Presentation Materials
for the Fiscal Year Ended March 31, 2022
(Based on Japanese GAAP)

May 13, 2022
Azbil Corporation
RIC: 6845.T, Sedol: 6985543

azbil

Contents

1. Financial Results for FY2021

Consolidated Financial Results

- In FY2021, orders received, net sales, and profits all increased compared with FY2020. This was due to the recovery from the market downturn caused by the COVID-19 pandemic in FY2020, and also partly to the impact of customers' advance orders triggered by parts shortages. On the other hand, from the second half of FY2021 onwards, there was an increasing impact from delays in recording net sales owing to longer delivery times caused by parts procurement difficulties. Consequently, both net sales and profits fell short of the revised plan announced on November 2, 2021.
- Overall orders received grew, reversing the decline in FY2020 caused by the spread of COVID-19. This growth was mainly due to an increase in the AA business reflecting a recovery in market conditions and, to some extent, the impact of advance orders triggered by parts shortages, 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 rose compared with FY2020. This was due to sales growth achieved by the AA business, reflecting a recovery in demand in the manufacturing equipment market, but also to increased sales for the BA business and LA business. Due to the pandemic and the increasing impact of long delivery times, the plan was not achieved.
- Operating income increased compared with FY2020, although it fell short of the plan, mainly owing to not reaching the sales plan. This increase from FY2020 was thanks to measures to strengthen business profitability, which continued to have a positive effect, in addition to the growth in revenue. This was against the fact there being higher expenses incurred by the increased burden related to staff working amidst the COVID-19 pandemic, as well as an increase in R&D expenses resulting from measures included in the medium-term plan.

(Billions of yen)

	FY2020 (A)	FY2021 (B)	Difference (B) - (A)	Difference *% Change*	Revised plan (Nov. 2, 2021) (C)	Difference (B) - (C)	Difference *% Change*
Orders received	247.8	286.9	39.0	*15.8*			
Net sales	246.8	256.5	9.7	*3.9*	262.0	(5.4)	*(2.1)*
Japan	201.9	204.3	2.4	*1.2*			
Overseas	44.8	52.1	7.3	*16.3*			
Gross profit	99.3	105.7	6.3	*6.4*			
Margin	*40.3*	*41.2*	*0.9pp*				
SG&A	73.6	77.4	3.8	*5.2*			
Operating income (loss)	25.7	28.2	2.5	*9.8*	29.3	(1.0)	*(3.6)*
Margin	*10.4*	*11.0*	*0.6pp*		*11.2*	*(0.2)pp*	
Ordinary income (loss)	26.3	29.5	3.1	*12.1*	29.5	0.0	*0.1*
Income (loss) before income taxes	28.0	30.0	2.0	*7.3*			
Net income (loss) attributable to owners of parent	19.9	20.7	0.8	*4.3*	21.0	(0.2)	*(1.0)*
Margin	*8.1*	*8.1*	*0.0pp*		*8.0*	*0.1pp*	

* FY2021 ROE: 10.4%

Segment Information: BA Business

In the domestic market, demand has continued to grow for urban redevelopment projects and for heating, ventilation, and air conditioning (HVAC) control equipment / systems for factories, and there is growing interest in solutions related to ventilation improvement, energy savings, and CO_2 reduction. While the impact of the COVID-19 pandemic has been limited, parts shortages have had some effect. In overseas markets, due to the prolonged impact of the pandemic, the postponement of construction projects 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, the service field was impacted by the new accounting standard for revenue recognition*, but, in addition to the renewal of multi-year service contracts, orders increased for the refurbishment of existing buildings thanks to a robust business environment, and some customers placed advance orders because of parts shortages. Accordingly, overall orders received were higher than FY2020.
- Sales fell in the service field, due to the new accounting standard for revenue recognition. However, overall sales increased compared to FY2020 owing to sales growth in the fields related to new large-scale buildings and existing buildings. Sales fell short of the plan due to long delivery times triggered by parts shortages in the fields related to existing buildings and services, and also to the prolonged impact of the pandemic in overseas markets.
- Segment profit was on a par with FY2020. Increased revenue in the profitable field for existing buildings was offset by higher expenses—for R&D, as stipulated in the medium-term plan, and for personnel required for handling an increase in orders received. Profit fell short of the plan; this was because the sales plan was not achieved due to the impact of parts shortages.

(Billions of yen)

	FY2020 (A)	FY2021 (B)	Difference		Revised plan (Nov. 2, 2021) (C)	Difference	
			(B) - (A)	*% Change*		(B) - (C)	*% Change*
Orders received	118.5	132.5	14.0	*11.8*			
Sales	117.5	119.7	2.2	*1.9*	121.4	(1.6)	*(1.3)*
Segment profit (loss)	14.0	13.8	(0.1)	*(1.1)*	14.3	(0.4)	*(3.1)*
Margin	*11.9*	*11.6*	*(0.4)pp*		*11.8*	*(0.2)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 1.3 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 sustained high demand in the market for semiconductor manufacturing equipment. The COVID-19 pandemic has yet to abate; however, overall capital investment is seen to be recovering, particularly in the manufacturing equipment market.
Amidst this business environment, our growth strategy for the overseas business—which has been a focus—has borne fruit, and the profit structure has been successfully strengthened by continued implementation of various measures. However, there has been an impact from parts procurement difficulties, with delivery times lengthening for certain products.

- Orders received were higher than FY2020. Although this partly reflects the impact of customers' advance orders triggered by parts shortages, this increase was mainly due to continued demand in the manufacturing equipment market—against the backdrop of a global expansion in semiconductor-related investment—as well as business growth overseas. The order backlog also increased significantly.
- Sales increased compared with FY2020, thanks mainly to growth in the manufacturing equipment market and overseas business. However, there have been delays in recording sales of some products due to parts procurement difficulties, and thus sales fell short of the plan.
- As regards segment profit, although there was an increase in expenses associated with intensified sales activities and higher R&D expenses, as stipulated in the medium-term plan, segment profit was higher than FY2020 owing to revenue growth and the success of measures to strengthen profitability. Segment profit margin continued to improve. Although the sales plan was not achieved owing to parts procurement difficulties, thanks to the success of measures to strengthen profitability, profit fell only slightly short of the plan.

(Billions of yen)

	FY2020 (A)	FY2021 (B)	Difference		Revised plan (Nov. 2, 2021) (C)	Difference	
			(B) - (A)	*% Change*		(B) - (C)	*% Change*
Orders received	87.5	109.5	22.0	*25.2*			
Sales	87.7	94.2	6.4	*7.4*	96.5	(2.2)	*(2.3)*
Segment profit (loss)	10.2	13.2	2.9	*29.1*	13.4	(0.1)	*(1.2)*
Margin	*11.7*	*14.0*	*2.4pp*		*13.9*	*0.2pp*	

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, changes in some markets have been observed, such as that for LP gas meters, for which cyclical demand is currently at a low ebb. 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 FY2020, mainly as a result of an increase in the LSE field driven by growing demand for equipment in the pharmaceutical market.
- Overall sales increased from FY2020. A decrease was seen in the Lifeline field due to changing market conditions, the pandemic, and parts procurement difficulties. However, revenue growth was achieved in the LSE field, reflecting an increase in orders received in FY2020, in spite of delays in recording sales as a result of the pandemic. The prolonged impact of the pandemic on sales, however, meant that the plan was not achieved.
- Segment profit decreased compared with the FY2020 and fell short of the plan. This was mainly associated with lower revenue in the Lifeline field. Although there was sales growth in the LSE field, profit was impacted by increased expenses related to business growth, soaring prices for raw materials, and higher energy and transportation costs.

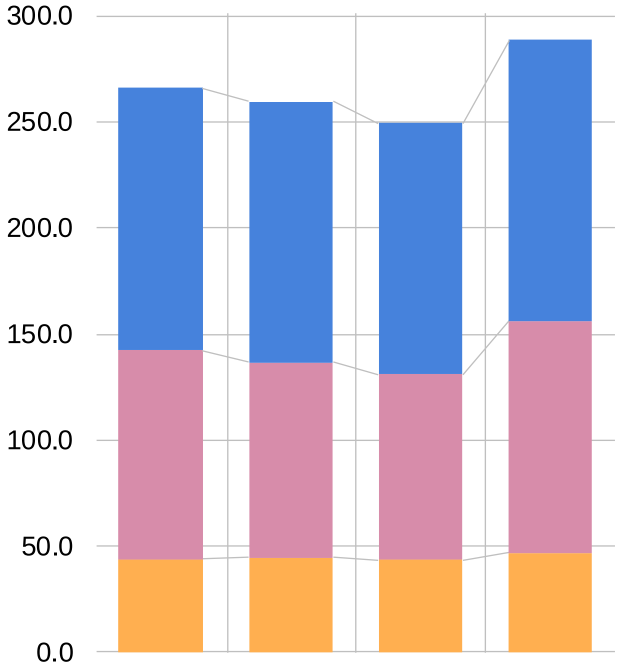
(Billions of yen)

	FY2020	FY2021	Difference		Revised plan (Nov. 2, 2021)	Difference	
	(A)	(B)	(B) - (A)	*% Change*	(C)	(B) - (C)	*% Change*
Orders received	43.3	46.8	3.4	*8.1*			
Sales	42.9	44.2	1.2	*3.0*	45.7	(1.4)	*(3.2)*
Segment profit (loss)	1.4	1.1	(0.2)	*(19.7)*	1.6	(0.4)	*(28.0)*
Margin	*3.3*	*2.6*	*(0.7)pp*		*3.5*	*(0.9)pp*	

Reference: Performance Trend by Segment (1)

Orders received by segment

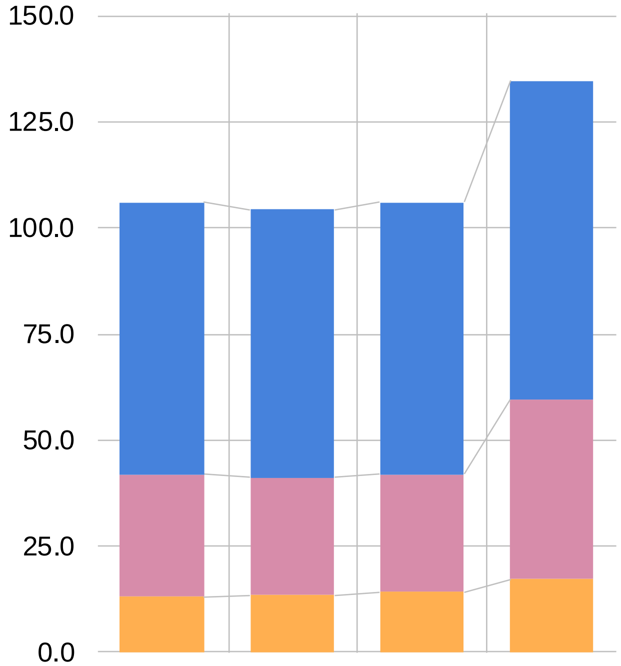
(Billions of yen)



	FY2018	FY2019	FY2020	FY2021
B A	123.7	122.9	118.5	**132.5**
A A	98.3	91.9	87.5	**109.5**
L A	43.8	44.8	43.3	**46.8**
Consolidated	264.2	258.0	247.8	**286.9**

