Presentation Materials
for the Fiscal Year Ended March 31, 2021
(Based on Japanese GAAP)

May 14, 2021
Azbil Corporation
RIC: 6845.T, Sedol: 6985543

We would like to express our deepest condolences to those who have lost loved ones as a result of the novel coronavirus disease (COVID-19). We would also like to extend our sympathies to all those who have suffered from this disease and to those who have been experiencing hardships due to the pandemic.

We would also like to express our sincere gratitude to all members of the medical profession and others working on the frontlines in the struggle to control this pandemic.

It is our earnest hope that the pandemic subsides as soon as possible. To that end, through our business activities we are committed to initiatives aimed at preventing the spread of COVID-19.

Contents

1. Financial Results for FY2020

Consolidated Financial Results

Despite the difficult business environment in FY2020 due to stagnating economic activity resulting from the COVID-19 pandemic, we have been continuing engineering, installation and service operations as well as production activity to maintain social infrastructure and our customers' vital facilities in ways that prioritize the safety of our customers and employees. The impact has thus been limited to financial results. This meant net sales were almost on a par with the plan (announced on Nov. 5, 2020) and the plan was achieved for profit. Compared with FY2019, while orders received and net sales were decreased, profitability was improved, resulting in an increase of net income attributable to owners of parent.

Compared with the plan

Net sales almost exceeded the plan by steadily implementing initiatives and management cycle on them even in a changing business environment. Operating income achieved the plan owing to measures to improve profitability. Moreover, ordinary income and net income attributable to owners of parent exceeded the plan thanks to the recording of foreign exchange gains and progress in the sales of stocks.

Compared with FY2019

Orders received decreased for the Advanced Automation (AA) business due to sluggish market conditions caused by the COVID-19 pandemic. Orders received were also down for the Building Automation (BA) business—reflecting the fact that subdued demand was expected in this fiscal year, when fewer multi-year service contracts were up for renewal—and for the Life Automation (LA) business, which suffered a fall in demand for LP gas meters. Overall, orders received thus decreased compared with FY2019. As for net sales, BA business sales decreased compared with FY2019, when a high level of sales had been achieved in the field for new large-scale buildings. As with the impact on orders received, the AA and LA businesses saw their sales reduced by the sluggish market conditions. Net sales overall were thus lower than FY2019. Operating income fell compared to FY2019 owing to lower net sales. This was despite the success of measures to control expenses and strengthen business profitability. Net income attributable to owners of parent remained at the same level as FY2019 thanks to the recording of gain on sale of investment securities and on sale of non-current assets following the integration of domestic production facilities.

(Billions of yen)

	FY2019 (A)	FY2020 (B)	Difference (B) - (A)	Difference *% Change*	Plan (Nov. 5, 2020) (C)	Difference (B) - (C)	Difference *% Change*
Orders received	258.0	247.8	(10.2)	*(4.0)*			
Net sales	259.4	246.8	(12.5)	*(4.9)*	248.0	(1.1)	*(0.5)*
Japan	215.2	201.9	(13.2)	*(6.2)*			
Overseas	44.1	44.8	0.6	*1.6*			
Gross profit	103.6	99.3	(4.2)	*(4.1)*			
Margin	*40.0*	*40.3*	*0.3pp*				
SG&A	76.3	73.6	(2.7)	*(3.6)*			
Operating income (loss)	27.2	25.7	(1.5)	*(5.6)*	25.5	0.2	*0.9*
Margin	*10.5*	*10.4*	*(0.1)pp*		*10.3*	*0.1pp*	
Ordinary income (loss)	27.7	26.3	(1.3)	*(5.0)*	25.0	1.3	*5.4*
Income (loss) before income taxes	28.1	28.0	(0.1)	*(0.4)*			
Net income (loss) attributable to owners of parent	19.7	19.9	0.1	*0.6*	17.9	2.0	*11.3*
Margin	*7.6*	*8.1*	*0.4pp*		*7.2*	*0.9pp*	

* FY2020 ROE: 10.4%

Segment Information: BA Business

Domestically, although some plans such as refurbishment projects were postponed, the impact of the COVID-19 pandemic has been limited. Demand related to urban redevelopment projects has unabated, and heightened interest has been shown in solutions for improved ventilation, energy conservation, and CO_2 reduction. Overseas, though, there has been an impact from falling demand and construction delays resulting from the pandemic.
Amid such a business environment, we have engaged in securing orders with a view to enhanced profitability, and, while paying sufficient attention to the safety of both customers and employees, we have also striven to ensure enhanced capabilities and efficiencies of job execution, particularly on construction sites. Product and service solutions have been enhanced.

- Orders received grew steadily in the field for new large-scale buildings. Demand was increased for the refurbishment of existing buildings and service projects designed to improve ventilation, achieve energy savings, and reduce CO_2 but there was a decline in the service business due to there being fewer multi-year service contracts up for renewal in this fiscal year. In addition, during this first half even in the field for existing buildings there was a temporary drop in orders received owing to added emphasis being placed on profitability for some projects. Consequently, overall orders received were lower than FY2019.
- In the field for new large-scale buildings, while the level of sales continued to be high, it was down compared to FY2019, when completion of construction projects were concentrated. Additionally, sales were lower in the field for existing buildings, for the above-mentioned reason behind the decrease in orders received. Overseas sales also fell owing to construction delays resulting from the pandemic. Overall sales were thus compared to FY2019, and the plan was not achieved.
- Segment profit was down compared to FY2019 due to the impact of decreased sales, but the plan was exceeded thanks to the success of measures to control expenses and enhance profitability.

(Billions of yen)

	FY2019	FY2020	Difference		Plan (Nov. 5, 2020)	Difference	
	(A)	(B)	(B) - (A)	*% Change*	(C)	(B) - (C)	*% Change*
Orders received	122.9	118.5	(4.4)	*(3.6)*			
Sales	123.7	117.5	(6.2)	*(5.1)*	120.0	(2.4)	*(2.1)*
Segment profit (loss)	14.8	14.0	(0.8)	*(5.8)*	14.0	0.0*	*0.2*
Margin	*12.0*	*11.9*	*(0.1)pp*		*11.7*	*0.3pp*	

* 0.02 billion yen

Segment Information: AA Business

The stagnation of industrial activity caused by the COVID-19 pandemic as well as the resulting deterioration of the global economy have meant that during the year continued caution has been evident in capital investment by manufacturing industries overall. However, from the second half of FY2020 the first signs of post-pandemic recovery could be seen, mainly in the manufacturing equipment market, as demand expanded in the semiconductor manufacturing equipment market driven particularly by 5G-related investment. While the impact of the pandemic remains unpredictable, demand is expected to continue to increase in the domestic and overseas manufacturing equipment markets.
Looking ahead to further recovery in demand and future growth, progress has been made with measures such as customer development and the upgrading of overseas bases and systems, based on the three business sub-segments*. Furthermore, measures to strengthen profitability have also been thoroughly implemented, resulting in improved profitability.

- Orders received, which had been decreasing, increased in the fourth quarter compared to the same period last year. As regards the full year, however, demand related to capital investment in factories and plants was generally sluggish owing to the impact of the global economic slowdown caused by the spreading pandemic; this resulted in a decrease in orders received compared to FY2019.
- Sales also decreased from FY2019. This was because of the impact of overall sluggish market conditions, and despite the expansion of overseas business and a pickup in market conditions in the manufacturing equipment market. Nevertheless, accelerated growth overseas and a recovery in the manufacturing equipment market meant that the plan was exceeded.
- Segment profit fell compared to FY2019 because of the lower sales. Yet, thanks to our growth strategy and progress with measures to enhance profitability, profit margins were further improved despite the difficult business environment. Segment profit exceeded the plan.

(Billions of yen)

	FY2019 (A)	FY2020 (B)	Difference		Plan (Nov. 5, 2020) (C)	Difference	
			(B) - (A)	*% Change*		(B) - (C)	*% Change*
Orders received	91.9	87.5	(4.3)	*(4.8)*			
Sales	93.1	87.7	(5.3)	*(5.8)*	86.0	1.7	*2.1*
Segment profit (loss)	10.4	10.2	(0.2)	*(2.2)*	9.5	0.7	*7.9*
Margin	*11.3*	*11.7*	*0.4pp*		*11.0*	*0.6pp*	

* Three AA business sub-segments:
CP (Control Product) business, IAP (Industrial Automation Product) business, and SS (Solution and Service) business.
For details, refer to page 45 of this document.

Segment Information: LA Business

The Lifeline field (gas/water meters, etc.) depends on cyclical demand for meter replacement as required by law and thus market conditions can be expected to remain stable. However, LP gas meters have been in a period of low demand, resulting in decreased demand. Also, the water meter market is changing, due to the duration of a meter's validity having been extended, resulting in a postponement of expected demand. As for the Life Science Engineering (LSE: for pharmaceuticals/laboratories) and Lifestyle-related (residential central air-conditioning systems) fields, even amidst fluctuations in demand, we are continuing efforts to achieve stable profit through reforms to the business structure.

- Orders received decreased overall compared to FY2019. This mainly reflects a decrease in the Lifeline field due to a cyclical decline in demand for LP gas meters. There was, however, an increase in the LSE field driven by growing demand for R&D equipment in the pharmaceutical market, as a result of the pandemic.
- The LSE field achieved an increase in sales, reflecting the growth in orders received in FY2019, but this was offset by a decrease in the Lifeline field, resulting in lower overall sales than FY2019. Owing to a decrease in sales in the Lifeline business, the plan was not achieved.
- Despite a reduction in expenses, segment profit was down compared to FY2019, owing to decreased sales in the Lifeline field. In addition, the plan was not achieved for sales, and thus not for profits either.

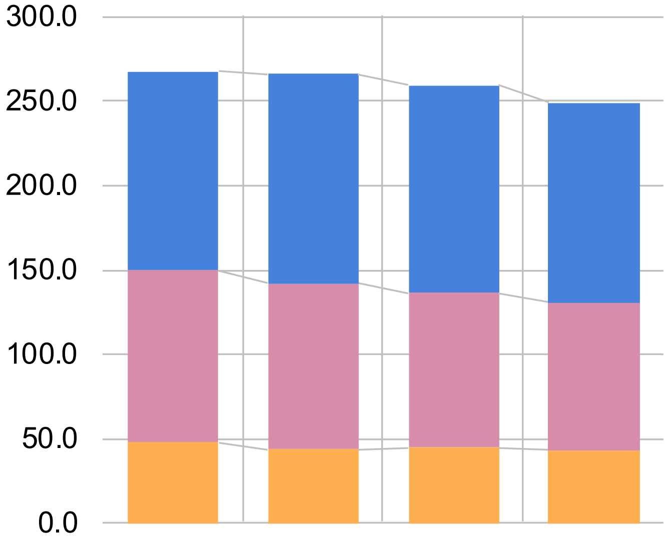
(Billions of yen)

	FY2019	FY2020	Difference		Plan (Nov. 5, 2020)	Difference	
	(A)	(B)	(B) - (A)	*% Change*	(C)	(B) - (C)	*% Change*
Orders received	44.8	43.3	(1.4)	*(3.2)*			
Sales	44.0	42.9	(1.0)	*(2.5)*	44.0	(1.0)	*(2.4)*
Segment profit (loss)	1.8	1.4	(0.4)	*(23.1)*	2.0	(0.5)	*(28.3)*
Margin	*4.2*	*3.3*	*(0.9)pp*		*4.5*	*(1.2)pp*	

Reference: Performance Trend by Segment

■ Orders received by segment

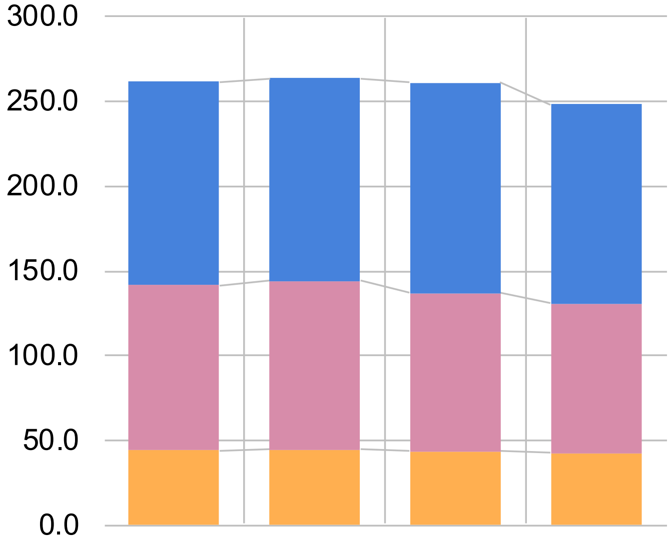
(Billions of yen)



