Presentation Materials for the First Quarter of Fiscal Year 2023 (Ending March 31, 2024) (Based on Japanese GAAP)

August 8, 2023
Azbil Corporation
RIC: 6845.T, Sedol: 6985543

azbil

Highlights

1. Consolidated Financial Results for the First Quarter of FY2023

Owing to a slump in the semiconductor market conditions and to the fact that this was a period when few multi-year service contracts were up for renewal, orders received declined. However, thanks to strengthened procurement and production capabilities, order backlog was steadily converted into sales. Profits rose significantly due to this increased revenue and the effect of measures to strengthen profitability.

- Orders received were 84.3 billion yen (down 8.4 billion yen or 9.1% on the same period of FY2022). This was partly due to the sluggish semiconductor manufacturing equipment market, but also to the fact that this was a period when few multi-year service contracts were up for renewal. However, the order backlog attained a high level at 180.1 billion yen (up 6.8 billion yen or 4.0% on the same period of FY2022).
- Revenue increased thanks to the growth in orders received in FY2022 as well as expanded production, reflecting strengthened procurement and production systems. Net sales were 61.2 billion yen (up 5.1 billion yen or 9.2% on the same period of FY2022).
- Despite an increase in expenses for R&D, DX, and other expenses, operating income was 4.6 billion yen (up 2.4 billion yen or 114.6% on the same period of FY2022). This resulted from higher revenue and measures to enhance profitability, including cost pass-through.

2. Consolidated Financial Plan for FY2023

No revision to the initial financial plan. Despite the uncertainty in some business environments, we plan to increase both net sales and operating income for the third consecutive fiscal year by making further progress with sustainable growth for our business portfolio—in which the three segments (BA, AA, LA) each operate in different market environments—and with measures to enhance profitability.

- The BA business continues to benefit from robust market conditions in Japan and overseas. Also, demand remains firm for plant maintenance and repair in the AA business and for meter replacement in the LA business, although the cyclical demand for LP gas meters is at a low ebb.
- Harnessing the progress we made during FY2022 in strengthening procurement and production capabilities, we aim to continue increasing revenue by steadily converting the large order backlog into sales.
- We aim to set a new record for operating income by implementing measures to enhance profitability, such as increasing margins at the point of order receipt and effecting cost pass-through.

3. Returning Profits to Shareholders

- **The Company plans to make an FY2023 annual dividend of 73 yen per share; this will represent the ninth consecutive year of dividend increases.** Based on the continuation of stable dividend payments, we aim to further improve the dividend on equity (DOE) ratio (4.4% for FY2022).
- **We are repurchasing the Company's own stock (up to a maximum of 10 billion yen or 4 million shares)** and plan to cancel all of the treasury shares thus acquired.

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1. Consolidated Financial Results for the First Quarter of FY2023

Consolidated Financial Results

- **Orders received fell short of the high level achieved in the same period of FY2022, when multi-year service contracts were renewed. Sluggish conditions in some markets also contributed to this decrease.**
- **Net sales rose, reflecting the increase in orders received in FY2022 as well as the steady progress made in procurement and production.**
- **Operating income also rose significantly on increased revenue and measures to enhance profitability, including cost pass-through.**

(Billions of yen)

	FY2022 Q1 (A)	FY2023 Q1 (B)	Difference	
			(B) - (A)	*% Change*
Orders received	**92.8**	**84.3**	**(8.4)**	***(9.1)***
Net sales	**56.0**	**61.2**	**5.1**	***9.2***
Japan	**43.3**	**46.6**	**3.3**	***7.7***
Overseas	**12.7**	**14.5**	**1.8**	***14.3***
Gross profit	**20.8**	**24.7**	**3.8**	***18.4***
Margin	***37.2***	***40.4***	***3.1pp***	
SG&A	**18.7**	**20.0**	**1.3**	***7.2***
Operating income (loss)	**2.1**	**4.6**	**2.4**	***114.6***
Margin	***3.9***	***7.6***	***3.7pp***	
Ordinary income (loss)	**3.3**	**5.6**	**2.3**	***71.1***
Income (loss) before income taxes	**3.3**	**5.6**	**2.3**	***70.6***
Net income (loss) attributable to owners of parent	**2.0**	**3.7**	**1.6**	***79.1***
Margin	***3.7***	***6.1***	***2.4pp***	

* The impact of foreign exchange rate fluctuations (compared with the same period of FY2022) +1.2 billion yen for net sales, +0.1 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.

Financial Results by Segment

- **Orders received decreased in the AA business due to a slump in the semiconductor manufacturing equipment market; there was also a decrease in the LA business, and in the BA business, which saw a high level of orders in the same period of FY2022 with the renewal of multi-year service contracts.**
- **Sales rose mainly in the BA and AA businesses, reflecting the increase in orders received in FY2022.**
- **Segment profit also rose in all businesses thanks to increased revenue and initiatives to strengthen profitability, including cost pass-through.**

(Billions of yen)

		FY2022 Q1 (A)	FY2023 Q1 (B)	Difference (B) - (A)	Difference % Change
BA	Orders received	48.9	46.4	(2.5)	*(5.2)*
	Sales	23.5	24.9	1.3	*5.7*
	Segment profit (loss)	0.0	0.4	0.3	*847.3*
	Margin	*0.2*	*1.7*	*1.5pp*	
AA	Orders received	31.2	25.7	(5.5)	*(17.6)*
	Sales	21.1	24.8	3.7	*17.6*
	Segment profit (loss)	2.0	3.8	1.8	*92.9*
	Margin	*9.6*	*15.7*	*6.1pp*	
LA	Orders received	13.1	12.7	(0.4)	*(3.3)*
	Sales	11.7	11.9	0.2	*1.8*
	Segment profit (loss)	0.0	0.3	0.2	*287.4*
	Margin	*0.7*	*2.8*	*2.1pp*	

Segment Information: BA Business

Our View of the Business Environment

— In the domestic market, demand has continued at a high level for urban redevelopment projects in the Tokyo metropolitan area and for heating, ventilation, and air conditioning (HVAC) control equipment/systems for factories. Demand for the refurbishment of existing buildings, including energy savings and CO_2 reduction, has remained steady.

— There is continuing interest in new solutions offering post-pandemic safety and suited to new work styles.

— Overseas, investment remains firm following the post-pandemic recovery.

- **Despite robust market conditions in Japan and overseas, orders received decreased overall, mainly due to a fall in the service field owing to the fact that this was a period when few multi-year service contracts were up for renewal.**
- **Sales rose overall. Thanks to a robust business environment, sales grew for existing buildings, for service, and overseas, while sales for new buildings remained at a high level.**
- **Segment profit also rose on increased revenue and improved profitability, and in spite of increased labor costs as well as higher expenses for R&D, digital transformation (DX), and other expenses.**

(Billions of yen)

	FY2022 Q1 (A)	FY2023 Q1 (B)	Difference (B) - (A)	Difference *% Change*
Orders received	**48.9**	**46.4**	**(2.5)**	***(5.2)***
Sales	**23.5**	**24.9**	**1.3**	***5.7***
Segment profit (loss)	**0.0**	**0.4**	**0.3**	***847.3***
Margin	***0.2***	***1.7***	***1.5pp***	

Segment Information: AA Business

Our View of the Business Environment

— In the process automation market, demand centering on maintenance and refurbishment has remained strong. In the factory automation market, however, demand has decreased owing to a downturn in the semiconductor manufacturing equipment market but also because of some recoil owing to the number of the advance orders to the company made in the same period of FY2022.

— Demand has been growing for the decarbonization of factories and plants, for addressing labor shortages and aging facilities, and for the incorporation of new production technologies.

— Some improvement has been observed in the situation regarding parts procurement difficulties and price hikes.

