



*Note: This English translation is an abridged version of the original notice in Japanese.
In the event of discrepancies, the Japanese version shall prevail.*

Azbil Corporation

June 2, 2021

Notice of the 99th Ordinary General Meeting of Shareholders

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In pursuit of “human-centered automation,” our aim is to be a corporate group that contributes to the development of a sustainable society.



Hirozumi Sone

Representative Director, Executive Chairperson (left)

Kiyohiro Yamamoto

Representative Director, President and Group Chief Executive Officer (right)

Since our establishment in 1906, we have pursued measurement and control technologies, delivering unique solutions to our customers. In April 2012, we changed our company name from Yamatake Corporation to Azbil Corporation, making the azbil brand familiar to many people. Today, the azbil Group provides unique levels of customer-oriented value in offices, production sites, and daily life all over the world through its three business segments: Building Automation, Advanced Automation, and Life Automation.

The difficult situation of a worldwide slowdown of economic activity due to novel coronavirus disease (COVID-19) has continued since last year, but from a medium- to long-term perspective, we believe that the role of automation will expand more and more. We face various challenges in the business environment that demand our response, such as ongoing globalization, the fulfillment of our responsibilities for the sustainable development of society,

technological change, falling birthrate, aging population, the implementation of “work style reform,” and climate change. In addition, remote work brought about by COVID-19 and business continuity planning (BCP) will bring about further expansion of challenging areas that automation should support. We view these challenges as opportunities to expand the azbil Group’s business and further our initiatives for global development and the accelerated growth of our areas of business.

We are determined to continue to ensure the achievement of our goals by providing new products and services that contribute to the safety, productivity, and value enhancement of production sites where advanced technology, such as AI and various sensing technologies, is used, and we are expanding our business by solving environmental and energy-related problems in buildings and the local community, as well as strengthening our business and corporate foundations. As we do so, we are also working on the Sustainable Development Goals (SDGs) that are consistent with our Group philosophy, aiming to be a corporate group that contributes to the sustainable development of society through pursuing “human-centered automation.”

Azbil Corporation

June 2, 2021

2-7-3 Marunouchi, Chiyoda-ku, Tokyo

Notice of the 99th Ordinary General Meeting of Shareholders

Dear Shareholders:

I would like to express my thanks for your loyal patronage.

You are cordially invited to the Ordinary General Meeting of Shareholders of Azbil Corporation. The meeting will be held as described on the next page.

Yours faithfully,

Kiyohiro Yamamoto
President and Group CEO

Details

1. Date and Time: Thursday, June 24 at 10 a.m., 2021 (Japan Time)
2. Place: Large Conference Room, Fujisawa Technology Center of Azbil Corporation,
1-12-2 Kawana, Fujisawa-shi, Kanagawa

3. Purpose:

Items to be Reported

Item 1: Business Reports, Consolidated Financial Statements, and Audit Reports covering Consolidated Financial Statements by the Accounting Auditor and the Audit & Supervisory Board for the 99th term from April 1, 2020 to March 31, 2021

Item 2: Non-Consolidated Financial Statements for the 99th term from April 1, 2020 to March 31, 2021

Items to be Resolved

Item : Appropriation of Surplus

Reference Materials for the General Meeting of Shareholders

Item : Appropriation of Surplus

The Company regards the distribution of profit to shareholders as one of the most important management issues. Taking comprehensive account of consolidated business results, the levels of dividend on equity ratio (DOE) and return on equity (ROE), as well as retained earnings required for future business development and ensuring a healthy financial foundation, management strives towards maintaining a stable dividend level, while raising it at the same time. Based on this policy, year-end dividends for the 99th term are proposed as follows.

(1) Type of dividend

Cash

(2) Allocation of dividends to shareholders, and total amount

¥30 per share of Company common stock

Total amount: ¥4,244,324,850

As the interim dividend of ¥25 per share was paid in December 2020, the total dividend for full year is ¥55 per share.

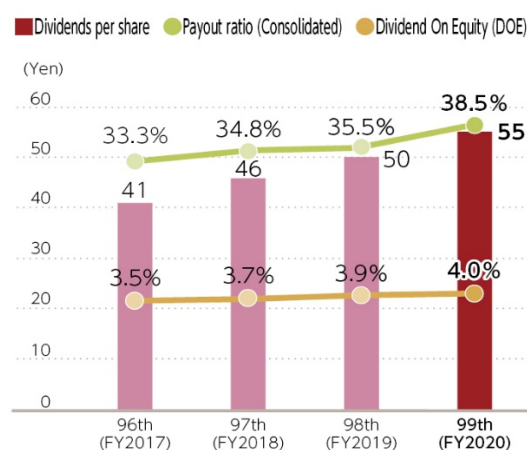
(3) Effective date of payments for dividends from surplus

June 25, 2021

(Reference)

Rationale for Returns to Shareholders

The Company implements well-disciplined capital policy and aims to maintain and enhance its enterprise value while carefully balancing three key elements: enhancing returns to shareholders, investing in growth and ensuring a healthy financial foundation. The Company regards the distribution of profit to shareholders as a management priority, and implements a return system that flexibly incorporates acquisition of own shares, with focus on dividends, while comprehensively taking into account matters such as consolidated business results, the levels of DOE and ROE, as well as retained earnings required for future business development and ensuring a healthy financial foundation. The Company focuses on dividends, maintaining a stable dividend level while striving to raise it at the same time.



The Company implemented a two-for-one stock split of common stock on October 1, 2018. The amount of dividends per share in the table above reflects the effect of the stock split retrospectively.

Business Report

(From April 1, 2020 to March 31, 2021)

1. Matters Concerning the Present State of the Corporate Group

(1) Principal Business (As of March 31, 2021)

The azbil Group pursues “human-centered automation” for people’s safety, comfort and fulfillment and to contribute to the global environment with measurement and control technologies, developing its Building Automation business in the building market and its Advanced Automation business in the industrial market, as well as its Life Automation business through lifeline and health in the lifestyle-focused market.

The azbil Group handles the following major products.

Segment	
BA: Building Automation Business	
Major Products	
<ul style="list-style-type: none">● Room temperature / humidity sensor● Room temperature and humidity controller● Ceiling-mounted sensor● Digital user terminal● Multi-area user terminal● BA systems	<ul style="list-style-type: none">● Access control system● Contactless smartcard reader● Controller for air conditioning equipment● Heating/cooling plant controller● Damper actuator● Motorized control valve with flow measurement and control functions, etc.
Segment	
AA: Advanced Automation Business	
Major Products	
<ul style="list-style-type: none">● Automatic control valve● Smart valve positioner● Process controller● Multi-loop controller with multifunction display● Network instrumentation modules● Advanced transmitter● Electromagnetic flow meter● Natural gas calorimeter● Vortex flow meter	<ul style="list-style-type: none">● Monitoring and control system● High-accuracy position sensors● Photoelectric switch with built-in amplifier● Advanced ultraviolet flame detector● Limit switch● Intelligent earthquake sensor● Micro flow rate liquid flow meter,● Advanced critical trend monitoring for safety● Online anomaly monitoring system, etc.
Segment	
LA: Life Automation Business	
Major Products	
<ul style="list-style-type: none">● Barrier systems● Lyophilizer● Cloud Service● Battery-operated electromagnetic water meter● LPWA-capable electronic water meter	<ul style="list-style-type: none">● Intelligent city gas meters● Ultrasonic gas meters● LPWA-compatible smart membrane gas meter● High-pressure regulator● Central air conditioning system, etc.
Segment	
Others	
Major Products	
<ul style="list-style-type: none">● Insurance agent business, etc.	

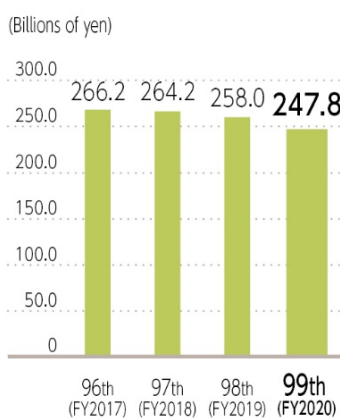
(2) Financial results for the current fiscal year

Regarding the business environment for the azbil Group, there has been continued demand, based on urban redevelopment projects, for heating, ventilation, and air conditioning (HVAC) control equipment/systems for large-scale buildings. Also, heightened interest has been shown in solutions for improved ventilation and energy saving. While there have been temporary delays to some refurbishment projects as a result of the spread of the novel coronavirus disease (COVID-19), the impact has been limited. As regards production equipment, demand for maintaining and securing the safety of existing facilities has remained firm. Although stagnating economic activity resulting from the COVID-19 pandemic has suppressed demand over the year, the rapid growth of teleworking and 5G services has led to a recovery in semiconductor-related markets. This in turn has driven a recovery in the second half in orders received, which had fallen earlier in the year because of the pandemic. Consequently, the impact of the COVID-19 pandemic on our financial performance has been contained, and financial results for the current consolidated fiscal year were as follows.

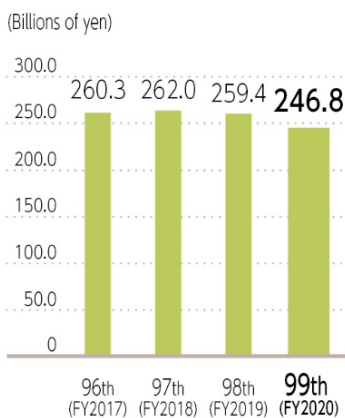
Orders received fell for the Advanced Automation (AA) business, owing to sluggish market conditions, and also for the Building Automation (BA) business reflecting the fact that this represents a period of subdued demand—there having been fewer multi-year service contracts up for renewal in the current consolidated fiscal year. A decrease was also seen in the Life Automation (LA) business, which suffered a fall in demand for LP gas meters. Consequently, overall orders received were down 4.0% at 247,873 million yen (compared with the 258,079 million yen recorded in the previous consolidated fiscal year). As regard sales, BA business sales decreased compared with the previous consolidated fiscal year, when sound performance was achieved in the field related to sales and installation of HVAC control equipment/systems for new large-scale buildings. As with the impact on orders received, the AA business and the LA business saw their sales reduced by the sluggish market conditions. Consequently, net sales were down 4.9% at 246,821 million yen (compared with the 259,411 million yen recorded in the previous consolidated fiscal year).

As regards profits, despite factors such as having successfully controlled expenses and strengthened business profitability, due to the fall in sales, operating income was down 5.6% at 25,720 million yen (compared with the 27,255 million yen recorded in the previous consolidated fiscal year). Ordinary income was down 5.0% at 26,338 million yen (compared with the 27,712 million yen recorded in the previous consolidated fiscal year), mainly due to the fall in operating income. However, net income attributable to owners of parent was 19,918 million yen (almost the same as the 19,793 million yen recorded in the previous consolidated fiscal year); this was due to the recording of gain on sale of investment securities and gain on sale of non-current assets following the integration of domestic production facilities.

Orders received

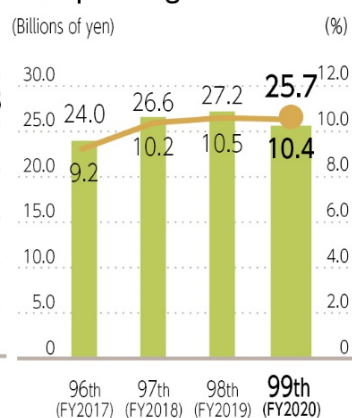


Net sales

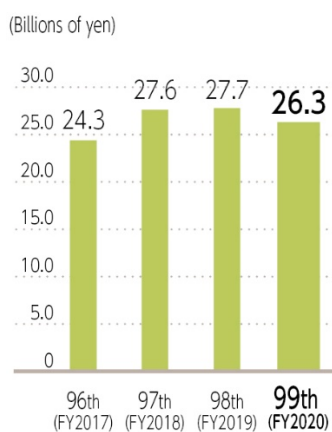


Operating income (loss)

Operating income ratio

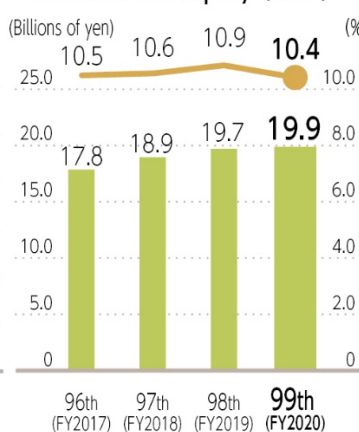


Ordinary income



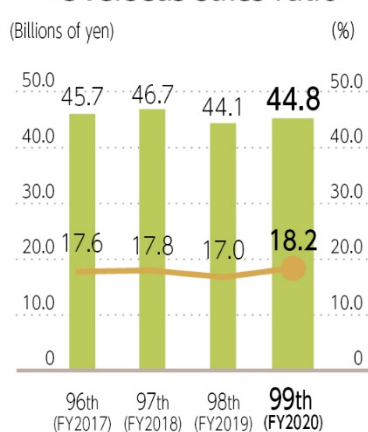
Net income attributable to owners parent

Return On Equity (ROE)



Overseas sales

Overseas sales ratio



The results for the individual reportable segments are as follows.

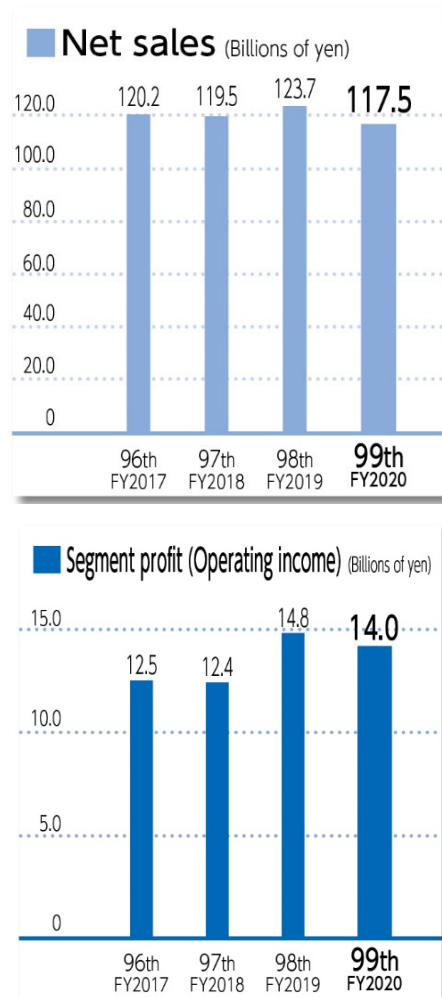
Building Automation (BA) Business

Regarding the domestic market environment for the BA business, the impact of the COVID-19 pandemic has been limited, although some projects were postponed. The demand has continued to be generated by urban redevelopment projects in the Tokyo metropolitan area and heightened interest has been seen in solutions related to ventilation improvement, energy savings, CO2 reduction and lower operational costs. In overseas markets, however, there has been an impact from the fall in demand and construction delays resulting from the COVID-19 pandemic.

In this business environment, we have not only engaged in securing orders with a view to enhanced profitability, but have also striven to ensure enhanced capabilities and efficiencies of job execution—particularly on construction and service sites—that meet the requirements of the Japanese government’s work-style reform, while also paying sufficient attention to the safety of both customers and employees. Moreover, we have made progress with the development and strengthening of our products and services to better meet the needs of clients, in Japan and abroad, who are interested in harnessing such technologies as IoT. Consequently, the financial results of the BA business for the current consolidated fiscal year were as follows.

As regards orders received, demand in the field of sales and installation of HVAC control equipment/systems for new large-scale buildings has continued, and demand has been also robust for the refurbishment and service of existing buildings aimed at solutions offering improved ventilation, energy savings and CO2 reduction. However, there were fewer multi-year contracts up for renewal in the current consolidated fiscal year, and for this reason there was a decline in orders received for the service business. Additionally, in the first half of the current consolidated fiscal year, as a result of added emphasis being placed on profitability for some projects, there was a transitory drop in orders received in the field of existing buildings. Consequently, overall orders received were 118,503 million yen, down 3.6% on the 122,905 million yen posted for the previous consolidated fiscal year. Sales also decreased, by 5.1% to 117,521 million yen (compared with the 123,794 million yen for the previous consolidated fiscal year). Because completion of construction projects had been concentrated in the previous consolidated fiscal year, while sales have continued at a high level, nevertheless, sales decreased in the field of new large-scale buildings in addition to the decrease in the field of existing buildings for the abovementioned reason. Overseas business also saw a drop in sales, reflecting the impact of construction delays caused by the COVID-19 pandemic. Despite the success of measures to control expenses and enhance profitability, lower sales meant that segment profit was down 5.8% at 14,023 million yen (compared with the 14,890 million yen for the previous consolidated fiscal year).

As for the medium- to long- term outlook for the BA business environment, large-scale redevelopment projects and many retrofit projects for large-scale buildings are planned for 2021 onwards. Building on its track record, the BA business aims to secure this demand. Moreover, there have been growing requirements for energy savings and CO2 reduction as part of decarbonization, as well as rising office demand in the “new normal” era, triggered by the COVID-19 pandemic, for the enhanced safety and peace of mind offered by improved ventilation and access control. In response to this demand, we will supply solutions such as remote maintenance, cloud services and a new HVAC system; we are thus aiming to achieve sustainable growth. Additionally, we will employ business process reforms and other initiatives to further ensure that a high-profit structure is established.



