

# Infrastructure to Support Value Creation

As a provider of value through automation to both our customers and society, the azbil Group strives to develop sustainably in parallel with society and our customers, relating to all stakeholders from a human-centered perspective, based on an awareness of the various impact of our business operations.

This section provides an introduction to our corporate social responsibility, corporate governance, and dialogue with and responsibility to shareholders, customers, and the azbil Group's other stakeholders, all of which form the basis for sustainable business activity as we seek to maintain and increase the value created by the azbil Group.

# CSR Management

Making “human-centered automation” the foundation of its business activities, the azbil Group implements CSR management that contributes to the sustainable development of society.

As a world-class comprehensive automation manufacturer, we strive to contribute to a human-centered economy, environment, and society, to achieve the sustainable development of our customers and of society.

## Approach to CSR

The azbil Group has a broad perspective on the responsibilities that a company should fulfill toward stakeholders and society. Accordingly, we take a twofold approach across the entire Group.

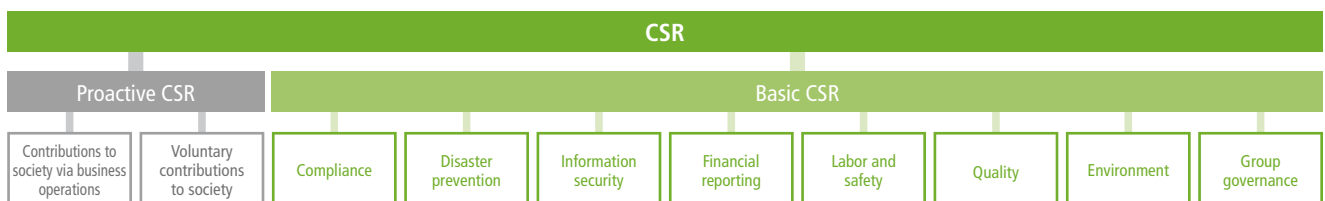
Firstly, there is what we call “basic CSR,” which involves fulfilling the azbil Group’s fundamental obligations as a member of society. This includes ensuring thorough compliance to laws and regulations; risk management in such fields as disaster prevention, information security, quality and product liability, and accounting; promoting internal controls; and improving workplace environments and ensuring the safety and security of the people who work in them.

The azbil Group believes that there are no shortcuts to winning the trust of society, so we aim to engage in fair and honest management, combined with efforts to further strengthen our corporate governance.

The second approach is what we term “proactive CSR,” which consists of (i) the contribution that the azbil Group makes to society through our business operations that leverage our strengths in technology and business; and (ii) employees’ voluntary participation in activity that benefits society, which is rooted in the culture and climate of the company. Through such activities, we wish to make a proactive contribution to sustainable development and to live up to the expectations of society.

### ► Areas of Focus in CSR Management

#### Overview of CSR Activity



### ► CSR Promotion Framework

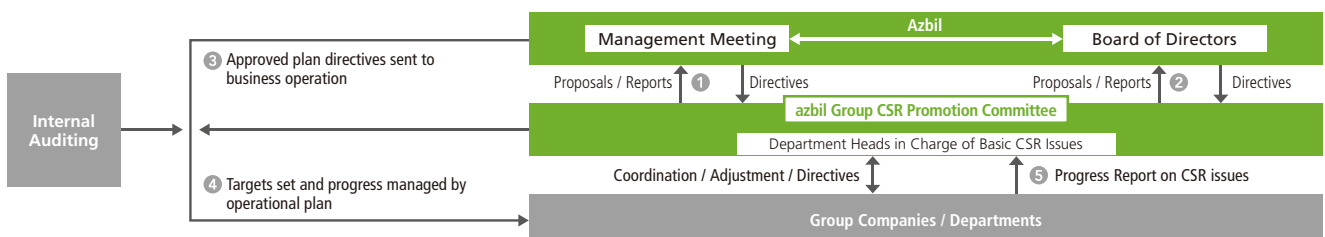
The azbil Group CSR Promotion Committee was established to promote activity related to corporate social responsibility for the Group as a whole over a broad range of fields. The committee is composed of senior management in charge of promoting CSR at

#### CSR Initiatives



individual Group companies and department heads in charge of individual primary issues-related initiatives. The committee, subject to the approval of the Board of Directors of Azbil Corporation, implements initiatives, appraises and analyzes their results, and reports to the management, following a plan-do-check-act (PDCA) cycle.

#### CSR Promotion Framework



## Compliance

In each area of basic CSR, which concerns the fundamental obligations of a company as a member of society, each company in the azbil Group—both at home and overseas—is making every effort to raise awareness of compliance issues and avoid legal risk.

### ► Business Conduct Policy and Code of Conduct

The azbil Group has instituted a Business Conduct Policy for Group companies, consisting of five elements: (1) fulfilling the Group's public and social responsibilities; (2) compliance with antitrust and other fair trade regulations; (3) respect for human rights; (4) proper management of corporate assets; and (5) protection of the environment. We have also established a Code of Conduct for all employees, consisting of 50 specific guidelines covering all aspects of our business activities.

In cases where a breach of the Code of Conduct is discovered, the code imposes a mandatory reporting requirement and forbids reprisals, thereby putting in place an environment in which checks can function effectively.

### ► Maintaining and Improving Awareness of Compliance Issues

The General Affairs Department of Azbil Corporation bears primary responsibility for maintaining and improving compliance with internal regulations throughout the azbil Group. In Japan, compliance in each workplace is promoted by the heads of departments and business office managers of each Group company, who are designated as compliance managers, and the heads of sections, who are designated as compliance leaders. In addition, the establishment of CSR Hotline provides a mechanism for employees to seek advice and report concerns, enabling the

company to learn of compliance-related problems and risks in a timely manner.

Each year, we conduct compliance awareness surveys among all azbil Group officers and employees, using the results to identify issues and implement measures to address them. Surveys are followed by compliance education sessions that check key points and ensure thorough awareness and compliance. We also implement these initiatives at our Group companies overseas, improving compliance awareness by means of employee education and workplace surveys, as well as setting up CSR Hotline.

### ► Preventing Legal Risk

The Legal and Intellectual Property Department of Azbil Corporation bears primary responsibility for ensuring complete compliance with external laws throughout the azbil Group. It promotes basic legal compliance in business activities, ensures that all necessary permits and approvals are obtained, and additionally is addressing the Group's legal risk overseas, which is increasing as our global expansion accelerates. The department also makes every effort to ensure a timely and appropriate response to important new laws and associated issues, as well as endeavoring to prevent risks from occurring.

## Business Risks

### 1. Risks Related to the Business Environment and Business Activities

#### (1) Effect of Economic Downturn or Stagnation

Structural factors make the demand for the azbil Group's products and services susceptible to fluctuations in the economy and their effects on markets related to the Group, including the construction, manufacturing, and equipment manufacturing markets. A large-scale downturn in business conditions in the regions where we do business and a decrease in demand from these markets could have an adverse impact on the Group's operations, business results, and financial position.

#### (2) Risks Related to Competition

Competition is becoming severe in the azbil Group's business segments, which are the Building Automation (BA) business, Advanced Automation (AA) business, and Life Automation (LA) business. Under the circumstances, the azbil Group believes that its products and services offer high added value superior to that of other companies in terms of technology, quality, and cost. While the Group is taking measures to prepare for situations such as intensifying competition or the entry of new competitors, unexpected changes in relationships among competitors could have an impact on the Group's business results and financial position.

### (3) Risks Related to the Group's Product Quality

The azbil Group's products, systems, and services are used for vital measurement and control related to safety and quality in a variety of plants and buildings. The Group has put a committee in place to lead the Group to oversee quality assurance and has enhanced its quality control system through sharing and transparency of quality information. To ensure that we are prepared in the event of problems related to damages arising from product liability, we have taken out insurance policies, as well as enhancing our other precautions. However, an incident caused by defects in the Group's products, systems, or services could result in substantial costs and severely damage the Group's credibility with customers. This in turn could have an impact on the Group's operations, business results, and financial position.

### (4) Risks Related to R&D Activities

The azbil Group has positioned the management of research and development activities focused on the development of next-generation products that will maintain their technological superiority on an ongoing basis as one of its top priorities. Based on the Group philosophy of "human-centered automation," the Group is carrying out research and development activities aimed at the conservation of resources, energy and labor; safety; environmental preservation; and the realization of comfortable environments. The azbil Group is

strengthening its efforts to deliver appealing products and services to its customers in a timely fashion based on an accurate perception of their needs. However, a misreading of these needs or of technological trends, delayed research and development, insufficient technological capabilities, or other factors could delay the market launch of new products and have an adverse impact on the Group's operations, business results, and financial position.

