



Shigeaki Yoshikawa
Outside Director
Nomination Committee Chairperson



Fumitoshi Sato
Outside Director
Audit Committee Chairperson



Mitsuhiro Nagahama
Outside Director
Remuneration Committee Chairperson

Interviews with Three Committee Chairpersons

Azbil Corporation changed its organizational design in June 2022 and transitioned to a company with a three-committee board structure. We strive to improve the transparency and soundness of management through the Board of Directors, of which the majority are outside directors, and the Nomination, Audit, and Remuneration Committees, each of which is chaired by an outside director. The Chairpersons of the three committees speak about how each committee functions to improve the governance of the Group.

Encouraging medium- to long-term growth via the selection of directors

You assumed your position as Nomination Committee chairperson in June 2024. How does this change your way of thinking or the roles that you take on in the company?

The company transitioned to a company with a three-committee board structure in June 2022. That is when I became an outside director, and since then I have been involved in building the foundations for committee administration and formulating new guidelines as a member of the Nomination Committee working under Takeshi Itoh, the previous Committee chairperson. From FY2024, I have set milestones for each theme to be addressed by the Nomination Committee as its chairperson, and I believe that we have entered the phase for steadily executing these goals.

What specific things do you focus on at the Nomination Committee?

First, we focus on clarifying the policies and procedures for selecting and dismissing the CEO. I am aiming to clarify the procedures that enable us to select a person that is suitable as the CEO by clearly stating the qualities and experience that we require and identifying possible candidates at a periodic interval. In recent years, scandals have occurred even at companies that were praised for strong corporate governance. I believe that we must decide upon effective criteria in advance for determining the situations in which the CEO should be dismissed. Second, we are creating a CEO successor training plan. This is related to efforts for clarifying the CEO selection process and involves providing training and other required experience to the candidates for CEO. Third, I am clarifying the board structure. I hope to investigate the optimal member structure of the Board in terms of head count, skills, and diversity, and define certain criteria. For outside directors, it is important to have an appropriate amount of independence from and tension with the execution side, so I am setting estimates for terms of office and moving to execute board refreshment. Fourth, we are considering the promotion of outside human resources to executive positions. As we aim to expand our business and move more into the overseas market, we can promote outside human resources with expert knowledge and experience, depending on the business and position. I believe that it is necessary to decide upon criteria in advance.

I hope that we can implement such measures in accordance with their relation to the medium-term plan of the company.

What functions does the Board of Directors need to have to achieve medium- to long-term growth?

We have set long-term targets, and we need to take on new challenges in order to achieve the growth required to achieve these targets. Such challenges inevitably entail risks. We are growing and balancing challenges and risks, but this process has pitfalls in terms of compliance and governance.

Even if rules are made, they might not function well, and some companies fail to avoid such risks. To make sure that the supervisory role of the Board of Directors functions properly, it is important that our risk management system functions and its transparency is ensured. It is also important that anybody can freely express opinions on any problems that are found. It is up to the Board of Directors to maintain such an environment. In particular, outside directors are in a position to voice opinions based on knowledge from outside the industry. I hope that I can personally contribute to strengthening the supervisory role of the Board of Directors by appropriately fulfilling my duties.

Ensuring diversity and expertise at the Board of Directors

The Board of Directors now has a higher ratio of female directors. Will the Board of Directors further evolve in terms of diversity?

Sachiko Ichikawa joined the Nomination Committee this year. In addition to her qualifications as a lawyer both in Japan and in the State of New York, the United States, she is qualified as a Certified Public Accountant in the State of New York and brings a global perspective, experience, knowledge, and expertise to the Board. Although the diversity of our Board is steadily improving, we will still need to ensure future candidates are more diverse including in terms of gender and of a high level of expertise. I hope that we can consider such measures as we focus on enriching the board structure, as I previously mentioned.

Shigeaki Yoshikawa

Outside Director
Nomination Committee Chairperson



We will support the company's medium- to long-term growth through systematic audits

How has the state of audits changed since the company became a company with a three-committee board structure in June 2022?

