



*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 3, 2019

Notice of the 97th Ordinary General Meeting of Shareholders

Table of Contents

Notice of the 97th Ordinary General Meeting of Shareholders.....	2
Reference Materials for the General Meeting of Shareholders.....	4
Business Report.....	20
Consolidated Financial Statements/Non- Consolidated Financial Statements.....	58
Auditors' Report.....	65

In pursuit of “human-centered automation,” our aim is to be a corporate group that helps to solve the problems faced by our customers.



President & Group CEO

A handwritten signature in black ink, appearing to read "Shiro Teraoka".

Since our establishment in 1906, we have pursued measurement and control technologies, delivering unique solutions to our customers. In April 2012, we changed our company name from Yamatake Corporation to Azbil Corporation, making the azbil brand familiar to many people. Today, the azbil Group provides unique levels of customer-oriented value in offices, production sites, and daily life all over the world through its three business segments: Building Automation, Advanced Automation, and Life Automation.

Fiscal year 2019 is the last year of the three-year medium-term management plan. To achieve the objectives of this plan, we are pursuing three fundamental policies: (1) Being a long-term partner for the customer and the community by offering solutions based on our technologies and products; (2) Taking global operations to the next level by expanding into new regions and a qualitative change of focus; and (3) Being a corporate organization that never stops learning, so that we can continuously grow stronger. Taking inspiration from the idea of “going beyond automation,” we will strengthen the life-cycle solutions business globally while also developing new automation fields and expanding environmental and energy fields, in order to enable sustainable growth.

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

Azbil Corporation

June 3, 2019

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

Notice of the 97th Ordinary General Meeting of Shareholders

Dear Shareholders:

I would like to express my thanks for your loyal patronage.

You are cordially invited to the Ordinary General Meeting of Shareholders of Azbil Corporation.
The meeting will be held as described on the next page.

Yours faithfully,

Hirozumi Sone
President and Group CEO

Details

1. Date and Time: Tuesday, June 25 at 10 a.m., 2019 (Japan Time)
2. Place: The Hall, 4th Floor of the JP TOWER Hall & Conference,
2-7-2 Marunouchi, Chiyoda-ku, Tokyo
3. Purpose:

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 97th term from April 1, 2018 to March 31, 2019

Item 2: Non-Consolidated Financial Statements for the 97th term from April 1, 2018 to March 31, 2019

Items to be Resolved

Item 1: Appropriation of Surplus

Item 2: Election of one (1) Director

Item 3: Election of five (5) Audit & Supervisory Board Members

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 dividend on equity ratio and return on equity, as well as retained earnings required for future business development and ensuring a healthy financial foundation, management strives towards maintaining a stable dividend level, while raising it at the same time. Based on this policy, year-end dividends for the 97th term are proposed as follows.

(1) Type of dividend

Cash

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

¥23 per share of Company common stock

Total amount: ¥3,339,538,498

The Company implemented a two-for-one stock split of common stock on October 1, 2018. The annual dividend per share for the current business year will be 46 yen, together with an interim dividend of 23 yen (calculated on the basis of the number of shares after the stock split) that was already paid out.

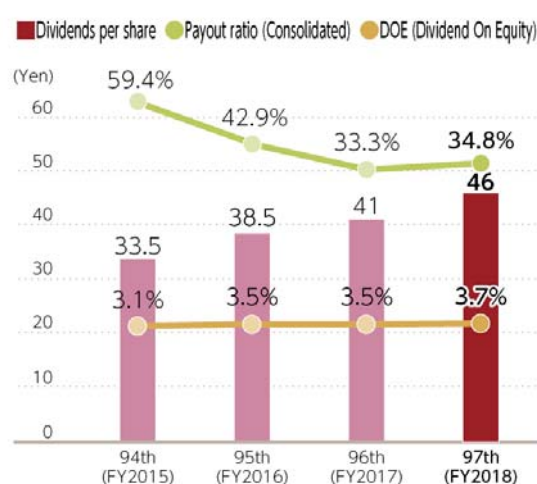
(3) Effective date of payments for dividends from surplus

June 26, 2019

(Reference)

Rationale for Returns to Shareholders

The Company implements well-disciplined capital policy and aims to maintain and enhance its enterprise value while carefully balancing three key elements: enhancing returns to shareholders, investing in growth and ensuring a healthy financial foundation. The Company regards the distribution of profit to shareholders as a management priority, and implements a return system that flexibly incorporates acquisition of own shares, with focus on dividends, while comprehensively taking into account matters such as consolidated business results, the levels of dividend on equity ratio and return on equity, as well as retained earnings required for future business development and ensuring a healthy financial foundation. The Company focuses on dividends, maintaining a stable dividend level while striving to raise it at the same time.




The Company implemented a two-for-one stock split of common stock on October 1, 2018. The amount of dividends per share in the table above reflects the effect of the stock split retrospectively.

Item 2: Election of one (1) Director

The election of one (1) Director to add one (1) Outside Director is proposed in order to further strengthen corporate governance. As provided in the Company's Articles of Incorporation, the term of office of the newly elected Director will be until the terms of office of the other currently serving Directors expire.

The following individual is a candidate for Director. In selection of the candidate, the Board of Directors of the Company made decisions after screening by the Nomination and Remuneration Committee, an optional advisory body. Furthermore, the candidate was judged to have sufficient independence with no potential conflict of interest occurring him 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 he meets the independent requirements established by the Tokyo Stock Exchange, the Company plans to report him as an Independent Director to the Tokyo Stock Exchange.

Name (Date of birth)	Biography		Number of shares of the Company held
<div>New Appointment</div> <div>Outside</div> <div>Independent officer</div>  <p>Mitsuhiro Nagahama (October 24, 1953)</p>	April 1976	Joined The Fuji Bank Limited. (Present: Mizuho Bank, Ltd.)	-
	March 2003	Executive Officer and General Manager of Otemachi Corporate Banking Division No. 6 and Otemachi Corporate Banking Division No. 7, Mizuho Corporate Bank, Ltd. (Present: Mizuho Bank, Ltd.)	
	April 2005	Senior Executive Officer in charge of Corporate Banking, Mizuho Corporate Bank, Ltd.	
	March 2006	Senior Executive Officer and Head of the Americas, Mizuho Corporate Bank, Ltd.	
	April 2010	Deputy President and Deputy President-Executive Officer and Head of the Americas, Mizuho Corporate Bank, Ltd.	
	March 2013	Retired from Mizuho Corporate Bank, Ltd.	
	April 2013	Chairman of the Board of Mizuho Securities Co., Ltd. & Mizuho Securities USA Inc.	
	April 2015	Adviser of Mizuho Securities Co., Ltd. (Present post)	
	June 2015	Outside Audit & Supervisory Board Member of Azbil Corporation (Present post)	
	March 2018	Outside Audit & Supervisory Board Member of KURARAY Co., Ltd (Present post)	
	March 2019	Outside Director of Tokyo Tatemono Co., Ltd. (Present post)	

■ Number of meetings of the Board of Directors attended (as an Outside Audit & Supervisory Board Member)

12/12

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

Outside Audit & Supervisory Board Member

■ Important concurrent positions outside the Company

Adviser of Mizuho Securities Co., Ltd.

Outside Audit & Supervisory Board Member of KURARAY Co., Ltd.

Outside Director of Tokyo Tatemono Co., Ltd.

■ Reasons for nomination as a candidate for Outside Director

Mitsuhiro Nagahama is a candidate for Outside Director, as set forth in Article 2, Paragraph 3, Item 7 of the Regulation for Enforcement of the Companies Act.

He possesses broad knowledge and extensive experience in the financial/securities sectors and abroad, as he has successively served in important posts at financial institutions. He was appointed as an Outside Audit & Supervisory Board Member in 2015, and has audited the Company's overall business with his outstanding insights on corporate governance and ideal way of company management, contributing to the improvement of the Company's corporate

governance and internal control from an independent perspective. Going forward, the Company expects that he, as an Outside Director of the Company, will utilize these outstanding insights not only to supervise business execution at the Board of Directors, but also to offer objective supervision and advice etc. based on his broad discernment in order to increase the transparency and fairness of management. The Company has judged him to be an appropriate and necessary person for the enhancement of sustainable corporate value, and has newly proposed him as a candidate for Outside Director.

■ The term of office as Outside Officer

Mitsuhiro Nagahama is currently an Outside Audit & Supervisory Board Member of the Company, and the term of office of him as an Outside Audit & Supervisory Board Member shall be four (4) years at the conclusion of this Ordinary General Meeting of Shareholders.

■ Independence of the candidate for Outside Director of the Company

The Company does pay Mitsuhiro Nagahama compensation as an Outside Audit & Supervisory Board Member but it does not conduct monetary or other transactions with him, and there are no vested interests between him and the Company's management.

While Mitsuhiro Nagahama hails from Mizuho Bank, Ltd., he retired from said bank six years ago. Although said bank possesses 2,809 thousand shares of the Company, its percentage of total shares issued is 1.89%, which is far less than the major shareholder standard stipulated by the Financial Instruments and Exchange Act. In addition, the amount of the borrowings from said bank is ¥4,885 million, which is 1.7% of the Company's consolidated total assets of ¥275,618 million and the azbil group does not effectively have loans payable (net balance of loans not exceeding current liquidity deposited to such lender.) Thus said bank is not a major lender as per the Criteria for independence of Outside Directors and Outside Audit & Supervisory Board Members established by the Company. Moreover, while the Company has transaction relationships with Mizuho Securities Co., Ltd., Kuraray Co., Ltd., and Tokyo Tatemono Co., Ltd., at which Mitsuhiro Nagahama concurrently serves at present, in both the most recent fiscal year and the preceding three fiscal years, the amount of the transactions makes up 0.2% or less of the consolidated net sales of both the Company and the companies at which he concurrently serves, which does not make these companies major business partners as per the Criteria for independence of Outside Directors and Outside Audit & Supervisory Board Members established by the Company.

Based on the above, the Company judges Mitsuhiro Nagahama to be an independent candidate for Outside Director and plans to report him as an Independent Director to the Tokyo Stock Exchange.

■ Limited liability contract with Outside Director

In order to enable the Outside Audit & Supervisory Board Members of the Company to fully

perform the duties expected of them, Article 34 of the existing Articles of Incorporation prescribes conclusion of contracts which limits legal liability of Outside Audit & Supervisory Board Member of the Company under Article 423, Paragraph 1 of the Companies Act. Accordingly, Outside Audit & Supervisory Board Member candidate Mitsuhiro Nagahama has signed a limited liability contract with the Company and the limit of liability is set at the minimum level prescribed by the relevant laws and regulations. Also, 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, the Company plans to conclude a limited liability contract with him, who is a candidate for an Outside Director if his appointment is approved. Under that contract, the limit of liability shall be set at the minimum level prescribed by the relevant laws and regulations.


- Note:
1. There are no vested interests between Mitsuhiro Nagahama and the Company.
 2. The above biographies, positions and sections of which he is in charge in the Company, and important concurrent positions outside the Company are effective as of the date of publication of this Notice.

Item 3: Election of five (5) Audit & Supervisory Board Members

The terms of office for all five (5) current Audit & Supervisory Board Members will expire at the conclusion of this Ordinary General Meeting of Shareholders. Accordingly, the election of five (5) Audit & Supervisory Board Members is proposed. The prior consent of the Audit & Supervisory Board has been obtained for the presentation of this item to the General Meeting of Shareholders.

The following individuals are candidates for Audit & Supervisory Board Members. Candidates for Independent Outside Audit & Supervisory Board Members 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 the independent requirements established by the Tokyo Stock Exchange, for the three (3) candidates for Outside Audit & Supervisory Board Members, the Company has already reported the one (1) current Audit & Supervisory Board Member and will report two (2) newly nominated candidates for Outside Audit & Supervisory Board Members as Independent Directors to the Tokyo Stock Exchange.

No.	Name	Attendance Record at Board of Directors Meetings	Attendance Record at Audit & Supervisory Board Meetings	
1	Tomohiko Matsuyasu	12/12	14/14	<div>Reappointment</div> <div>Non-outside</div>
2	Hisaya Katsuta	12/12	14/14	<div>Reappointment</div> <div>Non-outside</div>
3	Kinya Fujimoto	12/12	14/14	<div>Reappointment</div> <div>Outside</div> <div>Independent officer</div>
4	Minoru Sakuma	-/-	-/-	<div>New Appointment</div> <div>Outside</div> <div>Independent officer</div>
5	Fumitoshi Sato	-/-	-/-	<div>New Appointment</div> <div>Outside</div> <div>Independent officer</div>

No.	Name (Date of birth)	Biography	Number of shares of the Company held
1	Reappointment	April 1976 Joined the Company	10,300
	Non-outside	April 2003 Manager of accounting, Accounting & Finance Department of the Company	
		April 2005 General Manager of accounting, Fiscal Control Department of the Company	
		October 2006 General Manager of Consolidated results management, Fiscal Control Department of the Company	
		March 2010 Manager of Audit & Supervisory Board Members' Staff Office of the Company	
		June 2011 Audit & Supervisory Board Member of the Company (Present post)	
	Tomohiko Matsuyasu (December 21, 1953)		

■ Number of meetings of the Board of Directors attended

12 of 12

■ Number of meetings of the Audit & Supervisory Board attended

14 of 14

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


Standing Audit & Supervisory Board Member

■ Important concurrent positions outside the Company

None

■ Reasons for nomination as a candidate for Audit & Supervisory Board Member of the Company

Tomohiko Matsuyasu has successively served as Manager of accounting and as Manager of Audit & Supervisory Board Members' Staff Office. In 2011, he was appointed as an Audit & Supervisory Board Member, and has utilized his experience in carrying out accounting procedures and preparing financial statements at the accounting division and implemented audits from perspectives relating to finance and accounting, contributing to the improvement of the Company's corporate governance and internal control. As an Audit & Supervisory Board Member, he possesses the required knowledge related to finance, accounting, and legal affairs. To further strengthen the Company's corporate governance, his reelection as Audit & Supervisory Board Member is requested.