### (5) Risks Related to Global Operations

The azbil Group conducts business overseas through more than 50 local subsidiaries and 2 branch offices. The Group has also established manufacturing bases in Thailand and Saudi Arabia, in addition to our Dalian site in China. As the ratio of overseas sales increases, the Group is decentralizing its production by establishing multiple manufacturing bases both in Japan and abroad. The Group continues to expand its business globally, with a view to distributing country risk, but delays in its expansion plans, unexpected changes in political and economic conditions, currency fluctuations, local legal, regulatory, and other changes, natural disasters, terrorism, strikes, and other developments in countries where it operates could have an impact on the Group's manufacturing and procurement activities in whole or in part and thus impact the Group's business results and financial position.

## Risk Management

We are striving to construct a system that prevents risk so that we do not lose corporate value or the trust of the public.

### ► Risk Management

Each year, the azbil Group conducts an interview-based survey of officers and heads of major departments, in order to bring to light all risks that could potentially have a serious impact on the Group as a whole. The Board of Directors then determines the azbil Group's key risks with the aim of facilitating the implementation of Group-wide measures to prevent key risks from materializing. By means of these steps, each potential risk is appropriately addressed.

We have also extended the scope of these initiatives to encompass each individual Group company, continually mitigating risks through implementation of a risk management system that covers everything from the identification of the key risks for each company to the implementation of measures to combat those risks and reporting of the outcomes to the Board of Directors of the company concerned.

### ► Enhancing Disaster Preparedness and Business—Continuity Planning (BCP)

Under the leadership of the azbil Disaster Preparedness Liaison Committee, we are endeavoring to improve our disaster preparedness by conducting regular inspections at all of the azbil Group's domestic business establishments, identifying risks and considering and implementing countermeasures. Our continuing efforts to strengthen the azbil Group's overall disaster preparedness include the development of a manual to guide the initial responses to a major earthquake, improvement of our system for checking the safety of employees,

establishment of a workplace emergency contact network, enhancement of our communications infrastructure for disasters, relocation of offices to buildings that meet new earthquake resistance standards, and regular emergency drills.

In addition, our ongoing business continuity planning (BCP) aims to ensure that in the aftermath of a major disaster, business establishment and factory functions are restored at the earliest possible time and that maintenance services continue to be provided at customer sites.

### ► Upgrading and Reinforcing the Information Management System

As well as conducting an educational program on information security for all Group employees every year, we are addressing information management issues that emerge in the course of compliance awareness surveys, and are upgrading and reinforcing our framework for managing important information and personal information to ensure tight control throughout the Group.

To ensure that the operational level of services will not be significantly compromised during a disaster, we are upgrading our backup systems, including relocation of our network equipment and servers and installation of emergency power supply equipment.



Regular emergency drills are conducted.

#### (6) Risks Related to Exchange Rate Fluctuations

The azbil Group is endeavoring to mitigate risk resulting from exchange rate fluctuations by expanding its overseas production, but sudden fluctuations affect net sales, the prices of raw materials and components, and costs and expenses, including selling, general and administrative expenses, so they have the potential to have an adverse impact on the Group's business results and financial position.

#### 2. Other Risks

##### (1) Risks Related to Securing and Developing Human Resources

Since its founding, the azbil Group has focused on developing human resources based on the view that its employees are a valued asset, the source of corporate cultural renewal, and the creative source of its corporate value. However, failure to address issues such as employee safety, maintaining employee health, the aging of the workforce, the handing down of technology, expertise, and know-how, cross-training for multifunctional workers, and the retention and development of human resources for domestic and international business expansion could have an impact on the Group's business results and financial position.

##### (2) Risks Related to Information Leakage

The azbil Group possesses important information for business and confidential information, including personal information and information on business partners that is obtained in the course of business. The Group is taking measures to strengthen its handling and management of information and to increase employees' informational literacy. However, leakage of this type of information due to unforeseeable circumstances could have an impact on the Group's business results and financial position.

##### (3) Risks Related to Disasters

Two of the six domestic production bases (including manufacturing subsidiaries) of the azbil Group's BA and AA businesses are concentrated in Kanagawa Prefecture. In addition, three of the six domestic production bases of Azbil Kimmon Co., Ltd., involved in the LA business are concentrated in Fukushima Prefecture. The Group has taken necessary actions, including the implementation of safety precautions, purchase of insurance, and establishment of a business continuity plan, to maintain operations and/or quickly return operations to normal. However, direct or indirect effects from a large-scale disaster or other incident in these areas could have an impact on the Group's business results and financial position.

##### (4) Risks Related to Laws and Regulations

The azbil Group is subject to the laws and regulations of the countries where it operates, including licensing for operations and investment, environmental and safety standards, and product standards. Unexpected changes in these laws or regulations, or the establishment of new laws or regulations, could have an impact on the Group's business results and financial position. In particular, although the azbil Group is proceeding with a variety of measures to reduce its environmental impact, in part to comply with stricter environmental regulations, difficulty in complying with environmental regulations may result in the cessation of certain business activities and other problems. This could have an impact on the Group's business results and financial position.

##### (5) Risks Related to Intellectual Property Rights

In order to secure and maintain a competitive edge, the azbil Group, as it develops products and services, accumulates differentiating technologies and know-how and works to protect its rights to this intellectual property. In addition, the Group works to secure licensing rights from third parties where necessary in product development and production. However, inadequate execution of these processes could have an impact on the Group's business results and financial position.

## Internal Control

Systems for ensuring proper business operations (internal control systems) are deployed throughout the Group and are constantly reviewed to promote highly efficient, lawful, and transparent Group management.

As we raise standards in areas such as management, performance of duties, and the supervision thereof, as well as internal controls, we are also endeavoring to ensure thorough adherence to proper accounting and to strengthen governance in each member of the azbil Group.

### ► Improving Internal Control Systems

The azbil Group has set out clearly stated basic policies governing all officers and employees in our Basic Policy on Internal Control System Architecture. In addition, we have prescribed guidelines for internal control system architecture. In May 2015, in response to the revision of the Companies Act, we revised the content of these policies and guidelines to clarify the matters that Azbil Corporation and azbil Group companies should address.

These matters include ensuring the reliability of financial reporting, promoting sound business activities with a high level of business ethics, and developing and managing the control environment and other fundamental elements of internal controls. Moreover, in addition to managing key risks to ensure business continuity and steady development, we constantly review and improve our internal control structures and disclose their overall operational status to maintain an efficient, lawful, and highly transparent system.

### ► Response to Employee Concerns and Internal Issues

The azbil Group has set up a notification and advice system, CSR Hotline, to handle the personal concerns and queries of employees, and to learn of compliance problems and other internal problems in a timely manner. The system's broad scope includes matters such as the personnel system and benefits system, queries about personnel evaluations, problems and views about the workplace environment, concerns about improper accounting or business practices, violations of the law, and human rights issues. Employees can choose between an internal and external point of contact for reporting concerns and requesting advice. Awareness and usage of the system among employees is high.

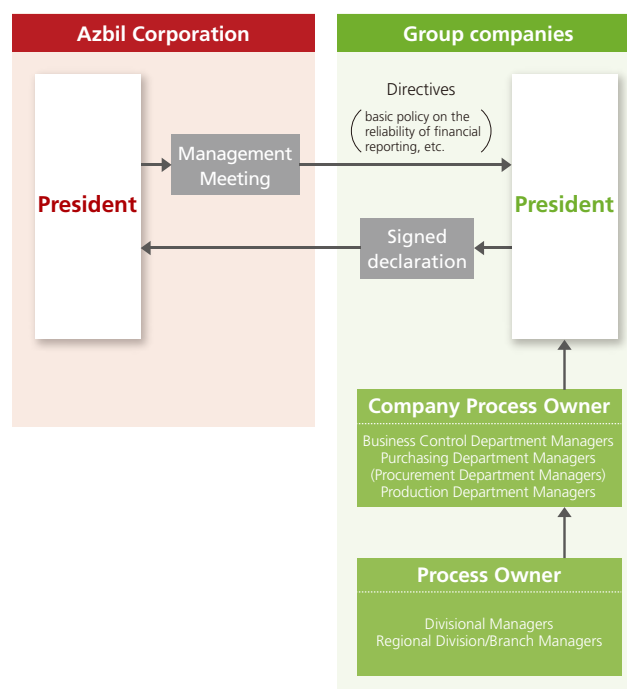
Note: Our notification and advice system for employees overseas deals with concerns about improper accounting or business practices and violations of the law.

### ► Response to the Financial Instruments and Exchange Act (J-SOX), and Efforts to Improve Accounting Standards

To improve our response to the requirements for internal control reporting systems prescribed by the Financial Instruments and Exchange Act (popularly known as J-SOX), we conduct periodic reviews of the scope of our control system's evaluation in light of changes in the business environment and to review our risks and controls. To coincide with Azbil Corporation's new core information system that went into operation in May 2015, we conducted a wide-ranging review of our business procedures and operation systems and introduced a more efficient and reliable internal control system. We plan to start rolling out this system to all Group companies in the year ending March 2017.

Also, in the year ended March 2016, we introduced a new initiative providing all Group employees with education aimed at improving accounting standards. We will continue this in the year ending March 2017, to further strengthen the foundations for internal control.

