CORPORATE GOVERNANCE REPORT

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The corporate governance of Azbil Corporation ("the Company") is described below.

I. Basic Approach to Corporate Governance, Capital Structure, Corporate Attributes and Other Basic Information

1. Basic Approach and Policy Updated

Basic Approach

In order to deserve the trust of our shareholders and other stakeholders, the Company's fundamental approach to corporate governance is not just to ensure compliance with laws and regulations and our Articles of Incorporation, but also to fulfill our social responsibilities based on corporate ethics and to contribute to society while continuously improving enterprise value through efficient and transparent management. We see this as a top management priority.

The azbil Group has established its long-term targets (to achieve by FY2030) and a medium-term plan (FY2025-FY2027), whose aim is to contribute "in-series" to a sustainable society and achieve growth through providing automation-related products and services. Guided by the Group philosophy of "human-centered automation", we will secure our own medium- and long-term development while implementing sustainable enhancement of enterprise value. Furthermore, in May 2026, to articulate the value the azbil Group provides to society and the significance of its existence, we formulated our Purpose as "Expanding Technological Frontiers, Unlocking Human Potential." Additionally, we have defined our vision as the concrete, ideal state and goals that the azbil Group aims to achieve ten years from now through the realization of our Purpose, and we are pursuing management aimed at realizing this vision. At the same time, we recognize that it is corporate governance which provides the foundation for such sustainable enhancement of enterprise value, and so improving corporate governance is a key issue for management. As a company with a three-committee board structure, we are therefore working to strengthen the supervisory and auditing functions of the Board of Directors, enhance the transparency and soundness of management, and clarify responsibilities for business execution.

Basic Policy

(1) Ensuring the rights and equality of shareholders

In order to ensure that shareholders' rights are substantially secured, the Company takes appropriate measures in accordance with laws and regulations, and, giving due consideration to all shareholders including foreign shareholders and minority shareholders, is promoting the development of an environment in which shareholders can exercise their rights equally and appropriately.

(2) Cooperation with stakeholders

In order to achieve sustainable growth and increase enterprise value over the medium to long term, we believe that the Company must be strongly aware of its corporate social responsibility and conduct management that is appropriate for all our stakeholders. For this purpose, we have adopted "human-centered automation" as our Group philosophy to realize safety, comfort and fulfillment in people's lives and work, and to contribute to the global environment. To this end, we have instituted Guiding Principles for azbil Group Business and established the azbil Group Code of Conduct to provide specific guidelines for all officers and employees of the Company and the azbil Group. We aim to connect our Group philosophy, Guiding Principles, Code of Conduct, and management strategy, leading "in series" to a sustainable society, and to realize a balance between resolving social issues and achieving sustainable growth. In addition, to contribute "in series" to the achievement of a sustainable society, we recognize it is important to build relationships of trust not only with shareholders but with all stakeholders—including employees, business partners, customers, creditors, and local communities—as well as accelerate transformation through appropriate collaboration with multiple stakeholders, and grow sustainably. Based on this awareness, we have formulated and published our Multi-stakeholder Policy. At the same time, we have endorsed and published a Partnership-building Declaration, which seeks to increase added value throughout the supply chain and build relationships of co-prosperity with business partners.

You can find the Multi-stakeholder Policy and Partnership-building Declaration on our corporate website.

Multi-stakeholder Policy (Japanese only):

https://www.azbil.com/jp/sustainability/reference/external_engagements/initiative/multi-stakeholder_policy.html

Partnership-building Declaration (Japanese only):
https://www.azbil.com/jp/sustainability/reference/external_engagements/initiative/partnership.html

Furthermore, regarding our human rights initiatives, based on the azbil Group Basic Policy on Human Rights, we have positioned respect for human rights as one of our key management priorities and are implementing human rights due diligence within our Group and supply chains. Through our Group's human rights due diligence, we have thoroughly examined the entire value chain of the azbil Group to identify potential human rights risks (with adverse impact), assessed their severity and likelihood of occurrence, drawn up a human rights risk map, identified as priority human rights issues those serious human rights risks that have a high likelihood of occurrence, and are implementing measures to address these risks. Additionally, we have established the azbil Group Human Rights Subcommittee to strengthen our framework for sharing challenges and promoting initiatives across the Group. Furthermore, as part of our stakeholder engagement efforts, we hold annual dialogues with experts in the fields of business and human rights who participate in human rights NGOs that are stakeholders; we utilize the insights gained from these dialogues to enhance our human rights due diligence and improve our initiatives. We also continually review human rights issues and our policies for addressing them, taking into consideration changes in the business environment and the results of stakeholder engagement. Regarding the establishment of an aid mechanism, we have set up a global hotline for consultation and reporting that is accessible to all our stakeholders, aiming to prevent adverse human rights impacts from occurring and ensure their early detection and response. Our human rights initiatives are discussed at the Management Meeting and reported to the Board of Directors.

With regard to the internal reporting system, we believe it is important to (a) encourage employees to use this system by dispelling any concerns that in so doing they might be put at a disadvantage, and (b) ensure that the information thus conveyed is used appropriately. We have therefore established a user-friendly reporting & consultation system—the CSR Hotline—which ensures that the information received is reported to the president & CEO, Audit Committee members, and outside directors with due consideration given to personal information.

(3) Ensuring appropriate information disclosure and transparency

The Company strives to disseminate information so as to ensure transparency and fairness in decision-making, thus realizing effective corporate governance. Specifically, in order to ensure that all stakeholders have a proper understanding of financial information—such as the Company's financial position and business results—as well as non-financial information—such as management strategy, management planning, management issues, and information relating to risk and governance—we actively disclose information on a voluntary basis in addition to the information stipulated by law. The Company also discloses policies and procedures regarding the nomination and appointment of candidates for directors, as well as the selection and dismissal of senior executives, and policies for deciding on the remuneration for directors and corporate executives. We will continue to strive to increase the scope of information covered by these disclosures and ensure transparency.

In addition, we are taking appropriate measures to ensure proper audits by the independent accounting auditor: the Company provides sufficient time for audits to be conducted, arranges for the independent accounting auditor to interview the president & CEO and the officer in charge of finance on a regular basis, and conducts quarterly reporting between the independent accounting auditor, the Audit Committee, and the Internal Audit Department.

(4) Responsibilities of the Board of Directors, etc.

The basic mission of the Board of Directors is to put in place an appropriate corporate governance system and to implement this so as to achieve sustainable growth for the Company and enhance its enterprise value.

The Board Rules stipulate that basic management strategy and management plans are important items for deliberation, and following discussions that are unrestricted, robust and constructive, the Board will make appropriate decisions. Moreover, to ensure transparency and fairness in management, the Company will maintain systems for timely disclosure, internal control and risk management. At the same time, the Audit Committee, in cooperation with the Internal Audit Department, will successively provide appropriate audits and opinions on management.

The Company recognizes that independent outside directors play a key role in ensuring that the Board properly fulfills its functions and responsibilities, and thus it has appointed 8 independent outside directors with a broad range of experience in corporate management and supervision, as well as considerable expertise and knowledge. Drawing on their diverse backgrounds, these independent outside directors adopt a wide range of perspectives to fulfill their responsibilities, offering advice on improving enterprise value, supervising management, etc. As of June 24, 2026, the total number of directors is 11, with outside directors representing a majority. Board composition demonstrates ample diversity, including that of nationality and gender.

For the Board of Directors to effectively fulfill its roles, the Company believes that, in appointing directors, it is important to promote diversity, taking into consideration the balance of knowledge and experience, and also to ensure transparency and objectivity in the selection process. From the viewpoint of ensuring a sustainable increase in enterprise value, including the realization of the medium-term plan, the Company has set out what skill sets are expected of its directors and has confirmed the requisite independence, diversity, and anticipated skills of its current Board. For details, please refer to Principle 3-1 (4) and Supplementary Principle 4-11-1 in “Disclosure Based on the Principles of the Corporate Governance Code” in this report.

Regarding succession planning for the Company’s senior management, the Nomination Committee discusses the ongoing training and selection of successors, records the results of those discussions as well as the process of deliberation, and ensures that succession planning is conducted appropriately and objectively. In addition, the chairperson of the Nomination Committee, who is an independent outside director, regularly reports on the activities of the Nomination Committee to the Board of Directors. A system is in place to ensure that sufficient time and resources are allocated to the training of candidates for succession. Also, in order to prepare the next generation of senior executives, we provide training opportunities for managers to acquire the leadership skills, knowledge of management strategies, and management competences required of top management.

(5) Responsibilities of the Statutory Committees

As a company with a three-committee board structure, the Company has established three statutory committees—namely the Nomination Committee, the Audit Committee, and the Remuneration Committee—and each committee has the responsibilities listed below. In addition, each committee member is selected from among the directors by a resolution of the Board of Directors; similarly, the chairperson is selected from among the independent outside directors by a resolution of the Board. Moreover, a committee member designated by each committee reports to the Board of Directors in a timely and appropriate manner on the content of the committee deliberations and resolutions.

（Nomination Committee）
The Nomination Committee is responsible for determining proposals concerning the election and dismissal of directors to be submitted to the General Meeting of Shareholders and for deliberating on drafts concerning the appointment and removal of members of the three committees (nomination, audit and remuneration); drafts concerning the election and dismissal of corporate executives; and matters related to succession planning.

（Audit Committee）
The Audit Committee is responsible for auditing the execution of duties by corporate executives and directors; for preparing audit reports; for drawing up detailed proposals for the election, dismissal, or non-reappointment of the accounting auditor; and for promoting systematic auditing.

（Remuneration Committee）
The Remuneration Committee is responsible for determining policies related to the remuneration system for directors and corporate executives; for determining individual remuneration; and for deliberating on the establishment, revision, or abolition of remuneration systems as well as other matters related to executive remuneration.

(6) Dialogue with shareholders

In order to meet the requirements for corporate accountability while contributing to sustainable growth and the enhancement of enterprise value over the medium to long term, the Company is working to develop and implement a system for promoting constructive dialogue with shareholders and investors. For more information, please refer to Principle 5-1 in the “Disclosure Based on the Principles of the Corporate Governance Code” section of this report.

[Reasons for Non-Compliance with the Principles of the Corporate Governance Code]

The Company complies with all principles of the Corporate Governance Code.

[Disclosure Based on the Principles of the Corporate Governance Code] Updated

[Principle 1-3] [Guiding Principle for Capital Policy]

Aiming to enhance the azbil Group's enterprise value over the medium to long term, our guiding principle is to pursue a disciplined capital policy that is conscious of the cost of capital while carefully balancing three key objectives: investing for growth, promoting shareholder returns, and maintaining a sound financial base. Consequently, we steadily make investments that contribute to future growth and, at the same time, strive to enhance return of profit to our shareholders while maintaining a sound financial structure in order to secure our ability to respond to uncertainties arising from changes in the business environment and other factors. In making decisions on capital allocation, we regard as key factors such capital efficiency indicators as return on equity (ROE) and return on invested capital (ROIC); taking into consideration the cost of capital, we then evaluate the profitability, growth potential, and investment efficiency of our businesses to optimize capital allocation. Additionally, we continuously assess the appropriateness of the composition and levels of our management resources, including financial assets such as cash and deposits, as we seek to allocate resources appropriately to investing in growth and returning profits to our shareholders, while enhancing capital efficiency. With respect to the return of profit to our shareholders, we regard dividends as the most important, central measure. Our basic policy is to maintain stable dividends while striving to increase the dividend level. In determining dividends, we take into consideration the financial results for the current fiscal year and the forecast for consolidated financial results over the medium to long term, refer to the dividend on equity (DOE) as a key indicator, and comprehensively consider the dividend growth rate and the dividend payout ratio. In addition, share buybacks are considered and executed as appropriate with the aim of improving capital efficiency and implementing flexible capital policies. In deciding whether or not to repurchase the Company's own stock, and at what scale, we take a comprehensive look at profit levels, growth investment opportunities, the balance sheet, the forecast for consolidated financial results, market conditions, etc., and make appropriate decisions.

In line with these basic policies, in May 2026 we announced not only details of our plan to enhance shareholder returns for the fiscal year by increasing the ordinary dividend and issuing a 120th anniversary commemorative dividend, but also our expanded plan to repurchase the Company's own stock (up to a maximum of 20 billion yen).

[Principle 1-4] [Strategic shareholdings]

If we cannot establish that a stock we hold will contribute to the enhancement of enterprise value over the medium to long term, our policy is to reduce our holdings of that stock by selling shares when deemed appropriate in light of stock prices and market trends. Specifically, quantitative verification is conducted for each individual stock from the viewpoint of economic rationality, assessing whether the significance of holding the stock—taking into account such factors as business and financial returns—is commensurate with the capital cost. We also assess any risks involved in holding the stock. Furthermore, depending on the circumstances and reasons for acquiring a stock, in each case we conduct qualitative verification to assess whether holding the stock can be deemed as contributing to the enhancement of enterprise value. The Board of Directors considers these quantitative and qualitative evaluations, as well as assessments of the risks of holding individual stocks. When it is determined, as a result, that holding an individual stock lacks reasonable justification—that, for example, any advantage associated with holding the stock is not expected to improve—and that it cannot be judged to contribute to the improvement of the Company's enterprise value from a medium- to long-term perspective, we reduce our holdings of that stock by selling shares when deemed appropriate. The Company's strategic shareholdings are disclosed in the annual *Securities Report*, with the current number of shares of each stock, the purpose of holding the stock, and whether reductions have been made, etc.

When it comes to exercising voting rights, an issuer's financial position and governance status are regularly monitored, and the details of each proposal are reviewed to determine comprehensively whether or not medium- to long-term shareholder value will be enhanced and whether there will be any impact on the Company's enterprise value or on the significance of holding the stock.

In dealings with companies that hold the Company's stock as strategic shareholdings, the economic rationale of each transaction is given appropriate consideration. In addition, even if such a company indicates its intention to sell these shares, the Company will not engage in any conduct intended to prevent the sale, such as suggesting a scaling-back of business.

[Principle 1-7] [Related party transactions]

The Board Rules stipulate that conflict-of-interest transactions by the Company's directors and corporate executives require both prior approval and post-transaction reporting. Furthermore, to establish whether or not there have been any transactions involving corporate officers and their close relatives, a questionnaire-based survey is conducted each year. In addition, based on the Code of Audit Committee Auditing Standards, Audit Committee members monitor and verify whether any directors or corporate executives are in violation of their obligations. As for shareholder transactions, there are no major shareholders as defined by the Financial Instruments and Exchange Act, and thus no such transactions have taken place.

[Supplementary Principle 2-4-1] [Ensuring diversity in the appointment, etc. of core personnel]

For details on ensuring diversity in the appointment, etc. of core personnel, please refer to the “Other” section of “3. Measures to Ensure Due Respect for Stakeholders” within “III. Implementation of Measures for Shareholders and Other Stakeholders” in this report.

[Principle 2-6] [Functioning as corporate pension asset owner]

On June 1, 2015, the Company terminated its defined benefit corporate pension plan for participating employees and fully transitioned to a defined contribution pension plan. Additionally, a contractual corporate pension plan that is limited to beneficiaries who have already retired, has been established to manage the assets of those entitled to retirement pensions from the former employees’ pension fund or the defined benefit system.

The assets of the contractual corporate pension plan are expected to gradually decrease over time as benefits are paid out. However, the Company places a high priority on its responsibilities as the asset owner and, in order to fulfill these responsibilities with the best interests of the beneficiaries as its cornerstone, the Company accepted the Asset Owner Principles on January 30, 2026, which call for enhancing governance, risk management, and disclosure. To ensure that these principles are reflected in the actual operation of the plan, the Company has established and operates the Azbil Defined Benefit Pension Plan Administration Committee, chaired by the officer in charge of finance and composed of employees who work in related fields such as finance, accounting, and human resources. Personnel assigned to the department in charge of corporate pensions and to the committee office continuously work to maintain and enhance the expertise required for proper operation of the plan through training opportunities, etc. In addition, to ensure appropriate management of the reserve funds, this task is outsourced to multiple investment management organizations with the exercise of voting rights delegated to each investment manager, thereby preventing any conflicts of interest between the corporate pension plan beneficiaries and the Company.

Furthermore, the defined contribution pension plan is designed to help employees build wealth for their retirement and it is administered based on our belief that creating an environment where employees can work with peace of mind will lead to improved employee satisfaction and sustained growth for the azbil Group. From FY2023, in order to ensure the proper operation of the defined contribution pension plan, the Company has established and operates the azbil Group Contractual Pension Plan (Defined Contribution Pension Plan) Management Committee, chaired by the officer in charge of finance and composed of employees who work in related fields such as human resources and finance, as well as full-time officers of the labor union representing the participants. In managing the plan, expert advice is sought from external third-party organizations as needed, specifically for the following:

1. Drawing up a selection of investment products with, in the main, trust fees and total expense ratios that are reasonable;
2. Improving the financial literacy of employees by providing them with investment education at the time of joining the pension plan and on a continuing basis thereafter; and
3. Supporting the development of personnel in charge of the pension plan by arranging regular meetings with the investment management organizations, sharing monitoring results, offering training opportunities, etc.