No.	Name (Date of birth)	Biography	Number of shares of the Company held
2	<div>Reappointment</div> <div>Non-outside</div>  <div>Hisaya Katsuta (February 27, 1958)</div>	<p>April 1983 Joined the Company</p> <p>April 2005 Manager of Production Planning Department of the Company</p> <p>February 2010 Manager of Internal Audit Department of the Company</p> <p>April 2011 Senior Officer of the Company, Manager of Internal Audit Department of the Company</p> <p>April 2012 Senior Officer of the Company, Manager of Production Management Headquarters Production Management Department of the Company</p> <p>April 2014 Senior Officer of the Company, Manager of Production Management Headquarters Purchasing Department of the Company</p> <p>June 2015 Audit & Supervisory Board Member of the Company (Present post)</p>	11,400

■ Number of meetings of the Board of Directors attended

12 of 12

■ Number of meetings of the Audit & Supervisory Board attended

14 of 14

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


Standing Audit & Supervisory Board Member

■ Important concurrent positions outside the Company

None

■ Reasons for nomination as a candidate for Audit & Supervisory Board Member of the Company

Hisaya Katsuta's experience includes serving as Manager of Production Planning Department and Manager of Internal Audit Department of the Company. In 2015, he was appointed as an Audit & Supervisory Board Member, and has utilized his experience on production sites and in the internal audit division to implement audits from a company-wide perspective, contributing to the improvement of the Company's corporate governance and internal control. As an Audit & Supervisory Board Member, he possesses the required knowledge related to finance, accounting, and legal affairs. To further strengthen the Company's corporate governance, his reelection as Audit & Supervisory Board Member is requested.

No.	Name (Date of birth)	Biography		Number of shares of the Company held
3	Reappointment	April 1969	Joined Toyo Precision Engineering Co., Ltd. (Present: Sumitomo Heavy Industries Gearbox Co., Ltd.)	12,100
	Outside	March 1972	Retired from Toyo Precision Engineering Co., Ltd.	
	Independent officer	April 1972	Joined Shibata Certified Public Accountants Office	
		March 1979	Retired from Shibata Certified Public Accountants Office	
		March 1979	Established Fujimoto Certified Public Accountants Office (Present post)	
		March 1994	Outside Audit & Supervisory Board Member of Nihon Kajo Publishing Co., Ltd. (Present post)	
		June 2006	Outside Audit & Supervisory Board Member of the Company (Present post)	
		Kinya Fujimoto (October 1, 1946)		

■ Number of meetings of the Board of Directors attended

12 of 12

■ Number of meetings of the Audit & Supervisory Board attended

14 of 14

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

Outside Audit & Supervisory Board Member

■ Important concurrent positions outside the Company

Certified Public Accountant

Outside Audit & Supervisory Board Member of Nihon Kajo Publishing Co., Ltd.

■ Reasons for nomination as a candidate for Outside Audit & Supervisory Board Member of the Company

Kinya Fujimoto is a candidate for Outside Audit & Supervisory Board Member, as set forth in Article 2, Paragraph 3, Item 8 of the Regulation for Enforcement of the Companies Act.

He has been active as a Certified Public Accountant for many years and has implemented audits at the Company from perspectives relating to finance and accounting, contributing to the improvement of the Company's corporate governance and internal control.

He possesses the required knowledge related to finance, accounting, and legal affairs as an Audit & Supervisory Board Member, and his professional discernment based on this knowledge and experience can be reflected in the auditing of the Company's overall business and in the strengthening of the management of Group companies. He is also independent from the Company so that he may further strengthen the corporate governance of the Company. Therefore, his reelection as Outside Audit & Supervisory Board Member is requested.

- Reasons the Company has judged that even candidates who have not contributed to the Company's management can appropriately perform functions as Outside Audit & Supervisory Board Member of the Company

Although Kinya Fujimoto has not been involved in company management other than as outside officer, the Company has judged that he can execute his duties as Outside Audit & Supervisory Board Member of the Company appropriately for the above-mentioned reasons.

- The term of office as Outside Audit & Supervisory Board Member


The term of office of Kinya Fujimoto as Outside Audit & Supervisory Board Member shall be thirteen (13) years from the conclusion of this Ordinary General Meeting of Shareholders.

- Independence of the candidate for Outside Audit & Supervisory Board Member of the Company

The Company does not conduct monetary or other transactions with Kinya Fujimoto except the remuneration he receives as Outside Audit & Supervisory Board Member 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. The Company has reported him as an Independent Audit & Supervisory Board Member to the Tokyo Stock Exchange.

- Limited liability contracts with Outside Audit & Supervisory Board Members of the Company

In order to enable the Outside Audit & Supervisory Board Members of the Company to fully perform the duties expected of them, Article 34 of the existing Articles of Incorporation prescribes conclusion of contracts which limit legal liability of Outside Audit & Supervisory Board Members of the Company under Article 423, Paragraph 1 of the Companies Act. Accordingly, Outside Audit & Supervisory Board Member candidate Kinya Fujimoto has signed a limited liability contract with the Company, and if his reappointment is approved, the Company will renew the relevant contract with him. Under that contract, the limit of liability shall be set at the minimum level prescribed by the relevant laws and regulations.

No.	Name (Date of birth)	Biography	Number of shares of the Company held
4	<div>New Appointment</div> <div>Outside</div> <div>Independent officer</div>  <div>Minoru Sakuma (March 19, 1949)</div>	<div>April 1971</div> <div>May 1998</div> <div>October 1999</div> <div>May 2005</div> <div>May 2000</div> <div>June 2009</div> <div>June 2009</div> <div>June 2016</div> <div> Joined Export-Import Bank of Japan (Present: Japan Bank for International Cooperation) Director General of Information Systems Department, Export-Import Bank of Japan Director General of Research Institute for Development and Finance, Japan Bank for International Cooperation Retired from Japan Bank for International Cooperation Managing Director of Cabiunas Investment Corporation Retired from Cabiunas Investment Corporation Audit & Supervisory Board Member (Outside Audit & Supervisory Board Member) of JGC Corporation Retired from JGC Corporation </div>	-

■ Number of meetings of the Board of Directors attended

-

■ Number of meetings of the Audit & Supervisory Board attended

-

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

-

■ Important concurrent positions outside the Company

-

■ Reasons for nomination as a candidate for Outside Audit & Supervisory Board Member of the Company

Minoru Sakuma is a candidate for Outside Audit & Supervisory Board Member, as set forth in Article 2, Paragraph 3, Item 8 of the Regulation for Enforcement of the Companies Act.

He has successively served in important posts at policy-based financial institutions, and in addition to his broad knowledge of international finance and extensive overseas experience, he has management experience at investment corporations and experience as an Outside Audit & Supervisory Board Member at a globally operating company. He possesses the required knowledge related to finance, accounting, and legal affairs as an Audit & Supervisory Board Member, and his professional discernment based on this knowledge and experience can be reflected in the auditing of the Company's overall business and in the improvement of the management level of Group companies. He is also independent from the Company so that he may further strengthen the corporate governance of the Company.

Therefore, his new election as Outside Audit & Supervisory Board Member is requested.

■ Independence of the candidate for Outside Audit & Supervisory Board Member of the Company


The Company does not conduct monetary or other transactions with Minoru Sakuma, and there are no vested interests between him and the Company's management.

While he did serve as Outside Audit & Supervisory Board Member at JGC Corporation, he retired in June 2016. Moreover, while the Company has a transaction relationship with JGC Corporation, in both the most recent fiscal year and the preceding three fiscal years, the amount of the transactions makes up 0.2% or less of the consolidated net sales of both the Company and JGC Corporation, which does not make JGC Corporation a major business partner as per the Criteria for Independence of Outside Directors and Outside Audit & Supervisory Board Members established by the Company.

Based on the above, the Company judges Minoru Sakuma to be an independent candidate for Outside Audit & Supervisory Board Member and plans to report him as an Independent Audit & Supervisory Board Member to the Tokyo Stock Exchange.

■ Limited liability contracts with Outside Audit & Supervisory Board Members of the Company

In order to enable the Outside Audit & Supervisory Board Members of the Company to fully perform the duties expected of them, Article 34 of the existing Articles of Incorporation prescribes conclusion of contracts which limit legal liability of Outside Audit & Supervisory Board Members under Article 423, Paragraph 1 of the Companies Act. Accordingly, the Company plans to conclude a limited liability contract with Minoru Sakuma, who is a candidate for Outside Audit & Supervisory Board Member if his appointment is approved. Under that contract, the limit of liability shall be set at the minimum level prescribed by the relevant laws and regulations.

No.	Name (Date of birth)	Biography	Number of shares of the Company held
5	<div>New Appointment</div> <div>Outside</div> <div>Independent officer</div>  <p>Fumitoshi Sato (February 16, 1954)</p>	<p>April 1976 Joined Bank of Japan</p> <p>April 1998 General Manager of Aomori Branch, Bank of Japan</p> <p>May 2001 General Manager of Fukuoka Branch, Bank of Japan</p> <p>April 2004 Retired from the Bank</p> <p>April 2004 Senior Corporate Officer of HORIBA, Ltd.</p> <p>June 2005 Managing Director of HORIBA, Ltd., General Manager of General Administration Division</p> <p>March 2017 Retired from Managing Director of HORIBA, Ltd.</p> <p>March 2017 Adviser of HORIBA, Ltd.</p> <p>May 2018 Retired from HORIBA, Ltd.</p> <p>May 2018 Auditor of Tokyo Scientific Instrument Association (Present post)</p>	2,000

Note: Fumitoshi Sato is scheduled to be elected as an Outside Board Director of TOMY Company, Ltd. at the company's ordinary general meeting of shareholders to be held on June 21, 2019. There is no transaction relationship between TOMY Company, Ltd. and the Company.

■ Number of meetings of the Board of Directors attended

-

■ Number of meetings of the Audit & Supervisory Board attended

-

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

-

■ Important concurrent positions outside the Company

Auditor of Tokyo Scientific Instrument Association

■ Reasons for nomination as a candidate for Outside Audit & Supervisory Board Member of the Company

Fumitoshi Sato is a candidate for Outside Audit & Supervisory Board Member, as set forth in Article 2, Paragraph 3, Item 8 of the Regulation for Enforcement of the Companies Act.

He has successively served in important posts at Bank of Japan, and in addition to his broad knowledge in the financial sector and extensive experience, he has work experience in the management division overseeing accounting, legal affairs, and human resources at an operating company in the manufacturing industry and management experience as a director. He possesses the required knowledge related to finance, accounting, and legal affairs as an Audit & Supervisory Board Member, and his professional discernment based on this knowledge and experience can be reflected in the auditing of the Company's overall business and in the strengthening of the management of Group companies. He is also independent from

the Company so that he may further strengthen the corporate governance of the Company. Therefore, his new election as Outside Audit & Supervisory Board Member is requested.

■ Independence of the candidate for Outside Audit & Supervisory Board Members of the Company

The Company does not conduct monetary or other transactions with Fumitoshi Sato, and there are no vested interests between him and the Company's management.

While he did serve as a Director at HORIBA, Ltd. he retired in March 2017. (He retired as an Adviser of HORIBA, Ltd. in May 2018.) Moreover, while the Company has a transaction relationship with HORIBA, Ltd., in both the most recent fiscal year and the preceding three fiscal years, the amount of the transactions makes up 0.2% or less of the consolidated net sales of both the Company and HORIBA, Ltd., which does not make HORIBA, Ltd. a major business partner as per the Criteria for Independence of Outside Directors and Outside Audit & Supervisory Board Members established by the Company.

Based on the above, the Company judges Fumitoshi Sato to be an independent candidate for Outside Audit & Supervisory Board Member and plans to report him as an Independent Audit & Supervisory Board Member to the Tokyo Stock Exchange.

■ Limited liability contracts with Outside Audit & Supervisory Board Member of the Company

In order to enable the Outside Audit & Supervisory Board Members of the Company to fully perform the duties expected of them, Article 34 of the existing Articles of Incorporation prescribes conclusion of contracts which limit legal liability of Outside Audit & Supervisory Board Members under Article 423, Paragraph 1 of the Companies Act. Accordingly, the Company plans to conclude a limited liability contract with Fumitoshi Sato, who is a candidate for Outside Audit & Supervisory Board Member if his appointment is approved. Under that contract, the limit of liability shall be set at the minimum level prescribed by the relevant laws and regulations.

- Note:
1. There are no vested interests between each candidate and the Company.
 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.

(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^{*1} of the Company or a consolidated subsidiary of the Company, or who served for ten (10) years prior to being appointed;
*1: "executive" refers to an executive director, an executive officer or a head of a department and other general employees.
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^{*2} of the azbil Group or its parent company or its significant subsidiary, or who served in the last three (3) years;
*2: 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
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

Business Report

(From April 1, 2018 to March 31, 2019)

1. Matters Concerning the Present State of the Corporate Group

(1) Principal Business (As of March 31, 2019)

The azbil Group pursues “human-centered automation” for people’s safety, comfort and fulfillment and to contribute to the global environment with measurement and control technologies, 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 health in the lifestyle-focused market.

