



*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 5, 2023**

**Notice of the 101st Ordinary General Meeting of Shareholders**

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**Through the pursuit of “human-centered automation,” we aim to become a corporate group that contributes to the sustainable development of society.**



Kiyohiro Yamamoto  
President and Group CEO

*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, as well as increasing geopolitical risks, have created challenging conditions for the Group. However, we believe that automation will take on a greater role in the medium to long term. 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 5, 2023**

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

## **Notice of the 101st Ordinary General Meeting of Shareholders**

Dear Shareholders:

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

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

Yours faithfully,

Kiyohiro Yamamoto  
President and Group CEO

## Details

1. Date and Time: Tuesday, June 27 at 10 a.m., 2023 (Japan Time)
2. Place: The Hall, 4<sup>th</sup> Floor of the JP TOWER Hall & Conference,  
2-7-2 Marunouchi, Chiyoda-ku, Tokyo
3. Purpose:

### **Items to be Reported**

- Item 1: Business Reports, Consolidated Financial Statements, and Audit Reports covering Consolidated Financial Statements by the Accounting Auditor and the Audit Committee for the 101<sup>st</sup> term from April 1, 2022 to March 31, 2023
- Item 2: Non-Consolidated Financial Statements for the 101<sup>st</sup> term from April 1, 2022 to March 31, 2023

### **Items to be Resolved**

- Item 1: Appropriation of Surplus
- Item 2: Election of twelve (12) Directors

## Reference Materials for the General Meeting of Shareholders

### Item 1: Appropriation of Surplus

For the Company, returning profits to our shareholders is an important priority for management. As well as raising the level of dividends, we strive to maintain dividend stability, taking into consideration the consolidated financial results and such indicators as levels of dividend on equity (DOE), return on equity (ROE), and retained earnings required for actively investing in growth to ensure future business development, and for ensuring a healthy financial foundation.

Based on this policy, year-end dividends for the 101<sup>st</sup> term are proposed as follows.

(1) Type of dividend

Cash

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

¥33.5 per share of Company common stock

Total amount: ¥4,574,514,211

As the interim dividend of ¥32.5 per share was paid in December 2022, the total dividend for full year is ¥66 per share.

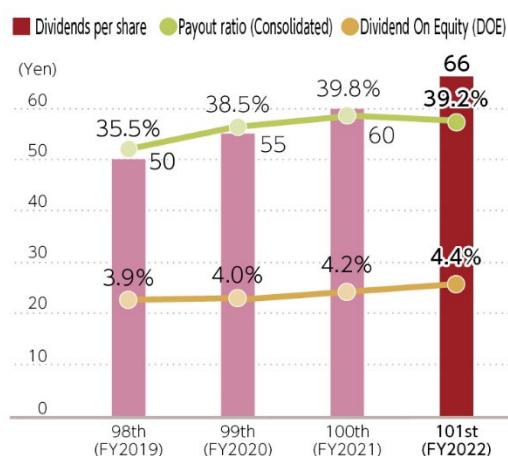
(3) Effective date of payments for dividends from surplus

June 28, 2023

(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.



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

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

The following individuals are candidates for Directors. Furthermore, candidates for Independent Outside Directors were judged to have sufficient independence with no potential conflict of interest occurring between them and the general shareholders in accordance with the “Criteria for independence of Outside Directors” prescribed by the Company on its own. In addition, since they meet the independent requirements established by the Tokyo Stock Exchange, the Company has already reported all eight (8) current 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, Committee Meetings, etc.	
1	Hirozumi Sone	Director and Chairperson Non-executive Director Chairperson of the Board Responsible for Board Effectiveness Enhancement	Board of Directors Meetings 12/12	Reappointment Non-outside
2	Kiyohiro Yamamoto	Director, Representative Corporate Executive President and Group Chief Executive Officer Nomination Committee Member Responsible for Internal Audit	Board of Directors Meetings 12/12  Nomination Committee Meetings 8/9	Reappointment Non-outside
3	Takayuki Yokota	Director, Representative Senior Managing Corporate Executive Remuneration Committee Member Responsible for Assistant to President, Corporate Administration, Management, Corporate Communication, azbil Group CSR, Sustainability, Life Automation Business	Board of Directors Meetings 12/12 Remuneration Committee Meetings 7/7	Reappointment Non-outside
4	Hisaya Katsuta	Non-executive Director Audit Committee Member	Board of Directors Meetings 12/12  Audit & Supervisory Board Meetings 4/4  Audit Committee Meetings 11/11	Reappointment Non-outside



5	Takeshi Itoh	Outside Director Nomination Committee Chairperson	Board of Directors Meetings 12/12  Nomination Committee Meetings 9/9	Reappointment Outside Independent officer
6	Waka Fujiso	Outside Director Remuneration Committee Member	Board of Directors Meetings 12/12  Remuneration Committee Meetings 7/7	Reappointment Outside Independent officer Female
7	Mitsuhiro Nagahama	Outside Director Remuneration Committee Chairperson	Board of Directors Meetings 12/12  Remuneration Committee Meetings 7/7	Reappointment Outside Independent officer
8	Anne Ka Tse Hung	Outside Director Nomination Committee Member	Board of Directors Meetings 12/12  Nomination Committee Meetings 9/9	Reappointment Outside Independent officer Female
9	Minoru Sakuma	Outside Director Audit Committee Member	Board of Directors Meetings 12/12  Audit & Supervisory Board Meetings 4/4  Audit Committee Meetings 11/11	Reappointment Outside Independent officer
10	Fumitoshi Sato	Outside Director Audit Committee Chairperson	Board of Directors Meetings 12/12  Audit & Supervisory Board Meetings 4/4  Audit Committee Meetings 11/11	Reappointment Outside Independent officer
11	Shigeaki Yoshikawa	Outside Director Nomination Committee Member	Board of Directors Meetings 10/10  Nomination Committee Meetings 9/9	Reappointment Outside Independent officer
12	Tomoyasu Miura	Outside Director Remuneration Committee Member	Board of Directors Meetings 10/10  Remuneration Committee Meetings 7/7	Reappointment Outside Independent officer

Notes: 1. At the conclusion of the 100th Ordinary General Meeting of Shareholders held on June 23, 2022, the Company transitioned from a company with an audit & supervisory board to a company with a three-committee board structure. Therefore, the state of

attendance to committees is provided from June 23, 2022 onward. Additionally, the state of attendance of Directors Hisaya Katsuta, Minoru Sakuma, and Fumitoshi Sato at Board of Directors meetings, etc. includes the number of times they attended as Audit & Supervisory Board Members prior to the transition.

2. Because Directors Shigeaki Yoshikawa and Tomoyasu Miura were elected at the 100th Ordinary General Meeting of Shareholders held on June 23, 2022, their attendance only applies to Board of Directors meetings held after their appointment.

No.	Name (Date of birth)	Biography	Number of shares of the Company held
1	 Hirozumi Sone (January 16, 1955)	April 1979    Joined the Company April 1996    Systems Marketing Manager of Systems Development Group, Industrial Systems Division October 1998    Transferred to Yamatake Industries Systems Co., Ltd. (Present: Advance Automation Company of the Company), General Manager of Marketing Department of Yamatake Industries Systems Co., Ltd. June 2000    Director, General Manager of Marketing Department of Yamatake Industries Systems Co., Ltd. April 2003    Vice Executive Officer of the Company, General Manager of Engineering Department, Advanced Automation Company April 2005    Executive Officer, General Manager of the Corporate Planning Department April 2008    Managing Executive Officer, General Manager of the Corporate Planning Department April 2009    Managing Executive Officer June 2010    Director and Managing Executive Officer April 2012    Representative Director, President and Chief Executive Officer April 2020    Representative Director, Executive Chairperson, President and Group Chief Executive Officer May 2020    Chairman, Japan Electric Measuring Instruments Manufacturers' Association June 2020    Representative Director Chairperson, Executive Chairperson of the Company June 2021    Outside Director of Yasuda Logistics Corporation (Present post) June 2022    Director and Chairperson of the Company (Present post) May 2023    Deputy Chairman, Japan Electric Measuring Instruments Manufacturers' Association (Present post)	37,100

Note: Hirozumi Sone is scheduled to be elected as an Outside Director of Mizuho Leasing Company, Limited at the company's ordinary general meeting of shareholders to be held on June 27, 2023. The Company has a transaction relationship with Mizuho Leasing Company, Limited, but 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 the Company and Mizuho Leasing Company, Limited.

■ Number of meetings of the Board of Directors attended

12 of 12

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

Position: Director and Chairperson


Section: Non-executive Director, Chairperson of the Board, Board Effectiveness Enhancement

■ Important concurrent positions outside the Company

Outside Director of Yasuda Logistics Corporation

■ Reasons for nomination as a candidate for Director

Hirozumi Sone has been involved in control and automation business for industrial market both domestically and abroad, successively serving as the head of marketing and engineering of the Advanced Automation business, the president of a subsidiary, and the General Manager of the Corporate Planning Department. He went on to become the President and Chief Executive Officer of Azbil Corporation from 2012 and provided direction for management as CEO. He has worked to expand business and enhance sustainable enterprise value, including rebuilding the business portfolio and entering into new business fields through implementation of the corporate philosophy of “human-centered automation.” Since he assumed the posts of Representative Director Chairperson and Chairperson of the Board in 2020 and continued as non-executive Director Chairperson and Chairperson of the Board following the Company’s transition to a company with a three-committee board structure, he has been working to strengthen corporate governance and improve the effectiveness of the Board of Directors. 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 appropriate and necessary 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 (Date of birth)	Biography	Number of shares of the Company held
2	 Kiyohiro Yamamoto (March 14, 1965)	April 1989    Joined the Company April 2007    General Manager of Environmental Marketing Department, Marketing Headquarters, Building Systems Company of the Company April 2011    Head of Marketing Headquarters, Building Systems Company April 2012    Senior Officer, Head of Marketing Headquarters, Building Systems Company April 2014    Senior Officer, General Manager of Corporate Planning Department April 2017    Executive Officer, General Manager of Corporate Planning Department and Head of Marketing Headquarters, Building Systems Company April 2018    Managing Executive Officer, Head of Marketing Headquarters, Building Systems Company April 2020    Executive Vice President June 2020    Representative Director, President and Group Chief Executive Officer June 2022    Director, President and Group Chief Executive Officer (Present Post)	13,639

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

Board of Directors Meetings: 12/12

Nomination Committee Meetings: 8/9

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

Position: Director, Representative Corporate Executive, President & Group Chief Executive Officer

Section: Nomination Committee Member, Internal Audit


■ Important concurrent positions outside the Company

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 this business overseas. He has worked to create new solutions, establish energy management businesses, and contribute to the management, of joint ventures. Moreover, having served as General Manager of the Corporate Planning Department and as the person in charge of marketing for the overall Group, since 2020 he has served as Representative Director President and led management as the CEO, formulating new long-term targets and a medium-term plan. Furthermore, as Representative Corporate Executive, President & Group

CEO following the Company's transition to a company with a three-committee board structure, he has been working to ensure the Company's medium- to long-term development under a philosophy of "human-centered automation," and 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 appropriate and necessary 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 (Date of birth)	Biography	Number of shares of the Company held
3	 Takayuki Yokota (November 1, 1960)	April 1983    Joined The Fuji Bank, Limited (Present: Mizuho Bank, Ltd.) November 2005    Chief IR Officer at Investor Relations, Mizuho Financial Group, Inc. April 2010    Executive Officer and Head of the Investment Banking Business Management Department, Mizuho Corporate Bank, Limited (Present: Mizuho Bank, Ltd.) June 2012    Audit & Supervisory Board Member of Mizuho Research Institute Ltd. April 2013    Joined the Company (Senior Officer) April 2014    Executive Officer, Head of Group Management Headquarters April 2016    Managing Executive Officer, Head of Group Management Headquarters April 2017    Managing Executive Officer, Head of Group Management Headquarters and Head of International Business Headquarters April 2018    Managing Executive Officer June 2018    Director and Managing Executive Officer April 2020    Director and Senior Managing Executive Officer June 2022    Director and Representative Senior Managing Corporate Executive (Present post)	14,900

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

Board of Directors Meetings: 12/12

Remuneration Committee Meetings: 7/7

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

Position: Director, Representative Senior Managing Corporate Executive

Section: Remuneration Committee Member, Assistant to President, Corporate Administration, Management, Corporate Communication, azbil Group CSR, Sustainability, Life Automation Business

■ Important concurrent positions outside the Company


None

■ Reasons for nomination as a candidate for Director

Takayuki Yokota has been successively serving as the head of Group Management Headquarters and the head of International Business Headquarters of Azbil Corporation. He assumed the post of Director in 2018 and has been responsible for overall corporate administrative functions, and he has worked on risk management, corporate governance, CSR initiatives, active returns to shareholders as well as appropriate compliance in accounting.

Moreover, he is making use of his experience of global business and IR activities, gained at a financial institution, to improve the structure of overseas subsidiaries as well as develop a global foundation for overseas business growth. Also, as the chief officer in charge of Corporate Communications, he is actively promoting measures such as constructive communication with stakeholders. Moreover, as Representative Senior Managing Corporate Executive following the Company's transition to a company with a three-committee board structure, he has been promoting business as a person responsible for overall corporate administrative functions, and since April 2023, the Life Automation Business. Since he possesses broad knowledge concerning business management overall and outstanding leadership, the Company has judged him to be appropriate and necessary 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 (Date of birth)	Biography	Number of shares of the Company held
4	 Hisaya Katsuta (February 27, 1958)	April 1983    Joined the Company April 2005    General Manager of Production Planning Department February 2010    General Manager of Internal Audit Department April 2011    Senior Officer, General Manager of Internal Audit Department April 2012    Senior Officer, Manager of Production Management Department, Production Management Headquarters April 2014    Senior Officer, Manager of Purchasing Department, Production Management Headquarters June 2015    Audit & Supervisory Board Member June 2022    Director (Present post)	11,700

- Number of meetings of the Board of Directors/ Audit & Supervisory Board/ the Committee attended (including attendance as an Audit & Supervisory Board Member)

Board of Directors Meetings: 12/12

Audit & Supervisory Board Meetings: 4/4

Audit Committee Meetings: 11/11

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

Position: Director


Section: Non-executive Director, Audit Committee Member

- Important concurrent positions outside the Company

None

- Reasons for nomination as a candidate for Director

Hisaya Katsuta's experience includes serving as General Manager of Production Planning Department and General Manager of Internal Audit Department of the Company. In 2015, he was appointed as an Audit & Supervisory Board Member, and has utilized his experience on production sites and in the internal audit division to implement audits from a company-wide perspective. In addition, since 2022 he has contributed to the improvement of the Company's corporate governance and internal control as Director (full-time Audit Committee Member). Moreover, he also has knowledge regarding finance and accounting as well as risk and compliance, and knowledge of on-site production function improvements, IT systems and marketing, among others. Therefore, the Company has judged him to be appropriate and necessary for the enhancement of sustainable enterprise value, has proposed that he continue serving as Director and has put him forward as a candidate.

No.	Name (Date of birth)	Biography	Number of shares of the Company held
5	 Takeshi Itoh (August 19, 1943)	September 1969 Entered Burnham & Company October 1983 Director of The First Boston Corporation (Present: Credit Suisse Group AG) October 1993 Managing Director and Vice Manager of Tokyo Branch, Smith Barney (Present: Citi Group Global Markets Japan Inc.) October 1998 President of UBS Asset Management Inc. (Present: UBS Asset Management (Japan) Ltd.) December 2010 Supreme adviser of Japan Wealth Management Securities, Inc. (Present: Aozora Securities Co., Ltd.) February 2012 Vice Chairperson and Chief Operating Officer of Aozora Securities Co., Ltd. June 2013 Senior Advisor of Aozora Securities Co., Ltd. June 2014 Outside Director of the Company (Present post) June 2018 Retired from Senior Advisor of Aozora Securities Co., Ltd.	11,100

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

Board of Directors Meetings: 12/12

Nomination Committee Meetings: 9/9

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

Position: Outside Director

Section: Nomination Committee Chairperson

■ 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 financing and M&A advice, he has a record of superior performance in advanced corporate analysis, etc. In addition, by utilizing aforementioned experience, 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. 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. Moreover, as the Nomination Committee chairperson, he leads discussions in the Nomination Committee and works to strengthen the Company's corporate governance. Therefore, the Company has judged him to be appropriate and necessary 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 nine (9) 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" 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 24 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 (Date of birth)	Biography	Number of shares of the Company held
6	 Waka Fujiso (January 6, 1949)	April 1980 Public prosecutor of Tokyo District Public Prosecutor's Office April 2001 Public prosecutor of Tokyo High Public Prosecutor's Office December 2007 Public prosecutor of Supreme Public Prosecutors Office March 2008 Retired from Public prosecutor of Supreme Public Prosecutors Office April 2008 Member of Information Disclosure and Personal Information Protection Review Board, Cabinet Office November 2008 Retired from a member of Information Disclosure and Personal Information Protection Review Board, Cabinet Office April 2009 Professor of Rikkyo University's Law School September 2011 Member of the Medical Ethics Council of Ministry of Health, Labor and Welfare March 2014 Retired from Professor of Rikkyo University's Law School June 2015 Substitute Audit & Supervisory Board Member of the Company June 2018 Outside Director (Present post) October 2019 Retired from a member of the Medical Ethics Council of Ministry of Health, Labor and Welfare	1,800

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

Board of Directors Meetings: 12/12

Remuneration Committee Meetings: 7/7

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

Position: Outside Director

Section: Remuneration Committee Member

■ Important concurrent positions outside the Company

None

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

Waka Fujiso 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 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. Moreover, as a Remuneration Committee member, she works to strengthen the Company's corporate governance through discussions in the Remuneration Committee. Therefore, the Company has judged her to be appropriate and necessary 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 five (5) years from the conclusion of this Ordinary General Meeting of Shareholders.

