters that can simultaneously precisely measure differential pressure and static pressure

Measurement Data Processing Technologies (Prediction and Visualization Technologies)

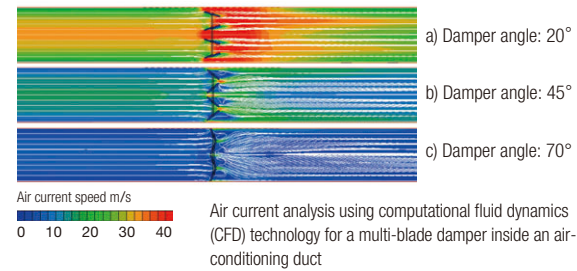
Yamatake is strengthening its proprietary technology, which backs up and expands individual abilities through data analysis and intelligent information processing technologies. We are taking on the challenge of developing new control technologies, such as control systems for indoor environments that take into account changes in the outdoor environment to balance comfort and energy conservation. In addition to developing technologies from a new perspective, such as for analyzing air currents by simultaneously measuring air flow and pressure distribution, we will focus on creating comfortable, human-centered spaces by promoting technologies that leverage our accumulated know-how and wealth of data.

Framework of Indoor Environmental Controls



Framework of indoor environmental controls incorporating intelligent information processing technologies

Example of Air Current Analysis

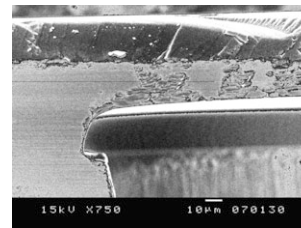


Next-generation Automation System Technologies

In addition to high-reliability, wireless and other technologies in its possession, Yamatake is researching next-generation automation systems, based on the latest network technologies and open-platform technologies. We are working to develop new solution technologies that revolve around humans and systems working in unison, from the perspective of "human-centered automation."

Micromachining Technologies

Yamatake is developing micromachining technologies for materials used in various high-performance sensors, such as sapphires and stainless steel that are hard to cut, and brittle materials including silicon and glass, and also developing precision jointing



Sensor chip that makes pressure sensors highly pressure-resistant through isotropic etching processing (cross-section)

technologies. We will continue to focus on the micromachining technological developments we have accumulated so far, including etching processing that improves sensors' pressure resistance without decreasing sensitivity (output), and sensor miniaturization.

Communication Services Technologies

In future social systems, various exchanges of information, including between people as well as between people and systems/equipment will become critical. In preparation for these exchanges, we are applying such processes as ergonomics and cognitive engineering in order to analyze information value and develop analysis technologies. Specifically, we are researching and developing technologies that visualize correlations between technologies that model human cognitive traits and their corresponding elements for application to areas such as the interface of system products with human experience and also human error in operation.

Composite and Fusion Technologies in Measuring and Metering Field

To ensure a stable supply of lifelines, we are working to combine our own measurement and control technologies with the proprietary technologies for household gas meters and water meters honed over the years by Kimmon Manufacturing. This should help us to provide products that can be used safely and reliably in realizing people's active lives.

2

Management and Society

Strengthening quality by managing the standards that are the foundation of measurement and control



Three hundred managers from all the Group companies gathered to share targets.



The azbil Group and its employees participate in the Shonan International Marathon held in the Shonan area, where many of the Group's operating bases are located.

The azbil Group has set the target of “promoting CSR management” under its three-year medium-term plan:

- 1) Basic CSR, which is composed of basic corporate responsibilities including thorough compliance, responses to and management of various risks, the pursuit of safety and security of employees and improvements to the quality of products and services
- 2) Proactive CSR through business activities, including social contribution initiatives and contributing to society by leveraging the azbil Group's technological and operational strengths

The Group is working together in both these areas, aiming for management that earns the trust of stakeholders.

Establishing CSR Management

The azbil Group considers corporate social responsibility (CSR) as a key issue for management, and aims to establish a management system that will form the foundation of its CSR activities based on the medium-term plan unveiled in fiscal year 2007, ended March 31, 2008.

CSR Initiative Areas

The azbil Group aims to perform CSR initiatives unique to azbil from two perspectives.

The first initiative is fulfilling the fundamental social responsibilities that the azbil Group has as a member of society in areas including compliance (business ethics and legal compliance), disaster prevention, information security, financial reporting, labor and safety, quality the environment, and management infrastructure and Group governance. The second initiative is proactive CSR, including contributing to society by leveraging our operational strengths in our main business, as well as voluntary social contribution initiatives (see the Chart “Domain of CSR Initiatives” below).

Aim of CSR Initiatives

We will establish and practice CSR management as a world-class manufacturer of a comprehensive range of automation equipment with the following three goals.

- 1) The Group will strengthen its corporate structure through the combined initiatives of the Headquarters, in-house companies and Group companies in CSR fields that are paramount to its survival and success. This entails working actively to promote quality, environmental preservation and safety through compliance practices throughout our organization in accordance with related laws and ordinances, further gaining the trust of society.

- 2) We will hone and enhance our preparedness for dealing with any risks facing the Group and establish response mechanisms for dealing with emergencies as they occur so that we will not lose the trust of society.

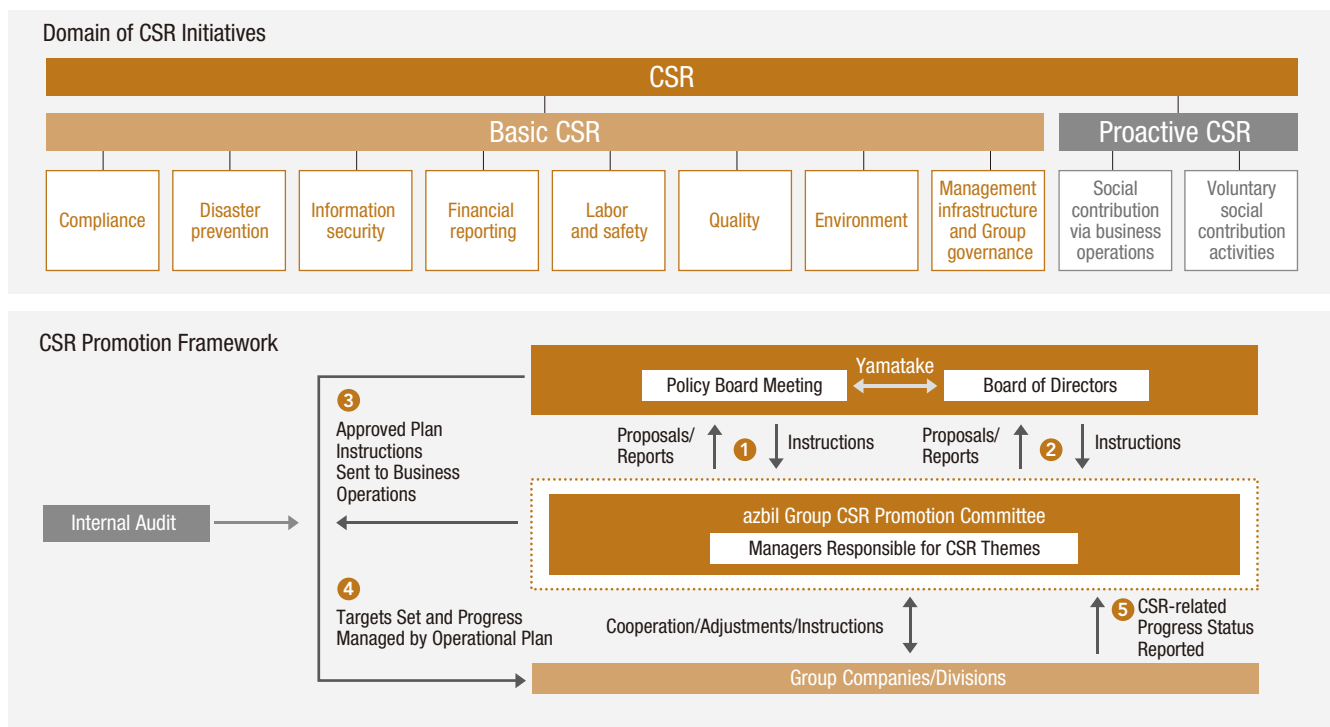
- 3) Through more proactive CSR comprising social contribution initiatives as well as through its businesses, the Group will establish and fulfill goals for promoting CSR initiatives that contribute to society and improve the environment and activities that help the community and will seek to consistently increase enterprise value. We will also convey information concerning these initiatives to our stakeholders.

CSR Promotion Framework

The Group’s CSR Promotion Committee was established to enact initiatives over a broad range of fields and oversee PDCA (Plan, Do, Check, Act) cycles. The committee is composed of senior managers in charge of promoting CSR at individual Group companies and meets once every two months. CSR initiative planning, execution, appraisal and reporting are conducted principally by the committee (see the Chart “CSR Promotion Framework” below).

More details can be seen at

► <http://www.azbil.com/csr/soc/keiei.html>



Corporate Governance

In order to enhance corporate governance, Yamatake has introduced an executive officer system that separates decision making from actual execution of Company policy to facilitate the prompt implementation of policy initiatives. In addition, the Board of Directors and the Board of Corporate Auditors oversee and monitor the actions of executive officers.

Viewpoint on Corporate Governance

Our basic policy on corporate governance is to promote policies that fulfill our social responsibilities based on good ethical practices and contribute to the welfare of the community based on sound legal and regulatory compliance, and we work to consistently increase enterprise value for the benefit of our shareholders and all our stakeholders by enhancing policies and schemes to realize highly efficient, fair and transparent business practices.

Framework for Corporate Governance

Board of Directors and Executive Officer System

The Board of Directors makes decisions on legal issues and other important matters and oversees conditions for the implementation of policy actions. The executive officer system separating decision making from actual policy execution provides the means for swift policy execution and has strengthened the auditing and oversight capabilities of business activities.

The Board of Directors generally meets monthly, and for executive personnel implementing actual business policy, Board meetings comprising an executive board of representatives of the Board of Corporate Auditors and executive officers* are held twice monthly as part of initiatives to further strengthen business operations through prompt decision making and policy execution.

* Executive officers include the chairman, president, senior managing directors and managing directors

Corporate Auditor System and Internal Audits

Yamatake uses a corporate auditor system that comprises five corporate auditors including three external auditors, with three of these auditors serving on a full-time basis. Auditors attend meetings of the Board of Directors and other important management council

meetings. They assess business conditions through audits conducted at workplaces, including the workplaces of Group companies, and through audits of Company divisions in-house companies and each Group company, including strict auditing of the business and policy decisions of directors and executive officers.

With a staff of 13, the Internal Audit Office conducts regular internal audits of the Company's head office staff functions and divisions as well as each business division in-house company and each group company. Its audits encompass all aspects of management activities.

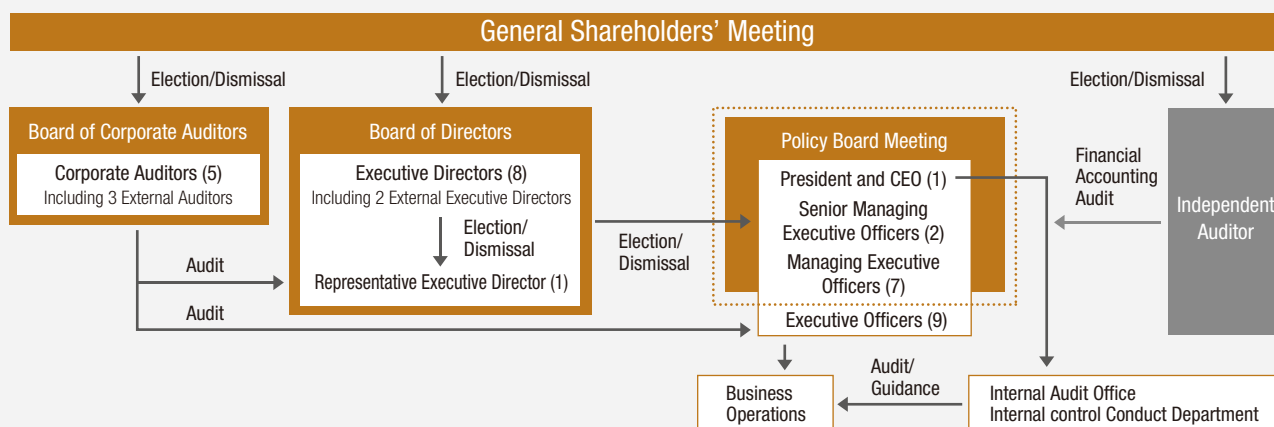
Current Framework

Yamatake's Board of Directors was composed of eight members as of June 25, 2009, including five members that also serve as executive officers, and three members including an independent director and two external directors with no day-to-day management or oversight of Company operations. These directors provide oversight and business advice from a broader and more independent perspective.

Remuneration for Directors and Corporate Auditors

Yamatake discloses the total remuneration for directors and corporate auditors in its official company accounts and at regularly convened general shareholders' meetings. In fiscal year 2008, ended March 2009, total remuneration paid to ten directors (including two directors who retired at the 86th general shareholders meeting held on June 27, 2008) amounted to ¥334 million (the uppermost limit on remuneration is ¥450 million). For the five auditors, total remuneration amounted to ¥97 million (uppermost limit of ¥120 million).

Corporate Governance Framework (As of June 25, 2009)



Risk Management and Compliance

The azbil Group recognizes that risk management and compliance serve as keys to the continued existence and growth of the azbil business by gaining the trust of society for the Group. We are working to guard against the various risks that doing business entails and promote awareness of compliance throughout the Group.

General information on risk management and compliance can be seen at ► <http://www.azbil.com/csr/soc/compliance.html>

Risk Management

Total Risk Management

In order to strengthen the Group's risk management capabilities, from fiscal year 2008, ended March 31, 2009, risks that could significantly impact management are investigated at major departments for further action. Any risks judged to require the Group to deal with them are deliberated to determine their seriousness at Policy Board meetings and meetings of the Board of Directors. For key risks to operations, the CSR Promotion Committee ordinarily follows a cycle of setting targets for risk prevention, checking progress in implementation and evaluating results in order to promote a unified Group response. Every year, we will continue to regularly implement assessments of investigations and risk countermeasures, and through evaluations will carry out risk management that covers all potential changes in the operating environment.

Earthquake and H1N1 Influenza Countermeasures, and Business Continuity Planning

The azbil Group continuously works on earthquake countermeasures such as upgrading the azbil Group Emergency Response Manual; introducing a system to confirm the safety of employees and their families; creating hazard maps for all workplaces in Japan that show the places that have a danger of items overturning or falling, and reducing the number of those areas; accumulating a stockpile of emergency goods for those with difficulties returning home; established the Emergency Earthquake Information System, which uses real-time seismic information, at azbil factories; and periodically holding disaster drills at large workplaces.

We began working on full-scale countermeasures for new strains of influenza in fiscal year 2008, preparing an action plan in accordance with its basic policy, publishing educational materials, holding explanatory meetings and creating stockpiles at operating bases. In response to the current H1N1 influenza, which has been centered on Mexico and North America, we have established a Central Countermeasures Headquarters and provided Group employees with thorough guidance on preventative measures.

We are making progress in business continuity planning while managing related planning, including the earthquake and H1N1 influenza countermeasures described above, as well as planning to retain customer support for our business lineup.

Information Security Management/Information Leak Protection

In fiscal year 2008, the azbil Group gained a clear perception of information management issues, including the degree information security regulations are practiced through the Group and the awareness of compliance, through a survey. In response, we are focusing on initiatives such as assiduous management of the IT equipment we supply.

Compliance

Business Conduct Policy and Business Conduct Guidelines

The "Business Conduct Policy" enacted in 1993 was revised in order to bring its contents in line with the new Group philosophy, updated as of fiscal year 2006. The Business Conduct Policy covers the six areas of the Group's public responsibilities; its social responsibilities; compliance with antitrust and other fair trading regulations; respect for human rights; management and use of Group property; and the promotion of environmental protection.

Based on the Business Conduct Policy, in 2000 we drew up and revised the Business Conduct Guidelines. These are more internationally focused and proactive, and are based on the results of compliance monitoring. The Business Conduct Guidelines were developed in-house, and are distributed to cooperating companies and made public through the Group's web site.



Portable card-size version of Group philosophy

azbil Group Business Conduct Guidelines

Promotion Framework

● Corporate Ethics Committee

The azbil Group has established its Corporate Ethics Committee, which is chaired by the officer in charge of CSR. Meetings are convened as needed to ensure assiduous legal compliance and ethical behavior.

● Internal control Conduct Department

Yamatake's Internal control Conduct Department is responsible for thorough compliance monitoring, seminars and education. Compliance monitoring in particular improves conditions through relationships with other departments by identifying risks and issues through surveys. The department's staff also carry out total risk management from a CSR viewpoint and deal with the internal control system for financial reporting under the Financial Instruments and Exchange Law (known as "J-SOX").

● Compliance Manager and Leader

Within the azbil Group, the heads of departments are compliance managers and the head of the Group within each department is the compliance leader. They work to spread awareness and ensure thorough compliance.

Board of Directors, Executive Officers and Corporate Auditors

As of June 25, 2009



Eugene H. Lee
Director
(External Director)

Masaaki Inozuka
Executive Director
Managing
Executive Officer

Tadayuki Sasaki
Executive Director
Senior Managing
Executive Officer

Seiji Onoki
President and
Chief Executive Officer

Kiyofumi Saito
Executive Director
Senior Managing
Executive Officer

Jun Kawachi
Executive Director
Managing Executive Officer

Makoto Yasuda
Director
(Independent Director)

Hajime Ikeda
Director
(External Director)

Directors, Executive Officers

Seiji Onoki
President and Chief Executive Officer

Kiyofumi Saito
Executive Director
Senior Managing Executive Officer

Tadayuki Sasaki
Executive Director
Senior Managing Executive Officer

Jun Kawachi
Executive Director
Managing Executive Officer

Masaaki Inozuka
Executive Director
Managing Executive Officer

Makoto Yasuda
Director (Independent Director)

Eugene H. Lee
Director (External Director)

Hajime Ikeda
Director (External Director)

Corporate Auditors

Yukihiko Tsuruta
Full-time Corporate Auditor

Kozo Edanami
Full-time Corporate Auditor

Tomonori Kobayashi
Full-time Corporate Auditor (External Auditor)

Kinya Fujimoto
Corporate Auditor (External Auditor)

Katsuhiko Tanabe
Corporate Auditor (External Auditor)

Advisor

Yoshiharu Sato

Executive Officers

Hirozumi Sone
Managing Executive Officer

Toshitsune Okubo
Managing Executive Officer

Yasuyuki Washi
Managing Executive Officer

Tadashi Hirooka
Managing Executive Officer

Junji Funamoto
Managing Executive Officer

Sadachika Ogawa
Executive Officer

Toshimitsu Miyaji
Executive Officer

Teruyoshi Yamamoto
Executive Officer

Ichio Kunii
Executive Officer

Keiichi Fuwa
Executive Officer

Toshio Yoshida
Executive Officer

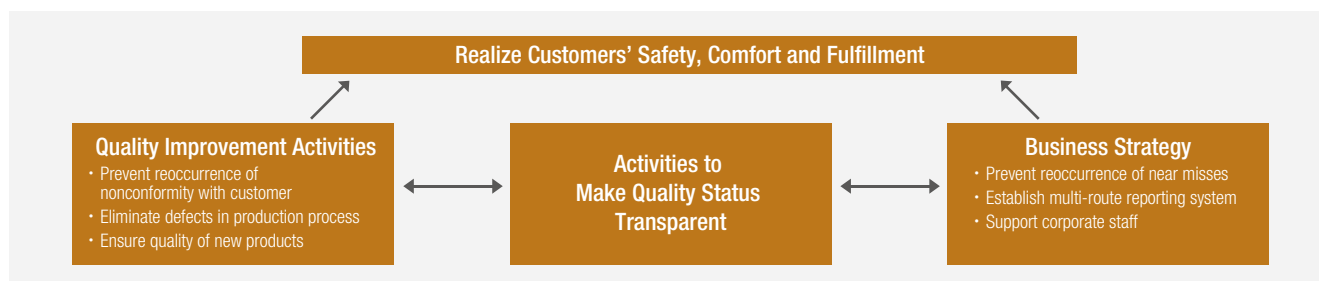
Takuji Hosoya
Executive Officer

Osamu Tamayori
Executive Officer

Makoto Kawai
Executive Officer

Customer Relations

The azbil Group conducts activities in the three core areas of preventing major accidents before they occur, further improving product quality and making quality status transparent. These Groupwide quality initiatives aim to provide customers with safety, comfort and fulfillment through azbil products and services. Also, one of these initiatives is providing highly precise products and services through reliable measurement technologies.