- **Orders received significantly decreased. This was mainly due to falling demand in the semiconductor manufacturing equipment market, but also because of some recoil of the advance orders made in the same period of FY2022.**
- **Buoyed by a large order backlog, sales significantly rose. This reflects the progress achieved in production and recording of sales, drawing on the procurement and production processes developed in FY2022.**
- **Segment profit also rose thanks to revenue growth and initiatives to enhance profitability, including cost pass-through, and despite the continuing impact of parts price hikes, as well as higher DX-related expenses directed at enhancing sales capabilities, R&D and other expenses.**

(Billions of yen)

	FY2022 Q1 (A)	FY2023 Q1 (B)	Difference (B) - (A)	Difference *% Change*
Orders received	31.2	25.7	(5.5)	*(17.6)*
Sales	21.1	24.8	3.7	*17.6*
Segment profit (loss)	2.0	3.8	1.8	*92.9*
Margin	*9.6*	*15.7*	*6.1pp*	

Segment Information: LA Business

Our View of the Business Environment

— The Lifeline field, which includes gas (city gas, LP gas) and water meters, depends on demand for meter replacement as required by law. Though demand can be expected to remain basically stable, the market for LP gas meters itself is dependent on cyclical demand which is currently at a low ebb.

— In the Life Science Engineering (LSE: for pharmaceuticals/laboratories) field, investment demand continues for pharmaceutical plant facilities, but the impact of inflation is evident, particularly in the European region.

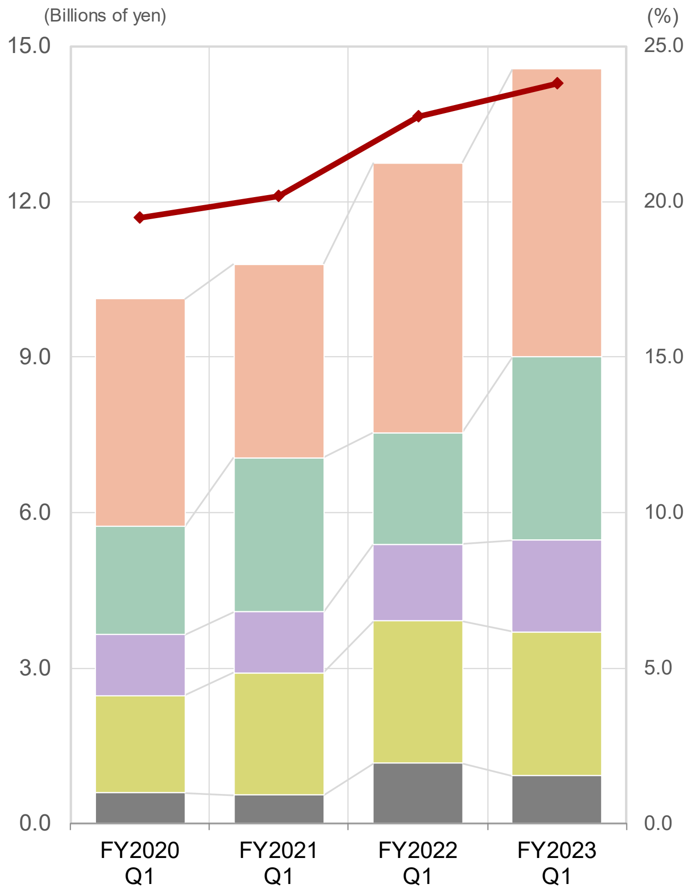
- **Orders received decreased overall. Although there was an increase in the Lifeline field for both gas & water meters, in the LSE field with operations in overseas markets, orders received were lower because of the high level achieved in the same period of FY2022.**
- **Sales increased overall owing to growth in the Lifeline field, and despite a decrease in the LSE field.**
- **Segment profit increased owing to cost improvement, etc.**

(Billions of yen)

	FY2022 Q1 (A)	FY2023 Q1 (B)	Difference (B) - (A)	Difference *% Change*
Orders received	**13.1**	**12.7**	**(0.4)**	***(3.3)***
Sales	**11.7**	**11.9**	**0.2**	***1.8***
Segment profit (loss)	**0.0**	**0.3**	**0.2**	***287.4***
Margin	***0.7***	***2.8***	***2.1pp***	

Overseas Sales by Region

- **Overseas sales increased by 14.3% from the same period of FY2022 and accounted for 23.8% of net sales.**
- **AA business sales grew significantly in Asia and China, mainly due to increased sales of field instruments for plants. BA business sales also increased, but those for the LA business decreased.**



(Billions of yen)

	FY2020 Q1	FY2021 Q1	FY2022 Q1	FY2023 Q1
Asia (ex-China)	4.3	3.7	5.1	**5.5**
China	2.0	2.9	2.1	**3.5**
North America	1.1	1.1	1.4	**1.7**
Europe	1.8	2.3	2.7	**2.7**
Others	0.5	0.5	1.1	**0.9**
Consolidated	10.1	10.7	12.7	**14.5**

Reference information

		FY2020 Q1	FY2021 Q1	FY2022 Q1	FY2023 Q1
Overseas sales / Net sales ratio (%)		*19.5*	*20.2*	*22.7*	***23.8***
Average exchange rate	USD/JPY	108.91	106.09	116.34	**132.40**
	EUR/JPY	120.13	127.80	130.40	**142.13**
	CNY/JPY	15.59	16.38	18.31	**19.34**

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

Consolidated Financial Position

- **In addition to inventories, investment securities increased due to the rise in market value of shareholdings. However, trade receivables decreased because net sales concentrate in the fourth quarter and collections progress in the first quarter.**
- **Current liabilities, including provision for bonuses and income taxes payable, decreased.**
- **Net assets decreased due to the repurchase of own stock and the payment of dividends, and despite a recording of net income attributable to owners of parent.**

(Billions of yen)

	As of Mar. 31, 2023 (A)	As of Jun. 30, 2023 (B)	Difference (B) - (A)
Current assets	**219.7**	**201.4**	**(18.2)**
Cash and deposits	62.0	55.1	(6.8)
Trade receivables	97.0	78.7	(18.3)
Securities	16.7	16.7	-
Inventories	37.1	43.4	6.2
Other	6.7	7.4	0.6
Non-current assets	**77.1**	**79.5**	**2.3**
Property, plant and equipment	38.2	39.1	0.8
Intangible assets	6.1	6.0	(0.0)
Investments and other assets	32.7	34.3	1.5
Total assets	**296.8**	**280.9**	**(15.9)**

	As of Mar. 31, 2023 (A)	As of Jun. 30, 2023 (B)	Difference (B) - (A)
Liabilities	**90.9**	**75.6**	**(15.3)**
Current liabilities	**79.0**	**63.6**	**(15.3)**
Trade payables	24.7	20.4	(4.2)
Short-term borrowings	8.8	8.9	0.0
Other	45.4	34.3	(11.1)
Non-current liabilities	**11.9**	**11.9**	**0.0**
Long-term borrowings	3.6	3.2	(0.3)
Other	8.3	8.6	0.3
Net assets	**205.8**	**205.2**	**(0.6)**
Shareholders' equity	**189.0**	**184.8**	**(4.1)**
Share capital	10.5	10.5	-
Capital surplus	11.6	11.6	-
Retained earnings	199.2	198.3	(0.8)
Treasury shares	(32.3)	(35.7)	(3.3)
Accumulated other comprehensive income	**13.7**	**17.0**	**3.3**
Non-controlling interests	**3.0**	**3.3**	**0.2**
Total liabilities and net assets	**296.8**	**280.9**	**(15.9)**
Shareholders' equity ratio (%)	**68.3**	**71.9**	***3.6pp***

2. Consolidated Financial Plan for FY2023

→No revision from the most recent announcement

Consolidated Financial Plan

- **No change to the initial financial plan.**

  Despite the uncertainty in some business environments, we plan to increase both net sales and operating income for the third consecutive fiscal year by making further progress with sustainable growth for our business portfolio—in which the three segments (BA, AA and LA) each operate in different market environments—and with measures to enhance profitability.

