Presentation Materials

for the Second Quarter of Fiscal Year 2021 (Ending March 31, 2022)
(Based on Japanese GAAP)

November 2, 2021
Azbil Corporation
RIC: 6845.T, Sedol: 6985543

azbil

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 the First Half of FY2021

Consolidated Financial Results

- **Overall orders received grew, reversing the decline in the same period last year caused by the spread of COVID-19. This growth was mainly due to an increase in the AA business following a recovery in market conditions, as well as increased orders received in the BA business reflecting demand for the refurbishment of existing buildings and service, and also increased orders received in the LA business driven by demand for pharmaceutical equipment.**
- **Net sales fell just short of the plan but still rose compared with the same period last year. This was mainly due to sales growth achieved by the AA business, reflecting a recovery in demand in the manufacturing equipment market.**
- **Operating income increased compared with the same period last year. This was due to increased sales and the continued success of measures to strengthen business profitability, and in spite of an increase in R&D expenses that was a consequence of measures included in the medium-term plan. Operating income also exceeded the plan, despite the higher expenses for adapting the working conditions as part of our COVID-19 responses.**
- **As a result of higher operating income and recording foreign exchange gains, net income attributable to owners of parent exceeded the plan. It also increased compared with the same period last year, when gain on sale of non-current assets was recorded following the integration of domestic production facilities.**

(Billions of yen)

	FY2020 H1 (A)	FY2021 H1 (B)	Difference (B) - (A)	Difference *% Change*	Plan (May 14, 2021) (C)	Difference (B) - (C)	Difference *% Change*
Orders received	136.1	156.9	20.7	*15.3*			
Net sales	111.4	115.3	3.9	*3.6*	117.2	(1.8)	*(1.5)*
Japan	90.5	90.9	0.3	*0.4*			
Overseas	20.8	24.4	3.5	*17.2*			
Gross profit	43.6	46.6	3.0	*6.9*			
Margin	*39.2*	*40.5*	*1.3pp*				
SG&A	35.3	37.3	1.9	*5.6*			
Operating income (loss)	8.3	9.3	1.0	*12.5*	8.5	0.8	*10.5*
Margin	*7.5*	*8.1*	*0.6pp*		*7.3*	*0.9pp*	
Ordinary income (loss)	8.3	9.8	1.5	*18.7*	8.6	1.2	*14.8*
Income (loss) before income taxes	9.0	10.1	1.1	*12.3*			
Net income (loss) attributable to owners of parent	6.0	6.9	0.8	*13.4*	5.9	1.0	*17.2*
Margin	*5.5*	*6.0*	*0.5pp*		*5.0*	*1.0pp*	

Segment Information: BA Business

In the domestic market, demand has continued to grow for urban redevelopment projects, and there is growing interest in solutions related to ventilation improvement, energy savings, and CO_2 reduction. Furthermore, the impact of the COVID-19 pandemic continues to be limited. In overseas markets, however, due to the prolonged impact of the pandemic, sluggish demand and construction delays have continued in some regions.
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.

- As regards orders received, there was a decline in the field related to new large-scale buildings, reflecting the fact that in the same period last year orders had been received for several large-scale projects. While the service field was impacted by the new accounting standard for revenue recognition*, in addition to the renewal of multi-year service contracts, demand remained robust for the refurbishment of existing buildings and service to provide solutions for ventilation improvement, energy savings, and CO_2 reduction. Accordingly, overall orders received were higher than the same period last year.
- Sales were on a par with the same period last year and almost in line with the plan. While there was sales growth in the fields related to new large-scale buildings and existing buildings, there were small decreases in the security field—reflecting the fact that there had been several projects in the same period last year—and in the service field, due to the new accounting standard for revenue recognition.
- Segment profit was lower than the same period last year and fell short of the plan. In spite of improved profitability, this was due to an increase in R&D expenses that was a consequence of measures included in the medium-term plan, and to the unforeseen expenses incurred by the increased burden related to staff working amidst the COVID-19 pandemic.

(Billions of yen)

	FY2020 H1 (A)	FY2021 H1 (B)	Difference (B) - (A)	Difference % Change	Plan (May 14, 2021) (C)	Difference (B) - (C)	Difference % Change
Orders received	73.1	78.5	5.3	*7.3*			
Sales	48.5	48.7	0.1	*0.3*	49.0	(0.2)	*(0.6)*
Segment profit (loss)	2.5	1.9	(0.6)	*(26.1)*	2.5	(0.5)	*(23.9)*
Margin	*5.3*	*3.9*	*(1.4)pp*		*5.1*	*(1.2)pp*	

* Effect of the new accounting standard for revenue recognition on the service field:
The main impact of the new accounting standard for revenue recognition has been on the service field, reducing the figure for orders received by approximately 3.2 billion yen, and the negative impact on sales was about 0.5 billion yen, while segment profit was unaffected.

Segment Information: AA Business

As regards market trends in Japan and abroad, expanding investment in 5G has led to steadily continued demand in the market for semiconductor manufacturing equipment. Although the effect of the COVID-19 pandemic and the parts shortages on capital expenditure in the manufacturing industry is unclear, a recovery in capital expenditure is being observed overall, particularly in the manufacturing equipment market.
Given this business environment, further progress has been made for the effective growth in overseas business—which has been a focus for this segment—as well as the successful strengthening of its profit structure by continued implementation of various measures.

- Orders received increased from the same period last year. This was mainly due to a recovery in demand in the manufacturing equipment market owing to expansion of global investment related to semiconductors and business growth overseas.
- Sales increased compared with the same period last year and were almost in line with the plan. Although there was some impact from the parts shortages, sales grew mainly in the manufacturing equipment market and overseas business.
- Despite an increase in R&D expenses that was a consequence of measures included in the medium-term plan, segment profit increased compared with the same period last year owing to growth in sales and to ongoing measures to strengthen profitability that have already proved successful. Segment profit margin improved significantly. Despite the increase in expenses, the plan was achieved thanks to further progress in measures to enhance profitability.

(Billions of yen)

	FY2020 H1 (A)	FY2021 H1 (B)	Difference (B) - (A)	Difference % Change	Plan (May 14, 2021) (C)	Difference (B) - (C)	Difference % Change
Orders received	42.6	53.2	10.5	*24.8*			
Sales	41.7	45.7	4.0	*9.6*	46.1	(0.3)	*(0.7)*
Segment profit (loss)	4.8	6.9	2.1	*43.1*	5.3	1.6	*31.8*
Margin	*11.7*	*15.3*	*3.6pp*		*11.5*	*3.8pp*	

Segment Information: LA Business

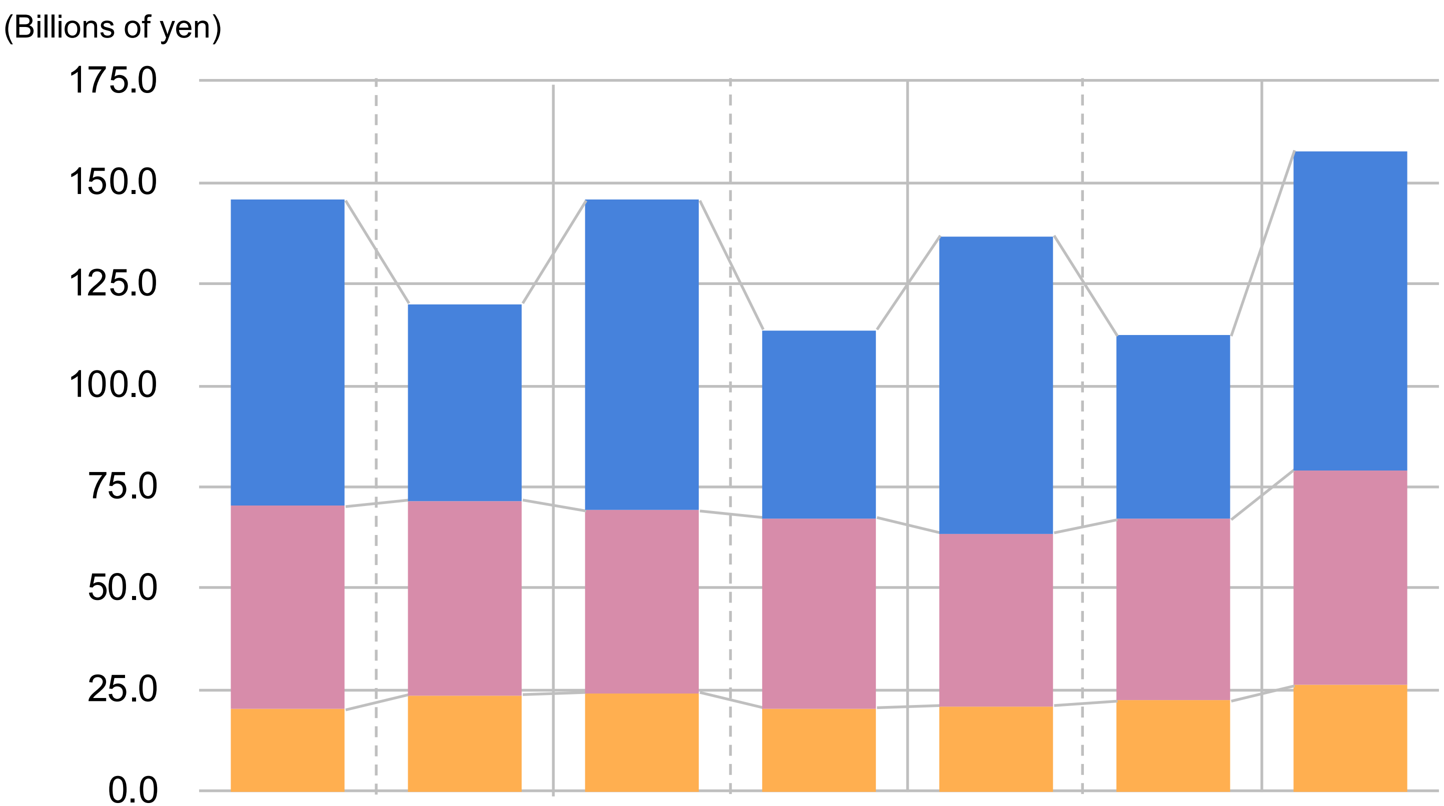
The Lifeline field (gas/water meters, etc.) depends on cyclical demand for meter replacement as required by law and thus demands can be expected to remain stable. However, some changes have been observed, such as LP gas meters being in a period of low demand. Also, in the Life Science Engineering (LSE: for pharmaceuticals/laboratories) field investment in equipment for pharmaceutical plants has continued to grow.
Going forward, we will continue our initiatives to reform the business structure so as to stabilize and enhance profitability in each business field.

