

Strengthening the Foundation for Value Creation – ESG Initiatives

CSR Management of the azbil Group

With “human-centered automation” as the Group philosophy at the foundation of its business activities, the azbil Group works to fulfill its corporate social responsibility (CSR) by assisting in the continuous development of society. By putting people first, respecting human rights, and actively contributing to the economy, environment, and society, we strive to not only achieve the SDGs but also share value with society.

Please visit the link below for more information on our CSR efforts.

web CSR efforts
<https://www.azbil.com/csr/index.html>

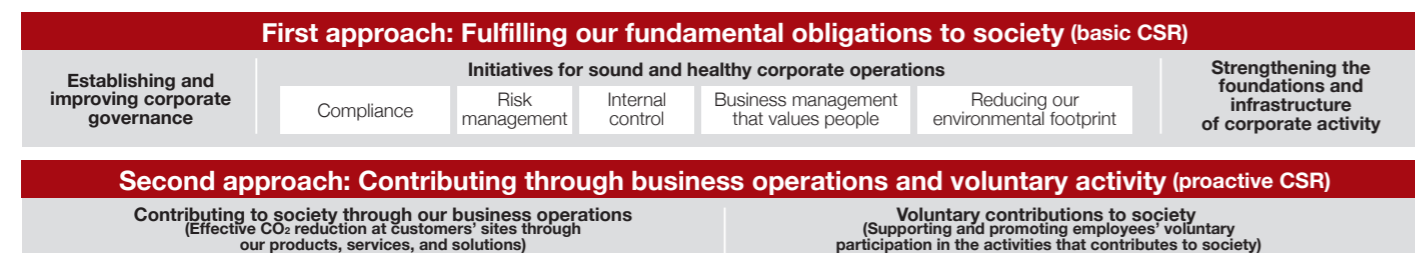
Approach to CSR Management

The azbil Group takes a broad view of the responsibilities that a company should fulfill for the benefit of stakeholders and society, and the Group as a whole takes a twofold approach to CSR management. First, there is what we call “basic CSR,” which involves fulfilling the azbil Group’s fundamental obligations as a member of society. Second is an approach that we named “proactive CSR,” consisting of contributing to solutions for society’s problems through our business operations, as well as employees’ voluntary participation in activities that

benefit society. These two pillars enable us to manage our CSR in a fair and sincere manner.

Human Rights Initiatives

In April 2021, we signed the United Nations Global Compact. By participating in this internationally recognized initiative, we will once again strengthen our global efforts in the areas of human rights, labor, the environment, and anti-corruption, and actively contribute to the development of a sustainable society based on the principle of “human-centered automation.”



CSR Promotion Framework

The azbil Group has established the azbil Group CSR Promotion Committee, comprising officers in charge of CSR at each Group company and led by the executive officer in charge of CSR at azbil Corporation. The committee formulates Group-wide CSR action plans, subject to the approval of azbil Corporation’s Board of Directors, and monitors progress, while also guiding subsidiaries.

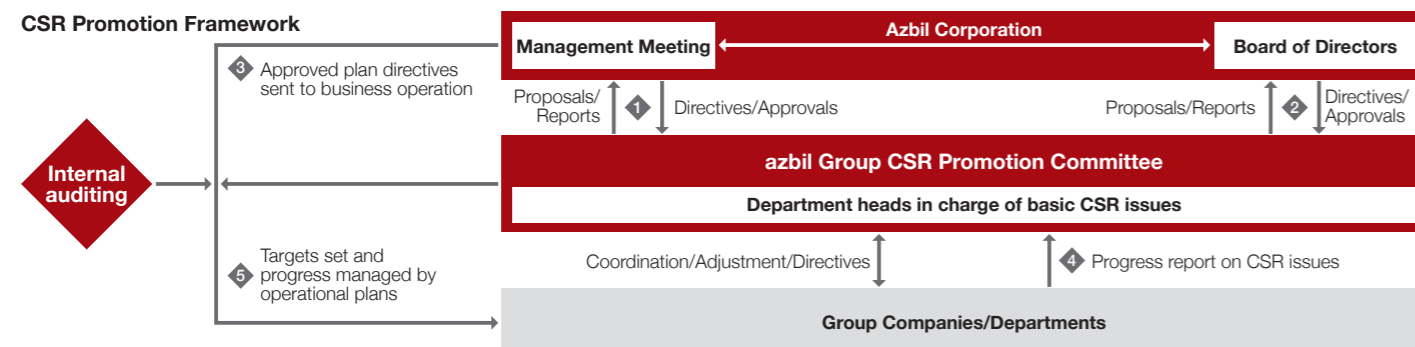
With the goal of continuously improving the level of its CSR activities, the committee formulates and implements plans, evaluates and analyzes the results, and reports to

management, following a PDCA cycle.

Another way the Group contributes to society is through its SDGs Promotion Committee, consisting primarily of other top-level management personnel, which works to achieve the Essential Goals of azbil Group for SDGs.

In addition to this framework, the azbil Group creates opportunities for dialogue with internal and external stakeholders as necessary and incorporates their opinions into the Group’s activities to make our programs more effective. (Reference: pp. 91–92)

CSR Promotion Framework



azbil Group’s Main Initiatives Toward Achieving Sustainability

The azbil Group actively promotes initiatives based on an environmental, social, and governance (ESG) framework to achieve sustainability, and the table below summarizes how we are tackling important ESG issues, based on standards

established by Sustainability Accounting Standards Board (SASB), among others.

Through our ESG initiatives, the azbil Group will ensure our sustainability while realizing the creation of value unique to azbil, in order to contribute “in series” to achieve a sustainable society and the SDGs.

ESG	Major ESG Issues	azbil Group's Main Initiatives	Corresponding SDG Targets	Related SDGs
E Environ- ment	Climate change Carbon neutral	Contribute to decarbonization at customer sites	7.3, 13.2, 13.3	
		Reduce mid- to long-term CO ₂ emissions from business activities (scopes 1+2)	7.3, 13.2, 13.3	
		Offer energy management solutions	7.3, 13.2, 13.3	
		Promote the introduction of renewable energy with virtual power plant technology	7.2, 13.2, 13.3	
	Environmental consid- erations for products and services	Promote environmentally conscious design	8.4, 9.4, 12.2, 12.5	
	Pollution & resources	Promote compliance with regulations regarding the inclusion of chemical substances in products both in Japan and overseas	12.4	
		Prevent environmental pollution, promote effective use of resources (including waste reduction) Atmosphere, wastewater, hazardous waste, waste reduction, raw materials, etc.	12.2, 12.4, 12.5	
	Water security & water risk	Support waterworks infrastructure development and water resource management in developing countries, popularize remote monitoring systems for broad area water supply facilities using cloud services	6.1, 6.3, 6.4, 14.1	
		Respond to water withdrawal restrictions, strengthening of wastewater regulations, and natural disasters	6.4, 14.1	
	Biodiversity	Help conserve ecosystems through our operations (such as by providing equipment and other solutions for ballast water treatment systems in large ships)	14.1	
		Natural environmental conservation efforts centered on business bases	15.1, 15.4	
S Society	Environmental supply chain	Reduce mid- to long-term CO ₂ emissions across the entire supply chain (scope 3)	13.3	
	Environmental man- agement	Promote environmental management based on ISO14001	12.2, 12.4, 12.5, 13.3, 14.1	
	Labor practices, health, and safety	Promote health and well-being management (work style reforms, diversity & inclusion), recruit and develop human resources, prevent the spread of COVID-19	3.3, 4.4, 5.5, 8.5	
	Human rights	Respect fundamental human rights, work to implement the 10 principles of the UN Global Compact, recruit personnel in accordance with each country's laws and compliance regulations, eliminate harassment, promote diversity	4.4, 4.7, 5.1, 5.2, 8.5, 8.7	
	Communities	Sponsor community events, volunteer, and donate to socially contributing organizations	4.4, 4.7, 5.5, 7.3, 8.5, 12.5, 13.3	
	Social supply chain	Consider CSR in our purchasing activities, share CSR values with business partners across the supply chain	5.1, 8.5, 8.7	
G Governance	Quality & customers	Provide products and services of high quality, long-term stability, high safety, environmental friendliness, and long-term stable supplies to meet the life cycles of the customers	9.4, 11.3	
		Offer total solutions through an integrated system including development, production, sales, engineering, and services	9.4, 11.3, 12.2, 12.4, 12.5	
	Corporate governance	Fortify supervisory and audit functions (by appointing independent outside offices, setting criteria to assess independence, etc.)	5.5	
		Bolster management transparency and health (through Nomination and Remuneration Committee, etc.), introduce a skill matrix	16.7	
	Risk management	Clarify responsibility system and promote dialogue (in accordance with the Corporate Governance Code, with corporate communications officer, etc.)	12.6	
		Expand the comprehensive key risk management system (Comprehensive Risk Management Subcommittee and Comprehensive Risk Committee), crisis response (BCP)	12.4, 13.1	
	Compliance	Increase awareness of the Group philosophy, Guiding Principles, and Code of Conduct	4.7	
		Enhance compliance training, conduct and analyze the results of regular company-wide awareness surveys, improve hotline function	4.4, 16.3, 16.5	

Active social contributions achieved through the support of the azbil Yamatake General Foundation



Environmental Initiatives

In keeping with the azbil Group philosophy, to help achieve a sustainable society and protect the Earth’s environment, we strive to reduce the burden on the environment caused by our own business activities and we work to reduce the CO₂ emissions from our customers’ facilities through our core businesses.

Please visit our website for further details on our environmental initiatives.

web Environmental Initiatives
https://www.azbil.com/csr/basic/environment/index.html

Our Basic Approach to the Environment

The azbil Group, in light of international developments such as adoption of the United Nations’ SDGs and the rapid drive towards decarbonization across society, has made a long-term commitment to working on the environmental issues that it can tackle in order to protect the environment.

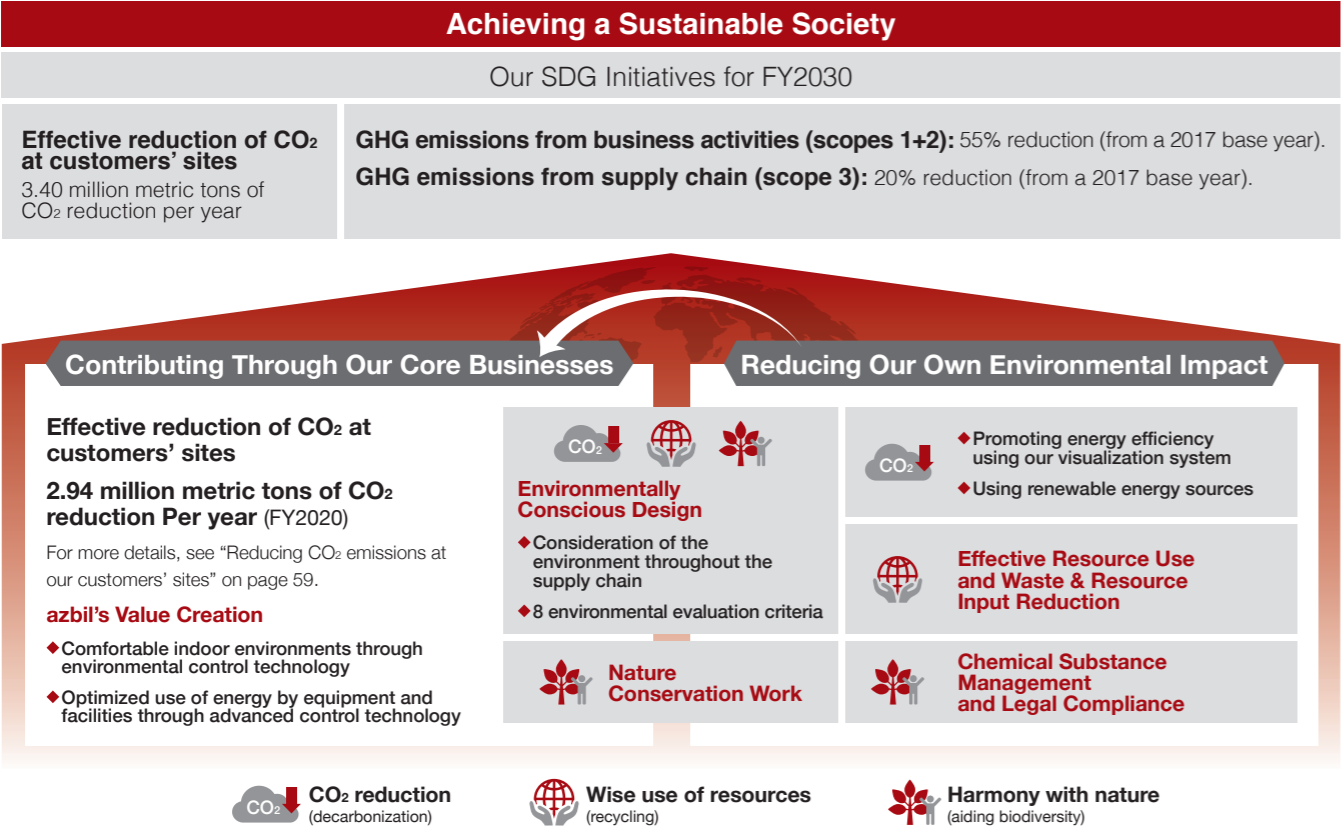
As a result of efforts to reduce our own environmental

footprint, we gain know-how that enables us to better apply our measurement and control technology so that we can assist our customers to find solutions for their environmental challenges. In that way, we help to preserve the environment through our core businesses and contribute to the achievement of a sustainable society.

System for Progress on the Environment

As a system for advancing environmental measures, the azbil Group Environmental Committee, headed by the executive officer for aG Environmental Load Innovation, meets three times a year to plan, deliberate on and review each Group company’s promotion systems while considering both risks and opportunities.

As a medium-term goal in preparation for FY2030, azbil aims to be a corporate entity that improves the Earth’s environment through unique initiatives and that is globally recognized for its environmental progressivism. To that end, we have set quantitative goals linked to our SDG initiatives that use the two-pronged approach of making contributions to the environment through our core businesses and reducing our own environmental impact.