The azbil Group handles the following major products.

Segment	
BA: Building Automation Business	
Major Products	
<ul style="list-style-type: none">● Room temperature / humidity sensor● Room temperature and humidity controller● Digital user terminal● Digital central control● BA systems	<ul style="list-style-type: none">● High-end contactless smart-card reader● Digital controller for heating / cooling equipment● Multipurpose controller● Damper actuator● Motorized control valve with flow measurement and control functions, etc.
Segment	
AA: Advanced Automation Business	
Major Products	
<ul style="list-style-type: none">● Automatic control valve● Smart valve positioner● Process controller● Multi-loop controller with multifunction display● Network instrumentation modules● Advanced transmitter● Smart electromagnetic flow meter● Natural gas calorimeter● Vortex flow meter	<ul style="list-style-type: none">● Monitoring and control system● High-accuracy position sensors● Photoelectric switch with built-in amplifier● Advanced ultraviolet flame detector● Limit switch● Intelligent earthquake sensor● Micro flow rate liquid flow meter,● Advanced critical trend monitoring for safety● Online anomaly monitoring system, etc.
Segment	
LA: Life Automation Business	
Major Products	
<ul style="list-style-type: none">● Barrier systems● Lyophilizer● Meter data cloud service● Battery-operated electromagnetic water meter● LPWA-capable electronic water meter	<ul style="list-style-type: none">● Intelligent city gas meters● Ultrasonic gas meters● LPWA-capable intelligent LP gas meters, etc.● Central air conditioning system
Segment	
Others	
Major Products	
<ul style="list-style-type: none">● Insurance agent business, etc.	

(2) Financial results for the current fiscal year

The business environment for the azbil Group has benefitted from active investment in domestic urban redevelopment underpinning continued robust demand for equipment and systems for large-scale buildings. As regards capital investment in production equipment, despite there being signs of change—such as the slowdown seen in domestic and overseas market for manufacturing equipment for semiconductors—there has been continued demand for rationalization and labor-saving in response to the current labor shortage.

Turning to the financial results for the current consolidated fiscal year, overall orders received were 264,252 million yen, down 0.8% from the 266,262 million yen recorded in the previous consolidated fiscal year. Thanks to robust market conditions, the Building Automation (BA) business achieved solid growth in orders, but orders for the Advanced Automation (AA) business and the Life Automation (LA) business fell, partly because of a downturn in some markets, but mainly because large-scale projects had been recorded in the previous consolidated fiscal year.

Regarding sales, increases were achieved by the AA and LA businesses. Overall net sales were thus 262,054 million yen, up 0.6% on the previous consolidated fiscal year, when sales of 260,384 million yen were recorded.

Turning to profits, operating income was 26,690 million yen, an increase of 11.1% from the 24,026 million yen recorded in the previous consolidated fiscal year. This result reflects sales growth and the success of measures to strengthen the profit structure. With the increase in operating income, ordinary income grew by 13.8% to 27,664 million yen (compared with 24,316 million yen for the previous consolidated fiscal year). Net income attributable to owners of parent was 18,951 million yen, up 5.9% from the 17,890 million yen recorded in the previous consolidated fiscal year. This result reflects the increase in operating income and gain on sales of investment securities, which more than offset the recording of a loss on final settlement of the defined benefit corporate pension plan for accounting purposes^{*1}, and the effect of a temporary reduction in tax expenses for the previous consolidated fiscal year following a reappraisal of the recoverability of a subsidiary's deferred tax assets.

^{*1}: Loss on final settlement of the defined benefit corporate pension plan for accounting purposes

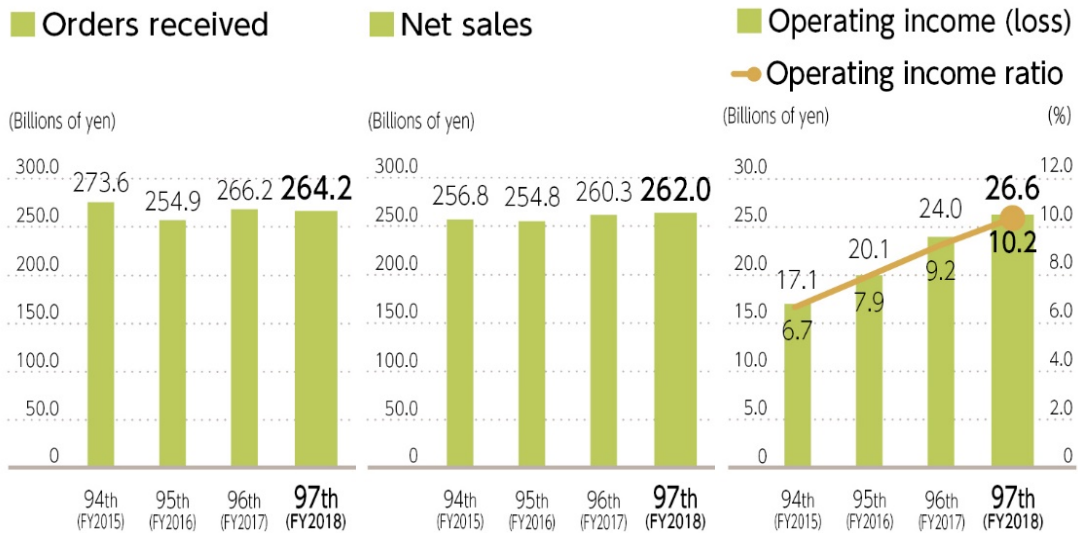
Regarding the defined benefit corporate pension plan (in other words, a closed pension fund) for beneficiaries associated with the Company and a domestic consolidated subsidiary, final settlement of the retirement benefit plan for accounting purposes was completed, with reference to the following two documents issued by the Accounting Standards Board of Japan: “Accounting for Transfer between Retirement Benefit Plans” (ASBJ Guidance No. 1), and “Practical Solution on Accounting for Transfer between Retirement Benefits Plans” (ASBJ PITF No. 2). The loss on abolishment of retirement benefit plan was recorded as an extraordinary loss. Note that the defined benefit corporate pension plan continues to operate as a closed pension fund, and its beneficiaries still receive benefits as before.

Guided by the philosophy of “human-centered automation,” the azbil Group drew up its medium-term plan (FY2017–FY2019) based on three fundamental policies^{*2} and we are currently implementing measures to realize sustainable growth. So that we may respond rapidly and decisively to changes in the business environment, thus ensuring growth into the future, we are now advancing business structure reforms and improvements to the profit structure in each segment. Also, we have been actively engaged in those areas where continuing/increasing demand is anticipated for the medium-/long-term—providing solutions throughout the life cycle, developing new automation opportunities, and focusing on environmental and energy issues—while investing in upgrading and expanding R&D and production systems to strengthen the business foundation with a view to developing these areas

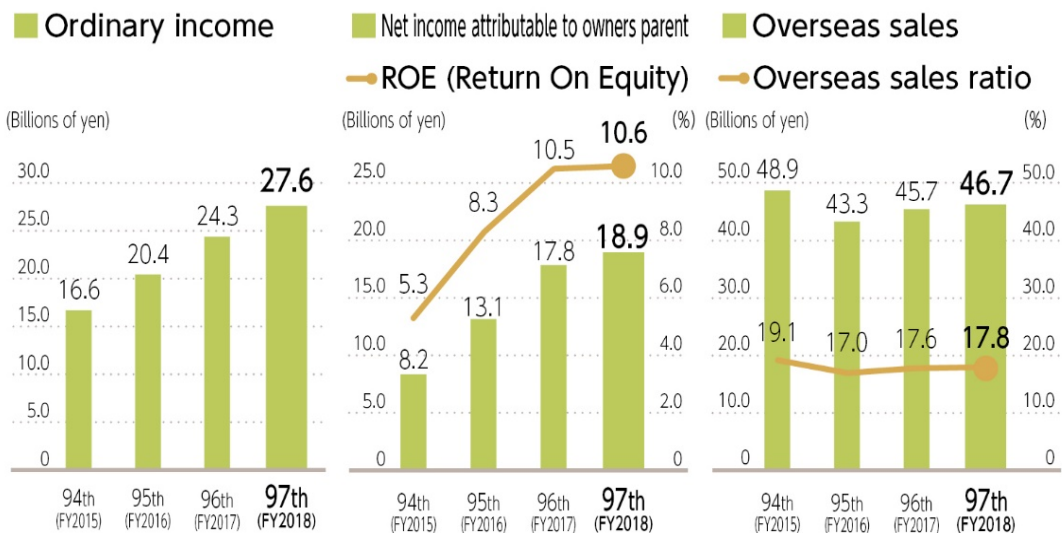
and realizing sustained growth.

*2: Three fundamental policies

- Being 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, by expansion into new regions and a qualitative change of focus
- Being a corporate organization that never stops learning, so that it can continuously grow stronger



Note: From the 96th term, we changed the method to show net orders received excluding special factors such as foreign exchange effects to order backlog. For the 95th term, we revised the figures using the method following the change, but we made no changes to the 94th.



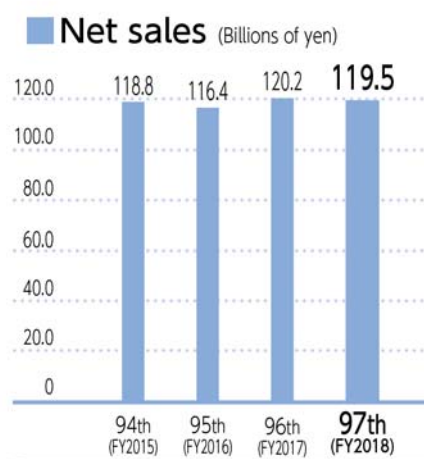
The results for the individual reportable segments are as follows.

Building Automation (BA) Business

The market environment for the BA business has continued to be robust. In the domestic market, in addition to urban redevelopment plans for the Tokyo metropolitan area, demand for solutions for energy saving and operational cost reduction has been high. Overseas, there has been active investment of domestic and foreign capital in large-scale buildings in the Asian region, where economic growth continues.

In this business environment, we have not only engaged in securing orders with a view to enhanced profitability, but also striven to ensure enhanced capabilities and efficiencies of job fulfillment, particularly on site, that meet the requirements of Japan's work-style reform. Moreover, we have made progress with the development and strengthening of our products and services to better meet the needs of clients, in Japan and abroad, who are interested in harnessing such technologies as IoT. Consequently, the financial results of the BA business for the current consolidated fiscal year were as follows.

Orders received rose steadily to reach 123,766 million yen, up 5.1% on the 117,811 million yen recorded in the previous consolidated fiscal year. Sales remained at approximately the same level: 119,500 million yen, compared to the 120,233 million yen in the previous consolidated fiscal year. Segment profit was 12,421 million yen, down 1.3% from the 12,583 million yen in the previous consolidated fiscal year, owing partly to the recording of temporary expenses for provision incurred in the first half.



*Each figure above includes intersegment internal sales.

Advanced Automation (AA) Business

As regards market trends in Japan and abroad that concern the AA business, although there are signs of change—such as decreased investment in the market for manufacturing equipment for semiconductors—the demand for automation has continued at a high level in order to meet the need for rationalization and labor-saving in response to the current labor shortage. Based on these conditions, we have engaged in streamlining operations for the three AA business sub-segments (CP, IAP and SS)^{*3} aiming to achieve global competitiveness with an integrated system that stretches from marketing and development through to production, sales and service. At the same time, we have implemented measures to achieve business growth, including business expansion overseas, and improve business profitability. Consequently, the financial results of the AA business for the current consolidated fiscal year were as follows.

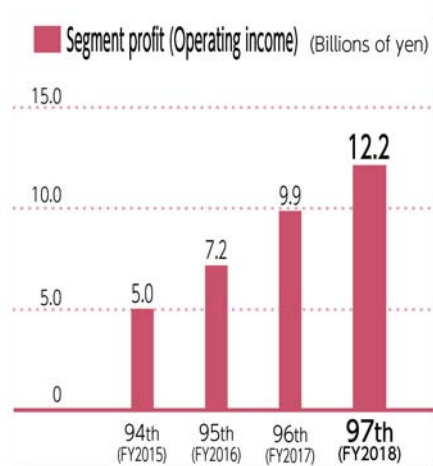
Orders received were 98,331 million yen, down 3.3% from the 101,737 million yen for the previous consolidated fiscal year. This was because large-scale projects in energy-related markets had been recorded last year and there has been a downturn in some markets. Nevertheless, sales grew steadily, increasing to 99,389 million yen, up 2.2% on the 97,231 million yen recorded in the previous consolidated fiscal year. Thanks to sales growth and the success of initiatives to further strengthen business profitability, segment profit increased to 12,211 million yen, up 23.0% on the 9,931 million yen for the previous consolidated fiscal year.

*3: Three AA business sub-segments (management accounting sub-segments)

CP business: Control Product business (supplying factory automation products such as controllers and sensors)

IAP business: Industrial Automation Product business (supplying process automation products such as differential pressure & pressure transmitters, and control valves)

SS business: Solution & Service business (offering control systems, engineering service, maintenance service, energy-saving solution service, etc.)



