



azbil Group 2010 Sustainability Report

azbil report 2010



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



Yamatake Corporation

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“Human-centered Automation”

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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.

● 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.

● Handling of products and services introduced in this report differs by country or region.



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

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

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

In Buildings



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

In Factories



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

In Daily Life



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



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

Highlights

Fiscal years ended March 31

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

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

(Millions of yen)

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

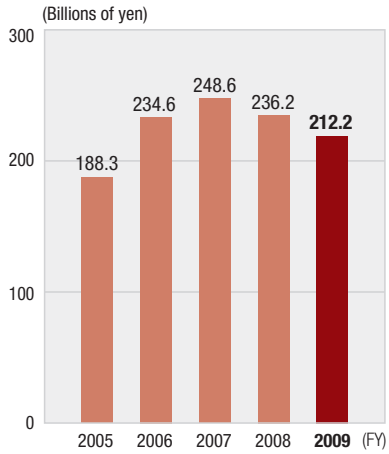
Scope of financial data: Yamatake and consolidated subsidiaries

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

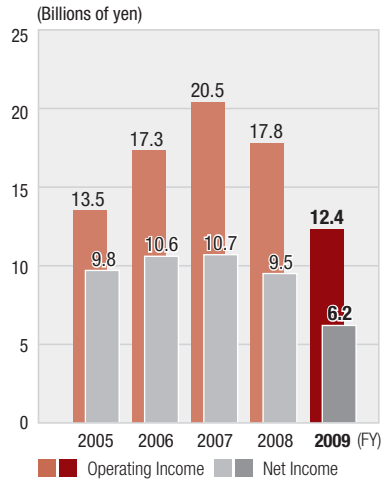
Scope of total volume of waste generated: Yamatake's Fujisawa Technology Center, Shonan and Isehara factories, Yamatake Control Products, Yamatake Mizuho, and Taishin

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

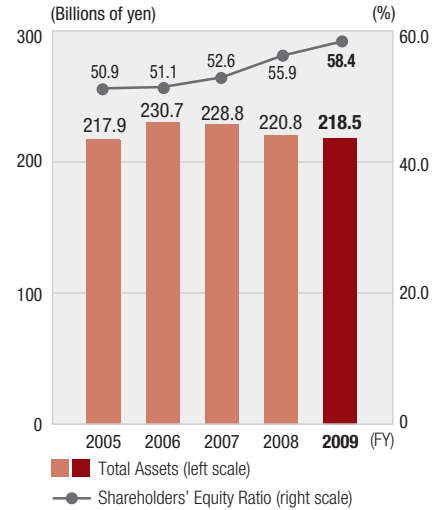
Net Sales



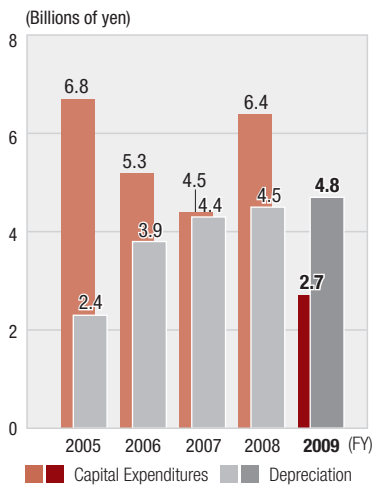
Operating Income/ Net Income



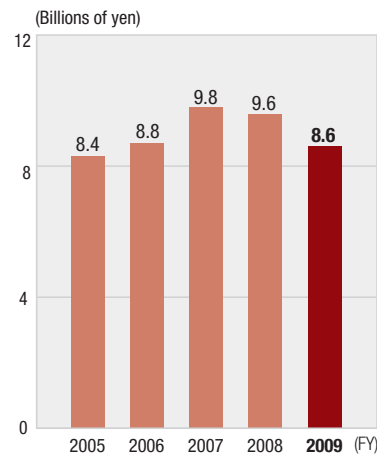
Total Assets/ Shareholders' Equity Ratio



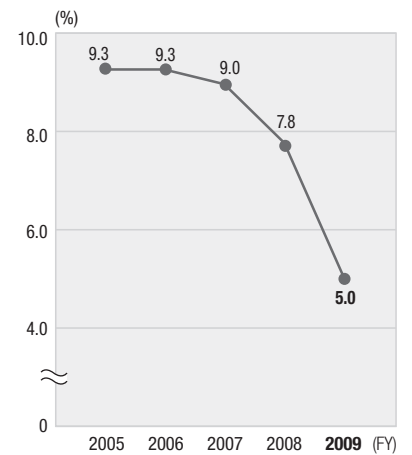
Capital Expenditures/ Depreciation



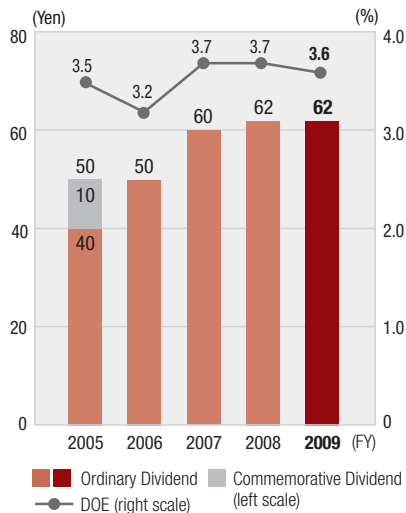
R&D Costs



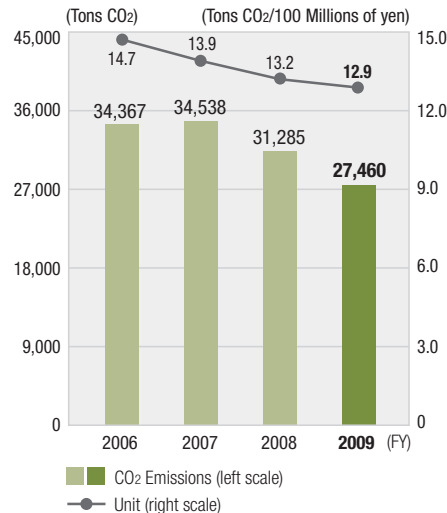
ROE



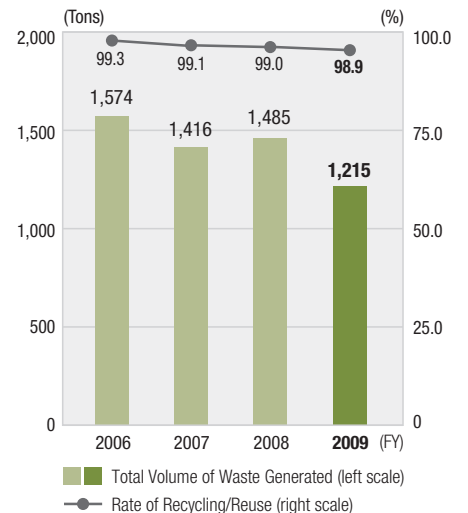
Cash Dividends per Share/ DOE



CO₂ Emissions/Unit



Waste Disposal and Rate of Recycling/Reuse



To Our Stakeholders

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

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

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

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

July 2010



Seiji Onoki

President and Chief Executive Officer

Executive Interview



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

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

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

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

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

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

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

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

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

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

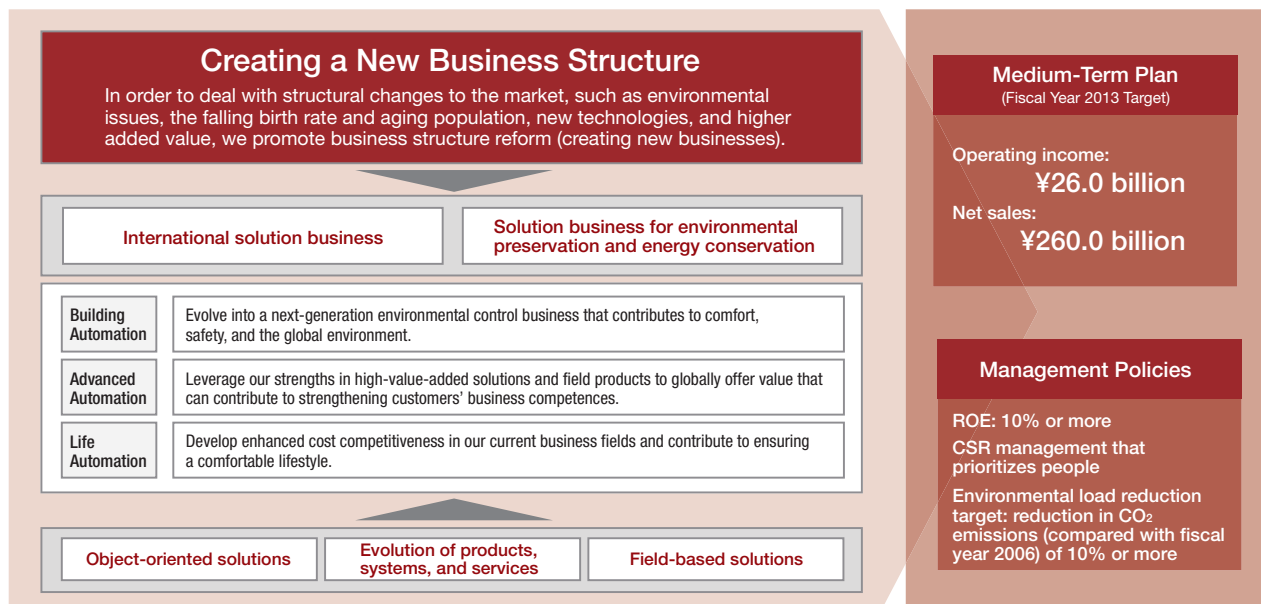
We were able to achieve some results in “fostering azbil spirit” and “creating new work styles” under the previous medium-term

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

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

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

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



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

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

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

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

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

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



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

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

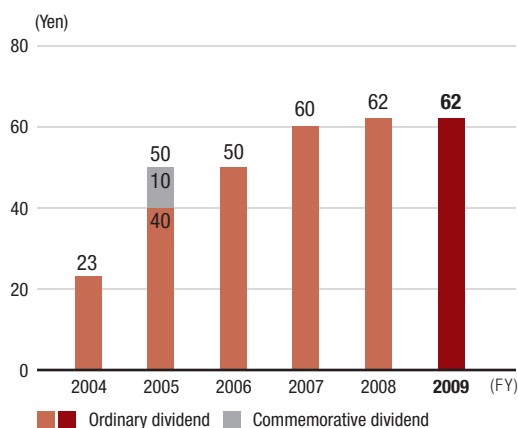


The azbil Group maintained its dividends payment in fiscal year 2009, ended March 31, 2010, in a business environment that was expected to be extremely severe. You have plans to increase the dividends for fiscal year 2010, ending March 31, 2011. What is your policy on returns to shareholders?

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

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

Cash Dividends Per Share



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

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

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

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

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

We have finally moved into the final stage of the 10-year plan that started in fiscal year 2004, ended March 31, 2005.

Although the unexpected, once-in-a-century global economic situation has prevented smooth sailing, I'm convinced that sharing a sense of crisis has further strengthened the Group's management foundation.

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

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

Feature

- For a Better Earth

Contributing to the Environment through Our Core Business Activities

- To Serve a Greater Number of Customers

Full-Fledged Expansion in Overseas Markets



Masakazu Hinayama

Sales Department 2
International Business Headquarters
Advanced Automation Company
Yamatake Corporation

Based on our core technology of automation, the azbil Group pursues safety, comfort, and fulfillment in people's lives.

We made steady progress in strengthening our management infrastructure under our medium-term plan, positioned as the “period of firmly establishing the foundation.”

This section presents the initiatives of the azbil Group under the keywords “environment preservation” and “overseas business” of our new medium-term plan, which is positioned as a “period of growth.”

Solving Environmental Problems with Products, Tec

Strengthening Regulations for the Prevention of Global Warming

The connection between the greenhouse effect that results from an increasing concentration of CO₂ in the atmosphere and the frequency of abnormal weather is being debated. Because of the risk that large-scale climate change will exert a significant impact on our lives and business activities, it has become an immediate and pressing issue that we must confront. Under these circumstances, at the 2009 United Nations Summit on Climate Change, the Japanese government announced it will tackle the significant reduction of CO₂ emissions. A variety of initiatives and stricter regulations are expected. Large-scale buildings and factories have been taking stringent initiatives to reduce CO₂ emissions, but more severe regulations have been put in place with the enforcement from April 2010 of the Revised Act on the Rational Use of Energy and the Tokyo Municipal Environmental Protection Ordinance.

Substantial Benefits of Improving Energy Efficiency of Office Building HVAC Systems

Although energy consumed by the industrial sector such as factories is substantial at about 45 percent of the total in Japan, there is little growth in consumption owing to a variety of energy conservation measures. Conversely, consumption by the residential/commercial sector accounts for about 31 percent of the total, which is less than for the industrial sector but growing year by year. One reason for the increase in the commercial sector is an increase in the number of large buildings due to redevelopment. Energy conservation initiatives are progressing on a building-by-building basis, but overall energy consumption is rising with the increase in gross area as the number of buildings grows, as well as needs for data centers and other IT facilities. HVAC (heating, ventilating, and air conditioning) accounts for some 40 percent of the energy consumed in commercial buildings, typified

For a Better Earth

Contributing to the Environment through Our Core Business Activities

As the issue of global warming comes into close-up, the azbil Group makes full use of the various products, technologies, and services it has built up over many years in the Building Automation business to contribute to environmental preservation through its core business activities, while taking these societal needs as an opportunity to expand operations.

Case NAMCO BANDAI Holdings Inc.



Establishing a Framework for Thorough Legal Compliance with Centralized Management of Energy Use

NAMCO BANDAI Holdings Inc. believed that accurately measuring energy usage at all its business sites would be necessary to operate appropriately and in compliance with the Revised Act on the Rational Use of Energy* and the environmental regulations of local governments where its business sites are located. However, with the group's business sites in more than 450 locations in Japan, streamlining operations and accurately gathering information were issues.

Technologies, and Services

by office buildings. We can therefore expect a substantial reduction in environmental load (CO₂ emissions) from energy conservation by implementing appropriate measures based on accurate analysis of energy usage, particularly by installing more efficient HVAC equipment and systems at the time of renewal of building automation systems.

Contributing to Decreasing Environmental Load (CO₂ Emissions) While Expanding Our Operations

Fifteen to twenty years have passed since the construction of office buildings and other structures during the asset-inflation economic bubble of the early 1990s in Japan. As a result, it is time to renew the automation systems of many of those buildings. In addition, owners of large buildings as well as companies operating in offices nationwide are being urged to take counter-

measures as they fall under tightened regulations.

The azbil Group has a high share of the domestic building automation market and a substantial track record of deliveries over many years. In order to respond to the aforementioned customers' needs and issues, we are preparing a varied product and service menu backed by our extensive track record and experience on site. This menu extends from ASP (Application Service Provider)-type services that monitor CO₂ emission volumes, BEMS (Building Energy Management System) for monitoring and managing energy use in buildings, and the ESCO business that provides comprehensive energy conservation services, to emissions trading. As a building automation pioneer, we at the azbil Group are supporting customers' environmental load (CO₂ emissions) reduction through our core business activities in order to contribute to the sustainable growth of society while expanding our operations.

The azbil Group's Aims for the Future

All of humanity has a stake in the vital issue of preservation of the global environment. This will require a steady and unrelenting effort at every site. We have a variety of solutions that can contribute precisely to resolving environmental issues at each of these sites. Through "human-centered automation" we intend to leave a beautiful Earth for the people of the future.

Tetsuya Shibata

Environmental Management Promotion Department
Environmental Solutions Headquarters
Building Systems Company, Yamatake Corporation

To resolve these issues, the customer initially intended to install a software package. However, the substantial initial investment it would require presented problems. They decided to use Yamatake's CO₂ Management System, an ASP-type service that is advantageous in terms of cost and installation period because it offers a yearly contract option and does not require the customer to install its own server.

The customer expressed its gratitude for the results with comments including, "The fact that it can be upgraded at any time in response to changes in laws or conversion factors is appealing," "It creates greater environmental awareness by

enabling comparisons across all business sites with the same units for different types of energy," and "Because we can analyze causal relationships between changes in energy efficiency and such factors as the business sites' functions and facilities, considering specific energy conservation measures is easy."

* The Revised Act on the Rational Use of Energy

This law resulted from revision to the former Act on the Rational Use of Energy and is in effect from April 2010. Its scope was expanded from measurement and management of energy use at individual factories and buildings to all companies with total annual energy usage of 1,500kl or more (crude oil equivalent) at all their business sites. These companies have been required to measure and manage overall energy usage from headquarters, business sites, branches, offices, and shops since April 2009.



Turning to Overseas Markets for Further Growth

A Mature Domestic Market and Full-Fledged Expansion into Overseas Markets

In the domestic market, which accounts for the bulk of the azbil Group's sales, both the Building Automation business and Advanced Automation business are maturing as industries along with the maturation of Japanese society. To respond to these changes by creating business opportunities from changes in the social structure, the azbil Group is working to develop new business models and pioneer new business domains. Looking overseas, the azbil Group anticipates further future growth in markets such as Asia, the Middle East, and South America and expects active capital investment in a substantial number of regions.

The azbil Group will leverage the achievements and experience it has accumulated over the past 100 years in Japan for full-fledged expansion into overseas markets in order to achieve further growth.

Enhancing Our Overseas Framework to Strengthen the Solution Service Business

The azbil Group's expansion overseas goes back to the 1960s. Through a tie-up with Honeywell International Inc. of the U.S., the Advanced Automation business supplied jointly developed systems, as well as automatic control valves and various types of field instruments — manufactured independently by Yamatake (then Yamatake-Honeywell Co., Ltd.) — through plant engineering contractors and others.

Following the 1997 amendment of the agreement with Honeywell, the azbil Group established overseas subsidiaries, particularly in Asia, in order to develop businesses centered on sales of various automatic control valves and field instruments. However, the requirements of overseas customers vary by region and business. To grow as an enterprise group by appropriately responding to customer needs, we are further strength-

To Serve a Greater Number of Customers

Full-Fledged Expansion in Overseas Markets

As the domestic market matures, in order to achieve further growth the azbil Group is expanding into overseas markets where substantial customer needs exist. Based on its track record of delivering systems, the Group will make full use of its comprehensive capabilities to achieve growth.

(Indonesia's National Oil Company)

Case

PT Pertamina

Cilacap Oil Refinery

Renewal of Distributed Control System for Paraxylene Production System

Seeking a Partner to Safely Entrust an Entire Oil Refinery for the Next 15 Years

The customer on this project requested that system renewal risks and costs be minimized while preserving the operability of the distributed control system (DCS) for the paraxylene production equipment and shortening the DCS renewal period as much as possible. The customer also requested flawless support for reliable operation over the next 15 years. Moreover, it sought a partner that it could entrust with the future efficiency of the entire refinery.

ening the solution service business. The solution service business does not simply sell specific products; rather, it combines various products and then adds high value through applications and other means to resolve individual customer issues. Over the past 10 years, the azbil Group has steadily progressed with strengthening the overseas subsidiaries needed for this business expansion as well as their support framework in Japan, enhancing the engineering framework, and establishing maintenance centers.

I Strategically Capturing Renewal Demand from Existing Customers

A major asset in accelerating and developing the solution service business is the Advanced Automation business's track record of automation systems, with more than 10,000 such systems operating worldwide today. These systems were

delivered in the 1990s and are currently going through a period of update. A wide variety now exists, particularly in Asia. System renewals by the azbil Group, based on its thorough understanding of existing application software, have the advantages of minimizing renewal expenses and risks for customers. They also enable customers to receive finely-tuned services for systems through to field instruments, which only the azbil Group can provide. As one of our solutions, we launched the azbil Global Evolution Program aimed at continuous enhancement of our customers' entire plant systems in operation (including field instruments, distributed control systems, and operation support systems) while making maximum use of existing systems. This program supports the long-term stable operation of existing plants by using an evolution approach. Honeywell took over much of the maintenance of these systems when it amended the agreement. However, the azbil Group is taking on renewal contracts of these systems again,

Continued on page 14 >>

The Future That the azbil Group Targets

The azbil Group will provide "human-centered automation" by creating workplaces with greater safety, comfort, and fulfillment for a greater number of customers worldwide. In doing so, the azbil Group will leverage the experience and know-how it has accumulated in its solution business in Japan in order to strengthen and expand its comprehensive solution business overseas.

Bugi Santoso

Director
Industrial Automation Department
PT. Azbil Berca Indonesia

In order to find the customer's true on-site needs and propose the most appropriate solutions, the azbil Group continued discussions with the customer to create proposals that bring together the Group's total capabilities. The azbil solutions that were particularly highly regarded include our achievement in a debottlenecking project from 1995 to 1998 that shifted the facility to DCS while continuing overall refinery operation. Another is the proposal for improvement of overall refinery efficiency with the U-OPT solution application package that optimally conserves energy for utilities. The system up for

renewal was delivered in 1991 by Yamatake (then Yamatake-Honeywell) via a plant engineering contractor. This project is representative of the new business that makes the most of the Group's comprehensive abilities, grounded in its track record of delivering systems.



Feature

thus comprehensively offering finely-tuned services including maintenance, which helps customers to operate their plants safely and reliably. In expanding overseas, the azbil Group is leveraging the asset of its track record of delivering systems and products to develop its solution business with its customers.

systems, that comply with standards worldwide.

