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Notice Regarding the Planned Introduction of the Company's Stock Compensation Plan (Overview of the Plan and Details of the Intended Acquisition of Shares)

On February 25, 2022, Azbil Corporation (the "Company") announced the planned introduction of a performance-linked stock compensation plan (the "Plan") using a trust for the Company's Corporate Executives (*shikkoyaku*) and Executive Officers (excluding non-residents of Japan) subject to its transition to a company with a three-committee board structure. At a meeting held on May 13, 2022, the Board of Directors approved an expansion of the scope of the beneficiaries under the Plan, as well as details of the intended acquisition of the Company's shares for use under the Plan. An updated overview of the Plan is set forth below.

The Plan will become effective upon satisfaction of two conditions. The first condition is that the proposal to partially amend the Company's Articles of Incorporation regarding its transition to a company with a three-committee board structure is approved at the Company's 100th Ordinary General Meeting of Shareholders scheduled to be held on June 23, 2022, following which the partial amendment of the Articles of Incorporation takes effect. The second condition is that, following the transition to a company with a three-committee board structure, the Remuneration Committee approves the Plan. Additional elements of the Plan will be considered by both the Board of Directors and the Remuneration Committee, and, if adopted, will then be separately announced, along with information concerning the proposed establishment of the remuneration policy currently under consideration for the Company's officers.

1. Introduction of the Plan

The Company will introduce a new performance-linked stock compensation plan for its Directors (including outside directors, but excluding non-residents of Japan; the same shall apply hereinafter unless otherwise noted), as well as for its Corporate Executives (*shikkoyaku*) and Executive Officers (excluding non-residents of Japan and collectively referred to hereinafter as "Executive Officers, etc."). Directors and Executive Officers, etc. are collectively referred to as "Beneficiary Officers"). Stock compensation under the Plan will be linked to the Company's performance, and the Plan's operation will be highly transparent and objective, aiming to achieve sustainable improvement of the Company's enterprise value while sharing value with the shareholders.

However, for those Directors who do not serve concurrently as Corporate Executives (*shikkoyaku*) and are not responsible for the Company's business execution, their potential stock compensation will not be linked to the Company's performance.

2. Purpose of Introducing the Plan

The Company's Group announced in May 2021 that it had established "Long-term Targets (for fiscal year 2030)" as well as a "Medium-term Plan (for fiscal years 2021 to 2024)" with the aim of achieving growth and contributing "in series" to the achievement of a sustainable society by providing automation-related products and services. The Company aims to achieve mid/long-term growth and sustainable improvement of its enterprise value based on the philosophy of "human-centered automation." As disclosed in the Company's "Notice of Transition to a Company with a Three-Committee Board Structure" on February 25, 2022, the Company will transition to a company with a three-committee board structure aiming to further enhance its corporate governance.

Based on this management philosophy, the Company has been discussing at its Nomination and Remuneration Committee and its Board of Directors an executive compensation plan that would be designed to support the realization of the "Long-term Targets (for fiscal year 2030)" and the "Medium-term Plan (for fiscal years 2021 to 2024)."

As a result, the Company now intends to introduce the Plan, as the Company believes that the Plan will further raise the awareness of Executive Officers, etc. regarding their contributions to improving enterprise value and will strengthen their efforts to contribute to maximizing shareholder value. Additionally, the Company believes that the Plan will enable those Directors who are not responsible for the Company's business execution to share value with the shareholders, and will incentivize the Beneficiary Officers' efforts to contribute "in series" to a sustainable society.

3. Overview

(1) Overview of the Plan

The Plan is a stock compensation plan whereby the Company's shares will be acquired through a trust using money entrusted by the Company (the trust established pursuant to the Plan is referred to as the "Trust"), and the Company's shares and any money equivalent to the value of the Company's shares calculated based on market value (the "Company's Shares, etc.") will be distributed through the Trust to Beneficiary Officers in accordance with the Officers' Stock Benefit Rules established by the Company. The Company's Shares, etc. shall be distributed to Beneficiary Officers upon their retirement, in principle.

(2) Beneficiaries of the Plan

Directors (including outside directors, but excluding non-residents of Japan), Corporate Executives (*shikkoyaku*) and Executive Officers (excluding non-residents of Japan).

