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The corporate governance of Azbil Corporation ("the Company") is described below.

I. Basic Approach to Corporate Governance, Capital Structure, Corporate Attributes and Other Basic Information

1. Basic Approach and Policy

Basic Approach

In order to respond to the trust of all stakeholders, including shareholders, the Company not only complies with laws and regulations and Articles of Incorporation, but also fulfills its social responsibilities and social-contribution responsibilities based on corporate ethics. The Company's basic approach to corporate governance is to continuously improve corporate value through efficient and transparent management; this is positioned as the most important management issue.

Basic Policy

(1) Ensuring the rights and equality of shareholders

In order to ensure that shareholders' rights are substantially secured, the Company takes appropriate measures in accordance with laws and regulations, and, giving due consideration to foreign shareholders and minority shareholders, is promoting the development of an environment in which shareholders can exercise their rights equally and appropriately.

(2) Appropriate cooperation with stakeholders who are not shareholders

In order to achieve sustainable growth and increase corporate value over the medium to long term, we believe that the Company must be strongly aware of its corporate social responsibility and conduct management that is appropriate for our various stakeholders. In order to achieve this, we have adopted the corporate philosophy of "human-centered automation" to realize safety, comfort and fulfillment in people's lives and contribute to the global environment. To this end, we have instituted a Business Conduct Policy and established a Code of Conduct to provide specific guidelines for all officers and employees of the Company and the azbil Group. Also, as regards achieving diversity in human resources, we are actively working to promote the advancement of female employees based on the recognition that having diverse values within a company can be a strength when it comes to achieving sustainable growth.

With regard to the internal reporting system, we believe it is important to (a) encourage employees to use this system by dispelling any concerns that in so doing they might be put at a disadvantage, and (b) ensure that the information thus conveyed is used appropriately. We have therefore established a user-friendly reporting & consultation system—the CSR Hotline—which ensures that the information received is reported to the president & CEO, Audit & Supervisory Board members, and outside directors.

(3) Ensuring appropriate information disclosure and transparency

The Company strives to disseminate information so as to ensure transparency and fairness in decision-making, thus realizing effective corporate governance. Specifically, in order to ensure that all stakeholders have a proper understanding of financial information, such as the Company's financial position and business results, as well as non-financial information, such as management strategy, management planning, management issues, and information relating to risk and governance, we actively disclose information on a voluntary basis in addition to the information stipulated by law. The Company also discloses policies and procedures regarding the appointment of directors and Audit & Supervisory Board members, as well as the selection and dismissal of senior executives including the CEO, and policies for deciding on the remuneration for directors. We will continue to strive to increase the information covered by these disclosures and ensure transparency.

In addition, we are taking appropriate measures to ensure proper audits by the independent accounting auditor: the Company

provides sufficient time for audits to be conducted, arranges for the accounting auditor to interview the president & CEO and the director in charge of finance on a regular basis, and conducts quarterly report meetings between the accounting auditor, the Audit & Supervisory Board members, and the Internal Audit Department.

(4) Responsibilities of the Board of Directors, etc.

The basic mission of the Company's Board of Directors is to achieve sustainable growth and increase corporate value over the medium to long term. As set forth in the Board Rules, important items for deliberation include basic management strategy and plans. Appropriate decisions are reached through free and constructive discussion. In addition, in order to ensure transparency and fairness in management, systems have been established for timely disclosure, internal control, and risk management. Additionally, the Audit & Supervisory Board and its members are responsible for conducting appropriate audits of management and expressing their sentiments while regularly exchanging opinions with the Internal Audit Department.

The Company recognizes the important role played by independent outside directors in ensuring that the Board of Directors fulfills its role and responsibilities appropriately, and has thus appointed five (5) independent outside directors with extensive experience in corporate management and supervision, as well as exceptional expertise and professional knowledge. These independent outside directors, with their diverse backgrounds, fulfill their responsibilities—such as supervising management and advising on how to enhance corporate value—employing a wide range of perspectives.

In order for the Board of Directors to effectively fulfill its role, we believe that it is important both to appoint directors and Audit & Supervisory Board members with sufficient diversity to provide a good overall balance of knowledge and experience, and to ensure transparency and objectivity in making these appointments. For details, please refer to Principle 3-1(4) and Supplementary Principle 4-11-1 in the "Disclosure based on the Principles of the Corporate Governance Code" section of this report.

With regard to succession planning for the Company's senior management, the Nomination and Remuneration Committee—which serves as an advisory body to the Board of Directors—deliberates on the status of training and selection of candidates, and records the results of these deliberations as well as the discussion process itself. This ensures that succession planning is implemented appropriately and objectively. More than half of the Nomination and Remuneration Committee is comprised of independent outside directors, and it is also chaired by an independent outside director, who reports on the Committee's deliberations to the Board of Directors when appropriate. The Board of Directors is thus actively involved in succession planning, a process that is undertaken systematically, ensuring that sufficient time and resources are allocated for the training of candidates.

As of June 25, 2019, the total number of directors is eleven (11), with outside directors accounting for more than one third of the Board of Directors. The Board composition demonstrates ample diversity, including that of nationality and gender. In addition, the chairperson of the Board of Directors is a director who does not concurrently perform executive duties.

(5) Dialogue with shareholders

In order to meet requirements for corporate accountability while contributing to sustainable growth and the enhancement of corporate value over the medium to long term, the Company is working to develop and implement a system for promoting constructive dialogue with shareholders and investors. For more information, please refer to Principle 5-1 in the "Disclosure based on the Principles of the Corporate Governance Code" section of this report.

Regarding the publication of management strategies and plans, as well as presenting basic policies such as earnings plans, the Company strives to provide straightforward explanations of the qualitative and quantitative targets (sales, operating income, ROE, etc.) in our medium-term plan, as well as outlining strategies for achieving those targets.

[Reasons for Non-Compliance with the Principles of the Corporate Governance Code]

The Company complies with all principles of the Corporate Governance Code.

[Disclosure Based on the Principles of the Corporate Governance Code]

[Principle 1-4]　[Strategic shareholdings]

Taking into account our business strategies, business relationships, and cooperative business affiliations, the Company holds listed shares if they are judged to contribute to the enhancement of the Company's corporate value from a medium- to long-term perspective, and to be instrumental in maintaining and strengthening our long-term business relationships. The Company's Board of Directors regularly verifies the significance of individual stocks to our business, including financial returns, to determine whether

these holdings are sufficiently advantageous from the viewpoint of economic rationality and capital costs. The results of this verification are reported along with any risks involved in holding a stock. Should it be determined, as a result of this verification, that holding an individual stock is not sufficiently advantageous, and that it cannot be judged to contribute to the improvement of the Company's corporate value from a medium- to long-term perspective, our policy is to reduce our holdings of that stock by selling shares when deemed appropriate in light of stock prices and market trends. The Company's strategic shareholdings are disclosed in the Securities Report, with the current number of shares of each stock, the purpose of holding the stock, and whether reductions have been made, etc.

When it comes to exercising voting rights, an issuer's financial position and governance status are regularly monitored, and the details of each proposal are reviewed to determine comprehensively whether or not medium- to long-term shareholder value will be enhanced and whether there will be any impact on the Company's corporate value or on the significance of holding the stock.

In dealings with companies that hold the Company's stock as strategic shareholdings, the economic rationale of each transaction is given appropriate consideration. In addition, even if such a company indicates its intention to sell these shares, the Company will not engage in any conduct intended to prevent the sale, such as suggesting a scaling-back of business.

[Principle 1-7] [Related Party Transactions]

The Board Rules stipulate that self-trading and competitive transactions by the Company's directors, Audit & Supervisory Board members and executive officers require both prior approval and post-transaction reporting. Furthermore, to establish whether or not there have been any transactions involving corporate officers and their close relatives, a questionnaire-based survey is conducted each year, in accordance with the separately established Corporate Governance Guidelines. In addition, based on the Code of Audit & Supervisory Board Auditing Standards, the Audit & Supervisory Board members monitor and verify whether any directors are in violation of their obligations. As for shareholder transactions, there are no major shareholders as defined by the Financial Instruments and Exchange Act, and thus no such transactions have taken place.

[Principle 2-6] [Functioning as corporate pension asset owner]

In June 2015, the transfer of the Company's corporate pension plan to the defined contribution system was completed. A contractual corporate pension plan was established, however, to manage the assets of those entitled to retirement pensions from the former employees' pension fund under the defined benefit system.

This contractual corporate pension plan is limited to beneficiaries who have already retired, and the pension fund assets will gradually decrease over time. However, in order to ensure the proper operation of the defined benefit corporate pension plan, the Company has established an Asset Management Committee chaired by the officer in charge of finance and comprised of employees who work in such fields as finance, accounting and human resources. This committee engages in monitoring and analyzing fund status and management.

