Presentation Materials Summary for the Fiscal Year Ended March 31, 2024 (Based on Japanese GAAP)

This is a brief summary and is provided to disclose information to investors and our shareholders in a timely and appropriate manner. We plan to announce the complete version on May 17, 2024.

May 13, 2024
Azbil Corporation
RIC: 6845.T, Sedol: 6985543

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Highlights

1. Consolidated Financial Results for FY2023

✓ **We achieved record consolidated financial results for the third consecutive fiscal year, with increased revenue and profits.**

- Orders received declined owing to stagnation of the factory automation (FA) market and other factors. However, thanks to strengthened procurement and production capabilities, the order backlog was steadily converted into sales, resulting in increased net sales (up 12.5 billion yen or 4.5% to 290.9 billion yen) compared with FY2022.
- Operating income rose significantly (up 5.5 billion yen or 17.9% to 36.8 billion yen) due to this increased revenue and the effect of measures to strengthen profitability, including cost pass-through, and despite increases in selling, general and administrative expenses.

2. Consolidated Financial Plan for FY2024

✓ **We plan to increase both net sales and operating income for the fourth consecutive fiscal year under the current medium-term plan.**

- A robust BA business environment is expected. For the AA business, a gradual recovery of the FA market is anticipated from the second half onwards. The order backlog at the beginning of the period will be steadily converted into sales, and revenue is thus planned to increase (up 9.0 billion yen or 3.1% to 300.0 billion yen).
- While we will be actively investing for growth, operating income is expected to increase (up 0.6 billion yen or 1.8% to 37.5 billion yen) owing to revenue growth and the effect of measures to strengthen profitability.

3. Returning Profits to Shareholders

✓ **We plan to increase the dividend for the tenth consecutive year, with an annual dividend of 88 yen* per share for FY2024, and DOE to reach 5% level.**

- The year-end dividend for FY2023 will be increased by 3 yen from the initial plan to 39.50 yen per share (for an annual dividend of 76 yen per share).
- It is planned to further increase the FY2024 dividend by 12 yen, making an annual dividend of 88 yen* per share. Dividend on equity (DOE) will increase to 5.0%.
  * Dividend not taking stock split into account
- A 4-for-1 common stock split is scheduled (record date: September 30, 2024).
- As an investment in human capital, using capital policy (use of treasury shares), we are planning new employee benefits and financial measures to further enhance employee-shareholder engagement.

4. Progress in Implementing the Medium-term Plan

✓ **The operating income plan was achieved in FY2023 ahead of schedule due to the progress in initiatives for transformation, such as strengthening profitability. We will proceed with our transformation for further growth, building on these results of transformation in FY2023.**

- We will continue to invest actively in technology development, equipment and facilities, and human capital. Progress is being made with strengthening product competitiveness by developing new business alliances, etc.

Consolidated Financial Results

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

(Billions of yen)

	FY2022	FY2023	Difference		Plan	Difference	
	(A)	(B)	(B) - (A)	% Change	(Nov. 7, 2023) (C)	(B) - (C)	% Change
Orders received	296.9	287.8	(9.0)	*(3.1)*			
Net sales	278.4	290.9	12.5	*4.5*	284.0	6.9	*2.4*
Japan	215.7	223.6	7.8	*3.6*			
Overseas	62.6	67.3	4.6	*7.5*			
Gross profit	111.9	122.9	11.0	*9.9*			
Margin	*40.2*	*42.3*	*2.1pp*				
SG&A	80.6	86.1	5.4	*6.7*			
Operating income (loss)	31.2	36.8	5.5	*17.9*	33.7	3.1	*9.3*
Margin	*11.2*	*12.7*	*1.4pp*		*11.9*	*0.8pp*	
Ordinary income (loss)	32.1	38.9	6.8	*21.3*	35.2	3.7	*10.8*
Income (loss) before income taxes	32.1	41.8	9.7	*30.4*			
Net income (loss) attributable to owners of parent	22.6	30.2	7.6	*33.6*	27.0	3.2	*11.9*
Margin	*8.1*	*10.4*	*2.3pp*		*9.5*	*0.9pp*	

The impact of foreign exchange rate fluctuations (compared with FY2022)
+4.0 billion yen for net sales, +0.4 billion yen for operating income

The impact of foreign exchange rate fluctuations is derived from the difference in rates, between the previous and current periods, used to convert overseas subsidiaries' P/L into yen from the local currency.

