



Q1 What are the strengths and characteristics of the azbil Group?

Creating unique value through the combination of human resources, products and services, and mechanisms

The azbil Group is a corporate group that deals in automation intended to create harmony between human ingenuity and machines and humans and technology through “measurement and control” technologies, and has an active role in supporting society. The customers’ site is like a stage, and automation is essential to every kind of stage. I think of the azbil Group as that kind of existence. The broad extent of our business fields on every kind of stage, as I just said, is one of our major characteristics. We are involved in automation in fields such as buildings, factories, plants, and lifestyle infrastructure, and our business fields cover a variety of industries and social infrastructure.

These strengths of the azbil Group, combined with the assets we have accumulated over many years, allow us to provide solutions that are difficult to imitate. We have measurement and control devices filled with technology,

we have mechanisms that leverage advanced DX, and we have human resources who actually handle those things and work together with customers to constantly build new things on-site.

That positive balance among products, mechanisms, and human resources is what gives us the power to protect customers’ assets such as buildings, factories, and plants over the long term.

One example that demonstrates the unique qualities of the azbil Group is the development of building energy management systems (BEMS), which have now become standard. In the early 2000s, working together with a customer, we successfully built an advanced building after following a series of processes beginning from the conception of the system’s design and leading on to development, installation, and energy data analysis.

As a result, not only did we win an Award of Technology from the Society of Heating, Air-Conditioning and Sanitary Engineers of Japan but also received a 10 Year Award from the same society for consistently producing results over 10 years after completion. It was an initiative that perfectly captures the essence of the azbil Group in the way we conceive of new things, breathe life into them and

Message from the CEO

As the roles and opportunities of the automation business grow, we will broadly support society with “measurement and control” and contribute “in series” to the achievement of a sustainable society.

Kiyohiro Yamamoto

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

continue them while paying close attention to the on-site situation. I personally participated in this project as a system engineer and as a sales representative, and I spent a lot of time at the site, so it is a project I feel a lot of attachment to.

I believe that this attitude of creating value on-site is going to gain more and more prominence in the future as one of the Group's strengths. As society undergoes great changes and the expectations of companies, environmentally and in other areas, grow in diversity and complexity, our customers will need to be even more proactive about trying new things. The employees of the azbil Group visit customers, offer up ideas, get physically involved and labor side-by-side with them. As we continue that process, I am confident that the Group will also make new gains and that new paths will open up for us.

Q2 Which of the philosophies and ways of thought that the azbil Group has inherited are most important to you?

Build a future for the earth by creating value through “human-centered automation”

The philosophy of the azbil Group has evolved from “freeing people from drudgery,” which was the spirit of our founding in 1906, to the current “human-centered automation.” This transition, where we kept up with the times while staying close to people, is the essence of our group itself, and it is a framework that I believe we should treasure.

Automation technology has evolved into something that delivers safety, comfort, and fulfillment to people. Right now, the development of these automation technologies is leading directly to the preservation of the global environment. This is a common saying known worldwide that states: “We don't inherit the Earth from our ancestors; we borrow it from our children.” For the azbil Group, the act of creating new value through our business is a way of passing on the future to those children. I hope that these words will reach all of our employees and that they will gain a sense of growth and satisfaction from their work.

Q3 What is your view of the current market environment?

We will use new social issues and technological advances as business opportunities for growth

The market environment has continued to change drastically after the COVID-19 pandemic. The azbil Group has also paid close attention and responded to such issues as inflation, supply chain disruptions, and rising geopolitical risks, which are presenting adverse challenges to many companies. In Japan, there are also changes in the societal structure such as aging and the falling population to contend with. In addition, demands from society continue to change and grow. Carrying out initiatives aimed at achieving carbon neutrality (CN) and nature positivity (NP) is becoming a major theme globally. Many companies are facing the need to make investments that exceed the extent of the energy-saving measures they have been carrying out to date. Automation will need to evolve in order to lower environmental impacts even more than before. In other words, this situation is a prime opportunity for the azbil Group. If we are able to meet the expectations of customers, it will prove to be a major opportunity for growth.

Apart from that, we are also paying attention to the popularization of AI in recent times because of the affinity between AI and measurement and control technology. The azbil Group has focused on developing and introducing systems that use AI for some time now. I think generative AI holds much potential to transform not only the Group's business but also various other businesses. For example, it is said that the number of veteran technicians at many companies will reduce in coming years, making it hard to pass on skills and techniques. It would be a great boon to manufacturing in general in Japan if we could resolve that issue through the use of generative AI. Based on that thought, we are also carrying out initiatives to pass on skills using generative AI.

