

Value Creation Initiatives

By working in partnership with our customers at their sites to create value based on our philosophy of “human-centered automation,” we aim to ensure that we too can grow sustainably.

The pages that follow provide an overview of the development of the azbil Group’s Building Automation (BA) business, Advanced Automation (AA) business, and Life Automation (LA) business. In addition, they highlight the azbil Group’s unique initiatives focused on the entire value chain, from development to manufacturing, sales, engineering, installation, and service, as well as quality assurance and safety, and the human resource development that underpins all of this. Such initiatives are essential in order to enable the azbil Group to ceaselessly develop its business and create value through automation, as a long-term partner for both customers and the community.

At a Glance

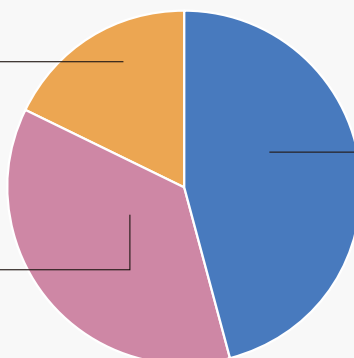
Share of Net Sales by Segment (for the year ended March 2016)

Life Automation
(LA) Business

17.7%

Advanced Automation
(AA) Business

36.2%

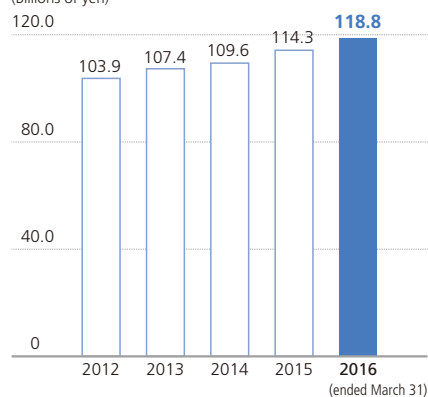
Building Automation
(BA) Business

46.1%

Building Automation
(BA) Business

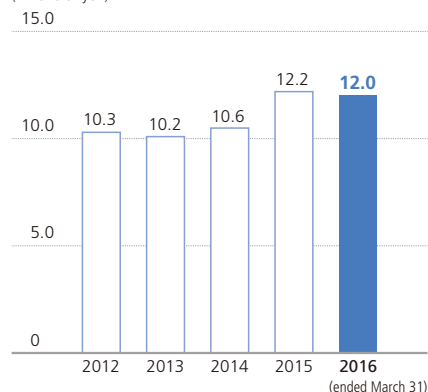
Sales

(Billions of yen)

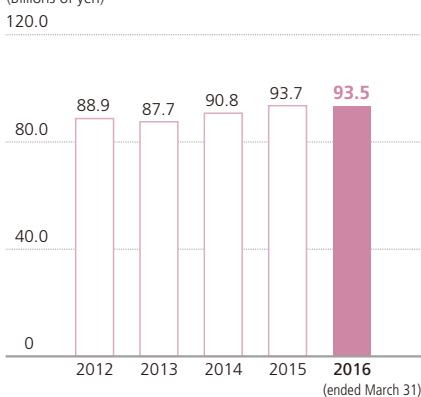


Segment Profit (Operating Income)

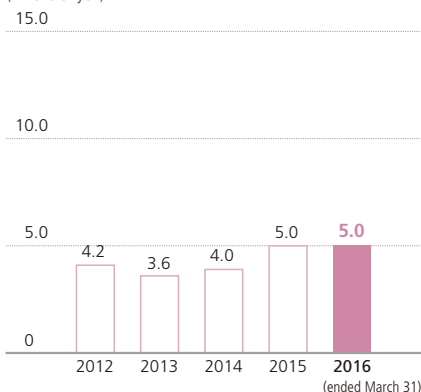
(Billions of yen)

Advanced Automation
(AA) Business

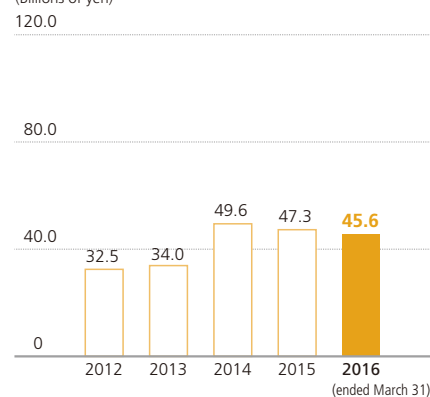
(Billions of yen)



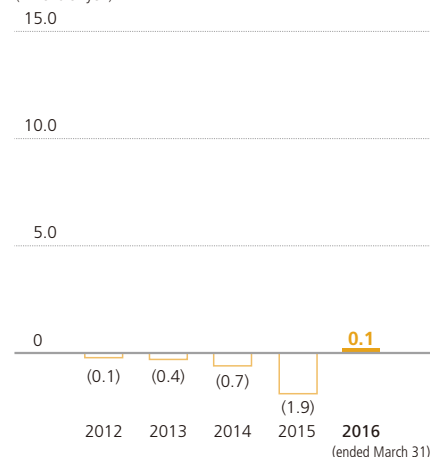
(Billions of yen)

Life Automation
(LA) Business

(Billions of yen)



(Billions of yen)



* The method used to calculate net sales included in each segment or transferred between segments changed in the year ended March 2016, so the figures for the year ended March 2015 have been revised on the basis of the newer method.

Building Automation (BA) Business



Keiichi Fuwa
Executive Director
Managing Executive Officer
President of
Building Systems Company
Azbil Corporation

Financial Highlights for the Year Ended March 2016

Sales

¥ 118.8 billion 
(up 3.9% year-on-year)

Segment Profit

¥ 12.0 billion 
(down 1.9% year-on-year)

- Substantial growth in the new buildings field within Japan and increased revenue overseas
- Segment profit fell slightly, due to such factors as increased expenses arising from the enhancement of frameworks to strengthen the business and research and development expenditure, as well as the impact of unifying job profit-and-loss management procedures to coincide with the introduction of the core information system.

We will lay the foundations for increases in both revenue and earnings by steadily tapping into demand within Japan in such areas as urban redevelopment, as well as offering proposals for highly profitable retrofit projects and services focused on existing buildings, and adding to our record of achievement overseas.

Operating Environment

During the year ended March 2016, Japan's economy was treading water, due to weak domestic and overseas demand in the latter half of the fiscal year, but the Building Automation (BA) business environment remained steady nonetheless. In the domestic market, construction demand arising from urban redevelopment projects in the Tokyo metropolitan area and the forthcoming Tokyo 2020 Olympic and Paralympic Games was accompanied by ongoing demand for solutions that reduce energy consumption and operational costs, so active investment continued overall. On the other hand, in overseas markets, construction investment was stagnant in Thailand and South Korea, among other emerging economies, due to slowing economic growth in those countries.