	FY2017	FY2018	FY2019	**FY2020**
B A	117.8	123.7	122.9	**118.5**
A A	101.7	98.3	91.9	**87.5**
L A	48.0	43.8	44.8	**43.3**
Consolidated	266.2	264.2	258.0	**247.8**

■ Sales by segment

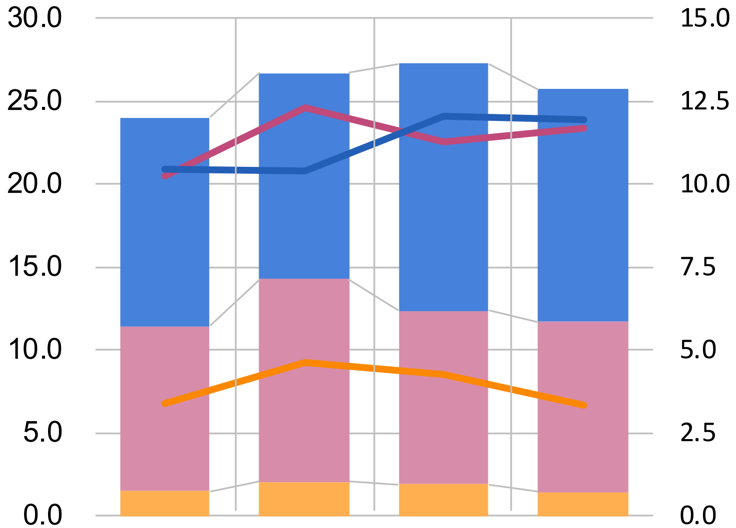
(Billions of yen)



	FY2017	FY2018	FY2019	**FY2020**
B A	120.2	119.5	123.7	**117.5**
A A	97.2	99.3	93.1	**87.7**
L A	44.2	44.8	44.0	**42.9**
Consolidated	260.3	262.0	259.4	**246.8**

■ Segment profit (operating income)

(Billions of yen) (%)



	FY2017	FY2018	FY2019	**FY2020**
B A	12.5	12.4	14.8	**14.0**
Margin	*10.5*	*10.4*	*12.0*	***11.9***
A A	9.9	12.2	10.4	**10.2**
Margin	*10.2*	*12.3*	*11.3*	***11.7***
L A	1.5	2.0	1.8	**1.4**
Margin	*3.4*	*4.6*	*4.2*	***3.3***
Consolidated	24.0	26.6	27.2	**25.7**
Margin	*9.2*	*10.2*	*10.5*	***10.4***

Overseas Sales by Region

Overseas sales increased by 1.6% from FY2019. The AA business recorded higher sales thanks to robust semiconductor-related demand and, from the second quarter, a recovery in demand—mainly in the manufacturing equipment market. The LA business also saw sales growth, but BA business sales decreased due to construction suspensions/delays resulting from the COVID-19 pandemic.

BA business

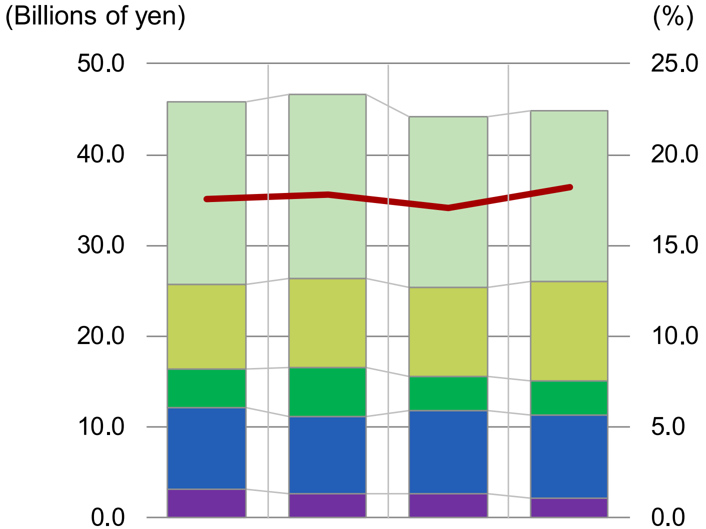
Overall sales decreased due to sluggish demand and construction suspensions/delays, mainly in Asia, resulting from the pandemic.

AA business

Some recovery from the pandemic is being achieved, as demonstrated by expanding global capital investment related to semiconductors and 5G. Also, measures to expand customer coverage have been successful. Overall sales increased, mainly in Asia and China.

LA business

Sales were up in Asia and China, and overall sales increased, mainly reflecting growth in the Life Science Engineering field, which recorded a high level of orders in FY2019.



	FY2017	FY2018	FY2019	FY2020
Asia (ex-China)	20.0	20.4	18.7	**18.8**
China	9.3	9.7	9.8	**11.0**
North America	4.2	5.3	3.7	**3.7**
Europe	9.0	8.5	9.1	**9.0**
Others	3.0	2.6	2.6	**2.2**
Consolidated	45.7	46.7	44.1	**44.8**

Reference information

		FY2017	FY2018	FY2019	FY2020
Overseas sales/ Net sales ratio (%)		*17.6*	*17.8*	*17.0*	***18.2***
Average exchange rate	USD/JPY	112.17	110.45	109.03	**106.77**
	EUR/JPY	126.70	130.35	122.03	**121.88**
	CNY/JPY	16.62	16.71	15.77	**15.48**

- Overseas sales figures include only the sales of overseas subsidiaries and direct exports; indirect exports are excluded.
- The accounting year used by most of overseas subsidiaries ends on December 31.

Consolidated Financial Position

- **Assets** Total assets increased by 10.0 billion yen from the end of FY2019. As well as an increase in cash and deposits—a deliberate measure to ensure sufficient liquidity while the COVID-19 pandemic spread in Japan and overseas—this was due to an increase in securities under current assets.
- **Liabilities** Total liabilities decreased by 5.2 billion yen from the end of FY2019 owing to a decrease in notes and accounts payable-trade.
- **Net assets** Despite a decrease due to the payment of dividends, net assets increased by 15.3 billion yen from the end of FY2019 due to an increase by recording net income attributable to owners of parent.

(Billions of yen)

	As of Mar. 31, 2020 (A)	As of Mar. 31, 2021 (B)	Difference (B) - (A)
Current assets	**209.1**	**219.5**	**10.4**
Cash and deposits	57.7	68.5	10.7
Notes and accounts receivable-trade	85.2	82.1	(3.1)
Securities	32.2	36.5	4.3
Inventories	25.3	24.5	(0.8)
Other	8.6	7.9	(0.7)
Non-current assets	**65.3**	**64.9**	**(0.3)**
Property, plant and equipment	28.2	27.0	(1.1)
Intangible assets	5.2	5.4	0.2
Investments and other assets	31.9	32.4	0.5
Total assets	**274.5**	**284.5**	**10.0**

	As of Mar. 31, 2020 (A)	As of Mar. 31, 2021 (B)	Difference (B) - (A)
Liabilities	**89.2**	**83.9**	**(5.2)**
Current liabilities	**82.6**	**76.4**	**(6.2)**
Notes and accounts payable-trade	38.4	31.9	(6.5)
Short-term borrowings	8.2	9.0	0.8
Other	35.9	35.4	(0.4)
Non-current liabilities	**6.5**	**7.5**	**0.9**
Long-term borrowings	0.3	0.3	(0.0)
Other	6.2	7.2	0.9
Net assets	**185.3**	**200.6**	**15.3**
Shareholders' equity	**173.5**	**186.3**	**12.8**
Share capital	10.5	10.5	-
Capital surplus	11.6	11.6	0.0
Retained earnings	165.0	177.9	12.8
Treasury shares	(13.7)	(13.7)	0.0
Accumulated other comprehensive income	**9.6**	**11.8**	**2.1**
Non-controlling interests	**2.1**	**2.4**	**0.3**
Total liabilities and net assets	**274.5**	**284.5**	**10.0**

Reference
Shareholders' equity ratio: 66.7% (as of Mar. 31, 2020), 69.6% (as of Mar. 31, 2021)

Consolidated Cash Flows

- Cash flows from operating activities decreased compared to FY2019. There was an increase in consumption tax payments following a tax rate revision. In addition, because FY2018 ended on a bank holiday, FY2019 included settlements of notes and accounts receivable-trade that remained unsettled on March 31, 2019.
- Cash flows from investing activities increased compared to FY2019. This was because of proceeds from sale of property, plant and equipment following the integration of factories in Japan, in addition to proceeds from sale of investment securities.
- Consequently, free cash flow decreased by 2.7 billion yen compared to FY2019.
- Cash flows from financing activities decreased compared to FY2019 owing to repurchase of own shares implemented in FY2019.

(Billions of yen)

	FY2019 (A)	FY2020 (B)	Difference	
			(B) - (A)	*% Change*
Cash flows from operating activities	29.8	22.6	(7.2)	*(24.2)*
Cash flows from investing activities	(4.1)	0.2	4.4	-
Free cash flow	25.6	22.8	(2.7)	*(10.7)*
Cash flows from financing activities	(18.7)	(6.9)	11.7	-
Effect of exchange rate change on cash and cash equivalent	(0.2)	0.0	0.2	-
Net increase (decrease) in cash and cash equivalents	6.6	15.9	9.3	*140.7*
Cash and cash equivalents at beginning of period	68.1	74.7	6.6	*9.7*
Cash and cash equivalents at end of period	74.7	90.6	15.9	*21.3*

Reference

Capital expenditure	4.9	5.0	0.1	*2.1*
Depreciation	4.4	4.4	0.0	*0.5*

2. Medium-term Plan for FY2021-2024 and New Long-term Targets

New Long-term Targets

Based on the Group philosophy of “human-centered automation,” the azbil Group strives to ensure its own sound growth over the medium to long term and sustainably increase its corporate value by contributing “in series” to the achievement of a sustainable society through business operations.

As such, we adhere to the three fundamental policies below, continuing to implement measures for business growth and investments while strengthening our business profitability and upgrading the foundation of our global business. In 2021, we have set out “**new long-term targets**” to achieve growth while maintaining the fundamental policies.

Three fundamental policies

- Being a long-term partner for the customer and the community by offering solutions based on our technologies and products
- Taking global operations to the next level, by expansion into new regions and a qualitative change of focus
- Being a corporate organization that never stop learning, so that it can continuously grow stronger

New long-term targets for FY2030

Net sales	**400.0 billion yen range**
[Overseas]	[100.0 billion yen range]
Operating income	**60.0 billion yen range**
Margin	**approx. 15%**
ROE	**approx. 13.5%**

- At the same time as “improving the quality of space and productivity” in the customers’ assets, we are reducing the amount of energy used to achieve this, and so we can help protect the global environment. To meet both of these objectives, we are developing businesses in Japan and overseas, thus contributing “in series” to achieving a sustainable society.
- Reflecting our keen awareness of how important continuous improvements in profit margins are to become sustainable as an enterprise, we are aiming to achieve an operating margin of approximately 15% by FY2030, which would represent an increase of 5% compared to FY2019.
- To increase our contribution to a sustainable society, we are aiming to achieve net sales in the 400.0 billion yen range by FY2030, an increase of over 150.0 billion yen from the current level.
- Seeking to increase enterprise value, we will ensure strategic investments are made, and aim to increase ROE from the current level of approximately 10% to approximately 13.5% by FY2030.

New Medium-term Plan

As part of the process of achieving the new long-term targets, we established our new medium-term plan. Focused on expansion in the three growth fields—namely, the new automation, environment and energy, and life-cycle solution—which share a common foundation of automation technology, we will develop and achieve global growth in each of our businesses: Building Automation (BA), Advanced Automation (AA), and Life Automation (LA).

