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

February 7, 2023
Azbil Corporation
RIC: 6845.T, Sedol: 6985543

Highlights

1. Consolidated Financial Results for the Cumulative Third Quarter of FY2022

- Overall orders received were up by 9.8 billion yen (+4.4%) compared with the same period last year, maintaining a high level, although there were differences between markets. Order backlog grew by 33.9 billion yen (+23.1%), a significant increase compared with the same period last year.
- Net sales increased by 11.7 billion yen (+6.6%) compared with the same period last year, reflecting robust growth in orders received and order backlog. Also, owing to increased revenue and initiatives to improve profitability, operating income recovered to the level achieved in the same period last year, despite the continuing impact of price hikes of parts.
- Thanks to enhancements made to our procurement capabilities and production capacity in response to parts shortages, sales improved, particularly in the AA business. Sales for the AA business in the third quarter (October–December) regained record levels and segment profit margin was 15.2%.

2. Consolidated Financial Plan for FY2022

- Although a deterioration in conditions was observed in some markets, in view of the high order backlog and strengthened production capacity, our revised plan, announced on November 8, remains unchanged. We continue to aim at achieving record profits.

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, in accordance with the initial announcement of May 13.

Contents

1. Consolidated Financial Results for the Cumulative Third Quarter of FY2022

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 growth was achieved in the AA business, reflecting robust demand in the manufacturing sector as a whole. The LA business also increased. As a result, overall orders received were higher than the same period last year.**
- **Sales growth was achieved in all three businesses—the BA and LA businesses, which had both received increased orders in the previous fiscal year, and the AA business, which saw a recovery in sales thanks to successful handling of parts procurement difficulties and strengthening of production capacity. Thus, overall net sales increased from the same period last year.**
- **Despite the recording of R&D expenses related to measures stipulated by the medium-term plan, as well as higher costs resulting from the shortages and price hikes of parts and increased expenses, thanks to increased revenue and an improvement in profitability, operating income was on a par with the same period last year. As for net income attributable to owners of parent, despite recording of foreign exchange gains and gain on sale of investment securities, this was down compared with the same period last year due to the recording of extraordinary losses* and increased income taxes.**

(Billions of yen)

	FY2021 Q1-3 (A)	FY2022 Q1-3 (B)	Difference (B) - (A)	Difference % Change
Orders received	222.1	231.9	9.8	*4.4*
Net sales	179.3	191.0	11.7	*6.6*
Japan	142.3	147.2	4.9	*3.4*
Overseas	36.9	43.8	6.8	*18.5*
Gross profit	72.9	74.8	1.8	*2.5*
Margin	*40.7*	*39.2*	*(1.5)pp*	
SG&A	56.9	58.8	1.9	*3.4*
Operating income (loss)	16.0	15.9	(0.0)	*(0.5)*
Margin	*8.9*	*8.3*	*(0.6)pp*	
Ordinary income (loss)	16.9	16.7	(0.1)	*(1.1)*
Income (loss) before income taxes	17.1	16.4	(0.7)	*(4.2)*
Net income (loss) attributable to owners of parent	11.9	10.5	(1.4)	*(12.0)*
Margin	*6.7*	*5.5*	*(1.2)pp*	

- **The order backlog at the end of the third quarter of FY2022 stood at 180.5 billion yen.**
- **The impact of foreign exchange rate fluctuations (compared with the same period last year)**
  +4.14 billion yen for net sales, +0.44 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.

* In the LA business, provision for product warranties (2.42 billion yen)—to meet anticipated expenses resulting from defects in some LP gas meters—was recorded as an extraordinary loss. Following discussions with each customer regarding how to settle the problem, an additional sum—based on a reasonable, conservative estimate—was recorded during the third quarter in order to cover the total cost of resolving this issue.

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 energy savings and CO_2 reduction, there is growing interest in new solutions that create building environments offering post-pandemic safety and suited to new work styles. In overseas markets, we have observed a steady 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 and cloud computing.

- As regards orders received, although orders in the same period last year benefitted from the renewal of large-scale multi-year service contracts, orders this year 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, reflecting a buildup of order backlog at the end of FY2021. There was also growth in overseas business.
- Segment profit increased from the same period last year. This was due to increased revenue and the success of measures for improving profitability, despite higher R&D and other expenses.

(Billions of yen)

	FY2021 Q1-3 (A)	FY2022 Q1-3 (B)	Difference	
			(B) - (A)	*% Change*
Orders received	104.8	108.2	3.3	*3.2*
Sales	79.1	83.3	4.1	*5.3*
Segment profit (loss)	5.4	5.9	0.5	*10.5*
Margin	*6.8*	*7.2*	*0.3pp*	

Segment Information: AA Business

Regarding market trends in Japan and abroad surrounding the AA business, capital investment has continued at a high level in the manufacturing sector as a whole, although there has been some recent evidence of deteriorating conditions in the semiconductor market, including a decrease in 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 from the second quarter (July–September 2022), and a steady recovery in production has been achieved thanks to such countermeasures as product design changes. Consequently, the third quarter (October–December 2022) saw a significant improvement over the same period last year, with a segment profit margin of 15.2%.

- Overall orders received increased from the same period last year. This was mainly due to a recovery in capital investments in the manufacturing sector as a whole and business growth overseas.
- Sales were higher than the same period last year due to the gradual recovery from the second quarter (July–September 2022) thanks to measures implemented in production and procurement, though there was some impact from parts procurement difficulties.
- Segment profit was on a par with the same period last year while price hikes of parts have had an impact throughout the consolidated cumulative third quarter. This was due to initiatives undertaken to enhance profitability, and also the increased revenue that resulted from the recovery in production from the second quarter (July–September 2022).

(Billions of yen)

	FY2021 Q1-3 (A)	FY2022 Q1-3 (B)	Difference	
			(B) - (A)	*% Change*
Orders received	81.3	87.0	5.6	*7.0*
Sales	69.2	73.9	4.7	*6.8*
Segment profit (loss)	9.9	9.6	(0.3)	*(3.3)*
Margin	*14.4*	*13.1*	*(1.4)pp*	

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 basically stable, the cyclical demand for LP gas meters is currently at a low ebb. 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 2.4 billion yen was recorded in the nine months ended December 2022 as an extraordinary loss to meet anticipated expenses resulting from defects in some LP gas meters. We will continue with efforts to achieve stable revenue through cost management at a fundamental level and quality control in the LA business.

- Orders received increased from the same period last year, mainly due to an increase in the Lifeline field (city gas meters, water meters).
- 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.
- Despite increased revenue, segment profit was lower than the same period last year. This was due to increased expenses, including personnel expenses, mainly caused by inflation in Europe, as well as price hikes for materials, and higher energy and transportation costs.

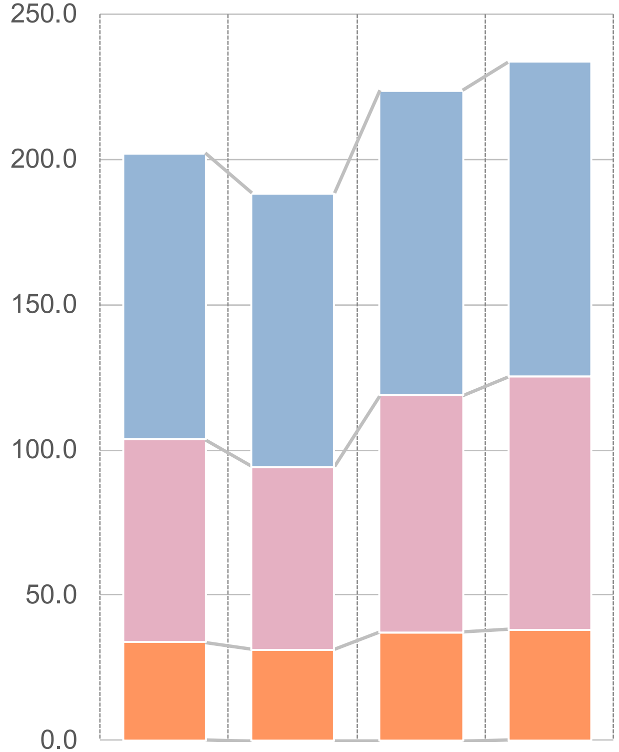
(Billions of yen)

	FY2021 Q1-3 (A)	FY2022 Q1-3 (B)	Difference (B) - (A)	Difference *% Change*
Orders received	37.2	38.1	0.8	*2.3*
Sales	32.1	35.3	3.1	*9.8*
Segment profit (loss)	0.6	0.2	(0.3)	*(56.8)*
Margin	*2.0*	*0.8*	*(1.2)pp*	

Reference: Orders Received by Segment

■ Comparison to past results (Q1-3)

