

Business Overview



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

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

Building Automation Business:

Establish next-generation environmental controls

Advanced Automation Business:

Provide value globally

Life Automation Business:

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

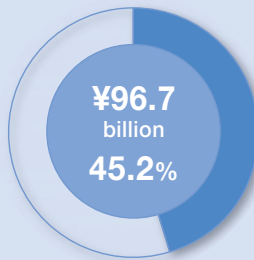
This section presents the operating environment, performance, and outlook for each of the businesses.

Net Sales by Business/
Share of Total Sales

Business Outline

Markets

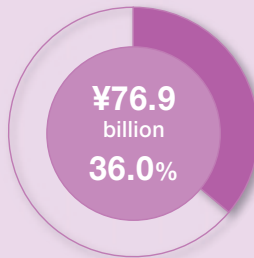
BA

Building Automation
Business

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

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

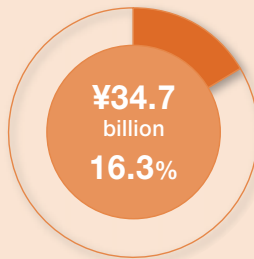
AA

Advanced Automation
Business

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

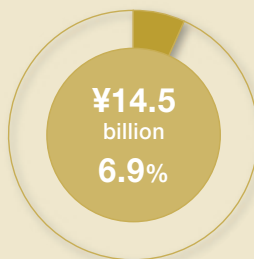
- Petrochemical/chemical
- Water supply and sewerage
- Oil refining
- Electric power and gas
- Iron and steel
- Pulp and paper
- Shipping and marine
- Semiconductor/semiconductor manufacturing equipment
- Electrical/electronic components
- Machine tools
- Automobiles
- Pharmaceuticals
- Food/beverage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

LA

Life Automation
Business

At the azbil Group, we possess measurement and control technologies cultivated over many years in the building, factory, and plant markets as well as a personal commitment to customers through our services. In the Life Automation business, we are supporting people's active lives through operations related to lifelines such as gas and water, and lifestyle support such as nursing care and healthcare.

- Measurement/metering equipment, such as gas and water meters, flowmeters, and instrumentation systems
- Residential air-conditioning
- Elderly nursing care (preventive care)
- Lifestyle support for the elderly
- Lifestyle-related disease prevention for the middle-aged and elderly, etc.

International
Business

The azbil Group is expanding its Building Automation and Advanced Automation businesses internationally, backed by the technologies and expertise accumulated from domestic operations. The Group currently has overseas subsidiaries, affiliates, business offices, factories, and maintenance centers in 13 countries and 26 locations, principally in Asia. We deliver best-fit solutions for the differing problems and needs of customers in each region.

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

Note: Segment sales include intersegment sales.

Main Products and Services

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

Building Management Systems



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

Security Systems



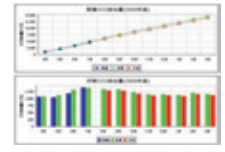
Our security systems offer integrated and consolidated control of security data and access data. By integrating building management systems, we make building management and security more effective.

Intelligent Component



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

CO₂ Management Systems



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

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

Monitoring and Control Systems



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

Digital Indicating Controllers



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

Smart Field Instruments



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

Sensors and Switches



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

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

City Gas and LP Gas Businesses



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

Water Meter Business



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

Lifestyle Support Services



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

Nursing Care Support Services

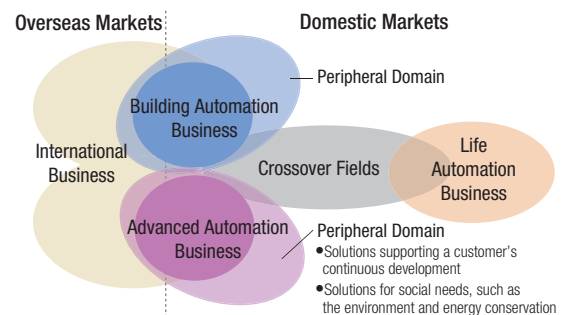


We offer nursing care services, in-home care services, the sale and rental of nursing care equipment, an elderly group home, etc.

