



*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 3, 2024**

**Notice of the 102nd Ordinary General Meeting of Shareholders**

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# **Azbil Corporation**

**June 3, 2024**

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

## **Notice of the 102nd 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: Tuesday, June 25 at 10 a.m., 2024 (Japan Time)
2. Place: The Hall, 4<sup>th</sup> Floor of the JP TOWER Hall & Conference,  
2-7-2 Marunouchi, Chiyoda-ku, Tokyo
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 Committee for the 102<sup>nd</sup> term from April 1, 2023 to March 31, 2024
- Item 2: Non-Consolidated Financial Statements for the 102<sup>nd</sup> term from April 1, 2023 to March 31, 2024

### **Items to be Resolved**

- Item 1: Appropriation of surplus
- Item 2: Election of twelve (12) directors

## Reference Materials for the General Meeting of Shareholders

### Item 1: Appropriation of surplus

For the Company, returning profits to our shareholders is an important priority for management. While working to increase the level of dividends, we strive to maintain dividend stability, based on consolidated financial results, referring to dividend on equity (DOE), and comprehensively considering levels of Return on Equity (ROE) established as targets in the medium-term plan, and retained earnings required to invest actively in growth and to ensure future business development.

Based on this policy, year-end dividends for the 102<sup>nd</sup> term are proposed as follows.

(1) Type of dividend

Cash

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

¥39.5 per share of Company common stock

Total amount: ¥5,307,194,444

As the interim dividend of ¥36.5 per share was paid in December 2023, the total dividend for full year is ¥76 per share.

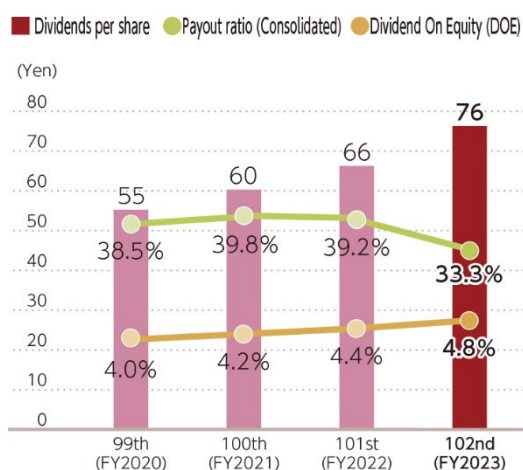
(3) Effective date of payments for dividends from surplus

June 26, 2024

(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 dividend stability while striving to raise the level of dividend at the same time.



## Item 2: Election of twelve (12) directors

The terms of office for all twelve (12) current directors will expire at the conclusion of this Ordinary General Meeting of Shareholders. Accordingly, the election of twelve (12) directors including eight (8) outside directors is proposed based on the decision of the Nomination Committee.

The following individuals are candidates for directors. Furthermore, candidates for independent outside directors were judged to have sufficient independence with no potential conflict of interest occurring between them and the general shareholders in accordance with the “Criteria for independence of outside directors” prescribed by the Company on its own. In addition, since they meet the independent requirements established by the Tokyo Stock Exchange, the Company has already reported six (6) current outside directors as independent officers to the Tokyo Stock Exchange, and plan to report two (2) newly nominated candidates for outside directors as well.

No.	Name	Position and section of which the candidate is in charge in the Company	Attendance record at Board of Directors meetings and Committee meetings	
1	Hirozumi Sone	Director and Chairperson Non-executive Director Chairperson of the Board Responsible for Board Effectiveness Enhancement	Board of Directors meetings 12/12	<div>Reappointment</div> <div>Non-outside</div>
2	Kiyohiro Yamamoto	Director, Representative Corporate Executive President and Group Chief Executive Officer Nomination Committee Member Responsible for Internal Audit	Board of Directors meetings 12/12  Nomination Committee meetings 12/12	<div>Reappointment</div> <div>Non-outside</div>
3	Takayuki Yokota	Director, Representative Corporate Executive Deputy President Remuneration Committee Member Responsible for Assistant to President, Corporate Administration, Management, Corporate Communication, Sustainability (& azbil Group CSR), Life Automation Business	Board of Directors meetings 12/12  Remuneration Committee meetings 10/10	<div>Reappointment</div> <div>Non-outside</div>
4	Hisaya Katsuta	Non-executive Director Audit Committee Member	Board of Directors meetings 12/12  Audit Committee meetings 13/13	<div>Reappointment</div> <div>Non-outside</div>

5	Waka Fujiso	Outside Director Remuneration Committee Member	Board of Directors meetings 12/12  Remuneration Committee meetings 10/10	Reappointment Outside Independent officer Female
6	Mitsuhiro Nagahama	Outside Director Remuneration Committee Chairperson	Board of Directors meetings 12/12  Remuneration Committee meetings 10/10	Reappointment Outside Independent officer
7	Anne Ka Tse Hung	Outside Director Nomination Committee Member	Board of Directors meetings 12/12  Nomination Committee meetings 12/12	Reappointment Outside Independent officer Female
8	Fumitoshi Sato	Outside Director Audit Committee Chairperson	Board of Directors meetings 12/12  Audit Committee meetings 13/13	Reappointment Outside Independent officer
9	Shigeaki Yoshikawa	Outside Director Nomination Committee Member	Board of Directors meetings 12/12  Nomination Committee meetings 12/12	Reappointment Outside Independent officer
10	Tomoyasu Miura	Outside Director Remuneration Committee Member	Board of Directors meetings 12/12  Remuneration Committee meetings 10/10	Reappointment Outside Independent officer
11	Sachiko Ichikawa	New candidate	-/-	New appointment Outside Independent officer Female
12	Hiroshi Yoshida	New candidate	-/-	New appointment Outside Independent officer

No.	Name (Date of birth)	Biography	Number of Company shares owned
1	 <p>Hirozumi Sone (January 16, 1955)</p>	<p>April 1979      Joined the Company</p> <p>April 1996      Systems Marketing Manager of Systems Development Group, Industrial Systems Division</p> <p>October 1998    Transferred to Yamatake Industries Systems Co., Ltd. (Present: Advance Automation Company of the Company), General Manager of Marketing Department of Yamatake Industries Systems Co., Ltd.</p> <p>June 2000      Director, General Manager of Marketing Department of Yamatake Industries Systems Co., Ltd.</p> <p>April 2003      Vice Executive Officer of the Company, General Manager of Engineering Department, Advanced Automation Company</p> <p>April 2005      Executive Officer, General Manager of the Corporate Planning Department</p> <p>April 2008      Managing Executive Officer, General Manager of the Corporate Planning Department</p> <p>April 2009      Managing Executive Officer</p> <p>June 2010      Director and Managing Executive Officer</p> <p>April 2012      Representative Director, President and Chief Executive Officer</p> <p>April 2020      Representative Director, Executive Chairperson, President and Group Chief Executive Officer</p> <p>June 2020      Representative Director Chairperson, Executive Chairperson of the Company</p> <p>June 2021      Outside Director of Yasuda Logistics Corporation (Present post)</p> <p>June 2022      Director and Chairperson of the Company (Present post)</p> <p>June 2023      Outside Director of Mizuho Leasing Company, Limited (Present post)</p>	<p>37,100</p>
			<p>Number of Company shares to be provided under the Stock Compensation Plan</p>
			<p>243</p>

■ Number of meetings of the Board of Directors attended

12 of 12

■ Position and section of which the candidate is in charge in the Company

Position: director and chairperson

Section: non-executive director, chairperson of the Board, board effectiveness enhancement

■ Important concurrent positions outside the Company

Outside director of Yasuda Logistics Corporation


Outside director of Mizuho Leasing Company, Limited

■ Reasons for nomination as a candidate for director

Hirozumi Sone has been involved in control and automation business for industrial market both



domestically and abroad, successively serving as the head of marketing and engineering of the Advanced Automation business, the president of a subsidiary, and the general manager of the Corporate Planning Department. He went on to become the president and chief executive officer of Azbil Corporation from 2012 and provided direction for management as CEO. He has worked to expand business and enhance sustainable enterprise value, including rebuilding the business portfolio and entering into new business fields through implementation of the corporate philosophy of “human-centered automation.” Since he assumed the posts of representative director chairperson and chairperson of the Board in 2020 and as non-executive director chairperson and chairperson of the Board following the Company’s transition to a company with a three-committee board structure, he has been continuously working to strengthen corporate governance and improve the effectiveness of the Board of Directors. Because of these, the Company has judged that it can expect him to leverage his abundant management experience at the Company to strengthen its management supervision functionality and demonstrate the skills expected of him by the Company (see the skill matrix presented later in this document). Therefore, as the Company has judged he can contribute to the enhancement of sustainable enterprise value, it has proposed that he continue serving as director and has put him forward as a candidate.

No.	Name (Date of birth)	Biography	Number of Company shares owned
2	 Kiyohiro Yamamoto (March 14, 1965)	April 1989 April 2007	13,639
		April 2011	
		April 2012	
		April 2014	
		April 2017	
		April 2018	Number of Company shares to be provided under the Stock Compensation Plan
		April 2020 June 2020	1,485
		June 2022	
		May 2023	

■ Number of meetings of the Board of Directors/ the Committee attended

Board of Directors meetings: 12/12

Nomination Committee meetings: 12/12

■ Position and section of which the candidate is in charge in the Company

Position: director, representative corporate executive, president & Group chief executive officer

Section: Nomination Committee member, internal audit


■ Important concurrent positions outside the Company

Chairman of Nippon Electric Control Equipment Industries Association

■ Reasons for nomination as a candidate for director

Kiyohiro Yamamoto has been engaged in marketing, sales, and business planning for domestic and overseas markets in the Building Automation business and has accumulated extensive results as a person responsible for this business overseas. He has worked to create new solutions, establish energy management businesses, and contribute to the management, of joint ventures. Moreover, having served as general manager of the Corporate Planning Department and as the person in charge of marketing for the overall Group, since 2020 he has served as representative

director president and led management as the CEO, formulating new long-term targets and a medium-term plan. As representative corporate executive, president & Group CEO following the Company's transition to a company with a three-committee board structure, he has been aiming to make contributions that will connect "in series" to the achievement of a sustainable society under a philosophy of "human-centered automation," and working to sustainably increase enterprise value. Because of these, the Company has judged that it can expect him to leverage his abundant management experience at the Company to demonstrate the skills expected of him by the Company (see the skill matrix presented later in this document). Therefore, as the Company has judged that he can contribute to the enhancement of sustainable enterprise value, it has proposed that he continue serving as director and has put him forward as a candidate.

No.	Name (Date of birth)	Biography	Number of Company shares owned
3	 Takayuki Yokota (November 1, 1960)	April 1983      Joined The Fuji Bank, Limited (Present: Mizuho Bank, Ltd.)	14,900
		November 2005      Chief IR Officer at Investor Relations, Mizuho Financial Group, Inc.	
		April 2010      Executive Officer and Head of the Investment Banking Business Management Department, Mizuho Corporate Bank, Limited (Present: Mizuho Bank, Ltd.)	
		June 2012      Audit & Supervisory Board Member of Mizuho Research Institute Ltd. (Present: Mizuho Research & Technologies, Ltd.)	
		April 2013      Joined the Company (Senior Officer)	
		April 2014      Executive Officer, Head of Group Management Headquarters	Number of Company shares to be provided under the Stock Compensation Plan
		April 2016      Managing Executive Officer, Head of Group Management Headquarters	
		April 2017      Managing Executive Officer, Head of Group Management Headquarters and Head of International Business Headquarters	
		April 2018      Managing Executive Officer	949
		June 2018      Director and Managing Executive Officer	
		April 2020      Director and Senior Managing Executive Officer	
		June 2022      Director and Representative Senior Managing Corporate Executive	
		June 2023      Director and Representative Corporate Executive Deputy President (Present post)	

■ Number of meetings of the Board of Directors/the Committee attended

Board of Directors meetings: 12/12

Remuneration Committee meetings: 10/10

■ Position and section of which the candidate is in charge in the Company

Position: director, representative corporate executive deputy president

Section: Remuneration Committee member, assistant to president, corporate administration, management, corporate communication, sustainability (& azbil Group CSR), Life Automation business


■ Important concurrent positions outside the Company

None

■ Reasons for nomination as a candidate for director

Takayuki Yokota has been successively serving as the head of Group Management Headquarters and the head of International Business Headquarters of Azbil Corporation. He assumed the post of director in 2018 and has been responsible for overall corporate

administrative functions, and he has worked on risk management, corporate governance, CSR initiatives, active returns to shareholders as well as appropriate compliance in accounting. Moreover, he is making use of his experience of global business and IR activities, gained at a financial institution, to improve the structure of overseas subsidiaries as well as develop a global foundation for overseas business growth. Also, as the chief officer in charge of Corporate Communications, he is actively promoting measures such as constructive communication with stakeholders. Moreover, as representative corporate executive following the Company's transition to a company with a three-committee board structure, he has been serving as a person responsible for overall corporate administrative functions, including sustainability, and since April 2023, also responsible for promoting the Life Automation business. Because of these, the Company has judged that it can expect him to demonstrate the skills expected of him by the Company (see the skill matrix presented later in this document). Therefore, as the Company has judged he can contribute to the enhancement of sustainable enterprise value, it has proposed that he continue serving as director and has put him forward as a candidate.

No.	Name (Date of birth)	Biography	Number of Company shares owned
4	 Hisaya Katsuta (February 27, 1958)	April 1983      Joined the Company April 2005      General Manager of Production Planning Department February 2010   General Manager of Internal Audit Department April 2011      Senior Officer, General Manager of Internal Audit Department April 2012      Senior Officer, Manager of Production Management Department, Production Management Headquarters April 2014      Senior Officer, Manager of Purchasing Department, Production Management Headquarters June 2015      Audit & Supervisory Board Member June 2022      Director (Present post)	11,800        Number of Company shares to be provided under the Stock Compensation Plan   243

■ Number of meetings of the Board of Directors/the Committee attended

Board of Directors meetings: 12/12

Audit Committee meetings: 13/13

■ Position and section of which the candidate is in charge in the Company

Position: director


Section: non-executive director, Audit Committee member

■ Important concurrent positions outside the Company

None

■ Reasons for nomination as a candidate for director

Hisaya Katsuta's experience includes serving as general manager of Production Planning Department and general manager of Internal Audit Department of the Company. In 2015, he was appointed as an Audit & Supervisory Board member, and has utilized his experience on production sites and in the internal audit division to implement audits from a company-wide perspective. In addition, since 2022 he has contributed to the improvement of the Company's corporate governance and internal control as director (full-time Audit Committee member). Moreover, he also has knowledge regarding finance and accounting as well as risk and compliance, and knowledge of on-site production function improvements, IT systems and marketing, among others. Because of these, the Company has judged that it can expect him to demonstrate the skills expected of him by the Company (see the skill matrix presented later in this document). Therefore, as the Company has judged that he can contribute to the enhancement of sustainable enterprise value, it has proposed that he continue serving as non-executive director and has put him forward as a candidate.

No.	Name (Date of birth)	Biography	Number of Company shares owned
5	 <p>Waka Fujiso (January 6, 1949)</p>	April 1980 Public prosecutor of Tokyo District Public Prosecutor's Office	2,000
		April 2001 Public prosecutor of Tokyo High Public Prosecutor's Office	
		December 2007 Public prosecutor of Supreme Public Prosecutors Office	
		March 2008 Retired from Public prosecutor of Supreme Public Prosecutors Office	
		April 2008 Member of Information Disclosure and Personal Information Protection Review Board, Cabinet Office (Retired in November 2008)	Number of Company shares to be provided under the Stock Compensation Plan
		April 2009 Professor of Rikkyo University's Law School (Retired in March 2014)	243
		September 2011 Member of the Medical Ethics Council of Ministry of Health, Labor and Welfare (Retired in October 2019)	
		June 2015 Substitute Audit & Supervisory Board Member of the Company	
		June 2018 Outside Director (Present post)	

■ Number of meetings of the Board of Directors/the Committee attended

Board of Directors meetings: 12/12

Remuneration Committee meetings: 10/10

■ Position and section of which the candidate is in charge in the Company

Position: outside director

Section: Remuneration Committee member

■ Important concurrent positions outside the Company

None

■ Reasons for nomination as a candidate for outside director and outline of expected roles

Waka Fujiso possesses extensive knowledge and experience that she gained mainly during her activities over many years as a public prosecutor, and, after retiring from the position of public prosecutor at the Supreme Public Prosecutors Office, during her service as a council member at a government agency at which time she also taught at a law school. At Board of Directors meetings of the Company, she not only supervises business execution, but also proactively offers opinions from the perspectives of sustainability and CSR based on her extensive knowledge and experience as a legal expert, aiming at more thorough compliance management and risk management as well as the enhancement of management transparency and fairness. In these ways, she fulfills such appropriate roles as supervising and giving advice on business execution. She is expected to continue contributing to the enhancement of the Company's management going forward. Moreover, as a Remuneration Committee member, she works to

strengthen the Company's corporate governance through discussions in the Remuneration Committee. Because of these, the Company has judged that it can expect her to demonstrate the skills expected of her by the Company (see the skill matrix presented later in this document). Therefore, as the Company has judged that she can contribute to the enhancement of sustainable enterprise value, it has proposed that she continue serving as outside director and has put her forward as a candidate. Although she has not in the past been involved in the management of a company except as an outside director or outside Audit & Supervisory Board member, the Company has judged that she will fulfill her duties as an outside director based on the above reasons.


■ Term of office as outside director

The term of office of Waka Fujiso as outside director shall be six (6) years from the conclusion of this Ordinary General Meeting of Shareholders.

■ Independence of the candidate for outside director of the Company

The Company does not conduct monetary or other transactions with Waka Fujiso except the remuneration she receives as outside director of the Company, and there are no vested interests between her and the management of the Company, and the Company judges there to be no possibility of the occurrence of conflict of interest with general shareholders and that she has sufficient independence, in accordance with the "Criteria for independence of outside director" prescribed by the Company on its own. The Company has reported her as an independent director to the Tokyo Stock Exchange.



No.	Name (Date of birth)	Biography		Number of Company shares owned
6	 Mitsuhiro Nagahama (October 24, 1953)	April 1976	Joined The Fuji Bank Limited. (Present: Mizuho Bank, Ltd.)	—
		March 2003	Executive Officer and General Manager of Otemachi Corporate Banking Division No. 6 and Otemachi Corporate Banking Division No. 7, Mizuho Corporate Bank, Ltd. (Present: Mizuho Bank, Ltd.)	
		April 2005	Senior Executive Officer in charge of Corporate Banking, Mizuho Corporate Bank, Ltd.	
		March 2006	Senior Executive Officer and Head of the Americas, Mizuho Corporate Bank, Ltd.	
		April 2010	Deputy President and Deputy President-Executive Officer and Head of the Americas, Mizuho Corporate Bank, Ltd. (Retired in April 2013)	
		April 2013	Chairman of the Board of Mizuho Securities Co., Ltd. & Mizuho Securities USA Inc.	Number of Company shares to be provided under the Stock Compensation Plan
		April 2015	Advisor of Mizuho Securities Co., Ltd. (Retired in March 2020)	
		June 2015	Outside Audit & Supervisory Board Member of the Company	
		March 2018	Outside Audit & Supervisory Board Member of KURARAY Co., Ltd. (Present post)	243
		March 2019	Outside Director of Tokyo Tatemono Co., Ltd. (Retired in March 2021)	
		June 2019	Outside Director (Present post)	
		June 2020	Outside Director of NSK Ltd. (Scheduled to retire in June 2024)	

Note: Mitsuhiro Nagahama is scheduled to be elected as an Outside Director of Toshiba Tec Corporation at the company's ordinary general meeting of shareholders to be held on June 28, 2024. There is no business relationship between Toshiba Tec Corporation and the Company.

- Number of meetings of the Board of Directors/the Committee attended  
Board of Directors meetings: 12/12  
Remuneration Committee meetings: 10/10
- Position and section of which the candidate is in charge in the Company  
Position: outside director  
Section: Remuneration Committee chairperson
- Important concurrent positions outside the Company  
Outside Audit & Supervisory Board member of KURARAY Co., Ltd.  
Outside director of NSK Ltd.

■ Reasons for nomination as a candidate for outside director and outline of expected roles

Mitsuhiro Nagahama possesses broad knowledge and extensive experience in corporate management, financial/securities sectors and global business, as he has successively served in important posts at financial institutions. After he assumed the post of outside Audit & Supervisory Board member in 2015, he has audited the Company's overall business with his outstanding insights on corporate governance and ideal way of company management. Furthermore, he has not only supervised business execution as an outside director since 2019, but also proactively offered opinions to enhance management transparency from the perspective of the capital markets and based on a global perspective. In these ways, he fulfills such appropriate roles as supervising and giving advice on business execution. He is expected to continue contributing to the enhancement of the Company's management going forward. Moreover, as the Remuneration Committee chairperson, he leads discussions in the Remuneration Committee and works to strengthen the Company's corporate governance. Because of these, the Company has judged that it can expect him to demonstrate the skills expected of him by the Company (see the skill matrix presented later in this document). Therefore, as the Company has judged that he can contribute to the enhancement of sustainable enterprise value, it has proposed that he continue serving as outside director and has put him forward as a candidate.

■ Term of office as outside director

The term of office of Mitsuhiro Nagahama as outside director shall be five (5) years from the conclusion of this Ordinary General Meeting of Shareholders.


■ Independence of the candidate for outside director of the Company

The Company does not conduct monetary or other transactions with Mitsuhiro Nagahama except the remuneration he receives as outside director of the Company, and there are no vested interests between him and the Company's management.

