Presentation Materials for the Second Quarter of Fiscal Year 2022 (Ending March 31, 2023) (Based on Japanese GAAP)

November 8, 2022
Azbil Corporation
RIC: 6845.T, Sedol: 6985543

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Highlights

1. Consolidated Financial Results for the First Half of FY2022

- Orders remained steady. Although orders received in the same period last year benefitted from the renewal of large multi-year service contracts, overall orders received increased by approximately 5%. Order backlog grew by 26%, a significant increase compared with the same period last year.
- While shortages and price hikes of parts did have an impact, due to a variety of measures implemented in production and procurement, both net sales and operating income were almost in line with the plan.

2. Consolidated Financial Plan for FY2022

- Revised upwards from the initial plan announced on May 13, 2022. We are still aiming to achieve a new record high for profits.

■ Ongoing response to the shortages and price hikes of parts

- First Half: The shortages and price hikes of parts had a greater impact than had been expected at the start of the period, but, due to the measures focused on production and procurement, net sales increased compared to the same period last year and exceeded the plan.
- Second Half: By steadily implementing measures focused on production and procurement, we expect to achieve results in excess of the initial plan.

3. Returning Profits to Shareholders

- As regards the annual dividend for FY2022, we plan to increase it by 5 yen per share, to 65 yen per share (the initial plan remains unchanged).
- We canceled treasury shares (1.5 million shares) and repurchased the Company's own stock (2.67 million shares, 9.9 billion yen).

4. Progress in Implementing the Medium-term Plan

- We have made progress with measures to expand business and improve profitability, as well as with strengthening the business foundation concerned with R&D and production.

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1. Consolidated Financial Results for the First Half of FY2022

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Consolidated Financial Results

- **Orders received increased in Japan and overseas for the BA business, driven by urban redevelopment projects in the Tokyo metropolitan area, and in the AA business, due to robust demand in the manufacturing equipment market and overseas business expansion. The LA business also increased. As a result, overall orders received were higher than the same period last year.**
- **Overall net sales were higher than the same period last year due to the sales growth in each business, reflecting the increased orders in the previous fiscal year. The plan was achieved.**
- **With the recording of R&D expenses related to measures stipulated by the medium-term plan, as well as increased costs resulting from difficulties in parts procurement and increased expenses, operating income was lower than the same period last year, falling short of the plan. Net income attributable to owners of parent was lower than the same period last year, despite the recording of foreign exchange gains, due to the recording of an extraordinary loss* as well as increased income taxes. However, it exceeded the plan.**

(Billions of yen)

	FY2021 H1 (A)	FY2022 H1 (B)	Difference (B) - (A)	Difference *% Change*	Plan (May 13, 2022) (C)	Difference (B) - (C)	Difference *% Change*
Orders received	156.9	164.8	7.8	*5.0*			
Net sales	115.3	121.0	5.6	*4.9*	120.9	0.1	*0.1*
Japan	90.9	93.6	2.7	*3.0*			
Overseas	24.4	27.3	2.8	*11.7*			
Gross profit	46.6	46.5	(0.1)	*(0.4)*			
Margin	*40.5*	*38.4*	*(2.0)pp*				
SG&A	37.3	38.3	1.0	*2.8*			
Operating income (loss)	9.3	8.1	(1.2)	*(12.9)*	8.4	(0.2)	*(2.6)*
Margin	*8.1*	*6.8*	*(1.4)pp*		*6.9*	*(0.2)pp*	
Ordinary income (loss)	9.8	9.8	(0.0)	*(0.4)*	8.7	1.1	*13.1*
Income (loss) before income taxes	10.1	9.4	(0.7)	*(7.0)*			
Net income (loss) attributable to owners of parent	6.9	6.0	(0.8)	*(12.5)*	5.7	0.3	*6.2*
Margin	*6.0*	*5.0*	*(1.0)pp*		*4.7*	*0.3pp*	

- The order backlog at the end of the first half of FY2022 stood at 182.9 billion yen, a record level.
- The impact of foreign exchange rate fluctuations (compared with the same period last year) +2.09 billion yen for net sales, +0.17 billion yen for operating income.
  The impact of foreign exchange rate fluctuations is derived from the difference in rates, between the previous and current periods, used to convert overseas subsidiaries' P/L into yen from the local currency.

* To meet anticipated expenses resulting from defects in some of the LP gas meters (in the LA business) manufactured by the azbil Group, approximately 0.5 billion yen was recorded as an extraordinary loss.

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Segment Information: BA Business

In the domestic market, demand has continued to grow for urban redevelopment projects in the Tokyo metropolitan area and for heating, ventilation, and air conditioning (HVAC) control equipment/systems for factories. With the continuing demand for ventilation improvement, energy savings and CO_2 reduction, there is growing interest in solutions that meet emerging building environmental needs in this "new normal" era. In overseas markets, there are signs of recovery from the impact of the postponed construction projects and construction delays caused by the COVID-19 pandemic.
Amidst such a business environment, we have not only engaged in securing orders with a view to enhanced profitability, while paying sufficient attention to the safety of both customers and employees, but we have also striven to ensure enhanced capabilities and efficiencies of job execution, particularly on customers' sites for construction and service. Moreover, we have made progress with the expansion of our products and services to better meet the needs of customers in Japan and abroad, who are interested in harnessing such technologies as IoT.

- As regards orders received, although orders in the same period last year benefitted from the renewal of large-scale multi-year service contracts, orders increased in the field related to new large-scale buildings and our overseas business, thanks to a robust business environment, and also in the field related to existing buildings, reflecting increased demand for ventilation improvement, energy savings and CO_2 reduction solutions. Accordingly, overall orders received were higher than the same period last year.
- Sales increased from the same period last year. There was sales growth in the fields related to new large-scale buildings and existing buildings, reflecting a buildup of order backlog at the end of FY2021. There was also growth in overseas business. Parts procurement difficulties resulted in the recording of some sales being postponed to the second half, and thus the plan was not achieved.
- Segment profit increased from the same period last year. This was due to increased sales and the success of measures for improving profitability, despite higher expenses. It was almost in line with the plan.

(Billions of yen)

	FY2021 H1 (A)	FY2022 H1 (B)	Difference		Plan (May 13, 2022) (C)	Difference	
			(B) - (A)	*% Change*		(B) - (C)	*% Change*
Orders received	78.5	80.2	1.6	*2.1*			
Sales	48.7	52.0	3.3	*6.8*	53.0	(0.9)	*(1.8)*
Segment profit (loss)	1.9	2.4	0.5	*29.2*	2.5	(0.0)	*(1.7)*
Margin	*3.9*	*4.7*	*0.8pp*		*4.7*	*0.0pp*	

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Segment Information: AA Business

Looking at how market trends in Japan and abroad have impacted our AA business segment, overall capital investment has continued at a high level, especially in the manufacturing equipment market, although there has been some evidence of weakness in the semiconductor manufacturing equipment market owing to customers having previously placed advance orders. Progress has also been made with measures to expand overseas business that we have been focusing on, and orders have continued to increase.

Although parts procurement difficulties have still continued since the previous fiscal year, a slow amelioration has been evident in the second quarter (July–September 2022), and a gradual recovery in production has been achieved thanks to such countermeasures as product design changes. Consequently, profit levels improved.

- Overall orders received increased from the same period last year. This was mainly due to a recovery in demand in the manufacturing equipment market and overseas business growth.
- Sales were impacted by parts procurement difficulties, but from the second quarter, production and procurement measures resulted in a gradual recovery, so sales in the first half were on a par with the same period last year, and exceeded the plan.
- Segment profit decreased compared to the same period last year as a result of higher parts costs, etc. Despite that, the plan was achieved. Thanks in part to the gradual recovery in production from the second quarter, segment profit margin improved to 13.6% in the second quarter (July–September 2022).

(Billions of yen)

	FY2021 H1 (A)	FY2022 H1 (B)	Difference		Plan (May 13, 2022) (C)	Difference	
			(B) - (A)	*% Change*		(B) - (C)	*% Change*
Orders received	53.2	58.5	5.3	*10.1*			
Sales	45.7	46.1	0.3	*0.8*	45.0	1.1	*2.6*
Segment profit (loss)	6.9	5.4	(1.5)	*(22.5)*	5.4	0.0	*0.3*
Margin	*15.3*	*11.7*	*(3.5)pp*		*12.0*	*(0.3)pp*	

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Segment Information: LA Business

The Lifeline field, which includes gas (city gas, LP gas) and water meters, depends on cyclical demand for meter replacement as required by law. Though demand can be expected to remain stable, certain changes in some markets have been observed, such as that for LP gas meters market, 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 continues to grow.

While there are concerns about increasing expenses driven by the rapid inflation in Europe, we will engage in appropriate cost management and optimization of selling prices. Note that approximately 0.5 billion yen was recorded as an extraordinary loss to meet anticipated expenses resulting from defects in some LP gas meters. To stabilize revenue, we will promote such measures as cost management and quality control in the LA business.

- Overall orders received increased from the same period last year, due to an increase in the Lifeline field as well as to demand remaining at a high level in the LSE field against the backdrop of robust investment in pharmaceutical equipment.
- As regards sales, thanks to growth in the LSE field, reflecting the increase in orders received in the previous fiscal year, and also due to an increase in the Lifeline field, overall sales were higher than the same period last year. As such, the plan was achieved.
- Despite increased sales, segment profit was lower than the same period last year, falling short of the plan. In addition to higher expenses, this was due to the rising cost of materials, and increased energy and transportation costs.

