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**Azbil Corporation**

Director, President and Group CEO

Kiyohiro Yamamoto

Contact: Corporate Secretariat Office

Tel: +81-3-6810-1001

Securities Code: 6845

<https://www.azbil.com/index.html/>

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 Updated

#### Basic Approach

In order to deserve the trust of our shareholders and other stakeholders, the Company’s fundamental approach to corporate governance is not just to ensure compliance with laws and regulations and our Articles of Incorporation, but also to fulfill our social responsibilities based on corporate ethics and to contribute to society while continuously improving enterprise value through efficient and transparent management. We see this as a top management priority.

The azbil Group has established its long-term targets (to achieve by FY2030) and a medium-term plan (FY2021-FY2024), whose aim is to contribute “in-series” to a sustainable society and achieve growth through providing automation-related products and services. Guided by the Group philosophy of “human-centered automation”, we will secure our own medium- and long-term development while implementing sustainable enhancement of enterprise value. At the same time, we recognize that it is corporate governance which provides the foundation for such sustainable enhancement of enterprise value, and so improving corporate governance is a key issue for management. As a company with a three-committee board structure, we are therefore working to strengthen the supervisory and auditing functions of the Board of Directors, enhance the transparency and soundness of management, and clarify responsibilities for business execution.

#### 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 all shareholders including 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 enterprise 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 all our stakeholders. For this purpose, we have adopted “human-centered automation” as our Group philosophy to realize safety, comfort and fulfillment in people’s lives and works and contribute to the global environment. To this end, we have instituted Guiding Principles for azbil Group Business and established the azbil Group Code of Conduct to provide specific guidelines for all officers and employees of the Company and the azbil Group. We aim to connect our Group philosophy, Guiding Principles, Code of Conduct, and management strategy, leading “in series” to a sustainable society, and to realize a balance between resolving social issues and achieving sustainable growth. In addition, to contribute “in series” to the achievement of a sustainable society, we recognize it is important to build relationships of trust not only with shareholders but with all stakeholders—including employees, business partners, customers, creditors, and local communities—as well as accelerate transformation through appropriate collaboration with multiple stakeholders, and grow sustainably. Based on this awareness, we have formulated and published our Multi-stakeholder Policy. At the same time, we endorsed and published a Partnership-building Declaration, which seeks to increase added value throughout the supply chain and build relationships of co-prosperity with business partners.

You can find the Multi-stakeholder Policy and Partnership-building Declaration on our corporate website.

Multi-stakeholder Policy (Japanese only): [https://www.azbil.com/jp/csr/csr-management/multi-stakeholder\\_policy.html](https://www.azbil.com/jp/csr/csr-management/multi-stakeholder_policy.html)

Partnership-building Declaration (Japanese only): <https://www.azbil.com/jp/csr/csr-management/partnership.html>

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 Committee members, and outside directors with due consideration given to personal information.

### (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 candidates for directors and corporate executives (*shikkoyaku*), as well as the selection and dismissal of the CEO and other senior executives, and policies for deciding on the remuneration for directors and corporate executives. We will continue to strive to increase the scope of 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 independent accounting auditor to interview the president & CEO and the officer in charge of finance on a regular basis, and continuously conducts quarterly reporting between the independent accounting auditor, the Audit Committee, and the Internal Audit Department.

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

The basic mission of the Board of Directors is to put in place an appropriate corporate governance system and to implement this so as to achieve sustainable growth for the Company and enhance its enterprise value.

The Board Rules stipulate that basic management strategy and management plans are important items for deliberation, and following discussions that are unrestricted, robust and constructive, the Board will make appropriate decisions. Moreover, to ensure transparency and fairness in management, the Company will maintain systems for timely disclosure, internal control and risk management. At the same time, the Audit Committee, in cooperation with the Internal Audit Department, will successively provide appropriate audits and opinions on management.

The Company recognizes that independent outside directors play a key role in ensuring that the Board properly fulfills its functions and responsibilities, and thus it has appointed eight independent outside directors with a broad range of experience in corporate management and supervision, as well as considerable expertise and knowledge. Drawing on their diverse backgrounds, these independent outside directors adopt a wide range of perspectives to fulfill their responsibilities, offering advice on improving enterprise value, supervising management, etc. As of June 25, 2024, the total number of directors is 12, with outside directors representing a majority. Board composition demonstrates ample diversity, including that of nationality and gender.

For the Board of Directors to effectively fulfill its roles, the Company believes that, in appointing directors, it is important to promote diversity, taking into consideration the balance of knowledge and experience, and also to ensure transparency and objectivity in the selection process. From the viewpoint of sustainable increase in enterprise value, including the realization of the medium-term plan, the Company has set out what skill sets are expected of its directors and has confirmed the requisite independence, diversity, and anticipated skills of its current Board. For details, please refer to Principle 3-1 (4) and Supplementary Principle 4-11-1 in “Disclosure Based on the Principles of the Corporate Governance Code” in this report.

Regarding succession planning for the Company’s senior management, the Nomination Committee discusses the ongoing training and selection of successors; record the results of those discussions as well as the process of deliberation; and regularly report to the Board of Directors on details of their deliberations. The Company thus ensures that succession planning is implemented in an appropriate and objective manner, that the Board is proactively involved in succession planning, and that the training of potential successors is conducted systematically, with sufficient time and resources.

### (5) Dialogue with shareholders

In order to meet requirements for corporate accountability while contributing to sustainable growth and the enhancement of

enterprise 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 targets of financial affairs (sales, operating income, ROE, etc.) and non-financial affairs 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]

Updated

[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 enterprise 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 holding individual stocks to our business, including financial returns, to determine whether these holdings are worth capital costs from the viewpoint of economic rationality. 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 enterprise 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 enterprise 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 and corporate executives 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 addition, based on the Code of Audit Committee Auditing Standards, Audit Committee Members monitor and verify whether any directors and corporate executives 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.

[Supplementary Principle 2-4-1] [Ensuring diversity in the appointment, etc. of core personnel]

For details on ensuring diversity in the appointment, etc. of core personnel, please refer to the “Other” section of “3. Measures to Ensure Due Respect for Stakeholders in III. Implementation of Measures for Shareholders and Other Stakeholders” in this report.

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

On June 1, 2015, the Company terminated its defined benefit corporate pension plan for participating employees and fully transitioned to a defined contribution pension plan. However, a contractual corporate pension plan was established to manage the assets of those entitled to retirement pensions from the former employees’ pension fund or the defined benefit system.

The pension fund assets of this contractual corporate pension plan, which is limited to beneficiaries who have already retired, are expected to gradually decrease over time. However, in order to ensure the proper operation of the defined benefit corporate pension plan, the Company has established the Azbil Defined Benefit Pension Plan Administration Committee, chaired by the

officer in charge of finance and composed of employees who work in such fields as finance, accounting, and human resources. Qualified personnel have been assigned to the department in charge of corporate pensions and to the committee office, and training opportunities are provided so that the staff can refine skills relevant to these tasks.

In addition, management of the reserve funds for this contractual corporate pension plan is outsourced to several investment management organizations. By thus entrusting the voting rights, the Company ensures that there are no conflicts of interest between the beneficiaries of the corporate pension plan and the Company.

The defined contribution pension plan, designed to help employees build wealth for their retirement, is managed so as to provide them with financial support and thus peace of mind; as a result, it increases the job satisfaction experienced by employees working for the Group. From FY2023, the azbil Group Contractual Pension Plan (Defined Contribution Pension Plan) Management Committee—chaired by the officer in charge of finance and composed of employees who work in such fields as human resources and finance, as well as full-time officers of the labor union representing the participants—has been charged with ensuring the proper operation of the defined contribution pension plan. Additionally, the Company had concluded an investment advisory contract with a neutral independent external consulting firm to call on additional expertise regarding corporate pensions. The Company is committed to ensuring appropriate management of the pension plan, with a focus on the following:

1. Selecting mainly those investment products with trust fees and total expense ratios that are reasonable;
2. Providing employees with instruction, at the time of joining the pension plan and thereafter, to improve their financial literacy; and
3. Developing appropriately qualified personnel to be in charge of the defined contribution pension plan, arranging regular meetings with the investment management organizations, sharing monitoring reports, and offering training opportunities.

[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: <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 and corporate executives

Please refer to “Remuneration for directors and corporate executives” and “2. Functions of Business Execution, Auditing, Oversight, Nomination, and Remuneration Decisions” 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 candidates for directors, as well as the selection/dismissal of the CEO and other senior executives

Please refer to “2. Functions of Business Execution, Auditing, Oversight, Nomination, and Remuneration Decisions” 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 for the appointment of candidates for directors

For the reasons behind the appointment of individual directors, 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 can also be accessed.)

[Supplementary Principle 2-3-1] [Supplementary Principle 3-1-3] [Supplementary Principle 4-2-2] [Sustainability policy and initiatives]

#### The azbil Group's sustainability policy

With regard to sustainability, the azbil Group is committed to continuously enhancing enterprise value based on mutual trust with stakeholders, to realizing "safety, comfort, and fulfillment in people's lives" and contributing to global environmental preservation, and to contributing "in series" to a sustainable society. These are achieved through practicing the azbil Group philosophy of "human-centered automation" and respecting the values to contribute to society for people's well-being based on the founding spirit of "freeing people from drudgery".

#### Sustainability management and identifying materiality

In accordance with the Group philosophy, we are contributing to the global environment and addressing various social issues in order to realize a sustainable society. We recognize that tackling sustainability issues is not just about responding to risk, but also about seizing important business opportunities to enhance enterprise value, so we will continue to make contributions that lead "in series" to a sustainable society. Environmental, social, and business structural changes—resulting from such factors as climate change, the need to tackle SDGs, declining birthrates, the aging population, and changes in the way people work—have led to the emergence of various new issues that need to be addressed. At the same time, automation—which can serve in a variety of ways, such as mechanization, labor saving, energy saving, and resource saving—can play a major role in solving these issues. As the value of automation increases, so too do people's expectations of it.

Against this changing background, in August 2022 the Company introduced "double materiality" aiming to achieve sustainable growth for the Group. This looks at both opportunities and risks, in line with the Group philosophy, assessing materiality along two axes, one representing the financial impact of the environment and society on the Company, while the other represents the impact of the Company's activities on the environment and society. The Group has identified materiality as ten material issues across five areas to be tackled over the long term, as described in (1) to (10) below; in FY2023, with advice from outside experts, these issues were reassessed, and their validity reaffirmed.

(1) Climate change; (2) Resource recycling; (3) Innovation; (4) Supply chain; (5) Contribution to local communities; (6) Human rights, safety, and health; (7) Learning and human resource development; (8) Product safety and quality; (9) Corporate governance; and (10) Compliance

Of these materialities, items (1) to (7), which are related to business and corporate activities, are specifically defined as the Essential Goals of the azbil Group for SDGs within the domain of Sustainable Development Goals. Items (8) to (10) are the basic responsibilities that a company must fulfill to be a member of society; for these, specific targets have been laid out as part of our CSR activities, and to achieve these we undertake various initiatives to push ahead with sustainability management.

As a framework for this, the Company has established a system for examining and promoting sustainability initiatives on a company-wide basis. Under the corporate officer in charge of all sustainability matters, the azbil Group CSR Promotion Committee and SDGs Promotion Committee meet regularly. Progress and issues discussed in these meetings are reported to the Board of Directors and the Management Meeting.

#### Sustainability reporting

The Company discloses its sustainability initiatives and achievements in its annual *Securities Report*, the integrated report and ESG Databook.

Annual *Securities Report* (Japanese only): <https://www.azbil.com/jp/ir/library/report/index.html>

Integrated report: <https://www.azbil.com/ir/library/annual/index.html>

ESG Databook: <https://www.azbil.com/ir/library/esg/index.html>

Also, as regards disclosing how climate-related risks and opportunities affect the Company, we have expressed our support for the TCFD international framework. In line with the guidance, the Company discloses information on governance, strategy, risk management, and metrics and targets in its *Annual Securities Report*, integrated report and our website is progressively enhancing the content of these reports, both qualitatively and quantitatively.

Our website: <https://www.azbil.com/csr/basic/tcf.html>

## Investing in human capital and intellectual property

In formulating our medium-term plan, strategies for each business portfolio were discussed and reviewed by our Board of Directors. From FY2021, we have introduced return on invested capital (ROIC) to encourage business management that is mindful of the cost of capital and stock prices. The plan also includes strategic consideration of human capital and intellectual property, and going forward we will continue to ensure effective monitoring of the utilization efficiency of these management resources so as to contribute to the sustainable growth of the Company. The Company's approach to human capital can be found in the *102nd Annual Securities Report*.

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

Our Board Rules stipulate the matters to be discussed and reported to the Board of Directors and also those matters to be delegated to the executive side as well as their scope, and the Company reviews these as necessary. The matters to be discussed and reported to the Board shall—in addition to those matters required by laws and regulations and the Articles of Incorporation—be matters that are important for management, such as basic management strategies, basic management plans, corporate governance policies, and risk management. Matters related to business management—excepting matters deemed to be especially important and for which authority shall be reserved to the Board—are delegated to the executive side so as to facilitate speedy execution.

As regards the scope of delegation to the executive side, based on the Management Meeting Rules final decisions are principally made by the president and CEO, while authority for decisions on matters within a certain scope is delegated to each executive department, in accordance with the Administrative Authority Rules.

[Principle 4-8] [Effective use of independent outside directors]

In order to contribute to sustainable growth and the enhancement of enterprise value over the medium to long term, the Company has appointed eight (8) independent outside directors with a wide range of experience in corporate management and supervision, as well as extensive expertise and professional knowledge from their diverse backgrounds. These independent outside directors contribute to enhancing enterprise value through counseling and supervising decision-making processes in meetings of the Board of Directors.