Measures for azbil Group growth

- Sharing a common foundation of automation technology, the three growth fields will enable continually carrying out "improvements to the quality of space and productivity" in customers' assets, as well as curbing energy usage for such improvements.
- In anticipation of changes in the business environment, we will strive for growth in the BA, AA, and LA businesses by offering new products and services both in Japan and overseas. This will be based on the results of the business foundation built through previous medium-term plans and focusing on the three growth fields, in which the azbil Group has strengths.
- In addition to allocating funds for R&D expenses and capital expenditure for expanding the three growth fields, we plan to expand existing measures for strengthening profitability and to further increase profit margins through new initiatives.

			New medium-term plan for FY2021-2024	New long-term targets
	FY2019	FY2020	FY2024	FY2030
Net sales	259.4 billion yen	246.8 billion yen	300.0 billion yen	400.0 billion yen range
[Overseas]	[44.1 billion yen]	[44.8 billion yen]	[66.0 billion yen]	[100.0 billion yen range]
Operating income	27.2 billion yen	25.7 billion yen	36.0 billion yen	60.0 billion yen range
Margin	10.5%	10.4%	12%	approx. 15%
ROE	10.9%	10.4%	approx. 12%	approx. 13.5%

Safety → Transformation → Growth

Three Growth Fields that Share a Common Foundation of Automation Technology

The three growth fields, which share a common foundation of automation technology, will enable continuously carrying out "improvements to the quality of space and productivity" in the customers' assets, while curbing energy usage for such improvements. It will thus be possible to enter various markets positioned to meet the emerging needs of customers and society.

New automation fields

As the business environment changes, the fields add value by carrying out "improvements to the quality of space and productivity" in the customers' assets. This aids customers in gaining a competitive advantage (by providing high productivity as well as comfortable, safe and dependable spaces).

Environmental and energy fields

The fields carry out "improvements to the quality of space and productivity" in the customers' assets utilizing the minimum amount of "resources and energy". In moving toward a carbon neutral era, it is critical that a balance exists between "improvements to the quality of space and productivity" and "minimal usage of resources and energy." The azbil Group will provide that balance.

Life-cycle solution fields

The balance between "improvements to the quality of space and productivity" in the customers' assets and "minimal usage of resources and energy" must be provided over a long period of time. In order to do so, it is imperative that customers' assets must be maintained at a specified level for the long term. We will continually carry that out.

We will achieve sustainable growth by developing—and continuing over a long period of time—our business in these three growth fields, in Japan as well as overseas.

The needs of customers and society are evolving worldwide—with demands for high quality, safety, remote access, global decarbonization, etc. This is because of changes in the structure of society and in our environment, ranging from climate change and the "new normal" of pandemic life, to work-style reforms, an aging infrastructure, and the increasing sophistication of modern manufacturing.

Providing distinctive solutions through our business in the three growth fields in which the azbil Group possesses key strengths

New automation fields
Solving new challenges with new products and services

Environmental and energy fields
Strengths based on proven track record in energy conservation and utilization of renewable energy

Maintaining optimization over a long period of time and contributing to the achievement of a sustainable society

Life-cycle solution fields
Maintain the customers' assets for the long term

High value-added services that utilize networks for expanding and upgrading the business foundation over a long period of time

Strengthening the engineering and service business foundation using digital transformation (DX), and expanding this overseas

Commercial buildings

Factories and plants

Infrastructure, pharmaceu-ticals and houses

Creating Enduring Solutions in the Three Growth Fields

By combining the strengths of our three growth fields, we have developed solutions unique to the azbil Group that have already proven themselves on site to our customers. We will continue to create new solutions with leading-edge system solutions harnessing AI and the cloud as well as advanced devices employing MEMS* sensor technologies.

BA Commercial buildings

Refurbishing existing buildings and promoting energy management to achieve repeated reductions in CO_2 emissions from large-scale buildings against global warming

Environmental and energy fields
Life-cycle solution fields

- Realizing steady improvements in the operation of existing facilities by drawing on our considerable track record in the domestic market and the resulting know-how and data analysis
- Maintenance service system to support continual CO_2 reduction
- Visualizing energy usage with cloud services

Products that create safe and secure workplaces, for which demand is increasing due to the pandemic

New automation fields
Environmental and energy fields

- Ensuring a more personal work environment, with appropriate physical distancing, and saving energy at the same time
- Supporting “new normal” work styles with comfort and safety using the latest in wireless sensors, etc. to enable highly flexible layouts

AA Factories and plants

Cloud services that use AI and IoT to remotely realize safe and efficient operation of production facilities

New automation fields
Life-cycle solution fields

- Harnessing AI to replicate the expertise of skilled workers with automation solutions that address labor shortages while maintaining safety and quality
- Automatically uploading valve data to the cloud for remote, contactless monitoring of the status of valves operating in plants

LA Infrastructure, pharmaceuticals and houses

New services that extend from labor-saving maintenance of energy infrastructure to collection and utilization of big data

New automation fields
Life-cycle solution fields

- Drawing on our experience in supplying meters and utilizing existing networks such as cloud services for LP gas
- Offering customers new value in terms of environmental management and quality-of-life improvements by utilizing smart meters, collecting data in the cloud, and drawing on a wide range of data to realize decarbonization, etc.

Product development, production and service infrastructure to support solutions in the azbil Group’s three growth fields

- R&D
  Fujisawa Technology Center:
  MEMS, packaging technology, application technology
- Service network
  Maintenance and service sites in Japan and overseas, BOSS center, Cloud Operation Center, etc.
- Production
  “Mother factory” (a combination of Shonan Factory and Fujisawa Technology Center) and factories in China and Thailand

* Microelectromechanical systems (MEMS): devices built using microfabrication technology to integrate sensors, actuators and electronic circuits on substrates.

Investments and Measures to Continuously Create Solutions

In order to continuously create solutions to achieve the new long-term targets for FY2030, we will implement vigorous R&D spending and capital investment to accelerate the development and introduction of new products and services, as well as promoting DX for sales/service/engineering and measures to strengthen the network infrastructure required for developing high value-added services and enhancing business efficiency.

■ **R&D expenses**
Cumulative total of 56.0 billion yen from FY2021 to FY2024

Strengthen technology development capabilities

Upgrade and enhance the Fujisawa Technology Center, our R&D base, to strengthen our ability to develop advanced system solutions and high-performance, high-precision devices (work to be completed by May 2022)

- Upgrade development and production facilities for MEMS sensors, which are key to the azbil Group's sensing technologies. In order to maintain and improve competitiveness of MEMS sensor, develop high-performance sensors and realize a stable supply
- Provide a new environment for development enabling to enhance its development capabilities of advanced system solutions utilizing cloud technology and AI
- Provide an optimal development and work environment that can increase individual and team creativity, promoting lively workplaces and work-style reform

▲MEMS sensors

▲Conceptual images of laboratory buildings scheduled to be constructed (Images courtesy of Nikken Sekkei Ltd.)

■ **Invest in enhancing capabilities of the Fujisawa Technology Center:**
FY2021-2022 construction costs of approx. 7.0 billion yen (planned)

Strengthen the sales and service network

Strengthen the network centered on the Strategic Planning and Development Office for Southeast Asia

- Installed a system that enables an office conference room to be turned into a temporary "pandemic-response room" in the Smart Urban Co-Innovation Lab (Singapore) led by CapitaLand
- Established the Solution and Technology Center in Rayong Province, Thailand, to provide next-generation intelligent services utilizing IoT and AI technologies, including predictive anomaly detection and diagnosis services for control valves in overseas markets

Expand/strengthen our global production and procurement systems

Azbil Control Instruments (Dalian) to construct a new factory building

- Scheduled to build a new factory building at Azbil Control Instruments (Dalian) in order to expand production capacity in response to increasing global demand, to upgrade manufacturing processes, and to promote further automation. Strengthen our three-base production system (Japan, Thailand, and China).

Segment Growth (BA, AA, LA) Leveraging the Changing Business Environment

We plan to achieve growth in each of the three businesses by launching new products and services in Japan and overseas, focused on development in the three growth fields and responding to changes in the business environment that reflect changing customer needs and new social issues.

(Billions of yen)

Changing domestic and overseas business environment and needs → **The azbil Group's solutions**

BA
Commercial buildings

	FY2020	FY2024
Sales	117.5	**134.5**
Overseas	7.2	14.0
Segment profit	14.0	**16.3**
Margin	*11.9%*	***12.1%***

- Continued planning for new large-scale construction projects in Japan and Asia; increased demand for the refurbishment of existing buildings in Japan
- Growing needs for achieving energy savings and CO_2 reduction as part of decarbonization
- New office demand to meet the safety and security needs of the "new normal" era, including improved ventilation and access control as a response to the pandemic

➢ Carry out energy-saving refurbishment based on our accumulated data and know-how derived from actual installations
➢ Optimize energy and quality of air/temperature control based on the totality of BA systems, IoT devices and field instruments
➢ Achieve greater energy efficiency achieved through cloud services, etc. and virtual power plant implementation
➢ Respond to growing needs overseas for safety and comfort by supplying energy-saving applications, engineering and service with a proven track record in Japan

AA
Factories and plants

	FY2020	FY2024
Sales	87.7	**107.5**
Overseas	22.5	32.5
Segment profit	10.2	**16.4**
Margin	*11.7%*	***15.2%***

- Continuous automation of manufacturing equipment and production lines to be able to meet new product and service demands
- Energy saving and greenhouse gas emission control for production facilities to make them ready for decarbonization
- Ensuring the safe and efficient operation of existing facilities; resolving labor shortages; and responding to new needs of the "new normal" era involving remote work, remote maintenance, etc.

➢ Supply new products that expand the measurement field with new technologies such as MEMS
➢ Supply products and services in the new automation fields, such as AI facility diagnosis and predictive anomaly detection that combine cloud services with AI technologies and IoT devices
➢ Make available in overseas markets products and services that have a proven track record and competitive edge in Japan

LA
Infrastructure, pharmaceuticals and houses

	FY2020	FY2024
Sales	42.9	**58.0**
Overseas	15.0	19.5
Segment profit	1.4	**3.3**
Margin	*3.3%*	***5.7%***

- Energy management; improved safety and efficiency of infrastructure maintenance
- Responding to developments in the energy market, such as gas liberalization; adopting IoT for a range of meters; and meeting the need for improved living standards and product quality by utilizing the large amounts of data that can be accumulated from the operation of living and working spaces
- Ensuring safe and secure medical care and comfortable living spaces

➢ Promote Smart Metering as a Service (SMaaS) business for energy management in collaboration with other companies
➢ Provide solutions related to the manufacture of vaccines and other pharmaceutical products overseas
➢ Provide comfortable environments for small-size buildings based on variable air volume (VAV) and air cleaner technology

Overseas Growth Leveraging the Changing Business Environment

- **Upgrade the business foundation to facilitate expansion; includes upgrading an overseas sales and service network, establishing/upgrading an overseas production and procurement system, and cultivating relationships with major local business operators**
- **Double the size of our overseas business based on the business foundation we have so far established; developing businesses suited to the characteristics of each region, such as market structure; and seizing new opportunities offered by the changing business environment overseas and emerging customer needs for safe and efficient HVAC systems, including a pandemic-ready system, as well as for devices and applications that utilize IoT and AI**

FY2010	FY2020		FY2024 (Final year for the new medium-term plan)		FY2030 (New long-term targets)	
Overseas sales **18.1** billion yen **(8.2%)**	**Overseas sales** **44.8** billion yen **(18.2%)**	Asia: 18.8 billion yen China: 11.0 billion yen North America and Europe: 12.8 billion yen	**Overseas sales** **66.0** billion yen **(22.0%)**	Asia: 27.0 billion yen China: 17.0 billion yen North America and Europe: 21.0 billion yen	**Overseas sales** **100.0** billion yen range **(25.0%)**	Asia: 43.0 billion yen China: 28.0 billion yen North America and Europe: 27.0 billion yen

* Figures in parentheses show overseas sales ratio.