Order backlog by segment

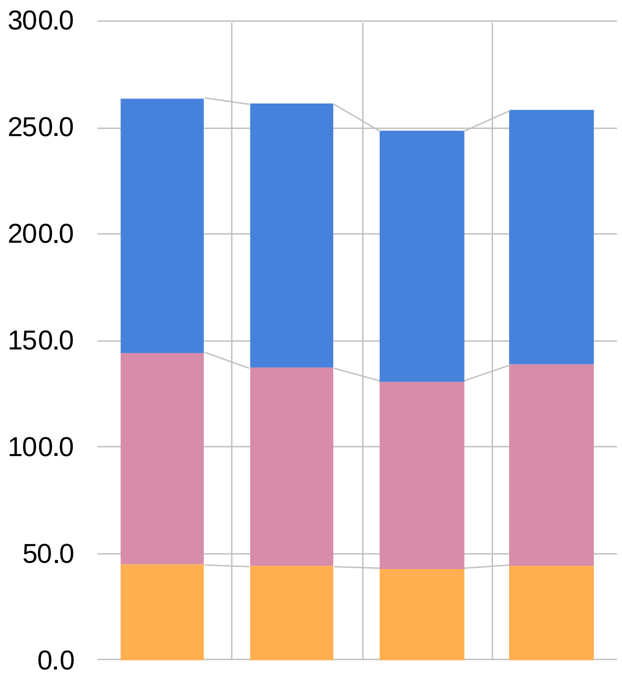
(Billions of yen)



	FY2018	FY2019	FY2020	FY2021
B A	64.2	63.1	64.0	**75.1**
A A	28.9	27.7	27.7	**42.3**
L A	12.9	13.4	14.2	**17.2**
Consolidated	106.0	104.2	105.8	**134.2**

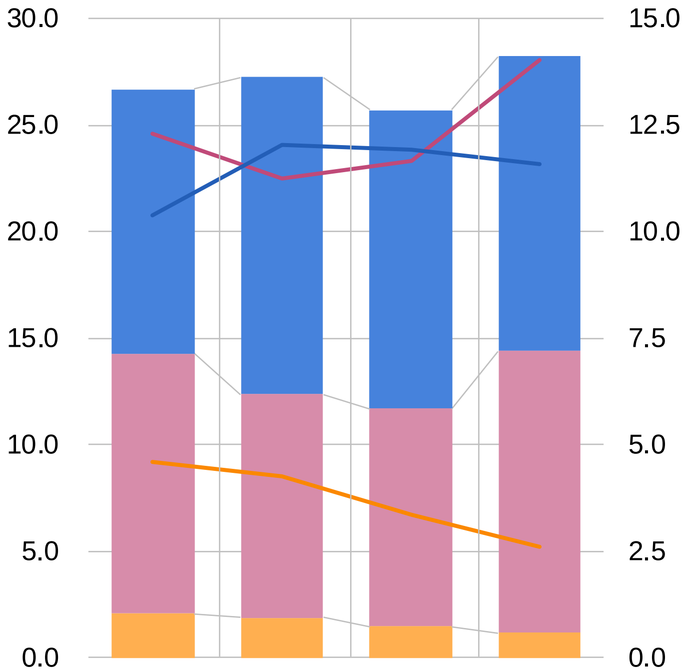
Reference: Performance Trend by Segment (2)

Sales by segment



	FY2018	FY2019	FY2020	FY2021
B A	119.5	123.7	117.5	**119.7**
A A	99.3	93.1	87.7	**94.2**
L A	44.8	44.0	42.9	**44.2**
Consolidated	262.0	259.4	246.8	**256.5**

Segment profit (operating income)



	FY2018	FY2019	FY2020	FY2021
B A	12.4	14.8	14.0	**13.8**
Margin	*10.4*	*12.0*	*11.9*	***11.6***
A A	12.2	10.4	10.2	**13.2**
Margin	*12.3*	*11.3*	*11.7*	***14.0***
L A	2.0	1.8	1.4	**1.1**
Margin	*4.6*	*4.2*	*3.3*	***2.6***
Consolidated	26.6	27.2	25.7	**28.2**
Margin	*10.2*	*10.5*	*10.4*	***11.0***

Overseas Sales by Region

Overseas sales rose by 16.3% from FY2020.
In Asia, sales growth was achieved despite the impact of the COVID-19 pandemic and the fact that sales for several large-scale projects had been recorded in FY2020. This growth was due to resumption of construction in some regions and also a continued recovery in the manufacturing equipment market. In China, which made an early recovery from the pandemic, AA business sales increased. Both the AA and LA businesses achieved sales growth in North America and Europe.

BA business

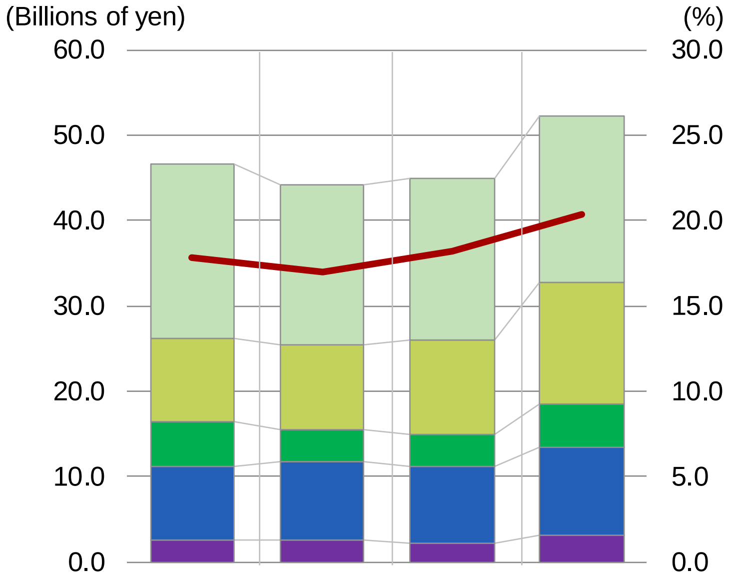
Despite the continued impact in Asia of the postponement of construction projects as well as construction stoppages and delays resulting from the COVID-19 pandemic, progress was made with projects when construction work resumed in some regions, and sales increased. Sales in China rebounded thanks to factory projects, and overall sales increased.

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, underpinning sales growth in Asia, China and North America. In China, market conditions have recovered, and measures to expand customer coverage have proved successful.

LA business

Sales increased in the LSE field mainly in Europe and North America, reflecting the growth in orders received in FY2020. Sales also grew in Asia and other regions. Overall sales increased.



	FY2018	FY2019	FY2020	**FY2021**
Asia (ex-China)	20.4	18.7	18.8	**19.4**
China	9.7	9.8	11.0	**14.2**
North America	5.3	3.7	3.7	**4.9**
Europe	8.5	9.1	9.0	**10.3**
Others	2.6	2.6	2.2	**3.1**
Consolidated	46.7	44.1	44.8	**52.1**

Reference information

		FY2018	FY2019	FY2020	FY2021
Overseas sales / Net sales (%)		*17.8*	*17.0*	*18.2*	***20.3***
Average exchange rate	USD/JPY	110.45	109.03	106.77	**109.90**
	EUR/JPY	130.35	122.03	121.88	**129.91**
	CNY/JPY	16.71	15.77	15.48	**17.04**

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

Consolidated Financial Position

- **Assets** Total assets decreased by 4.5 billion yen from the end of FY2020. This was owing mainly to a decrease in cash and deposits, in spite of an increase in property, plant and equipment following capital investments to enhance Fujisawa Technology Center, our R&D base.
- **Liabilities** Total liabilities decreased by 7.0 billion yen from the end of FY2020 owing mainly to a decrease in trade payables by a change of the Company's standard payment terms.
- **Net assets** Net assets increased by 2.5 billion yen from the end of FY2020 owing mainly to an increase by recording of net income attributable to owners of parent, despite the decrease due to a repurchase of the Company's own stock and the payment of dividends.

(Billions of yen)

	As of Mar. 31, 2021 (A)	As of Mar. 31, 2022 (B)	Difference (B) - (A)
Current assets	**219.5**	**210.7**	**(8.8)**
Cash and deposits	68.5	58.9	(9.5)
Trade receivables	82.1	86.1	3.9
Securities	36.5	30.8	(5.7)
Inventories	24.5	28.6	4.1
Other	7.9	6.2	(1.7)
Non-current assets	**64.9**	**69.2**	**4.2**
Property, plant and equipment	27.0	33.1	6.1
Intangible assets	5.4	5.7	0.2
Investments and other assets	32.4	30.3	(2.1)
Total assets	**284.5**	**280.0**	**(4.5)**

	As of Mar. 31, 2021 (A)	As of Mar. 31, 2022 (B)	Difference (B) - (A)
Liabilities	**83.9**	**76.9**	**(7.0)**
Current liabilities	**76.4**	**69.4**	**(7.0)**
Trade payables	31.9	22.9	(8.9)
Short-term borrowings	9.0	8.0	(0.9)
Other	35.4	38.4	2.9
Non-current liabilities	**7.5**	**7.4**	**(0.0)**
Long-term borrowings	0.3	0.3	(0.0)
Other	7.2	7.1	(0.0)
Net assets	**200.6**	**203.1**	**2.5**
Shareholders' equity	**186.3**	**188.7**	**2.4**
Share capital	10.5	10.5	-
Capital surplus	11.6	11.6	-
Retained earnings	177.9	190.2	12.3
Treasury shares	(13.7)	(23.6)	(9.9)
Accumulated other comprehensive income	**11.8**	**11.5**	**(0.2)**
Non-controlling interests	**2.4**	**2.8**	**0.4**
Total liabilities and net assets	**284.5**	**280.0**	**(4.5)**

Reference
Shareholders' equity ratio: 69.6% (as of Mar. 31, 2021), 71.5% (as of Mar. 31, 2022)

Consolidated Cash Flows

- Net cash provided by operating activities decreased compared to FY2020 owing mainly to an increased payment of trade payables by a change of the Company's standard payment terms as well as an increase in trade receivables and inventories with a backdrop of increases in net sales and orders received.
- Net cash used in investing activities stood at 3.9 billion yen (in FY2020 net cash provided by these activities (proceeds) was 0.2 billion yen). This was mainly due to an increase in expenditures from purchase of property, plant and equipment following capital investments to enhance our R&D base.
- Consequently, free cash flow decreased by 16.7 billion yen compared to FY2020.
- Net cash used in financing activities increased compared to FY2020 owing to repurchase of own stock and an increase in the payment of dividends.

(Billions of yen)

	FY2020	FY2021	Difference	
	(A)	(B)	(B) - (A)	*% Change*
Net cash provided by (used in) operating activities	22.6	10.1	(12.4)	*(55.2)*
Net cash provided by (used in) investing activities	0.2	(3.9)	(4.2)	-
Free cash flow	22.8	6.1	(16.7)	*(73.2)*
Net cash provided by (used in) financing activities	(6.9)	(20.5)	(13.5)	-
Effect of exchange rate change on cash and cash equivalents	0.0	1.6	1.6	-
Net increase (decrease) in cash and cash equivalents	15.9	(12.7)	(28.6)	-
Cash and cash equivalents at beginning of period	74.7	90.6	15.9	*21.3*
Cash and cash equivalents at end of period	90.6	77.8	(12.7)	*(14.1)*

Reference

Capital expenditure	5.0	11.2	6.2	*123.2*
Depreciation	4.4	4.8	0.3	*8.1*

2. Financial Plan for FY2022

Consolidated Financial Plan

We will strive to expand business in the three growth fields, which address new issues facing society and customer needs, while ensuring that we tap into robust market demand. We will also strengthen business profitability and steadily implement investment in R&D and DX to realize sustainable growth. Although we anticipate some uncertain impact from parts procurement difficulties, we are aiming to increase both net sales and profits, as well as to realize steady growth to achieve our medium-term plan.

