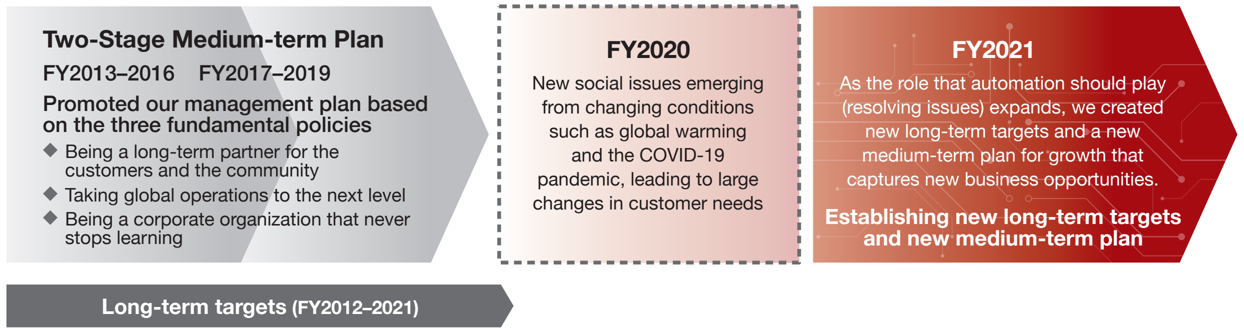
Establishing New Long-term Targets and the New Medium-term Plan

Results of the Previous Medium-term Plans
—background of formulating new long-term targets and new medium-term plan

Anticipating business opportunities from the growing role of automation, we formulated new long-term targets and a new medium-term plan to contribute the achievement of a sustainable society to achieve the Group's growth.



Results of the previous two medium-term plans (FY2013–2016, FY2017–2019)

In 2012, to respond quickly to changes in the business environment, customer needs, and global social issues while pursuing sustainable growth, we established our "long-term targets" and "three fundamental policies" for 10 years through FY2021.

In line with these targets and policies, in FY2013, we began our two-stage medium-term plan (FY2013–2016, FY2017–2019). By strengthening products and services focusing on people and realizing a world of automation co-created by human ingenuity and technology and evolving our three businesses— Building Automation (BA), Advanced Automation (AA), and Life Automation (LA)—into a life-cycle solutions business with customers and society, we increased the value provided to customers and our profitability.

By advancing reforms of business and operational structures as measures in the past medium-term plans, we greatly enhanced profitability and made progress in developing our global business foundation as a growth engine. We also made progress in implementing CSR management, strengthening our governance system and financial structure, and building risk management systems including improving our business continuity plan (BCP).

In terms of strengthening profitability, we faced a challenging business environment due to decreased capital investment and other factors with the spread of COVID-19 starting in 2020. Consequently, in FY2020 (ended March 31, 2021), orders received and net sales declined year on year, and operating income was also forced into decline. However, we maintained almost the same level of operating income margin as the previous fiscal year at 10.4% (down 0.1 points from the previous year), which we believe demonstrated the effectiveness of our continuous measures. Furthermore, we steadily enhanced our management foundation toward the Group's sustainable growth, including strengthening and diversifying our capital-raising abilities on the finance side.

Formulating new long-term targets and a new medium-term plan based on issues in the previous medium-term plan

During our two-stage medium-term plan, Japan experienced an increasingly aging society and progress in work-style reforms, while economic globalization advanced and demands to respond to climate change and the SDGs increased. There was also more change in business models with technological innovations such as IoT, AI, big data, and cloud technology, and the business environment surrounding the azbil Group changed on a global scale.

The azbil Group formulated a new medium-term plan starting in FY2020 based on these changes. However, with the unexpected rapid spread of COVID-19, both the business environment and economic conditions changed significantly. At the same time, global needs for safe and secure living and production spaces increased, thus expanding the role of automation in resolving social issues. In other words, business opportunities for the azbil Group are growing rapidly, leading us to revise our plan.

In May 2021, while considering the target date to achieve the SDGs, based on the theme of "management that contributes 'in series' to the achievement of a sustainable society," we established long-term targets for FY2030 that aim to balance sustained corporate growth (enhanced corporate value) and sustainability of society. At the same time, as the first step toward that vision, we announced the new medium-term plan (FY2021–2024).

Main results based on the three fundamental policies and two-stage medium-term plan

Fundamental Policy (1)

Being a long-term partner for the customer and community by offering solutions based on our technologies and products

In developing technologies and products that allow us to provide solutions to our customers, we improved our R&D hub and strengthened its capabilities, developed new sensors that are the basis of metering and measurement, and developed products and services using AI, IT, and cloud technology. We made progress in these initiatives in our BA, AA, and LA businesses. We expanded our maintenance service and life-cycle solutions business, maintained and improved profitability, and strengthened our resilience to downturns in the business environment.

