azbil

azbil Group 2011 Sustainability Report

azbil report 2011

What automation can do to make people happy

"Human-centered Automation"

Yamatake Corporation

From Yamatake Corporation to Azbil Corporation on April 1, 2012

Contents

"Human-centered Automation"

Page 1

Business Overview 1

Page 21

Management and Society 2

Page 35

The Environment 3

Page 43

Financial Report 4

Page 53

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

Through **"human-centered automation,"**
the azbil Group creates value for customers and society and
develops the value in its Building Automation,
Advanced Automation and Life Automation businesses.

To realize this,
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.

On April 1, 2012, all Group companies including Yamatake Corporation will uniformly add "Azbil" to their names.

This will be the start of a new path toward providing higher-value-added products and solutions collectively as a single corporate group.

Environment and Energy Conservation

How to Conserve Energy

- In buildings, energy is conserved by improving operating methods of equipment that cools or heats the air and modifying air-conditioning or heating to match its application in a particular building.
- For factories, the key points include maintaining a constant temperature as much as possible for cooling or heating in manufacturing processes, such as for crude oil distillation or beverages, and minimizing electricity, steam, and compressed air used in production facilities.
- Energy conservation begins with measurement. We measure when, where, and to what extent energy is being used, and then eliminate any waste. The key is to eliminate waste while maintaining comfort and quality. To achieve this requires collaboration across businesses, from on-site management of production and buildings to business operations.

Value Provided by the azbil Group

- Since the 1970s the azbil Group has incorporated the term "save" in its philosophy, and its people and technologies have optimized society's energy use, driven by measurement and control technologies.
- We support improvements in building and factory operation to reduce the energy use of not just individual systems and equipment, but of the building or factory as a whole.
- We can streamline and reduce energy use on the scale of an entire company or community, toward the realization of smart cities and smart communities.

52.3%[1] of the world's CO_2 emissions originate from buildings and factories.

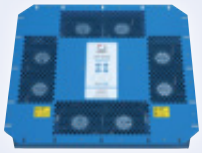
Our mission is to reduce these emissions.

Product and Service Examples

Building Automation Business

- **BEMS:** A system that supports energy conservation by visualizing and optimizing the energy consumption of an entire building.
- **CO_2 Management System:** A system that manages total CO_2 emissions from an entire enterprise.
- **AdaptivCOOL™[2]:** A dedicated cooling system for data centers with high cooling loads.

CO_2 Management System



AdaptivCOOL

Advanced Automation Business

- **ENEOPT™:** A plant energy conservation solution that provides an optimized energy conservation plan through systemically capturing data on air, steam, and electrical energy used by the entire plant.
- **FINEDEW™:** A hygrometer that helps conserve energy and improve yield by precisely measuring moisture in heat treatment processes for electronic components and metal parts or in the manufacturing environment of lithium ion batteries, etc.

ENEOPT

FINEDEW

Life Automation Business

- ***Kikubari*™:** A central air-conditioning system that conserves energy by centrally supplying heating or air-conditioning to an entire home.

1. Source: Calculated from "CO_2 Emissions from Fuel Combustion (2008)" compiled annually by the International Energy Agency
2. AdaptivCOOL is a registered trademark of Degree Controls, Inc.

Peace of Mind and Safety

How to Achieve Safety and Security in Our Lives

- Mistakes in the operation of factories and other large-scale facilities can lead to major accidents that involve the local community. Measuring equipment that detects malfunctions invisible to the naked eye, emergency response programs, and facility management systems play a role in the safe operation of these facilities.
- Thorough management of access, automation of dangerous work processes, and systems that detect microorganisms play an important role in safeguarding people who work in offices, shopping areas or factories.
- Production to supply of food, water, electricity, and gas provided to homes is managed in an integrated manner.
- Whenever a health problem or concern arises, a specialist will respond to the push of a button any time, 24 hours a day.

Value Provided by the azbil Group

- We prevent illegal entry into buildings and ensure that equipment and facilities operate safely using advanced security systems and remote monitoring and control technologies.
- We create safe workplace environments by monitoring harmful airborne substances at production sites in real time.
- We contribute to the safe and stable operation of social infrastructure, such as electricity, gas, and water, based on measurement and control technologies accumulated over many years.
- Through our commitment to personal services, we provide peace of mind and safety to people with health concerns.

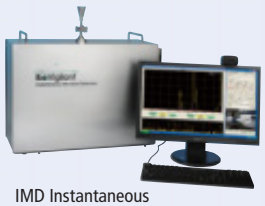
To live and work healthily with peace of mind. Our goal is to achieve this vision.

Product and Service Examples

Building Automation Business

- **savic-net™ FX security system:** An access control system for buildings using biometric recognition such as fingerprint matching.
- **IMD™ Instantaneous Microbial Detection:** A sensor that detects microorganisms in the air in real time.
- **Building operator support service BOSS-24™:** A service that monitors a building remotely 24 hours a day and accommodates maintenance requirements.


savic-net FX security system


IMD Instantaneous Microbial Detection

Advanced Automation Business

- **RX series:** Combustion safety control equipment that ensures the safe operation of industrial furnaces in combination with related equipment.
- **Sensors / Switches:** Detect a variety of conditions and ensure the safe operation of equipment.
- **ISOP™ (Industrial Services Operation Program):** A contract maintenance program that provides remote diagnoses for control systems and emergency response 24 hours a day, 365 days a year.


RX series


Sensors


Switch

Life Automation Business

- **Gas meter:** Contains safety features such as an automatic shut-off function to deliver gas safely and stably.
- **Emergency alert response service:** A service where specialist staff including nurses provide emergency response and health counseling 24 hours a day, 365 days a year for elderly people living alone.
- **Welfare equipment rental service:** A rental service for welfare equipment that maintains a dedicated ISO 9001-certifed maintenance center featuring the latest cleaning, disinfecting, and drying equipment to ensure cleanliness, peace of mind, and comfort.


Gas meter


Emergency alert response service

Quality and Productivity

Comfort and productivity form the heart of the "quality" of daily life or business. Our commitment is to pursue it.

Product and Service Examples

Building Automation Business

- **savic-net™ FX:** A building management system that supports operations by comprehensively managing the building.
- **ACTIVAL™ PLUS:** A control valve that has built-in temperature sensor, pressure sensor, flow measurement, and control functions.
- **BESTMAN™ EV:** A service that supports efficient building operations by maintenance work using remote monitoring through BMS.


savic-net FX


ACTIVAL PLUS

Advanced Automation Business

- **Industrial-DEO™:** A control and monitoring system that helps improve productivity and quality during manufacturing and production processes.
- **NX instrumentation network modules:** Instrumentation network modules that meet the increasingly complex demands of production sites.
- **InnovativeField Organizer™:** A system that monitors and diagnoses the condition of multiple control valves and measurement instruments used in production facilities.


Industrial-DEO


NX instrumentation network modules

Life Automation Business

- **Lifestyle support service:** A service that provides health counseling, mental health care, health guidance, and counseling for family caregivers 24 hours a day, 365 days a year, led by nurses, nursing care managers, psychological counselors, and nutritionists.
- **Nursing care support:** Experts including nursing care managers, nursing care workers, in-home care givers, and specialist counselors for welfare equipment provide high-quality nursing care services.

- **Measuring equipment calibration service:** As a Japan Calibration Service System (JCSS) accredited calibration laboratory for temperature, pressure, humidity, electricity (direct current and low frequency), and flowrate calibration services, we provide measuring equipment calibration services using top-level technologies.

Value Provided by the azbil Group

- **We enhance the productivity of offices and other work spaces by controlling temperature, humidity, and air flow within normal comfort zones.**
- **Automation and information technologies can raise productivity, product quality, and customer satisfaction at the same time. This in turn raises the quality of work and business.**
- **We use sensors, systems, and information technology to create the optimum automation environment, and maintain and improve quality and productivity at all times with consulting and services.**

How to Improve Living and Business Quality

- Creating comfortable living spaces for people involves measuring and analyzing indoor atmospheric conditions, then adjusting temperature and humidity, eliminating dust and pollen, and creating living conditions with minimal temperature differences between locations.
- The ability to safely and optimally use industrial products as necessary in our daily lives is the result of production systems that can quickly meet various conditions to maintain quality.
- Buildings and factories operated by automation utilizing various information and technologies enable building managers and factory operators to work effectively, safely, and with ease.
- Appropriate business decisions on a wider scope are made possible by linking management information held by each business department, such as market needs, business strategy, and customer information, with management information of on-site facilities.
- Regular "calibrations" play a major role in raising the reliability of sensors, flow meters, and other measuring equipment.

Highlights

Fiscal years ended March 31

Overview of Consolidated Results for Fiscal Year 2010, ended March 31, 2011

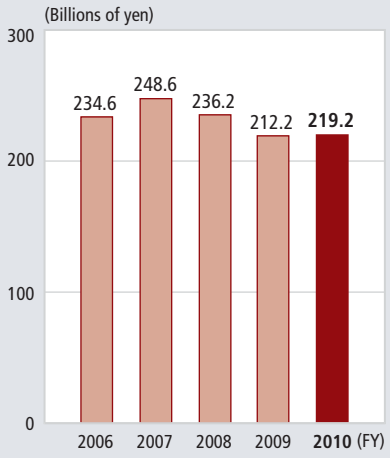
We achieved increases in both consolidated sales and income, as business results of the Building Automation and Advanced Automation businesses steadily recovered. As for our environmental indexes, we decreased CO_2 emissions toward our medium-term target.

(Millions of yen)

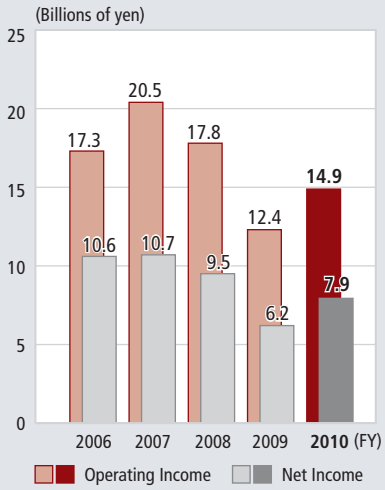
Fiscal years	2006	2007	2008	2009	**2010**
For the year:					
Net sales	234,572	248,551	236,173	212,213	**219,216**
Operating income	17,314	20,484	17,832	12,385	**14,896**
Net income	10,646	10,709	9,525	6,242	**7,928**
Capital expenditures	5,273	4,488	6,414	2,704	**3,302**
Depreciation	3,891	4,387	4,503	4,751	**4,460**
R&D costs	8,776	9,844	9,636	8,640	**8,953**
At year-end:					
Total assets	230,679	228,844	220,846	218,472	**217,501**
Total equity	118,967	121,721	124,984	129,278	**131,362**
Per share data (yen):					
Net income per share	144.71	145.63	127.87	84.52	**107.35**
Net assets per share	1,602.33	1,641.73	1,672.91	1,728.64	**1,754.86**
Cash dividends per share	50.00	60.00	62.00	62.00	**63.00**
Financial indicators:					
Shareholders' equity ratio (%)	51.1	52.6	55.9	58.4	**59.6**
Return on equity (ROE) (%)	9.3	9.0	7.8	5.0	**6.2**
Dividend on equity (DOE) (%)	3.2	3.7	3.7	3.6	**3.6**
Environmental indexes:					
CO_2 emissions (Tons CO_2)	33,320	33,422	30,551	26,414	**26,678**
Unit (Tons CO_2/100 Millions of yen)	14.2	13.4	12.9	12.4	**12.2**
Total volume of waste generated (Tons)	1,574	1,416	1,485	1,215	**1,104**
Rate of recycling/reuse (%)	99.3	99.1	99.0	98.9	**99.2**

Scope of financial data: Yamatake and consolidated subsidiaries
Scope of CO_2 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

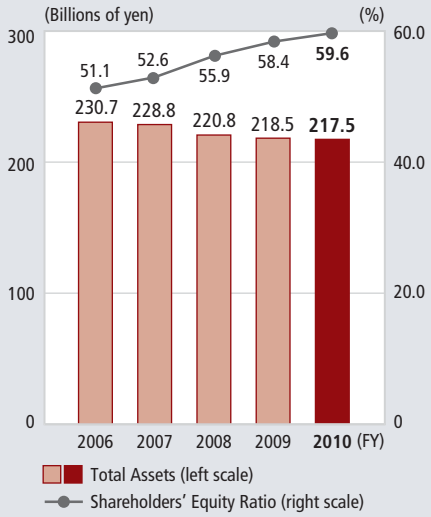
Net Sales



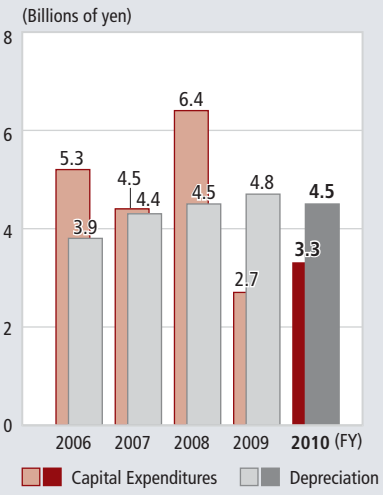
Operating Income/Net Income



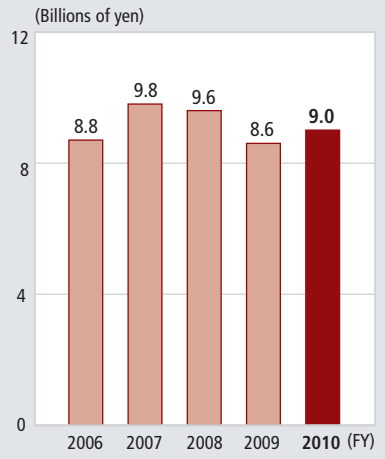
Total Assets/Shareholders' Equity Ratio



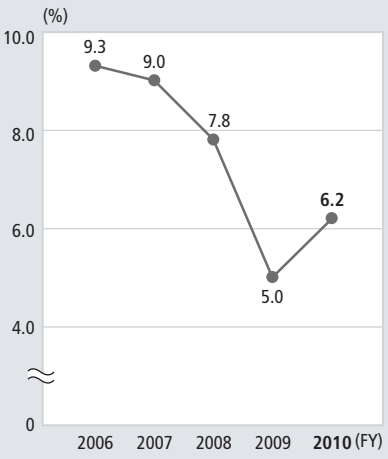
Capital Expenditures/Depreciation



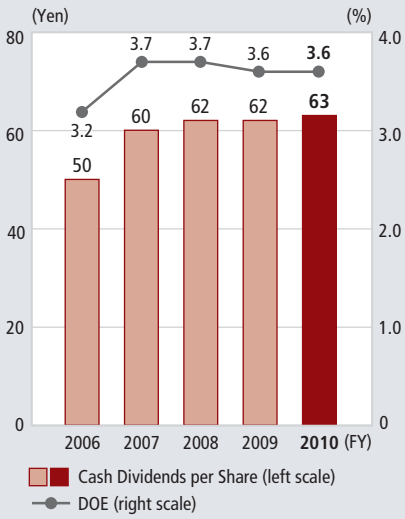
R&D Costs



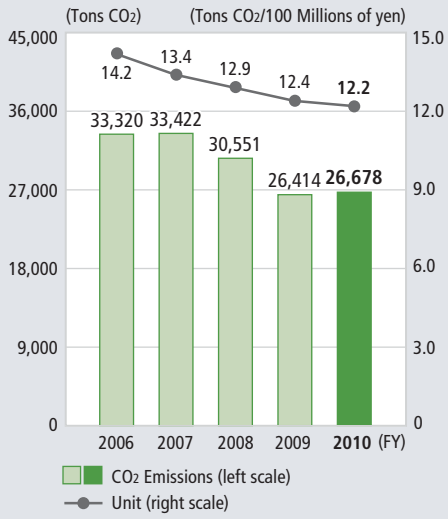
ROE



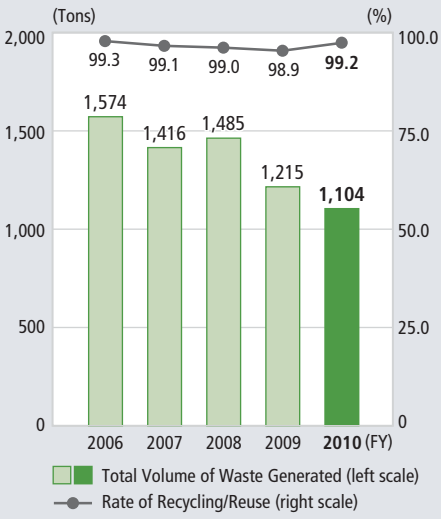
Cash Dividends per Share/DOE



CO_2 Emissions/Unit



Waste Disposal and Rate of Recycling/Reuse



To Our Stakeholders

I would like to begin by extending my deepest sympathy to all who were affected by the Great East Japan Earthquake that struck on March 11, 2011.

The azbil Group also incurred damage from the earthquake, mainly at factories and branch offices in the Tohoku region. We set up an emergency response headquarters immediately after the disaster and quickly planned and implemented countermeasures. This allowed us to limit the impact of the disaster itself and the subsequent power shortage and supply chain disruptions to a relatively minor level. The headquarters has also been the center of efforts to support the recovery of our customers. The foundation of our business is creating and providing value on-site throughout the life cycle of our customers' buildings and production facilities, from product delivery to maintenance services. We believe we have an obligation to work together with our customers for the swift recovery of their work sites through our core businesses so that they can conduct safe, stable operations, and azbil Group employees are making a concerted effort toward that end. In conjunction with recovery and restoration efforts, we will continue to do everything we can at customer sites from the standpoint of conserving energy, not only this summer but over the long term.

Fiscal year 2010, ended March 31, 2011, was the first year of our new four-year medium-term plan positioned as the "period of growth." As a result of our initiatives for business structure reform, we achieved increases in both sales and income for the fiscal year.

In fiscal year 2011, ending March 31, 2012, we will further enhance the strengths of the azbil Group in resolving on-site issues together with our customers as we tackle "creating new businesses (business structure reform)" from the aspects of both products and on-site solutions. At the same time, we will raise awareness and promote the practice of good corporate citizenship (CSR management).

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

July 2011

Seiji Onoki
President and Chief Executive Officer

Fiscal year 2010 was the first year of your medium-term plan for the "period of growth." How would you evaluate the progress of measures and results for the year?

It was a productive year as we steadily implemented key measures and achieved growth in sales and income.

The business environment in Japan in fiscal year 2010 generally shifted toward a gradual recovery. While economic stimulus measures helped the Japanese economy's upward momentum, a temporary slowdown in exports caused a lull that was offset by a pickup in manufacturing output. Overseas, solid expansion continued in China and elsewhere in Asia, while a moderate recovery trend was discernible in Europe and the United States.

For the azbil Group, fiscal year 2010 was the first year of our new four-year medium-term plan, which we designated as the "period of growth." In response to our rapidly changing business environment, we focused on reforming our business structure with an emphasis on overseas expansion, particularly in the fast-growing Asian market, as well as environmental preservation and energy conservation, where we anticipate new demand due to tougher regulations.

As a result, net sales for fiscal year 2010 increased 3.3% year on year to ¥219.2 billion, operating income increased 20.3% to ¥14.9 billion, and net income increased 27.0% to ¥7.9 billion. Looking at results by business segment, sales and income declined in the Life Automation business, which sells gas and water meters and provides nursing care and health support and other services. The main factors in the decline were reduced demand for LP gas meters and the suspension of operations due to the Great East Japan Earthquake. However, results steadily rebounded in the Building Automation business, which delivers products and services for HVAC and security, mainly to offices and other commercial buildings, and the Advanced Automation business, which provides products and solutions for production sites such as plants and factories. As a result, both businesses recorded solid performance.

Although the azbil Group's operating environment is recovering, the recovery has been weaker than we expected. Because of that, coupled with the unforeseen consequences of the unprecedentedly large earthquake near the end of the fiscal year, we did not achieve the results we had planned. Still, we were able to increase sales and income, and achieved a number of successes with our business measures. Overall, I feel positive about our performance for the year.

(Billions of yen)

	FY2009	FY2010	% Change	Plan	% Change
Net Sales	212.2	219.2	3.3%	225.0	(2.6)%
Operating Income	12.4	14.9	20.3%	16.0	(6.9)%
Net Income	6.2	7.9	27.0%	8.2*	(3.3)%

* Plan revised during the fiscal year (original plan: ¥9.5 billion)

The core initiative of the medium-term plan for the "period of growth" is "creating new businesses." How much progress have you made in that area?

Our business transformation is starting to yield visible results, especially in international business and in environmental preservation and energy conservation.

The azbil Group is promoting business structure reform – "creating new businesses" – in response to the rise of newly industrialized countries in Asia and elsewhere and structural changes to the market such as environmental issues, the falling birth rate and aging population, new technologies, and higher added value. The cornerstones of this initiative are the

international solution business and the solution business for environmental preservation and energy conservation.

In the international solution business, we provide services throughout the life cycle of customer facilities, from installation of control systems and on-site equipment to maintenance and renewal, to keep them running in optimal condition at all times. In fiscal year 2010, ended March 31, 2011, we expanded our valve maintenance centers in each region of Asia and established the Asia Solutions Center to augment our engineering capabilities, with the aim of strengthening the azbil Group's engineering and service network. Based on our track record of more than 10,000 systems in operation around the world, we launched an original program to evolve and extend the life of existing plants. We are also putting efforts into solutions by product line. For example, we strengthened product development tailored in detail to the needs of customers in each region, an approach that has produced substantial results in North America. In addition, we are making market inroads through collaboration with local companies in various countries. In China and Korea, for example, we deployed the energy-saving expertise developed by the Building Automation business in Japan to win orders for a number of large-scale HVAC projects in cooperation with local enterprises.

In the solution business for environmental preservation and energy conservation, we expect rapid expansion in the data center market due in part to the trend toward cloud-computing services. To deepen and expand our presence in this market, where saving energy is a pressing issue, we fortified our ability to provide solutions using our product lineup as well as our ability to use and analyze the azbil Group's extensive proprietary data. We are also promoting collaboration between businesses. For example, our Building Automation business has provided a variety of solutions for clean rooms in semiconductor fabs and other facilities because a large amount of energy is consumed in their HVAC systems. We built on this by leveraging the products and technologies of the Advanced Automation business to realize energy savings in utility facilities that supply energy to clean rooms and in production facilities. This led to projects that developed into energy conservation solutions for the entire production site.

With concerns about power shortages in Japan this summer due to the effects of the Great East Japan Earthquake, inquiries about total energy-saving solutions for offices and production sites are increasing. We expect more opportunities to provide value that only the azbil Group can deliver through combining the capabilities of the Building Automation and Advanced Automation businesses.

In the Life Automation business, we began cultivating the market for the *Kikubari*™ residential central air-conditioning system. For example, we developed a new system for houses of between 99 and 115 square meters, which account for approximately half of Japan's detached housing market. We also ran television ads promoting *Kikubari*. *Kikubari* utilizes the expertise of the Building Automation business to save energy in residences. At the same time, it helps to prevent shock from sudden changes in temperature and eliminates pollen and house dust to create comfortable, healthy living spaces. By setting reasonable prices, we hope to provide comfortable, energy-efficient, and clean indoor environments to many more customers.

Business Structure Reform – "Creating New Businesses"

Promoting business structure reform (or creating new businesses) to deal with structural changes to the market, such as environmental issues, the falling birth rate and aging population, new technologies, and higher added value

International solution business	Solution business for environmental preservation and energy conservation
Develop life cycle solutions overseas	
Enhance global product solutions	
Enter the Asian infrastructure market with an emphasis on safety	
Offer solutions through collaboration of Building Automation, Advanced Automation, and Life Automation in response to large-scale energy conservation needs in Japan	
Cultivate overseas customers based on energy-saving achievements in Japan	

What distinguishes the azbil Group's approach to corporate social responsibility (CSR)?

I believe our proactive approach to "CSR via business operations" leverages the Group's strengths.

The azbil Group energetically undertakes CSR activities as one of the key issues of its medium-term plan. These activities can be broadly divided into "basic CSR" and "proactive CSR."

"Basic CSR" encompasses the azbil Group's fundamental responsibilities as a corporate citizen, including compliance and environmental preservation. In particular, concern for the global environment is a key theme. We are aiming for a reduction of 10% or more in the azbil Group's total CO_2 emissions by fiscal year 2013, ending March 31, 2014, compared with the level of fiscal year 2006, ended March 31, 2007.

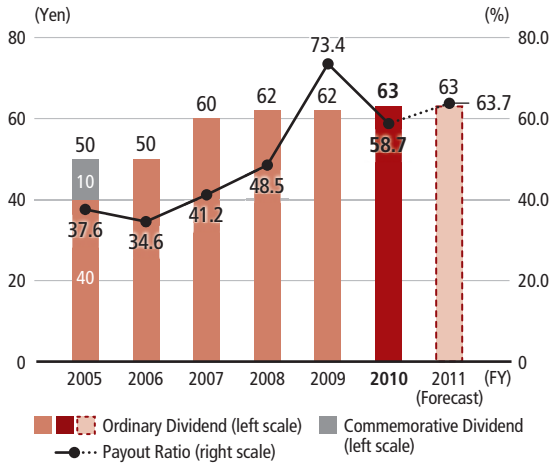
Our "proactive CSR," on the other hand, involves "social contribution via business operations" that leverages the Group's strengths as well as "voluntary social contribution activities." Our high-value-added solutions combining products and services save energy in office buildings and factories, helping customers to reduce their CO_2 emissions. This in turn contributes significantly to reducing the global environmental load, and we take pride in that. Not only do we contribute to society via our business operations, but we also think at all times of sustainable activities linked to those operations, including using carbon credits obtained in the ESCO business at local events.