As of June 25, 2024, the total number of directors is twelve (12), with outside directors accounting for more than half 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 enterprise 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 eight (8) 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 enterprise value over the medium to long term. Based on this fundamental principle, as of June 25, 2024, the Board of Directors consists of four (4) directors with executive experience in the Company's business, audit and management and eight (8) independent outside directors with wide-ranging experience, extensive expertise and professional knowledge.

Of the twelve (12) directors, three (3) are women (one of whom is a foreign national). Also, we have established the skill sets expected of the directors from the viewpoint of sustainable increase in enterprise value, including the realization of the Company's medium-term plan, and we have confirmed the independence, diversity, and expected skills of the current entire Board of Directors. The skills expected of the Company's directors (i.e. their skills matrix) are described below in 2. Other Matters Concerning the Corporate Governance System in the V. Other section of this report.

[Supplementary Principle 4-11-2] [Concurrent positions of directors]

If a director or a corporate executive concurrently serves as a director of another listed company, the Company shall confirm in advance whether this might negatively impact—owing to the time and effort invested—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]

In order to clearly separate supervisory and executive functions, and to lend impetus to a further strengthening of the management oversight function, Azbil Corporation transitioned to a company with a three-committee board structure in June 2022. Through conducting objective and constructive deliberations, the Company's Board of Directors decides on such matters as management strategy, supervises their execution, and strives to enhance enterprise value over the medium to long term. A survey is carried out every year to evaluate the effectiveness of the Board of Directors in properly fulfilling its roles and responsibilities, to identify issues and points of improvement, and to indicate ways in which the Board's effectiveness might be enhanced. In addition, we call on the services of an outside organization at regular intervals. In FY2023, as in FY2022, we were thus able to confirm that, following the transition to a company with a three-committee board structure, steady progress has been made in both strengthening governance and improving the effectiveness of the Board of Directors. In addition, as a result of addressing the issues identified in FY2022, we assessed whether the effectiveness of the Board of Directors has definitely improved. Furthermore, in preparing for this evaluation, the Chairperson led a review of the approach and methodology to be used. We conducted the survey utilizing the survey items set up by an outside organization in FY2022, giving consideration to ensuring consistency over time.

For this survey of FY2023, all directors were asked for their opinions and assessments of the following survey items: (1) the role and functions of the Board of Directors; (2) the size and composition of the Board of Directors; (3) the operation of the Board of Directors; (4) the composition, role, and work of the Nomination Committee; (5) the composition, role, and work of the Remuneration Committee; (6) the composition, role, and work of the Audit Committee; (7) the support provided for outside directors; (8) investor and shareholder relations; (9) the overall effectiveness of the governance system and the Board of Directors; and (10) their own self evaluations. Based on the above, the Board of Directors held constructive discussions on current effectiveness as well as issue-sharing and future steps.

It has thus been concluded that the Board of Directors is of an appropriate size and composition, and is properly fulfilling its role, with its members plainly sharing the model supervisory function of the Board of a company with a three-committee board structure; that—thanks to the Liaison Meeting for Directors and Corporate Executives, established for directors as an opportunity to gather information and exchange opinions with corporate executives—there is appropriate communication between directors and corporate executives, as well as between internal directors and outside directors, and that this is functioning as a forum for discussion of important medium- and long-term management issues; that the size, composition, and deliberation topics of the three statutory committees for nomination, audit, and remuneration are all appropriate; and that the overall effectiveness of the Board of Directors is adequately ensured. In last year's assessment of effectiveness, Board members all recognized how important it is to make a clearer division of supervisory and executive roles as well as improve the reference materials prepared for meetings so that the Board can discuss more important management issues, and also how important it is that the Board of Directors and Nomination Committee discuss the skills matrix to maintain the appropriate composition of the Board, improving it where possible. Consequently, in FY2023, the Company established a system to enhance the effectiveness of discussions at Board meetings by revising the criteria for submitting proposals to the Board and improving the materials prepared for the meetings. Furthermore, in addition to Board discussions of the medium-term plan, intensive deliberations were held at the Liaison Meeting for Directors and Corporate Executives and at off-site meetings regarding agenda items that had been identified—through effectiveness evaluations—as important management issues. The Board of Directors also discussed what skills matrix would help ensure the appropriate composition of the Board, improving it where possible. Initiatives such as these represent one of the items that were highly evaluated in this year's survey of effectiveness.

Going forward, members agreed that the Board of Directors will redouble its efforts to (a) improve the reference materials prepared for meetings so that the Board can discuss more important management issues; (b) further strengthen monitoring of those matters for which authority is delegated; (c) discuss, along with the Nomination Committee, how to maintain and improve the appropriate composition of the Board of Directors; and (d) promote dialogue with outside directors and shareholders to enhance enterprise value over the medium to long term. In order to achieve sustainable growth and increase enterprise value over the medium to long term, the Company will continue its efforts to enhance the effectiveness of the Board of Directors.

[Supplementary Principle 4-14-2] [Training policy for directors]

The Company believes that it is important to provide appropriate training opportunities for individual officers so that directors can appropriately fulfill their roles and responsibilities. Based on this recognition, internal and external training opportunities are provided for newly appointed directors to acquire and update the knowledge necessary for the performance of their duties, including their legal authority and obligations as officers. Especially, so that they can deepen their understanding of the Company, we operate an introductory program for newly appointed outside directors, providing 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 needed. And 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 our duty of corporate accountability and contribute to sustainable growth and the enhancement of enterprise value over the medium to long term, the Company is working to establish a system to promote constructive dialogue with shareholders and investors as described below. Details of these efforts can be found in the *azbil Report* (integrated report).

In order to facilitate constructive dialogue with shareholders and investors, the Company has appointed an officer in charge of corporate communications who monitors all such dialogue in coordination with the relevant internal departments. Depending on the purpose, dialogue with shareholders and investors is directed by senior management, the officer in charge of corporate communications, or the IR Group within the Communication Department.

In actual practice, dialogue with shareholders and investors is conducted via individual meetings, financial results announcements and other briefings, and informational tours. In addition, we proactively supply information to shareholders, institutional investors and individual investors, both in Japan and overseas, through extensive use of digital media such as online briefings, all designed to promote understanding. Topics range widely, from management strategy and business performance to sustainability, ESG-related initiatives, and voting criteria. We are thus actively promoting dialogue with a mixed audience, ranging from analysts and fund managers utilizing various investment approaches for shareholders and investors, to people whose responsibilities cover ESG and the exercise of voting rights. After being made available to the president and management team, the outside directors, management meetings and Board meetings the feedback from such dialogue is used, as appropriate, to inform the development of capital and corporate policies, and guide management.

When preparing to engage in dialogue, both the content and scope of information disclosure are clarified in advance, efforts are made to ensure information consistency, and appropriate measures are 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>

[Principle 5-2] [Formulation and announcement of management strategies and plans] [Measures to realize management that is conscious of the cost of capital and stock price]

The azbil Group's basic goal is to improve consolidated return on equity (ROE) and thus increase shareholder value. Through improvements in profitability and capital efficiency, we are aiming to achieve net sales in the 400 billion yen range, operating income in the 60 billion yen range, an operating income margin of approximately 15%, and an ROE of approximately 13.5%; these are the Group's long-term targets\* for FY2030. Toward achieving these long-term targets, the current four-year medium-term plan (FY2021-2024)\* sets out as targets net sales of 300.0 billion yen, operating income of 36.0 billion yen, an operating income margin of 12%, and an ROE of approximately 12%. In FY2024, the final year of the plan, business profitability will be further strengthened, and we plan to achieve net sales of 300.0 billion yen, operating income of 37.5 billion yen, operating margin of 12.5%, and ROE of 12.2%, thus exceeding the operating income/ratio and ROE targets established in FY2021.

\* On May 14, 2021, the azbil Group published its long-term targets and the medium-term plan (FY2021–2024).

From FY2021, the start of the current plan, we have introduced and refined return on invested capital (ROIC) as a management indicator, and, while looking at future capital allocation within the Group, we have also been progressing with business portfolio management to improve the efficiency of management resource utilization based on profitability from invested capital. The azbil Group's confirmed results for FY2023 show an ROIC of 10.2% (estimate) and a weighted average cost of capital (WACC) of 6.1%; these are disclosed in our *102nd Annual Securities Report, Summary of Financial Results, and Financial Results Presentation* materials.



Also, as part of monitoring the progress of the medium-term plan, the Board of Directors reviews the business portfolio to check its effectiveness, whose details can be found on page 35 in the *azbil Report 2023* (integrated report).

In addition, as a way of promoting plan-based management informed by a keen awareness of the cost of capital and the Company's stock price, the relative size of the incentive component of corporate executives' remuneration has been increased; this is designed to motivate them to achieve our medium- and long-term performance targets and enhance enterprise value. Whereas sales and operating income are used as key performance indicators (KPIs) for determining bonuses, relative TSR (vs. TOPIX, including dividends) and operating income margin are the financial metrics used to determine stock-based compensation.

The basic policy of the azbil Group is to use revenue from business activities for investing in sustainable growth and for ensuring a healthy financial foundation, while simultaneously working to enhance shareholder returns. Through implementing disciplined capital planning based on this policy, we strive to maintain and improve enterprise value. Information on our management strategy and, based on this, our strategy for capital investment as well as investments in R&D, human capital, etc., can be found on our website, in the *azbil Report* (integrated report), and in the materials prepared for disclosure of our financial results. Details of human capital can also be found in the *102nd Annual Securities Report*.

[Supplementary Principle 5-2-1] [Basic policy on our business portfolio]

Guided by the Group philosophy of "human-centered automation", our basic mission is to pursue new value creation and business growth that will contribute "in series" to a sustainable society through a business portfolio that is based on automation technologies and focused primarily on our markets (Building Automation/Advanced Automation/Life Automation) and solutions (systems and products). For FY2023, the Board of Directors has reviewed the business portfolio, and from the perspective of restructuring the business portfolio to improve capital efficiency—a goal set forth in the Group's medium-term plan—the decision was made to transfer all of the Company's equity interests in its wholly owned overseas subsidiary in the Life Automation business (Azbil Telstar S.L.U. ); a contract was concluded to that effect on June 6, 2024.

## 2. Capital Structure

|                            |             |
|----------------------------|-------------|
| Foreign Shareholding Ratio | 30% or more |
|----------------------------|-------------|

### [Major Shareholders] Updated

| Shareholder name  | Number of shares owned | Percentage of the total shares issued (%) |
|---|------------------------|---|
| The Master Trust Bank of Japan, Ltd. (Trust account)              | 19,298,800             | 14.36                                     |
| Meiji Yasuda Life Insurance Company                               | 10,428,200             | 7.76                                      |
| SSBTC CLIENT OMNIBUS ACCOUNT                                      | 9,528,964              | 7.09                                      |
| Custody Bank of Japan, Ltd. (Trust account)                       | 7,792,000              | 5.79                                      |
| Northern Trust CO. (AVFC) Re Fidelity Funds                       | 4,980,611              | 3.70                                      |
| National Mutual Insurance Federation of Agricultural Cooperatives | 3,356,400              | 2.49                                      |
| the azbil Group Employee Stock Ownership Association              | 2,826,733              | 2.10                                      |
| STATE STREET BANK WEST CLIENT – TREATY 505234                     | 2,555,300              | 1.90                                      |
| JP MORGAN CHASE BANK 385839                                       | 2,349,900              | 1.74                                      |
| The Dai-ichi Life Insurance Company, Limited                      | 2,200,000              | 1.63                                      |

|   |   |
|---|---|
| Controlling Shareholder (other than parent company) | — |
|---|---|

|                |      |
|----------------|------|
| Parent Company | None |
|----------------|------|

### Supplementary Explanation Updated

- The Company holds 7,148,831 treasury shares. Furthermore, the number of treasury shares does not include the 1,956,538 shares owned by Custody Bank of Japan, Ltd. (Trust E) for the Employee Stock Ownership Plan (J-ESOP) and the Board Benefit Trust (BBT),

nor the 573,200 shares owned by the azbil Group Employee Stock Ownership Dedicated Trust.

2. 8,043 thousand shares held by The Master Trust Bank of Japan, Ltd. (Trust account) and 3,956 thousand shares held by Custody Bank of Japan, Ltd. (Trust account) are the numbers of shares related to the trust business.
3. According to the *Report on Large Shareholding* dated June 20, 2023, which has been made available for public inspection, 10,771,000 shares (7.49 % of the total shares issued) are held by BlackRock Japan Co., Ltd. and other joint holders as of June 15, 2023. However, as the Company is not able to confirm the number of shares actually held as of March 31, 2024, BlackRock Japan Co., Ltd. and other joint holders are not included in the above list of major shareholders.