	FY2010–FY2020	FY2021–FY2030
Measures to expand business	● **Develop and launch products for overseas markets** BA system G5, high-performance control valves for the semiconductor market, etc. ● **Capital participation: Azbil Telstar S.L.U.** ● **Expand customer coverage; cultivate relationships with leading business operators** Singapore design office, etc.	● **Introduce products and services with a proven track record in Japan; launch new products** Pandemic-ready room, anomaly prediction/detection, cloud-based valve diagnosis ● **Expand sales network and business/product portfolio (including capital participation); strengthen activities (including utilization of SFA)**
Strengthen the business foundation	● **Expand sales/service network; upgrade infrastructure for remote maintenance, etc.; establish regional strategy promotion system** Strategic Planning and Development Office for Southeast Asia (2018) Solution and Technology Center, Thailand (2020) ● **Relocate and strengthen production overseas; establish procurement network; expand OUT-OUT**	● **Continue to expand sales/service network; strengthen strategic planning for different regions, suited to market structure, etc.** ● **Strengthen overseas production bases** Expansion of Dalian factory (China), etc. ● **Strengthen service infrastructure using cloud technology, etc.**

Measures to Continuously Improve Profit Margins for Sustainable Growth

- **Under the previous medium-term plan, we implemented business and operational structure reforms to improve business profitability, and we were able to maintain a steady profit level even when the business environment was worsening amidst the COVID-19 pandemic.**
- **In addition to investing in R&D and providing capital investment for development in the three growth fields, we are aiming to achieve an operating income margin of approximately 15% in FY2030 through expansion of proven measures to strengthen profitability, as well as new initiatives.**

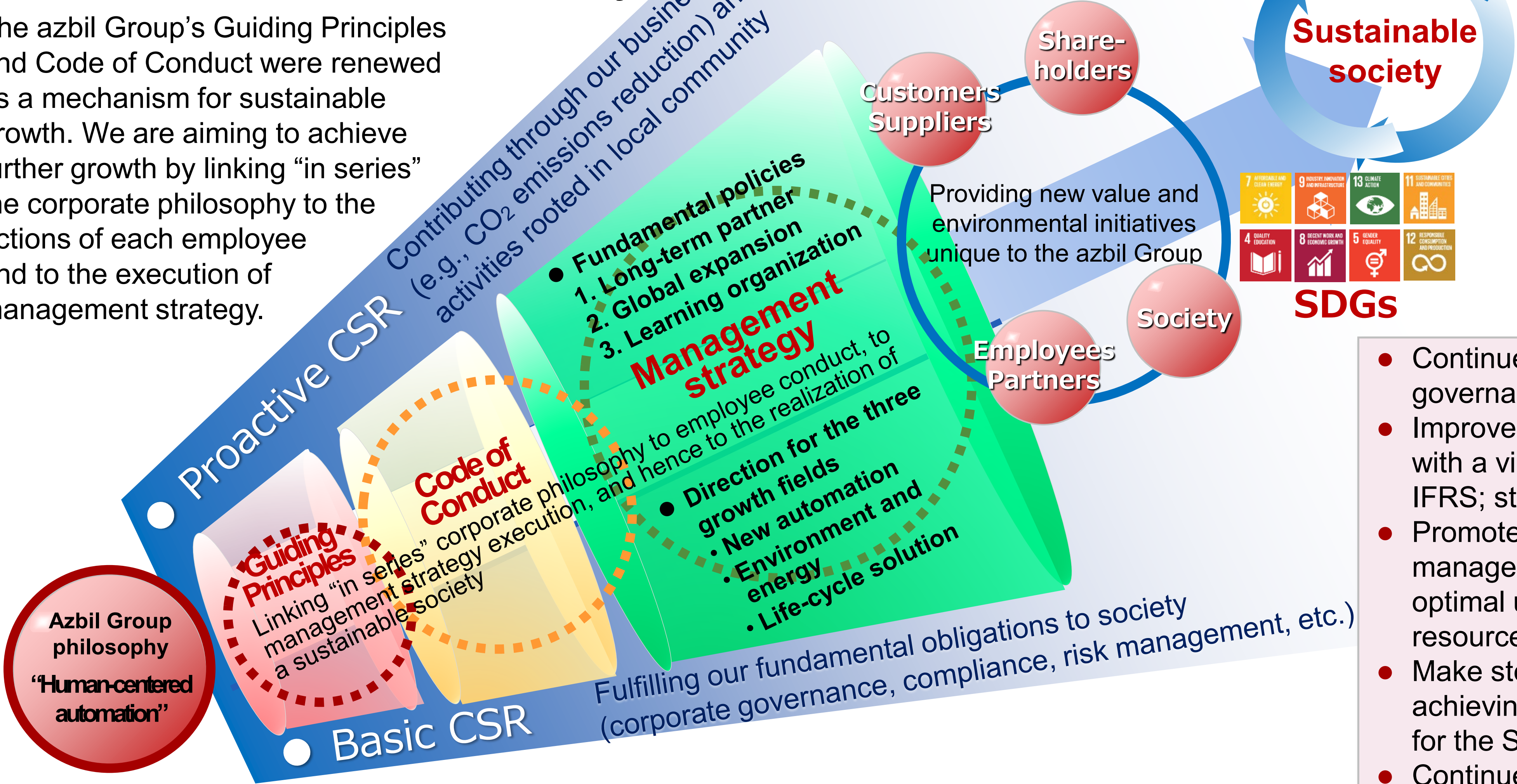
FY2010	FY2020	FY2024 (Final year for the new medium-term plan)	FY2030 (New long-term targets)
Operating margin 6.8%	**Operating margin 10.4%**	**Operating margin 12%**	**Operating margin approx. 15%**
Net sales: 219.2 billion yen	Net sales: 246.8 billion yen	Net sales: 300.0 billion yen	Net sales: 400.0 billion yen range
Operating income: 14.9 billion yen	Operating income: 25.7 billion yen	Operating income: 36.0 billion yen	Operating income: 60.0 billion yen range

	As well as reforming the business structure—which included withdrawing from some businesses—we implemented measures to improve profitability on order acceptance and to make improvements regarding costs and expenses.	**In addition to business expansion in the three growth fields, we will implement measures to further improve profitability.**
Measures to expand business	● Expand profitable recurring business ● Expand business areas and customer coverage, in Japan and overseas, by enhancing product appeal	● Expand and enhance efficiency of stock business ● Expand business centered on the three growth fields ● Develop alliances and regional business centered on the Strategic Planning and Development Office for Southeast Asia
Measures to improve profits	● Reform of domestic production system (consolidation and elimination of factories) ● Reduce product costs by shifting production and procurement overseas ● Optimize utilization/allocation of human resources within the Group and control personnel costs	● Launch updated products (enhanced functions + cost reduction) ● Increasingly shift and expand overseas production and procurement ● Continue effective utilization/allocation of human resources ● Use DX to streamline operations and control SG&A expenses

The azbil Group's CSR Management: Contributing to Society's Sustainable Development

Business activities and growth that contribute "in series" to the achievement of a sustainable society

The azbil Group's Guiding Principles and Code of Conduct were renewed as a mechanism for sustainable growth. We are aiming to achieve further growth by linking "in series" the corporate philosophy to the actions of each employee and to the execution of management strategy.



Through the new medium-term plan as well, we will promote Group management and enhance corporate governance systems, advancing our unique CSR management with the following priorities for action: risk management, compliance, management with an emphasis on people, and contributions to the global environment and society.

- Continue strengthening corporate governance and risk management
- Improve quality of accounting reporting with a view to voluntary adoption of IFRS; strengthen internal controls
- Promote health and well-being management, diversity and inclusion; optimal utilization/allocation of human resources
- Make steady progress toward achieving the azbil Group's own goals for the SDGs
- Continue other important initiatives

Essential Goals of azbil Group for SDGs: New Targets and Updates

Based on our group philosophy, the azbil Group is engaged in implementing CSR management. Regarding SDGs, we have set our four own essential goals (I to IV) as well as specific targets, and we are now working to steadily implement them. Furthermore, we are continuously reviewing and raising their levels

Azbil Corporation has signed the United Nations Global Compact, underlining our commitment to continue to expand and strengthen our existing initiatives for human rights protection globally and make further efforts to achieve the SDGs.

I Environment and energy

Strengthening goals, establishing new targets

Looking ahead to FY2030, in addition to planning for a CO_2 effective reduction of 3.4 million metric tons per year at customers' sites, we are raising the target for reducing greenhouse gas (GHG) emissions resulting from our own business activities, and adding a new target. By taking these steps, we will contribute toward solving global environmental and energy issues through collaborative creation.

- **Tighten greenhouse gas (GHG) emission reduction targets for 2030** — Upgrade!

  GHG emissions (Scopes1+2) associated with our own business activities
  *no change for Scope 3

  30% reduction ➡ **60%** **reduction** compared to 2013

  Certification application has been submitted for meeting the 1.5 °C target by the SBT initiative*1.

- **Set product recycling target for 2030** — New!

  Employing best available technology (BAT)*2

  All new products will be designed to be 100% recyclable

II New automation

Specifying definition and area to tackle

Specify the definition and area to tackle in order to realize a safe and comfortable society by new automation

- **Improve the quality of customer's living, production and other shared spaces and create new value, through autonomy of manufacturing and operations. (Defining & Engaging)**

III Supply chain and Social responsibility

Establishing new targets

Working together with our customers and business partners to fulfill our social responsibilities, we will establish two new targets to promote social contribution activities in various geographical regions. We will also strengthen initiatives under supervision of the newly established Social Contribution Office.

- **Collaborate with business partners on achieving the SDGs as a common goal and create shared CSR value in the supply chain; develop original targets for evaluating policies, framework, initiatives, and effectiveness*3** — New!
- **Implement social contribution activities, rooted in the local community at all business sites*4, in which every employee*5 will participate** — New!

IV Health and well-being management; An organization that never stops learning

Establishing new targets

To reinforce the foundation for realizing health and well-being management and for solving issues facing society through continuous learning, for 2030 we will be adopting a new target in addition to those for job satisfaction and personal growth (over 65%).

- **Adopt new targets for job satisfaction and personal growth (over 65%) for 2030** — New!

  Women's advancement point*6: x2 by 2024

  Training opportunity point*7: x2 by 2024

*1 The Science Based Targets initiative is a collaboration between the CDP, United Nations Global Compact, World Resources Institute, and World Wide Fund for Nature, and certifies corporations whose CO_2 emissions reduction targets have a scientific basis. Their goal is to keep global temperature increase below 1.5 decree Celsius compared with pre-industrial levels.

*2 BAT refers to the most effective technology that is both economically and technologically viable.
*3 The evaluation system is unique to the azbil Group and is linked with external ESG evaluations such as FTSE.
*4 All offices both in Japan and overseas.
*5 The azbil Group aims to participate in activities of a scale that can accommodate the total number of employees.
*6 Points tallied internally with weight given based on the role, such as company executive, officer and manager.
*7 Points tallied internally for participating in opportunities (frequency or number of employees) to learn with stakeholders.

New Long-term Targets and New Medium-term Plan

- **The azbil Group previously defined three growth fields—new automation, environment and energy, and the life-cycle solution—which share a common foundation of automation technology. Focusing on the growth of these fields, we will achieve growth globally in each of our three businesses: Building Automation (BA), Advanced Automation (AA), and Life Automation (LA).**
- **With no end in sight for the COVID-19 pandemic, we will continue to create value on site, with safety as our top priority. Under the new medium-term plan, we will also be vigorously investing in R&D and accelerating the launch of new products and services to ensure that we make the most of new business opportunities. Furthermore, we will transform both work and work styles through the power of DX.**
- **At the same time, by further strengthening business profitability, we will ensure that we make progress toward achieving our long-term targets for FY2030.**
- **In order to achieve our medium- and long-term ROE targets, the azbil Group is introducing return on invested capital (ROIC) from FY2021 so that management will have a keen awareness of the cost of capital.**

Growth

Transformation

Safety

New medium-term plan for FY2021-2024

New long-term targets

2030
SDGs

Contribution "in series" to the achievement of a sustainable society
Continuous enhancement of enterprise value

	FY2019	FY2020	FY2024	FY2030
Net sales	**259.4 billion yen**	**246.8 billion yen**	**300.0 billion yen**	**400.0 billion yen range**
[Overseas sales]	[44.1 billion yen]	[44.8 billion yen]	[66.0 billion yen]	[100.0 billion yen range]
Operating income	**27.2billion yen**	**25.7 billion yen**	**36.0 billion yen**	**60.0 billion yen range**
Margin	**10.5%**	**10.4%**	**12%**	**approx. 15%**
ROE	**10.9%**	**10.4%**	**approx. 12%**	**approx. 13.5%**

3. Financial Plan for FY2021

Consolidated Financial Plan

In FY2021, the first year of the new medium-term plan, some impact is expected from a resurgence in the COVID-19 pandemic. However, as well as aiming to achieve business expansion in the three growth fields, we plan to increase net sales and profits by continuing to strengthen our business profitability. We thus aim to set a new record for operating income.