(Billions of yen)

	FY2021 H1 (A)	FY2022 H1 (B)	Difference (B) - (A)	Difference *% Change*	Plan (May 13, 2022) (C)	Difference (B) - (C)	Difference *% Change*
Orders received	26.1	27.1	0.9	*3.8*			
Sales	21.7	23.7	2.0	*9.3*	22.9	0.8	*3.6*
Segment profit (loss)	0.5	0.3	(0.2)	*(42.3)*	0.5	(0.1)	*(38.2)*
Margin	*2.5*	*1.3*	*(1.2)pp*		*2.2*	*(0.9)pp*	

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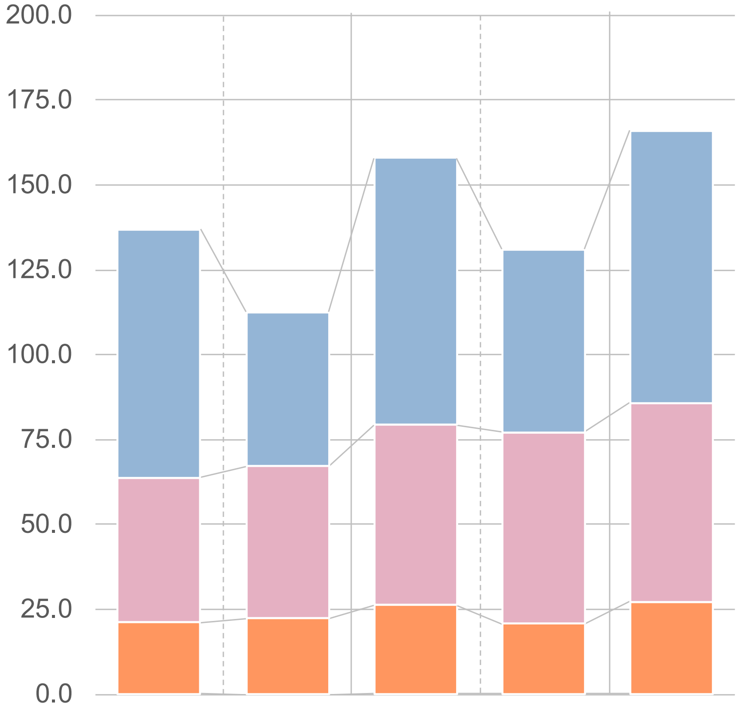
Reference: Orders Received and Order Backlog by Segment

Orders received by segment

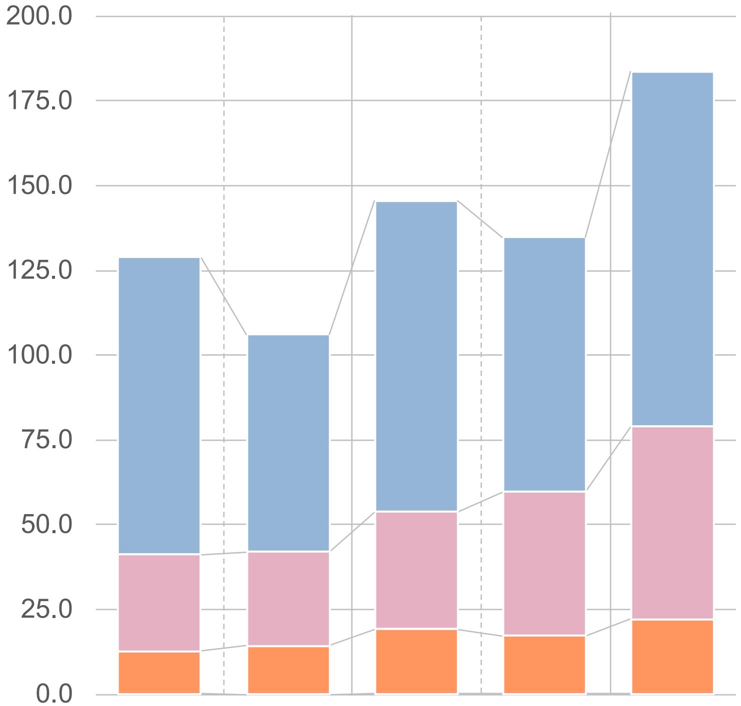
(Billions of yen)



	FY2020		FY2021		FY2022
	H1	H2	H1	H2	H1
B A	73.1	45.3	78.5	53.9	**80.2**
A A	42.6	44.8	53.2	56.3	**58.5**
L A	21.0	22.2	26.1	20.7	**27.1**
Consolidated	136.1	111.6	156.9	129.9	**164.8**

Order backlog by segment

(Billions of yen)



	FY2020		FY2021		FY2022
	H1	H2	H1	H2	H1
B A	87.6	64.0	91.8	75.1	**104.6**
A A	28.4	27.7	34.5	42.3	**56.9**
L A	12.7	14.2	19.1	17.2	**22.0**
Consolidated	128.5	105.8	145.2	134.2	**182.9**

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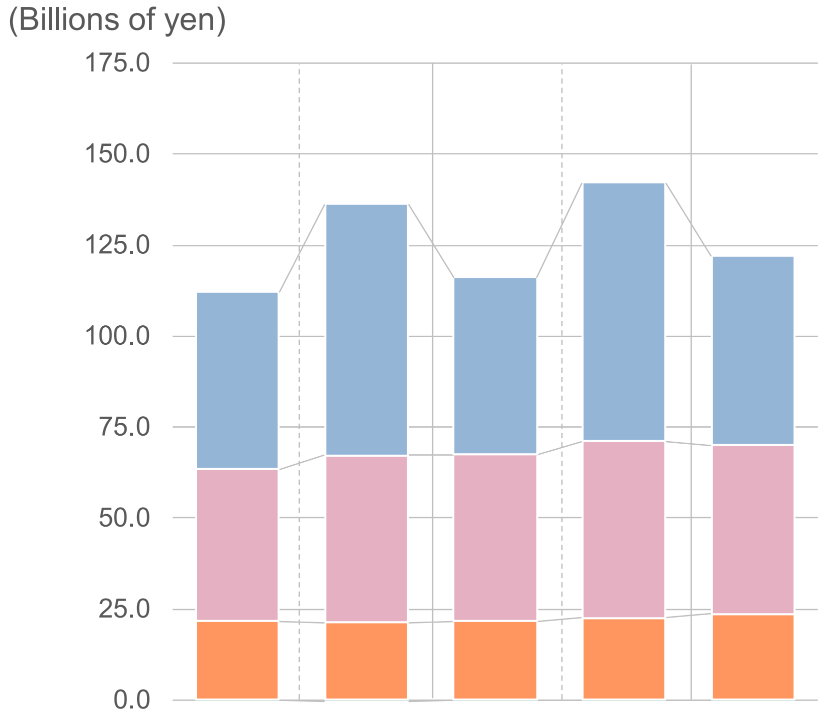
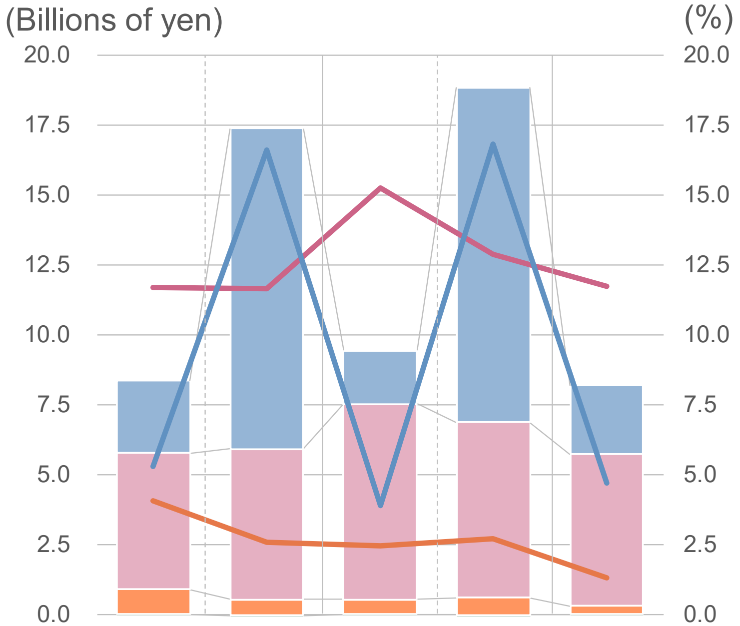
Reference: Sales by Segment and Segment Profit (Operating Income)

Sales by segment



	FY2020 H1	FY2020 H2	FY2021 H1	FY2021 H2	FY2022 H1
B A	48.5	68.9	48.7	71.0	**52.0**
A A	41.7	46.0	45.7	48.4	**46.1**
L A	21.7	21.2	21.7	22.5	**23.7**
Consolidated	111.4	135.4	115.3	141.1	**121.0**

Segment profit (operating income)



	FY2020 H1	FY2020 H2	FY2021 H1	FY2021 H2	FY2022 H1
B A	2.5	11.4	1.9	11.9	**2.4**
Margin	*5.3*	*16.6*	*3.9*	*16.8*	***4.7***
A A	4.8	5.3	6.9	6.2	**5.4**
Margin	*11.7*	*11.7*	*15.3*	*12.9*	***11.7***
L A	0.8	0.5	0.5	0.6	**0.3**
Margin	*4.1*	*2.6*	*2.5*	*2.7*	***1.3***
Consolidated	8.3	17.3	9.3	18.8	**8.1**
Margin	*7.5*	*12.8*	*8.1*	*13.3*	***6.8***

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Overseas Sales by Region

Overseas sales rose by 11.7% on the same period last year.
Sales in China were lower because little progress was made in the recording of sales for some products due to parts procurement difficulties. However, in Asia a recovery from the impact of the COVID-19 pandemic was observed, and sales grew.
Sales in North America increased for the AA and LA businesses, while sales in Europe increased for the LA business.

BA business

In Asia there were signs of recovery from the impact of the postponed construction projects and construction delays caused by the COVID-19 pandemic. Sales increased.

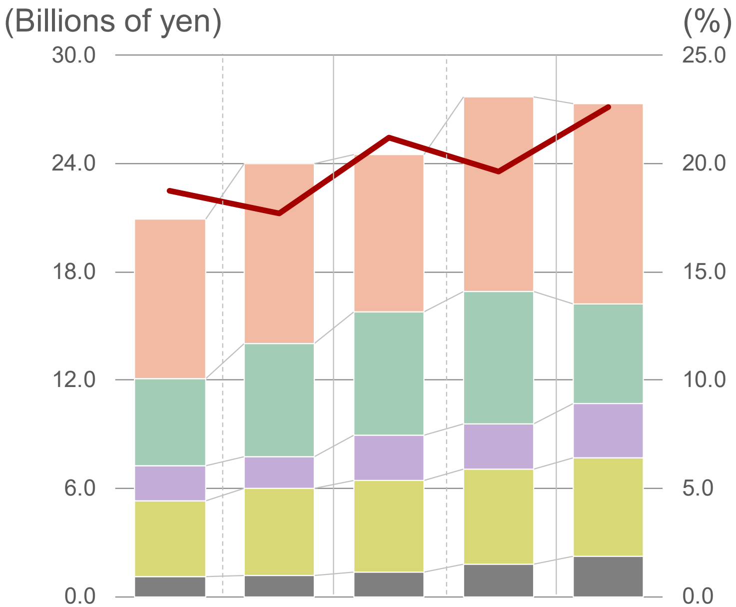
AA business

Overall sales were on a par with the same period last year. Global capital investment related to semiconductors continued, as did the overall recovery in Asian market. In China, despite firm demand, sales fell because lengthened delivery times resulted from parts procurement difficulties led little progress made in the recording of sales for some products.

LA business

Sales increased in the LSE field, reflecting the growth in orders received in FY2021.

- 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.