While Mitsuhiro Nagahama comes from Mizuho Bank, Ltd., he retired from said bank eleven (11) years ago. Although said bank possesses 1,400 thousand shares of the Company, its percentage of total shares issued is 1.04%, which is far less than the major shareholder standard (10%) stipulated by the Financial Instruments and Exchange Act. In addition, the amount of the borrowings from said bank is 5,348 million yen, which is 1.7% of the Company's consolidated total assets of 313,728 million yen but the azbil group does not effectively have loans payable (net balance of loans not exceeding current liquidity deposited to such lender.) Thus said bank is not a major lender as per the "Criteria for independence of outside directors" (hereinafter referred to as the "Criteria for independence") established by the Company. In addition, while Mitsuhiro Nagahama did serve as a director at Mizuho Securities Co., Ltd., he retired in March 2015. (He retired as an advisor of Mizuho Securities Co., Ltd. in March 2020.)

While the Company has transaction relationships with Mizuho Securities Co., Ltd., in both the most recent fiscal year and the preceding three (3) fiscal years, the amount of the transactions makes up less than 0.3% of the consolidated net sales of both the Company and said company. Moreover, while the Company has transaction relationships with KURARAY Co., Ltd., and NSK Ltd., at which Mitsuhiro Nagahama concurrently serves at present, 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 he concurrently serves during the same period, which does not make these companies major business partners as per the “Criteria for independence” established by the Company.

Based on the above, the Company judges there to be no possibility of the occurrence of conflict of interest with general shareholders and that he has sufficient independence and has reported him as an independent director to the Tokyo Stock Exchange.

No.	Name (Date of birth)	Biography	Number of Company shares owned
7	 Anne Ka Tse Hung (January 12, 1964)	July 1987      Joined Baker McKenzie July 1991      Moved to Baker McKenzie Tokyo July 1999      Partner of the firm July 2018      Senior Counsel of the firm March 2019    Retired from Senior Counsel of the firm June 2020      Outside Director of the Company (Present post)	—
			Number of Company shares to be provided under the Stock Compensation Plan*
			—

\*Note: As Anne Ka Tse Hung is not resident in Japan as of the end of March 2024, the Company plans to pay her an amount of cash remuneration corresponding to her stock compensation. For details of the executive remuneration system, refer to “3. Matters Concerning Officers – (2) Remuneration, etc., paid to directors and corporate executives”.

■ Number of meetings of the Board of Directors/the Committee attended

Board of Directors meetings: 12/12

Nomination Committee meetings: 12/12

■ Position and section of which the candidate is in charge in the Company

Position: outside director

Section: Nomination Committee member

■ Important concurrent positions outside the Company

Lawyer (Australia, United Kingdom, Hong Kong)

■ Reasons for nomination as a candidate for outside director and outline of expected roles

Anne Ka Tse Hung worked at an international law office as a partner attorney, and supported the conclusion of agreements for the international transactions of Japanese companies, in addition to overseas corporate matters. She also has business experience with many Japanese companies, is familiar with Japanese business customs, and possesses knowledge in the industry to which the Company belongs. At Board of Directors’ meetings, she draws on her expert knowledge of international business not only to supervise business execution, but also to proactively offer opinions based on her global perspective, such as business promotion system targeting international business growth and her approach to investment for medium- and long-term growth. In these ways, she fulfills such appropriate roles as supervising and


giving advice on business execution. She is expected to continue contributing to the enhancement of the Company's management going forward. Moreover, as a Nomination Committee member, she works to strengthen the Company's corporate governance through discussions in the Nomination Committee. Because of these, the Company has judged that it can expect her to demonstrate the skills expected of her by the Company (see the skill matrix presented later in this document). Therefore, as the Company has judged that she can contribute to the enhancement of sustainable enterprise value, it has proposed that she continue serving as outside director and has put her forward as a candidate. Although she has not in the past been involved in the management of a company except as an outside director or outside audit & supervisory board member, the Company has judged that she will fulfill her duties as an outside director based on the above reasons.

■ Term of office as outside director

The term of office of Anne Ka Tse Hung as outside director shall be four (4) years from the conclusion of this Ordinary General Meeting of Shareholders.

■ Independence of the candidate for outside director of the Company

The Company does not conduct monetary or other transactions with Anne Ka Tse Hung except the remuneration she receives as outside director of the Company, and there are no vested interests between her and the management of the Company, and the Company judges there to be no possibility of the occurrence of conflict of interest with general shareholders and that she has sufficient independence, in accordance with the "Criteria for independence of outside directors" prescribed by the Company on its own. The Company has reported her as an independent director to the Tokyo Stock Exchange.

No.	Name (Date of birth)	Biography		Number of Company shares owned
8	 Fumitoshi Sato (February 16, 1954)	April 1976	Joined Bank of Japan	4,500
		April 1998	General Manager of Aomori Branch, Bank of Japan	
		May 2001	General Manager of Fukuoka Branch, Bank of Japan	
		April 2004	Retired from the Bank	
		April 2004	Senior Corporate Officer of HORIBA, Ltd.	
		June 2005	Managing Director of HORIBA, Ltd., General Manager of General Administration Division (Retired in March 2017)	Number of Company shares to be provided under the Stock Compensation Plan
		March 2017	Adviser of HORIBA, Ltd. (Retired in May 2018)	
		June 2019	Outside Director of TOMY Company, Ltd. (Present post)	243
June 2019	Outside Audit & Supervisory Board Member of the Company			
June 2022	Outside Director (Present post)			

■ Number of meetings of the Board of Directors/ the Committee attended

Board of Directors meetings: 12/12

Audit Committee meetings: 13/13

■ Position and section of which the candidate is in charge in the Company

Position: outside director

Section: Audit Committee chairperson

■ Important concurrent positions outside the Company

Outside director of TOMY Company, Ltd.

■ Reasons for nomination as a candidate for outside director and outline of expected roles

Fumitoshi Sato has successively served in important posts at the Bank of Japan, and in addition to his broad knowledge and extensive experience in the financial sector, he has work experience in the management division overseeing accounting, legal affairs, and human resources at an operating company in the manufacturing industry and management experience as a director. After he assumed the post of outside Audit & Supervisory Board member in 2019, and audited the Company's business in general, and since 2022 he has contributed to the improvement of the Company's corporate governance and internal control as director (Audit Committee member). In the Company's meetings of the Board of Directors, he proactively offers opinions regarding the appropriateness of the Company's business and financial strategies, and from the perspective of the risk management and corporate governance enhancement. In addition, he has knowledge of finance, accounting, and legal affairs, as well as knowledge of corporate management, and he is expected to contribute to the enhancement of the Company's management. Moreover, as the

Audit Committee chairperson, he leads audit activities and discussions in the Audit Committee and works to strengthen the Company's corporate governance. Because of these, the Company has judged that it can expect him to demonstrate the skills expected of him by the Company (see the skill matrix presented later in this document). Therefore, as the Company has judged that he can contribute to the enhancement of sustainable enterprise value, it has proposed that he continue serving as outside director and has put him forward as a candidate.

■ Term of office as outside director


The term of office of Fumitoshi Sato as outside director shall be two (2) year from the conclusion of this Ordinary General Meeting of Shareholders.

■ Independence of the candidate for outside directors of the Company

The Company does not conduct monetary or other transactions with Fumitoshi Sato except the remuneration he receives as outside director of the Company, and there are no vested interests between him and the Company's management.

While he did serve as a director at HORIBA, Ltd. he retired in March 2017. (He retired as an advisor of HORIBA, Ltd. in May 2018.) Moreover, while the Company has a transaction relationship with HORIBA, Ltd., in both the most recent fiscal year and the preceding three (3) fiscal years, the amount of the transactions makes up less than 0.1% of the consolidated net sales of both the Company and HORIBA, Ltd., which does not make HORIBA, Ltd. a major business partner as per the "Criteria for independence of outside directors" established by the Company. Also, there are no special relationship between the Company and TOMY Company, Ltd. at which he concurrently serves.

Based on the above, the Company judges there to be no possibility of the occurrence of conflict of interest with general shareholders and that he has sufficient independence and has reported him as an independent director to the Tokyo Stock Exchange.

No.	Name (Date of birth)	Biography	Number of Company shares owned
9	 <p>Shigeaki Yoshikawa (June 23, 1953)</p>	<p>April 1977    Joined Mitsubishi Corporation</p> <p>June 2004    General Manager of Singapore Branch</p> <p>July 2006    General Manager of Regional Strategy &amp; Coordination Dept.</p> <p>April 2008    Senior Vice President, General Manager of Global Strategy &amp; Coordination Dept.</p> <p>April 2010    Senior Vice President, Chief Regional Officer for the Middle East</p> <p>April 2013    Executive Vice President, Regional CEO for the Middle East &amp; Central Asia</p> <p>April 2016    Corporate Advisor (Retired in August 2016)</p> <p>September 2016    Corporate Advisor of Mitsubishi Research Institute, Inc.</p> <p>October 2016    Executive Vice President</p> <p>December 2016    Representative Member of the Board, Executive Vice President &amp; COO</p> <p>December 2020    Corporate Advisor</p> <p>April 2021    Visiting Professor (Department of Business Design, Faculty of Global Business), Research Fellow (Institute of Current Business Studies) of Showa Women's University, Tokyo (Present post)</p>	—
		<p>June 2021    Vice Chairman &amp; Executive Director of The Japan Singapore Association</p> <p>Jan. 2022    Senior Corporate Advisor of Mitsubishi Research Institute, Inc (Retired in December 2023)</p> <p>June 2022    Outside Director of the Company (Present post)</p> <p>June 2023    Chairman &amp; Representative Director of The Japan Singapore Association (Present post)</p> <p>June 2023    Outside Director of Mochida Pharmaceutical Co., Ltd. (Present post)</p>	243

■ Number of meetings of the Board of Directors/the Committee attended

Board of Directors meetings: 12/12

Nomination Committee meetings: 12/12

■ Position and section of which the candidate is in charge in the Company

Position: outside director

Section: Nomination Committee member

■ Important concurrent positions outside the Company

Outside director of Mochida Pharmaceutical Co., Ltd.

Chairman & representative director of The Japan Singapore Association

■ Reasons for nomination as a candidate for outside director and outline of expected roles

Shigeaki Yoshikawa has held key positions in a general trading company with global



operations, and has broad knowledge and abundant experience regarding overseas business development and business portfolio strategies, as well as corporate management experience and so forth at a think-tank consulting firm. He assumed the post of outside director of the Company in 2022, and has proactively offered his opinions regarding the Company's international business strategies, approach to business strategies for medium- to long-term growth and human resource development based on his extensive experience and insight into overseas business, as well as his knowledge of marketing and sales. In these ways, he fulfills such appropriate roles as supervising and giving advice on business execution, and is expected to continue contributing to the enhancement of the Company's management going forward. Moreover, as a Nomination Committee member, he works to strengthen the Company's corporate governance through discussions in the Nomination Committee. Because of these, the Company has judged that it can expect him to demonstrate the skills expected of him by the Company (see the skill matrix presented later in this document). Therefore, as the Company has judged that he can contribute to the enhancement of sustainable enterprise value, it has proposed that he continue serving as outside director and has put him forward as a candidate.

■ Term of office as outside director

The term of office of Shigeaki Yoshikawa as outside director shall be two (2) year from the conclusion of this Ordinary General Meeting of Shareholders.

■ Independence of the candidate for outside director of the Company

The Company does not conduct monetary or other transactions with Shigeaki Yoshikawa except the remuneration he receives as outside director of the Company, and there are no vested interests between him and the Company's management.

While he did serve as an executive vice president of Mitsubishi Corporation, he retired from this position in March 2016 (he retired as a corporate advisor of Mitsubishi Corporation in August 2016). Moreover, while the Company has a transaction relationship with Mitsubishi Corporation, in both the most recent fiscal year and the preceding three (3) fiscal years, the amount of the transactions makes up less than 0.1% of the consolidated net sales of both the Company and Mitsubishi Corporation, which does not make Mitsubishi Corporation a major business partner as per "the Criteria for independence of outside directors" established by the Company. Also, there are no special relationship between the Company and Mochida Pharmaceutical Co., Ltd. or the Japan Singapore Association at which he concurrently serves. Based on the above, the Company judges there to be no possibility of the occurrence of conflict of interest with general shareholders and that he has sufficient independence and has reported him as an independent director to the Tokyo Stock Exchange.

No.	Name (Date of birth)	Biography		Number of Company shares owned
10	 Tomoyasu Miura (June 30,1961)	April 1986	Joined Nomura Research Institute, Ltd.	—
		April 2001	Manager of Financial Consulting Service Department II of Nomura Research Institute, Ltd.	
		April 2008	Manager of Financial Strategic Consulting Service Department of Nomura Research Institute, Ltd.	
		April 2009	Senior Managing Director, Deputy Manager of Management Consulting Service Division of Nomura Research Institute, Ltd.	
		April 2010	Senior Managing Director, Deputy Manager of System Consulting Service Division of Nomura Research Institute, Ltd.	
		April 2011	Senior Managing Director, Manager of Center for Corporate Planning Division of Nomura Research Institute, Ltd.	Number of Company shares to be provided under the Stock Compensation Plan
		April 2014	Senior Managing Director, Division Manager of the Center for Strategic Management & Innovation of Nomura Research Institute, Ltd.	
		April 2017	Counselor of Nomura Research Institute, Ltd. (Retired in June 2022) Deputy Dean of Nomura School of Advanced Management	
		June 2018	Executive Director & Dean of Nomura School of Advanced Management (Retired in May 2022)	
		August 2019	Auditor of Research Institute of Science for Education (Present post)	
June 2022	Outside Director of the Company (Present post)	243		

■ Number of meetings of the Board of Directors/the Committee attended

Board of Directors meetings: 12/12

Remuneration Committee meetings: 10/10

■ Position and section of which the candidate is in charge in the Company

Position: outside director

Section: Remuneration Committee member

■ Important concurrent positions outside the Company

Auditor of Research Institute of Science for Education

■ Reasons for nomination as a candidate for outside director and outline of expected roles

Tomoyasu Miura has held key positions at a think-tank consulting firm and possesses knowledge and experience of a wide range of fields, such as IT, technology innovation, and new business creation, as well as abundant experience in development of management human resources at a public interest incorporated foundation. He assumed the post of outside director

of the Company in 2022, and has proactively offered his opinions from the perspectives of business strategies, including consideration of technological aspects, for the Company's medium- to long-term growth, and of human resource development, based on his abundant knowledge of the IT and technology domains, his experience of new business creation, and his experience of human resource development. In these ways, he fulfills such appropriate roles as supervising and giving advice on business execution, and is expected to continue contributing to the enhancement of the Company's management going forward. Moreover, as a Remuneration Committee member, he works to strengthen the Company's corporate governance through discussions in the Remuneration Committee. Because of these, the Company has judged that it can expect him to demonstrate the skills expected of him by the Company (see the skill matrix presented later in this document). Therefore, as the Company has judged that he can contribute to the enhancement of sustainable enterprise value, it has proposed that he continue serving as outside director and has put him forward as a candidate.

■ Term of office as outside director


The term of office of Tomoyasu Miura as outside director shall be two (2) year from the conclusion of this Ordinary General Meeting of Shareholders.

■ Independence of the candidate for outside director of the Company

The Company does not conduct monetary or other transactions with Tomoyasu Miura except the remuneration he receives as outside director of the Company, and there are no vested interests between him and the Company's management.

While he did serve as counselor of Nomura Research Institute, Ltd. (NRI) and executive director & dean of Nomura School of Advanced Management (NSAM), a public interest incorporated foundation, he retired in June 2022 and May 2022 respectively. The Company currently has transaction relationships with NRI and NSAM related to consulting and training services. However, in both the most recent fiscal year and the preceding three (3) fiscal years, the amount of transactions with NRI makes up less than 0.1% of the consolidated net sales of both the Company and NRI. As regards the Company's relationship with NSAM, the amount of transactions (training fees paid to NSAM) as a percentage of NSAM's net sales is less than 1.4%; in monetary terms, this is less than 7 million yen per fiscal year. Note that the Company has no sales to NSAM. Thus, neither NRI nor NSAM is a major business partner as per "the Criteria for independence of outside directors" established by the Company. Also, there are no special relationship between the Company and Research Institute of Science for Education at which he concurrently serves.

Based on the above, the Company judges there to be no possibility of the occurrence of conflict of interest with general shareholders and that he has sufficient independence and has reported him as an independent director to the Tokyo Stock Exchange.

No.	Name (Date of birth)	Biography	Number of Company shares owned
11	 <p>Sachiko Ichikawa (January 17, 1967)</p>	<p>April 1997 Registered as attorney (Member of Dai-Ichi Tokyo Bar Association), Joined Tanabe &amp; Partners Law Office</p> <p>January 2005 Registered as attorney (Member of New York State Bar Association)</p> <p>January 2011 Partner of Tanabe &amp; Partners Law Office (Present post)</p> <p>June 2015 Outside Director of ANRITSU CORPORATION (Retired in June 2017)</p> <p>April 2018 Registered as certified public accountant of the U.S.A.</p> <p>May 2018 Outside Audit &amp; Supervisory Board Member of Ryohin Keikaku Co., Ltd. (Retired in November 2021)</p> <p>June 2020 Statutory Auditor of The Board Director Training Institute of Japan</p> <p>June 2021 Outside Director of Tokyo Electron Ltd. (Present post)</p> <p>June 2021 Outside Director of Olympus Corporation (Present post)</p> <p>June 2022 Director of The Board Director Training Institute of Japan (Present post)</p>	—

■ Number of meetings of the Board of Directors attended

-

■ Position and section of which the candidate is in charge in the Company

New candidate

■ Important concurrent positions outside the Company

Partner of Tanabe & Partners Law Office

Outside director of Tokyo Electron Ltd.

Outside director of Olympus Corporation

Director of The Board Director Training Institute of Japan

■ Reasons for nomination as a candidate for outside director and outline of expected roles

Sachiko Ichikawa has a global perspective, extensive experience, broad knowledge and expertise as an attorney (in Japan and in New York State, the U.S.) and a U.S. certified public accountant. Moreover, she has served as an outside officer at other listed companies, primarily in the manufacturing industry, and has excellent insights concerning the ideal shape of corporate governance and company management. The Company believes that as an outside director of the Company, she will leverage her abundant and specialist knowledge and experience related to legal affairs and accounting, along with her insights in areas such as corporate governance and compliance to not only provide supervision of the business execution

at the Board of Directors but also offer objective suggestions, advice, and so forth from a wide range of perspectives to enhance the transparency of management. Because of these, the Company has judged that it can expect her to demonstrate the skills expected of her by the Company (see the skill matrix presented later in this document). Therefore, as the Company has judged that she can contribute to the enhancement of sustainable enterprise value, it has newly proposed her as a candidate for outside director. Although she has not in the past been involved in the management of a company except as an outside director or outside Audit & Supervisory Board member, the Company has judged that she will fulfill her duties as an outside director based on the above reasons.

■ Independence of the candidate for outside director of the Company


The Company does not conduct monetary or other transactions with Sachiko Ichikawa, and there are no vested interests between her and the Company's management.

Moreover, while the Company has transaction relationships related to Tokyo Electron Ltd., Olympus Corporation, and The Board Director Training Institute of Japan, at which Sachiko Ichikawa concurrently serves at present, in both the most recent fiscal year and the preceding three (3) 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 she concurrently serves, which does not make these companies major business partners as per "the Criteria for independence of outside directors" established by the Company. Also, there are no special relationship between the Company and Tanabe & Partners Law Office at which she concurrently serves.

Based on the above, the Company judges there to be no possibility of the occurrence of conflict of interest with general shareholders and that she has sufficient independence and plans to report her as an independent director to the Tokyo Stock Exchange.

■ Other special notes

Tokyo Electron Limited, of which Sachiko Ichikawa has been an outside director since June 2021, received administrative guidance in August 2022 from the Communications Infrastructure Bureau of the Ministry of Internal Affairs and Communications regarding inadequate application procedures for equipment that falls under radio frequency application equipment in accordance with the provisions of the Radio Act at the company and its group companies. She was not aware of this fact until the time of the above revelation, but she regularly reminded the executive team of importance of legal compliance at board meetings and other meetings and alerted the board of directors. Following the occurrence of the fact, she has fulfilled her responsibilities as an outside director by, among other things, demanding that the company should take appropriate measures to ensure compliance with laws and regulations and to prevent recurrence.

No.	Name (Date of birth)	Biography	Number of Company shares owned
12	 Hiroshi Yoshida (April 3, 1959)	April 1983    Joined Hitachi Chemical Co., Ltd. (Present: Resonac Corporation) June 2001    General Manager in charge of Accounting of Financial Strategy Office August 2003    General Manager in charge of Finance of Financial Strategy Office April 2006    Treasurer of Hitachi Chemical Co. America, Ltd. August 2008    Senior Manager of Corporate Planning & Development Office of Hitachi, Ltd. October 2009    Senior Manager of Corporate Planning Office of Hitachi Chemical Co., Ltd. April 2010    Head of Finance Center of CSR Department April 2014    General Manager of Risk Management Center April 2015    General Manager of Finance and Accounting Dept. of Corporate Business Strategy Headquarters April 2016    Executive Officer, Deputy General Manager of Corporate Business Strategy Headquarters June 2020    Audit & Supervisory Board Member (Retired in March 2024)	—

■ Number of meetings of the Board of Directors attended

-

■ Position and section of which the candidate is in charge in the Company

New candidate

■ Important concurrent positions outside the Company

-

■ Reasons for nomination as a candidate for outside director and outline of expected roles

Hiroshi Yoshida has held key positions at a globally operating listed chemical manufacturer. He has broad knowledge related to finance and accounting, abundant experience in management planning and strategy formulation in the manufacturing industry, and experience as both a corporate executive and an Audit & Supervisory Board member. The Company believes that as an outside director of the Company, he will leverage his wealth of specialist knowledge related to finance and accounting in addition to his extensive experience in management planning and strategy formulation in the manufacturing industry to not only provide supervision of the business execution at the Board of Directors but also offer objective suggestions, advice, and so forth from a wide range of perspectives to enhance the transparency of management. Because of these, the Company has judged that it can expect him to demonstrate the skills expected of him by the Company (see the skill matrix presented later in

this document). Therefore, as the Company has judged him appropriate and necessary for the enhancement of sustainable enterprise value, it has newly proposed him as a candidate for outside director.