- With a resurgence in the pandemic, COVID-19 is expected to continue to exert an effect in FY2021. While monitoring the situation, we will respond rapidly to limit the impact on our financial performance.
- We will continue efforts to strengthen our business profitability and steadily improve our operating margin, ensuring that we can meet the demand in recovering markets through development of our established business foundation and measures to strengthen our sales capabilities by harnessing DX.
- We will also expand and steadily implement R&D and capital investments for future growth.

(Billions of yen)

	FY2020 results (A)	FY2021			Difference	
		H1 plan	H2 plan	Full-year plan (B)	(B) - (A)	*% Change*
Net sales	246.8	117.2	142.8	260.0	13.1	*5.3*
Operating income	25.7	8.5	19.0	27.5	1.7	*6.9*
Margin	*10.4*	*7.3*	*13.3*	*10.6*	*0.2pp*	
Ordinary income	26.3	8.6	18.9	27.5	1.1	*4.4*
Net income attributable to owners of parent	19.9	5.9	14.1	20.0	0.0*	*0.4*
Margin	*8.1*	*5.0*	*9.9*	*7.7*	*(0.4)pp*	

* 0.08 billion yen

Financial Plan by Segment

- BA Demand for air conditioning (HVAC) control equipment and systems for large-scale buildings will remain high. Both sales and profits are expected to increase thanks to a healthy order backlog for new buildings and growing demand for the refurbishment of existing buildings.
- AA Driven by the manufacturing equipment market in Japan and overseas, a recovery in capital investment is expected. We are aiming to increase sales and profits by actively developing new customers overseas and launching new products, as well as by making further progress with measures to strengthen profitability.
- LA While continuing to rely on demand for meter replacement as required by law, we plan to increase sales and profits with growth in the Lifeline field—through expansion of our cloud-based service—and in the Life Science Engineering field for which there is a healthy order backlog that grew in FY2019, reflecting increased demand in the pharmaceutical market.

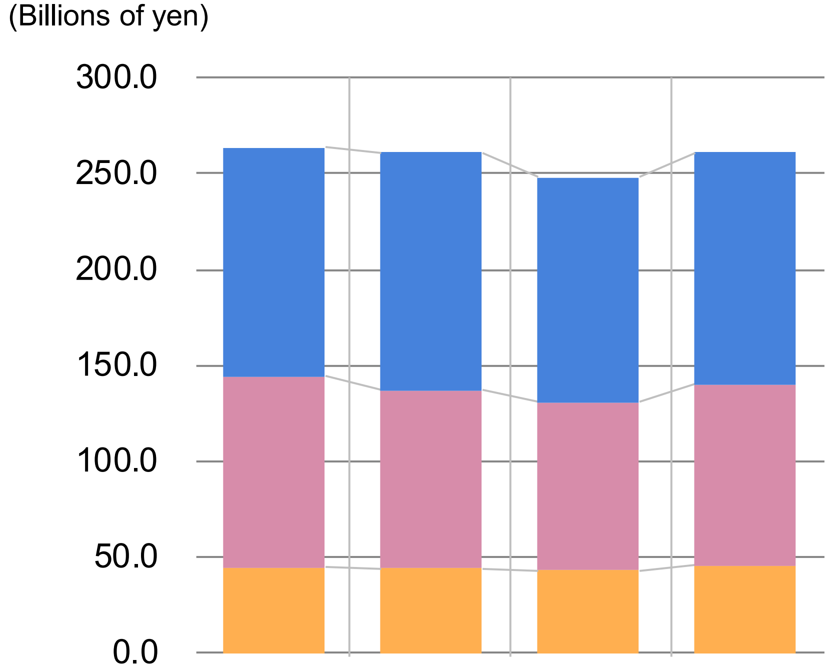
(Billions of yen)

		FY2020 results (A)	FY2021			Difference	
			H1 plan	H2 plan	Full-year plan (B)	(B) - (A)	*% Change*
BA	Sales	117.5	49.0	72.4	121.4	3.8	*3.3*
	Segment profit	14.0	2.5	11.8	14.3	0.2	*2.0*
	Margin	*11.9*	*5.1*	*16.3*	*11.8*	*(0.2)pp*	
AA	Sales	87.7	46.1	48.1	94.2	6.4	*7.3*
	Segment profit	10.2	5.3	6.3	11.6	1.3	*13.2*
	Margin	*11.7*	*11.5*	*13.1*	*12.3*	*0.6pp*	
LA	Sales	42.9	22.7	23.0	45.7	2.7	*6.4*
	Segment profit	1.4	0.7	0.9	1.6	0.1	*11.5*
	Margin	*3.3*	*3.1*	*3.9*	*3.5*	*0.2pp*	
Consolidated	Net sales	246.8	117.2	142.8	260.0	13.1*	*5.3*
	Operating income	25.7	8.5	19.0	27.5	1.7	*6.9*
	Margin	*10.4*	*7.3*	*13.3*	*10.6*	*0.2pp*	

* The plan includes a decrease of about 1.5 billion yen mainly for the BA business due to the impact of adopting a new accounting standard for revenue recognition.

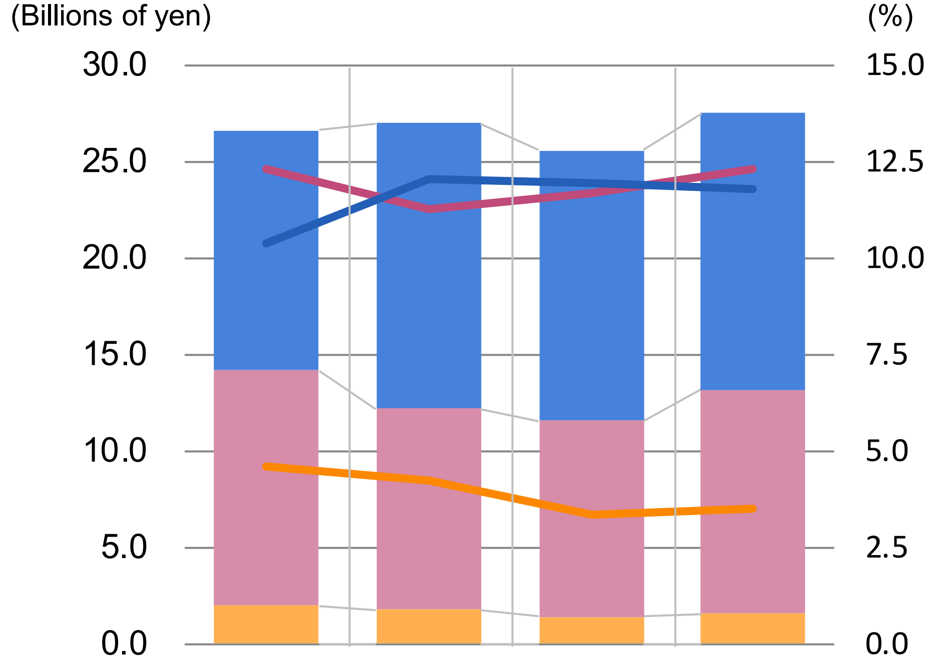
Reference: Sales by Segment and Segment Profit (Operating Income)

■ Sales by segment



	FY2018	FY2019	FY2020	FY2021 (plan)
B A	119.5	123.7	117.5	**121.4**
A A	99.3	93.1	87.7	**94.2**
L A	44.8	44.0	42.9	**45.7**
Consolidated	262.0	259.4	246.8	**260.0**

■ Segment profit (operating income)



	FY2018	FY2019	FY2020	FY2021 (plan)
B A	12.4	14.8	14.0	**14.3**
Margin	*10.4*	*12.0*	*11.9*	***11.8***
A A	12.2	10.4	10.2	**11.6**
Margin	*12.3*	*11.3*	*11.7*	***12.3***
L A	2.0	1.8	1.4	**1.6**
Margin	*4.6*	*4.2*	*3.3*	***3.5***
Consolidated	26.6	27.2	25.7	**27.5**
Margin	*10.2*	*10.5*	*10.4*	***10.6***

4. Returning Profits to Shareholders

Plan to Further Improve Shareholders' Returns in Accordance with the Basic Policy

In line with our basic policy—promoting shareholder returns, investment in growth and healthy financial foundation—we will increase dividend and repurchase the Company's own shares while investing in growth, including R&D and capital investments to strengthen MEMS sensors, system solutions and other technologies that will support business expansion in the three growth fields.

FY2020 year-end dividend

The year-end dividend for FY2020 will be 30 yen per share, an **increase of 5 yen** compared to the previous plan (announced on May 20, 2020). Including the interim dividend of 25 yen, the annual dividend per share will thus be **55 yen**.

FY2021 annual dividend

As regards the dividend for FY2021, the Company plans an **increase of 5 yen**, making the annual dividend per share **60 yen**.

Repurchase of own stock

Giving due consideration to ensuring a disciplined capital policy and capital efficiency, we have set the maximum limit for repurchase of the Company's own stock **at 10 billion yen** (or 3 million shares).

Basic policy

We continue to develop well-disciplined capital policies and aim to maintain/enhance the azbil Group's enterprise value while carefully balancing three key elements: promoting shareholder returns, investing in growth, and maintaining a healthy financial foundation.

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

FY2020 Year-end Dividend and FY2021 Annual Dividend Plan

FY2020 year-end dividend	Regarding the dividend, which had been unchanged from FY2019 due to the uncertain business environment, because our financial results have exceeded the published plan, **we will increase the year-end dividend for FY2020 by 5 yen to 30 yen per share (annual dividend: 55 yen).**
FY2021 annual dividend	In our business plan for FY2021, the first year of the new medium-term plan, we are aiming to increase net sales and set a new record for profits. **We will therefore increase the annual dividend by 5 yen to 60 yen per share.**

Despite the difficult business environment caused by the COVID-19 pandemic, through strengthening our business profitability and financial position, we have secured FY2020 profits in excess of the plan and also a robust financial foundation. Furthermore, we have prepared a new medium-term plan that looks ahead to stable and sustained growth in FY2021, so we have reviewed the dividend level for FY2020, which had remained unchanged. We also plan a further increase in the dividend for FY2021. Based on the principle of maintaining stable dividends, we are aiming to further raise the level of DOE; note that the DOE for FY2020 was 4.0%.

	FY2019	FY2020		FY2021
	result	plan (May 2020)	revised plan (May 2021)	plan (May 2021)
Annual dividend per share	50 yen	50 yen	55 yen	60 yen
Difference (compared with the previous fiscal year)	+4 yen		+5 yen 5 yen increased for year-end dividend	+5 yen
Interim dividend	25 yen	25 yen	25 yen	30 yen
Year-end dividend	25 yen	25 yen	30 yen	30 yen
Payout ratio	35.5%	35.0%	38.5%	41.3%*1
Dividend on equity (DOE)	3.9%	3.7%	4.0%	4.2%*2

*1 The effects of own share repurchases being completed in FY2021 are taken into account for a trial calculation of net income per share, and accordingly payout ratio for FY2021.

*2 The following factors have been taken into account for the trial calculation, which is based on shareholders' equity on March 31, 2021: own share repurchases being completed in FY2021, year-end dividends for FY2020, interim dividends for FY2021, and net income attributable to owners of parent in consolidated financial plan for FY2021.

Repurchase of Own Shares

FY2021 Repurchase of own stock

Aiming to improve capital efficiency, and considering current and forecast business performance, we will repurchase the Company's own stock up to a maximum of 10 billion yen.

Giving due consideration to the return on equity (ROE) targets set out in the new long-term targets (for FY2030) and in the new medium-term plan (for FY2021-2024), in a view with capital efficiency, the FY2020 financial results and the FY2021 financial plan, while implementing measures to expand business and strengthen profitability, we will repurchase the Company's own stock and thus achieve disciplined capital policies. In addition to returning more profits to shareholders, this will enable the Company to pursue a flexible capital policy, so as to be prepared for changes in the business environment and be able to make use of cash flow after necessary investments. As regards the repurchased shares, at a later date we will determine a course of action, which may include using them to enhance enterprise value.