- Independence of the candidate for Outside Director of the Company

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

- Limited liability contract with Outside Director

In order for Outside Directors to effectively perform in their expected roles, Article 24 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 (Date of birth)	Biography	Number of shares of the Company held
7	 Mitsuhiro Nagahama (October 24, 1953)	<p>April 1976      Joined The Fuji Bank Limited. (Present: Mizuho Bank, Ltd.)</p> <p>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.)</p> <p>April 2005      Senior Executive Officer in charge of Corporate Banking, Mizuho Corporate Bank, Ltd.</p> <p>March 2006      Senior Executive Officer and Head of the Americas, Mizuho Corporate Bank, Ltd.</p> <p>April 2010      Deputy President and Deputy President-Executive Officer and Head of the Americas, Mizuho Corporate Bank, Ltd.</p> <p>March 2013      Retired from Mizuho Corporate Bank, Ltd.</p> <p>April 2013      Chairman of the Board of Mizuho Securities Co., Ltd. &amp; Mizuho Securities USA Inc.</p> <p>April 2015      Advisor of Mizuho Securities Co., Ltd.</p> <p>June 2015      Outside Audit &amp; Supervisory Board Member of the Company</p> <p>March 2018      Outside Audit &amp; Supervisory Board Member of KURARAY Co., Ltd. (Present post)</p> <p>March 2019      Outside Director of Tokyo Tatemono Co., Ltd.</p> <p>June 2019      Outside Director (Present post)</p> <p>June 2019      Representative Director of Japan Economic Research Institute (Present post)</p> <p>March 2020      Retired from Advisor of Mizuho Securities Co., Ltd.</p> <p>June 2020      Outside Director of NSK Ltd. (Present post)</p> <p>March 2021      Retired from Outside Director of Tokyo Tatemono Co., Ltd.</p>	—

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

Board of Directors Meetings: 12/12

Remuneration Committee Meetings: 7/7

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

Position: Outside Director

Section: Remuneration Committee Chairperson

■ Important concurrent positions outside the Company

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

Outside Director of NSK Ltd.

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. 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. Moreover, as the Remuneration Committee chairperson, he leads discussions in the Remuneration Committee and works to strengthen the Company's corporate governance. Therefore, the Company has judged him to be appropriate and necessary 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 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 Mitsuhiro Nagahama except the remuneration he receives as Outside Director of the Company, and there are no vested interests between him and the Company's management.

While Mitsuhiro Nagahama comes from Mizuho Bank, Ltd., he retired from said bank ten (10) years ago. Although said bank possesses 1,750 thousand shares of the Company, its percentage of total shares issued is 1.28%, 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 8,109 million yen, which is 2.7% of the Company's consolidated total assets of 296,873 million yen but the azbil group does not effectively have loans payable (net balance of loans not exceeding current liquidity deposited to such lender.) Thus said bank is not a major lender as per the "Criteria for independence of Outside Directors" established by the Company. In addition, while Mitsuhiro Nagahama did serve as a Director at Mizuho


Securities Co., Ltd., he retired in March 2015. (He retired as an Advisor of Mizuho Securities Co., Ltd. in March 2020.) While the Company has transaction relationships with Mizuho Securities Co., Ltd., in both the most recent fiscal year and the preceding three (3) fiscal years, the amount of the transactions makes up less than 0.3% of the consolidated net sales of both the Company and said company, which does not make said company a major business partner as per the “Criteria for independence of Outside Directors” 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 (3) fiscal years, the amount of the transactions makes up less than 0.1% of the consolidated net sales of both the Company and the companies at which he concurrently serves, which does not make these companies major business partners as per the “Criteria for independence of Outside Directors” established by the Company.

Based on the above, the Company judges there to be no possibility of the occurrence of conflict of interest with general shareholders and that he has sufficient independence and 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 24 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 (Date of birth)	Biography	Number of shares of the Company held
8	 Anne Ka Tse Hung (January 12, 1964)	July 1987      Joined Baker McKenzie July 1991      Moved to Baker McKenzie Tokyo July 1999      Partner of the firm July 2018      Senior Counsel of the firm March 2019    Retired from Senior Counsel of the firm June 2020      Outside Director of the Company (Present post)	–

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

Board of Directors Meetings: 12/12

Nomination Committee Meetings: 9/9

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

Position: Outside Director

Section: Nomination Committee member

■ Important concurrent positions outside the Company

Lawyer (Australia, United Kingdom, Hong Kong)

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

Anne Ka Tse Hung 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 business experience with many 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 business promotion system and 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. Moreover, as a Nomination Committee member, she works to strengthen the Company's corporate governance through discussions in the Nomination Committee. Therefore, the Company has judged her to be appropriate and necessary 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 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 Anne Ka Tse Hung except the remuneration she receives as Outside Director of the Company, and there are no vested interests between her and the management of the Company, and the Company judges there to be no possibility of the occurrence of conflict of interest with general shareholders and that she has sufficient independence, in accordance with the “Criteria for independence of Outside Directors” prescribed by the Company on its own. The Company has reported her as an Independent Director to the Tokyo Stock Exchange.

- Limited liability contract with Outside Director

In order for Outside Directors to effectively perform in their expected roles, Article 24 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 (Date of birth)	Biography	Number of shares of the Company held
9	 Minoru Sakuma (March 19, 1949)	April 1971    Joined Export-Import Bank of Japan (Present: Japan Bank for International Cooperation) May 1998    Director General of Information Systems Department, Export-Import Bank of Japan October 1999    Director General of Research Institute for Development and Finance, Japan Bank for International Cooperation May 2000    Retired from Japan Bank for International Cooperation May 2000    Managing Director of Cabiunas Investment Corporation June 2009    Retired from Cabiunas Investment Corporation June 2009    Audit & Supervisory Board Member (Outside Audit & Supervisory Board Member) of JGC Corporation (Present: JGC HOLDINGS CORPORATION) June 2016    Retired from JGC Corporation June 2019    Outside Audit & Supervisory Board Member of the Company June 2022    Outside Director (Present post)	1,000

- Number of meetings of the Board of Directors/ Audit & Supervisory Board/ the Committee attended (including attendance as an Outside Audit & Supervisory Board Member)

Board of Directors Meetings: 12/12

Audit & Supervisory Board Meetings: 4/4

Audit Committee Meetings: 11/11

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

Position: Outside Director

Section: Audit Committee 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 an engineering company with worldwide operations. In 2019, he assumed the post of Outside Audit & Supervisory Board Member, and audited Azbil Corporation's business in general, and since 2022 he has contributed to the improvement of the

Company's corporate governance and internal control as Director (Audit Committee Member). In the Company's meetings of the Board of Directors, he offers opinions regarding the appropriateness of the Company's business strategies, and from the perspective of enhancing the Group's overall corporate governance. In addition, 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. Moreover, as an Audit Committee member, he works to strengthen the Company's corporate governance through audit activities and discussions in the Audit Committee. Therefore, the Company has judged him to be appropriate and necessary 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 Minoru Sakuma as Outside Director shall be one (1) year from the conclusion of this Ordinary General Meeting of Shareholders.

■ Independence of the candidate for Outside Director of the Company


The Company does not conduct monetary or other transactions with Minoru Sakuma except the remuneration he receives as Outside Director of the Company, and there are no vested interests between him and the Company's management.

While he did serve as 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" 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 contracts with Outside Directors of the Company

In order for Outside Directors to effectively perform in their expected roles, Article 24 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, Minoru Sakuma, 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 (Date of birth)	Biography	Number of shares of the Company held
10	 Fumitoshi Sato (February 16, 1954)	April 1976    Joined Bank of Japan April 1998    General Manager of Aomori Branch, Bank of Japan May 2001     General Manager of Fukuoka Branch, Bank of Japan April 2004    Retired from the Bank April 2004    Senior Corporate Officer of HORIBA, Ltd. June 2005     Managing Director of HORIBA, Ltd., General Manager of General Administration Division March 2017   Retired from Managing Director of HORIBA, Ltd. March 2017   Adviser of HORIBA, Ltd. May 2018     Retired from HORIBA, Ltd. May 2018     Auditor of Tokyo Scientific Instrument Association June 2019     Outside Board Director of TOMY Company, Ltd. (Present post) June 2019     Outside Audit & Supervisory Board Member of the Company May 2020     Retired from Auditor of Tokyo Scientific Instrument Association June 2022     Outside Director (Present post)	4,000

- Number of meetings of the Board of Directors/ Audit & Supervisory Board/ the Committee attended (including attendance as an Outside Audit & Supervisory Board Member)

Board of Directors Meetings: 12/12

Audit & Supervisory Board Meetings: 4/4

Audit Committee Meetings: 11/11

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

Position: Outside Director

Section: Audit Committee Chairperson

- Important concurrent positions outside the Company

Outside 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, and since 2022 he has contributed to the improvement of the Company's corporate governance and internal control as Director (Audit Committee Member). In the Company's meetings of the Board of Directors, he offers opinions regarding the appropriateness of the Company's business and financial strategies, and from the perspective of the risk management and corporate governance enhancement. In addition, he has knowledge of finance, accounting, and legal affairs, as well as knowledge of corporate management, and he is expected to contribute to increasing the level of the Company's management. Moreover, as the Audit Committee chairperson, he leads audit activities and discussions in the Audit Committee and works to strengthen the Company's corporate governance. Therefore, the Company has judged him to be appropriate and necessary 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 Fumitoshi Sato as Outside Director shall be one (1) year from the conclusion of this Ordinary General Meeting of Shareholders.

■ Independence of the candidate for Outside Directors of the Company


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

While he did serve as a Director at HORIBA, Ltd. he retired in March 2017. (He retired as an 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" established by the Company. Also, there are no special relationship between the Company and TOMY Company, Ltd. at which he concurrently serves.

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

■ Limited liability contracts with Outside Director of the Company

In order for Outside Directors to effectively perform in their expected roles, Article 24 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, Fumitoshi Sato, 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 (Date of birth)	Biography	Number of shares of the Company held
11	 Shigeaki Yoshikawa (June 23, 1953)	April 1977 Joined Mitsubishi Corporation June 2004 General Manager of Singapore Branch July 2006 General Manager of Regional Strategy & Coordination Dept. April 2008 Senior Vice President, General Manager of Global Strategy & Coordination Dept. April 2010 Senior Vice President, Chief Regional Officer for the Middle East April 2013 Executive Vice President, Regional CEO for the Middle East & Central Asia April 2016 Corporate Advisor August 2016 Retired from Mitsubishi Corporation September 2016 Corporate Advisor of Mitsubishi Research Institute, Inc. October 2016 Executive Vice President December 2016 Representative Member of the Board, Executive Vice President & COO December 2020 Senior Corporate Advisor (Present post) 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*) June 2021 Vice Chairman & Executive Director of The Japan Singapore Association (Present post) June 2022 Outside Director of the Company (Present post)	—

\* He retired as Advisor to the Chancellor of Showa Women's University, Tokyo on March 31, 2023.

Note: Shigeaki Yoshikawa is scheduled to be elected as an Outside Director of Mochida Pharmaceutical Co., Ltd. at the company's ordinary general meeting of shareholders to be held on June 29, 2023. There is no business relationship between Mochida Pharmaceutical and the Company.

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

Board of Directors Meetings: 10/10

Nomination Committee Meetings: 9/9

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

Position: Outside Director

Section: Nomination Committee member

■ Important concurrent positions outside the Company

Senior Corporate Advisor of Mitsubishi Research Institute, Inc., Vice Chairman & Executive Director of The Japan Singapore Association

■ 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. He assumed the post of Outside Director of the Company in 2022, and has proactively offered his opinions regarding the Company's international business strategies, approach to business strategies for growth and human resource development based on his extensive experience and insight into overseas business, as well as his knowledge of marketing and sales. In these ways, he fulfills such appropriate roles as supervising and giving advice on business execution, and is expected to continue contributing to increasing the level of the Company's management going forward. Moreover, as a Nomination Committee member, he works to strengthen the Company's corporate governance through discussions in the Nomination Committee. Therefore, the Company has judged him to be appropriate and necessary 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 Shigeaki Yoshikawa as Outside Director shall be one (1) year from the conclusion of this Ordinary General Meeting of Shareholders.

■ Independence of the candidate for Outside Director of the Company

The Company does not conduct monetary or other transactions with Shigeaki Yoshikawa, 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" established by the Company. Also, there are no special relationship between the Company and Mitsubishi Research Institute, Inc., the Japan Singapore Association at which he concurrently serves.

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



■ Limited liability contract with Outside Director

In order for Outside Directors to effectively perform in their expected roles, Article 24 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, Shigeaki Yoshikawa, 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 (Date of birth)	Biography	Number of shares of the Company held
12	 Tomoyasu Miura (June 30,1961)	April 1986    Joined Nomura Research Institute, Ltd. April 2001    Manager of Financial Consulting Service Department II of Nomura Research Institute, Ltd. April 2008    Manager of Financial Strategic Consulting Service Department of Nomura Research Institute, Ltd. April 2009    Senior Managing Director, Deputy Manager of Management Consulting Service Division of Nomura Research Institute, Ltd. April 2010    Senior Managing Director, Deputy Manager of System Consulting Service Division of Nomura Research Institute, Ltd. April 2011    Senior Managing Director, Manager of Center for Corporate Planning Division of Nomura Research Institute, Ltd. April 2013    Senior Managing Director, Deputy Manager of Financial System Solution Service Division of Nomura Research Institute, Ltd. April 2017    Counselor of Nomura Research Institute, Ltd. Deputy Dean of Nomura School of Advanced Management June 2018    Executive Director & Dean of Nomura School of Advanced Management August 2019   Auditor of Research Institute of Science for Education (Present post) May 2022    Retired from Executive Director & Dean of Nomura School of Advanced Management June 2022    Retired from Counselor of Nomura Research Institute, Ltd. June 2022    Outside Director of the Company (Present post)	—

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

Board of Directors Meetings: 10/10

Remuneration Committee Meetings: 7/7

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

Position: Outside Director

Section: Remuneration Committee member

■ Important concurrent positions outside the Company

Auditor of Research Institute of Science for Education

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

Tomoyasu Miura 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 knowledge and experience of a wide range of fields, such as IT, technology innovation, and new business creation, as well as abundant experience in development of management human resources at a public interest incorporated foundation. He assumed the post of Outside Director of the Company in 2022, and has proactively offered his opinions from the perspectives of business strategies for the Company's growth, IT and technology based on his abundant knowledge of the IT and technology domains, his experience of new business creation, and his experience of human resource development. In these ways, he fulfills such appropriate roles as supervising and giving advice on business execution, and is expected to continue contributing to increasing the level of the Company's management going forward. Moreover, as a Remuneration Committee member, he works to strengthen the Company's corporate governance through discussions in the Remuneration Committee. Therefore, the Company has judged him to be appropriate and necessary 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 Tomoyasu Miura as Outside Director shall be one (1) year from the conclusion of this Ordinary General Meeting of Shareholders.

■ Independence of the candidate for Outside Director of the Company

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

While he did serve as Counselor of Nomura Research Institute, Ltd. (NRI) and Executive Director & Dean of Nomura School of Advanced Management (NSAM), a public interest incorporated foundation, he retired in May 2022 and June 2022 respectively. The Company currently has transaction relationships with NRI and NSAM related to consulting and training services. However, in both the most recent fiscal year and the preceding three (3) fiscal years, the amount of transactions with NRI makes up less than 0.1% of the consolidated net sales of both the Company and NRI. As regards the Company's relationship with NSAM, the amount of transactions (training fees paid to NSAM) as a percentage of NSAM's net sales is less than 1.4%; in monetary terms, this is less than 8 million yen per fiscal year. Note that the Company has no sales to NSAM. Thus, neither NRI nor NSAM is a major business partner as per "the Criteria for Independence of Outside Directors" established by the Company. Also, there are no special relationship between the Company and Research Institute of Science for Education at which he concurrently serves.

Based on the above, the Company judges there to be no possibility of the occurrence of conflict of interest with general shareholders and that he has sufficient independence and has reported

him as an Independent Director to the Tokyo Stock Exchange.

■ Limited liability contract with Outside Director

In order for Outside Directors to effectively perform in their expected roles, Article 24 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, Tomoyasu Miura, 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.

(Reference) Skills expected of Directors (Skills matrix)

At a Board of Directors meeting held on May 14, 2021, we established the skills expected of the Directors 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(Skills matrix)

Name (Age as of June 27,2023)	Positions etc. as of June 27,2023	Independence	Diversity	Expected skills						
		Independent officer	Gender	Corporate management/ sustainability <sup>*Note</sup>	Global business	Financial Affairs, accounting, finance	IT, technology/ control and auto- mation business	Sales, marketing	Manufacturing, research and development	Legal, risk management, compliance
Hirozumi Sone (68)	Director and Chairperson, Chairperson of the Board		M	○			○	○		○
Kiyohiro Yamamoto (58)	Director, Representative Corporate Executive, president & Group CEO, Nomination Committee Member		M	○	○		○	○	○	
Takayuki Yokota (62)	Director, Representative Corporate Executive Deputy President, Remuneration Committee Member		M	○	○	○				○
Hisaya Katsuta (65)	Director, Audit Committee Member		M			○			○	○
Takeshi Itoh (79)	Outside Director, Nomination Committee Chairperson	○	M		○	○				
Waka Fujiso (74)	Outside Director, Remuneration Committee Member	○	F	○						○
Mitsuhiro Nagahama (69)	Outside Director, Remuneration Committee Chairperson	○	M	○	○	○				
Anne Ka Tse Hung (59)	Outside Director, Nomination Committee Member	○	F		○					○
Minoru Sakuma (74)	Outside Director, Audit Committee Member	○	M		○	○				
Fumitoshi Sato (69)	Outside Director, Audit Committee Chairperson	○	M	○		○				○
Shigeaki Yoshikawa (70)	Outside Director, Nomination Committee Member	○	M	○	○			○		
Tomoyasu Miura (61)	Outside Director, Remuneration Committee 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	Positions etc. as of June 27,2023
Hirozumi Sone				Chairperson of the Board Non-executive Director
Kiyohiro Yamamoto	○			Representative Corporate Executive and President & Group CEO
Takayuki Yokota			○	Representative Corporate Executive Deputy President
Hisaya Katsuta		○		Non-executive Director
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, 2023		
	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	9	1,094	0.5
Shares other than unlisted shares	27	15,938	7.8	20	15,301	7.4
Total	35	16,129	7.9	29	16,395	8.0



(Reference)

### Criteria for independence of Outside Directors

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

1. A person who serves as an executive<sup>\*1</sup> of the Company or its consolidated subsidiary, or who served for ten (10) years prior to being appointed;  
\*1: "executive" refers to an executive director, a corporate executive, an executive officer or a head of a department and other general employees.
2. A person who served as an executive of the Company or its consolidated subsidiary for ten (10) years prior to being appointed as a non-executive director or an audit & supervisory board member of the Company or a subsidiary of the Company;
3. A person who has served as a non-executive director of the Company or its consolidated subsidiary for more than twelve (12) years in principle;
4. A person who has served as an Audit & Supervisory Board Member of the Company or its consolidated subsidiary for more than twelve (12) years; three (3) terms in principle;
5. A person who serves as an executive of a major business partner of the azbil Group (a business partner that makes a payment in the amount exceeding 2% of its annual consolidated sales for the latest fiscal year or any of the preceding three (3) fiscal years or receives such a payment), or who has served in the last three (3) years;
6. A person who serves as an executive or an audit & supervisory board member of a major lender<sup>\*2</sup> of the azbil Group or its parent company or its significant subsidiary, or who served in the last three (3) years;  
\*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;
13. A person who serves as an executive of an organization such as a public interest incorporated foundation, a public interest incorporated association, or a non-profit organization that has received a donation or subsidy from the azbil Group in the annual average of 10 million yen or more over the past three (3) fiscal years; and

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.