- Overall orders received were higher than the same period last year, mainly as a result of an increase in the LSE field driven by growing demand for equipment in the pharmaceutical market.
- Sales were on a par overall with the same period last year. Despite a decrease seen in the Lifeline field due to the pandemic, there was growth in the LSE field, reflecting an increase in orders received in the previous fiscal year. Lower sales in the Lifeline field, however, meant that the plan was not achieved.
- Segment profit decreased compared with the same period last year because of increased expenses along business growth in the LSE field. Despite efforts to control expenses, segment profit fell short of the plan.

(Billions of yen)

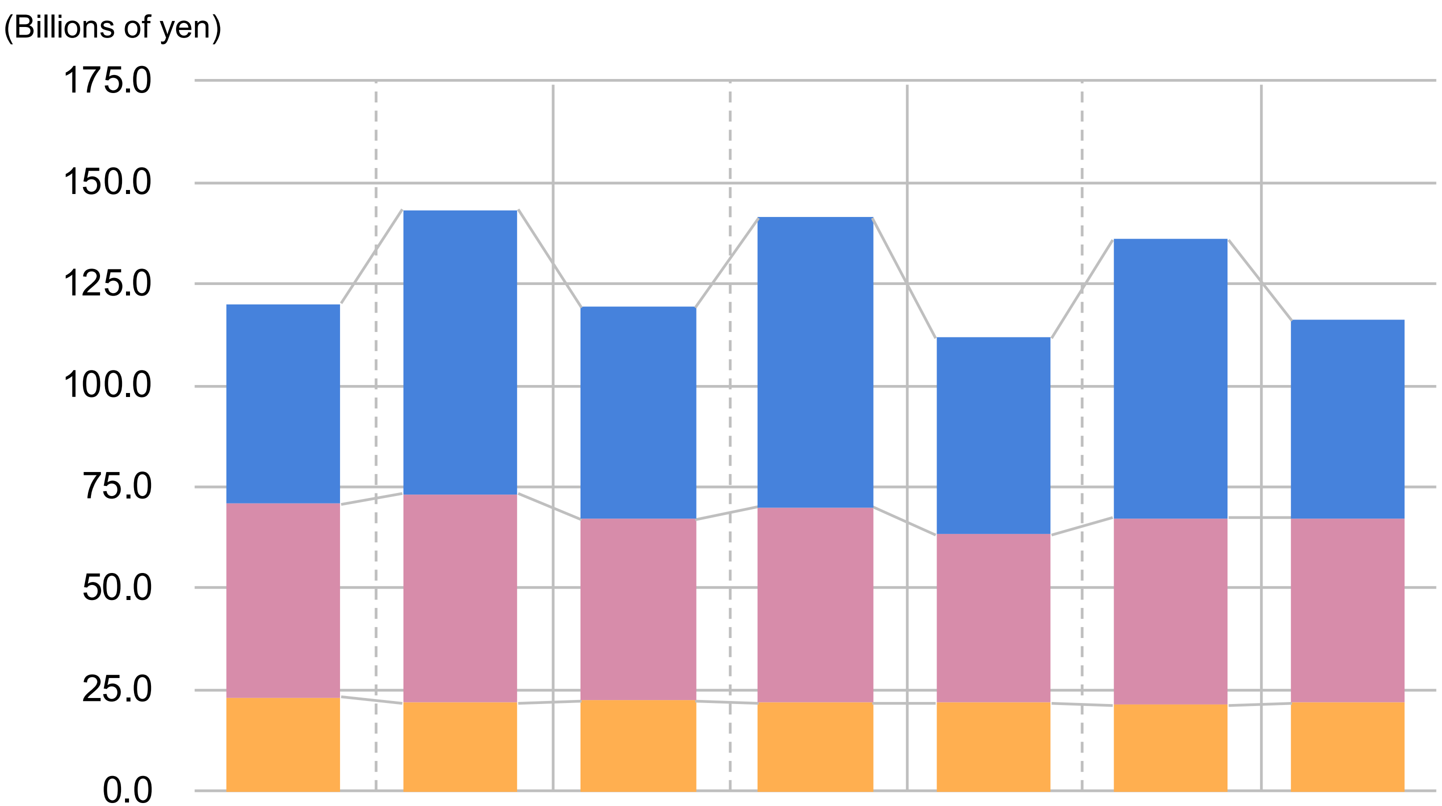
	FY2020 H1 (A)	FY2021 H1 (B)	Difference (B) - (A)	Difference *% Change*	Plan (May 14, 2021) (C)	Difference (B) - (C)	Difference *% Change*
Orders received	21.0	26.1	5.0	*24.0*			
Sales	21.7	21.7	(0.0)	*(0.0)*	22.7	(0.9)	*(4.3)*
Segment profit (loss)	0.8	0.5	(0.3)	*(39.5)*	0.7	(0.1)	*(23.5)*
Margin	*4.1*	*2.5*	*(1.6)pp*		*3.1*	*(0.6)pp*	

Reference: Orders Received by Segment



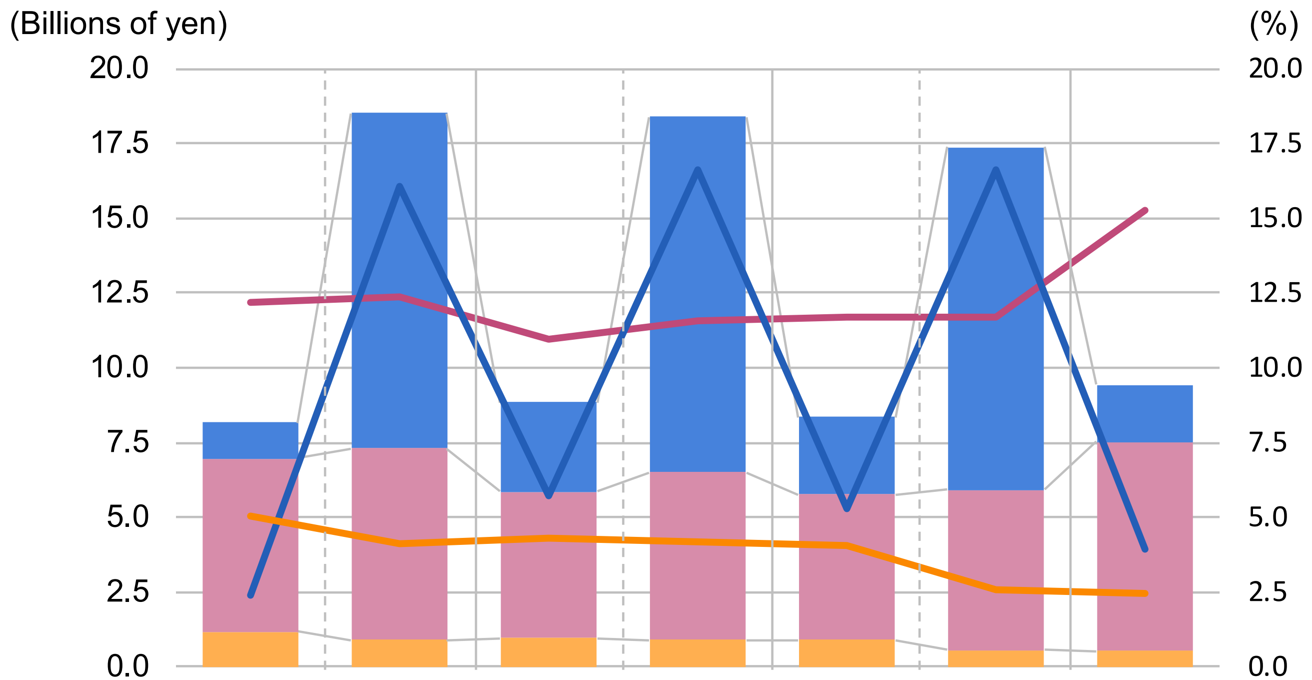
	FY2018 H1	FY2018 H2	FY2019 H1	FY2019 H2	FY2020 H1	FY2020 H2	**FY2021 H1**
B A	75.2	48.5	76.5	46.3	73.1	45.3	**78.5**
A A	50.3	48.0	45.0	46.8	42.6	44.8	**53.2**
L A	20.1	23.6	24.2	20.5	21.0	22.2	**26.1**
Consolidated	145.0	119.1	145.1	112.9	136.1	111.6	**156.9**

Reference: Sales by Segment



	FY2018 H1	FY2018 H2	FY2019 H1	FY2019 H2	FY2020 H1	FY2020 H2	**FY2021 H1**
B A	49.5	69.9	52.1	71.6	48.5	68.9	**48.7**
A A	47.7	51.6	44.8	48.2	41.7	46.0	**45.7**
L A	23.0	21.7	22.3	21.7	21.7	21.2	**21.7**
Consolidated	119.7	142.3	118.6	140.7	111.4	135.4	**115.3**

Reference: Segment Profit (Operating Income)



	FY2018 H1	FY2018 H2	FY2019 H1	FY2019 H2	FY2020 H1	FY2020 H2	**FY2021 H1**
B A	1.1	11.2	2.9	11.8	2.5	11.4	**1.9**
Margin	*2.4*	*16.0*	*5.7*	*16.6*	*5.3*	*16.6*	***3.9***
A A	5.8	6.3	4.9	5.5	4.8	5.3	**6.9**
Margin	*12.2*	*12.4*	*10.9*	*11.6*	*11.7*	*11.7*	***15.3***
L A	1.1	0.9	0.9	0.9	0.8	0.5	**0.5**
Margin	*5.0*	*4.1*	*4.3*	*4.2*	*4.1*	*2.6*	***2.5***
Consolidated	8.1	18.5	8.8	18.3	8.3	17.3	**9.3**
Margin	*6.8*	*13.0*	*7.5*	*13.1*	*7.5*	*12.8*	***8.1***

Overseas Sales by Region

Overseas sales rose by 17.2% on the same period last year. Sales declined in Asia owing to continued sluggish investment because of the COVID-19 pandemic. However, mainly the AA business achieved sales growth in China, which is making rapid progress in recovering from the pandemic, and the LA business saw increased sales in Europe.

