

Leaders' Message

Through the pursuit of “human-centered automation” co-created by human ingenuity and technology, we aspire to be a corporate organization that helps resolve issues faced by customers.



Group Philosophy

**To realize safety, comfort, and fulfillment in people's lives
and contribute to global environmental preservation through
“human-centered automation.”**

To achieve our philosophy,

- **We create value together with customers at their site.**
- **We pursue our unique value based on the idea of “human-centered.”**
- **We think towards the future and act progressively.**

Since our establishment in 1906, we have focused on measurement and control technologies, delivering unique solutions to our customers. Our founder, Takehiko Yamaguchi, established the company with the intention of “using advanced technology to liberate people from drudgery,” and since then we have advanced with the times. At our centenary in 2006, we introduced “human-centered automation,” which remains our philosophy today, and we formulated the group symbol “azbil.” In April 2012, we changed the company name from Yamatake to Azbil, and we have sought to make the azbil brand familiar to as wide an audience as possible.

Today, the azbil Group provides unique levels of customer-oriented value in offices, production sites, and daily life over the world through its three business segments: Building Automation, Advanced Automation, and Life Automation. The year ended March 2017 was the final year of our previous medium-term plan. During the year, we upgraded business infrastructure, responded to changes in market conditions, and reassessed our business portfolio. As a result, we achieved year-on-year increases in earnings for the fourth consecutive period.

In the current fiscal year ending March 2018, we have started a new three-year medium-term plan. To achieve the objectives of the plan, we are pursuing three fundamental policies: (1) Being a long-term partner for the customer and the community by offering solutions based on our technologies and products; (2) Taking global operations to the next level by expansion into new regions and a qualitative change of focus; and (3) Being a corporate organization that never stops learning, so that it can continuously grow stronger. In particular, we anticipate sustained growth in the life cycle solutions business, which we will expand globally, as well as in new automation fields where we can apply various technological innovations, and in environmental and energy fields where we will broaden our business presence.

Going forward, the azbil Group will continue forging ahead as a unified corporate group able to help solve various issues by creating new levels of value in partnership with customers at their sites, through the pursuit of “human-centered automation” that liberates people from drudgery and provides them with happiness brimming with joy and fulfillment.

July 2017



Seiji Onoki
Chairman
Azbil Corporation



Hirozumi Sone
President and Chief Executive Officer
Azbil Corporation

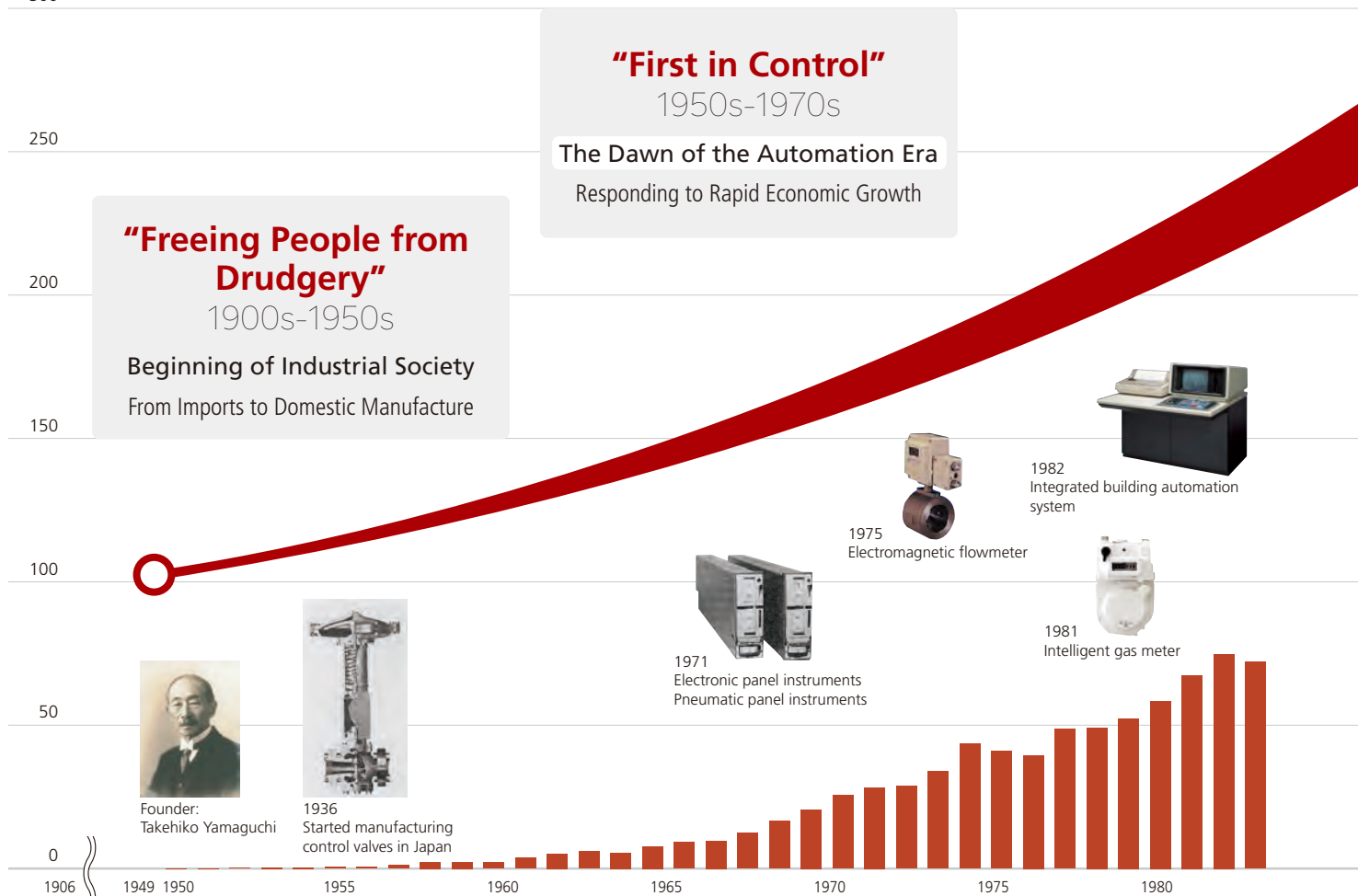
azbil's History of Value Creation

In its pursuit of automation, azbil will deploy worldwide the sustainable value creation that it has achieved over more than a century.

Since our founding in 1906, we have taken on the challenges of solving problems in a variety of situations, including buildings, factories and plants, lifelines, and living environments, leveraging both the most advanced automation available and the knowledge that we have built up at customers' sites to provide value.

As well as pursuing new values in automation, we are aiming not only to meet the needs of society but also to further grow and develop in partnership with customers and society amid an increasingly globalized business environment.

Net sales
(billions of yen)



Advanced Automation (AA) Business

Building Automation (BA) Business

- Notes: 1. As the company had adopted the settlement twice a year before FY1974, the graph shows the total amount of two accounting periods.
2. From FY1948 to FY1993, the financial statements were prepared for the year ended September 30. Since FY1994, they have been prepared for the year ended March 31.
3. As the company changed the fiscal year, FY1994 had irregular closing.
4. The financial statements were prepared on an unconsolidated basis until FY1993. Since FY1994, they have been prepared on a consolidated basis.

azbil "Human-centered Automation" 2006~

Open Network System to Fully-digitalized,
Seamless Network System

Adapting to the Surge in Social Needs for Environmental Conservation and
Energy Saving and Offering Solutions for Sustained Development

"Savemation"