■ Independence of the candidate for outside director of the Company

The Company does not conduct monetary or other transactions with Hiroshi Yoshida, and there are no vested interests between him and the Company's management.

While he did serve as corporate executive and Audit & Supervisory Board Member of Hitachi Chemical Co., Ltd. (Present: Resonac Corporation), he retired in March 2024.

Moreover, while the Company has a transaction relationship with Resonac Corporation, in both the most recent fiscal year and the preceding three (3) fiscal years, the amount of the transactions makes up less than 0.2% of the consolidated net sales of both the Company and Resonac Corporation, which does not make Resonac Corporation a major business partners as per "the Criteria for independence of outside directors" established by the Company.

Based on the above, the Company judges there to be no possibility of the occurrence of conflict of interest with general shareholders and that he has sufficient independence and plans to report him as an independent director to the Tokyo Stock Exchange.

(Reference) Skills expected of directors (Skills matrix)

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

If this item is approved, the independence, diversity, and expected skills of the entire Board of Directors will be as follows.

Of the twelve (12) candidates, three (3) are women (one (1) of whom is a foreign national).



**Skills expected of directors (Skills matrix)**

Name (Age as of June 25,2024)	Positions & planned committee membership etc. as of June 25,2024	Independence	Diversity	Expected skills						
		Independent director	Gender	Corporate management/ sustainability <sup>*Note</sup>	Global business	Financial affairs, accounting, finance	IT, technology/ control and auto- mation business	Sales, marketing	Manufacturing, research and development	Legal, risk management, compliance
Hirozumi Sone (69)	Director and Chairperson, Chairperson of the Board		M	○			○	○		○
Kiyohiro Yamamoto (59)	Director, Representative Corporate Executive, president & Group CEO, Nomination Committee Member		M	○	○		○	○	○	
Takayuki Yokota (63)	Director, Representative Corporate Executive Deputy President, Remuneration Committee Member		M	○	○	○				○
Hisaya Katsuta (66)	Director, Audit Committee Member		M			○			○	○
Waka Fujiso (75)	Outside Director, Remuneration Committee Member	○	F	○						○
Mitsuhiro Nagahama (70)	Outside Director, Remuneration Committee Chairperson	○	M	○	○	○				
Anne Ka Tse Hung (60)	Outside Director, Nomination Committee Member	○	F		○					○
Fumitoshi Sato (70)	Outside Director, Audit Committee Chairperson	○	M	○		○				○
Shigeaki Yoshikawa (71)	Outside Director, Nomination Committee Chairperson	○	M	○	○			○		
Tomoyasu Miura (62)	Outside Director, Remuneration Committee Member	○	M	○			○	○		
Sachiko Ichikawa (57)	Outside Director, Nomination Committee Member	○	F	○		○				○
Hiroshi Yoshida (65)	Outside Director, Audit Committee Member	○	M	○		○			○	

\*Note: This includes skills regarding human resources and personnel development from the viewpoint of sustainability.

(Reference) Planned committee membership for each director

If this proposal is approved, the composition of each committee will be as follows. (The “◎” mark indicates chair.)

Name	Nomination Committee Member	Audit Committee Member	Remuneration Committee Member	Positions etc. as of June 25,2024
Hirozumi Sone				Chairperson of the Board Non-executive Director
Kiyohiro Yamamoto	○			Representative Corporate Executive and President & Group CEO
Takayuki Yokota			○	Representative Corporate Executive Deputy President
Hisaya Katsuta		○		Non-executive Director
Waka Fujiso (Outside)			○	
Mitsuhiro Nagahama (Outside)			◎	
Anne Ka Tse Hung (Outside)	○			
Fumitoshi Sato (Outside)		◎		
Shigeaki Yoshikawa (Outside)	◎			
Tomoyasu Miura (Outside)			○	
Sachiko Ichikawa (Outside)	○			
Hiroshi Yoshida (Outside)		○		

- Nomination Committee: Determines the proposals concerning the election and dismissal of directors submitted at the General Meeting of Shareholders, and deliberates on matters that include the appointment and removal of members of the three committees (nomination, audit and remuneration), the election and dismissal of corporate executives, and the succession plan.
- Audit Committee: Conducts audits and prepares audit reports on the execution of duties of corporate executives and directors, determines the content of proposals concerning the election, dismissal and non-reappointment of the accounting auditor, promotes systematic audits, etc.
- Remuneration Committee: Determines the policies for remuneration systems for directors and corporate executives, determines the individual remuneration, and deliberates on other matters concerning executive remuneration, such as establishing and abolishing remuneration systems.

(Reference) Views on Strategic Shareholdings and Present State

Taking into account our business strategies, business relationships, and cooperative business affiliations, the Company holds listed shares if they are judged to contribute to the enhancement of the Company's enterprise value from a medium- to long-term perspective, and to be instrumental in maintaining and strengthening our long-term business relationships. The Company's Board of Directors regularly verifies the significance of holding individual stocks to our business, including business and financial returns, to determine whether these holdings are worth capital costs from the viewpoint of economic rationality. The results of this verification are reported along with any risks involved in holding a stock. Should it be determined, as a result of this verification, that holding an individual stock is not sufficiently advantageous, and that it cannot be judged to contribute to the improvement of the Company's enterprise value from a medium- to long-term perspective, our policy is to reduce our holdings of that stock by selling shares when deemed appropriate in light of stock prices and market trends.

	As of March 31, 2023			As of March 31, 2024		
	Number of stocks	Total amount of balance sheet (Millions of yen)	Ratio of consolidated net assets (%)	Number of stocks	Total amount of balance sheet (Millions of yen)	Ratio of consolidated net assets (%)
Unlisted shares	9	1,094	0.5	11	1,127	0.5
Shares other than unlisted shares	20	15,301	7.4	19	21,099	9.4
Total	29	16,395	8.0	30	22,226	9.9

(Reference)

#### Criteria for independence of outside directors

The Company formulated its own criteria for independence of outside directors for appointing outside director 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<sup>\*1</sup> of the Company or its consolidated subsidiary, or who served for ten (10) years prior to being appointed;  
<sup>\*1</sup>: "executive" refers to an executive director, a corporate executive, an executive officer or a head of a department and other general employees.
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;
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;
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 (3) 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<sup>\*2</sup> of the azbil Group or its parent company or its significant subsidiary, or who served in the last three (3) years;  
<sup>\*2</sup>: A major lender refers a financial institution group from which the azbil Group has borrowed funds 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 in situations where the azbil Group effectively has loans payable (net balance of loans exceeding current liquidity deposited to such lender).
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 item 7 above and who received money and other economic benefits in the annual average amount of 10 million yen or more over the past three (3) 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 items 7 or 8 above where the azbil Group is a major business partner of the said law firm, audit firm, etc., (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 in the Company), its parent company or its significant subsidiary, or who served in such a position in the last five (5) years;
11. A person who serves as an executive or an Audit & Supervisory Board member of a company that accepts a director seconded from the azbil Group, its parent company or its subsidiary;
12. A person who serves as an executive or an Audit & Supervisory Board member of a company in which the Company is a major shareholder;
13. A person who serves as an executive of an organization such as a public interest incorporated foundation, a public interest incorporated association, or a non-profit organization that has received a donation or subsidy from the azbil Group in the annual

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|---|
| <p>average of 10 million yen or more over the past three (3) fiscal years; and</p> <p>14. A spouse, a person within the second degree of consanguinity or a relative residing in the same household of a person for whom any of the above items (1 to 13) are applicable.</p> |
|---|

- Notes:
1. There are no vested interests between the candidates and the Company.
  2. The eight (8) candidates Waka Fujiso, Mitsuhiro Nagahama, Anne Ka Tse Hung, Fumitoshi Sato, Shigeaki Yoshikawa, Tomoyasu Miura, Sachiko Ichikawa and Hiroshi Yoshida are candidates for outside director, set forth in Article 2, Paragraph 3, Item 7 of the Regulation for Enforcement of the Companies Act.
  3. The above biographies, positions and sections of which they are in charge in the Company, and important concurrent positions outside the Company are effective as of the start date of measures for electronic provision.
  4. The Company enters into contracts, which limit legal liability of outside directors under Article 423, Paragraph 1 of the Companies Act, with outside directors. The policy is outlined on “3. Matters Concerning Officers (1) Directors and corporate executives” in the Business Report. Of the candidates, the six (6) candidates Waka Fujiso, Mitsuhiro Nagahama, Anne Ka Tse Hung, Fumitoshi Sato, Shigeaki Yoshikawa and Tomoyasu Miura have signed a limited liability contract with the Company. In addition, the Company plans to conclude a limited liability contract with Sachiko Ichikawa and Hiroshi Yoshida if their appointments are approved.
  5. The Company has entered into a directors and officers liability insurance policy with an insurance company. The policy is outlined on “3. Matters Concerning Officers (1) Directors and corporate executives” in the Business Report. Of the candidates, the ten (10) candidates Hirozumi Sone, Kiyohiro Yamamoto, Takayuki Yokota, Hisaya Katsuta, Waka Fujiso, Mitsuhiro Nagahama, Anne Ka Tse Hung, Fumitoshi Sato, Shigeaki Yoshikawa and Tomoyasu Miura are already insureds under the policy and will continue to be insureds if their reelections are approved. In addition, Sachiko Ichikawa and Hiroshi Yoshida are to become insureds if their elections are approved. Moreover, the Company plans to renew the policy with the same content during their term of office.
  6. The number of shares planned to be transferred based on the stock compensation plan is listed as the number of confirmed points awarded to each candidate residing in Japan as of the end of March of the current year. Furthermore, stock-based compensation for directors who concurrently serve as corporate executives is 50% performance-linked (this portion fluctuates based on the level of achievement of performance targets in the medium-term plan) and 50% non-performance-linked. The performance-linked portion that has not been confirmed at present is not included in the number of shares planned to be transferred. For details on the executive remuneration system, please refer to “3. Matters Concerning Officers (2) Remuneration, etc. paid to directors and corporate executives.”

## **Business Report**

(From April 1, 2023 to March 31, 2024)

### 1. Matters Concerning the Present State of the Corporate Group

#### (1) Principal Business (As of March 31, 2024)

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.

<b>Segment</b>	
BA: Building Automation Business	
<b>Major Products</b>	
<ul style="list-style-type: none"> <li>● Room temperature / humidity sensor</li> <li>● Ceiling-mounted temperature sensor</li> <li>● Room temperature and humidity controller</li> <li>● Infrared array sensor</li> <li>● Wireless sensor</li> <li>● Digital user terminal</li> <li>● Multi-area user terminal</li> <li>● Integrated user device</li> <li>● BA systems</li> </ul>	<ul style="list-style-type: none"> <li>● Access control system</li> <li>● Contactless smartcard reader</li> <li>● Controller for air conditioning equipment</li> <li>● Heating/cooling plant controller</li> <li>● VAV damper</li> <li>● Motorized control valve with flow measurement and control functions, etc.</li> </ul>
<b>Segment</b>	
AA: Advanced Automation Business	
<b>Major Products</b>	
<ul style="list-style-type: none"> <li>● Control valve</li> <li>● Multi-loop controller with multifunction display</li> <li>● Digital mass flow controller</li> <li>● Network instrumentation modules</li> <li>● Advanced transmitter</li> <li>● Electromagnetic flow meter</li> <li>● Smart valve positioner</li> <li>● Monitoring and control system</li> <li>● Process controller</li> </ul>	<ul style="list-style-type: none"> <li>● Adjustable proximity sensor</li> <li>● Photoelectric switch with built-in amplifier</li> <li>● Advanced ultraviolet flame detector</li> <li>● Limit switch</li> <li>● Micro flow rate liquid flow meter,</li> <li>● Advanced critical trend monitoring for safety</li> <li>● Online anomaly monitoring system, etc.</li> </ul>
<b>Segment</b>	
LA: Life Automation Business	
<b>Major Products</b>	
<ul style="list-style-type: none"> <li>● Barrier systems</li> <li>● Lyophilizer</li> <li>● Cloud Service</li> <li>● Intelligent city gas meter</li> <li>● Ultrasonic gas meter</li> <li>● LP gas smart diaphragm meter</li> <li>● High-function (popular type) diaphragm microcomputer meter</li> </ul>	<ul style="list-style-type: none"> <li>● High-pressure regulator</li> <li>● Battery-operated electromagnetic water meter</li> <li>● Electronic counter type water meter</li> <li>● Central air conditioning system</li> <li>● Central air purifying and ventilation system, etc.</li> </ul>
<b>Segment</b>	
Others	
<b>Major Products</b>	
<ul style="list-style-type: none"> <li>● Insurance agent business, etc.</li> </ul>	

## (2) Overview for the current fiscal year

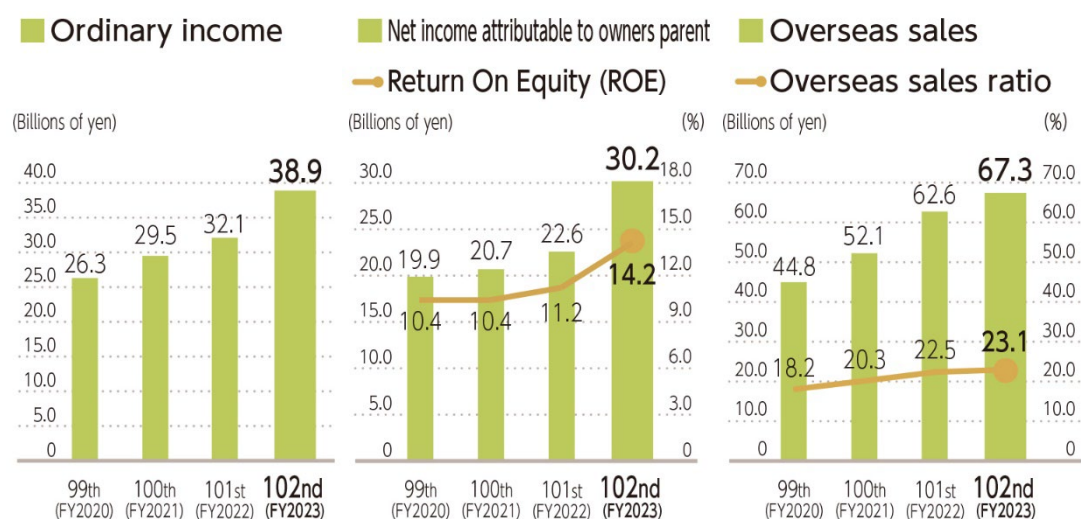
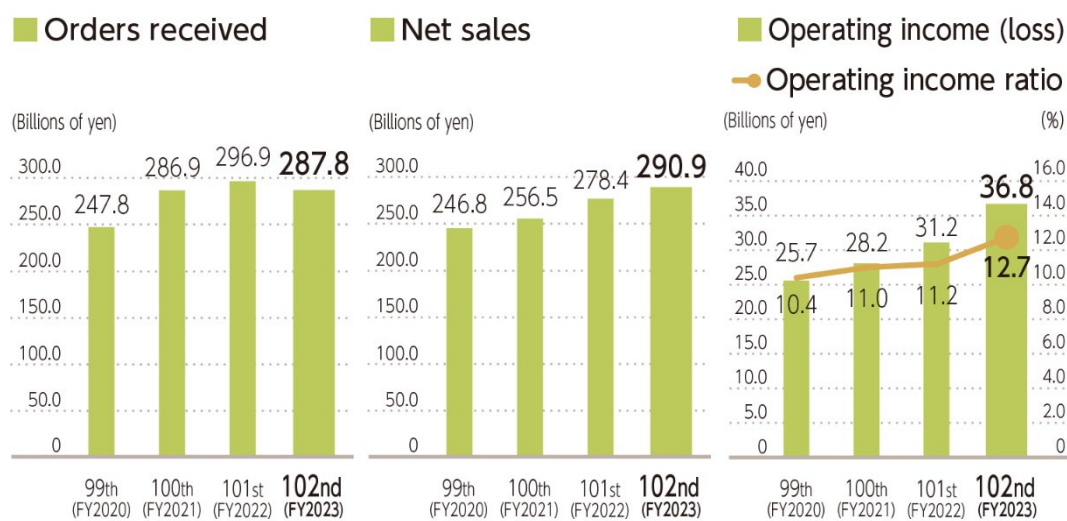
The business environment for the azbil Group is as follows.

In the field of heating, ventilation, and air conditioning (HVAC) control equipment/systems for large-scale buildings in Japan, strong demand driven by urban redevelopment plans has continued, while interest in solutions for energy saving and lower CO2 emissions has meant that retrofit demand has remained strong. As for equipment/systems for production facilities, demand has been sluggish in the factory automation (FA) market, though there has been continuing demand for the decarbonization of factories and plants, and for the adoption of DX.

As a result, financial results for the current consolidated fiscal year were as follows.

Overall orders received were 287,851 million yen, down 3.1% on the 296,930 million yen recorded in the previous consolidated fiscal year. This was mainly because orders received decreased for the Advanced Automation (AA) business, owing to sluggish conditions in the FA market. However, sales growth was achieved in all three segments—Building Automation (BA), AA, and Life Automation (LA)—thanks to the growth in orders received in the previous consolidated fiscal year as well as the enhanced procurement and production systems. Thus, overall net sales were 290,938 million yen, up 4.5% on the 278,406 million yen recorded in the previous consolidated fiscal year.

As regards profits, there was an impact from the recording of R&D expenses required by the medium-term plan, as well as increases in DX-related expenses, labor costs and other expenses; however, thanks to revenue growth and measures to enhance profitability, including cost pass-through, operating income was 36,841 million yen, up 17.9%, a significant increase on the 31,251 million yen recorded in the previous consolidated fiscal year. This growth in operating income led to higher ordinary income, which was 38,999 million yen, up 21.3% on the 32,140 million yen recorded in the previous consolidated fiscal year. In addition to higher operating income, because of the recording of a provision for product warranties as extraordinary loss in the previous consolidated fiscal year and other reasons, net income attributable to owners of parent rose to 30,207 million yen, up 33.6% on the 22,602 million yen recorded in the previous consolidated fiscal year.





The results for the individual reportable segments are as follows.

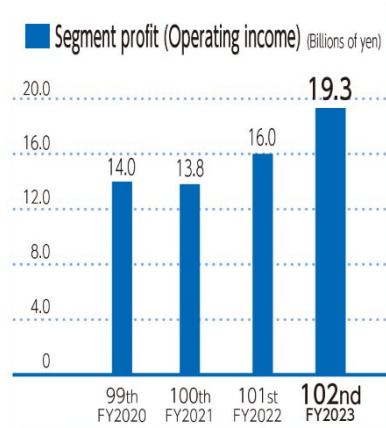
### Building Automation (BA) Business

Regarding the BA business environment, in the domestic market demand has continued at a high level for office buildings in urban redevelopment projects, and for HVAC control equipment/systems for factories, for which there is continuing capital investment. In addition to the demand for energy savings and CO2 reduction, there is continuing interest in new solutions that create environments offering post-pandemic safety and suited to new work styles. As regards overseas markets, investment remains firm, having recovered from the COVID-19 pandemic.

In this business environment, we have not only engaged in securing orders with a view to improved 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 work-style reforms. Moreover, we have made progress with the expansion of our products and services to better meet the needs of customers, in Japan and abroad, who are interested in harnessing such technologies as IoT and cloud computing.

Consequently, the financial results of the BA business for the current consolidated fiscal year were as follows. As regards orders received, in this period few multi-year service contracts were up for renewal; also, in the field of new buildings, there was a decline compared with the previous consolidated fiscal year, when orders for large-scale projects had been received. Another factor impacting orders received was our focus on projects with higher margins. Nevertheless, thanks to a robust market environment, and particularly to growth in both the existing building field and the overseas business, overall orders received were 136,782 million yen, on a par with the previous consolidated fiscal year, when a figure of 135,311 million yen was recorded. As regards sales, against the backdrop of a robust business environment, sales remained at a high level in the field related to new buildings, and there was growth in the fields related to existing buildings and service as well as in the overseas business. This resulted in sales of 134,655 million yen, up 4.7% on the 128,561 million yen recorded in the previous consolidated fiscal year. Despite increased labor and outsourcing costs as well as higher expenses for DX and other expenses, thanks to increased revenue and improved profitability, including cost pass-through, segment profit was 19,373 million yen, up 20.5% on the 16,074 million yen recorded in the previous consolidated fiscal year.