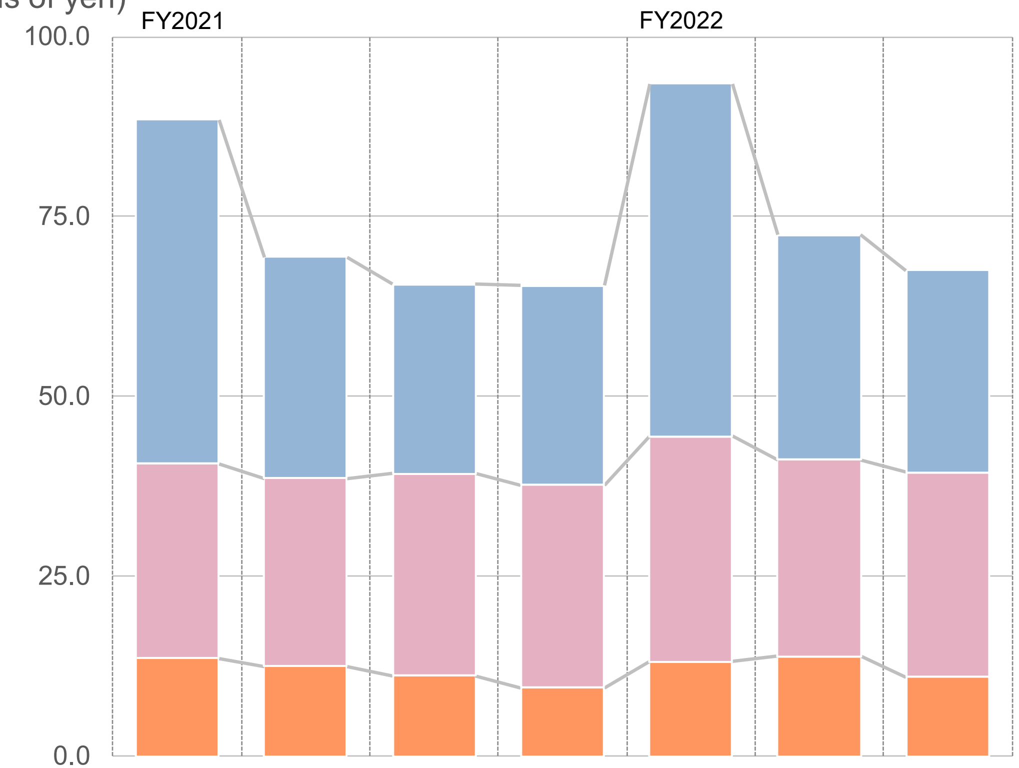
(Billions of yen)



	FY2019 Q1-3	FY2020 Q1-3	FY2021 Q1-3	**FY2022 Q1-3**
B A	98.5	94.2	104.8	**108.2**
A A	69.7	62.9	81.3	**87.0**
L A	33.7	31.1	37.2	**38.1**
Consolidated	200.8	187.2	222.1	**231.9**

■ Quarterly (3 months)

(Billions of yen)

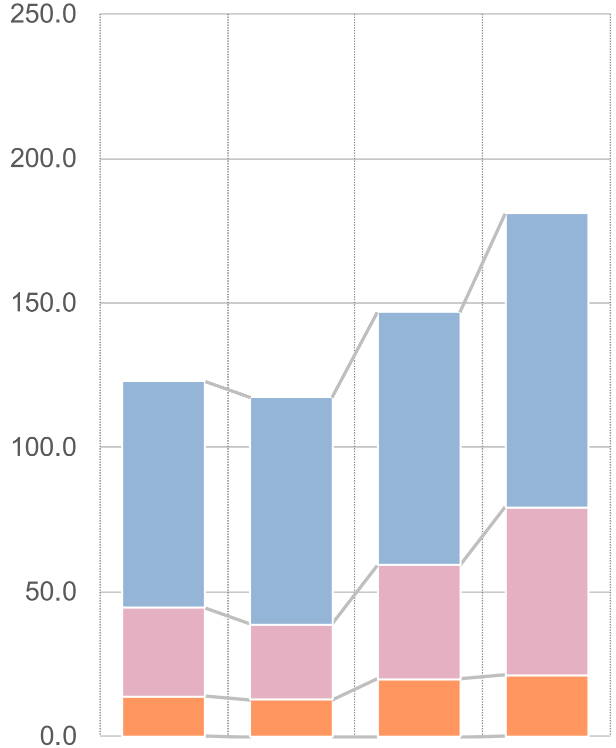


	FY2021 Q1	Q2	Q3	Q4	FY2022 Q1	Q2	**Q3**
B A	47.7	30.7	26.3	27.6	48.9	31.2	**28.0**
A A	27.0	26.1	28.1	28.1	31.2	27.3	**28.4**
L A	13.6	12.5	11.1	9.5	13.1	13.9	**11.0**
Consolidated	88.1	68.8	65.1	64.8	92.8	72.0	**67.0**

Reference: Order Backlog by Segment

■ Comparison to past results

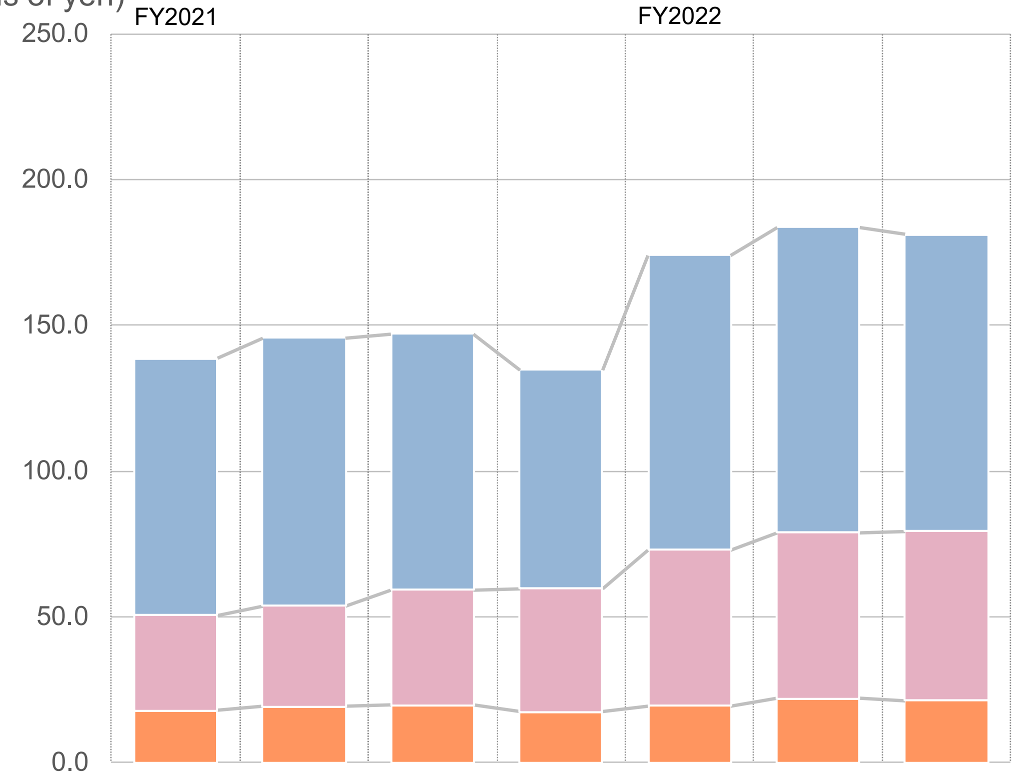
(Billions of yen)



	FY2019 Q3	FY2020 Q3	FY2021 Q3	**FY2022 Q3**
B A	78.5	78.6	87.7	**101.6**
A A	30.6	26.1	39.4	**58.0**
L A	13.7	12.6	19.7	**21.3**
Consolidated	122.7	117.2	146.5	**180.5**

■ Quarterly (3 months)

(Billions of yen)

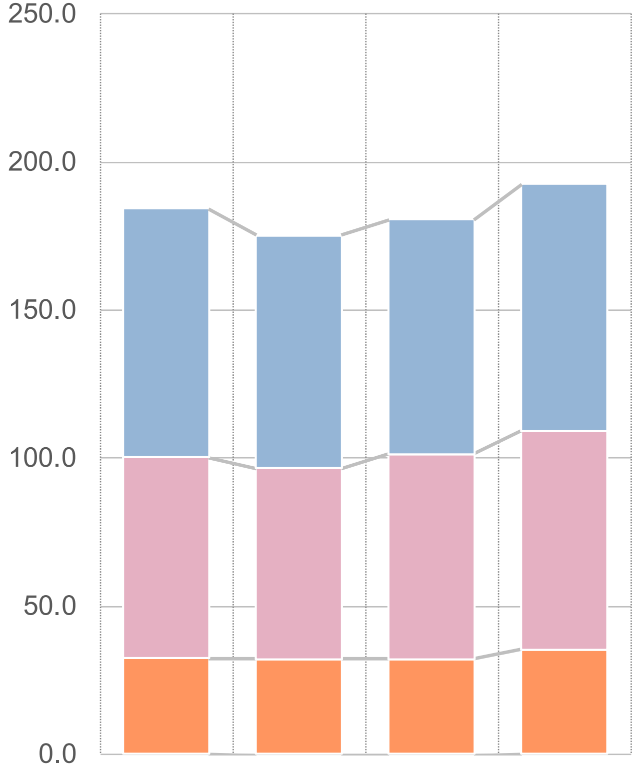


	FY2021 Q1	FY2021 Q2	FY2021 Q3	FY2021 Q4	FY2022 Q1	FY2022 Q2	**FY2022 Q3**
B A	88.0	91.8	87.7	75.1	101.1	104.6	**101.6**
A A	32.6	34.5	39.4	42.3	53.4	56.9	**58.0**
L A	17.8	19.1	19.7	17.2	19.4	22.0	**21.3**
Consolidated	138.3	145.2	146.5	134.2	173.2	182.9	**180.5**

