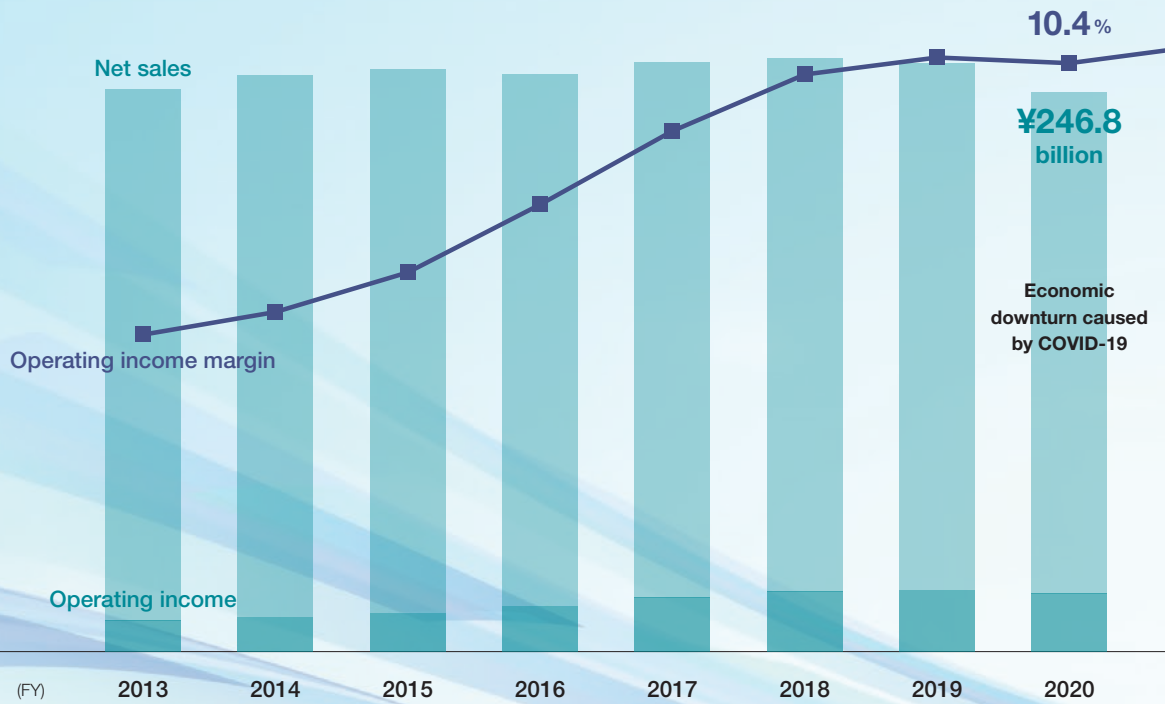


Long-term Targets and Medium-term Plan

Meanwhile, as efforts toward carbon neutrality accelerate; building environmental requirements adapt to new work styles; and demands for higher productivity, safety, and stable operations in production facilities expand, technological innovations such as AI and cloud computing are advancing, further expanding the roles required of automation. The azbil Group's core automation business can improve the quality of indoor spaces and productivity, while at the same time curbing resource and energy consumption appropriately in buildings, factories, and lifeline utilities. The expansion of our business will help reduce our environmental impact on the Earth. The azbil Group also aims to grow itself via contributing "in series" to the achievement of a sustainable society in our long-term targets and medium-term plan.

The azbil Group defines three growth fields –new automation, environment and energy, and life-cycle solutions– which share a common foundation of automation technology. Focused on growth in these fields, we will achieve growth globally in each of our three businesses: BA, AA, and LA.



Changes in societal structure

Changes in the business environment

Trends in technological innovation

As various issues emerge, the roles that automation can play in major changes and related opportunities increase

New business opportunities expand

By expanding and growing the business of the azbil Group, we can contribute "in series" to the achievement of a sustainable society.

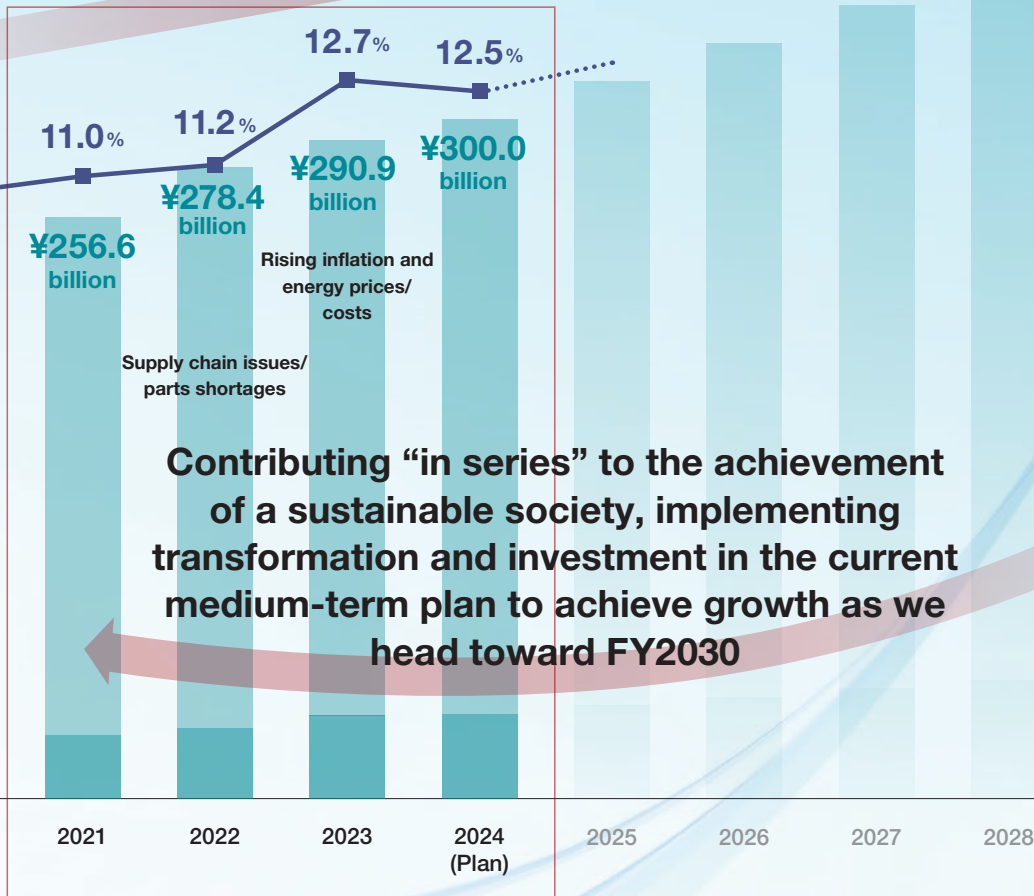
Safety

FY2019–20

During the COVID-19 pandemic, we focused on continuing our business and steadily providing products and services to our customers, while prioritizing the safety of our customers and employees.