- As well as benefitting from a large order backlog at the beginning of FY2022, we aim to increase net sales by ensuring that we tap into the robust demand in the domestic market for large-scale buildings and also the market for manufacturing equipment.
- In addition to the measures to enhance profitability that have previously proven successful, we plan to further strengthen profitability through improvements to operational efficiency achieved by promoting DX on a global basis. Also, while investing in R&D, facilities and equipment to achieve expansion in the three growth fields, we will seek to set a new record for profits.
- Despite the outlook for the global economic environment remaining uncertain because of parts procurement difficulties, inflation, etc., we will continue to implement thorough safety management, including measures to deal with the COVID-19 pandemic. By closely monitoring the situation of our customers and parts suppliers, we will be sure to respond quickly and appropriately to any new developments.

(Billions of yen)

	FY2021 Full year (results) (A)	FY2022 H1 (plan)	FY2022 H2 (plan)	FY2022 Full year (plan) (B)	Difference (B) - (A)	Difference *% Change*
Net sales	256.5	120.9	154.1	275.0	18.4	*7.2*
Operating income	28.2	8.4	21.4	29.8	1.5	*5.6*
Margin	*11.0*	*6.9*	*13.9*	*10.8*	*(0.2)pp*	
Ordinary income	29.5	8.7	21.5	30.2	0.6	*2.3*
Net income attributable to owners of parent	20.7	5.7	15.8	21.5	0.7	*3.4*
Margin	*8.1*	*4.7*	*10.3*	*7.8*	*(0.3)pp*	

Reference: Exchange rate
FY2021 USD/JPY: 109, EUR/JPY: 129, CNY/JPY: 17, FY2022 USD/JPY: 118, EUR/JPY: 131, CNY/JPY: 18

Financial Plan by Segment (1)

(Billions of yen)

			FY2021	FY2022			Difference	
			Full year (results) (A)	H1 (plan)	H2 (plan)	Full year (plan) (B)	(B) - (A)	*% Change*
B A	Sales		119.7	53.0	76.0	129.0	9.2	*7.7*
	Segment profit		13.8	2.5	12.0	14.5	0.6	*4.6*
		Margin	*11.6*	*4.7*	*15.8*	*11.2*	*(0.3)pp*	
A A	Sales		94.2	45.0	54.5	99.5	5.2	*5.5*
	Segment profit		13.2	5.4	8.6	14.0	0.7	*5.8*
		Margin	*14.0*	*12.0*	*15.8*	*14.1*	*0.0pp*	
L A	Sales		44.2	22.9	23.6	46.5	2.2	*5.1*
	Segment profit		1.1	0.5	0.8	1.3	0.1	*12.9*
		Margin	*2.6*	*2.2*	*3.4*	*2.8*	*0.2pp*	
Consolidated	Net sales		256.5	120.9	154.1	275.0	18.4	*7.2*
	Operating income		28.2	8.4	21.4	29.8	1.5	*5.6*
		Margin	*11.0*	*6.9*	*13.9*	*10.8*	*(0.2)pp*	

Financial Plan by Segment (2)

BA

We plan to increase both sales and profit thanks to the order backlog and increasing demand related to both new buildings and existing buildings.

- Demand for HVAC control equipment/systems for large-scale buildings is robust, and considering the buildup in the order backlog at the start of FY2022, sales are set to remain at a high level.
- Against the backdrop of increased orders received from the FY2021, we expect growth in the refurbishment of existing buildings, which is a profitable business.
- Anticipating a recovery from the impact of the COVID-19 pandemic, we also plan for overseas business growth.

AA

We are planning to achieve increased sales and profit thanks to the order backlog at the start of FY2022 and to growth in our overseas business.

- Although parts procurement difficulties are expected to continue in FY2022, we plan to increase sales and profits. As well as the growth in our overseas business, this plan is based on the order backlog that built up as a result of the market recovery and advance orders in FY2021.
- While continuing to develop new overseas customers and making other investments for growth such as launching new products and services, we will also continue to implement measures to strengthen profitability. We will thus maintain our profit margin.

LA

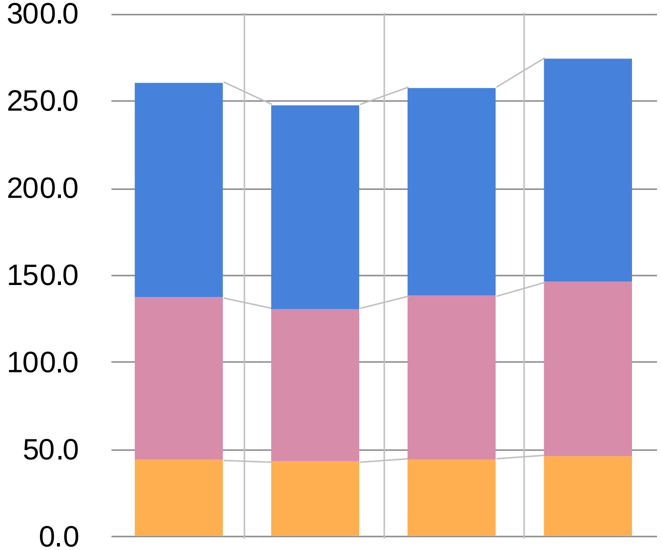
We plan to increase both sales and profit, anticipating growth in the LSE field supported by expanding demand in the pharmaceutical market, and further impetus given to development of our cloud-based service business in the Lifeline field.

- In the Lifeline field, there is a decline in the cyclical demand for LP gas meters and continued negative impacts from the COVID-19 pandemic and parts procurement difficulties are anticipated. However, we will continue to launch new products and develop our cloud-based service business.
- In the LSE field, we expect revenue growth reflecting continued demand in the pharmaceutical market.

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

■ Sales by segment

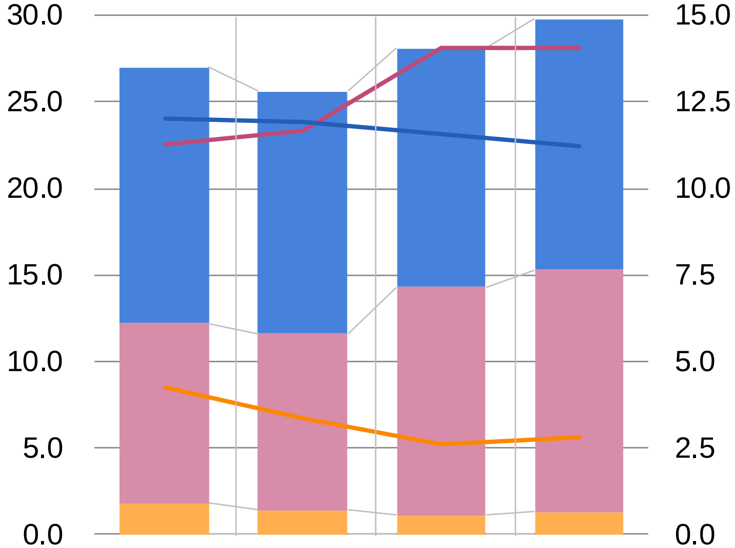
(Billions of yen)



	FY2019	FY2020	FY2021	**FY2022 (plan)**
B A	123.7	117.5	119.7	**129.0**
A A	93.1	87.7	94.2	**99.5**
L A	44.0	42.9	44.2	**46.5**
Consolidated	259.4	246.8	256.5	**275.0**

■ Segment profit (operating income)

(Billions of yen) (%)



	FY2019	FY2020	FY2021	**FY2022 (plan)**
B A	14.8	14.0	13.8	**14.5**
Margin	*12.0*	*11.9*	*11.6*	***11.2***
A A	10.4	10.2	13.2	**14.0**
Margin	*11.3*	*11.7*	*14.0*	***14.1***
L A	1.8	1.4	1.1	**1.3**
Margin	*4.2*	*3.3*	*2.6*	***2.8***
Consolidated	27.2	25.7	28.2	**29.8**
Margin	*10.5*	*10.4*	*11.0*	***10.8***

3. Returning Profits to Shareholders

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 will repurchase the Company's own stock and will increase dividends while investing in growth, including R&D, DX 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 dividend

The year-end dividend for FY2021 will be 30 yen per share, as initially announced. The annual dividend will be 60 yen per share, together with the interim dividend of 30 yen per share.

FY2022 dividend

As regards the annual dividend for FY2022, the Company plans an **increase of 5 yen**, making an annual dividend of **65 yen per share**.

Repurchase of own stock and cancellation of treasury shares

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 **10.0 billion yen** (or 4.0 million shares). We also plan to cancel its **1.5 million treasury shares** held at the end of March 2022.

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 stock 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.

Plan for FY2021 Year-end Dividend and FY2022 Annual Dividend

FY2021 dividend	It is planned to pay **a year-end dividend of 30 yen per share**, to make **an annual dividend of 60 yen per share**, as announced at the beginning of FY2021.
FY2022 dividend	It is planned to increase an annual dividend by **5 yen per share**, to **65 yen per share**.

- In FY2021, despite the impact from parts procurement difficulties, we achieved higher sales and profits than FY2020 and maintained a strong financial foundation. It is thus planned to issue FY2021 dividends as announced at the beginning of FY2021.
- Considering parts shortages, inflation, and other factors, the outlook for the global economic environment is expected to remain uncertain for the time being. However, we are planning to increase both sales and profits in FY2022, and we expect stable and sustaining growth. It is thus planned to increase dividends for FY2022.
- Based on the continuation of stable dividend payments, we aim to further improve the dividend on equity (DOE) ratio; the DOE for FY2021 will be 4.2%.

(Yen)

	FY2021			FY2022		
	Interim	Year-end (plan)	Annual (plan)	Interim (plan)	Year-end (plan)	Annual (plan)
Dividend per share	30.0	30.0	60.0	32.5	32.5	65.0
Payout ratio	*39.8%*			*40.7%* [*1]		
Dividend on equity (DOE)	*4.2%*			*4.4%* [*2]		

[*1] The effects of repurchase of own stock scheduled in FY2022 are taken into account for a trial calculation of net income per share, and accordingly payout ratio for FY2022.

[*2] The following factors have been taken into account for the trial calculation, which is based on shareholders' equity on March 31, 2022: repurchase of own stock scheduled in FY2022, year-end dividends for FY2021, interim dividends for FY2022, and net income attributable to owners of parent in consolidated financial plan for FY2022.

Repurchase of Own Stock and Cancellation of Treasury Shares

Repurchase of own stock	It is planned to repurchase the Company's own stock up to a maximum of 10.0 billion yen (or 4.0 million shares).
Cancellation of treasury shares	It is planned to cancel the Company's treasury share holdings of 1.5 million shares.

