

azbil

April 1, 2012
from
Yamatake
to Azbil



azbil report 2012

azbil Group 2012 Sustainability Report

Azbil Corporation



On April 1, 2012,
Yamatake Corporation changed its name
to Azbil Corporation, and all Group companies
in Japan now have “Azbil” in their names.

Note: Overseas azbil Group companies completed name changes in 2009.



● Cautionary Statement

Statements made in this report with regards to Azbil's plans, targets, and strategies and other statements without historical facts are forward-looking statements about the future performance of Azbil 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 Azbil's markets, particularly levels of capital investments.
- 2) Exchange rates, particularly between the Japanese yen and U.S. dollar and other currencies in which Azbil makes significant sales or Azbil's assets and liabilities are denominated.
- 3) Continued acceptance of Azbil'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 new company names as they have changed their names on April 1, 2012.
- Handling of products and services introduced in this report differs by country or region.

Five years have passed since the azbil Group adopted the Group philosophy, “human-centered automation,” and symbol, “azbil,” to represent this philosophy.

We have united our brand and Group companies both in Japan and overseas under the “Azbil” name in order to enhance the value we provide to our customers and to achieve greater business growth as a unified group.

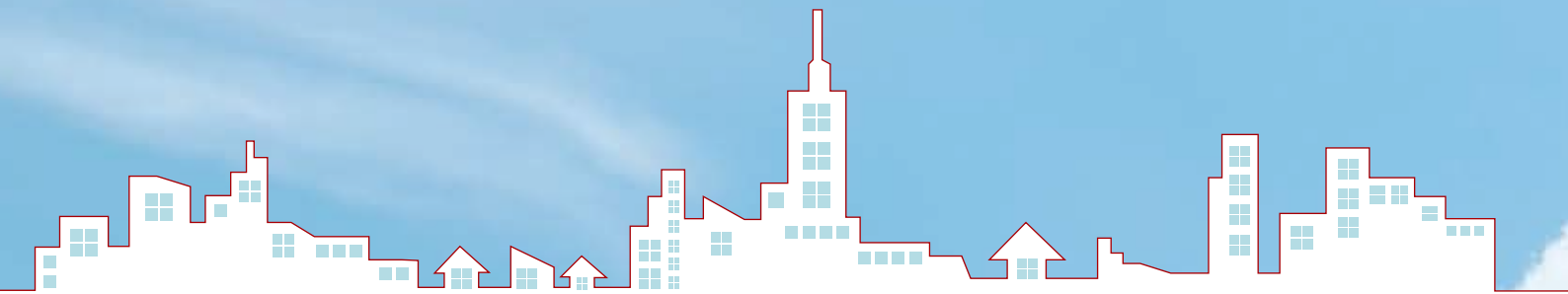
The azbil Group is working together in its commitment to being a corporate entity that is fully capable of generating new value and solving a myriad of problems together with its customers at their sites through its steadfast pursuit of “human-centered automation.”

Former company name → New company name

Yamatake Corporation	→	Azbil Corporation
Yamatake Control Products Co., Ltd.	→	Azbil Corporation
Yamatake & Co., Ltd.	→	Azbil Trading Co., Ltd.
Yamatake Friendly Co., Ltd.	→	Azbil Yamatake Friendly Co., Ltd.
Yamatake Care-Net Co., Ltd.	→	Azbil Care & Support Co., Ltd.
Safety Service Center Co., Ltd.	→	Azbil Care & Support Co., Ltd.
SecurityFriday Co., Ltd.	→	Azbil SecurityFriday Co., Ltd.
Kimmon Manufacturing Co., Ltd.	→	Azbil Kimmon Co., Ltd.
Aomori Manufacturing Co., Ltd.	→	Azbil Kimmon Aomori Co., Ltd.
Wakayama Seiki Co., Ltd.	→	Azbil Kimmon Wakayama Co., Ltd.
Shirakawa Seiki Co., Ltd.	→	Azbil Kimmon Shirakawa Co., Ltd.
Kimmon Shirasawa Co., Ltd.	→	Azbil Kimmon Shirasawa Co., Ltd.
Kimmon Aizu Co., Ltd.	→	Azbil Kimmon Aizu Co., Ltd.
Kimmon Haramachi Co., Ltd.	→	Azbil Kimmon Haramachi Co., Ltd.
Kimmon Karatsu Co., Ltd.	→	Azbil Kimmon Karatsu Co., Ltd.
Kimmon Environment Equipment Co., Ltd.	→	Azbil Kimmon Engineering Co., Ltd.
Hokkaido Kimmon Construction Co., Ltd.	→	Azbil Kimmon Engineering Co., Ltd.
Tohoku Kimmon Construction Co., Ltd.	→	Azbil Kimmon Engineering Co., Ltd.
Yamatake Mizuho Co., Ltd.	→	Azbil Kyoto Co., Ltd.
Royal Controls Co., Ltd.	→	Azbil RoyalControls Co., Ltd.
Taishin Co., Ltd.	→	Azbil Taishin Co., Ltd.

This is **azbil**

***A Company Shaping
the Future with Automation***



Group Philosophy

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

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.

Making Automation More and More Human-Centered

The word *automation* brings a cold,
mechanical impression to mind.

But at the heart of the automation provided by the azbil Group,
there are always people.

The azbil Group is growing and changing so that,
working together with you, we can continue to provide new value
by bringing the benefits of automation
closer to people than ever before.



The diagram consists of four white circles with red outlines, arranged in a square pattern and connected by a continuous red line. Each circle contains one of the four core values. In the center of the four circles, the text 'Four Core Values' is written in red, followed by 'Provided through human-centered automation' in black. The background of the entire page features a blue sky with white clouds, a faint rainbow, and a stylized white city skyline with blue windows and green trees at the bottom.

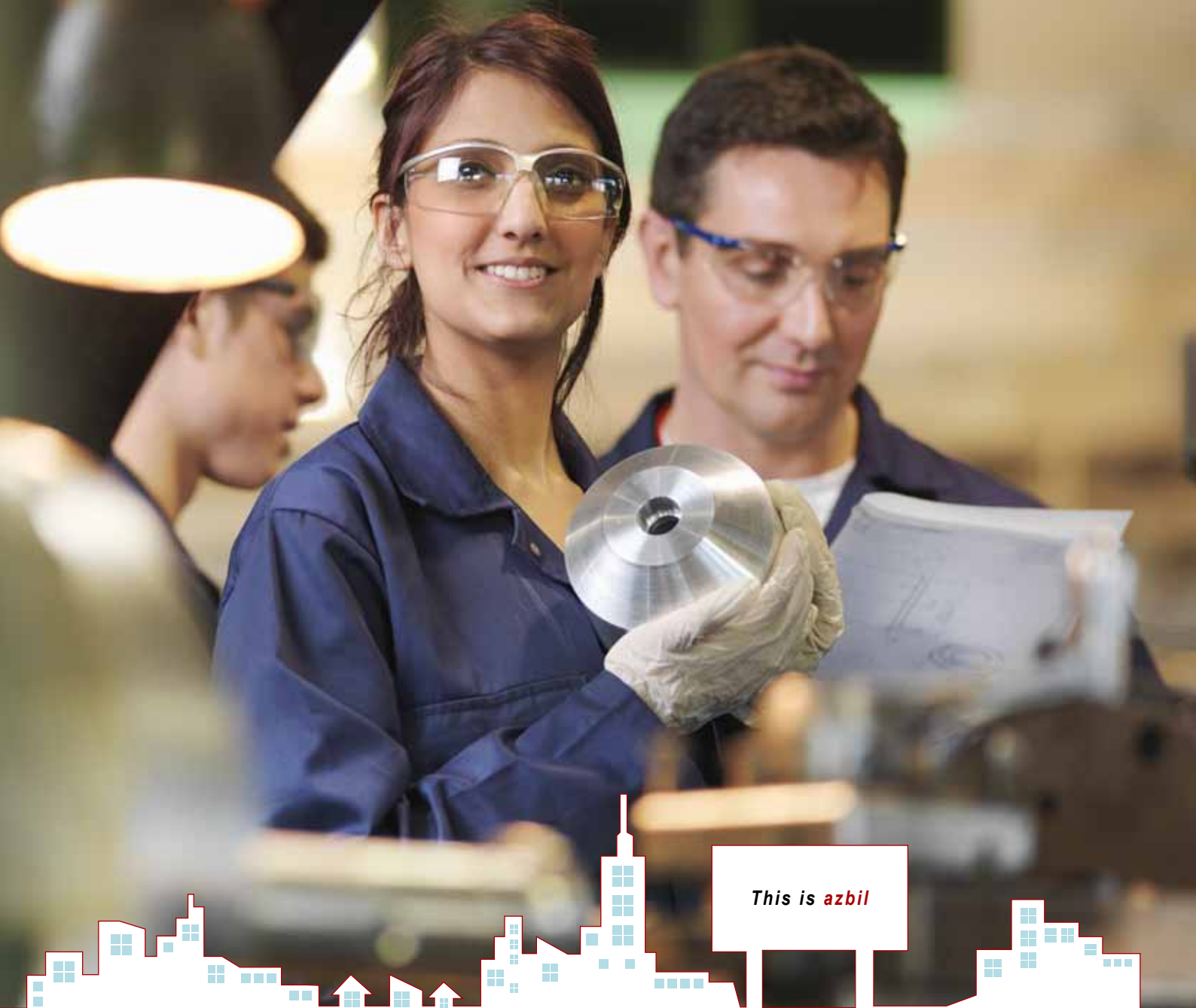
Safety

Comfort

Four Core Values
*Provided through
human-centered automation*

**Contribution
to Global
Environmental
Preservation**

Fulfillment



This is **azbil**



Safety

To live and work healthily, in safety.

- Measuring equipment that detects malfunctions invisible to the naked eye, emergency response programs, and facility monitoring systems play a role in the safe, accident-free operation of manufacturing facilities in plants and factories.
- Various systems, including those that manage access, automate dangerous work processes, and detect microorganisms, enable the safe operation of facilities and safeguard people who work in offices, shopping centers, or factories.
- Production to supply of food, water, electricity, and gas provided to homes is managed in an integrated manner.
- Whenever a health concern arises, a specialist will respond any time, 24 hours a day.



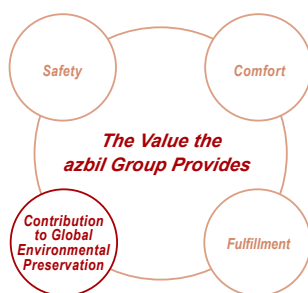
Comfort

To always live and work in comfort.

- Measuring and analyzing indoor air environments in offices, factories, and homes, then adjusting temperature and humidity and removing dust and pollen create comfortable living conditions with minimal temperature differences between areas.
- Automation technologies boost work quality and efficiency, which in turn improve productivity and quality and lead to enhanced customer satisfaction.
- Healthcare professionals provide health maintenance, nursing care, and other services that meet the expectations of customers and enable them to live comfortable lives.



This is azbil



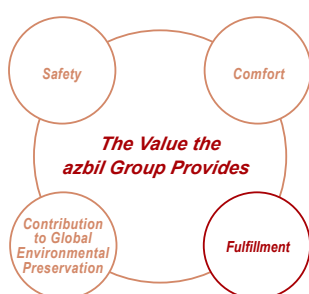
Contribution to Global Environmental Preservation

To optimize the management and usage of energy.

- In buildings, energy is conserved by improving the operating methods of cooling or heating equipment, modifying air-conditioning or heating to match a building's scale and purpose, and upgrading or renewing facilities.
- In the manufacturing process in factories, the key to reducing waste is maintaining a constant temperature and minimizing electricity, steam, and compressed air used in production facilities.
- We make visible when, where, and to what extent energy is being used, and then provide the best solution to save energy while maintaining comfort and quality.



*This is **azbil***



Fulfillment

To create new value with the customer.

- We create new value by working with customers at their sites to improve the operation of buildings and factories, enhance quality, conserve energy, and reduce environmental impact, which help to solve customers' problems.
- We craft optimal solutions with comprehensive support throughout the facilities' life cycle by promptly responding to each customer's needs using our integrated structure that combines consulting, development, production, and maintenance.

This is **azbil**

Business



azbil's Operations

The azbil Group provides safety, comfort, and

Net Sales by Business/ Share of Total Sales

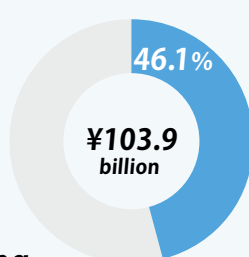
Business Outline

Markets

Main Products and Services

BA

Building Automation Business



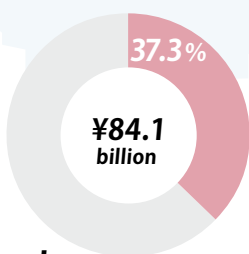
The azbil Group realizes high performance and high quality through its in-house development and manufacture of a full product lineup, from building automation systems and security systems to application software, controllers, valves, and sensors. We offer solutions through an integrated structure extending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

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

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

AA

Advanced Automation Business



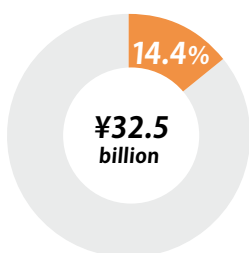
The azbil Group strives to resolve issues in the materials, manufacturing, and assembly industries by delivering products, solutions, instrumentation, engineering, and maintenance services to support the optimum operation of equipment and facilities throughout their life cycle. Through collaboration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

- Petrochemical/chemical
- Water supply and sewerage
- Oil refining
- Electric power and gas
- Iron and steel
- Shipping and marine
- Semiconductor/semiconductor manufacturing equipment
- Electrical/electronic components
- Machine tools
- Automobiles
- Pharmaceuticals
- Food/beverage packaging

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

LA

Life Automation Business



The azbil Group possesses measurement, control, and metering technologies cultivated over many years in the building, factory, and plant markets, as well as a personal commitment to customers through our services. 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.

- Gas business operators
- Municipal waterworks departments, factories, managers of commercial buildings and condominiums
- Housing construction companies
- The elderly, nursing care providers, municipalities, health insurance associations

- Various gas meters, safety and security equipment, regulators, system devices, various water meters, flowmeters, etc.
- Residential central air-conditioning systems
- Health and welfare services
- Nursing care services, etc.

Note: Segment sales include intersegment sales.



fulfillment and contributes to global environmental preservation through its three core businesses.

⇒ For more detailed information on each business, see "Business Overview" on pages 29-40.



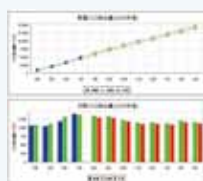
Building Management Systems

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.



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.



CO₂ 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

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.



ENEOPT™pers Optimized Energy Control Support

This solution package supports reduction of electricity usage by incorporating weather data and production plans to forecast power demand.



City Gas and LP Gas Meters and Equipment

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



Nurse Phone-Anshin Pendant™ Emergency Alert Response Service

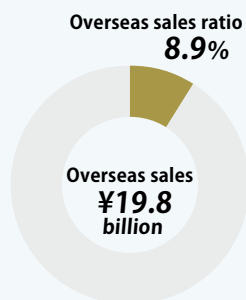
This mobile version of our emergency alert response service uses the Mimamori Phone offered by Softbank Mobile Corp.



Kikubari™ Residential Central Air-Conditioning Systems

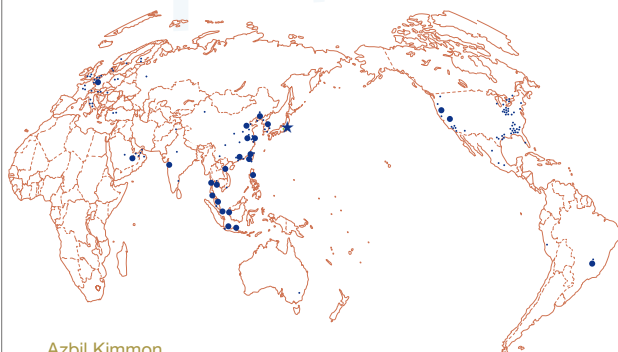
These systems provide comfortable temperatures throughout the home year-round and use an electronic air cleaner to remove house dust and pollen.

Global Operations



Note: 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.

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 15 countries, principally in Asia. We deliver best-fit solutions for the differing problems and needs of customers in each region.



Azbil Kimmon Technology Corporation



Azbil Control Instruments (Dalian) Co., Ltd.



Zhuanqiao Factory, Shanghai Azbil Automation Co., Ltd.



Group Companies in Japan

● Azbil Corporation

Leveraging its measurement and control technologies, Azbil Corporation is developing the Building Automation business in the building market, the Advanced Automation business in the plant and factory markets, and the Life Automation business in lifelines, healthcare, and other markets connected closely with everyday life.

● Azbil Trading Co., Ltd.

Proposes and sells a number of product lines and systems for control and automation, air environment improvement, data security, inspection equipment, and machine safety.

● Azbil Yamatake Friendly Co., Ltd.

A special subsidiary of Azbil Corporation that provides employment opportunities to persons with intellectual disabilities.

● Azbil Care & Support Co., Ltd.

Provides in-home services and designated in-home long-term care support under Japan's Nursing Care Insurance Act. It also provides responsive services by healthcare professionals 24 hours a day, 365 days a year, including a preventative emergency response service, health consultation hotline, and specific health guidance.

● Azbil SecurityFriday Co., Ltd.

Provides helpful software for solving security issues and other problems attributable to people that cannot be solved by technology alone.

● Hara Engineering Co., Ltd.

Develops and manufactures user-friendly automated assemblers that fuse ergonomics with advanced mechatronics, a combination of mechanical and electrical engineering.

● Azbil Kimmon Co., Ltd.

Researches, develops, manufactures, and sells gas and water meters, flowmeters, and instrumentation systems, and provides installation and other services.

Azbil Kimmon Aomori Co., Ltd.

Azbil Kimmon Wakayama Co., Ltd.

Azbil Kimmon Shirakawa Co., Ltd.

Azbil Kimmon Shirasawa Co., Ltd.

Azbil Kimmon Aizu Co., Ltd.

Azbil Kimmon Haramachi Co., Ltd.

Azbil Kimmon Karatsu Co., Ltd.

Azbil Kimmon Engineering Co., Ltd.

● Azbil Kyoto Co., Ltd.

Core factory of the azbil Group that manufactures various types of flow measurement instruments, including electromagnetic flowmeters and battery-type electromagnetic flowmeter water meters. It also maintains a world-class flow calibration facility.

● Azbil RoyalControls Co., Ltd.

Sells mainly the azbil Group's industrial automation control instruments and provides engineering and other services for measurement and control systems.

● Azbil Taishin Co., Ltd.

Develops, designs, and manufactures electronic control equipment, mainly for the azbil Group, which fulfills the needs of customers and the times.

● Tem-Tech Lab.

Focuses on the research and development of technologies for high-value-added pressure sensors that are not suited for mass production.

As a Group

— Collective Strengths of the azbil Group —

Delivering Value as a Group

Group companies both in Japan and overseas have adopted the “Azbil” name with the ultimate goal of enhancing the value we provide to customers. The azbil Group draws upon its collective strengths in order to deliver safety, comfort, and fulfillment as well as to contribute to global environmental preservation.



Overseas Group Companies

(As of April 1, 2012)

- Azbil Korea Co., Ltd.
- Azbil Taiwan Co., Ltd.
- Azbil Vietnam Co., Ltd.
- Azbil India Pvt. Ltd.
- Azbil (Thailand) Co., Ltd.
- Azbil Philippines Corporation
- Azbil Malaysia Sdn. Bhd.
- Azbil Singapore Pte. Ltd.
- PT. Azbil Berca Indonesia
- Yamatake Environmental Control Technology (Beijing) Co., Ltd.
- Azbil Control Solutions (Shanghai) Co., Ltd.
- Shanghai Azbil Automation Co., Ltd.
- Yamatake Automation Products (Shanghai) Co., Ltd.
- Azbil North America, Inc.
- Azbil Brazil Limited
- Azbil Europe NV

These companies provide engineering, sales, installation, adjustment, and maintenance of and service for industrial automation and building automation systems and equipment.

- Azbil Kimmon Technology Corporation
- Azbil Control Instruments (Dalian) Co., Ltd.
- Azbil Information Technology Center (Dalian) Co., Ltd.
- Azbil Hong Kong Limited

These companies manufacture gas meters, control instruments, control valves, and switches and develop software solutions.

- Azbil BioVigilant, Inc.

Develops technologies that can instantaneously detect microorganisms and manufactures products using these technologies for applications that require a clean environment in fields such as biotechnology, healthcare, and the environment.

Four other affiliates

(Establishment/capital participation scheduled in fiscal year 2012)

- Azbil Saudi Arabia Limited
- Beijing YTYH Intelli-Technology Co., Ltd.
- CECEP Building Energy Management Co., Ltd.



18

Executive Interview

With our sensitive awareness of needs at our customers' work sites, we will create a business model with new added value.



23

Feature: The azbil Group's Global Operations

Poised for Global Growth

From building the foundation to a new stage



Contents

Our Operations

Business Overview

Our Management

Management Framework

- 02 This is azbil
- 14 Highlights
- 16 To Our Stakeholders
- 18 Executive Interview
- 23 Feature: The azbil Group's Global Operations

- 30 Building Automation Business
- 32 Advanced Automation Business
- 34 Life Automation Business
- 36 Global Operations
- 38 Business Foundation

- 42 The azbil Group's CSR Management
- 43 Corporate Governance
- 44 Risk Management and Compliance
- 45 Board of Directors, Executive Officers, and Corporate Auditors



Our Operations

29

Business Overview

Our Sustainability

47

Sustainability



Our Management

41

Management Framework

Our Performance

59

Financial Section



Our Sustainability

Sustainability

- 48 Relationship with Customers
- 50 Relationship with Local Communities
- 51 Relationship with Suppliers
- 52 Relationship with Employees
- 53 Relationship with the Environment

Our Performance

Financial Section

- 60 Financial Review
- 64 Consolidated Balance Sheet
- 66 Consolidated Statement of Income and Consolidated Statement of Comprehensive Income
- 67 Consolidated Statement of Changes in Equity
- 68 Consolidated Statement of Cash Flows
- 69 Notes to Consolidated Financial Statements
- 82 Independent Auditor's Report
- 83 Corporate Data/Subsidiaries and Affiliates
- 84 Stock Information

Overview of Consolidated Results for Fiscal Year 2011, ended March 31, 2012

With growth in both the Building Automation business and the Advanced Automation business, consolidated net sales rose ¥4.3 billion, or 2.0%, year on year to ¥223.5 billion. On the other hand, despite efforts to minimize the impact from the Great East Japan Earthquake and the Fukushima Daiichi nuclear power plant accident, operating income decreased ¥0.5 billion, or 3.7%, year on year to ¥14.3 billion, with the impact of price pressure and a rise in social insurance premiums. As for environmental indicators, we achieved a 12.2% year on year reduction in CO₂ emissions through our proactive efforts to conserve electricity during the summer.

(Millions of yen)

Fiscal years	2007	2008	2009	2010	2011
For the year:					
Net sales	248,551	236,173	212,213	219,216	223,499
Operating income	20,484	17,832	12,385	14,896	14,348
Net income	10,709	9,525	6,242	7,928	8,519
Capital expenditures	4,488	6,414	2,704	3,302	3,010
Depreciation	4,387	4,503	4,751	4,460	4,027
R&D costs	9,844	9,636	8,640	8,953	8,816
At year-end:					
Total assets	228,844	220,846	218,472	217,501	223,476
Total equity	121,721	124,984	129,278	131,362	135,077
Per share data (yen):					
Net income per share	145.63	127.87	84.52	107.35	115.35
Net assets per share	1,641.73	1,672.91	1,728.64	1,754.86	1,808.48
Cash dividends per share	60.00	62.00	62.00	63.00	63.00
Financial indicators:					
Shareholders' equity ratio (%)	52.6	55.9	58.4	59.6	59.8
Return on equity (ROE) (%)	9.0	7.8	5.0	6.2	6.5
Dividend on equity (DOE) (%)	3.7	3.7	3.6	3.6	3.5
Environmental indexes:					
CO ₂ emissions (Tons CO ₂)	33,293	30,138	26,581	26,831	23,549
CO ₂ emissions per unit sales (Tons CO ₂ /100 Millions of yen)	13.4	12.8	12.5	12.2	10.5
Total volume of waste generated (Tons)	1,417	1,484	1,215	1,111	1,145
Final disposal rate (%)	0.5	0.6	0.6	0.8	0.3

Scope of financial data:

Azbil and its consolidated subsidiaries

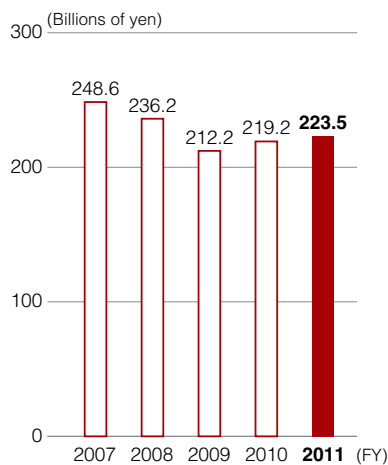
Scope of CO₂ emission volumes:

Azbil and its consolidated subsidiaries in Japan

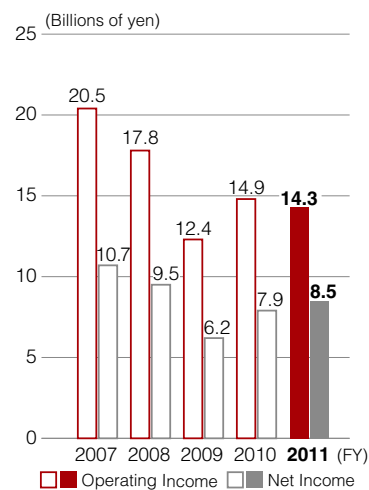
Scope of total volume of waste generated:

Azbil's four main facilities (Fujisawa Technology Center, Shonan, Isehara, and Hadano factories), Azbil Kyoto, and Azbil Taishin

