

# **Presentation Materials of the azbil Group Management Strategy for Medium-term Plan (FY2025-2027)**

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**May 13, 2025  
Azbil Corporation  
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# 1. New Medium-term Plan (FY2025-2027) Performance Targets

**Previous medium-term plan  
(FY2021-2024)**

FY2024 performance targets for net sales, operating income, operating income margin and ROE were all achieved, exceeding the targets set by the initial plan. In particular, profitability was significantly improved.

**New medium-term plan  
(FY2025-2027)**

Although high uncertainty in the business environment is anticipated to continue, we aim to realize both sales growth and profitability improvement through “Evolution” and “Co-creation”, and by fully utilizing our “unique business model”. We are also on track to **meet our initial long-term targets ahead of schedule**.

**Revised long-term targets  
(FY2030)**

We have revised **our long-term sales and profit targets for FY2030 upward**. Despite uncertainty in the business environment, we aim to further expand by exploring new growth markets (addressing advanced technologies and social issues). We will leverage the positive effect of measures to strengthen profitability from the previous medium-term plan and our long-standing strong relationships with customers.

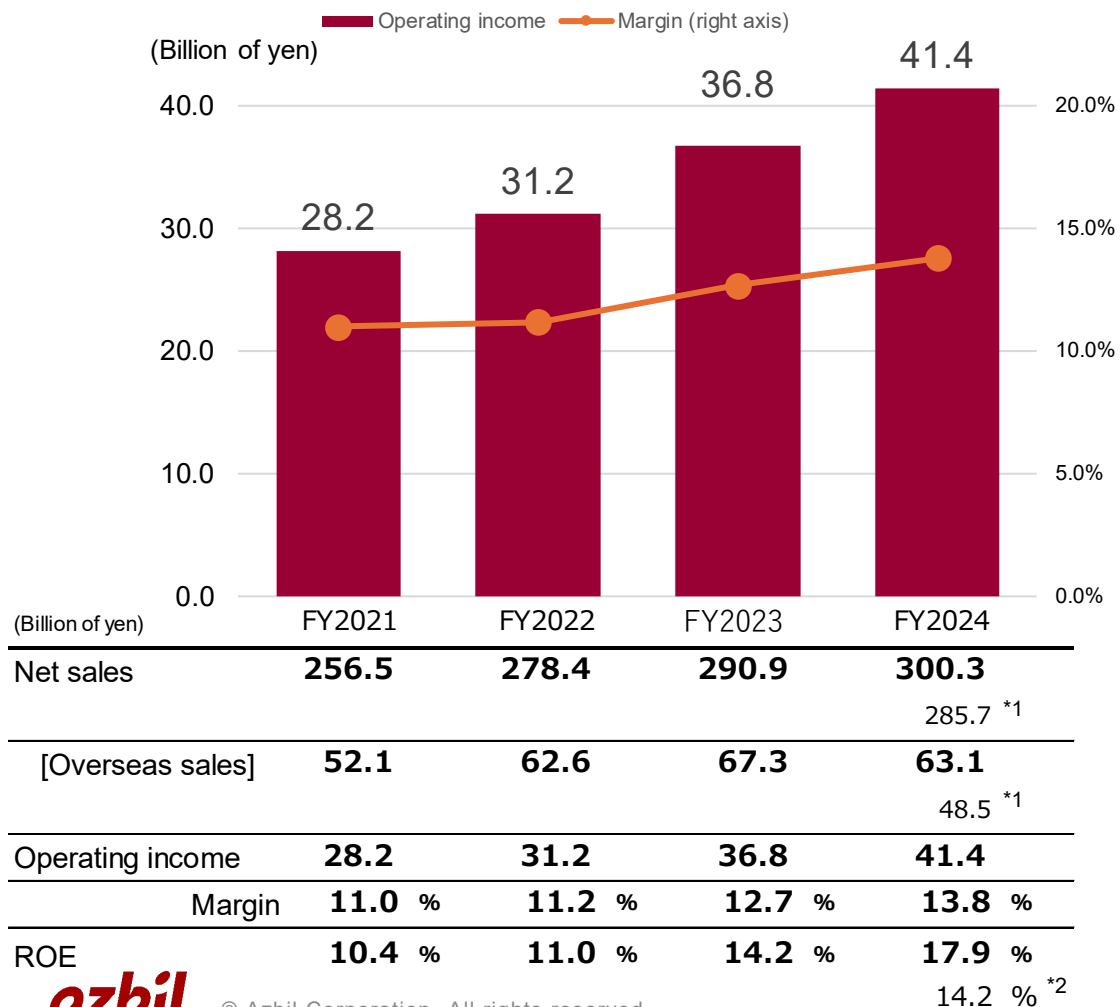
	FY2024		FY2027	FY2030	
	Previous medium-term plan (May 14, 2021)	Results (May 13, 2025)	New medium-term plan (May 13, 2025)	Initial targets (May 14, 2021)	Revised targets (May 13, 2025)
Net sales	300.0 billion yen	300.3 billion yen	340.0 billion yen	400.0 billion yen	420.0 billion yen
[Overseas sales]	66.0 billion yen	63.1 billion yen	62.0 billion yen	100.0 billion yen	100.0 billion yen
Operating income	36.0 billion yen	41.4 billion yen	51.0 billion yen	60.0 billion yen	65.0 billion yen
Margin	12 %	13.8 %	15.0 %	15 %	15.5 %
ROE	12 %	17.9 % <sup>*2</sup>	14 %	13.5 %	15 %

\*1 Net sales and operating income, excluding the impact of the transfer of Azbil Telstar in October 2024

\*2 ROE excluding the extraordinary income from the transfer of Azbil Telstar is 14.2%.

## 2. Review of the Previous Medium-term Plan (FY2021-2024)

- FY2024 performance targets for net sales, operating income, operating income margin and ROE were all achieved, exceeding the targets set by the initial plan. Profitability was significantly improved while making investments aimed at transformation for growth (product development, business portfolio restructuring, etc.) and the strengthening of human capital.



### Business environment

- Changes in customer needs and lifestyle following the COVID-19 pandemic
- Inflation and global supply chain issues due to the emergence of geopolitical risks
- Technological advances such as generative AI

### Achievements

- Continued business and changed work styles during the COVID-19 pandemic
- Strengthened human capital, product competitiveness, and DX promotion
- Enhanced profitability, including cost pass-through
- Enhanced procurement and production systems
- Restructured the business portfolio, including the transfer of Azbil Telstar

### Issues

- Reconstructing growth scenarios for further expansion (including business portfolio restructuring)
- Advancing initiatives to achieve further growth of our overseas business
- Enhancing investment for growth (human capital, product competitiveness, DX promotion, etc.)
- Fortifying procurement and production systems which can endure supply chain risks

### 3. Changes in the Business Environment

#### Response of the azbil Group to Changes in the Business Environment

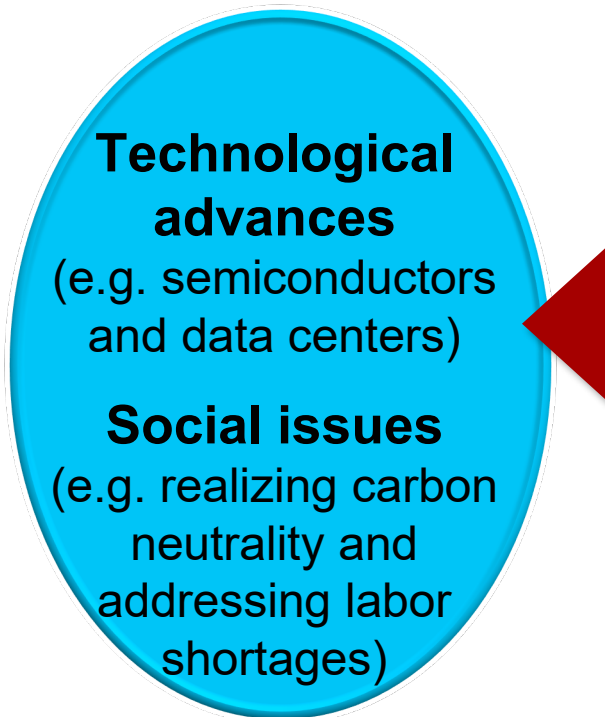
- We aim for sustained growth by incorporating growth markets that arise from technological advances and social issues, while considering geopolitical risks.

