

Greetings



Hirozumi Sone

Representative Director,
Executive Chairperson
Azbil Corporation



Kiyohiro Yamamoto

Representative Director,
President and Group Chief Executive Officer
Azbil Corporation

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

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

Management restructuring in fiscal year 2020 has led to Kiyohiro Yamamoto taking over as Representative Director, President, and Group Chief Executive Officer, and he will steer our efforts to improve corporate value. Mr. Yamamoto brings a wealth of experience to his new position, having served in development through to business planning and front-end sales activities in a core business of the azbil Group, as well as, having worked in business planning involving new technologies such as IoT and AI, and in business promotion overseas. Hirozumi Sone takes on the role of Representative Director and Executive Chairperson, and he will put in every effort towards strengthening the corporate governance system and ensuring that the transition to the new management structure is a smooth one.

We have started in a difficult situation where economic activities are stagnating globally under the spread of COVID-19. However, the business field where “human-centered automation” provides solutions will expand in response to various challenges in the business environment, technological innovation, the falling birthrate and aging population, the implementation of work style reforms, and climate change, in addition to telecommuting, Business Continuity Plan (BCP), etc., caused by the spread of the COVID-19. We view these changes as opportunities to expand the azbil Group's business and further promote our strategic initiatives for global development and accelerated growth of our business fields.

We are determined to make every effort to ensure the achievement of our goals by being a long-term partner for our customers and the community by offering solutions based on our technologies and products; by taking global operations to the next level through expansion into new regions and a qualitative change of focus; and by being a corporate organization that never stops learning, so that it can continuously grow stronger. Taking inspiration from our slogan “Azbil — Going Beyond Automation,” we are using advanced technology such as AI to continually provide new products and services that contribute to the safety, productivity, and value enhancement of production sites where such technology is used, and we are expanding our business by solving environmental and energy-related problems in buildings and in the local community using that same technology. Through these efforts as well as strengthening our business and corporate foundations, we are also working on the Sustainable Development Goals (SDGs) that are consistent with our Group philosophy, with the aim of being a corporate group that contributes to the sustainable development of society.

August 2020



Hirozumi Sone
Representative Director,
Executive Chairperson
Azbil Corporation



Kiyohiro Yamamoto
Representative Director,
President and Group Chief Executive Officer
Azbil Corporation

azbil's History of Value Creation

Our founder, Takehiko Yamaguchi, originally started his company in the hopes of harnessing technology to contribute to people's happiness and to social progress. That principle has continued to be passed down uninterrupted for more than 110 years, and it now serves as the origin of azbil. It lies at the core of our corporate DNA.



Takehiko Yamaguchi, Founder

1906

DNA

The Spirit of our Founder

Free People from Drudgery

Takehiko Yamaguchi founded Yamatake Shokai in Tokyo in December 1906 as an import company dealing in machine tools produced in the West. It was the first step in realizing his dream of harnessing advanced technologies to free the workers of Japan from heavy labor. The company later eventually entered into a partnership with the Brown Instrument Company (later Honeywell), and as it improved

its own in-house measurement and control technologies, it continued to import various types of advanced industrial machinery and instruments. This resulted in the company contributing greatly to the development of Japanese industry, and it evolved into a comprehensive manufacturer of automation equipment.

azbil: Automation, Zone, Builder

azbil

Creating a better future for individuals and society through human-centered automation

The azbil Group name was created as a unifying symbol for all Group employees — a manifestation of the Group philosophy — namely, to realize safety, comfort and fulfillment in people's lives and contribute to global environmental preservation through "human-centered automation." In other words, using automation technology, we will construct zones in which safety, comfort, and human fulfillment can flourish.

2006

Philosophy

Establishing a New Group Philosophy **Human-centered automation**

The collaboration of human ingenuity and technology is an idea that is gaining traction around the world. Our founder's original goal was to free people from drudgery, and That spirit still echoes within our principles of using automation to contribute to society to make people happier. In 2006, the 100th anniversary of the Company's founding, we built

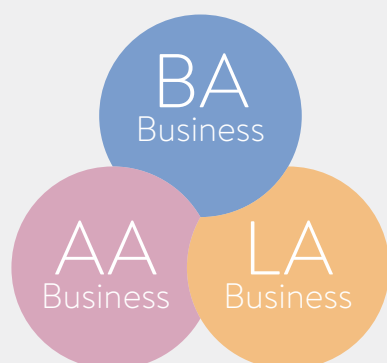
upon that tradition by establishing a new Group philosophy of achieving "human-centered automation." We continue to create and develop automation technology that works in accordance with the principles of environmental preservation, energy conservation, and other societal values.

azbil's History of Value Creation

Our goal was to keep the spirit and corporate DNA created by our founder and offer new value tailored to our changing times and changing world. In 2012, we changed our name to azbil (automation/zone/builder) as an expression of both our intent and the method by which we would achieve our goals, and this led to the further promotion of our automation business. After implementing our two-stage medium-term plan, we increased profitability and fortified our business foundation. Based on these achievements, we are aiming for even greater growth in 2020 and beyond.

Fiscal Year 2012

- Company name changed to Azbil Corporation
- Three fundamental policies formulated
- Long-term targets established



Medium-term Plan (Fiscal Years 2013-2016)

Medium-term Plan (Fiscal Years 2017-2019)

Further pursue automation and develop our three automation businesses
Help resolve the issues faced by customers and communities, establish our three fundamental policies, and take up the challenge of achieving sustainable growth

Three Fundamental Policies

- Being a long-term partner for the customer and community by offering solutions based on our technologies and products
- Taking global operations to the next level by expanding into new regions and a qualitative change of focus
- Being a corporate organization that never stops learning, so that we can continuously grow stronger

Long-term Targets (Ten-year plan, ten years 2012 to 2021)

- ROE of 10% or higher
- Net sales in the ¥300 billion range, operating income of ¥30 billion or higher

2012 — 2013 — 2019

Evolution

Two-Stage Medium-term Plan

We established our two-stage Medium-term plan (for fiscal years 2013-2016 and fiscal years 2017-2019), with the goal of focusing on people and realizing a world of automation co-created by human ingenuity and technology. In the seven years since the plan was implemented, we have made great leaps forward in business profitability by reforming both our business and performance structures,

have strengthened our global business foundation, the engine of our growth, and have improved our financial base and our crisis management systems. With our focus on the next era, we will continue to push forward by improving our structure of management team and corporate governance framework to implement CSR management unique to azbil.

Working towards greater growth with the new management team starting in fiscal year 2020

Please refer to Pages 88-89 for more information.

Major Changes in the Business Environment

- Increased globalization & the responsibility to achieve sustainable growth
- Revising business models in line with technological change

Technological Innovation Trends

- Changes in technology fields such as IoT and AI

Changes in Societal Structure

- Lower birth rates, aging populations, work style reform, and changing values
- Responding to climate change
- Co-existing with viral pandemics

With the emergence of new social issues, we believe the role of automation expands and its value increases.

azbil Group's Targets for the SDGs



Please refer to Pages 24-31 for more information about the Essential Goals of azbil Group for SDGs



Our Vision

By focusing on people and realizing a world of automation created by human ingenuity and technology, we will become a top-class global corporate group that improves the safety and security of our customers, helps to increase their corporate value, and contributes to solving global environmental issues.

2020 Challenge

New Challenges to Contribute "In Series" to a Sustainable Society

Societal structures and values are seeing drastic changes, and those changes are being accelerated by people adapting their behavior in response to the spread of viruses. This has led to the emergence of a variety of new problems that require solutions. The future will see an expansion in the number of areas in which automation can be applied, and an expansion of its scope of control, and that is expected to lead to an increase in the value of automation and an increase

in demand. Anticipating such potential changes in the business environment, we aim to introduce products and services that harness and are compatible with new technologies like IoT, AI, cloud computing, and big data. By formulating a new style of management contributing to our SDGs and a sustainable society, we aim achieve a balance between helping to resolve social issues and realizing sustainable growth.

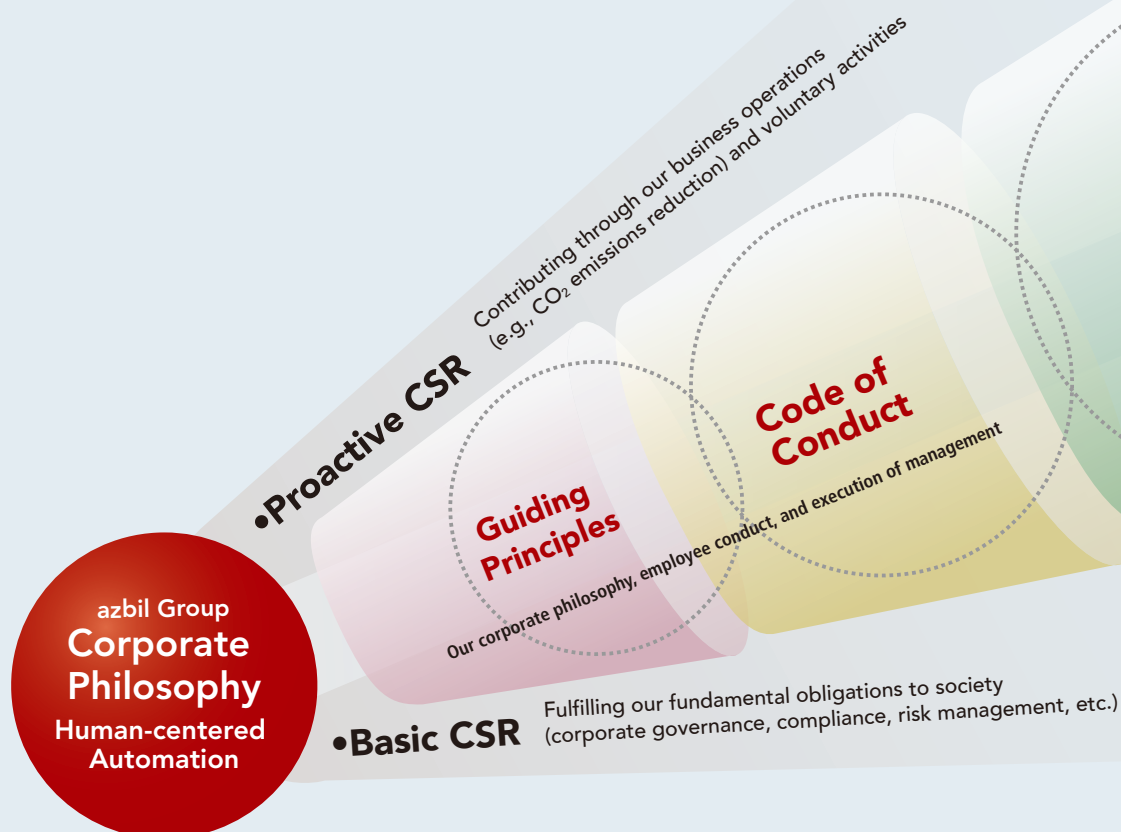
FY2019 Performance

Net sales: **¥259.4 billion**

Operating income: **¥27.3 billion**

azbil's History of Value Creation

In order to face new challenges and contribute to a sustainable society, the azbil Group has put in place a new framework upon which it can achieve sustainable growth. We revised our Guiding Principles and Code of Conduct, and serialized everything from the Group philosophy, human-centered automation, through to Group employee conduct, execution of management strategies, and value creation for a sustainable society. By contributing to societal sustainability, we will strive to increase our corporate value.