→ pp.49–50 Digital Transformation (DX)

Q4 Please tell us your approach to achieving the long-term targets set for 2030.

We will aim for growth in the BA, AA, and LA businesses with the three growth fields at the core, grounded in a shared foundation of automation technology

We are focusing on three business fields as growth fields for achieving our targets: *new automation*, *environment and energy*, and *life-cycle solutions*. In the *new automation* field, we plan to expand sales by expanding customer coverage and providing new added value through the provision of solutions that meet new demands. In the *environment and energy* field, we plan to provide new value related to the environment and energy in addition to our existing products and services. One example is an energy service provider (ESP) business that combines renewable energy sources to achieve CN.

The general impression would be that for products and amounts of resources with high added value, the amounts of resources and energy invested increases as well. In response, the azbil Group's business creates a situation where "high-value-added automation means contribution to CN." Moreover, these initiatives do not end after a year or two but continue for five or even 10 years, enabling us to provide long-term support for our customers' assets. That is what we aim for in the *life-cycle solutions* field. By combining these three business fields and providing products and services to society, I believe we will be able to grow while also contributing to the realization of a sustainable society.

We will aim for global growth in the Building Automation (BA), Advanced Automation (AA), and Life Automation (LA) businesses with the three growth fields at the core, which share a common foundation of automation technology. For our long-term targets, our plan is to have net sales in the ¥400.0 billion range, operating income in the ¥60.0 billion range, an operating income margin of approx. 15%, and an ROE of approx. 13.5% in FY2030. Our target of net sales in ¥400.0 billion range may seem high when seen as an extension of our current growth rate, but we will not be simply pursuing scale. It

Initiatives in three growth fields and application to each business segment

Three growth fields

Providing distinctive solutions through our business in the three growth fields in which the azbil Group possesses key strengths



Maintaining long-term optimal operations and contributing to a sustainable society



New automation field

Expanding sales by providing solutions that meet new demands

- BA: Emerging needs for building environments offering post-pandemic safety and facilitating new work styles (wellness)
- AA: Higher productivity and safe, stable operation of equipment
- LA: Providing IoT support for different meter types (e.g., smart meter) and collecting big data

Environment and energy field

Expanding sales by delivering new value with existing products

- BA: Expanding business opportunities for realizing carbon neutrality and wellness at the same time
- AA: Increasing demand for ways to save energy and reduce greenhouse gas emissions in production facilities
- LA: Emerging needs for supporting customers' decarbonization through the use of measured big data

Life-cycle solutions field

Ensuring the quality, performance, and productivity of customer assets (factories, office buildings, lifelines) for the long term; high added value and DX to increase profitability

is because we consider an expansion of the Group's business as the result of an increase in opportunities to contribute to achieving a sustainable society. We intend to focus especially on our operating income margin. As a manufacturer, we will continue to reduce various costs, but we also believe that the operating income margin represents the results of providing high value-added products and services to customers, and receiving an appropriate evaluation in return.

Q5 What is the progress of the “transformation” stated in your medium-term plan?

Transformation initiatives to enhance product competitiveness and expand our business as well as efforts to strengthen our business foundations

As mentioned earlier, the azbil Group set long-term targets for FY2030 to contribute “in series” to the achievement of a sustainable society.” As a first step to that end, we formulated a medium-term plan (covering FY2021–24) and are working to fulfill the plan with enhancing the competitiveness of our products and services, strengthening our technological development and capital investments, and boosting investment in human capital as our focal points.

When the medium-term plan was formulated in FY2020, we were still amid the COVID-19 pandemic, so we began with the safety of our customers and employees at the forefront. We strongly felt the need for transformation that responded to new issues and various changes in the business environment, including COVID-19, and so we undertook transformation initiatives in parallel with initiatives aimed at ensuring safety. I believe that further growth and the achievement of our long-term targets lie ahead of the achievement of this transformation.

As a result of these initiatives, we achieved three consecutive fiscal years of revenue and profit growth up to FY2023. We reached the operating income and operating income margin that I mentioned we were targeting in the medium-term plan a year ahead of schedule. In FY2024, the

final fiscal year of the medium-term plan, we are planning for continued revenue and profit growth in both net sales and operating income. From FY2025 onward, along with continuing investments in R&D, DX, and human capital aimed at further growth, we will aim for a fourth consecutive year of revenue and profit growth by implementing measures to increase profitability such as increasing revenue, improving margins at the point of order receipt, and implementing cost pass-throughs.

