



*Note: This English translation is an abridged version of the original notice in Japanese.
In the event of discrepancies, the Japanese version shall prevail.*

Azbil Corporation

June 6, 2016

2-7-3 Marunouchi, Chiyoda-ku, Tokyo

Notice of the 94th Ordinary General Meeting of Shareholders

Dear Shareholders:

We express our heartfelt sympathy to all persons affected by the 2016 Kumamoto Earthquake. You are cordially invited to attend the Ordinary General Meeting of Shareholders of Azbil Corporation, which will be held on Tuesday, June 28, 2016, at 10:00 a.m. in the Hall, 4th Floor, The JP TOWER Hall & Conference, 2-7-2 Marunouchi, Chiyoda-ku, Tokyo.

Yours faithfully,

Hirozumi Sone
President and Chief Executive Officer

Meeting Agenda

Items to be Reported

Item 1: Business Reports, Consolidated Financial Statements, and Audit Reports covering Consolidated Financial Statements by the Accounting Auditor and the Audit & Supervisory Board for the 94th term from April 1, 2015 to March 31, 2016

Item 2: Non-Consolidated Financial Statements for the 94th term from April 1, 2015 to March 31, 2016

Items to be Resolved

Item 1: Appropriation of Surplus

Item 2: Election of nine (9) Executive Directors

Reference Materials for the General Meeting of Shareholders

Item 1: Appropriation of Surplus

The Company regards the distribution of profit to shareholders as one of the most important management issues. Taking comprehensive account of consolidated business results, the levels of return on equity and dividend on equity ratio, as well as internal reserves for future business development and the reinforcement of corporate strength, management strives towards improving dividend levels while maintaining stable dividends. Based on this policy, year-end dividends for the 94th term are proposed as follows.

(1) Type of dividend

Cash

(2) Allocation of dividends to shareholders, and total amount

¥33.50 per share of Company common stock

Total amount: ¥2,453,907,797

As the interim dividend of ¥33.50 per share was paid in December 2015, the total dividend for full year is ¥67 per share.

(3) Effective date of payments for dividends from surplus

June 29, 2016

Item 2: Election of nine (9) Executive Directors

The terms of office for all nine (9) current Executive Directors will expire at the conclusion of this Ordinary General Meeting of Shareholders. Accordingly, the election of nine (9) Executive Directors is proposed.

The following individuals are candidates for Executive Directors. In selection of these candidates, the Board of Directors of the Company made decisions in response to consultations with the “Nomination and Remuneration Committee,” a voluntary advisory body. Furthermore, candidates for Outside Director were judged to have sufficient independence with no potential conflict of interest occurring them and the general shareholders in accordance with the “Criteria for independence of Outside Directors and Outside Audit & Supervisory Board Members” prescribed by the Company on its own. In addition, since they meet independent requirements established by the Tokyo Stock Exchange, the Company has reported them as Independent Directors to the Tokyo Stock Exchange.

No.	Name (Date of birth)	Biography	Number of shares of the Company held
1	Seiji Onoki (August 21, 1946)	<p>April 1970 Joined the Company</p> <p>November 1994 Systems Development Manager of Industrial Systems Division of the Company</p> <p>June 1996 Executive Director of the Company</p> <p>June 2000 President of Yamatake Industries Systems Co., Ltd. (Present: The Company's Advanced Automation Company)</p> <p>June 2000 Executive Director of the Company</p> <p>April 2003 Executive Director and Managing Executive Officer of the Company, President of Advanced Automation Company</p> <p>June 2004 President and Chief Executive Officer of the Company</p> <p>April 2012 Chairman of the Company (Present post)</p>	25,700

■ Number of meetings of the Board of Directors attended

12 of 12

■ Position and section of which the candidate is in charge in the Company

Position: Chairman of the Company

Section: In charge of overall azbil Group (aG)

■ Important concurrent positions outside the Company

None

■ Reasons for nomination as a candidate for Executive Director

Seiji Onoki has been involved in R&D and systems development for industrial markets, serving as the head of the Advanced Automation business overall. He subsequently served as the President and Chief Executive Officer of the Company for eight years from 2004 and thus has made a major contribution to the business growth of the Company. Currently, as the Chairman of the Company as well as of the Board of Directors, in addition to administering the operations of the azbil Group as a whole, he runs the Board of Directors lawfully and properly, working to improve the functions and effectiveness of the Board of Directors, and thus he fulfills the roles of administration and supervision of management focused on achievement of management goals, with a high degree of discernment in the areas of corporate governance. The Company therefore judges that in light of the foregoing, he is an appropriate and necessary person for enhancement of sustainable corporate value, and reproposes him as a candidate for Executive Director.

No.	Name (Date of birth)	Biography	Number of shares of the Company held
2	Hirozumi Sone (January 16, 1955)	<p>April 1979 Joined the Company</p> <p>April 1996 Systems Marketing Manager of Systems Development Group, Industrial Systems Division</p> <p>October 1998 Transferred to Yamatake Industries Systems Co., Ltd. (Present: The Company's Advanced Automation Company), Marketing Manager of the company</p> <p>June 2000 Executive Director of the company, Marketing Manager</p> <p>April 2003 Vice Executive Officer of the Company, Manager of Engineering Department, Advanced Automation Company</p> <p>April 2005 Executive Officer of the Company, Manager of the Corporate Planning Department</p> <p>April 2008 Managing Executive Officer of the Company, Manager of the Corporate Planning Department</p> <p>April 2009 Managing Executive Officer of the Company</p> <p>June 2010 Executive Director of the Company and Managing Executive Officer of the Company</p> <p>April 2012 President and Chief Executive Officer of the Company (Present post)</p>	12,200

■ Number of meetings of the Board of Directors attended

12 of 12

■ Position and section of which the candidate is in charge in the Company

Position: President and Chief Executive Officer of the Company

Section: CEO, overall aG, Internal Audit Department, Corporate Planning Department

■ Important concurrent positions outside the Company

None

■ Reasons for nomination as a candidate for Executive Director

Hirozumi Sone has been involved in sales solution and marketing for industrial markets, successively serving as the head of marketing and engineering of the Advanced Automation business, the President of a subsidiary and the Manager of the Corporate Planning Department. Later he became the President and Chief Executive Officer of the Company from 2012 and provided direction for management as CEO. He has worked to expand business and enhance sustainable corporate value, including reshuffling the business portfolio and entering into new business fields, through implementation of the corporate philosophy: “human-centered automation.” Since he has extensive business experience at the Company

and possesses strong leadership as the top manager, the Company judges him to be an appropriate and necessary person for the enhancement of sustainable corporate value, and repropose him as a candidate for Executive Director.

No.	Name (Date of birth)	Biography	Number of shares of the Company held
3	Tadayuki Sasaki (October 29, 1948)	<p>April 1972 Joined The Fuji Bank, Limited</p> <p>October 1999 Manager of Project Finance Department Sales</p> <p>May 2002 Joined the Company (Director)</p> <p>April 2003 Executive Officer and Manager of the Accounting & Finance Department</p> <p>April 2006 Managing Executive Officer of the Company</p> <p>June 2007 Executive Director of the Company and Managing Executive Officer of the Company</p> <p>April 2009 Executive Director of the Company and Senior Managing Executive Officer of the Company</p> <p>April 2016 Executive Director of the Company and Vice President and Chief Executive Officer of the Company (Present post)</p>	16,700

■ Number of meetings of the Board of Directors attended

12 of 12

■ Position and section of which the candidate is in charge in the Company

Position: Executive Director of the Company and Vice President and Chief Executive Officer of the Company

Section: Assistant to President, overall administrative function, aG-CSR, Internal Control, Facilities / Business sites, General Affairs Department, Secretary Office

■ Important concurrent positions outside the Company

None

■ Reasons for nomination as a candidate for Executive Director

Tadayuki Sasaki has been engaged in financial and accounting affairs, serving as Executive Officer and Manager of the Accounting & Financing Department, assuming the post of Executive Director in 2007. He currently fulfills the overall administrative functions and leads efforts to keep the Company on a firm footing, provide high level of shareholder returns and ensure proper accounting. In addition, from his experience in project finance at home and abroad in financial corporations, he promotes planning and guidance related to the overall business management of the azbil Group, thus contributing to effective risk management and corporate governance on the global level. He also conducts CSR initiatives and promotes contribution to society. Since he possesses broad knowledge and leadership concerning business management overall, the Company judges him to be an appropriate and necessary person for the enhancement of sustainable corporate value, and repropose him as a candidate for Executive Director.

No.	Name (Date of birth)	Biography	Number of shares of the Company held
4	Keiichi Fuwa (November 27, 1951)	<p>April 1974 Joined the Company</p> <p>October 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</p> <p>April 2003 Manager of Building Automation Department of the Tokyo Head Office, Building Systems Company of the Company</p> <p>April 2004 Vice Executive Officer of the Company, Manager of Building Automation Department of the Tokyo Head Office, Building Systems Company</p> <p>April 2006 Executive Officer of the Company, Manager of Osaka Branch, Building Systems Company</p> <p>April 2008 Executive Officer of the Company, Manager of Sales 1st Headquarters, Building Systems Company</p> <p>April 2011 Managing Executive Officer of the Company, Manager of Business Headquarters and Manager of Tokyo Head Office, Building Systems Company</p> <p>April 2012 Managing Executive Officer of the Company, President of Building Systems Company</p> <p>June 2012 Executive Director of the Company and Managing Executive Officer of the Company, President of Building Systems Company (Present post)</p>	9,700

■ Number of meetings of the Board of Directors attended

12 of 12

■ Position and section of which the candidate is in charge in the Company

Position: Executive Director of the Company and Managing Executive Officer of the Company, President of Building Systems Company

Section: Building Automation business, Sales Synergy of aG

■ Important concurrent positions outside the Company

None

■ Reasons for nomination as a candidate for Executive Director

Keiichi Fuwa has been engaged in the Building Automation business, serving as the Manager of that business and assuming the post of Executive Director from 2012. Currently he is the head of the Building Automation business overall, and has been making efforts for growth

and expansion of profits of the business, and augmenting the profit base, etc. of the Building Automation business. In addition, he is in charge of the azbil Group sales synergies, which are Group-wide sales activities inside the azbil Group, supervising the direction of overall sales beyond the building business. As he has business experiences in the Company and leadership, the Company judges him to be an appropriate and necessary person for the enhancement of sustainable corporate value, and repropose him as a candidate for Executive Director.

No.	Name (Date of birth)	Biography	Number of shares of the Company held
5	Masato Iwasaki (March 26, 1960)	<p>April 1982 Joined the Company</p> <p>April 2003 Manager of Marketing 2nd Department, and Information Systems Department, Advanced Automation Company</p> <p>April 2005 Manager of Solution Marketing Department, Advanced Automation Company</p> <p>April 2010 Director of the Company, Manager of Marketing Department, Advanced Automation Company</p> <p>April 2011 Executive Officer of the Company, Manager of Marketing Department, Advanced Automation Company</p> <p>April 2012 Managing Executive Officer of the Company, President of Advanced Automation Company</p> <p>June 2012 Executive Director of the Company and Managing Executive Officer of the Company, President of Advanced Automation Company</p> <p>April 2016 Executive Director of the Company and Managing Executive Officer of the Company (Present post)</p>	9,000

■ Number of meetings of the Board of Directors attended

12 of 12

■ Position and section of which the candidate is in charge in the Company

Position: Executive Director of the Company and Managing Executive Officer of the Company

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

■ Important concurrent positions outside the Company

None

■ Reasons for nomination as a candidate for Executive Director

Masato Iwasaki has been engaged in the Advanced Automation business, and his experience includes serving as Manager of the Marketing Department of that business and assuming the post of Executive Director from 2012. As the head of the Advanced Automation business overall, he had worked on growth, structural reforms and profit base augmentation, etc. of the business. Currently, utilizing his extensive product planning development experience as well as his experience with overseas operations, he has started on business expansion in North and South America, and he develops new business in the relevant areas. In addition to his outstanding marketing ability and experience, which is appropriate for a leader, he has

extensive business experience at the Company, therefore the Company judges him to be an appropriate and necessary person for enhancing sustainable corporate value, and repropose him as a candidate for Executive Director.

No.	Name (Date of birth)	Biography	Number of shares of the Company held
6	Yoshimitsu Hojo (July 17, 1962)	<p>August 1990 Joined the Company</p> <p>April 2011 Director of the Company, Manager of Company Business Control Department, Advanced Automation Company</p> <p>April 2012 Director of the Company, Vice Manager of Production Management Headquarters</p> <p>April 2013 Executive Officer of the Company, Manager of Production Management Headquarters</p> <p>April 2014 Managing Executive Officer of the Company, Manager of Production Management Headquarters</p> <p>June 2014 Executive Director of the Company and Managing Executive Officer of the Company, Manager of Production Management Headquarters</p> <p>April 2016 Executive Director of the Company and Managing Executive Officer of the Company, President of Advanced Automation Company, Manager of Production Management Headquarters (Present post)</p>	4,600

■ Number of meetings of the Board of Directors attended

12 of 12

■ Position and section of which the candidate is in charge in the Company

Position: Executive Director of the Company and Managing Executive Officer of the Company, President of Advanced Automation Company, Manager of Production Management Headquarters

Section: aG production, aG purchasing, the Advanced Automation business, Production Management Headquarter

■ Important concurrent positions outside the Company

None

■ Reasons for nomination as a candidate for Executive Director

Yoshimitsu Hojo has been engaged in the Advanced Automation business, and his experience includes being the Manager of Company Business Control Department in that business, and assuming the post of Executive Director from 2014. As the head of production overall, he worked to augment the profit base through promoting production structural reform and production innovation. In addition to assuming the role in April this year of administering production overall based on this broad business spanning production, purchasing and logistics overall and his experience in the Advanced Automation business, he is engaged in the growth

of that business and the augmentation of the profit base as the head of Advanced Automation business overall. Therefore, the Company judges him to be an appropriate and necessary person for the enhancement of sustainable corporate value, and repropose him as a candidate for Executive Director.

No.	Name (Date of birth)	Biography	Number of shares of the Company held
7	Eugene H. Lee (December 23, 1941)	September 1970 Professor of International Business and International Law at Sophia University February 1973 President of International Investment Consultants Ltd. January 1982 President of Siemens Medical Systems (Present: Siemens Healthcare K.K.) December 1990 Vice Chairman of Siemens K.K. (Representative of Siemens AG in Japan) June 2007 Outside Director of the Company (Present post)	0

■ Number of meetings of the Board of Directors attended

11 of 12

■ Position and section of which the candidate is in charge in the Company

Position: Outside Director

■ Important concurrent positions outside the Company

None

■ Reasons for nomination as a candidate for Outside Director

Eugene H. Lee is a candidate for Outside Director, as set forth in Article 2, Paragraph 3, Item 7 of the Ordinance for Enforcement of the Companies Act.