Implementation

Practicing the “human-centered” Group philosophy every day

Group
Philosophy

To realize safety, comfort and fulfillment in people's lives and contribute to global environmental preservation through “human-centered automation”

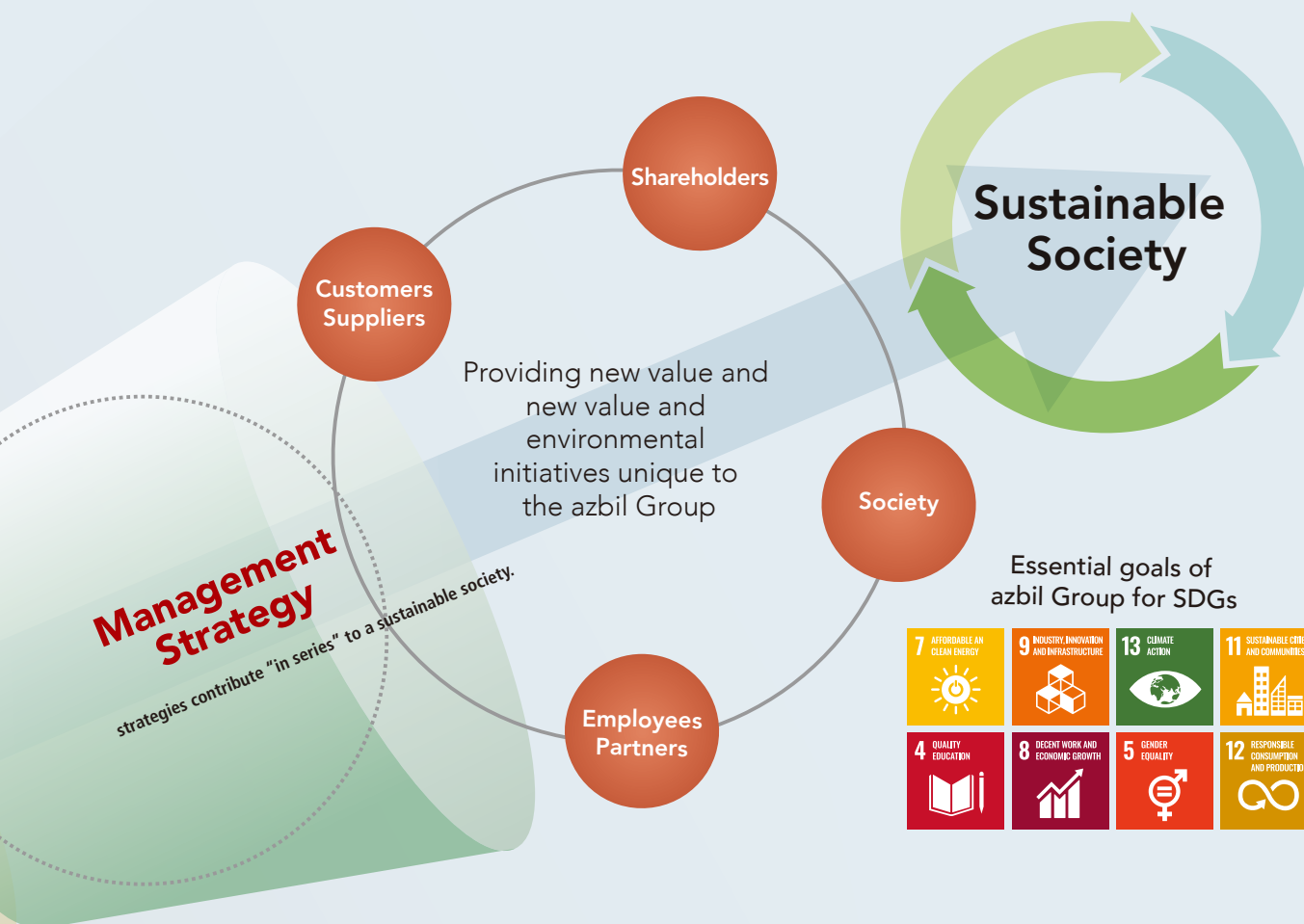
Guiding
Principles

In order to implement our corporate philosophy, we will take action based on the five guideposts (Guiding Principles) aiming to serve as a guiding bridge that connects our customers worldwide to the future.

1. Realizing a safe and comfortable social environment through cooperative creation by human ingenuity and technology
2. Contributing in series to the achievement of a sustainable society
3. Building long-term partnerships with stakeholders
4. Creating dynamic value through diverse human resources and teamwork
5. Growing constantly through innovation and a corporate culture of continual learning

The azbil book (containing the Group Philosophy and Guiding Principles for azbil Group business) and the azbil code of conduct (containing the azbil Group Code of Conduct)





Sustainability

Providing our unique value and solutions tailored to meet the needs of customers throughout their life cycle, and growing together with society

The azbil Group's strength and competitiveness lie in the measurement and control technologies it has refined over time, in the knowledge it has gained on site, and in its use of IoT, AI, big data, cloud computing and other advanced technologies. These allow us to help resolve new social issues and to contribute to realizing a sustainable society. By integrating these strengths and mutually increasing

their value, we will provide unique and new solutions that only azbil can offer in the two areas of Systems and Solutions Services, and also Sensors, Actuators, and Field Instruments. By harnessing automation, the azbil Group will create new value with customers at their site, in our three core business fields of Building Automation, Advanced Automation, and Life Automation.

azbil's Value Creation — Towards Realizing a Sustainable Society

Responding to problems faced by customers and society in line with the changing times, we have been refining our technologies and solutions by drawing on our “measurement and control” automation technologies based on the idea of constantly solving problems by focusing mainly on people. The azbil

Operating Environment

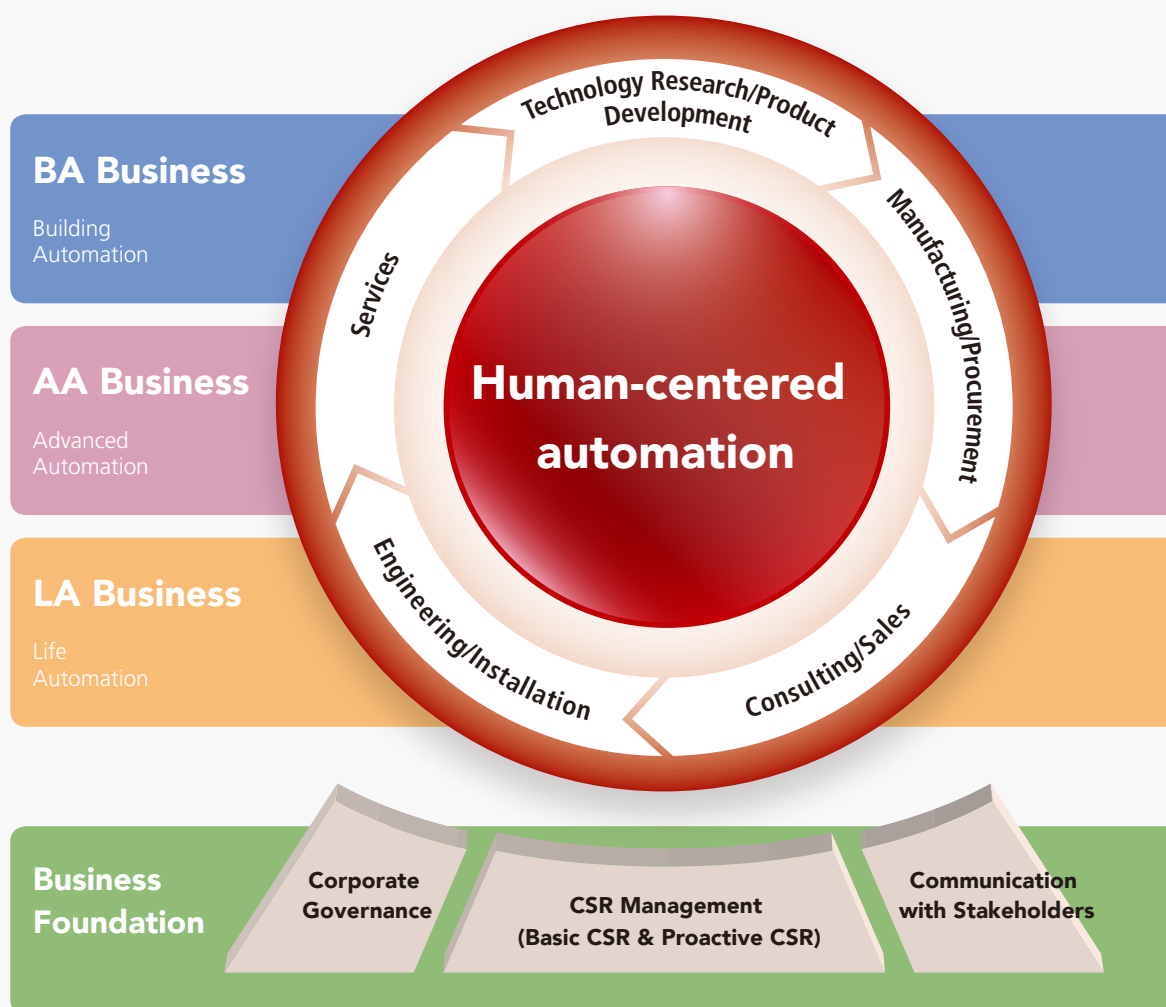
azbil Group's Operations

Changes in the Operating Environment & New Social Issues

- Reduction in the domestic labor force; change in values due to work-style reform
- Maintenance of various types of industrial machinery and maintenance of aging infrastructure; increased importance of ensuring safety
- Frequent natural disasters, increasing need to respond to climate change and other environmental conservation considerations
- Changes in societal and individual behavior to better adapt to the presence of COVID-19 (telecommuting, BCP, supply chains, digitalization)

Value Creation through the Automation Business

Providing solutions via an integrated structure that extends from development and production, to sales, engineering and services



The business foundation foundation that supports the azbil Group's value creation

Group is unique in its ability to promote value creation with customers using its integrated system of working closely with customers at their site. Our efforts, including our response to the "new normal" due to the spread of COVID-19, aim to contribute "in series" to realizing a sustainable society and the SDGs in 2030 through our BA, AA, and LA businesses.