### 3. Corporate Attributes

|   |  |
|---|--|
| Listed Stock Market, Market Section   | Tokyo Stock Exchange, Prime Market         |
| Fiscal Year End   | March 31                                   |
| 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

—

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

—

## 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 a three-committee board structure |
|---------------------------|--|

#### [Directors]

|   |   |
|---|---|
| Number of Directors as Specified in Articles of Incorporation         | 15  |
| Term of Office of Directors as Specified in Articles of Incorporation | 1 year  |
| Chairperson of the Board  | Company Chairperson (except when concurrently serving as President) |
| Number of Directors   | 12  |

#### [Outside Directors]

|                                 |   |
|---------------------------------|---|
| Number of Outside Directors     | 8 |
| Number of Independent Directors | 8 |

|                                   |         |
|-----------------------------------|---------|
| Relationship with the Company (1) | Updated |
|-----------------------------------|---------|

| Name               | Affiliation          | Relationship with the Company (*) |   |   |   |   |   |   |   |   |   |   |  |  |
|--------------------|----------------------|-----------------------------------|---|---|---|---|---|---|---|---|---|---|--|--|
|                    |                      | a                                 | b | c | d | e | f | g | h | i | j | k |  |  |
| Waka Fujiso        | Other                |                                   |   |   |   |   |   |   |   |   |   |   |  |  |
| Mitsuhiro Nagahama | From another company |                                   |   |   |   |   |   |   | △ |   |   |   |  |  |
| Anne Ka Tse Hung   | Lawyer               |                                   |   |   |   |   |   |   |   |   |   |   |  |  |
| Fumitoshi Sato     | From another company |                                   |   |   |   |   |   |   | △ |   |   |   |  |  |
| Shigeaki Yoshikawa | From another company |                                   |   |   |   |   |   |   | △ |   |   |   |  |  |
| Tomoyasu Miura     | From another company |                                   |   |   |   |   |   |   | △ |   |   |   |  |  |
| Sachiko Ichikawa   | Lawyer               |                                   |   |   |   |   |   |   |   |   |   |   |  |  |
| Hiroshi Yoshida    | 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:

- Executive of the Company or its subsidiaries
- Non-executive director or executive of a parent company of the Company
- Executive of a subsidiary company of the Company
- A party whose major client or supplier is the Company or an executive thereof
- Major client or supplier of the Company or an executive thereof
- Consultant, accountant, or legal professional who receives a large monetary consideration or other property from the Company besides remuneration as a director
- Major shareholder of the Company (or an executive of a major shareholder if the said shareholder is a legal entity)
- Executive of a client or supplier company of the Company which does not correspond to categories d, e, or f above (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) Updated

| Name               | Committee membership |                        |                 | Designated as an independent director | Supplementary explanation of conforming items   | Reason for appointment  |
|--------------------|----------------------|------------------------|-----------------|---------------------------------------|---|---|
|                    | Nomination Committee | Remuneration Committee | Audit Committee |                                       |   |   |
| Waka Fujiso        |                      | Yes                    |                 | Yes                                   | -   | <p>She possesses extensive knowledge and experience that she gained mainly during her activities over many years as a public prosecutor, and, after retiring from the position of public prosecutor at the Supreme Public Prosecutors Office, during her service as a council member at a government agency at which time she also taught at a law school. At Board of Directors meetings of the Company, she not only supervises business execution, but also proactively offers opinions from the perspectives of sustainability and CSR, based on her extensive knowledge and experience as a legal expert, aiming at more thorough compliance management and risk management as well as the enhancement of management transparency and fairness. In these ways, she fulfills such appropriate roles as supervising and giving advice on business execution and the Company judges she can continue contributing to the enhancement of the Company's management going forward.</p> <p>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 judging the independence of outside directors.</p> |
| Mitsuhiro Nagahama |                      | Yes                    |                 | Yes                                   | <p>He served as a director at the Company's lender, Mizuho Corporate Bank, Ltd. (now: Mizuho Bank, Ltd.), until April 2013. However, the amount</p> | <p>He possesses broad knowledge and extensive experience in corporate management, financial/securities sectors and global business, as he has successively served in important posts at financial institutions. After he assumed the post of outside Audit &amp; Supervisory Board member in 2015, he has audited the</p>   |

|  |  |  |  |  |  |
|--|--|--|--|--|--|
|  |  |  |  | <p>of the Company's borrowings from said bank is ¥5,348 million, which is 1.7% of the Company's consolidated total assets of ¥313,728 million and the azbil Group does not effectively have loans payable (net balance of loans not exceeding current liquidity deposited at such lender.) Thus, said bank is not a major lender as per "the criteria for judging the independence of outside directors established by the Company".</p> <p>He also served as a director at a business partner of the Company, Mizuho Securities Co., Ltd, until March 2015. However, in both the most recent fiscal year and the preceding three fiscal years, the amount of transactions with the Company represents less than 0.3% of the consolidated net sales of both the Company and Mizuho Securities, which does not make said company a major business partner as per the Company's own criteria for judging the Independence of outside directors Thus the Company has determined that neither are business</p> | <p>Company's overall business with his outstanding insights on corporate governance and ideal way of company management. Furthermore, he has not only supervised business execution as an outside director since 2019, but also proactively offered opinions to enhance management transparency from the perspective of the capital markets and based on a global perspective. In these ways, he fulfills such appropriate roles as supervising and giving advice on business execution and the Company judges he can continue contributing to the enhancement of the Company's management going forward.</p> <p>He had engaged in business execution at the Company's lender, Mizuho Corporate Bank, Ltd. (now: Mizuho Bank, Ltd.), until April 2013; and at the Company's business partner Mizuho Securities Co., Ltd. until March 2015. However, they are neither lenders nor business partners that influence the Company's decision-making, as shown at left. Thus, 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 judging the independence of outside directors.</p> |
|--|--|--|--|--|--|

|                  |     |  |     |     |  |   |
|------------------|-----|--|-----|-----|--|---|
|                  |     |  |     |     | partners which influence the Company's decision-making.  |   |
| Anne Ka Tse Hung | Yes |  |     | Yes | -  | She worked at an international law office as a partner attorney, and supported the conclusion of agreements for the international transactions of Japanese companies, in addition to overseas corporate matters. She also has business experience with many Japan-based companies, is familiar with Japanese business customs, and possesses knowledge in the industry to which the Company belongs. At Board of Directors meetings, she draws on her expert knowledge of international business not only to supervise business execution, but also to proactively offer opinions based on her global perspective, such as business promotion system targeting international business growth and her approach to investment for medium- and long-term growth. In these ways, she fulfills such appropriate roles as supervising and giving advice on business execution and the Company judges she can continue contributing to the enhancement of the Company's management going forward. 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 judging the judging the independence of outside directors. |
| Fumitoshi Sato   |     |  | Yes | Yes | He served as a director at the Company's business partner HORIBA, Ltd. until March 2017. However, in both the most recent fiscal year and the preceding three fiscal years, the amount of transactions with the Company represents less than 0.1% of the | He has successively served in important posts at the Bank of Japan, and in addition to his broad knowledge and extensive experience in the financial sector, he has work experience in the management division overseeing accounting, legal affairs, and human resources at an operating company in the manufacturing industry and management experience as a director. After he assumed the post of outside Audit & Supervisory Board member in 2019, he audited the Company's business in general, and since  |

|                    |     |  |  |     |  |  |
|--------------------|-----|--|--|-----|--|--|
|                    |     |  |  |     | <p>consolidated net sales of both the Company and HORIBA Ltd., which does not make said company a major business partner as per the Company's own criteria for judging the independence of outside directors</p> <p>Thus, the Company judges that HORIBA, Ltd. Is not a business partner which influences the Company's decision-making.</p>   | <p>2022 he has contributed to the improvement of the Company's corporate governance and internal control as director (Audit Committee member). In the Company's meetings of the Board of Directors, he proactively offers opinions regarding the appropriateness of the Company's business and financial strategies, and from the perspective of risk management and corporate governance enhancement. In addition, he has knowledge of finance, accounting, and legal affairs, as well as knowledge of corporate management, and the Company judges that he can continue contributing to the enhancement of the Company's management going forward.</p> <p>He had engaged in business execution at the Company's business partner HORIBA, Ltd. until March 2017. However, said company is not a business partner which influences the Company's decision-making, as shown at left.</p> <p>Thus, 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 judging the independence of outside directors.</p> |
| Shigeaki Yoshikawa | Yes |  |  | Yes | <p>He served as an executive vice president at the Company's business partner Mitsubishi Corporation until March 2016. However, in both the most recent fiscal year and the preceding three fiscal years, the amount of transactions with the Company represents less than 0.1% of the consolidated net sales of both the Company and Mitsubishi Corporation, which does not make said company a major business partner as</p> | <p>He has held key positions in a general trading company with global operations, and has broad knowledge and abundant experience regarding overseas business development and business portfolio strategies, as well as corporate management experience and so forth at a think-tank consulting firm. He assumed the post of outside director of the Company in 2022, and he has proactively offered his opinions regarding the Company's international business strategies, approach to business strategies for medium- to long-term growth and human resource development based on his extensive experience and insight into overseas business, as well as his knowledge of marketing and sales. In these ways, he fulfills such appropriate roles as supervising and giving advice on business execution, and the Company judges he can continue contributing to the</p>  |

|                |  |     |  |     |  |   |
|----------------|--|-----|--|-----|--|---|
|                |  |     |  |     | <p>per the Company's own criteria for judging the independence of outside directors. Thus, the Company judges that Mitsubishi Corporation is not a business partner which influences the Company's decision-making.</p>  | <p>enhancement of the Company's management going forward. He was involved with business execution at the Company's business partner Mitsubishi Corporation until March 2016. However, Mitsubishi Corporation is not a business partner which influences the Company's decision-making, as shown at left. Thus, 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 judging the independence of outside directors.</p>  |
| Tomoyasu Miura |  | Yes |  | Yes | <p>He served as a counselor at the Company's business partner Nomura Research Institute, Ltd. (NRI) (until June 2022) and Executive Director &amp; Dean of Nomura School of Advanced Management (NSAM) (until May 2022). The Company currently has transaction relationships with NRI and NSAM related to consulting and training services. However, in both the most recent fiscal year and the preceding three (3) fiscal years, the amount of transactions with NRI makes up less than 0.1% of the consolidated net sales of both the Company and NRI. As regards the Company's relationship with NSAM, the amount of transactions (training fees paid to NSAM)</p> | <p>He has held key positions at a think-tank consulting firm and possesses extensive knowledge and experience in a wide range of fields, such as IT, technology innovation, and new business creation, as well as abundant experience in the development of management human resources at a public interest incorporated foundation. He assumed the post of outside director of the Company in 2022, and has proactively offered his opinions from the perspectives of business strategies, including consideration of technological aspects, for the Company's medium- to long-term growth, and of human resource development, based on his abundant knowledge of the IT and technology domains, his experience of new business creation, and his experience of human resource development. In these ways, he fulfills such appropriate roles as supervising and giving advice on business execution and the Company judges that he can continue contributing to the enhancement of the Company's management going forward. He was involved with business execution at two of the Company's business partners, Nomura Research Institute, Ltd. (until June 2022) and Nomura School of Advanced Management (until May 2022). However, they are not business partners which influence the Company's decision-making, as shown at left. Thus, the Company has designated him as an independent director, judging there to</p> |



|                  |     |  |  |     |  |  |
|------------------|-----|--|--|-----|--|--|
|                  |     |  |  |     | <p>as a percentage of NSAM's net sales is less than 1.4%; in monetary terms, this is less than 7 million yen per fiscal year</p> <p>Note that the Company has no sales to NSAM. Thus, neither is a major business partner as per the Company's own criteria for judging the independence of outside directors and the Company judges they are not business partners which influence the Company's decision-making.</p> | <p>be no possibility of the occurrence of conflict of interest with general shareholders, in accordance with the Company's own criteria for judging the independence of outside directors.</p>   |
| Sachiko Ichikawa | Yes |  |  | Yes | -  | <p>She has a global perspective, extensive experience, broad knowledge and expertise as an attorney (in Japan and in New York State, the U.S.) and a U.S. certified public accountant. Moreover, she has served as an outside officer at other listed companies, primarily in the manufacturing industry, and has excellent insights concerning the ideal shape of corporate governance and company management. The Company judges that as an outside director of the Company, she can fulfill such appropriate roles as offering objective suggestions and advice for the enhancement of management transparency from wide-ranging perspectives as well as supervising business execution for the Board of Directors, utilizing her abundant and specialist knowledge and experience related to legal affairs and accounting, along with her insights in areas such as corporate governance and compliance. 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</p> |

|                 |  |  |     |     |   |   |
|-----------------|--|--|-----|-----|---|---|
|                 |  |  |     |     |   | with the Company's own criteria for judging the judging the independence of outside directors.  |
| Hiroshi Yoshida |  |  | Yes | Yes | <p>He served as a corporate executive at the Company's business partner Hitachi Chemical Co., Ltd. (Present: Resonac Corporation) until June 2020. However, in both the most recent fiscal year and the preceding three fiscal years, the amount of transactions with the Company represents less than 0.2% of the consolidated net sales of both the Company and Hitachi Chemical Co., Ltd. (Present: Resonac Corporation), which does not make said company a major business partner as per the Company's own criteria for judging the independence of outside directors. Thus, the Company judges that Hitachi Chemical Co., Ltd. (Present: Resonac Corporation) is not a business partner which influences the Company's decision-making.</p> | <p>He has held key positions at a globally operating listed chemical manufacturer. He has broad knowledge related to finance and accounting, abundant experience in management planning and strategy formulation in the manufacturing industry, and experience as both a corporate executive and an Audit &amp; Supervisory Board member. The Company judges that as an outside director of the Company, he can fulfill such appropriate roles as offering objective suggestions and advice for the enhancement of management transparency from wide-ranging perspectives as well as supervising business execution for the Board of Directors, utilizing his wealth of specialist knowledge related to finance and accounting in addition to his extensive experience in management planning and strategy formulation in the manufacturing industry.</p> <p>He was involved with business execution at the Company's business partner Hitachi Chemical Co., Ltd. (Present: Resonac Corporation) until June 2020. However, Mitsubishi Corporation is not a business partner which influences the Company's decision-making, as shown at left. Thus, 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 judging the independence of outside directors.</p> |

## [Supervisory Committees]

| Composition of Supervisory Committee and Attributes of the Chairperson |                                |                   |                    |                   |                  |
|--|--------------------------------|-------------------|--------------------|-------------------|------------------|
|  | Total no. of committee members | Full-time members | Internal directors | Outside directors | Chairperson      |
| Nomination Committee   | 4                              | 0                 | 1                  | 3                 | Outside Director |
| Remuneration Committee   | 4                              | 0                 | 1                  | 3                 | Outside Director |
| Audit Committee  | 3                              | 1                 | 1                  | 2                 | Outside Director |