- Based on the return on equity (ROE) target in our long-term targets (for FY2030) and the medium-term plan (FY2021-2024), we are engaging in business expansion and measures to strengthen profitability. At the same time, while ensuring a disciplined capital policy and seeking to improve capital efficiency, we will repurchase the Company's own stock. In this way, in addition to further improving the return of profits to shareholders, we will execute a flexible capital policy to prepare for changes in the business environment.
- Following cancellation of our treasury share holdings (1.5 million shares) at the end of March 2022, we will review the use of our holdings, including any of the Company's own stock we plan to repurchase, for the purpose of enhancing enterprise value.

■ Repurchase of own stock

- Type of stock to be repurchased: Common stock of the Company
- Total number of shares to be repurchased: Up to 4,000,000 shares (2.9% of the total number of issued shares excluding treasury shares)
- Total amount of repurchase: Up to 10.0 billion yen
- Period of repurchase: From May 16, 2022 to September 22, 2022
- Method of repurchase: Market transactions on the Tokyo Stock Exchange

Number of treasury shares as of March 31, 2022

(1) Total number of issued shares (excluding treasury shares):	137,288,139 shares
(2) Treasury shares:	5,977,645 shares

- The above number of treasury shares does not include shares owned by a trust account for Employee Stock Ownership Plan (J-ESOP), which owned 1,935,100 shares as of March 31, 2022.

■ Cancellation of treasury shares

- Type of stock to be cancelled: Common stock of the Company
- Number of shares to be cancelled: 1,500,000 shares
- Total number of issued shares after the cancellation: 143,700,884 shares
- Scheduled cancellation date: May 31, 2022

Reference

The Company announced followings on May 13, 2022, as a part of measures to make use of own stock.

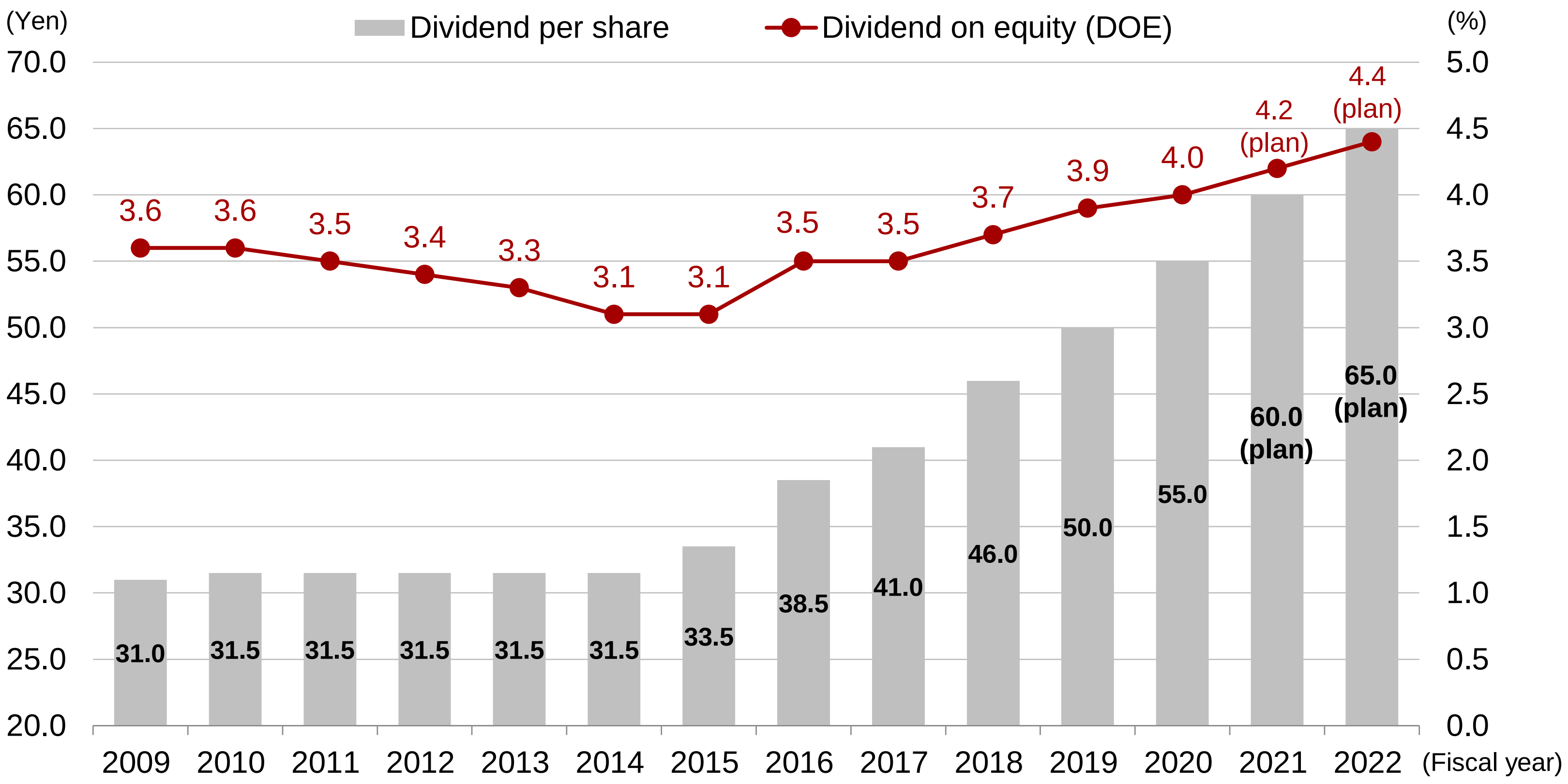
(1) Trust-type Employee Shareholding Incentive Plan (E-Ship*)
An incentive plan for all participants in the azbil Group's Stock Ownership Association. The total amount of the common stock planned to be acquired is 4,806 million yen at the establishment of the trust.

(2) Stock compensation plan
It is planned to introduce a stock compensation plan using a trust for the Company's directors, corporate executives and executive officers. The maximum amount and maximum number of shares to be acquired by the trust are 420 million yen and 189,600 shares respectively.

- E-Ship is a registered trademark of Nomura Securities Co., Ltd.

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.



	2009	2010	2011	2012	2013	2014	2015	2016	2017	2018	2019	2020	2021	2022
Total amount of own stock repurchased (billions of yen)							1.9		2.9	4.9	9.9		9.9	10.0 (plan)
Number of shares repurchased (millions of shares)							1.20		1.42	1.87	3.71		2.25	4.00 (plan)

* ROE for the FY2021, the first year for the medium-term plan was 10.4%; the Company expects 10.7% for FY2022

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 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: BA, AA, and LA.
- Although the COVID-19 pandemic and parts procurement difficulties mean that the outlook for the business environment is expected to remain uncertain for the time being, we will respond rapidly to changing conditions, with safety as our top priority. 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 increase the value offered to customers by creating new work systems and new work styles powered by 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.

Long-term targets

2030

SDGs

Growth

Transformation

Safety

Medium-term plan for FY2021-2024

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

	FY2019	FY2020	FY2021	FY2022	FY2024	FY2030
Net sales	**259.4 billion yen**	**246.8 billion yen**	**256.5 billion yen**	**275.0 billion yen**	**300.0 billion yen**	**400.0 billion yen range**
[Overseas sales]	[44.1 billion yen]	[44.8 billion yen]	[52.1 billion yen]	[59.0 billion yen]	[66.0 billion yen]	[100.0 billion yen range]
Operating income	**27.2 billion yen**	**25.7 billion yen**	**28.2 billion yen**	**29.8 billion yen**	**36.0 billion yen**	**60.0 billion yen range**
Margin	**10.5%**	**10.4%**	**11.0%**	**10.8%**	**12%**	**approx. 15%**
ROE	**10.9%**	**10.4%**	**10.4%**	**10.7%**	**approx. 12%**	**approx. 13.5%**

Initiatives in Three Growth Fields and Measures to Achieve Expansion

- 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, and enable entry into various markets positioned to meet the emerging needs of customers and society.
- We will promote business development and strengthen our solution capabilities by making use of the opportunities offered by Green Transformation (GX).

Change in social issues

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
Applying our proven strengths in energy efficiency and renewable energy

Maintaining long-term optimal operations and contributing to a sustainable society

Life-cycle solution fields
Supporting customers' assets over the long term

High value-added services using a network that leverages our business platform expanded and upgraded over the long term

Strengthen the engineering and service business foundation using DX; expand overseas

New automation fields

- Develop new business in fields transitioning from automation to autonomy
- Develop new business in the fields of data utilization and DX promotion

Environmental and energy fields

- Develop new business by contributing to customers' new initiatives aimed at becoming carbon neutral by providing them with opportunities to use independent and distributed energy resources with interconnected facilities

Life-cycle solution fields

- Develop new business by offering 24/7/365 solutions where there are insufficient human resources and/or systems to provide primary decision support/instructions in the event of anomalies, such as alarms occurring or when complaints are received.

Toward further expansion and growth

×

Expand business fields (including collaboration with other companies)

Accelerate GX and other business development initiatives

▶ Established GX Promotion Dept.

Expand range of solution-oriented products and services

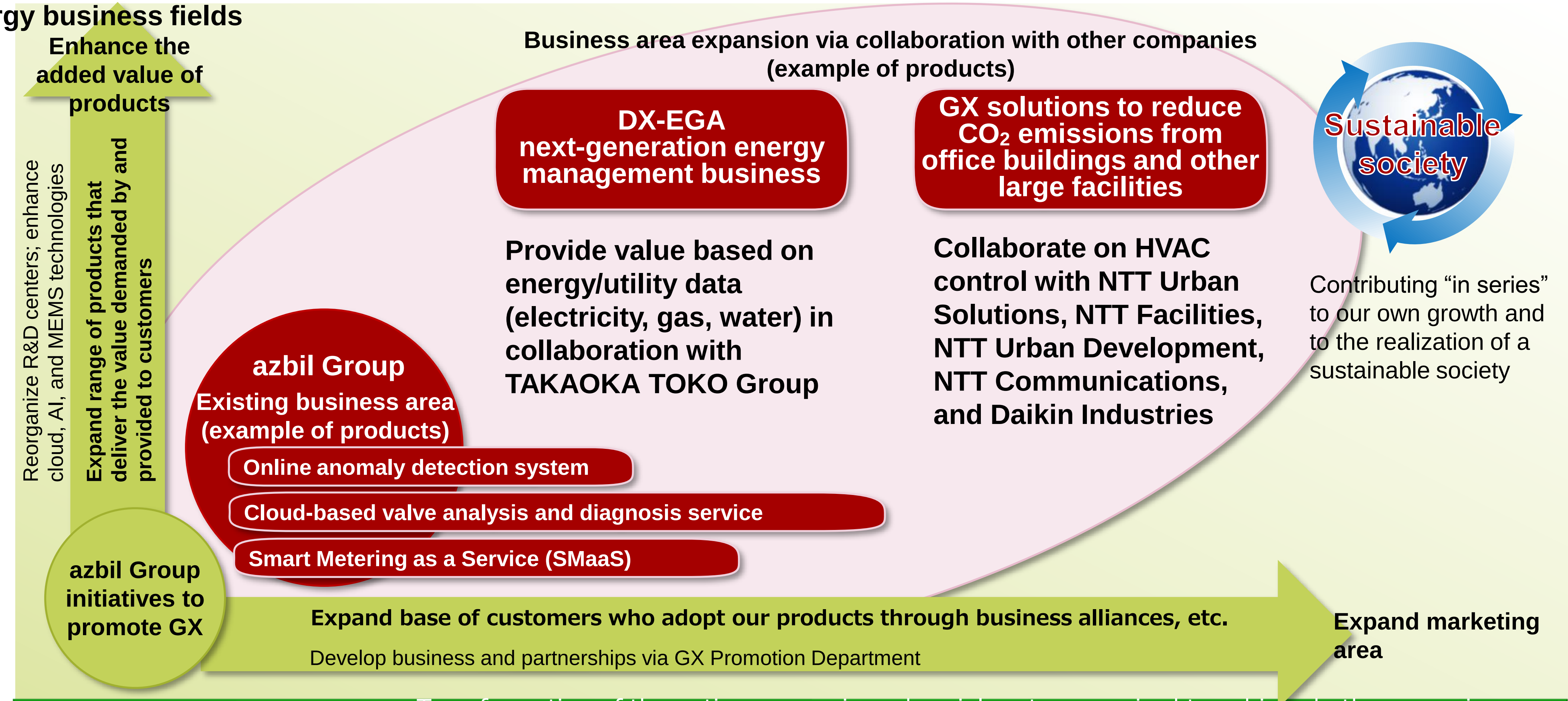
Strengthen capabilities for developing new system solutions, cloud applications, and devices

