

Management and Society



Yuko Kawayuki
Human Resources Department
Yamatake Corporation

“CSR Management That Values People”

is a target of the new medium-term management plan designated as the “period of growth.” We are carrying out more people-focused CSR management across the Group than before.

This section presents the azbil Group’s initiatives for gaining the trust of stakeholders.

The azbil Group's CSR Management



Tadayuki Sasaki

Executive Director
Senior Managing Executive Officer
Yamatake Corporation

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

Q What is the azbil Group's CSR?

Aiming for sustainable development of society and our business, we perform both basic CSR and proactive CSR activities that are unique to the azbil Group and contribute to society. Basic CSR includes fulfilling obligations in legal compliance, risk management, safety, quality, the environment, and other areas that are essential for the azbil Group as a corporate citizen. Proactive CSR includes contributing to society through business operations and voluntary social contribution activities.

Q What are your policies and targets for CSR management initiatives?

Under our medium-term plan designated as "the period of growth," we divided our initiatives into six themes and set targets for each.

1. Compliance control

A culture of thorough compliance that includes not only awareness but also employees' steady execution of business activities to prevent the occurrence of key compliance issues.

2. Operation with thorough risk management

Full preparation of risk management in disaster preparedness, information security, quality, product liability, and accounting, as well as measures taken to ascertain and deal with key risks to management every fiscal year.

3. Promotion of management that values people

Strengthening of the foundation for CSR management that values people by introducing systems and processes for the enhancement of employee capabilities as well as working on employee health and safety, a

vibrant workplace, and human resources development.

4. Contributions to the global environment

Reductions of our own CO₂ emissions and, through our business, active contributions to the reduction of CO₂ emissions of our partner companies and society.

5. Promotion of group management

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

6. Strengthening social contribution activities

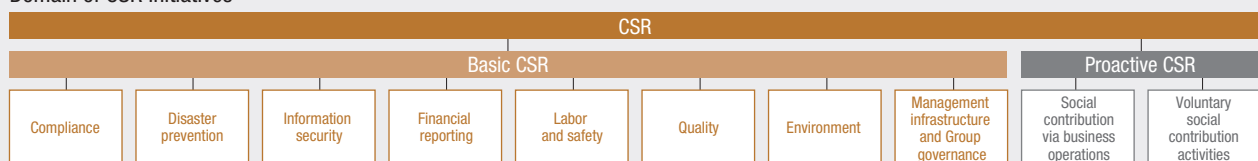
Promotion of social contribution through business operations and employee-participatory, voluntary social contribution activities.

CSR Promotion Framework

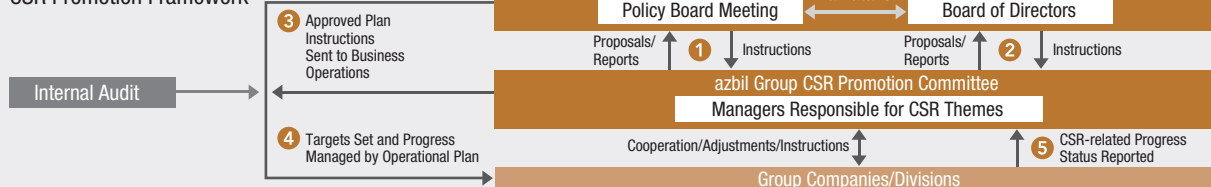
The CSR Promotion Group of the General Affairs Department was established in fiscal 2010 as the lead department responsible for planning and promotion of the azbil Group's CSR.

The azbil Group's CSR Promotion Committee was established to promote and enact CSR activities over a broad range of fields. The committee is composed of senior managers in charge of promoting CSR at individual Group companies and members of the lead departments for each theme. The committee reports to the Board of Directors meeting, after which it conducts CSR initiative execution and appraisal and turns the PDCA (Plan, Do, Check, Act) cycle.

