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

February 8, 2024
Azbil Corporation
RIC: 6845.T, Sedol: 6985543

azbil

We would like to extend our deepest condolences to those who have lost loved ones in the 2024 Noto Peninsula Earthquake and express our heartfelt sympathy to all who have been affected by this disaster.

The azbil Group is providing support to those who are suffering as a result of this disaster. Our business activities play a part in maintaining the social infrastructure, and we are steadily implementing initiatives that will contribute to the recovery of this region.

Highlights

1. Consolidated Financial Results for the Cumulative Third Quarter of FY2023

Orders received declined owing to stagnation of the factory automation (FA) market and other factors. However, thanks to strengthened procurement and production capabilities, the order backlog was steadily converted into sales, **resulting in increased net sales (an increase of 14.2 billion yen or 7.5%) compared with the same period of FY2022. Operating income rose significantly (an increase of 7.2 billion yen or 45.7%) due to this increased revenue and the effect of measures to strengthen profitability.**

2. Consolidated Financial Plan for FY2023

There is no change to the revised plan that was announced on November 7, 2023. The business environment differs by segment; for example, in the BA business demand has been firm for office buildings and other fields, while the AA business has been impacted by a continuing slump in the FA market. However, our business is making progress in line with the revised plan.

We aim to increase both revenue and profits for the third consecutive fiscal year, achieving net sales of 284.0 billion yen (an increase of 5.5 billion yen or 2.0% from FY2022) and operating income of 33.7 billion yen (an increase of 2.4 billion yen or 7.8% from FY2022) for the full year.

3. Returning Profits to Shareholders

- **The Company plans to make a FY2023 annual dividend of 73 yen per share; this will represent the ninth consecutive year of dividend increases. The interim dividend was raised by 4 yen compared with the same period of FY2022, to 36.50 yen per share, as had been announced at the start of the fiscal year.** Based on the continuation of stable dividend payments, we aim to further improve the dividend on equity (DOE) ratio (4.4% for FY2022).
- **We have completed our repurchase of the Company’s own stock (2.19 million shares for 9.9 billion yen) and cancelled all of the treasury shares thus acquired on October 31, 2023.**

Contents

1. Consolidated Financial Results for the Cumulative Third Quarter of FY2023

Consolidated Financial Results

- **Orders received decreased compared with the same period of FY2022 mainly because of a fall in the AA business due to a continuing slump in the FA market.**
- **Net sales rose thanks to increased orders received in FY2022 as well as steady progress made with parts procurement and production.**
- **Operating income rose significantly due to increased revenue and measures taken to strengthen profitability, including cost pass-through, despite increased expenses.**
- **Net income attributable to owners of parent rose significantly compared with the same period of FY2022. As well as reflecting increased operating income, this was due to such factors as the recording of a provision for product warranties and increased tax expenses in the same period of FY2022.**

(Billions of yen)

	FY2022 Q1-3 (A)	FY2023 Q1-3 (B)	Difference (B) - (A)	% Change
Orders received	231.9	223.4	(8.4)	*(3.7)*
Net sales	191.0	205.3	14.2	*7.5*
Japan	147.2	156.3	9.0	*6.2*
Overseas	43.8	48.9	5.1	*11.8*
Gross profit	74.8	85.6	10.8	*14.5*
Margin	*39.2*	*41.7*	*2.6pp*	
SG&A	58.8	62.4	3.5	*6.0*
Operating income (loss)	15.9	23.2	7.2	*45.7*
Margin	*8.3*	*11.3*	*3.0pp*	
Ordinary income (loss)	16.7	24.5	7.7	*46.6*
Income (loss) before income taxes	16.4	27.3	10.9	*66.3*
Net income (loss) attributable to owners of parent	10.5	19.1	8.6	*81.9*
Margin	*5.5*	*9.3*	*3.8pp*	

The impact of foreign exchange rate fluctuations (compared with the same period of FY2022)
+2.9 billion yen for net sales, +0.2 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 continuing sluggishness in the FA market; as for the BA business, despite a robust business environment, orders received were at a similar level as the same period of FY2022, which benefitted from large-scale projects; and orders received in the LA business increased in the Lifeline and other two fields.**
- **Sales rose for all three businesses—BA, AA and LA.**
- **Segment profit rose in all three businesses thanks to revenue growth and initiatives to strengthen profitability, including cost pass-through.**

（Billions of yen）

		FY2022 Q1-3 (A)	FY2023 Q1-3 (B)	Difference (B) - (A)	% Change
BA	Orders received	108.2	108.0	(0.2)	(0.2)
	Sales	83.3	90.5	7.2	8.7
	Segment profit (loss)	5.9	9.5	3.5	59.2
	Margin	7.2	10.5	3.3pp	
AA	Orders received	87.0	77.0	(10.0)	(11.5)
	Sales	73.9	78.6	4.7	6.4
	Segment profit (loss)	9.6	12.6	3.0	31.4
	Margin	13.1	16.1	3.1pp	
LA	Orders received	38.1	40.0	1.8	4.9
	Sales	35.3	37.6	2.3	6.6
	Segment profit (loss)	0.2	1.0	0.7	278.3
	Margin	0.8	2.7	2.0pp	

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 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 ways of working.

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

- **In this period few multi-year service contracts were up for renewal. Also, in the field of new buildings, there was a decrease compared with the same period of FY2022, when orders for large-scale projects had been received; another reason for this decline in orders received was our focus on projects with higher margins. However, thanks to a robust business environment, in Japan and overseas, overall orders received remained at a similar level as the same period of FY2022.**
- **Sales rose overall, maintaining a high level for new buildings and recording increases for existing buildings, service, and overseas business.**
- **Segment profit rose significantly due to increased revenue and the success of measures to enhance profitability, and in spite of increased labor and outsourcing costs as well as higher expenses for digital transformation (DX), and other expenses.**

(Billions of yen)

	FY2022 Q1-3 (A)	FY2023 Q1-3 (B)	Difference	
			(B) - (A)	*% Change*
Orders received	**108.2**	**108.0**	**(0.2)**	***(0.2)***
Sales	**83.3**	**90.5**	**7.2**	***8.7***
Segment profit (loss)	**5.9**	**9.5**	**3.5**	***59.2***
Margin	***7.2***	***10.5***	***3.3pp***	

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Segment Information: AA Business

Our view of the business environment

— In the FA market, conditions remain sluggish in the manufacturing equipment market, but progress is being made with adjusting inventory, which had expanded considerably as a result of advance orders. We are keeping a close watch for signs of a market recovery.

— In the process automation (PA) market, although the market in China continues to be sluggish, overall demand centering on maintenance and refurbishment has remained robust.

- **Orders received significantly decreased due to the cyclical decline in demand in the semiconductor manufacturing equipment market and because of some recoil following advance orders made in the same period of FY2022.**
- **Sales increased significantly thanks to strengthened procurement and production systems, underpinned by our large order backlog, as well as an easing of parts procurement difficulties. This was despite the current decline in orders received in the semiconductor manufacturing equipment market.**
- **Segment profit rose thanks to revenue growth and initiatives to enhance profitability, including cost pass-through, and despite R&D investments coupled with increases in DX and other expenses. Profit level also increased.**

(Billions of yen)

	FY2022 Q1-3 (A)	FY2023 Q1-3 (B)	Difference	
			(B) - (A)	*% Change*
Orders received	**87.0**	**77.0**	**(10.0)**	***(11.5)***
Sales	**73.9**	**78.6**	**4.7**	***6.4***
Segment profit (loss)	**9.6**	**12.6**	**3.0**	***31.4***
Margin	***13.1***	***16.1***	***3.1pp***	

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. However, inflation is having impacts on investments and economy.