- 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 start date of measures for electronic provision.
  3. The Company has entered into a directors and officers liability insurance policy with an insurance company. The policy is outlined on page 64 of this convocation notice. All candidates are already insureds under the policy and will continue to be insureds if their reelections are approved. Moreover, the Company plans to renew the policy with the same content during their term of office.

# **Business Report**

(From April 1, 2022 to March 31, 2023)

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

### (1) Principal Business (As of March 31, 2023)

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.

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**Segment**

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BA: Building Automation Business

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**Major Products**

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- Room temperature / humidity sensor
  - Ceiling-mounted Sensor
  - Room temperature and humidity controller
  - Infrared array sensor
  - Wireless sensor
  - Digital user terminal
  - Multi-area user terminal
  - Integrated user device
  - BA systems
  - Access control system
  - Contactless smartcard reader
  - Controller for air conditioning equipment
  - Heating/cooling plant controller
  - Damper actuator
  - Motorized control valve with flow measurement and control functions, etc.
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**Segment**

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AA: Advanced Automation Business

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**Major Products**

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- Automatic control valve
  - Smart valve positioner
  - Process controller
  - Multi-loop controller with multifunction display
  - Digital mass flow controller
  - Network instrumentation modules
  - Advanced transmitter
  - Electromagnetic flow meter
  - Vortex flow meter
  - Monitoring and control system
  - Adjustable proximity sensor
  - Photoelectric switch with built-in amplifier
  - Advanced ultraviolet flame detector
  - Limit switch
  - Micro flow rate liquid flow meter,
  - Advanced critical trend monitoring for safety
  - Online anomaly monitoring system, etc.
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**Segment**

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LA: Life Automation Business

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**Major Products**

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- Barrier systems
  - Lyophilizer
  - Cloud Service
  - Intelligent city gas meter
  - Ultrasonic gas meter
  - Smart diaphragm meter
  - High-function (popular type) diaphragm microcomputer meter
  - High-pressure regulator
  - Battery-operated electromagnetic water meter
  - Electronic counter type water meter
  - Central air conditioning system
  - Central air purifying and ventilation system, etc.
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**Segment**

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Others

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**Major Products**

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- Insurance agent business, etc.
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## (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, strong demand driven by urban redevelopment plans has continued while growing interest in solutions for improved ventilation, energy saving, and lower CO2 emissions has meant that retrofit demand steadily increased. As for measurement and control equipment/systems for production facilities, from the third quarter (October–December 2022) conditions deteriorated in some markets, such as semiconductor manufacturing equipment, but thanks to a gradual recovery from the slump in capital investment caused by the COVID-19 pandemic, and the growing demand for the adoption of DX at factories, etc., capital investment demand has continued at a high level throughout the fiscal year.

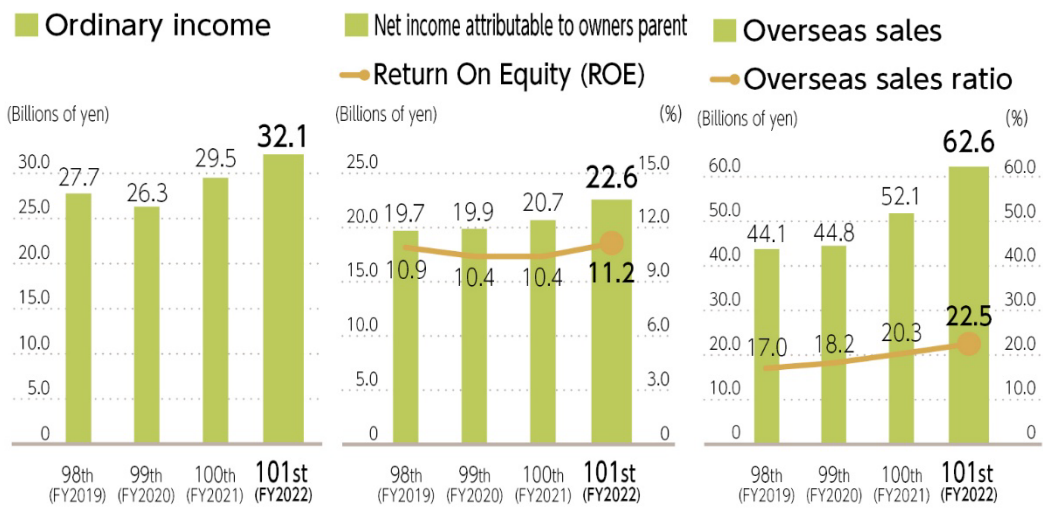
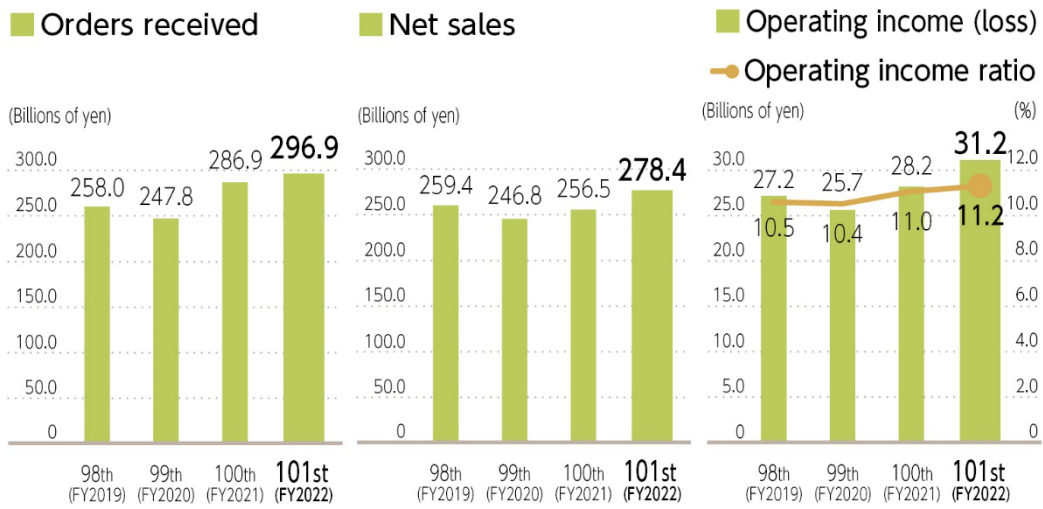
As a result, financial results for the current consolidated fiscal year were as follows.

Orders received increased for the Building Automation (BA) business, driven mainly by urban redevelopment projects in the Tokyo metropolitan area and a recovery in demand overseas. The Advanced Automation (AA) business experienced a slowdown in some manufacturing equipment markets, but, in the manufacturing industry as a whole, demand continued, and orders increased. The Life Automation (LA) business also saw growth, primarily due to increased orders in the gas/water meter fields. Consequently, overall orders received were 296,930 million yen, up 3.5% on the 286,950 million yen recorded in the previous consolidated fiscal year. Sales growth was achieved in all three businesses—the BA and LA businesses, which had both received increased orders in the previous fiscal year, and the AA business, which saw recovery and growth in sales from the second quarter (July–September 2022) thanks to the handling of parts procurement difficulties and strengthening of production capacity. Thus, overall net sales were 278,406 million yen, an increase of 8.5% from the 256,551 million yen recorded in the previous consolidated fiscal year.

As regards profits, despite the recording of R&D expenses related to measures stipulated by the medium-term plan, as well as higher costs resulting from difficulties in parts procurement and increased expenses, thanks to increased revenue and an improvement in profitability, operating income was 31,251 million yen, up 10.7% on the 28,231 million yen recorded in the previous consolidated fiscal year. Ordinary income was 32,140 million yen, up 8.9% on the 29,519 million yen in the previous consolidated fiscal year. As for net income attributable to owners of parent, this was 22,602 million yen, up 8.8% on the 20,784 million yen in the previous consolidated fiscal year. This was due to the recording of gain on sale of investment securities despite the recording of an extraordinary loss as provision for product warranties\*<sup>1</sup>.

\*1: Provision for product warranties:

To meet anticipated expenses resulting from defects in some of the LP gas meters (in the LA business) manufactured by the azbil Group, provision for product warranties of 2,495 million yen was recorded as an extraordinary loss.



The results for the individual reportable segments are as follows.

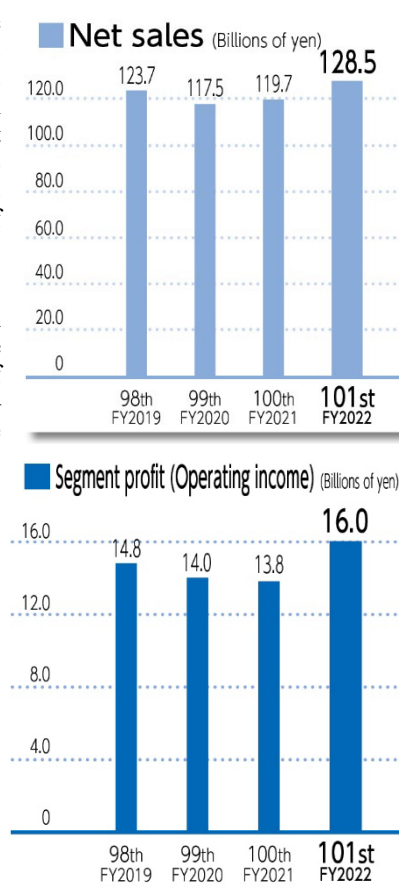
### Building Automation (BA) Business

Regarding the BA business environment, in the domestic market demand has continued for urban redevelopment projects in the Tokyo metropolitan area and HVAC equipment/systems for factories. With the continuing demand for energy savings and CO2 reduction, there is growing interest in new solutions that create building environments offering post-COVID-19 pandemic safety and suited to new work styles. As regards overseas markets, we have observed a steady recovery from the impact of the postponed construction projects and construction delays, etc. caused by the COVID-19 pandemic.

In this business environment, we have not only engaged in securing orders with a view to enhanced profitability, but have also striven to ensure enhanced capabilities and efficiencies of job execution—particularly on construction and service sites—that meet the requirements of Japan’s work-style reforms, 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 and cloud computing. Consequently, the financial results of the BA business for the current consolidated fiscal year were as follows.

As regards orders received, while orders in the previous consolidated fiscal year benefitted from the renewal of multi-year service contracts, thanks to a robust market environment, orders this year increased in the field related to sales and installation of equipment/systems for new large-scale buildings and in the overseas business. Orders grew in the field related to the refurbishment of existing buildings as well, reflecting increased demand for solutions offering ventilation improvement, energy savings, and CO2 reduction. Accordingly, overall orders received were 135,311 million yen, up 2.1% on the previous consolidated fiscal year, when a figure of 132,511 million yen was recorded. As regards sales, results benefitted primarily from revenue growth in the field related to new large-scale buildings, reflecting the buildup in the order backlog at the end of the previous consolidated fiscal year, and also growth in the overseas business; revenue also increased in the fields related to existing buildings and service. This resulted in sales of 128,561 million yen, up 7.3% on the 119,764 million yen recorded in the previous consolidated fiscal year. Owing to increased revenue and the success of measures for improving profitability, and despite higher R&D and other expenses, segment profit was up 16.0% at 16,074 million yen compared with the 13,862 million yen recorded in the previous consolidated fiscal year.

As for the medium- to long-term outlook, large-scale redevelopment projects and several retrofit projects for large-scale buildings are being planned. Taking advantage of its track record, the BA business aims to tap into these demands. Moreover, there have been growing requirements for energy savings and CO2 reduction as part of decarbonization, as well as rising office demand brought about by the COVID-19 pandemic for the enhanced safety and peace of mind offered by improved ventilation and access control, plus convenience and comfort, and adaptability to new work styles. 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 DX and engage in business process reforms and other initiatives to further ensure that a high-profit structure is established.



\*Each figure above includes intersegment internal sales.

## Advanced Automation (AA) Business

Regarding market trends in Japan and abroad surrounding the AA business, capital investment has continued at a high level in the manufacturing industry as a whole, thanks to a gradual recovery from the slump caused by the COVID-19 pandemic, although from the third quarter (October–December 2022), there was some recoil owing to the number of advance orders that had been received up to the second quarter (July–September 2022), and conditions in the semiconductor manufacturing equipment market deteriorated.

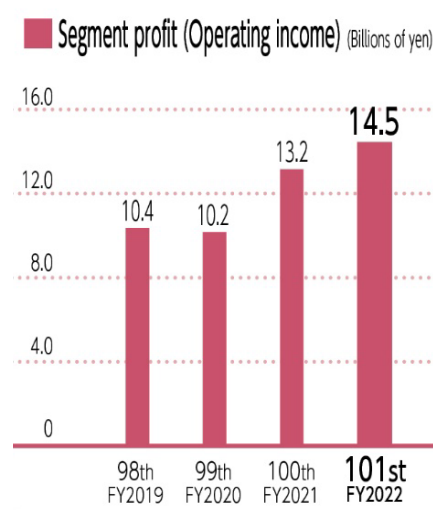
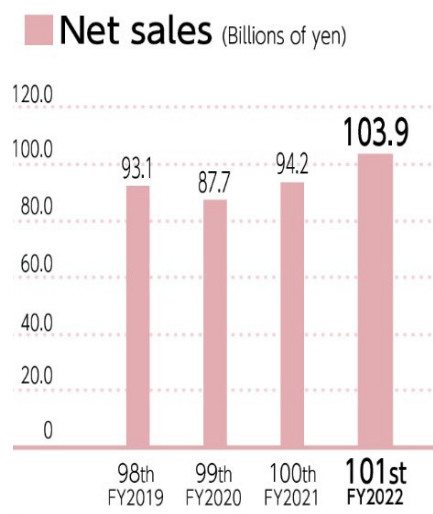
Amidst this business environment, orders received remained high. In the first quarter (April–June 2022), sales and segment profit were greatly impacted by the parts procurement difficulties that had been continuing from the previous fiscal year. However, from the second quarter (July–September 2022), an improvement in the parts procurement situation was evident, and thanks to such countermeasures as product design changes, a steady recovery in production was achieved. In the third quarter (October–December 2022) and the fourth quarter (January–March 2023), we achieved an improvement far exceeding the same period of the previous fiscal year. Consequently, the financial results of the AA business for the current consolidated fiscal year were as follows.

Overall orders received were 113,968 million yen, up 4.0% on the previous consolidated fiscal year, when a figure of 109,562 million yen was recorded. This was due to a recovery in capital investment demand in the manufacturing industry as a whole and continued business growth overseas. As regards sales, although there was some impact from parts procurement difficulties, thanks to measures implemented in production and procurement, there has been a gradual recovery. Consequently, sales for the full year were 103,988 million yen, up 10.3% on the 94,276 million yen recorded in the previous consolidated fiscal year. While parts price hikes have had an impact throughout the current consolidated fiscal year, segment profit was 14,579 million yen, up 10.1% on the 13,236 million yen recorded in the previous consolidated fiscal year. This was due to initiatives undertaken to enhance profitability, and also the increased revenue that resulted from the recovery in production from the second quarter (July–September 2022).

In the AA business, although a worsening trend has been observed in market conditions over the short term, especially in the semiconductor manufacturing equipment market, with the recovery in production, reflecting a large order backlog, both sales and segment profit are expected to improve from now on. Also, in the medium to long term, continued business growth is expected through expansion of overseas customer coverage, as well as through growth in the factory automation market, reflecting increasing investment to automate 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 further business growth by offering advanced automation that meets customers' expectations for new automation, such as enabling progress toward a decarbonized society.

<sup>\*2</sup>: Three AA business sub-segments (management accounting sub-segments)

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



\*Each figure above includes intersegment internal sales.

- IAP business: Industrial Automation Product business (supplying process automation products such as differential pressure transmitters, pressure transmitters, and control valves)
- SS business: Solution and Service business (offering control systems, engineering service, maintenance service, energy-saving solution service, etc.)