Domain of CSR Initiatives



CSR Promotion Framework



Corporate Governance

In order to enhance corporate governance, Yamatake has introduced an executive officer system that separates decision making from actual execution of Company policy to facilitate the prompt implementation of policy initiatives. In addition, the Board of Directors and the Board of Corporate Auditors oversee and monitor the execution.

Viewpoint of Corporate Governance

Our basic policy on corporate governance is to promote policies that fulfill our social responsibilities based on good ethical practices and contribute to the welfare of the community based on sound legal and regulatory compliance, and we work to consistently increase enterprise value for the benefit of our shareholders and all our stakeholders by enhancing policies and schemes to realize highly efficient, fair, and transparent business practices.

Framework for Corporate Governance

Board of Directors and Executive Officer System

The Board of Directors makes decisions on operational basic policy, legal issues, and other important matters and oversees the status of execution. Functional separation between the executive officer system and the Board of Directors realizes swift policy execution and strengthens the auditing of execution.

The Board of Directors convenes monthly, and for executive personnel, management meetings comprising mainly executive officers, with representatives of the Board of Corporate Auditors also attending, are held twice monthly as part of initiatives to further strengthen business operations through prompt decision making and strict execution.

Corporate Auditor System and Internal Audits

Yamatake uses a corporate auditor system in which four corporate auditors including two external auditors are appointed, with three of these auditors serving on a full-time basis. They perform strict auditing of the business and policy decisions of the Board of Directors and executive officers, primarily from the perspective of legality. In addition, in order to strengthen the auditing function, the Company has established the Corporate Auditors' Office under the direct control of

the Board of Corporate Auditors, with a specialist staff that assists the corporate auditors in their duties. The corporate auditors strengthen ties with accounting auditors and the Internal Audit Office, through means including exchanging information and opinions periodically, to improve the effectiveness and efficiency of audits.

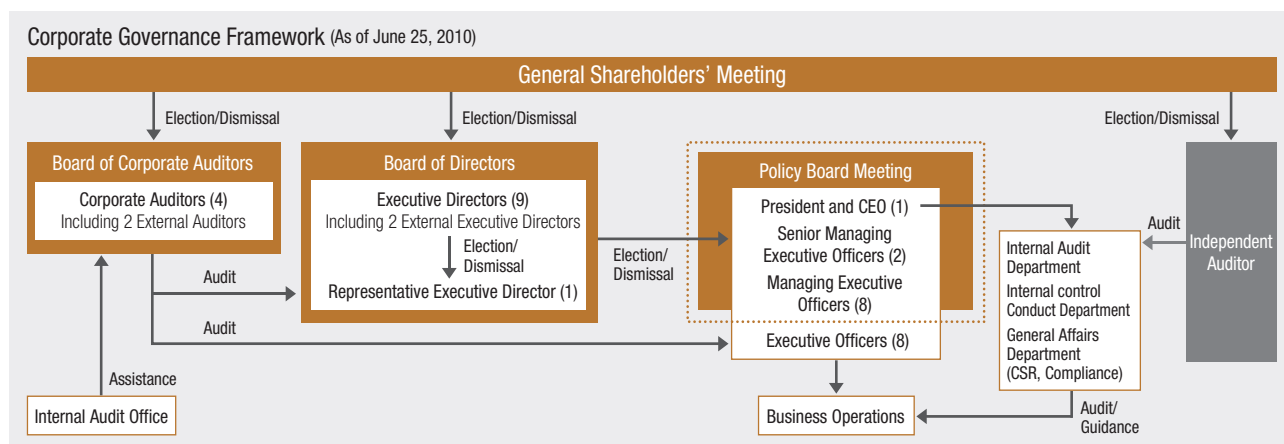
In addition, the internal audit department directly under the President's control performs regular audits of organizations and structures, the execution of business, business risks, compliance, and internal control systems and provides specific advice and proposals for operational control and business improvement.