Core Business Structure

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

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



BUILDING AUTOMATION BUSINESS

Business Results

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

Operating Environment

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

Moreover, fiscal year 2010, ending March 31, 2011, is the start of a period of practical reductions in emissions with the enforcement of the Revised Act on the Rational Use of Energy and the Tokyo Municipal Environmental Protection Ordinance, which contain stricter regulations to decrease environmental load. We therefore expect the operating environment will remain steady in the market for existing buildings and maintenance services, both of which provide continuous support throughout a building's life cycle.

Fiscal Year 2009 Performance

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

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

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

Fiscal Year 2010 Outlook

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



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

Kiyofumi Saito

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

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

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

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

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



Yamaguchi Asahi Broadcasting Co., Ltd.

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

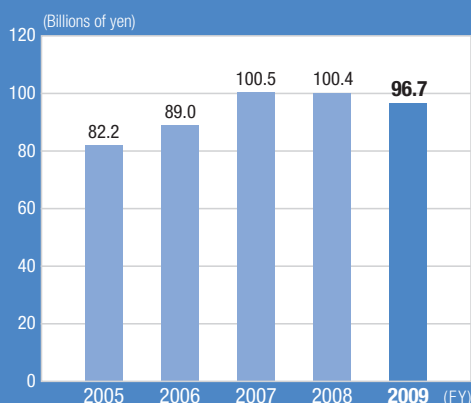
We received a high evaluation for this proposal, which leveraged the expertise of azbil in reviewing and improving control operations and applying the subsidy systems of the New Energy and Industrial Technology Development Organization (NEDO) and the Ministry of the Environment, in addition to upgrading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



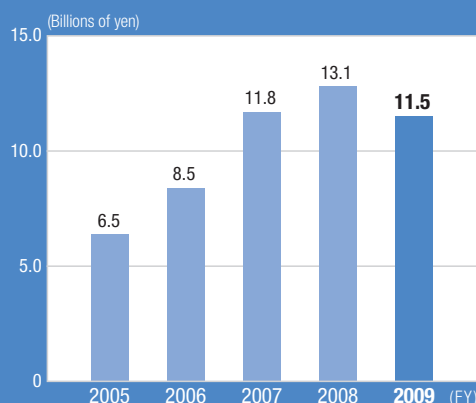
Noriyuki Higami

Sales Department, Chushikoku Branch
Building Systems Company, Yamatake Corporation

Sales



Operating Income



ADVANCED AUTOMATION BUSINESS

Business Results

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

Operating Environment

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

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

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

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

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

Fiscal Year 2009 Performance

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

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

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



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

Masaaki Inozuka

Executive Director
Managing Executive Officer
Advanced Automation Company President
Yamatake Corporation

Fiscal Year 2010 Outlook

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

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

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

Achieving a Futuristic IT Control Room for Information Sharing and Visualization



Seibu Oil Co., Ltd.

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

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



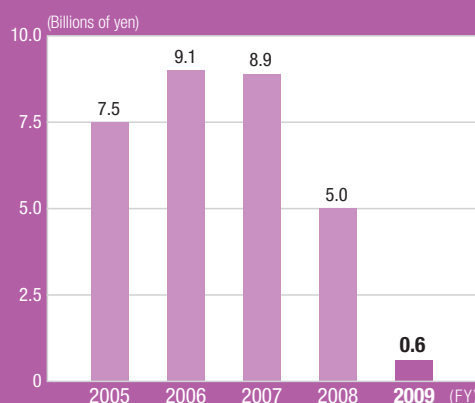
Tsutomu Ishikawa

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

Sales



Operating Income



LIFE AUTOMATION BUSINESS

Business Results

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

Operating Environment

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

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

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

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

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

Fiscal Year 2009 Performance

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

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

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

Ichio Kunii
Managing Executive Officer
Yamatake Corporation

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

Masaaki Iwai
President
Kimmon Manufacturing Co., Ltd.