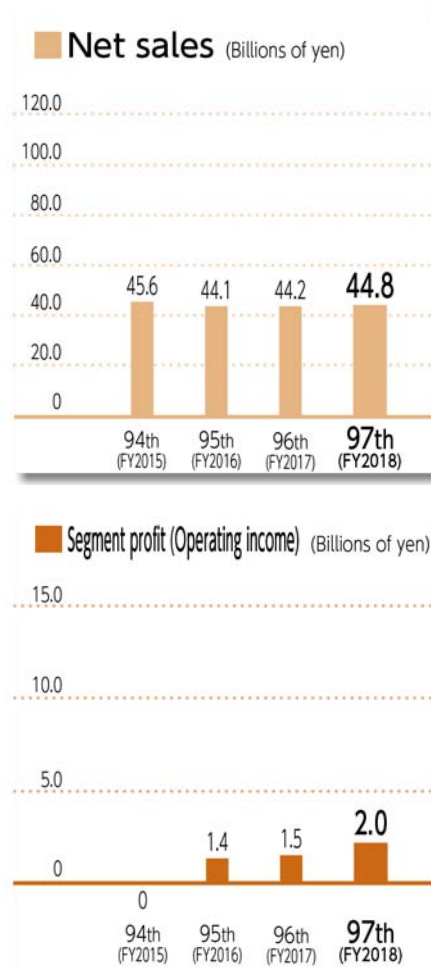
*Each figure above includes intersegment internal sales.

Life Automation (LA) Business

The LA business covers three fields: Lifeline (gas/water meters, etc.), Life Science Engineering (LSE: pharmaceutical/laboratory fields), and Lifestyle-related (residential central air-conditioning systems). The business environment differs in each field.

The Lifeline field (gas/water meters, etc.), which accounts for the bulk of LA sales, depends on cyclical demand for meter replacement as required by law. While some impacts from the liberalization of gas sales are observed, we expect stable demand to continue in this field. On the other hand, in the two other fields—LSE and Lifestyle-related—we are continuously seeking to realize and enhance stabilized profit by implementing business structure reforms. Reflecting these business conditions and initiatives, the financial results of the LA business in the current consolidated fiscal year were as follows.

Orders received were 43,867 million yen, down 8.6% from the 48,013 million yen for the previous consolidated fiscal year, when large-scale projects were recorded in the LSE field, although there were increased orders received in the Lifeline and Lifestyle-related fields. Sales grew in the Lifeline and Lifestyle-related fields, reaching 44,840 million yen, up 1.4% on the previous consolidated fiscal year, when sales of 44,208 million yen were recorded. Thanks to this sales growth and the improved profitability resulting from business structure reforms, segment profit was 2,060 million yen, up 37.3% from the 1,501 million yen of the previous consolidated fiscal year.



*Each figure above includes intersegment internal sales.

Other

In Other business, principally our insurance agent business, orders received for the current consolidated fiscal year were 60 million yen (compared with 64 million yen for the previous consolidated fiscal year), sales were 61 million yen (compared with 65 million yen for the previous consolidated fiscal year), and segment profit was 2 million yen (compared with 9 million yen for the previous consolidated fiscal year).

Orders received, sales and profit by segment

(Millions of yen)

Reportable segment	Orders received			Sales			Segment Profit (Profit Ratio)	
	96th term (Fiscal year ended March 31, 2018)	97th term (Fiscal year ended March 31, 2019)	Increase/decrease ratio (%)	96th term (Fiscal year ended March 31, 2018)	97th term (Fiscal year ended March 31, 2019)	Increase/decrease ratio (%)	96th term (Fiscal year ended March 31, 2018)	97th term (Fiscal year ended March 31, 2019)
Building Automation	117,811	123,766	5.1	120,233	119,500	(0.6)	12,583 (10.5%)	12,421 (10.4%)
Advanced Automation	101,737	98,331	(3.3)	97,231	99,389	2.2	9,931 (10.2%)	12,211 (12.3%)
Life Automation	48,013	43,867	(8.6)	44,208	44,840	1.4	1,501 (3.4%)	2,060 (4.6%)
Total of reportable segments	267,562	265,965	(0.6)	261,673	263,731	0.8	24,016 (9.2%)	26,693 (10.1%)
Other	64	60	(5.2)	65	61	(5.0)	9 (15.2%)	2 (3.7%)
Elimination	(1,364)	(1,773)	—	(1,354)	(1,738)	—	0	(5)
Consolidated	266,262	264,252	(0.8)	260,384	262,054	0.6	24,026 (9.2%)	26,690 (10.2%)

(3) Capital investment, etc.

Capital investment in the current fiscal year totaled ¥6,363 million, as we invested in new product development and streamlining.

(4) Financing

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 corporate value, the azbil Group is striving to meet the expectations of all stakeholders, not least the shareholders. We accordingly have established long-term goals for the azbil Group based on our philosophy of “human-centered automation.” To achieve these goals, we are implementing three key initiatives in our three core businesses (the BA business, the AA business, and the LA business): 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 by regional expansion and a qualitative change of focus; and to realize these goals by being 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.

Furthermore, giving due consideration to the domestic and overseas conditions at present and rapid changes in market conditions, to achieve further continuous growth, we will accelerate structural reforms for each business, in Japan and abroad, create advanced research & development/production systems for the Group, and develop technology and products that accommodate technological innovations (e.g. IoT, big data, AI, and robotics, etc.) We are also aiming to achieve continuous growth through strengthening corporate governance in addition to allocating management resources effectively and strategically, and working to accelerate these efforts and ensure they take root.

1) Domestic Business

All three businesses are positioned domestically in mature industries, yet there are significant differences in the environment each finds itself in. For the BA business, in order to steadily tap into the demand that remains in a high level with the urban redevelopment plans of the Tokyo metropolitan area, we will promote the efficient, planned use of human resources through such as the reorganization of the project completion process and the shift to IT, creating a structure that includes continuously transferring human resources and innovating the forms of education and operations, and pushing ahead with comprehensive work style reforms. Specifically, centered on the next-generation building automation system, *savic-net™ G5*, we are pushing forward with improving sensors and actuators, expanding advanced cloud services for buildings, and reforms of facility management services. Furthermore, we launched sales of our integrated building access management system, which remotely integrates the management of building entry and exit information for multiple locations of the same corporate customer, supporting our customers’ workstyle reforms. Through these initiatives, we are continuously providing and proposing value that matches the stage of our customers’ business development.

The AA business will promote growth by selecting, creating, and concentrating on business fields that can be expected to grow and offer added value in the future from a wide variety of different markets while capturing changes in technological trends. Moreover, we will continue to build a platform aimed at further reforms to achieve a highly profitable business structure as well as growth. Parts of these initiatives are the promotion of the transition to IoT devices through the module, *NX-SVG*, which realizes inter-device communication among multiple vendors, making the creation of communication programs required for past devices unnecessary, and the batch-process version of the online anomaly monitoring system, *BiG EYES™*.

In the LA business, we have continued to promote IoT support for water meters and

various types of gas meters. In the LP gas market, we are moving forward with our expansion into new automation business fields, centering on K-SMaTM, a new type of LP gas meter that can respond flexibly to a range of communications, anticipating the transition to IoT. We launched sales of a new service which provides meter reading data through a cloud system via IoT, utilizing new “LPWA^{*1}” technology, and delivery planning optimization systems for LP gas containers, utilizing collected and stored big data and AI technology. Furthermore, in residential central air-conditioning systems for detached houses, we introduced tablet-type remote controls that allow air conditioning and energy savings matching the user’s lifestyle.

We will continue optimizing the allocation of resources within the azbil Group to match changes in the business environment, with the aim of creating firm business opportunities in mature fields at the same time as expanding further into new business fields through the introduction of new products and technologies.

*1 LPWA: Low Power Wide Area (Refers to wireless communication technology that enables long-distance communication with far lower power than before and is expected to be utilized in IoT.)

2) Overseas Business

In overseas markets, as one approach to further strengthen the business foundation so as to support business growth and earnings expansion, we will continuously strengthen new specialty products and solution proposals with high added value that respond to the market environment in each country and region with the aim of expanding the business globally. By opening the Strategic Planning & Development Office for Southeast Asia in Singapore with the aim of further business growth in the region by supporting and unifying the management of the business in Southeast Asia, we are accelerating the region-wide promotion of business, creation of strategic plans, and business management in the region.

As for the development of each business overseas, in the BA business, with the aim of boosting our share in the Asian market, we centered on our next-generation building automation system, savic-net G5 and launched sales of pneumatic valves for overseas semiconductor and liquid crystal display factories and sales of large-diameter-model valves featuring flow calculation, while implementing various policies in response to the business environment and business platform of each country, using the energy-management technology we have cultivated in Japan, we are gradually reinforcing the life cycle business model.

In the AA business, we will pursue further business expansion in overseas markets, which has ample room for growth, by developing sales enhancement policies and introducing strategic products in our strategic regions. Furthermore, we will create new automation fields through taking advantage of capturing the changing technological trends such as IoT and AI, and by incorporating services throughout the life cycle including diagnosis of our customers’ facilities, we will pursue additional growth.

In the LA business, we have steadily implemented a reform of the business structure in Europe-based Azbil Telstar, S.L.U., which engages in the Life Science Engineering field. Going forward, we will formulate a new growth strategy and endeavor to realize it in an early stage.

In addition to the aforementioned initiatives, in the area of business management & administration at the azbil Group’s overseas subsidiaries, we will continue to develop robust systems at each company and promote the strengthening of group governance,

including improving the evaluation system for overseas subsidiaries.

3) Production and Development

For the azbil Group business expansion, we will reorganize the Group's production structure and concentrate and strengthen its research & development resources to enhance product values. In Japan, we have been consolidating the production functions in Kanagawa Prefecture into the Shonan Factory, and it is going to start operation as the "mother factory" of the azbil Group to lead global business development. In addition, along with further boosting production capacity at our factories in Thailand and in Dalian (China) and expanding overseas procurement of parts and materials, we will make our products even more cost competitive in addition to supporting global customers and optimizing global logistics. In our research & development activities, we will continue to invest in research and development of products and services that keep up with industrial structural reform by the fusion of goods and information, and technical innovation (IoT, big data, AI, etc.). Also, we will use the results to cultivate new fields of automation related to business processes that are closer to corporate management in the operation of customers' plants and buildings, etc. Moreover, by leveraging our proprietary measurement and control technology, we will continue to develop and demonstrate next-generation smart robots equipped with force sensing*² and vision functions. In this way, we will explore their use in the field of human-robot collaboration in which humans and robots coexist, where future growth is expected.

*2 force sensing: the sense of resistance received from an object when it is touched

4) Management & Administration

We will promote Group management and enhancement of corporate governance systems. At the same time, the entire azbil Group continues to be engaged in promoting CSR management in a number of priority initiatives focusing on risk management (quality, product liability, disaster prevention, BCP and information security), compliance (corporate ethics and legal conformity), human-centric management, and contributing to the global environment and the society. In particular, 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 sustainable growth and enhancement of corporate value over the medium- to long-term. The azbil Group has continued its initiatives to contribute to the sustainable development of the society, and in fiscal year 2018, azbil Corporation was selected for the four ESG (environment, society, governance) indexes*³ that are adopted by the Government Pension Investment Fund (GPIF). The Company also has a Group philosophy of "human-centered automation," established through developing the aspirations of our founder. We will continuously work to resolve various issues faced by international society, such as responding to the SDGs (Sustainable Development Goals) set out by the United Nations through promoting management based on this philosophy.

*3 ESG indexes: FTSE Blossom Japan Index, MSCI Japan ESG Select Leaders Index, MSCI Japan Empowering Women Index (WIN) and S&P/JPX Carbon Efficient Index

(6) Financial position and results of operations

Category	94th term (Fiscal year ended March 31, 2016)	95th term (Fiscal year ended March 31, 2017)	96th term (Fiscal year ended March 31, 2018)	97th term Fiscal year under review (Fiscal year ended March 31, 2019)
Orders received (Millions of yen)	273,613	254,974	266,262	264,252
Net sales (Millions of yen)	256,889	254,810	260,384	262,054
Operating income (Millions of yen)	17,135	20,145	24,026	26,690
Ordinary income (Millions of yen)	16,627	20,475	24,316	27,664
Net income attributable to owners of parent (Millions of yen)	8,268	13,153	17,890	18,951
Net income per share (Yen)	56.36	89.78	123.08	132.03
Total assets (Millions of yen)	259,127	263,317	273,805	275,518
Net assets (Millions of yen)	156,966	165,751	177,962	183,097
Shareholders' equity ratio (%)	59.8	62.2	64.3	65.7
Net assets per share (Yen)	1,058.05	1,118.23	1,213.14	1,264.88

- Notes:
1. From the 96th term, we changed the method to show net orders received excluding special factors such as foreign exchange effects to order backlog. For the 95th term, we revised the figures using the method following the change, but we made no changes to the 94th.
 2. The Company conducted a stock split of common stock at a ratio of two shares for every share on October 1, 2018. Net assets per share and net income per share were calculated based on the assumption that the said stock split was conducted at the beginning of the 94th term.
 3. The Group has applied the "Partial Amendments to Accounting Standard for Tax Effect Accounting" (ASBJ Statement No. 28, February 16, 2018) from the beginning of the current fiscal year, and the total assets and shareholders' equity ratio of the previous fiscal year show the figures after the accounting standards have been retroactively applied.