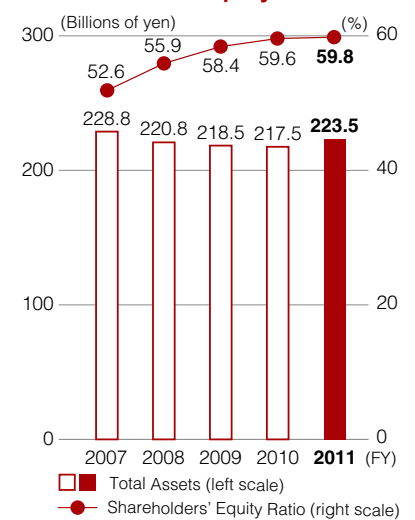
Net Sales



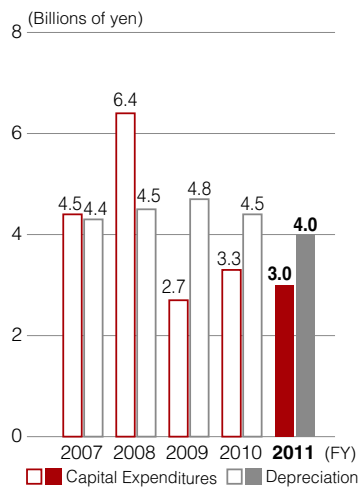
Operating Income/Net Income



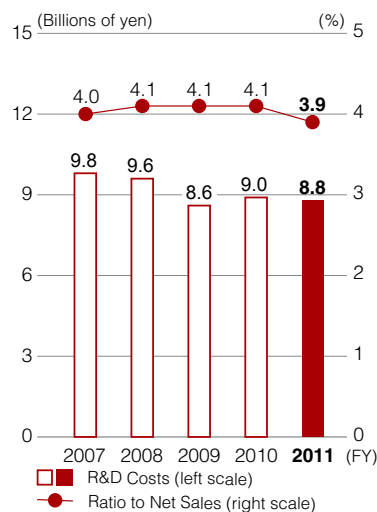
Total Assets/Shareholders' Equity Ratio



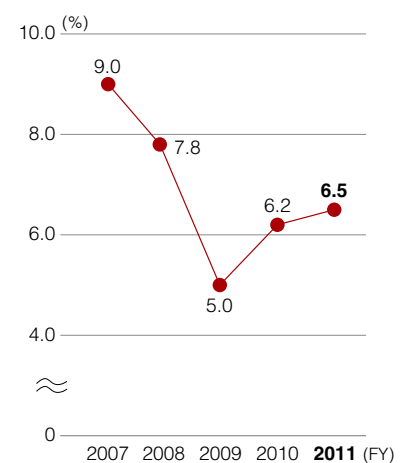
Capital Expenditures/Depreciation



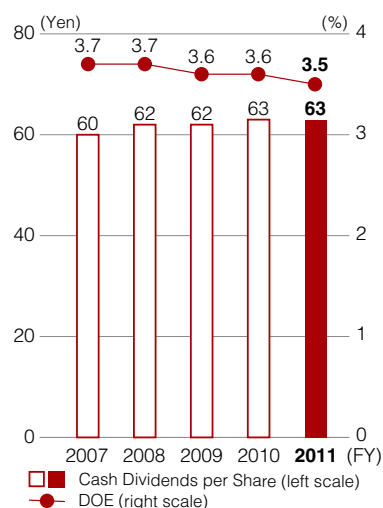
R&D Costs/Ratio to Net Sales



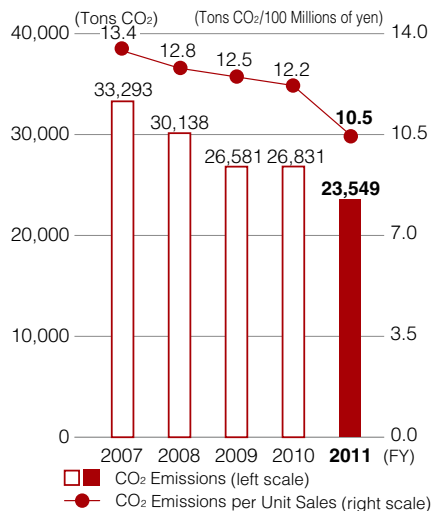
ROE



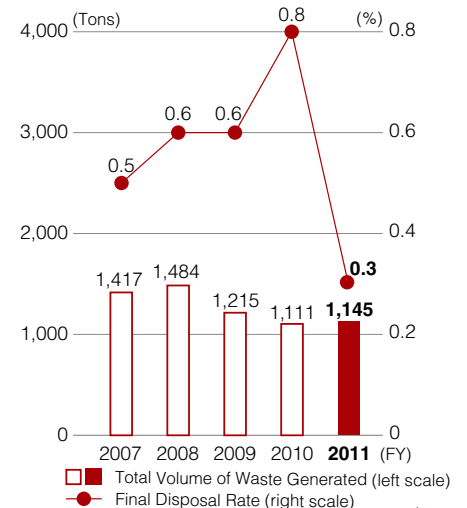
Cash Dividends per Share/DOE



CO₂ Emissions/CO₂ Emissions per Unit Sales



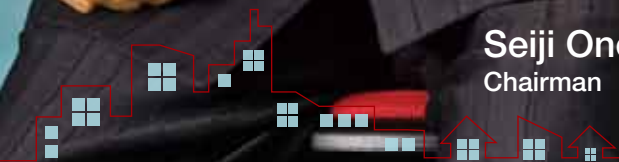
Waste Disposal and Final Disposal Rate





Seiji Onoki
Chairman

Hirozumi Sone
President and Chief Executive Officer



In fiscal year 2011, ended March 31, 2012, the second year of our medium-term plan, the economy had been expected to rebound steadily after emerging from the recession set off by the financial crisis that began in 2008. However, a downturn in the Japanese economy was unavoidable in large part because of two unforeseen events – the Great East Japan Earthquake of March 2011 and the floods in Thailand. We would like to extend our deepest sympathy once again to the victims of these disasters.

The azbil Group made an all-out effort to assist its customers in restoring damaged production facilities and buildings, but our support was not limited to industry. We also assisted people in everyday life in ways such as providing an emergency alert response service through local municipalities for disaster victims living in temporary housing and in need of nursing care. “human-centered automation” is the azbil Group’s philosophy, and one aspect of that is contributing to society through our businesses. We are happy that we were able to practice that philosophy even in unforeseen circumstances like these. At the same time, we were reminded that this is one of our key responsibilities. We will continue to do everything we can to support the restoration and reconstruction of customer sites.

Looking at economic trends in fiscal year 2011, the Japanese economy had begun to show signs of recovery, but the pace of the recovery slowed due to the two disasters, exerting a substantial impact on the azbil Group’s business environment. Financial instability in Europe and a slowdown in economic growth in China and other countries in Asia as well as South America led to a strong sense of uncertainty about the economic outlook. These large-scale disasters and changes in the economic landscape presented challenges requiring urgent solutions such as improvement of supply chains, global dispersion of production bases, and more efficient operation ranging from individual buildings to the regional level to deal with electricity shortages. We see these and other current trends affecting the azbil Group not simply as part of the economic cycle but as global changes in the economic structure. For the azbil Group, these structural changes represent opportunities, and we intend to grow our business aggressively from a global perspective, viewing the domestic and international markets as an integrated whole. To do that, we need to continue to strengthen our foundation by accelerating the reform of our business and operational structures based on the management foundation we have built up to now.

With that awareness, we changed the company name on April 1, 2012, and at the same time changed our management team to embark on this fresh chapter in our history as “Azbil Corporation.” Looking ahead, we will continue to advance business structure reform (creating new businesses) and business operation reform (creating new work styles) with an emphasis on flexible management that is responsive to changes in market conditions. By pushing ahead with these reforms, we will make a qualitative transformation in our businesses and broaden our business domains to grow into a world-class enterprise.

In fiscal year 2012, ending March 31, 2013, the azbil Group will work together to be an organization that creates new value with customers at their work sites and helps them to solve diverse challenges through our pursuit of “human-centered automation.”

We want to thank all of our stakeholders, including shareholders, customers, and local communities, for their steady support and guidance.

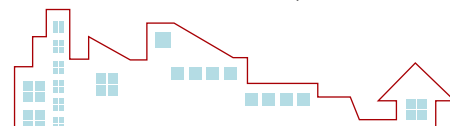
July 2012



Seiji Onoki
Chairman
Azbil Corporation



Hirozumi Sone
President and Chief Executive Officer
Azbil Corporation





With our sensitive awareness of needs at our customers' work sites, we will create a business model with new added value.

On April 1, 2012, the midway point of our medium-term plan for the “period of growth,” Hirozumi Sone took over as president and chief executive officer from Seiji Onoki, who became chairman. In this section, President and CEO Sone provides a review of recent business results and explains his strategies for the second half of the medium-term plan for the “period of growth.”



Question 01

With the first half of the four-year medium-term plan now complete, what is your assessment of fiscal year 2011, ended March 31, 2012?

Operating income was down even though sales increased, so we still have some issues left unresolved. However, we made steady progress in structural reforms to strengthen our management foundation and are starting to see some results, so I think it was a year that positioned us for the years ahead.

In fiscal year 2011, the Japanese economy moved toward a moderate recovery led by an upturn in exports and manufacturing despite the substantial impact of the Great East Japan Earthquake. However, these overall trends have recently been weakened by concerns about a slowdown in overseas economies and high crude oil prices, and the outlook remains unclear. In overseas economies, recovery continued in Asia, mainly in China, but financial instability in certain European countries, a high unemployment rate in the United States, and other factors raised growing concerns of a possible downturn in those countries. In this uncertain global economic climate, the azbil Group's operating environment also showed improvement in some markets, but capital investment activity varied considerably depending on region, industry, or time frame, and the mood of uncertainty led many companies to postpone investments. Moreover, in some markets, intense competition amid the weak business conditions put heavy pressure on prices. In this environment, the azbil Group focused on expanding orders and sales and securing profits. We also continued to take steps to minimize the effect on our business activities from the Great East Japan Earthquake and the accident at the Fukushima Daiichi nuclear power plant.

As a result, net sales for fiscal year 2011 increased 2.0% year on year to ¥223.5 billion. Operating income, however, decreased 3.7% to ¥14.3 billion due to pricing pressure and higher expenses such as social insurance premiums. Net income increased 7.5% to ¥8.5 billion, reflecting an extraordinary loss in the previous fiscal year on asset retirement obligations and environmental expenses.

Looking at results by business segment, deteriorating market conditions led to weak performance in the Building Automation business, which delivers products and services for HVAC and security, mainly to offices and other commercial buildings, and the Life Automation business, which sells gas and water meters and provides health and welfare, nursing care, and other services. On the other hand, the Advanced Automation business, which provides

products and solutions for production sites such as plants and factories, achieved growth in sales and profit. This performance was driven by strong sales of valves, field instruments such as transmitters, and system products in the energy and high-performance materials markets, which more than offset a drop in sales of control products for equipment manufacturers midway through the fiscal year.

Fiscal year 2011 ended with a decline in operating income even though we achieved sales growth, so some issues remain unresolved. However, we made significant progress in business structure reform (creating new businesses) and business operation reform (creating new work styles). We restructured our production operations to respond flexibly to changes in the market environment and reinforced our product development capabilities through tie-ups and joint development with other companies as well as in-house development. We developed automated production lines capable of high-quality production through replication of human skills and cognition. We acquired stakes in overseas companies and established subsidiaries to prepare for full-fledged expansion of our global operations. With these and other actions, we made substantial progress in reinforcing our management foundation. Considering these achievements, even though we did not reach all of our performance targets, it was a year that positioned us for the future.

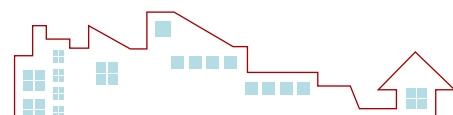
Question 02

The Company recently changed its management team. What direction do you plan to take with the new management?

We will offer solutions globally and establish a position as a long-term partner for our customers.

I took over as president on April 1, 2012 from Seiji Onoki, who is currently our chairman, but the direction of our thinking is basically the same. I feel that the idea of "human-centered automation" is better recognized in society now than it was five years ago when we formulated this philosophy. Therefore, I see my role as further advancing and evolving "human-centered automation." To do that, it is important to steadily execute the initiatives in the medium-term plan. We will also speed up the implementation of measures to respond to the dramatic changes in our business environment.

I would like to talk about three key initiatives for carrying out my plan.





We will further enhance the scope and quality of the value we provide in our quest for “human-centered automation” on a global scale.

The first is establishing a position as a long-term partner for our customers by offering solutions at customer sites based on our accumulated technologies and products. In the Building Automation business, we see growing needs for high-value-added life cycle solutions, from energy-saving solutions using building energy management systems (BEMS) to address electric power shortages and rising electricity costs to smart cities that link these systems through networks. In the Advanced Automation business, we are meeting needs by globally providing solutions for plants and equipment manufacturers. In the Life Automation business, we provide products and services for residences, health and welfare, nursing care, and lifeline infrastructure. However, I believe we will have to shift to a multifaceted approach by synthesizing these elements and drawing on synergy with the Building Automation and Advanced Automation businesses, in order to raise the value we provide in the areas of security, safety, and health. Fulfilling these needs will require that we provide not just high-quality products but multifaceted solutions that include consulting, maintenance services, and operational support.

By meeting these needs, we want to be recognized as indispensable to our customers as well as society.

The second initiative is taking our global operations to the next level. Up to now we have been building our foundation for global expansion. Now we will expand our business to new regions while we enhance and broaden the solutions we provide to include not just the supply of products but also consulting and services.

The third initiative is reforming our organization as a corporate entity. Previously we took various measures to strengthen our organization in response to changes in the external environment. For example, we carried out organizational restructuring to optimize services, product development, and manufacturing, and reallocated staff throughout the company to match the new structure. Our task now is to respond flexibly to global and discontinuous changes in the environment by continuing to reinforce our organization and by learning from our daily experiences and thinking and evolving on our own – in other words, to transform the azbil Group into a corporate entity that never stops learning.

● Future Priorities

The Quest for “human-centered automation:”

Enhancing Customer Relations and Value (Scope, Quality)

Initiative 1	Aiming to become a long-term partner for both the customer and the community through offering solutions based on azbil's technology and products
Initiative 2	Taking global operations to the next level. Global initiative: Expansion into new regions and a qualitative change of focus
Initiative 3	Implementing organizational reforms to create a corporate entity that can respond flexibly and continuously to changes in the business environment

Question 03

Shareholders have high expectations for expansion of the azbil Group's global operations, which are a growth area. Please explain your concrete strategies for this.

We will pursue business expansion along two dimensions – expansion of business regions and domains and a shift in qualitative focus – from a global perspective.

Up to now we have taken various measures to strengthen our foundation for global expansion. We expanded our valve maintenance centers in China and Southeast Asia to improve and enhance our service and maintenance network, and augmented local product customization and development functions in Europe, North America, and China. So we have completed the business infrastructure improvements necessary for full-fledged expansion. To take full advantage of this foundation as we expand, I am positioning the following two points as the pillars of our strategy.

The first is expansion of our geographic regions and business domains. We will aggressively expand our business regions from China and Southeast Asia to India, the Middle East, and South America (Brazil). As for products, we will base development on our competitive products with powerful solutions capabilities, such as control valves for plants in the Advanced Automation business. We will also expand business areas such as the Building Automation business for existing buildings in China and gas meters (Life Automation business) in Taiwan. To support this expansion, in the Advanced Automation business, we have signed an agreement with Tharawat Development Co. in Saudi Arabia on the establishment of a joint venture to manufacture and sell control valves in Saudi Arabia, and have also begun talks with a prospective partner in India to supply products. In the Building Automation business, we have acquired a stake in

Beijing YTYH Intelli-Technology Co., Ltd., a building construction and engineering firm, and made it an azbil Group subsidiary to advance into the local building market in China. In the Life Automation business, we are quickly implementing concrete measures, including the establishment of Azbil Kimmon Technology Corporation, a joint venture with Yung Loong Engineering Corporation in Taiwan.

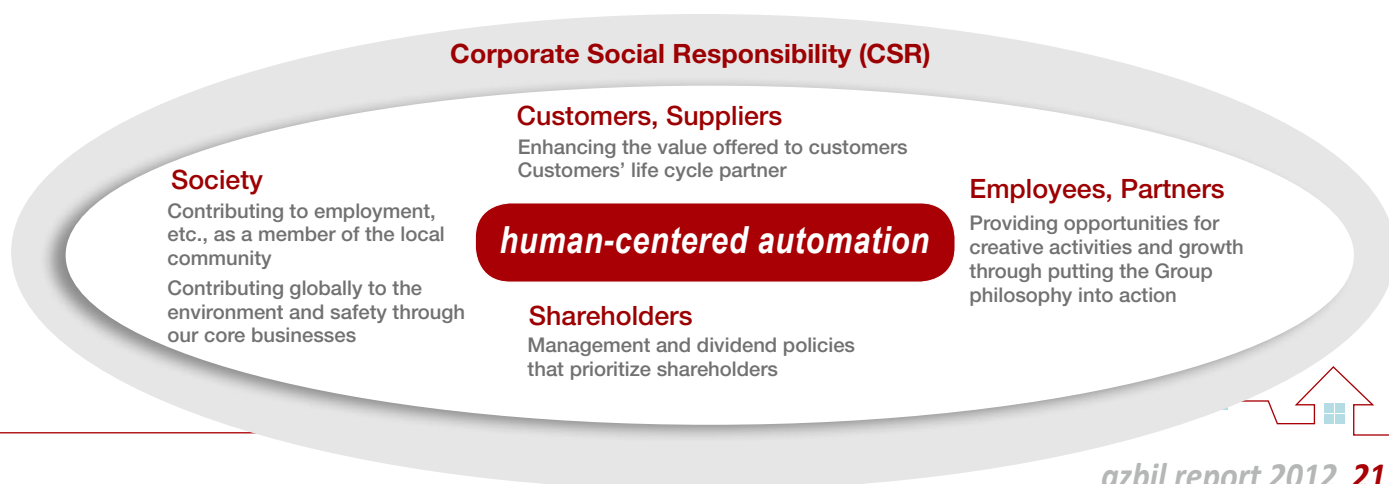
Second, we will make qualitative changes in our business. Specifically, we will shift from a focus on product sales to a solution-based business model that encompasses everything from development and manufacture of products tailored to local needs to engineering and service. In China as well as in other countries in Asia and South America, where we are already conducting business, economic and social development is creating growing needs for the consulting services we provide, including energy management and facility operation and management in the Building Automation business, and plant asset management and maintenance and advanced energy-saving control in the Advanced Automation business. The business environment that is taking shape makes it easy to display the azbil Group's strengths. To give one example in the Building Automation business, we established a joint venture with a subsidiary of China Energy Conservation and Environmental Protection Group (CECEP) that will leverage the azbil Group's strengths in BEMS and energy conservation technology to develop the solutions business for existing buildings in China.

Question 04

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

Taking a "human-centered" perspective, we practice "CSR through our core businesses" such as environmental and safety solutions, an approach that is producing results.

● Presenting All Stakeholders with the "human-centered" azbil Group



The azbil Group divides its CSR activities into “basic CSR and “proactive CSR.”

Basic CSR includes compliance, environmental preservation, and other activities that are fundamental obligations for the azbil Group as a corporate citizen. Among them, concern for the environment is a key theme. We are aiming for a reduction of 10% or more in the azbil Group’s total CO₂ emissions by fiscal year 2013, ending March 31, 2014, compared with the level of fiscal year 2006, ended March 31, 2007.

Proactive CSR, on the other hand, involves leveraging the Group’s strengths to contribute to society via business operations, as well as voluntary social contribution activities. The azbil Group’s high-value-added solutions combining products and services save energy in buildings and factories, helping customers to reduce their CO₂ emissions. We take particular pride in our substantial contribution to reducing peak-hour electricity use during the summer 2011 power shortages in Japan. In addition to contributing to society through our business operations, we encourage volunteer activities focused on coexistence with society. For example, in the town of Minamiaizu in Fukushima Prefecture, where an azbil Group factory is located, we are working to protect the *himesayuri* (*Lilium rubellum*) flower, or maiden lily, which is a near threatened plant species, as an initiative to preserve biodiversity.

Our “human-centered” approach enables consistent CSR for all stakeholders, including customers as well as communities and society. We will continue to practice proactive CSR in addition to our basic CSR activities.

Question 05

The Company has maintained dividends in an uncertain and challenging business environment. What is your policy on shareholder returns?

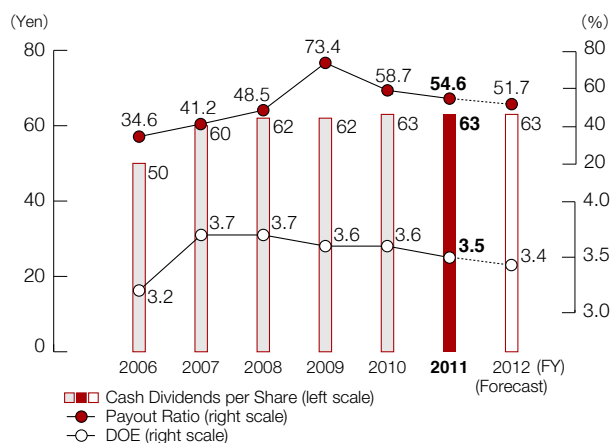
Management places priority on returning profits to shareholders, and we maintain a shareholder-oriented management policy.

Returning profits to shareholders is one of the top management priorities of Azbil Corporation. Our basic policy is to maintain stable dividends while striving to increase the dividend payout, taking into account consolidated performance, 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 2011, we paid dividends of ¥63 per share, as announced at the beginning of the period. In fiscal year 2012, ending March 31, 2013, with the persistently challenging operating environment and uncertainty about the economic outlook, we plan to keep the dividend at ¥63

per share to provide stable returns to shareholders. As a result, we expect DOE of 3.4% and a payout ratio of 51.7% for fiscal year 2012.

● Cash Dividends per Share/Payout Ratio/DOE



Question 06

In closing, what are your aspirations as the new president?

My goal is to achieve further growth through the pursuit of “human-centered automation.”

The azbil Group’s operating environment is changing dramatically. I believe that becoming an organization that is capable of an autonomous and organic response to these changing conditions is essential for further growth. Therefore, together with Group employees, we will constantly identify needs at customer sites, interpret them from the perspective of “human-centered automation,” and discuss and explore the value that customers really need. In this way, I want to promote a voluntary shift in our consciousness and behavior as a corporate entity and connect that to the creation of a business model that offers new added value. I believe that will be my biggest role as the new president.

The azbil Group will work in unison to create new value at customer sites and ensure that the unified azbil brand becomes recognized and established globally as a long-term partner of customers and society. I hope our stakeholders will look forward to the growth of the new azbil Group.





Feature: The azbil Group's Global Operations

Poised for Global Growth

From building the foundation to a new stage

The azbil Group has been taking various measures to build a strong foundation for global growth. With the medium-term plan that ends in fiscal year 2013 approaching the midway point, the time has come to move our global expansion to the next level. In this feature section, we explain our perception of the market environment and our measures to adapt to it, along with examples.

Feature: The azbil Group's Global Operations



Poised

History of Our Global Operations

After forming an equity-based alliance with Honeywell Inc. of the U.S. in 1953, the azbil Group built its business in overseas markets with the Honeywell brand.

Our alliance relationship with Honeywell gradually changed over the years, and in the mid-1990s we drew on our experience to begin global business development under our own brand, partly as a response to requests from Japanese customers who were expanding their operations overseas. Since then, we have been steadily building our business foundation. Now that its basic infrastructure has reached a certain level, the azbil Group is ready to advance to the next stage of global growth.

1953

Yamatake (now Azbil Corporation) forms an equity-based alliance with Honeywell Inc. (now Honeywell International Inc.) to acquire access to cutting-edge technology and products from the U.S. and achieve further growth during Japan's high economic growth period. In the 1960s, the Company operates overseas business with the Honeywell brand.

1990

Honeywell's stake in Yamatake-Honeywell Co., Ltd. (now Azbil Corporation) is reduced and the two companies sign a Strategic Alliance Agreement.

1994

Overseas subsidiaries are established in China. Other overseas subsidiaries have since been established in various countries, primarily in Asia.

1997

The Strategic Alliance Agreement with Honeywell is replaced with business unit agreements. The following year, Yamatake-Honeywell changes its name to Yamatake Corporation and begins accelerating development of the business foundation necessary for global expansion.

2002

The equity-based alliance with the Honeywell International Group is dissolved.

2006

The Group formulates its philosophy of "human-centered automation" and adopts "azbil" as its group symbol.

2008

The Group name is changed to the "azbil Group." Overseas subsidiaries change the first word in their company names to "Azbil" as the Group seeks to establish recognition of the azbil brand in the global market.

2012

With the Japanese market maturing, the Group begins full-fledged expansion of its global operations in pursuit of new sources of growth. Accelerated business promotion initiatives include strategic alliances with local companies in China and Saudi Arabia.



A Global Growth Strategy That Builds on Our Strengths

The azbil Group is expanding its operations in line with the characteristics of customer businesses and the needs of each region. One example is our solutions for customers who are pursuing global expansion themselves. Such customers include many companies that are expanding their businesses using advanced, high-performance products. They require sophisticated and diverse solutions that range from customization of equipment to service at their development and production sites.

On the other hand, customer needs are changing in manufacturing industries and building markets in emerging nations, and we are adapting our business strategies to accommodate those changes. Rapid economic growth in emerging nations has been accompanied by brisk capital investment, but an improved standard of living, rising labor costs, and chronic energy shortages resulting from economic growth are leading to the emergence of advanced needs such as energy savings.

The knowledge, products, and services the azbil Group has accumulated in Japan will be advantageous in the operating environment evolving in overseas markets. We have set “expansion of business regions and domains” and “qualitative change of focus” as the twin pillars of our strategy to raise our global growth to the next level.

for Global Growth

Azbil Brazil Limited ●

From building the foundation to a new stage

“Expansion of Business Regions and Domains” with Emphasis on Speed

In emerging nations, where business opportunities are growing day by day, the azbil Group is expanding its business regions to increase points of contact with customers. Recently the Group opened operating bases in India, the Middle East, and Brazil.

Until now, the Advanced Automation business has been ahead of our other businesses in developing global operations. However, given the changes taking place in the operating environment, we are expanding our business domains in overseas markets, including developing the market for the Building Automation business in fast-growing China, and expanding the Life Automation business in Taiwan, where it is now compulsory for household gas meters to be equipped with safety functions.

In carrying out these expansion strategies, we will focus on partnering with local companies to facilitate quick and effective approaches to local markets, where needs differ by country and region. Specifically, we are establishing tie-ups and joint ventures and making equity investments in China, Korea, Australia, Indonesia, India, the Middle East, and other countries and regions.

“Qualitative Change of Focus” to Expand Value at the Point of Customer Contact

To meet the growing need for sophisticated, diverse solutions, the azbil Group must go beyond supplying products by expanding value at the point of customer contact. In our drive to establish a position as a solution provider, we will focus on leveraging our track record and expertise in the Japanese market to expand businesses such as energy management and facility management in the Building Automation business, and plant asset management and maintenance and advanced energy-saving control in the Advanced Automation business.

Business operations based on a life cycle solutions concept can broaden and deepen our contact with customers and contribute to business growth and stability. One of the measures supporting this qualitative change is our network of valve maintenance centers in each country and our supply chain for valves that stretches from Asia to India and the Middle East. In addition, we have been developing a three-pronged network through cooperation between development bases in Japan and the development sections of Azbil North America, Inc. and Azbil Europe NV, which handle product development and customization to meet the diverse needs of equipment manufacturers in North America and Europe.

Full-Fledged Expansion in China

We will quickly develop potential markets by collaborating with local partners.

Factory HVAC systems for Japanese manufacturers have accounted for most of the overseas business of the azbil Group's Building Automation business up to now. To achieve further growth, expanding in local markets, especially in the large local markets of China, has become essential.

In response, the azbil Group is pursuing full-fledged expansion in China to develop the high-potential market for new buildings and the market for existing buildings, where we can leverage our strengths such as building energy management systems (BEMS) and energy-saving technologies to meet the pressing need for energy-saving solutions. However, construction licenses are a prerequisite for conducting full-scale business in the Chinese market, and there are also other hurdles such as local business customs. We have therefore decided to collaborate with influential local partners to speed up the process of expansion.

In the market for new buildings, we made Beijing YTYH Intelli-Technology Co., Ltd. an azbil Group subsidiary to accelerate expansion into major buildings funded by local capital. By making this company a subsidiary, we are also able to obtain the construction licenses necessary for doing business in China.

In the market for existing buildings, we formed a joint venture with a subsidiary of China Energy Conservation and Environmental Protection Group (CECEP) to sell building automation systems. The new company will focus on promoting the azbil Group's BEMS and other energy-saving solutions for government and public buildings.

