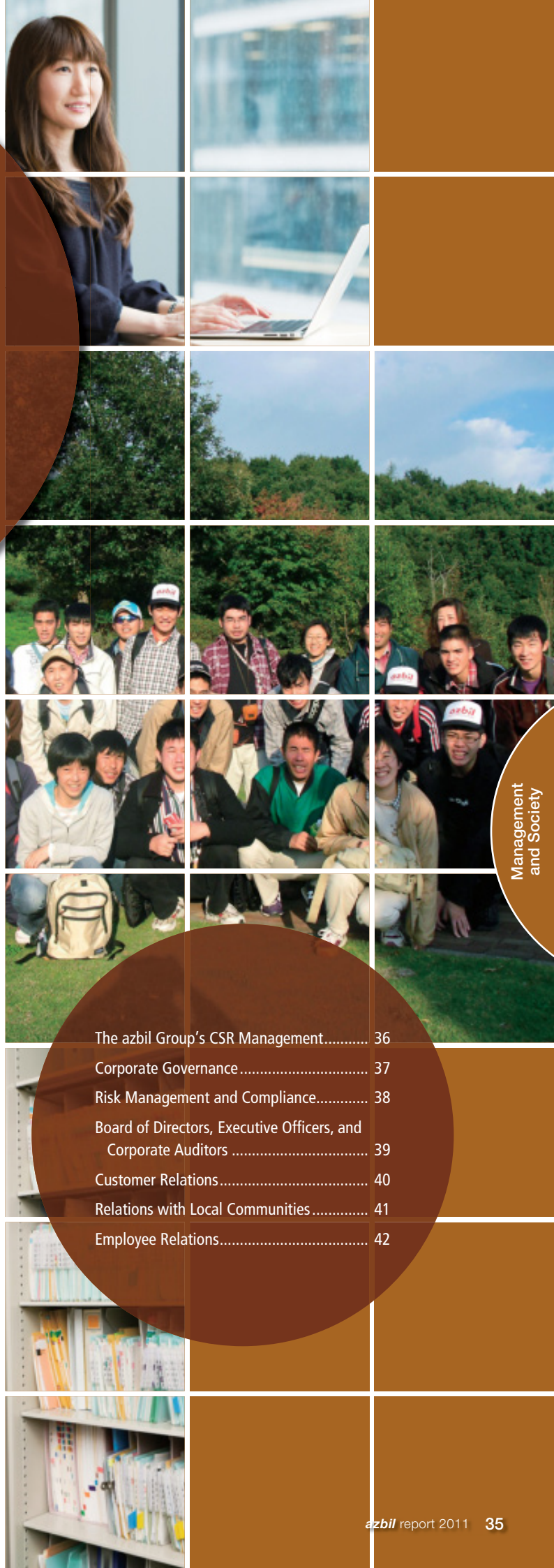


## 2. Management and Society

The azbil Group, a world-class enterprise specializing in automation, engages in a variety of Group-wide activities in support of its goal of “CSR Management That Values People.”

This section presents some of the azbil Group’s initiatives that have earned the trust of stakeholders.

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



Management and Society

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# 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, ended March 31, 2011, as a global automation enterprise, we will work to establish and 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 contribute to society by means of both "basic CSR" and "proactive CSR" activities that are unique to the azbil Group. Basic CSR includes fulfilling obligations with regard to legal compliance, risk management, safety, quality, the environment, and other areas that are essential for the azbil Group as a corporate citizen. Proactive CSR includes contributing to society through business operations and voluntary social contribution activities.

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

Under our medium-term plan 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 in a manner that prevents the occurrence of key compliance issues.

### 2. Operation with thorough risk management

Full application 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 on an annual basis.

### 3. Promotion of business 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 maintaining and improving employee health and safety, workplace atmosphere, and human resources development.