Flexibly responding to changes and issues in the business environment

Period of the current medium-term plan



Contributing “in series” to the achievement of a sustainable society, implementing transformation and investment in the current medium-term plan to achieve growth as we head toward FY2030

Long-term targets



¥400 billion range

approx. 15%

2029 2030
SDGs



Contribution “in series” to the achievement of a sustainable society
Continuous enhancement of enterprise value

Long-term targets (FY2030)
(disclosed on May 14, 2021)

¥400 billion range

[¥100 billion range]

¥60 billion range

approx. 15%

approx. 13.5%

Transformation

Growth

Medium-term plan (FY2021–24)

FY2021–24

- The medium-term plan is steadily progressing. Efforts for strengthening business profitability have been proceeding, and our consolidated financial plan for FY2024 is forecast to achieve operating income and an operating income margin that exceed the medium-term plan targets formulated in FY2021.
- Transformations in the medium-term plan such as expanding our overseas business and enhancing product competitiveness via cooperation with other companies and other efforts have been moving forward. Distinctive solutions have been expanding in fields where the azbil Group possesses key strengths.

Transition in medium-term plan performance (results/plan)

	FY2021	FY2022	FY2023	FY2024	
				The medium-term plan	Consolidated financial plan
Net sales (Billions of yen)	256.6	278.4	290.9	300.0	300.0
[Overseas sales] (Billions of yen)	[52.2]	[62.6]	[67.3]	[66.0]	[71.0]
Operating income (Billions of yen)	28.2	31.3	36.8	36.0	37.5
Operating income margin (%)	11.0	11.2	12.7	12	12.5
ROE (%)	10.4	11.2	14.2	approx. 12 (disclosed on May 14, 2021)	12.2 (disclosed on May 13, 2024)

Progress in the Medium-term Plan and Future Growth

Transformation efforts, such as those for strengthening profitability, moved forward, and we achieved our operating income target ahead of schedule.

We will implement transformation for further growth based on our FY2023 results.

Financial performance

Global supply chain disruptions triggered by geopolitical risks continued in FY2023, and soaring energy and part prices, longer lead times, and inflation had major impacts on the world economy. We were able to achieve our highest performance ever by improving work efficiency and strengthening profitability via measures including cost pass-throughs to offset rising costs caused by factors such as inflation, while expanding sales via improvements to our procurement and production processes, and steadily achieving orders by meeting customer needs for productivity improvement in different market environments. Initiatives for strengthening business profitability, which is one of the goals in our medium-term plan, moved forward, and we were able to achieve our performance targets for operating income and operating income margin ahead of the medium-term plan performance targets formulated in FY2021. Although inflation and rising costs are expected to continue in FY2024, we plan to achieve operating income and an operating income margin that exceed our original plan.

Three growth fields

To expand and achieve growth in the three growth fields of *new automation*, *environmental and energy*, and *life-cycle solutions* to address changes in customer business models and demand caused by structural changes in the environment, we focused on and increased product competitiveness, technological development and capital investment, and enhanced investment in human capital.

→ Core measures for expansion in the three growth fields (see figure below)

Increased product competitiveness (products and services)

In the BA/AA/LA businesses, we made progress in the development of products and services that combine AI and cloud technologies and the adoption of these products and services.

We also made progress in our collaboration with other companies, including investment to achieve targets in the *new automation* and *environmental and energy* fields.

→ pp.31–34 azbil Group Solutions Supported by Advanced Technologies and Human Resources

Enhanced technological development and capital investment

We made progress in the project for developing high-resolution and high-performance devices via microelectromechanical systems (MEMS) technology and advanced systems/solutions utilizing the cloud and AI at the new laboratory building of our R&D base, the Fujisawa Technology Center.

→ pp.51–56 Research and Development

Enhanced investment in human capital

We worked on securing/developing human resources in line with our business strategy, revising/maintaining our personnel systems such as our incentive plan, and maintaining our work environment. Our health and well-being management is our comprehensive approach to ensuring that our employees are engaged with their work actively and enthusiastically. We continue to improve and expand a variety of systems and programs for enhancing employee well-being.

→ pp.61–66 Human Capital

Overseas business

We have established business promotion and management systems that take advantage of regional characteristics, and to serve our customers in each country and region, we are making the unique solutions of the azbil Group available worldwide, leveraging the technologies and expertise we have built up in Japan.

→ pp.47–48 Global Strategy

Global manufacturing and procurement

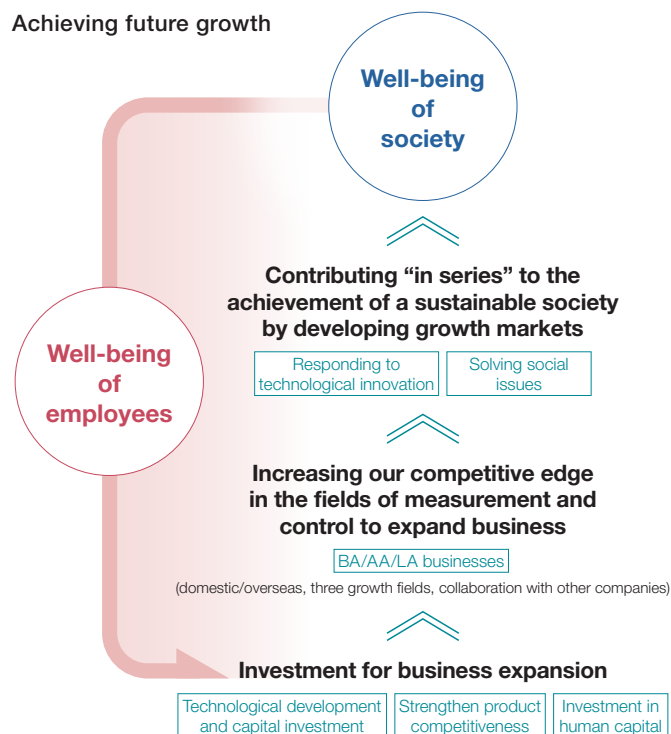
We are working on building an optimal global production system. In Japan, we are strengthening the collaboration between the Shonan Factory, which functions as our main production base, and the technological development function of the Fujisawa Technology Center, as we continue to improve its function as the “mother factory” of the Group. To further expand our global production capacity, we constructed a new building at our production facility in Dalian, China, followed by a new building at our production facility in Thailand, completed in 2024.