## [Corporate Executives (*shikkoyaku*)]

|                                |         |   |
|--------------------------------|---------|---|
| Number of Corporate Executives | Updated | 6 |
|--------------------------------|---------|---|

|                        |         |
|------------------------|---------|
| Additional Duty Status | Updated |
|------------------------|---------|

| Name              | Representative Authority | Concurrent duties as director |                             |                               | Concurrent duties as employee |
|-------------------|--------------------------|-------------------------------|-----------------------------|-------------------------------|-------------------------------|
|                   |                          |                               | Nomination Committee member | Remuneration Committee member |                               |
| Kiyohiro Yamamoto | Yes                      | Yes                           | ○                           | ×                             | No                            |
| Takayuki Yokota   | Yes                      | Yes                           | ×                           | ○                             | No                            |
| Yoshimitsu Hojo   | No                       | No                            | ×                           | ×                             | No                            |
| Kazuyasu Hamada   | No                       | No                            | ×                           | ×                             | No                            |
| Akihiko Naruse    | No                       | No                            | ×                           | ×                             | No                            |
| Hideaki Ishii     | No                       | No                            | ×                           | ×                             | No                            |

## [Auditing Structure]

|   |     |
|---|-----|
| Appointment of Directors and Employees to Support the Audit Committee | Yes |
|---|-----|

|   |
|---|
| Matters Related to the Independence from Corporate Executives of Such Directors and Employees |
|---|

To perform their duties under the direction and instructions of the Audit committee, we have established an Audit Committee office with three (3) staff within the Internal Audit Department. Personnel transfers involving members of this staff are decided with the prior consent of the Audit Committee. Also, the performance of the head of the Audit Committee office is reviewed by the Audit Committee, and personnel evaluations involving him/her are decided with the prior consent of the Audit Committee, thereby ensuring independence from the executive side.

|  |
|--|
| Cooperation Between the Audit Committee, Independent Accounting Auditor, and Internal Audit Department |
|--|

As stated in "2. Functions of Business Execution, Auditing, Oversight, Nomination, and Remuneration Decisions" of this report, the Audit Committee—the majority of which is composed of outside directors—conducts audits in cooperation with the Internal Audit Department and the independent accounting auditor. The Committee regularly reports to the Board of Directors on its audit activities.

## [Independent Directors]

Number of Independent Directors

8

### Matters Relating to Independent Directors

The Company designates as independent directors all outside directors who meet the criteria for independent directors.

The Company's criteria for determining the independence of outside directors are as follows.

Criteria for Judging the Independence of Outside Directors (revised on June 23, 2022)

For appointing outside directors, the Company has formulated its own criteria for judging the independence of outside directors. It judges that a person is not independent if any of the items below apply:

1. A person who currently serves as an operating executive\*<sup>1</sup> of the Company or a consolidated subsidiary of the Company, or who previously served within ten (10) years prior to being appointed;
2. A person who has 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 has served as a non-executive director of the Company or its consolidated subsidiary for more than twelve (12) years, in principle;
4. A person who has served as a member of the Audit & Supervisory Board of the Company or its consolidated subsidiary for more than twelve (12) years or three (3) terms, in principle;
5. A person who serves as an executive of a major business partner of the azbil Group—that is, a business partner that has made a payment in the amount exceeding 2% of its annual consolidated sales for the latest fiscal year or any of the preceding three (3) fiscal years or receives such a payment—or who has served in such a position in the last three (3) years;
6. A person who serves as an executive or an Audit & Supervisory Board member of a major lender\*<sup>2</sup> 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;
7. A related party of the independent 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);
8. A lawyer, certified public accountant, or other consultant who does not correspond with item 7 above and who received money or other economic benefits in the annual average amount of 10 million yen or more over the past three (3) years other than executive compensation from the azbil Group;
9. A member, partner, associate or employee of a law firm or an audit firm, etc. who does not correspond with items 7 or 8 above, where the azbil Group is a major business partner of the said law firm, audit firm, etc.—that is, a firm that received a payment from the Company or its consolidated subsidiary in the annual average amount of 2% or more of the consolidated net sales of said firm over the past three (3) fiscal years;
10. A person who serves as an executive or an Audit & Supervisory Board member of a current major shareholder of the Company (a shareholder that holds 10% or more of voting rights in the Company), its parent company or its significant subsidiary, or who served in such a position in the last five (5) years;
11. A person who serves as an executive or an Audit & Supervisory Board member of a company that accepts a director seconded from the azbil Group, its parent company or its subsidiary;
12. A person who serves as an executive or an Audit & Supervisory Board member of a company in which the Company is a major shareholder;
13. 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; or
14. 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 13) are applicable.

\*1: Here "operating executive" refers to an executive director, a corporate executive, an executive officer, the head of a department, or other general employee.

\*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 and where the azbil Group effectively has loans payable (net balance of loans exceeding current liquidity deposited at such lender).

## [Incentives]

Implementation of Measures to Provide Incentives to Directors and Corporate Executives

Performance-linked remuneration, etc.

Supplementary Explanation **Updated**

As a company with a three-committee board structure, the Company's Remuneration Committee, which is chaired by and composed of a majority of independent outside directors, sets policy on the determination of the individual remuneration of directors and corporate executives. For details, please refer to the remuneration policy at the end of this report.

Recipients of Stock Options

Supplementary Explanation

-

## [Remuneration for Directors and Corporate Executives]

Disclosure of Individual Directors' Remuneration

Disclosure for selected Directors

Disclosure of Individual Corporate Executives' Remuneration

Disclosure for selected Corporate Executives

Supplementary Explanation **Updated**

The remuneration of one corporate executive (concurrently serving as a director) is disclosed separately in the *102nd Annual Securities Report*, in accordance with the provisions of the Cabinet Office Ordinance on the Disclosure of Corporate Affairs, etc.

Policy on Determining Remuneration Amounts and Calculation Methods **Updated**

Established

Disclosure of Policy on Determining Remuneration Amounts and Calculation Methods

As a company with a three-committee board structure, the Company's Remuneration Committee, which is chaired by and composed of a majority of independent outside directors, sets policy on the determination of the individual remuneration of directors and corporate executives. For details, please refer to the remuneration policy at the end of this report.

## [Supporting System for Outside Directors]

We have established a Corporate Secretariat office, which, in addition to performing secretarial duties for officers and handling special instructions from management, functions as a secretariat for the Board and provides support for the Nomination Committee and Remuneration Committee. Within the Internal Audit Department, we have also set up an Audit Committee office with three (3) staff. In these ways, we are strengthening support functions for the Board of Directors and statutory committees. Moreover, materials prepared for Board meetings are distributed in advance, and outside directors, etc. are provided with briefings so that they have access to all necessary information for items on the agenda.

**[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 were formerly President and 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)

Updated

### 1. Overview of Current Corporate Governance System

To ensure its own medium- to long-term development, respond to the trust of all its stakeholders including its shareholders, and proceed with consistently increasing enterprise value, the azbil Group sets fortifying the underlying corporate governance as a management priority. Measures have included strengthening the supervisory and auditing functions of the Board of Directors, improving management transparency and soundness, and clarifying the structure of responsibility for the execution of duties.

As a company with a three-committee board structure, three statutory committees – the Nomination Committee, Audit Committee, and Remuneration Committee – have been established, each consisting of a majority of independent outside directors and being chaired by an independent outside director. In addition, by substantially transferring business execution authority from the Board of Directors to corporate executives with clear legal responsibilities, we are clearly separating supervisory and execution functions to ensure a business execution system based on flexible and efficient decision making, while at the same time enhancing the objective supervision of management.

Furthermore, as a company with a three-committee board structure, to ensure the effectiveness of monitoring by the Board of Directors, we have established a forum for providing information to directors and exchanging opinions with corporate executives in the form of a Liaison Meeting for Directors and Corporate Executives, and in addition, opinion exchange meetings are held regularly among outside directors. At the same time, we are continuing our system for executive officers charged with business execution, aiming to enhance quality and speed of decision making.

The Board of Directors is convened monthly in principle, to discuss and consider legal issues, and other important managerial matters as the highest decision-making body for management and provide a major direction, and to exercise appropriate supervision over execution in order to reflect opinions of stakeholders. In business execution, the Management Meeting, which corporate executives and executive officers with titles attend, has been established to serve as an executive-level advisory body to assist president & Group CEO in making decisions, and are attended by the full-time Audit Committee member to ensure the effectiveness of monitoring. The Management Meeting is held twice a month in principle as part of ongoing initiatives to strengthen business operations through prompt decision making and strict execution.

As of June 25, 2024, the Company has appointed a total of 12 directors, including four (4) who have accumulated experience in the Company's business, management and audits (Hirozumi Sone, Kiyohiro Yamamoto, Takayuki Yokota, and Hisaya Katsuta), as well as eight (8) who are independent outside directors and have independence, broad experience, a wealth of expertise and knowledge, and rich diversity in the form of nationality and gender (Waka Fujiso, Mitsuhiro Nagahama, Anne Ka Tse Hung, Fumitoshi Sato, Shigeaki Yoshikawa, Tomoyasu Miura, Sachiko Ichikawa and Hiroshi Yoshida). Independent outside directors have reached the majority of the Board of Directors. In addition to working diligently to contribute to enhancement of the Company's enterprise value through appropriate oversight and advice during the decision-making process at Board of Directors meetings, these independent outside directors regularly exchange opinions with corporate executives through a Liaison Meeting for Directors and Corporate Executives and other opportunities. Moreover, we established the skills expected of the directors from the viewpoint of sustainable increase in enterprise value, including the realization of the Company's medium-term plan, and confirmed the independence, diversity, and expected skills of the current Board of Directors.

### 2. Status of Activities of the Board of Directors

In FY2023, the Board of Directors met a total of 12 times. The 12 directors attended all of the meetings. Major items discussed at the Board of Directors meetings are as follows.

|                |  |
|----------------|--|
| Items resolved | Election of major risks, capital policy, revision of the Rules of Board of Directors and committee rules, appointment of corporate executives, appointment of committee members, approval for financial results, and other matters   |
| Items reported | Report on progress in the medium-term plan, report on the holding status of strategic shareholdings, reports on execution of duties from each statutory committee and corporate executives, reports on the status of operation of internal control systems, reports on the status of CSR management, reports on the results of the re-examination of materiality, reports on the status of management of group companies, business portfolio review, and other reports |

### 3. Status of Activities of the Nomination Committee, the Audit Committee, and the Remuneration Committee

As a company with a three-committee board structure, the Company has established three committees, namely the Nomination Committee, the Audit Committee, and the Remuneration Committee. The status of activities of each committee is as follows.

(Nomination Committee)

As of March 31, 2024, for the Nomination Committee, Takeshi Itoh (Independent Outside Director) serves as the Committee chairperson, Anne Ka Tse Hung (Independent Outside Director), Shigeaki Yoshikawa (Independent Outside Director), and Kiyohiro Yamamoto (Director, President & Group CEO) serve as committee members, with independent outside directors comprising a majority of the Committee. In FY2023, the Nomination Committee met twelve (12) times, and four (4) members of the Nomination Committee attended all of the meetings. Items implemented and specific contents of consideration by the Nomination Committee are as follows.

| Items implemented   | Specific contents of consideration   |
|---|--|
| Action plans for the current fiscal year  | While reviewing the activities of the previous fiscal year, the Nomination Committee considered and determined items for evaluation and annual action plans for the committee in the current fiscal year, and other matters.   |
| Determination of contents of proposals concerning candidates for directors for the next term                                  | In considering the Board of Directors structure for the next term (FY2024), the Nomination Committee confirmed views on the selection and the state of consideration, and deliberated and determined candidates for directors for the next term.   |
| Confirmation of candidates for corporate executives for the next term and candidates for executive officers for the next term | Regarding the corporate executive structure for the next term (FY2024) based on consultation from the Board of Directors and the executive officer structure based on consultation from the president & Group CEO, the Nomination Committee confirmed views on the selection and the state of consideration, as well as the selection of candidates for the next term. |
| Selection of successor candidates and confirmation of individual training plans   | The Nomination Committee shared a profile of needed successor and the judgment criteria for promotion, and confirmed the selection and training process and the training status of successor candidates based on the development of leadership personnel.  |
| Revision of the Rules of the Nomination Committee and rules related to the selection of officers                              | In addition to deciding on a proposal to revise the Rules of the Nomination Committee following the organization of matters to be discussed at the Nomination Committee, the Nomination Committee considered the revision of the various rules related to the selection of officers.   |

(Audit Committee)

As of March 31, 2024, for the Audit Committee, Fumitoshi Sato (Independent Outside Director) serves as the Committee chairperson, Minoru Sakuma (Independent Outside Director) and Hisaya Katsuta (Non-executive Inside Director) serve as committee members, with independent outside directors comprising a majority of the Committee. Two (2) independent outside



directors and one (1) non-executive inside director who is versed in the Company's businesses formulate audit plans together with the Internal Audit Department and conduct multifaceted auditing activities, and the internal Audit Committee member serves on a full-time basis, to enhance the effectiveness of audits by the Audit Committee. The Audit Committee chairperson Fumitoshi Sato has experience as the person responsible for the creation of financial statements as the officer in charge of accounting and finance at another operating company over many years and thus has a wealth of knowledge concerning financial affairs and accounting. Furthermore, the Company established an Audit Committee Office, an organization dedicated to assisting the Audit Committee in its duties, with three (3) staff members assigned to assist the Audit Committee in the execution of its duties.