▶ Upgrade Fujisawa Technology Center functions

* Green Transformation (GX): Transformation of the entire economic and social system to transition to carbon neutrality

Expansion in Business Fields including Collaboration with Other Companies

- When it comes to key challenges facing society such as climate change, these typically involve various interrelated issues over a wide range of fields. Thus, in addition to our own in-house initiatives, it will be necessary to create solutions through collaboration and cooperation with other companies.
- As regards carbon neutrality, tapping into the GX movement, we will expand the range of products and services on offer by extending the scope of our business domain, at times in collaboration with other companies, thus achieving growth in the environment and energy business fields



Green Transformation (GX) Transformation of the entire economic and social system required to achieve both economic growth and environmental protection while transitioning to carbon neutrality (by 2050), as proposed by Japan's Ministry of Economy, Trade and Industry (METI)

Expand Range of Solution-oriented Products and Services

We are implementing vigorous R&D spending and capital investment to accelerate the development and introduction of new products and services. We upgraded and enhanced the Fujisawa Technology Center, our R&D base. We are further strengthening technological capabilities that enhance the value of azbil Group solutions featuring cloud applications, AI, and MEMS.

- **R&D expenses**
  Cumulative total of 56.0 billion yen from FY2021 to FY2024 (planned)
  (12.1 billion yen in FY2021)

- **Invest in enhancing capabilities of the Fujisawa Technology Center:**
  FY2021-2022 construction costs of approx. 7.0 billion yen (planned)
  (Two laboratory buildings to be completed in May 2022.)

Upgrade and enhance capabilities of Fujisawa technology center

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

- Upgrade development and production facilities for MEMS sensors, which are key to the azbil Group's sensing technologies. Maintain and improve competitiveness of MEMS sensor 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, thus injecting vitality into the workplace and creating new work styles*.

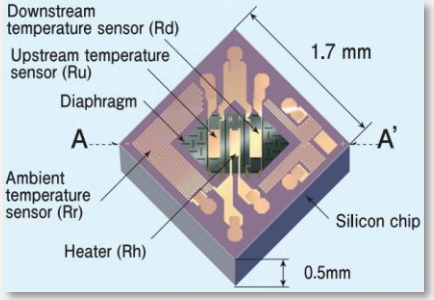
▲MEMS sensors

▲Conceptual images of laboratory buildings
(Images courtesy of Nikken Sekkei Ltd.)

Examples of products and services

- Expand lineup of products constituting the latest BA system; expand cloud services for large buildings
  - Multi-area user terminal and variable air volume controller for overseas markets
- Cell-type air conditioning system
- High-accuracy mass flow controller with high-speed response equipped with micro flow sensor
- Online anomaly detection system
- Cloud-based valve analysis and diagnosis service
- Cloud service for water resource management using water meters connected to LPWA wireless communication devices

▲Multi-area user terminal



▲Micro flow sensor

* The azbil Group is aiming to increase the value we provide to customers through the reform of work systems (using DX), work styles (e.g. hybrid work), as well as workplaces and environments (e.g. productivity-enhancing office space).

Business Environment and Progress of Measures within Each Business (BA/AA/LA)

While responding to changes in the socioeconomic environment—such as the pandemic, parts procurement difficulties, and inflation—we will steadily implement measures contained in the medium-term plan, aiming to achieve growth through the business opportunities presented by emerging needs of our customers and society involving decarbonization, high quality, safety, and remote work/maintenance.

(Billions of yen)

BA — Commercial buildings

	FY2021	FY2022	FY2024
Sales	119.7	129.0	**134.5**
Overseas	8.0	11.3	14.0
Segment profit	13.8	14.5	**16.3**
Margin	*11.6%*	*11.2%*	***12.1%***

Changing domestic and overseas business environment and needs

- Continued high level of domestic demand for new large-scale construction projects, and steadily increasing demand for the profitable refurbishment of existing buildings
- Emerging needs for new building environments, designed for the “new normal” era, that enhance safety and productivity; expanding business opportunities that combine carbon neutrality and wellness
- In overseas markets, the impact of the COVID-19 pandemic has resulted in the postponement of construction projects; however a recovery in investment is expected going forward.

Progress of the azbil Group’s initiatives and solutions

- Strengthen the BA system, including peripheral equipment to meet growing demand, and enhance job processing efficiency by harnessing DX
- Establish showrooms and other facilities in Japan and overseas to highlight the value of products designed for the “new normal” era, and to enable customers to gain firsthand experience of them
- Strengthen products for overseas markets, including development of products for IBMS
- Increasing number of inquiries for new cellular air conditioning systems and solutions for the hospital market

AA — Factories and plants

	FY2021	FY2022	FY2024
Sales	94.2	99.5	**107.5**
Overseas	26.4	29.6	32.5
Segment profit	13.2	14.0	**16.4**
Margin	*14.0%*	*14.1%*	***15.2%***

Changing domestic and overseas business environment and needs

- Reflecting society’s increasing demands for remote working and high-speed communications, demand will remain high in the semiconductor manufacturing equipment market. In both Japan and overseas, there will be a recovery in overall investment in production facilities.
- There is growing demand for systems and services that meet the needs of the “new normal” era, ranging from decarbonization, the safe and efficient operation of existing facilities, and remote work/maintenance, to relieving the impact of labor shortages.

Progress of the azbil Group’s initiatives and solutions

- Provide products and services for the new business fields by combining cloud and AI technologies, and IoT devices
- Expand overseas sales by strengthening marketing for solution-oriented products
- Increasing contracts for adoption of our cloud-based valve analysis/diagnosis service

LA — Infrastructure, pharmaceuticals and houses

	FY2021	FY2022	FY2024
Sales	44.2	46.5	**58.0**
Overseas	17.6	18.2	19.5
Segment profit	1.1	1.3	**3.3**
Margin	*2.6%*	*2.8%*	***5.7%***

Changing domestic and overseas business environment and needs

- Robust demand growth in the pharmaceutical manufacturing equipment market, partly caused by the COVID-19 pandemic
- Emergence of new business opportunities involving the adaption of meters for IoT, and offering to contribute to companies’ decarbonization through acquisition/utilization of large volumes of measurement data
- Ensuring safe and comfortable living spaces, through virus removal, etc.

Progress of the azbil Group’s initiatives and solutions

- Promote Smart Metering as a Service (SMaaS) business; promote business models involving collaboration with other companies
- Make progress with providing solutions involving the overseas manufacture of vaccines and other pharmaceuticals; expand orders
- Launch of cloud service for visualization of greenhouse gas emissions as part of DX-EGA

* The overseas sales targets for FY2022 are based on the assumption of exchange rate on the page 14.

Achieving Growth in Overseas Markets Using Opportunities Offered by a Changing Business Environment

- We will implement measures to develop our business foundation overseas and expand business by developing production, procurement, sales, and service networks, and by building relationships with important local businesses. We will take advantage of the business opportunities offered by changes in overseas customer needs and in the business environment, and aim to double the size of our business by tailoring it to match the characteristics of each region.
- In FY2021, despite the impact of the lockdowns implemented to prevent the spread of COVID-19, progress was made in developing regional strategies and expanding customer coverage.

FY2016	FY2021	FY2022	FY2024 (Final year for the medium-term plan)	FY2030 (Long-term targets)
Overseas sales 43.3 billion yen (17.0%)	Overseas sales 52.1 billion yen (20.3%)	Overseas sales 59.0 billion yen (21.5%)	Overseas sales 66.0 billion yen (22.0%)	Overseas sales 100.0 billion yen (25.0%)
Asia: 19.5 billion yen China: 8.5 billion yen North America and Europe: 12.4 billion yen	Asia: 19.4 billion yen China: 14.2 billion yen North America and Europe: 15.3 billion yen	Asia: 22.0 billion yen China: 16.0 billion yen North America and Europe: 18.0 billion yen	Asia: 27.0 billion yen China: 17.0 billion yen North America and Europe: 21.0 billion yen	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.

			Progress in FY2021
Measures to expand business	- Develop and launch products for overseas markets - Capital participation: Azbil Telstar S.L.U. - Expand customer coverage; cultivate relationships with leading business operators	- Introduce products and services with a proven track record in Japan; launch new products - Expand sales network and business/product portfolio (including capital participation); strengthen activities (including utilization of SFA)	• Started developing digital solutions for integrated building management systems for overseas customers • Expanded coverage with measures for strengthening local sales
Strengthen the business foundation	- Expand sales/service network; upgrade infrastructure for remote maintenance, etc.; establish regional strategy promotion system - 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 - Strengthen service infrastructure using cloud technology, etc.	• Strengthened sales and service networks in China and Asia (including an increase in staff) • Developed overseas business centered on the Strategic Planning & Development Office for Southeast Asia (ASPO)

* The overseas sales targets for FY2022 are based on the assumption of the exchange rate on page 14.

Continuously Enhancing Profit Margins to Achieve Sustainable Growth

- While investing in R&D and increasing capital investment to expand the three growth fields, we aim to achieve an operating income ratio in FY2030 of approx. 15% by expanding and developing new measures to strengthen profitability.
- In FY2021, profit margins improved despite a deteriorating business environment caused by the COVID-19 pandemic and parts procurement difficulties. In addition to implementing existing measures to strengthen profitability, we aim to further improve profit margins by increasing operational efficiency through promotion of DX.