Care-Net and Safety Service Center.

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

Fiscal Year 2010 Outlook

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

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

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



Ms. Akiko Koyanagi

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

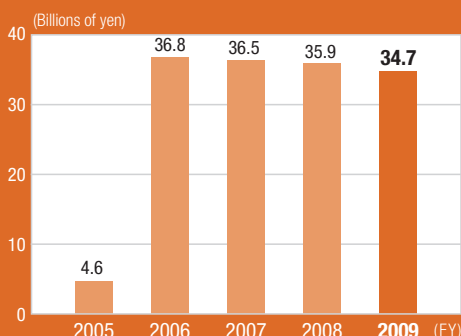
The personal emergency alert response service features: response from a registered nurse; easy health consultations; and the creation of an environment with an easily accessible emergency alert button (mistakenly pressing the button is not a problem, and non-emergency inquiries can be made once a month).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



Kyoko Yamamoto

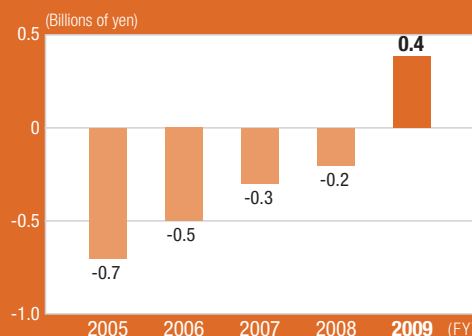
Chief Care Manager, Yamatake Care-Net Co., Ltd.

Sales



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

Operating Income (Loss)



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

INTERNATIONAL BUSINESS

Business Results

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

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

Operating Environment

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

Fiscal Year 2009 Performance

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

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

Fiscal Year 2010 Outlook

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



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

Toshitsune Okubo

Managing Executive Officer
Yamatake Corporation

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

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

Highly Efficient Maintenance Achieved by Installing a Maintenance Support System



SIAM MITSUI PTA Co., Ltd.

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

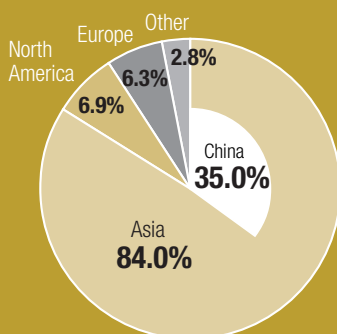
The Rayong Branch of Azbil (Thailand) operates Thailand's largest control valve maintenance center and provides a variety of services for customers of petroleum and/or petrochemical plants in the vicinity. Favored by our location, we have been developing close ties with customers, while responding to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



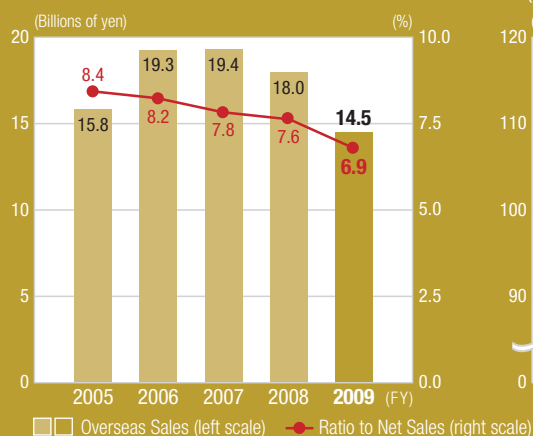
Puangpetch U-bang

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

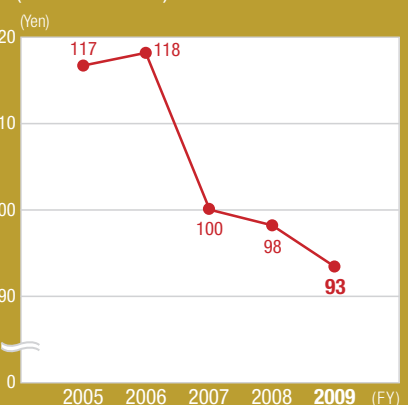
Overseas Sales by Region (Fiscal Year 2009)