## Life Automation (LA) Business

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

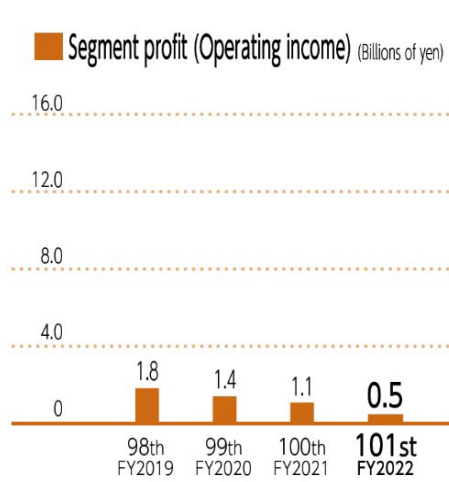
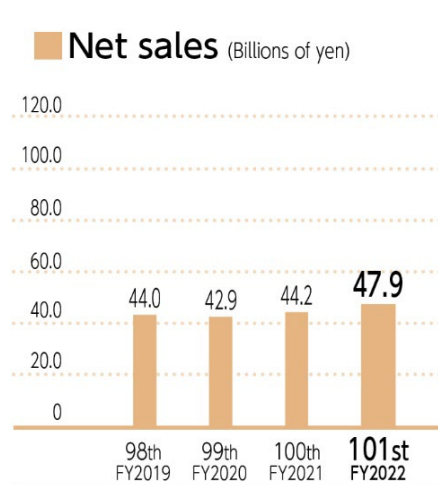
The Lifeline field, in which gas (city gas, LP gas) and water meters account for the bulk of LA sales, depends on cyclical demand for meter replacement as required by law. Though demand can be expected to remain basically stable, the cyclical demand for LP gas meters is currently at a low ebb. In the LSE field, investment in equipment for pharmaceutical plants continues to grow. Reflecting these business conditions, the financial results of the LA business for the current consolidated fiscal year were as follows.

Overall orders received increased by 6.0% to 49,646 million yen (compared with the 46,845 million yen recorded in the previous consolidated fiscal year), mainly due to an increase in the Lifeline field. As regards sales, revenue grew in the Lifeline field thanks to this increase in orders received; there was similar growth in the LSE field, reflecting an increase in orders received in the previous consolidated fiscal year. Consequently, overall sales were 47,915 million yen, up 8.3% on the 44,238 million yen recorded in the previous consolidated fiscal year. However, despite this increase in revenue, segment profit was down 48.9% at 588 million yen (compared with the 1,151 million yen recorded in the previous consolidated fiscal year). This was due to increased expenses including personnel expenses, mainly caused by inflation in Europe, as well as price hikes for materials, and higher energy and transportation costs.

In the LA business, there are concerns about increasing expenses in the LSE field driven by the rapid inflation in Europe, but we will respond by implementing such measures as appropriate cost management and cost pass-through. Regarding the defects found in some of the LP gas meters, provision for product warranties was recorded as an extraordinary loss to cover costs related to resolving the issue. In the LA business, we will continue with efforts to achieve stable revenue through fundamental cost management and quality control. In parallel with this, in order to grasp the opportunities provided by changes in the business environment for the energy supply market, in addition to our business of supplying products, we will strive to create a new business that provides services based on data collected from meters by utilizing IoT and other technologies.

## Other

In Other business, principally our insurance agent business, orders received in the current consolidated fiscal year were 56 million yen (compared with the 54 million yen recorded in the previous consolidated fiscal year), sales were 56 million yen (compared with the 54 million yen in the previous consolidated fiscal year), and segment loss was 1 million yen (compared with the segment profit of 6 million yen in the previous consolidated fiscal year).



\*Each figure above includes intersegment internal sales.

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

(Millions of yen)

Reportable segment	Orders received			Sales			Segment Profit and Loss (Profit Ratio)	
	100th term (Fiscal year ended March 31, 2022)	101st term (Current Fiscal year ended March 31, 2023)	Increase/decrease ratio (%)	100th term (Fiscal year ended March 31, 2022)	101st term (Current Fiscal year ended March 31, 2023)	Increase/decrease ratio (%)	100th term (Fiscal year ended March 31, 2022)	101st term (Current Fiscal year ended March 31, 2023)
Building Automation	132,511	135,311	2.1	119,764	128,561	7.3	13,862 (11.6%)	16,074 (12.5%)
Advanced Automation	109,562	113,968	4.0	94,276	103,988	10.3	13,236 (14.0%)	14,579 (14.0%)
Life Automation	46,845	49,646	6.0	44,238	47,915	8.3	1,151 (2.6%)	588 (1.2%)
Total of reportable segments	288,918	298,927	3.5	258,279	280,464	8.6	28,251 (10.9%)	31,242 (11.1%)
Other	54	56	4.0	54	56	3.9	6 (11.1%)	△1 (△2.6%)
Elimination	(2,022)	(2,053)	-	(1,782)	(2,115)	-	(25)	11
Consolidated	286,950	296,930	3.5	256,551	278,406	8.5	28,231 (11.0%)	31,251 (11.2%)

### (3) Capital investment

Capital investment in the current fiscal year totaled 10,844 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 Group philosophy of “human-centered automation,” the azbil Group strives—through its business operations—to contribute “in series” to the achievement of a sustainable society. In this way we 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 the 400 billion yen range, operating income in the 60 billion yen range, an operating income margin of approximately 15%, and an ROE of approximately 13.5%; these are the Group’s long-term targets\*<sup>1</sup> for FY2030. Toward achieving these long-term targets, our four-year medium-term plan\*<sup>1</sup> 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 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 various initiatives designed to achieve the essential goals of the azbil Group for the SDGs: those to be achieved through our business activities are (1) 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.

FY2022 was a year in which the global economy was severely impacted by soaring energy prices and inflation as well as the disruption of global supply chains triggered by the COVID-19 pandemic and heightened geopolitical risks. Amidst such challenging circumstances, the azbil Group worked to increase sales by making steady progress with securing orders from customers who need to enhance productivity, at the same time as improving our procurement and production processes. Moreover, the Group strengthened profitability by such means as appropriately passing on higher costs resulting from inflation, etc., giving consideration to the supply chain, and also by improving operational efficiency. In these ways we were able to set a new record for business results. Assuming that some structural changes in the business environment continues in FY2023, we are convinced that the value of our automation business lies in its ability to support those changes that involve our customers and society as a whole. We will thus focus on the three growth fields—namely, new automation, environment and energy, and life-cycle solutions—that can particularly benefit from Azbil’s unique technologies, products, and services. By providing solutions to new challenges, we will realize growth for our BA, AA and LA businesses.

From FY2023 onward, in order to contribute “in series” to the achievement of a sustainable society, we will build on our past initiatives, accelerating transformation aimed at achieving further growth while continuing to emphasize safety. Specifically, in addition to actively investing in product development and production to enhance product competitiveness, we will also be proactively investing in co-creation in partnership with other companies. Our overseas business is a growth area, and we will be expanding coverage and strengthening our product lineup. Through these initiatives, we will strengthen our governance system and actively invest in human capital, the engine of corporate growth, aiming to make progress toward sustainability management, a policy objective. In this way, we will steadily achieve our medium-term plan.

As regards specific activities undertaken in FY2022, new testing facilities were completed within the Fujisawa Technology Center, enhancing our capability to develop advanced system solutions and high-function, high-performance devices that harness MEMS<sup>\*3</sup> technology. We have thus upgraded the environment for technological development. We have also been strengthening our global production base: having completed a new factory building at our Dalian production subsidiary in China, we are planning to construct a new factory building at our Thai production subsidiary, which is due to be completed in early 2024. Furthermore, aiming to expand business in growth areas we have set up and invested in co-creation in partnership with other companies, and by promoting Green Transformation (GX)<sup>\*4</sup>, we have contributed to the realization of a decarbonized society.

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

In addition, 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. One way in which we have achieved this is by transitioning to a “company with a three-committee board structure,” following the approval of the 100th Ordinary General Meeting of Shareholders held on June 23, 2022; each of the three committees is chaired by an outside director. Making use of this opportunity, the Remuneration Committee established a policy for determining executive remuneration in line with the new structure following the transition and revised the executive remuneration system; this included the introduction of a stock compensation plan. The new remuneration policy has been disclosed. We have thus been able to further raise the awareness of directors and corporate executives as regards increasing enterprise value and further motivate them to maximize shareholder value. This has fostered value sharing with our shareholders.

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

- \*1: On May 14, 2021, the azbil Group published its long-term targets and the medium-term plan (FY2021–2024).
- \*2: Health & well-being management is Azbil’s unique approach to fostering healthy, happy, and vibrant workplaces and people.
- \*3: Micro Electro Mechanical Systems (MEMS) are devices built using microfabrication technology to integrate sensors, actuators, and electronic circuits on substrates
- \*4: Green Transformation (GX) is the transformation of the entire economic and social system to transition to carbon neutrality.

In FY2023, the Group will steadily continue to make aggressive investments, including the use of external resources, for securing the financial foundation to build a stable earnings base and aiming for further business growth. In the medium-term plan also, we are working to effectively and strategically allocate management resources and accelerate and establish a range of initiatives. The specific details of those initiatives are as follows.

### 1) Domestic Business

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

For the Building Automation (BA) business, in order to steadily tap into the sustained high demand in the Tokyo metropolitan area, we will further strengthen and streamline our job execution capabilities by responding to work-style reform and promoting digital transformation (DX) mainly on construction and service sites, while paying full attention to the safety of our customers and employees. We will also move forward with restructuring our business model by enhancing product competitiveness, including the application of new technologies such as IoT and cloud technology, and respond to growing interest in energy-saving and CO2-reducing solutions.

Specifically, to contribute to customer’s carbon neutral<sup>\*5</sup> initiatives, we began to operate an ESP<sup>\*6</sup> business that provides one-stop solutions for energy saving and renewable energy. Furthermore, to respond to the major changes in value and requirements for living spaces due to work-style reform and measures for COVID-19 prevention, we aim to provide added value by increasing the quality of spaces. We have introduced new HVAC systems to respond to new work-styles and diversifying office uses and have opened innovation plazas in Japan that allow us to propose and have customers experience these new solutions. Through these initiatives, we are continuously proposing and providing value that matches our customers’ business development.

In the Advanced Automation (AA) business, while the impact of 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, the response to aging facilities, and decarbonization. We are in a market environment with continued high levels of capital investment in the overall manufacturing industry. We will promote growth by selecting, creating, and concentrating on manufacturing fields that can be expected to grow and offer added value in the future, 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 including cost pass-through in our operations in three AA business

sub-segments, CP, IAP, and SS.

Specifically, we are accelerating product development that contributes to the creation of new automation. In the CP Business, in January 2023, we launched sales of the Sapphire Capacitance Diaphragm Gauge with stronger deposition<sup>\*7</sup> countermeasures using MEMS fabrication technology. Furthermore, in the SS Business, we began to deliver our “BiG EYES™” AI-based anomaly monitoring system for processes and plant facilities to major vaccine manufacturers. In this way, we are continuously providing value and making proposals to our customers in each of our three business sub-segments.

In the Life Automation (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, and using that data for evaluating ways to provide new value aimed at improving corporate environmental management and quality of life, including decarbonization. We recently began development of an optical character recognition (OCR)<sup>\*8</sup> attachment with a water leak detection function that can be attached to already installed direct-read-type water meters. Furthermore, in the field of residential central air conditioning systems for detached houses, as a product researched and developed to provide environments with comfortable air quality to numerous customers developed in our residential central air conditioning system business, we launched sales of the central air cleaning and ventilation system “e-kikubari™.” By strengthening solutions that pursue comfortable living environments, we will continue to improve earnings in the Lifestyle-related field.

In addition to our initiatives in these three business segments, to achieve our goals in the growth fields of “new automation field” and “environment and energy field” that connect “in series” to a sustainable society, we are collaborating with other companies, including through investment. Specifically, in FY2022, we invested in the “Japan Green Investment Corp. for Carbon Neutrality<sup>\*9</sup>,” a public-private fund that the Ministry of the Environment has been preparing to establish, aiming to create new business opportunities that contribute to decarbonization and partnerships with vendors pursuing decarbonization. Furthermore, in our capital alliance with Clean Energy Connect, Inc. (CEC), we will combine the energy-saving solutions that Azbil has acquired over many years as an energy management vendor<sup>\*10</sup> with CEC’s green energy solutions to provide one-stop solutions, thus aiming to contribute to the realization of a decarbonized society through the promotion of GX.

\*5 Carbon neutral: absorbing and emitting zero carbon from the atmosphere.

\*6 ESP (Energy service provider): business that provides integrated energy solutions including the installation, operation and management, and service and maintenance of energy facilities. By combining traditional energy-saving solutions with renewable energy procurement support and optimal management in the operations stage, this service provides customized business plans in response to customers’ needs for achieving their goals, and delivers value as a comprehensive energy solution.

\*7 Deposition: here it refers to the product that adheres to the sensor surface in the layering process used to make membranes in semiconductor manufacturing.

\*8 OCR: Optical character recognition: a technology that reads handwritten or printed text with an image scanner or digital camera and converts it into digital text code that can be used by a computer.

\*9 Japan Green Investment Corp. for Carbon Neutrality (JICN): company that runs a fund business using capital from investment by Japan’s Fiscal Investment and Loan Program (industry investment) and 82 private-sector companies including the Company. Toward realizing carbon neutral in 2050, JICN provides investment

and financing (providing risk money) that acts to prime the pump in a range of businesses that contribute to decarbonization. By increasing the volume and speed of the flow of necessary funds into decarbonization, JICN contributes to the creation of new value in the areas of economic and social development, regional revitalization, knowledge accumulation, and human resource development.

\*10 Energy management vendor: an energy management support service vendor registered with Sustainable open Innovation Initiative. Energy management vendors install energy management systems (EMS) and provide support for grant applications.

## 2) 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 business globally. In Southeast Asia, we are accelerating region-wide business promotion, strategic planning, and business management through our Strategic Planning & Development Office for Southeast Asia in Singapore. Additionally, in FY2022, as a step toward connecting the three regions of Japan, the U.S., and Asia and building a global system for collaboration in technological development, we established a development organization in the office.

In the BA business, with the aim of boosting our share in overseas markets, we are deploying the strengths of our domestic business model (energy-saving applications, engineering, and service capabilities), centered on our next-generation building automation system. And while implementing various policies according to the business environment and business foundation of each country, we are reinforcing step by step the life-cycle business model. These activities have been well received in the smart building solutions field, winning Frost & Sullivan's "2022 Best Practices Award for Southeast Asia Smart Building Solutions Company of the Year"<sup>\*11</sup>, the third consecutive year that Azbil has won an award from Frost & Sullivan. In Singapore, we also launched development of a new digital twin product aimed at the introduction of our integrated building management system (IBMS)<sup>\*12</sup> for overseas markets, with the support of Singapore's Economic Development Board.

In the AA business, with continued expansion expected in the overseas factory automation market, by continuing to strengthen the sales structure and improve the quality of sales activities in strategic regions, we are continuing our business growth by expanding our customer coverage. We have also continued to secure high profit ratios through the continuation of measures to enhance profitability including cost pass-through. We will also pursue further business growth overseas through the development of advanced automation to meet the needs for new automation overseas, such as for progress toward a decarbonized society.

In the LA business, at Europe-based Azbil Telstar, which is developing business in the Life Science Engineering field, there is concern in Europe over the impact of rapid inflation on cost increases, and we are continuing to respond through appropriate cost management and sales price optimization.

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

management systems.

\*11 Frost & Sullivan: International growth strategy consulting research company.

\*12 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.

### 3) 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 competitiveness. In Japan, we completed the consolidation of production functions into our Shonan Factory, strengthened its cooperation with the technology development function at the Fujisawa Technology Center, and are currently upgrading its function as the azbil Group's "mother factory." Moreover, in September 2022, we completed the construction of new buildings at the Fujisawa Technology Center and improved the technological development environment at the Group's core research and development hub, to further strengthen the development capabilities of advanced system solutions using cloud technology and AI as well as of high-function, high-precision devices using MEMS technology. Overseas, the Solution and Technology Center in Thailand is operating with the Group's largest control valve adjustment capabilities and providing next-generation 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, following the completion of a new factory building at our manufacturing subsidiary in Dalian, China, we are also planning to build a new factory at our Thailand manufacturing subsidiary scheduled for completion in spring 2024, in order to strengthen our three-base production system in Japan, Thailand, and China. Furthermore, with the goal of further expanding our overseas business, for the technological development of control valves for the industrial market and to conduct product performance tests that meet global standards, we built new flow test facilities at Azbil Kyoto.

We expect global supply chain turmoil, surging energy prices, and inflation to continue to a certain extent in FY2023. Going forward, while improving our production operations, we will utilize some of our parts inventory prepared 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 strive to pursue initiatives to continue production and to reduce the impact on product delivery.

### 4) Management and Administration

The azbil Group's sustainability policy is to continuously enhance enterprise value based on mutual trust with all stakeholders, to realize "safety, comfort, and fulfillment in people's lives," to contribute to global environmental preservation, and to contribute "in series" to a sustainable society. This policy is achieved through practicing the azbil Group's philosophy of "human-centered automation" and respecting the values to contribute to society for people's well-being based on the founding spirit of "freeing people from drudgery."

In August 2022, amid major changes to the society and needs of customers including decarbonization and COVID-19 prevention, considering the changes in the business



environment (opportunities and risks), and with the agreement of our investors and stakeholders, the azbil Group identified “material issues (materiality) to be tackled over the long term.” Going forward, to further evaluate and consider priorities for our identified material issues, as well as our desired stance for each, through the Group’s sustainability promotion system, we will strengthen our initiatives including goal setting. In line with these efforts, by making significant revisions to our materiality identification process and clarifying the person responsible for each risk, we will efficiently and effectively reduce risk.

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 accompanying internal control. 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 developing structures to promote constructive dialogue with all stakeholders.

The azbil Group is also proactively pursuing initiatives aimed at ESG (environment, society, governance). 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, metrics and targets in the annual securities report, etc., 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). Furthermore, to create and provide eco-friendly products and services, we have decided on a new metric for our SDG targets in the areas of environment and energy to “design all new products to meet the azbil Group’s own sustainability standards<sup>\*13</sup>” by FY2030.