The Audit Committee convenes in principle once a month and holds ad-hoc meetings, as necessary. In FY2023, it convened a total of 13 times and the three (3) Audit Committee members participated in all of the meetings. The main key audit items and specific audit details of the Audit Committee in FY2023 are as follows.

| Key audit items                                 | Specific audit details  |
|---|---|
| Status of operation of internal control systems | The full-time Audit Committee member held meetings with the divisions in charge of internal control systems and Audit & Supervisory Board members and control divisions of the Company's subsidiaries. The audit results of the Audit & Supervisory Board members of the subsidiaries were also shared with all Audit Committee members, and the results were confirmed through exchanges of opinion with the presidents of the subsidiaries. |
| Status of risk response                         | The full-time Audit Committee member attended the azbil Group General Risk Committee, confirmed the status of response to key risks, and held meetings with the divisions responsible for risk management. All the Audit Committee members exchanged opinions with the corporate executives individually.   |
| Status of governance                            | All the Audit Committee members exchanged opinions with the corporate executives and presidents of subsidiaries and confirmed the status of operations of the internal reporting system. The full-time Audit Committee member attended the Management Meeting and other important meetings and confirmed both the response to emergencies and major incidents and the implementation status of measures to prevent recurrence.                |
| Status of legal and regulatory compliance       | Through an investigation of business operations at the divisions in charge of the various legal and regulatory compliance, the full-time Audit Committee member confirmed the status of regulatory compliance and requested improvements in the time-intensive regulatory review, leading to revisions in regulations.  |
| Implementation status of management strategies  | At the Board of Directors and Liaison Meeting for Directors and Corporate Executives, discussions were held on measures to achieve medium- to long-term targets and on the details of the evaluation of the business portfolio. Additionally, during the investigation of business operations, confirmation was made that the divisions were executing business operations according to the medium-term plan.                                 |

The following are details of (1) coordination with the Internal Audit Department, (2) coordination with the independent accounting auditor, and (3) Audit Committee's evaluation of the audit firm.

(1) Coordination with the Internal Audit Department

In formulating the internal audit plan for the fiscal year, the Audit Committee closely coordinated with the Internal Audit Department. The Committee also requested the attendance at Audit Committee meetings of the Internal Audit Department head, who is the executive officer in charge of internal audits; this was to share information and exchange opinions on the progress of both the Audit Committee audit and the internal audit. As a new initiative, the Audit Committee also conducted joint audits of overseas subsidiaries with the Internal Audit Department.

(2) Coordination with the independent accounting auditor

Based on the evaluation criteria for accounting auditors established by the Audit Committee, we evaluated the robustness of audits by the independent accounting auditor, the independence of the independent accounting auditor, and the quality of the audits. This involved listening to the regular audit reports by the independent accounting auditor; evaluations of the independent accounting auditor by the Accounting Department, Internal Control Department, and Internal Audit Department; and attending audits conducted by the independent accounting auditor.

Moreover, regarding non-assurance services to be performed for the Company and its subsidiaries by the independent accounting auditor and network firms, the Audit Committee gave preapproval for such services after evaluating the degree of independence, referring to information provided by the independent accounting auditor, and checking with the relevant internal departments as appropriate.

In addition, the Audit Committee conducted explanatory hearings on the progress of examination of items and content of key audit matters (KAMs).

(3) Audit Committee's evaluation of the audit firm

The Audit Committee has established criteria for evaluation of the independent accounting auditor under three headings: (1) professional competence; (2) audit quality control system and independence; and (3) audit plan, communication, and audit activities. The Committee evaluated the accounting audits by listening to regular audit/review reports from the independent accounting auditor, listening to explanations of the independent accounting auditor's quality control system, witnessing the independent accounting auditor's audits, and gathering information on the independent accounting auditor from the Accounting Department and Internal Audit Department.

(Remuneration Committee)

As of March 31, 2024, for the Remuneration Committee, Mitsuhiro Nagahama (Independent Outside Director) serves as the Committee chairperson, Waka Fujiso (Independent Outside Director), Tomoyasu Miura (Independent Outside Director), and Takayuki Yokota (Director, Representative Corporate Executive Deputy President) serve as committee members, with independent outside directors comprising a majority of the Committee. In FY2023, the Remuneration Committee met ten (10) times and all the four (4) Remuneration Committee members attended all of the meetings. Items implemented and specific contents of consideration by the Remuneration Committee are as follows.

| Items implemented   | Specific contents of consideration   |
|---|--|
| Action plan for the current fiscal year   | The Remuneration Committee evaluated and decided on the items for consideration and its annual action plan for the current fiscal year.  |
| Determination of policies and system for determining details of remuneration for directors and corporate executives | The Remuneration Committee reviewed the remuneration ratios for corporate executives (increasing the ratio of stock compensation) and revised the policies and system used to decide the details of remuneration for directors and corporate executives. |

|   |  |
|---|--|
| Determination of individual remuneration for directors and corporate executives | In addition to evaluating the performance of corporate executives in FY2022, based on the above determination policies, the Remuneration Committee determined details of individual remuneration for directors and corporate executives during the period from July 2023 to June 2024. |
| Revision of the Rules of the Remuneration Committee                             | The Remuneration Committee decided on a proposal to revise the Rules of the Remuneration Committee following the organization of matters to be discussed at the Remuneration Committee.  |
| Confirmation of the external environment as for officers' remuneration          | The Remuneration Committee made regular confirmation of the current remuneration system for officers and the remuneration level in light of information on other companies and general trends provided by external specialized institutions, etc.                                      |

#### 4. Appointment of candidates for directors, and the election/dismissal of the CEO and other senior executives

##### a. Directors

In terms of basic qualifications, a candidate director is to be a person with excellent character and insight who contributes to the growth of the Company and the Group as a whole and helps to enhance enterprise value. When nominating and electing candidates for the Board of Directors, the Nomination Committee also assesses the skills matrix and composition of the current committee, taking into consideration nationality and gender diversity.

##### b. The CEO and other senior executives

The appointment of the CEO and other senior executives (president & CEO, deputy president, and corporate executives) is decided by the Board of Directors after deliberation by the Nomination Committee, based on appointment criteria standards and the desired composition of the Board of Directors.

##### Appointment criteria

As the basic requirements, the CEO and other senior executives must have a full of understanding of the Group philosophy, deep knowledge of corporate management, wide-ranging experience both inside and outside Japan and a high level of insight into corporate governance, CSR, and compliance, as well as the ability to lead the entire Group and guide it to sustainable growth.

##### Dismissal criteria

Concerning policies and procedures for dismissing the CEO and other senior executives, the candidate for dismissal undergoes a fair and rigorous process of examination and deliberation by the Nomination Committee based on the following criteria. If the committee judges that the dismissal is appropriate, it is sent to the Board of Directors for approval.

Reasons for proposing dismissal include serious business problems arising from a violation of the law or the Articles of Incorporation, circumstances that makes it difficult for the person to perform and continue in the job, and a reason for retirement that is stipulated by law. In deliberating the dismissal of the president and CEO, the Nomination Committee will also take into consideration declining financial results and other such quantitative data.

#### 5. 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 24 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 FY2023 and details of the team assisting them in the audit work are as follows:

Certified public accountants who conducted the audit: Seiji Oguchi, Takusei Kashiwamura

Composition of team assisting in the audit: 7 certified public accountants, 37 others

## 6. Status of internal audits

The Company's internal audits are intended to help us achieve the azbil Group's management goals. All azbil Group companies are subject to these audits, which monitor management/operational organization and systems, business execution, business risk response, compliance status, and internal control system functions across all management activities. On the basis of these audits, the Internal Audit Department provides specific advice and recommendations for business improvement.

In addition, within the Internal Audit Department there is an independent internal reporting system, which plays a role in preventing irregularities but also enables a rapid response should something of that nature arise.

The Internal Audit Department is established directly under the President and CEO as an independent organization. It receives instructions on its audit function from the Audit Committee and on departmental operation from the President and CEO. It conducts independent, objective, and risk-based internal audits in accordance with the International Standards for the internal audit profession and the International Professional Practices Framework (IPPF). Internal audit plans are drafted in consultation with the Audit Committee, whose approval is required. On completion, the results of an internal audit are reported to the Audit Committee and to the President and CEO; they are also shared with the officer in charge of internal audits, and with relevant second-line departments, which provide support for any improvements needed to address issues identified in the audits. The Internal Audit Department follows up on these to check that the improvements have been made.

The Board of Directors is informed by the Internal Audit Department of evaluations it has conducted of internal controls related to financial reporting based on the Financial Instruments and Exchange Act, and also of the results of related operational audits.

The Internal Audit Department has a staff of 17, of whom 5 are certified internal auditors (CIA) and 8 are qualified internal auditors (QIA). We are committed to enhancing the professionalism of our internal auditing.

## 7. Executive remuneration

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

## 8. Others

The Company and the outside directors 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 was performing the duties that gave rise to such responsibility in good faith and without gross negligence. In addition, the Company has concluded Officer Liability Policies with an insurance company as stipulated in Article 430-3 Paragraph 1 of the Companies Act, with the Company and its subsidiaries' Directors, Audit & Supervisory Board members, and executive officers being included in the scope of the insured persons. Per the liability policies, the insurance company will cover damages incurred by the insured persons in bearing responsibility for the execution of their duties or as a result of claims received in pursuit of these responsibilities. However, as a measure to ensure that the appropriateness of the duties of the insured persons is not lost, damages resulting from negligence, illegal personal profit sharing, and criminal actions are not covered. The insured persons are not responsible for the insurance premiums.

### 3. Reasons for Adopting the Current Corporate Governance System Updated

The azbil Group has established its long-term targets (to achieve by FY2030) and a medium-term plan (FY2021-FY2024), whose aim is to contribute “in series” to a sustainable society and achieve growth through providing automation-related products and services. Guided by the Group philosophy of “human-centered automation”, we will secure our own medium- and long-term development while implementing sustainable enhancement of enterprise value. At the same time, we recognize that it is corporate governance which provides the foundation for such sustainable enhancement of enterprise value, and so improving corporate governance is a key issue for management. We are therefore working to strengthen the supervisory and auditing functions of the Board of Directors, enhance the transparency and soundness of management, and clarify responsibilities for business execution.

As a company with a three-committee board structure, three statutory committees – the Nomination Committee, Audit Committee, and Remuneration Committee – have been established, each consisting of a majority of independent outside directors and being chaired by an independent outside director. In addition, by substantially transferring business execution authority from the Board of Directors to corporate executives with clear legal responsibilities, we are clearly separating supervisory and execution functions to ensure a business execution system based on flexible and efficient decision making, while at the same time enhancing the objective supervision of management.

Playing a central role in this is the Board of Directors, which has a total of 12 directors as of June 25, 2024; outside directors now represent a majority of the Board, whose composition demonstrates ample diversity, including that of nationality and gender.

### III. Implementation of Measures for Shareholders and Other Stakeholders

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

|   | Supplementary explanation  |
|---|--|
| 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 102 <sup>nd</sup> Ordinary General Meeting of Shareholders was held on June 25, 2024.  |
| Allowing the electronic exercise of voting rights   | The electronic exercise of voting rights via the Internet is allowed.  |
| Participation in an 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 of an upcoming General Meeting of Shareholders is posted in English on the Company’s website and on the Tokyo Stock Exchange’s website for foreign shareholders at the same time as the notice in Japanese.   |
| Other   | The notice of an upcoming General Meeting of Shareholders is posted on the Company’s website and on the Tokyo Stock Exchange’s website, etc. about ten (10) days before mailing for early provision of agenda information, etc. In addition to live broadcasts of parts of the proceedings on the day of the General Meeting of Shareholders, a video recording of some of the proceedings is made available on our website at a later date. |

## 2. IR Activities

|   | Supplementary explanation  | In-person explanations by the Company Representative |
|---|--|--|
| Preparation and publication of disclosure policy                          | The Company has its own disclosure policy. It is available on the Company's website.<br><a href="https://www.azbil.com/ir/management/disclosure/index.html">https://www.azbil.com/ir/management/disclosure/index.html</a>  |  |
| 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   |
| Regular investor briefings for foreign investors                          | Periodically 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  | <a href="https://www.azbil.com/ir/index.html">https://www.azbil.com/ir/index.html</a><br><i>Securities Report, Summary of Financial Results, Financial Results Presentation materials, Business Report, azbil Report, ESG Databook, Fact Book, Notice of General Meeting of Shareholders, Resolution Notices, etc.</i> are posted. |  |
| Establishment of department and/or appointment of manager in charge of IR | Department in charge: Communication Department, Investor Relations<br>Officer in charge: Director and Representative Corporate Executive Deputy President Takayuki Yokota, who is in charge of corporate communications  |  |