The company changed its organizational design and moved from having an Audit and Supervisory Board to having an Audit Committee. With the previous Audit and Supervisory Board, auditors (mainly the company's full-time auditors) carried out audits on their own responsibility. The current Audit Committee, however, is chaired by an outside auditor and committee member, and audits are carried out by the committee as a whole. Based on this structure, we are strengthening collaboration with the independent accounting auditor, the Internal Audit Department, and the auditors of individual group companies while performing systematic audits with a risk-based approach. The outside committee members are playing a more forward role in audit activities, such as by making site visits to overseas subsidiaries and by exchanging ideas with corporate executives, executive officers, and the presidents of group companies.

In June 2024, one of the outside audit committee members was replaced by Hiroshi Yoshida, who has experience working as a corporate executive and auditor at a listed chemical manufacturer that is active internationally. We will enhance the quality of audits through this new structure.

What role should the Audit Committee play in achieving continued growth in enterprise value?

It is essential to check that corporate governance is fully instilled in the company and that there are no misdeeds or other issues, because that is the foundation of the company's growth. Doing so is also important for keeping us from losing the trust of shareholders, investors, and creditors. The Audit Committee plays a major role on that score. When the Audit and Supervisory Board was active, it emphasized legal audits, but the Audit Committee places more emphasis on appropriateness audits. We hope to sharpen our perspective on not only whether the executors' decisions are legal but also whether the execution of those duties was appropriate from the viewpoint of efficiency and

other standards. It is also becoming more important for us to share information and cooperate with the Internal Audit Department, which handles the internal reporting hotline.

We will focus on verifying the internal control structure of overseas businesses and respond to the changing times by taking security measures.

Please tell us what the challenges are, based on your role and the current situation.

There have been quite a few cases of wrongdoing occurring at the overseas subsidiaries of other companies. As the company is currently expanding globally, I believe it is vital for us to verify our internal control structures and scrutinize our risk management overseas. When COVID-19 was widespread, we could not visit group companies overseas in person, so we held online business surveys instead. Since 2023, we have had more opportunities to visit offices and factories overseas and speak directly to local auditors as well as local executives and employees, and we are focusing on trying to understand problems and issues from a local perspective.

Furthermore, information security measures have become a major concern in society in recent years. As the company has a policy of actively using generative AI and social media, we will have to be attentive on such changes in the times.

FY2024 is the final year of the medium-term plan. As an outside director, how do you rate the current state of progress of the medium-term plan's initiatives?

Performance has continuously reached record high levels, so I believe that most things are going well according to the plan. However, on a personal basis, I think a perspective of comparing ourselves to other companies is needed as well. We should be asking how we are faring compared to the results of other companies in semiconductor-related businesses, for example. When formulating the next medium-term plan, we will need to consider how to meet the expectations of shareholders and investors.

Azbil Corporation is a wonderful company with a solid corporate culture and a thorough awareness of compliance. As an outside director, I would like to support the company even further from the mindset of trying to figure out how to further accelerate growth in light of the technical capabilities the company has accumulated over many years and the potential of its human resources.



Fumitoshi Sato

Outside Director
Audit Committee Chairperson

We will create an effective remuneration system to increase medium- to long-term enterprise value

What kind of remuneration system do you think is required to achieve a sustainable increase in enterprise value?

It should basically be a system that provides a healthy incentive for the business execution side to achieve targets set for a fixed period of time, such as medium-term plans. Focusing on the absolute level of remuneration, the ratio of performance-linked to non-performance linked remuneration, performance-linked remuneration KPIs, and other factors, in light of the fact that the company has a high ratio of overseas shareholders, we will consider how to improve the system to make it an effective one that is acceptable to the market and leads to a medium- to long-term increase in enterprise value.

Please tell us about the initiatives of the Remuneration Committee in FY2023.

When the company transitioned to a company with a three-committee board structure in June 2022, it also increased the ratio of performance-linked remuneration, introduced a stock compensation plan, and formulated a new remuneration system. In FY2023, based on the results of the necessary benchmarks, we revised the absolute level of remuneration and the ratio of performance-linked to non-performance linked remuneration, introduced a clawback system, and endeavored to develop and enhance the remuneration structure to make it contribute more to increasing enterprise value. In FY2024, we will improve the system and increase its sophistication in preparation for the new medium-term plan that will start in FY2025.