Review for the Year Ended March 2016

In this business environment, we have succeeded in achieving a substantial increase in net sales in the new building field by strengthening our customer- and region-focused sales and service frameworks in response to the intensive construction investment taking place in the domestic market, as well as by enhancing our job fulfillment system. We have also continued to maintain high net sales in the existing buildings and services fields by pursuing optimal allocation of human resources within the Group, among other initiatives.

In overseas markets, although the business environment deteriorated, we succeeded in expanding overseas net sales overall, primarily in China. This was due to steady progress in developing local markets via energy-saving solutions, among others, which are an area of strength for the azbil Group.

Segment profit declined slightly, due in part to the impact of changes in the sales mix as a result of an increase in new projects, as well as higher research and development expenditure and efforts to enhance measures and frameworks with a view to future business opportunities throughout the life cycle of buildings. Other factors included increased expenses arising from the new core information system going into operation and the effect of unifying job profit-and-loss management procedures at the same time as the introduction of the aforementioned system.

Outlook

In the domestic market, orders for new projects such as redevelopment in the Tokyo metropolitan area are piling up, as described above, so further growth is forecast going forward. We will secure our income by steadily carrying out these orders using the job fulfillment system that we have been enhancing, and continuing to improve installation costs and job management. Demand for solutions that reduce energy consumption and operational costs is also steady. There are plans to start renovating a number of large buildings in 2018 or thereabouts and energy efficiency regulations for buildings are expected to be tightened in the wake of the agreement on cutting greenhouse gas emissions from 2020 that was reached at COP21. In the existing buildings field, we will continue to offer retrofit proposals with a view to such changes, and will also propose and deliver unique solutions tailored to a building's life cycle that leverage our maintenance service capabilities.

Overseas, we will continue to focus on emerging markets in Asia, leveraging the azbil Group's strengths in energy-saving know-how amassed in Japan as we strive to attract orders for landmark projects. In the year ended March 2015, we also began offering remote maintenance for buildings overseas. We will aim to establish a business model covering the whole of a building's life cycle overseas as well, by offering high-value-added services similar to those that we offer within Japan.

In 2016, we upgraded the scalability and operability of our BA systems equipped with energy conservation applications, which have performed well in Japan, and started to launch them in overseas markets. Going forward, we will adapt to big data and the IoT, continuing to develop products that harness data gathered over the life cycles of buildings. We will thus continue expanding the azbil Group's unique businesses in Japan and overseas, including offering engineering/installation and services underpinned by an in-depth understanding of products and technologies.

➡ For further details of new product development, see "Technology Research and Product Development" on pages 40-42.

Case Studies

① Site ② Business field



① Minakuchi Century Hotel ② Accommodation facilities, ESCO

Using a government subsidy scheme to promote energy conservation, the azbil Group supported the introduction of a BEMS* and upgrade of equipment to high-efficiency models as an ESCO project. Minakuchi Century Hotel succeeded in surpassing its energy conservation target, while minimizing the investment and risks.



① Amari Watgate Bangkok ② Accommodation facilities

Amari Watgate Bangkok has installed the latest Japanese BEMS* provided by the azbil Group as part of an international energy conservation partnership program. The operational status of its air-conditioning and heat source facilities and the amount of energy being consumed can be viewed on a screen. It has now achieved energy savings of 15% for the entire building.

* Building Energy Management System

Advanced Automation (AA) Business



Yoshimitsu Hojo

Executive Director
Managing Executive Officer
President of Advanced Automation Company
Azbil Corporation

Financial Highlights for the Year Ended March 2016

Sales

¥ 93.5 billion 
(down 0.2% year-on-year)

Segment Profit

¥ 5.0 billion 
(up 0.3% year-on-year)

- Although we saw a slight decline overseas due to the slowdown in demand in China and elsewhere, our domestic initiatives in the HA/FA and solutions fields enabled us to secure net sales in line with the previous fiscal year.
- Segment profit was around the same as the previous fiscal year, thanks to improvements in the profit structure.

Amid the major changes underway in global technological trends, we will seek to become a high-earning business segment offering world-class automation through the azbil Group's unique technologies and on-site value creation.

Operating Environment

In the year ended March 2016, manufacturing companies became increasingly cautious due to a sense of uncertainty about the future stemming from such factors as a slowdown in exports to China and other parts of Asia and the appreciation of the yen. Accordingly, capital investment remained low overall within Japan. Despite the recoveries seen in some markets, the environment was harsh overall: in addition to sluggish demand for control products among equipment manufacturers, motivation to undertake capital investment failed to grow in materials-related fields.

In overseas markets, there was a marked slowdown in China and falls in resource prices also had an impact on other emerging economies. Capital investment in the U.S. was sluggish, due to the deceleration in emerging economies, the low price of crude oil, and the strong dollar. Signs of slackening performance were also seen in European manufacturing industry.

Review for the Year Ended March 2016

Amid this business environment, we have sought to cultivate and mine the markets of automation for the forefront industries of electrical/electronic goods and semiconductors, automobiles, and chemicals (downstream), domestic demand-driven industries such as foods and pharmaceuticals, and the manufacturing equipment industry serving these markets, grouping them together as a field that we have called "Hybrid Automation/Factory Automation (HA/FA)." In fields associated with the energy supply chain for gas, including LNG carriers, we have moved forward with business development based on delivering solutions offering enhanced safety and energy efficiency which are unique to the azbil Group. As a result, we have maintained domestic net sales in line with the previous fiscal year, overall.

In overseas markets, we saw growth in the provision of solutions to equipment manufacturers in North America, but the business environment in materials-related fields continued to be harsh, due to the slowdown in capital investment in China. This was the primary factor behind the slight decline in overseas net sales.

Despite rising expenses associated with our new core information

system going into operation, we achieved progress in the delivery of high-added-value solutions and initiatives to improve the profit structure. Accordingly, segment profit remained at the same level as the previous fiscal year.

Outlook

In the domestic market, a certain level of demand can be expected, primarily in the area of maintenance and upgrading, including safety-related investment. However, demand is forecast to remain stagnant, due to the impact of sluggish growth in corporate profits as a result of foreign exchange factors and slowing economies at home and abroad. In overseas markets as well, China and emerging economies will slow further, rendering the outlook uncertain. Technological trends are also changing dramatically, as indicated by growing use of the terms big data, IoT, and AI. Going forward, we expect that customers' production sites will become smarter and more advanced, and that automation of production will accelerate.

In light of this demanding business environment and the structural changes that these technological trends are triggering in industry, we will deploy a growth strategy and implement structural reforms with the aim of becoming a high-earning business segment offering world-class automation.