*Each figure above includes intersegment internal sales.

Advanced Automation (AA) Business

As regards market trends affecting the AA business environment in Japan and abroad, thanks to expanding investment in 5G and other areas, there has been demand growth in markets for semiconductor manufacturing equipment. There are thus signs of economic recovery from the COVID-19 pandemic, mainly in manufacturing equipment markets. Although the effects of the pandemic remain unpredictable, we do expect demand to continue to increase in manufacturing equipment and other markets, both in Japan and overseas.

Given this business environment, we are looking ahead to further recovery in demand and future growth, making steady progress with measures such as cultivating new customers and developing overseas bases and systems, as well as ensuring the thorough implementation and expansion of multiple measures to enhance profitability that have already proved successful. Consequently, the financial results of the AA business for the current consolidated fiscal year were as follows.

As regards orders received, there was an increase in the fourth quarter compared to the same period last year, but overall orders received for the full year were down 4.8% at 87,523 million yen (compared with the 91,915 million yen recorded in the previous consolidated fiscal year). This result reflects the impact of the global economic slowdown resulting from the pandemic. Sales were 87,778 million yen, down 5.8% from the 93,156 million yen recorded in the previous consolidated fiscal year. This was because of the decrease in capital investment due to sluggish market conditions overall, despite overseas business expansion and an upturn in the manufacturing equipment markets. Owing to reduced sales, segment profit was 10,251 million yen, down 2.2% from the 10,486 million yen posted for the previous consolidated fiscal year. However, despite the difficult business environment, continued progress was made with growth strategies and measures to enhance profitability, meaning that profit margins were further improved.

In the medium to long term, to meet the challenges of labor shortages, a decarbonizing society, as well as remote work and other aspects of the “new normal” era, investment demand related to the automation of manufacturing equipment and production lines— in order to improve productivity by introducing new technologies— is expected to continue to expand. Based on the three AA business sub-segments (CP, IAP, and SS)^{Note 1}, we will continue our efforts to achieve business growth with high competitiveness by promoting expansion into growth areas, particularly our overseas business; developing new products and services that harness such technologies as AI, cloud services, and MEMS^{Note 2}, accelerating market launches; and developing the new automation field, unique to the azbil Group.

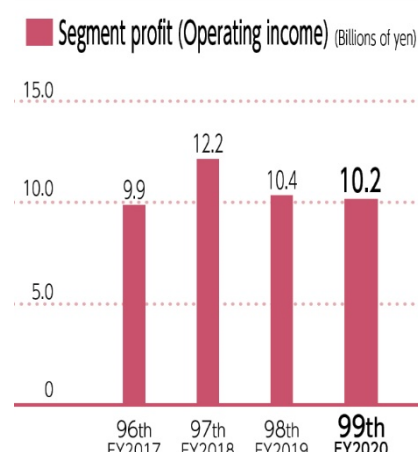
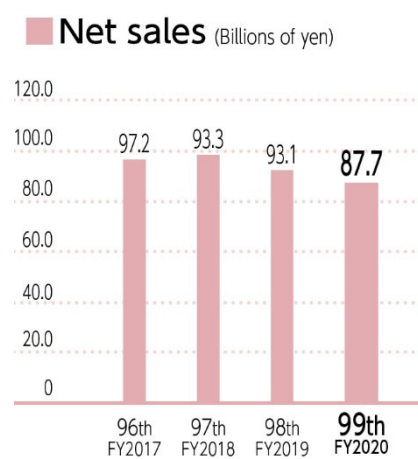
Notes1 : Three AA business sub-segments (management accounting sub-segments)

CP business: Control Product business (supplying factory automation products such as controllers and sensors)

IAP business: Industrial Automation Product business (supplying process automation products such as differential pressure transmitters, pressure transmitters, and control valves)

SS business: Solution and Service business (offering control systems, engineering service, maintenance service, energy-saving solution service, etc.)

2 : Microelectromechanical systems (MEMS): devices built using microfabrication technology to integrate sensors, actuators, and electronic circuits on substrates.



*Each figure above includes intersegment internal sales.

Life Automation (LA) Business

The LA business covers three fields: Lifeline (gas/water meters, etc.), Life Science Engineering (LSE: pharmaceutical/laboratory fields), and Lifestyle-related (residential central air-conditioning systems). The business environment differs in each field.

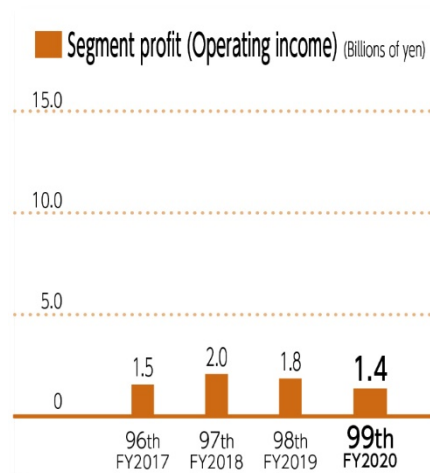
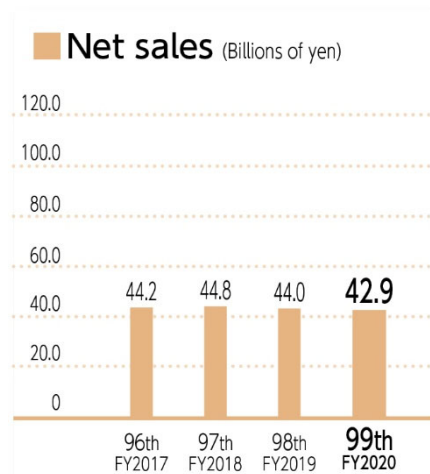
The Lifeline field, which accounts for the bulk of LA sales, depends on cyclical demand for meter replacement as required by law. Though demand can be expected to remain basically stable, some changes have been observed, such as LP gas meters—which account for a part of sales of the Lifeline field—being in a period of low demand. Also, the water meter market is undergoing change: the duration of a meter’s legal validity has been extended due to the COVID-19 pandemic, resulting in postponement of expected demand. As for the LSE and Lifestyle-related fields, even amidst fluctuation in demand, we are continuing efforts to achieve and improve stable profits through reforms to the business structure, and these initiatives are proving successful. Reflecting these business conditions and initiatives, the financial results of the LA business for the current consolidated fiscal year were as follows.

Overall orders received declined by 3.2% to 43,350 million yen (compared with the 44,806 million yen recorded in the previous consolidated fiscal year). This mainly reflects a decrease in the Lifeline field due to a cyclical decline in demand for LP gas meters. There was, however, an increase in the LSE field driven by growing demand for R&D equipment in the pharmaceutical market, a consequence of the pandemic. As regards sales, the LSE field saw an increase, reflecting the growth in orders received in the previous consolidated fiscal year; however, this was offset by a decrease in the Lifeline field, resulting in overall sales falling by 2.5% to 42,942 million yen (compared with the 44,033 million yen for the previous consolidated fiscal year). Owing to profits being impacted by reduced sales in the Lifeline field, segment profit was 1,434 million yen, down 23.1% from the 1,866 million yen recorded in the previous consolidated fiscal year.

Going forward, we will continue our efforts to stabilize and improve profits in each of the three fields that comprise the LA business. At the same time, in order to grasp the opportunities provided by changes in the business environment for the energy supply market, in addition to our traditional business of supplying products, we will strive to expand sales and increase profits, creating a new business that provides services based on data collected from meters by utilizing IoT and other technologies.

Other

In Other business, primarily consisting of our insurance agent business, orders received in the current consolidated fiscal year were 54 million yen (compared with the 59 million yen for the previous consolidated fiscal year), sales were 54 million yen (compared with the 60 million yen for the previous consolidated fiscal year), and segment profit was 6 million yen (compared with the 6 million yen for the previous consolidated fiscal year).



*Each figure above includes intersegment internal sales.

Orders received, sales and profit by segment

(Millions of yen)

Reportable segment	Orders received			Sales			Segment Profit (Profit Ratio)	
	98th term (Fiscal year ended March 31, 2020)	99th term (Current Fiscal year ended March 31, 2021)	Increase/decrease ratio (%)	98th term (Fiscal year ended March 31, 2020)	99th term (Current Fiscal year ended March 31, 2021)	Increase/decrease ratio (%)	98th term (Fiscal year ended March 31, 2020)	99th term (Current Fiscal year ended March 31, 2021)
Building Automation	122,905	118,503	(3.6)	123,794	117,521	(5.1)	14,890 (12.0%)	14,023 (11.9%)
Advanced Automation	91,915	87,523	(4.8)	93,156	87,778	(5.8)	10,486 (11.3%)	10,251 (11.7%)
Life Automation	44,806	43,350	(3.2)	44,033	42,942	(2.5)	1,866 (4.2%)	1,434 (3.3%)
Total of reportable segments	259,626	249,377	(3.9)	260,984	248,243	(4.9)	27,244 (10.4%)	25,708 (10.4%)
Other	59	54	(7.6)	60	54	(9.4)	6 (10.7%)	6 (12.2%)
Elimination	(1,606)	(1,558)	—	(1,633)	(1,477)	—	5	4
Consolidated	258,079	247,873	(4.0)	259,411	246,821	(4.9)	27,255 (10.5%)	25,720 (10.4%)

(3) Capital investment, etc.

Capital investment in the current fiscal year totaled 5,039 million yen, as we invested in new product development and streamlining.

(4) Financing

There is no important fund raising to list for the current fiscal year.

(5) Issues to be tackled

Guided by the philosophy of “human-centered automation,” by contributing “in series” to the achievement of a sustainable society through its business, the azbil Group is ensuring its own medium- to long-term development, and by realizing sustainable enhancement of enterprise value, we hope to continue responding to the expectations of all our stakeholders.

To that end, we are making progress with strengthening business profitability and establishing our global business foundation, centered on our three fundamental policies of “being a long-term partner for the customer and community by offering solutions based on our technologies and products,” “taking global operations to the next level by expansion into new regions and a qualitative change of focus,” and “being a corporate organization that never stops learning, so that it can continuously grow stronger.” We are also implementing measures for business growth based on these policies. Specifically, in the three business segments of Building Automation (BA), Advanced Automation (AA), and Life Automation (LA), centered on our core measurement and control technologies, by providing products and services based on the concept of “human-centered automation” and contributing to our customers’ needs and the resolution of social issues, we are striving for our own sustainable growth as well as that of our customers and society.

For the azbil Group, increasing consolidated return on equity (ROE) to enhance shareholder value is our basic goal, and by increasing profitability and capital efficiency, we have set a new long-term targets^{Note 1} for fiscal year 2030, aiming for net sales of 400.0 billion yen range, operating income of 60.0 billion yen range, an operating income ratio of approximately 15%, and ROE of approximately 13.5%. Furthermore, to achieve those targets, in our new four-year medium-term plan^{Note 1} ending in fiscal year 2024, we are aiming for net sales of 300.0 billion, operating income of 36.0 billion yen, an operating income ratio of 12%, and ROE of approximately 12% in the final fiscal year.

Having set these long-term targets for fiscal year 2030, we aim to provide contributions that connect “in series” toward the achievement of a sustainable society and amended our Guiding Principles and Code of Conduct so that everything from our Group philosophy to our management strategy connected “in series” to a sustainable society. Furthermore, positioning the Sustainable Development Goals (SDGs) as important guideposts for management, we are pursuing various initiatives, and have established “Essential Goals of azbil Group for SDGs,” comprising the two goals of “environment and energy” and “new automation” as areas in which we shall engage as part of our business activities and the two goals of “supply chain and social responsibility” and “health and well-being management”^{Note 2} and an organization that never stops learning” as areas in which we shall engage through our overall business activities.

In our business environment as we work toward achieving a sustainable society, various social issues and customer issues have been born from changes in social structures and values from handling climate change and achieving a decarbonized society, through to ensuring safety and peace of mind in an age of coexistence with viruses. To respond to these large changes, the value of automation that can provide solutions is rapidly increasing, and growth in demand is expected. Focusing on the three growth fields of “new automation,” “environment and energy,” and “the life-cycle solution” where we can utilize technologies, products, and services unique to azbil, we will realize growth in the three business segments of BA, AA, and LA by providing new solutions to issues.

In the new medium-term plan, to ensure growth in the above three business fields, we will proactively carry out the necessary investments, such as capital investment to enhance the capabilities of our R&D base (Fujisawa Technology Center) and raising R&D budget, further strengthen the development capabilities for advanced sensors and system solutions that use

MEMS technology, and accelerate the development and market launch of new products. Furthermore, by promoting digital transformation (DX), we will streamline our businesses and operations and generate high added value in our products and services. Meanwhile, by thoroughly implementing measures designed to enhance profitability that have produced results thus far and introducing new initiatives, we will further enhance business profitability. In addition, we will effectively and strategically allocate management resources toward implementing these business growth measures and business foundation reinforcement. We will also promote the CSR management unique to azbil that we have positioned as our top management priority and proactively pursue Environmental, Social, and Governance (ESG) issues demanded by society.

There is no end in sight to the continuing COVID-19 pandemic, which we believe will affect the global economy and production activities in fiscal year 2021, create uncertainty in business forecasts, and impact the azbil Group's business. Placing our top priority on ensuring the safety of our customers and employees and enacting measures to prevent infection, the azbil Group will continue to implement the necessary initiatives for business continuity. For production sites and frontline operations including engineering and services, by continuing operations that prioritize the safety of our customers and employees, we will respond to the demands of society in terms of both infection prevention and maintaining social infrastructure and our customers' vital facilities. Furthermore, regarding our sales and administrative work, we will contribute to preventing the spread of infection by promoting DX-based work-style reforms and expanding telecommuting among our employees, and also aim to increase productivity through remote work and other measures. Additionally, we will continue to ensure our crisis management response including reinforcing infection prevention, improving our business continuity planning (BCP), enhancing our efforts to ensure a solid financial structure, and further strengthening and diversification of financing.

Notes1: On May 14, 2021, the azbil Group published its new long-term targets and new medium-term plan (FY2021-FY2024).

2: health and well-being management: azbil's unique approach to fostering healthy, happy, vibrant "workplaces and people"

In the new medium-term plan, the azbil Group will strategically allocate management resources and accelerate and establish the various initiatives as follows.

i) Domestic Business

All three businesses are positioned domestically in mature industries, yet there are significant differences in the environment each finds itself in.

For the BA business, in order to steadily tap into the sustained high demand in the Tokyo metropolitan area, we will pay full attention to the safety of our customers and employees, and by responding to the Japanese government's work-style reform and promoting DX mainly at our construction and service sites, we will further strengthen and streamline our job execution capabilities. We will also move forward with rebuilding our business model by enhancing product appeal, including the application of new technologies such as IoT and cloud technology. Specifically, centered on the next-generation building automation system, we are continuing to promote the expansion of the sensors and actuators fields, expansion of advanced cloud services for buildings, and reforms of facility management services. Furthermore, to respond to the large changes in value and requirements for living spaces due to the Japanese government's work-style reform and the prevention measures of COVID-19, we aim to provide added value by increasing the value of spaces. One example of this is our new HVAC system that realizes comfortable and easy-to-use office space through

responding to personal work environments and highly variable layouts. Through these initiatives, we are continuously providing and proposing value that matches the stage of our customers' business development.

In the AA business, while the effects of the spread of COVID-19 are unpredictable, in the medium to long term, investment in the automation of production facilities continues to expand backed by continued global economic growth, further demand for increased productivity, labor shortages in production, and response to aging facilities. We will promote growth by selecting, creating, and concentrating on business fields that can be expected to grow and offer added value in the future from a wide variety of different markets while capturing changes in technological trends. Moreover, we will enhance our competitiveness by concentrating our business resources into common business models that can be deployed globally. We will steadily implement these growth strategies and measures to enhance profitability in our operations in three sub-segments, the CP IAP, and SS. Specifically, we are enhancing our sales structure including introducing sales DX to expand customer coverage in Japan and overseas, expanding orders by turning new customers into repeat customers, and accelerating product development that contributes to the creation of new automation. One example of such solutions is our "Dx Valve Cloud Service," which delivers stability and increased security of production facilities by analyzing a valve's operating data on the cloud and providing a visualization of the results, not unlike those of a health checkup.

In the LA business, we continue to promote IoT support for water meters and various types of gas meters. We are accelerating business development in the new automation field with the Smart Metering as a Service (SMaaS) age in mind, including demonstration projects for the smart reading of meters and alarm data and the examination of services to create new value by utilizing power, gas, and water data. In addition to enhancing product appeal, we will expand our service-related business and improve profits in the Life Science Engineering field and lifestyle-related field for residential central air-conditioning systems for detached houses.