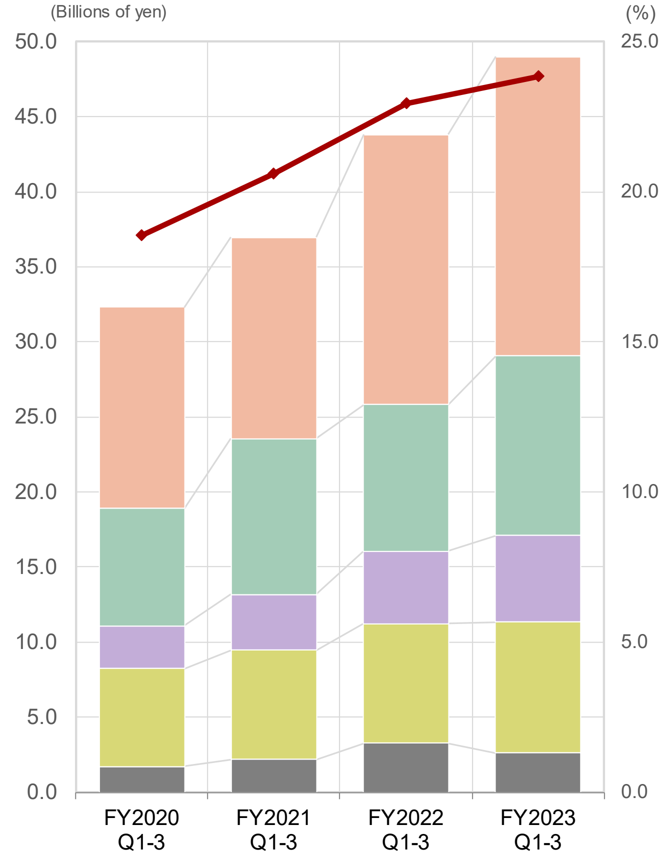
- **Orders received increased overall, thanks to growth in each field—Lifeline, LSE and Lifestyle-related.**
- **Sales rose overall, thanks to growth in each field, but especially Lifeline field.**
- **Segment profit rose thanks to increased revenue and initiatives to improve profitability.**

(Billions of yen)

	FY2022 Q1-3 (A)	FY2023 Q1-3 (B)	Difference	
			(B) - (A)	*% Change*
Orders received	**38.1**	**40.0**	**1.8**	***4.9***
Sales	**35.3**	**37.6**	**2.3**	***6.6***
Segment profit (loss)	**0.2**	**1.0**	**0.7**	***278.3***
Margin	***0.8***	***2.7***	***2.0pp***	

Overseas Sales by Region

- **Overseas sales increased by 11.8% from the same period of FY2022 and accounted for 23.9% of net sales.**
- **The BA business achieved considerable sales growth, principally in Asia. Owing to sluggish conditions in the FA market, AA business sales were lower in North America, but grew significantly in Asia and China thanks to the recovery in production by easing of parts procurement difficulties. LA business sales increased overall owing to growth in North America and Europe, and despite lower sales in Asia and other regions.**



(Billions of yen)

	FY2020 Q1-3	FY2021 Q1-3	FY2022 Q1-3	**FY2023 Q1-3**
Asia (ex-China)	13.3	13.3	17.9	**19.9**
China	7.8	10.3	9.7	**11.9**
North America	2.8	3.7	4.8	**5.7**
Europe	6.5	7.2	7.9	**8.7**
Others	1.7	2.1	3.2	**2.6**
Consolidated	32.2	36.9	43.8	**48.9**

Reference information

		FY2020 Q1-3	FY2021 Q1-3	FY2022 Q1-3	FY2023 Q1-3
Overseas sales / Net sales ratio (%)		*18.5*	*20.6*	*22.9*	***23.9***
Average exchange rate	USD/JPY	107.57	108.58	128.30	**138.24**
	EUR/JPY	120.94	129.86	136.05	**149.76**
	CNY/JPY	15.37	16.79	19.38	**19.62**

* 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

- Inventories increased owing to measures to secure parts/materials and strengthen our capabilities for procurement, while investment securities also increased due to the rise in market value of shareholdings. However, current assets were lower due to decreases in trade receivables and cash and deposits.
- Current liabilities—including trade payables, provision for bonuses and income taxes payable—decreased.
- Net assets increased due to the recording of net income attributable to owners of parent, despite the repurchase of own stock and the payment of dividends.

(Billions of yen)

	As of Mar. 31, 2023 (A)	As of Dec. 31, 2023 (B)	Difference (B) - (A)
Current assets	**219.7**	**207.6**	**(12.0)**
Cash and deposits	62.0	56.9	(5.0)
Trade receivables	97.0	88.3	(8.7)
Securities	16.7	8.9	(7.8)
Inventories	37.1	47.8	10.6
Other	6.7	5.6	(1.0)
Non-current assets	**77.1**	**80.1**	**2.9**
Property, plant and equipment	38.2	40.7	2.4
Intangible assets	6.1	6.1	0.0
Investments and other assets	32.7	33.2	0.4
Total assets	**296.8**	**287.7**	**(9.1)**

	As of Mar. 31, 2023 (A)	As of Dec. 31, 2023 (B)	Difference (B) - (A)
Liabilities	**90.9**	**76.2**	**(14.7)**
Current liabilities	**79.0**	**64.3**	**(14.7)**
Trade payables	24.7	19.0	(5.6)
Short-term borrowings	8.8	8.3	(0.4)
Other	45.4	36.8	(8.6)
Non-current liabilities	**11.9**	**11.9**	**0.0**
Long-term borrowings	3.6	2.2	(1.3)
Other	8.3	9.7	1.3
Net assets	**205.8**	**211.4**	**5.5**
Shareholders' equity	**189.0**	**189.8**	**0.8**
Share capital	10.5	10.5	-
Capital surplus	11.6	11.6	(0.0)
Retained earnings	199.2	200.7	1.5
Treasury shares	(32.3)	(33.0)	(0.6)
Accumulated other comprehensive income	**13.7**	**18.4**	**4.6**
Non-controlling interests	**3.0**	**3.2**	**0.1**
Total liabilities and net assets	**296.8**	**287.7**	**(9.1)**
Shareholders' equity ratio (%)	**68.3**	**72.4**	***4.1pp***

2. Consolidated Financial Plan for FY2023

→No revision from the most recent announcement on November 7, 2023

Consolidated Financial Plan

There is no change to the revised plan that was announced on November 7, 2023.

The business environment differs by segment; for example, in the BA business demand has been firm for office buildings and other fields, while the AA business has been impacted by a continuing slump in the FA market. However, our business is making progress in line with the revised plan. We aim to increase both revenue and profits for the third consecutive fiscal year.

- **We will achieve net sales in line with the revised plan by making steady progress with parts procurement and production, underpinned by the large order backlog.**
- **Thanks to increased revenue and successful measures to strengthen profitability, such as increasing margins at the point of order receipt and cost pass-through, we are aiming to achieve record highs for operating income, for ordinary income, and for net income attributable to owners of parent—despite increased expenses.**
- **We are making investments for growth—in R&D, equipment and facilities, DX, and human capital—based on the medium-term plan.**

(Billions of yen)

	FY2022 Full year results (A)	FY2023 H1 results	FY2023 H2 revised plan (Nov. 7, 2023)	FY2023 Full year revised plan (Nov. 7, 2023) (B)	Difference (B) - (A)	Difference % Change
Net sales	**278.4**	**131.8**	**152.1**	**284.0**	**5.5**	*2.0*
Operating income	**31.2**	**12.9**	**20.7**	**33.7**	**2.4**	*7.8*
Margin	*11.2*	*9.8*	*13.6*	*11.9*	*0.6pp*	
Ordinary income	**32.1**	**14.3**	**20.8**	**35.2**	**3.0**	*9.5*
Net income attributable to owners of parent	**22.6**	**11.9**	**15.0**	**27.0**	**4.3**	*19.5*
Margin	*8.1*	*9.1*	*9.9*	*9.5*	*1.4pp*	