To expand the Advanced Automation business overseas, the azbil Group delivers wide-ranging solutions, from product lineups to maintenance, as a solution provider that can resolve the various issues that arise at the customers' site, in full coordination with overseas subsidiaries.

Supplying Digital Field Solutions for Customers Planning New Plants

The azbil Group aims for further growth by increasing its orders for newly constructed plants and factories based on the expertise and trust built up through renewal of systems in existing plants. Standards at new plants overseas vary, but the azbil Group has a wide range of products, from field instruments to

Full-Fledged Expansion in Overseas Markets

The azbil Group's Overseas Bases



Business Overview



Ippei Murata

Facility Management Sales Department
Facility Management Headquarters
Building Systems Company
Yamatake Corporation

Under the new medium-term plan for our “period of growth,” we are promoting reform of our business structure to attain the following goals:

Building Automation Business:

Establish next-generation environmental controls

Advanced Automation Business:

Provide value globally

Life Automation Business:

Contribute to safety and peace of mind in people’s lifestyles

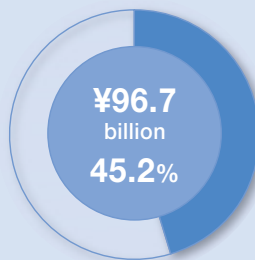
This section presents the operating environment, performance, and outlook for each of the businesses.

Net Sales by Business/
Share of Total Sales

Business Outline

Markets

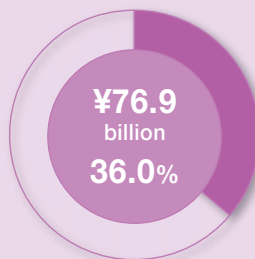
BA

Building Automation
Business

The azbil Group provides high performance and high quality through its in-house development and manufacturing of a full product lineup from building automation systems and security systems to application software, controllers, valves, and sensors. We offer integrated systems from instrumentation design to sales, engineering, services, energy-saving solutions, and facility operation management. With our original environmental control technologies, we contribute to creating spaces where people can work efficiently and comfortably while reducing the environmental impact.

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

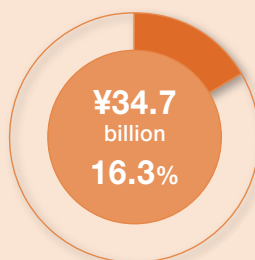
AA

Advanced Automation
Business

The azbil Group provides products, solutions, instrumentation, engineering, and maintenance services to support the optimum operation of equipment and facilities throughout their life cycle in order to resolve issues in materials, manufacturing, and assembly industries. Through collaboration with customers in industry, we aim to develop advanced measurement and control technologies in order to enable production facilities that can safely deploy human capabilities, as well as to create new value for customers.

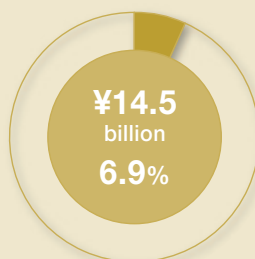
- Petrochemical/chemical
- Water supply and sewerage
- Oil refining
- Electric power and gas
- Iron and steel
- Pulp and paper
- Shipping and marine
- Semiconductor/semiconductor manufacturing equipment
- Electrical/electronic components
- Machine tools
- Automobiles
- Pharmaceuticals
- Food/beverage 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, factory, and plant markets as well as a personal commitment to customers through our services. In the Life Automation business, we are supporting people's active lives through operations related to lifelines such as gas and water, and lifestyle support such as nursing care and healthcare.

- Measurement/metering equipment, such as gas and water meters, flowmeters, and instrumentation systems
- Residential air-conditioning
- Elderly nursing care (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, factories, and maintenance centers in 13 countries and 26 locations, principally in Asia. We deliver best-fit solutions for the differing problems and needs of customers in each region.

- 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.

Security Systems



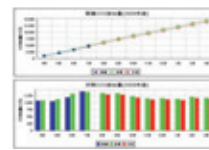
Our security systems offer integrated and consolidated control of security data and access data. By integrating building management systems, we make building management and security more effective.

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.

CO₂ Management Systems



These systems are internet services that provide support for measuring the volume of and managing all greenhouse gases emitted by a business.

- 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

City Gas and LP Gas Businesses



We offer intelligent gas meters, automatic meter reading systems, 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 alert response, health management support, preventative nursing care, lifestyle-related disease prevention, etc.

Nursing Care Support Services

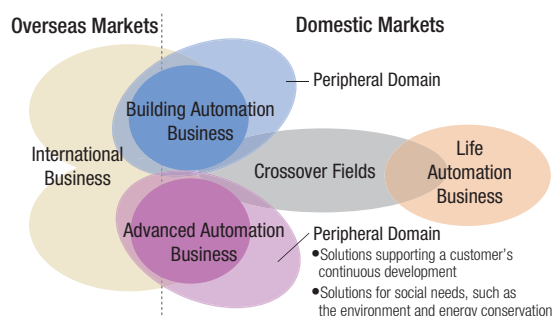


We offer nursing care services, in-home care services, the sale and rental of nursing care equipment, an elderly group home, etc.

Core Business Structure

The azbil Group strives to realize safety, comfort, and fulfillment in people's lives and contribute to global environmental preservation through "human-centered automation" in the building market through the Building Automation business, in industrial markets through the Advanced Automation business, and in the lifeline-related, health, and other lifestyle-related markets through the Life Automation business.

The markets of these three businesses have significantly different characteristics. Combining them and promoting synergies will support the long-term growth of the Group.



BUILDING AUTOMATION BUSINESS

Business Results

In fiscal year 2009, ended March 31, 2010, performance of the Building Automation business remained firm despite the economic slowdown, as business demand stemmed largely from the refurbishment and maintenance of installed systems. As a result, sales were ¥96.7 billion, with the decrease limited to 3.7%. Operating income decreased 11.9% to ¥11.5 billion due to the implementation of measures including the addition of staff to the service workforce for future business expansion.

Operating Environment

In fiscal year 2009, sales of factory HVAC systems were impacted by cutbacks in investment across all industries as a result of the global economic recession. However, the market for office and other commercial buildings, which is on a different business cycle, remained steady.

Moreover, fiscal year 2010, ending March 31, 2011, is the start of a period of practical reductions in emissions with the enforcement of the Revised Act on the Rational Use of Energy and the Tokyo Municipal Environmental Protection Ordinance, which contain stricter regulations to decrease environmental load. We therefore expect 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.

Fiscal Year 2009 Performance

In the domestic market, demand for factory HVAC systems remained stagnant, but for commercial office buildings demand continued to be brisk, particularly in large metropolitan areas, despite the dampening of investor sentiment caused by worsening market conditions, as evidenced by falling rental rates and rising vacancy rates.

Amidst these conditions, in the market for new buildings a fall in sales was unavoidable, especially since the previous year had seen the completion of several large-scale production facilities. However, the existing building business and the service business, although not immune to the effects of the market downturn, did succeed in increasing sales. This was due to putting more emphasis on proactive sales offering customers ways to reduce CO₂ emissions and save energy — an initiative that was stimulated by a tightening in environment-related regulations — as well as efforts made to expand the market.

Internationally, overseas subsidiaries made steady progress in developing their local markets, yet sales decreased as a result of the global economic downturn, cutbacks in investments made by Japanese companies operating abroad, and the high value of the yen.

Fiscal Year 2010 Outlook

For fiscal year 2010, robust performance is forecast for the Building Automation business. This is partly because recovery is expected in the market for new buildings, but also because the existing building business and the service business are expected to turn in a solid performance owing to the fact that fiscal year 2010 marks the start of the period when the enforcement of CO₂ reductions stipulated by the Revised Act on the Rational Use of Energy and other ordinances comes into effect.



“ We make use of business opportunities related to growing needs for reduction of environmental load (CO₂ emissions) to provide solutions unique to the azbil Group and expand into the next-generation environmental control business. ”

Kiyofumi Saito

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

We take this as a sign that we can make a good start for the new medium-term plan for the “period of growth.”

In particular, stricter regulations to reduce environmental load (CO₂ emissions) present a new business opportunity. In order to seize this opportunity and expand our business, we will make proposals based on visualization of energy management data and analysis of our database of facility management cases, leveraging our expertise and preminent track record in Japan of delivering over 30,000 systems. Further, we will differentiate ourselves by providing comprehensive environment and energy-saving solutions unique to the

azbil Group, ranging from product supply to on-site services, when specific measures for reducing CO₂ emissions are implemented. We will also accelerate business expansion overseas, where growth is rapid, by using the strength of our track record in Japan to develop local building markets, in addition to our existing market for factory HVAC for Japanese companies operating abroad. By using the technologies and people of the azbil Group to reconcile the conflicting goals of comfort and energy conservation, we aim to establish a next-generation environmental control business that contributes to comfort, safety, and global environmental preservation.

Energy Saving of About 19% Exceeds Target Due to Heat Source Equipment Renewal and Energy-Conservation Measures



Yamaguchi Asahi Broadcasting Co., Ltd.

Yamaguchi Asahi Broadcasting has been working to deal with environmental issues. It used the renewal of its heat source equipment as an opportunity to achieve substantial energy savings and implement energy conservation policies for its entire headquarters building. We improved HVAC control by installing the savic-net™ FX building management system as the central monitor. At the same time, we implemented advanced energy-conservation initiatives such as using an ACTIVAL PLUS motorized control valve with flow measurement and control functions to measure the flow of cold and hot water for the air-conditioning units on each floor, thus eliminating waste. The results were energy savings of about 19% and cost reductions of more than 37%.

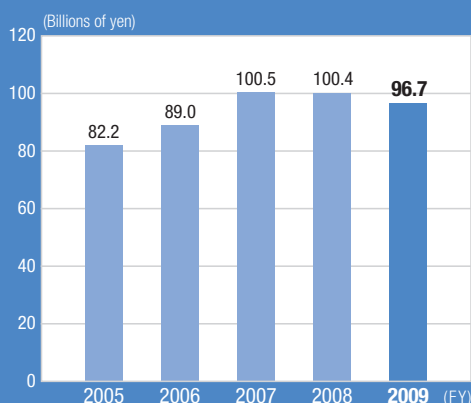
We received a high evaluation for this proposal, which leveraged the expertise of azbil in reviewing and improving control operations and applying the subsidy systems of the New Energy and Industrial Technology Development Organization (NEDO) and the Ministry of the Environment, in addition to upgrading the heat source equipment. Energy and cost savings were issues for the customer, and we were able to assist in advancing their energy-conservation policies. We believe that, as an environmental business, we need to see eye-to-eye with our customers on a daily basis and concentrate our efforts on resolving their issues in order to satisfy our customers and contribute to society.



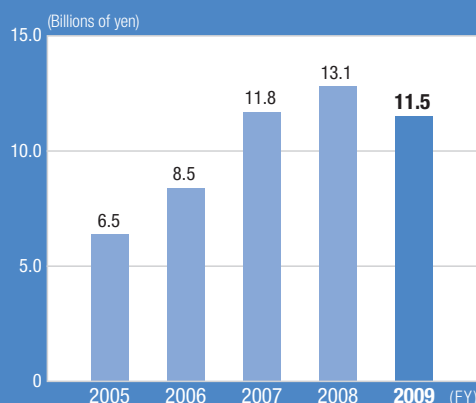
Noriyuki Higami

Sales Department, Chushikoku Branch
Building Systems Company, Yamatake Corporation

Sales



Operating Income



ADVANCED AUTOMATION BUSINESS

Business Results

In fiscal year 2009, ended March 31, 2010, recovery was apparent in some market sectors. However, the operating environment remained challenging for the Advanced Automation business due to the slow recovery in overall capital investment. As a result, sales decreased 17.8% year on year to ¥76.9 billion. Despite concerted cost cuts and a large-scale reduction in fixed expenses, operating income decreased 88.9% to ¥0.6 billion due to the substantial impact of the decline in sales.

Operating Environment

The Advanced Automation business provides comprehensive solutions ranging from automation components and systems to services for manufacturing equipment and facilities in factories and plants. Our customers span a wide range of industries, from material-related industries, such as oil refining and chemicals, to manufacturing and assembly industries, such as automobiles and electronic components.

The Advanced Automation business tends to have comparatively diversified risk from deterioration in market conditions due to the breadth of its customers' industries and to its operations that extend from providing products to maintenance services throughout the life cycle of customers' facilities.

However, the operating environment was highly challenging as the global recession led to continued cutbacks in capital investment across all industries in

Japan and overseas from the beginning of fiscal year 2009. Nonetheless, demand for our

products made a firm recovery in some markets due to economic growth in emerging nations.

Fiscal Year 2009 Performance

In the domestic market, the drastic curtailment of production and freezes or cutbacks in capital investment that followed the collapse of Lehman Brothers continued through the full fiscal year. Business confidence began to recover from the second half of fiscal year 2009 due to increased foreign demand and other factors, but had little effect on capital investment. As a result, the operating environment remained highly challenging overall. Looking more closely at the different industries, in the semiconductor and some other industries, demand for our products recovered rapidly at a pace that has not faltered. However, capital investment in material-related industries remained stagnant with the exception of a few industries involved with new energy and highly functional materials.

Overseas, recovery was steady from the middle of 2009, but the operating environment for the fiscal year as a whole was challenging.

In this operating environment, a decrease in sales was unavoidable. In order to limit the impact on operating income to the greatest possible extent, we reduced expenditures and redeployed human resources from the Advanced Automation business to other azbil Group businesses on a large scale. We further worked to thoroughly strengthen our business structure through measures that included improving productivity with object-oriented solutions.



“ We will expand business by providing high-value-added solutions globally, based on a business structure strengthened through reform activities. ”

Masaaki Inozuka

Executive Director
Managing Executive Officer
Advanced Automation Company President
Yamatake Corporation

Fiscal Year 2010 Outlook

Although capital investment in material-related industries is forecast to remain challenging in fiscal year 2010, ending March 31, 2011, steady recovery in demand is expected for products for manufacturing and assembly industries such as semiconductor manufacturing equipment. With this improvement in the operating environment, we aim to turn our thorough efforts to strengthen our business structure into higher sales and operating income.

Going forward, we will deepen our presence in markets including highly functional materials and new

energy, where capital investment is firm, as well as cultivate markets related to the environment, energy conservation, and safety. Overseas, we will develop a solution business that maximizes the value of customers' facilities throughout their life cycles. Under our new medium-term plan for the "period of growth," we will grow the Advanced Automation business as "a business that offers value globally to contribute to strengthening customers' business competences, by leveraging our strengths in high-value-added solutions and field products."

Achieving a Futuristic IT Control Room for Information Sharing and Visualization



Seibu Oil Co., Ltd.

We installed the Advanced-PS™ 5000 next-generation plant automation system and large-scale monitors to streamline the production and supply of petroleum products in response to the customer's demand structure. This created an environment where the decisions required for safe and stable operation can be made quickly and without stress as a result of information sharing and visualization. In addition, rather than a traditional console design, the IT control room considered layout flexibility and the flow of people through the room for efficient operation in a compact space.

Leveraging the expertise we have built up over many years, we proposed a plant control room that anticipates the needs of 10 years from now. In addition to incorporating advanced IT and video technologies and operational support software, we analyzed various on-site operations to create an environment where operators of the facility can work comfortably and efficiently, which earned us a high evaluation. We were able to leverage azbil technologies, including constantly evolving systems, and the relationship of trust we have built with our customer.

Tsutomu Ishikawa

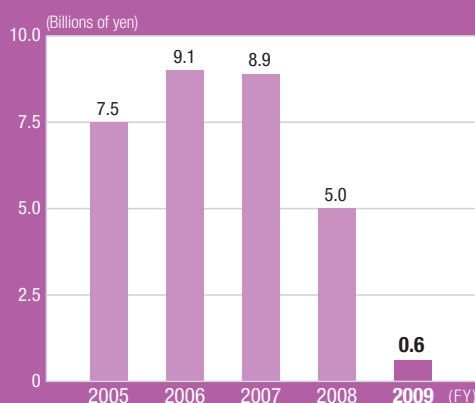
Manager, Instrumentation Engineering Department 1, Engineering Headquarters
Advanced Automation Company, Yamatake Corporation



Sales



Operating Income



LIFE AUTOMATION BUSINESS

Business Results

Because the Life Automation business operates in areas directly related to peoples' lifestyles, it is relatively unaffected by such adverse economic factors as cutbacks in capital investment. As a result, sales for fiscal year 2009, ended March 31, 2010, were ¥34.7 billion, limiting the decrease to 3.3% year on year. Moreover, we achieved operating income of ¥0.4 billion, an increase of ¥0.5 billion from the previous fiscal year, as our measures to enhance the business structure were successful and more than offset the decrease in sales.

Operating Environment

Covering businesses related to lifeline and lifestyle facilities, and nursing care and health support, the Life Automation business comprises several companies in different business environments.

Kimmon Manufacturing, the company that accounts for the bulk of Life Automation business sales, operates under a regular cycle of demand for replacement gas and water meters that is based on regulations. Consequently, although demand for new meters and new products for manufacturing equipment is affected by economic downturns and cutbacks in capital investment, we were able to secure stable results overall.

The nursing care and lifestyle support fields where Yamatake Care-Net and Safety Service Center operate are affected by factors including cutbacks in local governments' welfare budgets. However, as demand in these fields is high due to changes in social structure such

as the aging of society, results are stable even during economic downturn.

The residential central air-conditioning field where Yamatake operates is affected by economic slowdown, but demand is expected to grow going forward due to increasing awareness of health and comfort in residences.

Fiscal Year 2009 Performance

Although the economic downturn had a relatively small effect on demand for replacement gas and water meters at Kimmon Manufacturing, it did impact demand for new meters and sales of industrial-use gas equipment. Sales decreased as a result. However, the fall in sales was effectively covered and growth in profit was achieved by implementing the "Kimmon-Yamatake Jump-Up Plan." This plan is designed to reinforce Kimmon Manufacturing's business infrastructure and profit structure through measures such as eliminating and consolidating its factories.

The operating environment of the nursing care and emergency alert response services of Yamatake Care-Net and Safety Service Center remained challenging due to factors including cutbacks in local governments' welfare budgets. However, as a result of a proactive sales drive that increased the number of service contracts and the beneficial effect of the revision to nursing-care benefits, sales were up. As of March 31, 2010, our emergency alert response service has approximately 63,000 customers, making us one of Japan's largest private-sector emergency alert response services for the elderly. In parallel with implementing measures for business expansion, we worked to continue strengthening our business structure, such as by consolidating the headquarters of Yamatake

“ We work to strengthen the cost-competitiveness of the Life Automation business while evolving into a business that contributes to living with peace of mind. ”

Ichio Kunii

Managing Executive Officer
Yamatake Corporation

Hirozumi Sone

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

Masaaki Iwai

President
Kimmon Manufacturing Co., Ltd.

Care-Net and Safety Service Center.

Sales of the residential central air-conditioning business decreased slightly due to the economic downturn. As we judged that effective growth could not be expected for the environmental recycling business and agricultural produce traceability business through the azbil Group's operations, these businesses were transferred to another company.

Fiscal Year 2010 Outlook

For fiscal year 2010, ending March 31, 2011, we aim to steadily increase operating income by continuing to

strengthen the business infrastructure and profit structure of all the companies that make up the Life Automation business. Going forward, we will work to expand our business areas through synergies with Group companies and provide new products that respond to market needs, such as the personal emergency alert response service for the general public that we launched in 2009. Through these initiatives, we will evolve the Life Automation business into "a business that contributes to living with peace of mind" under the new medium-term plan for the "period of growth."

Personal Emergency Alert Response Service for the General Public That Supports Daily Peace of Mind



Ms. Akiko Koyanagi

A spell of dizziness and two fractures while I was at home alone led me to have the personal emergency alert response service installed. A staff that includes registered nurses responds to calls from service users. When they judge that a call is urgent, they rapidly assemble a three-person team. A registered nurse takes emergency measures and offers encouragement, while at the same time the other staff arrange for an ambulance and contact the user's relatives. Because this service is operational 24 hours a day, 365 days a year, I have peace of mind on holidays and at night.

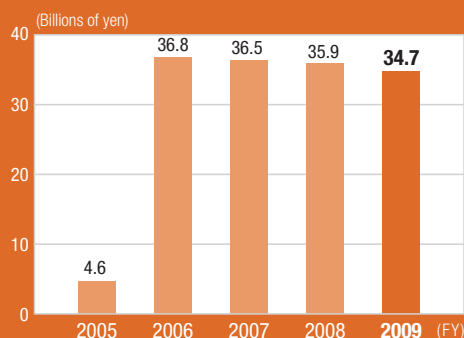
The personal emergency alert response service features: response from a registered nurse; easy health consultations; and the creation of an environment with an easily accessible emergency alert button (mistakenly pressing the button is not a problem, and non-emergency inquiries can be made once a month). As a care manager, I introduce such services provided by several companies, but the personal emergency alert response service is special in that it significantly benefits the whole family. While users are attended by daytime home care and day services, the personal emergency alert response service watches over them at night and on days with no scheduled services. I am glad this combination is available.



Kyoko Yamamoto

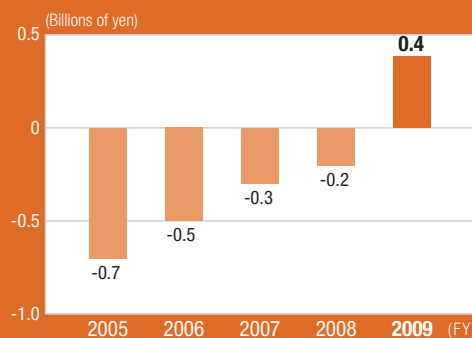
Chief Care Manager, Yamatake Care-Net Co., Ltd.