Reference: Sales by Segment

■ Comparison to past results (Q1-3)

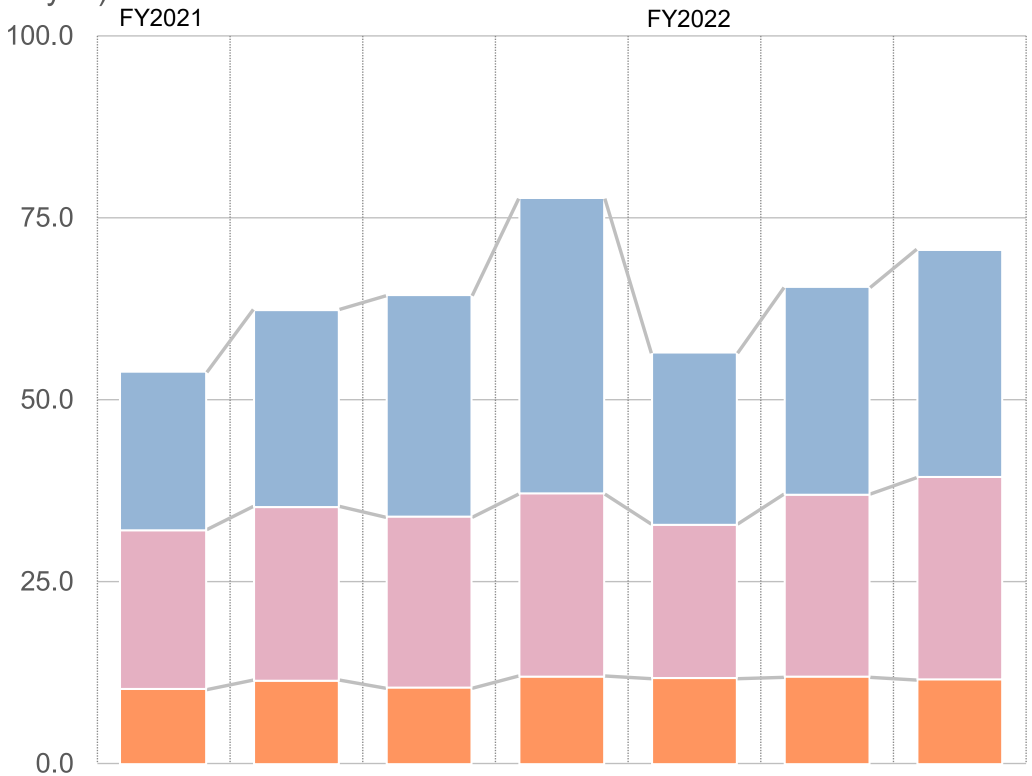
(Billions of yen)



	FY2019 Q1-3	FY2020 Q1-3	FY2021 Q1-3	**FY2022 Q1-3**
B A	83.9	78.6	79.1	**83.3**
A A	67.8	64.5	69.2	**73.9**
L A	32.2	32.0	32.1	**35.3**
Consolidated	183.0	174.2	179.3	**191.0**

■ Quarterly (3 months)

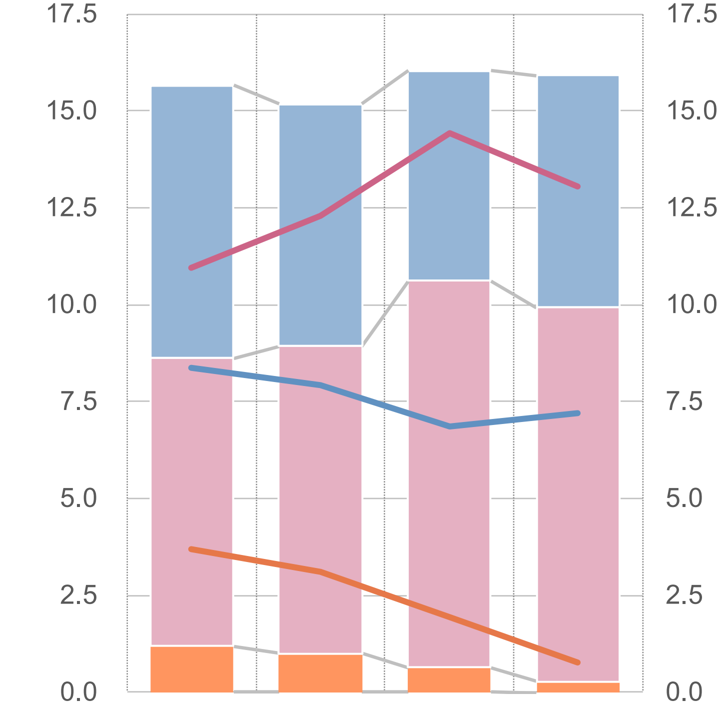
(Billions of yen)



	FY2021				FY2022		
	Q1	Q2	Q3	Q4	Q1	Q2	**Q3**
B A	21.6	27.0	30.4	40.6	23.5	28.4	**31.3**
A A	21.8	23.8	23.4	25.0	21.1	25.0	**27.7**
L A	10.2	11.4	10.4	12.0	11.7	11.9	**11.5**
Consolidated	53.4	61.8	63.9	77.2	56.0	64.9	**70.0**

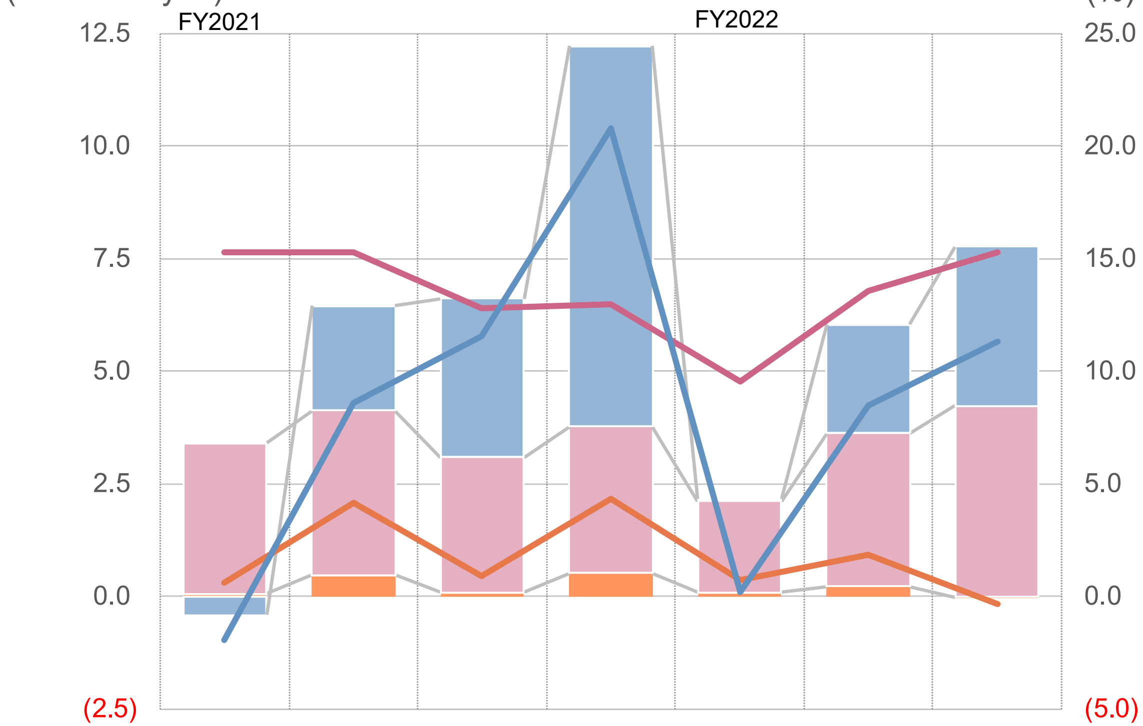
Reference: Segment Profit (Operating Income)

Comparison to past results (Q1-3)



	FY2019 Q1-3	FY2020 Q1-3	FY2021 Q1-3	**FY2022 Q1-3**
B A	7.0	6.2	5.4	**5.9**
Margin	*8.4*	*7.9*	*6.8*	***7.2***
A A	7.4	7.9	9.9	**9.6**
Margin	*10.9*	*12.3*	*14.4*	***13.1***
L A	1.1	0.9	0.6	**0.2**
Margin	*3.7*	*3.1*	*2.0*	***0.8***
Consolidated	15.6	15.1	16.0	**15.9**
Margin	*8.6*	*8.7*	*8.9*	***8.3***