What issues are you facing right now as you attempt to further develop the remuneration structure?

The executive remuneration system must constantly be checked and improved to respond appropriately to increasingly complex business strategies and changing business environments as well as societal demands. Although we have updated it several times to date, this fiscal year when we draw up the next medium-term plan will be an extremely important turning point in that regard. In the course of our work, we have identified the following as major issues and themes that need to be addressed at the present time.

The first is increasing the appropriateness and relevance of our benchmarking. Right now, we set multiple comparator universes such as market capitalization, net sales, and industry type based on corporations listed in Japan and use those as our benchmarks. While continuing to keep trends and forecasts for the company's financial results and the target levels and goals of medium- to long-term

strategies in mind, we will narrow our focus to more relevant peers and set the optimum universes for the company.

The second issue is a revision of the ratio of performance-linked to non-performance linked remuneration. To put it simply, we need to increase the component ratios of performance-linked remuneration and adjust the relative ratios of short-term incentives (STI) to medium- to long-term incentives (LTI). Although we have gradually increased the ratio of performance-linked remuneration over time, we have judged that it is necessary to increase that ratio even further going forward.

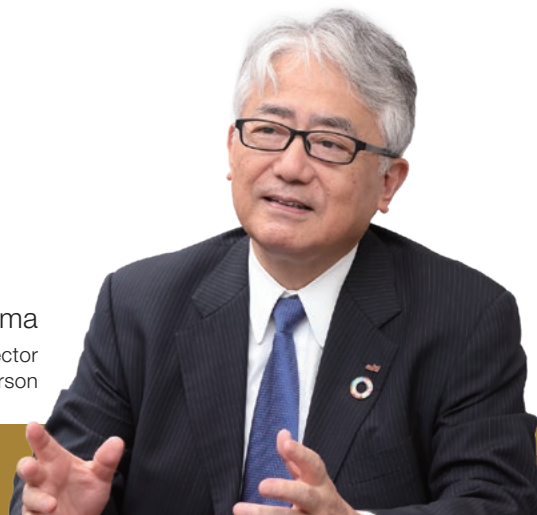
The third issue is revising the KPIs for performance-linked remuneration. In full recognition of various changing societal demands, we will search for an ideal situation that suits the company's mission and medium- to long-term strategies. In particular, it has now become essential to reorganize non-financial indicators from an ESG viewpoint. There are many important themes such as greenhouse gas emissions, diversity, employee engagement, biodiversity and human rights, so we will endeavor to set KPIs that are highly socially acceptable and effectively support an increase in the company's enterprise value.

We will focus on building governance structures and risk management at the global level

As an outside director, what points would you like to focus on for the azbil Group to grow in the future?

I am aware that going forward, the company will need to build and deploy more proactive strategies such as not only enhancing existing businesses but also expanding businesses to extended fields and expanding overseas business. I hope to use my knowledge and experience as an outside director at other companies to go beyond the "skills expected of directors" in the directors' skill matrix and contribute further to the development and enhancement of global and group-based "governance," "business management," and "risk management" as business infrastructure to support proactive management strategies.

Mitsuhiro Nagahama
Outside Director
Remuneration Committee Chairperson



Corporate Governance

Basic approach to corporate governance

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

We also comply with Japan's Corporate Governance Code released by the Financial Services Agency and Tokyo Stock Exchange, Inc., and satisfy requirements for information disclosure by publishing corporate governance reports and integrated reports (this report) on our company website.