### 4. Contributions to preserving our natural environment

Reductions of our own CO<sub>2</sub> emissions and, through our business, active contributions to the reduction of CO<sub>2</sub> emissions of our partner companies and society.

### 5. Promotion of group management

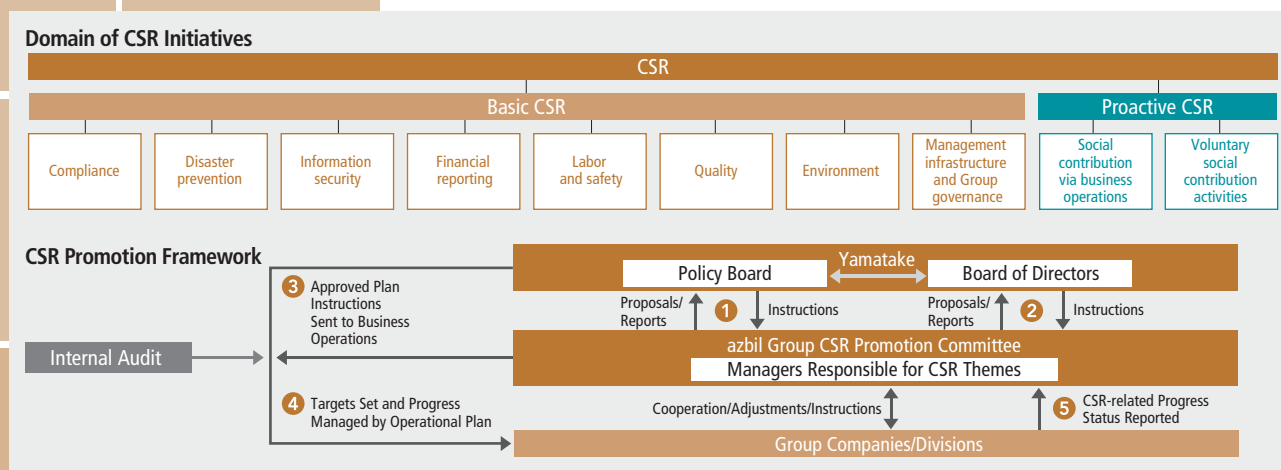
Further progress in integration of Group CSR management policies in order to upgrade risk management, business management, and the scale of CSR activities at all Group companies, including overseas companies.

### 6. Strengthening social contribution activities

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

## CSR Promotion Framework

The azbil Group's CSR Promotion Committee was established as the framework for promoting and enacting Group's 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 conducts CSR initiative execution and appraisal, turns the PDCA (Plan, Do, Check, Act) cycle and reports to the Board of Directors at its meetings.



# 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.

## Our Approach to Corporate Governance

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

## Framework for Corporate Governance

### Board of Directors and Executive Officer System

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

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

### Corporate Auditor System and Internal Audits

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

with special agents who assist the corporate auditors in their duties. The corporate auditors strengthen ties with accounting auditors and the Internal Audit Office by means that include exchanging information and opinions periodically, in order to improve the effectiveness and efficiency of the audits.