Moreover, it is necessary to call on additional expertise regarding corporate pensions, so we receive expert advice from a neutral, independent external consulting firm as required. Qualified personnel have been assigned to the corporate pension department and to the Asset Management Committee office, and also training opportunities are made available to enable the staff to enhance skills relevant to these tasks.

In addition, the management of the reserve funds is entrusted to several investment management organizations. Each of these is able to exercise voting rights appropriately and thus avoid possible conflicts of interest between the beneficiaries of the corporate pension plan and the Company.

[Principle 3-1] [Enhancement of information disclosure]

As outlined below, the Company discloses information in accordance with relevant laws and regulations, but also proactively publishes additional information on a voluntary basis, and will continue to strive to enhance information disclosure and ensure transparency.

(1) Management philosophy, management strategy, management plans

Please refer to our website (URL below) for the azbil Group Philosophy, which serves as our management philosophy, for our medium-term plan, and for basic measures, etc.

https://www.azbil.com/corporate/index.html

(2) Corporate governance: Basic approach and basic policy

For details, please refer to “Basic Approach” and “Basic Policy” sections in “1. Basic Approach” within “I. Basic Approach to Corporate Governance, Capital Structure, Corporate Attributes and Other Basic Information” in this report.

(3) Policies and procedures for determining remuneration for directors

Please refer to “Remuneration for Directors (p.15)” and “2. Functions of Business Execution, Auditing, Oversight, Nomination, and Remuneration Decisions (p.19)” within “II. Business Management Organization and Other Corporate Governance Systems regarding Decision-Making, Execution of Business, and Oversight in Management” in this report.

(4) Policies and procedures regarding the appointment of directors and Audit & Supervisory Board members, as well as the selection/dismissal of senior executives including the CEO

Please refer to “2. Functions of Business Execution, Auditing, Oversight, Nomination, and Remuneration Decisions (p.17)” within “II. Business Management Organization and Other Corporate Governance Systems regarding Decision-Making, Execution of Business, and Oversight in Management” in this report.

(5) Reasons behind the appointment of individual directors and Audit & Supervisory Board members

For the reasons behind the appointment of individual directors and Audit & Supervisory Board members, please refer to the notices of the Ordinary General Meeting of Shareholders.

Notice of the Ordinary General Meeting of Shareholders: https://www.azbil.com/ir/stock/meeting/index.html
(Notices for past Ordinary General Meetings of Shareholders are also posted.)

[Supplementary Principle 4-1-1]　[Scope of matters delegated to management (summary)]

The Board Rules sets out what matters are to be submitted/reported to the Board of Directors, and the scope of matters to be delegated to management. Note, however, that even if a matter properly falls within the latter scope, it may be desirable that it be submitted/reported to the Board of Directors. Thus, if the Board, directors and Audit & Supervisory Board members deem it necessary, the Rules allow for such matters to be deliberated by the Board of Directors. Matters to be submitted/reported to the Board of Directors include those specified in laws and regulations and in the Articles of Incorporation, as well as basic management strategies, management plans, corporate governance policies, risk management, and other important management matters. As regards matters concerning business management, etc., monetary thresholds have been established for determining what needs to be submitted/reported to the Board, varying depending on the relative importance to management. As regards those matters falling within the scope of delegation to management, final decisions are made principally by the president & CEO where set forth in the Management Meeting Rules, while for those matters within certain ranges, the authority is delegated to different tiers of management as laid out in the Administrative Authority Rules.

[Principle 4-8]　[Effective Use of Independent Outside Directors]

In order to contribute to sustainable growth and the enhancement of corporate value over the medium to long term, the Company has appointed five (5) independent outside directors with a wide range of experience in corporate management and supervision, as well as extensive expertise and professional knowledge. These independent outside directors, with their diverse backgrounds, contribute to enhancing corporate value through counseling and supervising decision-making processes in meetings of the Board of Directors.

As of June 25, 2019, the total number of directors is eleven (11), with outside directors accounting for more than one third of the Board of Directors. The Board composition demonstrates ample diversity, including that of nationality and gender.

[Principle 4-9]　[Criteria for Judging the Independence and Qualifications of Independent Outside Directors]

In addition to meeting the requirements for outside directors set out in the Companies Act, the Company applies its own criteria for judging independence and appoints outside directors who can be expected to make constructive recommendations and offer accurate advice regarding management issues and the enhancement of corporate value over the medium to long term. As indicated in the Securities Report and in the notices of the Ordinary General Meeting of Shareholders, the five (5) independent outside directors appointed by the Company are demonstrably independent and have diverse backgrounds and knowledge, together with extensive experience and expertise.

The criteria for judging independence established by the Company are explained in this Corporate Governance Report and are also included in the reference documents provided with the notices of the Ordinary General Meeting of Shareholders.

[Supplementary Principle 4-11-1]　[Views on balancing knowledge, experience and competence in the composition of the Board of Directors, as well as issues of diversity and scale]

In a rapidly changing business environment, we believe that the Company needs a Board of Directors that offers diversity and provides a good overall balance of knowledge and experience that will contribute to the enhancement of corporate value over the medium to long term. Based on this fundamental principle, we have appointed directors with executive experience in the Company's business and management, and also outside directors, from various backgrounds, having wide-ranging experience in corporate management and supervision, independence, extensive expertise and professional knowledge.

In appointing directors, the Board of Directors selects candidates after screening by the Nomination and Remuneration Committee, an optional advisory body which consists of independent outside directors (who constitute a majority) and the representative director, and which is chaired by an independent outside director.

Audit & Supervisory Board members are chosen for their knowledge of finance, accounting, and legal affairs, with at least one member having extensive knowledge of finance and accounting. The supervisory function of the Audit & Supervisory Board, comprising five (5) members, is enhanced through appointing three (3) independent outside members, including one certified public accountant. We thus maintain a Board of Directors with a good overall balance.

As of June 25, 2019, the Board of Directors consists of five (5) directors with executive experience in the Company's business and management; one (1) director who serves as chairperson and who does not concurrently perform executive duties; and five (5) independent outside directors with wide-ranging experience, extensive expertise and professional knowledge, and who enhance diversity, including that of nationality and gender. The total number of directors is eleven (11), with outside directors accounting for more than one third of the Board of Directors.

[Supplementary Principle 4-11-2]　[Concurrent positions of directors and the Audit & Supervisory Board members]

If a director or Audit & Supervisory Board member concurrently serves as a director of another listed company, the Company shall confirm in advance whether this might negatively impact—in terms of time and effort— the individual's ability to carry out their roles and responsibilities as an officer of the Company. Any such concurrent positions are disclosed in the Securities Report and in the notices of the Ordinary General Meeting of Shareholders. At this time, there are no concurrent positions that affect the Company's management or the roles and responsibilities of its corporate officers.

[Supplementary Principle 4-11-3] [Evaluating the Effectiveness of the Board of Directors]

The Board of Directors makes appropriate decisions following open and constructive discussion and strives to improve corporate value over the medium and long terms. To continue fulfilling its roles and responsibilities properly, the Board of Directors identifies issues and areas requiring improvement with the aim of enhancing the Board's effectiveness. Since fiscal 2018, members of the Board of Directors and Audit & Supervisory Board have conducted annual self-evaluations and have collected views on the (1) Size and composition of the Board of Directors; (2) Management status of the Board of Directors; (3) Support systems and communication with outside directors and Audit & Supervisory Board members; and (4) Decision-making process of the Board of Directors. Based on this information, the Board of Directors has made an assessment of its current effectiveness, shared information on issues, and engaged in constructive discussions on future action.

As a result, we have confirmed that the Board of Directors overall is performing effectively and appropriately. For example, the size, composition, and operating status of the Board of Directors are generally appropriate, and systems are in place to make important management decisions and supervise business execution. Also, members of the Board—both internal and external officers with wide-ranging experience and expertise—have a profound understanding of their roles and engage in open, active, and constructive discussions based on adequate communication.

In fiscal 2018, the Board stepped up deliberations about growth strategies in each business segment, technology development, and human resource development, with a view to the long-term development of the company. It also received reports on business results and strategies of major subsidiaries and reports on business conditions at overseas subsidiaries in major regions and the responses to those conditions in order to strengthen the supervision of Group management. In addition, a team was organized to address responses in a cross-organizational approach and received detailed reports on efforts to resolve issues. Meanwhile, the Board of Directors continued to actively discuss management plans, business strategies and the like, with a view to long-term growth and formulation of the next medium-term plan, in order to fulfill its role in providing direction for the Group's overall management strategies. Board members together recognize the need to strengthen their oversight function, particularly with respect to understanding the management status of domestic and overseas subsidiaries.

We will continue striving to increase the effectiveness of the Board of Directors in order to achieve sustainable growth and enhance corporate value over the medium and long terms.