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. Furthermore, we have defined our comprehensive approach to allow employees to approach their work with health and vigor as “health and well-being management” and are preparing and rolling out a wide range of systems and measures. One of those initiatives is the expansion of our system to support balancing work and childcare. Our efforts were recently recognized with the awarding of the “Platinum Kurumin Certification<sup>\*14</sup>” as a company supporting childcare by Japan’s Minister of Health, Labour and Welfare.

In terms of G (governance), in 2022, the Company transitioned to a “company with a three-committee board structure” to pursue further corporate governance reforms, accelerate decision making by clearly separating supervisory and business executions functions, and is promoting further strengthening of management oversight functions.

As a result of these initiatives, in the fourth ESG Finance Award Japan<sup>\*15</sup> held by the Ministry of the Environment, Azbil was selected as an “Environmentally Sustainable Company” in the environmentally sustainable company section for fulfilling a certain level of disclosure standards. The not-for-profit international charity CDP<sup>\*16</sup> also selected us for their A List (highest evaluation) as a company of global excellence in terms of initiatives and information disclosure on climate change for the second consecutive year.

In FY2023, we will continue to organize various ESG issues and advance initiatives for further improvement with the goal of enhancing enterprise value in a way that connects “in series” to the achievement of a sustainable society.

\*13 This design strives to create and provide products that contribute to solving global environmental issues (through decarbonization, resource recycling, and biodiversity conservation).

- \*14 Platinum *Kurumin* Certification: based on the Act on Advancement of Measures to Support Raising Next Generation Children, an action plan has been formulated, and companies achieving the goals set forth in the action plan are given “*Kurumin* Certification.” Of those companies, companies with exceptionally high-level initiatives are given special recognition in the form of Platinum *Kurumin* Certification.
- \*15 ESG Finance Award Japan: An award presented by the Minister of the Environment to institutional investors, financial institutions, brokers, and companies that create an impact through proactive ESG financing or environmental and social businesses, with the goal of sharing those cutting-edge initiatives broadly throughout society, leading to the spread and expansion of ESG finance. In the environmentally sustainable company section, companies are evaluated and selected as “Environmentally Sustainable Companies” for meeting a certain level of disclosure standards for “risk, business opportunities, and strategies,” “KPI,” and “governance” related to important environmental issues.
- \*16 CDP: Not-for-profit international charity that operates a global environmental information disclosure system for companies and local governments. Established in the U.K. in 2000, CDP works with more than 680 investors with more than \$130 trillion in assets as an intermediary between capital markets and corporate procurement to motivate companies to disclose environmental information, reduce greenhouse gas emissions, preserve water resources, and protect forests.

(6) Financial position and results of operations

Category	98 <sup>th</sup> term (Fiscal year ended March 31, 2020)	99 <sup>th</sup> term (Fiscal year ended March 31, 2021)	100 <sup>th</sup> term (Fiscal year ended March 31, 2022)	101 <sup>st</sup> term Current Fiscal year (Fiscal year ended March 31, 2023)
Orders received (Millions of yen)	258,079	247,873	286,950	296,930
Net sales (Millions of yen)	259,411	246,821	256,551	278,406
Operating income (Millions of yen)	27,255	25,720	28,231	31,251
Ordinary income (Millions of yen)	27,712	26,338	29,519	32,140
Net income attributable to owners of parent (Millions of yen)	19,793	19,918	20,784	22,602
Net income per share (Yen)	140.80	142.77	150.79	168.27
Total assets (Millions of yen)	274,559	284,597	280,052	296,873
Net assets (Millions of yen)	185,301	200,607	203,141	205,880
Shareholders' equity ratio (%)	66.7	69.6	71.5	68.3
Net assets per share (Yen)	1,313.17	1,420.52	1,459.08	1,518.01

(7) Significant subsidiaries (As of March 31, 2023)

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

## (8) Main offices and factories (As of March 31, 2023)

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

- Notes:
1. In May 2023, Azbil Trading Co., Ltd.'s Headquarters and branch in Toshima-ku, Tokyo were relocated to Minato-ku, Tokyo, and Azbil Kimmon Co., Ltd.'s Headquarters and branch in Toshima-ku, Tokyo were relocated to Shinjuku-ku, Tokyo.
  2. 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, 2023)

1) Employees of the Group

Segment	Number of Employees	Year-on-year Increase/(Decrease)
Building Automation Business	3,251 [506] persons	(32) persons
Advanced Automation Business	3,632 [352]	20
Life Automation Business	1,942 [243]	(12)
Total of reportable segments	8,825 [1,101]	(24)
Others	2 [1]	-
Corporate (Common)	1,236 [190]	1
Total	10,063 [1,292]	(23)

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
5,238 [905] persons	(91) persons	46.0 years old	20.2 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, 2023)

Lenders	Loan Outstanding
Mizuho Bank, Ltd.	8,019 million yen
MUFG Bank, Ltd.	2,013

(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, 2023)

- (1) Total number of authorized shares 559,420,000 shares
- (2) Shares of common stock issued 143,700,884 shares  
(including treasury shares of 7,148,221 shares)
- (3) Number of shareholders 7,817
- (4) Major shareholders (Top 10)

Shareholder Name	Number of Shares (thousands)	Percentage of Total Shares Issued (%)
The Master Trust Bank of Japan, Ltd. (Trust account)	20,330	14.88
SSBTC CLIENT OMNIBUS ACCOUNT	10,820	7.92
Meiji Yasuda Life Insurance Company	10,428	7.63
Custody Bank of Japan, Ltd. (Trust account)	9,075	6.64
Northern Trust CO. (AVFC) Re Fidelity Funds	5,015	3.67
National Mutual Insurance Federation of Agricultural Cooperatives	3,356	2.45
the azbil Group Employee Stock Ownership Association	2,806	2.05
BNP PARIBAS LUXEMBOURG/ 2S/ JASDEC/ FIM/ LUXEMBOURG FUNDS/ UCITS ASSETS	2,681	1.96
JP MORGAN CHASE BANK 385839	2,332	1.70
STATE STREET BANK WEST CLIENT – TREATY 505234	2,262	1.65

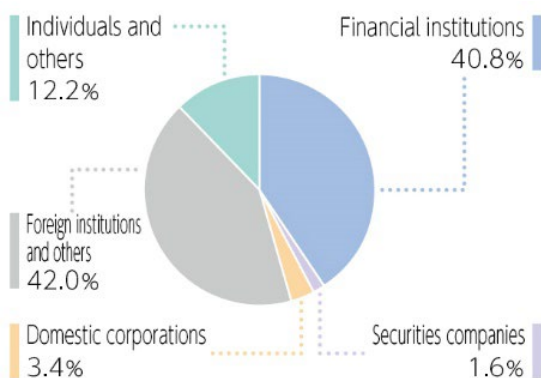
- Notes: 1. The percentage of total shares issued is calculated excluding treasury shares (7,148,221 shares). Furthermore, the number of treasury shares does not include the 2,007,331 shares owned by Trust & Custody Services Bank, Ltd. (Trust E) for the Employee Stock Ownership Plan (J-ESOP) and the Board Benefit Trust (BBT), nor the 936,000 shares owned by the azbil Group Employee Stock Ownership Dedicated Trust.
2. 8,028 thousand shares held by The Master Trust Bank of Japan, Ltd. (Trust account) and 3,843 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 September 7, 2022 which was made available for public inspection, the following shares are held by FMR LLC. as of August 31, 2022. However, as the Company is not able to confirm the number of shares actually held as of March 31, 2023, the end of the current fiscal year, the shares are not included in the above status of major shareholders.

Submission Date of Report on Large Shareholding	Shareholder Name	Number of Shares Held (thousands)	Percentage of Total Shares Issued (%)
September 7, 2022	FMR LLC and National Financial Service LLC	13,944	9.70

4. According to the Report on Large Shareholding dated November 7, 2022 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 October 31, 2022. However, as the Company is not able to confirm the number of shares actually held as of March 31, 2023, the end of the current fiscal year, the shares are not included in the above status of major shareholders.

Submission Date of Report on Large Shareholding	Shareholder Name	Number of Shares Held (thousands)	Percentage of Total Shares Issued (%)
November 7, 2022	Sumitomo Mitsui Trust Asset Management Co., Ltd. and Nikko Asset Management Co., Ltd.	7,150	4.97

[Reference material] Distribution of Shares by Shareholder Type



	Number of shares (Per unit)	Number of shareholders (Persons)
Financial institutions	585,725	44
Securities companies	23,494	28
Domestic corporations	48,563	139
Foreign institutions and others	602,283	599
Individuals and others	175,700	5,712

- 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 & Corporate Executives (As of March 31, 2023)

##### 1) Directors

Positions	Name	Assignments in the Company and Important Concurrent Positions Outside the Company
Director and Chairperson	Hirozumi Sone	Non-executive Director Chairperson of the Board Responsible for Board Effectiveness Enhancement Outside Director of Yasuda Logistics Corporation Chairman, Japan Electric Measuring Instruments Manufacturers' Association
Director Representative Corporate Executive President & Group CEO	Kiyohiro Yamamoto	Nomination Committee Member
Director Representative Senior Managing Corporate Executive	Takayuki Yokota	Remuneration Committee Member
Director	Hisaya Katsuta	Non-executive Director Audit Committee Member
Outside Director	Takeshi Itoh	Non-executive Director Nomination Committee Chairperson
Outside Director	Waka Fujiso	Non-executive Director Remuneration Committee Member
Outside Director	Mitsuhiro Nagahama	Non-executive Director Remuneration Committee Chairperson Outside Audit & Supervisory Board Member of KURARAY Co., Ltd Outside Director of NSK Ltd. Representative Director of Japan Economic Research Institute
Outside Director	Anne Ka Tse Hung	Non-executive Director Nomination Committee Member Lawyer (Australia, United Kingdom, Hong Kong)
Outside Director	Minoru Sakuma	Non-executive Director Audit Committee Member
Outside Director	Fumitoshi Sato	Non-executive Director Audit Committee Chairperson Outside Director of TOMY Company, Ltd.
Outside Director	Shigeaki Yoshikawa	Non-executive Director Nomination Committee Member Senior Corporate Advisor of Mitsubishi Research Institute, Inc., Vice Chairman & Executive Director of The Japan Singapore Association, Advisor to the Chancellor of Showa Women's University, Tokyo*
Outside Director	Tomoyasu Miura	Non-executive Director Remuneration Committee Member Auditor of Research Institute of Science for Education

\* Director Shigeaki Yoshikawa retired as Advisor to the Chancellor of Showa Women's University, Tokyo on March 31, 2023.

## 2) Corporate Executives

Positions	Name	Assignments in the Company and Important Concurrent Positions Outside the Company
Representative Corporate Executive President & Group CEO	Kiyohiro Yamamoto	Responsible for Internal Audit, Corporate Planning Department
Representative Senior Managing Corporate Executive	Takayuki Yokota	Assistant to President, Responsible for Corporate Administration, Corporate Communication, azbil Group (aG) CSR, Internal Control, Facilities/Business Sites, Corporate Secretariat Office, Group Management Headquarters, General Affairs Department, Corporate Sustainability Headquarters, Legal & Intellectual Property Department
Managing Corporate Executive	Yoshimitsu Hojo	Responsible for Advanced Automation Business, aG Product Business Portfolio Enhancement President of Advanced Automation Company
Managing Corporate Executive	Kazuyasu Hamada	Responsible for Building Automation Business, aG System Business Portfolio Enhancement, aG Work Style Creation (aG Synergy), President of Building Systems Company

1. Directors Takeshi Itoh, Waka Fujiso, Mitsuhiro Nagahama, Anne Ka Tse Hung, Minoru Sakuma, Fumitoshi Sato, Shigeaki Yoshikawa and Tomoyasu Miura are Outside Directors of the Company under Article 2, Item 15 of the Companies Act.
2. Under the provisions of Article 427, Paragraph 1 of the Companies Act, the Company has concluded contracts for limitation of liability with each of Outside Directors, as provided for in Article 423, Paragraph 1 of the Companies Act. The maximum amount of the liability for damage based on said contracts is the minimum liability amount prescribed in laws and regulations.
3. Overview of the contents of Officer Liability Policies  
The Company has concluded Officer Liability Policies with an insurance company as stipulated in Article 430-3 Paragraph 1 of the Companies Act, with the Company's Directors, Corporate Executives, and Executive Officers and its subsidiaries' Directors, Audit & Supervisory Board Members, and Executive Officers being included in the scope of the insured persons. Per the liability policies, the insurance company will cover damages incurred by the insured persons in bearing responsibility for the execution of their duties or as a result of claims received in the pursuit of these responsibilities. However, as a measure to ensure that the appropriateness of the duties of the insured persons is not lost, damages resulting from negligence, illegal personal profit sharing, and criminal actions are not covered. Furthermore, the insured persons are not responsible for the insurance premiums.
4. To increase the effectiveness of Audit Committee audits, the Company has appointed Hisaya Katsuta as full-time Audit Committee Member as he has a wealth of operational experience in the Company.
5. Audit Committee Chairperson Fumitoshi Sato has a wealth of knowledge concerning financial affairs and accounting as he has experience as the person responsible for the creation of financial statements as the officer in charge of accounting and finance at another operating company over many years.
6. The Company has notified each of Outside Directors as Independent Officers to the Tokyo Stock Exchange.

7. As of April 1, 2023, the assignments of Directors and Corporate Executives have been changed as follows:

Positions	Name	Assignments in the Company
Director Representative Corporate Executive President & Group CEO	Kiyohiro Yamamoto	Nomination Committee Member Responsible for Internal Audit
Director, Representative Senior Managing Corporate Executive	Takayuki Yokota*	Remuneration Committee Member Assistant to President, Responsible for Corporate Administration, Management, Corporate Communication, azbil Group CSR, Sustainability, Life Automation Business

\* Takayuki Yokota is scheduled to be appointed as Director, Representative Corporate Executive Deputy President on June 27, 2023, and he will continue to be responsible for the above corporate administration and management and the Life Automation Business, etc.

8. We have an Executive Officer System that facilitates the prompt decision making and execution of company policy. As of April 1, 2023, there were 22 Executive Officers as follows.

Position	Name	Assignments in the Company
Managing Executive Officer	Akihiko Naruse* <sup>1</sup>	Responsible for Human Resources/Education, SDGs, General Affairs, azbil Group (aG) Safety Management (Occupational Health and Safety)
Managing Executive Officer	Tadayoshi Ito	Responsible for aG Marketing (Three business fields to expand for sustainable growth), aG Digital Transformation Promotion, aG IT (aG Cyber Security) Enhancement, aG Service Engineering Enhancement, aG System Business Portfolio Enhancement
Managing Executive Officer	Hideaki Ishii	Responsible for aG Production, aG Purchasing, aG Research and Development, aG Environmental Protection Innovation, aG Product Safety/Quality/Environment, aG Product Business Portfolio Enhancement
Managing Executive Officer	Shigeru Wada	Responsible for aG International Business, aG Work Style Creation Support (Overseas) Head of International Business Headquarter
Executive Officer	Masato Iwasaki	Responsible for Intellectual Property Strategy, Environment Promotion
Executive Officer	Masashi Hirano	Responsible for aG Marketing Support (Three business fields to expand for sustainable growth)
Executive Officer	Toshiyasu Sumitomo	General Manager of the Corporate Planning Department
Executive Officer	Masatoshi Yamada	Responsible for Auditing Functions Enhancement, General Manager of Internal Audit Department
Executive Officer	Akiko Sekino	General Manager of Legal Department
Executive Officer	Tomohiro Takano	aG Product Business Portfolio Enhancement Support, Head of Actuator Development Headquarters
Executive Officer	Tomoyuki Takeda	Responsible for aG Work Style Creation Support (Domestic) Manager of Building Systems Company (BSC) Tokyo Head Office
Executive Officer	Tetsuya Iwasaki	Responsible for aG System Business Portfolio Enhancement Support Head of IT Development Headquarters, Head of BSC Development Headquarters
Executive Officer	Toshihisa Murayama	Responsible for Building Automation International Business Head of BSC Marketing Headquarters, Promotion Member of Strategic Planning & Development Office for Southeast Asia
Executive Officer	Yukiya Kitaura	Responsible for aG Service Engineering Enhancement Support Head of BSC Facility Management Headquarters
Executive Officer	Taro Sento	General Manager of Advanced Automation (AA) IAP Business* <sup>2</sup>

Position	Name	Assignments in the Company
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) Manager of AAC Tokyo Head Office
Executive Officer	Kenji Sudo	Responsible for aG System Business Portfolio Enhancement Support General Manager of AA SS Business*3
Executive Officer	Tetsuya Kajita	Head of Technology Development Headquarters
Executive Officer	Anju Jaswal	Deputy Head of International Business Headquarter, Managing Director of Strategic Planning & Development Office for Southeast Asia
Executive Officer	Hikomitsu Yoshizawa	Head of BSC Engineering Headquarters
Executive Officer	Eisuke Toyoda	General Manager of AA CP Business*4

\*1 Akihiko Naruse is scheduled to be appointed as Managing Corporate Executive on June 27, 2023, and he will continue to be responsible for Human Resources/Education (human capital), etc.

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

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

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

## (2) Remuneration, etc., paid to Directors and Corporate Executives

### 1. Total amounts of remuneration, etc., paid during the fiscal year ended March 31, 2023

Before the transition to a Company with a Three -Committee Board Structure (From April 2022 to June 2022)

Category	Amount of Remunerations Paid (Millions of yen)	Total Amount by Type (Millions of yen)		Number of Persons Remunerated
		Fixed Remuneration	Performance-linked Remuneration	
Directors (Outside Directors)	104 (16)	80 (16)	23 (-)	11 (5)
Audit & Supervisory Board Members (Outside Members)	20 (7)	20 (7)	- (-)	5 (3)
Total (Outside Members)	124 (23)	100 (23)	23 (-)	16 (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 above list of Directors includes four (4) members who retired at the conclusion of the 100th Ordinary General Meeting of Shareholders held on June 23, 2022.
5. The above list of five (5) Audit & Supervisory Board Members includes two (2) members who retired at the at the conclusion of the 100th Ordinary General Meeting of Shareholders held on June 23, 2022 due to expiration of their terms of office. Furthermore, an additional three (3) members were newly appointed as Directors of the Company at the same meeting.