(Billions of yen)

	FY2023 Full year initial plan (May 12, 2023) (C)	Difference (B) - (C)	Difference % Change
Net sales	**282.0**	**2.0**	*0.7*
Operating income	**32.0**	**1.7**	*5.3*
Margin	*11.3*	*0.5pp*	
Ordinary income	**32.1**	**3.1**	*9.7*
Net income attributable to owners of parent	**23.8**	**3.2**	*13.4*
Margin	*8.4*	*1.1pp*	

Reference: Exchange rate
FY2022 USD/JPY: 132, EUR/JPY: 138, CNY/JPY: 19.5
FY2023 USD/JPY: 140, EUR/JPY: 151, CNY/JPY: 19.7

Financial Plan by Segment (1)

- **BA: Against the backdrop of a robust business environment, we will convert our large order backlog into sales by making steady progress with job execution. We thus expect to achieve sales and segment profit in line with the revised plan.**
- **AA: Having factored in the continuing slump in the FA market, we still expect to achieve sales in line with the revised plan. Segment profit is also expected to achieve the revised plan, thanks to increased revenue and initiatives to strengthen profitability.**
- **LA: Sales are expected to increase in line with the revised plan driven by growth demand in the Lifeline field. Segment profit is also expected to improve steadily due to initiatives to strengthen profitability.**

(Billions of yen)

		FY2022 Full year results (A)	FY2023 H1 results	FY2023 H2 revised plan (Nov. 7, 2023)	FY2023 Full year revised plan (Nov. 7, 2023) (B)	Difference (B) - (A)	Difference % Change
BA	Sales	128.5	56.0	76.2	132.3	3.7	2.9
	Segment profit	16.0	3.7	12.8	16.6	0.5	3.3
	Margin	12.5	6.7	16.9	12.5	0.0pp	
AA	Sales	103.9	51.8	53.3	105.2	1.2	1.2
	Segment profit	14.5	8.4	7.5	16.0	1.4	9.7
	Margin	14.0	16.4	14.1	15.2	1.2pp	
LA	Sales	47.9	25.0	23.5	48.6	0.6	1.4
	Segment profit	0.5	0.7	0.3	1.1	0.5	86.8
	Margin	1.2	3.0	1.4	2.3	1.0pp	

(Billions of yen)

		FY2023 Full year initial plan (May 12, 2023) (C)	Difference (B) - (C)	Difference % Change
BA	Sales	130.0	2.3	1.8
	Segment profit	15.6	1.0	6.4
	Margin	12.0	0.5pp	
AA	Sales	106.0	(0.8)	(0.8)
	Segment profit	15.5	0.5	3.2
	Margin	14.6	0.6pp	
LA	Sales	48.0	0.6	1.3
	Segment profit	0.9	0.2	22.2
	Margin	1.9	0.4pp	

Financial Plan by Segment (2)

BA

Against the backdrop of a robust business environment, we will convert our large order backlog into sales by making steady progress with job execution. We thus expect to achieve sales and segment profit in line with the revised plan.

- The business environment is robust, both in Japan and overseas, and this is expected to continue into the next fiscal year and beyond.
- Based on our large order backlog, we expect to achieve higher full-year sales than FY2022 through steady processing with job execution.
- Despite the impact of higher labor and outsourcing costs, as well as increased DX and other expenses, we expect segment profit to be higher than FY2022, in line with the revised plan, thanks to increased revenue and the success of measures to enhance profitability, such as increasing margins at the point of order receipt.

AA

Having factored in the continuing slump in the FA market, we still expect to achieve sales in line with the revised plan. Segment profit is also expected to achieve the revised plan, thanks to increased revenue and initiatives to strengthen profitability.

- Relatively robust conditions will continue in the PA market, although the FA market (semiconductor manufacturing equipment, etc.) continues to be sluggish.
- Sales will decrease in the FA market due to market conditions. However, by making steady progress with parts procurement and production, we expect to achieve sales in excess of 100 billion yen for the second consecutive year, mainly in the PA market, given the order backlog.
- We expect full-year segment profit margin to exceed 15% as a result of higher revenue and successful measures to strengthen profitability, including cost pass-through.

LA

Sales are expected to increase in line with the revised plan driven by growth demand in the Lifeline field. Segment profit is also expected to improve steadily due to initiatives to strengthen profitability.

- In the Lifeline field, LP gas meters are currently in low demand; however, by progressively capturing demand for city gas and water meters, we expect to achieve sales in line with the revised plan. In the LSE field, we are implementing project management and working to steadily convert the order backlog into sales while mitigating the impact of inflation with cost pass-through.
- In the LA business overall, thanks to cost pass-through and measures to enhance quality control and project management, we are continually strengthening profitability and thus expect to steadily improve segment profit.

3. Returning Profits to Shareholders
→No revision from the initial announcement on May 12, 2023

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

In accordance with our basic policy—promoting shareholder returns, investment for growth and sound financial base—we have completed our repurchase of the Company's own stock and cancelled treasury shares, and increase dividends while investing for 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)
The interim dividend was raised by 4 yen compared with the same period of FY2022, to 36.50 yen per share, as had been announced at the start of the fiscal year.

Repurchase of own stock and cancellation of treasury shares

Giving due consideration to ensuring a disciplined capital policy and capital efficiency,
we have completed repurchase of the Company's own stock of 2.19 million shares for 9.9 billion yen. We also cancelled all of the treasury shares thus acquired.

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.

