



*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 1, 2022**

**Notice of the 100th Ordinary General Meeting of Shareholders**

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



Hirozumi Sone

Representative Director, Executive Chairperson (left)

A handwritten signature in black ink, appearing to read "Hirozumi Sone".

Kiyohiro Yamamoto

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

A handwritten signature in black ink, appearing to read "Kiyohiro Yamamoto".

Since our foundation in 1906, we have pursued measurement and control technologies, delivering unique solutions to our customers. In April 2012, we changed our company name from Yamatake to Azbil Corporation. Today, the azbil Group is aiming to provide customers with its unique value in offices, production sites, and daily lives all over the world through its three business segments: Building Automation, Advanced Automation, and Life Automation.

In the last few years, the spread of COVID-19 and the resulting global economic slowdown have created challenging conditions for the Group. However, in the medium to long term, we believe that automation will take on a greater role. These issues include changes in the business environment such as progressing globalization and fulfilling our responsibility to contribute to the sustainable growth of society, technological innovation, Japan’s aging society, ongoing

creation of new ways of working, the response to climate change, the spread of remote work, and business continuity planning (BCP). We believe that our response to these issues will further expand the business areas that automation can support. We see these changes as business opportunities for the azbil Group and plan to advance further both our global development and initiatives in our business fields and to accelerate growth.

We plan to promote initiatives toward the Sustainable Development Goals (SDGs), which are compatible with our Group philosophy. To this end, we will further provide new products and services that contribute to the safety, productivity, and value enhancement of production sites by using advanced technologies such as AI and various sensing technologies and expand our business by solving environmental energy-related problems in buildings and in the local community, while strengthening our business and corporate foundations. Through the pursuit of “human-centered automation,” we aim to become a corporate group that contributes to the sustainable development of society.

# **Azbil Corporation**

**June 1, 2022**

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

## **Notice of the 100th Ordinary General Meeting of Shareholders**

Dear Shareholders:

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

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

Yours faithfully,

Kiyohiro Yamamoto  
President and Group CEO

## Details

1. Date and Time: Thursday, June 23 at 10 a.m., 2022 (Japan Time)
2. Place: Large Conference Room, Fujisawa Technology Center of Azbil Corporation,  
1-12-2 Kawana, Fujisawa-shi, Kanagawa
3. Purpose:

### **Items to be Reported**

- Item 1: Business Reports, Consolidated Financial Statements, and Audit Reports covering Consolidated Financial Statements by the Accounting Auditor and the Audit & Supervisory Board for the 100th term from April 1, 2021 to March 31, 2022
- Item 2: Non-Consolidated Financial Statements for the 100th term from April 1, 2021 to March 31, 2022

### **Items to be Resolved**

- Item 1: Appropriation of Surplus
- Item 2: Partial Amendment to the Articles of Incorporation
- Item 3: Election of twelve (12) Directors

## Reference Materials for the General Meeting of Shareholders

### Item 1: Appropriation of Surplus

The Company regards the distribution of profit to shareholders as one of the most important management issues. Taking comprehensive account of consolidated business results, the levels of dividend on equity ratio (DOE) and return on equity (ROE), as well as retained earnings required for future business development and ensuring a healthy financial foundation, management strives towards maintaining a stable dividend level, while raising it at the same time. Based on this policy, year-end dividends for the 100th term are proposed as follows.

(1) Type of dividend

Cash

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

¥30 per share of Company common stock

Total amount: ¥4,176,697,170

As the interim dividend of ¥30 per share was paid in December 2021, the total dividend for full year is ¥60 per share.

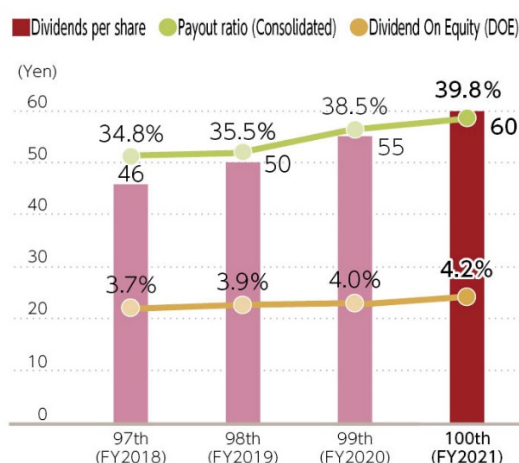
(3) Effective date of payments for dividends from surplus

June 24, 2022

(Reference)

#### Rationale for Returns to Shareholders

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



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

## **Item 2: Partial Amendment to the Articles of Incorporation**

### 1. Reasons for the Amendments

- (1) Aiming to further enhance its corporate governance toward the realization of the “Long-term Targets (for fiscal year 2030)” and the “Medium-term Plan (for fiscal years 2021 to 2024),” to establish a clear separation between the supervisory function and the execution function, and to realize further strengthening of the management supervisory function, the Company has decided to transition to a company with a three-committee board structure. In line with this, necessary amendments will be made, including the establishment of new provisions concerning the Nomination Committee, the Audit Committee and the Remuneration Committee, and Corporate Executives (Article 4 and Articles 28 to 34 of the Proposed Amendments), a change to the fixed number of Directors to enhance the corporate governance system in conjunction with the establishment of the statutory committees (Article 18 of the Proposed Amendments), a change to the provision relating to the adoption of the one-year term of office for Directors (Article 20 of the Proposed Amendments), as well as the deletion of provisions concerning Audit & Supervisory Board Members and the Audit & Supervisory Board (Articles 29 to 36 of the Current Articles of Incorporation) and transitional measures thereof. For the new establishment of Article 34 of the Proposed Amendments (Exemption of Corporate Executives’ Liability), the Company has obtained necessary consent from each Audit & Supervisory Board Member.
- (2) Moreover, in consideration that the supervisory function will be strengthened with the transition to a company with a three-committee board structure, the Company proposes to make necessary changes—including the establishment of provisions regarding the organizational body for determining dividends of surplus, etc. (Article 36 of the Proposed Amendments)—so as to enable decisions on flexible payment of dividends of surplus, etc. to also be made by the Board of Directors, pursuant to the provisions in the items of Article 459, Paragraph 1 of the Companies Act.
- (3) Since the revised provisions provided for in the proviso to Article 1 of the Supplementary Provisions of the Act Partially Amending the Companies Act (Act No. 70 of 2019) are to be enforced on September 1, 2022, the Company proposes to make the following changes to its Articles of Incorporation in preparation for the introduction of the system for providing informational materials for the General Meeting of Shareholders in electronic format.
  - (i) As the Company is to be obligated to stipulate in the Articles of Incorporation that it will take measures to provide information constituting the content of reference documents, etc. for the General Meeting of Shareholders in electronic format, Article 15 (Measures, etc. for Providing Information in Electronic Format), Paragraph 1 in the Proposed Amendments shall be newly established.



- (ii) Regarding the information that constitutes the content of reference documents, etc. for the General Meeting of Shareholders for which the measures to provide it in electronic format will be taken, so as to provide for being able to limit the scope of the items to be stated in the paper-based documents delivered to those shareholders who requested the delivery of paper-based documents to the scope designated by the Ministry of Justice Order, Article 15 (Measures, etc. for Providing Information in Electronic Format), Paragraph 2 in the Proposed Amendments shall be newly established.
- (iii) As the provisions under Article 16 (Deemed Provision of Internet Disclosure of General Shareholder Meeting Reference Materials) of the Current Articles of Incorporation shall no longer be required following the adoption of the system for providing informational materials for the General Meeting of Shareholders in electronic format, this provision shall be deleted.
- (iv) Accompanying the establishment and deletion of provisions mentioned in (i) to (iii) above, supplementary provisions regarding effective dates, etc. shall be established. These supplementary provisions shall be deleted after the stipulated dates.
- (4) Other adjustments to the article numbers and necessary changes in line with the above-mentioned changes shall be made.

The changes to the Articles of Incorporation in the Proposal shall take effect from the conclusion of this General Meeting, excluding those stipulated in Article 2, Paragraph 1 of the Supplementary Provisions of the Proposed Amendments.

## 2. Details of the Amendments

The details of the amendment are as stated below:

\*Amended points are underlined

| Current Articles of Incorporation  | Proposed Amendments  |
|--|--|
| <p>Chapter I. General Provisions</p> <p>Articles 1 to 3 (Provisions omitted)</p> <p>Article 4. (Organs)</p> <p>The Company shall have the following organs in addition to the General Meeting of Shareholders and Directors:</p> <ol style="list-style-type: none"> <li>1. Board of Directors</li> <li>2. <u>Audit &amp; Supervisory Board Member</u></li> <li>3. <u>Audit &amp; Supervisory Board</u></li> <li>4. Accounting Auditor</li> </ol> <p>Article 5. (Method of Public Notice)<br/>(Provisions omitted)</p> <p>Chapter II. Shares</p> <p>Article 6. (Total Number of Shares Issuable)<br/>(Provisions omitted)</p> | <p>Chapter I. General Provisions</p> <p>Articles 1 to 3 (Same as the current Articles 1 to 3)</p> <p>Article 4. (Organs)</p> <p><u>As a company with a three-committee board structure</u>, the Company shall have, in addition to the General Meeting of Shareholders and Directors, the following organs:</p> <ol style="list-style-type: none"> <li>1. Board of Directors</li> <li>2. <u>Nomination Committee, Audit Committee and Remuneration Committee</u></li> <li>3. <u>Corporate Executives</u></li> <li>4. Accounting Auditor</li> </ol> <p>Article 5. (Method of Public Notice)<br/>(Same as the current Article 5)</p> <p>Chapter II. Shares</p> <p>Article 6. (Total Number of Shares Issuable)<br/>(Same as the current Article 6)</p> |

| Current Articles of Incorporation   | Proposed Amendments   |
|---|---|
| <p><u>Article 7. (Acquisitions of the Company's Treasury Shares)</u><br/> <u>Based on the provisions of Article 165, Paragraph 2 of the Companies Act, the Company may, by resolution of the Board of Directors, acquire Company's treasury shares through market transactions etc.</u></p>   | <p>(Deleted)</p>  |
| <p>Articles <u>8</u> to <u>10</u> (Provisions omitted)</p>  | <p>Articles <u>7</u> to <u>9</u> (Same as the current Articles 8 to 10)</p>   |
| <p>Article <u>11</u>. (Administrator of the Shareholders' Register)<br/> The Company shall appoint an administrator of the shareholders' register. The administrator of the shareholders' register and the location of its office will be determined by resolution of the Board of Directors and will be announced through public notice.<br/> The preparation and storage of the shareholders' register and the register of warrants and the administration of other matters relating to the shareholders' register and the register of warrants shall be entrusted to the administrator of the shareholders' register and will not be handled within the Company.</p> | <p>Article <u>10</u>. (Administrator of the Shareholders' Register)<br/> The Company shall appoint an administrator of the shareholders' register. The administrator of the shareholders' register and the location of its office will be determined by resolution of the Board of Directors or by the decision of a <u>Corporate Executive delegated by resolution of the Board of Directors</u>, and will be announced through public notice.<br/> The preparation and storage of the shareholders' register and the register of warrants and the administration of other matters relating to the shareholders' register and the register of warrants shall be entrusted to the administrator of the shareholders' register and will not be handled within the Company.</p> |
| <p>Article <u>12</u>. (Rules for Handling Shares)<br/> Fees and handling relating to the shares of the Company shall, in addition to laws, regulations and these Articles of Incorporation, be in accordance with the Rules of Handling Shares determined by the Board of Directors.</p>  | <p>Article <u>11</u>. (Rules for Handling Shares)<br/> Fees and handling relating to the shares of the Company shall, in addition to laws, regulations and these Articles of Incorporation, be in accordance with the Rules of Handling Shares determined by the Board of Directors or by the decision of a <u>Corporate Executive delegated by resolution of the Board of Directors</u>.</p>   |
| <p>Chapter III. General Meeting of Shareholders<br/> Articles <u>13</u> to <u>14</u> (Provisions omitted)</p>   | <p>Chapter III. General Meeting of Shareholders<br/> Articles <u>12</u> to <u>13</u> (Same as the current Articles 13 to 14)</p>  |
| <p>Article <u>15</u>. (Person to Convene and Chairperson)<br/> <u>The Director and President shall convene the General Meeting of Shareholders and shall act as the chairperson at the meeting.</u><br/> In case the <u>Director and President</u> is prevented from convening the General Meeting or <u>serving as the chairperson of the meeting</u>, one of the other Directors shall take his/her place according to the order of precedence determined in advance by the Board of Directors.<br/> (New)</p>  | <p>Article <u>14</u>. (Person to Convene and Chairperson)<br/> 1. <u>A Director determined in advance by the Board of Directors shall convene the General Meeting of Shareholders. In case the said Director is prevented from convening the General Meeting, one of the other Directors shall take his/her place according to the order of precedence determined in advance by the Board of Directors.</u><br/> 2. <u>A Director or Corporate Executive determined in advance by the Board of Directors shall act as the chairperson at the General Meeting of Shareholders. In case the said Director or Corporate Executive is prevented from serving as the chairperson of the General Meeting of</u></p>   |

| Current Articles of Incorporation  | Proposed Amendments  |
|--|--|
| <p>Article 16. <u>(Deemed Provision of Internet Disclosure of General Shareholder Meeting Reference Materials)</u></p> <p><u>When convening a General Meeting of Shareholders, the Company may deem to have provided shareholders with information relating to matters which should be noted or expressed in reference materials for the General Meeting of Shareholders, business reports, financial reports, and consolidated financial reports by disclosing said materials over the Internet in accordance with Ministry of Justice Order.</u></p> <p>(New)</p> <p>Articles 17 to 18 (Provisions omitted)</p> <p>Chapter IV. Directors and Board of Directors</p> <p>Article 19. (Fixed Number)</p> <p>The Company shall have more than three (3) and not more than <u>11</u> directors.</p> <p>Article 20. (Election)</p> <p>(Provisions omitted)</p> <p>Article 21. (Term of Office)</p> <p>The term of office of a Director shall expire at the conclusion of the Ordinary General Meeting of Shareholders held in the fiscal year that ends within <u>two (2) years</u> from their assumption of office.</p> <p><u>The term of office of a Director elected to fill a vacancy of Director who retires prior to the completion of his/her full term or as a result of an increase in the number of Directors shall be the same time as when the term of office of the other Directors expires.</u></p> <p>Article 22. (Representative Directors and Directors</p> | <p><u>Shareholders, one of the other Directors or Corporate Executives shall take his/her place according to the order of precedence determined in advance by the Board of Directors.</u></p> <p>(Deleted)</p> <p>Article 15. <u>(Measures, etc. for Providing Information in Electronic Format)</u></p> <p><u>1. When the Company convenes a General Meeting of Shareholders, it shall take measures for providing information that constitutes the content of reference documents for the General Meeting of Shareholders, etc. in electronic format.</u></p> <p><u>2. Of those items for which the measures for providing information in electronic format will be taken, the Company may exclude all or some of those items designated by the Ministry of Justice Order from statements in the paper-based documents to be delivered to shareholders who requested, by the record date for voting rights, the delivery of paper-based documents.</u></p> <p>Articles 16 to 17 (Same as the current Articles 17 to 18)</p> <p>Chapter IV. Directors and Board of Directors</p> <p>Article 18. (Fixed Number)</p> <p>The Company shall have more than three (3) and not more than <u>15</u> directors.</p> <p>Article 19. (Election)</p> <p>(Same as the current Article 20)</p> <p>Article 20. (Term of Office)</p> <p>The term of office of a Director shall expire at the conclusion of the Ordinary General Meeting of Shareholders held in the fiscal year that ends within <u>one (1) year</u> from their assumption of office.</p> <p>Article 21. (Directors with Special Office)</p> |

| Current Articles of Incorporation   | Proposed Amendments  |
|---|--|
| <p>with Special Office)</p> <p><u>1. The Board of Directors shall, by its resolution, elect Representative Directors.</u></p> <p><u>2. The Board of Directors shall, by its resolution, select President and Chief Executive Officer and may select in addition other Directors with Special Office.</u></p> <p>Article <u>23.</u> (Executive Officer)<br/>(Provisions omitted)</p> <p>Article <u>24.</u> (Compensation, etc.)<br/>The monetary benefits (hereafter referred to as “compensation, etc.”) received from the Company as Directors’ compensation, bonuses and other consideration for the performance of their respective duties shall be determined by the resolution of the <u>General Meeting of Shareholders.</u></p> <p>Article <u>25.</u> (Exemption of Directors’ Liability)<br/>(Provisions omitted)</p> <p>Article <u>26.</u> (Convocation of Board of Directors)<br/>The notice of convocation of the Board of Directors shall be given to each Director <u>and each Audit &amp; Supervisory Board Member</u> three (3) days in advance. In cases of emergency, however, this period may be shortened.</p> <p>Article <u>27.</u> (Omission of Board of Directors’ Resolution)<br/>In respect to items for resolution of the Board of Directors, the Company shall deem that a resolution had been undertaken with the intent of adopting said items for resolution when all Directors (limited to those Directors able to exercise voting rights with respect to said items for resolution) have agreed in writing or through electronic means. <u>However, this shall not apply when an Audit &amp; Supervisory Board Member objects.</u></p> <p>Article <u>28.</u> (Rules of Board of Directors)<br/>(Provisions omitted)<br/><u>Chapter V. Audit &amp; Supervisory Board Members and Audit &amp; Supervisory Board</u></p> <p>Article <u>29.</u> (Fixed Number)<br/><u>The Company shall have not less than three (3) and not more than five (5) Audit &amp; Supervisory Board Members.</u></p> <p>Article <u>30.</u> (Election)<br/><u>Audit &amp; Supervisory Board Members shall be elected by resolution of the General Meeting of Shareholders. Resolution electing Audit &amp; Supervisory Board Members shall be determined by a majority of the votes of shareholders in attendance holding not less than one-third</u></p> | <p>The Board of Directors may, by its resolution, select Directors with Special Office.</p> <p>Article <u>22.</u> (Executive Officer)<br/>(Same as the current Article 23)</p> <p>Article <u>23.</u> (Compensation, etc.)<br/>The monetary benefits (hereafter referred to as “compensation, etc.”) received from the Company as Directors’ compensation, bonuses and other consideration for the performance of their respective duties shall be determined by the resolution of <u>the Remuneration Committee.</u></p> <p>Article <u>24.</u> (Exemption of Directors’ Liability)<br/>(Same as the current Article 25)</p> <p>Article <u>25.</u> (Convocation of Board of Directors)<br/>The notice of convocation of the Board of Directors shall be given to each Director three (3) days in advance. In cases of emergency, however, this period may be shortened.</p> <p>Article <u>26.</u> (Omission of Board of Directors’ Resolution)<br/>In respect to items for resolution of the Board of Directors, the Company shall deem that a resolution had been undertaken with the intent of adopting said items for resolution when all Directors (limited to those Directors able to exercise voting rights with respect to said items for resolution) have agreed in writing or through electronic means.</p> <p>Article <u>27.</u> (Rules of Board of Directors)<br/>(Same as the current Article 28)<br/>(Deleted)</p> <p>(Deleted)</p> <p>(Deleted)</p> |

| Current Articles of Incorporation  | Proposed Amendments |
|--|---------------------|
| <p><u>(1/3) of the voting rights of shareholders who are able to exercise voting rights.</u></p> <p><u>Article 31. (Term of Office)</u></p> <p><u>1. The term of office of Audit &amp; Supervisory Board Members shall expire at the conclusion of the Ordinary General Meeting of Shareholders held in the business year that ends within four (4) years from their assumption of office.</u></p> <p><u>2. The effective period of the resolution to elect a substitute Audit &amp; Supervisory Board Member elected pursuant to the provision of Article 329, Paragraph 3 of the Companies Act shall be until the commencement of the Ordinary General Meeting of Shareholders for the last fiscal year which ends within four (4) years from the time of his/her election.</u></p> <p><u>3. In the event that a new Audit &amp; Supervisory Board Member is chosen to fill the vacancy of an Audit &amp; Supervisory Board Member who retires prior to the completion of his/her full term, then the new Audit &amp; Supervisory Board Member's term will end when the term of office of his/her predecessor's would have expired; provided, however, that if the substitute Audit &amp; Supervisory Board Member elected pursuant to the provision of the preceding paragraph assumes the office of Audit &amp; Supervisory Board Member, the term of office of said Audit &amp; Supervisory Board Member may not continue beyond the conclusion of the Ordinary General Meeting of Shareholders for the last fiscal year which ends within four (4) years from the time of his/her election as substitute Audit &amp; Supervisory Board Member.</u></p> | (Deleted)           |
| <p><u>Article 32. (Standing Audit &amp; Supervisory Board Member)</u></p> <p><u>Standing Audit &amp; Supervisory Board Members shall be appointed by the resolution of the Audit &amp; Supervisory Board.</u></p>  | (Deleted)           |
| <p><u>Article 33. (Compensation, etc.)</u></p> <p><u>The compensation, etc. payable to Audit &amp; Supervisory Board Members shall be determined by the resolution of the General Meeting of Shareholders.</u></p>   | (Deleted)           |
| <p><u>Article 34. (Exemption of Audit &amp; Supervisory Board Member' Liability)</u></p> <p><u>1. Based on the provisions of Article 426, Paragraph 1 of the Companies Act, the Company may exempt within the limits of laws and regulations Audit &amp; Supervisory Board Members (including former Audit &amp; Supervisory Board Member) from liability for damages under Article 423, Paragraph 1 of said Act.</u></p>  | (Deleted)           |