After the transition to a Company with a Three -Committee Board Structure (From July 2022 to March 2023)

Category	Amount of Remunerations Paid (Millions of yen)	Total Amount by Type (Millions of yen)				Number of Persons Remunerated
		Fixed Remuneration		Performance-linked Remuneration		
		Cash Remuneration	Non-cash Remuneration (Stock Compensation)	Cash Remuneration	Non-cash Remuneration (Stock Compensation)	
Directors (Outside Directors)	149 (91)	139 (83)	9 (7)	– (–)	– (–)	10 (8)
Corporate Executives (including Directors concurrently perform as Corporate Executives)	225	118	16	75	16	4
Total (Outside Directors)	375 (91)	258 (83)	26 (7)	75 (–)	16 (–)	14 (8)

Notes: 1. The above list of Directors does not include two (2) Directors who concurrently serve as Corporate Executives.

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

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

As a company with a three-committee board structure, the Company's Remuneration Committee, which is chaired by and composed of a majority of Independent Outside Directors, sets policy on the determination of the individual remuneration of Directors and Corporate Executives, which is disclosed as the "Remuneration Policy." The details of the Remuneration Policy are as follows.

### < Remuneration Policy >

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

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

### ■ The azbil Group philosophy

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

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

### ■ Basic policy regarding remuneration for officers

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

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

### ■ Remuneration levels

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

## ■ Remuneration structure

The remuneration structure for corporate executives (including those concurrently serving as directors; similarly hereafter) consists of basic remuneration, which is a fixed monthly amount based on their roles and responsibilities; bonuses, which are short-term incentives; and stock-based compensation, which is a medium- to long-term incentive. In order to ensure a remuneration structure that motivates officers to achieve our medium- and long-term performance targets and enhance enterprise value, the incentive component of remuneration has been increased, and the combined remuneration for corporate executives will be typically determined thus: basic remuneration 56%, bonus (base amount) 33%, stock-based compensation (base amount) 11%.

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

### Corporate executives

#### (1) Basic remuneration

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

#### (2) Bonus

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

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

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

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

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

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

### (3) Stock-based compensation

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

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

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



## Directors

### (1) Basic remuneration

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

### (2) Stock-based compensation

- In principle, stock-based compensation is paid to the director following retirement from the current position, with the aim of continuously enhancing enterprise value while sharing value with shareholders.

- A base amount of stock-based compensation is determined, which is entirely non-performance-linked.

- Stock-based compensation is paid through a trust-type stock compensation plan. Under this plan, a certain number of points are awarded annually to those eligible, and company shares equivalent to the number of points accumulated are transferred from the trust to the plan-eligible person following retirement from the current position.

#### ■ Process for determining remuneration

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

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

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

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

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

#### ■ Disclosure policy

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

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

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

Evaluation indicator	Planned performance value*	Results
Consolidated net sales (Millions of yen)	277,500	278,400
Consolidated operating income (Millions of yen)	29,800	31,200

\*Earnings results forecast for the current fiscal year

Notes: 1. In actual application for the current fiscal year, the Company set performance indicator targets at or above the level of the above planned performance values to calculate the amount of remuneration.

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

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

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

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

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

Positions	Name	Important Concurrent Positions Outside the Company
Outside Director	Takeshi Itoh	
Outside Director	Waka Fujiso	
Outside Director	Mitsuhiro Nagahama	Outside Audit & Supervisory Board Member of KURARAY Co., Ltd Outside Director of NSK Ltd. Representative Director of Japan Economic Research Institute
Outside Director	Anne Ka Tse Hung	Lawyer (Australia, United Kingdom, Hong Kong)
Outside Director	Minoru Sakuma	
Outside Director	Fumitoshi Sato	Outside Director of TOMY Company, Ltd.
Outside Director	Shigeaki Yoshikawa	Senior Corporate Advisor of Mitsubishi Research Institute, Inc., Vice Chairman & Executive Director of The Japan Singapore Association, Advisor to the Chancellor of Showa Women's University, Tokyo
Outside Director	Tomoyasu Miura	Auditor of Research Institute of Science for Education

Note: While the Company has transaction relationships with KURARAY Co., Ltd., and NSK Ltd. at which Director Mitsuhiro Nagahama concurrently serves at present, in both the most recent fiscal year and the preceding three (3) fiscal years, the amount of the transactions makes up less than 0.1% of the consolidated net sales of both the Company and the companies at which he concurrently serves. There is no particular relationship between the Company and each of the important concurrent positions outside the Company of other Outside Directors. Director Shigeaki Yoshikawa has retired as Advisor to the Chancellor of Showa Women's University, Tokyo as of March 31, 2023.

(4) Major activities of Outside Officers

Name	Number of attendance at meeting	Summary of comments and duties performed in relation to the expected roles of Outside Directors
Takeshi Itoh	Board of Directors Meetings 12/12 Nomination Committee Meetings 9/9	<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 Company’s shareholder return and capital policies, and medium- to long-term business strategy from a capital market perspective, appropriately fulfilling his role in ensuring the validity and appropriateness of the Company’s decision making.</p> <p>Furthermore, as the Nomination Committee Chairperson, he played an appropriate role in leading discussion on the selection of the Company’s Director candidates, working to strengthen corporate governance.</p>
Waka Fujiso	Board of Directors Meetings 12/12 Remuneration Committee Meetings 7/7	<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 broad insight related to legal affairs and compliance. Based on that, at Board of Directors meetings, she has raised questions and made comments on not only the presence of legal issues, but also on compliance and risk management from a sustainability and CSR perspective, appropriately fulfilling her role in ensuring the validity and appropriateness of the Company’s decision making.</p> <p>Furthermore, as a Remuneration Committee member, she played an appropriate role in determining officer remuneration, working to strengthen corporate governance.</p>
Mitsuhiro Nagahama	Board of Directors Meetings 12/12 Remuneration Committee Meetings 7/7	<p>Regarding “corporate management/sustainability,” “global business,” and “financial affairs, accounting, finance,” which are the areas of expertise expected, Mitsuhiro Nagahama possesses management experience of serving in important positions in the fields of finance and securities, work experience overseas, and knowledge as an outside officer at several companies. Based on that, at Board of Directors meetings, he has raised questions and made comments on initiatives to strengthen the corporate governance of the Company and medium- to long-term business development and formulation of strategies from both a capital markets perspective and a global perspective, appropriately fulfilling his role in ensuring the validity and appropriateness of the Company’s decision making.</p> <p>Furthermore, as the Remuneration Committee Chairperson, he played an appropriate role in leading discussion to determine officer remuneration, working to strengthen corporate governance.</p>
Anne Ka Tse Hung	Board of Directors Meetings 12/12 Nomination Committee Meetings 9/9	<p>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 the business promotion systems and investment for international business growth related to medium- to long-term business development and strategy formulation of the Company, as well as from a global standard perspective, appropriately fulfilling her role in ensuring the validity and appropriateness of the Company’s decision making.</p> <p>Furthermore, as a Nomination Committee member, she played an appropriate role in the selection of the Company’s Director candidates, working to strengthen corporate governance.</p>

Name	Number of attendance at meeting	Summary of comments and duties performed in relation to the expected roles of Outside Directors
Minoru Sakuma	Board of Directors Meetings 12/12 Audit & Supervisory Board Meetings 4/4 Audit Committee Meetings 11/11	<p>Regarding “global business” and “financial affairs, accounting, finance,” which are the areas of expertise expected, Minoru Sakuma possesses experience and sophisticated knowledge of serving in important positions in the field of finance, as well as abundant experience as an outside officer at an operating company running a global business. Based on that, at Board of Directors meetings, he has raised questions and made comments on the validity of the Company’s business strategy and from the perspective of strengthening corporate governance, appropriately fulfilling his role in ensuring the validity and appropriateness of the Company’s decision making.</p> <p>Furthermore, as an Audit Committee member, he played an appropriate role in auditing activities, working to strengthen corporate governance.</p>
Fumitoshi Sato	Board of Directors Meetings 12/12 Audit & Supervisory Board Meetings 4/4 Audit Committee Meetings 11/11	<p>Regarding “corporate management/sustainability,” and “financial affairs, accounting, finance,” which are the areas of expertise expected, Fumitoshi Sato possesses experience of serving in important positions in the field of finance, management experience in the managing division of an operating company, and abundant knowledge and experience in finance and accounting. Based on that, at Board of Directors meetings, he has raised questions and made comments on the validity of the Company business and financial strategies, risk management, and strengthening corporate governance, appropriately fulfilling his role in ensuring the validity and appropriateness of the Company’s decision making.</p> <p>Furthermore, as the Audit Committee Chairperson, he played an appropriate role on auditing activities and in leading discussion at the Audit Committee, working to strengthen corporate governance.</p>
Shigeaki Yoshikawa	Board of Directors Meetings 10/10 Nomination Committee Meetings 9/9	<p>Regarding “corporate management/sustainability,” “global business,” and “sales and marketing,” which are the areas of expertise expected, Shigeaki Yoshikawa possesses management experience at a general trading company and a think tank and consulting company as well as broad insight and abundant experience in overseas business and business portfolio strategy. Based on that, at Board of Directors meetings, he has raised questions and made comments on the Company’s international business strategy, the approach to its business strategy aimed at growth, and human resources development, appropriately fulfilling his role in ensuring the validity and appropriateness of the Company’s decision making.</p> <p>Furthermore, as a Nomination Committee member, he played an appropriate role in the selection of the Company’s Director candidates, working to strengthen corporate governance.</p>
Tomoyasu Miura	Board of Directors Meetings 10/10 Remuneration Committee Meetings 7/7	<p>Regarding “corporate management/sustainability,” “IT/technology,” and “sales and marketing,” which are the areas of expertise expected, Tomoyasu Miura possesses experience of serving in important positions at a think tank and consulting company, knowledge in a wide range of fields including IT, technological innovation, and new business creation, and abundant experience in management human resource development at a public interest incorporated foundation. Based on that, at Board of Directors meetings, he has raised questions and made comments on the Company’s business growth strategy and on IT and technological topics, appropriately fulfilling his role in ensuring the validity and appropriateness of the Company’s decision making.</p> <p>Furthermore, as a Remuneration Committee member, he played an appropriate role in determining officer remuneration, working to strengthen corporate governance.</p>

- Notes: 1. At the conclusion of the 100th Ordinary General Meeting of Shareholders held on June 23, 2022, the Company transitioned from a company with an audit & supervisory board to a company with a three-committee board structure. Therefore, the state of attendance to committees is provided from June 23, 2022 onward. Additionally, the state of attendance of Directors Minoru Sakuma and Fumitoshi Sato at Board of Directors meetings, etc. includes the number of times they attended as Outside Audit & Supervisory Board Members prior to the transition.
2. Because Director Shigeaki Yoshikawa and Tomoyasu Miura were elected at the 100th Ordinary General Meeting of Shareholders held on June 23, 2022, their attendance only applies to Board of Directors meetings held after their appointment.

#### 4. Accounting Auditor

- (1) Accounting Auditor's name: Deloitte Touche Tohmatsu LLC
- (2) Amount of remuneration during the fiscal year ended March 31, 2023

	Amount Paid
Amount of remuneration paid for services rendered as Accounting Auditor during the fiscal year ended March 31, 2022	90 million yen
Total cash and other remuneration paid by the Company and its subsidiaries to the Accounting Auditor	156 million yen

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

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

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

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

## 5. System and Policies of the Company

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

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

Regarding the Company's internal control system, the Board of Directors partially revised the Basic Policy for the Establishment of an Internal Control System at its meeting held on June 23, 2022. The revised Basic Policy for the Establishment of an Internal Control System and its current implementation are summarized as follows.

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

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

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

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

elements of internal control, including the control environment, and in the performance of business, and shall seek to maintain and improve the status of internal control by complying with relevant laws and regulations, business process manuals, etc.

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



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

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

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

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

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

their duties, and shall not interfere in the execution of that budget. However, this excludes cases where the Company demonstrates that the costs were not required for the performance of Audit Committee's duties.

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

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

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

#### 1. Compliance systems

- The azbil Group, guided by the Group philosophy of “human-centered automation,” has formulated the Guiding Principles for azbil Group Business and the azbil Group Code of Conduct, making efforts toward creating a corporate culture permeated by compliance awareness. To do so, the Company and its subsidiaries have appointed officers who are responsible for controlling and promoting company-wide compliance-related activities, and have designated compliance managers and compliance leaders to ensure thorough compliance, and to provide education and supervision with the cooperation of the department 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 we held meetings at subsidiaries in Southeast Asia and India area, China and South Korea. Furthermore, in managing the exports of the overall Group, we are implementing policies to strengthen our resilience to recent trends including trade friction between the U.S. and China and the situation in Ukraine.
- To promote compliance-related activities throughout the azbil Group, the Company has formed a permanent meeting structure to promote CSR related activities, where an officer of the Company in charge of compliance is appointed as chief officer, and officers in charge of compliance at each subsidiary are appointed as members. This organization creates action plans for the entire Group, managing progress and providing guidance to subsidiaries.
- The officers and employees of the Company and its subsidiaries may use the CSR Hotline, in Japan and abroad, to consult and report, pursuant to the Rules for the Consultation and Reporting System of aG employees. Unfair treatment of persons initiating consultations and reports is prohibited by these rules, and we have made this known internally. In the current fiscal year, we made Company and domestic subsidiaries well known about the details of the revisions in the revised Whistleblower Protection Act and organized our own rules. Furthermore, with the promulgation of the China Personal Information Protection Law, we created a structure using a unique CSR Hotline at our local Chinese offices.
- As contingency planning for responding to serious illegal or unethical acts, the Company and its Subsidiaries have formulated Rules for Reporting in Emergency and Serious Situations. Should such an emergency or serious situation occur, using the system provided, reports shall be made to the top management and Audit & Committee Members of any Subsidiary involved as well as to the Company’s top management and Audit Committee Members. Furthermore, regarding the state of response to emergency or serious situations and the implementation status of measures to prevent recurrence, reports are regularly made at Board of Directors meetings attended by Audit Committee Members.
- The Company’s Internal Audit Department conducts audits to verify the situation relating to (a) the promotion of compliance and the establishment of internal control procedures at the Company and its Subsidiaries; (b) operation and management with respect to the regulations stipulated in (2) below; and (c) the development of risk management systems in (3) below.

Furthermore, the Internal Audit Department provides diagnoses of the overall management control at overseas subsidiaries to further improve their management. These diagnostic reports are presented at meetings of the Board of Directors. In addition to thus encouraging improvement at individual subsidiaries, for cross-sectional improvement, a dedicated team was formed to tackle the issues highlighted in the diagnostic reports, implementing initiatives aimed at resolving them. In the current fiscal year, we expanded the scope of overseas subsidiaries and diagnosed overall management control and promoted initiatives to resolve issues.

- Regarding internal control associated with the reliability of financial reporting under the Financial Instruments and Exchange Act (J-SOX), we have been working to create awareness about the importance of internal control and to raise the standard of our internal control by issuing management messages on appropriate accounting procedures, and by implementing accounting compliance education and internal control education.

## 2. Storage and management of information

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

## 3. Risk management systems

- Pursuant to the azbil Group Risk Management Rules, the Company identifies—at Board of Directors meetings, following screening by the Comprehensive Risk Subcommittee and its superior body, the Comprehensive Risk Committee—serious risks for the azbil Group which may cause significant losses for the overall Group management. While strengthening the comprehensive risk management system and countermeasures, the Company also instructs its Subsidiaries, when necessary, to promote such measures within the Group. In the current fiscal year, the Company performed a comprehensive risk identification based on new standards including the level of impact and possibility of occurrence and established as key risks those risks that could have a serious impact and whose countermeasures require direct monitoring by management. The Company also clarified who is responsible for those risks and the risk owners that will carry out the countermeasures.
- The Board of Directors of each Subsidiary identifies its own serious risks. Countermeasures are then prepared and promoted, and the results of their implementation and risk mitigation are reported to their Board.
- The Company is also working to promptly resolve crises in the event of a reported emergency or major incident through the establishment of an Emergency Headquarters to deal with such events. The state of these activities are regularly reported to the Board of Directors.

## 4. System of efficient execution of duties

- The Officers and Employees of the Company and its Subsidiaries periodically develop a medium-term plan and an annual plan, and take actions based on such plans. We conduct regular reviews of the operational status, follow the progress of business execution, and

plan new measures.

- In accordance with the Rules for Division of Duties and other rules, the Company provides necessary support and guidance to its Subsidiaries to enhance the efficiency and standard of business operations of the Group as a whole.
- To ensure thorough deliberation by the Board of Directors, and while seeking ways to improve the operation of Board meetings, the Company and its Subsidiaries distribute materials related to the agenda in advance of meetings. In addition, the Company holds briefings for outside directors and outside members of the Audit & Supervisory Board regarding items scheduled for discussion at meetings of the Board of Directors.
- To improve the effectiveness of the Board of Directors and to make fuller use of the time available for deliberation at Board meetings, the Company facilitates the sharing of information by Board members using the Board of Directors Deemed Reporting and Information Reporting System. Additionally, we report some of the items at Board meetings—in other words, so-called deemed reporting by the Board of Directors, as recognized by Article 372 of the Companies Act.

#### 5. Group management system

- Pursuant to the azbil Group Management Basic Policy, for certain important items Subsidiaries report to or obtain approval from the Company's Board of Directors or the Management Meeting, which decides on business execution matters within the scope of the authority of the president & CEO.
- The management status of major Subsidiaries is reported at meetings of the Company's Board of Directors and Management Meeting, while business status and performance, as well as important management items relating to overseas Subsidiaries are reported via the Group's Global Meeting for overseas Subsidiaries.
- Furthermore, as the response to issues that occurred in certain LP gas meters, in addition to implementing an inspection of the meter development process, we also implemented an inspection of the development process throughout the azbil Group.