As for the medium- to long-term outlook, the situation continues that large-scale redevelopment projects and several retrofit projects for large-scale buildings are being planned. Taking advantage of its track record, the BA business aims to respond to this demand. Moreover, there have been growing requirements for energy savings and CO2 reduction as part of decarbonization; for enhanced safety and peace of mind following the COVID-19 pandemic; as well as for offices and spaces to improve workplace wellness that not only offer convenience and comfort but are also suited to new work styles. In response to this demand, we will supply solutions such as cloud-based services and a new HVAC system; we are thus aiming to achieve sustainable growth. Additionally, we will promote DX and engage in 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

Regarding market trends in Japan and abroad surrounding the AA business, in the process automation (PA) market sluggish conditions continue in China but overall demand has remained firm, thanks mainly to demand centering on maintenance and refurbishment. However, demand has been weak in the FA market; this was due to continuing stagnation in the manufacturing equipment market and also some recoil following the advance orders in the previous consolidated fiscal year. Amidst this business environment, we continued to implement our three main initiatives—for business growth overseas, creation of new automation, and boosting profitability. At the same time, we have worked on improving procurement and production processes to address parts procurement difficulties.

Consequently, the financial results of the AA business for the current consolidated fiscal year were as follows.

Orders received were 101,481 million yen, significantly down by 11.0% compared to the previous consolidated fiscal year, when a figure of 113,968 million yen was recorded. This was mainly due to the cyclical decline in demand in the semiconductor manufacturing equipment market. Sales, however, increased, thanks to a large order backlog and the progress made with production following the strengthening of procurement/production systems and easing of parts procurement difficulties. Consequently, sales were 107,052 million yen, up 2.9% on the 103,988 million yen recorded in the previous consolidated fiscal year. As for segment profit, the profit level increased thanks to revenue growth and initiatives to enhance profitability, including cost pass-through, and despite increases in DX and other expenses coupled with R&D investments. Consequently, segment profit was 16,118 million yen, up 10.6% on the 14,579 million yen recorded in the previous consolidated fiscal year.

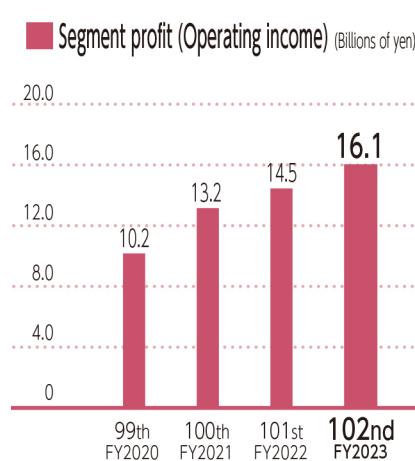
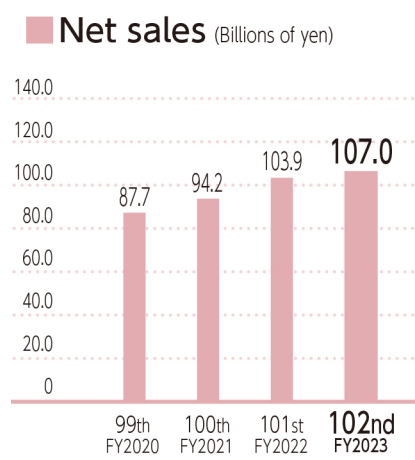
Although conditions remain sluggish in the FA market, steady progress is currently being made with the three main initiatives mentioned above and we expect this will contribute to growth when the market recovers. In the long term, we can expect the industrial automation market to expand globally, for there is strong customer demand for automation to facilitate the decarbonization of factories, to solve the challenges presented by labor shortages and aging facilities, and to introduce new production methods. Based on the three AA business sub-segments (CP, IAP, and SS)\*<sup>2</sup>, and the development of advanced automation, we aim to become a high-profit business entity that contributes to a sustainable society.

\*2: The three AA business sub-segments (management accounting sub-segments)

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

IAP business: Industrial Automation Product business (supplying PA 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.)



\*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 market), and Lifestyle-related (residential central air-conditioning systems). The business environment differs for 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, the cyclical demand for LP gas meters is currently at a low ebb. In the LSE field, which business is being developed overseas, there is continued demand for pharmaceutical plant equipment, but continuous inflation had an impact on investments and the economy. Amidst this business environment, we have engaged in strengthening quality control and cost management, as well as improving profitability, including cost pass-through.

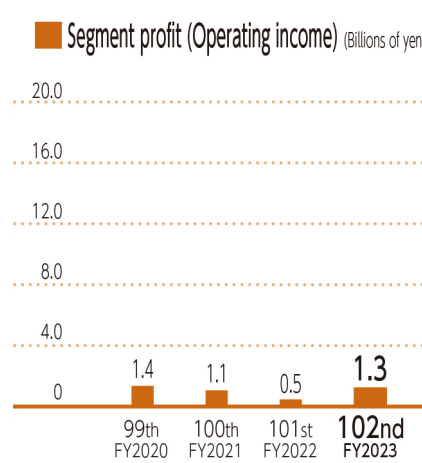
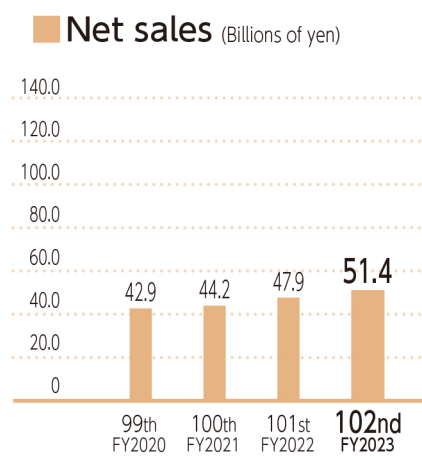
Consequently, the financial results of the LA business for the current consolidated fiscal year were as follows.

For the LA business overall, orders received increased by 4.1% to 51,689 million yen compared with the 49,646 million yen recorded in the previous consolidated fiscal year. This resulted from growth in all three fields, particularly in the Lifeline field. Overall sales were 51,404 million yen, up 7.3% on the 47,915 million yen recorded in the previous consolidated fiscal year, thanks to growth in each field, especially the Lifeline field. Owing to increased revenue and initiatives to improve profitability, segment profit significantly increased by 133.6% to 1,375 million yen (compared with the 588 million yen recorded in the previous consolidated fiscal year).

In the LA business, we will work to achieve stable profit through quality control and fundamental cost management, while continuing cost pass-through. In parallel with this, so as 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 create a new business that provides services based on data collected from meters utilizing IoT and other technologies. In the field of residential central air-conditioning systems, we will promote business that offers users comfort, with good air quality and energy-saving performance, for spaces of every kind, in new and existing houses.

## Other

In Other business, principally our insurance agent business, orders received in the current consolidated fiscal year were 57 million yen (compared with the 56 million yen recorded in the previous consolidated fiscal year), sales were 57 million yen (compared with the 56 million yen in the previous consolidated fiscal year), and segment loss was 20 million yen (compared with the segment loss of 1 million yen in the previous consolidated fiscal year).



\*Each figure above includes intersegment internal sales.

## Orders received, sales, and profit and loss by segment

(Millions of yen)

Reportable segment	Orders received			Sales			Segment Profit and Loss (Profit Ratio)	
	101st term (Fiscal year ended March 31, 2023)	102nd term (Current Fiscal year ended March 31, 2024)	Increase/ decrease ratio (%)	101st term (Fiscal year ended March 31, 2023)	102nd term (Current Fiscal year ended March 31, 2024)	Increase/ decrease ratio (%)	101st term (Fiscal year ended March 31, 2023)	102nd term (Current Fiscal year ended March 31, 2024)
Building Automation	135,311	136,782	1.1	128,561	134,655	4.7	16,074 (12.5%)	19,373 (14.4%)
Advanced Automation	113,968	101,481	△11.0	103,988	107,052	2.9	14,579 (14.0%)	16,118 (15.1%)
Life Automation	49,646	51,689	4.1	47,915	51,404	7.3	588 (1.2%)	1,375 (2.7%)
Total of reportable segments	298,927	289,952	△3.0	280,464	293,112	4.5	31,242 (11.1%)	36,867 (12.6%)
Other	56	57	1.8	56	57	1.9	△1 (△2.6%)	△20 (△36.1%)
Elimination	(2,053)	(2,159)	—	(2,115)	(2,231)	—	11	(5)
Consolidated	296,930	287,851	△3.1	278,406	290,938	4.5	31,251 (11.2%)	36,841 (12.7%)

### (3) Capital investment

Capital investment in the current fiscal year totaled 8,652 million yen, as we invested in new product development, streamlining and strengthening production system.

### (4) Financing

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

(5) Issues to be tackled

Based on the Group philosophy of “human-centered automation”, the azbil Group strives—through its business operations—to contribute “in series” to the achievement of a sustainable society. In this way we endeavor to realize the well-being of society and thus the well-being of all the Group employees. Also, by building relationships of trust with all stakeholders, we aim to continuously improve enterprise value. We are thus committed to meeting the expectations of all our stakeholders.

Therefore, while strengthening business profitability and developing a global business foundation, we are implementing business growth measures based on our three fundamental policies—namely, being a long-term partner for the customer and the 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. Specifically, in our three businesses—Building Automation (BA), Advanced Automation (AA), and Life Automation (LA)—we are supplying products and services based on the concept of human-centered automation and with a focus on measurement and control technologies, thus contributing to meeting the needs of our customers and finding solutions to the issues facing society. This is how we aim to achieve sustainable growth for ourselves as well as for our customers and society in general.

The azbil Group’s basic goal is to improve consolidated return on equity (ROE) and thus increase shareholder value. Through improvements in profitability and capital efficiency, we are aiming to achieve net sales in the 400 billion yen range, operating income in the 60 billion yen range, an operating income margin of approximately 15%, and an ROE of approximately 13.5%; these are the Group’s long-term targets\*1 for FY2030. Toward achieving these long-term targets, our four-year medium-term plan sets out as targets for FY2024, the final year of the plan, net sales of 300.0 billion yen, operating income of 36.0 billion yen, an operating income margin of 12.0%, and an ROE of approximately 12%.

Seeking to attain our long-term targets, and recognizing the drastic changes under way in the environment and needs of society, in August 2022, based on the Group’s philosophy, we identified ten material issues as materiality to be tackled by the Group over the long term both as risks and as opportunities. In FY2023, this was reaffirmed, adding the concept of double materiality. Based on this materiality, as regards the seven issues related to business and corporate activities, specific azbil Group SDG targets have been set. At the same time, as regards remaining three material issues, which is the fundamental obligations to society that a company must fulfill, we have also set specific targets for our CSR activities. We will promote sustainability management\*2 by implementing initiatives to achieve these targets.

FY2023 was, like FY2022, a year in which the global economy was severely impacted not only by the difficulty of global supply chains, triggered by heightened geopolitical risks, but also by soaring energy and parts prices, longer delivery times for parts, and inflation. Amidst such challenging circumstances, and despite the business environment varying between markets, the azbil Group worked to secure orders from customers who focus on enhancing productivity and increase revenue by making steady progress with improving our procurement and production process. Moreover, to address higher costs resulting from inflation the Group strengthened profitability using cost pass-through, etc., and also improved operational efficiency. In these ways we were able to set a new record for business results.

As regards specific activities undertaken in FY2023, in the new testing facilities at the Fujisawa Technology Center, our R&D base, progress was made with projects to develop advanced system solutions employing cloud computing and AI, as well as advanced, high-

performance devices based on MEMS\*3 technology. We have also given added impetus to the promotion of DX, which is essential for reforming business operations of all types. We are actively engaged in everything from developing products/services that use the latest digital technologies, to enhancing the efficiency and added value of operations from the viewpoint of “work and work-style creation.” In addition, we have started employing generative AI, the focus of much attention recently, to enhance operational efficiency. While developing a foundation for the safe implementation of AI, we now are accelerating DX. Progress has also been made with production: with the completion of new factory buildings at our manufacturing subsidiaries in Dalian, China (2022; now fully operational) and Thailand (April 2024), we have strengthened our global production base. Furthermore, aiming to expand business in growth areas we are continuing collaborative initiatives with other companies, involving alliance and investments, and we have contributed to the realization of a carbon-neutral society by promoting green transformation (GX) \*4.

As regards profitability, in addition to implementing ongoing measures—such as improving profitability at the point of order receipt and expanding overseas production and procurement—we have further strengthened our profitability by implementing appropriate measures to tackle rising costs, including cost pass-through, and by improving operational efficiency globally through the promotion of DX. Additionally, as part of focusing on capital cost-conscious management, we have introduced return on invested capital (ROIC). By maximizing the efficiency of management resource utilization based on profitability from invested capital, and by enhancing business portfolio management, we have improved enterprise value for the entire Group.

From the perspective of strengthening governance in the management system, an important issue is the enhancement of corporate governance. The azbil Group has therefore been working to strengthen the supervisory and auditing functions of the Board of Directors, to improve the transparency and soundness of management, and to clarify the system of executive responsibility. One way in which we have achieved this, following the transition to a company with a three-committee board structure in FY2022, was to revise the remuneration policy in FY2023: in order to further motivate corporate executives to achieve medium- and long-term performance targets and enhance enterprise value, it was decided to increase the performance-linked component of the remuneration structure by expanding stock-based compensation. Going forward, we will further raise the awareness of directors and corporate executives as regards increasing enterprise value and further motivate them to maximize shareholder value. This has fostered value sharing with our shareholders.

We believe that structural changes in the business environment will continue in FY2024 and that the value of the automation business lies in its ability to support customers and society as they address such challenges. We will therefore focus on the three growth fields—namely, new automation, environment and energy, and life-cycle solutions—that can particularly benefit from Azbil’s unique technologies, products, and services. By providing solutions to these new issues, we will realize growth in all three segments—BA, AA, and LA.

We have positioned FY2024 as the year of transformation for growth, building on the results of our transformation to date. In order to achieve our long-term targets for FY2030, we are aiming to expand our business by realizing society’s well-being through contributing “in series” to a sustainable society. At the same time, we are working to realize the well-being of all employees, and aiming for growth that enables every employee to experience a sense of accomplishment and self-growth in the process. Specifically, we define growth markets as those in which demand is expanding either because of technological innovation, such as in the semiconductor market, or because of the need to address social issues, such as carbon neutrality and the circular economy. In such markets, we intend to grow our business

by enhancing our competitive advantage in measurement and control. To create a product lineup with an enduring competitive advantage, we will continue to invest—in human capital, product development, production, and DX—therefore we intend to strengthen our core technologies, develop human resources, and utilize DX to ensure that skills are passed on and that operational efficiency is enhanced. In addition, in our overseas business, a growth area, we aim to expand market share and strengthen product competitiveness. Through these initiatives, in order to carry out our policy to promote sustainable management, we will strengthen our governance system and actively invest in human capital, the driving force for corporate growth, thus achieving steady progress with the medium-term plan and the well-being of every employee.

Assuming that unstable conditions are expected to continue in a wide range of business environments, we are aware that it will become yet more important to strengthen our initiatives aimed at creating a sustainable society. Our core automation business enables us to curb the use of resources and energy appropriately while at the same time improving the quality of space for buildings, factories, and lifelines. The expansion of our business is itself linked “in series” to reducing the burden placed on the global environment. In order to realize a sustainable society, it is essential to establish a system that restrains resource and energy consumption appropriately, and thus, through the Group’s business, we will contribute “in series” to a sustainable society.

\*1: On May 14, 2021, the azbil Group published its long-term targets and the medium-term plan (FY2021-2024).

\*2: Please refer to pages 21-22 of the 2023 azbil Report (integrated report) for details of the material issues identified in August 2022 and the azbil Group SDG targets designed to address them.

\*3: Microelectromechanical Systems (MEMS) are devices built using microfabrication technology to integrate sensors, actuators, and electronic circuits on substrates.

\*4: Green Transformation (GX) is the transformation of the entire economic and social system to transition to carbon neutrality.

In FY2024, while maintaining sustainability management as the foundation of management, the Group will aggressively invest in research and development and capital investment, enhance product competitiveness, and strengthen the human capital that supports these initiatives. In our medium-term plan as well, we aim both to allocate management resources effectively and strategically and to accelerate and establish a wide range of initiatives. The specific details of those initiatives are as follows.

#### 1) Domestic Business

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

For the Building Automation (BA) business, robust demand for large-scale construction is expected in Japan over the medium to long term. In this type of favorable environment, we will continue to provide high-quality products and field services that satisfy our customers. We will also provide new products unique to the azbil Group in response to new needs centered on carbon neutrality and wellness and pursue business development through cooperation with other companies. Moreover, against the backdrop of strong operating conditions, we will accelerate internal DX to further strengthen our business process system to promote more efficient operations. By accumulating internal knowhow and data developed as a top industry player and promoting even more sophisticated operations, we will strengthen our business structure to realize even higher profitability.

In terms of products, without limiting ourselves to traditional product sales and field engineering and services, we will also expand our products into cloud-based applications.

Specifically, to contribute to measures to address shortages of facility management personnel, we have added and begun selling Cloud MT (Manager's Tool) as a new application for cloud services for buildings. Going forward, through coordination between the cloud and building automation (BA) systems, we will address labor shortages by automating building and facility operating processes performed by building management personnel and continue to evolve the service to contribute to resolving a range of social issues including promoting carbon neutrality and increasing the wellness and comfort of office spaces.

In the Advanced Automation (AA) business, although the business is impacted by fluctuations in economic cycles, we expect continued global market expansion. As such, in response to needs for decarbonization, the circular economy, advanced production, safe and stable operations, and addressing personnel shortages, we can make significant contributions mainly through the measurement and control fields, and we expect both further expansion in business fields and business growth. In the AA business, we aim to become a "high-profit business entity that contributes to a sustainable society through globally competitive business development." To do so, as our growth strategy, we are creating "new automation fields unique to azbil" that respond to both changes in the social environment and changing technological trends. We are also steadily implementing various policies to strengthen profitability including reducing costs and optimizing sale prices through our operations in the three AA business sub-segments, CP, IAP, SS.

As specific examples of introductions to the new automation field, we have begun to provide our cloud-based valve analysis and diagnosis service "Dx Valve Cloud Service" to major chemical and gas companies. This cloud-type service provides valve analysis and diagnosis results as well as operating data during operations as online content. By diagnosing the soundness of valves in operation at plants and factories and visualizing those results, the service contributes to the stability and enhanced security of production facilities and allows the azbil Group to continuously propose and provide value to our customers.

In the Life Automation (LA) business, we are responding to stable demand for our core service of the replacement of gas and water meters in the Lifeline field. Furthermore, to capture changes in the business environment in the energy supply market, in addition to our traditional product supply-type business, we will create new energy management business, in cooperation with other companies, as a service provider using data collected from various meters utilizing technologies such as IoT; to expand net sales and profits. By promoting our Smart Metering as a Service (SMaaS) that fuses a service-type business and a smart-meter business, we are providing new value to both our customers and society as we aim to further strengthen our cloud business and enhance our solution proposal capabilities. Furthermore, in the residential central air-conditioning systems field, we are expanding our business to become a provider of comfortable living spaces that offers comfort to a wide range of houses from newly built houses, existing houses to small-scale houses, aiming to realize a level of comfort that increases the quality of life for our customers.

In addition to our initiatives in these three business segments, to achieve our goals in the growth fields of "new automation" and "environment and energy" that contribute "in series" to the achievement of a sustainable society, we have collaborated with other companies, including through investment. Specifically, in FY2023, we concluded an investment agreement and business alliance agreement with X1Studio Co., Ltd., a provider of total management systems for foreign data centers, to expand our business opportunities in the Japanese data center market which is poised for growth. Furthermore, to expand our solutions in the renewable energy field, we have decided on capital participation in Forest Energy Inc., with whom we will create renewable energy use models and aim to contribute to decarbonization. We have also invested in JAFECO SV7, which invests in unlisted Japanese companies poised for growth. By acquiring market information on new fields expected to



grow and innovative technological information, we hope to build relationships with investee companies and to explore new business fields.

## 2) Overseas Business

To realize growth aimed at achieving our long-term targets, we are evaluating and implementing policies related to overseas business expansion and strengthening our global management foundation. To further accelerate innovation in our overseas business, we are establishing a business promotion and management system that utilizes regional characteristics and rolling out solutions unique to the azbil Group that utilize the technologies and knowhow cultivated in Japan to customers in different countries and regions. Specifically, we aim to expand our overseas market share, to expand products that meet the needs of the market, and to enter new business fields to boost our net sales.

In the BA business, the trend toward urbanization continues centered on the construction market in the Asian region, and we expect to see more demand for office upgrades. As such, we are promoting the provision of products and services that utilize our strengths in energy-saving application technologies, engineering and services in our domestic business model. As one example, at a five-star hotel located in the heart of Bangkok, Thailand, we have launched ESCO\*<sup>5</sup> service in partnership with a major general real estate company. Through the introduction of BEMS\*<sup>6</sup>, we are supporting the promotion of ESCO business by improving and streamlining the operations and management of equipment and devices such as air conditioning and ventilation and introducing various energy-saving controls. These activities have been well received in the smart building solutions field, winning Frost & Sullivan's\*<sup>7</sup> "Southeast Asia Smart Building Solutions Company of the Year" for the second consecutive year.

In the AA business, while there are cyclical economic fluctuations from a medium- to long-term standpoint, we expect continued investment in the automation of manufacturing facilities against the backdrop of expectations for continued global economic growth, further demand for productivity improvement, addressing aging facilities, expanded environmental regulations, and the application of new technologies. Amid these conditions and in anticipation of transitions in the structure of industry aimed at a decarbonized society, we are pioneering new automation fields such as expanded product development aimed at new markets, online anomaly monitoring system and AI-based equipment diagnosis. Additionally, by continuing to strengthen the sales structure and improve the quality of sales activities in strategic regions, we are continuing our business growth by expanding our customer coverage. We will also continue to secure high profit ratios through the continuation of measures to enhance profitability including cost pass-through.