### Management of Group Companies under J-SOX



# Corporate Governance

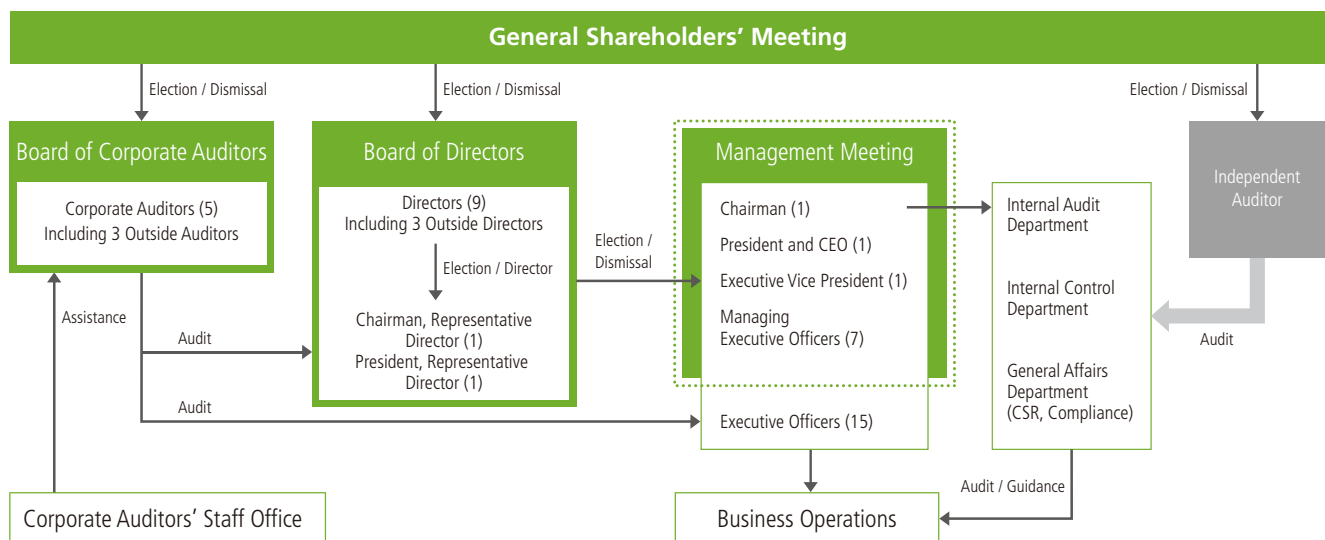
One of our most important management tasks is to consistently increase enterprise value by means of highly efficient and transparent management, while fulfilling our social responsibility and contributing to the welfare of the community based not only on compliance with laws, regulations, and our articles of incorporation, but also on corporate ethics. Achieving this will enable the azbil Group to live up to the trust placed in us by shareholders and all other stakeholders.

## Our Approach to Corporate Governance

Contributing to the welfare of the community is part of our management policy, along with compliance with laws and regulations and fulfilling our social responsibility based on corporate ethics. We are strengthening our systems and initiatives to ensure highly

efficient and transparent management, with the aim of consistently increasing enterprise value for all of our shareholders and other stakeholders.

### Corporate Governance Framework (as of June 28, 2016)



## Efforts to Strengthen Corporate Governance

Azbil Corporation has long considered corporate governance to be of the utmost importance. The entry into force of Japan's Corporate Governance Code in our fiscal year ended March 2016 provided us with an opportunity to further enhance and strengthen our governance framework. For a number of years, we have had three independent outside directors, who have played a major role in the nomination and remuneration of directors. When the Code was established, we renamed the existing body the Nomination and Remuneration Committee and augmented the role of the outside directors, as well as specifying

that they must constitute a majority of this committee. We also established and published our own standards for the independence of outside executives. We have sought to further enhance the effectiveness of the Board of Directors through debate on the areas that should be tackled, based among other things on self-appraisal of the Board by its members and the Board. In addition, we have revised the regulations of the Board of Directors and its rules of operation. We are implementing all of the principles stipulated in the Code, the details of which are disclosed in our separately issued Corporate Governance Report.



## Basic Policy on Corporate Governance [Overview]

### ► 1. Securing the Rights and Equal Treatment of Shareholders

Azbil Corporation takes appropriate measures to fully secure shareholder rights in accordance with laws and regulations. We are also developing an environment in which shareholders can exercise their rights more easily, by such means as providing more comprehensive English translations of notices of general meetings of shareholders, dispatching the notices to shareholders earlier and publishing them on our website, and developing an environment in which shareholders can exercise their voting rights online.

### ► 2. Appropriate Cooperation with Stakeholders Other Than Shareholders

We at Azbil Corporation are fully aware of our corporate social responsibility and believe that we should manage the company with appropriate consideration for a variety of stakeholders, as we seek to achieve sustainable growth and increase mid- to long-term corporate value. Under our corporate philosophy of human-centered automation, we seek to bring safety, comfort, and fulfillment to people's personal lives and work, and to help to preserve the Earth's environment. To achieve this, we have prescribed Guidelines for Corporate Behavior and Business Conduct Guidelines, and are working to roll these out to all officers and employees of Group companies. We are actively endeavoring to increase diversity among our personnel, by means such as expanding the hiring of non-Japanese employees and encouraging the promotion of female employees.

### ► 3. Ensuring Appropriate Information Disclosure and Transparency

Azbil Corporation strives to be proactive in disclosing information in order to ensure the transparency and fairness of decision-making and to achieve effective corporate governance.

In addition to financial information, such as financial standing and operating results, we actively disclose information concerning such matters as business strategies, business issues, risk, and governance, as well as our method of appointing candidates to director positions and our policy on determining the compensation of directors.

### ► 4. Responsibilities of the Board

Azbil Corporation's Board of Directors uses an appropriate decision-making process based on frank and constructive discussions concerning important matters that could have a significant effect on increasing our mid- to long-term corporate value, such as basic business strategy and business plans. Our Board of Directors is aware that independent outside directors have a vital part to play in ensuring that it fulfills its roles and responsibilities. Accordingly, it appoints three independent outside directors with extensive experience, knowledge, and insight who can enhance the fairness and transparency of company management by drawing upon their diverse backgrounds to give management advice and by supervising the execution of duties. The corporate auditors and Board of Corporate Auditors regularly exchange views with the internal auditors and Internal Audit Office in the course of providing appropriate supervision of Azbil Corporation's management and expressing their opinions on this subject.

### ► 5. Engagement with Shareholders

Azbil Corporation strives to develop systems and implement initiatives to fulfill its obligation for accountability and promote constructive dialogue with shareholders and investors. Our efforts in this regard include not only the part played by senior executives, but also the appointment of executive officer in charge of corporate communications and the strengthening of our Investor Relations Department.

## Overall Balance and Diversity of the Board of Directors

Nine directors are appointed to our Board of Directors: six directors who have ample in-depth experience of business and management at Azbil Corporation and are involved in the execution of duties, and three highly independent outside directors with outstanding experience, knowledge, and expertise in corporate management. Moreover, we are enhancing the supervisory

function of our corporate auditors by appointing three outside auditors, one of whom is a certified public accountant, as well as having several corporate auditors who are knowledgeable about finance and accounting. Thus, we maintain the Board of Directors with a good overall balance.

## Overall Effectiveness of the Board of Directors

We have gathered and assessed self-appraisals and views concerning the overall effectiveness of the Board of Directors from all those who participate in board meetings, in order to enhance its effectiveness. As a result, we have ascertained that the scale, composition, and running of our Board of Directors is generally appropriate and that the systems required for making important business decisions and supervising the execution of duties have been put in place. We have also confirmed that the overall effectiveness of the Board of Directors is appropriately ensured by the fact that all members have an in-depth understanding of the roles

that they should play, and that they engage in open, lively, and constructive discussion, including the outside directors, who have a diverse array of experience and expertise. At the same time, we ascertained that improvement in the efficiency of meetings is required, so that more time is devoted to discussion of matters such as company strategy and key decisions, as well as devising and improving explanatory materials and methods. We have already begun working on these improvements, and will continue to implement innovations and improvements to further enhance the overall effectiveness of the Board of Directors.

## Executive Compensation

Azbil Corporation has established policies on executive compensation as part of its efforts to strengthen corporate governance and achieve sustained improvement in corporate value by meeting the azbil Group's management targets. The remuneration of executives clearly reflects the results of business performance during the period in question, based on a compensation system that takes into account each officer's role, responsibilities, and accomplishments. The remuneration limit for the directors as a group (a maximum of ¥450 million annually) is set at the annual shareholders' meeting. The Nomination and Remuneration

Committee, which consists of outside directors (who constitute a majority) and representative directors, reviews and determines the remuneration of each director, including the representative directors, based on our internal rules for director remuneration.

The remuneration limit for corporate auditors as a group (a maximum of ¥120 million annually) is also set at the annual shareholders' meeting, while the remuneration of individual corporate auditors is determined on the basis of discussions among the corporate auditors.

