Business Strategy Meeting Q&A Summary

Date/Time : September 30, 2025, 1:00 – 2:00 pm

Venue : JP Tower Hall & Conference, 5th floor Conference Rooms B1 & B2, Tokyo, Japan

Speakers : Kiyohiro Yamamoto, President & Group CEO
Takayuki Yokota, Deputy President
Kazuyasu Hamada, Managing Corporate Executive
Takashi Igarashi, Managing Executive Officer
Kenji Okumura, Managing Executive Officer

This business strategy meeting was attended by 32 institutional investors and securities analysts. Following presentations made by the Company's officers, there was a lively Q&A session covering such topics as overseas business development, differentiation from competitors, expansion into the data center market by the Building Automation (BA) business, the Advanced Automation (AA) business's solutions centered on New Automation tailored to each region, M&A strategy, and business portfolio restructuring.

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Questioner A

Q: Please tell us about the overseas competition facing the BA business, about azbil's strengths, and about the regions being targeted by the BA business.

A: The overseas competition includes Johnson Controls, Honeywell, Siemens, and Schneider. In terms of global market share, we rank 5th or 6th. Differentiating ourselves through our high-quality installation and service, we consistently secure orders from building owners and data center operators for whom energy saving is a priority. For overseas competitors whose business is handled by distributors, it is difficult to achieve the same level of installation quality. Among our target regions are East Asia and

Southeast Asia, including China, where there is significant economic growth and sustained construction of large-scale buildings.

Q: Regarding the data center market, are you targeting hyperscalers or others? Also, what percentage of segment sales does this market account for?

A: We are expanding our business to include hyperscalers. To meet the SCADA system engineering requirements of foreign hyperscalers, we are partnering with companies like X1Studio to offer a broader range of solutions. This data center-related business currently accounts for approximately 5% of the BA business sales. We are aiming to increase that to 10% in the future.

Q: As the AA business expands overseas, what strengths does it have to draw on?

A: Our business strategies, and the solutions we offer, are tailored to each region and country to reflect differences in commercial flows and needs. We prepare sales strategies based on regional and national requirements, ensure differentiation with azbil's unique New Automation, and progressively develop markets.

Q: If the AA business is offering solutions optimized for each region, how does it determine which solutions will be provided in each region?

A: We have developed a good understanding of the different needs and business environments of the regions and countries in which we operate. This means we already have a clear idea regarding how azbil's solutions will be delivered, to which customers, and what benefits they will provide.

Questioner B

Q: You are planning for the data center market to account for 10% of the BA business sales. In what fiscal year will this be achieved?

A: That target is FY2030.

Q: Could you please give us details of the systems provided to data centers and the profitability of this business?

A: Either azbil's air conditioning systems and equipment are used, or the customer may specify SCADA or other systems. In the latter case, we respond the customer needs through collaboration with other companies. For these data center systems, air conditioning control is not so important as power monitoring. This means that specialized management operations are needed, and azbil is one of the few providers capable of meeting these requirements. As for profitability, this is expected to be on a par with that of other buildings served by the BA business.

Q: Are there any synergistic solutions that involve the three AA business sub-segments (CP, IAP, and SS)? Are you thinking of expanding into hybrid domains?

A: Looking at the future of the business, we are advancing various initiatives, such as packaging autonomous control systems for integration into manufacturing equipment. By leveraging the distinctive qualities of our AA business—which operates in a wide range of fields, from PA to FA—we will also be promoting development of hybrid markets.

Questioner C

Q: It appears that azbil has not been particularly proactive as regards data centers. Has the situation changed?

A: In Japan, we have already established a presence in the data center market and have built up a market share. It is true that, from the perspective of sales efficiency, we have been somewhat slow in seeking orders from foreign data center operators. However, significant investments are anticipated, and we are steadily pursuing business opportunities involving foreign hyperscalers. These efforts have led to us securing orders.

Q: It was explained that you have entered into a business partnership with X1Studio because SCADA systems are needed for the data center business. Will this impact profitability?

A: azbil products are used in the controller layer of the SCADA monitoring system. This accounts for approximately 80% of total BA nisales, so we can secure sufficient business scale and profitability. In the future, we plan to handle SCADA engineering in-house.

Q: Regarding expansion of the AA business in overseas markets, what growth potential and opportunities exist?