Key Policies in Medium-term Plan (FY2021–2024)

We have set medium-term policies that start in 2021 to help achieve the Group’s SDG goals. With “environmentally integrated” company management, which combines environmental action with business action, we are strengthening collabo-

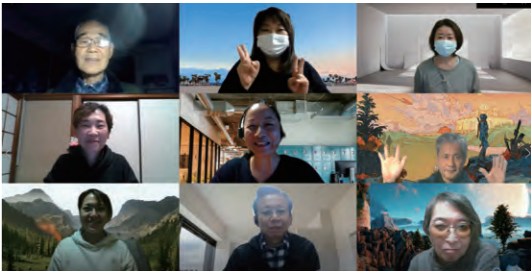
ration with our business units while expanding the scope of our initiatives and making progress on the global environmental issues we have identified as priorities, namely decarbonization, resource recycling, biodiversity conservation, and promotion of environmentally conscious design for our products and services.

5 Strategic Policies

Environmentally Integrated Management Initiatives are pursued through increasing collaboration with business units Reference: pp. 59–60	The azbil Group endeavors to implement environmentally integrated management that combines environmental action with business action. The scope of our environmental initiatives is being expanded in collaboration with business units. In FY2020 we worked to make the effects of CO ₂ reduction associated with our sales plan visible as a step towards achieving our SDG target of 3.4 million metric tons of effective reduction of CO ₂ per year by 2030. We are continuing our efforts to connect the progress of CO ₂ reduction to our sales plans and increase awareness of the process.
Decarbonization Reduction of CO ₂ emissions throughout our business activities including entire supply chain Reference: pp. 59–60, p. 69	Having established a “2050 Long-Term Vision for Reducing Greenhouse Gas Emissions,” we are committed to reducing GHG emissions associated with our own business activities while also advancing product designs and solutions with decarbonization in mind, all with the aim of helping to reduce society’s GHGs. We updated the target we had set for reducing GHG emissions from our business activities from a 30% reduction (from a 2013 base year), which was certified as a 2°C target by the SBT Initiative*1 (SBTi) in 2019, to a 55% reduction (from a 2017 base year). This new target was recertified as a 1.5°C target by the SBTi in August 2021. *1. The SBT Initiative was jointly established by the CDP, United Nations Global Compact, the World Resources Institute (WRI) and the World Wide Fund for Nature (WWF). It offers certification that a company’s CO ₂ emissions reduction targets are scientifically based. The 1.5°C target aims to hold the rise in global temperature below 1.5°C compared to the temperature level before the Industrial Revolution.
Resource Recycling • Reduction of resource input and waste output • Design for resource conservation and recycling Reference: p. 60	To reduce the amount of waste generated, we promote the 3Rs*2 striving to use less water and paper. By designing for conserving resources and recycling in our products and services, we help encourage our customers and society to circulate resources. In May 2021, the Group formulated its SDG target of “Design all new products to be 100% recyclable”. *2. An initiative that encourages the efficient use of resources in three ways: reduce (resource use), reuse, and recycle.
Environmentally Conscious Design Promotion of eco-friendly design across the azbil Group Reference: p. 70	The entire azbil Group is committed to pursuing environmentally conscious design. Working from three angles, namely reducing CO ₂ emissions, using resources wisely, and living in harmony with nature, we strive to reduce the environmental impact of our products and services across their entire life cycles.
Conservation of Biodiversity • Conservation of biodiversity through our business • Increasing our nature conservation work	As a partner in the Declaration of Biodiversity by the Japan Business Federation (Keidanren), we support the declaration’s revised action policies. As part of our specific policies to achieve a society that lives in harmony with nature, we will continue to conserve biodiversity through our business, encourage our supply chain including our business partners to undertake biodiversity initiatives, and cooperate with a number of organizations nationally and internationally to enhance our environmental protection activities. In FY2020, COVID-19 made it difficult to carry out nature conservation activities in forests with employees taking part as they had in the past, but instead we had online activities four times with a total of 50 employees participating.



An example of the explanatory material shared during an online nature conservation activity.



An online nature conservation activity with over 50 employees participating.

Decarbonization Initiatives

The azbil Group’s 2050 Long-Term Vision for Reducing GHG Emissions aims to cut GHGs emitted from our business activities (scopes 1+2)*1 to substantially zero by 2050 with the ultimate aim of achieving a carbon-neutral society. To achieve this long-term vision, we have set medium-term 2030 GHG

*1 Scope 1 refers to direct GHG emissions from owned or controlled sources (fuel combustion, industrial processes, etc.). Scope 2 is indirect GHG emissions produced by the use of electricity, heat, or steam purchased from outside sources.
*2 A program to disclose corporate climate change risk, created by the international nonprofit organization CDP. It investigates the status of climate change initiatives carried out by participating corporations every year and officially publishes the aggregated results. It also gives each corporation an individual rating for the status of its initiatives in an eight-step evaluation with A as the highest rating.

■ Updating to Our 2030 Greenhouse Gas Emission Reduction Targets

In response to the rapid progress towards decarbonization across society, we have updated our 2030 target for reducing GHG emissions from business activity from the original 30% reduction (compared to 2013) to a 55% reduction (compared to 2017). This new target was recertified as a 1.5°C target by

2030 Greenhouse Gas Emission Reduction Targets

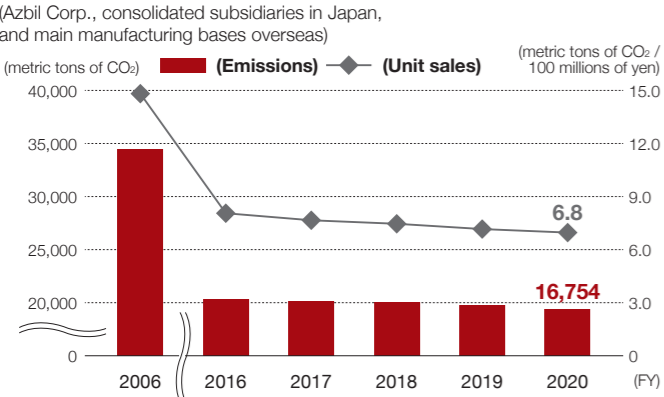
- Reduce GHG emissions from business activity (scopes 1+2) by 55% compared to 2017 [Recertified in August 2021].
- Reduce GHG emissions from the entire supply chain (scope 3)*3 by 20% compared to 2017 [Certified in May 2019].

*3: Scope 3 refers to all indirect GHG emissions related to business activities (indirect emissions not included in scopes 1 and 2).

■ Results of Initiatives in FY2020

In FY2020, CO₂ emissions from the azbil Group’s bases as a result of our own business activity (scopes 1+2) were 16,754 metric tons, down 51% from FY2006. As part of our continuous efforts to leverage the knowledge we have cultivated over many years, we have installed energy visualization systems across the azbil Group. We are also pursuing efforts to improve both our operations and our facilities while making use

CO₂ Emissions*1 (Scopes 1+2) / Unit Sales



*1 A fixed value (0.37 Kg-CO₂/kWh) is used for the CO₂ emission factor for electric power. Note also that part of the figure contains estimates such as energy for air conditioning at tenant offices.
*2 We have received third-party verification for our CO₂ emissions figures (scopes 1+2) from FY2016 onwards.

Emission Reduction Targets for our business activity and we are working on measures to cut CO₂ emissions across our entire supply chain. The azbil Group’s climate change initiatives were given a B rating by CDP’s Climate Change project*2 in 2020.

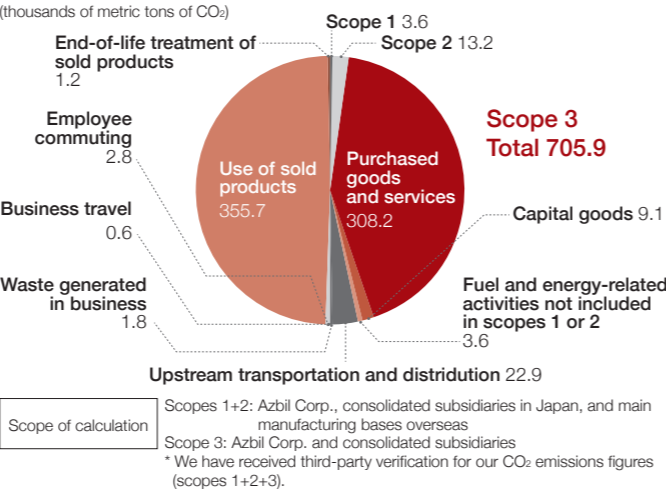
the SBT Initiative in August 2021.

To accomplish this goal, we are strengthening and expanding our in-house energy-saving efforts by applying the energy-efficiency technology cultivated by various business units, including proof-of-concept testing, and we are increasing our use of renewable energy sources. We intend to accelerate our initiatives in order to make our long-term vision a reality.

of renewable energy sources.

The CO₂ emissions from our entire supply chain (scope 3) amounted to 705.9 thousands of metric tons. Since CO₂ emissions from the use of products sold and from purchased products and services comprise over 90% of that total, we are concentrating our efforts on energy-saving design, resource-saving design, and other environmentally conscious design.

CO₂ Emissions (Scopes 1+2+3)* Status (FY2020)



Environmentally Conscious Design Initiatives for Our Products and Services

To create and provide environmentally friendly products and services, the azbil Group as a whole is committed to environmentally conscious design that seeks to reduce the environmental impact of products and services throughout their life cycle.

At the development stage, all new products undergo an environmental design assessment*1 in eight separate environment-related categories. We also conduct a life-cycle assessment that provides a comprehensive evaluation from manufacture to disposal. Products that meet our standards are classified as environmentally conscious products can be marked with the azbil Group Environment Label.*2 Products with particularly excellent evaluation results receive the azbil Group Environmentally Conscious Design Award as an incentive for developers.

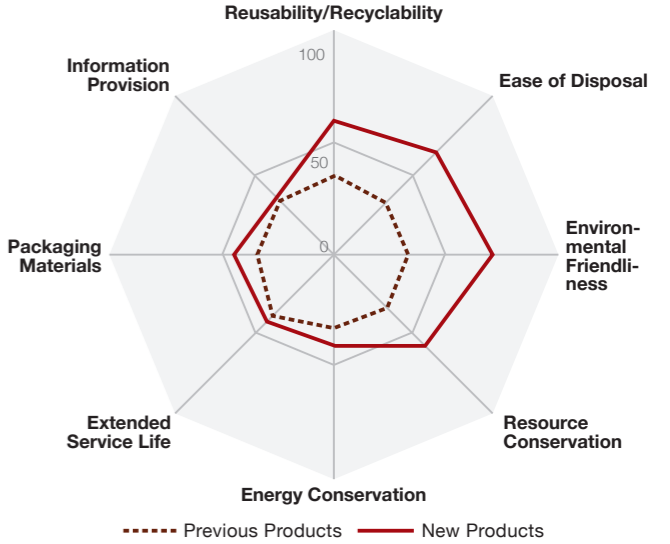
In FY2020, we devised our own indicators and set targets in resource consumption reduction and resource circulation and started making concrete efforts to achieve them. The results of the environmentally-focused designs showed a 20.6% improvement overall*3 in the environmental design assessments.

Also, in May 2021, the azbil Group added “Design all new products to be 100% recyclable” as one of the quantita-



tive targets for its 2030 SDG targets. Within the scope of the usable best available technology (BAT*4), we will create designs that can be adequately disassembled, separated and recycled by customers during disposal. Further initiatives are planned to help us promote environmentally-conscious design.

Results for Total Environmental Design Assessments (for FY2020)



*1 We carry out an original four-stage scoring process and evaluate products according to the degree of improvement in environmental performance compared with similar previous products in eight separate environment-related categories.
*2 Type II self-declared environmental labeling.
*3 A summation of the evaluation points for all products that received an environmental design assessment in FY2020.
*4 The most efficient technology that is executable from an economical and technical point of view.

Response to Water Risks

The azbil Group endeavors to understand and reduce the amount of water used by the Group’s bases and also uses WRI Aqueduct*1 to evaluate water risks at each location from a business continuity standpoint. Based on the results of the risk assessment, we recognize that we have water risks at our

China (Dalian) and Thailand bases, which account for about 20% of our total water usage.

In FY2020, the Group’s bases used 107 million liters of water, a year-on-year decrease of 18%. The azbil Group’s measures to mitigate water risk and reduce the amount of water used were rated B- by CDP Water 2020.*2

*1 Comprehensive maps provided by the World Resources Institute (WRI) about the state of water risks in all regions of the world.
*2 A disclosure program about corporate water risks, created by the international nonprofit organization CDP. It investigates the status of water-related initiatives of participating corporations every year and officially publishes the aggregated results. It also gives each corporation an individual rating for the status of its initiatives in an eight-step evaluation with A as the highest grade.

Compliance with Environmental Laws

In FY2020, there were no major legal violations by the azbil Group related to the environment, and consequently no resulting penalties, administrative fines, or lawsuits.

Quality Assurance and Safety

The azbil Group delivers safe and secure products and services of assured quality to customers globally.

The azbil Group's Quality Assurance and Safety Assessment System

The azbil Group has established and operates a quality assurance system that works to constantly improve itself to allow its customers to use safe and secure products and services.

Based on this system, we have two corporate functions—quality assurance and safety assessment—to offer guidance and supervision of quality throughout the Group. We also ensure product safety and dependability through safety assessments.

The azbil Group's Quality Assurance Practice

The azbil Group Quality Assurance Department, which is independent of the business units, supervises and monitors the quality improvement activity of the Group as a whole, and through the azbil Group Quality Assurance Committee works to prevent the occurrence or recurrence of quality problems and establish a crisis management system.

Quality Assurance and Safety of Group Companies and Business Lines

By establishing a quality assurance system that is directly linked to our business requirements, we guarantee the quality and safety of the products and services we provide.

Safety and Dependability of Products and Services

To make sure that customers can use our products and services safely with a sense of dependency, the Department

of Safety Assessment promotes safe designs based on our Safe Design Standards document while endeavoring to guarantee the safety of our products and services by applying the mechanisms in our safety risk assessment system.