| Current Articles of Incorporation   | Proposed Amendments   |
|---|---|
| <p><u>2. Based on the provisions of Article 427, Paragraph 1 of the Companies Act, the Company may enter into an agreement with Outside Audit &amp; Supervisory Board Members limiting liability for damages under Article 423, Paragraph 1 of said Act. However, the maximum amount of liability for damages based on said agreement shall be the amount stipulated in laws and regulations.</u></p> |   |
| <p><u>Article 35. (Convocation of Audit &amp; Supervisory Board)</u></p> <p><u>The notice of convocation of the Audit &amp; Supervisory Board shall be given to each Audit &amp; Supervisory Board Member three (3) days in advance.</u></p> <p><u>In case of emergency, however, this period may be shortened.</u></p>   | (Deleted)   |
| <p><u>Article 36. (Rules of the Audit &amp; Supervisory Board)</u></p> <p><u>Matters concerning the Audit &amp; Supervisory Board shall be governed by the Rules of Audit &amp; Supervisory Board established by Audit &amp; Supervisory Board as well as the Articles of Incorporation and the laws and regulations.</u></p>   | (Deleted)   |
| (New)   | <p><u>Chapter V. Nomination Committee, Audit Committee and Remuneration Committee</u></p>   |
| (New)   | <p><u>Article 28. (Election)</u></p>  |
| (New)   | <p><u>Members comprising the Nomination Committee, Audit Committee and Remuneration Committee shall be elected from among the Directors by resolution of the Board of Directors.</u></p>  |
| (New)   | <p><u>Article 29. (Rules of the Committees)</u></p> <p><u>Matters concerning each committee shall be governed by the regulations of the respective committee established by the Board of Directors, in addition to applicable laws and regulations and these Articles of Incorporation.</u></p>                                       |
| (New)   | <p><u>Chapter VI. Corporate Executives</u></p>  |
| (New)   | <p><u>Article 30. (Election)</u></p> <p><u>Corporate Executives shall be elected by resolution of the Board of Directors.</u></p>   |
| (New)   | <p><u>Article 31. (Term of Office)</u></p> <p><u>The term of office of a Corporate Executive shall expire at the conclusion of the first meeting of the Board of Directors convened after the Ordinary General Meeting of Shareholders held in the fiscal year that ends within one (1) year from their assumption of office.</u></p> |
| (New)   | <p><u>Article 32. (Representative Corporate Executives and Corporate Executives with Special Office)</u></p>  |

| Current Articles of Incorporation  | Proposed Amendments   |
|--|---|
|  | <p><u>1. The Board of Directors shall, by its resolution, elect Representative Corporate Executives from among the Corporate Executives.</u></p> <p><u>2. The Board of Directors shall, by its resolution, elect a President and Chief Executive Officer, and other Corporate Executives with Special Office.</u></p> |
| (New)  | <p><u>Article 33. (Compensation, etc.)</u></p>  |
|  | <p><u>The compensation, etc. payable to Corporate Executives shall be determined by the resolution of the Remuneration Committee.</u></p>   |
| (New)  | <p><u>Article 34. (Exemption of Corporate Executives' Liability)</u></p>  |
|  | <p><u>Based on the provisions of Article 426, Paragraph 1 of the Companies Act, the Company may exempt, within the limits of applicable laws and regulations, Corporate Executives (including former Corporate Executives) from liability for damages under Article 423, Paragraph 1 of said Act.</u></p>             |
| <p>Chapter <u>VI</u>. Accounts</p>   | <p>Chapter <u>VII</u>. Accounts</p>   |
| <p>Article <u>37</u>. (Fiscal Year)</p>  | <p>Article <u>35</u>. (Fiscal Year)</p>   |
| <p>(Provisions omitted)</p>  | <p>(Same as the current Article 37)</p>   |
| (New)  | <p><u>Article 36. (Organizational Body to Determine Dividends, etc.)</u></p>  |
|  | <p><u>Unless otherwise provided for by laws and regulations, the Company shall, by resolution of the Board of Directors, determine dividends and other matters set forth in the items of Article 459, Paragraph 1 of the Companies Act.</u></p>   |
| (New)  | <p><u>Article 37. (Record Date for Dividends)</u></p>   |
|  | <p><u>1. The record date for year-end dividends of the Company shall be March 31 of each year and the record date for interim dividends shall be September 30 of each year.</u></p> <p><u>2. In addition to the provision of the preceding paragraph, the Company may pay dividends by setting a record date.</u></p> |
| <p>Article 38. (Dividends)</p>   | <p>(Deleted)</p>  |
| <p><u>The dividends of the Company shall be paid to shareholders or pledgees whose names are registered on the last registry of shareholders as of March 31 each business year.</u></p>  |   |
| <p>Article 39. (Interim Dividend)</p>  | <p>(Deleted)</p>  |
| <p><u>The Company may, by resolution of the Board of Directors, make an interim dividend payment to the shareholders or pledgees whose name are registered on the last registry of shareholders on September 30 each year.</u></p> |   |

| Current Articles of Incorporation  | Proposed Amendments   |
|--|---|
| <p>Article <u>40</u>. (Period of Exclusion of Dividend, etc.)<br/>           (Provisions omitted)<br/>           (New)<br/>           (New)</p> <p>(New)</p> | <p>Article <u>38</u>. (Period of Exclusion of Dividend, etc.)<br/>           (Same as the current Article 40)<br/> <u>(Supplementary Provisions)</u></p> <p>Article 1. <u>(Transitional Measure for Exemption of Audit &amp; Supervisory Board Members from Liability)</u><br/> <u>Regarding the liability of Audit &amp; Supervisory Board Members before the conclusion of the 100th Ordinary General Meeting of Shareholders, the provisions of Article 34 of the Articles of Incorporation before being amended by resolution at that General Meeting shall remain in force.</u></p> <p>Article 2. <u>(Effective Date and Transitional Measures for Measures, etc. for Providing Information in Electronic Format)</u></p> <p>1. <u>The deletion of Article 16 (Deemed Provision of Internet Disclosure of General Shareholder Meeting Reference Materials) in the pre-amended Articles of Incorporation and the establishment of the new Article 15 (Measures, etc. for Providing Information in Electronic Format) in the amended Articles of Incorporation shall be effective from the date of enforcement of the revised provisions provided for in the proviso to Article 1 of the Supplementary Provisions of the Act Partially Amending the Companies Act (Act No. 70 of 2019) (hereinafter referred to as the “Date of Enforcement”).</u></p> <p>2. <u>Notwithstanding the provision of the preceding paragraph, Article 16 of the pre-amended Articles of Incorporation shall remain effective regarding any General Meeting of Shareholders held on a date within six (6) months from the Date of Enforcement.</u></p> <p>3. <u>These provisions shall be deleted on the date when six (6) months have elapsed from the Date of Enforcement or three (3) months have elapsed from the date of the General Meeting of Shareholders in the preceding paragraph, whichever is later.</u></p> |



### Item 3: Election of twelve (12) Directors

Subject to the approval and adoption of Item 2: “Partial Amendment to the Articles of Incorporation,” the Company will make the transition from a company with an audit & supervisory board to a company with a three-committee board structure at the conclusion of this Ordinary General Meeting of Shareholders, and accompanied by this transition, the terms of office for all eleven (11) current Directors and five (5) Audit & Supervisory Board Member will expire. Accordingly, the election of twelve (12) Directors is proposed.

The following individuals are candidates for Directors. In selection of these candidates, the Board of Directors of the Company made decisions after screening by the “Nomination and Remuneration Committee,” an optional advisory body for nomination and remuneration of officers. 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 and Outside Audit & Supervisory Board Members” prescribed by the Company on its own. In addition, since they meet the independent requirements established by the Tokyo Stock Exchange, for the eight (8) candidates for Outside Directors, the Company has already reported the four (4) current Outside Directors and will report four (4) newly nominated candidates for Outside Directors as Independent Officers to the Tokyo Stock Exchange.

| No. | Name              | Position and section of which the candidate is in charge in the Company   | Attendance Record at Board of Directors Meetings |   |
|-----|-------------------|---|--|---|
| 1   | Hirozumi Sone     | Representative Director<br>Executive Chairperson<br>Chairperson of the Board<br>Nomination and Remuneration Committee Member<br>Responsible for Group Governance Enhancement            | 12/12  | <div style="border: 1px solid black; background-color: #d9ead3; padding: 2px; text-align: center;">Reappointment</div> <div style="border: 1px solid black; background-color: #f4cccc; padding: 2px; text-align: center;">Non-outside</div> |
| 2   | Kiyohiro Yamamoto | Representative Director<br>President and Group Chief Executive Officer<br>Nomination and Remuneration Committee Member<br>Responsible for Internal Audit, Corporate Planning Department | 12/12  | <div style="border: 1px solid black; background-color: #d9ead3; padding: 2px; text-align: center;">Reappointment</div> <div style="border: 1px solid black; background-color: #f4cccc; padding: 2px; text-align: center;">Non-outside</div> |

|   |                       |   |   |   |
|---|-----------------------|---|---|---|
| 3 | Takayuki<br>Yokota    | Director and Senior Managing<br>Executive Officer<br>Assistant to President<br>Responsible for Corporate<br>Administration, Corporate<br>Communication, azbil Group -CSR,<br>Internal Control, Facilities/Business<br>Sites, Corporate Secretariat Office,<br>Group Management Headquarters,<br>General Affairs Department, Corporate<br>Sustainability Headquarters, Legal &<br>Intellectual Property Department,<br>International Business Headquarters | 12/12   | Reappointment<br>Non-outside                              |
| 4 | Hisaya Katsuta        | Audit & Supervisory Board Member  | 12/12<br>*As a current<br>Audit &<br>Supervisory<br>Board<br>Member | New Appointment<br>Non-outside                            |
| 5 | Takeshi Itoh          | Outside Director<br>Nomination and Remuneration<br>Committee Member   | 12/12   | Reappointment<br>Outside<br>Independent officer           |
| 6 | Waka Fujiso           | Outside Director<br>Nomination and Remuneration<br>Committee Member   | 12/12   | Reappointment<br>Outside<br>Independent officer<br>Female |
| 7 | Mitsuhiro<br>Nagahama | Outside Director  | 12/12   | Reappointment<br>Outside<br>Independent officer           |
| 8 | Anne Ka Tse<br>Hung   | Outside Director  | 12/12   | Reappointment<br>Outside<br>Independent officer<br>Female |
| 9 | Minoru Sakuma         | Outside Audit & Supervisory Board<br>Member   | 12/12<br>*As a current<br>Audit &<br>Supervisory<br>Board<br>Member | New Appointment<br>Outside<br>Independent officer         |

|    |                       |  |   |   |
|----|-----------------------|--|---|---|
| 10 | Fumitoshi Sato        | Outside Audit & Supervisory Board Member | 12/12<br>*As a current Audit & Supervisory Board Member | <div style="border: 1px solid black; background-color: yellow; padding: 2px; text-align: center;">New Appointment</div> <div style="border: 1px solid black; background-color: #90EE90; padding: 2px; text-align: center;">Outside</div> <div style="border: 1px solid black; background-color: #ADD8E6; padding: 2px; text-align: center;">Independent officer</div> |
| 11 | Shigeaki<br>Yoshikawa | New Candidate                            | -/-   | <div style="border: 1px solid black; background-color: yellow; padding: 2px; text-align: center;">New Appointment</div> <div style="border: 1px solid black; background-color: #90EE90; padding: 2px; text-align: center;">Outside</div> <div style="border: 1px solid black; background-color: #ADD8E6; padding: 2px; text-align: center;">Independent officer</div> |
| 12 | Tomoyasu<br>Miura     | New Candidate                            | -/-   | <div style="border: 1px solid black; background-color: yellow; padding: 2px; text-align: center;">New Appointment</div> <div style="border: 1px solid black; background-color: #90EE90; padding: 2px; text-align: center;">Outside</div> <div style="border: 1px solid black; background-color: #ADD8E6; padding: 2px; text-align: center;">Independent officer</div> |

| No. | Name<br>(Date of birth)   | Biography  | Number of<br>shares of the<br>Company held |
|-----|---|--|--|
| 1   | <br>Hirozumi Sone<br>(January 16, 1955) | April 1979    Joined the Company<br>April 1996    Systems Marketing Manager of Systems<br>Development Group, Industrial Systems<br>Division<br>October 1998   Transferred to Yamatake Industries<br>Systems Co., Ltd. (Present: Advance<br>Automation Company of the Company),<br>General Manager of Marketing<br>Department of Yamatake Industries<br>Systems Co., Ltd.<br>June 2000    Director, General Manager of Marketing<br>Department of Yamatake Industries<br>Systems Co., Ltd.<br>April 2003    Vice Executive Officer of the Company,<br>General Manager of Engineering<br>Department, Advanced Automation<br>Company<br>April 2005    Executive Officer, General Manager of<br>the Corporate Planning Department<br>April 2008    Managing Executive Officer, General<br>Manager of the Corporate Planning<br>Department<br>April 2009    Managing Executive Officer<br>June 2010    Director and Managing Executive<br>Officer<br>April 2012    Representative Director, President and<br>Chief Executive Officer<br>April 2020    Representative Director, Executive<br>Chairperson, President and Group Chief<br>Executive Officer<br>May 2020    Chairman, Japan Electric Measuring<br>Instruments Manufacturers' Association<br>(Present post)<br>June 2020    Representative Director Chairperson,<br>Executive Chairperson of the Company<br>(Present post)<br>June 2021    Outside Director of Yasuda Logistics<br>Corporation (Present post) | 36,400                                     |

■ 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: Representative Director, Executive Chairperson, Nomination and Remuneration  
Committee Member

Section: Group Governance Enhancement

■ Important concurrent positions outside the Company

Outside Director of Yasuda Logistics Corporation

Chairman, Japan Electric Measuring Instruments Manufacturers' Association

■ 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 corporate value, including rebuilding the business portfolio and entering into new business fields through implementation of the corporate philosophy of “human-centered automation.” Moreover, since 2020 he has been working to strengthen corporate governance in his role as Representative Director Chairperson and Chairperson of the Board. Because he can enhance the Company’s management supervision functionality to achieve management targets based on his extensive management experience, the Company has judged him to be an appropriate and necessary person for the enhancement of sustainable enterprise value. Therefore, the Company has proposed that he continue serving as Director and has put him forward as a candidate.

| No. | Name<br>(Date of birth)  | Biography  | Number of<br>shares of the<br>Company held |
|-----|--|--|--|
| 2   | <br>Kiyohiro Yamamoto<br>(March 14, 1965) | April 1989    Joined the Company<br>April 2007    General Manager of Environmental<br>Marketing Department, Marketing<br>Headquarters, Building Systems<br>Company of the Company<br>April 2011    Head of Marketing Headquarters,<br>Building Systems Company<br>April 2012    Senior Officer, Head of Marketing<br>Headquarters, Building Systems<br>Company<br>April 2014    Senior Officer, General Manager of<br>Corporate Planning Department<br>April 2017    Executive Officer, General Manager of<br>Corporate Planning Department and<br>Head of Marketing Headquarters,<br>Building Systems Company<br>April 2018    Managing Executive Officer, Head of<br>Marketing Headquarters, Building<br>Systems Company<br>April 2020    Executive Vice President<br>June 2020    Representative Director, President and<br>Group Chief Executive Officer (Present<br>Post) | 12,939                                     |

■ 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: Representative Director, President and Group Chief Executive Officer, the  
Nomination and Remuneration Committee Member

Section: Internal Audit, Corporate Planning Department


■ Important concurrent positions outside the Company

None

■ 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 Azbil Corporation's global business. 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, ensuring the Company's medium-term development under a philosophy of "human-centered automation," and working to sustainably increase enterprise value. Due to his aforementioned extensive business experience as well as

outstanding leadership skills, the Company has judged him to be an appropriate and necessary person for the enhancement of sustainable enterprise value. Therefore, the Company has proposed that he continue serving as Director and has put him forward as a candidate.

| No. | Name<br>(Date of birth)  | Biography  | Number of<br>shares of the<br>Company held |
|-----|--|--|--|
| 3   | <br>Takayuki Yokota<br>(November 1, 1960) | April 1983    Joined The Fuji Bank, Limited (Present: Mizuho Bank, Ltd.)<br>November 2005    Chief IR Officer at Investor Relations, Mizuho Financial Group, Inc.<br>April 2010    Executive Officer and Head of the Investment Banking Business Management Department, Mizuho Corporate Bank, Limited (Present: Mizuho Bank, Ltd.)<br>June 2012    Audit & Supervisory Board Member of Mizuho Research Institute Ltd.<br>April 2013    Joined the Company (Senior Officer)<br>April 2014    Executive Officer, Head of Group Management Headquarters<br>April 2016    Managing Executive Officer, Head of Group Management Headquarters<br>April 2017    Managing Executive Officer, Head of Group Management Headquarters and Head of International Business Headquarters<br>April 2018    Managing Executive Officer<br>June 2018    Director and Managing Executive Officer<br>April 2020    Director and Senior Managing Executive Officer (Present post) | 14,400                                     |

■ 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, Senior Managing Executive Officer, Assistant to President

Section: Corporate Administration, Corporate Communication, azbil Group-CSR, Internal Control, Facilities/Business Sites, Corporate Secretariat Office, Group Management Headquarters, General Affairs Department, Corporate Sustainability Headquarters, Legal & Intellectual Property Department, International Business Headquarters

■ 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. Since he possesses broad knowledge concerning business management overall and outstanding leadership, the Company has judged him to be an appropriate and necessary person for the enhancement of sustainable enterprise value, and has proposed that he continue serving as Director and has put him forward as a candidate.

| No. | Name<br>(Date of birth)  | Biography   | Number of<br>shares of the<br>Company held |
|-----|--|---|--|
| 4   | <br>Hisaya Katsuta<br>(February 27, 1958) | April 1983    Joined the Company<br>April 2005    General Manager of Production<br>Planning Department<br>February 2010    General Manager of Internal Audit<br>Department<br>April 2011    Senior Officer, General Manager of<br>Internal Audit Department<br>April 2012    Senior Officer, Manager of Production<br>Management Department, Production<br>Management Headquarters<br>April 2014    Senior Officer, Manager of Purchasing<br>Department, Production Management<br>Headquarters<br>June 2015    Audit & Supervisory Board Member<br>(Present post) | 11,600                                     |

■ Number of meetings of the Board of Directors attended (As an Audit & Supervisory Board Member)

12 of 12

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


Position: Audit & Supervisory Board 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, contributing to the improvement of the Company's corporate governance and internal control. Moreover, he also has knowledge regarding finance and accounting as well as risk and compliance, and knowledge of new technologies and production. Therefore, the Company has judged him to be an appropriate and necessary person for the enhancement of sustainable enterprise value, has newly proposed him as a candidate for Director.

| No. | Name<br>(Date of birth)  | Biography   | Number of<br>shares of the<br>Company held |
|-----|--|---|--|
| 5   | <br>Takeshi Itoh<br>(August 19, 1943) | September 1969 Entered Burnham & Company<br>October 1983 Director of The First Boston Corporation<br>(Present: Credit Suisse Group AG)<br>October 1993 Managing Director and Vice Manager of<br>Tokyo Branch, Smith Barney (Present:<br>Citi Group Global Markets Japan Inc.)<br>October 1998 President of UBS Asset Management<br>Inc. (Present: UBS Asset Management<br>(Japan) Ltd.)<br>December 2010 Supreme adviser of Japan Wealth<br>Management Securities, Inc. (Present:<br>Aozora Securities Co., Ltd.)<br>February 2012 Vice Chairperson and Chief Operating<br>Officer of Aozora Securities Co., Ltd.<br>June 2013 Senior Advisor of Aozora Securities Co.,<br>Ltd.<br>June 2014 Outside Director of the Company<br>(Present post)<br>June 2018 Retired from Senior Advisor of Aozora<br>Securities Co., Ltd. | 10,800                                     |

■ Number of meetings of the Board of Directors attended

12 of 12

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

Position: Outside Director

■ Important concurrent positions outside the Company

None

■ Reasons for nomination as a candidate for Outside Director and outline of expected roles

Takeshi Itoh is a candidate for Outside Director, set forth in Article 2, Paragraph 3, Item 7 of the Ordinance for Enforcement of the Companies Act.

In addition to management experience and experience as an analyst in investment banks and investment advisory companies, etc. domestically and abroad, with his long-term overseas work experience and experience in the consulting business including fundraising and M&A advice, he has a record of superior performance in advanced corporate analysis, etc. In addition, by utilizing his experience as executive officer in investment management companies domestically and abroad, at Board of Directors meetings of the Company, he not only supervises business execution but also proactively offers his opinions based on his advanced knowledge and experience, and also from the perspective of the capital markets, as an expert in the fields of international financing and investment, in order to increase transparency and fairness of management, thus fulfilling such appropriate roles as supervision and advising, etc. on business execution. He is expected to continue contributing to increasing the level of the Company's management going forward. Therefore, the Company has judged him to be an

appropriate and necessary person for the enhancement of sustainable enterprise value, 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 Takeshi Itoh as Outside Director shall be eight (8) 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 Takeshi Itoh except the remuneration he receives as Outside Director of the Company, and there are no vested interests between him 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 he has sufficient independence, in accordance with the “Criteria for independence of Outside Directors and Outside Audit & Supervisory Board Members” prescribed by the Company on its own. The Company has reported him as an Independent Director to the Tokyo Stock Exchange.

■ Limited liability contract with Outside Director

In order for Outside Directors to effectively perform in their expected roles, Article 25 of the existing Articles of Incorporation prescribes that the Company may enter into contracts, which limit legal liability of Outside Directors under Article 423, Paragraph 1 of the Companies Act, with Outside Directors. Accordingly, Takeshi Itoh, a candidate for Outside Director, has signed a limited liability contract with the Company and if his reappointment is approved, the Company will renew this contract with him. Under this contract, the limit of liability shall be set at the minimum level prescribed by the relevant laws and ordinances.

| No. | Name<br>(Date of birth)   | Biography   | Number of<br>shares of the<br>Company held |
|-----|---|---|--|
| 6   | <br>Waka Fujiso<br>(January 6, 1949) | April 1980 Public prosecutor of Tokyo District Public Prosecutor's Office<br>April 2001 Public prosecutor of Tokyo High Public Prosecutor's Office<br>December 2007 Public prosecutor of Supreme Public Prosecutors Office<br>March 2008 Retired from Public prosecutor of Supreme Public Prosecutors Office<br>April 2008 Member of Information Disclosure and Personal Information Protection Review Board, Cabinet Office<br>November 2008 Retired from a member of Information Disclosure and Personal Information Protection Review Board, Cabinet Office<br>April 2009 Professor of Rikkyo University's Law School<br>September 2011 Member of the Medical Ethics Council of Ministry of Health, Labor and Welfare<br>March 2014 Retired from Professor of Rikkyo University's Law School<br>June 2015 Substitute Audit & Supervisory Board Member of the Company<br>June 2018 Outside Director (Present post)<br>October 2019 Retired from a member of the Medical Ethics Council of Ministry of Health, Labor and Welfare | 1,500                                      |

■ Number of meetings of the Board of Directors attended

12 of 12

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

Position: Outside Director

■ Important concurrent positions outside the Company

None

■ Reasons for nomination as a candidate for Outside Director and outline of expected roles

Waka Fujiso is a candidate for Outside Director, as set forth in Article 2, Paragraph 3, Item 7 of the Ordinance for Enforcement of the Companies Act.