### Remuneration of Executives, etc. (for the year ended March 2016)

Position	Total remuneration, etc., of executives (millions of yen)	Total remuneration, etc., by type (millions of yen)				Number of executives eligible
		Basic remuneration	Bonuses	Stock options	Retirement bonuses	
Directors (excluding outside directors)	370	255	114	—	—	6
Auditors (excluding outside auditors)	46	46	—	—	—	3
Outside directors and auditors	58	58	—	—	—	8

Note: This includes three corporate auditors whose resignation took effect at the end of the 93rd Ordinary General Meeting of Shareholders held on June 25, 2015.



## Utilization of Outside Directors

In addition to the requirements for independent directors stipulated by the Tokyo Stock Exchange, Azbil Corporation, when appointing outside directors as prescribed in the Companies Act, follows criteria that it has formulated and published for determining their independence. Candidates believed to have the ability to provide constructive suggestions and accurate observations and

advice concerning Azbil Corporation's business issues and the improvement of corporate value in the medium to long term are appointed as outside directors. Candidates who are knowledgeable about finance, accounting and/or key aspects of auditing and are independent of company executives are appointed as outside corporate auditors.

### Reasons for Appointing Outside Directors and Outside Auditors and Their Attendance Record

Position	Name	Reason for appointment	Attendance record
Outside Directors	Eugene H. Lee 	Mr. Eugene H. Lee brings a high level of expertise in international law and international business, as well as a wealth of experience and achievement in the management of global companies. In addition, he has an in-depth knowledge of Japan, Japanese business practices, and Japanese companies derived from his lengthy professional experience in Japan. The company secured his services in order to benefit from his advanced knowledge, business experience, and global perspective, and in order that corporate governance might be strengthened by virtue of Mr. Lee's independent position.	Board of Directors 11 of 12
	Katsuhiko Tanabe 	Mr. Katsuhiko Tanabe brings an expert viewpoint and deep insight into management as a lawyer who has held important positions of responsibility in the legal profession and has a considerable record of achievement as an expert in corporate legal affairs. The company secured his services in order to benefit from his expert legal knowledge and deep insight into corporate governance, and in order that corporate governance might be strengthened by virtue of Mr. Tanabe's independent position.	Board of Directors 11 of 12
	Takeshi Ito 	Mr. Takeshi Ito brings experience as an executive and analyst at Japanese and overseas investment banks and investment advisory companies. In addition, he has a substantial record of achievement in advanced analysis of companies and economic outlook, based on his lengthy experience of working overseas and financing business operations, and his consulting work related to M&A and other matters. The company secured his services in order to benefit from his advanced knowledge as an expert in international finance and investment, and in order that corporate governance might be strengthened by virtue of Mr. Ito's independent position.	Board of Directors 12 of 12

Position	Name	Reason for appointment	Attendance record
Outside Auditors	Kinya Fujimoto 	As a certified public accountant, Mr. Kinya Fujimoto has a wealth of knowledge and experience concerning financial affairs and accounting. He was appointed to audit all aspects of the company's business from his specialist viewpoint, based on his knowledge and experience, and to strengthen corporate governance by virtue of his independent position.	Board of Directors 12 of 12  Board of Corporate Auditors 16 of 16
	Mitsuhiro Nagahama 	Mr. Mitsuhiro Nagahama has held a succession of important posts at financial institutions, and has wide-ranging knowledge and abundant global experience in the areas of finance and securities. He was appointed to audit all aspects of the company's business from the perspective of capital markets, based on his wide-ranging insight into corporate management and the business world, and to strengthen corporate governance by virtue of his independent position.	Board of Directors 10 of 10  Board of Corporate Auditors 11 of 11
	Shigeru Morita 	Mr. Shigeru Morita has held a succession of important posts at life insurance companies, as well as real estate and facility management companies, and has abundant knowledge and experience in these fields. He was appointed to audit all aspects of the company's business from the perspective of reducing and managing risks arising from business operations, and to strengthen corporate governance by virtue of his independent position.	Board of Directors 10 of 10  Board of Corporate Auditors 11 of 11

\* Outside auditor Mitsuhiro Nagahama and outside auditor Shigeru Morita were appointed at the 93rd Ordinary General Meeting of Shareholders on June 25, 2015, so only meetings of the Board of Directors and Board of Corporate Auditors held after their appointment are included.

## Comment by an Outside Director

### The Status and Direction of Azbil's Corporate Governance

Japan's Corporate Governance Code has now come into effect. Azbil Corporation has scrutinized it in detail and confirmed that we have already incorporated its contents into our basic policies. We believe that this is because our management team has strived for many years to develop an environment in which we are ahead of the times, and this spirit has permeated the company. We regard the composition of our Board of Directors as one outcome of this fact. Our outside directors have all had diverse careers and hope to be able to contribute to the company's future development from their respective standpoints.

In a world in which technology, society, and the competitive environment are changing at a dizzying pace, an aggressive management style is essential to the long-term prosperity of a company. Corporate governance is nothing less than a model for achieving this. We would like to assist in realizing the azbil Group's potential on the global stage, by using its technical abilities, competitiveness, and systems that the Group has established and built up.

Outside Director  
Takeshi Ito



## Corporate Governance

Board of Directors, Executive Officers, and Corporate Auditors (as of June 28, 2016)

### 1. Representative Director, Chairman of the Board

#### Seiji Onoki

In charge of the azbil Group (aG) overall

Apr 1970 Joined the Company  
Nov 1994 Systems Development Manager of Industrial Systems Division of the Company  
Jun 1996 Executive Director of the Company  
Jun 2000 President of Yamatake Industries Systems Co., Ltd. (Present: The Company's Advanced Automation Company)  
Apr 2003 Executive Director and Managing Executive Officer of the Company, President of Advanced Automation Company  
Jun 2004 President and Chief Executive Officer of the Company  
Apr 2012 Chairman of the Company (present post)

### 2. Representative Director, President and Chief Executive Officer

#### Hirozumi Sone

CEO, in charge of the aG overall, Internal Audit Department, Corporate Planning Department

Apr 1979 Joined the Company  
Apr 1996 Systems Marketing Manager of Systems Development Group, Industrial Systems Division  
Oct 1998 Transferred to Yamatake Industries Systems Co., Ltd. (Present: The Company's Advanced Automation Company), as Marketing Manager of the Company  
Apr 2005 Executive Officer of the Company, Manager of the Corporate Planning Department  
Apr 2008 Managing Executive Officer of the Company, Manager of the Corporate Planning Department  
Jun 2010 Executive Director of the Company and Managing Executive Officer of the Company  
Apr 2012 President and Chief Executive Officer of the Company (present post)

### 3. Executive Director, Vice President and Chief Executive Officer

#### Tadayuki Sasaki

Assistant to President, Overall administrative function, in charge of aG CSR, internal control, facilities/business sites, General Affairs Department, Secretary Office

Apr 1972 Joined The Fuji Bank, Limited  
Oct 1999 Manager of Project Finance Department Sales  
May 2002 Joined the Company (Director)  
Apr 2003 Executive Officer and Manager of the Accounting & Finance Department  
Apr 2006 Managing Executive Officer of the Company  
Jun 2007 Executive Director of the Company and Managing Executive Officer of the Company  
Apr 2009 Executive Director of the Company and Senior Managing Executive Officer of the Company  
Apr 2016 Executive Director of the Company and Vice President and Chief Executive Officer of the Company (present post)

### 4. Executive Director, Managing Executive Officer, President of Building Systems Company

#### Keiichi Fuwa

In charge of the building automation business, aG sales synergy

Apr 1974 Joined the Company  
Oct 1998 Transferred to Yamatake Building Systems Co., Ltd. (Present: The Company's Building Systems Company), Manager of Security System Department of the Tokyo Head Office, of the Company  
Apr 2006 Executive Officer of the Company, Manager of Osaka Branch, Building Systems Company  
Apr 2011 Managing Executive Officer of the Company, Manager of Business Headquarters and Manager of Tokyo Head Office, Building Systems Company  
Apr 2012 Managing Executive Officer of the Company, President of Building Systems Company (present post)  
Jun 2012 Executive Director of the Company and Managing Executive Officer of the Company, President of Building Systems Company (present post)

### 5. Executive Director, Managing Executive Officer

#### Masato Iwasaki

Business in North America and South America supervision, Develop New Business Model in North America

Apr 1982 Joined the Company  
Apr 2003 Manager of Marketing 2nd Department, and Information Systems Department, Advanced Automation Company  
Apr 2011 Executive Officer of the Company, Manager of Marketing Department, Advanced Automation Company  
Apr 2012 Managing Executive Officer of the Company, President of Advanced Automation Company  
Jun 2012 Executive Director of the Company and Managing Executive Officer of the Company, President of Advanced Automation Company  
Apr 2016 Executive Director of the Company and Managing Executive Officer of the Company (present post)

### 6. Executive Director, Managing Executive Officer, President of Advanced Automation Company, Manager of Production Management Headquarters

#### Yoshimitsu Hojo

In charge of aG production, aG purchasing, the advanced automation business, Production Management Headquarters