Fundamental Policy (2)

Taking global operations to the next level by expanding into new regions and a qualitative change of focus

We improved our global network as a growth platform. In terms of sales and service, we have expanded to 23 countries. In 2018, as our first regional organization leading our regional strategy, we established the Strategic Planning & Development Office for Southeast Asia in Singapore. In regard to production, we established production bases in China, Thailand, and Japan to streamline production and strengthen systems including our BCP. In FY2019, we upgraded the Shonan Factory, which began operations as the azbil Group's mother factory for global production in collaboration with the Fujisawa Technology Center.

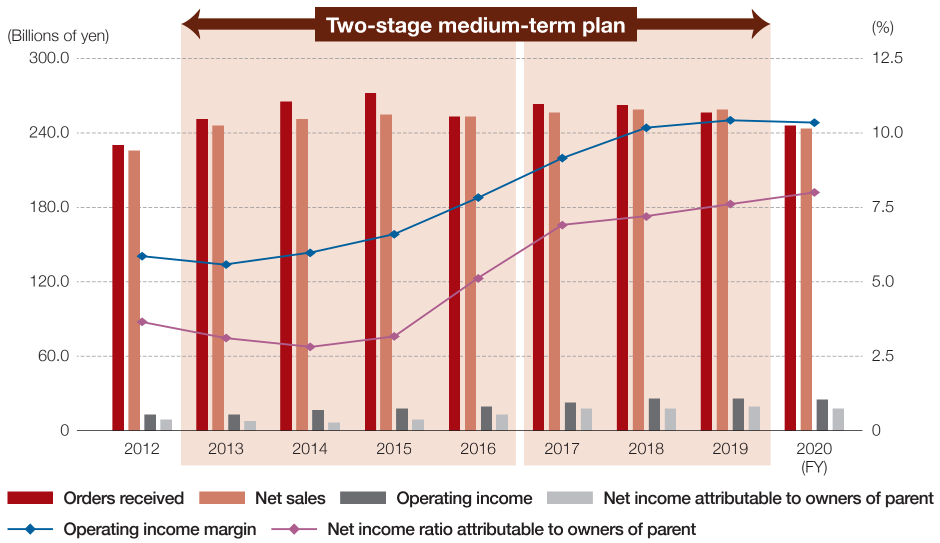
Fundamental Policy (3)

Being a corporate organization that never stops learning, so that we can continuously grow stronger

In terms of human capital, we made progress in initiatives to "be a corporate organization that never stops learning" to respond to changes in the business environment and advances in globalization. Employees improved their skills through the Azbil Academy, and we optimally allocated human resources by transferring around 630 employees to departments engaged in our growth strategy. Additionally, we revamped our human resource system to motivate employees, allow them to exercise diverse capabilities, and improve productivity.

As a result of the two-stage medium-term plan, our business profitability improved greatly, and we maintained profit levels even amid the COVID-19 pandemic

We maintained a thorough crisis management system and prioritized safety and security in our business operations. Through measures to strengthen profitability that produced results as initiatives in our medium-term plan as well as growth of our life-cycle business centered on the service field for which stable demand is expected, we succeeded in limiting the negative effects from the business environment caused by the spread of COVID-19.



Responding to the COVID-19 pandemic

To respond to the spread of COVID-19, which began in spring of 2020, based on our BCP system that we have continuously strengthened, the azbil Group improved its crisis response system by promoting telecommuting internally and reconfirming our supply chain on the operations side. By quickly enacting policies prioritizing the safety and security of our employees, customers, and business partners, we responded to requests for engineering and service provision to maintain our customers' important facilities as well as businesses that are essential for the continued safety of social infrastructure.

Outline of New Long-term Targets and the New Medium-term Plan

Through our automation business, we will achieve growth by contributing “in series” to the achievement of a sustainable society and proactively implement reforms and investment for growth.