In the LA business, at Europe-based Azbil Telstar, which is developing business in the Life Science Engineering field, to respond to cost increases driven by rapid inflation in Europe, we are continuing to strengthen profitability through appropriate cost management and sales price optimization, and to strengthen our business foundation by balancing device sales with engineering and services.

In addition to the above, to resolve issues in business management to support global growth, we are taking a three-pronged approach in creating sound management systems at each of our Group companies: 1) standardizing, sharing, and streamlining business operations in coordination with our business lines, 2) focusing on a strong business foundation and management system with effective internal Group governance including internal control, and 3) developing the necessary personnel and building an HR platform to

succeed in global competition.

\*5 ESCO (Energy Service Company) business: Business in which the service provider guarantees results achieved by providing comprehensive energy-saving services for factories and buildings.

\*6 BEMS (Building Energy Management System): Building management system that optimizes indoor environments and energy functions.

\*7 Frost & Sullivan: International growth strategy consulting research company.

### 3) Production and Development

To expand the azbil Group's business, we have reorganized the Group's production system and concentrated and strengthened development resources to enhance product competitiveness. In Japan, as part of our efforts to build a global production system, we strengthened cooperation between the production functions of the Shonan Factory which is our core production base and the research and development functions of the Fujisawa Technology Center, and we are continuing to upgrade its function as the azbil Group's mother factory. Furthermore, to strengthen our foundation for future business growth, we are innovating the systems and mechanisms needed to create competitive products centered on the Fujisawa Technology Center, our core research and development hub. Specifically, we are streamlining our research and development activities using the platform of the new laboratory buildings, new clean room facilities, and new calibration office completed in September 2022 to promote sophisticated and more advanced technological development. Overseas, to expand production capacity in response to increasing global demand, improve production processes, and promote greater automation, following the completion of a new factory building at our manufacturing subsidiary in Dalian, China in April 2022, we also completed a new factory at our Thailand manufacturing subsidiary in April 2024, strengthening our three-base production system in Japan, Thailand, and China. To strengthen our global development system, we are deepening cooperation with various external partners to enhance product strength and resolve issues. For example, in India, for which future growth is expected, we concluded an MOU for joint research into innovative digital solutions with the Indian Institute of Technology Roorkee School\*<sup>8</sup> to pursue joint research in fields for which there is high mutual interest and to implement an internship program.

\*8 Indian Institute of Technology Roorkee School: Organization providing higher education in engineering, sciences, management, architecture and planning, and humanities and social sciences. Since its foundation in 1847, the school has played a key role in providing technological personnel and knowhow to India.

We expect global supply chain issues spurred by geopolitical risk, surging prices for energy and parts, and inflation to continue for a certain extent. Therefore, while continuing to improve our production operations, we will expand the scope of our BCP initiatives to minimize the impact on our customers when emergencies occur, optimize our procurement system with an awareness of our global production system and appropriate inventory management, and pursue even stronger governance.

### 4) Management and Administration

In management and administration, in terms of risk management, to accurately identify risks that have a serious impact on management and to minimize their impact, we overhauled our process and had the frontlines come together with upper management to strengthen our policies to address uncertainty. We are also moving forward with preparations and accounting level improvements for the voluntary application of the International Financial

Reporting Standards (IFRS) and strengthening the accompanying internal control. To live up to the expectations of all our stakeholders and to the enhancement of sustainable enterprise value, we have positioned the improvement of foundational corporate governance as a key management priority. We will strengthen the oversight and audit functions of the Board of Directors, enhance the transparency and soundness of management, and work to further clarify the system of responsibility for business execution.

The azbil Group is also proactively pursuing activities and initiatives aimed at ESG (environment, society, governance). In terms of E (environment), to contribute to the realization of a sustainable society, we have expressed our agreement with the Japan Business Foundation's (Keidanren) "Initiative for Biodiversity Conservation." To realize a sustainable society, we are working to integrate our business activities with a wide range of social and environmental activities including climate change policies, resource recycling policies, and biodiversity conservation policies. In terms of climate change policies, we are supporting CO2 reduction by our customers through products and services, strengthening energy-saving technologies to achieve greenhouse gas reduction targets by 2030, and promoting the use of renewable energy. To achieve net zero by 2050, in June 2023 we submitted a letter of commitment to SBTi<sup>\*9</sup> and are focusing on reducing CO2 throughout the entire supply chain. In terms of resource recycling policies, we are working to reduce resources through our businesses and to design sustainable products, aiming to have 100% of new products recyclable by 2030. Through this initiative, by realizing designs that allow products to be recycled appropriately, we aim to effectively use natural resources and to reduce waste. In terms of biodiversity conservation policies, we are contributing to biodiversity through our businesses from the standpoint of "nature positive<sup>\*10</sup>" and strengthening nature conservation initiatives in coordination with our supply chain and organizations within Japan and overseas.

Regarding S (society), we have signed the United Nations Global Compact, which is related to human rights, labor, environment, and anti-corruption, and are strengthening initiatives in human capital and intellectual property in our medium-term plan. Furthermore, we have defined our comprehensive approach to allow employees to approach their work with health and vigor as "health and well-being management" and have continuously prepared and rolled out a wide range of systems and measures. Our initiatives have been recognized by Japan's Ministry of Economy, Trade and Industry (METI), which recently recognized us as a "2024 Certified Health & Productivity Management Outstanding Organization (large enterprise category [White 500])<sup>\*11</sup>," marking the third consecutive year that we have received this certification.

In terms of G (governance), in June 2022, the Company transitioned to a "company with a three-committee board structure" to clearly separate supervisory and business execution functions and to accelerate decision making and enhance transparency. Furthermore, through unique initiatives such as establishing azbil's own "Director and Audit & Corporate Executive Network" to increase the effectiveness of the Board of Directors, we are engaging in even more active discussions including discussions on management strategy and business portfolios, identifying key risks, and statutory committee activities.

As a result of these initiatives, in the fifth ESG Finance Award Japan<sup>\*12</sup> held by the Ministry of the Environment, azbil was selected for the second consecutive year as an "Environmentally Sustainable Company" in the environmentally sustainable company section for fulfilling a certain level of disclosure standards. The not-for-profit international charity CDP<sup>\*13</sup> also selected us for their A List (highest evaluation) as a company of global excellence in terms of initiatives and information disclosure on climate change for the third consecutive year.

In FY2024, we will continue to organize various ESG issues and advance initiatives for further improvement with the goal of enhancing enterprise value, and strive to contribute “in series” to the achievement of a sustainable society.

Furthermore, regarding our capital policy including shareholder returns, a key issue in management and administration, while working to increase the level of dividends, we strive to maintain dividend stability, considering consolidated financial results, dividend on equity (DOE), levels of Return on Equity (ROE) established as targets in the medium-term plan, and retained earnings required to invest actively in growth and to maintain a healthy financial foundation, while flexibly acquiring treasury shares in line with our guidelines on “disciplined capital policy.”

- \*9 SBTi (Science Based Targets Initiative): An international initiative established among the CDP, the United Nations Global Compact, the World Resources Institute (WRI), and the World Wide Fund for Nature (WWF) created to integrate the scientific basis for corporate CO2 emission reduction targets.
- \*10 Nature positive: Preventing the loss of and contributing to the recovery of natural ecosystems.
- \*11 Certified Health & Productivity Management Outstanding Organizations Recognition Program: Program established to highlight companies with outstanding health and productivity management based on initiatives aimed at regional health issues and health promotion initiatives being promoted by the *Nippon Kenko Kaigi* (Japan Health Conference). Of the companies recognized, only the top 500 are certified as the “White 500.”
- \*12 ESG Finance Award Japan: An award presented by the Minister of the Environment to institutional investors, financial institutions, brokers, and companies that create an impact through proactive ESG financing or environmental and social businesses, with the goal of sharing those cutting-edge initiatives broadly throughout society, leading to the spread and expansion of ESG finance. In the environmentally sustainable company section, companies are evaluated and selected as “Environmentally Sustainable Companies” for meeting a certain level of disclosure standards for “risk, business opportunities, and strategies,” “KPI,” and “governance” related to important environmental issues.
- \*13 CDP : Not-for-profit international charity that operates a global environmental information disclosure system for companies and local governments. Established in the U.K. in 2000, CDP works with more than 680 investors with more than \$130 trillion in assets as an intermediary between capital markets and corporate procurement to motivate companies to disclose environmental information, reduce greenhouse gas emissions, preserve water resources, and protect forests.

(6) Financial position and results of operations

Category	99 <sup>th</sup> term (Fiscal year ended March 31, 2021)	100 <sup>th</sup> term (Fiscal year ended March 31, 2022)	101 <sup>st</sup> term (Fiscal year ended March 31, 2023)	102 <sup>nd</sup> term Current Fiscal year (Fiscal year ended March 31, 2024)
Orders received (Millions of yen)	247,873	286,950	296,930	287,851
Net sales (Millions of yen)	246,821	256,551	278,406	290,938
Operating income (Millions of yen)	25,720	28,231	31,251	36,841
Ordinary income (Millions of yen)	26,338	29,519	32,140	38,999
Net income attributable to owners of parent (Millions of yen)	19,918	20,784	22,602	30,207
Net income per share (Yen)	142.77	150.79	168.27	228.39
Total assets (Millions of yen)	284,597	280,052	296,873	313,728
Net assets (Millions of yen)	200,607	203,141	205,880	224,887
Shareholders' equity ratio (%)	69.6	71.5	68.3	70.6
Net assets per share (Yen)	1,420.52	1,459.08	1,518.01	1,680.37

(7) Significant subsidiaries (As of March 31, 2024)

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, 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, maintenance operations including meter replacement and supplying cloud service
Azbil Production (Thailand) Co., Ltd.	THB Thousand 180,000	99.9	Manufacturing 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, engineering, and maintenance services of control instrument products and field instruments for the industrial market
Azbil Telstar, S.L.U.	EUR Thousand 1,540	100.0	Design, manufacture, and sales 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, 2024)

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
		Chuo-ku, Tokyo	Shinjuku-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	Minato-ku, Tokyo		
	Branch	Minato-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	Shinjuku-ku, Tokyo		
	Regional Division/Branch	Higashi-ku, Sapporo-shi	Aoba-ku, Sendai-shi	Kiryu-shi, Gunma
		Shinjuku-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, 2024)

1) Employees of the Group

Segment	Number of Employees	Year-on-year Increase/(Decrease)
Building Automation business	3,207 [537] persons	(44) persons
Advanced Automation business	3,575 [391]	(57)
Life Automation business	1,876 [255]	(66)
Total of reportable segments	8,658 [1,183]	(167)
Others	3 [1]	1
Corporate (Common)	1,248 [213]	12
Total	9,909 [1,397]	(154)

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
5,163 [952] persons	(75) persons	45.9 years old	20.0 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, 2024)

Lenders	Loan Outstanding
Mizuho Bank, Ltd.	5,348 million yen
MUFG Bank, Ltd.	1,431

(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, 2024)

- (1) Total number of authorized shares                      559,420,000 shares
- (2) Shares of common stock issued                              141,508,184 shares  
(including treasury shares of 7,148,831 shares)

Note: Due to a cancellation of treasury shares conducted on October 31, 2023, the total number of shares of common stock issued decreased by 2,192,700 compared to the end of the previous fiscal year.

- (3) Number of shareholders                                      8,705

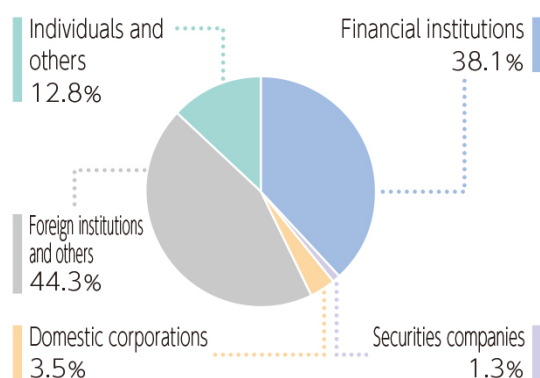
### (4) Major shareholders (Top 10)

Shareholder Name	Number of Shares (thousands)	Percentage of Total Shares Issued (%)
The Master Trust Bank of Japan, Ltd. (Trust account)	19,298	14.36
Meiji Yasuda Life Insurance Company	10,428	7.76
SSBTC CLIENT OMNIBUS ACCOUNT	9,528	7.09
Custody Bank of Japan, Ltd. (Trust account)	7,792	5.79
Northern Trust CO. (AVFC) Re Fidelity Funds	4,980	3.70
National Mutual Insurance Federation of Agricultural Cooperatives	3,356	2.49
the azbil Group Employee Stock Ownership Association	2,826	2.10
STATE STREET BANK WEST CLIENT – TREATY 505234	2,555	1.90
JP MORGAN CHASE BANK 385839	2,349	1.74
The Dai-ichi Life Insurance Company, Limited	2,200	1.63

- Notes: 1. The percentage of total shares issued is calculated excluding treasury shares (7,148,831 shares). Furthermore, the number of treasury shares does not include the 1,956,538 shares owned by Custody Bank of Japan, Ltd. (Trust E) for the Employee Stock Ownership Plan (J-ESOP) and the Board Benefit Trust (BBT), nor the 573,200 shares owned by the azbil Group Employee Stock Ownership Dedicated Trust.
2. 8,043 thousand shares held by The Master Trust Bank of Japan, Ltd. (Trust account) and 3,956 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 June 20, 2023 which was made available for public inspection, the following shares are held by BlackRock Japan Co., Ltd. and 8 other joint holders as of June 15, 2023. However, as the Company is not able to confirm the number of shares actually held as of March 31, 2024, the shares are not included in the above status of major shareholders. The details of the Report on Large Shareholding are as follows.

Submission Date of Report on Large Shareholding	Shareholder Name	Number of Shares Held (thousands)	Percentage of Total Shares Issued (%)
June 20, 2023	BlackRock Japan Co., Ltd. and 8 other joint holders	10,771	7.49

### [Reference material] Distribution of Shares by Shareholder Type



	Number of shares (Per unit)	Number of shareholders (Persons)
Financial institutions	538,596	46
Securities companies	18,655	32
Domestic corporations	48,631	164
Foreign institutions and others	626,512	643
Individuals and others	181,415	6,498

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) Directors and corporate executives (As of March 31, 2024)

##### 1) Directors

Positions	Name	Assignments in the Company and Important Concurrent Positions Outside the Company
Director and Chairperson	Hirozumi Sone	Non-executive Director Chairperson of the Board Board Effectiveness Enhancement Outside Director of Yasuda Logistics Corporation Outside Director of Mizuho Leasing Company, Limited
Director Representative Corporate Executive President & Group CEO	Kiyohiro Yamamoto	Nomination Committee Member Chairman, Nippon Electric Control Equipment Industries Association
Director Representative Corporate Executive Deputy President	Takayuki Yokota	Remuneration Committee Member
Director	Hisaya Katsuta	Non-executive Director Audit Committee Member
Outside Director	Takeshi Itoh	Nomination Committee Chairperson
Outside Director	Waka Fujiso	Remuneration Committee Member
Outside Director	Mitsuhiro Nagahama	Remuneration Committee Chairperson Outside Audit & Supervisory Board Member of KURARAY Co., Ltd Outside Director of NSK Ltd.
Outside Director	Anne Ka Tse Hung	Nomination Committee Member Lawyer (Australia, United Kingdom, Hong Kong)
Outside Director	Minoru Sakuma	Audit Committee Member
Outside Director	Fumitoshi Sato	Audit Committee Chairperson Outside Director of TOMY Company, Ltd.
Outside Director	Shigeaki Yoshikawa	Nomination Committee Member Outside Director of Mochida Pharmaceutical Co., Ltd. Chairman & Representative Director of The Japan Singapore Association
Outside Director	Tomoyasu Miura	Remuneration Committee Member Auditor of Research Institute of Science for Education

## 2) Corporate executives

Positions	Name	Assignments in the Company and Important Concurrent Positions Outside the Company
Representative Corporate Executive President & Group CEO	Kiyohiro Yamamoto	Responsible for Internal Audit
Representative Corporate Executive Deputy President	Takayuki Yokota	Assistant to President, Responsible for Corporate Administration, Management, Corporate Communication, Sustainability (& azbil Group (aG) CSR), Life Automation Business
Managing Corporate Executive	Yoshimitsu Hojo	Responsible for Advanced Automation Business, aG Product Business Portfolio Enhancement President of Advanced Automation Company
Managing Corporate Executive	Kazuyasu Hamada	Responsible for Building Automation Business, aG System Business Portfolio Enhancement, aG Work Style Creation (aG Synergy), President of Building Systems Company
Managing Corporate Executive	Akihiko Naruse	Responsible for Human Resources & Education, SDGs, General Affairs, aG Safety Management (Occupational Health and Safety)

1. Directors Takeshi Itoh, Waka Fujiso, Mitsuhiro Nagahama, Anne Ka Tse Hung, Minoru Sakuma, Fumitoshi Sato, Shigeaki Yoshikawa and Tomoyasu Miura are outside directors of the Company under Article 2, Item 15 of the Companies Act.
2. 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, 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.
3. 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's directors, corporate executives, and executive officers 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 responsible for the insurance premiums.
4. Audit Committee member Hisaya Katsuta is a full-time Audit Committee member. To increase the effectiveness of Audit Committee audits, the Company has appointed a full-time Audit Committee member.
5. Audit Committee chairperson Fumitoshi Sato has a wealth of knowledge concerning financial affairs and accounting as he 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 as independent officers to the Tokyo Stock Exchange.
7. We have an executive officer system that facilitates the prompt decision making and execution of company policy. As of April 1, 2024, there were 20 executive officers as follows.

Position	Name	Assignments in the Company
Managing Executive Officer	Tadayoshi Ito	Responsible for Three Growth Fields, azbil Group (aG) Digital Transformation Promotion, aG IT (aG Cyber Security) Enhancement, aG Service Engineering Enhancement, aG System Business Portfolio Enhancement
Managing Executive Officer	Hideaki Ishii <sup>*1</sup>	Responsible for aG Production, aG Purchasing, aG Research and Development, aG Environmental Protection Innovation, aG Product Safety, Quality & Environment, aG Marketing, aG Product Business Portfolio Enhancement

Managing Executive Officer	Shigeru Wada	Responsible for aG International Business, aG Work Style Creation Support (Overseas) Head of International Business Headquarters
Managing Executive Officer	Tomoyuki Takeda	Responsible for Building Automation (BA) Business (Domestic), aG System Business Portfolio Enhancement, aG Work Style Creation (Well-being)
Executive Officer	Masashi Hirano	Responsible for aG Three Growth Fields Support
Executive Officer	Toshiyasu Sumitomo	General Manager of the Corporate Planning Department
Executive Officer	Akiko Sekino	Head of Legal and Risk Management Headquarters
Executive Officer	Tomohiro Takano	aG Product Business Portfolio Enhancement Support, Head of Actuator Development Headquarters
Executive Officer	Tetsuya Kajita	Head of Technology Development Headquarters
Executive Officer	Anju Jaswal	Deputy Head of International Business Headquarters, Managing Director of Strategic Planning & Development Office for Southeast Asia
Executive Officer	Toshihisa Murayama	Responsible for BA International Business Head of Building Systems Company (BSC) Marketing Headquarters, Promotion Member of Strategic Planning & Development Office for Southeast Asia
Executive Officer	Hiromitsu Yoshizawa	Head of BSC Engineering Headquarters
Executive Officer	Taro Sento	General Manager of Advanced Automation (AA) IAP Business* <sup>2</sup>
Executive Officer	Takashi Igarashi	Responsible for aG Work Style Creation Support (Domestic) Manager of Advanced Automation Company (AAC) Tokyo Head Office
Executive Officer	Kenji Sudo	Responsible for aG System Business Portfolio Enhancement Support General Manager of AA SS Business* <sup>3</sup>
Executive Officer	Eisuke Toyoda	General Manager of AA CP Business* <sup>4</sup>
Executive Officer	Norio Hashimoto	Head of Production Management Headquarters
Executive Officer	Chosei Kaseda	Responsible for aG Marketing Support
Executive Officer	Norio Morokuma	Manager of BSC Tokyo Head Office
Executive Officer	Isamu Ikeda	Responsible for AA Development & Quality Assurance

\*1 Hideaki Ishii is scheduled to be appointed as managing corporate executive on June 25, 2024, and his assignment will not be changed.

\*2 IAP business: Industrial Automation Product business (supplying process automation products such as differential pressure transmitters, pressure transmitters, and control valves)

\*3 SS business: Solution & Service business (offering control systems, engineering service, maintenance service, energy-saving solution service, etc.)

\*4 CP business: Control Product business (supplying factory automation products such as controllers and sensors)

(2) Remuneration, etc., paid to directors and corporate executives

1. Total amounts of remuneration, etc., paid during the fiscal year ended March 31, 2024

Category	Amount of Remunerations Paid (Millions of yen)	Total Amount by Type (Millions of yen)				Number of Persons Remunerated
		Fixed Remuneration		Performance-linked Remuneration		
		Cash Remuneration	Non-cash Remuneration (Stock Compensation)	Cash Remuneration	Non-cash Remuneration (Stock Compensation)	
Directors (Outside Directors)	196 (119)	186 (111)	9 (7)	— (—)	— (—)	10 (8)
Corporate Executives (including Directors concurrently performing as Corporate Executives)	430	189	27	185	27	5
Total (Outside Directors)	626 (119)	375 (111)	37 (7)	185 (—)	27 (—)	15 (8)

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 above list of directors does not include two (2) directors who concurrently serve as corporate executives.