In essence, our CSR activities and business activities are inseparable. The strength of the azbil Group is that CSR management combining these two activities is ingrained at the operating level.

Dividends increased in fiscal year 2010. Even with the uncertain outlook for the operating environment in fiscal year 2011, ending March 31, 2012, you are planning to maintain the dividend at the same level. What is your stance on shareholder returns?

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

Cash Dividends per Share/Payout Ratio



Returning profits to shareholders is one of the top management priority issues of the azbil Group. Our basic policy is to maintain stable dividends while striving to increase the dividend payout, 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.

For fiscal year 2010, we increased total dividends to ¥63 per share, as announced at the start of the period. In fiscal year 2011, some uncertainty remains in the business environment in Japan due to the effects of the earthquake and other factors, but we will aim for consistent returns and forecast total dividends of ¥63 per share. As a result, we expect DOE of 3.5% and a payout ratio of 63.7% for fiscal year 2011.

It has been announced that Yamatake will change its name to Azbil Corporation on April 1, 2012. Please talk about the reason for this change.

Five years have passed since "azbil" was formulated as the Group symbol. Now that the azbil symbol has been gaining recognition in and outside Japan, we decided to change the company name to further strengthen our brand.

Since it was founded as Yamatake Shokai Co., Ltd. in 1906, Yamatake has been meeting the needs of society through automation with the aim of "freedom from drudgery." This philosophy has been carried on progressively over the years, such as in "Savemation" (saving through automation) and in the present Group philosophy of "human-centered automation."

The Group symbol, azbil, representing the "human-centered automation" philosophy, was formulated five years ago, and has since been gaining recognition in Japan and overseas. We therefore decided to change the company's name from "Yamatake" to "Azbil" on the occasion of its 105th anniversary. Key Group companies in Japan will also adopt names that begin with "Azbil."

This name change will unify the Group philosophy, the Group name, and the names of domestic and international Group companies. The azbil Group is a corporate entity that contributes to solving its customers' issues with both products and on-site solutions through its multiple points of contact with customers. By making contact with customers through the single brand "azbil" at various sites and settings, we will raise recognition of the azbil Group, strengthen and establish our brand globally, and further promote unified Group management so that our employees worldwide can work together to tackle new challenges.

Finally, please talk about your goal of becoming "a top-class global automation enterprise."

We will further accelerate development of products and solutions to become an automation enterprise that is unique in the world.

Over the past several years, our operating environment has changed along with unexpectedly rapid structural changes in the market. We will therefore further transform our business structure by "creating new businesses" and focus on realizing a world of automation created by human ingenuity and technology.

There are many companies that offer automation, but not many of them go as far as providing products together with solutions that solve problems at the customer's site. Furthermore, the azbil Group is proud to be the only one that conducts business with a "human-centered" concept. The needs of our customers are about more than just changes in the business environment. By further accelerating development of products and solutions, we aim to be an automation enterprise that is unique in the world.

The azbil Group will continue to evolve step-by-step to meet the expectations of our shareholders, customers, local communities, and other stakeholders.

Feature

To respond to accelerating structural changes to the market, the azbil Group is tackling "business structure reform (or creating new businesses)" and conducting CSR management that prioritizes people.

This section presents our latest initiatives in the areas of "international" and "environment," two key words in our transformation.

For Sustainable Growth

Responding Effectively to a Changing Business Environment

Market needs have changed significantly since the start of the twenty-first century with the combined effects of shifts in the social structure and advances in technology. These changes have given rise to new industries, along with potential new challenges. The azbil Group views these changes as opportunities for growth, and is working alongside its customers to solve the new challenges they face on site.

Growing with Our Customers by Responding to Changes in Market Needs

The azbil Group provides comprehensive support throughout the equipment life cycle based on an evolutionary approach for customers who want to maintain and enhance their competitiveness using existing facilities. At the same time, we offer innovative products and applications that customers need in newer industrial fields that have advanced with shifts in the social structure – industries such as production of carbon fiber and other highly functional materials, as well as semiconductors and fuel cells. Our detailed service, including participation in projects from the specification design stage, helps create new value.

Two features of the azbil Group make this possible: a structure that allows us to provide integrated services from consulting, system design and engineering to maintenance, and our commitment to understanding and solving customer problems on-site rather than just selling products. To that end, we draw on our many years of human resources development and the specialized technologies and knowledge we have accumulated. Our extensive record of results attests to the success of this approach.

The azbil Group will continue to provide powerful support to customers who are working to develop new products and services adapted to shifts in the social structure and market needs. We will also innovate ourselves to achieve sustained growth together with our customers.

Providing Solutions for One of the World's Largest Semiconductor Production Equipment Manufacturers

One example of this approach is the temperature control solution we provided for a major electronics and semiconductor production equipment manufacturer in North America.

The company is a leading global supplier of innovative devices and related services and software used in the manufacture of products requiring advanced technology, including semiconductors and flat panel displays. Its technologies help make smartphones, flat-screen televisions, and other products higher performing, more compact, and more affordable for users.

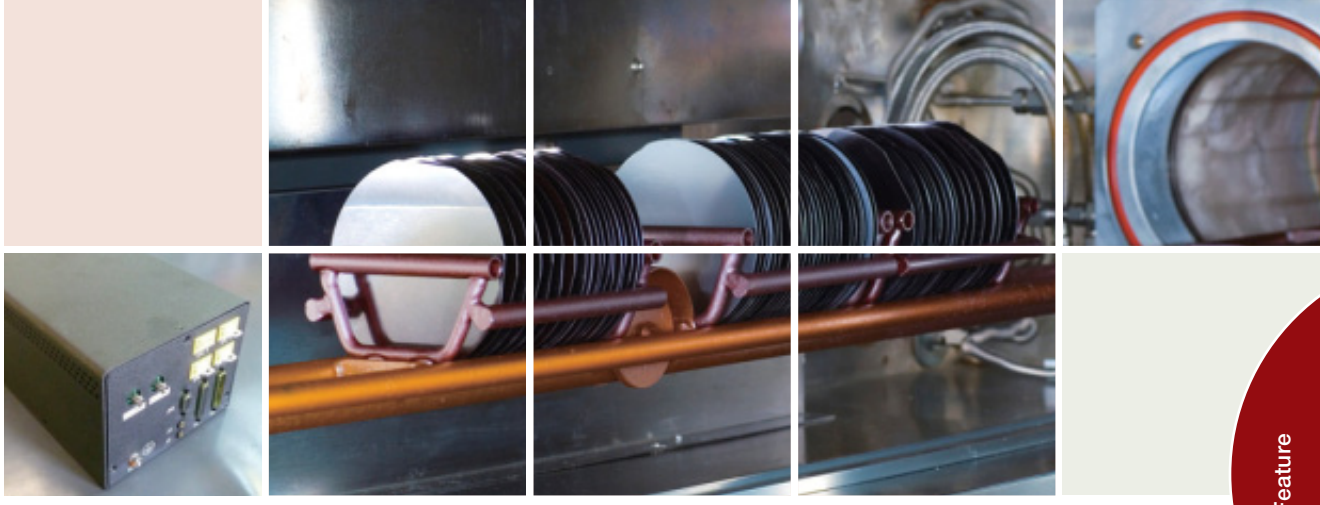
With product development geared precisely to customer

Case Study

Initiatives at Azbil North America

We participated in designing this unit instrumentation for the world's largest semiconductor production equipment manufacturer from the review of the customer's outline specifications, and cooperated in drafting the actual specifications. Having the azbil Group – with its extensive track record of results from front-end to back-end processes for Japanese semiconductor production equipment manufacturers – participating from the specification review stage and solving problems together as temperature control instrumentation professionals gave the customer high expectations and peace of mind.

The customer appreciated the azbil Group's quick response to various customer requests, including on-site evaluations and problems in the field, starting from the creation of specifications. This was the first time we had worked with them, but we could sense the project manager's strong enthusiasm when he said,



The azbil Group's solutions are applied in the manufacturer's highly intelligent and productive silicon etching systems for mass production of cutting-edge memory and logic chips, chemical vapor deposition (CVD) systems required in thin film formation, chemical mechanical planarization required for wafer surface preparation, and other systems. The temperature control solution azbil proposed was indispensable for the completion of these systems, which raise the yield of increasingly complex semiconductors and reduce energy consumption, thus preserving the environment and lowering operating costs. But this project involved more than just providing high-quality heaters, temperature sensors, and digital indicating controllers. It also required in-depth knowledge of the digital communications that link these devices and precise engineering capabilities to put them together in unit instrumentation as a turnkey system solution that conformed to the stringent specifications identified by the customer as target performance objectives leading to the improvement of their product offering to the end user. With U.S. subsidiary Azbil North America serving as the communication contact and supplier coordinator, and cooperation between the marketing and development divisions of Yamatake in Japan, the azbil Group met this difficult challenge. We used Yamatake's DMC10 digital indicating controller as the core, and directed the design of and procured the necessary heaters, sensors and other components from strategic partnerships made with specific sub-tier suppliers globally from the U.S., Japan, and other countries in order to provide a dynamic total thermal control solution manufactured as unit instrumentation, resulting in an excellent evaluation from the customer. The temperature control solution developed by azbil is now built into the customer's semiconductor production equipment, contributing to the production of advanced semiconductors in factories around the world.

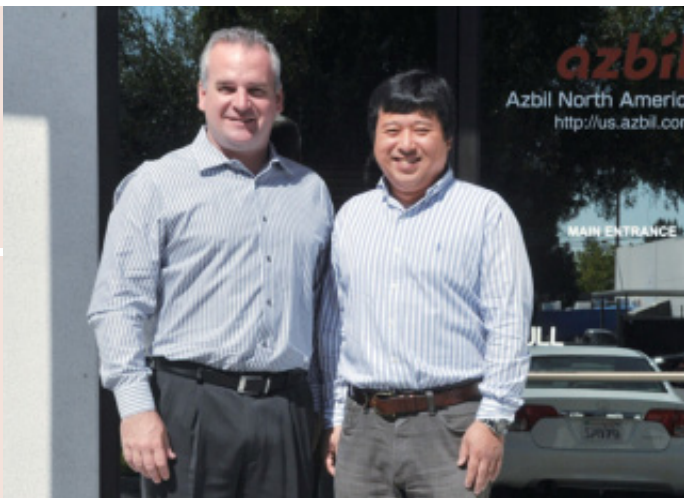
Expanding Globally with Our Customers

The azbil Group will augment development and the customization of functions in regions around the world to deliver precise product development and solutions tailored to various customer needs in each area. By doing so, we will advance and grow with our globally expanding customers worldwide.

needs, the azbil Group grows together with its customers.

"I want to create global state-of-the-art equipment." We also gained their trust as a partner, which made it a worthwhile project, even though it was a difficult job. In addition to the azbil Group's product development and technical expertise, our relationship of trust with the customer and our mutual enthusiastic commitment to creating the best system possible were vital in the successful completion of the temperature control solution.

Going forward, we are now leveraging our success in this customer's initial opportunities to expand our capabilities and product development portfolio in order to broaden our scope of solutions to other applications for semiconductor production equipment such as CVD, ion implant, MOCVD, FEP and exhaust gas abatement. In parallel, we strive to invest additional resources in servicing the end users of such equipment, giving Azbil North America full-circle industry understanding that ties back to our product development on the equipment manufacturing side, thereby leading to our goal of being the global leader in our focus market.



Bill O'Banion, Business Development Manager (left)
Nobuyuki Onishi, Engineering Manager (right)
Azbil North America, Inc.

On Behalf of the Environment and Local Communities

Contributing to Environmental Preservation and Society through Our Business Operations

The azbil Group emphasizes "proactive CSR" in order to contribute to its stakeholders through its business operations. Based on its HVAC control systems and other energy-saving technologies and its expertise in emissions trading, the azbil Group is contributing to the community while leading the way toward a low-carbon society.

Smart Cities and Smart Communities: An Emerging Trend

Measures to reduce CO_2 emissions are being implemented in countries around the world to solve the problem of global warming. Smart cities and smart communities are local initiatives to help realize a low-carbon society through effective use of electricity and integrated local management of energy, including heat and unused energy, along with various combinations of measures at the community level such as transformation of transport systems and people's lifestyles. Similar changes are also starting to gain momentum in Japan. Concrete measures include smart grids that use advanced information technology for optimal control of storage batteries in dispersed power sources such as solar, wind and biomass and other types of renewable energy, and fuel cells. Intangible measures include optimal operation of electric vehicles and sharing of energy between business sites. In addition, frameworks are being created for energy management in communities.

The azbil Group – Contributing to Environmental Preservation through Energy Management and Control Technology

The increase in energy consumption in recent years has been especially prominent in the residential and commercial sectors. In the commercial sector in particular, HVAC systems in offices and other buildings are driving a sharp rise in consumption. Building energy management systems (BEMS) are at the core of energy management and control in such buildings. At the same time, the expertise to properly run those systems is a key factor. The azbil Group is the leading provider of BEMS in Japan as well as one of the top-ranked groups globally, and has a strong presence based on its extensive installation experience and other accumulated knowledge.

By using BEMS and other building automation technologies to coordinate multiple building energy management systems and by promoting community energy management systems (CEMS) that use BEMS over a wide area, the azbil Group is contributing to the creation of smart cities and smart communities and, by extension, to the realization of a low-carbon society.

Pursuing a Variety of Approaches

Toru Kaneko
Hokkaido Branch
Building Systems Company
Yamatake Corporation

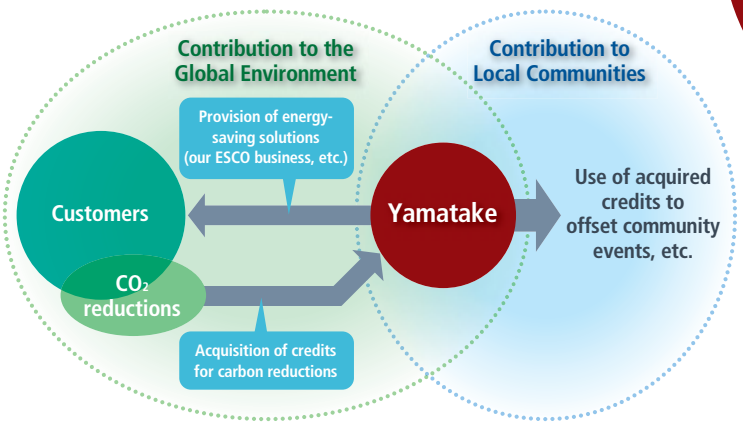
Case Study

Sapporo Factory

Sapporo Factory, which opened in 1993 in Sapporo, Hokkaido, is a commercial complex that includes approximately 160 shops and facilities. Because of its considerable energy requirements during the frigid Sapporo winters, the complex has implemented large-scale energy-saving measures three times in the past. Thereafter, repeated operational measures failed to have any significant effect. To achieve further energy savings, the facility adopted a proposal from the azbil Group. Using our support service for installation of highly efficient house/building energy management systems to minimize the financial burden, the complex added inverters to the air handling unit (AHU) fans and hot water pumps to achieve optimal control of air volume and flow. As a result, it surpassed its targets for energy savings and reduction of CO_2 emissions by a wide margin.

The azbil Group's Contributions Using the Domestic Credit System

The azbil Group is also contributing to local communities. We acquire credits for the carbon emissions reduced through the use of BEMS and other air-conditioning management and control technologies and use them to offset local events such as marathons. The azbil Group was the first in the private sector in Japan to make use of emissions trading in this way, and is a leader in this area, providing one-stop services from consulting for successful emissions trading to practical support and advice on utilizing purchased domestic credits. We will continue to promote CO_2 reduction with effective use of the domestic credit system, and will continue to use the credits we acquire for offsets. With these and other initiatives, the azbil Group is leading the way toward realization of a low-carbon society through its business operations.



Assisting Post-Earthquake Reconstruction through Our Core Businesses

Following the Great East Japan Earthquake, we received many requests from our building and factory customers for consultation on operating methods and implementation of controls to quickly conserve energy and cut peak power usage. In addition, our various services helped to quickly restart factories and plants, while our city gas and LP gas business and water meter business played a role in the restoration of social infrastructure. Immediately after the disaster, our emergency alert response service also acted as a consultation desk and confirmed the safety of people in the affected areas, for which many of our customers expressed their gratitude.

to Achieve a Low-Carbon Society

Furthermore, the azbil Group acquired credits generated by this project, and used the carbon offsets against the 57 tons of CO_2 emitted by the staging of the 5th Shonan International Marathon, which was co-sponsored by the azbil Group and in which many azbil Group employees participated.

This series of projects is a prime example of how we not only help customers achieve CO_2 reductions through our business operations, but contribute to local communities using the domestic carbon credit system.

Providing Peace of Mind and Safety to More People

Accelerating Overseas Expansion in the Infrastructure Field

Stable and safe supplies of energy and water are essential to a nation's growth. Infrastructure build-out in fast-growing Asian countries is creating major business opportunities, and azbil Group company Kimmon Manufacturing is leveraging its quality and track record in Japan to expand its presence internationally.

A Track Record of 100 Years of Peace of Mind and Safety

Kimmon Manufacturing researches, develops, manufactures and sells measurement and metering equipment such as gas and water meters as well as instrumentation systems, and also performs installation and maintenance service. It accounts for the bulk of sales in the Life Automation business. Kimmon Manufacturing was the first in Japan to develop the gas meter in 1904 and to manufacture the water meter in 1913. In other words, it has contributed behind the scenes to the stable supply of water and energy in Japan for more than a century. From the standpoint of safety, in 1981 it developed Japan's first intelligent gas meter with safety functions that prevent secondary disasters by automatically shutting off the gas during emergencies such as earthquakes. Stable supplies of gas and water are now taken for granted in Japan, but establishment of such safe and secure infrastructure is an urgent issue in countries in Asia and other regions that are experiencing rapid economic growth and population expansion.

Targeting Global Expansion Starting in Taiwan

Installation of security functions on gas meters became legally required in Taiwan in January 2011. This is projected to generate new demand for some 300,000 units per year. Kimmon Manufacturing has been selling intelligent gas meters in Taiwan since 1995, but will use the enactment of the new law to rapidly scale up its presence in this market. In May 2011, it partnered with a Taiwanese company to establish a local joint venture, Azbil Kimmon Technology. Through this new company, Kimmon Manufacturing will be able to respond quickly to local market needs in line with the new law, while also leveraging the "Japan brand," its excellent reputation for safety.

There is also potential for expanding sales of intelligent gas meters with safety functions in China, Singapore and other Asian countries. The azbil Group plans to build on its experience and track record in Taiwan to aggressively expand globally in the Life Automation business field.

Providing Peace of Mind and Safety Globally

Case Study

Full-Scale Entry into Taiwan

We will deliver peace of mind and safety to the people of Taiwan by selling intelligent gas meters with safety functions, an area in which we have an excellent track record in Japan. Kimmon Manufacturing will likely face various challenges as it expands overseas for the first time, but we will solve these with our joint venture company. We are also looking to expand further into high-value-added businesses in the future to offer even greater peace of mind and safety.

Masahiro Uenishi
Chairman
Azbil Kimmon Technology Corporation

1. Business Overview

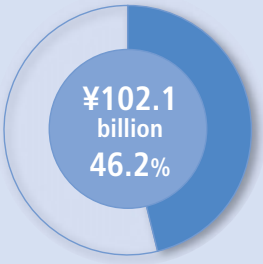
The "period of growth" in the medium-term plan entails creating a new business structure. The Building Automation business is establishing next-generation environmental controls. The Advanced Automation business delivers value globally, and the Life Automation business aims to contribute to peace of mind and safety in daily life.

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

azbil at a Glance

BA
Building Automation Business

Net Sales by Business/ Share of Total Sales



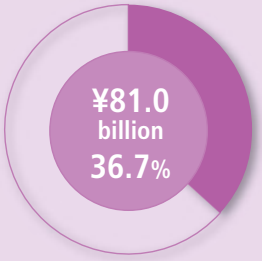
Business Outline

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.

Markets

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

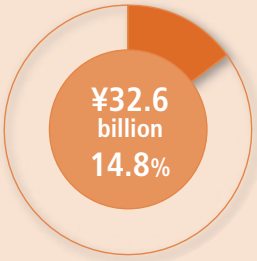
AA
Advanced Automation Business



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

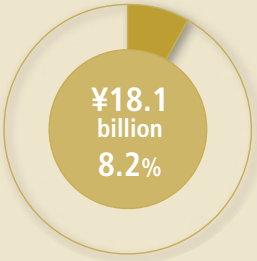
LA
Life Automation Business



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.

- Measuring/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
- Specific counseling guidance, etc.

International Business



The azbil Group is expanding its Building Automation, Advanced Automation, and Life 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 27 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 terminals
- Controllers
- Sensors
- Valves and actuators
- Security systems
- Building preventative maintenance service
- Total energy management service
- Building operations support service
- CO_2 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.

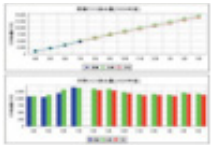
Security Systems

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.

ACTIVAL™ PLUS

ACTIVAL PLUS is an all-in-one control valve with built-in temperature sensor, pressure sensors, and flowmeter functions, which collects valuable but previously unavailable control data for more energy savings.

CO_2 Management Systems



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

- Monitoring and control systems and controllers
- Solution packages
- Field instruments
- Valves and actuators
- Digital indicating controllers
- Recorders
- Sensors and switches
- Combustion control equipment
- Facility diagnosis equipment
- Maintenance services
- Plant energy conservation solutions, 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, etc.

City Gas and LP Gas Businesses

We offer intelligent gas meters, gas safety equipment such as gas leak alarms and automatic shut-off valves, and 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 consultation, specific counseling guidance, etc.

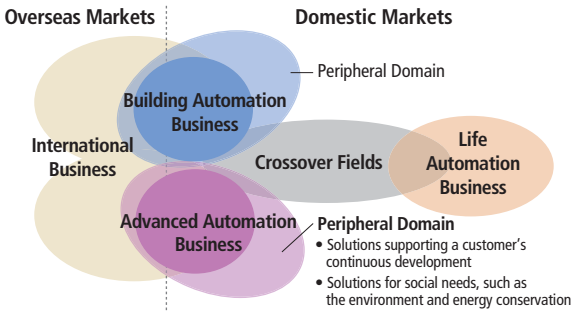
Nursing Care Support Services

We offer nursing care services, in-home care services, the sale and rental of nursing care equipment, adult day service, 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.



> “Faced with a forecast of chronic electrical power shortages, we will leverage our long-standing track record to meet customer needs with energy-saving solutions unique to azbil.”

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

Building Automation Business

In fiscal year 2010, ended March 31, 2011, although the operating environment has yet to make a strong recovery, overall results of the Building Automation business grew in Japan, from the markets for new and existing buildings to the service business, and performance overseas was firm. As a result, sales were ¥102.1 billion, an increase of 5.6% over the previous fiscal year, while segment profit (operating income) increased 2.0% to ¥11.7 billion as intensifying competition impacted our profit margin.

Operating Environment

Although indications were visible of a recovery from the impact of the global economic recession in fiscal year 2009, ended March 31, 2010, the footing of this recovery remained fragile. Growth in the market for existing buildings, which had been expected due to the start of a period of practical reductions in emissions with the enforcement of stricter regulations to decrease environmental load (CO_2 emissions) that began in fiscal year 2010 turned out to be limited in scope. In the aftermath of the Great East Japan Earthquake, investments are likely to prioritize restoration and recovery efforts over the short term. However, in the domestic market, where chronic power supply shortages have become a reality, we expect the operating environment to remain steady in the existing building business and service business, both of which provide continuous support for energy conservation efforts throughout a building’s life cycle.

Fiscal Year 2010 Performance

In Japan, sales for new buildings increased significantly, with a firm market for new large-scale office buildings, particularly in metropolitan areas. In the market for existing buildings, expanded investment in refurbishment of buildings for energy conservation (CO_2 emission reduction) was expected, and signs of growth gradually began to appear from the start of the third quarter. An aggressive sales expansion initiative that focused on providing customers with attractive energy-saving proposals met with success, leading to sales growth. However, competition in the market for existing buildings further intensified, impacting the profitability of individual projects. In the service field, sales grew as a result of efforts to generate new investment projects with energy-saving proposals as well as an initiative to expand the scope of business. While the Great East Japan Earthquake caused some instances of delivery postponement, overall it had a minor impact on fiscal year 2010 performance.