→ pp.57–58 Manufacturing and Procurement

Core measures for expansion in the three growth fields



Achieving future growth



expand our business by achieving the well-being of society via contributing “in series” to the achievement of a sustainable society and aim for growth that enables each and every one of our employees to attain a sense of achievement and growth during this process. In specific terms, this involves defining growth markets as those where demand is increasing due to technological innovation, such as the semiconductor market, and markets where demand is increasing due to pressure to address societal issues, such as achieving carbon neutrality and the circular economy, and then aiming to grow our business by increasing our competitiveness in the measurement and control fields of those markets. To continuously generate competitive products and services, we will continue to invest in the areas of human capital, product development, production, and DX, as well as improving work efficiency and handing down technology via DX, human resource development, and the strengthening of core technologies.

Digital transformation

We are actively working on everything from the development of products and services utilizing the latest in digital technologies to enhancing the efficiency and added value of our work from the perspective of “creating new business and new ways of working.” In regard to generative AI, we have started utilizing it from the perspective of work efficiency, and we are accelerating DX while maintaining a foundation for the safe use of AI.

→ pp.49–50 Digital Transformation (DX)

Corporate management/sustainability management

We promote sustainability management to contribute “in series” to the achievement of a sustainable society. In FY2022, we identified materiality and incorporated KPIs in our own SDG goals. In FY2023, we reconfirmed these based on advice from outside experts. We also actively worked on initiatives from the perspective of environment, society, and governance (ESG). We are promoting the integration of a wide range of social environmental activities, such as decarbonization resource recycling and biodiversity conservation, with our business activities. We signed on to the United Nations Global Compact and are strengthening our Initiatives for human capital and intellectual property. After transitioning to a company with a three-committee board structure in 2022, we continue to enhance our governance via efforts such as reviews of our remuneration policy.

→ pp.67–96 Environment, Supply Chain, Risk Management, Corporate Governance, and Stakeholder Engagement

Achieving future growth

Based on the idea that the value of our automation business is helping to solve the issues of our customers and society in line with continuous structural changes in the business environment, we will focus on three growth fields where we can utilize the technologies, products, and services unique to the azbil Group to provide solutions to new problems and achieve global growth in the BA, AA, and LA businesses. Using the results of our transformation so far as a starting point, we have positioned FY2024 as the fiscal year for “transformation aimed at further growth.” To achieve our long-term targets for FY2030, we will

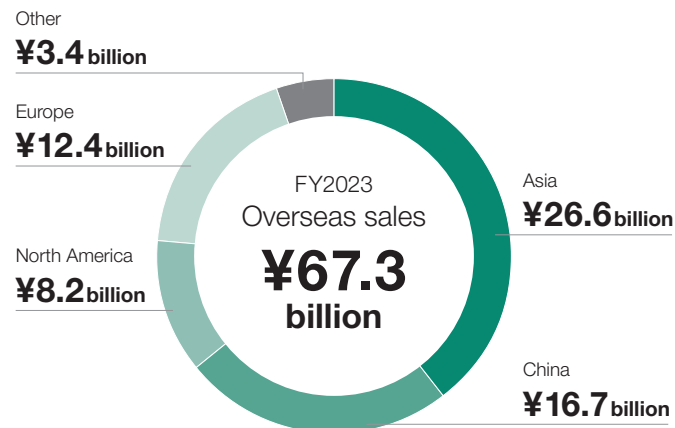
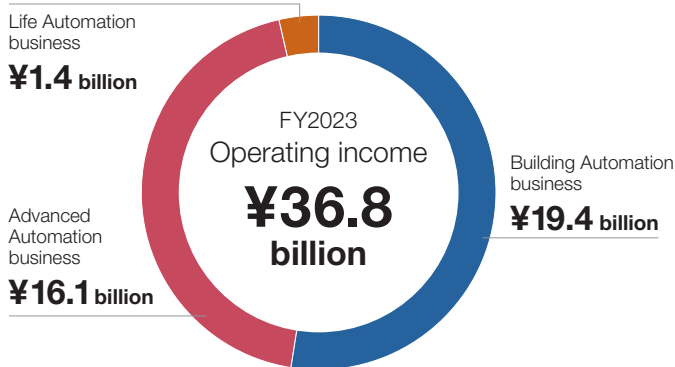
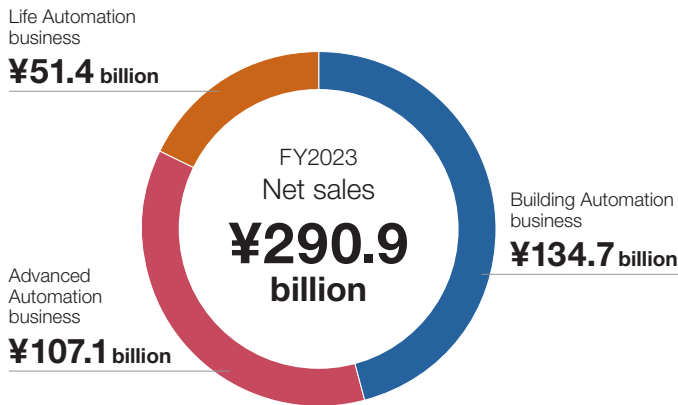
Strategy/targets and progress/evaluation in the medium-term plan

Strategy and targets			Progress and evaluation
Growth potential	Net sales	FY2024: ¥300 billion; growth in BA, AA, and LA businesses centered on three growth fields	• ¥290.9 billion net sales in FY2023; third consecutive year of growth; highest sales on record ; increase in BA, AA, and LA businesses
Profitability	Operating income and operating income margin	FY2024: ¥36 billion (12%)	• FY2023: ¥36.8 billion (12.7%); third consecutive year of growth; highest operating income on record ; increase in BA, AA, and LA businesses; FY2024 target exceeded
Efficiency	ROE	FY2024: approx. 12%	• FY2023: 14.2%
Capital policy	Shareholder returns Investment for growth Sound financial base	Develop a disciplined capital management while carefully balancing three key elements: promoting shareholder returns, investing in growth, and maintaining a sound financial base	<ul style="list-style-type: none"> • Increased the year-end dividend for FY2023 to 76 yen per share (DOE of 4.8%) • Annual dividend of 88 yen per share planned for FY2024 (DOE of 5%) • Flexible acquisition of the company's own stock in FY2023 (¥10.0 billion yen, 2.19 million shares) • Investment in business for growth and achievement of long-term targets/medium-term plan • Maintain a long-term rating of A+ (from R&I, Rating and Investment Information, Inc.)
Technological development	R&D expenses	Strengthen system solutions and device development capability	• R&D expenses and R&D expenses/net sales ratio: ¥12.1 billion (4.7%) in FY2021, ¥12.4 billion (4.4%) in FY2022, ¥12.3 billion (4.2%) in FY2023
Capital investment	Strengthen technological development, production, and procurement system	Invest in strengthening the functionality of the R&D center Expand domestic and overseas production bases	<ul style="list-style-type: none"> • Added two new buildings to the R&D base (Fujisawa Technology Center) • Expanding production bases in China (2022) and in Thailand (2024)

At a Glance

— The azbil Group’s Automation Business

The azbil Group pursues “human-centered automation,” which aims to provide people with safety, comfort, and fulfillment, and to contribute to the global environment. Based on our measurement and control technologies, we are developing our Building Automation (BA) business in the building market, our Advanced Automation (AA) business in the factory and plant market, and our Life Automation (LA) business in the lifeline utilities, life science, pharmaceutical, and other markets.