In recognition of the above governance structure and operational initiatives for our defined contribution pension plan, every year since FY2024 we have been certified by the Defined Contribution Pension Education Association (NPO) as a DC Excellent Company (Governance Category). We will continue working to improve pension plan management so as to support the long-term wealth accumulation of the plan’s beneficiaries.

[Principle 3-1] [Enhancement of information disclosure]

As outlined below, the Company discloses information in accordance with relevant laws and regulations, but also proactively publishes additional information on a voluntary basis, and will continue to strive to enhance information disclosure and ensure transparency.

(1) Management philosophy, management strategy, management plans

Please refer to our website: https://www.azbil.com/corporate/index.html

(2) Corporate governance: Basic approach and basic policy

For details, please refer to “Basic Approach” and “Basic Policy” sections in “1. Basic Approach” within “I. Basic Approach to Corporate Governance, Capital Structure, Corporate Attributes and Other Basic Information” in this report.

(3) Policies and procedures for determining remuneration for directors and corporate executives

Please refer to “Remuneration for directors and corporate executives” and “2. Functions of Business Execution, Auditing, Oversight, Nomination, and Remuneration Decisions” within “II. Business Management Organization and Other Corporate Governance Systems Regarding Decision-making, Execution of Business, and Oversight in Management” in this report.

(4) Policies and procedures regarding the nomination and appointment of candidates for directors, as well as the selection/dismissal of senior executives

Please refer to “2. Functions of Business Execution, Auditing, Oversight, Nomination, and Remuneration Decisions” within “II. Business Management Organization and Other Corporate Governance Systems Regarding Decision-making, Execution of Business, and Oversight in Management” in this report.

(5) Reasons for the appointment of candidates for directors

For the reasons behind the appointment of individual directors, please refer to the notices of the Ordinary General Meeting of Shareholders.

Notice of the Ordinary General Meeting of Shareholders: https://www.azbil.com/ir/stock/meeting/index.html
(Notices for past Ordinary General Meetings of Shareholders can also be accessed.)

[Supplementary Principle 2-3-1] [Supplementary Principle 3-1-3] [Supplementary Principle 4-2-2] [Sustainability policy and initiatives]

The azbil Group’s sustainability policy

With regard to sustainability, the azbil Group is committed to continuously enhancing enterprise value based on mutual trust with stakeholders, to realizing “safety, comfort, and fulfillment in people’s lives” and contributing to global environmental preservation, and to contributing “in series” to a sustainable society. These are achieved through practicing the azbil Group philosophy of “human-centered automation” and respecting the values to contribute to society for people’s well-being based on the founding spirit of “freeing people from drudgery”.

Sustainability management and identifying materiality

In accordance with the Group philosophy, we are contributing to the global environment and addressing various social issues in order to realize a sustainable society. We recognize that tackling sustainability issues is not just about responding to risk, but also about seizing important business opportunities to enhance enterprise value, so we will continue to make contributions that lead “in series” to a sustainable society. Environmental, social, and business structural changes—resulting from such factors as climate change, the need to tackle SDGs, declining birthrates, the aging population, and changes in the way people work—have led to the emergence of various new issues that need to be addressed. At the same time, automation—which can serve in a variety of ways, such as mechanization, labor saving, energy saving, and resource saving—can play a major role in solving these issues. As the value of automation increases, so too do people’s expectations of it.

Against this changing background, in August 2022 the Company introduced “double materiality” aiming to achieve sustainable growth for the Group. This looks at both opportunities and risks, in line with the Group philosophy, assessing materiality along two axes, one representing the financial impact of the environment and society on the Company, while the other represents the impact of the Company’s activities on the environment and society. The Group has identified materiality as ten material issues across five areas to be tackled over the long term, as described in (1) to (10) below; in FY2023, with advice from outside experts, these issues were reassessed, and their validity reaffirmed. It should be noted that, in light of the changing business environment and the establishment in May 2026 of our Purpose, and following deliberations by the Board of Directors, we are concurrently considering a review of materiality.

(1) Climate change; (2) Resource recycling; (3) Innovation; (4) Supply chain; (5) Contribution to local communities; (6) Human rights, safety, and health; (7) Learning and human resource development; (8) Product safety and quality; (9) Corporate governance; and (10) Compliance

Of these materialities, items (1) to (7), which are related to business and corporate activities, are specifically defined as the

Essential Goals of the azbil Group for SDGs within the domain of Sustainable Development Goals. Items (8) to (10) are the basic responsibilities that a company must fulfill to be a member of society; for these, specific targets have been laid out as part of our CSR activities (thorough enforcement of compliance, strengthening legal compliance, disaster prevention and business continuity planning, preventing information leaks, proper accounting, creating a healthy workplace, occupational safety and health, safety measures to protect customers from product accidents, and human rights initiatives), and to achieve these we undertake various initiatives to push ahead with sustainability management.

As a framework for this, under the officer in charge of sustainability, the azbil Group CSR Promotion Committee and SDGs Promotion Committee meet to ascertain progress and identify issues, which are then deliberated by the Management Meeting, with the Board of Directors providing appropriate oversight. In April 2026, to strengthen overall sustainability management on a Group-wide basis, a new Sustainability Management Headquarters was established, within which were consolidated the dedicated offices that had served the two committees above. Through these initiatives, we are aiming to centrally monitor and manage sustainability initiatives across the entire Group and strengthen the system for promoting these efforts.

Sustainability reporting

The Company discloses its sustainability initiatives and achievements in its annual *Securities Report*, the *azbil Report* (integrated report) and *azbil ESG Databook*.

Annual *Securities Report* (Japanese only): https://www.azbil.com/jp/ir/library/report/index.html

The *azbil Report* (integrated report): https://www.azbil.com/ir/library/annual/index.html

azbil ESG Databook: https://www.azbil.com/ir/library/esg/index.html

Also, as regards disclosing how climate-related risks and opportunities affect the Company, we have expressed our support for the TCFD international framework. In line with the guidance, the Company discloses information on governance, strategy, risk management, metrics and targets in its annual *Securities Report*, in the *azbil Report* (integrated report), and on its website. The Company is progressively enhancing the content of these reports, both qualitatively and quantitatively.

Details can be found on our website: https://www.azbil.com/sustainability/environment/tcfd_tnfd/index.html

Among those items not included in the top 10 material issues mentioned above, natural capital (biodiversity, water resources, etc.) can be said to have relatively high priority. Going forward, we will further examine this, looking at changes in environmental, social, and business structures, as well as their financial impact. To appropriately evaluate the effects, dependencies, and business risks/opportunities associated with natural capital, we will advance nature-positive initiatives aligned with the recommendations of the Task Force on Nature-related Financial Disclosures (TNFD). In August 2024, Azbil Corporation registered as a TNFD Adopter and we have reported on the outcomes of our FY2025 initiatives in accordance with the disclosure recommendations.

Our initiatives to date can be found on our website: https://www.azbil.com/sustainability/environment/tcfd_tnfd/index.html

Investing in human capital and intellectual property

Our medium-term plan includes consideration of strategic investments in human capital and intellectual property, and going forward we will continue to monitor the progress made in enhancing the utilization efficiency of these management resources so as to contribute to the sustainable growth of the Company. The Company's approach to human capital can be found in "Part II: Business Overview, 2. Sustainability-related Policies and Initiatives, (2) Human Capital" of the *104th Annual Securities Report*.

[Supplementary Principle 4-1-1]　[Scope of matters delegated to management (summary)]

Our Board Rules stipulate the matters to be discussed and reported to the Board of Directors and also those matters to be delegated to the executive side as well as their scope, and the Company reviews these as necessary. The matters to be discussed and reported to the Board shall—in addition to those matters required by laws and regulations and the Articles of Incorporation—be matters that are important for management, such as basic management strategies, basic management plans, corporate governance policies, and risk management. Matters related to business management—excepting matters deemed to be especially important and for which authority shall be reserved to the Board—are delegated to the executive side so as to facilitate speedy execution.

As regards the scope of delegation to the executive side, based on the Management Meeting Rules final decisions are principally made by the president & CEO, while authority for decisions on matters within a certain scope is delegated to each executive department, in accordance with the Administrative Authority Rules.

[Principle 4-8]　[Effective use of independent outside directors]

In order to contribute to sustainable growth and the enhancement of enterprise value over the medium to long term, the Company has appointed 8 independent outside directors with a wide range of experience in corporate management and supervision, as well as extensive expertise and professional knowledge derived from their diverse backgrounds. These independent outside directors contribute to enhancing enterprise value through counseling and supervising decision-making processes in meetings of the Board of Directors. In addition, the Board of Directors is chaired by an independent outside director. This has further enhanced the effectiveness of the Board's supervisory functions and contributes to increased transparency.

As of June 24, 2026, the total number of directors is 11, with outside directors accounting for more than half of the Board of Directors. The Board composition demonstrates ample diversity, including that of nationality and gender.

[Principle 4-9]　[Criteria for judging the independence and qualifications of independent outside directors]

In addition to meeting the requirements for outside directors set out in the Companies Act, the Company applies its own criteria for judging independence and appoints outside directors who can be expected to make constructive recommendations and offer accurate advice regarding management issues and the enhancement of enterprise value over the medium to long term. As indicated in the *Securities Report* and in the notices of the Ordinary General Meeting of Shareholders, the 8 independent outside directors appointed by the Company are demonstrably independent and have diverse backgrounds and knowledge, together with extensive experience and expertise.

The criteria for judging independence established by the Company are explained in this *Corporate Governance Report* and are also included in the reference documents provided with the notices of the Ordinary General Meeting of Shareholders.

[Supplementary Principle 4-11-1]　[Views on balancing knowledge, experience and competence in the composition of the Board of Directors, as well as issues of diversity and scale]

In a rapidly changing business environment, we believe that the Company needs a Board of Directors that offers diversity and provides a good overall balance of knowledge and experience that will contribute to the enhancement of enterprise value over the medium to long term. Based on this fundamental principle, as of June 24, 2026, the Board of Directors consists of 3 directors with executive experience in the Company's business, audit and management, and 8 independent outside directors with wide-ranging experience, extensive expertise and professional knowledge.

Of the 11 directors, 3 are women (one of whom is a foreign national). Also, we have established the skill sets expected of the directors from the viewpoint of sustainable increase in enterprise value, including the realization of the Company's medium-term plan, and we have confirmed the independence, diversity, and anticipated skills of the entire current Board of Directors. The skills expected of the Company's directors (i.e. their skills matrix) are described below in "2. Other Matters Concerning the Corporate Governance System" within the "V. Other" section of this report.

[Supplementary Principle 4-11-2]　[Concurrent positions of directors]

If a director or a corporate executive concurrently serves as a director of another listed company, the Company shall confirm in advance whether this might negatively impact—owing to the time and effort invested—the individual's ability to carry out their roles and responsibilities as an officer of the Company. Any such concurrent positions are disclosed in the notices of the Ordinary General Meeting of Shareholders, etc. At this time, there are no concurrent positions that affect the Company's management or the roles and responsibilities of its corporate officers.

[Supplementary Principle 4-11-3]　[Evaluating the effectiveness of the Board of Directors]

We believe that, for sustained enhancement of enterprise value, even in a rapidly changing business environment, it is essential that the Board of Directors sets a strategic course appropriately, fulfills its management oversight role, and supports the management team in making decisions that are prompt and decisive. For this reason, through conducting objective and constructive deliberations, the Company's Board of Directors decides on such matters as management strategy, supervises their execution, and strives to enhance enterprise value over the medium to long term. It is to enhance these roles and responsibilities on a continuous basis that a survey is carried out every year to evaluate the effectiveness of the Board of Directors, to identify issues and areas for improvement, and to indicate practical ways in which such improvements might be made. In FY2025, to further enhance the objectivity and transparency of the evaluation of the Board's effectiveness, as in FY2024 we commissioned an independent agency to conduct an effectiveness evaluation through an anonymous survey of all directors; this included a comparative analysis using results from other companies.

In conducting this survey, it was recognized that, to further enhance the Board's effectiveness, it was important to deepen discussions on key management issues, to improve monitoring of medium-term plan progress and risk management, to promote dialogue with shareholders and investors, and additionally to reaffirm the roles of directors in a company with a three-committee board structure, advancing discussions on reviewing the Group's overall business portfolio, and further improving the operation of the Board of Directors. Based on this awareness, we sought the opinions and assessments of all the directors on the following survey items: (1) the role and composition of the Board of Directors; (2) the operation of the Board of Directors; (3) management plans and strategies; (4) internal controls and risk management; (5) performance, support systems, and training; (6) dialogue with shareholders and investors; and (7) operations of the Nomination Committee, the Audit Committee, and the Remuneration Committee. Based on the responses, the Board of Directors held constructive discussions to reach a shared understanding of its current effectiveness and a recognition of the issues faced, while deliberating on how these might be addressed in future.

The survey results for FY2025 indicate that our Board of Directors—as the supervisory body of a company with a three-committee board structure—is of an appropriate size and composition, and is generally fulfilling its supervisory functions appropriately; that active and open discussions are taking place at Board meetings, led by the chairperson (an outside director), after ensuring there is sufficient deliberation time through the use of advance briefings on agenda items; and that there is a shared understanding of the Board's role in light of the ideal shape of corporate governance. The results confirmed that the outside directors' understanding of the Company's business is being enhanced through a training program; that—thanks to the Liaison Meeting for Directors and Corporate Executives, off-site meetings, etc.—there is sufficient communication between directors and corporate executives; that, through reviews of the progress of the medium-term plan, the Board of Directors is functioning as a forum for substantial discussion about important management issues; and that progress has been made with board refreshment and in deepening dialogue through private meetings with shareholders and investors. It was also established that the deliberation topics of the three statutory committees for nomination, audit, and remuneration are appropriate, and that the overall effectiveness of the Board of Directors is adequately ensured.

Nevertheless, in acknowledgement of observations made that the Board of Directors is expected to further deepen its discussions and strengthen its functions—specifically regarding oversight of the Group's overall business portfolio; the allocation of medium- to long-term management resources, including human capital and intellectual property; internal controls and risk management (including subsidiaries and overseas sites); and the composition and role of the Audit Committee—the Board will focus in FY2026 on strengthening its role as a supervisory body, further deepening discussions on management strategy and the business portfolio, and strengthening Group governance.

In order to achieve sustainable growth and increase enterprise value over the medium to long term, the Company will take steps to achieve a higher evaluation of the effectiveness of the Board of Directors and will disclose the status of these initiatives as appropriate.

[Supplementary Principle 4-14-2] [Training policy for directors]

The Company provides training opportunities for directors so that they can appropriately fulfill their roles and responsibilities. Internal and external training opportunities are provided for newly appointed directors to acquire the knowledge necessary for the performance of their duties, including their legal authority and obligations as officers. In particular, we operate an induction program for newly appointed outside directors, providing an overview of the Company, its businesses and products; factory tours; and explanations of matters related to governance, etc. Furthermore, once they have taken office, we provide them with opportunities to visit bases for the Group's operations, attend trade shows, etc., so as to deepen their understanding of our business operations and business environment, and to facilitate the strengthening of effective monitoring. We also regularly conduct compliance training for all officers.

[Principle 5-1] [Dialogue with shareholders]

In order to fulfill our duty of corporate accountability and contribute to sustainable growth and the enhancement of enterprise value over the medium to long term, the Company is working to enhance the ways it promotes constructive dialogue with shareholders and investors, as described below. Details of these efforts can be found in the *azbil Report* (integrated report).

Specifically, in order to facilitate constructive dialogue with shareholders and investors, the Company has appointed an officer in charge of corporate communications who monitors all such dialogue in coordination with the relevant internal departments. Depending on the purpose of a meeting, dialogue with shareholders and investors is handled appropriately by the president & CEO (who also sits on the Board of Directors), the officer in charge of corporate communications, senior management, or Investor Relations (IR) within the Group Management Headquarters. IR plays a central role in coordinating and managing these interactions.

In actual practice, dialogue with shareholders and investors is conducted at various briefings and other events, such as individual meetings, financial results announcements, business strategy briefings, and tours of our R&D facilities. In addition, we proactively supply information to shareholders, institutional investors and individual investors, both in Japan and overseas, through online briefings and expanded use of digital content, striving to further understanding. Topics range widely, from management strategy, capital policy and business performance to sustainability, ESG-related initiatives, and voting criteria. We are thus actively promoting dialogue with a mixed audience, ranging from analysts and fund managers utilizing various investment approaches for shareholders and investors, to people whose responsibilities cover ESG and the exercise of voting rights; the topics covered vary accordingly. Beginning in FY2024, the Company has held private meetings between institutional investors and outside directors as a part of investor engagements by the directors; discussions cover such topics as initiatives for enhanced corporate governance. In FY2025, details of these dialogues were made available on our website.