1970s-2000s

The Shift from Analogue to
Digital Instrumentation

Contribution to Higher Performance,
Accuracy, and Energy Saving



2016
Cloud services for buildings



2015
Online anomaly monitoring system



2012
Name and logo were adopted for all
products and services related to energy
management solutions.



2004
Control valve maintenance support system



2009
Network instrumentation module



2000
Remote maintenance service for buildings



1995
Monitoring and control system



1996
Thermal mass-flow sensors



1985
Next-generation control valve



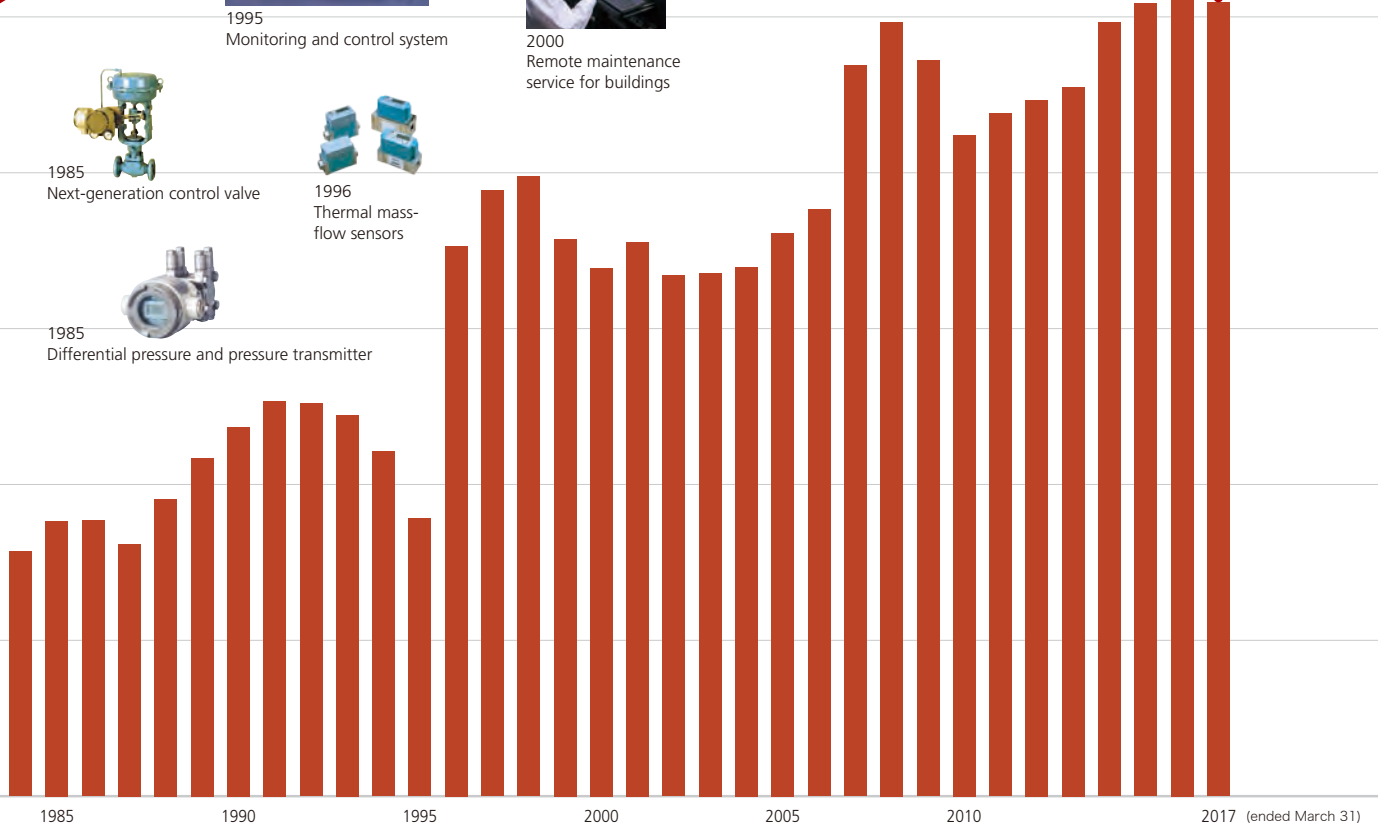
1985
Differential pressure and pressure transmitter

Net sales for the year ended
March 31, 2017

¥254.8 billion

Operating income for the year
ended March 31, 2017

¥20.1 billion



Life Automation (LA) Business

Creating Four Core Values

The azbil Group strives to realize safety, comfort, and fulfillment in people's lives and contribute to global environmental preservation through "human-centered automation."

In buildings, in plants and factories, and in daily life, we aim to create social values through "human-centered automation" in partnership with our customers.

Issues Faced by Our Customers and Society

Challenges that change with the times

New product development and production for business growth, and advanced manufacturing corresponding to technological innovation



Creating comfortable, safe, and efficient office spaces and production sites, and healthy living environments



Security and disaster-preventive measures, and business continuity planning (BCP)



Creation of better work styles focused on people



A stable supply of water and gas



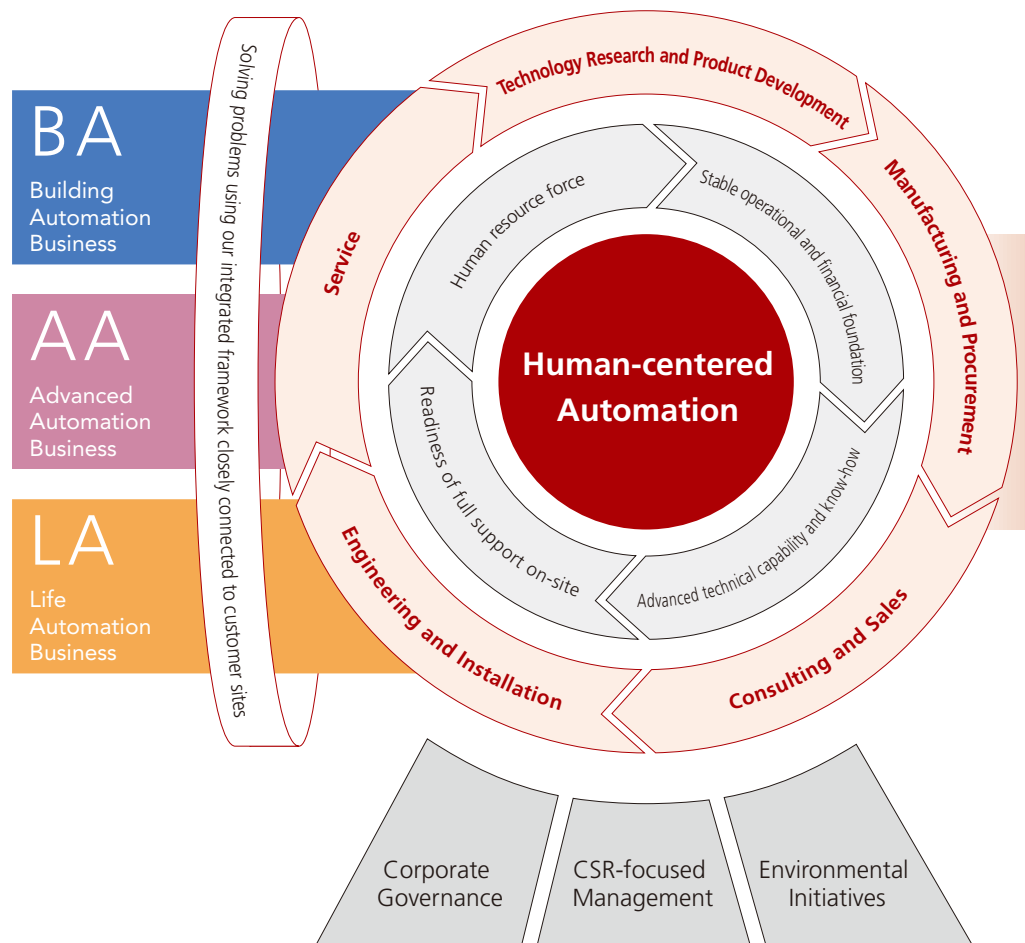
Achieving compatibility between comfort and energy conservation



Reducing the burden on the global environment



azbil Group's Operations



azbil Group's Operations

► P.34

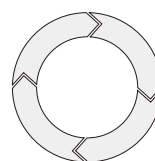
Introduce three businesses of Building Automation (BA), Advanced Automation (AA), and Life Automation (LA).



Four Strengths of azbil Group

► P.8

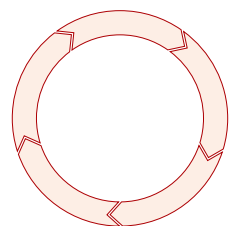
Introduce four strengths of the azbil Group which become the driving force of the value chain



Value Chain

► P.48

Introduce the azbil Group's exclusive value chain which is requisite for sustainable value creation through automation.



Feature:
The azbil Group's Endeavors for a Sustainable Future

▶P.26

Solutions Based on Our Measurement and Control Technologies and Products

Development and provision of devices and applications corresponding to various technological innovations

Unique products

Solutions that meet the needs of the times

High-precision laser sensors

Multi-loop controllers with multifunction display

Remote monitoring services

Valves with flow measurement function

Energy management solutions

Micro flow rate liquid flowmeter

Manufacturing equipment for the pharmaceutical market

Cloud services

Real-time microbe detectors

Plant smart security

Our engineers with thorough on-site knowledge create value with customers throughout the life cycle of a customer's facilities.

The Social Values Created through azbil Group's Operations

Facilitating sustainable development for our customers and society as a whole

Safety

To live and work in good health and in safety



Comfort

To always live and work in comfort



Fulfillment

To create new value with the customer



Environment

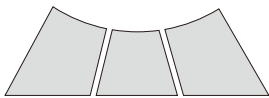
To optimize the management and usage of energy

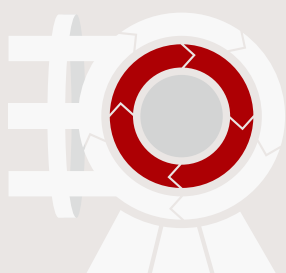


Infrastructure to Support Value Creation

▶P.58

Introduce the elements which form the infrastructure for the azbil Group to maintain and improve value creation.





Four Strengths of azbil Group

Drawing on its measurement and control technologies, the azbil Group, with a of advanced automation technologies and abundant know-how, and is equipped customers resolve their problems. We will continue aiming for and challenging society, backed by a stable business foundation consisting of three segments, a



Stable Business Foundation and Sound Financial Constitution

► P.12-13 (Financial and Non-financial Highlights)

The three business segments of the azbil Group form a combination that is relatively impervious to the impact of economic fluctuations. We also have a business model that, being involved throughout the life cycles of customers' buildings and facilities, delivers sustained profit over the medium and long terms. Drawing on this foundation, we generate stable income and cash flows to improve our financial constitution and deliver sustainable business expansion and high levels of return to shareholders.

Rating and Investment
Information, Inc. (R&I)

A

(Rating announced on October 19, 2016)

Equity ratio

62.2%

(as of March 31, 2017)



Reliable On-site Response Capability to Help Solve Customers' Problems

► P.46-47, 105 (Global Operations, azbil Group Companies Data)

The azbil Group is not only a manufacturer but also a consulting, engineering, and service partner. In this role, we remain close to customers' sites, understand their problems, and provide support to solve those problems. Through cooperation among our bases in Japan and overseas and our sales, development, production, and service functions, we aim to create value at our customers' sites.

