



*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 5, 2020

Notice of the 98th Ordinary General Meeting of Shareholders

Table of Contents

Notice of the 98th Ordinary General Meeting of Shareholders.....	3
Reference Materials for the General Meeting of Shareholders.....	5
Business Report.....	31
Consolidated Financial Statements/Non- Consolidated Financial Statements.....	72
Auditors' Report.....	79

In pursuit of “human-centered automation,” our aim is to be a corporate group that solves a wide range of problems to contribute to the development of a sustainable society.



**Chairperson
President & Group CEO**

A handwritten signature in black ink, appearing to read 'Shirohiko'.

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.

In the current fiscal year (2020), we are revising our management structure and starting a new medium-term plan. We have started in a difficult situation where the economic activities are stagnating globally under the influence of the spread of novel coronavirus disease (COVID-19), but we believe that the role of automation will expand in the medium- to long term. We face various challenges in the business environment that demand our response, such as ongoing globalization and the fulfillment of our responsibilities for the sustainable development of society, as well as technological innovation, the falling birthrate and aging population, the implementation of “work style reform,” and climate change. In addition, telework, Business Continuity Plan (BCP), etc. caused by the spread of the COVID-19 will bring further expansion of the business field where automation is needed. We view these challenges as opportunities to expand the azbil Group’s business and further promote our strategic initiatives for global development and accelerated growth of our business fields.

We are determined to continue making every effort to ensure the achievement of our goals by being a long-term partner for the customer and the community by offering solutions based

on our technologies and products; by taking global operations to the next level through expansion into new regions and a qualitative change of focus; and by being a corporate organization that never stops learning, so that it can continuously grow stronger. Taking inspiration from the slogan “Going Beyond Automation,” we are providing new products and services that contribute to the safety, productivity, and value enhancement of production sites where advanced technology such as AI is used, and we are expanding our business by solving environmental and energy-related problems in buildings and the local community, as well as strengthening our business and corporate foundations. As we do so, we are also working on the Sustainable Development Goals (SDGs) that are consistent with our Group philosophy, aiming to be a corporate group that contributes to the sustainable development of society.

Azbil Corporation

June 5, 2020

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

Notice of the 98th 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
Chairperson
President and Group CEO

Details

1. Date and Time: Wednesday, June 24 at 10 a.m., 2020 (Japan Time)
2. Place: Large Conference Room, Fujisawa Technology Center of Azbil Corporation,
1-12-2 Kawana, Fujisawa-shi, Kanagawa

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 98th term from April 1, 2019 to March 31, 2020
- Item 2: Non-Consolidated Financial Statements for the 98th term from April 1, 2019 to March 31, 2020

Items to be Resolved

- Item 1: Appropriation of Surplus
- Item 2: Election of eleven (11) Directors

Reference Materials for the General Meeting of Shareholders

Item 1: Appropriation of Surplus

The Company regards the distribution of profit to shareholders as one of the most important management issues. Taking comprehensive account of consolidated business results, the levels of dividend on equity ratio (DOE) and return on equity (ROE), 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 98th term are proposed as follows.

(1) Type of dividend

Cash

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

¥25 per share of Company common stock

Total amount: ¥3,536,969,900

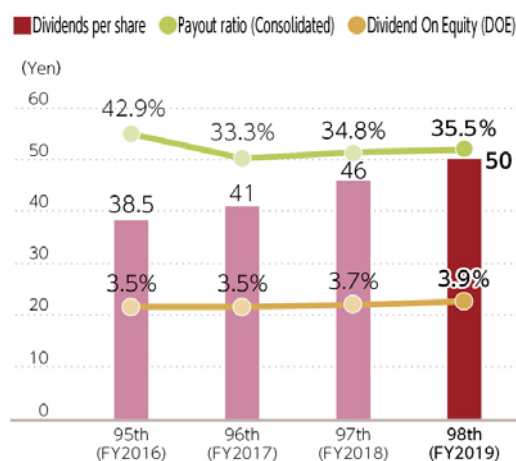
(3) Effective date of payments for dividends from surplus

June 25, 2020

(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 DOE and ROE, 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 eleven (11) Director


The terms of office for all eleven (11) current Directors will expire at the conclusion of this Ordinary General Meeting of Shareholders. Accordingly, the election of eleven (11) Directors is proposed.

The following individual are a candidate for Directors. In selection of these candidates, the Board of Directors of the Company made decisions after screening by the Nomination and Remuneration Committee, an optional advisory body for nomination and remuneration of officers. Furthermore, candidates for Independent Outside Director were judged to have sufficient independence with no potential conflict of interest occurring between 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 five (5) candidates for Outside Directors, the Company has already reported the four (4) current Outside Directors and will report one (1) newly nominated candidate for Outside Director as Independent Officers to the Tokyo Stock Exchange.

No.	Name	Position and section of which the candidate is in charge in the Company	Attendance Record at Board of Directors Meetings	
1	Hirozumi Sone	Representative Director Executive Chairperson President and Group Chief Executive Officer Responsible for Strengthening Group Governance	13/13	<div>Reappointment</div> <div>Non-outside</div>
2	Kiyohiro Yamamoto	New Candidate <i>Reference</i> Executive Vice President Responsible for Internal Audit Department, Corporate Planning Department	-/-	<div>New Appointment</div> <div>Non-outside</div>
3	Takayuki Yokota	Director and Senior Managing Executive Officer Assistant to President Responsible for Corporate Administration, Corporate Communication, azbil Group (aG)-CSR, Internal Control, Facilities/Business Sites, Secretary Office, Group Management Headquarters, General Affairs Department, Legal & Intellectual Property Department, International Business Headquarters, Corporate Sustainability Headquarters	13/13	<div>Reappointment</div> <div>Non-outside</div>

4	Masato Iwasaki	Director and Managing Executive Officer General Manager of Life Science Engineering Department Responsible for Life Automation Business	13/13	Reappointment Non-outside
5	Yoshimitsu Hojo	Director and Managing Executive Officer President of Advanced Automation Company Responsible for aG production, aG purchasing, Advanced Automation Business, Production Management Headquarters	13/13	Reappointment Non-outside
6	Kazuyasu Hamada	Director and Managing Executive Officer President of Building Systems Company Responsible for Building Automation Business, aG Sales Synergy	13/13	Reappointment Non-outside
7	Katsuhiko Tanabe	Outside Director	13/13	Reappointment Outside Independent officer
8	Takeshi Itoh	Outside Director	13/13	Reappointment Outside Independent officer
9	Waka Fujiso	Outside Director	13/13	Reappointment Outside Independent officer Female
10	Mitsuhiro Nagahama	Outside Director	13/13	Reappointment Outside Independent officer
11	Anne Ka Tse HUNG (Married Name: Anne Hung Davis)	New Candidate	-/-	New Appointment Outside Independent officer Female

Note: At the conclusion of the 97th Ordinary General Meeting of Shareholders held on June 25, 2019, Director Mitsuhiro Nagahama retired as Audit & Supervisory Board Member and was appointed as Director, and the above Attendance Record at Board of Directors Meetings includes the number of times he attended meetings until retiring as Audit & Supervisory Board Member.

No.	Name (Date of birth)	Biography	Number of shares of the Company held
1	 <p>Hirozumi Sone (January 16, 1955)</p>	<p>April 1979 Joined the Company</p> <p>April 1996 Systems Marketing Manager of Systems Development Group, Industrial Systems Division</p> <p>October 1998 Transferred to Yamatake Industries Systems Co., Ltd. (Present:Advance Automation Company of the Company), General Manager of Marketing Department of the company</p> <p>June 2000 Director of the company, General Manager of Marketing Department</p> <p>April 2003 Vice Executive Officer of the Company, General Manager of Engineering Department, Advanced Automation Company</p> <p>April 2005 Executive Officer, General Manager of the Corporate Planning Department</p> <p>April 2008 Managing Executive Officer, General Manager of the Corporate Planning Department</p> <p>April 2009 Managing Executive Officer</p> <p>June 2010 Director and Managing Executive Officer</p> <p>April 2012 Representative Director, President and Chief Executive Officer</p> <p>April 2020 Representative Director, Executive Chairperson, President and Group Chief Executive Officer (Present post)</p>	33,400

■ Number of meetings of the Board of Directors attended

13 of 13

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

Position: Representative Director, Executive Chairperson, President and Group Chief Executive Officer

Section: Strengthening Group Governance


■ Important concurrent positions outside the Company

None

■ Reasons for nomination as a candidate for Director

Hirozumi Sone has been involved in development and marketing for industrial market products both domestically and abroad, successively serving as the head of marketing and engineering of the Advanced Automation business, the president of a subsidiary, and the General Manager of the Corporate Planning Department. Later he became the President and Chief Executive Officer of the Company from 2012 and provided direction for management as CEO. He has worked to expand business and enhance sustainable corporate value, including rebuilding the business portfolio and entering into new business fields through

implementation of the corporate philosophy: “human-centered automation.” Because he can enhance the Company’s management supervision functionality to achieve management targets based on his extensive management experience at the Company, the Company has judged him to be an appropriate and necessary person for the enhancement of sustainable corporate value. Therefore, the Company has proposed that he continue serving as Director and has put him forward as a candidate.

No.	Name (Date of birth)	Biography	Number of shares of the Company held
2	 Kiyohiro Yamamoto (March 14, 1965)	April 1989 Joined the Company April 2007 General Manager of Environmental Marketing Department, Marketing Headquarters, Building Systems Company of the Company April 2011 Head of Marketing Headquarters, Building Systems Company April 2012 Senior Officer, Head of Marketing Headquarters, Building Systems Company April 2014 Senior Officer, General Manager of Corporate Planning Department April 2017 Executive Officer, General Manager of Corporate Planning Department and Head of Marketing Headquarters, Building Systems Company April 2018 Managing Executive Officer, Head of Marketing Headquarters, Building Systems Company April 2020 Executive Vice President (Present Post)	10,300

■ Number of meetings of the Board of Directors attended

-

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

New Candidate

Reference

Position: Executive Vice President

Section: Internal Audit Department, Corporate Planning Department

■ Important concurrent positions outside the Company

None

■ Reasons for nomination as a candidate for Director

Kiyohiro Yamamoto has been engaged in marketing, sales, and business planning for domestic and overseas markets in the Building Automation business and has accumulated results as a person responsible for the Company's global business. He has worked to create new solutions, establish energy management businesses, and contribute to the management, etc. of joint ventures (JVs). Furthermore, in executing and aiding the management of the Company as the General Manager of the Corporate Planning Department, he was involved in the formulation of the Group's overall medium-term management plan. Since April 2018, he has been involved in formulating and executing marketing strategy for the overall azbil Group as a Managing Executive Officer, and has worked to develop new products and pioneer new businesses using IoT and other technologies. He has been involved in overall business execution since becoming the Executive Vice President in April 2020. Since he has extensive

business experience at the Company and possesses leadership skills, the Company has judged him to be an appropriate and necessary person for the enhancement of sustainable corporate value. Therefore, the Company has newly proposed him as a candidate for Director.

No.	Name (Date of birth)	Biography	Number of shares of the Company held
3	 <p>Takayuki Yokota (November 1, 1960)</p>	<p>April 1983 Joined The Fuji Bank, Limited (Present: Mizuho Bank, Ltd.)</p> <p>November 2005 Director of the Investor Relations Department, Mizuho Financial Group, Inc.</p> <p>April 2010 Executive Officer and Director of the Investment Banking Business Management Department, Mizuho Corporate Bank, Limited (Present: Mizuho Bank, Ltd.)</p> <p>April 2013 Joined the Company (Senior Officer)</p> <p>April 2014 Executive Officer, Head of Group Management Headquarters</p> <p>April 2016 Managing Executive Officer, Head of Group Management Headquarters</p> <p>April 2017 Managing Executive Officer, Head of Group Management Headquarters and Head of International Business Headquarters</p> <p>April 2018 Managing Executive Officer</p> <p>June 2018 Director and Managing Executive Officer</p> <p>April 2020 Director and Senior Managing Executive Officer (Present post)</p>	12,400

■ Number of meetings of the Board of Directors attended

13/13

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

Position: Director and Senior Managing Executive Officer, Assistant to President

Section: Corporate Administration, Corporate Communication, azbil Group-CSR, Internal Control, Facilities/Business Sites, Secretary Office, Group Management Headquarters, General Affairs Department, Legal & Intellectual Property Department, International Business Headquarters, Corporate Sustainability Headquarters


■ Important concurrent positions outside the Company

None

■ Reasons for nomination as a candidate for Director

Takayuki Yokota has been successively serving as the head of Group Management Headquarters and the head of International Business Headquarters. He assumed the post of Director in 2018 and has been responsible for overall corporate administrative functions, and he has worked on risk management, corporate governance, CSR initiatives, active returns to shareholders as well as appropriate compliance in accounting, and improvement of the structure of overseas subsidiaries as well as development of foundation for overseas business growth. Also, as the chief officer in charge of Corporate Communication, he is making use of

his experience with global operations and IR activities, gained at a financial institution, to actively promote constructive communication with stakeholders. Since he possesses broad knowledge concerning business management overall and leadership, the Company has judged him to be an appropriate and necessary person for the enhancement of sustainable corporate value, and has proposed that he continue serving as Director and has put him forward as a candidate.

