Message from the CEO

Contributing “in series” to a sustainable society by promoting the azbil Group’s unique business model and growth through “Evolution and Co-creation,” and realizing the Well-being of society and our employees

We will strive for sustainable business expansion, based on both core businesses with extensive customer bases, and growth businesses that target new opportunities offered by technological innovation and emerging societal issues.

Kiyohiro Yamamoto
Director, Representative Corporate Executive,
President & Group Chief Executive Officer

Q1 What changes in the business environment have you been aware of recently?

Generative AI and other recent changes in the business environment will contribute to expanding the role and value of the automation business.

In recent years, there have been sweeping changes in the business environment. As well as geopolitical and supply chain risks, initiatives targeting carbon neutrality are accelerating, and the GX market is expanding. Other changes involve the growing prominence of societal issues, such as labor shortages and soaring personnel expenses. There are also new technological trends, such as generative AI. These changes in the business environment pose a risk if we do not respond appropriately, but they also offer us business opportunities, because using automation technology to solve our customers' issues is central to our work.

To ensure the sustainability of society, every organization that supports it must not only engage in solving the quotidian issues that affect society but also introduce new technologies. The azbil Group is capable of sustainably providing solutions that not only support essential functions—such as facility operation, monitoring, diagnosis, and optimization—but also incorporate the latest technologies. Because automation has such a significant role to play in ensuring the sustainability of society, we will be able to grow as a company while contributing to society. My firm belief in this was reinforced by what I witnessed when we implemented various initiatives under the previous medium-term plan.

Q2 What is your assessment of the course of the previous medium-term plan (FY2021–FY2024)?

Achieved growth in net sales and profits for the fourth consecutive fiscal year, as well as our highest-ever financial results. One issue going forward is how to achieve further sustainable growth.

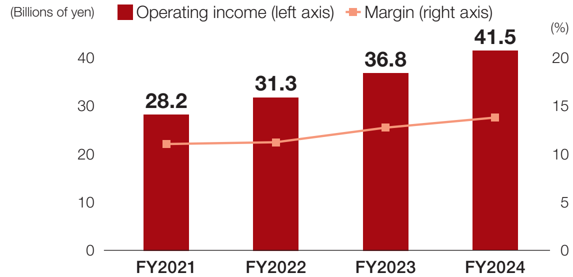
Over the four years of the previous medium-term plan, we made steady progress with our businesses despite rapid changes in the environment, and we implemented significant work style reforms. We worked to strengthen profitability, implementing cost pass-through, while also decisively responding to customer demand by augmenting procurement and production systems. Consequently, we achieved our highest-ever results. Moreover, we have achieved growth in both net sales and profits for four consecutive years. In FY2024, we exceeded the initial targets for net sales, operating income, operating income margin, and ROE. In particular, profitability improved substantially. Being conscious of the cost of capital, we made progress with restructuring our business portfolio. In the Life Automation business, we transferred Azbil Telstar, S.L.U. to Syntegon, a German company.

We thus made steady progress with the previous medium-term plan. At the same time, the issue of how to achieve further sustainable growth grew more pressing. To achieve sustainable growth while responding to changes in the business environment and addressing emerging needs, we will strive to strengthen the azbil Group's unique business model by actively investing in human capital, product competitiveness, and DX. We will also consider collaboration with other companies, including M&A, to address increasingly advanced, complex, and diversified needs.

We have been advancing various measures aimed at expansion in overseas markets, but in order to achieve additional business expansion, I think we must further invest in resources, including personnel, while also enhancing our organizational systems so we can implement appropriate, timely measures that are tailored for each region.

p.15– Message from the Deputy President
p.26– Review of the Previous Medium-term Plan (FY2021–FY2024)
p.37– Global Strategy

Medium-term plan (FY2021–FY2024) results



	FY2021	FY2022	FY2023	FY2024
Net sales	**256.6** billion yen	**278.4** billion yen	**290.9** billion yen	**300.4** billion yen 285.8 billion yen[*1]
[overseas sales]	52.2 billion yen	62.6 billion yen	67.3 billion yen	63.2 billion yen 48.6 billion yen[*1]
Operating income	**28.2** billion yen	**31.3** billion yen	**36.8** billion yen	**41.5** billion yen
Operating income margin	**11.0%**	**11.2%**	**12.7%**	**13.8%**
ROE	**10.4%**	**11.2%**	**14.2%**	**17.9%** 14.2%[*2]

*1 Net sales excluding the impact of the transfer of Azbil Telstar in October 2024.
*2 ROE excluding the extraordinary gains from the transfer of equity interests in Azbil Telstar and other factors.

Q3 What were the key points when setting targets for the new medium-term plan (FY2025–FY2027) and when revising long-term targets for FY2030?

Pursuing sales growth as well as improving profitability in the new medium-term plan, while revising upward our targets for FY2030.