– **Although demand is uncertain in the semiconductor manufacturing equipment market, the BA business is benefitting from robust market conditions in Japan and overseas. Also, process automation market in the AA business and the Lifeline field in the LA business remain firm thanks to the maintenance and replacement demand.**

– **Harnessing the progress we made during FY2022 in strengthening procurement and production capabilities, we aim to continue increasing revenue by steadily converting the large order backlog into sales.**

– **Despite concerns about the continuing impact of price hikes of parts and inflation, we aim to set a new record for operating income by implementing measures to enhance profitability, such as increasing margins at the point of order receipt and effecting cost pass-through.**

– **We will continue and expand investment for growth—in R&D, equipment and facilities, DX, and human capital.**

(Billions of yen)

	FY2022 Full year (results) (A)	FY2023 H1 (plan)	FY2023 H2 (plan)	FY2023 Full year (plan) (B)	Difference (B) - (A)	Difference *% Change*
Net sales	**278.4**	**129.3**	**152.7**	**282.0**	**3.5**	*1.3*
Operating income	**31.2**	**9.7**	**22.3**	**32.0**	**0.7**	*2.4*
Margin	*11.2*	*7.5*	*14.6*	*11.3*	*0.1pp*	
Ordinary income	**32.1**	**9.7**	**22.4**	**32.1**	**(0.0)**	*(0.1)*
Net income attributable to owners of parent	**22.6**	**7.6**	**16.2**	**23.8**	**1.1**	*5.3*
Margin	*8.1*	*5.9*	*10.6*	*8.4*	*0.3pp*	

Reference: Exchange rate
FY2022 USD/JPY: 132, EUR/JPY: 138, CNY/JPY: 19.5
FY2023 USD/JPY: 130, EUR/JPY: 140, CNY/JPY: 19.0

Financial Plan by Segment (1)

- **The business environment is different for each business, but we plan to increase revenue in the BA and AA businesses by making use of the order backlog at the start of FY2023.**
- **Profits for the AA and LA businesses are expected to increase thanks to the effects of cost pass-through and strengthened cost management, in addition to those measures to strengthen profitability already implemented. For the BA business, effects from cost pass-through will be limited, and profits are expected to decrease due to a backlash from the second half of FY2022 in which profits were firm.**

(Billions of yen)

		FY2022 Full year (results) (A)	FY2023 H1 (plan)	FY2023 H2 (plan)	FY2023 Full year (plan) (B)	Difference (B) - (A)	Difference % Change
BA	**Sales**	**128.5**	**54.2**	**75.8**	**130.0**	**1.4**	*1.1*
	Segment profit	**16.0**	**2.3**	**13.3**	**15.6**	**(0.4)**	*(2.9)*
	Margin	*12.5*	*4.2*	*17.5*	*12.0*	*(0.5)pp*	
AA	**Sales**	**103.9**	**51.6**	**54.4**	**106.0**	**2.0**	*1.9*
	Segment profit	**14.5**	**7.0**	**8.5**	**15.5**	**0.9**	*6.3*
	Margin	*14.0*	*13.6*	*15.6*	*14.6*	*0.6pp*	
LA	**Sales**	**47.9**	**24.5**	**23.5**	**48.0**	**0.0**	*0.2*
	Segment profit	**0.5**	**0.4**	**0.5**	**0.9**	**0.3**	*52.8*
	Margin	*1.2*	*1.6*	*2.1*	*1.9*	*0.6pp*	

Financial Plan by Segment (2)

BA

- The domestic market will remain robust. Overseas markets are expected to recover and return to pre-pandemic levels.
- Based on the buildup in the order backlog at the start of FY2023, sales are expected to increase steadily.
- Aiming to improve profit margin, we will continue activities to secure new orders with a view to enhanced profitability, and we will focus on expanding the market for existing buildings.
- In the BA business, many projects are long-term and this has meant the beneficial effect of cost pass-through has been delayed. At the same time, along with a backlash from the second half of FY2022 in which segment profit was firm, a steep rise in subcontracting costs and higher expenses such as for DX are expected.

AA

- Uncertainty will continue in some markets, such as that for semiconductor manufacturing equipment. There will be continued demand for plant maintenance, repairs, etc.
- Harnessing the progress we made during FY2022 in strengthening procurement and production capabilities, we will steadily convert the large order backlog into sales.
- Thanks to higher revenue and profitability, including cost pass-through, we expect segment profit to increase.

LA

- In the Lifeline field, although there is the periodic lull in demand for LP gas meters, we will capture demand for city gas and water meters and develop the Smart Metering as a Service (SMaaS) market. Amidst restructuring of the industry in the LSE field, pharmaceutical market demand, including that related to COVID-19, will continue.
- In the overall LA business, we plan to improve profitability with cost pass-through, strengthened quality control and project management, including a review of individual business strategies.
- With inflation rising, particularly in Europe, we will address the changing environment by implementing sweeping cost management.

3. Returning Profits to Shareholders

→No revision from the most recent announcement

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

In accordance with our basic policy—promoting shareholder returns, investment in growth and healthy financial foundation—we are repurchasing the Company's own stock and will cancel treasury shares and increase dividends while investing in growth, including R&D, capital investment, DX and human capital.

FY2023 dividend

As regards the annual dividend for FY2023,
the Company plans an annual dividend of 73 yen per share.
(+7 yen compared with FY2022)

Repurchase of own stock and cancellation of treasury shares

Giving due consideration to ensuring a disciplined capital policy and capital efficiency,
we are repurchasing the Company's own stock of 10.0 billion yen (or 4.0 million shares).
We will also cancel all of the treasury shares thus acquired.

Reference
Progress of repurchase until July 31, 2023: 1,462,400 shares (6.5 billion yen)

Investments

In order to strengthen product competitiveness, we will strengthen capital investment and R&D.
We plan to spend 11.1 billion yen in capital investment and 13.2 billion yen in R&D.

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.

FY2023 Annual Dividend Plan

FY2023 dividend

The Company plans to increase the annual dividend by 7 yen per share, to 73 yen per share.

- **Although the outlook for the business environment is uncertain, in FY2023 the plan calls for an increase in revenue and profits compared with FY2022, and with stable and sustainable growth anticipated from a medium- to long-term perspective, it is planned to increase the dividend by 7 yen to 73 yen per share.**
- **Based on the continuation of stable dividend payments, we aim to further improve the dividend on equity (DOE) ratio.**

(Yen)

	FY2022			FY2023		
	Interim	Year-end	Annual	Interim (plan)	Year-end (plan)	Annual (plan)
Dividend per share	32.5	33.5	66.0	36.5	36.5	73.0
Payout ratio	*39.2%*			*40.3%* [*1]		
Dividend on equity (DOE)	*4.4%*			*4.7%* [*2]		

[*1] The effects of repurchase of own stock in FY2023 are taken into account for a trial calculation of net income per share, and accordingly the dividend payout ratio for FY2023.

[*2] The following factors have been taken into account for the trial calculation of dividend on equity (DOE), which is based on shareholders' equity as of March 31, 2023: repurchase of own stock in FY2023, year-end dividends for FY2022, interim dividends for FY2023, and net income attributable to owners of parent for the full year in the consolidated financial plan for FY2023.

Repurchase of Own Stock and Cancellation of Treasury Shares

Repurchase of own stock	**We are repurchasing the Company's own stock up to a maximum of 10.0 billion yen (or 4.0 million shares).** * Progress of repurchase until July 31, 2023: 1,462,400 shares (6.5 billion yen)
Cancellation of treasury shares	**We plan to cancel all the Company's treasury shares thus acquired.**

- **Based on the return on equity (ROE) target in our long-term targets (for FY2030) and in the medium-term plan (FY2021-2024), we are engaging in business expansion and measures to strengthen profitability. At the same time, to execute a disciplined capital policy, improve capital efficiency and provide higher shareholder returns, we are repurchasing the Company's own stock.**
- **To allay concerns about dilution, we plan to cancel all of the treasury shares thus acquired.**

Repurchase of own stock

- Type of stock to be repurchased: Common stock of the Company
- Total number of shares to be repurchased: Up to 4,000,000 shares *
- Total amount of repurchase: Up to 10.0 billion yen
- Period of repurchase: From May 15, 2023 to September 22, 2023
- Method of repurchase: Market transactions on the Tokyo Stock Exchange

* 2.9% of the total number of common shares issued, excluding treasury shares

Cancellation of treasury shares

- Type of stock to be cancelled: Common stock of the Company
- Number of shares to be cancelled: All shares of common stock to be repurchased (mentioned on the left)
- Scheduled cancellation date: October 31, 2023