No.	Name (Date of birth)	Biography	Number of shares of the Company held
4	 <p>Masato Iwasaki (March 26, 1960)</p>	<p>April 1982 Joined the Company</p> <p>April 2003 General Manager of Marketing 2nd Department, and Information Systems Department, Advanced Automation Company</p> <p>April 2005 General Manager of Solution Marketing Department, Advanced Automation Company</p> <p>April 2010 Senior Officer, General Manager of Marketing Department, Advanced Automation Company</p> <p>April 2011 Executive Officer, General Manager of Marketing Department, Advanced Automation Company</p> <p>April 2012 Managing Executive Officer, President of Advanced Automation Company</p> <p>June 2012 Director and Managing Executive Officer, President of Advanced Automation Company</p> <p>April 2016 Director and Managing Executive Officer</p> <p>April 2018 Director and Managing Executive Officer, General Manager of Life Science Engineering Department (Present post)</p>	23,300

■ Number of meetings of the Board of Directors attended

13 of 13

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

Position: Director and Managing Executive Officer

Section: Life Automation business


Commission: General Manager of Life Science Engineering Department

■ Important concurrent positions outside the Company

None

■ Reasons for nomination as a candidate for Director

Masato Iwasaki was engaged in the Advanced Automation business for a long time, and his experience includes serving as General Manager of the Marketing Department of the business. He assumed the post of Director in 2012, and he worked on business growth, structural reforms and profit base reinforcement of the Advanced Automation business as the head of this business. Moreover, since April 2018, as the head of Life Automation business, he has led the initiatives for further development of the foundation and its business growth. Since he has extensive business experience at the Company and the Company has judged him to be an appropriate and necessary person for enhancing sustainable corporate value. Therefore, the Company has proposed that he continue serving as Director and has put him forward as a candidate.

No.	Name (Date of birth)	Biography	Number of shares of the Company held
5	 Yoshimitsu Hojo (July 17, 1962)	August 1990 Joined the Company April 2011 Senior Officer, General Manager of Company Business Control Department, Advanced Automation Company April 2012 Senior Officer, Deputy Head of Production Management Headquarters April 2013 Executive Officer, Head of Production Management Headquarters April 2014 Managing Executive Officer, Head of Production Management Headquarters June 2014 Director and Managing Executive Officer, Head of Production Management Headquarters April 2016 Director and Managing Executive Officer, President of Advanced Automation Company and Head of Production Management Headquarters April 2019 Director and Managing Executive Officer, President of Advanced Automation Company (Present post)	15,200

■ Number of meetings of the Board of Directors attended

13 of 13

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

Position: Director and Managing Executive Officer

Section: azbil Group (aG) production, aG purchasing, Advanced Automation business,
Production Management Headquarters


Commission: President of Advanced Automation Company

■ Important concurrent positions outside the Company

None

■ Reasons for nomination as a candidate for Director

Yoshimitsu Hojo has been successively serving as the head of Regional Sales, the General Manager of the Company Business Control Department, etc. of the Advanced Automation business. In 2014, he assumed the post of Director, and as the head of production, he worked to augment the profit base through promoting production structural reform and production innovation. Also, from April 2016, in addition to assuming the role of administering production, as the head of the Advanced Automation business, he has worked on the business growth and the strengthening the profit base, etc. and led the growth and profit expansion of this business, including overseas deployment. Therefore, the Company has judged him to be an appropriate and necessary person for the enhancement of sustainable corporate value, has proposed that he continue serving as Director and has put him forward as a candidate.

No.	Name (Date of birth)	Biography	Number of shares of the Company held
6	 Kazuyasu Hamada (February 1, 1964)	April 1987 August 2006 April 2008 April 2011 April 2013 April 2015 April 2016 April 2018 June 2018 Joined the Company General Manager of Security Business Planning Department, Security Business Headquarters, Building Systems Company Head of Security Business Headquarters, Building Systems Company Senior Officer, Head of Security System Headquarters, Building Systems Company Executive Officer, Deputy Head of Environmental Facility Solution Headquarters, Building Systems Company Executive Officer, Head of Environmental Facility Solution Headquarters and General Manager of Environmental Particle Solution Department, Building Systems Company Managing Executive Officer, General Manager of Tokyo Head Office, Building Systems Company Managing Executive Officer, President of Building Systems Company Director and Managing Executive Officer, President of Building Systems Company (Present post)	6,800

■ Number of meetings of the Board of Directors attended

13/13

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

Position: Director and Managing Executive Officer

Section: Building Automation business, azbil Group Sales Synergy

Commission: President of Building Systems Company


■ Important concurrent positions outside the Company

None

■ Reasons for nomination as a candidate for Director

Kazuyasu Hamada has been engaged in the Building Automation business for a long time, and he has been successively serving as the head of Security Business Headquarters and the General Manager of Tokyo Head Office. In 2018, he assumed the post of Director, and as the head of the Building Automation business, he has led the growth and expansion of profits, workstyle reform and the strengthening of the profit base, etc. of the Building Automation business. In addition, he is in charge of the azbil Group sales synergies, which are the entire

Group-wide sales activities through collaboration of sales departments within the azbil Group, supervising the direction of overall sales. Since he has extensive business experience at the Company and leadership, the Company has judged him to be an appropriate and necessary person for the enhancement of sustainable corporate value. Therefore, the Company has proposed that he continue serving as Director and has put him forward as a candidate.

No.	Name (Date of birth)	Biography	Number of shares of the Company held
7	 Katsuhiko Tanabe (August 14, 1942)	April 1973 Registered as a Lawyer September 1979 Established TANABE & PARTNERS (Present post) April 1995 Deputy Chairman of Dai-ichi Tokyo Bar Association April 1997 Vice-Chairman of Kanto Bar Association April 1998 Managing Director of Japan Federation of Bar Associations June 2000 Outside Audit & Supervisory Board Member of Sanwa Shutter Corporation (Present: Sanwa Holdings Corporation) June 2007 Outside Audit & Supervisory Board Member of the Company June 2010 Outside Director (Present post) October 2010 Outside Director of MIRAIT Holdings Corporation June 2014 Retired from Outside Director of MIRAIT Holdings Corporation June 2015 Outside Audit & Supervisory Board Member of JSP Corporation (Present post) June 2016 Retired from Outside Audit & Supervisory Board Member of Sanwa Holdings Corporation	3,500

■ Number of meetings of the Board of Directors attended

13 of 13

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

Position: Outside Director

■ Important concurrent positions outside the Company

Lawyer, Outside Audit & Supervisory Board Member of JSP Corporation

■ Reasons for nomination as a candidate for Outside Director

Katsuhiko Tanabe is a candidate for Outside Director, set forth in Article 2, Paragraph 3, Item 7 of the Ordinance for Enforcement of the Companies Act. He has outstanding expert viewpoints as a lawyer and insights on management, as he has successively served in important posts in the legal field, and has a record of superior performance in corporate legal affairs of global business based on his expert views. In addition, by utilizing his experience as an outside officer at several companies, at Board of Directors meetings of the Company, he not only supervises business execution but also proactively offers his opinions based on his broad knowledge as a legal expert and keen insight on corporate governance, in order to increase transparency and fairness of management, thus fulfilling such appropriate roles as supervision and advising, etc. on business execution. Therefore, the Company has judged him

to be an appropriate and necessary person for the enhancement of sustainable corporate value, and has proposed that he continue serving as Outside Director and has put him forward as a candidate.■ Reasons the Company judges Katsuhiko Tanabe can appropriately perform functions as Outside Director even though he does not have experience in company management

Katsuhiko Tanabe has extensive experience and expertise in corporate legal affairs as a lawyer and has a profound insight in management. Therefore, the Company has judged that he will be able to properly execute duties from an objective perspective as Outside Director.

■ Term of office as Outside Director


The term of office of Katsuhiko Tanabe as Outside Director shall be ten (10) years from the conclusion of this Ordinary General Meeting of Shareholders.

■ Independence of the candidate for Outside Director of the Company

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

■ Limited liability contract with Outside Director

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

No.	Name (Date of birth)	Biography	Number of shares of the Company held
8	 Takeshi Itoh (August 19, 1943)	September 1969 Entered Burnham & Company October 1983 Director of The First Boston Corporation (Present: Credit Suisse Group AG) October 1993 Managing Director and Vice Manager of Tokyo Branch, Smith Barney (Present: Citi Group Global Markets Japan Inc.) October 1998 President of UBS Asset Management Inc. (Present: UBS Asset Management (Japan) Ltd.) December 2010 Supreme adviser of Japan Wealth Management Securities, Inc. (Present: Aozora Securities Co., Ltd.) February 2012 Vice Chairman and Chief Operating Officer of Aozora Securities Co., Ltd. June 2013 Senior Advisor of Aozora Securities Co., Ltd June 2014 Outside Director of the Company (Present post) June 2018 Retired from Senior Advisor of Aozora Securities Co., Ltd	10,000

■ Number of meetings of the Board of Directors attended

13 of 13

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

Position: Outside Director

■ Important concurrent positions outside the Company

None

■ Reasons for nomination as a candidate for Outside Director

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

In addition to management experience and experience as an analyst in investment banks and investment advisory companies, etc. domestically and abroad, with his long-term overseas work experience and experience in the consulting business including fundraising and M&A advice, he has a record of superior performance in advanced corporate analysis, etc.

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

sustainable corporate value, has proposed that he continue serving as Outside Director and has put him forward as a candidate.

■ Term of office as Outside Director


The term of office of Takeshi Itoh as Outside Director shall be six (6) years from the conclusion of this Ordinary General Meeting of Shareholders.

■ Independence of the candidate for Outside Director of the Company

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

■ Limited liability contract with Outside Director

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

No.	Name (Date of birth)	Biography	Number of shares of the Company held
9	 <p>Waka Fujiso (January 6, 1949)</p>	<p>April 1980 Public prosecutor of Tokyo District Public Prosecutor's Office</p> <p>April 2001 Public prosecutor of Tokyo High Public Prosecutor's Office</p> <p>December 2007 Public prosecutor of Supreme Public Prosecutors Office</p> <p>March 2008 Retired from Public prosecutor of Supreme Public Prosecutors Office</p> <p>April 2009 Professor of Rikkyo University's Law School</p> <p>September 2011 Member of council of Ministry of Health, Labor and Welfare</p> <p>March 2014 Retired from Professor of Rikkyo University's Law School</p> <p>June 2015 Substitute Audit & Supervisory Board Member of the Company</p> <p>June 2018 Outside Director (Present post)</p> <p>October 2019 Retired from the council of Ministry of Health, Labor and Welfare</p>	900

■ Number of meetings of the Board of Directors attended

13/13

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

Position: Outside Director

■ Important concurrent positions outside the Company

None

■ Reasons for nomination as a candidate for Outside Director

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

She possesses extensive knowledge and experience that she gained mainly during her activities over many years as a public prosecutor, and, after retiring from the position of public prosecutor at the Supreme Public Prosecutors Office, during her service as a council member at a government agency at which time she also taught at a law school. At Board of Directors meetings of the Company, she not only supervises business execution, but also proactively offers opinions from her extensive knowledge as a legal expert, aiming at more thorough compliance management and risk management as well as the enhancement of management transparency and fairness. In these ways, Ms. Fujiso fulfills such appropriate roles as supervising and giving advice on business execution. Therefore, the Company has judged her to be an appropriate and necessary person for the enhancement of sustainable corporate value, has proposed that she continue serving as Outside Director and has put her forward as a candidate.

■ Reasons the Company judges Waka Fujiso can appropriately perform functions as Outside

Director even though he does not have experience in company management

Waka Fujiso has extensive experience and expertise in corporate legal affairs and compliance as a public prosecutor and a professor of graduate school, and has a profound insight in management. Therefore, the Company has judged that she will be able to properly execute duties from an objective perspective as Outside Director.

■ Term of office as Outside Director


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

■ Independence of the candidate for Outside Director of the Company

The Company does not conduct monetary or other transactions with Waka Fujiso, and there are no vested interests between her 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 she 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 her as an Independent Director to the Tokyo Stock Exchange.

■ Limited liability contract with Outside Director

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

No.	Name (Date of birth)	Biography	Number of shares of the Company held
10	 Mitsuhiro Nagahama (October 24, 1953)	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. June 2015 Outside Audit & Supervisory Board Member of the Company March 2018 Outside Audit & Supervisory Board Member of KURARAY Co., Ltd (Present post) March 2019 Outside Director of Tokyo Tatemono Co., Ltd. (Present post) June 2019 Outside Director(Present post) June 2019 Representative Director of Japan Economic Research Institute (Present post) March 2020 Retired from Adviser of Mizuho Securities Co., Ltd.	-

Mitsuhiro Nagahama is scheduled to be elected as an Outside Director of NSK Ltd. at the company's ordinary general meeting of shareholders to be held in June 2020. The Company has a transaction relationship with NSK Ltd., but in both the most recent fiscal year and the preceding three fiscal years, the amount of the transactions makes up less than 0.1% of the consolidated net sales of both the Company and NSK Ltd., which does not make NSK Ltd. a major business partner as per the Criteria for Independence of Outside Directors and Outside Audit & Supervisory Board Members established by the Company.

■ Number of meetings of the Board of Directors attended

13/13

At the conclusion of the 97th Ordinary General Meeting of Shareholders held on June 25, 2019, Mitsuhiro Nagahama retired as Audit & Supervisory Board Member, and he assumed the post of Director. The above includes the number of meetings attended until Mr. Nagahama retired as an Audit & Supervisory Board Member.

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

Position: Outside Director

■ Important concurrent positions outside the Company

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

Outside Director of Tokyo Tatemono Co., Ltd.