Quality

Preventing Major Accidents Before They Occur

The Safety Design Department, which was established in fiscal year 2007, ended March 31, 2008, has further enhanced safety research for product design to ensure safety at the design stage throughout the Group. It also assiduously prevents major accidents before they occur by examining the causes of near misses and strengthening measures to prevent reoccurrence. In addition, azbil has established a multi-route reporting system so parties involved can contact top management without delay in the event that an accident occurs, thus allowing the staff to respond quickly to and minimize the scale and impact of the accident.

Further Improving Product Quality

azbil is working on the following three key activities to further improve product quality.

- Staff from departments concerned work rapidly as a team to examine the cause of nonconformity that occurs at a customer's site, and implement measures to prevent reoccurrence.
- We work on homogenous and stable manufacturing and establish manufacturing processes that can also prevent the occurrence of defects on the production line in order to vastly improve product quality.
- We make quality and reliability targets clear during new product development, and all departments achieve their various targets during the development process in order to provide products that satisfy customers.

Making Quality Status Transparent

All departments set their own quality targets so the azbil Group's products and services satisfy customers. By making the achievement status of these quality targets constantly visible, we rotate the management cycle, identify problem areas quickly and steadily implement effective measures.

Measurement Standards

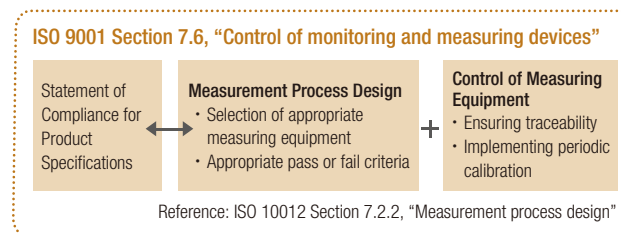
azbil's Measurement Technologies

In December 2008, the Japanese Standards Association published *Introduction to Measurement Technologies for On-Site*

Engineers, with input primarily from Yamatake's Measurement Standards Center. Subjects are organized and presented in an easy-to-understand format, organized introduction to subjects from fundamental measurement technologies azbil has cultivated to know-how about measurement process design, including selection criteria for measuring equipment and methods for inspection criteria to determine pass or fail, based on product specification.

Strengthening Measurement Management Systems

Managing measuring equipment has focused on reliably making periodic calibrations and ensuring measurement traceability. However, measurement process design, which is a requirement for ISO 10012 certification, is indispensable to fulfilling customers' demands for verification of conformity to specifications of delivered products (statement of compliance). azbil strengthened its measurement management systems by implementing measurement process design, as introduced through means including publication.



JCSS Accreditation (Registration No. 0155)

The Measurement Standards Center was accredited by the Japan Calibration System Service (JCSS) under the Measurement Law on February 21, 2007 for temperature and pressure, on July 9, 2007 for humidity, and on September 10, 2008 for electricity (direct current and low frequency), and is carrying out its calibration business under the National Measurement Standards Provision System of the Measurement Law. In addition, Group company Kimmon Manufacturing's Calibration Service Center has been accredited by JCSS for flowrate (Registration No. 0134). The azbil Group maintains product quality through the cooperation of Yamatake and Kimmon Manufacturing in the field of measurement technologies.
<http://www.iajapan.nite.go.jp/jcss/en/pdf/d0155m-e.pdf>

Employee Relations

The azbil Group has begun a new program for nurturing human resources in order to take the lead in reforms and solidify its management base. Based on the philosophy that “safety and health are the source of everything,” we will work on making a more pleasant workplace and on systematic nurturing of human resources.

General information on employee relations can be seen at ► <http://www.azbil.com/csr/soc/employees.html>

Personal Growth through the Challenge of Reform Starting a New Ability Development Support System

The three years from fiscal year 2007, ended March 31, 2008, are the “period of firmly establishing the foundation.” Therefore, the azbil Group established the Yamatake Skill Development Program in order to support ability development from the perspective of the Company policy, “Take up the challenge of reforming operations and responsibilities in order to grow ourselves.” This program was explained to employees three times through booklets and the Internet, and covers all kinds of training with a focus on the following four priority measures.

1) Implementing basic nurturing for the department head level

In order to brush up on the fundamental knowledge needed to establish the foundation during the period of reform, we implemented group training at the department head level totaling 10 days over five months.

2) Securing and nurturing human resources that will promote globalization

In addition to our existing variety of English-language education, we began training that responds to the diverse aims and educational needs of human resources that will promote globalization.

3) Encouraging the acquisition of certifications, skills and language abilities

We clearly defined our system for encouraging self-improvement by

- 1) unifying our incentive systems for acquiring certifications,
- 2) making certifications, skills, language abilities and other factors requirements for promotion, and
- 3) introducing a new policy to encourage acquiring certification.

4) Improving basic functions by restarting a training system based on employee classification

We established training that varies by employee class in order to nurture the employees we expect in each class, and implemented training for the supervisor and deputy manager levels during fiscal year 2008.



Management training

Strengthening Workplace Communication with Training Evaluators

Yamatake's personnel system for regular employees was revised in April 2008 to implement biannual training of evaluators in order to

further promote personnel development. Periodic training will continue from fiscal year 2009, ending March 31, 2010.

The aim of the personnel management system is to follow the PDCA management cycle. Because this system is based on managers' daily communication with people working under them, to strengthen communication we implemented training to gain knowledge of the four fundamental skills of listening, speaking, reprimanding and asking questions.

Creating a Healthy and Safe Work Environment with Ideal Working Conditions

Work-Life Balance Initiatives

In April 2008, Yamatake labor unions and management established the Work-Life Balance (WLB) Committee, which has begun implementing initiatives.

The two goals of these initiatives are revising work processes to improve work styles, and revising the system for time off for child care and nursing care in response to the shrinking and aging population.

As an initiative to revise work processes, from fiscal year 2009 responsibility reform teams will be formed at every workplace to improve productivity and thus increase employees' free time by decreasing actual hours worked throughout the Group.

To respond to the shrinking and aging population, the committee held a hearing, focused on the system for time off for child care and nursing care, with employees who have used the system. The committee is working to revise the system so it more fully supports both child care and employees' work. The committee will report on its activities to all Group companies through its newsletter.

“5S + Smile” Initiative

The azbil Group has begun its “5S + Smile” initiative as one of its activities to further solidify the foundations of its business. 5S stands for sort, straighten, shine, systematize and sustain. Previously, we had mainly implemented 3S (sort, straighten and shine) activities centered on production facilities. However, in fiscal year 2008 we expanded these activities beyond production facilities to all Group companies, including sales, research, development and other staff. In order to prepare this framework, centered on Yamatake, for further growth, it will be rooted in the activities of all the companies of the azbil Group. We consider “Smile” as a job fundamental alongside the 5S. We are confident that smiles contribute to invigorating communication, which is the social lubricant in creating the relationships of trust that are necessary to making progress in daily teamwork.

By putting “5S + Smile” into practice, we create an atmosphere where everyone always does the right thing, aimed at enduring future growth for the azbil Group.

For Local Communities

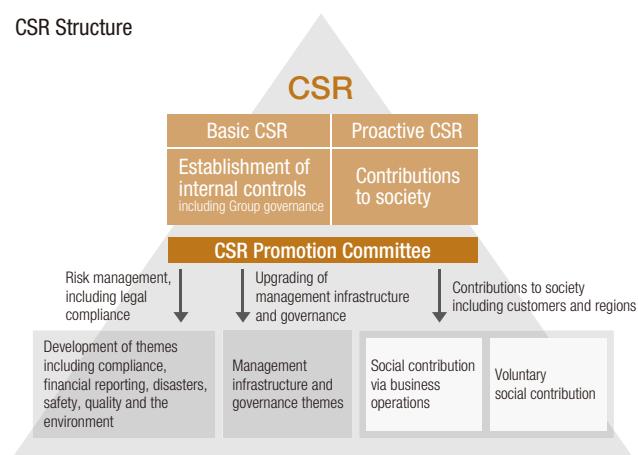
As one of our roles as a member of society, we actively contribute to the welfare of our fellow citizens in the fields of people, lifestyle, society and the Earth based on a “human-centered” approach.

General information on relations with local communities can be seen at ► <http://www.azbil.com/csr/soc/communities.html>

Positioning of Social Contribution

We redefined our positioning and areas of social contribution in fiscal year 2008, ended March 31, 2009, taking into account the azbil Group’s response to the needs of society that utilizes its special characteristics and strengths. As a result, the azbil Group resolved to consider more deeply and go forward with both social contribution through its business operations and voluntary social contribution.

CSR Structure



Basic Social Contribution Policy

- The azbil Group works to realize safety, comfort and fulfillment in people’s lives through “human-centered automation.” As a member of society, we promote “human-centered” social contribution activities in the fields of people, lifestyle, society and the Earth.
- Always conscious of people and respectful of stakeholders, we perform meaningful activities with mutual value and spirit.
- We conduct employee-participatory, sustainable activities that are rooted in our corporate culture.

Areas of Social Contribution

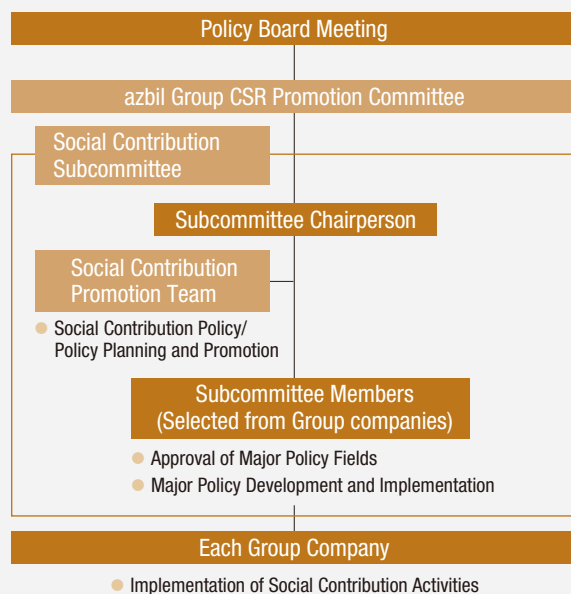
The azbil Group promotes distinctive social contribution activities in each of the following areas.

- **People (educational activities):**
Providing opportunities at public facilities for experiential learning to local residents, providing environmental learning and experiential activities to elementary schools, etc.
- **Lifestyle (activities for health and welfare, and a safe lifestyle):**
Emergency dispatch for the elderly, nursing at senior citizen facilities, employment for persons with disabilities, participation in bazaars for welfare facilities, etc.
- **Society (activities for a safe and comfortable community):**
Support for workplace safety, area management and operation of buildings, support for local sports rallies (environmental

awareness, garbage collection and separation), cooperation with a voluntary organization in refurbishing used personal computers, support for relief in disaster areas, etc.

- **The Earth (activities contributing to the global environment):**
Energy and resource conservation, environmental impact assessment, cleaning up beaches and mountains, support for environmental promotion events, etc.

Social Contribution Activity System



Case Studies

Environmental Education

azbil has been supporting environmental education at Tokiwamatsu Public Elementary School in Shibuya Ward, Tokyo since 2005, as part of environmental education support for the children and students who will lead the future. In addition to eco-research and presentations in the surrounding natural environment and school grounds, in fiscal year 2008 we held eco-life workshops at the Fujisawa Technology Center on topics including garbage processing, recycling, and making fertilizer.

Forest Conservation

The Tokyo Metropolitan Government, companies, NPOs and other groups are cooperating in activities to conserve nature within Tokyo including forests, woodlands and groves. During fiscal year 2008, We have cooperated with the Tokyo Metropolitan Government and Taisei Corporation in thinning and weeding the Nanakuniyama Nature Conservation Area in Machida City, Tokyo.

3

The Environment

Used uniforms of the Group are reborn as eco work gloves.



We communicate our know-how in energy conservation not only to businesses, but also to a wide range of people including local communities and elementary school students.



Final customer inspection of valves for the environment-conscious fuel LNG



The azbil Group is working to reduce its environmental impact throughout its business activities, and has set a target of a 6.2% reduction of CO₂ emissions for fiscal year 2012, ending March 31, 2013, compared with fiscal year 2006, ended March 31, 2007. Moreover, we contribute to the environment and society in ways including creating production spaces where people can work efficiently and in comfort, and operating energy conservation solutions and other businesses.

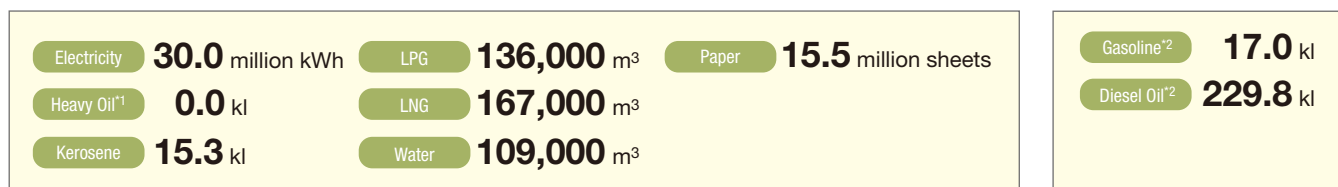
Regarding the critical worldwide issue of global warming, we are aggressively contributing to realizing a low-carbon society under the “human-centered automation” concept.

Environmental Initiatives throughout Business Activities

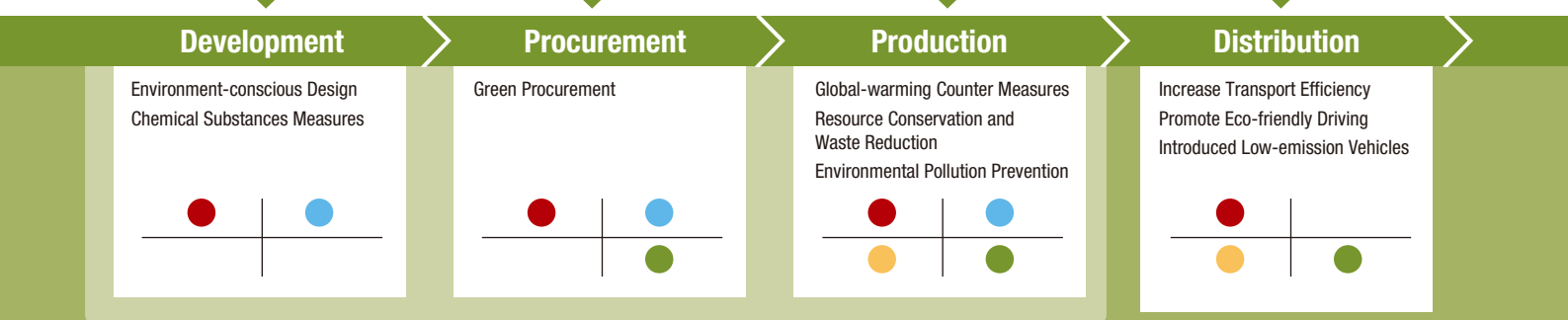
Yamatake engages in a range of activities to contribute to the environment, from product development, production, logistics, sales and design to product use, disposal and recycling. We undertake quantitative analysis of environmental impact and the cost and economic effect of our environmental preservation activities in all of our business activities and adopt appropriate measures for lessening impact.

Summary of Environmental Performance Data (Fiscal Year 2008, Ended March 31, 2009)

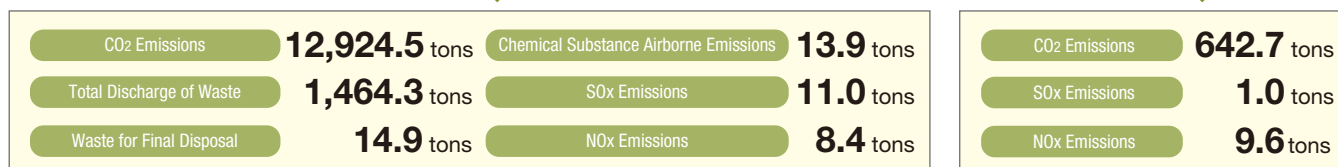
INPUT



Scope: Yamatake's Fujisawa Technology Center, Shonan and Isehara factories, Yamatake Control Products Taishin and Yamatake Mizuho (except Distribution)



OUTPUT



Summary of Environmental Accounting

Scope of calculations: Yamatake's Fujisawa Technology Center, Shonan and Isehara factories, Yamatake Control Products and Taishin

Environmental Conservation Cost

Category	Key Activity and the Outcome	Investment			
		FY2007	FY2008	Change	
(1) Environmental conservation cost to control environmental impacts which result from key business operations within the business area (Business area cost)	① Pollution prevention cost	100.4	12.6	-87.8	
	② Global environmental conservation cost	98.6	66.3	-32.3	
	③ Resource circulation cost	22.4	0.3	-22.1	
	Total of above	221.4	79.2	-142.2	
(2) Environmental conservation cost to control environmental impacts which result from key business operations upstream or downstream (Upstream/downstream cost)	—	0.0	0.0	0.0	
(3) Environmental conservation cost stemming from administrative activities (Administration cost)	Maintaining ISO 14001 certification, environmental information disclosure, environmental impact monitoring, environmental advertising, environmental education, greening and beautification of offices etc.	0.0	11.4	11.4	
(4) Environmental conservation cost stemming from R&D activities (R&D cost)	R&D in such fields as the environment and alternative energy	0.0	0.0	0.0	
(5) Environmental conservation cost stemming from social activities (Social activity cost)	Cleaning rivers, waterfront and other areas	0.0	0.0	0.0	
(6) Cost incurred for dealing with environmental degradation (Environmental remediation cost)	—	0.0	0.0	0.0	
Total		221.4	90.6	-130.8	

Electricity	7.6 million kWh	Gasoline	1,196.1 kl
Diesel Oil	15.4 kl	Kerosene	6.9 kl
LPG	1,000 m ³	LNG	38,000 m ³
Paper	34.5 million sheets		

Scope: 139 sales offices of Yamatake in Japan

*1 There has been no use of heavy oil since fiscal year 2005.