Solutions based on our measurement and control technologies and products

Development and provision of devices and applications compatible with various technological innovations



Accelerating autonomy and labor-saving efforts in building and production management; working in harmony with people

Smart security and other advanced services

Improved environmental and energy solutions utilizing IoT technologies

Offering a new business model harnessing cloud computing technologies as a Service^{*1}

Flexible operations for BCP^{*2}-compatible buildings and production facilities



Our engineers familiar with the customer's site and our various devices and field instruments that meet on-site needs create value with customers throughout the life cycle of the customers' facilities.

Social value created through our operating activities

Value Creation Based on the Group Philosophy

Safety

To live and work in good health and safety

Comfort

To always live and work in comfort

Fulfillment

To create new value with the customer

Environment

To optimize the management and usage of energy

Essential Goals of azbil Group for SDGs



The Guiding Principles and Code of Conduct

azbil Group Philosophy

^{*1} As the term suggests, "as a Service" Serves as a catch-all term referring to all conventional product functionality offered as services through the internet. Whereas such products would originally have required purchases, system construction, and the provision of adequate infrastructure, these services allow Azbil to use internet connectivity to offer customers only the elements they need.

^{*2} BCP (Business Continuity Plan) : BCPs help companies to minimize the damage to business assets even in the case of natural disaster or acts of terror. The plan sets out the activities to be performed during normal operations, and provides methods and actions that need to be performed in times of emergency to continue operation of core businesses or to restore operations in as little time as possible.

Past Year

Here, we introduce some of the activities and results of azbil's efforts to create value in fiscal year 2019.

Fiscal Year 2019 Results

■ Orders **¥258.1** billion

■ Return on equity (ROE) **10.9%**

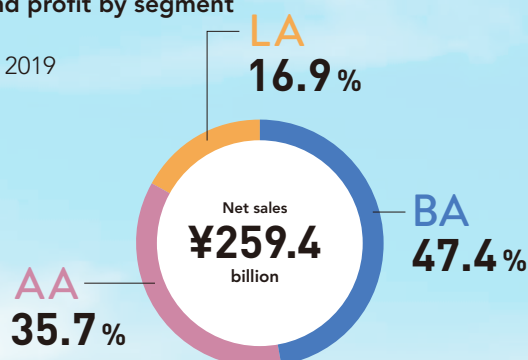
■ Net sales **¥259.4** billion

■ Operating income margin **10.5%**

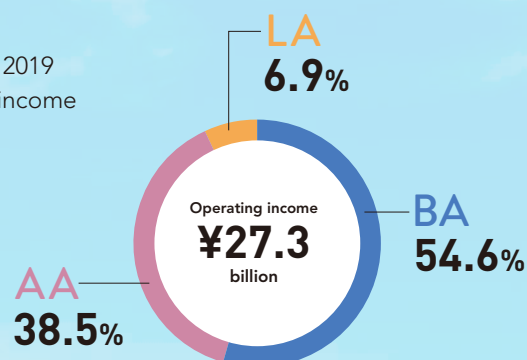
■ Operating income **¥27.3** billion

■ Sales and profit by segment

Fiscal Year 2019
net sales



Fiscal Year 2019
operating income



Highlights (* Dates refers to dates of announcement)

May 13, 2019

Added model with measuring range of 0.5–50 mL/min to our range of thermal micro flow rate liquid flow meters; launched products with enhanced functions across all model numbers; expanded measurement range and switched correction values to enable measurement of two different liquids with a single unit

May 31, 2019

Completed construction of new production building at the Shonan Factory, which now serves as the azbil Group's mother factory

August 6, 2019

Launched a version of online anomaly monitoring system with enhanced batch processing functionality that can be deployed regardless of business type/format or factory size

August 30, 2019

Azbil Corporation included in the JPX Nikkei Index 400

September 19, 2019

Started sales of photoelectric switches with improved environmental resistance, as well as enhanced coolant resistance to reduce frequency of production line outages

October 16, 2019

Exhibited at Industrial Transformation ASIA PACIFIC (ITAP), the largest exhibition for industrial digitization-related technologies in the Asia-Pacific region

October 21, 2019

Received "DC Excellent Company Award" from NPO 401k Educational Society

November 1, 2019

Announced agreement to consider alliance between the azbil Group and Takaoka Toko Group to advance new initiatives for the next generation in energy management

November 13, 2019

Started selling ceiling temperature sensors for overseas office buildings, featuring designs that blend into space, easy installation, and high precision

December 26, 2019

Launched heating/cooling air-conditioning system for office buildings; this system helps improve comfort and productivity by enabling workers to make adjustments according to individual comfort levels

January 31, 2020

Launched building automation system for small buildings to promote energy conservation aimed at realizing a sustainable society

SDGs and ESG/IR Highlights

■ Index status

Azbil Corporation is included in the following indices:

- FTSE4Good Index Series
- FTSE Blossom Japan Index
- MSCI Japan ESG Select Leaders Index
- MSCI Japan Empowering Women Index (WIN)
- S&P/JPX Carbon Efficient Index
- JPX-Nikkei Index 400



FTSE4Good



FTSE Blossom Japan



2020 CONSTITUENT MSCI JAPAN
ESG SELECT LEADERS INDEX

2020 CONSTITUENT MSCI JAPAN
EMPOWERING WOMEN INDEX (WIN)

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■ Environmental Initiatives

Azbil's 2030 greenhouse gas reduction targets certified as "Science Based Targets (SBTs)" (May 8, 2019)

Announced support for recommendations of the Task Force on Climate-related Financial Disclosures (TCFD) (November 25, 2019)

Announced long-term vision aimed at reaching "Substantially Zero Greenhouse Emissions" by 2050 (January 28, 2020)

Announced participation in Keidanren's "Challenge Zero" declaration (June 8, 2020)

■ Strengthening Corporate Governance

Made partial revision of criteria for determining independence of outside officers (resolved by Board of Directors on May 13, 2020)

Appointed two female directors to enhance diversity (resolved at 98th Ordinary General Meeting of Shareholders on June 24, 2020)

■ Human Resource Initiatives

Announced "azbil Group Health and Well-being Declaration" to further promote health management and create healthy, happy, and lively workplaces and people (July 1, 2019)

Certified as a Health & Productivity Management Outstanding Organization (White 500) (March 2, 2020)

■ CSR Management

Revised the azbil Group's Guiding Principles and Code of Conduct (October 1, 2019)

February 13, 2020

Launched infrared array sensor system for buildings that delivers comfortable air conditioning by using infrared detection to detect indoor conditions in real time and control air-conditioning accordingly

February 28, 2020

Managing Executive Officer Kiyohiro Yamamoto appointed Representative Director, President and Group Chief Executive Officer, ushering in a new era of growth that reflects changes in business conditions and trends in technological innovation

March 3, 2020

Started selling an adjustable proximity sensor featuring two outputs and easy installation, contributing to reduced adjustment processes and improved equipment capacity utilization

March 4, 2020

Received "iF Design Award 2020" (international design award)



Interview with the CEO



We aim to both resolve social issues and achieve sustainable growth through management that is contributing “in series” to a sustainable society and the SDGs

We took the time to sit down with the azbil Group's Chief Executive Officer, Kiyohiro Yamamoto. Based on the Group's business foundation and profitability that have been strengthened to date, Mr. Yamamoto's goal is to put more effort into automation tailored to changes in the business environment and social structure and to trends in technological innovation, and to bring about stable and sustainable growth through management that is contributing “in series” to the United Nation's Sustainable Development Goals.



Kiyohiro Yamamoto
Representative Director,
President and Group Chief Executive Officer
Azbil Corporation

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- Q1 Regarding the final year of the Medium-term Plan (2019)
 - Q2 Regarding financial results for fiscal year 2019
 - Q3 Regarding COVID-19 response
 - Q4 Regarding shareholder returns
 - Q5 Regarding long-term management policy
 - Q6 Regarding new technologies and products
 - Q7 Regarding efforts to strengthen the management foundation
 - Q8 Regarding contributions “in series” to the SDGs
 - Q9 Regarding azbil's response to social issues

Q1 Fiscal year 2019 was the final year of your medium-term plan. How do you view the Group's performance?