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

- The Company has established an Audit Committee Office in the Internal Audit Division to which it has assigned three staff members with dedicated responsibility to assist the duties of the Audit Committee, performing their duties under the direction and instruction of the Audit Committee. Personnel transfers are decided with the consent of the Audit Committee, and the performance evaluation of the Audit Committee Office Manager is determined through an evaluation by the Audit Committee. Furthermore, personnel rotations, performance evaluations, and the budget for the Executive Officer responsible for the Internal Audit Division and the Internal Audit Division Manager are determined with the consent of the Audit Committee.
- Regarding matters raised or reported via the aforementioned CSR Hotline by Officers and Employees of the Company and its Subsidiaries, the Internal Audit Department reports on these to the Audit Committee on a monthly basis, and the detailed reports are presented at the quarterly liaison meetings for the Audit Committee.
- The Company bears and promptly handles expenses incurred by Audit Committee

Members in the performance of their duties.

- The Audit Committee Members attend meetings of the Board of Directors and other important meetings including those of the Management Meeting, inspect key approval forms and other documents related to the execution of business, and request explanations from the Officers and Employees, regularly or when necessary. In addition, the Audit Committee may obtain the opinion of lawyers, with whom they have individually concluded advisory contracts, as appropriate.
- The Company's Audit Committee regularly hold meetings with the Directors, Corporate Executives, the Internal Audit Department, the accounting auditor, the Directors and the Audit & Supervisory Board members of Subsidiaries to share information, communicate and provide reports, and exchange opinions and information as needed to improve the efficacy of audits.

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

Not applicable

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

For the azbil Group, returning profits to our shareholders is an important priority for management. While striving to raise the level of dividends, our basic policy is to maintain dividend stability, taking into consideration the consolidated financial results and such indicators as levels of dividend on equity (DOE), return on equity (ROE), and retained earnings required for actively investing in growth to ensure future business development, and for ensuring a healthy financial foundation.

Under the medium-term plan (FY2021–2024), as strategic investments for future business development and growth, we are planning to actively engage in collaborative projects with other companies and invest in other companies to expand our business; to upgrade and reinforce our advanced global development and production systems; to expand our lineup of products and services; and to invest in human capital. Additionally, we are striving to ensure business continuity necessary to meet unexpected contingencies such as natural disasters. From FY2021 to FY2022, we have increased our R&D expenses, made the necessary capital investment to enhance the functions of our R&D base (Fujisawa Technology Center), and constructed a new factory building at our Dalian production subsidiary in China. Going forward, as well as making steady progress with such investments for growth, we will continue to promote shareholder returns, in accordance with the basic policy above, while ensuring that we maintain a healthy financial foundation.

As to specifics regarding the distribution of profits to our shareholders, regarding the dividend for the fiscal year ended March 31, 2023, it had been planned to make the annual dividend 65 yen per share, an increase of 5 yen per share compared with FY2021. Despite the impact of parts shortages and price hikes, progress has been made with strengthening corporate profitability and financial results for the fiscal year ended March 31, 2023, have exceeded the financial plan announced on November 8, 2022. Reflecting our robust financial results, including record profits in both operating income and net income attributable to owners of parent, it is planned to increase the year-end dividend by 1 yen above the level previously announced, and pay an annual dividend of 66 yen per share, representing an increase of 6 yen. This will be proposed at this Ordinary General Meeting of Shareholders. Consequently, DOE for the fiscal year ended March 31, 2023 is expected to improve to 4.4%.

In addition to the above, based on the present status and outlook for our businesses and financial results, we plan to execute a disciplined capital policy, further increasing capital

efficiency, and providing higher shareholder returns, while implementing a flexible capital policy able to respond to a changing business environment. For this purpose, we will repurchase the Company's own stock up to a maximum of 10.0 billion yen (or maximum of 400 million shares) between May 15, 2023 and September 22, 2023. Also, to allay concerns about future dilution, on October 31, 2023, we will cancel all of the treasury shares thus acquired.

As mentioned above, the azbil Group will continue its ongoing efforts to improve the return of profits to our shareholders.



(Reference) Our approach to corporate governance

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

#### Corporate Governance System

The Company has transitioned from having an Audit & Supervisory Board to having a three-committee board structure, following the approval of a proposal to amend its Articles of Incorporation at the 100th Ordinary General Meeting of Shareholders held on June 23, 2022. Accompanying this transition to a three-committee board structure, three statutory committees – the Nomination Committee, Audit Committee, and Remuneration Committee – have been established, each consisting of a majority of Independent Outside Directors and being chaired by an Independent Outside Director. In addition, by substantially transferring business execution authority from the Board of Directors to Corporate Executives with clear legal responsibilities, we are clearly separating supervisory and execution functions to ensure a business execution system based on flexible and efficient decision making, while at the same time enhancing the objective supervision of management.

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

The Board of Directors is convened monthly in principle, to discuss and consider legal issues, and other important managerial matters as the highest decision-making body for management and provide a major direction, and to exercise appropriate supervision over execution in order to reflect opinions of stakeholders. In business execution, the management meetings, which Corporate Executives and Executive Officers with titles attend, have been established to serve as an executive-level advisory body to assist President & Group CEO in making decisions, and are attended by the full-time Audit Committee Member to ensure the effectiveness of monitoring. The management meetings 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, 2023, the Company has appointed a total of 12 Directors, including four (4) who are involved in business execution and have accumulated experience in the Company's business, management and audits (Hirozumi Sone, Kiyohiro Yamamoto, Takayuki Yokota, and Hisaya Katsuta), as well as eight (8) who are Independent Outside Directors and have independence, broad experience, a wealth of expertise and knowledge, and rich diversity in the form of nationality and gender (Takeshi Itoh, Waka Fujiso, Mitsuhiro Nagahama, Anne Ka Tse Hung, Minoru Sakuma, Fumitoshi Sato, Shigeaki Yoshikawa, and Tomoyasu Miura). Independent Outside Directors have reached the majority of the Board of Directors. In addition to working diligently to contribute to enhancement of the Company's enterprise value through appropriate oversight and advice during the decision-making process at Board of Directors meetings, these Independent Outside Directors regularly exchange opinions with Corporate Executives through a Liaison Meeting for Directors and Corporate Executives and other

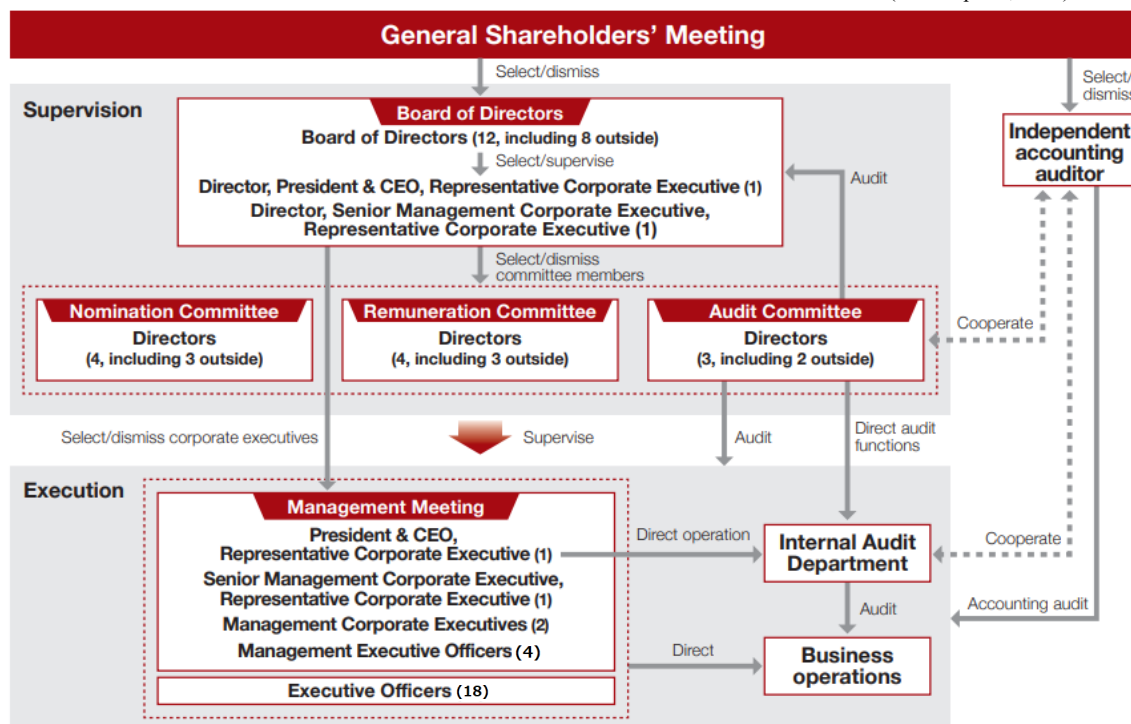
opportunities. Moreover, we established the skills expected of the Directors with respect to the realization of the Company's medium-term plan and other management strategies, and confirmed the independence, diversity, and expected skills of the current Board of Directors.

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

Moreover, the Company has concluded Officer Liability Policies with an insurance company as stipulated in Article 430-3 Paragraph 1 of the Companies Act, with the Company's Directors, Corporate Executives, and Executive Officers and its subsidiaries' Directors, Audit & Supervisory Board Members, and Executive Officers being included in the scope of the insured persons. Per the liability policies, the insurance company will cover damages incurred by the insured persons in bearing responsibility for the execution of their duties or as a result of claims received in pursuit of these responsibilities. However, as a measure to ensure that the appropriateness of the duties of the insured persons is not lost, damages resulting from negligence, illegal personal profit sharing, and criminal actions are not covered. Furthermore, the insured persons are not responsible for the insurance premiums.

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

(As of April 1, 2023)



## Status of Activities of the Board of Directors

In fiscal year 2022, the Board of Directors met a total of 12 times. The 12 Directors attended all of the meetings. Major items discussed at the Board of Directors meetings are as follows.

Items resolved	Medium-term plan, budget development, CSR management plan, selection of major risks, establishment and revision of policies regarding corporate governance, capital policies including sale of strategic shareholdings, appointment of Corporate Executives, appointment of committee members, approval for financial results, and other matters
Items reported	Reports on execution of duties from each statutory committee, reports on execution of duties from Corporate Executives, reports on the status of operation of internal control systems, reports on the status of CSR management, reports on the status of management of group companies in Japan and overseas, business portfolio review, and other reports
Free discussion	Discussions on strategies toward medium- to long-term business growth, and other discussions

As for the effectiveness of the Board of Directors, upon collecting the self-evaluations and opinions, 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 2022, the Company used a third-party organization for the purpose of ensuring objectivity in design/implementation of a questionnaire sent to each Director and its collection/analysis, and further enhancing the future effectiveness of the Board of Directors.

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

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

### (Nomination Committee)

As of March 31, 2023, for the Nomination Committee, Takeshi Itoh (Independent Outside Director) serves as the Committee chairperson, Anne Ka Tse Hung (Independent Outside Director), Shigeaki Yoshikawa (Independent Outside Director), and Kiyohiro Yamamoto (Director, President and Group CEO) serve as committee members, with Independent Outside Directors comprising a majority of the Committee. In fiscal year 2022, the Nomination Committee met nine (9) times, and three (3) members of the Nomination Committee (Takeshi Itoh, Anne Ka Tse Hung, and Shigeaki Yoshikawa) attended all of the meetings, and one (1) member (Kiyohiro Yamamoto) participated in eight (8) of them. Specific items considered by the Nomination Committee are as follows.

Items implemented	Specific contents of consideration
Action plans for the current fiscal year	While sharing information on the status of activities of the Nomination and Remuneration Committee, an optional committee that served until the previous fiscal year, the Nomination Committee considered and determined annual action plans for the committee in the current fiscal year, and other matters.

Determination of contents of proposals concerning candidates for Directors for the next term	In considering the Board of Directors structure for the next term (fiscal year 2023), the Nomination Committee confirmed views on the selection and the state of consideration, and deliberated and determined candidates for Directors for the next term.
Consideration of candidates for Corporate Executives for the next term and candidates for Executive Officers for the next term	As for the Corporate Executive structure and the Executive Officer structure for the next term (fiscal year 2023), the Nomination Committee confirmed views for the selection and the state of consideration, as well as the selection of candidates for Corporate Executives for the next term and candidates for Executive Officers for the next term.
Selection of successor candidates and confirmation of individual training plans	The Nomination Committee shared a profile of needed successor and the judgment criteria for promotion, and confirmed the selection and training process and the training status of successor candidates based on the development of leadership personnel.
Consideration regarding global personnel	The Nomination Committee confirmed the status of promotion of overseas business, and shared information and exchanged opinions on needed global personnel and the state and method of recruitment, while confirming appointment of global Executive Officers and the structure of executives of overseas subsidiaries.

(Audit Committee)

As of March 31, 2023, for the Audit Committee, Fumitoshi Sato (Independent Outside Director) serves as the Committee chairperson, Minoru Sakuma (Independent Outside Director) and Hisaya Katsuta (Non-executive inside Director) serve as committee members, with Independent Outside Directors comprising a majority of the Committee. Two (2) Independent Outside Directors and one (1) Non-executive inside Director who is versed in the Company's businesses formulate audit plans together with the Internal Audit Department and conduct multifaceted auditing activities, and the internal Audit Committee Member serves on a full-time basis, to enhance the effectiveness of audits by the Audit Committee. The Audit Committee chairperson Fumitoshi Sato has experience as the person responsible for the creation of financial statements as the officer in charge of accounting and finance at another operating company over many years and thus has a wealth of knowledge concerning financial affairs and accounting. Furthermore, the Company established an Audit Committee Office, an organization dedicated to assisting the Audit Committee in its duties, with three (3) staff members assigned to assist the Audit Committee in the execution of its duties.

The Audit Committee convenes in principle once a month and holds ad-hoc meetings, as necessary. In fiscal year 2022, it convened a total of 11 times and the three (3) Audit Committee

Members participated in all of the meetings. Specific items considered by the Audit Committee are as follows.

Items implemented	Specific contents of consideration
Auditing policy, audit implementation plan, and task division for the current fiscal year	The Audit Committee considered an organizational auditing structure including the Internal Audit Department after the transition to a company with a three-committee board structure, and determined the auditing policy, audit implementation plan and task division.
Consideration of the Audit Committee Rules, and establishment of the Audit Committee Auditing Standards, and other rules	The Audit Committee considered the Audit Committee Rules that fit the actual condition of the Company, and set the Audit Committee Auditing Standards, and others by reference to rules, standards and other regulations established by the Japan Audit & Supervisory Board Members Association.
Consideration of revision of the basic policy for establishing internal control systems	The Audit Committee considered incorporating measures to ensure independence of Executive Officer in charge of internal audits, the head of the Internal Audit Department, and the Audit Committee Office from Corporate Executives, and others.
Cooperation with the Internal Audit Department	The Executive Officer in charge of internal audits and the head of the Internal Audit Department also attended Audit Committee meetings to exchange information and opinions on the status of implementation of audits by the Audit Committee and internal audits.
Evaluation of the Accounting Auditor	Based on the evaluation criteria for the Accounting Auditor, the Audit Committee evaluated the appropriateness of audits, independence, audit quality, and other matters through listing to regular reports on audits, etc. and to evaluation of the Accounting Audit by the Accounting Department, etc., witnessing audits, and other means.
Status of audit activities by the full-time Audit Committee Member	The full-time Audit Committee Member shared information with outside Audit Committee Members on audit activities including attending important meetings such as management meetings, reviewing important documents such as approval forms, investigation of operations of departments and business sites.

The Audit Committee Members determined the task division, and performed attendance at the Board of Directors meetings and a Liaison Meeting for Directors and Corporate Executives, exchange of opinions with Corporate Executives, Executive Officers and President of subsidiaries, investigation of business operations of departments, business sites and subsidiaries, sharing of the audit plan and audit results with the Internal Audit Department, participation in certain operation audits performed by the Internal Audit Department as an observer, communication and exchange

of information with Audit & Supervisory Board Members of subsidiaries in Japan, listing to explanations on the status of implementation of audits and audit results, consideration of items, contents, etc. of key audit matters (KAM), and other matters from the Accounting Auditor.

Furthermore, all Audit Committee Members including outside Audit Committee Members were appointed as select Audit Committee Members, and outside Audit Committee Members also conducted many audit operations including meetings to exchange opinions with Corporate Executives and Executive Officers. Moreover, Audit Committee Members discussed internal issues, other companies' instances of fraud, and other matters.

Continuing from last fiscal year, though audit activities were affected by COVID-19 to some degree, the Audit Committee used a mix of visiting audits and remote surveys using an online conferencing system. Furthermore, on-site visiting audits were also resumed for overseas subsidiaries.

(Remuneration Committee)

As of March 31, 2023, for the Remuneration Committee, Mitsuhiro Nagahama (Independent Outside Director) serves as the Committee chairperson, Waka Fujiso (Independent Outside Director), Tomoyasu Miura (Independent Outside Director), and Takayuki Yokota (Director, Representative Senior Managing Corporate Executive) serve as committee members, with Independent Outside Directors comprising a majority of the Committee. In fiscal year 2022, the Remuneration Committee met seven (7) times and all the four (4) Remuneration Committee Members attended all of the meetings. Specific items considered by the Remuneration Committee are as follows.