A: In growth markets like China, we will pursue market growth, and we will be offering some products traditionally supplied to customers in Japan. The same approach will be adopted for India’s automotive and semiconductor markets. In advanced markets like the United States and South Korea, however, we are aiming to expand market share with our New Automation product lineup offering unique features that cannot be emulated by our competitors. Business expansion is made possible by correctly identifying the business environment and needs in each region and country—allowing us to deliver tailored solutions—and by making use of marketing automation (MA).

Questioner D

Q: The BA business has a stock of 20,000 buildings, but only 4,000 of those are connected for remote maintenance. Why is the connection rate just 20%? Is it possible to further increase the number of contracts?

A: It is possible to increase the number of contracts and further improve the profitability of our service business. Some buildings, like factories, are not connected remotely because of their purpose. In other cases, the reason is to do with scale: many are small- to medium-sized properties for which adding value through remote maintenance has often proved challenging. Nevertheless, we will be taking measures to address such cases, including the development of applications suited to smaller buildings.

Q: As regards the BA business profit margin, what can you ultimately aim for?

A: The ultimate profit margin target for the BA business has not been disclosed. Several factors are keeping the profit margin low. These include investments made for product development and a change in the business mix, with expansion of the overseas business, for which profitability is lower than in Japan. Currently, for overseas operations there is a relatively lower proportion of sales from the stock (existing buildings and service). Moreover, overall profitability, including that for new buildings, is lower than it is for the domestic business because of severe competition, among other factors. We will first aim to increase our stock and thus enhance profitability by improving the business mix. It is likely that customers overseas too will come to set a higher value on service and the renovation of existing buildings. When this happens, the overseas business could achieve profit margins comparable to those in the domestic market, enabling us to aim for high profitability for the BA business as a whole.

Q: What types of companies are you considering for possible acquisition for the BA, AA, and Life Automation (LA) businesses?

A: The BA business has a relatively mature business model, so we envision M&A to supply any missing pieces. There are significant differences in what is required of the AA and LA businesses depending on the particular region and business environment; for this reason, we are considering both vertical and horizontal M&A. It should be pointed out that azbil’s policy is to limit mergers and acquisitions to companies related to the automation business.

Questioner E

Q: Why is the BA business pursuing expansion into less profitable overseas markets when it enjoys high market share and profitability in Japan? Also, what is the reason behind continuing the LA business with its low profit margins?

A: Robust construction activity for new buildings is projected to continue until around 2030 in the domestic market of the BA business, after which saturation is anticipated. Overseas expansion is key to achieving sustained growth. Overseas customers' awareness of azbil is changing, and we are confident that the high quality of our products and engineering technologies will be recognized. This shift will enable us to establish the same lifecycle-based business that we have in Japan, leading to profitability on a par with that in the domestic market. We also see potential for enhanced profitability in the LA business. The markets it serves are many and broad, lending stability to azbil's overall business portfolio; of special note are the significant changes taking place in the domestic meter market for lifeline utility services. Kamstrup, our new business partner, is achieving a profit margin of around 10% in Europe, supporting our belief in the potential for improving profitability going forward.

Questioner F

Q: Regarding the overseas expansion of the BA business, the current medium-term plan sets growth rate in the 10% range. Shouldn't azbil be aiming higher?

A: Our strength lies not just in our products. It also lies in our engineering capabilities and our ability to provide solutions that are based on a clear grasp of our customers' building systems and equipment. Much of this strength depends on human capital and so cannot be easily increased. We have achieved growth thus far through improving sales efficiency and other methods. If we maintain the growth rate targeted in our medium-term plan, starting from FY2025, a significant increase in market share can be achieved by FY2030. Rather than simply pursuing scale, we will continue to focus on azbil's strength and defining characteristic—namely, quality.

Q: Regarding the LA business, since expansion cannot be expected solely from the existing gas and water meter business, wouldn't you agree that the absence of electricity meters, for which there is a large market, is a bottleneck for growth?

A: In the LA business, we have been restructuring our business portfolio from various perspectives, including growth. We recognize that the electricity meter market is large and are implementing initiatives such as expanding our existing smart meter business by making use of communication networks for electricity meters, and pursuing a joint venture with the Takaoka Toko Group. At the same time, changes are taking place in the business environment for the gas and water meter markets: the validity period for meters has been extended, and leak detection is being promoted to address the problem of aging infrastructure. We are preparing for these changes, and as one initiative we are collaborating with Kamstrup. We have also allocated 50 billion yen for investing in growth—though this is not limited to the LA business—and we will make the necessary investments. Keeping an eye on the evolving business environment, we will act swiftly to restructure and grow the LA business.