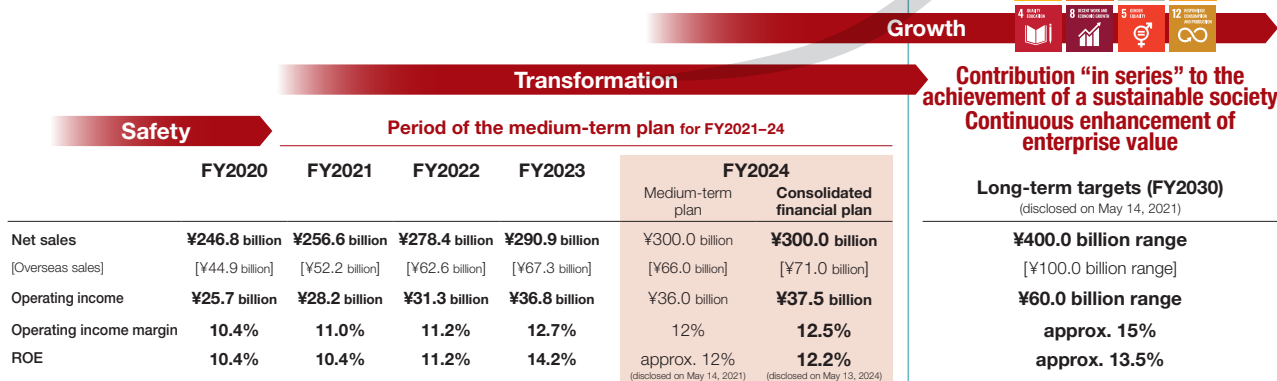
Reviewing FY2023, which was the third year of the medium-term plan, in terms of results, we made great strides in initiatives to strengthen profitability (as mentioned in the results section), and we also saw progress in enhancing product competitiveness. For example, we are expanding installations of our control valve support system, which is a cloud-based valve analysis and diagnosis service, to major chemical companies. We also made progress in boosting the solutions we offer in collaboration with other companies. We invested in X1Studio Co., Ltd., to be able to capture projects in the data center market where growth is expected, and in the field of renewable energy, we invested in Clean Energy Connect, Inc. and Forest Energy Inc. Going forward, not only for these investment projects but also our business operations, with our business portfolio management based on profitability* from invested capital and the maximum efficiency of the use of management resources in mind from a perspective of management conscious about cost of capital, we aim to grow our businesses by increasing our competitive advantages in the fields of “measurement and control.” In addition to such initiatives on the business side, we worked to develop business foundations to support sustained growth such as by constructing a new factory building at a manufacturing subsidiary in Thailand.

- pp.19–22 Message from the Deputy President
- pp.31–34 azbil Group Solutions Supported by Advanced Technologies and Human Resources
- pp.35–46 Long-term Targets and Medium-term Plan, the Building Automation (BA) Business, the Advanced Automation (AA) Business and the Life Automation (LA) Business

* Introduced return on invested capital (ROIC) based on post-corrected after-tax operating income calculations. In FY2023, the azbil Group's ROIC (estimated) was 10.2% while its weighted average cost of capital (WACC) was 6.1%.

The azbil Group's long-term targets, medium-term plan, and financial plan

We will achieve growth globally in the Building Automation (BA), Advanced Automation (AA), and Life Automation (LA) businesses with focusing on the growth of the three growth fields, which share a common foundation of automation technology.



Q6 How are you approaching the expansion of overseas business, which will be the key to growth?

We will implement measures, including a business portfolio review, in line with our business environment and characteristics to achieve expansion

Overseas business makes up about 20% of overall sales, and although there is still room for growth, we are making steady progress.

In the BA business, which handles offices and other buildings, we are focusing on seeing how far we can deploy solutions that combine products, infrastructure, and human resources, which have become our strengths in Japan, at the international level. The number of orders received is gradually increasing. If we are able to obtain over a certain number of orders and receive positive evaluations from customers who have used us for more than a certain period of time, I believe the business will expand greatly. We are rolling out other measures such as key account management to make that possible as well.

In the AA business, which mainly deals with plants and factories, we have realized that we can be highly competitive on the global level if we are able to provide high value-added products. We will accelerate the development and market introduction of products and services unique to the azbil Group that apply microelectromechanical systems (MEMS).

In the LA business, which is mainly active in the lifestyle infrastructure domain, we are reviewing our business portfolio to increase profitability. In June 2024, we made the decision to transfer Spanish group company Azbil Telstar, S.L.U., to Syntegon Technology GmbH of Germany. As the azbil Group moves toward focusing on businesses that allow it to display its strengths, we believe that this is the best choice to allow both Azbil Telstar and the azbil Group to utilize their technological skills and products to the fullest extent.

