



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.

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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)



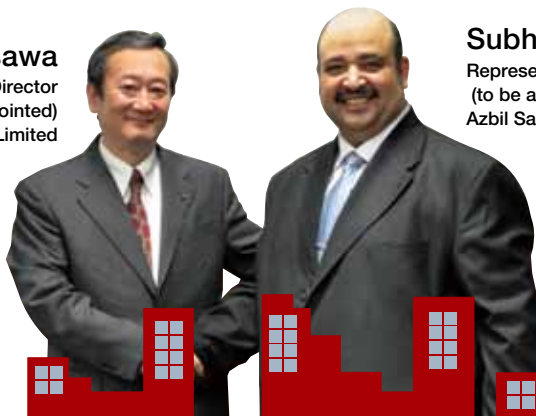
Promoting the Global Valve Business

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)

azbil



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