We expect the business environment to continue changing, but under the new medium-term plan (FY2025–FY2027) we will use the azbil Group's unique business model to achieve both sales growth and improved profitability, building on the results of the previous medium-term plan. We are aiming for sales growth greater than what we achieved up to FY2024. As regards profits, while investing for future growth, we plan to achieve, three years ahead of schedule, an operating income margin of 15%, which was our long-term target under the previous medium-term plan.

At the same time, we have upwardly revised our FY2030 long-term targets for both net sales and profits. This reflects our firm belief that we will be able to achieve further growth not only supported by our core businesses, in which we can expect stable and continuous demand thanks to our long-established customer base, but also by developing growth areas.

Growth areas are fields that require technological innovation—in semiconductors and data centers, for example—as well as those focused on solving societal issues, such as the challenges of attaining carbon neutrality and handling labor shortages. As specific examples, in the Building Automation business we will expand business in the thriving domestic market by offering high value-added systems and services, such as GX solutions. At the same time, overseas we will also deploy our domestic business model, in which we provide equipment, systems, and services throughout a building's life cycle. In addition, we will take steps to make operations more efficient, such as introducing products with simpler installation requirements. In the Advanced Automation business, we will develop products and services tailored to new demands for measurement and control, and launch them in domestic and overseas markets. In the Life Automation business, we will aim for further growth from the development and sale of next-generation smart meters, as well as from expanding our smart metering as a service business.

The new medium-term plan covers a period in which we will be making significant investments to achieve sustainable growth, with a view to achieving our long-term targets for FY2030 and beyond. With the business environment

Outline of the New Medium-term Plan (FY2025–FY2027)

- **The new medium-term plan (FY2025–FY2027) envisages the realization of "Evolution and Co-creation" aimed at contributing "in series" to the achievement of a sustainable society and the realization of the well-being of society and Group employees.**
- **It is expected that the business environment will continue to demonstrate a high degree of uncertainty (e.g., global geopolitical risks, inflation), but through "Evolution and Co-creation," and with "the azbil Group's unique business model" (see p.8) we will realize both sales expansion and improved profitability, aiming to achieve further business growth, including business portfolio restructuring.**
- **To reinforce our business model, we will steadily invest in the requisite strengthening of human capital, product competitiveness, and DX promotion. At the same time, we will continue to bolster the management foundation.**

Long-term target

FY2030

Through business expansion, we aim to realize the well-being of society and Group employees by making contributions that lead "in series" to a sustainable society.

expected to remain in flux, now is exactly the right time for us to focus in earnest on measures for future growth.

p.27– Key Points of the New Medium-term Plan (FY2025–FY2027)
p.31– Building Automation Business
p.33– Advanced Automation Business
p.35– Life Automation Business
p.37– Global Strategy

Q4 Please describe the azbil Group's unique business model.

Achieving sustainable business expansion with the azbil Group's unique business model, based on a cycle comprising core businesses and growth businesses

In the recently announced new medium-term plan, we have redefined the azbil Group's unique business model, which is based on a cycle comprising core businesses

The azbil Group's unique business model

Growth businesses

Businesses operating in markets where there is demand for harnessing technological advances and resolving societal issues

Enlarging the customer base by introducing new products and services that are on the cutting edge

Examples: Cutting-edge products and services in each business

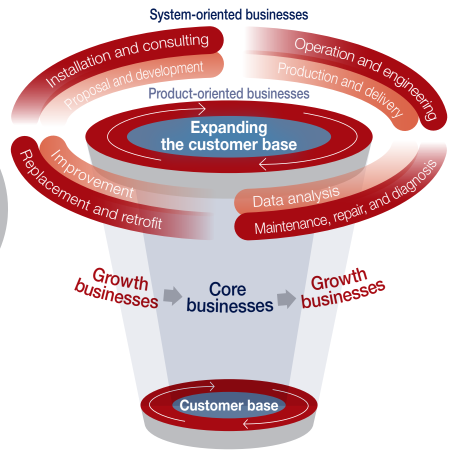
In the BA business, GX solutions for saving energy and utilizing renewable energy; in the AA business, MEMS sensors for semiconductor manufacturing equipment and other FA; and in the LA business, smart metering as a service

Core businesses

Businesses with an existing customer base, established over many years

Sustained improvement of profitability is possible through DX promotion. We will realize growth through expansion of the customer base

Example: Retrofit and servicing of existing systems based on the customer base of each business



Wide customer base (plants/factories, commercial buildings, lifeline utilities)

and growth businesses. This reflects our understanding of what kind of initiatives are needed to contribute, through business expansion, to the well-being of society and our employees by contributing "in series" to the achievement of a sustainable society amid unabated change in the business environment. With substantial changes occurring in our environment, to continue operating as a group it is essential that we have a business foundation that is resistant to such changes while at the same time pursuing business growth based on the opportunities that result from changes in society. It was when I took a fresh look at the Group's businesses from this perspective that I understood that the azbil Group's unique business model is now established.