Number of bases

Japan... **205** bases

Overseas... **111** bases

(as of March 31, 2017)

history of more than 100 years, has amassed a wealth
ed with the human resources and systems that help
ourselves towards steady growth and a sustainable
s well as a sound financial constitution.



Advanced Automation Technologies and Abundant Know-how

► P.34-45, P.49-51

(Business Introduction, Technology Research and Product Development)

To address the needs of various customers and solve their problems, we are refining our advanced automation technologies, which take into account IoT and various other technological innovations, as well as market fluctuations. Our strength lies in our abundant know-how amassed over many years at our customers' sites. Making full use of these technologies and know-how, the azbil Group contributes to environmental impact reduction for customers and society.

CO₂ emissions reduction at customers'
sites through our products and solutions

3,210,000
tons/year

For details, please see "Contributing to the Environment
through Our Core Businesses" on pages 74 to 75.



Human Resources with Advanced Specialist Expertise

► P.56-57 (Human Resources)

We established the Azbil Academy, an institution specializing in human resource development, to concentrate on fostering personnel who can create value together with customers at their sites. In order to fulfill measurement and control technologies which require advanced specialist expertise, we set up a training environment with various technical education courses using actual equipment, an incentive scheme for official qualifications acquisition, an accreditation system for technical professionals and other schemes, to enhance employees' skills.

Azbil Academy: Number of annual students
(total number of students)

Approx.

65,000 people

* Courses include basic education (such as CSR), personal-choice correspondence education, and e-learning

* The number of students includes employees from Group companies, partner companies, dealers etc.

Number of employees with official qualifications
(priority qualifications) (total number of employees)

Approx.

2,600 people

* Number of people with highly important qualifications (among official qualifications) from business management perspective

Case Study of Value Creation

These case studies highlight our four core values provided through “human-centered automation.”

Safety

To live and work in good health and in safety

- Measuring equipment and programs that detect malfunctions invisible to the naked eye and facility monitoring systems play a role in the safe, accident-free operation of manufacturing facilities.
- Various systems, including those that manage access or automate dangerous work processes, enable the safe operation of facilities and safeguard people who work in offices or factories.
- Integrated management of food, water, electricity, and gas supplies, from production to your doorstep

Safety case study

Odawara Gas Co., Ltd.

Innovative gas pressure meter sought by industry developed, greatly enhancing safety and efficiency of gas conduit construction

Odawara Gas Co., Ltd. supplies city gas to four towns and two cities of Kanagawa Prefecture. In an initiative to develop new technologies, Odawara Gas teamed up with six city gas providers, the Japan Gas Association, and Azbil Kimmon Co., Ltd. to develop a wide-range gas pressure meter sought after for many years by the industry. Addressing



Comfort

To always live and work in comfort

- Measuring and analyzing indoor air environments in offices, factories, and homes, then adjusting temperature and humidity and removing dust and pollen create comfortable living conditions with minimal temperature differences between areas.
- Automation technologies boost work quality and efficiency, which in turn improve productivity and quality and lead to enhanced customer satisfaction.

Comfort case study

Seaside Hotel Yakushima

Full renewal of hotel air conditioning and hot water supply promotes energy conservation, comfortable spaces for customers, and protection of island's environment

Seaside Hotel Yakushima is an iconic resort hotel on the Japanese island of Yakushima. To address its needs with respect to aging air conditioning and hot water supply equipment, the hotel has implemented energy-saving measures under a subsidy scheme set up by the Ministry of the Environment. Seeking to save energy on the island, where hydropower accounts for



Fulfillment

To create new value with the customer

- We create new value by working with customers at their sites to improve the operation of buildings and factories, enhance quality, conserve energy, and reduce environmental impact, which help to solve customers' issues.
- We craft optimal solutions with comprehensive support throughout the facilities' life cycle by promptly responding to each customer's needs using our integrated structure that combines consulting, development, production, and maintenance.

Fulfillment case study

The University Art Museum,
Tokyo University of the Arts

Meticulous temperature and humidity control in protection of artwork as well as significant energy savings

Tokyo University of the Arts has long played a leading role in the advancement of art culture in Japan, and its University Art Museum houses multiple art objects that include important cultural items designated as national treasures. While protecting such objects requiring strict temperature and humidity management, another major issue is



Environment

To optimize the management and usage of energy

- In buildings, energy is conserved by improving the operating methods of air-conditioning equipment, modifying air conditioning to match a building's scale and purpose, and upgrading or renewing facilities.
- In the manufacturing process in plants and factories, the reduction in usage of electricity, steam, and compressed air through automation contributes to reducing the waste of energy.
- We show when, where, and to what extent energy is being used, and then provide the best solutions for saving energy while maintaining comfort and quality.

Environment case study

Keppel DHCS Pte Ltd

Optimal control of heat sources using existing facilities achieves substantial energy savings at DCS plants

Keppel DHCS Pte Ltd is known as the largest district heating and cooling system provider in Singapore. The company considered energy-saving measures for use at its three DHC plants in response to stronger national environmental protection measures, and in order to reinforce its business competitiveness by reducing operational costs of their facilities.



the requirements of gas companies, it successfully turned know-how and technologies of Azbil Kimmon Co., Ltd. into a commercial reality, of which Odawara Gas is a user. Conventionally in gas conduit construction, medium- and low-pressure meters are set up separately. This requires switching between meters during construction according to the measurement range, giving extra workload and potential danger. Taking advantage of the newly developed pressure meter, which can undertake continuous measurement without the need for switching, Odawara Gas has reduced its workload, improved safety, and sped up construction. The new pressure meter is currently acknowledged widely as a groundbreaking product and used by many gas companies.



99.8% of electricity generation, and also foster a transition from heavy oil to natural energy, Seaside Hotel Yakushima took various measures under a proposal from Azbil Corporation. Specifically, it installed a highly efficient heat source and applied various kinds of automatic control technologies to both improve comfort and optimize energy consumption of indoor spaces. It also introduced a central monitoring system to allow visualization of the building's status. As a result, it reduced the cost of heavy oil consumption to one-third and cut carbon dioxide (CO₂) emissions by 68%. By monitoring the temperature of the entire hotel, including guest rooms, it also established a system that always provides comfortable spaces for customers. This has become a model case for Yakushima, known for its commitment to environment protection and reduction of CO₂ emissions.



energy efficiency, a focus of growing social pressure. With this mind, the university selected Azbil Corporation as an ESCO^{*1} operator to resolve the issue. In addition to renewal of aging heat source equipment, Azbil introduced a BEMS^{*2} and control methods to optimize operation of air-conditioning equipment. As a result, we achieved a challenging energy usage reduction target—46.2% of reduction from the annual average for the most recent three-year period—while maintaining high-level temperature and humidity control required by the facility.

*1 Energy Service Company

*2 Building Energy Management System



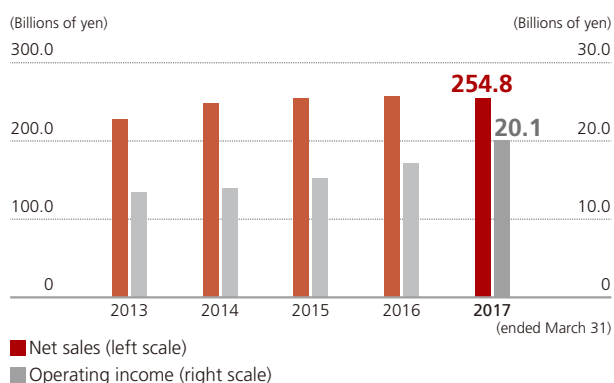
The company adopted the azbil Group's approach of making use of the most of the plants' existing facilities, such as chillers, cooling towers, and pumps, optimizing the control of new heat sources, and making use of an ESCO plan, a type of plan that guarantees energy-saving effectiveness. As a result, the Woodlands DHC plant achieved a large reduction in electricity consumption by 2.28 million kW/year, far above its initial target. After these proven results, similar measures were adopted at the Changi and Biopolis DHC plants, which reduced the company's electricity consumption by over 8 million kW/year at three DHC plants in total, again much above their targets.



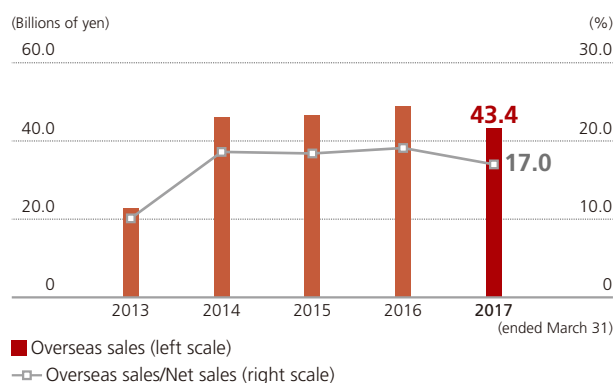
Financial and Non-financial Highlights

Azbil Corporation and its consolidated subsidiaries

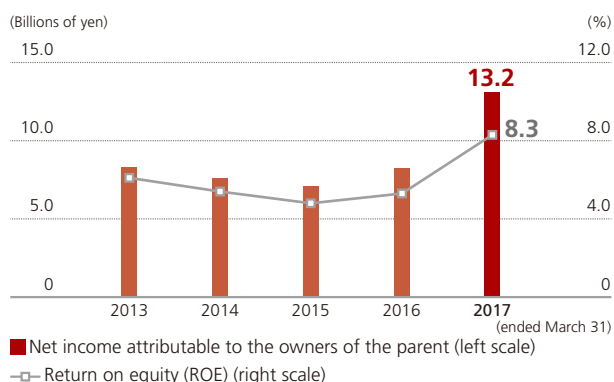
Net Sales, Operating Income



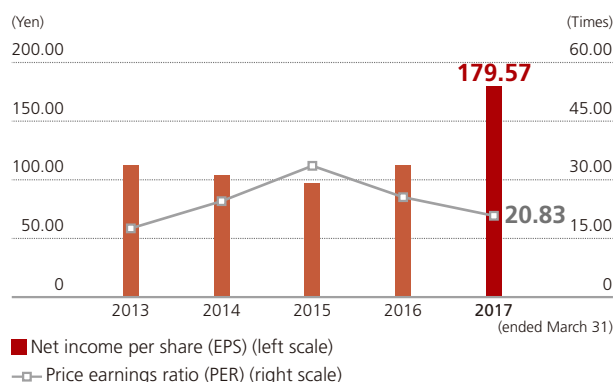
Overseas Sales, Overseas Sales/Net Sales