Representative Director of Japan Economic Research Institute

■ 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. Furthermore, as an Outside Director since 2019, he has not only supervised business execution, but also proactively offered opinions from wide-ranging perspectives, aiming at enhancing management transparency and fairness. In these ways, Mr. Nagahama fulfills such appropriate roles as supervising and giving advice on business execution. Therefore, the Company has judged him to be an appropriate and necessary person for the enhancement of sustainable corporate value, has proposed that he continue serving as Outside Director and has put him forward as a candidate.

■ Term of office as Outside Director

The term of office of Mitsuhiro Nagahama as Outside Director shall be one (1) years from 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 Director 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 seven years ago. Although said bank possesses 2,809 thousand shares of the Company, its percentage of total shares issued is 1.98%, which is far less than the major shareholder

standard (10%) stipulated by the Financial Instruments and Exchange Act. In addition, the amount of the borrowings from said bank is 4,182 million yen, which is 1.5% of the Company's consolidated total assets of 274,559 million yen 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 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 less than 0.1% 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 reported him as an Independent Director to the Tokyo Stock Exchange.

■ Limited liability contract with Outside Director

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

No.	Name (Date of birth)	Biography	Number of shares of the Company held
11	 <p>Anne Ka Tse HUNG (Married Name: Anne Hung Davis) (January 12, 1964)</p>	<p>July 1987 Joined Baker McKenzie July 1991 Moved to Baker McKenzie Tokyo July 1999 Partner of the firm July 2018 Senior Counsel of the firm March 2019 Retired from Senior Counsel of the firm</p>	-

■ Number of meetings of the Board of Directors attended

-

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

New Candidate

■ Important concurrent positions outside the Company

Lawyer (Australia, United Kingdom, Hong Kong)

■ Reasons for nomination as a candidate for Outside Director

Anne Ka Tse HUNG 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. She worked at an international law office as a partner attorney, and supported the conclusion of transaction agreements in international transactions for Japanese companies in addition to overseas corporate matters. She also has ample business experience with Japan-based companies, is familiar with Japanese business customs, and possesses knowledge in the industry to which the Company belongs. The Company expects that she will utilize her abundant experience, insight, and global knowledge as Outside Director of the Company to offer objective indications and advices for the enhancement of management transparency and fairness from wide-ranging perspectives in addition to supervise business executions for the Board of Directors. The Company has judged her to be an appropriate and necessary person for the enhancement of sustainable corporate value. Therefore, the Company has newly proposed her as a candidate for Outside Director.

■ Reasons the Company judges Anne Ka Tse HUNG can appropriately perform functions as Outside Director even though she does not have experience in company management

Anne Ka Tse HUNG has supported contract conclusion as a partner attorney at an international law office, is familiar with Japanese business customs, has abundant experience

and a high level of expertise and knowledge in the industry to which the Company belongs, and deep insight into management. Therefore, the Company has judged that she will be able to properly execute duties from an objective perspective as Outside Director.

■ Independence of the candidate for Outside Director of the Company

The Company does not conduct monetary or other transactions with Anne Ka Tse HUNG, and there are no vested interests between her 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 she 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 will report her as an Independent Director to the Tokyo Stock Exchange.

■ Limited liability contract with Outside Director

In order to enable functions the Company expects from its Outside Directors, Article 25 of the existing Articles of Incorporation prescribes the conclusion of contracts which limit legal liability of Outside Directors under Article 423, Paragraph 1 of the Companies Act. Accordingly, if Anne Ka Tse HUNG’s appointment is approved, the Company will make a contract with her. Under this contract, the limit of liability shall be set at the minimum level prescribed by the relevant laws and ordinances.

Note: Anne Ka Tse HUNG’s name was changed to “Anne Hung Davis” due to her marriage, but she did her job as a lawyer and other jobs with the name “Anne Ka Tse HUNG”

(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 its consolidated subsidiary, 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 its 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 has served as a non-executive director of the Company or its consolidated subsidiary for more than twelve (12) years in principle;
4. A person who has served as an Audit & Supervisory Board Member of the Company or its consolidated subsidiary for more than twelve (12) years; three (3) terms in principle;
5. 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;
6. 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).
7. 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);
8. A lawyer, certified public accountant, or other consultant who does not fall under the above item 7 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;
9. A member, partner, associate or employee of a law firm or an audit firm, etc. who does not fall under the above items 7 or 8 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);
10. 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;
11. 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;
12. A person who serves as an executive or an audit & supervisory board member of a company in which the Company is a major shareholder;

- | |
|--|
| <ol style="list-style-type: none">13. 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; and14. 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 13 |
|--|

Notes:

1. There are no vested interests between the candidates 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.

Business Report

(From April 1, 2019 to March 31, 2020)

1. Matters Concerning the Present State of the Corporate Group

(1) Principal Business (As of March 31, 2020)

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 ● Ceiling-mounted sensor ● Digital user terminal ● Digital central control ● BA systems 	<ul style="list-style-type: none"> ● Access control system ● contactless smartcard reader ● Controller for air conditioning equipment ● Heating/cooling plant 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 ● 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-compatible smart membrane gas meter ● High-pressure regulator ● Central air conditioning system, etc
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 steady demand for rationalization and labor-saving in response to labor shortages, conditions differed by region and market, and overall demand remained sluggish. While we started to see evidence of recovery in some markets for manufacturing equipment from the third quarter, the situation has worsened as regards a fall in global consumption, stagnating economic activity/production, and a slump in capital investment due to the spread of the novel coronavirus disease (COVID-19) around the end of the current consolidated fiscal year,. Looking ahead, there is a greatly increased sense of uncertainty as regards the business environment.

Regarding the azbil Group's financial results for the current consolidated fiscal year, which marks the completion of the medium-term plan (FY2017-FY2019), we were able to steadily improve business performance. Further progress was made with measures to enhance profitability so that operating income exceeded that of the previous year, but net sales decreased slightly. Although business sentiment deteriorated in the fourth quarter due to the spread of COVID-19, the impact on our business performance was limited.

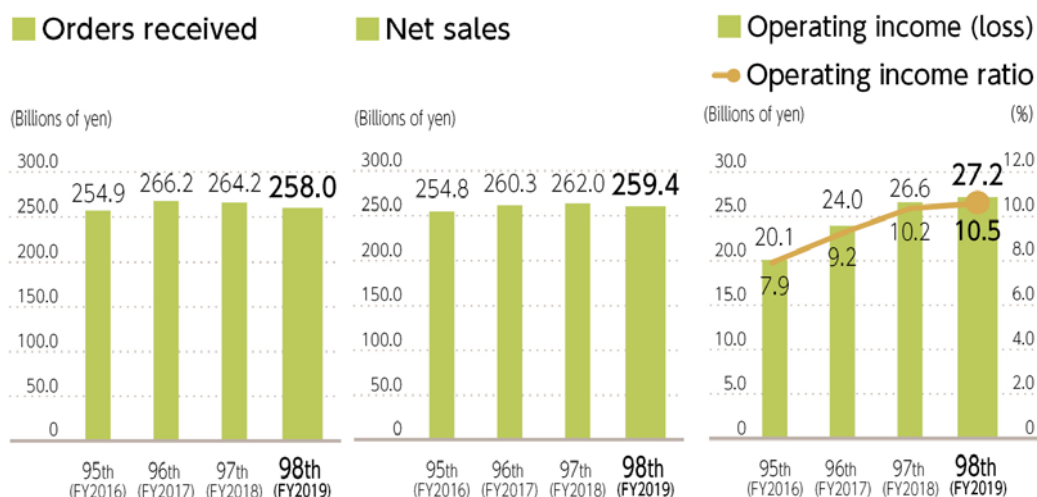
As regards orders received, the Building Automation (BA) business saw a decrease owing to the fact that large-scale service projects covering several years were recorded in the previous consolidated fiscal year. Also, the performance of the Advanced Automation (AA) business remained sluggish owing to the overall downturn in markets for manufacturing equipment, including machine tools. As a result, overall orders received were down 2.3% at 258,079 million yen (compared with the 264,252 million yen recorded in the previous consolidated fiscal year).

Net sales were 259,411 million yen, down 1.0% from the 262,054 million yen recorded in the previous consolidated fiscal year. This reflects a decrease in AA business sales owing to listless market conditions, despite the fact that the BA business achieved sales growth thanks to the steady progress it has achieved in carrying out the numerous projects on its order book.

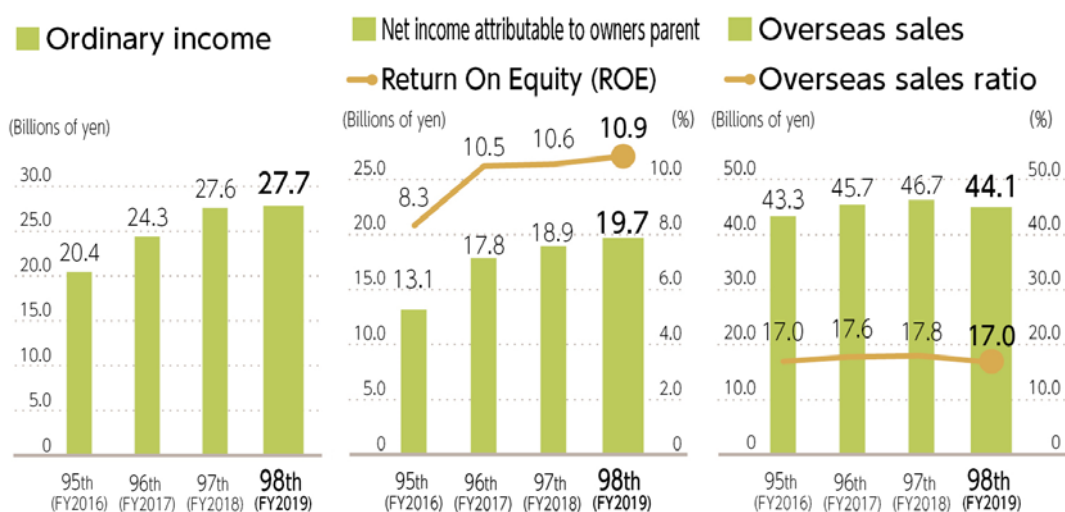
As regards profits, thanks to improved profit margins – resulting from the success of measures to strengthen business profitability – operating income also improved to 27,255 million yen, up 2.1% from the 26,690 million yen posted for the previous consolidated fiscal year. Owing to the recording of foreign exchange losses on appreciation of the yen, ordinary income was 27,712 million yen, on par with the previous consolidated fiscal year, when a figure of 27,664 million yen was recorded. Also, net income attributable to owners of parent rose by 4.4% to 19,793 million yen (compared with the 18,951 million yen recorded for the previous consolidated fiscal year). This partly reflects the recording of a loss on final settlement of the defined benefit corporate pension plan for accounting purposes^{*1} in the previous consolidated fiscal year.

*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 termination of retirement benefit plan (3,210 million yen) was recorded as an extraordinary losses. Note that the defined-benefit corporate pension plan continues to operate and beneficiaries still receive benefits as before.



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.



The results for the individual reportable segments are as follows.

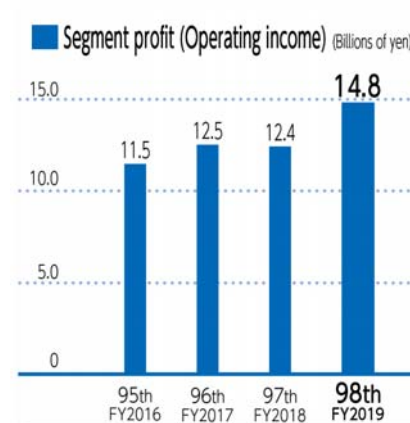
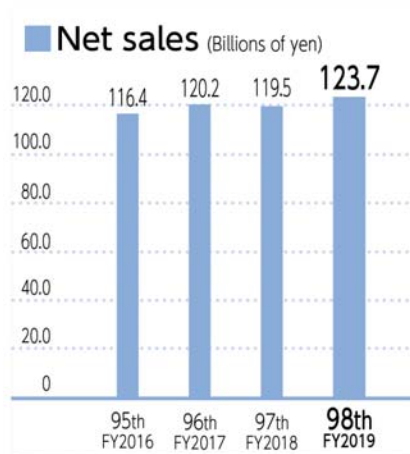
Building Automation (BA) Business

The domestic market environment for the BA business has continued to be robust. In addition to urban redevelopment plans for the Tokyo metropolitan area, demand for solutions for energy saving and operational cost reduction has been high. In overseas markets, there has been continued investment of domestic and foreign capital in large-scale buildings in the Asian region, but there has also been evidence of some investment reticence triggered by US-China trade friction.

In this business environment, we have not only engaged in securing orders with a view to enhanced profitability, but have also striven to ensure enhanced capabilities and efficiencies of job execution, particularly on site, that meet the requirements of the Japanese government'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 for the BA business for the current consolidated fiscal year were as follows.

Orders received were 122,905 million yen, down 0.7% from the 123,766 million yen recorded for the previous consolidated fiscal year, when large-scale service projects covering several years were recorded. This was despite the growth achieved in fields related to sales and installation of equipment/systems for new large-scale buildings, reflecting a robust market environment. Driven by this growth related to new large-scale building projects, BA business sales rose to 123,794 million yen, up 3.6% on the 119,500 million yen recorded for the previous consolidated fiscal year. Also, segment profit rose by 19.9% to 14,890 million yen (compared with the 12,421 million yen for the previous fiscal year), benefiting not only from increased revenue and the success of initiatives designed to improve profitability, but also from the fact that in the previous fiscal year temporary expenses for provision were recorded.