Establishing a New Medium-term Plan and New Long-term Targets That Anticipate Business Environment Changes and Business Opportunities

Contributing “in series” to the achievement of a sustainable society
Sustainably enhancing corporate value

Growth

Transformation

Safety

- Changes in societal structure
- Changes in the business environment
- Changes in technological innovation
- Accelerating change due to the spread of COVID-19

The role and value of automation have increased in response to the emergence of new social issues

New business opportunities

	FY2019	FY2020	New Medium-term Plan for FY2021–2024	New Long-term Targets for FY2030
Net sales	¥259.4 billion	¥246.8 billion	¥300.0 billion	¥400.0 billion range
[Overseas]	[¥44.2 billion]	[¥44.9 billion]	[¥66.0 billion]	[¥100.0 billion range]
Operating income	¥27.3 billion	¥25.7 billion	¥36.0 billion	¥60.0 billion range
Operating income margin	10.5%	10.4%	12%	approx. 15%
ROE	10.9%	10.4%	approx.12%	approx. 13.5%

Changes in the business environment and greater business opportunities in the automation business

Corporate growth through businesses that contribute “in series” to the achievement of a sustainable society through new long-term targets

Implementing reforms and investment for growth starting with the new medium-term plan

Business expansion measures, profitability improvement initiatives, and strengthening the business foundation in anticipation of changes of environment and greater business opportunities in the automation business

- Business expansion centered on the three growth fields
- Global expansion of sales network and business and product portfolio
- Overseas business expansion including capital participation
- Streamlining and expanding recurring business including services by promoting DX
- Strengthening overseas production bases, increasingly shifting to and expanding overseas production and procurement
- Introducing new products and revamped products with enhanced capabilities and lower costs
- Effective allocation of human resources
- Strengthening sales activities and streamlining operations by using DX

Anticipating changes in the automation business environment and greater business opportunities

At present, the nature of society and industry and consumers’ needs are experiencing significant changes, and new issues to be resolved are emerging globally. These changes and issues include the global issue of climate change, changes in the structure of society such as the aging population in Japan, increased demand in the industrial world for new products and services to realize a smart society, increased global needs for safety and security due to the spread of COVID-19, and accelerating needs for telework environments.

There are many other roles for the diverse capabilities of automation including labor saving, energy saving, and resource saving. With the number of variables to control growing and becoming increasingly complex each year, the value of automation is continuing to rise.

Establishing new long-term targets that contribute “in series” to the achievement of a sustainable society

azbil sees these changes in the business environment as new growth opportunities to add to stable demand in our existing business areas, such as maintenance and efficiency improvement. These changes also represent large opportunities to contribute to realizing the SDGs through our business. To that end, based on the theme of “contributing ‘in series’ to the achievement of a sustainable society” and balancing our own growth with sustainability of society, we established new long-term targets as guidelines to continuously pursue growth measures and investments through FY2030, while continuing to strengthen profitability and build up our global business foundation from the previous medium-term plans. As the first stage in that process, in May 2021 we announced our new medium-term plan (FY2021–2024).

Establishing a new medium-term plan based on the theme of “transformation”

To achieve our new long-term targets, while continuing business operations that prioritize safety as we have done since FY2020 with the COVID-19 pandemic, we will rise to the challenge of transformation that leads to growth as we anticipate changes in the business environment and greater opportunities in the automation business. In FY2030, the final year of our new long-term targets, we aim to increase net sales by ¥150 billion or more from the current level to ¥400 billion range, to double operating income to ¥60 billion range, to increase operating income margin by 5 points from FY2019 to approximately 15%, and to increase ROE from the current around 10% to approximately 13.5%.

Furthermore, during the period of the new medium-term plan for FY2021–2024, we see the pillar of transformation as a deeper pursuit of “the three growth fields that share a common foundation of automation technology (p. 27),” which has been our focus since FY2017 during the previous medium-term plan, and we will develop products and services that respond to diverse needs. Through automation that will enable us to continually carry out “improvements to the quality of space and productivity” in customers’ assets as well as “curb energy usage,” we will contribute to resolving social issues and helping customer companies achieve their SDGs while capturing new demand.

Implementing investments in “growth”

To realize transformation and achieve growth with an eye on FY2030, azbil will continuously implement investment in advanced technological development as well as capital investment to create a global production and product/service supply system. We will proactively introduce new products and services born from this process both in Japan and overseas and maximize the value that we provide to our customers. At the same time, we will enhance productivity and create new workstyles by improving and streamlining our own business activities and further increase profitability and margins.

Initiatives to Realize the New Medium-term Plan (FY2021–2024)

Centered on development in the three growth fields founded on automation technology, we will grasp new changes in the business environment that reflect changing customer needs and new social issues, and introduce new products and services in Japan and overseas.