[Supplementary Principle 4-14-2]　[Training Policy for Directors and Audit & Supervisory Board members]

The Company believes that it is important to provide appropriate training opportunities for individual officers so that directors and Audit & Supervisory Board members can appropriately fulfill their roles and responsibilities. Based on this recognition, external training opportunities are provided for newly appointed directors and Audit & Supervisory Board members to acquire and update the knowledge necessary for the performance of their duties, including their legal authority and obligations as officers. Also, so that they can deepen their understanding of the Company, newly appointed outside directors and outside Audit & Supervisory Board members are provided with an overview of the enterprise, its businesses and products; factory tours; and explanations of matters related to corporate governance, etc. Furthermore, we regularly conduct group compliance training for all officers, inviting external lecturers as appropriate. In addition, in order to prepare the next generation of executives, we provide training opportunities for managers to acquire the leadership skills, knowledge of management strategies, and management competences required of top management.

[Principle 5-1]　[Dialogue with Shareholders]

In order to fulfill corporate accountability and contribute to sustainable growth and the enhancement of corporate value over the medium to long term, the Company is working to establish a system to promote constructive dialogue with shareholders and investors as follows.

(1) In order to support constructive dialogue with shareholders and investors, the Company has appointed an officer in charge of corporate communications to carefully monitor general dialogue while liaising with relevant internal departments. Dialogue with shareholders is, depending on the purpose, mainly handled by senior management, the corporate communications officer, or the IR office. In addition to individual dialogues with shareholders and investors, the Company is actively engaged in various communications initiatives, conducting briefings on financial results and other topics, and arranging tours.

(2) Information and opinions obtained through dialogue are conveyed to the president & CEO and management as well as to the outside directors and Audit & Supervisory Board members to be used as feedback in company management.

(3) When preparing to engage in dialogue, both content and scope of information disclosure are clarified in advance, efforts made to ensure information consistency, and appropriate measures taken, such as setting a “quiet period” before the announcement of financial results to prevent leaks of insider information. In order to build, maintain, and develop relationships of trust with our stakeholders, the Company is committed to conducting fair and transparent information disclosure in a timely and appropriate manner, promoting constructive dialogue through a variety of communications activities. This is explained in our disclosure policy, which is made available online.

Disclosure Policy: https://www.azbil.com/ir/management/disclosure/index.html

2. Capital Structure

Foreign Shareholding Ratio	30% or more

[Major Shareholders]

Name/Company name	Number of shares owned (Shares)	Percentage (%)
Meiji Yasuda Life Insurance Company	10,428,200	7.18
The Master Trust Bank of Japan, Ltd. (Trust account)	10,291,400	7.08
SSBTC CLIENT OMNIBUS ACCOUNT	9,383,004	6.46
Japan Trustee Services Bank, Ltd. (Trust account)	8,703,700	5.99
JPMC Oppenheimer Jasdec Lending Account	4,637,400	3.19
Trust & Custody Services Bank, Ltd. (Trustee for Mizuho Trust & Banking Co., Ltd. Retirement Benefit Trust Account)	4,631,250	3.18
Japan Trustee Services Bank, Ltd. (Trust account 9)	4,405,100	3.03
State Street Bank and Trust Company 505025	3,768,100	2.59
Nippon Life Insurance Company	3,739,264	2.57
National Mutual Insurance Federation of Agricultural Cooperatives	3,101,400	2.13

Controlling Shareholder (Except for Parent Company)	—
Parent Company	None

Supplementary Explanation

1. The Company holds 3,303,558 treasury shares. This does not include shares (1,988,258 shares) owned by Trust & Custody Services Bank, Ltd. (Trust E) as trust assets for the Employee Stock Ownership Plan (J-ESOP).
2. The numbers of shares related to the trust business are: 8,507 thousand shares held by The Master Trust Bank of Japan, Ltd. (Trust account) and 5,132 thousand shares held by Japan Trustee Services Bank, Ltd. (Trust account).
3. According to the Report on Large Shareholding dated March 25, 2019, which has been made available for public inspection, 10,701,000 shares (7.20 % of the total shares issued) are held by FMR LLC as of March 15, 2019. However, as the Company is not able to confirm the number of shares actually held as of March 31, 2019, the end of the fiscal year under review, FMR LLC is not included in the above list of major shareholders.

3. Corporate Attributes

Listed Stock Market and Market Section	Tokyo Stock Exchange, First Section
Fiscal Year End	March
Business Category	Electric Appliances
Number of Employees (Consolidated) as of the End of the Previous Fiscal Year	1,000 or more
Sales (Consolidated) for the Previous Fiscal Year	Between 100 billion yen and 1 trillion yen
Number of Consolidated Subsidiaries as of the End of the Previous Fiscal Year	Between 10 and 50

4. Policy on Measures to Protect Minority Shareholders in Conducting Transactions with Controlling Shareholder

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5. Other Special Circumstances that May Have a Material Impact on Corporate Governance

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II. Business Management Organization and Other Corporate Governance Systems regarding Decision-Making, Execution of Business, and Oversight in Management

1. Organizational Composition and Operation

Structure of Organization	Company with Audit & Supervisory Board

[Directors]

Number of Directors as Specified in Articles of Incorporation	11
Term of Office of Directors as Specified in Articles of Incorporation	2 years
Chairperson of the Board	Non-executive Director

Number of Directors	11
Appointment Status of Outside Directors	Appointed
Number of Outside Directors	5
Number of Outside Directors Designated as Independent Directors	5

Relationship with the Company (1)

Name	Affiliation	Relationship with the Company (*)										
		a	b	c	d	e	f	g	h	i	j	k
Eugene H. Lee	From another company											
Katsuhiko Tanabe	Lawyer											
Takeshi Itoh	From another company											
Waka Fujiso	Other											
Mitsuhiro Nagahama	From another company								△			

* Nature of relationship with the Company:

○ : The director presently belongs to or has recently belonged to the category.

△ : The director belonged to the category in the past.

● : A close relative of the director presently belongs to or has recently belonged to the category.

▲ : A close relative of the director belonged to the category in the past.

Categories:

a. Executive of the Company or its subsidiaries

b. Non-executive director or executive of a parent company of the Company

c. Executive of a subsidiary company of the Company

d. A party whose major client or supplier is the Company or an executive thereof

e. Major client or supplier of the Company or an executive thereof

f. Consultant, accountant or legal professional who receives a large monetary consideration or other property from the Company besides compensation as a director or Audit & Supervisory Board member

g. Major shareholder of the Company (or an executive of a major shareholder if the said shareholder is a legal entity)

h. Executive of a client or supplier company of the Company (which does not correspond to categories d, e, or f) (the director himself/herself only)

i. Executive of a company having an outside director or Audit & Supervisory Board member who is also appointed to the Company (the director himself/herself only)

j. Executive of a company or organization that receives a donation from the Company (the director himself/herself only)

k. Others

Relationship with the Company (2)

Name	Designation as Independent Director	Supplementary Explanation of the Conforming Items	Reason for Appointment
Eugene H. Lee	Yes	-	Mr. Eugene H. Lee brings a high level of expertise in international law and international business, as well as a wealth of experience and achievement in the management of global companies. In addition, he has an in-depth knowledge of Japan, Japanese business practices, and Japanese companies, as a result of his lengthy professional experience in Japan. He uses his experience in the management of global

			companies and advanced knowledge not only to monitor the execution of business as a member of the Board of Directors but also to make active suggestions aimed at increasing management transparency and fairness. In these ways, Mr. Lee fulfills his role of supervising and giving advice on business execution. Also, as he falls under none of the above categories (a to k), the Company has designated him as an independent director, judging 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 Company's own Criteria for Independence of Outside Directors and Outside Audit & Supervisory Board Members.
Katsuhiko Tanabe	Yes	-	As a lawyer who has held important positions of responsibility in the legal profession and who has a considerable record of achievement as an expert in corporate legal affairs, Mr. Katsuhiko Tanabe provides an expert viewpoint and deep insight into management. He utilizes his experience as an outside officer at several companies to monitor business execution as a member of the Board of Directors and also uses his extensive knowledge as a legal expert and deep insight into corporate governance to make active suggestions aimed at increasing management transparency and fairness. In these ways, the Company believes Mr. Tanabe can fulfill his role of supervising and giving advice on business execution. Also, as he falls under none of the above categories (a to k), the Company has designated him as an independent director, judging 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 Company's own Criteria for Independence of Outside Directors and Outside Audit & Supervisory Board Members.
Takeshi Itoh	Yes	-	Mr. Takeshi Itoh brings experience as an executive and analyst at Japanese and overseas investment banks and investment advisory companies. In addition, he has a substantial record of achievement in the sophisticated analysis of companies based on his lengthy experience of working overseas and his consulting work related to M&As, financing business operations and other matters. He not only utilizes his experience as an executive of investment management companies in Japan and overseas to monitor business execution as a member of the Board of Directors but also utilizes his advanced knowledge and experience as an expert in international finance and investment