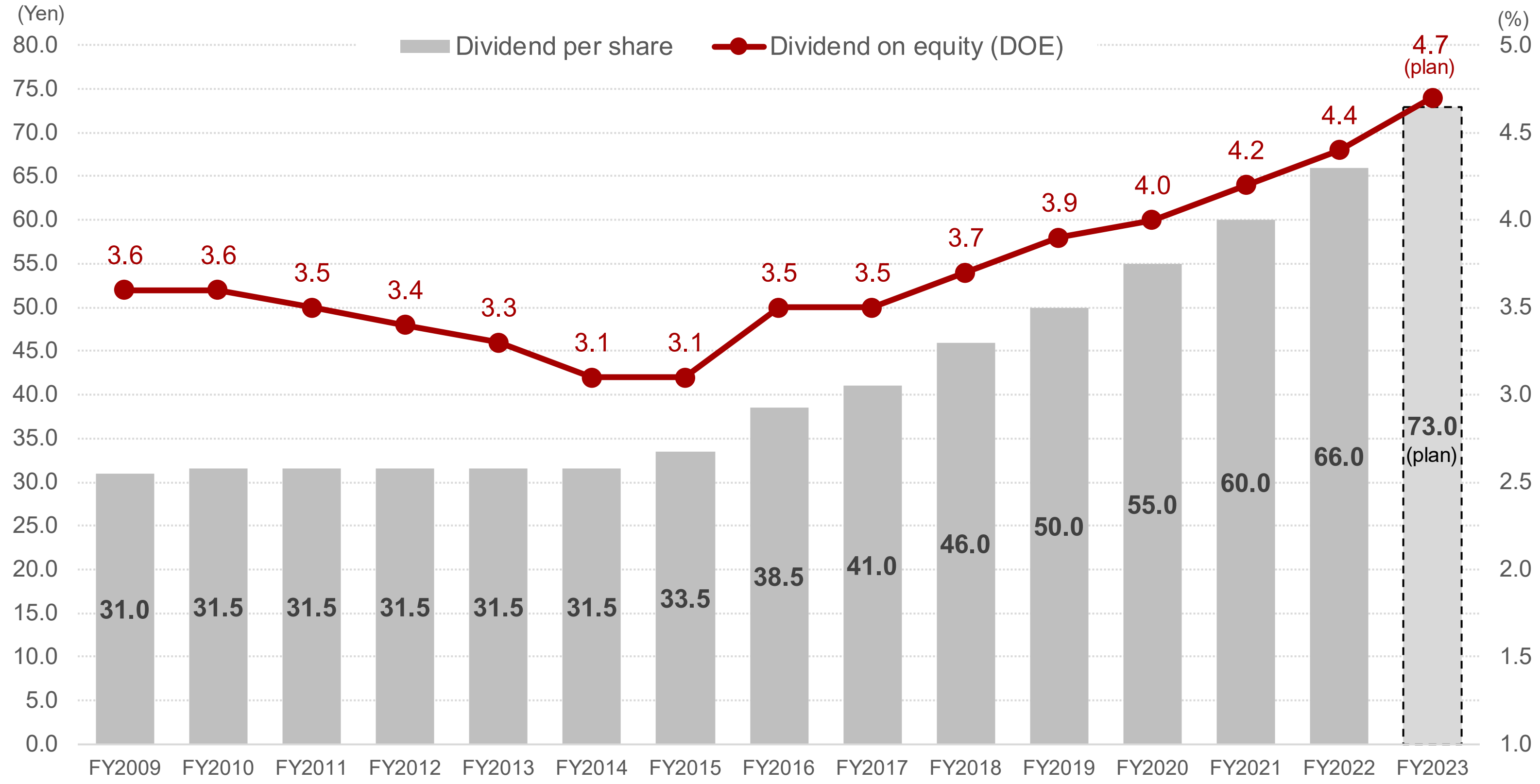
Basic policy

Developing a disciplined capital policy and maintaining and enhancing the azbil Group's enterprise value, while carefully balancing three key elements: promoting shareholder returns, investing for growth, and maintaining a sound financial base.

- Returning profits to shareholders is a management priority.
- Returning profits to shareholders is mainly by dividends, but also by flexible repurchase of own shares by the Company.
- In deciding the level of returns, consideration is given to consolidated financial results, level of ROE, DOE, and retained earnings required for future business development and strengthening of the Company.
- We strive to maintain a stable but rising dividend level.

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%.**



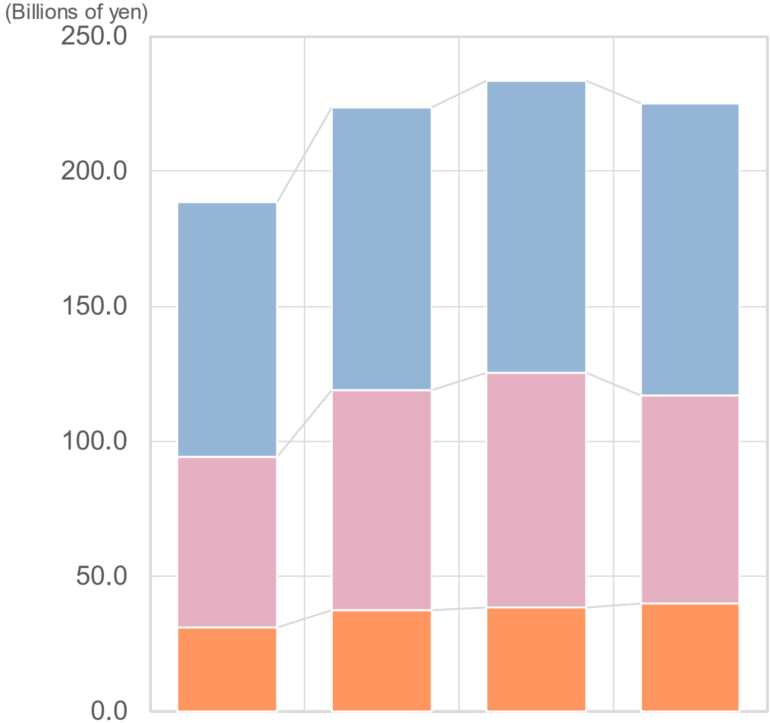
	FY2009	FY2010	FY2011	FY2012	FY2013	FY2014	FY2015	FY2016	FY2017	FY2018	FY2019	FY2020	FY2021	FY2022	FY2023
Total amount of own stock repurchased (billions of yen)							1.9		2.9	4.9	9.9		9.9	9.9	9.9
Number of shares repurchased (millions of shares)							1.20		1.42	1.87	3.71		2.25	2.67	2.19

* 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

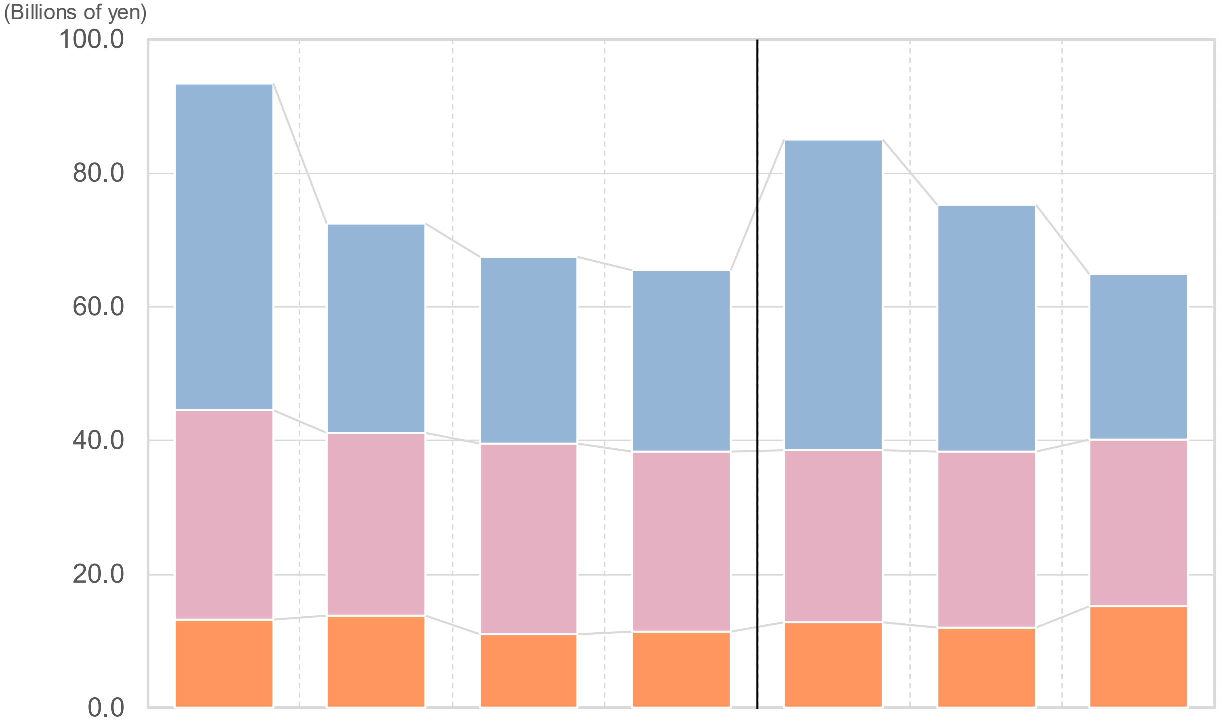
Performance Trend by Segment: Orders Received

Comparison to past results (Q1-3)



	FY2020 Q1-3	FY2021 Q1-3	FY2022 Q1-3	**FY2023 Q1-3**
B A	94.2	104.8	108.2	**108.0**
A A	62.9	81.3	87.0	**77.0**
L A	31.1	37.2	38.1	**40.0**
Consolidated	187.2	222.1	231.9	**223.4**

Quarterly (3 months)