The Advanced Automation (AA) business offers a diverse range of automation for the industrial market. Leveraging our insight into current changes in technological trends and the azbil Group's unique technologies, we will work with our customers at their sites to create value and establish numerous new and competitive fields of automation.

Our structural reforms will focus on laying the appropriate foundations for growth, such as putting in place research and development frameworks adapted to changing technological trends, developing overseas business infrastructure to match the growth in our overseas business, and revising our business development frameworks to correspond to the shift in our fields of business. In addition, we will embark on reforms of our profit structure within Japan and build a business and business structure that will generate a higher income.

Case Studies

① Site ② Business field



① Matsumoto Gas Co., Ltd.

② Gases

Matsumoto Gas introduced the azbil Group's remote monitoring system for gas supply, using its own digital wireless system and mobile monitoring base. This provides a mechanism that would, in the event of a disaster affecting the gas supply equipment, enable its staff to ascertain the supply status wherever they might be and to take the appropriate action, such as shutting off the supply.



① Honda Motor Co., Ltd.

Saitama Factory Yorii Automobile Plant

② Motor vehicles

Honda Motor installed the azbil Group's combustion safety controls compliant with the latest safety standards in the air conditioning unit for the coating booth, the coating dryer, and the deodorizing equipment on the automobile production line. The company is deploying this know-how globally.

Life Automation (LA) Business



Kenji Hidaka

Managing Executive Officer
Responsible for
the life automation business
Azbil Corporation

Financial Highlights for the Year Ended March 2016

Sales

¥ 45.6 billion 
(down 3.6% year-on-year)

Segment Profit

¥ 0.1 billion 
(Segment loss of ¥1.9 billion in
the year ended March 2015)

- Net sales in the segment showed an increase in real terms, if the impact of the transfer of our business in the field of health, welfare, and nursing care is excluded.
- We returned the segment to profitability as a result of the effect of structural reforms of the businesses in the segment, in addition to the reduction in the amortization of goodwill.

We will continue to implement business reforms in the three fields and seek to establish a profit structure by means of business structural reforms in the LSE field in particular.

Operating Environment

The Life Automation (LA) business consists of three fields: life-line utilities such as gas and water supply, taking advantage of measurement, control, and metering technologies and services cultivated over many years of working on buildings, factories, and plants; life science in the areas of research, pharmaceutical manufacturing, and medical care; and residential central air-conditioning systems for everyday life.

In the gas and water meter field (Azbil Kimmon Co., Ltd.), which accounts for the bulk of LA business sales, we meet cyclical replacement demand for meters as required by law, so the outlook for the business environment is comparatively stable. Nevertheless, in the year ended March 2016, replacement demand for LP gas meters grew, as did demand for industrial meters. This business offers increasing opportunities in fields where we can leverage synergies with our Building Automation (BA) and Advanced Automation (AA) business segments, such as the field of energy supply lines for industry, in activities ranging from gas production to delivery.

In the Life Science Engineering (LSE) field (Azbil Telstar, S.L.U.), the prospects for economic growth are increasingly uncertain worldwide, but the pharmaceuticals manufacturing market is linked to the health and welfare of people in each country, encompassing such products as vaccines and generics used in emerging economies, so demand is beginning to recover after a period of stagnation.

In the field of residential central air-conditioning systems, we expect demand to increase going forward, as housebuilding companies primarily in the custom-built homes market focus on addressing the needs of clients seeking not only comfortable temperature and humidity levels, but also improved air purity and the minimization of the heat shock caused by rapid changes in temperature, in order to achieve healthier homes.

Review for the Year Ended March 2016

Amid this business environment, the impact (a loss of ¥3.4 billion) of the transfer* of our business in the field of health, welfare, and nursing care during the previous fiscal year resulted in reduced revenue for the segment as a whole. However, our steady progress with reforms in other business fields succeeded in improving

profitability. Combined with a reduction in the amortization of goodwill, this enabled us to turn things around from the segment loss of the previous fiscal year and post a profit.

Net sales in the gas and water meter field were around the same as the previous fiscal year, but initiatives focused on the profitability of orders in the water supply business enabled us to increase earnings.

In the LSE field, our companies in the Netherlands and Brazil saw a downturn in business, but the core Azbil Telstar unit achieved further progress in improving its business results. Accordingly, increased revenue overall and business structural reforms led to improved profits.

In the field of residential central air-conditioning systems, we undertook reforms of our sales model and systems, as well as enhancing our marketing and development frameworks. Orders and net sales increased as a result, strengthening the profit structure.

* Transfer of our business in the field of health, welfare, and nursing care
In February 2015, we transferred all of our shares in Azbil Care & Support Co., Ltd., which provided health, welfare, and nursing care services, to Sohgo Security Services Co., Ltd.

Outlook

In terms of business results for the year ending March 2017, we anticipate that the outcomes of business structural reforms in each field and reducing the amortization of goodwill will give rise to a substantial improvement in segment profit. In particular, the restructuring of business at Azbil Telstar's poorly performing Dutch and Brazilian companies will complete the radical structural reforms that we began in the latter half of the year ended March 2015, substantially improving profitability in the LSE field. Due to the downturn in business at these two companies, we have revised the future profitability of the business and posted a goodwill impairment loss* this year. However, this has enabled us to manage foreseeable future risk factors. We will continue our efforts to strengthen the business structure in the other fields and sustain our structural reform initiatives, with the aim of establishing a profit structure in our LA business.

Going forward, we will aim to transform our gas and water meter business from a conventional meter sales business into a high-added-value solution-oriented business, by promoting technical and sales-related synergies with our AA business. In the life

sciences field, regenerative medicine and other markets continue to expand. As well as steadily capturing growing demand in the recovering pharmaceuticals market, we will tap into market growth by developing and enhancing manufacturing equipment—one of our areas of strength—in collaboration with Azbil Corporation. In the central air-conditioning systems field, we will expand sales by launching new products tailored more specifically to health needs, based on the fruits of our sales model and system reforms.

* Goodwill impairment loss

We have posted a goodwill impairment loss of ¥3,012 million in relation to Azbil Telstar, S.L.U. for the year ended March 2016.