Working towards 2030

To help achieve the SDGs, which have 2030 as their target year, the azbil Group aims for a level of quality of products and services that is both satisfying and attractive to customers and users throughout the life cycle of products and services (from understanding the customer's needs to the time of product disposal). We are also stepping up efforts to continually maintain and enhance quality of products and services to help to strengthen the azbil Group brand.

Providing Product Quality that Satisfies Users and Customers

We will further reinforce the expected quality needed to satisfy customers as we change our businesses and introduce new technologies.

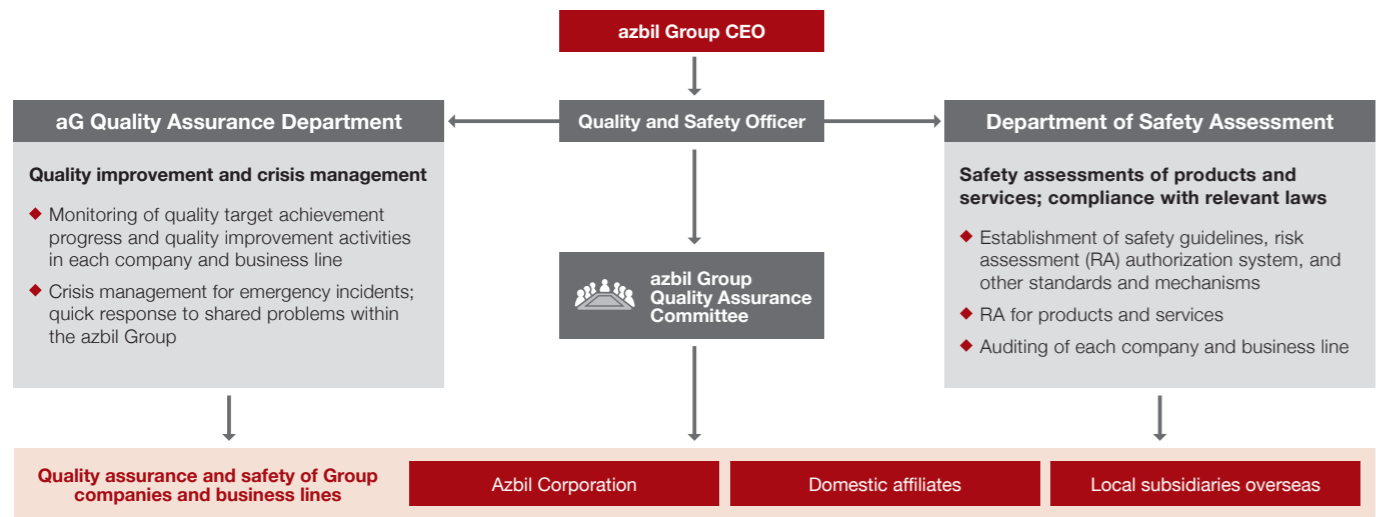
Providing Product Quality that Attracts to Users and Customers

In addition to reinforcing expected quality, we seek to break new ground in product planning and development by adding attractive quality features that appeal to customers.

Maintaining and Continuously Enhancing the Safety of Our Products (Peace of Mind)

We remain committed to maintaining our safety levels in products and services that are born from new technology and in service situations that change as people work with robots or drones.

The azbil Group's Quality Assurance and Safety Efforts



CSR Procurement

The azbil Group works with its business partners to undertake CSR-conscious purchasing activities throughout the supply chain.

Basic Procurement Policies of the azbil Group

In keeping with the azbil Group Philosophy and the azbil Group Guiding Principles, the azbil Group undertakes fair and honest purchasing activities in Japan and overseas, understanding and complying with legal regulations and acting with consideration for human rights and the environment. We ensure that our business partners understand the Basic Procurement Policies of the azbil Group as we endeavor to carry out purchasing throughout the supply chain with an awareness of our CSR.

1. Maintaining the aG's public nature and fulfilling social responsibility
2. Observance of fair commercial transactions
3. Social conduct characterized by respect for people
4. Promotion of environmental protection

Please visit the link below for more information.

web <https://www.azbil.com/corporate/procurement/policy/index.html>

The azbil Group intends to develop our CSR procurement activity in order to fulfill our CSR in the supply chain with a view to achieving our SDG goals.

In addition to topics we have already addressed, such as our efforts on green procurement, the management of chemical substances in products, and our handling of conflict minerals, in consideration of the SDGs, we are expanding our target areas to add topics that involve both the environment and society, such as climate change and labor practices.

We try to ensure that business partners are fully aware of and strictly comply with our Basic Procurement Policy and CSR Procurement Guidelines. We also encourage them to conduct even better procurement, centered on items collaborate with them to the target areas of the azbil Group's initiatives, and we work alongside with them on this as needed. We intend to evaluate these activities individually and disclose them and the results of evaluation externally in an easy-to-understand manner.

Through these new CSR-oriented procurement activities, we intend to strengthen our links with business partners and provide fresh value and contribute to society throughout our supply chain.

(Reference: Essential Goal III: Supply Chain, Social Responsibility on p. 63)

A New CSR Procurement Framework for Achieving the SDGs

We will work together with our business partners to realize shared CSR values in the supply chain with the SDGs as a common goal.

Influence on the supply chain, cooperation → **Evaluation*** (1. azbil Group self-evaluation, 2. Supplier self-evaluation) → **Publicity outside the company**

Feedback: requests and opinions from investors and shareholders

* azbil carries out a self-evaluation of its initiatives at four levels (Levels 1 to 4). Additionally, business partners are requested to answer a self-evaluation survey, which is collected and evaluated and added to create a comprehensive evaluation with a total of five levels.

Level 1	Level 2	Level 3	Level 4	Survey and analysis
Policies & Strategies Establishment/ thorough dissemination of basic policies, etc	Systems & Structures Establishment of systems and structures within the Group.	Initiatives Encouragement of suppliers.	Evaluation of Effectiveness Evaluation by azbil Group of effects of initiatives and encouragement.	Survey of business partners, collection of survey to verify series of initiatives.
azbil's self-evaluation				Business partners' self-evaluations

Target Areas for CSR-Oriented Procurement		
Broad category	Intermediate category	Subcategory
E (Environment-related supply chain)	Climate change (GHG, energy)	◆Initiatives to address CO ₂ /GHG emissions and other climate change issues.
	Pollution, resources (atmosphere, waste water, hazardous waste, waste reduction, raw materials, etc.)	◆Green procurement ◆Management of chemical substances in products ◆Less use of resources ◆Less industrial waste ◆Reuse of resources ◆Use of renewable energy
	Water security, water risks	◆Less use of water, less waste water
	Biodiversity	◆Conservation
	Environmental mgmt.	◆Action in conformity with ISO14001
S (Society-related supply chain)	Labor practices	◆Elimination of child labor and forced labor, reduction of overwork ◆Equal opportunity, prohibition of discrimination ◆Promotion of diversity
	Health and safety	◆Health and safety management ◆Work-life balance, new ways of working
	Human rights	◆Respect for fundamental human rights (including rejection of antisocial forces and handling of conflict minerals)
	Community (local communities)	◆Action that encourages local development or contributes to society
	Quality, customers	◆Fair commerce (including legal compliance) ◆Quality management

HR Initiatives: Achieving Human Capital Management

(Reference: Essential Goal IV: Health and Well-Being Management, An Organization That Never Stops Learning on p. 64)

The azbil Group’s health and well-being management revolves around encouraging both work style reform and diverse personnel. In addition, we strive to transform human resources into human capital through training spearheaded by our specialized personnel training institution, Azbil Academy. Through these efforts we seek to become a corporation where all employees can display their abilities to the fullest. Through “people-focused” management based on the principle of “social conduct based on respect for human dignity” encapsulated in the azbil Group Code of Conduct, we are working on initiatives to utilize our human capital to produce sustained growth in corporate value.

Promoting Health and Well-being Management

In July 2019, we released the azbil Group Health and Well-being Declaration. It defined our overall direction as “health and well-being management,” and referred to initiatives such as new ways of working and diversity promotion that are intended to help employees stay healthy and actively engaged in their work. All azbil Group companies are transitioning from policies that merely seek to reduce risk to policies that increase job satisfaction.



Work Style Reform

To create highly satisfying work environments, we endeavor to reduce total employee working hours, create harassment-free workplace from the viewpoint of respect for fundamental human rights while also undertaking initiatives to ensure employee safety and health, maintain and increase physical and mental health, and encourage work-life improve. We conduct annual employee satisfaction surveys to learn about problems, and then incorporate the results into plans for the following year in order to improve. This helps to increase employee job satisfaction (Reference: p. 64).

Since FY2020, we have focused on expanding our options for flexible ways of working, such as telecommuting and staggered work hours, to prevent the spread of COVID-19. This has led to further changes in the way we work through the creation and enhancement of business infrastructure and DX functions related to remote working.

Promoting Diversity and Inclusion

In the azbil Group, we believe that having employees from different backgrounds who respect each other’s individuality and who utilize their talents to grow is the driving force for corporate growth. We are therefore committed to promoting initiatives with diversity and inclusion as the keywords. In FY2017 we launched our diversity promotion task force, the Azbil Diversity Network (ADN), and we are working on a variety of measures.

Azbil Diversity Network (ADN) Measures



Promoting Female Participation

To create a workplace where women play more important roles and assume positions of responsibility, we have established a rating system to evaluate our progress. It assigns points based on the number of female employees in positions of authority and their duties. Our goal is to double the FY2017 points by FY2024.

Helping Foreign Employees Succeed

As our business activities become increasingly global, we actively hire new personnel from within Japan and from overseas, including people of various nationalities and graduates of universities in other countries. We are producing employees who can succeed as core personnel by allowing them to gain work experience in other countries and interact with employees from a variety of backgrounds.

Continued Mid-Career Recruiting

Each azbil Group company recruits a certain number of mid-career employees every year. These employees can fully utilize their practical skills in a corporate culture where diversity is respected, and many of these mid-career hires are appointed to management positions in their organizations.

A Personnel System that Supports Participation by a Diverse Workforce

Working with the three concepts of continuous personnel training, maximizing the abilities of personnel, and securing sufficient personnel while helping them to live fulfilling lives, we support the success of a diverse workforce regardless of age, nationality or gender, conducting fair treatment, evaluation, and appointment for all employees based on the level of ability they display.

We have also expanded our support system so that employees can balance work with childcare, familycare, or various major life events by working in a limited geographical area, working for fewer hours per day or days per week, or by receiving leave if a spouse has been transferred overseas. Our intent is to create an environment that allows employees to work comfortably at Azbil throughout their lives.

External Evaluation

The azbil Group’s health and well-being management has received the “Kurumin” certification mark from Japan’s Ministry of Health, Labour and Welfare and was included in the Ministry of Economy, Trade and Industry’s Certified Health & Productivity Management Organizations for four years in a row as of FY2020. We were also selected for “Bloomberg’s 2021 Gender-Equality Index,” and we won the Toyo Keizai Award at the 3rd Platinum Career Awards from Mitsubishi Research Institute, Inc, in 2021.

Recruiting and Developing Personnel

The azbil Group focuses on recruiting and developing personnel who seek to help solve problems through business activity that lead “in series” to a sustainable society. As an organization that never stops learning, we also provide training, mainly through Azbil Academy.

Basic Principles of Human Resource Development

- 1. Human resources are the source of the azbil Group’s growth, so the azbil Group cannot grow unless the human resources grow.
- 2. Therefore, to optimize employee strength and organizational strength,
 - (1) Individuals: Take maximum responsibility for their own growth and development of capability
 - (2) Supervisors: Take responsibility for development of capability for subordinates in their organizations
 - (3) Companies: Support individuals and organizations by providing opportunities fairly.

Enhanced Recruitment of Development /DX Personnel

In the maturing Japanese market, we are enhancing our recruitment of personnel with product development and DX skills in response to changes in the market and in customer needs. Through the DX of our onsite engineering services, we will contribute to society and meet our customers’ expectations.

Developing Global Personnel

To increase our market share overseas, we are accelerating the development of personnel in Japan and overseas who can

succeed regardless of the countries or regions they are in. We have an active exchange program in which Japanese employees receive training overseas, and also employees from overseas subsidiaries undergo training in Japan.

Developing Next-Generation Leaders

In order to develop the leaders that will lead the next generation of the company, the whole azbil Group is making an effort to enhance the skills of young employees, while also providing training at leadership, management, and executive stages for mid-career and long-term workers.

Global HR Development



HR Development Rotation

We have developed mechanisms that allow employees to experience not only outside training and on-the-job training at workplaces, but also various career experiences in a range of tasks and regions. We also carry out strategic transfers and assignments to help employees build international business experience and experience with new business projects.

Creating an Environment for Developing Diverse Personnel

To help employees develop their careers, in addition to providing better career training for various age groups, we offer training for long-term workers on how to draw up a “100-year life” plan. Also, employees are interviewed by their supervisors every year for a career review and to check if they are interested in a career-building transfer. Opportunities such as the Open Challenge system for internal recruitment are also available to them.

Additionally, we are working on a unified platform with a portal where employees can learn efficiently through online lessons (e-learning) regardless of time or place.

We intend to continue providing a variety of training tools for a diverse group of personnel so that they can grow through various experiences in order to achieve the azbil Group’s SDG target of “doubling the points for promoting educational opportunities together with our various stakeholders by FY2024, and increasing the number of employees who feel a sense of growth to 65% or more by 2030.”

Intellectual Property Strategy and Brand Management

We consider our intellectual property rights to be an important management resource. As we strive to increase our brand value, we also take steps to acquire, protect, and apply those rights by means such as strengthening our global management systems for the product designs and communication tools that form our points of contact with customers.