BA business

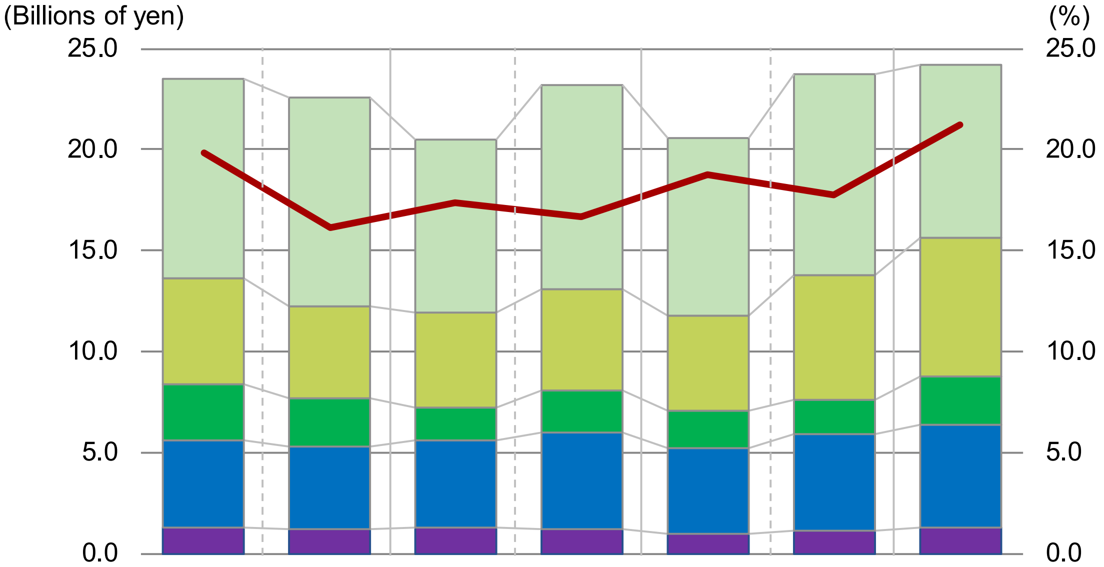
Sales were on a par with the same period last year, as there was the continued impact of construction stoppages and delays as well as sluggish demand in Asia and China caused by the COVID-19 pandemic.

AA business

Overall sales increased significantly. In addition to growth in global capital investment related to semiconductors and 5G, the manufacturing equipment market has continued to recover, and measures to expand customer coverage have been successful in China backed by a recovery of market.

LA business

Sales increased in the LSE field, reflecting the growth in orders received in FY2020.



	FY2018 H1	FY2018 H2	FY2019 H1	FY2019 H2	FY2020 H1	FY2020 H2	FY2021 H1
Asia (ex-China)	9.9	10.4	8.6	10.1	8.8	9.9	**8.6**
China	5.2	4.5	4.7	5.0	4.7	6.2	**6.8**
North America	2.8	2.4	1.6	2.1	1.9	1.7	**2.4**
Europe	4.3	4.1	4.3	4.8	4.2	4.8	**5.1**
Others	1.3	1.2	1.3	1.2	1.0	1.1	**1.3**
Consolidated	23.7	22.9	20.6	23.5	20.8	23.9	**24.4**

Reference information

		FY2018 H1	FY2018 H2	FY2019 H1	FY2019 H2	FY2020 H1	FY2020 H2	FY2021 H1
Overseas sales / Net sales (%)		*19.8*	*16.1*	*17.4*	*16.7*	*18.8*	*17.7*	***21.2***
Average exchange rate	USD/JPY	108.68	110.45	110.06	109.03	108.25	106.77	**107.82**
	EUR/JPY	131.55	130.35	124.32	122.03	119.34	121.88	**129.88**
	CNY/JPY	17.09	16.71	16.20	15.77	15.38	15.48	**16.67**

- 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

Seasonal factors affecting business typically lead to a decrease in the azbil Group's assets and liabilities at the end of the first half compared to the end of previous fiscal year.

- **Assets** Total assets decreased by 12.4 billion yen from the end of FY2020 owing mainly to a decrease in trade receivables.
- **Liabilities** Total liabilities decreased by 7.1 billion yen from the end of FY2020 owing mainly to decreases in income taxes payable and provision for bonuses.
- **Net assets** Net assets decreased by 5.2 billion yen from the end of FY2020 owing mainly to decreases due to a repurchase of the Company's own stock and the payment of dividends, despite an increase by recording of net income attributable to owners of parent.

(Billions of yen)

	As of Mar. 31, 2021 (A)	As of Sep. 30, 2021 (B)	Difference (B) - (A)
Current assets	**219.5**	**206.0**	**(13.5)**
Cash and deposits	68.5	65.8	(2.6)
Trade receivables	82.1	69.9	(12.1)
Securities	36.5	37.1	0.6
Inventories	24.5	25.2	0.7
Other	7.9	7.9	(0.0)
Non-current assets	**64.9**	**66.0**	**1.0**
Property, plant and equipment	27.0	27.4	0.3
Intangible assets	5.4	5.6	0.1
Investments and other assets	32.4	33.0	0.5
Total assets	**284.5**	**272.1**	**(12.4)**

	As of Mar. 31, 2021 (A)	As of Sep. 30, 2021 (B)	Difference (B) - (A)
Liabilities	**83.9**	**76.8**	**(7.1)**
Current liabilities	**76.4**	**68.1**	**(8.3)**
Trade payables	31.9	29.8	(2.0)
Short-term borrowings	9.0	8.1	(0.8)
Other	35.4	30.0	(5.3)
Non-current liabilities	**7.5**	**8.6**	**1.1**
Long-term borrowings	0.3	0.3	(0.0)
Other	7.2	8.3	1.1
Net assets	**200.6**	**195.3**	**(5.2)**
Shareholders' equity	**186.3**	**179.0**	**(7.3)**
Share capital	10.5	10.5	-
Capital surplus	11.6	11.6	-
Retained earnings	177.9	180.5	2.6
Treasury shares	(13.7)	(23.6)	(9.9)
Accumulated other comprehensive income	**11.8**	**13.8**	**2.0**
Non-controlling interests	**2.4**	**2.4**	**0.0**
Total liabilities and net assets	**284.5**	**272.1**	**(12.4)**

Reference
Shareholders' equity ratio: 69.6% (as of Mar. 31, 2021), 70.9% (as of Sep. 30, 2021)

Consolidated Cash Flows

- Net cash provided by operating activities increased compared with same period last year owing mainly to decreases in the payment of trade payables and bonuses.
- Net cash used in investing activities stood at 2.5 billion yen (in the same period last year net cash provided by these activities (proceeds) was 3.3 billion yen). This was mainly due to an increase of expenditures from purchase of securities in this first half. Also, in the same period last year, there had been allocated funds from short-term securities to prioritize maintaining liquidity as well as proceeds from the sale of property, plant and equipment following the integration of factories in Japan.
- Consequently, free cash flow increased by 1.6 billion yen compared to the same period last year.
- Net cash used in financing activities increased compared with the same period last year owing to repurchase of own stock and an increase of the payment of dividends.

(Billions of yen)

	FY2020 H1 (A)	FY2021 H1 (B)	Difference	
			(B) - (A)	*% Change*
Net cash provided by (used in) operating activities	7.6	15.1	7.5	*98.5*
Net cash provided by (used in) investing activities	3.3	(2.5)	(5.8)	-
Free cash flow	11.0	12.6	1.6	*14.9*
Net cash provided by (used in) financing activities	(3.3)	(15.9)	(12.5)	-
Effect of exchange rate change on cash and cash equivalents	(0.3)	0.8	1.2	-
Net increase (decrease) in cash and cash equivalents	7.2	(2.4)	(9.7)	-
Cash and cash equivalents at beginning of period	74.7	90.6	15.9	*21.3*
Cash and cash equivalents at end of period	82.0	88.2	6.2	*7.6*

Reference

Capital expenditure	2.0	2.6	0.5	*27.4*
Depreciation	2.1	2.3	0.1	*9.0*

2. Financial Plan for FY2021
→Revised upwards from the initial plan (announced on May 14, 2021)

Consolidated Financial Plan

Consolidated financial plan (announced on May 14, 2021) has been revised upwards

With a growing order backlog and a robust business environment, particularly in the manufacturing equipment market, it has been decided to revise upward the financial plan. We are aiming to set new records for net sales, operating income, ordinary income, and net income attributable to owners of parent. The effects of the COVID-19 pandemic and the parts shortages on the business environment in the first half have been limited; in the second half we will respond rapidly and appropriately to these risk factors, and our planning takes the impact into account.

- At the same time as securing demand in the robust markets for large-scale buildings in Japan and manufacturing equipment by making use of our established business foundation and implementing measures to strengthen our sales capabilities by harnessing digital transformation (DX), we will steadily improve our operating income margin and continue efforts to strengthen our business profitability.
- The impact of the pandemic on the second half is a concern, as are the parts shortages. Nevertheless, while keeping a close eye on the situation with our customers and parts suppliers, we will maintain thorough safety management, and respond quickly and appropriately to the changing situation.
- Based on the medium-term plan, we will aim to expand the three growth fields (see page 26) by steadily implementing investment in R&D and facilities, and we will develop and supply new products and services.

(Billions of yen)

	FY2020 Full year (results)	FY2021			Difference		FY2021 Full year (initial plan) (May 14, 2021)	Difference	
		H1 (results)	H2 (revised plan) (Nov. 2, 2021)	Full year (revised plan) (Nov. 2, 2021)					
	(A)			(B)	(B) - (A)	*% Change*	(C)	(B) - (C)	*% Change*
Net sales	246.8	115.3	146.6	262.0	15.1	*6.1*	260.0	2.0	*0.8*
Operating income	25.7	9.3	19.9	29.3	3.5	*13.9*	27.5	1.8	*6.5*
Margin	*10.4*	*8.1*	*13.6*	*11.2*	*0.8pp*		*10.6*	*0.6pp*	
Ordinary income	26.3	9.8	19.6	29.5	3.1	*12.0*	27.5	2.0	*7.3*
Net income attributable to owners of parent	19.9	6.9	14.0	21.0	1.0	*5.4*	20.0	1.0	*5.0*
Margin	*8.1*	*6.0*	*9.6*	*8.0*	*(0.1)pp*		*7.7*	*0.3pp*	

Financial Plan by Segment (1)

(Billions of yen)

		FY2020 Full year (results) (A)	FY2021 H1 (results)	FY2021 H2 (revised plan) (Nov. 2, 2021)	FY2021 Full year (revised plan) (Nov. 2, 2021) (B)	Difference (B) - (A)	Difference *% Change*	FY2021 Full year (initial plan) (May 14, 2021) (C)	Difference (B) - (C)	Difference *% Change*
B A	Sales	117.5	48.7	72.6	121.4	3.8	*3.3*	121.4	–	-
	Segment profit	14.0	1.9	12.3	14.3	0.2	*2.0*	14.3	–	-
	Margin	*11.9*	*3.9*	*17.1*	*11.8*	*(0.2)pp*		*11.8*	-	
A A	Sales	87.7	45.7	50.7	96.5	8.7	*9.9*	94.2	2.3	*2.4*
	Segment profit	10.2	6.9	6.4	13.4	3.1	*30.7*	11.6	1.8	*15.5*
	Margin	*11.7*	*15.3*	*12.6*	*13.9*	*2.2pp*		*12.3*	*1.6pp*	
L A	Sales	42.9	21.7	23.9	45.7	2.7	*6.4*	45.7	–	-
	Segment profit	1.4	0.5	1.0	1.6	0.1	*11.5*	1.6	–	-
	Margin	*3.3*	*2.5*	*4.4*	*3.5*	*0.2pp*		*3.5*	-	
Consolidated	Net sales	246.8	115.3	146.6	262.0	15.1*	*6.1*	260.0	2.0	*0.8*
	Operating income	25.7	9.3	19.9	29.3	3.5	*13.9*	27.5	1.8	*6.5*
	Margin	*10.4*	*8.1*	*13.6*	*11.2*	*0.8pp*		*10.6*	*0.6pp*	

* 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.