→ pp.45–46 Life Automation (LA) Business
 → pp.47–48 Global Strategy

Q7 What is the progress of initiatives related to sustainability management?

Through initiatives for achieving our aim in our materialities, we made progress on each of the ESG items and aim to expand NP-oriented initiatives

To implement the sustainability management the azbil Group aims for, taking changes in the business environment into account from the perspective of both risks and opportunities based on the azbil Group philosophy, in August 2022 we identified 10 materialities, including climate change, supply chain, and innovation as management issues that we must address in the long term. In FY2023, we reverified the materiality identification process with the advice of external experts and confirmed their appropriateness. Thanks to initiatives aimed at achieving the state we aim for in these materialities, there were various developments in our environment, social, and governance (ESG) items as well.

Under environment (E), there were various developments such as initiatives to reduce CO₂ at customer sites as a measure against climate change and using renewable energy at our own facilities. Going forward, we will pursue initiatives from an NP perspective. In society (S), we made progress with initiatives concerning human rights due diligence with the entire supply chain in mind. As a company that operates businesses overseas, we will further strengthen human rights-conscious business activities and compliance. I think it would be wonderful if we could help solve issues such as child labor and working in dangerous places with the power of automation in the future. As for governance (G), since transitioning to a company with a three-committee board structure two years ago, we have strengthened our governance through means such as a partial revision of our stock compensation plan. We also forged ahead with a major revision of our risk selection process when it comes to risk management.

→ pp.25–26 Materiality and Essential Goals of azbil Group for SDGs
 → pp.67–74 Environment
 → pp.75–78 Supply Chain
 → pp.79–80 Risk Management
 → pp.81–93 Corporate Governance

Q8 At present, what are the challenges to achieving your long-term targets?

We will use the actual results of our transformation so far as a starting point for “transformation aimed at further growth,” such as enhancing human capital and reviewing our business portfolio

When we set the targets for our medium-term plan, we failed to anticipate the soaring inflation we are currently experiencing. However, we do not consider this inflation to be a problem that will interfere with the achievement of our targets because, along with naturally endeavoring to reduce costs as a manufacturer, we will provide high value-added products and services that other companies cannot match, and negotiate prices carefully as we have so far in order to achieve fair pricing.

A major challenge is human resources. We can feel expectations of automation rising as markets change dramatically. The azbil Group has also received comments showing expectations of value-added products and services that are not a simple extension of our current offerings. In such circumstances, to deliver optimum solutions to customers, we will require personnel with the new abilities needed to perform each of the processes from development to service provision. We will actively invest in human capital such as by securing, training, and reskilling personnel who are compatible with our business strategy; improving their working environment; and reforming various systems.

In addition, as another measure to solve this issue, we are engaging in co-creation with other companies. Earlier, I explained our initiatives up to FY2023, but going forward, to further meet the needs of society and our customers and to be able to co-create new value on-site, we will actively invest in other companies and review our business portfolio.

I am of the opinion that society as a whole will enter an era of co-creation in the near future. In creating a sustainable society, companies should not be competing with each

other. To respond flexibly to change, I believe it will become natural for companies to refine their own strengths and leave the parts that they are lacking to other companies. And that co-creative society will be one where the azbil Group, while running an automation business, can display its strengths because there will be possibilities for flexible co-creation with a variety of companies within the framework of “automation.”

Although we face a variety of challenges such as the need to respond to inflation and securing and training human resources, the issues that we need to address to achieve our long-term targets for not only FY2024 but also FY2030, such as business development that captures new social issues and further enhancing the competitiveness of our products and services, are becoming clearer. Using the actual results of our transformation so far as a starting point, we have positioned FY2024 as the fiscal year for “transformation aimed at further growth,” and we will pursue growth-focused transformation.

→ pp.61–66 Human Capital

Q9 Are there any new initiatives concerning human resources, which are regarded as a challenge?

By bringing well-being to society through contribution “in series” to the achievement of a sustainable society, we will also deliver a feeling of growth and well-being to our employees

Starting in FY2024, we are focusing on measures aimed at well-being as part of efforts to give employees a sense of growth and increase their satisfaction. To begin with, we established the “azbil Group Health and Well-being Declaration” in 2019 and have been engaged in integrated initiatives to ensure that employees approach their work with enthusiasm. Well-being is an extension of those efforts.