Michihiro Tomonaga

Representative and General Manager
Beijing YTYH Intelli-Technology Co., Ltd.

Deng Yong

Chairman and Chief Executive Officer
Beijing YTYH Intelli-Technology Co., Ltd.



**Building
Automation
Business**

Examples of Results of Global Operations (Building Automation Business)

The Energy/PT. Api Metra Graha (Indonesia)



Okura Garden Hotel Shanghai (China)



Singapore Flyer Pte. Ltd. (Singapore)



Promoting the Global Valve Business

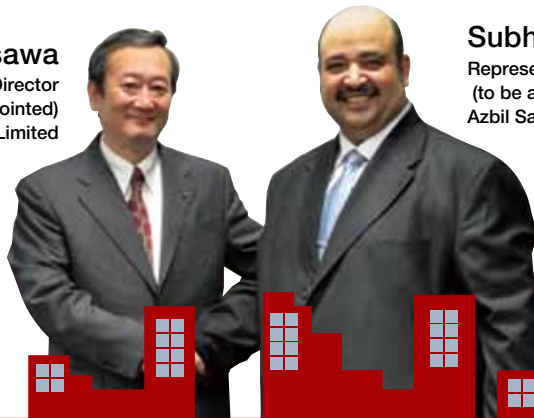
The strongly competitive valve business will support the azbil Group's expansion of business regions and qualitative change of focus.

In the valve business, our involvement does not end with delivery of the product. We must be able to provide a comprehensive solution package that covers the full product life cycle from valve selection and installation to operation and maintenance. After we supply control valve bodies for various fluids and specifications, we provide a control valve maintenance support system that combines a smart valve positioner, digital technology, and the azbil Group's long track record of performance. This system collects data on the operating status of control valves to support the decision-making necessary for control valve maintenance and ensure efficient maintenance operations. Our ability to offer one-stop service with a high level of added value is a competitive strength of the azbil Group. We are taking advantage of this strength to promote a global valve business that provides solutions throughout the life cycle.

Regionally, this business has focused on East Asia, including China and Korea, and Southeast Asia, but we are planning to expand it to other regions, starting with the Middle East. To support that effort, we plan to establish Azbil Saudi Arabia Limited, a joint venture with Tharawat Development Co. of Saudi Arabia, in October 2012 to create a manufacturing and service base in the Middle East. Shipping all of the valves from Japan, however, would present a cost issue due to their extremely heavy weight. We are therefore pursuing a product supply alliance with a prospective partner company in India to procure valves closer to the region, which will lead toward the establishment of a supply chain that will stretch across Asia from Japan to the Middle East. These initiatives will increase our presence as a valve manufacturer in Asia.

Tetsuya Kurasawa
Representative and Managing Director
(to be appointed)
Azbil Saudi Arabia Limited

Subhi Al-Hashem
Representative Director
(to be appointed)
Azbil Saudi Arabia Limited



**Advanced
Automation
Business**

Examples of Results of Global Operations (Advanced Automation Business)

Mitsui Elastomers Singapore Pte. Ltd. (Singapore)



PT. Pertamina (Indonesia)



SK energy Co., Ltd. (South Korea)



Building a Corporate Group That Never Stops Learning on a Global Scale

The azbil Group does not divide its business between domestic and overseas operations. We take a global view of our business operations and place importance not just on sharing information within Japan, but sharing and utilizing various types of information from different parts of the world. In this way, we are aiming to become a corporate group that never stops learning on a global scale.

In addition to using e-mail and other information technology, we also place importance on face-to-face communication. The presidents of subsidiaries from different regions regularly gather at meetings to share issues that arise at customer work sites, the point of contact with customers. By bringing their expertise together, they are able to quickly come up with solutions for these issues. They then take the knowledge and know-how gained from these meetings and apply it in their respective regions. With this effective mechanism for organizing diverse experiences from around the world into collective knowledge and recycling it back into local regions, we are putting into practice our concept of a corporate group that never stops learning on a global scale.

We have also introduced a system for sharing job information in and outside Japan. This system serves as a platform that allows users to accumulate and utilize technologies, skills, and experience globally. Information on progress and job processing at the job level is shared in real time with those involved in the project from terminals in each region, contributing significantly to the spread of knowledge and expertise.

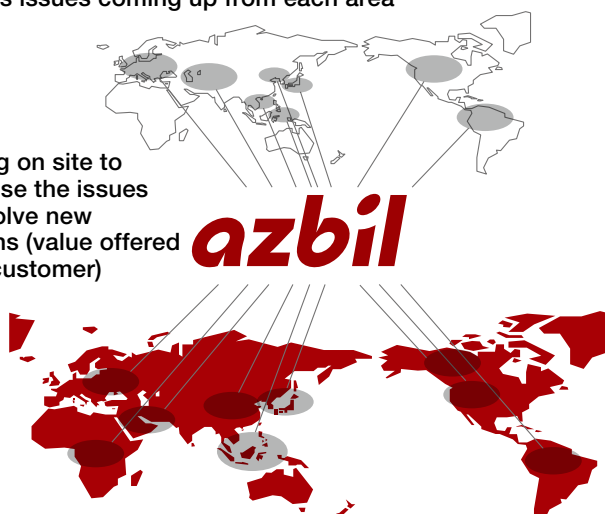


Developing Human Resources to Accelerate Global Growth

Tactics geared to local market conditions and customer needs are vital for expansion of our global operations. An essential component of that approach is strengthening local human resources. The azbil Group conducts various training and other human resource development programs for local management and staff to instill the azbil Group philosophy of “human-centered automation,” sharpen business skills, and raise the level of governance and internal controls. Partly because of the effectiveness of this approach, an increasing number of overseas subsidiaries are headed by presidents who are from the region and to whom we can confidently entrust business.

- Globalization of the customers' business foundations
- Various issues coming up from each area

Working on site to condense the issues and evolve new solutions (value offered to the customer)



- Making use of the azbil product/service network to offer optimum solutions on site (Japan and overseas)

- 30 Building Automation Business
- 32 Advanced Automation Business
- 34 Life Automation Business
- 36 Global Operations
- 38 Business Foundation



Our Operations

Business Overview

The azbil Group develops solutions globally with the aim of establishing a position as a long-term partner to its customers. This section introduces the market environment, performance, outlook, and global operations of our Building Automation, Advanced Automation, and Life Automation businesses.

Building Automation Business

While implementing thoroughgoing measures to deal with the urgent issue of improving profitability, we will transform the Building Automation business into a provider of high-value-added life cycle solutions for future business growth.



Operating Environment

Amid expectations of a steady recovery from the global economic recession, the impact of the Great East Japan Earthquake and the accident at the Fukushima Daiichi nuclear power plant in March 2011 was substantial. With uncertainty about Japan's economic outlook, real estate-related markets were weak, and severe competition led to strong pressure to lower prices, particularly in the market for new buildings, which affected profitability. Even the market for existing buildings, where growth was expected due to stricter CO₂ emission regulations, was sluggish as investments in fiscal year 2011, ended March 31, 2012, focused on short-term electricity conservation measures. However, changes in the operating environment are also generating new demand, from energy conservation measures to deal with electricity cutbacks and rate hikes, to smart city initiatives. In overseas markets, demand is growing for energy conservation solutions, an area of strength for the azbil Group.

Fiscal Year 2011 Performance

In Japan, orders rose substantially compared with the previous fiscal year, principally due to orders won through market testing,* which extends to the operation and management of buildings and facilities. There was a drop in sales related to new buildings as well as for the business targeting existing buildings, in which there had been several large-scale projects in the previous fiscal year. However, we generated add-on contract work through our energy conservation proposals, and successfully expanded into the new domain of market testing, leading to steady growth in the service business. As a result, overall sales for the domestic market increased year on year.

In the business related to existing buildings, owing to concerns about possible power supply shortages and increases in the cost of electricity, demand for energy-saving measures remained strong, with a high number of customer inquiries. However, as stated above, there was a tendency among many customers to postpone investment in energy-saving improvements.

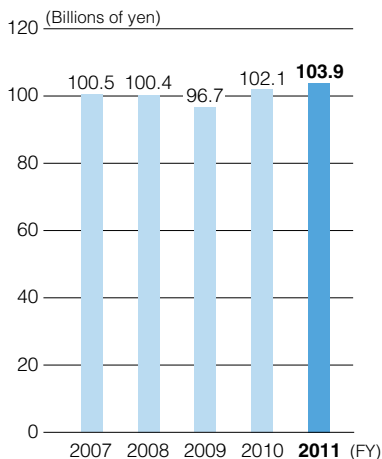
In overseas markets, the azbil Group has added to its traditional advantage

* Market testing is a government-and-private sector competitive bidding system in Japan. As required by the Act on Reform of Public Services by Introduction of Competitive Bidding, this system ensures that contracts for public services hitherto provided by the government are to be decided by competitive bidding in which public and private operators participate on an equal footing. The contract is awarded to the operator offering the best quality for the best price. As a result of this bidding process, orders are placed for large-scale service projects that stretch over several years, and Azbil Corporation records the total value of a contract for that multi-year period as a lump sum for accounting purposes. The periods covered by contracts won through such market testing range from 3 to 5 years, and thus the sums involved are quite considerable. Consequently, they account for the bulk of the growth in orders for the Building Automation business in fiscal year 2011, ended March 31, 2012. Note, however, that the revenue from service rendered in any year is recorded in the sales figures for that fiscal year.

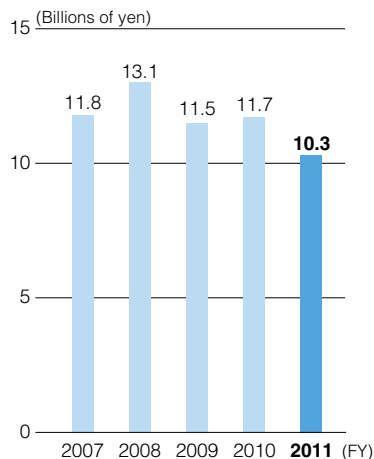
Keiichi Fuwa

Executive Director
Managing Executive Officer
Building Systems Company President
Azbil Corporation

Sales



Operating Income



In fiscal year 2011, ended March 31, 2012, although sales of the business for new and existing buildings decreased, the service business and overseas sales grew steadily. As a result, sales were ¥103.9 billion, an increase of 1.7% from the previous fiscal year. On the other hand, segment profit (operating income) decreased 12.1% to ¥10.3 billion, despite efforts to reduce expenditures, as falling prices reduced profitability and social insurance premiums increased.

among factories operated by Japanese companies by developing the non-Japanese market through tie-ups with local enterprises, making use of its unrivalled experience and energy-saving expertise in Japan. As a result, overseas sales increased.

Fiscal Year 2012 Outlook

First, to deal with the pressure on profits, in addition to reducing costs, we will be thorough in implementing selective order-taking and other measures to strengthen our business structure. In this way we will regain profitability in existing business domains while shifting toward a high-

value-added life cycle solutions model that captures new demand generated from structural changes in the market. For example, in order to develop our energy conservation business to help customers deal with electricity cutbacks and rate hikes, we will serve as an aggregator to propose solutions that capitalize on the proprietary expertise, accumulated data, and on-site workforce and equipment of the azbil Group, making use of government subsidies for installing building energy management systems. This will enable us to expand our business domain from large-scale buildings to small- and medium-sized

buildings. In addition, we will proactively develop markets with growth potential and demand for high-value-added services, such as cooling solutions for data centers and performance qualification for pharmaceutical production lines, by capitalizing on the differentiated combinations of products and services offered by the Group. In overseas markets, we will develop business based on high-value-added solutions such as energy conservation proposals. To secure the products and implementation structure required to develop this business, we prepared to invest in an overseas company during fiscal year 2011.

A Solution for Reducing Power Usage in Existing Large-scale Server Rooms with a High Return on Investment



BroadBand Tower, Inc.

BroadBand Tower operates a total of four data centers, three in Tokyo and one in the Kansai region, and provides a wide range of sophisticated value-added services to its client companies using IT solutions.

BroadBand Tower had already achieved substantial results from its proactive measures to reduce power consumption. To meet its power reduction needs for its large-scale, 1,200m² server room, the company selected AdaptivCOOL™,* an environmental solution for data centers. This solution enabled the company to shut down 8 of its 33 air-conditioning units, resulting in a further 8.8% reduction in power usage from its air-conditioners after the company had already achieved a 20% reduction from its own in-house initiatives.

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

TOPICS



Hiroshi Noguchi

Sales 2nd Department
Business Headquarters
Building Systems Company
Azbil Corporation

From the Account Representative

Our requirement when proposing this project was to ensure that there would be no impact on the customer's systems in operation during installation. As a result, we carefully reviewed the installation location of the floor cooling fan and temperature sensors and performed the installation work in three steps. We conducted detailed simulations in advance of temperature conditions of the entire floor after the completion of each step, which helped ensure we were thoroughly prepared for the actual installation.

Going forward, I hope to propose solutions for the automated control of air-conditioner operations and for visualizing power consumption to help achieve even greater energy conservation.

Advanced Automation Business

We will work to expand and strengthen the functions of our bases to globally provide plant owners and equipment manufacturers with solutions unique to the azbil Group.



Operating Environment

In Japan during fiscal year 2011, ended March 31, 2012, growth was firm in markets related to highly functional materials such as lithium ion batteries, an area of strength for Japanese companies. In addition, our customers worked diligently to quickly recover and rebuild following the Great East Japan Earthquake. As a result, demand grew in markets such as oil refining and paper and pulp, and energy-related markets overall were stimulated by moves to switch energy sources and restart thermal power plants to deal with a power supply shortage caused by the shutdown of the Fukushima Daiichi nuclear power plant, which was damaged by the tsunami. With this shortage, an unprecedented request for electricity conservation from the Japanese government and the soaring price of crude oil led to an increase in demand for energy conservation and environmental solutions.

In markets related to equipment manufacturers, including semiconductor manufacturing equipment and industrial furnaces, demand surged at the start of the fiscal year as companies rushed to secure parts and materials due to concerns about supply shortages caused by the Great East Japan Earthquake and accident at the Fukushima Daiichi nuclear power plant. However, this demand

declined in the middle of the fiscal year due to the weakening economy and inventory adjustments.

Overseas, the Chinese market was affected by Europe's economic uncertainty and monetary tightening measures, but growth was steady in the Asian market as a whole.

Fiscal Year 2011 Performance

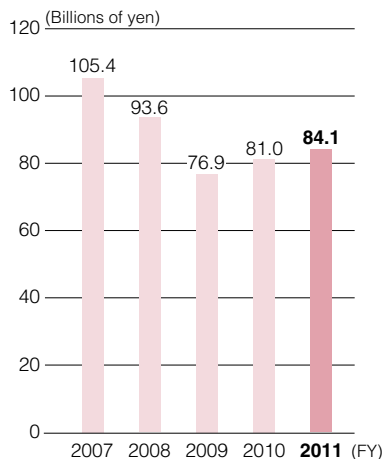
In Japan, in the field of process automation, demand grew in markets such as highly functional materials, as described previously. In addition, in meeting increased demand for earthquake recovery and reconstruction and from energy and energy conservation-related markets, we made continuing, all-out efforts in a spirit of helping our customers with reconstruction support, resulting in increased sales of field instruments such as transmitters and system products. Consequently, despite a year-on-year decrease in sales of control products used by equipment manufacturers for factory automation, overall sales in Japan increased.

In overseas markets, sales of control products for equipment manufacturers decreased, but sales of valves and field instruments for plants increased. As a result, overall sales increased despite the impact of currency translation.

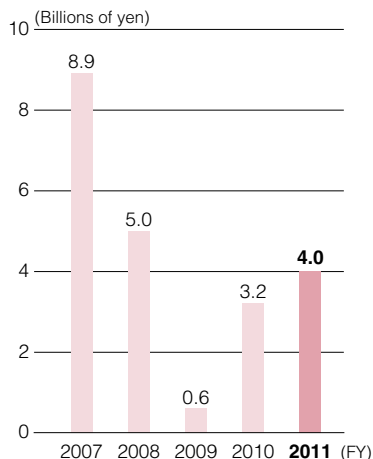
Masato Iwasaki

Executive Director
Managing Executive Officer
Advanced Automation Company President
Azbil Corporation

Sales



Operating Income



In fiscal year 2011, ended March 31, 2012, although sales of control products for equipment manufacturers decreased, sales of valves, field instruments, and system products grew in the energy and highly functional materials markets. As a result, sales increased 3.9% year on year to ¥84.1 billion. Segment profit (operating income) also increased 23.9% year on year to ¥4.0 billion, due primarily to the increase in sales.

Fiscal Year 2012 Outlook

Domestic and overseas customers in the manufacturing industry require vendors with networks that can provide value globally in line with their business development. The azbil Group has developed its global network with a focus on Asia and will promote expansion there; it will also expand in the Middle East and South America by establishing local subsidiaries and other methods. In addition to expanding in these regions, we will promote a qualitative shift by enhancing our platform for developing businesses that match the needs and characteristics of each region.

In Asia, we have strengthened our business structure from manufacturing and engineering to maintenance with the aim of establishing our position as a unique instrumentation solutions vendor, and we plan to strengthen and expand our business with a focus on control valves, a field in which we excel. So far, we have moved to set up and enhance valve maintenance centers at our main operating sites in Asia, and we will strengthen our valve business, including a supply chain stretching from Asia to the Middle East, through tie-ups with local companies in Saudi Arabia and India (see page 27 for details). In Europe and North

America, where major equipment manufacturers are located, we will strengthen the ability of our local subsidiaries to offer customized design and development solutions, and establish a three-pronged network including Japan to capture a greater market share. In Japan, we will continue to focus on providing solutions for highly innovative new development processes in markets including lithium ion batteries and highly functional film, and endeavor to capture business opportunities from markets related to the shift to liquefied natural gas, new energy sources, and alternative energies, where growth is expected.

Contributing to Energy Conservation at the Suntory Group by Achieving “Visualization” of Power Consumption at Each Workplace



Suntory Group

Under its corporate philosophy “In Harmony with People and Nature,” the Suntory Group has long been involved in environmental preservation activities aimed at achieving co-existence with the natural environment. When power usage restrictions were instituted under Article 27 of the Electricity Business Law to deal with electrical supply problems in the summer following the Great East Japan Earthquake, the Suntory Group committed to implementing a visualization solution for monitoring power consumption at its production sites and main office buildings. The Suntory Group adopted ENEOPT™pers, our solution package for an optimized balance of power supply and demand. By implementing energy conservation measures based on visualization using ENEOPTpers, the Suntory Group achieved its target of reducing electricity consumption by 15% year on year without affecting its production activities.

— From the Account Representative —

The customer’s strong desire to visualize energy consumption, even before the power usage restrictions that followed the Great East Japan Earthquake, was apparent from its innovative approach of effectively using existing hardware and software licenses as well as utilizing a virtual environment to avoid operational load increases from adding a server machine. We met these requirements through internal teamwork. Going forward, I would like to help the Suntory Group achieve its goal of becoming a low-carbon company.



Tsutomu Ozono
1st Sales Department
Kansai Regional Division
Advanced Automation Company
Azbil Corporation

Life Automation Business

To transform the Life Automation business into one that contributes to living with peace of mind, we are proactively promoting the expansion of our business domains, such as expanding regionally, including overseas, and enhancing our lineup of products for individual consumers.

Operating Environment

Covering the fields of lifeline and lifestyle facilities, health and welfare, and nursing care, the Life Automation business comprises several companies in different business environments. Azbil Kimmon Co., Ltd., 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 fiscal year 2011, ended March 31, 2012, in addition to market factors including being in an off-demand season for LP gas meters, the Fukushima Daiichi nuclear power plant accident forced the temporary suspension of some of the company's production facilities.

The health and welfare and nursing care fields, where Azbil Care & Support Co., Ltd.¹ operates, are affected by 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 system business Azbil Corporation operates is expected to grow in the future due to increasing needs for health and comfort in living spaces.

1. On April 1, 2012, Safety Service Center Co., Ltd., which operates emergency alert response services, and Yamatake Care-Net Co., Ltd., which operates the nursing care support businesses, merged to enhance their customer services.

Fiscal Year 2011 Performance

At Azbil Kimmon, which accounts for the bulk of sales in the Life Automation business, the Fukushima Daiichi nuclear power plant accident forced the temporary suspension of some of the company's production facilities, and LP gas meter sales are lower in the off-demand season. As a result, sales decreased.

In health and welfare and nursing care, our emergency alert response service for the elderly has approximately 62,000 customers (as of March 31, 2012), making us one of Japan's largest

private-sector service providers in the field. Nevertheless, the operating environment was challenging, with factors such as cutbacks in welfare budgets by local governments. To address this situation, we launched a new product,² expanded our service sites, and enhanced our service offerings, which helped increase sales.

In the field of residential central air-conditioning systems, we strengthened our sales force and opened Platz Kikubari, a showroom at one of Japan's largest permanent housing exhibitions, as part of our implementation of aggressive sales measures targeting both home builders and individual clients. These efforts also helped to increase sales.

Overall, Life Automation business sales were roughly on par with the previous fiscal year because vigorous efforts for a quick operational recovery minimized the impact of the Great East Japan Earthquake and nuclear power plant

Ichio Kunii

Managing Executive Officer
Home Comfort Business
Azbil Corporation

Hidetoshi Miwa

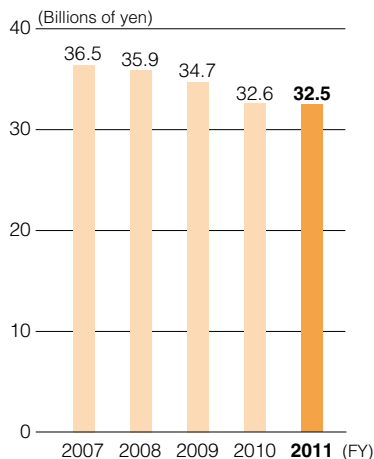
President
Azbil Care & Support Co., Ltd.

Kanichiro Shimoda

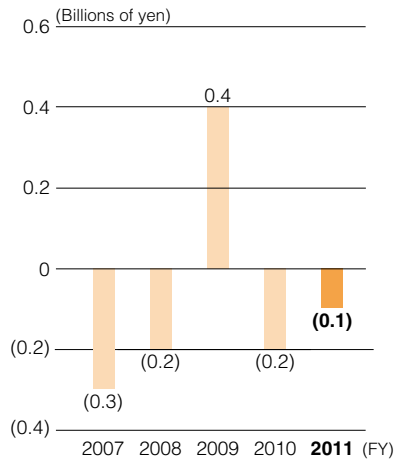
President
Azbil Kimmon Co., Ltd.



Sales



Operating Income (Loss)



Note: The purchase of Azbil Kimmon has generated expenses for amortization of goodwill since fiscal year 2006. Making the company a wholly owned subsidiary has doubled such expenses since fiscal year 2008.

In fiscal year 2011, ended March 31, 2012, we worked to minimize the impact of the Great East Japan Earthquake and Fukushima Daiichi nuclear power plant accident, and consequently, sales were ¥32.5 billion, a slight decrease of 0.2% year on year. Despite the effects of the nuclear power plant accident and an increase in expenses aimed at expanding sales of residential central air-conditioning systems, segment loss (operating loss) improved to ¥0.1 billion from ¥0.2 billion in the previous fiscal year, due mainly to a recovery in sales prices of water meters.

accident, and also because of growth in sales of nursing care support services and residential central air-conditioning systems. Profits were affected by the impact on production of the nuclear power plant accident and by the increased costs associated with marketing residential central air-conditioning systems. However, due to such factors as increased prices for water meters, there was an improvement in segment loss (operating loss) compared with the previous fiscal year.

2. We developed and launched a mobile version of our emergency alert response service for the elderly called the Nurse Phone-Anshin Pendant, which uses the Mimamori Phone device of SOFTBANK MOBILE Corp.

⇒ We provided the Nurse Phone-Anshin Pendant to elderly residents of temporary housing in areas affected by the Great East Japan Earthquake. See page 49 for details.

Fiscal Year 2012 Outlook

The Life Automation business aims to grow by expanding into new regions and new business domains, including in the private sector, while generating stable profits in existing business domains by strengthening its business structure. In Taiwan, where demand is expected to grow for intelligent gas meters with safety functions due to a revision of the law, we established a joint venture gas meter company and started production as part of our efforts to expand our global operations. Azbil Care & Support will expand its business domains to include

assisted living facilities for the elderly and 24-hour regional comprehensive care services by capitalizing on the enhancement of its management foundation from the merger. In the field of residential central air-conditioning systems, we will work to increase our market share by enhancing our sales and development force, although this will incur upfront costs. By doing so, we will promote the transformation of the Life Automation business into one that contributes to living with peace of mind.

Helping to Improve Lifestyles through a Program Focused on Voluntary Action



Mr. Hiroyuki Okuhara, Manager

Keisei Electric Railway Health Insurance Society

Because more than half of the Keisei Group's employees are involved in railway or bus operations, work schedules are apt to interrupt their lifestyle routines. Azbil Care & Support has the experience of providing a specific health guidance program to the azbil Group's Health Insurance Society, which enabled the company to anticipate the entire process required by the Keisei Group and ensure a seamless transition after implementation. Participants in the program strive to make lifestyle improvements by setting and achieving their own health goals, like walking 10,000 steps each day, under the guidance of Azbil Care & Support staff.

From the Account Representative

The key feature of Azbil Care & Support's specific health guidance is "empowerment," with participants receiving support to recognize their own ability to make lifestyle improvements and achieve their health goals. We also utilize the telephone communication skills we have developed through our emergency alert response service over its history of more than 25 years to have nutritionists and other specialist staff respond to inquiries on meals or exercise. This has helped us achieve an extremely high program completion rate of 96%.



Yasuyo Komiyaji
Nutritionist
Preventative Services Group
Health Support Center
Care Center Headquarters
Azbil Care & Support Co., Ltd.

Global Operations

We plan a qualitative change of focus to meet the increasingly sophisticated needs of our customers and to expand our business regions and domains, in order to capture business opportunities in rapidly growing emerging nations and from our customers' global expansion.



Operating Environment

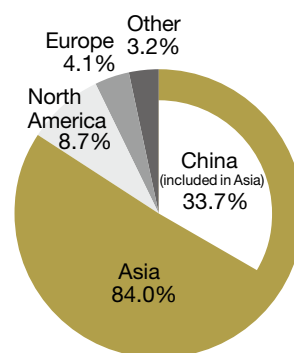
Despite persistent destabilizing factors in the operating environment, with financial instability in Europe, a slowdown in the United States economy, decelerating economic growth in emerging nations, and the sharp appreciation of the yen, the overall Asian economy including China was on a recovery track. It is thought that emerging nations led by China will continue to drive global economic growth, and demand is expected to increase as capital investment rises in these regions. In addition, demand is also expected to rise for upgrades of existing systems with higher added value, asset management services including maintenance, and sophisticated energy-saving control solutions.

Fiscal Year 2011 Performance

In order to expand our global operations, we have continued to strengthen our business foundation, such as by enhancing the production, development, and maintenance functions at our overseas sites to meet individual local needs and characteristics. In fiscal year 2011, we also carried out proactive measures including alliances with local

Overseas Sales* by Region

(Fiscal year 2011)



* 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.