Quarterly (3 months)



	FY2021 Q1	Q2	Q3	Q4	FY2022 Q1	Q2	**Q3**
B A	(0.4)	2.3	3.5	8.4	0.0	2.4	**3.5**
Margin	*(2.0)*	*8.6*	*11.6*	*20.8*	*0.2*	*8.5*	***11.3***
A A	3.3	3.6	2.9	3.2	2.0	3.3	**4.2**
Margin	*15.3*	*15.3*	*12.8*	*13.0*	*9.6*	*13.6*	***15.2***
L A	0.0	0.4	0.0	0.5	0.0	0.2	**(0.0)**
Margin	*0.6*	*4.1*	*0.9*	*4.3*	*0.7*	*1.9*	***(0.3)***
Consolidated	2.9	6.4	6.6	12.2	2.1	6.0	**7.7**
Margin	*5.5*	*10.4*	*10.4*	*15.8*	*3.9*	*9.3*	***11.1***

Overseas Sales by Region

Overseas sales rose by 18.5% 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

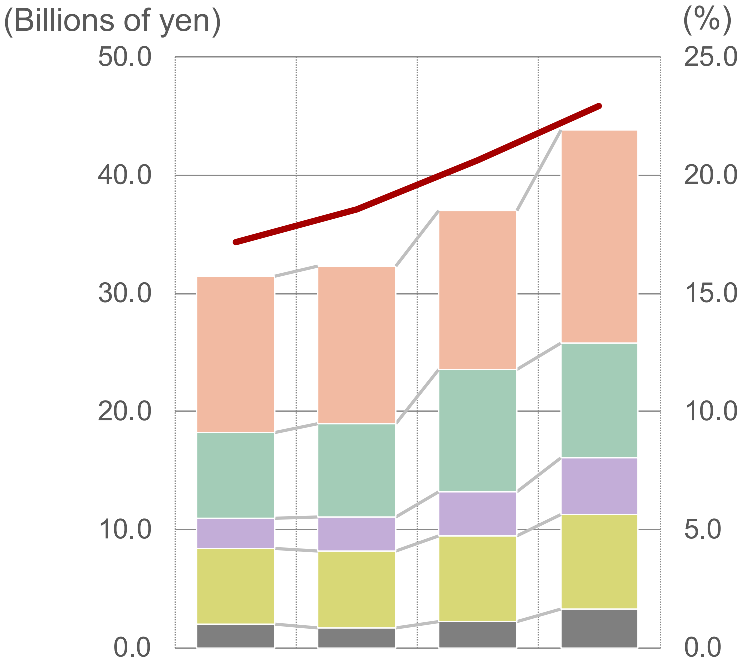
In Asia there were signs of recovery from the impact of the postponed construction projects and construction delays caused by the COVID-19 pandemic. Sales increased.

AA business

Capital investments continued throughout the manufacturing sector as a whole, in part reflecting a recovery from the impact of the COVID-19 pandemic, and sales increased in Asia and North America. In China, sales decreased due to the lengthened delivery times resulted from parts procurement difficulties. However, overall sales increased.

LA business

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



	FY2019 Q1-3	FY2020 Q1-3	FY2021 Q1-3	FY2022 Q1-3
Asia (ex-China)	13.1	13.3	13.3	**17.9**
China	7.2	7.8	10.3	**9.7**
North America	2.5	2.8	3.7	**4.8**
Europe	6.4	6.5	7.2	**7.9**
Others	1.9	1.7	2.1	**3.2**
Consolidated	31.4	32.2	36.9	**43.8**

Reference information

		FY2019 Q1-3	FY2020 Q1-3	FY2021 Q1-3	FY2022 Q1-3
Overseas sales / Net sales ratio (%)		*17.2*	*18.5*	*20.6*	***22.9***
Average exchange rate	USD/JPY	109.13	107.57	108.58	**128.30**
	EUR/JPY	122.62	120.94	129.86	**136.05**
	CNY/JPY	15.89	15.37	16.79	**19.38**

- 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 6.0 billion yen from the end of FY2021. This was due to a decrease in cash and deposits, and in securities, despite an increase in inventories as well as property, plant and equipment such as for our main R&D base, the Fujisawa Technology Center.**
- **Liabilities** **Despite a decrease in income taxes payable, total liabilities increased by 2.9 billion yen from the end of FY2021. This was mainly due to an increase in long-term borrowings as a fund for our Trust-Type Employee Shareholding Incentive Plan* (“the plan”) borrowed the money needed to acquire the Company’s stock in connection with the introduction of the plan.**
- **Net assets** **Although net income attributable to owners of parent was recorded, net assets decreased by 8.9 billion yen due to the repurchase of own stock, the payment of dividends as well as a reduction in shareholders’ equity resulting from acquisition of the Company’s stock by the fund for the plan*.**

(Billions of yen)

	As of Mar. 31, 2022 (A)	As of Dec. 31, 2022 (B)	Difference (B) - (A)
Current assets	**210.7**	**200.8**	**(9.8)**
Cash and deposits	58.9	45.6	(13.2)
Trade receivables	86.1	84.2	(1.9)
Securities	30.8	24.5	(6.3)
Inventories	28.6	39.3	10.6
Other	6.2	7.1	0.9
Non-current assets	**69.2**	**73.1**	**3.8**
Property, plant and equipment	33.1	37.6	4.4
Intangible assets	5.7	6.0	0.2
Investments and other assets	30.3	29.5	(0.8)
Total assets	**280.0**	**274.0**	**(6.0)**

	As of Mar. 31, 2022 (A)	As of Dec. 31, 2022 (B)	Difference (B) - (A)
Liabilities	**76.9**	**79.8**	**2.9**
Current liabilities	**69.4**	**67.9**	**(1.4)**
Trade payables	22.9	20.8	(2.1)
Short-term borrowings	8.0	9.1	1.0
Other	38.4	38.0	(0.3)
Non-current liabilities	**7.4**	**11.8**	**4.4**
Long-term borrowings	0.3	3.8	3.5
Other	7.1	7.9	0.8
Net assets	**203.1**	**194.1**	**(8.9)**
Shareholders' equity	**188.7**	**176.6**	**(12.1)**
Share capital	10.5	10.5	-
Capital surplus	11.6	11.6	(0.0)
Retained earnings	190.2	187.1	(3.0)
Treasury shares	(23.6)	(32.6)	(9.0)
Accumulated other comprehensive income	**11.5**	**14.6**	**3.1**
Non-controlling interests	**2.8**	**2.8**	**0.0**
Total liabilities and net assets	**280.0**	**274.0**	**(6.0)**

***Trust-Type Employee Shareholding Incentive Plan**
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.

Reference: Shareholders’ equity ratio: 71.5% (as of Mar. 31, 2022), 69.8% (as of Dec. 31, 2022)

2. Consolidated Financial Plan for FY2022

→No revision from the most recent announcement on November 8, 2022

Consolidated Financial Plan

No revision from the announcement on November 8, 2022

Taking advantage of the buildup in order backlog, which reflects robust market demand, we will continue measures to address parts shortages, and by making steady progress with production, we expect to record net sales in line with the revised plan. In addition, we expect a new record to be set for operating income, as planned, thanks to increased revenue and our initiatives to strengthen profitability, and despite the continuing impact of price hikes of parts.

- 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 our business activities, implementing safety management including measures to deal with the COVID-19 pandemic. At the same time, building on what we have achieved until the end of the third quarter, we will make further progress with measures such as strengthening of our procurement and production capabilities in order to address the shortages and price hikes of parts.
- 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 & equipment, and our businesses to achieve expansion in the three growth fields, we will seek to set a new record high for profits.