			fields to make active suggestions aimed at increasing management transparency and fairness. In these ways, the Company believes Mr. Itoh can fulfill his role of supervising and giving advice on business execution. Also, as he falls under none of the above categories (a to k), the Company has designated him as an independent director, judging 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 Company's own Criteria for Independence of Outside Directors and Outside Audit & Supervisory Board Members.
Waka Fujiso	Yes	-	Ms. Waka Fujiso brings a high level of expertise and a wealth of experience gained over many years as a prosecutor. After retiring from the Supreme Public Prosecutor's Office, she has taught at law school and served as a committee member for government agency councils. She uses her wide-ranging insight on legal matters and compliance to monitor business execution as a member of the Board of Directors, thus enhancing management transparency and fairness. She also offers assertive opinions from the perspectives of compliance and CSR, in addition to pointing out possible legal issues. In these ways, the Company believes Ms. Fujiso can fulfill her role of supervising and giving advice on business execution. Also, as she falls under none of the above categories (a to k), the Company has designated her as an independent director, judging 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 Company's own Criteria for Independence of Outside Directors and Outside Audit & Supervisory Board Members.
Mitsuhiro Nagahama	Yes	Mr. Mitsuhiro Nagahama served as a director at the Company's lender, Mizuho Corporate Bank, Ltd. (now: Mizuho Bank, Ltd.), until March 2013. However, the amount of the borrowings from said bank is ¥4,885 million, which is 1.7% of the Company's consolidated total assets of ¥275,518 million and the azbil Group does not effectively have loans payable (net balance	Mr. Mitsuhiro Nagahama 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 of the Company in 2015 and has audited all aspects of the company's business, utilizing his excellent insights on corporate governance and corporate management, while helping improve the corporate governance and internal control systems from an independent standpoint. Utilizing his deep insights, he not only monitors the execution of business as a member of the Board of Directors, but also provides impartial

		of loans not exceeding current liquidity deposited at 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 and the Company judges said bank is not a business partner nor a lender which influences the Company's decision-making.	remarks and advice aimed at enhancing management transparency and fairness from wide-ranging perspectives. In these ways, the Company believes Mr. Nagahama can fulfill his role effectively. He had engaged in business execution at the Company's lender, Mizuho Corporate Bank, Ltd. (now: Mizuho Bank, Ltd.), until March 2013; he thus falls under category h above. However, said bank is not a business partner which influences the Company's decision making, as shown on the left. Also, as he falls under none of the other categories (a to k, with the exception of h), the Company has designated him as an independent director, judging there to be no possibility of the occurrence of conflict of interest with general shareholders, in accordance with the Company's own Criteria for Independence of Outside Directors and Outside Audit & Supervisory Board Members.

Establishment of Voluntary Committee Corresponding to a Nominating Committee or Remuneration Committee	Established

Establishment of Voluntary Committees, Membership Composition, and Attributes of Chairperson

	Committee's Name	Total no. of Committee Members	Standing Members	Internal Directors	Outside Directors	Outside Experts	Others	Chairperson
Committee Corresponding to Nomination Committee	Nomination and Remuneration Committee	4	0	1	3	0	0	Outside Director
Committee Corresponding to Remuneration Committee	Nomination and Remuneration Committee	4	0	1	3	0	0	Outside Director

Supplementary Explanation

The Company established its Nomination and Remuneration Committee as an optional advisory body to the Board of Directors. The role of the Committee is to ensure greater fairness, objectivity, and transparency of processes for nominating and remunerating officers, with the aim of fostering the enduring development of the company and improving its medium- and long-term profitability and productivity. The Committee selects candidates for directors and representative director, as well as candidates for president & CEO, chairperson of the Board of Directors, and managing executive officer. It also deliberates on the officer remuneration system and remuneration plan, as well as basic remuneration, individual performance evaluation, progress, evaluation of qualitative items, bonus payments to individuals based on the officer remuneration system, and amendments to the director remuneration framework. In addition, it deliberates on matters relating to the dismissal of the president & CEO, directors, and managing executive officers; dismissal of the representative director and chairperson of the Board of Directors; and training of successors. It is stipulated that independent outside directors make up the majority of Committee members and that an independent outside director is elected as its chairperson by the Committee members. Currently, Eugene H. Lee (independent outside director) serves as chairperson, the other members being Katsuhiko Tanabe (independent outside director), Takeshi Itoh (independent outside director), and Hirozumi Sone (representative director).Independent outside directors thus constitute the majority.

In fiscal 2018, the committee had 5 meetings, which all members attended. They mainly discussed candidates for future officers;

procedures to elect or dismiss the president & CEO; formulation of a succession plan and its progress; evaluating the results of individual performance targets and the bonus amounts to be paid to individual directors who concurrently perform executive duties in fiscal 2017; and the determination of the basic remuneration amounts paid to individual directors who concurrently perform executive duties in fiscal 2018.

[Audit & Supervisory Board Members]

Establishment of Audit & Supervisory Board	Established
Number of Corporate Auditors Specified in Articles of Incorporation	5
Number of Audit & Supervisory Board Members	5

Cooperation between Audit & Supervisory Board Members, Accounting Auditor, and Internal Auditing Department

The Audit & Supervisory Board members review the audit plan and key audit items, etc. with the accounting auditor and the Internal Audit Department at the start of the fiscal term, and in addition to regularly sharing audit results, and working to enhance the effectiveness and efficiency of auditing through closer coordination with the Audit & Supervisory Board members at Group companies, etc.

Appointment of Outside Audit & Supervisory Board Members	Appointed
Number of Outside Audit & Supervisory Board Members	3
Number of Outside Audit & Supervisory Board Members Designated as Independent Audit & Supervisory Board Members	3

Relationship with the Company (1)

Name	Affiliation	Relationship with the Company (*)												
		a	b	c	d	e	f	g	h	i	j	k	l	m
Kinya Fujimoto	Certified public accountant													
Minoru Sakuma	From another company													
Fumitoshi Sato	From another company										△			

* Nature of relationship with the Company:

○ : The Audit & Supervisory Board member presently belongs to or has recently belonged to the category.

△ : The Audit & Supervisory Board member belonged to the category in the past.

● : A close relative of the Audit & Supervisory Board member presently belongs to or has recently belonged to the category.

▲ : A close relative of the Audit & Supervisory Board member belonged to the category in the past.

Categories:

a. Executive of the Company or its subsidiaries
b. Non- executive director or accounting advisor of the Company or its subsidiaries
c. Non-executive director or executive of a parent company of the Company
d. Audit & Supervisory Board member of a parent company of the Company
e. Executive of a subsidiary company of the Company
f. A party whose major client or supplier is the Company or an executive thereof
g. Major client or supplier of the Company or an executive thereof
h. Consultant, accountant or legal professional who receives a large monetary consideration or other property from the Company besides compensation as a director or Audit & Supervisory Board member
i. Major shareholder of the Company (or an executive of a major shareholder if the said shareholder is a legal entity)
j. Executive of a client or supplier company of the Company (which does not correspond to categories d, e, or f) (the Audit & Supervisory Board member himself/herself only)
k. Executive of a company having an outside director or Audit & Supervisory Board member who is also appointed to the Company (the Audit & Supervisory Board member himself/herself only)
l. Executive of a company or organization that receives a donation from the Company (the Audit & Supervisory Board member himself/herself only)
m. Others

Relationship with the Company (2)

Name	Designation as Independent Audit & Supervisory Board Member	Supplementary Explanation of the Conforming Items	Reason for Appointment
Kinya Fujimoto	Yes	-	Mr. Kinya Fujimoto has been active as a Certified Public Accountant for many years and has implemented audits at the Company from perspectives relating to finance and accounting, contributing to the improvement of the Company's corporate governance and internal control. He possesses the required knowledge related to finance, accounting, and legal affairs as an Audit & Supervisory Board member, and his professional discernment based on this knowledge and experience can be reflected in the auditing of the Company's overall business and in the strengthening of the management of Group companies. He is also independent from the Company so that the Company believes he can further strengthen its corporate governance. Also, as he falls under none of the above categories (a to m), the Company has designated him as an independent Audit & Supervisory Board member, judging 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 Company's own Criteria for Independence of Outside Directors and Outside Audit & Supervisory Board Members.
Minoru Sakuma	Yes	-	Mr. Minoru Sakuma has successively served in important posts at policy-based financial institutions, and in addition to his broad knowledge of international finance and extensive overseas experience, he has management experience at investment corporations and experience as an Outside Audit & Supervisory Board member at a globally operating company. He possesses the required knowledge related to finance, accounting, and legal affairs as an Audit & Supervisory Board member, and his professional discernment based on this knowledge and experience can be reflected in auditing of the Company's overall business and in improvement of the management of Group companies. He is also independent from the Company so that the Company believes he can further strengthen its corporate governance. Also, as he falls under none of the above categories (a to m), the Company has designated him as an independent Audit & Supervisory Board member, judging 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 Company's own Criteria for Independence of Outside Directors and Outside Audit & Supervisory Board Members.