*2 Includes charter services and services by commissioned transport companies. Shipping services on consignment are not included.

Sales

Global-warming Counter Measures
Resource Conservation and
Waste Reduction
Green Purchasing



Use, Disposal, Recycling

Energy Consumption Reduction
Reduced Use and Recovery of
Packaging Produce Reuse



Eco Management Page 44

The azbil Group promotes environmental preservation activities under environmental management system ISO 14001, based on its Environmental Charter and Environmental Policy.

Eco Products and Eco Services Page 45

azbil creates products and services that consider the environment. We are also creating a framework for the management of chemical substances in our products.

Eco Factory and Eco Office Pages 46-47

azbil is striving to prevent global warming, conserve resources, reduce waste and prevent environmental pollution in order to decrease the environmental impact of its workplaces and offices.

Environmental Communication Page 48

We are carrying out environmental education for employees and environmental enlightenment activities for employees' families and local communities.

CO ₂ Emissions	5,630.3 tons
SO _x Emissions	14.0 tons
NO _x Emissions	34.3 tons

Target period FY2007: April 1, 2007 to March 31, 2008
FY2008: April 1, 2008 to March 31, 2009

	Cost	(Millions of yen)
FY2007	FY2008	Change
23.5	17.2	-6.3
87.8	66.9	-20.9
38.1	35.8	-2.3
149.4	119.9	-29.5
6.2	6.0	-0.2
223.4	245.5	22.1
535.4	572.1	36.7
1.4	2.9	1.5
0.0	0.0	0.0
915.8	946.4	30.6

Economic Benefit Associated with Environmental Conservation Activities

(Millions of yen)

Details of Benefit	FY2007	FY2008	Change
Disposal cost saving through lower resource input or recycling	65.4	38.0	-27.4
Energy expense saving through energy conservation	75.9	-14.7	-90.6
Cost saving from reduced resource use (Water)	-4.4	1.3	5.7
Total	136.9	24.6	-112.3

In fiscal year 2008, capital investment totaled ¥90.6 million, down ¥130.8 million from fiscal year 2007. Because the first stage of policies to prevent soil contamination and for treatment and drainage finished, pollution prevention cost decreased ¥87.8 million to ¥12.6 million. Meanwhile, although business area cost decreased ¥29.5 million to ¥119.9 million due to improvements in efficiency, expenditures totaled ¥946.6 million, down ¥30.6 million, as administration cost increased ¥22.1 million and R&D cost increased ¥36.7 million. In addition, because a change in contract demand and an increase in energy unit price caused energy expenses through energy conservation of ¥14.7 million, the total economic benefit of environmental conservation activities was ¥24.6 million.

*Environmental conservation cost is presented in a format equivalent to that given in the Ministry of the Environment's *Environmental Accounting Guidelines 2005*.

*Since the amounts represent the cost and benefit of activities to reduce the environmental impact, primarily production-related activities, the income and expenses from the environmental business and environment-conscious products and services are not included.

*Capital investment is fully booked in the fiscal year they were made, but are not included in the depreciation expenses calculation.

*Deemed benefit is not included. Economic benefit is limited to actual benefit, such as amounts saved due to reducing energy use.

Environmental Objectives, Targets and Results

The azbil Group is taking measures to achieve its goal of minimizing the impact placed on the environment by its business activities. These include measures to conserve energy and resources, prevent pollution and manage chemical substances.

All azbil Group employees are currently participating in energy conservation efforts with the medium-term goal of reducing CO₂ emissions by 6.2% for fiscal year 2012, ending March 31, 2013, compared to fiscal year 2006, ended March 31, 2007, in order to help prevent global warming, the greatest environmental problem. The Group's policy is to initially focus on the efforts in offices and factories.

Yamatake's Environmental Objectives and Targets

	Categories	Objectives	Targets for Fiscal Year 2008
Eco Factories, Eco Offices	Conservation of energy ^{*1}	<ul style="list-style-type: none"> By fiscal year 2012, reduce total volume of CO₂ emissions by 6.2% compared to fiscal year 2006 through thoroughgoing energy conservation (Fiscal year 2006 total volume: 20,167 tons of CO₂) 	<ul style="list-style-type: none"> Reduce by 3.4% compared to fiscal year 2006 Total volume: 19,481 tons of CO₂
	Conservation of natural resources	<ul style="list-style-type: none"> By fiscal year 2012, reduce total amount of purchased copier-use paper by 30% compared to fiscal year 2006 through operational improvements (Fiscal year 2006 total volume: 53.34 million sheets) 	<ul style="list-style-type: none"> Reduce by 10% or above compared to fiscal year 2006
	Compliance with laws and regulations, prevention of pollution	<ul style="list-style-type: none"> Compliance with environmental laws and regulations and other agreed-upon requirements Compliance with revised PRTR Law^{*2} Completely discontinue use of dichloromethane^{*3} 	<ul style="list-style-type: none"> Incidents of noncompliance: 0 — Completely discontinue use of dichloromethane at Shonan factory
Eco Products, Eco Services	Environment-conscious design	<ul style="list-style-type: none"> Bolster environmental consideration in product developments Increase ratio of eco products^{*4} among new products Increase LCA^{*5} implementation rate for new products 	<ul style="list-style-type: none"> Ratio of eco products among new products: 90% or above LCA implementation rate: 10% or above Upgrade the promotional environment for LCA and create LCA guideline
	Managing-chemical substances	<ul style="list-style-type: none"> By fiscal year 2011, create and establish Groupwide aG-CMS^{*6} management systems 	<ul style="list-style-type: none"> Inaugurate aG-CMS^{*6} Promotion Committee Respond to most important CMS management issues (procurement framework, survey of chemical substances used in products, etc.) Implement responses to REACH regulations^{*7}, ship recycling law, etc.
	Green procurement	<ul style="list-style-type: none"> Green procurement rate (purchase-balance ratio) to 95% or above 	<ul style="list-style-type: none"> Green procurement rate: 95% or above Educate, enlighten and provide guidance for partner companies
Eco Communication	Disclosing environmental information, coexisting with society	<ul style="list-style-type: none"> Participate in environmental activities and local environmental activities Encourage all employees and their families to reduce CO₂ emissions 	<ul style="list-style-type: none"> Cleaning activities in areas close to office and plants. Support for the Shonan International Marathon Cooperate with NGOs and NPOs Hold energy conservation tours for children during summer holidays

^{*1} Covers Yamatake, Yamatake Control Products, Taishin and Yamatake Mizuho ^{*2} PRTR Law: The Pollutant Release and Transfer Register Law

^{*3} Excluding certain specialty products. ^{*4} Eco products: new products that have cleared aG environmental certification benchmarks ^{*5} LCA: Life Cycle Assessment

^{*6} aG-CMS: The azbil Group's Chemical-substances Management Systems ^{*7} REACH regulations: EU regulations for the registration, evaluation, authorization and restrictions of chemicals

The azbil Group's Medium-term Target

By fiscal year 2012, ending March 31, 2013, reduce Group CO₂ emissions 6.2% compared to the level at the end of fiscal year 2006, ended March 31, 2007.

	Results for Fiscal Year 2008	Self-assessment	Targets for Fiscal Year 2009	Targets for Fiscal Year 2011
	<ul style="list-style-type: none"> Reduced by 8.0% compared to fiscal year 2006 Established new medium-term targets following reorganization of workplaces 	○	<ul style="list-style-type: none"> Reduce by 6.0% compared to fiscal year 2006 Total volume: 18,957 tons of CO₂ Compliance with revised Law Concerning the Rational Use of Energy 	<ul style="list-style-type: none"> Reduce by 3.6% compared to fiscal year 2006 Total volume: 19,441 tons of CO₂ (for details, please refer to page 46)
	<ul style="list-style-type: none"> Reduced by 9.3% compared to fiscal year 2006 Total volume: 48.39 million sheets 	△	<ul style="list-style-type: none"> Reduce by 15% or above compared to fiscal year 2006 	<ul style="list-style-type: none"> Reduce by 25% or above compared to fiscal year 2006
	<ul style="list-style-type: none"> Instances where kitchen-use water exceeds standards: 1 — Use at Shonan Factory: fiscal year 2008, 3.0 tons, an 80% reduction Fiscal year 2006, 15 tons 	×	<ul style="list-style-type: none"> Incidents of noncompliance: 0 Introduce material safety data sheets (MSDS) and survey pertinent chemical substances Completely discontinue use of dichloromethane at Shonan Factory's control valve upgrade area 	<ul style="list-style-type: none"> Continue previous targets Report on pertinent chemical substances —
	<ul style="list-style-type: none"> Ratio of eco products among new products: 82% LCA implementation rate: 9% Created LCA guideline 	△	<ul style="list-style-type: none"> Ratio of eco products among new products: 90% or above LCA implementation rate: 15% or above Upgrade the promotional environment for LCA 	<ul style="list-style-type: none"> Continue previous targets
	<ul style="list-style-type: none"> Inaugurated aG-CMS Promotion Committee Enacted and revised CMS-related regulations Held explanatory meeting regarding REACH regulations 	△	<ul style="list-style-type: none"> aG-CMS Promotion Committee operates Respond to most important CMS management issues (procurement framework, REACH regulations, survey of chemical substances used in products, etc.) 	<ul style="list-style-type: none"> Continue previous targets
	<ul style="list-style-type: none"> Green procurement rate: 94% Expanded number of Yamatake Eco Program registered companies to 54 	○	<ul style="list-style-type: none"> Green procurement rate: 95% or above Educate, enlighten and provide guidance for partner companies 	<ul style="list-style-type: none"> Continue previous targets
	<ul style="list-style-type: none"> As planned 	○	<ul style="list-style-type: none"> Cleaning activities in areas close to office and plants. Participate in various environmental events Cooperate with NGOs and NPOs Hold environmental enlightenment programs for families of employees 	<ul style="list-style-type: none"> Continue previous targets

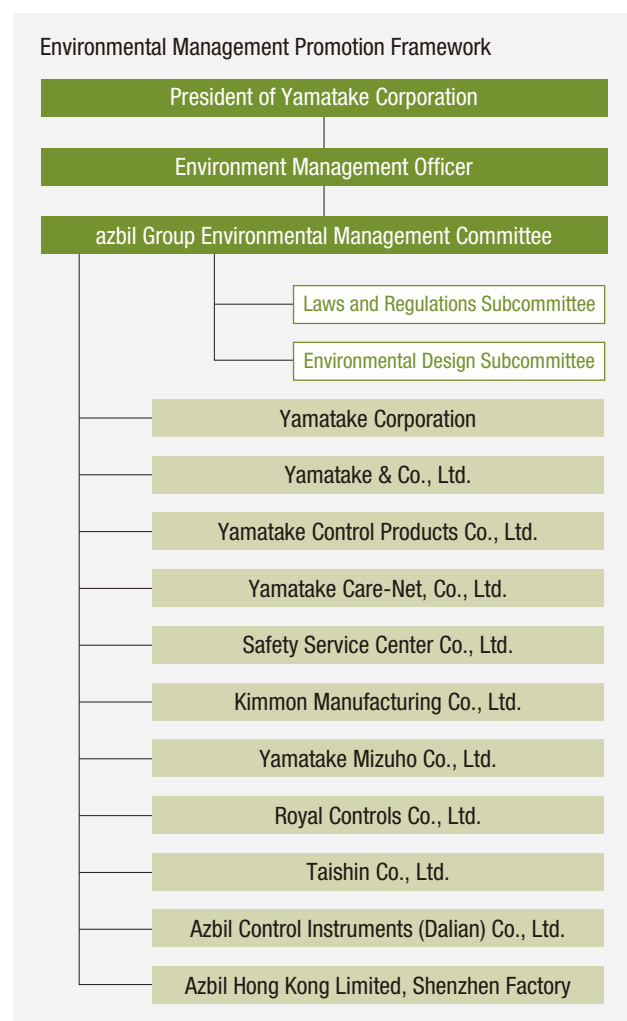
Eco Management

The azbil Group engages in environmental preservation activities under the ISO 14001 standard for environmental management systems, based on its environmental charter and environmental policy. Through efforts that revolve around the PDCA (Plan, Do, Check, Act) cycle, we are working to continuously reduce or prevent the environmental impact and risks associated with our business activities.

General information on Eco Management can be seen at ► <http://www.azbil.com/csr/eco/em/>

Environmental Management Promotion Framework

The Groupwide environmental management promotion framework promotes environmental preservation activities. The Environmental Management Officer reports directly to the president of Yamatake, as well as assisting the president in overseeing all environmental preservation activities. The azbil Group Environmental Management Committee serves as the deliberative body that oversees environmental management. The committee drives as well as reviews environmental management planning and has various subcommittees that review common issues in addition to more specialized issues. In fiscal year 2008, ended March 31, 2009, its range was expanded, as Yamatake Care-Net, Yamatake Mizuho and Royal Controls were newly added to the promotion framework.



The environmental charter and environmental policy can be seen at ► <http://www.azbil.com/csr/eco/em/group.html>

ISO 14001 Certification

In August 1996, Yamatake of the azbil Group became the first company in the control instruments industry in Japan to obtain ISO 14001 certification, and since then has continued to acquire certification for its various locations in Japan and overseas in incremental stages. In February 2004, Yamatake integrated its environmental management systems to achieve improvements in administration-level quality and heightened efficiency for control and maintenance. In fiscal year 2005, ended March 31, 2006, we expanded the scope to include all offices and operating sites in Japan. In fiscal year 2008, ended March 31, 2009, Royal Controls Co., Ltd. and Azbil Singapore Pte. Ltd. were newly certified.*

*Azbil Singapore simultaneously obtained OHSAS 18001 certification.

ISO 14001 Certification History

Aug. 1996	Yamatake Corporation
Sept. 1997	Yamatake Control Products Co., Ltd.
July 2000	Taishin Co., Ltd.
Feb. 2002	Azbil Control Instruments (Dalian) Co., Ltd. (formerly Dalian Yamatake Control Instruments Co., Ltd.)
July 2004	Yamatake Corp. certification integrated
Dec. 2004	Yamatake & Co., Ltd.
June 2006	Azbil Korea Co., Ltd. (formerly Yamatake Korea Co., Ltd.)
July 2007	Azbil Hong Kong Limited (formerly Yamatake China Limited)
June 2008	Azbil Singapore Pte. Ltd. (formerly Yamatake Controls Singapore Pte. Ltd.)
Sept. 2008	Royal Controls Co., Ltd.

ISO 14001 certification status can be seen at

► <http://www.azbil.com/csr/eco/em/iso.html>

The history of environmental management activities can be seen at

► <http://www.azbil.com/csr/eco/em/history.html>

Management Auditing

Yamatake has two internal and two external audits a year to confirm that the environmental management system is continuously being improved and is used effectively. The internal audits confirm the environmental contributions through the business operations of each department, and environmental management promotion organizations perform mutual audits. External audits are carried out simultaneously for environmental and quality management systems. The external audits conducted in fiscal year 2008 confirmed that management systems are used efficiently and continuous improvements are in progress.

Eco Products and Eco Services

Based on the environmental design guidelines formulated in 1997, in new product development and lineup expansion we actively promote the development of environment-conscious products and services throughout their life cycles. Constructing and maintaining a management framework for chemical substances used in products is essential to regulatory compliance. We will continue to strengthen and maintain our initiatives in green procurement and the management of chemical substances used in products.

General information on Eco Products and Eco Services can be seen at ► <http://www.azbil.com/csr/eco/es/>

Environment-conscious Design of Products and Services

Flow of Environment-conscious Design

Limiting environmental impact requires stringent environmental assessments at all stages of a product's life cycle, from the early development, planning and design stages through to materials procurement, production, distribution, marketing, use and final product disposal. All of our new products and other offerings undergo a thorough environmental design assessment, and we are building the mechanisms for life cycle assessment (LCA) as a basic principle behind product design, development and use. Products that satisfy or exceed LCA standards are designated as environment-conscious and acquire the self-declared azbil Group Type II Environmental Label.

azbil Group Environmental Label

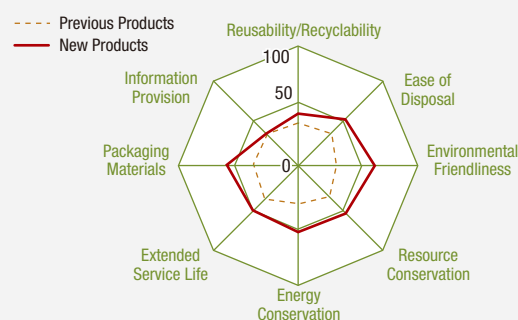


Information on the azbil Group Environmental Label can be seen at: ► <http://www.azbil.com/csr/eco/es/label.html>

Results of Environmental Assessments

The Group has been using environmental design guideline for developing environment-conscious products and upgrading the performance features of its existing products since 1997. Products are assessed for their environmental impact in eight categories in comparison with existing products in a four-stage process. In fiscal year 2008, ended March 31, 2009, the overall average improvement was 15.7%. Environmental safety measures improved 31.5%, and energy conservation improved 20.2%.

Results of Overall Assessment in Fiscal Year 2008



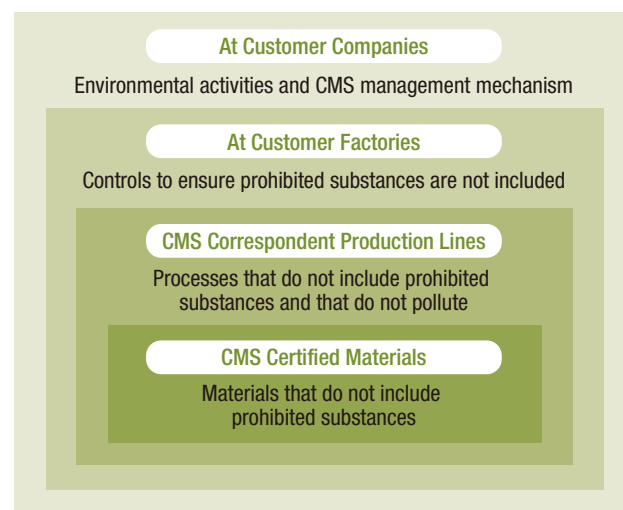
Environment-conscious products and services can be seen at ► <http://www.azbil.com/csr/eco/es/hairyo.html>

Green Procurement, and Management of Chemical Substances Used in Products

Management of Chemical Substances Used in Products

Activities for managing chemical substances used in products must extend not only across the breadth of the azbil Group, but also over its entire supply chain as well, including its procurement practices for components, products and basic materials. Based on the Japan Green Procurement Survey Standardization Initiative's "Guideline for the Management of Chemical Substances Used in Products," we have created a framework for the management of chemical substances and established the guideline for constructing management systems for chemical substances. Following this guideline, we apply management systems for chemical substances to all of our operations, including supply chains, as we seek the understanding and cooperation of customers and business partners.