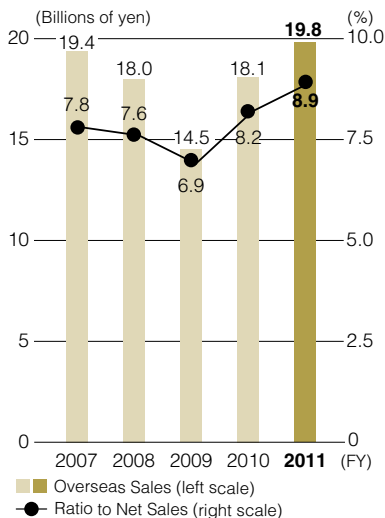
companies. In the Building Automation business, in order to capture growing demand for environmental and energy conservation solutions in China, we conducted discussions on establishing a joint venture and prepared to invest in a local company, which has become a subsidiary and a member of the azbil Group. In Asia, we organized an energy conservation seminar and carried out enlightenment activities to spur demand. In the Advanced Automation business, we strengthened our valve maintenance facilities and staff at our main operating sites, such as in China, Thailand, and Taiwan. In October 2011, we also relocated and expanded our valve maintenance center in Singapore. In addition, we signed a joint venture agreement with a company in Saudi Arabia to build a supply chain that stretches from Asia to the Middle East for the expansion of our control valve business. To expand our flowmeter business in China, we installed a flowmeter calibration facility at the production site of a Group company. To enhance our ability to provide solutions to equipment manufacturers in Europe and North America, we strengthened the

⇒ See the Feature, "The azbil Group's Global Operations," on pages 23-28 for details.

Toshitsune Okubo

Managing Executive Officer
International Business
Azbil Corporation

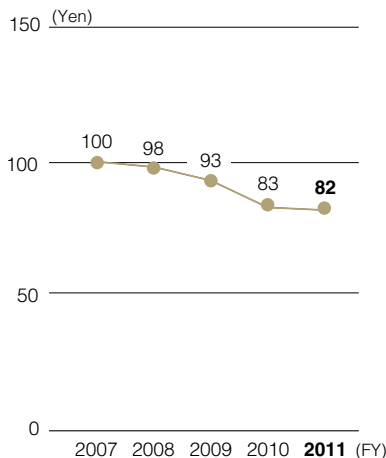
Overseas Sales/ Ratio to Net Sales



customized design and development capabilities of local Group companies. In the Life Automation business, Azbil Kimmon Co., Ltd. established a joint venture company with a Taiwanese company and began production and sales of gas meters.

In addition to these measures to strengthen our business foundation, we focused on securing, cultivating, and enhancing superior human resources locally to simultaneously establish a business structure for globalization on the employee level.

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



Despite a sense of stagnation in Europe and North America, sales increased during fiscal year 2011, ended March 31, 2012, primarily for the Building Automation business in China and other Asian regions, while sales of field instruments and valves in the Advanced Automation business also rose. As a result, even with the impact of currency translation, overseas sales increased 9.7% year on year to ¥19.8 billion.

Fiscal Year 2012 Outlook

A sense of uncertainty still persists, with financial instability in Europe and a high unemployment rate in the United States, although monetary loosening measures in China are expected to have an effect.

This indicates that the operating environment in emerging nations, mainly in China and other Asian countries, will remain on a recovery track in fiscal year 2012, ending March 31, 2013, and beyond. Overseas markets represent key domains critical to the growth of the azbil Group, and we will develop a network and business structure ranging from

development and production to sales, engineering, and maintenance, through close collaboration with our overseas subsidiaries and alliances with local companies. To meet the needs of our multinational customers and local companies that require more advanced life cycle solutions ranging from product supply to sophisticated energy-saving control solutions and operational management, we will use our expertise and proven track record in Japan to develop a business model unique to the azbil Group.

Support for the Building Air-Conditioning System at a Singapore Business Park Housing High-Tech Businesses



Changi DCS Plant

Changi DCS* Plant is a facility with a capacity of 30,000 refrigeration tons that serves each building in the Changi Business Park, home to the high-tech divisions and research divisions of many multinational corporations. The plant must guarantee a stable supply of chilled water to customers in each building of the business park 24 hours a day, 365 days a year. Changi DCS Plant is monitored and controlled by the azbil Group's Harmonas-DEO™ system. Installed in 2010, the new system improves usability by transmitting information from the existing system into Harmonas-DEO and adopts redundant design to further improve operational reliability. The system's superior operability and visibility also enhanced the work flow efficiency of the plant's on-site operators.

* DCS: District Cooling System

From the Account Representative

I was contacted by the customer because they needed to strengthen their monitoring and control due to expansion taking place at the business park. The fact that we have been working as a reliable partner to two other DCSs in Singapore provided the impetus for the customer to implement our solution. I look forward to supporting the stable operations of this ever-growing business park as well as provide energy saving technologies unique to the azbil Group to help Singapore achieve its CO₂ reduction targets.



Nai Choon Siang
System Engineering Manager
Azbil Singapore Pte. Ltd.

TOPICS

Business Foundation

By strengthening a uniform, Group-wide foundation for growth that encompasses research and development, production, and services, the azbil Group strives to be a corporate entity that responds flexibly and continuously to changes in the business climate.

Research and Development

Guided by the Group philosophy of “human-centered automation,” the azbil Group has consolidated its Group-wide R&D with the product development sections of each business department to achieve uniformity from technology development to trial manufacture, in order to rapidly develop next-generation products that meet prospective needs. We create new value for customers quickly and globally by capitalizing on the expertise we have accumulated at customers’ work sites as well as the advanced technological capabilities and skills within the azbil Group.

R&D Investment

In fiscal year 2011, ended March 31, 2012, the azbil Group’s total expenditures on R&D amounted to ¥8.8 billion, equivalent to 3.9% of net sales. Compared with the previous fiscal year, there was no major fluctuation in the total costs, and investment in R&D continued at a steady pace.

In fiscal year 2012, ending March 31, 2013, in light of medium-to-long-term trends in society, customer issues, and technology, and in order to respond to various changes occurring in the buildings market, in industry, and in lifestyles, we have set forth five new strategic technology areas that appear to have far-reaching value. We will continue proactive investment in these areas for efficient and timely product launches. Furthermore, to promptly meet the requirements of customers who are diversifying overseas, we will strengthen our development capabilities in North America, Europe, and other locations outside Japan, and promote greater collaboration between those locations and our development functions in Japan.

Strategic Technology Areas

1. Machine Systems with Humanlike Abilities

Technology incorporating humanlike abilities into machine systems
Example focus: An advanced intelligent production system that incorporates humanlike skills

2. Flexible Measurement and Control

For a wide variety of manufacturing and living environments, measurement and control technology with greater freedom of time and place

Example focus: Steam energy measurement that enables a new method of energy management

3. Advanced Technology That Clarifies Complex Systems

Technology that clarifies the status and problems of complex processes, allowing the development of highly evolved systems with advanced controllability

Example focus: Large-scale process optimization

4. Systems Enabling Us to Live in Harmony with Nature

Harmonizing human activity (production and living) with nature by reducing impact on the environment by means of control technology

Example focus: Smart grid-ready BEMS (Building Energy Management System)

5. Individualized Environmental Comfort Systems

Technologies offering comfortable and high-quality living space

Example focus: Air flow control for temperature distribution

Yoshihide Sugino

Managing Executive Officer
azbil Group Technology Development,
azbil Group Environmental Load Innovation,
Corporate Quality Assurance Promotion,
Department of Safety Assessment
Azbil Corporation

Makoto Kawai

Executive Director
Managing Executive Officer
azbil Group Production
azbil Group Purchasing
Azbil Corporation

Mitsuharu Miyazawa

Managing Executive Officer
Service Business
Azbil Corporation



Examples of Research and Development Technologies

1. Establishment of Integrated System from Product Development to Production Process

We developed the HP7 series, a general-purpose photoelectric sensor with a built-in amplifier, which offers detection of extremely small objects and highly precise positioning. Coordination with the product development department from the start of development established a production process that utilizes humanlike automation technology* starting from the product design stage, enabling high-quality product manufacturing at a low cost.



The new HP7 general-purpose photoelectric sensor with built-in amplifier

* Intelligent machinery with the same dexterity and sight as a human

2. Joint Development with a Group Company in Japan

In cooperation with Azbil Care & Support Co., Ltd. (formerly Safety Service Center Co., Ltd.), we developed the Nurse Phone-Anshin Pendant™, a mobile version of our emergency alert response service, as well as the related systems for the call center that receives alerts.



Receiving an alert from a Nurse Phone-Anshin Pendant (user terminal)

3. Joint Development with a Group Company in North America

We built the g-lab, a world-class sterile environment testing facility. In a collaborative project involving Azbil BioVigilant, Inc. in North America and the development department in Japan, we developed an improved compact high-performance model of our IMD™ Instantaneous Microbial Detection, which continuously detects microbes in real time.



IMD Instantaneous Microbial Detection

Intellectual Property

The Azbil Group regards intellectual property as a vital business resource, and as such it ranks its intellectual property strategy as a key business strategy for its global development. The Group is carrying out its business, R&D, and intellectual property strategies in concert, with emphasis on establishing an intellectual property portfolio in major product lines and technological fields, and on conducting risk management of its intellectual property rights.

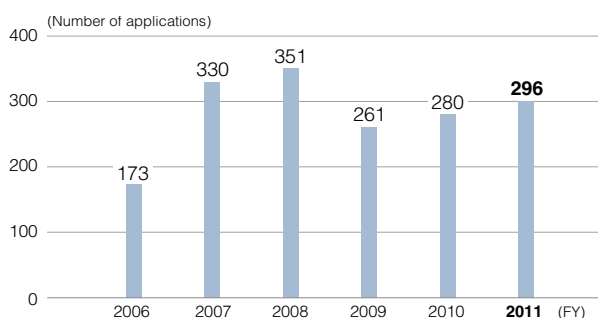
Establishing an Intellectual Property Portfolio in Major Product Lines and Technological Fields

The Technology Committee establishes quantitative targets for inventions. Personnel in charge of development are given these targets and report inventions as part of their organization's R&D achievements. Marketing and development departments work closely to monitor inventions that belong to major product lines and technological fields. This intensive attention ensures the speedy acquisition of valuable patents.

As a result of these activities, the number of patent applications we filed in Japan during fiscal year 2011 reached approximately 300.

As we expand globally, we will also promote and enhance overseas patent applications as a key policy from the standpoints of our business strategy, R&D strategy, and intellectual property strategy.

Number of Domestic Patent Applications



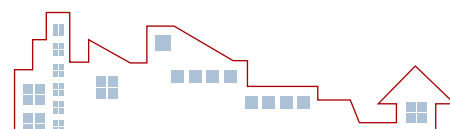
Scope of calculations: Azbil

Risk Management

As our business becomes increasingly global, each month we check more than 1,000 official open patent applications from other companies in the United States and China as well as Japan to avoid disputes related to other companies' patents involving our products. This reduces business risk and greatly increases our freedom to conduct research and development.

Brand Management

We are actively applying to register "azbil" as a trademark in more than 100 countries around the world in order to strengthen our brand globally.



Production and Procurement

The pace of change in our business structure is accelerating as a result of frequent overseas relocation by our Japanese customers and intensifying global competition. For a flexible and continuous response to these changes, we are working to optimize and strengthen the entire azbil Group through business restructuring and establishment of production and procurement systems that are cost-competitive on a global level.

Restructuring of Production in Japan

In Japan, Yamatake Corporation merged with Yamatake Control Products Co., Ltd. to create Azbil Corporation on April 1, 2012. We established the Production Management Headquarters to accelerate the optimization of our production functions globally. Our aim is to build a competitive business structure that is capable of agile response to change. This structure will eliminate redundancies, improve productivity by flexibly deploying necessary resources, and further strengthen collaboration between our development departments and purchasing departments. In addition, it will bolster manufacturing technologies and reduce the time from development to production.

Expanding Overseas Production Sites

Outside Japan, we are developing and strengthening our production and procurement capabilities globally in order to accelerate expansion of our global operations. As part of this effort, we built a flow calibration facility at Azbil Control Instruments (Dalian) Co., Ltd. to meet Chinese standards and expand our flowmeter business. Also, we established Azbil Kimmon Technology Corporation, a joint venture with Yung Loong Engineering Corporation, to manufacture gas meters in Taiwan. We have also established Azbil Saudi Arabia Limited, a joint venture with Tharawat Development Co. of Saudi Arabia. This new company will manufacture and sell control valves, with marketing scheduled to begin in October 2012 and production activities in autumn 2013.



Calibration facility at Azbil Control Instruments (Dalian)

Engineering Services

Capitalizing on the wealth of knowledge and expertise we have gained from working on customer sites in Japan and

overseas, we will strengthen our engineering services by building an operating structure and developing human resources that can provide high-value-added services unique to the azbil Group on a global scale.

Restructuring of Service in Japan

We established our Service Headquarters in January 2012 to optimize and strengthen our service capabilities. The headquarters will strengthen existing and new services in Japan by capitalizing on our ample service network in approximately 200 locations nationwide. At the headquarters, human resources will be developed and optimally deployed, accelerating synergies within the azbil Group and enabling us to be long-term partners to our customers and to society.

In fiscal year 2011, we bolstered our service structure and rolled out new services, including high-value-added services for the pharmaceutical industry, market testing, and operational management for social infrastructure.

In addition, our Measurement Standards Center, as a calibration provider accredited by JCSS (Japan Calibration Service System), will help strengthen our life cycle solutions foundation by providing the highest quality calibration services in Japan.

Also, to strengthen services for regions and individuals, Safety Service Center Co., Ltd. and Yamatake Care-Net Co., Ltd. merged to form Azbil Care & Support Co., Ltd. To strengthen our engineering capabilities, three construction-related subsidiaries of Azbil Kimmon Co., Ltd. merged to form Azbil Kimmon Engineering Co., Ltd.

Expanding Our Domestic Service Network Overseas

In order to provide the same level of service overseas as we do in Japan, we have built or strengthened necessary operating structures and developed key human resources. To expand our life cycle solutions business in China and elsewhere in Asia, we have strengthened our valve maintenance capabilities at our core sites in China, Taiwan, Thailand, and Singapore. Moreover, we are making efforts to develop human resources locally in order to construct a framework for collaboration between Japan and our sites in China and the rest of Asia.



Valve maintenance center (Taiwan)



- 42 The azbil Group's CSR Management
- 43 Corporate Governance
- 44 Risk Management and Compliance
- 45 Board of Directors, Executive Officers,
and Corporate Auditors



Our Management

Management Framework

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 introduces the azbil Group’s management framework, which forms the core of its CSR management.

For general information on our initiatives for strengthening our management framework, please refer to
<http://www.azbil.com/csr/soc/index.html>

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

Q: What is meant by “the azbil Group’s CSR?”

Aiming for sustainable development of society and of 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?

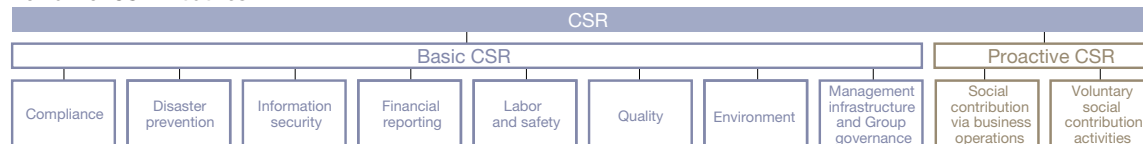
Under our medium-term plan, we have divided our initiatives into six themes, with targets for each.

- 01 Compliance control**
A culture of thorough compliance that includes not only awareness but also employees’ continuous execution of business activities in a manner that prevents the occurrence of serious compliance issues in the Group’s business activities.
- 02 Operation with thorough risk management**
Full application of Group-wide risk management in areas including disaster preparedness, information security, quality, product liability, and accounting, under a comprehensive risk management system, as well as measures taken on an annual basis to ascertain and deal with key risks.
- 03 Promotion of business management that values people**
Strengthening of the foundation for CSR management that values people by promoting employee health and safety, better workplace environments, a more dynamic corporate culture, and improved motivation as well as establishing a human resource system to support these initiatives.
- 04 Contributions to preserving our natural environment**
Reduction of our own CO₂ emissions and, through our business, active contributions to the reduction of CO₂ emissions of our partner companies and society. In addition, comprehensive promotion of energy conservation measures to address electric power supply shortages.
- 05 Promotion of group management**
Strengthening of Group-wide governance by significantly enhancing the level of management-related practices in areas including internal control, risk management, and accounting at subsidiaries in Japan and overseas.
- 06 Strengthening social contribution activities**
Active promotion and support of social contributions through business operations and employee-participatory, voluntary social contribution activities.

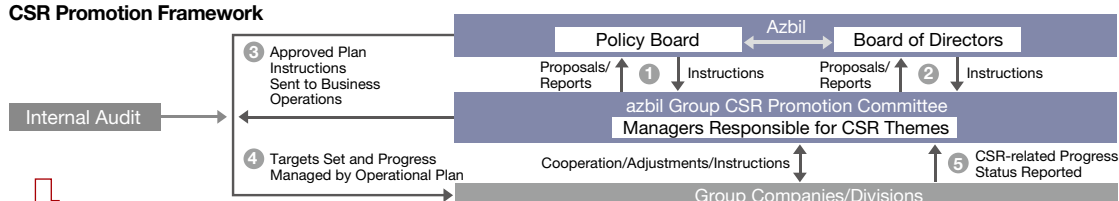
CSR Promotion Framework

The azbil Group’s CSR Promotion Committee was established in order to promote and enact CSR activities for the Group as a whole 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 initiative. The committee promotes and controls overall CSR activities, subject to the approval of the Board of Directors of Azbil Corporation, executing CSR initiatives, appraising their results, and reporting to management.

Domain of CSR Initiatives



CSR Promotion Framework



In order to enhance corporate governance, Azbil Corporation 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

Azbil 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.

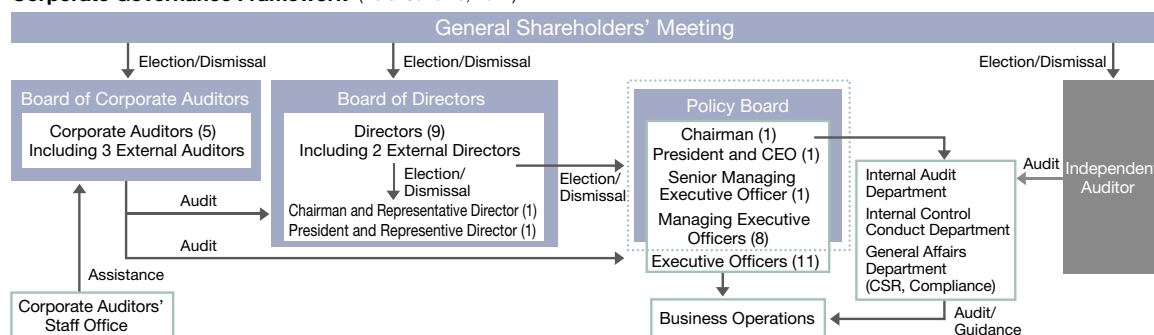
Current Framework

Azbil's Board of Directors was composed of nine members as of June 26, 2012, 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

Azbil discloses the total remuneration for directors and corporate auditors in its annual security report and notice of annual shareholders' meetings. In fiscal year 2011, ended March 31, 2012, total remuneration paid to nine directors amounted to ¥382 million (maximum permissible under company rules: ¥450 million). For the eight corporate auditors (including three corporate auditors who retired at the close of the 89th general shareholders meeting held on June 28, 2011), total remuneration amounted to ¥76 million (maximum permissible: ¥120 million).

Corporate Governance Framework (As of June 26, 2012)



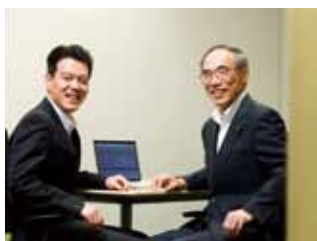
Risk management and compliance are essential components of management that is grounded in corporate social responsibility (CSR), and thus are key elements for the azbil Group if it is to maintain the trust of society and thereby continue to survive and thrive. We are working to manage the various risks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

Risk Management

The azbil Group's Total Risk Management

The azbil Group strives for meticulous risk management. Under our total risk management system, risks that could significantly impact our business are identified through comprehensive annual surveys of directors and managers of key departments, and then the Board of Directors prioritizes the azbil Group's key risks for the coming year. These efforts are aimed at facilitating the implementation of Group-wide measures to prevent key risks from materializing.

In consideration of factors such as changes in its management environment and business domains, revisions of laws and regulations, and incidents that create risks inside and outside the Group, the azbil Group revises the risks it surveys each year.



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

Disaster Prevention and Business Continuity Planning

In fiscal year 2011, ended March 31, 2012, we conducted emergency disaster prevention inspections at all domestic business sites of the azbil Group in the wake of the Great East Japan Earthquake, identified problems, and initiated countermeasures. Furthermore, in order to strengthen the azbil Group's overall disaster prevention, we improved our system for checking employee safety after a major earthquake, enhanced our communications infrastructure for disasters, and relocated to buildings that meet new earthquake-resistance standards, among other measures.

Going forward, we will revise our business continuity plan to establish more robust disaster prevention and business continuity in addition to further strengthening our disaster prevention measures.

Information Security

To deal with information security risks, we have carried out a variety of initiatives such as ensuring thorough information security education of employees by means that include the use of e-learning, as in previous years; 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 network equipment and 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 guidelines as a code of conduct covering all business activities from the perspectives of legal compliance and ethical conduct.

We have issued localized versions of these guidelines for each country in order to take into consideration local laws and business practices, based on a guideline template for our overseas subsidiaries created in fiscal year 2011.

Compliance Promotion Framework

The azbil Group's Corporate Ethics Committee and departments in charge of compliance promotion are responsible for determining policy and promotion initiatives to ensure 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 heighten awareness and ensure thorough compliance in each workplace.

In addition, we conduct annual surveys of compliance attitudes among all azbil Group officers and employees to monitor the actual compliance awareness and behavior of each workplace. In turn, 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, the heads of departments and sections, newly hired employees, newly appointed managers, and employees assigned to an overseas posting.



Issues identified through compliance attitude surveys are reflected in the education curriculum, which uses specific case studies to encourage all employees to think about issues and make a thorough transition from thought into action.

In addition, training sessions for in-house lecturers were held to develop their teaching skills in order to improve the quality of our compliance education.

We have offered compliance education sessions in factories and sales branches nationwide, covering almost everyone in the Group.

Directors, Executive Officers



Seiji Onoki
Representative Director
Chairman
azbil Group General Management



Hirozumi Sone
Representative Director
President and Chief Executive Officer
azbil Group General Management,
Internal Audit Department,
Corporate Planning Department



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



Makoto Kawai
Executive Director
Managing Executive Officer
General Manager, Production Management Headquarters
azbil Group Production,
azbil Group Purchasing



Keiichi Fuwa
Executive Director
Managing Executive Officer
Building Systems Company President
Building Automation Business,
azbil Group Operating Synergy



Masato Iwasaki
Executive Director
Managing Executive Officer
Advanced Automation Company President
Advanced Automation Business



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

Ichio Kunii
General Manager, Home Comfort Headquarters
Home Comfort Business

Yoshihide Sugino
General Manager, Technology Development Headquarters
azbil Group Environmental Load Innovation,
azbil Group Technology Development,
Corporate Quality Assurance Promotion,
Department of Safety Assessment

Kenji Hidaka
Advanced Automation Business Sales

Mitsuharu Miyazawa
Service Business
General Manager, Tokyo Head Office
General Manager, Facility Management Headquarters
Building Systems Company

Executive Officers
Osamu Tamayori
Assistant to Managing Executive Officer

Teruyoshi Yamamoto
Group Finance
Assistant to Senior Managing Executive Officer

Takumi Ishiguro
Building Systems Company Instrumentation Sales
Assistant to President of Building Systems Company

Norio Murase
General Manager, Legal & Intellectual Property Department

Nobuo Shimizu
General Manager, Kansai Regional Division
Advanced Automation Company

Haruo Tamura
General Manager, Kansai Regional Division
Building Systems Company

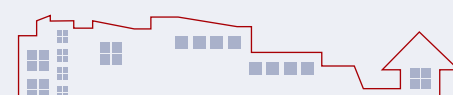
Hiroshi Arai
General Manager, Information Systems Department
azbil Group Information Systems

Seiichiro Hayashi
General Manager, Engineering Headquarters
Building Systems Company

Hirohiko Kazato
Deputy General Manager, Technology Development
Headquarters
New Business Development

Yoshifumi Suzuki
General Manager, Engineering Department
Advanced Automation Company

Kenji Okumura
General Manager, Business Sales Headquarters
Advanced Automation Company



Career Summary of the Board of Directors

Seiji Onoki

April 1970	Joined the Company
November 1994	General Manager of System Development Headquarters; Industrial Systems Division
June 1996	Executive Director of the Company
June 2000	President of Yamatake Industrial Systems Co., Ltd. (presently the Company's Advanced Automation Company)
June 2000	Executive Director of the Company
April 2003	Executive Director and Managing Executive Officer of the Company; President of Advanced Automation Company
June 2004	President and Chief Executive Officer of the Company
April 2012	Chairman of the Company (present post) In charge of azbil Group General Management (present post)

Hirozumi Sone

April 1979	Joined the Company
April 1996	General Manager of System Marketing, System Development Headquarters, Industrial Systems Division
October 1998	Transferred to Yamatake Industrial Systems Co., Ltd. (presently the Company's Advanced Automation Company), General Manager of Marketing
June 2000	Executive Director, General Manager of Marketing, Yamatake Industrial Systems Co., Ltd.
April 2003	Director of the Company; General Manager of Engineering Headquarters, Advanced Automation Company
April 2005	Executive Officer of the Company, General Manager of Corporate Planning
April 2008	Managing Executive Officer of the Company, General Manager of Corporate Planning
April 2009	Managing Executive Officer of the Company
June 2010	Executive Director, Managing Executive Officer of the Company
April 2012	President and Chief Executive Officer of the Company (present post) In charge of azbil Group General Management, Internal Audit Department, Corporate Planning Department (present post)

Tadayuki Sasaki

April 1972	Joined The Fuji Bank, Limited
October 1999	General Manager of Project Finance Sales
May 2002	Joined the Company (Director)
April 2003	Executive Officer of the Company, Director of Accounting & Finance
April 2006	Managing Executive Officer of the Company
June 2007	Executive Director, Managing Executive Officer of the Company
April 2009	Executive Director, Senior Managing Executive Officer of the Company (present post)
April 2012	Assistant to the President, In charge of azbil Group CSR, Internal Control, Facilities / Business Sites, Finance Department, Human Resources Department, General Affairs Department, Legal & Intellectual Property Department, Secretary Office (present post)

Makoto Kawai

April 1972	Joined the Company
November 1996	General Manager of Technology IV, Product Development Headquarters, General Manager of CV Production, Product Production Headquarters, Industrial Systems Division
June 2006	General Manager of Shonan Factory
April 2007	Director of the Company, General Manager of Shonan Factory; Manager of IP Production Headquarters, Advanced Automation Company
April 2008	Executive Officer of the Company
April 2010	Managing Executive Officer of the Company
June 2010	Executive Director, Managing Executive Officer of the Company (present post)
April 2012	In charge of azbil Group Production, Purchasing; General Manager of Production Management Headquarters (present post)

Keiichi Fuwa

April 1974	Joined the Company
October 1998	Transferred to Yamatake Building Systems Co., Ltd. (presently the Company's Building Systems Company), General Manager of Security Systems, Yamatake Building Systems Co., Ltd.
April 2003	General Manager of Building Automation Business Headquarters, Tokyo Head Office, Building Systems Company
April 2004	Director of the Company; General Manager of Building Automation Business Headquarters, Tokyo Head Office, Building Systems Company
April 2006	Executive Officer of the Company; General Manager of Osaka Branch, Building Systems Company
April 2008	Executive Officer of the Company; General Manager of 1st Sales Headquarters, Building Systems Company
April 2011	Managing Executive Officer of the Company; General Manager of Sales Headquarters and Tokyo Head Office, Building Systems Company
April 2012	Managing Executive Officer of the Company; President of Building Systems Company (present post)
June 2012	Executive Director of the Company (present post)

Masato Iwasaki

April 1982	Joined the Company
April 2003	General Manager of Marketing 2nd Department and Information Systems, Advanced Automation Company
April 2005	General Manager of Solution Marketing, Advanced Automation Company
April 2010	Director of the Company; General Manager of Marketing, Advanced Automation Company
April 2011	Executive Officer of the Company; General Manager of Marketing, Advanced Automation Company
April 2012	Managing Executive Officer of the Company; President of Advanced Automation Company (present post)
June 2012	Executive Director of the Company (present post)

Makoto Yasuda

April 1960	Joined the Company
August 1968	Resigned from the Company
October 1984	Chairman of Elders Pika
May 1987	President of Elders and Yasuda Limited
July 1990	President of Yasuda and Pama Limited (presently Yasuda Makoto & Co., Ltd.) (present post)
June 2000	Corporate Auditor of the Company
May 2001	Director of Li & Fung Limited
June 2006	Executive Director of the Company (present post)
June 2007	Executive Director of KANEMATSU TEXTILE CORPORATION (present post)

Eugene H. Lee

September 1970	Professor of International Business and International Law at Sophia University
February 1973	President of International Investment Consultants Ltd.
January 1982	President of Siemens Medical Systems (presently Siemens Japan K.K.)
December 1990	Vice Chairman of Siemens K.K. (presently Siemens Japan K.K.) (Representative of Siemens Group in Japan)
June 2007	External Director of the Company (present post)

Katsuhiko Tanabe

April 1973	Registered as a Lawyer
September 1979	Established TANABE & PARTNERS (present post)
April 1995	Deputy Chairman of Dai-ichi Tokyo Bar Association
April 1997	Vice-Chairman of Kanto Bar Association
April 1998	Managing Director of Japan Federation of Bar Associations
June 2000	External Auditor of Sanwa Shutter Corporation (presently Sanwa Holdings Corporation) (present post)
June 2007	External Auditor of the Company
June 2010	External Director of the Company (present post)
October 2010	External Director of MIRAIT Holdings Corporation (present post)



- 48 Relationship with Customers
- 50 Relationship with Local Communities
- 51 Relationship with Suppliers
- 52 Relationship with Employees
- 53 Relationship with the Environment



Our Sustainability

Sustainability

The azbil Group is focusing on strengthening its relationships with its many stakeholders as part of its commitment to the sustainable development of companies and society. This section introduces initiatives to strengthen our relationships with the Group's various stakeholders.