Aug 1990 Joined the Company  
Apr 2011 Director of the Company, Manager of Company Business Control Department, Advanced Automation Company  
Apr 2013 Executive Officer of the Company, Manager of Production Management Headquarters  
Apr 2014 Managing Executive Officer of the Company, Manager of Production Management Headquarters  
Jun 2014 Executive Director of the Company and Managing Executive Officer of the Company (present post)  
Apr 2016 Managing Executive Officer of the Company, President of Advanced Automation Company, Manager of Production Management Headquarters (present post)



7. Eugene H. Lee

5. Masato Iwasaki

3. Tadayuki Sasaki

1. Seiji Onoki



**7. Executive Director (Outside Director)****Eugene H. Lee**

Sep 1970 Professor of International Business and International Law at Sophia University  
 Feb 1973 President of International Investment Consultants Ltd.  
 Jan 1982 President of Siemens Medical Systems (Present: Siemens Healthcare K.K.)  
 Dec 1990 Vice Chairman of Siemens K.K. (Representative of Siemens AG in Japan)  
 Jun 2007 Outside Director of the Company (present post)

**8. Executive Director (Outside Director)****Katsuhiko Tanabe**

Apr 1973 Registered as a Lawyer  
 Sep 1979 Established TANABE & PARTNERS (present post)  
 Apr 1998 Managing Director of Japan Federation of Bar Associations  
 Jun 2000 Outside Audit & Supervisory Board Member of Sanwa Shutter Corporation (Present: Sanwa Holdings Corporation) (present post)  
 Jun 2007 Outside Audit & Supervisory Board Member of the Company  
 Jun 2010 Outside Director of the Company (present post)  
 Oct 2010 Outside Director of MIRAIT Holdings Corporation  
 Jun 2015 Outside Audit & Supervisory Board Member of JSP Corporation (present post)

**9. Executive Director (Outside Director)****Takeshi Ito**

Sep 1969 Entered Burnham & Company  
 Oct 1983 Director of The First Boston Corporation (Present: Credit Suisse Group AG)  
 Oct 1993 Managing Director and Vice Manager of Tokyo Branch, Smith Barney (Present: Citi Group Global Markets Japan Inc.)  
 Oct 1998 President of UBS Asset Management Inc. (Present: UBS Asset Management (Japan) Ltd.)  
 Dec 2010 Supreme advisor of Japan Wealth Management Securities, Inc. (Present: Aozora Securities Co., Ltd.)  
 Feb 2012 Vice Chairman and Chief Operating Officer of Aozora Securities Co., Ltd.  
 Jun 2013 Senior Advisor of Aozora Securities Co., Ltd. (present post)  
 Jun 2014 Outside Director of the Company (present post)

**Corporate Auditors**

Full-time Corporate Auditors

**Tomohiko Matsuyasu**  
**Hisaya Katsuta**

Corporate Auditors (Outside Auditors)

**Kinya Fujimoto**  
**Mitsuhiro Nagahama**  
**Shigeru Morita**

**Executive Officers**

Managing Executive Officers

**Yoshihide Sugino**

Responsible for aG research and development, aG environmental load innovation, corporate quality assurance promotion, marketing, Technology Development Headquarters, the Department of Safety Assessment, Environment Promotion Department, Technology Standardization Department, Valve Production Development Department, and Document Production Department

**Kenji Hidaka**

Responsible for the life automation business, Home Comfort Headquarters, the Life Science Engineering Development

**Takayuki Yokota**

Responsible for Corporate Communication, Group Management Headquarters, International Business Headquarters, General Manager of Group Management Headquarters

**Kazuyasu Hamada**

Manager of Building Systems Company's Tokyo Head Office

Executive Officers

**Norio Murase**

Responsible for the Legal and Intellectual Property Department

**Hiroshi Arai**

Responsible for aG information systems, IT/software technology development

**Yoshifumi Suzuki**

Responsible for China area supervision

**Michihiro Tomonaga**

Chairman and General Manager of Azbil Taiwan Co., Ltd.

**Haruo Tamura**

General Manager of the Building Systems Company's Integrated Business Headquarters

**Seiichi Hayashi**

General Manager of the Building Systems Company's Engineering Headquarters

**Kenji Okumura**

Responsible for Sales Department of Advanced Automation business  
 General Manager of the Advanced Automation Company's Global Business Sales Headquarters

**Hiroshi Shimizu**

Responsible for the advanced control business  
 General Manager of the Advanced Automation Company's Engineering Headquarters  
 Advanced Solutions Department

**Akihiko Naruse**

Responsible for Human Resources Department, aG Safety Management Department  
 President of the Azbil Academy

**Kenichi Hayashi**

General Manager of the Building Systems Company's Business Planning Department

**Tetsuo Takamura**

Responsible for the Advanced Automation CP<sup>1</sup> business

General Manager of the Advanced Automation Company CP Marketing Development

**Junya Nishimoto**

General Manager of Technology Development Headquarters

**Tadayoshi Ito**

Responsible for the AA SS<sup>2</sup> business, General Manager of the Advanced Automation Company SS Marketing Development, General Manager of the Advanced Automation Company's Engineering Headquarters

**Tetsuya Maruyama**

Responsible for Energy Management promotion, General Manager of the Building Systems Company's Environmental Facility Solutions Headquarters

**Tomoyuki Takeda**

Vice Manager of the Building Systems Company's Tokyo Head Office, Vice Manager of the Building Systems Company's Integrated Business Headquarters

\*1 Control Products

\*2 Solution and Service

**2. Hirozumi Sone****4. Keiichi Fuwa****6. Yoshimitsu Hojo****8. Katsuhiko Tanabe****9. Takeshi Ito**

# Environmental Initiatives

Our environmental contributions have three key goals: achieving a low-carbon society, achieving a recycling-oriented society, and achieving a society that coexists with nature. We work to reduce the impact of our own business activities on the environment, and through our core businesses we also actively seek to help to reduce society's environmental footprint by cutting CO<sub>2</sub> emissions and improving the efficiency of resource use at customers' sites.

➡ For further details on CO<sub>2</sub> reduction at customers' sites, see "Environment" on page 27.

## The azbil Group Basic Environmental Policy, and Rules for Environmental Preservation

### ► The azbil Group Basic Policy on the Environment

The azbil Group's environmental conservation activities were previously governed by the azbil Group Environmental Charter, which was based on the Group philosophy. We have now outlined a new approach in the azbil Group Basic Policy on the Environment, which has a stronger focus on promoting initiatives to preserve the Earth's environment. Our basic initiatives seek to reduce the impact of our own business activities on the environment by saving electricity, using energy efficiently, reducing waste, promoting the three Rs,\* complying with laws and regulations, and managing chemical substances. At the same time, through our core businesses, we help to reduce society's environmental impact by solving the environmental issues faced by our customers. Guided by our new Basic Policy on the Environment, we will implement environmental preservation initiatives worldwide to do our part to achieve a sustainable society.

\* Initiatives focused on the "reduce, reuse, and recycle" approach, to encourage effective use of resources

### ► The azbil Group Rules for Environmental Preservation

We have established the azbil Group Rules for Environmental Preservation to strengthen our environmental initiatives around the globe. Based on the azbil Group Basic Environmental Policy, these rules set out the fundamentals concerning each Group company's systems and specific required measures.



### azbil Group Basic Environmental Policy

The azbil Group realizes safety, comfort, and fulfillment in people's lives and contributes to preservation of the Earth's environment through "human-centered automation."

Based on this philosophy, we consider preservation of the Earth's environment as one of our most important missions. To help to achieve a sustainable society, we will be a company that applies our unique business models to proactively provide solutions for environmental problems.

To help to achieve a sustainable society,

1. We will continuously reduce the environmental impact of our own business activities.
2. We will proactively offer solutions for the environmental challenges faced by our customers and society based on our measurement and control technologies.

April 1, 2016



Hirozumi Sone  
President and Chief Executive Officer  
Azbil Corporation

### Outline of the azbil Group Rules for Environmental Preservation

- |     |   |
|-----|---|
| (1) | Compliance with regulations   |
| (2) | Reduction of our environmental impact<br>Reduce CO <sub>2</sub> emissions, improve the efficiency of resource use, prevent pollution, and preserve biodiversity |
| (3) | Green procurement   |
| (4) | Promote environmentally friendly design, taking into account the entire product life cycle  |
| (5) | External communication  |
| (6) | Education and training  |

## Priority Measures in Environmental Initiatives

Recognizing society's need to achieve a sustainable society, we identify specific priority measures and promote Group-wide initiatives that approach this challenge from four angles: reducing CO<sub>2</sub>, using resources wisely, coexisting with nature, and

supplying environmentally friendly products and services. We are utilizing the know-how gained through our own initiatives to help to reduce the environmental impact of customers and society as a whole.