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.

INTERNATIONAL BUSINESS

Business Results

Although demand steadily recovered along with the global economy from the second half of fiscal year 2009, ended March 31, 2010, substantial curtailment of production and severe freezes or cutbacks in capital investment in all industries continued from the beginning of the fiscal year as a result of the worldwide downturn that followed the collapse of Lehman Brothers. The overall operating environment was therefore highly challenging. As a result of these factors and the strong yen, overseas sales decreased 19.3% year on year to ¥14.5 billion.

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.

Operating Environment

Capital investment activity halted in all regions with the global economic recession, resulting in challenging operating environments from the beginning of the fiscal year regardless of location. However, a steady recovery became apparent from the second half with economic growth in emerging nations. We believe that emerging nations such as the BRICs, led by China, and VISTA will continue to drive global economic growth. We also expect demand to increase as capital investment rises in these regions. Moreover, we anticipate replacement demand for the numerous systems in the Middle East and Asia that the azbil Group delivered in the 1980s and 1990s.

Fiscal Year 2009 Performance

A decrease in sales for the International business was inevitable as a result of weak demand in the first half and the strong yen throughout the fiscal year. However, as the domestic market matures, overseas markets, mainly emerging nations, remain the areas where we can expect substantial growth. We therefore continued working to develop and strengthen the business infrastructure for future business expansion.

Following the January 2009 integration of our wholly-owned sales subsidiaries in China, one of our key markets, we concentrated the offices of our subsidiaries and joint venture company based in Shanghai at one location and began operation in January 2010. This concentration of bases enhances synergies among the subsidiaries and enables us to provide more specialized and finely-tuned solutions as well as services differentiated from those of competitors. In addition, in order to firmly capture demand in rapidly growing emerging nations, we opened a branch in Abu Dhabi, United Arab Emirates, in January 2010 and established Azbil India Pvt. Ltd. in April 2010. In South America, we plan to establish and begin operation of a subsidiary in Brazil.

Fiscal Year 2010 Outlook

We expect the International business to grow in fiscal year 2010, ending March 31, 2011, against a background of economic recovery mainly in emerging nations. In the medium-term plan for the “period of firmly establishing the foundation,” the azbil Group proactively established local subsidiaries and branches in order to develop markets in emerging nations while



“ We will continue strengthening our business infrastructure, as well as seize business opportunities in rapidly growing emerging nations and globally provide solutions that maximize customer value. ”

Toshitsune Okubo

Managing Executive Officer
Yamatake Corporation

reorganizing its subsidiaries in North America and China in order to operate business tailored to the distinctive characteristics of those regions. In addition, we opened and enhanced the functions of the maintenance centers that maintain and repair automatic control valves and other products that are the strengths of the azbil Group. We will continue developing and strengthening our business infrastructure. Further, in each country we will leverage this infrastructure in order to operate and expand a solution business that maximizes the value of customers' facilities throughout their life cycles, similar to what we offer domestically, under the new medium-

term plan for the "period of growth." As a provider of solutions ranging from field instruments and components, such as various sensors and valves, to system installation and maintenance, we will develop our business based on long-standing relationships of trust with customers.

Highly Efficient Maintenance Achieved by Installing a Maintenance Support System



SIAM MITSUI PTA Co., Ltd.

We installed the Valstaff™ maintenance support system to achieve the highly efficient maintenance that is indispensable to a plant's safe operation and ongoing stable production. By monitoring control valve operation and analyzing the data collected, the customer can optimize parts replacement and forecast defects before they occur. In doing this, the customer can systematically check specific parts and carry out preventative maintenance, thus resulting in reduced maintenance time and operating costs.

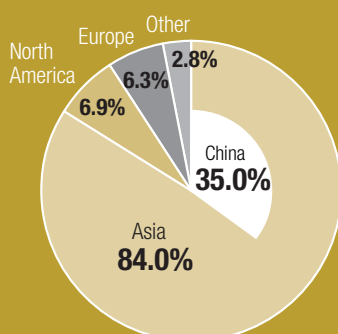
The Rayong Branch of Azbil (Thailand) operates Thailand's largest control valve maintenance center and provides a variety of services for customers of petroleum and/or petrochemical plants in the vicinity. Favored by our location, we have been developing close ties with customers, while responding to customer issues with sincerity. This is the source of business expansion under our philosophy of "human-centered automation."



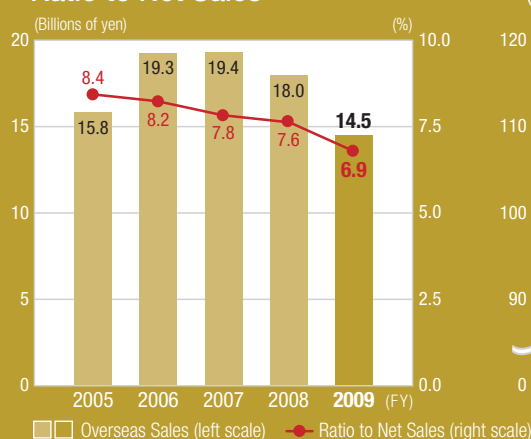
Puangpetch U-bang

Rayong Branch Manager
Advanced Automation Division, Azbil (Thailand) Co., Ltd.

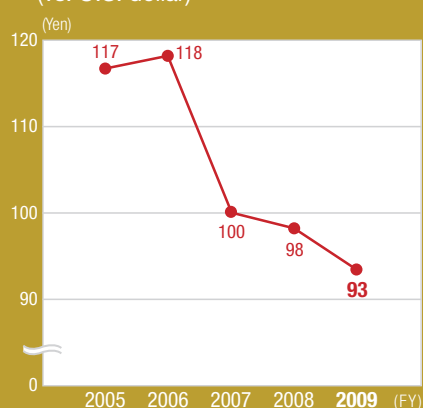
Overseas Sales by Region (Fiscal Year 2009)



Overseas Sales/ Ratio to Net Sales



Fiscal Year-End Exchange Rate (vs. U.S. dollar)



Research and Development

Achieving continuous growth requires an accurate grasp of changing social needs and the technological development capability to respond quickly. We will realize the safety, comfort, and fulfillment of our customers and contribute to the global environment by concentrating azbil Group technologies and strengthening our development of appealing products and services.

R&D Framework

Yamatake's R&D consists of development departments handling products for our business domains and the corporate R&D department, which develops technologies shared among Group companies and also new technologies. Development engineers are concentrated at the Fujisawa Technology Center, with its advanced technology laboratory building completed in February 2009. They rapidly share information on technologies and customer needs through work that transcends business divisions. In April 2010, as an initiative to strengthen the corporate R&D department's product development we decided to emphasize development in technological fields that link directly to product development while maintaining our development function for existing fundamental technologies. At the same time, we intend to establish a new development department that places equal emphasis on both technology development and production technologies as two sides of the same coin, incorporating functions from prototype production to process planning and equipment development.

Directions in R&D and Key Technological Domains

Rooted in the development of automation technologies, the azbil Group selects and concentrates on technologies with a focus on the fields that drive our three core businesses, the Building Automation business, the Advanced Automation business, and the Life Automation business. In addition, as a shared technology platform to support azbil's International business, we are developing products that accommodate globalization and regional characteristics and enhancing our R&D framework.

In the Building Automation business, in addition to energy conservation, we promote the development of technologies that contribute to the creation of comfortable and pleasant spaces and improvement of intellectual productivity. We use advanced technologies to enhance existing technologies to the high standards of our building automation technologies, and develop next-generation environmental control technologies that contribute to the global environment in ways such as reducing building life cycle costs and CO₂.

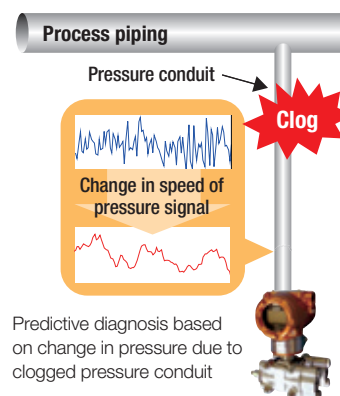
In the Advanced Automation business, we are strengthening our development of technologies to create safe, comfortable environments that are easy to work in, based on solutions including conserving energy at factories and plants and improving quality and productivity. We are working toward developing high-value-added technologies including optimization and network control technologies in line with international standards.

In the Life Automation business, we continue developing technologies that make use of the affinity with the Group's service and precision measurement technologies in order to realize a society where people can live with enthusiasm and peace of mind, based on the technologies and expertise we have amassed in measurement and control.

The following introduces our main technological domains and recent themes in development.

Microsystem Technologies and Measurement and Control Technologies

We are working actively on Micro Flow™ sensors and vacuum gauges that use sapphire microelectromechanical systems (MEMS) technology; miniaturization and precision applications that use pressure sensor, differentiated pressure sensor, and other

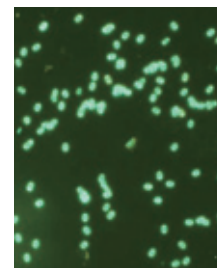


semiconductor sensor technologies; expansion into new measurement fields; and technological applications for problem solving.

As examples, for safe operation and efficient maintenance and inspection of factories, we are developing control algorithms for purposes such as optimal startup control and peak power suppression to reduce energy loss in equipment operation, and also developing predictive diagnosis technologies to detect clogs of pressure conduits in differential pressure transmitters and pressure transmitters.

New Measurement Technologies and Safety-Related Applications

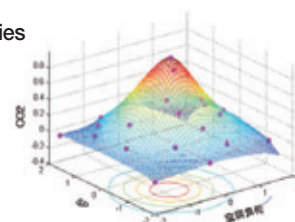
Recognizing global social needs for air quality measurement and management technologies for safety and peace of mind, we are developing technology for the real-time detection of air microbes. Using technology developed by BioVigilant Systems of the U.S., which became a Group company in 2009, enables microbial detection during the manufacturing process, instead of the conventional culture method. In this way, we are developing technologies that save labor in managing the production environment and enhance product safety.



Autofluorescence of bacteria

Environmental Control Technologies

There is demand for next-generation environmental control technologies that can be used in existing buildings and facilities in order to conserve energy while improving comfort and intellectual productivity.



Simulation using WVT technology

One example is the variable water temperature (VWT) intelligent control technology that we developed in-house. This technology optimizes operation by installing systems to remotely measure facilities' energy and CO₂ conservation, thus resulting in substantial energy savings through effective use of existing energy supply equipment.

Equipment Control Technologies

For factories, we focus on implementing environmental measures and improvements in quality and productivity while maintaining comfort. As an example of next-generation assembly equipment that brings humans and machines into harmony, we are developing actuation technologies such as active compliance technologies that accelerate assembly, monitor production status, and meet a variety of work processes by placing devices at the front end of equipment that enable the detection and control of force and positioning.

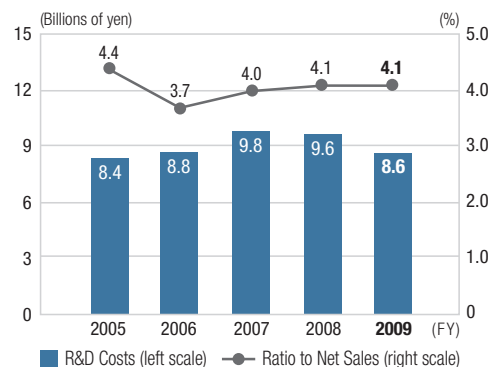


Actuator configuration

R&D Investment

In fiscal year 2009, ended March 31, 2010, the azbil Group's total expenditures on R&D amounted to ¥8.6 billion, equivalent to 4.1% of net sales. Investment will remain concentrated in core businesses, but we will also invest in growth businesses, new business domains, and cross-departmental business opportunities within the azbil Group. In particular, we have positioned research themes that will contribute significantly to reforming our business structure and can be expected to produce cooperation among Group companies as key themes. We conduct balanced activities in these areas, including formulating cross-business projects and promoting concentrated investment of resources.

R&D Costs/Ratio to Net Sales



Developing Next-Generation Control Systems

We have begun sales of NX instrumentation network modules, which can flexibly deal with the increasing complexity of production systems in recent years and reduce environmental impact. The modules meet customer needs with compact packaging of a variety of functions, including peak-power limiting control technologies that enable the miniaturization of the electrical power systems in equipment, interzone temperature difference control for higher product quality, and optimum startup control to help conserve energy.



- Notes: 1. Received 2009 Good Design Award from the Japan Industrial Design Promotion Organization
2. Received 2009 Awards for Outstanding New Products from the Society of Instrument and Control Engineers

Ambition of the New Development Framework

We have substantially revised our corporate research and development functions and reorganized them under the Technology Development Headquarters (THQ) in order to achieve our medium-term plan for the "period of growth" that started in fiscal year 2010.

The THQ is structured around three departments. The mission of the Product Development Department is developing products, the Core Technology Development Department develops fundamental technologies that are indispensable to automation products, and the Process Engineering Department is in charge of production, from prototype creation to the design and manufacture of production equipment. The THQ has thus taken on a unique, integrated organizational function from technological development to commercial production.

We believe that reforming the organizational structure and being able to concentrate individuals' abilities as a team are key issues in developing new technologies and planning and developing products that customers will buy. We intend to nurture and strengthen our operations by visualizing, sharing, and standardizing work and invigorating engineers as a technology group that produces new technologies and new products to meet business needs in a timely fashion.

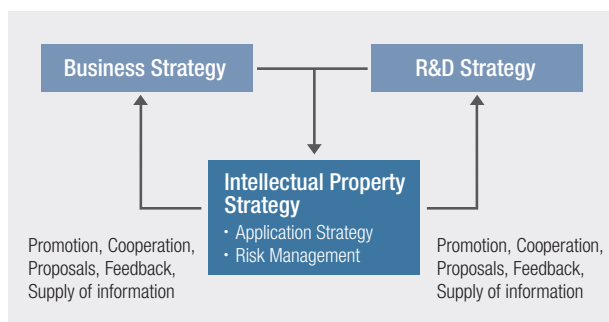


Yoshihide Sugino

Executive Officer
General Manager, Technology Development Headquarters
Yamatake Corporation

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 2009, ended March 31, 2010, 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.

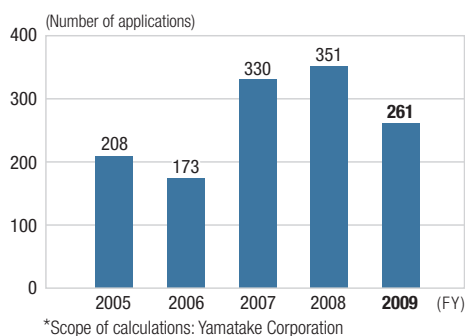
Establishing an Intellectual Property Portfolio in Major Product Lines and Technological Fields

Patent Applications in Japan

The number of patent applications filed in fiscal year 2009 decreased by 90 from the previous fiscal year to 261 due to factors including revisions of R&D items in response to changes in the operating environment.

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.

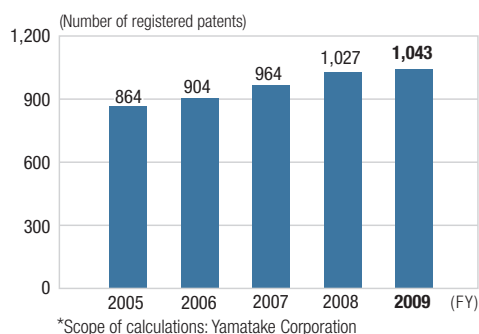
Number of Domestic Patent Applications



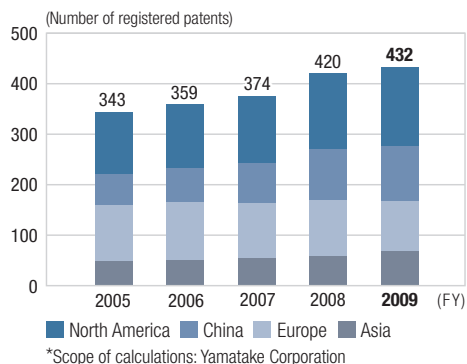
Number of Registered Patents

Yamatake holds 1,043 registered patents in Japan and 432 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.

Management and Society



Yuko Kawayuki
Human Resources Department
Yamatake Corporation

“CSR Management That Values People”

is a target of the new medium-term management plan designated as the “period of growth.” We are carrying out more people-focused CSR management across the Group than before.

This section presents the azbil Group’s initiatives for gaining the trust of stakeholders.

The azbil Group's CSR Management



Tadayuki Sasaki

Executive Director
Senior Managing Executive Officer
Yamatake Corporation

The azbil Group believes that corporate social responsibility (CSR) is a key issue of corporate management. Under our medium-term plan from fiscal year 2010, ending March 31, 2011, as a global automation manufacturer, we will practice CSR management that actively contributes to the economy, the environment, and society.

Q What is the azbil Group's CSR?

Aiming for sustainable development of society and our business, we perform both basic CSR and proactive CSR activities that are unique to the azbil Group and contribute to society. Basic CSR includes fulfilling obligations in legal compliance, risk management, safety, quality, the environment, and other areas that are essential for the azbil Group as a corporate citizen. Proactive CSR includes contributing to society through business operations and voluntary social contribution activities.

Q What are your policies and targets for CSR management initiatives?

Under our medium-term plan designated as "the period of growth," we divided our initiatives into six themes and set targets for each.

1. Compliance control

A culture of thorough compliance that includes not only awareness but also employees' steady execution of business activities to prevent the occurrence of key compliance issues.

2. Operation with thorough risk management

Full preparation of risk management in disaster preparedness, information security, quality, product liability, and accounting, as well as measures taken to ascertain and deal with key risks to management every fiscal year.

3. Promotion of management that values people

Strengthening of the foundation for CSR management that values people by introducing systems and processes for the enhancement of employee capabilities as well as working on employee health and safety, a

vibrant workplace, and human resources development.

4. Contributions to the global environment

Reductions of our own CO₂ emissions and, through our business, active contributions to the reduction of CO₂ emissions of our partner companies and society.

5. Promotion of group management

Further progress in integration of Group CSR management policies in order to upgrade risk management, business management, and the scale of CSR activities at all Group companies, including overseas.

6. Strengthening social contribution activities

Promotion of social contribution through business operations and employee-participatory, voluntary social contribution activities.

CSR Promotion Framework

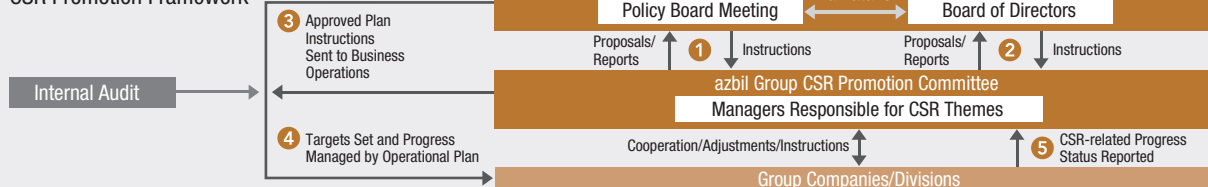
The CSR Promotion Group of the General Affairs Department was established in fiscal 2010 as the lead department responsible for planning and promotion of the azbil Group's CSR.

The azbil Group's CSR Promotion Committee was established to promote and enact CSR activities over a broad range of fields. The committee is composed of senior managers in charge of promoting CSR at individual Group companies and members of the lead departments for each theme. The committee reports to the Board of Directors meeting, after which it conducts CSR initiative execution and appraisal and turns the PDCA (Plan, Do, Check, Act) cycle.

Domain of CSR Initiatives



CSR Promotion Framework



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 execution.

Viewpoint of 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 operational basic policy, legal issues, and other important matters and oversees the status of execution. Functional separation between the executive officer system and the Board of Directors realizes swift policy execution and strengthens the auditing of execution.

The Board of Directors convenes monthly, and for executive personnel, management meetings comprising mainly executive officers, with representatives of the Board of Corporate Auditors also attending, are held twice monthly as part of initiatives to further strengthen business operations through prompt decision making and strict execution.

Corporate Auditor System and Internal Audits

Yamatake uses a corporate auditor system in which four corporate auditors including two external auditors are appointed, with three of these auditors serving on a full-time basis. They perform strict auditing of the business and policy decisions of the Board of Directors and executive officers, primarily from the perspective of legality. In addition, in order to strengthen the auditing function, the Company has established the Corporate Auditors' Office under the direct control of

the Board of Corporate Auditors, with a specialist staff that assists the corporate auditors in their duties. The corporate auditors strengthen ties with accounting auditors and the Internal Audit Office, through means including exchanging information and opinions periodically, to improve the effectiveness and efficiency of audits.