	FY2020 H1	FY2020 H2	FY2021 H1	FY2021 H2	**FY2022 H1**
Asia (ex-China)	8.8	9.9	8.6	10.7	**11.1**
China	4.7	6.2	6.8	7.3	**5.5**
North America	1.9	1.7	2.4	2.5	**3.0**
Europe	4.2	4.8	5.1	5.2	**5.4**
Others	1.0	1.1	1.3	1.8	**2.2**
Consolidated	20.8	23.9	24.4	27.7	**27.3**

Reference information

		FY2020 H1	FY2020 H2	FY2021 H1	FY2021 H2	**FY2022 H1**
Overseas sales/ Net sales ratio (%)		*18.8*	*17.7*	*21.2*	*19.6*	***22.6***
Average exchange rate	USD/JPY	108.25	106.77	107.82	109.90	**123.15**
	EUR/JPY	119.34	121.88	129.88	129.91	**134.39**
	CNY/JPY	15.38	15.48	16.67	17.04	**18.97**

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Consolidated Financial Position

- **Assets** **Total assets decreased by 10.0 billion yen from the end of FY2021. This was due to a decrease in trade receivables, securities, and cash and deposits, despite an increase in inventories as well as property, plant and equipment such as for our main R&D base, Fujisawa Technology Center.**
- **Liabilities** **Total liabilities decreased by 1.0 billion yen from the end of FY2021, mainly due to a decrease in income taxes payable. This was despite an increase in long-term borrowings as a fund for Trust-Type Employee Shareholding Incentive Plan (“the plan”) borrowed necessary amount of money for obtaining the Company’s stock in connection with the introduction of the plan.**
- **Net assets** **In spite of a recording of net income attributable to owners of parent, net assets decreased by 9.0 billion yen due to the repurchase of own stock, payment of dividends as well as a reduction in shareholders’ equity resulting from obtaining the Company’s stock by the fund for the plan.**

(Billions of yen)

	As of Mar. 31, 2022 (A)	As of Sep. 30, 2022 (B)	Difference (B) - (A)
Current assets	**210.7**	**196.7**	**(14.0)**
Cash and deposits	58.9	53.4	(5.5)
Trade receivables	86.1	76.8	(9.2)
Securities	30.8	23.5	(7.3)
Inventories	28.6	36.1	7.4
Other	6.2	6.7	0.5
Non-current assets	**69.2**	**73.2**	**4.0**
Property, plant and equipment	33.1	36.9	3.8
Intangible assets	5.7	5.9	0.2
Investments and other assets	30.3	30.3	(0.0)
Total assets	**280.0**	**269.9**	**(10.0)**

	As of Mar. 31, 2022 (A)	As of Sep. 30, 2022 (B)	Difference (B) - (A)
Liabilities	**76.9**	**75.8**	**(1.0)**
Current liabilities	**69.4**	**63.2**	**(6.1)**
Trade payables	22.9	21.7	(1.2)
Short-term borrowings	8.0	9.6	1.5
Other	38.4	31.9	(6.5)
Non-current liabilities	**7.4**	**12.6**	**5.1**
Long-term borrowings	0.3	4.4	4.1
Other	7.1	8.1	1.0
Net assets	**203.1**	**194.0**	**(9.0)**
Shareholders' equity	**188.7**	**176.1**	**(12.6)**
Share capital	10.5	10.5	-
Capital surplus	11.6	11.6	(0.0)
Retained earnings	190.2	187.1	(3.1)
Treasury shares	(23.6)	(33.1)	(9.5)
Accumulated other comprehensive income	**11.5**	**15.3**	**3.7**
Non-controlling interests	**2.8**	**2.6**	**(0.1)**
Total liabilities and net assets	**280.0**	**269.9**	**(10.0)**

Reference: Shareholders’ equity ratio: 71.5% (as of Mar. 31, 2022), 70.9% (as of Sep. 30, 2022)

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Consolidated Cash Flows

- Cash flows from operating activities decreased compared to the same period last year. This was due to a significant recording of trade receivables as well as an increase in inventories, with a backdrop of an increase in orders received.
- Cash flows from investing activities increased from the same period last year. This was mainly due to the allocated funds from securities for short-term investment for implementing capital policy and preparing to make capital investment for our R&D base (Fujisawa Technology Center).
- Consequently, free cash flow decreased by 7.6 billion yen compared to the same period last year.
- Cash flows from financing activities increased compared with the same period last year. This was mainly due to an increase in proceeds resulting from short-term borrowings at some of our overseas subsidiaries.

(Billions of yen)

	FY2021 H1 (A)	FY2022 H1 (B)	Difference	
			(B) - (A)	*% Change*
Net cash provided by (used in) operating activities	15.1	3.6	(11.5)	*(76.2)*
Net cash provided by (used in) investing activities	(2.5)	1.4	3.9	-
Free cash flow	12.6	5.0	(7.6)	*(60.2)*
Net cash provided by (used in) financing activities	(15.9)	(14.2)	1.6	-
Effect of exchange rate change on cash and cash equivalents	0.8	2.7	1.8	*215.3*
Net increase (decrease) in cash and cash equivalents	(2.4)	(6.4)	(4.0)	-
Cash and cash equivalents at beginning of period	90.6	77.8	(12.7)	*(14.1)*
Cash and cash equivalents at end of period	88.2	71.4	(16.7)	*(19.0)*

Reference

Capital expenditure	2.6	6.1	3.5	*133.3*
Depreciation	2.3	2.2	(0.0)	*(2.6)*

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2. Consolidated Financial Plan for FY2022

→Revised upwards from the initial plan (announced on May 13, 2022)

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Consolidated Financial Plan

Consolidated financial plan (announced on May 13, 2022) has been revised upwards

Taking advantage of our growing order backlog, which reflects robust market demand, we will continue measures to address parts shortages, make steady progress with production, and achieve net sales that are expected to exceed the initial plan. As regards profits, despite the impact of the parts price hikes, we expect operating income to achieve the initial plan, setting a new record, thanks to the effect of increased revenue and our initiatives to strengthen profitability. Also, reflecting foreign exchange gains, ordinary income has been revised upward, as well as net income attributable to owners of parent.

- Despite the outlook for the global economic environment remaining uncertain because of inflation, etc., increased revenue is planned, reflecting the buildup in the order backlog.
- We will continue business expansion in the three growth fields that address new societal issues and customer needs. In addition to those measures to enhance profitability that we have already implemented, we plan to further strengthen profitability through improvements to operational efficiency achieved by promoting digital transformation (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.
- We will continue to implement thorough safety management, including measures to deal with the COVID-19 pandemic, while making further progress with measures to address the shortages and price hikes of parts, building on what we have achieved in the first half.

(Billions of yen)

	FY2021 Full year results	FY2022			Difference		FY2022 Full year initial plan (May 13, 2022)	Difference	
		H1 results	H2 revised plan (Nov. 8, 2022)	Full year revised plan (Nov. 8, 2022)					
	(A)			(B)	(B) - (A)	*% Change*	(C)	(B) - (C)	*% Change*
Net sales	256.5	121.0	156.4	277.5	20.9	*8.2*	275.0	2.5	*0.9*
Operating income	28.2	8.1	21.6	29.8	1.5	*5.6*	29.8	-	-
Margin	*11.0*	*6.8*	*13.8*	*10.7*	*(0.3)pp*		*10.8*	*(0.1)pp*	
Ordinary income	29.5	9.8	21.1	31.0	1.4	*5.0*	30.2	0.8	*2.6*
Net income attributable to owners of parent	20.7	6.0	15.7	21.8	1.0	*4.9*	21.5	0.3	*1.4*
Margin	*8.1*	*5.0*	*10.1*	*7.9*	*(0.2)pp*		*7.8*	*0.0pp*	

Reference: Exchange rate
FY2021 USD/JPY: 109, EUR/JPY: 129, CNY/JPY: 17, FY2022 USD/JPY: 132, EUR/JPY: 137, CNY/JPY: 19

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Progress in Countering the Shortages and Price Hikes of Parts

- **We are implementing measures to strengthen (1)capability to secure and procure parts/materials, (2)production capacity, and (3)profitability.**
- **Thanks to some measures we have implemented, there has been a gradual recovery in production in the second quarter (July–September), and this has meant more sales are being recorded.**
- **In the second half, by implementing measures to secure parts and materials to ameliorate the procurement situation, and by strengthening production capacity, we will realize production volumes higher than those of the first half. We are thus aiming to set new records for net sales (277.5 billion yen) and operating income (29.8 billion yen).**

Suppliers → **azbil Group** → **Customers**

Effects of Supply Chain Disruption
Shortages and price hikes of parts

Countermeasures
(1) Strengthen capability to secure and procure parts/materials

Effects of Supply Chain Disruption
Reduced production capacity utilization

Countermeasures
(2) Strengthen production capacity
(3) Strengthen profitability

	Countermeasures	Progress
(1) **Strengthen capability to secure and procure parts/materials**	Strengthen system for securing parts/materials; switch to alternatives; and make product design changes.	● Expand procurement routes, facilitate procurement of parts/materials (including alternatives) ● Strengthen capabilities for faster evaluation/selection of alternatives and implementation of design changes
(2) **Strengthen production capacity**	Create flexible production mechanism that can better respond to a changing procurement situation; react to improved supply markets; and strengthen production capacity to steadily convert the order backlog into sales.	● Increase production line utilization ● Augment production facilities (the second half of FY2022)
(3) **Strengthen profitability**	Enhance production efficiency and optimize selling prices.	● Promote selling price optimization (the most effective timing depends on the inventory situation and type of business)

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Financial Plan by Segment (1)

- **We plan to set a new record for net sales in the second half by taking advantage of our significant buildup of order backlog, reflecting the robust state of orders.**
- **By steadily implementing measures to address the shortages and price hikes of parts, we expect to achieve production volumes higher than the first half levels, improving both utilization of production capacity and profitability.**
- **As regards profits, thanks to increased revenue and enhanced profitability, we expect segment profit in the BA and AA businesses to exceed the initial plan. However, segment profit in the LA business is expected to fall short of the initial plan owing to an anticipated increase in expenses, partly resulting from inflation in Europe. Overall, operating income is projected to be in line with the initial plan.**

(Billions of yen)

		FY2021 Full year results (A)	FY2022 H1 results	FY2022 H2 revised plan (Nov. 8, 2022)	FY2022 Full year revised plan (Nov. 8, 2022) (B)	Difference (B) - (A)	Difference % Change	FY2022 Full year initial plan (May 13, 2022) (C)	Difference (B) - (C)	Difference % Change
BA	Sales	119.7	52.0	76.9	129.0	9.2	*7.7*	129.0	–	-
	Segment profit	13.8	2.4	12.2	14.7	0.8	*6.0*	14.5	0.2	*1.4*
	Margin	*11.6*	*4.7*	*15.9*	*11.4*	*(0.2)pp*		*11.2*	*0.2pp*	
AA	Sales	94.2	46.1	55.8	102.0	7.7	*8.2*	99.5	2.5	*2.5*
	Segment profit	13.2	5.4	8.8	14.3	1.0	*8.0*	14.0	0.3	*2.1*
	Margin	*14.0*	*11.7*	*15.9*	*14.0*	*(0.0)pp*		*14.1*	*(0.1)pp*	
LA	Sales	44.2	23.7	22.7	46.5	2.2	*5.1*	46.5	–	-
	Segment profit	1.1	0.3	0.4	0.8	(0.3)	*(30.5)*	1.3	(0.5)	*(38.5)*
	Margin	*2.6*	*1.3*	*2.2*	*1.7*	*(0.9)pp*		*2.8*	*(1.1)pp*	
Consolidated	Net sales	256.5	121.0	156.4	277.5	20.9	*8.2*	275.0	2.5	*0.9*
	Operating income	28.2	8.1	21.6	29.8	1.5	*5.6*	29.8	–	-
	Margin	*11.0*	*6.8*	*13.8*	*10.7*	*(0.3)pp*		*10.8*	*(0.1)pp*	

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Financial Plan by Segment (2)

BA

Because of the significant orders backlog and expanding demand, we expect to achieve sales in line with the initial plan; profits are expected to exceed the plan.