He has outstanding expert knowledge of international law and international business, as well as extensive experience and a performance record as executives at global companies. He also has deep understanding of Japan, Japanese trading customs, and Japanese companies from his long-term work experience in Japan. In addition, from his management experience at global companies, at Board of Directors meetings of the Company, he not only supervises business execution, but also proactively offers opinions from his advanced knowledge, management experience and global viewpoints, in order to increase transparency and fairness of management, thus fulfilling such appropriate roles as supervision and advising, etc. on business execution. Therefore the Company judges him to be an appropriate and necessary person for the enhancement of sustainable corporate value, and repropose him as a candidate for Outside Director.

■ The term of office as Outside Director

The term of office of Eugene H. Lee as Outside Director shall be nine (9) years from the conclusion of this Ordinary General Meeting of Shareholders.

■ Independence of the candidate for Outside Director of the Company

The Company does not conduct monetary or other transactions with Eugene H. Lee except the remuneration he receives as Outside Director of the Company, and there are no vested interests between him and the management of the Company, and the Company judges there

to be no possibility of the occurrence of conflict of interest with general shareholders and that he has sufficient independence, in accordance with the “Criteria for independence of Outside Directors and Outside Audit & Supervisory Board Members” prescribed by the Company on its own.

■ Limited liability contract with Outside Director

In order to enable functions the Company expects from its Outside Directors, Article 25 of the existing Articles of Incorporation prescribes the conclusion of contracts which limit legal liability of Outside Directors under Article 423, Paragraph 1 of the Companies Act. Accordingly, Eugene H. Lee, a candidate for Outside Director, has signed a limited liability contract with the Company and if his reappointment is approved, the Company will renew this contract with him. Under this contract, the limit of liability shall be set at the minimum level prescribed by the relevant laws and ordinances.

No.	Name (Date of birth)	Biography	Number of shares of the Company held
8	Katsuhiko Tanabe (August 14, 1942)	<p>April 1973 Registered as a Lawyer</p> <p>September 1979 Established TANABE & PARTNERS (Present post)</p> <p>April 1995 Deputy Chairman of Dai-ichi Tokyo Bar Association</p> <p>April 1997 Vice-Chairman of Kanto Bar Association</p> <p>April 1998 Managing Director of Japan Federation of Bar Associations</p> <p>June 2000 Outside Audit & Supervisory Board Member of Sanwa Shutter Corporation (Present: Sanwa Holdings Corporation) (Present post)</p> <p>June 2007 Outside Audit & Supervisory Board Member of the Company</p> <p>June 2010 Outside Director of the Company (Present post)</p> <p>October 2010 Outside Director of MIRAIT Holdings Corporation</p> <p>June 2015 Outside Audit & Supervisory Board Member of JSP Corporation (Present post)</p>	1,400

■ Number of meetings of the Board of Directors attended

11 of 12

■ Position and section of which the candidate is in charge in the Company

Position: Outside Director

■ Important concurrent positions outside the Company

Lawyer, Outside Audit & Supervisory Board Member of Sanwa Holdings Corporation, Outside Audit & Supervisory Board Member of JSP Corporation

■ Reasons for nomination as a candidate for Outside Director

Katsuhiko Tanabe is a candidate for Outside Director, set forth in Article 2, Paragraph 3, Item 7 of the Ordinance for Enforcement of the Companies Act.

He has outstanding expert viewpoints as a lawyer and insights on management, as he has served in important posts in legal circles, and has demonstrated superior performance in corporate legal affairs based on his expert views. In addition, from his experience as outside officers at several companies, at Board of Directors meetings of the Company, he not only supervises business execution but also proactively offers his opinions based on his legal knowledge as an expert and keen insight on corporate governance, in order to increase transparency and fairness of management, thus fulfilling such appropriate roles as supervision and advising, etc. on business execution. Therefore the Company judges him to be an appropriate and necessary person for the enhancement of sustainable corporate value, and reproposes him as a candidate for Outside Director.

- Reasons the Company judges Katsuhiko Tanabe can appropriately perform functions as Outside Director even though he does not have experience in company management
Katsuhiko Tanabe has not been involved in the company management other than as outside officer. However, as outlined above, he has extensive experience and expertise in corporate legal affairs as a lawyer and has experience as outside officers at several companies. He also has experience as the representative of the law firm that he belongs to. Therefore, the Company judges that he will be able to properly execute duties as Outside Director.
- The term of office as Outside Director
The term of office of Katsuhiko Tanabe as Outside Director shall be six (6) years from the conclusion of this Ordinary General Meeting of Shareholders.
- Independence of the candidate for Outside Director of the Company
The Company does not conduct monetary or other transactions with Katsuhiko Tanabe except the remuneration he receives as Outside Director of the Company, and there are no vested interests between him and the management of the Company, and the Company judges there to be no possibility of the occurrence of conflict of interest with general shareholders and that he has sufficient independence, in accordance with the “Criteria for independence of Outside Directors and Outside Audit & Supervisory Board Members” prescribed by the Company on its own.
- Limited liability contract with Outside Director
In order to enable functions the Company expects from its Outside Directors, Article 25 of the existing Articles of Incorporation prescribes the conclusion of contracts which limit legal liability of Outside Directors under Article 423, Paragraph 1 of the Companies Act. Accordingly, Katsuhiko Tanabe, a candidate for Outside Director, has signed a limited liability contract with the Company and if his reappointment is approved, the Company will renew this contract with him. Under this contract, the limit of liability shall be set at the minimum level prescribed by the relevant laws and ordinances.

No.	Name (Date of birth)	Biography	Number of shares of the Company held
9	Takeshi Ito (August 19, 1943)	<p>September 1969 Entered Burnham & Company</p> <p>October 1983 Director of The First Boston Corporation (Present: Credit Suisse Group AG)</p> <p>October 1993 Managing Director and Vice Manager of Tokyo Branch, Smith Barney(Present:Citi Group Global Markets Japan Inc.)</p> <p>October 1998 President of UBS Asset Management Inc. (Present:USB Asset Management(Japan) Ltd.)</p> <p>December 2010 Supreme advisor of Japan Wealth Management Securities, Inc. (Present: Aozora Securities Co., Ltd.)</p> <p>February 2012 Vice Chairman and Chief Operating Officer of Aozora Securities Co., Ltd.</p> <p>June 2013 Senior Advisor of Aozora Securities Co., Ltd (Present post)</p> <p>June 2014 Outside Director of the Company (Present post)</p>	5,000

■ Number of meetings of the Board of Directors attended

12 of 12

■ Position and section of which the candidate is in charge in the Company

Position: Outside Director

■ Important concurrent positions outside the Company

Senior Advisor of Aozora Securities Co., Ltd.

■ Reasons for nomination as a candidate for Outside Director

Takeshi Ito is a candidate for Outside Director, set forth in Article 2, Paragraph 3, Item 7 of the Ordinance for Enforcement of the Companies Act.

In addition to management experience and experience as analysts in investment banks and investment advisory companies, etc. at home and abroad, with his long-term overseas work experience and experience in the consulting business including fundraising and M&A advice, he has demonstrated superior performance in advanced corporate analysis and economic situation analysis.

In addition, from experience officers in investment management companies at home and abroad, at Board of Directors meetings of the Company, he not only supervises business execution but also proactively offers his opinions based on his advanced knowledge as an expert on international financing and investment and experience of corporate management as well, in order to increase transparency and fairness of management, thus fulfilling such appropriate roles as supervision and advising, etc. on business execution. Therefore the Company judges him to be an appropriate and necessary person for the enhancement of

sustainable corporate value, and repropose him as a candidate for Outside Director.

■ The term of office as Outside Director

The term of office of Takeshi Ito as Outside Director shall be two (2) years from the conclusion of this Ordinary General Meeting of Shareholders.

■ Independence of the candidate for Outside Director of the Company

The Company does not conduct monetary or other transactions with Takeshi Ito except the remuneration he receives as Outside Director of the Company, and there are no vested interests between him and the management of the Company, and the Company judges there to be no possibility of the occurrence of conflict of interest with general shareholders and that he has sufficient independence, in accordance with the “Criteria for independence of Outside Directors and Outside Audit & Supervisory Board Members” prescribed by the Company on its own.

■ Limited liability contract with Outside Director

In order to enable functions the Company expects from its Outside Directors, Article 25 of the existing Articles of Incorporation prescribes the conclusion of contracts which limit legal liability of Outside Directors under Article 423, Paragraph 1 of the Companies Act. Accordingly, Takeshi Ito, a candidate for Outside Director, has signed a limited liability contract with the Company and if his reappointment is approved, the Company will renew this contract with him. Under this contract, the limit of liability shall be set at the minimum level prescribed by the relevant laws and ordinances.

(Reference)

Criteria for independence of Outside Directors and Outside Audit & Supervisory Board Members

The Company formulated its own criteria for independence of Outside Directors and Outside Audit & Supervisory Board Members for appointing Outside Directors and Outside Audit & Supervisory Board Members and judges that a person is not independent if he/she falls under any of the items below:

1. A person who serves as an executive (*“executive” refers to an executive director, an executive officer or a head of a department and other general employees) of the Company or a consolidated subsidiary of the Company, or who served for ten (10) years prior to being appointed;
2. A person who served as an executive of the Company or a consolidated subsidiary for ten (10) years prior to being appointed as a non-executive director or an audit & supervisory board member of the Company or a subsidiary of the Company;
3. A person who serves as an executive of a major business partner of the azbil Group (a business partner that makes a payment in the amount exceeding 2% of its annual consolidated sales for the latest fiscal year or any of the preceding three fiscal years or receives such a payment), or who has served in the last three (3) years;
4. A person who serves as an executive or an audit & supervisory board member of a major lender^(Note) of the azbil Group or its parent company or its significant subsidiary, or who served in the last three (3) years;
(Note) A major lender refers a financial institution group from which the azbil Group has borrowed funds where the outstanding aggregate of those borrowings exceeds 2% of consolidated total assets of the azbil Group as of the end of the Company’s fiscal year in situations where the azbil group effectively has loans payable (net balance of loans exceeding current liquidity deposited to such lender).
5. A related party of the Accounting auditor or audit firm etc. of the azbil Group, or who has served in the last three (3) years in such position (including those who have already resigned from such position);
6. A lawyer, certified public accountant, or other consultant who does not fall under the above item 5 and who received money and other economic benefits in the annual average amount of 10 million yen or more over the past three years other than executive compensations from the azbil Group;
7. A member, partner, associate or employee of a law firm or an audit firm, etc. who does not fall under the above items 5 or 6 and for which the azbil Group is a major business partner (a company that received a payment from the Company or a consolidated subsidiary in the annual average amount of 2% or more of the consolidated net sales of the company over the past three (3) fiscal years);
8. A person who serves as an executive or an audit & supervisory board member of a current major shareholder of the Company (a shareholder that holds 10% or more of voting rights of the Company), its parent company or its significant subsidiary, or who served in the last five (5) years;
9. A person who serves as an executive or an audit & supervisory board member of a company that accepts a director seconded from the azbil Group, its parent company or its subsidiary;
10. A person who serves as an executive or an audit & supervisory board member of a company in which the Company is a major shareholder;
11. A person who has received as an executive of an organization such as public interest incorporated foundation, public interest incorporated association, non-profit organization that has received a donation or subsidy from the azbil Group in the annual average of 10

million yen or more over the past three fiscal years; and

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| 12. A spouse, a person within the second degree of consanguinity or a relative residing in the same household of the above items from 1 to 11 |
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(Note) 1 There are no vested interests between each candidate and the Company.

(Note) 2 The above biographies, positions and sections of which they are in charge in the Company, and important concurrent positions outside the Company are effective as of the date of publication of this Notice.

Business Report

(From April 1, 2015 to March 31, 2016)

1. Matters Concerning the Present State of the Corporate Group

(1) Business Progress and Results

In the current consolidated fiscal year, Japan's economy continued to demonstrate an improvement in employment and employee compensation as well as in corporate earnings. Overall, it has maintained a moderate recovery. However, in the second half there was evidence of demand softening, in both domestic and overseas markets, and economic growth has recently slowed to a standstill. As for capital investment, owing to the economic slowdown in emerging economies, exports to China and Asia were sluggish. Added to this there was a decline in profits resulting from the continuing appreciation of the yen, and consequently companies in the manufacturing industry grew more cautious.

Turning overseas, the US economy has been marked by lackluster capital investment due to such factors as the slowdown in emerging economies, the fall in the price of crude oil and the high dollar. Nevertheless, the recovery continued against the backdrop of a robust household sector. In Europe, steady growth continued, although there have been signs of a slowdown in mainly manufacturing. In emerging economies, the outlook looks increasingly uncertain with the adjustment of overcapacity in China causing the economy to flag, and resource-rich countries suffering an economic slump as a result of declines in resource prices and currency values.

Amid this business environment, guided by the philosophy of “human-centered automation”, the azbil Group is focused on achieving the targets of the medium-term plan and has set out three key initiatives^{Note 1} and three growth fields^{Note 2} for this purpose. We are currently developing our business with unique solutions – only available from the azbil Group – based on products, technologies and services.

We have been keeping abreast of new technological innovations – such as IoT, big data and AI – while further strengthening our capabilities for supplying solutions that combine the knowhow we have acquired through many years of on-site experience with the sort of service that is unique to the azbil Group. We have also implemented initiatives to expand sales. Progress has been made, in Japan and abroad, with reinforcing the corporate structure while implementing radical business structure reforms and production structure enhancement so as to achieve medium- to long-term growth.

In the current consolidated fiscal year too, we have launched new products and services to meet customer needs and to lead to future business expansion. Progress has also been made with reorganizing domestic production bases^{Note 3} so as to adapt to changes in the business environment and improve efficiency, as well as with enhancing our sales/service system to ensure close links with customers and the region (enhancing our network of offices in the Tokyo metropolitan area)^{Note 4} in order to make sure of tapping into the construction demand being generated by redevelopment projects in and around the capital and also by the upcoming 2020 Summer Olympic and Paralympic Games in Tokyo.

*1: Three Key Initiatives

- Becoming a long-term partner for the customer and the community by offering solutions based on our technologies and products
- Taking global operations to the next level, with global expansion by moving into new regions and making a qualitative change of focus
- Becoming a corporate organization that never stops learning, so that it can continuously strengthen its corporate structure

*2: Three Growth Fields

- Next-generation solutions for the indoor spaces of factories, offices and homes
- Energy management solutions
- Safety solutions

*3: Reorganizing domestic production bases

Progress has been made with the reorganization of domestic production bases, including Azbil Corporation's Shonan and Isehara factories, and also the factories operated by Azbil Kimmon Co., Ltd., one of the Group companies. The expenses incurred by closing 2 of Azbil Kimmon's factories that produced town gas meters have been recorded as extraordinary losses of 349 million yen (including impairment loss) in the current consolidated fiscal year.

*4: Reinforcing the sales/service system

(enhancing our network of offices in the Tokyo metropolitan area)

To reinforce Azbil Corporation's sales/service system, sales/service offices have been established or relocated in Osaki, Toranomon and Kasumigaseki (all within Tokyo). So the 129 million yen expenses for this have been recorded as non-operating expenses in the current consolidated fiscal year.