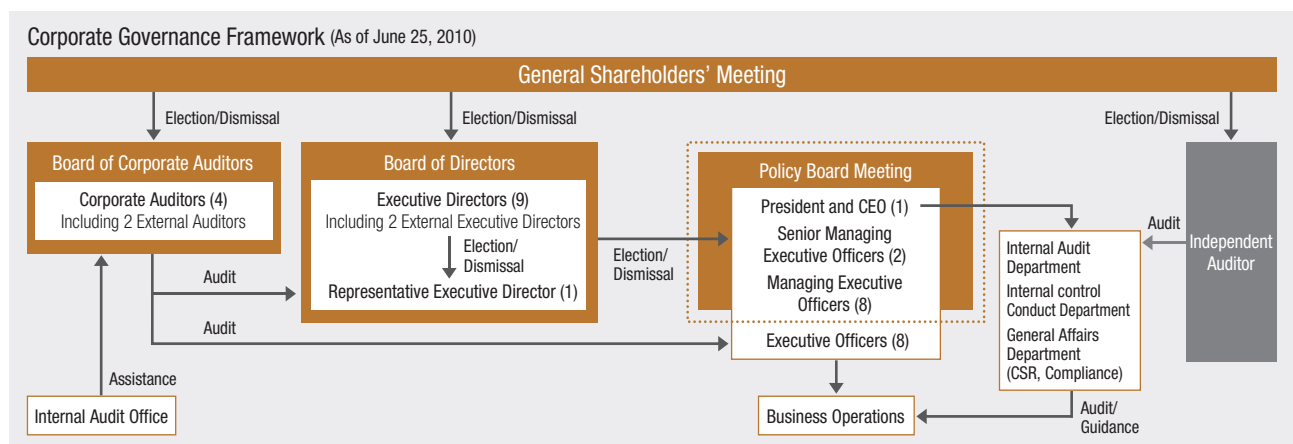
In addition, the internal audit department directly under the President's control performs regular audits of organizations and structures, the execution of business, business risks, compliance, and internal control systems and provides specific advice and proposals for operational control and business improvement.

Current Framework

Yamatake's Board of Directors was composed of nine members as of June 25, 2010, including six members that also have roles as executive officers, and two external directors. The remaining director is not an external director as defined by law, but possesses abundant global management experience and wisdom accumulated over forty years. These directors have the independence to provide oversight and business advice from an external perspective to raise the fairness, neutrality, and transparency of the Company's management.

Remuneration for Directors and Corporate Auditors

Yamatake discloses the total remuneration for directors and corporate auditors in its annual security report and notice of annual shareholders' meetings. In fiscal year 2009, ended March 2010, total remuneration paid to nine directors (including one director who retired at the 87th general shareholders meeting held on June 25, 2009) amounted to ¥306 million (uppermost limit ¥450 million). For the five corporate auditors, total remuneration amounted to ¥98 million (uppermost limit ¥120 million).



Risk Management and Compliance

CSR management to gain the trust of society for the continued existence of the azbil Group is the core of our risk management and compliance. We are working to guard against the various risks that doing business entails and promote compliance throughout the Group.

For general information on compliance, please refer to ►<http://www.azbil.com/csr/soc/compliance.html>

Risk Management

The azbil Group's Total Risk Management

In order to strengthen the azbil Group's risk readiness, risks that could significantly impact our business are surveyed for further action at the Group's main departments every year. Any risks judged to require the Group's response are deliberated at Policy Board meetings and meetings of the Board of Directors to determine which are key risks for the fiscal year. Regarding key risks to operations for the fiscal year, subcommittees of the CSR Promotion Committee are designated by theme to set targets for risk prevention, check implementation, and evaluate the results in order to promote a unified Group response. Further, in fiscal year 2009, ended March 31, 2010, the emergency reporting rules and channels were revised and then thoroughly explained to all Group employees.

Earthquake and H1N1 Influenza Countermeasures, and Business Continuity Planning

The azbil Group works continuously on earthquake countermeasures, such as preparing 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 based on the hazard maps; stockpiling emergency goods for those who cannot return home; and widening the scope of periodic disaster drills held at designated workplaces.

As countermeasures against outbreaks of new strains of influenza in Japan and overseas, in 2009 we established a central headquarters, opened special web sites, and distributed home-use disaster-prevention document files for speedy and thorough guidance on preventative measures for Group employees.

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

Information Security Management/Information Leak Protection

In fiscal year 2009, we continued our focus from the previous fiscal year on efforts including ensuring thorough information security education, responding to information security issues from conducting surveys on compliance, and upgrading our framework for managing key information and personal information.

Compliance

Business Conduct Policy and Business Conduct Guidelines

Our Business Conduct Policy was set in line with the azbil Group philosophy and consists of six areas including the Group's public responsibilities, social responsibilities, compliance with antitrust and other fair trading regulations, and respect for human rights. Based on the Business Conduct Policy, we assembled and established specific Business Conduct Guidelines covering all business activities from the perspective of legal compliance and ethical conduct. We are working to spread the Business Conduct Policy and Business Conduct Guidelines not only within the azbil Group, but also to cooperating companies.

Compliance Promotion Framework

The CSR Promotion Group of the General Affairs Department is responsible for planning and implementation to spread awareness and ensure thorough compliance throughout the azbil Group.

● Corporate Ethics Committee

The Corporate Ethics Committee, which is chaired by the officer in charge of CSR, was established to ensure assiduous legal compliance and ethical behavior.

● Compliance Manager and Leader

The heads of departments assigned as compliance managers and heads of sections as compliance leaders work to spread awareness and ensure thorough compliance in their departments and workplaces.

Main Initiatives Implemented in Fiscal Year 2009

● Compliance Monitoring

In May 2009, we conducted a survey on awareness of compliance covering all Group employees in Japan to understand the status of the azbil Group's business conduct and compliance. We then reported the results at a meeting of the Board of Directors and planned and implemented measures for key issues. Main departments responsible for compliance established planning alliances based on the survey results.

● Compliance Education

Compliance education was held for directors and corporate auditors, the heads of departments and sections, new employees, mid-career hires, employees being posted overseas, and compliance leaders for Asian regions.

● Overseas Implementation of Business Conduct Guidelines

We are proceeding with the creation of Business Conduct Guidelines for overseas subsidiaries in their local languages and supplementary materials based on local laws and business customs so that employees of overseas subsidiaries will understand and voluntarily adopt our Business Conduct Guidelines and gain the trust of local communities.

Board of Directors, Executive Officers, and Corporate Auditors

As of June 25, 2010

Directors, Executive Officers



Seiji Onoki

President and Chief Executive Officer

In charge of azbil Group General Management, Internal Audit Department, Corporate Planning Department



Kiyofumi Saito

Executive Director

Senior Managing Executive Officer

Assistant to the President
In charge of Building Automation Business
Building Systems Company President



Tadayuki Sasaki

Executive Director

Senior Managing Executive Officer

In charge of azbil Group CSR, Internal Control, Facilities and Business Institutions Management, Internal Control Conduct Department, Finance Department, Fiscal Control Department, General Affairs Department, Legal & Intellectual Property Department, Secretary Office



Masaaki Inozuka

Executive Director

Managing Executive Officer

In charge of azbil Group Operating Synergy, Advanced Automation Business
Advanced Automation Company President



Hirozumi Sone

Executive Director

Managing Executive Officer

In charge of Marketing, Technology Development Headquarters



Makoto Kawai

Executive Director

Managing Executive Officer

In charge of azbil Group Production Function, Strategic Production Planning Department, Advanced Automation Company Production



Makoto Yasuda

Director



Eugene H. Lee

Director (External Director)



Katsuhiko Tanabe

Director (External Director)

Corporate Auditors

Full-time Corporate Auditors

Yukihiko Tsuruta

Kozo Edanami

Full-time Corporate Auditor (External Auditor)

Tomonori Kobayashi

Corporate Auditor (External Auditor)

Kinya Fujimoto

Tadashi Hirooka

In charge of azbil Group Environmental Load Innovation, Safety Design Department, Building Systems Company Marketing, Development

Junji Funamoto

In charge of Service Business
Director, Service Engineering Headquarters
Director, Building Systems Company Facilities Management Headquarters

Ichio Kunii

In charge of Home Comfort Department, Building Systems Company Operating Management
Director, Building Systems Company Instrument Headquarters

Takumi Ishiguro

General Manager, Building Systems Company Kansai Regional Division

Toshio Yoshida

General Manager, Advanced Automation Company Tokyo Regional Division

Takuji Hosoya

In charge of Advanced Automation Company Marketing Development, Quality Assurance

Osamu Tamayori

In charge of azbil Group Purchasing Function, Advanced Automation Company Purchasing

Executive Officers

Managing Executive Officers

Toshitsune Okubo

In charge of International Business, Document Production Department
Director, International Business Headquarters

Yasuyuki Washi

In charge of Quality Assurance, Human Resources Department, Information Systems Department

Executive Officers

Teruyoshi Yamamoto

Director, Fiscal Control Department

Yoshihide Sugino

General Manager, Technology Development Headquarters

Keiichi Fuwa

Director, Building Systems Company Tokyo Head Office
Director, Building Systems Company Sales Headquarters-1

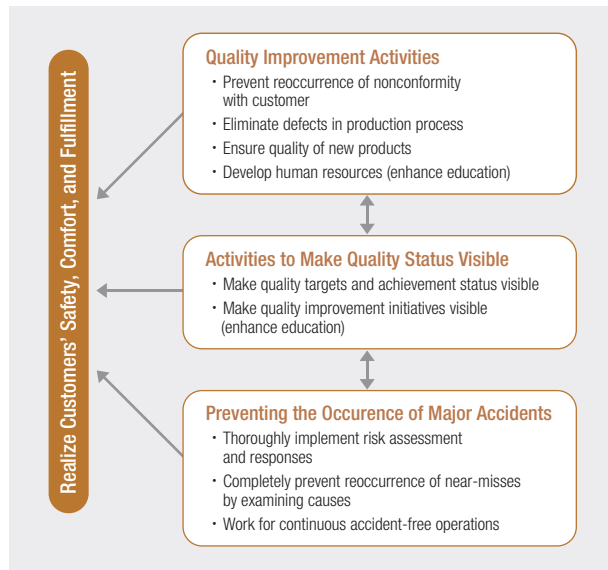
Kenji Hidaka

In charge of Advanced Automation Company Sales
Director, Advanced Automation Company Business Headquarters

Customer Relations

To provide customers with reliable products and services, the azbil Group conducts activities in the three pillars of preventing the occurrence of major accidents, further improving product quality, and making quality status visible.

Full-Scale Efforts for Quality



- We work to completely eliminate defects on the production line to further improve product quality.
- We develop highly reliable new products by applying design standards and performing thorough design reviews at each development process.
- We enhance quality education in areas including quality management and problem-solving skills and work on effective utilization and human resources development.

Making Quality Status Visible

All azbil Group companies make the status of product quality and improvement initiatives visible and steadily turn the management cycle.

Preventing the Occurrence of Major Accidents

We ensure safety by implementing audits of design safety at every process of product development, as well as work assiduously to analyze the causes and prevent reoccurrence of near misses, and prevent the occurrence of major accidents.

Our Product Liability Committee reviews and horizontally deploys these initiatives and promotes organizational preventative measures.

Further Improving Product Quality

The azbil Group is working on the following key activities to 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 completely prevent reoccurrence.

azbil's Measurement Standards



The Measurement Standards Center maintains the high quality of products and services by carrying out periodic calibrations to ensure compliance with government standards and traceability. The high-level technologies and knowledge required for these calibrations have been confirmed in accreditation (Registration No. 0155) by the Japan Calibration Service System (JCSS). Going forward, the Center plans to leverage its experience in its accredited areas of temperature, humidity, pressure, and electricity (direct current and low frequency) in adding new accreditation for liquid (water) flowrate and electricity (digital indicating controller). Moreover, we are developing on-site calibration services that build closer relationships with customers.

Mitsuo Togita

Environment & Standardization Promotion Department
Yamatake Corporation



Temperature standard
(Triple point of water)

For Local Communities

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

For general information on relations with local communities, please refer to ►<http://www.azbil.com/csr/soc/communities.html>

Voluntary Social Contribution

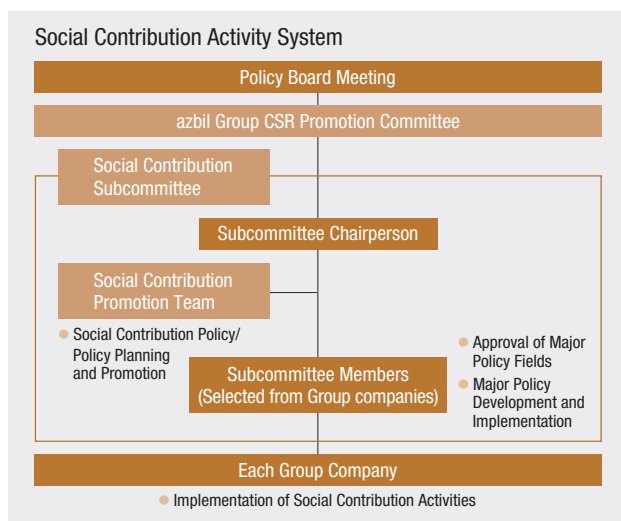
Aiming to have as many employees as possible participate in voluntary social contribution activities, we support the social contribution activities of our workplaces and clubs to increase opportunities for participation. We carry out the following activities in each area of social contribution.

People: Foster mutual respect with individuals so more people will work together to create a better society.

Lifestyle: Offer the joy of living and peace of mind to all people so they can lead enjoyable and fulfilling lives.

Society: Contribute to solving social problems together with local communities and society.

The Earth: Promote activities to learn from and protect the Earth.



Activities in Fiscal Year 2009, Ended March 31, 2010

In fiscal year 2009, we utilized our accumulated experience and knowledge to plan and promote social contribution activities that emphasized employee participation.

Positioning of Social Contribution Activities

We recognize our role to actively promote CSR as a corporate citizen and will promote social contribution activities and employee-participatory, continuous activities as our Group policy.

Shonan International Marathon

In co-sponsoring the 2009 Shonan International Marathon, the azbil Group applied its environmental analytical technologies to measure and minimize the event's overall environmental impact. Eco-friendship activities included on-site garbage collection and separation and quizzes on environmental awareness. About 200 azbil Group employees participated as runners or volunteers.



Establishing the azbil Honey Bee Club

In October 2009, members of our social contribution promotion team established the azbil Honey Bee Club to encourage employees to participate of their own accord in social contribution opportunities that they find worthwhile. The Club collects contributions of 100 yen or more per person per month and provides subsidies to parties or individuals conducting social contribution activities. It currently has about 800 participating



Social contribution promotion team members

employees and officers. Funds collected are combined with a subsidy from the Company and donated to parties selected by vote of the members. The club is expected to broaden its activities in the future.

Hideki Miyazaki

Director, General Affairs Department
Yamatake Corporation



Employee Relations

As it enters the “period of growth” in the medium-term plan, for further business growth the azbil Group is strengthening its human resources development that serves as the foundation to boost organizational productivity. In addition, we will promote comfortable workplaces where employees can work with peace of mind.

For general information on employee relations, please refer to ► <http://www.azbil.com/csr/soc/employees.html>

Employee Safety and Health

We are strengthening our nationwide health-management framework centered on our chief occupational health physician. We work to prevent brain and heart ailments through our assiduous follow-ups to periodic medical check-ups and to prevent mental illness by operating an employee consultation desk run by counselors, occupational health physicians and nurses. In addition, we are making progress in creating a comfortable workplace where employees can work safely and with peace of mind by revising and strengthening our safety and health management framework for all Group companies, with the aim of constructing an occupational safety and health management system.

Promoting Human Resources Development

For development of human resources necessary for the azbil Group’s “period of growth,” we are implementing training at all Group companies which prioritizes the following four measures in line with our ability development support system.

- ① Implement career management training for executives and officers
- ② Implement a global business leadership program for mid-level employees
- ③ Unify and launch a Groupwide incentive system for encouraging the acquisition of certifications, skills and foreign language abilities
- ④ Implement stratified education to nurture promising employees in each employee classification

Introducing and Implementing Flexible Human Resources Systems

As a result of our review in cooperation with labor and management from the perspective of work-life balance, we have been carrying out numerous reforms of our human resources systems from such aspects as employment conditions expected of companies in the future.

In particular, we have implemented reforms to provide child and nursing care support to working employees. Employees may continue to work a shortened schedule to accommodate child care until the child’s elementary school graduation, and male employees can more easily take time off for child care, nursing care, and birth.



Group discussion at a career management training session

azbil’s Human Resources Strategy



Our human resources management under the “human-centered automation” philosophy extends throughout the worldwide azbil Group, including overseas subsidiaries. In this way, we share our human resources vision, which emphasizes challenges, teamwork, high ethical standards, and international sensibilities. In addition, we mold a work culture based on compliance and healthy workplaces.

Moreover, while respecting the diversity and individuality of personnel, we will focus our efforts on systematic human resources development and management for the “period of growth” that will shoulder the next generation.

Takuto Ogino

Director, Human Resources Department
Yamatake Corporation



The Human Resources Department organized the “Walk up Tokyo Tower!” event.

The Environment



Yukiko Fujita (left)

Development Department 1
Development Headquarters
Building Systems Company
Yamatake Corporation

Kaori Sukegawa (right)

Solution Engineering Department
Engineering Headquarters
Advanced Automation Company
Yamatake Corporation

The azbil Group promotes a variety of initiatives in order to contribute to global environmental preservation. In particular, because we emphasize lessening the environmental impact of our business activities, our target during our new medium-term plan for our “period of growth” is to reduce the volume of CO₂ emissions by 10% or more from the level of fiscal year 2006, ended March 31, 2007, by fiscal year 2013, ending March 31, 2014.

This section presents the environmental initiatives of the azbil Group.

Prevention of Global Warming



Tadashi Hirooka
Managing Executive Officer
Yamatake Corporation

The azbil Group has set a target of reducing the volume of CO₂ emissions by 10% or more from the level of fiscal year 2006, ended March 31, 2007, by fiscal year 2013, ending March 31, 2014. All employees are working on energy conservation initiatives.

Targets Established under Our Medium-Term Plan for the “Period of Growth”

In order to contribute to the prevention of global warming, the azbil Group is working to conserve energy in all its business activities. The target so far has been to reduce the volume of CO₂ emissions by 6.2% from the level of fiscal year 2006 by fiscal year 2012, ending March 31, 2013. At the time we were establishing new targets, after factoring in the recent inclusion of Kimmon Manufacturing and its subsidiaries, we gained a basic understanding of how large our domestic volume of CO₂ emissions had become. We have therefore set a more ambitious quantitative target of reducing the volume of CO₂ emissions by 10% or more from the level of fiscal year 2006 by fiscal year 2013, ending March 31, 2014.

Results for Fiscal Year 2009, Ended March 31, 2010

Our approach to energy conservation is to look at facilities (air-conditioning, lighting, etc.) and production lines as two separate categories, each of which is divided into an “equipment improvements” list and an “operation improvements” list, for a total of four groups of items. We then prioritize them before we carry out various improvement measures.

This process raises employees’ environmental awareness and spreads the sense that we should take initiatives such as turning off unneeded lights, adjusting air-conditioning diligently, and driving in an eco-friendly way. We have found that our recent work-process revision initiative has contributed to reducing lighting hours and the time air-conditioning is on.

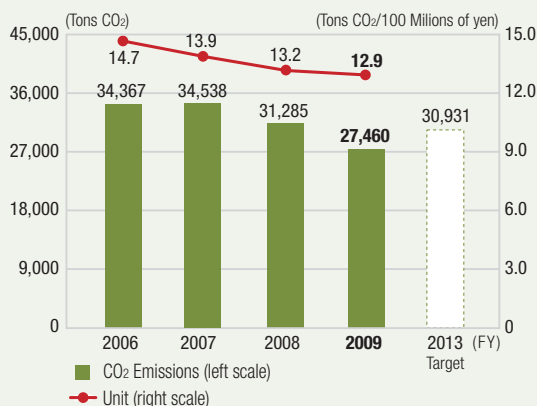
In addition, we experimented with emissions trading between Yamatake and Taishin. As a result of these various measures, the azbil Group reduced the volume of its CO₂ emissions by 20% from the level of fiscal year 2006. Further, although decreased production helped to lower emissions, we improved CO₂ emissions by 12% on a per sales basis from fiscal year 2006.

Plan for Future Reductions

To control the increase in CO₂ emissions as our earnings grow in the future, we are implementing additional energy conservation measures. For example, we will reduce the volume of CO₂ emissions by applying at other Group company factories the expertise gained at Yamatake’s Fujisawa Technology Center, which we have developed as a model workplace for energy conservation (see page 39). Further, we will consider expanding our future use of the solar, wind, and other renewable energy sources that we have already begun using on a limited basis.

In addition, in order to prevent global warming we will strengthen our life cycle assessment (LCA) activities in new product development as we seek to consider the entire product life cycle from the design and development stage to procurement, manufacturing, distribution, sale, and disposal.

CO₂ Emissions: Results and Targets



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

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

* Includes estimates of air-conditioning energy and other figures.

Initiatives at the Fujisawa Technology Center



A variety of energy conservation efforts are underway at the azbil Group's "model workplace for energy conservation," which is also its largest employment site, with about 2,000 people.

Q What kind of operating principles do you follow at the Fujisawa Technology Center?

We began full-fledged energy conservation efforts in 1999 with the installation of an energy monitoring system.

In addition to promoting energy conservation, we stress the concepts of *measurement*, *examination*, and *control*. Our current analysis starts with *measurement* of the amount of energy such as electricity and gas. This allows us to understand the actual consumption situation in a building so that we can then *examine* factors such as machinery performance, operating efficiency, and operating times. We then create improvement plans. This leads to accurate and effective energy conservation measures, and to *control* of energy consumption.

Since the second half of 2008, we have further strengthened our execution framework by assigning, on every floor of every building, someone in charge of energy conservation, as well as an energy conservation promoter, which has contributed to the continuation of our initiatives.