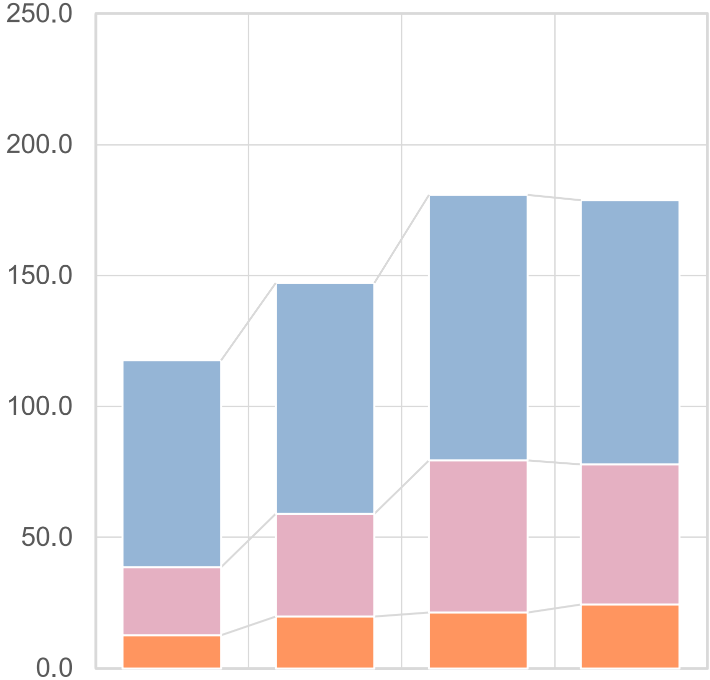


	FY2022				FY2023		
	Q1	Q2	Q3	Q4	Q1	Q2	**Q3**
B A	48.9	31.2	28.0	27.0	46.4	36.7	**24.7**
A A	31.2	27.3	28.4	26.9	25.7	26.3	**24.9**
L A	13.1	13.9	11.0	11.5	12.7	12.0	**15.1**
Consolidated	92.8	72.0	67.0	64.9	84.3	74.7	**64.3**

Performance Trend by Segment: Order Backlog

Comparison to past results

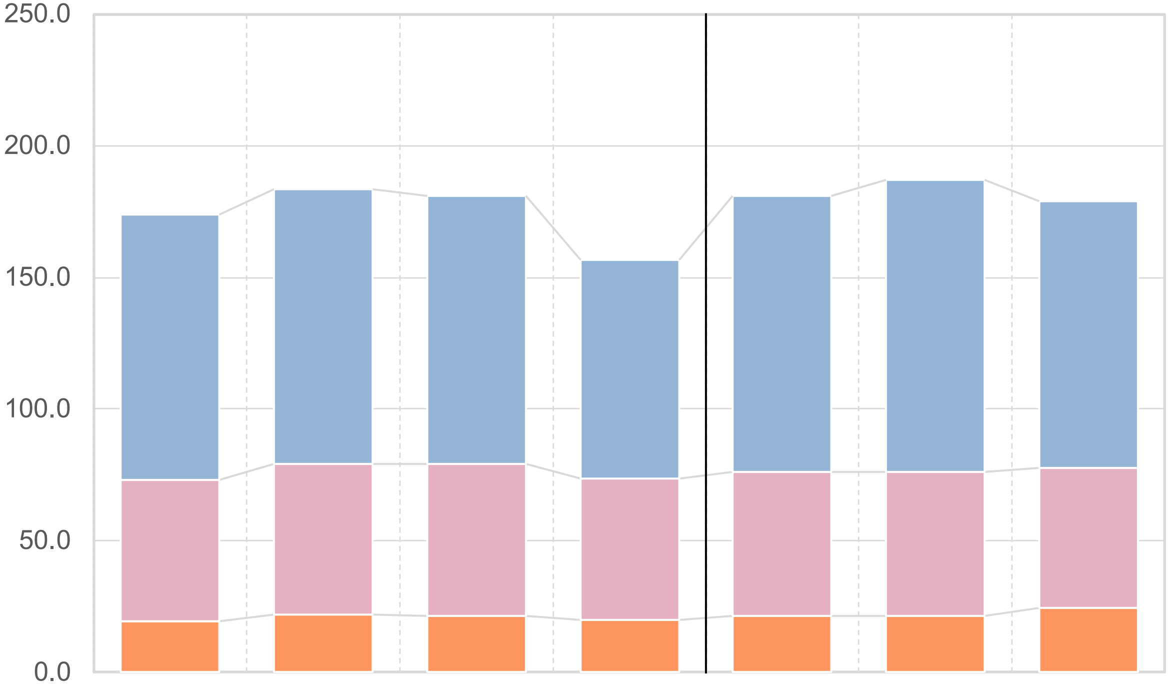
(Billions of yen)



	FY2020 Q3	FY2021 Q3	FY2022 Q3	**FY2023 Q3**
B A	78.6	87.7	101.6	**101.3**
A A	26.1	39.4	58.0	**53.2**
L A	12.6	19.7	21.3	**24.3**
Consolidated	117.2	146.5	180.5	**178.3**

Quarterly

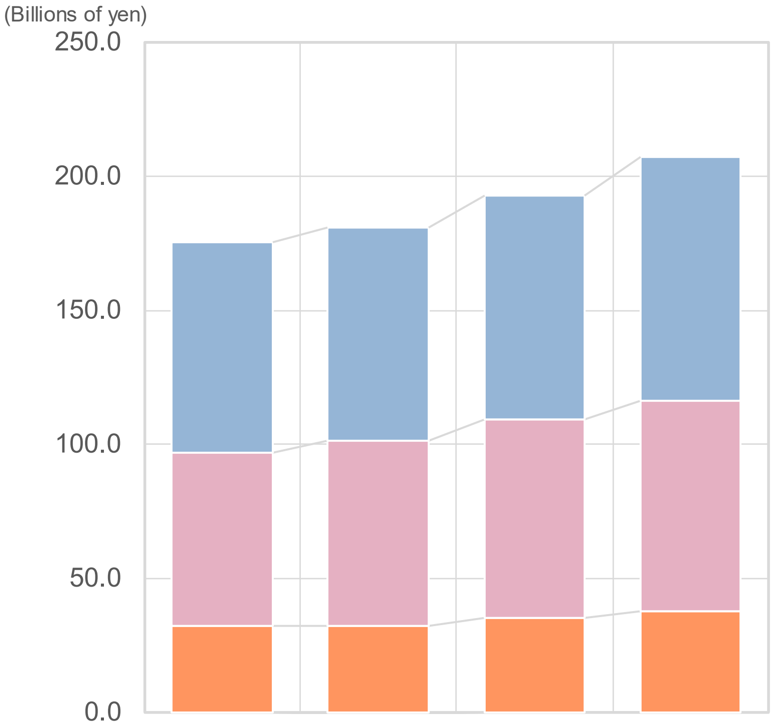
(Billions of yen)



	FY2022				FY2023		
	Q1	Q2	Q3	Q4	Q1	Q2	**Q3**
B A	101.1	104.6	101.6	82.8	104.5	110.7	**101.3**
A A	53.4	56.9	58.0	53.4	54.6	54.7	**53.2**
L A	19.4	22.0	21.3	20.1	21.4	21.5	**24.3**
Consolidated	173.2	182.9	180.5	156.0	180.1	186.6	**178.3**