Financial Results by Segment

- BA: In FY2022 multi-year service contracts were renewed and orders were received for large-scale projects. However, in FY2023, against the backdrop of a robust business environment, orders received were at the same level as FY2022. Both sales and segment profit increased, mainly due to the profitable existing building and service fields. The plan was achieved.
- AA: Continued sluggishness in the FA market led to a significant decline in orders received. However, owing to steady conversion of our large order backlog into sales, revenue rose and the plan was achieved. Segment profit also rose thanks to increased revenue and initiatives to strengthen profitability; the plan was achieved.
- LA: Orders received and sales grew in all three fields, particularly in the Lifeline field; segment profit increased thanks to increased revenue and initiatives to strengthen profitability. The plan was achieved.

（Billions of yen）

		FY2022 (A)	FY2023 (B)	Difference (B) - (A)	Difference % Change	Plan (Nov. 7, 2023) (C)	Difference (B) - (C)	Difference % Change
BA	Orders received	135.3	136.7	1.4	1.1			
	Sales	128.5	134.6	6.0	4.7	132.3	2.3	1.8
	Segment profit (loss)	16.0	19.3	3.2	20.5	16.6	2.7	16.7
	Margin	*12.5*	*14.4*	*1.9pp*		*12.5*	*1.8pp*	
AA	Orders received	113.9	101.4	(12.4)	(11.0)			
	Sales	103.9	107.0	3.0	2.9	105.2	1.8	1.8
	Segment profit (loss)	14.5	16.1	1.5	10.6	16.0	0.1	0.7
	Margin	*14.0*	*15.1*	*1.0pp*		*15.2*	*(0.2)pp*	
LA	Orders received	49.6	51.6	2.0	4.1			
	Sales	47.9	51.4	3.4	7.3	48.6	2.8	5.8
	Segment profit (loss)	0.5	1.3	0.7	133.6	1.1	0.2	25.1
	Margin	*1.2*	*2.7*	*1.4pp*		*2.3*	*0.4pp*	

Consolidated Financial Plan

We plan to increase both net sales and operating income for the fourth consecutive fiscal year under the current medium-term plan.

- **The BA business environment is expected to remain robust. In the AA business, inventory adjustment in the manufacturing equipment market will continue, but, in the second half onwards, a recovery in semiconductor demand is anticipated, partly due to the spread of generative AI.**
- **Parts procurement difficulties are expected to continue in some areas, but with our strengthened procurement and production systems, we are aiming to further increase revenue by steadily converting the order backlog into sales and by progressively capturing the growing demand anticipated in the second half onwards.**
- **Despite investing in R&D, digital transformation (DX), and human capital to achieve further growth in FY2025 and beyond, we plan to steadily increase operating income with increased revenue and the effect of measures to strengthen profitability, such as increasing margins at the point of order receipt and cost pass-through.**

(Billions of yen)

	FY2023 Full year (results) (A)	FY2024 H1 (plan)	FY2024 H2 (plan)	FY2024 Full year (plan) (B)	Difference (B) - (A)	Difference *% Change*
Net sales	**290.9**	**134.0**	**166.0**	**300.0**	**9.0**	***3.1***
Operating income	**36.8**	**11.6**	**25.9**	**37.5**	**0.6**	***1.8***
Margin	***12.7***	***8.7***	***15.6***	***12.5***	***(0.2)pp***	
Ordinary income	**38.9**	**11.8**	**25.7**	**37.5**	**(1.4)**	***(3.8)***
Net income attributable to owners of parent	**30.2**	**9.0**	**19.0**	**28.0**	**(2.2)**	***(7.3)***
Margin	***10.4***	***6.7***	***11.4***	***9.3***	***(1.0)pp***	