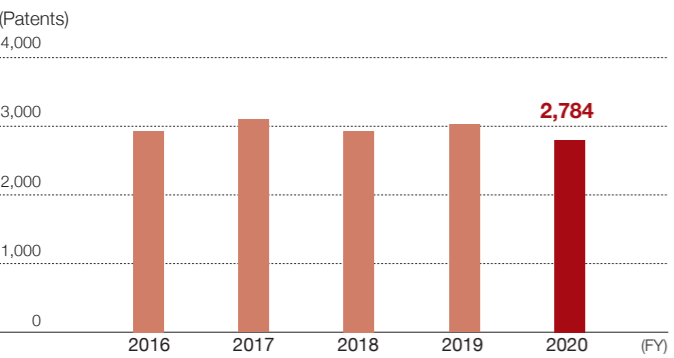
Intellectual Property Strategy

We respect the intellectual property of third parties and view our intellectual property as an important resource for maintaining and expanding existing markets and creating new businesses. We, therefore, work to acquire and protect patents, design rights, and other intellectual property rights.

More specifically, we work to support decision-making on business and R&D within our business units and research and development departments in the collaborative framework they have created. We actively mine both market data and intellectual property data in order to gain an understanding of technological trends in other companies and around the world.

We also manage our patent portfolios by business area. In areas we are looking to strengthen and in important R&D areas, we acquire intellectual property rights and strive for dominance with our eyes firmly on global expansion. At the same time, we endeavor to improve our overall investment efficiency by abandoning patent rights that contribute little to our competitiveness or business potential.

Number of Patents Owned



Data on Patents and R&D

Fiscal Year	2016	2017	2018	2019	2020
Patents					
Number of applications	506	562	537	423	393
Number owned	2,902	3,049	2,911	3,016	2,784
R&D expenses (billions of yen)	10.4	11.3	11.9	11.8	11.2
R&D expenses / net sales (%)	4.1	4.3	4.5	4.5	4.5

Brand Management

To foster a unified corporate image, we have laid out Group-wide rules for the use of company names and logos, and other components of the azbil brand and have implemented them worldwide. One of our goals is to increase the azbil Group's presence in the global market and promote domestic and overseas business expansion more effectively. Thus, we are currently looking to optimize everything from our product designs to the communication tools we use to remain in contact with stakeholders.

When creating communication tools, we aim to showcase the advanced technological and problem-solving skills we display in the field while also interesting as many users as possible in sharing our desire to evolve towards the future. For our increasingly popular website and other digital tools, we give great consideration to appropriate design as well as tone of voice and style.

In the area of product design, to help realize the azbil Group's vision of "a world of automation created by human ingenuity and technology," we are establishing design guidelines, promoting the idea of human-centered design, and encouraging designers to think about design from the user's perspective. The various products developed through these efforts have been highly rated domestically and internationally and have been honored with prestigious design awards both in Japan and overseas.



A smart HART modem that won the Good Design Award and Red Dot Design Award

Compliance and Internal Control

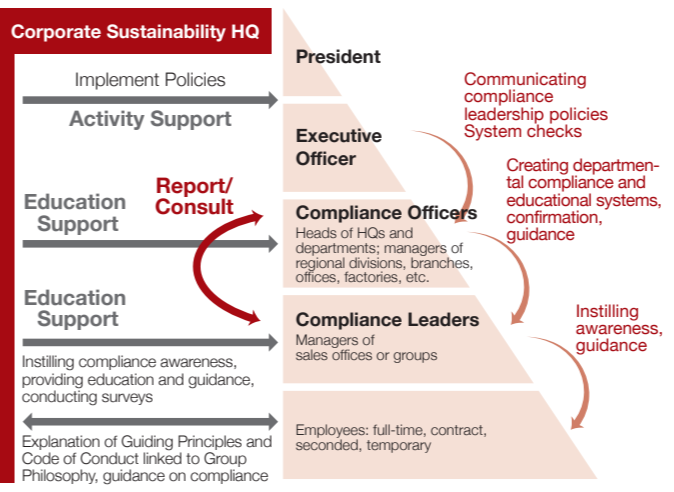
As part of our efforts to fulfill our "basic CSR," which is our responsibility as a corporate member of society, we strive to ensure compliance and build internal control systems for the entire azbil Group throughout our operations in Japan and abroad.

Promotion System, Initiatives

■ Compliance System

The azbil Group has built an organizational compliance system where an executive officer is appointed to drive and oversee compliance efforts, as shown in the chart below. The most substantial role is played by the compliance leaders, who are responsible for instilling awareness and leading compliance in the workplace and for discovering and reporting problems to the compliance officers as quickly as possible.

Compliance System



■ Building Internal Control Systems and Complying with J-SOX

The basic policy that officers and employees are expected to adhere to is stated in the Basic Policy on Internal Control System Architecture, and we also disclose an overview of our performance. We are also strengthening efforts to comply with the Financial Instruments and Exchange Act and Internal Control Reporting System (J-SOX) and improving our accounting standards.

Maintaining and Increasing Compliance Awareness

The azbil Group conducts annual compliance training for officers and department heads inviting an external lecturer. In October 2020, we invited a lecturer specialized in CSR/SDGs for an online lecture, which was attended by 280 people. During FY2020, when COVID-19 made face-to-face training difficult, 6,844 employees attended lectures through e-learn-

ing. We also organized online training for compliance officers and leaders with in-house instructors 27 times, with 740 people participating in case discussions.

Additionally, we conduct an annual survey of all Group employees about the status of compliance within the company. The results help us to understand and extract problems that need to be tackled so that we can implement the necessary countermeasures.

Mechanisms for Employee Feedback and Problem Detection

To enhance its CSR-focused management and health and well-being management, the azbil Group has established a reporting and consultation system that allows it to quickly discover and appropriately handle compliance violations and issues that negatively affect the workplace environment.

This system is available to officers and employees (including temporary employees) working at Azbil Corporation and other Group companies. It is also open to our business partners. The system accepts reports and consultations about actions that deviate from the azbil Group Guiding Principles and Code of Conduct, including legal violations, human rights issues, improper accounting, and problems that affect the workplace environment such as harassment and violations of internal company rules. Consultation is also provided on human resource issues and employee benefits. We have created a reassuring and easy-to-use environment that accepts anonymous requests for consultation. To prevent retribution against whistleblowers and others seeking consultation, we have built protections into our labor regulations, and secrecy and confidentiality of information is guaranteed for those using the service.

Also, in Japan we set up a CSR Hotline accessible within and outside the company. It is internally accessible to azbil Group employees for consultation including personal worries and concerns. In this way, we strive to support physical and mental health and healthy lifestyles and working lives for employees.

In November 2020, the hotline was certified and registered under Japan's Consumer Affairs Agency's Whistleblower Compliance Management System (based on self-declaration of conformity).

Risk Management

To avoid losing corporate value and the trust of the public, the azbil Group strives to accurately understand and minimize risk factors having the potential for serious impact on operations.

Risk Management System

The azbil Group’s Comprehensive Risk Management Subcommittee, composed of department managers, conducts an exhaustive investigation to identify risks that may have a significant impact on operations. Following this, the azbil Group Comprehensive Risk Committee, headed by the executive officer in charge of risk management, compiles a list of risks that are especially in need of action, risks deemed important to the azbil Group, which are then deliberated on and confirmed by the Board of Directors. For the key risks, the Management Meeting and the azbil Group CSR Promotion Committee establishes systems with a PDCA cycle as a countermeasure, monitors their progress, and reports the outcomes to the Board of Directors.

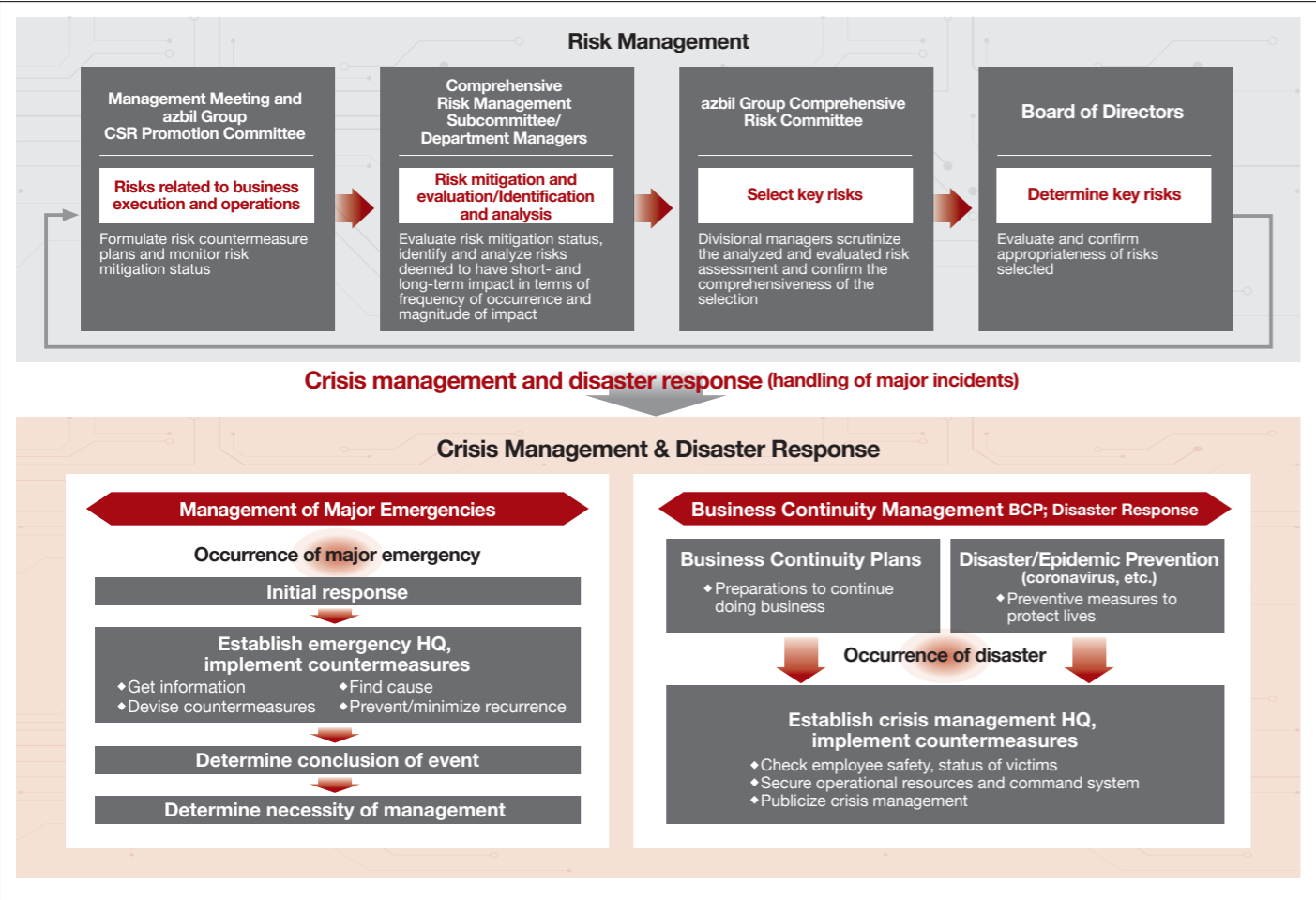
In addition to the above, the Board of Directors of each Group company determines its own important risks and implements measures to counteract them.

The azbil Group’s Risk Management

To minimize the risk from possible future events, we carefully review risks every year, identify the key risks, and construct a system for countermeasures incorporating the PDCA cycle. The state of progress is monitored within the framework of our CSR activity.

Also, we have established a crisis management response system to help us respond to crises and emergencies, with the aim of minimizing the impact of any crisis that occurs. We are also building and strengthening the response structures of our “management of major emergencies.” Furthermore, we have formulated many kinds of detailed BCP as we continuously strive to improve our systems as part of our business continuity management.

The azbil Group’s Risk Management



Business-Related and Other Risks

Risks that may affect the business results and financial position of the azbil Group are summarized below. These risks are deliberated on by the azbil Group Comprehensive Risk Committee and the Board of Directors, and are managed comprehensively. In addition to this overall management, related departments also take measures to mitigate risk. Information

in the table that pertains to the future was judged by the company to be valid as of the end of FY2020. The risks that are listed are described in the 99th Annual Securities Report under “Business-Related and Other Risks.” Please refer to the securities report for details on how each potential risk was addressed and evaluated.