Note: Figures for each segment include transactions with other segments.

Building Automation business



We create building environments that balance comfort with energy saving, and over the long term we provide services tailored for a building’s life cycle.

Business fields

Office buildings, research laboratories, factories, data centers, hotels, shopping centers, hospitals, schools, airports, etc.

Main products and services

We provide everything from systems, automatic control devices, and applications that support building management to lifecycle-tailored services that incorporate new technologies such as IoT.

Managing BA system	Controlling Controller for air conditioning equipment	Protecting Contactless smartcard reader
Detecting Room temperature/humidity sensor	 Infrared array sensor	Adjusting Motorized control valve with flow measurement and control functions
Setting Smartphone application (for room users)	Renovation, maintenance 	Cloud services

Business environment

- Large-scale construction projects in Japan and Asia
- Growing demand for retrofitting buildings in Japan
- Increasing needs for energy-saving and CO₂ emission reduction as decarbonization progresses
- In the “new normal” era, new needs are emerging for building environments, leading to demand for cell-type air-conditioning systems for enhanced safety and productivity. Business opportunities are expanding to meet the demand for both carbon neutrality and wellness.

Core strategies

- Provide energy savings and enhanced wellness based on the integration of our BA systems, IoT devices, and field instruments, as well as our accumulated data and know-how
- Strengthen solutions capabilities and expand business fields, including collaboration with other companies
- Employ cloud services to offer energy efficiencies and energy services with environmental value
- Offer proven energy-saving applications and engineering services that meet the safety and comfort needs of overseas customers

Advanced Automation business



We create new value at production sites by working with our customers.

Business fields

Factory Automation (FA)

Electrical and electronics, semiconductors, machine tools, automobiles, food, etc.

Process Automation (PA)

Oil, petrochemicals, chemicals, iron and steel, pulp and paper, pharmaceuticals, etc.

Main products and services

Utilizing AI and big data, we are contributing to safe, stable operations at production sites. We provide automation devices and systems that solve on-site problems.

Process automation

Monitoring



Monitoring and control systems

Measuring



Differential pressure/pressure transmitter

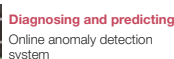


Electromagnetic flow meter

Adjusting



Control valve and smart valve positioner



Diagnosing and predicting
Online anomaly detection system

Factory automation

Detecting



High-accuracy position sensor



Limit switch

Controlling



Multi-loop controllers with multifunction display



Digital mass flow controller

Business environment

- Continued global market growth and increasing demand for higher productivity and safer, more stable equipment operation
- Further growth in demand for energy-efficient production facilities with GHG emission controls for decarbonization
- Reforms initiated for production processes aimed at resource conservation and the circular economy

Core strategies

- Develop new products using MEMS technology unique to the azbil Group
- Develop new products and services for anomaly prediction/detection and AI-based equipment diagnosis that integrate cloud computing, AI, and measurement and control technologies
- Accelerate overseas business development with highly competitive products and services that have a successful track record

Life Automation business



We support safe, secure, comfortable, and healthy living with measurement and control technologies.

Business fields

Lifeline field (gas and water meters)

Life science engineering (LSE) field (pharmaceutical manufacturing equipment)

Residential central air-conditioning system field (central air-conditioning systems)

Main products and services

In addition to providing meters, we make meters smart and operate data services using smart meters. We provide comprehensive on-site solutions, from design to engineering, for pharmaceutical manufacturing equipment. We design and install residential central air-conditioning systems that provide high air quality.

Lifeline field

Gas meters



City gas smart diaphragm meter



Ultrasonic gas meter

Water meters



Electronic water meter

Life science engineering (LSE) field

Pharmaceutical manufacturing equipment



Lyophilizer

Residential central air-conditioning systems field

Central air-conditioning systems



Outdoor unit



Heat exchange ventilator



Indoor unit with electronic air cleaner

Business environment

- Growing demand for the maintenance, greater safety, and improved efficiency of the infrastructure of everyday life
- Evolution of a carbon-neutral society harnessing IoT for water and gas meters and leveraging big data from smart meters
- Regional diversification and industry reorganization of pharmaceutical production facilities in global markets
- Increased demand for comfort in living spaces and reduced environmental impact

Core strategies

- Progress with the energy management and smart metering as a service business
- Promote energy management aimed at realizing a carbon-neutral society, and strengthen business alliances to achieve this
- Develop a new market with our central air purifying and ventilation system for energy-saving and air-quality improvement
- Implement measures to boost the profitability of the LA business, rebuild our business portfolio

Building Automation Business

Becoming the No. 1 BA supplier in Asia

The BA business is promoting the development of products and services, and collaborating with other companies to develop businesses, so as to provide solutions for today's needs, such as decarbonization, wellness, and adapting to the "new normal."

On achieving our long-term targets and medium-term plan

In the medium term, demand for large-scale building construction in Japan is expected to be strong. Overseas, planning for new projects is on the rise.

In this robust environment, the Building Automation (BA) business will continue to offer even higher-quality products and field services that will satisfy our customers. We will provide new products and services, unique to the azbil Group, to meet emerging needs, especially in the areas of carbon neutrality and wellness. We also plan to attain our targets by achieving growth overseas with high competitiveness, achieved by providing the same level of quality as we do in Japan.

Looking at its development over the long term, the BA business is evolving from being primarily engaged in the manufacture and sale of automation equipment to the current business of providing customers with solutions based on engineering and services. Essential for our core competence—to consistently deliver the most advanced and reliable solutions—are (a) human resources that enable us to continue to create value together with our customers, and (b) the data and information technologies necessary for understanding the characteristics of buildings. By strengthening these two core assets, both in Japan and overseas, and by combining them efficiently and in a coordinated way, we will continue to be a reliable partner for our customers.