Mega trends		2025~2027	
		Changes in the business environment	Responses of the azbil Group
Technological advances	Generative AI	As <b>performance continues to improve and user costs fall</b> , there will be an influx of <b>new entrants from other industries leveraging generative AI</b> .	While enhancing the <b>high added value of our products/ services by making use of generative AI</b> , we will address the <b>risk posed by new market entrants</b> .
	Semiconductor	While <b>demand grows for cutting-edge semiconductors</b> for AI and next-generation communication technologies, <b>soaring manufacturing costs</b> are an issue.	We will <b>supply products/services that utilize the advanced measurement and control technologies</b> we have developed for decades, contributing to improved productivity and quality.
Social issues	Carbon neutrality	Initiatives to achieve carbon neutrality by 2050 will accelerate, next-generation energy sources such as hydrogen will become increasingly adopted, and the <b>GX market will expand</b> .	Harnessing new technologies such as generative AI and cloud computing, we will <b>support GX initiatives such as system optimization, the adoption of renewable energy, and fuel switching</b> .
	Infection management	There is the <b>ever-present risk of a pandemic</b> occurring that might result in major economic damage on a global scale.	To prepare for <b>unidentified risks</b> , we will draw up <b>contingency plans</b> (BCP, etc.) as well as <b>response measures</b> (to prevent the spread of infection while ensuring business continuity).
	Customer labor shortage	In addition to worsening labor shortages, inflation is driving <b>labor costs up both in Japan and overseas</b> .	Harnessing AI, we will promote autonomous system operation, thus <b>supporting customers by enabling operations with reduced or zero manpower</b> .
Geopolitical risks	US-China relations	With the re-election of President Trump, <b>US-China friction is intensifying</b> , and the <b>international situation—including Taiwan-China tensions—is expected to be destabilized</b> .	We will <b>restructure our procurement and production systems</b> so they can endure growing <b>supply chain risks</b> such as those posed by rising tariffs and the outbreak of military conflict.
	India	While the market is promising, it is necessary to address <b>intensifying competition with Indian companies as well as issues involving regulations and infrastructure</b> .	While <b>building up a sales track record using our wholly owned overseas subsidiaries</b> , we will build relationships with state governments and other stakeholders.

## 4. Key Themes of the New Medium-term Plan (FY2025-2027)

- We will realize “Evolution” and “Co-creation” aimed at making contributions that lead “in series” to a sustainable society and aim to achieve further growth in growth markets (addressing technological advancement and social issues).

### Growth markets



### Evolution

**Self-transformation to adapt to changes in the business environment**

### Co-creation

**New value creation as companies work together by leveraging their particular strengths through collaboration on an equal footing (collaboration between industry, government, and academia)**

## 5-1. Outline of the New Medium-term Plan (FY2025-2027)

- The new medium-term plan (FY2025-2027) envisages the realization of “**Evolution**” and “**Co-creation**” aimed at contributing “in series” to the achievement of a sustainable society and the realization of the well-being of society and Group employees.
- It is expected that the business environment will continue to demonstrate a high degree of uncertainty (global geopolitical risks, inflation, etc.), but through “Evolution” and “Co-creation”, and with “**the azbil Group’s unique business model**” (see p.8) we will realize both sales expansion and improved profitability, aiming to achieve further business growth, including business portfolio restructuring.
- To reinforce our business model, we will steadily invest in the requisite strengthening of human capital, product competitiveness, and DX promotion. At the same time, we will continue to bolster the management foundation.

**Long-term target**

**FY2030**



Through business expansion, we aim to realize the well-being of society and Group employees by making contributions that lead “in series” to a sustainable society.

Previous medium-term plan  
FY2021-2024

**Transformation**

Accomplished growth by flexibly responding to changes in the business environment, achieving transformation for growth (product development, business portfolio restructuring), strengthening human capital, etc.

**azbil**

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New medium-term plan  
FY2025 - FY2026 (120<sup>th</sup> anniversary of our founding) - FY2027

**Evolution and Co-creation**

**Growth**

**1. The azbil Group’s unique business model**

- Growth businesses
- Core businesses

\* Continuously reviewing business portfolio in parallel with implementing growth measures for both businesses

**2. Investing to strengthen the business model**

- Strengthening human capital
- Investing in DX promotion
- Strengthening product competitiveness

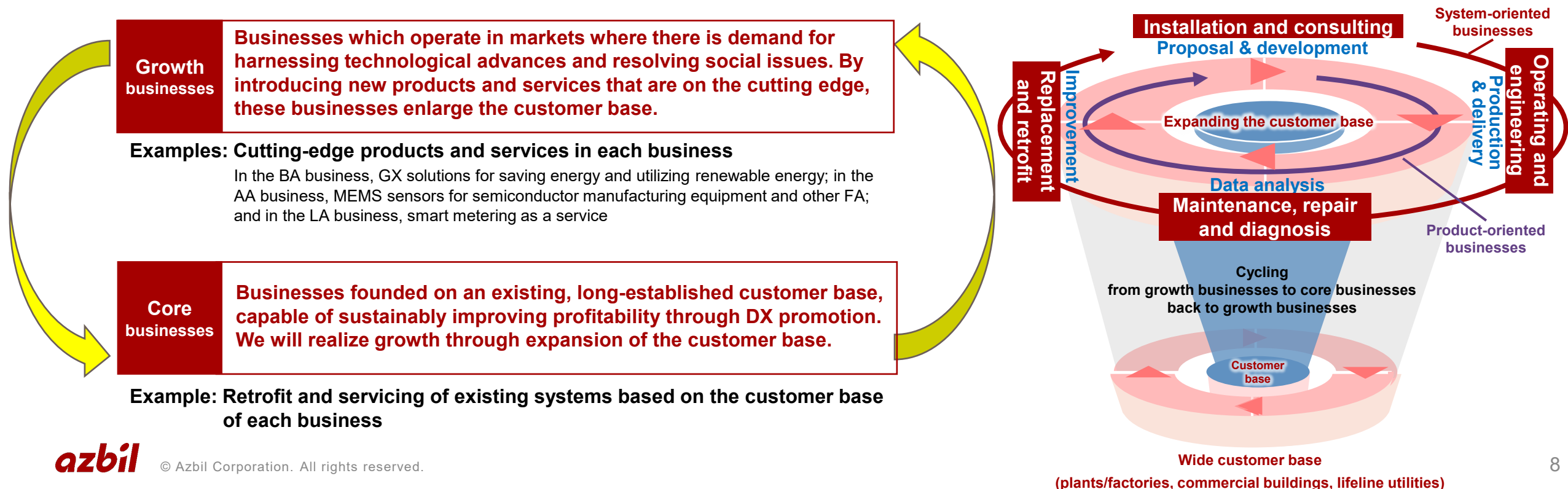
**3. Strengthening the foundation of our business**

- Organizational restructuring and investing for growth
- Ensuring sustainability management
- Promoting management conscious of cost of capital
- Strengthening corporate governance



## 5-2. The azbil Group's Unique Business Model

- We will achieve growth in **core businesses** based on our wide customer base (plants/factories, commercial buildings, lifeline utilities) established over the long term, and in our **growth businesses**, which harness new business opportunities that arise from technological advances such as in semiconductors, as well as social issues such as the pursuit of carbon neutrality. In our growth businesses, we focus on expanding markets (overseas) and increasing competitive advantages (enhancing product competitiveness).
- In our growth businesses, we enlarge our customer base, while in our core businesses we improve sustainability and profitability. By continually **cycling from growth businesses to core businesses back to growth businesses**, we aim to achieve sustained business expansion.
- In parallel with the above, we continue to evaluate and review our business portfolio from the perspective of cost of capital.





## 5-2. The azbil Group's Unique Business Mode: Examples of Growth Businesses

### Regional expansion (overseas markets)

We will achieve sustained business growth by supplying products and services throughout the lifecycle of buildings owned by BA customers overseas (+ 5 billion yen compared to FY2024).

#### Steps for achieving overseas BA business growth

##### Previous medium-term plan

(FY2021-2024)

To expand recurring business, we started focusing on overseas projects for locally capitalized building owners rather than domestically capitalized projects. We have been developing global account customers.

##### New medium-term plan

(FY2025-2027)

We will focus on projects for locally capitalized building owners and continue to seek new global account customers, expand the data center business, and strengthen human resources (enhanced project proposal capabilities).

##### Further growth

We will expand our GX business by offering energy-saving solutions and enhance efficiency by developing our service infrastructure.

Overseas we will expand our value chain business model, which has a solid track record in Japan. We will achieve revenue growth by expanding our recurring business overseas.

### Increasing our competitive advantage (strengthening product competitiveness)

We will create new automation utilizing our unique technologies, and expand business by meeting the challenge of technological advances and emerging social issues (+ 10 billion yen compared to FY2024).