Items implemented	Specific contents of consideration
Determination of policies for determining details of remuneration for Directors and Corporate Executives	In line with the transition of organizational design to a company with a three-committee board structure, the Remuneration Committee determined policies for determining details of remuneration for Directors and Corporate Executives and a new remuneration plan for officers including the introduction of stock-based compensation.
Determination of individual remuneration for Directors and Corporate Executives	Based on the above determination policies, the Remuneration Committee determined details of individual remuneration for Directors and Corporate Executives during the period from July 2022 to June 2023.
Establishment of rules in line with the introduction of a stock compensation plan for officers	In line with the introduction of a stock compensation plan for officers, the Remuneration Committee considered and established the content of rules for stock-based compensation for officers.
Confirmation of the external environment as for officers' remuneration	The Remuneration Committee made regular confirmation of the current remuneration plan for officers and the remuneration level in light of information on other companies

	and general trends provided by external specialized institutions, etc.
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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 establishing guiding principles for business to implement this philosophy, the azbil Group sets its SDGs goals (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 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 meeting body to promote CSR related activities, where an officer of the Company in charge of compliance is appointed as chief officer and officers of each group company in charge of compliance are appointed as members, where creating action plans for the overall Group, managing progress, and providing guidance to Subsidiaries are conducted. We also maintain a system for the early discovery of misconduct through our internal reporting system. Furthermore, we receive the advice and support from legal advisers, certified public accountants and external experts as necessary regarding the overall execution of business operations.

The business report is listed as follows.

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

## Consolidated Financial Statements

### Consolidated Balance Sheet

(Millions of yen)

	101st term As of March 31, 2023		101st term As of March 31, 2023
<b>Assets</b>		<b>Liabilities</b>	
<b>Current assets</b>	<b>219,710</b>	<b>Current liabilities</b>	<b>79,015</b>
Cash and deposits	62,006	Notes and accounts payable - trade	24,705
Notes receivable - trade	15,902	Short-term borrowings	8,812
Accounts receivable - trade	65,431	Income taxes payable	8,692
Contract assets	15,765	Contract liabilities	6,748
Securities	16,700	Provision for bonuses	12,024
Merchandise and finished goods	8,090	Provision for bonuses for directors (and other officers)	142
Work in process	6,845	Provision for product warranties	2,947
Raw materials	22,230	Provision for loss on orders received	83
Other	7,129	Other	14,859
Allowance for doubtful accounts	(391)	<b>Non-current liabilities</b>	<b>11,978</b>
<b>Non-current assets</b>	<b>77,163</b>	Long-term borrowings	3,602
<b>Property, plant and equipment</b>	<b>38,265</b>	Deferred tax liabilities for land revaluation	181
Buildings and structures	21,835	Retirement benefit liability	1,670
Machinery, equipment and vehicles	3,704	Provision for retirement benefits for directors (and other officers)	183
Tools, furniture and fixtures	2,673	Provision for share awards	2,291
Land	6,514	Provision for share awards for directors (and other officers)	42
Leased assets	2,603	Other	4,006
Construction in progress	932	<b>Total liabilities</b>	<b>90,993</b>
<b>Intangible assets</b>	<b>6,167</b>	<b>Net assets</b>	
Software	4,631	<b>Shareholders' equity</b>	<b>189,051</b>
Other	1,535	Share capital	10,522
<b>Investments and other assets</b>	<b>32,730</b>	Capital surplus	11,670
Investment securities	19,620	Retained earnings	199,249
Deferred tax assets	5,116	Treasury shares	(32,391)
Retirement benefit asset	5	<b>Accumulated other comprehensive income</b>	<b>13,768</b>
Other	8,140	Valuation difference on available-for- sale securities	9,270
Allowance for doubtful accounts	(152)	Deferred gains or losses on hedges	(100)
		Foreign currency translation adjustment	4,546
		Remeasurements of defined benefit plans	51
		<b>Non-controlling interests</b>	<b>3,060</b>
<b>Total assets</b>	<b>296,873</b>	<b>Total net assets</b>	<b>205,880</b>
		<b>Total liabilities and net assets</b>	<b>296,873</b>

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



## Consolidated Statement of Income

(Millions of yen)

	101st term April 1, 2022 to March 31, 2023
<b>Net sales</b>	<b>278,406</b>
<b>Cost of sales</b>	<b>166,467</b>
<b>Gross profit</b>	<b>111,938</b>
<b>Selling, general and administrative expenses</b>	<b>80,687</b>
<b>Operating income</b>	<b>31,251</b>
<b>Non-operating income</b>	<b>1,504</b>
Interest and dividend income	872
Foreign exchange gains	413
Other	219
<b>Non-operating expenses</b>	<b>616</b>
Interest expenses	147
Other	468
<b>Ordinary income</b>	<b>32,140</b>
<b>Extraordinary income</b>	<b>2,683</b>
Gain on sale of non-current assets	6
Gain on sale of investment securities	2,677
<b>Extraordinary losses</b>	<b>2,705</b>
Loss on sale and retirement of non-current assets	204
Provision for product warranties	2,495
Loss on sale of shares of subsidiaries and associates	5
Loss on sale of investment securities	0
<b>Income before income taxes</b>	<b>32,118</b>
Income taxes - current	10,279
Income taxes - deferred	(1,466)
<b>Net income</b>	<b>23,306</b>
Net income attributable to non-controlling interests	703
<b>Net income attributable to owners of parent</b>	<b>22,602</b>

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

## Consolidated Statement of Changes in Net Assets

(Millions of yen)

101st term April 1, 2022 to March 31, 2023	Shareholders' equity				
	Share capital	Capital surplus	Retained earnings	Treasury shares	Total shareholders' equity
Balance at beginning of period	10,522	11,670	190,263	(23,667)	188,789
Changes during period					
Dividends of surplus			(8,614)		(8,614)
Net income attributable to owners of parent			22,602		22,602
Purchase of treasury shares				(15,221)	(15,221)
Disposal of treasury shares		0		1,495	1,495
Cancellation of treasury shares		(5,002)		5,002	-
Transfer from retained earnings to capital surplus		5,002	(5,002)		-
Net changes in items other than shareholders' equity					
Total changes during period	-	(0)	8,986	(8,724)	261
Balance at end of period	10,522	11,670	199,249	(32,391)	189,051

101st term April 1, 2022 to March 31, 2023	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	9,173	(74)	2,442	(16)	11,524	2,827	203,141
Changes during period							
Dividends of surplus							(8,614)
Net income attributable to owners of parent							22,602
Purchase of treasury shares							(15,221)
Disposal of treasury shares							1,495
Cancellation of treasury shares							-
Transfer from retained earnings to capital surplus							-
Net changes in items other than shareholders' equity	97	(25)	2,104	67	2,243	233	2,477
Total changes during period	97	(25)	2,104	67	2,243	233	2,738
Balance at end of period	9,270	(100)	4,546	51	13,768	3,060	205,880

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

## Non-Consolidated Financial Statements

### Non-consolidated Balance Sheet

		(Millions of yen)	
		101st term	101st term
		As of March 31, 2023	As of March 31, 2023
<b>Assets</b>			
<b>Current assets</b>	<b>150,192</b>	<b>Liabilities</b>	<b>49,596</b>
Cash and deposits	32,885	Current liabilities	49,596
Notes receivable - trade	11,113	Accounts payable - trade	7,443
Accounts receivable - trade	36,336	Accounts payable for construction contracts	3,057
Accounts receivable from completed construction contracts	27,658	Short-term borrowings	4,500
Securities	16,700	Accounts payable - other	1,070
Merchandise and finished goods	4,156	Accrued expenses	5,799
Work in process	3,158	Income taxes payable	7,420
Costs on construction contracts in progress	611	Accrued consumption taxes	600
Raw materials	8,845	Advances received	1,196
Short-term loans receivable from subsidiaries and associates	1,631	Advances received on construction contracts in progress	1,066
Accounts receivable - other	3,434	Deposits received	2,204
Prepaid expenses	2,986	Deposits received from subsidiaries and associates	3,921
Other	728	Provision for bonuses	9,885
Allowance for doubtful accounts	(56)	Provision for bonuses for directors (and other officers)	98
<b>Non-current assets</b>	<b>72,688</b>	Provision for product warranties	376
<b>Property, plant and equipment</b>	<b>24,037</b>	Provision for loss on orders received	46
Buildings	17,089	Other	906
Structures	438	<b>Non-current liabilities</b>	<b>7,017</b>
Machinery and equipment	1,815	Long-term borrowings	3,602
Vehicles	7	Provision for share awards	2,291
Tools, furniture and fixtures	1,702	Provision for share awards for directors (and other officers)	42
Land	2,498	Other	1,081
Leased assets	81	<b>Total liabilities</b>	<b>56,614</b>
Construction in progress	403	<b>Net assets</b>	
<b>Intangible assets</b>	<b>5,537</b>	<b>Shareholders' equity</b>	<b>157,181</b>
Software	4,262	<b>Share capital</b>	<b>10,522</b>
Other	1,275	<b>Capital surplus</b>	<b>17,197</b>
<b>Investments and other assets</b>	<b>43,112</b>	Legal capital surplus	17,197
Investment securities	16,395	<b>Retained earnings</b>	<b>161,852</b>
Shares of subsidiaries and associates	14,835	Legal retained earnings	2,519
Investments in capital of subsidiaries and associates	1,964	Other retained earnings	159,332
Long-term loans receivable from subsidiaries and associates	3,012	Reserve for tax purpose reduction entry of non-current assets	2,084
Leasehold deposits	2,767	General reserve	51,811
Deferred tax assets	2,506	Retained earnings brought forward	105,436
Other	1,703	<b>Treasury shares</b>	<b>(32,391)</b>
Allowance for doubtful accounts	(73)	<b>Valuation and translation adjustments</b>	<b>9,085</b>
<b>Total assets</b>	<b>222,881</b>	Valuation difference on available-for-sale securities	9,085
		<b>Total net assets</b>	<b>166,267</b>
		<b>Total liabilities and net assets</b>	<b>222,881</b>

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

## Non-consolidated Statement of Income

(Millions of yen)

	101st term April 1, 2022 to March 31, 2023
<b>Net sales</b>	<b>184,349</b>
Net sales of finished goods and others	118,680
Net sales of completed construction contracts	65,668
<b>Cost of sales</b>	<b>103,394</b>
Cost of sales of finished goods and others	64,334
Cost of sales of completed construction contracts	39,059
<b>Gross profit</b>	<b>80,955</b>
Gross profit - finished goods and others	54,346
Gross profit on completed construction contracts	26,609
<b>Selling, general and administrative expenses</b>	<b>58,077</b>
<b>Operating income</b>	<b>22,877</b>
<b>Non-operating income</b>	<b>5,250</b>
Interest income	192
Dividend income	4,409
Foreign exchange gains	549
Reversal of allowance for doubtful accounts	58
Other	40
<b>Non-operating expenses</b>	<b>204</b>
Interest expenses	28
Commitment fees	19
Office relocation expenses	111
Commission for purchase of treasury shares	38
Other	5
<b>Ordinary income</b>	<b>27,923</b>
<b>Extraordinary income</b>	<b>2,457</b>
Gain on sale of non-current assets	1
Gain on sale of investment securities	2,456
<b>Extraordinary losses</b>	<b>1,307</b>
Loss on sale and retirement of non-current assets	53
Burden of loss on subsidiaries and associates	1,247
Loss on sale of shares of subsidiaries and associates	5
Loss on sale of investment securities	0
<b>Income before income taxes</b>	<b>29,073</b>
Income taxes - current	7,806
Income taxes - deferred	(555)
<b>Net income</b>	<b>21,822</b>

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

## Non-consolidated Statement of Changes in Net Assets

(Millions of yen)

101st term April 1, 2022 to March 31, 2023	Shareholders' equity							
	Share capital	Capital surplus			Legal retained earnings	Retained earnings		
		Legal capital surplus	Other capital surplus	Total capital surplus		Reserve for tax purpose reduction entry of non- current assets	General reserve	Retained earnings brought forward
Balance at beginning of period	10,522	17,197	0	17,197	2,519	2,198	51,811	97,117
Changes during period								
Reversal of reserve for tax purpose reduction entry of non-current assets						(113)		113
Dividends of surplus								(8,614)
Net income								21,822
Purchase of treasury shares								
Disposal of treasury shares			0	0				
Cancellation of treasury shares			(5,002)	(5,002)				
Transfer from retained earnings to capital surplus			5,002	5,002				(5,002)
Net changes in items other than shareholders' equity								
Total changes during period	—	—	(0)	(0)	—	(113)	—	8,319
Balance at end of period	10,522	17,197	—	17,197	2,519	2,084	51,811	105,436

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

(Millions of yen)

101st term April 1, 2022 to March 31, 2023	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	153,646	(23,667)	157,699	9,125	9,125	166,825
Changes during period						
Reversal of reserve for tax purpose reduction entry of non-current assets	—		—			—
Dividends of surplus	(8,614)		(8,614)			(8,614)
Net income	21,822		21,822			21,822
Purchase of treasury shares		(15,221)	(15,221)			(15,221)
Disposal of treasury shares		1,495	1,495			1,495
Cancellation of treasury shares		5,002	—			—
Transfer from retained earnings to capital surplus	(5,002)		—			—
Net changes in items other than shareholders' equity				(39)	(39)	(39)
Total changes during period	8,206	(8,724)	(518)	(39)	(39)	(558)
Balance at end of period	161,852	(32,391)	157,181	9,085	9,085	166,267

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

## **Independent Auditor's Report**

May 15, 2023

To the Board of Directors  
Azbil Corporation

Deloitte Touche Tohmatsu LLC Tokyo Office  
Seiji Oguchi, CPA  
Designated Limited Liability Partner,  
Engagement Partner  
Koji Kusano, 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, 2022 to March 31, 2023.

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, 2023 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 Committee is responsible for overseeing the execution of duties by the Corporate Executives and the Directors in designing and operating the reporting process of the other described content.

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

As 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 and the Audit Committee for the Consolidated Financial Statements

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

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

The Audit Committee is responsible for overseeing the Corporate Executives' and the Directors' performance of duties within the maintenance and operation of the financial reporting process.

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

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

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



- Identify and assess the risks of material misstatement, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Selecting audit procedures to be applied is at the discretion of the auditor. 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 Committee 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 Committee with a statement that we have complied with relevant ethical requirements in Japan regarding independence, and communicate with them all relationships and other matters that may reasonably be 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 15, 2023

To the Board of Directors  
Azbil Corporation

Deloitte Touche Tohmatsu LLC Tokyo Office  
Seiji Oguchi, CPA  
Designated Limited Liability Partner,  
Engagement Partner  
Koji Kusano, 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 101st fiscal year from April 1, 2022 to March 31, 2023.

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, 2023 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 Committee is responsible for overseeing the execution of duties by the Corporate Executives and the Directors in designing and operating the reporting process of the other described content.

The scope of our audit opinion on the 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 and the Audit Committee 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.

The Audit Committee is responsible for overseeing the Corporate Executives' and the Directors' performance of duties within the maintenance and operation of the financial reporting process.

#### Auditor's Responsibilities for the Audit of the 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 Committee 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 Committee with a statement that we have complied with relevant ethical requirements in Japan regarding independence, and communicate with them all relationships and other matters that may reasonably be 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 Committee has audited the execution of duties by Directors and Corporate Executives for the 101st fiscal year from April 1, 2022 to March 31, 2023. We hereby submit the methods and results of the audit as follows:

### 1. Auditing methods and details thereof

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

- (1) In compliance with the standards for the Audit Committee's audit set out by the Audit Committee and based on the auditing policies, the audit plan for the current fiscal year, division of duties and other guidelines, the Audit Committee, in cooperation with the Internal Audit Department, received reports from the Directors and Corporate Executives, etc., on the execution of their duties, and requested their explanations as required from time to time, while making use of online conferencing systems. Also, the Audit Committee has examined important authorized documents and associated information, and investigated the operations and financial conditions at headquarters and principal offices. With respect to subsidiaries, the Audit Committee communicated and exchanged information with Directors and Audit & Supervisory Board Members of subsidiaries, and received reports from them when necessary.
- (2) The Audit Committee monitored and verified that the Accounting Auditor maintains independence and conducts the audits appropriately. The Audit Committee also received 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 and results 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 key audit matters, the Audit Committee Members received reports from Deloitte Touche Tohmatsu LLC, the Accounting Auditor, concerning the status of their audit implementation and requested explanations as necessary.

Based on the above-mentioned method, we reviewed the business report and the accompanying supplementary schedules, the consolidated financial statements (consolidated balance sheet, consolidated statement of income, consolidated statement of changes in net assets and consolidated tables of explanatory notes) and the non-consolidated financial statements (non-consolidated balance sheet, non-consolidated statement of income, non-consolidated statement of changes in net assets and non-consolidated tables of explanatory notes), the supplementary schedules thereto, for the fiscal year ended March 31, 2023.

### 2. Results of audit

- (1) Results of audit of business report and other relevant documents
  - (i) The business report and supplementary schedules present fairly the financial condition of the Company in conformity with related laws and regulations and the Articles of Incorporation of the Company.

- (ii) Regarding the execution of duties by Directors and Corporate Executives, there were no instances of misconduct or material matters in violation of laws and regulations, nor of the Articles of Incorporation of the Company.
  - (iii) The resolution of the Board of Directors regarding the internal control system is fair and reasonable. There are no matters requiring additional comment regarding the contents of the business report on such internal control and the execution of duties by Directors and Corporate Executives.
- (2) Results of audit of consolidated financial statements
- The auditing methods and results of the Accounting Auditor, Deloitte Touche Tohmatsu LLC, are fair and reasonable.
- (3) Results of audit of non-consolidated financial statements and supplementary schedules
- The auditing methods and results of the Accounting Auditor, Deloitte Touche Tohmatsu LLC, are fair and reasonable.

May 19, 2023

The Audit Committee, Azbil Corporation

Fumitoshi Sato,  
Audit Committee Chairperson

Minoru Sakuma,  
Audit Committee Member

Hisaya Katsuta,  
Full-time Audit Committee Member

- Notes: 1. Audit Committee Chairperson Fumitoshi Sato and Audit Committee Member Minoru Sakuma are Outside Directors of the Company under Article 2, Item 15 and Article 400, Paragraph 3 of the Companies Act.
2. At the conclusion of the 100th Ordinary General Meeting of Shareholders held on June 23, 2022, the Company transitioned from a company with an audit & supervisory board to a company with a three-committee board structure. The status of the Company from April 1, 2022 to the conclusion of the Ordinary General Meeting of Shareholders held on June 23, 2022 is based on information passed on from the Audit & Supervisory Board Members and the Audit & Supervisory Board.