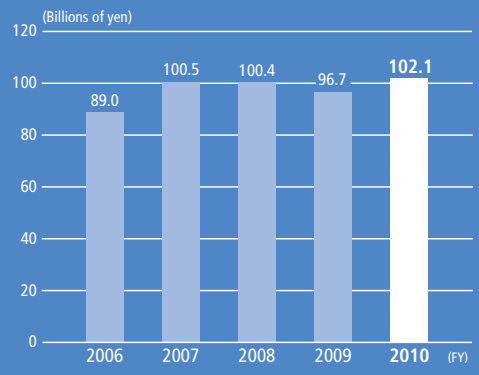
In overseas markets, sales grew significantly. In addition to azbil’s traditional advantage in the market for

HVAC for factories operated by Japanese companies, we made active efforts to develop the local building markets.

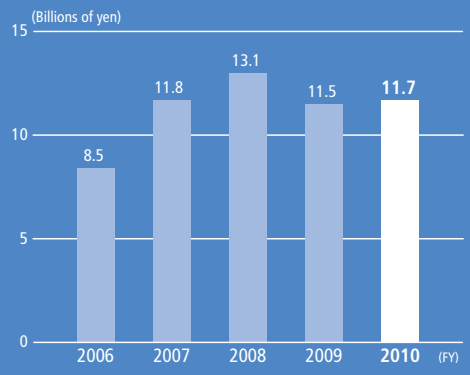
Fiscal Year 2011 Outlook

We have already taken the necessary steps to address electrical power shortages and potential shortages of materials and components resulting from the Great East Japan Earthquake, and we therefore believe it will not exert a significant, direct impact on the performance of the Building Automation business. However, the extent to which electrical power shortages expected during summer 2011 or supply chain interruptions will affect economic activities, such as manufacturing, distribution, and sales, and specifically the performance of the Building Automation business, remains unclear. In addition, intensifying competition from an increased number of competitors in the market for existing buildings, where demand is expected to grow, as well as the increase in social insurance premiums will likely affect profitability. However, we will work to maintain and grow the business by cultivating new domains while focusing efforts first and foremost on helping our customers restore damaged facilities. In particular, we will propose various energy-saving solutions for refurbishments of existing buildings and services such as power demand control in response to peak cuts in electrical power usage expected in summer 2011. Additionally, we will continue to propose other energy-saving solutions that can contribute over the mid to long term in preparing for anticipated chronic electrical power shortages in the future. Overseas, we will accelerate development of the Building Automation business by cultivating the local building markets through tie-ups with local companies and other methods, backed by our proven track record in energy conservation in Japan.

Sales



Operating Income



Pioneering Energy-Saving Solutions in China's Private Sector with a Joint China-Japan Model Project

Okura Garden Hotel Shanghai (China)

Okura Garden Hotel Shanghai became the first in China's private sector to be selected for an energy-saving model project for countries in the Asia-Pacific region implemented by Japan's New Energy and Industrial Technology Development Organization. The hotel has installed Yamatake's savic-net™ FX building management system as its energy management system (BEMS*) at the core of its energy conservation measures. Linked to its existing monitoring system, savic-net FX enables the hotel to collect, manage and analyze energy data to optimize its energy consumption. This has helped the hotel reduce energy costs and CO_2 emissions.

The customer selected us based on the good reputation of the azbil Group's business experience in China, in addition to the Group's track record in energy-saving technologies and businesses. To generate business value for the customer, after providing simple explanations of the azbil Group's superior products and technologies, we worked to deepen communication with project stakeholders and took care to resolve issues together with the customer while moving the project forward smoothly. As a result, we were able to beat the targeted energy-saving rate of 16%, which earned us a high evaluation from the customer.

Gu Song
Sales Section, Building Automation Department
Azbil Control Solutions (Shanghai) Co., Ltd.

*BEMS: Building Energy Management System

“We will work to provide on-site support at our customers’ facilities for recovery from the earthquake. In addition, we aim to grow by providing solutions for production sites facing electrical power shortages and by expanding our business overseas.”

Masaaki Inozuka
Executive Director
Senior Managing Executive Officer
Advanced Automation Company President
Yamatake Corporation

Advanced Automation Business

In fiscal year 2010, ended March 31, 2011, the Advanced Automation business achieved growth in sales in Japan and overseas, as control products for factory automation continued their strong performance from the previous fiscal year. As a result, sales increased 5.2% year on year to ¥81.0 billion. Segment profit (operating income) rose five-fold, or ¥2.7 billion, to ¥3.2 billion with the effect of increased sales and our ongoing efforts to control expenditures and strengthen our business structure.

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. Although an improvement in the market conditions of domestic material-related industries did not materialize in fiscal year 2010, demand from manufacturers of semiconductor manufacturing equipment, industrial furnaces and machine tools expanded substantially both in Japan and overseas.

Fiscal Year 2010 Performance

In Japan, market conditions for azbil’s factory automation control products meant that cyclical fluctuations in demand led to a dip in sales of components for semiconductor and flat panel display manufacturing equipment from the second quarter. Consequently, growth slowed, but overall sales were robust. As regards sales of automation systems in the materials-related market, despite some evidence of investment aimed at energy saving, in general the pace of recovery in market conditions was modest. In particular, the number of orders for systems declined significantly in the previous fiscal year as a result of the global economic recession, and the lower order backlog at the beginning of fiscal year 2010 lead to a decrease in sales. The effect of the Great East Japan Earthquake on performance was modest in fiscal year 2010.

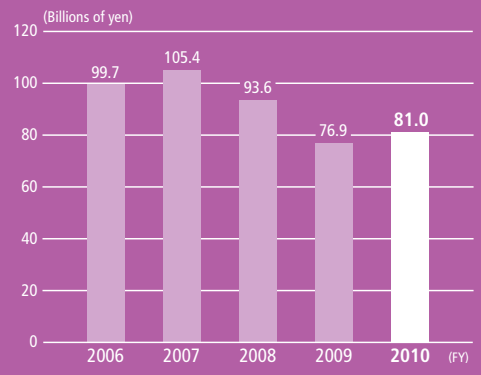
For overseas markets, our efforts to enhance our ability to provide solutions during each stage of a plant or factory’s life cycle included the establishment of the Asia Solutions Center. We worked to provide a finely-tuned response to specific customer needs in each region, and posted growth in sales despite the impact of the strong yen.

Fiscal Year 2011 Outlook

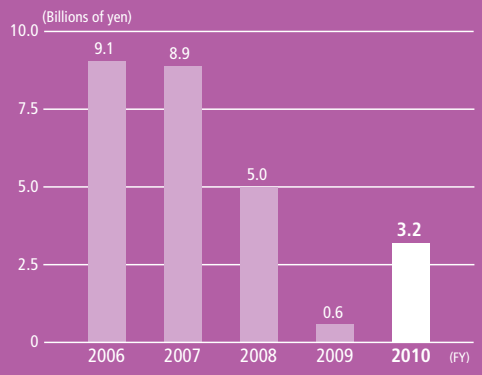
We have already taken the necessary steps to address electrical power shortages and potential shortages of materials and components resulting from the Great East Japan Earthquake, and we therefore forecast that it will not exert a significant impact on the performance of the Advanced Automation business. However, the extent to which electrical power shortages expected during summer 2011 or interruptions in the supply of materials and components will affect manufacturing and capital investment by customers, as well as economic activities, remains unclear. On the other hand, continued growth can be expected in our international business, mainly in emerging countries.

In fiscal year 2011, ending March 31, 2012, while focusing efforts first and foremost on helping our customers restore damaged facilities, we will also provide energy-saving solutions unique to azbil, based on our long-standing expertise in the field spanning from products to engineering, to address the issue of electrical power shortages. We have already brought products to market such as a meteorological data-based power usage guidance package. In addition, we will actively expand our presence in global markets by further enhancing the entire business structure, including engineering, maintenance, and manufacturing, as well as launching products such as a device management system that maximizes the use of HART® and Foundation™ fieldbus communications. Through these initiatives, we aim to increase both sales and profits of the Advanced Automation business, despite factors such as the increase in social insurance premiums.

Sales



Operating Income



Promoting Energy-Saving Air Supply with Optimized Compressor Operation Control Tailored to On-Site Demand Volume[1]

Anjo Plant, Denso Corporation

Denso Corporation develops its business operations to maintain harmony with the global environment. The company's Anjo Plant has incorporated our "ENEOPT™ comp" factory energy-saving solution for optimized compressor control into its existing system to conserve energy in air supply used in production under its "Energy JIT" concept.[2] This creates a framework for optimized control of the necessary combination of compressor units in operation in accordance with the amount of air required for production. This has yielded significant results in improving the company's specific energy consumption.

As a result of our efforts to optimize control in order to actualize the JIT concept together with the customer, we were able to achieve energy savings of 9%. In addition, visualizing energy use allowed us to consider a new control improvement plan and facility operations plan, thus enabling a framework for saving energy throughout the life cycle. In addition to our products and technical capabilities, we received a high evaluation from the customer for our proposals from the customer's perspective, such as system design that takes operations and movement into account, and production facility operation.

Sachihiro Yamaguchi
Chubu Instrumentation System Department
Engineering Headquarters, Advanced Automation Company
Yamatake Corporation

1. This project received a technology award from Denso Corporation in 2011.
2. "Energy JIT" concept: A concept that employs a just-in-time production system in the energy management and operation of production processes.

Life Automation Business

The results of the Life Automation business were affected by the Great East Japan Earthquake since the factories that manufacture gas and water meters, which account for the bulk of Life Automation business sales, were damaged. As a result, sales for fiscal year 2010, ended March 31, 2011, were ¥32.6 billion, a decrease of 6.0% year on year. Despite continued efforts to curb expenditure and strengthen the business structure, segment loss (operating loss) was ¥0.2 billion, compared with segment profit of ¥0.4 billion in the previous fiscal year, owing to the severe impact of the Great East Japan Earthquake and a ¥1.3 billion charge for amortization of goodwill.

Operating Environment

Covering the fields of lifeline and lifestyle facilities, and nursing care and lifestyle support, the Life Automation business comprises several companies in different business environments. Kimmon Manufacturing, which accounts for the bulk of Life Automation business sales, operates under a cycle of demand for the periodic replacement of gas and water meters that is based on regulations. In addition to market factors including being in an off-demand season for LP gas meters, the company sustained direct damage from the Great East Japan Earthquake.

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, there is high potential demand in these fields due to changes in social structure such as the aging of society. Demand for the residential central air-conditioning business Yamatake operates is expected to grow in the future due to increasing needs for health and comfort in residences.

Fiscal Year 2010 Performance

For Kimmon Manufacturing, which accounts for the bulk of sales in the Life Automation business, sales decreased because LP gas meter sales are lower in the off-demand season, and also because increased competition has depressed water meter bid prices. Additionally, Kimmon Manufacturing has a number of factories in the Tohoku region, which were affected by the 2011 earthquake and tsunami. Since operations were unavoidably suspended, this had an impact on business performance. All affected facilities are now back in operation.

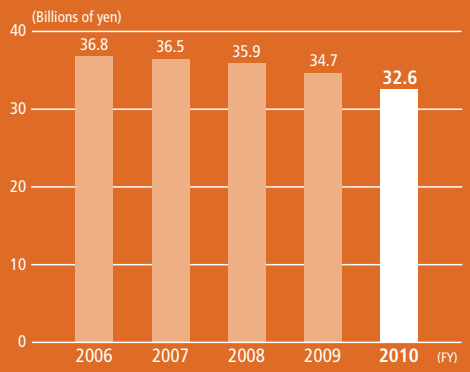
In nursing care and lifestyle support, our emergency alert response service for the elderly has approximately 64,000 customers (as of March 31, 2011), making us one of Japan's largest private-sector services in this field. Nevertheless, the operating environment was challenging, with factors such as cutbacks in welfare budgets by local governments. To address this situation, we worked on enhancing our services for the private sector, including specific counseling guidance as a solution for health insurance issues at corporations, as well as increasing the

locations of nursing care facilities. In the market for residential central air-conditioning systems, although there are challenges such as the delayed improvement in housing market conditions, there has been a steady upturn in product recognition thanks to the implementation of aggressive sales measures targeting both home builders and individual clients.

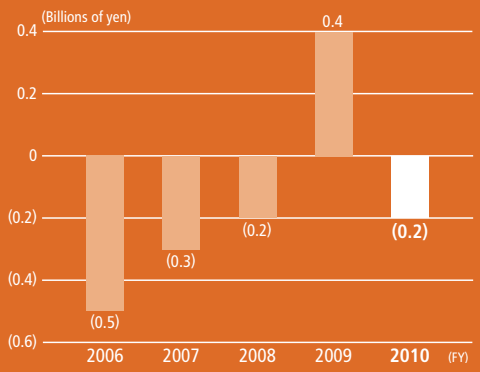
Fiscal Year 2011 Outlook

For fiscal year 2011, ending March 31, 2012, overall sales of the Life Automation business are forecast to decrease by around 5% from the previous fiscal year due to the effect of the Great East Japan Earthquake on the supply of gas meter parts in the first half of the fiscal year. However, we will aggressively carry out measures for the steady growth of the Life Automation business. In the gas meter business, we established a joint venture company in Taiwan, where demand for intelligent meters with safety features is expected to grow due to a change in the law. Using this as a bridgehead, we plan to expand the scope of the Life Automation business away from exclusively domestic demand. In the nursing care and lifestyle support business, in addition to further enhancing our services, we will continue to work to renew our PrivacyMark in the field of health, medicine, and welfare, and ISO 9001 certification of our quality management system, and to expand the scope of our qualifications. As for the residential central air-conditioning systems business, we will launch new products for houses of between 99 and 115 square meters, which account for approximately half of Japan's detached housing market. In doing so, we aim for aggressive expansion as a business that contributes to active lifestyles that let people live with peace of mind.

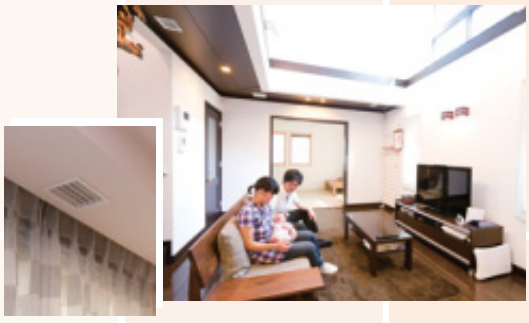
Sales



Operating Income (Loss)



Installing a Central Air-Conditioning System within Virtually the Same Budget for a Standard New Home



Residence of Manabu Nozaki

In his 30s and living in Ibaraki City in Osaka Prefecture, Mr. Nozaki installed our "*Kikubari* ecs" central air-conditioning system to go along with his home's vaulted ceiling and as a means to combat pollen allergies and yellow dust pollutants. His initial concerns about the installation cost and the restrictions imposed by the construction method were resolved with the choice of "*Kikubari* ecs," which made it possible to install within virtually the same budget for a standard new home. In addition, the system constantly maintains the same temperature in the house, including hallways and stairs, throughout the entire year and within his planned electricity budget. This enables his family to enjoy a comfortable lifestyle without worrying about heating or cooling throughout the year.

Central air-conditioning has an image of high installation and operating costs, with a unit that is hard to find space for. While Mr. Nozaki had the same worries, I made sure that I addressed his questions and concerns by demonstrating the features of the "*Kikubari* ecs" system. Since installing the unit, his family has been able to enjoy the comfort of living without temperature differences between rooms, and the alleviation of seasonal yellow dust pollutants and pollen allergies. As such, the family provided us with highly positive feedback regarding the comfort that only central air-conditioning can provide.

Yusuke Kanematsu
Home Comfort Department
Yamatake Corporation

"We will continue strengthening our business infrastructure, as well as seize business opportunities in rapidly growing emerging nations, and aim to expand business in all our domains of Building Automation, Advanced Automation and Life Automation."

Toshitsune Okubo
Managing Executive Officer
Yamatake Corporation

International Business

The recovery from the second half of fiscal year 2009, ended March 31, 2010, continued in fiscal year 2010, ended March 31, 2011, and with the success of our measures to expand sales, we achieved sales growth on a local currency basis exceeding the previous peak in fiscal year 2007, ended March 31, 2008. As a result, even with the impact of the rapid appreciation of the yen, overseas sales increased 24.3% year on year to ¥18.1 billion.

Note: 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.

Operating Environment

It is thought that the emerging nations of the China-led BRICs, Next 11, and elsewhere will continue to drive global economic growth, and demand is expected to increase as capital investment rises in these regions. Moreover, demand is forecast for replacements, high-value-added upgrades, and maintenance for the numerous systems in the Middle East and Asia that the azbil Group delivered in the 1980s and 1990s. In addition, as interest in energy conservation rises, we will promote business development that leverages our track record in the domestic market.

Fiscal Year 2010 Performance

In fiscal year 2010, we promoted measures to ensure the future growth of the International business. One measure was the preliminary establishment of local subsidiaries for expansion of our business area, and we established new overseas subsidiaries in India and Brazil. At the same time, we strengthened alliances with local companies emphasizing speed and local commercial distribution. We also moved forward with glocal operation reform to optimize our business operations. In addition, we secured superior human resources and reinforced training programs to enhance the ability of our local subsidiaries to provide solutions.

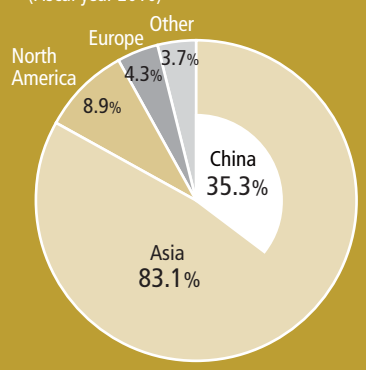
These initiatives have already begun to yield results. In the Building Automation business, we worked to develop local building HVAC markets through tie-ups with local enterprises, leveraging our expertise and track record as a top provider of energy-saving solutions in Japan. As a result, we won a number of local projects, mainly in the markets of Indonesia, Korea, and China. In the Advanced Automation business, efforts to strengthen our infrastructure included establishing the Asia Solutions Center in Thailand to bolster our engineering functions. We also worked to enhance our customization capabilities for customers. As a result of these initiatives, we

succeeded in expanding sales in the Asian region, including China, and in North America, mainly in the factory automation market.

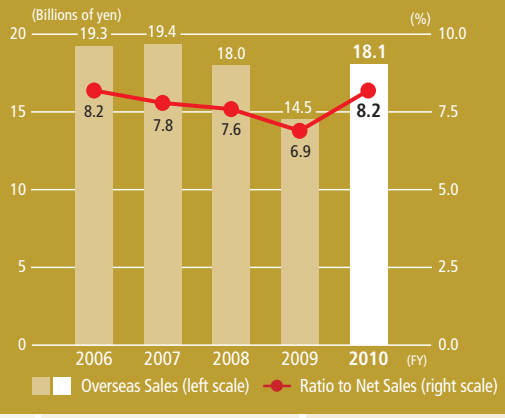
Fiscal Year 2011 Outlook

We forecast growth in business results, mainly in emerging nations, in fiscal year 2011, ending March 31, 2012. As such, we will continue to develop and strengthen our business base for further growth of the International business. We enhanced our structure to bolster our engineering and maintenance capabilities in order to expand a solution business that maximizes the value of customers' facilities throughout their life cycles in various countries. Going forward, we will enhance our structure so that we can precisely and promptly respond to local needs, including production. In addition, we will accelerate the development and launch of products for global markets. We plan to actively launch new products and systems including various field instruments and valves, an area of strength for the azbil Group, and we will enhance our product development structure for this purpose. Even in the Life Automation business, which traditionally has been driven by domestic demand, we plan to enhance our structure in order to take advantage of the anticipated expansion in exports of Japanese infrastructure, such as gas- and water-related systems and products that have gained attention for safe and stable supply. As part of this initiative, we set up a joint venture company in Taiwan for the manufacture of gas meters, and plan to commence production and sales.

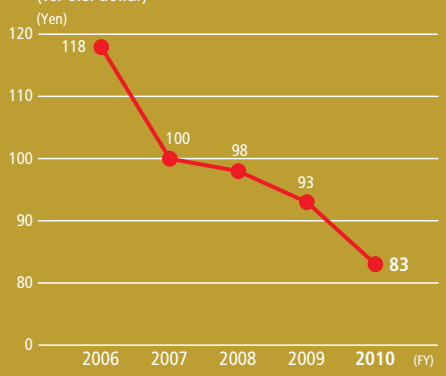
Overseas Sales by Region
(Fiscal year 2010)



Overseas Sales/Ratio to Net Sales



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



Promoting Integration of Monitoring and Control Processes for More Efficient Plant Operations

SK energy Co., Ltd. (South Korea)

SK energy was looking to replace its aging distributed control system (DCS) used to control and monitor the production of petrochemical products. We successfully won a bid to replace its conventional DCS, which used systems from multiple vendors to monitor and control production facilities, with the Advanced-PS™ 5000 next-generation plant automation system, which served to integrate SK energy's monitoring and control processes. As a result, the company was able to improve operating efficiency and drastically expand the scope of operations that each operator can monitor and control. Our system enabled SK energy to fulfill its goal of optimizing human resources and enhancing the efficiency of its production facilities.

The main point in updating the system was to make a proposal that followed the customer's renovation guidelines, which call for making effective use of existing equipment wherever possible. We were able to shorten the work time and cut costs by retaining the Yamatake controllers the company purchased 20 years ago while installing the latest system. We also used our ingenuity in areas such as providing a gray background for the control screen for better visibility and to prevent eye strain of the operators who spend a lot of time monitoring the screens. With these upgrades, we were praised for our results in optimizing deployment of the customer's human resources by dramatically expanding the scope of operations that each operator can monitor and control.

Lee Young Ju
Assistant Manager, Technical Team
Azbil Korea Co., Ltd.

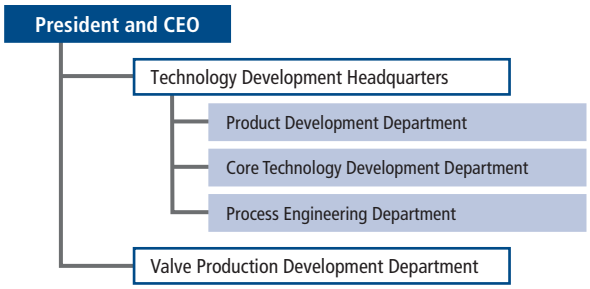
Research and Development

The azbil Group is working to develop new technological domains that contribute to global environmental preservation and the sustainable development of society, with a focus on products and on-site solutions that understand the changing needs of society. This represents our commitment to deliver high-quality, high-value-added products and services speedily and globally by consolidating our resources and taking a glocal approach to our operations.[1]

Consolidation and Integration of Development Resources

From 2006, Yamatake consolidated its development resources (the marketing, product development, and engineering functions of the Building Automation and Advanced Automation businesses as well as corporate research and development functions) at the Fujisawa Technology Center, where we established an advanced technology laboratory building in 2009. In addition to enhancing the productivity of development, this restructuring and subsequent promotion of advanced technology research and development across departments allows us to comprehensively display the strengths of each business in order to generate value that only azbil can provide.

In April 2010, we substantially revised our corporate research and development functions and reorganized them under the Technology Development Headquarters. This has enabled us to build a unique, integrated structure from fundamental technological development to trial manufacture for commercial production. In addition, the development of control valves that occupy an important position in our product line, which was formerly undertaken by the Building Automation business and Advanced Automation business respectively, has now been integrated into a company-wide department.



Structure for Glocal Operations

In recent years, we have reorganized, reinforced, and expanded our overseas bases and service network to strengthen a structure for glocal operations that responds precisely to our customers' needs on a global scale. In 2010, we developed the AEP: azbil Evolution Program, a unique program to evolve existing plant automation systems and extend their service life, as a service and technology to be offered globally.

In addition, we established and strengthened the Asia Solutions Center in Thailand and valve maintenance centers in various regions to build a structure for providing finely-tuned on-site services.

We established a flow calibration base in China and gas meter production base in Taiwan to provide technologies and products to these regions effectively.

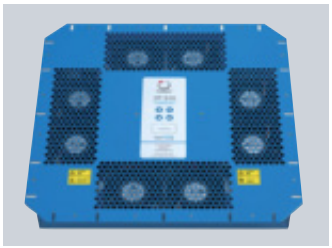
Examples of Research and Development Technologies

Technologies for the Environment and Energy Conservation

We are developing energy-saving technologies from new perspectives, including from the standpoint of creating smart cities, based on our long-standing expertise and track record in delivering energy-saving solutions to buildings and industry.

For example, a key element of building a smart city will be comprehensive energy management of local buildings. To this end, we are further enhancing the functions of our Building Energy Management System (BEMS), an all-inclusive energy management system for measuring and controlling the amount of energy in real time 24 hours a day. We are also working to strengthen the functions of ENEOPT™ energy-saving solutions for factories that contribute to reducing power consumption and CO_2 emissions.

From 2009 to 2010, we developed PARACONDUCTOR™, a controller for comprehensively managing a building's heat source equipment, and also introduced AdaptivCOOL™,[2] an environmental solution that is compliant with the Revised Act on the Rational Use of Energy, for data centers that typically consume 10 to 20 times the energy of an office. In addition, we are also working on energy harvesting technologies to foster the development of wireless equipment.