As for the medium- to long-term outlook for the BA business environment, large-scale redevelopment projects and many retrofit projects for large-scale buildings are planned for 2020 onwards. Building on its track record, the BA business aims to secure and translate this demand into increased revenue with steady job execution, while employing initiatives such as business process reforms to further ensure that a high profit structure is established.



Advanced Automation (AA) Business

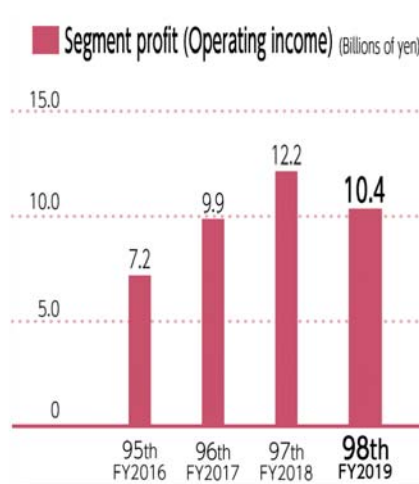
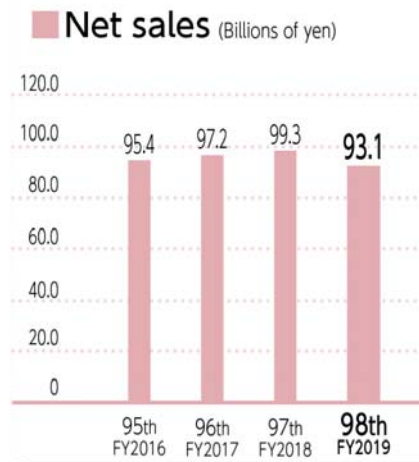
Regarding market trends affecting the AA business environment, investment continued to be sluggish in markets related to manufacturing equipment, both in Japan and overseas. During the second half, signs of recovery were seen in the semiconductor manufacturing equipment market, but the impact of the spread of COVID-19 gradually became evident in the fourth quarter, so market uncertainty has been increasing throughout the manufacturing industry recently. On the other hand, in the medium to long term, demand is expected to continue for automation aimed at solving labor shortages, responding to the needs for environmental preservation, and achieving further increases in productivity. To respond to the changing business environment, we have engaged in streamlining operations for the three AA business sub-segments (CP, IAP, and SS)*² 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 and strengthen profitability for these three sub-segments. As a result, the financial results for the AA business for the current consolidated fiscal year were as follows.

As regards orders received and sales, there was a sharp fall for the CP business due to the sluggish manufacturing equipment markets in Japan and overseas, although results for the IAP and SS businesses, which mainly target the process automation market, remained relatively firm. Consequently, AA business orders received were 91,915 million yen, down 6.5% from the 98,331 million yen recorded for the previous consolidate fiscal year, and sales were 93,156 million yen, down 6.3% from the 99,389 million yen for the previous consolidated fiscal year. Owing to the fall in revenue, segment profit fell by 14.1% to 10,486 million yen (compared with the 12,211 million yen for the previous consolidated fiscal year). However, thanks to continuing measures to strengthen profitability, the segment profit margin – which serves as an index of profitability – still exceeds 10%.

In the AA business, employing each of the three sub-segments and building on our achievements to date, we will continue initiatives to maintain business profits by intensifying and rigorously implementing measures to enhance profitability. At the same time, in order to achieve future growth, we will further the development of growth strategies, including expansion of our overseas business. In addition, we will focus on strengthening our product development capabilities, aiming to ensure high profitability and growth potential for the AA business by creating new automation fields that exploit recent trends in technology and by supplying our customers in Japan and abroad with products and services offering the sort of high added value that is unique to the azbil Group.

*2: 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 transmitters, pressure transmitters, and control valves)
- SS business: Solution and Service business (offering control systems, engineering services, maintenance services, energy-saving solution services, etc.)



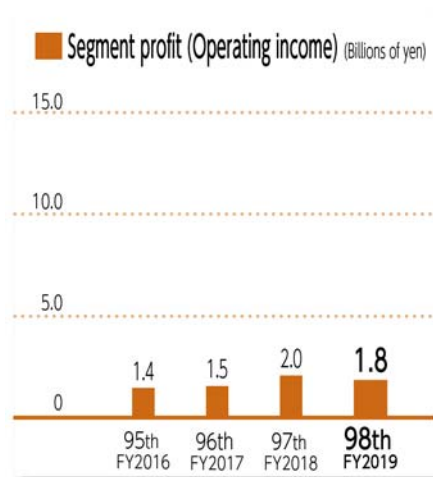
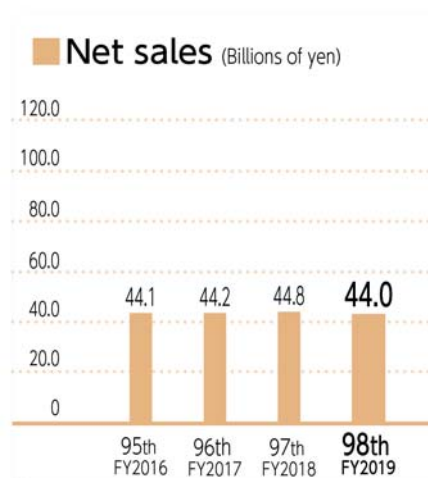
Life Automation (LA) Business

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, which accounts for the bulk of LA sales, depends on cyclical demand for meter replacement as required by law. While some impacts on the business environment from the liberalization of gas sales are observed, we expect stable demand to continue in this field. In the LSE and Lifestyle-related fields, despite fluctuations in demand, success has been achieved with sustained initiatives aimed at realizing/improving stable earnings through business structure reforms. Reflecting these business conditions and initiatives, the financial results of the LA business for the current consolidated fiscal year were as follows.

Orders received rose by 2.1% to 44,806 million yen (compared with the 43,867 million yen for the previous consolidated fiscal year), owing to an increase in orders received in the LSE field. However, owing to a fall in orders received for the LSE field in the previous fiscal year, sales were 44,033 million yen, down 1.8% from the 44,840 million yen recorded for the previous consolidated fiscal year. Owing to the fall in revenue, segment profit fell by 9.4% to 1,866 million yen (compared with the 2,060 million yen for the previous consolidated fiscal year).

In the LA business we will continue initiatives designed to improve profit in each of the three fields. In parallel with this, we will advance initiatives aimed at future business expansion. For example, we will create new business opportunities that capitalize on emerging demand in the energy markets following the liberalization of gas sales, while also developing and launching new products that mesh with transformational technologies such as IoT.



Other

In Other business, primarily consisting of our insurance agent business, orders received in the current consolidated fiscal year were 59 million yen (compared with the 60 million yen for the previous consolidated fiscal year), sales were 60 million yen (compared with the 61 million yen for the previous consolidated fiscal year), and segment profit was 6 million yen (compared with the 2 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)	
	97th term (Fiscal year ended March 31, 2019)	98th term (Fiscal year ended March 31, 2020)	Increase/ decrease ratio (%)	97th term (Fiscal year ended March 31, 2019)	98th term (Fiscal year ended March 31, 2020)	Increase/ decrease ratio (%)	97th term (Fiscal year ended March 31, 2019)	98th term (Fiscal year ended March 31, 2020)
Building Automation	123,766	122,905	(0.7)	119,500	123,794	3.6	12,421 (10.4%)	14,890 (12.0%)
Advanced Automation	98,331	91,915	(6.5)	99,389	93,156	(6.3)	12,211 (12.3%)	10,486 (11.3%)
Life Automation	43,867	44,806	2.1	44,840	44,033	(1.8)	2,060 (4.6%)	1,866 (4.2%)
Total of reportable segments	265,965	259,626	(2.4)	263,731	260,984	(1.0)	26,693 (10.1%)	27,244 (10.4%)
Other	60	59	(2.3)	61	60	(2.2)	2 (3.7%)	6 (10.7%)
Elimination	(1,773)	(1,606)	—	(1,738)	(1,633)	—	(5)	5
Consolidated	264,252	258,079	(2.3)	262,054	259,411	(1.0)	26,690 (10.2%)	27,255 (10.5%)

(3) Capital investment, etc.

Capital investment in the current fiscal year totaled 4,933 million yen, 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

1) Basic Policy

In 2006, the 100th anniversary of our founding, the azbil Group established the philosophy, “To realize safety, comfort, and fulfillment in people’s lives and contribute to global environmental preservation through ‘human-centered automation.’” In 2012, we changed our company name to Azbil Corporation, aiming to preserve and develop the unique azbil corporate group by recruiting the entire Group to implement this philosophy.

In 2012, we established the following 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

Reforms of business structures and operating structures continued. We steadily achieved an enhancement of profitability, with operating income increasing from 13.4 billion yen in fiscal year 2012 to 27.2 billion yen in 2019, with ROE growing to 10.9%.

We enhanced our products and services based on human-centered automation, and by evolving our three businesses of Building Automation (BA), Advanced Automation (AA), and Life Automation (LA) as customer and social life-cycle businesses, we increased value for our customers and the profitability of our businesses.

Furthermore, we promoted the establishment of a global business foundation as a growth engine, and in terms of sales and service, we expanded our business development to cover 23 countries. In 2018, we established our first regional strategic organization for accelerated growth in Singapore. In terms of production as well, we organized our production into three locations, China, Thailand, and Japan, and in addition to optimizing production, we also prepared to respond to issues including the BCP. In fiscal year 2019, we completed the construction on a new building for our Shonan Factory, which began operations as our “mother factory” for global production.

In terms of technological development as well, we organized Group development locations, promoted capital investment, started capital investment that included sensor development, which is fundamental to weighing and measurement, promoted new product development and sales using AI, IT, and cloud technology in all of our businesses of BA, AA, and LA, and moved forward in creating the next growth engines.

On the human resources front, we promoted initiatives as a corporate organization that never stops learning in response to changes in the business environment, the falling birthrate and aging population, and progressing globalization. Through the internal skill development by the Azbil Academy and the preparation and implementation of various human resources policies, we upskilled and reassigned some 630 personnel.

Heading toward the future, our philosophy and management strategy will be rolled out to our individual employees, and based on our recently established guiding principles and code of conduct, we will promote initiatives to develop and expand business fields in which the azbil Group is strong. Going forward, we will work to build a platform for businesses that connects directly to a sustainable society and long-term, sustainable business growth.

Furthermore, thus far, in addition to developing BCP for crisis management, we worked to ensure a strong financial constitution, build a management foundation for sustainable business growth and, including enhancing our financing capabilities and diversification, are steadily enhancing our future responsiveness.

At present, due to the spread of COVID-19, we expect that the activities of our BA, AA, and LA businesses will be impacted for the foreseeable future due to a decline in global consumption; a decline in capital investment in buildings, plants, and factories; and delays or stops in construction. Based on our solid results thus far, the Group will enhance our crisis management in response to the spread of COVID-19, and by promoting rapid policy development in response to changes in the business environment, we are ensuring business continuity. Furthermore, currently, in providing the engineering and services essential to our customers in maintaining their important facilities and responding to demands to continue businesses necessary to maintaining the safety of social infrastructure, we are taking appropriate actions while paying full attention to the safety of our customers and employees. In this kind of unclear economic and business environment, the Group will further promote the policies to enhance profitability that have produced results thus far, while making every effort to create high added value in the service field, for which stable demand is expected, and toward business growth.

2) Initiatives in response to the spread of COVID-19

After COVID-19 began to spread, the azbil Group enacted the BCP prepared by the Company, immediately established an Emergency Headquarters, and with the President & Group CEO as the Head of the Emergency Headquarters, coordinated with Group companies in Japan and overseas, prioritized ensuring the safety of employees and the implementation of policies to prevent the spread of COVID-19, and promoted initiatives aimed at business continuity.

Specifically, with the emergency declaration issued by the government of Japan in April to prevent the spread of COVID-19, we reviewed the operations at business locations at Group companies in Japan. We encouraged employees to work from home and either stopped or reduced the activities of our business locations in response to measures taken by local governments. Meanwhile, we have continued business activities such as providing the engineering, services, and devices for the facilities and equipment required to maintain medical institutions and social infrastructure while paying careful attention to the safety of our customers and employees. For our overseas Group companies as well, in line with the individual conditions of each country where the companies are located, the Emergency Headquarters has taken similar measures to understand the situation and develop policies, working to fulfill our social responsibility as a company.

In terms of our financial strength, the Group's shareholders' equity ratio was 66.7% at the end of fiscal year 2019, and it held 74.7 billion yen in cash and cash equivalents. In addition, we maintained a total of 10.0 billion yen in unused commitment line contract with multiple financial organizations. Furthermore, we obtained a "Single A (stable)" credit rating from Rating & Investment Information, Inc. as a long-term debt issuer and set a 20.0 billion yen corporate bond registered framework, maintaining the strong financing capabilities necessary for the future.

While continuing to prioritize the safety and comfort of our employees and local communities, we will work to fulfill our supply responsibility and social responsibility to customers which are essential in maintaining our society through construction, production facilities, and energy supply infrastructure.