Our Chemical Substance Management Philosophy



CMS = Management systems for chemical substances used in products

Green Procurement

The azbil Group assesses the green procurement survey of its business partners and suppliers to provide environment-conscious products and services. We continue extending support to our business partners through the Yamatake Eco Program (YEP), which comprises environmental preservation activities that are simple for small businesses to carry out and is based on the Eco Action 21 program developed by the Ministry of the Environment. In fiscal year 2008, 184 companies newly registered for YEP, for a total of 756 participating companies since the program was introduced in fiscal year 2005, ended March 31, 2006.

Eco Factory and Eco Office

Business activities themselves have a major impact on the environment, but the azbil Group places importance on contributing to improving the environment by furnishing its customers with products, services and solutions that minimize the use of resources to the greatest extent possible. At all workplaces, we are striving to prevent global warming, conserve resources, reduce waste and prevent environmental pollution in order to decrease the environmental impact through our business activities.

General information on Eco Factory and Eco Office can be seen at ► <http://www.azbil.com/csr/eco/eo/>

Prevention of Global Warming

The azbil Group further strengthened energy conservation measures as part of its social responsibilities.

Achievements in Reducing CO₂ Emissions and Future Reduction Targets

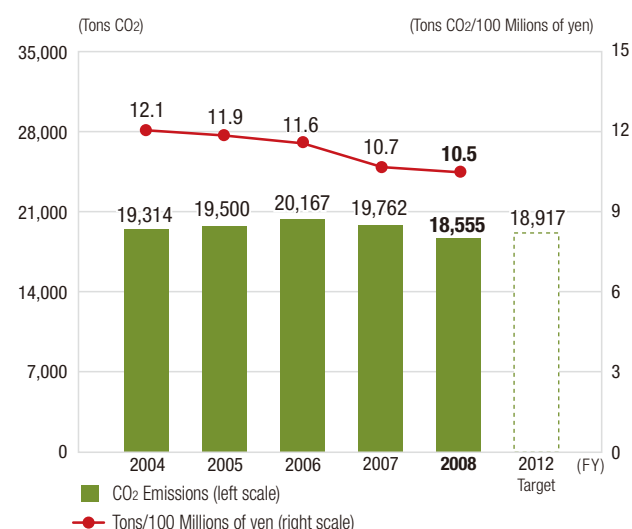
In order to contribute to the prevention of global warming, the azbil Group continuously works to conserve energy as a priority issue.

We rethought our approach to energy conservation in order to achieve greater success and decided to implement measures for items for improvement in four quadrants: equipment renewal and operational improvements of facilities, such as air-conditioning and lighting, and of production lines.

Still, there was room for improvement within the Company, and we judged that we could not adequately break down targets for each department. We therefore designated executive directors and officers responsible for energy conservation and its promotion at each building, area and department at factories and other large-scale workplaces in the second half of fiscal year 2008, ended March 31, 2009. We have set CO₂ reduction targets for all these areas and are focusing on improving practices. As a result we reduced total CO₂ emissions for fiscal year 2008 by 8% from fiscal year 2006, ended March 31, 2007.

Further, as production substantially decreased due to the economic downturn from the second half, CO₂ emissions for fiscal year 2008 improved 9% on a unit sales basis from fiscal year 2006.

CO₂ Emissions: Results and Targets



*Scope: Yamatake, Yamatake Control Products, Taishin and Yamatake Mizuho

*Coefficient of CO₂ emissions from electric power consumption uses a fixed value (0.378kg CO₂/kWh).

*Data of fiscal years up to fiscal year 2005 include estimates.

Although we succeeded in substantially reducing CO₂ emissions in fiscal year 2008, we expect that it will continue to be impossible to predict future results due to the economic conditions, the start of operations at new testing facilities and our plan to enhance production facilities. We will continue working on further energy conservation measures.

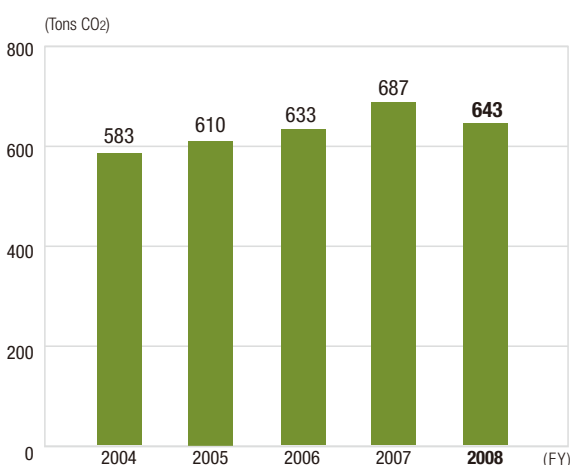
In accordance with the change from regulation of workplace units to regulation of business units due to revision of the Law Concerning the Rational Use of Energy, Yamatake is scheduled to become a specified corporation. We will therefore promptly begin using our new product, the CO₂ emission management software "CO₂ Management System."

CO₂ Emission Reductions in Logistics

The azbil Group first began grappling with the issue of energy use in logistics in December 2002, and has gradually expanded the scope of its understanding and worked to refine its accuracy. Because most Group logistics are outsourced to transportation companies, our efforts are centered on fine-tuning delivery routes, improving loading, revising packaging materials and other improvements in cooperation with transportation companies. However, CO₂ emissions at the logistics stage decreased 6% year on year in fiscal year 2008 due to factors including decreased production.

Our total distribution volume decreased about 5% in fiscal year 2007, ended March 31, 2008, to 3.0 million ton kilometers in the fiscal year 2008, meaning that the Company was not classified as a designated shipper (a company shipping 30 million ton kilometers or more).

CO₂ Emissions at the Distribution Stage



*Scope: Yamatake's Fujisawa Technology Center, Shonan and Isehara factories, Yamatake Control Products and Taishin

*Includes company services and charter services

Resource Conservation and Waste Reduction

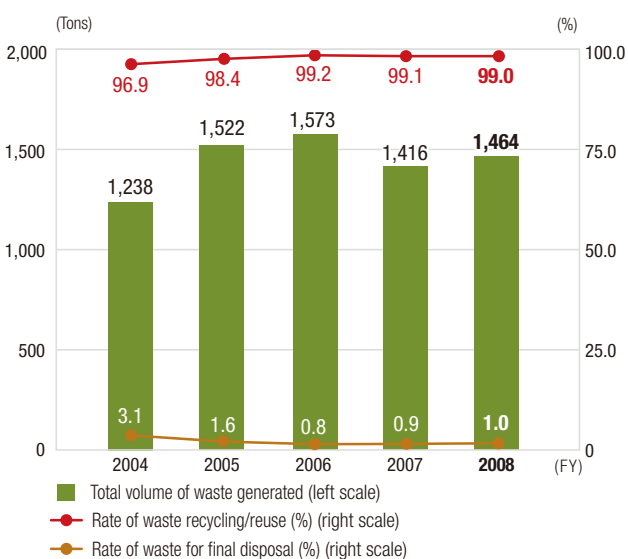
The azbil Group is striving to reduce waste and conserve resources in order to efficiently use limited resources.

Results in Waste Reduction

The waste generated at our factories and offices is carefully sorted by material and type. We are currently rethinking the way we collect waste and thoroughly educating our employees in waste separation methods to ensure that all resources are reused and recycled.

In fiscal year 2008, we maintained our recycling rate of 99%. The total volume of waste increased slightly due to the disposal of unnecessary items accompanying the start of "5S (sort, straighten, shine, systematize, sustain) + Smile" activities. However, we will continue focusing resources on curtailing waste.

Waste Disposal and Rate of Recycling/Reuse



*Scope: Yamatake's Fujisawa Technology Center, Shonan and Isehara factories, Yamatake Control Products and Taishin

*Total volume of waste generated is the total for industrial waste and non-industrial waste (including valuable material).

Reducing Paper Use

We are stepping up the sharing of data and electronic reports and are developing owner's manuals and product specifications in electronic form.

In fiscal year 2008, we reduced the volume of paper used by 9%, compared with our target of 10% reduction from fiscal year 2006, through progress in initiatives including introducing multifunctional equipment and making usage data more visible. Going forward, we will continue to push forward long-term efforts for reductions, including reducing paper material delivered to customers.

Environmental Pollution Prevention

The azbil Group makes concerted efforts to prevent atmospheric, water and other environmental pollution in order to minimize the environmental impact of its production activities.

Preventing Atmospheric and Water Pollution

The azbil Group periodically analyzes and measures gas emissions and wastewater and maintains and manages equipment for eliminating pollution. Moreover, we make sure that chemical substances are adequately managed and promote alternatives for them, and provide our employees with training in environmental auditing and emergency response.

Substitution for dichloromethane, a degreasing detergent, has been completed in main production processes at Yamatake's Shonan Factory. However, as it remains in use in manual cleaning processes for equipment such as tools, we did not meet our goal for fiscal year 2008 of totally phasing it out. In fiscal year 2009, ending March 31, 2010, we will continue substitution in order to meet our goal of totally phasing out dichloromethane.

Moreover, we adequately clean wastewater from our factories and from their kitchens and other facilities and then release it back into the public waterways. Wastewater is periodically analyzed and continuously monitored for quality.

In fiscal year 2008, there were instances of kitchen wastewater exceeding standards at Yamatake's Fujisawa Technology Center and of rainwater that had mixed with the contents of a waste oil storage tank flowing to the river at Yamatake Control Products. This was reported to the appropriate authorities and corrected.

Environmental Regulation Compliance

The Laws and Regulations Subcommittee meets quarterly to discuss important regulatory issues that must be addressed by the azbil Group and to share information concerning regulatory matters. In fiscal year 2008, the Group did not violate any laws, was not penalized or fined and was not subject to any litigation or complaints concerning environmental matters.

Compliance with PRTR Law*

The azbil Group monitors and reports on any relevant substances with volumes used of one ton or more annually.

*The Pollutant Release and Transfer Register (PRTR) Law promotes improved measurement and management of emissions into the environment of designated chemical substances.

Class 1 Designated Chemical Substances under the PRTR Law can be seen at

► <http://www.azbil.com/csr/eco/eo/prtr.html>

Environmental Communication

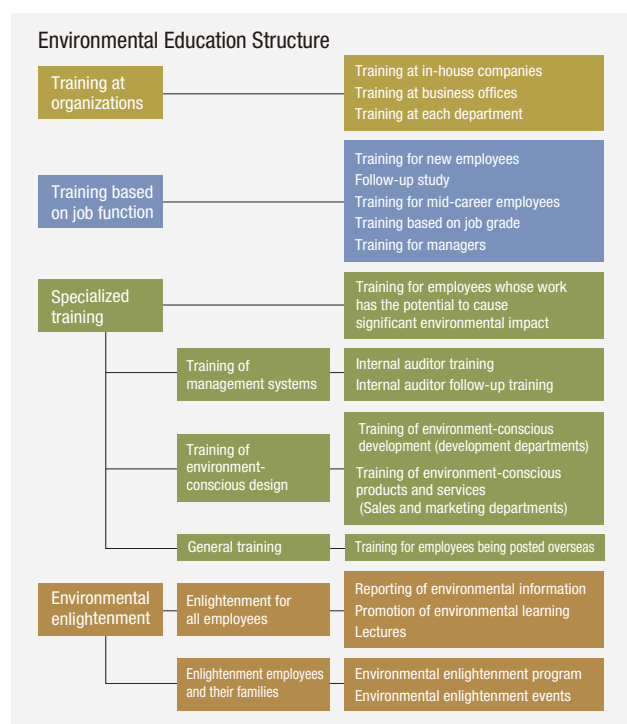
The azbil Group aims to encourage each employee's understanding of its management systems and raise his/her environmental awareness in order to further promote its environmental preservation activities. In addition, we place importance on communication with stakeholders regarding our environmental preservation activities through the environment-conscious lifestyle of our employees and their families, as well as our environmental enlightenment initiatives for local communities.

General information on Environmental Communication can be seen at ► <http://www.azbil.com/csr/eco/ec/>

Environmental Education

Environmental Education for Employees

We implement and continuously revise education for each job function and department in order to encourage understanding of our management systems and encourage environmental awareness. To encourage understanding of management systems and raise environmental awareness, we implement and continuously revise education for each job function and department, such as training at each organization, training based on job function, and specialized training. Specialized training includes our original training for internal auditors and training for employees before they are posted to overseas units that aims to promote environmental preservation activities at our overseas units. We also offer environmental education for all employees and their families through various events and our own environmental news in order to further develop his/her environmental awareness.



Environmental Education Record for Fiscal Year 2008

Category	Course Content	Total number of participants	Total number of hours
Training at each organization	Training of environmental preservation activities	29,993	2,318
Training based on job grade	Training for new employees, mid-career employees, etc.	417	1,580
Specialized training	Internal auditor training Training for employees being posted to overseas units	413	2,609

Scope: Yamatake's Fujisawa Technology Center, Shonan and Isehara factories, Yamatake Control Products and Taishin

Environmental Enlightenment Initiatives

Tour of Model Factory for Energy Conservation

Our factory tour welcomes a wide range of visitors, ranging from both Japanese and overseas corporate and government personnel in charge of environmental and energy conservation practices to elementary, middle and high school students. As of March 2009, a total of 7,084 people had visited. In fiscal 2008, ended March 31, 2009, we newly implemented tours for Fujisawa Technology Center employees in order to further foster understanding of our environmental preservation activities.

Tour of model factory for energy conservation at Fujisawa Technology Center can be seen at ► <http://jp.yamatake.com/csr/factorytour/> (Japanese)



Tour of energy-conserving factory for employees

Promoting Environment-conscious Lifestyle of Employees and their Families

The azbil Group is fostering the environment-conscious lifestyle of its employees and their families as an initiative to prevent global warming in the household. In fiscal year 2008, we implemented our original environment-conscious lifestyle enlightenment program, "Summer Vacation Environment-Conscious Lifestyle Project !" under the key concept of the whole family working together toward an environment-conscious lifestyle during their summer vacation. The program, including an introduction of energy-conservation initiatives at the Fujisawa Technology Center, was well-received. A total of eight families worked toward an environment-conscious lifestyle over the summer vacation and created various unique environment-conscious lifestyle trees. As a result of their achievement, CO₂ emissions were reduced by a total of about 24kg.



Announcement of results of each family's initiative

4

Financial Report



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Financial Review

Consolidated Results

Net Sales

In fiscal year 2008, ended March 31, 2009, net sales decreased ¥12,377 million, or 5.0%, year on year to ¥236,173 million due to the contraction in capital investment and rapid economic downturn in Japan and overseas from the third quarter. Detailed breakdowns are provided in the Business Overview section, but summaries are as follow.

Building Automation Business

Building Automation business sales grew steadily. Operations in the market for new buildings were firm due to completion of both large-scale commercial building redevelopment projects and new large-scale production facility projects, and the service business expanded its service lineup by increasing the number of contracts as a response to market needs. Sales decreased for operations targeting existing buildings owing to subdued investment caused by the deterioration in business confidence, and a drop in sales in the ESCO business after a rush of projects in the previous fiscal year due to a change in the subsidy system. However, we were able to maintain Building Automation business sales at ¥100,367 million, essentially the same level as the previous fiscal year.

Advanced Automation Business

Due to the effects of the global economic downturn, a trend to freeze or restrict capital investment throughout the manufacturing industry became particularly conspicuous from the third quarter. There was a sudden fall in investment among companies producing electronic components, semiconductors, machine tools and automobiles. In addition, in the materials industries, such as chemicals and steel, moves to cut output and postpone investment in new plants gathered momentum. As a result, sales decreased ¥11,815 million, or 11.2%, year on year to ¥93,631 million.

Life Automation Business

Various kinds of meters and equipment make up the majority of Life Automation business sales. The recovery of demand for both city gas and LP gas meters weakened as a result of the economic downturn. At the same time, because of the fall in capital investment throughout the manufacturing industry, sales of city gas equipment for industrial use also decreased. Although sales of the nursing care service and emergency dispatch service businesses increased slightly as a result of efforts to increase the number of contracts and expand service content, it was not enough to compensate for the decrease in meters and equipment. Sales therefore decreased ¥534 million, or 1.5%, year on year to ¥35,923 million.

Other Businesses

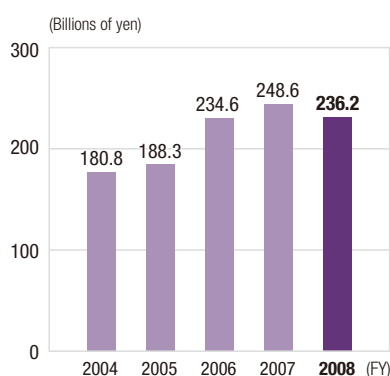
Sales decreased ¥495 million, or 5.9%, year on year to ¥7,916 million.

Operating Income

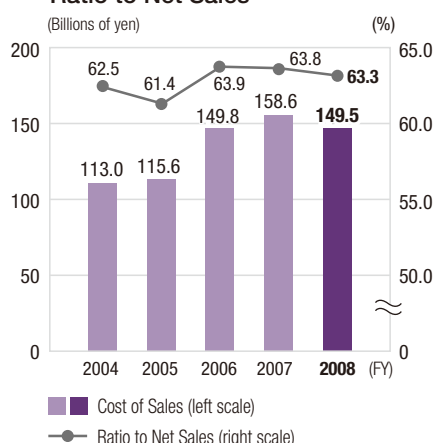
Cost of sales totaled ¥149,519 million due to lower net sales. The cost of sales ratio improved by 0.5 percentage points to 63.3% as we worked on cost reductions and profitability improvement measures amid continuing severe price competition. Despite an increase in amortization of goodwill caused by making Kimmon Manufacturing Co., Ltd. a wholly owned subsidiary, selling, general and administrative expenses decreased ¥639 million, or 0.9%, year on year to ¥68,823 million due to assiduous reductions of expenditures. The ratio of selling, general and administrative expenses to net sales increased 1.2 percentage points to 29.1%.

As a result, operating income decreased ¥2,652 million, or 12.9%, year on year to ¥17,832 million. By business segment, operating income increased ¥1,321 million, or 11.2%, year on year to ¥13,073 million for the Building Automation business and decreased ¥3,960 million, or 44.4%, year on year to ¥4,966 million for the Advanced Automation business. Operating loss for the Life Automation business improved ¥125 million year on year to a loss of ¥160 million, and the operating loss for Other businesses was ¥54 million.

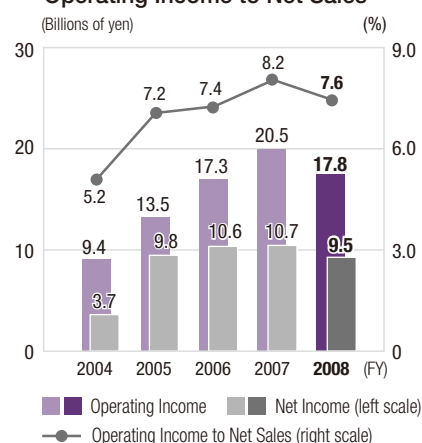
Net Sales



Cost of Sales/ Ratio to Net Sales



Operating Income/Net Income/ Operating Income to Net Sales



Net Income

Other Income (Expenses)

Other expenses-net totaled ¥1,405 million, compared with other expenses-net of ¥944 million in the previous year. Major factors included office transfer expenses of ¥422 million for the integration and consolidation of operating bases, which were charged under "others-net;" and foreign currency exchange loss of ¥644 million.