Financial Plan by Segment (2)

BA

we expect to achieve our full-year financial plan , by achieving growth in our refurbishment business for existing buildings in the second half.

- Demand for heating, ventilation, and air conditioning (HVAC) control equipment/systems for large-scale buildings is robust, and considering the buildup in the order backlog at the start of FY2021, sales in the new building field are set to remain at a high level.
- Against the backdrop of higher orders received in the first half, we expect further growth in the refurbishment of existing buildings, which is a profitable business.
- We will continue to steadily invest in new product development to achieve future growth.

AA

Initial plan revised upward owing to growth in the manufacturing equipment market and overseas business

- We expect capital investment to continue to rebound, thanks to the recovery seen in both domestic and overseas manufacturing equipment markets.
- We aim to increase sales and profits beyond the initial plan. In addition to benefiting from the robust business environment described above, we will be making investments necessary for business growth, actively developing overseas customers, launching new products, and implementing measures to further strengthen profitability.
- We take the effects of parts shortages into account and respond quickly and appropriately to the situation.

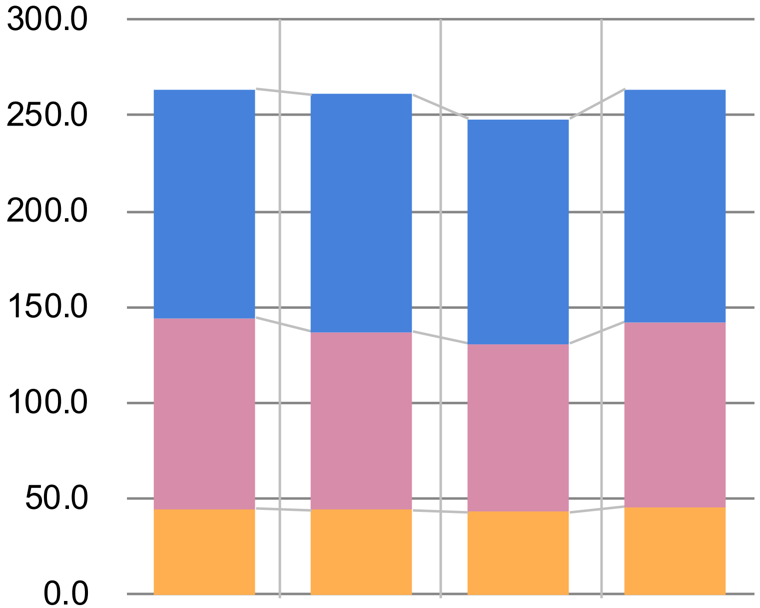
LA

Full-year financial plan to be sustained by growth in the LSE field, supported by a robust market environment

- In the Lifeline field, there is a decline in the cyclical demand for LP gas meters and some negative impact from the COVID-19 pandemic has been observed. However, we plan to launch new products and expand our cloud-based service business.
- We are planning for sales and profits to increase thanks to expected growth in the LSE field resulting from robust demand increase in the pharmaceutical market.

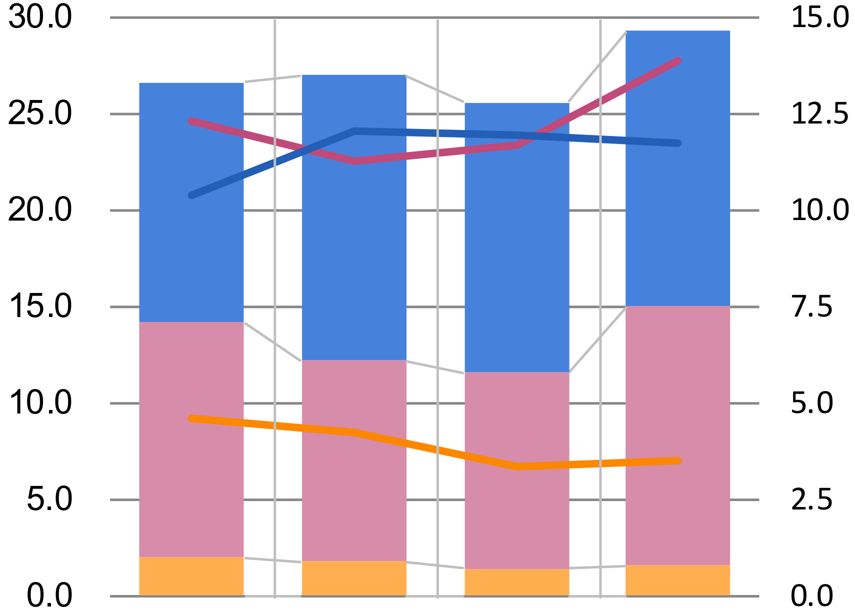
Reference: Sales by Segment and Segment Profit (Operating Income)

Sales by segment



	FY2018	FY2019	FY2020	**FY2021** (revised plan)
B A	119.5	123.7	117.5	**121.4**
A A	99.3	93.1	87.7	**96.5**
L A	44.8	44.0	42.9	**45.7**
Consolidated	262.0	259.4	246.8	**262.0**

Segment profit (operating income)



	FY2018	FY2019	FY2020	**FY2021** (revised 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	**13.4**
Margin	*12.3*	*11.3*	*11.7*	***13.9***
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	**29.3**
Margin	*10.2*	*10.5*	*10.4*	***11.2***

3. Returning Profits to Shareholders
→No revision from the most recent announcement

Plan to Further Improve Shareholder Returns in Accordance with the Basic Policy

In line with our basic policy—promoting shareholder returns, investment in growth and healthy financial foundation—we have repurchased the Company's own stock and will increase dividends 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.

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

FY2021 annual dividend

As regards the dividend for FY2021, we plan an **increase of 5 yen**, making the annual dividend per share **60 yen**. (no revision from the most recent announcement)

Repurchase of own stock (concluded)

Giving due consideration to ensuring a disciplined capital policy and capital efficiency, we repurchased the Company's own stock of **9.9 billion yen** (2.25 million shares).

Period of repurchase: From May 17, 2021 to August 13, 2021
Method of repurchase: Market transactions on the Tokyo Stock Exchange

Reference: Company's treasury shares as of September 30, 2021

Total number of shares (excluding the Company's treasury shares):	139,223,777 shares
Company's treasury shares:	5,977,107 shares

* The above number of treasury shares, 5,977,107 shares, does not include shares owned by a trust account for Employee Stock Ownership Plan (J-ESOP), which owned 1,946,057 shares as of September 30, 2021.

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.

FY2021 Annual Dividend Plan

FY2021 annual dividend

In our business plan for FY2021, the first year of the 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.** (No revision from the most recent announcement)

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 financial plan and also a robust financial foundation. Furthermore, we have prepared a medium-term plan that looks ahead to stable and sustained growth in FY2021, so we 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%.

(Yen)

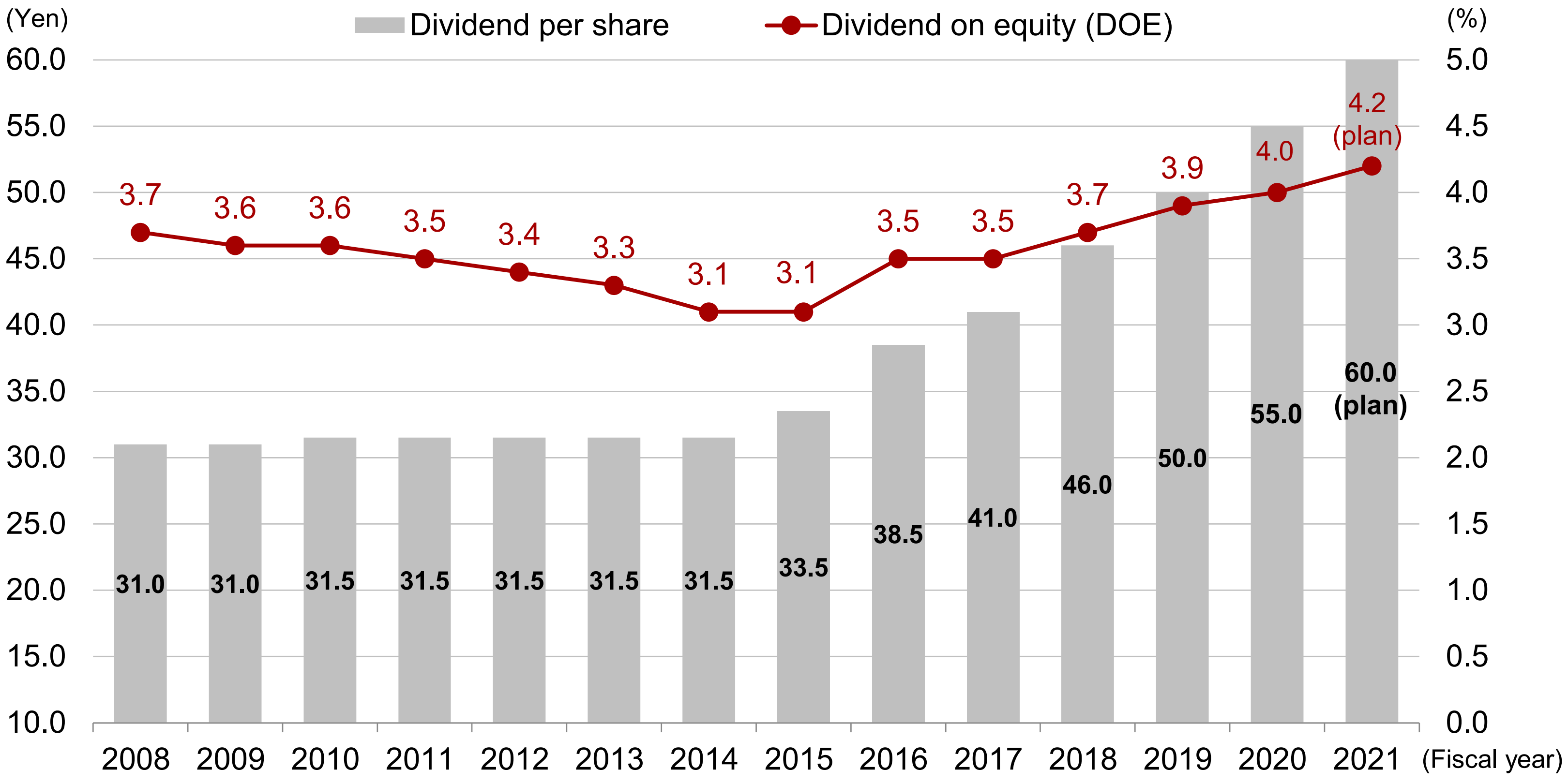
	FY2020			FY2021		
	Interim	Year-end	Annual	Interim	Year-end (plan)	Annual (plan)
Dividend per share	25	30	55	30	30	60
Payout ratio	*38.5%*			*39.2%*[*1]		
Dividend on equity (DOE)	*4.0%*			*4.2%*[*2]		