Fumitoshi Sato	Yes	Mr. Fumitoshi Sato served as a director at Horiba Ltd. until March 2017. While the Company has a transaction relationship with said company, in the most recent fiscal year and in the preceding three fiscal years, the amount of these transactions represents 0.2% or less of the consolidated net sales of both the Company and said company, which does not make it a major business partner as per the Criteria for Independence of Outside Directors and Outside Audit & Supervisory Board Members established by the Company. Thus, the Company judges said company is not a business partner which influences the Company's decision-making.	Mr. Fumitoshi Sato has successively served in important posts at the Bank of Japan, and in addition to his broad knowledge in the financial sector and extensive experience, he has work experience in the management division overseeing accounting, legal affairs, and human resources at an operating company in the manufacturing industry, and also management experience as a director. He possesses the required knowledge related to finance, accounting, and legal affairs to be an Audit & Supervisory Board member, and his professional discernment based on this knowledge and experience can be reflected in the auditing of the Company's overall business and in strengthening of the management of Group companies. He is also independent from the Company so that the Company believes he can further strengthen its corporate governance. He engaged in business execution at Horiba Ltd. until March 2017; he thus falls under category j above. However, said company is not a business partner which influences the Company's decision-making, as shown on the left. Also, as he falls under none of the other categories (a to m, with the exception of j), the Company has designated him as an independent Outside Audit & Supervisory Board member, judging there to be no possibility of the occurrence of conflict of interest with general shareholders, in accordance with the Company's own Criteria for Independence of Outside Directors and Outside Audit & Supervisory Board Members.

[Independent Directors/ Audit & Supervisory Board Members]

Number of Independent Directors/ Audit & Supervisory Board Members	8

Matters Relating to Independent Directors/ Audit & Supervisory Board Members

The Company has 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. It judges that a person is not independent if any of the items below apply:

1. A person who serves as an executive*1 of the Company or a consolidated subsidiary of the Company, or who served for ten (10) years prior to being appointed;

   1: "executive" refers to an executive director, an executive officer or head of a department and other general employees.

2. A person who served as an executive of the Company or a consolidated subsidiary for ten (10) years prior to being appointed as a non-executive director or an Audit & Supervisory Board member of the Company or a subsidiary of the Company;
3. A person who serves as an executive of a major business partner of the azbil Group (a business partner that makes a payment in the amount exceeding 2% of its annual consolidated sales for the latest fiscal year or any of the preceding three fiscal years or receives such a payment), or who has served in such a position in the last three (3) years;
4. A person who serves as an executive or an Audit & Supervisory Board member of a major lender*2 of the azbil Group or its parent company or its significant subsidiary, or who served in such a position in the last three (3) years;

   2: A major lender refers to a financial institution group from which the azbil Group has borrowed funds where the outstanding aggregate of those borrowings

exceeds 2% of the 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 at such lender).

5. A related party of the accounting auditor or audit firm etc. of the azbil Group, or who has served in the last three (3) years in such a position (including those who have already resigned from such a position);
6. A lawyer, certified public accountant, or other consultant who does not fall under item 5 above and who received money and other economic benefits in the annual average amount of 10 million yen or more over the past three years other than executive compensations from the azbil Group;
7. A member, partner, associate or employee of a law firm or an audit firm, etc. who does not fall under items 5 or 6 above where the azbil Group is a major business partner of the said law firm, audit form, etc. (a company that received a payment from the Company or a consolidated subsidiary in the annual average amount of 2% or more of the consolidated net sales of the company over the past three (3) fiscal years);
8. A person who serves as an executive or an Audit & Supervisory Board member of a current major shareholder of the Company (a shareholder that holds 10% or more of voting rights in the Company), its parent company or its significant subsidiary, or who served in such a position in the last five (5) years;
9. A person who serves as an executive or an Audit & Supervisory Board member of a company that accepts a director seconded from the azbil Group, its parent company or its subsidiary;
10. A person who serves as an executive or an Audit & Supervisory Board member of a company in which the Company is a major shareholder;
11. A person who has received as an executive of an organization such as a public interest incorporated foundation, a public interest incorporated association, or a 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 (3) fiscal years; and
12. A spouse, a person within the second degree of consanguinity, or a relative residing in the same household of a person for whom any of above items (1 to 11) are applicable.

[Incentives]

Implementation of Measures to Provide Incentives to Directors	Performance-linked remuneration, etc.

Supplementary Explanation

Directors who concurrently perform executive duties receive bonuses based on performance evaluation and qualitative evaluation*, as well as the degree to which medium- term targets have been achieved. The portion that is linked to performance is designed to foster the sustainable growth and improved corporate value of the Company. Specific calculations are based on ROE and other indicators—which reflect an increase in operating income, profitability, and capital efficiency—in order to evaluate how directors have fulfilled their Group consolidated management responsibilities. Another indicator that is used is operating income growth rate, which reflects the efforts of directors to achieve medium- and long-term improvement in corporate value. The Nomination and Remuneration Committee discusses individual performance-linked remuneration amounts after comprehensive consideration of these indicators.

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

**Also taken into consideration is the degree of achievement of qualitative targets assigned individually to each role. These include objectives set at the beginning of each period for CSR and other activities and for human resource succession training.*

Recipients of Stock Options	

Supplementary Explanation

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[Remuneration for Directors]

Disclosure of Individual Directors' Remuneration	None

Supplementary Explanation

The amount of remuneration for twelve (12) directors was 404 million yen for those who were directors in fiscal 2018, including 113 million yen paid as bonuses to five (5) directors. (The maximum annual remuneration is 450 million yen.) This number includes two (2) directors who retired at the conclusion of the 96th Ordinary General Meeting of Shareholders held on June 26, 2018.

Policy on Determining Remuneration Amounts and Calculation Methods	Established

Disclosure of Policy on Determining Remuneration Amounts and Calculation Methods

To strengthen corporate governance and deliver sustainable increases in corporate value by achieving Group management goals, we have established policies on decision-making by the Board of Directors related to officer remuneration. Remuneration for directors is commensurate with their roles, responsibilities, and accomplishments and is designed to contribute to sustainable growth and improvement in corporate value.

The basic remuneration amounts paid to individual directors and the total amounts of bonuses paid to directors concurrently performing executive duties, as well as individual payments to concurrently performing directors, are kept within limits set at the General Shareholders' Meeting. The president & CEO, appointed by resolution of the Board of Directors, produces a draft proposal for individual compensation amounts based on our Director Remuneration Regulations and Nomination and Remuneration Committee Regulations. The Nomination and Remuneration Committee makes the final decision after deliberating on the proposed amounts. Any decision on the remuneration amount for the representative director, who is a member of the Nomination and Remuneration Committee, is made by the Committee without participation by the representative director in question.

Remuneration for directors who concurrently perform executive duties consists of basic remuneration—fixed amounts commensurate with their roles and responsibilities—as well as bonuses that are linked to fiscal year business results and that also reflect the degree to which medium-term targets have been achieved. Basic remuneration of directors who concurrently perform executive duties consists of three parts: director remuneration, executive position remuneration, and executive responsibility remuneration. As for director remuneration, a fixed amount is paid to the representative director and a fixed amount is paid to other directors. Executive position remuneration is a fixed amount set for each position, and executive responsibility remuneration is commensurate with the responsibility grade for each individual based on the weight of responsibility, scope of role, and qualitative evaluations for the year. Responsibility grade is adjusted annually by the Nomination and Remuneration Committee after deliberation.

[Supporting System for Outside Directors (Outside Audit & Supervisory Board Members)]

In addition to distributing materials for the Board of Directors in advance, a system is in place to make all necessary information available—for example by holding precursory meetings on agenda items for the outside directors and outside Audit & Supervisory Board members. Meetings are also arranged for the exchange of information and opinions between outside directors and Audit & Supervisory Board members. Additionally, to ensure that the Audit & Supervisory Board members can conduct audits efficiently, they are supported by an Audit & Supervisory Board Office, with a full-time staff of three (3), that is independent of the directors.

[Status of Persons Who Have Retired as President and Representative Director, Chief Executive Officer, etc.]

Name of Consultants, Advisors, etc., Who were Formerly President and Representative Director, Chief Executive Officer, etc.

Name	Title and position	Description of Business	Form and Conditions of Employment (Full-time, Part-time, Paid or Unpaid, etc.)	Date of Retirement as President, etc.	Term of Office
—	—	—	—	—	—

Total Number of Consultants, Advisors, etc., Who Senior Corporate Advisor etc., Who were Formerly President and Representative Director, Chief Executive Officer, etc.	0

Other Matters

The Board of Directors decided to abolish the counselor/advisor system on March 31, 2018, and the provision was deleted from the Articles of Incorporation at the 96th Ordinary General Meeting of Shareholders held on June 26, 2018.