Q Please tell us about energy conservation measures you have put in place so far.

We have taken a wide range of energy conservation measures in keeping with the characteristics of each building, based on sources ranging from employee suggestions to advanced technologies.

In buildings that existed before we began our initiatives, we installed highly efficient reflectors and inverter voltage stabilizers in the lighting. We also installed pull switches to ensure that individual lights could be turned off when not needed. We increased the efficiency of our air-conditioning by switching to double-pane windows, by installing reed screens around external air-conditioning equipment, and by using ceiling fans.

Buildings completed in 2006 employ highly insulative glass on all surfaces, have vertical louvers on sides that face the setting sun, and employ air-conditioning systems that use less power for heat conveyance. We have also improved the operation of new buildings since their completion through means including shortening the operating times of heat sources used in air-conditioning of central monitoring equipment and energy management systems.

Note: We demonstrate some of the energy conservation technologies and expertise gained through measures taken at the Fujisawa Technology Center so far in our Factory Energy Conservation Tour.

For tour information, please refer to ► <http://jp.yamatake.com/csr/factorytour/> (in Japanese)

Material Balance

The azbil Group strives for preservation of the environment in all phases of the product life cycle, from development and design to use, disposal, and recycling. We undertake quantitative analysis of the environmental impact of our business activities and adopt measures to reduce it.

Summary of Environmental Performance Data (Fiscal Year 2009, Ended March 31, 2010)

INPUT

Electricity	36.8 million kWh	LNG	233,000 m ³	Paper	16.9 million sheets
Kerosene	56.5 kl	Gasoline	126.8 kl		
LPG	689,000 m ³	Water	127,000 m ³		

Scope: Yamatake's research and development and production bases, Yamatake Control Products, Kimmon Manufacturing's research and development and production bases, Aomori Manufacturing, Wakayama Seiki, Shirakawa Seiki, Yamatake Mizuho, and Taishin

Development, Design

- Environment-Conscious Design
- Chemical Substance Control



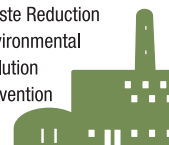
Procurement

- Green Procurement



Production

- Global-Warming Countermeasures
- Resource Conservation and Waste Reduction
- Environmental Pollution Prevention



OUTPUT

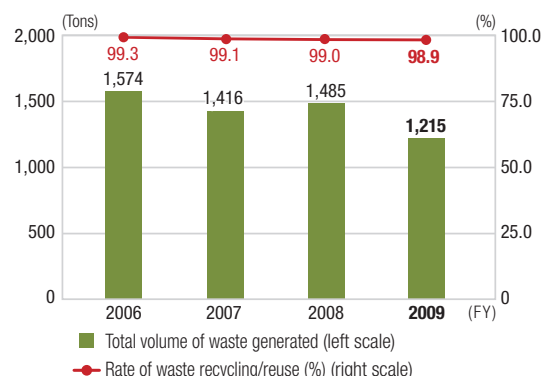
CO ₂ Emissions	19,915.1 tons	Chemical Substance Airborne Emissions	56.7 tons
SO _x Emissions	17.0 tons	Total Discharge of Waste	1,501.1 tons
NO _x Emissions	13.2 tons		

Eco Factories and Eco Offices

Reducing Waste

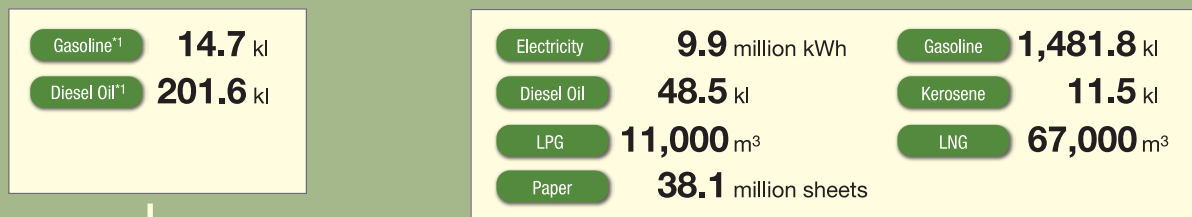
Waste generated at our factories and offices is carefully sorted by material and type. We are currently rethinking the way we collect waste, while continuing to educate our employees thoroughly in waste separation methods to ensure that all resources are reused and recycled. Partly due to a decrease in production, the total discharge of waste has substantially decreased.

Waste Disposal and Rate of Recycling



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

*Total volume of waste generated is the total for industrial waste plus general waste (including material with value).



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

Scope: Yamatake's sales bases in Japan, Yamatake & Co., Yamatake Care-Net, Safety Service Center Headquarters, Kimmon Manufacturing's sales bases in Japan, Kimmon Environment Equipment, Hokkaido Kimmon Construction, Tohoku Kimmon Construction, and Royal Controls

Distribution

- Increased Transport Efficiency
- Eco-Friendly Driving
- Low-Emission Vehicles



Sales

- Global-Warming Countermeasures
- Resource Conservation and Waste Reduction
- Green Purchasing



Use, Disposal, Recycling

- Energy Consumption Reduction
- Reduced Use and Recovery of Packaging
- Product Reuse



CO ₂ Emissions	563.2 tons
SO _x Emissions	0.8 tons
NO _x Emissions	8.4 tons

CO ₂ Emissions	7,544.5 tons
SO _x Emissions	17.7 tons
NO _x Emissions	43.9 tons

Reducing Paper Use

We are working to reduce the use of paper resources by applying IT in our general operations. Initiatives such as using electronic bulletin boards to share information and switching to e-forms are underway. In fiscal year 2009, ended March 31, 2010, in order to understand, analyze, and reduce the volume of paper, we introduced combination printer-copier-scanner-fax machines that make usage data more visible. Yamatake reduced the volume of paper used by 21% from the level in fiscal year 2006, ended March 31, 2007, exceeding our target of 15%.

Environmental Regulation Compliance

In fiscal year 2009, the azbil Group did not violate any laws, was not penalized or fined, and was not subject to any litigation or complaints concerning environmental matters.

For general information on Eco Factories and Eco Offices, please refer to

► <http://www.azbil.com/csr/eco/eo/>

Environmental Objectives, Targets, and Results

The azbil Group is actively 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.

Yamatake's Environmental Objectives, Targets, and Results

	Objectives	Targets for Fiscal Year 2009
Eco Factories, Eco Offices	<ul style="list-style-type: none"> ● By fiscal year 2013, reduce total volume of CO₂ emissions by 10% or more compared to fiscal year 2006 through thoroughgoing energy conservation (fiscal year 2006 total volume: 21,685 tons of CO₂*¹) 	<ul style="list-style-type: none"> ● Reduce by 6.0% compared to fiscal year 2006 to a total volume of 20,384 tons of CO₂ ● Compliance with the Revised Act on the Rational Use of Energy
	<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: 56.58 million sheets) 	<ul style="list-style-type: none"> ● Reduce by 15% or more compared to fiscal year 2006
	<ul style="list-style-type: none"> ● Compliance with environmental laws and regulations and other agreed-upon requirements ● Completely discontinue use of dichloromethane*² ● Compliance with revised PRTR Law*³ 	<ul style="list-style-type: none"> ● No incidents of noncompliance ● Completely discontinue use of dichloromethane at Shonan factory's control valve upgrade area ● Introduce material safety data sheets (MSDS) and survey pertinent chemical substances
Eco Products, Eco Services	<ul style="list-style-type: none"> ● Promote environmentally friendly design technologies and compliance with regulation of chemical substances used in products ● Contribute to reducing product CO₂ emissions through promotion of environmentally friendly design technologies 	<ul style="list-style-type: none"> ● Ratio of eco products among new products: 90% or above ● LCA*⁴ implementation rate: 15% or above ● Upgrade promotion of LCA
	<ul style="list-style-type: none"> ● Green procurement 	<ul style="list-style-type: none"> ● Operate aG-CMS*⁵ Promotion Committee ● Respond to top-priority CMS management issues (procurement framework, survey of chemical substances used in products, etc.) ● Green procurement rate: maintain at 95% ● Educate and provide guidance for partner companies
Eco Communication	<ul style="list-style-type: none"> ● Raise environmental awareness <ul style="list-style-type: none"> · Education for employees and their families, and education through interaction with local communities · Work for biodiversity 	<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 environment education programs for families of employees

*¹ Covers Yamatake, Yamatake Control Products, Yamatake Mizuho, and Taishin *² Excluding certain specialty products.

*³ PRTR Law: The Pollutant Release and Transfer Register Law *⁴ LCA = Life Cycle Assessment *⁵ aG-CMS = The azbil Group's Chemical-substances Management Systems

*⁶ YEP = Yamatake Eco Program. Based on the Ministry of the Environment's EcoAction 21 program, provides support unique to Yamatake to partner companies' environmental preservation initiatives.

Results for Fiscal Year 2009	Targets for Fiscal Year 2010	Medium-Term Targets
<ul style="list-style-type: none"> Reduced by 21.0% compared to fiscal year 2006 Total volume: 17,146 tons of CO₂ Constructed systems for improvement of air-conditioning energy use and other data and regulatory compliance 	<ul style="list-style-type: none"> Continue reduction efforts from fiscal year 2009 toward medium-term targets Compliance with the Revised Act on the Rational Use of Energy and ordinances of Kanagawa Prefecture 	<ul style="list-style-type: none"> By fiscal year 2013, reduce by 10% or more compared to fiscal year 2006 to a total volume of 19,517 tons of CO₂ or less
<ul style="list-style-type: none"> Reduce by 21% compared to fiscal year 2006 Total volume: 44.81 million sheets 	<ul style="list-style-type: none"> Continue reduction efforts from fiscal year 2009 toward medium-term targets 	<ul style="list-style-type: none"> By fiscal year 2012, reduce by 30% compared to fiscal year 2006
<ul style="list-style-type: none"> No incidents of noncompliance Unable to completely discontinue use, but there were no new purchases Surveying pertinent chemical substances 	<ul style="list-style-type: none"> No incidents of noncompliance Confirm dichloromethane discontinuation status Continue survey of chemical substances 	<p>Continue previous targets</p> <p>—</p> <p>—</p>
<ul style="list-style-type: none"> Held section meetings led by development departments to promote environmentally friendly design Ratio of eco products among new products: 100% LCA implementation rate: 20% 	<ul style="list-style-type: none"> LCA implementation rate for new products: 100% Continue implementing LCA for existing products Upgrade promotion of LCA 	<ul style="list-style-type: none"> LCA implementation rate for new products: 100% LCA implementation rate for existing products: 100% Upgrade promotion of LCA
<ul style="list-style-type: none"> Operated aG-CMS Promotion Committee Implemented survey of chemical substances used in products, etc. Implemented responses to EU REACH regulations 	<ul style="list-style-type: none"> Operate aG-CMS Promotion Committee Implement survey of chemical substances used in products Implement responses to EU REACH regulations 	<p>Continue previous targets</p>
<ul style="list-style-type: none"> Green procurement rate: 95.4% through YEP⁶ initiatives 	<ul style="list-style-type: none"> Green procurement rate: 95% 	<p>Continue previous targets</p>
<ul style="list-style-type: none"> Implemented initiatives as planned, including support for Shonan International Marathon and Earth Day Tokyo 	<ul style="list-style-type: none"> Support certification under Eco-Test Hold environment education programs for families of employees Promote the Ministry of the Environment's EcoFamily program Consider biodiversity (beach cleaning, <i>satoyama</i>, etc.) 	<p>Continue previous targets</p>

Eco Management

The azbil Group is working to continuously reduce or prevent the environmental burdens and risks associated with its business activities through the Groupwide environmental management promotion framework.

For general information on Eco Management, please refer to ►<http://www.azbil.com/csr/eco/em/>

Environmental Management Promotion Framework

In the azbil Group, environmental issues and management plans are promoted and reviewed by the azbil Group Environmental Management Committee, led by the Environmental Management Officer, while at Yamatake Corporation these matters are handled by the Environment Committee, composed of the Environmental Management Officer (chairman) and business office managers, among others. In addition, a framework has been established for determining CO₂ reduction targets for Yamatake's large-scale workplaces by designating executive directors and officers responsible for each building, area, or department starting in the second half of fiscal year 2008, ended March 31, 2009. This contributed to the achievement of the targets for fiscal year 2009, ended March 31, 2010.

ISO 14001 Certification

In August 1996, Yamatake became the first company in the control instrument industry in Japan to obtain ISO 14001 certification, and since then the azbil Group has steadily

continued to acquire certification for its various locations in Japan and overseas. In fiscal year 2009, ended March 31, 2010, Shanghai Azbil Automation Co., Ltd. and PT. Azbil Berca Indonesia were newly certified.

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.
Dec.	2004	Yamatake & Co., Ltd.
June	2006	Azbil Korea Co., Ltd.
July	2007	Azbil Hong Kong Limited
June	2008	Azbil Singapore Pte. Ltd.
Sept.	2008	Royal Controls Co., Ltd.
Dec.	2009	Shanghai Azbil Automation Co., Ltd.
Dec.	2009	PT. Azbil Berca Indonesia

Introducing Our “CO₂ Management System,” a Response to the Revised Act on the Rational Use of Energy and Other Regulations

Companies have an obligation to comply with increasingly strict environmental laws and regulations, such as the Revised Act on the Rational Use of Energy, and to disclose information pertinent to the environment.

Yamatake has been continuously using an environmental management tool to collect and manage various types of environmental performance data since 2005. However, it was difficult to respond to all the regulations using this tool because submission standards and emission factors vary greatly in different regulations. We therefore introduced the “CO₂ Management System” (hereafter CO₂MS), which we developed ourselves, in fiscal year 2009 for accurate and efficient compliance with the Revised Act on the Rational Use of Energy and other regulations.

The environmental and marketing departments have exchanged information on the development of CO₂MS since the planning stage, and the environmental department then put it to actual use. This helped department members to accumulate expertise in revising system functions and operational support. We were also able to recognize and improve on issues relating

to compliance with the Revised Act on the Rational Use of Energy such as the new requirement to gather and manage information on energy consumption by air-conditioning in rented portions of buildings, and in the extent to which management is necessary.

This is an example of effectively using CO₂MS, which is able to respond to constantly changing laws and regulations, in conjunction with existing management tools.



Discussing company issues in front of a CO₂MS screen

Eco Products and Eco Services

Based on environmental design guidelines formulated by Yamatake in 1997, we actively promote the development of products, services, and solutions that are environmentally friendly from the development stage to the end of their life cycle.

For general information on eco products and eco services, including chemical substance management and green procurement, please refer to ► <http://www.azbil.com/csr/eco/es/>

Unique azbil Product that Contributes to the Environment: the ACTIVAL™ PLUS Motorized Control Valve with Flow Measurement and Control Functions

The azbil Group released ACTIVAL PLUS in 2009. Because this valve contains an integrated flow measurement function, it is able to conserve energy by controlling the flow rate to prevent excess flow, without the need to add other equipment such as flowmeters or heat sensors. It further improves the quality of energy management by enabling precise knowledge of the energy consumption by individual air conditioning units.

We have installed 100 ACTIVAL PLUS valves at Yamatake's Fujisawa Technology Center, and as a result we have seen a 7% reduction in the power required for fluid conveyance.



ACTIVAL PLUS installed

ACTIVAL PLUS

Commitment to Development

Flow is measured using differential pressure flowmeters based on pressure differences caused by valves, and on the valves' inherent flow coefficient (Cv). Many factors figure in development because the flow environment of our valves differs substantially from a typically measured flow environment.

For example, if valves are installed at the end of curved pipes, the pressure at the inlet is irregular. By making ports to regulate this pressure, we have succeeded in reducing the margin of error in calculating pressure from 6.5% to 1% or less.

In addition, substantial changes at the outlet occur within valves as they open and shut, which impacts pressure measurement. By careful design of the valve body configuration, reliable pressure measurement can be achieved by creating new areas that are unaffected by flow.

Regarding the Cv, we have recently gathered an enormous amount of data from over a year of experiments. Based on this data we can confirm the accuracy of flow measurement through various methods, such as creating two-dimensional Cv tables for any degree of valve opening and for any differential pressure.

After environmental assessment, ACTIVAL PLUS was certified as an environmentally friendly product, and was permitted to display the azbil Group Type II Environmental Label.

Initiatives for Unique Added Value

The idea of measuring flow with valves is not new in and of itself, but previously there were almost no commercial products. In the course of development for this product, we incorporated numerous new technologies, ideas, and production methods, and applied for numerous patents. In this way we have succeeded in developing a product with added value that competitors cannot replicate.

In addition, by selecting development project members from many departments, we believe we have created a newly expanded range of communication, which will be a positive factor in future product development.

This product is part of a series. As we successively build a lineup of products with flow measurement functions to meet HVAC needs, we will contribute to realizing a low-carbon society through environmentally friendly design.

Motohiro Furuya

Development Department 2
Development Headquarters
Building Systems Company
Yamatake Corporation

Keita Sato

Product Marketing
Department
Marketing Headquarters
Building Systems Company
Yamatake Corporation



Environmental Communication

The azbil Group aims to raise each employee's environmental awareness in order to achieve a sustainable society. We place importance on environment-related communication inside and outside the Group, including not only our internal environmental education, but also support for voluntary environmental study, for the environment-conscious lifestyles of our employees and their families, and for our environmental awareness initiatives for local communities.

For general information on Environmental Communication, please refer to ► <http://www.azbil.com/csr/eco/ec/>

Environmental Awareness Initiatives for Employees

Promoting Eco-Test Study and Certification

To raise each employee's environmental awareness, the azbil Group recommends studying for and passing the Certification Test for Environmental Specialists (the Eco-Test).

Interested employees have been voluntarily obtaining this certification since it became available in 2006. In fiscal year 2009, judging that the scope of the certification was suitable for the systematic study of global environmental problems, Yamatake included it in its incentive system for self-improvement. This has made the Eco-Test more effective as a method by which employees can raise their environmental awareness.

"Eco-People" Round Table

We believe that applying knowledge acquired through study to both work and life furthers global environmental preservation initiatives in all sectors: industrial, residential, and commercial.

We also believe the process should not end with simply obtaining a certification, but should lead to communication about environmental issues, which will maximize the results. We therefore held, for the first time early in 2010, a round table discussion with 13 volunteers who passed the Eco-Test (called "Eco-People"). The round table mainly consisted of exchange of information on the usefulness of obtaining Eco-certification for people's work, as well as study methods and environment-conscious lifestyles.

Because participants varied in their departments and jobs, there was some nervousness at first. However, people gradually came to feel that they could speak freely, as reflected by their smiles in the group photo on the cover of azbil Group Internal Magazine for June 2010.



Round table discussion

Advantages and new initiatives resulting from mastery of the Eco-Test material are as follows.

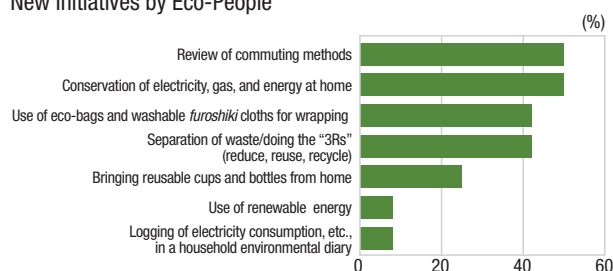
► On the Job

- Proposals made by eco-certified employees are more persuasive because they are made with an understanding of the background of environmental problems and the processes connected with environmental legislation.
- The level of communication with customers has improved.
- The Eco-People are able to give clear directions and explanations regarding methods of waste treatment and disposal in the workplace.
- Understanding environment-related news and documentation has become easier.

► In Life

When participants in the round table discussion were asked how study for the Eco-Test made them more environmentally conscious in their everyday lives, it was found that many of them had reconsidered their commuting methods and were saving more energy at home. Thus the test's effects extend also to greater environmental consciousness among family members.

New Initiatives by Eco-People



► Other

- Improving thermal insulation at home
- Starting a garden or planter garden
- Environmentally friendly cooking

The above activities are closely related to daily life. To succeed with them, the key is that everyone has fun doing them.

Before the round table, nobody knew which employees were Eco-People. It was a private certification. Afterwards, however, the opportunity for greater effectiveness arose through the newly formed interdepartmental connections with other Eco-People.

By raising each employee's environmental awareness, the Eco-People hope to increase the number of employees working to apply environmental knowledge in their jobs, working as eco-leaders in the workplace and obtaining more specialized environmental knowledge. We believe this will strengthen Yamatake as a company. Thus, the azbil Group will continue to promote Eco-Test study and certification.

Financial Report



Kazuhisa Yamazaki (left)
Fiscal Control Department
Yamatake Corporation

Kunio Horinokita (right)
Finance Department
Yamatake Corporation

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Financial Review

Consolidated Results

Net Sales

In fiscal year 2009, ended March 31, 2010, although there were signs of recovery overseas as well as in certain domestic markets, the continuing economic downturn from the start of the fiscal year, with corporate freezes or cutbacks of capital investment, had a significant impact. As a result, net sales decreased ¥23,960 million, or 10.1%, year on year to ¥212,213 million. Detailed breakdowns are available in the Business Overview section starting on page 15, but summaries are as follows.