WEB Corporate Governance Report

<https://www.azbil.com/csr/basic/governance.html>

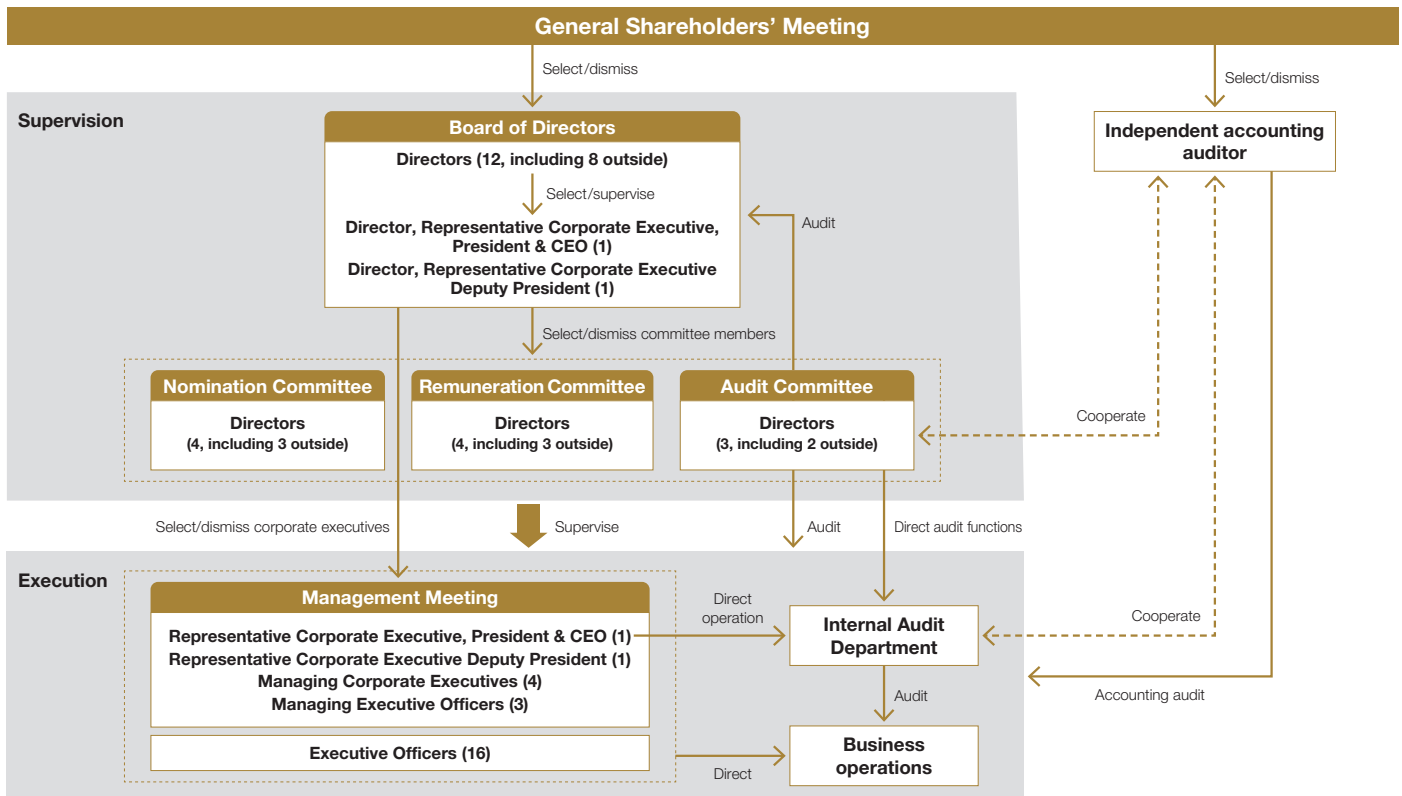
Corporate governance framework

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

Furthermore, to ensure the effectiveness of monitoring by the Board of Directors, we have established a forum for providing information to directors and exchanging opinions with corporate executives in the form of a Liaison Meeting for Directors and Corporate Executives. In addition, opinion exchange meetings are held regularly among outside directors.

In business execution, we are continuing the system for executive officers charged with business execution. Moreover, we established the Management Meeting to serve as an executive-level advisory body to assist the president & CEO in making decisions, which corporate executives and executive officers with titles attend (attended by the full-time Audit Committee member to ensure the effectiveness of monitoring) to strengthen business operations through prompt decision-making and strict execution.

