Medium-term Plan Initiatives to Achieve Our Aims for FY2030

Further growth

Medium-term plans
FY2013–FY2016
FY2017–FY2019

FY2020
Safety

FY2021–FY2024
Medium-term plan
Transformation

FY2025–FY2027
New medium-term plan
Evolution and Co-creation

FY2030
Long-term targets
Contributing "in series" to the achievement of a sustainable society
Sustained increases in enterprise value

During the COVID-19 pandemic, we operated with the utmost consideration for the safety of customers and employees, while also accommodating new work styles.

In response to challenges such as supply chain issues, parts shortages, and inflation, we have implemented measures—such as improving procurement and production processes and implementing cost pass-through—to enhance profitability, improve operational efficiency, and expand business.

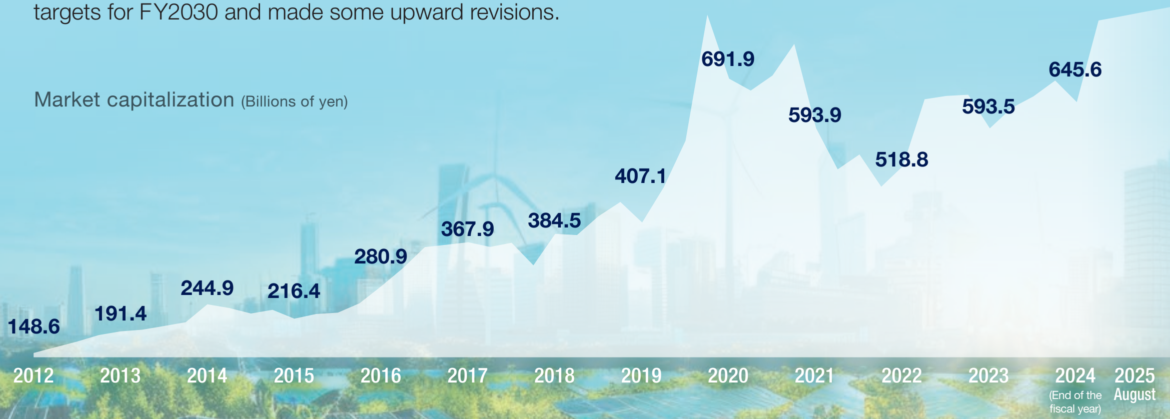
While the business environment remains uncertain, we will strive to attain further growth based on the theme of "Evolution and Co-creation."

We have formulated a new medium-term plan aimed at achieving growth and our long-term targets for FY2030, and will implement investments accordingly.

The roles required of automation are expanding due to technological innovations in areas such as semiconductors and new challenges arising from changes in the societal environment, such as the drive for carbon neutrality. The azbil Group sees this growing importance of automation as a business opportunity for solving issues and creating value on site together with customers and society. By doing this, we will be contributing "in series" to the achievement of a sustainable society while also growing ourselves and increasing our enterprise value. Our goals in this respect have been set as our long-term targets for FY2030, which we are currently striving to achieve.

With the aim of realizing these long-term targets, we have steadily implemented the necessary measures and investments under our previous medium-term plan while responding to various changes in the business environment, including the COVID-19 pandemic, supply chain issues, parts shortages, and inflation. With our previous medium-term plan, we achieved significant results, especially in terms of profitability, by working on transformation measures aimed at improving profitability, expanding business, and enhancing productivity. In our new medium-term plan, starting from FY2025, we have set performance goals, with profit targets being brought forward in light of the results already achieved. We also reviewed our long-term targets for FY2030 and made some upward revisions.

Market capitalization (Billions of yen)



Performance goals in the new medium-term plan and revised long-term targets

	FY2024	FY2027	FY2030	
	Results (May 13, 2025)	New medium-term plan (May 13, 2025)	Previous medium-term plan (initial) (May 14, 2021)	Revised targets (May 13, 2025)
Net sales	¥300.4 billion ¥285.8 billion *1	¥340.0 billion	¥400.0 billion	¥420.0 billion
Overseas sales	¥63.2 billion ¥48.6 billion *1	¥62.0 billion	¥100.0 billion	¥100.0 billion
Operating income	¥41.5 billion ¥41.0 billion *1	¥51.0 billion	¥60.0 billion	¥65.0 billion
Operating income margin	13.8%	15%	15%	15.5%
ROE	17.9% *2	14%	13.5%	15%

Achieved 3 years ahead of schedule

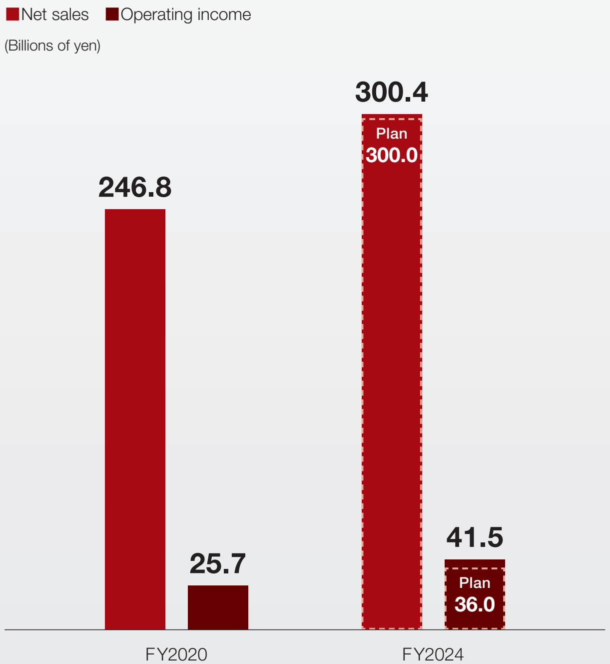
*1 Net sales, overseas sales, and operating income, excluding the impact of the transfer of Azbil Telstar in October 2024
*2 Excluding extraordinary income, such as gain on transfer of equity interests in Azbil Telstar, S.L.U., ROE was 14.2%.