Income before Income Taxes and Minority Interests/ Income Taxes

Income before income taxes and minority interests decreased ¥3,113 million, or 15.9%, year on year to ¥16,427 million.

Total income taxes decreased ¥1,854 million, or 21.8%, to ¥6,664 million. The actual effective tax rate on income before income taxes and minority interests was 40.6%, a decrease of 3.0 percentage points from the previous fiscal year, while minority interests in net income decreased ¥75 million, or 24.0%, to ¥238 million.

As a result of the above factors, net income decreased ¥1,184 million, or 11.1%, to ¥9,525 million.

Financial Position

Assets

Total assets at March 31, 2009, were down ¥7,998 million, or 3.5%, year on year to ¥220,846 million. While current assets decreased ¥8,626 million, or 5.1%, to ¥160,956 million, property, plant and equipment increased ¥491 million, or 1.7%, to ¥29,837 million. Investment and other assets increased ¥137 million, or 0.5% to ¥30,053 million.

The major changes were as follows.

Current Assets

Cash and cash equivalents: Decreased ¥4,935 million due mainly to increased collection of accounts receivable

Notes and accounts receivable-trade: Decreased ¥10,684 million due to the decrease in sales

Property, Plant and Equipment, Investment and Other Assets

Goodwill: Increased ¥3,344 million as a result of making Kimmon Manufacturing Co., Ltd. a wholly owned subsidiary

Investment securities: Decreased ¥4,802 million, because of a fall in the market value of stock holdings and other factors

Liabilities

Total liabilities at March 31, 2009 decreased ¥11,261 million, or 10.5%, year on year to ¥95,862 million. Total current liabilities decreased ¥8,324 million, or 9.6%, to ¥78,739 million and total long-term liabilities decreased ¥2,937 million, or 14.6%, to ¥17,122 million.

The major changes were as follows.

Current Liabilities

Notes and accounts payable-trade: Decreased ¥6,153 million due to a decrease in purchasing

Long-Term Liabilities

Long-term debt: Decreased ¥2,141 million due mainly to repayment

Equity

Total equity on March 31, 2009 increased ¥3,263 million, or 2.7%, from a year earlier to ¥124,984 million.

A year-on-year comparison of asset performance indicators (simple average at beginning and end of the year) is as follows.

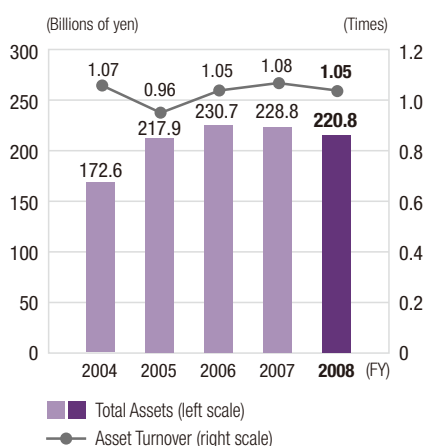
Receivables/sales (days): Decreased 4 days to 124 days

Inventories/cost of sales (days): Unchanged at 55 days

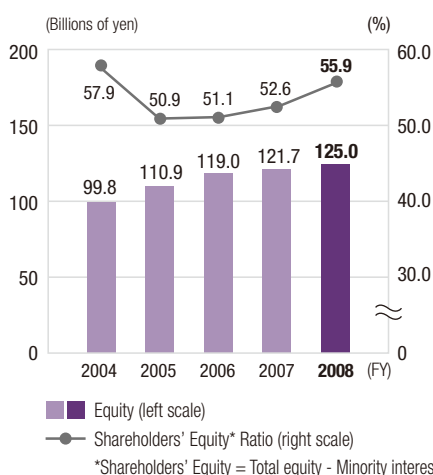
Asset turnover (times): Decreased 0.03 times to 1.05 times

The ratio of equity to total assets: Increased 3.4 percentage points to 56.6%

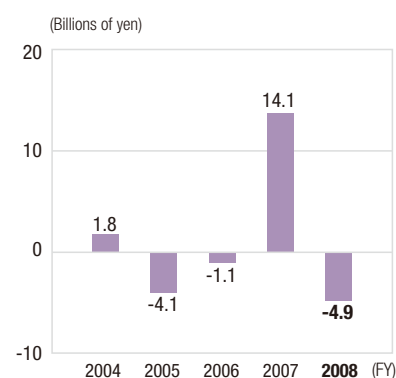
Total Assets/Asset Turnover



Equity/Shareholders' Equity* Ratio



Cash Flows



Per Share Data

Net income per share decreased ¥17.76 year on year to ¥127.87, and net assets per share rose ¥31.18 to ¥1,672.91.

Cash Flows

Cash and cash equivalents (hereafter, net cash) on March 31, 2009, the end of fiscal year 2008, decreased ¥4,935 million year on year, or 10.0%, to ¥44,321 million.

Net cash provided by operating activities increased ¥285 million year on year, or 1.4%, to ¥21,372 million, primarily due to an increase in net cash resulting from a decrease in trade notes and accounts receivable.

Net cash used in investing activities increased ¥15,994 million year on year to ¥16,606 million, mainly because of an increase in purchase of property, plant and equipment of ¥2,492 million, and a ¥12,113 million increase in purchase of marketable securities, which was charged to "Other-net."

Net cash used in financing activities increased ¥2,142 million year on year, or 33.3%, to ¥8,575 million. The primary reasons were an increase in dividends paid and the purchase of treasury stock.

Outlook for Fiscal Year 2009, Ending March 31, 2010

For fiscal year 2009, ending March 31, 2010, we forecast a year-on-year decrease of ¥18,600 million, or 7.9%, in net sales to ¥217,500 million; a decrease of ¥6,300 million, or 35.5%, in operating income to ¥11,500 million; and a decrease of ¥3,500 million, or 37.0%, in net income to ¥6,000 million. Our view of the operating environment that forms the basis of this outlook, and measures we will take to adapt to this operating environment, are as follows.

The deterioration of the world economy sparked by the financial crisis and the rapid cooling of business activity will continue. In Japan too, the economy, manufacturing output, exports and capital investment will all continue to be severely depressed. The three core businesses of the azbil Group address markets that have very different characteristics, so the degree to which each is affected by the economic downturn varies. Nevertheless, it is recognized that the overall business climate will be beset by considerable uncertainty and conditions will be very challenging.

The Building Automation business, despite a reduction in new large-scale redevelopment projects, is expected to benefit from a degree of support thanks to demand for the refurbishing and servicing of existing buildings to reduce CO₂ emissions (environmental load), spurred by the implementation of the revision of the Law Concerning the Rational Use of Energy. We forecast year-on-year decreases of ¥3,300 million, or 3.4%, in net sales, to ¥97,000 million, and ¥2,000 million, or 15.9%, in operating income, to ¥11,000 million.

The Advanced Automation business, however, will be hard hit by the freezing or postponement of capital investment throughout

the manufacturing industry. Although there are some glimmerings of recovery in the business climate, such as economic indicators suggesting an uptick in manufacturing, it is forecast that overall there will be no significant letup in the current difficult conditions. We forecast year-on-year decreases of ¥10,600 million, or 11.4%, in net sales, to ¥83,000 million, and ¥4,600 million, or 94.0%, in operating income, to ¥300 million.

The Life Automation business too is expected to suffer from the dampening effect of the economic downturn on recovery in the demand for gas meters, which make up the majority of Life Automation sales. We forecast a year-on-year decrease in net sales of ¥900 million, or 2.6%, to ¥35,000 million, and operating income of ¥300 million.

For Other businesses, we forecast a year-on-year decrease in net sales of ¥3,400 million, or 43.2%, to ¥4,500 million.

In response to such rapid deterioration in the business environment, the Group has already implemented various initiatives. In preparing for the possible delay in economic recovery or even further deterioration, while implementing additional Company-wide initiatives including directors voluntarily returning part on their monthly compensation, fiscal year 2009 is to be a year for reform: the Group will undertake radical improvements to its business structure, implementing measures that will bring about a quantum leap in the breadth, depth and speed of execution of the measures in the current medium-term plan. This will include the integration and reinforcement of the service businesses that make use of the Group's strengths, and also the restructuring and consolidation of production frameworks so as to provide the flexibility needed to vary output.

Risk Management

The following are some of the risks that could affect the azbil Group's business results and financial position. Forward-looking statements are based on the Group's judgments at the end of fiscal year 2008, ended March 31, 2009.

1) Risks Related to the Business Environment and Business Activities

A) Effect of a Major Economic Downturn

Structural factors make demand for the azbil Group's products and services susceptible to fluctuations in the economy and their effects on markets related to the Group, including the construction, manufacturing and machine tools markets. A large-scale downturn in business conditions and a decrease in demand from these markets could have an adverse impact on the Group's operations, business results and financial position.

B) Risks Related to the Group's Product Quality

The azbil Group's products, systems and services are used for vital measurement and control related to safety and quality in a variety of plants and buildings. The Group has established a committee to oversee quality assurance and has enhanced its quality control system through sharing and transparency of quality information.

Furthermore, the Group has taken out insurance policies, giving due consideration to damages for product liability. However, an incident caused by defects in the Group's products, systems or services could result in substantial costs and severely damage the Group's credibility with customers. This in turn could have an impact on the Group's operations, business results and financial position.

C) Risks Related to R&D Activities

The azbil Group has positioned the management of research and development activities as a key issue. Based on the Group philosophy of "human-centered automation," the Group is carrying out research and development activities aimed at the conservation of resources, energy and labor; safety; environmental preservation; and the realization of comfortable environments.

The azbil Group is strengthening its efforts to deliver appealing products and services to its customers in a timely fashion based on an accurate perception of their needs. However, a misreading of those needs or of technological trends, postponement of research and development, insufficient technological capabilities or other factors could delay the market launch of new products and have an adverse impact on the Group's operations, business results and financial position.

D) Risks Relating to International Business Activities

The azbil Group conducts business overseas, mainly in Asia, through 21 local companies. In the rapidly growing Chinese market, the Group conducts product sales, manufacturing, instrumentation work and other business locally through 10 subsidiaries and affiliates. The Group has established manufacturing bases in Dalian and Shenzhen, where products are manufactured for the Japanese market. While the Group will continue to expand its business overseas, being mindful of the decentralization of country risk, delays in its expansion plan, unexpected changes in the political and economic condition, currency fluctuations, local legal, regulatory and other reforms, natural disasters, terrorism, strikes and other developments in countries where it has advanced could have an impact on the Group's business results and financial position.

2) Other Risks

A) Risks Relating to Human Resources

Since its founding, the azbil Group has focused on developing human resources based on the view that its employees are a valued asset, the source of corporate cultural renewal and the creative source of its enterprise value. However, possible future issues regarding measures to deal with the ageing of employees, the succession of technologies, expertise and know-how, and cross-training for multifunctional workers and the retention and development of human resources for business expansion could have an impact on the Group's business results and financial position.

B) Risks Related to Information Leakage

The azbil Group possesses critical information on businesses and confidential information including personal information and information on business partners that is obtained in the course of business. The Group is taking measures to strengthen its handling and management of information, and increase employees' informational literacy. However, leakage of this type of information due to unexpected circumstances could have an impact on the Group's business results and financial position.

C) Risks Related to Disasters

Four of the six domestic production bases (including manufacturing subsidiaries) of the azbil Group's Building Automation and Advanced Automation businesses are concentrated in Kanagawa Prefecture. The Group has taken actions as necessary including implementing safety precautions, taking out insurance and establishing a business continuation plan to maintain operations and/or quickly return operations to normal. However, a large-scale disaster in the Kanagawa district could have an impact on the Group's business results and financial position.

D) Risks Related to Laws and Regulations

The azbil Group is subject to laws and regulations in the countries where it operates, including licensing for operations and investment. Unexpected changes in these laws or regulations, or the establishment of new laws or regulations, could have an impact on the Group's business results and financial position.

E) Risks Related to Intellectual Property Rights

The azbil Group accumulates differentiated technologies and know-how in the development of products and services within the Group, and works to protect its intellectual property rights, in order to ensure and maintain its competitive edge. In addition, the Group works to secure licensing rights from third parties where necessary in product development and production. However, inadequate execution of these processes could have an impact on the Group's business results and financial position.

Seasonality

The azbil Group's sales tend to be focused in the end of the second quarter of the fiscal year and the fiscal year-end. The highly seasonal nature of the Group's sales is due to the peculiarities of key industries, including building construction and materials industries, and this seasonal nature is particularly evident in the concentration of sales at the fiscal year-end.

Consolidated Balance Sheets

Yamatake Corporation and Consolidated Subsidiaries
March 31, 2009 and 2008

	Millions of yen		Thousands of U.S. dollars (Note 1)
ASSETS	2009	2008	2009
CURRENT ASSETS:			
Cash and cash equivalents (Note 7)	¥ 44,321	¥ 49,256	\$ 452,256
Notes and accounts receivable:			
Trade	74,843	85,526	763,700
Other	1,103	845	11,254
Allowance for doubtful receivables	(301)	(394)	(3,072)
Inventories (Note 5)	21,239	23,432	216,720
Deferred tax assets (Note 10)	5,231	5,692	53,380
Prepaid expenses and other current assets	14,520	5,225	148,170
Total current assets	160,956	169,582	1,642,408
PROPERTY, PLANT AND EQUIPMENT:			
Land (Notes 6 and 7)	6,476	6,474	66,083
Buildings and structures (Notes 6 and 7)	37,550	36,855	383,159
Machinery and equipment (Note 6)	16,489	17,304	168,259
Furniture and fixtures (Note 6)	19,324	19,486	197,184
Construction in progress	1,501	881	15,310
Total	81,340	81,000	829,995
Accumulated depreciation	(51,503)	(51,655)	(525,540)
Net property, plant and equipment	29,837	29,345	304,455
INVESTMENT AND OTHER ASSETS:			
Investment securities (Notes 4 and 7)	11,448	16,250	116,819
Investments in and advances to unconsolidated subsidiaries and associated companies	482	713	4,917
Goodwill (Note 6)	6,367	3,023	64,973
Deferred tax assets (Note 10)	2,534	659	25,856
Other assets (Note 6)	9,222	9,272	94,102
Total investment and other assets	30,053	29,917	306,667
TOTAL	¥220,846	¥228,844	\$2,253,530

See notes to consolidated financial statements.

LIABILITIES AND EQUITY	Millions of yen		Thousands of U.S. dollars (Note 1)
	2009	2008	2009
CURRENT LIABILITIES:			
Short-term borrowings (Note 7)	¥ 12,215	¥ 12,354	\$ 124,638
Current portion of long-term debt (Note 7)	2,519	2,089	25,707
Notes and accounts payable:			
Trade	35,977	42,131	367,115
Other	1,884	2,625	19,228
Income taxes payable	4,878	5,764	49,776
Accrued bonuses	8,362	9,030	85,325
Other accrued expenses and current liabilities	12,905	13,071	131,678
Total current liabilities	78,740	87,064	803,467
LONG-TERM LIABILITIES:			
Long-term debt (Note 7)	2,386	4,527	24,346
Liabilities for retirement benefits (Note 8)	13,426	14,181	136,998
Deferred tax liabilities (Note 10)	994	1,073	10,142
Other long-term liabilities	316	278	3,233
Total long-term liabilities	17,122	20,059	174,719
COMMITMENTS AND CONTINGENT LIABILITIES (Notes 12, 13 and 14)			
EQUITY (Notes 9 and 15):			
Common stock—authorized, 279,710,000 shares; issued, 75,116,101 shares in 2009 and 73,576,256 shares in 2008	10,523	10,523	107,375
Capital surplus	17,198	12,648	175,488
Retained earnings	98,692	93,688	1,007,060
Unrealized gain on available-for-sale securities	873	3,858	8,908
Deferred gain on derivatives under hedge accounting		1	
Foreign currency translation adjustments	(1,091)	317	(11,129)
Treasury stock—at cost, 1,260,121 shares in 2009 and 258,935 shares in 2008	(2,641)	(668)	(26,944)
Total	123,554	120,367	1,260,758
Minority interests	1,430	1,354	14,586
Total equity	124,984	121,721	1,275,344
TOTAL	¥220,846	¥228,844	\$2,253,530

Consolidated Statements of Income

Yamatake Corporation and Consolidated Subsidiaries
Years Ended March 31, 2009 and 2008

	Millions of yen		Thousands of U.S. dollars (Note 1)
	2009	2008	2009
NET SALES	¥236,173	¥248,551	\$2,409,933
COST OF SALES (Notes 8 and 12)	149,518	158,605	1,525,701
Gross profit	86,655	89,946	884,232
SELLING, GENERAL AND ADMINISTRATIVE EXPENSES (Notes 8, 11 and 12)	68,823	69,462	702,271
Operating income	17,832	20,484	181,961
OTHER INCOME (EXPENSES):			
Interest income	251	240	2,557
Dividend income	322	326	3,288
Interest expense	(250)	(278)	(2,552)
Foreign currency exchange loss	(644)	(280)	(6,571)
(Loss) gain on sales of property, plant and equipment—net	(24)	2,384	(242)
Gain on sales of investment securities—net	12	276	123
Loss on impairment of long-lived assets (Notes 2.h and 6)	(162)	(3,108)	(1,650)
Others—net	(910)	(504)	(9,295)
Other expenses—net	(1,405)	(944)	(14,342)
INCOME BEFORE INCOME TAXES AND MINORITY INTERESTS	16,427	19,540	167,619
INCOME TAXES (Note 10):			
Current	6,217	7,360	63,438
Deferred	447	1,158	4,560
Total income taxes	6,664	8,518	67,998
MINORITY INTERESTS IN NET INCOME	(238)	(313)	(2,429)
NET INCOME	¥ 9,525	¥ 10,709	\$ 97,192

	Yen		U.S. dollars
	2009	2008	2009
PER SHARE OF COMMON STOCK (Note 2.q):			
Net income	¥ 127.87	¥ 145.63	\$ 1.30
Cash dividends applicable to the year	62.00	60.00	0.63

See notes to consolidated financial statements.