For general information on our initiatives for sustainability, please refer to <http://www.azbil.com/csr/index.html>

Based on its Group Philosophy, the azbil Group proactively works to ensure the safety and dependability of its products and services, and has set forth both a statement of basic policy and a detailed statement of rules to ensure its continued ability to provide products and services that keep customers safe and contribute to their peace of mind.

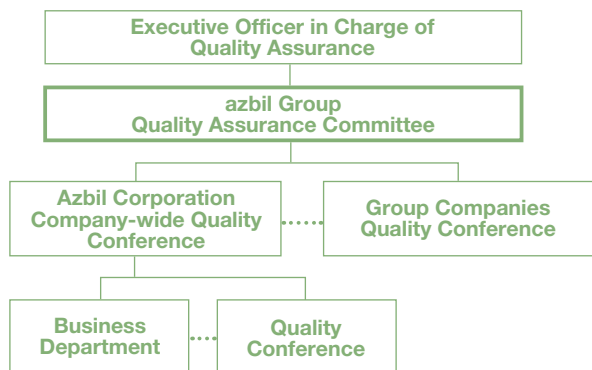
The azbil Group's Initiatives to Offer Customers Safety and Dependability

For the azbil Group, the term "products and services" encompasses products such as devices, equipment, software, and systems, as well as services such as engineering, installation, adjustment, maintenance, facility management, and in-home care. To ensure that all of these products and services pose no risk to our customers' safety or peace of mind, we established the Basic Policy on the Safety and Dependability of azbil Group Products and Services, which is shown on the right.

At the same time, we set forth Rules on the Safety and Dependability of azbil Group Products and Services and shared them with Group companies in Japan and overseas in a proactive effort to ensure the safety and dependability of products provided by azbil Group companies.

In addition, the entire azbil Group is committed to enhancing product quality. Efforts by each business department and each Group company are periodically reviewed by the azbil Group's Quality Assurance Committee and shared throughout the Group. A report on product quality at each Group company is published monthly and distributed to the management of each company.

Quality Assurance Activity Monitoring System



Basic Policy on the Safety and Dependability of azbil Group Products and Services

1. Observing laws

We will observe laws pertaining to the safety and dependability of the products and services we provide.

2. Ensuring the safety and dependability of our products and services

By maintaining internal rules and standards for the safety and dependability of our products and services, having appropriate quality control, educating our employees and sub-contractors, and conducting appropriate inspection and monitoring, with continuous *kaizen*, we will ensure the safety and dependability of our products and services.

3. Providing safe and dependable products and services

We will plan and design our products and services from the customer's point of view, recognizing that safety and the customer's peace of mind are higher priorities than function, performance, and cost.

4. Cautions and information sharing for customers' safety and peace of mind

In our manuals, catalogs, products labels, specification sheets, contracts, etc., we will include appropriate and sufficient precautions for safety and peace of mind and other useful information in order to ensure customers' safe use with peace of mind.

5. Quick response to accidents

We will proactively collect information about accidents of our products and services. If an accident happens, we will first care for customers' safety and peace of mind, and quickly prevent a worsening of the situation, and then study the cause, and take countermeasures. We will also disclose appropriate information by means of reports, notices, etc., inside and outside the company.



Initiatives to Enhance Group-wide Quality Management

From the perspective of Group-wide quality management, the azbil Group conducts enhanced quality education and human resource development, customer-oriented product planning, and source management at the development and design stages. We have initiated a campaign against non-conformance in all production processes as we work to prevent the delivery of defective products to our customers' business sites.

We will work to further improve our quality management in order to provide products that offer greater satisfaction to customers.

Hideaki Ishii

General Manager
azbil Group Quality Assurance Department
Azbil Corporation

TOPICS

Efforts to Hasten Recovery in Disaster-Stricken Areas

The azbil Group believes that its relationships with customers do not end with the sale of products. We work with customers on a daily basis to help resolve the challenges they face at their work sites. In the wake of the Great East Japan Earthquake and the floods in Thailand that occurred in 2011, the azbil Group promptly provided reconstruction assistance to help customers affected by these disasters to solve a variety of problems.

Helping to Restore the Infrastructure as a Unified Group

In the Kanto area an oil refinery, one of our customers, was forced by the earthquake to undergo an emergency shutdown of its equipment. With the collaborative help of the azbil Group's sales, service, and engineering divisions, after completing safety checks and restarting its plants one by one, this customer was able to resume tanker truck shipments from its refinery on March 14, just three days after the earthquake. Also, at the request of the national government, we helped to restart a thermal power plant that had suspended operations.

To procure the necessary parts for these support activities, information about usage frequency, inventory levels, and supplier status was collected. Specifically, it was necessary to ensure the stable supply of parts to the infrastructure-related customers, who were the top priority, and at the same time to set up a supply framework that included designs using alternatives for parts that would likely be difficult to source.

Support for the Mental Well-Being of Elderly Disaster Victims

Azbil Care & Support Co., Ltd. (formerly Safety Service Center Co., Ltd.), which operates an emergency alert response service for elderly people who live alone, continued to provide services 24 hours a day, despite interruptions in public transportation that made it difficult for staff to come to work. The company confirmed the safety of each one of its customers in the disaster area and reported its findings to the appropriate local governments. It also worked to relieve customers' anxieties after the

disaster by contacting local governments and medical institutions, etc., helping to provide peace of mind to many.

Following the earthquake and tsunami, Azbil Care & Support provided the Nurse Phone-Anshin Pendant™, a mobile version of our emergency alert response service, allowing people to make contact or receive consultation at any time, in order to prevent the elderly from withdrawing from society or dying alone while in temporary housing. This service is currently being provided in the cities of Iwanuma in Miyagi Prefecture and Ofunato in Iwate Prefecture.

Putting Our Disaster Response Experience to Immediate Use Overseas

Immediately after the floods in Thailand in 2011, we were inundated with requests to provide reconstruction assistance from more than 200 companies. We set up a reconstruction support office and dispatched personnel and supplies, working closely with Azbil (Thailand) Co., Ltd. As a result, we were able to provide a wide range of support, including the installation of alternative machinery and establishment of new supply chains, which helped many of our customers quickly return their operations to normal.



The valve maintenance center in Rayong cleaned 200 water-damaged valves.



Paitoon Prompt

Sales Manager, Azbil (Thailand) Co., Ltd.

Valve Maintenance Center in Thailand Plays Key Role in Rebuilding Customer's Factory

I participated in a project to help restore operations at a major Japanese materials manufacturer, doing maintenance work on valves that had been rusted by the flood waters. All 200 or so valves were transported to our maintenance center in Rayong. So that the valves for each process would be ready in time for the restart of operations, I created a detailed process management sheet for all of the work required, and the project turned out to be a Group-wide effort. The customer was very impressed that, no matter what the request, we quickly traveled to their site and responded in a timely manner. This helped to build such a strong relationship of trust that the customer stated that they will get in touch with the azbil Group if any problems arise in the future. Our ability to play a key role in helping many customers successfully rebuild, while contributing also to Thailand's reconstruction effort, has given our employees here a strong sense of satisfaction and motivation.

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, livelihoods, 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 2011, Ended March 31, 2012

The Sixth Shonan International Marathon

Since 2006, the azbil Group has co-sponsored the Shonan International Marathon, an event that aims to be more environmentally friendly each year.

As an “Eco Friendship” corporate leader, we coordinated the activities of six other participating companies, which included collecting and sorting recyclables at the venue and conducting eco craft making activities among children to foster their awareness of the environment.

In addition, we calculated the total amount of energy used at the event to estimate CO₂ emissions, and conducted an environmental impact analysis of the marathon’s effects on the surrounding environment.

Reaching its sixth year in fiscal year 2011, the marathon has grown to become the largest in Kanagawa Prefecture, with more than 23,000 runners taking part in 2011. About 220 azbil Group employees were involved as volunteers or runners.

This year we invited the participation of employee runners from all parts of Japan to further strengthen solidarity and interaction within the azbil Group on the occasion of the fifth anniversary of the “azbil” symbol. Employee runners came from as far north as Hokkaido and as far south as Kyushu. Runners sped through Shonan wearing the familiar azbil Group’s race t-shirt and race bibs with the azbil logo.



Employees who participated in the marathon

azbil Honey Bee Club

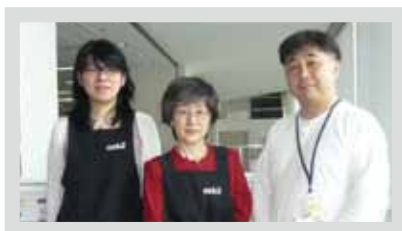
The azbil Honey Bee Club is a volunteer organization established in 2009 to encourage participation in social contribution activities by azbil Group employees. Interested employees and officers can join the club with a donation of 100 yen or more. The club then makes donations to recipients selected by the members.

In fiscal year 2011, its second year of operation, the club decided to expand its scope to include providing assistance to groups and organizations through the payment of membership fees and donations. Members voted to provide donations to 32 organizations and groups involved in areas including social welfare, health and medicine, community environmental activities, international exchange for the environment, education and lifelong learning, sports and training, preservation of historical sites or traditional culture, and academic research. In total, the organizations received approximately ¥4 million in financial support from the Honey Bee Club and matching company contributions.

To assist areas affected by the Great East Japan Earthquake, the club helped to fund after-school activities at Ofunato Junior High School in Iwate Prefecture as well as emergency rations and supplies for future use through a program of the Japan Philanthropic Association. Also, club funds provided to charity organizations were used to supply a fishing vessel for the disaster area.



Fishing vessel for the disaster area supplied using azbil Honey Bee Club funds



From left:

Hiromi Yamamoto

Sumie Saito

Masatoshi Hori

Technology General Affairs Group
Technology Development
Headquarters
Azbil Corporation

Working with Business Sites

– Making Social Contributions by Recycling Unwanted Books

In December 2011, we established a program in which unwanted books from various company departments are sold to second-hand bookstores, with the proceeds donated to philanthropic groups. The idea originated from the person in charge of discarding old materials used for research and development, who suggested to the department handling CSR that the unwanted books could be used to benefit society, rather than being simply thrown away. The department handling CSR established a framework and informed employees of the program to promote the participation of azbil Group employees throughout Japan. Employees are also able to contribute unwanted books they have at home.

As of April 2012, or nearly six months after the program’s inception, a total of 788 books were sold and about ¥50,000 in proceeds donated to the Japanese Red Cross Society. We hope to expand the scope of this program to include the entire azbil Group so that every employee has the opportunity to help out.

TOPICS

The azbil Group contributes to the preservation of the global environment by actively promoting green procurement, which prioritizes selection of materials with low environmental impact in order to provide environmentally friendly products and services to customers.

Green Procurement and Related Evaluations

The azbil Group's procurement departments (materials and purchasing departments) have adopted a policy of using green procurement when sourcing materials. The environmental activities of suppliers are evaluated using the azbil Group Green Procurement Guidelines.

Green Procurement Evaluation Sheet (excerpts)

Question	Answer	Instructions (Example)
■ ISO 14001 implementation status (1) Has your company (business site) acquired ISO 14001 certification?		Yes = 1 No = 2
■ Status of voluntary environmental initiatives (2) Environmental philosophy/policy <ul style="list-style-type: none"> We have established a philosophy and/or policy on the environment and make these known to employees in writing, displays, etc. 		Yes = 1 No = 2
<ul style="list-style-type: none"> In our environmental policy, we pledge to comply with environmental laws and regulations and to prevent pollution. 		Yes = 1 No = 2
■ Status of environmental initiatives for products (8) Conserving resources and energy <ul style="list-style-type: none"> We design products using the 3Rs (reduce, reuse, recycle) to reduce resource use and waste, conserve energy and make disassembly easier. 		Yes = 1 No = 2
(11) Management of chemical substances used in product packaging and compliance <ul style="list-style-type: none"> We are aware of and manage substances noted in Attachment 2 of the Chemical Substances Management Rules as prohibited or requiring reductions and management. 		Yes = 1 No = 2

The Green Procurement Promotion Committee performs evaluations by checking to see if the entries on the Green Procurement Evaluation Sheet completed by the supplier meet predetermined criteria. If the supplier fails to meet these criteria, a reconfirmation is performed on the status of its voluntary environmental initiatives and the supplier is requested to make greater efforts for environmental preservation. When necessary, we provide support, such as through the azbil Eco Program¹, to assist in suppliers' efforts to reduce their environmental impact.

1. For suppliers that fail to meet the criteria on the Green Procurement Evaluation Sheet, we have set up the azbil Eco Program, which deals with environmental preservation activities based on the Ministry of the Environment's "Eco Action 21 Guidelines," which are easily implemented even by small businesses.

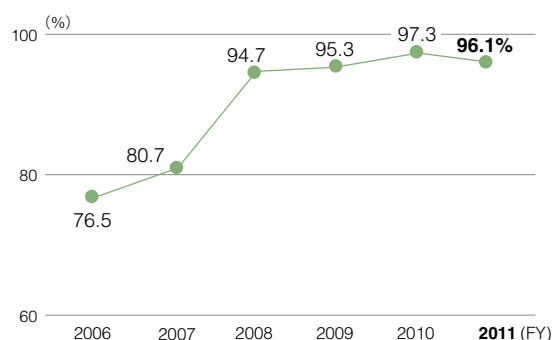
Examples of Evaluation Criteria

Department in Charge of Evaluation	Materials Procurement Department	
Frequency of Evaluation	Once every 3 years Whenever needed When commencing a new relationship with a new supplier	
Evaluation Criteria	Implementation Status of ISO 14001, etc.	Acquired ISO 14001 certification Preparing to acquire ISO 14001 certification Implemented other environmental management system Creating other environmental management system Voluntary environmental initiatives (12 items)
	Evaluation of Materials	Environmentally friendly product design Reduced resource use and chemical substance management of products and packaging (4 items)

Green Procurement Promotion Committee

Representatives from each procurement department in the azbil Group meet monthly to establish a fiscal year target for the Group's green procurement rate, and then to monitor and assess the green procurement status of each supplier based on this target. The following graph illustrates trends in our green procurement rate² since its implementation in fiscal year 2006, ended March 31, 2007. In fiscal year 2011, ended March 31, 2012, we achieved a green procurement rate of 96%, exceeding our target of 95%.

Green Procurement Rate



$$2. \text{ Green procurement rate (\%)} = \frac{\text{Total purchases from suppliers meeting Green Procurement Evaluation Sheet criteria}}{\text{Total purchases from all suppliers}} \times 100$$

The Green Procurement Evaluation Sheet is valid for a period of three years, and members of the Green Procurement Promotion Committee regularly contact suppliers to monitor their status. We also work to maintain and improve our green procurement rate by actively following up with suppliers and helping them to improve their operations by providing guidance for environmental improvements and other measures. When necessary, we check the status of suppliers' voluntary environmental initiatives through interviews or on-site visits.

We strive to create and maintain workplaces where all employees can work with peace of mind for many years to come. We are committed to creating job opportunities as well as fostering and deploying employees with diverse viewpoints, including women, foreign staff, senior citizens, and persons with disabilities. In that way we advance toward our goal of being a corporate group that never stops learning as we evolve to deal with a changing environment.

Creating Healthy Workplaces Where Employees Can Thrive

In October 2011, the azbil Group introduced its Occupational Health and Safety Management System (OHSMS) to maintain and enhance the safety and health of employees based on the creation of healthy, cheerful, and comfortable workplaces where employees can work with peace of mind for many years to come.

Guidelines issued by the Ministry of Health, Labour and Welfare in March 2006 encourage companies in Japan to proactively introduce and build an OHSMS through a framework for phased enhancements in the occupational health and safety standards of business sites.

Immediately after the October 2011 introduction of our OHSMS, we formulated a plan for internal audits, the first of which was conducted at a total of 29 business sites by the end of February 2012. We then went through the PDCA (Plan, Do, Check, Act) cycle to identify potential issues and implement remedial measures. This process also reaffirmed the importance of working to improve our health and safety standards by continuing to turn the PDCA cycle in the future.

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

We have been working to secure and foster the diverse human resources required to enter the ranks of top-class global enterprises under the azbil Group's "Period of Growth" medium-term plan, and as we near its halfway point, we are redoubling our efforts to respond to the various changes taking place in our business climate.

Training for Managers

We provide organized and systematic training for newly promoted managers to guide them in becoming key management resources for the company.

At the time of their promotion, managers go through training in the fundamentals of management, including the necessary practical experience in duties and workplace management. As they are promoted through the ranks from middle to senior management, managers receive training for the development of advanced skills and knowledge in leadership and strategic planning, as well as training outside the company to cultivate professional skills and knowledge related to management expertise.

Going forward, training will place greater emphasis on enhancing managers' abilities to identify and resolve issues in their daily work, in addition to developing the foundations of a corporate group that never stops learning and that evolves to deal with a changing environment.

Securing and Developing Human Resources for Globalization

The companies of the azbil Group around the world are stepping up human resource development programs that combine language study and correspondence courses in order to promote further globalization. These include training for presidents and executives of overseas subsidiaries to develop the future business leaders of the azbil Group and training for globally active human resources to develop personnel who can plan and initiate collaboration with multinational companies.

Going forward, we will continue to develop and strengthen our human resources in order to enable our subsidiaries around the world to operate and manage their companies more independently.



Training globally active human resources



Azbil Yamatake Friendly
(From left)

Toshihiko Enomoto

Isehara Section Manager
General Affairs Department

Masako Kamiya

Section Manager
General Affairs Department

Hajime Morohoshi

Director and General Manager
General Affairs Department

Azbil Yamatake Friendly Co., Ltd.: A Special Subsidiary Employing Workers with Intellectual Disabilities

Azbil Yamatake Friendly was founded as an azbil Group company in April 1998 with the aim of creating a place where employees with intellectual disabilities can thrive and be active (*ikiiki*)¹ as integral staff members. The company's management policy is to support employees' skill enhancement and self-realization through their work, helping them to contribute to society. It aims to satisfy customers with its quality, pricing, and delivery as it takes on the challenges of better work quality and speed with its attitude of "never turn down a customer request."

The entire azbil Group is helping to expand the scale of business of Azbil Yamatake Friendly and supports the company's independence in order to maintain and increase employment opportunities for persons with disabilities.²

Notes:

1. *Ikiiki* means "active," but it is written with kanji characters in a special way that suggests that the workplace is an important place in the lives of employees.
2. The azbil Group has received approval to use special criteria in calculating its ratio of employees with disabilities (businesses are required by law to employ persons with disabilities at or above a rate of 1.8% for private sector companies).

TOPICS

To contribute to the preservation of our environment, the azbil Group has formulated the azbil Group Environmental Charter, which is based on our Group philosophy, and we proactively work to reduce the environmental impact of our own business activities as well as to contribute to reducing society's impact on the environment.

Reducing the Environmental Impact of Our Business Activities

Initiatives for Reducing CO₂ Emissions

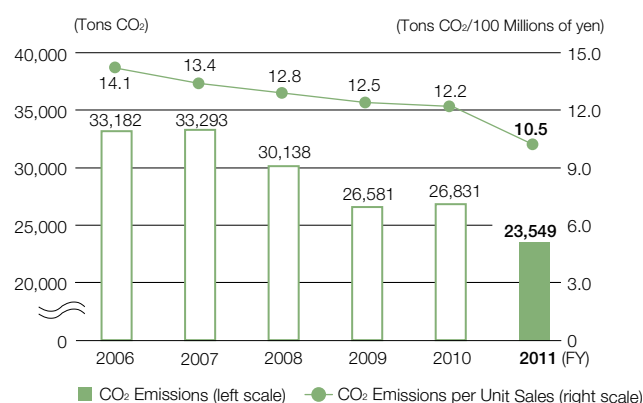
To help prevent global warming, the azbil Group is proactively working to conserve energy in its business activities. We have set a management policy to reduce our CO₂ emissions for fiscal year 2013, ending March 31, 2014, by more than 10% from the level of fiscal year 2006, ended March 31, 2007. All employees are involved in this initiative, which is achieving results.

⇒ See page 55 regarding conservation of energy and resources.

In addition, measures to deal with electricity usage restrictions imposed in summer 2011 contributed significantly to CO₂ reduction.

⇒ See page 57 regarding measures to deal with electricity usage restrictions.

CO₂ Emissions



* Scope is Azbil Corporation and its consolidated subsidiaries in Japan.

* The figures for CO₂ emissions use a fixed coefficient (0.378 kg CO₂/ kWh).

* The figures for CO₂ emissions include estimates of air-conditioning energy and other figures.

Initiatives for Environmentally Friendly Products

To provide environmentally friendly products, services, and solutions, the azbil Group proactively promotes measures throughout all stages of the life cycle from development to disposal, including material selection, energy-saving design, reuse of materials, and environmental information disclosure.

⇒ See page 56 regarding environmentally friendly product design.

Helping to Reduce Society's Impact on the Environment

The azbil Group proactively contributes to society by providing products, services, and solutions that support energy savings at its customers' work sites.

⇒ See page 54 regarding quantitative results in reducing society's environmental impact.

In addition, based on the recommendations of employees, we have initiated joint activities with local communities to protect the natural environment in order to help conserve local biodiversity.

⇒ See page 58 regarding raising environmental awareness and initiatives for local communities.

Environmental Management System Promotion Framework

The azbil Group Environmental Management Committee, led by the Environmental Management Officer, is responsible for the environmental management of the entire Group. The Committee promotes and reviews plans to improve the quality of the Group's environmental management, including reducing the environmental impact of its own business activities as well as at its customers' work sites through its core businesses.

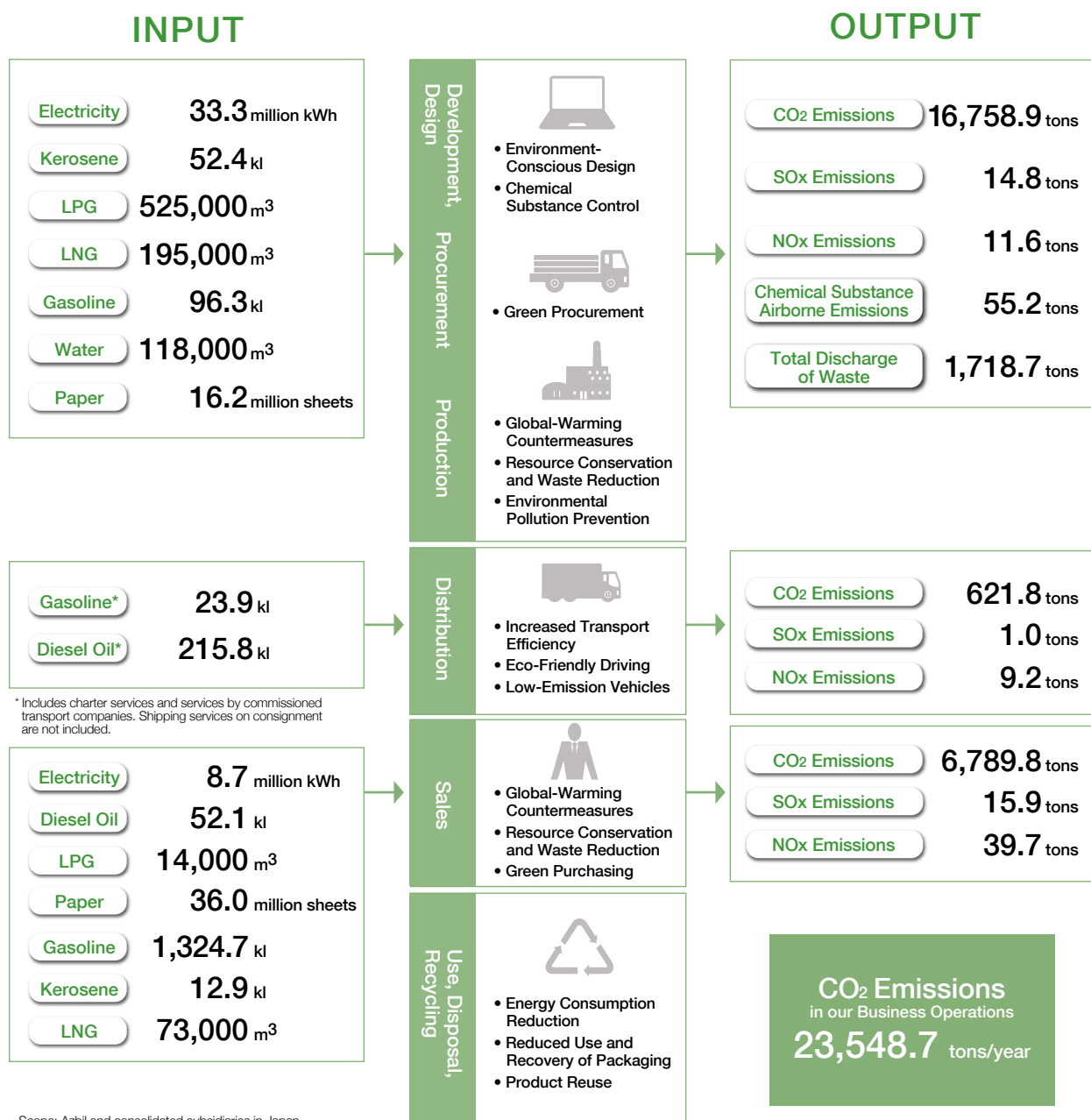
Environmental Management System Promotion Framework



Material Balance and Reduction of Society's Impact on the Environment

The azbil Group undertakes quantitative analysis of environmental impact and strives for preservation of the environment in all phases of the product life cycle, from development and design to use, disposal, and recycling. In addition, we calculate the reduction in environmental burden that we are able to achieve through our business operations.