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

In FY2024, the final year of the previous medium-term plan, we were able to exceed the targets set in the initial plan (May 2021) for net sales, operating income, operating income margin, and ROE. In particular, profitability substantially improved. Both operating income and the operating income margin increased significantly following investments made to enhance human capital and product competitiveness, and to promote DX. We also made steady progress with non-performance objectives and measures, such as business portfolio restructuring (the transfer of Azbil Telstar) and non-financial objectives such as those relating to the environment and governance.

p.21- Materiality and the Essential Goals of the azbil Group for the SDGs

Results and plan



Strategies/targets and actual results under the previous medium-term plan

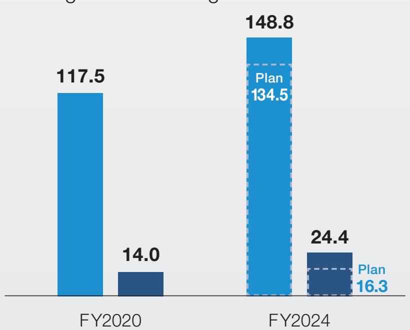
		Strategies and targets (formulated in May 2021)	Results and evaluations
Growth potential	Net sales	FY2024: ¥300 billion	• ¥300.4 billion (FY2024), **4 consecutive years of growth, culminating in new sales record**
Profitability	Operating income and operating income margin	FY2024: ¥36 billion (12%)	• ¥41.5 billion (13.8%) (FY2024), **4 consecutive years of growth, culminating in new profit record**
Efficiency	ROE	FY2024: approx. 12%	• 17.9% (FY2024) Excluding extraordinary income, such as gain on transfer of equity interests in Azbil Telstar, ROE was 14.2%.
Capital policy	Shareholder returns Investment for growth Sound financial base	Pursue disciplined capital management while carefully balancing three key elements: enhancing shareholder returns, investing in growth, and maintaining a sound financial base	• 24 yen per share annually (DOE 5.5%) (FY2024), **10 consecutive years of dividend increases** • **Continued flexible purchase of treasury shares** (¥15 billion); also cancellation of treasury shares (¥5 billion) Acquired **treasury stock used for human capital investment** (FY2024) • Implemented a 4-for-1 common **stock split** (October 1, 2024) • Maintained a **long-term rating of A+** from R&I (Rating and Investment Information, Inc.)
Product development	R&D expenses	Strengthen system solutions and device development capability	• FY2024 R&D expenses (R&D expenses/net sales): ¥12.7 billion (4.2%) Continuous investments on the order of ¥12 billion per year were made during the previous medium-term plan period.
Capital expenditure	Strengthen technological development, manufacturing, and procurement system	Invest in strengthening the functionality of the R&D center Reinforce and expand domestic and overseas production bases	• New buildings added to the R&D center (Fujisawa Technology Center) (FY2022) • Constructed new factory buildings at our production bases in China (FY2022) and Thailand, and established a manufacturing subsidiary in Vietnam (FY2024)

Initial plans and results by segment

(Billions of yen) Left: net sales; right: segment profit; dashed lines represent the plans.

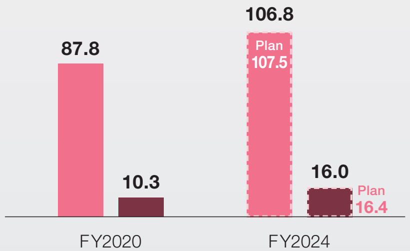
BA business

Both sales and segment profit exceeded the targets. Profit margins exceeded 16%.



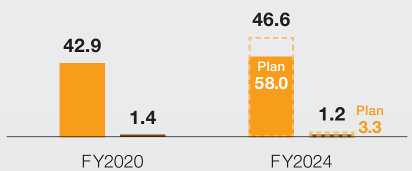
AA business

Sales were below the target due to a delayed recovery in the factory automation market. Segment profit also fell slightly short of the target. Profit margin improved to the 15% level.



LA business

Although the target was not achieved, business portfolio restructuring (transfer of Azbil Telstar) was implemented.



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

The results of the previous medium-term plan (FY2021–FY2024) exceeded the targets set at the time the plan was formulated (May 14, 2021). There are, however, issues that we have identified that will require modifying our scenarios to achieve further growth (including continuous business portfolio restructuring), promoting initiatives for overseas business growth, further strengthening investment for growth (human capital, product competitiveness, DX), and strengthening procurement and production systems to be more resilient to supply chain risks.

Over the course of the new medium-term plan (FY2025–FY2027), we expect the business environment to remain highly uncertain owing to global geopolitical risks, inflation, and other factors. However, we will be aiming for further business expansion (which will involve the continuous restructuring of our business portfolio) by achieving both sales expansion and enhanced profitability with **the azbil Group's unique business model**. This will be accomplished through **Evolution**, reinventing ourselves to adapt to a changing environment, and through **Co-creation**—collaborating on an equal footing to generate new value while leveraging each company's strengths. To this end, we will steadily make the **investments necessary to strengthen** the azbil Group's unique **business model**—investments to enhance human capital and product competitiveness, and to promote DX—while continuing to **strengthen our management foundation** for sustainable growth. Through these efforts, we are aiming to realize the well-being of society and our employees through business expansion based on contributing "in series" to a sustainable society.

Long-term targets

FY2030

Aiming to realize the well-being of society and our employees through business expansion based on contributing "in series" to a sustainable society

Growth

Evolution and Co-creation

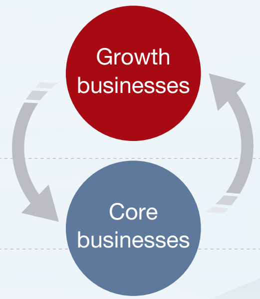
Key measures for sustainable growth

01 The azbil Group's unique business model

02 Investment to strengthen the business model

03 Strengthening the foundation of our business

	FY2025	FY2026 120th anniversary	FY2027	Long-term targets (revised) (performance targets) (May 13, 2025)
Net sales	¥297.0 billion		¥340.0 billion	¥420.0 billion
[Overseas sales]	[¥50.5 billion]		[¥62.0 billion]	[¥100.0 billion]
Operating income	¥43.0 billion	→	¥51.0 billion	¥65.0 billion
Operating income margin	14.5%		15.0%	15.5%
ROE	13.1%		14%	15%



By continually cycling from growth businesses to core businesses and back to growth businesses, with the azbil Group's unique business model we will ensure resilience to changes in the environment, and we will secure stable profits. At the same time, we will achieve growth through business opportunities that emerge when society and customers look for solutions to new challenges.