Turning to the financial results for the current consolidated fiscal year, orders were 273,613 million yen, up 2.5% on the 266,925 million yen recorded in the previous consolidated fiscal year. This result was principally due to the Building Automation (BA) business which benefitted from not only a favorable business environment in Japan but also a revision made to the way multi-year contracts are recorded^{Note 5}.

As regards sales, owing to the economic slowdown in China and stagnant capital investment in Japan sales for the Advanced Automation (AA) business were virtually unchanged from the previous fiscal year. Also, the Life Automation (LA) business saw a fall in sales as a result of the negative impact of transferring its business in the health, welfare and nursing care field in the previous consolidated fiscal year. Nevertheless, the BA business achieved sales growth and consequently overall sales were 256,889 million yen, a rise of 1.0% on the 254,469 million yen recorded in the previous consolidated fiscal year.

Turning to profits, there was an increase in expenses associated with R&D activities aimed at business expansion, and with operating the new core information system, an initiative designed to strengthen the business infrastructure. Additionally, to coincide with the introduction of this new system the procedures for job profit-and-loss management were unified, leading temporarily to a fall in sales and increased expenses for provision for loss on orders received. Nevertheless, profits improved generated by sales growth and reducing goodwill amortization expenses, as well as LA business profits improved as a result of the effect of business structure reforms undertaken in the previous consolidated fiscal year. Overall, operating income was 17,135 million yen, up by 11.7% on the 15,337 million yen recorded in the previous consolidated fiscal year. However ordinary income was 16,627 million yen, down by 3.0% on the 17,141 million yen recorded in the previous consolidated fiscal year, owing mainly to the fact, while that foreign exchange gains had been recorded in the previous fiscal year, this year saw exchange losses. As regards net income attributable to owners of parent,^{Note 6} there were extraordinary losses such as a goodwill impairment loss associated with a consolidated subsidiary, but since these were less than the previous year^{Note 7}, net income attributable to owners of parent was 8,268 million yen, up by 15.3% on the 7,168 million yen recorded for the previous consolidated fiscal year.

*5: A revision made to the way orders for multi-year contracts are recorded

From the current consolidated fiscal year, a revision has been made to the domestic way orders for multi-year contracts are recorded. Previously, large-scale service projects – such as multi-year contracts awarded under “market testing” – were recorded, but recently there has been an increase in smaller service contracts that similarly span several years. Considering the increasing impact of these other contracts on orders, it has been decided to apply the same parameters for recording all multi-year contracts, to coincide with the introduction of the new core information system.

In the current consolidated fiscal year, the figure recorded for large-scale service contracts related to market testing, etc. (approximately 7,600 million yen in the previous year) decreased approximately 1,400 million

yen in the current consolidated fiscal year, but as a result of this revision an additional approximately 4,000 million yen was recorded. Moreover, approximately 4,700 million yen in multi-year contracts were additionally recorded in the current fiscal year.

*6: Net income attributable to owners of parent

Since the current consolidated fiscal year, “Accounting Standard for Business Combinations” (ASBJ Statement No. 21, issued on September 13, 2013) etc., have been applied, and “net income” is now termed “net income attributable to owners of parent”.

*7: Reduced extraordinary losses (vs. previous fiscal year)

In order to realize sustained growth, we are continuously engaged in implementing business structure reforms and measures to enhance the business infrastructure. In the previous consolidated fiscal year, expenses were incurred as a result of reviewing and restructuring businesses; additionally, there was impairment loss and loss on abolishment of retirement benefit plan following changes in the retirement pension plan. As a result, extraordinary losses of 7,565 million yen were recorded. In the current consolidated fiscal year, on top of the above-mentioned expenses incurred by closing Azbil Kimmon’s factories, there was also a goodwill impairment loss associated with Azbil Telstar in the Life Science Engineering (LSE) field. These resulted in extraordinary losses of 3,851 million yen being recorded, although this was less than in the previous fiscal year.

As regards the Azbil Telstar Group, restructuring of the business has been underway and some improvements have been achieved in the performance of the main operating company in Spain. However, results for the operating companies in the Netherlands and Brazil declined. As a result of reviewing the earnings forecast of the Azbil Telstar Group, impairment loss on goodwill was recorded with implementing measures based on a sweeping revision of the group’s business in problematic regions. In this way, steps have been taken to tackle foreseeable future risk factors, and we are aiming to achieve a rapid recovery in profitability for the aforesaid business to bring it into the black.

Building Automation (BA) Business

In the domestic market, in addition to the urban redevelopment plans for the Tokyo metropolitan area, there has been continuing demand for energy/cost-saving solutions, so overall investment in construction has continued to be active. Against this backdrop, there was considerable sales growth in the market for new buildings thanks to efforts to strengthen our job fulfillment system. And, as a result of the optimal allocation of human resources within the Group, it was possible to maintain a high level of sales in the market for existing buildings and in the service field. Consequently, overall domestic market sales were higher than for the previous fiscal year.

In overseas markets, steady progress has been made with the development of local markets. Although performance varied depending on the countries, there was overall growth, mainly in China, and thus overseas market sales too were up on the previous consolidated fiscal year.

As a result, BA business sales for the current consolidated fiscal year were 118,835 million yen, up 3.9% on the 114,321 million yen recorded for the previous consolidated fiscal year. Segment profit was impacted by several factors, including changes to the sales mix, and measures and system development undertaken in anticipation of the future business opportunities afforded throughout the life cycle of a building. Also, R&D expenses increased for aiming at future business expansion, and there were also increased expenses associated with operating the new core information system. Profit was further impacted as a result of unifying job profit-and-loss management procedures to coincide with the introduction of the aforementioned system. As a result segment profit was 12,014 million yen, down 1.9% on the previous consolidated fiscal year, when segment profit was 12,245 million yen.

Advanced Automation (AA) Business

In the domestic market, companies in equipment manufacturing and materials-related fields have stuck to their wait-and-see posture owing to some uncertainty regarding the future outlook. While there have been signs of improvement in certain markets, overall there has been little change to the prevailing lackluster business conditions. In view of this, we have engaged in developing fields with potential for future demand^{*}, and as a result overall domestic sales were

on a par with the figure for the previous fiscal year.

In overseas markets, because of such factors as slowing economic growth in China, the business environment has continued to be difficult, especially in fields related to the materials industries. This is the principal reason why overseas sales fell slightly overall.

Consequently, for the current consolidated fiscal year the AA business achieved sales of 93,538 million yen, down 0.2% on the previous consolidated fiscal year, when sales of 93,687 million yen were recorded. As regards profits, there was an increase in expenses incurred by operating the new core information system, but this was offset by providing customers with high value-added solutions and by improving the profit structure. It was thus possible to maintain segment profit, which rose by 0.3% to 5,029 million yen, on a par with the 5,013 million yen recorded for the previous consolidated fiscal year.

* Development of fields with potential for future demand

The azbil Group has identified as a priority area automation in advanced industries such as electrical/electronics, semiconductors, automobiles, and chemicals (downstream) as well as domestic demand-oriented industries such as food and pharmaceuticals, together with the companies that produce manufacturing equipment for the aforesaid industries. Automation for these industries is referred to collectively as HA/FA (Hybrid Automation / Factory Automation), and the azbil Group is actively engaged in growing this HA/FA business. Also, we are developing the business to provide unique azbil Group solutions for customers connected with the gas energy supply chain, including LNG carrier operators.

Life Automation (LA) Business

The LA business covers three fields: Lifeline (gas/water meters, etc.), Life Science (pharmaceutical/medical fields), and Lifestyle-related (residential central air-conditioning systems, etc.). There was a fall in sales during the current fiscal year compared to the previous year, principally due to the impact of transferring its business in the health, welfare, and nursing care field in the previous consolidated fiscal year.* However, profitability has been improved thanks to the steady progress made with reforms in the various business fields.

In the field of gas and water meters, sales were on a par with the previous consolidated fiscal year, but an increase in profits was achieved mainly thanks to actively selecting more profitable orders in the water meter business. In the Life Science Engineering (LSE) field, while some declines were observed in results for companies operating in the Netherlands and Brazil, overall an improvement was achieved in profitability owing to sales growth following a recovery in orders and to business structure reforms. Orders and sales increased in the field of residential central air-conditioning systems thanks to sales system reforms as well as improvements to marketing and development systems. Furthermore, the profit structure was strengthened.

Consequently, LA business sales for the current consolidated fiscal year were 45,646 million yen, down 3.6% on the previous consolidated fiscal year, when sales of 47,331 million yen were recorded. Profits improved as a result of reduced goodwill amortization expenses and the effect of structural reforms undertaken throughout the LA business during the previous consolidated fiscal year. Segment profit was 79 million yen (a segment loss of 1,937 million yen was recorded in the previous consolidated fiscal year).

* Transfer of business in the health, welfare and nursing care field in the previous consolidated fiscal year

On February 4, 2015, all shares in Azbil Care & Support Co., Ltd. – which had been providing services in the health, welfare and nursing care field – were transferred to SOHGO SECURITY SERVICES CO., LTD. As a result of this transfer, sales for the current consolidated fiscal year were reduced by approximately 3,400 million yen, but the impact on segment profit has been small.

Others

In Other business, sales of 66 million yen were recorded for the current fiscal year; in the previous fiscal year sales were 66 million yen. Segment profit was 17 million yen; in the previous fiscal year there was a segment profit of 17 million yen.

Orders received and Sales by segment

(Millions of yen)

Reportable segment	Orders received			Sales		
	93rd term (Fiscal year ended March 31, 2015)	94rd term (Fiscal year ended March 31, 2016)	Increase/ decrease ratio (%)	93rd term (Fiscal year ended March 31, 2015)	94rd term (Fiscal year ended March 31, 2016)	Increase/ decrease ratio (%)
Building Automation	122,348	133,863	9.4	114,321	118,835	3.9
Advanced Automation	97,055	94,872	(2.2)	93,687	93,538	(0.2)
Life Automation	48,462	45,784	(5.5)	47,331	45,646	(3.6)
Total of reportable segments	267,867	274,521	2.5	255,339	258,020	1.0
Other	66	66	0.2	66	66	0.3
Elimination	(1,008)	(974)	—	(937)	(1,197)	—
Consolidated	266,925	273,613	2.5	254,469	256,889	1.0

(2) Principal Business (As of March 31, 2016)

—The azbil Group businesses—While realizing safety, comfort and fulfillment through our three businesses, contribute to the global environment preservation.

The azbil Group pursues “human-centered automation” for people’s safety, comfort and fulfillment and to contribute to the global environment, developing its building automation business in the building market and its advanced automation business in the industrial market, as well as its life automation business through lifeline and life sciences research in the lifestyle-focused market.

The azbil Group handles the following major products.

Segment

BA Building Automation Business

Major Products

- | | |
|------------------------------|--|
| ● Building automation system | ● Building automation service |
| ● Controllers | ● Cloud-based services for buildings |
| ● Sensors | ● Total energy management services |
| ● Valves | ● Comprehensive building management services |
| ● User-operated devices | ● Cell airflow control system |
| ● Security systems | ● Environmental solutions for data centers, etc. |

Segment

AA Advanced Automation Business

Major Products

- | | |
|----------------------------------|---|
| ● Monitoring and control systems | ● Combustion safety and control systems |
| ● Solution packages | ● Facility diagnosis devices |
| ● Field devices | ● Maintenance services |
| ● Valves/Positioner | ● Energy-saving solutions for factories |
| ● Controllers | ● Lubricators, etc. |
| ● Sensors/Switches | |
-

Segment

LA Life Automation Business

Major Products

- | | |
|-----------------------|--|
| ● Gas meters | ● Flowmeters |
| ● Safety equipment | ● Residential central air-conditioning systems |
| ● Supplying equipment | ● Facilities and equipment for research laboratories and hospitals |
| ● System equipment | ● Equipment and services for pharmaceutical plants, etc. |
| ● Water meters | |
-

Segment

Others

Major Products

- Insurance agent business
-

(3) Capital Investment, etc.

Capital investment in the current fiscal year totaled ¥3,413 million, as we invested in new product development and streamlining.

(4) Fund Raising

There is no important fund raising to list for the current fiscal year.

(5) Issues to be Tackled

In striving to ensure medium- to long-term business development and continuous enhancement of enterprise value, the azbil Group is keen to meet the expectations of all stakeholders, not least the shareholders. We have accordingly established long-term goals for the azbil Group. To achieve these goals, through the pursuit of “human-centered automation” in our three business segments (BA, AA and LA), we are now implementing three key initiatives: (1) becoming 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, with global expansion by moving into new regions and making a qualitative change of focus; and to realize these goals by (3) becoming a corporate organization that never stops learning, so that it can continuously strengthen its corporate structure. In this way we have made progress with reforms to the business structure that can lead to business expansion.

However, giving due consideration to the changing conditions and environment facing society, domestically and internationally, if we are to achieve further growth then it will not be sufficient to continue business operations as we have done. What is called for is a further acceleration of structural reforms for each business, in Japan and abroad, and the creation of advanced development/production systems for the Group. We are also aiming to achieve continuous growth through strengthening corporate governance, allocating management resources effectively and boldly, and also working to accelerate these reforms and ensure they take firm root.

- 1) In Japan, all three businesses serve mature industries, yet there are significant differences in the environment each finds itself in. The BA business has tapped into the demand that is growing with the urban redevelopment plans for the Tokyo metropolitan area. In order to reinforce the foundation of its service business, it will develop new fields using air conditioning system “nexfort” designed for small-to medium-size office buildings, while strengthening job fulfillment capabilities by transferring staff from within the Group. The AA business supplies automation targeted at a wide variety of different markets, but profitability has not yet recovered sufficiently. We will therefore implement reforms aimed at achieving a highly profitable business structure by developing individual business models closely matched to the market environment of each of its businesses (CP, IAP and SS).^{*} One example of this approach is offering solutions based on the C7G Multi Loop Controller with Multifunction Display, which can calculate diagnostic parameters that contribute to preventative maintenance for manufacturing equipment. Furthermore, in addition to developing energy utility meter products and technologies, we have started supplying solutions that automate meter operations - covering everything from measurement and control to management – not only to the BA and AA businesses but also to the LA business, thus demonstrating how to cross over conventional business boundaries. In these ways, we are even more vigorously reallocating and optimizing

resources within the azbil Group to match changes in the market environment, aiming to achieve efficient management through an integrated structure in mature fields as well as a shift to new fields with potential for growth.