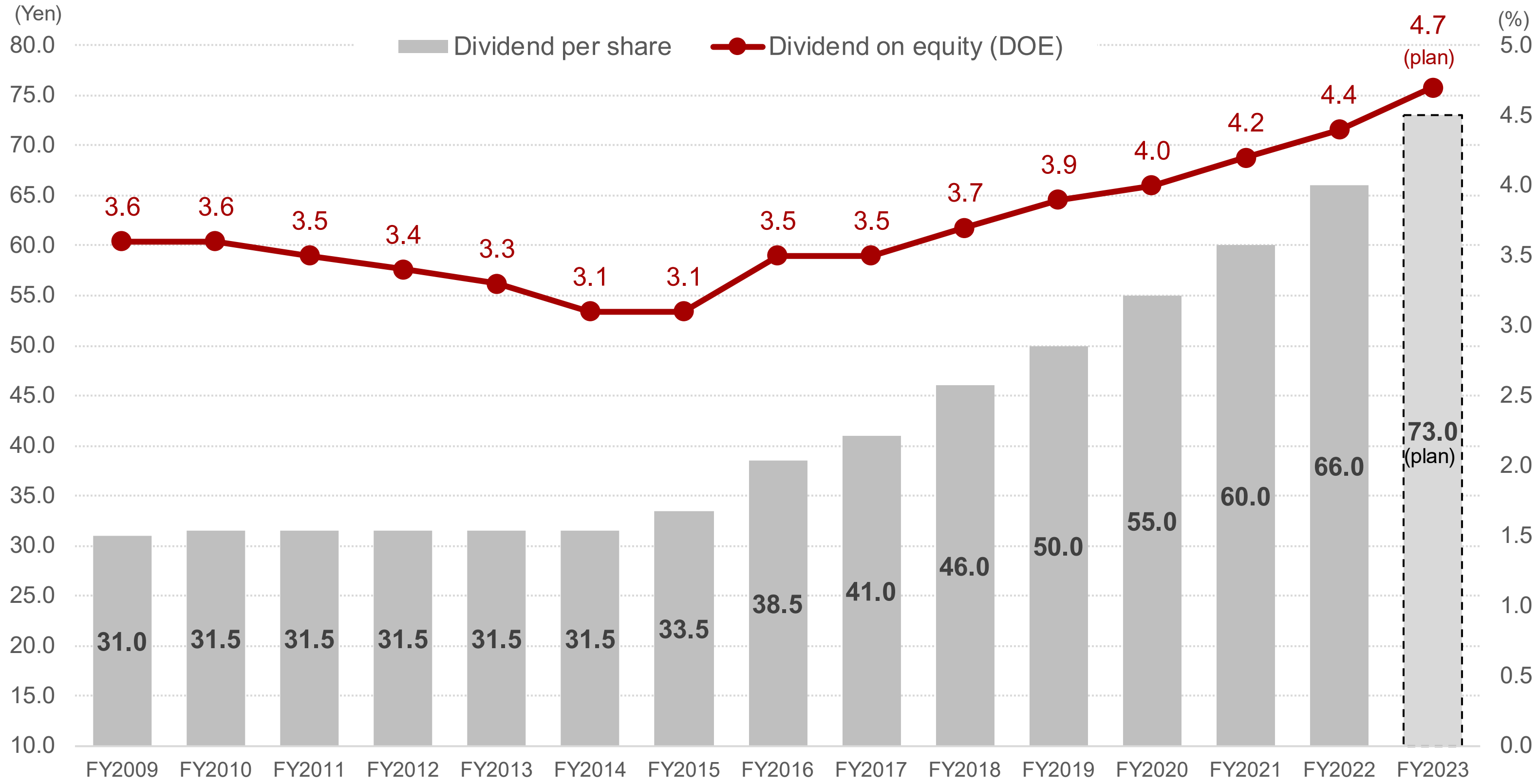
Reference

Status of treasury shares held as of March 31, 2023
- Total number of issued shares (excluding treasury shares): 136,552,663 shares
- Number of treasury shares: 7,148,221 shares

The number of treasury shares shown on the left does not include shares owned by trust accounts of an employee stock ownership plan, a Trust-Type Employee Shareholding Incentive Plan and stock compensation plan, which owned 2,943,331 shares as of March 31, 2023.

Trend of Shareholder Returns

- **In FY2023 it is planned to increase dividends for the ninth consecutive fiscal year. DOE is expected to be 4.7%.**



	FY2009	FY2010	FY2011	FY2012	FY2013	FY2014	FY2015	FY2016	FY2017	FY2018	FY2019	FY2020	FY2021	FY2022	FY2023
Total amount of own stock repurchased (billions of yen)							1.9		2.9	4.9	9.9		9.9	9.9	10.0 (plan)
Number of shares repurchased (millions of shares)							1.20		1.42	1.87	3.71		2.25	2.67	4.00 (plan)

• The dividend per share and the number of treasury shares repurchased have been retroactively revised, taking into account the effects of the 2-for-1 common stock split effective.

Appendix I
Financial Data

Performance Trend by Segment	**22**
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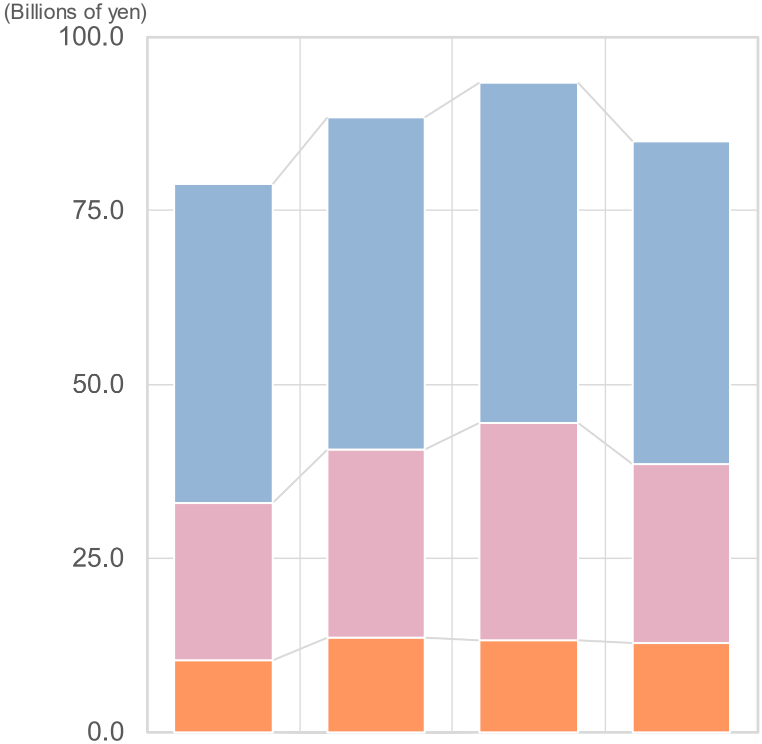
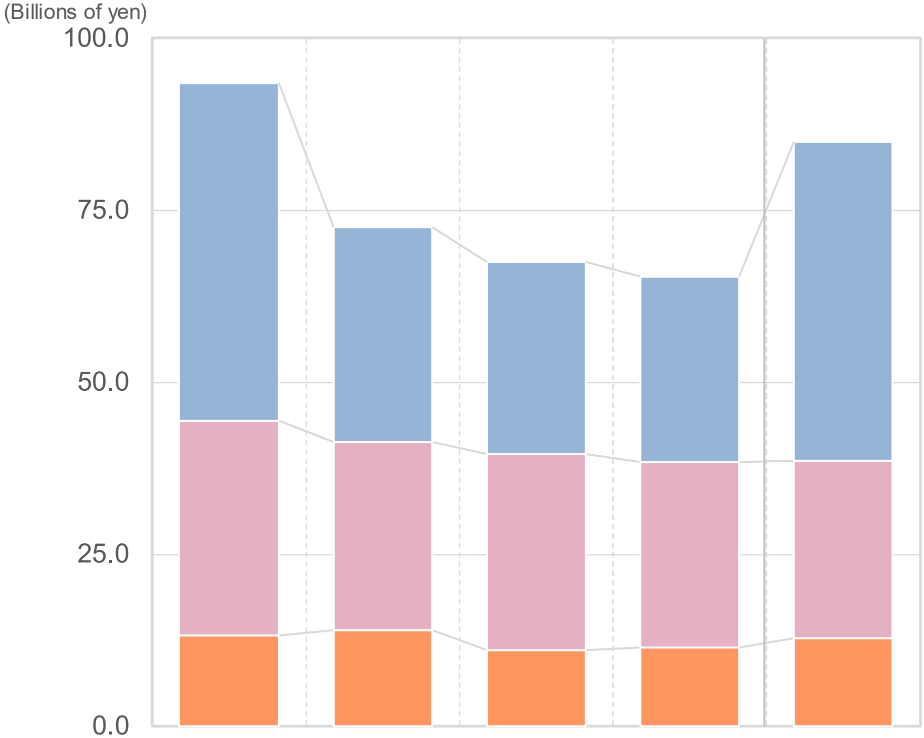
Performance Trend by Segment: Orders Received