(3) Trust Amount

The Company intends to introduce the Plan for three fiscal years, from the fiscal year ending March 31, 2023, to the fiscal year ending March 31, 2025 (this period covering three fiscal years is referred to as the "Initial Target Period"). Thereafter, the Board of Directors will separately determine subsequent periods under the Plan, each of which will match the period covered by each Medium-term Plan after the Initial Target Period, for a minimum of three fiscal years and a maximum of five fiscal years (each such period is referred to as a "Subsequent Target Period" and collectively with the Initial Target Period, referred to as the "Target Period"). The Company will entrust moneys to the Trust, as described below, as funds to acquire the Company's shares through the Trust in order to distribute the Company's Shares, etc. to Beneficiary Officers.

At the time of establishing the Trust, the Company will entrust moneys to the Trust to provide the funds necessary for the Initial Target Period. Additionally, Beneficiary Officers will be granted points in accordance with the Company's Officers' Stock Benefit Rules. Each point will represent one share of the Company's common stock at the time when the Company's Shares, etc. are granted to Beneficiary Officers under the Plan as described in (6) below (the number of points which have been granted, the maximum number of points to be granted, and the conversion ratio of shares to points will be subject to adjustment if certain transactions with respect to the Company's common stock are effected, such as splits, gratis allotments, and reverse splits). As described in (5) below, the maximum number of points to be granted to Beneficiary Officers under the Plan is 63,200 points in total per fiscal year. Accordingly, at the time of the Trust's establishment, it will need to have moneys sufficient to acquire up to 189,600 shares (representing the maximum number of shares over the three-year Initial Target Period). The closing price of ordinary trading in the Company's shares on the Tokyo Stock Exchange on the business day immediately prior to the Trust's establishment will be used to determine the monetary amount to be entrusted.

After the Initial Target Period has elapsed, and until the termination of the Plan, the Company, in principle, will reasonably estimate the number of shares required for each Subsequent Target Period to grant to Beneficiary Officers under the Plan. The Company will then entrust additional moneys to the Trust as it deems necessary for the prior acquisition of such shares by the Trust. However, if, at the time such additional entrustment is made, the Trust has residual assets of Company shares (excluding shares corresponding to the number of points granted to Beneficiary Officers up to the immediately preceding Target Period and that have not been distributed to Beneficiary Officers) and cash (such residual assets are referred to as "Residual Shares, etc."), such Residual Shares, etc. will be allocated to the funds available for distribution under the Plan during Subsequent Target Periods. Consequently, the additional moneys for entrustment will be calculated by the Company taking into consideration the Residual Shares, etc. The Company will disclose its decision to make additional entrustments in a timely and appropriate manner.

(Note) The actual monetary amount that the Company will entrust to the Trust will be an amount estimated to be sufficient to provide the relevant stock acquisition funds as well as to defray necessary expenses, such as

trust fees.

(4) Acquisition method of the Company's shares and number of shares to be acquired

The Trust shall acquire the Company's shares in the stock market or by underwriting the sale of the Company's treasury stock, using the moneys entrusted as described in (3) above. Because the maximum number of points to be granted to Beneficiary Officers under the Plan is 63,200 points per fiscal year, as described in (5) below, the maximum number of the Company's shares to be acquired by the Trust for the Initial Target Period will be 189,600 shares. For Subsequent Target Periods, the maximum number of shares to be acquired by the Trust will, for example, be 316,000 shares if the Target Period covers five fiscal years. The Company will disclose the details of acquisitions of the Company's shares through the Trust in a timely and appropriate manner.

(5) Maximum number of Company Shares, etc. to be distributed to Beneficiary Officers

Beneficiary Officers will be granted the number of points determined by their position under the Company's Officers' Stock Benefit Rules for each fiscal year. In addition, Executive Officers, etc. will be tentatively granted the number of points determined by their position under the Officers' Stock Benefit Rules for each fiscal year, and after the end of each Target Period, each such grant will be adjusted by multiplying such tentative points by a coefficient corresponding to the degree by which the Company has achieved its performance targets, etc. The resulting points are referred to as "Performance-linked Points".