The opinions and advice garnered from such interactions are conveyed to the president, management team and the outside directors, making use of such forums as management meetings and Board meetings. The feedback—which ranges in scope from business strategy to financial strategy, including capital policy—is used as a reference by management, as appropriate, to inform the development of various corporate initiatives.

Furthermore, when preparing to engage in dialogue, both the content and scope of information disclosure are clarified in advance, efforts are made to ensure information consistency, and appropriate measures are taken, such as setting a “quiet period” before the announcement of financial results to prevent leaks of insider information. Moreover, in order to build, maintain, and develop relationships of trust with our stakeholders, the Company is committed to conducting fair and transparent information disclosure in a timely and appropriate manner, promoting constructive dialogue through a variety of communications activities. This is explained in our disclosure policy, which is made available online.

Disclosure policy: https://www.azbil.com/ir/management/disclosure/index.html

[Principle 5-2] [Formulation and announcement of management strategies and plans]

The azbil Group has formulated and launched a 3-year medium-term plan*1 running from FY2025 through to FY2027. With this FY2025-FY2027 plan, we are aiming to achieve net sales of 340 billion yen, operating income of 51 billion yen, an operating margin of 15.0%, and an ROE of 14% in the final fiscal year. At the same time, the Group’s long-term targets for FY2030 have been revised upwards*2 to net sales of 420 billion yen, operating income of 65 billion yen, an operating margin of 15.5%, and an ROE of 15%.

In FY2025, the first year of our medium-term plan, steady progress was made with various initiatives and we achieved results that exceeded not only the initial plan for the year but also the revised plan announced on October 30, 2025. Based on these achievements, our full-year financial plan for FY2026, announced on May 13, 2026, projects increased revenue and operating income.

It should be noted that the progress of initiatives included in the medium-term plan varies by business segment, as do changes in the business environment. Given the uncertainty in our business environment, including the impact of the Middle East situation, we will consider revising the performance targets for FY2027, the final year of the medium-term plan, once we have a clearer picture.

*1 On May 13, 2025, the azbil Group published the medium-term plan (FY2025-FY2027).

*2 On May 13, 2025, the azbil Group revised upward its previous long-term targets (net sales of 400 billion yen, operating income of 60 billion yen, an operating margin of 15%, and an ROE of 13.5%) as detailed above.

[Supplementary Principle 5-2-1] [Basic policy on our business portfolio]

Guided by the Group philosophy of “human-centered automation”, our basic mission is to pursue new value creation and business growth that will contribute “in series” to a sustainable society through a business portfolio that is based on automation technologies and focused primarily on our markets (Building Automation/Advanced Automation/Life Automation) and solutions (systems and products). In preparing the medium-term plan, the Board of Directors discusses and reviews strategies for each business portfolio. In FY2021, we began using ROIC as a key management indicator—which is aligned with the idea of management that is conscious of the cost of capital and the stock price—and we are aiming to further improve capital efficiency. In FY2024, the Board of Directors reviewed the business portfolio, and from the perspective of restructuring the business portfolio to improve capital efficiency—a goal set forth in the Group’s medium-term plan—the decision was made to transfer all of the Company’s equity interests in its wholly owned overseas subsidiary in the Life Automation business (Azbil Telstar, S.L.U.); a contract was concluded to that effect on June 6, 2024, and the transfer was completed on October 31, 2024. Going forward, we will continue to engage in optimizing our business portfolio.

[Implementing Management That Is Conscious of the Cost of Capital and the Stock Price]

Content of disclosure	Disclosure of initiatives (update)
Availability of English disclosure	Available
Date of disclosure update Updated	June 24, 2026

Supplementary Explanation

The Group is striving to realize management that is conscious of the cost of capital and the stock price. As explained in the "Message from management" in the *azbil Report 2025* (the Company's integrated report), we introduced ROIC as an important management indicator and we are continuously engaged in optimizing capital allocation across the Group, as well as in managing our business portfolio according to the profitability and capital efficiency of each business. Through the strategic allocation of management resources, we are aiming to improve capital efficiency and profitability, and to achieve sustainable improvement in enterprise value. In FY2024, the final year of the previous medium-term plan, as part of the restructuring of our business portfolio, we transferred all of the Company's equity interests in Azbil Telstar, S.L.U.—a wholly owned overseas subsidiary in our Life Automation Business—to another company. In FY2025, we continued our efforts to improve profitability: the Group's ROIC (trial calculation) was 11.5% applying J-GAAP, 11.3% applying IFRS*[1], and the weighted average cost of capital (WACC) was 7.6%; these figures are disclosed in our *104th Annual Securities Report*, *Summary of Financial Results*, and *Financial Results Presentation* materials. Furthermore, the business portfolio is regularly reviewed as part of the Board of Directors' assessment of the progress of the medium-term plan, and its effectiveness has been attested.

In addition, so as to promote management that is conscious of the cost of capital and the stock price, the relative size of the incentive component of corporate executives' remuneration has been increased; this is designed to motivate them to achieve our medium- and long-term performance targets and enhance enterprise value. Whereas net sales*[2] and business profit are used as key performance indicators (KPIs) for determining bonuses, relative TSR (vs. TOPIX, including dividends) and ROE*[3] are the financial metrics used to determine stock-based compensation.

The basic policy of the azbil Group is to use revenue from business activities for investing in sustainable growth and for ensuring a healthy financial foundation, while simultaneously working to enhance shareholder returns. Through implementing disciplined capital planning based on this policy, we have striven to maintain and improve enterprise value. On May 13, 2026, we disclosed our approach to efficient balance sheet management aimed at further improving capital efficiency; we also announced the following measures, based on this approach: a year-end dividend increase for FY2025; an annual dividend increase for FY2026; a 120th anniversary commemorative dividend; and an expanded plan to repurchase the Company's own stock.

In addition, details regarding the Group's management strategy and, based on this, our investment strategies and measures for facilities, R&D and human capital, etc., can be found on our website, in the *azbil Report* (integrated report), our *Financial Results Presentation* materials, and our annual *Securities Report*.

*1 The Company will voluntarily adopt International Financial Reporting Standards (IFRS) from the first quarter of FY2026.

*2 Following the voluntary adoption of IFRS from the first quarter of FY2026, what has been treated as "net sales" will be expressed as "revenue".

*3 From FY2025, ROE has been adopted as a KPI for stock-based compensation.

2. Capital Structure

Foreign shareholding ratio	30% or more

[Major Shareholders] Updated

Shareholder name	Number of shares owned	Percentage of the total shares issued (%)
The Master Trust Bank of Japan, Ltd. (Trust account)	69,733,393	13.46
STATE STREET BANK AND TRUST COMPANY 505001	47,999,081	9.26
Meiji Yasuda Life Insurance Company	41,712,800	8.05
Custody Bank of Japan, Ltd. (Trust account)	24,571,000	4.77
National Mutual Insurance Federation of Agricultural Cooperatives	13,425,600	2.59
Northern Trust CO. (AVFC) Re Fidelity Funds	13,065,768	2.52
the azbil Group Employee Stock Ownership Association	12,185,005	2.35
BBH FOR FIAM GR TR FOR EMPLOYEE BENE PLNS: FIAM INTL EQ GROWTH COM POOL	7,869,900	1.51
STATE STREET BANK AND TRUST COMPANY 505103	7,655,914	1.47
Nippon Life Insurance Company	7,478,656	1.44

Controlling shareholder (other than parent company)	—
Parent company	None

Supplementary Explanation Updated

1. The Company holds 23,522,645 treasury shares. Furthermore, the number of treasury shares does not include either the 6,088,616 shares owned by Custody Bank of Japan, Ltd. (Trust E) for the Employee Stock Ownership Plan (J-ESOP-RS) and the Board Benefit Trust (BBT), or the 3,726,300 shares owned by the azbil Group Employee Stock Ownership Dedicated Trust.
2. 33,449 thousand shares held by The Master Trust Bank of Japan, Ltd. (trust account) and 19,155 thousand shares held by Custody Bank of Japan, Ltd. (trust account) are all the shares related to the trust business.
3. According to the *Large Shareholding Report* (change report) dated October 7, 2025, which has been made available for public inspection, 23,656 thousand shares (4.36 % of the total shares issued) are held by Mizuho Bank, Ltd. and 3 other joint holders as of September 30, 2025. However, as the Company is not able to confirm the number of shares actually held as of March 31, 2026, these shares are not included in the above list of major shareholders.
4. According to the *Large Shareholding Report* dated December 3, 2025, which was made available for public inspection, 28,633 thousand shares (5.28% of the total shares issued) are held by BlackRock Japan Co., Ltd. and 6 other joint holders as of November 28, 2025. However, as the Company is not able to confirm the number of shares actually held as of March 31, 2026, these shares are not included in the above list of major shareholders.

3. Corporate Attributes

Listed stock market, market section	Tokyo Stock Exchange, Prime Market
Fiscal year end	March 31
Business category	Electric Appliances
Number of employees (consolidated) as of the end of the previous fiscal year	1,000 or more
Sales (consolidated) for the previous fiscal year	Between 100 billion yen and 1 trillion yen
Number of consolidated subsidiaries as of the end of the previous fiscal year	Between 10 and 50

4. Policy on Measures to Protect Minority Shareholders in Conducting Transactions with a Controlling Shareholder

—

5. Other Special Circumstances that May Have a Material Impact on Corporate Governance

—

II. Business Management Organization and Other Corporate Governance Systems Regarding Decision-making, Execution of Business, and Oversight in Management

1. Organizational Composition and Operation

Structure of organization	Company with a three-committee board structure

[Directors]

Number of directors as specified in the Articles of Incorporation	15
Term of office of directors as specified in the Articles of Incorporation	1 year
Chairperson of the Board	Outside director
Number of directors Updated	11

[Outside Directors]

Number of outside directors Updated	8
Number of independent directors Updated	8

Relationship with the Company (1) Updated

Name	Affiliation	Relationship with the Company (*)										
		a	b	c	d	e	f	g	h	i	j	k
Anne Ka Tse Hung	Lawyer											
Shigeaki Yoshikawa	From another company								△			
Tomoyasu Miura	From another company								△			
Sachiko Ichikawa	Lawyer											
Hiroshi Yoshida	From another company								△			
Satoko Nakatani	Certified Public Accountant								△			
Shoichiro Eguchi	From another company								○			
Junichi Nishizawa	From another company								△			

* Nature of relationship with the Company:

○ : The director presently belongs to or has recently belonged to this category.

△ : The director belonged to this category in the past.

● : A close relative of the director presently belongs to or has recently belonged to this category.

▲ : A close relative of the director belonged to this category in the past.

Categories:

a. Executive of the Company or its subsidiaries

b. Non-executive director or executive of the parent company of the Company

c. Executive of a subsidiary company of the Company

d. A party whose major client or supplier is the Company or an executive thereof

e. Major client or supplier of the Company or an executive thereof

f. Consultant, accountant, or legal professional who receives a large monetary consideration or other property from the Company besides remuneration as a director

g. Major shareholder of the Company (or an executive of a major shareholder if the said shareholder is a legal entity)

h. Executive of a client or supplier company of the Company which does not correspond to categories d, e, or f above (the director himself/herself only)

i. Executive of a company having an outside director or Audit & Supervisory Board member who is also appointed to the Company (the director himself/herself only)

j. Executive of a company or organization that receives a donation from the Company (the director himself/herself only)

k. Others

Relationship with the Company (2) Updated

Name	Committee membership			Designated as an independent director	Supplementary explanation of conforming items	Reason for appointment
	Nomination Committee	Remuneration Committee	Audit Committee			
Anne Ka Tse Hung	Yes			Yes	-	She worked at an international law office as a partner attorney, and supported the conclusion of agreements for the international transactions of Japanese companies, in addition to overseas corporate matters. As such, she is familiar with Japanese business customs, and possesses knowledge in the industry to which the Company belongs. She assumed the post of outside director of the Company in 2020, and she draws on her expert knowledge of international business not only to supervise business execution, but also to proactively offer opinions at the Board of Directors meetings based on her global perspective, advising on such topics as a business promotion system targeting international business growth and her approach to investment for medium- and long-term growth from a perspective based on her area of expertise. In these ways, she fulfills such appropriate roles as supervising and giving advice on business execution and the Company judges she can continue contributing to the enhancement of the Company's management going forward. Also, as she falls under none of the above categories (a to k), the Company has designated her as an independent director, judging there to be no possibility of the occurrence of conflict of interest with general shareholders, in accordance with the "Criteria for judging the independence of outside directors" established by the Company.
Shigeaki Yoshikawa	Yes	Yes		Yes	He served as an executive vice president at the Company's business partner Mitsubishi Corporation until March 2016.	He has held key positions in a general trading company with global operations, and has broad knowledge and abundant experience regarding overseas business development and business portfolio strategies, as well as experience in corporate management, etc. at a think-tank

					However, in both the most recent fiscal year and the preceding 3 fiscal years, the amount of transactions with the Company represents less than 0.1% of the consolidated net sales of both the Company and Mitsubishi Corporation, which does not make said company a major business partner as per the “Criteria for judging the independence of outside directors” established by the Company. Thus, the Company judges that Mitsubishi Corporation is not a business partner which influences the Company’s decision-making.	consulting firm. He assumed the post of outside director of the Company in 2022, and—based on his extensive experience and insight into overseas business, as well as his knowledge of marketing and sales—he has proactively offered his opinions at the Board of Directors meetings regarding the Company’s international business strategies, approach to business strategies for medium- to long-term growth, and human resource development from a perspective based on his area of expertise. In these ways, he fulfills such appropriate roles as supervising and giving advice on business execution, and the Company judges he can continue contributing to the enhancement of the Company’s management going forward. He was involved with business execution at the Company’s business partner Mitsubishi Corporation until March 2016. However, Mitsubishi Corporation is not a business partner which influences the Company’s decision-making, as shown at left. Thus, the Company has designated him as an independent director, judging there to be no possibility of the occurrence of conflict of interest with general shareholders, in accordance with the “Criteria for judging the independence of outside directors” established by the Company.
Tomoyasu Miura				Yes	He served as a counselor at the Company’s business partner Nomura Research Institute, Ltd. (NRI) until June 2022, and Executive Director & Dean of Nomura School of Advanced Management (NSAM) until May 2022. The Company currently has transaction relationships with NRI and NSAM related to consulting and training services. However, in both the	He has held key positions at a think-tank consulting firm and possesses extensive knowledge and experience in a wide range of fields, such as IT, technology innovation, and new business creation, as well as abundant experience in the development of management human resources at a public interest incorporated foundation. He assumed the post of outside director of the Company in 2022, and has proactively offered his opinions at the Board of Directors meetings on business strategies for the Company’s medium- to long-term growth, and human resource development, based on his abundant knowledge of the IT and technology domains, his experience of new business creation, and his experience of human resource development from a perspective based on

					most recent fiscal year and the preceding 3 fiscal years, the amount of transactions with NRI makes up less than 0.1% of the consolidated net sales of both the Company and NRI. As regards the Company's relationship with NSAM, the amount of transactions (training fees paid to NSAM) as a percentage of NSAM's net sales is less than 1.3%; in monetary terms, this is less than 10 million yen per fiscal year. It should be noted that the Company has no sales to NSAM. Thus, neither NRI nor NSAM is a major business partner as per the "Criteria for judging the independence of outside directors" established by the Company and the Company judges they are not business partners which influence the Company's decision-making.	his area of expertise. In these ways, he fulfills such appropriate roles as supervising and giving advice on business execution and the Company judges that he can continue contributing to the enhancement of the Company's management going forward. He was involved with business execution at two of the Company's business partners, Nomura Research Institute, Ltd. (until June 2022) and Nomura School of Advanced Management (until May 2022). However, they are not business partners which influence the Company's decision-making, as shown at left. Thus, the Company has designated him as an independent director, judging there to be no possibility of the occurrence of conflict of interest with general shareholders, in accordance with the "Criteria for judging the independence of outside directors" established by the Company.
Sachiko Ichikawa	Yes			Yes	-	She has a global perspective, extensive experience, broad knowledge and expertise as an attorney (in Japan and in New York State, U.S.A.) and as a U.S. certified public accountant. Moreover, she has served as an outside officer of manufacturing-focused companies listed on the Tokyo Stock Exchange Prime Market, and has excellent insights concerning the ideal form of corporate governance and company management. She assumed the post of outside director