- Demand for HVAC control equipment/systems for new large-scale buildings continued to be robust in the first half. Considering the buildup in the order backlog, sales are set to remain at a high level.
- Orders will continue to grow in our profitable business of refurbishing existing buildings. We expect sales to increase against this backdrop of growth in orders.
- With the economic recovery from the COVID-19 pandemic, we expect to achieve overseas business growth.

AA

As we continue to address parts shortages appropriately, we expect both sales and profits to be exceeding the initial plan, thanks to the buildup in the order backlog and to growth in our overseas business.

- We expect to increase sales and profits, taking advantage of the order backlog that has continued to grow from the previous year to the first half, as well as the growth in our overseas business.
- Although we expect continued impact from shortages and price hikes of parts, we will achieve sales and profits in excess of the initial plan by strengthening our capabilities for securing and procuring parts/materials, expanding production capacity, and optimizing selling prices.
- 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 higher profit margins.

LA

Sales in the LSE field are expected to increase thanks to the growth in our order backlog. We expect sales to be in line with the initial plan due to the revenue growth in the Lifeline field as well. Profits, however, are expected to fall short of the plan because of higher expenses resulting from inflation in Europe.

- In the Lifeline field, due to the cyclical decline in demand, a decrease in sales of LP gas meters is expected, but we anticipate increased sales of city gas and water meters.
- In the LSE field, profits are expected to fall short of the plan owing to the costs of materials that have continued to rise from the first half, and also to an anticipated increase in expenses, partly resulting from inflationary effects accelerating in Europe.

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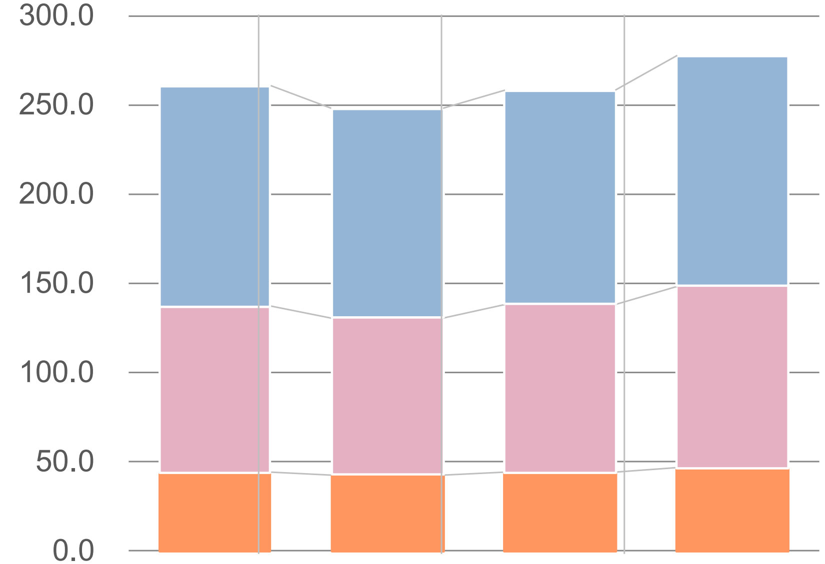
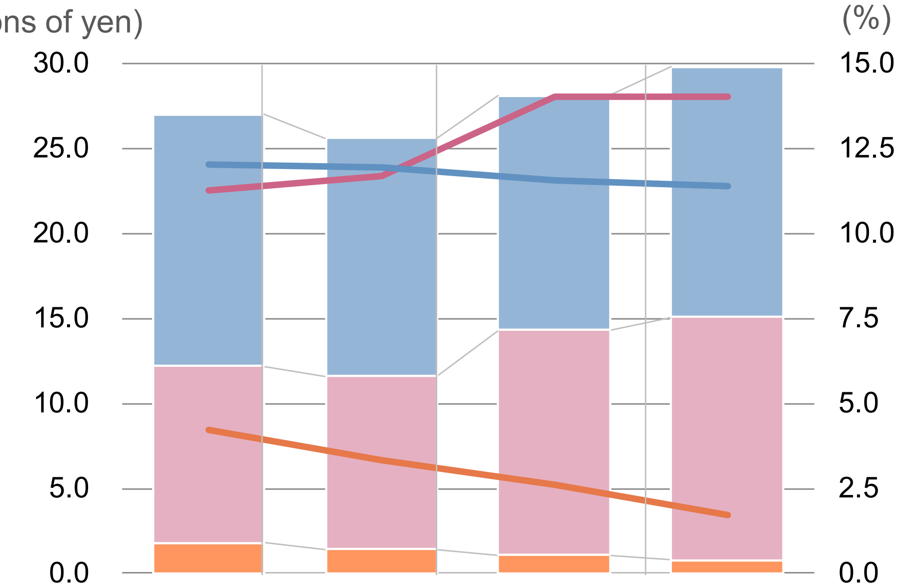
Reference: Sales by Segment and Segment Profit (Operating Income)

Sales by segment



	FY2019	FY2020	FY2021	**FY2022 (revised plan)**
B A	123.7	117.5	119.7	**129.0**
A A	93.1	87.7	94.2	**102.0**
L A	44.0	42.9	44.2	**46.5**
Consolidated	259.4	246.8	256.5	**277.5**

Segment profit (operating income)



	FY2019	FY2020	FY2021	**FY2022 (revised plan)**
B A	14.8	14.0	13.8	**14.7**
Margin	*12.0*	*11.9*	*11.6*	***11.4***
A A	10.4	10.2	13.2	**14.3**
Margin	*11.3*	*11.7*	*14.0*	***14.0***
L A	1.8	1.4	1.1	**0.8**
Margin	*4.2*	*3.3*	*2.6*	***1.7***
Consolidated	27.2	25.7	28.2	**29.8**
Margin	*10.5*	*10.4*	*11.0*	***10.7***

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3. Returning Profits to Shareholders

→No revision from the most recent announcement

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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 repurchase the Company's own stock and 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.

FY2022 annual 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 repurchased the Company's own stock of **9.9 billion yen** (2.67 million shares). We also cancelled **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.

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FY2022 Annual Dividend Plan

FY2022 annual dividend

The Company plans to increase the annual dividend by 5 yen per share, to 65 yen per share.

- 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 sustained growth. Thus the Company plans 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 was 4.2%.

(Yen)

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

[*1] The effects of the repurchase of own stock concluded 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 are taken into account for the trial calculation, which is based on shareholders' equity on March 31, 2022: own stock repurchases concluded in FY2022, year-end dividends for FY2021, interim dividends for FY2022, and net income attributable to owners of parent in the revised consolidated financial plan for FY2022.

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Repurchase of Own Stock and Cancellation of Treasury Shares

Repurchase of own stock	**We repurchased the Company's own stock of 9.9 billion yen (2.67 million shares).**
Cancellation of treasury shares	**We completed cancellation of 1.5 million of the Company's treasury shares on May 31.**

- Based on the return on equity (ROE) targets 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 repurchased 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.
- We canceled our treasury shares (1.5 million shares) held at the end of March 2022. We will review the use of our holdings, including any of the Company's own stock we repurchased, for the purpose of enhancing enterprise value.

■ Repurchase of own stock

- Type of stock repurchased: Common stock of the Company
- Total number of shares repurchased: 2.67 million shares
- Total amount of repurchase: 9.9 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 September 30, 2022
(1) Total number of issued shares (excluding treasury shares): 133,381,005 shares
(2) Treasury shares: 10,319,879 shares

• The above number of treasury shares includes the shares owned by a trust account for employee stock ownership plan, Trust-Type Employee Shareholding Incentive Plan, and stock compensation plan, which owned 3,171,901 shares as of September 30, 2022.

■ Cancellation of treasury shares

- Type of stock cancelled: Common stock of the Company
- Number of shares cancelled: 1.5 million shares
- Total number of issued shares after the cancellation: 143.7 million shares
- Date of the cancellation: May 31, 2022

Reference: Measures to make use of own stock (announced on May 13, 2022)

(1) Trust-Type Employee Shareholding Incentive Plan (E-Ship*)
An incentive plan for all participants in the azbil Group Employee Stock Ownership Association. 1,335,400 shares (4.8 billion yen) of the Company's own stock were acquired by the established trust for the plan.

(2) Stock compensation plan
A stock compensation plan using a trust for the Company's directors, corporate executives and executive officers. 102,100 shares (0.41 billion yen) of the Company's own stock were acquired by the established trust for the plan.