Building Automation Business

Demand for office buildings was firm, particularly in large cities in Japan. Operations targeting existing buildings and the service business, although not immune to the effects of the market downturn, succeeded in increasing sales slightly. This was due to more emphasis on proactive sales offering customers ways to reduce CO₂ emissions and save energy — an initiative that was stimulated by stricter environmental regulations — as well as efforts to expand the market. However, for operations in the market for new buildings, a fall in sales was unavoidable compared with the previous year, when several large-scale production facilities were completed. As a result, sales decreased ¥3,696 million, or 3.7%, year on year to ¥96,671 million.

Advanced Automation Business

The drastic curtailment of production and severe capital investment freezes or cutbacks in manufacturing industries that followed in the wake of the “Lehman shock” of September 2008 continued through the start of fiscal year 2009. Although the beginning of recovery in business sentiment — reflecting expansion in overseas demand — was evident from the second half of the fiscal year, there still appeared to be only a weak knock-on effect to capital investment for the fiscal year as a whole. Looking more closely at the different

industries, the demand for azbil products in some sectors — the semiconductor industry, for example — has demonstrated a rapid recovery. Yet, at the same time, capital investment in the materials-related industries continues to be stagnant, with the exception of a few industries involved with new energy and highly functional materials. As a result, sales decreased ¥16,693 million, or 17.8%, year on year to ¥76,938 million.

Life Automation Business

Sales of gas and water meters, which account for the bulk of Life Automation sales, were relatively untouched by the economic downturn owing to the fact that they benefit from demand generated by periodic replacement as required by law. However, sales were down because of the impact of the downturn on new demand and also on sales of city gas meters for industrial use. Sales were up in the nursing care and emergency alert response services as a result of a proactive sales drive that increased the number of service contracts, and the beneficial effect of the revision to nursing-care benefits. However, this was not enough to compensate for the decrease in gas and water meters and equipment. As a result, sales decreased ¥1,202 million, or 3.3%, year on year to ¥34,721 million.

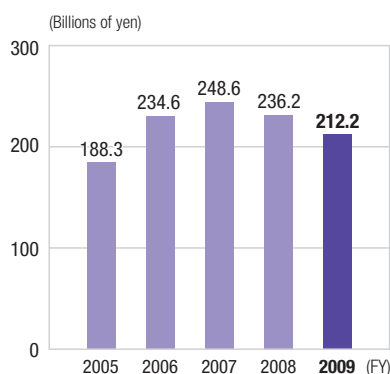
Other Businesses

Sales decreased ¥2,587 million, or 32.7%, year on year to ¥5,329 million.

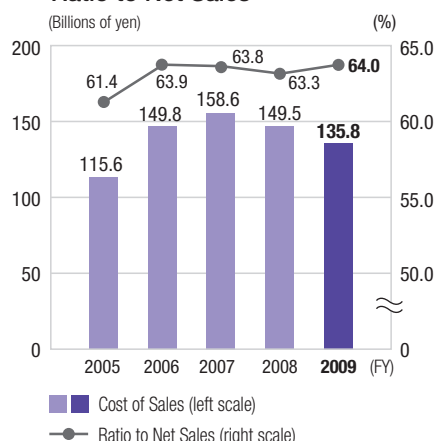
Operating Income

Cost of sales totaled ¥135,793 million due to lower net sales. Although we worked on cost reductions and profitability improvement measures, the cost of sales ratio worsened by 0.7 percentage points to 64.0% due to the decrease in net sales. Selling, general and administrative expenses decreased ¥4,788 million to ¥64,035 million due to assiduous reductions of expenditures. The ratio of selling, general and administrative

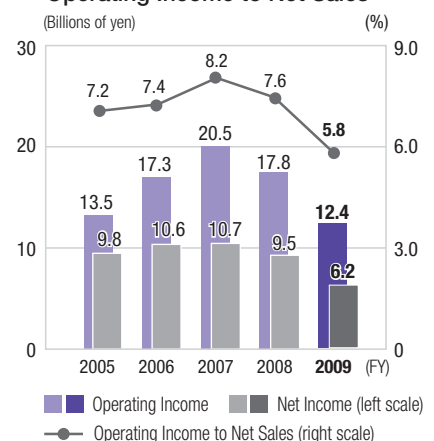
Net Sales



Cost of Sales/ Ratio to Net Sales



Operating Income/Net Income/ Operating Income to Net Sales



expenses to net sales increased 1.0 percentage points to 30.2%.

As a result, operating income decreased ¥5,448 million, or 30.5%, year on year to ¥12,385 million. By business segment, operating income decreased ¥1,555 million, or 11.9%, year on year to ¥11,517 million for the Building Automation business and decreased ¥4,413 million, or 88.9%, year on year to ¥552 million for the Advanced Automation business. Operating income for the Life Automation business was ¥353 million, compared with operating loss of ¥160 million in the previous fiscal year. Operating loss for Other businesses was ¥41 million.

Net Income

Other Income (Expenses)

Other expenses-net decreased ¥142 million, or 10.1%, year on year to ¥1,264 million. Major factors were other income including subsidy income of ¥393 million, as well as other expenses including loss on impairment of long-lived assets of ¥838 million, and loss on valuation of investment securities of ¥400 million.

Income before Income Taxes and Minority Interests/ Income Taxes

Income before income taxes and minority interests decreased ¥5,306 million, or 32.3%, year on year to ¥11,121 million. Total income taxes decreased ¥1,985 million, or 29.8%, to ¥4,679 million. The actual effective income tax rate on income before income taxes and minority interests was 42.1%, an increase of 1.5 percentage points from the previous fiscal year, while minority interests in net income decreased ¥38 million, or 16.0%, to ¥200 million.

As a result of the above factors, net income decreased ¥3,283 million, or 34.5%, to ¥6,242 million.

Financial Position

Assets

Total assets at March 31, 2010 were down ¥2,374 million, or 1.1%, year on year to ¥218,472 million. This was primarily due to a decrease of ¥4,804 million in inventories.

Liabilities

Total liabilities at March 31, 2010 decreased ¥6,668 million, or 7.0%, year on year to ¥89,194 million. This was primarily due to a decrease of ¥992 million in notes and accounts payable-trade, as well as a decrease of ¥1,236 million in income taxes payable and a decrease of ¥1,472 million in long-term debt.

Equity

Total equity on March 31, 2010 increased ¥4,294 million, or 3.4%, from a year earlier to ¥129,278 million. This was primarily due to net income recorded and an increase in unrealized gain on available-for-sale securities.

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

Receivables/sales (days): Increased 5 days to 129 days

Inventories/cost of sales (days): Decreased 4 days to 51 days

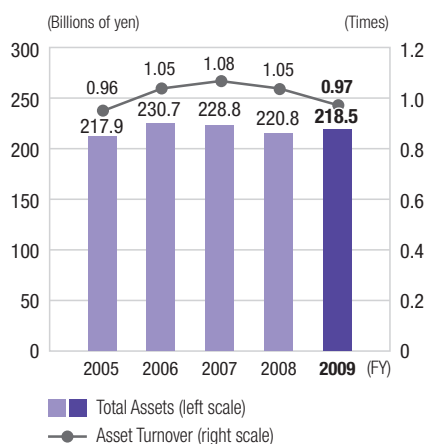
Asset turnover (times): Decreased 0.08 times to 0.97 times

Shareholders' equity ratio: Increased 2.5 percentage points to 58.4%

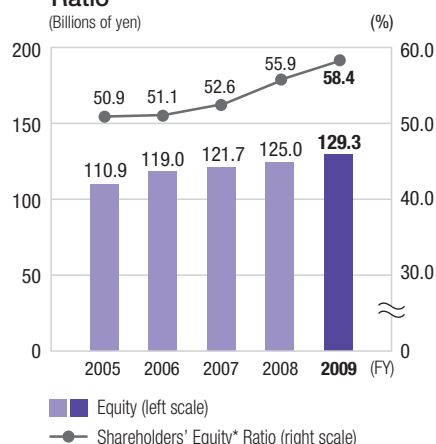
Per Share Data

Net income per share decreased ¥43.35 year on year to ¥84.52, and net assets per share rose ¥55.73 to ¥1,728.64.

Total Assets/Asset Turnover

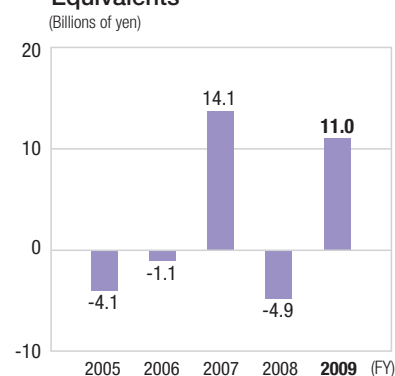


Equity/Shareholders' Equity* Ratio



* Shareholders' Equity = Total equity - Minority interests

Net Change in Cash and Cash Equivalents



Cash Flows

Cash and cash equivalents (hereafter, net cash) provided by operating activities in fiscal year 2009, ended March 31, 2010, decreased ¥5,658 million, or 26.5%, year on year to ¥15,714 million. This was primarily due to a decrease in income before income taxes and minority interests.

Net cash provided by investing activities was ¥1,960 million, compared with ¥16,606 million used in the previous fiscal year. This was primarily due to an increase in proceeds from the sales of short-term investment securities-net, as well as a decrease in the purchase of property, plant and equipment-net.

Net cash used in financing activities decreased ¥1,817 million year on year to ¥6,757 million. The primary reason was a decrease in the purchase of treasury stock.

As a result of the above factors, cash and cash equivalents on March 31, 2010, the end of fiscal year 2009, increased ¥11,043 million, or 24.9%, year on year to ¥55,364 million.

Outlook for Fiscal Year 2010, Ending March 31, 2011

For fiscal year 2010, we forecast a year-on-year increase of ¥12,800 million, or 6.0%, in net sales to ¥225,000 million; an increase of ¥3,600 million, or 29.2%, in operating income to ¥16,000 million; and an increase of ¥3,300 million, or 52.2%, in net income to ¥9,500 million. Our view of the business environment that forms the basis of this outlook, and measures we will take to adapt to this business environment, are as follows.

Although uncertainty remains about a self-sustaining recovery in domestic demand, from the beginning of 2010 we have seen a resumption of previously frozen capital investment as growth in emerging nations led to improvement in the earnings environment centered on export-based businesses. The pace of economic recovery is also picking up overseas, particularly in China and other Asian countries.

In the Building Automation business, the market for new buildings is expected to recover. In addition, a period of practical reductions in emissions has started in April 2010 with the enforcement of the Revised Act on the Rational Use of Energy and the Tokyo Municipal Environmental Protection Ordinance, which contain stricter regulations for CO₂ reductions. We expect this to lead to solid results for the existing building business and the service business. We forecast year-on-year increases of ¥8,300 million, or 8.6%, in net sales, to ¥105,000 million, and ¥1,500 million, or 12.9%, in operating income, to ¥13,000 million.

In the Advanced Automation business, although capital investment in materials-related industries is forecast to remain restricted, we expect steady recovery in demand for products in manufacturing and assembly industries such as semiconductor

manufacturing equipment. We forecast year-on-year increases of ¥6,100 million, or 7.9%, in net sales, to ¥83,000 million, and ¥1,900 million, or 352.5%, in operating income, to ¥2,500 million.

We will continue to assiduously implement a variety of measures to improve earnings in the Life Automation business. We forecast year-on-year increases of ¥300 million, or 0.8%, in net sales, to ¥35,000 million, and ¥100 million, or 41.7%, in operating income, to ¥500 million.

For Other businesses, we forecast a year-on-year decrease in net sales of ¥1,500 million, or 28.7%, to ¥3,800 million, and operating income of ¥0 million.

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 2009, ended March 31, 2010.

Risks Related to the Business Environment and Business Activities

Effect of Economic Downturn or Stagnation

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.

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.

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.

Risks Related to International Business Activities

The azbil Group conducts business overseas, mainly in Asia, through 22 local companies and two branches. In the rapidly growing Chinese market, the Group conducts product sales, manufacturing, instrumentation work, and other businesses 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.

Other Risks

Risks Related 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 corporate value. However, possible future issues regarding measures to deal with the ageing of employees, the succession of technologies, expertise, and know-how, and crosstraining 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.

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 could have an impact on the Group's business results and financial position.

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.

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 and environmental and safety standards. 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.

In particular, although the azbil Group is proceeding with a variety of measures to reduce its environmental load, in part to comply with stricter environmental regulations, difficulty in complying with environmental regulations may result in the cessation of certain business activities or damage to the trust placed in the Group. This could have an impact on the Group's business results and financial position.

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-related 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, 2010 and 2009

	Millions of yen		Thousands of U.S. dollars (Note 1)
ASSETS	2010	2009	2010
CURRENT ASSETS:			
Cash and cash equivalents (Notes 6 and 13)	¥ 55,364	¥ 44,321	\$ 595,307
Notes and accounts receivable:			
Trade (Note 13)	74,651	74,843	802,700
Other	1,021	1,103	10,983
Allowance for doubtful receivables	(314)	(301)	(3,375)
Inventories (Note 4)	16,435	21,239	176,717
Deferred tax assets (Note 10)	4,855	5,231	52,206
Prepaid expenses and other current assets	8,234	14,520	88,535
Total current assets	160,246	160,956	1,723,073
PROPERTY, PLANT AND EQUIPMENT:			
Land (Notes 5 and 6)	6,440	6,476	69,242
Buildings and structures (Notes 5 and 6)	38,105	37,550	409,735
Machinery and equipment (Note 5)	17,126	16,489	184,152
Furniture and fixtures (Note 5)	19,261	19,324	207,113
Construction in progress	103	1,501	1,099
Total	81,035	81,340	871,341
Accumulated depreciation	(53,586)	(51,503)	(576,191)
Net property, plant and equipment	27,449	29,837	295,150
INVESTMENTS AND OTHER ASSETS:			
Investment securities (Notes 3 and 13)	14,887	11,448	160,076
Investments in unconsolidated subsidiaries and associated companies	454	482	4,884
Goodwill (Note 5)	5,370	6,367	57,739
Deferred tax assets (Note 10)	1,110	2,534	11,940
Other assets	8,956	9,222	96,297
Total investments and other assets	30,777	30,053	330,936
TOTAL	¥218,472	¥220,846	\$2,349,159

See notes to consolidated financial statements.

	Millions of yen		Thousands of U.S. dollars (Note 1)
	2010	2009	2010
LIABILITIES AND EQUITY			
CURRENT LIABILITIES:			
Short-term borrowings (Notes 6 and 13)	¥ 12,498	¥ 12,215	\$ 134,385
Current portion of long-term debt (Notes 6 and 13)	2,009	2,519	21,598
Notes and accounts payable:			
Trade (Note 13)	34,985	35,977	376,181
Other	956	1,884	10,275
Income taxes payable	3,642	4,878	39,161
Accrued bonuses	7,908	8,362	85,035
Other accrued expenses and current liabilities	11,957	12,905	128,577
Total current liabilities	73,955	78,740	795,212
LONG-TERM LIABILITIES:			
Long-term debt (Notes 6 and 13)	914	2,386	9,829
Liabilities for retirement benefits (Note 7)	13,116	13,426	141,029
Deferred tax liabilities (Note 10)	1,069	994	11,498
Other long-term liabilities	140	316	1,507
Total long-term liabilities	15,239	17,122	163,863
COMMITMENTS AND CONTINGENT LIABILITIES (Notes 12, 14 and 15)			
EQUITY (Notes 8, 9 and 16):			
Common stock—authorized, 279,710,000 shares; issued, 75,116,101 shares	10,523	10,523	113,147
Capital surplus	17,198	17,198	184,923
Stock acquisition rights	2		18
Retained earnings	100,363	98,692	1,079,169
Unrealized gain on available-for-sale securities	3,149	873	33,858
Deferred gain on derivatives under hedge accounting	2		18
Foreign currency translation adjustments	(923)	(1,091)	(9,925)
Treasury stock—at cost, 1,260,779 shares in 2010 and 1,260,121 shares in 2009	(2,643)	(2,641)	(28,406)
Total	127,671	123,554	1,372,802
Minority interests	1,607	1,430	17,282
Total equity	129,278	124,984	1,390,084
TOTAL	¥218,472	¥220,846	\$2,349,159

Consolidated Statements of Income

Yamatake Corporation and Consolidated Subsidiaries
Years Ended March 31, 2010 and 2009

	Millions of yen		Thousands of U.S. dollars (Note 1)
	2010	2009	2010
NET SALES	¥212,213	¥236,173	\$2,281,865
COST OF SALES (Notes 7 and 12)	135,793	149,518	1,460,149
Gross profit	76,420	86,655	821,716
SELLING, GENERAL AND ADMINISTRATIVE EXPENSES (Notes 7, 11 and 12)	64,035	68,823	688,548
Operating income	12,385	17,832	133,168
OTHER INCOME (EXPENSES):			
Interest income	122	251	1,310
Dividend income	297	322	3,192
Interest expense	(205)	(250)	(2,205)
Foreign currency exchange loss	(34)	(644)	(367)
Loss on sales of property, plant and equipment—net	(151)	(24)	(1,621)
(Loss) gain on sales of investment securities—net	(1)	12	(7)
Loss on impairment of long-lived assets (Note 5)	(838)	(162)	(9,008)
Others—net	(454)	(910)	(4,880)
Other expenses—net	(1,264)	(1,405)	(13,586)
INCOME BEFORE INCOME TAXES AND MINORITY INTERESTS	11,121	16,427	119,582
INCOME TAXES (Note 10):			
Current	4,343	6,217	46,698
Deferred	336	447	3,612
Total income taxes	4,679	6,664	50,310
MINORITY INTERESTS IN NET INCOME	(200)	(238)	(2,152)
NET INCOME	¥ 6,242	¥ 9,525	\$ 67,120

	Yen		U.S. dollars
	2010	2009	2010
PER SHARE OF COMMON STOCK (Note 2.r):			
Net income	¥ 84.52	¥ 127.87	\$ 0.91
Cash dividends applicable to the year	62.00	62.00	0.67

See notes to consolidated financial statements.

Consolidated Statements of Changes in Equity

Yamatake Corporation and Consolidated Subsidiaries
Years Ended March 31, 2010 and 2009

	Thousands	Millions of yen										
	Outstanding Number of Shares of Common Stock	Common Stock	Capital Surplus	Stock Acquisition Rights	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, APRIL 1, 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	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
Adjustment of retained earnings for newly consolidated subsidiaries					8					8		8
Net income					6,242					6,242		6,242
Cash dividends, ¥62 per share					(4,579)					(4,579)		(4,579)
Purchase of treasury stock	(1)								(2)	(2)		(2)
Disposal of treasury stock												
Transfer from retained earnings to capital surplus												
Net change in the year				¥2		2,276	2	168		2,448	177	2,625
BALANCE, MARCH 31, 2010	73,855	¥10,523	¥17,198	¥2	¥100,363	¥ 3,149	¥ 2	¥ (923)	¥(2,643)	¥127,671	¥1,607	¥129,278

	Thousands of U.S. dollars (Note 1)										
	Common Stock	Capital Surplus	Stock Acquisition Rights	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, 2009	\$113,147	\$184,923		\$1,061,203	\$ 9,387		\$(11,727)	\$(28,393)	\$1,328,540	\$15,371	\$1,343,911
Adjustment of retained earnings for newly consolidated subsidiaries				85					85		85
Net income				67,120					67,120		67,120
Cash dividends, \$0.67 per share				(49,238)					(49,238)		(49,238)
Purchase of treasury stock								(21)	(21)		(21)
Disposal of treasury stock		(1)						8	7		7
Transfer from retained earnings to capital surplus		1		(1)							
Net change in the year			\$18		24,471	\$18	1,802		26,309	1,911	28,220
BALANCE, MARCH 31, 2010	\$113,147	\$184,923	\$18	\$1,079,169	\$33,858	\$18	\$ (9,925)	\$(28,406)	\$1,372,802	\$17,282	\$1,390,084

See notes to consolidated financial statements.

Consolidated Statements of Cash Flows

Yamatake Corporation and Consolidated Subsidiaries
Years Ended March 31, 2010 and 2009

	Millions of yen		Thousands of U.S. dollars (Note 1)
	2010	2009	2010
OPERATING ACTIVITIES:			
Income before income taxes and minority interests	¥ 11,121	¥ 16,427	\$ 119,582
Adjustments for:			
Income taxes—paid	(5,459)	(6,986)	(58,700)
Depreciation and amortization	6,243	5,757	67,126
(Reversal of) provision for doubtful receivables	(134)	105	(1,437)
Decrease in accrued bonuses	(457)	(668)	(4,912)
Loss on sales of property, plant and equipment—net	151	24	1,621
Loss (gain) on sales of investment securities—net	1	(12)	7
Loss on impairment of long-lived assets	838	162	9,008
Decrease in notes and accounts receivable	273	10,706	2,941
Decrease in inventories	4,924	2,193	52,950
Decrease in notes and accounts payable	(1,082)	(6,117)	(11,634)
Decrease in liabilities for retirement benefits	(314)	(755)	(3,377)
Others—net	(391)	536	(4,212)
Total adjustments	4,593	4,945	49,381
Net cash provided by operating activities	15,714	21,372	168,963
INVESTING ACTIVITIES:			
Proceeds from sales of property, plant and equipment	45	746	486
Purchase of property, plant and equipment	(3,196)	(6,998)	(34,364)
Proceeds from sales of investment securities	6	96	63
Purchase of investment securities	(31)	(231)	(335)
Proceeds from sales of beneficiary securities of trust	11,311	822	121,619
Purchase of beneficiary securities of trust	(11,885)	(4,806)	(127,792)
Payment for acquisition of BioVigilant Systems, Inc., net of cash acquired	(744)		(7,999)
Others—net	6,454	(6,235)	69,398
Net cash provided by (used in) investing activities	1,960	(16,606)	21,076
FINANCING ACTIVITIES:			
Net increase (decrease) in short-term borrowings	296	(140)	3,180
Proceeds from long-term debt	513	200	5,518
Repayment of long-term debt	(2,858)	(2,048)	(30,735)
Disposal of treasury stock	1	17	7
Purchase of treasury stock	(2)	(1,989)	(21)
Dividends paid	(4,578)	(4,516)	(49,227)
Others—net	(129)	(99)	(1,379)
Net cash used in financing activities	(6,757)	(8,575)	(72,657)
FOREIGN CURRENCY TRANSLATION ADJUSTMENTS ON CASH AND CASH EQUIVALENTS	68	(1,126)	728
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	10,985	(4,935)	118,110
CASH AND CASH EQUIVALENTS OF NEWLY CONSOLIDATED SUBSIDIARIES, BEGINNING OF YEAR	58		626
CASH AND CASH EQUIVALENTS, BEGINNING OF YEAR	44,321	49,256	476,571
CASH AND CASH EQUIVALENTS, END OF YEAR	¥ 55,364	¥ 44,321	\$ 595,307
ADDITIONAL INFORMATION:			
Increase in assets and liabilities, cash paid for capital and goodwill in the acquisition of BioVigilant Systems, Inc.:			
Assets acquired	¥ 115		\$ 1,234
Liabilities assumed	538		5,782
Cash paid for capital	744		7,999
Goodwill	1,167		12,547

See notes to consolidated financial statements.