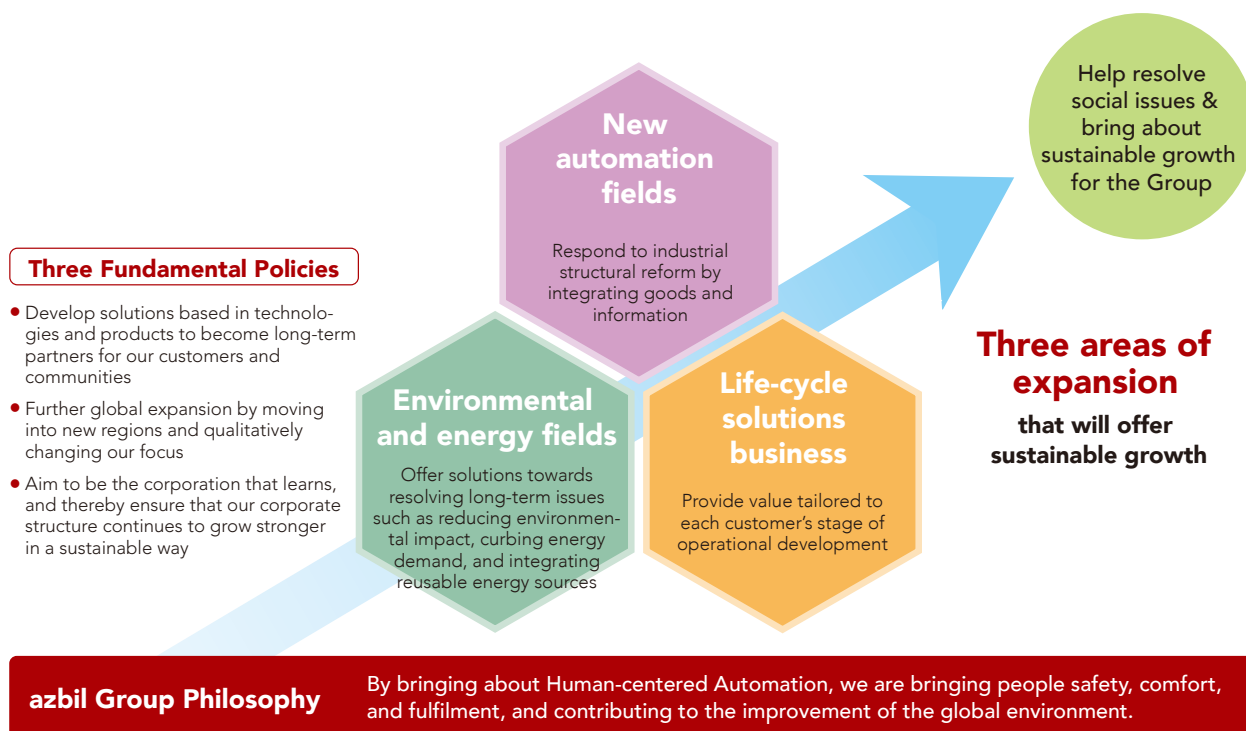
In addition to strengthening business profitability through reforms of our business and operational structures, we improved our business foundation and management system.

The azbil Group has been working to establish solid foundations for business, global expansion, and human resource development, guided by the Group philosophy of "human-centered automation," formulated in 2006 and the three fundamental policies, set in 2012. Each of the Group's businesses—Building Automation (BA), Advanced Automation (AA), and Life Automation (LA)—operates on a different business cycle. Under our three fundamental policies, we have implemented various measures, such as the selective concentration of business, organizational reform, and profitability enhancement in the three businesses in response to changes in the business environment, and have realized stable growth. In our medium-term plan from fiscal year 2017 to 2019, we identified three growth fields earmarked for sustainable growth and implemented measures aimed at enhancing business sustainability and growth potential. Thanks to these efforts, our businesses have developed into ones that provide life-cycle solutions to customers and society and delivered greater value to customers, while also making significant progress in strengthening business profitability.

Likewise, we are also building a base on which to expand our businesses worldwide. By establishing a foothold with local subsidiaries and service bases, we

have created a tripolar global framework that includes systems for technological development and production. Leveraging these technology development and production systems, we develop, manufacture and deliver products incorporating AI and cloud technologies to our customers. In addition, we have built a personnel system befitting "a corporate organization that never stops learning," while optimally allocating human resources in response to changes in the business environment. We also strengthened a business continuity plan (BCP) and our financial structure, and established a management foundation for sustainable growth.

Meanwhile, we made steady progress in strengthening our management and corporate governance systems. We put a new structure of the management team in place to facilitate deployment of future long-term policies. With the view to enhancing corporate governance, we increased the ratio of independent outside directors, with the result that five of our 11-member Board are now independent outside directors. In addition, we are also making efforts to improve capital efficiency through pushing forward with the appropriate sale of strategic shareholdings for which we have little rationale for owning.



Q2 How did the Group perform financially in fiscal year 2019?

Thanks to further progress in strengthening business profitability, we achieved record-high operating income for the third consecutive year.

As I previously mentioned, we saw great improvements in profitability during the fiscal year 2017-2019 Medium-term Plan. In fiscal year 2019, the last year of the plan, net sales decreased 1.0% year on year to ¥259.4 billion, mainly from a drop in revenue in our AA business due to a slump in the manufacturing equipment market. However, operating income surpassed the initial target of ¥25.0

billion announced at the launch of the Medium-term Plan (May 2017) and even exceeded the initial target for fiscal year 2019, reaching a level of ¥27.3 billion, breaking sales records three fiscal years running. While the spread of the novel coronavirus disease (COVID-19) led to a deterioration of business sentiment in the fourth quarter, the impact on the azbil Group's business results has been limited.

Q3 Please tell us about the impact of the spread of COVID-19 on your business and how you are dealing with it.

Leveraging our reinforced business and financial foundations, we will undertake rigorous crisis management to swiftly address changing conditions.

The spread of COVID-19 has led to a slump in global consumption and stagnation of economic and production activities, resulting in decreased capital investments and delays and suspensions of construction projects. For these reasons, there are major concerns about the future outlook. Nevertheless, the azbil Group has steadily reinforced its business foundation through reforms of its business and operational structures taken to date, with such initiatives as reassessment of the portfolios of its three business segments and strengthening of profitability. With respect to crisis management, moreover, we are developing a business continuity plan (BCP) and building a solid financial base, including by strengthening and diversifying our capital-raising capabilities. These efforts have strengthened the Group's ability to respond to emergencies.

Moreover, after the appearance and subsequent spread of COVID-19, we quickly established a countermeasures headquarters to work with group companies in Japan and overseas in order to ensure business continuity while placing the upmost priority on ensuring the safety of our

customers and employees. In concrete terms, we reviewed how the offices of each Group company were working, and promoted telecommuting and other measures there. At the same time, we have been providing our customers with the engineering teams and other services they need to maintain equipment and infrastructure that are critical to both them and their communities. Regarding production, we have implemented appropriate safety measures to allow for uninterrupted operations, and to continue to fulfill our social responsibilities as a company. The COVID-19 outbreak does not seem to be settling down any time soon and it is expected to continue long-term, but we will continue to implement thorough crisis management measures and to quickly respond to any changes arising from the spread of COVID-19. Additionally, we have implemented thorough safety measures to prevent the spread of COVID-19 among our customers and employees, and are taking the situation as an opportunity to proactively explore new ways of working, including telecommuting, with the goal of improving productivity.

Reference: azbil's Financial Foundation and Capital Raising Capability

Equity ratio
at the close of FY 2019

66.7%

Commitment
Credit Line:

¥10.0 billion

Cash and cash equivalents
Balance at end of FY 2019:

¥74.7 billion

Long-term Issuer Rating
(Rating and Investment
Information, Inc.)

**A, Affirmed (Stable)
Registered bond issue
limit: ¥20.0 billion**

* Commitment credit line: A fixed credit line set and maintained by a financial institution for a certain period of time. The contract states that the financial institution promises to provide a loan at the company's request. Commitment credit lines are used to provide stable sources of operating capital, to secure the means needed to respond to unexpected conditions such as temporary changes in markets, etc.

Q4 The Company has maintained dividend payments despite the uncertain business environment.

We will continue to follow our basic policy to maintain stable dividend payments regardless of short-term changes in the business environment and overall performance.

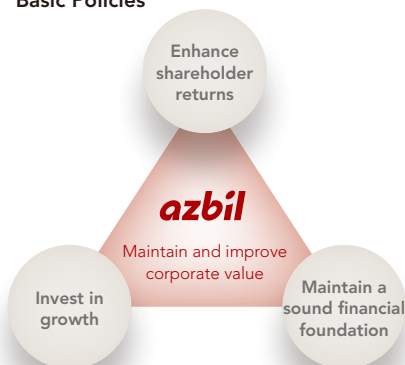
The azbil Group regards the return of profits to shareholders as an important management priority. We comprehensively evaluate our consolidated business performance, dividends on equity (DOE), and return on equity (ROE), as well as the need to retain internal reserves to develop future businesses and maintain a sound financial base. Our aim is to maintain stable dividends while striving to raise the dividend level. We have consistently adhered to this policy even in the face of major changes in business conditions.

Year-end dividends for fiscal year 2019 were set at ¥25 per share based on business performance and the basic policy for shareholder returns, and the annual dividend for fiscal year 2019 was, as previously announced, set at ¥50.

The business environment for fiscal year 2020 remains

uncertain due to the spread of COVID-19, but we have secured the funds needed for sustainable growth through internal reserves accumulated through structural reforms and profitability enhancement measures. From that, in order to maintain a stable dividend level, we plan to offer a record-high dividend of ¥50 per share in line with our basic policy on profit distribution. Although we remain uncertain about the future business environment, we will work to implement disciplined capital policies, in line with our basic policies, that include flexible options on stock buybacks while continuing to focus on dividends. We will also continue to invest in expanding products and services and implementing structural reform for advanced global production and development, and in other investments needed for sustainable growth.