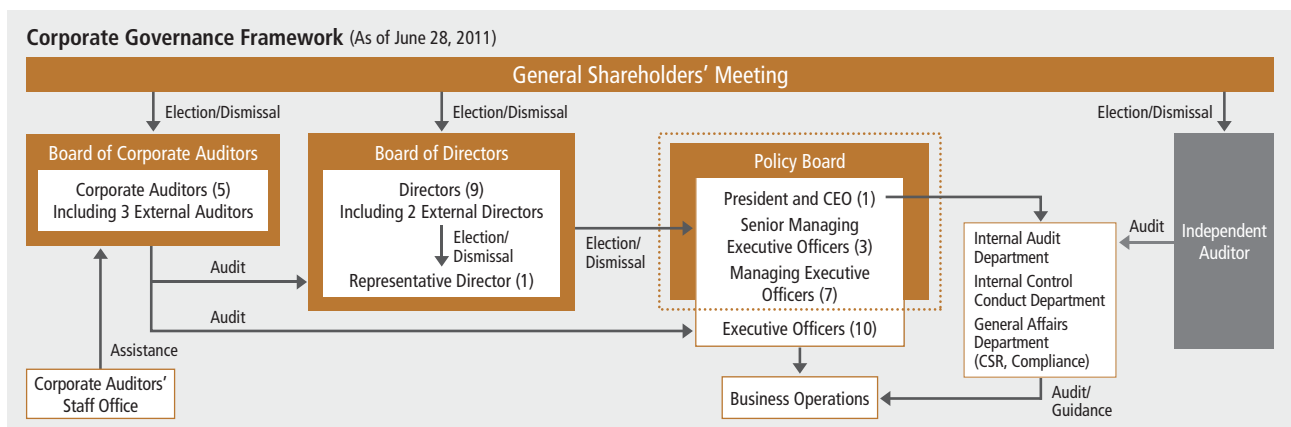
In addition, the Internal Audit Department, which is directly under the President's control, regularly audits organizations and structures, the execution of business, business risks, compliance, and internal control systems and provides specific advice and proposals for operational control and business improvement.

### Current Framework

Yamatake's Board of Directors was composed of nine members as of June 28, 2011, including six members that also have roles as executive officers, and two external directors. The remaining director is not an external director as defined by Japanese company law, but possesses abundant global management experience and wisdom accumulated over forty years. These directors have the independence to provide oversight and business advice from an external perspective in order to raise the fairness, neutrality, and transparency of the Company's management.

### Remuneration for Directors and Corporate Auditors

Yamatake discloses the total remuneration for directors and corporate auditors in its annual security report and notice of annual shareholders' meetings. In fiscal year 2010, ended March 31, 2011, total remuneration paid to eleven directors (including two directors who retired at the close of the 88th general shareholders meeting held on June 25, 2010) amounted to ¥361 million (maximum permissible under company rules: ¥450 million). For the five corporate auditors (including one corporate auditor who retired at the close of the 88th general shareholders meeting held on June 25, 2010), total remuneration amounted to ¥97 million (maximum permissible: ¥120 million).



# Risk Management and Compliance

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

## Risk Management

### The azbil Group's Total Risk Management

In order to strengthen the azbil Group's risk-handling capabilities, risks that could significantly impact our business are now identified through comprehensive annual surveys and are deliberated at board meetings to determine which key risks require the response of the Group as a whole. As three years have now passed since this initiative was first implemented, in response to changes in the social environment, amendments of laws,

revisions to regulations, risk-handling examples of other companies, and the experience of the Great East Japan Earthquake, we have redefined the scope of risks that we are targeting in order to arrive at more concrete counter-measures. Other improvements include revisions to our risk assessment methodology.



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

### Disaster Prevention and Business Continuity Planning

The azbil Group has put considerable effort into disaster prevention measures by significantly reducing the number of seismic risk locations in all of its business offices in Japan, moving offices to buildings that meet new earthquake-resistant design standards, holding earthquake drills that take into account the initial response of the business continuity plan, expanding its safety confirmation system, deploying and managing emergency supplies, and multiplying our lines of communication. We were very fortunate that no serious injuries or loss of life occurred at our business offices as a result of the Great East Japan Earthquake. After the earthquake, supplies were sent from each of our stockpile locations to the damaged business offices, where the positive results of our efforts are now evident. In the future, we plan to reexamine our disaster prevention measures at each business office, revise our manuals, and rethink our anticipated earthquake risks as we further strengthen our disaster preparedness.

### Information Security

To deal with information security risks, we have carried out a variety of initiatives such as ensuring thorough information security education, including the continued use of e-learning, which began in the 2009 fiscal year; responding to information security issues brought to light by compliance awareness surveys; and upgrading our framework for managing important data and personal information.