3. Through a resolution by the Remuneration Committee at a meeting held on August 4, 2022, the Company introduced a stock compensation system using a trust. The above list indicates the amounts of stock compensation recorded as expenses in the current fiscal year based on this system, and within this, the performance-linked portion varies depending on the payment ratio, which corresponds to the level of achievement of performance targets in the applicable period (period of the medium-term plan). For non-residents of Japan, the Company plans to pay in cash in an amount equivalent to stock remuneration.

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

As a company with a three-committee board structure, the Company's Remuneration Committee, which is chaired by and composed of a majority of independent outside directors, sets policy on the determination of the individual remuneration of directors and corporate executives, which is disclosed as the "Remuneration Policy." The details of the Remuneration Policy are as follows.

<Remuneration Policy>

Guided by the azbil Group philosophy of "human-centered automation," Azbil Corporation ("the Company") aims to contribute "in series" to a sustainable society by providing automation-related products and services.

With regard to our executive remuneration system, in order to add impetus to the realization of our long-term targets (to achieve by FY2030) and the medium-term plan (FY2021-FY2024), we will further increase both the corporate executives' awareness of the need to contribute to enhancing enterprise value and their motivation to maximize shareholder value, as well as ensuring that directors who are not responsible for business execution can share value with our shareholders. With this system, we will promote initiatives to contribute "in series" to a sustainable society.

## ■ The azbil Group philosophy

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

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

## ■ Basic policy regarding remuneration for officers

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

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

## ■ Remuneration levels

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

## ■ Remuneration structure

The remuneration structure for corporate executives (including those concurrently serving as directors; similarly hereafter) consists of basic remuneration, which is a fixed monthly amount based on their roles and responsibilities; bonuses, which are short-term incentives; and stock-based compensation, which is a medium- to long-term incentive. In order to ensure a remuneration structure that motivates officers to achieve our medium- and long-term performance targets and enhance enterprise value, the incentive component of remuneration has been increased, and the combined remuneration for corporate executives will be typically determined thus: basic remuneration 50%, bonus (base amount) 30%, stock-based compensation (base amount) 20%.

The remuneration for directors (not including those concurrently serving as corporate executives; similarly hereafter) consists of basic remuneration and stock-based compensation.

### Corporate executives

#### (1) Basic remuneration

- Basic remuneration is paid as a fixed monthly monetary amount based on the position, responsibilities, and roles of the officer.

#### (2) Bonus

- A bonus is paid as a performance-linked monetary remuneration that takes into consideration company performance and non-financial indicators for the single fiscal year.

- As regards financial indicators, to improve enterprise value over the medium to long term, we use sales and operating income, which are the company's main management indices, as key performance indicators (KPIs). The amount of the bonus will fluctuate according to the degree by which these targets have been achieved, while taking into consideration also non-financial indicators.

- Non-financial indicators are based on the degree of achievement of the various roles of the corporate executive, such as implementing measures to realize the medium-term plan, engagement in CSR management, and the development of human resources (succession training). The Remuneration Committee determines the amount of remuneration based on such evaluation.

- Taking into account both financial and non-financial indicators, the final amount paid as a bonus will vary between 0% and 150%.

- Remuneration is designed so that the higher the officer's position, the higher the weighting of financial indicators. As an example, the KPIs and their respective evaluation weightings for the president and CEO are as follows.

Bonus KPIs		Evaluation weighting
Financial indicators	Net sales	45%
	Operating income	45%
Non-financial indicators	Improved customer satisfaction, increased efficiency and productivity, HR development and revitalization of the organization, CSR management	10%



### (3) Stock-based compensation

- In principle, stock-based compensation is paid to the corporate executive following retirement from the current position, with the aim of continuous enhancement of enterprise value while sharing value with shareholders.
- A base amount for stock-based compensation is set for each position. Of this, 50% is performance-linked and 50% is not.
- As regards KPIs, the performance-linked component uses relative total shareholder return (TSR)—an indicator that evaluates our TSR relative to the Tokyo Price Index (TOPIX) by the Tokyo Stock Exchange—to ensure that officers and shareholders have a shared interest, and operating income margin, an indicator set forth in the medium-term plan. As a non-financial indicator, we use effective CO<sub>2</sub> reduction at customers' sites, which is one of the essential goals of the azbil Group for the SDGs. The performance-linked component will vary between 0% and 150% depending on the extent to which these targets have been achieved during the period covered by the medium-term plan. The evaluation weightings for each KPI are as follows.

Stock-based compensation KPIs		Evaluation weighting
Financial indicators	Relative TSR (relative to TOPIX, including dividends)	50%
	Operating income margin	30%
Non-financial indicators	Effective CO <sub>2</sub> reduction	20%

- As a way to further encourage value sharing with shareholders, the non-performance-linked component is paid as stock-based compensation with vesting of a fixed number of shares.
- Stock-based compensation is paid through a Trust-type Stock Compensation Plan. Under this plan, points corresponding to an officer's position are awarded annually, and company shares equivalent to the number of points accumulated are transferred from the trust to the plan-eligible person following retirement from the current position.

## Directors

### (1) Basic remuneration

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

### (2) Stock-based compensation

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

#### ■ Process for determining remuneration

The Remuneration Committee determines the remuneration of directors and corporate executives. The majority of the members of the Remuneration Committee, including the chairperson, are outside directors, which ensures objectivity and transparency.

The Remuneration Committee has the authority to determine the details of remuneration for individual directors and corporate executives. It arrives at evaluation decisions based primarily on (1) the policy governing remuneration details for individual directors and corporate executives; (2) the details of remuneration for individual directors and corporate executives; and (3) in the case of corporate executives, the degree of achievement of both company-wide performance targets and the individual targets set for each corporate executive for the purpose of determining performance-based remuneration.

In the event of a substantial change in the external environment of the company, the Remuneration Committee, after carefully deliberating on the appropriateness of the target values and calculation methods used for determining performance-linked remuneration, may take exceptional measures.

#### ■ Non-payment of stock-based compensation

If it is determined that an officer is responsible for serious misconduct or a serious violation, the company can deny all or part of the company shares, etc. that were to be transferred to the officer under the stock-based compensation plan.

#### ■ Disclosure policy

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

3. Results for the performance indicators used in calculating performance-linked remuneration

The results for the evaluation indicators used in bonuses in the current fiscal year are as follows.

Evaluation indicator	Planned performance value*	Results
Consolidated net sales (Millions of yen)	282,000	290,900
Consolidated operating income (Millions of yen)	32,000	36,800

\* Planned performance value for the current fiscal year announced on May 12, 2023.

Notes: 1. In actual application for the current fiscal year, the Company calculated the amount of remuneration based on the above planned performance values.

2. Please refer to the Remuneration Policy above for non-financial indicator targets.

Furthermore, the results for the evaluation indicators for stock-based compensation are established after the conclusion of the covered period.

4. Reasons that the Remuneration Committee has determined that the details of the remuneration, etc. for individual directors and corporate executives in the current fiscal year follow the determination policy

Because the remuneration, etc. for individual directors and corporate executives in the current fiscal year was paid according to remuneration levels based on the determination policy set by the Remuneration Committee, the Remuneration Committee deems that it follows the determination policy.

(3) Important concurrent positions outside the Company of outside officers

Positions	Name	Important Concurrent Positions Outside the Company
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.
Outside Director	Anne Ka Tse Hung	Lawyer (Australia, United Kingdom, Hong Kong)
Outside Director	Minoru Sakuma	
Outside Director	Fumitoshi Sato	Outside Director of TOMY Company, Ltd.
Outside Director	Shigeaki Yoshikawa	Outside Director of Mochida Pharmaceutical Co., Ltd. Chairman & Representative Director of The Japan Singapore Association
Outside Director	Tomoyasu Miura	Auditor of Research Institute of Science for Education

Note: While the Company has transaction relationships with 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 (3) 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 he concurrently serves. There is no particular relationship between the Company and each of the important concurrent positions outside the Company of other outside directors.

#### (4) Major activities of outside officers

Name	Number of attendance at meeting	Summary of comments and duties performed in relation to the expected roles of outside directors
Takeshi Itoh	Board of Directors Meetings 12/12 Nomination Committee Meetings 12/12	Regarding “financial affairs, accounting, finance” and “global business,” which are the areas of expertise expected, Takeshi Itoh possesses sophisticated financial knowledge developed 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 shareholder return and capital policies, and medium- to long-term business strategy from a capital market perspective, appropriately fulfilling his role in ensuring the validity and appropriateness of the Company’s decision making.  Furthermore, as the Nomination Committee chairperson, he played an appropriate role in leading discussion on the selection of the Company’s director candidates, working to strengthen corporate governance.
Waka Fujiso	Board of Directors Meetings 12/12 Remuneration Committee Meetings 10/10	Regarding “legal, risk management, and compliance” and “sustainability,” which are the areas of expertise expected, Waka Fujiso possesses experience and expertise in the legal world and broad insight related to legal affairs and compliance. Based on that, at Board of Directors meetings, she has raised questions and made comments on not only the presence of legal issues, but also on compliance and risk management from a sustainability and CSR perspective, appropriately fulfilling her role in ensuring the validity and appropriateness of the Company’s decision making.  Furthermore, as a Remuneration Committee member, she played an appropriate role in determining officer remuneration, working to strengthen corporate governance.
Mitsuhiro Nagahama	Board of Directors Meetings 12/12 Remuneration Committee Meetings 10/10	Regarding “corporate management/sustainability,” “global business,” and “financial affairs, accounting, finance,” 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, 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 initiatives to strengthen the corporate governance of the Company and medium- to long-term business development and formulation of strategies from both a capital markets perspective and a global perspective, appropriately fulfilling his role in ensuring the validity and appropriateness of the Company’s decision making  Furthermore, as the Remuneration Committee chairperson, he played an appropriate role in leading discussion to determine officer remuneration, working to strengthen corporate governance.
Anne Ka Tse Hung	Board of Directors Meetings 12/12 Nomination Committee Meetings 12/12	Regarding “legal, risk management, and compliance” 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 regarding medium- to long-term business development and strategy formulation of the Company from a global standard perspective, as well as from her approach to business promotion systems aimed at international business expansion and to investment for growth, appropriately fulfilling her role in ensuring the validity and appropriateness of the Company’s decision making.  Furthermore, as a Nomination Committee member, she played an appropriate role in the selection of the Company’s director candidates, working to strengthen corporate governance.

Name	Number of attendance at meeting	Summary of comments and duties performed in relation to the expected roles of outside directors
Minoru Sakuma	Board of Directors Meetings 12/12  Audit Committee Meetings 13/13	Regarding “global business” and “financial affairs, accounting, finance,” which are the areas of expertise expected, Minoru Sakuma possesses experience and sophisticated knowledge of serving in important positions in the field of finance, as well as abundant experience as an outside officer at an operating company running a global business. Based on that, at Board of Directors meetings, he has raised questions and made comments on the validity of the Company’s business strategy and from the perspective of strengthening corporate governance, appropriately fulfilling his role in ensuring the validity and appropriateness of the Company’s decision making.  Furthermore, as an Audit Committee member, he played an appropriate role in auditing activities, working to strengthen corporate governance.
Fumitoshi Sato	Board of Directors Meetings 12/12  Audit Committee Meetings 13/13	Regarding “corporate management/sustainability,” “financial affairs, accounting, finance,” and “legal, risk management and compliance” which are the areas of expertise expected, Fumitoshi Sato possesses experience and sophisticated knowledge of serving in important positions in the field of finance, management experience in the managing division of an operating company, and abundant knowledge and experience in finance and accounting. Based on that, at Board of Directors meetings, he has raised questions and made comments on the validity of the Company business and financial strategies, risk management, and strengthening corporate governance, appropriately fulfilling his role in ensuring the validity and appropriateness of the Company’s decision making.  Furthermore, as the Audit Committee chairperson, he played an appropriate role on auditing activities and in leading discussion at the Audit Committee, working to strengthen corporate governance.
Shigeaki Yoshikawa	Board of Directors Meetings 12/12  Nomination Committee Meetings 12/12	Regarding “corporate management/sustainability,” “global business,” and “sales and marketing,” which are the areas of expertise expected, Shigeaki Yoshikawa possesses management experience at a general trading company and a think tank and consulting company as well as broad insight and abundant experience in overseas business and business portfolio strategy. Based on that, at Board of Directors meetings, he has raised questions and made comments on the Company’s international business strategy, the approach to its business strategy aimed at growth, and human resources development and investment in human capital, appropriately fulfilling his role in ensuring the validity and appropriateness of the Company’s decision making.  Furthermore, as a Nomination Committee member, he played an appropriate role in the selection of the Company’s director candidates, working to strengthen corporate governance.
Tomoyasu Miura	Board of Directors Meetings 12/12  Remuneration Committee Meetings 10/10	Regarding “corporate management/sustainability,” “IT/technology,” and “sales and marketing,” which are the areas of expertise expected, Tomoyasu Miura possesses experience of serving in important positions at a think tank and consulting company, knowledge in a wide range of fields including IT, technological innovation, and new business creation, and abundant experience in management human resource development at a public interest incorporated foundation. Based on that, at Board of Directors meetings, he has raised questions and made comments on the Company’s business growth strategy, on IT and technological topics, and on human resources development and investment in human capital, appropriately fulfilling his role in ensuring the validity and appropriateness of the Company’s decision making.  Furthermore, as a Remuneration Committee member, he played an appropriate role in determining officer remuneration, working to strengthen corporate governance.

#### 4. Accounting Auditor

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

(2) Amount of remuneration during the fiscal year ended March 31, 2024

	Amount Paid
Amount of remuneration paid for services rendered as accounting auditor during the fiscal year ended March 31, 2024	93 million yen
Total cash and other remuneration paid by the Company and its subsidiaries to the accounting auditor	144 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 Company entrusts the accounting auditor with advisory services, etc. related to the evaluation of the International Financial Reporting Standards as a service (non-audit service) which is different from a service prescribed by Article 2, Paragraph 1 of the Certified Public Accountant Act.
3. The Audit Committee 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.
4. 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 Committee 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 Committee 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 Committee members, the Audit Committee will dismiss the accounting auditor. In this case, the Audit Committee member selected by the Audit Committee 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>

Regarding the Company's internal control system, the Board of Directors partially revised azbil Group Basic Policy on Internal Control System Architecture at its meeting held on May 13, 2024. The revised azbil Group Basic Policy on Internal Control System Architecture and its current implementation are summarized as follows.

< azbil Group Basic Policy on Internal Control System Architecture >

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

\*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.

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

1. System to ensure that the execution of duties by officers and employees of the Company and its Subsidiaries shall comply with laws, regulations, and the Articles of Incorporation
  - 1) Aiming to be a corporate group that contributes to society and is trusted by it, the officers and employees of the Company and its Subsidiaries shall comply not only with laws and regulations and the Articles of Incorporation but also with the Guiding Principles for azbil Group Business and the azbil Group Code of Conduct, while maintaining high standards of corporate ethics and conducting sound business activities. To do so, the Company and its Subsidiaries shall designate an executive at each company to be responsible for compliance promotion activities and as a whole they shall tirelessly promote compliance initiatives.
  - 2) In addition to what is stated in the preceding paragraph, the Company and each of its separately specified Subsidiaries shall formulate their own action plans to promote compliance—including compliance with laws, regulations, and the Articles of Incorporation—and they shall report the results of implementation to their own Board of Directors.
  - 3) The Company, to promote compliance-related activities throughout the entire Group, shall establish the azbil Group CSR Promotion Committee, and shall create action plans for the Group as a whole, manage progress, and provide guidance and advice to Subsidiaries.
  - 4) The Company and its Subsidiaries shall establish internal control systems to ensure the



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

- 5) In accordance with the Internal Audit Rules, the Internal Audit Department of the Company shall conduct audits periodically, or as necessary, on the status of compliance promotion activities at the Company and Subsidiaries and their establishment of internal control systems.
  - 6) In the event where the Company or its Subsidiaries engage in serious illegal or unethical acts, or where there is a significant adverse impact on society, the officers and employees of the Company and Subsidiaries shall report it using either the designated reporting channels or the internal reporting system.
  - 7) The Internal Audit Department of the Company shall maintain, develop and properly operate the internal reporting system and related mechanisms. Any expansion or modification of the scope of the internal reporting system shall be implemented after reporting to the Board of Directors.
2. System for the storage and management of information related to the execution of duties by the Company's corporate executives
    - 1) The officers and employees of the Company shall comply with the Rules for Storage and Management of Information Related to the Execution of a Corporate Executive's Duties, and they shall store and manage information related to the execution of duties appropriately.
    - 2) As regards the formulation, revision, or abolition of the rules in the preceding paragraph, the General Affairs Department shall be responsible with the approval of the Management Meeting. Operational status shall be evaluated/reviewed as necessary.
    - 3) In accordance with the Internal Audit Rules, the Internal Audit Department of the Company shall conduct audits, on a regular basis or as necessary, on the status of operations and management of the Internal Audit Rules and others.
3. Regulations and other systems for managing the risk of loss at the Company and Subsidiaries
    - 1) To properly manage the risk of loss and ensure the continuity and stable development of business, the Company's Board of Directors shall receive reports of risks that could cause significant loss to the management of the azbil Group as a whole (serious risks for the azbil Group) in accordance with the azbil Group Risk Management Rules.
    - 2) The Company shall instruct its Subsidiaries, as necessary, in order to promote countermeasures against what have been identified as serious risks for the azbil Group.
    - 3) In addition to what is stated in the preceding paragraph, separately designated Subsidiaries shall independently identify their own serious risks, and work to establish and promote countermeasures against those risks.
    - 4) In accordance with the Internal Audit Rules, the Internal Audit Department of the Company shall conduct internal audits, on a regular basis or as necessary, of the status of implementation of the risk management system of the Company and its Subsidiaries.

4. System to ensure the efficient execution of duties by the Company's corporate executives and by the directors of Subsidiaries
  - 1) To ensure the efficient and prompt execution of business activities without compromising the soundness of the enterprise, the Company and its Subsidiaries shall develop an organizational system and rules regarding administrative authority for the effective execution of business.
  - 2) Officers and employees of the Company and its Subsidiaries shall take actions to ensure the achievement of the medium-term plan and the annual plan, and shall periodically review whether the execution of business is progressing as initially planned.
  - 3) In accordance with the Rules for Division of Duties and other relevant regulations, the Company shall provide necessary support and guidance to its Subsidiaries to improve the efficiency and standard of operations of the azbil Group as a whole.
  - 4) At both the Company and its Subsidiaries, to ensure thorough deliberation by the Board of Directors on matters that require Board approval, a system shall be established whereby materials related to agenda items are distributed to all executives in advance.
5. System for reporting to the Company of matters related to the execution of duties by officers and employees of Subsidiaries
  - 1) In the execution of their duties, Subsidiaries shall obtain the Company's approval or report to the Company in accordance with the azbil Group Management Basic Policy that stipulates management control matters to be discussed at the Company's Board of Directors.
  - 2) In addition to what is stated in the preceding paragraph, domestic Subsidiaries shall report to the Company—directly, at regular meetings of Group company presidents, or at other meetings—on the status of their own businesses and on important management matters.
  - 3) Overseas subsidiaries shall, in addition to what is stated in paragraph (1) above, report to the Company—directly, or through the Company's relevant department(s)—on the status of their own businesses and on important management matters.

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

1. Matters concerning officers and employees assisting the Company's Audit Committee; matters concerning the independence of such officers and employees from the Company's corporate executives; and matters to ensure the effectiveness of the Audit Committee's instructions to these officers and employees
  - 1) The Company shall establish an Audit Committee Office within the Internal Audit Department and assign full-time employees to assist the Audit Committee in its duties.
  - 2) To maintain the independence, from the Company's corporate executives, of the aforesaid employees assigned to assist the duties of the Audit Committee, personnel transfers involving these employees shall be decided with the prior consent of the Audit Committee. Also, the performance evaluation of the Audit Committee Office manager is determined through an evaluation by the Audit Committee.
  - 3) To maintain the independence, from the Company's corporate executives, of the executive officers in charge of the Internal Audit Department and the head of the Internal

Audit Department, personnel transfers, evaluations and budget matters involving these executive officers and the head of the Internal Audit Department shall be decided with the prior consent of the Audit Committee.