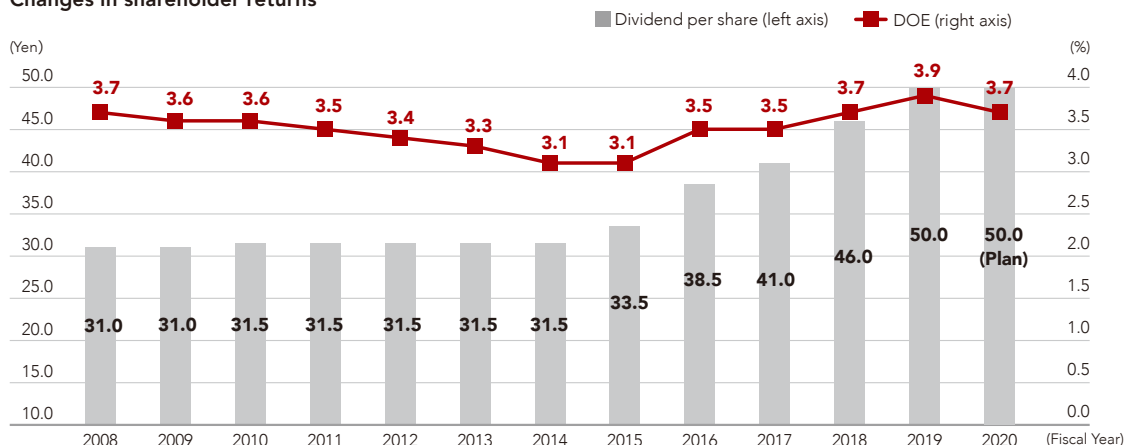
Basic Policies



Developing disciplined capital policies and maintaining and improving azbil's corporate value, while maintaining a balance between improving shareholder returns, investment for growth, and keeping a sound financial foundation.

- We will position profit returns to shareholders as an important management issue.
- Shareholder returns will focus on dividends, while flexibly incorporating stock buybacks.
- Shareholder returns will be determined through comprehensive consideration of consolidated performance, DOE and ROE levels, and on internal reserves earmarked for future business development and strengthening the corporate structure.
- We will continue to maintain stable dividends while striving to increase them.

Changes in shareholder returns



Dividends per share and stock buyback totals have been retroactively adjusted to account for the stock split.



The number of areas in which automation can contribute to solving new social issues is increasing daily.

**Q5 Is sustainable growth possible when faced with drastic environmental changes?
Could you describe the Group's long-term management policy?**

We are confident that changes in social structure will bring new demand for automation that leads to sustainable growth.

At present, we predict the spread of COVID-19 to result in global economic slowdown and deterioration of business conditions. With the expectation that medium- and long-term demand for automation will increase, however, we believe that sustainable growth is possible.

Automation is becoming better able at resolving problems through the utilization of IoT, AI, cloud computing, and other advanced technologies. We believe that automation will play an ever-increasing role in solving various challenges. These include the need to address new needs arising from changing value perceptions due to the ageing population, globalization, work style reforms, and the like. We also must tackle issues crucial to a sustainable society, such as climate change and ageing infrastructure.

And there are behavioral changes stemming from the spread of COVID-19 as well, such as putting various activities online, telecommuting, and remote working. The areas where automation can help resolve new social issues are increasing day by day, and we expect this trend to provide new opportunities for business development and growth.

Recognizing the need for new automation, the azbil Group will advance its business from long-term perspectives targeting the next generation. Under our new structure of the management team, we will continue reinforcing our basic management policy and business foundation, improving the profit structure, and meeting other challenges.

Q6 Please tell us about azbil technologies and products that can meet new demand.

By integrating products that incorporate IoT, AI, cloud, and other advanced technologies with engineering and service know-how accumulated on site, we will deliver products and value unique to the azbil Group.

The azbil Group's strengths lie in its portfolio of products and applications that incorporate advanced technologies, as well as its system for providing engineering and services at customers' sites, together with big data and know-how collected and cultivated over the years. By integrating products that incorporate IoT, AI, cloud, and other advanced technologies with engineering and service know-how accumulated on site, we promote digital transformation unique to the azbil Group and deliver new levels of value to customers.

For example, we offer field instruments and other devices that use MEMS* and sensor packaging technology that expand the range of automation solutions we can offer, and can even meet new demand for measurement and control that couldn't be achieved before. We are also developing a next-generation smart robot with torque sensors in each joint that enable precise detection and control of applied forces.

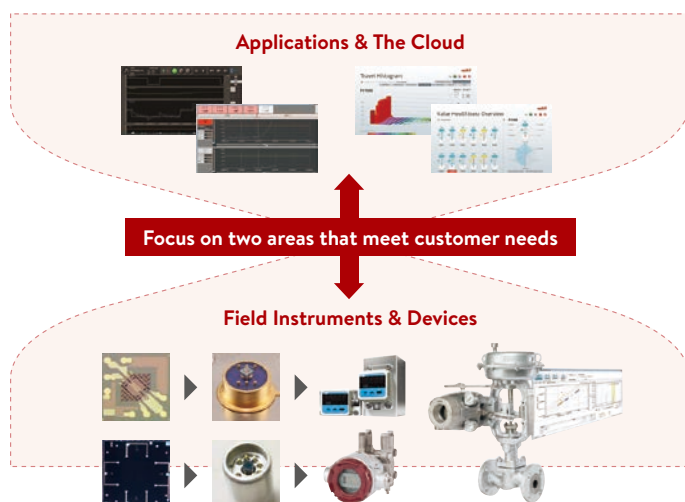
In customer plants, we have created an advanced operations service that can replace skilled operators, by means of a knowledge-intensive system that allows for remote anomaly detection and maintenance. This Smart Security Solution harnesses the wealth of big data through AI and cloud computing.

One solution that takes us closer to having a society adapted to co-existing with viruses is an air volume control system that can transform a normal hospital room into an infectious disease isolation room in emergencies by using negative pressure and increasing ventilation. This ensures that the hospital beds can be available during regular operations, avoids cost increases for customers, and provides a safe working environment for medical staff.

Our Building Automation (BA) systems not only improve office comfortability and allow for new working styles, but they also offer the level of advanced control required by hospitals, cloud computing centers, and other such facilities. In addition, our Virtual Power Plant (VPP) technology not only optimizes energy use in individual buildings, but it also provides solutions to curbing energy demand across entire cities, and can integrate reusable energy sources. Such technologies will be absolutely essential for future smart cities, and it is a new field of automation for which our Group's BA business can harness our know-how and record of delivering results.

* MEMS (Microelectromechanical Systems): Devices built using microfabrication technology to integrate mechanical components, sensors, actuators, and electronic circuits on silicon substrates.

Improving products offered by azbil Group — Accelerating automation, autonomy, and labor-saving measures, while maintaining harmony with the people using them



Improve system and solution development capabilities

- Develop new systems & create new businesses
- Strengthen cybersecurity measures

Improve development of measurement and control devices

- Develop new sensing devices
- Intelligent actuators and sensors

Q7 What is the Group doing to fortify the management base to support mid to long-term growth?

In addition to preparing a global business foundation, we have established three new organizations to strengthen our framework for sustainable growth.

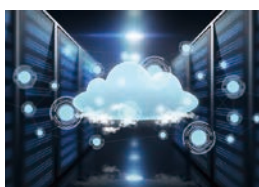
We are moving forward with preparing our global business foundation as an engine for growth, and in sales and services, we have expanded operations into 23 countries and launched our first regional organization for strategic growth in Singapore in 2018. In terms of production, we have set up three hubs in China, Thailand, and Japan, and have moved forward with measures to improve product manufacturing efficiency, our BCP, and more. This was particularly true in 2019, when we consolidated domestic production at our Shonan Factory, positioning it as a "mother factory" to lead business development worldwide. We have achieved similar results in technological development. We are promoting maintenance and capital investment at group development hubs, have begun capital investment in the sensor development that forms the core of measurement and control systems and other areas, and are engaged in developing products and sales frameworks using IoT, AI, and cloud computing in each of our business areas.

As a part of our efforts to become a corporate organization that never stops learning, we have implemented a variety of personnel initiatives through the human resources department and our Azbil Academy, and have

implemented planning and preparation of personnel training and qualification systems. As a result, we have been able to move forward with cultivating solutions personnel such as field engineers and software engineers who are needed to ensure the azbil Group can serve as long-term partners to our customers and communities. We have also made progress in improving workforce diversity by cultivating employees who can work globally, regardless of nationality, and by promoting the active participation of women in the workforce. In addition, we have carried out business strength improvement and allocation for 630 employees (cumulative total) by matching our management strategy with individual employee abilities.

Furthermore, we founded three new organizations in April 2020. First is our IT Solution Department, which will work to expand our operations into new fields of automation and enhance our competitiveness harnessing IT. Next, we established the Cloud Operations Center as a platform to accelerate how IT is used throughout the Group in a unified way. Finally, the Corporate Sustainability Headquarters will work on efforts to achieve the SDGs and fortify internal control both in Japan and overseas.

- The organizations below were founded as a part of the azbil Group's efforts to fortifying the system for continuous growth needed to promote product development in new automation fields, and to ensure it contributes "in series" to contributions to sustainable society.



IT Solution Department

- Established to vigorously promote IT product planning, development, and use throughout the azbil Group to respond to the recent and drastic technological innovations that have produced major changes in the business environment.



Cloud Operations Center

- Established to fortify cloud operations throughout the azbil Group in a unified way.



Corporate Sustainability Headquarters

- Established to link management goals to our contributions to realizing a sustainable society through problem resolution based in human-centered automation. It will also further promote the azbil Group's SDG efforts and CSR activities, and improve domestic and overseas internal controls that support the foundation on which value is created, all based in our Guiding Principles and Code of Conduct designed to fulfill our social responsibilities.

Q8 Exactly how is the Group contributing “in series” to the Sustainable Development Goals?

Through our own business activities we have begun helping our customers reduce energy use in their own facilities, and have also begun efforts to reduce our own greenhouse gas emissions to zero.

The azbil Group has accumulated much experience and know-how through our work in installing measurement and control systems in high-rise buildings, factories, and hospitals, and in offering sensors, controllers, and other devices and services. Harnessing that field experience and know-how allows us to offer our customers effective solutions for better energy and power conservation. Our businesses are contributing “in series” with our efforts to achieve the SDGs, and at the time, aimed at achieving sustainable growth for the group itself. In fiscal year 2019, our products, services, and solutions were harnessed to reduce CO₂ emissions by 3.01 million metric tons, which is almost 1/400 of Japan's total CO₂ emissions.

We are also accelerating our efforts to reduce CO₂ emissions in our own companies. We formulated our 2050 Long-term Vision for Reducing Greenhouse Gas

Emissions, which lays out our goal to achieve zero emissions (Scopes 1+2)*¹ by 2050, and are a part of the Japan Business Federation (Keidanren) proposal titled, “Actions by the Business Community on Long-term Global Warming Countermeasures up to 2050.” To reach this long-term goal, we have set emission reduction targets (SBT certified*²) for 2030 in order to reduce greenhouse gas emissions through our entire supply chain, and efforts to achieve this have begun.