FY2016	FY2021	FY2022	FY2024 (Final year for the medium-term plan)	FY2030 (Long-term targets)
Operating margin 7.9%	**Operating margin 11.0%**	**Operating margin 10.8%**	**Operating margin 12%**	**Operating margin approx. 15%**
Net sales: 254.8 billion yen	Net sales: 256.5 billion yen	Net sales: 275.0 billion yen	Net sales: 300.0 billion yen	Net sales: 400.0 billion yen
Operating income: 20.1 billion yen	Operating income: 28.2 billion yen	Operating income: 29.8 billion yen	Operating income: 36.0 billion yen	Operating income: 60.0 billion yen

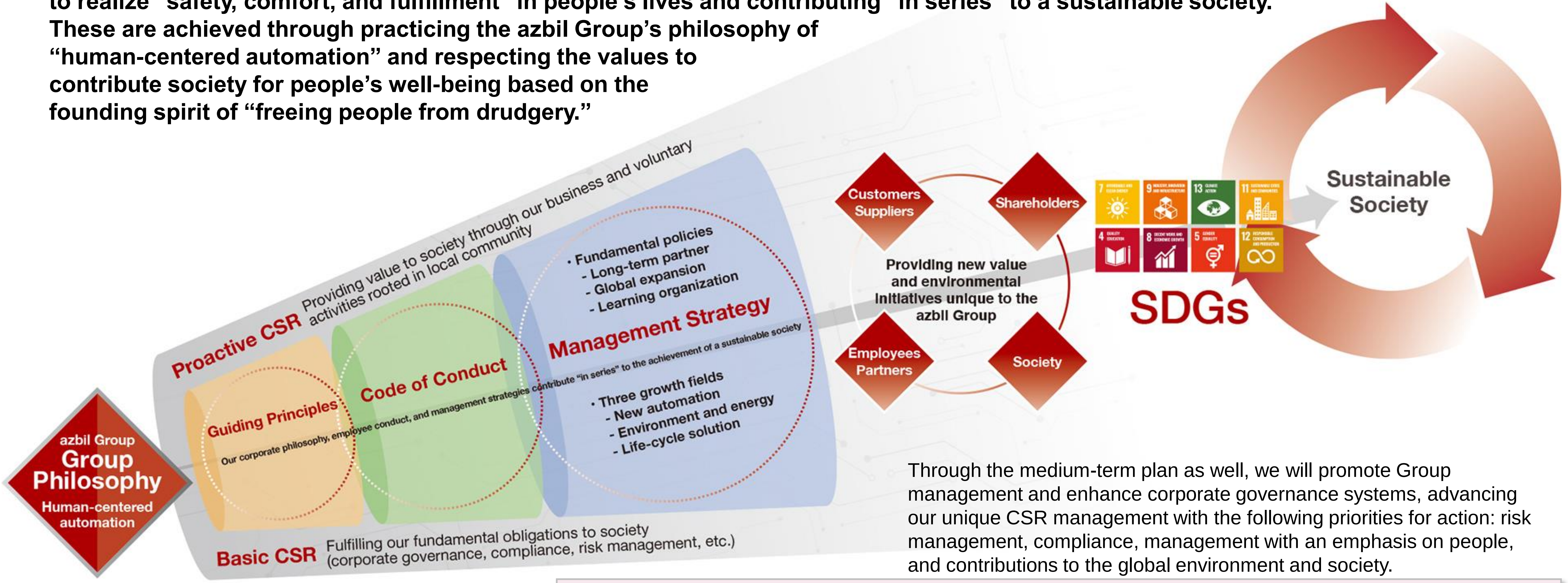
As well as reforming the business structure—which included withdrawing from some businesses—we implemented measures to improve profitability on order acceptance and to make improvements regarding costs and expenses.

In addition to business expansion in the three growth fields, we will implement measures to further improve profitability.

	Implemented	Further measures		Progress in FY2021
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 strengthen overseas business development	**Progress in FY2021**	• Expanded the profitable business involving refurbishment of existing buildings • Made progress with cloud-based diagnostics for valves and business expansion in growth fields • Collaborated with other companies on HVAC control (GX promotion)
Measures to improve profits	● Reform of domestic production system (consolidation and elimination of factories) ● Reduce product costs by shifting production overseas and procuring from overseas suppliers ● Optimize utilization/allocation of human resources within the Group and control personnel costs	● Launch updated products (enhanced functions + cost reduction) ● Increasingly shift production and expand procurement overseas ● Continue effective utilization/allocation of human resources ● Use DX and cloud technology to streamline operations and control SG&A expenses	**Progress in FY2021**	• Started launching updated products (mass flow controllers, burner controllers, etc.) • Construction of new factory building completed at Dalian production base in China Reference: gross margin increased at 41.2% in FY2021 from 35.9% in FY2016; whereas gross margin of AA business increased by around 10pp.

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

The azbil Group is committed to continuously enhancing corporate value based on mutual trust with stakeholders, to realize “safety, comfort, and fulfillment” in people’s lives and contributing “in series” to a sustainable society. These are achieved through practicing the azbil Group’s philosophy of “human-centered automation” and respecting the values to contribute society for people’s well-being based on the founding spirit of “freeing people from drudgery.”



Through the 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

- **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**
  Certified as science-based target[*1].
  GHG emissions from business activities (scopes 1+2)
  55% **reduction** compared to 2017
  GHG emissions throughout the entire supply chain (scope 3)
  20% **reduction** compared to 2017
- **Create and supply environmentally friendly products and services**
  New!
  Design all new products to meet the azbil Group's own sustainable design principles[*2] by 2030
- **Effective use of natural resources and waste generation reduction**
  Design all new products to be 100% recyclable[*3] by 2030

II New automation

New!

So that our customers can benefit from greater security, comfort, and a sense of achievement, we will solve the irregular issues confronting society and create new added value by promoting a data-driven approach for production spaces and office spaces (in large buildings) as well as living spaces, and the autonomization of manufacturing and operations.

- **Realizing automation that is resilient to changes in the business environment**
  - Prediction & diagnosis of changes in the internal business environment (e.g. equipment malfunctions, raw material quality) and autonomous decision-making and control
  - Prediction & diagnosis of changes in the external business environment (e.g. natural disasters, impact of social conditions) and autonomous decision-making and control
- **Realizing a stress-free work environment**
  - Reduction of work errors and unscheduled work through data-based work support
  - Creation of a comfortable and energy-efficient environment that enhances labor productivity
- **Realizing an environment conducive to diverse work styles**
  - Creation of optimal working environments suited to different times and locations
  - Creation of work environments that are neutral (re. age, gender, skills, etc.)

III Supply chain and Social responsibility

- **Working with our business partners on achieving SDGs as a common goal and creating shared CSR value across the supply chain; developing original performance indicators 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

- **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

* For notes, please refer to "Notes (2)" on page 46.

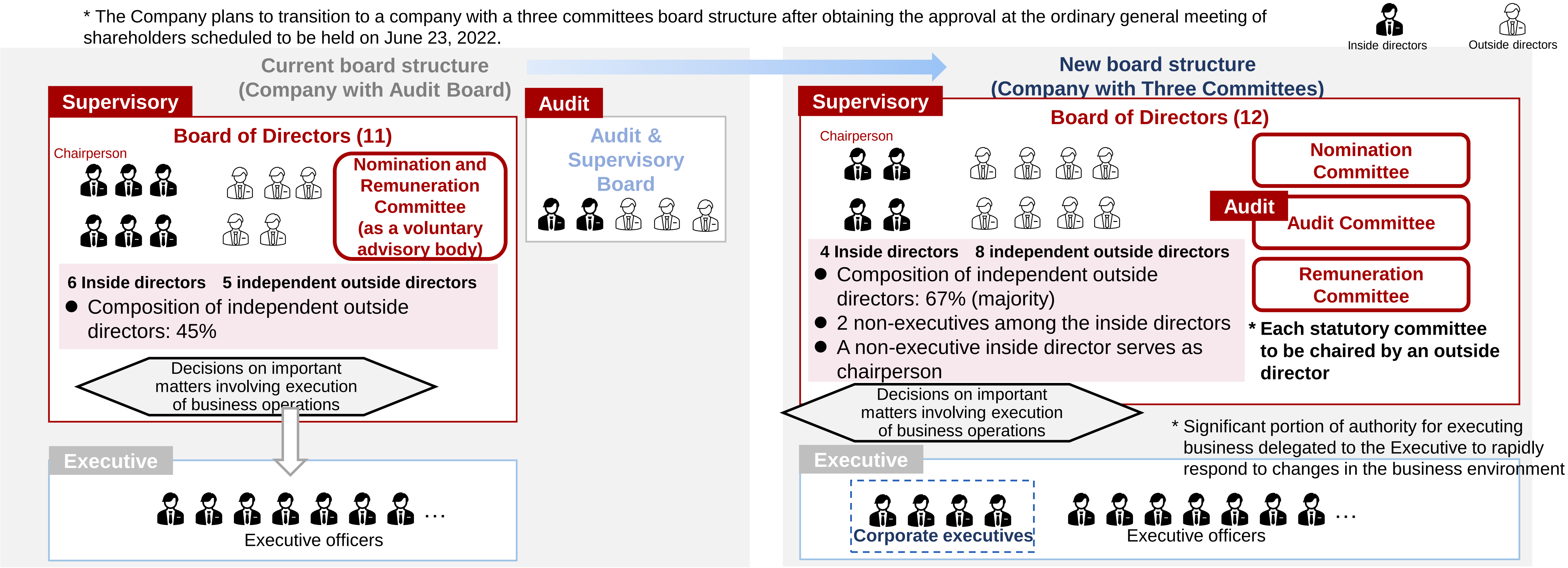
5. Initiatives to Enhance Corporate Governance

Transition to a New Board Structure Based on Three Committees / Introduction of Stock Compensation Plan

Plan

- **Transition to a new board structure based on three committees**
  - ➢ Aiming to promote further reforms in corporate governance, the Company is transitioning to a new board structure based on three committees, ensuring the supervisory and executive functions are clearly separated, and further strengthening management oversight.

* The Company plans to transition to a company with a three committees board structure after obtaining the approval at the ordinary general meeting of shareholders scheduled to be held on June 23, 2022.



- **Introduction of stock compensation plan**
  - ➢ Aiming to continuously enhance enterprise value while sharing value with all our shareholders, we are planning to introduce a performance-linked* stock compensation plan for directors and executive officers that employs a trust. Beneficiaries will receive their compensation on retirement.

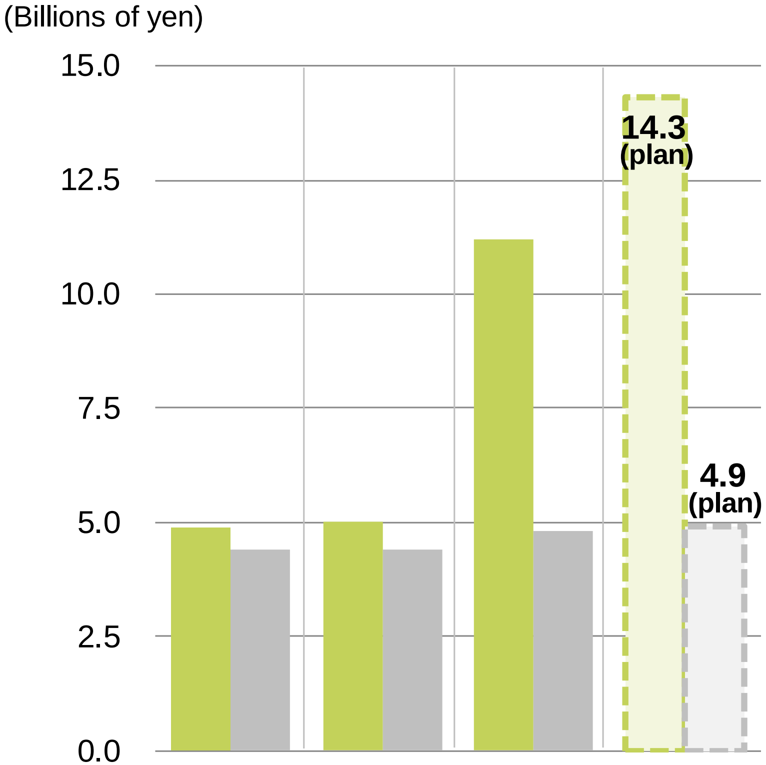
* For those Directors who do not serve concurrently as Corporate Executives (shikkoyaku) and are not responsible for the Company's business execution, their potential stock compensation will not be linked to the Company's performance.