- 4) Full-time employees assigned to assist the Audit Committee in its duties shall perform their duties under the direction and instructions of the Audit Committee.
2. System for reporting to the Company's Audit Committee by officers and employees of the Company and Subsidiaries and by Audit & Supervisory Board members of Subsidiaries; and system to ensure that a person making such as report shall not be treated disadvantageously as a result of said reporting
    - 1) In the event that any officer or employee of the Company or its Subsidiaries discovers any matter that may invite significant loss to the Company or its Subsidiaries; or any serious deficiency in the internal control system or procedures; or the occurrence of any serious violation of laws and regulations or fraud, they shall make a report to their top management and to the department responsible for internal control if such has been established. On receipt of such a report, a Subsidiary's top management or internal control department shall make a report to the Company's top management and Internal Audit Department, as well as to the Subsidiary's own directors and Audit & Supervisory Board members, if the latter have been appointed. Also, on receipt of such a report, the Company's top management and Internal Audit Department shall report it to the Company's directors, corporate executives, and the Audit Committee.
    - 2) In addition to the reporting system described in the preceding paragraph, the Company shall maintain, develop, and appropriately operate the azbil Group's internal reporting system.
    - 3) The department in charge of the internal reporting system in the Company shall make regular reports to the Audit Committee regarding the status of internal reports from the officers and employees of the Company and its Subsidiaries.
    - 4) Notwithstanding the preceding paragraphs, the Audit Committee of the Company may, at any time, request necessary reports from the officers and employees of the Company and its Subsidiaries and from the Audit & Supervisory Board members of the Subsidiaries.
    - 5) Internal rules shall be developed to ensure the Company and Subsidiaries do not treat officers or employees disadvantageously because they made such a report to the Audit Committee of the Company or to the Audit & Supervisory Board members of a Subsidiary.
  3. Matters concerning the policy for the handling of expenses and financial obligations arising from the performance of duties by the Company's Audit Committee members
    - 1) The Company shall promptly handle expenses and financial obligations with respect to costs incurred by Audit Committee members in the performance of their duties, and any costs incurred when they seek the opinion of outside experts such as lawyers in forming their own opinion, except when the Company demonstrates that such expenses were not required for the performance of Audit Committee's duties.
    - 2) The Company shall set aside in advance a budget for the Audit Committee and for the full-time employees engaged in assisting the Audit Committee in the performance of their duties, and shall not interfere in the execution of that budget. However, this

excludes cases where the Company demonstrates that the costs were not required for the performance of Audit Committee's duties.

4. Other systems to ensure that the audits of the Company's Audit Committee are implemented effectively
  - 1) Audit Committee members may attend meetings of the Board of Directors and other important meetings such as the Management Meeting; may inspect key approval forms and other documents related to the execution of business operations; and may request explanations from officers and employees.
  - 2) To establish a system that enables the efficient implementation of audits, the Audit Committee shall regularly exchange information and collaborate with the Company's directors, corporate executives, and Internal Audit Department, as well as with Subsidiaries' directors, Audit & Supervisory Board members, and accounting auditors.

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

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

#### 1. Compliance systems

- The azbil Group, guided by the Group philosophy of “human-centered automation,” has formulated the Guiding Principles for azbil Group Business and the azbil Group Code of Conduct, making efforts toward creating a corporate culture permeated by compliance awareness. To do so, the Company and its subsidiaries have appointed officers who are responsible for controlling and promoting company-wide compliance-related activities, and have designated compliance managers and compliance leaders to ensure thorough compliance, and to provide education and supervision for employees with the cooperation of the department in charge of compliance. In the current fiscal year, to prevent corruption, we spread awareness about the newly formulated azbil Group Basic Policy on Anti-corruption Practices throughout the entire Group. We planned Regional CL Meetings with the goal of leveling up our CSR leaders (CL) responsible for education at our overseas subsidiaries, and we held meeting at subsidiaries in the ASEAN countries, India, North America, and Mexico. In addition to sharing the CSR activities and risk reduction measures of our overseas subsidiaries, we worked to create understanding among the CL about the specific implementation methods of the azbil Group Basic Policy on Anti-corruption Practices. Furthermore, in managing the exports of the overall Group, we are focusing on trends in export regulations between the U.S. and China and the situation in Ukraine and creating systems to address recent regulatory enhancements. At the same time, for transactions that require careful handling, we are responding through a system that requires decisions to be made by the corporate officer in charge of the transaction. The Company is also providing training to employees in important positions, including corporate officers, on the increasing importance of export management with the recent changes in international conditions as well as on trends in regulatory enhancements. Regarding the Act on Prohibition of Private Monopolization and Maintenance of Fair Trade and the Act against Delay in Payment of Subcontract Proceeds, etc. to Subcontractors, we are carrying out initiatives to enact appropriate cost pass-through by responding to requests from transaction partners for higher prices and working to reflect those rising costs in our own prices.
- To promote compliance-related activities throughout the azbil Group, the Company has formed a permanent meeting structure to promote CSR related activities, where an officer of the Company in charge of compliance is appointed as chief officer, and officers in charge of compliance at each subsidiary are appointed as members. This organization creates action plans for the entire Group, managing progress and providing guidance to subsidiaries.
- The officers and employees of the Company and its 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 by these rules, and we have made this known internally. In the current fiscal year, we continued to expand the use of the CSR Hotline at our overseas subsidiaries. Although the CSR Hotline complies with the personal information protection laws of each country, with the enforcement of a new personal information protection law in Vietnam in the current fiscal year, we temporarily suspended the use of the CSR hotline and reopened its use after ensuring its compliance with the new law.

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

## 2. Storage and management of information

- Pursuant to the Rules for Storage and Management of Information Related to Corporate Executives' Duties, the Company has created a department in charge of storing and managing the minutes of Board of Directors meetings and as well as those of the Management Meeting, and other important documents and information.

## 3. Risk management systems

- Pursuant to the azbil Group Risk Management Rules, the Company identifies—at Board of Directors meetings, following screening by the azbil Group Risk Management Committee and its superior body, the azbil Group General Risk Committee—serious risks for the azbil Group which may cause significant losses for the overall Group management. While strengthening the comprehensive risk management system and countermeasures, the Company also instructs its Subsidiaries, when necessary, to promote such measures within the Group.
- The Board of Directors of each Subsidiary identifies its own serious risks. Countermeasures are then prepared and promoted, and the results of their implementation and risk mitigation are reported to their Board.
- The Company is also working to promptly resolve crises in the event of a reported emergency or major incident through the establishment of an Emergency Headquarters to deal with such events. The state of these activities is regularly reported to the Board of Directors.

#### 4. System of efficient execution of duties

- The officers and employees of the Company and its Subsidiaries develop a medium-term plan and an annual plan, and take actions based on such plans. We conduct regular reviews of the operational status, follow the progress of business execution, and plan new measures.
- In accordance with the Rules for Division of Duties and other rules, the Company provides necessary support and guidance to its Subsidiaries to enhance the efficiency and standard of business operations of the Group as a whole.
- To ensure thorough deliberation by the Board of Directors, and while seeking ways to improve the operation of Board meetings, the Company and its Subsidiaries distribute materials related to the agenda in advance of meetings. In addition, the Company holds briefings for outside directors regarding items scheduled for discussion at meetings of the Board of Directors.
- In the current fiscal year, the Company revised the Rules of Board of Directors, and transferred the significant authority to the executive side. Furthermore, for the FY2022 evaluation of the effectiveness of the Board of Directors, to assess the state of the enhancement of governance and the improved effectiveness of the Board of Directors with the transition to a Company with a three-committee board structure, the chairperson of the Board led a consideration of the approach and process of the effectiveness evaluation with the participation of the outside directors. Additionally, to ensure objectivity, while receiving recommendations from an external organization, we performed an evaluation using comprehensive evaluation items and implemented the improvement items proposed by the external organization to improve the effectiveness of the Board of Directors. We also invited experts for a study session on investor engagement with our directors, including outside directors.

#### 5. Group management system

- Pursuant to the azbil Group Management Basic Policy, for certain important items Subsidiaries report to or obtain approval from the Company's Board of Directors or the Management Meeting, which decides on business execution matters within the scope of the authority of the president & CEO.
- The management status of major Subsidiaries is reported at meetings of the Company's Board of Directors and Management Meeting, while business status and performance, as well as important management items relating to overseas Subsidiaries are reported via the Group's Global Meeting for overseas Subsidiaries.

#### 6. Audit system implemented by Audit Committee

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

with the consent of the Audit Committee.

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

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

Not applicable

(3) Policy on determination of dividends of surplus, etc.

The azbil Group has established a basic policy on dividends in which “we strive to maintain a stable but rising dividend level over the long term” with a focus on the dividend on equity (DOE) ratio. We have steadily increased our dividend every year since FY2015 and aim to continuously increase our dividend in the future.

Under the medium-term plan (FY2021–FY2024), as strategic investments for future business development, we have been planning to actively engage in collaborative projects with other companies and invest in other companies to expand our business; to upgrade and reinforce our advanced global development and production systems; to expand our lineup of products and services; to improve productivity by promoting DX; and to invest in human capital. Additionally, we are striving to ensure business continuity necessary to meet unexpected contingencies such as natural disasters.

Having set an ROE target in our medium-term plan, in order to ensure management that is conscious of the cost of capital and the stock price, we have been making preparations to introduce return on invested capital (ROIC) as a management indicator during the period of the current medium-term plan. We have also been promoting further improvements in the efficiency of shareholders' equity, while considering the level of cash and cash equivalents and procurement capacity required for business operations and growth, as well as future capital allocation within the Group. Note that the trial calculation of azbil Group ROIC for FY2023 is 10.2%, and the weighted average cost of capital (WACC) is 6.1%. Going forward, as well as making steady progress with such investments for growth, we will continue to improve capital efficiency and promote shareholder returns, in accordance with the basic policy above, while ensuring that we maintain a sound financial base.

As to specifics regarding the distribution of profits to our shareholders, for FY2023, it had been planned to make the annual dividend 73 yen per share, an increase of 7 yen compared with FY2022. However, we now seek to increase the year-end dividend by 3 yen above the



level previously announced and pay an annual dividend of 76 yen per share, representing an increase of 10 yen, and have proposed this matter at this Ordinary General Meeting of Shareholders. This reflects the robust performance which have exceeded the financial plan announced on November 7, 2023 and have set new records for net sales, for operating income, and for net income attributable to owners of parent, resulting from the steady progress made with strengthening the Group's procurement and production systems, and the success of measures implemented to date to enhance business profitability, including cost pass-through. Consequently, DOE, our reference indicator, is expected to improve to 4.8%.

Also regarding dividends for FY2024, based on our basic policy of promoting shareholder returns and raising the level of stable dividends, it is planned to pay an interim dividend of 44 yen (before the stock split) and a year-end dividend of 11 yen (after the stock split) to ensure that DOE, our reference indicator for dividends, reaches a level of 5% so as to bolster our policy of stably increasing DOE in line with improvements to the Company's profitability. As a result, DOE is expected to be 5.0%. (The Company plans to conduct a stock split effective October 1, 2024, whereby each share of common stock will be split into 4 shares. The year-end dividend, calculated from the number of shares before the stock split, will be 44 yen per share; the annual dividend, including the interim dividend, will be 88 yen per share, an increase of 12 yen from FY2023.)

Although the business environment surrounding the Company is expected to remain uncertain in FY2024, we plan to further increase revenue by steadily capturing demand in the FA market, which is expected to recover and grow from the second half, in addition to robust growth in the building-related business. We will also steadily convert order backlog into sales using our improved and strengthened procurement and production systems. While making investments for growth—in R&D, equipment and facilities, DX, and human capital—we will also improve profitability through measures already in place to strengthen business profitability, including cost pass-through. From a medium- to long-term perspective, we will accelerate transformation for growth by strengthening investments in improving product competitiveness, technology development, equipment and facilities, and human capital. We look forward to sustained growth with our diverse business portfolio (BA, AA, and LA), in which each segment operates in a different market environment.

As mentioned above, the azbil Group will continue its ongoing efforts to improve the return of profits to our shareholders, while making investments for growth and striving to strengthen the business structure with measures to enhance business profitability, etc.

(Reference) Our approach to corporate governance

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

Corporate Governance System

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

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

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

As of March 31, 2024, the Company has appointed a total of 12 directors, including four (4) who are involved in business execution and have accumulated experience in the Company's business, management and audits (Hirozumi Sone, Kiyohiro Yamamoto, Takayuki Yokota, and Hisaya Katsuta), as well as eight (8) 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 (Takeshi Itoh, Waka Fujiso, Mitsuhiro Nagahama, Anne Ka Tse Hung, Minoru Sakuma, Fumitoshi Sato, Shigeaki Yoshikawa, and Tomoyasu Miura). Independent outside directors have reached the majority of the Board of Directors. In addition to working diligently to contribute to enhancement of the Company's enterprise value through appropriate oversight and advice during the decision-making process at Board of Directors meetings, these independent outside directors regularly exchange opinions with corporate executives through a Liaison Meeting for Directors and Corporate Executives and other opportunities. Moreover, we established the skills expected of the directors from the viewpoint of sustainable increase in enterprise value, including the realization of the Company's medium-term plan, and confirmed the independence, diversity, and expected skills of the current Board

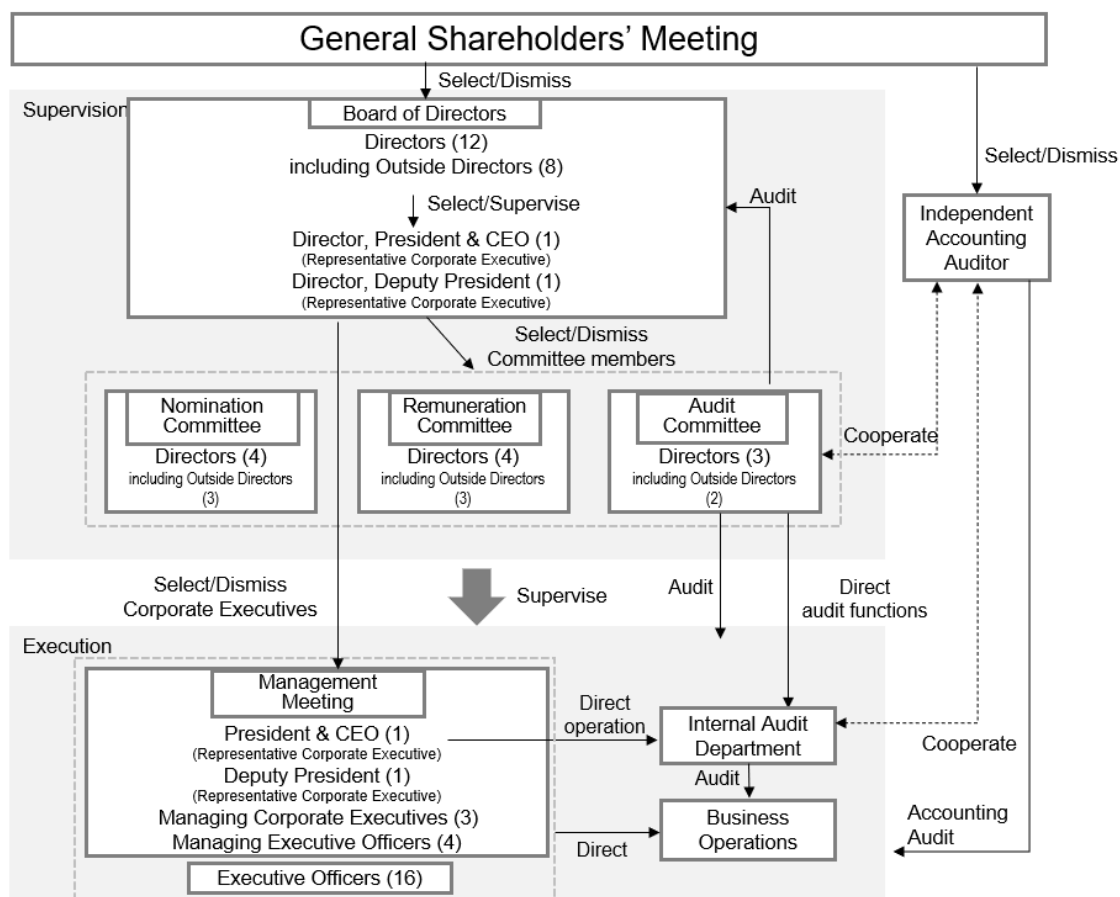
of Directors.

In regard to the appointment of outside directors, the Company has formulated its own criteria for independence. The Company's outside directors have satisfied these criteria for independence, and there is no possibility of the occurrence of conflict of interest with general shareholders. As each of outside directors has sufficient independence, the Company has reported them as independent officers to the Tokyo Stock Exchange.

Moreover, 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's directors, corporate executives, and executive officers 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 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 the insured person's intention, illegal personal profit sharing, and criminal actions are not covered. Furthermore, the insured persons are not responsible for the insurance premiums.

Furthermore, under the provisions of Article 427, Paragraph 1 of the Companies Act, the Company has concluded contracts for limitation of liability with outside directors, 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 executed their duties that caused the liability in good faith and without gross negligence.

(As of April 1, 2024)



## Status of Activities of the Board of Directors

In FY2023, the Board of Directors met a total of 12 times. The 12 directors attended all of the meetings. Major items discussed at the Board of Directors meetings are as follows.

Items resolved	Election of major risks, capital policy, revision of the Rules of Board of Directors and committee rules, appointment of corporate executives, appointment of committee members, approval for financial results, and other matters
Items reported	Report on progress in the medium-term plan, report on the holding status of strategic shareholdings, reports on execution of duties from each statutory committee and corporate executives, reports on the status of operation of internal control systems, reports on the status of CSR management, reports on the status of management of group companies, business portfolio review, and other reports

As for the effectiveness of the Board of Directors, upon collecting the self-evaluations and opinions annually, current evaluations and issues are shared at Board of Directors meetings as we pursue further increases in the effectiveness of the Board of Directors. Regarding the evaluation for FY2023, in addition to confirming the effectiveness of various initiatives undertaken to improve effectiveness for the issues identified in last fiscal year's effectiveness evaluation through our PDCA cycle, we also identified issues for improvement in the coming fiscal year.

## Status of Activities of the Nomination Committee, the Audit Committee, and the Remuneration Committee

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

### (Nomination Committee)

As of March 31, 2024, for the Nomination Committee, Takeshi Itoh (Independent Outside Director) serves as the Committee chairperson, Anne Ka Tse Hung (Independent Outside Director), Shigeaki Yoshikawa (Independent Outside Director), and Kiyohiro Yamamoto (Director, President & Group CEO) serve as committee members, with independent outside directors comprising a majority of the Committee. In FY2023, the Nomination Committee met twelve (12) times, and four (4) members of the Nomination Committee attended all of the meetings. Specific items considered by the Nomination Committee are as follows.

Items implemented	Specific contents of consideration
Action plans for the current fiscal year	While reviewing the activities of the previous fiscal year, the Nomination Committee considered and determined items for evaluation and annual action plans for the committee in the current fiscal year, and other matters.
Determination of contents of proposals concerning candidates for directors for the next term	In considering the Board of Directors structure for the next term (FY2024), the Nomination Committee confirmed views on the selection and the state of consideration, and deliberated and determined candidates for directors for the next term.

Confirmation of candidates for corporate executives for the next term and candidates for executive officers for the next term	Regarding the corporate executive structure for the next term (FY2024) based on consultation from the Board of Directors and the executive officer structure based on consultation from the president & Group CEO, the Nomination Committee confirmed views on the selection and the state of consideration, as well as the selection of candidates for the next term.
Selection of successor candidates and confirmation of individual training plans	The Nomination Committee shared a profile of needed successor and the judgment criteria for promotion, and confirmed the selection and training process and the training status of successor candidates based on the development of leadership personnel.
Revision of the Rules of the Nomination Committee and rules related to the selection of officers	In addition to deciding on a proposal to revise the Rules of the Nomination Committee following the organization of matters to be discussed at the Nomination Committee, the Nomination Committee considered the revision of the various rules related to the selection of officers.

(Audit Committee)

As of March 31, 2024, for the Audit Committee, Fumitoshi Sato (Independent Outside Director) serves as the Committee chairperson, Minoru Sakuma (Independent Outside Director) and Hisaya Katsuta (Non-executive Inside Director) serve as committee members, with independent outside directors comprising a majority of the Committee. Two (2) independent outside directors and one (1) non-executive inside director who is versed in the Company's businesses formulate audit plans together with the Internal Audit Department and conduct multifaceted auditing activities, and the internal Audit Committee member serves on a full-time basis, to enhance the effectiveness of audits by the Audit Committee. The Audit Committee chairperson 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 and thus has a wealth of knowledge concerning financial affairs and accounting. Furthermore, the Company established an Audit Committee Office, an organization dedicated to assisting the Audit Committee in its duties, with three (3) staff members assigned to assist the Audit Committee in the execution of its duties.

The Audit Committee convenes in principle once a month and holds ad-hoc meetings, as necessary. In FY2023, it convened a total of 13 times and the three (3) Audit Committee members participated in all of the meetings. The main key audit items and specific audit details of the Audit Committee in FY2023 are as follows.

Key audit items	Specific audit details
Status of operation of internal control systems	The full-time Audit Committee member held meetings with the divisions in charge of internal control systems and Audit & Supervisory Board members and control divisions of the Company's subsidiaries. The audit results of the Audit & Supervisory Board members of the subsidiaries were also shared with all Audit Committee members, and the results were confirmed through exchanges of opinion with the presidents of the subsidiaries.

Status of risk response	The full-time Audit Committee member attended the azbil Group General Risk Committee, confirmed the status of response to key risks, and held meetings with the divisions responsible for risk management. All the Audit Committee members exchanged opinions with the corporate executives individually.
Status of governance	All the Audit Committee members exchanged opinions with the corporate executives and presidents of subsidiaries and confirmed the status of operations of the internal reporting system. The full-time Audit Committee member attended the Management Meeting and other important meetings and confirmed both the response to emergencies and major incidents and the implementation status of measures to prevent recurrence.
Status of legal and regulatory compliance	Through an investigation of business operations at the divisions in charge of the various legal and regulatory compliance, the full-time Audit Committee member confirmed the status of regulatory compliance and requested improvements in the time-intensive regulatory review, leading to revisions in regulations.
Implementation status of management strategies	At the Board of Directors and Liaison Meeting for Directors and Corporate Executives, discussions were held on measures to achieve medium- to long-term targets and on the details of the evaluation of the business portfolio. Additionally, during the investigation of business operations, confirmation was made that the divisions were executing business operations according to the medium-term plan.