*1 Scope 1: Direct greenhouse gas emissions from owned or controlled sources (fuel combustion, industrial processes, etc.)

Scope 2: Indirect greenhouse gas emissions produced by use of electricity, heat, and steam purchased from outside sources.

*2 SBT(Science Based Targets): This initiative was launched in May 2019 to set greenhouse gas emission targets based on scientific evidence in order to keep global temperature rise at less than 2 degrees Celsius compared to pre-industrial revolution levels.



Effective CO₂ reduction at customer facilities

Fiscal year 2019 (ended March 2020) Total: 3.01 million metric tons of CO ₂	Through automation:	2.71 million metric tons of CO ₂ /year
	Through energy management:	0.25 million metric tons of CO ₂ /year
	Through maintenance and services:	0.05 million metric tons of CO ₂ /year



Q9 How are you tackling social issues that the azbil Group is now asked to address?

Through business activities that are contributing “in series” to a sustainable society, we will help resolve social issues and also facilitate our own sustainable growth.

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,” and we are expanding our business globally. The measures we will undertake to reduce environmental impact and achieve the SDGs are born within this Group philosophy.

Based on relationships of trust with our customers, as well as experience and knowledge cultivated to date, we are promoting product development focused on new automation. At the same time, we are advancing activities that are contributing “in series” to a sustainable society by promoting business in the environmental/energy fields and life-cycle solutions business, thus helping address the SDGs and other social issues and deliver steady business growth.

The azbil Group believes that mechanisms for its own sustainable growth are essential for making a direct contribution to a sustainable society. For this reason, we significantly reassessed the azbil Group Guiding Principles and Code of Conduct in fiscal year 2019. Placing importance on the newly set principles, we will strengthen mechanisms for continuous growth and increase corporate value.

In addition, our management and business activities are contributing “in series” to our 2030 targets aimed at

achieving the SDGs and realizing a sustainable society. In order to use them as guideposts for the Group, we laid out the essential goals and targets for the azbil Group to meet the SDGs, and the new Corporate Sustainability Headquarters will play a central role in promoting initiatives in every department.

The business environment will remain uncertain for the foreseeable future, and difficult conditions are expected. However, we believe that we will see an increase in demand for the Group’s core business of automation in the mid and long-term. We will overcome the impact of the spread of COVID-19 with prompt responses enabled by our stronger corporate structure and business foundation, and thorough crisis management measures. All Group employees will work boldly to tackle new issues that arise out of the changes to social structure and personal values through our corporate framework, from the Group Philosophy to employee activities and management strategy, that contributes “in series” to solutions for social issues and to our Group’s goals for sustainable growth.

With respect to the azbil Group’s management and businesses, we look forward to the ongoing, long-term understanding and support of shareholders and all other stakeholders.

azbil Group's Value Creation & Approach to Realizing the SDGs

The azbil Group will strive to share value with society, achieve sustainable growth, and improve enterprise value through business activities in accordance with the SDGs.

The Steps azbil Group is Taking to Achieve the SDGs

Since the UN's adoption of the SDGs in 2015, the azbil Group has been setting them as a compass to direct our own business activities and promoting those efforts. In fiscal 2018, we selected SDGs priority issues for the Group, and in fiscal year 2019, set Essential Goals of azbil Group for SDGs. In April 2020, the Corporate Sustainability Headquarters was newly established, and with it at the core of the Group's new promotion framework, we are strengthening our efforts as we launch our "Decade of Action" from 2020 to 2030. From fiscal year 2021 onwards, we will implement a cycle of both actions and reporting results and enhance communication with stakeholders in order to contribute to the sustainable growth of society as a whole.

azbil Group's Steps to the SDGs



SDGs Promotion Framework

Achieving Corporate Sustainability of the Group

In order to achieve Essential Goals of azbil Group for SDGs and contribute to the realization of sustainable society, we believe that we need a framework to discipline ourselves and achieve our own sustainable growth. To that end, in April 2020 we established the Corporate Sustainability Headquarters to serve as a specialized organization within the Group for comprehensively promoting sustainability measures. The headquarters will base its efforts on the CSR management initiatives and frameworks unique to the azbil Group and built up over the years, and in coordination with relevant departments, it will promote a variety of SDGs measures which contributes "in series" to realization of sustainable society. Simultaneously, we will also increase our efforts both domestically and overseas to improve systems connected to our ESG (Environment, Society, Governance) initiative, including improved internal control, corporate governance, risk management, and more.

SDGs Promotion Framework

In order to specifically promote the SDGs, the Corporate Sustainability Headquarters functions as the main office for arranging and running the SDGs Promotion Committee. The formulation, execution, and evaluation of SDGs plans will be reported to management, and the PDCA cycle will be harnessed to ensure those plans are in line with achieving our goals for 2030.

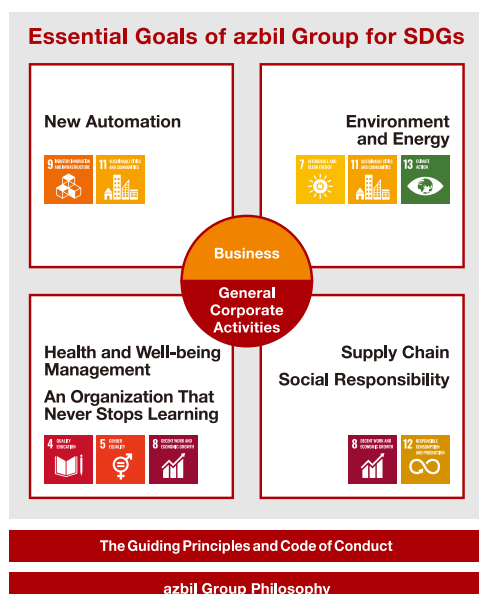
To achieve Essential Goals of azbil Group for SDGs, four working groups with different themes are set up under the umbrella of the SDGs Promotion Committee. These working groups are working closely with bodies such as the azbil Group CSR Promotion Committee and the azbil

Group Technology Committee, which serve as a cross-organization function of the Group and are guiding issue resolution and SDGs realization efforts on a Group-wide basis. In collaboration with Human Resources Department and Azbil Academy, a specialized organization dedicated to personnel development, the working groups are promoting penetration of the SDGs throughout the Group and focusing on awareness and educational activities that will encourage proactive participation on the part of every employee. At the same time, by working closely with the Corporate Communication Task Force, they are promoting the dissemination of ESG information that responds to social demand.

SDGs Promotional Framework



Essential Goals of azbil Group for SDGs



The azbil Group's objectives for the SDGs consist of four essential goals and the targets that will lead to their achievement.

In the areas that we tackle through our business, where the focus is on automation technology, our goals are preserving the Earth's environment and solving energy-related problems through cooperative creation, and realizing a safe and comfortable society through new automation. In both cases our aim is to contribute to the sustainable growth of our customers and to create environmental and societal value.

In the areas that we tackle through our general corporate activities, our goals are fulfilling our responsibilities to society throughout our supply chain, a goal that we will realize together with our business partners and local communities, and strengthening our corporate foundation to solve societal problems through health and well-being management and continuous learning. In so doing, we aim to contribute to the creation of a sustainable society.

By ensuring that all of our employees understand and act in line with our goals, we can collaborate with our customers, partners, and local communities to solve societal problems through cooperative creation and contribute to achieving the SDGs.

Essential Goals	Targets	SDGs
Business I Preserving the Earth's environment and solving energy-related problems through cooperative creation	Environment and Energy Solutions for energy (toward a decarbonized society) <ul style="list-style-type: none"> • Further effective reduction of GHG^{*1} emissions at customers' sites • 30% reduction in GHG emissions from our business activities^{*2} • 20% reduction in GHG emissions across our entire supply chain^{*3} Environmental preservation (realization of Integrated Environmental Corporate Management^{*4}) <ul style="list-style-type: none"> • Creation and provision of eco-friendly products and services • Effective use of natural resources^{*5} and reduction of waste generation 	
II Realizing a safe and comfortable society through new automation	New Automation Providing productivity and higher value that lead to customers' peace of mind and comfort <ul style="list-style-type: none"> • Realization of a smart society through technological innovation • Providing solutions based on new ideas 	
General Corporate Activities III Fulfilling our responsibilities to society across our supply chain and contributing to local communities	Supply Chain Fulfilling social responsibilities with customers and partners <ul style="list-style-type: none"> • Expansion of azbil CSR activities to share value Social Responsibility Invigorating local communities <ul style="list-style-type: none"> • Contributions around azbil Group bases 	
IV Strengthening our foundations to solve societal problems through health and well-being management and continuous learning	Health and Well-being Management Implementing health and well-being management (job satisfaction, health, diversity & inclusion) <ul style="list-style-type: none"> • Flexible methods of working and reduction of total work hours • Maintaining and promoting employees' mental and physical health • Creating opportunities for diverse personnel to demonstrate their abilities An Organization That Never Stops Learning Developing and strengthening "an organization that never stops learning" <ul style="list-style-type: none"> • Expanding opportunities for the continuing education of globally active employees and opportunities to learn with stakeholders 	

^{*1} Greenhouse gases (CO₂, etc.). ^{*2} Compared with base year 2013. ^{*3} Compared with base year 2017. ^{*4} Management that integrates environmental activity such as decarbonization, resource recycling, and biodiversity conservation into its business. ^{*5} A general term for material and energy that exists naturally and can be used for people's daily lives and in production activities.

The azbil Group believes that azbil's business contributes "in series" to the achievement of the SDGs and a sustainable society. We strive to meet society's expectations through our business, and will work to solve the issues we face while training personnel who will support our business contributing to the achievement of the SDGs. Information on these efforts and goals can be found on the following pages.

I Environment and Energy Preserving the Earth's environment and solving energy-related problems through cooperative creation



Solving global environmental problems is a prerequisite for achieving a sustainable society, and it is one of the key issues of the SDGs. The azbil Group recognizes that climate change is a major issues, and we have set solutions for energy and realizing environment-integrated management as our targets for the SDGs.