Progress in the three growth fields

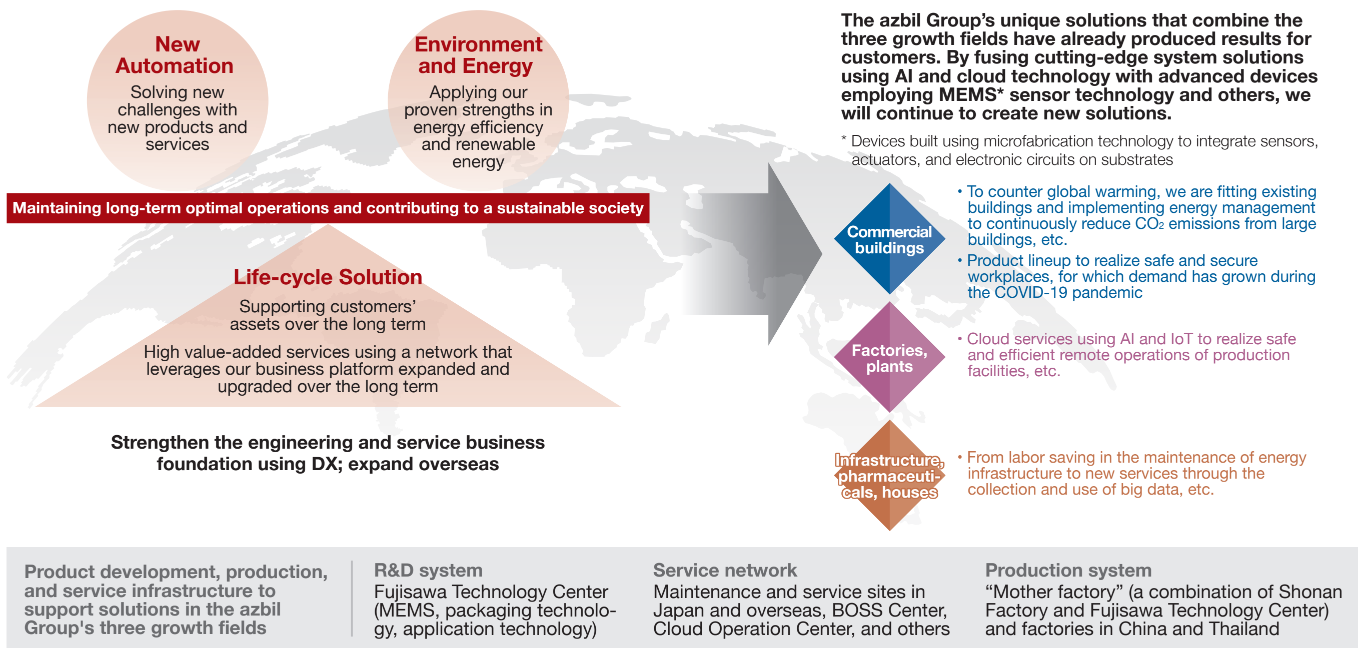
The azbil Group is transforming its business model centered on “the three growth fields that share a common foundation of automation technology.”

The new automation fields will quickly respond to global social issues and changes in customers’ needs born from changes in the societal structure and business environment including responding to climate change, co-existing with viruses, work-style reform, aging infrastructure, and more sophisticated manufacturing. Through automation, we will provide value including high quality, safety, remote environments, and decarbonization. These are the fields in which we will carry out “improvements to the quality of space and productivity” in customers’ assets.

When providing this added value, in general, more energy and resources are consumed. However, azbil is developing business with both accumulated data and factors for differentiation including products, services, and knowhow that are effective in saving energy and resources. The environmental and energy fields will respond to both the demands of society and customers’ needs.

Furthermore, the life-cycle solution fields provide maintenance services over the long term that balance “improvements to the quality of space and productivity” with “resource and energy minimization” to match the life cycle of customers’ assets.

The ability to engage in these three areas of value as business fields is a business value unique to the azbil Group, which has pursued the optimization of human-centered spaces through an integrated structure ranging from concept to design, construction, installation, engineering, and maintenance. Going forward, by strengthening our engineering and service platform using DX, we will provide these three growth fields to society and our customers as a common automation value that goes beyond national borders and business sectors.



New Automation Fields

By providing “improvements to the quality of space and productivity” as added value in customers’ assets, we will support customers to enhance their competitiveness (high productivity, provision of comfortable, safe, and secure spaces, etc.).

Environmental and Energy Fields

As we head for the carbon-neutral age, we will provide technologies, products, and services that balance “improvements to the quality of space and productivity” in customers’ assets with “minimal usage of resources and energy.”

Life-cycle Solution Fields

Using our cultivated knowhow and advanced technologies, while maintaining customers’ assets over the long term, we will continuously realize “improvements to the quality of space and productivity” and “minimal usage of resources and energy.”