She 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, diversity and CSR based on her extensive knowledge 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 increasing the level of the Company's management going forward. Therefore, the Company has judged her to be an appropriate and necessary person for the enhancement of sustainable enterprise value, has proposed that she continue serving as Outside Director and has put her forward as a candidate.

- Reasons the Company judges Waka Fujiso can appropriately perform functions as Outside Director even though she does not have experience in company management

Waka Fujiso has extensive experience and expertise in corporate legal affairs and compliance as a public prosecutor and a professor of graduate school, and has a profound insight in management. Therefore, the Company has judged that she will be able to properly execute duties from an objective perspective as Outside Director.

- Term of office as Outside Director


The term of office of Waka Fujiso 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 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 Directors and Outside Audit & Supervisory Board Members" prescribed by the Company on its own. The Company has reported her as an Independent Director to the Tokyo Stock Exchange.

- Limited liability contract with Outside Director

In order for Outside Directors to effectively perform in their expected roles, Article 25 of the existing Articles of Incorporation prescribes that the Company may enter into contracts, which limit legal liability of Outside Directors under Article 423, Paragraph 1 of the Companies Act, with Outside Directors. Accordingly, Waka Fujiso, a candidate for Outside Director, has signed a limited liability contract with the Company and if her reappointment is approved, the Company will renew this contract with her. Under this contract, the limit of liability shall be set at the minimum level prescribed by the relevant laws and ordinances.

| No. | Name<br>(Date of birth)   | Biography  | Number of<br>shares of the<br>Company<br>held |
|-----|---|--|---|
| 7   | <br>Mitsuhiro<br>Nagahama<br>(October 24, 1953) | April 1976    Joined The Fuji Bank Limited. (Present: Mizuho Bank, Ltd.)<br>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.)<br>April 2005    Senior Executive Officer in charge of Corporate Banking, Mizuho Corporate Bank, Ltd.<br>March 2006    Senior Executive Officer and Head of the Americas, Mizuho Corporate Bank, Ltd.<br>April 2010    Deputy President and Deputy President-Executive Officer and Head of the Americas, Mizuho Corporate Bank, Ltd.<br>March 2013    Retired from Mizuho Corporate Bank, Ltd.<br>April 2013    Chairman of the Board of Mizuho Securities Co., Ltd. & Mizuho Securities USA Inc.<br>April 2015    Advisor of Mizuho Securities Co., Ltd.<br>June 2015    Outside Audit & Supervisory Board Member of the Company<br>March 2018    Outside Audit & Supervisory Board Member of KURARAY Co., Ltd. (Present post)<br>March 2019    Outside Director of Tokyo Tatemono Co., Ltd.<br>June 2019    Outside Director (Present post)<br>June 2019    Representative Director of Japan Economic Research Institute (Present post)<br>March 2020    Retired from Advisor of Mizuho Securities Co., Ltd.<br>June 2020    Outside Director of NSK Ltd. (Present post)<br>March 2021    Retired from Outside Director of Tokyo Tatemono Co., Ltd. | —   |

■ Number of meetings of the Board of Directors attended

12 of 12

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

Position: Outside Director

■ Important concurrent positions outside the Company

Outside Audit & Supervisory Board Member of KURARAY Co., Ltd.

Outside Director of NSK Ltd.

Representative Director of Japan Economic Research Institute

■ Reasons for nomination as a candidate for Outside Director and outline of expected roles

Mitsuhiro Nagahama is a candidate for Outside Director, as set forth in Article 2, Paragraph 3, Item 7 of the Regulation for Enforcement of the Companies Act.

He 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. He was appointed as an Outside Audit & Supervisory Board Member in 2015, and has audited the Company's overall business with his outstanding insights on corporate governance and ideal way of company management, contributing to the improvement of the Company's corporate governance and internal control from an independent perspective. Furthermore, he has not only supervised business execution as an Outside Director since 2019, but also proactively offered opinions to enhance management transparency and fairness 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 increasing the level of the Company's management going forward. Therefore, the Company has judged him to be an appropriate and necessary person for the enhancement of sustainable enterprise value, 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 three (3) 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 hails from Mizuho Bank, Ltd., he retired from said bank nine (9) years ago. Although said bank possesses 2,809 thousand shares of the Company, its percentage of total shares issued is 2.01%, 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 4,106 million yen, which is 1.4% of the Company's consolidated total assets of 280,052 million yen and 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 and Outside Audit & Supervisory Board Members 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 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, which does not make said company a major business partner as per “the Criteria for independence of Outside Directors and Outside Audit & Supervisory Board Members” established by the Company. Moreover, while the Company has transaction relationships with KURARAY Co., Ltd., and NSK Ltd., at which Mitsuhiro Nagahama concurrently serves at present, in both the most recent fiscal year and the preceding three fiscal years, the amount of the transactions makes up less than 0.1% of the consolidated net sales of both the Company and the companies at which he concurrently serves, which does not make these companies major business partners as per the Criteria for independence of Outside Directors and Outside Audit & Supervisory Board Members 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.

■ Limited liability contract with Outside Director

In order for Outside Directors to effectively perform in their expected roles, Article 25 of the existing Articles of Incorporation prescribes that the Company may enter into contracts, which limit legal liability of Outside Directors under Article 423, Paragraph 1 of the Companies Act, with Outside Directors. Accordingly, Mitsuhiro Nagahama, a candidate for Outside Director, has signed a limited liability contract with the Company and if his reappointment is approved, the Company will renew this contract with him. Under this contract, the limit of liability shall be set at the minimum level prescribed by the relevant laws and ordinances.

| No. | Name<br>(Date of birth)   | Biography  | Number of<br>shares of the<br>Company held |
|-----|---|--|--|
| 8   | <br>Anne Ka Tse Hung<br>(January 12, 1964) | July 1987      Joined Baker McKenzie<br>July 1991      Moved to Baker McKenzie Tokyo<br>July 1999      Partner of the firm<br>July 2018      Senior Counsel of the firm<br>March 2019    Retired from Senior Counsel of the firm<br>June 2020      Outside Director of the Company<br>(Present post) | –  |

■ Number of meetings of the Board of Directors attended

12 of 12

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

Position: Outside Director

■ 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 is a candidate for Outside Director, as set forth in Article 2, Paragraph 3, Item 7 of the Regulation for Enforcement of the Companies Act.

She worked at an international law office as a partner attorney, and supported the conclusion of transaction agreements in international transactions for Japanese companies in addition to overseas corporate matters. She also has ample business experience with Japan-based 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 approach to investment for international business growth and a global perspective. In these ways, she fulfills such appropriate roles as supervising and giving advice on business execution. She is expected to continue contributing to increasing the level of the Company's management going forward. Therefore, the Company has judged her to be an appropriate and necessary person for the enhancement of sustainable enterprise value, has proposed that she continue serving as Outside Director and has put her forward as a candidate.

■ Reasons the Company judges Anne Ka Tse Hung can appropriately perform functions as Outside Director even though she does not have experience in company management

Anne Ka Tse Hung has supported contract conclusion as a partner attorney at an international law office, is familiar with Japanese business customs, has abundant experience and a high

level of expertise and knowledge in the industry to which the Company belongs, and deep insight into management. Therefore, the Company has judged that she will be able to properly execute duties from an objective perspective as Outside Director.

■ Term of office as Outside Director


The term of office of Anne Ka Tse Hung as Outside Director shall be two (2) 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 and Outside Audit & Supervisory Board Members” prescribed by the Company on its own. The Company has reported her as an Independent Director to the Tokyo Stock Exchange.

■ Limited liability contract with Outside Director

In order for Outside Directors to effectively perform in their expected roles, Article 25 of the existing Articles of Incorporation prescribes that the Company may enter into contracts, which limit legal liability of Outside Directors under Article 423, Paragraph 1 of the Companies Act, with Outside Directors. Accordingly, Anne Ka Tse Hung, a candidate for Outside Director, has signed a limited liability contract with the Company and if her reappointment is approved, the Company will renew this contract with her. Under this contract, the limit of liability shall be set at the minimum level prescribed by the relevant laws and ordinances.

| No. | Name<br>(Date of birth)  | Biography  | Number of<br>shares of the<br>Company held |
|-----|--|--|--|
| 9   | <br>Minoru Sakuma<br>(March 19, 1949) | April 1971    Joined Export-Import Bank of Japan<br>(Present: Japan Bank for International<br>Cooperation)<br>May 1998    Director General of Information Systems<br>Department, Export-Import Bank of<br>Japan<br>October 1999    Director General of Research Institute<br>for Development and Finance, Japan<br>Bank for International Cooperation<br>May 2000    Retired from Japan Bank for<br>International Cooperation<br>May 2000    Managing Director of Cabiunas<br>Investment Corporation<br>June 2009    Retired from Cabiunas Investment<br>Corporation<br>June 2009    Audit & Supervisory Board Member<br>(Outside Audit & Supervisory Board<br>Member) of JGC Corporation (Present:<br>JGC HOLDINGS CORPORATION)<br>June 2016    Retired from JGC Corporation<br>June 2019    Outside Audit & Supervisory Board<br>Member (Present post) | 700  |

- Number of meetings of the Board of Directors attended (As an Outside Audit & Supervisory Board Member)

12 of 12

- Position of which the candidate is in charge in the Company

Position: Outside Audit & Supervisory Board Member

- Important concurrent positions outside the Company

None

- Reasons for nomination as a candidate for Outside Director and outline of expected roles

Minoru Sakuma is a candidate for Outside Director, as set forth in Article 2, Paragraph 3, Item 7 of the Regulation for Enforcement of the Companies Act.

He has successively served in important posts at policy-based financial institutions, and in addition to his broad knowledge of international finance and extensive overseas experience, he has management experience at investment corporations and experience as an Outside Audit & Supervisory Board Member at a company with worldwide operations. In 2019, he assumed the post of Outside Audit & Supervisory Board Member, and audited Azbil Corporation's business in general, contributing to improvement of the Company's corporate governance and internal control from an independent perspective. In addition, in the Company's meetings of the Board of Directors, he asks questions regarding the appropriateness of the Company's business and financial strategies, and from the perspective of enhancing the Group's overall corporate governance. Moreover, he has knowledge of finance, accounting, and legal affairs, as well as

knowledge of global business, and he is expected to contribute to increasing the level of the Company's management. The Company has judged him to be an appropriate and necessary person for the enhancement of sustainable enterprise value. Therefore, the Company has newly proposed him as a candidate for Outside Director.

■ Term of office as Outside Officer

Minoru Sakuma is currently an Outside Audit & Supervisory Board Member of the Company, and his term of office as Outside Audit & Supervisory Board Member shall be three (3) 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 Minoru Sakuma except the remuneration he receives as Outside Audit & Supervisory Board Member of the Company, and there are no vested interests between him and the Company's management.

While he did serve as Outside Audit & Supervisory Board Member at JGC HOLDINGS CORPORATION, he retired in June 2016. Moreover, while the Company has a transaction relationship with JGC HOLDINGS 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 JGC HOLDINGS CORPORATION, which does not make JGC HOLDINGS CORPORATION a major business partner as per the "Criteria for independence of Outside Directors and Outside Audit & Supervisory Board Members" 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 Officer to the Tokyo Stock Exchange. This time, the Company will report him as a candidate for Outside Director to the Exchange.

■ Limited liability contracts with Outside Directors of the Company

In order for Outside Audit & Supervisory Board Members to effectively perform in their expected roles, Article 34 of the existing Articles of Incorporation prescribes that the Company may enter into contracts, which limit legal liability of Outside Audit & Supervisory Board Members under Article 423, Paragraph 1 of the Companies Act, with Outside Audit & Supervisory Board Members. Accordingly, Minoru Sakuma, a current Outside Audit & Supervisory Board Member, has signed a limited liability contract with the Company and the limit of liability is set at the minimum level prescribed by the relevant laws and ordinances. Also, Article 25 of the existing Articles of Incorporation prescribes the conclusion of contracts which limit legal liability of Outside Directors under Article 423, Paragraph 1 of the Companies Act. Accordingly, the Company plans to conclude a limited liability contract with Minoru Sakuma, who is a candidate for an Outside Director if his appointment is approved. Under that contract, the limit of liability shall be set at the minimum level prescribed by the relevant laws and ordinances.

| No. | Name<br>(Date of birth)   | Biography   | Number of<br>shares of the<br>Company held |
|-----|---|---|--|
| 10  |  <p>Fumitoshi Sato<br/>(February 16, 1954)</p> | <p>April 1976    Joined Bank of Japan<br/> April 1998    General Manager of Aomori Branch,<br/> Bank of Japan<br/> May 2001    General Manager of Fukuoka Branch,<br/> Bank of Japan<br/> April 2004    Retired from the Bank<br/> April 2004    Senior Corporate Officer of HORIBA,<br/> Ltd.<br/> June 2005    Managing Director of HORIBA, Ltd.,<br/> General Manager of General<br/> Administration Division<br/> March 2017    Retired from Managing Director of<br/> HORIBA, Ltd.<br/> March 2017    Adviser of HORIBA, Ltd.<br/> May 2018    Retired from HORIBA, Ltd.<br/> May 2018    Auditor of Tokyo Scientific Instrument<br/> Association<br/> June 2019    Outside Board Director of TOMY<br/> Company, Ltd. (Present post)<br/> June 2019    Outside Audit &amp; Supervisory Board<br/> Member of the Company (Present post)<br/> May 2020    Retired from Auditor of Tokyo<br/> Scientific Instrument Association</p> | 3,500                                      |

- Number of meetings of the Board of Directors attended (As an Outside Audit & Supervisory Board Member)

12 of 12

- Position of which the candidate is in charge in the Company

Position: Outside Audit & Supervisory Board Member

- Important concurrent positions outside the Company

Outside Board Director of TOMY Company, Ltd.

- Reasons for nomination as a candidate for Outside Director and outline of expected roles

Fumitoshi Sato is a candidate for Outside Director, as set forth in Article 2, Paragraph 3, Item 7 of the Regulation for Enforcement of the Companies Act.

He has successively served in important posts at the Bank of Japan, and in addition to his broad knowledge in the financial sector and extensive experience, 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. In 2019, he assumed the post of Outside Audit & Supervisory Board Member, and audited the Company's business in general, contributing to improvement of the Company's corporate governance and internal control from an independent perspective. In addition, in the Company's meetings of the Board of Directors, he asks questions regarding the appropriateness of the Company's business and financial strategies, and from the perspective of the risk management and

corporate governance enhancement. Moreover, he has knowledge of finance, accounting, and legal affairs, as well as knowledge of corporate management, and he is expected to contribute to increasing the level of the Company's management. The Company has judged him to be an appropriate and necessary person for the enhancement of sustainable enterprise value. Therefore, the Company has newly proposed him as a candidate for Outside Director.

■ Term of office as Outside Officer

Fumitoshi Sato is currently an Outside Audit & Supervisory Board Member of the Company, and his term of office as Outside Audit & Supervisory Board Member shall be three (3) years 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 Audit & Supervisory Board Member 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 Adviser 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 and Outside Audit & Supervisory Board Members" 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 Fumitoshi Sato has sufficient independence and has reported him as an Independent Officer to the Tokyo Stock Exchange. This time, the Company will report him as a candidate for Outside Director to the Exchange.

■ Limited liability contracts with Outside Director of the Company

In order for Outside Audit & Supervisory Board Members to effectively perform in their expected roles, Article 34 of the existing Articles of Incorporation prescribes that the Company may enter into contracts, which limit legal liability of Outside Audit & Supervisory Board Members under Article 423, Paragraph 1 of the Companies Act, with Outside Audit & Supervisory Board Members. Accordingly, Fumitoshi Sato, a current Outside Audit & Supervisory Board Member, has signed a limited liability contract with the Company and the limit of liability is set at the minimum level prescribed by the relevant laws and ordinances. Also, Article 25 of the existing Articles of Incorporation prescribes the conclusion of contracts which limit legal liability of Outside Directors under Article 423, Paragraph 1 of the Companies Act. Accordingly, the Company plans to conclude a limited liability contract with Fumitoshi

Sato, who is a candidate for an Outside Director if his appointment is approved. Under that contract, the limit of liability shall be set at the minimum level prescribed by the relevant laws and ordinances.



| No. | Name<br>(Date of birth)  | Biography  | Number of<br>shares of the<br>Company held |
|-----|--|--|--|
| 11  | <br>Shigeaki Yoshikawa<br>(June 23, 1953) | April 1977 Joined Mitsubishi Corporation<br>June 2004 General Manager of Singapore Branch<br>July 2006 General Manager of Regional Strategy & Coordination Dept.<br>April 2008 Senior Vice President, General Manager of Global Strategy & Coordination Dept.<br>April 2010 Senior Vice President, Chief Regional Officer for the Middle East<br>April 2013 Executive Vice President, Regional CEO for the Middle East & Central Asia<br>March 2016 Retired from Executive Vice President<br>April 2016 Corporate Advisor<br>August 2016 Retired from Mitsubishi Corporation<br>September 2016 Corporate Advisor of Mitsubishi Research Institute, Inc.<br>October 2016 Executive Vice President<br>December 2016 Representative Member of the Board, Executive Vice President & COO<br>December 2020 Senior Corporate Advisor (Present post)<br>April 2021 Advisor to the Chancellor, Visiting Professor (Department of Business Design), Research Fellow (Institute of Current Business Studies) of Showa Women's University, Tokyo (Present post)<br>June 2021 Vice Chairman & Executive Director of The Japan Singapore Association (Present post) | —  |

■ Number of meetings of the Board of Directors attended

—

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

New Candidate

■ Important concurrent positions outside the Company

Senior Corporate Advisor of Mitsubishi Research Institute, Inc., Vice Chairman & Executive Director of The Japan Singapore Association, Advisor to the Chancellor, Visiting Professor (Department of Business Design), Research Fellow (Institute of Current Business Studies) of Showa Women's University, Tokyo

■ Reasons for nomination as a candidate for Outside Director and outline of expected roles

Shigeaki Yoshikawa is a candidate for Outside Director, as set forth in Article 2, Paragraph 3, Item 7 of the Regulation for Enforcement of the Companies Act.

He 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. The Company expects that as Outside Director of the Company he will utilize

his extensive experience and insight into overseas business, as well as his knowledge of marketing and sales, to offer objective indications and advice for the enhancement of management transparency and fairness from wide-ranging perspectives in addition to supervise business executions for the Board of Directors. The Company has judged him to be an appropriate and necessary person for the enhancement of sustainable enterprise value. Therefore, the Company 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 Shigeaki Yoshikawa, 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 major business partners as per "the Criteria for independence of Outside Directors and Outside Audit & Supervisory Board Members" established by the Company. Also, there are no special relationship between the Company and Mitsubishi Research Institute, Inc., the Japan Singapore Association, Showa Women's University 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 plans to report him as an Independent Director to the Tokyo Stock Exchange.

■ Limited liability contract with Outside Director

In order for Outside Directors to effectively perform in their expected roles, Article 25 of the existing Articles of Incorporation prescribes that the Company may enter into contracts, which limit legal liability of Outside Directors under Article 423, Paragraph 1 of the Companies Act, with Outside Directors. Accordingly, the Company plans to conclude a limited liability contract with Shigeaki Yoshikawa, who is a candidate for an Outside Director, if his appointment is approved. Under that contract, the limit of liability shall be set at the minimum level prescribed by the relevant laws and ordinances.

| No. | Name<br>(Date of birth)   | Biography  | Number of<br>shares of the<br>Company held |
|-----|---|--|--|
| 12  | <br>Tomoyasu Miura<br>(June 30,1961) | April 1986    Joined Nomura Research Institute, Ltd.<br>April 2001    Manager of Financial Consulting<br>Service Department II of Nomura<br>Research Institute, Ltd.<br>April 2008    Manager of Financial Strategic<br>Consulting Service Department of<br>Nomura Research Institute, Ltd.<br>April 2009    Senior Managing Director, Deputy<br>Manager of Management Consulting<br>Service Division of Nomura Research<br>Institute, Ltd.<br>April 2010    Senior Managing Director, Deputy<br>Manager of System Consulting Service<br>Division of Nomura Research Institute,<br>Ltd.<br>April 2011    Senior Managing Director, Manager of<br>Center for Corporate Planning Division<br>of Nomura Research Institute, Ltd.<br>April 2013    Senior Managing Director, Deputy<br>Manager of Financial System Solution<br>Service Division of Nomura Research<br>Institute, Ltd.<br>April 2017    Counselor of Nomura Research<br>Institute, Ltd. (Present post)<br>Deputy Dean of Nomura School of<br>Advanced Management<br>June 2018    Executive Director & Dean of Nomura<br>School of Advanced Management<br>(Present post)<br>August 2019   Auditor of Research Institute of<br>Science for Education (Present post)<br>May 2021    Representative Director of Design<br>Innovation Consortium, Kyoto<br>University (Present post) | —  |

■ Number of meetings of the Board of Directors attended

—

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

New Candidate

■ Important concurrent positions outside the Company

Counselor of Nomura Research Institute, Ltd., Executive Director & Dean of Nomura School of Advanced Management, Auditor of Research Institute of Science for Education, Representative Director of Design Innovation Consortium, Kyoto University

■ Reasons for nomination as a candidate for Outside Director and outline of expected roles

Tomoyasu Miura is a candidate for Outside Director, as set forth in Article 2, Paragraph 3, Item 7 of the Regulation for Enforcement of the Companies Act.

He has held key positions at a think-tank consulting firm and possesses extensive 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. The Company expects that as Outside Director of the Company he will utilize his abundant knowledge of the IT and technology domains, his experience of new business creation, and his experience of human resource development to offer objective indications and advice for the enhancement of management transparency and fairness from wide-ranging perspectives in addition to supervise business executions for the Board of Directors. The Company has judged him to be an appropriate and necessary person for the enhancement of sustainable enterprise value. Therefore, the Company 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 Tomoyasu Miura, and there are no vested interests between him and the Company's management.

Moreover, while the Company has transaction relationships related to consulting and training services, etc. with Nomura Research Institute, Ltd. and Nomura School of Advanced Management, at which Tomoyasu Miura 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 1.3% of the consolidated net sales of both the Company and the companies at which he concurrently serves, which does not make these companies major business partners as per "the Criteria for independence of Outside Directors and Outside Audit & Supervisory Board Members" established by the Company. Also, there are no special relationship between the Company and Research Institute of Science for Education or Design Innovation Consortium of Kyoto University 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 plans to report him as an Independent Director to the Tokyo Stock Exchange.