#### ■ Unique azbil technologies

- Proprietary MEMS-based sensors
- AI-based autonomous plant control
- Cloud-based control valve diagnostic technology



#### ■ Technological advances and emerging social issues

- Demand for advanced equipment enabling further semiconductor miniaturization
- New cutting-edge plant control suited for a decarbonized society
- Maintenance and renewal of aging plants
- Enhancing quality and efficiency of regular plant maintenance, addressing labor shortages

#### Examples of new automation

**Vacuum gauges offering the high precision, high durability, and high stability for cutting-edge semiconductor manufacturing equipment**

- Sapphire Capacitance Diaphragm Gauge Model V8C



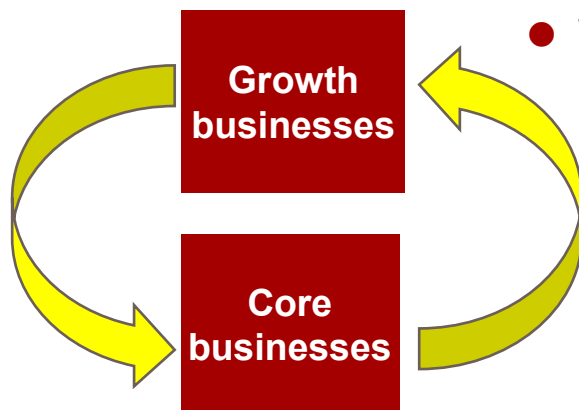
**Cloud-based valve analysis and diagnostics to revolutionize scheduled valve maintenance, thus transforming half a century of accepted practice**

- Control valve maintenance support system



**Aiming to create and expand new automation, we will establish an integrated system for R&D, production, and marketing. We will expand business using the spiral model.**

## 5-3. Investment to Strengthen the Business Model



- We will steadily invest in human capital, product competitiveness and DX promotion to enhance the azbil Group's unique business model.

- **Human capital:** Secure and develop essential human resources to execute business strategies (personnel with strong solution capabilities and global talent) to expand both growth and core businesses
- **Product competitiveness:** Enhance unique measurement and control and application technologies to develop a range of competitive products
- **DX promotion:** Create digital products and services that enhance customer satisfaction, improve operational efficiency and profitability by utilizing AI

Expand the customer base in growth businesses and improve sustainability and profitability in core businesses. By cycling from growth to core and back to growth businesses, achieve sustainable business expansion.

### Investing in human capital

Total personnel expenses **+32 billion yen**

- Establish environment and HR systems that enhance job satisfaction and a sense of growth (evaluation and compensation systems, and flexible work styles)
- Provide programs that foster career autonomy linked to management strategy
- Provide incentive plans linked to benefits and financial measures

### Strengthening product competitiveness

R&D expenses **+9 billion yen**

- Strengthen product competitiveness by expanding cloud/AI app development and using MEMS sensing and actuator technologies
- Engage in co-creation with other companies in core areas of R&D
- Establish R&D management system; create mechanisms for HR development and passing down technical skills

### Promoting DX

DX (IT) investment **+5 billion yen**

- Create products and services using product DX and sales DX
- Reform operational flows through "fit to standard"
- Employ generative AI, develop/enhance foundation for data utilization, accumulate/utilize knowledge
- Strengthen cybersecurity measures

## 5-3. Investment to Strengthen the Business Model

### Enhancing Product Competitiveness; Promoting DX; Utilizing Generative AI

We will continue to actively invest in the use of generative AI for both enhancing product competitiveness and promoting in-house DX (to make business operations more efficient and advanced). By harnessing AI to elevate added value of products and services, we will strengthen the azbil Group's unique business model, while strengthening risk management.

#### Changes in the business environment related to generative AI

- Emergence of generative AI as a result of technological advances in large-scale language models
- Advancements as a result of multi-modal\* and time-series data capabilities
- Advantages in structuring/systematizing information and automating business processes

\* A multimodal technology combines different types of data, such as text and video.

#### Progress of the azbil Group to date

- Implementing product development (realizing autonomy) using AI technologies, including generative AI; utilizing AI to improve business efficiency (software development, etc.), product development, and transfer of technical skills
- Offering a generative AI chatbot service for in-house use, AVELDA, and making it available to all employees of Group companies globally (from Sep. 2023)
- Developing an AI service called “Generative KY (hazard prediction)” to support risk assessment performed by on-site service staff, as a part of efforts to make business operations more efficient and advanced



#### New medium-term plan: policy regarding the use of generative AI

- Using generative AI, increase the added value of products and services, and differentiate azbil from the competition by strengthening systems and solving customers' issues, thus reducing the risk of new players entering the market
- Aim to transfer technical skills in areas such as production, R&D, maintenance services, and engineering, and increase the added value of products and services to strengthen our business model through generative AI
- Strengthen the management systems to address the risks in utilizing generative AI and providing products and services

## 5-4. Business Strategy and Performance Targets

### The azbil Group's Growth Businesses and Core Businesses

**Aim to achieve further expansion through both growth and core businesses**

**FY2024**

**FY2027**

**Growth businesses: 88.0 billion yen 125.0 billion yen**

**Core businesses: 197.7 billion yen\*<sup>1</sup> 215.0 billion yen**  
 212.3 billion yen\*<sup>2</sup>

\*<sup>1</sup> Figures excluding the impact of the transfer of Azbil Telstar  
 \*<sup>2</sup> Actual results for FY2024

#### Growth businesses

**Businesses which operate in markets where there is demand for harnessing technological advances and resolving social issues. By introducing new products and services that are on the cutting edge, these businesses enlarge the customer base.**

**BA**

GX solutions for saving energy and utilizing renewable energy in domestic market, advanced air conditioning for data centers, and overseas business expansion for locally capitalized customers

**AA**

MEMS sensors for semiconductor manufacturing equipment and other FA, advanced control for autonomous plant operations

**LA**

Introduction of next-generation smart meters, and smart metering as a service

#### Core businesses

**Businesses founded on an existing, long-established customer base, capable of sustainably improving profitability through DX promotion. We will realize growth through expansion of the customer base.**

**BA**

Retrofit of existing buildings and services based on domestic customer base

**AA**

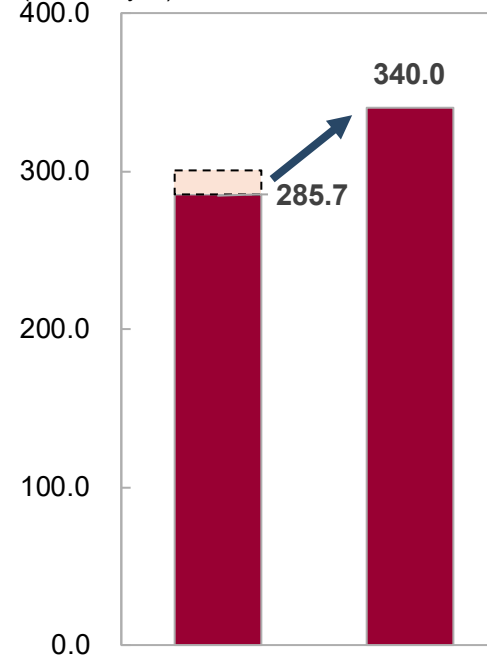
Highly reliable products and services for the recurring business market

**LA**

Meter replacement and expansion of ultrasonic meters

#### Net sales

(Billion of yen)



(Billion of yen)

FY2024

FY2027

**Net sales**

**285.7**

**340.0**

300.3

[Overseas sales]

48.5

62.0

63.1

**Growth businesses**

**88.0**

**125.0**

88.0

**Core businesses**

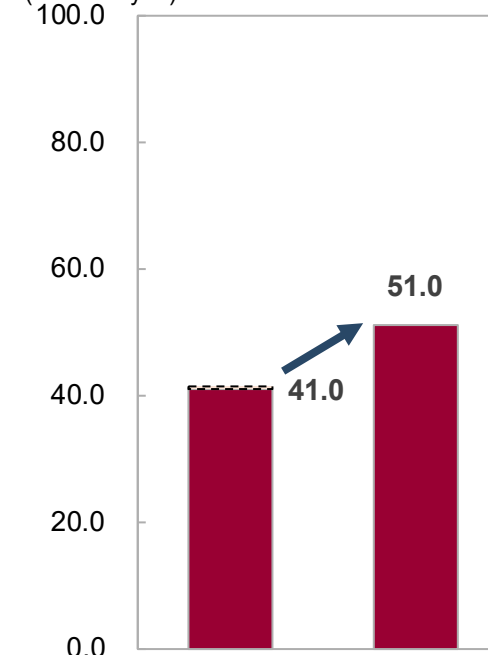
**197.7**

**215.0**

212.3

#### Operating income

(Billion of yen)