Current Framework

Yamatake's Board of Directors was composed of nine members as of June 25, 2010, including six members that also have roles as executive officers, and two external directors. The remaining director is not an external director as defined by law, but possesses abundant global management experience and wisdom accumulated over forty years. These directors have the independence to provide oversight and business advice from an external perspective to raise the fairness, neutrality, and transparency of the Company's management.

Remuneration for Directors and Corporate Auditors

Yamatake discloses the total remuneration for directors and corporate auditors in its annual security report and notice of annual shareholders' meetings. In fiscal year 2009, ended March 2010, total remuneration paid to nine directors (including one director who retired at the 87th general shareholders meeting held on June 25, 2009) amounted to ¥306 million (uppermost limit ¥450 million). For the five corporate auditors, total remuneration amounted to ¥98 million (uppermost limit ¥120 million).



Risk Management and Compliance

CSR management to gain the trust of society for the continued existence of the azbil Group is the core of our risk management and compliance. We are working to guard against the various risks that doing business entails and promote compliance throughout the Group.

For general information on compliance, please refer to ► <http://www.azbil.com/csr/soc/compliance.html>

Risk Management

The azbil Group's Total Risk Management

In order to strengthen the azbil Group's risk readiness, risks that could significantly impact our business are surveyed for further action at the Group's main departments every year. Any risks judged to require the Group's response are deliberated at Policy Board meetings and meetings of the Board of Directors to determine which are key risks for the fiscal year. Regarding key risks to operations for the fiscal year, subcommittees of the CSR Promotion Committee are designated by theme to set targets for risk prevention, check implementation, and evaluate the results in order to promote a unified Group response. Further, in fiscal year 2009, ended March 31, 2010, the emergency reporting rules and channels were revised and then thoroughly explained to all Group employees.

Earthquake and H1N1 Influenza Countermeasures, and Business Continuity Planning

The azbil Group works continuously on earthquake countermeasures, such as preparing hazard maps for all workplaces in Japan that show the places that have a danger of items overturning or falling, and reducing the number of those areas based on the hazard maps; stockpiling emergency goods for those who cannot return home; and widening the scope of periodic disaster drills held at designated workplaces.

As countermeasures against outbreaks of new strains of influenza in Japan and overseas, in 2009 we established a central headquarters, opened special web sites, and distributed home-use disaster-prevention document files for speedy and thorough guidance on preventative measures for Group employees.

We are making progress in business continuity planning while managing related planning, including the earthquake and H1N1 influenza countermeasures described above, as well as how to retain customer support for the business lines.

Information Security Management/Information Leak Protection

In fiscal year 2009, we continued our focus from the previous fiscal year on efforts including ensuring thorough information security education, responding to information security issues from conducting surveys on compliance, and upgrading our framework for managing key information and personal information.

Compliance

Business Conduct Policy and Business Conduct Guidelines

Our Business Conduct Policy was set in line with the azbil Group philosophy and consists of six areas including the Group's public responsibilities, social responsibilities, compliance with antitrust and other fair trading regulations, and respect for human rights. Based on the Business Conduct Policy, we assembled and established specific Business Conduct Guidelines covering all business activities from the perspective of legal compliance and ethical conduct. We are working to spread the Business Conduct Policy and Business Conduct Guidelines not only within the azbil Group, but also to cooperating companies.

Compliance Promotion Framework

The CSR Promotion Group of the General Affairs Department is responsible for planning and implementation to spread awareness and ensure thorough compliance throughout the azbil Group.

- **Corporate Ethics Committee**

The Corporate Ethics Committee, which is chaired by the officer in charge of CSR, was established to ensure assiduous legal compliance and ethical behavior.

- **Compliance Manager and Leader**

The heads of departments assigned as compliance managers and heads of sections as compliance leaders work to spread awareness and ensure thorough compliance in their departments and workplaces.