■ Limited liability contract with Outside Director

In order to for Outside Directors to effectively perform in their expected roles, Article 25 of the existing Articles of Incorporation prescribes that the Company may enter into contracts, which limit legal liability of Outside Directors under Article 423, Paragraph 1 of the Companies Act, with Outside Directors. Accordingly, the Company plans to conclude a limited liability contract with Tomoyasu Miura, who is a candidate for an Outside Director, if his appointment is approved. Under that contract, the limit of liability shall be set at the minimum level prescribed by the relevant laws and ordinances.

(Reference)

At a Board of Directors meeting held on May 14, 2021, we established the skills expected of the Directors with respect to the realization of the Company's medium-term plan and other management strategies. 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, two (2) are women (one (1) of whom is a foreign national).

### Skills expected of Directors

| Name<br>(Age)                 | Positions etc.<br>after the<br>conclusion of the<br>Meeting  | Independence           | Diversity | Expected skills   |                    |  |  |                     |   |  |
|-------------------------------|--|------------------------|-----------|---|--------------------|--|--|---------------------|---|--|
|                               |  | Independent<br>officer | Gender    | Corporate<br>management/<br>sustainability <sup>*Note</sup> | Global<br>business | Financial Affairs,<br>accounting,<br>finance | IT, technology/<br>control and auto-<br>-nation business | Sales,<br>marketing | Manufacturing,<br>research and<br>development | Legal, risk<br>management,<br>compliance |
| Hirozumi<br>Sone (67)         | Director<br>Chairperson,<br>Chairperson of the<br>Board  |                        | M         | ○   |                    |  | ○  | ○                   |   | ○  |
| Kiyohiro<br>Yamamoto<br>(57)  | Director,<br>Representative<br>Corporate<br>Executive,<br>president & Group<br>CEO, the<br>Nomination<br>Committee<br>Member |                        | M         | ○   | ○                  |  | ○  | ○                   | ○   |  |
| Takayuki<br>Yokota (61)       | Director,<br>Representative<br>Senior Managing<br>Corporate Executive,<br>the Remuneration<br>Committee Member               |                        | M         | ○   | ○                  | ○  |  |                     |   | ○  |
| Hisaya<br>Katsuta (64)        | Director, the Audit<br>Committee Member  |                        | M         |   |                    | ○  |  |                     | ○   | ○  |
| Takeshi Itoh<br>(78)          | Outside Director,<br>the Nomination<br>Committee<br>Chairperson  | ○                      | M         |   | ○                  | ○  |  |                     |   |  |
| Waka Fujiso<br>(73)           | Outside Director,<br>the Remuneration<br>Committee<br>Member   | ○                      | F         | ○   |                    |  |  |                     |   | ○  |
| Mitsuhiro<br>Nagahama<br>(68) | Outside Director,<br>the Remuneration<br>Committee<br>Chairperson  | ○                      | M         | ○   | ○                  | ○  |  |                     |   |  |
| Anne Ka Tse<br>Hung (58)      | Outside Director,<br>the Nomination<br>Committee<br>Member   | ○                      | F         |   | ○                  |  |  |                     |   | ○  |
| Minoru<br>Sakuma (73)         | Outside Director, the<br>Audit Committee<br>Member   | ○                      | M         |   | ○                  | ○  |  |                     |   |  |
| Fumitoshi<br>Sato (68)        | Outside Director, the<br>Audit Committee<br>Chairperson  | ○                      | M         | ○   |                    | ○  |  |                     |   | ○  |
| Shigeaki<br>Yoshikawa<br>(69) | Outside Director, the<br>Nomination<br>Committee Member  | ○                      | M         | ○   | ○                  |  |  | ○                   |   |  |
| Tomoyasu<br>Miura (60)        | Outside Director,<br>the Remuneration<br>Committee<br>Member   | ○                      | M         | ○   |                    |  | ○  | ○                   |   |  |

\*Note: “Corporate management/sustainability” includes 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 | Notes  |
|------------------------------|-----------------------------|------------------------|-------------------------------|--|
| Hirozumi Sone                |                             |                        |                               | Chairperson of the Board<br>Non-executive inside Director    |
| Kiyohiro Yamamoto            | ○                           |                        |                               | Representative Corporate Executive and President & Group CEO |
| Takayuki Yokota              |                             |                        | ○                             | Representative Senior Managing Corporate Executive           |
| Hisaya Katsuta               |                             | ○                      |                               | Non-executive inside Director                                |
| Takeshi Itoh (Outside)       | ◎                           |                        |                               |  |
| Waka Fujiso (Outside)        |                             |                        | ○                             |  |
| Mitsuhiro Nagahama (Outside) |                             |                        | ◎                             |  |
| Anne Ka Tse Hung (Outside)   | ○                           |                        |                               |  |
| Minoru Sakuma (Outside)      |                             | ○                      |                               |  |
| Fumitoshi Sato (Outside)     |                             | ◎                      |                               |  |
| Shigeaki Yoshikawa (Outside) | ○                           |                        |                               |  |
| Tomoyasu Miura (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 plans for Directors and Corporate Executives, determines the individual remuneration, and deliberates on other matters concerning executive remuneration, such as establishing and abolishing remuneration plans.

(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 individual stocks to our business, including business and financial returns, to determine whether these holdings are sufficiently advantageous from the viewpoint of economic rationality and capital costs. 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, 2022 |   |                                      | As of March 31, 2021 |   |                                      |
|-----------------------------------|----------------------|---|--------------------------------------|----------------------|---|--------------------------------------|
|                                   | 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                   | 8                    | 190   | 0.1                                  | 8                    | 186   | 0.1                                  |
| Shares other than unlisted shares | 27                   | 15,938  | 7.8                                  | 33                   | 18,497  | 9.2                                  |
| Total                             | 35                   | 16,129  | 7.9                                  | 41                   | 18,683  | 9.3                                  |



(Reference)

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

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

1. A person who serves as an executive<sup>\*1</sup> of the Company or its consolidated subsidiary, or who served for ten (10) years prior to being appointed;  
\*1: "executive" refers to an executive director, 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;  
\*2
5. A person who serves as an executive of a major business partner of the azbil Group (a business partner that makes a payment in the amount exceeding 2% of its annual consolidated sales for the latest fiscal year or any of the preceding three (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;  
\*2: 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;

- |   |
|---|
| <ol style="list-style-type: none"><li>13. A person who has received 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 average of 10 million yen or more over the past three (3) fiscal years; and</li><li>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.</li></ol> |
|---|

- Notes:
1. There are no vested interests between the candidates and the Company.
  2. 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 date of publication of this Notice.
  3. The Company has entered into a directors and officers liability insurance policy with an insurance company. The policy is outlined on page 72 of this convocation notice. Candidates nominated for re-election (including candidates who are Audit & Supervisory Board Members and candidates for Director) are already insureds under the policy and will continue to be insureds if their reelections are approved. Candidates for new election 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.

## **Business Report**

(From April 1, 2021 to March 31, 2022)

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

#### (1) Principal Business (As of March 31, 2022)

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>● 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>● BA systems</li><li>● Access control system</li><li>● Contactless smartcard reader</li><li>● Controller for air conditioning equipment</li><li>● Heating/cooling plant controller</li><li>● Damper actuator</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>● Automatic control valve</li><li>● Smart valve positioner</li><li>● Process controller</li><li>● Multi-loop controller with multifunction display</li><li>● Network instrumentation modules</li><li>● Advanced transmitter</li><li>● Electromagnetic flow meter</li><li>● Natural gas calorimeter</li><li>● Vortex flow meter</li><li>● Monitoring and control system</li><li>● Adjustable proximity sensor</li><li>● Photoelectric switch with built-in amplifier</li><li>● Advanced ultraviolet flame detector</li><li>● Limit switch</li><li>● Digital mass flow controller</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>● smart diaphragm meter</li><li>● Battery-operated electromagnetic water meter</li><li>● Electronic counter type water meter</li><li>● High-pressure regulator</li><li>● Central air conditioning 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

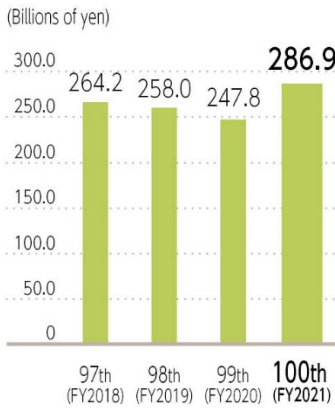
Regarding the business environment for the azbil Group, in the field of heating, ventilation, and air conditioning (HVAC) control equipment/systems for large-scale buildings in Japan, demand driven by urban redevelopment plans has continued while growing interest in solutions for improved ventilation and energy saving has meant that demand for refurbishment projects has steadily increased. As for equipment/systems for production equipment in manufacturing industry, due to the rapid growth of teleworking and 5G services, demand has remained high in the semiconductor-related market, and while there have been differences between markets, overall capital investment has continued to rebound.

What follows are the financial results for the current consolidated fiscal year. From the second half of the fiscal year onwards, there was an increasing impact from delays in recording sales owing to customers' advance orders and long delivery times triggered by parts shortages. However, there has been a recovery following the market downturn caused by the COVID-19 pandemic in the previous fiscal year.

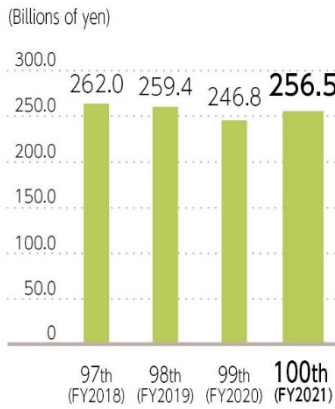
Overall orders received grew significantly, reversing the decline in the previous consolidated fiscal year caused by the spread of COVID-19. This was mainly due to an increase in the Advanced Automation (AA) business, following a recovery in market conditions and, to some extent, the impact of customers' advance orders triggered by parts shortages, as well as increased orders received in the Building Automation (BA) business reflecting demand for the refurbishment of existing buildings and service, and increased orders received in the Life Automation (LA) business driven by demand for pharmaceutical equipment. Consequently, overall orders received increased to 286,950 million yen, up 15.8% from the 247,873 million yen recorded in the previous consolidated fiscal year. Net sales were 256,551 million yen, 3.9% higher than the previous consolidated fiscal year, when a figure of 246,821 million yen was recorded. This was mainly due to an increase in AA business sales following a recovery in demand in the manufacturing equipment market, despite performance being partially impacted by longer delivery times. The BA business and LA business also contributed with increased sales.

As regards profits, there were higher expenses for adapting the working conditions as part of our COVID-19 responses, and also an increase in R&D expenses reflecting measures included in the medium-term plan. Nevertheless, in addition to the growth in net sales, measures to strengthen business profitability continued to have a positive effect. Consequently, operating income was 28,231 million yen, up 9.8% on the 25,720 million yen recorded for the previous consolidated fiscal year. With this growth in operating income and recording foreign exchange gains, ordinary income was 29,519 million yen, up 12.1% on the 26,338 million yen recorded for the previous consolidated fiscal year. As regards net income attributable to owners of parent, this was 20,784 million yen, up 4.3% on the 19,918 million yen for the previous consolidated fiscal year, when gain on sale of investment securities and gain on sale of non-current assets following the integration of domestic production bases were recorded. In addition, in the current consolidated fiscal year there was an increase in tax expenses following a review of the recoverability of subsidiary's deferred tax assets.

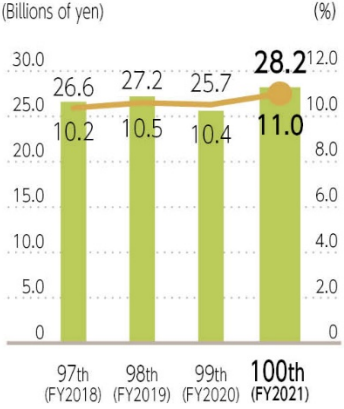
■ Orders received



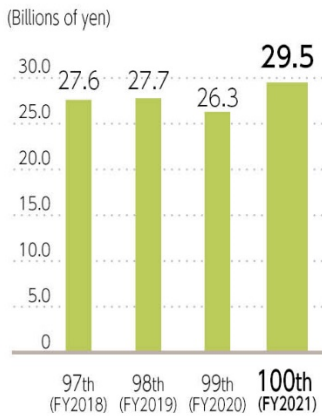
■ Net sales



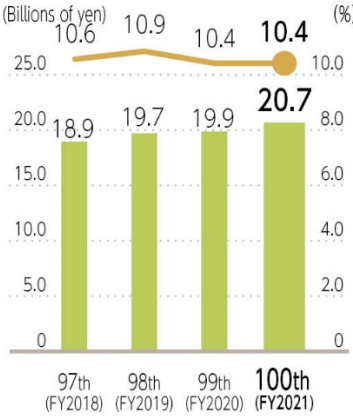
■ Operating income (loss)



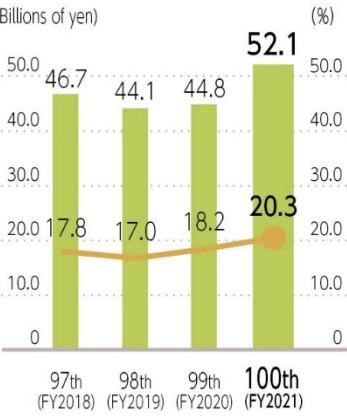
■ Ordinary income



■ Net income attributable to owners parent



■ Overseas sales



The results for the individual reportable segments are as follows.

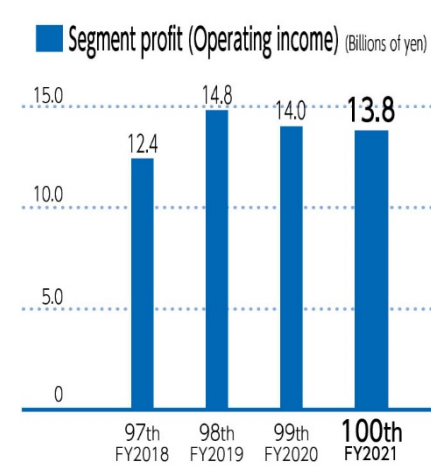
### Building Automation (BA) Business

Regarding the BA business environment, in the domestic market demand for urban redevelopment projects in the Tokyo metropolitan area and HVAC equipment/systems for factories has continued to grow, and heightened interest has been seen in solutions related to ventilation improvement, energy savings, CO2 reduction, and lower operational costs. Also, the impact of the COVID-19 pandemic on domestic markets was limited, although some negative impact from parts procurement difficulties was evident. As regards overseas markets, we have observed the prolonged effect impact of the pandemic on some regions, resulting in the postponement of construction projects sluggish demand and construction delays.

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

As regards orders received, the service field was impacted by the new accounting standard for revenue recognition\*<sup>1</sup>. However, in addition to the renewal of multi-year service contracts, orders increased for the refurbishment of existing buildings, reflecting a robust business environment. Also, part of the increase was due to advance orders placed by customers concerned about a shortage of parts. Accordingly, overall orders received were 132,511 million yen, up 11.8% on the previous consolidated fiscal year, when a figure of 118,503 million yen was recorded. As regards sales, despite a decrease in the service field owing to the new accounting standard for revenue recognition as well as parts procurement difficulties, there was an increase in fields related to new large-scale buildings, and to the refurbishment of existing buildings. Consequently, sales were 119,764 million yen, up 1.9% from the 117,521 million yen recorded for the previous consolidated fiscal year. Although initiatives to enhance profitability have progressed, higher expenses—for R&D, as stipulated in the medium-term plan, and for personnel required for handling an increase in order received—as well as the expenses, recorded in the first half of the current fiscal year, of adapting working conditions to deal with the COVID-19 pandemic, segment profit was 13,862 million yen, on a par with the 14,023 million yen recorded for the previous consolidated fiscal year.

As for the medium- to long-term outlook, in addition to the robust trend seen in domestic orders received in the current period, large-scale redevelopment projects and several retrofit projects for large-scale buildings are still being planned. Building on its track record, the BA business aims to secure this demand. Moreover, there have been growing requirements for energy savings and CO2 reduction as part of decarbonization, as well as rising office demand in the “new normal” era, triggered by the COVID-19 pandemic, for the enhanced safety and peace of mind offered by improved ventilation and access control. In response to this demand, we will supply solutions such as remote maintenance, cloud services and a new HVAC system; we are thus aiming to achieve sustainable growth. Additionally, we will promote digital transformation (DX) and employ business process reforms and other initiatives to further ensure



\*Each figure above includes intersegment internal sales.

that a high-profit structure is established.

Note 1: Effect of the new accounting standard for revenue recognition on the service field:

The main impact of the new accounting standard for revenue recognition has been on the service field where it has reduced the figure for orders received by approximately 3,200 million yen, while the impact on sales and segment profit has been immaterial.

## Advanced Automation (AA) Business

As regards market trends, in Japan and abroad, affecting the AA business environment, expanding investment in 5G has led to sustained high demand in the market for semiconductor manufacturing equipment. The COVID-19 pandemic has yet to abate; however, overall capital investment has recovered, particularly in the manufacturing equipment market.

Amidst this business environment, our growth strategy for the overseas business—which has been a focus—has borne fruit, and the profit structure has been successfully strengthened by continued implementation of various measures. However, due to the parts shortages, certain products have been affected and, as a result, delivery times have lengthened. The AA business has posted the following results for the current consolidated fiscal year.

Overall orders received were 109,562 million yen, up 25.2% on the previous consolidated fiscal year, when a figure of 87,523 million yen was recorded. Although this partly reflects the impact of customers' advance orders triggered by parts shortages, this considerable increase was mainly due to continued demand in the manufacturing equipment market—against the backdrop of a global expansion in semiconductor-related investment—as well as business growth overseas. Consequently, a significant order backlog has built up. As regards sales, despite growth achieved mainly in the manufacturing equipment market and overseas business, due to the impact of parts procurement difficulties there have been delays in recording sales of some products. Consequently, sales were 94,276 million yen, an increase of just 7.4% on the 87,778 million yen recorded for the previous consolidated fiscal year. Also, as regards segment profit, there was an increase in expenses associated with strengthened sales activities and higher R&D expenses, as stipulated in the medium-term plan. However, thanks to revenue growth as well as the fact segment profit margin continued to improve due to the success of measures to strengthen profitability that had already proved effective, segment profit was up 29.1% at 13,236 million yen (compared with the 10,251 million yen for the previous consolidated fiscal year).

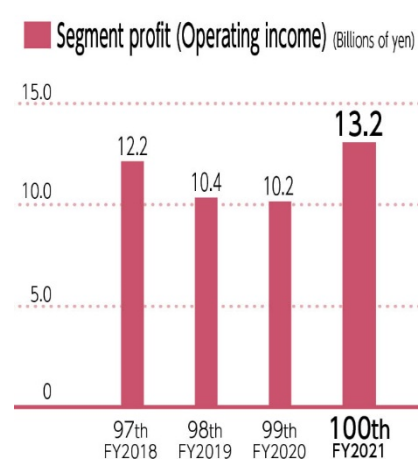
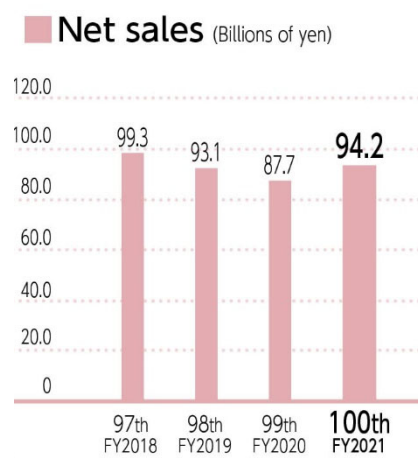
In the medium to long term, investment is expected to grow, reflecting the continuing drive to automate manufacturing equipment and production lines. This investment is required to cope with the challenges posed by labor shortages and decarbonization, and to improve productivity through the introduction of new technologies. Based on the three AA business sub-segments (CP, IAP, and SS)\*<sup>2</sup>, we will continue our efforts to achieve business growth with high competitiveness by promoting expansion into growth fields, particularly our overseas business; developing new products and services that harness such technologies as AI, cloud computing, and MEMS\*<sup>3</sup>; accelerating market launches; and creating the new automation field, unique to the azbil Group.

Notes 2: Three AA business sub-segments (management accounting sub-segments)

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

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

SS business: Solution and Service business (offering control systems, engineering



\*Each figure above includes intersegment internal sales.



service, maintenance service, energy-saving solution service, etc.)

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

## Life Automation (LA) Business

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

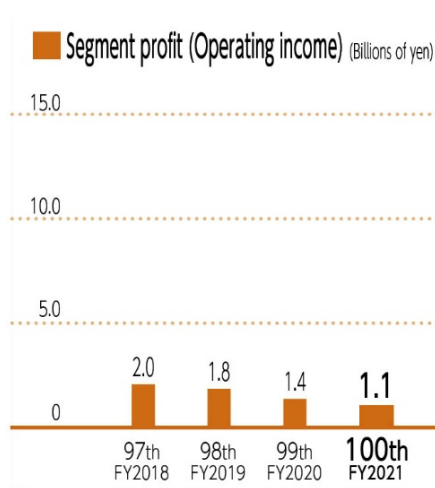
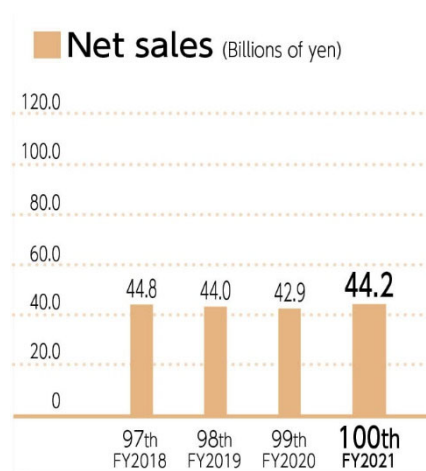
The Lifeline field, which accounts for the bulk of LA sales, depends on cyclical demand for meter replacement as required by law. Though demand can be expected to remain basically stable, some changes in some markets have been observed, such as that for LP gas meters, for which cyclical demand is currently at a low ebb. Also, in the LSE field, investment in equipment for pharmaceutical plants continues to grow. Reflecting these business conditions and initiatives, the financial results of the LA business for the current consolidated fiscal year were as follows.