(Billion of yen)

FY2024

FY2027

**Operating income**

**41.0**

**51.0**

41.4

**Margin**

**14.4%**

**15.0%**

13.8%

\* Upper tier: figures excluding the impact of Azbil Telstar, which was transferred in October 2024  
 Lower tier: actual results for FY2024

## 5-4. Business Strategies and Performance Targets

### Summary of Each Segment of the azbil Group

<b>Business strategy and priority measures</b> <small>* For details, refer to pp.14-17.</small>			<b>FY2024</b>	<b>FY2027</b>	<b>CAGR</b> (compared to FY2024)
<b>azbil Group</b>	<b>Aim to achieve further expansion through both growth businesses and core businesses</b>	<b>Net sales</b>	<b>285.7</b> billion yen 300.3 billion yen	<b>340.0</b> billion yen	<b>5.8 %</b> 4.1 %
		<b>Operating income</b>	<b>41.0</b> billion yen 41.4 billion yen	<b>51.0</b> billion yen	<b>8.7 %</b> 8.2 %
<b>BA</b>	<ul style="list-style-type: none"> <li>Expand domestic market</li> <li>Increase revenue in overseas market</li> <li>Strengthen product development</li> </ul>	<b>Sales</b>	<b>148.7</b> billion yen	<b>174.0</b> billion yen	<b>5.2 %</b>
		<b>Segment profit</b>	<b>24.3</b> billion yen	<b>26.9</b> billion yen	<b>4.3 %</b>
<b>AA</b>	<ul style="list-style-type: none"> <li>Accelerate global business expansion</li> <li>Create new automation</li> <li>Strengthen profitability</li> </ul>	<b>Sales</b>	<b>106.8</b> billion yen	<b>123.0</b> billion yen	<b>4.7 %</b>
		<b>Segment profit</b>	<b>15.9</b> billion yen	<b>21.0</b> billion yen	<b>10.7 %</b>
<b>LA</b>	<ul style="list-style-type: none"> <li>Achieve growth through synergy between smart meters and smart metering as a service</li> <li>Restructure the business portfolio</li> </ul>	<b>Sales</b>	<b>32.0</b> billion yen 46.6 billion yen	<b>43.0</b> billion yen	<b>10.0 %</b> (2.9)%
		<b>Segment profit</b>	<b>0.7</b> billion yen 1.1 billion yen	<b>2.8</b> billion yen	<b>67.1 %</b> 32.6 %
<b>Overseas</b>	<ul style="list-style-type: none"> <li>Accelerate overseas business growth through business promotion and a strong management system tailored to regional characteristics</li> </ul>	<b>Sales</b>	<b>48.5</b> billion yen 63.1 billion yen	<b>62.0</b> billion yen	<b>8.5 %</b> (0.6)%

## 5-4. Business Strategy and Performance Targets Building Automation (BA) Business

**Expand domestic market; increase revenue in overseas market; strengthen product development**

**FY2021-2024 achievements** \* Previous medium-term plan, May 2021  
Bolstered by robust domestic and overseas demand, we exceeded our plan\* for both sales and segment profit by implementing measures to strengthen profitability and shifting more resources to the existing building field.

### Market analysis

- Domestic market conditions remain strong, and overseas markets are expanding thanks to economic development.
- Initiatives to achieve carbon neutrality (improved energy-saving for buildings) are accelerating.
- Owing to domestic labor shortages, demand is increasing.

### Strategies for the medium-term plan (FY2025-2027)

**Achieve global growth; increase the added value of products and services**

Growth

#### Provide GX solutions; offer advanced system and services with higher added value

Participate in data center and other markets which require higher energy-saving needs (high added value, high profitability); develop cloud applications utilizing new technologies such as AI

Growth

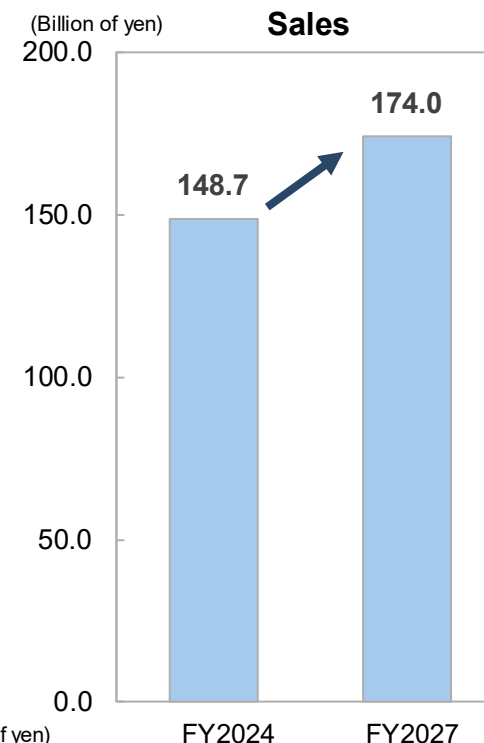
#### Increase revenue in overseas markets

Develop projects for locally capitalized building owners and cultivate new global account customers; expand data center business; strengthen human resources (to enhance project proposal capabilities)

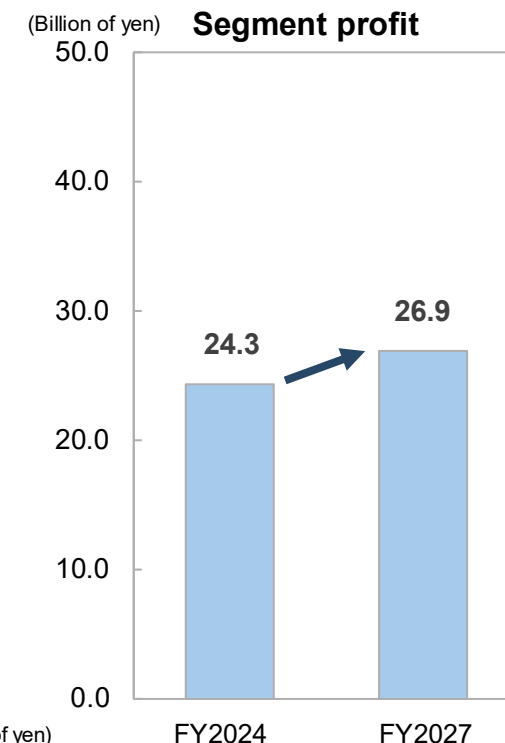
Core

#### Accelerate release of products that reduce or obviate construction work

Contribute to solving domestic labor shortages; promote new value-added propositions



(Billion of yen)	FY2024	FY2027
Sales	148.7	174.0
[Overseas sales]	14.4	18.5
Growth businesses	40.2	60.0
Core businesses	108.6	114.0



(Billion of yen)	FY2024	FY2027
Segment profit	24.3	26.9
Margin	16.4%	15.5% *

\* Looking to the future, prioritize the development of products and services, investments in human resources and DX, and the capture of new demand to expand our recurring business in overseas markets



# 5-4. Business Strategy and Performance Targets

## Advanced Automation (AA) Business

**Accelerate global business expansion; create new automation; strengthen profitability**

**FY2021-2024 achievements** \* Previous medium-term plan, May 2021  
Profitability improved, and a segment profit margin of 15% was achieved despite the sluggish FA market; progress was made with developing new customers, mainly overseas.

### Market analysis

- The need for factory/plant automation persists globally as customers seek solutions to labor shortages, safety and environmental concerns.
- Demand for new measurement and control technologies for advanced production processes is expanding.