Well-being is generally considered to be a state where one is both physically healthy and mentally happy. We have discussed this concept extensively within the company, but it is difficult for a company to realize well-being for every individual employee. As we pondered the issue, we eventually concluded that the continued growth of the company in its main businesses would ultimately lead to the well-being for our employees. As I have explained, at the azbil Group, we believe that the expansion of the automation business contributes “in series” to resolving the issues of society. Through their work, our employees will surely gain opportunities to be positively evaluated by society, colleagues, and customers. Furthermore, as the company grows, their salaries will increase as well. In the end, I am certain that through this experience, employees will feel glad that they work at our company. First, the Group will grow, which will enable us to resolve social issues and contribute to society’s well-being, then that will lead to employees’ well-being as well. The question then is how to continue making those contributions that also lead to the creation of this sustainable society. Right now, we are at the stage where we are making investments and transforming our personnel system to create an environment where many employees, from young people to veterans, can feel a sense of growth through a wide variety of challenges. We are especially focused on trying to find mechanisms related to “actual on-site situations.” There’s a work site for any work situation,



so when I look back on my own experiences, situations that resulted in me feeling a sense of growth and accomplishment tended to arise from opportunities to connect with customers and colleagues. In following our azbil Group philosophy of “creating value together with customers at their site,” I hope our employees will experience as many such opportunities as possible.

→ pp.61–66 Human Capital

Q10 Is there anything you would like to communicate to azbil Group stakeholders?

Through branding, management and employees will work together to deliver the azbil Group’s distinctive value and meet the expectations of all our stakeholders

Responding to issues such as changes in the business environment[em dash]namely, inflation and rising geopolitical risks, trends in technological innovation, the progressively declining birth rate and aging population in Japan, trends in the Japanese government’s “work-style reforms,” changes in energy use, and climate change—could lead to further expansion in the range of issues that the automation business should address, which will present opportunities for the azbil Group to grow. For us to use these opportunities to grow and contribute to society as our stakeholders expect, along with informing customers all over the world of the value that the azbil Group creates, it is essential that all the group employees work together and reflect the philosophies and ideas we have continuously cultivated since our foundation in all our corporate activities, including products and services. To make that possible, we have decided to again focus on the azbil Group’s branding. We will also participate in Expo 2025 Osaka, Kansai, Japan to introduce a selection of what the Group wants to achieve in the future.

Management and employees will strive as one to solve various issues and provide customers with unique, advanced products and services. In doing so, we will be able to grow on the global level and meet the expectations of stakeholders in a variety of ways, for example, by increasing the level of returns given to shareholders who agree with and support our philosophy and businesses. We look forward to your continued interest in the development of our businesses and hope we can count on your support for a long time to come.

→ pp.19–22 Message from the Deputy President



Message from the Deputy President

By integrating business and disciplined financial strategies, we aim to achieve steady growth through effectively allocating operational resources, such as human resources and capital; restructuring our business portfolio; and leveraging the strengths of the azbil Group, toward creating value at sites

Takayuki Yokota

Director, Representative Corporate Executive
Deputy President

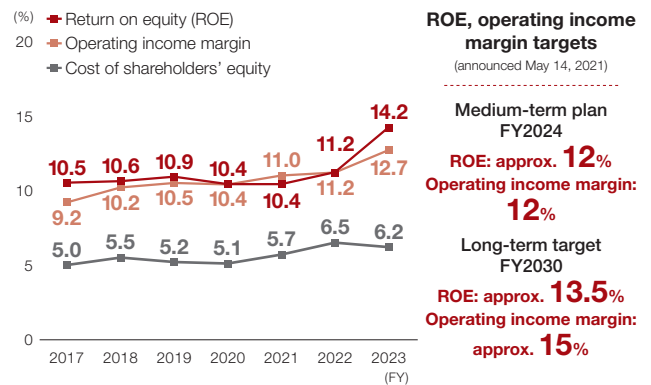
Q1 What efforts are you making to enhance enterprise value in the face of continued uncertainty in the business environment?

We are leveraging the azbil Group's strengths through an integrated approach to business and financial strategies

In addition to economic fluctuations such as inflation and the rapid depreciation of the yen, our corporate activities are being impacted by significant changes in the environment, including supply chain disruptions and the push for carbon neutrality. To navigate these challenges, we must respond flexibly and continue to deliver a certain level of results. Effective management requires making swift and precise decisions, as well as formulating and executing strategic plans with long-term goals. To this end, we have established key targets, including ROE, ROIC, and operating income margin, to objectively evaluate the effectiveness of our strategies.