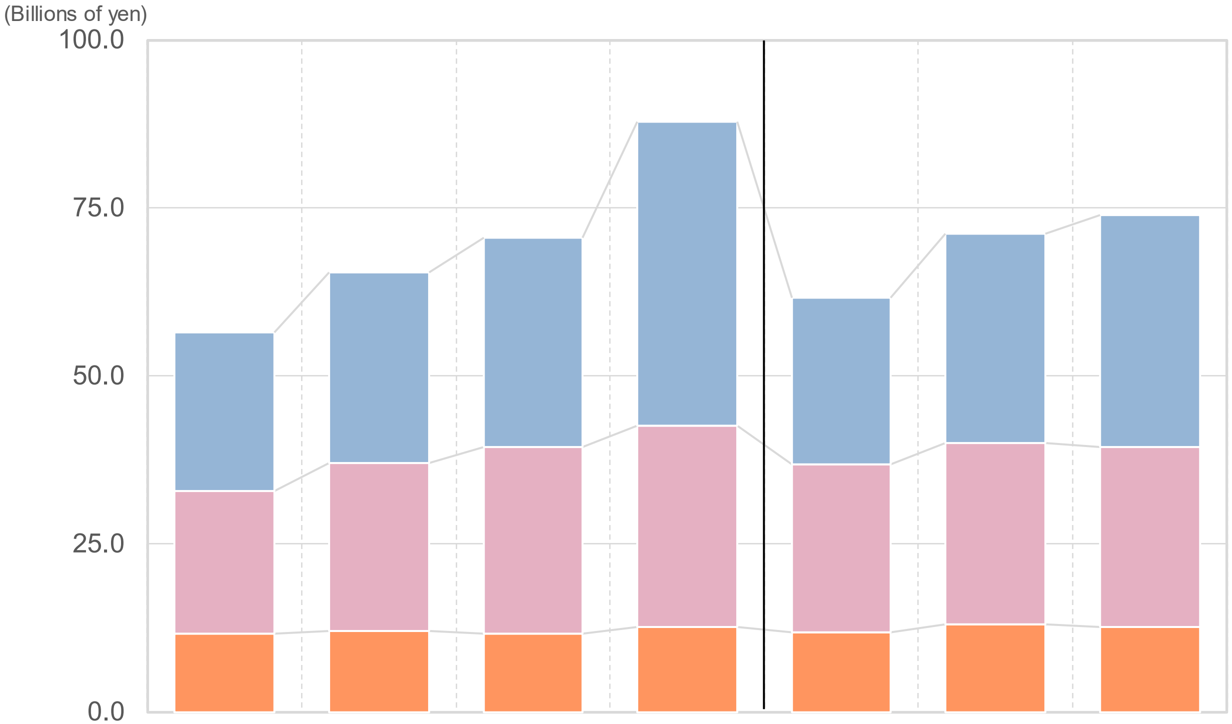
Performance Trend by Segment: Sales

■ Comparison to past results (Q1-3)



	FY2020 Q1-3	FY2021 Q1-3	FY2022 Q1-3	**FY2023 Q1-3**
B A	78.6	79.1	83.3	**90.5**
A A	64.5	69.2	73.9	**78.6**
L A	32.0	32.1	35.3	**37.6**
Consolidated	174.2	179.3	191.0	**205.3**

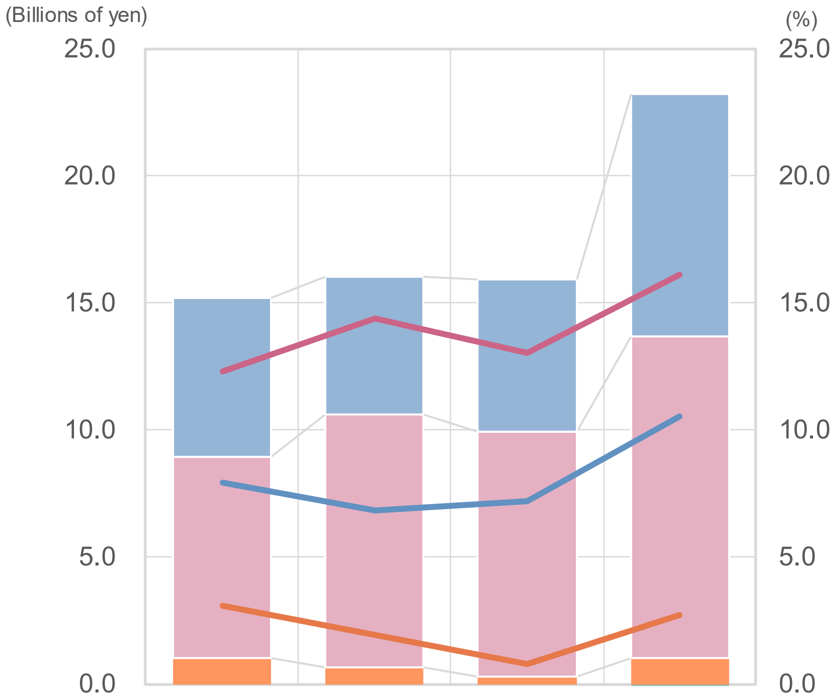
■ Quarterly (3 months)



	FY2022				FY2023		
	Q1	Q2	Q3	Q4	Q1	Q2	**Q3**
B A	23.5	28.4	31.3	45.2	24.9	31.1	**34.5**
A A	21.1	25.0	27.7	30.0	24.8	26.9	**26.8**
L A	11.7	11.9	11.5	12.5	11.9	13.0	**12.6**
Consolidated	56.0	64.9	70.0	87.3	61.2	70.6	**73.4**

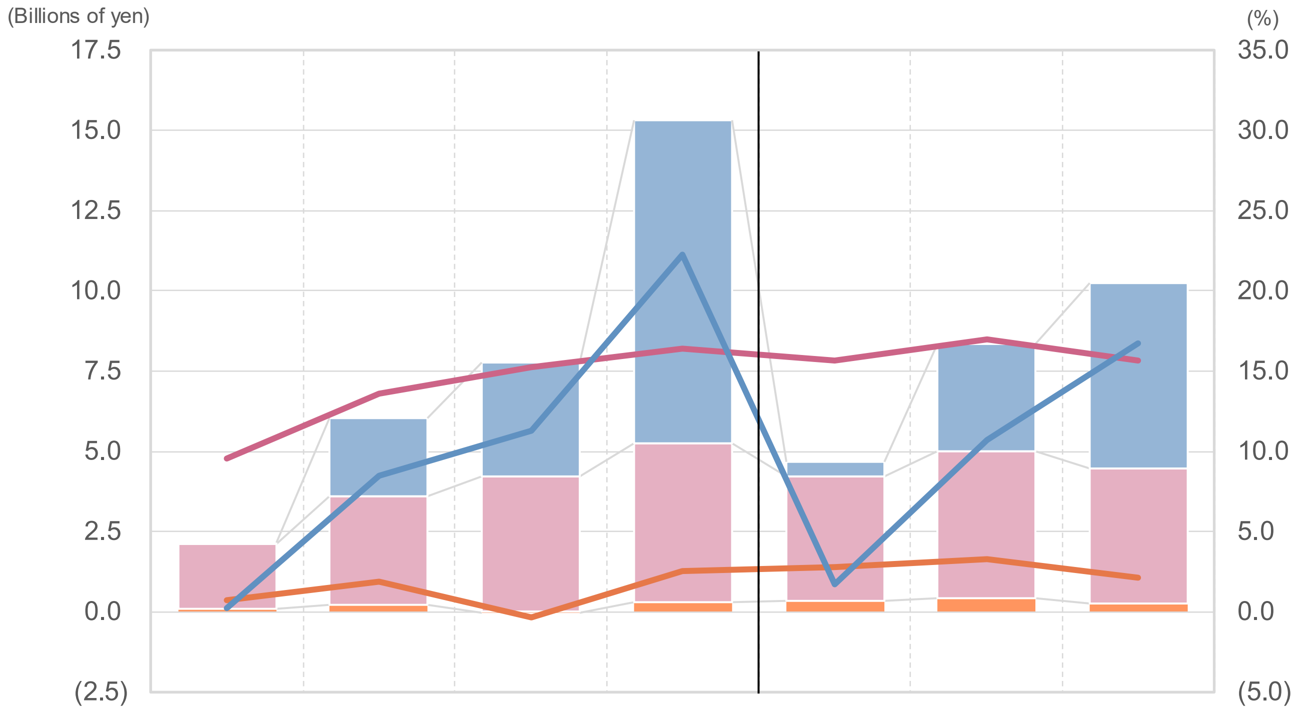
Performance Trend by Segment: Segment Profit (Operating Income)