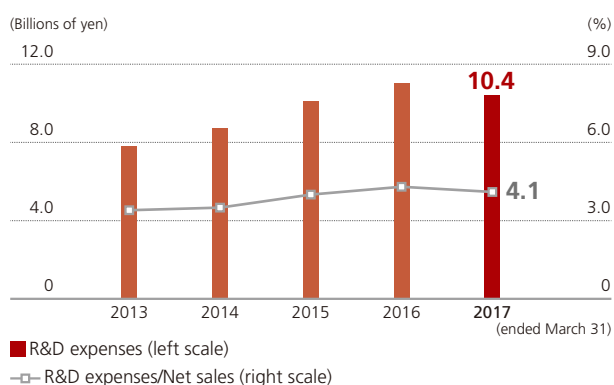
Net Income Attributable to the Owners of the Parent, Return on Equity (ROE)



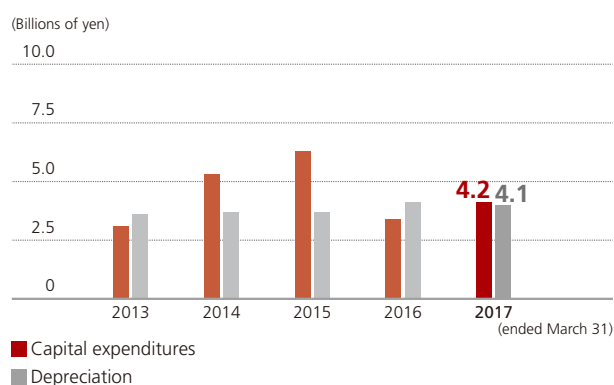
Net Income per Share (EPS), Price Earnings Ratio (PER)



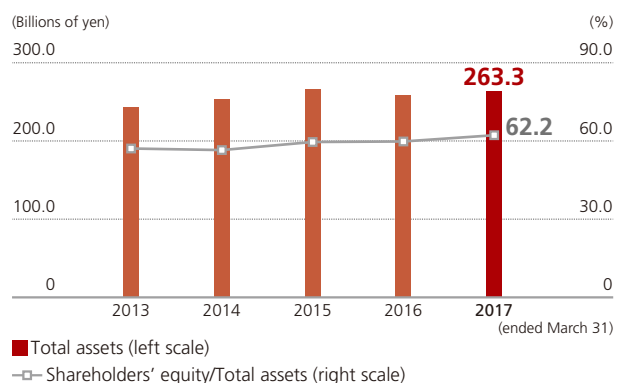
R&D Expenses, R&D Expenses/Net Sales



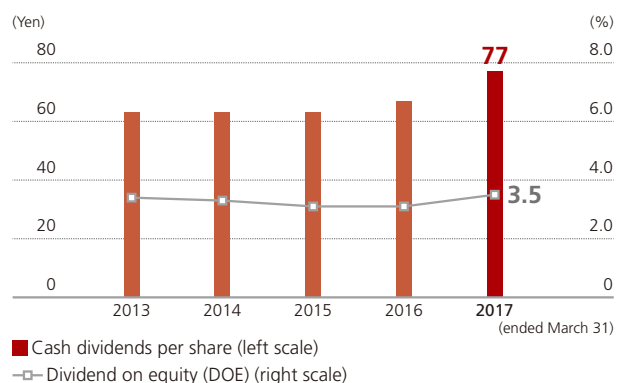
Capital Expenditures, Depreciation



Total Assets, Shareholders' Equity/Total Assets

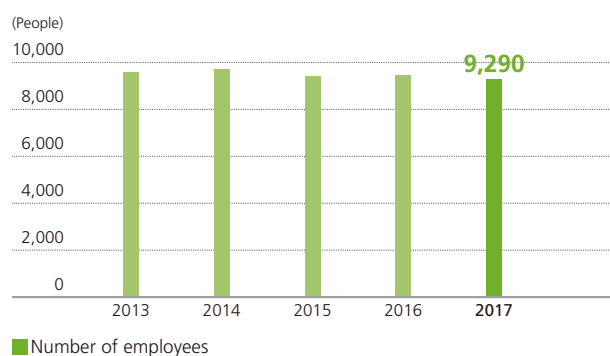


Cash Dividends per Share, Dividend on Equity (DOE)



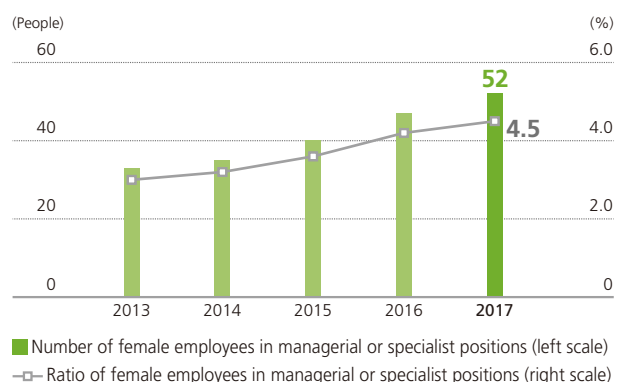
Number of Employees

(as of March 31)



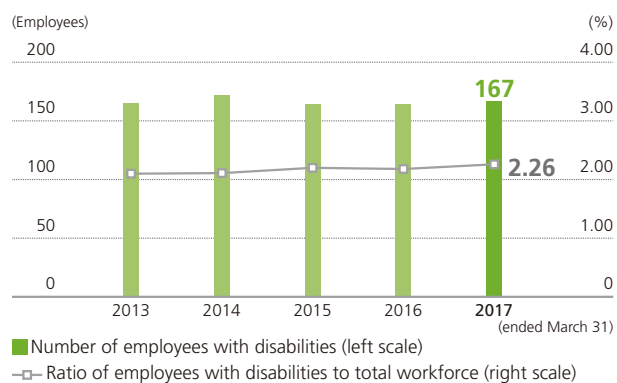
Number of Female Employees in Managerial or Specialist Positions, Ratio of Female Employees in Managerial or Specialist Positions

Azbil Corporation (as of April 1)

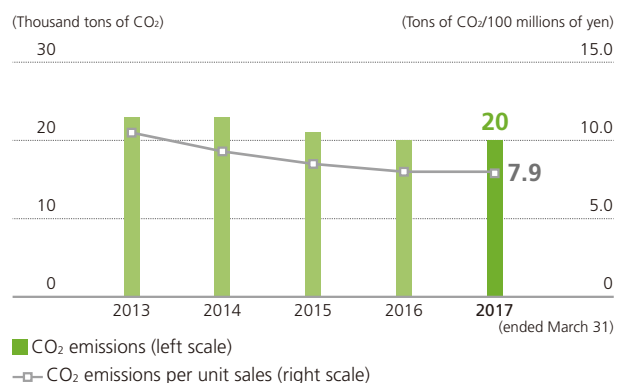


Number of Employees with Disabilities, Ratio of Employees with Disabilities to Total Workforce

Azbil Corporation and its major consolidated subsidiaries in Japan

CO₂ Emissions, CO₂ Emissions per Unit Sales

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



The Past Year at the azbil Group

Note: Dates generally indicate the date on which the information was released or of the implementation day.

May 25

Ministry of Economy, Trade and Industry (METI) deploys an azbil-led consortium of energy management service providers to support energy conservation initiatives at factories and offices.

May 26–27

azbil Group participates in carbon offset efforts at Ise-Shima Summit.

June 1

azbil Techno Plaza showroom opens in Azbil's Fujisawa Technology Center.



June 10

Included in the FTSE4Good Global Index (a leading socially responsible investment index) for 10th consecutive year

June through February 2017

Taking advantages of our 110th anniversary, the azbil Group conducts seminars and events to introduce latest initiatives of the azbil Group to customers at seven locations in Japan



August 26

Azbil SecurityFriday reaches agreement with Intercom, Inc. to collaborate in providing security solutions for corporations.

2016

April

May

June

July

August

September

AA June 6

Launches user-friendly compact digital mass flow controller for manufacturing equipment integration



LA August 8

Announces launch of central air-conditioning system, consisting of floor-mounted indoor units, for large detached houses



LA September 13

Azbil Telstar develops new automatic loading and unloading systems, employing non-contact magnetically driven system, for pharmaceutical Lyophilizer.



AA September 14

Scheme adopted using Azbil as energy management service provider in seven projects, including in steel and paper & pulp markets

AA September 27

Azbil Vietnam concludes distribution agreement with Water Supply Company of Hue, Vietnam.



BA September 29

Our direct digital controller and building management device win 2016 Good Design Awards.