The maximum number of points that may be granted in total to Beneficiary Officers for each Target Period is calculated by multiplying the number of fiscal years in said Target Period by 63,200. Note that this figure (63,200 points) has been decided by taking into account the above adjustments to determine Performance-linked Points, and assumes the coefficient corresponding to the degree of achievement of the Company's performance targets is maximized. Therefore, the maximum number of points for the Initial Target Period of three years is 189,600 points. The Company believes this maximum number is appropriate and it was determined based on a comprehensive consideration of the current level of remuneration for officers, trends in the number of Beneficiary Officers, and the Company's future prospects, among other factors.

The number of shares corresponding to the maximum number of points to be granted to Beneficiary Officers during the Initial Target Period (189,600 shares) represents approximately 0.14 percent of the total number of the Company's issued shares as of March 31, 2022, after deduction of its treasury stock (139,223, 239 shares).

In principle, the number of Beneficiary Officer points to be used as the basis for distribution of the Company's Shares, etc. set forth in (6) below will be the number of points granted to such Beneficiary Officer by the time of his or her retirement (the points calculated in this way are referred to as the "Fixed Number of Points").

(6) Distribution of the Company's Shares, etc.

In the case where a Beneficiary Officer has retired and has satisfied the beneficiary eligibility criteria set out in

the Company's Officers' Stock Benefit Rules, such Beneficiary Officer will, in principle, receive a distribution of the Company's shares equal to the Beneficiary Officer's Fixed Number of Points (as determined in accordance with the description in (5) above), by completing the prescribed formalities following retirement. However, rather than receive the entire distribution in shares, in the case where certain requirements set out in the Company's Officers' Stock Benefit Rules are satisfied, a Beneficiary Officer may instead receive an amount of cash equivalent to the market price of a portion of the Company's shares in lieu of the Company's shares. Additionally, the Trust may sell the Company's shares in order to make such monetary distributions.

(7) Exercise of voting rights

In accordance with instructions from the trust administrator, the voting rights attached to the Company's shares held in the Trust's account shall not be exercised, without any exception. This approach is intended to ensure neutrality in the management of the Company with respect to the exercise of voting rights attached to the Company's shares held in the Trust's account.

(8) Treatment of dividends

The Trust shall receive dividends on the Company's shares held in the Trust's account and shall use such dividend amounts to pay for the acquisition of additional Company's shares as well as to defray the trust fees, etc. related to the Trust. In addition, in the event of termination of the Trust, dividend amounts remaining in the Trust shall be distributed to Beneficiary Officers in office at that time, in proportion to the number of points held by each, and in accordance with the Company's Officers' Stock Benefit Rules.