■ Comparison to past results (Q1-3)



	FY2020 Q1-3	FY2021 Q1-3	FY2022 Q1-3	**FY2023 Q1-3**
B A	6.2	5.4	5.9	**9.5**
Margin	*7.9*	*6.8*	*7.2*	***10.5***
A A	7.9	9.9	9.6	**12.6**
Margin	*12.3*	*14.4*	*13.1*	***16.1***
L A	0.9	0.6	0.2	**1.0**
Margin	*3.1*	*2.0*	*0.8*	***2.7***
Consolidated	15.1	16.0	15.9	**23.2**
Margin	*8.7*	*8.9*	*8.3*	***11.3***

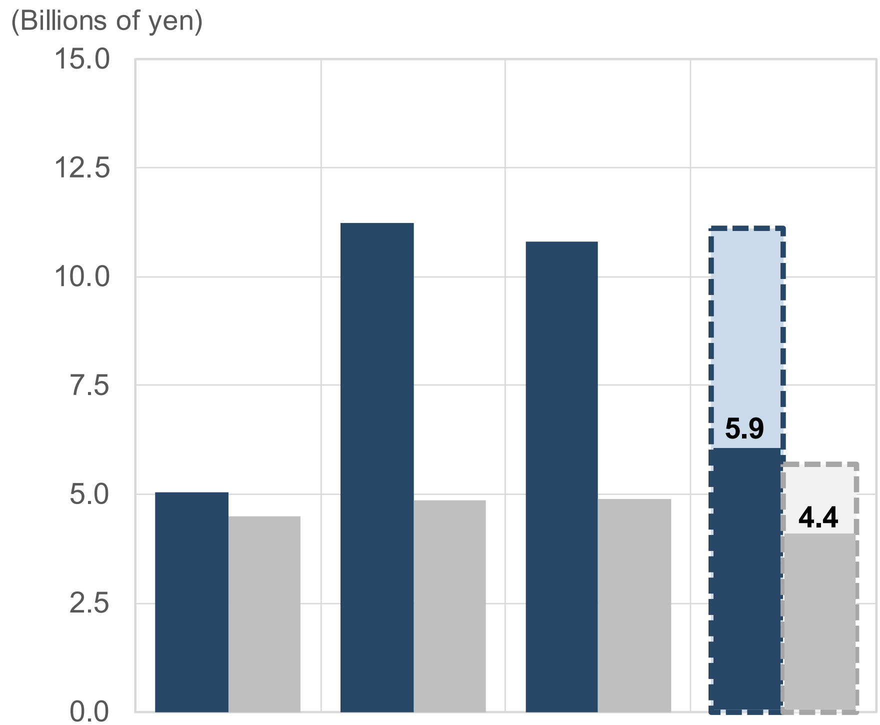
■ Quarterly (3 months)



	FY2022				FY2023		
	Q1	Q2	Q3	Q4	Q1	Q2	**Q3**
B A	0.0	2.4	3.5	10.0	0.4	3.3	**5.7**
Margin	*0.2*	*8.5*	*11.3*	*22.3*	*1.7*	*10.7*	***16.8***
A A	2.0	3.3	4.2	4.9	3.8	4.5	**4.1**
Margin	*9.6*	*13.6*	*15.2*	*16.4*	*15.7*	*17.0*	***15.6***
L A	0.0	0.2	(0.0)	0.3	0.3	0.4	**0.2**
Margin	*0.7*	*1.9*	*(0.3)*	*2.5*	*2.8*	*3.3*	***2.1***
Consolidated	2.1	6.0	7.7	15.3	4.6	8.3	**10.2**
Margin	*3.9*	*9.3*	*11.1*	*17.5*	*7.6*	*11.8*	***13.9***

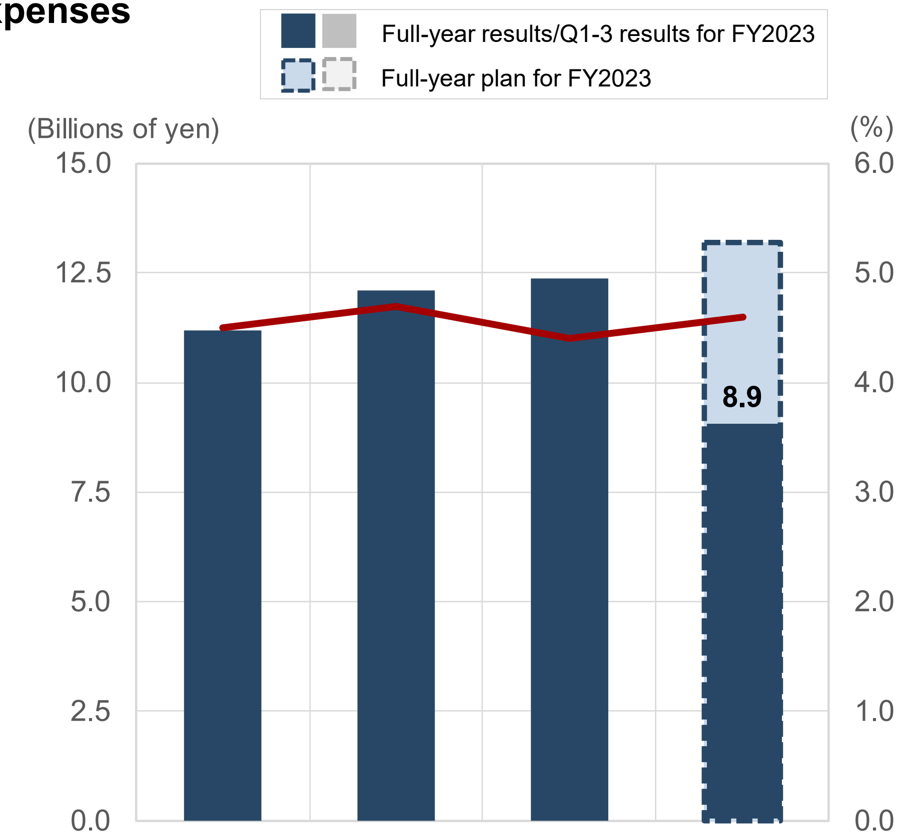
Capital Investment, Depreciation and R&D Expenses

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	**4.6**

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

×

Focus points
- Strengthening product competitiveness
- Strengthening technological development and capital investment
- Increasing investment in human capital

=

Achieve growth in three businesses

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

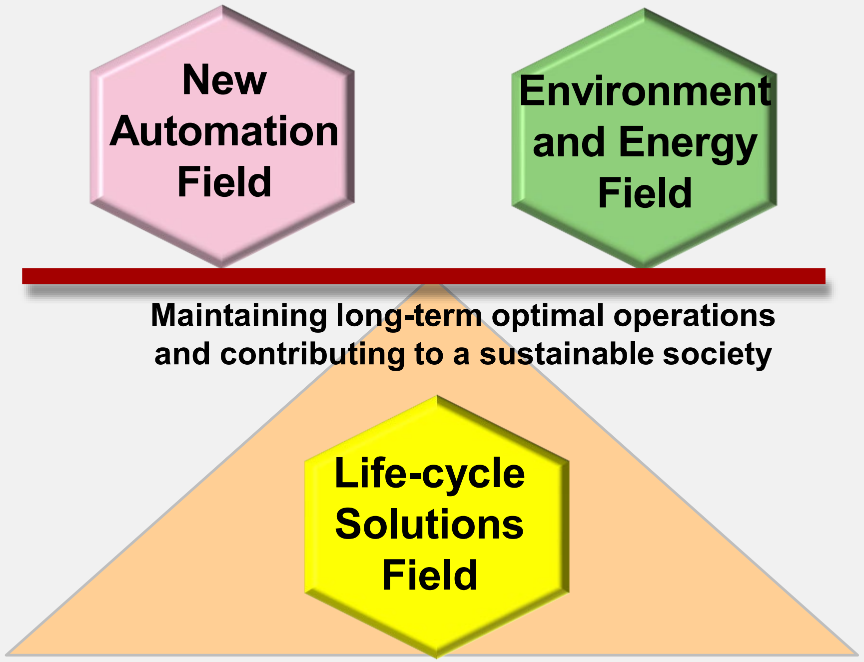
	FY2019	FY2020	FY2021	FY2022	FY2023*1	FY2024*2	FY2030*2
Net sales	259.4 billion yen	246.8 billion yen	256.5 billion yen	278.4 billion yen	284.0 billion yen	300.0 billion yen	400.0 billion yen range
[Overseas sales]	[44.1 billion yen]	[44.8 billion yen]	[52.1 billion yen]	[62.6 billion yen]	[67.4 billion 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	33.7 billion yen	36.0 billion yen	60.0 billion yen range
Margin	10.5%	10.4%	11.0%	11.2%	11.9%	12%	approx. 15%
ROE	10.9%	10.4%	10.4%	11.2%	13.1%	approx. 12%	approx. 13.5%