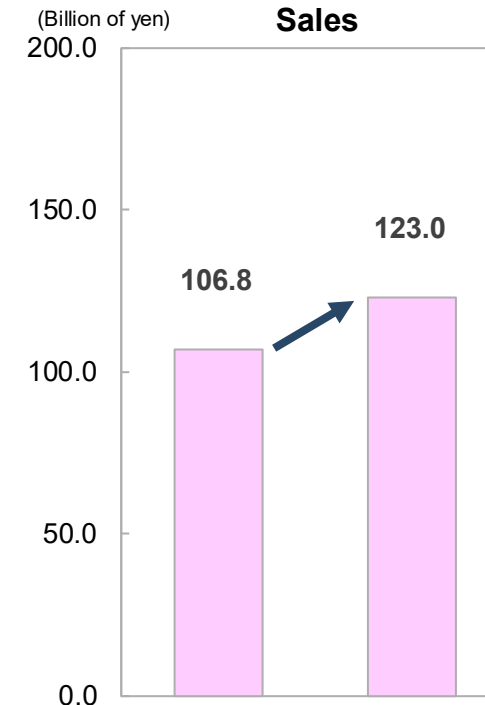
### Strategies for the medium-term plan (FY2025-2027)

**Establish multiple leading areas where azbil has a competitive advantage; develop these domestically and internationally.**

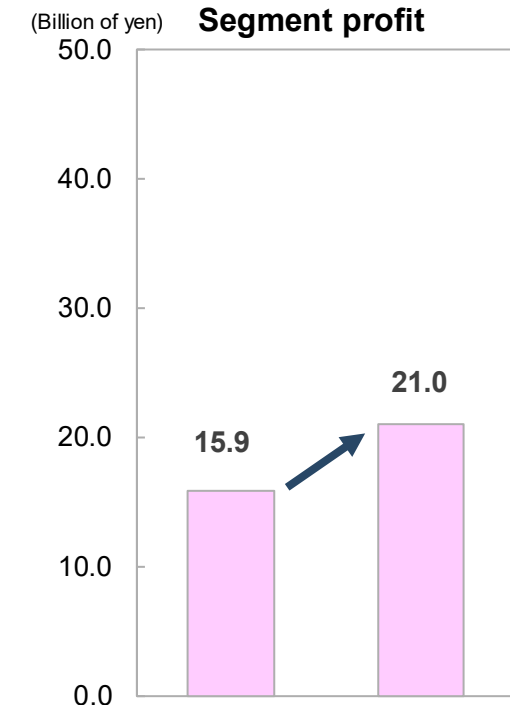
**Growth Accelerate global business expansion**  
Deploy competitive solutions developed in our domestic business to global markets

**Growth Create new automation**  
Make use of unique azbil technologies—such as MEMS sensors, technologies related to control valves, and autonomous plant operations—to meet new demand for measurement and control technologies

**Core Continue to strengthen profitability based on our achievements to date**  
Implement further improvement of business mix; reduce cost of products and services; and optimize price, including cost pass-through



(Billion of yen)	FY2024	FY2027
Sales	106.8	123.0
[Overseas sales]	32.0	41.0
Growth businesses	44.2	59.0
Core businesses	62.6	64.0



(Billion of yen)	FY2024	FY2027
Segment profit	15.9	21.0
Margin	15.0%	17.1%



## 5-4. Business Strategy and Performance Targets

### Life Automation (LA) Business

**Achieve growth through synergy between smart meters and smart metering as a service;  
restructure the business portfolio**

#### FY2021-2024 achievements

\* Previous medium-term plan, May 2021

Although the performance targets in the previous medium-term plan\* were not achieved, the business portfolio has been restructured (transfer of Azbil Telstar).

#### Market analysis

- Smart technologies are penetrating the global meter market.
- Demand is growing for the added value made possible by using data collected from meters.

#### Strategies for the medium-term plan (FY2025-2027)

**Continue business restructuring; focus on markets centered on smart technologies and the utilization of meter data**

Growth

#### Promote smart meter business and smart metering as a service\*<sup>1</sup> business

Promote smart metering as a service business; accelerate development of next-generation smart meters to differentiate our products and services

Growth

#### Accelerate business portfolio restructuring to achieve further growth

In Japan and overseas, engage in new strategic investments and collaborative ventures with other companies, increasing business scale and strengthening profitability

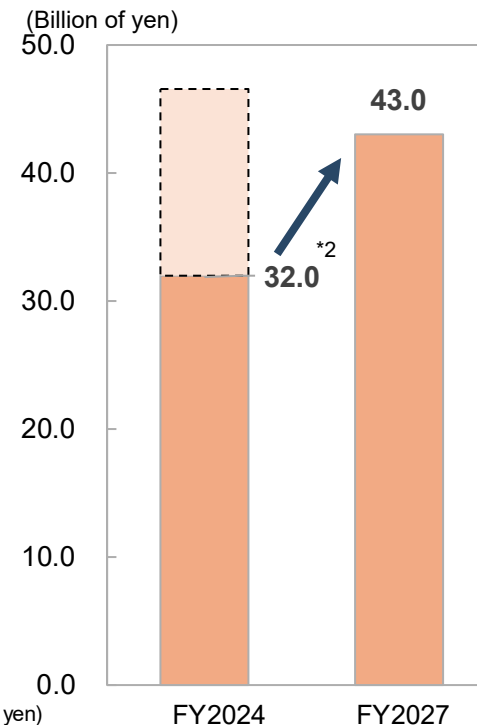
Core

#### Grow business by steadily capturing renewal demand required by law

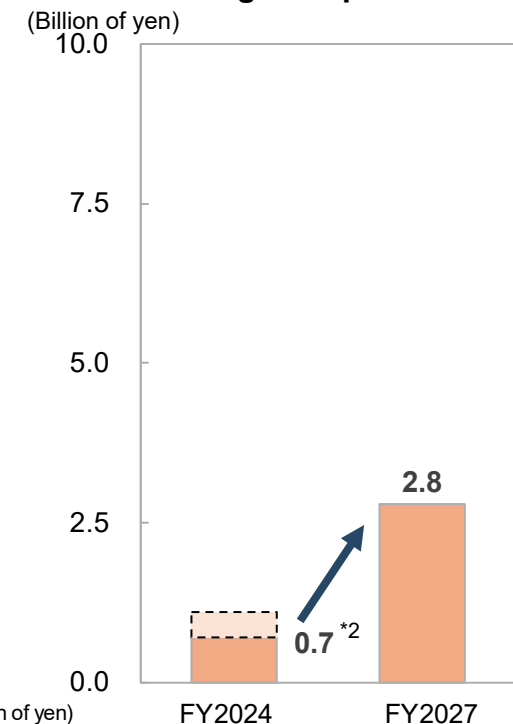
Expand business by increasing added value through introduction of meters with new technologies, while steadily capturing renewal demand required by law

Expect growth in Lifestyle-related field (residential central air-conditioning systems)

Sales



Segment profit



	FY2024	FY2027
<b>Sales</b>	<b>32.0</b> <sup>*2</sup>	<b>43.0</b>
[Overseas sales]	2.1 <sup>*2</sup>	2.5
<b>Growth businesses</b>	<b>4.0</b> <sup>*2</sup>	<b>6.0</b>
<b>Core businesses</b>	<b>28.0</b> <sup>*2</sup>	<b>37.0</b>

	FY2024	FY2027
<b>Segment profit</b>	<b>0.7</b> <sup>*2</sup>	<b>2.8</b>
<b>Margin</b>	<b>2.3%</b> <sup>*2</sup>	<b>6.5%</b>

\*1 In addition to conventional metering functions, this business provides new added value as a measurement-based service.

\*2 Sales and segment profit excluding the impact of the transfer of Azbil Telstar in October 2024

## 5-4. Business Strategy and Performance Targets

### Overseas Business

**Accelerate overseas business growth through business promotion and a strong management system tailored to regional characteristics**

#### FY2021-2024 achievements \* Previous medium-term plan, May 2021

We achieved business growth thanks to progress with product/sales measures. The original performance targets in the previous medium-term plan\* were achieved if the effect of the Azbil Telstar transfer is excluded.

#### Market analysis

- Economic conditions and demands differ by countries, regions, and markets. There is an uncertainty in business environment due to rising tariffs and geopolitical issues.
- Demand is increasing for carbon neutrality (improved energy-saving for buildings), automation of buildings, factories and plants, and improved productivity and efficiency

#### Strategies for medium-term plan (FY2025-2027)

**Expand business scale by implementing locally led initiatives suited to regional characteristics**

Growth

#### Key initiatives

BA: Develop projects for locally capitalized building owners; cultivate new global account customers  
AA: Deploy competitive solutions globally