3) Promoting initiatives aimed at sustainable growth

The azbil Group established our three fundamental policies in 2012, and toward achieving our long-term targets by our goal of fiscal year 2021, we promoted the creation of a solid foundation for our business, global development, and human resources development. As a result of these efforts, profitability improved, and our foundation grew stronger, including our global business foundation, production, human resources, and our financial strength. With these results as our starting point, we are aiming for new growth from fiscal year 2020. Additionally, with a target year of 2030, we started contribution initiatives to connect “in series” to the SDGs, for which global initiatives are taking place in earnest. At present, it is difficult to forecast the effects that COVID-19 pandemic will have on businesses. However, going forward, amid large social changes, we believe that the value demanded from automation will increase. We steadily implement business continuity policies under the new management team, and while fulfilling our supply responsibility to our customers and our corporate social responsibility including the safety and health of our employees, we are promoting initiatives aimed at next-generation growth.

The Group has promoted reforms in our business structure and improvement in our profit structure, and to enhance our foundation to realize sustainable growth, we worked to organize and expand our research and development and production system. Additionally, we promoted our three business fields for which we expect continued and expanded medium- to long-term demand, specifically, strengthening our life-cycle solutions business, developing new automation fields, and expanding our presence in the environmental and energy fields.

We believe that climate change issues and the existing issues of changes in the social structure due to the falling birthrate and aging population will grow in importance. In particular, we recognize that the needs for labor-saving and providing engineering services remotely using IT technologies will grow further and, by capturing the changes in technological trends including IoT, AI, and cloud technology, we have steadily responded to these pressing issues. The three business sectors mentioned above are fields where we can exercise our strengths based on the relationships of trust with our customers, experience, and knowledge that we have cultivated. While providing and expanding new solutions that contribute to increased safety, productivity, and value using advanced technologies (IoT, big data, AI, robotics, etc.), we are also working to enhance field equipment including the development of new sensor devices.

The Group’s business is responsible for supplying the products and providing the engineering and services essential in maintaining construction, manufacturing facilities, and energy supply infrastructure, which are experiencing continued demand even with the effects of COVID-19 pandemic. We have steadily answered this demand as a corporate group and assured our own business continuity by contributing to the business continuity of our customers. As a corporate organization that never stops learning, by delivering solutions with new added value in automation, we aim to strengthen profitability and to make contributions that connect “in series” to both strengthened profitability and a sustainable society.

We will continue working to strengthen our corporate governance. Also, toward initiatives aimed at strengthened profitability and sustainable growth mentioned above, the Group will effectively and strategically allocate management resource and accelerate and institute these initiatives. The specific details of these initiatives are as follows.

i) 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 high in the Tokyo metropolitan area, we will promote the efficient, planned use of human resources by reorganizing the project completion process and the shift to IT aimed at providing added value across the building's lifecycle, while also rebuilding our business model by enhancing product values. Specifically, centered on the next generation building automation system, we are continuing to push forward with improving sensors and actuators, expanding advanced cloud services for buildings, and reforms of facility management services. We are also contributing to comfort and increased productivity through infrared array sensor systems for buildings to capture changes in temperature in a room through measuring changes in the number of people in the room, heat generated from sunlight and the surface temperature of office equipment, as well as thermal sensation air conditioning systems that reflect the individual thermal sensations of office workers. 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 enhance our competitiveness by concentrating our business resources into the business models commonly used through global initiatives. We have steadily implemented these growth strategies and policies to enhance profitability in our operations in three business segments, the CP business, IAP business, and SS business. Specifically, we are enhancing our sales structure to expand customer coverage both in Japan and overseas, and accelerating product development that contributes to build new automation. Examples of this product development include an environmental photoelectric switch for long-term use in harsh environments (model H2B), adjustable proximity sensors (model H3C) which combine the functions of two sensor units in one device and can perform detection in up to four areas, and an online anomaly monitoring system with enhanced capabilities for batch processes for the production of small quantities of many products.

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 expanded sales of new services providing cloud systems with data on meters, security, and various alarm conditions using the LTE-M communications protocol for IoT^{*1}. We also started demonstration project involving the same smart reading of meters and alarms for urban gas and water markets, and evaluated services to create new value in combination with power, gas, and water data, accelerating business development in new fields of automation with the SMaaS (Smart Metering as a Service) age in mind.

Together with our initiatives in these three business segments, in the energy management sector for which large changes are expected in Japan and overseas, we are collaborating with the TAKAOKA TOKO Group in multiple areas including products, business infrastructure, and services, evaluated the development of new solutions businesses using data, and promoted initiatives that surpass business segments. Furthermore, in April 2020, we established the IT Solution Department as a new initiative to promote enhanced product planning, development, and operations in response to changes in the IT-related business environment including the latest applications of cutting-edge technology such as IoT and AI and providing service-based or cloud-based products. Additionally, with the goal of strengthening our cloud operating system, we newly established our Cloud Operations Center.

*1 LTE-M : a telecommunications protocol for IoT allowing the use of licensed bands in

LPWA (Low Power, Wide Area), a wireless communication technology using minimal power and covering wide areas

ii) Overseas Business

In overseas markets, as one approach to further strengthen the business foundation so as to support business growth and increased earnings, 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, 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, we developed the strengths of our domestic business model (reduced-energy applications, engineering, and service capabilities), and while implementing various policies in response to the business environment and business platform of each country, we are gradually reinforcing the life cycle business model.

In the AA business, while working to enhance sales structures in strategic regions and improve the quality of sales activities in overseas markets, which have ample room for growth, we renewed our main products and introduced strategic products, expanded product development for emerging markets, and created new automation including an anomaly monitoring system and AI facilities inspection, promoting further business expansion.

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 implement the new business strategies for the future growth.

In addition to the aforementioned initiatives, in the area of business management and 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.

iii) Production and Development

For the azbil Group business expansion, we have reorganized the Group's production structure and concentrated and strengthened its research & development resources to enhance product values. In Japan, we consolidated the production functions in Kanagawa Prefecture into the Shonan Factory, which began operations as the "mother factory" of the azbil Group to lead global business development. From now on, overseas, we will enhance our production systems and software at our factories in Thailand and in Dalian, China (including developing and rolling out sophisticated production technologies), and together with expanding our overseas parts procurement, while further enhancing the cost competitiveness of our products, we will optimize both our global customer response and our logistics. In our research & development activities, we continued our research & development investment in next-generation products and services to respond to industrial structure reform by the fusion of goods and information and cutting-edge technologies (IoT, big data, AI, robots, etc.) and continued research & development investment into field devices including sensors using micro-machining technology, with the aim of developing new automation fields.

iv) Management and 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 management and administration, we are working to improve the level of our accounting with the voluntary application of the International Financial Reporting Standards (IFRS) in mind and to strengthen internal control with the improved standards. Moreover, we are continuing 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 2019, Azbil Corporation was continuously selected for the four ESG (environment, society, governance) indexes*² that are adopted by the Government Pension Investment Fund (GPIF).

The Company has a Group philosophy of “human-centered automation,” established through developing the aspirations of our founder. In fiscal year 2019, in addition to revising our Guiding Principles for Business to implement this philosophy, we established Group SDGs (basic goals and targets) toward achieving the UN's SDGs. Based on these SDG's, we are fulfilling our social responsibility across the supply chain (sales, research, development, production, procurement) and enhancing our ability to resolve societal issues through health and well-being management*³ and life-long learning. Furthermore, with the SDGs as our new guidepost, we established the Corporate Sustainability Headquarters as an organization to promote these initiatives, aiming to connect the philosophy, guiding principles, code of conduct, and management strategy “in series” leading to a sustainable society and to realize a balance between resolving social issues and sustainable growth.

*² 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

*³ Health and well-being management: a unique azbil Group initiative to create healthy, happy, vibrant “workplaces and people”

(6) Financial position and results of operations

Category	95th term (Fiscal year ended March 31, 2017)	96th term (Fiscal year ended March 31, 2018)	97th term (Fiscal year ended March 31, 2019)	98th term Fiscal year under review (Fiscal year ended March 31, 2020)
Orders received (Millions of yen)	254,974	266,262	264,252	258,079
Net sales (Millions of yen)	254,810	260,384	262,054	259,411
Operating income (Millions of yen)	20,145	24,026	26,690	27,255
Ordinary income (Millions of yen)	20,475	24,316	27,664	27,712
Net income attributable to owners of parent (Millions of yen)	13,153	17,890	18,951	19,793
Net income per share (Yen)	89.78	123.08	132.03	140.80
Total assets (Millions of yen)	263,317	273,805	275,518	274,559
Net assets (Millions of yen)	165,751	177,962	183,097	185,301
Shareholders' equity ratio (%)	62.2	64.3	65.7	66.7
Net assets per share (Yen)	1,118.23	1,213.14	1,264.88	1,313.17

- 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.
 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 95th 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 97th term, and the total assets and shareholders' equity ratio of the 96th term show the figures after the accounting standards have been retroactively applied.

(7) Significant subsidiaries (As of March 31, 2020)

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, 2020)

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	Kouza-gun, Kanagawa		
	Offices	Hadano-shi, Kanagawa		
	Headquarters	Toshima-ku, Tokyo		
	Branch	Toshima-ku, Tokyo,	Chuo-ku, Saitama-shi,	Naka-ku, Nagoya-shi,
		Yodogawa-ku, Osaka-shi,	Higashi-ku, Hiroshima-shi,	Kokurakita-ku, Kitakyushu-shi
Azbil Kimmon Co., Ltd.	Headquarters	Toshima-ku, Tokyo		
	Regional Division/Branch	Higashi-ku, Sapporo-shi	Aoba-ku, Sendai-shi	Kiryu-shi, Gunma
		Toshima-ku, Tokyo	Naka-ku, Nagoya-shi	Higashiosaka-shi, Osaka
		Higashi-ku, Hiroshima-shi	Hakata-ku, Fukuoka-shi	
	Factories	Aomori-shi, Aomori (Azbil Kimmon Aomori Co., Ltd.) Gobo-shi, Wakayama (Azbil Kimmon Energy Products Co., Ltd.) Shirakawa-shi, Fukushima (Azbil Kimmon Energy Products Co., Ltd.) * Motomiya-shi, Fukushima (Azbil Kimmon Energy Products Co., Ltd.)*		
	Research Laboratories	Kawagoe-shi, Saitama		
Azbil Production (Thailand) Co., Ltd.	Headquarters	Chonburi, Thailand		
Azbil Control Instruments (Dalian) Co., Ltd.	Headquarters	Dalian, China		
Azbil North America, Inc.	Headquarters	Arizona, U.S.A.		
Azbil Telstar, S.L.U.	Headquarters	Catalonia, Spain		

Note: 1. Isehara factory located in Isehara-shi, Kanagawa, which was the Company's main factory in the previous fiscal year, was closed due to the completion of relocation to Shonan factory located in Kouza-gun, Kanagawa.

2. 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, 2020)

1) Employees of the Group

Segment	Number of Employees	Year-on-year Increase/(Decrease)
Building Automation Business	3,294 [561] persons	208 persons
Advanced Automation Business	3,597 [336]	13
Life Automation Business	1,793 [361]	22
Total of reportable segments	8,684 [1,258]	243
Others	3 [2]	1
Corporate (Common)	1,210 [158]	46
Total	9,897 [1,418]	290

- 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 with the promulgation of the revised Labor Contracts Act, as well as the change in status of employees dispatched from partner companies who were managed as temporary employees to regular employees.

2) Employees of the Company

Number of Employees	Year-on-year Increase/(Decrease)	Average Age	Average Years of Service
5,369 [934] persons	218 persons	45.5 years old	20.0 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 factors are the introduction of an indefinite term employee system for fixed-term contract employees (temporary employees) with the promulgation of the revised Labor Contracts Act, as well as the change in status of employees dispatched from partner companies who were managed as temporary employees to regular employees.