Together with our initiatives in these three business segments, in the energy management sector for which large changes are expected in Japan and overseas, we are collaborating with the TAKAOKA TOKO Group in multiple areas including products, business infrastructure and services. We have established the business concept of "DX-EGA," (EGA: Electricity, Gas, Aqua) and by using various data including energy data (electricity, gas, water) we are confirming the possibility of providing new value to improve lifestyle quality and corporate environmental management. Furthermore, we are enhancing cloud-based operating systems and promoting enhanced product planning, development, and operation centered on the IT Solution Department established in April 2020, in response to changes in the IT-related business environment including the latest applications of cutting-edge technology such as IoT and AI and providing service-based or cloud-based products.

ii) Overseas Business

In overseas markets, as one approach to further strengthen the business foundation so as to support business growth and increased earnings, we will continuously strengthen new specialty product and solution proposals with high added value that respond to the market environment in each country and region with the aim of expanding the business globally. By opening the Strategic Planning & Development Office for Southeast Asia in Singapore, we are accelerating the region-wide promotion of business, creation of strategic plans, and business management in the region.

In the BA business, with the aim of boosting our share in overseas markets, and centered

on our next-generation building automation system, we are deploying the strengths of our domestic business model (energy-saving applications, engineering, and service capabilities), and while implementing various policies in response to the business environment and business foundation of each country, we are gradually reinforcing the life-cycle business model. Moreover, in Singapore, we joined the Smart Urban Co-Innovation Lab led by CapitaLand, aiming to reduce the risk of airborne infection and realize safe office spaces. We are working to create high added value by enhancing product appeal including the promotion of open innovation and by combining services, and also to pioneer the new automation field and reduce the environmental burden.

In the AA business, while working to enhance sales structures in strategic regions and improve the quality of sales activities in overseas markets, we will pioneer the new automation field by renewing our main products, introducing strategic products, and expanding the development of growth products for new markets, including an anomaly monitoring system and AI facilities inspection.

In the LA business, at Europe-based Azbil Telstar, S.L.U., which engages in the Life Science Engineering field, we are pursuing pharmaceutical production related solutions including vaccines to achieve future growth.

In addition to the aforementioned initiatives, in the area of business management and administration at the azbil Group's overseas subsidiaries, we will continue to develop robust systems at each company and promote the strengthening of Group governance, including improving the evaluation system for overseas subsidiaries as well as enhancing remote management systems.

iii) Production and Development

To expand the azbil Group's business, we have reorganized the Group's production system and concentrated and strengthened its research & development resources to enhance product appeal. In Japan, we completed the consolidation of production functions into the Shonan factory, as we are currently improving its capabilities as a "mother factory" of the azbil Group for stronger collaboration with the technology development capabilities of the Fujisawa Technology Center. Moreover, we plan to complete the construction of new buildings in 2022 to strengthen further the development capabilities of cutting-edge system solutions using cloud technology and AI as well as of high-function, high-precision devices at the Fujisawa Technology Center, which is the Group's core research and development hub. Overseas, we opened the Solution and Technology Center in Thailand to provide cutting-edge intelligence services using IoT and AI technology, such as anomaly monitoring and control valve diagnosis services. As the Group's largest control valve maintenance facility, it is capable of performing maintenance on around 10,000 units annually regardless of manufacturer. In the future, we aim to expand the business throughout Southeast Asia.

iv) Management and Administration

We will promote Group management and enhancement of corporate governance systems. At the same time, the entire azbil Group continues to be engaged in promoting CSR management in a number of priority initiatives focusing on risk management (product quality, product liability, disaster prevention, epidemic prevention, BCP and information security), compliance (corporate ethics and legal conformity), human-centric management, and contributing to the global environment and promoting social contribution activities. In management and administration, we are working to improve the level of our accounting from

the point of view of the voluntary application of the International Financial Reporting Standards (IFRS) and to strengthen internal control with the improved standards. Moreover, we are continuing to comply with Japan's Corporate Governance Code in order to enhance the integrity, neutrality and transparency of management. And we are actively progressing with structural improvement to ensure a constructive communication with all of our stakeholders so as to facilitate sustainable growth and enhancement of enterprise value over the medium- to long-term. We proactively promoted the aforementioned Environmental, Social, and Governance (ESG) initiatives, and as a result, in fiscal year 2020 again, we were selected for the four ESG indexes^{Note3} that are adopted by the Government Pension Investment Fund (GPIF). Furthermore, we established the Corporate Sustainability Headquarters, an organization within the Group, to promote these initiatives, aiming to steadily achieve our own essential goals for the SDGs.

Note3: ESG indexes: FTSE Blossom Japan Index, MSCI Japan ESG Select Leaders Index, MSCI Japan Empowering Women Index (WIN) and S&P/JPX Carbon Efficient Index

(6) Financial position and results of operations

Category	96 th term (Fiscal year ended March 31, 2018)	97 th term (Fiscal year ended March 31, 2019)	98 th term (Fiscal year ended March 31, 2020)	99 th term Current Fiscal year (Fiscal year ended March 31, 2021)
Orders received (Millions of yen)	266,262	264,252	258,079	247,873
Net sales (Millions of yen)	260,384	262,054	259,411	246,821
Operating income (Millions of yen)	24,026	26,690	27,255	25,720
Ordinary income (Millions of yen)	24,316	27,664	27,712	26,338
Net income attributable to owners of parent (Millions of yen)	17,890	18,951	19,793	19,918
Net income per share (Yen)	123.08	132.03	140.80	142.77
Total assets (Millions of yen)	273,805	275,518	274,559	284,597
Net assets (Millions of yen)	177,962	183,097	185,301	200,607
Shareholders' equity ratio (%)	64.3	65.7	66.7	69.6
Net assets per share (Yen)	1,213.14	1,264.88	1,313.17	1,420.52

- Notes:
1. The Company conducted a stock split of common stock at a ratio of two shares for every share on October 1, 2018. Net assets per share and net income per share were calculated based on the assumption that the said stock split was conducted at the beginning of the 96th term.
 2. The Group has applied the "Partial Amendments to Accounting Standard for Tax Effect Accounting" (ASBJ Statement No. 28, February 16, 2018) from the beginning of the 97th term, and the total assets and shareholders' equity ratio of the 96th term show the figures after the accounting standards have been retroactively applied.

(7) Significant subsidiaries (As of March 31, 2021)

Company	Capital Stock	The Company's Investment Ratio (%)	Principal Business
Azbil Trading Co., Ltd.	JPY Million 50	100.0	In the Factory Automation field, sales, design, and test operations of instruments and systems for control, measurement, inspection, safety, the environment, data recording and analysis, instrumentation work, various software production, technology service provision and insurance agent business, etc.
Azbil Kimmon Co., Ltd.	JPY Million 3,157	100.0	Manufacturing, development and sales of City Gas meters, LP gas meters, water meters and other related equipment, and related maintenance operations including meter replacement
Azbil Production (Thailand) Co., Ltd.	THB Thousand 180,000	99.9	Manufacture of control instruments such as digital indicating controllers, HVAC controllers, etc.
Azbil Control Instruments (Dalian) Co., Ltd.	RMB Thousand 61,176	100.0	Manufacturing of control instruments, automatic control valves, and switches
Azbil North America, Inc.	USD Thousand 28,550	100.0	Sales of control instrument products and field instruments for the industrial market, engineering, maintenance services
Azbil Telstar, S.L.U.	EUR Thousand 1,540	100.0	Design, manufacture, and sale of manufacturing equipment and environmental equipment for pharmaceutical plants and laboratories; and consulting and engineering related to clean rooms

(8) Main offices and factories (As of March 31, 2021)

Azbil Corporation	Headquarters	2-7-3 Marunouchi, Chiyoda-ku, Tokyo		
	Building Systems Company Head Office /Regional Division/Branch	Chuo-ku, Sapporo-shi	Aoba-ku, Sendai-shi	Chuo-ku, Saitama-shi
		Tsukuba-shi, Ibaraki	Chuo-ku, Chiba-shi	Shinagawa-ku, Tokyo
		Nishi-ku, Yokohama-shi	Nagano-shi, Nagano	Naka-ku, Nagoya-shi
		Kanazawa-shi, Ishikawa	Kita-ku, Osaka-shi	Higashi-ku, Hiroshima-shi
		Hakata-ku, Fukuoka-shi		
	Advanced Automation Company Regional Division/Branch	Chuo-ku, Sapporo-shi	Aoba-ku, Sendai-shi	Chuo-ku, Saitama-shi
		Shinagawa-ku, Tokyo	Naka-ku, Nagoya-shi	Kita-ku, Osaka-shi
		Higashi-ku, Hiroshima-shi	Kokurakita-ku, Kitakyushu-shi	
	Fujisawa Technology Center	Fujisawa-shi, Kanagawa		
	Factories	Kouza-gun, Kanagawa		
	Offices	Hadano-shi, Kanagawa		
Azbil Trading Co., Ltd.	Headquarters	Toshima-ku, Tokyo		
	Branch	Toshima-ku, Tokyo,	Chuo-ku, Saitama-shi,	Naka-ku, Nagoya-shi,
		Yodogawa-ku, Osaka-shi,	Higashi-ku, Hiroshima-shi,	Kokurakita-ku, Kitakyushu-shi
Azbil Kimmon Co., Ltd.	Headquarters	Toshima-ku, Tokyo		
	Regional Division/Branch	Higashi-ku, Sapporo-shi	Aoba-ku, Sendai-shi	Kiryu-shi, Gunma
		Toshima-ku, Tokyo	Naka-ku, Nagoya-shi	Higashiosaka-shi, Osaka
		Higashi-ku, Hiroshima-shi	Hakata-ku, Fukuoka-shi	
	Factories	Aomori-shi, Aomori (Azbil Kimmon Aomori Co., Ltd.) Gobo-shi, Wakayama (Azbil Kimmon Energy Products Co., Ltd.) Shirakawa-shi, Fukushima (Azbil Kimmon Energy Products Co., Ltd.) * Motomiya-shi, Fukushima (Azbil Kimmon Energy Products Co., Ltd.)*		
	Research Laboratories	Kawagoe-shi, Saitama		
Azbil Production (Thailand) Co., Ltd.	Headquarters	Chonburi, Thailand		
Azbil Control Instruments (Dalian) Co., Ltd.	Headquarters	Dalian, China		
Azbil North America, Inc.	Headquarters	Arizona, U.S.A.		
Azbil Telstar, S.L.U.	Headquarters	Catalonia, Spain		

Note: For the two Azbil Kimmon Co., Ltd. factories listed with an asterisk, factory facilities are rented to its subsidiary, Azbil Kimmon Energy Products Co., Ltd., which operates them.

(9) Employees (As of March 31, 2021)

1) Employees of the Group

Segment	Number of Employees	Year-on-year Increase/(Decrease)
Building Automation Business	3,318 [523] persons	24 persons
Advanced Automation Business	3,591 [311]	(6)
Life Automation Business	1,880 [341]	87
Total of reportable segments	8,789 [1,175]	105
Others	3 [1]	0
Corporate (Common)	1,211 [163]	1
Total	10,003 [1,339]	106

- Notes:
1. The number of employees listed as Corporate (Common) refers to employees belonging to the administration and research and development division which cannot be categorized in the designated business segments.
 2. The numbers of temporary employees (including fixed-term part timers, employees rehired after retiring at the compulsory retirement age and contract employees, excluding temporary workers from temp agencies) are indicated in brackets separately from the total as the yearly average numbers of employees.

2) Employees of the Company

Number of Employees	Year-on-year Increase/(Decrease)	Average Age	Average Years of Service
5,357 [882] persons	(12) persons	45.7 years old	20.1 years

- Note: The number of temporary employees (including fixed-term part timers, employees rehired after retiring at the compulsory retirement age and contract employees, excluding temporary workers from temp agencies) is indicated in brackets separately from the total as the yearly average number of employees.

(10) Major lenders (As of March 31, 2021)

Lenders	Loan Outstanding
Mizuho Bank, Ltd.	4,778 million yen
MUFG Bank, Ltd.	1,734

(11) Transfer of important businesses, etc.

1) Business transfers, absorption-type company split or incorporation-type company split

Not applicable

2) Business transfers from other companies

Not applicable

3) Succession of rights and obligations relating to other entities' business as a result of absorption-type merger or company split

Not applicable

4) Acquisition or disposal of shares, other equities, or subscription rights to shares of other companies

Not applicable

(12) Other important matters regarding the current situation of the Group

Not applicable

2. Stock Information (As of March 31, 2021)

- (1) Total number of authorized shares 559,420,000 shares
- (2) Shares of common stock issued 145,200,884 shares
(including treasury shares of 3,723,389 shares)
- (3) Number of shareholders 7,223
- (4) Major shareholders (Top 10)

Shareholder Name	Number of Shares (thousands)	Percentage of Total Shares Issued (%)
The Master Trust Bank of Japan, Ltd. (Trust account)	12,160	8.59
Meiji Yasuda Life Insurance Company	10,428	7.37
SSBTC CLIENT OMNIBUS ACCOUNT	8,890	6.28
Custody Bank of Japan, Ltd. (Trust account)	6,354	4.49
Custody Bank of Japan, Ltd. (Trustee for Mizuho Trust & Banking Co., Ltd. Retirement Benefit Trust Account)	4,631	3.27
Northern Trust CO. (AVFC) Re Fidelity Funds)	4,272	3.02
Nippon Life Insurance Company	3,739	2.64
National Mutual Insurance Federation of Agricultural Cooperatives	3,356	2.37
Custody Bank of Japan, Ltd. (Trust account 7)	3,258	2.30
Mizuho Bank, Ltd.	2,809	1.98

- Notes: 1. The percentage of total shares issued is calculated excluding treasury shares (3,723,389 shares). The number of treasury shares does not include shares (1,958,084 shares) owned by Custody Bank of Japan, Ltd. (Trust account E) as trust assets for Employee Stock Ownership Plan (J-ESOP).
2. 9,681 thousand shares held by The Master Trust Bank of Japan, Ltd. (Trust account) and 3,669 thousand shares held by Custody Bank of Japan, Ltd. (Trust account) are the numbers of shares related to the trust business.
3. According to the Report on Large Shareholding dated December 4, 2020 which was made available for public inspection, the following shares are held by BlackRock Japan Co., Ltd. and 8 other co-holders as of November 30, 2020. However, as the Company is not able to confirm the number of shares actually held as of March 31, 2021, the end of the current fiscal year, the shares are not included in the above status of major shareholders.

Submission Date of Report on Large Shareholding	Shareholder Name	Number of Shares Held (thousands)	Percentage of Total Shares Issued (%)
December 4, 2020	BlackRock Japan Co., Ltd. and 8 co-holders	9,429	6.49

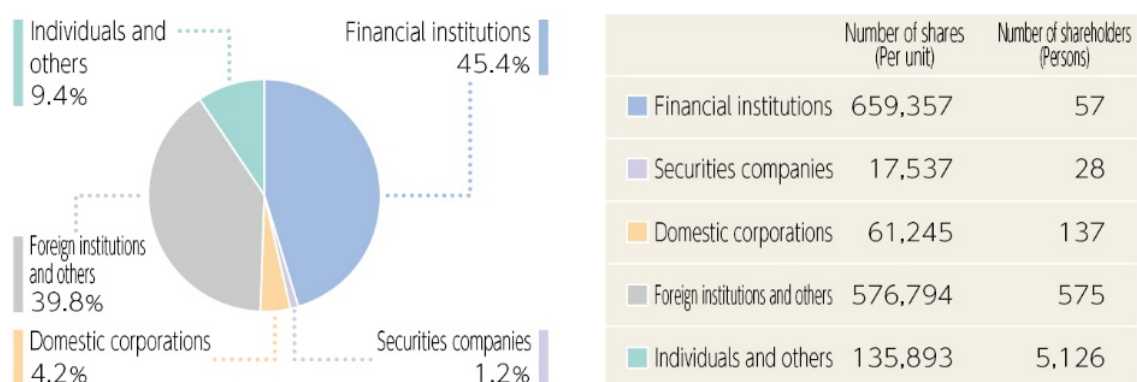
4. According to the Report on Large Shareholding dated December 22, 2020 which was made available for public inspection, the following shares are held by FMR LLC as of December 15, 2020. However, as the Company is not able to confirm the number of shares actually held as of March 31, 2021, the end of the current fiscal year, the shares are not included in the above status of major shareholders.

Submission Date of Report on Large Shareholding	Shareholder Name	Number of Shares Held (thousands)	Percentage of Total Shares Issued (%)
December 22, 2020	FMR LLC	10,689	7.36

5. According to the Report on Large Shareholding dated April 6, 2021 which was made available for public inspection, the following shares are held by Sumitomo Mitsui Trust Asset Management Co., Ltd. and Nikko Asset Management Co., Ltd. as of March 31, 2021. However, as the Company is not able to confirm the number of shares actually held as of March 31, 2021, the end of the current fiscal year, the shares are not included in the above status of major shareholders.

Submission Date of Report on Large Shareholding	Shareholder Name	Number of Shares Held (thousands)	Percentage of Total Shares Issued (%)
April 6, 2021	Sumitomo Mitsui Trust Asset Management Co., Ltd. and Nikko Asset Management Co., Ltd.	7,218	4.97

[Reference material] Distribution of Shares by Shareholder Type



- Notes:
1. Numbers of shares (per unit) above exclude shares less than one unit.
 2. "Individuals and others" above includes treasury shares.