						of the Company in 2024, and she proactively offers opinions at the Board of Directors meetings based on her abundant and specialist knowledge and experience related to legal affairs and accounting, along with her insights in areas such as corporate governance and compliance from a perspective based on her area of expertise. In these ways, she fulfills such appropriate roles as supervising and giving advice on business execution and the Company judges that she can continue contributing to the enhancement of the Company's management going forward. Also, as she falls under none of the above categories (a to k), the Company has designated her as an independent director, judging there to be no possibility of the occurrence of conflict of interest with general shareholders and that she has sufficient independence, in accordance with the "Criteria for judging the independence of outside directors" established by the Company.
Hiroshi Yoshida			Yes	Yes	He served as a corporate executive at the Company's business partner Hitachi Chemical Co., Ltd. (now: Resonac Corporation) until June 2020. However, in both the most recent fiscal year and the preceding 3 fiscal years, the amount of transactions with the Company represents less than 0.2% of the consolidated net sales of both the Company and Hitachi Chemical Co., Ltd. (now: Resonac Corporation), which does not make said company a major business partner as per the "Criteria for judging the independence of outside directors"	He has held key positions at a globally operating chemical manufacturer listed on the Tokyo Stock Exchange Prime Market. He has broad knowledge related to finance and accounting, abundant experience in management planning and strategy formulation in the manufacturing industry, and experience as both a corporate executive and an Audit & Supervisory Board member. He assumed the post of outside director of the Company in 2024, and he proactively offers opinions at the Board of Directors meetings based on his wealth of specialist knowledge related to finance and accounting in addition to his extensive experience in management planning and strategy formulation in the manufacturing industry from a perspective based on his area of expertise. In these ways, he fulfills such appropriate roles as supervising and giving advice on business execution and the Company judges that he can continue contributing to the enhancement of the Company's management going forward. He was involved with business execution at the Company's business partner Hitachi Chemical Co., Ltd. (now: Resonac

					established by the Company. Thus, the Company judges that Hitachi Chemical Co., Ltd. (now: Resonac Corporation) is not a business partner which influences the Company's decision-making.	Corporation) until June 2020. However, Resonac Corporation is not a business partner which influences the Company's decision-making, as shown at left. Thus, the Company has designated him as an independent director, judging there to be no possibility of the occurrence of conflict of interest with general shareholders, in accordance with the "Criteria for judging the independence of outside directors" established by the Company.
Satoko Nakatani			Yes	Yes	She served as a partner at the Company's business partner PricewaterhouseCoopers Japan LLC until June 2025. The Company currently has a transaction relationship related to a consulting service provided by PricewaterhouseCoopers Japan LLC. However, in both the most recent fiscal year and the preceding 3 fiscal years, the amount of the transactions makes up less than 0.1% of the consolidated net sales of both the Company and PricewaterhouseCoopers Japan LLC; in monetary terms, this is less than 9 million yen per fiscal year. Note that the Company has no sales to PricewaterhouseCoopers Japan LLC, which does not make said company a major business partner as per the "Criteria for judging the	As a partner at an accounting firm, she has been engaged in the auditing of a range of business types, mostly related to manufacturing, and has been in charge of advisory services for various accounting systems and other matters. In addition, as a certified public accountant, she has broad knowledge and expertise in finance and accounting, and extensive experience in auditing operations, etc. She assumed the post of outside director of the Company in 2025, and she proactively offers opinions at the Board of Directors meetings based on her area of expertise by drawing from her wealth of specialist knowledge and expertise related to finance and accounting from a perspective based on her area of expertise. In these ways, she fulfills such appropriate roles as supervising and giving advice on business execution and the Company judges that she can continue contributing to the enhancement of the Company's management going forward. She served as a partner at PricewaterhouseCoopers Japan LLC until June 2025. However, PricewaterhouseCoopers Japan LLC is not a business partner which influences the Company's decision-making, as shown at left. Thus, the Company has designated her as an independent director, judging there to be no possibility of the occurrence of conflict of interest with general shareholders, in accordance with the "Criteria for judging the independence of outside directors" established by the Company.

					independence of outside directors” established by the Company. Thus, the Company judges that PricewaterhouseCoopers Japan LLC is not a business partner which influences the Company’s decision-making.	
Shoichiro Eguchi				Yes	He serves as Representative Director of the Board, Chairman and Chief Executive Officer at the Company’s business partner JVCKENWOOD Corporation. However, in both the most recent fiscal year and the preceding 3 fiscal years, the amount of transactions with the Company represents less than 0.1% of the consolidated net sales of both the Company and JVCKENWOOD Corporation, which does not make said company a major business partner as per the “Criteria for judging the independence of outside directors” established by the Company. Thus, the Company judges that JVCKENWOOD Corporation is not a business partner which influences the Company’s decision-making.	He has held key positions at a globally operating electrical equipment manufacturer listed on the Tokyo Stock Exchange Prime Market. He possesses extensive knowledge and experience in corporate management, overseas business expansion, and technology and research development within the manufacturing industry. The Company judges that as an outside director of the Company, he can fulfill such appropriate roles as offering objective suggestions and advice for the enhancement of management transparency from wide-ranging perspectives, as well as supervising business execution for the Board of Directors, utilizing his abundant experience as a corporate manager and his insights into global business and technology and research development. He serves as Representative Director of the Board, Chairman and Chief Executive Officer of JVCKENWOOD Corporation. However, JVCKENWOOD Corporation is not a business partner which influences the Company’s decision-making, as shown at left. Thus, the Company has designated him as an independent director, judging there to be no possibility of the occurrence of conflict of interest with general shareholders, in accordance with the “Criteria for judging the independence of outside directors” established by the Company.
Junichi Nishizawa		Yes		Yes	He served as Deputy President and Representative Director at the	He has held key positions in financial institutions and tourism and travel business companies. He possesses extensive knowledge and experience in

					Company's business partner (lender) Mizuho Financial Group, Inc. (lender: Mizuho Bank, Ltd.), until March 2013. However, the amount of the Company's borrowings from said bank is 6,801 million yen, which is 2.0% of the Company's consolidated total assets of 332,240 million yen but the azbil Group does not effectively have loans payable (net balance of loans not exceeding current liquidity deposited to such lender). Thus, said bank is not a major lender as per the "Criteria for judging the independence of outside directors" established by the Company. The Company judges that said bank is not a business partner which influences the Company's decision-making.	corporate management, the financial sector, and global business, as well as experience as an outside officer at other business companies. The Company judges that as an outside director of the Company, he can fulfill such appropriate roles as offering objective suggestions and advice for the enhancement of management transparency from wide-ranging perspectives, as well as supervising business execution for the Board of Directors, utilizing his abundant experience as a corporate manager, his perspectives on capital markets, and his insights into global business and finance. He was involved with business execution at the Company's business partner (lender) Mizuho Financial Group, Inc. (Mizuho Bank, Ltd.), until March 2013. However, Mizuho Financial Group is not a business partner which influences the Company's decision-making, as shown at left. Thus, the Company has designated him as an independent director, judging there to be no possibility of the occurrence of conflict of interest with general shareholders, in accordance with the "Criteria for judging the independence of outside directors" established by the Company.

[Supervisory Committees]

Composition of Supervisory Committee and Attributes of the Chairperson

	Total no. of committee members	Full-time members	Internal directors	Outside directors	Chairperson
Nomination Committee	4	0	1	3	Outside director
Remuneration Committee	3	0	1	2	Outside director
Audit Committee	3	1	1	2	Outside director

[Corporate Executives (*shikkōyaku*)]

Number of corporate executives	5

Additional Duty Status Updated

Name	Representative authority	Concurrent duties as director			Concurrent duties as employee
			Nomination Committee member	Remuneration Committee member	
Kiyohiro Yamamoto	Yes	Yes	○	×	No
Takayuki Yokota	Yes	Yes	×	○	No
Kazuyasu Hamada	No	No	×	×	No
Hideaki Ishii	No	No	×	×	No
Takashi Igarashi	No	No	×	×	No

[Auditing Structure]

Appointment of directors and employees to support the Audit Committee	Yes

Matters Related to the Independence from Corporate Executives of Such Directors and Employees

To perform their duties under the direction and instructions of the Audit committee, we have established an Audit Committee Office with 3 staff within the Internal Audit Department. Personnel transfers involving members of this staff are decided with the prior consent of the Audit Committee. Also, the performance of the head of the Audit Committee Office is reviewed by the Audit Committee, and personnel evaluations involving him/her are decided with the prior consent of the Audit Committee, thereby ensuring independence from the executive side.

Cooperation Between the Audit Committee, Independent Accounting Auditor, and Internal Audit Department

As stated in “2. Functions of Business Execution, Auditing, Oversight, Nomination, and Remuneration Decisions” in this report, the Audit Committee—the majority of which is composed of outside directors—conducts audits in cooperation with the Internal Audit Department and the independent accounting auditor. The Committee regularly reports to the Board of Directors on its audit activities.

[Independent Directors]

Number of independent directors Updated	8

Matters Relating to Independent Directors

The Company designates as independent directors all outside directors who meet the criteria for independent directors.

The Company's criteria for determining the independence of outside directors are as follows.

Criteria for Judging the Independence of Outside Directors (revised on June 23, 2022)

For appointing outside directors, the Company has formulated its own criteria for judging the independence of outside directors. It judges that a person is not independent if any of the items below apply:

1. A person who currently serves as an operating executive*1 of the Company or a consolidated subsidiary of the Company, or who previously served within ten (10) years prior to being appointed;
2. A person who has served as an executive of the Company or a consolidated subsidiary within ten (10) years prior to being appointed as a non-executive director or an Audit & Supervisory Board member of the Company or a subsidiary of the Company;
3. A person who has served as a non-executive director of the Company or its consolidated subsidiary for more than twelve (12) years, in principle;
4. A person who has served as a member of the Audit & Supervisory Board of the Company or its consolidated subsidiary for more than twelve (12) years or three (3) terms, in principle;
5. A person who serves as an executive of a major business partner of the azbil Group—that is, a business partner that has made a payment in the amount exceeding 2% of its annual consolidated sales for the latest fiscal year or any of the preceding three (3) fiscal years or receives such a payment—or who has served in such a position in the last three (3) years;
6. A person who serves as an executive or an Audit & Supervisory Board member of a major lender*2 of the azbil Group or its parent company or its significant subsidiary, or who has served in such a position in the last three (3) years;
7. A related party of the independent accounting auditor or audit firm etc. of the azbil Group, or who has served in the last three (3) years in such a position (including those who have already resigned from such a position);
8. A lawyer, certified public accountant, or other consultant who does not correspond with item 7 above and who received money or other economic benefits in the annual average amount of 10 million yen or more over the past three (3) years other than executive compensation from the azbil Group;
9. A member, partner, associate or employee of a law firm or an audit firm, etc. who does not correspond with items 7 or 8 above, where the azbil Group is a major business partner of the said law firm, audit firm, etc.—that is, a firm that received a payment from the Company or its consolidated subsidiary in the annual average amount of 2% or more of the consolidated net sales of said firm over the past three (3) fiscal years;
10. A person who serves as an executive or an Audit & Supervisory Board member of a current major shareholder of the Company (a shareholder that holds 10% or more of voting rights in the Company), its parent company or its significant subsidiary, or who has served in such a position in the last five (5) years;
11. A person who serves as an executive or an Audit & Supervisory Board member of a company that accepts a director seconded from the azbil Group, its parent company or its subsidiary;
12. A person who serves as an executive or an Audit & Supervisory Board member of a company in which the Company is a major shareholder;
13. A person who has received as an executive of an organization such as a public interest incorporated foundation, a public interest incorporated association, or a non-profit organization that has received a donation or subsidy from the azbil Group in the annual average of 10 million yen or more over the past three (3) fiscal years; or
14. A spouse, a person within the second degree of consanguinity, or a relative residing in the same household as a person for whom any of above items (1 to 13) are applicable.

**1: Here "operating executive" refers to an executive director, a corporate executive, an executive officer, the head of a department, or other general employee.*

**2: A "major lender" refers to a financial institution group from which the azbil Group has borrowed funds where the outstanding aggregate of those borrowings exceeds 2% of the consolidated total assets of the azbil Group as of the end of the Company's fiscal year and where the azbil Group effectively has loans payable (net balance of loans exceeding current liquidity deposited to such lender).*

[Incentives]

Implementation of measures to provide incentives to directors and corporate executives	Performance-linked remuneration, etc.

Supplementary Explanation

As a company with a three-committee board structure, the Company's Remuneration Committee, which is chaired by and composed of a majority of independent outside directors, sets policy on the determination of the individual remuneration of directors and corporate executives. For details, please refer to the remuneration policy at the end of this report.

Recipients of stock options	

Supplementary Explanation

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[Remuneration for Directors and Corporate Executives]

Disclosure of individual directors' remuneration	Disclosure for selected directors
Disclosure of individual corporate executives' remuneration	Disclosure for selected corporate executives

Supplementary Explanation Updated

The remuneration of one corporate executive (concurrently serving as a director) is disclosed separately in the *104th Annual Securities Report*, in accordance with the provisions of the Cabinet Office Ordinance on the Disclosure of Corporate Affairs, etc.

Policy on determining remuneration amounts and calculation methods	Established

Disclosure of Policy on Determining Remuneration Amounts and Calculation Methods

As a company with a three-committee board structure, the Company's Remuneration Committee, which is chaired by and composed of a majority of independent outside directors, sets policy on the determination of the individual remuneration of directors and corporate executives. For details, please refer to the remuneration policy at the end of this report.

[Supporting System for Outside Directors]

We have established a Corporate Secretariat office, which, in addition to performing secretarial duties for officers, functions as a secretariat for the Board and provides support for the Nomination Committee and Remuneration Committee. Within the Internal Audit Department, we have also set up an Audit Committee Office with 3 staff. In these ways, we are strengthening support functions for the Board of Directors and statutory committees. Moreover, materials prepared for Board meetings are distributed in advance, and outside directors, etc. are provided with briefings so that they have access to all necessary information for items on the agenda.

[Status of Persons Who Have Retired as President and Representative Director, CEO, etc.]

Name of Consultants, Advisors, etc., Who Were Formerly President and Representative Director, Chief Executive Officer, etc.

Name	Title and position	Description of business	Form and conditions of employment (full-time, part-time, paid or unpaid, etc.)	Date of retirement as president, etc.	Term of office
Hirozumi Sone	Advisor	Advice on education program (non-executive)	Form and conditions of employment: Part-time Remuneration: paid	June 24, 2020	1 year

Total number of consultants, advisors, etc. who were formerly president & CEO, etc.	1

Other Matters Updated

1. The Board of Directors decided to abolish the counselor system on March 31, 2018, and the provision was deleted from the Articles of Incorporation at the 96th Ordinary General Meeting of Shareholders held on June 26, 2018.
2. The appointment of an advisor is reviewed by the Nomination Committee based on consultation with the president & CEO; the advisor's remuneration is reported to the Remuneration Committee. After resigning as a director at the conclusion of the 103rd Ordinary General Meeting of Shareholders held on June 25, 2025, Hirozumi Sone assumed the office of advisor upon entering into a contract that specifies his duties. He will retire as advisor in June 2026.

2. Functions of Business Execution, Auditing, Oversight, Nomination, and Remuneration Decisions (Overview of Current Corporate Governance System) Updated

1. Overview of Current Corporate Governance System

To ensure its own medium- to long-term development, respond to the trust of all its stakeholders including its shareholders, and consistently increase enterprise value, the azbil Group sets as a management priority the enhancement of its foundational corporate governance. Measures have included strengthening the supervisory and auditing functions of the Board of Directors, improving management transparency and soundness, and clarifying the structure of responsibility for the execution of duties.

As a company with a three-committee board structure, three statutory committees—the Nomination Committee, the Audit Committee, and the Remuneration Committee—have been established, each having a majority of independent outside directors and being chaired by an independent outside director. In addition, by substantially transferring business execution authority from the Board of Directors to corporate executives with clear legal responsibilities, we are clearly separating supervisory and execution functions to ensure a business execution system based on flexible and efficient decision-making, while enhancing the objective supervision of management.

Furthermore, as a company with a three-committee board structure, to ensure the effectiveness of monitoring by the Board of Directors, we have established a forum for providing information to directors and exchanging opinions with corporate executives in the form of a Liaison Meeting for Directors and Corporate Executives, and, in addition, opinion-exchange meetings are held regularly among outside directors. At the same time, we are continuing the system by which executive officers are charged with business execution, aiming to enhance the quality and speed of decision-making.

The Board of Directors is convened monthly in principle, to discuss and consider legal issues and other important managerial matters as the highest decision-making body for management, to set a strategic course for the organization, and to exercise appropriate supervision over execution in order to reflect the opinions of stakeholders. In business execution, the Management Meeting, which corporate executives and executive officers with titles attend, has been established to serve as an executive-level advisory body to assist the president & Group CEO in making decisions; in attendance, to ensure the effectiveness of monitoring, is the full-time Audit Committee member. The Management Meeting is held twice a month in principle as part of ongoing initiatives to strengthen business operations through prompt decision-making and rigorous execution.