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

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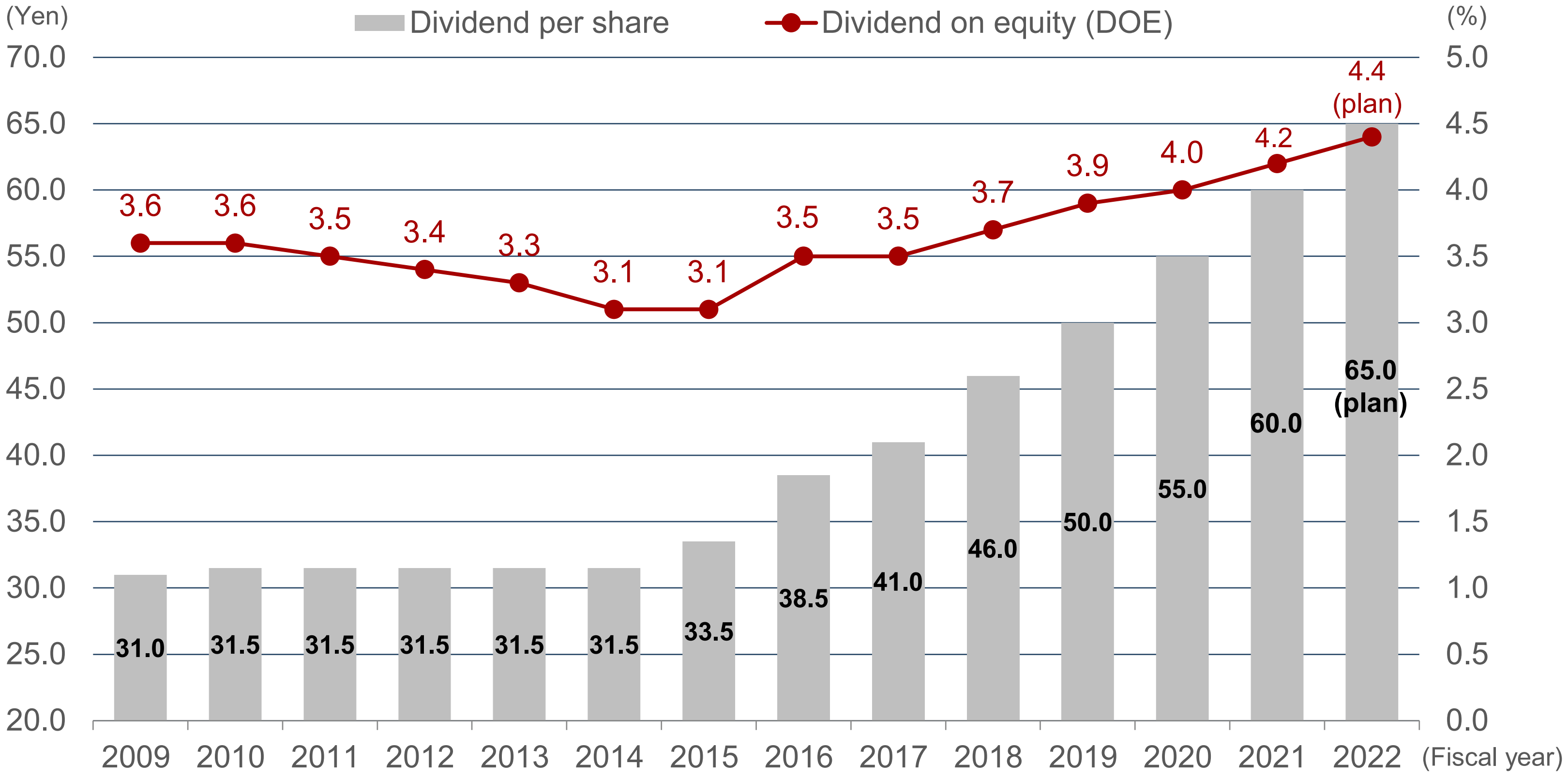
Trend of Shareholder Returns

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	9.9
Number of shares repurchased (millions of shares)							1.20		1.42	1.87	3.71		2.25	2.67

* ROE for FY2021, the first year for the medium-term plan, was 10.4%; the Company expects 10.8% for FY2022

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4. Progress Toward the Medium-term Plan

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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.

Progress of the Medium-term Plan

- **Measures to expand business:** Progress has been made working in collaboration with other companies to expand the three growth fields (Green Transformation (GX) solutions to reduce CO_2 emissions from office buildings; investing in Japan Green Investment Corp. for Carbon Neutrality (JICN), etc.). In order to expand the range of solution-focused products by strengthening the functions of our R&D facilities, a new building for testing has been completed and it has already started operating.
- **Measures to improve profits:** A new factory building was completed in Dalian, China, and progress has been made with shifting production overseas. We are implementing measures related to procurement, production, and selling price optimization to address the shortages and price hikes of parts.
- **Overseas business:** In Singapore, we started developing a digital twin solution with the help of the EDB*1. We will continue to strengthen the sales structure in China and other parts of Asia.

Long-term targets

2030
SDGs

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

Growth

Transformation

Safety

Medium-term plan for FY2021-2024

	FY2019	FY2020	FY2021	FY2022*2	FY2024	FY2030
Net sales	259.4 billion yen	246.8 billion yen	256.5 billion yen	277.5 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]	[60.5 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%	10.7%	12%	approx. 15%
ROE	10.9%	10.4%	10.4%	10.8%	approx. 12%	approx. 13.5%

*1 EDB: Singapore Economic Development Board
*2 The revised consolidated financial plan (as of Nov. 8, 2022)

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Continuously Enhancing Profit Margins to Achieve Sustainable Growth

- **Progress of measures to expand business**: We have launched products that expand the measurement field (fast-response, high-precision mass flow controllers, etc.). Furthermore, to refine MEMS and other technologies that differentiate these products, we have enhanced our R&D facilities (namely, we constructed new laboratory buildings for testing as well as a clean room facility for development and production).
- **Progress of measures to improve profits**: At the same time as promoting the shift to overseas production (expanding our Dalian factory, etc.), we have been implementing measures to optimize production, procurement, and selling prices. These approach aim at addressing the shortages and price hikes of parts, an issue that has become more pronounced in the second half of FY2021. These measures have already resulted in some success in the first half of FY2022.

FY2016	FY2021	FY2022 (Revised plan)	FY2024 (Final year for the medium-term plan)	FY2030 (Long-term targets)
Operating margin 7.9%	**Operating margin 11.0%**	**Operating margin 10.7%**	**Operating margin 12%**	**Operating margin approx. 15%**
Net sales: 254.8 billion yen	Net sales: 256.5 billion yen	Net sales: 277.5 billion yen	Net sales: 300.0 billion yen	Net sales: 400.0 billion yen range
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 range

As well as reforming the business structure—which included withdrawing from some businesses—we have been implementing 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 have been implementing measures to further improve profitability.

Measures to expand business

- Expand profitable recurring business
- Expand business areas and customer coverage, in Japan and overseas, by enhancing product appeal

- Expand and enhance efficiency of recurring business
- Expand business centered on the three growth fields
- Develop alliances and strengthen overseas business development

Progress as of the first half FY2022

- **F4Q mass flow controller using MEMS (received IF Design Award)**
- **Newly constructed flow test facilities for control valves in Kyoto aimed at expanding our global valve business**

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 as of the first half FY2022

- **Addressed the shortages and price hikes of parts:**
  - Strengthened procurement (including that for alternative parts), expanded production capacity, optimized selling prices, etc.
- **Construction and operation of a new factory building in Dalian, China, and planned expansion of the Thailand factory**

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

- **Progress of measures to expand business**: With the Strategic Planning & Development Office for Southeast Asia (Singapore) playing a central role, progress has been made in developing and expanding customer coverage in the Asian region. With the support of the EDB [*1], we have started developing a digital twin solution for intelligent building management systems (IBMS) for use in overseas markets.
- **Progress with strengthening the business foundation**: To meet growing demand in the Asian region, a new factory building has been completed at our production subsidiary in Dalian, China. A production line principally intended for industrial valves is currently under construction. (Full operations to start from January 2023.)

FY2016	FY2021	FY2022 (Revised plan)	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 60.5 billion yen [*2] (21.8%)**	**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: 24.0 billion yen China: 16.0 billion yen North America and Europe: 17.5 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 range China: 28.0 billion yen range North America and Europe: 27.0 billion yen range

* Figures in parentheses show overseas sales ratio.

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)**

Progress as of the first half FY2022

- **Continued development in Singapore of a digital-twin solution for chiller plants, which reproduces the actual chiller plant environment in a virtual space**

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.**

Progress as of the first half FY2022

- **Continued strengthening of the sales and service network (including additional staff) in China and other parts of Asia**
- **Construction and operation of a new factory building in Dalian, China, and planned expansion of the Thailand factory**

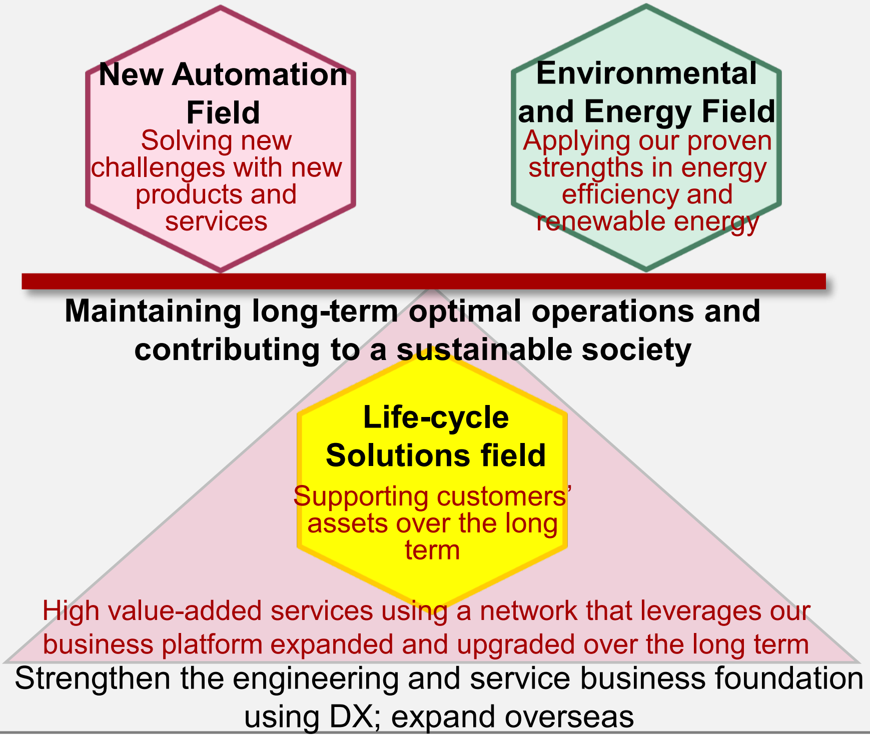
*1 EDB: Singapore Economic Development Board
*2 The overseas sales targets for FY2022 are based on the assumption of the exchange rates on page 15.

Three Growth Fields Sharing a Common Foundation of Automation Technology

- We are expanding business by focusing on three growth fields that address new societal and customer needs.
- In FY2022, we created the Green Transformation (GX)* Solution Department and began offering GX solutions for large-scale buildings (office buildings, etc.) in collaboration with other companies, as well as providing technologies for GHG assessment and visualization services.

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 field

- 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 Field

- 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 Solutions Field

- 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

- Participate in GX League (METI)
- Invest in JICN
- GX solutions: Reducing CO_2 emissions from office buildings, etc.
- DX-EGA: GHG assessment and visualization services

Expand range of solution-oriented products and services

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

- Enhance functions of the Fujisawa Technology Center: Construct two new buildings for testing, Clean room facility for development and production

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

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Expanding the Range of Solution-Focused Products: New Testing Facility Completed at the Fujisawa Technology Center

- The new buildings will help further boost development in advanced system solutions that use cloud computing and AI, as well as in high-performance, high-precision devices. For expanding business based on microelectromechanical systems (MEMS) sensors, there will also be development facilities for those sensors as well as a measurement standards laboratory for supporting the azbil Group's measurement capabilities.