AdaptivCOOL received the Commerce and Information Policy Bureau Director-General's Award, Ministry of Economy, Trade and Industry, at the Green IT Awards 2010.

2. AdaptivCOOL is a registered trademark of Degree Controls, Inc.

Technologies for Peace of Mind and Safety

Ever since its foundation, the azbil Group has continually pursued comfortable spaces and safe work processes with the aim of "freedom from drudgery." In recent years, we have moved forward with the development of technologies that make life and work safer, including building access management, handling of hazardous materials at plants, prevention of

Electric & Electronic Component Award for UV Tube at 2010 "Cho" Monodzukuri Innovative Parts and Components Awards

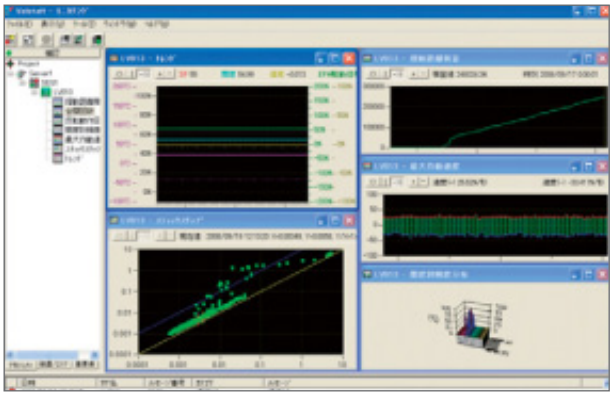
1. Glocal operations: Implementing strategies tailored to each individual local market based on a broader global strategy.

pollution including bacteria, detection of earthquakes, gas supply shut-off during emergencies, prevention of illegal access to electronic files, and home-based systems for managing health and mental care.

For example, we were among the first in the industry to develop instrumentation engineering services that enable safe and simple combustion in industrial furnaces, advanced UV sensors and UV tubes that use ultraviolet rays to detect flames, and the RX series next-generation combustion control equipment for the safe operation of industrial furnace burners.

Technologies to Enhance Quality and Productivity

We have established an extensive track record as a leader in automation in terms of control and production management that enable a high level of productivity and quality on our customers' production floor. In addition, we were among the first to develop an integrated production management system that supports the business operations and strategic development of our customers, an operational support service for automation equipment that effectively and accurately executes maintenance, and a knowledge management service that systematically organizes, manages and utilizes expert knowledge.



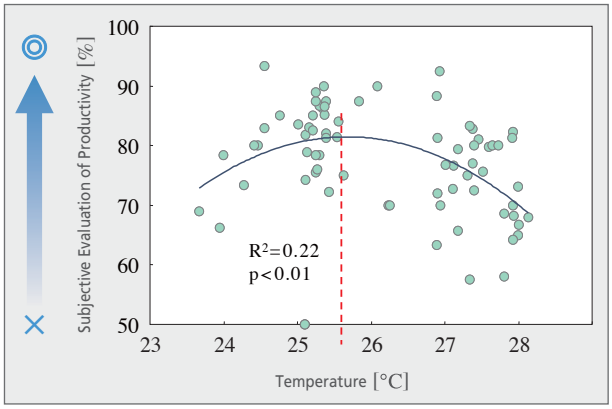
Control valve diagnostic data

For example, in 2010 we developed InnovativeField Organizer™, a device management system that drastically streamlines instrumentation maintenance through the integrated monitoring and diagnostics of control valves and measuring instruments' operating conditions and the adjustment of settings accordingly.

Piston Prover, automatic water meter inspection equipment

These technologies are also used at the azbil Group's plants. For example, Yamatake took advantage of a revision to the regulations on water meters to develop Piston Prover, automatic water meter inspection equipment, together with Kimmon Manufacturing, which enabled us to establish a production structure to efficiently and accurately test meters for shipment.

For office buildings, we are also moving forward with research on indoor environments as well as productivity and comfort in the work place under a "human-centered" approach.

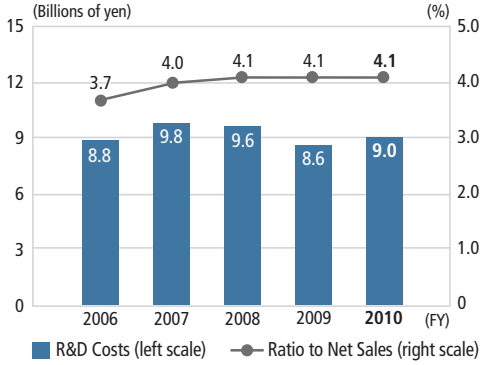


Impact of thermal environment on intellectual productivity

R&D Investment

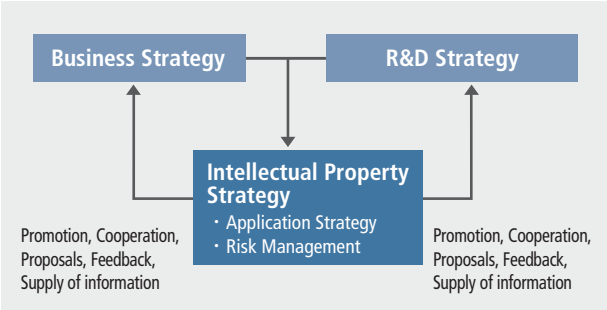
In fiscal year 2010, ended March 31, 2011, the azbil Group's total expenditures on R&D amounted to ¥9.0 billion, equivalent to 4.1% of net sales. Compared with the previous fiscal year, there were no major fluctuations in total costs, and investment in R&D continued at a steady pace. In fiscal year 2010, we actively invested in areas directly linked to product development. Going forward, investments 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 foster 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



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 2010, ended March 31, 2011, 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.

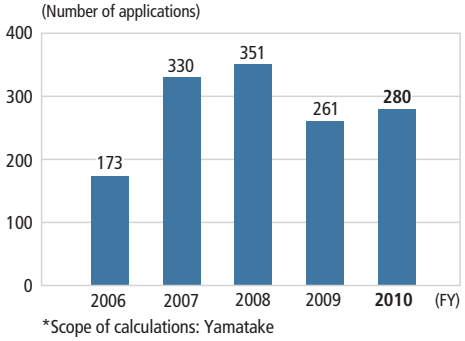
Establishing an Intellectual Property Portfolio in Major Product Lines and Technological Fields

Patent Applications in Japan

The number of patent applications filed in fiscal year 2010 increased by 19 from the previous fiscal year to 280.

In applying for patents, Yamatake conducts a patent technology appraisal, with the results presented in a visual format. Appropriate feedback for the business and R&D departments, and the resulting analysis, are 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

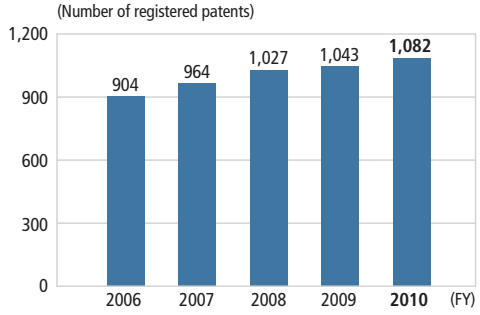


*Scope of calculations: Yamatake

Number of Registered Patents

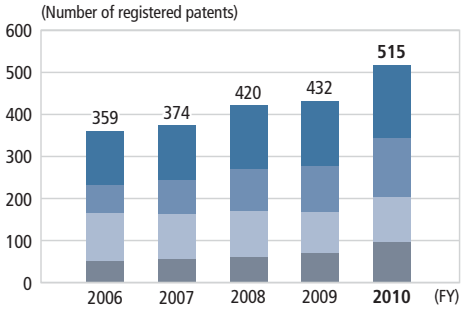
Yamatake holds 1,082 registered patents in Japan and 515 registered patents overseas, an increase of 39 and 83, respectively, from the previous fiscal year.

Number of Domestic Registered Patents



*Scope of calculations: Yamatake

Number of Overseas Registered Patents



*Scope of calculations: Yamatake

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 in Japan and the U.S. 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.

2. Management and Society

The azbil Group, a world-class enterprise specializing in automation, engages in a variety of Group-wide activities in support of its goal of "CSR Management That Values People."

This section presents some of the azbil Group's initiatives that have earned the trust of stakeholders.

For general information on our initiatives for management and society, please refer to
http://www.azbil.com/csr/soc/index.html

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, ended March 31, 2011, as a global automation enterprise, we will work to establish and 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 contribute to society by means of both "basic CSR" and "proactive CSR" activities that are unique to the azbil Group. Basic CSR includes fulfilling obligations with regard to 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 in a manner that prevents the occurrence of key compliance issues.

2. Operation with thorough risk management
Full application 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 on an annual basis.

3. Promotion of business 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 maintaining and improving employee health and safety, workplace atmosphere, and human resources development.

4. Contributions to preserving our natural environment
Reductions of our own CO_2 emissions and, through our business, active contributions to the reduction of CO_2 emissions of our partner companies and society.

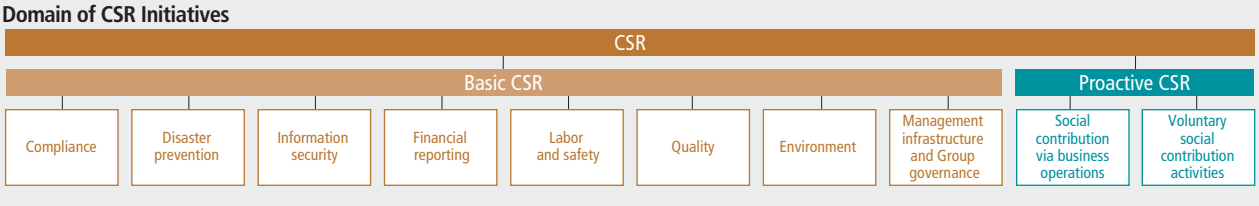
5. Promotion of group management
Further progress in integration of Group CSR management policies in order to upgrade risk management, business management, and the scale of CSR activities at all Group companies, including overseas companies.

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

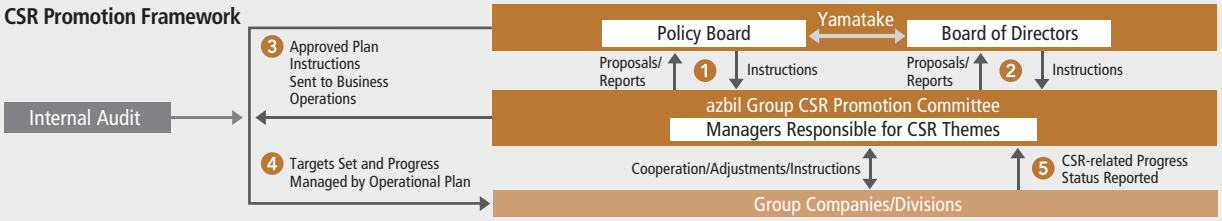
CSR Promotion Framework

The azbil Group's CSR Promotion Committee was established as the framework for promoting and enacting Group's 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 conducts CSR initiative execution and appraisal, turns the PDCA (Plan, Do, Check, Act) cycle and reports to the Board of Directors at its meetings.

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.

Our Approach to Corporate Governance

Our basic policy on corporate governance is to promote policies that fulfill our social responsibilities based on good ethical practices and that 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 five corporate auditors including three external auditors are appointed, with two of these auditors serving on a full-time basis. The corporate auditors 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' Staff Office under the direct control of the Board of Corporate Auditors, with special agents who assist the corporate auditors in their duties. The corporate auditors strengthen ties with accounting auditors and the Internal Audit Office by means that include exchanging information and opinions periodically, in order to improve the effectiveness and efficiency of the audits.

In addition, the Internal Audit Department, which is directly under the President's control, regularly audits 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.

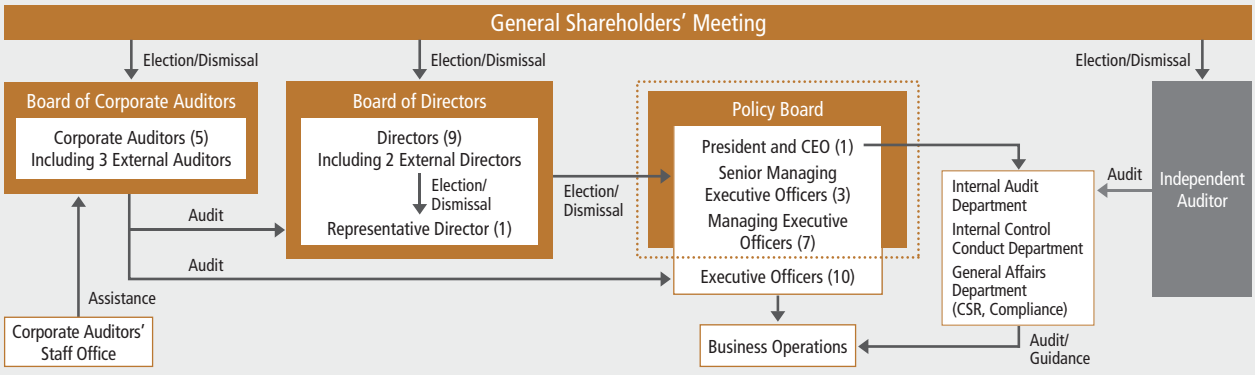
Current Framework

Yamatake's Board of Directors was composed of nine members as of June 28, 2011, 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 Japanese company 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 in order 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 2010, ended March 31, 2011, total remuneration paid to eleven directors (including two directors who retired at the close of the 88th general shareholders meeting held on June 25, 2010) amounted to ¥361 million (maximum permissible under company rules: ¥450 million). For the five corporate auditors (including one corporate auditor who retired at the close of the 88th general shareholders meeting held on June 25, 2010), total remuneration amounted to ¥97 million (maximum permissible: ¥120 million).

Corporate Governance Framework (As of June 28, 2011)



Risk Management and Compliance

Risk management and compliance are essential components of management that is grounded in corporate social responsibility (CSR), and thus are key elements for the azbil Group if it is to maintain the trust of society and thereby continue to survive and thrive. We are working to manage the various risks entailed in doing business and to promote compliance throughout the Group.

Risk Management

The azbil Group's Total Risk Management

In order to strengthen the azbil Group's risk-handling capabilities, risks that could significantly impact our business are now identified through comprehensive annual surveys and are deliberated at board meetings to determine which key risks require the response of the Group as a whole. As three years have now passed since this initiative was first implemented, in response to changes in the social environment, amendments of laws, revisions to regulations, risk-handling examples of other companies, and the experience of the Great East Japan Earthquake, we have redefined the scope of risks that we are targeting in order to arrive at more concrete countermeasures. Other improvements include revisions to our risk assessment methodology.

Yamatake Corporation CSR Promotion Group members
Osamu Murayama (left), Hiroshi Watanabe (right)

Disaster Prevention and Business Continuity Planning

The azbil Group has put considerable effort into disaster prevention measures by significantly reducing the number of seismic risk locations in all of its business offices in Japan, moving offices to buildings that meet new earthquake-resistant design standards, holding earthquake drills that take into account the initial response of the business continuity plan, expanding its safety confirmation system, deploying and managing emergency supplies, and multiplying our lines of communication. We were very fortunate that no serious injuries or loss of life occurred at our business offices as a result of the Great East Japan Earthquake. After the earthquake, supplies were sent from each of our stockpile locations to the damaged business offices, where the positive results of our efforts are now evident. In the future, we plan to reexamine our disaster prevention measures at each business office, revise our manuals, and rethink our anticipated earthquake risks as we further strengthen our disaster preparedness.

Information Security

To deal with information security risks, we have carried out a variety of initiatives such as ensuring thorough information security education, including the continued use of e-learning, which began in the 2009 fiscal year; responding to information security issues brought to light by compliance awareness surveys; and upgrading our framework for managing important data and personal information.

We also relocated our servers and upgraded our backup system to ensure that the operational level of services will not be significantly compromised during a disaster.

Compliance

Business Conduct Policy and Business Conduct Guidelines

Our Business Conduct Policy has been aligned with the azbil Group philosophy, and consists of six areas including the Group's public responsibilities, social responsibilities, compliance with antitrust and other fair trade regulations, and respect for human rights. Based on the Business Conduct Policy, we assembled and implemented specific business conduct guidelines covering all business activities from the perspectives of legal compliance and ethical conduct. Based on translation of the Business Conduct Guidelines into various languages, in fiscal year 2010, ended March 31, 2011, we prepared supplemental manuals for our overseas subsidiaries that take into consideration local laws and business practices. By the end of the fiscal year, we had nearly completed the distribution of these manuals in China and elsewhere in Asia.

Compliance Promotion Framework

The Yamatake CSR Promotion Group is responsible for promoting Group-wide education programs to spread awareness and ensure thorough compliance with regulations throughout the azbil Group. The Corporate Ethics Committee, which is chaired by the officer in charge of CSR, determines policy initiatives to ensure assiduous legal compliance and ethical behavior. The heads of departments and business office managers are designated as compliance managers and the heads of sections as compliance leaders, each of whom works to spread awareness and ensure thorough compliance in each workplace.

In addition, we conduct annual surveys of compliance awareness among all azbil Group employees. These surveys are used to ascertain issues and implement improvements.

Compliance Education

Compliance education sessions are held annually for all employees, including directors, corporate auditors, and the heads of departments and sections. Compliance-related issues identified through compliance awareness surveys are reflected in compliance education using specific examples for a thorough transition into action.

Beginning in fiscal year 2010, we reinforced our compliance education structure by incorporating a framework in which education staff teach compliance to all employees directly.

Yamatake Corporation education staff
(From left) Hitoshi Tanaka, Akio Nakamura, Katsumi Katayama, Tsutomu Ogura

Board of Directors, Executive Officers, and Corporate Auditors

As of June 28, 2011

Directors, Executive Officers

Seiji Onoki
President and Chief Executive Officer
azbil Group General Management,
Internal Audit Department,
Corporate Planning Department

Kiyofumi Saito
Executive Director
Senior Managing Executive Officer
Assistant to the President
Building Automation Business
Building Systems Company President

Tadayuki Sasaki
Executive Director
Senior Managing Executive Officer
azbil Group CSR, Internal Control, Facilities and Business Institutions Management, Human Resources Department, Internal Control Conduct Department, Finance Department, Fiscal Control Department, General Affairs Department, Legal & Intellectual Property Department, Secretary Office

Masaaki Inozuka
Executive Director
Senior Managing Executive Officer
azbil Group Operating Synergy,
Advanced Automation Business
Advanced Automation Company President

Hirozumi Sone
Executive Director
Managing Executive Officer
Marketing, Technology Development Headquarters,
Information Systems Department

Makoto Kawai
Executive Director
Managing Executive Officer
azbil Group Production

Makoto Yasuda
Director (Independent Non-Executive Director)

Eugene H. Lee
Director (Independent Non-Executive Director)
(External Director)

Katsuhiko Tanabe
Director (Independent Non-Executive Director)
(External Director)

Corporate Auditors

Full-time Corporate Auditors

Tomohiko Matsuyasu
Kensei Sukizaki

Corporate Auditors (External Auditors)

Kinya Fujimoto
Jyunichi Asada
Kazuo Yamamoto

Executive Officers

Managing Executive Officers

Toshitsune Okubo
International Business, Document Production Department
General Manager, International Business Headquarters

Tadashi Hirooka
azbil Group Environmental Load Innovation,
Building Systems Company Marketing, Development

Ichio Kunii
Home Comfort Business, Building Systems Company
Operating Management
General Manager, Building Systems Company
Instrument Headquarters

Yoshihide Sugino
Corporate Quality Assurance Promotion Headquarters,
Department of Safety Assessment
General Manager, Technology Development Headquarters

Keiichi Fuwa
Service Business
General Manager, Building Systems Company Tokyo Head Office
General Manager, Building Systems Company Sales Headquarters

Executive Officers

Toshio Yoshida
General Manager, Advanced Automation Company
Tokyo Regional Division

Takuji Hosoya
International Business Assistance, International Standardization

Osamu Tamayori
azbil Group Purchasing

Teruyoshi Yamamoto
General Manager, Fiscal Control Department

Takumi Ishiguro
General Manager, Building Systems Company
Kansai Regional Division

Kenji Hidaka
Advanced Automation Company Sales
General Manager, Advanced Automation Company Business
Sales Headquarters

Norio Murase
General Manager, Legal & Intellectual Property Department

Nobuo Shimizu
General Manager, Advanced Automation Company
Kansai Regional Division

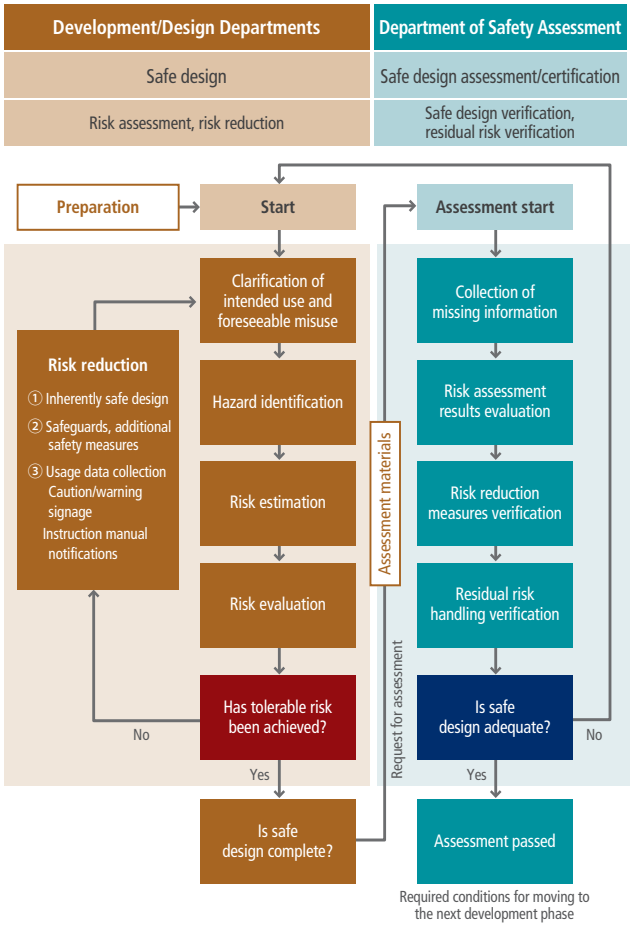
Mitsuharu Miyazawa
General Manager, Building Systems Company
Facility Management Headquarters

Masato Iwasaki
Advanced Automation Company
Marketing, Development
General Manager, Advanced Automation Company
Marketing

Customer Relations

To provide safe products and ensure customer safety, the azbil Group is careful to implement safe design at every stage of development. We also emphasize safe design assessment to ensure the safety of our products.

Safe Design and Assessment Implementation Processes



Implementation of Safe Design Early in the Development Process

The azbil Group's Business Conduct Guidelines recognize safety as the foremost priority, and stipulate that efforts for product safety design be carried out from the customers' point of view to avoid accidents. For this reason, we carefully implement safe design of our products at the planning stage, early in the product development process, and at each design stage, as these are the most important steps in providing safe products. Safe design aims to prevent accidents when using the product. It involves risk assessment to analyze the possible risks that can occur in each stage of the product's life cycle, and risk reduction design that incorporates essential safety features into the product.

Assessments by an Independent Organization in the azbil Group

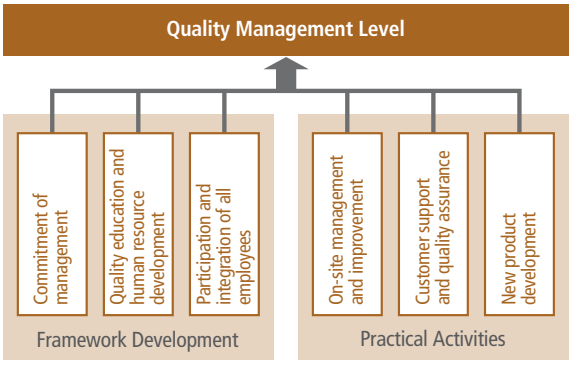
Assessments of safe design of products are conducted in the development process by the Department of Safety Assessment, which is separate from each business entity of the azbil Group. The group responsible for safe design during product development is subject to an assessment based on the Group's internal safe design certification system. If a product does not pass an assessment, it cannot progress to the next stage of development or to product release.

Although safety features built into a product generally remain unnoticed as long as the product remains safe, we are committed to implementing safe design in order to provide safe products customers that can use with peace of mind.

Quality Management in the azbil Group

The azbil Group refines its quality management on a daily basis, with a focus on customer-oriented product planning and development, manufacturing that places quality first, and on-site improvement involving all employees. To verify our progress and for further improvement, we participate in JUSE Quality Management Level Research, held annually for the past six years by the Union of Japanese Scientists and Engineers. In fiscal year 2010, we attained our best ranking, 26th out of 249 participating companies. Going forward, by means of our quality management framework, we will continue to provide reliable products, services, and solutions that satisfy our customers.