(Billions of yen)

	FY2021 Full-year results (A)	FY2022			Difference	
		H1 results	H2 revised plan	Full-year revised plan (B)	(B) - (A)	% Change
Net sales	256.5	121.0	156.4	277.5	20.9	8.2
Operating income	28.2	8.1	21.6	29.8	1.5	5.6
Margin	*11.0*	*6.8*	*13.8*	*10.7*	*(0.3)pp*	
Ordinary income	29.5	9.8	21.1	31.0	1.4	5.0
Net income attributable to owners of parent	20.7	6.0	15.7	21.8	1.0	4.9
Margin	*8.1*	*5.0*	*10.1*	*7.9*	*(0.2)pp*	

(Billions of yen)

	FY2022 Full-year initial plan (C)	Difference	
		(B) - (C)	% Change
Net sales	275.0	2.5	0.9
Operating income	29.8	-	-
Margin	*10.8*	*(0.1)pp*	
Ordinary income	30.2	0.8	2.6
Net income attributable to owners of parent	21.5	0.3	1.4
Margin	*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

Financial Plan by Segment

- **BA Business** **Given the large order backlog, we expect to achieve planned sales and profits by making steady progress with job execution.**
- **AA Business** **Thanks to those measures designed to address parts shortages and enhance production capacity, which proved successful in the second and third quarter, production has recovered, and sales are expected to attain the revised plan. Segment profit is also projected to attain the plan on the back of increased sales and improved profitability.**
- **LA Business** **Sales are expected to attain the plan, thanks to the order backlog. The impact of inflation in Europe is growing more apparent, and the business environment continues to be challenging; however, we will strive to achieve the revised plan for segment profit.**

(Billions of yen) (Billions of yen)

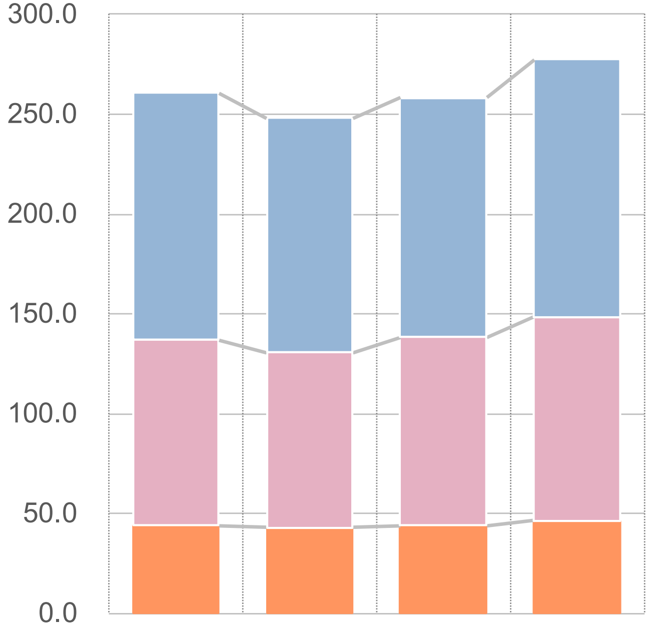
		FY2021 Full-year results (A)	FY2022 H1 results	FY2022 H2 revised plan	FY2022 Full-year revised plan (B)	Difference (B) - (A)	Difference *% Change*	FY2022 Full-year initial plan (C)	Difference (B) - (C)	Difference *% Change*
BA	Sales	119.7	52.0	76.9	129.0	9.2	*7.7*	129.0	–	*-*
	Segment profit	13.8	2.4	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*	

azbil

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

■ Sales by segment

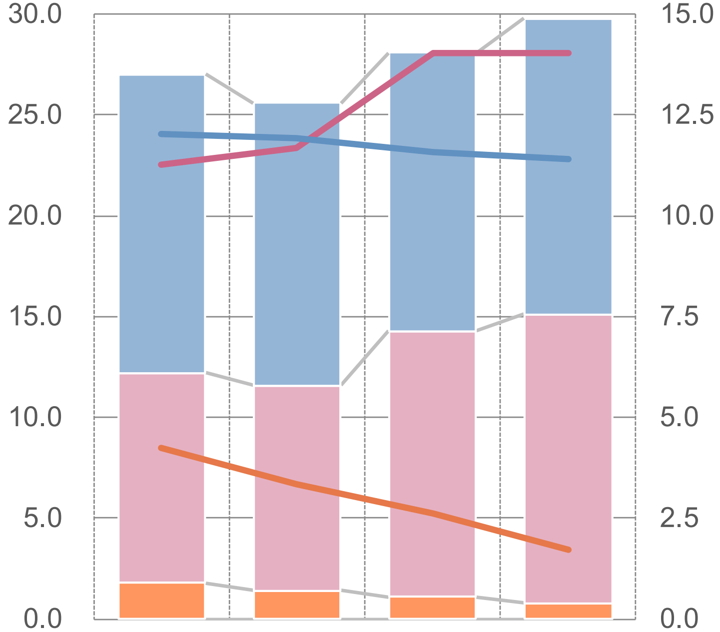
(Billions of yen)



	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)

(Billions of yen) (%)



	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***

3. Returning Profits to Shareholders

→No revision from the initial announcement on May 13, 2022

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.

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. No revision from the plan.
- 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)

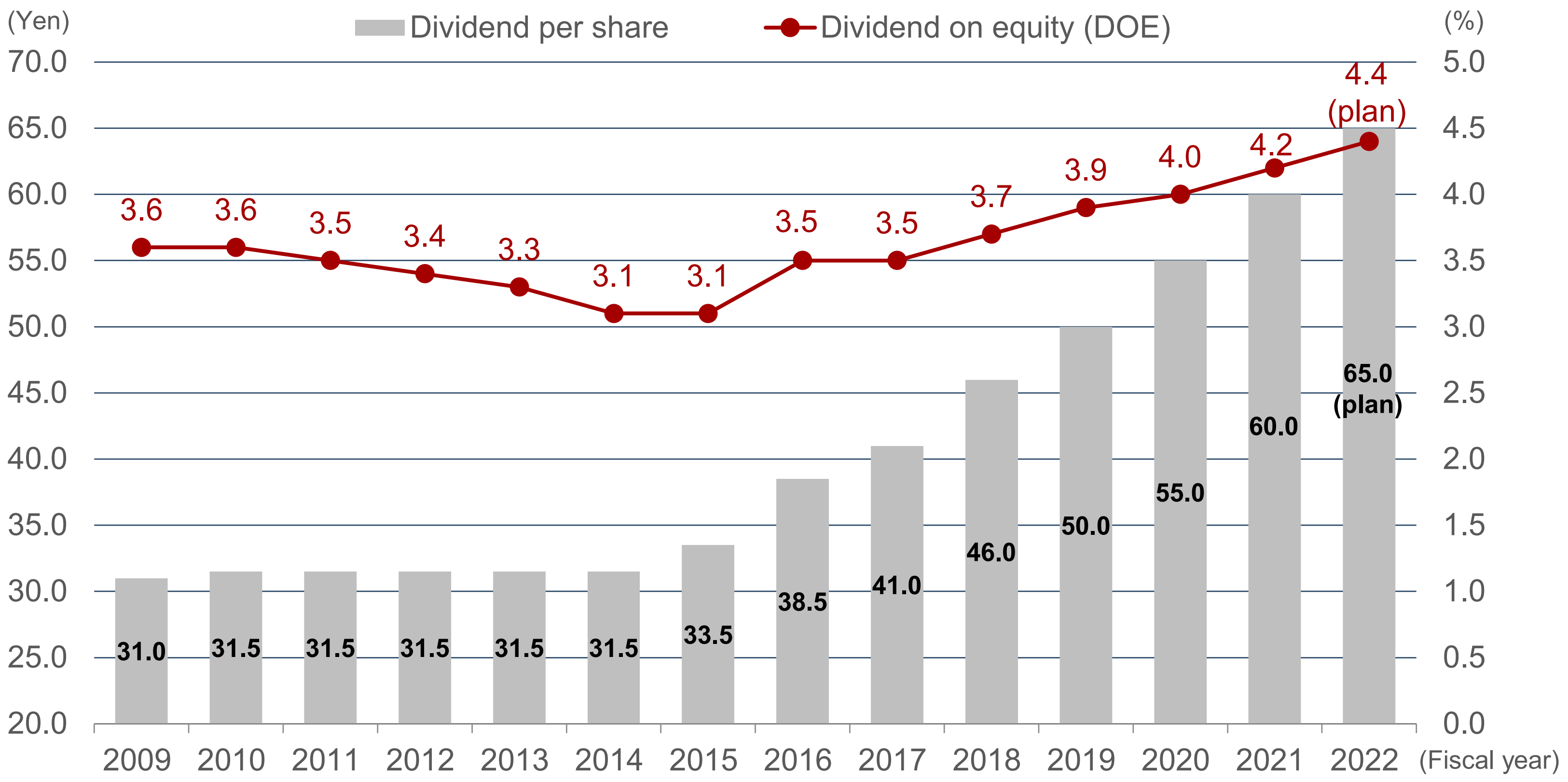
	FY2021			FY2022		
	Interim	Year-end	Annual	Interim	Year-end (plan)	Annual (plan)
Dividend per share	30.0	30.0	60.0	32.5	32.5	65.0
Payout ratio	39.8%			39.8% [*1]		
Dividend on equity (DOE)	4.2%			4.4% [*2]		

[*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.