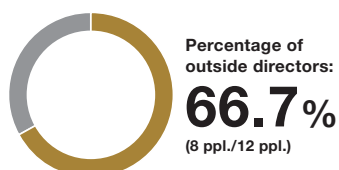
Corporate governance framework (as of June 25, 2024)



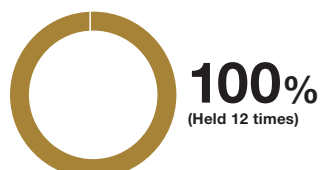
Note: The Chairperson of the Board of Directors is a non-executive director.

Composition and main activities of the Board of Directors

Member composition



Rate of attendance (FY2023)



Main topics for discussion in FY2023

Items resolved	Selection of major risks, capital policy, revision of Board of Directors' and committees' rules, appointment of corporate executives, appointment of committee members, approval for financial results, and other matters
Items reported	Reports on the progress of the medium-term plan, reports on cross-shareholdings, reports on the execution of duties from each statutory committee and corporate executives, reports on the operation of internal control systems, reports on the status of CSR management, reports on the results of materiality re-examination, reports on the status of management of group companies, business portfolio review, and other reports

Evaluation of effectiveness of the Board of Directors

The Board of Directors aims to enhance enterprise value over the medium and long term by making decisions on management strategy and other matters and supervising execution through objective and constructive discussions. A survey is carried out each year to evaluate the effectiveness of the Board of Directors in properly fulfilling its roles and responsibilities, to identify issues and possible improvements, and to provide suggestions as to how the Board's effectiveness might be enhanced. In addition, we periodically use an external agency. In FY2023, we confirmed that the company continued to make steady progress in strengthening

governance and improving the effectiveness of the Board of Directors following the transition to a company with a three-committee board structure, as in FY2022. Together with this, we evaluated whether the effectiveness of the Board of Directors has been steadily improved and enhanced by addressing the issues identified in FY2022. In preparing for this evaluation, the chairperson led a review of the approach and methodology to be used, and in consideration of continuity over time, the survey was conducted utilizing the items of the questionnaire established in FY2022 using an external agency.

After confirming the opinions and evaluation results of the following survey items, an evaluation of the current state of effectiveness, sharing of issues, and discussion of future actions were held at a meeting of the Board of Directors.

- (1) the role and functions of the Board of Directors; (2) the size and composition of the Board of Directors; (3) the operation of the Board of Directors; (4) the composition, role, and work of the Nomination Committee; (5) the composition, role, and work of the Remuneration Committee; (6) the composition, role, and work of the Audit Committee; (7) the support provided for outside directors; (8) investor and shareholder relations; (9) the overall effectiveness of the governance system and Board of Directors; and (10) their own self-evaluations

Confirmation results from the evaluation of effectiveness

- The Board of Directors is of an appropriate size and composition and is properly fulfilling its role, with its members plainly sharing the model supervisory function for a company with a three-committee Board structure.
- Thanks to the Liaison Meeting for Directors and Corporate Executives, a forum established so that directors can gather information and exchange opinions with corporate executives, there is sufficient communication between directors and corporate executives, as well as between internal directors and outside directors, and it functions as a forum for discussion of important medium- and long-term management issues.
- The size, composition, and deliberation topics of the three statutory committees for nomination, audit, and remuneration are all appropriate, and the overall effectiveness of the Board of Directors is adequately ensured.

PDCA initiatives to improve effectiveness

Issues shared in the evaluation of effectiveness for FY2022	Actions for FY2023 in response to FY2022 issues	Issues shared in the evaluation of effectiveness for FY2023
The Board of Directors agreed they will strive to make a clearer division of supervisory and execution roles and to improve the reference materials prepared for meetings so that the Board can discuss more important management issues, and shared the recognition of the importance that the Board of Directors and Nomination Committee discuss the skills matrix required to maintain the appropriate composition of the Board of Directors and improve it where possible.	<ul style="list-style-type: none"> • Development of a structure to further enhance the effectiveness of discussions at Board of Directors meetings by revising the criteria for submission of proposals to the Board of Directors and improving the materials to be submitted to the Board of Directors • In addition to discussions at Board of Directors meetings regarding the medium-term plan, hold intensive discussions on topics identified as important management issues through the evaluation of effectiveness at the Liaison Meeting for Directors and Corporate Executives and off-site meetings • Hold skill matrix discussions at Board of Directors meetings to help maintain the appropriate composition of the Board of Directors and improve it where possible 	We shared our commitment to (1) continue to improve reference materials prepared for meetings so that the Board can discuss more important management issues; (2) further strengthen monitoring of matters to which authority has been transferred; (3) promote discussion at the Board of Directors and Nomination Committee meetings to maintain the appropriate composition of the Board of Directors and improve it where possible; and (4) facilitate dialogue between outside directors and shareholders to enhance enterprise value over the medium to long term.