The strength of the azbil Group lies in our advanced measurement and control technologies, as well as our engineering and maintenance service capabilities that are based on knowledge and data accumulated over many years. This makes our unique business model possible and is the source of the creation of enterprise value that is unique to our group. We currently operate three businesses: the BA business, the AA business, and the LA business. At the heart of these operations is the synergy of our technical, engineering, and maintenance service expertise, which directly enhances our enterprise value. Therefore, initiatives

ROE, operating income margin, cost of shareholders' equity



→ pp.35-36 Long-term Targets and Medium-term Plan

that integrate business and financial strategies, such as the efficient and effective allocation of operational resources like capital and human capital, are important, along with business strategy discussions, because leveraging this advantage is directly connected to improving enterprise value. Rebalancing investments in the business portfolio is a continuous focus, and, as management, we are continually being required to make decisions on which areas to prioritize to achieve growth.

An example of this is our overseas business. Currently, our overseas sales account for only about 20% of our total sales. That was because, until the dissolution of our former

equity-based alliance with Honeywell Inc., we were unable to independently develop our international operations and lacked the necessary structure to do so. Since dissolving the alliance completely in 2002, we have made steady progress in global expansion. However, to set higher targets, achieve growth, and increase our share of the global market, we recognize the need to not only expand our overseas sales network but also make aggressive investments in strengthening our human resources, such as engineers and other key personnel, who are the source of our strength, and in enhancing our business infrastructure. Moving forward, we will identify areas of growth and analyze where to focus our efforts, not just in our overseas business but also across the entire organization. We will provide appropriate support to our businesses in terms of both capital and human resources. We will also manage our capital in a disciplined manner by utilizing management targets, including ROIC.

Q2 **What is the status of progress and recognition of issues on the medium-term plan (FY2021–24) and what is your thinking going forward?**

Steady progress in strengthening profitability. Strategic investments in business growth, including from the perspective of capital efficiency

The formulation of the current medium-term plan was carried out during the COVID-19 pandemic, a time marked by a significant sense of crisis and uncertainty about the future. For this reason, while prioritizing safety, stable business operations, and strengthening profitability, we planned and implemented various measures, including investments in future growth. In the medium-term plan, we set targets for ROE and operating income margin, and we believe we have accomplished what we had promised. We also reaffirmed our recognition that our automation business and measurement and control technologies are indispensable, regardless of the changes in the environment.

Of course, challenges do exist. Profit margins are steadily improving in both the BA and AA businesses. However, to expand the scale of business, including overseas, for future growth, it is necessary to invest in R&D and human resources to further strengthen product competitiveness, as well as strategic business investment. Expanding the added value of products and services through DX investments and improving operational efficiency also cannot be overlooked.

For the LA business, profitability has been an issue. Since FY2023, I have directly managed the LA business and focused on making improvements. However, as for Azbil Telstar, which is responsible for the life science engineering field, we have decided to transfer ownership of the company from the perspective of improving capital efficiency and ensuring the sustained growth of Azbil Telstar's business.

Looking back, even after the COVID-19 pandemic, there were major changes in the business environment that had not been envisioned in the original medium-term plan, such as global supply chain disruptions, parts shortages, and inflation. However, we have taken the necessary actions, such as strengthening our manufacturing and procurement structure and negotiating to achieve fair prices, and we

believe that we have been able to bring our profit structure to a higher level than originally planned. Our business scope has also steadily expanded. As a result, in FY2023, we exceeded our targets for the final year of the medium-term plan (FY2024) in terms of operating income and its margin. There have been increases in areas such as labor costs due to inflation, as well as rising personnel costs. However, for FY2024, we will continue to strengthen profitability. Based on the results of discussions and the implementation of measures for capital efficiency and capital structure, we aim to achieve growth by 2030. We will pursue further "transformation" by expanding our business through investment and forming new business alliances with other companies.

FY2022 and FY2023 performance review

(Billions of yen)

	FY2022	FY2023	Year on year	
			Change	Change %
Orders received	296.9	287.9	(9.1)	(3.1)
Net sales	278.4	290.9	12.5	4.5
Operating income	31.3	36.8	5.6	17.9
Margin (%)	11.2	12.7	1.4pp	-
Net income attributable to owners of the parent	22.6	30.2	7.6	33.6
Margin (%)	8.1	10.4	2.3pp	-
ROE	11.2	14.2	3.0pp	-

Q3 **Are you working on introducing ROIC management and restructuring our business portfolio?**

Decision to transfer Azbil Telstar as a concrete example of ROIC management aimed at improving capital efficiency