Appendix

Capital Expenditure, Depreciation and R&D Expenses

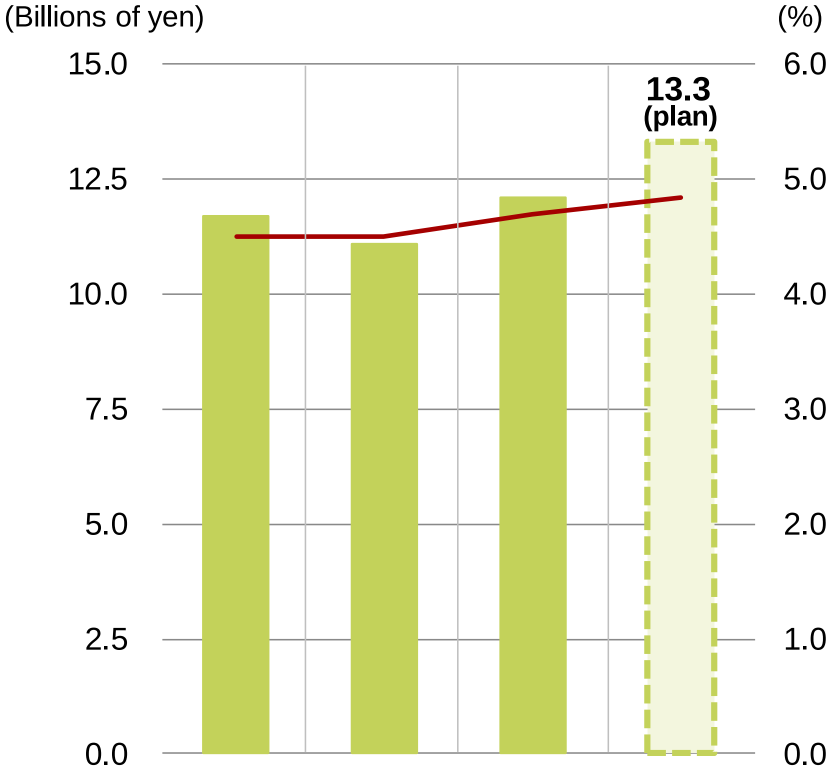
Full-year results
Full-year plan for FY2022

Capital expenditure, depreciation



	FY2019	FY2020	FY2021	FY2022 (plan)
Capital expenditure	4.9	5.0	11.2*	**14.3***
Depreciation	4.4	4.4	4.8	**4.9**

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



	FY2019	FY2020	FY2021	FY2022 (plan)
R&D expenses	11.7	11.1	12.1	**13.3**
R&D expenses/ Net sales (%)	4.5	4.5	4.7	**4.8**

* Including capital expenditure earmarked for upgrading the Fujisawa Technology Center

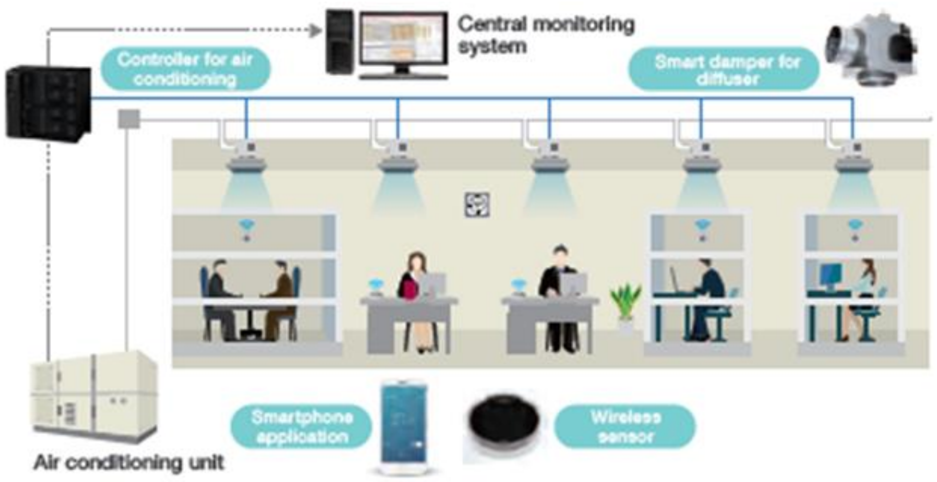
Cell-type HVAC system

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

New automation + Environment and energy

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.

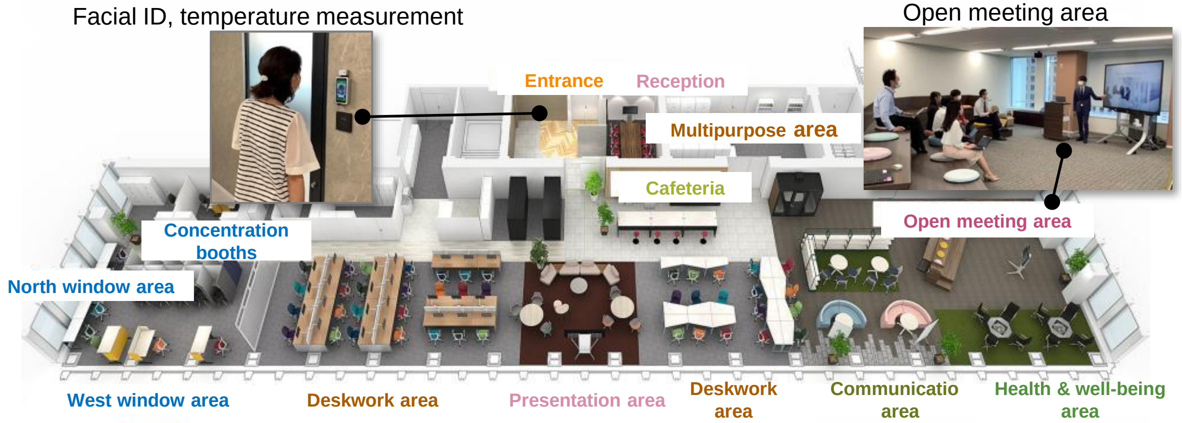
- **Temperature control is provided for each zone, each of which is divided into smaller units, called cells, for finer outlet control.**
- **This system is capable of controlling the concentration of CO_2 in indoor spaces, as well as controlling ventilation, to introduce outside air as needed, which 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.**



▲Cell-type HVAC system

Solutions for new building environment needs that have emerged with the “new normal” era

➢ Systems proposed by us that are designed to manage diversification of work styles and office use, part of the “new normal” era, have won praise. We are receiving a growing number of inquiries about them, so we have developed sites in Japan and overseas that allow customers to experience how azbil’s products and services, such as the cell-type HVAC system, can be used to create workplaces that encourage not only productivity and knowledge creation but also improve the wellness of the people working there.

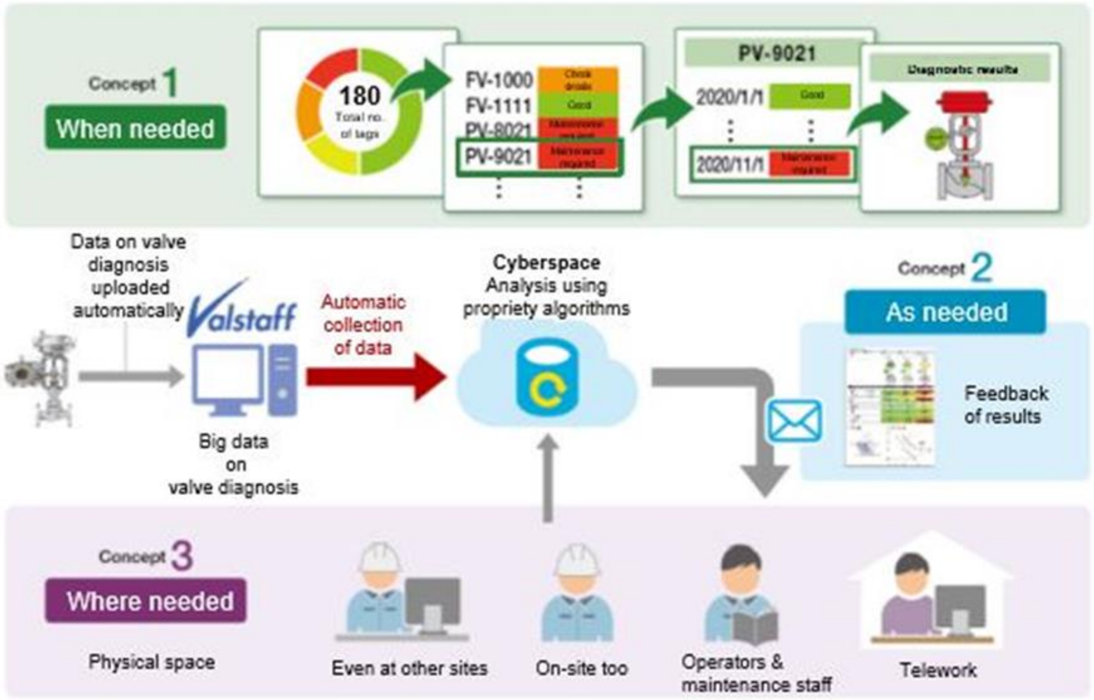


Cloud-based valve analysis and diagnosis
Harnessing DX to optimize maintenance and ensure safe and stable operation

New automation + Life-cycle solution

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 operating data is sent automatically to the cloud for analysis**
- **The health of valves operating in plants and factories is diagnosed, and the results are visualized; this contributes to the stable operation of production facilities and strengthens security.**
- **Maintenance engineers receive information in a timely manner thanks to use of the cloud**



Our track record has won high praise, and it has been decided to introduce our service at several plants.

- Our cloud-based valve analysis and diagnosis service, is being introduced at a wide range of plants, including chemical plants (such as monomer plants and crystallization plants), at oil refineries (in facilities for indirect desulfurization and catalytic reforming), and in plant power facilities (boilers and power generation equipment).