[Reference material] Share Price Trend



3. Matters Concerning Officers

(1) Board of Directors and Audit & Supervisory Board Members (As of March 31, 2021)

Positions	Name	Assignments in the Company and Important Concurrent Positions Outside the Company
Representative Director Chairperson	Hirozumi Sone	Executive Chairperson, Chairperson of the Board, Member of the Nomination and Remuneration Committee, Responsible for Strengthening Group Governance
Representative Director President and Chief Executive Officer	Kiyohiro Yamamoto	President and Group Chief Executive Officer, Member of the Nomination and Remuneration Committee, Responsible for Internal Audit Department, Corporate Planning Department
Director	Takayuki Yokota	Senior Managing Executive Officer Assistant to President, Responsible for Corporate Administration, Corporate Communication, azbil Group (aG)-CSR, Internal Control, Facilities/Business Sites, Secretary Office, Group Management Headquarters, General Affairs Department, Legal & Intellectual Property Department, International Business Headquarters, Corporate Sustainability Headquarters
Director	Masato Iwasaki	Managing Executive Officer Responsible for Life Automation Business, General Manager of Life Science Engineering Department
Director	Yoshimitsu Hojo	Managing Executive Officer Responsible for aG production, aG purchasing, Advanced Automation Business, Production Management Headquarters President of Advanced Automation Company
Director	Kazuyasu Hamada	Managing Executive Officer Responsible for Building Automation Business, aG Sales Synergy President of Building Systems Company
Outside Director	Katsuhiko Tanabe	Non-executive Director, Chairperson of the Nomination and Remuneration Committee Lawyer Outside Audit & Supervisory Board Member of JSP Corporation
Outside Director	Takeshi Itoh	Non-executive Director, Member of the Nomination and Remuneration Committee
Outside Director	Waka Fujiso	Non-executive Director, Member of the Nomination and Remuneration Committee
Outside Director	Mitsuhiro Nagahama	Non-executive Director Outside Audit & Supervisory Board Member of KURARAY Co., Ltd Outside Director of NSK Ltd. Representative Director of Japan Economic Research Institute
Outside Director	Anne Ka Tse HUNG	Non-executive Director

Audit & Supervisory Board Member	Hisaya Katsuta	
Audit & Supervisory Board Member	Tomohiko Matsuyasu	
Outside Audit & Supervisory Board Member	Kinya Fujimoto	Certified Public Accountant Outside Audit & Supervisory Board Member of Nihon Kajo Publishing Co., Ltd.
Outside Audit & Supervisory Board Member	Minoru Sakuma	
Outside Audit & Supervisory Board Member	Fumitoshi Sato	Outside Director of TOMY Company, Ltd.

- Notes: 1. Directors Katsuhiko Tanabe, Takeshi Itoh, Waka Fujiso, Mitsuhiro Nagahama and Anne Ka Tse HUNG are Outside Directors of the Company under Article 2, Item 15 of the Companies Act.
2. Audit & Supervisory Board Members Kinya Fujimoto, Minoru Sakuma and Fumitoshi Sato are Outside Audit & Supervisory Board Members of the Company under Article 2, Item 16 of the Companies Act.
3. Under the provisions of Article 427, Paragraph 1 of the Companies Act, the Company has concluded contracts for limitation of liability with each of Outside Directors and Outside Audit & Supervisory Board Members, as provided for in Article 423, Paragraph 1 of the Companies Act. The maximum amount of the liability for damage based on said contracts is the minimum liability amount prescribed in laws and regulations.
4. Overview of the contents of Officer Liability Policies
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 being included in the scope of the insured persons. Per the 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 the pursuit of these responsibilities. However, as a measure to ensure that the appropriateness of the duties of the insured persons is not lost, damages resulting from negligence, illegal personal profit sharing, and criminal actions are not covered. Furthermore, the insured persons are not be responsible for the insurance premiums.
5. Audit & Supervisory Board Member Tomohiko Matsuyasu, Kinya Fujimoto and Fumitoshi Sato have a wealth of knowledge concerning financial affairs and accounting as shown below.
- Audit & Supervisory Board Member Tomohiko Matsuyasu served over many years in the Company's accounting division and has experience in accounting operations.
 - Audit & Supervisory Board Member Kinya Fujimoto has a wealth of experience and outstanding insight as a certified public accountant.
 - Audit & Supervisory Board Member Fumitoshi Sato has experience as the person responsible for the creation of financial statements as the officer in charge of accounting and finance at another operating company over many years.
6. The Company has notified each of Outside Directors and Outside Audit & Supervisory Board Members as Independent Officers to the Tokyo Stock Exchange.
7. As of April 1, 2021, the assignments of Directors have been changed as follows:

Positions	Name	Assignments in the Company
Director	Masato Iwasaki	Managing Executive Officer Responsible for Life Automation Business, Head of Home Comfort Headquarters, General Manager of Life Science Engineering Department
Director	Kazuyasu Hamada	Managing Executive Officer Responsible for Building Automation Business, azbil Group Work Style Creation (aG Synergy) President of Building Systems Company

8. We have an Executive Officer System that facilitates the prompt decision making and execution of company policy. As of April 1, 2021, there were 30 Executive Officers, including the above six (6) Directors who also serve as Executive Officer and the Company appointed Executive Officers as follows.

Position	Name	Assignments in the Company
Managing Executive Officer	Hiroshi Arai	Responsible for azbil Group (aG) Digital Transformation Promotion, aG Information Security, aG Cyber Security, Information Systems Department, Cloud Operation Center, IT Development Headquarters, Cyber Security Office, Head of IT Development Headquarters
Managing Executive Officer	Junya Nishimoto	Responsible for aG Research and Development, Product Safety/Quality/Environment, Smart Robots, aG Environmental Load Innovation, Technology Development Headquarters, Technology Standardization Department, Valve Production Development Department, Environment Promotion Department, Document Production Department
Managing Executive Officer	Akihiko Naruse	Responsible for aG Safety Management (Occupational Health and Safety), Human Resources Department, aG Safety Management Department, Azbil Academy
Managing Executive Officer	Tadayoshi Ito	Responsible for aG Marketing (Three business fields to expand for sustainable growth), aG Service Business, Service Headquarters, IT Solution Department, AI Solution Department General Manager of Advanced Automation (AA) SS Business ^{*1}
Executive Officer	Masashi Hirano	Responsible for Smart Robot Business Development
Executive Officer	Takahiro Sakamoto	Head of Technology Development Headquarters
Executive Officer	Toshiyasu Sumitomo	Responsible for aG Marketing Support
Executive Officer	Takashi Imamura	Head of Production Management Headquarters
Executive Officer	Masatoshi Yamada	Head of Group Management Headquarters
Executive Officer	Kenichi Hayashi	General Manager of Building Systems Company (BSC) Business Planning Department
Executive Officer	Tetsuya Maruyama	Manager of BSC Chubu Regional Division
Executive Officer	Tomoyuki Takeda	Manager of BSC Kansai Regional Division
Executive Officer	Takashi Sawada	Manager of BSC Tokyo Head Office
Executive Officer	Tetsuya Iwasaki	Responsible for aG System Development Promotion Head of BSC Development Headquarters
Executive Officer	Kanichiro Tsuruta	Head of BSC Engineering Headquarters
Executive Officer	Toshihisa Murayama	Responsible for Building Automation International Business Head of BSC Marketing Headquarters, Promotion Member of Strategic Planning & Development Office for Southeast Asia
Executive Officer	Tetsuo Takamura	General Manager of AA CP Business ^{*2}
Executive Officer	Hideaki Ishii	Responsible for aG Production Innovation, AA Development and Quality Assurance
Executive Officer	Taro Sento	General Manager of AA IAP Business ^{*3}
Executive Officer	Tetsuo Kobayashi	Head of Advanced Automation Company (AAC) Business Development Headquarters, Promotion Member of Strategic Planning & Development Office for Southeast Asia
Executive Officer	Masahiko Fujikawa	Responsible for azbil Group Quality and Safety Enhancement General Manager of Department of Safety Assessment, General Manager of aG Quality Assurance Department

Executive Officer	Akiko Sekino	General Manager of Legal & Intellectual Property Department
Executive Officer	Yukiya Kitaura	Responsible for azbil Group Service Business Support, BSC Environmental Solution Headquarters Head of BSC Facility Management Headquarters
Executive Officer	Takashi Igarashi	Responsible for aG Work Style Creation Support Manager of AAC Tokyo Head Office

*1 SS business: Solution & Service business (offering control systems, engineering service, maintenance service, energy-saving solution service, etc.)

*2 CP business: Control Product business (supplying factory automation products such as controllers and sensors)

*3 IAP business: Industrial Automation Product business (supplying process automation products such as differential pressure transmitters, pressure transmitters, and control valves)

(2) Remuneration, etc., paid to Directors and Audit & Supervisory Board Members

1. Total amounts of remuneration, etc., paid to Directors and Audit & Supervisory Board Members

Category	Amount of Remunerations Paid (Millions of yen)	Total Amount by Type (Millions of yen)				Number of Persons Remunerated
		Basic Remuneration	Performance-linked Remuneration	Stock Option	Retirement Allowance	
Directors (Outside Members)	446 (64)	343 (64)	103 (-)	-	-	13 (6)
Audit & Supervisory Board Members (Outside Members)	81 (29)	81 (29)	- (-)	-	-	5 (3)
Total (Outside Members)	528 (94)	424 (94)	103 (-)	-	-	18 (9)

Notes: 1. The remuneration for Directors excludes the salary paid for service as employee for Directors who concurrently hold a post of officer or employee of the Company.

2. The Company resolved that the maximum annual remuneration for Directors shall be not more than 450 million yen (for eight (8) persons, excluding amounts paid as salaries for employee) at the 84th Ordinary General Meeting of Shareholders held on June 29, 2006.

3. The Company resolved that the maximum annual remuneration for Audit & Supervisory Board Members shall be not more than 120 million yen (for five (5) persons) at the 85th Ordinary General Meeting of Shareholders held on June 28, 2007.

4. The remuneration for Directors includes directors' bonuses (135 million yen for six (6) Directors).

5. The above list of Directors includes two (2) members who retired at the conclusion of the 98th Ordinary General Meeting of Shareholders held on June 24, 2020.

6. The retirement allowance for Directors and Audit & Supervisory Board Members was abolished in 2005.

2. Policy on determination of the executive remuneration, etc.

a. Basic Policy

As part of its efforts to strengthen corporate governance and to realize sustainable enhancements of enterprise value through achieving the azbil Group's management targets, at the Board of Directors meeting held on May 12, 2017, the Company established a policy on determination of the details of remuneration to individual Directors (hereinafter, "Policy

on Determination”). Furthermore, prior to the promulgation of the Revised Companies Act on March 1, 2021, after consulting with the Nomination and Remuneration Committee, at the Board of Directors meeting held on February 26, 2021, the Policy on Determination was disclosed and confirmed. The remuneration for Directors is commensurate to their roles, responsibilities, and accomplishments and designed to contribute to sustainable growth and enhancements of enterprise value.

b. Composition and Approach for Executive Remuneration

Remuneration for Directors who concurrently perform executive duties comprises “basic remuneration” that is a fixed remuneration paid monthly based on their roles and responsibilities and “bonuses” paid twice annually at fixed periods that are linked to business results for the fiscal year and are also determined in consideration of the degree of achievement of medium-term targets. “Basic remuneration” for Directors who concurrently perform executive duties comprised three forms of remuneration: director remuneration, executive position remuneration, and executive responsibility remuneration. The fixed amounts paid to the Representative Directors and Directors are determined in director remuneration. Executive position remuneration comprises fixed amounts determined by individual executive position. Executive responsibility remuneration is the amount of remuneration paid based on the individual responsibility grade that is determined based on the weight of duties, scope of role, and quantitative and qualitative evaluations for each fiscal year. Such responsibility grades are revised each year based on a review by the Nomination and Remuneration Committee.

Furthermore, to share common interests with the shareholders and to create a continuous incentive to enhance enterprise value, for Directors who concurrently perform executive duties, they own the Company’s stocks through the officer stock ownership plan with the fixed annual contribution amount proportional with each officer’s positions and responsibilities and continually hold these stocks.

Directors who do not concurrently perform executive duties and Outside Directors are paid only basic remuneration that is fixed remuneration to ensure that they perform their management supervision function fully.

c. Performance-linked Remuneration

Directors who concurrently perform executive duties are paid a bonus in consideration of a performance evaluation and qualitative evaluation^{*Note} as well as the degree of achievement of medium-term targets, etc., and the performance-linked portion of remuneration is designed to contribute to the Company’s continuous growth and enhancement of enterprise value. In the specific calculations, evaluations are performed from the standpoint of responsibility for the Group’s consolidated management based on indicators such as increase in operating income and ratios such as ROE in light of both profitability and capital efficiency. Furthermore, the level of growth in the amount of operating income and other factors have been selected as indicators from the standpoint of working to enhance medium- to long-term enterprise value, and performance-linked remuneration is reviewed individually by the Nomination and Remuneration Committee taking comprehensive account of these indicators.

Regarding the amount of operating income in the fiscal year 2020, results were 25.7 billion yen versus the target of 25.5 billion yen (consolidated basis).

^{*Note:} In the qualitative evaluation, the level of achievement for qualitative targets set individually at the beginning of the period based on individual roles, including initiatives in CSR activities and development of succeeding personnel is considered.

Furthermore, while the breakdown according to the type of the Company’s remuneration is not determined in advance, for the proportion of remuneration for individual Directors, our

current system is designed in such a way that performance-linked remuneration increases as corporate performance improves, and the proportion of performance-linked remuneration making up the individual Directors' total remuneration increases as their contribution levels to corporate performance rise.

d. Items related to Resolutions on Remuneration, etc. for Directors and Audit & Supervisory Board Members at the General Meeting of Shareholders

The Company resolved that the maximum annual remuneration for Directors shall be not more than 450 million yen (for eight (8) Directors, excluding amounts paid as salaries for employee) at the 84th Ordinary General Meeting of Shareholders held on June 29, 2006.

Remuneration for Audit & Supervisory Board Members comprises only basic remuneration that is fixed remuneration considering their duties and responsibilities. The Company resolved that the maximum annual remuneration for Audit & Supervisory Board Members shall be not more than 120 million yen (for five (5) Audit & Supervisory Board Members) at the 85th Ordinary General Meeting of Shareholders held on June 28, 2007, and the individual remuneration amounts are determined through discussion held by the Audit & Supervisory Board Members.

e. Items related to Determination of Remuneration for Individual Directors and Delegation associated with this Determination

The Company has established an optional Nomination and Remuneration Committee as an advisory body of the Board of Directors to ensure transparency and objectivity in the remuneration determination process. The Nomination and Remuneration Committee reviews the executive remuneration plan, the basic remuneration amounts based on the executive remuneration system, individual performance evaluations, progress evaluations for qualitative items, the amount of individual bonus payments, and revision of remuneration amounts for Directors. Per the regulations, the Chairperson of the Nomination and Remuneration Committee is elected through a mutual vote among the Independent Outside Directors and the Committee must be comprised of a majority of Independent Outside Directors. The members currently serving on the Nomination and Remuneration Committee are Katsuhiko Tanabe (Independent Outside Director), who is the Chairperson, Takeshi Itoh (Independent Outside Director), Waka Fujiso (Independent Outside Director), Hirozumi Sone (Representative Director) and Kiyohiro Yamamoto (Representative Director). (Please refer to “(1) Board of Directors and Audit & Supervisory Board Members” under “3. Matters Concerning Officers” for a list of the roles taken on by each Director.)

As to the basic remuneration amounts paid to individual Directors and the total amounts of bonuses and the amounts of bonus to be paid to individual Directors who concurrently perform executive duties, the President & CEO (Representative Director), who is delegated by resolution of the Board of Directors, prepares a draft of each remuneration based on Director Remuneration Regulations and Nomination and Remuneration Committee Regulations, within the remuneration limits set at the Ordinary General Meeting and the Nomination and Remuneration Committee reviews and decides it. The remuneration of Representative Directors is ruled to be deliberated and decided at the Nomination and Remuneration Committee after the screening without the Representative Director who is the member of the Nomination and Remuneration Committee. The reason that the authority associated with the determination of remuneration for individual Directors is delegated is that, as mentioned above, the Committee is comprised of a majority of Independent Outside Directors and chaired by an Independent Outside Director, thus we deem that the determination being made by the Nomination and Remuneration Committee which is as an advisory body to the Board of Directors ensures high levels of fairness, objectivity, and transparency in the remuneration determination process.

In this way, at the Company, because the Nomination and Remuneration Committee that is highly fair, objective, and transparent and acts as an advisory body to the Board of Directors, deliberates and determines the details of individual Directors' remuneration based on a multi-faceted evaluation including consistency with the Policy on Determination, in principle the Board of Directors respects this determination, and we deem that the details of the remuneration for individual Directors in the current fiscal year follows the Policy on Determination.

f. Activities of the Nomination and Remuneration Committee and Board of Directors

In fiscal year 2020, the Nomination and Remuneration Committee met five times. In May 2020, the Committee evaluated the results of individual performance targets in fiscal year 2019 and the amounts of bonuses to be paid to individual Directors who concurrently performed executive duties and Executive Officer, and deliberated the basic remuneration to be paid to individual Directors who concurrently perform executive duties and Outside Directors in fiscal year 2020. In June 2020, under the Nomination and Remuneration Committee with new members chaired by Katsuhiko Tanabe, an Independent Outside Director, in addition to reconfirming the roles and responsibilities of the Committee, the results of officer interviews for a plan to develop successors were confirmed. In January 2021, both the evaluation results for the selection process associated with the management team changeover and the state of progress on the plan to develop successors were confirmed. In February 2021, a report was made to the Board of Directors on the executive team and the management teams at Group companies in fiscal year 2021 following deliberation, and the fiscal year 2021 management team was determined at a Board of Directors meeting. In March 2021, the management teams of overseas Group companies and the status of operations of the global personnel system were confirmed, the rules for the Nomination and Remuneration Committee were revised, and concurrent duties at other companies performed by full-time officers were deliberated. Furthermore, at the Board of Directors meetings held in August 2020 and February 2021, reports were given on the status of activities of the Nomination and Remuneration Committee.