Current azbil Group businesses can be broadly divided into two categories: one is recurring or core businesses, and the other is growth businesses. An advantage we have is that our extensive customer base covers factories, commercial buildings, and lifeline utilities—meaning that we are not easily affected by changes in a specific market. In our core businesses—which have broad, stable customer bases with strong relationships developed over many years—we can constantly maintain and enhance profitability using DX and other technologies to provide products and services that will contribute to solving new issues. Our growth businesses find new opportunities in technological innovation, such as semiconductors, and societal issues, such as carbon neutrality. We can work to develop and expand the customer base by introducing cutting-edge products and services to new customers, not just in Japan but also overseas.

Our business model is based on a cycle: As we expand the customer base in our growth businesses, we improve sustainability and profitability in our core businesses, which leads to the creation of the next growth business (growth businesses ⇒ core businesses ⇒ growth businesses). The fact that we can use this cycle to achieve sustainable business expansion is one of the key characteristics and strengths of the azbil Group, which integrates everything from development and production to consulting, engineering, and maintenance services. We have long been engaged in this process and have now defined it as the "azbil Group's unique business model," which we aim to further strengthen.

p.27– Key Points of the New Medium-term Plan (FY2025–FY2027)

To further strengthen the azbil Group's unique business model, we must ourselves undergo change to adapt to changes in the environment. In other words, we must "evolve." Over the course of the new medium-term plan, we will actively invest in such evolution. However, in a world of change it will not be enough for us merely to evolve. We will thus collaborate with external partners, on an equal footing, utilizing our respective strengths as we engage in the "co-creation" of new value. This will include providing the means to enhance the sustainability of society as a whole. This is the concept behind the major theme of our new medium-term plan: "Evolution and Co-creation."

Q5 What points will you be focusing on in investments to strengthen the azbil Group's unique business model?

Actively investing in three areas: human capital, product competitiveness, and DX promotion

To further strengthen the azbil Group's unique business model and achieve sustainable growth, we will actively make necessary investments over the three years covered by the new medium-term plan. We will focus on three areas: human capital, product competitiveness, and DX promotion.

Human capital is extremely important for the azbil Group, given that we provide solutions using an integrated system, ranging from development and production, to consulting, on-site engineering, and services. First, to expand our growth businesses and core businesses, we will focus on securing and training human resources aligned with the relevant business strategy. In particular, we will work to secure and develop human resources with the ability to offer solutions and human resources ready for active participation in the global arena. We will also enhance our HR systems to ensure that those who generate results and those who perform key functions are able to receive appropriate compensation. In addition, by introducing various incentive plans as part of our investment in human capital, we will create a robust system that enhances employee ownership and engagement, so that the company and employees work together to achieve our targets.

We will accelerate the launch of new offerings (products and services) by investing in product competitiveness. We will develop a range of competitive offerings by further enhancing our proprietary, core measurement and control technologies and our application technologies, which represent azbil's strengths. Specifically, we will focus on the development of cloud-based services and AI applications, MEMS-based sensing technology, and actuator technology.

We will also emphasize the development of the DX-related products and services required by our customers, while harnessing digital technology to enhance operational efficiency and profitability in areas such as development, manufacturing, engineering, and services. In particular, to enhance productivity and expand our businesses overseas, we will strengthen our infrastructure for providing high-quality services. It is important that these three areas of investment correlate closely and are aligned. It goes without saying that DX is essential for strengthening product competitiveness. Of course, our products are themselves important azbil solutions, but a distinctive characteristic of the azbil Group is the fact that we also create value for the customer with on-site solutions, such as engineering and services. For this reason, strengthening product competitiveness is inseparable from human capital. Furthermore, with AI leading to greater labor-saving and increased efficiency, our approach to investing in human capital will change. Our basic approach to investment under the new medium-term plan will be to steadily achieve sustainable growth by actively investing in these three related areas.

p.15– Message from the Deputy President
p.39– Digital Transformation (DX)
p.41– Research and Development
p.52– Human Capital

Q6 How will you expand overseas markets?

Globally offering products and services that have been well received in Japan, while building customer trust and a solid track record

In the azbil Group's businesses, we must supply products and services over the long term. So one distinctive characteristic of our businesses is that expansion is only possible by building customer trust and a solid track record. At present, the azbil Group's relationships with overseas customers are not yet as robust as they are in Japan. However, our overseas businesses are steadily growing thanks to progress made with product and sales measures, and in each region we are building customer trust and a track record.

In the Building Automation business, we have implemented initiatives aimed at securing contracts from local building owners by drawing on the experience we have gained from overseas projects involving Japanese capital. With the drive to decarbonize and surging energy prices, azbil's domestic business model, in which we conserve energy throughout a building's life cycle, has now been well received by building owners overseas as well; it has become a key factor differentiating us from competitors. In the future, we will strive to achieve further growth through such measures as developing global account customers and securing contracts for data centers, a market that is expected to grow, in addition to taking on projects for local building owners.

In the Advanced Automation business, there is emerging and growing demand for solutions to new issues that will ensure the competitiveness of our customers. For example, in the semiconductor manufacturing equipment market there is strong demand for advanced sensors that utilize MEMS technology. Here too we aim to expand business by introducing our automation equipment and systems that utilize the azbil Group's proprietary technologies and which have a strong track record in Japan.