We also relocated our servers and upgraded our backup system to ensure that the operational level of services will not be significantly compromised during a disaster.

## Compliance

### Business Conduct Policy and Business Conduct Guidelines

Our Business Conduct Policy has been aligned with the azbil Group philosophy, and consists of six areas including the Group's public responsibilities, social responsibilities, compliance with antitrust and other fair trade regulations, and respect for human rights. Based on the Business Conduct Policy, we assembled and implemented specific business conduct guidelines covering all business activities from the perspectives of legal compliance and ethical conduct. Based on translation of the Business Conduct Guidelines into various languages, in fiscal year 2010, ended March 31, 2011, we prepared supplemental manuals for our overseas subsidiaries that take into consideration local laws and business practices. By the end of the fiscal year, we had nearly completed the distribution of these manuals in China and elsewhere in Asia.

### Compliance Promotion Framework

The Yamatake CSR Promotion Group is responsible for promoting Group-wide education programs to spread awareness and ensure thorough compliance with regulations throughout the azbil Group. The Corporate Ethics Committee, which is chaired by the officer in charge of CSR, determines policy initiatives to ensure assiduous legal compliance and ethical behavior. The heads of departments and business office managers are designated as compliance managers and the heads of sections as compliance leaders, each of whom works to spread awareness and ensure thorough compliance in each workplace.

In addition, we conduct annual surveys of compliance awareness among all azbil Group employees. These surveys are used to ascertain issues and implement improvements.

### Compliance Education

Compliance education sessions are held annually for all employees, including directors, corporate auditors, and the heads of departments and sections. Compliance-related issues identified through compliance awareness surveys are reflected in compliance education using specific examples for a thorough transition into action.

Beginning in fiscal year 2010, we reinforced our compliance education structure by incorporating a framework in which education staff teach compliance to all employees directly.



Yamatake Corporation education staff  
(From left) Hitoshi Tanaka, Akio Nakamura, Katsumi Katayama, Tsutomu Ogura

# Board of Directors, Executive Officers, and Corporate Auditors

As of June 28, 2011

## Directors, Executive Officers



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



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



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



**Masaaki Inozuka**  
Executive Director  
Senior Managing Executive Officer  
azbil Group Operating Synergy,  
Advanced Automation Business  
Advanced Automation Company President



**Hirozumi Sone**  
Executive Director  
Managing Executive Officer  
Marketing, Technology Development Headquarters,  
Information Systems Department



**Makoto Kawai**  
Executive Director  
Managing Executive Officer  
azbil Group Production



**Makoto Yasuda**  
Director (Independent Non-Executive Director)



**Eugene H. Lee**  
Director (Independent Non-Executive Director)  
(External Director)



**Katsuhiko Tanabe**  
Director (Independent Non-Executive Director)  
(External Director)

## Corporate Auditors

Full-time Corporate Auditors

**Tomohiko Matsuyasu**  
**Kensei Sukizaki**

Corporate Auditors (External Auditors)

**Kinya Fujimoto**  
**Jyunichi Asada**  
**Kazuo Yamamoto**

## Executive Officers

Managing Executive Officers

**Toshitsune Okubo**  
International Business, Document Production Department  
General Manager, International Business Headquarters

**Tadashi Hirooka**  
azbil Group Environmental Load Innovation,  
Building Systems Company Marketing, Development

## Ichio Kunii

Home Comfort Business, Building Systems Company  
Operating Management  
General Manager, Building Systems Company  
Instrument Headquarters

## Yoshihide Sugino

Corporate Quality Assurance Promotion Headquarters,  
Department of Safety Assessment  
General Manager, Technology Development Headquarters

## Keiichi Fuwa

Service Business  
General Manager, Building Systems Company Tokyo Head Office  
General Manager, Building Systems Company Sales Headquarters