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)

DX-EGA *1 : Next-generation energy management business
Collaborative business concept that utilizes existing data collection methods and combines them with diverse operator data and services

New automation + Life-cycle solution

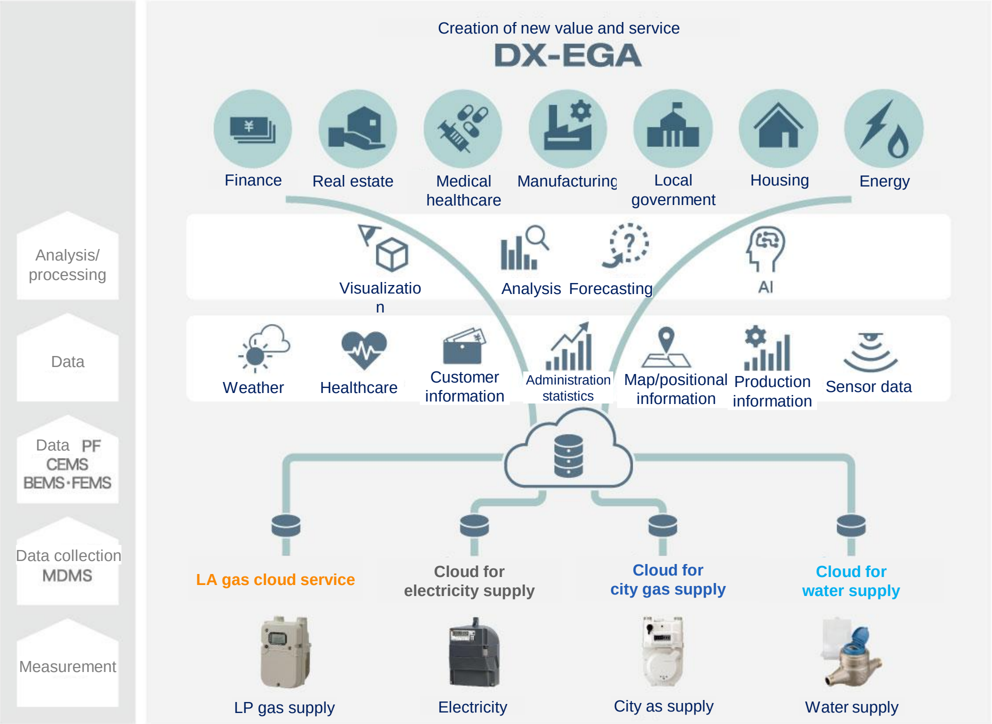
Against the backdrop of today's environmental problems and the rapid growth of decarbonization initiatives that have resulted, the business environment surrounding energy is changing significantly. We are seizing this opportunity, while leveraging our existing platform, so as to expand our business from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

In collaboration with other companies, start trial of cloud service for computing/visualizing greenhouse gas (GHG) emissions

- Plans for DX-EGA include the provision of value-added services in the energy and environment domain—such as analysis of household energy data, corporate ESG promotion and support for carbon pricing—as well as the provision of services for finance, distribution, healthcare, etc.
- Financial institutions are promoting cloud services that can help companies and their supply chains calculate GHG emissions more efficiently and realize decarbonized management. One such is our GHG management cloud service. Users of this service also benefit from the expertise we can provide on emission reduction measures and our recommendations, tailored to suit each customer.

*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 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)

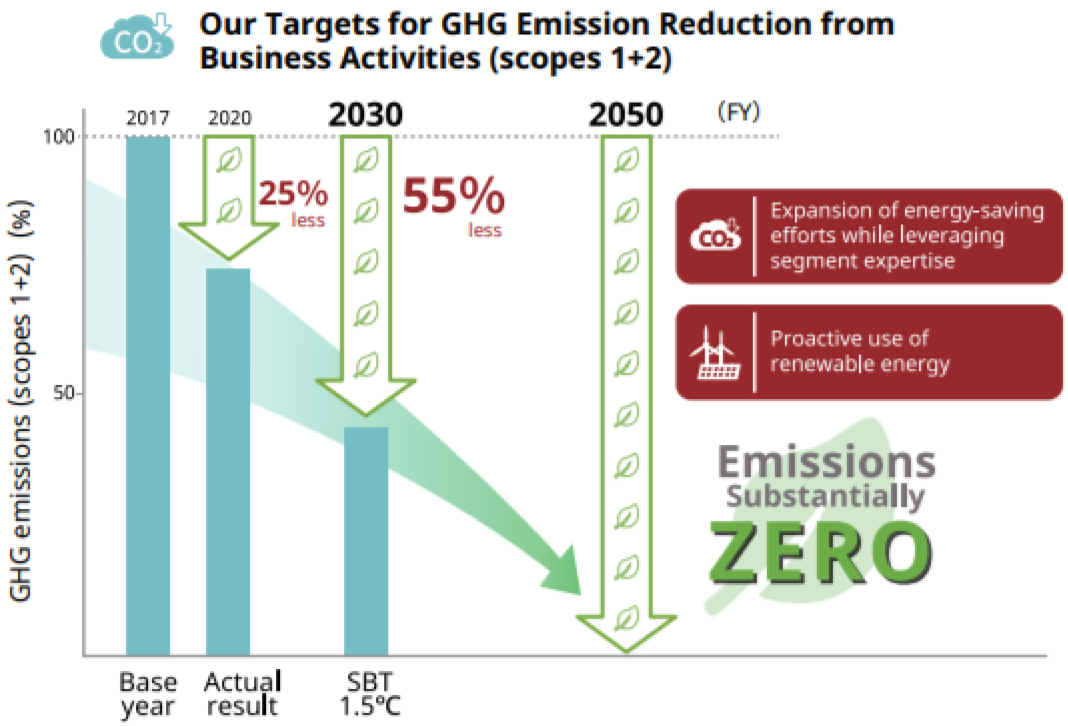
CO_2 emissions (scopes 1+2)
Azbil Corporation, its consolidated subsidiaries in Japan and its main manufacturing bases overseas

* 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. Effective reduction of CO_2 was estimated from the difference in the estimated amount of CO_2 reduction if no azbil Group products, services or solutions were used at customers’ sites. 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

  55 % reduction compared with 2017

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

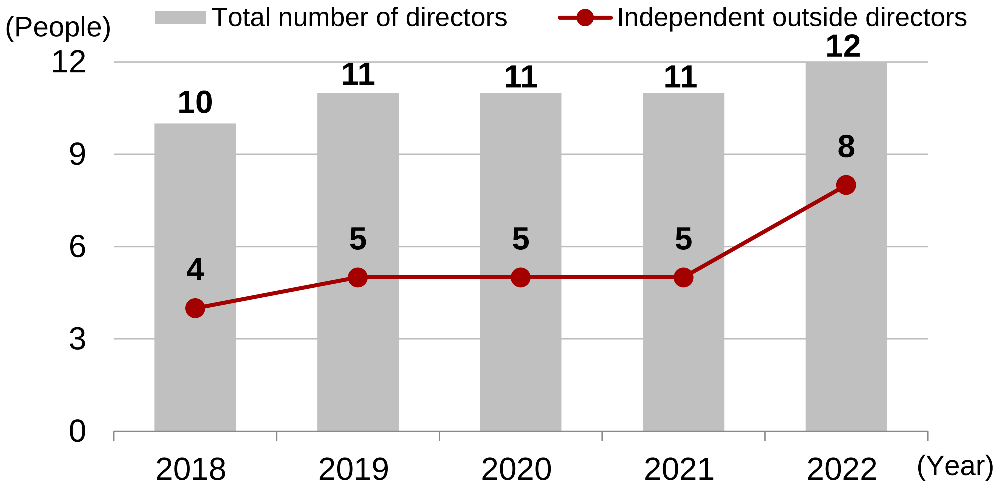
  20 % reduction compared with 2017

[*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.

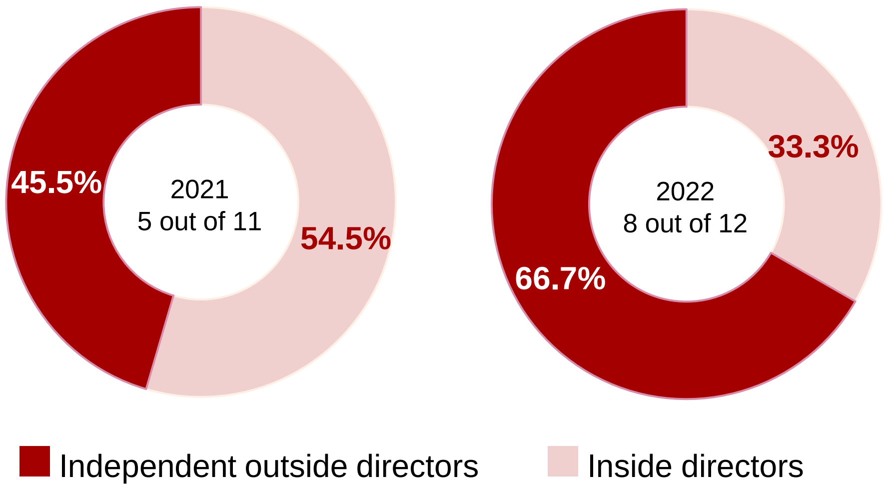
[*2] An international initiative – jointly established by the CDP, the UN Global Compact, the World Resources Institute (WRI), and the World Wide Fund for Nature (WWF)—to certify that corporate CO_2 emission reduction targets are consistent with scientific evidence. The 1.5°C target is to limit the increase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



Advisor/Counselor system (abolished)

- Abolished advisor/counselor system (2018)

Strategic shareholdings

- Formulated guidelines on strategic shareholdings (2016)
- Revised guidelines on strategic shareholdings (2018)
- Disclosed our policy of reducing strategic shareholdings in our Corporate Governance Report (2020)

Reference: Change in the number of shares and total amount sold (Azbil Corp.)
71 stocks as of Mar. 31, 2015 to 35 stocks as of Mar. 31, 2022
Total amount sold during FY2015-FY2021: 7.7 billion yen (at market price)

* Total amount of shares held as of Mar. 31, 2022: 16.1 billion yen (at market price)
* The Nikkei Stock Average:
 19,206 yen as of Mar. 31, 2015 to 27,821 yen as of Mar. 31, 2022

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.

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 April 2022)

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

- Five indexes adopted by the Government Pension Investment Fund (GPIF) of Japan
  - FTSE Blossom Japan Index
  - FTSE Blossom Japan Sector Relative Index
  - MSCI Japan ESG Select Leaders Index
  - MSCI Japan Empowering Women Index (WIN)
  - S&P/JPX Carbon Efficient Index
- Rated “A” in the CDP Climate Change Report 2021, rated “A-” in the CDP Water Security Report 2021
- 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 in2021
- Received the third annual 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)

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.
4. The "Accounting Standard for Revenue Recognition" (ASBJ Statement No. 29, March 31, 2020), etc. have been applied since the beginning of FY2021. Orders received for FY2021 decreased by approximately 3.2 billion yen owing to this change, while the impact on net sales, operating income, ordinary income and income before income taxes was immaterial.

Notes (2) (from page 32)

1. Science-based targets: Greenhouse gas emission reduction targets that are consistent with scientific evidence.
2. The azbil Group's own sustainable design principles: This design strives to create and provide products that contribute to solving global environmental issues (through decarbonization, resource circulation, and biodiversity).
3. All new products for 2030 will be designed to be 100% recyclable: To the extent of using best available technologies (BAT, the most effective technology that is both economically and technologically viable).
4. Original targets for evaluating policies, framework, initiatives, and effectiveness: The evaluation system is unique to the azbil Group and is linked with external ESG evaluations such as FTSE.
5. All business sites: All offices both in Japan and overseas.
6. Active participation by every employee: The azbil Group aims to participate in activities of a scale that can accommodate the total number of employees.
7. Women's advancement point: Points tallied internally with weight given based on the role, such as company executive, officer and manager. This target is compared to 2017.
8. 65% or more employees who find satisfaction in working at Azbil / who experienced personal growth over the past year: 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.)
9. Training opportunity point: Points tallied internally for participating in opportunities (frequency or number of employees) to learn with stakeholders. This target is compared to 2012.

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.