Overall orders received rose by 8.1% to 46,845 million yen (compared with the 43,350 million yen recorded for the previous consolidated fiscal year). This mainly reflects an increase in the LSE field driven by growing demand for equipment in the pharmaceutical market. As regards sales, the Lifeline field saw a decrease owing to changes in market conditions, the COVID-19 pandemic and parts procurement difficulties. The pandemic also affected sales in the LSE field; nevertheless, sales growth was achieved thanks to the increase in orders received in the previous consolidated fiscal year. As a result, overall sales stood at 44,238 million yen, up 3.0% on the 42,942 million yen recorded for the previous consolidated fiscal year. However, segment profit was 1,151 million yen, down 19.7% on the 1,434 million yen recorded for the previous consolidated fiscal year, owing mainly to the fall in profits associated with the decrease in sales in the Lifeline field. Though the LSE field achieved revenue growth, an increase in expenses for business expansion, price hikes for raw materials, and increases in energy and transportation costs had a negative impact on profits as well.

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

## Other

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



\*Each figure above includes intersegment internal sales.

## Orders received, sales and profit by segment

(Millions of yen)

| Reportable segment           | Orders received                              |   |                             | Sales  |   |                             | Segment Profit (Profit Ratio)                |   |
|------------------------------|--|---|-----------------------------|--|---|-----------------------------|--|---|
|                              | 99th term (Fiscal year ended March 31, 2021) | 100th term (Current Fiscal year ended March 31, 2022) | Increase/decrease ratio (%) | 99th term (Fiscal year ended March 31, 2021) | 100th term (Current Fiscal year ended March 31, 2022) | Increase/decrease ratio (%) | 99th term (Fiscal year ended March 31, 2021) | 100th term (Current Fiscal year ended March 31, 2022) |
| Building Automation          | 118,503                                      | 132,511   | 11.8                        | 117,521                                      | 119,764   | 1.9                         | 14,023 (11.9%)                               | 13,862 (11.6%)  |
| Advanced Automation          | 87,523                                       | 109,562   | 25.2                        | 87,778                                       | 94,276  | 7.4                         | 10,251 (11.7%)                               | 13,236 (14.0%)  |
| Life Automation              | 43,350                                       | 46,845  | 8.1                         | 42,942                                       | 44,238  | 3.0                         | 1,434 (3.3%)                                 | 1,151 (2.6%)  |
| Total of reportable segments | 249,377                                      | 288,918   | 15.9                        | 248,243                                      | 258,279   | 4.0                         | 25,708 (10.4%)                               | 28,251 (10.9%)  |
| Other                        | 54   | 54  | (0.2)                       | 54   | 54  | (0.2)                       | 6 (12.2%)                                    | 6 (11.1%)   |
| Elimination                  | (1,558)                                      | (2,022)   | -                           | (1,477)                                      | (1,782)   | -                           | 4  | (25)  |
| Consolidated                 | 247,873                                      | 286,950   | 15.8                        | 246,821                                      | 256,551   | 3.9                         | 25,720 (10.4%)                               | 28,231 (11.0%)  |

### (3) Capital investment, etc.

Capital investment in the current fiscal year totaled 11,244 million yen, as we invested in new product development and streamlining.

### (4) Financing

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

## (5) Issues to be tackled

Based on the 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 ensure our own medium- to long-term development and 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 400 billion yen range, operating income in 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\*<sup>1</sup> 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%, and an ROE of approximately 12%.

The azbil Group has thus set out its long-term targets for FY2030, aiming to contribute “in series” to the achievement of a sustainable society and to our own sustainable growth. To this end, we have positioned the Sustainable Development Goals (SDGs) as an important guidepost for management and we are promoting several initiatives designed to achieve the azbil Group’s SDGs: those to be achieved through our business activities are (1) the environment and energy, and (2) new automation, while those to be achieved through our corporate activities are (3) supply chain and social responsibility, and (4) health & well-being management\*<sup>2</sup> and an organization that never stops learning.

As we work to contribute to the achievement of a sustainable society, a variety of societal and customer issues are emerging in our business environment—ranging from responses to climate change and decarbonization, to changes in social structure and values. There are also issues involving how to ensure safety and peace of mind in a climate where people are learning to live with the coronavirus. As we confront these major changes, demand is expected to increase for automation, which, because it can provide solutions, will be valued even more. As far as the azbil Group is concerned, we will focus on the three growth fields—namely, new automation, environment and energy, and the life-cycle solution—that can particularly benefit from azbil’s unique technologies, products, and services. By providing solutions to these new challenges, we will realize growth for our BA, AA and LA business segments.

In line with our medium-term plan (FY2021-2024), to ensure growth in the three growth fields mentioned above, we are promoting such measures as increased investment to strengthen our capabilities to develop new products and services, and the expansion of points of contact with our customers. In fiscal year 2021, the first year of the medium-term plan, as

part of this initiative, progress has been made with upgrading the Fujisawa Technology Center, our R&D base, to enhance our ability to develop advanced system solutions as well as advanced, high-performance devices employing MEMS (Microelectromechanical Systems) technologies. We have also made progress with enhancing our manufacturing capabilities: as part of strengthening our global production base, we have completed a new factory building at our production subsidiary in Dalian, China.

As regards enhancing profitability, in addition to implementing those measures that have already proven successful—such as improving margins at order receipt, and expanding overseas production and procurement—we will further strengthen profitability by improving operational efficiency globally through the promotion of DX. Additionally, as part of focusing on capital cost-conscious management, we will introduce return on invested capital (ROIC). Also, by maximizing the efficiency of management resource utilization based on profitability from invested capital, and implementing good business portfolio management, we will improve enterprise value for the entire Group (raise ROE).

An important management issue is the enhancement of corporate governance as the foundation for sustainable growth in enterprise value. 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.

Aiming to further reform our corporate governance, the Board of Directors resolved at its meeting held on February 25, 2022, its policy to transition to a new board structure based on three committees\*<sup>3</sup> consisting of a majority of outside directors. This will enable a significant delegation of authority for business execution, previously undertaken by the Board of Directors, to corporate executives with clear legal responsibilities. Moreover, once this transition (to a new board structure based on three committees) is achieved, we plan to introduce a stock compensation plan for officers using a trust. In conjunction with this, we plan to prepare a new executive compensation policy by a resolution of the Board of Directors and the Remuneration Committee, which is due to meet after the Ordinary General Meeting of Shareholders scheduled on June 23, 2022.

The spread of COVID-19 has yet to be contained, so we continue to see the global disruption of supply chains and problems with the procurement of materials and parts. Moreover, the world economy is being impacted by heightened geopolitical risks in Europe and elsewhere, by soaring energy prices, and by concerns about inflation, making the business outlook uncertain. We expect such changes in social conditions and the business environment to have an impact on the Group's businesses. However, through dialogue with our stakeholders—namely, our shareholders, our customers, our suppliers and other business partners—we will respond, as a Group, promptly and appropriately to these changes in the business environment.

In response to the COVID-19 pandemic, we will continue to meet the needs of society—preventing infection while maintaining vital social infrastructure and our customers' important facilities—by continuing on-site operations (production, engineering, and service) with the safety of our customers and employees as our top priority. At the same time, for enhanced crisis management, we will continue our initiatives to strengthen pandemic prevention measures, to develop our business continuity planning (BCP), as well as securing a solid financial structure through reinforcement and diversification of financing. As regards the difficulties being encountered in procuring parts and materials, we are striving to reduce the impact of these by improving production operations and collaborating with other companies in the supply chain. We will also contribute to preventing the spread of infection by promoting DX-based work-style reforms and expanding telecommuting among our

employees. Moreover, adopting the concept of activity-based working (ABW)\*<sup>4</sup>, we aim to develop hybrid work styles that improve productivity by combining remote work and telecommuting.

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

- 2: Health and well-being management is azbil's unique approach to fostering healthy, happy, and vibrant workplaces and people.
- 3: Three committees: Nomination Committee, Audit Committee, and Remuneration Committee. The transition to a new board structure based on three committees is subject to approval of the necessary amendments to the Articles of Incorporation at the 100th Ordinary General Meeting of Shareholders scheduled to be held on June 23, 2022.
- 4: Activity-based working (ABW): A work style that allows a worker to pick the optimal environment (location, time, etc.) to perform a job.

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

#### i) 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 BA business, in order to steadily tap into the sustained high demand in the Tokyo metropolitan area, we will pay full attention to the safety of our customers and employees, and by responding to the Japanese government's work-style reform and promoting digital transformation (DX) mainly at our construction and service sites, we will further strengthen and streamline our job execution capabilities. We will also move forward with restructuring our business model by enhancing product appeal, including the application of new technologies such as IoT and cloud technology, and respond to growing interest in energy-saving and CO<sub>2</sub>-reducing solutions.

Specifically, to make large contributions to realizing carbon neutrality\*<sup>5</sup>, we have started collaboration on HVAC control business with NTT Urban Solutions, NTT Facilities, NTT Urban Development, NTT Communications, and Daikin Industries to establish GX (green transformation)\*<sup>6</sup> solutions in the HVAC control field that can be smoothly introduced in both new construction and existing buildings. Furthermore, to respond to the large changes in value and requirements for living spaces due to the Japanese government's work-style reforms and the prevention measures of COVID-19, we aim to provide added value by increasing the quality of spaces. We have introduced new air conditioning systems to respond to new normal workstyles and diversifying office uses and opened domestic offices where we can make proposals and have customers experience our products. Through these initiatives, we are continuously providing and proposing value that matches the stage of our customers' business development.

In the AA business, while the impact of the spread of infectious diseases and parts procurement difficulties on capital investment in manufacturing industries is unpredictable, in the medium to long term, investment in the automation of production facilities continues to expand backed by continued global economic growth, further demand for increased productivity, labor shortages in production, and the response to aging facilities, etc. We are in a strong market environment with continued recovery in capital investment driven by the recovery in the manufacturing equipment market.

We will promote growth by selecting, creating, and concentrating on business fields that can be expected to grow and offer added value in the future from a wide variety of different markets, while capturing changes in technological trends. Moreover, we will enhance our competitiveness by concentrating our business resources into common business models that can be deployed globally. We will steadily implement these growth strategies and measures to enhance profitability in our operations in three sub-segments, CP, IAP, and SS. Specifically, we are enhancing our sales structure including introducing sales DX to expand customer coverage in Japan and overseas, expanding orders by turning new customers into repeat customers, and accelerating product development that contributes to the creation of new automation. One example of such solutions for valves, which play an important role in the stable operations of various plants, is the expansion of the operating technology of our “Dx Valve Cloud Service,” which delivers stability and increased security of production facilities by analyzing valve operating data on the cloud and providing a visualization of the results, not unlike those of a health checkup. Regarding our “BiG EYES” AI-based anomaly monitoring system for plant facilities, by expanding the scope of application such as through joint development, etc. for thermal power facilities, we are continuously providing value and making proposals that match our customers’ business development.

In the LA business, we continue to promote IoT support for water meters and various types of gas meters in the Lifeline field. We are promoting business development in new automation fields with the Smart Metering as a Service (SMaaS) age in mind, including combining various data measured by smart meters and collected on the cloud to decarbonize and evaluating new value provision aimed at improving corporate environmental management and quality of life. Furthermore, we will strengthen solutions that pursue comfortable living environments predicated on air quality in the field of residential central air conditioning systems for detached houses, as we continue to improve earnings in the lifestyle-related field.

Together with our initiatives in these three business segments, in the energy management sector for which large changes are expected in Japan and overseas, we are collaborating with the TAKAOKA TOKO Group. Based on the business concept of “DX-EGA” (EGA: Electricity, Gas, Aqua) and by using various data including energy data (electricity, gas, water), we will provide new value to improve life quality and corporate environmental management. This is one good case study in our attempt to provide various emission reduction measures and knowledge using cloud services aimed at calculating and visualizing greenhouse gas emissions.

Furthermore, we have established the “new automation field” and “environment and energy field” as growth fields. To enhance and accelerate our development policies, and clearly advance contributing to the decarbonization of society, and contributing “in series” to a sustainable society, in April 2022, we newly established the “GX Solution Division” as a company-wide organization to promote GX.

Notes 5: Carbon neutrality: Achieving zero overall greenhouse gas emissions

6: GX (green transformation): Reforms of the socioeconomic system to realize carbon neutrality

## ii) Overseas Business

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

are accelerating the region-wide promotion of business, creation of strategic plans, and business management in the region.

In the BA business, with the aim of boosting our share in overseas markets, and centered on our next-generation building automation system, we are deploying the strengths of our domestic business model (energy-saving applications, engineering, and service capabilities), and while implementing various policies in response to the business environment and business foundation of each country, we are gradually reinforcing the life-cycle business model. Furthermore, in Singapore, we launched development of new digital solutions for Intelligent Building Management Systems (IBMS)\*<sup>7</sup> for overseas.

In the AA business, we are increasing personnel in strategic regions and continuously introducing management systems overseas to strengthen sales structures and improve the quality of our sales activities to expand our target customers. We will also develop the new automation field by renewing our main products, introducing strategic products, and expanding the development of growth products for new markets, including an anomaly monitoring system and AI facilities inspection.

In the LA business, at Europe-based Azbil Telstar, which is developing business in the Life Science Engineering field, we are continuing to provide solutions related to the production of vaccines and other pharmaceuticals against the backdrop of increasing demand for pharmaceutical production facilities in the pharmaceutical market.

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

Note 7: IBMS (Intelligent Building Management System): System that manages the integrated control of various facility control systems in large-scale multi-purpose facilities and realizes efficient, high-quality facility management, energy management, and management of tenant information etc.

### iii) Production and Development

To expand the azbil Group's business, we have reorganized the Group's production system and concentrated and strengthened its research & development resources to enhance product appeal. In Japan, we have consolidated production functions into our Shonan Factory and strengthened the link between those functions with the development capabilities of the Fujisawa Technology Center, thereby establishing the azbil Group "mother factory." Moreover, we plan to complete the construction of new buildings this year to further strengthen the development capabilities of cutting-edge system solutions using cloud technology and AI as well as of high-function, high-precision devices using MEMS technology at the Fujisawa Technology Center, which is the Group's core research and development hub. Overseas, the Solution and Technology Center in Thailand is operating to provide cutting-edge intelligence services using IoT and AI technology, such as anomaly monitoring and control valve diagnosis services. Furthermore, to expand production capacity in response to increasing global demand, improve production processes, and further promote automation, we have constructed new factory buildings at our manufacturing subsidiary in Dalian, China to strengthen our three-base production system in Japan, Thailand, and China.

As turmoil in, supply chain and materials procurement continues, and global inflation is having an increasing impact, we must be aware of the possibility that these effects will be felt in the long term. While improving our production operations, we will utilize parts inventory for BCP, secure products with market circulation, change over to alternative parts,



and modify our designs. While cooperating with companies throughout the supply chain, we will continue to pursue initiatives to continue production and to reduce the impact on product delivery.

#### iv) Management and Administration

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

In management and administration, we are working to improve the level of our accounting from the point of view of the voluntary application of the International Financial Reporting Standards (IFRS) and to strengthen internal control with the improved standards. Moreover, we are continuing to comply with Japan's Corporate Governance Code in order to enhance the integrity, neutrality and transparency of management. Furthermore, we are proactively advancing the preparation of structures to promote constructive dialogue with all stakeholders in order to contribute to sustainable growth and the increase of enterprise value over the medium to long term.

We are also proactively pursuing environment, society, governance (ESG) initiatives aimed at sustainability. In terms of E (environment), we have expressed our agreement with the TCFD's international framework, and in addition to disclosing information on governance, strategy, risk management in the annual securities report, etc., metrics and targets, we have established and are working to realize reduction targets for greenhouse gas emissions from our own business activities (scopes 1+2) and reduction targets across the entire supply chain (scope 3). Regarding S (society), we have signed the United Nations Global Compact, which is related to human rights, labor, environment, and anti-corruption, and are strategically evaluating human capital and intellectual property in our medium-term plan. In terms of corporate governance, as mentioned above, the Board of Directors has resolved its policy to transition to a "Company with a Three-Committee Board Structure." Additionally, to create an effective, integrated risk management system, we have established the CSR and Risk Management Department" within the Corporate Sustainability Headquarters.

As a result of these initiatives, we were again selected in fiscal year 2021 for the four ESG indexes\*<sup>8</sup> that were adopted by the Government Pension Investment Fund (GPIF). The not-for-profit international charity CDP\*<sup>9</sup> also selected us for their A List (highest evaluation) as a superior global company in terms of initiatives and information disclosure on climate change.

Notes 8: ESG indexes: FTSE Blossom Japan Index, MSCI Japan ESG Select Leaders Index, MSCI Japan Empowering Women Index (WIN) and S&P/JPX Carbon Efficient Index

9: 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 590 investors with more than \$110 trillion in assets as an intermediary with capital markets and corporate procurement to motivate companies, working to disclose environmental information, reduce, greenhouse gas emissions, preserve water resources, and protect forests.

(6) Financial position and results of operations

| Category  | 97 <sup>th</sup> term<br>(Fiscal year ended<br>March 31, 2019) | 98 <sup>th</sup> term<br>(Fiscal year ended<br>March 31, 2020) | 99 <sup>th</sup> term<br>(Fiscal year ended<br>March 31, 2021) | 100 <sup>th</sup> term<br>Current Fiscal year<br>(Fiscal year ended<br>March 31, 2022) |
|---|--|--|--|--|
| Orders received (Millions of yen)                             | 264,252  | 258,079  | 247,873  | 286,950  |
| Net sales (Millions of yen)                                   | 262,054  | 259,411  | 246,821  | 256,551  |
| Operating income (Millions of yen)                            | 26,690   | 27,255   | 25,720   | 28,231   |
| Ordinary income (Millions of yen)                             | 27,664   | 27,712   | 26,338   | 29,519   |
| Net income attributable to owners of parent (Millions of yen) | 18,951   | 19,793   | 19,918   | 20,784   |
| Net income per share (Yen)                                    | 132.03   | 140.80   | 142.77   | 150.79   |
| Total assets (Millions of yen)                                | 275,518  | 274,559  | 284,597  | 280,052  |
| Net assets (Millions of yen)                                  | 183,097  | 185,301  | 200,607  | 203,141  |
| Shareholders' equity ratio (%)                                | 65.7   | 66.7   | 69.6   | 71.5   |
| Net assets per share (Yen)                                    | 1,264.88   | 1,313.17   | 1,420.52   | 1,459.08   |

Note: The Company conducted a stock split of common stock at a ratio of two shares for every share on October 1, 2018. Net assets per share and net income per share were calculated based on the assumption that the said stock split was conducted at the beginning of the 97th term.

(7) Significant subsidiaries (As of March 31, 2022)

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

## (8) Main offices and factories (As of March 31, 2022)

|  |  |  |                               |                               |
|--|--|--|-------------------------------|-------------------------------|
| Azbil Corporation                            | Headquarters   | 2-7-3 Marunouchi, Chiyoda-ku, Tokyo  |                               |                               |
|  | Building Systems Company Head Office /Regional Division/Branch | Chuo-ku, Sapporo-shi   | Aoba-ku, Sendai-shi           | Chuo-ku, Saitama-shi          |
|  |  | Tsukuba-shi, Ibaraki   | Chuo-ku, Chiba-shi            | Shinagawa-ku, Tokyo           |
|  |  | Nishi-ku, Yokohama-shi   | Nagano-shi, Nagano            | Naka-ku, Nagoya-shi           |
|  |  | Kanazawa-shi, Ishikawa   | Kita-ku, Osaka-shi            | Higashi-ku, Hiroshima-shi     |
|  |  | Hakata-ku, Fukuoka-shi   |                               |                               |
|  | Advanced Automation Company Regional Division/Branch           | Chuo-ku, Sapporo-shi   | Aoba-ku, Sendai-shi           | Chuo-ku, Saitama-shi          |
|  |  | Shinagawa-ku, Tokyo  | Naka-ku, Nagoya-shi           | Kita-ku, Osaka-shi            |
|  |  | Higashi-ku, Hiroshima-shi  | Kokurakita-ku, Kitakyushu-shi |                               |
|  | Fujisawa Technology Center                                     | Fujisawa-shi, Kanagawa   |                               |                               |
| Factories                                    | Kouza-gun, Kanagawa  |  |                               |                               |
| Offices                                      | Hadano-shi, Kanagawa   |  |                               |                               |
| Azbil Trading Co., Ltd.                      | Headquarters   | Toshima-ku, Tokyo  |                               |                               |
|  | Branch   | Toshima-ku, Tokyo  | Chuo-ku, Saitama-shi          | Naka-ku, Nagoya-shi           |
|  |  | Yodogawa-ku, Osaka-shi   | Higashi-ku, Hiroshima-shi     | Kokurakita-ku, Kitakyushu-shi |
| Azbil Kimmon Co., Ltd.                       | Headquarters   | Toshima-ku, Tokyo  |                               |                               |
|  | Regional Division/Branch                                       | Higashi-ku, Sapporo-shi  | Aoba-ku, Sendai-shi           | Kiryu-shi, Gunma              |
|  |  | Toshima-ku, Tokyo  | Naka-ku, Nagoya-shi           | Higashiosaka-shi, Osaka       |
|  |  | Higashi-ku, Hiroshima-shi  | Hakata-ku, Fukuoka-shi        |                               |
|  | Factories  | Aomori-shi, Aomori (Azbil Kimmon Aomori Co., Ltd.)<br>Gobo-shi, Wakayama (Azbil Kimmon Energy Products Co., Ltd.)<br>Shirakawa-shi, Fukushima (Azbil Kimmon Energy Products Co., Ltd.)*<br>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, 2022)

1) Employees of the Group

| Segment                      | Number of Employees | Year-on-year Increase/(Decrease) |
|------------------------------|---------------------|----------------------------------|
| Building Automation Business | 3,283 [536] persons | (35) persons                     |
| Advanced Automation Business | 3,612 [324]         | 21                               |
| Life Automation Business     | 1,954 [337]         | 74                               |
| Total of reportable segments | 8,849 [1,197]       | 60                               |
| Others                       | 2 [1]               | (1)                              |
| Corporate (Common)           | 1,235 [172]         | 24                               |
| Total                        | 10,086 [1,370]      | 83                               |

- 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 |
|---------------------|----------------------------------|----------------|--------------------------|
| 5,329 [902] persons | (28) persons                     | 45.9 years old | 20.1 years               |

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

(10) Major lenders (As of March 31, 2022)

| Lenders           | Loan Outstanding  |
|-------------------|-------------------|
| Mizuho Bank, Ltd. | 4,106 million yen |
| MUFG Bank, Ltd.   | 1,767             |

(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, 2022)