Investments and measures for continuous creation of solutions

We will carry out proactive research and development and capital investment to accelerate the development and market introduction of new products and services to achieve our long-term targets in FY2030. Additionally, we will implement DX measures in sales, service and engineering and network infrastructure enhancement measures that are both required to create high added value in our services and to streamline our business.

(1) Technological research and product development

We will strengthen our marketing and development capabilities to reinforce new product and service development to create new solutions continuously. In terms of development, we will strengthen our development capabilities in system solutions, devices, and field instruments to respond to increasingly polarized customer needs (p. 49). To that end, we will upgrade and strengthen the Fujisawa Technology Center, our research and development hub, to reinforce our development capabilities for cutting-edge system solutions and high-performance, high-precision devices (construction to be completed in May 2022).

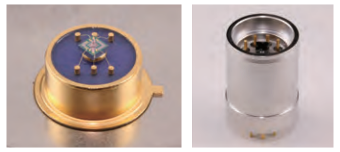
R&D expenses

Total of approximately ¥56 billion from FY2021 to FY2024 (plan)

Investment for functionality improvements of the Fujisawa Technology Center

Approximately ¥7 billion for construction costs from FY2021 to FY2022 (plan)


Conceptional image of the laboratory building (Image courtesy of Nikken Sekkei Ltd.)


Improving development and manufacturing facilities for MEMS sensors, the key to sensing technology

(2) Strengthening sales, engineering, and service networks and promoting DX

We will undertake initiatives to further strengthen domestic and overseas sales and service networks, including introducing and globally developing sales force automation (SFA, a sales support system) and increasing overseas personnel and bases. Additionally, we will improve the provision of high value-added services by using cloud services such as remote maintenance (p. 55), promote business partnerships, and carry out overseas regional business development with the Strategic Planning & Development Office for Southeast Asia taking a central role.

(3) Strengthening global production and procurement system

As for fulfilling our social responsibility in our supply chain and building an optimal production system to support global business development, our Shonan Factory and Fujisawa Technology Center have collaborated in building a next-generation production system. We are also aiming to expand our production capacity overseas in response to growing global demand and to upgrade and further automate our production processes by constructing a new factory building at Azbil Control Instruments (Dalian). (p. 53)


Azbil Control Instruments (Dalian)
New factory building image (scheduled for completion in 2022)

Realizing sustainability through CSR management unique to azbil

We will pursue “management that contributes ‘in series’ to the achievement of a sustainable society” through our core businesses. Additionally, we will continue to strengthen CSR management with priorities for action such as promoting Group management and improving governance systems, strengthening risk management and compliance, promoting management with emphasis on people, and contributing to the global environment and society.

(1) CSR management system

We have established a specialized organization and an executive officer in charge of our sustainability initiatives, hold azbil Group CSR Promotion Committee meetings, and provide reports at Management Meetings and Board of Directors meetings (p. 65). We proactively disclose risks and opportunities related to climate change.

(2) Disclosing our skills matrix

To support growth toward the goal of “contributing ‘in series’ to achieving a sustainable society” in our medium-term plan, we set the skills expected in Directors and disclose a skills matrix (p. 87).

(3) Pursuing “health and well-being management”

In terms of human resources, we are promoting “health and well-being management (p. 73),” diversity and inclusion, and optimal personnel allocations.

(4) Establishing SDG goals

Regarding the SDGs, we have established our own four essential goals and concrete targets (p. 57). We will implement continuous revisions to ensure steady execution and boost our activity level.

(5) Signing the United Nations Global Compact

In April 2021, we became a signatory to the “United Nations Global Compact,” underlining our commitment to strengthen our existing initiative for human rights protection on a global level.

(6) Introducing ROIC

In terms of management control, we implemented management with an awareness of the cost of capital and introduced return on invested capital (ROIC) to achieve our ROE targets in our new long-term targets and new medium-term plan (p. 31).

Message from the Executive Officer in Charge of Finance and Business Management

“Based on our new long-term targets and medium-term plan, we will work to enhance corporate value by further improving capital efficiency and by implementing a disciplined capital policy.”

Takayuki Yokota
Director,
Senior Managing Executive Officer

Q1 Please tell us about your role.

A1 We will steadily implement our new long-term targets and medium-term plan and ensure the achievement of our targets from the standpoint of both management and finance. To respond to the expectations of all our stakeholders, we will make consistent growth investments and realize highly efficient business portfolio management.

As Assistant to President, the executive officer in charge of overall corporate administration, I am responsible for business management and financial strategy. To improve the Group’s business management and capital efficiency to support global business development and strengthen governance, I manage the azbil Group’s business performance, develop and operate accounting systems and internal controls, and formulate and execute financial and capital strategies.