(10) Major lenders (As of March 31, 2020)

Lenders	Loan Outstanding
Mizuho Bank, Ltd.	4,182 million yen
MUFG Bank, Ltd.	1,691

(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, 2020)

- (1) Total number of authorized shares 559,420,000 shares
- (2) Shares of common stock issued 148,200,884 shares
(including treasury shares of 3,722,088 shares)
- (3) Number of shareholders 7,348
- (4) Major shareholders (Top 10)

Shareholder Name	Number of Shares (thousands)	Percentage of Total Shares Issued (%)
Meiji Yasuda Life Insurance Company	10,428	7.37
The Master Trust Bank of Japan, Ltd. (Trust account)	10,320	7.29
SSBTC CLIENT OMNIBUS ACCOUNT	6,943	4.90
Japan Trustee Services Bank, Ltd. (Trust account)	6,307	4.45
Northern Trust CO. (AVFC) Re Fidelity Funds	5,213	3.68
Trust & Custody Services Bank, Ltd. (Trustee for Mizuho Trust & Banking Co., Ltd. Retirement Benefit Trust Account)	4,631	3.27
Chase Nominees Re JASDEC Treaty Client A/C (General)	4,243	2.99
Nippon Life Insurance Company	3,739	2.64
State Street Bank and Trust Company 505025	3,496	2.47
Japan Trustee Services Bank, Ltd. (Trust account 9)	3,459	2.44

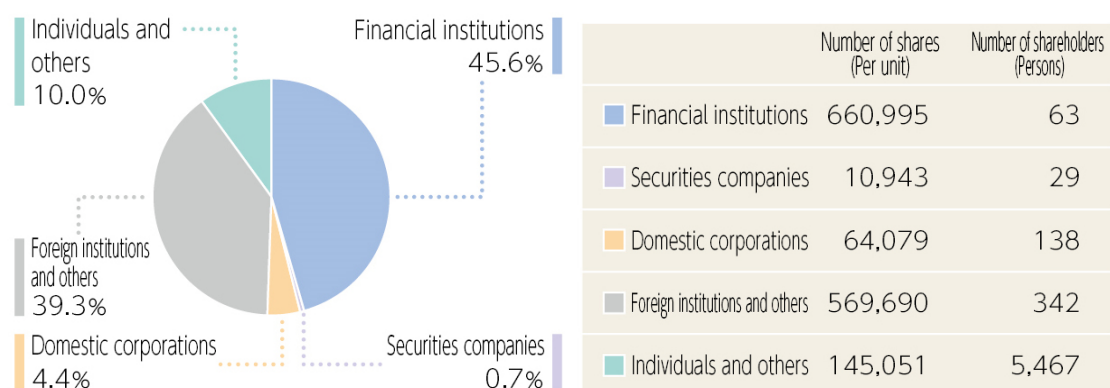
- Notes:
1. The percentage of total shares issued is calculated excluding treasury shares (3,722,088shares). The number of treasury shares does not include shares (1,977,024shares) owned by Trust & Custody Services Bank, Ltd. (Trust E) as trust assets for Employee Stock Ownership Plan (J-ESOP).
 2. 8,587 thousand shares held by The Master Trust Bank of Japan, Ltd. (Trust account) and 3,970 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 June 6, 2019 which was made available for public inspection, the following shares are held by FMR LLC as of May 31, 2019. However, as the Company is not able to confirm the number of shares actually held as of March 31, 2020, 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 (%)
June 6, 2019	FMR LLC	12,347	8.50

4. According to the Report on Large Shareholding dated January 22, 2020 which was made available for public inspection, the following shares are held by Fidelity Investment Trust Co., Ltd. as of January 15, 2020. However, as the Company is not able to confirm the number of shares actually held as of March 31, 2020, the end of the fiscal year under review, the shares are not included in the above status of major shareholders.

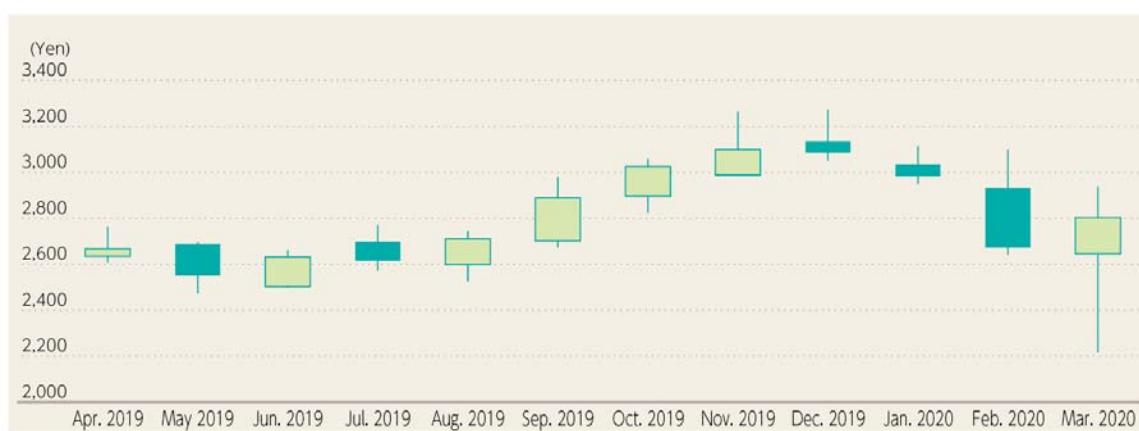
Submission Date of Report on Large Shareholding	Shareholder Name	Number of Shares Held (thousands)	Percentage of Total Shares Issued (%)
January 22, 2020	Fidelity Investment Trust Co., Ltd.	6,745	4.64

[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



3. Matters Concerning Officers

(1) Board of Directors and Audit & Supervisory Board Members (As of March 31, 2020)

Positions	Name	Assignments in the Company and Important Concurrent Positions Outside the Company
Representative Director President and Chief Executive Officer	Hirozumi Sone	President and Group Chief Executive Officer, Responsible for Internal Audit Department, Corporate Planning Department
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, 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
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
Outside Director	Mitsuhiro Nagahama	Non-executive Director Outside Audit & Supervisory Board Member of KURARAY Co., Ltd Outside Director of Tokyo Tatemono Co., Ltd. Representative Director of Japan Economic Research Institute
Audit & Supervisory Board Member	Tomohiko Matsuyasu	
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	Minoru Sakuma	
Outside Audit & Supervisory Board Member	Fumitoshi Sato	Outside Director of TOMY Company, Ltd.

Notes: 1. Directors Eugene H. Lee, Katsuhiko Tanabe, Takeshi Itoh, Waka Fujiso and Mitsuhiro Nagahama are Outside Directors of the Company under Article 2, Item 15 of the Companies Act.

2. Audit & Supervisory Board Members Kinya Fujimoto, Minoru Sakuma and Fumitoshi Sato 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. Audit & Supervisory Board Member Tomohiko Matsuyasu, Kinya Fujimoto and Fumitoshi Sato have a wealth of knowledge concerning financial affairs and accounting as shown below.
 - Audit & Supervisory Board Member Tomohiko Matsuyasu served for many years in the Company's accounting division and has experience in accounting operations.
 - Audit & Supervisory Board Member Kinya Fujimoto has a wealth of experience and outstanding insight as a certified public accountant.
 - Audit & Supervisory Board Member Fumitoshi Sato has experience as the person responsible for the creation of financial statements as the officer in charge of accounting and finance at another operating company.
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, 2020, the assignments of Directors have been changed as follows:

Positions	Name	Assignments in the Company
Representative Director Chairperson President and Chief Executive Officer	Hirozumi Sone	Executive Chairperson, President and Group Chief Executive Officer Responsible for Strengthening Group Governance
Director	Takayuki Yokota	Senior Managing Executive Officer Assistant to President, Responsible for Corporate Administration, Corporate Communication, azbil Group-CSR, Internal Control, Facilities/Business Sites, Secretary Office, Group Management Headquarters, General Affairs Department, Legal & Intellectual Property Department, International Business Headquarters, Corporate Sustainability Headquarters

7. We have an Executive Officer System that facilitates the prompt decision making and execution of company policy. As of April 1, 2020, there were 28 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
Executive Vice President	Kiyohiro Yamamoto	Responsible for Internal Audit Department, Corporate Planning Department
Managing Executive Officer	Hiroshi Arai	Responsible for azbil Group (aG) IT, aG Information Systems, aG Information Security, aG Cyber Security, IT Development Headquarters, Cloud Operation Center, Information Systems Department, Cyber Security Office Head of IT Development Headquarters
Managing Executive Officer	Junya Nishimoto	Responsible for aG Research and Development, Product Safety, Quality, Environment, Smart Robots, Technology Development Headquarters, Technology Standardization Department, Valve Production Development Department, Document Production Department, AI Solution Department
Managing Executive Officer	Akihiko Naruse	Responsible for aG Safety Management (Occupational Health and Safety), Human Resources Department, aG Safety Management Department, Azbil Academy
Managing Executive Officer	Tadayoshi Ito	Responsible for aG Marketing, Service Business, Service Headquarters, IT Solution Department General Manager of Advanced Automation (AA) SS Business ^{*1}
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	Head of Technology Development Headquarters
Executive Officer	Toshiyasu Sumitomo	Responsible for Business Development in North America
Executive Officer	Takashi Imamura	Head of Production Management Headquarters
Executive Officer	Kenichi Hayashi	General Manager of Building Systems Company (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	Tetsuya Iwasaki	Responsible for aG System Development Head of BSC Development Headquarters
Executive Officer	Kanichiro Tsuruta	Head of BSC Engineering Headquarters
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 AA CP Business ^{*2}
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	Masatoshi Yamada	Head of Group Management Headquarters

Executive Officer	Toshihisa Murayama	Responsible for Building Automation International Business Head of BSC Marketing Headquarters
Executive Officer	Tetsuo Kobayashi	Head of AAC Business Development Headquarters

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

(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)	411 (61)	318 (61)	93 (-)	-	-	11 (5)
Audit & Supervisory Board Members (Outside Members)	79 (27)	79 (27)	- (-)	-	-	7 (5)
Total (Outside Members)	491 (89)	398 (89)	93 (-)	-	-	18 (10)

- 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 (117 million yen for 5 Directors).
5. The above list of Audit & Supervisory Board Members includes two (2) members who retired at the conclusion of the 97th Ordinary General Meeting of Shareholders held on June 25, 2019.
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 a 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 of 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:

In fiscal year 2019, the Nomination and Remuneration Committee met five times. In May 2019, the Committee evaluated the results of individual performance targets and the amounts of bonuses to be paid to individual Directors who concurrently performed executive duties in fiscal year 2018 and deliberated the basic remuneration to be paid to individual Directors who concurrently perform executive duties in fiscal year 2019. The Committee also confirmed the state of progress on the plan to develop successors.

Progress in the plan to develop successors was confirmed as necessary at subsequent meetings of the Nomination and Remuneration Committee, and at a February 2020 meeting of the Committee, the structure of the fiscal year 2020 management team was deliberated based on the succession plan and reported to and approved by the Board of Directors. Furthermore, in addition to the specification of the terms of office from the viewpoint of the independence of outside officers, changes to regulations related to executive officers to clarify responsibilities based on positions were deliberated in the Committee and approved at the Board of Directors. Additionally, as part of the expansion of our plan to develop successors, the Committee reviewed our new system to respond to our global personnel that are responsible for part of our overseas business strategy and who exercise excellent capabilities and activities, and reported this to the Board of Directors.

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 who do not concurrently perform executive duties and Outside Directors 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 2019, results were 27.2 billion yen versus the target of 27.0 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	
Outside Director	Mitsuhiro Nagahama	Outside Audit & Supervisory Board Member of KURARAY Co., Ltd Outside Director of Tokyo Tatemono Co., Ltd. Representative Director of Japan Economic Research Institute
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	Minoru Sakuma	
Outside Audit & Supervisory Board Member	Fumitoshi Sato	Outside Director of TOMY Company, Ltd.

Note: While the Company has transaction relationships with KURARAY Co., Ltd., and Tokyo Tatemono Co., Ltd., at which Director 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 less than 0.1% 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	12/13	—	Eugene H. Lee raised questions and made comments from a global standpoint related to the Company's management plan, medium- to long-term business expansion, strategy formulation, etc. in view of changing business environment based on his expert knowledge of international business and experience and knowledge gained in the management of global companies.
	Katsuhiko Tanabe	13/13	—	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 as a lawyer and wide-ranging expertise on global business, etc., and abundant experience as an outside officer at other listed companies.
	Takeshi Itoh	13/13	—	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 financial knowledge and management experience developed in overseas securities and investment management companies.
	Waka Fujiso	13/13	—	Waka Fujiso raised questions and made comments on the Company's business development from the standpoints of compliance, CSR and risk management in addition to the presence of legal issues but also based on her long-term experience as a prosecutor and in the legal community and wide-ranging legal and compliance expertise.
	Mitsuhiro Nagahama	13/13	4/4	Mitsuhiro Nagahama raised questions and made comments from both a capital market perspective and a global perspective related to the Company's medium- to long-term business development and strategy formulation based on his experience of service in important positions in the fields of finance and securities, outstanding knowledge, and wealth of experience as an Outside Officer for other listed companies.
Outside Audit & Supervisory Board Member	Kinya Fujimoto	13/13	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, internal control, 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.

	Name	Number of attendance at the Board of Directors meeting	Number of attendance at the Audit & Supervisory Board meeting	Statements
	Minoru Sakuma	10/10	10/10	Minoru Sakuma raised questions and made comments from the perspectives of the validity of the Company's business strategy and enhancing the Group's overall corporate governance based on his experience of service in important positions in the field of finance, outstanding knowledge, and wealth of experience as an Outside Officer at an operating company with a global business.
	Fumitoshi Sato	10/10	10/10	Fumitoshi Sato raised questions and made comments from the perspectives of the validity of the Company's business and financial strategy and enhancing the Group's overall corporate governance based on his experience of service in important positions in the field of finance and his management experience at the management division of an operating company.

Note: Director Mitsuhiro Nagahama retired as Audit & Supervisory Board Member, and he assumed the post of Director, at the conclusion of the 97th Ordinary General Meeting of Shareholders held on June 25, 2019, and the above numbers include the number of times he attended both Board of Directors meetings and Audit & Supervisory Board meetings until retiring as an Audit & Supervisory Board Member. Furthermore, because Audit & Supervisory Board Member Minoru Sakuma and Fumitoshi Sato were elected at the 97th Ordinary General Meeting of Shareholders held on June 25, 2019, their attendance only applies to Board of Directors meetings and Audit & Supervisory Board meetings held after their appointment.

4. Accounting Auditor

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

(2) Amount of remuneration during the fiscal year ended March 31, 2020

	Amount Paid
Amount of remuneration paid for services rendered as Accounting Auditor during the fiscal year ended March 31, 2020	84 million yen
Total cash and other remuneration paid by the Company and its subsidiaries to the Accounting Auditor	118 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 Company pays a fee to the Accounting Auditor for giving advices, etc. related corresponding to the new revenue recognition. It is a service (non-audit service) which is different from a service prescribed by Article 2, Paragraph 1 of the Certified Public Accountant Act.
3. 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.