(3) Important concurrent positions outside the Company of Outside Officers

Positions	Name	Important Concurrent Positions Outside the Company
Outside Director	Katsuhiko Tanabe	Lawyer Outside Audit & Supervisory Board Member of JSP Corporation
Outside Director	Takeshi Itoh	
Outside Director	Waka Fujiso	
Outside Director	Mitsuhiro Nagahama	Outside Audit & Supervisory Board Member of KURARAY Co., Ltd Outside Director of NSK Ltd. Representative Director of Japan Economic Research Institute
Outside Director	Anne Ka Tse HUNG	
Outside Audit & Supervisory Board Member	Kinya Fujimoto	Certified Public Accountant Outside Audit & Supervisory Board Member of Nihon Kajo Publishing Co., Ltd.
Outside Audit & Supervisory Board Member	Minoru Sakuma	
Outside Audit & Supervisory Board Member	Fumitoshi Sato	Outside Director of TOMY Company, Ltd.

Note: While the Company has transaction relationships with JSP Corporation at which Director Katsuhiko Tanabe concurrently serves at present as well as KURARAY Co., Ltd., and NSK Ltd. at which Director Mitsuhiro Nagahama concurrently serves at present, in both the most recent fiscal year and the preceding three fiscal years, the amount of the transactions makes up less than 0.1% of the consolidated net sales of both the Company and the companies at which they concurrently serve. There is no particular relationship between the Company and each of the important concurrent positions outside the Company of other Outside Directors and Audit & Supervisory Board Members.

(4) Major activities of Outside Officers

(i) Outside Director

Name	Number of attendance at the Board of Directors meeting	Summary of comments and duties performed in relation to the expected roles of Outside Directors
Katsuhiko Tanabe	13/13	<p>Regarding “legal and risk management” and “corporate management,” which are the areas of expertise expected, Katsuhiko Tanabe possesses broad knowledge as a legal expert, having carried out various kinds of practical work regarding legal affairs at various companies, and experience through his involvement in management as an outside officer at several companies. Based on that, at Board of Directors meetings, he has provided advice not only on the problematic points of a legal nature, but also from a management perspective on formulation of the Company’s medium-term plan and business development and raised questions and made comments, on enhancing corporate governance from the perspective of reducing various risks, appropriately fulfilling his role in ensuring the validity and appropriateness of the Company’s decision making.</p> <p>Furthermore, in the current fiscal year, five Nomination and Remuneration Committee meetings were held chaired by Katsuhiko Tanabe, and through an appropriate process related to the selection of the Company’s officer candidates and the determination of executive remuneration from an objective and neutral standpoint, he appropriately reported the deliberation results to the Board of Directors.</p>
Takeshi Itoh	13/13	<p>Regarding “finance and accounting” and “global business,” which are the areas of expertise expected, Takeshi Itoh possesses, sophisticated financial knowledge as an officer at investment advisory companies in Japan and overseas and management experience at global companies. Based on that, at Board of Directors meetings, he has raised questions and made comments on the Company’s medium-term plan and medium- to long-term business development and strategy, and shareholder return, finance and capital policies from a capital markets perspective, appropriately fulfilling his role in ensuring the validity and appropriateness of the Company’s decision making.</p> <p>Furthermore, as a member of the Nomination and Remuneration Committee, he attended all five meetings of the committee held in the current fiscal year, playing an appropriate role in the selection of the Company’s officer candidates and determination of executive remuneration from an objective and neutral standpoint, and contributing to the improvement of fairness, objectivity and transparency in the deliberation process.</p>
Waka Fujiso	13/13	<p>Regarding “legal, risk management, and compliance” and “sustainability and CSR,” which are the areas of expertise expected, Waka Fujiso possesses experience in the legal world and profound insight in legal affairs and compliance. Based on that, at Board of Directors meetings, she has provided advice not only on the presence of legal issues, but also on the Company’s diversity initiatives and strengthening legal functions, and raised questions and made comments on the Company’s business development from the perspective of compliance, sustainability, CSR, and risk management, appropriately fulfilling her role in ensuring the validity and appropriateness of the Company’s decision making.</p> <p>Furthermore, as a member of the Nomination and Remuneration Committee, she attended all five meetings of the committee held in the current fiscal year, playing an appropriate role in the selection of the Company’s officer candidates and determination of executive remuneration from an objective and neutral standpoint, and contributing to the improvement of fairness, objectivity and transparency in the deliberation process.</p>

Name	Number of attendance at the Board of Directors meeting	Summary of comments and duties performed in relation to the expected roles of Outside Directors
Mitsuhiro Nagahama	13/13	Regarding “corporate management/sustainability,” “global business,” and “finance and accounting,” which are the areas of expertise expected, Mitsuhiro Nagahama possesses management experience of serving in important positions in the fields of finance and securities, work experience overseas, sophisticated expertise related to increasing enterprise value, and knowledge as an outside officer at several companies. Based on that, at Board of Directors meetings he has raised questions and made comments on formulation of the Company’s medium-term plan and medium- to long-term business development and strategy from both a capital markets perspective and a global perspective, providing oversight and advice from an expert position, appropriately fulfilling his role in ensuring the validity and appropriateness of the Company’s decision making.
Anne Ka Tse HUNG	10/10	Regarding “legal and risk management” and “global business,” which are the areas of expertise expected, Anne Ka Tse Hung possesses legal knowledge related to global business and abundant experience and insight gained from supporting the conclusion of agreements in projects involving international transactions. Based on that, at Board of Directors meetings, she has raised questions and made comments on the approach to investment for international business growth related to the formulation of Company’s medium-term plan and medium- to long-term business development and strategy, as well as on risk management from a global standard perspective, providing oversight and advice from an expert position and appropriately fulfilling her role in ensuring the validity and appropriateness of the Company’s decision making.

(ii) Outside Audit & Supervisory Board Member

Name	Number of attendance at the Board of Directors meeting	Number of attendance at the Audit & Supervisory Board meeting	Summary of comments
Kinya Fujimoto	13/13	14/14	Kinya Fujimoto implemented audits of the Company's overall business particularly from the perspectives of financial affairs and accounting and raised questions and made comments from the perspectives of enhancing the management, internal control, and corporate governance of the Company and Group companies based on his long-term experience as a certified public accountant and wealth of expertise and experience concerning financial affairs and accounting.
Minoru Sakuma	13/13	14/14	Minoru Sakuma raised questions and made comments from the perspectives of the validity of the Company's business and financial strategies and enhancing the Group's overall corporate governance, based on his experience of serving in important positions in the field of finance, his outstanding knowledge, and wealth of experience as an outside officer at a company operating a global business.
Fumitoshi Sato	13/13	14/14	Fumitoshi Sato raised questions and made comments from the perspectives of the validity of the Company's business and financial strategy and enhancing the Group's overall corporate governance, based on his experience of serving in important positions in the field of finance, his management experience at the administration division of an operating company, and wealth of expertise and experience concerning financial affairs and accounting.

- Notes: 1. Director Anne Ka Tse HUNG was elected at the 98th Ordinary General Meeting of Shareholders held on June 24, 2020, her attendance only applies to Board of Directors meetings held after her appointment.
2. Furthermore, in the current fiscal year, in addition to the above Board of Directors meetings, one deemed Board of Directors resolution was made by written or electronic media based on Article 370 of the Companies Act and Article 27 of the Company's Articles of Incorporation.

(Reference)

At a Board of Directors meeting held on May 14, 2021, we established the skills expected of the Directors with respect to the realization of the Company's medium-term plan and other management strategies, and confirmed the independence, diversity, and expected skills of the current entire Board of Directors.

Of the eleven (11) Directors, two (2) are women (one of whom is a foreign national).

Skills expected of Directors

Name (Age)	Current positions	Independence	Diversity	Expected skills						
		Independent officer	Gender	Corporate management/ sustainability ^{*Note}	Global business	Finance, accounting, f u n d	IT, technology/ control and auto- -mation business	Sales, marketing	Manufacturing, research and development	Legal, risk management, compliance
Hirozumi Sone (66)	Representative Director, Chairperson, Chairperson of the Board, Member of the Nomination and Remuneration Committee		M	○			○	○		○
Kiyohiro Yamamoto (56)	Representative Director, President and Chief Executive Officer, Member of the Nomination and Remuneration Committee		M	○	○		○	○	○	
Takayuki Yokota (60)	Director, Senior Managing Executive Officer		M	○	○	○				○
Masato Iwasaki (61)	Director, Managing Executive Officer		M				○	○	○	
Yoshimitsu Hojo (58)	Director, Managing Executive Officer		M			○	○	○	○	
Kazuyasu Hamada (57)	Director, Managing Executive Officer		M		○		○	○		
Katsuhiko Tanabe (78)	Outside Director, Chairperson of the Nomination and Remuneration Committee	○	M	○						○
Takeshi Itoh (77)	Outside Director, Member of the Nomination and Remuneration Committee	○	M		○	○				
Waka Fujiso (72)	Outside Director, Member of the Nomination and Remuneration Committee	○	F	○						○
Mitsuhiro Nagahama (67)	Outside Director	○	M	○	○	○				
Anne Ka Tse HUNG (57)	Outside Director	○	F		○					○

*Note: "Corporate management/sustainability" includes human resources and personnel development from the viewpoint of sustainability.

(Reference)

Criteria for independence of Outside Directors and Outside Audit & Supervisory Board Members

The Company formulated its own criteria for independence of Outside Directors and Outside Audit & Supervisory Board Members for appointing Outside Directors and Outside Audit & Supervisory Board Members and judges that a person is not independent if he/she falls under any of the items below:

1. A person who serves as an executive^{*1} of the Company or its consolidated subsidiary, or who served for ten (10) years prior to being appointed;
2. A person who served as an executive of the Company or its consolidated subsidiary for 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; ^{*2}
4. A person who has served as an Audit & Supervisory Board Member of the Company or its consolidated subsidiary for more than twelve (12) years; three (3) terms in principle; ^{*2}
5. A person who serves as an executive of a major business partner of the azbil Group (a business partner that makes a payment in the amount exceeding 2% of its annual consolidated sales for the latest fiscal year or any of the preceding three fiscal years or receives such a payment), or who has served in the last three (3) years;
6. A person who serves as an executive or an audit & supervisory board member of a major lender^{*3} of the azbil Group or its parent company or its significant subsidiary, or who served in the last three (3) years;
7. A related party of the Accounting auditor or audit firm etc. of the azbil Group, or who has served in the last three (3) years in such position (including those who have already resigned from such position);
8. A lawyer, certified public accountant, or other consultant who does not fall under the above item 7 and who received money and other economic benefits in the annual average amount of 10 million yen or more over the past three years other than executive compensations from the azbil Group;
9. A member, partner, associate or employee of a law firm or an audit firm, etc. who does not fall under the above items 7 or 8 and for which the azbil Group is a major business partner (a company that received a payment from the Company or a consolidated subsidiary in the annual average amount of 2% or more of the consolidated net sales of the company 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 of the Company), its parent company or its significant subsidiary, or who served 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 public interest incorporated foundation, public interest incorporated association, 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 fiscal years; and
 14. A spouse, a person within the second degree of consanguinity or a relative residing in the same household of the above items from 1 to 13
- *1: “executive” refers to an executive director, an executive officer or a head of a department and other general employees.
- *2: Criteria 3 and 4 above were newly established on May 13, 2020, and will be applied to the future appointment of outside officers.
- *3: A major lender refers a financial institution group from which the azbil Group has substantively borrowed funds (in cases where the net balance of loans exceeds cash on hand), where the outstanding aggregate of those borrowings exceeds 2% of consolidated total assets of the azbil Group as of the end of the Company’s fiscal year.

4. Accounting Auditor

(1) Accounting Auditor's name: Deloitte Touche Tohmatsu LLC

(2) Amount of remuneration during the fiscal year ended March 31, 2021

	Amount Paid
Amount of remuneration paid for services rendered as Accounting Auditor during the fiscal year ended March 31, 2021	88 million yen
Total cash and other remuneration paid by the Company and its subsidiaries to the Accounting Auditor	120 million yen

- Notes: 1. The audit agreement entered into by the Accounting Auditor and the Company does not clearly distinguish the amount of remuneration for the audit under the Companies Act and the amount of remuneration for the audit under the Financial Instruments and Exchange Act, and the two amounts cannot be practically distinguished from each other. Therefore, the amount in above indicates the total of these two kinds of amounts.
2. The Audit & Supervisory Board gives consent regarding remunerations etc. for the Accounting Auditor which has an audit contract with the Company as stipulated under Article 399, Paragraph 1 of the Companies Act. The consent is given as a result of examining the validity of the expected auditing hours and the amount of remuneration, after comparing the audit plan of the previous business year with its performance, and reviewing the trend of the time spent for audit and the amount of remuneration by obtaining necessary materials and examining reports from the relevant departments of the Company and the Accounting Auditor.
3. Consolidated overseas subsidiaries of the Company are audited by Auditing firms other than the Accounting Auditor of the Company.

(3) Policy regarding decisions of dismissal or non-reappointment of Accounting Auditors

Where the Audit & Supervisory Board deems there are problems with the suitability or independence of the Accounting Auditor, it will decide the details of an item to be submitted to the General Meeting of Shareholders related to the dismissal or non-reappointment of the Accounting Auditor.

Furthermore, where the Audit & Supervisory Board deems the Accounting Auditor falls under the provisions of Article 340, Paragraph 1 of the Companies Act, based on the agreement of the all Audit & Supervisory Board Members, the Audit & Supervisory Board will dismiss the Accounting Auditor. In this case, the Audit & Supervisory Board Member selected by the Audit & Supervisory Board will report the fact that the Accounting Auditor was dismissed and the reason for such dismissal at the first General Meeting of Shareholders convened after the dismissal.

5. System and Policies of the Company

- (1) System to ensure the appropriateness of business activities and the operational status of that system
<Outline of resolution on system to ensure the appropriateness of business activities>

The Basic Policy on Building Internal Control System is as follows. (The Basic Policy was partially amended at the Board of Directors meeting held on May 13, 2015, and the Directors regularly confirm the continuation of the Basic Policy at Board of Directors meetings.)

This policy, based on Article 362, Paragraph 4, Item 6 of the Companies Act, stipulates an overall framework required to create an internal control system as stipulated by Article 100 of the Regulation for Enforcement of the Companies Act, clarifying basic policies to be followed by Directors, Executive Officers and employees (hereafter, “the Officers and Employees”) of Azbil Corporation (hereafter, “the Company”) and the Company’s subsidiaries^{*1} (hereafter, “Subsidiary” or “Subsidiaries”) in the building of internal control system concretely implemented by the Company and Subsidiaries. The goal of the internal control system based on this policy is to create a corporate structure that is efficient, lawful, and highly transparent by improving through constant review.

*1: The Subsidiaries subject to basic policies are the consolidated Subsidiaries whose annual net sales account for 1 % or more of the consolidated sales of the azbil Group among Subsidiaries specified in “azbil Group Management Basic Policy” separately.

1. System to ensure that the execution of duties of Officers and Employees of the Company and Subsidiaries complies with laws and regulations and the Articles of Incorporation
 - 1) The Officers and Employees of the Company and Subsidiaries, aiming to be a corporate group that contributes to and is trusted by society, will comply with laws and regulations and the Articles of Incorporation, as well as the azbil Group Business Conduct Policy and the azbil Group Business Conduct Guidelines, while maintaining high-level business ethics and conducting sound business activities. To do so, both the Company and Subsidiaries will designate an officer to be responsible for compliance promotion activities in each company and conduct the activities constantly as a whole.
 - 2) In addition to the above paragraph, the Company and the separately specified Subsidiaries will create individual action plans to promote compliance, including the compliance with laws and regulations and the Articles of Incorporation, and report the results of implementation to the Board of Directors of their own companies.
 - 3) The Company, to promote compliance-related activities throughout the entire group, has formed the azbil Group CSR Promotion Committee, and will create action plans for the overall group, manage progress, and provide guidance and advice to Subsidiaries.
 - 4) The Company and Subsidiaries will build internal control systems to ensure the appropriateness of business activities. To do so, the Officers and Employees of the Company and Subsidiaries will endeavor to develop and implement the basic elements of internal control, including the control environment, and with regard to the performance of business, will ensure and seek to maintain and improve appropriate control conditions by complying with relevant laws and regulations, business process manuals, etc.
 - 5) The internal auditing department of the Company, based on the Internal Audit Rules, will implement audits regularly or as necessary on the status of the Company’s and Subsidiaries’ compliance promotion activities and building of internal control system.
 - 6) In the event where the Company or Subsidiaries engage in serious illegal or unethical acts, or cause a serious impact on society, the Officers and Employees of the Company

and Subsidiaries will make a report using either the designated reporting route or the internal reporting system.