WELL Building Standard®
WELL Health-Safety Rating

- Boosts development with its optimized and advanced development environment, while also providing a workspace to bring about productivity and creativity for R&D.
- The work areas are laid out to strike a balance between fostering concentration and enabling work at a more leisurely pace, the latter of which can be accomplished at a café-style area that reflects current workstyles. By providing an optimized environment for development and work, this new building promotes stimulation for employees and work-style creation*1.

*1 Work-style creation: By bringing about transformation through combining work mechanisms (promoting digital transformation), work styles, and work sites and environments, Azbil aims to increase value provided to customers.

- Equipped with facilities for measurement standardization and for development of MEMS sensors, a key component of Azbil's sensing technology.
- Azbil aims to maintain and improve competitiveness of its MEMS sensors through its accumulated proprietary underlying technology, process technology, and development & production expertise. At the same time, the company is also committed to the stable supply of and new product development of high-performance sensors as well as expanding business into new fields based on those sensors.

Clean room facility: Promoting R&D for high-performance, high-precision MEMS sensors that will provide new customer value

Calibration facility: Responsible for maintaining the accuracy of measuring instruments used in production, which in turn ensure the quality of the products offered by the Group

- The new buildings have received the certification of WELL Health-Safety Rating*2 from WELL Building Standard®, which is a system for evaluating buildings focused on the health and comfort of people.

*2 WELL Health-Safety Rating: An evaluation administered by U.S.-based International WELL Building Institute (IWBI) that demonstrates the establishment of various measures for the spread of infections and other emergencies. The certification is earned when health and safety factors of buildings and facilities meet particular criteria based on international standards. This applies to buildings other than residential housing.

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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)

* FY2022: The revised plan for FY2022 (as of November 8th)

BA — Commercial buildings

	FY2021	FY2022*	FY2024
Sales	119.7	129.0	**134.5**
Overseas	8.0	11.3	14.0
Segment profit	13.8	14.7	**16.3**
Margin	*11.6%*	*11.4%*	***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.
- Rrecovery from the impact of construction delays triggered by the COVID-19 pandemic, and expanding investment in overseas.

Progress of the azbil Group’s initiatives and solutions

- In Japan and overseas: mounting interest and inquiries regarding product lines suited to the “new normal” era (cell-type HVAC system, pandemic air conditioning, etc.).
- Expanding overseas development of products and systems, including IBMS and digital twin solutions.

AA — Factories and plants

	FY2021	FY2022*	FY2024
Sales	94.2	102.0	**107.5**
Overseas	26.4	31.0	32.5
Segment profit	13.2	14.3	**16.4**
Margin	*14.0%*	*14.0%*	***15.2%***

- Reflecting society’s increasing demands for remote working and high-speed communications, demand has been remaining high in the semiconductor manufacturing equipment market. In both Japan and overseas, investment in production facilities has been remaining robust overall.
- 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.

- A growing number of customers have purchased our products/services (cloud-based valve analysis and diagnosis service, online anomaly detection system) in new automation fields that integrate cloud computing, AI technologies, and IoT devices.

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	0.8	**3.3**
Margin	*2.6%*	*1.7%*	***5.7%***

- 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.

- 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.

Case Introduction

Employing CBM for valves in chemical plants

Daikin Industries, Ltd.

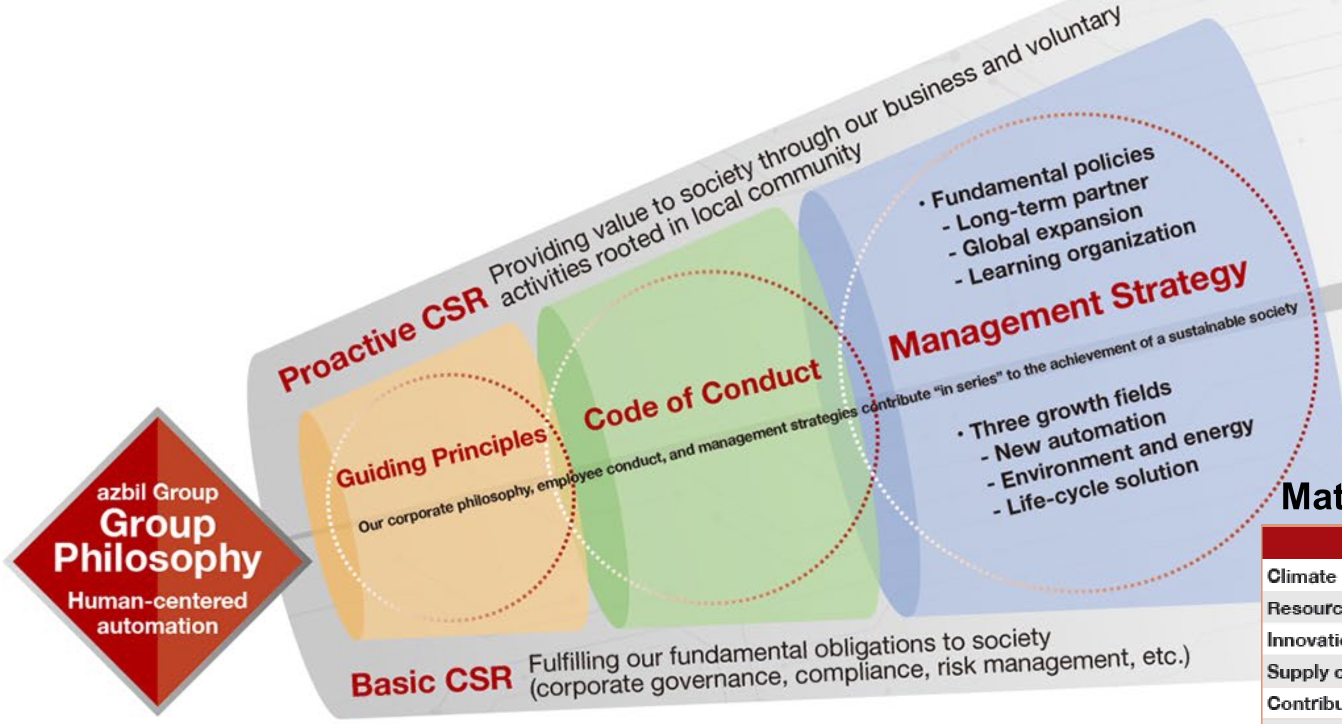
Case Introduction

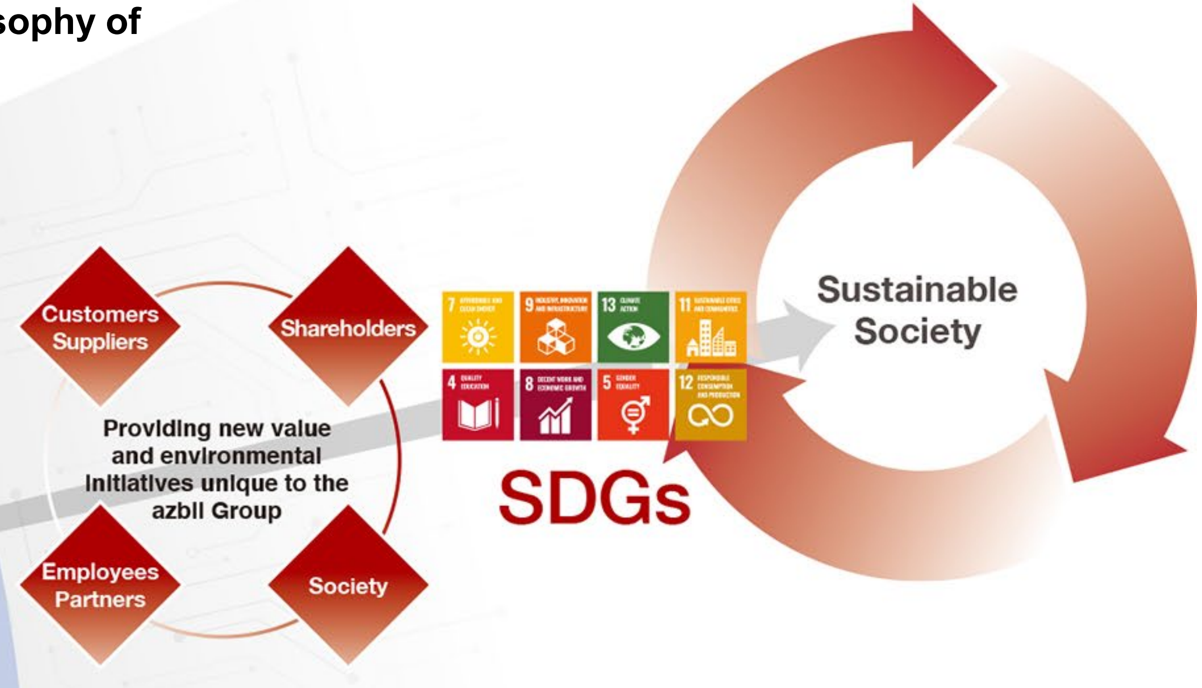
Adopting IoT for Water Meters Across a Vast Resort

Towa Nasu Resort Co., Ltd.

azbil Group Sustainability

The azbil Group is committed to continuously enhancing enterprise 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."





Material issues (materiality) to be tackled over the long term

Material issues	Our aim
Climate change	Help to solve environmental problems to achieve a decarbonized society
Resource recycling	Provide environmentally friendly products and services
Innovation	Seek new forms of automation to achieve a safe and comfortable society
Supply chain	Share CSR values (environment, human rights, etc.) within the supply chain
Contribute to local communities	Contribute to livable communities through community-based action
Human rights, safety, and health	Promote corporate activities based on "human-centered" values and health and well-being management
Learning and employee development	Develop a corporate culture as "an organization that never stops learning" and strengthen the foundations for education
Product safety and quality	Provide high-quality products and services that prioritize customer safety and security
Corporate governance	Continuously raise enterprise value through highly transparent management
Compliance	Fulfill our social responsibilities based on high corporate ethics

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Essential Goals of azbil Group for SDGs

Regarding SDGs, we have set four of our 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**
  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

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*4**
- **Implementing social contribution activities, rooted in local communities at all business sites*5, with active participation by every employee*6**

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*7 by 2024 (versus 2017)
  65% or more employees
  who find satisfaction in working at Azbil*8 by 2030
- **Developing and strengthening "an organization that never stops learning"**
  x2 Training opportunity point*9 by 2024 (versus 2012)
  65% or more employees
  who experienced personal growth over the past year*8 by 2030

* For notes, please refer to "Notes (2)" on page 48.