Main Initiatives Implemented in Fiscal Year 2009

- **Compliance Monitoring**

In May 2009, we conducted a survey on awareness of compliance covering all Group employees in Japan to understand the status of the azbil Group's business conduct and compliance. We then reported the results at a meeting of the Board of Directors and planned and implemented measures for key issues. Main departments responsible for compliance established planning alliances based on the survey results.

- **Compliance Education**

Compliance education was held for directors and corporate auditors, the heads of departments and sections, new employees, mid-career hires, employees being posted overseas, and compliance leaders for Asian regions.

- **Overseas Implementation of Business Conduct Guidelines**

We are proceeding with the creation of Business Conduct Guidelines for overseas subsidiaries in their local languages and supplementary materials based on local laws and business customs so that employees of overseas subsidiaries will understand and voluntarily adopt our Business Conduct Guidelines and gain the trust of local communities.

Board of Directors, Executive Officers, and Corporate Auditors

As of June 25, 2010

Directors, Executive Officers



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



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



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



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



Hirozumi Sone
Executive Director
Managing Executive Officer
In charge of Marketing, Technology Development Headquarters



Makoto Kawai
Executive Director
Managing Executive Officer
In charge of azbil Group Production Function, Strategic Production Planning Department, Advanced Automation Company Production



Makoto Yasuda
Director



Eugene H. Lee
Director (External Director)



Katsuhiko Tanabe
Director (External Director)

Corporate Auditors

Full-time Corporate Auditors

Yukihiko Tsuruta
Kozo Edanami

Full-time Corporate Auditor (External Auditor)

Tomonori Kobayashi

Corporate Auditor (External Auditor)

Kinya Fujimoto

Executive Officers

Managing Executive Officers

Toshitsune Okubo
In charge of International Business, Document Production Department
Director, International Business Headquarters

Yasuyuki Washi

In charge of Quality Assurance, Human Resources Department,
Information Systems Department

Tadashi Hirooka

In charge of azbil Group Environmental Load Innovation, Safety Design
Department, Building Systems Company Marketing, Development

Junji Funamoto

In charge of Service Business
Director, Service Engineering Headquarters
Director, Building Systems Company Facilities Management
Headquarters

Ichio Kunii

In charge of Home Comfort Department, Building Systems Company
Operating Management
Director, Building Systems Company Instrument Headquarters

Executive Officers

Teruyoshi Yamamoto

Director, Fiscal Control Department

Yoshihide Sugino

General Manager, Technology Development Headquarters

Keiichi Fuwa

Director, Building Systems Company Tokyo Head Office
Director, Building Systems Company Sales Headquarters-1

Takumi Ishiguro

General Manager, Building Systems Company
Kansai Regional Division

Toshio Yoshida

General Manager, Advanced Automation Company
Tokyo Regional Division

Takuji Hosoya

In charge of Advanced Automation Company Marketing
Development, Quality Assurance

Osamu Tamayori

In charge of azbil Group Purchasing Function, Advanced
Automation Company Purchasing

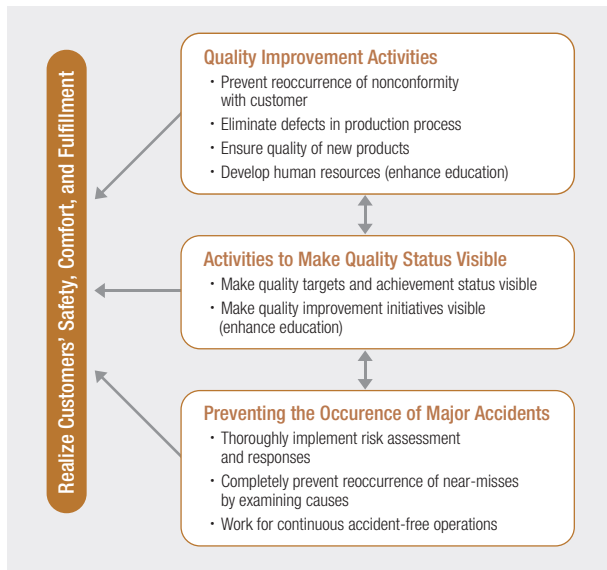
Kenji Hidaka

In charge of Advanced Automation Company Sales
Director, Advanced Automation Company Business Headquarters

Customer Relations

To provide customers with reliable products and services, the azbil Group conducts activities in the three pillars of preventing the occurrence of major accidents, further improving product quality, and making quality status visible.