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

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

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

- 2) In overseas markets, as one approach to further strengthening the business foundation so as to increase earnings, we are aiming to expand globally by responding to local market needs – such as large-scale projects, which are on the increase – and enhancing staff training. As regards company management, we will be working to strengthen administration and governance at our overseas subsidiaries, as well as conducting global HR training for managers in Japan and overseas so as to raise the level of leadership skills throughout the azbil Group. In order to launch a new Life Science Engineering business, a stake in Azbil Telstar was acquired, and subsequently radical business structure reforms have been implemented at the subsidiary Azbil Telstar from FY2014. However, while some improvements have been achieved in strengthening the corporate structure of the main operating company in Spain, the performance of the companies operating in the Netherlands and Brazil has declined. We will continue to bolster profitability by conducting a sweeping review, focusing on the cleanroom business in both countries, and at the same time acting to improve project management systems and generate synergies with the azbil Group.
- 3) To lend further impetus to azbil Group business expansion, we will reorganize development and production systems for the Group. We aim to create a more advanced R&D environment by concentrating research-related resources at the Fujisawa Technology Center, and thus ensuring that the azbil Group's R&D activities are more efficient and more innovative. The Fujisawa Technology Center has already been equipped as an “energy solution site” demonstrating energy-use optimization for both production facilities and office environments. Here products still under development are installed and operated so engineers can monitor their performance. Tours of the Center are regularly conducted to provide customers with an opportunity to experience firsthand what azbil energy management is contributing to this growth field. Concurrently, by consolidating the production functions of the Shonan and Isehara factories into a single manufacturing plant, and reducing 5 Azbil Kimmon factories (producing town gas meters) to 3, we are creating an advanced production system that can cope with increasing cost competition and changing technology trends.
- 4) Promotion of CSR management is a goal of the medium-term plan and the entire azbil Group is actively engaged in a number of priority initiatives focusing on compliance (corporate ethics, legal conformity), risk management (quality, product liability, disaster prevention, BCP and information security), human-centric management, contributing to the global environment, promoting Group management and enhancing governance systems, and contributing to the society. Moreover, we are working to comply with Japan's Corporate Governance Code in order to enhance the integrity, neutrality and transparency of management. And we are actively progressing with measures to ensure a constructive dialog with all of our stakeholders so as to facilitate sustained growth and enhancement of enterprise value over the medium to long term.

(6) Financial position and results of operations

Category	91st term (Fiscal year ended March 31, 2013)	92nd term (Fiscal year ended March 31, 2014)	93rd term (Fiscal year ended March 31, 2015)	94th term Fiscal year under review (Fiscal year ended March 31, 2016)
Orders received (Millions of yen)	231,143	252,435	266,925	273,613
Net sales (Millions of yen)	227,584	248,416	254,469	256,889
Operating income (Millions of yen)	13,410	13,903	15,337	17,135
Ordinary income (Millions of yen)	14,569	14,599	17,141	16,627
Net income attributable to owners of parent (Millions of yen)	8,308	7,669	7,168	8,268
Net income per share (Yen)	112.50	103.85	97.07	112.73
Total assets (Millions of yen)	243,418	253,448	265,718	259,127
Net assets (Millions of yen)	141,197	144,978	160,294	156,966
Shareholders' equity ratio (%)	57.1	56.5	59.6	59.8
Net assets per share (Yen)	1,882.66	1,940.56	2,143.11	2,116.09

(7) Significant subsidiaries (As of March 31, 2016)

Company	Capital Stock	The Company's Investment Ratio (%)	Principal Business
Azbil Trading Co., Ltd.	JPY Million 50	100.00	In the FA field, sales, design, and test operations of instruments and systems for control, measurement, inspection, safety, the environment, data recording and analysis, instrumentation work, various software production, technology service provision and insurance agent business, etc.
Azbil Kimmon Co., Ltd.	3,157	100.00	Manufacturing, development and sales of City Gas meters, LP gas meters, water meters and other related equipment, and related maintenance operations including meter replacement
Azbil Control Instruments (Dalian) Co., Ltd.	RMB Thousand 61,176	100.00	Manufacturing of control instruments, automatic control valves, and switches
Azbil North America, Inc.	USD Thousand 28,550	100.00	Sales of control instrument products and field instruments for the industrial market, engineering, maintenance services
Azbil Telstar, S.L.U.	EUR Thousand 13,063	100.00	Development, manufacturing and sales of manufacturing equipment and environmental equipment for pharmaceuticals, hospitals and research laboratories, and clean room consulting and engineering

(8) Main offices and factories (as of March 31, 2016)

Azbil Corporation	Headquarters	2-7-3 Marunouchi, Chiyoda-ku, Tokyo		
	Building Systems Company Head Office /Regional Division/Branch	Chuo-ku, Sapporo-shi	Aoba-ku, Sendai-shi	Chuo-ku, Saitama-shi
		Tsukuba-shi, Ibaraki	Chuo-ku, Chiba-shi	Shinagawa-ku, Tokyo
		Nishi-ku, Yokohama-shi	Nagano-shi, Nagano	Naka-ku, Nagoya-shi
		Kanazawa-shi, Ishikawa	Kita-ku, Osaka-shi	Higashi-ku, Hiroshima-shi
		Hakata-ku, Fukuoka-shi		
	Advanced Automation Company Regional Division/Branch	Chuo-ku, Sapporo-shi	Aoba-ku, Sendai-shi	Chuo-ku, Saitama-shi
		Shinagawa-ku, Tokyo	Naka-ku, Nagoya-shi	Kita-ku, Osaka-shi
		Higashi-ku, Hiroshima-shi	Kokurakita-ku, Kitakyushu-shi	
	Fujisawa Technology Center	Fujisawa-shi, Kanagawa		
Factories	Isehara-shi, Kanagawa	Kouza-gun, Kanagawa		
Offices	Hadano-shi, Kanagawa			
Azbil Trading Co., Ltd.	Headquarters	Toshima-ku, Tokyo		
	Branch	Toshima-ku, Tokyo,	Chuo-ku, Saitama-shi,	Naka-ku, Nagoya-shi,
		Yodogawa-ku, Osaka-shi,	Higashi-ku, Hiroshima-shi,	Kokurakita-ku, Kitakyushu-shi
Azbil Kimmon Co., Ltd.	Headquarters	Toshima-ku, Tokyo		
	Regional Division/Branch	Higashi-ku, Sapporo-shi	Aoba-ku, Sendai-shi	Kiryu-shi, Gunma
		Toshima-ku, Tokyo	Naka-ku, Nagoya-shi	Higashiosaka-shi, Osaka
		Higashi-ku, Hiroshima-shi	Hakata-ku, Fukuoka-shi	
	Factories	Aomori-shi, Aomori (Azbil Kimmon Aomori Co., Ltd.) Gobo-shi, Wakayama (Azbil Kimmon Wakayama Co., Ltd.) Shirakawa-shi, Fukushima (Azbil Kimmon Shirakawa Co., Ltd.)* Motomiya-shi, Fukushima (Azbil Kimmon Shirasawa Co., Ltd.)*		
Research Laboratories	Kawagoe-shi, Saitama			
Azbil Control Instruments (Dalian) Co., Ltd.	Headquarters	Dalian, China		
Azbil North America, Inc.	Headquarters	Arizona, U.S.A.		
Azbil Telstar, S.L.U.	Headquarters	Catalonia, Spain		

(Note) For the two Azbil Kimmon Co., Ltd. factories listed with an asterisk, factory facilities are rented to the subsidiaries listed in parentheses, which operate them individually.

(9) Employees (As of March 31, 2016)

1) Employees of the Group

Segment	Number of Employees	Year-on-year Increase/(Decrease)
Building Automation Business	3,094 [775] persons	72 persons
Advanced Automation Business	3,467 [593]	(106)
Life Automation Business	1,792 [294]	(41)
Total of reportable segments	8,353 [1,662]	(75)
Others	3 [1]	0
Corporate (Common)	1,108 [181]	131
Total	9,464 [1,844]	56

Notes: 1. The number of employees listed as Corporate (Common) refers to employees belonging to the administration and research and development division which cannot be categorized in the designated business segments.

2. The numbers of temporary employees (including part timers, employees rehired after the compulsory retirement age and contract employees, excluding temporary workers from temp agencies) are indicated in brackets separately from the total as the average yearly numbers of employees.

3. The number of employees listed as Corporate (Common) has increased by 131 when compared year-on-year. The primary reason for this is that, accompanying the operation of new core systems, the number of employees from the staff division etc., which were previously included in designated business segments, were categorized as Corporate (Common).

2) Employees of the Company

Number of Employees	Year-on-year Increase/(Decrease)	Average Age	Average Years of Service
5,146 [1,370] persons	(64) persons	44.3 years old	19.8 years

(Note) The number of temporary employees (including part timers, employees rehired after the compulsory retirement age and contract employees, excluding temporary workers from temp agencies) is indicated in brackets separately from the total as the average yearly number of employees.

(10) Major Lenders (As of March 31, 2016)

Lenders	Loan Outstanding
Mizuho Bank, Ltd.	5,228 million yen
The Bank of Tokyo-Mitsubishi UFJ, Ltd.	3,194

(11) Transfer of important businesses, etc.

1) Business transfers, absorption-type company split or incorporation-type company split

Not applicable

2) Business transfers from other companies

Not applicable

3) Succession of rights and obligations relating to other entities' business as a result of absorption-type merger or company split

Not applicable

4) Acquisition or disposal of shares, other equities, or subscription rights to shares of other companies

Not applicable

(12) Other important matters regarding the current situation of the Group

Not applicable

2. Stock Information (As of March 31, 2016)

- (1) Total Number of Authorized Shares 279,710,000 shares
- (2) Shares of Common Stock Issued 75,116,101 shares
(including treasury shares of 1,865,122 shares)
- (3) Number of Shareholders 8,371
- (4) Major Shareholders (Top 10)

	Number of Shares (thousands)	Percentage of Total Shares Issued (%)
State Street Bank and Trust Company	5,471	7.46
Meiji Yasuda Life Insurance Company	5,214	7.11
The Master Trust Bank of Japan, Ltd. (Trust account)	4,312	5.88
Japan Trustee Services Bank, Ltd. (Trust account)	4,223	5.76
Japan Trustee Services Bank, Ltd. (Trust account 9)	2,600	3.55
Trust & Custody Services Bank, Ltd. (Trustee for Mizuho Trust & Banking Co., Ltd. Retirement Benefit Trust Account)	2,315	3.16
Nippon Life Insurance Company	1,869	2.55
National Mutual Insurance Federation of Agricultural Cooperatives	1,550	2.11
azbil Group Employee Stock Ownership	1,540	2.10
Mizuho Bank, Ltd.	1,404	1.91

Notes: 1. The percentage of total shares issued is calculated excluding treasury shares (1,865,122 shares).

2. 3,537 thousand of the shares held by The Master Trust Bank of Japan, Ltd. (Trust account) and 2,453 thousand of the shares held by Japan Trustee Services Bank, Ltd. (Trust account) are the numbers of shares related to the trust business.

3. According to the Report on Large Shareholding dated December 21, 2015 which was made available for public inspection, the following shares are held by Sumitomo Mitsui Trust Bank, Limited as of December 15, 2015. However, as the Company is not able to confirm the number of shares actually held as of March 31, 2016, the end of the fiscal year under review, the shares are not included in the above status of major shareholders.

Submission Date of Report on Large Shareholding	Shareholder Name	Number of Shares Held (thousands)	Percentage of Total Shares Issued (%)
December 21, 2015	Sumitomo Mitsui Trust Bank, Limited	3,131	4.16

3. Matters Concerning Officers

(1) Executive Directors and Audit & Supervisory Board Members (As of March 31, 2016)

Positions	Name	Assignments in the Company and Important Concurrent Positions Outside the Company
Chairman	Seiji Onoki	Chairman, responsible for the azbil Group (aG) overall
President and Chief Executive Officer	Hirozumi Sone	President and Chief Executive Officer, responsible for the aG overall, Internal Audit Department, Corporate Planning Department
Executive Director	Tadayuki Sasaki	Senior Managing Executive Officer, Assistant to President, responsible for aG-CSR, internal control, facilities/business sites, Group Management Headquarters, General Affairs Department, Legal & Intellectual Property Department, Secretary Office
Executive Director	Keiichi Fuwa	Managing Executive Officer, responsible for the building automation (BA) business, aG sales synergy President of the Building Systems Company (BSC)
Executive Director	Masato Iwasaki	Managing Executive Officer, responsible for the advanced automation (AA) business President of Advanced Automation Company (AAC)
Executive Director	Yoshimitsu Hojo	Managing Executive Officer, responsible for aG production, aG purchasing, Production Management Headquarters General Manager of Production Management Headquarters
Outside Director	Eugene H. Lee	Outside Director
Outside Director	Katsuhiko Tanabe	Outside Director Lawyer Outside Auditor of Sanwa Holdings Corporation Outside Auditor of JSP Corporation
Outside Director	Takeshi Ito	Outside Director Senior Advisor of Aozora Securities Co., Ltd.
Standing Audit & Supervisory Board Member	Tomohiko Matsuyasu	
Standing Audit & Supervisory Board Member	Hisaya Katsuta	
Outside Audit & Supervisory Board Member	Kinya Fujimoto	Certified Public Accountant Outside Corporate Auditor of Nihon Kajo Publishing Co., Ltd.
Outside Audit & Supervisory Board Member	Mitsuhiro Nagahama	Adviser of Mizuho Securities Co., Ltd.
Outside Audit & Supervisory Board Member	Shigeru Morita	

Notes: 1.Executive Directors Eugene H. Lee, Katsuhiko Tanabe and Takeshi Ito are Outside Directors of the Company under Article 2, Item 15 of the Companies Act.

2.Audit & Supervisory Board Members Kinya Fujimoto, Mitsuhiro Nagahama and Shigeru Morita are Outside Audit & Supervisory Board Members of the Company under Article 2, Item 16 of the Companies Act.

3.Under the provisions of Article 427, Paragraph 1 of the Companies Act, the Company has concluded contracts for limitation of liability with each of Outside Directors and Outside Audit & Supervisory Board Members, as provided for in Article 423, Paragraph 1 of the Companies Act. The maximum amount of the liability for damage based on said contracts is the minimum amount prescribed in laws and regulations.

4.Standing Audit & Supervisory Board Member Tomohiko Matsuyasu has served for many years in the

Company's accounting division, carrying out accounting procedures and preparing financial statements, and Audit & Supervisory Board Member Kinya Fujimoto, as a certified public accountant, has a wealth of knowledge and experience concerning financial affairs and accounting.

5. The Company has notified each of Outside Directors and Outside Audit & Supervisory Board Members as Independent Officers to the Tokyo Stock Exchange.

6. As of April 1, 2016, the assignments of Directors have been changed as follows:

Positions	Name	Assignments in the Company and Important Concurrent Positions Outside the Company
Executive Director	Tadayuki Sasaki	Vice President, Assistant to President, Responsible for overall administrative function , aG-CSR, Internal control, Facilities/Business sites, General Affairs Department, Secretary Office
Executive Director	Masato Iwasaki	Managing Executive Officer Responsible for business in North America and South America supervision, develop for new business model in North America
Executive Director	Yoshimitsu Hojo	Managing Executive Officer Responsible for aG production, aG purchasing, advanced automation (AA) business, Production Management Headquarters President of Advanced Automation Company (AAC) General Manager of Production Management Headquarters

7. We have an Executive Officer System that facilitates the prompt decision making and execution of company policy. As of April 1, 2016, there were 25 Executive Officers, including the above six (6) Executive Directors who also serve as Executive Officers and the Executive Officers appointed below.