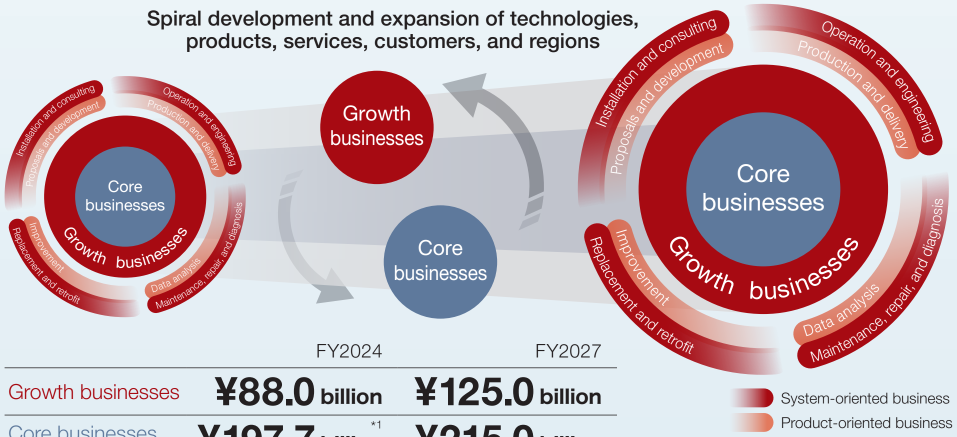
01 The azbil Group's unique business model

We will achieve growth in core businesses based on our extensive customer base (factories and plants, commercial buildings, lifeline utilities) established over many years, and in our growth businesses, which seek new business opportunities that arise from technological advances such as in semiconductors, as well as societal issues such as the drive for carbon neutrality. In our growth businesses, we will focus on expanding markets (overseas) and increasing competitive advantages (enhancing product competitiveness).

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
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.

In our growth businesses, we will enlarge our customer base, while in our core businesses we will improve sustainability and profitability. By continually cycling from **growth businesses** to **core businesses** and back to **growth businesses**, we aim to achieve sustained business expansion. At this juncture, we will at the same time continue to evaluate and review our business portfolio, conscious of the cost of capital.

The azbil Group's unique business model



	FY2024	FY2027
Growth businesses	¥88.0 billion	¥125.0 billion
Core businesses	¥197.7 billion*1 ¥212.3 billion*2	¥215.0 billion

*1 Figure excluding the impact of the transfer of Azbil Telstar
*2 Figure including Azbil Telstar

Cycle of growth businesses ➡ core businesses ➡ growth businesses (examples)

*3 Growth businesses
*4 Core businesses

Growth businesses ➡ Core businesses

- Expand the air-conditioning business in the data center market,*3 a new growth market; as a core business, provide customers with life-cycle support,*4 including efficient operation, maintenance, and retrofit (BA business)
- Acquire customers in the semiconductor market, where technological innovation is rapid,*3 with measurement and control technologies so advanced that they are without peer; build strong relationships of trust through high-quality and continuous technical support; and develop this as a stable and long-term business*4 (AA business)

azbil × X1Studio

Expand solution capabilities for data centers through a business alliance with X1Studio

Vacuum gauges offering high precision, high durability, and high stability for cutting-edge semiconductor manufacturing equipment

Sapphire capacitance diaphragm gauge, model V8C

Core businesses ➡ Growth businesses

- Deploy business models*4 that have a solid track record in Japan to growing overseas markets*3 (BA and AA businesses)
- Realize and provide condition-based maintenance (CBM), in place of traditional time-based maintenance (TBM), using cloud-based valve diagnostics,*3 a technology that is based on the know-how, expertise, and data accumulated over many years of providing devices such as control valves to plant sites*4
- Deploy the ultrasonic meter and data service business*4 while leveraging our customer base and expertise in the lifeline market, built up over many years of business development*3 (LA business)

Cloud-based valve analysis and diagnostics to revolutionize scheduled valve maintenance, superseding half a century of accepted practice

Control valve maintenance support system

02 Investment to strengthen the business model

To enhance the azbil Group's unique business model, we will steadily invest in enhancing human capital and product competitiveness, and in promoting DX. We will achieve the next stage of growth through fostering the expansion of existing businesses and investing in new ventures through the strategic allocation of assets and liabilities.

Strengthening human capital

Total personnel expenses to increase by ¥32.0 billion

To expand both growth and core businesses, secure and develop essential human resources for executing business strategies (personnel with strong solution capabilities and global talent)

- Establish environment and HR systems that enhance job satisfaction and a sense of personal growth (evaluation and compensation systems, and flexible work styles)
- Provide programs that foster career autonomy aligned with management strategy
- Provide incentive plans linked to benefits and financial measures

Strengthening product competitiveness (products and services)

R&D expenses to increase by ¥9.0 billion

Enhance unique measurement and control core technologies, and application technologies, to develop a range of competitive products

- Expand cloud/AI app development and strengthen MEMS sensing and actuator technologies
- Engage in co-creation with other companies in core areas of R&D
- Establish an R&D management system; create mechanisms for HR development and intergenerational skills transfer

Promoting DX

DX (IT) investment to increase by ¥5.0 billion

Create digital products and services that meet customer needs, and improve operational efficiency and profitability through DX promotion

- Create products and services using product DX and internal DX
- Facilitate intergenerational skills transfer in development, production, engineering, and service by making use of know-how, data, and generative AI
- Strengthen cybersecurity measures

Investment for growth ¥50 billion

Over the course of the new medium-term plan, we anticipate making investments on the order of ¥50 billion for business expansion, not only using available funds but also making proactive use of debt.

03 Strengthening the management foundation

To achieve sustainable growth, we are implementing a variety of measures, ranging from the setting up of new organizations/systems to creating mechanisms for management that is conscious of the cost of capital. We also practice sustainability management. Regarding corporate governance, we will revise our remuneration policy.

Organizational restructuring for growth

- Establish the new Group Management Strategy Department, clarify growth strategies, optimize the business portfolio, and ensure measures are executed
- Going forward, implement organizational restructuring for growth, and for developing and executing strategies tailored to the characteristics of each overseas region

Promoting management conscious of the cost of capital

- Having introduced ROIC, ensure its wider adoption as a management tool
- Continue restructuring and optimizing the business portfolio
- Plan to make investments for growth by utilizing the balance sheet

Sustainability management

- Promote initiatives based on materiality and unique SDG goals
- Reduce CO_2 emissions at customer sites; achieve net-zero emissions in our business activities
- Promote diversity, equity and inclusion, and enhance human rights initiatives
- Implement risk management that integrates bottom-up and top-down approaches
- Reestablish procurement and production systems so they can withstand supply chain risks

Strengthening corporate governance

- Further strengthen the supervisory functions of the Board of Directors by changing the Board's composition (appointing an outside director as chairperson of the Board; ensuring 70% are outside directors and 30% are female directors)
- Continuously revise the remuneration policy (expanding the performance-linked component of the remuneration structure for corporate executives, reviewing KPIs, and introducing a malus and clawback policy)

Group Management Strategy

Targeting further growth with business portfolio optimization and strategic investment, including M&A

1. Establishment of the new Group Management Strategy Department and its significance

In April 2025, the azbil Group newly established the Group Management Strategy Department. This department plays a central role in responding to the increasingly complex and diversified business environment, ensuring strategic alignment across the Group and optimizing the allocation of resources. Although market structure and the competitive environment vary with each of our business, consistency and flexibility are both necessary.