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

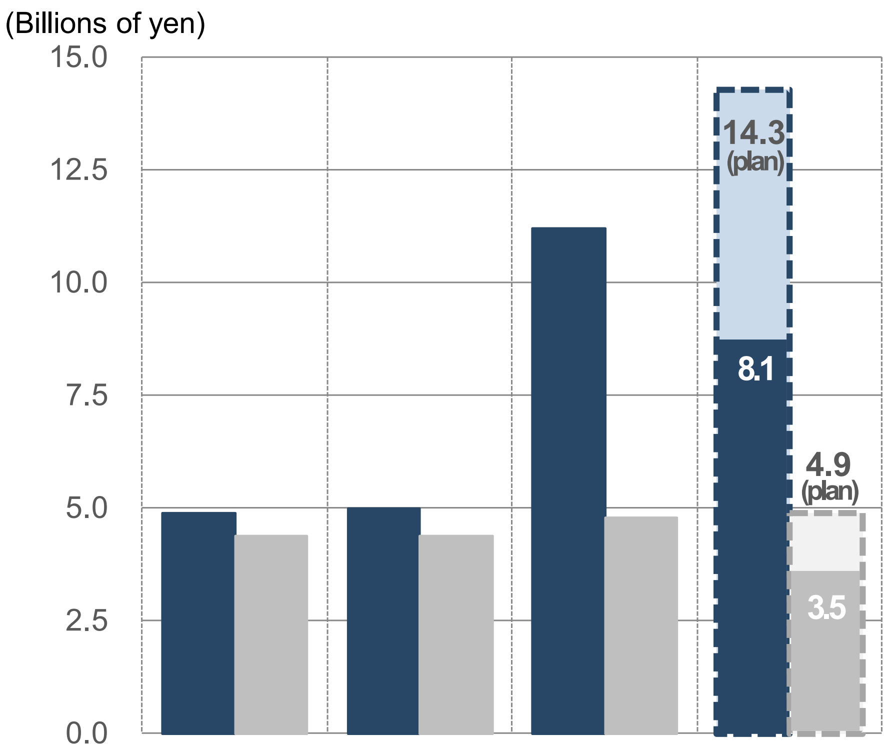
* ROE for FY2021, the first year for the medium-term plan, was 10.4%; the Company expects 10.8% for FY2022.

Appendix

Capital Expenditure, Depreciation and R&D Expenses

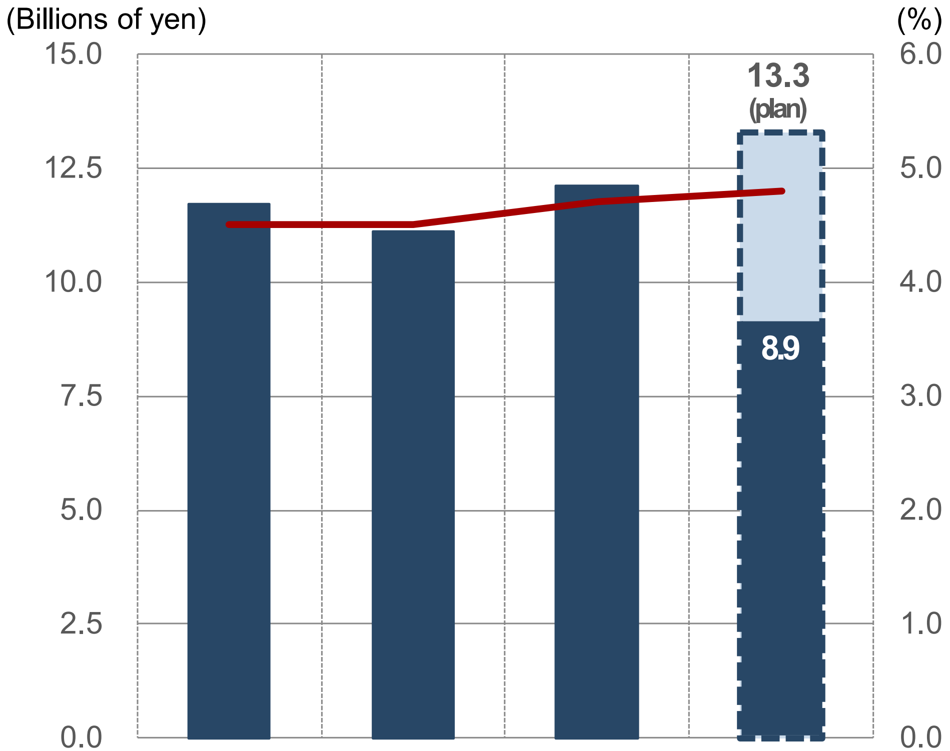
Full-year results/Q1-3 results for FY2022
Full-year plan for FY2022

■ 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 cumulative third quarter of FY2022 was +0.41 billion yen.

Long-term Targets and Medium-term Plan

The azbil Group defines three growth fields—new automation, environment and energy, and life-cycle solutions—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

- **Collaboration with other companies to expand the three growth fields:**
  DX-EGA (next-generation energy management business); GX solutions (reducing CO_2 emissions from office buildings, etc.); investment in Japan Green Investment Corp. for Carbon Neutrality (JICN); investment in and development of a business alliance with Clean Energy Connect, Inc.
- **Expanding the range of solution-focused products and services:**
  New testing facility completed at the Fujisawa Technology Center; overseas development of systems (a digital twin solution with the support of EDB*1)
- **Strengthening the sales structure and shifting production overseas (new factory building completed in Dalian, China)**
- **Measures to address the shortages and price hikes of parts (strengthening procurement capability, strengthening production capacity, and optimizing selling prices)**
- **Harnessing DX and work-style reforms**

Growth

Transformation

Safety

Period of the Medium-term plan for FY2021-2024

Long-term targets

2030
SDGs

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

	FY2019	FY2020	FY2021 (actual)	FY2022*2	FY2024*3	FY2030*3
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) *3 The medium-term plan (as of May 14, 2021)

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 promoting business area expansion through collaboration, investment and business alliances with other companies.

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
Solving new challenges with new products and services

Environment and Energy Field
Applying our proven strengths in energy efficiency and renewable energy

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

Life-cycle Solutions Field
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 Field

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

Environment 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

- DX-EGA: GHG assessment and visualization services
- GX solutions: Reducing CO_2 emissions from office buildings, etc.
- Invest in and develop a business alliance with Clean Energy Connect, Inc.
- Participate in the GX League (METI)
- Invest in JICN

Expand range of solution-focused 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, and upgrade clean room facility for development and production

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

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)

Changing domestic and overseas business environment and needs → **Progress of the azbil Group's initiatives and solutions**

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, offering post-pandemic safety and suited to new work styles; expanding business opportunities that combine carbon neutrality and wellness.
- Recovery 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 catering to safety/peace of mind needs and suited to new work styles (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%***

Changing domestic and overseas business environment and needs

- There is increasing demand for solutions related to societal and environmental changes—decarbonization, enhanced safety/efficiency of equipment and facilities, labor shortages, transition from corrective/preventive maintenance to predictive maintenance, etc.
- The impact of the silicon cycle has been observed on some markets, but there has been a gradual recovery from the COVID-19 pandemic and market growth was achieved, mainly overseas.

Progress of the azbil Group's initiatives and solutions

- ➢ 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, pharmaceu-ticals 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%***

Changing domestic and overseas business environment and needs

- Robust demand growth in the pharmaceutical manufactu-ring 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.

Introduction of our initiatives

- **Investment in Japan Green Investment Corp. for Carbon Neutrality (JICN)**
- **Investment in and development of a business alliance with Clean Energy Connect, Inc.**

Promotion of Green Transformation (GX) and expansion of partnerships to achieve carbon neutrality

Toward Expansion of the Environment and Energy Field: Investing in Japan Green Investment Corp. for Carbon Neutrality (JICN)

Azbil to invest in Japan Green Investment Corp. for Carbon Neutrality (JICN)*, a public-private fund established by Japan's Ministry of the Environment

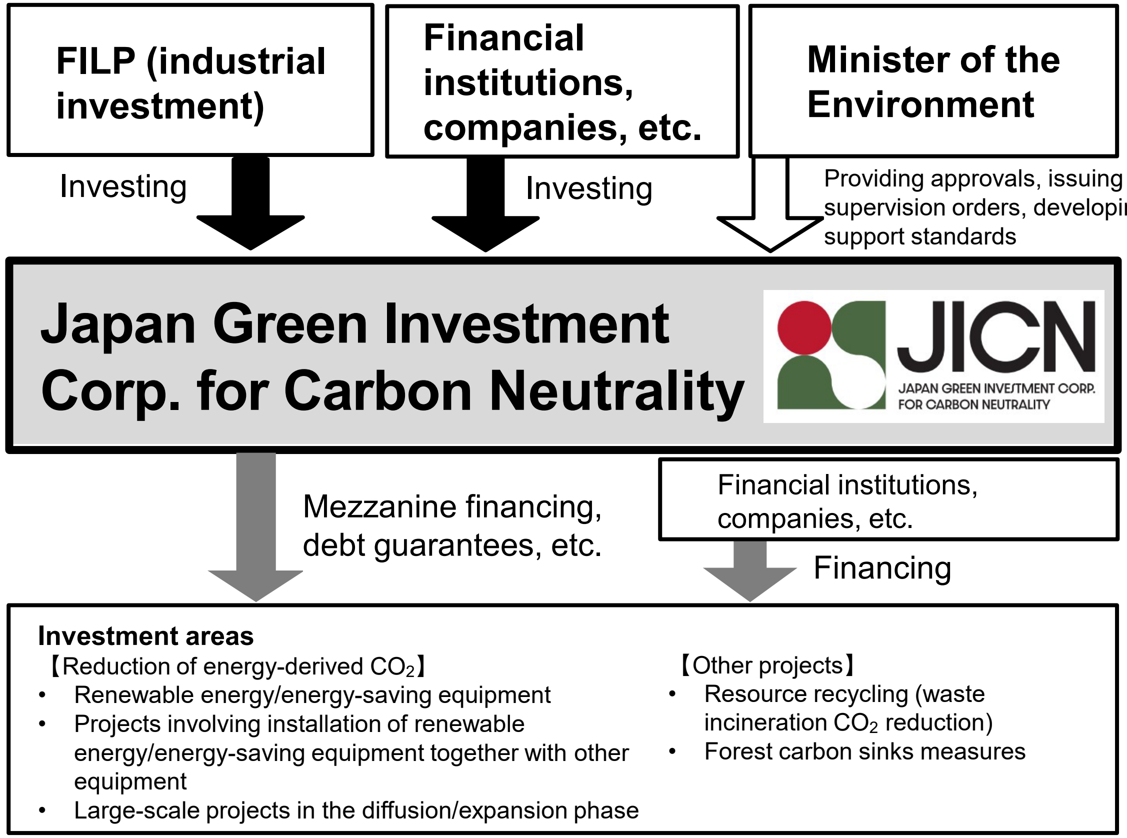
(October 2022)