Summary of Environmental Performance Data (Fiscal Year 2011, Ended March 31, 2012)



Reducing Society's Impact on the Environment

We calculate the effectiveness of CO₂ reduction in our Building Automation business to assess our contribution to society. Details are available on our website.

<http://www.azbil.com/csr/eco/es/co2reduction.html>



CO₂ Reduction at Customers' Sites

2.08 million tons/year



Conservation of Energy and Resources

Based on the azbil Group philosophy of contributing to global environmental preservation, we are actively promoting reduction of CO₂ emissions. We have also cut back our use of paper through business process improvements and are working to reduce the volume of waste generated and water used.

Initiatives in Fiscal Year 2011, Ended March 31, 2012

We worked to enhance our existing energy conservation initiatives and to roll them out across the entire azbil Group. This included launching the CO₂ Reduction Diagnostic Team to help curb our CO₂ emissions volume by means of energy conservation diagnoses at each business site. As a result, we were able to make concrete improvements in energy conservation. CO₂ emissions for fiscal year 2011 were down 29% compared with fiscal year 2006, ended March 31, 2007, surpassing our target with a substantial contribution from our electricity conservation initiatives.

As a result of our conservation of resources, we reduced the volume of paper used¹ by 26% compared with fiscal year 2006. We introduced medium-to-long-term measures for total volume of waste generated and water used,² which increased by 1.6% and decreased by 12.7%, respectively, on a per unit basis compared with the previous fiscal year.

1. Scope: Azbil, Azbil Kyoto, and Azbil Taishin

2. Scope: Azbil's four main facilities (Fujisawa Technology Center and Shonan, Isehara, and Hadano factories), Azbil Kyoto, and Azbil Taishin



Elevated water tank for flow calibration rig

Energy-Saving Initiatives at Azbil Kyoto

Azbil Kyoto Co., Ltd. is a key azbil Group producer of flow measurement equipment, including electromagnetic flowmeters and water meters. In addition to manufacturing electromagnetic flowmeters, water meters, and heat meters for industrial, air-conditioning, and water supply applications in Japan and around the world, Azbil Kyoto also has one of Japan's largest flow calibration rigs. In January

2010, Azbil Kyoto began offering calibration services for electromagnetic flowmeters made by other manufacturers. Because this initiative was expected to lead to greater energy usage, from the start Azbil Kyoto considered various energy-saving initiatives including the installation of a visualization system to monitor electricity, air, gas, and water usage.

Improving Operations with "Visualization"

Energy conservation at Azbil Kyoto has centered on improvements through operational changes. Personnel in charge of each production process guided employees in a review to develop specific improvement targets for each process. When developing various ideas using a trial-and-error approach, visualizing the amount of electricity usage with Azbil Corporation's EneSCOPE™ energy management and analysis system and ENEOPT™, an energy control optimization package, helped to efficiently verify the efficacy of initiatives and enabled immediate progress to the next step. The substantial results of this series of localized initiatives for each process led to a 13% year-on-year reduction in CO₂ emissions. As part of its visualization-led operational improvements, the company changed the operating hours of the lifting pump used to supply large quantities of water for the flow calibration rig. This resulted in reduced power usage during peak demand, while the change in the amount of contracted electricity helped to significantly lower costs as well.

Looking forward, Azbil Kyoto will continue to implement operational improvements, consider facility improvements, and review further energy-saving measures.



Lifting pump valves

Promoting Energy Conservation Together with Employees

Ideas for energy conservation were generated with the help of all our employees. A call for proposals yielded 40 potential energy-saving measures, which included everything from strings attached to the on/off switches of fluorescent lights to hydroelectric power generation using the water pressure of the elevated water tank. We decided to immediately implement the zero-cost solutions using a trial-and-error approach. At first it was tough to ask employees to cooperate because the effectiveness of these measures was not apparent, but visualization of electricity usage helped on-site leaders to verify effectiveness right away. This in turn raised everyone's awareness and motivated them to take the lead. Various operational improvements, including changes in the operating times of compressors, air-conditioning units, and hydraulic pumps, have also helped us achieve significant results. I look forward to continuing to promote energy conservation measures together with employees.

TOPICS



Akira Mano

Manager
Quality Management Section
Azbil Kyoto Co., Ltd.
(Fiscal year 2011:
Manager of Environment, Safety, and
Conservation Section)

Environmentally Friendly Products

To provide environmentally friendly products, services, and solutions, we are actively involved in material selection, energy-saving design, promotion of recycling, and information disclosure throughout the entire life cycle, from the development stage to disposal.

Initiatives for Environmentally Friendly Products

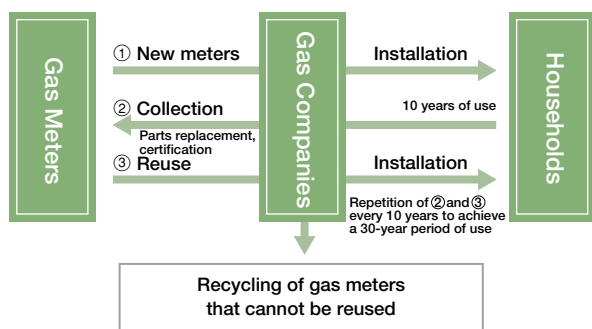
The azbil Group contributes to the global environment through its Building Automation, Advanced Automation, and Life Automation businesses.

For our products, in addition to encouraging reuse, conservation of resources, and conservation of energy, we perform life cycle assessments, a method of quantitatively evaluating a product's environmental impact. We also strictly control the use of hazardous chemicals in our products.

Furthermore, we have implemented the azbil Eco Program to support the environmental activities of our suppliers with green procurement.

Environmental Initiatives for City Gas Meters

Once residential-use city gas meters have exceeded their 10-year certification period, they are collected, and after their parts are replaced and certified, they are put back into service. Consequently, our development of these meters takes their reuse into account from the initial design phase.



In addition, we share product design specifications through the Japan Gas Meter Industry Association to ensure that any manufacturer can reuse any gas meter it has collected.

Development of an Intelligent Gas Meter (Type J) for City Gas

Azbil Kimmon Co., Ltd. has developed an environmentally friendly intelligent gas meter (Type J) that offers the same performance as conventional units but with fewer parts, and it has now been adopted by all gas companies.



Current product (Type N) and new product (Type J)

This gas meter can be used for every type of household, from single-person low-flow homes to families with high flow volume. This helps reduce inventory compared with the current situation, where different sized meters are used for each flow volume category.

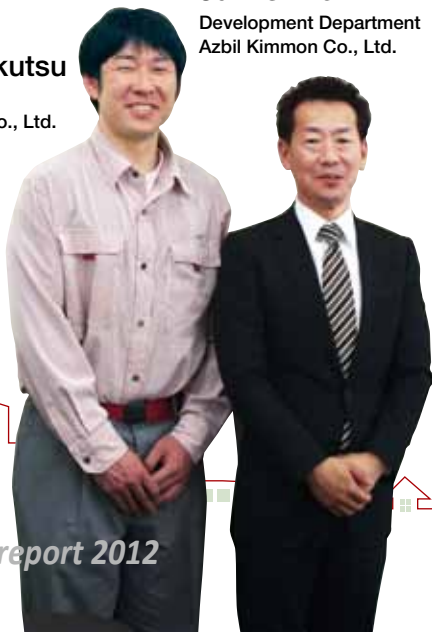
We provide the product design specifications of this new gas meter to other city gas meter manufacturers. In this way the framework for reuse of city gas meters is maintained, and by the gradual replacement of current meters with this new model, we contribute to reducing society's environmental impact.

Jun Ishizeki

Development Department
Azbil Kimmon Co., Ltd.

Naohiro Akutsu

Nango Factory
Azbil Kimmon Co., Ltd.



Reducing the Environmental Impact of City Gas Meters

The Type J gas meter, designed to be used for a period of 30 years, follows the basic design concept of the Type N gas meter, but uses fewer parts, thanks to parts integration. Also, it incorporates new technologies not found in the Type N. We are very happy that our product is recognized for its reduced impact on the environment as a result of its 30% reduction in weight, 20% reduction in volume, and 30% reduction in materials compared to the Type NB6 gas meter.

The Type J recently entered the mass-production phase. We faced a couple of challenges, such as handling its installation method, which is the reverse of that of the Type N, but because the Type J essentially combines three gas meters into one we can now concentrate on reducing our impact on the environment during the production process. We continue to make improvements, with a dramatically changed production line about every three months. In fiscal year 2011, we were able to reduce man-hours by nearly two-thirds compared to our initial production.

TOPICS

Compliance with Environmental Laws and Regulations

The azbil Group considers its observance of environmental laws, regulations, and other requirements in Japan and overseas to be important from the perspectives of CSR and risk management. The Group is promoting electricity conservation, with intensive efforts in the summer to deal with electricity usage restrictions.

Initiatives in Fiscal Year 2011, Ended March 31, 2012

A major issue in the summer of 2011 was dealing with electricity usage restrictions that were enacted based on Article 27 of the Electricity Business Act due to power shortages in Japan. The azbil Group decided to reduce its electricity consumption by 20% (year on year, peak usage), exceeding the mandatory 15% reduction stipulated by law, and rolled out various group-wide measures to meet this target. Through initiatives such as accelerating electricity conservation measures already in effect and shifting usage to off-peak hours, we were able to reduce our average daily peak electricity usage by more than 20% year on year and to contribute substantially to energy conservation.

Within the azbil Group there were no serious violations of environmental laws or regulations in fiscal year 2011.

Development and Introduction of a Tool to Visualize Electricity Usage

Azbil Corporation developed ENEOPT™, an energy control optimization package to make electricity usage visible in real time, and introduced it at the main business sites of azbil Group companies in Japan before the start of summer electricity conservation. Through the Group's intranet, any employee was able to check real-time electricity usage data on the targeted sites, allowing for effective employee-led conservation activities. We also made active use of the package to support our customers' electricity conservation efforts.



Visualization of electricity usage

Electricity Conservation Efforts at the Fujisawa Technology Center

The Fujisawa Technology Center in Kanagawa Prefecture is one of our primary business sites, with approximately 1,800 employees. It is an important site for our electricity conservation measures, which are adapted to individual building specifications. One building in particular, which has been promoting energy visualization, incorporated its own unique approach to high-priority measures such as shifting usage to off-peak hours, controlling power demand, and employee-led electricity conservation. In order to shift power usage to off-peak hours, the entire building was pre-cooled prior to working hours, when power usage was not restricted. Then, during the period subject to usage reductions, cooling was accomplished using only ice generated with nighttime electricity and kept in thermal energy storage. Our proprietary forecasting technology, which incorporates weather forecast information, was also used to minimize the pre-cooling required. Additionally, an incentive-type control system was introduced that allowed a lower indoor temperature setting if lights were turned off. A system introduced on a trial basis allowed employees to take the lead in setting the indoor temperature for each workday.

These initiatives helped cut peak electricity consumption on every workday subject to power usage restrictions by more than 40% at the building and by some 30% for the entire Fujisawa Technology Center, greatly exceeding the target.



Individual control of overhead lighting

Fumitoshi Sato

Manager
Environmental Safety Section
Fujisawa Technology Center
Azbil Corporation

Akio Katsukura

Director
Production Administration
Department
Production Management
Headquarters
(Fiscal year 2011: Manager
Business Section
Fujisawa Technology Center)
Azbil Corporation



Employee-led Electricity Conservation Efforts

To conserve electricity, the Fujisawa Technology Center has expanded the scope of its existing energy conservation initiatives and promoted various interdepartmental cooperative measures. Efforts include relocating testing equipment and managing waste heat from constant-temperature ovens. However, as has always been the case with conventional energy-saving initiatives, the enhanced awareness of every employee has proven to be a significant driving force supporting conservation. Not only the head office, but also each department conducted electricity conservation patrols, as the efforts of all employees helped to significantly reduce the site's overall energy consumption. Summer 2012 will likely require the same measures that were implemented in 2011. We are committed to continuing with these employee-led electricity conservation initiatives as we seek to resolve the issues that surfaced in the summer of 2011, balancing conservation with productivity and comfort.

TOPICS

Environmental Awareness and Initiatives for Local Communities

The azbil Group aims to further raise the environmental awareness of its employees and their families by helping them to understand that environmental issues have a direct impact on them. To this end, our business sites work with local communities to conduct environmental preservation activities.

Launch of Biodiversity Initiatives

The azbil Group stresses the importance of raising the environmental awareness of its employees as the basis for reducing the environmental impact both of its own business activities and of society. So when employees expressed a desire to help the environment in other areas beside their own business activities, we started biodiversity preservation activities with the hope of enhancing environmental awareness as the basis for changing the business activities of the azbil Group.

Azbil Corporation entered into agreements with the city of Fujisawa in Kanagawa Prefecture, the location of the Group's largest business site, the Fujisawa Technology Center, in January 2011 and with the town of Minamiaizu in Fukushima Prefecture, the location of the Nango Factory belonging to Azbil Kimmon Co., Ltd., in July 2011 and launched activities in both areas. Each was the first time that Fujisawa or Minamiaizu had made such an agreement with a private-sector company.

Greenery Preservation Activities in Fujisawa

Each local community faces its own unique challenges when it comes to preserving the environment. The challenge facing Fujisawa was the large number of green spaces in the city that have been left unmaintained. Under the guidance of Fujisawa



Greenery preservation activities

Green Staff, a local non-profit organization, we are helping to create an open space with a large cherry tree in the center at one of these sites to make more sustainable use of the city's green spaces.

For the first activity in May 2011, employees and their families, twenty participants in all, made a walking path and thinned a wooded area to let more sunlight in.

Preserving Maiden Lilies in Minamiaizu

Minamiaizu, located in southwestern Fukushima Prefecture, is famous for clusters of *himesayuri* (*Lilium rubellum*), or maiden lily. This plant is designated as a near threatened species on the Red List of the Ministry of the Environment of Japan, and the town decided to conduct preservation activities. For the first activity in October 2011, Azbil Kimmon employees and their families, totaling 33 participants, worked with members of the local community to clear underbrush, sow seeds, and plant bulbs.



Maiden lily

Generally it takes at least four years for a cultivated maiden lily to bloom after its seeds are sown, and more than 10 years for an uncultivated maiden lily that grows naturally, so the activities will continue.



Planting maiden lily bulbs

Mr. Jinetsu Kondo

Director
Minamiaizu Municipal Government,
Nango General Branch Office

Mr. Yoshimitsu Baba

Promotion Section Chief
Minamiaizu Municipal Government,
Nango General Branch Office

TOPICS

Environmental Preservation Activities with the azbil Group

We have completed the first year of activities under our agreement with the azbil Group. We never considered actively preserving the maiden lily, even though we know it is a rare flower, because we took for granted the fact that it grows naturally. As a result, the environmental preservation activities undertaken together with the azbil Group were new and gratifying. These activities have motivated us to protect the maiden lily, and we are in the process of developing innovative methods for further propagation.

In Minamiaizu there are many ways to experience nature, including Takashimizu Nature Park and Miyatoko Marsh. We hope to work together with the azbil Group for many years to come on a variety of environmental preservation and environmental education activities.

60	Financial Review
64	Consolidated Balance Sheet
66	Consolidated Statement of Income and Consolidated Statement of Comprehensive Income
67	Consolidated Statement of Changes in Equity
68	Consolidated Statement of Cash Flows
69	Notes to Consolidated Financial Statements
82	Independent Auditor's Report



Our Performance

Financial Section

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

Consolidated Results

Net Sales

In fiscal year 2011, ended March 31, 2012, sales rose ¥4,283 million, or 2.0%, year on year to ¥223,499 million amid the continuing uncertain outlook in the business environment for the azbil Group. This result comes from the azbil Group's emphasis on activities aimed at securing and expanding sales and its efforts to minimize the impact on the Group's business from the Great East Japan Earthquake and the Fukushima Daiichi nuclear power plant accident. Detailed breakdowns are available in the "Our Operations" section starting on page 29, but summaries are as follows.

Building Automation Business

In the domestic market, there was a drop in sales for the business related to new buildings as well as for the business targeting existing buildings; in the business for existing buildings there had been several large-scale projects in the previous fiscal year. However, the service business grew steadily, and as a result there was an increase in overall sales for the domestic market compared to the previous fiscal year.

In the business related to existing buildings, owing to concerns about possible power supply shortages and increases in the cost of electricity, there has continued to be a strong demand for energy-saving measures; the number of customer inquiries has been correspondingly high. Nevertheless, because of a sense of uncertainty regarding future business conditions, there is still a tendency among many customers to postpone large-scale investments aimed at upgrading their facilities. In the service field, however, business performance benefited from staff making proactive energy-saving proposals to generate add-on contract work and also expanding business into new areas.

Abroad, the azbil Group has traditionally had an advantage in the overseas market for factories operated by Japanese companies, but it is now also engaged in developing the non-Japanese market by forming tie-ups with local enterprises, making use of the fact that in Japan the azbil Group has unrivalled experience and energy-saving expertise. This approach has resulted in steady sales growth.

As a result, sales in the Building Automation business rose ¥1,772 million, or 1.7%, year on year to ¥103,896 million.

Advanced Automation Business

In Japan, sales of control products for the factory automation (FA) market took a downward turn, resulting in less sales than the previous

fiscal year. It is true that at the start of the fiscal year there was rapid growth in domestic demand in such markets as semiconductor manufacturing equipment; this was helped in part by recovery efforts in the wake of the March 11 disaster. However, midway through the fiscal year, demand fell as a result of a weakening in capital investment and inventory cutbacks. On the other hand, sales increased for such field instruments as transmitters as well as for system products in the energy- and functional materials-related markets. Consequently, in the domestic market as a whole sales grew.

Overseas, there was a fall in sales for control products in the FA market, but sales of valves and field instruments expanded and, despite the negative impact of exchange rates, overall sales increased. With their potential for growth, these overseas markets are of special importance to the azbil Group, and it is striving to upgrade local engineering and maintenance capabilities. As part of this initiative, progress has been made in bolstering the valve maintenance facilities at key locations in China, Thailand, and Taiwan, as well as in other countries. For example, in October 2011 the Technical Service Center in Singapore was relocated and enlarged.

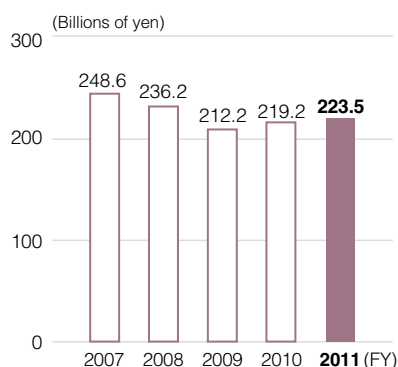
As a result, sales in the Advanced Automation business were up ¥3,159 million, or 3.9%, year on year to ¥84,134 million.

Life Automation Business

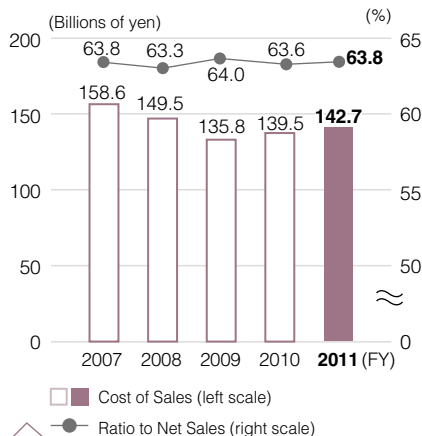
The Life Automation business covers a wide variety of fields closely connected with people's everyday lives: it markets lifeline-related measuring equipment; it provides health and welfare and nursing care; and it also sells central air-conditioning systems for homes that ensure a comfortable and healthy environment while contributing to energy saving. Azbil Kimmon Co., Ltd. – a company that plays a central role in the lifeline field and accounts for the bulk of Life Automation business sales – produces and sells gas and water meters. The Fukushima Daiichi nuclear power plant accident did mean that operations at some of the company's production facilities in the Tohoku region had to be temporarily suspended. Although the company's situation has now returned to normal, sales figures fell as a result of the accident and the fact that LP gas meter sales are depressed in the off-demand season.

Turning to the Life Assist field – with its nursing care and emergency alert response services – demand is steadily growing as Japan's population ages. However, with cutbacks in welfare budgets by local governments, etc., the business environment is challenging. In response, various measures have been adopted, such as launching new products, increasing the number of service sites, and expanding the scope of

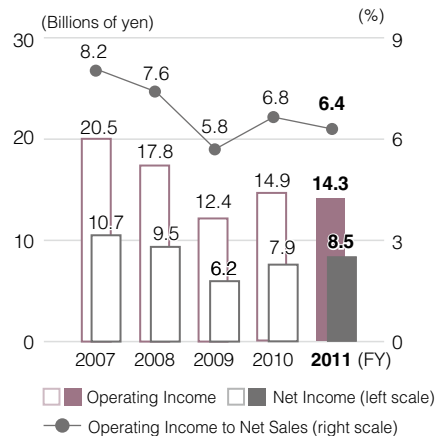
Net Sales



Cost of Sales/ Ratio to Net Sales



Operating Income/Net Income/ Operating Income to Net Sales



services offered. This approach has succeeded in increasing sales.

As regards the market for residential central air-conditioning systems, the sales force has been reinforced and an aggressive strategy targeting both house builders and individual owners has been adopted. As an example of the latter, a showroom (Platz Kikubari) has been set up inside one of Japan's largest permanent housing exhibitions, tvk Housing Plaza Yokohama. These efforts have led to increased sales.

While the Great East Japan Earthquake and the Fukushima Daiichi nuclear power plant accident did affect Azbil Kimmon, thanks to vigorous efforts aimed at a quick operational recovery, the impact was relatively small. There was also sales growth in the Life Assist field (nursing care, lifestyle support services, etc.) as well as for residential central air-conditioning systems.

As a result, sales in the Life Automation business fell ¥78 million, or 0.2%, year on year to ¥32,543 million.

Other

Sales decreased ¥214 million, or 4.2%, year on year to ¥4,909 million.

Operating Income

Cost of sales totaled ¥142,659 million, and the cost of sales ratio increased 0.2 percentage points to 63.8%. The increase was largely due to increased outlays for social insurance premiums (rate changes for employee pensions and health insurance) and retirement benefits expenses, etc., as well as price pressures, which were only partially offset by the Company's efforts to rationalize and curb expenditures while enhancing the business structure.

Selling, general and administrative expenses increased ¥1,674 million to ¥66,492 million, also due to higher social insurance premiums and retirement benefit expenses and other expenses. The ratio of selling, general and administrative expenses to sales increased 0.2 percentage points to 29.8%.

As a result, operating income decreased ¥548 million, or 3.7%, year on year to ¥14,348 million. By business segment, segment profit (operating income) for the Building Automation business decreased ¥1,421 million, or 12.1%, year on year to ¥10,328 million, and segment profit (operating income) for the Advanced Automation business increased ¥772 million, or 23.9%, year on year to ¥4,006 million. For the Life Automation business, segment loss (operating loss) was ¥128 million, compared with segment loss (operating loss) of ¥227 million in the previous fiscal year. Segment profit (operating income) for the Other segment decreased ¥1 million, or 1.4%, year on year to ¥143 million.

Net Income

Other Income (Expenses)

Other income-net was ¥459 million, compared with other expenses-net of ¥1,170 million in the previous fiscal year. Major factors were dividend income totaling ¥277 million, a decrease of ¥193 million compared with the previous fiscal year, and gain on sales of investment securities-net of ¥2 million, a decrease of ¥174 million compared with the previous fiscal year, offset by foreign currency exchange loss of ¥38 million, a decrease of ¥435 million compared with the previous fiscal year. Others-net included compensation income of ¥318 million, profits from negative goodwill of ¥197 million, and gain on transfer of business of ¥184 million. In addition, non-recurring expenses including environmental expenses of ¥572 million and loss on adjustment for changes of accounting standard for asset retirement obligations of ¥266 million were recorded in other expenses in the previous fiscal year.

Income before Income Taxes and Minority Interests / Income Taxes

Income before income taxes and minority interests increased ¥1,081 million, or 7.9%, year on year to ¥14,807 million. Total income taxes increased ¥466 million, or 8.4%, to ¥5,983 million. The actual effective income tax rate on income before income taxes and minority interests was 40.4%, an increase of 0.2 percentage points from the previous fiscal year, while minority interests in net income increased ¥24 million, or 8.6%, to ¥305 million.

As a result of the above factors, net income increased ¥591 million, or 7.5%, year on year to ¥8,519 million.

Financial Position

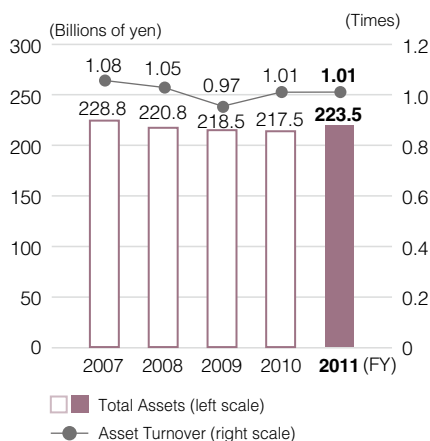
Assets

Total assets at March 31, 2012 increased ¥5,975 million, or 2.7%, from the previous fiscal year-end to ¥223,476 million. This was primarily due to an increase in notes and accounts receivable-trade of ¥9,496 million.

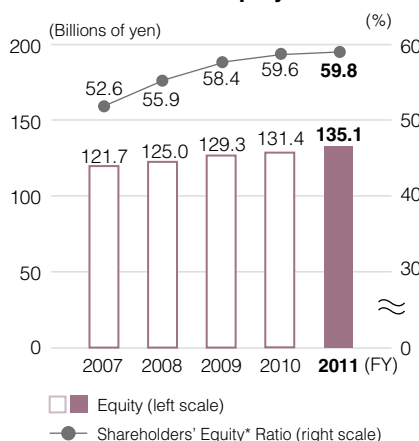
Liabilities

Total liabilities at March 31, 2012 increased ¥2,260 million, or 2.6%, from the previous fiscal year-end to ¥88,399 million. This was primarily due to an increase of ¥3,239 million in notes and accounts payable-trade.