Growth

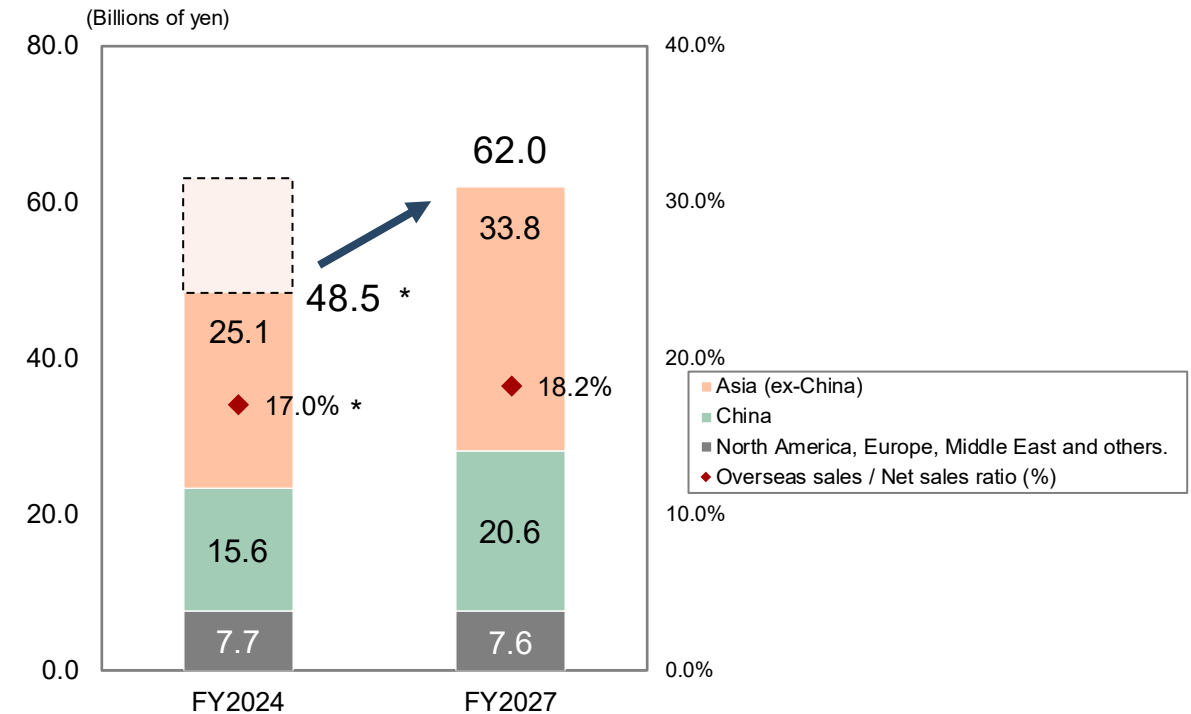
#### Implement locally led initiatives

Expand business by sharing resources within a region, with the Strategic Planning & Development Office for Southeast Asia taking the lead; engage in locally led initiatives in each region

Growth

#### Implement organizational restructuring

Strengthen sales strategies and function/product development centered on each region



[Sales by Segment]

(Billions of yen)	FY2024	FY2027
BA	14.4	18.5
AA	32.0	41.0
LA	2.1 *	2.5
Consolidated	48.5 *	62.0

\* Sales excluding the impact of the transfer of Azbil Telstar in October 2024

## 5-5. Initiatives to Strengthen the Management Foundation

- To achieve sustainable growth, we implement a variety of measures, ranging from the setting up of new organizations/systems to creating mechanisms for management that is conscious of the cost of capital. We also practice sustainability management. After transitioning to a company with a three-committee Board structure in 2022, we continue to improve our remuneration policy.

### Organizational restructuring for growth

- Establish a new Group Management Strategy Department, clarify growth strategies, optimize the business portfolio, and drive the execution of measures
- Going forward, implement the restructuring of organizations for growth, including organizations to develop and execute strategies tailored to the characteristics of each overseas region

### Promotion of management conscious of cost of capital

- Having introduced ROIC, ensure its wider adoption as a management tool
- Continue restructuring and optimizing the business portfolio
- Plan to make investments for growth by utilizing the balance sheet

### Sustainability management

- Promote initiatives based on materiality and unique SDG goals
- Reduce CO<sub>2</sub> emissions at customer sites, achieve net-zero emission in our business activities
- Accelerate diversity and inclusion, and enhance human rights initiatives
- Implement risk management that integrates bottom-up and top-down approaches
- Reestablish procurement and production system which can endure risks related to supply chain

### Strengthening corporate governance

- To further strengthen the supervisory functions of the Board of Directors, change the Board's composition (appoint an outside director as chairperson of the Board; ensure 70% are outside directors and 30% are female directors)
- Continuously improve remuneration policy (expand performance-linked component of remuneration structure, review KPIs, and introduce Clawback policy)

## 5-5. Initiatives to Strengthen the Business Foundation

### Increase Profits and Enhance Profitability

We will enhance the profitability of our BA, AA and LA businesses through improvements of business mix and costs as well as selling price optimization including cost pass-throughs, while optimizing our overall business portfolio. To strengthen our unique business model, we will continue investing in human capital, product competitiveness and DX promotion, aiming to achieve an operating income margin of 15% and an ROE of 14%.

#### Improving the business mix

- Review the LA business portfolio
  - Withdraw from the Life Science Engineering field
- Optimize product mix in each business
  - Improve product/customer mix
  - Review unprofitable products and services, etc.

#### Improving product/service costs

- Expand overseas production and local procurement
- Reduce product costs through design changes (major product renewals, etc.)
- Improve engineering methodology
- Reduce indirect costs, optimize outsourcing, etc.

#### Optimizing selling price including cost pass-throughs

- Systematize contract/selling price management
- Utilize cost pass-through
- Strengthen project profitability management
- Implement project risk management, etc.

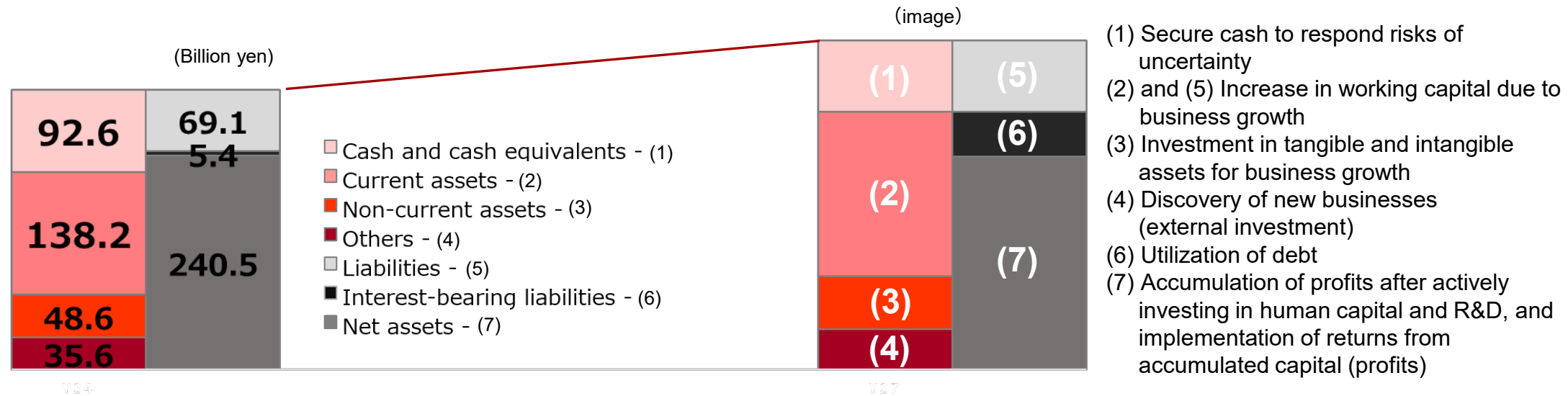
		FY2020	FY2024	FY2027
			Final year of the previous medium-term plan (results)	Final year of the new medium-term plan (plan)
azbil Group	Operating Income	25.7 billion yen	41.0 billion yen 41.4 billion yen <sup>*1</sup>	51.0 billion yen
	Operating Income margin	10.4%	14.4% 13.8% <sup>*1</sup>	15.0%
	ROE	10.4%	14.2% 17.9% <sup>*2</sup>	14%
BA	Segment profit margin	11.9%	16.4%	15.5%
AA	Segment profit margin	11.7%	15.0%	17.1%
LA	Segment profit margin	3.3%	2.3% 2.5% <sup>*1</sup>	6.5%

## 5-5. Initiatives to Strengthen Management Foundation Investments Utilizing Balance Sheet (B/S)

Achieve the next stage of growth through fostering the growth of existing businesses and investing in new ventures by the strategic allocation of assets and liabilities