Reference: Exchange rates
FY2023 USD/JPY 140, EUR/JPY 152, CNY/JPY 19.8
FY2024 USD/JPY:149, EUR/JPY:159, CNY/JPY 20.0

Financial Plan by Segment

- BA: We expect increased revenue against the backdrop of a robust business environment and our large order backlog. Despite facing the soaring cost of outsourcing and increased expenses, by increasing margins at the point of order receipt and cost pass-through we will secure a segment profit of 19.0 billion yen.
- AA: We plan on increased revenue, with the order backlog from the beginning of the period converted into sales as well as a gradual recovery of the FA market anticipated from the second half onwards. Although various expenses are expected to increase, thanks to the effect of measures to strengthen profitability, including cost pass-through, we plan for continuing growth in segment profit.
- LA: We plan on increased revenue, taking into account robust demand in the pharmaceutical manufacturing equipment market, stable demand for meter replacement, and the development of markets related to Smart Metering as a Service (SMaaS). We also expect to improve profitability with cost pass-through and strengthened project management.

(Billions of yen)

		FY2023 Full year (results) (A)	FY2024 H1 (plan)	FY2024 H2 (plan)	FY2024 Full year (plan) (B)	Difference (B) - (A)	Difference % Change
BA	Sales	134.6	58.3	83.7	142.0	7.3	*5.5*
	Segment profit	19.3	4.0	15.0	19.0	(0.3)	*(1.9)*
	Margin	*14.4*	*6.9*	*17.9*	*13.4*	*(1.0)pp*	
AA	Sales	107.0	50.7	58.3	109.0	1.9	*1.8*
	Segment profit	16.1	7.2	9.5	16.7	0.5	*3.6*
	Margin	*15.1*	*14.2*	*16.3*	*15.3*	*0.3pp*	
LA	Sales	51.4	25.9	26.1	52.0	0.5	*1.2*
	Segment profit	1.3	0.4	1.4	1.8	0.4	*30.8*
	Margin	*2.7*	*1.5*	*5.4*	*3.5*	*0.8pp*	

Returning Profits to Shareholders

In accordance with our basic policy—promoting shareholder returns, investing for growth, and maintaining a sound financial base—, while we remain conscious of the cost of capital* in our business operations and investment activities, we actively invest in our businesses, R&D, equipment and facilities, DX, and human capital. We also plan to raise dividends to further improve shareholder returns.

FY2023 dividend

The year-end dividend for FY2023 is to be increased by 3 yen from the initial plan in May 2023.

The annual dividend will be 76 yen per share.

(+10 yen compared with FY2022)

— The year-end dividend for FY2023 will be paid after the approval of the Ordinary General Meeting of Shareholders on June 25, 2024.

FY2024 dividend

As regards the annual dividend for FY2024,

the Company plans an annual dividend of 88 yen per share.

(+12 yen compared with FY2023)

— Dividend not taking the stock split below into account

Treasury shares

- As regards treasury shares, we will consider as future flexible shareholder returns.
- It has resolved to revise the current Employee Stock Ownership Plan (J-ESOP) to J-ESOP-RS Plan with restrictions on the transfer of shares to enhance engagement with employee-shareholder through the use of treasury shares. Details, such as the scope and source of funds, etc., will be considered in the future.

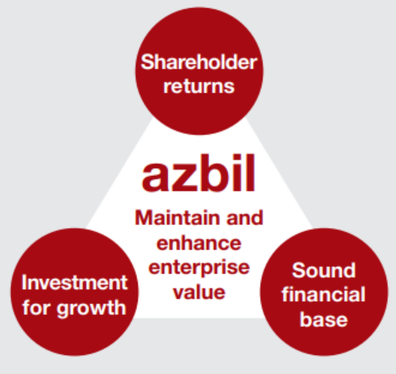
Stock split

There will be a **4-for-1 common stock split** to increase the liquidity of the Company's shares and foster an environment conducive to investment.