Features and strengths

Presence	Pioneer in the HVAC control field
Leading company in Japan in the field of HVAC control for large-scale buildings	
Technical capabilities	Environmental control technology utilizing cloud computing and AI
Original environmental control technology using networks and operating data to improve safety, comfort, and environmental performance	
Earning power	Life-cycle business
Stable business model based on a building's life cycle, from construction planning to provision of daily services and support for retrofit projects	

Product strength	Full lineup of products
Responding quickly to societal changes through open innovation and in-house development/manufacture of sensors, valves, controllers, and systems	
Execution ability	Total solutions, integrated framework
Integrated framework for instrumentation design, installation and engineering, maintenance services, energy-saving solutions, and building management/operation	

Review of FY2023

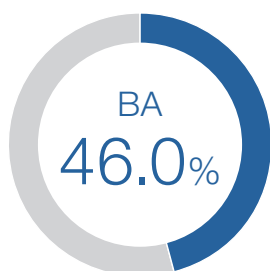


- 1 With robust demand for new large-scale construction projects, we improved the profitability of orders by continuing to focus on projects that enable us to leverage our advantages.
- 2 Because the maturity of the Japanese market means we cannot expect great expansion in new construction demand in the future, we have systematically shifted our internal resources from the new building market to the existing building market, as laid out in the medium-term plan.
- 3 We introduced cost pass-throughs for maintenance service contracts, as we have for the new building and existing building markets. With cost pass-throughs in all our businesses now, our profitability has improved.
- 4 As with our domestic business model, we are planning to expand our overseas business by outfitting new landmark office buildings to include maintenance. In FY2023, our overseas business expanded as planned.

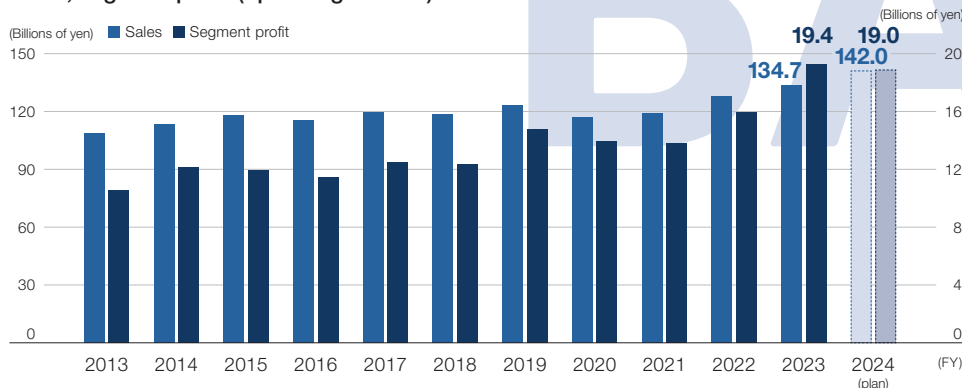
Kazuyasu Hamada

Managing Corporate Executive
President of Building Systems Company, Azbil Corporation

Share of net sales by segment



Sales, segment profit (operating income)



Measures for achieving our long-term targets and medium-term plan

- Short term** Although demand for new construction is strong, by continuing to focus on orders for projects that enable us to leverage our advantages, we will improve profitability and secure resources that can be shifted to the existing building market as we aim to achieve our medium-term plan.
- Short term** With regard to the robust demand for new large-scale construction projects, we will cooperate with dealers in order to secure market share, improve dealer assistance functions and the efficiency of engineering work, enhance dealer capabilities, and adopt measures for reducing dealer burden. In these ways, we aim to achieve mutual prosperity with our partners.
- Long term** To prepare for a decline in the new office building market, we will strengthen the factory market, data center market, and district heating and cooling (DHC) market, where we have a competitive edge.
- Long term** We will shift from the on-premise BA system business to the cloud system business; accelerate the advancement, commercialization, and globalization of digital knowledge; and provide services with high added value for everyone from building owners and managers to tenants and end users.
- Long term** We will employ a new energy service provider (ESP) model and aim to expand our GX solutions by actively making proposals for energy management systems to harness renewable energy sources and achieve carbon neutrality while leveraging the energy-saving and financing expertise that we have cultivated in our energy service company (ESCO) business.

Risks and mitigation measures

- 1 Because of a lack of qualified human resources and hiring difficulties, it might not be easy to expand recruitment as necessary for our planned business expansion. We will therefore increase efficiency by advancing DX internally for such fields as sales and engineering (utilization of BIM data). We will also consider developing new businesses by utilizing the engineering data thus obtained.
- 2 To prepare for the possibility of the office vacancy rate worsening due to an oversupply of new office buildings in the Tokyo metropolitan area, we will promote the expansion of our service business, switching from on-site to remote inspection, and we will implement measures to improve the added value provided to our customers.

Enhance solution capabilities to address challenges facing society and changes in demand — Developing collaboration with other companies

The azbil Group strives to develop products and services to meet the challenges facing society and changes in customer demand. We are constantly thinking about what is optimal for society and our customers, and we actively endeavor to expand our solution capabilities via collaboration with other companies. Toward achieving carbon neutrality, we are engaging in the ESP business, which adds renewable energy sources and other solutions to our energy-saving solutions, such as the energy management systems that are a strength of the azbil Group.

In FY2023, we formed an alliance with Clean Energy Connect, which is involved in solar power generation, and Forest Energy, which works in the field of wood biomass power generation. With the expanding domestic and overseas demand for data centers, due to the proliferation of generative AI and cloud services, we also formed an alliance with X1Studio, which handles total management systems for foreign-owned data centers, with a focus on engineering for SCADA systems.



azbil Group monitoring and control systems for buildings



Advanced Automation Business

Developing a globally competitive business to become a high-profit business entity that contributes to a sustainable society

The AA business is creating a new automation field, unique to the azbil Group, that responds to changes in the social environment and technological trends.

On achieving our long-term targets and medium-term plan

The Advanced Automation (AA) business has been supporting customers in the field of measurement and control for factories over many years and has won a high reputation as a key partner behind the scenes. We believe that measurement and control technologies will also make a significant contribution to achieving a sustainable, carbon-neutral society.

In the medium to long term, we are working on the following three principal measures to achieve growth as a globally competitive business.

1. Business growth overseas: We are accelerating business growth by strengthening our sales activities and technical support overseas.
2. Creation of new automation: We are developing advanced measurement and control technologies to address emerging social issues and realize business development through new automation.
3. Boosting profitability: We are strengthening our profitability through ensuring appropriate price levels, cost reductions, and risk management in order to achieve business stability and growth.

Through these measures, we aim to further develop the business while helping to achieve a sustainable society.