**B/S at the end of previous fiscal year  
(March 31, 2025)**

**Projected B/S at the end of the new mid-term plan period (March 31, 2028)**

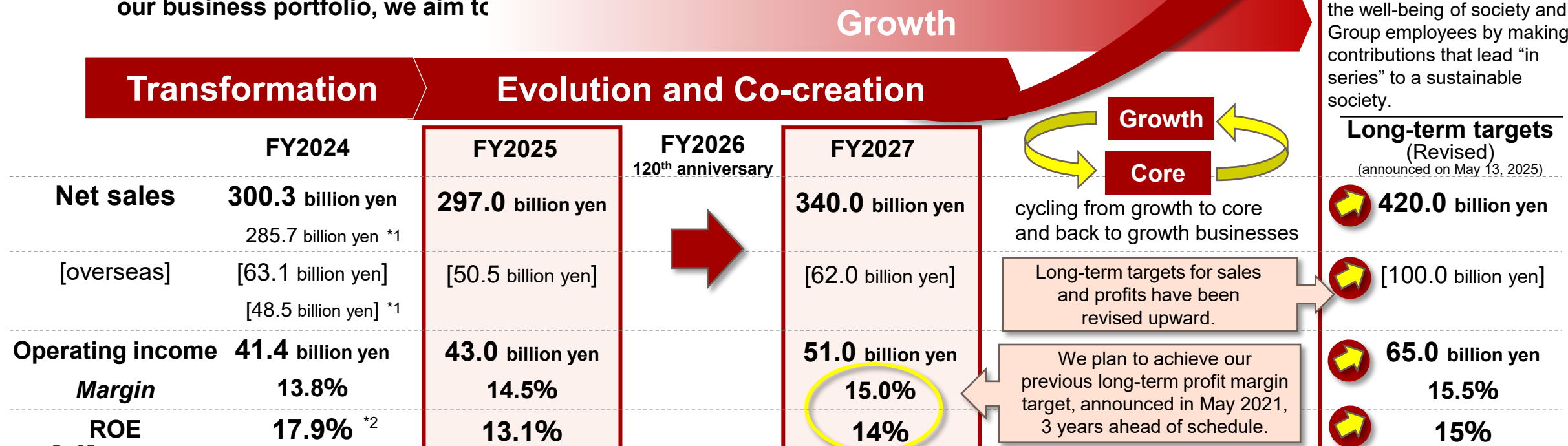


- Through the reduction of inventory and held stocks, our financial stability has become robust. The increased cash is allocated to returns.
- We constructed a new facility at the Fujisawa Technology Center to strengthen R&D infrastructure for business growth and to provide a space where the future vision of our offices can be experienced.

- We anticipate **approx. 50.0 billion yen in investments** for business expansion during the new medium-term plan period, considering not only available funds but the proactive use of debt.
- With a focus on cost of capital, we will allocate cash to investments and returns. We aim to continuously increase dividends to secure a **dividend on equity (DOE) of over 6%**.

## 6. New Medium-term Plan (Summary)

- Under the new medium-term plan (FY2025-2027), with its key themes of “**Evolution**” and “**Co-creation**”, while actively making necessary investments in human capital, etc., we will achieve, with azbil’s **unique business model**, both expanded sales and improved profitability, aiming to realize the well-being of society and group employees through business expansion.
- Our long-term target for FY2030 has been revised upward. Despite increasing uncertainty in the business environment, we aim for further expansion by exploring new growth markets, leveraging the positive effect of measures implemented to strengthen profitability from the previous mid-term plan and our long-standing strong relationships with customers. We will actively invest in human capital, product competitiveness, and DX promotion.
- In FY2025, the first year of the new medium-term plan, excluding the impact of restructuring our business portfolio, we aim to



# Appendix





# The azbil Group's Sustainability Management

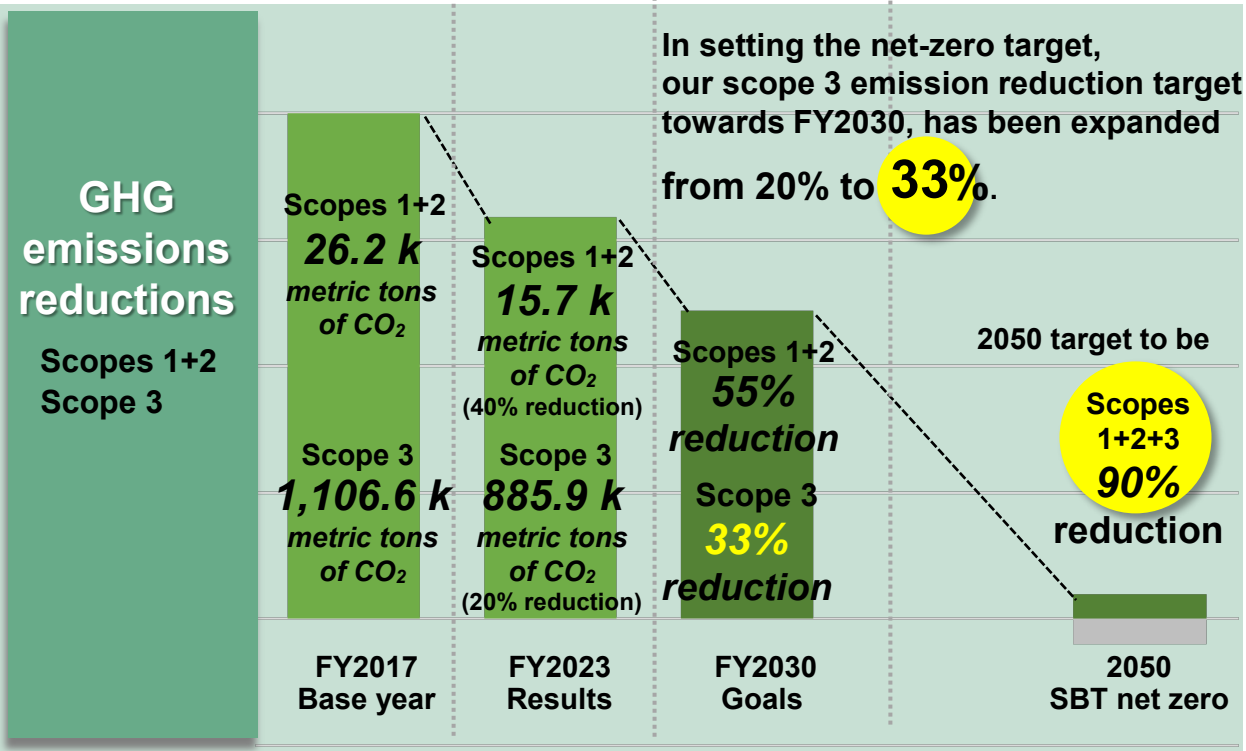
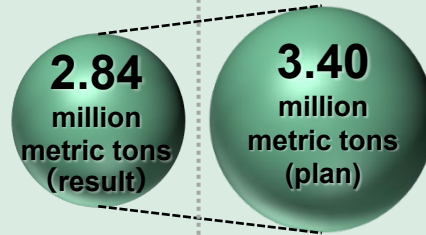
Materiality is identified from the perspective of sustainability and contributing “in series” to a sustainable society. As regards the seven key categories related to business and corporate activities, specific azbil Group SDG targets have been set as Essential Goals of the azbil Group for SDGs. At the same time, as regards the three fundamental obligations to society that a company must fulfill, we have set specific targets for our CSR activities. We will promote sustainability management by implementing initiatives to achieve these targets.

	Materiality		Essential Goals of azbil Group for SDGs		
			Essential goals		Targets
Business	Environment	Climate change	I Preserving the Earth's environment and solving energy-related problems through cooperative creation	Environment and energy	<ul style="list-style-type: none"><li>● Effective reduction of CO<sub>2</sub> at customers' sites: <b>3.40 million metric tons of CO<sub>2</sub>/year</b><sup>*1</sup> (FY2030)</li><li>● Reduction targets in greenhouse gas (GHG) emission (science-based target<sup>*2</sup> approved) (FY2030) <b>55% reduction</b> in GHG emissions from our business activities (scopes 1+2) compared to 2017 <b>33% reduction</b> in GHG emissions throughout the entire supply chain (scope 3) compared to 2017</li><li>● Design all new products to meet <b>the azbil Group's own sustainability standards</b><sup>*3</sup> and to be <b>100% recyclable</b><sup>*4</sup> (FY2030)</li><li>● Increase the number of <b>skilled professionals</b><sup>*6</sup> for supporting sustainable services<sup>*5</sup> to a total of <b>1,800</b><sup>*7</sup>—triple the number in FY2021</li></ul>
		Resource recycling			
		Innovation		II Realizing sustainable production sites, work environments, and a safe and comfortable society through new automation	New automation
General corporate activities	Society	Supply chain	III Fulfilling our responsibilities to society across our supply chain and contributing to local communities	Supply chain; Social responsibility	<ul style="list-style-type: none"><li>● Working with our business partners on achieving SDGs as a common goal and creating <b>shared CSR value across the supply chain; Evaluating policies, systems, initiatives, and effectiveness using our own evaluation indicators</b><sup>*10</sup></li><li>● Social contribution activities rooted in local communities are run at all our business sites,<sup>*11</sup> with the <b>active participation by every employee</b><sup>*12</sup></li></ul>
		Contribute to local communities			
	Human resource	Human rights, safety, and health	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	<ul style="list-style-type: none"><li>● Implementing health and well-being management (job satisfaction, health, diversity and inclusion) Employees expressed satisfaction with working at azbil Group companies in FY2030: <b>65% or more</b><sup>*13</sup></li><li>● Developing and strengthening “an organization that never stops learning” Employees have experienced personal growth through their work in FY2030: <b>65% or more</b><sup>*13</sup></li></ul>
		Learning and employee development			
Our fundamental obligations	Governance	Product safety and quality	<div>Fulfilling our fundamental obligations to society</div> <div><p>* 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.</p><p>* 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.</p><p>Reference: Revision to the remuneration policy (July, 2023) Stock-based compensation has been expanded.</p></div>		
		Corporate governance			
		Compliance			

# Decarbonization Transition Plan

We are actively contributing to solutions for energy challenges faced by both our customers and society at large, and we have also developed a transition plan to support decarbonization efforts.