Overview of Quality Management Level Research



Relations with Local Communities

As members of society, we strive to contribute to the welfare of our fellow citizens by applying our "human-centered" approach on behalf of individuals, lifestyles, society, and the Earth's environment. In addition to contributing to society through our business operations, our corporate culture is a stimulus for volunteer activity by our employees.

Activities in Fiscal Year 2010, Ended March 31, 2011

The Fifth Shonan International Marathon

Employee runners

In 2010, the azbil Group marked its fifth co-sponsorship since 2006 of the Shonan International Marathon. More than 200 azbil Group employees were involved as volunteers or runners in the event, which hosted more than 23,000 participants.

In particular, Yamatake has been promoting activities as a leading corporation in the environmental group Eco-Friendship since the first marathon was held. The 2010 event aimed to cultivate awareness of the environment by featuring eco-crafts using recycled materials with a Shonan seashore theme as well as eco-quizzes, and was well received by visitors.

In addition, we acted as a coordinator with other participating companies in garbage collection and sorting activities conducted on site. We then measured the collected and sorted resources, calculated the total amount of energy used at the event, and conducted an environmental impact analysis of the event in terms of CO_2 emissions.

Volunteers sort recyclables

Voluntary Initiatives at Business Offices

• Street Cleanup Activities in Shirakawa City, Fukushima Prefecture

A total of 130 employees of Shirakawa Seiki Co. Ltd. and members of their families cleaned the streets used in the daily commute to the office. Despite the rain, more participants than in the previous year came to help clean up the city streets, fostering a friendly and fun atmosphere.

• Assistance in the Aftermath of the Great East Japan Earthquake

The azbil Group and its employees and officers have sent around ¥68 million in donations, volunteer activity funds, and relief supplies to the areas affected by the earthquake and tsunami.

• Cleanup Activities at Mt. Oyama in Isehara

A total of 120 employees from the Isehara Factory and their family members participated in a cleanup of Mt. Oyama in the Tanzawa Mountains for the fifteenth time. Under clear skies, participants enjoyed a full day of cleanup work on the mountain trails.

azbil Honey Bee Club

Members of the Social Contribution Promotion Team established the azbil Honey Bee Club in 2009 to encourage voluntary participation in social contribution activities by azbil Group employees. Any employee can join the club with a donation of 100 yen or more. The club makes donations, and members select the recipients.

azbil Group Social Contribution Promotion Team

A donation recipient: the Sangaku Shudan Beruku Club, which provides assistance to people with physical disabilities for mountain climbing.

The first vote on recipients was held in October 2010, with a total of 12 organizations selected to receive donations. The organizations selected include groups involved in guide dog training, job assistance for people with developmental disabilities, reading to the visually impaired, restoration of traditional Japanese horseback archery techniques, medical assistance to refugees and immigrants, networking for caregivers, and lake water purification activities. In addition, club members unanimously agreed to donate ¥1 million to the Central Community Chest of Japan in response to the Great East Japan Earthquake.

Employee Relations

In keeping with our philosophy of "human-centered automation," we strive to create healthy, cheerful, and comfortable workplaces where employees can work with peace of mind. We are committed to creating job opportunities as well as deploying and fostering employees with diverse viewpoints, including women, foreign staff, and persons with disabilities, as we secure and develop the human resources essential to the azbil Group's "period of growth."

Creating Healthy Workplaces Where Employees Can Thrive

Staff working to create a healthy workplace

Maintaining and enhancing the health of employees is the basis of a workplace characterized by cheer, vigor, and peace of mind. For this purpose, we have a health management system, a chief occupational health physician responsible for maintaining and managing employee health, and a consultation desk (Heartful Station). To maintain and enhance employees' mental health, we aim to develop a framework enabling all managers to care for their employees' mental health needs.

Lively Communication Based on Mutual Trust

Lively communication based on mutual trust is essential to conducting daily tasks efficiently through teamwork. To establish a business structure and work culture that incorporates this common-sense practice in daily routine as the basis of our "period of growth," each group holds a brief morning assembly and on October 1, which is designated as "azbil Day," enjoys an "azbil Smile Tea Party."

Smile Tea Party at our subsidiary in Vietnam

Securing and Fostering Human Resources for the "Period of Growth"

The azbil Group works to secure and foster the diverse human resources required by a top-class global enterprise.

Women in the Workplace

Female employees participating in international training

Key female employees are encouraged to network with employees of other companies across different business sectors and to take part in training to advance their skills. As these women build networks and cooperate with each other, they play a vital role in human resource development and career promotion within the azbil Group.

Global Human Resource Deployment and Development

During our "period of growth," opportunities for contributions from foreign employees will increase as a result of our intention to expand our international business. In addition to actively providing employment opportunities for workers overseas, we are increasing the opportunities for them to learn the knowledge and techniques required for work.

Training held in Tokyo for managers of overseas subsidiaries

Yamatake Friendly: A Special Subsidiary Employing Workers with Intellectual Disabilities

Yamatake Friendly was founded as an azbil Group company in April 1998 with the aim of creating a work environment where people with intellectual disabilities can thrive and be active (*ikiiki*)* as integral staff members. The company's management policy is to support employees' skill enhancement and self-realization through their work, and thereby to contribute to society. It aims to satisfy customers with its quality, pricing, and delivery, and to increase work volume through its attitude of "never turn down a customer request," as it takes on the challenges of better work quality and speed.

* The term "*ikiiki*" is used to describe a workplace that also serves as an important place in the lives of employees.

An employee of Yamatake Friendly at work

Yamatake Friendly (from left):
Fujio Onoguchi, Director and General Manager, General Affairs Department
Masako Kamiya, Section Manager, General Affairs Department
Toshihiko Enomoto, Isehara Section Manager, General Affairs Department

3. The Environment

To contribute to the preservation of our environment, the azbil Group focuses on reducing not only the environmental impact of its own business activities, but also the environmental impact at its customers' sites through its core businesses, and engages in a wide range of environmental preservation activities.

This section presents the environmental initiatives of the azbil Group.

For general information on our initiatives for management and society, please refer to http://www.azbil.com/csr/eco/index.html

Contributing to Global Environmental Preservation

Tadashi Hirooka
Managing Executive Officer
Yamatake Corporation

The azbil Group has set a target of reducing the volume of CO_2 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 involved in energy conservation initiatives.

We also promote environmental preservation activities based on the azbil Group Environmental Charter.

Results for Fiscal Year 2010, Ended March 31, 2011, and Future Plans

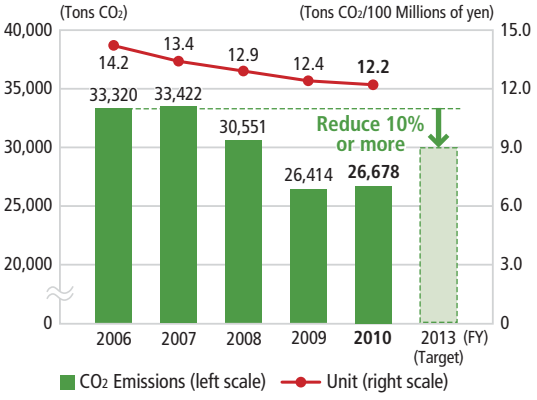
The azbil Group Environmental Management Committee, led by the Environmental Management Officer, promotes and reviews environmental issues and management plans for the entire Group. To conserve energy in our business activities, we classify facilities (air conditioning, lighting, etc.) and production lines as categories on a horizontal axis, with an "equipment improvements" list and an "operation improvements" list as the vertical axis, to create a total of four groups of items. We then prioritize them before we carry out various improvement measures. In fiscal year 2010, the azbil Group reduced the volume of its CO_2 emissions by 19.9% from the level of fiscal year 2006 to 26,678 tons. In the same period we improved CO_2 emissions on a per sales basis by 14.0%.

In fiscal year 2010, Yamatake engineers deployed the know-how gained from Yamatake's practical experience at other Group company factories by making on-site diagnoses and proposing various improvement initiatives. In fiscal year 2011, ending March 31, 2012, and beyond, we will implement an energy management system based on these proposals (see page 48).

Raising the awareness of each individual employee is important in order to improve our operations. To do so, we conduct ongoing employee training in this area (see page 52).

In addition, we are working to reduce CO_2 emissions by promoting environmentally friendly designs and technologies.

CO_2 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
* The figures for CO_2 emissions use a fixed coefficient (0.378 kg CO_2/kWh).
* Includes estimates of air-conditioning energy and other figures.

Advancing Toward Achievement of a Low-Carbon Society

We demonstrate some of the energy conservation technologies and expertise accumulated through initiatives taken at Yamatake's Fujisawa Technology Center so far in our Factory Energy Conservation Tour. A wide range of people take this tour, from people in charge of energy conservation at other companies or foreign governments to elementary school pupils and members of the general population. Since its inception in May 2002, the program has received positive evaluations and as of the end of fiscal year 2010, the total number of participants had reached more than 9,800. In addition, we provide products, services, and solutions that support the energy conservation practices of our customers as part of our contribution to the environment through our business operations (see pages 18 and 51). We also conducted on-site calculations and assessments of CO_2 reduction for our customers for the first time in fiscal year 2010 (see page 47).

The azbil Group contributes to global environmental preservation by reducing CO_2 emissions in its business activities and by working to reduce CO_2 emissions throughout society.

Yamatake's Fujisawa Technology Center

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.

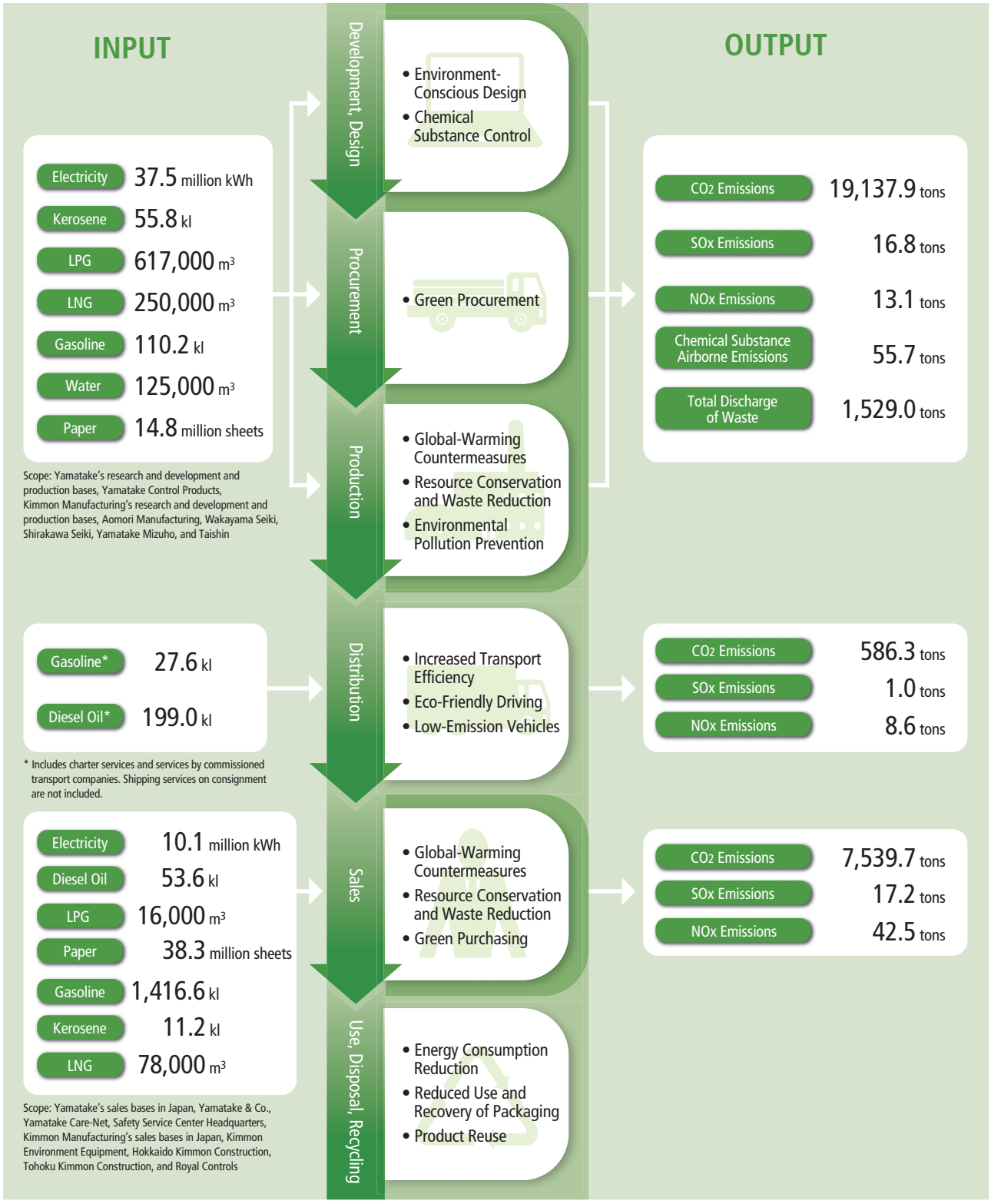
	Objectives	Targets for Fiscal Year 2010	Results for Fiscal Year 2010	Plans for Fiscal Year 2011
Eco-Factories, Eco-Offices				
Reduction of CO_2 Emissions[1]	By fiscal year 2013, reduce by 10% or more compared to fiscal year 2006	Conduct initiatives to achieve environmental objectives	19% reduction (compared to fiscal year 2006)	Continue toward objective
	Comply with the Act on the Rational Use of Energy	Appropriate action	Obtained complete understanding of HVAC energy, etc.	Continue toward objective
Reduction of Copy Paper Purchased	By fiscal year 2012, reduce by 30% compared to fiscal year 2006	Conduct initiatives to achieve environmental objectives	21% reduction (compared to fiscal year 2006)	Continue toward objective
Prevention of Other Environmental Pollution	Incur no incidents of noncompliance	Incur no incidents of noncompliance	1 incident of noncompliance	No incidents of noncompliance
	Completely discontinue use of dichloromethane[2]	Completely discontinue use of dichloromethane[2]	Completely discontinued use of dichloromethane[2]	—
Eco-Products, Eco-Services				
Environmentally Friendly Design	Achieve LCA[3] implementation rate for new products: 100%	100%	50%	Continue upgrade
	Promote implementation of LCA for existing products	Upgrade promotion	Held company seminar	Continue upgrade
	Compliance with regulation of chemical substances used in products	Appropriate action	Conducted response	Continue response
Green Procurement	Green procurement rate: maintain at 95%	95%	97%	Maintain procurement rate by educating/instructing suppliers
Eco-Communication				
Raising Environmental Awareness	Promote education for employees and their families, and education through interaction with local communities	Support certification under Eco-Test	Held company seminar	Continue support for certification under Eco-Test
		Hold environment education programs for families of employees	Provided testing location for Children's Eco-Test[4]	Continue various measures
	Work for biodiversity	Conduct beach cleaning activities, etc.	Implemented	Conduct beach cleaning, greenery preservation activities, etc.
			Reached agreement with Fujisawa City regarding greenery preservation activities	

1. Covers Yamatake, Yamatake Control Products, Yamatake Mizuho, and Taishin
2. Excluding certain specialty products.
3. Life Cycle Assessment
4. Certification by The Ecological Literacy Association for Children, a non-profit organization

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 2010, Ended March 31, 2011)



Reducing Society's Impact on the Environment

The azbil Group actively contributes to society by providing products and solutions that support initiatives to reduce environmental impact. In fiscal year 2010, ended March 31, 2011, we calculated and assessed the effectiveness of CO_2 reduction at our customers' business locations in order to quantitatively determine our contribution to society through our business operations.

Calculating the Effectiveness of CO_2 Reduction

We launched a project to measure and assess the effectiveness of CO_2 reduction, not only to reduce CO_2 emissions from our own business activities, but also to determine the extent to which CO_2 emissions have been reduced at our customers' business locations. As a first step, we calculated and assessed the effectiveness of CO_2 reduction in "a next-generation environmental control business that contributes to comfort, safety and global environmental preservation" – our own Building Automation business. In the future we will make similar calculations for our Advanced Automation and Life Automation businesses. By quantitatively indicating our contribution to a sustainable society, we will work to raise awareness of the environmentally beneficial work of the azbil Group.

(1) By a BAS[1] or Automatic Control System

CO_2 Reduction at Customers' Sites
1,060
thousand tons/year[2]

1. BAS: Building Automation System
2. Calculation of CO_2 reduction effects from actual figures for the previous 10-year period using the published specific energy consumption unit for each building type, based on total floor area

(2) By Our ESCO[3] Service

CO_2 Reduction at Customers' Sites
160
thousand tons/year[4]

3. ESCO: Energy Service Company
4. Calculation of actual volume of CO_2 reduction for the previous 10-year period for each building (actual measured values before and after implementation of ESCO services)

(3) By Maintenance and Management Services

CO_2 Reduction at Customers' Sites
70
thousand tons/year[5]

5. Calculation of CO_2 reduction effects from actual figures for the previous 10-year period using the published specific energy consumption unit for each building type, based on total floor area

Assessing the CO_2 Reduction Benefit for Society through Our Business Operations

We categorized numerical data on CO_2 reduction in the Building Automation business into three areas: (1) the effect in new and existing buildings of installing a building automation system; (2) the effect of energy conservation equipment and systems related to our ESCO service; and (3) the effect from maintenance and building management services in existing buildings. We then compared the amount of CO_2 with the results if our products or solutions had not been employed at our customers' business locations.

We also calculated the amount of CO_2 reduction during power consumption by our products during use and found a reduction of nearly 1,600 tons of CO_2 by customers who switched from old products to new products.

Our calculations showed a total CO_2 reduction of 1.29 million tons annually, or roughly 0.1% of Japan's entire CO_2 emissions (approximately 1.3 billion tons). Through our work, we believe we have been able to quantitatively evaluate our contribution to reducing society's impact on the environment.

From left:

Kana Mizutani
Masaki Hirata
Environmental Marketing Department
Marketing Headquarters
Building Systems Company
Yamatake Corporation

Tomoharu Takaishi
Product Marketing Department
Marketing Headquarters
Building Systems Company
Yamatake Corporation

Eco-Factories and Eco-Offices

Our business operations inevitably increase our environmental impact. However, we believe that it is important to supply customers with products and services that minimize energy and resource use. To efficiently use precious resources and energy, we actively conduct energy and resource conservation and waste reduction activities.

Prevention of Global Warming

Yamatake's Initiatives

Yamatake has adopted a wide range of energy conservation measures tailored to the characteristics of each factory and office, based on sources ranging from employee suggestions to advanced technologies. Continuing on in fiscal year 2010, ended March 31, 2011, directors in charge of each large-scale workplace and employees responsible for each building, area, or department determined targets for reduction of CO_2 emissions at each location and promoted related efforts.

In fiscal year 2011, ending March 31, 2012, with a focus on electrical power conservation measures for the summer, Yamatake will enhance its systems for visualizing anticipated electricity use and strengthen energy-saving measures throughout the company.

Developments for Group Factories

We aim to reduce CO_2 emissions at each of our Group factories by applying Yamatake's hands-on expertise in energy conservation and its on-site experience with its customers.

Yamatake Mizuho began implementing CO_2 reduction measures in fiscal year 2010. Yamatake Mizuho is a core factory of the azbil Group that produces flow measurement equipment, including electromagnetic flowmeters and water meters. In particular, the flow calibration rig it completed in December 2008 has attracted substantial attention from various sectors as one of Japan's largest calibration devices. With the establishment in fiscal year 2010 of a framework to expand calibration services for electromagnetic flowmeters to non-azbil Group products, the company's energy usage is expected to increase in the future. Consequently, it has considered adopting a system for making the usage of air, gas, and water, in addition to electricity, more visible, and has investigated and identified energy conservation topics. In fiscal year 2011, Yamatake Mizuho will construct this visualization system while conducting energy-saving measures as needed.

One of Japan's largest flow calibration rigs, completed in December 2008

Conserving Resources

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. By fiscal year 2012, ending March 31, 2013, Yamatake aims to reduce the volume of paper used by 30% from the level in fiscal year 2006, ended March 31, 2007. In fiscal year 2010, we achieved a 21% reduction from the fiscal year 2006 level.

Reducing Water Use

In addition to conducting various measures to conserve water, we reuse purified water and we use rainwater. We will continue these measures in fiscal year 2011 and beyond as we work to reduce the volume of water used.

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. In fiscal year 2011 and beyond, we will continue our efforts to separate waste and to limit the total volume of waste we produce.

Preventing Environmental Pollution

The azbil Group conducts regular monitoring and measurement of exhaust gas and wastewater, maintains abatement systems, properly manages chemicals, and conducts emergency preparedness training. In fiscal year 2010, wastewater from operations at Yamatake's Fujisawa Technology Center exceeded limits, and we submitted a report to the relevant authorities and carried out appropriate improvement measures.

Environmental Regulation Compliance

In fiscal year 2010, 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.

Environmental Initiatives with Electric Vehicles

Introduction of Electric Vehicles

Electric vehicles ("EVs"), which have attracted attention as an environmentally conscious mode of transportation, have been in active use at Yamatake's Narita Sales Office since January 2011, generally being charged at night and used during the day to reduce the environmental impact of our business activities.

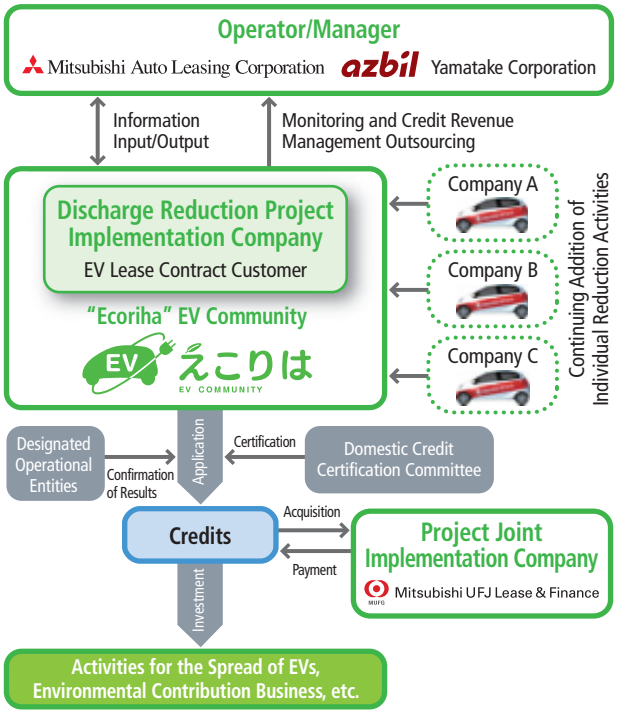
Collaboration with Customers in Environmental Initiatives

Having announced its vision of being the "World's Leading Eco-Airport," Narita International Airport held an exhibition and test drives of EVs for airport-related companies on January 28, 2011. All airport-related businesses have joined forces to address environmental needs with the aim of increasing the use of low-emission vehicles. Our Narita Sales Office contributed to its customers' environmental efforts by providing an EV for the test-drive event.

"Ecoriha" EV Community

Yamatake is promoting the forward-looking use of Japan's Domestic Clean Development Mechanism. Together with Mitsubishi Auto Leasing Corporation and Mitsubishi UFJ Lease & Finance Company Limited, we have launched the world's first emission reductions business program for EVs. In this project, the CO_2 emission reductions achieved through EV use by companies and local governments that participate in the "Ecoriha*" EV community were certified as emission credits by the Domestic Credit Certification Committee in March 2011.

Yamatake participates in "Ecoriha" as a discharge reduction project implementation company. The CO_2 emission reductions as a result of EV use at the Narita Sales Office will be certified as emission credits and used to play a role in society in the future.



* "Ecoriha" is a registered trademark of Mitsubishi Auto Leasing Corporation.

Contributing to the Spread of EVs

Under the current Act on the Rational Use of Energy, the amount of power supplied to EVs by an office can be subtracted from the amount of energy use reported. However, the record-keeping needed to track the amount of power supplied is cumbersome. Yamatake has developed a potentially better method, and is now testing it by comparing the actual measured value of power supplied at the Narita Sales Office with the value calculated by EV telematics. If successful, this method will encourage more companies to use EVs.

Introducing Electric Vehicles (EVs)

Since its establishment, the Narita Sales Office has contributed to preservation of the environment with energy-saving proposals for customers at the "gateway to Japan." At the same time, we in Narita are working to reduce our own environmental impact. With the consent of the owner of our building, we set up a recharging station and introduced EVs in January 2011. We look forward to using the experience of the Narita Sales Office to enhance the business activity of the azbil Group and to contribute to the creation of smart cities and smart communities in Japan.

The design on the cars, which incorporates the words "electric vehicle" in our corporate color, is getting attention in the vicinity around the office and at the sites the vehicles visit. I hear from employees that this has raised their consciousness of the environment, giving me a sense of the effect on environmental awareness.

Yoshinori Kuwana
Manager
Narita Sales Office
Higashikanto Branch
Building Systems Company
Yamatake Corporation

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, including material selection, handling of chemical substances, energy-saving design, ease of proper disposal, and environmental information disclosure.