In our previous medium-term plans (FY2013–2016, FY2017–2019), we advanced various measures to strengthen our management and finances. Specifically, in addition to strengthening our business foundation by introducing an accounting system in anticipation of the introduction of International Financial Reporting Standards (IFRS) and global internal controls, we have been steadily raising the level of dividends and flexibly repurchasing our shares based on the idea of a disciplined capital policy, taking into account the perspective of capital efficiency as well as investment for growth and maintenance of a sound financial base. For the shares that we bought back, in addition to introducing an employee stock incentive system to increase employees’ awareness of our stock price and performance and drive motivation and morale, we disposed of treasury shares in a disciplined fashion.

We have formulated and revised the guidelines on strategic shareholdings in light of the objectives of the Corporate Governance Code and have also been working to accelerate the reduction of our existing shareholdings. (We held 71 issues as of the end of March 2015 and 41 issues as of the end of March 2021.) In terms of our business portfolio, we evaluate the effects of our investments and future business viability. In addition to the acquisition of overseas businesses in our LA business, we sold our elderly care and emergency call system business.

Looking back, since the start of the 2000s, the business environment of the azbil Group changed significantly with the bursting of the IT bubble. We introduced ROE targets with an awareness of capital efficiency in management. From a business perspective, while maintaining our basic approach of placing automation at the core of our business, we established our LA business in addition to our existing BA and AA businesses. While alleviating the effects of changes in the business environment, we created three main business portfolios to realize sustainable growth and worked to improve the profitability of each of our businesses. As a result of these efforts, we succeeded in increasing our ROE from 6.1% in FY2012 to 10.4% in FY2020 after two medium-term plans.

In our new long-term targets and medium-term plan, we have established the necessary investment plan to achieve future growth, as well as even higher ROE targets. Going forward, in addition to developing existing initiatives, we will steadily make growth investments and realize highly efficient business portfolio management to respond to the expectations of all our stakeholders.

Q2 Please tell us about your approach to your financial strategy and capital policy.

A2 Our basic policy is to implement a disciplined capital policy including shareholder returns to sustainably maintain and enhance corporate value.

Our core policy in establishing and executing a capital policy is to balance maintaining a financial foundation, investments in growth, and shareholder returns to maintain and increase our corporate value.

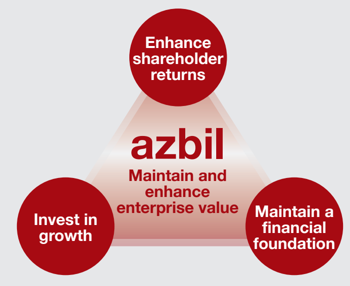
The azbil Group is engaged in businesses essential in maintaining our customers’ important facilities and social infrastructure. To ensure that these facilities and infrastructure do not shut down in the event of a natural disaster or an event that affects our business operations, such as the recent outbreak of COVID-19, we must continue to operate our businesses for a certain period. To do so, in addition to securing capital for its BCP on top of regular operating capital, the azbil Group is strengthening its financial foundation to conduct flexible investments, including M&A, for future growth. Furthermore, the azbil Group positions shareholder returns as an important management policy. While steadily increasing dividend levels, we will flexibly incorporate stock buybacks.

Dividends will be determined through comprehensive consideration of consolidated performance, dividend on equity (DOE), and ROE levels. Our policy is to work to increase dividends while maintaining stable dividend levels. In FY2020, our DOE was 4.0%. While securing capital for a sound foundation and investments in growth, we flexibly repurchase our shares with a focus on increasing capital efficiency.

In FY2020, we postponed the repurchase of our shares in preparation for the COVID-19 disaster, but have repurchased our shares for three consecutive fiscal years since FY2017. In FY2021, we repurchased approximately 10 billion yen of our shares through the second quarter.