### 3. Measures to Ensure Due Respect for Stakeholders

Updated

|   | Supplementary explanation  |
|---|--|
| Stipulation of internal rules for respecting the position of stakeholders   | <p>The Company's basic attitude to stakeholders is set down in the azbil Group's Code of Conduct based on our Group philosophy, "human-centered automation". The azbil Group's contribution to society is posted on the Company's website. <a href="https://www.azbil.com/csr/basic/compliance/business-conduct-guidelines.html">https://www.azbil.com/csr/basic/compliance/business-conduct-guidelines.html</a></p>   |
| Implementation of environmental protection activities, CSR activities, etc. | <p>These activities are detailed in the <i>azbil Report</i> (the Company's integrated report) and on the Company's website. <a href="https://www.azbil.com/csr/index.html">https://www.azbil.com/csr/index.html</a></p>  |
| Other   | <p>In the azbil Group Code of Conduct and the azbil Group Basic Policy on Human Rights, those stipulate 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 Group 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.</p> <p>At the Ordinary General Meeting of Shareholders held on June 25, 2024, three female directors (one of whom is a foreign national) were appointed, resulting in a Board of Directors that represents ample diversity in terms of both nationality and gender.</p> <p>Approach to Ensuring Diversity</p> <p>We believe that the driving force for corporate growth is respect for the individuality of each person, making use of their qualities, so they can enhance their performance by working with vitality. The Guiding Principles for azbil Group Business set forth "Creating dynamic value through diverse human resources and teamwork" and "Growing constantly through innovation and a corporate culture of continual learning". We value the diversity of our human resources—each employee valued for their own personality, abilities, and knowledge—and at the same time we encourage them to continuously learn and grow by thinking "outside the box" and taking innovative action, unconstrained by precedent. In addition, by appointing and treating employees based on a fair evaluation of their ability to perform, we are ensuring that people with diverse personalities, characteristics, and experiences—including women, foreigners, and mid-career hires—are now actively engaged as our core human resources. This is all tied in with our initiatives designed to increase the value of human capital that contributes to the sustainable growth of the Company.</p> <p>Voluntary and measurable goals for ensuring diversity: progress to date</p> <p>(1) Female employees<br/>Taking the number of women employed by the Company at each level, and weighting these according to position in the organization—officer, manager, etc.—we arrive at our own metric (expressed as points), enabling us to determine our progress in meeting the target we have set for our core human resources. We are aiming to more than double this figure by FY2024 compared to FY2017. Through the activities of the Diversity Promotion Task Force, we have been promoting initiatives to encourage women to take on important roles and responsibilities, and, as a result, our metric, which was 125 points in FY2017, had risen to 280 points as of June 2024 (2.2 times the figure for FY2017).</p> <p>(2) Foreign employees<br/>In addition to globalization, we are promoting the hiring of foreign nationals: we hired 16 new university graduates who are foreign nationals in 2024 and have set a target of hiring 10 or more overseas university graduates and foreign nationals as part of our goal of hiring 120 new graduates in 2025. By bringing together a wide range of human resources—including Japanese employees given the opportunity to work overseas, and employees of overseas subsidiaries given the opportunity to study in Japan—we are creating new value while globalizing our human resources. In addition, according to their demonstrated capabilities, we are promoting them to our core human resources, and we have 6 foreign nationals in senior management positions in the Company.</p> <p>(3) Mid-career hires<br/>On the expectation that they will be able to "hit the ground running", we have been hiring a number of mid-career staff every year. We hired 58 in FY2023 and have set a goal of hiring 50 mid-career candidates in FY2024. To date, they have demonstrated practical business skills and are being promoted to managerial positions within the organization suited to their proven capabilities. Regarding the</p> |

participation of these mid-career hires as core human resources, as of June 2024, 204 were in senior management positions, and it accounts for 18% of all senior management positions.

Human resource development policies and internal environmental enhancement policies to ensure diversity (current status)

The Azbil Academy, which is an organization specifically established for HR development, fosters the human resources that will propel operational reforms, including work-style reforms and diversity promotion. Launched in FY2017, the Diversity Promotion Task Force has made significant progress with developing leadership skills and diverse work styles, as well as reforming the corporate culture. We will next be expanding our existing initiatives, which focus on female participation, to include foreign nationals and mid-career hires. Furthermore, in the Health and Well-being Declaration of 2019, the Company and its employees declared that they will strive together to create a comfortable work environment that facilitates work, and to actively promote physical and mental health. The declaration also says that they will respect opportunities for diverse human resources to work and actively participate, with mutual recognition of differences in social and physical characteristics, ideas and values. We have established support systems so that employees can balance work and family life—including childcare, nursing care, and various other life events—and we are working to further improve the workplace environment so that all employees can continue their work comfortably and easily.

#### IV. Matters Related to the Internal Control System

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

Regarding the Company's internal control system, the Board of Directors partially revised azbil Group Basic Policy on Internal Control System Architecture at its meeting held on May 13, 2024. The revised azbil Group Basic Policy on Internal Control System Architecture and its current implementation are summarized as follows.

###### Summary of Resolution

Pursuant to Article 416, Paragraph 1, Item 1 of the Companies Act, the establishment of an internal control system is to be specifically implemented by Azbil Corporation (hereinafter referred to as the "Company") and its subsidiaries\* (hereinafter referred to as the "Subsidiaries" and, collectively with the Company, as the "azbil Group"). As well as clarifying the basic policy—which is to be complied with by the Company's corporate executives, executive officers, and other employees, as well as by the directors, executive officers and other employees of its Subsidiaries (hereinafter referred to as "officers and employees")—this sets forth the principal features of the system required for the maintenance of an internal control system as stipulated in Article 112 of the Regulation for Enforcement of the Companies Act. The purpose of the internal control system based on this policy is to create an efficient, lawful, and transparent corporate structure through the improvement by constant review.

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

Systems to ensure the appropriateness of the Company's operations and the azbil Group's operations

1. System to ensure that the execution of duties by Officers and Employees of the Company and its Subsidiaries shall comply with laws, regulations, and the Articles of Incorporation

(1) Aiming to be a corporate group that contributes to society and is trusted by it, the officers and employees of the Company and its Subsidiaries shall comply not only with laws and regulations and the Articles of Incorporation but also with the Guiding Principles for azbil Group Business and the azbil Group Code of Conduct, while maintaining high standards of corporate ethics and conducting sound business activities. To do so, the Company and its Subsidiaries shall designate an executive at each company to be responsible for compliance promotion activities and as a whole they shall tirelessly promote compliance initiatives.

(2) In addition to what is stated in the preceding paragraph, the Company and each of its separately specified Subsidiaries shall formulate their own action plans to promote compliance—including compliance with laws, regulations, and the Articles of Incorporation—and they shall report the results of implementation to their own Board of Directors.

(3) The Company, to promote compliance-related activities throughout the entire Group, shall establish the azbil Group CSR Promotion



Committee, and shall create action plans for the Group as a whole, manage progress, and provide guidance and advice to Subsidiaries.

(4) The Company and its Subsidiaries shall establish internal control systems to ensure the appropriateness of business activities. To do so, the officers and employees of the Company and its Subsidiaries shall endeavor to develop and implement the basic elements of internal control, including the control environment, and in the performance of business, and shall seek to maintain and improve the status of internal control by complying with relevant laws and regulations, business process manuals, etc.

(5) In accordance with the Internal Audit Rules, the Internal Audit Department of the Company shall conduct audits periodically, or as necessary, on the status of compliance promotion activities at the Company and Subsidiaries and their establishment of internal control systems.

(6) In the event where the Company or its Subsidiaries engage in serious illegal or unethical acts, or where there is a significant adverse impact on society, the officers and employees of the Company and Subsidiaries shall report it using either the designated reporting channels or the internal reporting system.

(7) The Internal Audit Department of the Company shall maintain, develop and properly operate the internal reporting system and related mechanisms. Any expansion or modification of the scope of the internal reporting system shall be implemented after reporting to the Board of Directors.

## 2. System for the storage and management of information related to the execution of duties by the Company's corporate executives

(1) The officers and employees of the Company shall comply with the Rules for Storage and Management of Information Related to the Execution of a Corporate Executive's Duties, and they shall store and manage information related to the execution of duties appropriately.

(2) As regards the formulation, revision, or abolition of the rules in the preceding paragraph, the General Affairs Department shall be responsible with the approval of the Management Meeting. Operational status shall be evaluated/reviewed as necessary.

(3) In accordance with the Internal Audit Rules, the Internal Audit Department of the Company shall conduct audits, on a regular basis or as necessary, on the status of operations and management of the Internal Audit Rules and others.

## 3. Regulations and other systems for managing the risk of loss at the Company and Subsidiaries

(1) To properly manage the risk of loss and ensure the continuity and stable development of business, the Company's Board of Directors shall receive reports of risks that could cause significant loss to the management of the azbil Group as a whole (serious risks for the azbil Group) in accordance with the azbil Group Risk Management Rules.

(2) The Company shall instruct its Subsidiaries, as necessary, in order to promote countermeasures against what have been identified as serious risks for the azbil Group.

(3) In addition to what is stated in the preceding paragraph, separately designated Subsidiaries shall independently identify their own serious risks, and work to establish and promote countermeasures against those risks.

(4) In accordance with the Internal Audit Rules, the Internal Audit Department of the Company shall conduct internal audits, on a regular basis or as necessary, of the status of implementation of the risk management system of the Company and its Subsidiaries.

## 4. System to ensure the efficient execution of duties by the Company's corporate executives and by the directors of Subsidiaries

(1) To ensure the efficient and prompt execution of business activities without compromising the soundness of the enterprise, the Company and its Subsidiaries shall develop an organizational system and rules regarding administrative authority for the effective execution of business.

(2) Officers and employees of the Company and its Subsidiaries shall take actions to ensure the achievement of the medium-term plan and the annual plan, and shall periodically review whether the execution of business is progressing as initially planned.

(3) In accordance with the Rules for Division of Duties and other relevant regulations, the Company shall provide necessary support and guidance to its Subsidiaries to improve the efficiency and standard of operations of the azbil Group as a whole.

(4) At both the Company and its Subsidiaries, to ensure thorough deliberation by the Board of Directors on matters that require Board approval, a system shall be established whereby materials related to agenda items are distributed to all executives in advance.

## 5. System for reporting to the Company of matters related to the execution of duties by officers and employees of Subsidiaries

(1) In the execution of their duties, Subsidiaries shall obtain the Company's approval or report to the Company in accordance with the

azbil Group Management Basic Policy that stipulates management control matters to be discussed at the Company's Board of Directors.

(2) In addition to what is stated in the preceding paragraph, domestic Subsidiaries shall report to the Company—directly, at regular meetings of Group company presidents, or at other meetings—on the status of their own businesses and on important management matters.

(3) Overseas subsidiaries shall, in addition to what is stated in paragraph (1) above, report to the Company—directly, or through the Company's relevant department(s)—on the status of their own businesses and on important management matters.

Matters necessary for the performance of the duties of the Audit Committee

1. Matters concerning officers and employees assisting the Company's Audit Committee; matters concerning the independence of such officers and employees from the Company's corporate executives; and matters to ensure the effectiveness of the Audit Committee's instructions to these officers and employees

(1) The Company shall establish an Audit Committee Office within the Internal Audit Department and assign full-time employees to assist the Audit Committee in its duties.

(2) To maintain the independence, from the Company's corporate executives, of the aforesaid employees assigned to assist the duties of the Audit Committee, personnel transfers involving these employees shall be decided with the prior consent of the Audit Committee. Also, the performance evaluation of the Audit Committee Office manager is determined through an evaluation by the Audit Committee.

(3) To maintain the independence, from the Company's corporate executives, of the executive officers in charge of the Internal Audit Department and the head of the Internal Audit Department, personnel transfers, evaluations and budget matters involving these executive officers and the head of the Internal Audit Department shall be decided with the prior consent of the Audit Committee.

(4) Full-time employees assigned to assist the Audit Committee in its duties shall perform their duties under the direction and instructions of the Audit Committee.

2. System for reporting to the Company's Audit Committee by Officers and Employees of the Company and Subsidiaries and by Audit & Supervisory Board members of Subsidiaries; and system to ensure that a person making such as report shall not be treated disadvantageously as a result of said reporting

(1) In the event that any officer or employee of the Company or its Subsidiaries discovers any matter that may invite significant loss to the Company or its Subsidiaries; or any serious deficiency in the internal control system or procedures; or the occurrence of any serious violation of laws and regulations or fraud, they shall make a report to their top management and to the department responsible for internal control if such has been established. On receipt of such a report, a Subsidiary's top management or internal control department shall make a report to the Company's top management and Internal Audit Department, as well as to the Subsidiary's own directors and Audit & Supervisory Board members, if the latter have been appointed. Also, on receipt of such a report, the Company's top management and Internal Audit Department shall report it to the Company's directors, corporate executives, and the Audit Committee.

(2) In addition to the reporting system described in the preceding paragraph, the Company shall maintain, develop, and appropriately operate the azbil Group's internal reporting system.

(3) The department in charge of the internal reporting system in the Company shall make regular reports to the Audit Committee regarding the status of internal reports from the officers and employees of the Company and its Subsidiaries.

(4) Notwithstanding the preceding paragraphs, the Audit Committee of the Company may, at any time, request necessary reports from the officers and employees of the Company and its Subsidiaries and from the Audit & Supervisory Board members of the Subsidiaries.

(5) Internal rules shall be developed to ensure the Company and Subsidiaries do not treat officers or employees disadvantageously because they made such a report to the Audit Committee of the Company or to the Audit & Supervisory Board members of a Subsidiary.

3. Matters concerning the policy for the handling of expenses and financial obligations arising from the performance of duties by the Company's Audit Committee members

(1) The Company shall promptly handle expenses and financial obligations with respect to costs incurred by Audit Committee members in the performance of their duties, and any costs incurred when they seek the opinion of outside experts such as lawyers in forming their own opinion, except when the Company demonstrates that such expenses were not required for the performance of Audit Committee's duties.

(2) The Company shall set aside in advance a budget for the Audit Committee and for the full-time employees engaged in assisting the Audit Committee in the performance 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 performance of Audit Committee's duties.

4. Other systems to ensure that the audits of the Company's Audit Committee are implemented effectively

(1) Audit Committee members may attend meetings of the Board of Directors and other important meetings such as the Management Meeting; may inspect key approval forms and other documents related to the execution of business operations; and may request explanations from officers and employees.

(2) To establish a system that enables the efficient implementation of audits, the Audit Committee shall regularly exchange information and collaborate with the Company's directors, corporate executives, and Internal Audit Department, as well as with Subsidiaries' directors, Audit & Supervisory Board members, and accounting auditors.

Summary of the operational status of the system to ensure the appropriateness of business activities

The following is a summary of the operational status of the system to ensure the appropriateness of business activities in FY2023.