Category	Risk Awareness	Countermeasures and Risk Mitigation
Business environment	<ul style="list-style-type: none">Risk that changing market conditions in specific regions and key business sectors, including construction and manufacturing, may have an impact on capital investments; risk of medium- to long-term decline in demand for offices due to changes in the environment; and a major economic recession could all have an adverse impact on the Group’s operations, business results, or financial position.	<ul style="list-style-type: none">Aim for business growth by expanding life-cycle business, the demand for which is relatively stable in the event of economic fluctuation.
Growth in competitive environments	<ul style="list-style-type: none">Risk that inadequate responses to business opportunities that may arise from changes in societal conditions, technological innovations, and the like could lead to the loss of competitive advantage.Risk that the loss of competitiveness—caused by misreading of technological trends, slow R&D progress, or failure to respond to open innovation and technological developments—or delays in launching new products, sluggish sales, and the like could affect the Group’s operations or business results.	<ul style="list-style-type: none">Upon recognizing new risks, develop new subscription models and similar offerings and engage in strategic collaboration.Develop business by forming deeper alliances (including M&As) with other companies.Make appropriate technology R&D investments and create a new organizational structure dedicated to specialized fields, such as IT solutions and cloud services; take action to verify new business models; improve systems by using the Azbil Academy personnel training organization to help train employees and help them change jobs; continue pursuing M&A opportunities; update and strengthen core information system and roll out across the Group; and take other measures to avoid delays in addressing changes in the environment and competitive disadvantages.
Product quality	<ul style="list-style-type: none">Risk that costs incurred by accidents due to defective products, systems, or services, or the resulting damage to our corporate reputation, or the effects of the aforementioned could affect the Group’s operations, business results, or financial position.	<ul style="list-style-type: none">Use a dedicated organization to check quality at the product development and manufacturing stages.Manage and improve production lines to maintain proper inspection work processes; check legal compliance statuses related to factory operation; and strengthen quality control for construction management, etc.Conduct inspections using a dedicated organization that specializes in safety in addition to checks at the design and production stages.
Global operations	<ul style="list-style-type: none">Risk that unforeseen situations, such as regional political and economic upheaval, changes to laws, and terrorism, as well as differences in business practices or the occurrence of an epidemic such as COVID-19 could affect the Group’s operations, business results, or financial position.Risk that delays in planned business expansion for reasons such as regional peculiarities could affect the building automation (BA) business.Risk that sharp foreign exchange fluctuations may impact net sales, prices of raw materials and parts, SG&A expenses, etc.	<ul style="list-style-type: none">Prepare disaster response, BCPs, etc. Introduce flexible ways of working such as working from home.In the BA business, establish bases mainly in Southeast Asia and China; secure in-house engineers and partner companies to establish a robust business execution system; and start providing services aimed at launching life-cycle business overseas.Hedge against foreign exchange fluctuations appropriately and expand overseas production to mitigate risk.
Securing and developing human resources	<ul style="list-style-type: none">Risk that obstacles to securing, educating, and smoothly deploying human resources needed to address business structural changes could lead to declines in productivity or other performance indicators.Risk that delays in securing, educating, or deploying personnel needed for overseas business development may inhibit achievement of business growth targets.	<ul style="list-style-type: none">Secure and allocate the personnel necessary to address changes in business structure.Take steps to establish a new personnel system.Implement measures for securing and training human resources for overseas business development tailored to the situation of each business location.
Information leaks and IT security	<ul style="list-style-type: none">Risk that leaks of confidential business information or personal information due to unforeseen circumstances could affect the Group’s business performance or financial position, or cause damage to its corporate reputation.Risk that unexpected cyber-attacks, possibly using new methods, could affect the Group’s business operations.	<ul style="list-style-type: none">Ensure confidentiality of important information and comply with laws on personal information protection (establish and implement internal regulations and educate employees)Create a strong IT environment and implement employee training.Establish a new inspection department that specializes in information security.Thoroughly enhance information security management, including support for network transmissions to entities outside the company, limits on the sending and receiving of potentially dangerous e-mail attachments, and changes to VPN methods.
Environment, climate change, natural disasters	<ul style="list-style-type: none">Risk of damage to production and supply of products and services stemming from large-scale disasters or other unforeseen events.Risk that events beyond those assumed in the BCP will have a negative impact on business continuation, which could have a major effect on the Group’s business results or financial position.Risk that climate change could lead to long-term market structural changes or impact the Group’s core businesses.Risk that long-term market structural changes or a decline in sales generated by customers in core businesses could affect the Group’s business results.	<ul style="list-style-type: none">Decentralize the production network to reduce the risk of concentration.Verify business continuity period without limiting it to specific events; prepare the necessary funds, product inventories and materials, personnel, and production equipment.Formulate a long-term vision to achieve “substantially zero emissions” of greenhouse gases associated with our business activities by 2050; reduce our environmental impact (obtain Science Based Targets Initiative (SBTI) certification and formulate long-term vision aimed at “substantially zero emissions”).Identify various events that may be caused by climate change and check the details of the risks and potential impact on operations, then undertake scenario analysis and respond accordingly (disclosure according to the Task Force on Climate-related Financial Disclosures framework).
Compliance	<ul style="list-style-type: none">Risk that violations of laws (antitrust laws, construction industry laws, labor laws, bribery laws, etc.), including violations resulting from failure to address characteristics of newly entered regions and industries and delays in responding to new laws and revisions of existing laws, may result in administrative penalties and fines; risk that inappropriate acts by the company and/or its business partners will lead to harmful rumors and damage the Group’s reputation.	<ul style="list-style-type: none">Conduct regular monitoring in Japan and abroad to check compliance with laws and internal rules; engage in rigorous compliance education.Place top priority on legal compliance and conduct regular monitoring in Japan and overseas to check compliance; strengthen system for concluding contracts while also informing and educating all employees.
Changes in how employees work	<ul style="list-style-type: none">Risk of undesirable changes in how employees work as a result of efforts to introduce new ways of working, increased telecommuting, and support for remote work as a countermeasure for infectious disease.Risk of regulatory problems.Risk of negative effects on employee health such as mental health problems, lack of exercise, etc.	<ul style="list-style-type: none">Revise various internal rules and standards in line with changes in systems and business processes.Conduct disease prevention seminars, health promotion programs, and employee surveys, and issue alerts.

Corporate Governance

In response to the trust and expectations of the stakeholders, we not only comply with laws and regulations and our Articles of Incorporation but also execute highly transparent and efficient management based on corporate ethics.

Basic Approach to Corporate Governance

In order to earn the trust of all stakeholders, we comply with laws and regulations and our Articles of Incorporation and work to avoid any conflict with corporate ethics, while also striving to realize sustainable corporate growth and improve corporate value over the medium and long term through highly transparent and efficient management.

We also comply with Japan's Corporate Governance Code released by the Financial Services Agency and Tokyo Stock Exchange and satisfy requirements for information disclosure by publishing corporate governance reports and

integrated reports (this report) on our company website. Given the update of the code on June 11, 2021, we have revised the content of our corporate governance report accordingly to promptly reflect the new information disclosure requirements and the approach and initiatives to our sustainability policy, climate change, respect for human rights, and ensuring the diversity of our core human resources. We will continue to respond in a timely and appropriate manner to comply through disclosure in this report.

Report on Corporate Governance is available at the following: <https://www.azbil.com/csr/basic/governance.html>

Changes to Improve Corporate Governance

Strengthening of oversight and auditing	<ul style="list-style-type: none">Appointed and increased the number of independent outside directors (1 in 2007 → 2 in 2010 → 3 in 2014 → 4 in 2018 → 5 in 2019)Appointed and increased the number of independent outside Audit & Supervisory Board members (2 in 1994 → 3 in 2011)Evaluation for the effectiveness of the Board of Directors initialized (2016)Established criteria for judging the independence of outside officers (2016; revised 2020)Set an upper limit on the term of office for outside officers (2020)
Strengthening of management transparency and soundness	<ul style="list-style-type: none">Replaced the Nomination and Remuneration Meeting with the Nomination and Remuneration Committee established with independent outside directors as a majority (2016)Revised the officer remuneration system (2017)Abolished the “counselor and advisor system” (2018)Appointed an independent outside director as chairperson of the Nomination and Remuneration Committee (2018)
Clarification of responsibilities, encouragement of dialogue, etc.	<ul style="list-style-type: none">Introduced the executive officer system (2000)Formulated the Corporate Governance Guidelines (2016)Appointed executive officer in charge of corporate communications (2016)Formulated guidelines on strategic shareholdings (2016; revised 2018)Published skills matrix (2021)

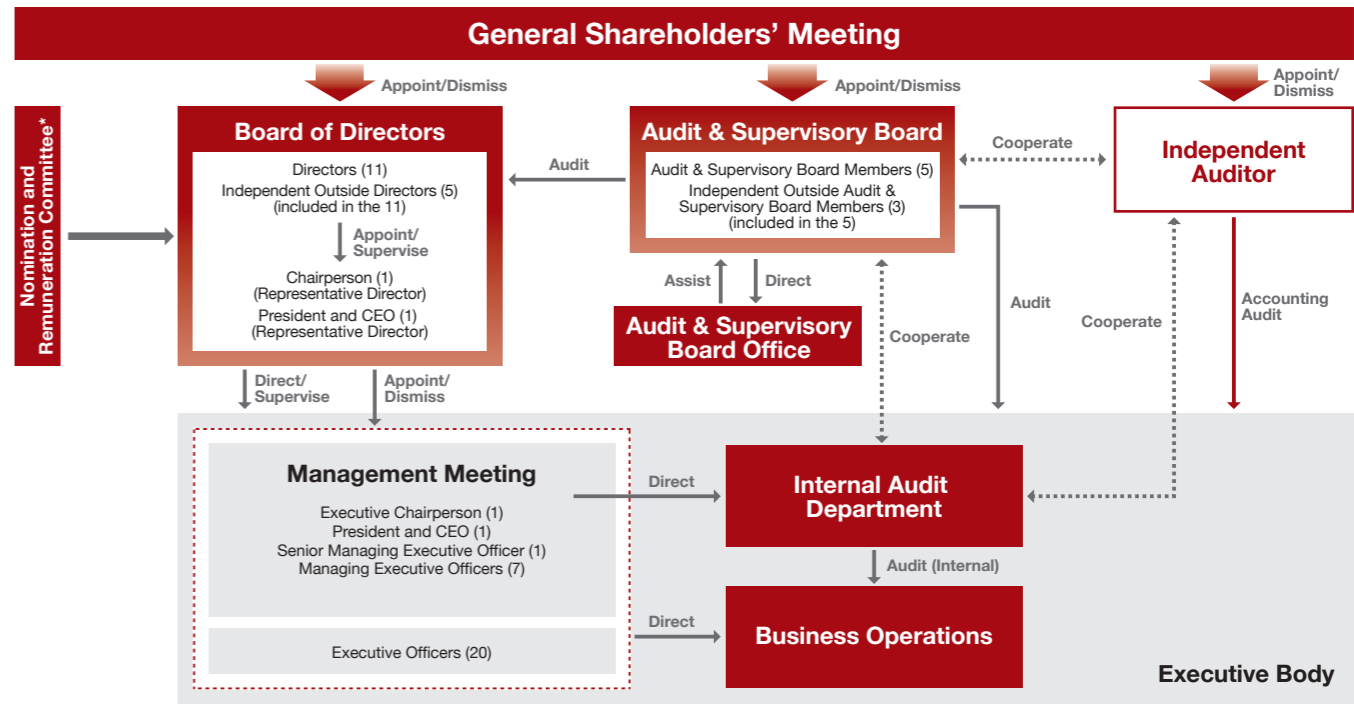
Corporate Governance Framework

We have established a corporate governance system with an Audit & Supervisory Board for its organizational design under the Companies Act. The Audit & Supervisory Board fulfills the supervisory function for the Board of Directors, and the Company's highly independent outside directors regularly interact with the Audit & Supervisory Board and its members for exchanges of opinion and other discussions to supervise the proper execution of business operations, thereby forming a governance system with effective fairness and transparency. In addition, we also disclose information in a timely manner and

have established various systems, including an effective internal control system and risk management system, to ensure transparent and fair management. To respond swiftly to the rapidly changing business environment, we have functionally separated the Board of Directors, which is involved in making important decisions, from the executive officer system, which is in charge of business execution. We have therefore transferred business execution authority to the executive body, based on the resolution of the Board, to allow business decisions to be executed in a fast and efficient manner.

Corporate Governance Structure

(As of June 24, 2021)



* Majority consists of independent outside directors with the chairperson of the committee also being an independent outside director

Board of Directors

The Board of Directors discusses and makes decisions on corporate management intending to achieve sustained growth and improved corporate value over the medium and long term as its basic mission. In particular, we regard matters related to management strategies and management plans as most important matters to be deliberated, and make appropriate decisions through open-minded and constructive discussions. As of June 2021, the Board of Directors comprises 11 members (including two women, of whom one is a foreign national.) For the details, please refer to page 85 regarding director appointments and dismissals.

Audit & Supervisory Board

Azbil is a company with an Audit & Supervisory Board. The Company elected five members to the Audit & Supervisory Board, of whom three are outside members, and two are full-time members. The Audit & Supervisory Board members carefully audit, mainly from a legal standpoint, the business decisions and operational execution by the Board of Directors and executive officers. Please refer to page 85 for details of Audit & Supervisory Board member appointments and dismissals.

Nomination and Remuneration Committee

The Company established its Nomination and Remuneration Committee as an voluntary advisory body to the Board of Directors. The role of the committee is to ensure greater fairness, objectivity, and transparency of processes for nominating and remunerating officers, with the aim of fostering the enduring development of the Company and improving its medium- and long-term profitability and productivity. It is stipulated that independent outside directors make up the majority of committee members and that an independent outside director is elected as its chairperson by the committee members.

Management Meeting

The Management Meeting comprises the managing executive officers and a representative from Audit & Supervisory Board members and meets twice a month in principle as an advisory body at the business execution level to support decision-making by the president. This allows for rapid decision-making and thorough execution, strengthening the Company's ability to drive its business forward and business management.

■ Main Activities of the Board of Directors

By separating the roles and functions of the Board Directors responsible for decision making on basic policies involved in management, issues stipulated by laws and regulations, other important matters, and supervision of the business execution and the executive officer system which takes on the role for business execution, we have established a swift execution system and strengthened the supervisory function of the status of business execution.

In principle, the Board of Directors’ meetings are held once a month. The Board meetings were held 13 times in FY2020, with full attendance by all directors and Audit & Supervisory Board members at all the meetings (Anne Ka Tse Hung, who was appointed director at the 98th Ordinary General Meeting of Shareholders on June 24, 2020, attended all 10 board meetings held after her appointment).

The Board discussed and decided on matters stipulated under the Companies Act and formulated a new medium-term plan for long-term growth and development. Upon formulating the plan, the Board of Directors held multiple rounds of discussions over plans for each business, reflecting on the direction for long-term growth by the Group, and combined this with deliberations on responding to changes in the business environment from a sustainability perspective, capturing new business opportunities, strategies for technology and R&D, and human resources strategy with the view to achieving the Company’s essential goals for the SDGs.

Main Topics for Discussion by Theme at Board of Directors’ Meetings in FY2020

Theme	Main topics
Management strategy and planning	<ul style="list-style-type: none">• Growth strategy at each business• Approach to formulating the new medium-term plan• Deliberations on new medium-term plan, etc.
Capital policy	<ul style="list-style-type: none">• Year-end dividend and dividend policy• Status of strategic shareholdings, etc.
Subsidiary management status	<ul style="list-style-type: none">• Business status reports at domestic subsidiaries• Business status reports at Chinese subsidiaries• Business status reports at Asian/North American subsidiaries
Governance	<ul style="list-style-type: none">• Evaluation of Effectiveness of Board of Directors• Compliance with Corporate Governance Code• Compliance with the Amendment of the Companies Act, etc.
Sustainability	<ul style="list-style-type: none">• CSR activity policy, reporting• Reporting on SDG initiatives, etc.

■ Evaluation of Effectiveness of Board of Directors

The Board of Directors aims to enhance the corporate value over the medium and long term through open-minded and constructive discussions.