In addition to formulating new strategies, this department plays a multifaceted role in supporting sustainable growth, covering business portfolio optimization, M&A strategy, new business creation, and cross-departmental approaches to emerging issues.

Yoshimitsu Hojo
Managing Corporate Executive
Group Management Strategy Function

2. Diverse business structure and potential synergies

The azbil Group is made up of a diverse range of businesses, consisting of Building Automation (BA), Advanced Automation (AA), and Life Automation (LA). Each has its own customer base and its own technical expertise. We can also create synergies through coherent brand value and the sharing of resources.

3. Growth cycle and priority measures

A high proportion of our businesses are recurring businesses, capable of generating stable cash flows. However, it is important that we invest for growth, while at the same time making use of this stability.

Leveraging a customer base and technical capabilities built up over decades, we will create a sustainable growth cycle based on both core businesses and growth businesses. We will focus on the following three priority measures.

(1) Structuring strategy and strengthening execution capabilities
(2) Investing for business expansion, being conscious of the cost of capital
(3) Implementing a cross-functional response to issues

In this way, we will work to optimize the business portfolio and strengthen our ability to provide solutions to the issues facing society.

4. Strategic investment and new business promotion

We will assess and monitor our business portfolio based on our KGIs, and we will remain flexible as regards withdrawing from a business, when appropriate. In response to cross-functional management issues, we will promote a transversal approach to optimizing our marketing, development, production, logistics, service, overseas business development, and other operations.

In line with the theme of “Evolution and Co-creation,” we will promote investment for growth that is aligned with our strategic scenarios, while refining the azbil Group’s technical and service capabilities. We anticipate making investments of ¥50.0 billion as we aim to acquire technologies and functions that will contribute to strengthening our business portfolio and creating new businesses. We see M&A and collaboration with external partners as appropriate methods to achieve these strategic objectives.

5. Alignment with the medium-term plan and outlook

Our new medium-term plan aims to achieve a sustainable growth cycle based on both core businesses and growth businesses, and sets net sales targets of ¥215.0 billion for core businesses and ¥125.0 billion for growth businesses.

To achieve these targets, as well as our long-term targets (net sales of ¥420.0 billion and operating income of ¥65.0 billion), the Group Management Strategy Department will strategically allocate resources, enhance our business promotion systems, and maximize capital efficiency, aiming to sustainably enhance enterprise value.

Business Strategy for Value Creation

Building Automation Business

Features and strengths

Presence | Pioneer in the HVAC control field

Leading company in Japan in the field of HVAC control for large-scale buildings

Technical capabilities | Environmental control technology utilizing cloud computing and AI

Original environmental control technology using networks and operating data to improve safety, comfort, and environmental performance

Earning power | Life-cycle solutions field

Stable business model based on a building's life cycle, from construction planning to provision of daily services and support for retrofit projects

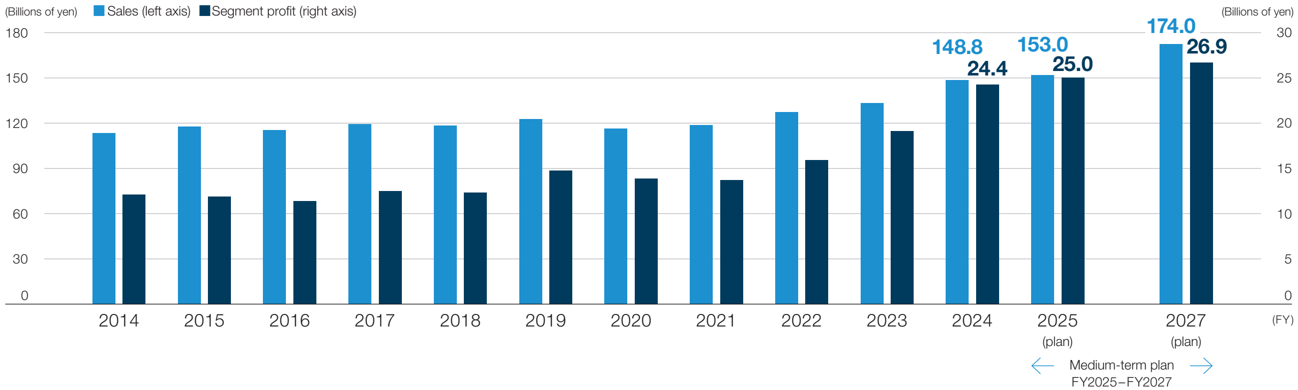
Product strength | Full lineup of products

Responding quickly to societal changes through open innovation and in-house development/manufacture of sensors, valves, controllers, and systems

Execution capability | Total solutions, integrated framework

Integrated framework for instrumentation design, installation and engineering, maintenance services, energy-saving solutions, and building management/operation

Sales, segment profit (operating income)



Review of the previous medium-term plan

- With robust demand for new large-scale construction projects, we improved the profitability of orders by continuing to focus on projects that enable us to leverage our advantages.
- With the domestic market maturing, it is unlikely that demand for new construction will continue to grow over the long term, so internal resources are being strategically shifted to the existing building market.
- We introduced cost pass-throughs for maintenance service contracts, as we have for the new building and existing building markets. With cost pass-throughs in all our businesses now, our profitability has improved.
- In our overseas business, we are planning to expand our life-cycle-type business—which links new construction to maintenance and thus to existing buildings—as with our domestic business model. In FY2024, our overseas business expanded as planned.

Business environment: opportunities and risks

Opportunities

- The market for new large-scale office buildings is robust, and the usual needs for labor saving, energy saving, and the visualization of environmental impact are becoming more pressing. At the same time, the environmental awareness of occupants and the need to improve engagement are becoming apparent. We see these developments as business opportunities.
- The markets for data centers and factories are booming, and we will strengthen our support for the domestic facilities of our foreign-affiliated clients.

Risks

- In contrast to our plan to enhance business performance, we foresee potential difficulties in simultaneously enhancing the quality and quantity of human resources. We will thus promote higher efficiency through in-house DX—which, for instance, makes use of building information modeling (BIM) in the areas of sales and engineering—while developing new businesses.
- To prepare for the possibility of the office vacancy rate in the Tokyo metropolitan area worsening over the long term due to an oversupply of new office buildings, we will promote the expansion of our service business, shifting from on-site to remote inspection, and we will implement measures to improve the added value provided to our customers.

We will propose solutions, develop products and services, and promote collaboration with other companies in response to customer expectations regarding decarbonization, labor saving, and wellness.