We will continue to promote initiatives to enhance the effectiveness of the Board of Directors so as to achieve sustainable growth and increase enterprise value over the medium to long term.

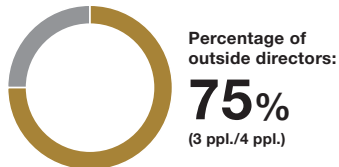
Corporate Governance

Composition and main activities of each committee

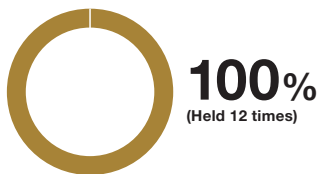
The company has established statutory committees as a company with a three-committee board structure. The composition of each committee and the status of its activities in FY2023 are as follows. Furthermore, each committee member is selected by resolution of the Board of Directors from among the directors, and the chairperson of each committee is then appointed by resolution passed by the Board of Directors from among the members who are outside directors.

Nomination Committee

Member composition



Rate of attendance (FY2023)

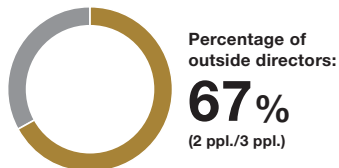


Main contents of consideration for FY2023

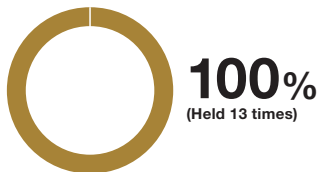
Items implemented	Specific contents of consideration
Action plans for the current fiscal year (FY2023)	The Nomination Committee reviewed the activities of previous fiscal years and considered and determined the matters to be considered by the Nomination Committee during the current fiscal year, as well as the annual action plans and other matters.
Determination of contents of proposals concerning candidates for directors for the next term	In considering the Board of Directors structure for the next term (FY2024), the Nomination Committee confirmed views on the selection and the state of consideration and deliberated and determined candidates for directors for the next term.
Confirmation of candidates for corporate executives for the next term and candidates for executive officers for the next term	The Nomination Committee confirmed views for the selection and the state of consideration of the next term's (FY2024) corporate executive structure based on consultation from the Board of Directors and the executive officer structure based on consultation from the representative corporate executive, president & CEO, and determined candidates for the next term.
Selection of successor candidates and confirmation of individual training plans	The Nomination Committee shared profiles of the needed successors and the judgment criteria for promotion and confirmed the selection and training process and the training status of successor candidates based on the development of leadership personnel.
Revision of the Nomination Committee rules and other rules governing the selection of officers	The Nomination Committee determined a proposal to revise the Nomination Committee rules in accordance with the reorganization of agenda items of the Nomination Committee, and considered revisions to the rules governing the selection of officers.

Audit Committee

Member composition



Rate of attendance (FY2023)