[*1] The effects of own share repurchases concluded 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 concluded in FY2021, year-end dividends for FY2020, interim dividends for FY2021, and net income attributable to owners of parent in revised consolidated financial plan for FY2021.

Trend of Shareholder 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		9.9
Number of shares repurchased (millions of shares)	2.00							1.20		1.42	1.87	3.71		2.25

azbil

4. Progress in Implementing the Medium-term Plan

Long-term Targets and 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 the outlook for the COVID-19 pandemic still uncertain, 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.

New long-term targets

2030

SDGs

Growth

Transformation

Safety

New medium-term plan for FY2021-2024

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

	FY2019	FY2020	FY2021	FY2024	FY2030
Net sales	259.4 billion yen	246.8 billion yen	262.0 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	27.2 billion yen	25.7 billion yen	29.3 billion yen	36.0 billion yen	60.0 billion yen range
Margin	10.5%	10.4%	11.2%	12%	approx. 15%
ROE	10.9%	10.4%		approx. 12%	approx. 13.5%

Three Growth Fields that Share a Common Foundation of Automation Technology

The three growth fields—new automation, environment and energy, and the life-cycle solution—share a common foundation of automation technology, will enable entry into various markets positioned to meet the emerging needs of customers and society.

Measures for azbil Group growth

Three growth fields

- 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.

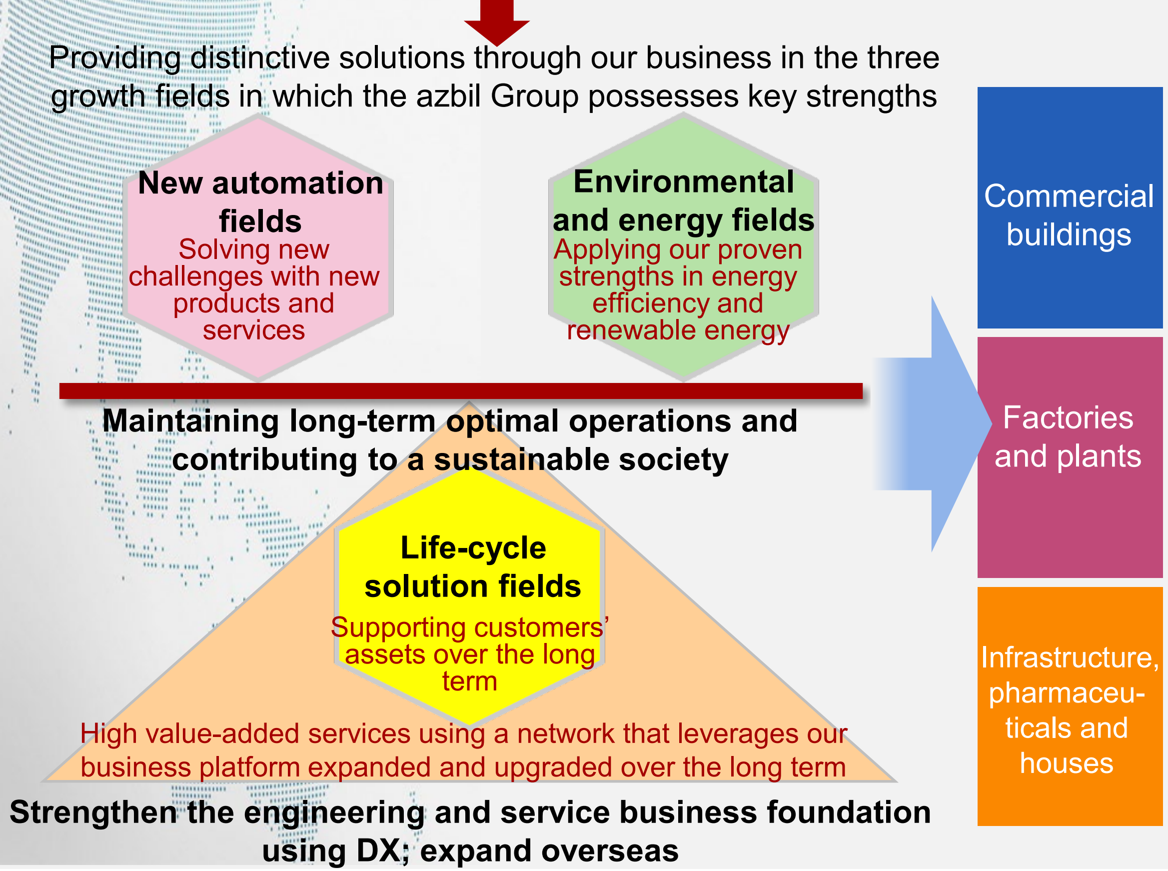
Growth in BA, AA and LA businesses with a focus on the three growth fields

- 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.

Measures to strengthen the business foundation and to improve profitability

- 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.

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.



Please see page 29 for progress in H1 of FY2021.

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)

Segment		FY2020	FY2024	Changing domestic and overseas business environment and needs	The azbil Group's solutions
BA Commercial buildings	**Sales**	117.5	**134.5**	● 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
	Overseas	7.2	14.0		
	Segment profit	14.0	**16.3**		
	Margin	*11.9%*	***12.1%***		
AA Factories and plants	**Sales**	87.7	**107.5**	● 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
	Overseas	22.5	32.5		
	Segment profit	10.2	**16.4**		
	Margin	*11.7%*	***15.2%***		
LA Infrastructure, pharmaceuticals and houses	**Sales**	42.9	**58.0**	● 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	15.0	19.5		
	Segment profit	1.4	**3.3**		
	Margin	*3.3%*	***5.7%***		

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

Environmental and energy fields / **Life-cycle solution fields**

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

- 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

New automation fields / **Environmental and energy fields**

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

- 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

New automation fields / **Life-cycle solution fields**

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

- 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, pharmaceu-ticals and houses

New automation fields / **Life-cycle solution fields**

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

- 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.
  Domestic and overseas customer contact points
- 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.

Progress in H1 of FY2021

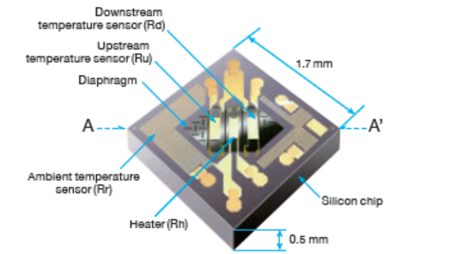
Product development, production and service infrastructure to support solutions in the azbil Group's three growth fields

- 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.
  Domestic and overseas customer contact points
- Production
  "Mother factory" (a combination of Shonan Factory and Fujisawa Technology Center) and factories in China and Thailand

Development of new products and services

As well as products that employ MEMS devices, unique to azbil, and new products that meet the needs of overseas markets, we will develop and launch new services that harness cloud technologies to satisfy emerging customer needs and solve issues facing society.

- We will expand our lineup of high-performance digital mass flow controllers that utilize our proprietary thermal micro flow sensor in the detector.



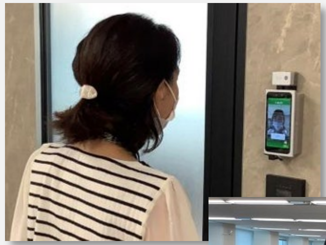
- Azbil has started developing new digital solutions for use with intelligent building management systems* (IBMS) for overseas markets
  * An IBMS collectively manages multiple facility management systems in large-scale complexes to realize efficient, high-quality facility management and energy management, as well as tenant data management

- Our cloud-based valve analysis and diagnosis service, is being provided to industrial gas production plants and chemical plants.
- An agreement has been reached with Kansai Electric Power Company (KEPCO) to jointly develop a system that employs AI to detect anomalies in facilities, particularly those for thermal power generation.

Increased domestic and overseas customer contact points

Providing opportunities to experience the azbil Group's solutions

- Having demonstrated our "pandemic-ready" room in Singapore, we are installing at our offices in Japan a new air-conditioning system to meet the requirements of new-normal work styles and diversified office use. Our demonstration rooms allow customers to experience it firsthand and learn how it can serve their needs.