4. 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>

The Basic Policy on Building Internal Control System is as follows. (The Basic Policy was partially amended at the Board of Directors meeting held on May 13, 2015, and the Directors regularly confirm the continuation of the Basic Policy at Board of Directors meetings.)

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 Guiding Principles for azbil Group Business and azbil Group Code of Conduct, 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. In the current fiscal term, the Guiding Principles for azbil Group Business were amended to respond to amendments in laws and regulation and to conduct integrated global management and rolled out throughout the overall group. Furthermore, to boost the levels of our CSR Leaders (CL) that provide education at our overseas subsidiaries, we held our first “Regional CL Meetings” with our subsidiaries in China and South Korea.
- 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.” Unfair treatment of persons initiating consultations and reports is prohibited in these rules, and we have communicated that fact internally. In the current fiscal term, we changed a receiving system at overseas subsidiaries so that persons initiating consultations could easily access the “CSR Hotline.”
- 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. In the current fiscal term, we conducted drills at our Central Emergency Headquarters to ensure that it can act appropriately when an emergency or serious situation occurs.
- 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, we have formed a special team and provide diagnoses of the overall management control of overseas Subsidiaries to further improve management at 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
- Regarding items which have been consulted on or reported to the aforementioned hotline by the Officers and Employees of the Company and Subsidiaries, the Internal Audit Department reports them monthly to the Audit & Supervisory Board Members and the details are reported at the quarterly liaison meeting with the Audit & Supervisory Board Members.
- 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, regularly or 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 of the Company regularly hold meetings with the Board of Directors, Internal Audit Department, Accounting Auditor, and Audit & Supervisory Board Members of subsidiaries to share information, communicate and provide reports, and when necessary exchange opinions and information as needed to improve the efficacy of audits.

(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, 2020, the Company has appointed eleven (11) 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 five (5) 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 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 and CEO, candidates for Chairperson of the Board, candidates for Managing Executive Officers, the executive remuneration system, the remuneration plan, basic remuneration individual performance evaluations, progress evaluation of qualitative targets and individual bonus amount based on the executive remuneration system, and amendments to the Director remuneration framework, but also the dismissal of Presidents and CEOs, Directors, Managing Executive Officers, Representative Directors and Chairperson of the Board as well as items related to the development of successors. The Chairperson 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 chairperson.

Katsuhiko Tanabe (Independent Outside Director), Takeshi Itoh (Independent Outside Director), and Hirozumi Sone (Representative Director) serve as committee members, with Independent Outside Directors comprising a majority of the Committee.

In our activities for fiscal year 2019, the Nomination and Remuneration Committee met five times, and in May 2019, the Committee evaluated the results of individual performance targets and the amounts of bonuses to be paid to individual Directors who concurrently performed executive duties in fiscal year 2018, and deliberated the basic remuneration to be paid to individual Directors who concurrently perform executive duties in fiscal year 2019. The Committee also confirmed the state of progress on the plan to develop successors. Progress in the plan to develop successors was confirmed as necessary at subsequent meetings of the Nomination and Remuneration Committee, and at a February 2020 meeting of the Committee, the structure of the fiscal year 2020 management team was deliberated based on the succession plan and reported to and approved by the Board of Directors. Furthermore, in addition to the specification of the terms of office from the viewpoint of the independence of outside officers, changes to regulations related to executive officers to clarify responsibilities based on positions were deliberated in the Committee and approved at the Board of Directors. Additionally, as part of the expansion of our plan to develop successors, the Committee reviewed our new system to respond to our global personnel that are responsible for part of our overseas business strategy and who exercise excellent capabilities and activities, and reported this to the Board of Directors.

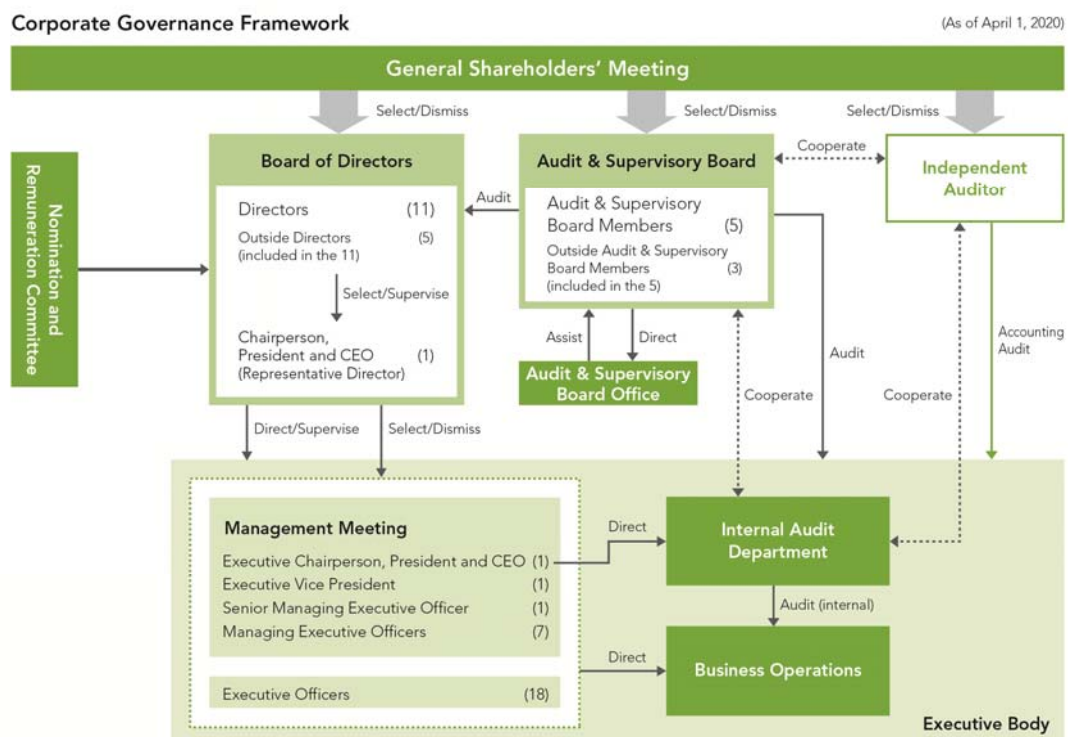
Furthermore, the Company is a company with an Audit & Supervisory Board, and as of March 31, 2020, the Audit & Supervisory Board is made up of two (2) full-time Audit & Supervisory Board Members and three (3) Outside Audit & Supervisory Board Members. Audit & Supervisory Board Member Tomohiko Matsuyasu has many years of experience in the Company's accounting operations. Audit & Supervisory Board Member Kinya Fujimoto has a wealth of experience and outstanding insight as a certified public accountant. Audit & Supervisory Board member Fumitoshi Sato has experience as the person responsible for the creation of financial statements as the officer in charge of accounting and finance at another operating company. Thus, they have a wealth of knowledge concerning financial affairs and accounting. Furthermore, the Company established the Audit & Supervisory Board Office, an organization dedicated to assisting the Audit & Supervisory Board Member in their duties, with three dedicated staff members assigned to assist the Audit & Supervisory Board Members in the execution of their duties.

The Audit & Supervisory Board convenes in principle once a month and holds ad-hoc meetings, as necessary. It 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, and at the Audit & Supervisory Board meetings, the members discussed the annual audit plan at the start of the term, provided individual activity reports on a monthly and quarterly basis during the term, provided a quarterly accounting audit report, evaluated and summarized the auditing activity at the end of the term, and reviewed the evaluations of the Accounting Auditor. Furthermore, the Audit & Supervisory Board Members held four meetings during the year to exchange information with the Outside Directors, mainly reporting audit results and exchanging information on management issues. 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 full-time Audit & Supervisory Board Members conduct audit activities including attending Board of Directors meeting and management meetings, conducting on-site visits of important business locations and subsidiaries and interviews with important divisions, reviewing important documents such

as minutes from important meetings, and it shared those details when necessary with the Outside Audit & Supervisory Board Members. In addition to attending Board of Directors meetings and providing their opinions as independent officers, the Outside Audit & Supervisory Board Members also used their individual knowledge and experience, participating as necessary in visits to important business locations and subsidiaries by the full-time Audit & Supervisory Board Members. All the Audit & Supervisory Board Members attend regular meetings with the Accounting Auditor and Internal Audit Department, and in addition to sharing the mutual audit results during the fiscal year and at the end of the fiscal year and the audit plan and key audit items at the start of the fiscal year, they coordinate closely with the Audit & Supervisory Board members of group companies to confirm audit results for subsidiaries, working to enhance the effectiveness and efficiency of auditing.

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 Code of Conduct 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. In fiscal year 2019, in addition to amending guiding principles for business to implement this philosophy, the Group set its SDGs (basic goals and targets) toward achieving the UN's SDGs. With the SDGs as our new guidepost, we aim to connect the philosophy, Guiding Principles, code of conduct, and management strategy "in series" leading to a sustainable society and to realize a balance between resolving social issues and sustainable growth. 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 group 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)	
		98th term As of March 31, 2020	98th term As of March 31, 2020
Assets			Liabilities
Current assets	209,190	Current liabilities	82,676
Cash and deposits	57,750	Notes and accounts payable - trade	38,482
Notes and accounts receivable - trade	85,245	Short-term borrowings	8,225
Securities	32,200	Income taxes payable	6,699
Merchandise and finished goods	5,512	Advances received	3,717
Work in process	7,640	Provision for bonuses	10,699
Raw materials	12,186	Provision for bonuses for directors (and other officers)	130
Other	9,031	Provision for product warranties	467
Allowance for doubtful accounts	(375)	Provision for loss on order received	328
Non-current assets	65,368	Other	13,926
Property, plant and equipment	28,217	Non-current liabilities	6,581
Buildings and structures	15,026	Long-term borrowings	350
Machinery, equipment and vehicles	2,333	Deferred tax liabilities for land revaluation	181
Tools, furniture and fixtures	2,479	Retirement benefit liability	2,174
Land	6,708	Provision for retirement benefits for directors (and other officers)	148
Leased assets	1,208	Provision for share-based remuneration	1,318
Construction in progress	461	Other	2,408
Intangible assets	5,234	Total liabilities	89,257
Software	4,165	Net assets	
Other	1,069	Shareholders' equity	173,508
Investments and other assets	31,915	Share capital	10,522
Investment securities	19,978	Capital surplus	11,670
Long-term loans receivable	20	Retained earnings	165,055
Distressed receivables	7	Treasury shares	(13,740)
Deferred tax assets	4,286	Accumulated other comprehensive income	9,680
Retirement benefit asset	4	Valuation difference on available-for-sale securities	8,843
Other	7,726	Deferred gains or losses on hedges	(28)
Allowance for doubtful accounts	(108)	Foreign currency translation adjustment	893
Total assets	274,559	Remeasurements of defined benefit plans	(27)
		Non-controlling interests	2,112
		Total net assets	185,301
		Total liabilities and net assets	274,559

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

Consolidated Statement of Income

(Millions of yen)

98th term April 1, 2019 to March 31, 2020	
Net sales	259,411
Cost of sales	155,769
Gross profit	103,642
Selling, general and administrative expenses	76,386
Operating income	27,255
Non-operating income	1,109
Interest and dividend income	766
Other	342
Non-operating expenses	652
Interest expenses	141
Foreign exchange losses	127
Other	382
Ordinary income	27,712
Extraordinary income	802
Gain on sales of non-current assets	21
Gain on sales of investment securities	780
Extraordinary losses	380
Loss on sales and retirement of non-current assets	68
Impairment loss	22
Loss on termination of retirement benefit plan	243
Loss on valuation of shares of subsidiaries and associates	42
Loss on sales of investment securities	4
Income before income taxes	28,134
Income taxes - current	7,619
Income taxes - deferred	312
Net income	20,202
Net income attributable to non-controlling interests	409
Net income attributable to owners of parent	19,793

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

Consolidated Statement of Changes in Net Assets

(Millions of yen)

98th term April 1, 2019 to March 31, 2020	Shareholders' equity				
	Share capital	Capital surplus	Retained earnings	Treasury shares	Total shareholders' equity
Balance at beginning of period	10,522	11,670	160,325	(11,952)	170,566
Cumulative effects of changes in accounting policies			(62)		(62)
Restated balance	10,522	11,670	160,263	(11,952)	170,504
Changes during period					
Dividends of surplus			(6,887)		(6,887)
Net income attributable to owners of parent			19,793		19,793
Purchase of treasury shares				(9,923)	(9,923)
Disposal of treasury shares				22	22
Cancellation of treasury shares		(8,113)		8,113	—
Transfer from retained earnings to capital surplus		8,113	(8,113)		—
Net changes in items other than shareholders' equity					
Total changes during period	—	—	4,792	(1,788)	3,004
Balance at end of period	10,522	11,670	165,055	(13,740)	173,508

98th term April 1, 2019 to March 31, 2020	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 period	9,727	3	935	(91)	10,576	1,954	183,097
Cumulative effects of changes in accounting policies							(62)
Restated balance	9,727	3	935	(91)	10,576	1,954	183,035
Changes during period							
Dividends of surplus							(6,887)
Net income attributable to owners of parent							19,793
Purchase of treasury shares							(9,923)
Disposal of treasury shares							22
Cancellation of treasury shares							—
Transfer from retained earnings to capital surplus							—
Net changes in items other than shareholders' equity	(883)	(32)	(42)	64	(895)	157	(738)
Total changes during period	(883)	(32)	(42)	64	(895)	157	2,266
Balance at end of period	8,843	(28)	893	(27)	9,680	2,112	185,301