December 1

Renewal of "Yamatake Memorial" that conveys the history from the foundation to future generations



December 4

Co-sponsorship of the 11th Shonan International Marathon (Japan) and support for efforts to reduce the burden on the environment



March 6

Azbil Kimmon participates in practical water and LP gas meter reading experiments in Hokkaido area utilizing low power wide area (LPWA) network.

March 30

Holds science experiment classes for junior high school students as a new social contribution activity co-hosted by Fujisawa City, Kanagawa Prefecture

October 1

Professional soccer club Shonan Bellmare home game held under the azbil name

October 12

The azbil Honey Bee Club volunteer organization provides ¥6.63 million in support of social welfare groups and other organizations.

December 12

Chosen by Daiwa Investor Relations Co., Ltd. to receive 2016 "Internet IR Excellence Award"

January 11

Azbil SecurityFriday releases "Cyber Attack Analysis Solution" in cooperation with Core Corporation.

January 27

Azbil's initiatives explained at the 4th Future Investment Council Meeting

Please refer to P.41 for more detail.

October

November

December

2017

January

February

March

LA November 8

Announces launch of central air-conditioning system, equipped with variable air volume (VAV) control function, for detached houses

LA November 28

Azbil Kimmon receives highest-level JCSS accreditation for gas flow meter calibration range.



LA January 23

Azbil Telstar develops application for experimental freeze-drying processes that can measure temperature and pressure in real time.



BA October 13

Functions added to our building cloud services that improve efficiency of facility maintenance work and enhance convenience for building residents



BA February 2

Direct digital controller, a building maintenance device, wins iF Design Award 2017 of Hannover Germany.



BA March 23

Azbil wins "Best Facility Management Prize" at the 11th Japan Facility Management Awards.



Interview with the CEO



Start of New Medium-Term Plan

Through “human-centered automation,” we will drive strategies aimed at raising corporate value and delivering sustainable growth.

Q1

Please give an overview of the year ended March 2017, the final year of your previous medium-term plan.

Taking measures linked to medium- and long-term growth, we achieved a year-on-year increase in operating income for the fourth consecutive period and ROE above 8%.

In the year ended March 2017, the azbil Group posted consolidated net sales of ¥254.8 billion, down 0.8% year on year, impacted mainly by the yen's appreciation and reforms of business through restructuring measures. Nevertheless, initiatives under our previous medium-term plan, covering the year ended March 2014 through the year ended March 2017, bore fruit, with consolidated operating income jumping by 17.6% year on year, to ¥20.1 billion—close to a record-high figure exceeding our initial forecast published on May 13, 2016.

Looking back at over the four years of the previous medium-term plan, the decision to host the Tokyo 2020 Olympic and Paralympic Games sparked brisk activities related to urban redevelopment and infrastructure projects, but capital investment in the domestic manufacturing sector remained weak. Overseas, the business environment changed dramatically amid economic slowdown in China and other emerging economies.

Under these circumstances, we did not achieve the consolidated targets of the previous medium-term plan (consolidated net sales of ¥280 billion and operating income of ¥22 billion) announced in May 2013. However, we responded flexibly to the changing business environment, such as by personnel reallocation and business structural reforms, resulting in a year-on-year increase in operating income for the fourth consecutive period and ROE above 8%.

By segment, the Building Automation (BA) business benefited from the upgrading of systems in anticipation of demand to retrofit existing buildings after the 2020 Tokyo Olympics and Paralympics, in addition to firm demand for new building construction in Japan. We also promoted our life-cycle business, further solidifying our stable revenue base.

In the Advanced Automation (AA) business, we adopted an operating system classified into three sub-segments*. Under this system, we subdivided the market further and leveraged the azbil Group's unique strengths to concentrate on domains in which we can deliver added value. In these ways, we targeted profitability improvement and business expansion, achieving a particularly good outcome with respect to improvement of earnings.

In the Life Automation (LA) business, our third core business segment, we undertook drastic structural reforms to rebuild our business, and we upgraded infrastructures to facilitate

measures aimed at business expansion.

Looking at global expansion, overseas sales in the year ended March 2017 totaled ¥43.4 billion, or net sales ratio of 17.0%. Accordingly, we did not reach our overseas sales ratio target of 20%. In addition to the yen's appreciation, this was mainly because of partial reorganization of our businesses in China and of Azbil Telstar in Spain. Nevertheless, overseas sales have increased around two-fold over the past four years. The aforementioned 20% figure is not a goal in itself, but a yardstick for building a foundation aimed at full-scale expansion of our overseas business. I believe we are well positioned for the future.

During the last several years, we also took measures to support the sustained growth of the azbil Group. For example, we upgraded various types of infrastructure, including a production and development system, core information system, and personnel system (to foster and reassign human resources). We also continued efforts to strengthen corporate governance.

* Three sub-segments

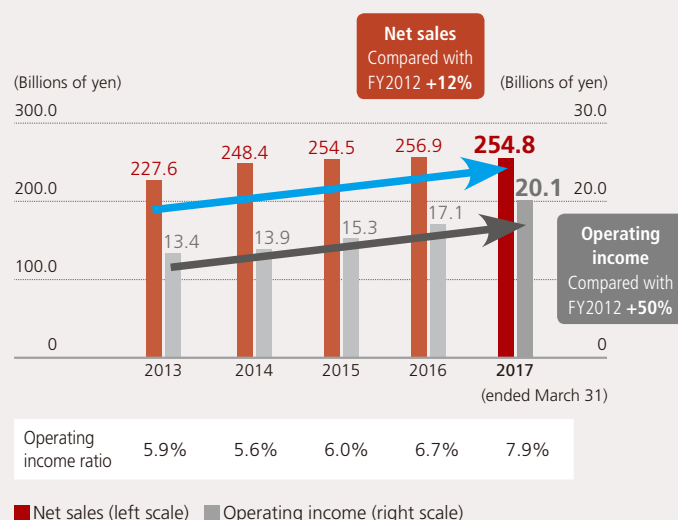
CP Business: Control Products business (component business handling digital instrumentation equipment, micro switches, sensors, combustion control equipment, etc.)

IAP Business: Industrial Automation Products business (component business handling industrial instruments, transmitters, automatic control valves, etc.)

SS Business: Solution & Service business (control systems and service/maintenance business)

Performance Trend

(net sales/operating income/operating income ratio)



Q2

Please describe the fundamental policies of the new medium-term plan in light of your long-term objectives for the year ending March 2022.

We will step up initiatives related to existing fundamental policies to a new level, while reforming business structures and strengthening the corporation in order to maximize results.

First, I will touch on what the azbil Group regards as its mission—the core of its long-term objectives. The Group was founded in 1906, when Japan's industrial society was emerging. For more than 110 years since then, through the pursuit of automation, we have sought to “liberate people from drudgery” and improve their comfort and productivity levels, evolving into a corporate group that creates contentment for people. In 2006, we formulated our “human-centered automation” philosophy and established “azbil” (automation zone builder) as our new Group symbol embodying those ideas.

When I assumed the post of president, we cited three fundamental policies under the Group philosophy in our quest to achieve sustainable growth in the future: (1) Being a long-term partner for the customer and the community by offering solutions based on our technologies and products; (2) Taking global operations to the next level by expansion into new regions and a qualitative change of focus; and (3) Being a corporate organization that never stops learning, so that it can continuously grow stronger. I feel we have made an impact with these policies, which we will continue and step up over the course of the new medium-term plan, which began in April 2017. In so doing, we will steadily capture growth

opportunities in businesses in relatively robust environments. We will also maximize the outcomes of structural reforms and corporate structure reinforcements undertaken to date. At the same time, we will make full-scale advancements into new business areas earmarked for future growth, based on the keywords of life cycle, new automation, and environment and energy. We have set the following consolidated targets for the year ending March 2020: Net sales of ¥270.0 billion, operating income of ¥25.0 billion, and ROE of 9% or more. Moreover, we will continue striving to enhance corporate governance, compliance, and human resource development, which are deeply related to corporate sustainability.

In addition, we will actively promote measures and establish frameworks with a view to business advancement in the year ending March 2022 and beyond. After the 2020 Tokyo Olympics and Paralympics, it will be time to retrofit large-scale buildings. Meanwhile, new technologies, such as AI and IoT, are emerging. In addition to achieving our targets for the year ending March 2020, I would like to position the next three years as a period of building foundations aimed at sustaining high levels of earnings from medium- and long-term perspectives.

A New Medium-term Plan (FY2017-FY2019) has been drawn up to promote corporate operations based on the philosophy of “human-centered automation,” and as a second step toward achieving our long-term goals (FY2021).



Q3

What are your basic strategies for each business segment?

In the BA business and AA business, we will respond flexibly to changing business conditions and customer needs to target profit growth. At the same time, we will make the LA business a more profitable segment.

Building Automation (BA) Business

Ensure steady job fulfillment for new buildings while strengthening responses to demand for existing building retrofit

In the BA business, we expect the business environment to remain firm as we approach the 2020s. Preparation for the upcoming Olympics and Paralympics and urban redevelopment projects are progressing in the Tokyo metropolitan area, and from 2020 it will be time to retrofit buildings constructed during the “real estate bubble” period of the 1980s and those built early in this century. Some projects have been postponed due to rising costs associated with the redevelopment boom and labor shortages, so we expect further growth in demand for retrofits in the future.

Given this outlook, we will put in place a steadfast system to enable processing of required jobs within reasonable work hours by carrying out work-style reforms. In preparation for a round of redevelopment projects after the 2020 Olympics and Paralympics, we will submit retrofit proposals in a proactive manner.