The Environmentally Friendly Green Control Cabinet

Development of the Green Control Cabinet

Yamatake has begun sale of the Green Control Cabinet, which was developed as an environmentally friendly cabinet for housing automatic control equipment such as controllers for use in its Building Automation business.

The Green Control Cabinet uses hot-dipped 55% aluminum zinc alloy-coated sheet steel (JIS G 3321), commonly called Galvalume sheet steel,* with superior corrosion resistance to the conventional baked-on coating, which uses organic solvents. As a result, its manufacture emits fewer volatile organic compounds (VOCs) than the manufacture of the previous product.

*Galvalume sheet steel is a registered trademark of Nippon Steel Corporation in Japan.

Previous product　　Green Control Cabinet

The Green Control Cabinet is compliant with the 2010 version of the Japanese government's *Standard Specifications for Public Works Construction (Mechanical Equipment Construction)*. The latest version of these standard specifications lists sheet steel that has been treated for corrosion (including hot-dipped 55% aluminum zinc alloy-coated sheet steel [JIS G 3321]) as an environmentally friendly alternative for automatic control panels. We promptly made the product commercially available as our response to the societal trend represented by this revision to the standard specifications.

In addition, a change in the assembly method from welding to riveting allows the Green Control Cabinet to be assembled efficiently even by unskilled workers. Together with the substantial reduction in the coating process, this shortens production lead time, thus reducing energy use.

Assembly with rivets

The rivet-fastened structure also facilitates disposal, as the rivets can simply be removed when disposing of the cabinet.

Initiatives Using LCA

Life Cycle Assessment (LCA) is a method for comprehensively evaluating and quantifying the environmental impact of each stage of a product's life cycle, from raw material procurement to manufacturing, shipment, use, and disposal.

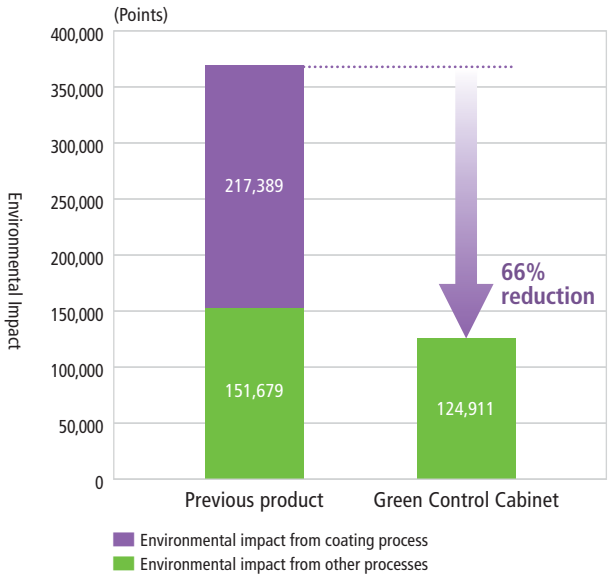
In fiscal year 2003, ended March 31, 2004, Yamatake started an initiative using LCA to reduce the environmental impact of its automatic control panels. As a result, we recognized that the use of organic solvents in the coating process was having a significant impact on the environment.

Our consideration of the LCA analysis led to the following initiatives.

(1) We shifted from baked-on coatings that use organic solvents to baked-on powder coatings that emit virtually no VOCs.

(2) With the objective of reducing the energy used for baked-on coatings, we reviewed the materials we were using and considered alternatives to welding as the fastening method. As a result, we developed a rivet-fastened structure and decided to construct the cabinet out of hot-dipped 55% aluminum zinc alloy-coated steel sheet (JIS G 3321), which is compliant with the standard specifications mentioned above.

LCA Analysis Results



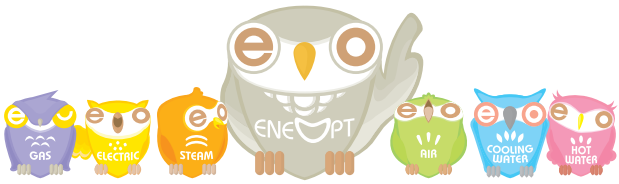
Note: Environmental impact generated at each stage of the product life cycle is represented as points using SimaPro 7, an LCA software product developed by PRé Consultants.

ENEOPT™ Energy-Saving Solution for Factories

"Optimizing Energy with azbil"

Thus far, we have responded to the individual needs of our customers by developing a wide range of optimized energy controls for air, steam, cold water, warm water, electricity, gas, and others. Starting in fiscal year 2009, ended March 31, 2010, we have worked together with our customers to achieve energy savings with the ENEOPT energy-saving solution for factories, which organizes, standardizes, and packages the technologies and tools used in these optimized individual controls, leveraging the comprehensive capabilities of the azbil Group.

The use of ENEOPT begins with our search, in partnership with the customer, for energy-saving ideas. After draft proposals and effectiveness studies, we implement specific energy-saving solutions such as facility upgrades or operational improvements. The process is grounded in a bottom-up approach by which we accumulate individual ideas tailored to the on-site needs of the customer, find out what results these ideas produce, and build on that knowledge for the next round of improvements.



It is important that energy-saving activities be enjoyable as well as ongoing. The ENEOPT logo uses an "O" in the shape of a smile to symbolize our desire for everyone involved in energy-saving activities, including the on-site customer, to enjoy their efforts. Our key phrase is "Optimizing energy with azbil." Based on abundant expertise accumulated over many years in measurement and control, we continue to provide "first-hand" solutions led by those who are on site with the customer.

Activities of ENEStaff on the Front Lines of Our Energy-Saving Efforts

Energy specialists called ENEStaff in our sales offices throughout Japan actively seek to help customers save energy by understanding the needs of customers from their perspective and promptly responding to those needs on site. (ENE- is pronounced approximately as in the first two syllables of en-e[r]-gy.) The main role of ENEStaff is to introduce the functions of the EneSCOPE™ energy management and analysis system for energy use visualization, which is the first step in saving energy, and to identify issues to be resolved through dialogue with the customer. ENEStaff members also make presentations based on actual customer data to provide a better sense of the value of energy-saving practices. Viewing actual demonstrations to gain a sense of the ideas and effectiveness of energy-saving practices also helps to unearth new issues. The ENEStaff program started in fiscal year 2009 with one member, and in fiscal year 2010, ended March 31, 2011, a total of 15 ENEStaff members were active in branches and sales offices across Japan.

ENEStaff

Achieving Energy Savings Together with Our Customers

From the initial start-up phase of the ENEStaff program we have worked together with our customers to achieve energy savings. We seek not only to demonstrate how easy it is to use EneSCOPE, but also to explain in easy-to-understand terminology how the concept of visualization is linked to resolving energy conservation issues. Our demonstrations using actual customer data are very popular, and we believe they have led to new discoveries and awareness among customers. Through direct dialogue on site, we can discover the issues customers are having problems with and want to solve. It is important to consider solutions together with the customer on the site, rather than one-sidedly presenting a proposal for improvements. We are encouraged by customer feedback that praises our easy-to-understand explanations and our advice for problem-solving. Also, we learn a great deal by resolving issues side-by-side with our customers.

Sakiko Kawabata (left)
Kansai Instrumentation Department
Engineering Headquarters
Advanced Automation Company
Yamatake Corporation

Asuka Nakagawa (right)
Chubu Instrumentation Department
Engineering Headquarters
Advanced Automation Company
Yamatake Corporation

Eco-Communication

The azbil Group works not only to raise each employee's environmental awareness, but also to promote environmental awareness in local communities in order to achieve a sustainable society. We foster communication on environmental issues both inside and outside the Group by supporting the study of the environment by individuals, the activities of Eco-People, and the environment-conscious lifestyles of our employees and their families.

Environmental Awareness for Employees

Promoting Eco-Test Study and Certification

Judging that its scope is suitable for the systematic study of global environmental problems, the azbil Group recommends that employees study for and pass the Certification Test for Environmental Specialists (the Eco-Test) sponsored by the Tokyo Chamber of Commerce and Industry. Interested employees have been voluntarily obtaining this certification since it became available in 2006. Since fiscal year 2009, ended March 31, 2010, Yamatake has included the test in its system of incentives for self-improvement. This has spurred many more employees to study for the Eco-Test.

Examples of Activities of Eco-People[1] (People Who Have Passed the Eco-Test)

A company tour for individual investors sponsored by Sawakami Asset Management Inc. was held at Yamatake's Fujisawa Technology Center. After a presentation on the azbil Group's businesses and a Factory Energy Conservation Tour, Eco-People took on the role of facilitators for a group discussion among participants on how to reduce CO_2 emissions at home.

Eco-People participating in this program noted, "I was concerned whether the discussion would get moving, but tour participants ended up working together nicely to come up with a very enriching discussion," and "I felt it was a great opportunity to work with individual investors, with whom I rarely interact directly in my work."

Group discussion

1. Eco-People is a registered trademark of The Tokyo Chamber of Commerce and Industry.

Hosting Voluntary Seminars

In fiscal year 2010, ended March 31, 2011, the azbil Group hosted voluntary seminars for employees aiming to pass the Eco-Test and for those who previously passed but want to acquire the most up-to-date ecology-related knowledge.

The enhanced environmental awareness employees gain by studying for the Eco-Test contributes to the use of environmental knowledge on the job, reduces the environmental impact of our workplaces, and increases the number of employees seeking to obtain more specialized certifications. We believe these factors help to raise the level of the azbil Group's environmental activities. For that reason, the azbil Group will continue to encourage employees to study for and acquire certification by the Eco-Test.

Environmental Awareness for Local Communities

Environmental Awareness through Self-Initiated Projects at Designated Manager Facilities

The Building Automation business currently manages 35 facilities in Japan as the designated manager under the Designated Manager System.[2] Each designated manager facility is active in conducting grassroots activities including "Eco-Kids" and "Eco-Flower Planter" workshops as well as conducting events such as eco-craft-making and offering lectures that contribute to environmental preservation.

These self-initiated projects and projects jointly executed with the local community are implemented under targets for reducing environmental impact set out for each department, which encompass the entire activity starting from the planning stage. This includes the selection of environmentally aware themes as well as earth-friendly materials for use throughout the activity to ensure that each event or lecture is conducted with the environment in mind.

2. Designated Manager System: A system established when the Local Autonomy Act was partially revised in September 2003. The system allows a local government to outsource the management and operation of a public facility to a private-sector manager it specifies.

Chain of Eco-Actions Grows from the "Little Eco-Declaration"

Since fiscal year 2010, we have been promoting the "Little Eco-Declaration," which urges event and lecture participants to meet one of three environmentally friendly challenges: "Don't waste electricity!" "Conserve water!" or "Carry your own water bottle!" Participants choose one of these three and declare their choice by putting a magnet on a special reusable eco-declaration board.

In fiscal year 2010, a total of 28 events and lectures involving 3,977 eco-declarations were held as either self-initiated projects or joint projects with the local community. These ecological actions are expected to yield a reduction in CO_2 emissions of approximately 110 tons per year. Moreover, the Little Eco-Declaration serves as the first link in a chain of continuing environmentally friendly actions, with some participants also independently proposing their own eco-actions at the events.

Little Eco-Declaration

Aiming for Human-Centered Designated Manager Operations

Going forward, we will continue to conduct human-centered designated manager operations by fostering kinship with local communities and environmental awareness through means such as implementing environmentally conscious self-initiated projects and eco-actions involving the Little Eco-Declaration.

4. Financial Report

For general information on our financial results and investor relations, please refer to
http://www.azbil.com/ir/index.html

Financial Review

Consolidated Results

Net Sales

In fiscal year 2010, ended March 31, 2011, sales rose ¥7,003 million, or 3.3%, year on year to ¥219,216 million due to factors including recovery in capital investment by the manufacturing industry both in Japan and overseas as well as business restructuring initiatives. Detailed breakdowns are available in the Business Overview section starting on page 21, but summaries are as follows.

Building Automation Business

In Japan, the domestic market for large-scale commercial offices continued to be robust, particularly in the large metropolitan areas, and so sales increased significantly.

As regards the market for existing buildings, expanded investment in building refurbishment for energy conservation was expected due to stricter regulations to reduce CO_2 emissions. With the start of the third quarter, signs of this growth gradually began to appear. A sales expansion initiative that focused on providing customers with attractive energy-saving proposals met with success, leading to sales growth. However, intensifying competition in the market for existing buildings has impacted the profitability of individual projects.

In the service field, sales grew as a result of efforts to generate new investment projects by giving added impetus to energy-saving proposals as well as an initiative aimed at expanding the scope of business.

While there were some instances of delivery postponement resulting from the Great East Japan Earthquake, overall this crisis had a relatively minor impact on business performance for fiscal year 2010.

Turning to overseas markets, where azbil has traditionally had an advantage in the market for HVAC for factories operated by Japanese companies, a new initiative has been implemented to develop local building markets by forming tie-ups with local enterprises. This initiative benefits from azbil's unrivalled experience and energy-saving expertise in Japan. In Indonesia, Korea, and China, this approach is clearly beginning to yield results, and overall sales in overseas markets grew significantly.

As a result, sales in the Building Automation business rose ¥5,453 million, or 5.6%, year on year to ¥102,124 million.

Advanced Automation Business

In Japan, market conditions for azbil's control products for factory automation (FA) meant that cyclical fluctuations in demand led to a dip in sales of components for semiconductor and flat panel display manufacturing equipment from the second quarter onward. Consequently, growth slowed, but overall sales were robust.

As regards sales of automation systems in the materials-related market, despite some evidence of investments in energy conservation, in general the pace of recovery in market conditions was modest and in fact sales of automation systems decreased.

The impact on financial results has been relatively mild, but there have been cases of cancellations and postponements as a result of the Great East Japan Earthquake.

In overseas markets, we established new overseas subsidiaries and worked to expand our business area, and also bolstered our engineering functions. Moreover, we worked on enhancing customization capabilities to tailor responses to specific customer needs in each region. Consequently, overseas sales grew, principally in the FA market.

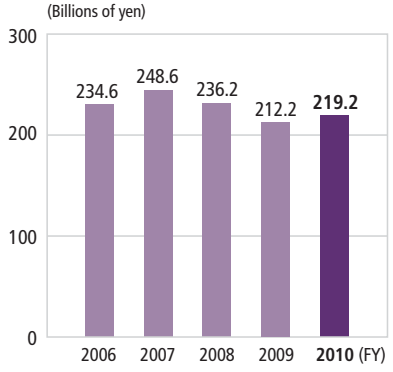
As a result, sales in the Advanced Automation business were up ¥4,037 million, or 5.2%, year on year to ¥80,975 million.

Life Automation Business

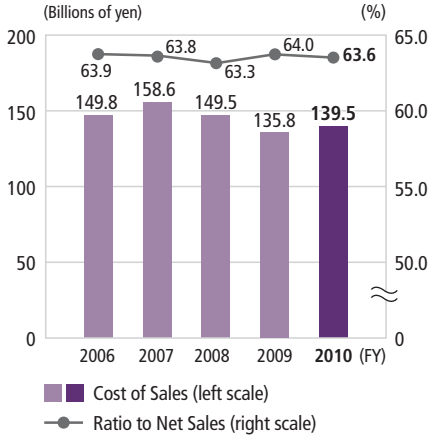
For Kimmon Manufacturing – a company that plays a central role in the lifeline business field and accounts for the bulk of sales in the Life Automation business – sales decreased because LP gas meter sales are lower in the off-demand season, and also because increased competition has depressed water meter bid prices, so that in some cases the company selectively avoided low-margin orders. Additionally, Kimmon Manufacturing has a number of factories in the Tohoku region that were affected by the Great East Japan Earthquake and the ensuing Fukushima Daiichi nuclear power plant accident. Since operations were unavoidably suspended, this had an impact on business performance. However, all affected facilities are now back in operation.

Turning to the life assist field – with its nursing care and emergency alert response services – demand is growing as Japan's population ages, and a steadily increasing number of people are making use of these services. Nevertheless, this segment continued to face a challenging

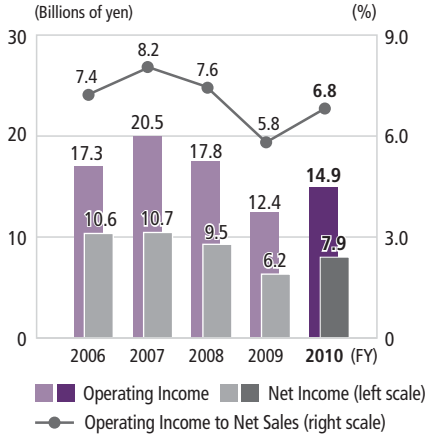
Net Sales



Cost of Sales/ Ratio to Net Sales



Operating Income/Net Income/ Operating Income to Net Sales



business environment owing to such factors as cutbacks in welfare budgets by local governments. Countermeasures included strengthening sales efforts and expanding the scope of services, and this approach was rewarded with an increase in sales.

As regards the market for residential central air-conditioning systems, uncertainties surrounding consumer trends meant that housing starts remained stagnant, resulting in a challenging business environment. However, there has been a steady improvement in product recognition thanks to the implementation of aggressive sales measures targeting both home builders and individual clients.

As a result, sales in the Life Automation business fell ¥2,101 million, or 6.0%, year on year to ¥32,621 million.

Other Businesses

Sales decreased ¥206 million, or 3.9%, year on year to ¥5,123 million.

Operating Income

Cost of sales totaled ¥139,502 million. As competition continued to intensify, we worked on measures to reduce costs and improve profitability, and the cost of sales ratio improved 0.4 percentage points to 63.6%. Selling, general and administrative expenses increased ¥783 million to ¥64,818 million due to higher personnel and research and development costs. The ratio of selling, general and administrative expenses to net sales decreased 0.6 percentage points to 29.6%.

As a result, operating income increased ¥2,512 million, or 20.3%, year on year to ¥14,896 million. By business segment, segment profit (operating income) for the Building Automation business increased ¥231 million, or 2.0%, year on year to ¥11,749 million, and segment profit (operating income) for the Advanced Automation business increased ¥2,681 million, or 485.4%, year on year to ¥3,234 million. For the Life Automation business, segment loss (operating loss) was ¥227 million, compared with segment profit (operating income) of ¥353 million in the previous fiscal year. Segment profit (operating income) for Other businesses totaled ¥144 million, compared with a segment loss (operating loss) of ¥41 million in the previous fiscal year.

Net Income

Other Income (Expenses)

Other expenses–net decreased ¥93 million, or 7.4%, year on year to ¥1,170 million. Major factors were other income including gain on sales of investment securities of ¥194 million, as well as other expenses including environmental expenses of ¥572 million and loss on adjustment for changes of accounting standard for asset retirement obligations of ¥266 million.

Income before Income Taxes and Minority Interests / Income Taxes

Income before income taxes and minority interests increased ¥2,605 million, or 23.4%, year on year to ¥13,726 million. Total income taxes increased ¥838 million, or 17.9%, to ¥5,517 million. The actual effective income tax rate on income before income taxes and minority interests was 40.2%, a decrease of 1.9 percentage points from the previous fiscal year, while minority interests in net income increased ¥81 million, or 40.3%, to ¥281 million.

As a result of the above factors, net income increased ¥1,686 million, or 27.0%, year on year to ¥7,928 million.

Financial Position

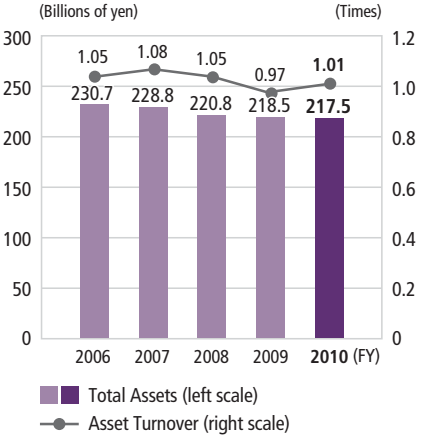
Assets

Total assets at March 31, 2011 decreased ¥971 million, or 0.4%, from the previous fiscal year-end to ¥217,501 million. This was primarily due to a decrease of ¥2,649 million in inventories, despite an increase in notes and accounts receivable–trade of ¥1,399 million.

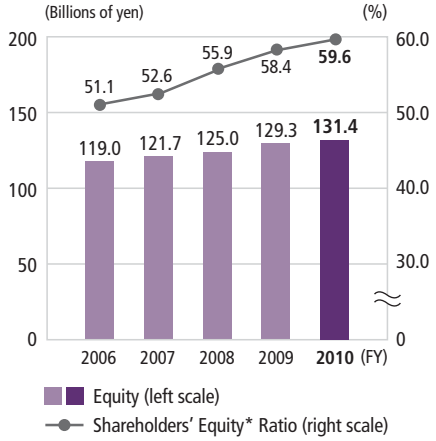
Liabilities

Total liabilities at March 31, 2011 decreased ¥3,054 million, or 3.4%, from the previous fiscal year-end to ¥86,140 million. This was primarily due to a net decrease of ¥3,382 million in short-term borrowings, current portion of long-term debt and long-term debt.

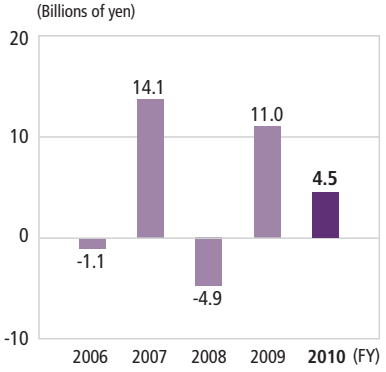
Total Assets/Asset Turnover



Equity/Shareholders' Equity* Ratio



Net Change in Cash and Cash Equivalents



* Shareholders' Equity = Total equity – Minority interests

Equity

Total equity at March 31, 2011 increased ¥2,084 million, or 1.6%, from the previous fiscal year-end to ¥131,362 million. This was primarily the result of an increase in retained earnings due to net income recorded for fiscal year 2010.

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

Receivables/sales (days): Decreased 4 days to 125 days

Inventories/cost of sales (days): Decreased 11 days to 40 days

Asset turnover (times): Increased 0.04 times to 1.01 times

Shareholders' equity ratio: Increased 1.2 percentage points to 59.6%

Per Share Data

Net income per share increased ¥22.83 year on year to ¥107.35, and net assets* per share rose ¥26.22 to ¥1,754.86.

* Net assets are presented as total equity in the consolidated balance sheets.

Cash Flows

Cash and cash equivalents (hereafter, net cash) provided by operating activities in fiscal year 2010, ended March 31, 2011, decreased ¥490 million, or 3.1%, year on year to ¥15,223 million. This was primarily due to an increase in notes and accounts receivable, despite an increase in income before income taxes and minority interests.

Net cash used in investing activities was ¥2,276 million, compared with ¥1,960 million in net cash provided by investing activities in the previous fiscal year. This was primarily due to a decrease in proceeds from sales of investment securities.

Net cash used in financing activities increased ¥1,244 million year on year to ¥8,001 million. The primary reason was an increase in cash outflow from the repayment of long-term debt.

As a result of the above factors, cash and cash equivalents on March 31, 2011, the end of fiscal year 2010, increased ¥4,480 million, or 8.1%, from the previous fiscal year-end to ¥59,844 million.

Outlook for Fiscal Year 2011, Ending March 31, 2012

For fiscal year 2011, we forecast a year-on-year increase of ¥800 million, or 0.4%, in net sales to ¥220,000 million. However, profitability is expected to be impacted negatively by a projected fall in output at Kimmon Manufacturing's factories as a result of procurement difficulties due to the Great East Japan Earthquake, and also by increased social insurance premiums. As a result, we forecast a year-on-year decrease of ¥1,900 million, or 12.7%, in operating income to ¥13,000 million; a decrease of ¥1,900 million, or 12.7%, in ordinary income to ¥13,000 million; and a decrease of ¥600 million, or 7.9%, in net income to ¥7,300 million.

By business segment, in the Building Automation business, we forecast a year-on-year increase of ¥1,900 million, or 1.8%, in net sales, to ¥104,000 million, and a year-on-year decrease of ¥1,100 million, or 9.8%, in operating income, to ¥10,600 million. In the Advanced Automation business, we forecast year-on-year increases of ¥2,000 million, or 2.5%, in net sales, to ¥83,000 million, and ¥200 million, or 5.1%, in operating income, to ¥3,400 million. In the Life Automation business, we forecast a year-on-year decrease of ¥1,600 million, or 5.0%, in net sales, to ¥31,000 million, and an operating loss of ¥900 million. For Other businesses, we forecast a year-on-year decrease of ¥1,100 million, or 21.9%, in net sales, to ¥4,000 million, and an operating loss of ¥100 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.

The damage caused by the recent Great East Japan Earthquake, and the resulting electrical power shortages that are expected to continue for some time are having a serious impact on Japan's economic activities – particularly manufacturing, distribution, and marketing. At this point in time it is very difficult to calculate with any degree of certainty the extent of this impact on the economy in general or specifically on the business performance of the azbil Group. The concern is that manufacturing output may falter as a result of power shortages, parts shortages, and an economic downturn caused by the drop in consumer confidence brought on by the impact of the earthquake.