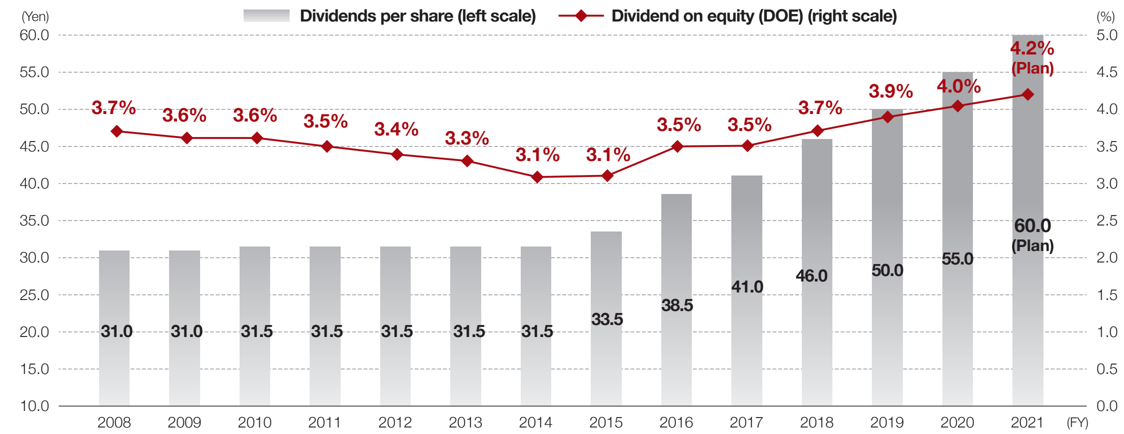
Basic Policy

Developing a disciplined capital policy and maintaining and enhancing the azbil Group’s corporate value, while carefully balancing three key elements: promoting shareholder returns, investment in growth, and maintaining a financial foundation.



- To treat the return of profits to shareholders as a management priority.
- To return profits to shareholders mainly via dividends, but also to repurchase the Company’s own shares expeditiously.
- In deciding the level of such returns, to give consideration to consolidated financial results, levels of ROE, DOE, and retained earnings required for future business development and strengthening the corporate structure.
- To maintain a stable dividend level while at the same time striving to raise it

Dividends and DOE



	2008	2009	2010	2011	2012	2013	2014	2015	2016	2017	2018	2019	2020	2021
Total amount of own shares repurchased (billions of yen)	2.0							2.0		3.0	5.0	9.9		10.0
Total number of shares repurchased (millions of shares)	2.00							1.20		1.43	1.87	3.72		2.25

The dividend per share and the amount of shares repurchased have been retroactively revised to take into account the effect of the 2-for-1 common stock split. The amounts have been rounded.

Q3 How did you respond to the changes in the business environment caused by COVID-19?

A3 We strengthened our responsiveness to the changes by securing a solid financial foundation and reinforcing and diversifying our capital-raising capabilities.

In FY2020, the spread of COVID-19 initially made forecasts difficult and we were forced to conduct our operations, including our safety measures, in an extremely challenging business environment. However, due to policies to improve profitability implemented over several years, we managed to maintain stable profitability. After the 2008 financial crisis, our operating income margin fell to 5% when the business environment deteriorated sharply. In FY2020, we recorded a year-on-year sales decrease, however, we were able to maintain profitability. This was because of not only our initiatives to strengthen profitability in our BA, AA, and LA businesses but also our consistent efforts to reform our business structure, such as reviewing the portfolios of the individual businesses that compose each business.

In addition to the business side, from the finance side, we secured a stable financial foundation and strengthened our capital-raising capabilities to support the continued business operations of our customers' important facilities and social infrastructure. Specifically, while securing liquid funds on-hand in Japan and overseas, we maintained a total of ¥10 billion in commitment credit lines concluded with multiple financial institutions. On top of our corporate bond issuance limit of ¥20 billion, we established a commercial paper issuance limit of ¥20 billion, maintaining capital-raising capabilities to respond to unforeseen contingencies such as the COVID-19 pandemic.

In particular, in October 2020, Rating and Investment Information, Inc. (R&I) upgraded our corporate bond rating to "Single A+ (Stable)" and our commercial paper rating to "a-1." The ratings reflect the evaluations of our business structure, which has a high ratio of stable revenue sources such as maintenance and services capable of generating profits continuously even in a unfavorable business environment such as the COVID-19 pandemic.

Q4 Please tell us about the key policies and KPIs to achieve the targets in the new long-term targets and medium-term plan.

A4 Our ROE targets are approximately 12% for FY2024 and approximately 13.5% for FY2030. To achieve this, we will proactively invest mainly in research and development, take steps toward management with a greater awareness of capital efficiency, and execute management of the azbil Group centered on ROIC.

We recently established new long-term targets with FY2030 as the final fiscal year and set an ROE target of approximately 13.5%. As the first step, we aim to achieve ROE of approximately 12% in the new medium-term plan ending in FY2024.

For strategic growth investments, for the time being, we plan to make capital investments to enhance the capabilities of our research and development hub, the Fujisawa Technology Center (construction costs of approximately ¥7 billion), and to expand factories at our overseas production hubs for the improvement and strengthening of our cutting-edge global development and production system. We plan to invest a total of approximately ¥56 billion over four years in research and development.