In the medium term, demand for large-scale redevelopment projects and industrial buildings will remain strong in Japan, and overseas we see increasing activity involving new projects, particularly related to urban development.

Within this favorable market environment, the Building Automation (BA) business will continue to provide high-quality products and field services that only the azbil Group can offer, as well as new products and services that meet new societal needs such as achieving carbon neutrality and enhancing wellness. We also plan to attain our targets by achieving growth overseas. Central to this will be assuring high competitiveness by providing the same levels of quality and solution proposals as we do in Japan.

The key points of the new medium-term plan are realizing growth in our global business, and increasing the added value of our products and services. An important mission of ours is to expand our business domains by achieving growth in the top line of our overseas business, supported by continued profit improvements in the robust domestic market. In preparation for a possible future decline in the market for new office buildings in Japan, we will, in parallel with the aforementioned strategies, create business structures for high-value-added and high-profit fields that require more sophisticated technologies—such as data centers, for which investment is booming, district heating and cooling (DHC), and factories—and expand our business in the field of GX solutions, which is experiencing high levels of societal demand for carbon neutrality.

Looking at its development over the long term, the BA business is evolving from being primarily engaged in the manufacture and sale of automation equipment to the current business of providing customers with solutions based on engineering and services. Essential for our core competence—to consistently deliver the most advanced and reliable solutions—are (a) human resources that enable us to continue to create value together with our customers, and (b) the data and information technologies necessary for understanding the characteristics of buildings. When it comes to human resources, in addition to training provided through conventional education, we have started initiatives purposed with creating new value through internal co-creation and co-creation undertaken with customers. Also, when it comes to data volume, we will improve the value provided by our proposals to customers through the centralized management, visualization, and sharing of data involved in the areas of development, manufacturing, sales, design, construction/engineering, maintenance/services, and renewal. We will do this by leveraging building information modeling (BIM). By strengthening these two core assets, both in Japan and overseas, and by combining them efficiently and in a coordinated way, we will continue to be a reliable partner for our customers.

Kazuyasu Hamada
Managing Corporate Executive
President of Building Systems Company

Measures for achieving the goals in our medium-term plan

- We will work with dealers to secure market share amid booming demand for new large-scale buildings. By concentrating on projects where the azbil Group can demonstrate its advantages, we will secure resources while improving profitability.
- Based on our track record in the energy conservation field, we are developing an energy service provider (ESP) model that includes the use of renewable energy. We will then aim to expand our GX solutions.
- Overseas, we will focus on sales expansion mainly in the new building market. Making use of our competitive edge in solution proposals and quality cultivated in Japan, we will deploy a business model that links new building projects to existing building projects and services.
- In anticipation of a decline in the new office building market, we will emphasize the factory market, data center market, and DHC market—in all of which we can demonstrate our strengths.
- We will be shifting to the cloud system business, accelerating the sophistication and commercialization of digital knowledge to provide high-value-added services for our customers, ranging from building owners and managers to tenants and other users.

TOPIC

Participation in a project to install a renewable energy power scheme for the Yomiuri Shimbun Building, providing a new thermal storage control application

For the off-site physical corporate PPA* implemented at Yomiuri Shimbun's main building (the Tokyo Headquarters of Yomiuri Shimbun in Otemachi, Chiyoda-ku, Tokyo), we have developed and supplied a new application that allows the effective use of surplus renewable electricity during the day by enabling heat to be stored during the daytime, as was previously done only at night. Through our participation in this project, we aim to further upgrade our building automation and demand response technologies, particularly for thermal storage control. We will do this to support our customers' initiatives to become carbon neutral and to contribute to the realization of a decarbonized society.

* Power purchase agreement between the Yomiuri Shimbun Tokyo Head Office, TEPCO Energy Partner, Inc., and The Tokyo Electric Generation Company, Incorporated.

Business Strategy for Value Creation

Advanced Automation Business

Features and strengths

Presence | Leading the automation of production sites

Winning the trust of our customers with our services and providing them with new value based on the latest research and our experience of more than a century in developing measurement and control technologies

Technical capabilities | Combining on-site knowledge and the latest measurement and control technologies with information technologies

Providing sophisticated measurement and control solutions using advanced technologies, combined with the skills and knowledge of professionals with extensive on-site experience

Earning power | Providing high-value-added solutions

Providing integrated, high-value-added solutions for everything from products to engineering and maintenance services

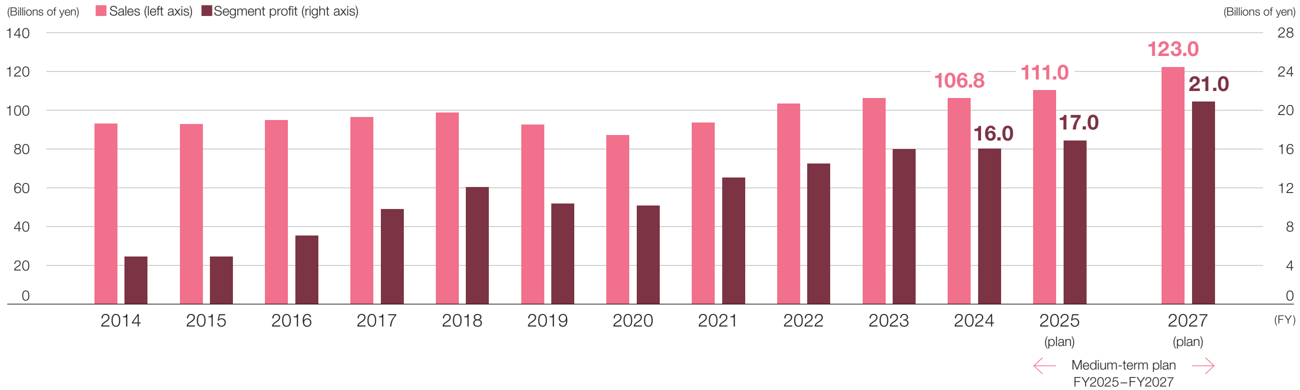
Product strength | Core products and new automation

Providing new automation using advanced technology and next-generation core products

Execution capability | Integrated system covering everything from development to maintenance service

Providing total solutions tailored to customer needs through our integrated system

Sales, segment profit (operating income)



Review of the previous medium-term plan

- Although the business environment remained difficult due to such factors as the sluggish factory automation (FA) market and rising inflation, the three main initiatives (business growth overseas, creation of new automation, and further strengthening of profitability) saw progress, and all the goals of our plan regarding orders received, sales, and segment profit were largely achieved.
- Overseas business expansion progressed steadily as new customers were acquired, particularly in China and elsewhere in East Asia, with repeat orders also seeing increases.
- As for the development of autonomy products, for the new automation field, AI and IoT technologies have been used to improve productivity and facilitate a shift toward more creative roles for staff.
- We have strengthened product capabilities by leveraging cloud computing and MEMS technologies.
- Segment profit was around ¥16 billion and operating income margin attained 15% as a result of measures to improve profitability, including business mix restructuring and cost reductions.