The azbil Group has been promoting ROIC management since FY2021 to efficiently link invested capital to profits. The estimated ROIC for the azbil Group for FY2023 is 10.2%. Although ROIC targets are not the sole criteria for decision-making, they are one of the indicators we consider when restructuring our business portfolio. For example, in June 2024, we decided to transfer our entire equity interest in Azbil Telstar. In FY2012, the azbil Group added Azbil Telstar to its LA business, and has worked to achieve growth in the life science engineering field and to strengthen its business profitability. However, due to changes in the business environment, such as industry reorganization in the pharmaceutical manufacturing equipment market, we decided to transfer all our equity interest in Azbil Telstar, not only to improve the capital efficiency of our group but also to ensure the future sustainability of Azbil Telstar. Due in large part to Azbil Telstar's consolidated operating results, as shown on the next page, the ROIC of the LA business has been significantly lower than the average ROIC of the entire azbil Group. This move will allow us to redeploy capital and allocate operating resources, such as staff, more efficiently, thereby further improving capital efficiency. For example, within our LA business, in addition to the life

science engineering field, we have the gas and water meter business in the lifeline field. In the overseas meter business, many companies are achieving higher operating income margins compared to their Japanese counterparts, indicating potential growth opportunities. With the increasing adoption of smart meters, we are now looking at developing a data business beyond merely selling meters. In addition, within the BA and AA businesses, we will work to strengthen product competitiveness using AI and advanced automation, expand distribution channels, and develop and enhance engineering and service systems.

Transfer of equity interests in Azbil Telstar

Transferee:	Falcon Acquisition, S.L.U.* (Madrid, Spain) * A wholly owned subsidiary of Syntegon Technology GmbH
Percentage of equity interest to be transferred:	100%
Transfer price:	61.85 million euros
Date of transfer:	Undetermined (as of July 31, 2024)

Consolidated financial results of Azbil Telstar (Thousands of euros)

	Fiscal year ended Dec. 2021	Fiscal year ended Dec. 2022	Fiscal year ended Dec. 2023
Net sales	125,578	130,882	125,672
Operating income	7,417	805	6,912
Net income attributable to owners of parent	5,180	(1,194)	4,030

→ pp.45–46 Life Automation (LA) Business

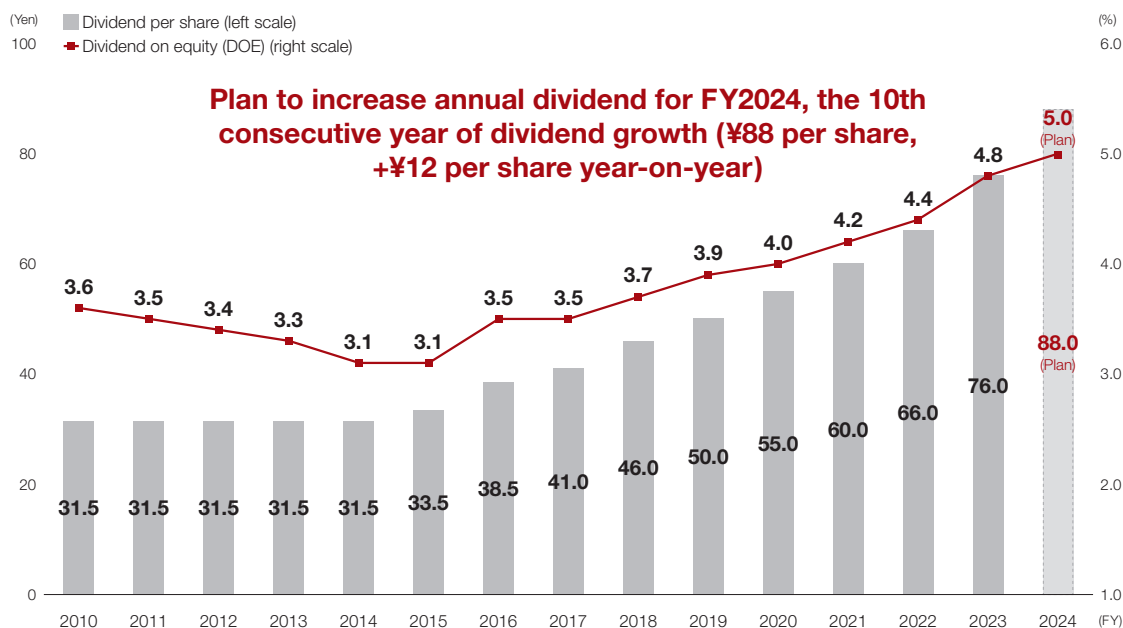
Q4 Have there been any changes in your approach to capital policies and shareholder returns?