- (1) Total number of authorized shares            559,420,000 shares
- (2) Shares of common stock issued            145,200,884 shares  
(including treasury shares of 5,977,645 shares)
- (3) Number of shareholders                    7,296
- (4) Major shareholders (Top 10)

| Shareholder Name  | Number of Shares<br>(thousands) | Percentage of Total Shares<br>Issued (%) |
|---|---------------------------------|--|
| The Master Trust Bank of Japan, Ltd. (Trust account)  | 20,794                          | 14.93                                    |
| SSBTC CLIENT OMNIBUS ACCOUNT  | 10,968                          | 7.87                                     |
| Meiji Yasuda Life Insurance Company   | 10,428                          | 7.49                                     |
| Custody Bank of Japan, Ltd. (Trust account)   | 6,356                           | 4.56                                     |
| Northern Trust CO. (AVFC) Re Fidelity Funds)  | 4,649                           | 3.33                                     |
| National Mutual Insurance Federation of Agricultural Cooperatives                             | 3,356                           | 2.41                                     |
| Mizuho Bank, Ltd  | 2,809                           | 2.01                                     |
| JP MORGAN CHASE BANK 385839   | 2,789                           | 2.00                                     |
| azbil Group Employee Stock ownership  | 2,599                           | 1.86                                     |
| BNP PARIBAS SECURITIES SERVICES<br>LUXEMBOURG/ JASDEC/ FIM/ LUXEMBOURG<br>FUNDS/ UCITS ASSETS | 2,562                           | 1.84                                     |

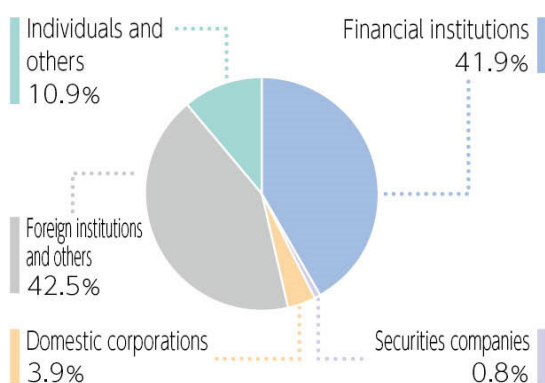
- Notes: 1. The percentage of total shares issued is calculated excluding treasury shares (5,977,645 shares). The number of treasury shares does not include shares (1,935,100 shares) owned by Custody Bank of Japan, Ltd. (Trust account E) as trust assets for Employee Stock Ownership Plan (J-ESOP).
2. 8,474 thousand shares held by The Master Trust Bank of Japan, Ltd. (Trust account) and 3,383 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 August 19, 2021 which was made available for public inspection, the following shares are held by Sumitomo Mitsui Trust Asset Management Co., Ltd. and Nikko Asset Management Co., Ltd. as of August 13, 2021. However, as the Company is not able to confirm the number of shares actually held as of March 31, 2022, the end of the current fiscal year, the shares are not included in the above status of major shareholders.

| Submission Date of Report<br>on Large Shareholding | Shareholder Name   | Number of Shares Held<br>(thousands) | Percentage of Total<br>Shares Issued (%) |
|--|--|--------------------------------------|--|
| August 19, 2021                                    | Sumitomo Mitsui Trust Asset<br>Management Co., Ltd. and<br>Nikko Asset Management Co.,<br>Ltd. | 7,274                                | 5.01                                     |

4. According to the Report on Large Shareholding dated January 21, 2022 which was made available for public inspection, the following shares are held by FMR LLC as of January 14, 2022. However, as the Company is not able to confirm the number of shares actually held as of March 31, 2022, the end of the current fiscal year, the shares are not included in the above status of major shareholders.

| Submission Date of Report<br>on Large Shareholding | Shareholder Name | Number of Shares Held<br>(thousands) | Percentage of Total<br>Shares Issued (%) |
|--|------------------|--------------------------------------|--|
| January 21, 2022                                   | FMR LLC          | 12,331                               | 8.49                                     |

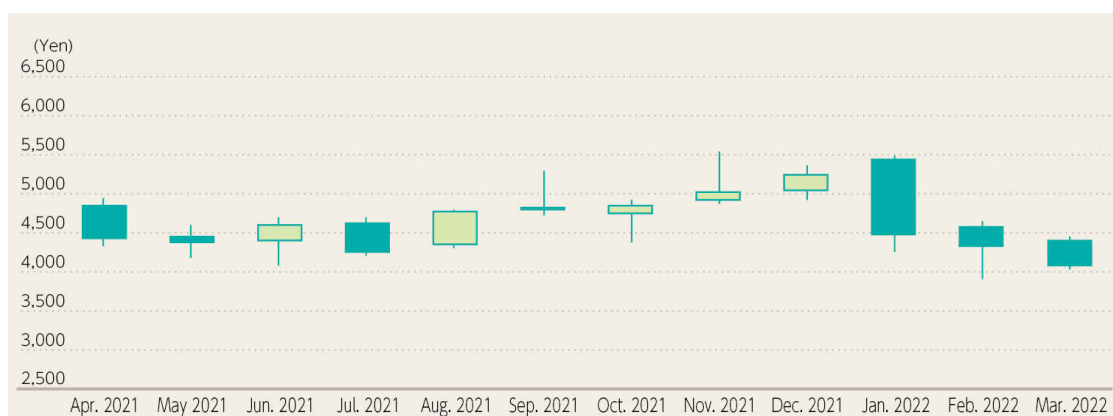
[Reference material] Distribution of Shares by Shareholder Type



|                                 | Number of shares (Per unit) | Number of shareholders (Persons) |
|---------------------------------|-----------------------------|----------------------------------|
| Financial institutions          | 607,202                     | 49                               |
| Securities companies            | 11,625                      | 32                               |
| Domestic corporations           | 56,114                      | 134                              |
| Foreign institutions and others | 617,133                     | 578                              |
| Individuals and others          | 158,744                     | 5,240                            |

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

[Reference material] Share Price Trend





### 3. Matters Concerning Officers

#### (1) Board of Directors and Audit & Supervisory Board Members (As of March 31, 2022)

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

| Positions                                | Name               | Assignments in the Company and Important Concurrent Positions Outside the Company                          |
|--|--------------------|--|
| Audit & Supervisory Board Member         | Hisaya Katsuta     |  |
| Audit & Supervisory Board Member         | Tomohiko Matsuyasu |  |
| Outside Audit & Supervisory Board Member | Kinya Fujimoto     | Certified Public Accountant<br>Outside Audit & Supervisory Board Member of Nihon Kajo Publishing Co., Ltd. |
| Outside Audit & Supervisory Board Member | Minoru Sakuma      |  |
| Outside Audit & Supervisory Board Member | Fumitoshi Sato     | Outside Director of TOMY Company, Ltd.   |

Notes: 1. Directors Katsuhiko Tanabe, Takeshi Itoh, Waka Fujiso, Mitsuhiro Nagahama and Anne Ka Tse Hung are Outside Directors of the Company under Article 2, Item 15 of the Companies Act.

2. Audit & Supervisory Board Members Kinya Fujimoto, Minoru Sakuma and Fumitoshi Sato are Outside Audit & Supervisory Board Members of the Company under Article 2, Item 16 of the Companies Act.
3. Under the provisions of Article 427, Paragraph 1 of the Companies Act, the Company has concluded contracts for limitation of liability with each of Outside Directors and Outside Audit & Supervisory Board Members, as provided for in Article 423, Paragraph 1 of the Companies Act. The maximum amount of the liability for damage based on said contracts is the minimum liability amount prescribed in laws and regulations.
4. Overview of the contents of Officer Liability Policies  
The Company has concluded Officer Liability Policies with an insurance company as stipulated in Article 430-3 Paragraph 1 of the Companies Act, with the Company and its subsidiaries' Directors, Audit & Supervisory Board Members, and Executive Officers being included in the scope of the insured persons. Per the liability policies, the insurance company will cover damages incurred by the insured persons in bearing responsibility for the execution of their duties or as a result of claims received in the pursuit of these responsibilities. However, as a measure to ensure that the appropriateness of the duties of the insured persons is not lost, damages resulting from negligence, illegal personal profit sharing, and criminal actions are not covered. Furthermore, the insured persons are not responsible for the insurance premiums.
5. Audit & Supervisory Board Member Tomohiko Matsuyasu, Kinya Fujimoto and Fumitoshi Sato have a wealth of knowledge concerning financial affairs and accounting as shown below.
  - Audit & Supervisory Board Member Tomohiko Matsuyasu served over many years in the Company's accounting division and has experience in accounting operations.
  - Audit & Supervisory Board Member Kinya Fujimoto has a wealth of experience and outstanding insight as a certified public accountant.
  - Audit & Supervisory Board Member Fumitoshi Sato has experience as the person responsible for the creation of financial statements as the officer in charge of accounting and finance at another operating company over many years.
6. The Company has notified each of Outside Directors and Outside Audit & Supervisory Board Members as Independent Officers to the Tokyo Stock Exchange.

7. As of April 1, 2022, the assignments of Directors have been changed as follows:

| Positions   | Name                 | Assignments in the Company   |
|---|----------------------|--|
| Representative Director<br>President and Chief<br>Executive Officer | Kiyohiro<br>Yamamoto | President and Group Chief Executive Officer, the<br>Nomination and Remuneration Committee Member,<br>Responsible for Internal Audit, Corporate Planning<br>Department  |
| Director  | Takayuki Yokota      | Senior Managing Executive Officer<br>Assistant to President, Responsible for Corporate<br>Administration, Corporate Communication, azbil Group<br>(aG)-CSR, Internal Control, Facilities/Business Sites,<br>Corporate Secretariat Office, Group Management<br>Headquarters, General Affairs Department, Corporate<br>Sustainability Headquarters, Legal & Intellectual Property<br>Department, International Business Headquarters |
| Director  | Masato Iwasaki       | Managing Executive Officer<br>Responsible for Life Automation Business, Home Comfort<br>Headquarters,<br>General Manager of Life Science Engineering Department  |
| Director  | Yoshimitsu Hojo      | Managing Executive Officer<br>Responsible for Advanced Automation Business, aG Product<br>Business Portfolio Enhancement<br>President of Advanced Automation Company   |
| Director  | Kazuyasu Hamada      | Managing Executive Officer<br>Responsible for Building Automation Business, aG Work<br>Style Creation (aG Synergy), aG System Business Portfolio<br>Enhancement<br>President of Building Systems Company   |

8. We have an Executive Officer System that facilitates the prompt decision making and execution of company policy. As of April 1, 2022, there were 30 Executive Officers, including the above six (6) Directors who also serve as Executive Officer and the Company appointed Executive Officers as follows.

| Position                      | Name               | Assignments in the Company   |
|-------------------------------|--------------------|--|
| Managing Executive<br>Officer | Junya Nishimoto    | Responsible for azbil Group (aG) Research and Development,<br>Product Safety/Quality/Environment, Smart Robots, aG<br>Environmental Protection Innovation, Technology Development<br>Headquarters, Technology Standardization Department, Valve<br>Production Development Department, Environment Promotion<br>Department, Document Production Department  |
| Managing Executive<br>Officer | Akihiko Naruse     | Responsible for aG Safety Management (Occupational Health<br>and Safety), Human Resources Department, aG Safety<br>Management Department, Azbil Academy  |
| Managing Executive<br>Officer | Tadayoshi Ito      | Responsible for aG Marketing (Three business fields to expand<br>for sustainable growth), aG Digital Transformation Promotion,<br>aG IT (aG Cyber Security) Enhancement, aG Service<br>Engineering Enhancement, aG System Business Portfolio<br>Enhancement, Information Systems Department, Service<br>Headquarters, Cloud Operation Center, IT Development<br>Headquarters, Cyber Security Office, AI Solution Department<br>General Manager of GX Solution Department |
| Managing Executive<br>Officer | Hideaki Ishii      | Responsible for aG Production, aG Purchasing, aG Product<br>Business Portfolio Enhancement, AA (Advanced Automation)<br>Development and Quality Assurance, Production Management<br>Headquarters   |
| Executive Officer             | Masashi Hirano     | Responsible for Smart Robot Business Development   |
| Executive Officer             | Takahiro Sakamoto  | Head of Technology Development Headquarters  |
| Executive Officer             | Toshiyasu Sumitomo | Responsible for aG Marketing Support   |
| Executive Officer             | Takashi Imamura    | Head of Production Management Headquarters   |
| Executive Officer             | Masatoshi Yamada   | Responsible for Auditing Functions Enhancement, Internal<br>Audit Department   |

| Position          | Name               | Assignments in the Company   |
|-------------------|--------------------|--|
| Executive Officer | Masahiko Fujikawa  | Responsible for aG Quality and Safety Enhancement<br>General Manager of Department of Safety Assessment, General Manager of aG Quality Assurance Department                            |
| Executive Officer | Akiko Sekino       | General Manager of Legal & Intellectual Property Department  |
| Executive Officer | Kenichi Hayashi    | General Manager of Building Systems Company (BSC)<br>Business Planning Department  |
| Executive Officer | Tomoyuki Takeda    | Responsible for aG Work Style Creation Support (Domestic)<br>Manager of BSC Tokyo Head Office  |
| Executive Officer | Takashi Sawada     | Supervision of BSC Regional Divisions & Branches   |
| Executive Officer | Tetsuya Iwasaki    | Responsible for aG System Business Portfolio Enhancement Support<br>Head of IT Development Headquarters, Head of BSC Development Headquarters  |
| Executive Officer | Kanichiro Tsuruta  | Head of BSC Engineering Headquarters   |
| Executive Officer | Toshihisa Murayama | Responsible for Building Automation International Business<br>Head of BSC Marketing Headquarters, Promotion Member of Strategic Planning & Development Office for Southeast Asia       |
| Executive Officer | Yukiya Kitaura     | Responsible for aG Service Engineering Enhancement, BSC Environmental Solution Headquarters<br>Head of BSC Facility Management Headquarters  |
| Executive Officer | Tetsuo Takamura    | General Manager of AA CP Business* <sup>1</sup>  |
| Executive Officer | Taro Sento         | General Manager of AA IAP Business* <sup>2</sup>   |
| Executive Officer | Tetsuo Kobayashi   | Head of Advanced Automation Company (AAC) Business Development Headquarters, Promotion Member of Strategic Planning & Development Office for Southeast Asia                            |
| Executive Officer | Takashi Igarashi   | Responsible for aG Work Style Creation Support (Domestic)<br>Manager of AAC Tokyo Head Office  |
| Executive Officer | Shigeru Wada       | Responsible for aG Work Style Creation Support (Overseas)<br>Head of International Business Headquarters, General Manager of International Business Planning & Promotion Department    |
| Executive Officer | Kenji Sudo         | Responsible for aG System Business Portfolio Enhancement Support<br>General Manager of AA SS Business* <sup>3</sup> , General Manager of AAC Solution and Service Marketing Department |

\*1 CP business: Control Product business (supplying factory automation products such as controllers and sensors)

\*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.)

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

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

| Category  | Amount of Remunerations Paid (Millions of yen) | Total Amount by Type (Millions of yen) |                                 |              |                      | Number of Persons Remunerated |
|---|--|--|---------------------------------|--------------|----------------------|-------------------------------|
|   |  | Basic Remuneration                     | Performance-linked Remuneration | Stock Option | Retirement Allowance |                               |
| Directors (Outside Members)                         | 450<br>(64)                                    | 352<br>(64)                            | 97<br>(-)                       | -            | -                    | 11<br>(5)                     |
| Audit & Supervisory Board Members (Outside Members) | 82<br>(30)                                     | 82<br>(30)                             | -<br>(-)                        | -            | -                    | 5<br>(3)                      |
| Total (Outside Members)                             | 532<br>(94)                                    | 434<br>(94)                            | 97<br>(-)                       | -            | -                    | 16<br>(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 Company resolved that the maximum annual remuneration for Directors shall be not more than 450 million yen (for eight (8) persons, excluding amounts paid as salaries for employee) at the 84<sup>th</sup> Ordinary General Meeting of Shareholders held on June 29, 2006.

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

4. The remuneration for Directors includes directors' bonuses (129 million yen for six (6) Directors).

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

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

a. Basic Policy

As part of its efforts to strengthen corporate governance and to realize sustainable enhancements of enterprise value through achieving the azbil Group's management targets, at the Board of Directors meeting held on May 12, 2017, the Company established a policy on determination of the details of remuneration to individual Directors (hereinafter, "Policy on Determination"). Furthermore, prior to the promulgation of the Revised Companies Act on March 1, 2021, after consulting with the Nomination and Remuneration Committee, at the Board of Directors meeting held on February 26, 2021, the Policy on Determination was disclosed and confirmed. The remuneration for Directors is commensurate to their roles, responsibilities, and accomplishments and designed to contribute to sustainable growth and enhancements of enterprise value.

b. Composition and Approach for Executive Remuneration

Remuneration for Directors who concurrently perform executive duties comprises "basic remuneration" that is a fixed remuneration paid monthly based on their roles and responsibilities and "bonuses" paid twice annually at fixed periods that are linked to business results for the fiscal year and are also determined in consideration of the degree of achievement of medium-term targets. "Basic remuneration" for Directors who concurrently perform executive duties comprised three forms of remuneration: director remuneration, executive position remuneration, and executive responsibility remuneration. The fixed amounts paid to the Representative Directors and Directors are determined in director remuneration. Executive position remuneration comprises fixed amounts determined by

individual executive position. Executive responsibility remuneration is the amount of remuneration paid based on the individual responsibility grade that is determined based on the weight of duties, scope of role, and quantitative and qualitative evaluations for each fiscal year. Such responsibility grades are revised each year based on a review by the Nomination and Remuneration Committee.

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

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

#### c. Performance-linked Remuneration

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

Regarding the amount of operating income in the fiscal year 2021, results were 28.2 billion yen versus the target of 29.3 billion yen (consolidated basis).

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

Furthermore, while the breakdown according to the type of the Company's remuneration is not determined in advance, for the proportion of remuneration for individual Directors, our current system is designed in such a way that performance-linked remuneration increases as corporate performance improves, and the proportion of performance-linked remuneration making up the individual Directors' total remuneration increases as their contribution levels to corporate performance rise.

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

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

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

Supervisory Board Members.

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

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

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

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

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

In fiscal year 2021, the Nomination and Remuneration Committee met seven times. In May 2021, the Committee evaluated the results of individual performance targets in fiscal year 2020 and the amounts of bonuses to be paid to individual Directors who concurrently performed executive duties and Executive Officer, and deliberated the basic remuneration to be paid to individual Directors who concurrently perform executive duties and Outside Directors in fiscal year 2021. The Committee also deliberated posting the skill matrix in the business report and concurrent duties at other companies and external organizations

performed by full-time officers. In August, September and November 2021, revision of the rules for the Nomination and Remuneration Committee, the status of operation and training on the plan to develop successors, and revision of the executive remuneration plan were deliberated and confirmed.

In December 2021, the state and method of nomination of the fiscal year 2022 management team was confirmed. In February 2022, after confirming the nomination and proposal process for the new management team plan following the transition to a company with a three committees board structure, the fiscal year 2022 management team and the management team of Group companies were deliberated. In addition, introduction of the stock compensation plan was deliberated. In March 2022, the management teams at Group companies in Japan and overseas and the status of operations of the global personnel system were deliberated and confirmed. Furthermore, at the Board of Directors meetings held in June 2021 and February 2022, reports were given on the status of activities of the Nomination and Remuneration Committee.

Furthermore, aiming to further enhance corporate governance at the Company, at its Board of Directors meeting held on February 25, 2022, the Company resolved its policy to transition to a company with a three-committee board structure, subject to the required approval of the necessary amendments to its Articles of Incorporation at an Ordinary General Meeting of Shareholders. Furthermore, as a condition of this transition, the Company plans to introduce a new performance-linked stock compensation plan using a trust for Directors, Corporate Executives and Executive Officers (excluding non-residents in Japan). (However, compensation is not to be performance-linked for Directors who do not serve concurrently as executive officers and who do not execute business). Accordingly, we plan to formulate a new officer compensation policy through a resolution at a Remuneration Committee meeting held after the Ordinary General Meeting of Shareholders.