Position	Name	Assignments in the Company
Managing Executive Officer	Yoshihide Sugino	Responsible for azbil Group (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, and Valve Production Development Department, Document Production Department
Managing Executive Officer	Kenji Hidaka	Responsible for the life automation business, Home Comfort Headquarters, the Life Science Engineering Department
Managing Executive Officer	Takayuki Yokota	Responsible for Corporate Communication, Group Management Headquarters, International Business Headquarters General Manager of Group Management Headquarters
Managing Executive Officer	Kazuyasu Hamada	Manager of BSC's Tokyo Head Office
Executive Officer	Norio Murase	Responsible for the Legal and Intellectual Property Department
Executive Officer	Hiroshi Arai	Responsible for aG information systems, IT/software technology development
Executive Officer	Yoshifumi Suzuki	Responsible for China area supervision
Executive Officer	Michihiro Tomonaga	Chairman and General Manager of Azbil Taiwan Co., Ltd
Executive Officer	Haruo Tamura	General Manager of the BSC's Integrated Business Headquarters
Executive Officer	Seiichiro Hayashi	General Manager of the BSC's Engineering Headquarters
Executive Officer	Kenji Okumura	Responsible for Sales Department of AA business General Manager of the AAC's Global Business Sales Headquarters
Executive Officer	Hiroshi Shimizu	Responsible for the advanced control business General Manager of the AAC's Engineering Headquarters' Advanced Solutions Department
Executive Officer	Akihiko Naruse	Responsible for Human Resources Department, aG Safety Management Department President of the Azbil Academy
Executive Officer	Kenichi Hayashi	General Manager of the BSC's Business Planning Department
Executive Officer	Tetsuo Takamura	Responsible for the AA CP ^{*1} business General Manager of the AAC CP Marketing Department
Executive Officer	Junya Nishimoto	General Manager of Technology Development Headquarters
Executive Officer	Tadayoshi Ito	Responsible for the AA SS ^{*2} business General Manager of the AAC SS Marketing Department General Manager of the AAC's Engineering Headquarters
Executive Officer	Tetsuya Maruyama	Responsible for Energy Management promotion General Manager of the BSC's Environmental Facility Solutions Headquarters
Executive Officer	Tomoyuki Takeda	Vice Manager of the BSC's Tokyo Head Office Vice Manager of the BSC's Integrated Business Headquarters

*1: Control Products

*2: Solution and Service

(2) Total amounts of remuneration, etc., paid to Executive Directors and Audit & Supervisory Board Members

Category	Number of Persons Remunerated	Total Amount of Remunerations Paid (Millions of yen)
Executive Directors	9	405
Audit & Supervisory Board Members	8	70
Total (Outside Directors and Audit & Supervisory Board Members)	17 (8)	476 (58)

Notes: 1. The remuneration for Executive Directors excludes the salary to be paid for service as officer or employee for Executive Directors who concurrently hold a post of officer or employee of the Company.

2. The Company resolved that the maximum annual remuneration for Executive Directors shall be not more than 450 million yen (excluding amounts paid as salaries for officer or employee) at the 84th Ordinary General Meeting of Shareholders held on June 29, 2006.

3. The Company resolved that the maximum annual remuneration for Audit & Supervisory Board Members shall be not more than 120 million yen at the 85th Ordinary General Meeting of Shareholders held on June 28, 2007.

4. The remuneration for Executive Directors includes directors' bonuses (114 million yen for six (6) Executive Directors).

5. The above table includes amounts paid to three (3) Audit & Supervisory Board Members who retired from the position at the conclusion of the 93rd Ordinary General Meeting of Shareholders held on June 25, 2015.

(Reference) Policies on Determination of Remuneration Paid to Executive Directors and Audit & Supervisory Board Members

Policies on executive remuneration have been established as part of our effort to strengthen corporate governance and achieve sustained enhancements in corporate value by meeting the azbil Group's management targets. The remuneration of officers clearly reflects business performance during the period in question, based on a system that takes into account each officer's role, responsibilities, and accomplishments.

The remuneration limit for the Executive Directors as a group is set at the Ordinary General Meeting. The Company has established a "Nomination and Remuneration Committee" based on its "Internal Rules for Director Remuneration" to ensure transparency and objectivity in setting the amount of remuneration for individual Executive Directors. This committee, consisting of Outside Directors who perform oversight of management and execution from an external perspective and Representative Directors, reviews and determines the remuneration of each Executive Director, including the Representative Directors.

Furthermore, to share interests with the shareholders and to incentivize management focused on the company stock price, Executive Directors who also serve as Executive Officers contribute a portion of their remuneration to the officer stock ownership plan.

The remuneration limit for Audit & Supervisory Board Members as a group is also set at the Ordinary General Meeting, while the remuneration of individual Audit & Supervisory Board Members is determined on the basis of discussions among the Audit & Supervisory Board Members.

(3) Important Concurrent Positions Outside the Company of Outside Officers

Positions	Name	Important Concurrent Positions Outside the Company
Outside Director	Eugene H. Lee	
Outside Director	Katsuhiko Tanabe	Lawyer Outside Audit & Supervisory Board Member of Sanwa Holdings Corporation Outside Audit & Supervisory Board Member of JSP Corporation
Outside Director	Takeshi Ito	Senior Advisor of Aozora Securities Co., Ltd.
Outside Audit & Supervisory Board Member	Kinya Fujimoto	Certified Public Accountant Outside Audit & Supervisory Board Member of Nihon Kajo Publishing Co., Ltd.
Outside Audit & Supervisory Board Member	Mitsuhiro Nagahama	Adviser of Mizuho Securities Co., Ltd.
Outside Audit & Supervisory Board Member	Shigeru Morita	

Note: There is no particular relationship between the Company and each of the important concurrent positions outside the Company of Outside Directors and Audit & Supervisory Board Members.

(4) Major activities of Outside Officers

	Name	Number of attendance at the Board of Directors meeting	Number of attendance at the Audit & Supervisory Board meeting	Statements
Outside Director	Eugene H. Lee	11/12	–	Eugene H. Lee raised questions and made comments in view of the company's business development from a global perspective and from the standpoint of risk management, as appropriate based on his in-depth knowledge of international business and experience in the management of global companies.
	Katsuhiko Tanabe	11/12	–	Katsuhiko Tanabe raised questions and made comments from such standpoints as the presence of legal issues in projects, and risk reduction, from his specialist standpoint and wide-ranging expertise as a lawyer, and experience as an outside officer at other companies.
	Takeshi Ito	12/12	–	Takeshi Ito raised questions and made comments from his perspective on capital market, on business expansion, finance and investment of the Company, based on his knowledge and experience in the financial field developed in overseas securities and investment management companies.

	Name	Number of attendance at the Board of Directors meeting	Number of attendance at the Audit & Supervisory Board meeting	Statements
Outside Audit & Supervisory Board Member	Kinya Fujimoto	12/12	16/16	Kinya Fujimoto raised questions and made comments from the standpoint of auditing the company's overall business based on his wealth of expertise concerning financial affairs and accounting, as well as experience as a certified public accountant.
	Mitsuhiro Nagahama	10/10	11/11	Mitsuhiro Nagahama raised questions and made comments from the standpoint of further improvement in the management of group companies from a global perspective and the corporate governance of the company based on his experience of serving in important positions in his native field of finance and in-depth knowledge and vantage point in financial services.
	Shigeru Morita	10/10	11/11	Shigeru Morita raised questions and made comments from the standpoint of improving risk management and preventative measures and the approach to CSR of the Company from his experience serving in important positions in insurance companies, which are his native field, as well as his management experience in real estate and facility management companies.

Note: Audit & Supervisory Board Members Mitsuhiro Nagahama and Shigeru Morita were appointed at the 93rd Ordinary General Meeting of Shareholders held on June 25, 2015, and as such this only pertains to the Board of Directors and Audit & Supervisory Board meetings held after their appointments.

4. Accounting Auditor

(1) Accounting Auditor's name: Deloitte Touche Tohmatsu LLC

(2) Amount of remuneration during the Fiscal Year Ended March 31, 2016

	Amount Paid
Amount of remuneration paid for services rendered as Accounting Auditors during the Fiscal Year Ended March 31, 2016	77 million yen
Total cash and other remuneration paid by the Company and its subsidiaries to their Accounting Auditors	111 million yen

Notes: 1. The audit agreement entered into by the Accounting Auditor and the Company does not clearly distinguish the amount being derived from the audit under the Companies Act and that being derived from the audit under the Financial Instruments and Exchange Act, and the two amounts cannot be practically distinguished from each other. Therefore, the amount in above indicates the total of these two kinds of amounts.

2. The Audit & Supervisory Board gives consent regarding remunerations etc. for the Accounting Auditor as stipulated under Article 399, Item 1 of the Companies Act. The consent is given as a result of examining the validity of the expected auditing hours and the amount of remuneration, after comparing the audit plan of the previous business year with its performance, and reviewing the trend of the time spent for audit and the amount of remuneration by obtaining necessary materials and examining reports from the relevant departments of the Company and the Accounting Auditor.

3. Consolidated overseas subsidiaries of the Company are audited by Auditing firms other than the Accounting Auditors of the Company.

(3) Policy regarding decisions of dismissal or non-reappointment of Accounting Auditors

Where the Audit & Supervisory Board deems there are problems with the suitability or independence of an Accounting Auditor, it will decide the details of an item to be submitted to the General Meeting of Shareholders related to the dismissal or non-reappointment of the Accounting Auditor.

Furthermore, where the Audit & Supervisory Board deems the Accounting Auditor corresponds to the provisions of Article 340, paragraph 1 of the Companies Act, based on the agreement of the all Audit & Supervisory Board Members, the Accounting Auditor will be dismissed. In this case, the Audit & Supervisory Board Member selected by the Audit & Supervisory Board will report the fact that the Accounting Auditor was dismissed and the reason for such dismissal at the first General Meeting of Shareholders convened after the dismissal.

5. System and Policies of the Company

(1) System to ensure the appropriateness of business activities and the operational status of that System

<Outline of resolution on system to ensure the appropriateness of business activities>

As decided at the Board of Directors meeting convened on May 16, 2006 and partially revised at the Board of Directors meetings convened on August 3, 2007, May 23, 2008, August 6, 2009 and May 13, 2015, the Basic Policy on Internal Control System Architecture is as follows.

This policy, based on Article 362, Paragraph 4, Item 6 of the Companies Act, stipulates an overall framework required to create an internal control system as stipulated by Article 100 of the Ordinance for Enforcement of the Companies Act, clarifying basic policies to be followed by Executive Directors, Executive Officers and employees (hereafter, "Officers and

Employees”) of Azbil Corporation (hereafter, “the Company”) and the Company’s subsidiaries*¹ (hereafter, “Subsidiaries”) in the building of internal control system architecture concretely implemented by the Company and Subsidiaries. The goal of the internal control system based on this policy is to create a corporate structure that is efficient, lawful, and highly transparent, based on improvement through constant review.

*1: The Subsidiaries subject to basic policies are the consolidated Subsidiaries specified in “azbil Group Management Basic Policy” that also have annual net sales accounting for 1 % or more of the consolidated sales of the azbil Group.

1. System to ensure that the execution of duties of Officers and Employees of the Company and Subsidiaries complies with laws and regulations and the Articles of Incorporation

- 1) The Officers and Employees of the Company and Subsidiaries, aiming to be a corporate group that contributes to and is trusted by society, will comply with laws and regulations and the Articles of Incorporation, as well as the “azbil Group Business Conduct Policy” and the “azbil Group Business Conduct Guidelines,” maintaining high-level business ethics and conducting sound business activities. To do so, both the Company and Subsidiaries will designate an officer to be responsible for compliance promotion activities in each company, forming a constant approach throughout the entire company.
- 2) In addition to the above paragraph, the Company and the separately listed Subsidiaries will create individual action plans to promote compliance, including the compliance with laws and regulations and the Articles of Incorporation, and report the results of implementation to the Board of Directors of their own companies.
- 3) The Company, to promote compliance-related activities throughout the entire group, has formed the “azbil Group CSR Promotion Committee,” creating action plans for the overall group, managing progress, and providing guidance and advice to Subsidiaries.
- 4) The Company and Subsidiaries will create internal control systems to ensure the appropriateness of business activities. To do so, the Officers and Employees of the Company and Subsidiaries will endeavor to develop and implement the basic elements of internal control, including the control environment, and with regard to the performance of business, shall comply with relevant laws and regulations, business process manuals, etc., thereby ensuring, and seeking to maintain and improve appropriate control conditions.
- 5) The Internal Auditing Department of the Company, based on the “Internal Audit Rules,” will implement regular and ad-hoc audits as required on the status of the Company’s and Subsidiaries’ compliance promotion and internal control system architecture.
- 6) In the rare event the Company or Subsidiaries engage in serious illegal or unethical acts, or any event that might produce a serious impact on society, the Officers and Employees of the Company and the Subsidiaries will make a report using either the designated reporting route or the internal reporting system.
- 7) The Internal Auditing Department of the Company will maintain, develop and properly operate the internal reporting system and other systems. Expansions or changes to the coverage scope of the internal reporting system will be made following a report to the Board of Directors.

2. System for the storage and management of information relating to the execution of duties of the Executive Directors of the Company

- 1) The Officers and Employees of the Company will comply with the “Rules for Keeping Information Related to Directors’ Duties,” appropriately storing and managing information on the execution of duties.
- 2) The General Affairs Department will create, revise and abolish the above rules with the approval of the Board of Directors or the management meeting, depending on the level of importance of the rules, and evaluate and review the management status as necessary.
- 3) The Internal Auditing Department of the Company, based on the “Internal Audit Rules,” will implement regular and ad-hoc audits as required on the status of operations and management of the Internal Audit Rules and others.

3. Rules and other systems for management of risk of loss at the Company and Subsidiaries

- 1) To properly manage risk of loss and ensure the continuity and stable development of business, based on the “azbil Group Risk Management Rules,” the Company will identify risks that could cause serious losses to the overall group management (serious risks for the azbil Group) at the Board of Directors meetings.
- 2) The Company will instruct the Subsidiaries as necessary to implement and promote countermeasures against the serious risks that have been identified for the azbil Group.
- 3) In addition to the above paragraph, the separately listed Subsidiaries will independently identify serious risks at those Subsidiaries, and work to establish and promote policies addressing these serious risks.
- 4) The Internal Auditing Department of the Company, based on the “Internal Audit Rules,” will implement regular and ad-hoc internal audits as required on the status of the implementation of risk management systems at the Company and Subsidiaries.