Business environment: opportunities and risks

Opportunities

- The need for automation in factories and plants continues to grow globally owing to labor shortages, safety and environmental issues, and aging facilities.
- Demand is growing for new measurement and control technologies to create cutting-edge production processes.

Risks

- Changes in the business environment due to such factors as emerging geopolitical risks, significant currency fluctuations, rising inflation, growing protectionism, and a slowdown in the Chinese economy
- Transition of petrochemical-related industries in conjunction with the transition to a decarbonized society

We will reinforce our core businesses through evolution, generating new automation through co-creation and turning this growth business into a new foundation.

The situation in the process automation (PA) market is changing in various ways: aging infrastructure, labor shortages, energy transition, new plant construction to achieve carbon neutrality, and the use of new technologies, particularly AI. As a measurement and control supplier, the azbil Group provides, together with safety and security, advanced solutions that utilize the latest technologies.

In the factory automation (FA) market, we will continue to evolve our well-established technologies and products—such as controllers, sensors, and combustion safety and control systems—while offering solutions in new areas, with such products as our sapphire capacitance diaphragm gauge and AI diagnostic units.

The name we have given to these solutions is "new automation." Here are some examples.

Control valves play an important role in plants, and we are the only manufacturer that provides both products and maintenance. Detailed operating data from control valves is sampled at high speed, and diagnosis is performed remotely in the cloud. By combining the results of this remote diagnosis with the analysis performed by our engineers, we have achieved high consistency between remote diagnostics and actual conditions. This makes it possible to shift from periodic maintenance to condition-based maintenance, and to perform checks digitally on operation after maintenance, thereby improving efficiency and the quality of control valve maintenance. Plant maintenance has changed little in several decades, but one can say that this has revolutionized it.

In process automation, usually upper and lower limits are set for measured values, and when these limits are exceeded, an alert is triggered. In many cases, the cause of the problem occurs some time before the actual alert. Early detection enables us to reduce losses and even reduce the frequency of such problems. We have developed this solution by combining our plant control know-how with the latest AI technologies. Moreover, this allows us not only to predict an alert but also to propose ideal maintenance timing as well as detect any changes in product quality. We are therefore significantly expanding the range of AI applications for plants.

In the semiconductor manufacturing process, vacuum levels must be accurately measured. For this reason, we developed a gauge diaphragm using sapphire, a material that is difficult to process, and combined it with our proprietary MEMS technology. The resulting gauge enables measurements with higher precision and stability than ever before, contributing to the miniaturization of semiconductors.

We will develop business that is unique to the azbil Group through the "Evolution" of our core businesses and the "Co-creation" that leads to new automation.

Takashi Igarashi
Managing Executive Officer
President of Advanced Automation Company

Measures for achieving the goals in our medium-term plan

- Establish multiple domains in which we lead with our competitive advantages, developing them in Japan and overseas
- Accelerate global business expansion
  Deploying competitive solutions developed in our domestic business to global markets
- Create new automation
  Making use of the azbil Group's proprietary technologies, such as MEMS sensors, technology related to control valves, and plant autonomy using AI
- Continue to strengthen profitability based on our achievements
  Steadily improving the business mix; enhancing the added value of products, engineering, and services; promoting cost pass-throughs and other measures

TOPIC

Providing support for building the RENKEI control system to achieve energy savings at R&D sites Participation in a Horiba project (subsidized by NEDO)

Azbil Corporation will participate in a project entitled "Development of Energy Management Technology with Coordinated Equipment Control for Industries with Large Demand Fluctuations." Horiba, Ltd. has been selected to undertake this project, which is subsidized by the New Energy and Industrial Technology Development Organization (NEDO). This project entails undertaking research and development of energy-saving technologies and promoting their implementation to achieve a carbon-neutral society. We will participate in this project from the practical application development phase: Azbil Corporation will be in charge of developing the RENKEI control system to achieve optimal facility operation in accordance with energy demand.
Our work will support the realization of energy conservation by efficiently coordinating and controlling all the systems for R&D facilities, air conditioning, and heat source equipment.

Business Strategy for Value Creation

Life Automation Business

Features and strengths

Stability | Maintain and improve lifelines

Business growth through steady and stable replacement demand based on the Measurement Act of Japan

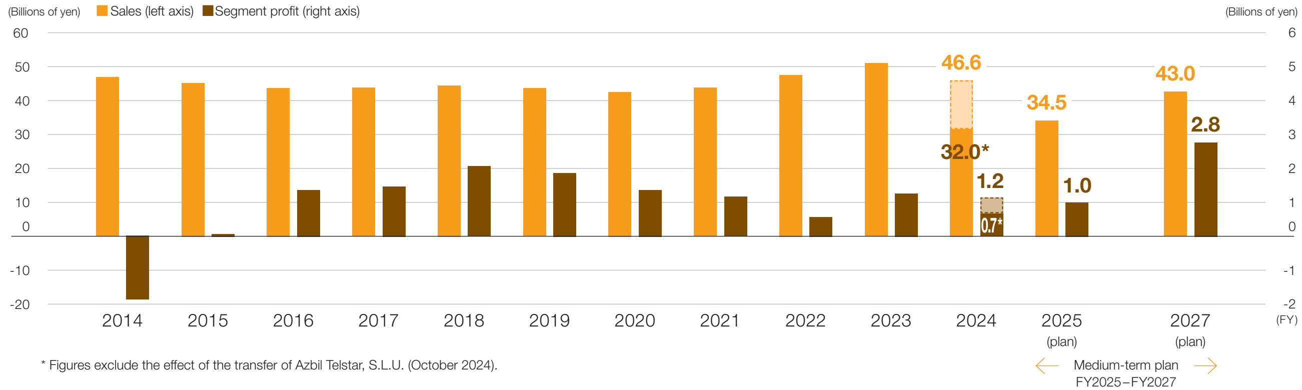
Forward-thinking | DX and the harnessing of cloud technology

Enhancing smart metering in the gas and water meter business and promoting our smart metering as a service business that combines telecommunications and cloud systems, thereby contributing to the realization of a safe and secure society powered by smart technology

Uniqueness | Living space comfort and health

Provide not only comfort but also a high level of air quality with central air-conditioning systems at the core, providing fresh, clean air by means of electronic air cleaners and heat-exchange ventilation

Sales, segment profit (operating income)



* Figures exclude the effect of the transfer of Azbil Telstar, S.L.U. (October 2024).