AI temperature detection solution that offers instant facial recognition as well as highly accurate measurement of a person's temperature

Imagining offices of the future, based on the concept of activity-based working

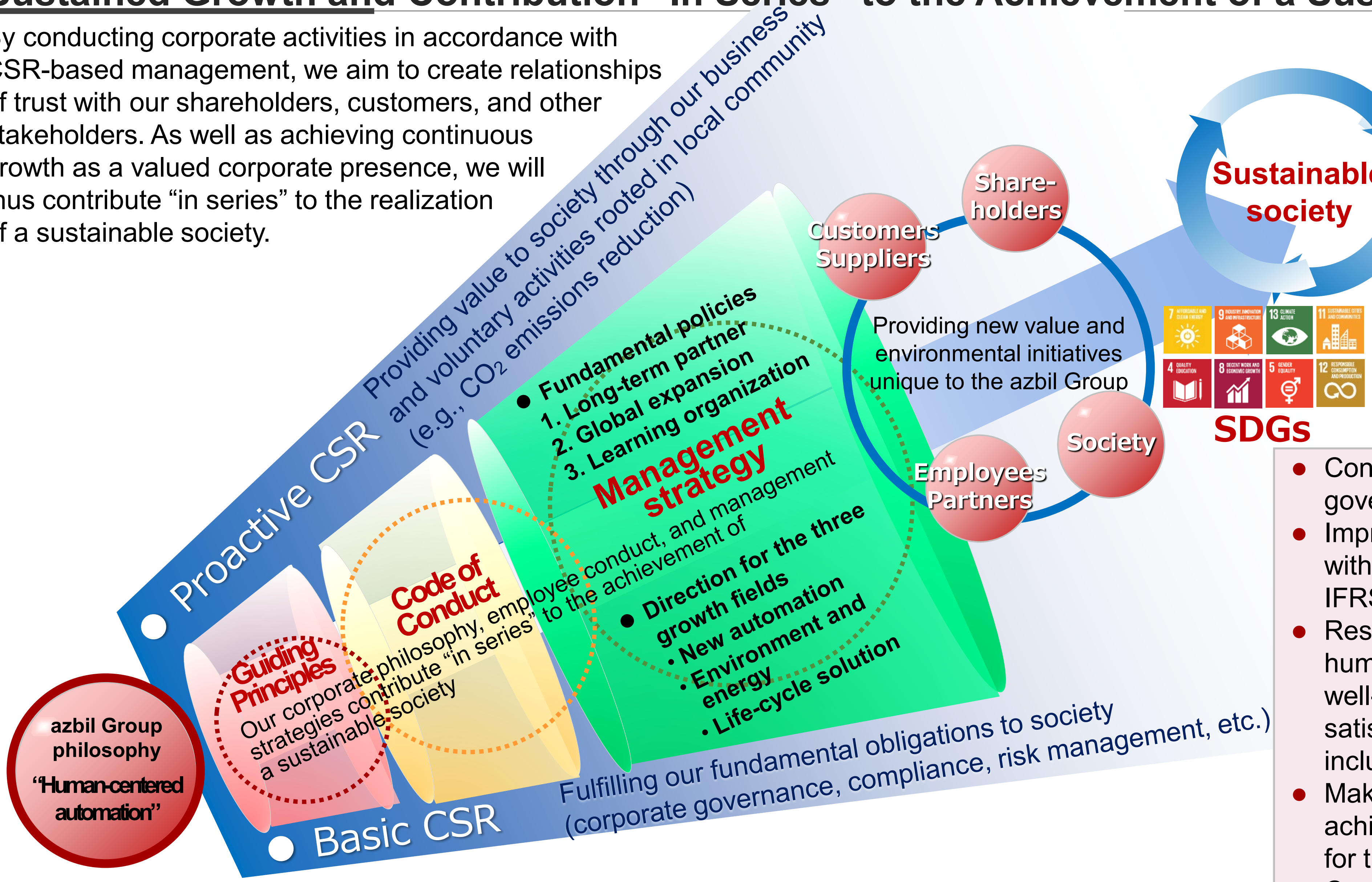
Measures to strengthen the business foundation and to improve profitability

Improving facilities and environment for technology development, shifting to overseas production, and introducing tools to enhance business efficiency through DX

- 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)
- Construct a new building at the Dalian factory as part of our shift to overseas production to reduce product costs, and increase production capacity (work to be completed by December 2021; operations to start in 2022)
- Adopt various DX tools, including SFA and PJ management tools, and expand their use overseas

Sustained Growth and Contribution "In Series" to the Achievement of a Sustainable Society

By conducting corporate activities in accordance with CSR-based management, we aim to create relationships of trust with our shareholders, customers, and other stakeholders. As well as achieving continuous growth as a valued corporate presence, we will thus contribute "in series" to the realization of a sustainable society.



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
- Respond to climate change, respect human rights, and realize health and well-being management (job satisfaction, health, diversity and inclusion)
- 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

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

I Environment and energy

Preserving the Earth's environment and solving energy-related problems through cooperative creation

- **Target of effective CO_2 reduction at customers' sites for 2030**
  3.4 **million metric tons of CO_2/year**
- **Targets for greenhouse gas (GHG) emission reduction for 2030**
  GHG emissions from business activities (scopes1+2)
  30% reduction compared to 2013 ➡ ***55%*** **reduction** compared to 2017
  Reapproved to meet the 1.5 °C target by the SBT initiative[*1].
  GHG emissions throughout the entire supply chain (scope 3)
  20% **reduction** compared to 2017
- **Set product recycling target for 2030**
  Employing best available technology (BAT)[*2]
  All new products will be designed to be 100% recyclable

II New automation

Realizing a safe and comfortable society through new automation

- **Through autonomy of manufacturing and operations, the azbil Group will improve the quality of customer's living, production and other shared spaces, and creating new value.**

III Supply chain and Social responsibility

Fulfilling our responsibilities to society across our supply chain and contributing to local communities

- **Working with our business partners on achieving SDGs as a common goal and creating shared CSR value across the supply chain; developing original targets for evaluating policies, framework, initiatives, and effectiveness[*3]**
- **Implementing social contribution activities, rooted in local communities at all business sites[*4], with active participation by every employee[*5]**

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

Strengthening our foundations to solve societal problems through health and well-being management and continuous learning

- **Implementing health and well-being management (job satisfaction, health, diversity and inclusion)**
  x2 Women's advancement point[*6] by 2024
  65% or more employees who find satisfaction in working at Azbil[*7] by 2030
- **Developing and strengthening "an organization that never stops learning"**
  x2 Training opportunity point[*8] by 2024
  65% or more employees who experienced personal growth over the past year[*7] by 2030

*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. This target is compared to 2017.
*7 Aiming for 65% or 2/3 of employees, a considerably high target for the annual employee satisfaction survey conducted within domestic azbil Group companies. (Both values were 57% for FY2019.)
*8 Points tallied internally for participating in opportunities (frequency or number of employees) to learn with stakeholders. This target is compared to 2012.

5. The azbil Group's Participation in Exhibitions

Segments’ Initiatives Worldwide to Expand the Three Growth Fields

Thanks to online exhibitions that complement or replace real (physical) exhibitions, the azbil Group’s capabilities and initiatives in three growth fields can be viewed.

Industrial Transformation ASIA-PACIFIC（ITAP）in Singapore

Nov. 22 (Mon.) to 24 (Wed.), 2021

- One of the largest exhibition in the Asia-Pacific region of technologies related to the digital transformation of industry. In addition to introducing products and technologies online, we have created a virtual tour of our Singapore showroom. Following ITAP, an online platform will be used to publicize the azbil Group’s capabilities worldwide.

▲ Event information of ITAP

Smart Building EXPO Tokyo

Dec. 6 (Mon.) to 8 (Wed.), 2021

- Focusing on the concept of “Co-Creation x Technology: Futuristic Building Automation”, our exhibit will present visitors with a new workplace environment that promotes wellness, and smart facility management to enhance operational efficiency. We will also introduce azbil initiatives for working with our customers to contribute to a carbon-neutral society. In addition, there will be a special online seminar site.

▲ Artist's impression of our physical booth (Smart Building EXPO)

IIFES 2022

Jan. 26 (Wed.) to 28 (Fri.), 2022

- One of the Japan’s largest comprehensive exhibitions for measurement and control technologies. The theme of our exhibit will be ”Experience with azbil: A Sustainable Future Connected by Digital Technologies”. It will present on-site solutions for process automation and factory automation. In addition to the physical exhibition, there will also be an online exhibition site.

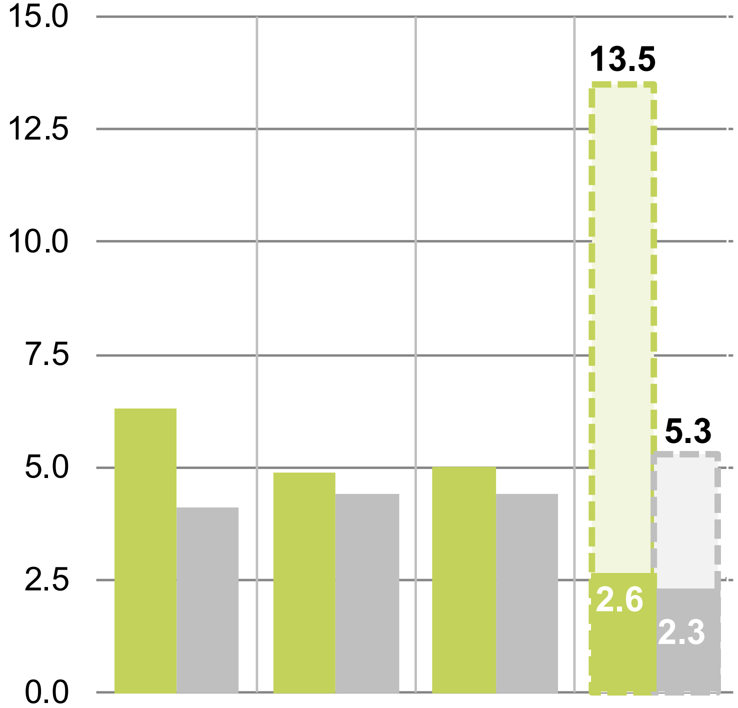
Appendix

Capital Expenditure, Depreciation and R&D Expenses

Full-year results/H1 results for FY2021
Full-year plan for FY2021

■ Capital expenditure, depreciation

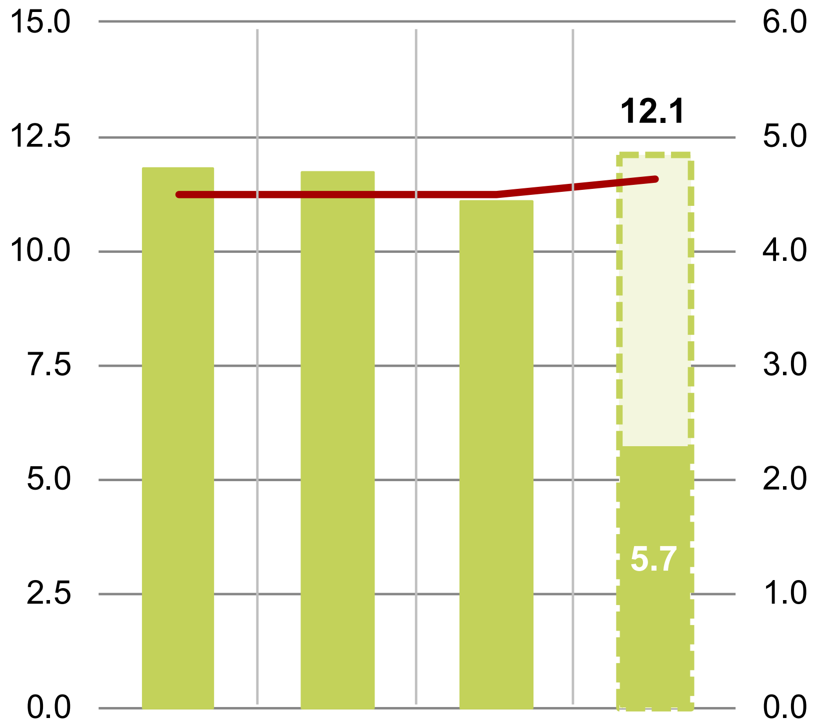
(Billions of yen)



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

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

(Billions of yen) (%)



	FY2018	FY2019	FY2020	FY2021 (plan)
R&D expenses	11.8	11.7	11.1	**12.1**
R&D expenses/ Net sales (%)	4.5	4.5	4.5	**4.6**

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

Progress in H1 of FY2021

(Rewritten from press releases; the dates within parentheses are when the announcements were made.)