- 7) The internal auditing department of the Company will maintain, develop and properly operate the internal reporting system and other systems. Expansions or changes to the scope of the internal reporting system will be made following a report to the Board of Directors.
2. System for the storage and management of information relating to the execution of duties of the Directors of the Company
 - 1) The Officers and Employees of the Company will comply with the Rules for Storage and Management of Information Related to Directors' Duties, and store and manage information on the execution of duties appropriately.
 - 2) The General Affairs Department will create, revise and abolish the above rules with the approval of the Board of Directors and the management meetings, depending on the level of importance of the rules, and evaluate and review the management status as necessary.
 - 3) The internal auditing department of the Company, based on the Internal Audit Rules, will implement audits regularly or as necessary on the status of operations and management of the Internal Audit Rules and others.
 3. Rules and other systems for management of risk of loss at the Company and Subsidiaries
 - 1) To properly manage risk of loss and ensure the continuity and stable development of business, based on the azbil Group Risk Management Rules, the Company will identify risks that could cause serious losses to the overall group management (serious risks for the azbil Group) at the Board of Directors.
 - 2) The Company will promote countermeasures against the serious risks for the azbil Group that have been identified by instructing Subsidiaries as necessary.
 - 3) In addition to the above paragraph, the separately specified Subsidiaries will independently identify serious risks at these Subsidiaries, and work to establish and promote countermeasures against those serious risks.
 - 4) The internal auditing department of the Company, based on the Internal Audit Rules, will implement internal audits regularly or as necessary on the status of the implementation of risk management systems at the Company and Subsidiaries.
 4. System to ensure the efficient execution of duties of the Directors of the Company and Subsidiaries
 - 1) For the efficient and prompt execution of business activities without risking the soundness of the company, the Company and Subsidiaries will endeavor to develop an organizational system and prepare rules regarding administrative authority for the effective execution of business.
 - 2) The Officers and Employees of the Company and Subsidiaries will take action to ensure the achievement of the medium-term plan and the annual plan, and conduct regular reviews to ensure the execution of business is progressing in line with the original plans.
 - 3) Based on the Rules for Division of Duties and other rules, the Company will provide necessary support and guidance to Subsidiaries to increase the work efficiency and work

level of the overall group.

- 4) At both the Company and Subsidiaries, for items requiring the approval of the Board of Directors of the company, to ensure the thorough deliberation by the Board of Directors, materials related to the item will be distributed to all directors in advance.
5. System for the reporting of items related to the execution of the duties of the Officers and Employees of Subsidiaries to the Company
 - 1) Based on the management control items to be submitted to the Board of Directors, etc. of the Company in the execution of duties of Subsidiaries as stipulated in the azbil Group Management Basic Policy, Subsidiaries will obtain the Company's approval or report to the Company.
 - 2) In addition to the items stated in the above paragraph, domestic Subsidiaries will, either directly or at the regular meeting of Group company presidents or other meetings, report to the Company on the state of business at their companies and on important management items.
 - 3) In addition to 1) above, overseas Subsidiaries will, either directly or through the Company's respective departments in charge of, report to the Company on the state of business at their companies and on important management items.
6. Items related to employees aiding the duties of the Audit & Supervisory Board Members of the Company, items related to the independence of these employees from the Directors of the Company, and items to ensure the effectiveness of the instructions from the Audit & Supervisory Board Members of the Company to these employees
 - 1) The Company will assign dedicated personnel to aid the duties of the Audit & Supervisory Board Members.
 - 2) To maintain the independence of the employees aiding the duties of the Audit & Supervisory Board Members, the Company will receive the agreement of the Audit & Supervisory Board Members when making decisions on the personnel rotation and personnel evaluation.
 - 3) The dedicated employees aiding the duties of the Audit & Supervisory Board Members will execute their duties under directions of the Audit & Supervisory Board Members.
7. System for reporting by the Officers and Employees of the Company and Subsidiaries and the Audit & Supervisory Board Members of Subsidiaries to the Audit & Supervisory Board Members of the Company and system to ensure the person who has reported shall not be treated unfairly by reason of the said report
 - 1) In the case where the Officers and Employees of the Company and Subsidiaries discover items which could invite serious losses to the Company or Subsidiaries, serious defects in the internal control system or procedures, or the occurrence of serious legal violations or fraud, they will make a report to the top management of their companies, and to the division responsible for internal control if it is in place. The top management or internal control division at the company has received the report will make a report to the Directors of the company, the top management and the division responsible for internal control of the Company, and if Audit & Supervisory Board Members are appointed at the company, they will also report to the Audit & Supervisory Board Members of the

company. The top management of the Company and internal control division of the Company who have received the report will report to the Directors and Audit & Supervisory Board Members of the Company.

- 2) Furthermore, in addition to the reporting system in the previous paragraph, the Company will maintain, develop and properly operate the Group's internal reporting system.
 - 3) The department in charge of internal reporting system in the Company will make regular reports to the Audit & Supervisory Board Members of the Company regarding the status of internal reports from the Officers and Employees of the Company and Subsidiaries.
 - 4) Regardless of the above paragraphs, the Audit & Supervisory Board Members of the Company may demand a report as necessary from the Officers and Employees of the Company and Subsidiaries and the Audit & Supervisory Board Members of Subsidiaries.
 - 5) Internal rules will be developed to ensure the Company and Subsidiaries do not treat the Officers and Employees unfairly because they made such report to the Audit & Supervisory Board Members of the Company or Subsidiaries.
8. Items related to the policy for the handling of expenses or financial obligations arising from duties of Audit & Supervisory Board Members of the Company in the execution of their duties
- 1) The Company will promptly handle expenses or financial obligations with respect to the costs incurred by the Audit & Supervisory Board Members in the execution of their duties and any costs incurred when they request the opinion of external experts such as attorneys in forming their own opinion. However, this excludes cases where the Company demonstrates the costs are not required for the Audit & Supervisory Board Members to execute their duties.
 - 2) The Company will secure a budget in advance for the Audit & Supervisory Board Members and for the dedicated employees who aid the Audit & Supervisory Board Members to execute their duties, and shall not interfere in the execution of that budget. However, this excludes cases where the Company demonstrates the costs are not required for the Audit & Supervisory Board Members to execute their duties.
9. Other systems to ensure the audits of the Audit & Supervisory Board Members of the Company are implemented effectively
- 1) The Audit & Supervisory Board Members will attend the Board of Directors meetings and other important meetings including the meetings of the management meeting, review key approval forms and other documents related to the execution of business, and may request explanations from the Officers and Employees.
 - 2) The Audit & Supervisory Board Members will work to exchange information and cooperate with the Directors, the internal auditing department, the Audit & Supervisory Board Members of Subsidiaries and the Accounting Auditor to establish a system for the efficient implementation of the audits.

<Outline of the operational status of system to ensure the appropriateness of business activities>

The outline of the operational status of the system to ensure the appropriateness of business activities is as follows.

1. Compliance Systems

- Azbil Group, guided by the corporate philosophy of “human-centered automation,” has formulated Guiding Principles for azbil Group Business and azbil Group Code of Conduct, making efforts toward creating a corporate culture in which compliance awareness is permeated. To do so, the Company and Subsidiaries have appointed officers who are responsible for controlling and promoting company-wide compliance related activities throughout the Company, and have designated compliance managers and compliance leaders to ensure thorough compliance, educate and supervise employees with the cooperation of the department of the Company in charge of compliance. In the current fiscal year, we planned “Regional CL Meetings” with the goal of leveling up our CSR leaders (CL) responsible for education at our overseas subsidiaries, holding meeting at subsidiaries in ASEAN countries and India following meeting in China and South Korea in the previous fiscal year.
- To promote compliance-related activities throughout the azbil Group, the Company has formed a constant organization to promote CSR related activities, where an officer of the Company in charge of compliance is appointed as chief officer and officers of each company in charge of compliance are appointed as members. Here, creating action plans for the overall group, managing progress, and providing guidance to Subsidiaries are conducted.
- The Officers and Employees of the Company and Subsidiaries may use the “CSR Hotline” 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 in these rules, and we have communicated that fact internally. In the current fiscal year, in Japan, we were certified as “Whistleblowing Compliance Management System” (self-declaration of conformity registration system) from the Consumer Affairs Agency, and creating awareness about the hotline for which employees can use for safe consultations. In addition, we worked to change a receiving system at overseas subsidiaries so that persons initiating consultations could easily access the “CSR Hotline” overseas and worked to introduce the system at overseas subsidiaries that had not yet introduced it.
- In preparation for the occurrence of serious illegal or unethical acts, the Company and Subsidiaries have formulated the “Rules for Reporting in Emergency and Serious Situations.” In the event such emergency or serious situations occur, under the structure provided, reports will be made to the top management and Audit & Supervisory Board Members of Subsidiaries where they occur and the top management and Audit & Supervisory Board Members of the Company. Furthermore, regarding the state of response to emergency or serious situations and the status of implementation of measures to prevent recurrence, reports are regularly made at Board of Directors meetings attended by Audit & Supervisory Board Members.
- The Company’s Internal Audit Department conducts audits of operating conditions by properly verifying the status relating to the promotion of compliance and the establishment of internal control procedures at the Company and Subsidiaries, the operations and management with respect to the regulations stipulated in 2) below, and the development of risk management systems in 3) below.

Furthermore, we have formed a special team and provide diagnoses of the overall management control of overseas subsidiaries to further improve management at overseas Subsidiaries. The diagnoses reports are reported at the Board of Directors meetings, and in addition to improvement at each subsidiary, a specific team was formed for cross-sectional improvement to respond to the results, implementing an initiative aimed at resolving issues. In the current fiscal year, to promote improved management at domestic subsidiaries as well, we diagnosed the overall management control at domestic subsidiaries, promoting initiatives to resolve issues.

- Regarding internal control associated with the reliability of financial reports in the Financial Instruments and Exchange Act (J-SOX), by issuing management messages related to appropriate accounting processing, implementing accounting compliance education, and implementing internal control education, we worked to create awareness about the importance of internal control and to increase our level of internal control. In the current fiscal year, we implemented an internal control response that included a review of our operations processes, including facilitating e-mail-based authorizations for complying with payment dates even during telework, and promoting the enhancement of our internal control during the COVID-19 pandemic by introducing digital authorization, etc.

2. Storage and Management of Information

- The Company has created a department in charge pursuant to the Rules for Storage and Management of Information Related to Directors' Duties in which the Board of Directors' minutes, the management meeting's minutes, and other important documents and information are stored and managed.

3. Risk Management Systems

- Pursuant to the azbil Group Risk Management Rules, the Company identifies serious risks for azbil Group which may cause serious losses to the overall group management at the Board of Directors meetings after screening by the Comprehensive Risk Management Department Meeting and the azbil Group Comprehensive Risk Committee, the even higher level organization. While strengthening the comprehensive risk management system and the promotion of taking measures, the Company also instructs Subsidiaries, when necessary, to promote such measures at the Group. At Board of Directors meetings, the Company deliberated on the impact and frequency of such events, including the presence of changes from the previous fiscal year. The Company also confirmed the relationship between serious risks for the azbil Group in fiscal year 2021 and the contents of the new medium-term plan.
- Subsidiaries identify serious risks particular to the relevant Subsidiary at the Board of Directors meetings of each Subsidiary, plan and promote measures. The execution results of such measures and the status of risk reduction are to be reported to the Board of Directors of each Subsidiary.
- The Company systematically organized the azbil Group's risk management in terms of "risk management" to minimize the effects of risk events that could occur in the future and "crisis management" to minimize the effects of crises that have already occurred (emergency and serious situation response to individual events and BCP response in the event a disaster occurs). Furthermore, in emergency and serious situation reports, we worked to enhance the organizational strength to respond and promote by establishing an

Emergency Headquarters for events that have actually occurred. Additionally, the practice of regular reporting of such reports to the Board of Directors was established.

4. System of Efficient Execution of Duties

- The Officers and Employees of the Company and Subsidiaries develop a medium-term plan and an annual plan, take actions based on such plans, conduct regular reviews of status of duties, follow progress of the status of business execution and plan new measures.
- Based on the Rules for Division of Duties and other rules, the Company provides necessary support and guidance to Subsidiaries to increase work efficiency and work level of the overall Group.
- To ensure the thorough deliberation by the Board of Directors, the Company and Subsidiaries bear in mind improvement of operation of the Board of Directors and operate such as distributing materials related to the agenda item before the meetings. In addition, the Company holds prior briefing meetings about the matters for discussion at the Board of Directors meetings for the benefit of its Outside Directors and Outside Audit & Supervisory Board Members.
- The Company has newly established and started to operate a “Board of Directors Information Reporting System,” to share and store confirmed recordings of items which used to be reported as Other Items at Board of Directors meetings, working to improve the time for deliberation at Board of Directors meetings and to improve the effectiveness of the Board of Directors.

5. Group Management System

- For certain important items, Subsidiaries report to or obtain approval from the Board of Directors meetings of the Company or the management meeting, which decides the execution of duties and other matters within the range of the authority of the President, pursuant to the azbil Group Management Basic Policy.
- Management reports from key Subsidiaries are conducted at Board of Directors meetings and the management meetings of the Company, while overseas subsidiaries report the status of their business and performance, as well as the important management items, etc. to the Company through the Group Global Meeting and other measures for overseas Subsidiaries.

6. System of Audit by Audit & Supervisory Board Members

- The Company has established an Audit & Supervisory Board Members’ Staff Office as an organization to aid the duties of the Audit & Supervisory Board Members. Personnel belonging to the Audit & Supervisory Board Members’ Staff Office are under the direct control of the Audit & Supervisory Board Members, aiding the duties of the Audit & Supervisory Board Members under their instructions. The personnel rotation and personnel evaluation are determined with the agreement of the Audit & Supervisory Board Members.
- Regarding items which have been consulted on or reported to the aforementioned hotline by the Officers and Employees of the Company and Subsidiaries, the Internal

Audit Department reports them monthly to the Audit & Supervisory Board Members and the details are reported at the quarterly liaison meeting with the Audit & Supervisory Board Members.

- The expenses arising from executing duties of the Audit & Supervisory Board Member are borne by the Company and are promptly handled.
- The Audit & Supervisory Board Members attend the Board of Directors meetings and other important meetings including the management meeting, review 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 & Supervisory Board Members request the opinion of attorneys, with whom they have individually concluded advisory contracts, as appropriate.
- The Audit & Supervisory Board Members of the Company regularly hold meetings with the Board of Directors, Internal Audit Department, Accounting Auditor, and Audit & Supervisory Board Members of subsidiaries to share information, communicate and provide reports, and when necessary exchange opinions and information as needed to improve the efficacy of audits.

(2) Basic policy related to persons controlling interests in the Company

Not applicable

(Reference) Our approach to corporate governance

The Company's basic approach to corporate governance is to work not only toward compliance with laws and regulations and the Articles of Incorporation, but also to fulfill our social responsibilities based on corporate ethics and to contribute to the welfare of the community, and to consistently increase enterprise value through highly efficient and transparent management, positioning Corporate Governance as our most important management issue.

Corporate Governance System

The Board of Directors makes decisions on basic operational policy, legal issues, and other important matters, and oversees the status of business execution. Functional separation between the Executive Officers and the Board of Directors enables swift business execution and strengthens the oversight of execution.

The Board of Directors is convened monthly in principle. As to Executive Officers, the management meetings which Executive Officers with titles and representatives of the Audit & Supervisory Board Members attend are held twice a month as part of ongoing initiatives to strengthen business operations through prompt decision making and strict execution.

As of March 31, 2021, the Company has appointed eleven (11) Directors, including six (6) who are involved in business execution and have accumulated experience in the Company's business and management, as well as five (5) who are Independent Outside Directors and have independence, broad experience, a wealth of expertise and knowledge, and rich diversity in the form of nationality and gender. Independent Outside Directors make up more than one third of the Board of Directors. In addition to working diligently to enhance 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 the President and CEO. Moreover, upon collecting the self-evaluations and opinions on the effectiveness of the Board of Directors from the Directors and Audit & Supervisory Board Members each year, current evaluations and issues are shared at Board of Directors meetings as we pursue further increase of the effectiveness of the Board of Directors. At a Board of Directors meeting held on May 14, 2021, we established the skills expected of the Directors with respect to the realization of the Company's medium-term plan and other management strategies, and confirmed the independence, diversity, and expected skills of the current Board of Directors.