As of June 24, 2026, the Company has appointed a total of 11 directors, including 3 who have accumulated experience in the Company's business, management and audits (Kiyohiro Yamamoto, Takayuki Yokota, and Hisaya Katsuta), as well as 8 who are independent outside directors having independence, broad experience, a wealth of expertise and knowledge, and rich diversity, including that of nationality and gender (Anne Ka Tse Hung, Shigeaki Yoshikawa, Tomoyasu Miura, Sachiko Ichikawa, Hiroshi Yoshida, Satoko Nakatani, Shoichiro Eguchi and Junichi Nishizawa). Independent outside directors now form the majority of the Board of Directors. Furthermore, the Board of Directors is chaired by an independent outside director. In addition to working diligently to contribute to enhancement of the Company's enterprise value through appropriate oversight and advice during the decision-making process at Board of Directors meetings, these independent outside directors regularly exchange opinions with corporate executives through the Liaison Meeting for Directors and Corporate Executives and other opportunities. Moreover, we have established the skill sets expected of the directors from the standpoint of realizing a sustainable increase in enterprise value, including the realization of the Company's medium-term plan, and we have confirmed the independence, diversity, and anticipated skills of the current Board of Directors.

2. Status of Activities of the Board of Directors

In FY2025, the Board of Directors met a total of 13 times. The 10 directors attended all of the meetings*. Major items discussed at the Board of Directors meetings are as follows.

* Because Satoko Nakatani was elected at the 103rd Ordinary General Meeting of Shareholders held on June 25, 2025, her attendance only applies to Board of Directors meetings held after her appointment.

Items resolved	Formulation of the medium-term plan, capital policy, appointment of corporate executives, appointment of committee members, approval for financial results, introduction of an indemnity agreement, and other matters
Items reported	Identification of major risks, report on the status of strategic shareholdings, reports on the execution of duties from each statutory committee and from corporate executives, reports on the operational status of the internal control system, reports on the status of CSR management, review of the business portfolio, establishment of an overseas subsidiary, and other reports

3. Status of Activities of the Nomination Committee, the Audit Committee, and the Remuneration Committee

As a company with a three-committee board structure, the Company has established three committees—namely, the Nomination Committee, the Audit Committee, and the Remuneration Committee. The status of activities of each committee is as follows.

Nomination Committee

As of March 31, 2026, the Nomination Committee is comprised of 4 members, with Shigeaki Yoshikawa (Independent Outside Director) serving as the committee chairperson, and Anne Ka Tse Hung (Independent Outside Director), Sachiko Ichikawa (Independent Outside Director) and Kiyohiro Yamamoto (Director, President & Group CEO) serving as committee members; independent outside directors comprise a majority of the committee*. In FY2025, the Nomination Committee met 11 times, and the 4 members of the committee attended all of the meetings. Items implemented and specific items for consideration by the Nomination Committee were as follows.

* There was no change in the composition of the Nomination Committee after the Ordinary General Meeting of Shareholders and the Board of Directors meeting on June 24, 2026.

Items implemented	Specific items for consideration
Action plans for the current fiscal year	The Nomination Committee considered and determined items for evaluation and annual action plans for the committee in the current fiscal year, and other matters. Furthermore, the Committee conducted an assessment of the state of activities of the committee by an external organization and confirmed that there have been no omissions in such activities.
Consideration of the structure of the Board of Directors	The Nomination Committee considered the most suitable composition for the Board of Directors and confirmed the appropriateness of the current skills matrix. It also deliberated on making use of human resources with expertise.
Determination of the content of proposals concerning candidates for directors for the next term	In considering the Board of Directors structure for the next term (FY2026), the Nomination Committee confirmed the criteria for and status of candidate selection, conducted interviews with the candidates, and then deliberated and determined candidates for directors for the next term to be proposed at the general meeting of shareholders.
Determination of candidates for corporate executives for the next term	Regarding the corporate executive structure for the next term (FY2026), based on consultation with the Board of Directors, the Nomination Committee confirmed the criteria for and status of candidate selection, and then deliberated on and determined candidates for corporate executives for the next term.

Selection of successor candidates and confirmation of individual training plans	The Nomination Committee considered the required attributes for a successor and the criteria for promotion, and reviewed the process for selecting and training successor candidates and the status of candidate training based on the development of leadership qualities.

Audit Committee

As of March 31, 2026, the Audit Committee is comprised of 3 members, with Hiroshi Yoshida (Independent Outside Director) serving as the committee chairperson, and Satoko Nakatani (Independent Outside Director) and Hisaya Katsuta (Non-executive Inside Director) serving as committee members; independent outside directors comprise a majority of the committee*1. Two independent outside directors and 1 non-executive inside director who is well acquainted with the Company's businesses formulate audit plans together with the Internal Audit Department and conduct multifaceted auditing activities; the inside committee member serves on a full-time basis to enhance the effectiveness of audits by the Audit Committee. The Audit Committee chairperson Hiroshi Yoshida has experience as the person responsible for the creation of financial statements as the officer in charge of accounting and finance at a chemical manufacturer listed on the Tokyo Stock Exchange Prime Market. The Audit Committee member Satoko Nakatani has served as a partner at an accounting firm, engaging in the auditing of a wide range of industries, primarily large manufacturing companies, and has experience in handling advisory services for various accounting systems and other matters as a certified public accountant. Both of them thus have a wealth of knowledge concerning financial affairs and accounting. Furthermore, the Company established an Audit Committee Office, an organization dedicated to assisting the Audit Committee in its duties, with 3 staff members assigned to assist the Audit Committee in the execution of its duties.

The Audit Committee convenes in principle once a month and holds ad-hoc meetings, as necessary. In FY2025, it convened a total of 13 times and the 3 Audit Committee members participated in all of the meetings*2. The key audit items, points of note concerning audits, and specific audit details of the Audit Committee in FY2025 were as follows.

*1 There was no change in the composition of the Audit Committee after the Ordinary General Meeting of Shareholders and the Board of Directors meeting on June 24, 2026.
*2 Because Satoko Nakatani was elected at the 103rd Ordinary General Meeting of Shareholders held on June 25, 2025, her attendance only applies to committee meetings held after her appointment.

Key audit items and audit considerations	Specific audit details
Status of development and operation of the internal control system ·Confirmation of systems being developed based on resolutions by the Board of Directors and their operational status ·Status of response to major risks	The Audit Committee confirmed the development and operation of the internal control system through deliberations by the Board of Directors, exchanging opinions with top management, and exchanging opinions with Internal Audit Department and the presidents and Audit & Supervisory Board members of the Company's subsidiaries. The full-time Audit Committee member also confirmed the development and operation of the risk management system through interviews with key administrative departments and the Audit & Supervisory Board members of the Company's subsidiaries, as well as by attending the azbil Group General Risk Committee.

Confirmation of compliance including governance and legal and regulatory compliance ·Status of the execution of due diligence by corporate executives and directors and of the separation of supervisory and executive functions ·Status of Group-wide governance and legal and regulatory compliance	The Audit Committee confirmed the suitability of business execution and the status of Group governance through exchanges of opinion with corporate executives and the presidents of subsidiaries, and also confirmed the status of local risk management through onsite visits to certain Group companies. Additionally, the Audit Committee receives monthly reports on the status of operations of the internal reporting system and confirms its efficacy. Furthermore, the full-time Audit Committee member also confirmed the status of legal and regulatory compliance by attending the Management Meeting and other important meetings and by conducting an investigation of business operations.
Confirmation of status of audits by the Accounting Auditor ·Status of accounting audit and internal control audit ·Selection of key audit matters (KAMs) and status of their audits	The Audit Committee listened to an audit report from and exchanged opinions with the Accounting Auditor and confirmed the status of audits involving KAMs. The Audit Committee also observed onsite audit operations by the Accounting Auditor and confirmed the implementation methods.
Confirmation of the implementation status of management strategies (long-term targets) ·Status of achievement of performance targets ·Well-being initiatives ·Status of initiatives to strengthen and utilize human capital	At meetings of the Board of Directors and the Liaison Meeting for Directors and Corporate Executives, discussions are held on measures to achieve medium- to long-term targets and on details of the evaluation of the business portfolio. Based on these discussions, through an investigation of business operations, the Audit Committee confirmed that each division has been conducting business operations according to the medium-term plan.
Confirmation of DX progress and information security initiatives ·Preparedness against cyberattacks ·Use of generative AI and risk management	At meetings of the Board of Directors and the Liaison Meeting for Directors and Corporate Executives, reports were received from corporate executives on the status of DX and information security initiatives as well as on the use of generative AI and awareness of the risks involved; the Audit Committee confirmed management's awareness of these issues and the status of the response to them. Additionally, the full-time Audit Committee member confirmed response status by conducting an investigation of business operations at those divisions in charge of operations.

The following are details of (1) coordination with the Internal Audit Department, (2) coordination with the independent accounting auditor, and (3) the Audit Committee's evaluation of the audit firm.

(1) Coordination with the Internal Audit Department

In formulating the internal audit plan for the fiscal year, the Audit Committee closely coordinated with the Internal Audit Department. The Internal Audit Department head also attended Audit Committee meetings to share information and exchange opinions on the progress of both the Audit Committee audit and the internal audit. Furthermore, we are working to promote organizational audits and further strengthen our internal audit system.

(2) Coordination with the independent accounting auditor

All members of the Audit Committee listened to an audit report by the independent accounting auditor, with whom they exchanged opinions; this enabled them to confirm the status of the accounting audit and the internal audit. Based on the evaluation criteria for accounting auditors established by the Audit Committee, we have evaluated the appropriateness of audits by the independent accounting auditor, the independence of the independent accounting auditor, and the quality of the audits. In addition to attending audits conducted by the independent accounting auditor, we also took into account the results of evaluations of the independent accounting auditor by the Accounting Department, Internal Control Department, and Internal Audit Department.

Moreover, regarding non-assurance services to be performed for the Company and its subsidiaries by the independent accounting auditor and network firms, the Audit Committee gave preapproval for such services after evaluating their degree of independence, referring to information provided by the independent accounting auditor, and checking with the relevant internal departments as appropriate.

In addition, throughout the fiscal year the Audit Committee conducted explanatory hearings on the progress of examination of items and content of key audit matters (KAMs), as well as the overall status of the audit.

Furthermore, in preparation for the voluntary adoption of IFRS due to start in FY2026, in FY2025, we exchanged opinions on the status of preparations for parallel disclosure and related matters.

(3) The Audit Committee’s evaluation of the audit firm

The Audit Committee has established criteria for evaluation of the independent accounting auditor under three headings: (1) professional competence; (2) audit quality control system and independence; and (3) audit plan, communication, and audit activities. The Committee evaluated the accounting audits by listening to regular audit/review reports from the independent accounting auditor, listening to explanations of the independent accounting auditor’s quality control system, witnessing the independent accounting auditor’s audits, and gathering information on the independent accounting auditor from the Accounting Department and Internal Audit Department.

Remuneration Committee

As of March 31, 2026, the Remuneration Committee is comprised of 3 members, with Mitsuhiro Nagahama (Independent Outside Director) serving as the committee chairperson, and Shigeaki Yoshikawa (Independent Outside Director) and Takayuki Yokota (Director, Representative Corporate Executive, Deputy President) serving as committee members; independent outside directors comprise a majority of the Committee*[1]. In FY2025, the Remuneration Committee met 10 times and the 3 Remuneration Committee members attended all of the meetings*[2]. Items implemented and specific items for consideration by the Remuneration Committee were as follows.

*1 As of the Ordinary General Meeting of Shareholders and the Board of Directors meeting on June 24, 2026, Junichi Nishizawa (Independent Outside Director) was appointed as the committee chairperson, and Shigeaki Yoshikawa (Independent Outside Director) and Takayuki Yokota (Director, Representative Corporate Executive, Deputy President) were appointed as committee members.
*2 Because Shigeaki Yoshikawa was appointed as a member of the Remuneration Committee by the Board of Directors meeting held after the 103rd Ordinary General Meeting of Shareholders on June 25, 2025, his attendance only applies to committee meetings held after his appointment.

Items implemented	Specific items for consideration
Action plan for the current fiscal year	The Remuneration Committee evaluated and decided on the items for consideration and its annual action plan for the current fiscal year.
Revisions to remuneration policy	The Remuneration Committee revised the remuneration policy based on revisions to the remuneration system for directors and corporate executives decided at the Remuneration Committee in FY2024.

Determination of policies and system for determining details of remuneration for directors and corporate executives	The Remuneration Committee deliberated on reviews of the levels and composition of remuneration in the remuneration system for non-executive directors, and based on the results of those deliberations, determined the policy and system for determining the details of remuneration for directors and corporate executives for FY2026.
Determination of individual remuneration for directors and corporate executives	In addition to evaluating the performance of corporate executives in FY2024, based on the policies for determining details of remuneration for directors and corporate executives, the Remuneration Committee determined details of individual remuneration for directors and corporate executives.
Confirmation of officers' remuneration vis-à-vis the external environment	The Remuneration Committee confirmed the current remuneration system and levels for officers in light of information on other companies and general trends provided by external specialized institutions, etc.

4. Nomination and appointment of director candidates, and election/dismissal of senior executives

a. Directors
In terms of basic qualifications, a candidate for director is to be a person with excellent character and insight who contributes to the growth of the Company and the Group as a whole and helps to enhance enterprise value. When nominating and electing candidates for director, the Nomination Committee also assesses the skills matrix and composition of the current committee, comprehensively taking into consideration diversity of the Board as a whole (nationality, gender, etc.)

b. The CEO and other senior executives
The appointment of the CEO and other senior executives (president & CEO, deputy president, and corporate executives) is decided by the Board of Directors after deliberation by the Nomination Committee, based on appointment criteria and the desired composition of the management structure.

<u>Appointment criteria</u>
As the basic requirements, senior executives must have a full understanding of the Group philosophy, deep knowledge of corporate management, wide-ranging experience both inside and outside Japan and a high level of insight into corporate governance, CSR, and compliance, as well as the ability to lead the entire Group and guide it to sustainable growth.

<u>Dismissal criteria</u>
Concerning dismissal of senior executives, the candidate for dismissal undergoes a fair and rigorous process of examination and deliberation by the Nomination Committee. If the committee judges that the dismissal is appropriate, it is sent to the Board of Directors for approval.
Reasons for proposing dismissal include serious business problems arising from a violation of the law or the Articles of Incorporation, circumstances that make it difficult for the person to perform and continue in the job, and a reason for retirement that is stipulated by law. In deliberating the dismissal of the president & CEO, the Nomination Committee will also conduct appropriate deliberations, taking into consideration declining financial results and other such quantitative data.

5. Status of accounting audits

The Company has retained the services of Deloitte Touche Tohmatsu LLC (DTT) to conduct statutory audits, as obliged by the Companies Act and by the Financial Instruments and Exchange Act. There exist no special interests between the Company and DTT or between the Company and the engagement partners of DTT who conduct the Company's audits. Furthermore, DTT takes measures to ensure that none of its engagement partners are involved with the Company's audits for more than seven years. DTT has been conducting the Company's audits for an uninterrupted period of 26 years. The Company has concluded a contract with DTT to conduct statutory audits, as obliged by the Companies Act and by the Financial Instruments and Exchange Act, and has paid compensation as set forth in the contract. The names of the certified public accountants who executed their duties in FY2025 and details of the team assisting them in the audit work are as follows:

Certified public accountants who conducted the audit: Seiji Oguchi, Susumu Nakamura, Takusei Kashiwamura

Composition of team assisting in the audit: 16 certified public accountants, 44 others

6. Status of internal audits

The Company's internal audits are intended to help us achieve the azbil Group's management goals, while earning greater trust from our stakeholders, and maintaining and enhancing the azbil Group's value. All azbil Group companies are subject to these audits, which monitor management/operational organization and systems, business execution, business risk response, compliance status, and internal control system functions across all management activities. On the basis of these audits, the Internal Audit Department provides specific advice and recommendations for business improvement.

In addition, within the Internal Audit Department there is an independent internal reporting system, which plays a role in preventing irregularities but also enables a rapid response should something of that nature arise.

Serving as the third line in the Three Lines Model, the Internal Audit Department is established directly under the president & CEO as an independent organization. It receives instructions on its audit function from the Audit Committee and on departmental operation from the president & CEO. It conducts independent, objective, and risk-based internal audits in accordance with the Internal Audit Rules that comply with the Global Internal Audit Standards set by The Institute of Internal Auditors (IIA). Internal audit plans are drafted in consultation with the Audit Committee, whose approval is required. On completion, the results of an internal audit are reported to the Audit Committee and to the president & CEO; they are also shared with the officer in charge of internal audits, and with relevant second-line departments, which provide support for any improvements needed to address issues identified in the audits. The Internal Audit Department follows up on these to check that the improvements have been made. The Board of Directors is informed by the Internal Audit Department of evaluations it has conducted of internal controls related to financial reporting based on the Financial Instruments and Exchange Act, and also of the results of related operational audits. As of the date of this report, there are 21 members* of the Internal Audit Department, of whom 4 hold the CIA (Certified Internal Auditor) qualification, 2 hold the CISA (Certified Information Systems Auditor) qualification, 1 holds the CFE (Certified Fraud Examiner) qualification, and 7 are qualified as internal auditors. We continue to enhance the professionalism with which our internal audits are conducted.