Supplied 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

- **Our cloud-based valve analysis and diagnosis service, is now being made available to customers.**

  TM Air Corp. , part of the Taiyo Nippon Sanso Group (August 26, 2021); Honshu Chemical Industry Co. Ltd. (September 13, 2021)

  ➢ Our cloud-based service provides information on the status of control valves via the Web. By monitoring the health of valves in plants and factories, and providing the results visually, this service contributes to stable operations at production facilities and enhances safety capabilities. Recently TM Air, a company in the Taiyo Nippon Sanso Group, started using this service for air separation and related facilities at its Kashima Plant. We now also provide this service to the Wakayama Plant of Honshu Chemical Industry, which produces and supplies distinctive fine chemical products.

New automation **Life-cycle solution**

To monitor the health of control valves, operational data collected by the smart valve positioner is sent to the cloud using PLUG-IN Valstaff™.

(Kashima Plant, TM Air Corp., Taiyo Nippon Sanso Group)

- **Joint development of an anomaly detection system for facilities—principally those for thermal power generation—using AI (September 15, 2021)**

  ➢ A basic agreement has been reached with Kansai Electric Power Company (KEPCO) to jointly develop an anomaly detection system, principally for power generation facilities. This project will combine, on the one hand, KEPCO's thermal power generation operation and maintenance (O&M) expertise, its vast store of operational data, and its know-how regarding the use of anomaly detection tools; and, on the other hand, azbil's online anomaly detection system and its expertise in AI development and operations.

New automation **Life-cycle solution**

* Management operations for running and maintaining a power plant

Progress in H1 of FY2021

(Rewritten from press releases; the dates within parentheses are when the announcements were made.)

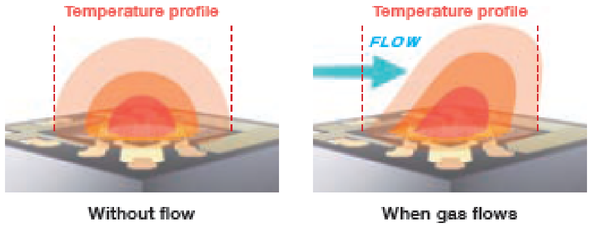
Supplied new products that expand the measurement field based on new technologies such as MEMS

New automation

- **Azbil To Launch a High-Accuracy Mass Flow Controller with High-Speed Response for Quick Understanding of Control Status (August 17, 2021)**

  ➢ Digital Mass Flow Controller Model F4Q is a high-performance digital mass flow controller equipped with azbil's proprietary thermal micro flow sensor. It features a large LED indicator to show control status at a glance, and an LCD to provide detailed information on control status. As well as offering improved precision for a wide range of flow rates, it is equipped with new functions to solve potential flow control issues.

Digital Mass Flow Controller Model F4Q



When there is no gas flow, the temperature distribution around the heater is symmetrical. When gas starts to flow the temperature upstream of the heater decreases and the temperature downstream of the heater increases, distorting the symmetry of the temperature distribution. The temperature sensor detects this temperature difference to calculate the speed of the flow.

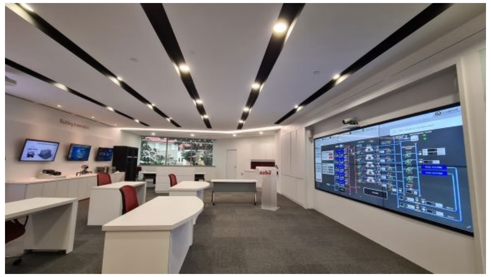
Carried out energy-saving refurbishment based on our accumulated data and know-how derived from actual installations

Optimized energy and quality of air/temperature control based on the totality of BA systems, IoT devices and field instruments

Environment and energy

- **Azbil to Develop Digital Solutions for Intelligent Building Management Systems (June 9, 2021)**

  ➢ Azbil Corporation has started developing new digital solutions for use with intelligent building management systems (IBMS), for overseas markets, with support from the Singapore Economic Development Board (ECD).



Azbil's showroom in Singapore

Progress in H1 of FY2021

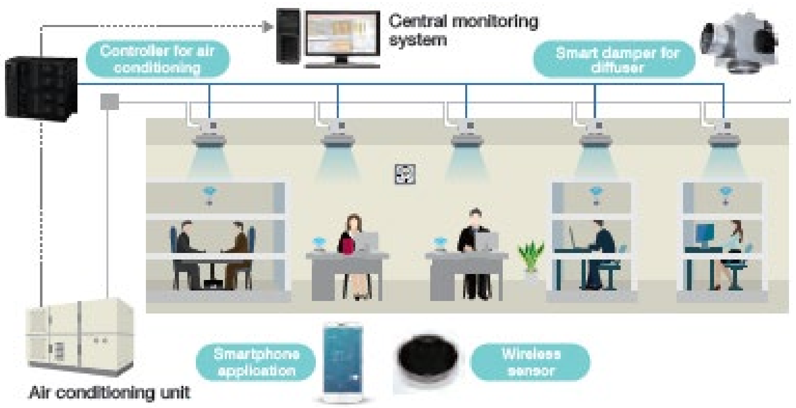
Optimized energy and quality of air/temperature control based on the totality of BA systems, IoT devices and field instruments

- **At azbil we are creating systems suited to the new work styles and diversified office use emerging as part of "new normal" life, providing our customers with workplaces that serve to enhance productivity and knowledge creation while supporting the wellness of workers.**

New automation

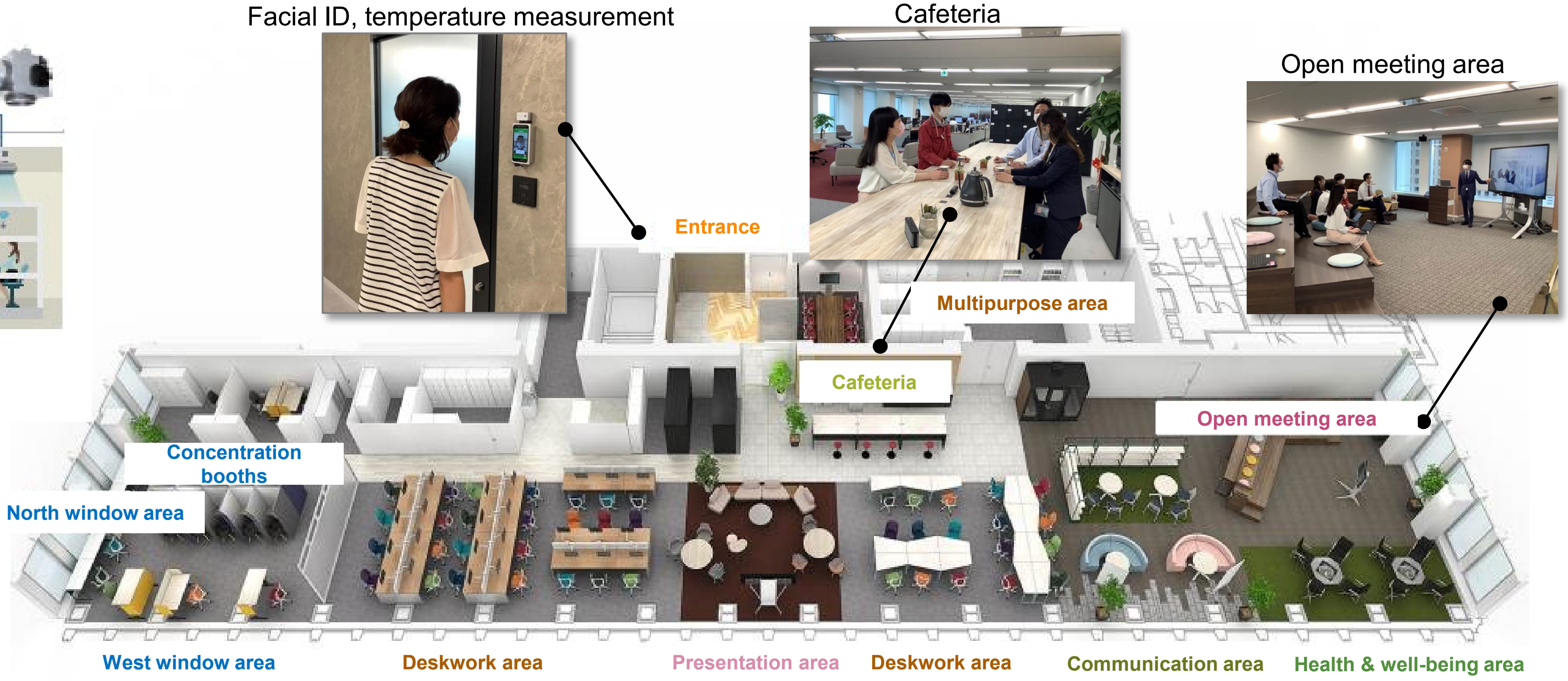
Increase domestic & overseas customer contact points

➢ The azbil Group's latest systems and services are being installed at our own business sites so that we can make available demonstration rooms for customers to experience these products firsthand. Scheduled to be introduced in this way are cloud services for buildings; solutions for visualizing office ventilation volume and workplace congestion; and cell-type air conditioning systems that divide up an office into small zones to offer individual control of temperature, humidity, and ventilation.