Features and strengths

Presence

Leading the automation of production sites

Winning the trust of our customers and providing them with new value based on more than a century of developing measurement and control technologies, with a superb track record and unrivaled expertise

Execution capability

Total solutions, integrated framework

Providing total solutions tailored to customer needs—from the development of products and applications to manufacturing, system engineering, various solution services, consulting, and maintenance services

Technical capabilities

Combining on-site knowledge and the latest measurement and control technologies with information technologies

Providing sophisticated measurement and control solutions using advanced technologies, combined with the skills and knowledge of professionals with extensive on-site experience

Review of FY2023

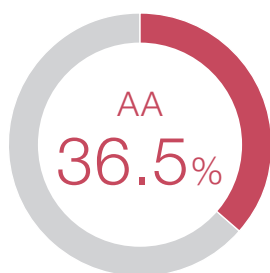
- 1 The factory automation market remained sluggish, but by improving our systems for manufacturing and procurement, we steadily converted a large order backlog into sales. Sales were ¥107.1 billion, setting a new record.
- 2 Thanks to the success of measures to strengthen profitability, such as business-mix reforms and cost reductions, as well as cost pass-throughs, profitability improved. Segment profit increased 10.6% year-on-year to ¥16.1 billion, a new record, and the operating income margin exceeded 15%.
- 3 In addition to increasing staffing for our sales and sales engineering support, we strengthened our sales system using digital marketing. This has led to an increase in the number of partnership customers and accelerated our business growth overseas.
- 4 An increasing number of customers are benefitting from our control valve maintenance support system, a cloud-based valve analysis and diagnosis service offered as part of our new automation business. Development plans are also under way to expand the product lineup.



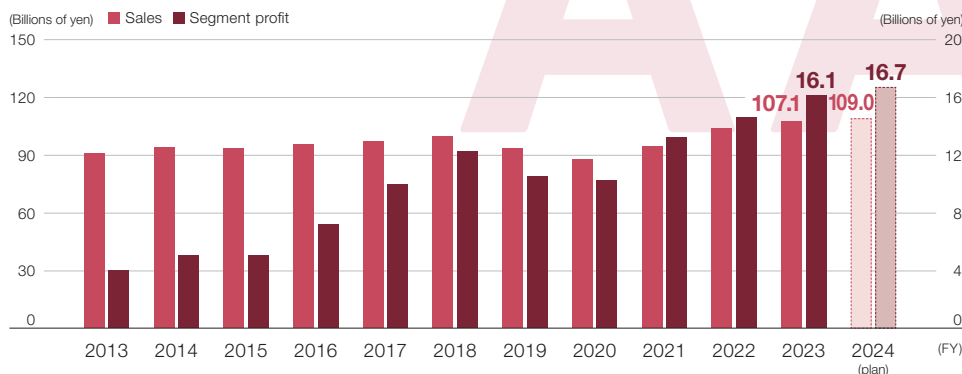
Yoshimitsu Hojo

Managing Corporate Executive
President of Advanced Automation Company
Azbil Corporation

Share of net sales by segment



Sales, segment profit (operating income)



Measures for achieving our long-term targets and medium-term plan

Short term The procurement situation for parts and materials is improving, but prices of parts and materials are expected to continue to rise, as are other expenses. In addition to making appropriate price adjustments that reflect our increased costs, we will expand overseas procurement and production, and review product designs.

Short term To accelerate business growth overseas, we will further strengthen local sales teams and develop a digital marketing approach to customers.

Long term For the purpose of strengthening product competitiveness and enhancing our business strengths, we will establish, maintain, and expand new product development structures that bring together the relevant parties from all departments—from those involved with the creation of business development scenarios to those in charge of ongoing product development.

Long term We will achieve business growth by deploying new automation technologies unique to the azbil Group to address issues facing society, such as carbon neutrality, and the changing needs of our customers.

Risks and mitigation measures

- 1 In the face of geopolitical risks and disruptions in increasingly complex global supply chains, we are enhancing our business resilience and risk-response capabilities, including business continuity planning (BCP), to ensure that our customers' factories can operate safely and reliably.
- 2 In response to changes in the labor and business environment in Japan and overseas, we are strengthening our human resources through recruiting, training systems, ensuring diversity, and developing next-generation engineers for the AI era.

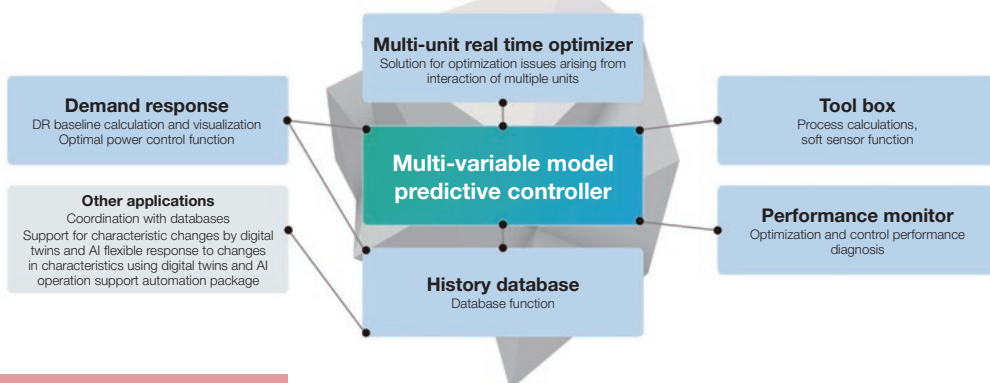
An advanced process control solutions

We are helping to solve issues faced by our customers and society, such as energy efficiency and decarbonization

Our series of advanced process control solutions realize stable operation and optimization of continuous process equipment and power equipment installed in oil refining and chemical plants. The operation of any of the various pieces of equipment in a plant is affected by a variety of internal and external factors that are always changing. Our solutions realize optimal control using process data, such as temperature and pressure data from the plant's production control system, and predictive algorithms that estimate future process behavior. This enables advanced energy-saving control, such as keeping CO₂ emissions to a minimum even when conditions change. In 2024, an application to automate demand response* was added to the series. In the future, we plan to add more features that will contribute to decarbonization.

Our advanced process control solutions, centered on multi-variable model predictive controller, encompass a comprehensive range of solutions required for optimal control. We provide tailored solutions.

* Using renewable energy is essential for the realization of a carbon-neutral society, but it poses a problem as performance is unstable, with output depending on weather conditions and other factors. Demand response addresses this problem by adjusting the power demand pattern of plants and factories according to the availability of electricity.



Life Automation Business

Implementing business strategy and other reforms for optimizing our portfolio

We will promote the Life Automation business restructuring and transformation swiftly, in order to promote safe, secure, comfortable, and healthy lifestyles.

On achieving our long-term targets and medium-term plan

The Life Automation (LA) business aims to contribute to active lifestyles by making use of the measurement and control technologies and services that we have cultivated in the building, plant, factory, and basic infrastructure fields to apply to lifeline utilities, such as gas and water supply, and to residential central air-conditioning systems. From the perspective of improving our capital efficiency, one of the targets in our medium-term plan, we are also working to optimize the LA business portfolio.