4. System to ensure the efficient execution of duties of the Executive Directors of the Company and Subsidiaries

- 1) For the efficient and prompt execution of business activities without risking the soundness of the company, the Company and Subsidiaries will endeavor to develop an organizational system and prepare rules regarding administrative authority for the effective execution of business.
- 2) Officers and Employees of the Company and Subsidiaries will take action to ensure the achievement of plans based on the medium-term plan and the annual plan, which are the central components of the management plan system, and conduct regular reviews to ensure the execution of business is progressing in line with the original plans.
- 3) Based on the “Rules for Division of Duties” and other rules, the Company will provide the required support and guidance to Subsidiaries to increase the work efficiency and work level of the overall group.
- 4) At both the Company and Subsidiaries, for items requiring the approval of the Board of Directors of the company, to ensure the thorough deliberation by the Board of Directors, materials related to the item will be distributed to all directors ahead of time.

5. System for the reporting of items related to the execution of the duties of the Officers and Employees of the Subsidiaries to the Company

- 1) Based on the management control items to be submitted to the Board of Directors, etc. of the Company in the execution of duties of Subsidiaries as stipulated in the “azbil Group Management Basic Policy,” the Company’s approval will be received or a report made to the Company as required.
- 2) In addition to the items stated in the above paragraph, domestic Subsidiaries will, either directly or at the regular meeting of Group company presidents or other meetings, report to the Company on the state of business at their company and on important management items.
- 3) In addition to 1) above, overseas Subsidiaries will, either directly or through the pertinent administrative department of the Company, report to the Company on the state of business at their company and on important management items.

6. Items related to employees aiding the duties of the Audit & Supervisory Board Members of the Company, items related to the independence of these employees from the Executive Directors of the Company, and items to ensure the effectiveness of the instructions from the Audit & Supervisory Board Members of the Company to these employees

- 1) The Company will assign full-time personnel to aid the duties of the Audit & Supervisory Board Members.
- 2) To maintain the independence of the employees in question, the Company will receive the agreement of the Audit & Supervisory Board Members when making decisions on the personnel rotation and personnel evaluation of the employees aiding the duties of the Audit & Supervisory Board Members.
- 3) The full-time employees aiding the duties of the Audit & Supervisory Board Members will execute their duties under the reporting line of the Audit & Supervisory Board Members.

7. System for the reporting by the Officers and Employees of the Company and Subsidiaries and the Audit & Supervisory Board Members of the Subsidiaries to the Audit & Supervisory Board Members of the Company and system to ensure unfair treatment is not received due to the reporting in question

- 1) Where the Officers and Employees of the Company or the Subsidiaries discover items which could invite serious losses to the Company or the Subsidiaries, serious defects in the internal control system or procedures, or the occurrence of serious legal violations or fraud, they will make a report to the top management of the Company, and where a division responsible for internal control is in place, to the division in question. The top management or internal control division at the Subsidiary receiving the report will make a report to the Executive Directors of the Company, and where Audit & Supervisory Board Members are appointed, to the Audit & Supervisory Board Members of the company in question, as well as to the top management and the internal control division of the Company. The top management of the Company and internal control division of the Company receiving the report will make a report to the Executive Directors and Audit & Supervisory Board Members of the Company.
- 2) Furthermore, in addition to the reporting system in the previous paragraph, the

Company will maintain, develop and properly operate the Group's internal reporting system.

- 3) The department in charge of internal reporting system in the Company within the Company will make regular reports to the Audit & Supervisory Board Members of the Company regarding the state of internal reports from the Officers and Employees of the Company and the Subsidiaries.
- 4) Regardless of the above paragraphs, the Audit & Supervisory Board Members of the Company may demand a report as required from the Officers and Employees of the Company and the Subsidiaries and the Audit & Supervisory Board Members of the Subsidiaries.
- 5) Internal rules will be developed to ensure the Company and the Subsidiaries do not treat the Officers and Employees unfairly because of their reporting in question to the Audit & Supervisory Board Members of the Company or the Subsidiaries.

8. Items related to the policy for the handling of Expenses or Financial Obligations by Audit & Supervisory Board Members of the Company in the execution of their duties

- 1) The Company will promptly handle expenses or financial obligations with respect to the costs incurred by the Audit & Supervisory Board Members in the execution of their duties and any costs incurred when they request the opinion of external experts such as attorneys in forming their own opinion. However, this excludes cases where the Company demonstrates the costs are not required for the Audit & Supervisory Board Members to execute their duties.
- 2) The Company will secure a budget ahead of time for the Audit & Supervisory Board Members and for the full-time employees who aid the Audit & Supervisory Board Members to execute their duties, and shall not interfere in the execution of that budget. However, this excludes cases where the Company demonstrates the costs are not required for the Audit & Supervisory Board Members to execute their duties.

9. Other systems to ensure the audits of the Audit & Supervisory Board Members of the Company are implemented effectively

- 1) The Audit & Supervisory Board Members will attend the Board of Directors meetings and other important meetings including the meetings of the management meeting, review key approval forms and other documents related to the execution of business, and may request explanations from the Officers and Employees.
- 2) The Audit & Supervisory Board Members will work to exchange information and cooperate with the Executive Directors, the Internal Auditing Department, the Audit & Supervisory Board Members of the Subsidiaries and the Accounting Auditor to establish a system for the efficient implementation of the audits.

<Outline of the operational status of the system to ensure the appropriateness of business activities>

The outline of the operational status of the system to ensure the appropriateness of business activities is as follows.

1. Compliance Systems

- Azbil Group, guided by the corporate philosophy of “human-centered automation”, has formulated the “azbil Group Business Conduct Policy” and “azbil Group Business Conduct Guidelines”, making efforts toward creating a corporate culture in which compliance awareness is permeated. To do so, the Company and Subsidiaries have appointed Officers who are responsible for controlling and promoting company-wide compliance related activities for each organization, and have designated general managers and group managers (head of the section) as compliance managers and compliance leaders, respectively, to ensure thorough compliance, educate and supervise employees with the cooperation of the department of the Company in charge of compliance.
- To promote compliance related activities throughout the azbil Group, the Company has formed the “azbil Group CSR Promotion Committee” where an Officer of the Company in charge of compliance is appointed as chief officer and Officers of each company in charge of compliance are appointed as committee members. Here, formulation and progress management of Group-wide activity plans, as well as supervision of Subsidiaries are conducted.
- To be prepared against the occurrence of serious illegal or unethical acts, the Company and Subsidiaries have formulated the “Rules for Reporting in Emergency and Serious Situations”. In the event such emergency or serious situations occur, under the structure provided, reports will be made to the top management and Audit & Supervisory Board Members of Subsidiaries where such emergency or serious situations occurs, together with the top management and Audit & Supervisory Board Members of the Company.
- The Internal Audit Department performs audits in the Company and Subsidiaries respectively, regarding the status of compliance promotion and the development of structure for internal controls, the operation and management of the rules provided in (2) below, and the development of risk management systems provided in (3) below.

2. Storage and Management of Information

- The Company has designated a department in charge pursuant to the “Rules for Keeping Information Related to Directors’ Duties” in which the Board of Directors’s minutes, the management meeting’s minutes, and other important documents and information are stored and managed.

3. Risk Management Systems

- Pursuant to the “azbil Group Risk Management Rules,” the Company identifies serious risks for azbil Group which may cause serious losses to the overall group management at the Board of Directors and promotes measures. It also instructs Subsidiaries, when necessary, to promote such measures.
- Subsidiaries identify serious risks particular to the relevant Subsidiary at the Board of Directors of each Subsidiary, plan and promote measures. The execution results of such measures and the status of risk reduction are to be reported to the Board of Directors of each Subsidiary.

4. System of Efficient Execution of Duties

- Officers and Employees of the Company and Subsidiaries develop a medium-term plan

and an annual plan, take actions based on such plans, conduct regular reviews, follow progress of the status of business execution and plan new measures.

- Based on the “Rules for Division of Duties” and other rules, the Company provides the required support and guidance to Subsidiaries to increase the work efficiency and work level of the overall group.
- To ensure the thorough deliberation by the Board of Directors, the Company and Subsidiaries bear in mind improvement of operation of the Board of Directors and operate by distributing materials related to the agenda item before the meetings.

5. Group Management System

- For certain important items, Subsidiaries report to or obtain approval from the Board of Directors of the Company or the management meeting composed of Executive Officers with titles and one Audit & Supervisory Board Member pursuant to the “azbil Group Management Basic Policy”.
- Domestic Subsidiaries report their business status and important management items to the Board of Directors of the Company and the management meeting and others while overseas Subsidiaries report the aforementioned items to the Company through Group Global Meetings and others.

6. System of Audit by Audit & Supervisory Board Members

- The Company has established an Audit & Supervisory Board Members’ Staff Office as an organization to aid the duties of Audit & Supervisory Board Members. Personnel belonging to the Audit & Supervisory Board Members’ Staff Office is under the direct control of Audit & Supervisory Board Members, aiding the duties of the Audit & Supervisory Board Members under their instructions. The personnel rotation and personnel evaluation are determined with the agreement of the Audit & Supervisory Board Members.
- Officers and Employees of the Company and Subsidiaries may use the “CSR Hotline” in Japan and abroad to consult and report pursuant to the “Rules for the consultation and reporting system of aG employees ”. Items which have been consulted or reported to the hotline are regularly reported to Audit & Supervisory Board Members of the Company by the Internal Audit Department. Furthermore, the person reporting to Audit & Supervisory Board Members of the Company and Subsidiaries is not to be unfavorably treated pursuant to the “Rules for the consultation and reporting system of aG employees ” and efforts are made to ensure that this is thoroughly informed within the azbil Group.
- The expenses arising from executing duties of the Audit & Supervisory Board Member are borne by the Company and are promptly handled.
- Audit & Supervisory Board Members attend the Board of Directors meetings and other important meetings including the the management meeting, review approval forms and other documents related to the execution of business and request explanations from the Officers and Employees, when necessary. In addition, Audit & Supervisory Board Members request the opinion of attorneys, with whom they have individually concluded advisory contracts, as appropriate.

- Audit & Supervisory Board Members regularly hold meetings with the Executive Directors, the internal audit department and Audit & Supervisory Board Members of the Subsidiaries, exchanging information and opinions to enhance efficacy of audit.

(2) Basic policy related to persons controlling interests in the Company (Large-Scale Purchase Rules)

The Company, at the Board of Directors meeting held on May 9, 2008, decided on a basic policy related to persons controlling the decisions on the financial and business policies of the Company (Article 118, Item 3 of the Ordinance for Enforcement of the Companies Act, hereafter, the “Basic Policy”) as well as a special approach to realize the Basic Policy (Article 118, Item 3, Sub-item (b), 1.), and at the Board of Directors meeting held on May 10, 2011, a decision was made to partially revise and continue this Basic Policy.

Furthermore, at the Board of Directors meeting held on May 12, 2014, a decision was made to continue the Basic Policy after the required changes were made. The overview of these details is presented below.

Overview of Large-Scale Purchase Rules

The Large-Scale Purchase Rules are one part of the above special approach. By demanding the person conducting the large-scale purchase to 1) comply with the required procedures and 2) provide the necessary and sufficient information when such large-scale purchase is made, the Large-Scale Purchase Rules are intended to ensure and provide the necessary and sufficient time and information for the shareholders to determine whether the large-scale purchase ensures and improves both corporate value and the common interests of the shareholders, and they do not stipulate specific takeover defense measures such as the allotment of new stocks or stock acquisition rights.

However, the Executive Directors and Board of Directors of the Company, where a large-scale purchase is made, shall act as the fiduciary with the duty of care of a good manager, respecting to the fullest extent possible the intentions of the shareholders, and acting in a suitable manner that contributes to ensuring and improving both corporate value and the common interests of the shareholders.

1. Basic Policy

Based on the azbil Group Philosophy, “To realize safety, comfort and fulfillment in people’s lives and contribute to preservation of the global environment through ‘human-centered automation’”, our mission is to continue to grow and develop sound corporate activities and to constantly increase and maximize our corporate value from a medium- to long-term standpoint for all of our stakeholders including our shareholders, customers, employees, and members of

the local community.

Given the large changes in the social and corporate environment, taking into account the azbil Group Philosophy, we believe that providing safe and dependable products and services with high levels of quality and added value that utilize our measurement and control technologies and resources cultivated over many years while promoting unified group management which solves the issues of our customers will more than ever contribute to ensuring and improving both corporate value and the common interests of the shareholders.

As such, in terms of the person controlling the decisions on the financial and business policies of the Company, the Company desires a person who will respect the azbil Group Philosophy and promote the above measures to ensure and improve both corporate value and the common interests of the shareholders, and ultimately this decision should be made based on the collective intentions of the shareholders of the Company.

As a company listed on the First Section of the Tokyo Stock Exchange, the Company must secure a high level of liquidity in its stock, and recognizing this important duty of the Company, provided they do not harm corporate value or the common interests of the shareholders, large-scale purchases will not be rejected.

However, this does not preclude the possibility that the completion of a large-scale purchase will lead to actions that cause unfair reduction of stock value for shareholders other than the large-scale purchaser, or result in the large-scale purchaser pursuing only their own interests such as by using inappropriate methods to artificially inflate stock prices, forcing the Company to take back stock at a high price, or so-called scorched-earth management.

The Company will not reject an acquisition of management rights which increases corporate value and contributes to the common interests of the shareholders without the agreement of the Board of Directors, but it will not allow large-scale purchases at a low price which do not attach a sufficient premium and unfairly make use of a gap in information between the large-scale purchaser and the rest of the shareholders, or actions using methods that force the sale of stock by shareholders wishing to hold stock over the long term.

2. The Company's approach to realizing the Basic Policy

1) Approach for increasing corporate value by implementing the medium-term plan

The Company's long-term target is to focus on realizing an automated world created by human ingenuity and technology through an approach centered on people, "human-centered automation," and to become a global top-class corporate group that contributes to the enhancement of the safety and peace of mind of our customers and our corporate value, and the improvement of global environmental problems. To achieve this target, we have created three basic policies, to become "a long-term partner for both the customer and the community"

through offering solutions based on our technologies and products, to move forward with “global expansion” into new regions and a qualitative change of focus, and to move forward with organizational reforms to create a “corporate organization that never stops learning” in order to facilitate the realization of the first two policies, and we have moved forward with reforms to our business structure to connect to business expansion. Based on our management foundation we have worked to strengthen, to move forward into the phase where we expand our policies on a global scale, and thus we established a four-year medium-term plan beginning in the year ending March 2014. Based on good relationships with our stakeholders and a sense of responsibility to the global community, by developing products, technologies and services as only the azbil Group can, both domestically and abroad, we are working to further increase our corporate value.