Products and services that have proved popular in Japan have also been well received by overseas customers. I believe that it is certainly possible to grow our overseas businesses if we take advantage of the azbil Group's unique business model and offerings (products and services). Measures we can take include further strengthening our sales, engineering, and service systems; promoting DX, to include marketing automation; and expanding customer coverage by rolling out measures that clearly target specific markets and customers.

p.37– Global Strategy

Q7 What is your approach to strengthening the management foundation for supporting sustainable growth?

Promoting sustainability management, focusing on organizational restructuring and management for growth that is conscious of the cost of capital, and continuing to strengthen corporate governance

To execute our new medium-term plan and achieve sustainable growth by strengthening the azbil Group's unique business model, we have also been working to enhance various aspects of the management foundation.

As part of our organizational restructuring to achieve growth, in April 2025, we established the new Group

Management Strategy Department, which is charged with refining our growth strategies and optimizing our business portfolio. Going forward, we will continue promoting organizational restructuring for growth, creating entities for the development and execution of strategies tailored to the unique characteristics of each region overseas. In addition, we will practice management that is conscious of the cost of capital. This includes the adoption of return on invested capital (ROIC) as a company-wide standard for management decisions, and planning for investment in growth that effectively utilizes our balance sheet. Regarding sustainability management, we have set unique goals for the SDGs based on materialities that we have identified, as well as goals in the form of a CSR activity plan that details our approach and the fundamental obligations that we as a company must fulfill to be a member of society. In accordance with these goals, we aim to establish a sustainable business foundation through activities such as promoting CO_2 emission reduction, promoting diversity, equity and inclusion, and strengthening our risk management system.

Following our transition to a company with a three-committee board structure in FY2022, we have continued to strengthen corporate governance. In FY2025, we further enhanced the independence and supervisory functions of the Board of Directors, reducing the number of members from 12 to 10, creating a structure in which 70% of directors are outside directors, 30% are women, and the chairperson of the Board is an outside director.

p.30 Group Management Strategy
p.37– Global Strategy
p.50– Sustainability Management
p.58 Human Rights Initiatives
p.59– Environment
p.67– Supply Chain
p.71– Risk Management
p.77– Corporate Governance

Q8 What will you be focusing on in business operations and in initiatives to achieve business growth?

Aiming to solve issues at customer sites and working with integrity to create value, thereby contributing to the well-being of society and our employees

If I were to choose one word to express the uniqueness of azbil, it would be “integrity.” Beginning with our founding spirit of “freeing people from drudgery,” there have been numerous examples throughout our history that demonstrate azbil’s integrity. One such instance was when we paid patent fees to Brown Instrument Co. as a lump sum after World War II, having been unable to remit the funds in wartime; another example is the 50:50 partnership with Honeywell Inc. The more disruption there is in society, the more important it is to plant one’s feet firmly on the ground and aim for steady progress. For this reason, I think the simplicity of living and working with integrity day by day is important.

In my view, the strengths of the azbil Group lie not only in our development, manufacturing, and sale of products and services that incorporate state-of-the-art technology but also in our ability to work as a partner with our customers, at their sites, to make possible things that they previously thought impossible, in order to solve their issues, and thus create new value. Regardless of how far and how fast AI progresses, there will always be physical, on-site operations. That is why employees who are able to create value on site are extremely valuable.

So that such employees feel a sense of purpose and grow through their involvement in azbil’s businesses, in their own way and from their own standpoint, we must ensure that they understand and share the direction of the azbil Group. To achieve this, we are focusing on enhancing internal communication and strengthening employee engagement. It is also important that the type of value creation that the azbil Group is aiming for, and our vision, are clearly communicated to our customers. We will focus on corporate branding to ensure global understanding of azbil’s vision.

In this way, management and employees will work with integrity as a single team, partnering with our customers and society, to solve issues on site and create new value. By doing so, the azbil Group aims to contribute to the well-being of society and its employees, through business expansion based on contribution “in series” to the achievement of a sustainable society. We will fulfill the expectations of each type of stakeholder. This can take various forms, including pursuing business growth at the same time as improving returns for the shareholders who support the azbil Group’s philosophy and businesses. We sincerely hope we can continue to count on your support for the azbil Group’s initiatives for many years to come.

p.3 The azbil Group’s DNA and Our Future Vision
p.87– Stakeholder Engagement

Message from the Deputy President

As we continuously restructure our business portfolio, we are also actively investing for growth through "Evolution and Co-creation." At the same time, we aim to further enhance enterprise value by practicing sustainability management.

Takayuki Yokota
Director,
Representative Corporate Executive
Deputy President

Q1 Please review the previous medium-term plan (FY2021–FY2024).

Amid major changes in the business environment, continued to grow and, through flexible management, achieved the targets set in the previous medium-term plan

Looking back over the four years of the previous medium-term plan, people's lifestyles and our work styles underwent considerable changes as a result of the COVID-19 pandemic. There was also a rapid succession of upheavals: parts shortages due to global supply chain disruptions; increasing costs for materials and higher personnel expenses as a result of inflation; international conflicts and other geopolitical risks; and, in technology, the emergence of generative AI.

