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Notification of Partial Revision to the Employee Stock Ownership Plan (J-ESOP)

Azbil Corporation (“the Company”) announces that it has resolved, at the Board of Directors meeting held on May 13, 2024, to revise the Employee Stock Ownership Plan (J-ESOP) (hereinafter referred to as “the current J-ESOP Plan”), which was introduced in May 2017 as an incentive plan for providing employees with the Company’s stock. The revised J-ESOP Plan (J-ESOP-RS) attaches restrictions on the transfer of shares granted to employees for a certain period; this is intended to further increase the employees’ morale and motivation to enhance the Company’s stock price and business performance. Details regarding the scope of the trust and the method of acquiring shares in connection with this revision will be disclosed, separately and in a timely manner, following an internal decision-making process.

1. Background and purpose of the revision to the current J-ESOP Plan

In May 2017 the Company introduced the current J-ESOP Plan, an incentive plan offering the Company’s own stock to its employees, to boost the linkage between stock price and business performance of the Company on one hand, and the benefit received by employees on the other hand, and to enhance the motivation and morale of employees for increasing stock price and business performance of the Company by sharing economic effects with shareholders. The Company has been granting its stock in proportion to the degree of contribution made to its business performance.

It has been decided to partially revise the current J-ESOP Plan from the perspective of strengthening investment in human capital, which is of crucial importance to advancing the Company’s sustainability management. The revision enables employees to exercise voting rights and receive dividends throughout their employment, while restricting transfer of the granted shares until retirement. The purpose of this revision is to engender a sustained increase in enterprise value by strengthening employees’ engagement, achieved by more closely linking the benefit received by employees to the stock price and business performance of the Company.

2. Overview of the J-ESOP-RS Plan

The J-ESOP-RS Plan will offer stock of the Company to its employees who satisfy certain requirements specified in the Company’s predetermined stock granting regulations.

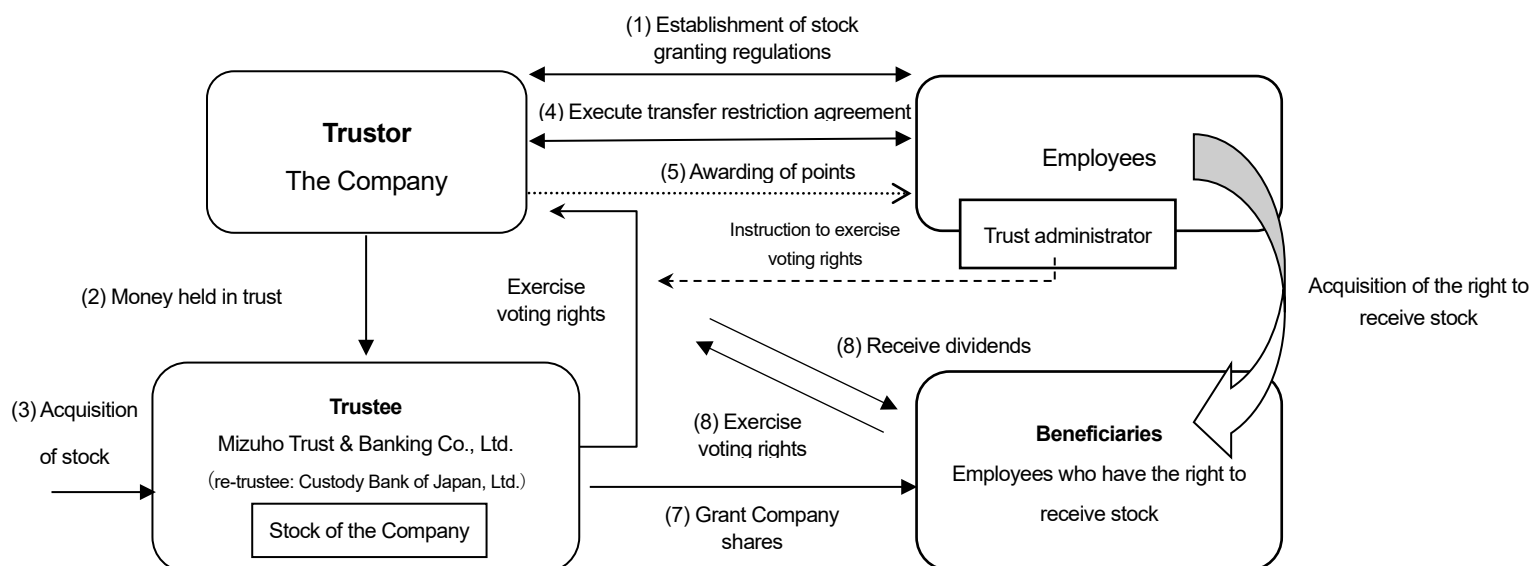
A trust for the J-ESOP-RS Plan will be established in accordance with a trust agreement between the Company and Mizuho Trust & Banking Co., Ltd. (hereinafter referred to as “the Trust”), and the Company will award points to employees according to the contribution level of them and will grant shares of the Company proportionate to the awarded points

when employees obtain the right to receive shares by meeting certain conditions. In the event that an employee shall be granted Company stock while in the employ of the Company, they shall first enter into a transfer restriction agreement with the Company, as explained in “3. Overview of a transfer restriction agreement in relation to transfer of Company stock granted to employees” below. The transfer restriction agreement means that Company stock received by an employee during their employment may not be transferred or otherwise disposed of until the employee’s retirement.