Our scope 3 emission reduction target towards FY2030, which has been revised upward from 20% reduction to 33% reduction, and the 2050 net-zero target—which includes all CO<sub>2</sub> emissions (scopes 1, 2, and 3)—were certified by the SBTi. (October 2024)



## Means of GHG emissions reductions

### Scopes 1+2

#### By 2030

- Promote energy conservation projects focused on our sites
- Proactively use renewable energy
- Gradually switch company vehicles to hybrid and electric ones

#### By 2050

- Work with business departments to accelerate decarbonization at our sites
- 100% of electricity used will be from renewable energy sources
- Accelerate switchover of company vehicles to electric ones

### Scope 3

#### By 2030

- Promote sustainable product design (mainly resource- and energy-saving design)
- Achieve 100% recyclable design
- Promote collaboration with suppliers (decarbonization, support for goal setting)

#### By 2050

- Continue and expand sustainable design (mainly resource- and energy-saving design)
- Continue 100% recyclable design
- Promote and expand collaboration with suppliers (decarbonization, support for goal setting)

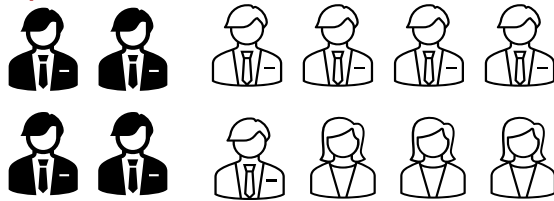
## Further Strengthen Corporate Governance (1): Transition to a New Board Structure

- Aiming to further strengthen the **independence and supervisory function of Board of Directors**

- before June, 2022: Operated as a company with an audit & supervisory board
- June, 2022: Transitioned to a company with a three-committee board structure, with a non-executive inside director serving as chairperson (total 12 members)
- June, 2025: **An outside independent director serves as chairperson, reducing the number of members from 12 to 10**, effective at the general shareholders meeting

### Supervisory

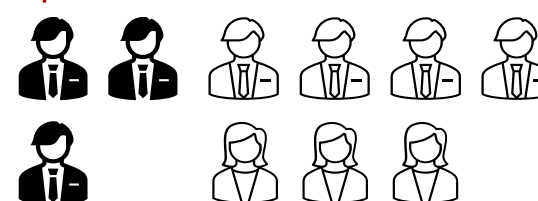
#### Chairperson



Board of Directors  
12 to 10



#### Chairperson



**Composition of independent outside directors: 66.7%**  
**Composition of female directors: 25%**  
4 inside directors and 8 independent outside directors

**Composition of independent outside directors: 70%**  
**Composition of female directors: 30%**  
3 inside directors and 7 independent outside directors

Nomination  
Committee

Audit  
Committee

Remuneration  
Committee

Each statutory  
committee is chaired by  
an outside director

Accelerate the delegation of authority to the executive side



### Executive



Corporate executives



Executive officers



## Further Strengthen Corporate Governance (2): Revision of the Remuneration Policy for Officers

**Further motivate corporate executives to achieve medium- and long-term performance targets and enhance the enterprise value**

### Expansion of the performance-linked component of the remuneration structure (Increase the relative percentage of bonuses and stock-based compensation)

- The remuneration structure for corporate executives is based on their roles and responsibilities, and consists of basic remuneration, which is a fixed monthly amount; bonuses, which are short-term incentives; and stock-based compensation, which is a medium- to long-term incentive.
- To ensure a remuneration structure that motivates officers to achieve the medium- and long-term performance goals and enhance enterprise value, the incentive component of remuneration has been set at a high level.

(After) Example of president & CEO

Incentives		
Basic remuneration	Bonus	Stock-based compensation

Basic remuneration: Bonus: Stock-based compensation = 1:1:1

(Before) Example of president & CEO

Basic remuneration	Bonus	Stock-based compensation
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Basic remuneration: Bonus: Stock-based compensation = 4:3:3

### Revision of key performance indicators (KPIs)

- Non-financial KPIs: “Employee engagement” “Diversity” and “Individual evaluation”

(After) Example of president & CEO

Bonus KPIs		Evaluation weighting
Financials	Net sales	45%
	Operating income	45%
Non-financials	Employee engagement	2.5%
	Diversity (% of female managers)	2.5%
	Individual evaluation (customer satisfaction, productivity & efficiency, CSR management, etc.)	5%

(Before) Example of president & CEO

Bonus KPIs		Evaluation weighting
Financials	Net sales	45%
	OP margin	45%
Customer satisfaction, productivity & efficiency, HR Development and Organizational Revitalization CSR management, etc		10%

- Set “ROE” as one of the KPIs to promote value sharing with shareholders in performance-linked amount (50%) of stock-based compensation

KPIs of Stock-based compensation		Evaluation weighting
Financials	Relative TSR (relative to TOPIX, including dividends)	50%
	ROE	30%
Non-financials	Effective CO <sub>2</sub> reduction	20%

KPIs of Stock-based compensation		Evaluation weighting
Financials	Relative TSR	50%
	OP margin	30%
Non-financials	Effective CO <sub>2</sub> reduction	20%

### Further enhance remuneration governance: expansion of “Malus and Clawback policy”

- If the financial results for a previous fiscal year are revised retrospectively, or if serious misconduct or a serious violation has occurred, the Company can deny the officer(s) responsible the incentive component of remuneration (malus), and may demand the return of the compensation already paid to them (clawback).

# Notes (1)

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1. Financial data and financial statements have been prepared based on Japanese GAAP and the amounts have been rounded down. Figures for core and growth businesses are approximative estimates of the Company.
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)

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### 4. Essential Goals of azbil Group for SDGs

- \*1 **3.40 million metric tons of CO<sub>2</sub>/year:** The FY2030 emission factor from electricity generation is our own estimated value based on the Japanese government's Energy Basic Plan in 2019.
- \*2 **Science-based targets (SBT):** Greenhouse gas emission reduction targets based on scientific evidence
- \*3 **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).
- \*4 **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)
- \*5 **Sustainable services:** As well as contributing, through our automation technologies, to productivity improvements and stable operations at our customers' sites, we offer field engineering services that can contribute to the realization of a sustainable society by solving environmental challenges that face our customers and society in all three of the azbil Group's environmental priority areas (decarbonization, resource recycling, and biodiversity conservation).
- \*6 **Skilled professionals:** We have set up an in-house qualification system for the following staff with specialized skills considered vital for realizing solutions to issues in our three environmental priority areas.
  - Professionals licensed for network services, such as remote maintenance of large-scale buildings, energy management, and cloud services
  - Certified professionals in the fields of advanced plant/factory control, energy-saving solution technologies, and valve maintenance
- \*7 **Increase the number of Skilled Professionals to a total of 1,800—triple the number in FY2021:** The total number of qualified personnel includes individual employees who have acquired multiple professional skills in the process of mastering new technologies for our field engineering services.
- \*8 **Achieve a state of resilience to changes in the business environment at 8,000 business sites:** As of April 2022, 530 business sites are in operation, aiming to increase 15-fold to 8,000 by 2030.

## Notes (3)

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### 4. Essential Goals of azbil Group for SDGs

- \*9 **Provide environments that support stress-free and diverse work styles to 6 million people:** 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.
- \*10 **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
- \*11 **All business sites:** All offices both in Japan and overseas.
- \*12 **Active participation by every employee:** The azbil Group aims to participate in activities of a scale that can accommodate the total number of employees.
- \*13 **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.



# IR Inquiries and Disclaimer

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Inquiries regarding 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.

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