Notes to Consolidated Financial Statements

Yamatake Corporation and Consolidated Subsidiaries
Years Ended March 31, 2010 and 2009

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 from 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 2009 financial statements to conform to the classifications used in 2010.

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 ¥93 to \$1, the approximate rate of exchange as of March 31, 2010. 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, 2010 include the accounts of Yamatake and its 36 significant (35 in 2009) subsidiaries (collectively, "the azbil Group").

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 from the acquisition of Kimmon Manufacturing Co., Ltd. ("Kimmon") has been amortized over 7 years. Other goodwill is to be amortized on a straight-line basis over 5 years, with the exception of minor amounts which are charged to income in the period of the 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 eliminated.

b. 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, certificates of deposit, 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.

c. Inventories—Inventories, other than raw materials, are principally stated at the lower of cost on a specific identification basis or net selling value. Raw materials

are principally stated at the lower of cost determined by the moving-average method or net selling value.

d. 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.

e. 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, which are not classified as the aforementioned 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.

f. Property, Plant and Equipment—Property, plant and equipment are stated at cost. Depreciation for 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.

g. 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.

h. 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.

i. Stock Options—In December 2005, the Accounting Standards Board of Japan (the "ASBJ") issued ASBJ Statement No. 8, "Accounting Standard for Stock Options," and related guidance. The new standard and guidance are applicable

to stock options newly granted on and after May 1, 2006. This standard requires companies to recognize compensation expense for employee stock options based on the fair value at the date of grant and over the vesting period as consideration for receiving goods or services. The standard also requires companies to account for stock options granted to non-employees based on the fair value of either the stock option or the goods or services received. In the balance sheet, the stock option is presented as a stock acquisition right as a separate component of equity until exercised. The standard covers equity-settled, share-based payment transactions, but does not cover cash-settled, share-based payment transactions. In addition, the standard allows unlisted companies to measure options at their intrinsic value if they cannot reliably estimate fair value. The azbil Group has applied this accounting standard for stock options to those granted on and after May 1, 2006.

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 were deemed 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 notes to the lessee’s financial statements. The revised accounting standard requires that all finance lease transactions be capitalized to recognize lease assets and lease obligations in the balance sheet. In addition, the revised accounting standard permits leases which existed at the transition date and which do not transfer ownership of the leased property to the lessee to be accounted for as operating lease transactions with certain “as if capitalized” information disclosed in the notes to the lessee’s financial statements.

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 which do not transfer ownership of the leased property to the lessee as operating lease transactions.

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, 2010 and 2009 was ¥85 million (\$915 thousand) and ¥67 million, respectively.

m. Construction Contracts—In December 2007, the ASBJ issued ASBJ Statement No. 15, “Accounting Standard for Construction Contracts,” and ASBJ Guidance No. 18, “Guidance on Accounting Standard for Construction Contracts.” Under the previous Japanese GAAP, either the completed-contract method or the percentage-of-completion method was permitted to account 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 should 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 a loss on construction contracts. This standard is applicable to construction contracts and software development contracts and was effective for fiscal years beginning on or after April 1, 2009. Yamatake and its consolidated domestic subsidiaries applied the new accounting standard effective April 1, 2009. The effect of this change was to increase operating income and income before income taxes and minority interests by ¥2,411 million (\$25,925 thousand) for the year ended March 31, 2010.

n. 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.

o. 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 translation are recognized in the consolidated statements of income to the extent that they are not hedged by forward exchange contracts.

p. Foreign Currency Financial Statements—The balance sheet accounts of 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 were shown as “Foreign currency translation adjustments” in a separate component of equity.

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

q. 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 fair value, but the unrealized gains/losses are deferred until the underlying transactions are completed.

r. 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 common shares outstanding for the period, retroactively adjusted for stock splits. The weighted-average number of shares of common stock used in the computation was 73,855,322 shares for 2010 and 74,486,774 shares for 2009.

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.

s. New Accounting Pronouncements

Business Combinations—In December 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 accounting for such business combinations by the purchase method, and the pooling of interests method of accounting is no longer allowed.
- (2) The current accounting standard accounts for research and development costs to be charged to income as incurred. Under the revised standard, in-process research and development costs (IPR&D) acquired in a business combination are 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 will be 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—In March 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 the 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.

Accounting Changes and Error Corrections—In December 2009, the ASBJ issued ASBJ Statement No. 24, “Accounting Standard for Accounting Changes and Error Corrections,” and ASBJ Guidance No. 24, “Guidance on Accounting Standard for Accounting Changes and Error Corrections.” Accounting treatments under this standard and guidance are as follows:

- (1) Changes in accounting policies
When a new accounting policy is applied with revision of accounting standards, a new policy is applied retrospectively unless the revised accounting standards include specific transitional provisions. When the revised accounting standards include specific transitional provisions, an entity shall comply with the specific transitional provisions.
- (2) Changes in presentation
When the presentation of financial statements is changed, prior period financial statements are reclassified in accordance with the new presentation.
- (3) Changes in accounting estimates
A change in an accounting estimate is accounted for in the period of the change if the change affects that period only, and is accounted for prospectively if the change affects both the period of the change and future periods.
- (4) Corrections of prior period errors
When an error in prior period financial statements is discovered, those statements are restated.

This accounting standard and the guidance will be applicable to accounting changes and corrections of prior period errors which are made from the beginning of the fiscal year that begins on or after April 1, 2011.

Segment Information Disclosures—In March 2008, the ASBJ revised ASBJ Statement No. 17, “Accounting Standard for Segment Information Disclosures,” and issued ASBJ Guidance No. 20, “Guidance on Accounting Standard for Segment Information Disclosures.” Under the standard and guidance, an entity is required to report financial and descriptive information about its reportable segments. Reportable segments are operating segments or aggregations of operating segments that meet specified criteria. Operating segments are components of an entity about which separate financial information is available and such information is evaluated regularly by the chief operating decision maker in deciding how to allocate resources and in assessing performance. Generally, segment information is required to be reported on the same basis as is used internally for evaluating operating segment performance and deciding how to allocate resources to operating segments. This accounting standard and the guidance are applicable to segment information disclosures for the fiscal years beginning on or after April 1, 2010.

3. INVESTMENT SECURITIES

Investment securities as of March 31, 2010 and 2009, consisted of the following:

	Millions of yen		Thousands of U.S. dollars
	2010	2009	2010
Non-current:			
Equity securities	¥14,788	¥11,349	\$159,008
Trust fund investments and other	99	99	1,068
Total	¥14,887	¥11,448	\$160,076

The costs and aggregate fair values of investment securities whose fair value is readily determinable as of March 31, 2010 and 2009, were as follows:

	Millions of yen								Thousands of U.S. dollars			
	2010				2009				2010			
	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	¥6,157	¥7,590	¥106	¥13,641	¥6,136	¥3,981	¥296	¥9,821	\$66,204	\$81,623	\$1,144	\$146,683
Trust fund investments and other	61	5	5	61	61	1	5	57	655	57	59	653

Available-for-sale securities and held-to-maturity securities whose fair value is not readily determinable as of March 31, 2009 were as follows. The similar information for 2010 is disclosed in Note 13.

	Carrying Amount
	Millions of yen
	March 31, 2009
Securities classified as available-for-sale:	
Equity securities	¥1,528
Trust fund investments and other	42

Proceeds from sales of available-for-sale securities for the years ended March 31, 2009 were ¥96 million. Net realized gains and losses on these sales, computed on the moving-average cost basis, were ¥12 million for the year ended March 31, 2009.

The information of available-for-sale securities which were sold during the year ended March 31, 2010 was as follows:

	Millions of yen			Thousands of U.S. dollars		
	March 31, 2010			March 31, 2010		
	Proceeds	Realized Gains	Realized Losses	Proceeds	Realized Gains	Realized Losses
Available-for-sale-Equity securities	¥5		¥1	\$58		\$7

The impairment losses on available-for-sale-equity securities for the years ended March 31, 2010 and 2009 were ¥400 million (\$4,303 thousand) and ¥173 million, respectively.

4. INVENTORIES

Inventories as of March 31, 2010 and 2009, consisted of the following:

	Millions of yen		Thousands of U.S. dollars
	2010	2009	2010
Merchandise	¥ 1,389	¥ 1,555	\$ 14,930
Finished products	1,875	2,171	20,159
Work in process	8,251	11,559	88,730
Raw materials	4,920	5,954	52,898
Total	¥16,435	¥21,239	\$176,717

5. LONG-LIVED ASSETS

The azbil Group reviewed its long-lived assets for impairment as of March 31, 2010 and 2009, and recognized an impairment loss of ¥838 million (\$9,008 thousand) for goodwill and certain assets of Kimmon and ¥162 million for certain assets of Yamatake and 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 was written down to the recoverable amount. The discount rate for measuring the recoverable amount was 17%.

6. SHORT-TERM BORROWINGS AND LONG-TERM DEBT

Short-term borrowings as of March 31, 2010 and 2009, mainly consisted of notes to banks and bank overdrafts. The annual interest rates applicable to the short-term bank loans ranged from 0.3% to 3.5% as of March 31, 2010 and from 0.8% to 4.3% as of March 31, 2009.

Long-term debt as of March 31, 2010 and 2009, consisted of the following:

	Millions of yen		Thousands of U.S. dollars
	2010	2009	2010
Loans from banks and other financial institutions, due serially through 2026 with interest rates ranging from 0.9% to 2.7% in 2010 and from 1.3% to 2.7% in 2009:			
Collateralized	¥ 44	¥ 409	\$ 473
Unsecured	2,538	3,979	27,287
Bond due serially through 2011 with interest rates ranging from 0.7% to 1.5% in 2010 and from 0.8% to 1.5% in 2009:			
Collateralized	80	110	860
Unsecured	30	200	323
Obligations under finance leases	231	207	2,484
Total	2,923	4,905	31,427
Less current portion	(2,009)	(2,519)	(21,598)
Long-term debt, less current portion	¥ 914	¥ 2,386	\$ 9,829

As of March 31, 2010, Yamatake had an unused line of credit amounting to ¥30,000 million (\$322,581 thousand), of which ¥10,000 million (\$107,527 thousand) related to the unused portion of commitment lines with four banks and ¥20,000 million (\$215,054 thousand) related to the medium-term notes program.

Annual maturities of long-term debt as of March 31, 2010, for the next five years and thereafter were as follows:

Year Ending March 31	Millions of yen	Thousands of U.S. dollars
2011	¥2,009	\$21,598
2012	289	3,105
2013	133	1,428
2014	82	879
2015	346	3,717
2016 and thereafter	64	700
Total	¥2,923	\$31,427

The carrying amounts of assets pledged as collateral for the above collateralized long-term debt at March 31, 2010, were as follows:

	Millions of yen	Thousands of U.S. dollars
	2010	2010
Time deposit	¥135	\$1,452
Land	40	430
Buildings and structures	175	1,884
Total	¥350	\$3,766

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 such requests.

7. 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 in the case of voluntary termination at certain specific ages prior to the mandatory retirement age.

The liability for retirement benefits at March 31, 2010 and 2009 for directors and corporate auditors is ¥194 million (\$2,087 thousand) and ¥184 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 at March 31, 2010 and 2009, consisted of the following:

	Millions of yen		Thousands of U.S. dollars
	2010	2009	2010
Projected benefit obligation	¥ 42,691	¥ 43,479	\$ 459,038
Fair value of plan assets	(23,943)	(21,012)	(257,447)
Unrecognized prior service costs	2,376	2,660	25,552
Unrecognized actuarial loss	(8,231)	(11,931)	(88,509)
Prepaid pension expense	29	46	308
Net liability	¥ 12,922	¥ 13,242	\$ 138,942

The components of net periodic benefit costs for the years ended March 31, 2010 and 2009, are as follows:

	Millions of yen		Thousands of U.S. dollars
	2010	2009	2010
Service cost	¥1,827	¥ 1,832	\$19,645
Interest cost	827	813	8,891
Expected return on plan assets	(515)	(1,249)	(5,533)
Amortization of prior service costs	(236)	(227)	(2,539)
Recognized actuarial loss	1,153	928	12,396
Payment for defined contribution pension plan and other	804	825	8,648
Net periodic benefit costs	¥3,860	¥ 2,922	\$41,508

Assumptions used for the years ended March 31, 2010 and 2009, are set forth as follows:

	2010	2009
Discount rate	2.0%	2.0%
Expected rate of return on plan assets	2.5%	5.0%-5.5%
Amortization period of prior service cost	10-15 years	10-15 years
Recognition period of actuarial gain/loss	10-15 years	10-15 years

8. EQUITY

Japanese companies are 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 a Board of Directors, (2) having independent auditors, (3) having a 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 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 amount of 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, or deducted directly from stock acquisition rights.

9. STOCK OPTIONS

Directors and employees of BioVigilant Systems, Inc. were granted options for new common stock.

The stock options outstanding as of March 31, 2010 are as follows:

Stock Option	Persons Granted	Number of Options Granted	Date of Grant	Exercise Price (U.S. Dollars)	Exercise Period
2003 Stock Option	1 employee	3,000 shares	2003.10.24	\$2.33	From October 24, 2003 to October 24, 2013
2004 Stock Option	1 employee	1,000 shares	2004.2.12	2.33	From February 12, 2004 to February 12, 2014
2004 Stock Option	1 employee	5,000 shares	2004.10.14	2.33	From October 14, 2004 to October 14, 2014
2005 Stock Option	1 employee	10,000 shares	2005.11.21	2.33	From November 21, 2005 to November 21, 2015
2007 Stock Option	1 employee	6,000 shares	2007.1.23	1.00	From January 23, 2007 to January 23, 2017
2007 Stock Option	5 employees	36,450 shares	2007.1.24	1.00	From January 24, 2007 to January 24, 2017
2007 Stock Option	9 employees	65,500 shares	2007.5.4	1.00	From May 4, 2007 to May 4, 2017
2007 Stock Option	1 employee	60,000 shares	2007.5.29	1.00	From May 29, 2007 to May 29, 2017
2007 Stock Option	2 directors	24,000 shares	2007.8.13	1.00	From August 13, 2007 to August 13, 2017
2007 Stock Option	1 employee	20,000 shares	2007.11.20	1.00	From November 20, 2007 to November 20, 2017
2008 Stock Option	1 employee	10,000 shares	2008.4.25	0.38	From April 25, 2008 to April 25, 2018
2008 Stock Option	16 employees	106,500 shares	2008.6.13	0.38	From June 13, 2008 to June 13, 2018
2008 Stock Option	4 employees	24,000 shares	2008.8.19	0.38	From August 19, 2008 to August 19, 2018
2009 Stock Option	1 director and 11 employees	20,000 shares	2009.6.22	1.46	From June 22, 2010 to June 22, 2019
2009 Stock Option	4 employees	11,000 shares	2009.9.30	1.46	From September 30, 2009 to May 7, 2012

The stock option activity is as follows:

Year Ended March 31, 2010	2003 Stock Option	2004 Stock Option	2005 Stock Option	2006 Stock Option	2007 Stock Option	2008 Stock Option	2009 Stock Option
	(Shares)						
Non-vested							
March 31, 2009—Outstanding					100,500	148,500	
Granted							31,000
Canceled					(13,334)	(8,000)	
Vested					(50,668)	(46,832)	(11,000)
March 31, 2010—Outstanding					36,498	93,668	20,000
Vested							
March 31, 2009—Outstanding	23,000	8,000	18,500	5,000	131,500		
Vested					50,668	46,832	11,000
Exercised					(50)		
Canceled	(20,000)	(2,000)	(8,500)	(5,000)	(6,666)		
March 31, 2010—Outstanding	3,000	6,000	10,000		175,452	46,832	11,000
Exercise price (U.S. dollars)	2.33	2.33	2.33		1.00	0.38	1.46
Average stock price exercise (U.S. dollars)							
Fair value price at grant date (U.S. dollars)							

The assumptions used to measure the fair value of the 2009 Stock Option were estimated by intrinsic value based accounting because BioVigilant Systems, Inc. is non-public entity.

10. INCOME TAXES

Yamatake and its domestic subsidiaries are subject to Japanese national and local income taxes which, in the aggregate, resulted in normal effective statutory tax rate of approximately 40.4% for the years ended March 31, 2010 and 2009.

The tax effects of significant temporary differences and tax loss carryforwards which resulted in deferred tax assets and liabilities at March 31, 2010 and 2009, are as follows:

	Millions of yen		Thousands of U.S. dollars
	2010	2009	2010
Deferred tax assets:			
Pension and severance costs	¥ 5,029	¥ 5,100	\$ 54,081
Accrued expenses	3,887	4,227	41,795
Depreciation	1,306	1,561	14,044
Loss on impairment of property, plant and equipment	435	389	4,677
Allowance for doubtful receivables	397	251	4,266
Tax loss carryforwards	2,954	3,488	31,761
Others	2,231	1,781	23,992
Less valuation allowance	(6,153)	(6,530)	(66,158)
Total	10,086	10,267	108,458
Deferred tax liabilities:			
Net unrealized gain on available-for-sale securities	2,984	1,452	32,085
Special advanced depreciation	1,851	1,689	19,904
Others	355	355	3,821
Total	5,190	3,496	55,810
Net deferred tax assets	¥ 4,896	¥ 6,771	\$ 52,648

There is no material difference between the normal effective statutory tax rate for the years ended March 31, 2010 and 2009, and the actual effective tax rates reflected in the accompanying consolidated statements of income.

At March 31, 2010, certain subsidiaries have tax loss carryforwards aggregating approximately ¥11,087 million (\$119,209 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
2011	¥ 1,146	\$ 12,318
2012		
2013	254	2,733
2014	4,974	53,483
2015	678	7,291
2016 and thereafter	4,035	43,384
Total	¥11,087	\$119,209

11. RESEARCH AND DEVELOPMENT COSTS

Research and development costs charged to income were ¥8,640 million (\$92,907 thousand) and ¥9,636 million for the years ended March 31, 2010 and 2009, 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, 2010 and 2009, were ¥6,471 million (\$69,586 thousand) and ¥5,850 million, respectively.

ASBJ Statement No. 13, "Accounting Standard for Lease Transactions," requires that all finance lease transactions be capitalized to recognize lease assets and lease obligations in the balance sheet. However, ASBJ Statement No. 13 permits leases without ownership transfer of the leased property to the lessee whose lease inception was before March 31, 2008 to be accounted for as operating lease transactions if certain "as if capitalized" information is disclosed in the notes to the financial statements. Yamatake and its consolidated domestic subsidiaries applied ASBJ Statement No. 13 effective April 1, 2008 and accounted for such leases as operating lease transactions. Pro forma information of leased property whose lease inception was before March 31, 2008 such as acquisition cost, accumulated depreciation, accumulated impairment loss, obligations under finance leases, depreciation expense and other information for finance leases that do not transfer ownership of the leased property to the lessee on an "as if capitalized" basis was as follows:

	Millions of yen							
	2010				2009			
	Machinery and Equipment	Furniture and Fixtures	Software	Total	Machinery and Equipment	Furniture and Fixtures	Software	Total
Acquisition cost	¥774	¥839	¥693	¥2,306	¥857	¥1,320	¥693	¥2,870
Accumulated depreciation	475	717	522	1,714	478	951	413	1,842
Accumulated impairment loss	130		40	170	129	86	40	255
Net leased property	¥169	¥122	¥131	¥ 422	¥250	¥ 283	¥240	¥ 773

	Thousands of U.S. Dollars			
	2010			
	Machinery and Equipment	Furniture and Fixtures	Software	Total
Acquisition cost	\$8,323	\$9,018	\$7,453	\$24,794
Accumulated depreciation	5,113	7,705	5,619	18,437
Accumulated impairment loss	1,394		429	1,823
Net leased property	\$1,816	\$1,313	\$1,405	\$ 4,534

Obligations under finance leases:

	Millions of yen		Thousands of U.S. dollars
	2010	2009	2010
Due within one year	¥ 645	¥ 808	\$ 6,941
Due after one year	1,941	2,593	20,871
Total	¥2,586	¥3,401	\$27,812

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

Allowance for impairment loss on leased property of ¥75 million (\$805 thousand) as of March 31, 2010 and ¥126 million as of March 31, 2009, is not included in the obligations under finance leases.