● Type of stock to be repurchased:	Common stock of the Company
● Total number of shares to be repurchased:	Up to 3,000,000 shares (2.1% of the total number of shares issued, excluding the Company's treasury shares)
● Total amount of repurchase:	Up to 10 billion yen
● Period of repurchase:	From May 17, 2021 to September 30, 2021
● Method of repurchase:	Market transactions on the Tokyo Stock Exchange

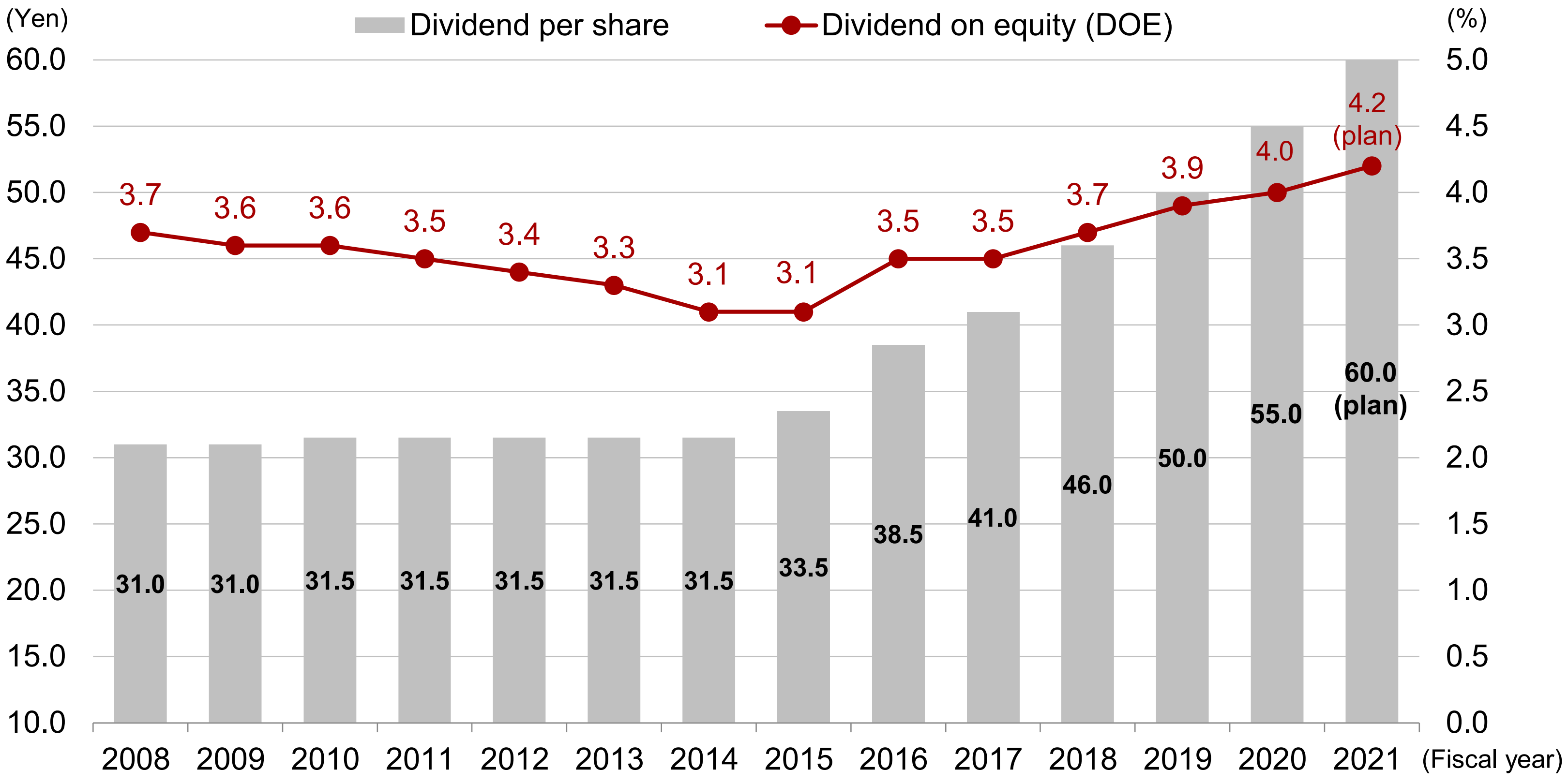
Reference: Company's treasury shares as of March 31, 2021

Total number of shares (excluding the Company's treasury shares):	141,477,495 shares
Company's treasury shares:	3,723,389 shares

* The above number of treasury shares, 3,723,389 shares, does not include shares owned by a trust account for Employee Stock Ownership Plan (J-ESOP), which owned 1,958,084 shares as of March 31, 2021.

Trend of Shareholders’ Returns

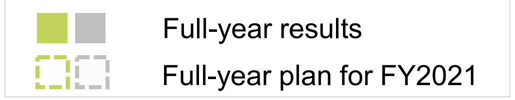
The dividend per share has been retroactively revised, taking into account the effects of the 2-for-1 common stock split effective in 2018.



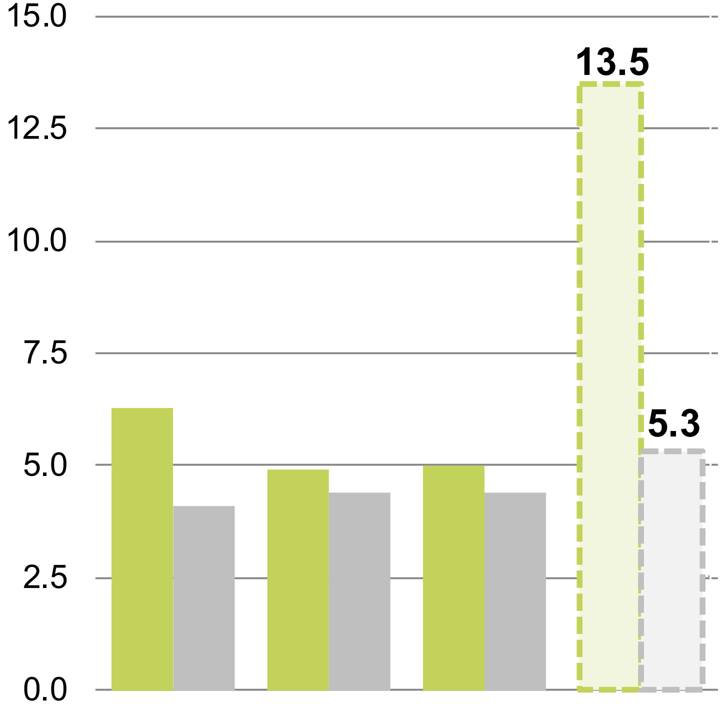
Total amount of own shares repurchased (billions of yen)	1.9							1.9		2.9	4.9	9.9		10.0 (plan)
Number of shares repurchased (millions of shares)	2.00							1.20		1.42	1.87	3.71		3.00 (plan)

Appendix

Capital Expenditure, Depreciation and R&D Expenses



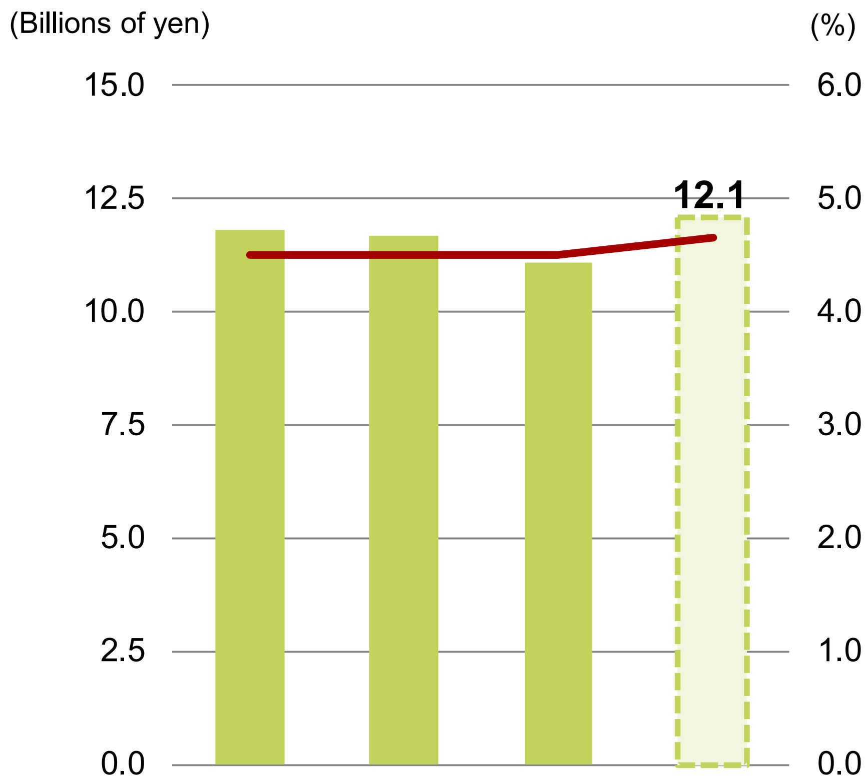
■ Capital expenditure, depreciation



	FY2018	FY2019	FY2020	FY2021 (plan)
Capital expenditure	6.3	4.9	5.0	**13.5***
Depreciation	4.1	4.4	4.4	**5.3**

* Capital expenditure earmarked for upgrading the Fujisawa Technology Center will be incurred.

■ R&D expenses, R&D expenses/Net sales ratio



	FY2018	FY2019	FY2020	FY2021 (plan)
R&D expenses	11.8	11.7	11.1	**12.1**
R&D expenses/ Net sales ratio (%)	*4.5*	*4.5*	*4.5*	***4.7***

Solutions Combining the Three Growth Fields: Case 1

Environment and energy + Life-cycle solution

In service

Total energy management service case study
Providing energy management solutions to large commercial complexes and achieving significant cost reductions

With no initial investment required, significant energy and cost savings can be achieved by improving the operation of existing facilities through this service offering guaranteed performance.

Corporate energy management has now become a social responsibility. With economic globalization and institutional reforms expanding the number of energy choices available, the question is how a company can efficiently utilize and manage energy. Providing a solution is our total energy management service, which boasts the following achievements in a large-scale commercial building complex in Tokyo.

- **Improvements are made to existing facilities, meaning that energy savings can be achieved without requiring an initial investment.**
- **Energy consumption was cut by 23% in facilities selected for energy savings, while a 154% cost reduction was achieved (compared to FY2018).**
- **Using a cloud service for buildings, the customer can monitor energy usage from anywhere.**

■ **Azbil provides fully integrated services ranging from energy efficiency diagnosis to on-site measures.**

Total Energy Management Service

Agreement on guarantee of energy savings | Installation management | Confirmation/guarantee of energy savings

Site survey and preliminary diagnosis → **Proposal made to customer** → **Detailed energy audit** → **Confirmation of proposal details** → **Signing of contract** → **Installation and engineering** → **Measurement & evaluation of energy savings, operational management, maintenance, and inspections** → **Further improve-ments**

Collective management

- With our service (ESCO business), the customer signs a contract with the azbil Group companies that covers all aspects of the refurbishment work required for energy saving.
- By taking responsibility from start to finish—from the design stage through to installation, measurement of energy savings, verification, and operation—the azbil Group is there to ensure that the forecast energy savings are realized.