The stock to be granted to employees will be acquired with money previously placed in trust, including stock to be granted in the future, and will be separately managed as assets in trust.

This J-ESOP-RS Plan is expected to heighten the interest of employees in the Company’s stock price and business performance, and motivate them to work as well as to contribute to secure talented human resources.

Schematic Diagram of the System



Underlined text indicates the main changes to the current J-ESOP Plan.

- (1) The Company establishes the stock granting regulations with the introduction of the J-ESOP-RS Plan.
- (2) In accordance with the stock granting regulations, the Company places money into Mizuho Trust & Banking Co. (re-trustee: Custody Bank of Japan, Ltd.), for the acquisition of stock in advance, to be offered to employees (third party trust)
- (3) The Trust acquires the Company’s stock through the stock market with the money placed in trust as referred in (2) or through the disposal of treasury shares of the Company.
- (4) The employee shall enter into a transfer restriction agreement with the Company that restricts the employee, prior to their retirement, from transferring or otherwise disposing of those Company shares received while still employed, and includes clauses for acquisition of shares by the Company for no consideration, etc.
- (5) The Company awards points to employees in accordance with the stock granting regulations.
- (6) The Trust exercises voting rights relating to shares in the trust account in accordance with the instructions of

the trust manager, provided that said exercise is non-uniform.

- (7) The Trust, in accordance with the stock granting regulations, provides employees who acquire entitlement with Company shares in proportion to the number of points granted to them.
- (8) Although Company stock granted to an employee are subject to the transfer restrictions of the agreement laid out in (4) above, the individual beneficiary may exercise the voting rights for these shares and will receive the dividends.

3. Overview of a transfer restriction agreement in relation to Company stock granted to employees

If an employee is to be granted Company stock during their employment, the employee shall, prior to receiving said benefits, enter into a transfer restriction agreement (hereinafter referred to as “the Transfer Restriction Agreement”) with the Company. The grant of Company stock is conditional on the execution of the Transfer Restriction Agreement, which includes the terms below. However, this condition (execution of the Transfer Restriction Agreement) does not apply if the beneficiary is no longer employed (following retirement, etc.).

(1) Transfer restrictions

From the day they receive the stock until the day they retire from the Company, employees may not transfer, pledge as collateral, or otherwise dispose of the Company stock they have received.

(2) Acquisition of stock by the Company for no consideration

In the event of certain acts of misconduct, etc. on the part of the employee, or if the requirements for lifting of transfer restrictions in (3) below are not met, the Company shall acquire the shares concerned for no consideration.

(3) Lifting of transfer restrictions

In the event that an employee retires from the Company with good cause or dies, the restrictions on transfer shall be lifted at such time.

(4) Organizational restructuring, etc.

In the event that a merger agreement under which the Company will become the dissolving company or other organizational restructuring is approved at a general meeting of the Company’s shareholders, etc., during the transfer restriction period, the transfer restrictions shall be canceled by a resolution of the Board of Directors of the Company at a time immediately preceding the business day before the effective date of the said organizational restructuring, etc.

The Company shares subject to the transfer restrictions under the Transfer Restriction Agreement will be managed throughout the transfer restriction period in an exclusive account, opened by the beneficiary employee at a securities company designated by the Company, so that the shares cannot be transferred, pledged as collateral, or otherwise disposed of during the transfer restriction period.

In addition to the above, the method of manifestation of intention and notification in this Transfer Restriction Agreement, the method of revision of this Transfer Restriction Agreement, and other matters determined by the Board of Directors shall be the contents of this Transfer Restriction Agreement.

4. Outline of the Trust

- (1) Name of the trust: employee stock ownership plan (J-ESOP-RS)
- (2) Trust type: Trust of money other than money in trust (third party trust)
- (3) Purpose of the trust: To offer trust assets, stock of the Company to beneficiaries in accordance with the stock granting regulations
- (4) Trustor: The Company
- (5) Trustee: Mizuho Trust & Banking Co., Ltd. (re-trustee: Custody Bank of Japan, Ltd.)
- (6) Beneficiary: A person who is entitled to receive trust assets in accordance with the stock granting regulations
- (7) Trust administrator: Selected from the employees of the Company
- (8) Date of conclusion of the trust contract: May 29, 2017 (date of conclusion of the trust contract of the current J-ESOP Plan)
- (9) Date of revision of the current J-ESOP Plan: April 1, 2025 (tentative)
- (10) Date of trust establishment: May 29, 2017 (date of trust establishment of the current J-ESOP Plan)
- (11) Trust period: From May 29, 2017 to June 30, 2027

(However, in the absence of a special written application from either the trustor or the trustee at least one month prior to the Trust termination date, said trust period shall be extended by a further ten years, and the same shall apply thereafter.)