To ensure the Board of Directors continues to fulfill its roles and responsibilities, the board identifies issues and areas requiring improvement and assesses its effectiveness each year intending to enhance the board’s effectiveness.

As in the previous year, for FY2020, the evaluations and views on the issues listed below were collected from all members of the Board of Directors and the Audit & Supervisory Board. Based on this information, the Board of Directors assessed its current effectiveness, shared information on issues, and engaged in discussions on future action.

- (1) Size and composition of the Board of Directors
- (2) Operating status of the Board of Directors
- (3) Support systems and communication with outside directors and outside Audit & Supervisory Board members
- (4) Decision-making process of the Board of Directors
- (5) Activities of the Nomination and Remuneration Committee

The results from the evaluation confirmed that the size, composition, and operating status of the Board of Directors are appropriate, and the systems are in place to make important management decisions and supervise business execution. Also, the composition and operation of the advisory Nomination and Remuneration Committee are appropriate; members of the board, both internal and external officers with wide-ranging experience and expertise, have a profound understanding of their roles; and members engage in open, active, and constructive discussions based on adequate communication, even when the meetings are run using online conferencing systems. As a result, we have confirmed that the Board of Directors overall is performing effectively and appropriately.

In FY2020, we formulated a new medium-term plan for long-term growth and development. Upon formulating the plan, we also held multiple rounds of discussions over plans for each business, reflecting on the direction for long-term growth by the Group, and combined this with deliberations on responding to changes in the business environment from a sustainability perspective, capturing new business opportunities, strategies for technology and R&D, and human resources strategy with the view to achieving the Company’s essential goals for the SDGs. We also conducted a self-evaluation of the appropriateness of the process for the appointment and dismissal of directors, including the replacement of the president, and evaluated the effectiveness of the Nomination and Remuneration Committee, an advisory body to the Board of Directors, which is now formed with the majority of its members being independent outside directors and chaired by an independent outside director. In addition, from the perspective of strengthening the supervision of Group management, we continue to provide detailed reports on the performance, strategy reviews and management control status of major subsidiaries.

At the same time, the Board of Directors shared and discussed the progress of the new medium-term plan, etc., and further enhanced discussions on business management and corporate governance, including compliance, etc. The members also shared the recognition that it is necessary to enhance reporting to the Board of Directors on the deliberations and decisions made by the Nomination and Remuneration Committee, as well as to expand deliberations by the Board of Directors based on the reports of the committee.

To live up to the trust of our stakeholders, achieve sustainable growth, and enhance our corporate value over the medium and long term, we will continue the efforts to enhance the effectiveness of the Board of Directors, including a more objective supervisory function.

■ Main Activities of the Audit & Supervisory Board

In principle, the Audit & Supervisory Board meeting is held once a month. In FY2020, the Audit & Supervisory Board meetings were held a total of 14 times with full attendance by all 5 members.

During this period, the Audit & Supervisory Board deliberated on the annual audit plan at the beginning of the fiscal year, submitted monthly and quarterly reports of its members’ activities through the fiscal year, submitted quarterly financial audit reports, provided the year-end evaluation of audit activities, considered key audit matters (KAM), and deliberated the assessments of the independent accounting auditor. The Audit & Supervisory Board also engaged in exchanges of opinion with the representative directors and regular information sharing with outside directors.

Additionally, an evaluation of the effectiveness of the Audit & Supervisory Board was performed at the end of the fiscal year, and in addition to reviewing the Audit & Supervisory Board’s auditing activities for FY2020, the evaluation results were reflected in the audit plan for FY2021.

■ Composition of the Nomination and Remuneration Committee

The Nomination and Remuneration Committee serves as a voluntary advisory body to the Board of Directors that fulfills the function of both a nomination committee and a remuneration committee. It is stipulated that independent outside directors make up the majority of committee members and that an independent outside director is elected as its chairperson by the committee members. As of June 2021, the committee had the following members.

Name	Inside/Outside	Chairperson
Katsuhiko Tanabe	Independent Outside Director	✓
Takeshi Itoh	Independent Outside Director	
Waka Fujiso	Independent Outside Director	
Hirozumi Sone	Representative Director	
Kiyohiro Yamamoto	Representative Director	



■ Role and Authority of the Nomination and Remuneration Committee

Item	Role and Authority
Officer nomination	
Appointment	●Deliberates and decides on proposed candidates for directors, representative directors, chairperson of the Board of Directors, managing executive officers, and executive officers, and submits proposals to the Board of Directors ●Deliberates and decides on proposed candidates for the CEO and subordinate officers (president & CEO, vice president, and the like), and submits proposals to the Board of Directors
Dismissal	●Deliberates and decides on proposals relating to the dismissal of directors, representative directors, chairperson of the Board of Directors, and managing executive officers/executive officers, and submits proposals to the Board of Directors ●Deliberates and decides on proposals relating to the dismissal of the CEO and subordinate officers (president & CEO, vice president, and the like), and submits proposals to the Board of Directors
Remuneration	
Remuneration plan and remuneration system	Deliberates and decides on establishment and amendments/abolishment of remuneration plans and remuneration systems for the representative directors, directors, managing executive officers, and executive officers, and submits proposals to the Board of Directors
Remuneration limit amendments	Deliberates and decides on proposed amendments to director remuneration limits, and submits proposals to the Board of Directors
Evaluation, remuneration	●Deliberates and decides on responsibility grades, basic remuneration, individual performance evaluation, and bonus amounts for chairperson, president & CEO, directors who concurrently perform executive duties, managing executive officers, and executive officers ●Deliberates and decides on remuneration for outside directors and non-executive directors
Successor planning, successor development	
Successor development	●Creates, deliberates, decides on the overall plan for successor development ●Selects successor candidate(s), deliberates, and decides on individual development plans ●Periodically confirms progress updates on successor development

The committee also deliberates and decides on formulation/ amendments/abolishment of rules governing concurrent duties for officers, officer compensation, etc., and submits proposals to the Board of Directors.

In the deliberation and decision-making process for proposals concerning representative directors, the representative directors concerned do not participate in the deliberation and decision-making process.

■ Main Activities of the Nomination and Remuneration Committee in FY2020

In FY2020, the Nomination and Remuneration Committee met five times, with the meetings attended by all committee members. The main items discussed were as follows.

Date	Items of discussion
May 2020	●Evaluated the results of individual performance targets in FY2019 and deliberated the amounts of bonuses to be paid to individual directors who concurrently performed executive duties and executive officers ●Deliberated the basic remuneration to be paid in FY2020 to individual directors who concurrently perform executive duties and outside directors
June 2020	●Reconfirmed the duties of the committee under the new organization chaired by independent outside director Katsuhiko Tanabe ●Confirmed the outcomes from officer interviews in the successor development plan
January 2021	●Confirmed the evaluation results of the nomination process for management structure change and progress of successor development plans
February 2021	●Reported to the Board of Directors on deliberations over FY2021 executive structure and subsidiary management teams FY2021 management team decided at the Board of Directors' meeting
March 2021	●Confirmed management teams at overseas Group companies and the operational status of the global HR system ●Revised Nomination and Remuneration Committee regulations and deliberated on full-time executives taking on concurrent roles at other companies

* In May 2021, the Committee selected seven key skills expected of directors in light of the medium-term plan and other management strategies, organized them into a skills matrix, and proposed it to the Board of Directors.

Executive Remuneration

■ Basic Policy

The Company formulated its policy for the determination of individual director remuneration and other matters in 2017 and bases director remuneration decisions on this policy. Before

the enforcement of the revised Companies Act on March 1, 2021, this policy was clearly stated and confirmed at the Board of Directors' meeting held on February 26, 2021, after consulting the Nomination and Compensation Committee. The remuneration system for directors is commensurate to their

roles, responsibilities, and accomplishments, while the remuneration plan is designed to contribute to sustainable growth and enhance corporate value.

■ Composition and Approach for Executive Remuneration

Remuneration for directors who concurrently perform executive duties comprises “basic remuneration” and twice-yearly “bonuses” that are linked to business results for the fiscal year and are also determined in consideration of the degree of achievement of medium-term targets. The basic remuneration for directors who concurrently perform executive duties comprised three forms of remuneration: director remuneration, executive position remuneration, and executive respon-

sibility remuneration.

Furthermore, to share awareness with the shareholders and to create a continuous incentive to enhance corporate value, executive directors purchase the Company's stocks in the fixed annual contribution amount proportional with each officer's positions and responsibilities through the officer stock ownership plan and continually hold these stocks.

Directors who do not concurrently perform executive duties and outside directors are paid only basic remuneration that is fixed remuneration to ensure that they perform their management supervision function fully. Remuneration for Audit & Supervisory Board members comprises only basic remuneration that is fixed remuneration considering their duties and authority.

■ Remuneration of Executive Directors Who Concurrently Hold Other Positions

Basic remuneration (Monthly payments as fixed remuneration)	Director remuneration	Defined, fixed remuneration for representative directors and directors
	Executive position remuneration	Fixed remuneration for each position
	Executive responsibility remuneration	Remuneration based on the individual responsibility grade that is determined based on the level of duties, the scope of the role, and quantitative and qualitative evaluations for each fiscal year (responsibility grades are revised each year based on a review by the Nomination and Remuneration Committee)
Bonuses (Paid at specific times twice a year as performance-linked remuneration.)		

■ Performance-linked Remuneration

Directors who concurrently perform executive duties are paid a bonus in consideration of a performance evaluation and qualitative evaluation* as well as the degree of achievement of medium-term targets, etc., and the performance-linked portion of remuneration is designed to contribute to the Company's continuous growth and enhancement of corporate value. In the specific calculations, evaluations are performed from the standpoint of responsibility for the Group's consolidated management based on indicators such as increase in operating income and ROE in light of both profitability and capital efficiency. Furthermore, the level of growth in operating income and other factors are also set as indicators from the standpoint of working to enhance medium- to long-term corporate value. These indicators are considered in a comprehensive assessment of individual performance-linked remuneration by the Nomination and Remuneration Committee.

Operating income for FY2020 was 25.7 billion yen, compared to the target of 25.5 billion yen (on a consolidated basis).

Though the Company does not stipulate in advance the breakdown in remuneration for each of the different categories, performance-linked remuneration will account for a higher percentage of the total remuneration as the Company's performance rises or individuals make a greater contribution to company earnings.

* The evaluation will consider the degree of achievement of qualitative goals, as well as efforts in CSR activities, etc., and the development of human resources for successors, which were set at the beginning of the term, according to each role.

■ Remuneration Limits

The Company has resolved that the maximum annual remuneration for directors shall be no more than 450 million yen (for eight directors, excluding amounts paid as salaries for employees). The Company has also resolved that the maximum annual remuneration for Audit & Supervisory Board members shall be no more than 120 million yen (for five Audit & Supervisory Board members), with individual remuneration amounts determined through discussions held by the Audit & Supervisory Board members.

■ Allocations of Total Remuneration for Directors and Audit & Supervisory Board Members in FY2020 (Ended March 2021)

Classification	Total amount of remunerations paid (millions of yen)	Total amount by type (millions of yen)				Number of people remunerated
		Basic remuneration	Performance-linked remuneration	Stock options	Retirement allowance	
Directors (outside members)	446 (64)	343 (64)	103 (–)	–	–	13 (6)
Audit & Supervisory Board members (outside members)	81 (29)	81 (29)	– (–)	–	–	5 (3)
Total (outside members)	528 (94)	424 (94)	103 (–)	–	–	18 (9)

Appointment of Directors and Audit & Supervisory Board Members, and Appointment/Dismissal of CEO and Subordinate Officers

■ Appointment of Directors

The basic criteria for director candidates are to be a person who has excellent character and insight, contributes to the growth of the Company and the Group, and helps improve corporate value. Directors involved in business execution need to have high levels of ability and knowledge about each business segment and important management functions. Outside director candidates must have wide-ranging experience and excellent expertise and knowledge and must also have the ability to proactively express opinions and raise issues from outside perspectives and diverse backgrounds. The candidates must be appointed after we check they have no issues regarding their independence. We will utilize the skills matrix described below to appoint candidates for Board of Directors.

The Nomination and Remuneration Committee, which is an advisory body to the Board of Directors and is chaired by an independent outside director with majority of Committee member made up by independent outside directors, deliberates on these candidates before deciding at a meeting of the Board of Directors.

■ Appointment of Audit & Supervisory Board Members

Candidates for Audit & Supervisory Board members must have the appropriate experience and ability, as well as knowledge about finance, accounting, and legal matters. We also consider independence from the executive side to be another eligibility requirement. Among Audit & Supervisory Board member candidates, at least one person must have extensive knowledge of finance and accounting. These candidates are first discussed by full-time Audit & Supervisory Board members and the representative directors, then considered and agreed upon by the Audit & Supervisory Board before the final approval at the Board of Directors' meeting.

In addition, for outside Audit & Supervisory Board member candidates, our policy is to first confirm that there are no issues regarding their independence, based on the established criteria for judging the independence of outside officers.

■ Appointment/Dismissal of CEO and Subordinate Officers

Concerning the appointment and dismissal of CEO and subordinate officers (president & CEO, vice president, and the like), the Board of Directors makes decisions, based on selection criteria and the desired composition of the Board of Directors, after deliberation by the Nomination and Remuneration Committee.

Appointment Criteria for Directors

To be appointed, candidates must have a full understanding of our corporate philosophy, deep knowledge of corporate management, and wide-ranging experiences both inside and outside Japan, as well as good insights on corporate governance, CSR, and compliance. They must meet the following criteria and be capable of leading the Group to sustainable growth.

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

Criteria for Proposed Dismissal of Directors

Concerning policies and procedures for dismissing the CEO and subordinate officers (president & CEO, vice president, and the like), the candidate for dismissal undergoes a fair and rigorous process of screening and deliberation by the Nomination and Remuneration Committee, based on the following criteria. If the Nomination and Remuneration Committee judges that the dismissal is appropriate, it will be sent to the Board of Directors for approval.