Review of the previous medium-term plan

- Although the LA business as a whole did not meet the performance targets set out in the previous medium-term plan (FY2021–FY2024), we restructured our business portfolio to enhance capital efficiency and synergies within the azbil Group, transferring to another company all of our equity interests in Azbil Telstar, S.L.U., which had played a central role in our Life Science Engineering field for pharmaceutical manufacturing equipment.
- We strengthened the management of each LA component business, and implemented measures to improve profitability (including cost pass-throughs).
- Lifeline field
  We have been engaged in business creation as a service provider, using IoT-derived meter data. We have thus been able to increase data service contracts in our smart metering as a service business, and we are striving to achieve further growth.
- Residential central air-conditioning system field
  As a result of providing customers with comfort, good air quality, and energy savings for a wide range of environments, while leveraging our service and maintenance capabilities, we have increased sales of residential central air-conditioning systems for both new and existing homes.

Business environment: opportunities and risks

Opportunities

- The increasing adoption of smart gas and water meters is expanding the market, and we are ensuring that this translates into new orders.
- To meet the diverse needs of customers, we have added e-kikubari, which combines a heat-exchange ventilator with an electronic air cleaner, to our product lineup. This is advantageous for obtaining net zero energy house subsidies.

Risks

- To guard against the risk of being unable to implement cost pass-throughs for materials, labor, and transportation, we are working to reduce costs with design changes, while closely consulting with our customers.
- Price increases, a decline in the number of new construction projects, and a shrinking market for central air-conditioning systems

We will strengthen the synergy between our smart meter business and smart metering as a service business, and restructure our business portfolio for further growth.

The Life Automation (LA) business aims to contribute to safe, comfortable, and active lifestyles by making use of the measurement and control technologies and services that we have cultivated in the building, plant, factory, and basic infrastructure fields to apply to lifeline utilities, such as gas and water supplies, and to residential central air-conditioning systems. In addition, we will accelerate the restructuring of the LA business portfolio so as to promote management that is conscious of the cost of capital, as outlined in our medium-term plan initiatives.

In the Life Science Engineering field, amid the ongoing reorganization of the industry, in October 2024 we transferred Azbil Telstar, S.L.U. to another company to ensure that company's sustainable growth as well as improve the capital efficiency of the azbil Group as a whole. The exclusion of Azbil Telstar from the scope of consolidation means that sales are projected to decrease for the LA business. However, in the Lifeline field, we aim to grow the business by steadily capturing demand for meter replacement required by law, and by undertaking such efforts as increasing added value through the development of meters using new technologies. Furthermore, by integrating the smart metering business with the smart metering as a service business, we aim to expand our service provider business, utilizing IoT and data in the next-generation smart meter market, which is expected to grow. We thus seek to realize a safe and secure smart society. In the residential central air-conditioning system field, we will advance our business by supplying products that offer comfort in a wide range of living spaces, from new builds to existing houses, and which save energy while improving air quality. Furthermore, we will steadily improve the profitability of the LA business by promoting appropriate reforms in response to changes in the business environment. We will also engage in initiatives to enhance the effectiveness of measures to improve profitability, such as cost pass-throughs, and measures to strengthen project management, all the while improving business processes through the promotion of DX. In addition to expanding business by extending our existing business areas, as described above, we will consider and promote such initiatives as alliances with domestic and overseas partners (including external ones) and strategies that utilize capital to achieve more growth. This is how we plan to confirm the positioning of the LA business as a growth area.

Kenji Okumura
Managing Executive Officer
Life Automation Business

Measures for achieving the goals in our medium-term plan

Lifeline field

- Improving profitability with cost pass-throughs, lowering costs, and other measures, and revising business processes through the promotion of DX
- Improving comprehensive capabilities by enhancing applications suited for emerging trends in data utilization, and by offering a full lineup of products, including meter peripherals
- Promoting business transformation to become a data service provider by merging the smart meter and smart metering as a service businesses
- Further expanding overseas business to grow the smart metering business

Residential central air-conditioning system field

- Improving profitability by reliably capturing meter-replacement orders and selling the e-kikubari product to users with a keen interest in health and energy-saving
- Expanding business to become a provider of comfortable living spaces, supplementing the healthy, comfortable lifestyles of customers with additional energy savings

TOPIC

Collaborating with Kamstrup to pursue new value offerings with next-generation smart water meters

The smart water meter market is currently limited in size, but we expect our growth by contributing to solving the challenges faced by water utility companies. This outlook is based on societal needs for dealing with labor shortages, reducing meter-reading costs, detecting leaks in aging water supply pipes, and making use of data. The azbil Group will work with Kamstrup*1 (a world leader in water metering solutions) to introduce ultrasonic smart water meters for the Japanese market and will utilize the smart metering as a service business*2 platform to develop high value-added business and achieve growth.

*1 Established in 1946 and headquartered in Denmark, in 2024 Kamstrup's net sales were ¥66 billion and operating income was ¥5.6 billion. (2024 conversion: 1 Danish krone = 22 yen)
*2 Business involving the provision of new value-added services on top of the conventional measurement function of meters

Business Strategy for Value Creation

Global Strategy

Features and strengths

Reliability | Brand strength rooted in safety and security

Ample customer trust, built up by paying careful attention to issues and requests, and by our commitment to always providing a prompt and sincere response

Technical capabilities | Providing optimal solutions

A high level of expertise that allows us to propose and provide optimal solutions for our customers' diverse needs and challenges through the utilization of advanced measurement and control technologies

Ability to follow through | Engineering structure

We offer high-quality engineering services, providing proactive and efficient support to customers who require advanced measurement and control.