### Priority Measures in Environmental Initiatives



## Environmental Performance Data

Our environmental preservation activities are based on quantitative data concerning the various burdens placed on the environment by our business activities. With the aim of achieving a low-carbon society, we strive to evaluate environmental impact across all of our business activities. As a result of our proactive efforts concerning our own business activities, we exceeded our target of a 37% cut in CO<sub>2</sub> emissions in the year ended March

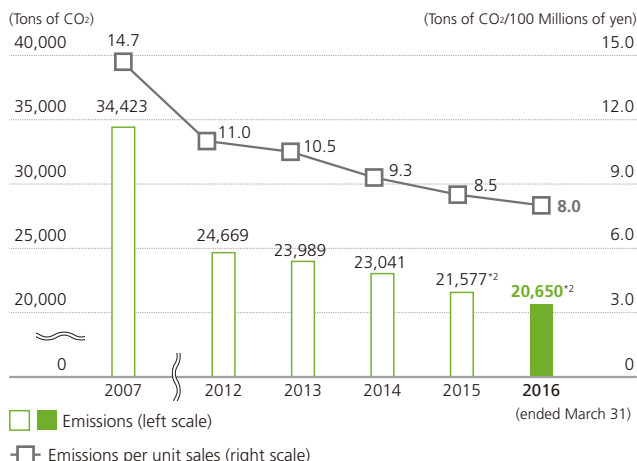
2016 as compared with their level in the year ended March 2007, achieving a 40% reduction, or a 45% improvement per unit sales.

For further details on our environmental performance data and for reports from individual sites, please visit the web page below.

[http://www.azbil.com/csr/basic/environment/business\\_site/performance/index.html](http://www.azbil.com/csr/basic/environment/business_site/performance/index.html)

### CO<sub>2</sub> Emissions (Scope 1, 2)<sup>\*1</sup>/CO<sub>2</sub> Emissions per Unit Sales

Azbil Corporation, its consolidated subsidiaries in Japan and its main manufacturing bases overseas

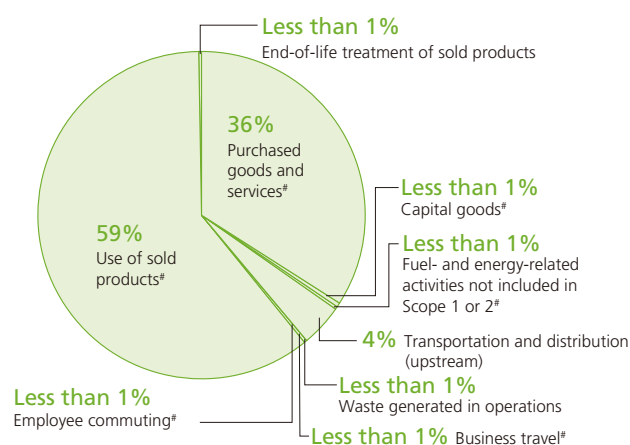


\*1. The figures for CO<sub>2</sub> emissions use a fixed coefficient (0.378 kg CO<sub>2</sub>/kWh). The figures for CO<sub>2</sub> emissions include estimates of rented office air-conditioning energy and other figures.

\*2. Our CO<sub>2</sub> emissions (Scope 1 & 2) from the year ended March 2015 onwards have received third-party verification.

### CO<sub>2</sub> Emissions (Scope 3)<sup>\*1\*2</sup> (for the year ended March 2016)<sup>\*3</sup>

Azbil Corporation



\*1. Indirect emissions of CO<sub>2</sub> from sources (e.g., suppliers) not under the company's control (Scope 1 & 2) but related to its business activities.

\*2. Percentages were calculated with reference to "Basic Guidelines on Accounting for Greenhouse Gas Emissions Throughout the Supply Chain" (Japanese ver. 2.2).

\*3. CO<sub>2</sub> emissions (Scope 3) in the year ended March 2016 indicated with a sharp (#) have received third-party verification.



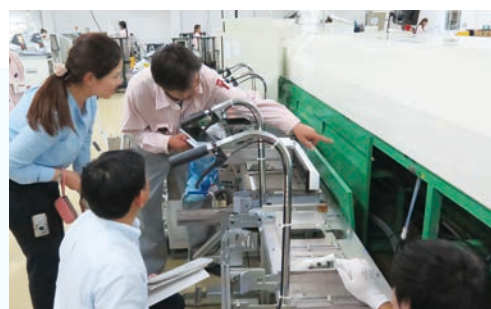
## Group-wide Electricity-Saving and Energy-Efficiency Initiatives

We are actively deploying our own energy management solution, at the Group's major business centers within Japan and overseas to promote efforts to save electricity and use energy efficiently through improvements in both operation and equipment by "visualizing" electricity usage and other information in real time. Each site conducts regular energy efficiency reviews. In addition, the company's environmental promotion team, the energy efficiency experts from our business divisions dealing with energy

efficiency, and our product and technology development teams work together to develop new visualization-based energy efficiency measures through trial and error, and they are steadily achieving results. The knowledge gained through these initiatives is used to increase energy efficiency and electricity conservation among our customers and the general public.

In the year ended March 2016, we introduced our visualization system at Azbil Production (Thailand) Co., Ltd.

### azbil Group Sites Using Our Visualization System



Energy conservation project activities with local staff at Azbil Production (Thailand)

## Biodiversity Initiatives

When utilizing the bounties of nature in our business activities, we are aware at the same time that our activities affect ecosystems in various ways. Accordingly, as one of the partners promoting the Keidanren Declaration on Biodiversity, we work together with non-profit organizations, universities, and local governments on initiatives at the sites of azbil Group business establishments and in the communities where they are based. There were six occasions in the year ended March 2016 when employees and their families participated in environmental conservation activities. These included tree-thinning work in the city of Fujisawa in Kanagawa Prefecture; work to protect the maiden lily, a near-threatened species found in the town of Minamiaizu in Fukushima Prefecture; and surveying the trees at Azbil Kyoto Co., Ltd., which is located on land developed by the local government.



Maiden lily conservation work

Maiden lily



## Consideration for the Environment in Our Products and Services

Since establishing our “Guidelines for Development of Products with Reduced Environmental Impact” in 1997, we have promoted Design for the Environment, which covers the entire life cycle of products and services, from the initial stages of development planning and design to materials procurement, production, logistics, sale, use, and disposal. In addition to conducting environmental design reviews at each development stage, we set environmental design targets for the LC-CO<sub>2</sub>\*<sup>1</sup> of each product and evaluate products based on these targets. We conduct life-cycle assessments and environmental assessments\*\*<sup>2</sup> of all new products, and products that meet our internal criteria can be granted the azbil Group Environmental Label<sup>†3</sup> as an environmentally friendly product and service.

As a result of our Design for the Environment initiatives in the year ended March 2016, we achieved improvements of 20% or more in the categories of ease of disposal (ease of collection, transport, and disassembly), environmental friendliness (nonuse of specific hazardous substances, detachability of components containing environmental pollutants, avoidance of hazardous substance use during manufacturing), and recyclability (smaller and lighter products, use of less wiring). This translated into an overall\*\*<sup>4</sup> improvement of 17.9% in our environmental assessment as a whole.

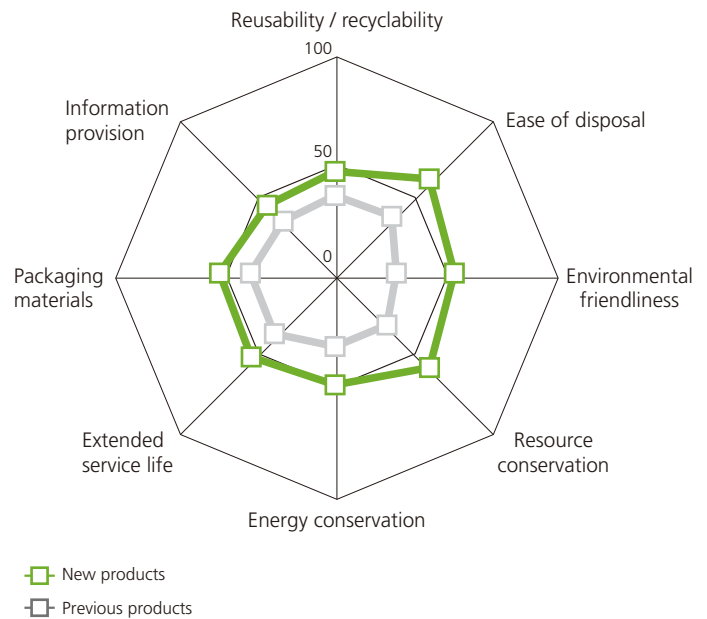
\*1. Life-cycle CO<sub>2</sub> emissions of the product

\*2. New products are divided into broad environmental categories and their superiority over comparable existing products in terms of environmental friendliness is evaluated under a four-grade scoring system.

\*3. Type II Environmental Label

\*4. Overall figure calculated from the results of each environmental assessment

### Environmental Assessment Results (for the year ended March 2016)



azbil Group Environmental Label

### Incentive Award Presentation at the 12th LCA Society of Japan Commendation Ceremony

At the 12th LCA\* Society of Japan Commendation Ceremony, Azbil Corporation was presented with the LCA Society of Japan Incentive Award in recognition of our proactive initiatives to develop products and services that are environmentally friendly throughout their life cycle. We were praised for our Design for the Environment initiatives using LC-CO<sub>2</sub> as the environmental design target, based on standardized LCA calculation throughout the azbil Group and our quick LCA calculation tool.