— Record date: September 30, 2024

* Conscious of the cost of capital in management, the azbil Group has introduced and been in process of enhancing business management that incorporates return on invested capital (ROIC), which is based on the trial calculation of adjusted after-tax operating income. Reference: FY2023 azbil Group ROIC (trial calculation) was 10.2%, and weighted average cost of capital (WACC) was 6.1%.

Basic policy



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

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

Progress in Implementing the Medium-term Plan

The azbil Group defines three growth fields—new automation, environment and energy, and life-cycle solutions—which share a common foundation of automation technology. Focusing on the growth of these fields, we will achieve growth globally in each of our three businesses: BA, AA and LA.

- Steady progress with the medium-term plan: progress is being made with strengthening business profitability, and, according to the consolidated financial plan for FY2024, we will achieve an operating income and its margin that exceed the performance targets of the medium-term plan formulated in FY2021.
- In addition to expanding our overseas business, progress is being made with transformation initiatives that form part of the medium-term plan, such as strengthening product competitiveness (including new business alliances, etc.). We will expand our unique solutions in those business areas where the azbil Group possesses notable strengths.
- We will continue to focus on strengthening investment in product competitiveness, technology development, equipment and facilities, and human capital. We will proceed with our transformation for further growth, building on the results of our transformation to date.

Long-term targets

2030
SDGs

Growth

Transformation

Safety

Period of the medium-term plan
for FY2021-2024

Contribution “in series” to the achievement of a sustainable society
Continuous enhancement of enterprise value

	FY2020	FY2021	FY2022	FY2023	FY2024 The medium-term plan	FY2024 Consolidated financial plan	Long-term targets (FY2030) (disclosed on May 14, 2021)
Net sales	246.8 billion yen	256.5 billion yen	278.4 billion yen	290.9 billion yen	300.0 billion yen	300.0 billion yen	400.0 billion yen
[Overseas sales]	[44.8 billion yen]	[52.1 billion yen]	[62.6 billion yen]	[67.3 billion yen]	[66.0 billion yen]	[71.0 billion yen]	[100.0 billion yen]
Operating income	25.7 billion yen	28.2 billion yen	31.2 billion yen	36.8 billion yen	36.0 billion yen	37.5 billion yen	60.0 billion yen
Margin	10.4%	11.0%	11.2%	12.7%	12%	12.5%	approx. 15%
ROE	10.4%	10.4%	11.2%	14.2%	approx. 12%	12.2%	approx. 13.5%
					(disclosed on May 14, 2021)	(disclosed on May 13, 2024)	

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Notes

1. Financial data and financial statements have been prepared based on Japanese GAAP and the amounts have been rounded down.
2. The following are the azbil Group's segments (each identified by abbreviation) together with the various sub-segments and their principal business fields.

BA: Building Automation

AA: Advanced Automation

- Control Product (CP) business: Supplying factory automation products such as controllers and sensors
- Industrial Automation Product (IAP) business: Supplying process automation products such as differential pressure transmitters, pressure transmitters, and control valves
- Solution and Service (SS) business: Offering control systems, engineering service, maintenance service, energy-saving solution service, etc.

LA: Life Automation

- Lifeline field: Provision of gas meters and water meters, safety equipment such as alarms and automatic shut-off valves, regulators and other products for industry
- Life Science Engineering (LSE) field: Provision of integrated solutions from the development, engineering, installation, and sale of lyophilizers, sterilizers, and clean environment equipment to after-sales services for pharmaceutical companies and research laboratories
- Lifestyle-related field: Provision of residential central air-conditioning systems for houses

3. Net sales for the azbil Group tend to be low in the first quarter of the consolidated accounting period and highest in the fourth quarter. However, fixed costs are generated constantly. This means that profits are typically lower in the first quarter and higher in the fourth quarter.

IR Inquiries and Disclaimer

Inquiries regarding investor relations

Azbil Corporation
Investor Relations

Phone: +81-3-6810-1031
Email: azbil-ir@azbil.com

Disclaimer

The projections are based on management's assumptions, intent and expectations in light of the information currently available to it, and therefore these statements are not guarantees of future performance. Due to various factors in the future, actual results may differ from financial targets in the materials.