Consolidated Statements of Changes in Equity

Yamatake Corporation and Consolidated Subsidiaries
Years Ended March 31, 2009 and 2008

	Thousands				Millions of Yen						
	Outstanding Number of Shares of Common Stock	Common Stock	Capital Surplus	Retained Earnings	Unrealized Gain on Available- for-sale Securities	Deferred Gain (Loss) on Derivatives under Hedge Accounting	Foreign Currency Translation Adjustments	Treasury Stock	Total	Minority Interests	Total Equity
BALANCE, APRIL 1, 2007	73,568	¥10,523	¥12,648	¥87,025	¥ 7,477	¥(1)	¥ 218	¥ (10)	¥117,880	¥1,087	¥118,967
Net income				10,709					10,709		10,709
Cash dividends, ¥55 per share				(4,046)					(4,046)		(4,046)
Purchase of treasury stock	(251)							(658)	(658)		(658)
Net change in the year					(3,619)	2	99		(3,518)	267	(3,251)
BALANCE, MARCH 31, 2008	73,317	10,523	12,648	93,688	3,858	1	317	(668)	120,367	1,354	121,721
Net income				9,525					9,525		9,525
Cash dividends, ¥61 per share				(4,520)					(4,520)		(4,520)
Purchase of treasury stock	(1,008)							(1,989)	(1,989)		(1,989)
Share exchange (Note 3)	1,540		4,550						4,550		4,550
Disposal of treasury stock	7		(1)					16	15		15
Transfer from retained earnings to capital surplus			1	(1)							
Net change in the year					(2,985)	(1)	(1,408)		(4,394)	76	(4,318)
BALANCE, MARCH 31, 2009	73,856	¥10,523	¥17,198	¥98,692	¥ 873		¥(1,091)	¥(2,641)	¥123,554	¥1,430	¥124,984

	Thousands of U.S. dollars									
	Common Stock	Capital Surplus	Retained Earnings	Unrealized Gain on Available- for-sale Securities	Deferred Gain on Derivatives under Hedge Accounting	Foreign Currency Translation Adjustments	Treasury Stock	Total	Minority Interests	Total Equity
BALANCE, MARCH 31, 2008	\$107,375	\$129,058	\$ 956,003	\$ 39,365	\$ 9	\$ 3,237	\$ (6,813)	\$1,228,234	\$13,819	\$1,242,053
Net income			97,192					97,192		97,192
Cash dividends, \$0.62 per share			(46,122)					(46,122)		(46,122)
Purchase of treasury stock							(20,296)	(20,296)		(20,296)
Share exchange (Note 3)		46,431						46,431		46,431
Disposal of treasury stock		(12)	(2)				165	151		151
Transfer from retained earnings to capital surplus		11	(11)							
Net change in the year				(30,457)	(9)	(14,366)		(44,832)	767	(44,065)
BALANCE, MARCH 31, 2009	\$107,375	\$175,488	\$1,007,060	\$ 8,908		\$(11,129)	\$(26,944)	\$1,260,758	\$14,586	\$1,275,344

See notes to consolidated financial statements.

Consolidated Statements of Cash Flows

Yamatake Corporation and Consolidated Subsidiaries
Years Ended March 31, 2009 and 2008

	Millions of yen		Thousands of U.S. dollars (Note 1)
	2009	2008	2009
OPERATING ACTIVITIES:			
Income before income taxes and minority interests	¥ 16,427	¥19,540	\$ 167,619
Adjustments for:			
Income taxes—paid	(6,986)	(6,675)	(71,285)
Depreciation and amortization	5,757	5,037	58,743
Provision for doubtful receivables	105	204	1,070
(Decrease) increase in accrued bonuses	(668)	188	(6,821)
Loss (gain) on sales of property, plant and equipment—net	24	(2,384)	242
Gain on sales of investment securities—net	(12)	(276)	(123)
Loss on impairment of long-lived assets	162	3,108	1,650
Decrease in notes and accounts receivable	10,706	3,730	109,242
Decrease in inventories	2,193	1,241	22,377
Decrease in notes and accounts payable	(6,117)	(74)	(62,414)
Decrease in liabilities for retirement benefits	(755)	(1,867)	(7,704)
Others—net	536	(686)	5,484
Total adjustments	4,945	1,546	50,461
Net cash provided by operating activities	21,372	21,086	218,080
INVESTING ACTIVITIES:			
Proceeds from sales of property, plant and equipment	746	3,244	7,617
Purchase of property, plant and equipment	(6,998)	(4,507)	(71,413)
Proceeds from sales of investment securities	96	366	978
Purchase of investment securities	(231)	(52)	(2,358)
Proceeds from sales of beneficiary securities of trust	822	1,029	8,385
Purchase of beneficiary securities of trust	(4,806)		(49,044)
Others—net	(6,235)	(692)	(63,616)
Net cash used in investing activities	(16,606)	(612)	(169,451)
FINANCING ACTIVITIES:			
Net (decrease) increase in short-term borrowings	(140)	336	(1,427)
Proceeds from long-term debt	200	100	2,041
Repayment of long-term debt	(2,048)	(2,157)	(20,895)
Disposal of treasury stock	17		173
Purchase of treasury stock	(1,989)	(658)	(20,295)
Dividends paid	(4,516)	(4,044)	(46,083)
Others—net	(99)	(10)	(1,010)
Net cash used in financing activities	(8,575)	(6,433)	(87,496)
FOREIGN CURRENCY TRANSLATION ADJUSTMENTS ON CASH AND CASH EQUIVALENTS	(1,126)	24	(11,492)
NET (DECREASE) INCREASE IN CASH AND CASH EQUIVALENTS	(4,935)	14,065	(50,359)
CASH AND CASH EQUIVALENTS, BEGINNING OF YEAR	49,256	35,191	502,615
CASH AND CASH EQUIVALENTS, END OF YEAR	¥ 44,321	¥49,256	\$ 452,256

See notes to consolidated financial statements.

Notes to Consolidated Financial Statements

Yamatake Corporation and Consolidated Subsidiaries
Years Ended March 31, 2009 and 2008

1. BASIS OF PRESENTING CONSOLIDATED FINANCIAL STATEMENTS

The accompanying consolidated financial statements have been prepared in accordance with the provisions set forth in the Japanese Financial Instruments and Exchange Act and its related accounting regulations and in conformity with accounting principles generally accepted in Japan ("Japanese GAAP"), which are different in certain respects as to application and disclosure requirements of International Financial Reporting Standards.

In preparing these consolidated financial statements, certain reclassifications and rearrangements have been made to the consolidated financial statements issued domestically in order to present them in a form which is more familiar to readers outside Japan. In addition, certain reclassifications have been made in the 2008 financial statements to conform to the classifications used in 2009.

The consolidated financial statements are stated in Japanese yen, the currency of the country in which Yamatake Corporation ("Yamatake") is incorporated and operates. The translation of Japanese yen amounts into U.S. dollar amounts is included solely for the convenience of readers outside Japan and has been made at the rate of ¥98 to \$1, the approximate rate of exchange as of March 31, 2009. Such translation should not be construed as representation that the Japanese yen amounts could be converted into U.S. dollars at that or any other rate.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

a. Consolidation—The consolidated financial statements as of March 31, 2009 include the accounts of Yamatake and its 35 (36 in 2008) significant subsidiaries (together, "the azbil Group"). A subsidiary was excluded due to a merger.

Under the control or influence concept, those companies in which Yamatake, directly or indirectly, is able to exercise control over operations are fully consolidated.

Investments in unconsolidated subsidiaries and associated companies are stated at cost. If the equity method of accounting had been applied to the investments in these companies, the effect on the accompanying consolidated financial statements would not be material.

Goodwill represents the excess of the cost of an acquisition over the fair value of the net assets of the acquired subsidiary and associated company at the date of acquisition. Goodwill on the acquisition of Kimmon Manufacturing Co., Ltd. ("Kimmon") has been amortized over 7 years. Other goodwill is to be amortized on the straight-line basis over 5 years with the exception of minor amounts which are charged to income in the period of acquisitions.

All significant intercompany balances and transactions have been eliminated in consolidation. All material unrealized profit included in assets resulting from transactions within the azbil Group is also eliminated.

b. Business Combination—In October 2003, the Business Accounting Council (the "BAC") issued a Statement of Opinion, "Accounting for Business Combinations," and in December 2005, the Accounting Standards Board of Japan (the "ASBJ") issued ASBJ Statement No. 7, "Accounting Standard for Business Divestitures" and ASBJ Guidance No. 10, "Guidance for Accounting Standard for Business Combinations and Business Divestitures." The accounting standard for business combinations allows companies to apply the pooling of interests method of accounting only when certain specific criteria are met such that the business combination is essentially regarded as a uniting-of-interests. For business combinations that do not meet the uniting-of-interests criteria, the business combination is considered to be an acquisition and the purchase

method of accounting is required. This standard also prescribes the accounting for combinations of entities under common control and for joint ventures.

Effective April 1, 2008, Yamatake made Kimmon, a 43% owned subsidiary, a wholly owned subsidiary of Yamatake by means of a share exchange. The detail of the share exchange is described in Note 3.

c. Cash Equivalents—Cash equivalents are short-term investments that are readily convertible into cash and that are exposed to insignificant risk of changes in value.

Cash equivalents include time deposits, certificate of deposits, beneficiary securities of trust under resale agreements and commercial paper, all of which mature or become due within three months of the date of acquisition.

d. Inventories—Prior to April 1, 2008, inventories, other than raw materials, were principally stated at cost on the specific identification basis. Raw materials were principally stated at cost determined by the moving-average method. In July 2006, the ASBJ issued ASBJ Statement No. 9, "Accounting Standard for Measurement of Inventories." This standard requires that inventories held for sale in the ordinary course of business be measured at the lower of cost or net selling value, which is defined as the selling price less additional estimated manufacturing costs and estimated direct selling expenses. The replacement cost may be used in place of the net selling value, if appropriate. The standard also requires that inventories held for trading purposes be measured at the market price. The standard was effective for fiscal years beginning on or after April 1, 2008 with early adoption permitted.

Yamatake and its consolidated domestic subsidiaries applied this new accounting standard for measurement of inventories effective April 1, 2008 and the effect of this change was insignificant.

e. Allowance for Doubtful Receivables—The allowance for doubtful receivables is stated in amounts considered to be appropriate based on the azbil Group's past credit loss experience and an evaluation of potential losses in the receivables outstanding.

f. Investment Securities—Investment securities are classified and accounted for, depending on management's intent, as follows: (1) held-to-maturity debt securities, which are expected to be held to maturity with the positive intent and ability to hold to maturity, are reported at amortized cost, and (2) available-for-sale securities are reported at fair value, with unrealized gains and losses, net of applicable taxes in a separate component of equity.

Non-marketable available-for-sale securities are stated at cost determined by the moving-average method. For other than temporary declines in fair value, non-marketable available-for-sale securities are reduced to net realizable value by a charge to income.

g. Property, Plant and Equipment—Property, plant and equipment are stated at cost. Depreciation of Yamatake and its consolidated domestic subsidiaries is computed by the declining-balance method, while the straight-line method is applied to buildings acquired after April 1, 1998. Depreciation of consolidated foreign subsidiaries is mainly computed by the straight-line method. Equipment held for lease is depreciated by the straight-line method over the respective lease periods.

The range of useful lives is from 15 to 50 years for buildings and structures, from 4 to 9 years for machinery and equipment, and from 2 to 6 years for furniture and fixtures.

Effective April 1, 2008, accompanying revisions in Japan's income tax law, Yamatake and its consolidated domestic subsidiaries have reviewed the useful lives of the machinery and equipment. Based on this, the useful lives of machin-

ery and equipment included among property, plant and equipment have been changed. The effect of this change was to decrease operating income and income before income taxes and minority interests for the year ended March 31, 2009 by ¥237 million (\$2,417 thousand).

h. Long lived Assets—The azbil Group reviews its long-lived assets for impairment whenever events or changes in circumstances indicate the carrying amount of an asset or asset group may not be recoverable. An impairment loss would be recognized if the carrying amount of an asset or asset group exceeds the sum of the undiscounted future cash flows expected to result from the continued use and the eventual disposition of the asset or asset group. The impairment loss would be measured as the amount by which the carrying amount of the asset exceeds its recoverable amount, which is the higher of the discounted cash flows from the continued use and the eventual disposition of the asset or the net selling price at disposition.

i. Retirement and Pension Plans—Yamatake has a non-contributory funded pension plan and a defined contribution pension plan covering substantially all of its employees.

Most of the consolidated subsidiaries have non-contributory funded pension plans and unfunded retirement benefit plans.

The liability for employees' retirement benefits is provided at the amount based on the projected benefit obligation and plan assets at the balance sheet date.

Retirement benefits to directors and corporate auditors are provided at the amount which would be required if all directors and corporate auditors retired at each balance sheet date.

j. Research and Development Costs—Research and development costs are charged to income as incurred.

k. Leases—In March 2007, the ASBJ issued ASBJ Statement No. 13, "Accounting Standard for Lease Transactions," which revised the previous accounting standard for lease transactions issued in June 1993. The revised accounting standard for lease transactions is effective for fiscal years beginning on or after April 1, 2008 with early adoption permitted for fiscal years beginning on or after April 1, 2007.

Under the previous accounting standard, finance leases that deem to transfer ownership of the leased property to the lessee were to be capitalized. However, other finance leases were permitted to be accounted for as operating lease transactions if certain "as if capitalized" information is disclosed in the note to the lessee's financial statements. The revised accounting standard requires that all finance lease transactions should be capitalized to recognize lease assets and lease obligations in the balance sheet. In addition, the accounting standard permits leases which existed at the transition date and do not transfer ownership of the leased property to the lessee to be accounted for as operating lease transactions.

Yamatake and its consolidated domestic subsidiaries applied the revised accounting standard effective April 1, 2008. In addition, Yamatake and its consolidated domestic subsidiaries accounted for leases which existed at the transition date and do not transfer ownership of the leased property to the lessee as operating transactions. The effect of this change was insignificant.

All other leases are accounted for as operating leases.

l. Bonuses to Directors—Bonuses to directors are accrued at the year end to which such bonuses are attributable. The balance of such accrued bonuses as of March 31, 2009 and 2008 were ¥67 million (\$684 thousand) and ¥80 million, respectively.

m. Income Taxes—The provision for income taxes is computed based on the pretax income included in the consolidated statements of income. The asset and liability approach is used to recognize deferred tax assets and liabilities for the expected future tax consequences of temporary differences between the carrying amounts and the tax bases of assets and liabilities. Deferred taxes are measured by applying currently enacted tax laws to the temporary differences and tax loss carryforwards.

n. Foreign Currency Transactions—All short-term and long-term monetary receivables and payables denominated in foreign currencies are translated into Japanese yen at the exchange rates at the balance sheet date. The foreign exchange gains and losses from the translation are recognized in the consolidated statements of income to the extent that they are not hedged by forward exchange contracts.

o. Foreign Currency Financial Statements—The balance sheet accounts of the consolidated foreign subsidiaries are translated into Japanese yen at the current exchange rate as of the balance sheet date except for equity, which is translated at the historical rate. Differences arising from such translation are shown as "Foreign currency translation adjustments" in a separate component of equity.

Revenue and expense accounts of consolidated foreign subsidiaries were translated into yen at the average exchange rate.

p. Derivatives Financial Instruments—The azbil Group uses derivative financial instruments to manage its exposures to fluctuations in foreign exchange. Foreign exchange forward contracts are utilized by the azbil Group to reduce foreign currency exchange risks. The azbil Group does not enter into derivatives for trading or speculative purposes.

All derivatives are recognized as either assets or liabilities and measured at fair value with gains or losses on derivative transactions recognized in the consolidated statements of income. If derivatives qualify for hedge accounting because of high correlation and effectiveness between the hedging instruments and the hedged items, hedge accounting is applied.

Foreign exchange forward contracts are utilized to hedge foreign exchange exposures for export sales and import purchases. Trade receivables and payables denominated in foreign currencies are translated at the contracted rates if the forward contracts qualify for hedge accounting. Forward contracts related to forecasted (or committed) transactions are measured at the fair value but the unrealized gains/losses are deferred until the underlying transactions are completed.

q. Per Share Information—Net income per share is computed by dividing net income available to shareholders of common stock by the weighted-average number of shares of common stock outstanding for the period, retroactively adjusted for stock splits. The weighted-average number of shares of common stock used in the computation was 74,486,774 shares for 2009 and 73,538,092 shares for 2008.

Cash dividends per share presented in the accompanying consolidated statements of income are dividends applicable to the respective years including dividends to be paid after the end of the year.

Diluted net income per share is not disclosed because it is anti-dilutive.

r. New Accounting Pronouncements

Business Combinations—On December 26, 2008, the ASBJ issued a revised accounting standard for business combinations, ASBJ Statement No. 21, "Accounting Standard for Business Combinations." Major accounting changes under the revised accounting standard are as follows:

- (1) The current accounting standard for business combinations allows companies to apply the pooling of interests method of accounting when certain specific criteria are met such that the business combination is essentially regarded as a uniting-of-interests. The revised standard requires to account for such business combination by the purchase method and the pooling of interests method of accounting is no longer allowed.
- (2) The current accounting standard accounts for the research and development costs to be charged to income as incurred. Under the revised standard, an in-process research and development (IPR&D) acquired by the business combination is capitalized as an intangible asset.
- (3) The current accounting standard accounts for a bargain purchase gain (negative goodwill) to be systematically amortized within 20 years. Under the revised standard, the acquirer recognizes a bargain purchase gain in profit or loss on the acquisition date after reassessing whether it has correctly identified all of the assets acquired and all of the liabilities assumed with a review of such procedures used.

This standard is applicable to business combinations undertaken on or after April 1, 2010 with early adoption permitted for fiscal years beginning on or after April 1, 2009.

Asset Retirement Obligations—On March 31, 2008, the ASBJ published a new accounting standard for asset retirement obligations, ASBJ Statement No. 18 “Accounting Standard for Asset Retirement Obligations” and ASBJ Guidance No. 21 “Guidance on Accounting Standard for Asset Retirement Obligations.” Under this accounting standard, an asset retirement obligation is defined as a legal obligation imposed either by law or contract that results from the acquisition, construction, development and the normal operation of a tangible fixed asset and is associated with the retirement of such tangible fixed asset.

The asset retirement obligation is recognized as the sum of the discounted cash flows required for the future asset retirement and is recorded in the period in which the obligation is incurred if a reasonable estimate can be made. If a reasonable estimate of the asset retirement obligation cannot be made in the period the asset retirement obligation is incurred, the liability should be recognized when a reasonable estimate of asset retirement obligation can be made. Upon initial recognition of a liability for an asset retirement obligation, an asset retirement cost is capitalized by increasing the carrying amount of the related fixed asset by the amount of the liability. The asset retirement cost is subsequently allocated to expense through depreciation over the remaining useful life of the asset. Over time, the liability is accreted to its present value each period. Any subsequent revisions to the timing or the amount of the original estimate of undiscounted cash flows are reflected as an increase or a decrease in the carrying amount of the liability and the capitalized amount of the related asset retirement cost. This standard is effective for fiscal years beginning on or after April 1, 2010 with early adoption permitted for fiscal years beginning on or before March 31, 2010.

Construction Contracts—Under the current Japanese GAAP, either the completed-contract method or the percentage-of-completion method is permitted to account for construction contracts. In December 2007, the ASBJ issued a new accounting standard for construction contracts. Under this new accounting standard, the construction revenue and construction costs should be recognized by the percentage-of-completion method, if the outcome of a construction contract can be estimated reliably. When total construction revenue, total construction costs and the stage of completion of the contract at the balance sheet date can be reliably measured, the outcome of a construction contract can be estimated reliably. If the outcome of a construction contract cannot be reliably estimated, the completed-contract method shall be applied. When it is probable that total construction costs will exceed total construction revenue, an estimated loss on the contract should be immediately recognized by providing for loss on construction contracts. This standard is applicable to construction contracts and

software development contracts and effective for fiscal years beginning on or after April 1, 2009 with early adoption permitted for fiscal years beginning on or before March 31, 2009 but after December 27, 2007.