Over the next three years, we will steadily undertake new construction projects while proposing retrofit projects for existing buildings with good profitability. We will also expand new services in energy management and for the life cycle of facilities. At the same time, we will strive to broaden our overseas business, where we are highly regarded owing to our local track records, and we will aim to improve the efficiency of job fulfillment to enhance profitability.

Advanced Automation (AA) Business

Respond strategically to both mature and emerging markets

In the AA business, we have an integrated system covering everything from marketing to development, production, and sales and services according to our three sub-segments: CP, IAP, and SS. Under this system, we will seek to improve profitability in mature markets and expand businesses in overseas and growth markets.

Even in so-called mature markets, such as the domestic petroleum and chemical industries, we will focus on stable demand, including for maintenance and equipment replacement,

emphasizing efficient responses to generate secure income. On the other hand, new needs are emerging in such areas as plant security and advanced preventative maintenance support, opening up possibilities for new domains using IoT and AI. In these domains, we will deploy proprietary technologies to promote collaboration with partner companies and respond with speed.

In emerging markets, such as domestic and overseas semiconductor manufacturing equipment and high-performance materials production equipment, we are receiving more and more inquiries about the azbil Group’s one-of-a-kind technologies. We will focus human and other managerial resources on these areas to accelerate the development and introduction of new products and applications.

Meanwhile, demand for energy conservation is increasing across all industries, both in Japan and overseas. We will focus particular attention on the energy management business, where we excel. In addition to tackling these initiatives, we will upgrade our overseas production system to further strengthen profitability.

Life Automation (LA) Business

From establishment of profit structure to expansion of business

In the LA business, positioned as our third core business segment after our conventional BA business and AA business, we are advancing our operations in the fields of lifeline utilities such as gas and water, Life Science Engineering (LSE) for pharmaceuticals and research facilities, and also residential central air-conditioning systems. While building up our experience in these new fields, we have promoted business structural reforms and made significant progress on the profit front. Going forward, we will promote another round of improvements to establish a stable business foundation as we target the next stage of our evolution—expansion of the LA business.

Our short-term growth strategy is to deploy the azbil Group’s synergies to uncover business opportunities in the energy supply market, including for gas, where the business environment is expected to change due to liberalization. We will also strive to develop new products and expand new services to address changes in the global pharmaceutical manufacturing market.

Q4

What are your thoughts on global expansion to spearhead future growth?

We will actively increase overseas sales of products and applications that are valued highly by customers in Japan.

For global expansion, one of our fundamental policies, we have been establishing overseas operations, developing products and services according to overseas specifications, and building a production system that enables us to provide products closer to our local customers. The next stage, I believe, is to make further advancements to products, applications, and services with high customer value that was cultivated on site, and to familiarize them to global companies developing their businesses worldwide, as well as local-capital enterprises.

In the BA business, we have built relationships in recent years with local-capital building owners, as well as construction distribution-related companies, in various Asian countries. This has created a virtuous circle enabling us to attract orders for new development projects. It is also now recognized that life-cycle services are crucial to maintaining the asset value of buildings, and there are growing movements in various countries to set up energy efficiency standards, such as Green Mark. The azbil Group's unique capabilities can be leveraged in this changing business environment. Under these circumstances, we are confident that we can use our domestic business model, including for services, for global expansion. Specifically, we will develop and introduce new products and

utilize our remote maintenance infrastructure, developed during the period of our previous medium-term plan, to propose and deliver high-quality services on a par with those we offer in Japan.

Our AA business, which we developed overseas ahead of our BA business, is now making contributions to both revenue and earnings. To increase sales, we will provide our competitive products, technologies, applications, and services, which are highly evaluated in the domestic market, to Japanese companies operating in emerging economies, including China and elsewhere in Asia, as well as to local materials-related companies, such as petrochemical, and local equipment manufacturers in those countries. We will also work to expand sales to advanced equipment manufacturers operating in North America and Europe.

In these ways, we will actively advance our business overseas, taking advantage of the azbil Group's ability to offer everything from products and systems to services in each business. To further enhance our solutions capabilities, we will work to build partnerships with domestic and overseas companies that have strengths in products, sales, and service networks.

Q5

How do you plan to reinforce your business foundation for sustainable growth?

We will continuously reinforce Group governance while strengthening infrastructures, with emphasis on the production and development system, advanced technology responsiveness, sales prowess, and product appeal.

In the year ended March 2016, we announced our plan to integrate our domestic production bases and consolidate and reinforce our research and development facilities, and we will steadily advance this plan towards its completion in the year ending March 2021. While this will incur total estimated investments of around ¥8 billion, we expect the plan to eventually deliver cost reduction benefits of about ¥2 billion annually.

We also anticipate increasing demand for products and services using AI and IoT. We established the IT Solutions Headquarters to handle development and marketing of products and services featuring these advanced technologies, and going forward we will expand and strengthen our team of development technicians while making proactive research and development investments.

In addition to reinforcing infrastructure with respect to technologies, production and development systems, and the

like, we will continue looking at M&A and other ways to build a flexible sales and service network and enhance our product lineup. To date, we have embraced M&A opportunities in Japan and overseas, resulting in the formation of Azbil Kimmon Co., Ltd., which is already contributing to the Group's stable profits, as well as Azbil Telstar, S.L.U., which is making efforts to establish a stable earnings structure. Utilizing our built-up experience and know-how, we will steadily pursue any means necessary to achieve sustainable growth, with M&A as an alternative.

On the other hand, expediting global expansion will require unified control of our various business activities, irrespective of region, as well as reinforcement of frameworks to ensure swift decision-making. Therefore, we will incrementally introduce our core information system, commissioned in 2015 in Azbil Corporation, into other Group companies at home and overseas.



Q6

You increased the year-end dividend, with another rise planned in the year ending March 2018, and you have acquired the company's own shares. Please give us your thoughts on shareholder return.

Having made progress in improving our income structure and implementing business structural reforms, we envisioned a path to sustainable growth and decided to increase dividends accordingly.

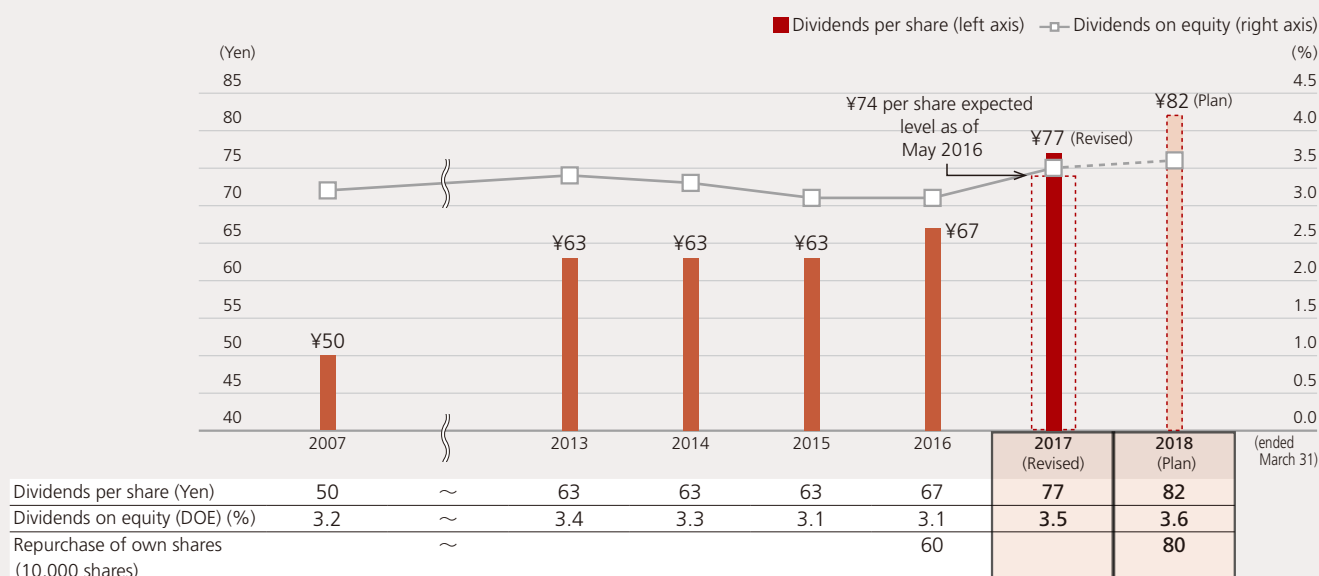
With a disciplined capital policy, we seek to maintain and improve enterprise value while emphasizing a good balance among three key elements: promoting shareholder returns, investing in growth, and maintaining a healthy financial foundation. With respect to shareholder return, positioned as an important management priority, we maintain a flexible approach, centered on dividends and including share buybacks. Here, we comprehensively consider a range of factors, including levels of consolidated performance, return on equity (ROE), dividends on equity (DOE), and the need to retain sufficient retained earnings to fund future business development and strengthen our corporate structure. We pay particular attention to maintaining active and stable dividends.

In the year ended March 2017, the final year under our previous medium-term plan, we saw good progress with respect to growing our business and reinforcing our corporate structure, as mentioned earlier. For this reason, we had planned to increase dividends by ¥7 per share (included commemorative dividends), disclosed in May 2016. However, we ultimately declared a year-end dividend increase of ¥3, for total annual

dividends of ¥77 per share. In conjunction with the adoption of a new "employee stock ownership plan*1," among treasury shares purchased in the past, we disposed of 1 million shares through allocation to a third party and cancelled all of the remainder (865,659 shares).