Solutions for energy (toward a decarbonized society)

Please turn to Pages 59-61 for more information.

• Further effective reduction of GHG*1 emissions at customers' sites

We offer products, services, and solutions that help our customers reduce CO₂ emission at their sites, and thereby contribute to solving global environmental and energy issues. In the past, we reported actual values regarding CO₂ reduction at customers' sites, but currently we have established numerical targets for fiscal year 2030 as an index to our goal of continuously contributing to the SDGs.

*1 Greenhouse gases (i.e. CO₂)

Fiscal Year 2030 Targets

Target of effective CO₂ reduction
at customers' sites

3.4
million metric tons of CO₂

Effective reduction of CO₂ at customers' sites through our products, services, and solutions

We contribute to reducing society's environmental impact by providing automation equipment and systems, energy management and other solutions, through to maintenance and services on those systems after delivery.

Total annual effective reduction of CO₂ at customers' sites for fiscal year 2019 (ended March 2020) was 3.01 million metric tons. This corresponds to approximately 1/400 of the total CO₂ emitted in Japan each year (approx. 1.2 billion metric tons). By fiscal year 2030, we aim to increase this effective reduction to 3.4 million metric tons of CO₂. In line with our global business expansion, we have included overseas customer sites in this estimates.

* In order to assess the contribution to the reduction of environmental impact quantitatively, the effects were classified into the three categories of 1) effects from automation, 2) effects from energy management, and 3) effects from maintenance services. Global reduction impact is partially based on original methods.

* A third party reviewed estimation method.

Automation effects

Utilizing our measurement and control technologies, we contribute to reducing environmental impact with our advanced control solutions that deliver stability and optimization of automatic control systems and process equipment for buildings.



2.71
million metric tons of CO₂

Energy management effects

We have reduced environmental impact, taking advantage of our energy management solution, to achieve reduction in electricity consumption, energy consumption, and CO₂ emissions.



0.25
million metric tons of CO₂

Maintenance service effects

We have reduced environmental impact by providing the high value-added services of the azbil Group, taking advantage of the knowledge and know-how acquired at customers' sites.



0.05
million metric tons of CO₂

Total Effective Reduction of CO₂ at Customers' Sites (Fiscal Year 2019)

3.01 Million Metric Tons of CO₂

Case study on GHG reduction at customer's site

The azbil Group offers various products, services, and solutions to our BA, AA, and LA customers to reduce global CO₂ emissions. For example, for our BA customers, we reducing energy consumption and lowering costs by refurbishing a variety of equipment or refining their operations, i.e. through optimal air conditioning energy source management and by tailoring services to building scale

and usage. In our AA business, we are lowering energy waste by reducing the amount of energy used in plant and factory processes by harnessing automation to handle the usage of electricity, steam, compressed air and other resources to production equipment. Below you will find case study on how we used products and solutions in Indonesia to achieve a major reduction in CO₂.



Azbil Reduces Nearly 35,000 Metric Tons of CO₂ Emissions at Largest Indonesian Refinery by Using Advanced Control Technology

Azbil participated in one of the demonstration projects (commissioned by New Energy and Industrial Technology Development Organization) of the Joint Crediting Mechanism (JCM),*¹ which was organized by the government of Japan and the Indonesian government, and improved the energy efficiency of a refinery for Indonesia's largest gas and oil company, PT Pertamina (Persero). In particular, Azbil's Advanced Control Technology was installed at a boiler plant of refinery unit IV PT Pertamina (Persero), and achieved saving energy and a reduction of 35,000 metric tons of CO₂ in 10 months.



*¹ Joint Crediting Mechanism (JCM): A program in which Japan and a partner country engage in projects to reduce greenhouse gas emissions. Based on the results, issued credits are shared by both countries for emissions reduction targets.

• Reducing GHG emissions from business activities, including the supply chain

To reduce greenhouse gas (GHG) emissions (Scopes 1+2) from our own business activities, we have begun efforts to realize our 2050 Long-term Vision for Reducing Greenhouse Gas Emissions, which lays out our goal to achieve substantially zero emissions by 2050. Fiscal year 2030 stands as a transition point within that plan, and we have set emission reduction targets for GHG emitted through our business activities and throughout the entire supply chain. These GHG reduction targets were set to keep global temperature rise less than 2 degrees Celsius above pre-industrial revolution levels, and are based on the Science Based Targets (SBT) laid out by the Science Based Targets Initiative (SBTi)*³ in May 2019.

Environmental preservation (realization of Integrated Environmental Corporate Management*⁴)

■ Please refer to Page 62 for more information.

- Creation and provision of eco-friendly products and services
- Effective use of natural resources and reduction of waste

The azbil Group has directly linked its business to achieving the SDGs, by creating and providing more environmentally friendly products and services, and by fortifying our 3R (reduce, reuse, recycle) efforts through environmentally conscious design when developing those new products and services.

Fiscal Year 2030 Targets

GHG emission reduction goal

GHG emissions from business activities (Scopes 1+2)*¹

30% Reduction
(from 2013)

GHG emissions throughout the entire supply chain (Scope 3)*²

20% Reduction
(from 2017)

*¹ Scope 1: Direct greenhouse gas emissions from owned or controlled sources (fuel combustion, industrial processes, etc.)
Scope 2: Indirect greenhouse gas emissions produced by use of electricity, heat, and steam purchased from outside sources.

*² Scope 3: All indirect greenhouse gas emissions (not included in Scope 1 or Scope 2) that occur in the value chain of the reporting company, including both upstream and downstream emissions.

*³ An organization jointly established by the CDP (a coalition of institutional investors that promotes disclosure of information regarding corporate measures taken to address climate change), the World Resources Institute (WRI), the World Wide Fund for Nature (WWF), and the UN Global Compact (UNGC), in order to achieve the greenhouse gas reduction targets delineated above.

*⁴ Management that comprehensively incorporates a wide range of environmental activities including decarbonization, resource circulation, and biodiversity conservation into business operations.

II

New Automation

Realizing a safe and comfortable society with new automation



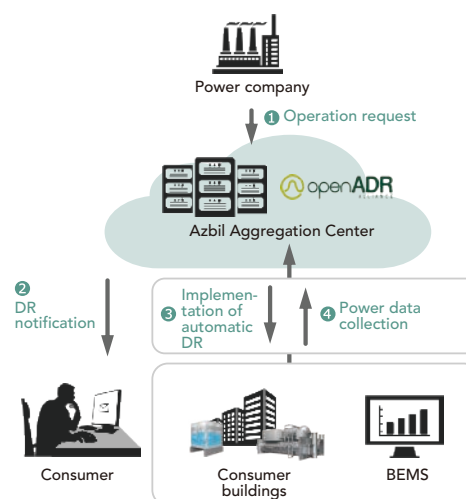
Changes in social structure and technological trends have steadily expanded the role and the value offered by the azbil Group's philosophy of human-centered automation. The Group's target of achieving the SDGs through its business is "realizing a safe and comfortable society with new automation," and we are striving to respond to the constantly changing needs of society by improving productivity and increasing value, thereby helping customers feel safe and comfortable.

Providing productivity and higher value that lead to customers' peace of mind and comfort

- Realization of a smart society through technological innovation
- Providing solutions based on new ideas

Realizing a smart society – Contributing to comfort, work style reform, and to the introduction of renewable energy

The azbil Group utilizes advanced technologies such as IoT, cloud computing, big data, and AI to offer new products and services that provide added value, and in addition to increased comfort, we are contributing to finding solutions to the various issues faced in office buildings and urban areas. For example, our infrared sensor array system measures infrared emissions to determine changes in the number of people in a room, the amount of solar radiation, and surface temperatures on office automation equipment, thereby allowing it to determine and control room temperature fluctuations. This not only provides greater comfort, but it also gains information on office and other space usage, responds to work style reforms, and helps avoid the so-called "3Cs" of the new normal – closed, crowded, and close-contact – and therefore helps preserve social distancing norms. In addition, our cloud services have evolved to allow for the reduction of building management personnel and increase tenant company safety and BCP support. To address overall urban energy demand, we developed our automatic demand response system which automatically controls power demand by harnessing the data and know-how collected over many years of operations, and it helps realize a virtual power plant (VPP) function, which is one of the keys to introducing and promoting renewable energy sources. The azbil Group aims to not only optimize energy use in individual buildings, but to offer solutions that can control energy demand across entire urban areas and integrate reusable energy into those systems, in order to realize the idea of smart cities in the near future.



Easily installed by utilizing infrastructure technologies included in existing Azbil BEMS or the BOSS-24 comprehensive building management service

New solutions that can handle the spread of COVID-19

In times of pandemic, a simple operation performable on a PC can change the internal pressure of a room from "isobaric pressure" to "negative pressure," thereby transforming it into an isolated space that prevents viral exposure outside the room. This is achieved through our Pandemic Response Air Conditioning System, the first of its kind in Japan, which allows for the creation of temporary infectious disease isolation rooms. Ventilation volume is doubled to ensure the peace of mind and safety of patients and medical staff, and to provide support for management and operational aspects of the medical facility. We also offer an entry-exit management solution for offices and more, which uses a facial recognition system installed with a high-resolution thermographic camera, providing non-contact, safe, and hygienic entry and exit management. Utilizing AI, facial recognition technology determines the location of an individual's forehead, and within 0.5s it can obtain a precise measurement of body temperature without coming in contact.

In addition, the Group company Azbil Telstar is contributing to the development and manufacturing of pharmaceutical products through the production and sale of the lyophilizers and other devices required in vaccine production, and by doing so, is helping respond to the high demand for a COVID-19 vaccine as soon as possible.



- ✓ Used as an emergency-response ward for infectious disease
- ✓ Ventilation rate (outside air): at least 12 air changes per hour

Pandemic Response Air Conditioning System for hospitals



Facial recognition and temperature detection solution



Supply Chains, Social Responsibilities

Fulfilling our responsibilities to society across our supply chain and contributing to local communities



One of the Guiding Principles is our desire to build long-term partnerships with stakeholders. Regarding the supply chain, we act in line with our Group philosophy and Guiding Principles, understanding and complying with all laws and regulations, and expanding worldwide in an equitable way with due consideration given to human rights and the environment. We are working to implement CSR throughout the supply chain so that our business partners can understand our philosophy and the efforts we undertake. Regarding our contributions to communities and society as a whole, we support all types of initiatives, from grass-roots efforts undertaken voluntarily by employees, to offering donations to areas affected by disaster as a corporation.