Amid these changes, we responded decisively to the challenging conditions and demonstrated flexibility in adjusting management. As a result, we continued to grow, and we achieved the targets initially set in our medium-term plan. Of particular note is our operating income margin: the initial target was 12%, but we significantly surpassed this, achieving a margin of 13.8% in FY2024. In addition to improving profitability, I believe our actions showed discipline: We invested profits in human capital, facilities, and other areas to achieve our next stage of growth, and we returned profits to shareholders through higher dividends and share buybacks.

The reason we were able to survive these major shifts in our environment lies in our expertise in the automation business, for which there has been strong demand. Also important was a shared sense of urgency and our quick response. In FY2022, we transitioned from a company with an audit & supervisory board to a company with a three-committee board structure, resulting in a system that enables the executive side to use its entrusted authority to take responsibility and act with speed. I believe our performance was partly due to this system functioning well. Among our immediate tasks are ensuring that this new system firmly takes root and that it matures, coming closer to its completed form.

Another issue concerns how to restructure our business portfolio. We must make strategic investments in human resources and other areas in order to expand our growth businesses and, in particular, strengthen our operations overseas. We intend to focus on this strategy in our new medium-term plan.

p.26 Review of the Previous Medium-term Plan (FY2021–FY2024)

Q2 What are your thoughts on restructuring the business portfolio?

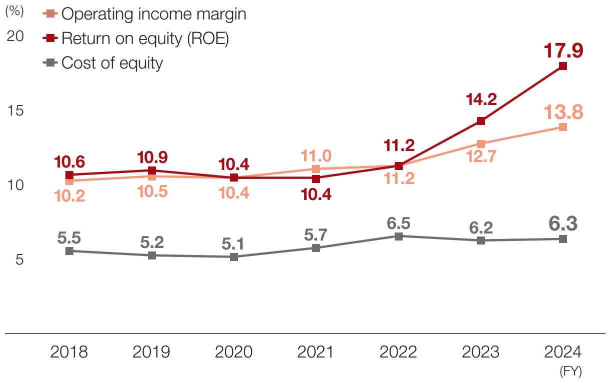
Restructuring the business portfolio while emphasizing group synergies and governance

As regards the azbil Group's businesses, we ensure a solid business foundation and continuously provide value to customers, enabling us to secure their trust while improving profitability and achieving growth. That is why we are constantly managing our business portfolio by examining each of our businesses and considering how we can generate a good return on invested capital. From the perspective of capital efficiency, in FY2021 we introduced return on invested capital (ROIC) as a key management indicator to enable us to achieve optimal capital allocation.

As one result of such initiatives, in October 2024 we transferred all equity interests in Azbil Telstar, S.L.U., headquartered in Spain, to another company; this is because we could not foresee it making a sufficient contribution to the azbil Group's business portfolio. Azbil Telstar's pharmaceutical manufacturing equipment business can leverage the Group's expertise in measurement and control technologies. However, amid global competition, the market has been undergoing rapid restructuring aimed at strengthening solutions capabilities, making it difficult for us to leverage our current know-how. In addition, Azbil Telstar operates not just in Europe, where it is located, but also in emerging markets in Asia and South America, and it was felt that this presented issues from a governance perspective. Following negotiations, it was determined that the acquiring party would be a German company possessing the requisite technical and market-response competences, which agreed that the employees of Azbil Telstar would be kept on following the transfer. This achieved the goal of restructuring while also generating gains from the transfer. I believe the outcome was beneficial to both parties.

In light of this experience, when restructuring our business portfolio, we will place greater emphasis on businesses that are highly aligned with our technologies and that can generate synergies within the Group, as well as considering whether we can continue to support the business from the perspective of governance and other aspects. Thanks to our business portfolio restructuring initiatives, our ROIC has been rising. But we will not rest. We are aiming to achieve our ultimate ROE target with a strong sense of urgency. As part of its analysis of the progress of the medium-term plan, the Board of Directors will regularly review our business portfolio, as we endeavor to sustainably enhance enterprise value through the strategic allocation of management resources.

Operating income margin, ROE, cost of equity



	Medium-term plan (FY2027)	Long-term targets (FY2030)
Operating income margin, ROE targets (announced on May 13, 2025)	**Operating income margin: 15%** **ROE: 14%**	**Operating income margin: 15.5%** **ROE: 15%**

Notes:
1. ROE excluding the extraordinary income from the transfer of Azbil Telstar was 14.2%.
2. FY2024 azbil Group ROIC (trial calculation) was 12.6%. ROIC excluding special factors such as the transfer of equity interests in Azbil Telstar was 10.3%.