4. Overview of the Trust and details of acquisition of the Company's shares during the Initial Target Period

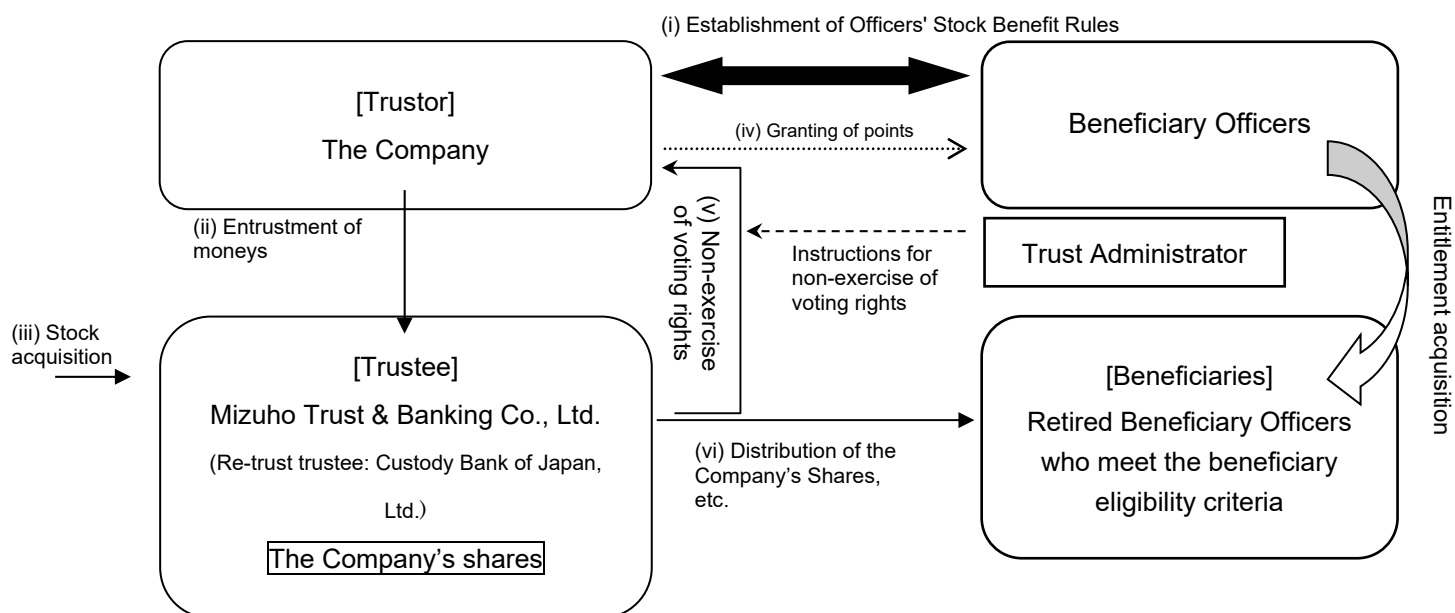
(1) Overview of the Trust

- (i) Name of Trust: Board Benefit Trust (BBT)
- (ii) Trustor: The Company
- (iii) Trustee: Mizuho Trust & Banking Co., Ltd. (Re trustee: Custody Bank of Japan, Ltd.)
- (iv) Beneficiaries: Retired Beneficiary Officers who meet the beneficiary eligibility criteria as set forth in the Company's Officers' Stock Benefit Rules
- (v) Trust Administrator: A third party having no conflicts of interest with the Company will be appointed.
- (vi) Trust Type: Money trust other than cash trust (third-party beneficiary trust)
- (vii) Trust Term: From the establishment of the Trust during the fiscal year ending on March 31, 2023 to the termination of the Trust (The Trust shall continue without having a specific expiry date as long as the Plan remains in effect.)

(2) Details of the acquisition of the Company's shares during the Initial Target Period

- (i) Types of Shares to Be Acquired: Common stock of the Company
- (ii) Total Acquisition Price of the Shares: Up to 420 million JPY (Amount to be entrusted as stock acquisition funds for three fiscal years)
- (iii) Maximum Number of Shares to Be Acquired: 189,600 shares
- (iv) Share Acquisition Method: To be purchased in the stock market.
- (v) Stock Acquisition Period: From the day of establishment of the Trust to March 31, 2023 (tentative)

<Schematic of the Plan>



- (i) The Company will establish the Officers' Stock Benefit Rules by a resolution of the Remuneration Committee.
- (ii) The Company will entrust moneys to the Trust within the amount approved by a resolution of the Remuneration Committee.
- (iii) The Trust will acquire the Company's shares in the stock market or by underwriting the sale of the Company's treasury stock using the moneys entrusted in (ii) as funds.
- (iv) The Company will grant points to the Beneficiary Officers determined by their position under the Officers' Stock Benefit Rules. In addition, Executive Officers, etc. will be tentatively granted the number of points determined by their position, and, after the end of each Target Period, each such grant will be adjusted by multiplying the tentative granted points by a coefficient corresponding to the degree of achievement of the Company's performance targets, etc.
- (v) In accordance with instructions from the trust administrator, who is independent from the Company, the Trust shall not exercise the voting rights attached to the Company's shares in the Trust's account.
- (vi) The Trust will distribute to those retired Beneficiary Officers who meet the beneficiary eligibility criteria set forth in the Officers' Stock Benefit Rules (the "Beneficiaries") the Company's shares based on the number of points granted to the Beneficiaries. However, in the case where certain requirements set out in the Company's Officers' Stock Benefit Rules are satisfied, Beneficiaries may instead receive a cash payment equivalent to the market price of the Company's shares for a certain portion of their points.

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