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

| Positions                                | Name               | Important Concurrent Positions Outside the Company   |
|--|--------------------|--|
| Outside Director                         | Katsuhiko Tanabe   | Lawyer<br>Outside Audit & Supervisory Board Member of JSP Corporation  |
| Outside Director                         | Takeshi Itoh       |  |
| Outside Director                         | Waka Fujiso        |  |
| Outside Director                         | Mitsuhiro Nagahama | Outside Audit & Supervisory Board Member of KURARAY Co., Ltd<br>Outside Director of NSK Ltd.<br>Representative Director of Japan Economic Research Institute |
| Outside Director                         | Anne Ka Tse Hung   | Lawyer (Australia, United Kingdom, Hong Kong)  |
| Outside Audit & Supervisory Board Member | Kinya Fujimoto     | Certified Public Accountant<br>Outside Audit & Supervisory Board Member of Nihon Kajo Publishing Co., Ltd.   |
| Outside Audit & Supervisory Board Member | Minoru Sakuma      |  |
| Outside Audit & Supervisory Board Member | Fumitoshi Sato     | Outside Director of TOMY Company, Ltd.   |

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

#### (4) Major activities of Outside Officers

##### (i) Outside Director

| Name             | Number of attendance at the Board of Directors meeting | Summary of comments and duties performed in relation to the expected roles of Outside Directors   |
|------------------|--|---|
| Katsuhiko Tanabe | 12/12  | <p>Regarding “legal and risk management” and “corporate management,” which are the areas of expertise expected, Katsuhiko Tanabe possesses broad knowledge as a legal expert, having carried out various kinds of practical work regarding legal affairs at various companies, and experience through his involvement in management as an outside officer at several companies. Based on that, at Board of Directors meetings, he has provided advice not only on the problematic points of a legal nature, but also on formulation of the Company’s medium-term plan and business development and raised questions and made comments from the perspective of reducing various risks, appropriately fulfilling his role in ensuring the validity and appropriateness of the Company’s decision making.</p> <p>Furthermore, in the current fiscal year, seven Nomination and Remuneration Committee meetings were held chaired by Katsuhiko Tanabe, and through an appropriate process related to the selection of the Company’s officer candidates and the determination of executive remuneration from an objective and neutral standpoint, he appropriately made a recommendation to and reported the deliberation results to the Board of Directors.</p> |
| Takeshi Itoh     | 12/12  | <p>Regarding “financial affairs, accounting, finance” and “global business,” which are the areas of expertise expected, Takeshi Itoh possesses, sophisticated financial knowledge as an officer at investment advisory companies in Japan and overseas and management experience at global companies. Based on that, at Board of Directors meetings, he has raised questions and made comments on the execution of the Company’s medium-term plan and medium- to long-term business development and strategy, and shareholder return, finance and capital policies from a capital markets perspective, appropriately fulfilling his role in ensuring the validity and appropriateness of the Company’s decision making.</p> <p>Furthermore, as a Nomination and Remuneration Committee member, he attended all seven meetings of the Committee held in the current fiscal year, playing an appropriate role in the selection of the Company’s officer candidates and determination of executive remuneration from an objective and neutral standpoint, and contributing to the improvement of fairness, objectivity and transparency in the deliberation process.</p>   |
| Waka Fujiso      | 12/12  | <p>Regarding “legal, risk management, and compliance” and “sustainability,” which are the areas of expertise expected, Waka Fujiso possesses experience in the legal world and profound insight in legal affairs and compliance. Based on that, at Board of Directors meetings, she has provided advice not only on the presence of legal issues, but also on the Company’s diversity initiatives and strengthening corporate governance, and raised questions and made comments on the Company’s business development from the perspective of compliance, sustainability, CSR, and risk management, appropriately fulfilling her role in ensuring the validity and appropriateness of the Company’s decision making.</p> <p>Furthermore, as a Nomination and Remuneration Committee member, she attended all seven meetings of the Committee held in the current fiscal year, playing an appropriate role in the selection of the Company’s officer candidates and determination of executive remuneration from an objective and neutral standpoint, and contributing to the improvement of fairness, objectivity and transparency in the deliberation process.</p>  |

| Name               | Number of attendance at the Board of Directors meeting | Summary of comments and duties performed in relation to the expected roles of Outside Directors  |
|--------------------|--|--|
| Mitsuhiro Nagahama | 12/12  | 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, abundant expertise related to increasing enterprise value, and knowledge as an outside officer at several companies. Based on that, at Board of Directors meetings he has raised questions and made comments on implementation for strengthening 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, providing oversight and advice from an expert position, appropriately fulfilling his role in ensuring the validity and appropriateness of the Company’s decision making. |
| Anne Ka Tse Hung   | 12/12  | Regarding “legal and risk management” and “global business,” which are the areas of expertise expected, Anne Ka Tse Hung possesses legal knowledge related to global business and abundant experience and insight gained from supporting the conclusion of agreements in projects involving international transactions. Based on that, at Board of Directors meetings, she has raised questions and made comments on the approach to investment for international business growth related to implementation for strengthening corporate governance of the Company and formulation of medium- to long-term business development and strategy, as well as on risk management from a global standard perspective, providing oversight and advice from an expert position and appropriately fulfilling her role in ensuring the validity and appropriateness of the Company’s decision making.                                       |

(ii) Outside Audit & Supervisory Board Member

| Name           | Number of attendance at the Board of Directors meeting | Number of attendance at the Audit & Supervisory Board meeting | Summary of comments   |
|----------------|--|---|---|
| Kinya Fujimoto | 12/12  | 14/14   | Kinya Fujimoto implemented audits of the Company's overall business particularly from the perspectives of financial affairs and accounting and raised questions and made comments from the perspectives of enhancing the management, internal control, and corporate governance of the Company and Group companies based on his long-term experience as a certified public accountant and wealth of expertise and experience concerning financial affairs and accounting. |
| Minoru Sakuma  | 12/12  | 14/14   | Minoru Sakuma raised questions and made comments from the perspectives of the validity of the Company's business and financial strategies and enhancing the Group's overall corporate governance, based on his experience of serving in important positions in the field of finance, his outstanding knowledge, and wealth of experience as an outside officer at a company operating a global business.  |
| Fumitoshi Sato | 12/12  | 14/14   | Fumitoshi Sato raised questions and made comments from the perspectives of the validity of the Company's business and financial strategy and enhancing the Group's overall corporate governance, based on his experience of serving in important positions in the field of finance, his management experience at the administration division of an operating company, and wealth of expertise and experience concerning financial affairs and accounting.                 |

#### 4. Accounting Auditor

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

(2) Amount of remuneration during the fiscal year ended March 31, 2022

|   | Amount Paid     |
|---|-----------------|
| Amount of remuneration paid for services rendered as Accounting Auditor during the fiscal year ended March 31, 2022 | 88 million yen  |
| Total cash and other remuneration paid by the Company and its subsidiaries to the Accounting Auditor                | 121 million yen |

Notes: 1. The audit agreement entered into by the Accounting Auditor and the Company does not clearly distinguish the amount of remuneration for the audit under the Companies Act and the amount of remuneration for the audit under the Financial Instruments and Exchange Act, and the two amounts cannot be practically distinguished from each other. Therefore, the amount in above indicates the total of these two kinds of amounts.

2. The Audit & Supervisory Board gives consent regarding remunerations etc. for the Accounting Auditor which has an audit contract with the Company as stipulated under Article 399, Paragraph 1 of the Companies Act. The consent is given as a result of examining the validity of the expected auditing hours and the amount of remuneration, after comparing the audit plan of the previous business year with its performance, and reviewing the trend of the time spent for audit and the amount of remuneration by obtaining necessary materials and examining reports from the relevant departments of the Company and the Accounting Auditor.

3. Consolidated overseas subsidiaries of the Company are audited by Auditing firms other than the Accounting Auditor of the Company.

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

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

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

## 5. System and Policies of the Company

- (1) System to ensure the appropriateness of business activities and the operational status of that system

<Outline of resolution on system to ensure the appropriateness of business activities>

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

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

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

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

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

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

level of the overall group.

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



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

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

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

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

#### 1. Compliance Systems

- Azbil Group, guided by the corporate philosophy of “human-centered automation,” has formulated Guiding Principles for azbil Group Business and azbil Group Code of Conduct, making efforts toward creating a corporate culture in which compliance awareness is permeated. To do so, the Company and Subsidiaries have appointed officers who are responsible for controlling and promoting company-wide compliance related activities throughout the Company, and have designated compliance managers and compliance leaders to ensure thorough compliance, educate and supervise employees with the cooperation of the department of the Company in charge of compliance. In the current fiscal year, we planned “Regional CL Meetings” with the goal of leveling up our CSR leaders (CL) responsible for education at our overseas subsidiaries, and held meetings at subsidiaries in North America, Europe, Taiwan, Hong Kong and Middle East.
- To promote compliance-related activities throughout the azbil Group, the Company has formed a constant organization to promote CSR related activities, where an officer of the Company in charge of compliance is appointed as chief officer and officers of each company in charge of compliance are appointed as members. Here, creating action plans for the overall group, managing progress, and providing guidance to Subsidiaries are conducted.
- The Officers and Employees of the Company and Subsidiaries may use the “CSR Hotline” in Japan and abroad to consult and report pursuant to the “Rules for the consultation and reporting system of aG employees.” Unfair treatment of persons initiating consultations and reports is prohibited in these rules, and we have communicated that fact internally. In the current fiscal year, in addition to promoting the introduction of the “CSR Hotline” at our overseas subsidiaries, with the promulgation of the China Personal Information Protection Law, we temporarily suspended use of the “CSR Hotline” at our local Chinese offices, established a dedicated helpdesk system within China, and smoothly began operations of the new helpdesk system.
- In preparation for the occurrence of serious illegal or unethical acts, the Company and Subsidiaries have formulated the “Rules for Reporting in Emergency and Serious Situations.” In the event such emergency or serious situations occur, under the structure provided, reports will be made to the top management and Audit & Supervisory Board Members of Subsidiaries where they occur and the top management and Audit & Supervisory Board Members of the Company. Furthermore, regarding the state of response to emergency or serious situations and the status of implementation of measures to prevent recurrence, reports are regularly made at Board of Directors meetings attended by Audit & Supervisory Board Members.
- The Company’s Internal Audit Department conducts audits of operating conditions by properly verifying the status relating to the promotion of compliance and the establishment of internal control procedures at the Company and Subsidiaries, the operations and management with respect to the regulations stipulated in 2) below, and the development of risk management systems in 3) below.

Furthermore, we have formed a special team and provide diagnoses of the overall management control of overseas subsidiaries to further improve management at overseas

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

- Regarding internal control associated with the financial reports in the Financial Instruments and Exchange Act (J-SOX), by issuing management messages related to appropriate accounting processing, implementing accounting compliance education, and implementing internal control education, we worked to create awareness about the importance of internal control and to increase our level of internal control. In the current fiscal year, to respond to the risk of control issues arising from changes in employees' workstyles, we introduced a new expense calculation system and digitalized both the approval process and the expense calculation voucher system.

## 2. Storage and Management of Information

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

## 3. Risk Management Systems

- Pursuant to the azbil Group Risk Management Rules, the Company identifies serious risks for azbil Group which may cause serious losses to the overall group management at the Board of Directors meetings after screening by the Comprehensive Risk Management Department Meeting and the azbil Group Comprehensive Risk Committee, the even higher level organization. While strengthening the comprehensive risk management system and the promotion of taking measures, the Company also instructs Subsidiaries, when necessary, to promote such measures at the Group.
- Subsidiaries identify serious risks particular to the relevant Subsidiary at the Board of Directors meetings of each Subsidiary, plan and promote measures. The execution results of such measures and the status of risk reduction are to be reported to the Board of Directors of each Subsidiary.
- Furthermore, in emergency and serious situation reports, we worked to enhance the organizational strength to respond and promote by establishing an Emergency Headquarters for events that have actually occurred. Additionally, the practice of regular reporting of such reports to the Board of Directors was established.

In emergency and serious situation reports, we are working to promptly resolve crises through the establishment of an Emergency Headquarters for events that have actually occurred. The state of those activities is also regularly reported to the Board of Directors. Additionally, we are also advancing initiatives to develop human resources who are able to respond when crises occur.

## 4. System of Efficient Execution of Duties

- The Officers and Employees of the Company and Subsidiaries develop a medium-term

plan and an annual plan, take actions based on such plans, conduct regular reviews of status of duties, follow progress of the status of business execution and plan new measures.

- Based on the Rules for Division of Duties and other rules, the Company provides necessary support and guidance to Subsidiaries to increase work efficiency and work level of the overall Group.
- To ensure the thorough deliberation by the Board of Directors, the Company and Subsidiaries bear in mind improvement of operation of the Board of Directors and operate such as distributing materials related to the agenda item before the meetings. In addition, the Company holds prior briefing meetings about the matters for discussion at the Board of Directors meetings for the benefit of its Outside Directors and Outside Audit & Supervisory Board Members.
- To improve the time for deliberation at Board of Directors meetings and to improve the effectiveness of the Board of Directors, the Company shares information with members of the Board of Directors through the “Board of Directors Information Reporting System.” Additionally, starting the fiscal year under review, as Deemed Reports to the Board of Directors in accordance with Article 372 of the Companies Act, we have started to issue reports on some of the reporting items at Board of Directors using this system.

#### 5. Group Management System

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

#### 6. System of Audit by Audit & Supervisory Board Members

- The Company has established an Audit & Supervisory Board Members’ Staff Office as an organization to aid the duties of the Audit & Supervisory Board Members. Personnel belonging to the Audit & Supervisory Board Members’ Staff Office are under the direct control of the Audit & Supervisory Board Members, aiding the duties of the Audit & Supervisory Board Members under their instructions. The personnel rotation and personnel evaluation are determined with the agreement of the Audit & Supervisory Board Members.
- Regarding items which have been consulted on or reported to the aforementioned hotline by the Officers and Employees of the Company and Subsidiaries, the Internal Audit Department reports them monthly to the Audit & Supervisory Board Members and the details are reported at the quarterly liaison meeting with the Audit & Supervisory Board Members.
- The expenses arising from executing duties of the Audit & Supervisory Board Member are borne by the Company and are promptly handled.

- The Audit & Supervisory Board Members attend the Board of Directors meetings and other important meetings including the management meeting, review approval forms and other documents related to the execution of business and request explanations from the Officers and Employees, regularly or when necessary. In addition, the Audit & Supervisory Board Members request the opinion of attorneys, with whom they have individually concluded advisory contracts, as appropriate.
  - The Audit & Supervisory Board Members of the Company regularly hold meetings with the Board of Directors, Internal Audit Department, Accounting Auditor, and Audit & Supervisory Board Members of subsidiaries to share information, communicate and provide reports, and when necessary exchange opinions and information as needed to improve the efficacy of audits.
- (2) Basic policy related to persons controlling interests in the Company
- Not applicable

(Reference) Our approach to corporate governance

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

#### Corporate Governance System

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

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

As of March 31, 2022, the Company has appointed eleven (11) Directors, including six (6) who are involved in business execution and have accumulated experience in the Company's business and management, as well as five (5) who are Independent Outside Directors and have independence, broad experience, a wealth of expertise and knowledge, and rich diversity in the form of nationality and gender. Independent Outside Directors make up more than one third of the Board of Directors. In addition to working diligently to enhance the Company's enterprise value through appropriate oversight and advice during the decision-making process at Board of Directors meetings, these Independent Outside Directors regularly exchange opinions with the President and CEO. Moreover, upon collecting the self-evaluations and opinions on the effectiveness of the Board of Directors from the Directors and Audit & Supervisory Board Members, current evaluations and issues are shared at Board of Directors meetings as we pursue further increase of the effectiveness of the Board of Directors. Regarding the evaluation for fiscal year 2021, the Company used a third-party organization and conducted a more objective verification of the process for evaluating the effectiveness of the Board of Directors. At a Board of Directors meeting held on May 14, 2021, we established the skills expected of the Directors with respect to the realization of the Company's medium-term plan and other management strategies, and confirmed the independence, diversity, and expected skills of the current Board of Directors.

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

Outside Directors. Per the regulations, the Committee must be comprised of a majority of Independent Outside Directors. Currently, Katsuhiko Tanabe (Independent Outside Director) serves as the Committee chairperson, Takeshi Itoh (Independent Outside Director), Waka Fujiso (Independent Outside Director), Hirozumi Sone (Representative Director), and Kiyohiro Yamamoto (Representative Director) serve as committee members, with Independent Outside Directors comprising a majority of the Committee.

In fiscal year 2021, the Nomination and Remuneration Committee met seven times. In May 2021, the Committee evaluated the results of individual performance targets in fiscal year 2020 and the amounts of bonuses to be paid to individual Directors who concurrently performed executive duties and Executive Officer, and deliberated the basic remuneration to be paid to individual Directors who concurrently perform executive duties and Outside Directors in fiscal year 2021. The Committee also deliberated posting the skill matrix in the business report and concurrent duties at other companies and external organizations performed by full-time officers. In August, September and November 2021, revision of the rules for the Nomination and Remuneration Committee, the status of operation and training on the plan to develop successors, and revision of the executive remuneration plan were deliberated and confirmed. In December 2021, the state and method of nomination of the fiscal year 2022 management team was confirmed. In February 2022, after confirming the nomination and proposal process for the new management team plan following the transition to a company with a three committees board structure, the fiscal year 2022 management team and the management team of Group companies were deliberated. In addition, introduction of the stock compensation plan was deliberated. In March 2022, the management teams at Group companies in Japan and overseas and the status of operations of the global personnel system were deliberated and confirmed. Furthermore, at the Board of Directors meetings held in June 2021 and February 2022, reports were given on the status of activities of the Nomination and Remuneration Committee.

Furthermore, the Company is a company with an Audit & Supervisory Board, and as of March 31, 2022, the Audit & Supervisory Board is made up of two (2) full-time Audit & Supervisory Board Members and three (3) Outside Audit & Supervisory Board Members. Audit & Supervisory Board Member Tomohiko Matsuyasu has many years of experience in the Company's accounting operations. Audit & Supervisory Board Member Kinya Fujimoto has a wealth of experience and outstanding insight as a certified public accountant. Audit & Supervisory Board member Fumitoshi Sato has experience as the person responsible for the creation of financial statements as the officer in charge of accounting and finance at another operating company over many years. Thus, they have a wealth of knowledge concerning financial affairs and accounting. Furthermore, the Company established the Audit & Supervisory Board Office, an organization dedicated to assisting the Audit & Supervisory Board Member in their duties, with three dedicated staff members assigned to assist the Audit & Supervisory Board Members in the execution of their duties.

The Audit & Supervisory Board convenes in principle once a month and holds ad-hoc meetings, as necessary. In the current fiscal year, it convened a total of 14 times and the five (5) Audit & Supervisory Board members participated in all of the Audit & Supervisory Board meetings. The main items to be resolved and items to be reported at the Audit & Supervisory Board meetings are as follows.

Items to be resolved: The Audit & Supervisory Board audit plan, auditing policy, task division, and agreement to compensation of the Accounting Auditor, evaluation and rehiring or terminating the Accounting Auditor, fiscal year-end audit report, etc.

Items to be reported: Quarterly individual activity reports, quarterly accounting audit reports, audit report from the Accounting Auditor (including the state of response

to key audit matters), etc.

Furthermore, the Audit & Supervisory Board regularly holds meetings to exchange opinions with the Representative Directors, etc. and meetings to exchange information with the Outside Directors. We also performed an evaluation of the effectiveness of the Audit & Supervisory Board at the end of the fiscal year, reviewed the auditing activities of the Audit & Supervisory Board for the current fiscal year, reviewed the details of the evaluation of communication methods with Outside Directors, remote survey methods, and critical auditing matters, and reflected these in the auditing activity items and critical audit matters in next fiscal year's auditing plan, increasing the effectiveness of the Audit & Supervisory Board.

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

Continuing from last fiscal year, the Audit & Supervisory Board Members monitored the status of the response to COVID-19 through the Board of Directors and the management meeting. For surveys of domestic divisions and offices, the Audit & Supervisory Board used a mix of visiting audits and remote surveys using an online conferencing system depending on the state of COVID-19. Furthermore, for overseas subsidiaries, in addition to using remote surveys, the Audit & Supervisory Board used complementary procedures for hearings on the internal audit results conducted remotely by the internal auditing department.

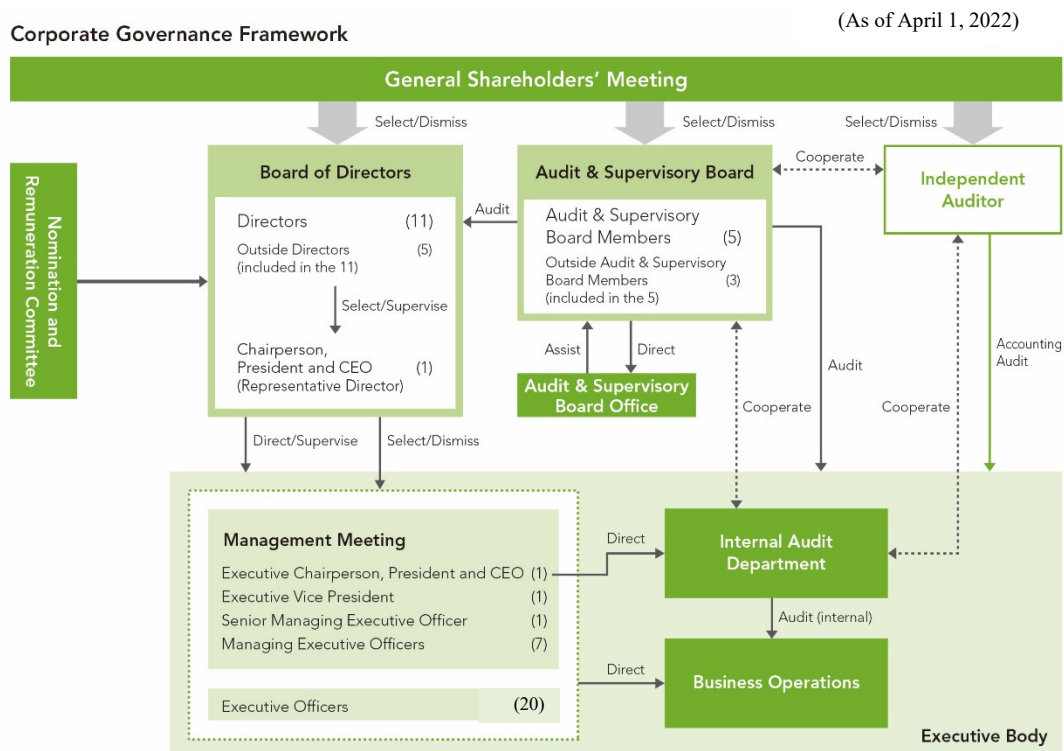
The Company has concluded Officer Liability Policies with an insurance company as stipulated in Article 430-3 Paragraph 1 of the Companies Act, with the Company and its subsidiaries' Directors, Audit & Supervisory Board Members, and Executive Officers being included in the scope of the insured persons. Per the liability policies, the insurance company will cover damages incurred by the insured persons in bearing responsibility for the execution of their duties or as a result of claims received in 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.

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



Members has sufficient independence, the Company has reported them as Independent Officers to the Tokyo Stock Exchange.

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



Furthermore, regarding the maintenance of the Compliance Systems of the Group as a whole, the Company aims to be a corporate group trusted by society, and including compliance with laws and regulations, has established azbil Group Code of Conduct as a guideline for the conduct of the Officers and Employees in the interest of maintaining the public nature of the Company by first cutting off any relationships to antisocial forces, fulfilling our social responsibilities, compliance with antitrust and other fair trade regulations, respect for human rights, proper management of corporate assets, and protection of the environment, working toward sound business activities through the establishment of our corporate philosophy. In addition to amending guiding principles for business to implement this philosophy, the azbil Group sets its SDGs (basic goals and targets) toward achieving the UN's SDGs. With the SDGs as our new guidepost, we aim to connect the philosophy, Guiding Principles, code of conduct, and management strategy "in series" leading to a sustainable society and to realize a balance between resolving social issues and sustainable growth. For the proper and efficient execution of business operations, by establishing various internal rules relating to the decision making of the Company and implementation of business operations and other measures, the Company is maintaining a system which clarifies job authority and allows the appropriate checks to function. In terms of our internal control functions, the Internal Audit Department, which reports directly to the President, regularly performs internal audits that cover the overall management activities of

headquarters divisions, each company and each group company, targeting the management and operations systems, the execution of business operations, business risks, compliance, and internal control systems, providing specific advice and proposals for improved oversight and business operations. The Company works to strengthen internal controls within the Financial Instruments and Exchange Act, and to promote compliance-related activities throughout the Group, the Company has formed a constant organization to promote CSR related activities, where an officer of the Company in charge of compliance is appointed as chief officer and officers of each group company in charge of compliance are appointed as members, where creating action plans for the overall group, managing progress, and providing guidance to Subsidiaries are conducted. We also maintain a system for the early discovery of misconduct through our internal reporting system. Furthermore, we receive the advice and support from legal advisers, certified public accountants and external experts as necessary regarding the overall execution of business operations.