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

Criteria for Independence of Outside Officers (Revised on May 13, 2020)

The Company has formulated its criteria for independence for appointing outside officers. It judges that a person is not independent if any of the items below apply:

1. A person who serves as an executive*¹ of the Company or a consolidated subsidiary of the Company, or who served for 10 years prior to being appointed;
2. A person who served as an executive of the Company or a consolidated subsidiary for 10 years prior to being appointed as a non-executive director or an Audit & Supervisory Board member of the Company or a subsidiary of the Company;
3. A person who has served as a non-executive director of the Company or a consolidated subsidiary for more than 12 years in principle*²;
4. A person who has served as an Audit & Supervisory Board member of the Company or a consolidated subsidiary for more than 12 years; three terms in principle*²;
5. A person who serves as an executive of a major business partner of the azbil Group (a business partner that makes a payment in the amount exceeding 2% of its annual consolidated sales for the latest fiscal year or any of the preceding three fiscal years or receives such a payment), or who has served in such a position in the last three years;
6. A person who serves as an executive or an Audit & Supervisory Board member of a major lender*³ of the azbil Group or its parent company or a significant subsidiary, or who served in such a position in the last three years;
7. A related party of the accounting auditor or audit firm, etc. of the azbil Group, or who has served in the last three years in such a position (including those who have already resigned from such a position);
8. A lawyer, certified public accountant, or other consultant who does not fall under item 7 above and who received money and other economic benefits in the annual average amount of 10 million yen or more over the past three years other than executive compensations from the azbil Group;
9. A member, partner, associate, or employee of a law firm or audit firm, etc. who does not fall under items 7 or 8 above where the azbil Group is a major business partner of the said law firm, audit firm, etc. (a company that received a payment from the Company or a consolidated subsidiary in the annual average amount of 2% or more of the consolidated net sales of the company over the past three fiscal years);
10. A person who serves as an executive or as an Audit & Supervisory Board member of a current major shareholder of the Company (a shareholder that holds 10% or more of voting rights of the Company), its parent company or a significant subsidiary, or who served in such a position in the last five years;
11. A person who serves as an executive or an Audit & Supervisory Board member of a company that accepts a director seconded from the azbil Group, its parent company or subsidiary;
12. A person who serves as an executive or an Audit & Supervisory Board member of a company in which the Company is a major shareholder;
13. A person who has received as an executive of an organization such as a public interest incorporated foundation, a public interest incorporated association, or a non-profit organization that has received a donation or subsidy from the azbil Group in the annual average of 10 million yen or more over the past three fiscal years; and
14. A spouse, a person within the second degree of consanguinity, or a relative residing in the same household of a person for whom any of the above items (1 to 13) are applicable.

*1 "Executive" refers to an executive director, an executive officer, or head of a department and other general employees.
*2 3. and 4. above are new standards established on May 13, 2020, and will be applied to the election of future outside directors.
*3 A "major lender" refers to a financial institution group from which the azbil Group has borrowed funds where the outstanding aggregate of those borrowings exceeds 2% of the consolidated total assets of the azbil Group as of the end of the Company's fiscal year in situations where the azbil Group effectively has loans payable (net balance of loans exceeding current liquidity deposited at such lender).

■ Succession Planning

Concerning succession planning for the Company's senior management, the Nomination and Remuneration Committee deliberates the status of training and selection of successors and records the results of these deliberations as well as the discussion process itself. As explained, we ensure that succession planning is operated appropriately and objectively, and the chairperson of the Nomination and Remuneration Committee,

who is an independent outside director, reports the results of the discussions to the Board of Directors as appropriate. This system is designed to ensure that the Nomination and Remuneration Committee selects and trains successor candidates properly and objectively, and that the Board of Directors can be actively involved in succession planning with sufficient time and resources allocated for the training of successor candidates.

■ Skills Expected in Directors (Skills Matrix)

At a meeting of the Board of Directors held on May 14, 2021, the Company determined the skills, etc. expected of directors considering the Company’s management strategy, including the realization of the Company’s medium-term plan, and confirmed the independence, diversity, and expected skills of the current Board of Directors as follows.

Regarding the skill items, the Board of Directors and the Nomination and Remuneration Committee of the Company conducted an objective review considering the corporate

philosophy, business model, growth strategy, etc., and selected seven important items expected of the Directors to support growth toward the “contribution ‘in series’ to a sustainable society” outlined in the medium-term plan. Of these, “corporate management/sustainability,” “global business,” and “IT/technology/control and automation business” are particularly relevant to the Group’s sustainable growth over the medium and long term.

Of the 11 directors, two are women (one of whom is a foreign national).

■ Skills Expected in Directors (Skills Matrix)

Name (age)	Current position(s)	Independence	Diversity	Expected skills						
		Independent officer	Gender	Corporate management/Sustainability*	Global business	Financial affairs, accounting, finance	IT, technology/Control, and automation business	Sales, marketing	Manufacturing, research, and development	Legal, risk management, compliance
Hirozumi Sone (66)	Representative Director Executive Chairperson Chairperson of the Board Nomination and Remuneration Committee Member		M	✓			✓	✓		✓
Kiyohiro Yamamoto (56)	Representative Director President & CEO Nomination and Remuneration Committee Member		M	✓	✓		✓	✓	✓	
Takayuki Yokota (60)	Director Senior Managing Executive Officer		M	✓	✓	✓				✓
Masato Iwasaki (61)	Director Managing Executive Officer		M				✓	✓	✓	
Yoshimitsu Hojo (58)	Director Managing Executive Officer		M			✓	✓	✓	✓	
Kazuyasu Hamada (57)	Director Managing Executive Officer		M		✓		✓	✓		
Katsuhiko Tanabe (78)	Outside Director Nomination and Remuneration Committee Chairperson	✓	M	✓						✓
Takeshi Itoh (77)	Outside Director Nomination and Remuneration Committee Member	✓	M		✓	✓				
Waka Fujiso (72)	Outside Director Nomination and Remuneration Committee Member	✓	F	✓						✓
Mitsuhiro Nagahama (67)	Outside Director	✓	M	✓	✓	✓				
Anne Ka Tse Hung (57)	Outside Director	✓	F		✓					✓

* “Corporate management/sustainability” includes human resources and personnel development from the viewpoint of sustainability.

Comment by an Outside Director

Azbil corporate governance, present and future



Mitsuhiro Nagahama
Outside Director

Azbil is working to strengthen and enhance corporate governance and has developed a good reputation with external parties as a result. Here, I would like to talk about the Board of Directors that is at the heart of the Company’s governance framework.

In FY2019, the Company increased the proportion of outside directors on the Board such that five of the 11 members are independent outside directors. In FY2020, we have made further progress from the perspective of diversity, with two women serving as directors, one of whom is a foreign national.

To ensure the Board’s deliberations are effective, briefings are held before every Board meeting to discuss agenda items and help participants have a full understanding of the issues in advance. Regular opportunities are also provided for information sharing between outside directors and Audit & Supervisory Board members and exchanges of opinion among representative directors, outside directors, and outside Audit & Supervisory Board members. We are also actively implementing various other measures to improve the effectiveness of the Board of Directors, including creating opportunities separate from the Board of Directors’ meetings for free discussions on strategy among the Board members. The participants always engage in lively discussions at the Board of Directors’ meetings and the various other meetings described above. Both the outside directors and the outside Audit & Supervisory Board members have a broad range of expertise and business experience in a diverse array of fields, and

therefore create significant added value through their multifaceted approach to discussions.

The Nomination and Remuneration Committee is chaired by an independent outside director and the majority of members are independent outside directors to ensure that the decision-making processes for officer nomination and remuneration are fair, objective, and transparent. Like the Board of Directors’ meetings, this Committee engages in substantial deliberations.

While it is true that the spread of COVID-19 has led to major constraints on corporate governance, we still strive to ensure deliberations of a high caliber, employing, in tandem, a web conference system—featuring robust IT security—for the Board of Directors’ meetings, briefings, and other meetings. We believe that this arrangement means that our deliberations maintain an adequate level of effectiveness.

In the new post-COVID paradigm, sustainability (including ESG matters) will be the most important factor to increase corporate value over the medium and long term. The Company has developed strategies that contribute “in series” to achieving the SDGs, with the twin goals of solving social issues and achieving sustained growth. Our founder’s original idea was to “free people from drudgery,” and that spirit aligns with the true aim of the SDGs. We will continue to focus on advancing corporate governance as the key foundation for our business, all the while based on our Group philosophy and the corporate DNA since its establishment, to drive forward into the future.



Board of Directors, Executive Officers, and Audit & Supervisory Board Members

(As of June 24, 2021)



Representative Director, Executive Chairperson
Hirozumi Sone
Chairperson, Responsible for Strengthening Group Governance

Apr 1979 Joined the Company
Apr 1996 Systems Marketing Manager of Systems Development Group, Industrial Systems Division
Oct 1998 Transferred to Yamatake Industries Systems Co., Ltd., as Marketing Manager of the company
Apr 2005 Executive Officer of the Company, Manager of the Corporate Planning Department
Apr 2008 Managing Executive Officer, Manager of the Corporate Planning Department
Jun 2010 Director
Apr 2012 Representative Director, President and Chief Executive Officer
Apr 2020 Representative Director, Executive Chairperson, President and Group Chief Executive Officer
Jun 2020 Representative Director, Executive Chairperson (Present post)



Representative Director, President and Group Chief Executive Officer
Kiyohiro Yamamoto
Responsible for Internal Audit Department, Corporate Planning Department

Apr 1989 Joined the Company
Apr 2007 General Manager of Environmental Marketing Department, Marketing Headquarters, Building Systems Company of the Company
Apr 2011 Head of Marketing Headquarters, Building Systems Company
Apr 2012 Senior Officer, Head of Marketing Headquarters, Building Systems Company
Apr 2014 Senior Officer, General Manager of Corporate Planning Department
Apr 2017 Executive Officer, General Manager of Corporate Planning Department and Head of Marketing Headquarters, Building Systems Company
Apr 2018 Managing Executive Officer, Head of Marketing Headquarters, Building Systems Company
Apr 2020 Executive Vice President
Jun 2020 Representative Director, President and Group Chief Executive Officer (Present post)



Director, Senior Managing Executive Officer
Takayuki Yokota
Assistant to President, Responsible for Corporate Administration (including Finance and Business Management, Corporate Communication, azbil Group CSR, Internal Control), International Business

Apr 1983 Joined The Fuji Bank, Limited (Present: Mizuho Bank, Ltd.)
Nov 2005 General Manager of the Investor Relations Department, Mizuho Financial Group, Inc.
Apr 2010 Executive Officer and General Manager of the Investment Banking Business Management Department, Mizuho Corporate Bank, Limited (Present: Mizuho Bank, Ltd.)
Jun 2012 Audit & Supervisory Board Member of Mizuho Research Institute Ltd.
Apr 2013 Joined the Company (Senior Officer)
Apr 2014 Executive Officer, Head of Group Management Headquarters
Apr 2016 Managing Executive Officer, Head of Group Management Headquarters
Apr 2017 Managing Executive Officer, Head of Group Management Headquarters and Head of International Business Headquarters
Apr 2018 Managing Executive Officer
Jun 2018 Director (Present post)
Apr 2020 Senior Managing Executive Officer (Present post)



Outside Director
Katsuhiko Tanabe

Apr 1973 Registered as a Lawyer
Sep 1979 Established TANABE & PARTNERS (Present post)
Apr 1995 Deputy Chairperson of Dai-ichi Tokyo Bar Association
Apr 1997 Vice-Chairperson of Kanto Bar Association
Apr 1998 Managing Director of Japan Federation of Bar Associations
Jun 2000 Outside Audit & Supervisory Board Member of Sanwa Shutter Corporation (Present: Sanwa Holdings Corporation)
Jun 2007 Outside Audit & Supervisory Board Member of the Company
Jun 2010 Outside Director of the Company (Present post)
Oct 2010 Outside Director of MIRAIT Holdings Corporation
Jun 2014 Retired from Outside Director of MIRAIT Holdings Corporation
Jun 2015 Outside Audit & Supervisory Board Member of JSP Corporation (Present post)
Jun 2016 Retired from Outside Audit & Supervisory Board Member of Sanwa Holdings Corporation



Outside Director
Takeshi Itoh

Sep 1969 Entered Burnham & Company
Oct 1983 Director of The First Boston Corporation (Present: Credit Suisse Group AG)
Oct 1993 Managing Director and Vice Manager of Tokyo Branch, Smith Barney (Present: Citi Group Global Markets Japan Inc.)
Oct 1998 President of UBS Asset Management Inc. (Present: UBS Asset Management (Japan) Ltd.)
Dec 2010 Supreme Advisor of Japan Wealth Management Securities, Inc. (Present: Aozora Securities Co., Ltd.)
Feb 2012 Vice Chairperson and Chief Operating Officer of Aozora Securities Co., Ltd.
Jun 2013 Senior Advisor of Aozora Securities Co., Ltd.
Jun 2014 Outside Director of the Company (Present post)
Jun 2018 Retired from Senior Advisor of Aozora Securities Co., Ltd.