Priorities when investing for the new medium-term plan

Strengthening human capital	Strengthening product competitiveness	Promoting DX
Total personnel expenses +¥32 billion	**R&D expenses +¥9 billion**	**DX (IT) investment +¥5 billion**
Secure and develop essential human resources to execute business strategies (personnel with strong solution capabilities and global talent) to expand both core and growth businesses	Enhance unique measurement and control technologies and application technologies to develop a range of competitive products	Create digital products and services that enhance customer satisfaction, improve operational efficiency and profitability by utilizing AI

Note: The above increases in investment refer to the entire period (three years) covered by the new medium-term plan (FY2025–FY2027).

Q3 Please explain your investment policies for the new medium-term plan (FY2025–FY2027).

Actively investing in human capital, strengthening product competitiveness, and promoting DX, while also investing for growth to achieve business expansion through leveraging our balance sheet

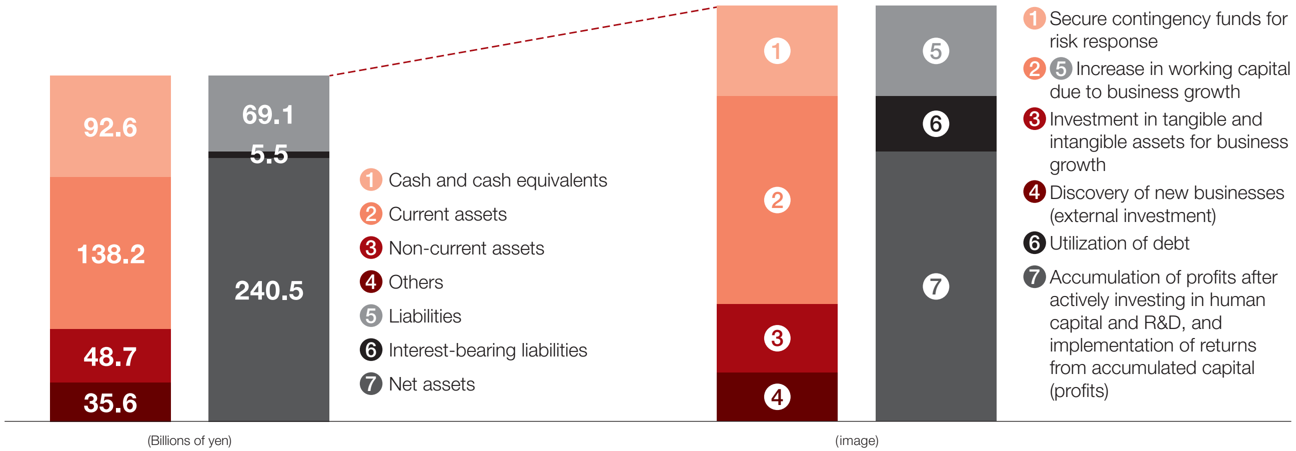
In our new medium-term plan, we will focus on "Evolution and Co-creation" aimed at contributing "in series" to achieve a sustainable society. We will be targeting further growth not only in our core businesses, based on the strong ties we have built up with our customer base over many years, but also through the development of growth markets for which technological advances and solutions to society's issues are key. We have set the following targets for FY2027, the final fiscal year of the plan: net sales of ¥340.0 billion, an operating income of ¥51.0 billion, an operating income margin of 15.0%, and ROE of 14%. We have also made upward revisions to our long-term targets for FY2030.

To ensure business growth, which is the foundation for achieving these targets, we will actively invest in developing human capital, strengthening product competitiveness, and promoting DX. Specifically, over the course of the medium-term plan, we plan to increase our investments by a total of ¥50.0 billion. Of this, ¥32.0 billion is for investment in human capital aimed at securing and training personnel with solution capabilities and global talent aligned with our business strategy; ¥9.0 billion is for R&D expenses to strengthen product competitiveness, making use of our proprietary measurement and control core technologies and

Achieve the next stage of growth through fostering the growth of existing businesses and investing in new ventures by the strategic allocation of assets and liabilities

B/S at the end of the previous fiscal year
(March 31, 2025)

Projected B/S at the end of the new medium-term plan period
(March 31, 2028)



- **Through the reduction of inventory and held stocks, our financial stability has become robust. The increased cash is allocated to returns.**
- **We constructed a new facility at the Fujisawa Technology Center to strengthen R&D infrastructure for business growth and to provide a space where the future vision of our offices can be experienced.**

- **We anticipate approx. 50.0 billion yen in investments for business expansion during the new medium-term plan period, considering not only available funds but also the proactive use of debt.**
- **With a focus on cost of capital, we will allocate cash to investments and returns. We aim to continuously increase dividends to secure a dividend on equity (DOE) above 6%.**

application technologies; and ¥5.0 billion is for promoting DX, to develop DX-related products and services, enhance operational efficiency, and boost profitability. In addition, we plan to actively consider investment in external resources for business expansion, including M&A.

When investing for growth to achieve business expansion, including M&A, we will leverage our balance sheet, which at present is healthy, with low debt and a high shareholders' equity ratio. In terms of corporate strategy, however, we believe that using different sources of financing, including external funds, to grow our businesses while lowering overall funding costs is a desirable method of increasing enterprise value for shareholders. Accordingly, our basic approach in the new medium-term plan is to target growth through new investments to the value of ¥50.0 billion, using not just funds on hand but also actively utilizing debt.

p.27– Key Points of the New Medium-term Plan (FY2025–FY2027)

Q4 What are your views on sustainability management?