Furthermore, as mentioned above, the Company is working to enhance the supervision and auditing functions of the Board of Directors, to increase the transparency and enhance the soundness of management, and to clarify the system of responsibility for job execution.

Aiming to further enhance its corporate governance, at a Board of Directors meeting held on February 25, 2022, the Company resolved its policy to transition to a “Company with a Three - Committee Board Structure” with three committees\* of which the majority of the members are Outside Directors, and through which the Company can significantly transfer the execution of authorities to Corporate Executives possessing clear legal responsibility from the Board of Directors of which the majority of members are Outside Directors. Furthermore, as a condition of the transition to a company with a three-committee board structure, the Company plans to introduce a stock compensation plan using a trust for officers. Accordingly, the Company plans to formulate a new officer compensation policy through a resolution at a Board of Directors meeting and Remuneration Committee meeting held after the Ordinary General Meeting of Shareholders.

- \*Three committees: Nomination Committee, Audit Committee and Remuneration Committee. Roles for each committee are as follows. Furthermore, the transition to a Company with a three-committee board structure is subject to the approval of the necessary amendments to its Articles of Incorporation at an Ordinary General Meeting of Shareholders.
- 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 plans for Directors and corporate executives, determines the individual remuneration, and deliberates on other matters concerning executive remuneration, such as establishing and abolishing remuneration plans.

The business report is listed as follows.

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

## Consolidated Financial Statements

### Consolidated Balance Sheet

(Millions of yen)

|                                      | 100th term<br>As of March 31,<br>2022 |   | 100th term<br>As of March 31,<br>2022 |
|--------------------------------------|---------------------------------------|---|---------------------------------------|
| <b>Assets</b>                        |                                       | <b>Liabilities</b>  |                                       |
| <b>Current assets</b>                | <b>210,794</b>                        | <b>Current liabilities</b>  | <b>69,452</b>                         |
| Cash and deposits                    | 58,954                                | Notes and accounts payable - trade                                      | 22,990                                |
| Notes receivable - trade             | 14,971                                | Short-term borrowings   | 8,046                                 |
| Accounts receivable - trade          | 54,988                                | Income taxes payable  | 6,758                                 |
| Contract assets                      | 16,176                                | Contract liabilities  | 6,078                                 |
| Securities                           | 30,800                                | Provision for bonuses   | 10,762                                |
| Merchandise and finished goods       | 6,141                                 | Provision for bonuses for directors<br>(and other officers)             | 125                                   |
| Work in process                      | 6,088                                 | Provision for product warranties  | 512                                   |
| Raw materials                        | 16,454                                | Provision for loss on orders received                                   | 93                                    |
| Other                                | 6,644                                 | Other   | 14,086                                |
| Allowance for doubtful accounts      | (423)                                 | <b>Non-current liabilities</b>  | <b>7,457</b>                          |
| <b>Non-current assets</b>            | <b>69,257</b>                         | Long-term borrowings  | 300                                   |
| <b>Property, plant and equipment</b> | <b>33,169</b>                         | Deferred tax liabilities for land<br>revaluation                        | 181                                   |
| Buildings and structures             | 13,558                                | Retirement benefit liability  | 1,690                                 |
| Machinery, equipment and vehicles    | 2,176                                 | Provision for retirement benefits for<br>directors (and other officers) | 199                                   |
| Tools, furniture and fixtures        | 2,197                                 | Provision for share awards  | 1,927                                 |
| Land                                 | 6,441                                 | Other   | 3,158                                 |
| Leased assets                        | 1,713                                 | <b>Total liabilities</b>  | <b>76,910</b>                         |
| Construction in progress             | 7,082                                 | <b>Net assets</b>   |                                       |
| <b>Intangible assets</b>             | <b>5,737</b>                          | <b>Shareholders' equity</b>   | <b>188,789</b>                        |
| Software                             | 4,944                                 | Share capital   | 10,522                                |
| Other                                | 792                                   | Capital surplus   | 11,670                                |
| <b>Investments and other assets</b>  | <b>30,350</b>                         | Retained earnings   | 190,263                               |
| Investment securities                | 19,635                                | Treasury shares   | (23,667)                              |
| Deferred tax assets                  | 3,316                                 | <b>Accumulated other comprehensive<br/>income</b>                       | <b>11,524</b>                         |
| Retirement benefit asset             | 3                                     | Valuation difference on available-for-<br>sale securities               | 9,173                                 |
| Other                                | 7,481                                 | Deferred gains or losses on hedges                                      | (74)                                  |
| Allowance for doubtful accounts      | (87)                                  | Foreign currency translation adjustment                                 | 2,442                                 |
| <b>Total assets</b>                  | <b>280,052</b>                        | Remeasurements of defined benefit<br>plans                              | (16)                                  |
|                                      |                                       | <b>Non-controlling interests</b>  | <b>2,827</b>                          |
|                                      |                                       | <b>Total net assets</b>   | <b>203,141</b>                        |
|                                      |                                       | <b>Total liabilities and net assets</b>                                 | <b>280,052</b>                        |

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

## Consolidated Statement of Income

(Millions of yen)

|  |  | 100th term<br>April 1, 2021 to March 31, 2022 |
|--|--|---|
| <b>Net sales</b>                                     |  | <b>256,551</b>                                |
| <b>Cost of sales</b>                                 |  | <b>150,845</b>                                |
| <b>Gross profit</b>                                  |  | <b>105,705</b>                                |
| <b>Selling, general and administrative expenses</b>  |  | <b>77,474</b>                                 |
| <b>Operating income</b>                              |  | <b>28,231</b>                                 |
| <b>Non-operating income</b>                          |  | <b>1,715</b>                                  |
| Interest and dividend income                         |  | 803   |
| Foreign exchange gains                               |  | 632   |
| Other  |  | 279   |
| <b>Non-operating expenses</b>                        |  | <b>428</b>                                    |
| Interest expenses                                    |  | 123   |
| Other  |  | 304   |
| <b>Ordinary income</b>                               |  | <b>29,519</b>                                 |
| <b>Extraordinary income</b>                          |  | <b>863</b>                                    |
| Gain on sale of non-current assets                   |  | 2   |
| Gain on sale of investment securities                |  | 860   |
| <b>Extraordinary losses</b>                          |  | <b>338</b>                                    |
| Loss on sale and retirement of non-current assets    |  | 116   |
| Loss on business restructuring                       |  | 218   |
| Loss on sale of investment securities                |  | 3   |
| <b>Income before income taxes</b>                    |  | <b>30,044</b>                                 |
| Income taxes - current                               |  | 8,372   |
| Income taxes - deferred                              |  | 250   |
| <b>Net income</b>                                    |  | <b>21,421</b>                                 |
| Net income attributable to non-controlling interests |  | 637   |
| <b>Net income attributable to owners of parent</b>   |  | <b>20,784</b>                                 |

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

## Consolidated Statement of Changes in Net Assets

(Millions of yen)

| 100th term<br>April 1, 2021<br>to March 31, 2022     | Shareholders' equity |                 |                   |                 |                            |
|--|----------------------|-----------------|-------------------|-----------------|----------------------------|
|  | Share capital        | Capital surplus | Retained earnings | Treasury shares | Total shareholders' equity |
| Balance at beginning of period                       | 10,522               | 11,670          | 177,900           | (13,709)        | 186,384                    |
| Changes during period                                |                      |                 |                   |                 |                            |
| Dividends of surplus                                 |                      |                 | (8,421)           |                 | (8,421)                    |
| Net income attributable to owners of parent          |                      |                 | 20,784            |                 | 20,784                     |
| Purchase of treasury shares                          |                      |                 |                   | (10,003)        | (10,003)                   |
| Disposal of treasury shares                          |                      |                 |                   | 45              | 45                         |
| Net changes in items other than shareholders' equity |                      |                 |                   |                 |                            |
| Total changes during period                          | -                    | -               | 12,363            | (9,958)         | 2,405                      |
| Balance at end of period                             | 10,522               | 11,670          | 190,263           | (23,667)        | 188,789                    |

| 100th term<br>April 1, 2021<br>to March 31, 2022     | Accumulated other comprehensive income                |                                    |   |   |  | Non-controlling interests | Total net assets |
|--|---|------------------------------------|---|---|--|---------------------------|------------------|
|  | Valuation difference on available-for-sale securities | Deferred gains or losses on hedges | Foreign currency translation adjustment | Remeasurements of defined benefit plans | Total accumulated other comprehensive income |                           |                  |
| Balance at beginning of period                       | 11,108  | 24                                 | 699                                     | (26)                                    | 11,805                                       | 2,416                     | 200,607          |
| Changes during period                                |   |                                    |   |   |  |                           |                  |
| Dividends of surplus                                 |   |                                    |   |   |  |                           | (8,421)          |
| Net income attributable to owners of parent          |   |                                    |   |   |  |                           | 20,784           |
| Purchase of treasury shares                          |   |                                    |   |   |  |                           | (10,003)         |
| Disposal of treasury shares                          |   |                                    |   |   |  |                           | 45               |
| Net changes in items other than shareholders' equity | (1,935)   | (99)                               | 1,742                                   | 9                                       | (281)  | 410                       | 129              |
| Total changes during period                          | (1,935)   | (99)                               | 1,742                                   | 9                                       | (281)  | 410                       | 2,534            |
| Balance at end of period                             | 9,173   | (74)                               | 2,442                                   | (16)                                    | 11,524                                       | 2,827                     | 203,141          |

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

## Non-Consolidated Financial Statements

### Non-consolidated Balance Sheet

|  | 100th term<br>As of March 31, 2022 |   | (Millions of yen)<br>100th term<br>As of March 31, 2022 |
|--|------------------------------------|---|---|
| <b>Assets</b>  |                                    | <b>Liabilities</b>  |   |
| <b>Current assets</b>  | <b>149,964</b>                     | <b>Current liabilities</b>                                    | <b>46,579</b>   |
| Cash and deposits  | 31,525                             | Accounts payable - trade                                      | 7,083   |
| Notes receivable - trade                                     | 10,160                             | Accounts payable for construction contracts                   | 3,154   |
| Accounts receivable - trade                                  | 31,567                             | Short-term borrowings   | 4,609   |
| Accounts receivable from completed construction contracts    | 23,658                             | Accounts payable - other                                      | 702   |
| Securities   | 30,800                             | Accrued expenses  | 4,556   |
| Merchandise and finished goods                               | 3,167                              | Income taxes payable  | 5,864   |
| Work in process  | 3,094                              | Accrued consumption taxes                                     | 710   |
| Costs on construction contracts in progress                  | 691                                | Advances received   | 969   |
| Raw materials  | 6,550                              | Advances received on construction contracts in progress       | 771   |
| Short-term loans receivable from subsidiaries and associates | 2,437                              | Deposits received   | 2,202   |
| Accounts receivable - other                                  | 3,288                              | Deposits received from subsidiaries and associates            | 5,930   |
| Prepaid expenses   | 2,461                              | Provision for bonuses   | 8,808   |
| Other  | 640                                | Provision for bonuses for directors (and other officers)      | 88  |
| Allowance for doubtful accounts                              | (78)                               | Provision for product warranties                              | 358   |
| <b>Non-current assets</b>                                    | <b>66,422</b>                      | Provision for loss on orders received                         | 31  |
| <b>Property, plant and equipment</b>                         | <b>21,457</b>                      | Other   | 737   |
| Buildings  | 10,044                             | <b>Non-current liabilities</b>                                | <b>2,981</b>  |
| Structures   | 268                                | Long-term borrowings  | 300   |
| Machinery and equipment                                      | 890                                | Provision for share awards                                    | 1,927   |
| Vehicles   | 0                                  | Other   | 753   |
| Tools, furniture and fixtures                                | 1,278                              | <b>Total liabilities</b>                                      | <b>49,561</b>   |
| Land   | 2,498                              | <b>Net assets</b>   |   |
| Leased assets  | 93                                 | <b>Shareholders' equity</b>                                   | <b>157,699</b>  |
| Construction in progress                                     | 6,383                              | <b>Share capital</b>  | <b>10,522</b>   |
| <b>Intangible assets</b>                                     | <b>5,136</b>                       | <b>Capital surplus</b>  | <b>17,197</b>   |
| Software   | 4,596                              | Legal capital surplus   | 17,197  |
| Other  | 540                                | Other capital surplus   | 0   |
| <b>Investments and other assets</b>                          | <b>39,827</b>                      | <b>Retained earnings</b>                                      | <b>153,646</b>  |
| Investment securities  | 16,129                             | Legal retained earnings                                       | 2,519   |
| Shares of subsidiaries and associates                        | 15,286                             | Other retained earnings                                       | 151,126   |
| Investments in capital of subsidiaries and associates        | 1,964                              | Reserve for tax purpose reduction entry of non-current assets | 2,198   |
| Long-term loans receivable from subsidiaries and associates  | 622                                | General reserve   | 51,811  |
| Leasehold deposits   | 2,702                              | Retained earnings brought forward                             | 97,117  |
| Deferred tax assets  | 1,929                              | <b>Treasury shares</b>  | <b>(23,667)</b>   |
| Other  | 1,302                              | <b>Valuation and translation adjustments</b>                  | <b>9,125</b>  |
| Allowance for doubtful accounts                              | (109)                              | Valuation difference on available-for-sale securities         | 9,125   |
| <b>Total assets</b>  | <b>216,386</b>                     | <b>Total net assets</b>                                       | <b>166,825</b>  |
|  |                                    | <b>Total liabilities and net assets</b>                       | <b>216,386</b>  |

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

## Non-consolidated Statement of Income

(Millions of yen)

|   | 100th term<br>April 1, 2021<br>to March 31, 2022 |
|---|--|
| <b>Net sales</b>                                    | <b>174,879</b>                                   |
| Net sales of finished goods and others              | 111,892  |
| Net sales of completed construction contracts       | 62,987   |
| <b>Cost of sales</b>                                | <b>98,184</b>                                    |
| Cost of sales of finished goods and others          | 60,093   |
| Cost of sales of completed construction contracts   | 38,090   |
| <b>Gross profit</b>                                 | <b>76,694</b>                                    |
| Gross profit - finished goods and others            | 51,798   |
| Gross profit on completed construction contracts    | 24,896   |
| <b>Selling, general and administrative expenses</b> | <b>56,606</b>                                    |
| <b>Operating income</b>                             | <b>20,088</b>                                    |
| <b>Non-operating income</b>                         | <b>4,109</b>                                     |
| Interest income                                     | 41   |
| Dividend income                                     | 3,065  |
| Foreign exchange gains                              | 658  |
| Reversal of allowance for doubtful accounts         | 302  |
| Other   | 40   |
| <b>Non-operating expenses</b>                       | <b>229</b>                                       |
| Interest expenses                                   | 30   |
| Commitment fees                                     | 19   |
| Office relocation expenses                          | 119  |
| Other   | 59   |
| <b>Ordinary income</b>                              | <b>23,968</b>                                    |
| <b>Extraordinary income</b>                         | <b>858</b>                                       |
| Gain on sale of non-current assets                  | 4  |
| Gain on sale of investment securities               | 854  |
| <b>Extraordinary losses</b>                         | <b>209</b>                                       |
| Loss on sale and retirement of non-current assets   | 75   |
| Loss on business restructuring                      | 130  |
| Loss on sale of investment securities               | 3  |
| <b>Income before income taxes</b>                   | <b>24,617</b>                                    |
| Income taxes - current                              | 6,150  |
| Income taxes - deferred                             | (357)  |
| <b>Net income</b>                                   | <b>18,824</b>                                    |

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

## Non-consolidated Statement of Changes in Net Assets

(Millions of yen)

| 100th term<br>April 1, 2021<br>to March 31, 2022                           | Shareholders' equity |                             |                             |                             |                               |   |                    |  |
|--|----------------------|-----------------------------|-----------------------------|-----------------------------|-------------------------------|---|--------------------|--|
|  | Share<br>capital     | Capital surplus             |                             |                             | Retained earnings             |   |                    |  |
|  |                      | Legal<br>capital<br>surplus | Other<br>capital<br>surplus | Total<br>capital<br>surplus | Legal<br>retained<br>earnings | Other retained earnings   |                    |  |
|  |                      |                             |                             |                             |                               | Reserve<br>for tax<br>purpose<br>reduction<br>entry of<br>non-current<br>assets | General<br>reserve | Retained<br>earnings<br>brought<br>forward |
| Balance at beginning of period   | 10,522               | 17,197                      | 0                           | 17,197                      | 2,519                         | 2,313   | 51,811             | 86,598                                     |
| Changes during period  |                      |                             |                             |                             |                               |   |                    |  |
| Provision of reserve for tax purpose reduction entry of non-current assets |                      |                             |                             |                             |                               | 28  |                    | (28)                                       |
| Reversal of reserve for tax purpose reduction entry of non-current assets  |                      |                             |                             |                             |                               | (144)   |                    | 144  |
| Dividends of surplus   |                      |                             |                             |                             |                               |   |                    | (8,421)                                    |
| Net income   |                      |                             |                             |                             |                               |   |                    | 18,824                                     |
| Purchase of treasury shares  |                      |                             |                             |                             |                               |   |                    |  |
| Disposal of treasury shares  |                      |                             |                             |                             |                               |   |                    |  |
| Net changes in items other than shareholders' equity                       |                      |                             |                             |                             |                               |   |                    |  |
| Total changes during period  | —                    | —                           | —                           | —                           | —                             | (115)   | —                  | 10,518                                     |
| Balance at end of period   | 10,522               | 17,197                      | 0                           | 17,197                      | 2,519                         | 2,198   | 51,811             | 97,117                                     |

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



(Millions of yen)

| 100th term<br>April 1, 2021<br>to March 31, 2022                           | 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   | 143,243                 | (13,709)        | 157,254                    | 10,650  | 10,650                                      | 167,905          |
| Changes during period  |                         |                 |                            |   |   |                  |
| Provision of reserve for tax purpose reduction entry of non-current assets | —                       |                 | —                          |   |   | —                |
| Reversal of reserve for tax purpose reduction entry of non-current assets  | —                       |                 | —                          |   |   | —                |
| Dividends of surplus   | (8,421)                 |                 | (8,421)                    |   |   | (8,421)          |
| Net income   | 18,824                  |                 | 18,824                     |   |   | 18,824           |
| Purchase of treasury shares  |                         | (10,003)        | (10,003)                   |   |   | (10,003)         |
| Disposal of treasury shares  |                         | 45              | 45                         |   |   | 45               |
| Net changes in items other than shareholders' equity                       |                         |                 |                            | (1,525)   | (1,525)                                     | (1,525)          |
| Total changes during period  | 10,403                  | (9,958)         | 444                        | (1,525)   | (1,525)                                     | (1,080)          |
| Balance at end of period   | 153,646                 | (23,667)        | 157,699                    | 9,125   | 9,125                                       | 166,825          |

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

## **Independent Auditor's Report**

May 16, 2022

To the Board of Directors  
Azbil Corporation

Deloitte Touche Tohmatsu LLC Tokyo Office  
Keiji Koide, CPA  
Designated Limited Liability Partner,  
Engagement Partner  
Seiji Oguchi, 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, 2021 to March 31, 2022.

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, 2022 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 to prepare and disclose the other described content. In addition, the Audit & Supervisory Board Members and the Audit & Supervisory Board are responsible for overseeing the execution of duties by 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 part of 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, Audit & Supervisory Board Members and the Audit & Supervisory Board for the Consolidated Financial Statements

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

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

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

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

Our responsibilities are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that expresses our opinion on the consolidated financial statements based on our audit from an independent point of view. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the decisions of users of these consolidated financial statements.

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

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

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

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

#### Interests in the Company

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

## **Independent Auditor's Report**

May 16, 2022

To the Board of Directors  
Azbil Corporation

Deloitte Touche Tohmatsu LLC Tokyo Office  
Keiji Koide, CPA  
Designated Limited Liability Partner,  
Engagement Partner  
Seiji Oguchi, CPA  
Designated Limited Liability Partner,  
Engagement Partner

### Audit Opinion

Pursuant to Article 436, Paragraph 2, Item 1 of the Companies Act, we have audited the financial statements, that is, the balance sheet, statement of income, statement of changes in net assets and notes to financial statements, significant accounting policies, and the related notes as well as the supplementary schedules (hereinafter, "financial statements, etc.") of the Company for the 100th fiscal year from April 1, 2021 to March 31, 2022.

In our opinion, the financial statements, etc. referred to above present fairly, in all material respects, the financial position and results of operations of the Company, applicable to the fiscal year ended March 31, 2022 in accordance with accounting principles generally accepted in Japan.

### Basis for Audit Opinion

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

### Other Described Content

The other described content comprises the business report and the supplementary schedules. The responsibility of the management to prepare and disclose the other described content. In addition, the Audit & Supervisory Board Members and the Audit & Supervisory Board are responsible for overseeing the execution of duties by the Directors in designing and operating the reporting process of the other described content.

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

As part of our responsibility for auditing the 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 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, Audit & Supervisory Board Members and the Audit & Supervisory Board for the Financial Statements, Etc.

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

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

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

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

Our responsibilities are to obtain reasonable assurance about whether the financial statements, etc. as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that expresses our opinion on the financial statements, etc. based on our audit from an independent point of view. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the decisions of users of these financial statements, etc.

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

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

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

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

#### Interests in the Company

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

## **Audit Report**

The Audit & Supervisory Board, following review and deliberations on the reports made by each Audit & Supervisory Board Member concerning the execution of duties by Directors for the 100th fiscal year from April 1, 2021 to March 31, 2022, prepared this Audit Report and hereby submit it as follows:

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

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

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

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

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



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

With respect to the matters of primary consideration in audits, the Audit & Supervisory Board Members 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, 2022.

## 2. Results of audit

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

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

### (2) Results of audit of consolidated financial statements

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

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

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

May 17, 2022

The Audit & Supervisory Board, Azbil Corporation

Hisaya Katsuta,  
Audit & Supervisory Board member

Tomohiko Matsuyasu,  
Audit & Supervisory Board member

Kinya Fujimoto,  
Outside Audit & Supervisory Board member

Minoru Sakuma,  
Outside Audit & Supervisory Board member

Fumitoshi Sato,  
Outside Audit & Supervisory Board member