■ Orders received by segment (comparisons of Q1)



	FY2020 Q1	FY2021 Q1	FY2022 Q1	FY2023 Q1
B A	45.9	47.7	48.9	**46.4**
A A	22.5	27.0	31.2	**25.7**
L A	10.3	13.6	13.1	**12.7**
Consolidated	78.5	88.1	92.8	**84.3**

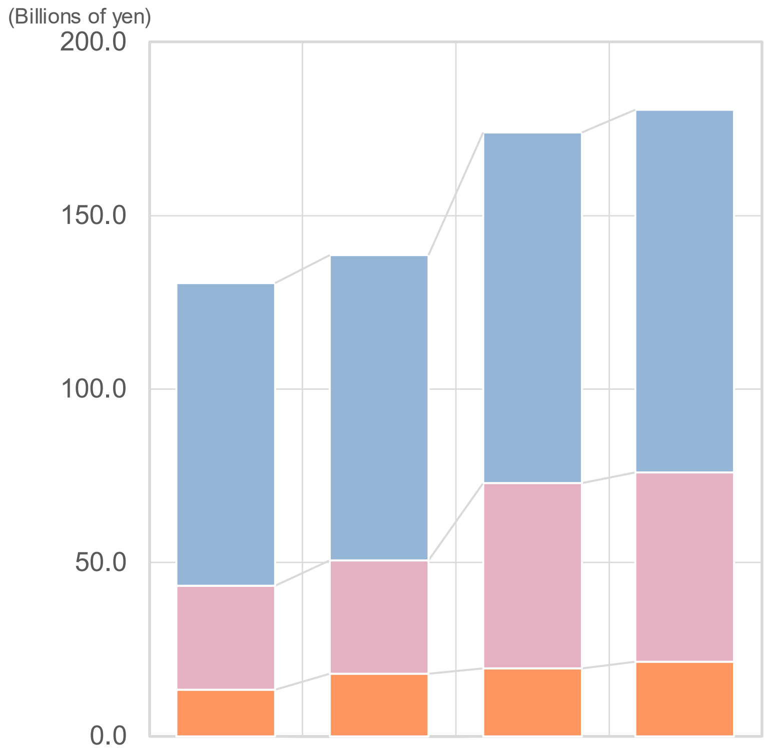
■ Orders received by segment (quarterly comparisons)



	FY2022 Q1	Q2	Q3	Q4	FY2023 Q1
B A	48.9	31.2	28.0	27.0	**46.4**
A A	31.2	27.3	28.4	26.9	**25.7**
L A	13.1	13.9	11.0	11.5	**12.7**
Consolidated	92.8	72.0	67.0	64.9	**84.3**

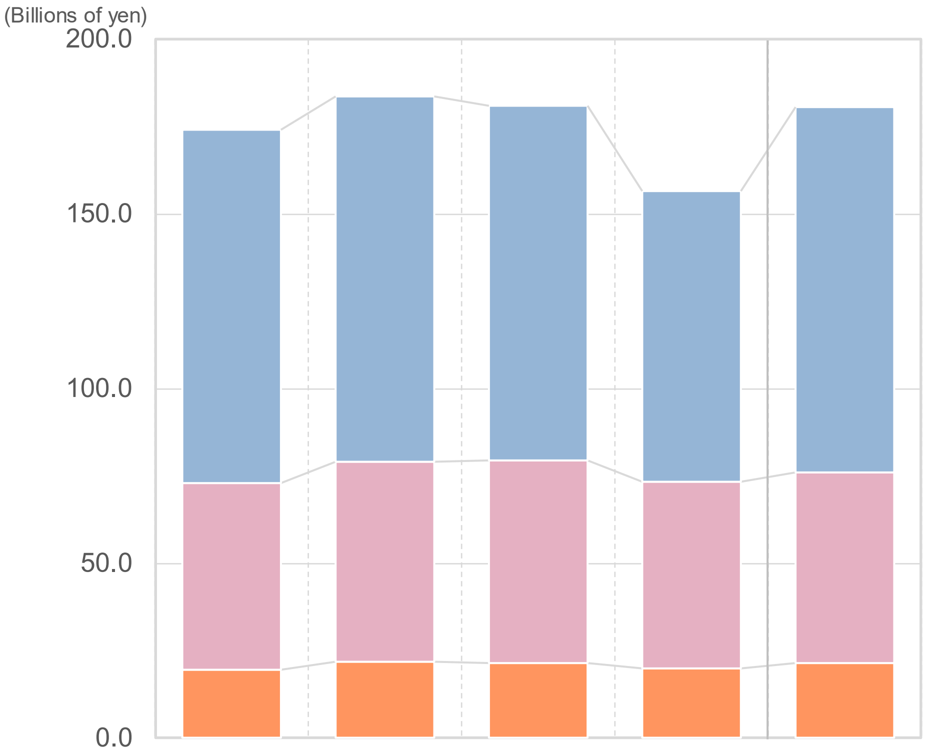
Performance Trend by Segment: Order Backlog

■ Order backlog by segment (comparisons of Q1)



	FY2020 Q1	FY2021 Q1	FY2022 Q1	**FY2023 Q1**
B A	87.2	88.0	101.1	**104.5**
A A	29.7	32.6	53.4	**54.6**
L A	13.5	17.8	19.4	**21.4**
Consolidated	130.2	138.3	173.2	**180.1**

■ Order backlog by segment (quarterly comparisons)

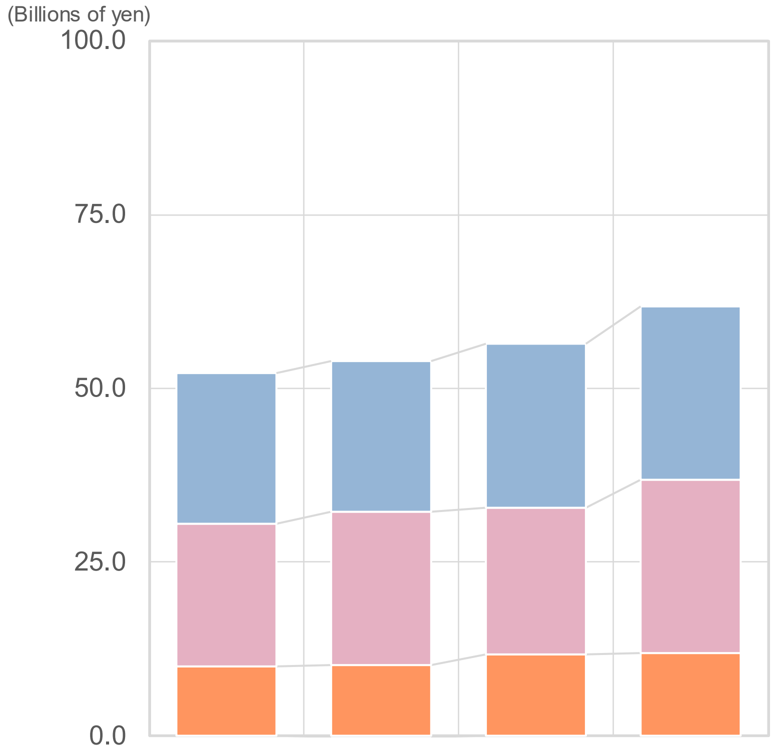


	FY2022 Q1	Q2	Q3	Q4	**FY2023 Q1**
B A	101.1	104.6	101.6	82.8	**104.5**
A A	53.4	56.9	58.0	53.4	**54.6**
L A	19.4	22.0	21.3	20.1	**21.4**
Consolidated	173.2	182.9	180.5	156.0	**180.1**