(7) Significant subsidiaries (As of March 31, 2019)

Company	Capital Stock	The Company's Investment Ratio (%)	Principal Business
Azbil Trading Co., Ltd.	JPY Million 50	100.0	In the Factory Automation 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.	JPY Million 3,157	100.0	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 Production (Thailand) Co., Ltd.	THB Thousand 180,000	99.9	Manufacture of control instruments such as digital indicating controllers, HVAC controllers, etc.
Azbil Control Instruments (Dalian) Co., Ltd.	RMB Thousand 61,176	100.0	Manufacturing of control instruments, automatic control valves, and switches
Azbil North America, Inc.	USD Thousand 28,550	100.0	Sales of control instrument products and field instruments for the industrial market, engineering, maintenance services
Azbil Telstar, S.L.U.	EUR Thousand 1,540	100.0	Design, manufacture, and sale of manufacturing equipment and environmental equipment for pharmaceutical plants and laboratories; and consulting and engineering related to clean rooms

(8) Main offices and factories (As of March 31, 2019)

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		
Azbil Trading Co., Ltd.	Factories	Isehara-shi, Kanagawa	Kouza-gun, Kanagawa	
	Offices	Hadano-shi, Kanagawa		
	Headquarters	Toshima-ku, Tokyo		
Azbil Kimmon Co., Ltd.	Branch	Toshima-ku, Tokyo,	Chuo-ku, Saitama-shi,	Naka-ku, Nagoya-shi,
		Yodogawa-ku, Osaka-shi,	Higashi-ku, Hiroshima-shi,	Kokurakita-ku, Kitakyushu-shi
	Headquarters	Toshima-ku, Tokyo		
	Local Branch/ Sales Office	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 Energy Products Co., Ltd.) Shirakawa-shi, Fukushima (Azbil Kimmon Energy Products Co., Ltd.)* Motomiya-shi, Fukushima (Azbil Kimmon Energy Products Co., Ltd.)*		
Azbil Production (Thailand) Co., Ltd.	Research Laboratories	Kawagoe-shi, Saitama		
	Headquarters	Chonburi, Thailand		
	Headquarters	Dalian, China		
	Headquarters	Arizona, U.S.A.		
	Headquarters	Catalonia, Spain		

Note: For the two Azbil Kimmon Co., Ltd. factories listed with an asterisk, factory facilities are rented to the subsidiary listed in parenthesis, which operates them.

(9) Employees (As of March 31, 2019)

1) Employees of the Group

Segment	Number of Employees	Year-on-year Increase/(Decrease)
Building Automation Business	3,086 [683] persons	41 persons
Advanced Automation Business	3,584 [419]	149
Life Automation Business	1,771 [381]	66
Total of reportable segments	8,441 [1,483]	256
Others	2 [2]	(1)
Corporate (Common)	1,164 [181]	24
Total	9,607 [1,666]	279

- 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 fixed-term part timers, employees rehired after retiring at the compulsory retirement age and contract employees, excluding temporary workers from temp agencies) are indicated in brackets separately from the total as the yearly average numbers of employees.
 3. While the number of employees is increasing, the main factors are the introduction of an indefinite term employee system for fixed-term contract employees (temporary employees) at the Company and domestic subsidiaries with the promulgation of the revised Labor Contracts Act, as well as increased hiring at overseas manufacturing subsidiaries.

2) Employees of the Company

Number of Employees	Year-on-year Increase/(Decrease)	Average Age	Average Years of Service
5,151 [1,145] persons	108 persons	45.4 years old	20.4 years

- Notes:
1. The number of temporary employees (including fixed-term part timers, employees rehired after retiring at the compulsory retirement age and contract employees, excluding temporary workers from temp agencies) is indicated in brackets separately from the total as the yearly average number of employees.
 2. While the number of employees is increasing, the main factor is the introduction of an indefinite term employee system for fixed-term contract employees (temporary employees) with the promulgation of the revised Labor Contracts Act.

(10) Major lenders (As of March 31, 2019)

Lenders	Loan Outstanding
Mizuho Bank, Ltd.	4,885 million yen
MUFG Bank, Ltd.	2,367

(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, 2019)

(1) Total number of authorized shares 559,420,000 shares

Note: The total number of authorized shares increased by 279,710,000 due to the two-for-one stock split implemented on October 1, 2018.

(2) Shares of common stock issued 148,500,884 shares
(including treasury shares of 3,303,558 shares)

Note: The total number of shares of common stock issued increased by 74,250,442 due to the two-for-one stock split implemented on October 1, 2018.

(3) Number of shareholders 7,571

(4) Major shareholders (Top 10)

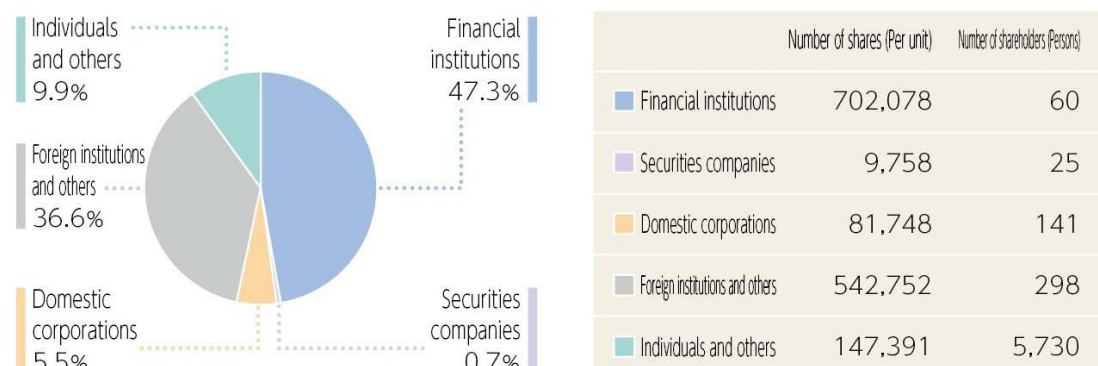
Shareholder Name	Number of Shares (thousands)	Percentage of Total Shares Issued (%)
Meiji Yasuda Life Insurance Company	10,428	7.18
The Master Trust Bank of Japan, Ltd. (Trust account)	10,291	7.08
SSBTC CLIENT OMNIBUS ACCOUNT	9,383	6.46
Japan Trustee Services Bank, Ltd. (Trust account)	8,703	5.99
JPMC Oppenheimer Jasdec Lending Account	4,637	3.19
Trust & Custody Services Bank, Ltd. (Trustee for Mizuho Trust & Banking Co., Ltd. Retirement Benefit Trust Account)	4,631	3.18
Japan Trustee Services Bank, Ltd. (Trust account 9)	4,405	3.03
State Street Bank and Trust Company 505025	3,768	2.59
Nippon Life Insurance Company	3,739	2.57
National Mutual Insurance Federation of Agricultural Cooperatives	3,101	2.13

Notes:

1. The percentage of total shares issued is calculated excluding treasury shares (3,303,558 shares). The number of treasury shares does not include shares (1,988,258 shares) owned by Trust & Custody Services Bank, Ltd. (Trust E) as trust assets for Employee Stock Ownership Plan (J-ESOP).
2. 8,507 thousand shares held by The Master Trust Bank of Japan, Ltd. (Trust account) and 5,132 thousand 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 March 25, 2019 which was made available for public inspection, the following shares are held by FMR LLC as of March 15, 2019. However, as the Company is not able to confirm the number of shares actually held as of March 31, 2019, 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 (%)
March 25, 2019	FMR LLC	10,701	7.20

[Reference material] Distribution of Shares by Shareholder Type



- Notes:
1. Numbers of shares (per unit) above exclude shares less than one unit.
 2. "Individuals and others" above includes treasury shares.

[Reference material] Share Price Trend



- Note:
- The Company implemented a two-for-one stock split of common stock on October 1, 2018. The trends in share price above reflect the effect of the stock split retrospectively.

3. Matters Concerning Officers

(1) Directors and Audit & Supervisory Board Members (As of March 31, 2019)

Positions	Name	Assignments in the Company and Important Concurrent Positions Outside the Company
President and Group Chief Executive Officer (Representative Director)	Hirozumi Sone	President and Group Chief Executive Officer, Internal Audit Department, Corporate Planning Department
Director	Masato Iwasaki	Managing Executive Officer Responsible for Life Automation (LA) Business, strategy for LA Business growth, Promotion and Development of business in North America General Manager of Life Science Engineering Department
Director	Yoshimitsu Hojo	Managing Executive Officer Responsible for azbil Group (aG) production, aG purchasing, the Advanced Automation Business, Production Management Headquarters President of Advanced Automation Company, General Manager of Production Management Headquarters
Director	Takayuki Yokota	Managing Executive Officer Responsible for Corporate Communication, Corporate Administration, aG-CSR, Internal Control, Facilities/Business Sites, Group Management Headquarters, International Business Headquarters, General Affairs Department, Legal & Intellectual Property Department, Secretary Office
Director	Kazuyasu Hamada	Managing Executive Officer Responsible for Building Automation Business, aG Sales Synergy President of Building Systems Company
Director	Tadayuki Sasaki	Non-executive Director, Chairperson of the Board
Outside Director	Eugene H. Lee	Non-executive Director
Outside Director	Katsuhiko Tanabe	Non-executive Director Lawyer Outside Audit & Supervisory Board Member of JSP Corporation
Outside Director	Takeshi Itoh	Non-executive Director
Outside Director	Waka Fujiso	Non-executive Director Member of council of Ministry of Health, Labor and Welfare
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 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 of KURARAY Co., Ltd Outside Director of Tokyo Tatemono Co.,Ltd.
Outside Audit & Supervisory Board Member	Shigeru Morita	

- Notes: 1. Directors Eugene H. Lee, Katsuhiko Tanabe, Takeshi Itoh and Waka Fujiso 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 liability amount prescribed in laws and regulations.
4. Standing Audit & Supervisory Board Member Tomohiko Matsuyasu 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, 2019, the assignments of Directors have been changed as follows:

Positions	Name	Assignments in the Company
Director	Masato Iwasaki	Managing Executive Officer Responsible for Life Automation Business, General Manager of Life Science Engineering Department
Director	Yoshimitsu Hojo	Managing Executive Officer Responsible for azbil Group (aG) production, aG purchasing, the Advanced Automation Business, Production Management Headquarters President of Advanced Automation Company
Director	Takayuki Yokota	Managing Executive Officer Assistant to President, Responsible for Corporate Administration, Corporate Communication, aG-CSR, Internal Control, Facilities/Business Sites, Secretary Office, Group Management Headquarters, General Affairs Department, Legal & Intellectual Property Department, International Business Headquarters

7. We have an Executive Officer System that facilitates the prompt decision making and execution of company policy. As of April 1, 2019, there were 25 Executive Officers, including the above five (5) Directors who also serve as Executive Officer and the Company appointed Executive Officers as follows.

Position	Name	Assignments in the Company
Managing Executive Officer	Hiroshi Arai	Responsible for azbil Group (aG) IT, aG Information Systems, aG Information Security, aG Cyber Security, IT Solutions Headquarters, Information Systems Department, Cyber Security Office General Manager of IT Solutions Headquarters
Managing Executive Officer	Junya Nishimoto	Responsible for aG Research and Development (aG Development Synergy), Smart Robots, Technology Development Headquarters, Technology Standardization Department, Valve Production Development Department, Document Production Department, AI Solution Department General Manager of Technology Development Headquarters
Managing Executive Officer	Kiyohiro Yamamoto	Responsible for aG Marketing, Building Automation (BA) International Business, BA Environmental Solution, Building Systems Company's (BSC) Development, BSC's Marketing General Manager of BSC Marketing Headquarters
Managing Executive Officer	Akihiko Naruse	Responsible for aG Safety Management (Occupational Health and Safety), Human Resources Department, aG Safety Management Department, Azbil Academy General Manager of Internal Audit Department
Executive Officer	Yoshifumi Suzuki	Responsible for aG Environmental Load Innovation, Department of Safety Assessment, aG Quality Assurance Department, Environment Promotion Department General Manager of Department of Safety Assessment, General Manager of aG Quality Assurance Department
Executive Officer	Masashi Hirano	Responsible for New Business Development of Factory Automation
Executive Officer	Takahiro Sakamoto	Deputy General Manager of Technology Development Headquarters
Executive Officer	Toshiyasu Sumitomo	Responsible for Business Development in North America
Executive Officer	Kenichi Hayashi	General Manager of BSC Business Planning Department
Executive Officer	Tetsuya Maruyama	Manager of BSC Chubu Regional Division
Executive Officer	Tomoyuki Takeda	Manager of BSC Kansai Regional Division
Executive Officer	Takashi Sawada	Manager of BSC Tokyo Head Office
Executive Officer	Hiroshi Shimizu	Responsible for aG Advanced Control Business General Manager of Advanced Solutions Department in Advanced Automation Company (AAC) Engineering Headquarters
Executive Officer	Tetsuo Takamura	General Manager of Advanced Automation (AA) CP Business ^{*1}
Executive Officer	Tadayoshi Itoh	General Manager of AA SS Business ^{*2} , General Manager of AAC SS Marketing Department
Executive Officer	Hideaki Ishii	Responsible for aG Production Innovation, AA Development and Quality Assurance
Executive Officer	Taro Sento	General Manager of AA IAP Business ^{*3}
Executive Officer	Takashi Imamura	General Manager of Production Management Headquarters

Executive Officer	Tetsuya Iwasaki	Responsible for System Development General Manager of BSC Development Headquarters
Executive Officer	Kanichiro Tsuruta	General Manager of BSC Engineering Headquarters

- *1 CP business: Control Product business (supplying factory automation products such as controllers, sensors, etc.)
- *2 SS business: Solution & Service business (offering control systems, engineering service, maintenance service, energy-saving solution service, etc.)
- *3 IAP business: Industrial Automation Product business (supplying process automation products such as differential pressure & pressure transmitters, control valves, etc.)