Continuing with disciplined capital management, committed to enhancing shareholder returns, and aiming for DOE in the 5% range

The azbil Group's basic policy is to maintain and enhance its enterprise value through a disciplined capital management that carefully balances enhancing shareholder returns, investing in growth, and maintaining a sound financial base. We have been improving shareholder returns by increasing dividends or executing share buybacks, supported by a stable financial base and a business model capable of consistently generating cash flow. Our commitment to actively improving shareholder returns remains strong. However, to continue to meet the expectations of our shareholders for business growth, we believe it is necessary to actively invest in growth to strengthen our business foundation from the perspective of cash utilization. In FY2023, we allocated cash to secure inventory due to supply chain issues, as we did in FY2022. We also made a strategic investment in X1Studio Co., Ltd., to secure projects in the data center market, as well as other venture investments. In addition, we invested in facilities such as R&D centers and overseas production factories. We will continue to proactively make further business investments while formulating our next growth strategy.

Regarding shareholder returns, we aim to maintain stable and increasing dividend levels over the long term. Our

Shareholder returns

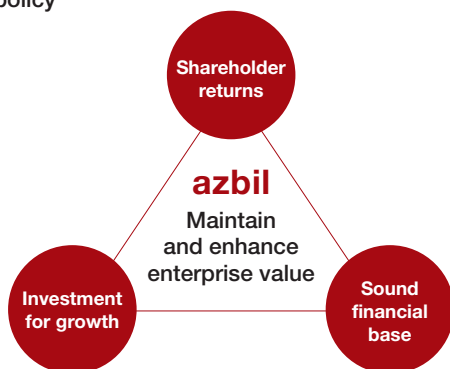


Total amount of own stock repurchased (Billions of yen)									2.0	3.0	5.0	10.0	10.0	10.0	10.0	- (TBA)
Total number of own shares repurchased (Millions of shares)									1.20	1.43	1.87	3.72	2.25	2.67	2.19	- (TBA)

Note: The dividend per share and the amount of shares repurchased have been retroactively revised to account for the effect of the 2-for-1 common stock split in 2018. The dividend plan for FY2024 does not consider the stock split scheduled for October 2024.

policy on share repurchases is flexible, with the dual goals of returning profits to shareholders and improving capital efficiency. We have increased dividends for nine consecutive fiscal years since FY2015 and plan to do so again in FY2024, marking the 10th consecutive year of dividend increases. In terms of dividends, we have been focusing on improving DOE for some time now. For FY2023, our DOE was 4.8%, and we plan to achieve a DOE of 5% in FY2024. We will continue to aim for a stable and medium- to long-term increase in DOE to meet the expectations of our long-term shareholders. Also, although we have not announced plans for share repurchases in FY2024 (as of July 31, 2024), our policy of actively and flexibly implementing share repurchases remains unchanged. We will assess the status of the ongoing LA business restructuring and other investment needs for growth. In addition, to facilitate the holding of our company shares by a large and diverse range of investors, we have decided to conduct a 4-for-1 stock split of our common stock, effective October 1, 2024. This move is intended to make it easier for investors to acquire units of our shares.

Basic policy



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

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

Q5 What is the purpose of revising the employee stock ownership plan?

Increase employee engagement and enhance enterprise value

We introduced an employee stock ownership plan for all full-time employees, in principle, in 2017 to allow our employees to experience the benefits of owning our company's shares. Previously, the system awarded shares in proportion to the points accumulated by the time of

retirement. However, with this revision, we have changed the system to award shares annually. The awarded shares are subject to transfer restrictions until retirement, meaning they cannot be sold or transferred. However, employees can receive dividends in proportion to the number of shares they own and can exercise voting rights. We believe that if employees feel a sense of ownership through receiving dividends and exercising their voting rights, they will become more interested in the company's performance and stock price. We hope that by fostering a sense of responsibility for the management plan and various measures, employee engagement will increase, leading to enhanced enterprise value. Moreover, we believe that the company's growth will contribute to the well-being of our employees. This approach will not just strengthen our human capital but also make ROIC management more tangible, serving as a driver for advancing management by all.

→ p.63 Partial revision to the employee stock ownership plan

Q6 Finally, is there anything you would like to communicate to the azbil Group stakeholders?

By appropriately allocating and investing capital in human resources, we aim to achieve steady growth as a company that creates value at sites from behind the scenes

Our businesses support the backbone of society from behind the scenes, out of the public eye. However, we take pride in being an indispensable part of society. Our relationships with society and customers are not transient, and we value life cycles that continue, such as services. A large part of these life cycles is not only our products but also our engineering and maintenance service capabilities. We call this "creating value at sites." We believe this point is well recognized in Japan. To ensure our overseas customers also recognize and understand the unique advantages of the azbil Group, we will further invest in our business foundation, including human resources, and strengthen cooperation with external partners. We will also work to optimize our capital structure for the next phase of growth. At the same time, we will continue to strengthen our corporate governance to ensure that these initiatives are carried out promptly and transparently, thereby ensuring our sustainable growth.