Appendix I Financial Data

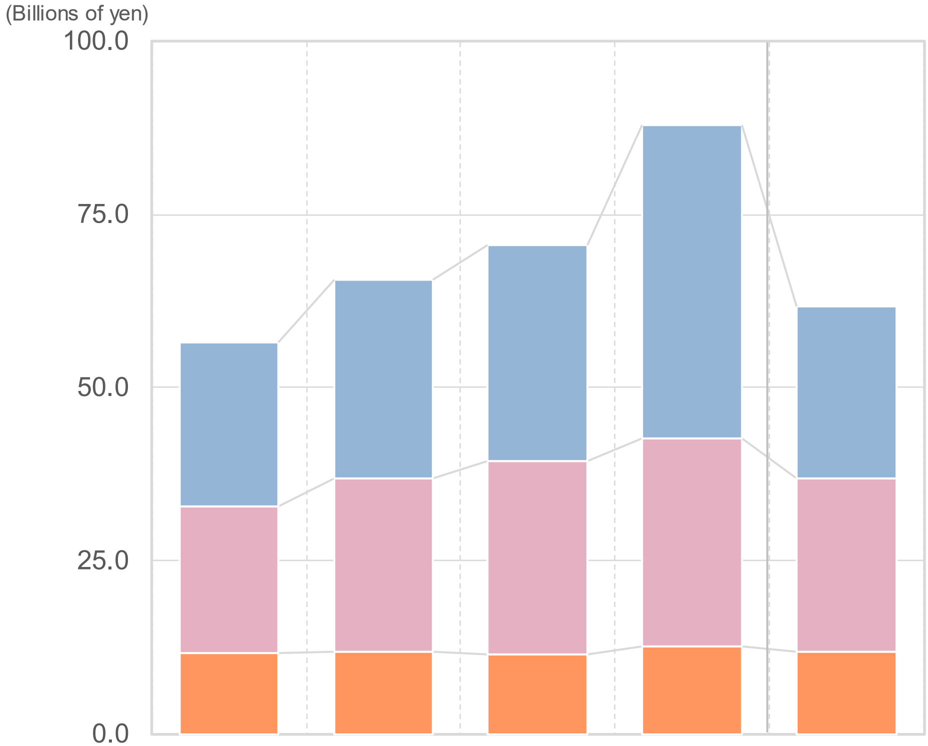
Performance Trend by Segment: Sales

Sales by segment (comparisons of Q1)



	FY2020 Q1	FY2021 Q1	FY2022 Q1	**FY2023 Q1**
B A	21.7	21.6	23.5	**24.9**
A A	20.4	21.8	21.1	**24.8**
L A	10.0	10.2	11.7	**11.9**
Consolidated	51.9	53.4	56.0	**61.2**

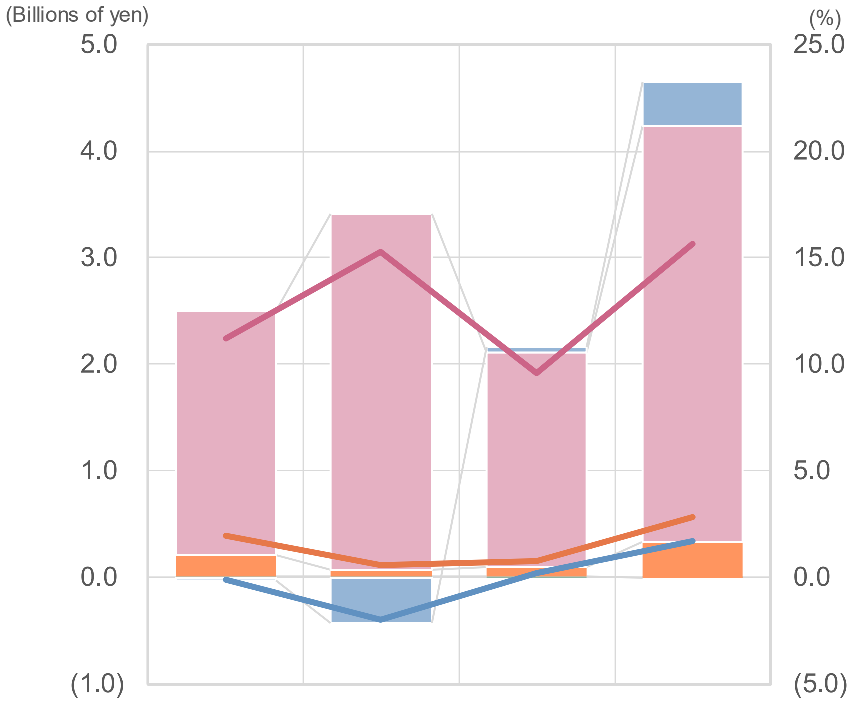
Sales by segment (quarterly comparisons)



	FY2022				**FY2023**
	Q1	Q2	Q3	Q4	**Q1**
B A	23.5	28.4	31.3	45.2	**24.9**
A A	21.1	25.0	27.7	30.0	**24.8**
L A	11.7	11.9	11.5	12.5	**11.9**
Consolidated	56.0	64.9	70.0	87.3	**61.2**

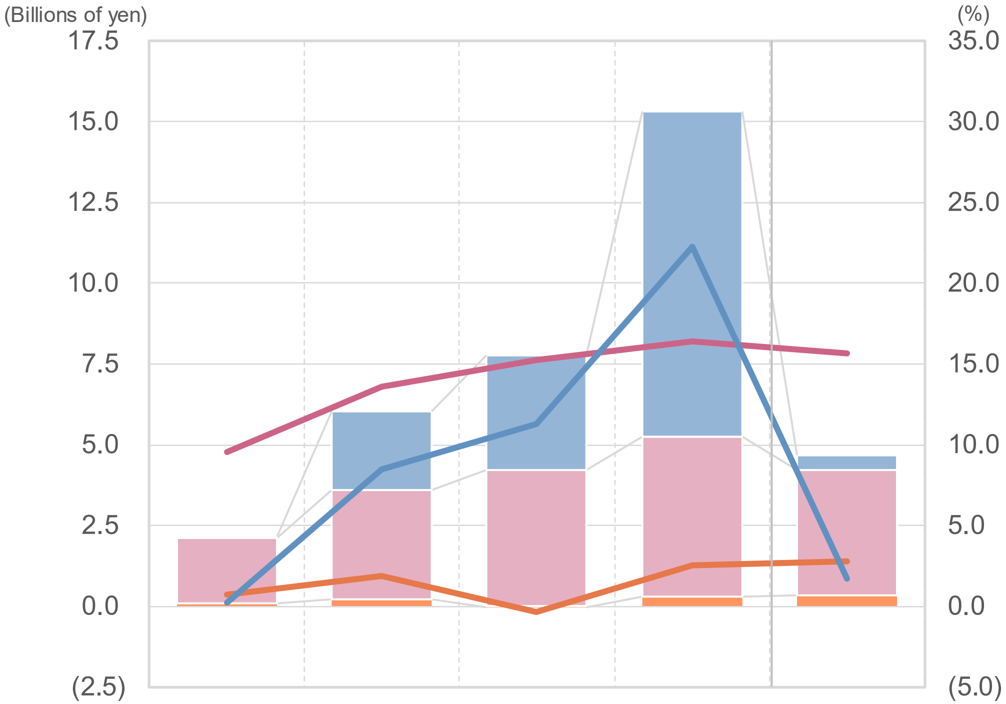
Performance Trend by Segment: Segment Profit

Segment profit (comparisons of Q1)



	FY2020 Q1	FY2021 Q1	FY2022 Q1	**FY2023 Q1**
B A	(0.0)	(0.4)	0.0	**0.4**
Margin	*(0.1)*	*(2.0)*	*0.2*	***1.7***
A A	2.2	3.3	2.0	**3.8**
Margin	*11.2*	*15.3*	*9.6*	***15.7***
L A	0.1	0.0	0.0	**0.3**
Margin	*2.0*	*0.6*	*0.7*	***2.8***
Consolidated	2.4	2.9	2.1	**4.6**
Margin	*4.7*	*5.5*	*3.9*	***7.6***