1. Compliance systems

- The azbil Group, guided by the Group philosophy of "human-centered automation," has formulated the Guiding Principles for azbil Group Business and the azbil Group Code of Conduct, making efforts toward creating a corporate culture permeated by compliance awareness. To do so, the Company and its subsidiaries have appointed officers who are responsible for controlling and promoting company-wide compliance-related activities, and have designated compliance managers and compliance leaders to ensure thorough compliance, and to provide education and supervision for employees with the cooperation of the department in charge of compliance. In the current fiscal year, to prevent corruption, we spread awareness about the newly formulated azbil Group Basic Policy on Anti-corruption Practices throughout the entire Group. We planned Regional CL Meetings with the goal of leveling up our CSR leaders (CL) responsible for education at our overseas subsidiaries, and we held meeting at subsidiaries in the ASEAN countries, India, North America, and Mexico. In addition to sharing the CSR activities and risk reduction measures of our overseas subsidiaries, we worked to create understanding among the CL about the specific implementation methods of the azbil Group Basic Policy on Anti-corruption Practices. Furthermore, in managing the exports of the overall Group, we are focusing on trends in export regulations between the U.S. and China and the situation in Ukraine and creating systems to address recent regulatory enhancements. At the same time, for transactions that require careful handling, we are responding through a system that requires decisions to be made by the corporate officer in charge of the transaction. The Company is also providing training to employees in important positions, including corporate officers, on the increasing importance of export management with the recent changes in international conditions as well as on trends in regulatory enhancements. Regarding the Act on Prohibition of Private Monopolization and Maintenance of Fair Trade and the Act against Delay in Payment of Subcontract Proceeds, etc. to Subcontractors, we are carrying out initiatives to enact appropriate cost pass-through by responding to requests from transaction partners for higher prices and working to reflect those rising costs in our own prices.
- To promote compliance-related activities throughout the azbil Group, the Company has formed a permanent meeting structure to promote CSR related activities, where an officer of the Company in charge of compliance is appointed as chief officer, and officers in charge of compliance at each subsidiary are appointed as members. This organization creates action plans for the entire Group, managing progress and providing guidance to subsidiaries.
- The officers and employees of the Company and its subsidiaries may use the CSR Hotline, in Japan and abroad, to consult and report, pursuant to the Rules for the Consultation and Reporting System of aG employees. Unfair treatment of persons initiating consultations and reports is prohibited by these rules, and we have made this known internally. In the current fiscal year, we continued to expand the use of the CSR Hotline at our overseas subsidiaries. Although the CSR Hotline complies with the personal information protection laws of each country, with the enforcement of a new personal information protection law in Vietnam in the current fiscal year, we temporarily suspended the use of the CSR hotline and reopened its use after ensuring its compliance with the new law.
- As contingency planning for responding to serious illegal or unethical acts, the Company and its Subsidiaries have formulated Rules for Reporting in Emergency and Serious Situations. Should such an emergency or serious situation occur, using the system provided, reports shall be made to the top management and Audit & Supervisory Board members of any Subsidiary involved as well as to the Company's top management and Audit Committee. Furthermore, regarding the state of response to emergency or serious situations and the implementation status of measures to prevent recurrence, reports are regularly made at Board of Directors meetings attended by Audit Committee members.

- The Company's Internal Audit Department conducts audits to verify the situation relating to (a) the promotion of compliance and the establishment of internal control procedures at the Company and its Subsidiaries; (b) operation and management with respect to the regulations stipulated in (2) below; and (c) the development of risk management systems in (3) below. Furthermore, the audit results are reported to the Audit Committee members, the corporate executives, and the officers in charge. In addition to improvements made at each company based on the audit results, we have created a cross-sectional improvement response team centered on the relevant organizations to advance initiatives aimed at resolving issues.
  - Regarding internal control associated with the reliability of financial reporting under the Financial Instruments and Exchange Act (J-SOX), we have been working to create awareness about the importance of internal control and to raise the standard of our internal control by issuing management messages on appropriate accounting procedures, and by implementing accounting compliance education and internal control education.
2. Storage and management of information
- Pursuant to the Rules for Storage and Management of Information Related to Corporate Executives' Duties, the Company has created a department in charge of storing and managing the minutes of Board of Directors meetings and as well as those of the Management Meeting, and other important documents and information.
3. Risk management systems
- Pursuant to the azbil Group Risk Management Rules, the Company identifies—at Board of Directors meetings, following screening by the azbil Group Risk Management Committee and its superior body, the azbil Group General Risk Committee—serious risks for the azbil Group which may cause significant losses for the overall Group management. While strengthening the comprehensive risk management system and countermeasures, the Company also instructs its Subsidiaries, when necessary, to promote such measures within the Group.
  - The Board of Directors of each Subsidiary identifies its own serious risks. Countermeasures are then prepared and promoted, and the results of their implementation and risk mitigation are reported to their Board.
  - The Company is also working to promptly resolve crises in the event of a reported emergency or major incident through the establishment of an Emergency Headquarters to deal with such events. The state of these activities is regularly reported to the Board of Directors.
4. System of efficient execution of duties
- The officers and employees of the Company and its Subsidiaries develop a medium-term plan and an annual plan, and take actions based on such plans. We conduct regular reviews of the operational status, follow the progress of business execution, and plan new measures.
  - In accordance with the Rules for Division of Duties and other rules, the Company provides necessary support and guidance to its Subsidiaries to enhance the efficiency and standard of business operations of the Group as a whole.
  - To ensure thorough deliberation by the Board of Directors, and while seeking ways to improve the operation of Board meetings, the Company and its Subsidiaries distribute materials related to the agenda in advance of meetings. In addition, the Company holds briefings for outside directors regarding items scheduled for discussion at meetings of the Board of Directors.
  - In the current fiscal year, the Company revised the Rules of Board of Directors, and transferred the significant authority to the executive side. Furthermore, for the FY2022 evaluation of the effectiveness of the Board of Directors, to assess the state of the enhancement of governance and the improved effectiveness of the Board of Directors with the transition to a Company with a three-committee board structure, the chairperson of the Board led a consideration of the approach and process of the effectiveness evaluation with the participation of the outside directors. Additionally, to ensure objectivity, while receiving recommendations from an external organization, we performed an evaluation using comprehensive evaluation items and implemented the improvement items proposed by the external organization to improve the effectiveness of the Board of Directors. We also invited experts for a study session on investor engagement with our directors, including outside directors.
5. Group management system
- Pursuant to the azbil Group Management Basic Policy, for certain important items Subsidiaries report to or obtain approval from the Company's Board of Directors or the Management Meeting, which decides on business execution matters within the scope of the authority of the president & CEO.
  - The management status of major Subsidiaries is reported at meetings of the Company's Board of Directors and Management Meeting, while business status and performance, as well as important management items relating to overseas Subsidiaries are reported via the Group's Global Meeting for overseas Subsidiaries.
6. Audit system implemented by Audit Committee
- The Company has established an Audit Committee Office in the Internal Audit Division to which it has assigned three staff members with dedicated responsibility to assist the duties of the Audit Committee, performing their duties under the direction and instruction of the Audit Committee. Personnel transfers are decided with the consent of the Audit Committee, and the performance evaluation

of the Audit Committee Office manager is determined through an evaluation by the Audit Committee. Furthermore, personnel rotations, performance evaluations, and the budget for the executive officer responsible for the Internal Audit Division and the Internal Audit Division manager are determined with the consent of the Audit Committee.

- Regarding matters raised or reported via the aforementioned CSR Hotline by officers and employees of the Company and its Subsidiaries, the Internal Audit Department reports on these to the Audit Committee on a monthly basis, and the detailed reports are presented at the quarterly liaison meetings for the Audit Committee.
- The Company bears and promptly handles expenses incurred by Audit Committee members in the performance of their duties.
- The Audit Committee members attend meetings of the Board of Directors and other important meetings including those of the Management Meeting, inspect key approval forms and other documents related to the execution of business, and request explanations from the officers and employees, regularly or when necessary. In addition, the Audit Committee may obtain the opinion of lawyers, with whom they have individually concluded advisory contracts, as appropriate.
- The Company's Audit Committee regularly hold meetings with the directors, corporate executives, the Internal Audit Department, the independent accounting auditor, the directors and the Audit & Supervisory Board members of Subsidiaries to share information, communicate and provide reports, and exchange opinions and information as needed to improve the effectiveness of audits.

## 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. 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          |             |

### 2. Other Matters Concerning the Corporate Governance System Updated

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 with 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

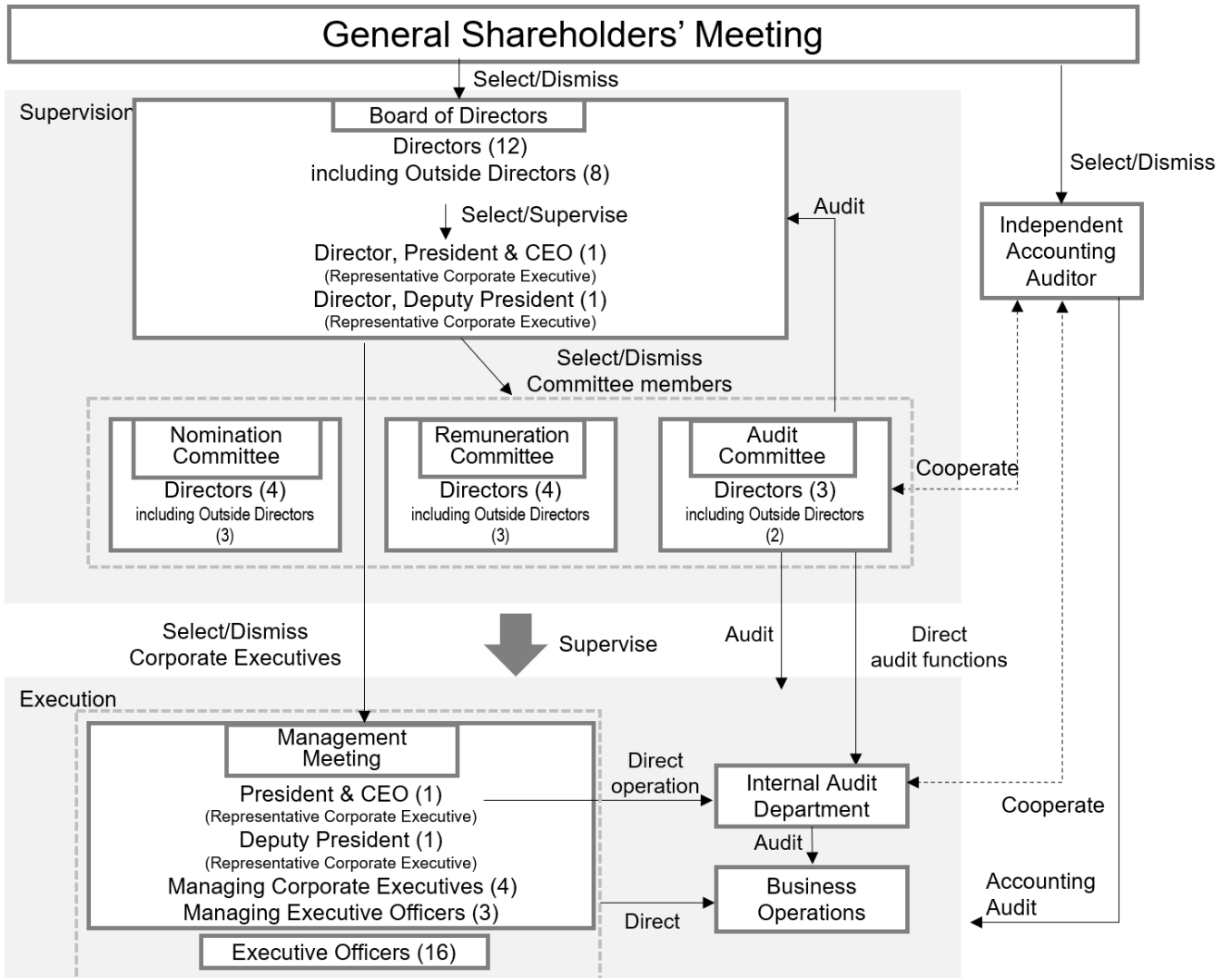
Important information is reported to the corporate communications officer and to information management departments (General Affairs Department and Group Management Headquarters) from each division of the Company and from azbil Group companies. The information management departments determine whether 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 or reported to 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