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

Non-Consolidated Financial Statements

Non-consolidated Balance Sheet

		(Millions of yen)	
		98th term	
		As of March 31, 2020	
Assets		Liabilities	
Current assets	159,202	Current liabilities	61,953
Cash and deposits	38,131	Notes payable - trade	1,621
Notes receivable - trade	11,915	Account payable -factoring	14,578
Accounts receivable - trade	33,487	Accounts payable - trade	8,213
Accounts receivable from completed construction contracts	22,491	Accounts payable for construction contracts	2,854
Securities	32,200	Short-term borrowings	4,606
Merchandise and finished goods	3,457	Accounts payable - other	1,076
Work in process	2,750	Accrued expenses	4,090
Costs on construction contracts in progress	1,129	Income taxes payable	5,869
Raw materials	5,727	Accrued consumption taxes	2,524
Short-term loans receivable from subsidiaries and associates	349	Advances received	832
Accounts receivable - other	1,478	Advances received on construction contracts in progress	778
Prepaid expenses	2,250	Deposits received	1,910
Other	3,880	Deposits received from subsidiaries and associates	3,027
Allowance for doubtful accounts	(47)	Provision for bonuses	9,058
Non-current assets	63,125	Provision for bonuses for directors (and other officers)	94
Property, plant and equipment	17,107	Provision for product warranties	363
Buildings	11,210	Provision for loss on order received	316
Structures	257	Notes payable - facilities	42
Machinery and equipment	1,023	Other	92
Vehicles	1	Non-current liabilities	2,883
Tools, furniture and fixtures	1,413	Long-term borrowings	304
Land	2,765	Provision for share-based remuneration	1,318
Leased assets	64	Other	1,259
Construction in progress	370	Total liabilities	64,836
Intangible assets	4,618	Net assets	
Software	3,798	Shareholders' equity	149,261
Other	819	Share capital	10,522
Investments and other assets	41,399	Capital surplus	17,197
Investment securities	16,028	Legal capital surplus	17,197
Shares of subsidiaries and associates	14,835	Retained earnings	135,280
Investments in capital of subsidiaries and associates	2,091	Legal retained earnings	2,519
Long-term loans receivable from subsidiaries and associates	2,482	Other retained earnings	132,761
Leasehold deposits	2,682	Reserve for tax purpose reduction entry of non-current assets	1,912
Deferred tax assets	2,542	General reserve	51,811
Other	1,509	Retained earnings brought forward	79,038
Allowance for doubtful accounts	(772)	Treasury shares	(13,740)
Total assets	222,327	Valuation and translation adjustments	8,230
		Valuation difference on available-for-sale securities	8,230
		Total net assets	157,491
		Total liabilities and net assets	222,327

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

Non-consolidated Statement of Income

(Millions of yen)

	98th term April 1, 2019 to March 31, 2020
Net sales	184,371
Net sales of finished goods and others	120,853
Net sales of completed construction contracts	63,517
Cost of sales	107,361
Cost of sales of finished goods and others	68,649
Cost of sales of completed construction contracts	38,711
Gross profit	77,010
Gross profit - finished goods and others	52,204
Gross profit on completed construction contracts	24,805
Selling, general and administrative expenses	56,178
Operating income	20,831
Non-operating income	2,609
Interest income	126
Dividend income	2,390
Rental income from real estate	3
Other	89
Non-operating expenses	755
Interest expenses	27
Foreign exchange losses	158
Provision of allowance for doubtful accounts	315
Commitment fee	20
Expenses of real estate	145
Other	86
Ordinary income	22,686
Extraordinary income	996
Gain on sales of non-current assets	26
Reversal of allowance for investment loss	234
Gain on sales of investment securities	735
Extraordinary losses	1,298
Loss on sales and retirement of non-current assets	49
Loss on valuation of shares of subsidiaries and associates	1,248
Loss on sales of investment securities	0
Income before income taxes	22,383
Income taxes - current	5,787
Income taxes - deferred	14
Net income	16,581

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

Non-consolidated Statement of Changes in Net Assets

(Millions of yen)

(millions of yen)

98th term April 1, 2019 to March 31, 2020	Shareholders' equity							
	Share capital	Capital surplus			Retained earnings			
		Legal capital surplus	Other capital surplus	Total capital surplus	Legal retained earnings	Other retained earnings		
						Reserve for tax purpose reduction entry of non-current assets	General reserve	Retained earnings brought forward
Balance at beginning of period	10,522	17,197	—	17,197	2,519	2,011	51,811	77,357
Changes during period								
Reversal of reserve for tax purpose reduction entry of non-current assets						(99)		99
Dividends of surplus								(6,887)
Net income								16,581
Purchase of treasury shares								
Disposal of treasury shares								
Cancellation of treasury shares			(8,113)	(8,113)				
Transfer from retained earnings to capital surplus			8,113	8,113				(8,113)
Net changes in items other than shareholders' equity								
Total changes during period	—	—	—	—	—	(99)	—	1,680
Balance at end of period	10,522	17,197	—	17,197	2,519	1,912	51,811	79,038

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

(Millions of yen)

(\$ millions or year)

98th term April 1, 2019 to March 31, 2020	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 period	133,699	(11,952)	149,468	9,214	9,214	158,682
Changes during period						
Reversal of reserve for tax purpose reduction entry of non-current assets	—		—			—
Dividends of surplus	(6,887)		(6,887)			(6,887)
Net income	16,581		16,581			16,581
Purchase of treasury shares		(9,923)	(9,923)			(9,923)
Disposal of treasury shares		22	22			22
Cancellation of treasury shares		8,113	—			—
Transfer from retained earnings to capital surplus	(8,113)		—			—
Net changes in items other than shareholders' equity				(984)	(984)	(984)
Total changes during period	1,581	(1,788)	(207)	(984)	(984)	(1,191)
Balance at end of period	135,280	(13,740)	149,261	8,230	8,230	157,491

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

Independent Auditor's Report

May 18, 2020

To the Board of Directors
Azbil Corporation

Deloitte Touche Tohmatsu LLC Tokyo Office
Hiroyuki Motegi, CPA
Designated Limited Liability Partner,
Engagement Partner
Keiji Koide, CPA
Designated Limited Liability Partner,
Engagement Partner

Audit Opinion

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, 2019 to March 31, 2020.

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the financial position and results of operations of the Group, which consisted of the Company and its consolidated subsidiaries, applicable to the fiscal year ended March 31, 2020 in accordance with accounting principles generally accepted in Japan.

Basis for Audit Opinion

We conducted our audit in accordance with auditing standards generally accepted in Japan. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Consolidated Financial Statements section of our report. We are independent of the Company and its consolidated subsidiaries in accordance with the ethical requirements that are relevant to our audit of the consolidated financial statements in Japan, and we have fulfilled our ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Responsibilities of Management, Audit & Supervisory Board Members and the Audit & Supervisory Board for the Consolidated Financial Statements

Management is responsible for the preparation and fair presentation of the consolidated financial statements in accordance with accounting principles generally accepted in Japan; this includes the maintenance and operation of internal control deemed necessary by management for the preparation and fair presentation of the consolidated financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the consolidated financial statements, management is responsible for assessing whether it is appropriate to prepare the consolidated financial statements with the assumption of a going concern, and in accordance with accounting principles generally accepted in Japan, for disclosing, as necessary, matters related to going concern.

Audit & Supervisory Board Members and the Audit & Supervisory Board are responsible for overseeing the Directors' performance of duties within the maintenance and operation of the financial reporting process.

Auditor's Responsibilities for the Audit of the Consolidated Financial Statements

Our responsibilities are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an

auditor's report that expresses our opinion on the consolidated financial statements based on our audit from an independent point of view. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the decisions of users of these consolidated financial statements.

In accordance with auditing standards generally accepted in Japan, we exercise professional judgment and maintain professional skepticism throughout the audit process to perform the following:

- Identify and assess the risks of material misstatement, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Selecting audit procedures to be applied is at the discretion of the auditor. Obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion.
- When auditing the consolidated financial statements, obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances in making risk assessments, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control.
- Evaluate the appropriateness of accounting policies used by management and their method of application, as well as the reasonableness of accounting estimates made by management and related notes thereto.
- Conclude on the appropriateness of preparing the consolidated financial statements with the assumption of a going concern by management, and based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the notes to the consolidated financial statements or, if the notes to the consolidated financial statements on material uncertainty are inadequate, to express a qualified opinion with exceptions on the consolidated financial statements. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Group to cease to continue as a going concern.
- Evaluate whether the presentation of the consolidated financial statements and notes to the consolidated financial statements are in accordance with accounting standards generally accepted in Japan, as well as evaluate the presentation, structure, and content of the consolidated financial statements, including the related notes thereto, and whether the consolidated financial statements fairly present the underlying transactions and accounting events.
- Obtain sufficient appropriate audit evidence regarding the financial information of the Company and its consolidated subsidiaries to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the audit of the consolidated financial statements. We remain solely responsible for our audit opinion.

We report to the Audit & Supervisory Board Members and the Audit & Supervisory Board regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit process, and other matters required by auditing standards.

We also provide the Audit & Supervisory Board Members and the Audit & Supervisory Board with a statement that we have complied with relevant ethical requirements in Japan regarding independence, and communicate with them all relationships and other matters that may reasonably be deemed to bear on our independence, and where applicable, related safeguards in order to eliminate or reduce obstruction factors.

Interests in the Company

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

Independent Auditor's Report

May 18, 2020

To the Board of Directors
Azbil Corporation

Deloitte Touche Tohmatsu LLC Tokyo Office
Hiroyuki Motegi, CPA
Designated Limited Liability Partner,
Engagement Partner
Keiji Koide, CPA
Designated Limited Liability Partner,
Engagement Partner

Audit Opinion

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 (hereinafter, "financial statements, etc.") of the Company for the 98th fiscal term from April 1, 2019 to March 31, 2020.

In our opinion, the financial statements, etc. referred to above present fairly, in all material respects, the financial position and results of operations of the Company, applicable to the fiscal year ended March 31, 2020 in accordance with accounting principles generally accepted in Japan.

Basis for Audit Opinion

We conducted our audit in accordance with auditing standards generally accepted in Japan. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements, Etc. section of our report. We are independent of the Company in accordance with the ethical requirements that are relevant to our audit of the financial statements, etc. in Japan, and we have fulfilled our ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Responsibilities of Management, Audit & Supervisory Board Members and the Audit & Supervisory Board for the Financial Statements, Etc.

Management is responsible for the preparation and fair presentation of the financial statements, etc. in accordance with accounting principles generally accepted in Japan; this includes the maintenance and operation of internal control deemed necessary by management for the preparation and fair presentation of the financial statements, etc. that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, etc., management is responsible for assessing whether it is appropriate to prepare the financial statements, etc. with the assumption of a going concern, and in accordance with accounting principles generally accepted in Japan, for disclosing, as necessary, matters related to going concern.

Audit & Supervisory Board Members and the Audit & Supervisory Board are responsible for overseeing the Directors' performance of duties within the maintenance and operation of the financial reporting process.

Auditor's Responsibilities for the Audit of the Financial Statements, Etc.

Our responsibilities are to obtain reasonable assurance about whether the financial statements, etc. as a

whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that expresses our opinion on the financial statements, etc. based on our audit from an independent point of view. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the decisions of users of these financial statements, etc.

In accordance with auditing standards generally accepted in Japan, we exercise professional judgment and maintain professional skepticism throughout the audit process to perform the following:

- Identify and assess the risks of material misstatement, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Selecting audit procedures to be applied is at the discretion of the auditor. Obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion.
- When auditing the financial statements, etc., obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances in making risk assessments, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control.
- Evaluate the appropriateness of accounting policies used by management and their method of application, as well as the reasonableness of accounting estimates made by management and related notes thereto.
- Conclude on the appropriateness of preparing the financial statements, etc. with the assumption of a going concern by management, and based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the notes to the financial statements, etc. or, if the notes to the financial statements, etc. on material uncertainty are inadequate, to express a qualified opinion with exceptions on the financial statements, etc. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Group to cease to continue as a going concern.
- Evaluate whether the presentation of the financial statements, etc. and notes to the financial statements, etc. are in accordance with accounting standards generally accepted in Japan, as well as evaluate the presentation, structure, and content of the financial statements, etc., including the related notes thereto, and whether the financial statements, etc. fairly present the underlying transactions and accounting events.

We report to the Audit & Supervisory Board Members and the Audit & Supervisory Board regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit process, and other matters required by auditing standards.

We also provide the Audit & Supervisory Board Members and the Audit & Supervisory Board with a statement that we have complied with relevant ethical requirements in Japan regarding independence, and communicate with them all relationships and other matters that may reasonably be deemed to bear on our independence, and where applicable, related safeguards in order to eliminate or reduce obstruction factors.

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 98th fiscal term from April 1, 2019 to March 31, 2020, 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 21, 2020

The Audit & Supervisory Board, Azbil Corporation

Tomohiko Matsuyasu,

Audit & Supervisory Board member

Hisaya Katsuta,

Audit & Supervisory Board member

Kinya Fujimoto,

Outside Audit & Supervisory Board member

Minoru Sakuma,

Outside Audit & Supervisory Board member

Fumitoshi Sato,

Outside Audit & Supervisory Board member