Depreciation expense and other information under finance leases:

	Millions of yen		Thousands of U.S. dollars
	2010	2009	2010
Depreciation expense	¥345	¥502	\$3,707
Lease payments	496	650	5,334
Reversal of allowance for impairment loss on leased property	51	95	550

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 a remaining value of 10% of total lease payments.

The minimum rental commitments under noncancelable operating leases as of March 31, 2010 and 2009 were as follows:

	Millions of yen		Thousands of U.S. dollars
	2010	2009	2010
Due within one year	¥334	¥ 758	\$3,595
Due after one year	75	409	804
Total	¥409	¥1,167	\$4,399

(2) *Financing Leases as a Lessor*

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

Yamatake and its consolidated domestic subsidiaries applied ASBJ Statement No. 13 effective April 1, 2008, and accounted for leases which existed at the transition date and which 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, 2010 and 2009, was as follows:

	Millions of yen		Thousands of U.S. dollars
	2010	2009	2010
Receivables under finance leases:			
Due within one year	¥ 279	¥ 308	\$ 2,995
Due after one year	1,623	1,903	17,458
Total	¥1,902	¥2,211	\$20,453

13. FINANCIAL INSTRUMENTS AND RELATED DISCLOSURES

On March 10, 2008, the ASBJ revised ASBJ Statement No. 10, "Accounting Standard for Financial Instruments," and issued ASBJ Guidance No. 19, "Guidance on Accounting Standard for Financial Instruments and Related Disclosures." This accounting standard and guidance are applicable to financial instruments and related disclosures at the end of the fiscal years ending on or after March 31, 2010, with early adoption permitted from the beginning of fiscal years ending before March 31, 2010. The azbil Group applied the revised accounting standard and the new guidance effective March 31, 2010.

(1) *Policy for Financial Instruments*

The azbil Group makes safety the first priority in terms of its asset management and limits its investments to financial assets that consist mainly of short-term deposits, while the azbil Group's financing needs are met by selecting the most suitable method of funding while taking into account such factors as the purpose of the loan, the terms and funding costs. The azbil Group limits the use of derivatives to forward exchange contracts and currency option contracts to hedge against the risks associated with fluctuating exchange rates, and interest rate swaps to hedge against the risks associated with fluctuating interest rates, and does not engage in transactions for speculative purposes.

(2) *Nature and Extent of Risks Arising from Financial Instruments and Risk Management*

Notes and accounts receivable-trade are subject to the credit risks of the customers. The azbil Group manages its credit risks on the basis of internal guidelines, which include keeping track of due dates and outstanding balances of the receivables for each transaction and also monitors the credit standing of the major customers on a yearly basis. Notes and accounts receivable-trade denominated in foreign currencies are subject to risks associated with fluctuating exchange rates; however, their net positions after deducting operating liabilities are, in principle, hedged through the use of forward exchange contracts.

Investment securities mainly comprise stocks of companies with which the azbil Group has business relationships, and are subject to the risks associated with fluctuating stock prices. Such stock investments are managed by monitoring their fair values and the financial status of the companies on a regular basis, as well as conducting ongoing reviews of their holding status by taking into account the azbil Group's relationship with the issuing companies.

Notes and accounts payable-trade are liabilities due within one year. Although certain notes and accounts payable-trade denominated in foreign currencies are subject to the risks associated with fluctuating exchange rates, the majority of such instruments are constantly kept within the amount of the outstanding balance of accounts receivable denominated in the same foreign currency.

Interest-bearing debt mainly comprises short-term borrowings. While a portion of these borrowings, having floating interest rates, is subject to the risks associated with fluctuating interest rates, the effects of these risks are negligible as their terms are short and amounts minimal.

Derivative transactions are executed and managed in accordance with internal rules that have determined the authorization procedures of such transactions, are used for the purpose of mitigating credit risks, and are conducted solely with highly-rated financial institutions as counterparties. Please see Note 14 for more detail about derivatives.

Additionally, notes and accounts payable-trade and short-term borrowings are subject to liquidity risks such as in the event the azbil Group cannot execute payment on the payment date. Liquidity risks are managed by such methods as having each company draw up monthly cash flow plans.

(3) *Fair Values of Financial Instruments*

Fair values of financial instruments are based on quoted price in active markets. If quoted price is not available, other rational valuation techniques are used instead. Also please see Note 14 for the detail of fair value for derivatives.

(a) *Fair value of financial instruments*

	Millions of yen			Thousands of U.S dollars		
	March 31, 2010			March 31, 2010		
	Carrying Amount	Fair Value	Unrealized Loss	Carrying Amount	Fair Value	Unrealized Loss
Cash and cash equivalents	¥ 55,364	¥ 55,364		\$ 595,307	\$ 595,307	
Notes and accounts receivable-trade	74,651	74,651		802,700	802,700	
Investment securities	13,702	13,702		147,336	147,336	
Total	¥143,717	¥143,717		\$1,545,343	\$1,545,343	
Short-term borrowings	¥ 12,498	¥ 12,498		\$ 134,385	\$ 134,385	
Current portion of long-term debt	2,009	2,009		21,598	21,598	
Notes and accounts payable-trade	34,985	34,985		376,181	376,181	
Long-term debt	914	923	¥(9)	9,829	9,929	\$(100)
Total	¥ 50,406	¥ 50,415	¥(9)	\$ 541,993	\$ 542,093	\$(100)

Cash and Cash Equivalents, and Notes and Accounts Receivable-Trade

The carrying values of cash and cash equivalents, and notes and accounts receivable-trade approximate fair value because of their short maturities.

Investment Securities

The fair values of investment securities are measured at the quoted market price of the stock exchange for the equity instruments, and at the quoted price obtained from the financial institution for certain debt instruments. The information of the fair value for the investment securities by classification is included in Note 3.

Short-Term Borrowings, Current Portion of Long-Term Debt and Notes and Accounts Payable-Trade

The carrying values of short-term borrowings, current portion of long-term debt and notes and accounts payable-trade approximate fair value because of their short maturities.

Long-Term Debt

The fair values of loans from banks and other financial institutions are determined by the present values calculated by discounting the total amount of principal and interest rates currently considered applicable to similar loans.

The fair values of bonds without market value price are determined by the present values calculated by discounting the total amount of the principal and interest at a rate that takes into account the remaining term and credit risks.

Derivatives

The information of the fair value for derivatives is included in Note 14.

(b) *Financial instruments whose fair value cannot be reliably determined*

	Carrying Amount	
	Millions of yen	Thousands of U.S. dollars
	March 31, 2010	March 31, 2010
Investments in equity instruments that do not have a quoted market price in an active market	¥1,185	\$12,740

(4) *Maturity Analysis for Financial Assets and Securities with Contractual Maturities*

	Millions of yen				Thousands of U.S dollars			
	March 31, 2010				March 31, 2010			
	Due in 1 Year or Less	Due after 1 Year through 5 Years	Due after 5 Years through 10 Years	Due after 10 Years	Due in 1 Year or Less	Due after 1 Year through 5 Years	Due after 5 Years through 10 Years	Due after 10 Years
Cash and cash equivalents	¥ 55,364				\$ 595,307			
Notes and accounts receivable-trade	72,585	¥2,066			780,489	\$22,211		
Total	¥127,949	¥2,066			\$1,375,796	\$22,211		

Please see Note 6 for annual maturities of long-term debt and Note 12 for obligations under finance leases, respectively.

14. DERIVATIVES

The azbil Group enters into foreign currency forward contracts to hedge foreign exchange risk associated with trade receivables and payables 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.

As noted in Note 13, the azbil Group applied ASBJ Statement No. 10, "Accounting Standard for Financial Instruments," and ASBJ Guidance No. 19, "Guidance on Accounting Standard for Financial Instruments and Related Disclosures." The accounting standard and guidance are applicable to financial instruments and related disclosures at the end of fiscal years ending on or after March 31, 2010; therefore, the required information is disclosed only for 2010.

Derivative Transactions to Which Hedge Accounting Is Not Applied at March 31, 2010

	Millions of yen				Thousands of U.S. dollars			
	March 31, 2010				March 31, 2010			
	Contract Amount	Contract Amount Due after One Year	Fair Value	Unrealized Loss	Contract Amount	Contract Amount Due after One Year	Fair Value	Unrealized Loss
Foreign currency forward contracts:								
Selling U.S. dollars	¥601		¥(18)	¥(18)	\$6,464		\$(194)	\$(194)
Selling KR won	150		(12)	(12)	1,613		(133)	(133)
Buying U.S. dollars	151				1,622			

Derivative Transactions to Which Hedge Accounting Is Applied at March 31, 2010

	Hedged Item	Millions of yen			Thousands of U.S. dollars		
		March 31, 2010			March 31, 2010		
		Contract Amount	Contract Amount Due after One Year	Fair Value	Contract Amount	Contract Amount Due after One Year	Fair Value
Foreign currency forward contracts—							
Buying U.S. dollars	Accounts payables	¥87		¥3	\$931		\$30

The following is the fair value information for foreign currency forward contracts to which hedge accounting is not applied at March 31, 2009. Foreign currency forward contracts which qualify for hedge accounting are excluded from the information below.

	Millions of yen		
	March 31, 2009		
	Contract Amount	Fair Value	Unrealized Loss
Foreign currency forward contracts—Buying JP yen	¥194	¥203	¥9

The fair value of derivative transactions is measured at the quoted price obtained from the financial institution.

The contract or notional amounts of derivatives which are shown in the above table do not represent the amounts exchanged by the parties and do not measure the azbil Group's exposure to credit or market risk.

15. COMMITMENT AND CONTINGENT LIABILITIES

At March 31, 2010, the azbil Group had the following contingent liabilities:

	Millions of yen	Thousands of U.S. dollars
Guarantees and similar items of loans	¥18	\$195

16. SUBSEQUENT EVENT

Appropriation of Retained Earnings

The following appropriation of retained earnings at March 31, 2010 was approved at Yamatake's shareholders meeting held on June 25, 2010:

	Millions of yen	Thousands of U.S. dollars
Year-end cash dividends, ¥31 (\$0.33) per share	¥2,290	\$24,618

17. 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 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 mainly of the import of industrial machines and equipment.

Information about industry segments of the azbil Group for the years ended March 31, 2010 and 2009, was as follows:

(1) Industry Segments

a. Sales and Operating Income (Losses)

	Millions of yen						
	2010						
	Building Automation	Advanced Automation	Life Automation	Other	Total	Eliminations/Corporate	Consolidated
Sales to customers	¥ 96,387	¥76,177	¥34,445	¥5,204	¥212,213		¥212,213
Intersegment sales	284	761	276	125	1,446	¥(1,446)	
Total sales	96,671	76,938	34,721	5,329	213,659	(1,446)	212,213
Operating expenses	85,154	76,386	34,368	5,370	201,278	(1,450)	199,828
Operating income (losses)	¥ 11,517	¥ 552	¥ 353	¥ (41)	¥ 12,381	¥ 4	¥ 12,385

	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

	Thousands of U.S. Dollars						
	2010						
	Building Automation	Advanced Automation	Life Automation	Other	Total	Eliminations/Corporate	Consolidated
Sales to customers	\$1,036,418	\$819,108	\$370,373	\$55,966	\$2,281,865		\$2,281,865
Intersegment sales	3,058	8,183	2,972	1,339	15,552	\$(15,552)	
Total sales	1,039,476	827,291	373,345	57,305	2,297,417	(15,552)	2,281,865
Operating expenses	913,634	821,351	369,550	57,742	2,164,277	(15,580)	2,148,697
Operating income (losses)	\$ 123,842	\$ 5,940	\$ 3,795	\$ (437)	\$ 133,140	\$ 28	\$ 133,168

b. Assets, Depreciation, Impairment Loss and Capital Expenditures

	Millions of yen						
	2010						
	Building Automation	Advanced Automation	Life Automation	Other	Total	Eliminations/Corporate	Consolidated
Assets	¥54,049	¥59,160	¥29,323	¥3,255	¥145,787	¥72,685	¥218,472
Depreciation	1,266	2,604	840	41	4,751		4,751
Impairment loss	723		178		901	(63)	838
Capital expenditures	1,045	1,065	574	20	2,704		2,704

	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

	Thousands of U.S. Dollars						
	2010						
	Building Automation	Advanced Automation	Life Automation	Other	Total	Eliminations/Corporate	Consolidated
Assets	\$581,168	\$636,132	\$315,299	\$35,003	\$1,567,602	\$781,557	\$2,349,159
Depreciation	13,612	27,999	9,034	444	51,089		51,089
Impairment loss	7,774		1,915		9,689	(681)	9,008
Capital expenditures	11,237	11,449	6,174	219	29,079		29,079

Notes: 1. Corporate assets of ¥72,793 million (\$782,719 thousand) and ¥65,320 million for the years ended March 31, 2010 and 2009, respectively, included in "Eliminations/Corporate" mainly consist of cash and cash equivalents and investment securities.

2. As discussed in Note 2.m, effective April 1, 2009, Yamatake and its consolidated domestic subsidiaries applied ASBJ Statement No. 15, "Accounting Standard for Construction Contracts." The effect of this change was to increase operating income of Building Automation by ¥1,905 million (\$20,486 thousand) and operating income of Advanced Automation by ¥506 million (\$5,439 thousand) for the year ended March 31, 2010, respectively.

(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.



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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, 2010 and 2009, 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, 2010 and 2009, 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.

As discussed in Note 2.m to the consolidated financial statements, the Company and its consolidated domestic subsidiaries applied the new accounting standard for construction contracts effective April 1, 2009.

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 LLC

June 17, 2010

Member of
 Deloitte Touche Tohmatsu

Corporate Data

As of March 31, 2010

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	¥10,522,716,817
Factories and R&D Center	Shonan and Isehara Factories, Fujisawa Technology Center
Employees	5,297 (consolidated basis: 8,220)

Subsidiaries and Affiliates * indicates consolidated subsidiary during fiscal year 2009

As of June 30, 2010

Japan

Yamatake & Co., Ltd. * Tokyo, 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 Control Products 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 Expert Services 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 Friendly Co., Ltd. Kanagawa, 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%
Yamatake Care-Net 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%
Safety Service Center Co., Ltd. * Tokyo, Japan Ownership: 100%	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%
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.	

Overseas

Azbil Korea Co., Ltd. * Seoul, Korea Ownership: 100%	Azbil Singapore Pte. Ltd. * Singapore Ownership: 100%	Shanghai Azbil Automation Co., Ltd. * Shanghai, China Ownership: 60%
Azbil Taiwan Co., Ltd. * Taipei, Taiwan Ownership: 100%	PT. Azbil Berca Indonesia * Jakarta, Indonesia Ownership: 55%	Azbil Hong Kong Limited * Hong Kong, China Ownership: 99.9%
Azbil Vietnam Co., Ltd. Hanoi, Vietnam Ownership: 100%	Azbil Control Instruments (Dalian) Co., Ltd. * Dalian, China Ownership: 100%	Yamatake Automation Products (Shanghai) Co., Ltd. * Shanghai, China Ownership: 100%
Azbil India Pvt. Ltd. Mumbai, India Ownership: 99.9%	Azbil Information Technology Center (Dalian) Co., Ltd. Dalian, China Ownership: 100%	Azbil North America, Inc. * Santa Clara, CA, U.S.A. Ownership: 100%
Azbil (Thailand) Co., Ltd. * Bangkok, Thailand Ownership: 99.9%	Yamatake Environmental Control Technology (Beijing) Co., Ltd. * Beijing, China Ownership: 100%	BioVigilant Systems, Inc. Tucson, AZ, U.S.A. Ownership: 88.7%
Azbil Philippines Corporation * Makati, Philippines Ownership: 99.9%	Azbil Control Solutions (Shanghai) Co., Ltd. * Shanghai, China Ownership: 100%	Azbil Europe NV * Zaventem, Belgium Ownership: 100%
Azbil Malaysia Sdn. Bhd. * Kuala Lumpur, Malaysia Ownership: 100%		Azbil Brasil Ltd. Sao Paulo, Brazil Ownership: 99.9% (Scheduled to begin operations in October 2010)

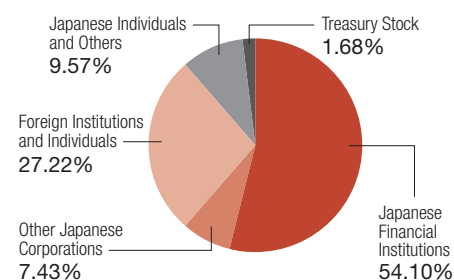
Four other affiliates

Stock Information

As of March 31, 2010

Total Number of Authorized Shares	279,710,000
Shares of Common Stock Issued	75,116,101
Shareholders	10,313
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

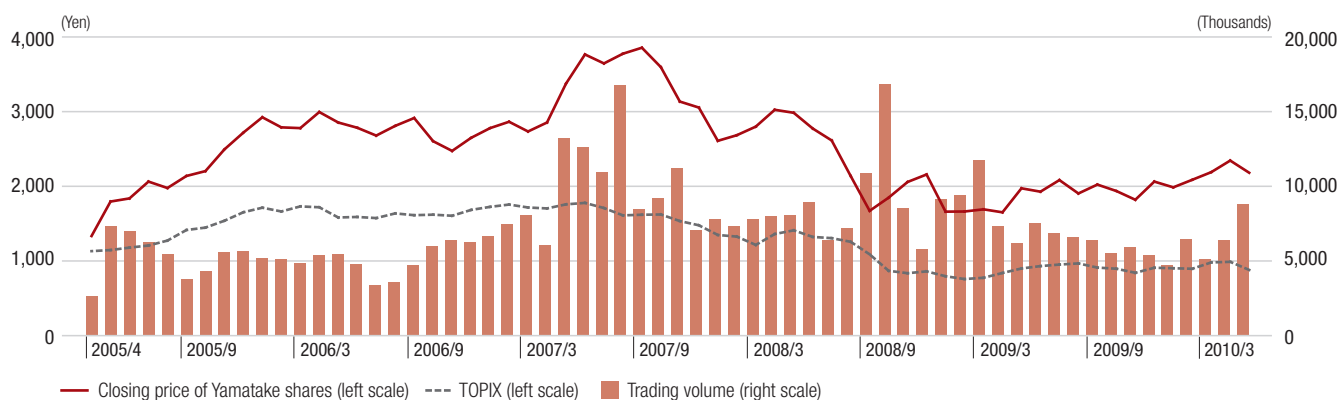


Major Shareholders

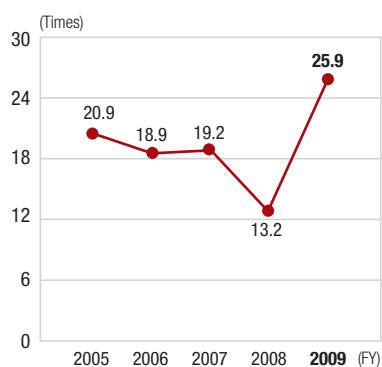
	Number of Shares Held (Thousands)	Percentage of Total Shares Issued
The Master Trust Bank of Japan, Ltd.	7,424	10.05
Japan Trustee Services Bank, Ltd.	5,512	7.46
Meiji Yasuda Life Insurance Co.	5,214	7.06
Japan Trustee Services Bank, Ltd. (Trust account 9)	3,505	4.75
Nippon Life Insurance Co.	2,669	3.61
Trust & Custody Services Bank, Ltd. (trustee for Mizuho Trust & Banking Co., Ltd. Retirement Benefit Trust Account)	2,315	3.14
Trust & Custody Services Bank, Ltd. (Securities investment trust account)	2,138	2.89
Mizuho Corporate Bank, Ltd.	2,104	2.85
Sompo Japan Insurance Inc.	1,360	1.84
HAYAT	1,250	1.69

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

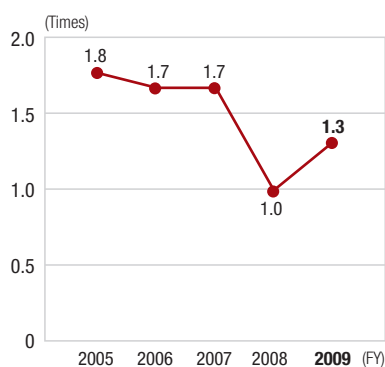
Trends in Share Price and Trading Volume



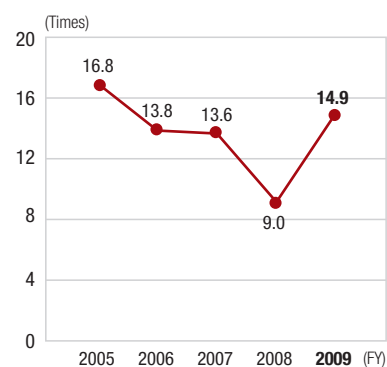
Price-Earnings Ratio



Price-Book Value Ratio



Price-Cash Flow Ratio



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

Contact

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

azbil report 2010 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 2010 Next scheduled release: August 2011

The logo for azbil, featuring the word "azbil" in a bold, italicized, dark red sans-serif font. A large, solid dark red curved shape is positioned in the bottom right corner of the page.

azbil