Launch of Initiatives Aimed at Stabilizing Business and Generating Profits in the LSE Field in the Year Ended March 2016

► Business restructuring

Reforming systems
(reducing personnel/management costs)

Tasks for the year ending March 2017

Business restructuring of the Dutch subsidiary
(year ending March 2017)
(restructuring of clean room and equipment businesses throughout Europe)

Business restructuring and structural reform of the Brazilian subsidiary (year ending March 2017)
(review of the clean room business)

► Review and enhancement of project management

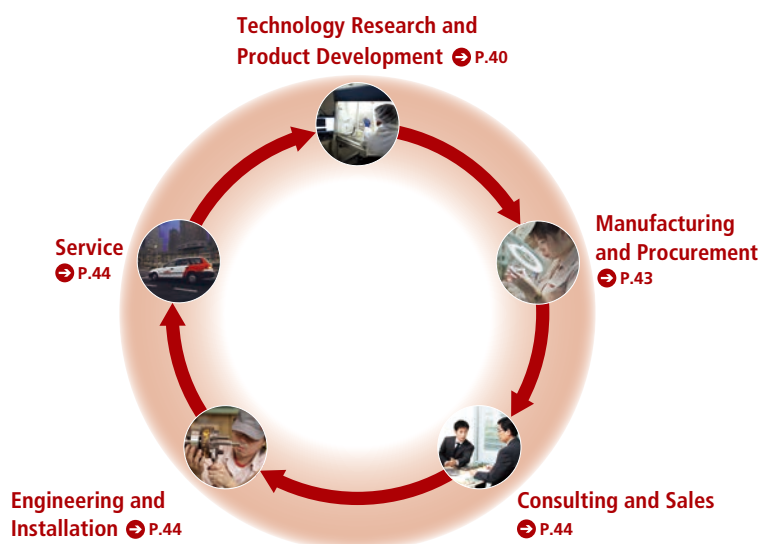
Improving the standard of management as an integrated business structure, from proposal to design, production, delivery, and maintenance.

► Strengthening of the pharmaceutical manufacturing equipment business

Redeveloping the sales system with an intensive focus on the manufacturing equipment business.
Enhancing technologies and products through collaboration with Azbil Corporation.

Value Chain

In our three business segments of building automation, advanced automation, and life automation, we have established an integrated framework that covers everything from product development to production, sales, engineering, installation, and service. Using this infrastructure, we draw upon the knowledge and skills cultivated at customer sites in order to offer high-value-added solutions to our customers around the globe.



Technology Research and Product Development

We plan and develop technologies and products in five strategic technology areas that we believe will play a key role in shaping the future of human-centered automation. We are also strengthening our R&D system and product development capabilities around the world to increase product appeal and provide a solid foundation for business growth.

► Research and Development Policy

With the aim of providing our customers with swift access to next-generation products developed around the concept of human-centered automation, we have strengthened the coordination between our marketing and R&D departments to build an effective and efficient operational system. While focusing on five strategic technology areas that we believe will enable us to offer wide-ranging value in the medium and long term, we are also enhancing our product development in three business segments with good growth potential. For further global expansion of our operations, we are carrying out technology and product development via our three-base Japan-U.S.-Europe network,

which includes our group companies in Europe and an R&D base in Silicon Valley in the U.S.

► Five Strategic Technology Areas

Taking into account the medium- to long-term needs of our customers and of society, as well as technological trends, we have identified the following five strategic technology areas for focused technology research and product development, applying our philosophy of human-centered automation to create value through products and services that deliver safety and peace of mind; quality, productivity, and comfort; and conservation of the environment and of energy.

Five Strategic Technology Areas

Machine Systems with Humanlike Abilities

Advanced intelligent production systems with the dexterity and visual perception of a human being

Flexible Measurement and Control

A range of super-compact, energy-saving wireless sensors that utilize MEMS* and integrated circuit packaging technologies

Advanced Technology that Clarifies Complex Systems

Information processing that facilitates quick and easy identification and location of areas where energy can be saved or equipment improved, and that assists people in making decisions, even for large and complex systems

Systems Enabling Us to Live in Harmony with Nature

Measurement and control systems that learn from environmental changes and supply the optimal amount of energy. Smart grids are a leading example of these systems, which will be required for the infrastructure of indoor environments in the future.

Individualized Environmental Comfort Systems

Energy-conserving air-conditioning control systems that maintain the optimal temperature distribution within a space, taking into account the location of heat loads from human beings, etc.

* Microelectromechanical systems. These systems combine machine elements and components, sensors, actuators, and electronic circuits on a single silicon, glass, or organic substrate.

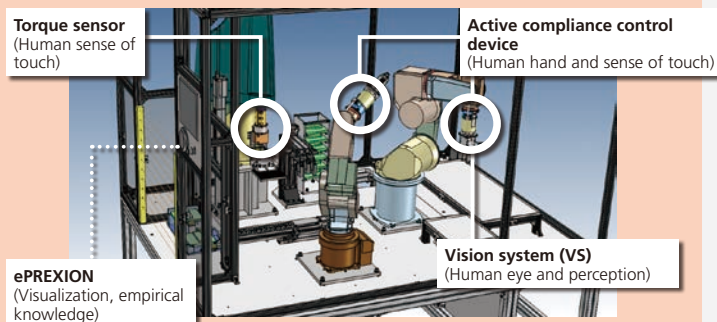
Examples of Technology R&D

Machine Systems with Humanlike Abilities:

Precise and delicate motion control system

Value provided: Automation of work that requires precise control and a delicate touch, such as the creation of traditional handiwork and *wagashi* confections

Development details: An intelligent fully-automatic assembly system that mimics the human sense of touch and vision, and is capable of adapting to changes and completing the assembly process on its own

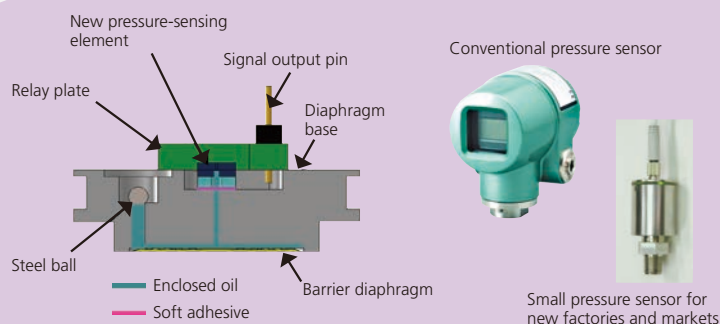


Flexible Measurement and Control:

Pressure sensor for small pressure transmitters

Value provided: We have succeeded in reducing the size of our pressure sensor to one-tenth while improving its temperature characteristics and reproducibility. We have also improved the allowable pressure, thereby enhancing the scope of possible applications.

Development details: Compact high-precision pressure sensor without the need for a hermetic seal, developed with the aim of minimizing the amount of enclosed oil.