In the life science engineering field, we endeavored to enhance the business competitiveness of Azbil Telstar to further improve its profitability. However, amid the reorganization taking place in this global industry, in June 2024 we decided that our best option—from the perspective of improving the capital efficiency of the azbil Group and realizing sustainable growth for the company—was to transfer Azbil Telstar to another company.

While advancing the above business restructuring, we will continue to validate the business structure of each of our businesses, encourage reforms to ensure an appropriate business strategy for each business environment, use the automation business to promote value creation that directly impacts people's everyday lives, and steadily strive to improve the profitability of the LA business.

Features and strengths

Stability and progress Lifeline innovations

Enhance smart metering in the gas and water meter business, while meeting stable, legally required replacement demand, and promote our smart metering as a service business that combines telecommunication and cloud systems

Uniqueness Living space comfort

Provide high air quality with centralized air-conditioning systems equipped with comfort features

Review of FY2023

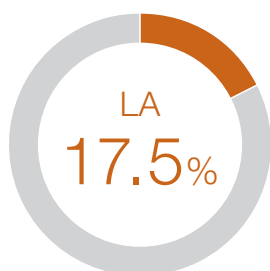
- 1 The entire LA business achieved increased sales, mainly in the lifeline field but also in the life science engineering and residential central air-conditioning systems fields. Orders received were ¥51.6 billion, an increase of 4.1% year-on-year, and sales were ¥51.4 billion, an increase of 7.3% year-on-year.
- 2 Segment profit for the entire LA business greatly improved—due to higher revenue and initiatives to strengthen business profitability—increasing 133.6% year-on-year to ¥1.4 billion.
- 3 **Lifeline field**
We have been engaged in business creation as a service provider by using meter data obtained via IoT technologies. In our smart metering as a service business, we have thus been able to increase data service contracts and are striving to achieve further growth.
- 4 **Residential central air-conditioning systems field**
As a result of providing a wide range of environments that offer comfort, good air quality, and energy savings—while leveraging our service and maintenance capability—sales of residential central air-conditioning systems expanded for both new and existing buildings.



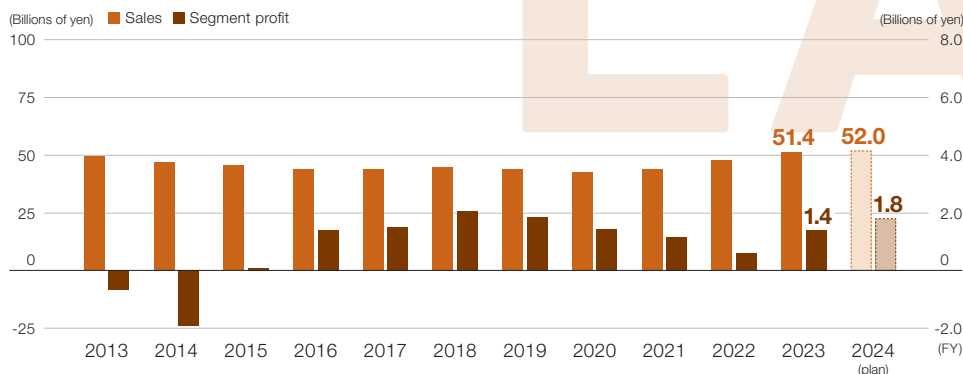
Takayuki Yokota

Director,
Representative Corporate Executive Deputy President
Life Automation Business

Share of net sales by segment



Sales, segment profit (operating income)



Measures for achieving our long-term targets and medium-term plan

Achieve transformation in the various LA business fields to promote value creation via automation; advance growth strategies via DX to realize high value creation; review of our business portfolio

Lifeline field

- Short term** We will improve profitability by cost pass-throughs and other measures, and revise business processes through the promotion of DX.
- Short term** We will increase our total capabilities by enhancing our applications in line with developments in data utilization, providing a full lineup of products through expansion into the field of meter peripherals, and adopting more advanced sales methods such as a subscription model.
- Long term** We will develop the smart metering as a service business utilizing IoT technologies, while meeting stable, legally required replacement demand. In the smart metering business, we are evolving to being a data service provider; we will continue to add necessary functions based on smart meters by expanding our product lineup, making use of various communication networks, and enhancing cloud system functionality.
- Long term** We will expand our smart meter business by expanding further into overseas markets.

Life science engineering (LSE) field

- Short term** We have decided to transfer Azbil Telstar to Syntegon, a global company in the field of packaging solutions, from the perspective of restructuring our business portfolio to improve capital efficiency.

Residential central air-conditioning systems field

- Short term** Improve profitability by replacing residential central air-conditioning systems previously installed by us, enlarging the sales area of our central air purifying and ventilation system, and expanding the range of target buildings to include small-scale buildings such as facilities for the elderly.
- Long term** Add IoT technologies to our service engineering offering to strengthen our on-site capabilities and expand our business as a provider of comfortable environments using residential central air-conditioning systems that add energy-saving to the healthy and comfortable lifestyles of our customers.

Risks and mitigation measures

- 1** To mitigate the risk of a fall in sales during cyclical periods of low demand for LP gas meters, we will stabilize revenue by promoting the smart metering as a service business, which links to demand for energy management.
- 2** To mitigate the risk associated with rising prices for raw materials that leads to increased prices for new homes and thus fewer sales, we will add the central air purifying and ventilation system* (associated with heat exchange ventilator + electronic air cleaner) to our product lineup, thus meeting the diverse needs of our customers.

* Qualifies for ZEH subsidy

Azbil transfers Spanish Group company Azbil Telstar to Syntegon of Germany

In the LA business, to achieve the long-term targets of the azbil Group, we are optimizing our business portfolio as we aim for sustainable growth and improved shareholder value.

In the field of life science engineering, we were implementing a growth strategy with Azbil Telstar, which supplies lyophilizers and other equipment to pharmaceutical companies. However, amid industry restructuring, profitability and competitiveness proved difficult to achieve, and the company posted a loss in FY2022. Against this background, the azbil Group conducted a review from the perspective of restructuring our business portfolio with a focus on improving capital efficiency. As a result, it was determined to transfer all our equity interests in Azbil Telstar to Syntegon, a major European packaging solutions company, with the contractual transferee being Falcon Acquisition, S.L.U., a wholly owned subsidiary of Syntegon.

To efficiently focus our management resources on growth fields in the LA business, we will make progress restructuring our business portfolio, implement structural reforms in each of our businesses, and drive business expansion in new fields. By transforming into a data service provider in the lifeline field and expanding our business as a comfortable living space provider in the field of residential central air-conditioning systems, we will enhance our competitiveness and steadily improve our profitability.

Global Strategy

We will accelerate the growth of our overseas business by promoting businesses that leverage regional characteristics and by enhancing management structures.