2. Functions of Business Execution, Auditing, Oversight, Nomination, and Remuneration Decisions (Overview of Current Corporate Governance System)

1. Activities of the Board of Directors, etc.

The Company has both a Board of Directors —which makes decisions on basic management policies, determines matters stipulated by laws/regulations and other important matters, and monitors the status of business execution—and executive officers, who are responsible for the execution of business. By establishing a separation of functions, we have created a system that facilitates rapid business execution and at the same time strengthened internal supervisory functions.

In principle, the Board of Directors meets once a month. In fiscal 2018, it met 12 times. In the same fiscal year, Waka Fujiso was appointed outside director at the 96th Ordinary General Meeting of Shareholders, held on June 26, 2018, following which the Board met 10 times, and of those meetings she attended 9 times. The other directors and Audit & Supervisory Board members attended all of the Board of Directors meetings. In addition to those matters stipulated by the Companies Act, the Board of Directors also discusses the growth strategies, technical development and HR development of each business with a view to the long-term growth of the Company. From the viewpoint of strengthening supervision of Group management, there are performance and strategy reviews for major subsidiaries, reports on business conditions for overseas subsidiaries in key regions, and status updates on how each company is responding to those conditions. A team was also established to implement cross-organizational improvements, receiving detailed reports on initiatives designed to solve specific issues.

As part of the Executive Officer System, the Management Meeting—an advisory body at the level of management execution that assists the president &CEO in decision-making, and which consists mainly of executive officers (representatives of Audit & Supervisory Board members also attend)—meets twice a month with the aim of strengthening business promotion capabilities through prompt decision-making and execution.

2. Appointment of Candidates for Directors and Audit & Supervisory Board Members, and Election/Dismissal of Senior Management including CEO

(1) Appointment of Directors
The basic criterion for director candidates is to be a person who has excellent character and insight, contributes to the growth of the company and the Group, and helps improve corporate value. Directors involved in business execution need to have high levels of ability and knowledge about each business segment and important management functions. Outside director candidates must have wide-ranging experience and excellent expertise and knowledge, as well as having no issues regarding their independence. They must also come from diverse backgrounds and have the ability to proactively express opinions and raise issues from outside perspectives. These are our policies for the nomination and appointment of directors. Nomination and appointment of director candidates and management executives are decided by the Board of Directors after deliberation by the Nomination and Remuneration Committee.

(2) Appointment of Audit & Supervisory Board Members
Candidates for Audit & Supervisory Board members must have the appropriate experience and ability, as well as knowledge about finance, accounting, and legal matters. We also consider independence from the executive side to be another eligibility requirement. For outside Audit & Supervisory Board members, our policy is to first confirm that there are no issues regarding their independence. Among Audit & Supervisory Board member candidates, at least one person must have extensive knowledge of finance and accounting. Such candidates are first discussed by full-time Audit & Supervisory Board members and the representative director, then considered and agreed upon by the Audit & Supervisory Board, before approval at a Board of Directors' meeting.

(3) Appointment/Dismissal of CEO and Subordinate Officers
With respect to appointing the CEO and subordinate officers (president & CEO, vice president, etc.), the Board of Directors makes decisions—based on selection criteria and the desired composition of the Board of Directors—after deliberation by the Nomination and Remuneration Committee.

<u>Appointment Criteria:</u>
Candidates must have a full understanding of the Group's corporate philosophy, deep knowledge of corporate management, and

wide-ranging experience both inside and outside Japan, as well as good insights on corporate governance, CSR, and compliance. They must meet the following criteria and be capable of leading the Group to sustainable growth.

1. Good character and insights, and selfless attitude; a person who earns the trust of others;
2. The ability to think and judge from a global perspective and from the standpoint of the entire Group;
3. Exceptional insights, the ability to implement change and innovation and predict the future, and a willingness to embrace challenges from a results-oriented approach;
4. Healthy, energetic, physically sound, as well as mentally resilient.

Dismissal Criteria:

With respect to policies and procedures for dismissing the CEO and subordinate officers (president & CEO, vice president, etc.), the candidate for dismissal undergoes a fair and rigorous process of screening and deliberation by the Nomination and Remuneration Committee, based on the following criteria. If they then judge that dismissal is appropriate, the Board of Directors approves it.

Reasons for proposing dismissal include a serious business problem arising from a violation of the law or the Articles of Incorporation, an event that makes it difficult for the person to perform and continue in the job, and when it becomes evident that the person does not meet the appointment criteria.

Of the eleven (11) directors, five (5) are outside directors; thus, more than one-third of the Board consists of outside directors. They are not restricted to their responsibilities as full-time directors or to day-to-day operations, enabling them to supervise the management of the company and business execution from an independent perspective. When the Board of Directors meets, they actively engage in asking questions and making recommendations, and they regularly exchange opinions with the president & CEO. Five (5) of the six (6) directors appointed from within the company concurrently serve as executives, while the remaining one—a dedicated director who does not concurrently perform executive duties—serves as chairperson of the Board, working to strengthen supervisory functions and further improve the effectiveness of the Board of Directors.

3. Audits by the Audit & Supervisory Board Members

The Company is a company with an Audit & Supervisory Board to which five (5) Audit & Supervisory Board members—including three (3) outside Audit & Supervisory Board members—are appointed; two of the Audit & Supervisory Board members are serving on a full-time basis as of March 31, 2019. The Audit & Supervisory Board members carry out rigorous audits of the administrative decisions and execution of business by the directors and executive officers, primarily from the standpoint of the legality of the execution of business. Standing Audit & Supervisory Board member Tomohiko Matsuyasu has experience in carrying out accounting procedures and preparing financial statements over the course of many years in the Company's accounting division, and outside Audit & Supervisory Board member Kinya Fujimoto is qualified as a certified public accountant and has a wealth of knowledge concerning financial affairs and accounting.

The Audit & Supervisory Board convenes in principle once a month; it convened a total of 14 times in fiscal 2018. The five (5) Audit & Supervisory Board members participated in all of the Audit & Supervisory Board meetings, discussing the annual audit plan at the start of the term, providing individual activity reports on a monthly and quarterly basis during the term, providing a quarterly accounting audit report, evaluating and summarizing the auditing activity at the end of the term, and reviewing the evaluations of the accounting auditor. Furthermore, the Audit & Supervisory Board regularly holds meetings to exchange opinions with the representative director and meetings to exchange information with the outside directors. Additionally, an evaluation of the effectiveness of the Audit & Supervisory Board is performed at the end of the term, and in addition to reviewing the Audit & Supervisory Board's auditing activities for the current fiscal term, the evaluation results are reflected in the audit plan for the coming fiscal term, thereby working to enhance the effectiveness of the Audit & Supervisory Board. The Standing Audit & Supervisory Board members attend Board of Directors meetings and other important meetings such as management meetings, conduct on-site visits at important business locations and subsidiaries, conduct interviews with important divisions, and gauge management conditions by reviewing important documents such as minutes from important meetings, thereby auditing the administrative decisions and execution of business by the directors and executive officers. Furthermore, the Company has established an Audit & Supervisory Board Office as a dedicated organization to aid the duties of the Audit & Supervisory Board members, working to enhance support functions for Audit & Supervisory Board members. The Audit & Supervisory Board members review the audit plan and key audit items, etc. with the accounting auditor and Internal Audit Department at the start of the fiscal term, and in addition to regularly sharing audit results, work to enhance the effectiveness and efficiency of auditing through closer coordination with the Audit & Supervisory Board members of Group companies, etc.

4. Status of accounting audits

The Company has retained the services of Deloitte Touche Tohmatsu LLC (DTT) to conduct statutory audits, as obliged by the Companies Act and by the Financial Instruments and Exchange Act. There exist no special interests between the Company and DTT or between the Company and the engagement partners of DTT who conduct the Company's audits. Furthermore, DTT takes measures to ensure that none of its engagement partners are involved with the Company's audits for more than seven years. DTT has been conducting the Company's audits for an uninterrupted period of 19 years. The Company has concluded a contract with DTT to conduct statutory audits, as obliged by the Companies Act and by the Financial Instruments and Exchange Act, and has paid compensation as set forth in the contract. The names of the certified public accountants who executed their duties in fiscal 2018 and details of the team assisting them in the audit work are as follows:

Certified public accountants who conducted the audit: Hiroyuki Motegi, Keiji Koide

Composition of team assisting in the audit: 7 certified public accountants, 19 others

5. Status of internal audits

In addition to the above, the Internal Audit Department, which reports directly to the president, supervises the overall management activities of the head office functional departments, internal companies and Group affiliates. It regularly conducts audits of the organization and systems, business execution, business risks, compliance, and internal control systems. It also provides specific advice and proposals for the improvement of operations.