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5． The azbil Group’s Exhibition Participation

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Business Segments' Initiatives to Expand the Three Growth Fields

● Industrial Transformation ASIA-PACIFIC (ITAP)

Event dates: October 18th to 20th, 2022 9:00AM–6:00PM

Venue: Singapore EXPO

Theme: A Sustainable Future through Digital Technology

Video uploaded on the digital platform of ITAP
(https://www.azbil.com/products/factory/factory-product/monitoring-control-system-software/monitoring-operation-support/actmos/index.html)

https://www.azbil.com/corporate/seminar/itap2022/

● Measurement and Control Show 2022 OSAKA

Event dates: October 26th to 28th, 2022 10:00AM–5:00PM

Venue: Osaka International Convention Center

Theme: Contributing to the transformation of manufacturing and the realization of a decarbonized society through continually evolving measurement and digital technologies

Measurement and Control Show 2022 Online Plus *1 October 12th to November 25th, 2022
https://mcs2022.expoline.jp/

Azbil webinar 2022 Fall*2, October 26th to November 25th, 2022
https://www.azbil.com/jp/product/factory/event/mcsosaka/

Azbil physical booth (Measurement and Control Show 2022 OSAKA)

● Smart Building Expo

Event dates: December 5th to 7th, 2022 10:00AM–6:00PM

(This expo will close at 5PM on the last day)

Venue: Tokyo International Exhibition Center

Theme: Leading to a Sustainable Future Through Wellness, Technology & Co-creation

Azbil online exhibition 2022 *3 November 7th to December 7th
https://www.azbil.com/jp/product/building/event/smartbuilding/index.html

Rendition of Azbil physical booth (Smart Building Expo)

*1, *2, *3 are only available in Japanese

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Appendix

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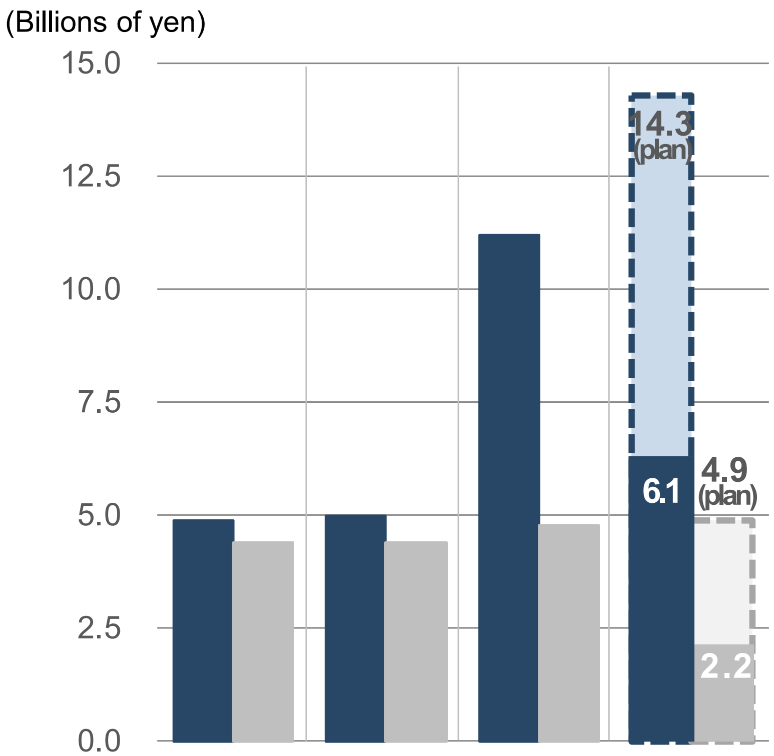
Capital Expenditure, Depreciation and R&D Expenses

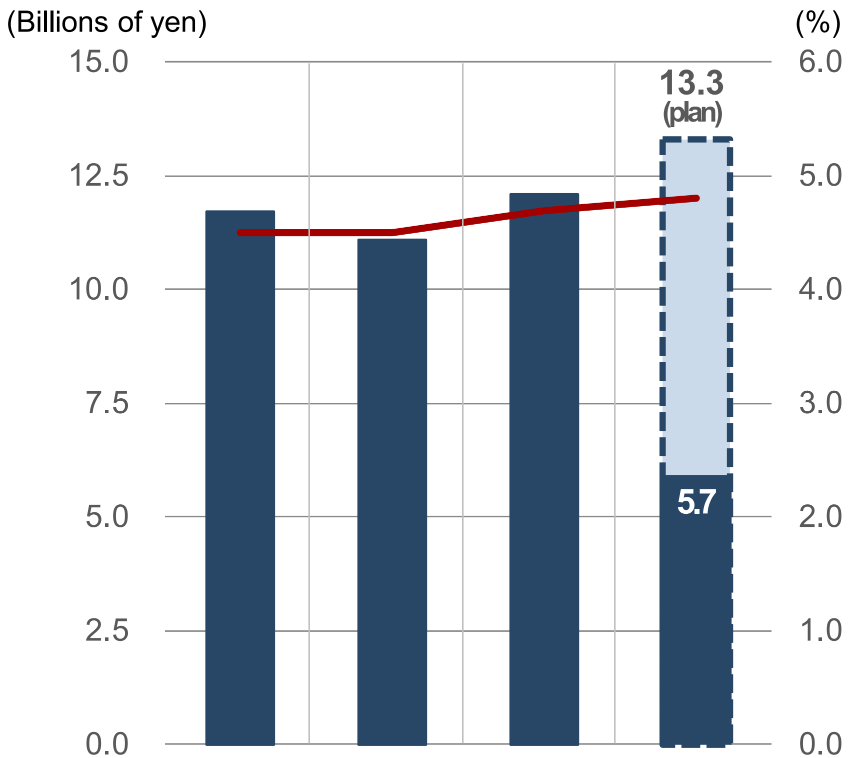
Full-year results/H1 results for FY2022
Full-year plan for FY2022

■ Capital expenditure, depreciation



	FY2019	FY2020	FY2021	FY2022 (plan)
■ Capital expenditure	4.9	5.0	11.2 [*1]	14.3 [*1]
■ Depreciation	4.4	4.4	4.8	4.9 [*2]

■ 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

*1 Increase in capital expenditure earmarked for upgrading the Fujisawa Technology Center.
*2 From FY2022, the depreciation method has been changed from the declining-balance method to the straight-line method. The effect of this change on operating income in the first half of FY2022 was +0.23 billion yen.

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Daikin Industries, Ltd.
Employing CBM* (Condition Based Maintenance) for Valves in Chemical Plants

Visualizing valve condition based on operating data; Condition-based maintenance as a key to realizing significant cost reductions

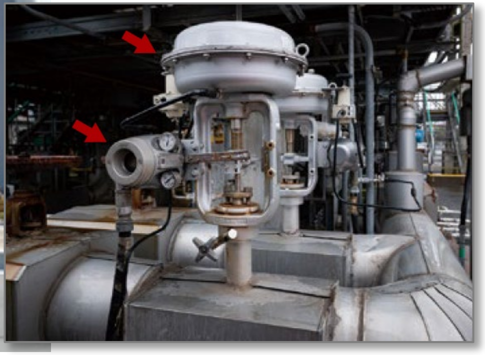
The Kashima Plant operated by Daikin Industries supplies fluorochemical products to a wide range of industries. Plant operations depend on instrumentation equipment, and attention was focused on valve maintenance. This is because valves would have a sizeable impact on production if they failed, and there is also considerable cost associated with their maintenance. Previously maintenance was conducted periodically, but by changing this approach and conducting maintenance based on the actual condition of the valves, costs have been greatly reduced. Moreover, this system is sensitive not only to very small valve malfunctions but even to signs of future problems.

Daikin Industries
Kashima Plant

Location: 21 Sunayama, Kamisu, Ibaraki Prefecture
Start of operation: April, 1983
Production details: Fluoropolymers and Chemical products

(left)
Monitoring displays for the Harmonas-DEO™, harmonized automation system installed as the plant’s DCS

(right)
Monitoring displays for the Valstaff



Azbil top-guided single-seated control valve, equipped with 700 series of smart valve positioner (left), which controls the flow of steam to heat the melted raw materials.

*CBM (Condition Based Maintenance): Maintenance is performed when required on equipment whose condition is monitored to detect signs of deterioration.

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Towa Nasu Resort Co., Ltd.
Adopting IoT for Water Meters Across a Vast Resort

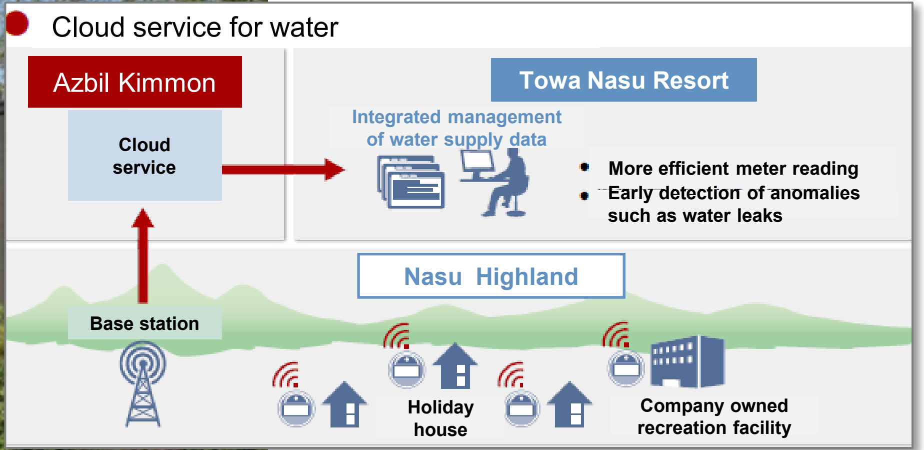
IoT adopted for resort water meters spread over 8 million square meters; Realizing prompt leak detection and a lighter workload for meter readers

The Nasu Highland, which covers almost 2,000 acres, can be found in the Nasu district of Japan's Tochigi Prefecture. Here, in what is a vast resort area, Towa Nasu Resort manages and supports a large number of villas; this necessitates reading about 1,400 water meters scattered throughout the resort—a task that used to take three people a full month. To reduce staff workload and promote IT for in-house operations, the company decided to switch to a cloud service for the resort's water supply, which enables remote acquisition of meter data. Starting in December 2020, wireless terminals were installed, and now the company is reaping the benefits of this cloud service, which offers not only remote meter reading but also leak detection.

Towa Nasu Resort

Location: 3376 Takakuotsu, Nasu District, Nasumachi, Tochigi
Start of operation: December 1, 1969
Business Details: Comprehensive resort development

Electronic counter type water meter and wireless terminal manufactured by Azbil Kimmon. The terminal, which fits in the box, is installed when a water meter is replaced.