3. BUSINESS COMBINATION

Transaction under Common Control

- (1) Name of combined company and description of business, legal form of business combination and outline of the transaction including its purpose
 - (a) Name of combined company and description business
Kimmon, manufacture and sale of town gas meters, LPG meter, water meters and related equipment
 - (b) Legal form of business combinations
The share exchange to make Kimmon a wholly owned subsidiary of Yamatake
 - (c) Outline of the transaction including its purpose
To establish the foundation of the life automation business, further progress was required in terms of: combining and integrating the resources of both companies under unified governance; improving flexibility in management to respond quickly to the changing business environment; and improving management efficiency. To this end, Yamatake decided that the conversion of Kimmon into a wholly owned subsidiary via a planned share exchange was in the best interests of both companies.
- (2) Overview of the accounting treatment
Procedures for “transactions with minority shareholders” were applied based on the Accounting for Business Combinations (BAC, October 31, 2003).
- (3) Acquisition cost of the additional shares of Kimmon
 - (a) Acquisition cost and its detail

	Millions of Yen	Thousands of U.S. Dollars
Common stock of Yamatake	¥4,550	\$46,431
Direct expenditure related to acquisition	50	510
Total acquisition cost	¥4,600	\$46,941

Note: The acquisition cost was calculated based on the share price of delivery date of the share.

- (b) Allotment ratio of shares and type of the share

	Yamatake (Parent Company)	Kimmon (Wholly Owned Subsidiary)
Share-exchange ratio	1	0.045

Note: The share allocation shall be 0.045 shares of Yamatake common stock per 1 share of Kimmon common stock.

- (c) Methods of calculation for the share-exchange ratio
With reference to the results of the share-exchange ratio calculations provided in the independent third-party valuations, and taking into full consideration factors such as the financial condition of both companies, financial projections and price trends in the Japanese stock market, Yamatake and Kimmon decided the share-exchange ratio as noted (3)(b) above.
- (d) Number of issued shares and its amount
1,539,845 shares
¥4,550 million (\$46,431 thousand)
- (e) Detail of goodwill, reason, amortization method and amortization period
Goodwill amount was ¥4,600 million (\$46,941 thousand), which was generated because the minority interest decreased by this share exchange was less than the additional acquisition cost of Kimmon's common stock. Goodwill will be amortized over 7 years by the straight-line method.

4. INVESTMENT SECURITIES

Investment securities as of March 31, 2009 and 2008, consisted of the following:

	Millions of yen		Thousands of U.S. dollars
	2009	2008	2009
Non-current:			
Equity securities	¥11,349	¥16,124	\$115,811
Trust fund investments and other	99	126	1,008
Total	¥11,448	¥16,250	\$116,819

The carrying amounts and aggregate fair values of investment securities whose fair value is readily determinable as of March 31, 2009 and 2008, were as follows:

	Millions of yen								Thousands of U.S. dollars			
	2009				2008				2009			
	Cost	Unrealized Gains	Unrealized Losses	Fair Value	Cost	Unrealized Gains	Unrealized Losses	Fair Value	Cost	Unrealized Gains	Unrealized Losses	Fair Value
Securities classified as available-for-sale:												
Equity securities	¥6,136	¥3,981	¥296	¥9,821	¥6,118	¥8,650	¥108	¥14,660	\$62,608	\$40,625	\$3,017	\$100,216
Trust fund investments and other	61	1	5	57	78		8	70	622	6	47	581

The carrying amounts of investment securities whose fair value is not readily determinable as of March 31, 2009 and 2008, were as follows:

	Carrying Amount		
	Millions of yen		Thousands of U.S. dollars
	2009	2008	2009
Securities classified as available-for-sale:			
Equity securities	¥1,528	¥1,464	\$15,595
Trust fund investments and other	42	56	427

Proceeds from sales of available-for-sale investment securities for the years ended March 31, 2009 and 2008 were ¥96 million (\$978 thousand) and ¥366 million, respectively. Net realized gains on these sales, computed on the moving average cost basis, were ¥12 million (\$123 thousand) and ¥276 million for the years ended March 31, 2009 and 2008, respectively.

5. INVENTORIES

Inventories as of March 31, 2009 and 2008, consisted of the following:

	Millions of yen		Thousands of U.S. dollars
	2009	2008	2009
Merchandise	¥ 1,555	¥ 1,627	\$ 15,868
Finished products	2,171	2,942	22,150
Work in process	11,559	12,536	117,946
Raw materials	5,954	6,327	60,756
Total	¥21,239	¥23,432	\$216,720

6. LONG-LIVED ASSETS

The azbil Group reviewed its long-lived assets for impairment as of March 31, 2009 and 2008, and recognized an impairment loss of ¥162 million (\$1,650 thousand) for certain assets of Yamatake and Kimmon, and ¥3,108 million for goodwill and certain assets of Kimmon, respectively. The carrying amount of the relevant property, plant and equipment was written down to the net selling price, and the carrying amount of goodwill and other assets was written down to the recoverable amount.

7. SHORT-TERM BORROWINGS AND LONG-TERM DEBT

Short-term borrowings as of March 31, 2009 and 2008, mainly consisted of notes to banks and bank overdrafts. The annual interest rates applicable to the short-term bank loans ranged from 0.8% to 4.3% as of March 31, 2009 and from 1.0% to 3.8% as of March 31, 2008.

Long-term debt as of March 31, 2009 and 2008, consisted of the following:

	Millions of yen		Thousands of U.S. dollars
	2009	2008	2009
Loans from banks and other financial institutions, due serially to 2026 with interest rates ranging from 1.3% to 2.7% in 2009 and from 1.1% to 3.3% in 2008:			
Collateralized	¥ 409	¥ 444	\$ 4,174
Unsecured	3,979	5,752	40,607
Bond due serially to 2011 with interest rates ranging from 0.8% to 1.5% in 2009 and from 0.8% to 1.5% in 2008:			
Collateralized	110	140	1,122
Unsecured	200	280	2,041
Lease debt	207		2,109
Total	4,905	6,616	50,053
Less current portion	(2,519)	(2,089)	(25,707)
Long-term debt, less current portion	¥ 2,386	¥ 4,527	\$ 24,346

As of March 31, 2009, Yamatake had an unused line of credit amounting to ¥30,000 million (\$306,122 thousand) of which ¥10,000 million (\$102,041 thousand) related to the unused portion of commitment lines with four banks and ¥20,000 million (\$204,081 thousand) related to the medium term notes program.

Annual maturities of long-term debt as of March 31, 2009, for the next five years and thereafter were as follows:

Year Ending March 31	Millions of yen	Thousands of U.S. dollars
2010	¥2,519	\$25,707
2011	1,931	19,704
2012	211	2,159
2013	80	814
2014	42	429
2015 and thereafter	122	1,240
Total	¥4,905	\$50,053

The carrying amounts of assets pledged as collateral for the above collateralized long-term debt as of March 31, 2009, were as follows:

	Millions of yen	Thousands of U.S. dollars
Time deposit	¥ 135	\$ 1,378
Land	40	408
Buildings and structures	164	1,673
Investment securities	1,018	10,388
Total	¥1,357	\$13,847

As is customary in Japan, the azbil Group maintains deposit balances with banks with which it has bank loans. Such deposit balances are not legally or contractually restricted as to withdrawal.

General agreements with respective banks provide, as is customary in Japan, that additional collateral must be provided under certain circumstances if requested by the lending banks and that certain banks have the right to offset cash deposited with them against any bank loan or obligation that becomes due and, in case of default and certain other specified events, against all other debt payable to the banks. The azbil Group has never received any of such requests.

8. RETIREMENT AND PENSION PLANS

Yamatake and certain subsidiaries have retirement and pension plans for employees, and certain domestic subsidiaries have retirement benefit plans for directors and corporate auditors.

Under most circumstances, employees terminating their employment are entitled to retirement benefits determined based on the rate of pay at the time of termination, years of services and certain other factors. Such retirement benefits are made in the form of lump-sum severance payments from the azbil Group and annuity payments from a trustee. Employees are entitled to larger payments if the termination is involuntary, by retirement at the mandatory retirement age or by death, than the voluntary termination at certain specific ages prior to the mandatory retirement age.

The liability for retirement benefits for directors and corporate auditors for the years ended March 31, 2009 and 2008, was ¥184 million (\$1,874 thousand) and ¥186 million, respectively. The retirement benefits for directors and corporate auditors are paid subject to the approval of the shareholders.

The liability for employees' retirement benefits as of March 31, 2009 and 2008, consisted of the following:

	Millions of yen		Thousands of U.S. dollars
	2009	2008	2009
Projected benefit obligation	¥ 43,479	¥ 43,171	\$ 443,662
Fair value of plan assets	(21,012)	(25,505)	(214,406)
Unrecognized prior service costs	2,660	2,869	27,140
Unrecognized actuarial loss	(11,931)	(6,656)	(121,742)
Prepaid pension expense	46	116	470
Net liability	¥ 13,242	¥ 13,995	\$ 135,124

The components of net periodic benefit costs for the years ended March 31, 2009 and 2008, were as follows:

	Millions of yen		Thousands of U.S. dollars
	2009	2008	2009
Service cost	¥ 1,832	¥ 726	\$ 18,693
Interest cost	813	807	8,300
Expected return on plan assets	(1,249)	(821)	(12,744)
Amortization of prior service costs	(227)	(224)	(2,321)
Recognized actuarial loss	928	507	9,474
Payment for defined contribution pension plan and other	825	767	8,414
Net periodic benefit costs	¥ 2,922	¥1,762	\$ 29,816

Assumptions used for the years ended March 31, 2009 and 2008, were set forth as follows:

	2009	2008
Discount rate	2.0%	2.0%
Expected rate of return on plan assets	5.0%-5.5%	3.0%-3.5%
Amortization period of prior service cost	10-15 years	10-15 years
Recognition period of actuarial gain/loss	10-15 years	10-15 years

9. EQUITY

Since May 1, 2006, Japanese companies have been subject to the Companies Act of Japan (the "Companies Act"). The significant provisions in the Companies Act that affect financial and accounting matters are summarized below:

a. Dividends

Under the Companies Act, companies can pay dividends at any time during the fiscal year in addition to the year-end dividend upon resolution at the shareholders meeting. For companies that meet certain criteria such as; (1) having the Board of Directors, (2) having independent auditors, (3) having the Board of Corporate Auditors, and (4) the term of service of the directors is prescribed as one year rather than two years of normal term by its articles of incorporation, the Board of Directors may declare dividends (except for dividends in kind) at any time during the fiscal year if the company has prescribed so in its articles of incorporation. However, Yamatake cannot do so because it does not meet all the above criteria. The Companies Act permits companies to distribute dividends-in-kind (non-cash assets) to shareholders subject to a certain limitation and additional requirements. Semiannual interim dividends may also be paid once a year upon resolution by the Board of Directors if the articles of incorporation of the company so stipulate. The Companies Act provides certain limitations on the amounts available for dividends or the purchase of treasury stock. The limitation is defined as the amount available for distribution to the shareholders, but the amount of net assets after dividends must be maintained at no less than ¥3 million.

b. Increases/Decreases and Transfer of Common Stock, Reserve and Surplus

The Companies Act requires that an amount equal to 10% of dividends must be appropriated as a legal reserve (a component of retained earnings) or as additional paid-in capital (a component of capital surplus) depending on the equity account charged upon the payment of such dividends until the total of aggregate amount of legal reserve and additional paid-in capital equals 25% of the common stock. Under the Companies Act, the total amount of additional paid-in capital and legal reserve may be reversed without limitation. The Companies Act also provides that common stock, legal reserve, additional paid-in capital, other capital surplus and retained earnings can be transferred among the accounts under certain conditions upon resolution of the shareholders.

c. Treasury Stock and Treasury Stock Acquisition Rights

The Companies Act also provides for companies to purchase treasury stock and dispose of such treasury stock by resolution of the Board of Directors. The amount of treasury stock purchased cannot exceed the amount available for distribution to the shareholders which is determined by specific formula. Under the Companies Act, stock acquisition rights are presented as a separate component of equity. The Companies Act also provides that companies can purchase both treasury stock acquisition rights and treasury stock. Such treasury stock acquisition rights are presented as a separate component of equity, if any, or deducted directly from stock acquisition rights.

10. INCOME TAXES

Yamatake and its domestic subsidiaries are subject to Japanese national and local income taxes which, in the aggregate, resulted in a normal effective statutory tax rate of approximately 40.4% for the years ended March 31, 2009 and 2008.

The tax effects of significant temporary differences and tax loss carryforwards which resulted in deferred tax assets and liabilities as of March 31, 2009 and 2008, were as follows:

	Millions of yen		Thousands of U.S. dollars
	2009	2008	2009
Deferred tax assets:			
Pension and severance costs	¥ 5,100	¥ 5,170	\$ 52,037
Accrued expenses	4,227	4,807	43,134
Depreciation	1,561	1,392	15,932
Loss on impairment of property, plant and equipment	389	572	3,974
Allowance for doubtful receivables	251	290	2,563
Tax loss carryforwards	3,488	3,179	35,591
Others	1,541	1,570	15,716
Less valuation allowance	(6,530)	(6,149)	(66,631)
Total	10,027	10,831	102,316
Deferred tax liabilities:			
Net unrealized gain on available-for-sale securities	1,452	3,367	14,818
Special advanced depreciation	1,689	1,831	17,230
Others	115	355	1,174
Total	3,256	5,553	33,222
Net deferred tax assets	¥ 6,771	¥ 5,278	\$ 69,094

A reconciliation between the normal effective statutory tax rate and the actual effective tax rate reflected in the accompanying consolidated statement of income for the year ended March 31, 2008 was as follows:

	2008
Normal effective statutory tax rate	40.4%
Expenses not deductible for tax purposes	1.4
Tax benefits for qualified expenses	(4.6)
Valuation allowance increase	7.6
Others—net	(1.2)
Actual effective tax rate	43.6%

There is no material difference between the normal effective statutory tax rate for the year ended March 31, 2009 and actual effective tax rate reflected in the accompanying consolidated statement of income.

As of March 31, 2009, certain subsidiaries have tax loss carryforwards aggregating approximately ¥10,360 million (\$105,700 thousand) which are available to be offset against taxable income of such subsidiaries in future years. These tax loss carryforwards, if not utilized, will expire as follows:

Year Ending March 31	Millions of yen	Thousands of U.S. dollars
2010	¥ 600	\$ 6,100
2011	1,520	15,500
2012	60	700
2013	510	5,200
2014	4,740	48,400
2015 and thereafter	2,930	29,800
Total	¥10,360	\$105,700

11. RESEARCH AND DEVELOPMENT COSTS

Research and development costs charged to income were ¥9,636 million (\$98,324 thousand) and ¥9,844 million for the years ended March 31, 2009 and 2008, respectively.

12. LEASES

(1) Financing Leases as a Lessee

The azbil Group leases certain machinery, computer equipment, office space and other assets as a lessee.

Total rental expenses under the above leases for the years ended March 31, 2009 and 2008, were ¥5,850 million (\$59,697 thousand) and ¥5,587 million, respectively.

For the year ended March 31, 2008, the azbil Group recorded an impairment loss of ¥361 million on certain leased property held under finance leases that do not transfer ownership and an allowance for impairment loss on leased property, which is included in long-term liabilities—other. No impairment loss was recognized in the year ended March 31, 2009.

As discussed in Note 2.k, Yamatake and its consolidated domestic subsidiaries account for leases which existed at the transition date and do not transfer ownership of the leased property to the lessee as operating lease transactions. Pro forma information of such leases existing at the transition date, such as acquisition cost, accumulated depreciation, accumulated impairment loss, obligations under finance leases, depreciation expense and other information, on an “as if capitalized” basis for the years ended March 31, 2009 and 2008, was as follows:

	Millions of yen							
	2009				2008			
	Machinery and Equipment	Furniture and Fixtures	Software	Total	Machinery and Equipment	Furniture and Fixtures	Software	Total
Acquisition cost	¥857	¥1,320	¥693	¥2,870	¥955	¥1,911	¥703	¥3,569
Accumulated depreciation	478	951	413	1,842	467	1,202	298	1,967
Accumulated impairment loss	129	86	40	255	130	148	40	318
Net leased property	¥250	¥ 283	¥240	¥ 773	¥358	¥ 561	¥365	¥1,284

	Thousands of U.S. Dollars			
	2009			
	Machinery and Equipment	Furniture and Fixtures	Software	Total
Acquisition cost	\$8,746	\$13,468	\$7,073	\$29,287
Accumulated depreciation	4,873	9,707	4,217	18,797
Accumulated impairment loss	1,323	873	407	2,603
Net leased property	\$2,550	\$ 2,888	\$2,449	\$ 7,887

Obligations under finance leases:

	Millions of yen		Thousands of U.S. dollars
	2009	2008	2009
	¥	¥	\$
Due within one year	808	969	8,239
Due after one year	2,593	3,331	26,460
Total	¥3,401	¥4,300	\$34,699

The above obligations under finance leases include the imputed interest portion.

Allowance for impairment loss on leased property of ¥126 million (\$1,286 thousand) and ¥221 million as of March 31, 2009 and 2008, respectively, is not included in obligations under finance leases.

Depreciation expense and other information under finance leases:

	Millions of yen		Thousands of U.S. dollars
	2009	2008	2009
	¥	¥	\$
Depreciation expense	502	680	5,126
Lease payments	650	842	6,638
Reversal of allowance for impairment loss on leased property	95	140	971
Impairment loss		361	

Depreciation expense, which is not reflected in the accompanying consolidated statements of income, is computed mainly by the declining-balance method at rates based on the period of those financing leases with remaining value of 10% of total lease payment.

The minimum rental commitments under noncancelable operating leases as of March 31, 2009 and 2008 were as follows:

	Millions of yen		Thousands of U.S. dollars
	2009	2008	2009
	¥	¥	\$
Due within one year	758	752	7,731
Due after one year	409	1,081	4,174
Total	¥1,167	¥1,833	\$11,905

(2) Financing Leases as a Lessor

The azbil Group leases certain machinery and equipment as a lessor.

As discussed in Note 2.k, Yamatake and its consolidated domestic subsidiaries account for leases which existed at the transition date and do not transfer ownership of the leased property to the lessee as operating lease transactions. Pro forma information of such leases existing at the transition date, such as receivables under the finance leases, on an "as if capitalized" basis for the years ended March 31, 2009 and 2008, was as follows:

	Millions of yen		Thousands of U.S. dollars
	2009	2008	2009
	¥	¥	\$
Receivables under finance leases:			
Due within one year	308	305	3,141
Due after one year	1,903	2,137	19,425
Total	¥2,211	¥2,442	\$22,566

13. DERIVATIVES

The azbil Group enters into foreign currency forward contracts to hedge foreign exchange risk associated with trade receivables and payable denominated in foreign currencies.

It is the azbil Group's policy to use derivatives only for the purpose of reducing market risks associated with assets and liabilities, not to hold or issue derivatives for speculative or trading purposes.

Since all of the azbil Group's foreign currency forward contracts are related to qualified hedges of underlying business exposures, market gain or loss risk in the derivative instruments is effectively offset by opposite movements in the value of the hedged assets or liabilities.