Executive Officers

## Toshio Yoshida

General Manager, Advanced Automation Company  
Tokyo Regional Division

## Takuji Hosoya

International Business Assistance, International Standardization

## Osamu Tamayori

azbil Group Purchasing

## Teruyoshi Yamamoto

General Manager, Fiscal Control Department

## Takumi Ishiguro

General Manager, Building Systems Company  
Kansai Regional Division

## Kenji Hidaka

Advanced Automation Company Sales  
General Manager, Advanced Automation Company Business  
Sales Headquarters

## Norio Murase

General Manager, Legal & Intellectual Property Department

## Nobuo Shimizu

General Manager, Advanced Automation Company  
Kansai Regional Division

## Mitsuharu Miyazawa

General Manager, Building Systems Company  
Facility Management Headquarters

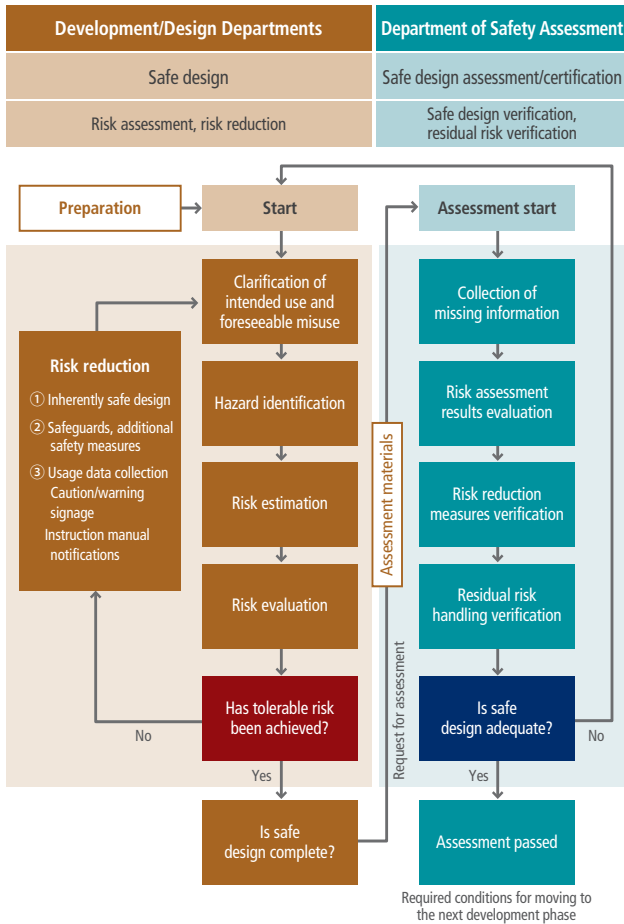
## Masato Iwasaki

Advanced Automation Company  
Marketing, Development  
General Manager, Advanced Automation Company  
Marketing

# Customer Relations

To provide safe products and ensure customer safety, the azbil Group is careful to implement safe design at every stage of development. We also emphasize safe design assessment to ensure the safety of our products.

## Safe Design and Assessment Implementation Processes



## Implementation of Safe Design Early in the Development Process

The azbil Group's Business Conduct Guidelines recognize safety as the foremost priority, and stipulate that efforts for product safety design be carried out from the customers' point of view to avoid accidents. For this reason, we carefully implement safe design of our products at the planning stage, early in the product development process, and at each design stage, as these are the most important steps in providing safe products. Safe design aims to prevent accidents when using the product. It involves risk assessment to analyze the possible risks that can occur in each stage of the product's life cycle, and risk reduction design that incorporates essential safety features into the product.