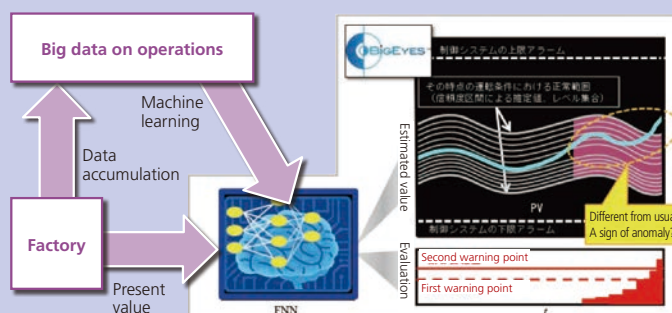


Advanced Technology that Clarifies Complex Systems:

Online anomaly monitoring system using factory big data

Value provided: This system provides early detection of irregularities in the manufacturing process that escape detection by conventional alarm functions.

Development details: This system applies artificial intelligence technology to learn the neutral state of processes and facilities based on "big data" from manufacturing plant operations, and on this basis detects symptoms of anomaly.

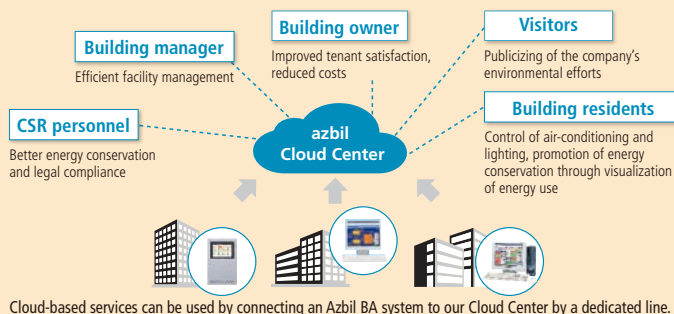


Systems Enabling Us to Live in Harmony with Nature:

Cloud system for buildings

Value provided: Buildings can be managed using the latest applications from any place with Internet access, without the need for a server or IT equipment.

Development details: A cloud-based building management operation support system designed for energy management, facility maintenance, and tenant services



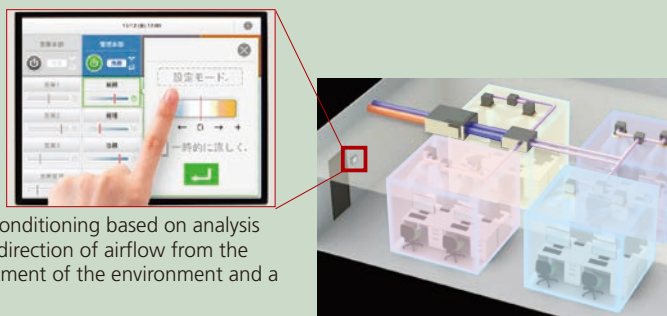
Cloud-based services can be used by connecting an Azbil BA system to our Cloud Center by a dedicated line.

Individualized Environmental Comfort Systems:

Cell-based air-conditioning system

Value provided: A comfortable environment responsive to individuals' feelings of warmth or coolness is provided by automated control of the volume and direction of airflow from the AC equipment.

Development details: In response to people's reported feelings about the temperature, this system automatically controls the air conditioning based on analysis of the relationship between people's feelings and the volume and direction of airflow from the air-conditioning equipment. This system provides fine-tuned adjustment of the environment and a user-friendly interface.

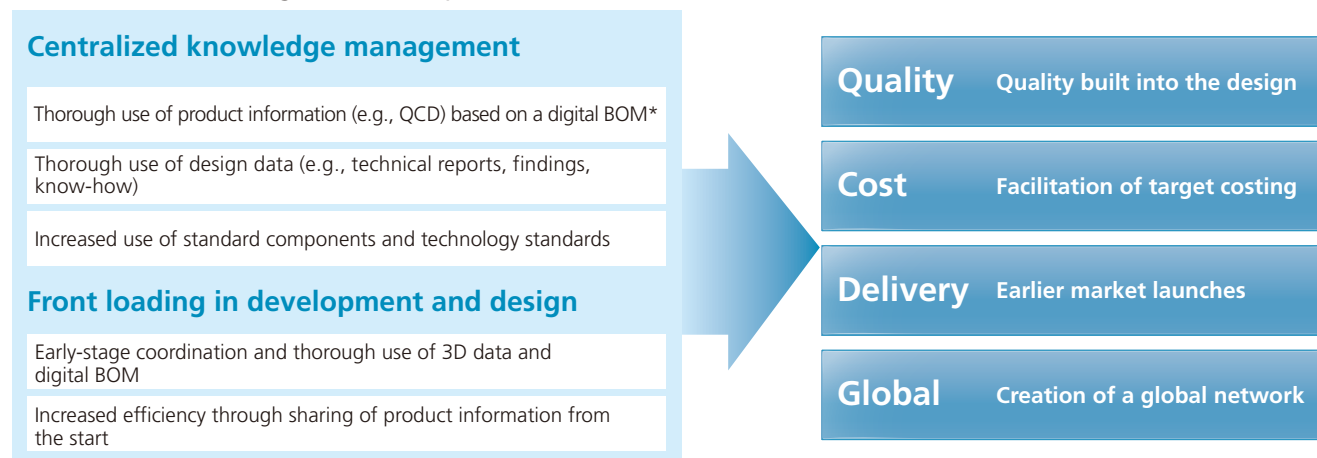


► Three Initiatives for Standardization

We are increasing the competitiveness of our business operations through the improvement of functionality, cost-effectiveness, quality, reliability, and safety using three methods: the application of international standards, standardization in design and

development, and the enforcement of measurement standards. While promoting the use of IT in our operations for standardization in design and development, we are taking measures in the design and development processes to improve QCD and to collaborate globally.

Standardization in Design and Development



* Bill of materials

► Intellectual Property and Brand Management

Strategy for Intellectual Property Rights Viewing intellectual property as a crucial management resource, we actively acquire and protect patents and other intellectual property rights.

Having identified priority fields for product and technology development, which are centered on the three business growth areas mentioned in our medium-term plan (next generation solutions for production and working/living spaces, energy management solutions, and safety solutions), we are building a patent portfolio aligned with our business and R&D strategies.

In conjunction with our global business expansion, our marketing and development departments hold meetings with the Intellectual Property Department before filing applications for patents in Japan and abroad, in order to determine the importance of the relevant technology for our business strategy.

At the product design stage we carry out a search of the intellectual property rights held by other companies in order to

increase our degree of freedom for R&D. In addition, to obtain information on other companies' inventions, more than 1,000 checks are conducted every month in Japanese, American, and Chinese patent gazettes.

Brand Management Group-wide regulations governing the use of the company name, logo, and other elements of the azbil brand have been enacted. In addition to ensuring thorough adherence to these regulations worldwide, we are taking steps to heighten brand awareness within the Group, such as specifying in detail the rules for applying the azbil logo to our products and the procedures for using the azbil logo on another company's products.