Because the counterparties to these derivatives are limited to major international financial institutions, the azbil Group does not anticipate any losses arising from credit risk.

Derivative transactions entered into by the azbil Group have been made in accordance with internal policies which regulate the authorization and credit limit amounts.

The fair value of the azbil Group's derivative financial instruments as of March 31, 2009 and 2008, was as follows:

	Millions of yen						Thousands of U.S. dollars		
	2009			2008			2009		
	Contract Amount	Fair Value	Unrealized Loss	Contract Amount	Fair Value	Unrealized Loss	Contract Amount	Fair Value	Unrealized Loss
Exchange contract – Buy Japanese yen	¥194	¥203	¥9	¥15	¥16	¥1	\$1,983	\$2,073	\$90

14. COMMITMENT AND CONTINGENT LIABILITIES

As of March 31, 2009, the azbil Group had the following contingent liabilities:

	Millions of yen	Thousands of U.S. dollars
Trade notes discounted	¥567	\$5,791
Trade notes endorsed	62	629
Guarantees and similar items of loans	22	224

15. SUBSEQUENT EVENT

Appropriation of Retained Earnings

The following appropriation of retained earnings as of March 31, 2009 was approved at the Yamatake's general shareholders meeting held on June 25, 2009:

	Millions of yen	Thousands of U.S. dollars
Year-end cash dividends, ¥31 (\$0.32) per share	¥2,290	\$23,363

16. SEGMENT INFORMATION

The azbil Group focuses on creating value through measurement and control technologies. The operating segments reported below are the segments of the azbil Group for which separate financial information is available and for which operating profit/loss amounts are evaluated regularly by executive management in deciding how to allocate resources and in assessing the performance.

The building automation segment designs, develops, manufactures, distributes and provides engineering/maintenance services, integrated building

automation systems, security systems and energy and facility management, primarily for such markets as commercial buildings, research and manufacturing facilities, hospitals, government and institutional buildings, schools, hotels and department stores.

The advanced automation segment designs, develops, manufactures, distributes and provides switches, sensors, controllers, valves, systems and software packages vital to the operation of industrial plants and factories as well as of engineering and maintenance services, primarily for such markets as petrochemical/chemical, water supply and sewerage, oil refining, electric power and gas, iron and steel, pulp and paper, shipping and marine, semiconductors, electrical/electronic components, machine tools, automobiles, pharmaceuticals, foods and beverages/packaging, furnace/oven/boiler manufacturing and residential/commercial buildings.

The life automation segment consists of various operating fields, such as "Life-line automation" and "Life-assist automation." These businesses draw on the technologies and know-how built up through many years of experience in the building and industrial automation markets. This expertise is applied to fields closely connected with daily life. The life automation covers a broad range of fields, from lifeline infrastructure—such as gas and water meters, sewage and waste disposal systems—to residential air conditioning, lifestyle support for the elderly and care services; to provide people from all walks of life with improved comfort and peace of mind.

The other segment consists of mainly the import of industrial machines and equipment.

Information about industry segments of the azbil Group for the years ended March 31, 2009 and 2008, was as follows:

(1) Industry Segments

a. Sales and Operating Income (Losses)

	Millions of yen						
	2009						
	Building Automation	Advanced Automation	Life Automation	Other	Total	Eliminations/Corporate	Consolidated
Sales to customers	¥ 99,972	¥92,869	¥35,601	¥7,731	¥236,173		¥236,173
Intersegment sales	395	762	322	185	1,664	¥(1,664)	
Total sales	100,367	93,631	35,923	7,916	237,837	(1,664)	236,173
Operating expenses	87,295	88,665	36,083	7,970	220,013	(1,672)	218,341
Operating income (losses)	¥ 13,072	¥ 4,966	¥ (160)	¥ (54)	¥ 17,824	¥ 8	¥ 17,832

	Millions of yen						
	2008						
	Building Automation	Advanced Automation	Life Automation	Other	Total	Eliminations/Corporate	Consolidated
Sales to customers	¥ 99,504	¥104,555	¥36,278	¥8,214	¥248,551		¥248,551
Intersegment sales	1,013	891	179	197	2,280	¥(2,280)	
Total sales	100,517	105,446	36,457	8,411	250,831	(2,280)	248,551
Operating expenses	88,765	96,521	36,743	8,328	230,357	(2,290)	228,067
Operating income (losses)	¥ 11,752	¥ 8,925	¥ (286)	¥ 83	¥ 20,474	¥ 10	¥ 20,484

	Thousands of U.S. Dollars						
	2009						
	Building Automation	Advanced Automation	Life Automation	Other	Total	Eliminations/Corporate	Consolidated
Sales to customers	\$1,020,124	\$947,642	\$363,277	\$78,890	\$2,409,933		\$2,409,933
Intersegment sales	4,034	7,774	3,283	1,889	16,980	\$(16,980)	
Total sales	1,024,158	955,416	366,560	80,779	2,426,913	(16,980)	2,409,933
Operating expenses	890,765	904,746	368,195	81,330	2,245,036	(17,064)	2,227,972
Operating income (losses)	\$ 133,393	\$ 50,670	\$ (1,635)	\$ (551)	\$ 181,877	\$ 84	\$ 181,961

b. Assets, Depreciation, Impairment Loss and Capital Expenditures

	Millions of yen						
	2009						
	Building Automation	Advanced Automation	Life Automation	Other	Total	Eliminations/Corporate	Consolidated
Assets	¥55,007	¥66,017	¥31,174	¥3,703	¥155,901	¥64,945	¥220,846
Depreciation	1,018	2,560	870	55	4,503		4,503
Impairment loss	25		906		931	(769)	162
Capital expenditures	1,518	4,208	639	49	6,414		6,414

	Millions of yen						
	2008						
	Building Automation	Advanced Automation	Life Automation	Other	Total	Eliminations/Corporate	Consolidated
Assets	¥53,491	¥74,570	¥32,601	¥5,063	¥165,725	¥63,119	¥228,844
Depreciation	999	2,182	1,154	52	4,387		4,387
Impairment loss			4,605		4,605	(1,497)	3,108
Capital expenditures	1,080	3,160	230	18	4,488		4,488

	Thousands of U.S. Dollars						
	2009						
	Building Automation	Advanced Automation	Life Automation	Other	Total	Eliminations/Corporate	Consolidated
Assets	\$561,299	\$673,641	\$318,102	\$37,785	\$1,590,827	\$662,703	\$2,253,530
Depreciation	10,390	26,126	8,874	559	45,949		45,949
Impairment loss	256		9,249		9,505	(7,855)	1,650
Capital expenditures	15,488	42,941	6,521	497	65,447		65,447

Notes: 1. Corporate assets of ¥65,320 million (\$666,535 thousand) and ¥64,779 million for the years ended March 31, 2009 and 2008, respectively, included in "Eliminations/corporate" mainly consist of cash and cash equivalents and investment securities.

2. As discussed in Note 2.g, effective April 1, 2008, Yamatake and domestic subsidiaries have reviewed the useful lives of the machinery and equipment. The effect of this change was to decrease operating income of Building Automation by ¥17 million (\$177 thousand), operating income of Advanced Automation by ¥175 million (\$1,786 thousand), operating income of Life Automation by ¥37 million (\$377 thousand) and operating income of Other by ¥8 million (\$77 thousand) for the year ended March 31, 2009.

(2) Geographical Segments

Overseas sales amounts are less than 10% of consolidated sales.

(3) Sales to Foreign Customers

Sales to foreign customers are less than 10% of consolidated sales.

INDEPENDENT AUDITORS' REPORT

To the Board of Directors of
Yamatake Corporation:

We have audited the accompanying consolidated balance sheets of Yamatake Corporation (the "Company") and consolidated subsidiaries as of March 31, 2009 and 2008, and the related consolidated statements of income, changes in equity, and cash flows for the years then ended, all expressed in Japanese yen. These consolidated financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these consolidated financial statements based on our audits.

We conducted our audits in accordance with auditing standards generally accepted in Japan. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the consolidated financial position of Yamatake Corporation and consolidated subsidiaries as of March 31, 2009 and 2008, and the consolidated results of their operations and their cash flows for the years then ended in conformity with accounting principles generally accepted in Japan.

Our audits also comprehended the translation of Japanese yen amounts into U.S. dollar amounts and, in our opinion, such translation has been made in conformity with the basis stated in Note 1. Such U.S. dollar amounts are presented solely for the convenience of readers outside Japan.

Deloitte Touche Tohmatsu

June 18, 2009

Corporate Data

As of March 31, 2009

Company Name	Yamatake Corporation
Headquarters	Tokyo Building, 2-7-3 Marunouchi, Chiyoda-ku, Tokyo 100-6419, Japan
Founded	December 1, 1906
Incorporated	August 22, 1949
Paid-in Capital	¥10,523 million
Factories and R&D Center	Shonan and Isehara Factories, Fujisawa Technology Center
Employees	5,429

Subsidiaries and Affiliates

* indicates consolidated subsidiary during fiscal year 2008

As of June 30, 2009

Japan

Yamatake & Co., Ltd. * Tokyo, Japan Ownership: 100%	Hara Engineering Co., Ltd. Kanagawa, Japan Ownership: 100% owned by Yamatake & Co., Ltd.	Kimmon Karatsu Co., Ltd. * Saga, Japan Ownership: 100% owned by Kimmon Manufacturing Co., Ltd.
Yamatake Control Products Co., Ltd. * Kanagawa, Japan Ownership: 100%	Kimmon Manufacturing Co., Ltd. * Tokyo, Japan Ownership: 100%	Kimmon Environment Equipment Co., Ltd. * Kanagawa, Japan Ownership: 100% owned by Kimmon Manufacturing Co., Ltd.
Yamatake Expert Services Co., Ltd. Kanagawa, Japan Ownership: 100%	Aomori Manufacturing Co., Ltd. * Aomori, Japan Ownership: 100% owned by Kimmon Manufacturing Co., Ltd.	Hokkaido Kimmon Construction Co., Ltd. * Hokkaido, Japan Ownership: 100% owned by Kimmon Manufacturing Co., Ltd.
Yamatake Friendly Co., Ltd. Kanagawa, Japan Ownership: 100%	Wakayama Seiki Co., Ltd. * Wakayama, Japan Ownership: 100% owned by Kimmon Manufacturing Co., Ltd.	Tohoku Kimmon Construction Co., Ltd. * Fukushima, Japan Ownership: 100% owned by Kimmon Manufacturing Co., Ltd.
Yamatake Care-Net Co., Ltd. * Tokyo, Japan Ownership: 100%	Shirakawa Seiki Co., Ltd. * Fukushima, Japan Ownership: 98.6% owned by Kimmon Manufacturing Co., Ltd.	Yamatake Mizuho Co., Ltd. * Kyoto, Japan Ownership: 100%
Safety Service Center Co., Ltd. * Tokyo, Japan Ownership: 100%	Kimmon Shirasawa Co., Ltd. * Fukushima, Japan Ownership: 100% owned by Kimmon Manufacturing Co., Ltd.	Royal Controls Co., Ltd. * Tokyo, Japan Ownership: 51%
Kumamoto Safety Service Center Co., Ltd. * Kumamoto, Japan Ownership: 100% owned by Safety Service Center Co., Ltd.	Kimmon Aizu Co., Ltd. * Fukushima, Japan Ownership: 100% owned by Kimmon Manufacturing Co., Ltd.	Taishin Co., Ltd. * Nagano, Japan Ownership: 50%
SecurityFriday Co., Ltd. Kanagawa, Japan Ownership: 85%	Kimmon Haramachi Co., Ltd. * Fukushima, Japan Ownership: 100% owned by Kimmon Manufacturing Co., Ltd.	Tem-Tech Lab. Tokyo, Japan Ownership: 25%

Overseas

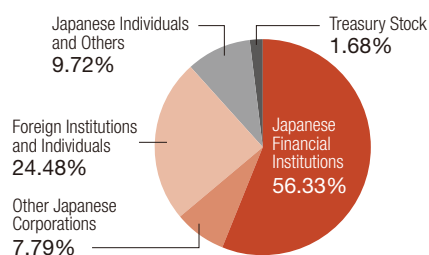
Azbil Korea Co., Ltd. * Seoul, Korea Ownership: 100%	Pt. Azbil Berca Indonesia * Jakarta, Indonesia Ownership: 55%	Azbil Hong Kong Limited * Hong Kong, China Ownership: 99.9%
Azbil Taiwan Co., Ltd. * Taipei, Taiwan Ownership: 100%	Azbil Control Instruments (Dalian) Co., Ltd. * Dalian, China Ownership: 100%	Yamatake Automation Products (Shanghai) Co., Ltd. * Shanghai, China Ownership: 100%
Azbil Vietnam Co., Ltd. Hanoi, Vietnam Ownership: 100%	Azbil Information Technology Center (Dalian) Co., Ltd. Dalian, China Ownership: 100%	YCP PRECISION HONG KONG LIMITED Hong Kong, China Ownership: 100% owned by Yamatake Control Products Co., Ltd.
Azbil (Thailand) Co., Ltd. * Bangkok, Thailand Ownership: 99.9%	Yamatake Environmental Control Technology (Beijing) Co., Ltd. * Beijing, China Ownership: 100%	Azbil North America, Inc. * Santa Clara, CA, U.S.A. Ownership: 100%
Azbil Philippines Corporation * Makati, Philippines Ownership: 99.9%	Azbil Control Solutions (Shanghai) Co., Ltd. * Shanghai, China Ownership: 100%	BioVigilant Systems, Inc. Tucson, AZ, U.S.A. Ownership: 75.5%
Azbil Malaysia Sdn. Bhd. * Kuala Lumpur, Malaysia Ownership: 100%	Shanghai Yamatake Automation Co., Ltd. * Shanghai, China Ownership: 60%	Azbil Europe NV * Zaventem, Belgium Ownership: 100%
Azbil Singapore Pte. Ltd. * Singapore Ownership: 100%		Three other affiliates

Stock Information

As of March 31, 2009

Total Number of Authorized Shares	279,710,000
Shares of Common Stock Issued	75,116,101
Shareholders	10,857
Fiscal Year	April 1 - March 31
Annual Shareholders' Meeting	June
Stock Listing	Tokyo Stock Exchange, 1st Section (6845)
Transfer Agent	Mizuho Trust & Banking Co., Ltd.

Composition of Shareholders

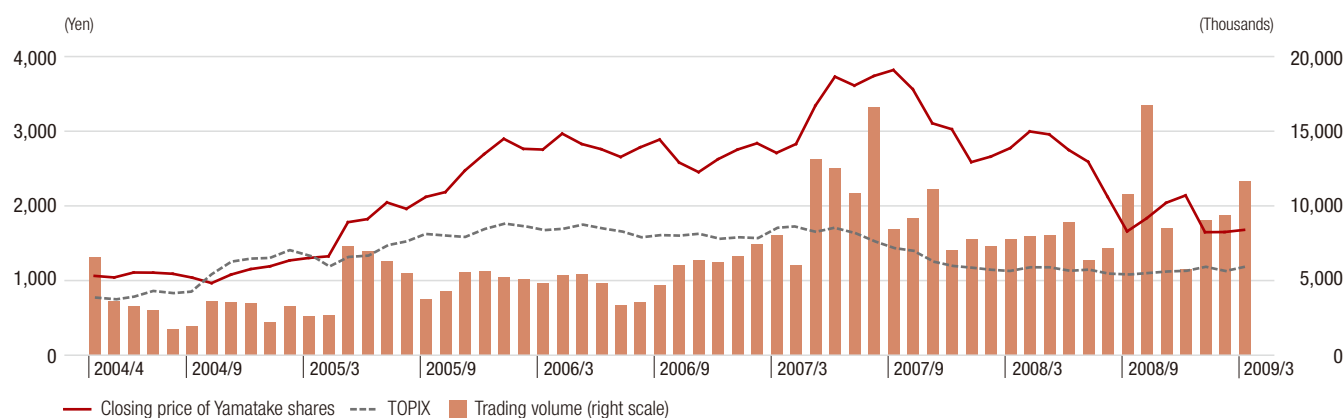


Major Shareholders

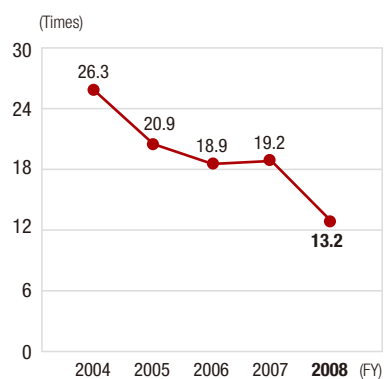
	Number of Shares Held (Thousands)	Percentage of Total Shares Issued
The Master Trust Bank of Japan, Ltd.	8,314	11.25
Japan Trustee Services Bank, Ltd.	6,538	8.85
Meiji Yasuda Life Insurance Co.	5,214	7.05
Japan Trustee Services Bank, Ltd. (Trust account 4G)	4,688	6.34
Mizuho Corporate Bank, Ltd.	3,104	4.20
Nippon Life Insurance Co.	2,669	3.61
Mizuho Trust & Banking Co., Ltd.	2,315	3.13
Sompo Japan Insurance Inc.	1,700	2.30
Trust & Custody Services Bank, Ltd. (Securities investment trust account)	1,659	2.24
The Nomura Trust and Banking Co., Ltd.	1,173	1.58

Equity position is calculated excluding treasury stock (1,260 thousand shares)

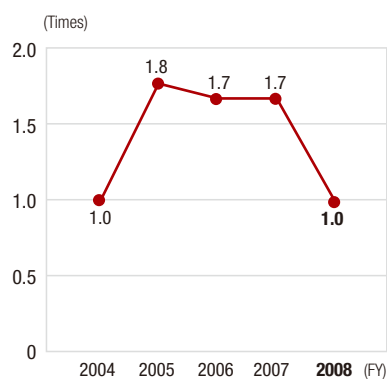
Trends in Share Price and Trading Volume



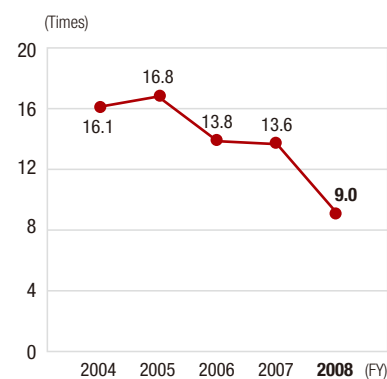
Price-Earnings Ratio



Price-Book Value Ratio



Price-Cash Flow Ratio



azbil Group Web Site
<http://www.azbil.com/>

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<https://www.azbil.com/form/>



azbil report editing staff

What is the azbil report?

This azbil report is an important tool for the azbil Group in communicating with stakeholders. By combining the Group's annual and CSR reports into a single volume—to enable deeper understanding of its business activities—we have compiled an easy-to-understand report on the Group's philosophy, business contributions and challenges facing it in the areas of the environment and society.

Issued: August 2009 Next scheduled release: August 2010



This report is printed on FSC-certified paper using the waterless printing process and soy ink.
Printed in Japan

PR-2101E (0908-2K-LIR)