*1 Revised plan (as of November 7, 2023) *2 The medium-term plan and the long-term targets (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

Focus Points of Our Medium-term Plan—Transformation for Further Growth

Initiatives for transformation to achieve growth by tracking changing customer business models/demand—resulting from structural changes in the business environment—and expanding the three growth fields

Strengthen product competitiveness (products and services)

Fields for strengthening product competitiveness
- Autonomy, wellness
- Energy savings + renewable energy field (ESP business)
- Cloud-based services

Business portfolio expansion
- Combining AI, big data, and cloud technologies
- Renewable energy, etc.

Launch new products successively. Actively collaborate with and invest in business partners.

➡New products/services and business development initiatives employing alliances and investments in other companies (See p. 30)

▲ Cloud-based systems, anomaly detection systems, etc.

Strengthen technological development capabilities and capital investment

Areas for strengthening technology development
- MEMS & sensing device technologies
- Actuator-related technologies
- AI, cloud computing

Investments plan for FY2023
- R&D: 13.2 billion yen
- Capital investment: 11.1 billion yen

R&D expenses: continue to invest at the same high level as in FY2022.
Capital investment: following on from the Fujisawa Technology Center, invest in expanding production DX and in mass production facilities for priority products.

▲ New laboratory building at Fujisawa Technology Center

Promote sustainability management
Increase investment in human capital

Secure/develop human resources in line with our business strategy
- Advanced technology engineers
- Field engineers
- Global human resources

Develop the work environment
- Workspaces that foster productivity and creativity
- Productivity improvements using generative AI

Secure/develop human resources using referral hiring, qualification incentive systems; reform/upgrade employee incentive plans and personnel systems with accompanying financial measures; improve the work environment

▲ Café-style workspace

Initiatives to Strengthen Product Competitiveness (from Azbil Corp. press release)

■ Introduction of new products and services

Press Release	Date of announcement
● Cloud MT (Manager's Tool) enhances the efficiency of building management and operations of our building cloud service ―Our solution to the shortage of facility managers―	May 11, 2023
● Online anomaly detection system powered by AI Autonomous Quality Control F3 Module (software option) launched	October 5, 2023
● Cloud-based monitoring system to ensure greater management efficiency and stability of the water supply Launch of Harmonas-DEO compatible with Japan’s standard platform for water supply	November 9, 2023
● Supporting service staff with our proprietary Generative KY system for hazard prediction	December 19, 2023

■ Business development initiatives involving alliance and investments with other companies / Continuous evaluation and revision to business portfolio

Press release	Date of announcement
● Investment in JAFCO SV7 fund —Expanding partnerships with start-ups—	May 9, 2023
● Azbil and the Kansai Electric Power Company, Inc. (KEPCO) agree 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.	June 19, 2023
● New business alliance between Azbil and X1Studio aimed at expanding the foreign data center business in Japan	October 6, 2023
● Azbil and Forest Energy form capital alliance aimed at expanding solutions in the renewable energy field	October 25, 2023
● Azbil transfers azbil Group company in North America to Sierra Instruments, Inc. in United States	January 22, 2024

- Date of announcement is based on the Japanese version.
- Some announcements are available only in Japanese.

The azbil Group's Materiality and its Goals and Targets

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			Targets
Business	Environment	Climate change Resource recycling	I	Preserving the Earth's environment and solving energy-related problems through cooperative creation	Environment and energy	● Effective reduction of CO_2 at customers' sites: **3.40 million metric tons of CO_2/year** (FY2030) ● Reduction targets in greenhouse gas (GHG) emission (science-based target[*1] approved) (FY2030) **55% reduction** in GHG emissions from our business activities (scopes 1+2) compared to 2017 **20% reduction** in GHG emissions throughout the entire supply chain (scope 3) compared to 2017 ● Design all new products to meet **the azbil Group's own sustainability standards**[*2] and to be **100% recyclable**[*3] (FY2030)
Business	Innovation		II	Realizing sustainable production sites, work environments, and a safe and comfortable society through new automation	New automation	Solving occasional issues as required by society and creating added value through **advanced measurement, a data-driven approach, and autonomy** ● We will achieve a state of resilience to changes in the business environment at **8,000 business sites** by 2030.[*4] ● We will provide environments that support stress-free and diverse work styles to **6 million people** by 2030.[*5]
General corporate activities	Society	Supply chain Contribution 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; Evaluating policies, systems, initiatives, and effectiveness using our own evaluation indicators**[*6] ● Social contribution activities rooted in local communities are run at all our business sites,[*7] with the **active participation by every employee**[*8]
General corporate activities	Human resources	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) Women's advancement points[*9] in FY2024: **Double versus 2017** Employees expressed satisfaction with working at azbil Group companies in FY2030: **65% or more**[*10] ● Developing and strengthening "an organization that never stops learning" Training opportunity points[*11] in 2024: **Double versus 2012** Employees have experienced personal growth through their work in FY2030: **65% or more**[*10]
Our fundamental obligations	Governance	Product safety and quality Corporate governance Compliance		Fulfilling our fundamental obligations to society		* With regard to product safety and quality and compliance, the azbil Group CSR Promotion Committee sets indicators and goals directly related to business as a CSR activity plan for each department. * With regard to corporate governance, in 2022 the company itansitioned to a three-committee Board structure, and is working to ensure appropriate supervision and effectiveness under a system of Board of Directors with a majority of outside derectors and three statutory committees. Reference: Revision to the remuneration policy (July, 2023) Stock-based compensation has been expanded.

For notes, please refer to "Notes (2)" on page 33.

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 (FA) products such as controllers and sensors
   - Industrial Automation Product (IAP) business: Supplying process automation (PA) 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 based on scientific evidence
2. The azbil Group’s own sustainable design principles: This design is aimed at creating and providing products that contribute to solving global environmental issues (decarbonization, resource recycling, and biodiversity conservation).
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, 530 business sites are in operation, aiming to increase 15-fold to 8,000 by 2030.
5. As of April 2022, environments that support stress-free and diverse work styles have been provided to 0.6 million people, aiming to increase tenfold to 6 million people by 2030.
6. Evaluation of policies, systems, initiatives, and effectiveness using our own evaluation indicators: A unique framework and evaluation system based on external ESG assessments 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 points: Points tallied internally with weight given based on the role, such as company executive, officer and manager
10. Employees expressed satisfaction/have experienced personal growth: We aim to achieve 65%, which is considered a high level in the azbil Group’s annual employee satisfaction survey conducted in Japan, or , in other words, 2/3 of all employees.
11. Training opportunity points: Points tallied internally for participating in opportunities (frequency or number of employees) to learn with stakeholders

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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.