We are also striving to reduce the risk of damage to the brand and loss of business opportunities by carefully monitoring infringement of the azbil brand and by managing the copyrighted materials used in our business activities. To protect our brand, we have aggressively registered the azbil Group logo as a trademark in more than 100 countries worldwide.

Patent and R&D Data

(Ended March 31)	2012	2013	2014	2015	2016
Patents					
Number of applications	428	476	502	513	506
Number owned	1,742	2,124	2,458	2,703	2,762
R&D expenses (billions of yen)	8.8	7.8	8.8	10.1	11.0
R&D expenses/net sales (%)	3.9	3.4	3.5	4.0	4.3

Manufacturing and Procurement

Taking a global perspective throughout the Group, we are optimizing our production and logistics systems for individual regions and products in order to build a competitive framework capable of weathering changes in the business environment.

► Developing Manufacturing Systems in Japan and Overseas

With the aim of establishing an optimal manufacturing framework that will support our global business expansion, we are making efforts to enhance our overseas production by forming a manufacturing network in the three countries of Japan, China and Thailand and strengthen our overseas bases. In Thailand, we have increased production of components at the new factory built in 2014. At our manufacturing base in Dalian, China, we have enhanced our capabilities for production of valves and switches.

Furthermore, we are working to reduce procurement costs by developing a logistics framework for product shipment directly from our overseas manufacturing bases to overseas markets, by increasing materials procurement overseas, and by promoting value engineering activities. We are also enhancing our capabilities in areas such as valve assembly and flowmeter calibration to meet the specific needs of various regions.

Also, Azbil Kimmon, a Group company, will optimize its manufacturing system by consolidating its five domestic plants into three, in order to better respond to the changing business climate and to customer needs.

By advancing these initiatives, we will boost the proportion of overseas production to more than 30% of our total output. (The actual figure for the fiscal year ended March 2016 was around 25%).

► Constructing a New Main Factory for the azbil Group

As part of our initiative to optimize manufacturing systems in Japan and overseas, we will renovate Shonan Factory to make it the main factory for the azbil Group by consolidating it with our Isehara Factory. By the spring of 2019, we will construct a new plant on the premises of Shonan Factory and install a

production line equipped with advanced production technology and equipment. Through effective collaboration with our initiative to develop an R&D base at the Fujisawa Technology Center, we will pursue the advancement of *monozukuri* for our group as a whole, with Shonan Factory at the center of this endeavor.

► Innovation in Production Processes and Overseas Business Expansion

To achieve greater efficiency and higher quality in production processes, we are upgrading our production technologies, with a particular focus on assembly and processing technologies and image-processing technology. Based on the azbil Group's unique HCA-MS* concept, we are endeavoring to achieve automation of processes by substituting machinery that can mimic human capabilities. These technologies will be exported to our overseas sites from our plants in Japan, enabling us to maintain and improve quality across the globe and to enhance our cost-competitiveness.

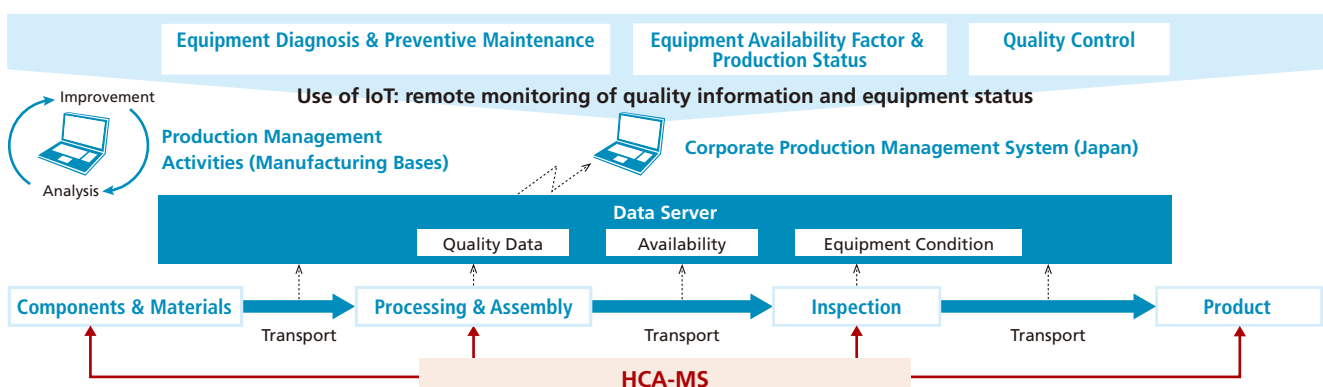
We will also build an integrated production system using the IoT (Internet of Things) to perform integrated management of various types of information in order to strengthen our production globally.



An example of a production line with HCA-MS

* Human-centered automation manufacturing system. Based on our Group philosophy of human-centered automation, the system is equipped with machine accuracy and human flexibility through the mechanization of aspects of human intelligence and capabilities of the human hand (sense of touch) and eye (sense of sight), enabling the automation of processes that could not be automated with conventional technologies. Modularized functions allow reuse, so production equipment can be altered or extended as needed.

Production Lines Using HCA-MS



Sales, Engineering, Installation, and Service

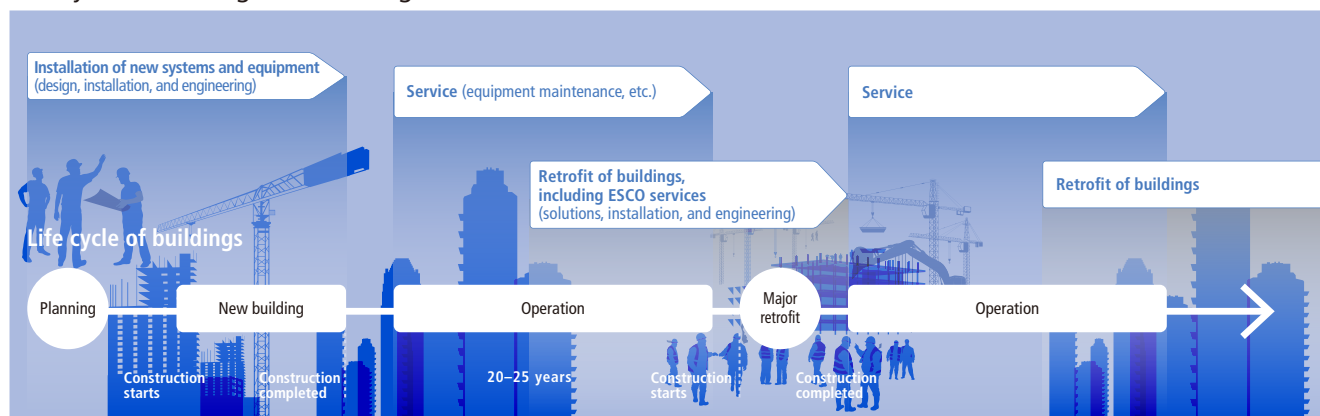
Based on an integrated framework that brings together everything from consulting and sales to engineering, installation, and service, we make use of the knowledge and skills cultivated at customer sites to offer high value-added solutions and services across the globe.