Outside Director
Waka Fujiso

Apr 1980 Public Prosecutor of Tokyo District Public Prosecutor's Office
Apr 2001 Public Prosecutor of Tokyo High Public Prosecutor's Office
Dec 2007 Public Prosecutor of Supreme Public Prosecutors Office
Mar 2008 Retired from Public Prosecutor of Supreme Public Prosecutor's Office
Apr 2009 Professor of Rikkyo University's Law School
Sep 2011 Member of the Medical Ethics Council of Ministry of Health, Labor and Welfare
Mar 2014 Retired from Professor of Rikkyo University's Law School
Jun 2015 Substitute Audit & Supervisory Board Member of the Company
Jun 2018 Outside Director of the Company (Present post)
Oct 2019 Retired from a member of the Medical Ethics Council of Ministry of Health, Labor and Welfare



Director, Managing Executive Officer
Masato Iwasaki
Responsible for Life Automation Business, General Manager of Life Science Engineering Department

Apr 1982 Joined the Company
Apr 2003 Manager of Marketing 2nd Department, and Information Systems Department, Advanced Automation Company
Apr 2011 Executive Officer, Manager of Marketing Department, Advanced Automation Company
Apr 2012 Managing Executive Officer, President of Advanced Automation Company
Jun 2012 Director (Present post)
Apr 2016 Managing Executive Officer
May 2018 Managing Executive Officer, General Manager of Life Science Engineering Department (Present post)
Apr 2021 Head of Home Comfort Headquarters (Present post)



Director, Managing Executive Officer
Yoshimitsu Hojo
Responsible for azbil Group (aG) production, aG purchasing, Advanced Automation Business, Production Management Headquarters, President of Advanced Automation Company

Aug 1990 Joined the Company
Apr 2011 Manager of Company Business Control Department, Advanced Automation Company
Apr 2013 Executive Officer, Head of Production Management Headquarters
Apr 2014 Managing Executive Officer, Head of Production Management Headquarters
Jun 2014 Director (Present post)
Apr 2016 Managing Executive Officer, President of Advanced Automation Company and Head of Production Management Headquarters
Apr 2019 Managing Executive Officer, President of Advanced Automation Company (Present post)



Director, Managing Executive Officer
Kazuyasu Hamada
Responsible for Building Automation Business, azbil Group Sales Synergy, President of Building Systems Company

Apr 1987 Joined the Company
Aug 2006 General Manager of Security Business Planning Department, Security Business Headquarters, Building Systems Company
Apr 2008 Head of Security Business Headquarters, Building Systems Company
Apr 2011 Head of Security System Headquarters, Building Systems Company
Apr 2013 Executive Officer, Vice Head of Environmental Facility Solution Headquarters, Building Systems Company
Apr 2015 Executive Officer, Head of Environmental Facility Solution Headquarters and General Manager of Environmental Particle Solution Department, Building Systems Company
Apr 2016 Managing Executive Officer, General Manager of Tokyo Head Office, Building Systems Company
Apr 2018 Managing Executive Officer, President of Building Systems Company (Present post)
Jun 2018 Director (Present post)



Outside Director
Mitsuhiro Nagahama

Apr 1976 Joined The Fuji Bank Limited. (Present: Mizuho Bank, Ltd.)
Mar 2003 Executive Officer and General Manager of Otemachi Corporate Banking Division No. 6 and Otemachi Corporate Banking Division No. 7, Mizuho Corporate Bank, Ltd. (Present: Mizuho Bank, Ltd.)
Apr 2005 Senior Executive Officer in charge of Corporate Banking, Mizuho Corporate Bank, Ltd.
Mar 2006 Senior Executive Officer and Head of the Americas, Mizuho Corporate Bank, Ltd.
Apr 2010 Deputy President and Deputy President-Executive Officer and Head of the Americas, Mizuho Corporate Bank, Ltd.
Mar 2013 Retired from Mizuho Corporate Bank, Ltd.
Apr 2013 Chairperson of the Board of Mizuho Securities Co., Ltd. & Mizuho Securities USA Inc.
Apr 2015 Advisor of Mizuho Securities Co., Ltd.
Jun 2015 Outside Audit & Supervisory Board Member of the Company
Mar 2018 Outside Audit & Supervisory Board Member of KUFARAY Co., Ltd. (Present post)
Mar 2019 Outside Director of Tokyo Tatemono Co., Ltd.
Jun 2019 Outside Director of the Company (Present post)
Representative Director of Japan Economic Research Institute (Present post)
Mar 2020 Retired from Advisor of Mizuho Securities Co., Ltd.
Jun 2020 Outside Director of NSK Ltd. (Present Post)
Mar 2021 Retired from Outside Director of Tokyo Tatemono Co., Ltd.



Outside Director
Anne Ka Tse Hung

Jul 1987 Joined Baker McKenzie
Jul 1991 Moved to Baker McKenzie Tokyo
Jul 1999 Partner of the firm
Jul 2018 Senior Counsel of the firm
Mar 2019 Retired from Senior Counsel of the firm
Jun 2020 Outside Director of the Company (Present post)

Audit & Supervisory Board Members

Audit & Supervisory Board Members

Hisaya Katsuta

Tomohiko Matsuyasu

Outside Audit & Supervisory Board Members

Kinya Fujimoto

Minoru Sakuma

Fumitoshi Sato

Managing Executive Officers

Hiroshi Arai

Responsible for azbil Group (aG) Digital Transformation Promotion, aG Information Security, aG Cyber Security, Information Systems Department, Cloud Operation Center, IT Development Headquarters, Cyber Security Office, Head of IT Development Headquarters

Junya Nishimoto

Responsible for aG Research and Development, Product Safety/Quality/Environmental Load Innovation, Technology Development Headquarters, Technology Standardization Department, Valve Production Development Department, Environment Promotion Department, Document Production Department

Akihiko Naruse

Responsible for aG Safety Management (Occupational Health and Safety), Human Resources Department, aG Safety Management Department, Azbil Academy

Tadayoshi Ito

Responsible for aG Marketing (in three growth fields), Service Business, Service Headquarters, IT Solution Department, AI Solution Department, General Manager of Advanced Automation (AA) SS Business*1

Executive Officers

Masashi Hirano

Responsible for Smart Robot Business Development

Takahiro Sakamoto

Head of Technology Development Headquarters

Toshiyasu Sumitomo

Responsible for aG Marketing Support

Takashi Imamura

Head of Production Management Headquarters

Masatoshi Yamada

Head of Group Management Headquarters

Kenichi Hayashi

General Manager of the Building Systems Company (BSC) Business Planning Department

Tetsuya Maruyama

Manager of BSC Chubu Regional Division

Tomoyuki Takeda

Manager of BSC Kansai Regional Division

Takashi Sawada

Manager of BSC Tokyo Head Office

Tetsuya Iwasaki

Responsible for aG System Development, Head of BSC Development Headquarters

Kanichiro Tsuruta

Head of BSC Engineering Headquarters

Toshihisa Murayama

Responsible for Building Automation International Business, Head of BSC Marketing Headquarters, Promotion Member of Strategic Planning & Development Office for Southeast Asia

Tetsuo Takamura

General Manager of AA CP Business*2

Hideaki Ishii

Responsible for aG Production Innovation, AA Development and Quality Assurance

Taro Sento

General Manager of AA IAP Business*3

Tetsuo Kobayashi

Head of Advanced Automation Company (AAC) Business Development Headquarters, Promotion Member of Strategic Planning & Development Office for Southeast Asia

Masahiko Fujikawa

Responsible for aG Quality and Safety Enhancement General Manager of Department of Safety Assessment, General Manager of aG Quality Assurance Department

Akiko Sekino

General Manager of Legal & Intellectual Property Department

Yukiya Kitaura

Responsible for aG Service Business Support, BSC Environmental Solution Headquarters, Head of BSC Facility Management Headquarters

Takashi Igarashi

Responsible for aG Work Style Creation Support, Manager of AAC Tokyo Head Office

*1. Solution and Service business (offering control systems, engineering service, maintenance service, energy-saving solution service, etc.)

*2. Control Product business (supplying factory automation products such as controllers and sensors)

*3. Industrial Automation Product business (supplying process automation products such as differential pressure and pressure transmitters, and control valves)

Communication with Stakeholders that Connects to Co-creating Value

The azbil Group aims to contribute “in series” to the achievement of a sustainable society through its businesses. To accomplish this goal, it is extremely important to comprehend various issues in each country and region, propose solutions, and co-create value toward sustainable growth through interactive communication with our stakeholders. From this perspective, management promotes proactive dialogue and works to create more transparent and trusting relationships with our stakeholders. Recently, we used the opportunity of the an-

System to Co-create Value and Initiatives to Enhance Dialogue

The azbil Group has appointed an executive officer in charge of corporate communication who is putting in place systems to facilitate dialogue with stakeholders in partnerships with various departments within the Group. Through this system, we disclose fair and highly transparent disclosure of information in accordance with laws and regulations. In addition to financial information, we also proactively disseminate non-financial information including the management plan, ESG initiatives, and product and service information.

Specifically, we promote expanded disclosure including the skills matrix to reflect the intentions of revisions to the Corporate Governance Code and the Companies Act. Regarding the disclosure of non-financial information including ESG issues such as climate change and human rights, which have strong interest from capital markets, we are improving disclosure in our integrated report and on our website. We also actively work to expand and improve communication opportunities, including our President and Group Chief Executive Officer giving a presentation on

nouncement of new long-term targets and a new medium-term plan to explain the azbil Group’s direction and the value that our unique automation creates. We have also been working proactively to disclose non-financial information including matters related to ESG and the SDGs, and pursuing creative disclosure methods including remote disclosure using IT and DX to ensure that comprehensive information is delivered appropriately even during the COVID-19 pandemic.

our Group initiatives at Nikkei SDGs Festival and participating in exhibitions and speeches on the SDGs and ESG issues at trade shows and environmental seminars.

As for appropriate choice of information delivery to each of our stakeholders, we use various methods including the Tokyo Stock Exchange’s Timely Disclosure network (TDnet), our website, press releases in newspapers, and other media, and exhibitions and facilities tours using digital content. When disclosing information, in addition to accuracy and quality, we work to build our global brand through unified design imaging and copywriting.



Even During the COVID-19 Pandemic, Continuing to Engage in Appropriate Communications

We expanded disclosure opportunities and maintained fairness by live-streaming our general shareholders’ meeting and financial results briefings online. At our general meeting of shareholders, we worked to ensure prompt disclosure and utilized our voting rights exercise platform. Additionally, at the 99th Ordinary General Meeting of



We conducted the 99th Ordinary General Meeting of Shareholders (on June 24, 2021) by utilizing the internet. Officers who spoke at the meeting participated from Japan and overseas through an online conferencing system.

Shareholders in 2021, to ensure social distancing, we continued to use our online conferencing system for officers’ participation and maintained transparency and fairness in our disclosure even amid the COVID-19 pandemic by live-streaming the contents of the meeting. In our financial results briefings, we provided disclosure of our medium-term plan, and at press conferences, we provided similar online briefings and Q&A sessions, working to ensure and improve the quality of dialogue.

We created opportunities for dialogue globally and improved digital content through online exhibitions and virtual facilities tours.

Exhibitions are the best opportunities to showcase of the azbil Group’s technologies, products, and services. Amid the COVID-19 pandemic, when participating in large exhibitions in

Japan and overseas, we engaged in meticulous operations with the safety of our customers in mind. We also provided exhibition booths in virtual spaces, allowing the same content to be viewed online. Through this initiative, customers were able to view the exhibition content and participate in seminars from anywhere in the world. We also provided virtual tours of the Fujisawa Technology Center, our R&D base in Japan, and the showroom at the Strategic Planning & Development Office for Southeast Asia in Singapore.



Virtual showroom in Singapore. Virtual showroom tours are possible from anywhere at any time. We plan to further expand the digital content that promotes understanding of the azbil Group’s capabilities.

Details of Stakeholder Dialogues (Initiatives and Communication Methods)

	Initiatives	Communication Methods
Customers	Developing better products and services, providing consulting, quality assurance, high value-added engineering, and maintenance services	• Sales and quality assurance activities • Offering safe, dependable, and valuable products and services • Providing information through our website • Establishing an inquiry form on our website • Exhibitions
Shareholders and Investors	Timely and appropriate information disclosure; acquiring appropriate valuations, and providing feedback to the demands from the capital markets	• General shareholders’ meetings, financial results briefings, facilities tours, and exhibitions (including live streaming) • Individual meetings with Japanese and overseas institutional investors and analysts (management participation, establishing the IR Office as a dedicated organization, and shifting to online meetings from FY2020) • Information disclosure through the integrated report (azbil report), business reports, and information disclosure on the Company’s website Investor Relations page for shareholders and investors • Establishment of a disclosure policy and dialogue based on the policy
Business partners and suppliers	Ensuring opportunities for fair transactions and building good partnerships	• Communication through our purchasing operations and our CSR procurement survey • Establishing the azbil Group’s targets for the SDGs in our supply chain (Reference: p. 63)
The local and international communities	Proactive communication to respond to the needs and expectations of the local and international communities. Through various declarations, initiatives, and activities, we are engaged in responsible corporate activities	• Invitations to seasonal events (such as summer evening festivals hosted by the Company) *Currently, the events have been postponed due to the COVID-19 pandemic • Volunteer activities (community cleanup activities, azbil Honey Bee Club) • Participation in international initiatives (UN Global Compact, TCFD, and others) • Biodiversity conservation initiatives (cooperation with Japanese and international NPOs and NGOs)
Employees	Toward our goal of “health and well-being management,” we have built various systems and promote internal communications to enable all employees to work comfortably and exercise their full potential	• Information dissemination through the intranet and Group newsletter • Direct dialogue between officers and employees (global live streaming of messages from the president, Q&A sessions, and online dialogue on an individual workplace level) • Implementing an annual employee satisfaction survey and establishing satisfaction levels as a target for the SDGs (Reference: p. 64) • Regular dialogue between the labor union and management and issuance of joint declarations

Main Declarations and Initiatives in Which We Have Participated and Supported, External Evaluations

Participation and support for declarations and initiatives

- Declaring our support for the Task Force on Climate-related Financial Disclosures (TCFD)
- Signing the United Nations Global Compact
- Climate Change Initiative and the Japan Climate Leaders’ Partnership Endorsement

Status of inclusion in ESG indices and various external evaluations

- Four indices chosen by the Government Pension Investment Fund (GPIF): FTSE Blossom Japan Index, MSCI Japan ESG Select Leaders Index, MSCI Japan Empowering Women Index (WIN), S&P/JPX Carbon Efficient Index
- 2021 Bloomberg Gender-Equality Index
- CDP Climate Change (B valuation) / Water (B-valuation)
- Received the highest level for the Eruboshi certification, which recognizes leading companies based on the Act on Promotion of Women’s Participation and Advancement in the Workplace; Acquired Kurumin certification; Certified as a Health & Productivity Management Outstanding Organization in 2021; Awarded the Toyo Keizai Award at the 3rd “Platinum Career Awards” in 2021.

Status of inclusion in other indices

- FTSE4Good Japan Index, MSCI Japan Index, JPX-Nikkei Index 400

