

- 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.

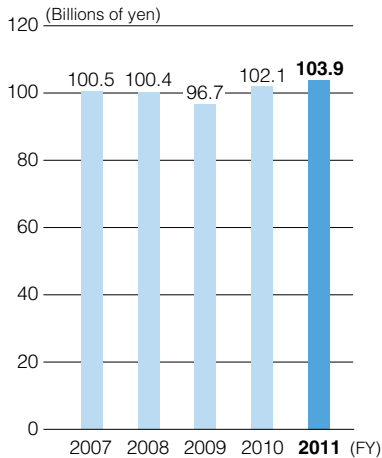
In overseas markets, the azbil Group has added to its traditional advantage

* 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.

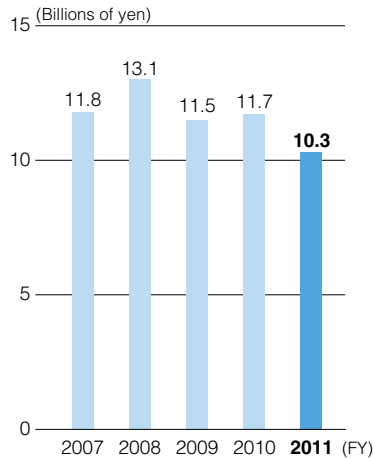
Keiichi Fuwa

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.



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.

TOPICS

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

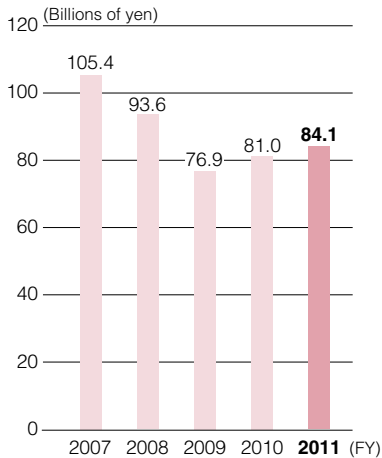
In Japan, in the field of process automation, demand grew in markets such as highly functional materials, as described previously. In addition, in meeting increased demand for earthquake recovery and reconstruction and from energy and energy conservation-related markets, we made continuing, all-out efforts 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.

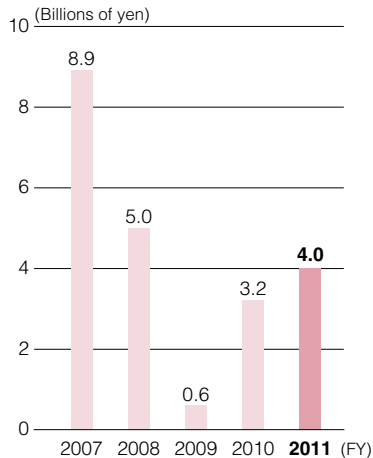
Masato Iwasaki

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

TOPICS



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.



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

● 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.

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.

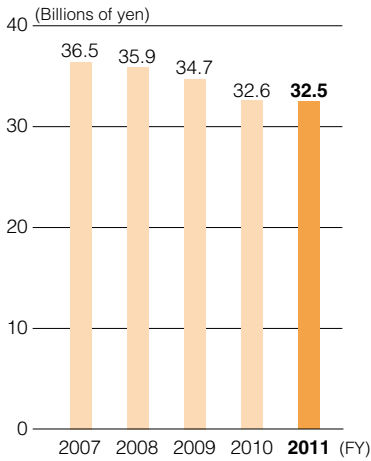


Kanichiro Shimoda

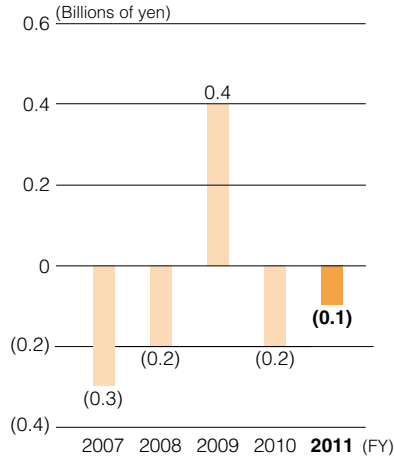
President
Azbil Kimmon Co., Ltd.



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.



Yasuyo Komiyaji

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

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%.

TOPICS

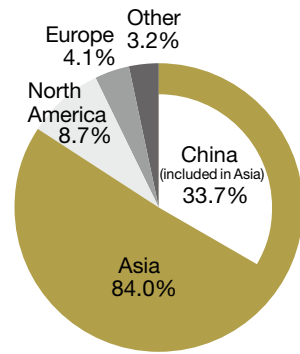
Global Operations

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.



Toshitsune Okubo
 Managing Executive Officer
 International Business
 Azbil Corporation

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.

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.

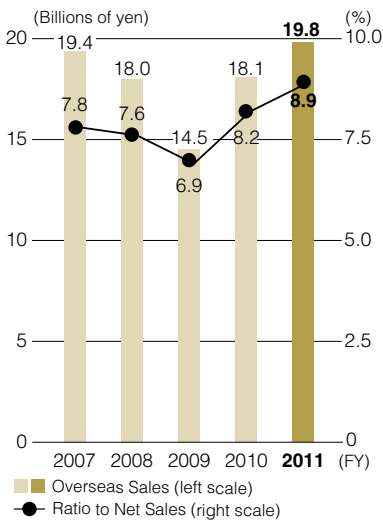
Fiscal Year 2011 Performance

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

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.

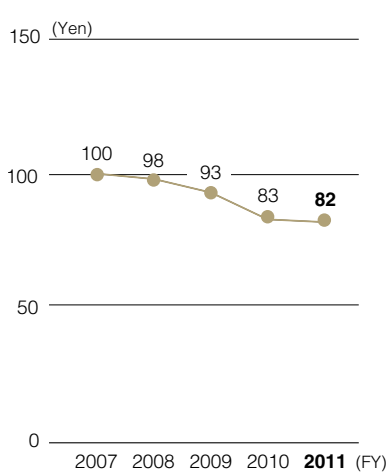
Overseas Sales/ Ratio to Net Sales



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.

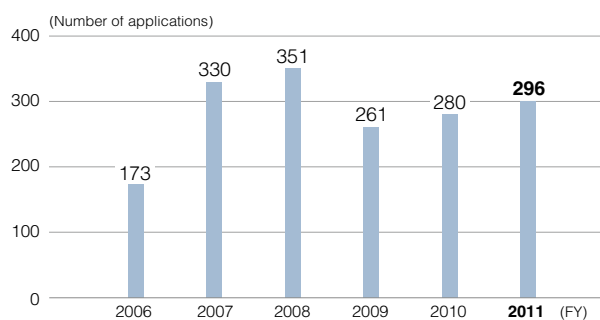
Establishing an Intellectual Property Portfolio in Major Product Lines and Technological Fields

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



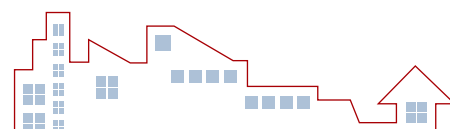
Scope of calculations: Azbil

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)