Focusing on sustainability management while flexibly responding to changes in society's concerns and issues

When working to achieve the targets in our management plan, ensuring the continuous and stable growth of the azbil Group, as well as contributing to the sustainability of society, are important objectives. In that sense, we intend for sustainability management to remain an important focus in our new medium-term plan, while also ensuring that we communicate appropriately with our stakeholders to update them on our progress.

Based on the materialities that we have identified from the perspective of contributing "in series" to a sustainable society and sustainability, we have determined four "essential goals of the azbil Group for the SDGs": "Environment and Energy," "New Automation," "Supply Chain, Social Responsibility," and "Health and Well-being Management, An Organization That Never Stops Learning." For each of these goals, we have set specific targets for FY2030. In addition, we have established targets in the form of CSR activity plans, which cover what we consider to be the fundamental obligations that we must fulfill as a company to exist in society, such as product safety and quality, and compliance. We are promoting initiatives with our SDG goals and CSR activities serving as the two pillars of the azbil Group's sustainability management.

For example, if we look at the environment, in addition to the existing focus on CO_2 emissions, water resources and biodiversity have recently become major topics of discussion. As an organization whose own sustainable growth is inseparable from the realization of a sustainable society, the azbil Group must respond flexibly and actively as such issues emerge and evolve. We will not change our sustainability goals; however, if necessary, we will flexibly revise our approach—methods and targets—as well as materialities, depending on the circumstances, even during the period of the new medium-term plan. We will also reconsider information disclosure and accountability in accordance with any new laws or regulations related to sustainability.

Q5 What is your approach to capital policies and shareholder returns?

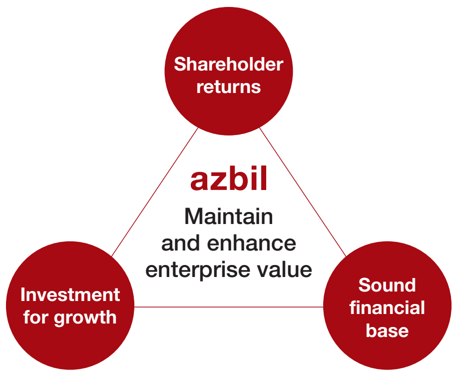
Regarding shareholder returns, planning a dividend increase for the 11th consecutive year and a ¥15.0 billion share buyback

In the new medium-term plan, there will be no change to the azbil Group's existing basic policy of maintaining and enhancing enterprise value through disciplined capital management that carefully balances three key elements: promoting shareholder returns, investing for growth, and maintaining a sound financial base. Over the course of this new medium-term plan, we are putting special emphasis on achieving steady growth through active investment, as already described. The cash generated from growth will be progressively put into shareholder returns, providing dividends and implementing share buybacks, as well as being allocated to investments.

In FY2024, we increased the year-end dividend by ¥2 per share from the amount previously announced, raising the annual dividend to ¥24 per share. Compared with FY2023, this was equivalent to a dividend increase of ¥5 after adjustment for the stock split. In FY2025, we plan to further increase the dividend by ¥2, for an annual dividend per share of ¥26; this will be the 11th consecutive dividend increase. We expect this to result in a DOE of 5.6%, and we aim to achieve a DOE of 6% in the future through continued increases. DOE is an indicator that we have been using to assess dividend levels.

In addition, based on the results of our previous medium-term plan, including improvements to our profit structure resulting from business restructuring initiatives, we are implementing a ¥15.0 billion share buyback in FY2025. This is for the purpose of returning profits to shareholders and enhancing capital efficiency. We also canceled 19.3 million

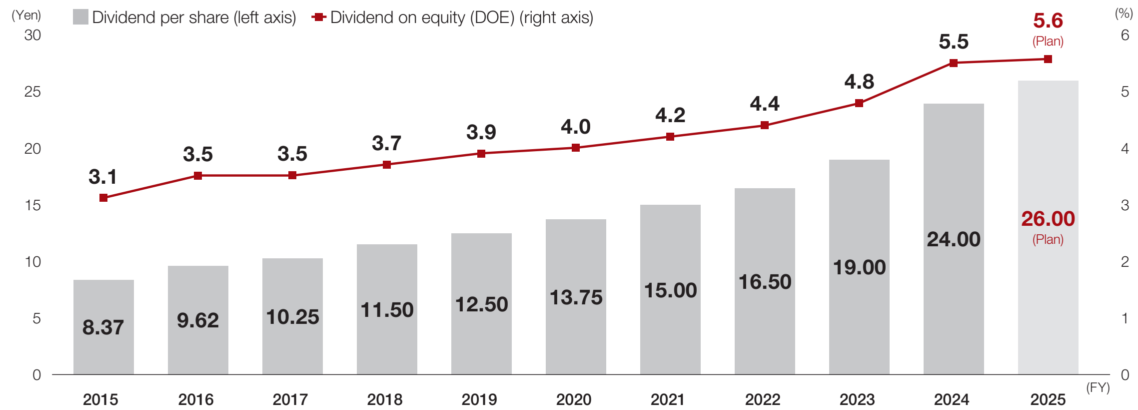
Basic policy



Developing disciplined capital management and maintaining and enhancing the azbil Group's enterprise value, while carefully balancing three key elements: promoting shareholder returns, investing in growth, and maintaining a sound financial base