Solutions Combining the Three Growth Fields: Case 2

New automation + Environment and energy

New product

Nexfort™ DD*: cell-type HVAC system

Solution for the "new normal" work styles required for exclusive office buildings even as remote work becomes commonplace

New HVAC system is also suited to the diversifying work styles and office use of this "new normal" era

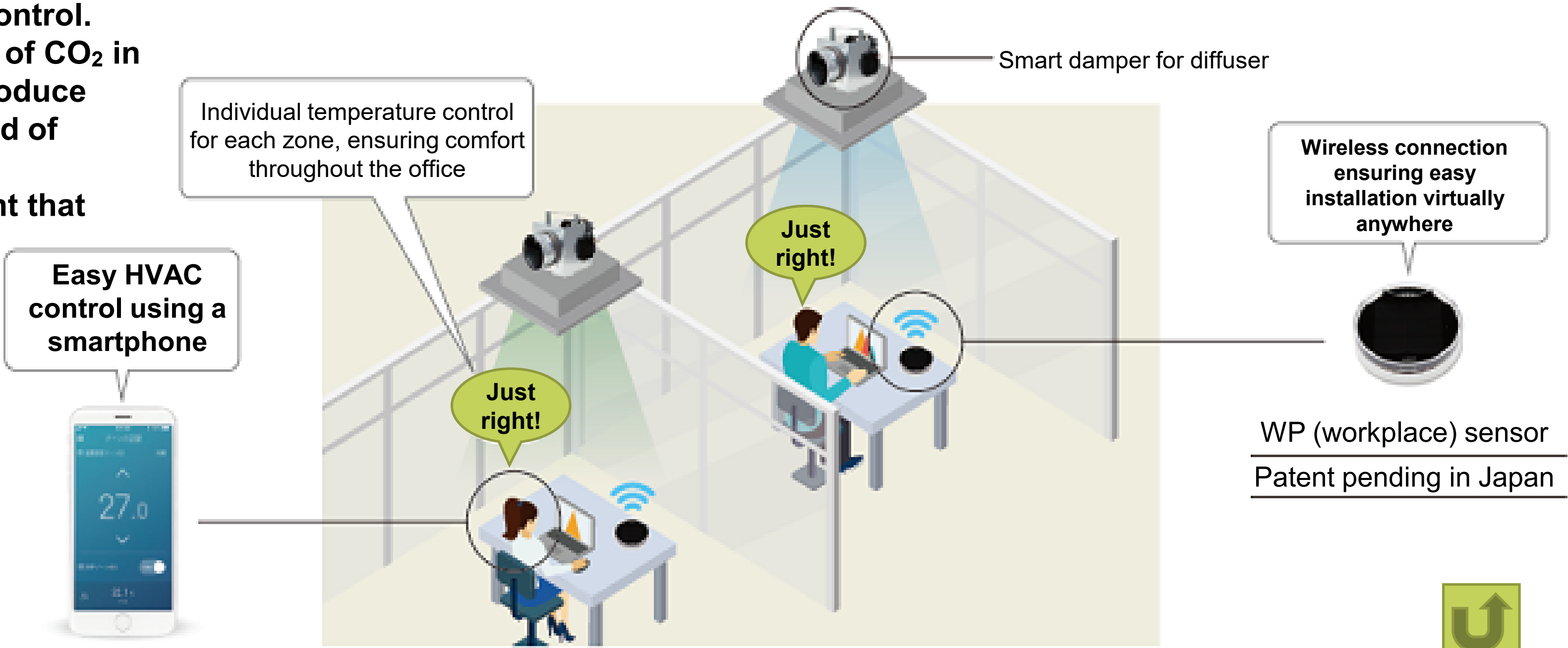
With the ongoing diversification of work styles, the office environment is changing. This new HVAC system, which with is considerate of humans, contributes to the creation of a healthy and attractive office space that is comfortable, energy-efficient, and has a layout that facilitates work.

- **Temperature control is provided for each zone, each of which is divided into smaller units, called cells, for finer outlet control.**
- **This system is capable of controlling the concentration of CO_2 in indoor spaces, as well as controlling ventilation, to introduce outside air as needed, which helps to prevent the spread of airborne infection.**
- **A smartphone app can be used to create an environment that fulfills the wishes of individual office workers.**

■ Energy saving
Improving the thermal environment and saving energy with discrete temperature control for individual zones

■ Convenience
Enabling the air conditioning to be switched on/off and the temperature to be set for each zone by interlocking/disconnecting the smart damper for diffuser

■ Comfort
Improving comfort for office workers with wireless sensors to measure ambient temperature, humidity, and illuminance



Smartphone app (for room users)

* DD: damper for diffuser
* Nexfort is a trademark of Azbil Corporation.

Solutions Combining the Three Growth Fields: Case 3

New automation + Life-cycle solution

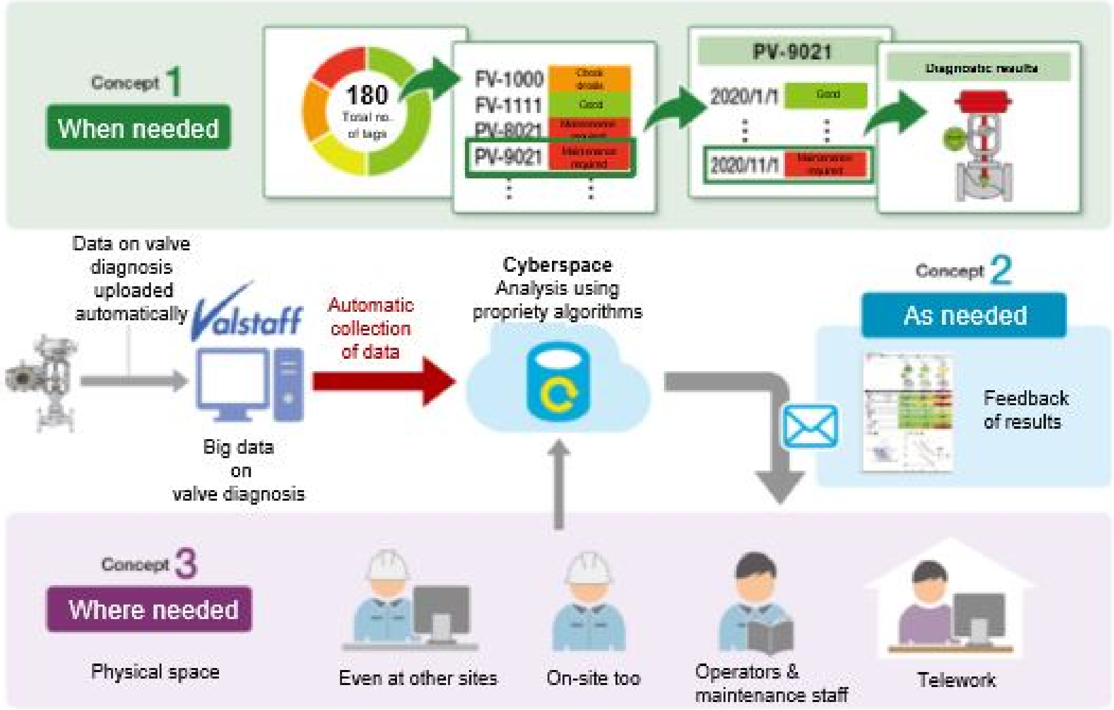
In service

Dx Valve Cloud Service: Cloud-based valve analysis and diagnosis case study
Harnessing DX to optimize maintenance and ensure safe and stable operation

Pleased with how our Dx Valve Cloud Service facilitates the stable operation of production facilities and enhances security at its chemical plant, the customer has decided to implement it in several other plants.

Monitoring valve status via the cloud enables the early detection and prediction of anomalies. Previously this was only possible by open inspection because the internal state of a valve is hidden from sight. Monitoring in this way enables problems caused by valves to be averted, thus contributing to the stable operation of production facilities.

- **Valve operation data is automatically uploaded to the cloud for analysis.**
- **A visual display of the results of a valve "health check" is available when needed, as needed, and where needed.**
- **Without requiring special skills or know-how for analysis and diagnosis, this service makes it easy to generate optimal maintenance plans, based on condition-based maintenance methodology, that lead to stable operation and enhanced security for production facilities.**
- **Thanks to this cloud service, maintenance engineers have been able to obtain necessary information in a timely manner and make use of it in their work. The customer is now planning to introduce our Dx Valve Cloud Service at a dozen or more of its other plants.**



* This service is currently available only in Japan, and will be launched in other countries later.
* Valstaff is a trademark of Azbil Corporation.

Solutions Combining the Three Growth Fields: Case 4

New automation + Life-cycle solution

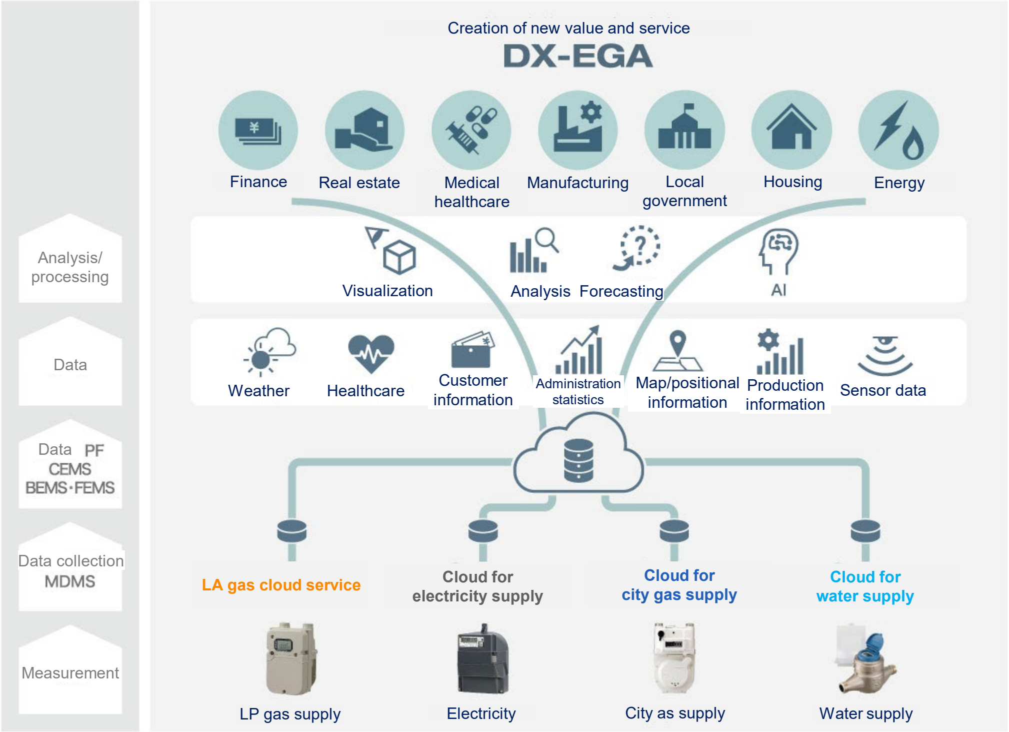
New Business

DX-EGA: Next-generation energy management business
Creating new value, including decarbonization and solutions to environmental issues, by making use of diverse measurement and metering data

DX-EGA[*1] is a collaborative business concept that utilizes existing data collection methods and combines them with diverse operator data and services.

Against the backdrop of today's environmental problems and the rapid growth of decarbonization initiatives that have resulted, the business environment surrounding energy is changing significantly. We are seizing this opportunity, while leveraging our existing platform, so as to expand our business from product sales to the provision of services that utilize big data.

- **This SMaaS business utilizes existing data collection methods, including the cooperative meter-reading system of the TAKAOKA TOKO Group[*2] and the azbil Group's cloud services for office buildings and gas supply.**
- **We are planning to provide value-added services in the energy and environment fields—such as energy data analysis from individual households, and support for corporate ESG and carbon pricing—as well as services related to finance, distribution, and healthcare.**
- **We will develop DX-EGA and contribute to solving social issues.**



*1 DX-EGA is a business concept that accelerates DX in various fields and provides value to customers, centered on energy data (E: electricity, G: gas, and A: aqua or water supply).

*2 As a member of the TEPCO Group, TAKAOKA TOKO Group provides total support for the construction and operation of electric power networks from power plants to every corner of society through the provision of electric power distribution systems.

Contribution “In Series” to the Achievement of a Sustainable Society

Reduce 150 times of the CO_2 (environmental burden) from business activities of azbil Group at customers’ sites

By providing our customers with automation equipment/systems, energy management and other solutions, as well as follow-up maintenance and service, we have built up a solid track record for contributing “in series” to the reduction of society’s environmental impact.

Effective reduction of CO_2 at customers’ sites*

Automation effects

2.71
million metric tons of CO_2

Energy management effects

0.25
million metric tons of CO_2

Maintenance services effects

0.05
million metric tons of CO_2

Total 3.01
million metric tons of CO_2
(FY2019)

>

Reduce 150 times the environmental burden

CO_2 emissions from business activities of the azbil Group

0.02

million metric tons of CO_2
(FY2019)

CO_2 emissions (Scopes 1+2)
Azbil Corporation, its consolidated subsidiaries in Japan and its main manufacturing bases overseas

* In order to assess the contribution to the reduction of environmental impact quantitatively, the effects were classified into the three categories of 1) effects from automation, 2) effects from energy management, and 3) effects from maintenance services. Global reduction impact is partially based on original methods. An estimation method reviewed by a third party.