\*LCA: Life Cycle Assessment

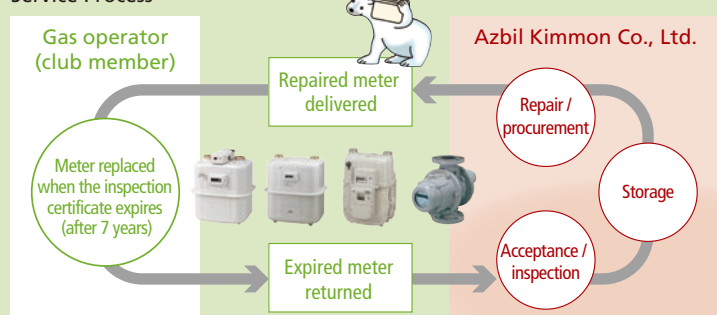


Presentation at the award ceremony

### Gas Meter Repair Club

The Gas Meter Repair Club is a membership-based system for the reuse of gas meters that we launched for LP gas operators in the year ended March 2015. We collect and repair the gas meters of club members, enabling them to be used again by the next member who requires one. The purpose of the system is not only to reduce costs for customers, but also to ensure the effective use of resources, thereby helping to protect the environment. The program initially focused only on commercial LP gas meters, but we subsequently expanded its scope and now also accept high-capacity rotary meters for grid gas. Around 570 gas operators nationwide are signed up as members of this program at present, a strong indication of their approval for its goals. Going forward, we would like to further enhance services for members and expand the program in a way that leverages the advantages of a membership system.

#### Service Process



# Responsibility to Stakeholders

Based on its philosophy of “human-centered automation,” the azbil Group aims to achieve sustainable growth and increase mid- to long-term corporate value by bringing safety, comfort, and fulfillment to people’s lives.

We are fully aware of our corporate social responsibility and believe that we should manage the company with appropriate consideration for our various stakeholders in the course of our business activities.

## Responsibility to Shareholders

We take appropriate measures to fully secure shareholder rights in accordance with laws and regulations. We are also developing an environment that takes into consideration the needs of minority shareholders and foreign shareholders, enabling them to exercise their rights effectively and equally. Moreover, to fulfill our accountability, we are striving to enhance the information we disclose and ensure greater transparency, with the aim of achieving a sustained improvement in corporate value.

### ► Accessible Shareholders’ Meetings

To make sure that many shareholders can participate, we avoid holding our annual shareholders’ meeting on a day when many other companies are holding theirs. In addition, the venue is conveniently located close to Tokyo Station. During the meeting, explanations of the company’s financial status are made easier to understand by the use of projected visual aids.

We were one of the first companies to encourage shareholders to exercise their voting rights by using color and graphics in our Notice of Convocation, as well as including a message from the president and CEO concerning the management’s vision and direction. In addition to sending out the notices three weeks before the annual shareholders’ meeting and publishing them on our website in Japanese and English 10 days before they are sent, we have put in place an environment that enables a wide range of investors to use an electronic voting platform so that they can quickly obtain information about the annual shareholders’ meeting and exercise their voting rights.

The Ordinary General Meeting of Shareholders for the year ended March 2016 was attended in person by 178 shareholders, and almost 90% of shareholders exercised their voting rights.

### ► Enhancing Communication

We have appointed an executive officer in charge of corporate communications, who are putting in place systems to facilitate dialogue with shareholders and investors, in partnership with various departments at Azbil Corporation. In addition to establishing the Investor Relations (IR) Office to handle IR full time and formulating communication plans, we are attempting to enhance communication by putting in place various tools to assist investment decisions, including the IR website (providing information for shareholders and investors), the annual report (this publication), and the Fact Book.

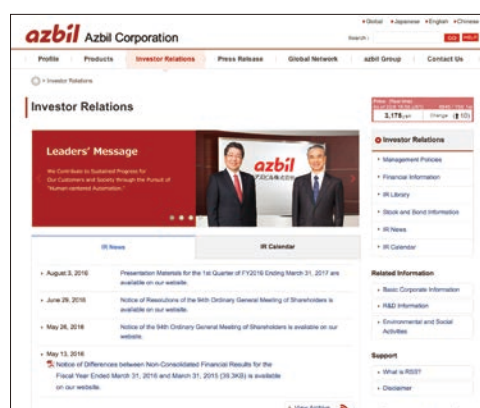
In the year ended March 2016, in addition to participating in conferences organized by securities companies in Japan and overseas, company staff and officers including the president and CEO attended various meetings, engaging in dialogue on more than 280 occasions. These offered an opportunity to promote

understanding of our company and gain valuable insights into views of others. We forward the opinions gathered through such dialogue to the management team, including the outside directors, and use it as a key source of information for making decisions on corporate management.

At our half-yearly briefings on the company’s financial results, the president personally explains the results and welcomes questions from institutional investors. In addition, following the announcement of our quarterly financial results, managers from each business segment and staff in charge of the company’s financial affairs and accounting hold briefing sessions for analysts from securities companies to promote understanding of the company.

### ► Timely and Appropriate Disclosure

We ensure that highly transparent and fair disclosure of information is carried out in a timely and appropriate manner, in order to build and develop a relationship of trust with stakeholders. In addition, we have set out our basic approach to disclosure in our Disclosure Policy. We also do our utmost to ensure prompt disclosure on the IR website, publishing and updating information about such matters as shareholders’ meetings, financial results, and IR tools. In addition, we offer an IR information e-mail service that enables subscribers to receive information as it is announced. We upgraded our IR website in the year ended March 2016 to enhance the information provided and improve its accessibility.



Front page of the IR site

## Responsibility to Society

To foster a culture of involvement with the community throughout the azbil Group, we encourage participation in voluntary activities that contribute to society by “creating a space” for action in a variety of fields. In addition, we help to raise awareness of environmental issues and facilitate regional revitalization through participation in events in the communities where azbil Group companies are located.

### ► Promoting Voluntary Activities that Contribute to Society

Established to encourage participation by staff and officers in voluntary activity that contributes to society by “creating a space” for action, the azbil Honey Bee Club raises awareness and carries out volunteer activities.

In the year ended March 2016, the club's sixth year of operation, 29 groups previously selected by vote received donations from the club, and donations were also made to another 23 groups engaged in activities that contribute to society. The groups received a total of ¥6.43 million, including matching donations from Azbil Corporation. This brought the total number of initiatives supported by the club since its inception to 195, with accumulative donations worth a total of ¥27.64 million.

Azbil Corporation encourages active participation in such activities by each and every employee by providing matching donations.



Assistance activity in a disaster-affected area by groups supported by the club

#### azbil Honey Bee Club

The club was formed to allow the Group's corporate culture and spirit to take root and result in contributions to society.

- Any employee who wishes can participate.
- By saving a little bit back from expenditures, it's easy to save enough money to participate.
- A certain amount of the money is donated to volunteer groups or individuals engaged in activities that contribute to society, preferably activities in which club members have participated.

An independent voluntary group founded in 2009 with the aim of encouraging azbil Group employees to participate in social contribution activities by such a “creating a space” for action.

For further details, please visit the club's web page.

➡ <http://www.azbil.com/jp/csr/contribution-to-society/mitsubachi.html>

### ► Improving Environmental Awareness and Contributing to Communities

Our involvement in the Shonan International Marathon, which aims to be an environmentally friendly race that promotes environmental awareness, dates back to the very first time the race was run. The year ended March 2016 saw us supporting it for the 10th time.

Each year, we serve as an Eco Friendship Leader, working with other supporting organizations to assist in the smooth running of the event, the separation of different types of recyclable waste, and the building of structures from environmentally friendly materials. Through these activities, we make a contribution to the community and raise environmental awareness among participants and spectators.

The Eco-Café that we operate there each year helps to raise awareness about contributing to society among participants and spectators by using locally grown and locally consumed ingredients. In addition, at the 2015 race, we offered coffee made from fair trade coffee beans for the first time.

In addition to 91 employees from across the country and other volunteers who offered their services to assist in the hosting of the event, a total of 206 employees took part as runners, making the 10th anniversary Shonan International Marathon a lively occasion.

➡ <http://www.shonan-kokusai.jp/10th/approach/ecofriendship/index.html>



azbil Group employees and their family members who participated in the Shonan International Marathon



March, the azbil Honey Bee Club's mascot



## Responsibility to Customers and Suppliers

At customers' sites, we help to solve problems and create value for customers by delivering high-quality, safe and dependable products and services unique to the azbil Group.

### ► Responsibility to Customers

Backed by our integrated framework, which covers everything from development to manufacturing, sales, engineering, installation, and service, we work with customers at their sites to identify and understand their challenges and deliver solutions, while making every effort to ensure the quality, safety, and dependability of our products. We have now opened a new venue, the azbil Techno Plaza, to

provide customers with a deeper understanding of our technologies, products, and services.