Nevertheless, the azbil Group will swiftly put into action any measures deemed appropriate for contingences that can be envisioned, and at the same time will make further progress with the business structure and business operation reforms that underpin its medium-term plan. As well as developing global markets and environmental/energy-saving markets, the Group will seek to create new businesses that meet emerging customer needs.

Social and market structural changes that have grown increasingly conspicuous since the collapse of Lehman Brothers in September 2008 have apparently accelerated as a result of the Great East Japan Earthquake. To respond to these developments, the azbil Group is accelerating its own reforms. Everyone in the azbil Group is united in a commitment to strengthen the business structure with a view to ensuring the sustainability and continuity of the enterprise.

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 2010, ended March 31, 2011.

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 these needs or 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 24 local subsidiaries and two branches. In the rapidly growing Chinese market, the Group conducts product sales, manufacturing, instrumentation work, and other businesses locally through 10 subsidiaries. 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 globally, being mindful of the decentralization of country risk, delays in its expansion plans, 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 cross-training for multifunctional workers and the retention and development of human resources for domestic and international 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 due to unforeseen reasons 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. In addition, four of the seven domestic production bases of Kimmon Manufacturing involved in the Life Automation business are concentrated in Fukushima Prefecture. The Group has taken actions as necessary including implementing safety precautions, taking out insurance, and establishing a business continuity plan (BCP) to maintain operations and/or quickly return operations to normal. However, any direct or indirect effect due to a large-scale disaster or other incident in these areas 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, environmental and safety standards, and product 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 impact, 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.

Consolidated Balance Sheets

Yamatake Corporation and Consolidated Subsidiaries
March 31, 2011 and 2010

ASSETS	Millions of yen		Thousands of U.S. dollars (Note 1)
	2011	2010	2011
CURRENT ASSETS:			
Cash and cash equivalents (Notes 6 and 14)	¥ 59,844	¥ 55,364	$ 721,008
Notes and accounts receivable:			
Trade (Note 14)	76,050	74,651	916,261
Other	839	1,021	10,107
Allowance for doubtful receivables	(358)	(314)	(4,311)
Inventories (Note 4)	13,785	16,435	166,087
Deferred tax assets (Note 10)	5,487	4,855	66,106
Prepaid expenses and other current assets	8,739	8,234	105,294
Total current assets	164,386	160,246	1,980,552
PROPERTY, PLANT AND EQUIPMENT:			
Land (Note 5)	6,334	6,440	76,317
Buildings and structures (Notes 5 and 6)	38,135	38,105	459,454
Machinery and equipment (Note 5)	17,258	17,126	207,922
Furniture and fixtures (Note 5)	19,278	19,261	232,270
Construction in progress	351	103	4,227
Total	81,356	81,035	980,190
Accumulated depreciation	(55,645)	(53,586)	(670,417)
Net property, plant and equipment	25,711	27,449	309,773
INVESTMENTS AND OTHER ASSETS:			
Investment securities (Notes 3 and 14)	12,202	14,887	147,015
Investments in unconsolidated subsidiaries and associated companies	517	454	6,224
Goodwill (Note 5)	3,879	5,370	46,732
Deferred tax assets (Note 10)	1,585	1,110	19,098
Other assets	9,221	8,956	111,101
Total investments and other assets	27,404	30,777	330,170
TOTAL	¥217,501	¥218,472	$2,620,495

See notes to consolidated financial statements.

LIABILITIES AND EQUITY	Millions of yen		Thousands of U.S. dollars (Note 1)
	2011	2010	2011
CURRENT LIABILITIES:			
Short-term borrowings (Notes 6 and 14)	¥ 4,055	¥ 12,498	$ 48,857
Current portion of long-term debt (Notes 6 and 14)	1,699	2,009	20,469
Notes and accounts payable:			
Trade (Note 14)	33,946	34,985	408,992
Other	941	956	11,342
Income taxes payable	5,810	3,642	69,999
Accrued bonuses	8,119	7,908	97,824
Other accrued expenses and current liabilities	10,923	11,957	131,591
Total current liabilities	65,493	73,955	789,074
LONG-TERM LIABILITIES:			
Long-term debt (Notes 6 and 14)	6,284	914	75,712
Liabilities for retirement benefits (Note 7)	12,582	13,116	151,592
Deferred tax liabilities (Note 10)	963	1,069	11,604
Other long-term liabilities	817	140	9,843
Total long-term liabilities	20,646	15,239	248,751
COMMITMENTS AND CONTINGENT LIABILITIES (Notes 13, 15 and 16)			
EQUITY (Notes 8, 9 and 18):			
Common stock–authorized, 279,710,000 shares;			
issued, 75,116,101 shares	10,523	10,523	126,780
Capital surplus	17,198	17,198	207,203
Stock acquisition rights	2	2	27
Retained earnings	103,678	100,363	1,249,126
Treasury stock—at cost, 1,261,417 shares in 2011 and 1,260,779 shares in 2010	(2,643)	(2,643)	(31,844)
Accumulated other comprehensive income (loss):			
Unrealized gain on available-for-sale securities	2,119	3,149	25,535
Deferred (loss) gain on derivatives under hedge accounting	(1)	2	(10)
Foreign currency translation adjustments	(1,269)	(923)	(15,289)
Total	129,607	127,671	1,561,528
Minority interests	1,755	1,607	21,142
Total equity	131,362	129,278	1,582,670
TOTAL	¥217,501	¥218,472	$2,620,495

Consolidated Statements of Income and Consolidated Statement of Comprehensive Income

Yamatake Corporation and Consolidated Subsidiaries
Years Ended March 31, 2011 and 2010

Consolidated Statements of Income

	Millions of yen		Thousands of U.S. dollars (Note 1)
	2011	2010	2011
NET SALES	¥219,216	¥212,213	$2,641,162
COST OF SALES (Notes 7 and 13)	139,502	135,793	1,680,753
Gross profit	79,714	76,420	960,409
SELLING, GENERAL AND ADMINISTRATIVE EXPENSES (Notes 7, 12 and 13)	64,818	64,035	780,936
Operating income	14,896	12,385	179,473
OTHER INCOME (EXPENSES):			
Interest income	107	122	1,285
Dividend income	470	297	5,661
Interest expense	(159)	(205)	(1,911)
Foreign currency exchange loss	(473)	(34)	(5,695)
Loss on sales of property, plant and equipment–net	(58)	(151)	(698)
Gain (loss) on sales of investment securities–net	176	(1)	2,121
Loss on impairment of long-lived assets (Note 5)	(245)	(838)	(2,949)
Others–net (Note 11)	(988)	(454)	(11,911)
Other expenses–net	(1,170)	(1,264)	(14,097)
INCOME BEFORE INCOME TAXES AND MINORITY INTERESTS	13,726	11,121	165,376
INCOME TAXES (Note 10):			
Current	6,077	4,343	73,212
Deferred	(560)	336	(6,738)
Total income taxes	5,517	4,679	66,474
NET INCOME BEFORE MINORITY INTERESTS	8,209		98,902
MINORITY INTERESTS IN NET INCOME	(281)	(200)	(3,383)
NET INCOME	¥ 7,928	¥ 6,242	$ 95,519

	Yen		U.S. dollars
	2011	2010	2011
PER SHARE OF COMMON STOCK (Note 2.s):			
Net income	¥ 107.35	¥ 84.52	$ 1.29
Cash dividends applicable to the year	63.00	62.00	0.76

See notes to consolidated financial statements.

Consolidated Statement of Comprehensive Income

	Millions of yen	Thousands of U.S. dollars (Note 1)
	2011	2011
NET INCOME BEFORE MINORITY INTERESTS	¥ 8,209	$ 98,902
OTHER COMPREHENSIVE INCOME (LOSS) (Note 17):		
Unrealized loss on available-for-sale securities	(1,023)	(12,329)
Deferred loss on derivatives under hedge accounting	(2)	(30)
Foreign currency translation adjustments	(422)	(5,075)
Total other comprehensive loss	(1,447)	(17,434)
COMPREHENSIVE INCOME (Note 17)	¥ 6,762	$ 81,468
TOTAL COMPREHENSIVE INCOME ATTRIBUTABLE TO (Note 17):		
Yamatake Corporation	¥ 6,550	$ 78,918
Minority interests	212	2,550

See notes to consolidated financial statements.

Consolidated Statements of Changes in Equity

Yamatake Corporation and Consolidated Subsidiaries
Years Ended March 31, 2011 and 2010

	Thousands	Millions of yen										
							Accumulated Other Comprehensive Income (Loss)					
	Number of Shares of Common Stock Outstanding	Common Stock	Capital Surplus	Stock Acquisition Rights	Retained Earnings	Treasury Stock	Unrealized Gain (Loss) on Available-for-Sale Securities	Deferred Gain (Loss) on Derivatives under Hedge Accounting	Foreign Currency Translation Adjustments	Total	Minority Interests	Total Equity
BALANCE, APRIL 1, 2009	73,856	¥10,523	¥17,198		¥ 98,692	¥(2,641)	¥ 873		¥(1,091)	¥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)
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	(2,643)	3,149	2	(923)	127,671	1,607	129,278
Adjustment of retained earnings for newly consolidated subsidiaries					3					3		3
Net income					7,928					7,928		7,928
Cash dividends, ¥63 per share					(4,616)					(4,616)		(4,616)
Purchase of treasury stock												
Disposal of treasury stock												
Net change in the year							(1,030)	(3)	(346)	(1,379)	148	(1,231)
BALANCE, MARCH 31, 2011	73,855	¥10,523	¥17,198	¥2	¥103,678	¥(2,643)	¥ 2,119	¥(1)	¥(1,269)	¥129,607	¥1,755	¥131,362

	Thousands of U.S. dollars (Note 1)										
						Accumulated Other Comprehensive Income (Loss)					
	Common Stock	Capital Surplus	Stock Acquisition Rights	Retained Earnings	Treasury Stock	Unrealized Gain (Loss) on Available-for-Sale Securities	Deferred Gain (Loss) on Derivatives under Hedge Accounting	Foreign Currency Translation Adjustments	Total	Minority Interests	Total Equity
BALANCE, MARCH 31, 2010	$126,780	$207,203	$20	$1,209,189	$(31,828)	$ 37,937	$ 20	$(11,121)	$1,538,200	$19,364	$1,557,564
Adjustment of retained earnings for newly consolidated subsidiaries				32					32		32
Net income				95,519					95,519		95,519
Cash dividends, $0.76 per share				(55,614)					(55,614)		(55,614)
Purchase of treasury stock					1				1		1
Disposal of treasury stock					(17)				(17)		(17)
Net change in the year			7			(12,402)	(30)	(4,168)	(16,593)	1,778	(14,815)
BALANCE, MARCH 31, 2011	$126,780	$207,203	$27	$1,249,126	$(31,844)	$ 25,535	$(10)	$(15,289)	$1,561,528	$21,142	$1,582,670

See notes to consolidated financial statements.

Consolidated Statements of Cash Flows

Yamatake Corporation and Consolidated Subsidiaries
Years Ended March 31, 2011 and 2010

	Millions of yen		Thousands of U.S. dollars (Note 1)
	2011	2010	2011
OPERATING ACTIVITIES:			
Income before income taxes and minority interests	¥ 13,726	¥ 11,121	$ 165,376
Adjustments for:			
Income taxes–paid	(3,866)	(5,459)	(46,575)
Depreciation and amortization	5,789	6,243	69,746
Provision for (reversal of) doubtful receivables	8	(134)	98
Increase (decrease) in accrued bonuses	213	(457)	2,565
Loss on sales of property, plant and equipment–net	58	151	698
(Gain) loss on sales of investment securities–net	(176)	1	(2,121)
Loss on impairment of long-lived assets	245	838	2,949
(Increase) decrease in notes and accounts receivable	(1,610)	273	(19,400)
Decrease in inventories	2,500	4,924	30,124
Decrease in notes and accounts payable	(906)	(1,082)	(10,919)
Decrease in liabilities for retirement benefits	(532)	(314)	(6,407)
Others–net	(226)	(391)	(2,723)
Total adjustments	1,497	4,593	18,035
Net cash provided by operating activities	15,223	15,714	183,411
INVESTING ACTIVITIES:			
Proceeds from sales of property, plant and equipment	176	45	2,118
Purchases of property, plant and equipment	(3,207)	(3,196)	(38,637)
Proceeds from sales of investment securities	1,262	6	15,210
Purchases of investment securities	(83)	(31)	(1,001)
Proceeds from sales of beneficiary securities of trust	13,793	11,311	166,186
Purchases of beneficiary securities of trust	(14,082)	(11,885)	(169,657)
Payment for acquisition of BioVigilant Systems, Inc., net of cash acquired		(744)	
Others–net	(135)	6,454	(1,632)
Net cash (used in) provided by investing activities	(2,276)	1,960	(27,413)
FINANCING ACTIVITIES:			
Net (decrease) increase in short-term borrowings	(8,409)	296	(101,316)
Proceeds from long-term debt	7,050	513	84,940
Repayment of long-term debt	(1,893)	(2,858)	(22,810)
Disposal of treasury stock		1	1
Purchase of treasury stock	(1)	(2)	(17)
Dividends paid	(4,613)	(4,578)	(55,583)
Others–net	(135)	(129)	(1,620)
Net cash used in financing activities	(8,001)	(6,757)	(96,405)
FOREIGN CURRENCY TRANSLATION ADJUSTMENTS ON CASH AND CASH EQUIVALENTS	(466)	68	(5,616)
NET INCREASE IN CASH AND CASH EQUIVALENTS	4,480	10,985	53,977
CASH AND CASH EQUIVALENTS OF NEWLY CONSOLIDATED SUBSIDIARIES, BEGINNING OF YEAR		58	
CASH AND CASH EQUIVALENTS, BEGINNING OF YEAR	55,364	44,321	667,031
CASH AND CASH EQUIVALENTS, END OF YEAR	¥ 59,844	¥ 55,364	$ 721,008
ADDITIONAL INFORMATION:			
Increase in assets and liabilities, cash paid for capital and goodwill in the acquisition of BioVigilant Systems, Inc.:			
Assets acquired		¥ 115	
Liabilities assumed		538	
Cash paid for capital		744	
Goodwill		1,167	

See notes to consolidated financial statements.

Notes to Consolidated Financial Statements

Yamatake Corporation and Consolidated Subsidiaries
Years Ended March 31, 2011 and 2010

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.

Under Japanese GAAP, a consolidated statement of comprehensive income is required from the fiscal year ended March 31, 2011 and has been presented herein. Accordingly, accumulated other comprehensive income (loss) is presented in the consolidated balance sheet and the consolidated statement of changes in equity. Information with respect to other comprehensive income for the year ended March 31, 2010 is disclosed in Note 17. In addition, "net income before minority interests" is disclosed in the consolidated statement of income from the year ended March 31, 2011.

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 2010 financial statements to conform to the classifications used in 2011.

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 ¥83 to $1, the approximate rate of exchange as of March 31, 2011. 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, 2011 include the accounts of Yamatake and its 35 significant (36 in 2010) 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") is being amortized over 7 years. Other goodwill is being 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. Asset Retirement Obligations–In March 2008, the Accounting Standards Board of Japan (the "ASBJ") published the 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 was effective for fiscal years beginning on or after April 1, 2010.

Yamatake and its consolidated domestic subsidiaries applied this accounting standard effective April 1, 2010. The effect of this change was to decrease operating income by ¥24 million ($289 thousand) and income before income taxes and minority interests by ¥290 million ($3,491 thousand) for the year ended March 31, 2011.

j. Stock Options–In December 2005, 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.

k. Research and Development Costs–Research and development costs are charged to income as incurred.

l. 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.

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 was 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 continue to account 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.

m. 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, 2011 and 2010 was ¥103 million ($1,241 thousand) and ¥85 million, respectively.

n. 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 this accounting standard, 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.

o. 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.

p. 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.

q. 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" under accumulated other comprehensive income (loss) in a separate component of equity.

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

r. 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.

s. 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 73,854,684 shares for 2011 and 73,855,322 shares for 2010.

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.

t. New Accounting Pronouncements

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, the 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 April 1, 2011.

3. INVESTMENT SECURITIES

Investment securities as of March 31, 2011 and 2010, consisted of the following:

	Millions of yen		Thousands of U.S. dollars
	2011	2010	2011
Non-current:			
Equity securities	¥12,128	¥14,788	$146,121
Trust fund investments and other	74	99	894
Total	¥12,202	¥14,887	$147,015

The costs and aggregate fair values of investment securities whose fair value is readily determinable as of March 31, 2011 and 2010, were as follows:

	Millions of yen								Thousands of U.S dollars			
	2011				2010				2011			
	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	¥5,708	¥5,944	¥103	¥11,549	¥6,157	¥7,590	¥106	¥13,641	$68,766	$71,610	$1,236	$139,140
Trust fund investments and other	58	3	4	57	61	5	5	61	695	39	52	682

Available-for-sale securities whose fair values are not readily determinable as March 31, 2010 were as follows. The similar information for 2011 is disclosed in Note 14.

March 31, 2010	Carrying Amount Millions of yen
Securities classified as available-for-sale:	
Equity securities	¥1,146
Trust fund investments and other	39
Total	¥1,185

The information for available-for-sale securities which were sold during the years ended March 31, 2011 and 2010 was as follows:

	Millions of yen						Thousands of U.S dollars		
	2011			2010			2011		
	Proceeds	Realized Gains	Realized Losses	Proceeds	Realized Gains	Realized Losses	Proceeds	Realized Gains	Realized Losses
Available-for-sale–Equity securities	¥1,796	¥194	¥18	¥5		¥1	$21,641	$2,339	$218

The impairment losses on available-for-sale equity securities for the years ended March 31, 2011 and 2010 were ¥71 million ($855 thousand) and ¥400 million, respectively.

4. INVENTORIES

Inventories as of March 31, 2011 and 2010, consisted of the following:

	Millions of yen		Thousands of U.S. dollars
	2011	2010	2011
Merchandise	¥ 1,370	¥ 1,389	$ 16,504
Finished products	2,327	1,875	28,033
Work in process	4,745	8,251	57,174
Raw materials	5,343	4,920	64,376
Total	¥13,785	¥16,435	$166,087

5. LONG-LIVED ASSETS

The azbil Group reviewed its long-lived assets for impairment as of March 31, 2011 and 2010, and recognized an impairment loss of ¥245 million ($2,949 thousand) and ¥838 million for goodwill and certain assets of Kimmon, respectively. The carrying amount of the relevant property, plant and equipment was written down to the net selling price, and all of the carrying amount of goodwill was written down. The discount rate for measuring the recoverable amount was 16%.

6. SHORT-TERM BORROWINGS AND LONG-TERM DEBT

Short-term borrowings as of March 31, 2011 and 2010, mainly consisted of notes to banks and bank overdrafts. The annual interest rates applicable to the short-term bank loans ranged from 0.5% to 3.8% as of March 31, 2011 and from 0.3% to 3.5% as of March 31, 2010.

Long-term debt as of March 31, 2011 and 2010, consisted of the following:

	Millions of yen		Thousands of U.S. dollars
	2011	2010	2011
Loans from banks and other financial institutions, due serially through 2026 with interest rates ranging from 0.9% to 2.1% in 2011 and from 0.9% to 2.7% in 2010:			
Collateralized	¥ 82	¥ 44	$ 992
Unsecured	7,650	2,538	92,169
Bonds due serially through 2012 with interest rates ranging from 0.6% to 1.5% in 2011 and from 0.7% to 1.5% in 2010:			
Collateralized	50	80	602
Unsecured	10	30	121
Obligations under finance leases	191	231	2,297
Total	7,983	2,923	96,181
Less current portion	(1,699)	(2,009)	(20,469)
Long-term debt, less current portion	¥ 6,284	¥ 914	$ 75,712

As of March 31, 2011, Yamatake had an unused line of credit amounting to ¥30,000 million ($361,446 thousand), of which ¥10,000 million ($120,482 thousand) related to the unused portion of commitment lines with four banks and ¥20,000 million ($240,964 thousand) related to a medium-term notes program.

Annual maturities of long-term debt as of March 31, 2011, for the next five years and thereafter were as follows:

Year Ending March 31	Millions of yen	Thousands of U.S. dollars
2012	¥1,699	$20,469
2013	1,534	18,476
2014	1,534	18,478
2015	1,745	21,031
2016	1,434	17,277
2017 and thereafter	37	450
Total	¥7,983	$96,181

The carrying amounts of assets pledged as collateral for the above collateralized long-term debt at March 31, 2011, were as follows:

	Millions of yen	Thousands of U.S. dollars
Time deposit	¥135	$1,627
Buildings and structures	161	1,940
Total	¥296	$3,567

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 service, 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, 2011 and 2010 for directors and corporate auditors is ¥227 million ($2,741 thousand) and ¥194 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, 2011 and 2010, consisted of the following:

	Millions of yen		Thousands of U.S. dollars
	2011	2010	2011
Projected benefit obligation	¥ 42,843	¥ 42,691	$ 516,185
Fair value of plan assets	(24,788)	(23,943)	(298,658)
Unrecognized prior service costs	2,156	2,376	25,975
Unrecognized actuarial loss	(7,872)	(8,231)	(94,846)
Prepaid pension expense	16	29	195
Net liability	¥ 12,355	¥ 12,922	$ 148,851

The components of net periodic benefit costs for the years ended March 31, 2011 and 2010, are as follows:

	Millions of yen		Thousands of U.S. dollars
	2011	2010	2011
Service cost	¥1,799	¥ 1,827	$21,677
Interest cost	820	827	9,875
Expected return on plan assets	(478)	(515)	(5,760)
Amortization of prior service costs	(220)	(236)	(2,656)
Recognized actuarial loss	980	1,153	11,810
Payment for defined contribution pension plan and other	828	804	9,977
Net periodic benefit costs	¥3,729	¥ 3,860	$44,923

Assumptions used for the years ended March 31, 2011 and 2010, are set forth as follows:

	2011	2010
Discount rate	2.0%	2.0%
Expected rate of return on plan assets	2.0%	2.5%
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 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

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

The stock options outstanding as of March 31, 2011 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	2 employees	24,000 shares	2007.8.13	1.00	From August 13, 2007 to August 13, 2017
2007 Stock Option	1 director	20,000 shares	2007.11.20	1.00	From November 20, 2007 to November 20, 2017
2008 Stock Option	1 director	10,000 shares	2008.4.25	0.38	From April 25, 2008 to April 25, 2018
2008 Stock Option	1 director and 15 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 10 employees	18,000 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
Year Ended March 31, 2011							
Non-vested							
March 31, 2010—Outstanding					36,498	93,668	20,000
Granted							
Canceled							(2,000)
Vested					(36,498)	(46,834)	(6,001)
March 31, 2011—Outstanding						46,834	11,999
Vested							
March 31, 2010—Outstanding	3,000	6,000	10,000		175,452	46,832	11,000
Vested					36,498	46,834	6,001
Exercised							
Canceled					(60,000)		
March 31, 2011—Outstanding	3,000	6,000	10,000		151,950	93,666	17,001
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)							

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, 2011 and 2010.

The tax effects of significant temporary differences and tax loss carryforwards which resulted in deferred tax assets and liabilities at March 31, 2011 and 2010, are as follows:

	Millions of yen		Thousands of U.S. dollars
	2011	2010	2011
Deferred tax assets:			
Pension and severance costs	¥ 4,782	¥ 5,029	$ 57,613
Accrued expenses	4,278	3,887	51,546
Depreciation	1,143	1,306	13,754
Loss on impairment of property, plant and equipment	306	435	3,692
Allowance for doubtful receivables	642	397	7,729
Tax loss carryforwards	2,923	2,954	35,219
Others	2,610	2,231	31,450
Less valuation allowance	(6,155)	(6,153)	(74,151)
Total	10,529	10,086	126,852
Deferred tax liabilities:			
Net unrealized gain on available-for-sale securities	2,327	2,984	28,043
Special advanced depreciation	1,711	1,851	20,612
Others	382	355	4,597
Total	4,420	5,190	53,252
Net deferred tax assets	¥ 6,109	¥ 4,896	$ 73,600

There are no material difference between the normal effective statutory tax rate for the years ended March 31, 2011 and 2010, and the actual effective tax rates reflected in the accompanying consolidated statements of income.

At March 31, 2011, certain subsidiaries have tax loss carryforwards aggregating approximately ¥9,691 million ($116,763 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
2012		
2013	¥ 195	$ 2,351
2014	4,819	58,062
2015	675	8,137
2016	413	4,973
2017 and thereafter	3,589	43,240
Total	¥9,691	$116,763

11. OTHER INCOME (EXPENSES)—NET

Other income (expenses)—net for the year ended March 31, 2011 consisted of the following:

	Millions of yen	Thousands of U.S. dollars
Loss on disaster caused by Tohoku-Pacific Ocean Earthquake:		
Equipment restoration costs	¥ 68	$ 816
Charitable donations	53	639
Production suspensions caused by natural disasters—fixed costs during the suspension period	16	187
Loss on destruction of inventory	14	172
Total	¥151	$1,814

12. RESEARCH AND DEVELOPMENT COSTS

Research and development costs charged to income were ¥8,953 million ($107,866 thousand) and ¥8,640 million for the years ended March 31, 2011 and 2010, respectively.