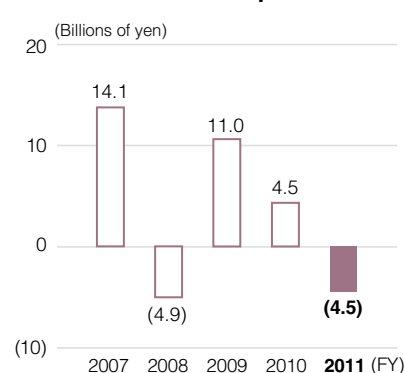
Total Assets/Asset Turnover



Equity/Shareholders' Equity* Ratio



Net Change in Cash and Cash Equivalents



* Shareholders' Equity = Total equity - Minority interests

Equity

Total equity at March 31, 2012 increased ¥3,715 million, or 2.8%, from the previous fiscal year-end to ¥135,077 million. This was primarily the result of an increase in retained earnings due to net income recorded for fiscal year 2011.

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

Receivables/sales (days): Increased 7 days to 132 days*

Inventories/cost of sales (days): Decreased 2 days to 38 days

Asset turnover (times): 1.01 times (same as in the previous fiscal year)

Shareholders' equity ratio: Increased 0.2 percentage points to 59.8%

* This was mainly owing to an increase in notes and accounts receivable-trade related to sales growth and the closing day falling on a holiday.

Per Share Data

Net income per share increased ¥8.00 year on year to ¥115.35, and net assets* per share rose ¥53.62 to ¥1,808.48.

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

Cash Flows

Cash and cash equivalents (hereafter, net cash) provided by operating activities in fiscal year 2011, ended March 31, 2012, decreased ¥9,589 million, or 63.0%, year on year to ¥5,634 million. This was primarily due to an increase in notes and accounts receivable, mainly reflecting sales growth and the closing day falling on a holiday, as well as an increase in income taxes-paid.

Net cash used in investing activities was ¥3,549 million, an increase of ¥1,273 million from the previous fiscal year. This was primarily due to a decrease in proceeds from sales of investment securities.

Net cash used in financing activities decreased ¥1,608 million year on year to ¥6,393 million. The primary reason was a decrease in cash outflow from the repayment of debt.

As a result of the above factors, cash and cash equivalents on March 31, 2012, the end of fiscal year 2011, decreased ¥4,488 million, or 7.5%, from the previous fiscal year-end to ¥55,356 million.

Outlook for Fiscal Year 2012, Ending March 31, 2013

For fiscal year 2012, we forecast a year-on-year increase of 2.9% in sales to ¥230,000 million, an increase of 4.5% in operating income to ¥15,000 million, and an increase of 5.6% in net income to ¥9,000 million.

By business segment, in the Building Automation business, we forecast year-on-year increases of ¥3,104 million, or 3.0%, in sales to ¥107,000 million, and ¥172 million, or 1.7%, in segment profit (operating income) to ¥10,500 million. In the Advanced Automation business, we forecast year-on-year increases of ¥7,866 million, or 9.4%, in sales to ¥92,000 million, and ¥994 million, or 24.8%, in segment profit (operating income) to ¥5,000 million. In the Life Automation business, we forecast a year-on-year increase of ¥457 million, or 1.4%, in sales to ¥33,000 million, and a segment loss (operating loss) of ¥500 million. For the Other segment, we forecast a year-on-year decrease of ¥4,809 million, or 98.0%, in sales to ¥100

million and segment loss (operating loss) of ¥0 million. From fiscal year 2012, some operations within the Other segment will be transferred to the Advanced Automation business.

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.

Even as economic conditions continue to be challenging, a gradual pickup is envisaged. Nevertheless, there will still be concern regarding the debt crisis in Europe; this, combined with worries about the uncertain U.S. economic recovery and an economic slowdown in China, means that business sentiment will reflect a heightened sense of caution. Moves to correct the high value of the yen have proved to have only a limited effect, and sluggish foreign demand and concerns about the yen appreciating again will serve to dampen any recovery in the performance of Japan's export-related industries. The business environment of the azbil Group will continue to be uncertain. While there are expectations for growth – such as a recovery in capital investment by manufacturing industries in Japan and abroad, and increased investment in energy-saving measures by businesses facing constraints on their power consumption as well as increases in the cost of electricity – it is also expected that severe price pressures will continue to beset the Building Automation business in the market for new buildings.

Taking these conditions into account, and aiming to achieve its earnings forecast for fiscal year 2012, the azbil Group will work toward the steady realization of measures designed to ensure profits. Leveraging the achievements already made in the reforms of business and operational structures, we will push forward with the transformation to a robust business structure that can cope with such changes in market structure as downward pressure on prices. And we will aim to expand the scope of our businesses from a global perspective.

Risk Management

The following are some of the risks that could affect the azbil Group's business results and financial position. Assessments of these risks are conducted annually, and management and relevant divisions take measures to reduce risks and to respond when the risks materialize. Forward-looking statements are based on the Group's judgments at the end of fiscal year 2011, ended March 31, 2012.

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 equipment manufacture 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 Competition

Competition is becoming severe in the azbil Group's business fields, which are the Building Automation business, Advanced Automation business, and Life Automation business. Under the circumstances, the azbil Group believes that its products and services offer high added value unmatched by other companies in terms of technology, quality,

and cost. While the Group is taking measures to prepare for situations such as intensifying competition or the entry of new competitors, unexpected changes in relationships among competitors could have an impact on the Group's 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 one of its top priorities. 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 Global Operations

The azbil Group conducts business overseas, mainly in Asia, through 25 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 continues 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 Securing and Developing 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 such as ensuring the safety and health of employees, measures to deal with the ageing of the workforce, the succession of technologies, expertise, and know-how, 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 Azbil Kimmon Co., Ltd. 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. In fiscal year 2011, the temporary shutdown of the azbil Group's factories due to the earthquake and nuclear power plant accident had an impact on the Group's profits, but the Group minimized the impact by taking the measures mentioned above.

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 Sheet

Azbil Corporation (Formerly, Yamatake Corporation)
and Consolidated Subsidiaries
March 31, 2012 and 2011

	Millions of yen		Thousands of U.S. dollars (Note 1)
	2012	2011	2012
ASSETS			
CURRENT ASSETS:			
Cash and cash equivalents (Notes 3, 6 and 14)	¥ 55,356	¥ 59,844	\$ 675,072
Notes and accounts receivable:			
Trade (Note 14)	85,546	76,050	1,043,248
Other	1,479	839	18,037
Allowance for doubtful receivables	(295)	(358)	(3,598)
Inventories (Note 4)	16,135	13,785	196,764
Deferred tax assets (Note 10)	5,225	5,487	63,718
Prepaid expenses and other current assets	9,541	8,739	116,352
Total current assets	172,987	164,386	2,109,593
PROPERTY, PLANT AND EQUIPMENT:			
Land (Note 5)	6,293	6,334	76,743
Buildings and structures (Note 6)	38,096	38,135	464,589
Machinery and equipment (Note 5)	17,500	17,258	213,416
Furniture and fixtures (Note 5)	19,067	19,278	232,528
Construction in progress	152	351	1,848
Total	81,108	81,356	989,124
Accumulated depreciation	(56,962)	(55,645)	(694,658)
Net property, plant and equipment	24,146	25,711	294,466
INVESTMENTS AND OTHER ASSETS:			
Investment securities (Notes 3 and 14)	12,573	12,202	153,324
Investments in unconsolidated subsidiaries and associated companies	654	517	7,975
Goodwill	2,604	3,879	31,762
Deposits (Note 2.u)	2,724	2,732	33,217
Deferred tax assets (Note 10)	1,638	1,585	19,977
Other assets (Note 5)	6,150	6,489	75,004
Total investments and other assets	26,343	27,404	321,259
TOTAL	¥223,476	¥217,501	\$2,725,318

See notes to consolidated financial statements.

	Millions of yen		Thousands of U.S. dollars (Note 1)
	2012	2011	2012
LIABILITIES AND EQUITY			
CURRENT LIABILITIES:			
Short-term borrowings (Notes 6 and 14)	¥ 4,076	¥ 4,055	\$ 49,702
Current portion of long-term debt (Notes 6 and 14)	1,542	1,699	18,809
Notes and accounts payable:			
Trade (Note 14)	37,185	33,946	453,480
Other	1,249	941	15,230
Income taxes payable	5,105	5,810	62,253
Accrued bonuses	8,213	8,119	100,159
Other accrued expenses and current liabilities	11,920	10,923	145,371
Total current liabilities	69,290	65,493	845,004
LONG-TERM LIABILITIES:			
Long-term debt (Notes 6 and 14)	4,769	6,284	58,155
Liabilities for retirement benefits (Note 7)	12,582	12,582	153,438
Deferred tax liabilities (Note 10)	872	963	10,637
Other long-term liabilities	886	817	10,809
Total long-term liabilities	19,109	20,646	233,039
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	128,326
Capital surplus	17,198	17,198	209,729
Stock acquisition rights	2	2	28
Retained earnings	107,538	103,678	1,311,442
Treasury stock—at cost, 1,261,480 shares in 2012 and 1,261,417 shares in 2011	(2,643)	(2,643)	(32,232)
Accumulated other comprehensive income:			
Unrealized gain on available-for-sale securities	2,452	2,119	29,898
Deferred loss on derivatives under hedge accounting	(1)	(1)	(11)
Foreign currency translation adjustments	(1,502)	(1,269)	(18,315)
Total	133,567	129,607	1,628,865
Minority interests	1,510	1,755	18,410
Total equity	135,077	131,362	1,647,275
TOTAL	¥223,476	¥217,501	\$2,725,318

Consolidated Statement of Income

	Millions of yen		Thousands of U.S. dollars (Note 1)
	2012	2011	2012
NET SALES	¥223,499	¥219,216	\$2,725,602
COST OF SALES (Notes 7 and 13)	142,659	139,502	1,739,745
Gross profit	80,840	79,714	985,857
SELLING, GENERAL AND ADMINISTRATIVE EXPENSES (Notes 7, 12 and 13)	66,492	64,818	810,876
Operating income	14,348	14,896	174,981
OTHER INCOME (EXPENSES):			
Interest income	109	107	1,334
Dividend income	277	470	3,374
Interest expense	(106)	(159)	(1,296)
Foreign currency exchange loss	(38)	(473)	(469)
Gain (loss) on sales of property, plant and equipment-net	13	(58)	164
Gain on sales of investment securities-net (Note 3)	2	176	23
Loss on impairment of long-lived assets (Note 5)	(178)	(245)	(2,171)
Others-net (Note 11)	380	(988)	4,634
Other income (expenses)-net	459	(1,170)	5,593
INCOME BEFORE INCOME TAXES AND MINORITY INTERESTS	14,807	13,726	180,574
INCOME TAXES (Note 10):			
Current	5,601	6,077	68,300
Deferred	382	(560)	4,667
Total income taxes	5,983	5,517	72,967
NET INCOME BEFORE MINORITY INTERESTS	8,824	8,209	107,607
MINORITY INTERESTS IN NET INCOME	(305)	(281)	(3,720)
NET INCOME	¥ 8,519	¥ 7,928	\$ 103,887

	Yen		U.S. dollars
	2012	2011	2012
PER SHARE OF COMMON STOCK (Note 2.s):			
Net income	¥115.35	¥107.35	\$1.41
Cash dividends applicable to the year	63.00	63.00	0.77

See notes to consolidated financial statements.

Consolidated Statement of Comprehensive Income

	Millions of yen		Thousands of U.S. dollars (Note 1)
	2012	2011	2012
NET INCOME BEFORE MINORITY INTERESTS	¥8,824	¥ 8,209	\$107,607
OTHER COMPREHENSIVE INCOME (LOSS) (Note 17):			
Unrealized gain (loss) on available-for-sale securities	323	(1,023)	3,937
Deferred loss on derivatives under hedge accounting		(2)	(1)
Foreign currency translation adjustments	(238)	(422)	(2,904)
Total other comprehensive income (loss)	85	(1,447)	1,032
COMPREHENSIVE INCOME	¥8,909	¥ 6,762	\$108,639
TOTAL COMPREHENSIVE INCOME ATTRIBUTABLE TO:			
Azbil Corporation	¥8,618	¥ 6,550	\$105,099
Minority interests	291	212	3,540

See notes to consolidated financial statements.

Azbil Corporation (Formerly, Yamatake Corporation)
and Consolidated Subsidiaries
Years Ended March 31, 2012 and 2011

Consolidated Statement of Changes in Equity

	Thousands						Millions of yen					
	Number of Shares of Common Stock Outstanding	Common Stock	Capital Surplus	Stock Acquisition Rights	Retained Earnings	Treasury Stock	Accumulated Other Comprehensive Income (Loss)			Total	Minority Interests	Total Equity
							Unrealized Gain (Loss) on Available- for-Sale Securities	Deferred Gain (Loss) on Derivatives under Hedge Accounting	Foreign Currency Translation Adjustments			
BALANCE, APRIL 1, 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
Adjustment of retained earnings for newly consolidated subsidiaries					(5)					(5)		(5)
Net income					8,519					8,519		8,519
Cash dividends, ¥63 per share					(4,654)					(4,654)		(4,654)
Purchase of treasury stock						(1)				(1)		(1)
Disposal of treasury stock						1				1		1
Transfer from retained earnings to capital surplus												
Net change in the year							333		(233)	100	(245)	(145)
BALANCE, MARCH 31, 2012	73,855	¥10,523	¥17,198	¥2	¥107,538	¥(2,643)	¥2,452	¥(1)	¥(1,502)	¥133,567	¥1,510	¥135,077

	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, 2011	\$128,326	\$209,729	\$28	\$1,264,360	\$(32,232)	\$25,846	\$ (10)	\$ (15,476)	\$1,580,571	\$21,400	\$1,601,971
Adjustment of retained earnings for newly consolidated subsidiaries				(62)					(62)		(62)
Net income				103,887					103,887		103,887
Cash dividends, \$0.77 per share				(56,742)					(56,742)		(56,742)
Purchase of treasury stock					(8)				(8)		(8)
Disposal of treasury stock		(1)			8				7		7
Transfer from retained earnings to capital surplus		1		(1)							
Net change in the year						4,052	(1)	(2,839)	1,212	(2,990)	(1,778)
BALANCE, MARCH 31, 2012	\$128,326	\$209,729	\$28	\$1,311,442	\$(32,232)	\$29,898	\$ (11)	\$ (18,315)	\$1,628,865	\$18,410	\$1,647,275

See notes to consolidated financial statements.

Consolidated Statement of Cash Flows

Azbil Corporation (Formerly, Yamatake Corporation)
and Consolidated Subsidiaries
Years Ended March 31, 2012 and 2011

	Millions of yen		Thousands of U.S. dollars (Note 1)
	2012	2011	2012
OPERATING ACTIVITIES:			
Income before income taxes and minority interests	¥ 14,807	¥ 13,726	\$ 180,574
Adjustments for:			
Income taxes—paid	(6,302)	(3,866)	(76,856)
Depreciation and amortization	5,301	5,789	64,649
(Reversal of) provision for doubtful receivables	(31)	8	(372)
Increase in accrued bonuses	98	213	1,194
(Gain) loss on sales of property, plant and equipment—net	(13)	58	(164)
Gain on sales of investment securities—net	(2)	(176)	(23)
Loss on impairment of long-lived assets—trade	178	245	2,171
Increase in notes and accounts receivable	(9,574)	(1,610)	(116,762)
(Increase) decrease in inventories	(2,416)	2,500	(29,462)
Increase (decrease) in notes and accounts payable	3,335	(906)	40,666
Increase (decrease) in liabilities for retirement benefits	2	(532)	23
Others—net	251	(226)	3,069
Total adjustments	(9,173)	1,497	(111,867)
Net cash provided by operating activities	5,634	15,223	68,707
INVESTING ACTIVITIES:			
Proceeds from sales of property, plant and equipment	150	176	1,831
Purchases of property, plant and equipment	(2,377)	(2,532)	(28,989)
Purchase of intangible assets	(340)	(675)	(4,141)
Proceeds from sales of investment securities	5	1,262	65
Purchases of investment securities	(347)	(83)	(4,227)
Proceeds from sales of beneficiary securities of trust	14,468	13,793	176,440
Purchases of beneficiary securities of trust	(14,445)	(14,082)	(176,157)
Others—net	(663)	(135)	(8,105)
Net cash used in investing activities	(3,549)	(2,276)	(43,283)
FINANCING ACTIVITIES:			
Net (decrease) increase in short-term borrowings	15	(8,409)	181
Proceeds from long-term debt		7,050	
Repayment of long-term debt	(1,590)	(1,893)	(19,387)
Disposal of treasury stock	1		7
Purchase of treasury stock	(1)	(1)	(8)
Dividends paid	(4,647)	(4,613)	(56,675)
Others—net	(171)	(135)	(2,082)
Net cash used in financing activities	(6,393)	(8,001)	(77,964)
FOREIGN CURRENCY TRANSLATION ADJUSTMENTS ON CASH AND CASH EQUIVALENTS	(180)	(466)	(2,189)
NET (DECREASE) INCREASE IN CASH AND CASH EQUIVALENTS	(4,488)	4,480	(54,729)
CASH AND CASH EQUIVALENTS, BEGINNING OF YEAR	59,844	55,364	729,801
CASH AND CASH EQUIVALENTS, END OF YEAR	¥ 55,356	¥ 59,844	\$ 675,072

See notes to consolidated financial statements.

1. BASIS OF PRESENTATION OF 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 the application and disclosure requirements of International Financial Reporting Standards.

In preparing these consolidated financial statements, certain reclassifications and rearrangements have been made to the consolidated financial statements issued domestically in order to present them in a form which is more familiar to readers outside Japan. In addition, certain reclassifications have been made in the 2011 consolidated financial statements to conform to the classifications used in 2012.

The consolidated financial statements are stated in Japanese yen, the currency of the country in which Azbil Corporation ("Azbil") 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 ¥82 to \$1, the approximate rate of exchange as of March 31, 2012. 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, 2012 include the accounts of Azbil and its 35 significant (35 in 2011) subsidiaries (collectively, the "azbil Group").

Under the control or influence concept, those companies in which Azbil, 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 Azbil Kimmon Co., Ltd. ("Azbil 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. Marketable and Investment Securities—Marketable and investment securities are classified and accounted for, depending on management's intent, as follows: (1) trading securities, which are held for the purpose of earning capital gains in the near term are reported at fair value, and the related unrealized gains and losses are included in earnings; (2) held-to-maturity debt securities, for which there is the positive intent and ability to hold to maturity are reported at amortized cost; and (3) available-for-sale securities, which are not classified as either of the aforementioned securities, are reported at fair value, with unrealized gains and losses, net of applicable taxes, reported 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, investment 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 Azbil 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—Azbil 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 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.

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.

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 was 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 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 note to the lessee's financial statements. The revised accounting standard requires that all finance lease transactions be capitalized by recognizing 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.

Azbil and its consolidated domestic subsidiaries applied the revised accounting standard effective April 1, 2008. In addition, Azbil 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, 2012 and 2011 was ¥115 million (\$1,408 thousand) and ¥103 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 statement 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 statement 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 are 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 statement 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 73,854,722 shares for 2012 and 73,854,684 shares for 2011.

Cash dividends per share presented in the accompanying consolidated statement 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. 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 presentations

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

u. Presentation Changes (Reclassifications)

Deposits—Prior to April 1, 2012, deposits were included in the other assets among the investments and other assets section of the consolidated balance sheet. Since during this fiscal year ended March 31, 2012, the amount of ¥2,724 million (\$33,217 thousand) became to have significance in the investments and other assets section due to total amount of the investments and other assets section decreasing. As such, deposits are disclosed separately in the investments and other assets section of the consolidated balance sheet as of March 31, 2012. The amount included in the other assets as of March 31, 2011 was ¥2,732 million.

v. New Accounting Pronouncements

Accounting Standard for Retirement Benefits—On May 17, 2012, the ASBJ issued ASBJ Statement No. 26, “Accounting Standard for Retirement Benefits” and ASBJ Guidance No. 25, “Guidance on Accounting Standard for Retirement Benefits,” which replaced the Accounting Standard for Retirement Benefits that had been issued by the Business Accounting Council in 1998 with effective date of April 1, 2000 and the other related practical guidances, being followed by partial amendments from time to time through 2009.

Major changes are as follows:

(a) Treatment in the balance sheet

Under the current requirements, actuarial gains and losses and past service costs that are yet to be recognized in profit or loss are not recognized in the balance sheet, and the difference between retirement benefit obligations and plan assets (hereinafter, “deficit or surplus”), adjusted by such unrecognized amounts, are recognized as a liability or asset.

Under the revised accounting standard, actuarial gains and losses and past service costs that are yet to be recognized in profit or loss shall be recognized within equity (accumulated other comprehensive income), after adjusting for tax effects, and the deficit or surplus shall be recognized as a liability (liability for retirement benefits) or asset (asset for retirement benefits).

(b) Treatment in the statement of income and the statement of comprehensive income (or the statement of income and comprehensive income)

The revised accounting standard would not change how to

recognize actuarial gains and losses and past service costs in profit or loss. Those amounts would be recognized in profit or loss over a certain period no longer than the expected average remaining working lives of the employees. However, actuarial gains and losses and past service costs that arose in the current period and yet to be recognized in profit or loss shall be included in other comprehensive income and actuarial gains and losses and past service costs that were recognized in other comprehensive income in prior periods and then recognized in profit or loss in the current period shall be treated as reclassification adjustments.

This accounting standard and the guidance are effective for the

end of annual periods beginning on or after April 1, 2013 with earlier application being permitted from the beginning of annual periods beginning on or after April 1, 2013. However, no retrospective application of this accounting standard to consolidated financial statements in prior periods is required.

Azbil expects to apply the revised accounting standard from the beginning of the annual period beginning on April 1, 2013 and is in the process of measuring the effects of applying the revised accounting standard for the year ending March 31, 2014.

3. MARKETABLE AND INVESTMENT SECURITIES

Marketable and investment securities as of March 31, 2012 and 2011, consisted of the following:

	Millions of yen		Thousands of U.S. dollars
	2012	2011	2012
Current—Other	¥12,400	¥12,900	\$151,220
Total	¥12,400	¥12,900	\$151,220
Non-current:			
Equity securities	¥12,516	¥12,128	\$152,635
Other	57	74	689
Total	¥12,573	¥12,202	\$153,324

The costs and aggregate fair values of marketable and investment securities whose fair value is readily determinable as of March 31, 2012 and 2011, were as follows:

	Millions of yen								Thousands of U.S. dollars			
	2012				2011				2012			
	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	¥ 5,844	¥6,020	¥131	¥11,733	¥ 5,708	¥5,944	¥103	¥11,549	\$ 71,273	\$73,402	\$1,593	\$143,082
Other	12,459	1	4	12,456	12,958	3	4	12,957	151,945	11	50	151,906

The information for available-for-sale securities whose fair values are not readily determinable as of March 31, 2012 and 2011, is disclosed in Note 14.

The information for available-for-sale securities which were sold during the years ended March 31, 2012 and 2011 was as follows:

	Millions of yen						Thousands of U.S. dollars		
	2012			2011			2012		
	Proceeds	Realized Gains	Realized Losses	Proceeds	Realized Gains	Realized Losses	Proceeds	Realized Gains	Realized Losses
Available-for-sale—Equity securities	¥5	¥2		¥1,796	¥194	¥18	\$65	\$25	\$2

The impairment losses on available-for-sale equity securities for the years ended March 31, 2012 and 2011 were ¥28 million (\$341 thousand) and ¥71 million, respectively.

4. INVENTORIES

Inventories at March 31, 2012 and 2011, consisted of the following:

	Millions of yen		Thousands of U.S. dollars
	2012	2011	2012
Merchandise	¥ 1,775	¥ 1,370	\$ 21,646
Finished products	2,352	2,327	28,681
Work in process	5,526	4,745	67,384
Raw materials	6,482	5,343	79,053
Total	¥16,135	¥13,785	\$196,764

5. LONG-LIVED ASSETS

The azbil Group reviewed its long-lived assets for impairment as of March 31, 2012 and 2011, and recognized an impairment loss of ¥178 million (\$2,171 thousand) and ¥245 million for certain assets of Azbil Kimmon and an idle asset of the former Futaba Plant (Futaba County, Fukushima Prefecture) within the Fukushima nuclear disasters evacuation zone (surrounding Tokyo Electric Power Company's Fukushima Nos. 1 and 2 nuclear plants), respectively.

The carrying amount of the relevant property, plant and the idle asset and equipment was written down to the net selling price. However, as the net selling price of the idle asset cannot be quoted reasonably, the net selling price is based on the memorandum value.

6. SHORT-TERM BORROWINGS AND LONG-TERM DEBT

Short-term borrowings as of March 31, 2012 and 2011, 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 6.1% as of March 31, 2012 and from 0.5% to 3.8% as of March 31, 2011.

Long-term debt as of March 31, 2012 and 2011, consisted of the following:

	Millions of yen		Thousands of U.S. dollars
	2012	2011	2012
Loans from banks and other financial institutions, due serially through 2026 with interest rates ranging from 0.8% to 2.0% in 2012 and from 0.9% to 2.1% in 2011:			
Collateralized	¥ 22	¥ 82	\$ 272
Unsecured	6,132	7,650	74,781
Bonds due serially through 2012 with interest rates ranging from 0.6% to 1.5% in 2011:			
Collateralized		50	
Unsecured		10	
Obligations under finance leases	157	191	1,911
Total	6,311	7,983	76,964
Less current portion	(1,542)	(1,699)	(18,809)
Long-term debt, less current portion	¥ 4,769	¥ 6,284	\$ 58,155

As of March 31, 2012, Azbil had an unused line of credit amounting to ¥30,000 million (\$365,853 thousand), of which ¥10,000 million (\$121,951 thousand) related to the unused portion of commitment lines with four banks and ¥20,000 million (\$243,902 thousand) related to a medium-term notes program.