Full-Scale Efforts for Quality



Further Improving Product Quality

The azbil Group is working on the following key activities to improve product quality.

- Staff from departments concerned work rapidly as a team to examine the cause of nonconformity that occurs at a customer's site and implement measures to completely prevent recurrence.

- We work to completely eliminate defects on the production line to further improve product quality.
- We develop highly reliable new products by applying design standards and performing thorough design reviews at each development process.
- We enhance quality education in areas including quality management and problem-solving skills and work on effective utilization and human resources development.

Making Quality Status Visible

All azbil Group companies make the status of product quality and improvement initiatives visible and steadily turn the management cycle.

Preventing the Occurrence of Major Accidents

We ensure safety by implementing audits of design safety at every process of product development, as well as work assiduously to analyze the causes and prevent recurrence of near misses, and prevent the occurrence of major accidents.

Our Product Liability Committee reviews and horizontally deploys these initiatives and promotes organizational preventative measures.

azbil's Measurement Standards



The Measurement Standards Center maintains the high quality of products and services by carrying out periodic calibrations to ensure compliance with government standards and traceability. The high-level technologies and knowledge required for these calibrations have been confirmed in accreditation (Registration No. 0155) by the Japan Calibration Service System (JCSS). Going forward, the Center plans to leverage its experience in its accredited areas of temperature, humidity, pressure, and electricity (direct current and low frequency) in adding new accreditation for liquid (water) flowrate and electricity (digital indicating controller). Moreover, we are developing on-site calibration services that build closer relationships with customers.

Mitsuho Togita

Environment & Standardization Promotion Department
Yamatake Corporation



Temperature standard
(Triple point of water)

For Local Communities

As a member of society, we contribute to the welfare of our fellow citizens in the fields of people, lifestyle, society, and the Earth based on a “human-centered” approach.

For general information on relations with local communities, please refer to ►<http://www.azbil.com/csr/soc/communities.html>

Voluntary Social Contribution

Aiming to have as many employees as possible participate in voluntary social contribution activities, we support the social contribution activities of our workplaces and clubs to increase opportunities for participation. We carry out the following activities in each area of social contribution.

- People:** Foster mutual respect with individuals so more people will work together to create a better society.
- Lifestyle:** Offer the joy of living and peace of mind to all people so they can lead enjoyable and fulfilling lives.
- Society:** Contribute to solving social problems together with local communities and society.
- The Earth:** Promote activities to learn from and protect the Earth.

Activities in Fiscal Year 2009, Ended March 31, 2010

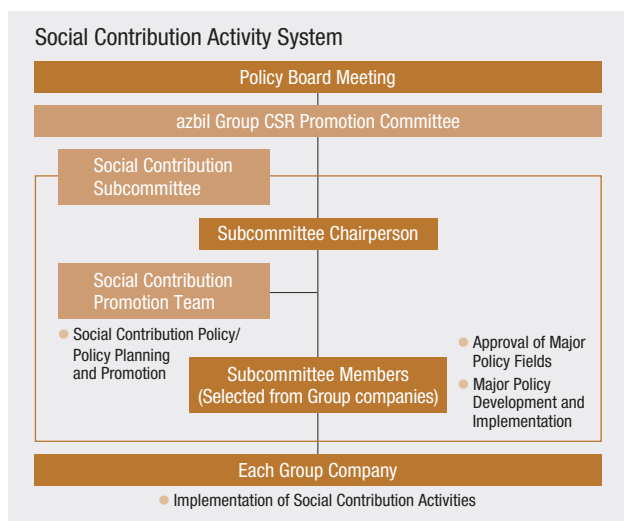
In fiscal year 2009, we utilized our accumulated experience and knowledge to plan and promote social contribution activities that emphasized employee participation.