(Remuneration Committee)

As of March 31, 2024, for the Remuneration Committee, Mitsuhiro Nagahama (Independent Outside Director) serves as the Committee chairperson, Waka Fujiso (Independent Outside Director), Tomoyasu Miura (Independent Outside Director), and Takayuki Yokota (Director, Representative Corporate Executive Deputy President) serve as committee members, with independent outside directors comprising a majority of the Committee. In FY2023, the Remuneration Committee met ten (10) times and all the four (4) Remuneration Committee members attended all of the meetings. Specific items considered by the Remuneration Committee are as follows.

Items implemented	Specific contents of consideration
Action plan for the current fiscal year	The Remuneration Committee evaluated and decided on the items for consideration and its annual action plan for the current fiscal year.
Determination of policies and system for determining details of remuneration for directors and corporate executives	The Remuneration Committee reviewed the remuneration ratios for corporate executives (increasing the ratio of stock compensation) and revised the policies and system used to decide the details of remuneration for directors and corporate executives.
Determination of individual remuneration for directors and corporate executives	In addition to evaluating the performance of corporate executives in FY2022, based on the above determination policies, the Remuneration Committee determined details of individual remuneration for directors and corporate executives during the period from July 2023 to June 2024.
Revision of the Rules of the Remuneration Committee	The Remuneration Committee decided on a proposal to revise the Rules of the Remuneration Committee following the organization of matters to be discussed at the Remuneration Committee.
Confirmation of the external environment as for officers' remuneration	The Remuneration Committee made regular confirmation of the current remuneration system for officers and the remuneration level in light of information on other companies and general trends provided by external specialized institutions, etc.

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 the Guiding Principles for azbil Group Business and the azbil Group Code of Conduct as guiding principles of the officers and employees. We aim to connect the Group 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. Additionally, by 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, management and deployment of corporate assets, and protection of the environment, the Company is working toward sound business activities through the establishment of our corporate ethics.

As described in the section on “Issues to be tackled,” to promote sustainability management and to achieve the materiality targets established by the Company as priority issues to be tackled over the long term, we have set the azbil Group SDGs targets, and for materiality related to fundamental obligations that a company must fulfill as members of society, we are advancing various CSR activities with the goal of being a trusted corporate group. Specifically, 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 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, conducting monitoring and providing specific advice and proposals for improved 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 meeting body 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 advisors, 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.



## Consolidated Financial Statements

### Consolidated Balance Sheet

		(Millions of yen)	
		102nd term	102nd term
		As of March 31,	As of March 31,
		2024	2024
<b>Assets</b>		<b>Liabilities</b>	
<b>Current assets</b>	<b>229,022</b>	<b>Current liabilities</b>	<b>77,981</b>
Cash and deposits	71,079	Notes and accounts payable - trade	20,472
Notes receivable - trade	16,522	Short-term borrowings	7,468
Accounts receivable - trade	62,039	Income taxes payable	8,459
Contract assets	19,196	Contract liabilities	9,014
Securities	8,900	Provision for bonuses	13,136
Merchandise and finished goods	9,138	Provision for bonuses for directors (and other officers)	226
Work in process	7,737	Provision for product warranties	2,318
Raw materials	26,902	Provision for loss on orders received	53
Other	7,937	Other	16,831
Allowance for doubtful accounts	(433)	<b>Non-current liabilities</b>	<b>10,859</b>
<b>Non-current assets</b>	<b>84,706</b>	Long-term borrowings	1,985
<b>Property, plant and equipment</b>	<b>41,388</b>	Deferred tax liabilities for land revaluation	181
Buildings and structures	23,050	Retirement benefit liability	1,784
Machinery, equipment and vehicles	4,664	Provision for retirement benefits for directors (and other officers)	207
Tools, furniture and fixtures	2,895	Provision for share awards	2,596
Land	6,573	Provision for share awards for directors (and other officers)	108
Leased assets	2,570	Other	3,995
Construction in progress	1,634	<b>Total liabilities</b>	<b>88,840</b>
<b>Intangible assets</b>	<b>6,157</b>	<b>Net assets</b>	
Software	4,558	<b>Shareholders' equity</b>	<b>201,145</b>
Other	1,599	Share capital	10,522
<b>Investments and other assets</b>	<b>37,160</b>	Capital surplus	11,617
Investment securities	26,008	Retained earnings	211,810
Deferred tax assets	3,263	Treasury shares	(32,804)
Retirement benefit asset	3	<b>Accumulated other comprehensive income</b>	<b>20,376</b>
Other	7,994	Valuation difference on available-for-sale securities	13,848
Allowance for doubtful accounts	(109)	Deferred gains or losses on hedges	(18)
		Foreign currency translation adjustment	6,496
		Remeasurements of defined benefit plans	50
		<b>Non-controlling interests</b>	<b>3,365</b>
<b>Total assets</b>	<b>313,728</b>	<b>Total net assets</b>	<b>224,887</b>
		<b>Total liabilities and net assets</b>	<b>313,728</b>

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

## Consolidated Statement of Income

(Millions of yen)

	102nd term April 1, 2023 to March 31, 2024
<b>Net sales</b>	<b>290,938</b>
<b>Cost of sales</b>	<b>167,964</b>
<b>Gross profit</b>	<b>122,973</b>
<b>Selling, general and administrative expenses</b>	<b>86,132</b>
<b>Operating income</b>	<b>36,841</b>
<b>Non-operating income</b>	<b>2,657</b>
Interest and dividend income	1,347
Foreign exchange gains	1,055
Other	254
<b>Non-operating expenses</b>	<b>499</b>
Interest expenses	271
Other	228
<b>Ordinary income</b>	<b>38,999</b>
<b>Extraordinary income</b>	<b>3,361</b>
Gain on sale of non-current assets	5
Gain on sale of investment securities	2,350
Compensation income for damages	597
Compensation for forced relocation	408
<b>Extraordinary losses</b>	<b>475</b>
Loss on sale and retirement of non-current assets	97
Loss on valuation of investment securities	378
<b>Income before income taxes</b>	<b>41,884</b>
Income taxes - current	11,151
Income taxes - deferred	(236)
<b>Net income</b>	<b>30,970</b>
Net income attributable to non-controlling interests	762
<b>Net income attributable to owners of parent</b>	<b>30,207</b>

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

## Consolidated Statement of Changes in Net Assets

(Millions of yen)

102nd term April 1, 2023 to March 31, 2024	Shareholders' equity				
	Share capital	Capital surplus	Retained earnings	Treasury shares	Total shareholders' equity
Balance at beginning of period	10,522	11,670	199,249	(32,391)	189,051
Changes during period					
Dividends of surplus			(9,478)		(9,478)
Net income attributable to owners of parent			30,207		30,207
Effect of changes in accounting period of subsidiaries			6		6
Change in ownership interest of parent due to transactions with non-controlling interests		(53)			(53)
Purchase of treasury shares				(10,002)	(10,002)
Disposal of treasury shares		0		1,414	1,414
Cancellation of treasury shares		(8,175)		8,175	–
Transfer from retained earnings to capital surplus		8,175	(8,175)		–
Net changes in items other than shareholders' equity					
Total changes during period	–	(53)	12,560	(413)	12,093
Balance at end of period	10,522	11,617	211,810	(32,804)	201,145

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

(Millions of yen)

102nd term April 1, 2023 to March 31, 2024	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	Remeasu- rements of defined benefit plans	Total accumulated other comprehensive income		
Balance at beginning of period	9,270	(100)	4,546	51	13,768	3,060	205,880
Changes during period							
Dividends of surplus							(9,478)
Net income attributable to owners of parent							30,207
Effect of changes in accounting period of subsidiaries							6
Change in ownership interest of parent due to transactions with non-controlling interests							(53)
Purchase of treasury shares							(10,002)
Disposal of treasury shares							1,414
Cancellation of treasury shares							—
Transfer from retained earnings to capital surplus							—
Net changes in items other than shareholders' equity	4,577	81	1,949	(0)	6,608	304	6,913
Total changes during period	4,577	81	1,949	(0)	6,608	304	19,007
Balance at end of period	13,848	(18)	6,496	50	20,376	3,365	224,887

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

## Non-Consolidated Financial Statements

### Non-consolidated Balance Sheet

102nd term As of March 31, 2024		(Millions of yen) 102nd term As of March 31, 2024	
<b>Assets</b>		<b>Liabilities</b>	
<b>Current assets</b>	<b>154,983</b>	<b>Current liabilities</b>	<b>48,154</b>
Cash and deposits	40,874	Accounts payable - trade	6,483
Notes receivable - trade	11,226	Accounts payable for construction contracts	2,550
Accounts receivable - trade	36,255	Short-term borrowings	4,800
Accounts receivable from completed construction contracts	27,466	Accounts payable - other	891
Securities	8,900	Accrued expenses	6,037
Merchandise and finished goods	5,160	Income taxes payable	7,160
Work in process	3,471	Accrued consumption taxes	2,477
Costs on construction contracts in progress	799	Advances received	1,220
Raw materials	12,088	Advances received on construction contracts in progress	1,380
Short-term loans receivable from subsidiaries and associates	2,630	Deposits received	2,148
Accounts receivable - other	2,510	Deposits received from subsidiaries and associates	1,571
Prepaid expenses	3,066	Provision for bonuses	10,367
Other	628	Provision for bonuses for directors (and other officers)	174
Allowance for doubtful accounts	(95)	Provision for product warranties	588
<b>Non-current assets</b>	<b>76,392</b>	Provision for loss on orders received	20
<b>Property, plant and equipment</b>	<b>24,408</b>	Other	281
Buildings	16,224	<b>Non-current liabilities</b>	<b>5,631</b>
Structures	418	Long-term borrowings	1,633
Machinery and equipment	2,528	Provision for share awards	2,596
Vehicles	5	Provision for share awards for directors (and other officers)	108
Tools, furniture and fixtures	1,908	Other	1,294
Land	2,498	<b>Total liabilities</b>	<b>53,786</b>
Leased assets	58	<b>Net assets</b>	
Construction in progress	766	<b>Shareholders' equity</b>	<b>164,181</b>
<b>Intangible assets</b>	<b>5,553</b>	<b>Share capital</b>	<b>10,522</b>
Software	4,180	<b>Capital surplus</b>	<b>17,197</b>
Other	1,372	Legal capital surplus	17,197
<b>Investments and other assets</b>	<b>46,430</b>	<b>Retained earnings</b>	<b>169,265</b>
Investment securities	22,413	Legal retained earnings	2,519
Shares of subsidiaries and associates	14,835	Other retained earnings	166,745
Investments in capital of subsidiaries and associates	1,964	Reserve for tax purpose reduction entry of non-current assets	1,990
Long-term loans receivable from subsidiaries and associates	1,887	General reserve	51,811
Leasehold deposits	2,562	Retained earnings brought forward	112,944
Deferred tax assets	1,078	<b>Treasury shares</b>	<b>(32,804)</b>
Other	1,714	<b>Valuation and translation adjustments</b>	<b>13,407</b>
Allowance for doubtful accounts	(27)	Valuation difference on available-for-sale securities	13,407
<b>Total assets</b>	<b>231,375</b>	<b>Total net assets</b>	<b>177,588</b>
		<b>Total liabilities and net assets</b>	<b>231,375</b>

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

## Non-consolidated Statement of Income

(Millions of yen)

	102nd term April 1, 2023 to March 31, 2024
<b>Net sales</b>	<b>189,621</b>
Net sales of finished goods and others	123,640
Net sales of completed construction contracts	65,980
<b>Cost of sales</b>	<b>104,039</b>
Cost of sales of finished goods and others	67,200
Cost of sales of completed construction contracts	36,839
<b>Gross profit</b>	<b>85,581</b>
Gross profit - finished goods and others	56,440
Gross profit on completed construction contracts	29,141
<b>Selling, general and administrative expenses</b>	<b>60,475</b>
<b>Operating income</b>	<b>25,105</b>
<b>Non-operating income</b>	<b>5,456</b>
Interest income	372
Dividend income	3,843
Foreign exchange gains	1,139
Reversal of allowance for doubtful accounts	44
Other	56
<b>Non-operating expenses</b>	<b>117</b>
Interest expenses	26
Commitment fees	20
Commission for purchase of treasury shares	27
Loss on investments in investment partnerships	18
Office relocation expenses	14
Other	10
<b>Ordinary income</b>	<b>30,444</b>
<b>Extraordinary income</b>	<b>2,951</b>
Gain on sale of non-current assets	3
Gain on sale of investment securities	2,350
Compensation income for damages	597
<b>Extraordinary losses</b>	<b>437</b>
Loss on sale and retirement of non-current assets	59
Loss on valuation of investment securities	378
<b>Income before income taxes</b>	<b>32,958</b>
Income taxes - current	8,344
Income taxes - deferred	(452)
<b>Net income</b>	<b>25,066</b>

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

## Non-consolidated Statement of Changes in Net Assets

(Millions of yen)

(mmions of yen)

102nd term April 1, 2023 to March 31, 2024	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	2,084	51,811	105,436
Changes during period								
Reversal of reserve for tax purpose reduction entry of non-current assets						(94)		94
Dividends of surplus								(9,478)
Net income								25,066
Purchase of treasury shares								
Disposal of treasury shares			0	0				
Cancellation of treasury shares			(8,175)	(8,175)				
Transfer from retained earnings to capital surplus			8,175	8,175				(8,175)
Net changes in items other than shareholders' equity								
Total changes during period	—	—	—	—	—	(94)	—	7,507
Balance at end of period	10,522	17,197	—	17,197	2,519	1,990	51,811	112,944

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

(Millions of yen)

102nd term April 1, 2023 to March 31, 2024	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	161,852	(32,391)	157,181	9,085	9,085	166,267
Changes during period						
Reversal of reserve for tax purpose reduction entry of non-current assets	—		—			—
Dividends of surplus	(9,478)		(9,478)			(9,478)
Net income	25,066		25,066			25,066
Purchase of treasury shares		(10,002)	(10,002)			(10,002)
Disposal of treasury shares		1,414	1,414			1,414
Cancellation of treasury shares		8,175	—			—
Transfer from retained earnings to capital surplus	(8,175)		—			—
Net changes in items other than shareholders' equity				4,321	4,321	4,321
Total changes during period	7,413	(413)	6,999	4,321	4,321	11,321
Balance at end of period	169,265	(32,804)	164,181	13,407	13,407	177,588

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



## **Independent Auditor's Report**

May 14, 2024

To the Board of Directors  
Azbil Corporation

Deloitte Touche Tohmatsu LLC Tokyo Office  
Seiji Oguchi, CPA  
Designated Limited Liability Partner,  
Engagement Partner  
Takusei Kashiwamura, 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, 2023 to March 31, 2024.

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, 2024 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.

### **Other Described Content**

The other described content comprises the business report and the supplementary schedules. The responsibility of the management is to prepare and disclose the other described content. In addition, the Audit Committee is responsible for overseeing the execution of duties by the corporate executives and the directors in designing and operating the reporting process of the other described content.

The scope of our audit opinion on the consolidated financial statements does not include the other described content and we do not express an opinion on the other described content.

As our responsibility for auditing the consolidated financial statements, we read the other described content, and during the process of reading, we examine whether there are any important discrepancies between the other described content and the consolidated financial statements or between such content and our knowledge acquired during the process of auditing, and we pay attention to whether there are indications of material errors in the other described content other than the aforementioned important discrepancies.

If we determine that there are material errors in the other described content based on the work we have conducted, we are required to report those facts.

There are no items that we are required to report regarding the other described content.

## Responsibilities of Management and the Audit Committee 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.

The Audit Committee is responsible for overseeing the corporate executives' and 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. In addition, 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 and 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 Committee regarding 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 provide the Audit Committee 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 thought to bear on our independence, and where applicable, related countermeasures taken to eliminate obstruction factors, or related safeguards applied to reduce obstruction factors to an acceptable level.

#### 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 14, 2024

To the Board of Directors  
Azbil Corporation

Deloitte Touche Tohmatsu LLC Tokyo Office  
Seiji Oguchi, CPA  
Designated Limited Liability Partner,  
Engagement Partner  
Takusei Kashiwamura, 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 non-consolidated financial statements, that is, the non-consolidated balance sheet, non-consolidated statement of income, non-consolidated statement of changes in net assets and notes to non-consolidated financial statements, as well as the supplementary schedules (hereinafter, “non-consolidated financial statements, etc.”) of the Company for the 102nd fiscal year from April 1, 2023 to March 31, 2024.

In our opinion, the non-consolidated 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, 2024 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 Non-consolidated 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 non-consolidated 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.

### Other Described Content

The other described content comprises the business report and the supplementary schedules. The responsibility of the management is to prepare and disclose the other described content. In addition, the Audit Committee is responsible for overseeing the execution of duties by the corporate executives and the directors in designing and operating the reporting process of the other described content.

The scope of our audit opinion on the non-consolidated financial statements, etc. does not include the other described content and we do not express an opinion on the other described content.

As our responsibility for auditing the non-consolidated financial statements, etc. we read the other described content, and during the process of reading, we examine whether there are any important discrepancies between the other described content and the non-consolidated financial statements, etc. or between such content and our knowledge acquired during the process of auditing, and we pay attention to whether there are indications of material errors in the other described content other than the aforementioned important discrepancies.

If we determine that there are material errors in the other described content based on the work we have conducted, we are required to report those facts.

There are no items that we are required to report regarding the other described content.

#### Responsibilities of Management and the Audit Committee for the Non-consolidated Financial Statements, Etc.

Management is responsible for the preparation and fair presentation of the non-consolidated 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 non-consolidated financial statements, etc. that are free from material misstatement, whether due to fraud or error.

In preparing the non-consolidated financial statements, etc., management is responsible for assessing whether it is appropriate to prepare the non-consolidated 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.

The Audit Committee is responsible for overseeing the corporate executives' and the directors' performance of duties within the maintenance and operation of the financial reporting process.

#### Auditor's Responsibilities for the Audit of the Non-consolidated Financial Statements, Etc.

Our responsibilities are to obtain reasonable assurance about whether the non-consolidated 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 non-consolidated 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 non-consolidated 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. In addition, obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion.
- When auditing the non-consolidated 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 non-consolidated 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 non-consolidated financial statements, etc. or, if the notes to the non-consolidated financial statements, etc. on material uncertainty are inadequate, to express a qualified opinion with exceptions on the non-consolidated 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 non-consolidated financial statements, etc. and notes to the non-consolidated financial statements, etc. are in accordance with accounting standards generally accepted in Japan, as well as evaluate the presentation, structure, and content of the non-consolidated financial statements, etc., including the related notes thereto, and whether the non-consolidated financial statements, etc. fairly present the underlying transactions and accounting events.

- Obtain sufficient and appropriate audit evidence regarding financial information of components included in the non-consolidated financial statements, etc. in order to express an opinion on the non-consolidated financial statements, etc. We have responsibility for the direction, supervision and performance of audits regarding the financial information of the components. We are solely responsible for our audit opinion.

We report to the Audit Committee regarding 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 provide the Audit Committee 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 thought to bear on our independence, and where applicable, related countermeasures taken to eliminate obstruction factors, or related safeguards applied to reduce obstruction factors to an acceptable level.

#### 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 Committee has audited the execution of duties by directors and corporate executives for the 102nd fiscal year from April 1, 2023 to March 31, 2024. We hereby submit the methods and results of the audit as follows:

### **1. Auditing methods and details thereof**

The Audit Committee received reports regularly from directors, corporate executives, employees, etc. on the resolutions of the Board of Directors concerning the matters listed in Article 416, Paragraph 1, Items (i) (b) and (e) of the Companies Act as well as the development and operation status of the system that has been put in place based on said resolutions (internal control system), requested explanation as necessary and expressed its opinion, and conducted audits using the following method.

- (1) In accordance with the auditing standards for the Audit Committee established by the Audit Committee, the Audit Committee set an audit plan including audit policies, priority audit items and division of duties in collaboration with the internal audit division of the Company. Then, the Audit Committee attended important meetings, received reports from directors, corporate executives and others on matters concerning the execution of duties by them, requested an explanation where necessary. Also, the Audit Committee has examined important authorized documents and associated information, and investigated the operations and financial conditions at headquarters and principal offices. With respect to subsidiaries, the Audit Committee communicated and exchanged information with directors and Audit & Supervisory Board members of subsidiaries, and received reports from them when necessary.
- (2) The Audit Committee monitored and verified that the accounting auditor maintains independence and conducts the audits appropriately. The Audit Committee also received an explanation of the audit plan at the beginning of the fiscal year from the accounting auditor, accompanied the accounting auditor during the audits in the fiscal year, and received reports and exchanged opinions on the status and results of the auditing activities. 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) from the accounting auditor. With respect to key audit matters, the Audit Committee members received reports from Deloitte Touche Tohmatsu LLC, the accounting auditor, concerning the status of their audit implementation and requested explanations as necessary.

Based on the above-mentioned method, 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, 2024.

### **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 and corporate executives, 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 and corporate executives.
- (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 17, 2024

The Audit Committee, Azbil Corporation

Fumitoshi Sato,  
Audit Committee Chairperson

Minoru Sakuma,  
Audit Committee Member

Hisaya Katsuta,  
Full-time Audit Committee Member

Note: Audit Committee chairperson Fumitoshi Sato and Audit Committee member Minoru Sakuma are outside directors of the Company under Article 2, Item 15 and Article 400, Paragraph 3 of the Companies Act.