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

Category	Amount of Remunerations Paid (Millions of yen)	Total Amount by Type (Millions of yen)				Number of Persons Remunerated
		Basic Remuneration	Performance-linked Remuneration	Stock Option	Retirement Allowance	
Directors (Outside Members)	404 (48)	315 (48)	89 (-)	-	-	12 (4)
Audit & Supervisory Board Members (Outside Members)	77 (27)	77 (27)	- (-)	-	-	5 (3)
Total (Outside Members)	482 (75)	392 (75)	89 (-)	-	-	17 (7)

- Notes: 1. The remuneration for Directors excludes the salary paid for service as employee for Directors who concurrently hold a post of officer or employee of the Company.
2. The Company resolved that the maximum annual remuneration for Directors shall be not more than 450 million yen (for eight (8) persons, excluding amounts paid as salaries for 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 (for five (5) persons) at the 85th Ordinary General Meeting of Shareholders held on June 28, 2007.
4. The remuneration for Directors includes directors' bonuses (113 million yen for 5 Directors).
5. The above list of Directors includes two (2) Directors who retired at the conclusion of the 96th Ordinary General Meeting of Shareholders held on June 26, 2018.
6. The retirement allowance for Directors and Audit & Supervisory Board Members was abolished in 2005.

Reference: Policies on Determination of Remuneration, etc. for Directors and Audit & Supervisory Board Members

Policy on Determination:

The Company determines policies on determination of remuneration, etc. for officers at the Board of Directors meeting for the purpose of strengthening corporate governance and achieving sustainable enhancements in corporate value through meeting the azbil Group's management targets. The remuneration of Directors is commensurate to their roles, responsibilities, and accomplishments and designed to contribute to sustainable growth and enhancements in corporate value.

As to the basic remuneration amounts paid to individual Directors and the total amounts of bonuses and the amounts of bonus to be paid to individual Directors who concurrently perform executive duties, President & CEO (Representative Director), who is delegated by resolution of the Board of Directors, prepares draft of each remuneration based on Director Remuneration Regulations and Nomination and Remuneration Committee Regulations, within the remuneration limits set at the Ordinary General Meeting and decides after screening by the Nomination and Remuneration Committee. The remuneration of Representative Directors is ruled to be decided after the screening without the Representative Director who is the member the Nomination and Remuneration Committee.

Overview of the Nomination and Remuneration Committee:

The Company has established an optional Nomination and Remuneration Committee as an advisory body of the Board of Directors to ensure transparency and objectivity in the remuneration determination process. The Nomination and Remuneration Committee reviews the executive remuneration plan, the basic remuneration amounts based on the executive remuneration system, individual performance evaluations, progress evaluations for qualitative items, the amount of individual bonus payments, and revision of remuneration amounts for Directors. Per the regulations, the Chairperson of the Nomination and Remuneration Committee is elected through a mutual vote among the Independent Outside Directors and the committee must be comprised of a majority of Independent Outside Directors.

Activities of the Nomination and Remuneration Committee and Board of Directors:

The activities of the Nomination and Remuneration Committee relating to remuneration included evaluating the results of individual performance targets and the amounts of bonuses to be paid to individual Directors who concurrently perform executive duties in fiscal year 2017, as well as deliberating the determination of the basic remuneration amounts paid to individual Directors who concurrently perform executive duties in fiscal year 2018 at the meeting of the Nomination and Remuneration Committee held on May 21, 2018. Additionally, to ensure the objectivity and transparency of the executive remuneration determination process, the Committee has decided that an Outside Director serves as the Chairman of the Nomination and Remuneration Committee, and Mr. Eugene H. Lee, an Outside Director, was elected to the position of Chairperson through a mutual vote by the committee members.

The activities of the Board of Directors relating to remuneration included the decision to amend regulations to elect the Chairperson of the Nomination and Remuneration Committee from among Outside Directors through a mutual vote by the committee members and stipulating these details in the Nomination and Remuneration Committee Regulations at the 2nd Board of Directors meeting held on May 22, 2018.

Composition, approach and remuneration limits for executive remuneration:

Remuneration for Directors who concurrently perform executive duties comprises “basic remuneration” that is a fixed remuneration based on their roles and responsibilities and “bonuses” that are linked to business results for the fiscal year and are also determined in consideration of the degree of achievement of medium-term targets. “Basic remuneration” for Directors who concurrently perform executive duties comprised three forms of remuneration: director remuneration, executive position remuneration, and executive responsibility remuneration. The fixed amounts paid to the Representative Directors and Directors are determined in director remuneration. Executive position remuneration comprises fixed

amounts determined by individual executive position. Executive responsibility remuneration is the amount of remuneration paid based on the individual responsibility grade that is determined based on the level of duties, scope of role, and qualitative evaluation for each fiscal year. Such responsibility grades are revised each year based on a review by the Nomination and Remuneration Committee.

Furthermore, to share interests with the shareholders and to create a continuous incentive to enhance corporate value, for Directors who concurrently perform executive duties, they purchase the Company's stocks in the fixed annual contribution amount proportional with each officer's positions and responsibilities through the officer stock ownership plan and continually hold these stocks.

Directors and Outside Directors who do not concurrently perform executive duties are paid only basic remuneration that is fixed remuneration to ensure that they perform their management supervision function fully. The Company resolved that the maximum annual remuneration for Directors shall be not more than 450 million yen (for eight (8) Directors, excluding amounts paid as salaries for employee) at the 84th Ordinary General Meeting of Shareholders held on June 29, 2006.

Remuneration for Audit & Supervisory Board Members comprises only basic remuneration that is fixed remuneration considering their duties and responsibilities. The Company resolved that the maximum annual remuneration for Audit & Supervisory Board Members shall be not more than 120 million yen (for five (5) Audit & Supervisory Board Members) at the 85th Ordinary General Meeting of Shareholders held on June 28, 2007, and the individual remuneration amounts are determined through discussion held by the Audit & Supervisory Board Members.

Performance-linked remuneration:

Directors who concurrently perform executive duties are paid a bonus in consideration of a performance evaluation and qualitative evaluation^{*1} as well as the degree of achievement of medium-term targets, etc., and the performance-linked portion of remuneration is designed to contribute to the Company's continuous growth and enhancement of corporate value. In the specific calculations, evaluations are performed from the standpoint of responsibility for the Group's consolidated management based on indicators such as increase in operating income and ratios such as ROE in light of both profitability and capital efficiency. Furthermore, the level of growth in the amount of operating income and other factors have been selected as indicators from the standpoint of working to enhance medium- to long-term corporate value, and performance-linked remuneration is reviewed individually by the Nomination and Remuneration Committee taking comprehensive account of these indicators.

Regarding the amount of operating income in the fiscal year 2018, results were 26.6 billion yen versus the target of ¥26.0 billion yen (consolidated base).

*1: In the qualitative evaluation, the level of achievement for qualitative targets set individually at the beginning of the period based on individual roles, including initiatives in CSR activities and development of succeeding personnel is considered.

(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 JSP Corporation
Outside Director	Takeshi Itoh	
Outside Director	Waka Fujiso	Member of council of Ministry of Health, Labor and Welfare
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 of KURARAY Co., Ltd Outside Director of Tokyo Tatemono Co.,Ltd.
Outside Audit & Supervisory Board Member	Shigeru Morita	

Note: While the Company has transaction relationships with Mizuho Securities Co., Ltd., Kuraray Co., Ltd., and Tokyo Tatemono Co., Ltd., at which Mitsuhiro Nagahama concurrently serves at present, in both the most recent fiscal year and the preceding three fiscal years, the amount of the transactions makes up 0.2% or less of the consolidated net sales of both the Company and the companies at which he concurrently serves. There is no particular relationship between the Company and each of the important concurrent positions outside the Company of other 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	12/12	–	Eugene H. Lee raised questions and made comments from a global standpoint related to medium- to long-term business expansion, strategies, etc. in view of the Company's current business plan based on his expert knowledge of international business and experience and knowledge gained in the management of global companies.
	Katsuhiko Tanabe	12/12	–	Katsuhiko Tanabe raised questions and made comments on enhancing corporate governance from the standpoint of not only the presence of legal issues, but also of reducing various risks, from his specialist knowledge and wide-ranging expertise as a lawyer, and abundant experience as an outside officer at other listed companies.
	Takeshi Itoh	12/12	–	Takeshi Itoh raised questions and made comments from his perspective on the capital market, and from the standpoint of medium- to long-term business development and strategy, shareholder return, finance, and capital policies of the Company, based on his knowledge and experience in the financial field developed in overseas securities and investment management companies.
	Waka Fujiso	9/10	–	Waka Fujiso raised questions and made comments from the standpoints of compliance and CSR regarding not only the presence of legal issues but also the Company's business development based on her long-term experience as a prosecutor and in the legal community and wide-ranging legal and compliance expertise.
Outside Audit & Supervisory Board Member	Kinya Fujimoto	12/12	14/14	Kinya Fujimoto implemented audits of the Company's overall business particularly from the standpoint of financial affairs and accounting and raised questions and made comments from the standpoint of enhancing the management and corporate governance of the Company and group companies based on his long-term experience as a certified public accountant and wealth of expertise and experience concerning financial affairs and accounting.
	Mitsuhiro Nagahama	12/12	14/14	Mitsuhiro Nagahama raised questions and made comments from a global perspective to further enhance the validity of the Company's business strategy and corporate governance based on his experience of service in important positions in the fields of finance and securities and outstanding expert knowledge.

	Name	Number of attendance at the Board of Directors meeting	Number of attendance at the Audit & Supervisory Board meeting	Statements
	Shigeru Morita	12/12	14/14	Shigeru Morita raised questions and made comments from the standpoints of the importance of risk management in the Company's business development, improving the Company's compliance, the approach to CSR, and the maintenance of good relationships with stakeholders, from his experience serving in important positions in an insurance company, as well as his management experience in a real estate and facility management company.

Note: Furthermore, because Director Waka Fujiso was elected at the 96th Ordinary General Meeting of Shareholders held on June 26, 2018, her attendance only applies to Board of Directors meetings held after her appointment.

4. Accounting Auditor

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

(2) Amount of remuneration during the fiscal year ended March 31, 2019

	Amount Paid
Amount of remuneration paid for services rendered as Accounting Auditor during the fiscal year ended March 31, 2019	83 million yen
Total cash and other remuneration paid by the Company and its subsidiaries to the Accounting Auditor	116 million yen

- Notes: 1. The audit agreement entered into by the Accounting Auditor and the Company does not clearly distinguish the amount of remuneration for the audit under the Companies Act and the amount of remuneration for 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 which has an audit contract with the Company as stipulated under Article 399, Paragraph 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 Auditor 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 the 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 falls under the provisions of Article 340, Paragraph 1 of the Companies Act, based on the agreement of the all Audit & Supervisory Board Members, the Audit & Supervisory Board will dismiss the Accounting Auditor. 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 Building Internal Control System 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 Regulation for Enforcement of the Companies Act, clarifying basic policies to be followed by Directors, Executive Officers and employees (hereafter, “the Officers and Employees”) of Azbil Corporation (hereafter, “the Company”) and the Company’s subsidiaries^{*1} (hereafter, “Subsidiary” or “Subsidiaries”) in the building of internal control system 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 by improving through constant review.

*1: The Subsidiaries subject to basic policies are the consolidated Subsidiaries whose annual net sales account for 1 % or more of the consolidated sales of the azbil Group among Subsidiaries specified in “azbil Group Management Basic Policy” separately.

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, while 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 and conduct the activities constantly as a whole.
- 2) In addition to the above paragraph, the Company and the separately specified 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, and will create action plans for the overall group, manage progress, and provide guidance and advice to Subsidiaries.
- 4) The Company and Subsidiaries will build 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, will ensure and seek to maintain and improve appropriate control conditions by complying with relevant laws and regulations, business process manuals, etc.

- 5) The internal auditing department of the Company, based on the Internal Audit Rules, will implement audits regularly or as necessary on the status of the Company's and Subsidiaries' compliance promotion activities and building of internal control system.
- 6) In the event where the Company or Subsidiaries engage in serious illegal or unethical acts, or cause a serious impact on society, the Officers and Employees of the Company and 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 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 Directors of the Company

- 1) The Officers and Employees of the Company will comply with the Rules for Storage and Management of Information Related to Directors' Duties, and store and manage information on the execution of duties appropriately.
- 2) The General Affairs Department will create, revise and abolish the above rules with the approval of the Board of Directors and the management meetings, 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 audits regularly or as necessary 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.
- 2) The Company will promote countermeasures against the serious risks for the azbil Group that have been identified by instructing Subsidiaries as necessary.
- 3) In addition to the above paragraph, the separately specified Subsidiaries will independently identify serious risks at these Subsidiaries, and work to establish and promote countermeasures against those serious risks.
- 4) The internal auditing department of the Company, based on the Internal Audit Rules, will implement internal audits regularly or as necessary 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 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) The Officers and Employees of the Company and Subsidiaries will take action to ensure the achievement of the medium-term business 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 necessary 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 in advance.