* Some members have more than one qualification.

7. Executive remuneration

As part of strengthening corporate governance and delivering sustainable increases in enterprise value through achieving the Group's management goals, the Company has established a policy on the determination of the individual remuneration of directors and corporate executives. The specific details are as laid out in "Disclosure of Policy on Determining Remuneration Amounts and Calculation Methods" and "Incentives".

8. Others

The Company and the outside directors have entered into a contract to limit legal liability under Article 423, Paragraph 1 of the Companies Act, pursuant to the provisions of Article 427, Paragraph 1 of the Companies Act. The limit of legal liability under said contract is the minimum liability amount stipulated by laws and regulations. However, to ensure that propriety of the execution of the duties of the outside directors based on these contracts is not compromised, the contracts will not cover cases in which the execution of duties by the outside directors is performed with malice or gross negligence. In addition, the Company has concluded Officer Liability Policies with an insurance company as stipulated in Article 430-3 Paragraph 1 of the Companies Act, with the Company and its subsidiaries' directors, Audit & Supervisory Board members, and executive officers, etc. being included in the scope of the insurance. Per these liability policies, the insurance company will cover damages incurred by the insured persons in bearing responsibility for the execution of their duties or as a result of claims received in pursuit of these responsibilities. However, as a measure to ensure that the propriety of the execution of duties of the insured persons is not compromised, damages resulting from negligence, illegal personal profit-sharing, and criminal actions are not covered. The insured persons are not responsible for the insurance premiums. Additionally, the Company has concluded indemnity agreements with all directors and corporate executives based on Article 430-2, Paragraph 1 of the Companies Act for the Company to cover the expenses stipulated in Paragraph 1, Item 1 and the losses stipulated in Paragraph 1, Item 2 within the scope prescribed in laws and regulations. However, to ensure that the propriety of the execution of the duties of the officers based on these indemnity agreements is not compromised, the agreements will not cover cases in which the execution of duties by the officers is performed with malice or gross negligence.

3. Reasons for Adopting the Current Corporate Governance System Updated

The azbil Group has established its long-term targets (to achieve by FY2030) and a medium-term plan (FY2025-FY2027), whose aim is to contribute "in series" to a sustainable society and achieve growth through providing automation-related products and services. Guided by the Group philosophy of "human-centered automation", we will secure our own medium- and long-term development while implementing sustainable enhancement of enterprise value. At the same time, we recognize that it is corporate governance which provides the foundation for such sustainable enhancement of enterprise value, and so improving corporate governance is a key issue for management. We are therefore working to strengthen the supervisory and auditing functions of the Board of Directors, enhance the transparency and soundness of management, and clarify responsibilities for business execution.

As a company with a three-committee board structure, three statutory committees—the Nomination Committee, the Audit Committee, and the Remuneration Committee—have been established, each having a majority of independent outside directors and being chaired by an independent outside director. In addition, by substantially transferring business execution authority from the Board of Directors to corporate executives with clear legal responsibilities, we are clearly separating supervisory and execution functions to ensure a business execution system based on flexible and efficient decision-making, while enhancing the objective supervision of management.

Playing a central role in this is the Board of Directors, which has a total of 11 directors as of June 24, 2026; outside directors now represent a majority of the Board, whose composition demonstrates ample diversity, including that of nationality and gender.

III. Implementation of Measures for Shareholders and Other Stakeholders

1. Measures to Revitalize the General Shareholders Meeting and Facilitate the Exercise of Voting Rights Updated

	Supplementary explanation
Early notification of General Shareholders Meeting	The notice is sent about 7 days before the legally stipulated day.
Scheduling of General Shareholders Meeting to avoid the peak day	The 104th Ordinary General Meeting of Shareholders was held on June 24, 2026.
Allowing the electronic exercise of voting rights	The electronic exercise of voting rights via the Internet is allowed.
Participation in an electronic voting platform and other measures to improve the voting environment for institutional investors	The Company participates in an electronic voting platform.
Provision of notice of Annual Shareholders Meeting (summary) in English	The notice of an upcoming General Meeting of Shareholders is posted in English on the Company's website and on the Tokyo Stock Exchange's website for foreign shareholders at the same time as the notice in Japanese.
Other	The notice of an upcoming General Meeting of Shareholders is posted on the Company's website and on the Tokyo Stock Exchange's website, etc. about 10 days before mailing for early provision of agenda information, etc. In addition to live broadcasts of parts of the proceedings on the day of the General Meeting of Shareholders, a video recording of some of the proceedings is made available on our website at a later date.

2. IR Activities

	Supplementary explanation	In-person explanations by a Representative Corporate Executive
Preparation and publication of disclosure policy	The Company has its own disclosure policy. It is available on the Company's website. https://www.azbil.com/ir/management/disclosure/index.html	
Regular investor briefings for analysts and institutional investors	Twice a year the president & CEO and an officer in charge of corporate communications explain the financial results and managing strategy.	Held
Regular investor briefings for foreign investors	Periodically the president & CEO and an officer in charge of corporate communications explain the financial results and managing strategy.	Held
Posting of IR materials on website	https://www.azbil.com/ir/index.html *Securities Report*, *Summary of Financial Results*, *Financial Results Presentation* materials, *Business Report*, *azbil Report*, *azbil ESG Databook*, *Fact Sheet*, Notice of General Meeting of Shareholders, Resolution Notices, etc. are posted.	
Establishment of department and/or appointment of manager in charge of IR	Department in charge: Group Management Headquarters, Investor Relations Officer in charge: Director and Representative Corporate Executive, Deputy President Takayuki Yokota, who is in charge of corporate communications	

3. Measures to Ensure Due Respect for Stakeholders Updated

	Supplementary explanation
Stipulation of internal rules for respecting the position of stakeholders	The Company's basic attitude to stakeholders is set down in the azbil Group's Code of Conduct based on our Group philosophy, "human-centered automation". The azbil Group's contribution to society is posted on the Company's website. https://www.azbil.com/sustainability/governance/compliance/business-conduct-guidelines.html
Implementation of environmental protection activities, CSR activities, etc.	These activities are detailed in the *azbil Report* (integrated report) and on the Company's website. https://www.azbil.com/sustainability/index.html
Formulation of policies, etc. regarding the provision of information to stakeholders	The azbil Group aims to contribute "in series" to the achievement of a sustainable society through its businesses. To accomplish this goal, it is extremely important to identify—through dialogue with our stakeholders—the various issues faced in each country and region, devise solutions for these, and thereby foster the co-creation of value to realize sustainable growth. From this perspective, we have appointed an officer in charge of corporate communications, under whom we have established a system to facilitate coordination among internal departments and promote dialogue with stakeholders. We disclose these initiatives in the *azbil Report* (integrated report).
Other	The azbil Group Code of Conduct and the azbil Group Basic Policy on Human Rights stipulate that within the Company there should be no discrimination or harassment based on a person's race, nationality, gender, beliefs, birth, disability, etc., and that we should never turn a blind eye to discrimination. In order to foster happiness among the peoples of the world through the realization of "human-centered automation", as set forth in the Group philosophy, we must first respect the individuality of each and every employee, and strive to create a corporate culture in which a diversity of human resources can be nurtured and put to good use. At the Ordinary General Meeting of Shareholders held on June 24, 2026, 3 female directors (one of whom is a foreign national) were appointed, resulting in a Board of Directors that represents ample diversity in terms of both nationality and gender. Approach to Ensuring Diversity We believe that the driving force for corporate growth is respect for the individuality of each person, making use of their qualities, so they can enhance their performance by working with vitality. The Guiding Principles for azbil Group Business emphasize "Creating dynamic value through diverse human resources and teamwork" and "Growing constantly through innovation and a corporate culture of continual learning". We value the diversity of our human resources—each employee valued for their own personality, abilities, and knowledge—and at the same time we encourage them to continuously learn and grow by thinking "outside the box" and taking innovative action, unconstrained by precedent. In addition, by appointing and treating employees based on a fair evaluation of their ability to perform, we are ensuring that people with diverse personalities, characteristics, and experiences—including women, foreigners, and mid-career hires—are now actively engaged as our core human resources. This is all tied in with our initiatives designed to increase the value of human capital that contributes to the sustainable growth of the Company. Voluntary and measurable goals for ensuring diversity: progress to date (1) Female employees With regard to career opportunities for female officers, managers, etc., we have been building on past initiatives to pave the way for further promoting women's advancement, setting new goals for FY2025. Our targets are as follows: to increase the percentage of female managers in the Company to at least 10% by FY2030, and to double the percentage of female managers in the Group's domestic companies by FY2027, compared to FY2017. As of FY2025, the actual percentage of female managers in the Company stands at 7.4%, and the percentage of female managers in the Group's domestic companies is 1.8 times the FY2017 level, on track to reach our FY2027 target. Going forward, we will advance diversity, equity, and inclusion initiatives to enable employees to play even more prominent roles in the organization. (2) Foreign employees In addition to globalization, we are promoting the hiring of foreign nationals: we have hired 12 new university graduates who are foreign nationals in 2026 and have set a target of hiring 10 or more global human resources (overseas university graduates and foreign nationals) as part of our goal of hiring around 120 new graduates in 2027. By bringing together a wide range of human resources—including Japanese employees given the opportunity to work overseas, and employees of overseas subsidiaries given the opportunity to study in Japan—we are creating new value while globalizing our human resources. In addition, according to their demonstrated capabilities, we are promoting them as core human resources, and we have 5 foreign nationals in senior management positions in the Company. (3) Mid-career hires On the expectation that they will be able to "hit the ground running", we have been hiring a

	number of mid-career staff every year. We hired 89 in FY2025 and have set a goal of hiring approximately 50 to 80 mid-career candidates in FY2026. To date, they have demonstrated practical business skills and are being promoted to managerial positions within the organization suited to their proven capabilities. Regarding the participation of these mid-career hires as core human resources, as of June 2026, 207 were in senior management positions, a figure which represents 18% of all senior management positions. Human resource development policies and internal environmental enhancement policies to ensure diversity (current status) Through initiatives such as work-style reforms and the promotion of diversity, equity and inclusion (DEI), we foster the human resources that will propel operational reforms. Launched in FY2017, the Diversity Promotion Task Force has made significant progress with developing leadership skills and diverse work styles, as well as reforming the corporate culture. We are expanding our existing initiatives, which focus on female participation, to include a broader range of diverse talent, such as foreign nationals and mid-career hires. Furthermore, in the Health and Well-being Declaration of 2019, the Company and its employees declared that they will strive together to create a comfortable work environment that facilitates work, and to actively promote physical and mental health. The declaration also says that they will respect opportunities for diverse human resources to work and actively participate, with mutual recognition of differences in social and physical characteristics, ideas and values. We are developing support systems so that employees can balance work and family life—including the demands of childcare, nursing care, and various other life events. With regard to nursing care in particular, as well as making our support systems more accessible, we are engaged in enhancing a comprehensive, multifaceted support system that provides education/information for employees before they face caregiving responsibilities, as well as financial and psychological support. Furthermore, by arranging for each employee to hold company stock, we aim to foster a sense of corporate ownership, anticipating that our employees will experience personal growth in parallel with the growth of the Company. That is why we regard stock ownership as crucial for enhancing employee engagement. To realize this, we are promoting various initiatives. For example, there is the Employee Stock Ownership Plan (J-ESOP-RS), which was revised in April 2025; this enables current employees to become shareholders, allowing them to exercise voting rights and receive dividends. Another example is the Trust-Type Employee Shareholding Incentive Plan (E-Ship®), which provides benefits through the Employee Stock Ownership Association when enterprise value increases over the medium to long term; this was reintroduced in May 2025, with a higher share purchase price and expanded scope. In FY2026, we expect that the increase in the ordinary dividend and the payment of a 120th anniversary commemorative dividend under the aforementioned capital policy will, through these plans, contribute to employee engagement. In addition, in FY2025 we replaced our annual employee satisfaction survey with an engagement survey. After analyzing the responses and identifying issues (for each department, age group, and job type), we then use these results to inform our initiatives and plans, enabling us to make changes that will improve employee engagement. Through these initiatives, we are creating a workplace where every employee can identify with the azbil Group's vision and make full use of their abilities. We are thereby enhancing their engagement and cultivating an environment in which all employees can continue working with peace of mind. Information regarding the Employee Stock Ownership Plan (J-ESOP-RS) and the Trust-Type Employee Shareholding Incentive Plan (E-Ship®) is disclosed in "Part II: Business Overview, 2. Sustainability-related Policies and Initiatives, (2) Human Capital, 3) Enhancing Employee Engagement" of the *104th Annual Securities Report*.

IV. Matters Related to the Internal Control System

1. Basic Approach to and Enhancement of the Internal Control System Updated

Regarding the Company's internal control system, the Board of Directors partially revised the azbil Group Basic Policy on Internal Control System Architecture at its meeting held on May 13, 2025. The revised azbil Group Basic Policy on Internal Control System Architecture and its current implementation are summarized as follows.

Summary of Resolution

Pursuant to Article 416, Paragraph 1, Item 1 of the Companies Act, the establishment of an internal control system is to be specifically implemented by Azbil Corporation (hereinafter referred to as the "Company") and its subsidiaries* (hereinafter referred to as the "Subsidiaries" and, collectively with the Company, as the "azbil Group"). As well as clarifying the basic policy—which is to be complied with by the Company's corporate executives, executive officers, and other employees, as well as by the directors, executive officers and other employees of its Subsidiaries (hereinafter referred to as "officers and employees")—this sets forth the principal features of the system required for the maintenance of an internal control system as stipulated in Article 112 of the Regulation for Enforcement of the Companies

Act. The purpose of the internal control system based on this policy is to create an efficient, lawful, and transparent corporate structure through improvement by constant review.

* Of the Subsidiaries separately designated in the azbil Group Management Basic Policy, the Subsidiaries subject to basic policies are consolidated Subsidiaries whose annual net sales account for 1 % or more of the consolidated sales of the azbil Group.

Systems to ensure the appropriateness of the Company's operations and the azbil Group's operations

1. System to ensure that the execution of duties by officers and employees of the Company and its Subsidiaries shall comply with laws, regulations, and the Articles of Incorporation

(1) Aiming to be a corporate group that contributes to society and is trusted by it, the officers and employees of the Company and its Subsidiaries shall comply not only with laws and regulations and the Articles of Incorporation but also with the Guiding Principles for azbil Group Business and the azbil Group Code of Conduct, while maintaining high standards of corporate ethics and conducting sound business activities. To do so, the Company and its Subsidiaries shall designate an executive at each company to be responsible for compliance promotion activities and as a whole they shall tirelessly promote compliance initiatives.

(2) In addition to what is stated in the preceding paragraph, the Company and each of its separately specified Subsidiaries shall formulate their own action plans to promote compliance—including compliance with laws, regulations, and the Articles of Incorporation—and they shall report the results of implementation to their own Board of Directors.

(3) The Company, to promote compliance-related activities throughout the entire Group, shall establish the azbil Group CSR Promotion Committee, and shall create action plans for the Group as a whole, manage progress, and provide guidance and advice to Subsidiaries.

(4) The Company and its Subsidiaries shall establish internal control systems to ensure the appropriateness of business activities. To do so, the officers and employees of the Company and its Subsidiaries shall endeavor to develop and implement the basic elements of internal control, including the control environment, and, in the performance of business, shall seek to maintain and improve the status of internal control by complying with relevant laws and regulations, business process manuals, etc.

(5) In accordance with the Internal Audit Rules, the Internal Audit Department of the Company shall conduct audits periodically, or as necessary, on the status of compliance promotion activities at the Company and Subsidiaries and their establishment of internal control systems.

(6) In the event where the Company or its Subsidiaries engage in serious illegal or unethical acts, or where there is a significant adverse impact on society, the officers and employees of the Company and Subsidiaries shall report it using either the designated reporting channels or the internal reporting system.

(7) The Internal Audit Department of the Company shall maintain, develop and properly operate the internal reporting system and related mechanisms. Any expansion or modification of the scope of the internal reporting system shall be implemented after reporting to the Board of Directors.

2. System for the storage and management of information related to the execution of duties by the Company's corporate executives

(1) The officers and employees of the Company shall comply with the Rules for Storage and Management of Information Related to the Execution of Duties by Corporate Executives and so forth, and they shall store and manage information related to the execution of duties appropriately.

(2) As regards the formulation, revision, or abolition of the rules in the preceding paragraph, the Corporate Secretariat Office shall be responsible, with the approval of the Management Meeting. Operational status shall be evaluated/reviewed as necessary.

(3) In accordance with the Internal Audit Rules, the Internal Audit Department of the Company shall conduct audits, on a regular basis or as necessary, on the status of operations and management of the Internal Audit Rules and others.

3. Regulations and other systems for managing the risk of loss at the Company and Subsidiaries

(1) To properly manage the risk of loss and ensure the continuity and stable development of business, the Company's Board of Directors shall receive reports of risks that could cause significant loss to the management of the azbil Group as a whole (aG major risks) in accordance with the azbil Group Risk Management Rules.