## Assessments by an Independent Organization in the azbil Group

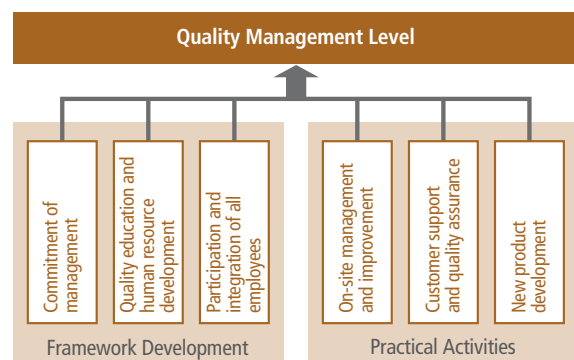
Assessments of safe design of products are conducted in the development process by the Department of Safety Assessment, which is separate from each business entity of the azbil Group. The group responsible for safe design during product development is subject to an assessment based on the Group's internal safe design certification system. If a product does not pass an assessment, it cannot progress to the next stage of development or to product release.

Although safety features built into a product generally remain unnoticed as long as the product remains safe, we are committed to implementing safe design in order to provide safe products customers that can use with peace of mind.

## Quality Management in the azbil Group

The azbil Group refines its quality management on a daily basis, with a focus on customer-oriented product planning and development, manufacturing that places quality first, and on-site improvement involving all employees. To verify our progress and for further improvement, we participate in JUSE Quality Management Level Research, held annually for the past six years by the Union of Japanese Scientists and Engineers. In fiscal year 2010, we attained our best ranking, 26th out of 249 participating companies. Going forward, by means of our quality management framework, we will continue to provide reliable products, services, and solutions that satisfy our customers.

### Overview of Quality Management Level Research

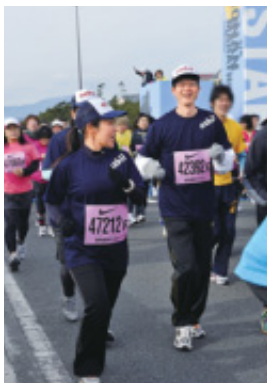


# Relations with Local Communities

As members of society, we strive to contribute to the welfare of our fellow citizens by applying our “human-centered” approach on behalf of individuals, lifestyles, society, and the Earth’s environment. In addition to contributing to society through our business operations, our corporate culture is a stimulus for volunteer activity by our employees.

## Activities in Fiscal Year 2010, Ended March 31, 2011

### The Fifth Shonan International Marathon



Employee runners

In 2010, the azbil Group marked its fifth co-sponsorship since 2006 of the Shonan International Marathon. More than 200 azbil Group employees were involved as volunteers or runners in the event, which hosted more than 23,000 participants.

In particular, Yamatake has been promoting activities as a leading corporation in the environmental group Eco-Friendship since the first marathon was held. The 2010 event

aimed to cultivate awareness of the environment by featuring eco-crafts using recycled materials with a Shonan seashore theme as well as eco-quizzes, and was well received by visitors.

In addition, we acted as a coordinator with other participating companies in garbage collection and sorting activities conducted on site.

We then measured the collected and sorted resources, calculated the total amount of energy used at the event, and conducted an environmental impact analysis of the event in terms of CO<sub>2</sub> emissions.



Volunteers sort recyclables

### Voluntary Initiatives at Business Offices

#### • Street Cleanup Activities in Shirakawa City, Fukushima Prefecture

A total of 130 employees of Shirakawa Seiki Co. Ltd. and members of their families cleaned the streets used in the daily commute to the office. Despite the rain, more participants than in the previous year came to help clean up the city streets, fostering a friendly and fun atmosphere.



#### • Assistance in the Aftermath of the Great East Japan Earthquake

The azbil Group and its employees and officers have sent around ¥68 million in donations, volunteer activity funds, and relief supplies to the areas affected by the earthquake and tsunami.



#### • Cleanup Activities at Mt. Oyama in Isehara

A total of 120 employees from the Isehara Factory and their family members participated in a cleanup of Mt. Oyama in the Tanzawa Mountains for the fifteenth time. Under clear skies, participants enjoyed a full day of cleanup work on the mountain trails.