▲Cell-type air conditioning system

A new air conditioning system for the diverse work styles and offices in the "new normal" era is ready to install.



Progress in H1 of FY2021

(Rewritten from press releases; the dates within parentheses are when the announcements were made.)

Measures to strengthen the business foundation and to improve profitability

- **Strengthen our R&D system by constructing a new building at the Fujisawa Technology Center and improving facilities (April 12, 2021)**
  - ➢ In order to strengthen the Group's product capabilities to satisfy emerging needs and the expanding roles for automation, we are investing approx. 7 billion yen to dismantle some facilities at the Fujisawa Technology Center, the Group's R&D base, and construct a new building (scheduled for completion in 2022). The new building will increase our capacity to develop compact, high-performance devices that make full use of MEMS as well as IoT, AI and cloud technologies.

- 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 sensors, we will develop high-performance sensors and realize a stable supply

▲MEMS sensors

- 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

Conceptual image of the laboratory building ▲
(Images courtesy of Nikken Sekkei Ltd.)

- **New factory building being constructed at production subsidiary in Dalian, China, with completion scheduled for December 2021**
  - ➢ We are now constructing 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. It will strengthen our trilateral production system including Japan, Thailand, and China. Construction has been steadily advancing, and completion is scheduled for December 2021; operations are due to start in 2022.

▲Conceptual image of the factory building

Contribution "In Series" to the Achievement of a Sustainable Society

Reduce about 170 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	Energy management effects	Maintenance services effects
		
About **2,690** thousand metric tons of CO_2	About **210** thousand metric tons of CO_2	About **40** thousand metric tons of CO_2

Total 2,940 thousand metric tons of CO_2 (FY2020)

>

Reduce about 170 times the environmental burden

CO_2 emissions from business activities of the azbil Group
17
thousand metric tons of CO_2

(FY2020)

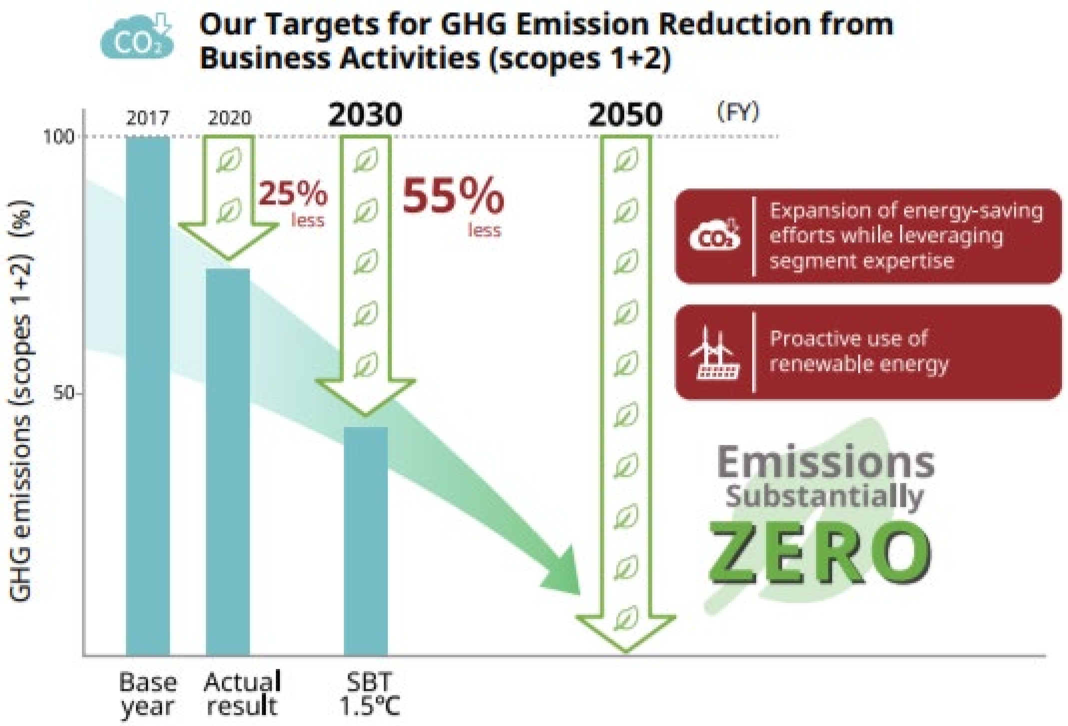
CO_2 emissions (scopes 1+2)
Azbil Corporation, its consolidated subsidiaries in Japan and its main manufacturing bases overseas

* 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. The estimation method is reviewed by a third party.

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 (scopes 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

Moves are now being made to rapidly decarbonize all aspects of society, prompting us to update our target for reducing GHG emissions through business activities to a 55 reduction, up from the 30% reduction. This new target was reapproved as a 1.5°C target by the Science Based Targets initiatives (SBTi)[*2] in August 2021. We will accelerate our initiatives to achieve our long-term vision.

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

30 % reduction compared with 2013 → **Raise target** → **55 % reduction** compared with 2017

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

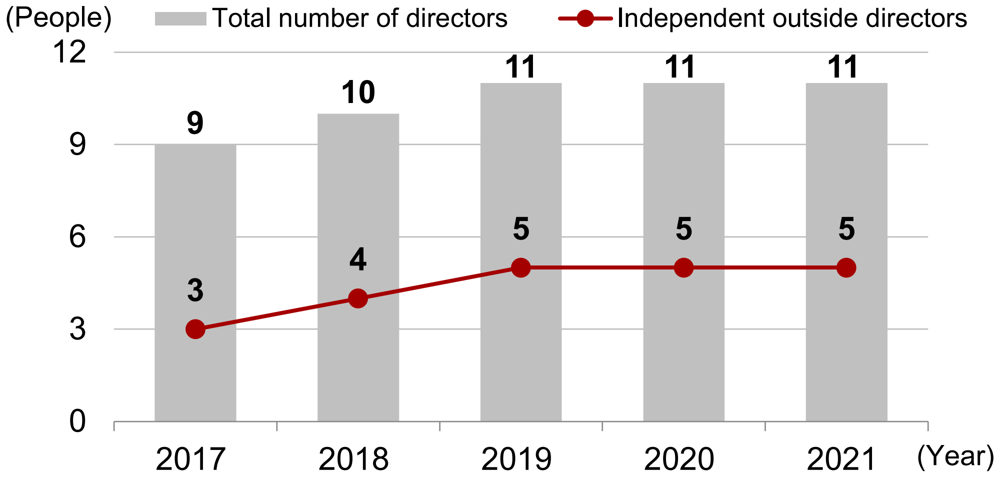
20 % reduction compared with 2017

*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.

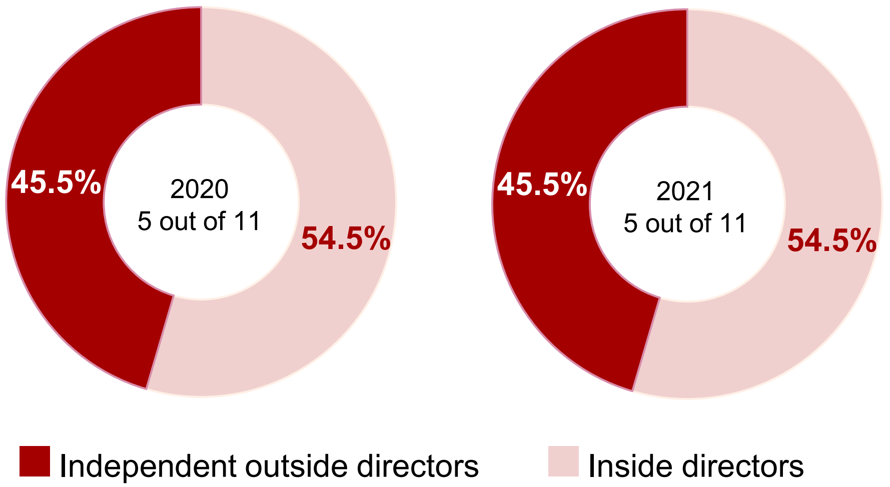
*2 An international initiative – jointly established by the CDP, the UN Global Compact, the World Resources Institute (WRI), and the World Wide Fund for Nature (WWF)—to certify that corporate CO_2 emission reduction targets are consistent with scientific evidence. The 1.5°C target is to limit the increase 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 (1)

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

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

* Even after the end of March 2020, we have been steadily implementing necessary measures in light of the stock price and market trends based on our policy of reducing strategic shareholdings stated in our Corporate Governance Report.

Progress of Corporate Governance Reforms (2)

Skill matrix

- Disclosed skill matrix (2021)
  - The Board of Directors at the meeting held on May 14, 2021 defined the skills expected of the directors with respect to achievement of the medium-term plan and other management strategies, and confirmed the independence, diversity and expected skills for the current Board of Directors.
  - Seven key categories have been picked for the skills expected of directors so they can support growth aimed at contributing “in series” to the achievement of a sustainable society.
  - Two female directors (1 of whom is a foreign national) have been elected out of the 11 directors.

The skills expected of director

- Corporate management/sustainability*
- Global business
- Finance, accounting, fund
- IT, technology/control and automation business
- Sales, marketing
- Manufacturing, research and development
- Legal, risk management, compliance

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

Diversity and inclusion

- As part of the azbil Group's health and well-being management, we are working to ensure the diversity of our core human resources; our approach and policies are detailed on our website.
- As one of our goals for the SDGs, we have set target numbers of female employees in management or specialist positions and, based on our own metric, points for women’s advancement/participation.

Sustainability

- In the medium-term plan, we recognize that addressing sustainability is not simply a response to risk, but also an important business opportunity for enhancing enterprise value. We will thus work to contribute “in series” to the achievement of a sustainable society, and we have formulated and published a strategy focused on three growth fields as a concrete approach to achieving this.
- We have set up a dedicated unit and appointed a corporate officer in charge of all sustainability matters. The azbil Group CSR Promotion Committee and SDGs Promotion Committee meet regularly, and progress reports are made to the Management Committee and the Board of Directors.
- As regards disclosing how climate-related risks and opportunities affect the Company, we have expressed our support for the Task Force on Climate-Related Financial Disclosures (TCFD) and provide requisite information in our annual securities report and azbil Report.

Business portfolio

- In formulating the medium-term plan, strategies for each business portfolio were discussed and reviewed.
- Return on invested capital (ROIC) has been introduced to encourage management that is mindful of the cost of capital. (2021)

External Evaluation and Initiatives (as of September 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
- Granted “the 3rd Platinum Career Award” created by Toyo Keizai Inc.
- 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

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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.