► Total Solutions

To maximize value throughout the life cycle of our customers' facilities, we provide total solutions on the basis of our unique integrated framework, covering everything from consultations and sales to engineering, installation, and service. To meet a variety of

needs at each stage of the facility life cycle—including planning, operation, maintenance, improvement, and renovation—our sales engineers, system engineers, field engineers and service engineers are committed to providing the best solutions for each manufacturing site.

Life Cycle of Buildings and Building Automation Business



Sales, Engineering, Installation Our customers share with us the needs and problems they experience with their buildings, plants and factories, and we help them to find solutions through our integrated framework, starting from analysis and proposal of solutions, and continuing through design, installation, and system adjustment.

For example, in the area of building air-conditioning control, which is handled by our building automation (BA) business, each type of building—such as an office building, hotel, or hospital—presents its own special problems, depending on its intended use and characteristics. Based on the know-how and actual operating data that the azbil Group has accumulated over many years, our sales engineers provide consultation and propose the best BA system or control system for each facility, or the best energy-saving

solutions and services, in consideration of the purpose and manner of use of the facility. Our field engineers, drawing upon their deep knowledge of products and experience in the field, manage the construction process details, such as process safety, quality and cost, in addition to field engineering, in order to control the process in a way that meets customers' specifications.

In our advanced automation (AA) business, we also hear various requests from customers regarding their manufacturing sites. When our sales engineers propose energy-saving measures for a factory, for example, they conduct an energy analysis and estimate the effectiveness of investment in energy-saving measures before proposing a solution to the customer. For the improvement of a manufacturing process, our sales engineers investigate the manufacturing site's actual operation, examining the problems

and pursuing the solutions together with the customer, and then propose an application that may take advantage not only of our own products but also products of Group companies that meet the customer's needs. Meanwhile, our system engineers, who are well-versed in advanced technology, draw the system design and develop an application to build a high-performance and high-quality system. In response to the request of a customer who is an equipment manufacturer, we not only provide products, but also propose applications and customized systems as a partner in the equipment design and development stage, based on the relationship of trust we have established to date.

Service Our service engineers, who are thoroughly acquainted with the customer's processes and systems, conduct optimized operation, regular inspections, and maintenance services, and respond swiftly in the event of an urgent problem. In addition, we listen to our customers. By reflecting their opinions swiftly and surely in our products and services and sharing them with others in the azbil Group, we improve our technology and services in the field and make them more efficient.

► Restructuring of the Service Business

In the service area, we are advancing the transformation of our operations from a conventional labor-intensive model to a knowledge-intensive service that makes use of our extensive data and experience. In addition, we are upgrading and reinforcing our infrastructure and training additional personnel so that we can provide the same level of service overseas as we do in Japan.

Knowledge-Intensive Service Cutting-edge technology and a wealth of know-how available only to professionals in the field of control and management are now being applied to the development of tools for use in our service operations. The use of service tools in on-site inspections not only increases the efficiency of

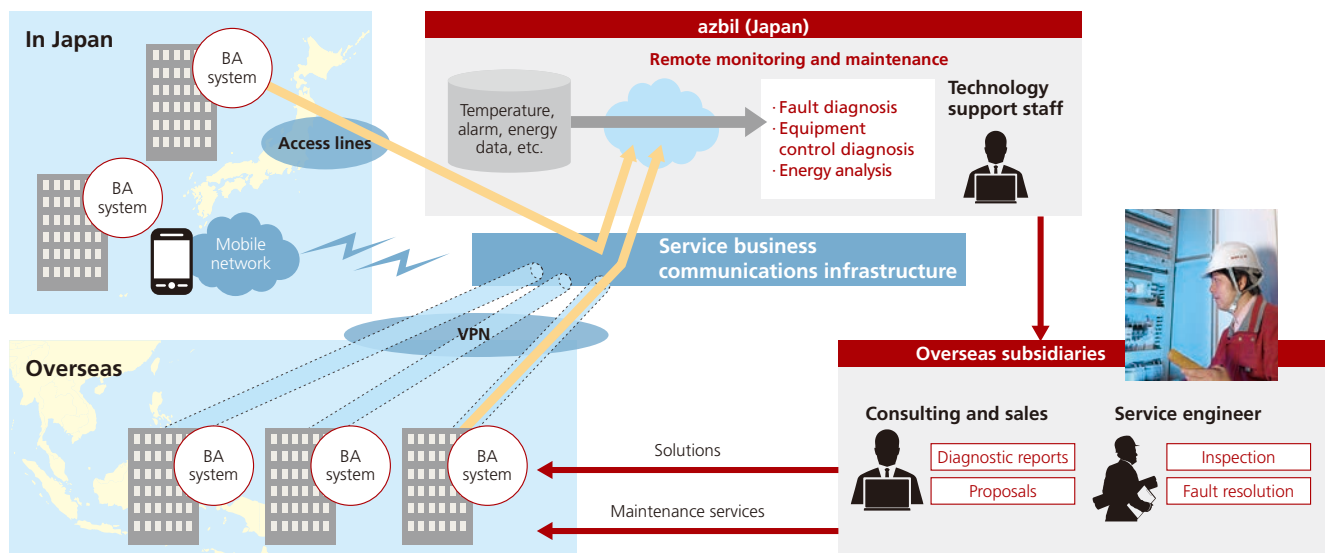
operations, but also ensures that automatic control instruments are maintained appropriately through remote data collection and event analysis and off-site inspection of control operations by experts. Self-diagnostic information from equipment is also gathered and analyzed to ensure that systems are operating in an appropriate way at all times and to facilitate rapid recovery in the event of a problem. This enables us to propose preventive maintenance aimed at maintaining the reliability of the system.

Global Expansion of the Service Business Our solutions-oriented valve business (integrated supply and maintenance of control valves) has expanded to the Middle East and North America, in addition to main bases in locations including China, Taiwan, Thailand, Singapore, and Indonesia. We are also beginning to develop a service infrastructure that will allow us to monitor overseas buildings remotely, so that we can offer efficient maintenance and energy conservation.



Remote monitoring center for comprehensive management and maintenance of buildings

Remote Maintenance Services Platform



Quality Assurance and Safety of Products and Services

Around the globe, the azbil Group provides products and services of assured quality that are safe and dependable. As we expand globally, we continue to deliver safe, dependable, high-quality products and services that customers trust.