Additionally, the Company has established the Nomination and Remuneration Committee, an optional committee that serves as an advisory body to the Board of Directors. The Committee's goal is to ensure a higher level of fairness, objectivity, and transparency in the determination process of the nomination and remuneration of officers, to contribute to the Company's enduring development and increasing medium- to long-term profitability and productivity. The Committee deliberates not only the selection of Director candidates, Representative Director candidates, candidates for President and CEO, candidates for Chairperson of the Board, candidates for Managing Executive Officers, the executive remuneration system, the remuneration plan, basic remuneration individual performance evaluations, progress evaluation of qualitative targets and individual bonus amount based on the executive remuneration system, and amendments to the Director remuneration framework, but also the dismissal of Presidents and CEOs, Directors, Managing Executive Officers, Representative Directors and Chairperson of the Board as well as items related to the development of successors. The Chairperson of the Nomination and Remuneration Committee is elected through a mutual vote by the Independent Outside Directors. Per the regulations, the Committee must be comprised of a majority of Independent Outside Directors. Currently, Katsuhiko Tanabe (Independent Outside Director) serves as the Committee chairperson, Takeshi Itoh (Independent Outside Director), Waka Fujiso

(Independent Outside Director), Hirozumi Sone (Representative Director), and Kiyohiro Yamamoto (Representative Director) serve as committee members, with Independent Outside Directors comprising a majority of the Committee.

In fiscal year 2020, the Nomination and Remuneration Committee met five times. In May 2020, the Committee evaluated the results of individual performance targets in fiscal year 2019 and the amounts of bonuses to be paid to individual Directors who concurrently performed executive duties and Executive Officer, and deliberated the basic remuneration to be paid to individual Directors who concurrently perform executive duties and Outside Directors in fiscal year 2020. In June 2020, under the Nomination and Remuneration Committee with new members chaired by Katsuhiko Tanabe, an Independent Outside Director, in addition to reconfirming the roles and responsibilities of the Committee, the results of officer interviews for a plan to develop successors were confirmed. In January 2021, both the evaluation results for the selection process associated with the management team changeover and the state of progress on the plan to develop successors were confirmed. In February 2021, a report was made to the Board of Directors on the executive team and the management teams at Group companies in fiscal year 2021 following deliberation, and the fiscal year 2021 management team was determined at a Board of Directors meeting. In March 2021, the management teams of overseas Group companies and the status of operations of the global personnel system were confirmed, the rules for the Nomination and Remuneration Committee were revised, and concurrent duties at other companies performed by full-time officers were deliberated. Furthermore, at the Board of Directors meetings held in August 2020 and February 2021, reports were given on the status of activities of the Nomination and Remuneration Committee.

Furthermore, the Company is a company with an Audit & Supervisory Board, and as of March 31, 2021, the Audit & Supervisory Board is made up of two (2) full-time Audit & Supervisory Board Members and three (3) Outside Audit & Supervisory Board Members. Audit & Supervisory Board Member Tomohiko Matsuyasu has many years of experience in the Company's accounting operations. Audit & Supervisory Board Member Kinuya Fujimoto has a wealth of experience and outstanding insight as a certified public accountant. Audit & Supervisory Board member Fumitoshi Sato has experience as the person responsible for the creation of financial statements as the officer in charge of accounting and finance at another operating company over many years. Thus, they have a wealth of knowledge concerning financial affairs and accounting. Furthermore, the Company established the Audit & Supervisory Board Office, an organization dedicated to assisting the Audit & Supervisory Board Member in their duties, with three dedicated staff members assigned to assist the Audit & Supervisory Board Members in the execution of their duties.

The Audit & Supervisory Board convenes in principle once a month and holds ad-hoc meetings, as necessary. It convened a total of 14 times in the current fiscal year. The five (5) Audit & Supervisory Board members participated in all of the Audit & Supervisory Board meetings, discussing the annual audit plan at the start of the term, providing individual activity reports on a monthly and quarterly basis during the term, providing a quarterly accounting audit report, evaluating and summarizing the auditing activity at the end of the term, evaluating the Key Audit Matters (KAM) and reviewing the evaluations of the Accounting Auditor. Furthermore, the Audit & Supervisory Board regularly holds meetings to exchange opinions with the Representative Directors and meetings to exchange information with the Outside Directors. Additionally, an evaluation of the effectiveness of the Audit & Supervisory Board is performed at the end of the term, and in addition to reviewing the Audit & Supervisory Board's auditing activities for the current fiscal year, the evaluation results are reflected in the audit plan for the coming fiscal year, thereby working to increase the effectiveness of the Audit & Supervisory Board.

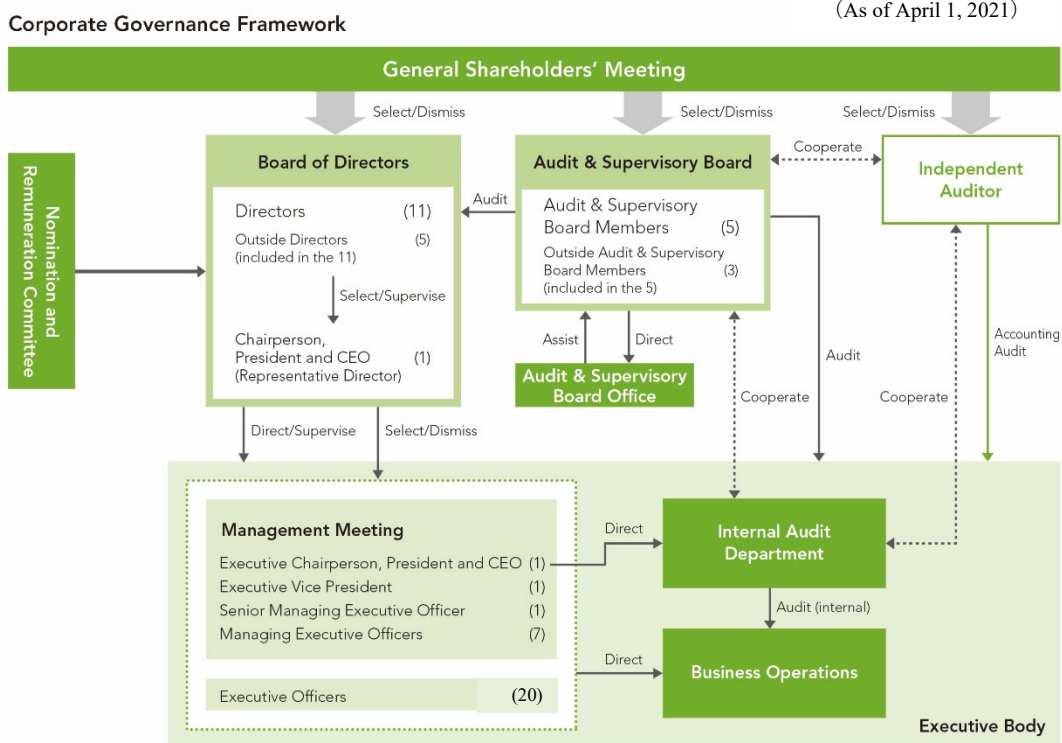
The full-time Audit & Supervisory Board Members conduct audit activities including

attending Board of Directors meeting and management meetings, examining important business locations and subsidiaries and interviewing with important divisions, reviewing important documents such as minutes from important meetings, and it shared those details when necessary with the Outside Audit & Supervisory Board Members. In addition to attending Board of Directors meetings and providing their opinions as independent officers, the Outside Audit & Supervisory Board Members also used their individual knowledge and experience, participating as necessary in examination of important business locations and subsidiaries by the full-time Audit & Supervisory Board Members. The Audit & Supervisory Board members participate in periodic meetings with the Accounting Auditor, and cooperate in such activities as sharing details regarding the audit plan and critical audit matters at the beginning of the fiscal year and regarding mutual audit results during the fiscal year and at the end of the fiscal year, and conducting timely and appropriate discussions on key audit matters (KAM). At the regular meetings with the internal auditing department, in addition to sharing the mutual audit results during the fiscal year and at the end of the fiscal year and the audit plan and key audit items at the start of the fiscal year, Audit & Supervisory Board Members coordinate closely with the Audit & Supervisory Board members of Group companies to confirm audit results for subsidiaries, working to enhance the effectiveness and efficiency of auditing.

Through Board of Directors meetings and management meetings, etc., the Audit & Supervisory Board Members monitored the status of the response to COVID-19. So that the efficacy of audits is not lost in visiting audits of offices and domestic and overseas subsidiaries, the Audit & Supervisory Board changed to remote surveys using an online conferencing system for offices and domestic and overseas subsidiaries for which visiting audit is difficult, and also used alternative procedures for hearing on the internal audit results conducted remotely by the internal auditing department. Regarding information sharing among Audit & Supervisory Board Members, the Audit & Supervisory Board secured sharing procedures without delay using electronic viewing in place of face-to-face information sharing, working to ensure that there was no variance in our response.

In regard to the appointment of Outside Directors and Outside Audit & Supervisory Board Members, the Company has formulated its own criteria for independence. The Company's Outside Directors and Outside Audit & Supervisory Board members have satisfied these criteria for independence, and there to be no possibility of the occurrence of conflict of interest with general shareholders. As each of Outside Directors and Outside Audit & Supervisory Board Members has sufficient independence, the Company has reported them as Independent Officers to the Tokyo Stock Exchange.

Under the provisions of Article 427, Paragraph 1 of the Companies Act, the Company has concluded contracts for limitation of liability with Outside Directors and Outside Audit & Supervisory Board Members, as provided for in Article 423, Paragraph 1 of the Companies Act. The limit amount of the liability for damage based on said contracts is the minimum liability amount prescribed in laws and regulations. However, such limitation of liability only applies when the Outside Directors and Outside Audit & Supervisory Board Members executed their duties that caused the liability in good faith and without gross negligence.



Furthermore, regarding the maintenance of the Compliance Systems of the Group as a whole, the Company aims to be a corporate group trusted by society, and including compliance with laws and regulations, has established azbil Group Code of Conduct as a guideline for the conduct of the Officers and Employees in the interest of maintaining the public nature of the Company by first cutting off any relationships to antisocial forces, fulfilling our social responsibilities, compliance with antitrust and other fair trade regulations, respect for human rights, proper management of corporate assets, and protection of the environment, working toward sound business activities through the establishment of our corporate philosophy. In addition to amending guiding principles for business to implement this philosophy, the azbil Group sets its SDGs (basic goals and targets) toward achieving the UN's SDGs. In fiscal year 2020, the Company newly established the Corporate Sustainability Headquarters as an organization to promote these types of initiatives, determined new quantitative indicators based on the SDGs, making steady contributions to a sustainable society. With the SDGs as our new guidepost, we aim to connect the philosophy, Guiding Principles, code of conduct, and management strategy “in series” leading to a sustainable society and to realize a balance between resolving social issues and sustainable growth. For the proper and efficient execution of business operations, by establishing various internal rules relating to the decision making of the Company and implementation of business operations and other measures, the Company is maintaining a system which clarifies job authority and allows the appropriate checks to function. In terms of our internal control functions, the Internal Audit Department, which reports directly to the President, regularly performs internal audits that cover the overall management activities of headquarters divisions, each company and each group company, targeting the management and operations systems, the execution of business operations, business risks, compliance, and internal control systems, providing specific advice and proposals for improved oversight and business operations. The Company works to strengthen internal controls within the Financial Instruments and Exchange Act, and to promote compliance-related activities throughout the Group, the Company has formed a constant organization to promote CSR related activities, where an officer of the Company in charge of compliance is appointed as chief officer and

officers of each group company in charge of compliance are appointed as members, where creating action plans for the overall group, managing progress, and providing guidance to Subsidiaries are conducted. We also maintain a system for the early discovery of misconduct through our internal reporting system. Furthermore, we receive the advice and support from legal advisers, certified public accountants and external experts as necessary regarding the overall execution of business operations.

The business report is listed as follows.

1. For monetary values, fractional numbers are rounded down to the nearest whole unit.
2. Stock quantities listed in thousands are rounded down to the nearest thousand.
3. Figures, charts, and photos are added to business report for reference.

Consolidated Financial Statements

Consolidated Balance Sheet

(Millions of yen)

	99th term As of March 31, 2021		99th term As of March 31, 2021
Assets		Liabilities	
Current assets	219,599	Current liabilities	76,459
Cash and deposits	68,511	Notes and accounts payable - trade	31,951
Notes and accounts receivable - trade	82,142	Short-term borrowings	9,035
Securities	36,500	Income taxes payable	6,070
Merchandise and finished goods	5,360	Advances received	4,039
Work in process	6,987	Provision for bonuses	9,853
Raw materials	12,166	Provision for bonuses for directors (and other officers)	135
Other	8,299	Provision for product warranties	518
Allowance for doubtful accounts	(369)	Provision for loss on order received	246
Non-current assets	64,998	Other	14,609
Property, plant and equipment	27,062	Non-current liabilities	7,530
Buildings and structures	13,934	Long-term borrowings	313
Machinery, equipment and vehicles	2,059	Deferred tax liabilities for land revaluation	181
Tools, furniture and fixtures	2,367	Retirement benefit liability	1,660
Land	6,411	Provision for retirement benefits for directors (and other officers)	169
Leased assets	1,463	Provision for share awards	1,634
Construction in progress	825	Other	3,569
Intangible assets	5,482	Total liabilities	83,990
Software	4,143	Net assets	
Other	1,339	Shareholders' equity	186,384
Investments and other assets	32,453	Share capital	10,522
Investment securities	22,780	Capital surplus	11,670
Long-term loans receivable	15	Retained earnings	177,900
Deferred tax assets	2,382	Treasury shares	(13,709)
Retirement benefit asset	4	Accumulated other comprehensive income	11,805
Other	7,369	Valuation difference on available- for-sale securities	11,108
Allowance for doubtful accounts	(99)	Deferred gains or losses on hedges	24
Total assets	284,597	Foreign currency translation adjustment	699
		Remeasurements of defined benefit plans	(26)
		Non-controlling interests	2,416
		Total net assets	200,607
		Total liabilities and net assets	284,597

Note: Amounts less than one million yen are rounded down.

Consolidated Statement of Income

(Millions of yen)

	99th term April 1, 2020 to March 31, 2021
Net sales	246,821
Cost of sales	147,451
Gross profit	99,369
Selling, general and administrative expenses	73,648
Operating income	25,720
Non-operating income	1,066
Interest and dividend income	678
Foreign exchange gains	91
Other	296
Non-operating expenses	448
Interest expenses	135
Other	312
Ordinary income	26,338
Extraordinary income	2,203
Gain on sale of non-current assets	630
Gain on sale of investment securities	1,572
Extraordinary losses	532
Loss on sale and retirement of non-current assets	435
Loss on sale of investment securities	86
Loss on valuation of investment securities	10
Income before income taxes	28,009
Income taxes - current	6,722
Income taxes - deferred	890
Net income	20,397
Net income attributable to non-controlling interests	478
Net income attributable to owners of parent	19,918

Note: Amounts less than one million yen are rounded down.

Consolidated Statement of Changes in Net Assets

(Millions of yen)

99th term April 1, 2020 to March 31, 2021	Shareholders' equity				
	Share capital	Capital surplus	Retained earnings	Treasury shares	Total shareholders' equity
Balance at beginning of period	10,522	11,670	165,055	(13,740)	173,508
Changes during period					
Dividends of surplus			(7,073)		(7,073)
Net income attributable to owners of parent			19,918		19,918
Purchase of treasury shares				(6)	(6)
Disposal of treasury shares		0		37	37
Net changes in items other than shareholders' equity					
Total changes during period	—	0	12,844	31	12,875
Balance at end of period	10,522	11,670	177,900	(13,709)	186,384

99th term April 1, 2020 to March 31, 2021	Accumulated other comprehensive income					Non-controlling interests	Total net assets
	Valuation difference on available-for-sale securities	Deferred gains or losses on hedges	Foreign currency translation adjustment	Remeasurements of defined benefit plans	Total accumulated other comprehensive income		
Balance at beginning of period	8,843	(28)	893	(27)	9,680	2,112	185,301
Changes during period							
Dividends of surplus							(7,073)
Net income attributable to owners of parent							19,918
Purchase of treasury shares							(6)
Disposal of treasury shares							37
Net changes in items other than shareholders' equity	2,264	53	(193)	0	2,125	304	2,429
Total changes during period	2,264	53	(193)	0	2,125	304	15,305
Balance at end of period	11,108	24	699	(26)	11,805	2,416	200,607

Note: Amounts less than one million yen are rounded down.