- **To expand the environment and energy field, we will promote GX, the transformation of the economic and social system to realize carbon neutrality.**
- **Through partnerships with companies and research institutions in various fields, we are aiming to extend the energy-saving technologies and expertise that we have built up in our automation business.**
- **Our investment in JICN will facilitate the creation of new business opportunities that contribute to decarbonization, as well as partnerships with enterprises involved in decarbonization in fields which we have hitherto been unable to enter.**

* Japan Green Investment Corp. for Carbon Neutrality (JICN) (see diagram on right)

JICN is a corporation that operates a fund business with capital from the Japanese government's Fiscal Investment and Loan Program (FILP) and private-sector investment from 82 companies, including Azbil. JICN aims to provide investments and loans for projects involving decarbonization—with the aim of achieving carbon neutrality by 2050—and to contribute to socioeconomic development, regional regeneration, knowledge accumulation, and human resource enhancement.

Japan Green Investment Corp. for Carbon Neutrality



Envisioned projects (examples)

- Developing renewable energy and recycling resources, such as plastics, in ways that are regionally symbiotic and beneficial
- Co-firing of biomass, ammonia, etc. for thermal power generation; forest conservation and lumber/energy uses

*Note: This diagram is taken from the Ministry of the Environment website and translated by the Company.

https://www.env.go.jp/content/000105241.pdf (only available in Japanese)

Providing Solutions that Combine Energy-saving with Renewable Energy: Investing in CEC and Forming a Business Alliance

Azbil to invest in Clean Energy Connect, Inc. and form a business alliance: Contributing to the realization of a decarbonized society by providing energy-related solutions

(December 2022)

- We will combine our **energy-saving solutions**, for which Azbil is renowned as an energy-management enterprise, with the **green power solutions** of Clean Energy Connect Inc. (CEC) to offer customers a one-stop service
- We will harness Azbil's demand response technologies to enable more effective use of renewable energy sources, typified by large fluctuations in output
- Azbil will expand its offerings of BEMS and energy-saving solutions in combination with renewable energy, aiming for several billion yen in sales growth from FY2023.

■ **Clean Energy Connect, Inc.**

Founded: April 1, 2020

Business Profile: Green power solutions for corporate clients, non-FIT renewable energy generation

azbil × CEC CLEAN ENERGY » CONNECT

Energy-saving solutions	Green power solutions
➢ As a manufacturer specializing in measurement and control, Azbil provides products and services for factories, plants, buildings, etc. in a wide range of fields. ➢ Azbil has experience operating Virtual Power Plants (VPPs) by demand response using its systems that have been installed in a large number of buildings. ➢ Azbil has been registered as an Energy Management Business Operator[*1] for nine consecutive years, supporting energy-saving projects at factories and other business sites.	➢ For such clients as carbon-free management companies and companies participating in RE100[*2], CEC provides a one-stop service for green power solutions—from planning the introduction of green power to supporting implementation and verifying effectiveness, right through to goal achievement. ➢ At locations throughout Japan, CEC has developed several non-FIT small-scale solar power plants, for the exclusive use of its clients, and provided off-site corporate Power Purchase Agreement (PPA) services[*3] using green power with additionality.

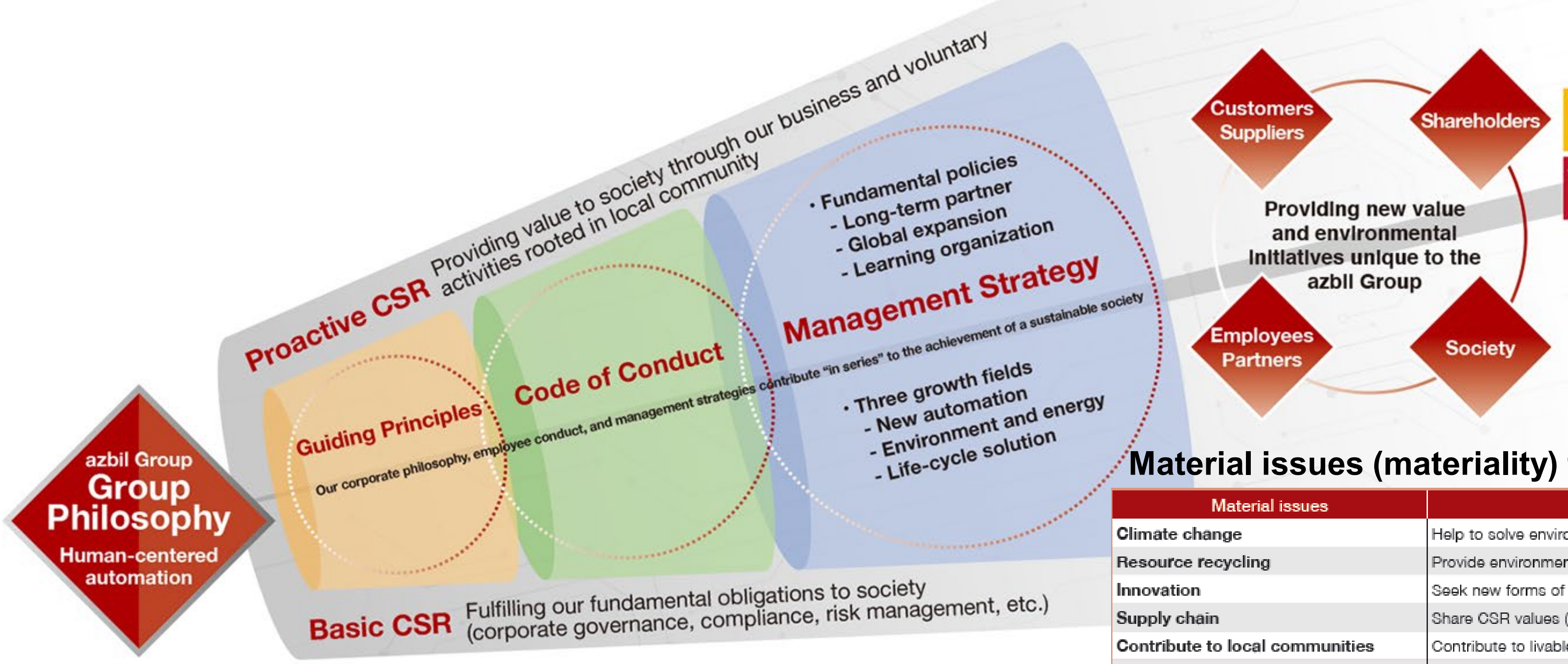
*1 An operator, adopted by the Sustainable open Innovation Initiative (SII), which takes responsibility for further promoting energy savings by subsidized projects; this is accomplished by installing an appropriate EMS at the business site of a subsidized project and furnishing the project operator with energy management methodology based on the functionality of the operator's own EMS.

*2 RE100: Renewable Energy 100%, an international initiative whose aim is for companies to power 100% of their operations with renewable energy. More than 390 global and Japanese companies are currently participating (as of Jan. 10, 2023).

*3 This involves developing and building a non-FIT solar power plant, for the exclusive use of the client company but located at a distance from the facility that will use the power, and concluding a long-term contract for the transmission of the power generated, with its environmental value, to the target facility.

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

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 Group[*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 40.