Contribution to the Environment

We will continue to reduce CO_2 emissions at our customers' sites through the BA, AA and LA businesses, and also work to reduce the environmental impact of our entire supply chain.

Effective CO_2 emission reduction at customers' sites through our business

FY2019 (Ended March 31, 2020)

Effective CO_2 reduction at customers' sites

Total: 3.01 million metric tons/year

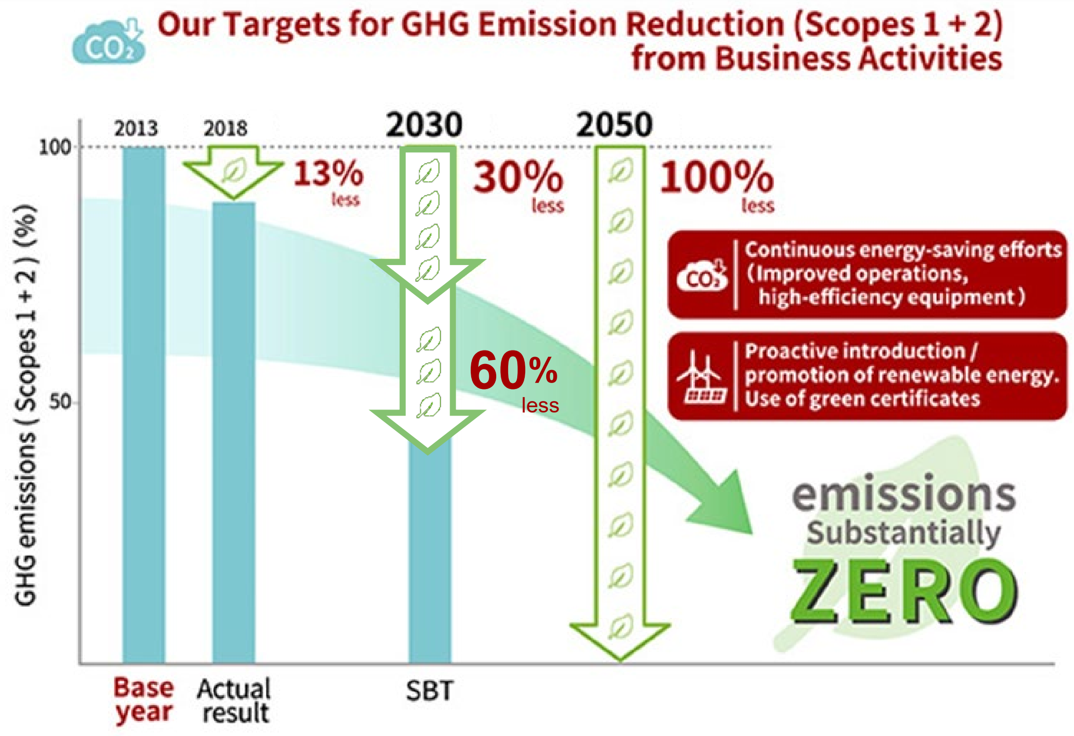
Equivalent to approximately 1/400 of all CO_2 emissions in Japan (approx. 1.3 billion metric tons of CO_2).

Automation effects	We have reduced the environmental impact in our BA, AA, and LA businesses, taking advantage of our measurement and control technologies.	2.71 million metric tons/year
Energy management effects	We have reduced environmental impact, taking advantage of our energy management solutions, to achieve reduction in electricity consumption, energy consumption, and CO_2 emissions.	0.25 million metric tons/year
Maintenance services effects	We have reduced environmental impact by providing the high value-added services of the azbil Group, taking advantage of the knowledge and know-how acquired at customers' sites.	0.05 million metric tons/year

Contribution to the Environment

Regarding greenhouse gas emissions (Scopes 1+2)[*1] associated with our own business activities, we have already launched specific initiatives. Aiming to achieve zero emissions by 2050, we have developed our long-term vision for reducing greenhouse gas emissions, and we have also established 2030 targets for reducing greenhouse gas emissions (approved as science based targets) that include those across our entire supply chain.

2050 Long-term Vision for Reducing Greenhouse Gas Emissions



2050 Long-term Vision for Reducing Greenhouse Gas Emissions

We have established our vision to aim to achieve substantially zero emissions by 2050 for greenhouse gas emissions (Scope 1+2) from our business activities. We have also endorsed the “Actions by the Business Community on Long-term Global Warming Countermeasures up to 2050” proposed by Keidanren (Japan Business Federation).

2030 Targets for Reducing Greenhouse Gas Emissions

In May 2019, the azbil Group established emission reduction targets for 2030 (SBT certified). However, in view of the gathering pace of wide-ranging efforts to decarbonize society, we have decided to raise our reduction targets significantly, from 30% to 60%, and also accelerate initiatives to achieve the Group’s own “2050 Long-Term Vision for Reducing Greenhouse Gas Emissions”. Certification for our 1.5°C target by the SBT initiative is pending.

- GHG emissions (Scopes 1+2) from own business activities

30 % reduction compared with 2013 → **Raise target** → **60 % reduction** compared with 2013 (Application pending)

- GHG emissions (Scope 3) across our entire supply chain

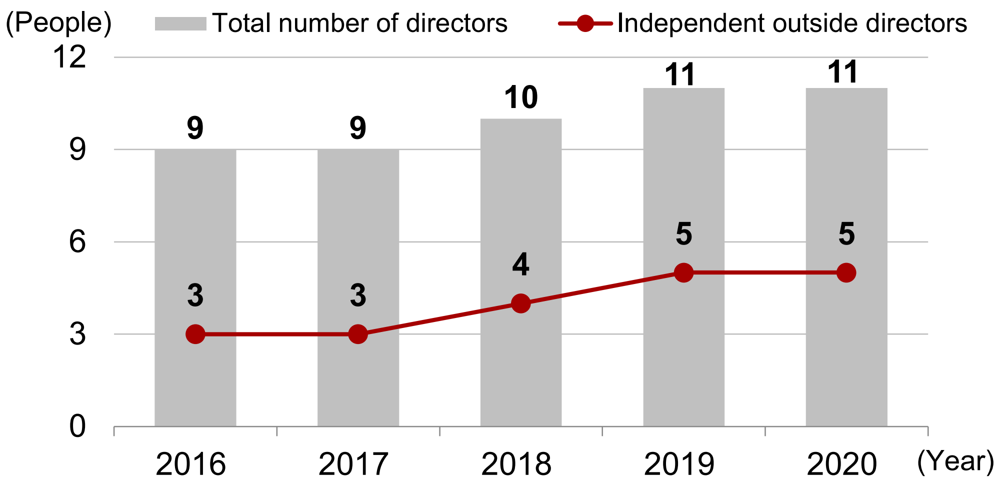
20 % reduction compared with 2017

[*1] Scope 1: Direct greenhouse gas (GHG) emissions from a business (from fuel burning, industrial processes, etc.)
Scope 2: Indirect GHG emissions from using electricity, heat, or steam provided by another business.

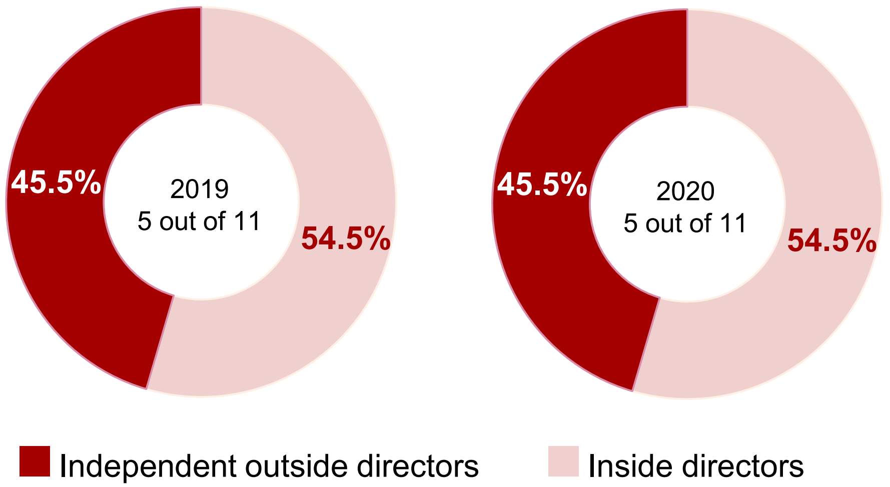
[*2] An international initiative – jointly established by the CDP, the UN Global Compact, the World Resources Institute (WRI), and the World Wide Fund for Nature (WWF)—to certify that corporate CO_2 emission reduction targets are consistent with scientific evidence. The 1.5°C target is to limit the increase in global average temperature caused by climate change to no more than 1.5°C compared to pre-industrial levels.

Progress of Corporate Governance Reforms

Number of directors



Composition of independent outside directors



Audit and supervisory board

- 3 independent outside members
- 2 inside members

Nomination and remuneration committee

- 2 representative directors and 3 independent outside directors
- Chaired by an independent outside director
- Abolished officers' retirement bonus system (2017)
- Disclosed skill matrix (2021)

Advisor/Counselor system (abolished)

- Abolished advisor/counselor system (2018)

Strategic shareholdings

- Formulated guidelines on strategic shareholdings (2016)
- Revised guidelines on strategic shareholdings (2018)

Reference: Change in the number of shares and total amount sold (Azbil Corp.)
71 stocks as of Mar. 31, 2015 to 41 stocks as of Mar. 31, 2021
Total amount sold during FY2015-FY2020: 6.5 billion yen (at market price)

* Total amount of shares held as of Mar. 31, 2020: 18.6 billion yen (at market price)
* The Nikkei Stock Average:
19,206 yen as of Mar. 31, 2015 to 29,178 yen as of Mar. 31, 2021

External Evaluation and Initiatives (as of April 2021)

ESG-related topics—Inclusion in ESG indexes, external evaluation and initiatives

- Four indexes adopted by the Government Pension Investment Fund (GPIF) of Japan
    - FTSE Blossom Japan Index
    - MSCI Japan ESG Select Leaders Index
    - MSCI Japan Empowering Women Index (WIN)
    - S&P/JPX Carbon Efficient Index
- Bloomberg Gender-Equality Index
- Rated “B” in the CDP Climate Change Report 2020
- Received the highest level of accreditation, known as the “ERUBOSHI” certification, from the Act on Promotion of Women’s Participation and Advancement in the Workplace
- Granted the “Kurumin” certification by the Ministry of Health, Labor and Welfare
- Certified as a Health and Productivity Management Outstanding Organization
- Support for recommendations of the Task Force on Climate-related Financial Disclosures (TCFD)
- Started participating in the United Nations Global Compact

Inclusion in other indexes and external evaluation

- FTSE 4Good Japan Index
- MSCI Japan Index
- JPX-Nikkei400

Notes

1. Financial data and financial statements have been prepared based on Japanese GAAP and the amounts have been rounded down.

2. The following are the azbil Group's segments (each identified by abbreviation) together with the various sub-segments and their principal business fields.

   BA: Building Automation

   AA: Advanced Automation
   - CP (Control Product) business: Supplying factory automation products such as controllers and sensors
   - IAP (Industrial Automation Product) business: Supplying process automation products such as differential pressure transmitters, pressure transmitters, and control valves
   - SS (Solution and Service) business: Offering control systems, engineering service, maintenance service, energy-saving solution service, etc.

   LA: Life Automation
   - Lifeline field: Provision of gas meters and water meters, safety equipment such as alarms and automatic shut-off valves, regulators and other products for industry
   - Life Science Engineering (LSE) field: Provision of integrated solutions from the development, engineering, installation, and sale of lyophilizers, sterilizers, and clean environment equipment to after-sales services for pharmaceutical companies and research laboratories
   - Lifestyle-related field: Provision of residential central air-conditioning systems for houses

3. Net sales for the azbil Group tend to be low in the first quarter of the consolidated accounting period and highest in the fourth quarter. However, fixed costs are generated constantly. This means that profits are typically lower in the first quarter and higher in the fourth quarter.

IR Inquiries and Disclaimer

Inquiries regarding investor relations

Azbil Corporation
Investor Relations

Phone: +81-3-6810-1031
Email: azbil-ir@azbil.com

Disclaimer

The projections are based on management's assumptions, intent and expectations in light of the information currently available to it, and therefore these statements are not guarantees of future performance. Due to various factors in the future, actual results may differ from financial targets in the materials.