(2) The Company shall instruct its Subsidiaries, as necessary, in order to promote countermeasures against what have been identified as aG major risks.

(3) In addition to what is stated in the preceding paragraph, separately designated Subsidiaries shall independently identify their own major risks, and work to devise and implement countermeasures.

(4) In accordance with the Internal Audit Rules, the Internal Audit Department of the Company shall conduct internal audits, on a regular basis or as necessary, of the status of implementation of the risk management systems of the Company and its Subsidiaries.

4. System to ensure the efficient execution of duties by the Company's corporate executives and by the directors of Subsidiaries

(1) To ensure the efficient and prompt execution of business activities without compromising the soundness of the enterprise, the Company and its Subsidiaries shall develop an organizational system and rules regarding administrative authority for the effective execution of business.

(2) Officers and employees of the Company and its Subsidiaries shall take actions to ensure the achievement of the medium-term plan and the annual plan, and shall periodically review whether the execution of business is progressing as initially planned.

(3) In accordance with the Rules for Division of Duties and other relevant regulations, the Company shall provide necessary support and guidance to its Subsidiaries to improve the efficiency and standard of operations of the azbil Group as a whole.

(4) At both the Company and its Subsidiaries, to ensure thorough deliberation by the Board of Directors on matters that require Board approval, a system shall be established whereby materials related to agenda items are distributed to all executives in advance.

5. System for reporting to the Company on matters related to the execution of duties by officers and employees of Subsidiaries

(1) In the execution of their duties, Subsidiaries shall obtain the Company's approval or report to the Company in accordance with the azbil Group Management Basic Policy that stipulates management control matters to be discussed at the Company's Board of Directors.

(2) In addition to what is stated in the preceding paragraph, domestic Subsidiaries shall report to the Company—directly, at regular meetings of Group company presidents, or at other meetings—on the status of their own businesses and on important management matters.

(3) Overseas subsidiaries shall, in addition to what is stated in paragraph (1) above, report to the Company—directly, or through the Company's relevant department(s)—on the status of their own businesses and on important management matters.

Matters necessary for the performance of the duties of the Audit Committee

1. Matters concerning officers and employees assisting the Company's Audit Committee; matters concerning the independence of such officers and employees from the Company's corporate executives; and matters to ensure the effectiveness of the Audit Committee's instructions to these officers and employees

(1) The Company shall establish an Audit Committee Office within the Internal Audit Department and assign full-time employees to assist the Audit Committee in its duties.

(2) To maintain the independence, from the Company's corporate executives, of the aforesaid employees assigned to assist in the duties of the Audit Committee, personnel transfers involving these employees shall be decided with the prior consent of the Audit Committee. Also, the performance evaluation of the Audit Committee Office manager is determined through an evaluation by the Audit Committee.

(3) To maintain the independence, from the Company's corporate executives, of the executive officers in charge of the Internal Audit Department and the head of the Internal Audit Department, personnel transfers, evaluations and budget matters involving these executive officers and the head of the Internal Audit Department shall be decided with the prior consent of the Audit Committee.

(4) Full-time employees assigned to assist the Audit Committee in its duties shall perform their duties under the direction and instructions of the Audit Committee.

2. System for reporting to the Company's Audit Committee by officers and employees of the Company and Subsidiaries and by Audit & Supervisory Board members of Subsidiaries; and system to ensure that a person making such as report shall not be treated disadvantageously as a result of said reporting

(1) In the event that any officer or employee of the Company or its Subsidiaries discovers any matter that may invite significant loss to the Company or its Subsidiaries; or any serious deficiency in the internal control system or procedures; or the occurrence of any serious violation of laws and regulations or fraud, they shall make a report to their top management and to the department responsible for internal control if such has been established. On receipt of such a report, a Subsidiary's top management or internal control department shall

make a report to the Company's top management and Internal Audit Department, as well as to the Subsidiary's own directors and Audit & Supervisory Board members, if the latter have been appointed. Also, on receipt of such a report, the Company's top management and Internal Audit Department shall report it to the Company's directors, corporate executives, and the Audit Committee.

(2) In addition to the reporting system described in the preceding paragraph, the Company shall maintain, develop, and appropriately operate the azbil Group's internal reporting system.

(3) The department in charge of the internal reporting system in the Company shall make regular reports to the Audit Committee regarding the status of internal reports from the officers and employees of the Company and its Subsidiaries.

(4) Notwithstanding the preceding paragraphs, the Audit Committee of the Company may, at any time, request necessary reports from the officers and employees of the Company and its Subsidiaries and from the Audit & Supervisory Board members of the Subsidiaries.

(5) Internal rules shall be developed to ensure the Company and Subsidiaries do not treat officers or employees disadvantageously because they made such a report to the Audit Committee of the Company or to the Audit & Supervisory Board members of a Subsidiary.

3. Matters concerning the policy for the handling of expenses and financial obligations arising from the performance of duties by the Company's Audit Committee members

(1) The Company shall promptly handle expenses and financial obligations with respect to costs incurred by Audit Committee members in the performance of their duties, and any costs incurred when they seek the opinion of outside experts such as lawyers in forming their own opinion, except when the Company demonstrates that such expenses were not required for the performance of Audit Committee duties.

(2) The Company shall set aside in advance a budget for the Audit Committee and for the full-time employees engaged in assisting the Audit Committee in the performance of its duties, and shall not interfere in the execution of that budget. However, this excludes cases where the Company demonstrates that the costs were not required for the performance of Audit Committee duties.

4. Other systems to ensure that the audits of the Company's Audit Committee are implemented effectively

(1) Audit Committee members may attend meetings of the Board of Directors and other important meetings such as the Management Meeting; may inspect key approval forms and other documents related to the execution of business operations; and may request explanations from officers and employees.

(2) To establish a system that enables the efficient implementation of audits, the Audit Committee shall regularly exchange information and collaborate with the Company's directors, corporate executives, and Internal Audit Department, as well as with Subsidiaries' directors, Audit & Supervisory Board members, and accounting auditors.

Summary of the operational status of the system to ensure the appropriateness of business activities

The following is a summary of the operational status of the system to ensure the appropriateness of business activities in FY2025.

1. Compliance systems
    - The azbil Group, guided by the Group philosophy of "human-centered automation," has formulated the Guiding Principles for azbil Group Business and the azbil Group Code of Conduct, making efforts toward creating a corporate culture permeated by compliance awareness. To do so, the Company and its Subsidiaries have appointed officers who are responsible for controlling and promoting Group-wide compliance-related activities, and have designated compliance managers and compliance leaders to ensure thorough compliance, and to provide education and supervision for employees with the cooperation of the department in charge of compliance. In the current fiscal year, to realize proper compliance at the azbil Group, the Company established the azbil Group Compliance Committee and its domestic and overseas compliance subcommittees effective April 1, 2025, and held meetings of these bodies. In addition, the Company has been strengthening compliance by holding compliance enhancement meetings led by azbil Group officers.
    - To promote compliance-related activities throughout the azbil Group, the Company has formed a permanent meeting structure to promote CSR related activities, where an officer of the Company in charge of compliance is appointed as chief officer, and officers in charge of compliance at each subsidiary are appointed as members. This organization creates action plans for the entire Group, managing progress and providing guidance to Subsidiaries. In the current fiscal year, following the revision of the Subcontract Act (Act against Delay in Payment of Subcontract Proceeds, etc. to Subcontractors) to the Proper Transactions Act (Act on Preventing Delay in Payment to Small and Medium-sized Entrusted Business Operators in Relation to Manufacturing Consignment), the Company took measures to comply with the additional employee criteria and the requirement for companies to bear their own bank transfer fees, while also providing in-house training. The Company is also making progress with initiatives to establish rules at

our overseas Subsidiaries.

- Regarding internal control pertaining to the reliability of financial reporting under the Financial Instruments and Exchange Act (J-SOX), we have been working to create awareness about the importance of internal control and to raise the standard of our internal control by issuing management messages on appropriate accounting procedures, and by implementing accounting compliance education and internal control education.
- The Company's Internal Audit Department conducts audits to verify the situation relating to (a) the promotion of compliance and the establishment of internal control procedures at the Company and its Subsidiaries; (b) operation and management with respect to the regulations stipulated in (2) below; and (c) the development of risk management systems in (3) below. Furthermore, the audit results are reported to the Audit Committee members, the corporate executives, and the officers in charge. In addition to improvements made at each company based on the audit results, we have created a cross-sectional improvement response team centered on the relevant organizations to advance initiatives aimed at resolving issues.
- As contingency planning for responding to serious illegal or unethical acts, the Company and its Subsidiaries have formulated Rules for Reporting in Emergency and Serious Situations. Should such an emergency or serious situation occur, using the system provided, reports shall be made to the top management and Audit & Supervisory Board members of any Subsidiary involved as well as to the Company's top management and Audit Committee. Furthermore, regarding the state of response to emergency or serious situations and the implementation status of measures to prevent recurrence, reports are regularly made at Board of Directors meetings attended by Audit Committee members.
- The officers and employees of the Company and its Subsidiaries may use the CSR Hotline system, in Japan and abroad, to consult and report, pursuant to the Rules for the Consultation and Reporting System of aG employees. Unfair treatment of persons initiating consultations and reports is prohibited by these rules, and we have made this known internally.

2. Storage and management of information
    - Pursuant to the Rules for Storage and Management of Information Related to the Execution of Duties by Corporate Executives and so forth, the Company has created a department in charge of storing and managing the minutes of Board of Directors meetings and as well as those of the Management Meeting, and other important documents and information.
3. Risk management systems
    - Pursuant to the azbil Group Risk Management Rules, the Company reports on—at Board of Directors meetings, following screening by the azbil Group Risk Management Committee and its superior body, the azbil Group General Risk Committee—aG major risks which may cause significant losses for the overall Group management. While strengthening the comprehensive risk management system and countermeasures, the Company also instructs its Subsidiaries, when necessary, to promote such measures within the Group.
    - The Board of Directors of each Subsidiary identifies its own major risks. Countermeasures are then prepared and promoted, and the results of their implementation and risk mitigation are reported to their Board.
    - The Company is also working to promptly resolve crises in the event of a reported emergency or major incident through the establishment of an Emergency Headquarters to deal with such events. The state of these activities is regularly reported to the Board of Directors.
4. System of efficient execution of duties
    - The officers and employees of the Company and its Subsidiaries develop a medium-term plan and an annual plan, and take actions based on such plans. We conduct regular reviews of the operational status, follow the progress of business execution, and plan new measures.
    - In accordance with the Rules for Division of Duties and other rules, the Company provides necessary support and guidance to its Subsidiaries to enhance the efficiency and standard of business operations of the Group as a whole.
    - To ensure thorough deliberation by the Board of Directors, and while seeking ways to improve the operation of Board meetings, the Company and its Subsidiaries distribute materials related to the agenda in advance of meetings. In addition, the Company holds briefings for outside directors regarding items scheduled for discussion at meetings of the Board of Directors.
5. Group management system
    - Pursuant to the azbil Group Management Basic Policy, for certain important items Subsidiaries report to or obtain approval from the Company's Board of Directors or the Management Meeting, which decides on business execution matters within the scope of the authority of the president & CEO.
    - The management status of major Subsidiaries is reported at meetings of Group company presidents and meetings on the financial results of Subsidiaries, while business status and performance, as well as important management items relating to overseas Subsidiaries are reported via the Group's Global Meeting for overseas Subsidiaries.
6. Audit system implemented by the Audit Committee
    - The Company has established an Audit Committee Office in the Internal Audit Division to which it has assigned 3 staff members

with dedicated responsibility to assist in the duties of the Audit Committee, performing their duties under the direction and instruction of the Audit Committee. Personnel transfers are decided with the consent of the Audit Committee, and the performance evaluation of the Audit Committee Office manager is determined through an evaluation by the Audit Committee. Furthermore, personnel rotations, performance evaluations, and the budget for the executive officer responsible for the Internal Audit Division and the Internal Audit Division manager are determined with the consent of the Audit Committee.

- Regarding matters raised or reported via the aforementioned CSR Hotline system by officers and employees of the Company and its Subsidiaries, the Internal Audit Department reports on these to the Audit Committee on a monthly basis.
- The Company bears and promptly handles expenses incurred by Audit Committee members in the performance of their duties.
- The Audit Committee members attend meetings of the Board of Directors and other important meetings including those of the Management Meeting, inspect key approval forms and other documents related to the execution of business, and request explanations from the officers and employees, regularly or when necessary. In addition, the Audit Committee may obtain the opinion of lawyers, with whom they have individually concluded advisory contracts, as appropriate.
- The Company's Audit Committee regularly holds meetings with the directors, corporate executives, the Internal Audit Department, the accounting auditor, the directors and the Audit & Supervisory Board members of Subsidiaries to share information, communicate and provide reports, and exchange opinions and information as needed to improve the effectiveness of audits.

2. Basic Approach to and Progress Towards Shunning Anti-Social Forces

Being aware of the public nature of the Company, we have established the Guiding Principles for azbil Group Business and the Code of Conduct. These internal regulations have been formulated so as to shoulder responsibility for maintaining sound management, and to fulfill the Company's social responsibilities to the community and the economy, both in Japan and overseas. These regulations state that our basic policy is to take a firm stance in opposition to groups that engage in anti-social behavior and to resolutely eradicate any relationship with them. A unit has been set up in the General Affairs Department to oversee the corporate response to such anti-social forces. There is also close cooperation between Group companies on such issues, and manuals have been prepared to provide guidance. In addition, arrangements have been made to facilitate cooperation with local police forces and dedicated organizations such as the Special Violence Prevention Council. We are striving to improve our efforts in this regard and participate in various seminars and workshops—mainly organized for the General Affairs Department staff from each company.

V. Other

1. Adoption of Anti-takeover Measures

Adoption of anti-takeover measures	Not adopted

Supplementary Explanation

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2. Other Matters Concerning the Corporate Governance System Updated

The status of our internal system for timely disclosure of company information is as follows.

1. Basic policy for timely disclosure

The Company's basic policy is to ensure management transparency for shareholders and other parties involved with the Company, and to disclose information in a timely and appropriate manner in order to realize fair management. The Company discloses information in accordance with our own corporate regulations, with the Companies Act and with the Financial Instruments and Exchange Act, and with other relevant laws and regulations, as well as with the Rules Concerning Timely Disclosure of Corporate Information by Issuers of Listed Securities (hereinafter referred to as the Timely Disclosure Rules) stipulated by the Tokyo Stock Exchange (TSE).

2. Internal system for timely disclosure

Important information is reported to the corporate communications officer and to information management departments (Corporate Secretariat Office and Group Management Headquarters) from each division of the Company and from azbil Group companies. The information management departments determine whether disclosure is required based on the Financial Instruments and

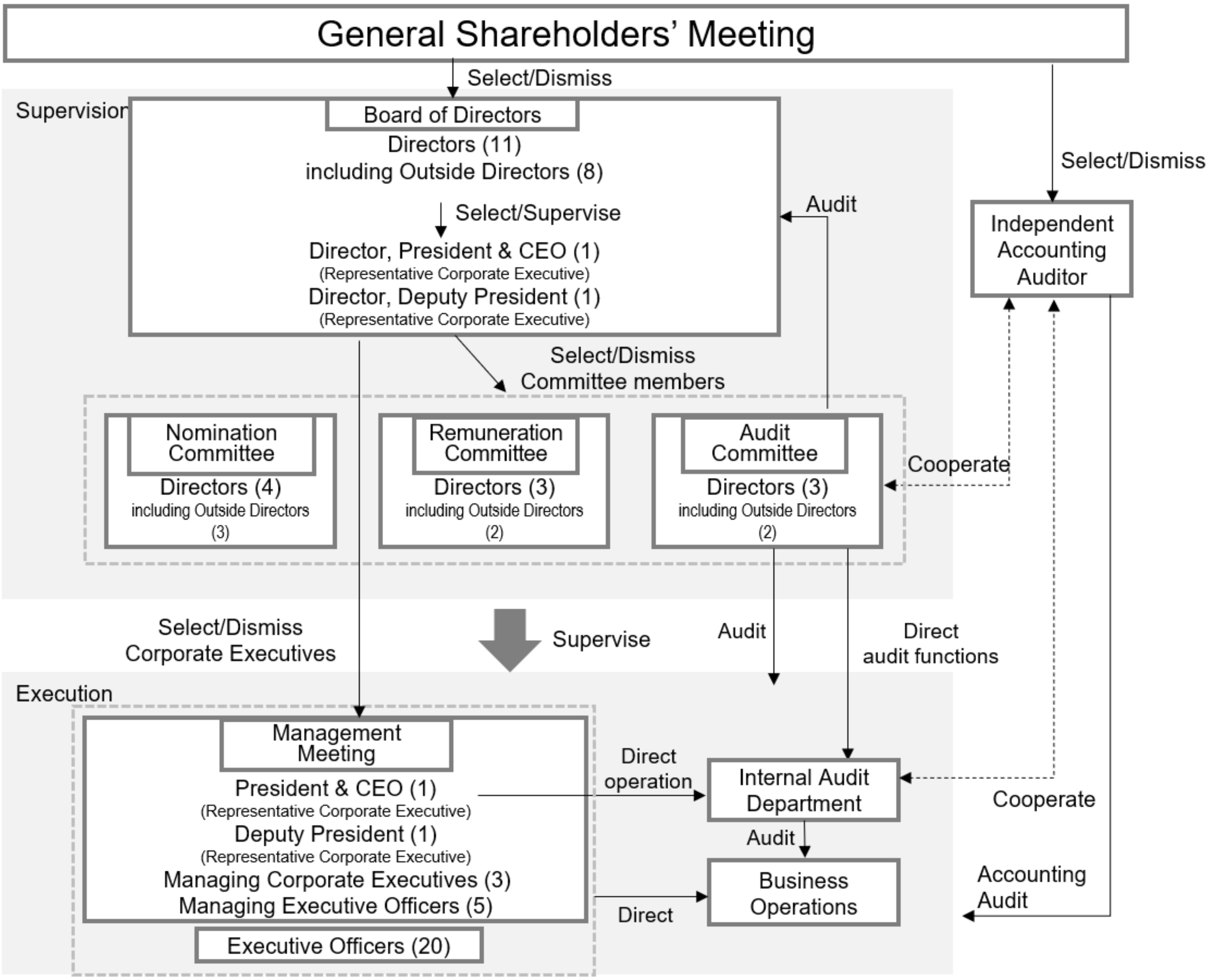
Exchange Act, the Timely Disclosure Rules, etc. If timely disclosure is necessary, the disclosure materials will be registered in the Timely Disclosure Information Transmission System (TDnet) provided by the TSE as soon as approved by or reported to the Board of Directors. These disclosure materials are also posted on the Company's website after publication on TDnet.