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

About **2,660** thousand metric tons of CO_2

Energy management effects

About **230** thousand metric tons of CO_2

Maintenance services effects

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)

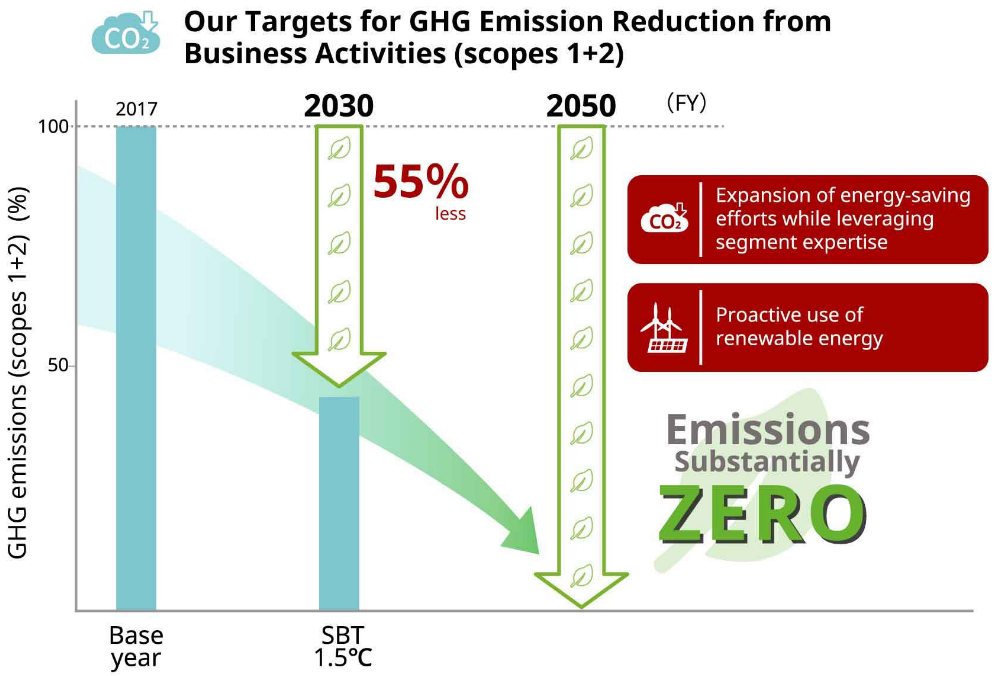
CO_2 emissions (scopes 1+2)
Azbil Corporation, its consolidated subsidiaries in Japan and its main manufacturing bases overseas

* 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.

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

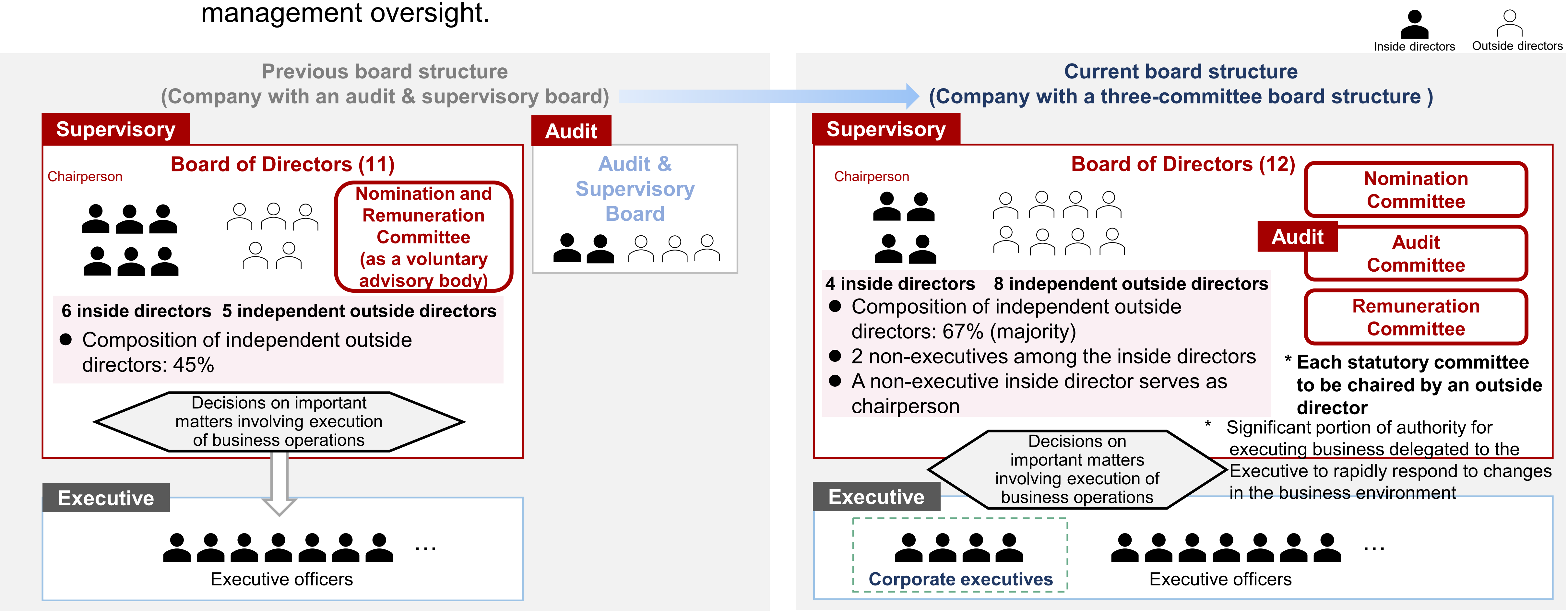
20 % reduction
compared with 2017

*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.

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.



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

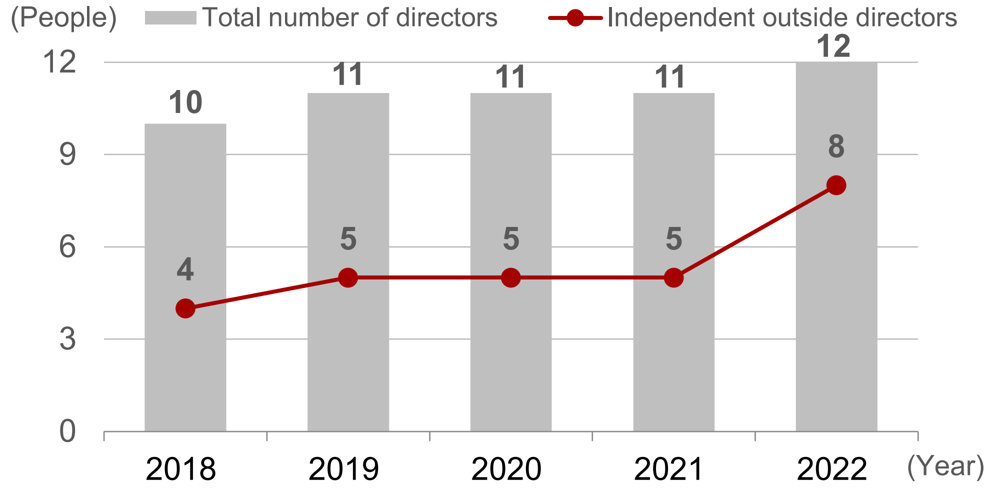
Bonus KPIs		Evaluation weighting
Financial metrics	Net sales	45%
	Operating income	45%
Non-financial metrics	Improved customer satisfaction, increased efficiency and productivity, HR development, revitalization of the organization, CSR management	10%

Stock-based compensation KPIs

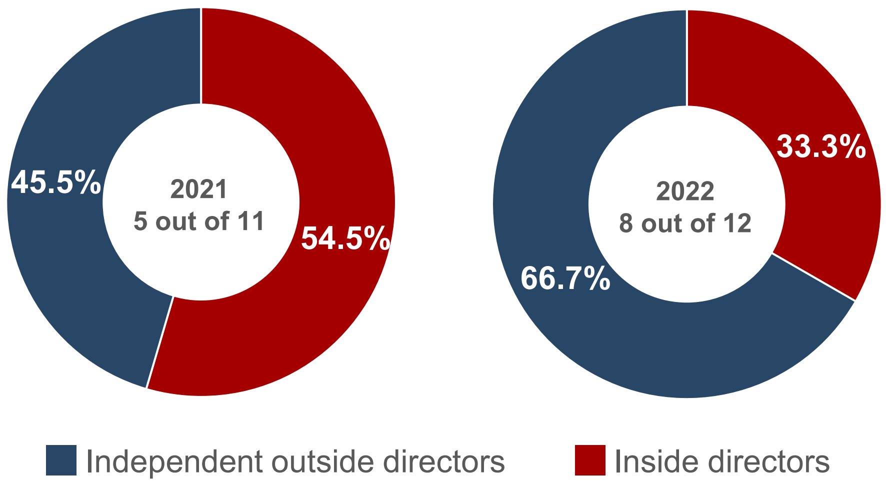
Stock-based compensation KPIs		Evaluation weighting
Financial metrics	Relative TSR (vs. TOPIX, including dividends)	50%
	Operating income margin	30%
Non-financial metrics	Effective CO_2 reduction	20%

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 January 2023)

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 "Platinum 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

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

- Control Product (CP) business: Supplying factory automation products such as controllers and sensors
- Industrial Automation Product (IAP) business: Supplying process automation products such as differential pressure transmitters, pressure transmitters, and control valves
- Solution and Service (SS) 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.

Notes (2) (from page 31)

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 the azbil Group/ 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.

IR Inquiries and Disclaimer

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Investor Relations

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Disclaimer

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