5. System for the reporting of items related to the execution of the duties of the Officers and Employees of 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, Subsidiaries will obtain the Company's approval or report to the Company.
- 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 companies and on important management items.
- 3) In addition to 1) above, overseas Subsidiaries will, either directly or through the Company's respective departments in charge of, report to the Company on the state of business at their companies 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 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 dedicated personnel to aid the duties of the Audit & Supervisory Board Members.
- 2) To maintain the independence of the employees aiding the duties of the Audit & Supervisory Board Members, the Company will receive the agreement of the Audit & Supervisory Board Members when making decisions on the personnel rotation and personnel evaluation.
- 3) The dedicated employees aiding the duties of the Audit & Supervisory Board Members will execute their duties under directions of the Audit & Supervisory Board Members.

7. System for reporting by the Officers and Employees of the Company and Subsidiaries and the Audit & Supervisory Board Members of Subsidiaries to the Audit & Supervisory Board Members of the Company and system to ensure the person who has reported shall not be treated unfairly by reason of the said report

- 1) In the case where the Officers and Employees of the Company and Subsidiaries discover items which could invite serious losses to the Company or 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 their companies, and to the division responsible for internal control if it is in place. The top management or internal control division at the company has received the report will make a report to the Directors of the company, the top management and the division responsible for internal control of the Company, and if Audit & Supervisory Board Members are appointed at the company, they will also report to the Audit & Supervisory Board Members of the company. The top management of the Company and internal control division of the Company who have received the report will report to the 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 will make regular reports to the Audit & Supervisory Board Members of the Company regarding the status of internal reports from the Officers and Employees of the Company and Subsidiaries.
- 4) Regardless of the above paragraphs, the Audit & Supervisory Board Members of the Company may demand a report as necessary from the Officers and Employees of the Company and Subsidiaries and the Audit & Supervisory Board Members of Subsidiaries.
- 5) Internal rules will be developed to ensure the Company and Subsidiaries do not treat the Officers and Employees unfairly because they made such report to the Audit & Supervisory Board Members of the Company or Subsidiaries.

8. Items related to the policy for the handling of expenses or financial obligations arising from duties of 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 in advance for the Audit & Supervisory Board Members and for the dedicated 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 Directors, the internal auditing department, the Audit & Supervisory Board Members of Subsidiaries and the Accounting Auditor to establish a system for the efficient implementation of the audits.

<Outline of the operational status of 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 throughout the Company, and have designated compliance managers and compliance leaders 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 a constant organization to promote CSR related activities, 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 members. Here, creating action plans for the overall group, managing progress, and providing guidance to Subsidiaries are conducted.
- The 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.” We expanded the scope of the consultations handled by the CSR Hotline, revising the system to make it easier to use. The individuals making reports or consultations are 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 the rules are fully informed within the azbil Group.
- In preparation for 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 they occur and the top management and Audit & Supervisory Board Members of the Company.
We have created a structure to implement recurrence prevention policies earlier and more effectively for the incidents reported through the above system.
- The Company’s Internal Audit Department conducts audits of operating conditions by properly verifying the status relating to the promotion of compliance and the establishment of internal control procedures at the Company and Subsidiaries, the operations and management with respect to the regulations stipulated in 2) below, and the development of risk management systems in 3) below. Furthermore, thus far, we have verified conditions at Subsidiaries by theme through audits and other measures, and to further improve management at overseas Subsidiaries, we have formed a special team and provide diagnoses of the overall management control of overseas Subsidiaries. The diagnoses reports are reported at the Board of Directors meetings, and in addition to improvement at each subsidiary, a specific team was formed for cross-sectional improvement to respond to the results, implementing an initiative aimed at resolving issues.

2. Storage and Management of Information

- The Company has created a department in charge pursuant to the Rules for Storage and Management of Information Related to Directors' Duties in which the Board of Directors' 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 meetings after screening by the Comprehensive Risk Management Department Meeting and the azbil Group Comprehensive Risk Committee, the even higher level organization. While strengthening the comprehensive risk management system and the promotion of taking measures, the Company also instructs Subsidiaries, when necessary, to promote such measures.
- Subsidiaries identify serious risks particular to the relevant Subsidiary at the Board of Directors meetings 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

- The Officers and Employees of the Company and Subsidiaries develop a medium-term business plan and an annual plan, take actions based on such plans, conduct regular reviews of status of duties, 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 necessary support and guidance to Subsidiaries to increase 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 such as distributing materials related to the agenda item before the meetings. In addition, the Company holds prior briefing meetings about the matters for discussion at the Board of Directors meetings for the benefit of its Outside Directors and Outside Audit & Supervisory Board Members.

5. Group Management System

- For certain important items, Subsidiaries report to or obtain approval from the Board of Directors meetings of the Company or the management meeting, which decides the execution of duties and other matters within the range of the authority of the President, pursuant to the azbil Group Management Basic Policy.
- Management reports from key Subsidiaries are conducted at Board of Directors meetings and the management meetings of the Company, while overseas subsidiaries report the status of their business and performance, as well as the important

management items, etc. to the Company through the Group Global Meeting and other measures for overseas Subsidiaries.

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 the Audit & Supervisory Board Members. Personnel belonging to the Audit & Supervisory Board Members' Staff Office are under the direct control of the 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
- Items which have been consulted on or reported to the aforementioned hotline by the Officers and Employees of the Company and Subsidiaries are regularly reported to the Audit & Supervisory Board Members of the Company by the Internal Audit Department.
- The expenses arising from executing duties of the Audit & Supervisory Board Member are borne by the Company and are promptly handled.
- The Audit & Supervisory Board Members attend the Board of Directors meetings and other important meetings including 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, the Audit & Supervisory Board Members request the opinion of attorneys, with whom they have individually concluded advisory contracts, as appropriate.
- The Audit & Supervisory Board Members regularly hold meetings with the Directors, the Internal Audit Department, Accounting Auditor and Audit & Supervisory Board Members of Subsidiaries, exchanging information and opinions to enhance efficacy of audit.

(2) Basic policy related to persons controlling interests in the Company

Not applicable

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

As of March 31, 2019, the Company has appointed ten (10) Directors, including five (5) who are involved in business execution and have accumulated experience in the Company's business and management, one (1) who serves as Chairperson of the Board of Directors as a dedicated director who does not concurrently perform executive duties, as well as four (4) who are Independent Outside Directors and have independence, broad experience, a wealth of expertise and knowledge, and rich diversity in the form of nationality and gender. Independent Outside Directors make up more than one third of the Board of Directors. In addition to working diligently to enhance the Company's corporate value through appropriate oversight and advice during the decision-making process at Board of Directors meetings, these Independent Outside Directors regularly exchange opinions with the President and Group CEO. Moreover, upon collecting the self-evaluations and opinions on the effectiveness of the Board of Directors from the Directors and Audit & Supervisory Board Members each year, current evaluations and issues are shared at Board of Directors meetings as we pursue further increase of the effectiveness of the Board of Directors.

Additionally, the Company has established the Nomination and Remuneration Committee, an optional committee that serves as an advisory body to the Board of Directors. The committee's goal is to ensure a higher level of fairness, objectivity, and transparency in the determination process of the nomination and remuneration of officers, to contribute to the Company's enduring development and increasing medium- to long-term profitability and productivity. The committee deliberates not only the selection of Director candidates, Representative Director candidates, candidates for President & Group CEO, candidates for Chairperson of the Board, candidates for Directors who also serve as Executive Officers, the executive remuneration system, the remuneration plan, basic remuneration based on the executive remuneration system, individual performance evaluations, progress evaluation of qualitative targets, individual bonus amount, and amendments to the Director remuneration framework, but also the dismissal of Presidents & Group CEOs, Directors, Managing Executive Officers, and Directors who also serve as Executive Officers, as well as items related to the development of successors. The Chairman of the Nomination and Remuneration Committee is elected through a mutual vote by the Independent Outside Directors. Per the regulations, the committee must be comprised of a majority of Independent Outside Directors. Currently, Eugene H. Lee (Independent Outside Director) serves as the committee chairman. Katsuhiko Tanabe (Independent Outside Director), Takeshi Itoh (Independent Outside Director), and Hirozumi Sone (President and Group CEO) serve as committee members, with Independent Outside Directors comprising a majority of the committee.

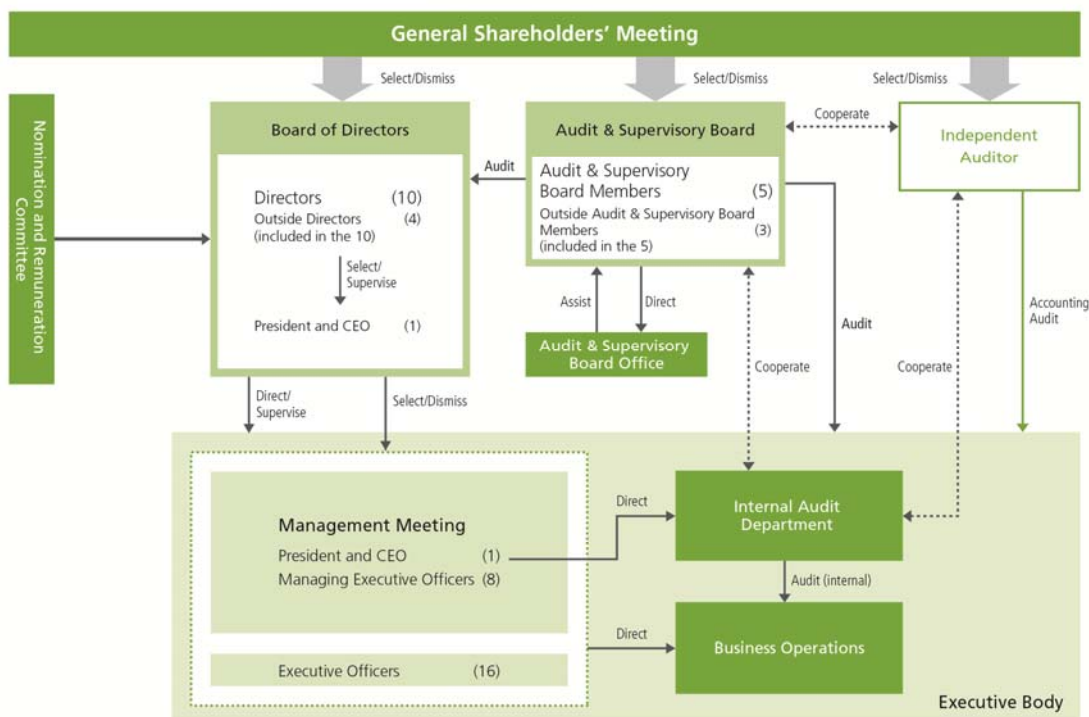
Furthermore, the Company is a company with Audit & Supervisory Board in which five Audit & Supervisory Board members, including three Outside Audit & Supervisory Board Members, are appointed, with two of the Audit & Supervisory Board Members serving on a full-time basis as of March 31, 2019. The Audit & Supervisory Board members carry out rigorous audits of the administrative decisions and execution of business by the Directors and Executive Officers, primarily from the standpoint of the legality of the execution of business. Standing Audit & Supervisory Board Member Tomohiko Matsuyasu has experience in carrying out accounting procedures and preparing financial statements over the course of many years at the Company's accounting division, and Standing Audit & Supervisory Board Member Kinya Fujimoto is qualified as a certified public accountant and has wealth of knowledge concerning financial affairs and accounting.

The Audit & Supervisory Board convenes in principle once a month, having convened a

total of 14 times in the current fiscal year. The five (5) Audit & Supervisory Board members participated in all of the Audit & Supervisory Board meetings, discussing the annual audit plan at the start of the term, providing individual activity reports on a monthly and quarterly basis during the term, providing a quarterly accounting audit report, evaluating and summarizing the auditing activity at the end of the term, and reviewing the evaluations of the Accounting Auditor. Furthermore, the Audit & Supervisory Board regularly holds meetings to exchange opinions with the Representative Director and meetings to exchange information with the Outside Directors. Additionally, an evaluation of the effectiveness of the Audit & Supervisory Board is performed at the end of the term, and in addition to reviewing the Audit & Supervisory Board's auditing activities for the current fiscal term, the evaluation results are reflected in the audit plan for the coming fiscal term, thereby working to increase the effectiveness of the Audit & Supervisory Board. The Standing Audit & Supervisory Board members attend Board of Directors meetings and other important meetings such as management meetings, conduct on-site visits of important business locations and subsidiaries and interviews with important divisions, gauge management conditions by reviewing important documents such as minutes from important meetings, thereby auditing the administrative decisions and execution of business by the Directors and Executive Officers. Furthermore, the Company has established an Audit & Supervisory Board Members' Staff Office as a dedicated organization to aid the duties of the Audit & Supervisory Board members, working to enhance support functions for Audit & Supervisory Board members. The Audit & Supervisory Board members review the audit plan and key audit items, etc. with Accounting Auditor and Internal Audit Department at the start of the fiscal term, and in addition to regularly sharing mutual audit results, work to enhance the effectiveness and efficiency of auditing through closer coordination with the Audit & Supervisory Board Members of group companies, etc.