Earning power | Life-cycle business

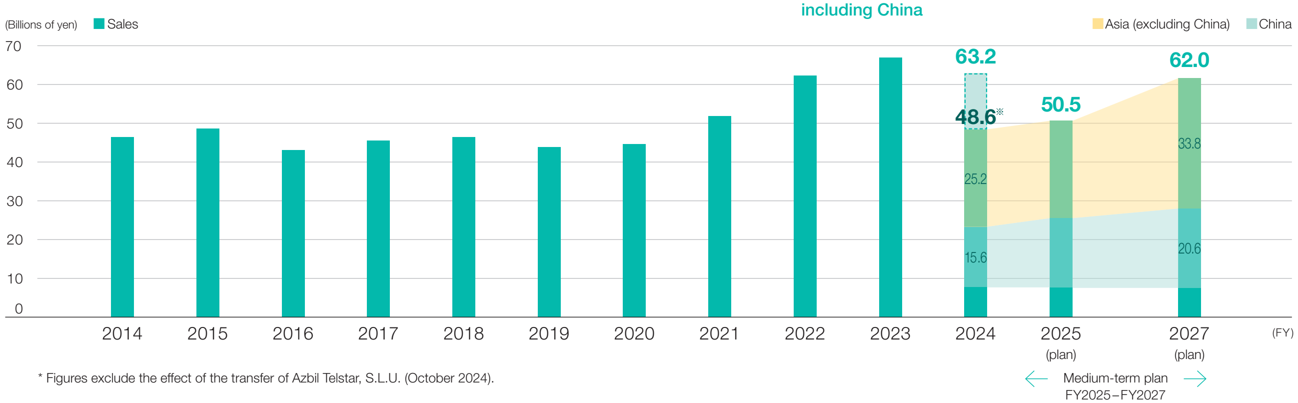
A sustainable business model in which the azbil Group sticks by the customer throughout a facility's life style—from design to operation and maintenance—and which continues to provide stable, long-term value

Governance | Management foundation for sustainable growth

A foundation built for sustainable growth by establishing a robust system for governance at overseas subsidiaries, ensuring transparency as well as thorough compliance with laws and regulations

Overseas sales

Focusing on Southeast Asia, China, India, and North America, with special emphasis on achieving growth in the Asian region, including China



* Figures exclude the effect of the transfer of Azbil Telstar, S.L.U. (October 2024).

Review of the previous medium-term plan

- In building a global strategy for business expansion, we formulated measures for each region/country to achieve further business expansion and promoted initiatives tailored to the characteristics of local markets, in addition to the overseas measures implemented by each business division.
- In the BA business, we sought out new global customers with a focus on data centers, built a foundation for the life-cycle business, ranging from design to operation and maintenance, and strengthened competitiveness by introducing advanced technologies and expanding services.
- In the AA business, we aggressively pursued customer development in order to accelerate growth and business development, resulting in steady growth in target regions. At the same time, we identified new market opportunities and strengthened relationships with existing customers.
- To enhance governance at overseas subsidiaries, we further strengthened management systems and reduced risks by improving operational efficiency, and we actively strengthened management systems/structures to improve compliance awareness.

Business environment: opportunities and risks

Opportunities

- Expand business quickly and efficiently by leveraging the resources of overseas subsidiaries with strong business foundations and competitive advantages after first gaining a thorough understanding of the business environment and target market potential in each region/country
- Develop measures tailored to the characteristics of each region by utilizing the knowledge and resources of overseas subsidiaries and establishing mechanisms to realize locally initiated business plans

Risks

- Consider the possibility that the safety of employees could be compromised due to heightened geopolitical risks, such as changes in the political situation or unforeseen events occurring in the country
- Consider the possibility that sudden exchange rate fluctuations and increased uncertainty surrounding U.S. reciprocal tariff measures might affect sales, the price of raw materials and parts, SG&A expenses, etc., resulting in significant fluctuations in business performance and financial position

We will accelerate the growth of overseas business by promoting businesses that leverage regional characteristics and by enhancing management systems.

The azbil Group will actively promote business development that takes maximum advantage of the characteristics of each region, and the establishment of robust management systems. Regarding business development, we will develop two strategic approaches: realizing locally initiated business plans and promoting organizational management with a strengthened regional focus.

First, in realizing locally initiated business plans, the subsidiary focuses on markets where growth is expected and formulates strategies autonomously, developing business activities that take advantage of regional characteristics. We promote multifaceted initiatives such as business support, brand enhancement, resource sharing, and synergy creation through collaboration with other companies. In addition, we accurately identify changes in the market environment and potential risks, establishing a flexible, optimal operational structure to enable rapid strategic decision-making. This means we can satisfy local customer needs in a meticulous manner and thereby realize sustainable growth.

Shigeru Wada
Managing Executive Officer
azbil Group International Business

Next, in promoting organizational management with a strengthened regional focus, to maximize growth opportunities in each region, we will examine roles, functions, and optimal organizational structures for each region to enable rapid and flexible decision-making. Furthermore, with the new organizational management structure in place, we will strengthen both the quality and quantity of our global human resources to establish a foundation to support the expansion of our overseas business and further enhance our competitiveness in the global market.

In addition, to create a robust management structure, we will undertake, as key measures, the enhancement of our risk management system, the further upgrading of our business management, and DX. Regarding risk management, by consolidating common functions across each region, we will build an efficient management foundation, strengthening governance systems to allow for a flexible and appropriate response to diverse risks, such as geopolitical risks and risks posed by local laws and regulations.

The azbil Group will continue to expand its overseas business, especially in Asia, through multifaceted initiatives. (see graph on p.37) In October 2024, we carried out the transfer of an overseas subsidiary, Azbil Telstar, S.L.U., and implemented a business restructuring. Going forward, we will optimize the allocation of management resources across the Group to ensure the steady growth of our overseas business. We continue to plan for revenue growth in overseas sales, aiming to reach ¥62 billion in the final year of the new medium-term plan (FY2027), excluding the impact of the Azbil Telstar transfer. We are also maintaining our original target of ¥100 billion in FY2030.

Measures for achieving the goals in our medium-term plan

- Develop locally initiated business plans, promote synergy creation through business development and collaboration by taking advantage of regional characteristics, and achieve rapid decision-making and sustainable growth through flexible operations
- Expand overseas business and enhance competitiveness by establishing an optimal organizational structure for each region, promoting agile decision-making, and strengthening our global human resources
- To meet growing urbanization and the increasing sophistication of office functions in Asia, provide high value-added solutions by leveraging our energy-saving technologies and engineering capabilities cultivated in Japan
- Expand customer coverage and enhance our business foundation by developing new products, expanding equipment diagnostics and automation fields through the use of AI, and further strengthening our sales structures in priority regions
- Through initiatives such as the strengthening of risk management systems and the promotion of DX, build a solid management foundation through governance capable of addressing diverse risks and through the optimal allocation of management resources

TOPIC

Participation in Data Centre World Asia 2024

We participated as a Silver Sponsor at Data Centre World Asia (DCWA) 2024. The 10th such event, it was held in Singapore in October 2024. Leading data center suppliers and solution providers from around the world gathered to showcase their cutting-edge technologies. As a leading company in the field of automation, Azbil Corporation demonstrated its Chiller Plant Digital Twin and Intelligent Building Management System. Through trade shows and exhibitions, we will expand our network of customers and seek further collaborations to improve our market presence throughout the Southeast Asia region.