Positioning of Social Contribution Activities

We recognize our role to actively promote CSR as a corporate citizen and will promote social contribution activities and employee-participatory, continuous activities as our Group policy.

Shonan International Marathon

In co-sponsoring the 2009 Shonan International Marathon, the azbil Group applied its environmental analytical technologies to measure and minimize the event’s overall environmental impact. Eco-friendship activities included on-site garbage collection and separation and quizzes on environmental awareness. About 200 azbil Group employees participated as runners or volunteers.



Establishing the azbil Honey Bee Club

In October 2009, members of our social contribution promotion team established the azbil Honey Bee Club to encourage employees to participate of their own accord in social contribution opportunities that they find worthwhile. The Club collects contributions of 100 yen or more per person per month and provides subsidies to parties or individuals conducting social contribution activities. It currently has about 800 participating



Social contribution promotion team members

employees and officers. Funds collected are combined with a subsidy from the Company and donated to parties selected by vote of the members. The club is expected to broaden its activities in the future.



Hideki Miyazaki
Director, General Affairs Department
Yamatake Corporation

Employee Relations

As it enters the “period of growth” in the medium-term plan, for further business growth the azbil Group is strengthening its human resources development that serves as the foundation to boost organizational productivity. In addition, we will promote comfortable workplaces where employees can work with peace of mind.

For general information on employee relations, please refer to ► <http://www.azbil.com/csr/soc/employees.html>

Employee Safety and Health

We are strengthening our nationwide health-management framework centered on our chief occupational health physician. We work to prevent brain and heart ailments through our assiduous follow-ups to periodic medical check-ups and to prevent mental illness by operating an employee consultation desk run by counselors, occupational health physicians and nurses. In addition, we are making progress in creating a comfortable workplace where employees can work safely and with peace of mind by revising and strengthening our safety and health management framework for all Group companies, with the aim of constructing an occupational safety and health management system.

Promoting Human Resources Development

For development of human resources necessary for the azbil Group’s “period of growth,” we are implementing training at all Group companies which prioritizes the following four measures in line with our ability development support system.

- ① Implement career management training for executives and officers
- ② Implement a global business leadership program for mid-level employees
- ③ Unify and launch a Groupwide incentive system for encouraging the acquisition of certifications, skills and foreign language abilities
- ④ Implement stratified education to nurture promising employees in each employee classification

Introducing and Implementing Flexible Human Resources Systems

As a result of our review in cooperation with labor and management from the perspective of work-life balance, we have been carrying out numerous reforms of our human resources systems from such aspects as employment conditions expected of companies in the future.

In particular, we have implemented reforms to provide child and nursing care support to working employees. Employees may continue to work a shortened schedule to accommodate child care until the child’s elementary school graduation, and male employees can more easily take time off for child care, nursing care, and birth.



Group discussion at a career management training session

azbil’s Human Resources Strategy



Our human resources management under the “human-centered automation” philosophy extends throughout the worldwide azbil Group, including overseas subsidiaries. In this way, we share our human resources vision, which emphasizes challenges, teamwork, high ethical standards, and international sensibilities. In addition, we mold a work culture based on compliance and healthy workplaces.

Moreover, while respecting the diversity and individuality of personnel, we will focus our efforts on systematic human resources development and management for the “period of growth” that will shoulder the next generation.

Takuto Ogino

Director, Human Resources Department
Yamatake Corporation



The Human Resources Department organized the “Walk up Tokyo Tower!” event.