In regard to the appointment of Outside Directors and Outside Audit & Supervisory Board Members, the Company has formulated its own criteria for independence. The Company's Outside Directors and Outside Audit & Supervisory Board members have satisfied these criteria for independence, and there to be no possibility of the occurrence of conflict of interest with general shareholders. As each of Outside Directors and Outside Audit & Supervisory Board Members has sufficient independence, the Company has reported them as Independent Officers to the Tokyo Stock Exchange.

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 the Compliance Systems of the Group as a whole, 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 the 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 to promote compliance-related activities throughout the azbil Group, the Company has formed a constant organization to promote CSR related activities, 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 members, where creating action plans for the overall group, managing progress, and providing guidance to Subsidiaries are conducted. 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.
3. Figures, charts, and photos are added to business report for reference.

Consolidated Financial Statements

Consolidated Balance Sheet

(Millions of yen)

	97th term As of March 31, 2019		97th term As of March 31, 2019
Assets		Liabilities	
Current assets	209,907	Current liabilities	86,972
Cash and deposits	46,457	Notes and accounts payable - trade	40,101
Notes and accounts receivable - trade	93,748	Short-term loans payable	9,866
Securities	36,405	Income taxes payable	7,667
Merchandise and finished goods	5,829	Advances received	4,195
Work in process	7,417	Provision for bonuses	10,468
Raw materials	11,667	Provision for directors' bonuses	130
Other	8,760	Provision for product warranties	565
Allowance for doubtful accounts	(379)	Provision for loss on order received	684
Non-current assets	65,610	Other	13,292
Property, plant and equipment	26,965	Non-current liabilities	5,448
Buildings and structures	12,743	Long-term loans payable	161
Machinery, equipment and vehicles	2,298	Deferred tax liabilities for land revaluation	181
Tools, furniture and fixtures	2,245	Net defined benefit liability	1,975
Land	6,659	Provision for directors' retirement benefits	120
Leased assets	124	Provision for stock payment	987
Construction in progress	2,893	Other	2,022
Intangible assets	5,147	Total liabilities	92,421
Software	4,529	Net assets	
Other	617	Shareholders' equity	170,566
Investments and other assets	33,497	Capital stock	10,522
Investment securities	21,580	Capital surplus	11,670
Long-term loans receivable	68	Retained earnings	160,325
Claims provable in bankruptcy, claims provable in rehabilitation and other	275	Treasury shares	(11,952)
Deferred tax assets	4,278	Accumulated other comprehensive income	10,576
Net defined benefit asset	7	Valuation difference on available-for-sale securities	9,727
Other	7,741	Deferred gains or losses on hedges	3
Allowance for doubtful accounts	(455)	Foreign currency translation adjustment	935
Total assets	275,518	Remeasurements of defined benefit plans	(91)
		Non-controlling interests	1,954
		Total net assets	183,097
		Total liabilities and net assets	275,518

Note: Amounts less than one million yen are rounded down.

Consolidated Statement of Income

(Millions of yen)

97th term April 1, 2018 to March 31, 2019	
Net sales	262,054
Cost of sales	159,716
Gross profit	102,338
Selling, general and administrative expenses	75,648
Operating income	26,690
Non-operating income	1,285
Interest and dividend income	701
Foreign exchange gains	249
Other	334
Non-operating expenses	310
Interest expenses	135
Other	175
Ordinary income	27,664
Extraordinary income	2,235
Gain on sales of non-current assets	14
Gain on sales of investment securities	2,220
Extraordinary losses	3,457
Loss on sales and retirement of non-current assets	158
Impairment loss	86
Loss on abolishment of retirement benefit plan	3,210
Loss on sales of investment securities	1
Income before income taxes	26,442
Income taxes - current	8,642
Income taxes - deferred	(1,416)
Net income	19,216
Net income attributable to non-controlling interests	264
Net income attributable to owners of parent	18,951

Note: Amounts less than one million yen are rounded down.

Consolidated Statement of Changes in Net Assets

(Millions of yen)

97th term April 1, 2018 to March 31, 2019	Shareholders' equity				
	Capital stock	Capital surplus	Retained earnings	Treasury shares	Total shareholders' equity
Balance at beginning of current period	10,522	11,670	147,728	(6,966)	162,955
Changes of items during period					
Dividends of surplus			(6,354)		(6,354)
Net income attributable to owners of parent			18,951		18,951
Change in ownership interest of parent due to transactions with non-controlling interests		0			0
Purchase of treasury shares				(5,002)	(5,002)
Disposal of treasury shares		(0)		16	16
Transfer to capital surplus from retained earnings		0	(0)		—
Net changes of items other than shareholders' equity					
Total changes of items during period	—	0	12,596	(4,986)	7,611
Balance at end of current period	10,522	11,670	160,325	(11,952)	170,566

97th term April 1, 2018 to March 31, 2019	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	Remeasurements of defined benefit plans	Total accumulated other comprehensive income		
Balance at beginning of current period	12,906	45	1,837	(1,749)	13,040	1,967	177,962
Changes of items during period							
Dividends of surplus							(6,354)
Net income attributable to owners of parent							18,951
Change in ownership interest of parent due to transactions with non-controlling interests							0
Purchase of treasury shares							(5,002)
Disposal of treasury shares							16
Transfer to capital surplus from retained earnings							—
Net changes of items other than shareholders' equity	(3,179)	(41)	(902)	1,658	(2,464)	(12)	(2,476)
Total changes of items during period	(3,179)	(41)	(902)	1,658	(2,464)	(12)	5,134
Balance at end of current period	9,727	3	935	(91)	10,576	1,954	183,097

Note: Amounts less than one million yen are rounded down.

Non-Consolidated Financial Statements

Non-consolidated Balance Sheet

		(Millions of yen)	
97th term		97th term	
As of March 31, 2019		As of March 31, 2019	
Assets		Liabilities	
Current assets	161,048	Current liabilities	64,604
Cash and deposits	28,669	Notes payable - trade	1,856
Notes receivable - trade	16,529	Account payable -factoring	14,980
Accounts receivable - trade	36,020	Accounts payable - trade	8,564
Accounts receivable from completed construction contracts	21,571	Accounts payable for construction contracts	3,008
Securities	36,300	Short-term loans payable	4,917
Merchandise and finished goods	3,683	Accounts payable - other	1,089
Work in process	2,824	Accrued expenses	4,584
Costs on uncompleted construction contracts	1,063	Income taxes payable	6,664
Raw materials	5,709	Accrued consumption taxes	653
Short-term loans receivable from subsidiaries and associates	1,246	Advances received	864
Accounts receivable - other	1,474	Advances received on uncompleted construction contracts	1,063
Prepaid expenses	2,163	Deposits received	2,482
Other	3,853	Deposits received from subsidiaries and associates	3,726
Allowance for doubtful accounts	(61)	Provision for bonuses	8,781
Non-current assets	64,933	Provision for directors' bonuses	85
Property, plant and equipment	16,987	Provision for product warranties	472
Buildings	8,967	Provision for loss on order received	667
Structures	171	Notes payable - facilities	52
Machinery and equipment	1,001	Other	88
Vehicles	2	Non-current liabilities	2,694
Tools, furniture and fixtures	1,321	Long-term loans payable	9
Land	2,765	Provision for stock payment	987
Leased assets	54	Other	1,696
Construction in progress	2,703	Total liabilities	67,299
Intangible assets	4,653	Net assets	
Software	4,257	Shareholders' equity	149,468
Other	395	Capital stock	10,522
Investments and other assets	43,293	Capital surplus	17,197
Investment securities	17,704	Legal capital surplus	17,197
Shares of subsidiaries and associates	16,083	Retained earnings	133,699
Investments in capital of subsidiaries and associates	2,091	Legal retained earnings	2,519
Long-term loans receivable from employees	11	Other retained earnings	131,180
Long-term loans receivable from subsidiaries and associates	1,869	Reserve for advanced depreciation of non-current assets	2,011
Claims provable in bankruptcy, claims provable in rehabilitation and other	0	General reserve	51,811
Lease deposits	2,633	Retained earnings brought forward	77,357
Deferred tax assets	2,159	Treasury shares	(11,952)
Other	1,416	Valuation and translation adjustments	9,214
Allowance for doubtful accounts	(442)	Valuation difference on available-for-sale securities	9,214
Allowance for investment loss	(234)	Total net assets	158,682
Total assets	225,982	Total liabilities and net assets	225,982

Note: Amounts less than one million yen are rounded down.

Non-consolidated Statement of Income

(Millions of yen)

	97th term April 1, 2018 to March 31, 2019
Net sales	184,174
Net sales of finished goods and others	122,928
Net sales of completed construction contracts	61,245
Cost of sales	109,902
Cost of sales of finished goods sold and others	72,108
Cost of sales of completed construction contracts	37,793
Gross profit	74,271
Gross profit - finished goods and others	50,819
Gross profit on completed construction contracts	23,451
Selling, general and administrative expenses	55,302
Operating income	18,969
Non-operating income	3,378
Interest income	139
Dividend income	2,597
Reversal of allowance for doubtful accounts	225
Foreign exchange gains	277
Real estate rent	3
Subsidy income	79
Other	55
Non-operating expenses	77
Interest expenses	29
Commitment fee	20
Rent expenses on real estates	6
Other	20
Ordinary income	22,270
Extraordinary income	2,242
Gain on sales of non-current assets	21
Gain on sales of investment securities	2,220
Extraordinary losses	3,475
Loss on sales and retirement of non-current assets	146
Loss on abolishment of retirement benefit plan	3,170
Provision of allowance for investment loss	157
Loss on sales of investment securities	1
Income before income taxes	21,036
Income taxes - current	6,582
Income taxes - deferred	(1,386)
Net income	15,840

Note: Amounts less than one million yen are rounded down.

Non-consolidated Statement of Changes in Net Assets

(Millions of yen)

97th term April 1, 2018 to March 31, 2019	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 ad- vanced deprecia- tion of non-cur- rent assets	General reserve	Retained earnings brought forward
Balance at beginning of current period	10,522	17,197	—	17,197	2,519	2,121	51,811	67,761
Changes of items during period								
Reversal of reserve for advanced depreciation of non-current assets						(110)		110
Dividends of surplus								(6,354)
Net income								15,840
Purchase of treasury shares								
Disposal of treasury shares			(0)	(0)				
Transfer to capital surplus from retained earnings			0	0				(0)
Net changes of items other than shareholders' equity								
Total changes of items during period	—	—	—	—	—	(110)	—	9,596
Balance at end of current period	10,522	17,197	—	17,197	2,519	2,011	51,811	77,357

Note: Amounts less than one million yen are rounded down.

(Millions of yen)

(\$ millions or per cent)

97th term April 1, 2018 to March 31, 2019	Shareholders' equity			Valuation and translation adjustments		Total net assets
	Retained earnings	Treasury shares	Total shareholders' equity	Valuation difference on available-for-sale securities	Total valuation and translation adjustments	
	Total retained earnings					
Balance at beginning of current period	124,213	(6,966)	144,968	12,096	12,096	157,064
Changes of items during period						
Reversal of reserve for advanced depreciation of non-current assets	—		—			—
Dividends of surplus	(6,354)		(6,354)			(6,354)
Net income	15,840		15,840			15,840
Purchase of treasury shares		(5,002)	(5,002)			(5,002)
Disposal of treasury shares		16	16			16
Transfer to capital surplus from retained earnings	(0)		—			—
Net changes of items other than shareholders' equity				(2,881)	(2,881)	(2,881)
Total changes of items during period	9,485	(4,986)	4,499	(2,881)	(2,881)	1,618
Balance at end of current period	133,699	(11,952)	149,468	9,214	9,214	158,682

Note: Amounts less than one million yen are rounded down.

Independent Auditor's Report

May 14, 2019

To the Board of Directors
Azbil Corporation

Deloitte Touche Tohmatsu LLC
Hiroyuki Motegi, 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 the related notes of Azbil Corporation. (the "Company") for the fiscal term from April 1, 2018 to March 31, 2019.

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 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 14, 2019

To the Board of Directors
Azbil Corporation

Deloitte Touche Tohmatsu LLC
Hiroyuki Motegi, 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 the related notes as well as the supplementary schedules of Azbil Corporation (the "Company") for the 97th fiscal term from April 1, 2018 to March 31, 2019.

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 Directors for the 97th fiscal term from April 1, 2018 to March 31, 2019, 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 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 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 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, standing Audit & Supervisory Board Members concurrently held positions as Audit & Supervisory Board Members of some domestic subsidiaries. We also communicated and exchanged information with Directors and Audit & Supervisory Board Members of subsidiaries, visited the major subsidiaries, and received reports from them.

- (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 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 Regulation for Enforcement of the Companies Act. It also regularly received reports from 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) 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 explanation of the audit plan at the beginning of the fiscal year from the Accounting Auditor, accompanied the audits and received reports on the status of the execution of duties from the Accounting

Auditor during the year. In addition, we received explanation of the arrangement of the “System for ensuring that the duties are performed appropriately” (matters stipulated in the items of Article 131 of the Regulation on Corporate Accounting) in accordance with “Standards for the Quality Control of Audits” (Business Accounting Council, October 28, 2005) from the Accounting Auditor.

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 consolidated tables of explanatory notes) and the non-consolidated financial statements (non-consolidated balance sheet, non-consolidated statement of income, non-consolidated statement of changes in net assets and non-consolidated tables of explanatory notes), the supplementary schedules thereto, for the fiscal term ended March 31, 2019.

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 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 Directors.

(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 16, 2019

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