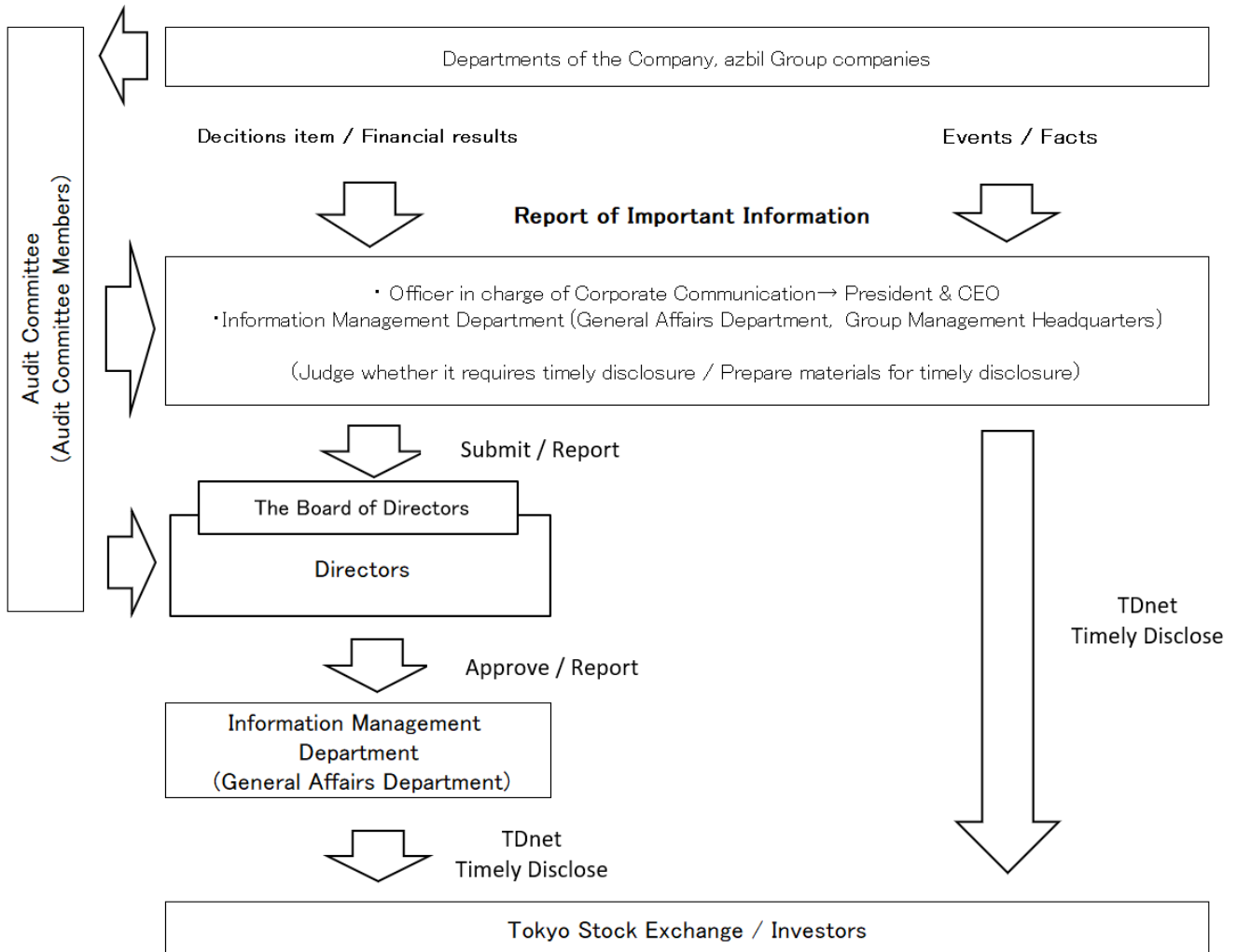
In order to ensure the transparency and reliability of corporate information subject to disclosure, the Audit Committee monitors and verifies that the directors and corporate executives have established appropriate systems for information preparation and disclosure, and that they are operating these systems appropriately. In addition, the Company receives advice on disclosure content, etc. as necessary from third parties such as lawyers and audit companies.

(As of June 25, 2024)



※The chairperson of the Board is a non-executive director.

**Schematic of timely disclosure system**





## Skills Expected of Directors

The Company has determined the skills, etc., expected of directors from the viewpoint of sustainable increase in enterprise value, including the realization of the medium-term plan, and has confirmed the independence, diversity, and expected skills (as given below) of the current Board of Directors. Regarding the skills, in May 2021, the Board of Directors and the Nomination and Remuneration Committee conducted an objective review considering the Group philosophy, business model, growth strategy, etc., and selected seven important items expected of the directors to support growth toward making contributions leading “in series” to a sustainable society as outlined in the medium-term plan. Of these, “corporate management/ sustainability,” “global business,” and “IT/technology/ control and automation business” are particularly relevant to the Group’s sustainable growth over the medium to long term. Of the 12 directors, three are women (one of whom is a foreign national).

### Skills expected of directors (skills matrix)

(As of June 25, 2024)

| Name<br>(Age)           | Current Positions  | Independence        | Diversity | Expected skills                                       |                 |  |   |                  |   |                                    |
|-------------------------|--|---------------------|-----------|---|-----------------|--|---|------------------|---|------------------------------------|
|                         |  | Independent officer | Gender    | Corporate management/ sustainability <sup>*Note</sup> | Global business | Financial affairs, accounting, finance | IT, technology/ control and automation business | Sales, marketing | Manufacturing, research and development | Legal, risk management, compliance |
| Hirozumi Sone (69)      | Director and Chairperson, Chairperson of the Board   |                     | M         | ○   |                 |  | ○   | ○                |   | ○                                  |
| Kiyohiro Yamamoto (59)  | Director, Representative Corporate Executive, President & Group CEO, Nomination Committee Member |                     | M         | ○   | ○               |  | ○   | ○                | ○                                       |                                    |
| Takayuki Yokota (63)    | Director, Representative Corporate Executive Deputy President, Remuneration Committee Member     |                     | M         | ○   | ○               | ○                                      |   |                  |   | ○                                  |
| Hisaya Katsuta (66)     | Director, Audit Committee Member   |                     | M         |   |                 | ○                                      |   |                  | ○                                       | ○                                  |
| Waka Fujiso (75)        | Outside Director, Remuneration Committee Member  | ○                   | F         | ○   |                 |  |   |                  |   | ○                                  |
| Mitsuhiro Nagahama (70) | Outside Director, Remuneration Committee Chairperson   | ○                   | M         | ○   | ○               | ○                                      |   |                  |   |                                    |
| Anne Ka Tse Hung (60)   | Outside Director, Nomination Committee Member  | ○                   | F         |   | ○               |  |   |                  |   | ○                                  |
| Fumitoshi Sato (70)     | Outside Director, Audit Committee Chairperson  | ○                   | M         | ○   |                 | ○                                      |   |                  |   | ○                                  |
| Shigeaki Yoshikawa (71) | Outside Director, Nomination Committee Chairperson   | ○                   | M         | ○   | ○               |  |   | ○                |   |                                    |
| Tomoyasu Miura (62)     | Outside Director, Remuneration Committee Member  | ○                   | M         | ○   |                 |  | ○   | ○                |   |                                    |
| Sachiko Ichikawa (57)   | Outside Director, Nomination Committee Member  | ○                   | F         | ○   |                 | ○                                      |   |                  |   | ○                                  |
| Hiroshi Yoshida (65)    | Outside Director, Audit Committee Member   | ○                   | M         | ○   |                 | ○                                      |   |                  | ○                                       |                                    |

\*Note: This includes skills regarding human resources and personnel development from the viewpoint of sustainability.

### **Remuneration Policy of Azbil Corporation**

Guided by the azbil Group philosophy of “human-centered automation,” Azbil Corporation (“the Company”) aims to contribute “in series” to a sustainable society by providing automation-related products and services.

With regard to our executive remuneration system, in order to add impetus to the realization of our long-term targets (to achieve by FY2030) and the medium-term plan (FY2021-FY2024), we will further increase both the corporate executives’ awareness of the need to contribute to enhancing enterprise value and their motivation to maximize shareholder value, as well as ensuring that directors who are not responsible for business execution can share value with our shareholders. With this system, we will promote initiatives to contribute “in series” to a sustainable society.

#### **■ The azbil Group philosophy**

The azbil Group philosophy is to realize safety, comfort and fulfillment in people’s lives and contribute to global environmental preservation through “human-centered automation.” To achieve this,

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

#### **■ Basic policy regarding executive remuneration**

Aiming to realize the Group philosophy, we have adopted the following basic policy for the remuneration of Company officers to motivate them not only for short-term performance but also to achieve medium- to long-term performance goals and to enhance enterprise value.

- ❖ Taking into consideration the nature of our business, remuneration should encourage awareness of the necessity to enhance enterprise value from a medium- to long-term perspective and further promote value sharing with our shareholders.
- ❖ Remuneration should help to secure talented management personnel to realize the Company’s management philosophy and achieve the medium- to long-term performance goals.
- ❖ The remuneration system should be highly independent and objective, and should enable us to fulfill our duty of accountability to stakeholders.

#### **■ Remuneration levels**

Remuneration levels for the Company officers (corporate executives and directors) are set by resolution of the Remuneration Committee after it has verified their appropriateness using data supplied by an external research agency. Also, the Committee reviews remuneration levels as necessary in response to changes in the external environment.

#### **■ Remuneration structure**

The remuneration structure for corporate executives (including those concurrently serving as directors; similarly hereinafter) is based on their roles and responsibilities, and consists of basic remuneration, which is a fixed monthly amount; bonuses, which are short-term incentives; and stock-based compensation, which is a medium- to long-term incentive. In order to ensure a remuneration structure that motivates officers to achieve the medium- and long-term performance goals and enhance enterprise value, the incentive component of remuneration has been increased, so that the combined remuneration for the president & CEO has the following structure: basic remuneration 40%, bonus (base amount) 30%, stock-based compensation (base amount) 30%. The remuneration structure for other corporate executives is determined in line with this, taking into consideration their expected roles and responsibilities. The remuneration for directors (not including those concurrently serving as corporate executives; similarly hereinafter) consists of basic remuneration and stock-based compensation.

●Corporate executives

(1) Basic remuneration

- Basic remuneration is paid as a fixed monthly monetary remuneration based on the position of the officer.

(2) Bonus

- A bonus is paid as performance-linked monetary remuneration that takes into consideration company performance and non-financial indicators for the single fiscal year.
- As regards financial indicators, to improve enterprise value over the medium to long term, we use sales and operating income, which are the Company's main management indices, as key performance indicators (KPIs). The amount of the bonus will fluctuate according to the degree by which these targets have been achieved, while taking into consideration also non-financial indicators.
- Non-financial indicators are based on the degree of achievement of the various roles of the corporate executive, such as implementing measures to realize the medium-term plan, engagement in CSR management, and the development of human resources (succession training). The Remuneration Committee determines the amount of remuneration based on such evaluation.
- Taking into account both financial and non-financial indicators, the final amount paid as a bonus will vary between 0% and 150%.
- Remuneration is designed so that the higher the officer's position, the higher the weighting of financial indicators. As an example, the KPIs and their respective evaluation weightings for the president and CEO are as follows.

| Bonus KPIs               |  | Evaluation weighting |
|--------------------------|--|----------------------|
| Financial indicators     | Net sales  | 45%                  |
|                          | Operating income   | 45%                  |
| Non-financial indicators | Improved customer satisfaction, increased efficiency and productivity, HR development and revitalization of the organization, CSR management | 10%                  |

(3) Stock-based compensation

- In principle, stock-based compensation is paid to the corporate executive following retirement from the current position, with the aim of continuous enhancement of enterprise value while sharing value with shareholders.
- A base amount for stock-based compensation is set for each position. Of this, 50% is performance-linked and 50% is not.
- As regards KPIs, the performance-linked component uses relative total shareholder return (TSR)—an indicator that evaluates our TSR relative to the Tokyo Price Index (TOPIX) by the Tokyo Stock Exchange—to ensure that officers and shareholders have a shared interest, and operating income margin, an indicator set forth in the medium-term plan. As a non-financial indicator, we use effective CO<sub>2</sub> reduction at customers' sites, which is one of the essential goals of the azbil Group for the SDGs. The performance-linked component will vary between 0% and 150% depending on the extent to which these targets have been achieved during the period covered by the medium-term plan. The evaluation weightings for each KPI are as follows.

| Stock-based compensation KPIs |   | Evaluation weighting |
|-------------------------------|---|----------------------|
| Financial indicators          | Relative TSR (relative to TOPIX, including dividends) | 50%                  |
|                               | Operating income margin                               | 30%                  |
| Non-financial indicators      | Effective CO <sub>2</sub> reduction                   | 20%                  |

- As a way to further encourage value sharing with shareholders, the non-performance-linked component is paid as stock-based compensation with vesting of a fixed number of shares.
- Stock-based compensation is paid through a trust-type stock compensation plan. Under this plan, points corresponding to an officer's position are awarded annually, and Company shares equivalent to the number

of points accumulated are transferred from the trust to the plan-eligible person following retirement from the current position.

#### ● Directors

##### (1) Basic remuneration

- Basic remuneration is paid as a fixed monthly monetary sum based on the responsibilities of the position.

##### (2) Stock-based compensation

- In principle, stock-based compensation is paid to the director following retirement from the current position, with the aim of continuously enhancing enterprise value while sharing value with shareholders.
- A base amount of stock-based compensation is determined, which is entirely non-performance-linked.
- Stock-based compensation is paid through a trust-type stock compensation plan. Under this plan, a certain number of points are awarded annually to those eligible, and Company shares equivalent to the number of points accumulated are transferred from the trust to the plan-eligible person following retirement from the current position.

#### ■ Process for determining remuneration

- The Remuneration Committee determines the remuneration of directors and corporate executives. The majority of the members of the Remuneration Committee, including the chairperson, are outside directors, which ensures objectivity and transparency.
- The Remuneration Committee has the authority to determine the details of remuneration for individual directors and corporate executives. It arrives at evaluation decisions based primarily on (1) the policy governing remuneration details for individual directors and corporate executives; (2) the details of remuneration for individual directors and corporate executives; and (3) in the case of corporate executives, the degree of achievement of both company-wide performance targets and the individual targets set for each corporate executive for the purpose of determining performance-based remuneration.
- In the event of a substantial change in the external environment of the Company, the Remuneration Committee, after carefully deliberating on the appropriateness of the target values and calculation methods used for determining performance-linked remuneration, may take exceptional measures.

#### ■ Forfeiture and return of remuneration (malus and clawback)

- If the financial results for a previous fiscal year are revised retrospectively, the Company can deny officers all or part of the Company shares, etc. (the performance-linked component) under the stock-based compensation plan, and may demand the return of all or part of the performance-linked compensation already paid to them.
- If it is determined that an officer is responsible for serious misconduct or a serious violation, the Company can deny all or part of the Company shares, etc., that were to be transferred to the officer under the stock-based compensation plan.

#### ■ Disclosure policy

- In accordance with our disclosure policy and applicable laws and regulations, details of the executive remuneration system are compiled and disclosed promptly and proactively through the annual Securities Report, reference materials for the General Meeting of Shareholders, the Business Report, the Corporate Governance Report, company website, etc. The Company also implements a policy of active engagement with shareholders and investors.