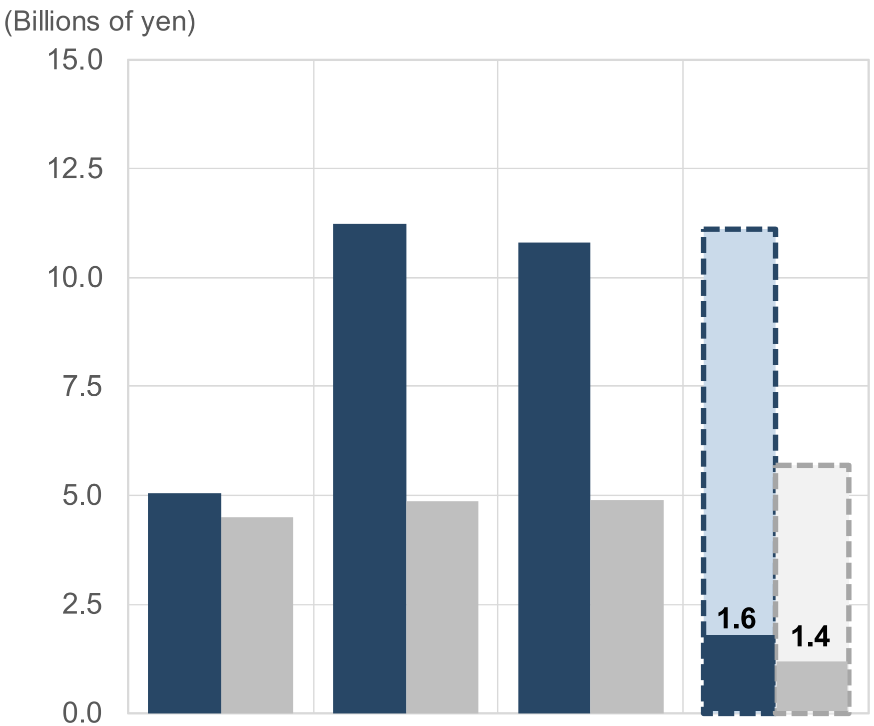
Segment profit (quarterly comparisons)



	FY2022 Q1	Q2	Q3	Q4	**FY2023 Q1**
B A	0.0	2.4	3.5	10.0	**0.4**
Margin	*0.2*	*8.5*	*11.3*	*22.3*	***1.7***
A A	2.0	3.3	4.2	4.9	**3.8**
Margin	*9.6*	*13.6*	*15.2*	*16.4*	***15.7***
L A	0.0	0.2	(0.0)	0.3	**0.3**
Margin	*0.7*	*1.9*	*(0.3)*	*2.5*	***2.8***
Consolidated	2.1	6.0	7.7	15.3	**4.6**
Margin	*3.9*	*9.3*	*11.1*	*17.5*	***7.6***

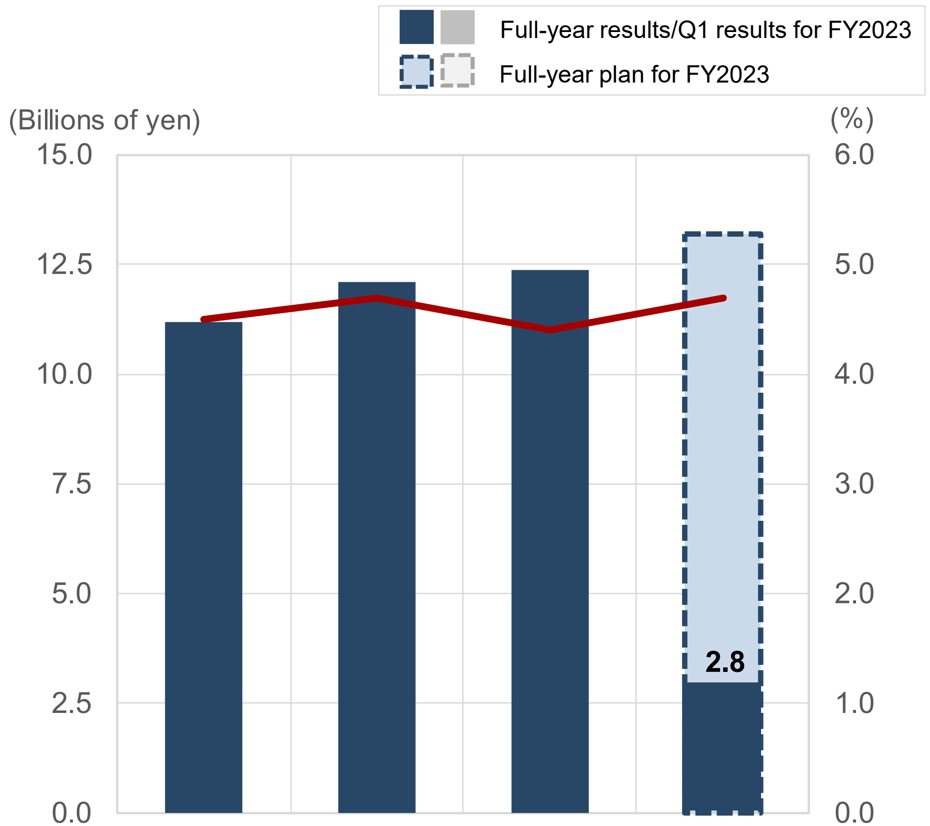
Capital Investment, Depreciation and R&D Expenses

■ Capital investment, depreciation



	FY2020	FY2021	FY2022	FY2023 (plan)
■ Capital investment	5.0	11.2	10.8	**11.1**
■ Depreciation	4.4	4.8	4.9	**5.7**

■ R&D expenses



	FY2020	FY2021	FY2022	FY2023 (plan)
■ R&D expenses	11.1	12.1	12.3	**13.2**
━ R&D expenses / Net sales (%)	4.5	4.7	4.4	**4.7**

Appendix II
Medium-term Plan and Sustainability Management

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.

<Three Growth Fields>

- New Automation
- Environment and Energy
- Life-cycle Solutions

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

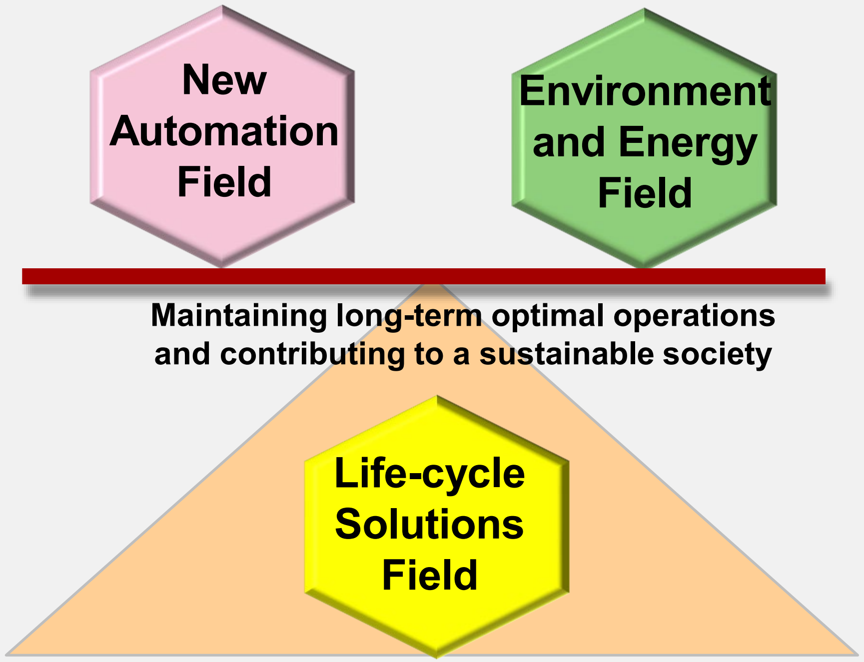
	FY2019	FY2020	FY2021	FY2022	FY2023*1	FY2024*2	FY2030*2
Net sales	259.4 billion yen	246.8 billion yen	256.5 billion yen	278.4 billion yen	282.0 billion yen	300.0 billion yen	400.0 billion yen range
[Overseas sales]	[44.1 billion yen]	[44.8 billion yen]	[52.1 billion yen]	[62.6 billion yen]	[63.5 billion yen]	[66.0 billion yen]	[100.0 billion yen range]
Operating income	27.2 billion yen	25.7 billion yen	28.2 billion yen	31.2 billion yen	32.0 billion yen	36.0 billion yen	60.0 billion yen range
Margin	10.5%	10.4%	11.0%	11.2%	11.3%	12%	approx. 15%
ROE	10.9%	10.4%	10.4%	11.2%	11.6%	approx. 12%	approx. 13.5%