Trend of shareholder returns

The year-end dividend for FY2024 was increased by ¥2 from the initial plan. It is planned to further increase the annual dividend —for the 11th consecutive year—by ¥2 to ¥26 per share from FY2024.



	2015	2016	2017	2018	2019	2020	2021	2022	2023	2024	2025
Total amount of own stock repurchased (billions of yen)	2.0		3.0	5.0	9.9		10.0	10.0	10.0	15.0	15.0 (Plan)
Number of shares repurchased (millions of shares)	4.80		5.71	7.49	14.87		9.01	10.68	8.77	12.47	24.00 (Plan)

Note: The dividend per share and total number of shares repurchased have been retroactively adjusted to take into account the effect of the stock splits in October 2024 and October 2018.

treasury shares, with a book value of approximately ¥20.0 billion, on May 30, 2025. This was because, in addition to the ¥15.0 billion share buyback, of the company's own stock repurchased in the previous fiscal year, more than ¥5.0 billion in treasury shares originally intended for investment in human capital (for the Trust-Type Employee Shareholding Incentive Plan) remained unused as the required shares were allocated through market procurement. In this way, we also conduct disciplined management of treasury shares.

Q6 What initiatives are you implementing to strengthen human capital?

Boosting employee engagement with incentive plans that utilize treasury shares

Over the period of the new medium-term plan, we plan to increase investment in human capital by ¥32 billion, as previously mentioned. We expect an average annual growth rate of 5.8%. So, in addition to raising wages, we will bolster our workforce—mainly outside Japan—to enable us to keep pace with that level of growth.

When strengthening human capital, it will of course be important that we focus not just on quantity but also on quality. In terms of strengthening quality, in addition to meeting such challenges as human resource development and the transfer of skills, we consider promoting diversity, equity and inclusion to be important. As regards the active participation of women, for example, at Azbil Corporation, the main company in the Group, our target is to increase the proportion of female employees in managerial or specialist positions from the current level of 7% to above 10% by FY2030. In addition, by FY2027 we plan to increase the proportion of female employees in managerial or specialist positions across all domestic group companies, doubling the figure for FY2017.

Employee engagement is also important for strengthening human capital. As one way to strengthen this, we have introduced incentive plans that make use of Azbil's own stock. Specifically, there are three plans: the employee stock ownership plan with restricted stock (J-ESOP-RS), a special incentive scheme, and the Trust-Type Employee Shareholding Incentive Plan (E-Ship®). The J-ESOP-RS includes transfer restrictions, so employees cannot sell their shares until they leave the company, but the introduction of this scheme will enable employees to receive dividends and exercise voting rights. Each of these plans will contribute to employees' asset formation as a welfare benefit, while also increasing their interest, as shareholders, in Azbil's business performance and share price. We anticipate that this will encourage them to "take ownership" of management plans and initiatives. We believe that enhancing employee engagement will result in a shared sense of ownership, and thus contribute to enhancing enterprise value.

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Q7 Finally, is there anything you would like to communicate to the azbil Group stakeholders?

Enhancing the sense of accelerating growth through our own "Evolution and Co-creation" with stakeholders

Over the course of the previous medium-term plan, the azbil Group achieved steady growth, despite the challenges of a changing business environment. Having launched our new medium-term plan, we now face a business environment that is even more unpredictable and uncertain. Nevertheless, we believe we will be able to overcome the challenges by accurately identifying problems and quickly addressing them. We will secure profits by addressing specific issues—such as appropriately applying cost-pass-through for inflation-driven increases in personnel expenses and materials costs. At the same time, we will use investment, including M&A, to ensure growth accelerates. We have made upward revisions to our long-term net sales and profit targets for FY2030. These revisions are based on the results of various initiatives under the previous medium-term plan, especially those designed to strengthen profitability. In addition to achieving our targets for the final fiscal year of the new medium-term plan, we plan to reinforce the sensation of accelerating growth as we look toward our newly revised targets for FY2030.

The theme of the new medium-term plan is "Evolution and Co-creation." "Evolution" refers to our efforts to reconstitute azbil so as to adapt to environmental changes. "Co-creation" refers to creating—together with our various stakeholders, including external resources and employees—new value, enhancing stakeholder engagement and driving growth. Responding to change and sustainability are both firmly built into our management. With the transition to a company with a three-committee board structure, we have created a stronger governance system that is highly transparent, while also increasing the speed of business execution. Going forward, we will continue growing to fulfill the expectations of stakeholders, so I hope we can count on your support.