Specifically, in our Building Automation (BA) business, which works to automate buildings, we are applying our unique environmental control technologies in order to create comfortable and productive business and production spaces, while also helping to reduce environmental impact. In our Advanced Automation (AA) business, which works to automate plants and factories, through collaboration with customers at their sites, we are developing advanced measurement and control technologies, aiming to create new value for our customers. In our Life Automation (LA) business, which utilizes automation technology in the living and lifestyle field, we are combining measurement, control and metering technologies cultivated over many years with attentive services to develop a business that contributes to an active lifestyle. By organically combining these three businesses, we are making continual growth possible. We have also enhanced our preparedness for the various risks facing management, conducted management with a focus on CSR, and taken real steps to enhance our corporate governance.

2) Approach to ensure and provide the necessary and sufficient time and information for the shareholders in making appropriate decisions for large-scale purchases

a. Basic approach

The Company believes it is essential to request the provision of information from each large-scale purchaser regarding the details of the large-scale purchase, and to guarantee the shareholders the opportunity to determine whether any given large-scale purchase harms corporate value or the common interests of the shareholders, and has therefore established the “Large-Scale Purchase Rules” as the procedures for this purpose.

b. Scope of application of the procedures

The Large-Scale Purchase Rules require the provision of information regarding the large-scale purchase from the large-scale purchaser in the case of the purchase of share certificates, etc. of

the Company falling under (i) or (ii) below, or any other actions similar thereto.

- (i) For share certificates, etc.¹ for which the Company is the issuer, where there is a tender offer² for which the total ownership ratio of share certificates, etc. held by the large-scale purchaser of share certificates, etc. related to the tender offer and a person having special relationship³ is 20% or more;
- (ii) For share certificates, etc.⁴ for which the Company is the issuer, where there is a purchase or other acquisition for which the ownership ratio of share certificates, etc.⁵ of the large-scale purchaser and the group of the large-scale purchaser⁶ is 20% or more (regardless of the specific method of purchase, be it market transactions, tender offers or otherwise).

* Actions falling under (i) and (ii), except where the prior agreement of the Company's Board of Directors is present, will be labeled "Large-Scale Purchases," and the person making the Large-Scale Purchases will be labeled a "Large-Scale Purchaser" below.

¹ The term "share certificates, etc." indicates share certificates, etc. as defined in Article 27-2, Paragraph 1 of the Financial Instruments and Exchange Act.

² The term "tender offer" indicates a tender offer as defined in Article 27-2, Paragraph 6 of the Financial Instruments and Exchange Act.

³ The term "person having a special relationship" indicates a person having a special relationship as defined in Article 27-2, Paragraph 7 of the Financial Instruments and Exchange Act.

⁴ The term "share certificates, etc." indicates share certificates, etc. as defined in Article 27-23, Paragraph 1 of the Financial Instruments and Exchange Act.

⁵ The term "ownership ratio of share certificates, etc." indicates the ownership ratio of share certificates, etc. as defined in Article 27-23, Paragraph 3 of the Financial Instruments and Exchange Act.

⁶ The term "the large-scale purchaser and the group of the large-scale purchaser" indicates a holder as defined in Article 27-23, Paragraph 4 of the Financial Instruments and Exchange Act.

c. Details on the Large-Scale Purchase Rules

Please see the Company's website for details on the Large-Scale Purchase Rules (<http://www.azbil.com/jp/ir/management/protect/index.html>) (Japanese only).

d. Effective period, abolishment, and changes to the Large-Scale Purchase Rules

The Large-Scale Purchase Rules are valid for three years from July 1, 2014.

Furthermore, even during the effective period, the Company's Board of Directors may review or abolish the Large-Scale Purchase Rules as needed where a decision is made to review or abolish

the Large-Scale Purchase Rules in consideration of revisions to laws and regulations and trends in legal precedents. In these cases, the Board of Directors will make the appropriate disclosures in a timely manner, in accordance with laws and regulations and the rules and regulations of financial instruments exchanges.

Furthermore, where laws and regulations are revised, and these revisions come into effect, when these laws and regulations are quoted in the Large-Scale Purchase Rules, they shall be deemed to have been replaced with the laws and regulations that have effectively succeeded them, such as the revised law or regulation.

(Reference) Our approach to corporate governance

The Company's basic approach to corporate governance is to work not only toward compliance with laws and regulations and the Articles of Incorporation, but also to fulfill our social responsibilities based on corporate ethics and to contribute to the welfare of the community, and to consistently increase corporate value through highly efficient and transparent management, positioning Corporate Governance as our most important management issue.

Corporate Governance System

The Board of Directors makes decisions on basic operational policy, legal issues, and other important matters, and oversees the status of business execution. Functional separation between the Executive Officers and the Board of Directors enables swift business execution and strengthens the oversight of execution.

The Company has an Audit & Supervisory Board system in which five Audit & Supervisory Board Members, including three Outside Audit & Supervisory Board Members, are appointed, with two of these Audit & Supervisory Board Members serving on a full-time basis as of March 31, 2016. The Audit & Supervisory Board Members carry out rigorous audits of the administrative decisions and execution of business by the Executive Directors and Executive Officers, primarily from the perspective of legal compliance.

The Board of Directors is convened monthly in principle, and meetings of the management meeting for Executive Officers with titles, with representatives of the Audit & Supervisory Board Members also attending, are held twice a month as part of ongoing initiatives to strengthen business operations through prompt decision making and strict execution.

The Company has nine Executive Directors, including three Outside Directors. Six of the Executive Directors also serve as Executive Officers. As the three Outside Directors are not bound by the responsibilities or everyday duties as a full-time Director, they can provide broad oversight from an independent perspective on the Company's management and execution of business, helping further increase corporate value. All Outside Directors are highly independent, and in addition to making statements at the Board of Directors meeting, through the regular exchange of opinions with the President and Chief Executive Officer and their activities as members of the "Nomination and Remuneration Committee," they provide oversight of the Company's management and execution of business from an outside viewpoint, thereby helping to raise the level of fairness, neutrality, and transparency in the Company's management.

Furthermore, in regard to the appointment of Outside Directors and Outside Audit &

Supervisory Board Members, the Company has formulated its own criteria for independence. (The criteria are included in this document for your reference on page 21.) The Company's Outside Directors and Outside Audit & Supervisory Board Members meet these criteria for independence and each of them have a sufficient amount of independence.

Under the provisions of Article 427, paragraph 1 of the Companies Act, the Company has concluded contracts for limitation of liability with Outside Directors and Outside Audit & Supervisory Board Members, as provided for in Article 423, paragraph 1 of the Companies Act. The limit amount of the liability for damage based on said contracts is the minimum liability amount prescribed in laws and regulations. However, such limitation of liability only applies when the Outside Directors and Outside Audit & Supervisory Board Members executed their duties that caused the liability in good faith and without gross negligence.

Furthermore, regarding the maintenance of a risk management system, the Company aims to be a corporate group trusted by society, and including compliance with laws and regulations, has established "azbil Group Business Conduct Guidelines" as a guideline for the conduct of Officers and Employees in the interest of maintaining the public nature of the Company by first cutting off any relationships to antisocial forces, fulfilling our social responsibilities, compliance with antitrust and other fair trade regulations, respect for human rights, proper management of corporate assets, and protection of the environment, working toward sound business activities through the establishment of our corporate philosophy. For the proper and efficient execution of business operations, by establishing various internal rules relating to the decision making of the Company and implementation of business operations and other measures, the Company is maintaining a system which clarifies job authority and allows the appropriate checks to function. In terms of our internal control functions, the Internal Audit Department, which reports directly to the President, regularly performs internal audits that cover the overall management activities of headquarters divisions, each company and each group company, targeting the management and operations systems, the execution of business operations, business risks, compliance, and internal control systems, providing specific advice and proposals for improved oversight and business operations. The Company works to strengthen internal controls within the Financial Instruments and Exchange Act, and in the azbil Group CSR Promotion Committee, we are creating a system for compliance with laws and regulations and corporate ethics as well as thorough compliance, oversight, and business operations guidance. We also maintain a system for the early discovery of misconduct through our internal reporting system. Furthermore, we receive the advice and support from legal advisers, certified public accountants and external experts as necessary regarding the overall execution of business operations.

The business report is listed as follows.

1. For monetary values, fractional numbers are rounded down to the nearest whole unit.
2. Stock quantities listed in thousands are rounded down to the nearest thousand.

Consolidated Financial Statements

Consolidated Balance Sheet

(Millions of yen)

94th term
As of March 31, 2016

94th term
As of March 31, 2016

Assets		Liabilities	
Current assets	200,826	Current liabilities	88,944
Cash and deposits	48,211	Notes and accounts payable - trade	45,587
Notes and accounts receivable - trade	91,772	Short-term loans payable	11,990
Securities	21,505	Current portion of bonds	10
Merchandise and finished goods	6,489	Income taxes payable	3,795
Work in process	7,520	Advances received	3,662
Raw materials	10,143	Provision for bonuses	8,894
Deferred tax assets	5,344	Provision for directors' bonuses	109
Other	10,460	Provision for product warranties	649
Allowance for doubtful accounts	(621)	Provision for loss on order received	945
		Provision for loss on plants reorganization	112
Non-current assets	58,301	Other	13,185
Property, plant and equipment	24,371	Non-current liabilities	13,217
Buildings and structures	12,760	Long-term loans payable	605
Machinery, equipment and vehicles	2,674	Deferred tax liabilities	3,623
Tools, furniture and fixtures	1,919	Deferred tax liabilities for land revaluation	181
Land	6,530	Net defined benefit liability	5,698
Leased assets	110	Provision for directors' retirement benefits	133
Construction in progress	376	Other	2,975
Intangible assets	5,687	Total liabilities	102,161
Right of using facilities	143	Net assets	
Software	4,291	Shareholders' equity	146,682
Goodwill	158	Capital stock	10,522
Other	1,094	Capital surplus	12,333
Investments and other assets	28,242	Retained earnings	128,476
Investment securities	19,482	Treasury shares	(4,650)
Long-term loans receivable	65	Accumulated other comprehensive income	8,323
Claims provable in bankruptcy, claims provable in rehabilitation and other	99	Valuation difference on available-for-sale securities	7,641
Deferred tax assets	1,535	Deferred gains or losses on hedges	(0)
Net defined benefit asset	5	Foreign currency translation adjustment	2,212
Other	7,426	Remeasurements of defined benefit plans	(1,529)
Allowance for doubtful accounts	(372)	Non-controlling interests	1,960
Total assets	259,127	Total net assets	156,966
		Total liabilities and net assets	259,127

(Note) Amounts less than one million yen are rounded down.

Consolidated Statement of Income

(Millions of yen)

94th term	
April 1, 2015 to March 31, 2016	
Net sales	256,889
Cost of sales	165,801
Gross profit	91,088
Selling, general and administrative expenses	73,952
Operating income	17,135
Non-operating income	1,168
Interest and dividend income	495
Other	673
Non-operating expenses	1,677
Interest expenses	330
Foreign exchange losses	886
Other	460
Ordinary income	16,627
Extraordinary income	376
Gain on sales of non-current assets	42
Gain on sales of investment securities	192
Compensation income	142
Extraordinary losses	3,851
Loss on sales and retirement of non-current assets	46
Impairment loss	3,395
Loss on plants reorganization	265
Restructuring loss	141
Loss on valuation of investment securities	1
Loss on sales of investment securities	0
Income before income taxes	13,152
Income taxes - current	4,469
Income taxes - deferred	125
Net income	8,556
Net income attributable to non-controlling interests	288
Net income attributable to owners of parent	8,268

(Note) Amounts less than one million yen are rounded down.

Consolidated Statement of Changes in Net Assets

(Millions of yen)

94th term April 1, 2015 to March 31, 2016	Shareholders' equity				
	Capital stock	Capital surplus	Retained earnings	Treasury shares	Total shareholders' equity
Balance at beginning of current period	10,522	17,197	121,573	(2,648)	146,645
Cumulative effects of changes in accounting policies		(4,863)	3,415		(1,448)
Restated balance	10,522	12,333	124,988	(2,648)	145,196
Changes of items during period					
Dividends of surplus			(4,780)		(4,780)
Net income attributable to owners of parent			8,268		8,268
Purchase of treasury shares				(2,002)	(2,002)
Disposal of treasury shares		0		0	0
Net changes of items other than shareholders' equity					
Total changes of items during period	-	0	3,488	(2,002)	1,485
Balance at end of current period	10,522	12,333	128,476	(4,650)	146,682

94th term April 1, 2015 to March 31, 2016	Accumulated other comprehensive income					Non- controlling interests	Total net assets
	Valuation difference on available- for-sale securities	Deferred gains or losses on hedges	Foreign currency translation adjustment	Remeasur- ements of defined benefit plans	Total accumula- ted other comprehe- nsive income		
Balance at beginning of current period	9,524	-	2,505	(402)	11,628	2,020	160,294
Cumulative effects of changes in accounting policies							(1,448)
Restated balance	9,524	-	2,505	(402)	11,628	2,020	158,845
Changes of items during period							
Dividends of surplus							(4,780)
Net income attributable to owners of parent							8,268
Purchase of treasury shares							(2,002)
Disposal of treasury shares							0
Net changes of items other than shareholders' equity	(1,883)	(0)	(293)	(1,127)	(3,304)	(60)	(3,364)
Total changes of items during period	(1,883)	(0)	(293)	(1,127)	(3,304)	(60)	(1,878)
Balance at end of current period	7,641	(0)	2,212	(1,529)	8,323	1,960	156,966

(Note) Amounts less than one million yen are rounded down.

Non-Consolidated Financial Statements

Non-consolidated Balance Sheet

(Millions of yen)

94th term
As of March 31, 2016

94th term
As of March 31, 2016

Assets		Liabilities	
Current assets	153,340	Current liabilities	63,200
Cash and deposits	34,196	Notes payable - trade	2,177
Notes receivable - trade	10,328	Account payable - factoring	15,887
Accounts receivable - trade	35,254	Accounts payable - trade	10,025
Accounts receivable from completed construction contracts	25,729	Accounts payable for construction contracts	3,354
Securities	21,400	Short-term loans payable	4,624
Merchandise and finished goods	2,998	Accounts payable - other	1,690
Work in process	3,157	Accrued expenses	3,876
Costs on uncompleted construction contracts	1,305	Income taxes payable	2,850
Raw materials	5,001	Accrued consumption taxes	1,050
Advance payments - trade	17	Advances received	794
Deferred tax assets	4,567	Advances received on uncompleted construction contracts	726
Short-term loans receivable from subsidiaries and associates	1,524	Deposits received	2,282
Accounts receivable - other	937	Deposits received from subsidiaries and associates	4,672
Prepaid expenses	1,961	Provision for bonuses	7,497
Other	5,046	Provision for directors' bonuses	71
Allowance for doubtful accounts	(86)	Provision for product warranties	523
Non-current assets	57,864	Provision for loss on order received	933
Property, plant and equipment	13,313	Notes payable - facilities	47
Buildings	7,888	Other	112
Structures	160	Non-current liabilities	6,138
Machinery and equipment	1,095	Long-term loans payable	322
Vehicles	3	Deferred tax liabilities	3,352
Tools, furniture and fixtures	1,038	Other	2,462
Land	2,765	Total liabilities	69,338
Leased assets	80	Net assets	
Construction in progress	280	Shareholders' equity	134,479
Intangible assets	4,754	Capital stock	10,522
Right of using facilities	143	Capital surplus	17,197
Software	4,008	Legal capital surplus	17,197
Other	602	Other capital surplus	0
Investments and other assets	39,796	Retained earnings	111,409
Investment securities	15,992	Legal retained earnings	2,519
Shares of subsidiaries and associates	16,063	Other retained earnings	108,889
Investments in capital of subsidiaries and associates	1,477	Reserve for special depreciation	0
Long-term loans receivable from employees	24	Reserve for advanced depreciation of non-current assets	2,355
Long-term loans receivable from subsidiaries and associates	3,518	General reserve	51,811
Claims provable in bankruptcy, claims provable in rehabilitation and other	24	Retained earnings brought forward	54,722
Lease deposits	2,502	Treasury shares	(4,650)
Prepaid pension cost	955	Valuation and translation adjustments	7,387
Other	1,268	Valuation difference on available-for-sale securities	7,387
Allowance for doubtful accounts	(2,029)	Total net assets	141,866
Total assets	211,205	Total liabilities and net assets	211,205

(Note) Amounts less than one million yen are rounded down.