Overseas Sales/ Ratio to Net Sales



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



Research and Development

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

R&D Framework

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

Directions in R&D and Key Technological Domains

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

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

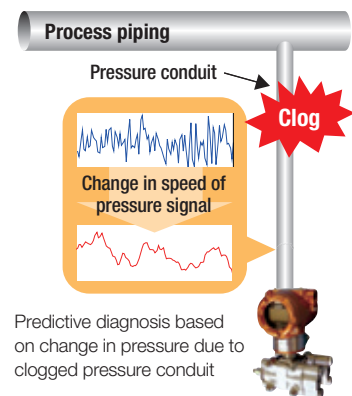
In the Advanced Automation business, we are strengthening our development of technologies to create safe, comfortable environments that are easy to work in, based on solutions including conserving energy at factories and plants and improving quality and productivity. We are working toward developing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

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

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

Microsystem Technologies and Measurement and Control Technologies

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

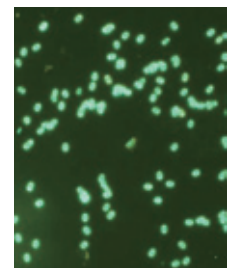


semiconductor sensor technologies; expansion into new measurement fields; and technological applications for problem solving.

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

New Measurement Technologies and Safety-Related Applications

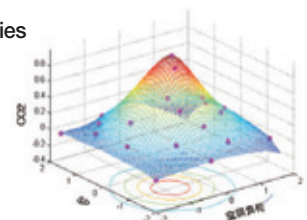
Recognizing global social needs for air quality measurement and management technologies for safety and peace of mind, we are developing technology for the real-time detection of air microbes. Using technology developed by BioVigilant Systems of the U.S., which became a Group company in 2009, enables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



Autofluorescence of bacteria

Environmental Control Technologies

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



Simulation using WVT technology

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

Equipment Control Technologies

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

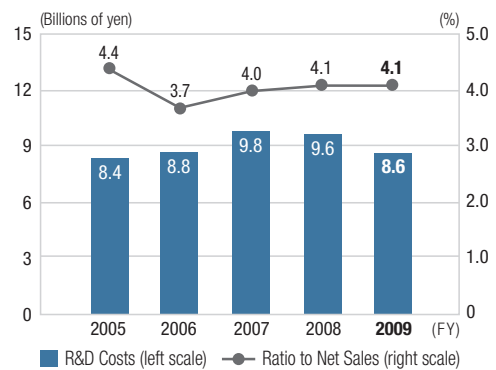


Actuator configuration

R&D Investment

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

R&D Costs/Ratio to Net Sales



Developing Next-Generation Control Systems

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



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

Ambition of the New Development Framework

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

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

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



Yoshihide Sugino

Executive Officer
 General Manager, Technology Development Headquarters
 Yamatake Corporation

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Business Overview

Intellectual Property

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

Devising and Enacting the Intellectual Property Strategy

In fiscal year 2009, ended March 31, 2010, Yamatake continued to take the following measures to further strengthen its intellectual property strategy:

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

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

Patent Applications in Japan

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

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

Number of Domestic Patent Applications

FY	Number of applications
2005	208
2006	173
2007	330
2008	351
2009	261

*Scope of calculations: Yamatake Corporation

Number of Registered Patents

Yamatake holds 1,043 registered patents in Japan and 432 registered patents overseas, both of which figures have increased from the previous fiscal year.

Number of Domestic Registered Patents

FY	Number of registered patents
2005	864
2006	904
2007	964
2008	1,027
2009	1,043

*Scope of calculations: Yamatake Corporation

Number of Overseas Registered Patents

FY	Total Overseas Registered Patents
2005	343
2006	359
2007	374
2008	420
2009	432

*Scope of calculations: Yamatake Corporation

Regulations for Employee Inventions

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

Minimizing Risks from Patent Infringements in azbil Business Areas

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

Trademark and Design Management

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

28 azbil Group