Following on from FY2022, FY2023 saw continuing global parts shortages, procurement difficulties, and cost increases due to the depreciating yen and growing inflation. As such, uncertainty in the business environment increased. Tense political and economic circumstances and geopolitical risks in certain regions also continued unabated. At the same time, we observed an increase in awareness of the need to address decarbonization, energy-saving, automation, and autonomy needs in order to achieve a sustainable society.

To adapt to the business environment, we steadily implemented measures to boost profitability, including cost pass-throughs. Furthermore, companies are now expected to respond speedily and globally. With customer needs becoming more diversified and sophisticated, we are working to develop and expand competitive products and services via such means as promoting development through the Strategic Planning & Development Office for Southeast Asia.

To further expand our overseas business, in the BA business we are accelerating the provision of energy-saving applications—the strength of our domestic business model—as well as products and services that benefit from our engineering and service capabilities. As in Japan, this approach is resulting in improved results overseas. In the AA business, we are expanding customer coverage in the CP and IAP businesses, and we are also making steady progress on developing business infrastructure. In preparation for a switch in the industrial structure to achieve a carbon-neutral society, we will develop products for new markets and pioneer new areas for automation, such as anomaly detection and AI equipment diagnostics. We will also endeavor to develop business in new areas and fields in both the BA and AA businesses.

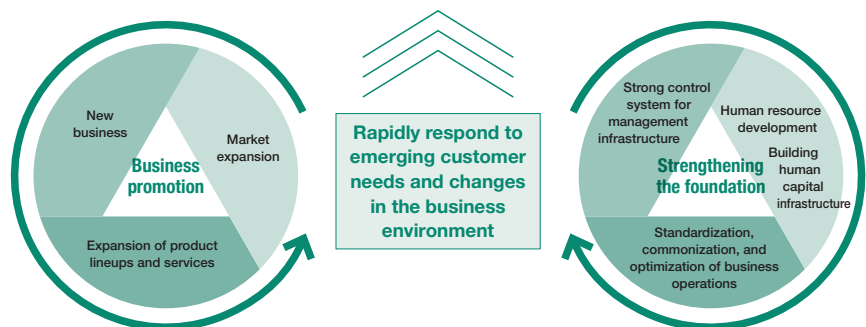
We will increase global competitiveness and aim for sustained development through a combination of offense and defense

To develop globally, the azbil Group has implemented a variety of measures aimed at transformation. To accelerate our existing initiatives and take them to the next level, we are taking both offensive and defensive approaches.

Under our offensive initiatives spearheaded by the International Business Planning & Promotion Department, we are developing strategies for business areas we intend to tackle and new markets; we are also planning measures tailored to business and regional characteristics. In addition, as part of our efforts to strengthen cooperation with overseas subsidiaries and affiliates, a reorganization in April 2023 placed the Strategic Planning & Development Office for Southeast Asia, which had been under the direct control of the head office, under the control of the International Business Headquarters. As a result, the Strategic Planning & Development Office for Southeast Asia now has a broader range of functions than before, enabling it to develop products and services while working more closely with our overseas subsidiaries and affiliates in India and the countries of Southeast Asia.

As regards our defensive initiatives, we are enhancing the business management of our overseas sites. Aiming at the “standardization, commonization, and optimization of business operations,” we will establish globally shared business management rules for strengthening CSR management and governance. We will also ensure and enhance the application of appropriate rules based on the laws and regulations of individual countries and regions.

Overseas business development: sustained expansion that enhances global competitiveness



Shigeru Wada

Managing Executive Officer
azbil Group International Business

Achieving our long-term target of overseas sales in the ¥100 billion range

As of May 2024, the azbil Group operates in 16 countries and regions, with a network of branches and overseas subsidiaries and affiliates. As one of the long-term targets for FY2030 we set in May 2021, we are aiming to leverage this network to achieve overseas sales in the ¥100 billion range. In the medium-term plan for FY2021–24, as a path to achieving that goal we set a target of ¥66.0 billion in overseas sales, and at the end of FY2023 we had already achieved that.

As part of “human resource development and building human capital infrastructure”—an important issue for strengthening the business management that will support our global growth—we are rolling out training programs for specific positions at overseas subsidiaries and affiliates, such as human resource managers and financial accounting personnel. These programs are mainly being carried out by the Azbil Academy, which handles the azbil Group’s training. To achieve sustained growth, we will continue to use the technologies and know-how we have cultivated in Japan as a basis for promoting businesses that leverage regional characteristics, establish management systems, and enhance our presence and competitiveness in the global market.

Implementing ESCO-based energy-saving measures for the Athenee Hotel in Thailand

The Athenee Hotel, a luxury hotel in Thailand, is implementing energy conservation efforts to promote sustainability and respond to rising energy costs.

Azbil Thailand, our overseas subsidiary in Thailand, is collaborating with Fuyo General Lease Thailand to deploy an energy service company (ESCO)*¹ business. Customers will benefit from consistent energy savings through visualization of energy consumption using a building energy management system (BEMS)*², and optimizing energy use with variable flow rate control of pumps for chilled water and cooling water.



*1 An ESCO guarantees a certain level of energy savings through the provision of comprehensive services for the reduction of energy consumption in a factory or building.

*2 A system that automates energy-efficiency monitoring and control of all energy-consuming equipment in buildings, factories, and district heating and cooling plants, and minimizes the energy used throughout a building.

Research collaboration on innovative digital solutions with the Indian Institute of Technology Roorkee

In May 2023, Azbil signed an MoU with the Indian Institute of Technology Roorkee (IIT Roorkee)*³ for joint research on innovative digital solutions. Azbil and IIT Roorkee are engaging in projects advancing innovative digital solutions, which both organizations are highly interested in. The two parties also exchange expertise and human resources.



*3 IIT Roorkee is an institute of national importance providing higher education in engineering, sciences, management, architecture and planning, and humanities and social sciences. Since its establishment in 1847, it has played an important role in providing technical human resources and know-how to India.

Azbil wins Frost & Sullivan’s 2023 Southeast Asia Company of the Year Award, Smart Buildings Solutions

For the second consecutive year, Azbil Corporation won the Southeast Asia Company of the Year Award, Smart Buildings Solutions, presented by global growth strategy consulting firm Frost & Sullivan as part of their 2023 Asia-Pacific Best Practices Awards.

Frost & Sullivan Best Practices Awards recognize companies in various regional and global markets for demonstrating outstanding achievement and superior performance in leadership, technological innovation, customer service, and strategic product development. This marks the fourth consecutive year in which Azbil has been recognized in Frost & Sullivan’s Best Practices Awards, a testament to our continued commitment to excellence.

We will continue driving transformative growth in the smart buildings solutions space and delivering exceptional value to our customers.