13. 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, 2011 and 2010, were ¥5,401 million ($65,068 thousand) and ¥6,471 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 continue 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 was as follows:

	Millions of yen							
	2011				2010			
	Machinery and Equipment	Furniture and Fixtures	Software	Total	Machinery and Equipment	Furniture and Fixtures	Software	Total
Acquisition cost	¥621	¥553	¥337	¥1,511	¥774	¥839	¥693	¥2,306
Accumulated depreciation	386	511	289	1,186	475	717	522	1,714
Accumulated impairment loss	130		10	140	130		40	170
Net leased property	¥105	¥ 42	¥ 38	¥ 185	¥169	¥122	¥131	¥ 422

	Thousands of U.S. dollars			
	2011			
	Machinery and Equipment	Furniture and Fixtures	Software	Total
Acquisition cost	$7,479	$6,670	$4,056	$18,205
Accumulated depreciation	4,655	6,157	3,476	14,288
Accumulated impairment loss	1,562		119	1,681
Net leased property	$1,262	$ 513	$ 461	$ 2,236

Obligations under finance leases:

	Millions of yen		Thousands of U.S. dollars
	2011	2010	2011
Due within one year	¥ 483	¥ 645	$ 5,817
Due after one year	1,456	1,941	17,548
Total	¥1,939	¥2,586	$23,365

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

Allowance for impairment loss on leased property of ¥43 million ($515 thousand) as of March 31, 2011 and ¥75 million as of March 31, 2010, is not included in the obligations under finance leases.

Depreciation expense and other information for finance leases:

	Millions of yen		Thousands of U.S. dollars
	2011	2010	2011
Depreciation expense	¥234	¥345	$2,819
Lease payments	366	496	4,415
Reversal of allowance for impairment loss on leased property	32	51	387

The above 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, 2011 and 2010 were as follows:

	Millions of yen		Thousands of U.S. dollars
	2011	2010	2011
Due within one year	¥ 482	¥334	$ 5,813
Due after one year	700	75	8,432
Total	¥1,182	¥409	$14,245

(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, 2011 and 2010, was as follows:

	Millions of yen		Thousands of U.S. dollars
	2011	2010	2011
Receivables under finance leases:			
Due within one year	¥ 272	¥ 279	$ 3,275
Due after one year	1,350	1,623	16,266
Total	¥1,622	¥1,902	$19,541

14. FINANCIAL INSTRUMENTS AND RELATED DISCLOSURES

In March 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 were applicable to financial instruments and related disclosures at the end of the fiscal years ending on or after March 31, 2010. The azbil Group applied the revised accounting standard and the 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 15 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 group 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 15 for the detail of fair value for derivatives.

(a) **Fair value of financial instruments**

	Millions of yen						Thousands of U.S dollars		
	March 31, 2011			March 31, 2010			March 31, 2011		
	Carrying Amount	Fair Value	Unrealized Loss	Carrying Amount	Fair Value	Unrealized Loss	Carrying Amount	Fair Value	Unrealized Loss
Cash and cash equivalents	¥ 59,844	¥ 59,844		¥ 55,364	¥ 55,364		$ 721,008	$ 721,008	
Notes and accounts receivable–trade	76,050	76,050		74,651	74,651		916,261	916,261	
Investment securities	11,605	11,605		13,702	13,702		139,822	139,822	
Total	¥147,499	¥147,499		¥143,717	¥143,717		$1,777,091	$1,777,091	
Short-term borrowings	¥ 4,055	¥ 4,055		¥ 12,498	¥ 12,498		$ 48,857	$ 48,857	
Current portion of long-term debt	1,699	1,699		2,009	2,009		20,469	20,469	
Notes and accounts payable–trade	33,946	33,946		34,985	34,985		408,992	408,992	
Long-term debt	6,284	6,302	¥(18)	914	923	¥(9)	75,712	75,926	$(214)
Total	¥ 45,984	¥ 46,002	¥(18)	¥ 50,406	¥ 50,415	¥(9)	$ 554,030	$ 554,244	$(214)

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 equity instruments, and at the quoted price obtained from the financial institution for certain debt instruments. The information of the fair value for 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 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 15.

(b) **Carrying amount of financial instruments whose fair value cannot be reliably determined**

	Millions of yen		Thousands of U.S. dollars
	March 31, 2011	March 31, 2010	March 31, 2011
Investments in equity instruments that do not have a quoted market price in an active market	¥597	¥1,185	$7,193

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

	Millions of yen				Thousands of U.S dollars			
	March 31, 2011				March 31, 2011			
	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	¥ 59,844				$ 721,008			
Notes and accounts receivable–trade	72,386	¥3,664			872,123	$44,138		
Total	¥132,230	¥3,664			$1,593,131	$44,138		

Please see Note 6 for annual maturities of long-term debt and Note 13 for obligations under finance leases, respectively.

15. 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.

Derivative Transactions to Which Hedge Accounting Is Not Applied

	Millions of yen							
	March 31, 2011				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	¥738		¥ (7)	¥ (7)	¥601		¥(18)	¥(18)
Selling KR won	142		(8)	(8)	150		(12)	(12)
Buying U.S. dollars	216		(14)	(14)	151			

	Thousands of U.S dollars			
	March 31, 2011			
	Contract Amount	Contract Amount Due after One Year	Fair Value	Unrealized Loss
Foreign currency forward contracts:				
Selling U.S. dollars	$8,893		$ (83)	$ (83)
Selling KR won	1,715		(92)	(92)
Buying U.S. dollars	2,599		(163)	(163)

Derivative Transactions to Which Hedge Accounting Is Applied

		Millions of yen						Thousands of U.S dollars		
		March 31, 2011			March 31, 2010			March 31, 2011		
	Hedged Item	Contract Amount	Contract Amount Due after One Year	Fair Value	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	¥47		¥(1)	¥87		¥3	$565		$(16)

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.

16. COMMITMENT AND CONTINGENT LIABILITIES

At March 31, 2011, the azbil Group had the following contingent liabilities:

	Millions of yen	Thousands of U.S. dollars
Guarantees and similar items of loans	¥15	$182

17. COMPREHENSIVE INCOME

For the Year Ended March 31, 2010

Total comprehensive income for the year ended March 31, 2010 was as follows:

	Millions of yen
	2010
Total comprehensive income attributable to:	
Yamatake Corporation	¥8,687
Minority interests	234
Total comprehensive income	¥8,921

Other comprehensive income for the year ended March 31, 2010 consisted of the following:

	Millions of yen
	2010
Other comprehensive income:	
Unrealized gain on available-for-sale securities	¥2,289
Deferred gain on derivatives under hedge accounting	2
Foreign currency translation adjustments	188
Total other comprehensive income	¥2,479

18. SUBSEQUENT EVENT

Appropriation of Retained Earnings

The following appropriation of retained earnings at March 31, 2011 was approved at Yamatake's shareholders meeting held on June 28, 2011:

	Millions of yen	Thousands of U.S. dollars
Year-end cash dividends, ¥32 ($0.38) per share	¥2,326	$28,029

19. SEGMENT INFORMATION

For the Years Ended March 31, 2011 and 2010

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.

(1) Description of reportable segments

The reportable segments of the azbil Group—identifiable operating segments of the Group's business structure for which financial information is made separately available—are subject to periodic review by the Board of Directors in order to make decisions on the distribution of management resources and to assess performance.

The azbil Group identifies its operating segments using such criteria as business organization, product lines, service content, and markets. This approach results in three separate reportable segments: the building automation business, the advanced automation business, and the life automation business.

The building automation business supplies commercial buildings and production facilities with automatic HVAC control and security systems, including products, engineering and related services. The advanced automation business supplies automation control systems, switches and sensors, engineering and maintenance services to industrial plants and factories. The life automation business supplies lifeline meters, as well as products and services related to nursing care/health support and emergency alert response services—all of which are intimately connected with the daily lives of the general public.

(2) Methods of measurement for the amounts of sales, profit (loss), assets, liabilities and other items for each reportable segment

The accounting policies of each reportable segment are consistent to those disclosed in Note 2, "Summary of Significant Accounting Policies."

(3) Information about sales, profit (loss), assets, liabilities and other items is as follows:

	Millions of yen							
	2011							
	Reportable Segment							
	Building Automation	Advanced Automation	Life Automation	Total	Other	Total	Reconciliations	Consolidated
Sales:								
Sales to external customers	¥101,872	¥80,202	¥32,248	¥214,322	¥4,894	¥219,216		¥219,216
Intersegment sales or transfers	252	773	373	1,398	229	1,627	¥(1,627)	
Total	¥102,124	¥80,975	¥32,621	¥215,720	¥5,123	¥220,843	¥(1,627)	¥219,216
Segment profit (loss)	¥ 11,749	¥ 3,234	¥ (227)	¥ 14,756	¥ 144	¥ 14,900	¥ (4)	¥ 14,896
Segment assets	55,592	58,308	26,196	140,096	2,138	142,234	75,267	217,501
Other:								
Depreciation	1,209	2,345	890	4,444	16	4,460		4,460
Increase in property, plant and equipment and intangible assets	1,059	1,619	659	3,337	14	3,351		3,351

	Millions of yen							
	2010							
	Reportable Segment							
	Building Automation	Advanced Automation	Life Automation	Total	Other	Total	Reconciliations	Consolidated
Sales:								
Sales to external customers	¥96,387	¥76,177	¥34,445	¥207,009	¥5,204	¥212,213		¥212,213
Intersegment sales or transfers	284	761	276	1,321	125	1,446	¥(1,446)	
Total	¥96,671	¥76,938	¥34,721	¥208,330	¥5,329	¥213,659	¥(1,446)	¥212,213
Segment profit (loss)	¥11,517	¥ 552	¥ 353	¥ 12,422	¥ (41)	¥ 12,381	¥ 4	¥ 12,385
Segment assets	54,049	59,160	29,323	142,532	3,255	145,787	72,685	218,472
Other:								
Depreciation	1,266	2,604	840	4,710	41	4,751		4,751
Increase in property, plant and equipment and intangible assets	1,045	1,065	574	2,684	20	2,704		2,704

	Thousands of U.S. dollars							
	2011							
	Reportable Segment							
	Building Automation	Advanced Automation	Life Automation	Total	Other	Total	Reconciliations	Consolidated
Sales:								
Sales to external customers	$1,227,369	$966,294	$388,533	$2,582,196	$58,966	$2,641,162		$2,641,162
Intersegment sales or transfers	3,045	9,312	4,487	16,844	2,762	19,606	$(19,606)	
Total	$1,230,414	$975,606	$393,020	$2,599,040	$61,728	$2,660,768	$(19,606)	$2,641,162
Segment profit (loss)	$ 141,550	$ 38,962	$ (2,741)	$ 177,771	$ 1,746	$ 179,517	$ (44)	$ 179,473
Segment assets	669,778	702,506	315,615	1,687,899	25,758	1,713,657	906,838	2,620,495
Other:								
Depreciation	14,567	28,257	10,724	53,548	190	53,738		53,738
Increase in property, plant and equipment and intangible assets	12,763	19,510	7,935	40,208	160	40,368		40,368

Note: Corporate assets of ¥75,268 million ($906,838 thousand) for the year ended March 31, 2011 included in "Reconciliations" mainly consist of cash and cash equivalents and investment securities.

Related Information

(1) Information about products and services

The information disclosed is identical to the segment information, and is therefore omitted.

(2) Information by region

(a) Sales

Sales to domestic unaffiliated clients exceed 90% of the sales in the consolidated statement of income, so this information is omitted.

(b) Property, plant and equipment

The value of domestic property, plant and equipment exceeds 90% of the value of the property, plant and equipment on the consolidated balance sheet, so this information is omitted.

(c) Information about major customers

No clients accounted for more than 10% of sales in the consolidated statement of income, so this information is omitted.

Information on Impairment Loss in Noncurrent Assets by Reportable Segment

	Millions of yen							
	2011							
	Reportable Segment							
	Building Automation	Advanced Automation	Life Automation	Total	Other	Total	Reconciliations	Consolidated
Impairment losses of assets	¥191		¥54	¥245		¥245		¥245

	Thousands of U.S. dollars							
	2011							
	Reportable Segment							
	Building Automation	Advanced Automation	Life Automation	Total	Other	Total	Reconciliations	Consolidated
Impairment losses of assets	$2,297		$652	$2,949		$2,949		$2,949

Information on Amortization of Goodwill and Unamortized Balance by Reportable Segment

	Millions of yen							
	2011							
	Reportable Segment							
	Building Automation	Advanced Automation	Life Automation	Total	Other	Total	Reconciliations	Consolidated
Amortization of goodwill	¥39	¥10	¥1,280	¥1,329		¥1,329		¥1,329
Goodwill at March 31, 2011		36	3,843	3,879		3,879		3,879

	Thousands of U.S. dollars							
	2011							
	Reportable Segment							
	Building Automation	Advanced Automation	Life Automation	Total	Other	Total	Reconciliations	Consolidated
Amortization of goodwill	$471	$121	$15,416	$16,008		$16,008		$16,008
Goodwill at March 31, 2011		432	46,300	46,732		46,732		46,732

For the Year Ended March 31, 2010

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 for 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 advanced automation markets. This expertise is applied to fields closely connected with daily life. The life automation segment 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 year ended March 31, 2010 was as follows:

(1) Industry Segments

As for the information about the year ended March 31, 2010, since the similar segment information conformed to "Accounting Standard for Disclosures about Segments of an Enterprise and Related Information" (ASBJ Statement No. 17, March 27, 2009), etc., is disclosed as segment information on the consolidated financial statements based on former treatment of segment information, this notation has been omitted.

(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.

Deloitte.

Deloitte Touche Tohmatsu LLC
MS Shibaura Building
4-13-23, Shibaura
Minato-ku, Tokyo 108-8530
Japan
Tel:+81 (3) 3457 7321
Fax:+81 (3) 3457 1694
www.deloitte.com/jp

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, 2011 and 2010, and the related consolidated statements of income for the years then ended, the consolidated statement of comprehensive income for the year ended March 31, 2011, and the consolidated statements of 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, 2011 and 2010, and the consolidated results of their operations and their cash flows for the years then ended in conformity with accounting principles generally accepted in Japan.

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

Deloitte Touche Tohmatsu LLC

June 16, 2011

Member of
Deloitte Touche Tohmatsu Limited

Corporate Data

As of March 31, 2011

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, R&D and Business Centers	Fujisawa Technology Center, Shonan and Isehara Factories, Shinagawa Business Center
Employees	5,198 (consolidated basis: 8,215)

Subsidiaries and Affiliates

As of June 30, 2011

Japan

Yamatake & Co., Ltd. *
Tokyo, Japan
Ownership: 100%

Yamatake Control Products Co., Ltd. *
Kanagawa, Japan
Ownership: 100%

Yamatake Friendly Co., Ltd.
Kanagawa, Japan
Ownership: 100%

Yamatake Care-Net Co., Ltd. *
Tokyo, Japan
Ownership: 100%

Safety Service Center Co., Ltd. *
Tokyo, Japan
Ownership: 100%

SecurityFriday Co., Ltd.
Kanagawa, Japan
Ownership: 85%

Hara Engineering Co., Ltd.
Kanagawa, Japan
Ownership: 100% owned by Yamatake & Co., Ltd.

Kimmon Manufacturing Co., Ltd. *
Tokyo, Japan
Ownership: 100%

Aomori Manufacturing Co., Ltd. *
Aomori, Japan
Ownership: 100% owned by Kimmon Manufacturing Co., Ltd.

Wakayama Seiki Co., Ltd. *
Wakayama, Japan
Ownership: 100% owned by Kimmon Manufacturing Co., Ltd.

Shirakawa Seiki Co., Ltd. *
Fukushima, Japan
Ownership: 99.3% owned by Kimmon Manufacturing Co., Ltd.

Kimmon Shirasawa Co., Ltd. *
Fukushima, Japan
Ownership: 100% owned by Kimmon Manufacturing Co., Ltd.

Kimmon Aizu Co., Ltd. *
Fukushima, Japan
Ownership: 100% owned by Kimmon Manufacturing Co., Ltd.

Kimmon Haramachi Co., Ltd. *
Fukushima, Japan
Ownership: 100% owned by Kimmon Manufacturing Co., Ltd.

Kimmon Karatsu Co., Ltd. *
Saga, Japan
Ownership: 100% owned by Kimmon Manufacturing Co., Ltd.

Kimmon Environment Equipment Co., Ltd. *
Kanagawa, Japan
Ownership: 100% owned by Kimmon Manufacturing Co., Ltd.

Hokkaido Kimmon Construction Co., Ltd. *
Hokkaido, 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 Mizuho Co., Ltd. *
Kyoto, Japan
Ownership: 100%

Royal Controls Co., Ltd. *
Tokyo, Japan
Ownership: 51%

Taishin Co., Ltd. *
Nagano, Japan
Ownership: 50%

Tem-Tech Lab.
Tokyo, Japan
Ownership: 25%

Overseas

Azbil Korea Co., Ltd. *
Seoul, Korea
Ownership: 100%

Azbil Taiwan Co., Ltd. *
Taipei, Taiwan
Ownership: 100%

Azbil Kimmon Technology Corporation
Miaoli, Taiwan
Ownership: 51% owned by Kimmon Manufacturing Co., Ltd.
(Scheduled to begin operations and productions in the second half of 2011)

Azbil Vietnam Co., Ltd.
Hanoi, Vietnam
Ownership: 100%

Azbil India Pvt. Ltd.
Mumbai, India
Ownership: 99.9%

Azbil (Thailand) Co., Ltd. *
Bangkok, Thailand
Ownership: 99.9%

Azbil Philippines Corporation *
Makati, Philippines
Ownership: 99.9%

Azbil Malaysia Sdn. Bhd. *
Kuala Lumpur, Malaysia
Ownership: 100%

Azbil Singapore Pte. Ltd. *
Singapore
Ownership: 100%

PT. Azbil Berca Indonesia *
Jakarta, Indonesia
Ownership: 55%

Azbil Control Instruments (Dalian) Co., Ltd. *
Dalian, China
Ownership: 100%

Azbil Information Technology Center (Dalian) Co., Ltd.
Dalian, China
Ownership: 100%

Yamatake Environmental Control Technology (Beijing) Co., Ltd. *
Beijing, China
Ownership: 100%

Azbil Control Solutions (Shanghai) Co., Ltd. *
Shanghai, China
Ownership: 100%

Shanghai Azbil Automation Co., Ltd. *
Shanghai, China
Ownership: 60%

Azbil Hong Kong Limited *
Hong Kong, China
Ownership: 99.9%

Yamatake Automation Products (Shanghai) Co., Ltd. *
Shanghai, China
Ownership: 100%

Azbil North America, Inc. *
Santa Clara, CA, U.S.A.
Ownership: 100%

BioVigilant Systems, Inc. *
Tucson, AZ, U.S.A.
Ownership: 97.9%

Azbil Brazil Ltd.
Sao Paulo, Brazil
Ownership: 99.9%

Azbil Europe NV *
Zaventem, Belgium
Ownership: 100%

Four other affiliates

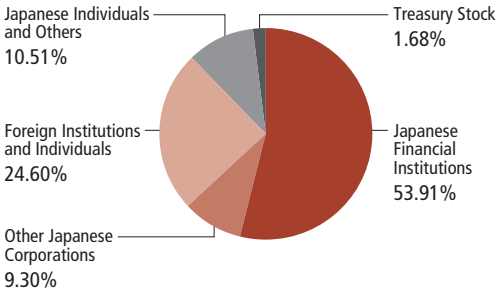
* Consolidated subsidiary

Stock Information

As of March 31, 2011

Total Number of Authorized Shares	279,710,000
Shares of Common Stock Issued	75,116,101
Shareholders	11,042
Fiscal Year	April 1 to March 31
Annual Shareholders' Meeting	June
Stock Listing	Tokyo Stock Exchange, 1st Section (6845)
Transfer Agent	Mizuho Trust & Banking Co., Ltd.

Composition of Shareholders

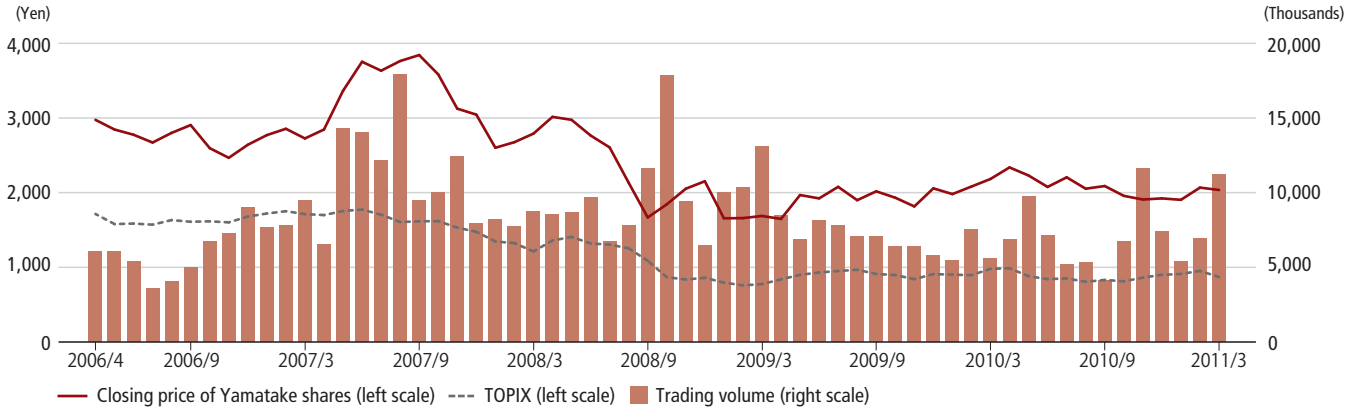


Major Shareholders

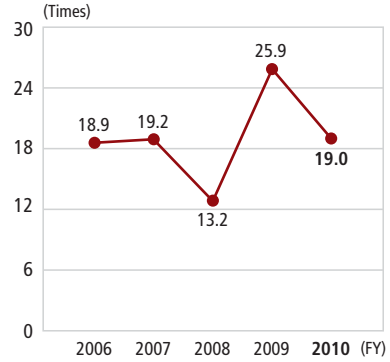
	Number of Shares Held (Thousands)	Percentage of Total Shares Issued
The Master Trust Bank of Japan, Ltd.	7,908	10.70
Japan Trustee Services Bank, Ltd.	6,268	8.48
Meiji Yasuda Life Insurance Co.	5,214	7.05
Japan Trustee Services Bank, Ltd. (Trust Account 9)	3,959	5.36
Nippon Life Insurance Co.	2,669	3.61
Trust & Custody Services Bank, Ltd. (trustee for Mizuho Trust & Banking Co., Ltd. Retirement Benefit Trust Account)	2,315	3.13
The Nomura Trust and Banking Co., Ltd. (Trust Accounts)	1,554	2.10
Deutsche Securities Inc.	1,443	1.95
Mizuho Corporate Bank, Ltd.	1,404	1.90
Sompo Japan Insurance Inc.	1,360	1.84

Equity position is calculated excluding treasury stock (1,261 thousand shares)

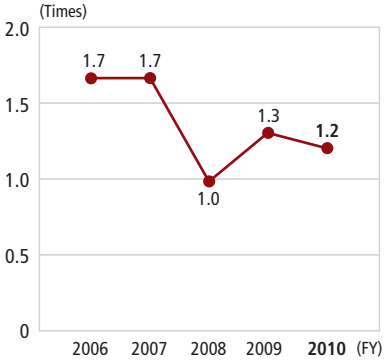
Trends in Share Price and Trading Volume



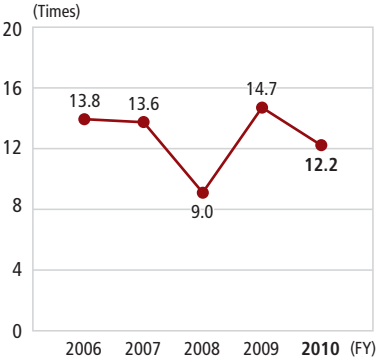
Price–Earnings Ratio



Price–Book Value Ratio



Price–Cash Flow Ratio



azbil Group Web Site

http://www.azbil.com/

Contact

Public Relations Section, Corporate Planning Department,
Yamatake Corporation
TEL 81-3-6810-1006 FAX 81-3-5220-7274

https://www.azbil.com/contact/index.html

azbil report 2011 editing staff

Editor's Afterword: What is the azbil report?

As an important tool for the azbil Group in communicating with stakeholders, the azbil report combines the Group's annual and CSR reports into a single volume to enable deeper understanding of its business activities.

The 2011 azbil report looks at the value the Group creates for customers and society from the perspectives of "Environment and Energy Conservation," "Peace of Mind and Safety," and "Quality and Productivity," for an easy-to-understand overview of the azbil Group's businesses. Through these values, we introduce azbil Group businesses that work to resolve the challenges facing its customers and society.

On April 1, 2012, all azbil Group companies will uniformly add "Azbil" to their names. We will report on the initiatives taken by the Group companies and employees as a unified corporate group as they work to create further value.

Issued: August 2011
Next scheduled release: August 2012

azbil

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