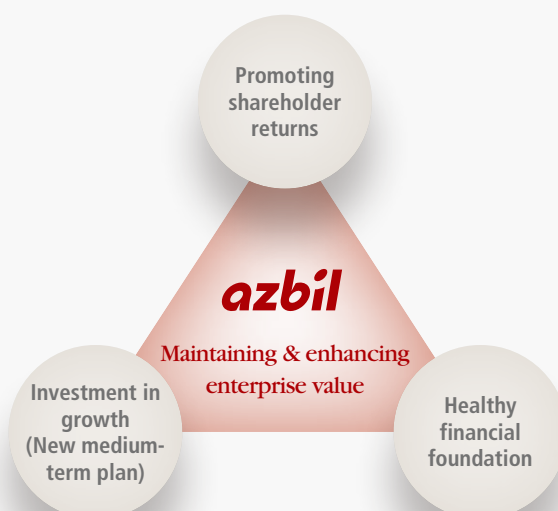
In the year ending March 2018, the first year of the new medium-term plan, we will focus on reforming our business structure, upgrading infrastructure, and cultivating and penetrating growth fields in order to realize sustainable growth. We will also continue working to strengthen shareholder return and improve capital efficiency. To further emphasize return of profits to shareholders, we will incorporate a ¥5 commemorative dividend into regular dividends, thus increasing regular dividends by ¥5, for total annual dividends of ¥82 per share for the year ending March 2018. With respect to treasury shares, our goal is to implement flexible capital measures aimed at increasing capital efficiency and addressing changes in the business environment. From this perspective, we implemented a plan to repurchase a maximum of 800,000 shares of our own shares with maximum repurchase value of

Trend in Returning Profits to Shareholders



¥3.0 billion*2.

To continue actively returning profits to shareholders, we have set a long-term ROE target of 10% or more. With this in mind, we will continue pursuing business structural reforms aimed at improving capital efficiency under our new medium-term plan. We will also promote future-oriented growth investments in research and development, capital investment, and M&A to broaden our business domains. At the same time, we will continue maintaining a healthy financial foundation to ensure that we can continue our business and fulfill our supply obligations even in unforeseen circumstances, such as large-scale natural disasters.



*1 Employee stock ownership plan (J-ESOP): An incentive plan aimed at increasing the linkage between the company's stock price/business performance and benefit received by employees; and also raising employee motivation and morale with respect to increasing stock price and business performance. Under the plan, the company grants points to employees according to the company's stock benefit regulations. In principle, employees who retire after meeting certain conditions are given the company's stocks equivalent to the points granted. The treasury stocks disposed of are to be granted to employees when they retire, so it is unlikely that these shares will flow into the stock market at once. For more information on the plan, please see the description of our CSR activities in Q8.

*2 Completion of repurchase of the company's own shares

Between May 30 and June 20, 2017, we acquired 714,300 shares for the total amount of ¥2,999 million.

Q7

Please describe how you are strengthening corporate governance to improve corporate value.

We have an executive officer in charge of corporate communications to promote “dialogue” with shareholders and other investors.

We have sought actively to strengthen corporate governance for some time, having appointed our first outside director back in the year ended March 2008. In the year ended March 2015, we increased the number of outside directors to three, constituting one-third of the Board of Directors. Since the year ended March 2016, we have been accelerating these efforts, taking advantage of the opportunity presented by the application of Japan's Corporate Governance Code in that year.

In the year ended March 2017, we appointed an executive officer in charge of corporate communications to promote constructive “dialogue” with shareholders and other investors. With respect to remuneration for directors serving concurrently as executive officers, we have shifted to an incentive-based framework linked to achievement of medium- and long-term objectives, adopting a similar mindset to that of shareholders.

Q8

How does the Group practice CSR-focused management?

We practice it in various ways, including through the introduction of an employee stock ownership plan and contribution to protecting the global environment.

Recent years have seen an increase in movements to evaluate companies based on their ESG (environment, society, governance) frameworks. The azbil Group recognizes that sustainable growth and the creation of corporate value in the medium- to long-term are attributable to the resources and contributions of its various stakeholders. With this in mind, we interpret the concept of CSR to be broader than simply “corporate social responsibility,” and pursue ESG-based initiatives accordingly.

The azbil Group practices two types of CSR: “basic CSR,” meaning fulfillment of our fundamental obligations to society as a corporate citizen; and “proactive CSR,” the provision of value to society through our business activities, as well as voluntary social contribution efforts. We practice CSR-focused management, having identified the goals that we should achieve in regard to compliance, risk management (quality and product liability, disaster preparedness, BCP, and information), business management that values people, contribution to the global environment, Group management, enhancement of our governance framework, and contributions to society.

From the perspective of stakeholders, we pursue profit growth and dividend increases to reward our shareholders.

For employees, we actively undertake “work-style reforms” aimed at raising their productivity and giving them a good work-life balance, and we also decided to introduce an employee stock ownership plan. While the plan is part of our welfare policy, it is designed to encourage efforts to improve our business performance, with individual employees sharing the same values as shareholders and thus having a strong interest in our financial results. We also work constantly to help resolve social issues, such as reducing CO₂ emissions and saving energy at customers’ sites, through our Group philosophy of “human-centered automation.”

In addition to these efforts to combine corporate value enhancement with CSR, we established the Azbil Yamatake General Foundation to support new technology development and young people, our future leaders. Through its “Asunaro Friendship” program, the Foundation promotes harmonious coexistence with society by launching initiatives to foster the sound growth of young people and technological advancement. Going forward, we will practice CSR-focused management unique to the azbil Group from an ESG perspective, pursuing more in-depth initiatives aimed at meeting the expectations of all stakeholders.

Q9

What your performance forecasts for the year ending March 2018, the first year under the new medium-term plan?

We will target sustainable profit growth amid a healthy business environment.

We expect domestic demand for large-scale projects to remain stable in the year ending March 2018. Despite some geopolitical elements of instability, we also anticipate continued strength in capital investment buoyed by economic recovery trends in Japan and overseas. Under these circumstances, we will invest in technological development and production as well as

adopt measures necessary for sustainable growth. For the year, we are targeting consolidated net sales of ¥261.0 billion (up 2.4% year on year) and operating income of ¥22.0 billion (up 9.2%). Thanks to business structural reforms and initiatives to strengthen the corporation taken thus far, I am confident that we will make an auspicious start to our three-year plan.

Hirozumi Sone

President and Chief Executive Officer
Azbil Corporation



The azbil Group's Endeavors for a Sustainable Future

We will continue to develop new automation opportunities to adapt to transformative structural changes in industry by combining “things” and information.



Human-centered automation—we created this phrase as our corporate philosophy out of hope for a future society produced by collaboration between people and technology. Based on this idea, we pursue value creation together with our customers at their work sites, and in so doing we also pursue our own sustainable growth.

Automation needs are about to change dramatically. The azbil Group identifies the challenges to be addressed through automation as the following.

- Managing energy and reducing environmental impact
- Providing new life-cycle services for asset value maintenance, retrofit, etc., in the field of building management
- Dealing with manpower shortages and preventive maintenance needs at manufacturing sites

To address these challenges, the azbil Group is integrating its knowledge and expertise with advances in technology such as the IoT, big data, and AI, and is developing new control technologies, products, and services.

One hundred and eleven years have passed since the foundation of the company in 1906. We have inherited three assets, namely the technology supporting the azbil Group, the spirit of acting for the future, and the sites that connect us to our customers. We will continue to create new value onsite with our customers, helping them to address the various challenges they face.



Endeavors at Work Sites Where Value Is Created

A future of building management via the IoT

The rise of new technologies such as the IoT, AI, and big data, calls for the creation of new value in areas like building operation, building management, and services throughout the building life cycle.

Using products and services equipped with these new technologies, the azbil Group will provide the needed information to people in various positions, including building owners, occupants, architects, builders, and managers. In addition to providing value, for example, by achieving energy savings and comfort at the same time, or by ensuring building security, the azbil Group provides support for healthy and productive work environments and comfortable living.

Cloud service for buildings, creating new value for a variety of building stakeholders

Data on building operation and maintenance, which formerly was concentrated in a central monitoring room, is provided by the azbil Group's cloud service in an environment where it can be shared by the owner and occupants of the building. The owner of a building can use this data for management, and occupants can use data on room environments or room usage to achieve a more productive and comfortable living space.

Through a new kind of participatory building management involving a variety of people with connections to the building, the azbil Group aims to achieve both energy savings and a comfortable environment.

Greater openness through a next-generation building automation system

The azbil Group is working to realize a next-generation building automation (BA) system that makes the network communication, data, and engineering environments more open, and will encourage its use by customers throughout the building's life cycle. In addition, the cutting-edge functionality of Azbil's latest BA system helps building managers to keep track of information and make decisions, improving the quality of the user's experience. Combined with the cloud service, this system contributes to creating new value with various specialists involved in building operation.