Non-consolidated Statement of Income

(Millions of yen)

	94th term April 1, 2015 to March 31, 2016
Net sales	178,201
Net sales of finished goods and others	119,489
Net sales of completed construction contracts	58,712
Cost of sales	112,543
Cost of sales of finished goods sold and others	74,040
Cost of sales of completed construction contracts	38,502
Gross profit	65,658
Gross profit - finished goods and others	45,448
Gross profit on completed construction contracts	20,209
Selling, general and administrative expenses	52,402
Operating income	13,255
Non-operating income	2,160
Interest income	100
Dividend income	982
Real estate rent	2
Subsidy income	79
Reversal of allowance for investment loss	565
Gain on reversal of environmental expenses	286
Other	142
Non-operating expenses	916
Interest expenses	41
Foreign exchange losses	588
Provision of allowance for doubtful accounts	77
Office transfer expenses	158
Commitment fee	21
Real estates rent expenses	11
Other	17
Ordinary income	14,499
Extraordinary income	203
Gain on sales of non-current assets	11
Gain on sales of investment securities	192
Extraordinary losses	10,461
Loss on sales and retirement of non-current assets	29
Loss on valuation of investments in capital of subsidiaries and associates	8,817
Provision of allowance for doubtful accounts	1,611
Loss on valuation of investment securities	1
Loss on sales of investment securities	0
Income before income taxes	4,241
Income taxes - current	2,995
Income taxes - deferred	986
Net income	259

(Note) Amounts less than one million yen are rounded down.

Non-consolidated Statement of Changes in Net Assets

(Millions of yen)

94th term April 1, 2015 to March 31, 2016	Shareholders' equity							
	Capital stock	Capital surplus			Retained earnings			
		Legal capital surplus	Other capital surplus	Total capital surplus	Legal retained earnings	Other retained earnings		
						Reserve for special deprecia- tion	Reserve for ad- vanced deprecia- tion of non-cur- rent assets	General reserve
Balance at beginning of current period	10,522	17,197	0	17,197	2,519	4	2,430	51,811
Changes of items during period								
Reversal of reserve for special depreciation						(4)		
Provision of reserve for advanced depreciation of non-current assets							53	
Reversal of reserve for advanced depreciation of non-current assets							(128)	
Dividends of surplus								
Net income								
Purchase of treasury shares								
Disposal of treasury shares			0	0				
Net changes of items other than shareholders' equity								
Total changes of items during period	-	-	0	0	-	(4)	(74)	-
Balance at end of current period	10,522	17,197	0	17,197	2,519	0	2,355	51,811

(Millions of yen)

94th term April 1, 2015 to March 31, 2016	Shareholders' equity				Valuation and translation adjustments		Total net assets
	Retained earnings		Treasury shares	Total shareholders' equity	Valuation difference on available-f or-sale securities	Total valuation and translation adjustments	
	Other retained earnings	Total retained earnings					
Retained earnings brought forward							
Balance at beginning of current period	59,164	115,930	(2,648)	141,002	8,982	8,982	149,984
Changes of items during period							
Reversal of reserve for special depreciation	4	-		-			-
Provision of reserve for advanced depreciation of non-current assets	(53)	-		-			-
Reversal of reserve for advanced depreciation of non-current assets	128	-		-			-
Dividends of surplus	(4,780)	(4,780)		(4,780)			(4,780)
Net income	259	259		259			259
Purchase of treasury shares			(2,002)	(2,002)			(2,002)
Disposal of treasury shares			0	0			0
Net changes of items other than shareholders' equity					(1,594)	(1,594)	(1,594)
Total changes of items during period	(4,441)	(4,521)	(2,002)	(6,523)	(1,594)	(1,594)	(8,118)
Balance at end of current period	54,722	111,409	(4,650)	134,479	7,387	7,387	141,866

(Note) Amounts less than one million yen are rounded down.

Independent Auditor's Report

May 13, 2016

To the Board of Directors
Azbil Corporation

Deloitte Touche Tohmatsu LLC
Hitoshi Matsumoto, CPA
Designated Limited Liability Partner,
Engagement Partner
Keiji Koide, CPA
Designated Limited Liability Partner,
Engagement Partner

Pursuant to Article 444, Paragraph 4 of the Companies Act, we have audited the consolidated financial statements, that is, the consolidated balance sheet, consolidated statement of income, consolidated statement of changes in net assets and basis of preparation of the consolidated financial statements, and other notes of Azbil Corporation. (the "Company") for the 94th fiscal term from April 1, 2015 to March 31, 2016.

The responsibility of management concerning the financial statements, etc.

The responsibility of management is to prepare consolidated financial statements in accordance with business accounting standards generally accepted in Japan and present appropriate accounting information. This responsibility includes the establishment and operation of internal controls deemed necessary by management for the preparation of consolidated financial statements, free of material misstatement due to fraud or error and the presentation of appropriate accounting information.

The responsibility of independent auditors

Our responsibility is to express an opinion independently on the consolidated financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in Japan. Those auditing standards require that we plan and perform the audit to obtain reasonable assurance as to whether the consolidated financial statements are free of material misstatement.

In audits, procedures are conducted in order to obtain audit evidence supporting the amounts and disclosures in the consolidated financial statements. Audit procedures are chosen and applied in accordance with our judgment, based on the risk assessment of material misstatement in the consolidated financial statements, due to fraud or error. The purpose of an audit is not to express an opinion on the effectiveness of internal controls. However, we examine internal controls related to the preparation of the consolidated financial statements, and the appropriate presentation in the course of conducting risk assessment, in order to plan audit procedures appropriate to the circumstances. An audit includes assessing the accounting policies used, its application method and estimates made by management, as well as evaluating the overall presentation of the consolidated financial statements.

We believe that we have obtained sufficient and appropriate audit evidence to support our audit opinion.

Audit opinion

In our opinion, the above consolidated financial statements fairly present, in every material aspect, the financial position and results of operations of corporate group consisting of the Company and its consolidated subsidiaries for the relevant term of the financial statements and the supplementary schedules, in accordance with the business accounting standards generally accepted in Japan.

Interests in the Company

Our firm and engagement partners have no interest in the Company which shall be disclosed pursuant to the provisions of the Certified Public Accountants Act.

Independent Auditor's Report

May 13, 2016

To the Board of Directors
Azbil Corporation

Deloitte Touche Tohmatsu LLC
Hitoshi Matsumoto, CPA
Designated Limited Liability Partner,
Engagement Partner
Keiji Koide, CPA
Designated Limited Liability Partner,
Engagement Partner

Pursuant to Article 436, Paragraph 2, Item 1 of the Companies Act, we have audited the financial statements, that is, the balance sheet, statement of income, statement of changes in net assets and notes to financial statements, significant accounting policies, and other notes as well as the supplementary schedules of Azbil Corporation (the "Company") for the 94th fiscal term from April 1, 2015 to March 31, 2016.

The responsibility of management concerning the financial statements, etc.

The responsibility of management is to prepare financial statements and the supplementary schedules in accordance with business accounting standards generally accepted in Japan and present appropriate accounting information. This responsibility includes the establishment and operation of internal controls deemed necessary by management for the preparation of financial statements, and the supplementary schedules, free of material misstatement due to fraud or error and the presentation of appropriate accounting information.

The responsibility of independent auditors

Our responsibility is to express an opinion independently on the financial statements and the supplementary schedules based on our audit. We conducted our audit in accordance with auditing standards generally accepted in Japan. Those auditing standards require that we plan and perform the audit to obtain reasonable assurance as to whether the financial statements and the supplementary schedules are free of material misstatement.

In audits, procedures are conducted in order to obtain audit evidence supporting the amounts and disclosures in the financial statements and the supplementary schedules. Audit procedures are chosen and applied in accordance with our judgment, based on the risk assessment of material misstatement in the financial statements, and the supplementary schedules, due to fraud or error. The purpose of an audit is not to express an opinion on the effectiveness of internal controls. However, we examine internal controls related to the preparation of financial statements, and the supplementary schedules, and the appropriate presentation in the course of conducting risk assessment, in order to plan audit procedures appropriate to the circumstances. An audit includes assessing the accounting policies used, its application method and estimates made by management, as well as evaluating the overall presentation of the financial statements and the supplementary schedules.

We believe that we have obtained sufficient and appropriate audit evidence to support our audit opinion.

Audit opinion

In our opinion, the above financial statements and supplementary schedules fairly present, in every material aspect, the financial position and results of operations of the Company for the relevant term of the financial statements and the supplementary schedules, in accordance with the business accounting standards generally accepted in Japan.

Interests in the Company

Our firm and engagement partners have no interest in the Company which shall be disclosed pursuant to the provisions of the Certified Public Accountants Act.

Audit Report

The Audit & Supervisory Board, following review and deliberations on the reports made by each Audit & Supervisory Board Member concerning the execution of duties by Executive Directors for the 94th fiscal term from April 1, 2015 to March 31, 2016, prepared this Audit Report and hereby submit it as follows:

1. Summary of auditing methods by Audit & Supervisory Board Members and the Audit & Supervisory Board

- (1) The Audit & Supervisory Board established auditing policies and the audit plan for the current fiscal term, received reports regarding the status of audits and the results thereof from each Audit & Supervisory Board Member, received reports regarding the status of the execution of duties from Executive Directors and the Accounting Auditor, and requested explanation as necessary.
- (2) In accordance with the auditing standards for Audit & Supervisory Board Members determined by the Audit & Supervisory Board, and in compliance with auditing policies and the audit plan for the current fiscal term, each Audit & Supervisory Board Member made efforts to collect information and establish auditing circumstances through communication with Executive Directors, Internal Audit Department and other employees, and conducted the audit by the following methods.
 - (i) Each Audit & Supervisory Board Member attended the Board of Directors' meetings and other important meetings to receive reports regarding execution of duties from Executive Directors and employees, and requested explanations as necessary. Each Audit & Supervisory Board Member also inspected the approved documents and examined the status of operations and conditions of assets at the head office and principal offices.

With respect to subsidiaries, we communicated and exchanged information with Directors and Audit & Supervisory Board Members of subsidiaries, and received reports from subsidiaries as necessary.

- (ii) Each Audit & Supervisory Board Member verified the resolutions adopted by the Board of Directors regarding the establishment of a system for ensuring that the Executive Directors' duties, as stated in the business report, are executed in conformity of laws and regulations, and the Articles of Incorporation of the Company, and the establishment of a system necessary to ensure proper business operations of stock companies consisting of the Company and its subsidiaries set forth in Article 100, paragraphs 1 and 3 of the Ordinance for Enforcement of the Companies Act. It also regularly received reports from Executive Directors and employees on the status of the establishment and operation of the system (internal control system) established in accordance with such resolutions adopted by the Board of Directors, and requested explanations as necessary and expressed his/her opinions.
 - (iii) We examined the contents of the basic policy, specified in Article 118, Item 3 (a) of the Ordinance for Enforcement of the Corporation Act, and each effort in accordance with Item 3 (b) of the same Article, which are stated in the business report, in consideration of the status of deliberations at the meetings of the Board of Directors and other meetings.

- (iv) Audit & Supervisory Board Members monitored and verified that the Accounting Auditor maintains independence and conducts the audits appropriately. Each Audit & Supervisory Board Member also received reports on the status of the execution of duties from the Accounting Auditor and requested explanation as necessary. In addition, we were informed of the arrangement of the “System for ensuring that the duties are performed appropriately” (matters stipulated in the items of Article 131 of the Ordinance on Accounting of Companies) in accordance with “Standards for the Quality Control of Audits” (Business Accounting Council, October 28, 2005) from the Accounting Auditor and requested explanations as necessary.

In accordance with the procedures mentioned above, we reviewed the business report and the accompanying supplementary schedules, the consolidated financial statements (consolidated balance sheet, consolidated statement of income, consolidated statement of changes in net assets) and the non-consolidated financial statements (non-consolidated balance sheet, non-consolidated statement of income and non-consolidated statement of changes in net assets), the supplementary schedules thereto, for the fiscal term ended March 31, 2016.

2. Results of audit

(1) Results of audit of business report and other relevant documents

- (i) The business report and supplementary schedules present fairly the financial condition of the Company in conformity with related laws and regulations and the Articles of Incorporation of the Company.
- (ii) Regarding the execution of duties by Executive Directors, there were no instances of misconduct or material matters in violation of laws and regulations, nor of the Articles of Incorporation of the Company.
- (iii) The resolution of the Board of Directors regarding the internal control system is fair and reasonable. There are no matters requiring additional comment regarding the contents of the business report on such internal control and the execution of duties by Executive Directors.
- (iv) Basic policy on the person who controls decisions on financial and operational policies of the Company, which is stated in the business report, has nothing to be pointed out. The efforts in accordance with Article 118, Item 3 (b) of the Ordinance for Enforcement of the Corporation Act, which are stated in the business report, are found to be in line with the relevant basic policy and at the same time to neither damage common interests of shareholders of the Company nor be aimed at maintaining the status of Executive Directors and Audit & Supervisory Board Members of the Company.

(2) Results of audit of consolidated financial statements

The auditing methods and results of the Accounting Auditor, Deloitte Touche Tohmatsu LLC, are fair and reasonable.

(3) Results of audit of non-consolidated financial statements and supplementary schedules

The auditing methods and results of the Accounting Auditor, Deloitte Touche Tohmatsu LLC, are fair and reasonable.

May 19, 2016

The Audit & Supervisory Board, Azbil Corporation

Tomohiko Matsuyasu,
Standing Audit & Supervisory Board member
Hisaya Katsuta,
Standing Audit & Supervisory Board member
Kinya Fujimoto,
Outside Audit & Supervisory Board member
Mitsuhiro Nagahama,
Outside Audit & Supervisory Board member
Shigeru Morita,
Outside Audit & Supervisory Board member