## azbil Honey Bee Club

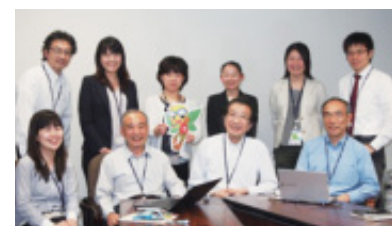
Members of the Social Contribution Promotion Team established the azbil Honey Bee Club in 2009 to encourage voluntary participation in social contribution activities by azbil Group employees. Any employee can join the club with a donation of 100 yen or more. The club makes donations, and members select the recipients.



A donation recipient: the Sangaku Shudan Beruku Club, which provides assistance to people with physical disabilities for mountain climbing.

The first vote on recipients was held in October 2010, with a total of 12 organizations selected to receive donations. The organizations selected include groups involved in guide dog training, job assistance

for people with developmental disabilities, reading to the visually impaired, restoration of traditional Japanese horseback archery techniques, medical assistance to refugees and immigrants, networking for caregivers, and lake water purification activities. In addition, club members unanimously agreed to donate ¥1 million to the Central Community Chest of Japan in response to the Great East Japan Earthquake.



azbil Group Social Contribution Promotion Team

# Employee Relations

In keeping with our philosophy of “human-centered automation,” we strive to create healthy, cheerful, and comfortable workplaces where employees can work with peace of mind. We are committed to creating job opportunities as well as deploying and fostering employees with diverse viewpoints, including women, foreign staff, and persons with disabilities, as we secure and develop the human resources essential to the azbil Group’s “period of growth.”

## Creating Healthy Workplaces Where Employees Can Thrive



Staff working to create a healthy workplace

Maintaining and enhancing the health of employees is the basis of a workplace characterized by cheer, vigor, and peace of mind. For this purpose, we have a health management system, a chief occupational health physician responsible for maintaining and managing employee health, and a consultation desk (Heartful Station). To maintain and enhance

employees’ mental health, we aim to develop a framework enabling all managers to care for their employees’ mental health needs.

## Lively Communication Based on Mutual Trust

Lively communication based on mutual trust is essential to conducting daily tasks efficiently through teamwork. To establish a business structure and work culture that incorporates this common-sense practice in daily routine as the basis of our “period of growth,” each group holds a brief morning assembly and on October 1, which is designated as “azbil Day,” enjoys an “azbil Smile Tea Party.”

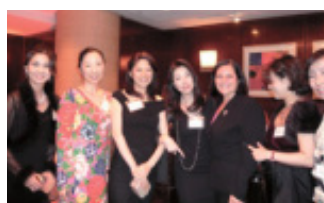


Smile Tea Party at our subsidiary in Vietnam

## Securing and Fostering Human Resources for the “Period of Growth”

The azbil Group works to secure and foster the diverse human resources required by a top-class global enterprise.

### Women in the Workplace



Female employees participating in international training

Key female employees are encouraged to network with employees of other companies across different business sectors and to take part in training to advance their skills. As these women build networks and cooperate

with each other, they play a vital role in human resource development and career promotion within the azbil Group.

### Global Human Resource Deployment and Development

During our “period of growth,” opportunities for contributions from foreign employees will increase as a result of our intention to expand our international business. In addition to actively providing employment opportunities for workers overseas, we are increasing the opportunities for them to learn the knowledge and techniques required for work.



Training held in Tokyo for managers of overseas subsidiaries

## Yamatake Friendly: A Special Subsidiary Employing Workers with Intellectual Disabilities

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

\* The term “*ikiiki*” is used to describe a workplace that also serves as an important place in the lives of employees.



An employee of Yamatake Friendly at work

Yamatake Friendly (from left):  
**Fujio Onoguchi**, Director and General Manager, General Affairs Department  
**Masako Kamiya**, Section Manager, General Affairs Department  
**Toshihiko Enomoto**, Isehara Section Manager, General Affairs Department