6. Executive remuneration

As part of strengthening corporate governance and delivering sustainable increases in corporate value through achieving the Group's management goals, the Company has established a policy regarding the determination of remuneration, etc. of directors. The specific details are as laid out above in "Disclosure of Policy on Determining Remuneration Amounts and Calculation Methods" (p.16) and "Incentives" (p.15).

7. Others

The Company and the outside directors and outside Audit & Supervisory Board members have entered into a contract to limit legal liability under Article 423, Paragraph 1 of the Companies Act, pursuant to the provisions of Article 427, Paragraph 1 of the Companies Act. The limit of legal liability under said contract is the minimum liability amount stipulated by laws and regulations. However, such limitation of liability is applicable only when the outside director or outside Audit & Supervisory Board member was performing the duties that gave rise to such responsibility in good faith and without gross negligence.

3. Reasons for Adopting the Current Corporate Governance System

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.

Based on this, the Board of Directors, which plays a central role, consists of 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; and five (5) who are outside directors and have independence, broad experience, a wealth of expertise and knowledge, and diversity (of both nationality and gender) as of June 25, 2019.Thus outside directors make up more than one third of the Board of Directors.

Also, to keep up with rapid change in the business environment, the Company has both a Board of Directors, which makes important decisions, and executive officers in charge of business execution. This functional separation enables the executive agency authorized to operate business based on decisions made by the Board of Directors to achieve effective and swift management.

On the other hand, the Audit & Supervisory Board has a remit to conduct strict and accurate audits. Three (3) out of the five (5) members are from outside and they conduct audits with the internal members who are familiar with the Company's business, drawing on their management experience, insights and expertise in fields different from those of the Company as well as their independent perspective.

III. Implementation of Measures for Shareholders and Other Stakeholders

1. Measures to Revitalize the General Shareholders Meeting and Facilitate the Exercise of Voting Rights

	Supplementary Explanations
Early Notification of General Shareholders Meeting	The notice is sent about seven (7) days before the legally stipulated day.
Scheduling of General Shareholders Meeting to Avoid the Peak Day	The 97th general shareholder meeting was held on June 25, 2019.
Allowing the Electronic Exercise of Voting Rights	The electronic exercise of voting rights via the Internet is allowed.
Participation in Electronic Voting Platform and Other Measures to Improve the Voting Environment for Institutional Investors	The Company participates in an electronic voting platform.
Provision of Notice of Annual Shareholders Meeting (summary) in English	The notice is disclosed in English on the Company's website and the Tokyo Stock Exchange's website for foreign shareholders.
Other	The notice is posted on the Company's website and on the Tokyo Stock Exchange's website about ten (10) days before mailing for early provision of agenda information, etc.

2. IR Activities

	Supplementary Explanations	Explanations by the Representative In Person
Preparation and Publication of Disclosure Policy	The Company has its own disclosure policy. It is available on the Company's website. https://www.azbil.com/ir/management/disclosure/index.html	
Regular Investor Briefings for Analysts and Institutional Investors	Twice a year the president & CEO, as well as an officer in charge of corporate communications, explain the financial results and managing strategy.	Held
Posting of IR Materials on Website	https://www.azbil.com/jp/ir/index.html Securities Report, Summary of Financial Results, Financial Results Presentation materials, Business Report, azbil Report, Fact Book, Notice of General Meeting of Shareholders, Resolution Notices, etc. are posted.	
Establishment of Department and/or Appointment of Manager in Charge of IR	Department in charge: Group Management Headquarters, Investor Relations Officer in charge: director and managing executive officer Takayuki Yokota, who is in charge of corporate communications	

3. Measures to Ensure Due Respect for Stakeholders

	Supplementary Explanations
Stipulation of Internal Rules for Respecting the Position of Stakeholders	The Company's basic attitude to stakeholders is prescribed in the azbil Group's Code of Conduct under our corporate philosophy, "human-centered automation". The azbil Group's contribution to society is posted on the Company's website. https://www.azbil.com/csr/basic/compliance/business-conduct-guidelines.html
Implementation of Environmental Protection Activities, CSR Activities, etc.	These activities are detailed in the azbil Report (the Company's annual report) and on the Company's website. https://www.azbil.com/csr/index.html
Other	In the Group's Code of Conduct it stipulates that within the Company there should be no discrimination or harassment based on a person's race, nationality, gender, beliefs, birth, disability, etc., and that we should never turn a blind eye to discrimination. In order to foster happiness among the peoples of the world

	through the realization of "human-centered automation", as set forth in the management philosophy, we must first respect the individuality of each and every employee, and strive to create a corporate culture in which a diversity of human resources can be nurtured and put to good use. At the Annual General Meeting of Shareholders held on June 26, 2018, one foreign director and one female director were appointed. Board composition thus reflects diversity of nationality and gender. The azbil Group, under the philosophy of "human-centered automation," has formulated a corporate Code of Conduct stipulating that we respect basic human rights and contribute to the creation of a free-spirited organization and society. As well as aiming to be an organization which never stops learning, enabling it to respond flexibly to changes in the environment, we are promoting the advancement and participation of women as one way to promote diversity. Specifically, the aim is to more than double the ratio of women in professional management by April 2021 from the level of fiscal 2014, when there were 35 women. To this end, the Azbil Academy, an in-house training organization, conducts courses to foster new career awareness among female employees as well as courses in which female employees participate alongside their supervisors. The Company also promotes career development for women, such as expanding the scope of responsibilities in the workplace through participation in external networks for expanding opportunities for businesswomen.

IV. Matters Related to the Internal Control System

1. Basic Approach to and Enhancement of the Internal Control System

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

This policy, based on Article 362, Paragraph 4, Item 6 of the Companies Act, stipulates an overall framework required to create an internal control system as stipulated by Article 100 of the Regulation for Enforcement of the Companies Act, clarifying basic policies to be followed by Directors, Executive Officers and employees (hereafter, "the Officers and Employees") of Azbil Corporation (hereafter, "the Company") and the Company's subsidiaries*[1] (hereafter, "Subsidiary" or "Subsidiaries") in the building of internal control system concretely implemented by the Company and Subsidiaries. The goal of the internal control system based on this policy is to create a corporate structure that is efficient, lawful, and highly transparent by improving through constant review.

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

1. System to ensure that the execution of duties by 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 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 an 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 meetings of the Board of Directors.
   2) The Company will promote countermeasures against serious risks for the azbil Group that have been identified by instructing the 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 the 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 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 duties by 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, 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 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 personnel rotation and personnel evaluation.

3) The dedicated employees aiding the duties of the Audit & Supervisory Board members will execute their duties under the 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 made the report 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. On receipt of such a report, the top management or internal control division at the company 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 the matter 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 the 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 the 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 a 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 the 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 that the costs were 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 in the execution of their duties, and shall not interfere in the execution of that budget. However, this excludes cases where the Company demonstrates that the costs were 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 management meetings, 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

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

1. Compliance Systems

- Guided by the corporate philosophy of "human-centered automation," the azbil Group has formulated the azbil Group Business Conduct Policy and the azbil Group Business Conduct Guidelines, striving to create a corporate culture which is permeated by compliance awareness. 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, and to educate and supervise employees with the cooperation of the department of the Company in charge of compliance.
- To promote compliance-related activities throughout the azbil Group, the Company has formed a permanent 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. This organization is responsible for creating action plans for the overall

Group, managing progress, and providing guidance to Subsidiaries.

- The Officers and Employees of the Company and Subsidiaries may use the “CSR Hotline” in Japan and abroad to consult and report pursuant to the Rules for the Consultation and Reporting System of aG Employees. We expanded the scope of the consultations handled by the CSR Hotline, revising the system to make it easier to use. The individuals making reports or consultations are not to be unfavorably treated pursuant to the Rules for the Consultation and Reporting System of aG Employees, and efforts are made to ensure awareness of the rules throughout the azbil Group.
- To be prepared for the possible 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 an emergency or serious situation occurs, under the structure provided, reports will be made to the top management and Audit & Supervisory Board members of the Subsidiary where it occurs and the top management and Audit & Supervisory Board members of the Company.
  We have created a structure to implement recurrence prevention policies earlier and more effectively for incidents reported through the above system.
- The Company’s Internal Audit Department conducts audits of operating conditions by properly verifying the status relating to the promotion of compliance and the establishment of internal control procedures at the Company and Subsidiaries, the operations and management with respect to the regulations stipulated below (see 2), and the development of risk management systems below (see 3). Furthermore, thus far, we have verified conditions at Subsidiaries by theme through audits and other measures, and to further improve management at overseas Subsidiaries, we have formed a special team and provide diagnoses of the overall management control of overseas Subsidiaries. These diagnoses are reported at the Board of Directors meetings, and in addition to improvement at each Subsidiary, a specific team has been formed for cross-sectional improvement in response to the results, implementing an initiative aimed at resolving issues.