Starting in FY2021, to advance management with an awareness of capital costs to improve ROE, we will implement azbil Group management using return on invested capital (ROIC), which we began preparing during the previous medium-term plan. While steadily making investments for business growth, as a form of Group management, we will implement a PDCA cycle of confirming and improving the elements from the ROIC tree breakdown. In doing so, we will promote business portfolio management aimed at improving the total ROIC levels and maximizing the use of management resources.

Q5 Please tell us about your approach to profit returns in FY2020 and FY2021.

A5 Against the backdrop of earnings that exceeded our performance plan and having secured a strong financial foundation, in FY2020, we increased the year-end dividend. We plan to increase annual dividends further in FY2021 as we expect stable, sustainable growth. In addition to paying dividends, we will enact a disciplined capital policy by implementing own shares repurchased.

Regarding dividends for FY2020, it was difficult to predict the effects of the COVID-19 pandemic on our business. As such, at the time of the financial results announcement in May 2020, we made public our plans to pay a dividend of ¥50 per share, maintaining the same level as the previous fiscal year. However, as we worked toward business continuity placing safety first, throughout FY2020, we recorded profits that exceeded the earnings forecast released on November 5, 2020, by strengthening our business profitability and our financial structure. Having secured a strong financial foundation, we increased our year-end dividend by ¥5, bringing our annual dividend to ¥55 per share.

As the first fiscal year for our new long-term targets and medium-term plan, in FY2021, we expect increases in both sales and profits based on the effects of our efforts to strengthen business profitability and the business foundation

that we have built. From a long-term standpoint, we also envision stable, sustainable growth underpinned by strategic development and our outlook for the business environment in each of our businesses. Therefore, we will further promote profit return to our shareholders, and based on our policy of working to increase stable dividend levels further, for FY2021, we plan to increase the ordinary dividend by a further ¥5 to annual dividends of ¥60 per share. As a result, DOE, which we consider one of our key indicators, is expected to be 4.0% in FY2020 and 4.2% in FY2021, as mentioned earlier.

In addition to these dividend increases, based on our status and outlook for current business and performance, we plan to increase capital efficiency further, return more profits to our shareholders, and enact a flexible capital policy to respond to changes in the corporate environment. To do so, by the second quarter of FY2021, we repurchased 2.25 million shares worth approximately 10 billion yen (repurchase period: May 17, 2021 through August 13, 2021).

Going forward, we will work to improve the return of profits to shareholders, enact a disciplined capital policy, conduct management that is even more aware of the cost of capital, and enhance our corporate value. We ask for your continued support of the azbil Group in this process.

Shareholders' Equity Ratio, Cash and Cash Equivalents (as of March 31, 2021), and Capital-Raising Methods

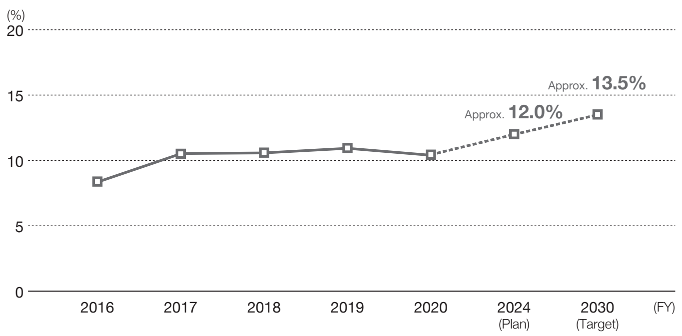
End of FY2020 (March 31, 2021)

◆ Shareholders' equity ratio (consolidated)	69.6%
◆ Cash and cash equivalents (consolidated)	¥90.7 billion

Capital-raising methods

◆ Overdraft facility account limit	¥10 billion
◆ Commitment credit lines	¥10 billion
◆ Corporate bond issuance limit (issuer rating A+)	¥20 billion
◆ Commercial paper issuance limit (short-term rating a-1)	¥20 billion

ROE



Dividends, Payout Ratio, and DOE for FY2020 and FY2021

	FY2019	FY2020		FY2021
	Results	Initial plan (May 2020)	Revision (May 2021)	Plan (May 2021)
Dividend per share (annual)	¥50	¥50 ➡	¥55 ➡	¥60
Compared to the previous fiscal year	+¥4		+¥5 Year-end dividend increased by ¥5	+¥5
Interim	¥25	¥25	¥25	¥30
Year-end	¥25	¥25	¥30	¥30
Payout ratio	35.5%	35.0%	38.5%	41.3%
Dividend on equity (DOE)	3.9%	3.7%	4.0%	4.2%