*1 Plan (as of May 12, 2023) *2 The medium-term plan (as of May 14, 2021)

Initiatives in Three Growth Fields and Application to Each Business Segment

Three Growth Fields

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



New Automation Field

- **Expanding sales by providing solutions that meet new demands**

BA : Emerging needs for building environments offering post-pandemic safety and facilitating new work styles (wellness)
AA : Higher productivity and safe, stable operation of equipment
LA : Providing IoT support for different meter types (smart meter) and collecting big data

Environment and Energy Field

- **Expanding sales by delivering new value with existing products**

BA : Expanding business opportunities for realizing carbon neutrality and wellness at the same time
AA : Increasing demand for ways to save energy and reduce greenhouse gas emissions in production facilities
LA : Emerging needs for supporting customers' decarbonization through the use of measured big data

Life-cycle Solutions Field

- **Ensuring the quality, performance, and productivity of customer assets (factories, office buildings, lifelines) for the long-term; high added value and DX to increase profitability**

Strengthening Investment in Human Capital to Realize Growth in the Three Growth Fields

The azbil Group's approach to sustainability management

The azbil Group is committed to continuously enhancing enterprise value, to realizing "safety, comfort, and fulfillment in people's lives" and contributing to global environmental preservation, and to contributing "in series" to a sustainable society.

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

Materiality	
Climate change	Human rights, safety, and health
Resource recycling	Learning and employee development
Innovation	Product safety and quality
Supply chain	Corporate governance
Contribute to local communities	Compliance

Human capital

Investing in human capital

Recruitment and development

- Referral and alumni recruitment
- Encouraging program for acquiring the qualification
- Reskilling

Competitive compensation & benefits

- Employee Stock Ownership Program
- The azbil Group Employee Stock Ownership Association and Trust-Type Employee Shareholding Incentive Plan (E-Ship®)
- Expansion of diversified allowances

Reforming HR systems

- Job-based personnel system
- Professional and high-skilled engineer reward system

Three Growth Fields

New Automation Field

- Fostering skills required by advanced technology developers and finding optimal posts for them in the organization
- Joint research/development with universities and research institutions

Environment and Energy Field

- Training engineers to create carbon-neutral solutions
- Exchanging human resources with partner companies

Life-cycle Solutions Field

- HR training/reskilling centered on DX

Medium-term Plan: Initiatives in the First Quarter (from Azbil Corp. press release)

Developing technologies and enhancing product competitiveness through collaborative creation with our partners

- **May 22, 2023: Azbil and the Indian Institute of Technology Roorkee Sign MoU for Research Collaboration on Innovative Digital Solutions.**
  - Azbil and IIT Roorkee will engage in collaborative research and run internship programs in areas of mutual interest. The collaboration will involve joint academic activities, industry-led projects to promote digitalization, exchange of expertise and resources, and talent development in select STEM (Science, Technology, Engineering, and Mathematics) fields.
  - (https://www.azbil.com/press/230522.html)

About Indian Institute of Technology Roorkee

The Indian Institute of Technology Roorkee (IIT Roorkee) is an institute of national importance imparting higher education in engineering, sciences, management, architecture and planning, and humanities and social sciences. Since its establishment in 1847, the Institute has played a vital role in providing India with technical human resources and know-how.

- **June 19, 2023: Azbil Corp. and the Kansai Electric Power Company, Inc. (KEPCO) announce their agreement on a business tie-up to promote the introduction and use of AI-based equipment anomaly detection systems; both parties to begin sales of BiG EYES plus.**
  - A joint project with KEPCO to develop a functional extension of the AI-based BiG EYES anomaly detection system has been completed, resulting in BiG EYES plus, which will be available from June 20. The two companies have agreed on a business tie-up to promote the introduction and use of this new system at thermal power plants, large-scale factories, etc.
  - Following this successful development project, we will (1) promote the introduction and use of BiG EYES and BiG EYES plus in thermal power plants and large-scale factories; (2) encourage digital transformation (DX) in the management of operations and facilities involving large-scale processes; and (3) contribute to stabilizing power supplies and rationalizing facility management for large-scale processes in order to address the challenges presented by a steadily shrinking work force.

Goals and Targets of the azbil Group's Materiality

The azbil Group has established five categories and ten items of the materiality and has set unique and specific SDGs targets to achieve them. By placing the targets on a management cycle that includes formulation, implementation, reporting to the Board of Directors, supervision and direction, we will increase the certainty of achieving the plan.

Materiality			Essential Goals of azbil Group for SDGs: Essential goals			Essential Goals of azbil Group for SDGs: Targets
Business	Environment	Climate change Resource recycling	I	Preserving the Earth's environment and solving energyrelated problems through cooperative creation	Environment and energy	●**Effective reduction of CO_2** at customers' sites **for FY2030 3.4 million metric tons of CO_2/year** ● Targets for greenhouse gas (GHG) emission reduction for FY2030 (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 ●Design all new products to meet **the azbil Group's own sustainable design principles**[*2] and to be **100% recyclable**[*3]
Business	Innovation		II	Realizing sustainable production sites and workplace environments, and a safe and comfortable society through new automation	New automation	Solving occasional issues as required by society and creating new added value through **advanced measurement, a data-driven approach, and autonomization** ●Achieving a state of resilience to changes in the business environment at a total of **8,000 business sites** by 2030[*4] ●Providing environments that support stress-free and diverse work styles to a total of **6 million people** by 2030[*5]
General corporate activities	Society	Supply chain Contribute to local communities	III	Fulfilling our responsibilities to society across our supply chain and contributing to local communities	Supply chain; 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**[*6] ●Implementing social contribution activities, rooted in local communities at all business sites[*7], with **active participation by every employee**[*8]
General corporate activities	Human resource	Human rights, safety, and health Learning and employee development	IV	Strengthening our foundation to solve societal problems through health and well-being management and continuous learning	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** by 2024 (versus 2017)[*9] **65% or more employees who find satisfaction in working** at azbil Group by 2030[*10] ●Developing and strengthening "an organization that never stops learning" **x2 Training opportunity point** by 2024 (versus 2012)[*11] **65% or more employees who experienced personal growth over the past year** by 2030[*10]
Fundamental obligations to society	Governance	Product safety and quality Corporate governance Compliance		Fulfilling our fundamental obligations to society		* With respect to product safety and quality and compliance, the azbil Group CSR Promotion Committee formulated indicators and goals directly connected to the works each department as CSR activity plans. * With regards to corporate governance, based on our transition to a three-committee Board structure (FY2022), a Board of Directors with a majority of outside Directors and three statutory committees, we will provide appropriate supervision and verify the effectiveness of the Board of Directors. **Reference: Revision to the remuneration policy (July, 2023) Stock-based compensation has been expanded.**

For notes, please refer to "Notes (2)" on page 34.

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 32)

1. Science-based targets: Greenhouse gas emission reduction targets that are consistent with scientific evidence.
2. The azbil Group's own sustainable design principles: This design strives to create and provide products that contribute to solving global environmental issues (through decarbonization, resource circulation, and biodiversity).
3. All new products for 2030 will be designed to be 100% recyclable: To the extent of using best available technologies (BAT, the most effective technology that is both economically and technologically viable).
4. As of April 2022, the number of sites in operation was 530; by 2030 we are aiming to increase this number by 15 times to 8,000.
5. As of April 2022, the number of people was 0.6 million; by 2030 we are aiming to increase this number by 10 times to 6 million.
6. 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.
7. All business sites: All offices both in Japan and overseas.
8. Active participation by every employee: The azbil Group aims to participate in activities of a scale that can accommodate the total number of employees.
9. Women's advancement point: Points tallied internally with weight given based on the role, such as company executive, officer and manager.
10. In the azbil Group employee satisfaction survey conducted every year in Japan, we are aiming to achieve 65%—that is, 2/3 of all employees are satisfied—a level which is considered high.
11. Training opportunity point: Points tallied internally for participating in opportunities (frequency or number of employees) to learn with stakeholders.

IR Inquiries and Disclaimer

Inquiries regarding investor relations

Azbil Corporation

Investor Relations

Phone: +81-3-6810-1031

Email: azbil-ir@azbil.com

Disclaimer

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