Safeguarding the Quality, Safety, and Dependability of Our Products and Services

A number of documents governing the entire azbil Group spell out its basic policy and approach to quality assurance and safety: the azbil Group Basic Quality Policy, azbil Group Quality Assurance Rules, azbil Group Basic Policy on the Safety and Dependability of Products and Services, and azbil Group Rules for the Safety and Dependability of Products and Services. Additionally, each Group company has its own detailed rules and standards.

► Quality of Our Products and Services

Because “built-in quality” is vital when developing products and providing services, we set quality targets for every azbil Group company. The azbil Group Quality Assurance Committee meets regularly to check the achievement of quality targets and the progress of quality improvement initiatives by azbil Group companies. The committee also helps the Group as a whole to build in quality by identifying shared quality issues and improving collaboration in tackling them. Quality-related structures and procedures are being rolled out globally as our business expands.

► Safety and Dependability of Our Products and Services

Our efforts to ensure the safety and dependability of products and services are founded on the three key pillars of compliance

with relevant laws and regulations, prevention of accidents, and provision of safe products.

Compliance with Relevant Laws and Regulations

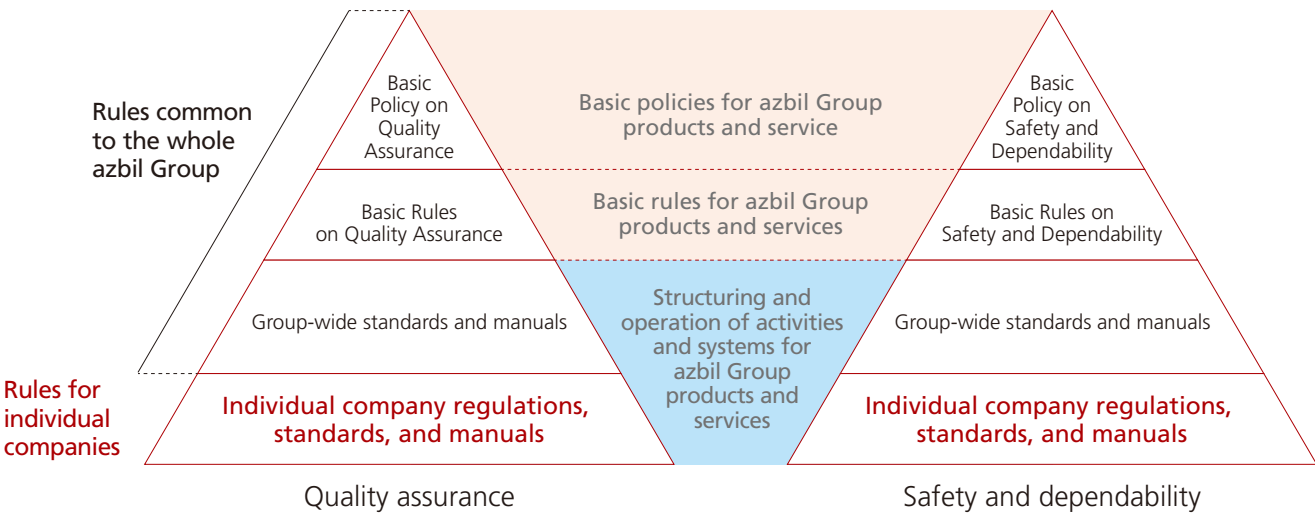
The Legal and Intellectual Property Department and the aG Quality Assurance Department cooperate in regularly educating azbil Group employees concerning the Product Liability Act, the Consumer Product Safety Act, and other legislation relevant to the safety and dependability of our products and services. These departments also endeavor to promote understanding and awareness among the relevant employees of accident prevention measures and the procedures to follow in the event of an accident.

Prevention of Accidents The azbil Group Quality Assurance Committee promotes accident prevention activities based on actual “near miss” incidents. In addition, it is responsible for ensuring that employees are thoroughly aware of the reporting and response systems used in the event of an accident. Through these activities, it strives to prevent situations that could be detrimental to the safety and peace of mind of our customers.

Provision of Safe Products We have put in place safe design standards, along with a risk assessment and authorization system. The development departments and service departments of each business segment carry out product risk assessment under the guidance of the Department of Safety Assessment.

Systems for Quality Assurance / Safety and Dependability

To ensure that the azbil Group can continue to provide products and services that our customers can trust, we have established, and we put into practice, the policies, rules, standards, and manuals illustrated below.



Human Resources

We established the Azbil Academy in order to ensure that the azbil Group never stops learning and is capable of both responding flexibly to changes in the business climate and continuously growing stronger. The Academy actively cultivates diverse personnel who can create new value in collaboration with our customers.

The Azbil Academy

The Azbil Academy was founded in November 2012 to provide integrated education functions for the Group as a whole. In the year ended March 2016, its fourth year of operation, it launched the new initiatives described below.

► Education for People Changing Jobs (Career Development)

The azbil Group is carrying out business structural reform that includes the promotion of overseas operations and production and the training of field engineers and service engineers in Japan and overseas. Accordingly, to accomplish the optimal deployment and training of personnel, the Azbil Academy provided education to more than 500 employees from the year ended March 2013 to the year ended March 2016, including more than 70 in the year ended March 2016 who were being redeployed or transferred. The Academy does follow-up interviews periodically and provides other support for employee career development.

► Training for Global Business

As our customers and Group companies expand overseas, the training of employees to handle globalization and the development of human resources at overseas subsidiaries have become pressing needs. In the year ended March 2016, a basic management training program for employees in leadership positions that had been implemented in Japan was launched at overseas subsidiaries in China. Going forward, we will introduce the same training

program in other regions and upgrade the program content. In addition, we will launch a program that brings administrative staff from overseas subsidiaries to study at Azbil's headquarters in Japan. We hope that these employees, who will learn about a wide range of business operations at Azbil's headquarters, will return home to lead the management of overseas subsidiaries and will play an active role in the azbil Group as a whole in the future.

► Education for Solution Business

We have established a training system that will provide young employees in Japan with level-specific education on an accelerated schedule so that they can acquire important business skills at an early stage. The program is designed especially to enhance young employees' logical communication skills and cultivate their ability to recognize and solve problems.

► Accreditation as a Technical Professional

In the year ended March 2015, we introduced a system in which the title of "Technical Professional" is awarded to Group employees with a high level of technical skills, in order to facilitate the transfer of technical skills to younger employees. Under this system, a total of five instrument engineers in the building automation business were given the technical professional accreditation by the year ended March 2016. We are planning to award this title to candidates in other business sectors in the future.

Education System



Positioning of Technical Professionals