Non-Consolidated Financial Statements

Non-consolidated Balance Sheet

		(Millions of yen)	
		99th term	
		As of March 31, 2021	
Assets		Liabilities	
Current assets	166,656	Current liabilities	59,782
Cash and deposits	46,636	Account payable -factoring	13,195
Notes receivable - trade	11,501	Accounts payable - trade	7,523
Accounts receivable - trade	33,100	Accounts payable for construction contracts	2,735
Accounts receivable from completed construction contracts	19,651	Short-term borrowings	4,606
Securities	36,500	Accounts payable - other	1,082
Merchandise and finished goods	3,230	Accrued expenses	4,587
Work in process	2,271	Income taxes payable	5,295
Costs on construction contracts in progress	1,117	Accrued consumption taxes	1,245
Raw materials	5,468	Advances received	891
Short-term loans receivable from subsidiaries and associates	345	Advances received on construction contracts in progress	793
Accounts receivable - other	1,651	Deposits received	2,235
Prepaid expenses	2,159	Deposits received from subsidiaries and associates	6,529
Other	3,074	Provision for bonuses	8,207
Allowance for doubtful accounts	(53)	Provision for bonuses for directors (and other officers)	102
Non-current assets	63,655	Provision for product warranties	397
Property, plant and equipment	16,078	Provision for loss on order received	227
Buildings	10,441	Other	126
Structures	249	Non-current liabilities	2,624
Machinery and equipment	856	Long-term borrowings	303
Vehicles	0	Provision for share awards	1,634
Tools, furniture and fixtures	1,348	Other	686
Land	2,498	Total liabilities	62,407
Leased assets	93	Net assets	
Construction in progress	589	Shareholders' equity	157,254
Intangible assets	4,912	Share capital	10,522
Software	3,796	Capital surplus	17,197
Other	1,116	Legal capital surplus	17,197
Investments and other assets	42,664	Other capital surplus	0
Investment securities	18,683	Retained earnings	143,243
Shares of subsidiaries and associates	15,286	Legal retained earnings	2,519
Investments in capital of subsidiaries and associates	1,964	Other retained earnings	140,723
Long-term loans receivable from subsidiaries and associates	2,525	Reserve for tax purpose reduction entry of non-current assets	2,313
Leasehold deposits	2,784	General reserve	51,811
Deferred tax assets	925	Retained earnings brought forward	86,598
Other	1,188	Treasury shares	(13,709)
Allowance for doubtful accounts	(695)	Valuation and translation adjustments	10,650
Total assets	230,312	Valuation difference on available-for-sale securities	10,650
		Total net assets	167,905
		Total liabilities and net assets	230,312

Note: Amounts less than one million yen are rounded down.

Non-consolidated Statement of Income

(Millions of yen)

	99th term April 1, 2020 to March 31, 2021
Net sales	175,416
Net sales of finished goods and others	115,003
Net sales of completed construction contracts	60,413
Cost of sales	102,305
Cost of sales of finished goods and others	66,053
Cost of sales of completed construction contracts	36,252
Gross profit	73,110
Gross profit - finished goods and others	48,949
Gross profit on completed construction contracts	24,160
Selling, general and administrative expenses	54,207
Operating income	18,903
Non-operating income	1,025
Interest income	52
Dividend income	662
Foreign exchange gains	167
Reversal of allowance for doubtful accounts	77
Rental income from real estate	2
Other	62
Non-operating expenses	193
Interest expenses	29
Commitment fees	20
Expenses of real estate	29
Office relocation expenses	100
Other	14
Ordinary income	19,735
Extraordinary income	1,322
Gain on sale of non-current assets	627
Gain on sale of investment securities	695
Extraordinary losses	485
Loss on sale and retirement of non-current assets	388
Loss on sale of investment securities	86
Loss on valuation of investment securities	10
Income before income taxes	20,572
Income taxes - current	4,969
Income taxes - deferred	566
Net income	15,036

Note: Amounts less than one million yen are rounded down.

Non-consolidated Statement of Changes in Net Assets

(Millions of yen)

(millions of yen)

99th term April 1, 2020 to March 31, 2021	Shareholders' equity							
	Share capital	Capital surplus			Retained earnings			
		Legal capital surplus	Other capital surplus	Total capital surplus	Legal retained earnings	Other retained earnings		
						Reserve for tax purpose reduction entry of non-current assets	General reserve	Retained earnings brought forward
Balance at beginning of period	10,522	17,197	—	17,197	2,519	1,912	51,811	79,038
Changes during period								
Provision of reserve for tax purpose reduction entry of non-current assets						537		(537)
Reversal of reserve for tax purpose reduction entry of non-current assets						(135)		135
Dividends of surplus								(7,073)
Net income								15,036
Purchase of treasury shares								
Disposal of treasury shares			0	0				
Net changes in items other than shareholders' equity								
Total changes during period	—	—	0	0	—	401	—	7,560
Balance at end of period	10,522	17,197	0	17,197	2,519	2,313	51,811	86,598

Note: Amounts less than one million yen are rounded down.

(Millions of yen)

99th term April 1, 2020 to March 31, 2021	Shareholders' equity			Valuation and translation adjustments		Total net assets
	Retained earnings	Treasury shares	Total shareholders' equity	Valuation difference on available-for-sale securities	Total valuation and translation adjustments	
	Total retained earnings					
Balance at beginning of period	135,280	(13,740)	149,261	8,230	8,230	157,491
Changes during period						
Provision of reserve for tax purpose reduction entry of non-current assets	—		—			—
Reversal of reserve for tax purpose reduction entry of non-current assets	—		—			—
Dividends of surplus	(7,073)		(7,073)			(7,073)
Net income	15,036		15,036			15,036
Purchase of treasury shares		(6)	(6)			(6)
Disposal of treasury shares		37	37			37
Net changes in items other than shareholders' equity				2,420	2,420	2,420
Total changes during period	7,962	31	7,993	2,420	2,420	10,413
Balance at end of period	143,243	(13,709)	157,254	10,650	10,650	167,905

Note: Amounts less than one million yen are rounded down.

Independent Auditor's Report

May 17, 2021

To the Board of Directors
Azbil Corporation

Deloitte Touche Tohmatsu LLC Tokyo Office
Hiroyuki Motegi, CPA
Designated Limited Liability Partner,
Engagement Partner
Keiji Koide, CPA
Designated Limited Liability Partner,
Engagement Partner

Audit Opinion

Pursuant to Article 444, Paragraph 4 of the Companies Act, we have audited the consolidated financial statements, that is, the consolidated balance sheet, consolidated statement of income, consolidated statement of changes in net assets and basis of preparation of the consolidated financial statements, and the related notes of Azbil Corporation (the "Company") for the fiscal year from April 1, 2020 to March 31, 2021.

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the financial position and results of operations of the Group, which consisted of the Company and its consolidated subsidiaries, applicable to the fiscal year ended March 31, 2021 in accordance with accounting principles generally accepted in Japan.

Basis for Audit Opinion

We conducted our audit in accordance with auditing standards generally accepted in Japan. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Consolidated Financial Statements section of our report. We are independent of the Company and its consolidated subsidiaries in accordance with the ethical requirements that are relevant to our audit of the consolidated financial statements in Japan, and we have fulfilled our ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Responsibilities of Management, Audit & Supervisory Board Members and the Audit & Supervisory Board for the Consolidated Financial Statements

Management is responsible for the preparation and fair presentation of the consolidated financial statements in accordance with accounting principles generally accepted in Japan; this includes the maintenance and operation of internal control deemed necessary by management for the preparation and fair presentation of the consolidated financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the consolidated financial statements, management is responsible for assessing whether it is appropriate to prepare the consolidated financial statements with the assumption of a going concern, and in accordance with accounting principles generally accepted in Japan, for disclosing, as necessary, matters related to going concern.

Audit & Supervisory Board Members and the Audit & Supervisory Board are responsible for overseeing the Directors' performance of duties within the maintenance and operation of the financial reporting process.

Auditor's Responsibilities for the Audit of the Consolidated Financial Statements

Our responsibilities are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that expresses our opinion on the consolidated financial statements based on our audit from an independent

point of view. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the decisions of users of these consolidated financial statements.

In accordance with auditing standards generally accepted in Japan, we exercise professional judgment and maintain professional skepticism throughout the audit process to perform the following:

- Identify and assess the risks of material misstatement, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Selecting audit procedures to be applied is at the discretion of the auditor. Obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion.
- When auditing the consolidated financial statements, obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances in making risk assessments, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control.
- Evaluate the appropriateness of accounting policies used by management and their method of application, as well as the reasonableness of accounting estimates made by management and related notes thereto.
- Conclude on the appropriateness of preparing the consolidated financial statements with the assumption of a going concern by management, and based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the notes to the consolidated financial statements or, if the notes to the consolidated financial statements on material uncertainty are inadequate, to express a qualified opinion with exceptions on the consolidated financial statements. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Group to cease to continue as a going concern.
- Evaluate whether the presentation of the consolidated financial statements and notes to the consolidated financial statements are in accordance with accounting standards generally accepted in Japan, as well as evaluate the presentation, structure, and content of the consolidated financial statements, including the related notes thereto, and whether the consolidated financial statements fairly present the underlying transactions and accounting events.
- Obtain sufficient appropriate audit evidence regarding the financial information of the Company and its consolidated subsidiaries to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the audit of the consolidated financial statements. We remain solely responsible for our audit opinion.

We report to the Audit & Supervisory Board Members and the Audit & Supervisory Board regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit process, and other matters required by auditing standards.

We also provide the Audit & Supervisory Board Members and the Audit & Supervisory Board with a statement that we have complied with relevant ethical requirements in Japan regarding independence, and communicate with them all relationships and other matters that may reasonably be deemed to bear on our independence, and where applicable, related safeguards in order to eliminate or reduce obstruction factors.

Interests in the Company

Our firm and engagement partners have no interest in the Company and its consolidated subsidiaries which shall be disclosed pursuant to the provisions of the Certified Public Accountants Act.

Independent Auditor's Report

May 17, 2021

To the Board of Directors
Azbil Corporation

Deloitte Touche Tohmatsu LLC Tokyo Office
Hiroyuki Motegi, CPA
Designated Limited Liability Partner,
Engagement Partner
Keiji Koide, CPA
Designated Limited Liability Partner,
Engagement Partner

Audit Opinion

Pursuant to Article 436, Paragraph 2, Item 1 of the Companies Act, we have audited the financial statements, that is, the balance sheet, statement of income, statement of changes in net assets and notes to financial statements, significant accounting policies, and the related notes as well as the supplementary schedules (hereinafter, "financial statements, etc.") of the Company for the 99th fiscal year from April 1, 2020 to March 31, 2021.

In our opinion, the financial statements, etc. referred to above present fairly, in all material respects, the financial position and results of operations of the Company, applicable to the fiscal year ended March 31, 2021 in accordance with accounting principles generally accepted in Japan.

Basis for Audit Opinion

We conducted our audit in accordance with auditing standards generally accepted in Japan. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements, Etc. section of our report. We are independent of the Company in accordance with the ethical requirements that are relevant to our audit of the financial statements, etc. in Japan, and we have fulfilled our ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Responsibilities of Management, Audit & Supervisory Board Members and the Audit & Supervisory Board for the Financial Statements, Etc.

Management is responsible for the preparation and fair presentation of the financial statements, etc. in accordance with accounting principles generally accepted in Japan; this includes the maintenance and operation of internal control deemed necessary by management for the preparation and fair presentation of the financial statements, etc. that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, etc., management is responsible for assessing whether it is appropriate to prepare the financial statements, etc. with the assumption of a going concern, and in accordance with accounting principles generally accepted in Japan, for disclosing, as necessary, matters related to going concern.

Audit & Supervisory Board Members and the Audit & Supervisory Board are responsible for overseeing the Directors' performance of duties within the maintenance and operation of the financial reporting process.

Auditor's Responsibilities for the Audit of the Financial Statements, Etc.

Our responsibilities are to obtain reasonable assurance about whether the financial statements, etc. as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report

that expresses our opinion on the financial statements, etc. based on our audit from an independent point of view. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the decisions of users of these financial statements, etc.

In accordance with auditing standards generally accepted in Japan, we exercise professional judgment and maintain professional skepticism throughout the audit process to perform the following:

- Identify and assess the risks of material misstatement, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Selecting audit procedures to be applied is at the discretion of the auditor. Obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion.
- When auditing the financial statements, etc., obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances in making risk assessments, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control.
- Evaluate the appropriateness of accounting policies used by management and their method of application, as well as the reasonableness of accounting estimates made by management and related notes thereto.
- Conclude on the appropriateness of preparing the financial statements, etc. with the assumption of a going concern by management, and based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the notes to the financial statements, etc. or, if the notes to the financial statements, etc. on material uncertainty are inadequate, to express a qualified opinion with exceptions on the financial statements, etc. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Group to cease to continue as a going concern.
- Evaluate whether the presentation of the financial statements, etc. and notes to the financial statements, etc. are in accordance with accounting standards generally accepted in Japan, as well as evaluate the presentation, structure, and content of the financial statements, etc., including the related notes thereto, and whether the financial statements, etc. fairly present the underlying transactions and accounting events.

We report to the Audit & Supervisory Board Members and the Audit & Supervisory Board regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit process, and other matters required by auditing standards.

We also provide the Audit & Supervisory Board Members and the Audit & Supervisory Board with a statement that we have complied with relevant ethical requirements in Japan regarding independence, and communicate with them all relationships and other matters that may reasonably be deemed to bear on our independence, and where applicable, related safeguards in order to eliminate or reduce obstruction factors.

Interests in the Company

Our firm and engagement partners have no interest in the Company which shall be disclosed pursuant to the provisions of the Certified Public Accountants Act.

Audit Report

The Audit & Supervisory Board, following review and deliberations on the reports made by each Audit & Supervisory Board Member concerning the execution of duties by Directors for the 99th fiscal year from April 1, 2020 to March 31, 2021, prepared this Audit Report and hereby submit it as follows:

1. Summary of auditing methods by Audit & Supervisory Board Members and the Audit & Supervisory Board

- (1) The Audit & Supervisory Board established auditing policies and the audit plan for the current fiscal year, received reports regarding the status of audits and the results thereof from each Audit & Supervisory Board Member, received reports regarding the status of the execution of duties from Directors and the Accounting Auditor, and requested explanation as necessary.
- (2) In accordance with the auditing standards for Audit & Supervisory Board Members determined by the Audit & Supervisory Board, and in compliance with auditing policies and the audit plan for the current fiscal year, each Audit & Supervisory Board Member made efforts to collect information and establish auditing circumstances through communication with Directors, the Internal Audit Department and other employees, while making use of online conferencing systems, and conducted the audit by the following methods.

- (i) Each Audit & Supervisory Board Member attended the Board of Directors meetings and other important meetings to receive reports regarding execution of duties from Directors and employees, and requested explanations as necessary. Each Audit & Supervisory Board Member also inspected the approved documents and examined the status of operations and conditions of assets at the head office and principal offices.

With respect to subsidiaries, full-time Audit & Supervisory Board Members concurrently held positions as Audit & Supervisory Board Members of some domestic subsidiaries. We also communicated and exchanged information with Directors and Audit & Supervisory Board Members of subsidiaries, and received reports from them when necessary.

- (ii) Each Audit & Supervisory Board Member verified the resolutions adopted by the Board of Directors regarding the establishment of a system for ensuring that the Directors' duties, as stated in the business report, are executed in conformity of laws and regulations, and the Articles of Incorporation of the Company, and the establishment of a system necessary to ensure proper business operations of stock companies consisting of the Company and its subsidiaries set forth in Article 100, paragraphs 1 and 3 of the Regulation for Enforcement of the Companies Act. It also regularly received reports from Directors and employees on the status of the establishment and operation of the system (internal control system) established in accordance with such resolutions adopted by the Board of Directors, and requested explanations as necessary and expressed his/her opinions.
 - (iii) Audit & Supervisory Board Members monitored and verified that the Accounting Auditor maintains independence and conducts the audits appropriately. Each Audit & Supervisory Board Member also received explanation of the audit plan at the beginning of the fiscal year from the Accounting Auditor, accompanied the audits and received reports on the status of the execution of duties from the Accounting Auditor during the year. In addition, we received explanation of the arrangement of the "System for ensuring that the duties are performed appropriately" (matters stipulated

in the items of Article 131 of the Regulation on Corporate Accounting) in accordance with “Standards for the Quality Control of Audits” (Business Accounting Council, October 28, 2005) from the Accounting Auditor.

With respect to the matters of primary consideration in audits, the Audit & Supervisory Board Members engaged in cooperation with Deloitte Touche Tohmatsu LLC, the Accounting Auditor, received reports from them concerning the status of their audit implementation and requested explanations as necessary.

In accordance with the key audit matters, we reviewed the business report and the accompanying supplementary schedules, the consolidated financial statements (consolidated balance sheet, consolidated statement of income, consolidated statement of changes in net assets and consolidated tables of explanatory notes) and the non-consolidated financial statements (non-consolidated balance sheet, non-consolidated statement of income, non-consolidated statement of changes in net assets and non-consolidated tables of explanatory notes), the supplementary schedules thereto, for the fiscal year ended March 31, 2021.

2. Results of audit

(1) Results of audit of business report and other relevant documents

- (i) The business report and supplementary schedules present fairly the financial condition of the Company in conformity with related laws and regulations and the Articles of Incorporation of the Company.
- (ii) Regarding the execution of duties by Directors, there were no instances of misconduct or material matters in violation of laws and regulations, nor of the Articles of Incorporation of the Company.
- (iii) The resolution of the Board of Directors regarding the internal control system is fair and reasonable. There are no matters requiring additional comment regarding the contents of the business report on such internal control and the execution of duties by Directors.

(2) Results of audit of consolidated financial statements

The auditing methods and results of the Accounting Auditor, Deloitte Touche Tohmatsu LLC, are fair and reasonable.

(3) Results of audit of non-consolidated financial statements and supplementary schedules

The auditing methods and results of the Accounting Auditor, Deloitte Touche Tohmatsu LLC, are fair and reasonable.

May 18, 2021

The Audit & Supervisory Board, Azbil Corporation

Hisaya Katsuta,
Audit & Supervisory Board member

Tomohiko Matsuyasu,
Audit & Supervisory Board member

Kinya Fujimoto,
Outside Audit & Supervisory Board member

Minoru Sakuma,
Outside Audit & Supervisory Board member

Fumitoshi Sato,
Outside Audit & Supervisory Board member