Additionally with regard to our responsibilities to customers, we make sure to appropriately manage the information entrusted to us by customers by thorough adherence to information management and confidentiality protocols, reinforced by information security training for employees.

➡ For more detailed information, see "Quality Assurance and Safety of Products and Services" on page 46.

## Responsibility to Employees and Partners

We encourage business management that values people and allows each and every employee to realize his or her potential. To this end, we are revising our approaches to work and organizational management to reflect changes in the employment and work environment, as well as striving to foster a high level of safety consciousness.

### ► Business Management that Values People

We are undertaking various initiatives to invigorate the workplace, improve motivation, promote diverse ways of working, and create an environment that ensures the safety and peace of mind of our employees.

### ► Invigorating the Workplace and Increasing Motivation

**Raising the Standard of Workplace Management** Since the year ended March 2014, we have conducted employee satisfaction surveys with the aim of creating healthy and positive workplaces, using the results to identify and analyze the current situation in workplaces and any problems involving matters such as motivation for work, communication between managers and staff, or job performance. Through this repeated process of surveys, analysis, and the formulation and implementation of improvements, we are endeavoring to raise the standard of workplace management.

In organizations where employee satisfaction was relatively low, the Personnel Department worked with the workplace management to devise and implement corrective measures. Repeatedly carrying out this process has resulted in our Satisfaction DI\* improving from 40% in the year ended March 2014 to 47% in the year ended March 2016.

In the year ended March 2016, we began conducting the satisfaction survey at all Group companies and are working on creating healthy and positive workplaces throughout the azbil Group.

\* An index calculated by: Satisfied employees (%) – Dissatisfied employees (%).

**Promoting a Better Work-Life Balance** To help employees achieve a good work-life balance, we encourage them as a first step to use their annual paid leave. In addition to setting a single company target for taking annual paid leave, we are working to achieve greater efficiency of workplace operations in workplaces where employees have difficulty taking paid leave. In addition, we

are spreading the workload between workplaces through more effective utilization and deployment of personnel.

As a result, the percentage of employee annual paid leave which was used has increased at Azbil Corporation from 73% (14.7 days) in the year ended March 2014 to 75% (15.1 days) in the year ended March 2016.

### ► Promoting Diverse Ways of Working

#### Developing a Female-friendly Workplace Environment

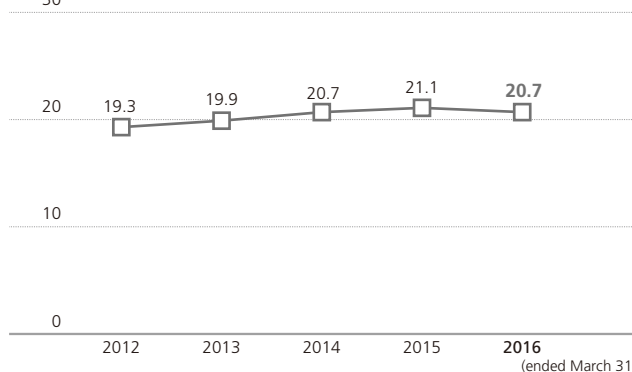
With the aim of building and maintaining a healthy workplace environment in which women can work with long-term health and peace of mind, we are continuing to enhance our maternity leave and child care leave systems. We have introduced a system in which a woman can work shorter hours or shift her working hours to achieve a better work-life balance. Based on the Act on Promotion of Women's Participation and Advancement in the Workplace, we have put together an action plan that supports active participation by women and, to encourage women to remain in the workplace for the long term, enhances efforts to

#### Average Length of Continuous Service among Female Employees

Azbil Corporation

(Years)

30



□ Average length of continuous service among female employees

create opportunities for women to take on more important roles and greater responsibilities. Moreover, it aims to develop a more pleasant long-term working environment for all employees, men and women alike, in order to improve job satisfaction. We have set a target of at least doubling the number of women in managerial or specialist positions compared with the year ended March 2015 (when there were 35 women in such positions).

**Maintaining and Increasing Employment Opportunities for People with Disabilities** In 1998, we established a special subsidiary company, Azbil Yamatake Friendly Co., Ltd., with the aim of creating a place where employees with intellectual disabilities can thrive and play an active role in the company. Azbil Yamatake Friendly's management policy is to assist in the skill enhancement and self-realization of people with intellectual disabilities through work, thereby enabling these employees to contribute to society. With this in mind, we endeavor to increase employment opportunities for people with disabilities. Having received approval to use the special provision applicable to large companies in regard to the statutory employment rate, our special subsidiary company is strengthening its partnerships with other Group companies in order to offer a wider range of opportunities for people with disabilities to play an active role in society. In the year ended March 2016, we added Azbil TA Co., Ltd., to the list of companies included in the calculations, thereby further expanding the scope for offering employment opportunities.

### ► Creating the Workplaces that Ensure Safety and Peace of Mind

**Raising the Standard of Health and Safety among Group Companies** To raise the standard of health and safety among Group companies, we have extended Azbil Corporation's Basic Policy on Health and Safety, its Health and Safety Regulations, and its Health and Safety Committee Regulations to cover the entire azbil Group, and we are now acting on this basis.

**Progressive Expansion of OHSMS Certification** During the fourth year of our OHSMS certification, we continued to maintain highly safety-conscious workplace environments and are expanding the scope of our efforts to address workplace safety issues by

increasing the number of business establishments with OHSMS certification.

**New Health and Safety Education Programs** As the number of serious incidents has been decreased, in the current fiscal year (ending March 2017) we introduce new health and safety education programs entitled "Preventing Human Error," "How to Conduct Effective Safety Patrols," and "Preventing Incidents Caused by Falls." Through these courses, we are working to prevent industrial accidents.

**Mental Health Support** In addition to conducting stress checks, we are improving our self-care education. Also, when conducting group analysis of stress checks, we link them to the results of employee satisfaction surveys and analyses of factors contributing to past employee absenteeism, and seek to improve the workplace environment in order to facilitate early detection and prevention of problems related to mental health.

**Health Improvement** In partnership with the azbil Group's health insurance association, we are working to improve the health of our employees using a health data program. Specifically, in the current fiscal year (ending March 2017), we are measuring the physical fitness of employees as part of our effort to prevent falls, and we are also setting improvement targets and conducting activities to help to improve employee physical fitness.

### ► Responsibility to Partners (Partner Companies, Suppliers, etc.)

The azbil Group endeavors to ensure honest and fair purchasing both within Japan and overseas. Accordingly, to ensure full consideration of corporate social responsibility (CSR) throughout the supply chain, we request that suppliers familiarize themselves with the azbil Group's Basic Purchasing Policy. Moreover, we assist partner companies to improve technical capabilities and human resource development in order to ensure that we provide a high level of value. As part of these endeavors, we hold an in-house session featuring presentations of outstanding proposals for improving energy efficiency at client sites and examples of improvements in the operation of equipment. The very best examples are recognized with a commendation.

#### Number of Employees with Disabilities, Ratio of Employees with Disabilities to Total Workforce

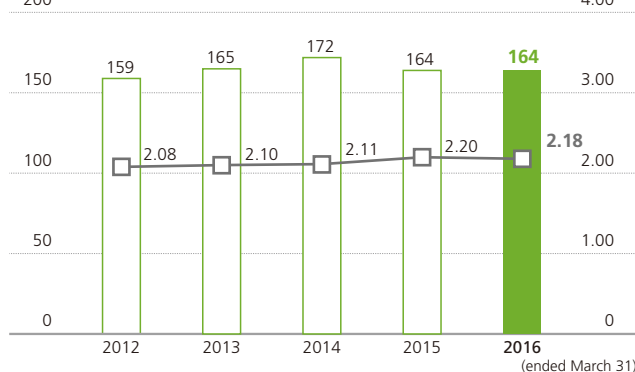
Azbil Corporation and its major consolidated subsidiaries in Japan

(Employees)

200

(%)

4.00



■ Number of employees with disabilities (left scale)

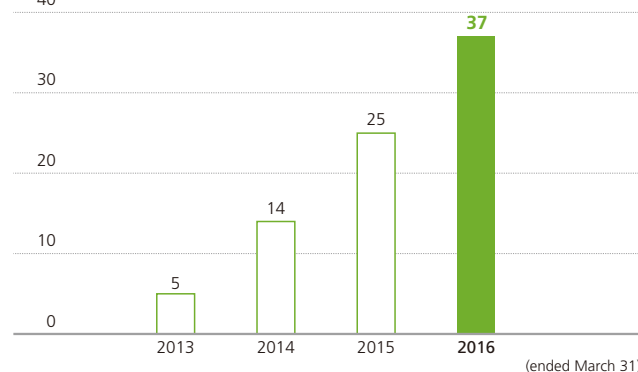
□ Ratio of employees with disabilities to total workforce (right scale)

#### Number of azbil Group Business Establishments with OHSMS Certification

Azbil Corporation

(Locations)

40



■ Number of azbil Group business establishments with OHSMS certification