Fulfilling social responsibilities with customers and partners

■ Please refer to Pages 64-65 for more information.

- **Expansion of azbil CSR activities to share value**
General CSR activities, CSR procurements, etc.

Invigorating local communities

■ Please refer to Page 95 for more information.

- **Contributions around azbil Group bases**
General social contributions, support for COVID-19 countermeasures assistance for recovery from natural disasters etc.



Participation in the Osaka Marathon clean-up operation (aimed at community cleanup)



Health and Well-being Management, an Organization that Never Stops Learning

Strengthening our foundation to solve societal problems through health and well-being management and continuous learning



One of our targets to realizing the SDGs through our general corporate activities is our hope to strengthen our foundation to solve societal problems through health and well-being management and continuous learning. We hope to encourage people with various personalities, abilities, and knowledge to have the motivation to engage in their work, and through continuous education and growth, create even more value.

Implementing health and well-being management (job satisfaction, health, diversity & inclusion)

■ Please refer to Pages 68-71 for more information.

- **Flexible methods of working and reduction of total work hours**
- **Maintaining and promoting employees' mental and physical health**
- **Creating opportunities for diverse personnel to demonstrate their abilities**

Health and Well-being Management is our means of fulfilling our Health and Well-being Declaration made in 2019 to proactively help manage not only the physical and mental health of our employees, but to also help them achieve happiness. This is a comprehensive effort to reduce total working hours, reform work styles by eradicating workplace harassment, increasing workplace diversity and more. As an index by which we can evaluate our efforts to create a healthy, happy and vibrant place for people to work, we have set a new numerical target to increase the number of employees who find satisfaction in working at Azbil to 65% or more by 2030.

Developing and strengthening an organization that never stops learning

■ Please refer to Pages 72-73 for more information.

- **Expanding opportunities for continuing education of globally active employees and opportunities to learn with stakeholders**

As an organization that never stops learning, the azbil Group is implementing various initiatives that will enable us to reach our goals of strengthening our foundation to solve societal problems through continuous learning, and in response to changes in and outside of the Group, help employees continue to learn and grow through the work they do. In order to measure how these efforts lead to a sense of growth, we have set a numerical target measured by the ratio of employees who experienced personal growth over the past year.

Fiscal Year 2030 Targets

Ratio of employees who find satisfaction in working at Azbil

65% or more

Ratio of employees who experienced personal growth over the past year

65% or more

* Aiming for 65% or 2/3 of employees, a considerably high target for the annual employee satisfaction survey conducted within domestic azbil Group companies. (Both values were 57% for fiscal year 2019.)

Sustainability and SDGs Supporting Value Creation

A measure to combat climate change —work to understand and disclose the impact



In November 2019, the azbil Group declared to support the TCFD*1 recommendations on gaining an accurate understanding of the impact of climate change on business operations, and disclosing that impact in an appropriate manner, in order to combat climate change, which is one of the 17 SDGs and is thought to have a major effect on achieving a sustainable society. After making that announcement, we began organizing tasks within the Group, and summarized azbil Group governance, opportunities and risks connected to climate change as shown in the table below. Going forward, we will continue to disclose the impact of climate change on our Group operations in line with the recommendations of TCFD.

Item	Initiative Details					Reference Page					
Governance	The azbil Group recognizes that climate change is a major issue in the practical application of the azbil Group philosophy, and it will be discussed at Azbil's Management Meeting and supervised by the Board of Directors.					P.76-87					
Strategy	The azbil Group promotes reducing the environmental impact of our own business activities, and harnessing the technologies and know-how accumulated through those initiatives. We contribute to the environment through our core businesses by utilizing our measurement and control technologies to help customers solve their environmental issues, which will lead to the realization of a sustainable society.					BA Business P.34-37 AA Business P.38-41 LA Business P.42-45 Technological Research and Product Development P.47-51 Manufacturing and Procurement P.52-53 Contributions to the environment through our core businesses P.22, 26-27, 59					
							If temperature rise is controlled*2		Building Automation (BA)	Advanced Automation (AA)	Life Automation (LA)
								Opportunity	Expanding demand for energy-savings solutions and services that meet global needs	Increased demand for solutions, and for sensors and other measurement instruments designed for new industries	Increased SMaaS business for gas meters using IoT technologies and other such products
							Risk	(Shared by all core businesses) • Increased development costs for products and services to meet new regulations • Increased production and procurement costs due to rising energy prices • Reduced customer investment from increased burden due to introduction of carbon taxes and other costs			
								If temperature rise continues*3	Opportunity	Increased demand for products, services, and solutions that enable buildings to adapt to climate-related disaster	Increased demand for products, services, and solutions that offer anomaly prediction function
							Risk		(Shared by all core businesses) • Operational stoppages due to abnormal weather events, inability to provide products, services, and solutions • Large reduction in customer investment due to business instability caused by abnormal weather		
Risk Management	The azbil Group comprehensively works to identify risks that may have a significant impact on operations, including those connected to climate change. (1) After issues are extracted and analyzed by the Comprehensive Risk Subcommittee (consisting of department managers, etc.), those issues are sent to the (2) Comprehensive Risk Committee (headed by the Risk Management Officer), where those issues deemed to be major risks to the azbil Group are sent to the Board of Directors for discussion and deliberation. The Management Meeting then plans out and implements countermeasures and reports the results to the Board. In this way, the Group is able to manage such issues in order to reduce risk.					P.76-77					
Indicators and Goals	We promote efforts to combat climate change through our business activities directly linked to the goal of achieving a sustainable society, by considering indicators and goals that take into account all azbil Group customers, the Group itself, and its entire supply chain. • Further reduction in GHG (i.e.CO ₂) emissions at customers' sites • Implementation of the 2050 Long-term Vision for Reducing Greenhouse Gas Emissions, which lays out our goal to achieve zero emissions by 2050 by reducing greenhouse gas emissions (Scope 1+2) within our own companies • Formulation of (SBT certified) emission reduction targets for 2030 to reduce greenhouse gas emissions throughout the supply chain and help achieve the Long-Term Vision					P.26-27, 60					
















*1 TCFD (Task Force on Climate-related Financial Disclosure): The task force and corresponding framework designed to promote disclosure of the impact of climate change, comprised of central banks and financial institutions from the world's leading countries. It requires the disclosure of potential impact of climate change on business operations in the context of at least two potential scenarios.

*2 If temperature rise is controlled (the scenario assuming a rise of approximately 2 degrees Celsius): This scenario assumes that temperature rise is contained within a sustainable range due to the implementation of stricter regulations and introduction of technological innovations that lead towards a decarbonized society.

*3 If temperature rise continues (the scenario assuming a rise of approximately 4 degrees Celsius): This scenario assumes that no effective measures to reduce CO₂ emissions are implemented, resulting in continued temperature rise and an increase in abnormal weather and natural disasters.

azbil Group's main initiatives towards achieving sustainability

The azbil Group is actively promoting its initiatives based on the ESG (Environment, Society, Governance) framework with a view to achieving sustainability, and the table below summarizes how we are tackling important ESG issues. Through our ESG initiatives, the azbil Group will ensure our own sustainability while realizing the creation of value unique to azbil, in order to contribute "in series" to achieving a sustainable society and the SDGs.

ESG	Major ESG Issues	azbil Group's Main Initiatives	Reference Page	Related SDGs	
E Environment	Climate change (GHG, energy)	Contribute to CO ₂ reduction at customer sites	P.22, 26-27	    	
		Reduce mid to long-term CO ₂ emissions in own operations (Scopes 1+2)	P.27, 60-61		
		Offer energy management solutions	P.34-35, 54-55		
		Promote introduction of renewable energy with Virtual Power Plant	P.28		
	Environmental considerations for products and services	Promote environmentally conscious design	P.62		
		Promote compliance with regulations regarding inclusion of chemical substances in products both in Japan and overseas			
	Pollution & resources (Atmosphere, wastewater, hazardous waste, waste reduction, raw materials, etc.)	Prevent environmental pollution, promote effective use of resources (including waste reduction)	P.59, 63		
	Water security & water risk	Popularize use of water meters utilizing IoT	P.42-45		
		Respond to water risk, reduce usage	P.63		
	Biodiversity	Provide equipment and other solutions for treating ballast water in large ships	P.63		
		Natural environmental conservation efforts centered on business bases	P.63		
Environmental supply chain	Reduce mid to long-term CO ₂ emissions across the entire supply chain (Scope 3)	P.27, 60-62			
	Promote green procurement	P.65			
	Environmental management	Promote environmental management based in ISO14001	P.59		
S Society	Labor practices	Promote diversity and prevent the spread of COVID-19	P.70-71	    	
	Health and safety	Promote health and well-being management and work style reform	P.68-69		
	Human rights	Respect for fundamental human rights, and in accordance with laws and compliance regulations in each country	P.70-71		
	Communities	Sponsor community events, run volunteer efforts, and donate to social contribution organizations	P.29, 95		
	Social supply chain	Conduct purchases in consideration of CSR	P.64-65		
	Quality & customers	Ensure quality assurance and safety by maintaining quality through innovative production processes	P.53, 66-67		
Offer total solutions through an integrated system including development, production, sales, engineering, and services		P.46-57			
G Governance	Corporate governance	Fortify supervisory and audit functions (through appointment of independent outside offices, setting criteria to judge independence, etc.)	P.78-87	   	
		Bolster management transparency and health (through nomination and remuneration committees, etc.)			
		Clarify responsibility system and promote dialogue (in accordance with the Corporate Governance Code, with corporate communications officers, etc.)	P.90-94		
	Risk management	Expand the comprehensive risk management system (Comprehensive Risk Management Subcommittee and Comprehensive Risk Committee)	P.76-77		
	Compliance	Increase awareness of the Group philosophy, Guiding Principles, and Code of Conduct	P.8-9, 74, 94		
		Enhance compliance training, conduct and analyze the results of regular company-wide awareness surveys, improve hotline function	P.74-75		

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