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

Reduce about 160 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 **2,660** thousand metric tons of CO_2	About **230** thousand metric tons of CO_2	About **50** thousand metric tons of CO_2

Total 2,940 thousand metric tons of CO_2 (FY2021)

>

Reduce about 160 times the environmental burden

CO_2 emissions from business activities of the azbil Group

19 thousand metric tons of CO_2

(FY2021)

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.

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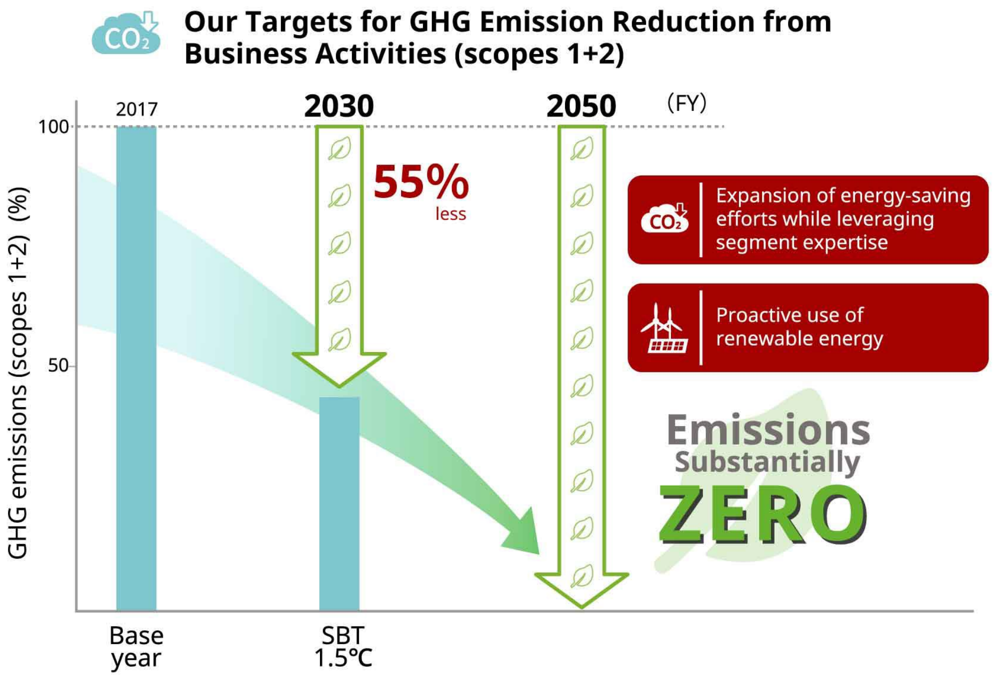
Contribution to the Environment

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 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.

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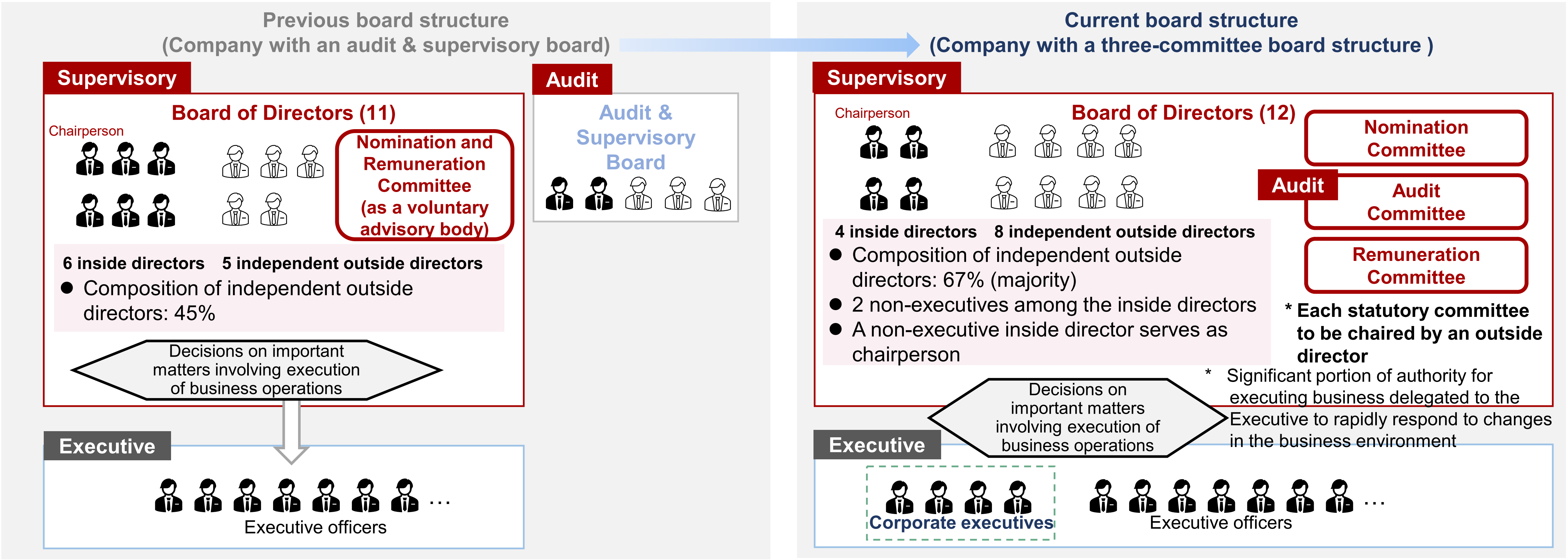
Transition to a Company with a Three-committee Board Structure

- **Transition to a company with a three-committee board structure**
  - Aiming to promote further reforms in corporate governance, the Company transitioned to a company with a three-committee board structure (on June 23, 2022), ensuring the supervisory and executive functions are clearly separated, increasing the speed of decision-making, and further strengthening management oversight.



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Revision of the Executive Remuneration System and Disclosure of Remuneration Policy

With regard to our executive remuneration system, in order to add impetus to the realization of our long-term targets (to achieve by FY2030) and the medium-term plan (FY2021-FY2024), we will further increase both the corporate executives' awareness of the need to contribute to enhancing enterprise value and their motivation to maximize shareholder value, as well as ensuring that directors who are not responsible for business execution can share value with our shareholders.

- **Main features of the revision of the executive remuneration system** (For details, please refer to the azbil report 2022.)

➢ A stock compensation plan has been implemented with the aim of continuously enhancing enterprise value while sharing value with the shareholders.

➢ In order to ensure a remuneration structure that motivates officers to achieve our medium- and long-term performance targets and enhance enterprise value, the incentive component of their remuneration has been increased, and the combined remuneration for corporate executives* will be typically determined thus: basic remuneration 56%, bonus (base amount) 33%, stock-based compensation (base amount) 11%.

*The remuneration for directors who are neither concurrently serving as corporate executives nor responsible for business execution comprises basic remuneration and stock-based compensation (non-performance-linked).

Bonus KPIs* *Example: president and CEO

Bonus KPIs		Evaluation weighting
Financial metrics	Net sales	45%
	Operating income	45%
Non-financial metrics	Improved customer satisfaction, increased efficiency and productivity, HR development, revitalization of the organization, CSR management	10%

Stock-based compensation KPIs

Stock-based compensation KPIs		Evaluation weighting
Financial metrics	Relative TSR (vs. TOPIX, including dividends)	50%
	Operating income margin	30%
Non-financial metrics	Effective CO_2 reduction	20%

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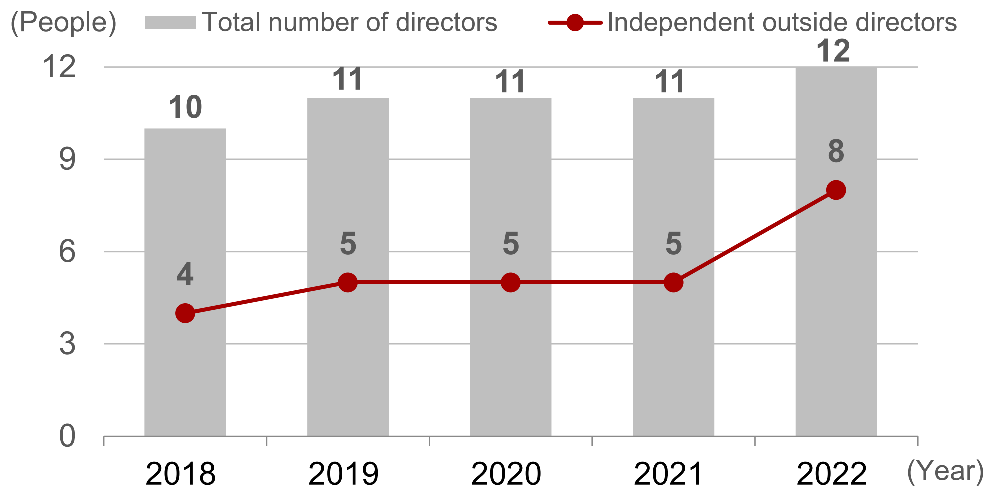
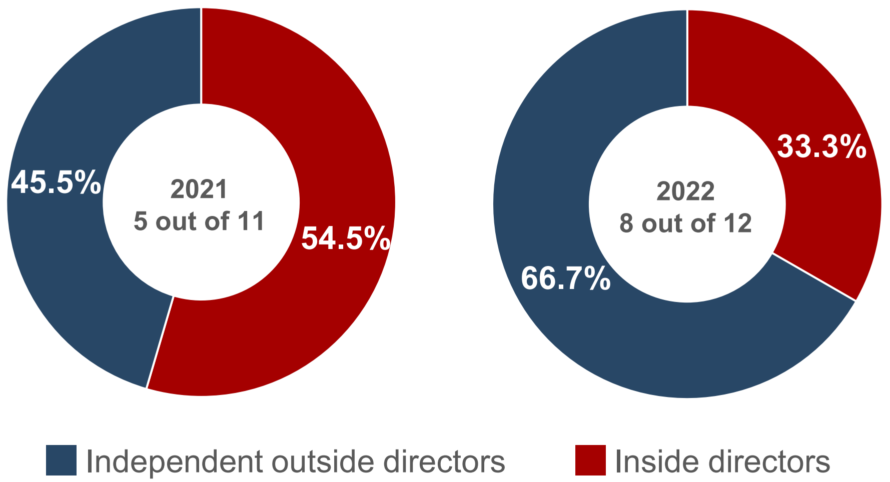
Progress of Corporate Governance Reforms (1)

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

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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)

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External Evaluation and Initiatives (as of October 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 in 2022 (Large Enterprise Category “White 500”)
- Support for recommendations of the Task Force on Climate-related Financial Disclosures (TCFD)
- Participating in the United Nations Global Compact

Inclusion in other indexes and external evaluation

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

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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.

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Notes (2) (from page 33)

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.
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.

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IR Inquiries and Disclaimer

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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.

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