Annual maturities of long-term debt as of March 31, 2012, for the next five years and thereafter were as follows:

Year Ending March 31	Millions of yen	Thousands of U.S. dollars
2013	¥1,542	\$18,809
2014	1,533	18,690
2015	1,742	21,246
2016	1,431	17,454
2017	25	309
2018 and thereafter	38	456
Total	¥6,311	\$76,964

The carrying amounts of assets pledged as collateral for the above collateralized debt at March 31, 2012, which include the amount for short-term debt of ¥50 million were as follows:

	Millions of yen	Thousands of U.S. dollars
Time deposit	¥ 55	\$ 671
Buildings and structures	148	1,808
Total	¥203	\$2,479

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

Azbil 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, 2012 and 2011, for directors and corporate auditors is ¥189 million (\$2,306 thousand) and ¥227 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, 2012 and 2011, consisted of the following:

	Millions of yen		Thousands of U.S. dollars
	2012	2011	2012
Projected benefit obligation	¥ 42,379	¥ 42,843	\$ 516,816
Fair value of plan assets	(26,349)	(24,788)	(321,324)
Unrecognized prior service costs	1,935	2,156	23,603
Unrecognized actuarial loss	(5,573)	(7,872)	(67,969)
Prepaid pension expense	1	16	6
Net liability	¥ 12,393	¥ 12,355	\$ 151,132

The components of net periodic benefit costs for the years ended March 31, 2012 and 2011, are as follows:

	Millions of yen		Thousands of U.S. dollars
	2012	2011	2012
Service cost	¥1,821	¥1,799	\$22,201
Interest cost	824	820	10,052
Expected return on plan assets		(478)	
Amortization of prior service costs	(220)	(220)	(2,688)
Recognized actuarial loss	1,014	980	12,366
Payment for defined contribution pension plan and other	843	828	10,283
Net periodic benefit costs	¥4,282	¥3,729	\$52,214

Assumptions used for the years ended March 31, 2012 and 2011, are set forth as follows:

	2012	2011
Discount rate	2.0%	2.0%
Expected rate of return on plan assets	0.0%	2.0%
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, Azbil 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, 2012, are as follows:

Stock Option	Persons Granted	Number of Options Granted	Date of Grant	Exercise Price (U.S. dollars)	Exercise Period
2007 Stock Option	1 employee	6,000 shares	2007.1.23	\$1.00	From January 23, 2007 to January 23, 2017
2007 Stock Option	2 employees	10,450 shares	2007.1.24	1.00	From January 24, 2007 to January 24, 2017
2007 Stock Option	5 employees	34,500 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 9 employees	70,000 shares	2008.6.13	0.38	From June 13, 2008 to June 13, 2018
2008 Stock Option	3 employees	19,000 shares	2008.8.19	0.38	From August 19, 2008 to August 19, 2018
2009 Stock Option	1 director and 8 employees	14,000 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, 2011	2003 Stock Option	2004 Stock Option	2005 Stock Option	2007 Stock Option	2008 Stock Option	2009 Stock Option
	(Shares)					
Non-vested						
April 1, 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						
April 1, 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
Year Ended March 31, 2012						
Non-vested						
March 31, 2011—Outstanding					46,834	11,999
Granted						
Canceled					(13,834)	(2,666)
Vested					(33,000)	(4,671)
March 31, 2012—Outstanding						4,662
Vested						
March 31, 2011—Outstanding	3,000	6,000	10,000	151,950	93,666	17,001
Vested					33,000	4,671
Exercised						
Canceled	(3,000)	(6,000)	(10,000)	(57,000)	(27,666)	(1,334)
March 31, 2012—Outstanding				94,950	99,000	20,338
Exercise price (U.S. dollars)				\$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

Azbil and its domestic subsidiaries are subject to Japanese national and local income taxes which, in the aggregate, resulted in statutory tax rate of approximately 40.4% for the years ended March 31, 2012 and 2011.

The tax effects of significant temporary differences and tax loss carryforwards which resulted in deferred tax assets and liabilities at March 31, 2012 and 2011, are as follows:

	Millions of yen		Thousands of U.S. dollars
	2012	2011	2012
Deferred tax assets:			
Pension and severance costs	¥ 4,464	¥ 4,782	\$ 54,435
Accrued expenses	4,056	4,278	49,460
Depreciation	1,071	1,143	13,056
Loss on impairment of property, plant and equipment	308	306	3,751
Allowance for doubtful receivables	838	642	10,216
Tax loss carryforwards	1,624	2,923	19,806
Others	2,491	2,610	30,402
Less valuation allowance	(5,036)	(6,155)	(61,416)
Total	9,816	10,529	119,710
Deferred tax liabilities:			
Net unrealized gain on available-for-sale securities	2,063	2,327	25,155
Special advanced depreciation	1,434	1,711	17,482
Others	328	382	4,015
Total	3,825	4,420	46,652
Net deferred tax assets	¥ 5,991	¥ 6,109	\$ 73,058

On December 2, 2011, new tax reform laws were enacted in Japan, which changed the statutory tax rate from approximately 40.4% to 37.9% effective for the fiscal years beginning on or after April 1, 2012 through March 31, 2015, and to 35.5% afterwards. The effect of this change was to decrease deferred taxes in the consolidated balance sheet as of March 31, 2012, by ¥169 million (\$2,062 thousand), to increase income taxes—deferred in the consolidated statement of income for the year then ended by ¥457 million (\$5,577 thousand) and to increase unrealized gain on available-for-sale securities in the consolidated balance sheet as of March 31, 2012, by ¥288 million (\$3,516 thousand).

At March 31, 2012, certain subsidiaries have tax loss carryforwards aggregating approximately ¥8,307 million (\$101,301 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
2013	¥ 35	\$ 431
2014	3,183	38,818
2015	673	8,202
2016	410	4,996
2017	3	38
2018 and thereafter	4,003	48,816
Total	¥8,307	\$101,301

11. OTHER INCOME (EXPENSES)—NET

Other income (expenses)—net for the years ended March 31, 2012 and 2011, mainly consisted of the following:

	Millions of yen		Thousands of U.S. dollars
	2012	2011	2012
Gain on compensation from Tokyo Electric Power Company caused by claim for damage of Fukushima nuclear disasters	¥ 318		\$ 3,877
Loss on disaster caused by the Great East Japan Earthquake:			
Equipment restoration costs	(108)	¥ (68)	(1,320)
Charitable donations		(53)	
Production suspensions caused by natural disasters—fixed costs during the suspension period	(25)	(16)	(302)
Loss on destruction of inventory		(14)	
Others	(81)		(985)
Total	¥ 104	¥(151)	\$ 1,270

12. RESEARCH AND DEVELOPMENT COSTS

Research and development costs charged to income were ¥8,816 million (\$107,515 thousand) and ¥8,953 million for the years ended March 31, 2012 and 2011, 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, 2012 and 2011, were ¥5,180 million (\$63,176 thousand) and ¥5,401 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 and 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. Azbil 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							
	2012				2011			
	Machinery and Equipment	Furniture and Fixtures	Software	Total	Machinery and Equipment	Furniture and Fixtures	Software	Total
Acquisition cost	¥511	¥220	¥140	¥871	¥621	¥553	¥337	¥1,511
Accumulated depreciation	332	212	118	662	386	511	289	1,186
Accumulated impairment loss	124		10	134	130		10	140
Net leased property	¥ 55	¥ 8	¥ 12	¥ 75	¥105	¥ 42	¥ 38	¥ 185

	Thousands of U.S. dollars			
	2012			
	Machinery and Equipment	Furniture and Fixtures	Software	Total
Acquisition cost	\$6,227	\$2,692	\$1,702	\$10,621
Accumulated depreciation	4,054	2,583	1,435	8,072
Accumulated impairment loss	1,509		120	1,629
Net leased property	\$ 664	\$ 109	\$ 147	\$ 920

Obligations under finance leases:

	Millions of yen		Thousands of U.S. dollars
	2012	2011	2012
Due within one year	¥ 363	¥ 483	\$ 4,426
Due after one year	1,093	1,456	13,336
Total	¥1,456	¥1,939	\$17,762

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

Allowance for impairment loss on leased property of ¥18 million (\$220 thousand) as of March 31, 2012, and ¥43 million as of March 31, 2011, 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
	2012	2011	2012
Depreciation expense	¥107	¥234	\$1,299
Lease payments	202	366	2,468
Reversal of allowance for impairment loss on leased property	25	32	301

The above depreciation expense, which is not reflected in the accompanying consolidated statement 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, 2012 and 2011, were as follows:

	Millions of yen		Thousands of U.S. dollars
	2012	2011	2012
Due within one year	¥495	¥ 482	\$6,041
Due after one year	238	700	2,902
Total	¥733	¥1,182	\$8,943

(2) Financing Leases as a Lessor

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

Azbil 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, 2012 and 2011, was as follows:

	Millions of yen		Thousands of U.S. dollars
	2012	2011	2012
Receivables under finance leases:			
Due within one year	¥ 271	¥ 272	\$ 3,306
Due after one year	1,079	1,350	13,159
Total	¥1,350	¥1,622	\$16,465

14. FINANCIAL INSTRUMENTS AND RELATED DISCLOSURES

(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, 2012			March 31, 2011			March 31, 2012		
	Carrying Amount	Fair Value	Unrealized Loss	Carrying Amount	Fair Value	Unrealized Loss	Carrying Amount	Fair Value	Unrealized Loss
Cash and cash equivalents	¥ 55,356	¥ 55,356		¥ 59,844	¥ 59,844		\$ 675,072	\$ 675,072	
Notes and accounts receivable—trade	85,546	85,546		76,050	76,050		1,043,248	1,043,248	
Investment securities	11,789	11,789		11,605	11,605		143,768	143,768	
Total	¥152,691	¥152,691		¥147,499	¥147,499		\$1,862,088	\$1,862,088	
Short-term borrowings	¥ 4,076	¥ 4,076		¥ 4,055	¥ 4,055		\$ 49,702	\$ 49,702	
Current portion of long-term debt	1,542	1,542		1,699	1,699		18,809	18,809	
Notes and accounts payable—trade	37,185	37,185		33,946	33,946		453,480	453,480	
Long-term debt	4,769	4,777	¥(8)	6,284	6,302	¥(18)	58,155	58,250	\$(95)
Total	¥ 47,572	¥ 47,580	¥(8)	¥ 45,984	¥ 46,002	¥(18)	\$ 580,146	\$ 580,241	\$(95)

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
	2012	2011	2012
Investments in equity instruments that do not have a quoted market price in an active market	¥784	¥597	\$9,556

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

	Millions of yen				Thousands of U.S. dollars			
	March 31, 2012				March 31, 2012			
	Due in 1 Year or Less	Due after 1 Year through 5 Years	Due after 5 Years through 10 Years	Due after 10 Years	Due in 1 Year or Less	Due after 1 Year through 5 Years	Due after 5 Years through 10 Years	Due after 10 Years
Cash and cash equivalents	¥ 55,356				\$ 675,072			
Notes and accounts receivable—trade	82,141	¥3,405			1,001,720	\$41,528		
Total	¥137,497	¥3,405			\$1,676,792	\$41,528		

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

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.

	Millions of yen							
	March 31, 2012				March 31, 2011			
	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	¥614		¥(19)	¥(19)	¥738		¥ (7)	¥ (7)
Selling KR won	64		(6)	(6)	142		(8)	(8)
Buying JP yen	2							
Buying U.S. dollars	307		4	4	216		(14)	(14)

	Thousands of U.S. dollars			
	March 31, 2012			
	Contract Amount	Contract Amount Due after One Year	Fair Value	Unrealized Loss
Foreign currency forward contracts:				
Selling U.S. dollars	\$7,488		\$(228)	\$(228)
Selling KR won	786		(78)	(78)
Buying JP yen	26			
Buying U.S. dollars	3,746		47	47

Derivative Transactions to Which Hedge Accounting Is Applied

	Hedged Item	Millions of yen						Thousands of U.S. dollars		
		March 31, 2012			March 31, 2011			March 31, 2012		
		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—Selling U.S. dollars	Accounts payables	¥47		¥1	¥47		¥(1)	\$570		\$17

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, 2012, the azbil Group had the following contingent liabilities:

	Millions of yen	Thousands of U.S. dollars
Guarantees and similar items of loans	¥11	\$135

17. COMPREHENSIVE INCOME

The components of other comprehensive income for the year ended March 31, 2012, were as follows:

	Millions of yen	Thousands of U.S. dollars
Unrealized gain on available-for-sale securities:		
Gains arising during the year	¥ 31	\$ 372
Reclassification adjustments to profit or loss	26	318
Amount before income tax effect	57	690
Income tax effect	266	3,247
Total	¥ 323	\$ 3,937
Deferred loss on derivatives under hedge accounting—Gains arising during the year		\$ (1)
Foreign currency translation adjustments—Adjustments arising during the year	(238)	(2,904)
Total other comprehensive income	¥ 85	\$ 1,032

The corresponding information for the year ended March 31, 2011, was not required under the accounting standard for presentation of comprehensive income as an exemption for the first year of adopting that standard and not disclosed herein.

18. SUBSEQUENT EVENT

Appropriation of Retained Earnings

The following appropriation of retained earnings at March 31, 2012, was approved at Azbil's shareholders meeting held on June 26, 2012:

	Millions of yen	Thousands of U.S. dollars
Year-end cash dividends, ¥31.5 (\$0.38) per share	¥2,326	\$28,371

19. SEGMENT INFORMATION

Under ASBJ Statement No. 17, "Accounting Standard for Segment Information Disclosures" and ASBJ Guidance No. 20, "Guidance on Accounting Standard for Segment Information Disclosures," 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.

(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, and 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:

	Millions of yen							
	2012							
	Reportable Segment				Other	Total	Reconciliations	Consolidated
	Building Automation	Advanced Automation	Life Automation	Total				
Sales:								
Sales to external customers	¥103,400	¥83,031	¥32,266	¥218,697	¥4,802	¥223,499		¥223,499
Intersegment sales or transfers	496	1,103	277	1,876	107	1,983	¥ (1,983)	
Total	¥103,896	¥84,134	¥32,543	¥220,573	¥4,909	¥225,482	¥ (1,983)	¥223,499
Segment profit (loss)	¥ 10,328	¥ 4,006	¥ (128)	¥ 14,206	¥ 143	¥ 14,349	¥ (1)	¥ 14,348
Segment assets	61,444	61,959	26,681	150,084	2,280	152,364	71,112	223,476
Other:								
Depreciation	1,023	2,150	845	4,018	9	4,027		4,027
Increase in property, plant and equipment and intangible assets	741	1,672	593	3,006	4	3,010		3,010
Impairment losses of assets			178	178		178		178

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

	Thousands of U.S. dollars							
	2012							
	Reportable Segment				Other	Total	Reconciliations	Consolidated
	Building Automation	Advanced Automation	Life Automation	Total				
Sales:								
Sales to external customers	\$1,260,975	\$1,012,569	\$393,489	\$2,667,033	\$58,569	\$2,725,602		\$2,725,602
Intersegment sales or transfers	6,046	13,449	3,377	22,872	1,301	24,173	\$ (24,173)	
Total	\$1,267,021	\$1,026,018	\$396,866	\$2,689,905	\$59,870	\$2,749,775	\$ (24,173)	\$2,725,602
Segment profit (loss)	\$ 125,953	\$ 48,857	\$ (1,556)	\$ 173,254	\$ 1,742	\$ 174,996	\$ (15)	\$ 174,981
Segment assets	749,316	755,602	325,384	1,830,302	27,800	1,858,102	867,216	2,725,318
Other:								
Depreciation	12,470	26,217	10,308	48,995	114	49,109		49,109
Increase in property, plant and equipment and intangible assets	9,036	20,386	7,234	36,656	45	36,701		36,701
Impairment losses of assets			2,171	2,171		2,171		2,171

Note: Corporate assets of ¥71,112 million (\$867,216 thousand) for the year ended March 31, 2012 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 Amortization of Goodwill and Unamortized Balance by Reportable Segment

	Millions of yen							
	2012							
	Reportable Segment				Other	Total	Reconciliations	Consolidated
	Building Automation	Advanced Automation	Life Automation	Total				
Amortization of goodwill		¥10	¥1,264	¥1,274		¥1,274		¥1,274
Goodwill at March 31, 2012		26	2,578	2,604		2,604		2,604

	Thousands of U.S. dollars							
	2012							
	Reportable Segment				Other	Total	Reconciliations	Consolidated
	Building Automation	Advanced Automation	Life Automation	Total				
Amortization of goodwill		\$122	\$15,418	\$15,540		\$15,540		\$15,540
Goodwill at March 31, 2012		315	31,447	31,762		31,762		31,762

Information on Profits Resulting from Negative Goodwill by Reportable Segment

	Millions of yen							
	2012							
	Reportable Segment				Other	Total	Reconciliations	Consolidated
	Building Automation	Advanced Automation	Life Automation	Total				
Profits from negative goodwill		¥197		¥197		¥197		¥197

	Thousands of U.S. dollars							
	2012							
	Reportable Segment				Other	Total	Reconciliations	Consolidated
	Building Automation	Advanced Automation	Life Automation	Total				
Profits from negative goodwill		\$2,405		\$2,405		\$2,405		\$2,405

With regard to Advanced Automation business, we acquired the additional shares of the consolidated subsidiary Royal Controls Co., Ltd. to make it a 100% consolidated subsidiary. Accordingly, gain on negative goodwill of ¥197 million (\$2,405 thousand) is posted for this consolidated fiscal year.

INDEPENDENT AUDITOR'S REPORT

To the Board of Directors of Azbil Corporation:

We have audited the accompanying consolidated balance sheet of Azbil Corporation (formerly, Yamatake Corporation) and consolidated subsidiaries as of March 31, 2012, and the related consolidated statements of income, comprehensive income, changes in equity, and cash flows for the year then ended, and a summary of significant accounting policies and other explanatory information, all expressed in Japanese yen.

Management's Responsibility for the Consolidated Financial Statements

Management is responsible for the preparation and fair presentation of these consolidated financial statements in conformity with accounting principles generally accepted in Japan, and for such internal control as management determines is necessary to enable the preparation of consolidated financial statements that are free from material misstatements, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express an opinion on these consolidated financial statements based on our audit. We conducted our audit in conformity with auditing standards generally accepted in Japan. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the consolidated financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the consolidated financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the consolidated financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the consolidated financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the consolidated financial position of Azbil Corporation and consolidated subsidiaries as of March 31, 2012, and the consolidated results of their operations and their cash flows for the year then ended in conformity with accounting principles generally accepted in Japan.

Convenience Translation

Our audit 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 18, 2012

Member of
Deloitte Touche Tohmatsu Limited

Corporate Data

Company Name	Azbil 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, Shinagawa Business Center, Shonan, Isehara and Hadano Factories
Employees	5,185 (consolidated basis: 8,331) (As of March 31, 2012)

Subsidiaries and Affiliates (*mark denotes consolidated subsidiary)

Japan

Azbil Trading Co., Ltd. * Tokyo, Japan Ownership: 100%	Azbil Kimmon Aomori Co., Ltd. * Aomori, Japan Ownership: 100% owned by Azbil Kimmon Co., Ltd.	Azbil Kimmon Karatsu Co., Ltd. * Saga, Japan Ownership: 100% owned by Azbil Kimmon Co., Ltd.
Azbil Yamatake Friendly Co., Ltd. Kanagawa, Japan Ownership: 100%	Azbil Kimmon Wakayama Co., Ltd. * Wakayama, Japan Ownership: 100% owned by Azbil Kimmon Co., Ltd.	Azbil Kimmon Engineering Co., Ltd. * Kanagawa, Japan Ownership: 100% owned by Azbil Kimmon Co., Ltd.
Azbil Care & Support Co., Ltd. * Tokyo, Japan Ownership: 100%	Azbil Kimmon Shirakawa Co., Ltd. * Fukushima, Japan Ownership: 99.3% owned by Azbil Kimmon Co., Ltd.	Azbil Kyoto Co., Ltd. * Kyoto, Japan Ownership: 100%
Azbil SecurityFriday Co., Ltd. Kanagawa, Japan Ownership: 85%	Azbil Kimmon Shirasawa Co., Ltd. * Fukushima, Japan Ownership: 100% owned by Azbil Kimmon Co., Ltd.	Azbil RoyalControls Co., Ltd. * Tokyo, Japan Ownership: 100%
Hara Engineering Co., Ltd. Kanagawa, Japan Ownership: 100% owned by Azbil Trading Co., Ltd.	Azbil Kimmon Aizu Co., Ltd. * Fukushima, Japan Ownership: 100% owned by Azbil Kimmon Co., Ltd.	Azbil Taishin Co., Ltd. * Nagano, Japan Ownership: 50%
Azbil Kimmon Co., Ltd. * Tokyo, Japan Ownership: 100%	Azbil Kimmon Haramachi Co., Ltd. * Fukushima, Japan Ownership: 100% owned by Azbil Kimmon Co., Ltd.	Tem-Tech Lab. Tokyo, Japan Ownership: 25%

Overseas

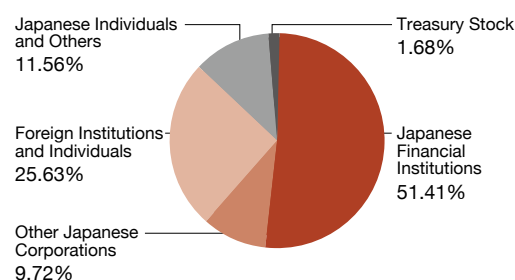
Azbil Korea Co., Ltd. * Seoul, Korea Ownership: 100%	Azbil Singapore Pte. Ltd. * Singapore Ownership: 100%	Yamatake Automation Products (Shanghai) Co., Ltd. * Shanghai, China Ownership: 100%
Azbil Taiwan Co., Ltd. * Taipei, Taiwan Ownership: 100%	PT. Azbil Berca Indonesia * Jakarta, Indonesia Ownership: 55%	Azbil North America, Inc. * Phoenix, AZ, U.S.A. Ownership: 100%
Azbil Kimmon Technology Corporation * Miaoli, Taiwan Ownership: 51% owned by Azbil Kimmon Co., Ltd.	Azbil Control Instruments (Dalian) Co., Ltd. * Dalian, China Ownership: 100%	Azbil BioVigilant, Inc. * Tucson, AZ, U.S.A. Ownership: 97.9%
Azbil Vietnam Co., Ltd. * Hanoi, Vietnam Ownership: 100%	Azbil Information Technology Center (Dalian) Co., Ltd. Dalian, China Ownership: 100%	Azbil Brazil Limited Sao Paulo, Brazil Ownership: 99.9%
Azbil India Pvt. Ltd. * Mumbai, India Ownership: 99.9%	Yamatake Environmental Control Technology (Beijing) Co., Ltd. * Beijing, China Ownership: 100%	Azbil Europe NV * Zaventem, Belgium Ownership: 100%
Azbil (Thailand) Co., Ltd. * Bangkok, Thailand Ownership: 99.9%	Azbil Control Solutions (Shanghai) Co., Ltd. * Shanghai, China Ownership: 100%	Four other affiliates (Establishment/capital participation scheduled in fiscal year 2012)
Azbil Philippines Corporation * Makati, Philippines Ownership: 99.9%	Shanghai Azbil Automation Co., Ltd. * Shanghai, China Ownership: 60%	Azbil Saudi Arabia Limited Beijing YTYH Intelli-Technology Co., Ltd. CECEP Building Energy Management Co., Ltd.
Azbil Malaysia Sdn. Bhd. * Kuala Lumpur, Malaysia Ownership: 100%	Azbil Hong Kong Limited * Hong Kong, China Ownership: 100%	

Stock Information

As of March 31, 2012

Total Number of Authorized Shares	279,710,000
Shares of Common Stock Issued	75,116,101
Shareholders	11,808
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

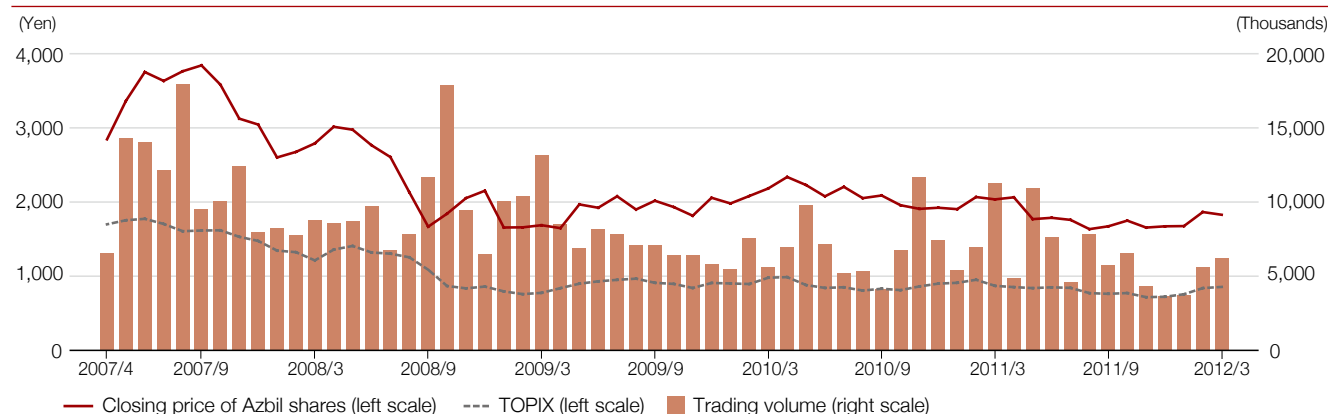


Major Shareholders (Top 10)

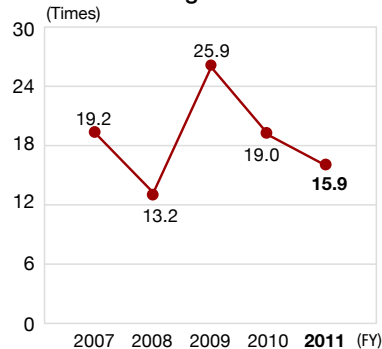
	Number of Shares Held (Thousands)	Percentage of Total Investment
The Master Trust Bank of Japan, Ltd.	7,028	9.51
Meiji Yasuda Life Insurance Co.	5,214	7.05
Japan Trustee Services Bank, Ltd.	5,061	6.85
Japan Trustee Services Bank, Ltd. (Trust Account 9)	4,332	5.86
Nippon Life Insurance Co.	2,669	3.61
Trust & Custody Services Bank, Ltd. (trustee for Mizuho Trust & Banking Co., Ltd. Retirement Benefit Trust Account)	2,315	3.13
Northern Trust Company (AVFC) Sub Account British Client	2,082	2.81
The Nomura Trust and Banking Co., Ltd. (Trust Accounts)	1,868	2.53
Deutsche Securities Inc.	1,459	1.97
Mizuho Corporate Bank, Ltd.	1,404	1.90

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

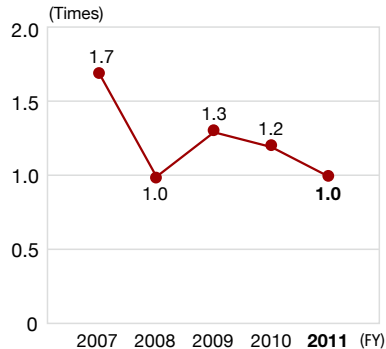
Trends in Share Price and Trading Volume



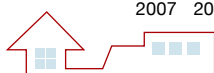
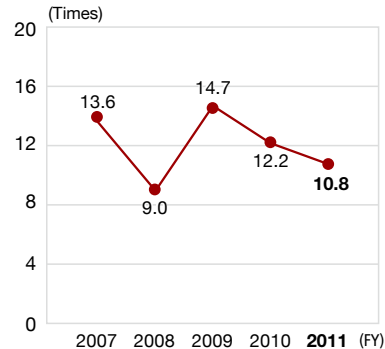
Price-Earnings Ratio

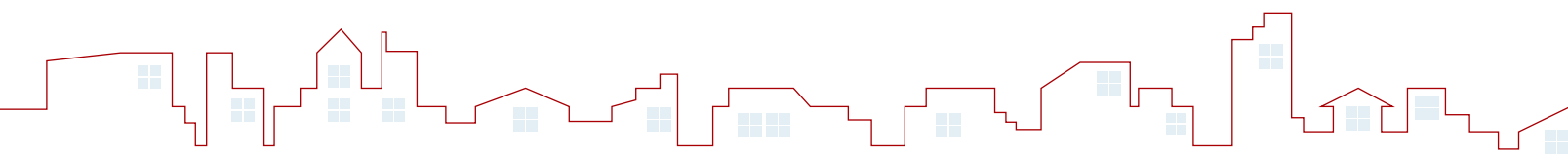


Price-Book Value Ratio



Price-Cash Flow Ratio





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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.

We edit the report to provide readers with an easy-to-understand overview of our approach to the environment and society, the initiatives we are taking through our businesses, and the challenges we face.

We believe that the azbil report is an important means for communicating with our many stakeholders. We welcome feedback, questions or concerns from our readers.

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