2. Storage and Management of Information
   - The Company has created a department 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 the 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 by the azbil Group Comprehensive Risk Committee above it. While strengthening the comprehensive risk management system and the promotion of measures, the Company also instructs Subsidiaries, when necessary, to promote such measures.
   - Subsidiaries identify serious risks particular to the company at the Subsidiary’s Board of Directors meetings; they also plan and promote appropriate countermeasures. The result of executing such countermeasures and the status of risk reduction are to be reported to the Board of Directors of each Subsidiary.
4. System for 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 the 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 thorough deliberation by the Board of Directors, the Company and Subsidiaries seek to improve the operation of the Board of Directors by such means as distributing materials related to agenda items before a meeting. In addition, the Company holds briefing meetings about items to be discussed 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 of the Company or the management meeting that 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 presented 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 important management items, etc. to the Company through the Group Global Meeting and via other channels available to overseas Subsidiaries.
6. System of Audit by Audit & Supervisory Board Members
   - The Company has established an Audit & Supervisory Board Office as an organization to aid the duties of the Audit & Supervisory Board members. Personnel assigned to the Audit & Supervisory Board Office are under the direct control of the Audit & Supervisory

Board members, aiding the duties of the Audit & Supervisory Board members under their instructions. Personnel rotation and personnel evaluation are determined with the agreement of the Audit & Supervisory Board members.

- Items which have been consulted on or reported to the aforementioned hotline by the officers and employees of the Company and its Subsidiaries are regularly reported to the Audit & Supervisory Board members by the Internal Audit Department.
- The expenses arising from executing the duties of the Audit & Supervisory Board 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 management meetings, review approval forms and other documents related to the execution of business and request explanations from the Officers and Employees, when necessary. In addition, the Audit & Supervisory Board members seek the opinion of attorneys, with whom they have individually concluded advisory contracts, as appropriate.
- The Audit & Supervisory Board members regularly hold meetings with the directors, the Internal Audit Department, the accounting auditors and the Audit & Supervisory Board members of Subsidiaries, exchanging information and opinions to enhance the efficacy of auditing.

2. Basic Approach to and Progress Towards Shunning Anti-Social Forces

Being aware of the public nature of the Company, we have established the Guiding Principles for azbil Group Business and the Code of Conduct. These internal regulations have been formulated so as to shoulder responsibility for maintaining sound management, and to fulfill the Company's social responsibilities to the community and the economy, both in Japan and overseas. These regulations state that our basic policy is to take a firm stance in opposition to groups that engage in anti-social behavior and to resolutely eradicate any relationship with them. A unit has been set up in the General Affairs Department to oversee the corporate response to such anti-social forces. There is also close cooperation between Group companies on such issues, and manuals have been prepared to provide guidance. In addition, arrangements have been made to facilitate cooperation with local police forces and dedicated organizations such as the Special Violence Prevention Council. Also, we are striving to improve our efforts in this regard and participate in various seminars and workshops—mainly organized for the General Affairs Department staff from each company.

V. Other

1. Adoption of Anti-takeover Measures

Adoption of Anti-takeover Measures	Not adopted

Supplementary Explanation

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2. Other Matters Concerning the Corporate Governance System

The status of our internal system for timely disclosure of company information is as follows.

1. Basic policy for timely disclosure

The Company's basic policy is to ensure management transparency for shareholders and other parties involved with the Company, and to disclose information in a timely and appropriate manner in order to realize fair management. The Company discloses information in accordance with our own corporate regulations, with the Companies Act and the Financial Instruments and Exchange Act, and with other relevant laws and regulations, as well as with the Rules Concerning Timely Disclosure of Corporate Information by Issuers of Listed Securities (hereinafter referred to as the Timely Disclosure Rules) stipulated by the Tokyo Stock Exchange (TSE).

2. Internal system for timely disclosure

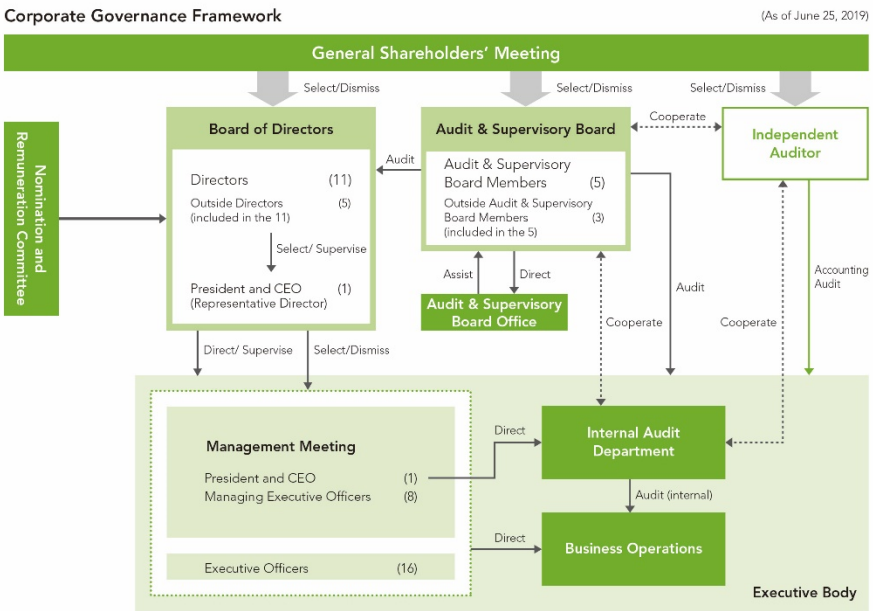
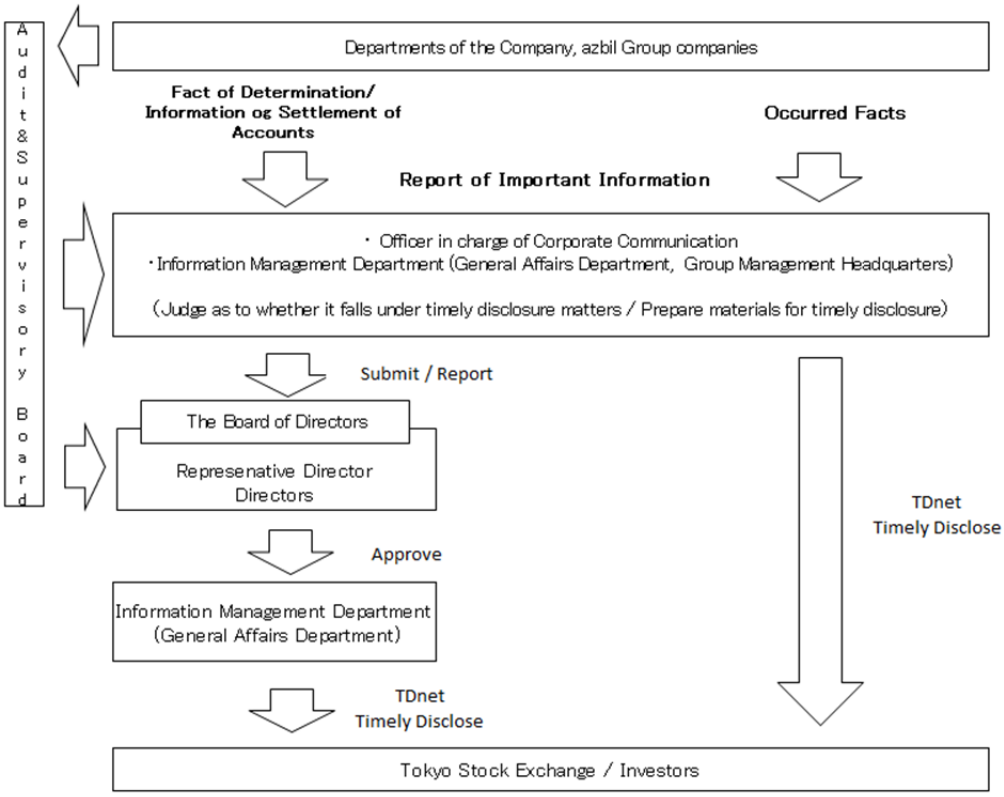
Important information is reported to the corporate communications officer and to information management departments (General Affairs Department and Group Management Headquarters) from each division of the Company and from azbil Group companies. The information management departments determine whether disclosure is required based on the Financial Instruments and Exchange Act, the Timely Disclosure Rules, etc. If timely disclosure is necessary, the disclosure materials will be registered in the Timely Disclosure Information Transmission System (TDnet) provided by the TSE as soon as approved by the Board of Directors.

These disclosure materials are also posted on the Company's website after publication on TDnet.

3. Check function for timely disclosure

In order to ensure the transparency and reliability of corporate information subject to disclosure, Audit & Supervisory Board members monitor and verify that the directors have established appropriate systems for information creation and disclosure, and that they are operating these systems appropriately. In addition, the Company receives advice on disclosure content, etc. as necessary from third parties such as lawyers and audit companies.

Corporate governance organization chart



Schematic of Timely Disclosure System