3. Check function for timely disclosure

In order to ensure the transparency and reliability of corporate information subject to disclosure, the Audit Committee monitors and verifies that the directors and corporate executives have established appropriate systems for information preparation and disclosure, and that they are operating these systems appropriately. In addition, the Company receives advice on disclosure content, etc. as necessary from third parties such as lawyers and audit companies.

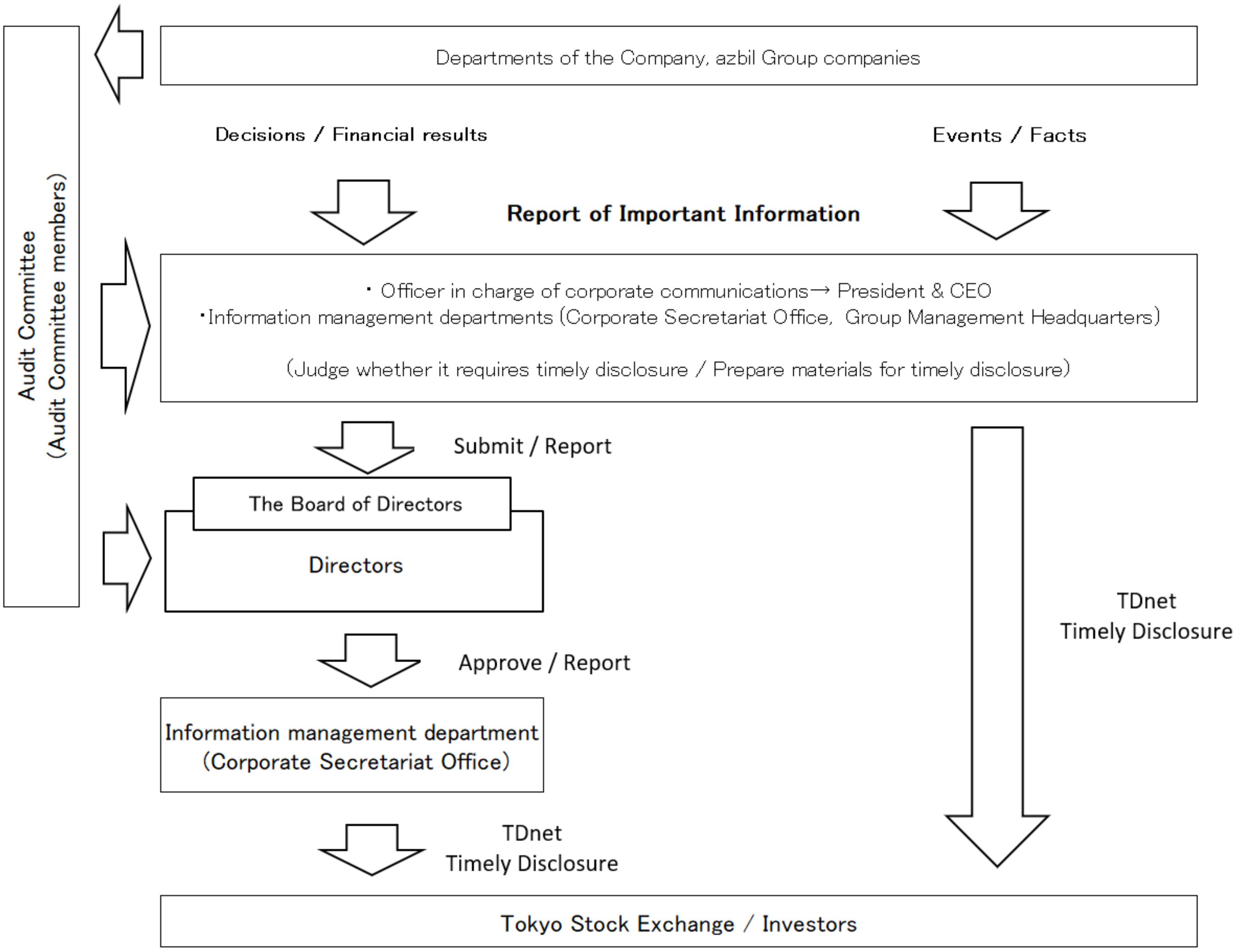
Corporate governance organization chart

(As of June 24, 2026)



※The chairperson of the Board is an independent outside director.

Schematic of timely disclosure system



Skills Expected of Directors

At a Board of Directors meeting held on May 14, 2021, we established the skills expected of the directors from the viewpoint of sustainable increase in enterprise value, including the realization of the medium-term plan. Regarding the skill items, the Board of Directors and the Nomination and Remuneration Committee of the Company conducted an objective review considering the Group philosophy, business model, growth strategy, etc., and selected 7 important items expected of the directors to support growth toward the “contribution ‘in series’ to a sustainable society” outlined in the medium-term plan. Of these, “corporate management/sustainability,” “global business,” and “IT, technology/control and automation business” are particularly relevant to the Group’s sustainable growth over the medium and long term. Of the 11 directors, 3 are women (one of whom is a foreign national).

Skills expected of directors (skills matrix)

(As of June 24, 2026)

Name (age)	Current Positions	Independence	Diversity	Expected skills						
		Independent director	Gender	Corporate management/ sustainability*Note	Global business	Financial affairs, accounting, finance	IT, technology/ control and automation business	Sales, marketing	Manufacturing, research and development	Legal, risk management, compliance
Kiyohiro Yamamoto (61)	Director, Representative Corporate Executive, President & Group CEO, Nomination Committee Member		M	○	○		○	○	○	
Takayuki Yokota (65)	Director, Representative Corporate Executive Deputy President, Remuneration Committee Member		M	○	○	○				○
Hisaya Katsuta (68)	Director, Audit Committee Member		M			○			○	○
Anne Ka Tse Hung (62)	Outside Director, Nomination Committee Member	○	F		○					○
Shigeaki Yoshikawa (73)	Outside Director, Nomination Committee Chairperson, Remuneration Committee Member	○	M	○	○			○		
Tomoyasu Miura (64)	Outside Director, Chairperson of the Board	○	M	○			○	○		
Sachiko Ichikawa (59)	Outside Director, Nomination Committee Member	○	F	○		○				○
Hiroshi Yoshida (67)	Outside Director, Audit Committee Chairperson	○	M	○		○			○	
Satoko Nakatani (61)	Outside Director, Audit Committee Member	○	F	○		○				○
Shoichiro Eguchi (70)	Outside Director	○	M	○	○		○		○	
Junichi Nishizawa (70)	Outside Director, Remuneration Committee Chairperson	○	M	○	○	○				

*Note: In order for the azbil Group to be able to achieve its stated objective of contributing “in series” to a sustainable society, “corporate management” and “sustainability” have been combined as one item; however, this also includes expertise related to the strengthening of human capital from the viewpoint of sustainability.

Remuneration Policy of Azbil Corporation

Guided by the azbil Group philosophy of “human-centered automation,” Azbil Corporation (“the Company”) aims, through business expansion, to continuously enhance enterprise value by making contributions that lead “in series” to a sustainable society, endeavoring to realize the well-being of society as well as Group employees, while building relationships of trust with all stakeholders.

With regard to our executive remuneration system, in order to add impetus to the realization of our long-term targets (to achieve by FY2030) and the medium-term plan (FY2025-FY2027), we will further increase the corporate executives’ awareness of the need to contribute to enhancing enterprise value and their motivation to maximize shareholder value, as well as improving our competitiveness when it comes to attracting, for management, the highly skilled human resources needed to realize our goals, while also ensuring that directors who are not responsible for business execution can share value with our shareholders. With this system, we will promote initiatives to contribute “in series” to a sustainable society.

■ The azbil Group philosophy

The azbil Group philosophy is to realize safety, comfort and fulfillment in people’s lives and contribute to global environmental preservation through “human-centered automation.” To achieve this,

- ■ We create value together with customers at their site.
- ■ We pursue our unique value based on the idea of “human-centered.”
- ■ We think towards the future and act progressively.

■ Basic policy regarding executive remuneration

Aiming to realize the Group philosophy, we have adopted the following basic policy for the remuneration of Company officers to motivate them not only for short-term performance but also to achieve medium- to long-term performance goals and to enhance enterprise value.

- ❖ Taking into consideration the nature of our business, remuneration should encourage awareness of the necessity to enhance enterprise value from a medium- to long-term perspective and further promote value sharing with our shareholders.
- ❖ Remuneration should help to secure talented management personnel to realize the Company’s management philosophy and achieve the medium- to long-term performance goals.
- ❖ The remuneration system should be highly independent and objective, and should enable us to fulfill our duty of accountability to stakeholders.

■ Remuneration levels

Remuneration levels for the Company officers (corporate executives and directors) are set by resolution of the Remuneration Committee after it has verified their appropriateness using data supplied by an external specialist agency. Also, the Committee reviews remuneration levels as necessary in response to changes in the external environment.

■ Remuneration structure

The remuneration structure for corporate executives (including those concurrently serving as directors; similarly hereinafter) 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. In order to ensure a remuneration structure that not only motivates officers to achieve the medium- and long-term performance goals and enhance enterprise value, but also leads to increased competitiveness for attracting highly skilled human resources for management, the incentive component of remuneration has been set at a high level, so that the combined remuneration for the president & CEO has the following structure: basic remuneration 1/3, bonus (base amount) 1/3, stock-based compensation (base amount) 1/3. The remuneration structure for other corporate executives is also determined in line with this, taking into consideration their expected roles and responsibilities. The remuneration for directors (not including those concurrently serving as corporate executives; similarly hereinafter) consists of basic remuneration and stock-based compensation.

●Corporate executives

（1）Basic remuneration

- Basic remuneration is paid as fixed monthly monetary compensation based on the position of the officer.

（2）Bonus

- A bonus is paid as performance-linked monetary remuneration that takes into consideration company performance and non-financial indicators for the single fiscal year.
- As regards financial indicators, to improve enterprise value over the medium to long term, we use net sales* and business profit, which are the Company's main management indices, as key performance indicators (KPIs). The amount of the bonus will fluctuate according to the degree by which these targets have been achieved, while also taking into consideration non-financial indicators.
- There are three non-financial indicators: employee engagement and diversity, which assess contributions toward achieving the essential goals of the azbil Group for the SDGs; and an individual evaluation, which assesses the handling of those management issues and measures that are the particular responsibility of the corporate executive as well as how much they have contributed. Based on the degree of achievement for each of these items, the Remuneration Committee determines the amount of remuneration.
- Taking into account both financial and non-financial indicators, the final amount paid as a bonus will vary between 0% and 200%.
- Remuneration is designed so that the higher the officer's position, the higher the weighting of financial indicators. As an example, the KPIs and their respective evaluation weightings for the president & CEO are as follows.

Bonus KPIs		Evaluation weighting
Financial indicators	Net sales*	45%
	Business profit	45%
Non-financial indicators	Employee engagement	2.5%
	Diversity (percentage of female managers)	2.5%
	Individual evaluation (customer satisfaction, productivity & efficiency, CSR management, etc.)	5%

* With the voluntary adoption of IFRS from the first quarter of FY2026, what has been treated as "net sales" will be expressed as "revenue".

（3）Stock-based compensation

- In principle, stock-based compensation is paid to the corporate executive following retirement from the current position, with the aim of continuous enhancement of enterprise value while sharing value with shareholders.
- A base amount for stock-based compensation is set for each position. Of this, 50% is performance-linked and 50% is not.
- As regards the performance-linked component, the evaluation is based on indicators aligned with the medium-term plan that are tracked over the same period (3 years) as the plan; this is designed to increase the incentive. As financial indicators we use relative total shareholder return (TSR)—an indicator that evaluates our TSR relative to the Tokyo Price Index (TOPIX) of the Tokyo Stock Exchange—and return on equity (ROE) to promote value sharing with shareholders. As a non-financial indicator, we use effective CO_2 reduction at customers' sites, which is one of the essential goals of the azbil Group for the SDGs. The individual's stock-based compensation (ranging from 0% to 150%, depending on performance) is determined by the extent to which these targets have been achieved in the final year of the medium-term plan, using the specified weightings (see below).

Stock-based compensation KPIs		Evaluation weighting
Financial indicators	Relative TSR (relative to TOPIX, including dividends)	50%
	ROE	30%
Non-financial indicators	Effective CO_2 reduction	20%

- As a way to further encourage value sharing with shareholders, the non-performance-linked component is paid as stock-based compensation with vesting of a fixed number of shares.
- Stock-based compensation is paid through a trust-type stock compensation plan. Under this plan, points corresponding to an officer's position are awarded annually, and Company shares equivalent to the number of points accumulated are transferred from the trust to the plan-eligible person following retirement from the current position. In addition, for non-residents of Japan, the Company plans to pay in cash in an amount equivalent to the stock-based compensation.

●Directors

（1）Basic remuneration

- Basic remuneration is paid as fixed monthly monetary compensation based on the responsibilities of the position.

（2）Stock-based compensation

- In principle, stock-based compensation is paid to the director following retirement from the current position, with the aim of continuously enhancing enterprise value while sharing value with shareholders.
- A base amount of stock-based compensation is determined, which is entirely non-performance-linked.
- Stock-based compensation is paid through a trust-type stock compensation plan. Under this plan, a certain number of points are awarded annually to those eligible, and Company shares equivalent to the number of points accumulated are transferred from the trust to the plan-eligible person following retirement from the current position. In addition, for non-residents of Japan, the Company plans to pay in cash in an amount equivalent to the stock-based compensation.

■ Process for determining remuneration

- The Remuneration Committee determines the remuneration of directors and corporate executives. The majority of the members of the Remuneration Committee, including the chairperson, are outside directors, a structure that ensures objectivity and transparency. Any additional information necessary for members' deliberations is sought from external specialist organizations.
- The Remuneration Committee has the authority to determine the details of remuneration for individual directors and corporate executives. It arrives at evaluation decisions based primarily on (1) the policy governing remuneration details for individual directors and corporate executives; (2) the details of remuneration for individual directors and corporate executives; and (3) in the case of corporate executives, the degree of achievement of both company-wide performance targets and the individual targets set for each corporate executive for the purpose of determining performance-based remuneration.
- In the event of a substantial change in the external environment of the Company, the Remuneration Committee, after carefully deliberating on the appropriateness of the target values and calculation methods used for determining performance-linked remuneration, may take exceptional measures.

■ Forfeiture and return of remuneration (malus and clawback)

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). The compensation subject to such malus or clawback may include, in whole or in part, bonuses already paid or yet to be paid, points accrued under the stock-based compensation plan prior to the transfer of Company shares, and Company shares that have already been transferred to the officer(s) in question.

■ Disclosure policy

- In accordance with our disclosure policy and applicable laws and regulations, details of the executive remuneration system are compiled and disclosed promptly and appropriately through the annual *Securities Report*, reference materials for the General Meeting of Shareholders, the *Business Report*, the *Corporate Governance Report*, the company website, etc. The Company also implements a policy of active engagement with shareholders and investors.