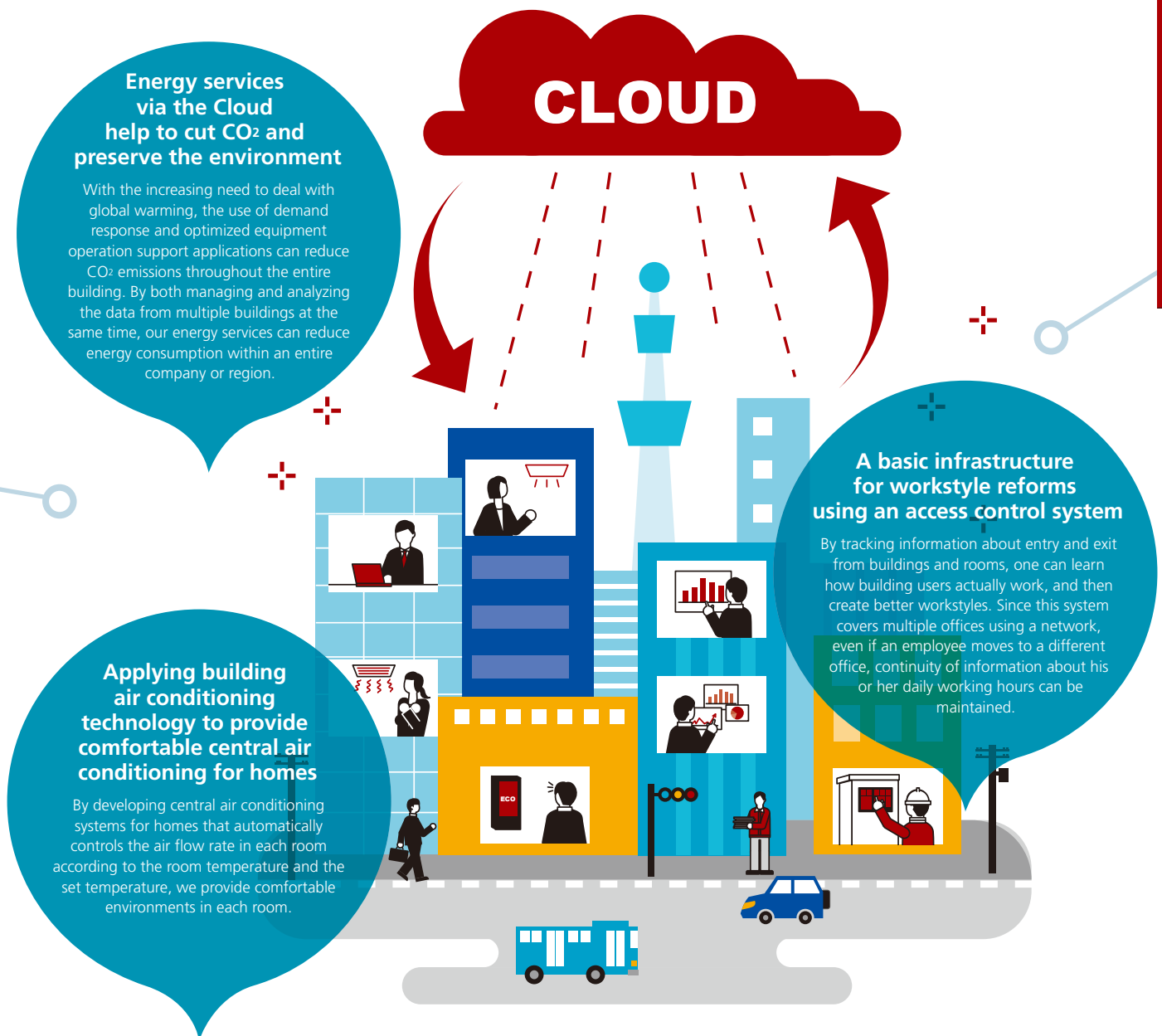
Technology and expertise supporting the work site in the IoT age >>

> Better building operation and management through remote data services (remote maintenance)

Daily building operation and management data is collected and stored in the azbil Group's remote maintenance center in order to maintain building control functions and diagnose problems. The accumulated data is also used as big data for equipment and facility fault trend analysis and energy consumption benchmarking. By reducing the downtime of customers' buildings, and improving both living space comfort and energy efficiency at the same time, our remote data service raises the asset value of buildings. This service is already being provided to several thousand sites in Japan, and we have begun to offer it globally. We are now laying the foundations for the proactive use of building data by our customers.

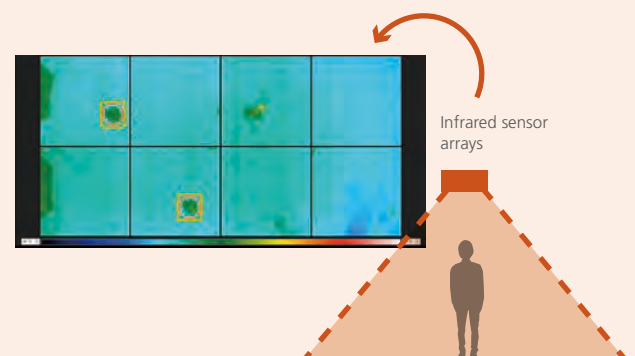


Connecting People to Buildings for a More Healthy and Vibrant Society



➤ Infrared sensor arrays for detecting presence in a room

An infrared sensor array installed on the ceiling measures surface temperature per grid square and determines whether a person is in the room based on the movement of temperature in the human body temperature range. Since it is possible to keep track of the number of people in the room and their positions—information which formerly was difficult to obtain—both energy savings and comfort can be realized at the same time by using more appropriate air conditioning control.



Endeavors at Work Sites Where Value Is Created

A future of factories and plants connected by the IoT

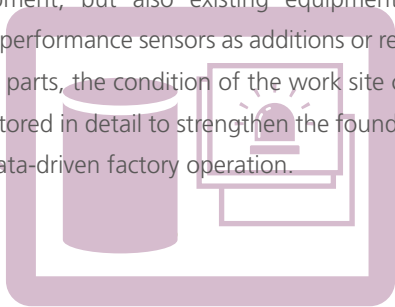
IoT technological innovation will soon bring about a safer, more efficient, and more comfortable “super-smart society.” Manufacturing sites that support such a society must also evolve into “super-smart factories.”

The azbil Group intends to dramatically improve the operation and management of factories and plants through IoT technology. Considering the current technology for operation support and management and human wisdom as “Eyes I (The 1st Eyes),” the azbil Group plans to build on this inheritance to realize “Eyes II and Eyes III” that transcend the current state, enabling us to provide smart data-based services.

Eyes II (The 2nd Eyes)

Visualization and diagnosis of production and equipment operation using high-performance sensors

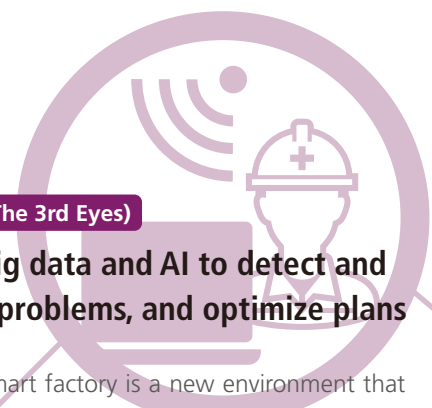
What is important in a cyber-physical system (CPS), where value is continuously produced through the connection of the manufacturing site (physical space) and cyber space, is technology that accurately measures the “now” of the manufacturing site. Using not only newly installed equipment, but also existing equipment with high-performance sensors as additions or replacement parts, the condition of the work site can be monitored in detail to strengthen the foundations for data-driven factory operation.



Eyes III (The 3rd Eyes)

Using big data and AI to detect and predict problems, and optimize plans

A super-smart factory is a new environment that can be realized by making available for everyone the wisdom that skilled workers have gained through long experience. Just as skilled workers can draw upon their rich experience to evaluate equipment movements and processes under various operating conditions, AI can learn from a large quantity of operation patterns contained in big data and evaluate the “now” in real time, detecting abnormalities at an early stage, predicting future changes, and assisting in the formulation of optimal production and maintenance plans.



Technology and expertise that support work sites in the IoT age >>

> Control equipment that contributes to preventive maintenance at manufacturing sites

A large amount of process data is handled by manufacturing equipment, and most of it is used by the control devices within that equipment. The azbil Group is developing products that use this data to improve the preventive maintenance of manufacturing equipment. These products have the azbil Group’s proprietary health index* function, which apply measurement and control technology to track the changing condition of the equipment by means of internal process data. With their enhanced communication functionality, these devices also help to bring IoT to manufacturing sites.

* Diagnostic indicator for prediction or detection of production equipment failure



Model C7G multi-loop controllers with multifunction display

Applying Big Data and AI for More Stable and Safe Manufacturing

Three roles supporting manufacturing sites in the IoT age

BIG DATA

IoT agents

"IoT agents," who inherit and transcend the wisdom of today's skilled workers, will use technologies for sensing, data analysis, modeling, AI, and robotics to implement "Eyes II and Eyes III" for manufacturing sites in the future. They will work under data engineers to ensure safety and efficient operation.

Data engineers

Data engineers* are knowledgeable about safety and production, are familiar with the data analysis and implementation management capabilities of IoT agents in order to draw upon their expertise appropriately, and have the ability to make managerial decisions concerning facility operation. They are essential individuals at manufacturing sites because they can always identify the value required at work sites, as well as the issues that must be addressed to realize that value.

*Data scientists are in the spotlight in Europe and America, but in Japan, with its manufacturing site prowess, data engineers play the role of data scientists.

Specialist network

A specialist network that connects multiple specialists in real time will provide 24-7-365 support for the operation of factories and plants, operating as a good partner of data engineers. With its specialization in measurement, control, and maintenance, the azbil Group will provide smart services using its specialist network.

> Automatic loading and unloading system with excellent clean and sterility in freeze dryer

At pharmaceutical manufacturing sites, the demand for automatic vial handling solutions is increasing. The azbil Group has developed a non-contact automatic loading and unloading system using a non-contact magnetically driven mechanism freeze dryer. The non-contact drive mechanism avoids the risk of cross-contamination from friction dusts, and the steam sterilization and cleaning in place of the slider in the chamber reduce the operator's hard work. This technology contributes to safe operation and product quality at aseptic pharmaceutical manufacturing process.