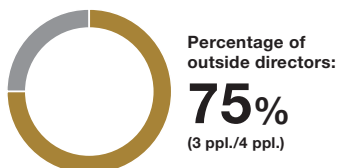


Content of key audit items for FY2023

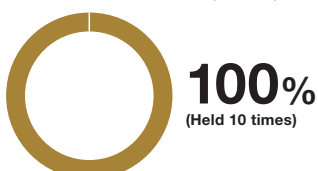
Key audit items	Specific contents of audits
State of operation of internal control systems	Full-time Audit Committee member conducted an interview with the department in charge of internal control systems, as well as with the Audit & Supervisory Board members and management departments of subsidiaries. Also, all Audit Committee members shared the results of audits conducted by the Audit & Supervisory Board members of subsidiaries and exchanged opinions with presidents of subsidiaries to confirm the results of the audits.
Status of risk response	Full-time Audit Committee member attended azbil Group General Risk Committee meetings to confirm the status of risk responses to the azbil Group's major risks and conducted interviews with the departments in charge of risks. In addition, all Audit Committee members exchanged opinions with corporate executives and others on an individual basis.
Status of governance	All Audit Committee members held meetings with corporate executives and presidents of subsidiaries to exchange opinions and confirm the operation of the whistleblowing system, and the full-time Audit Committee member attended the Management Meeting and other important meetings to confirm the response to urgent and serious situations and the implementation of recurrence prevention measures.
Status of legal compliance	Full-time Audit Committee member confirmed the status of legal compliance through business surveys of the departments in charge of each legal regulation, and requested improvements in the time-consuming process of reviewing the regulations, which led to the revision of the regulations.
Status of execution of management strategies	At the Board of Directors and the Liaison Meeting for Directors and Corporate Executives, discussions were made on measures to achieve the medium- and long-term plan and on the details of the business portfolio study. Confirmation was also made regarding the business surveys of departments on their business operations in line with the medium-term plan.

Remuneration Committee

Member composition



Rate of attendance (FY2023)



Main contents of consideration for FY2023

Items implemented	Specific contents of consideration
Action plans for the current fiscal year (FY2023)	The Remuneration Committee considered and determined the matters to be considered by the committee during the current fiscal year, as well as the annual action plans and other matters.
Determination of the policies and systems for determining the details of remuneration for directors and corporate executives	The Remuneration Committee reviewed the remuneration ratio of corporate executive remuneration (expansion of the percentage of stock-based compensation) and revised the policy and plan for determining the content of remuneration for directors and corporate executives.
Determination of individual remuneration for directors and corporate executives	In addition to conducting a performance evaluation of the corporate executives for FY2022, based on the above determination policy, the Remuneration Committee determined details of individual remuneration for directors and corporate executives during the period from July 2023 to June 2024.
Revision of Remuneration Committee rules	The Remuneration Committee determined the proposed revision of the Remuneration Committee rules in accordance with the reorganization of the agenda items of the Remuneration Committee.
Confirmation of the external environment relative to officers' remuneration	The Remuneration Committee confirmed the current remuneration plan for officers and the remuneration level in light of information on other companies and general trends provided by external specialized institutions and others.

Selection and dismissal of directors, CEO, and other senior executives

(1) Directors

In terms of basic qualifications, a candidate for director is to be a person with excellent character and insight who contributes to the growth of the company and the group as a whole and helps to enhance enterprise value. The nomination and selection of candidates is determined by the Nomination Committee, which also confirms and considers the skills matrix and the composition of the current committee and takes into account internationality and gender (diversity).

(2) CEO and other senior executives

The appointment of the CEO and other senior executives (president & CEO, deputy president, and corporate executives) is decided by the Board of Directors after deliberation by the Nomination Committee, based on appointment criteria standards and the desired composition of the Board of Directors.

Criteria for appointing

As the basic requirements, senior executives must have (1) a full understanding of the group philosophy; (2) deep knowledge of corporate management; (3) wide-ranging experience both inside and outside Japan as well as good insight into corporate governance, CSR, and compliance; and (4) the ability to lead the entire group and guide it to sustainable growth.

Training policy for directors

To ensure that the Board properly fulfills its functions and responsibilities, the company believes it is important to provide training opportunities tailored to each individual officer. Based on that awareness, new directors are given opportunities to train inside and outside the company so that they can gain and update knowledge that they need to execute their duties, such as information on their legal authority and obligations. New outside directors also go through an orientation program where they are given an overview of the company, its business, and products it

Criteria for proposing dismissal

Concerning policies and procedures for dismissing senior executives, the candidate for dismissal undergoes a fair and rigorous process of examination and deliberation by the Nomination Committee based on the following criteria. If the committee judges that the dismissal is appropriate, it is sent to the Board of Directors for approval.

Reasons for proposing dismissal include a serious business problem arising from a violation of the law or the Articles of Incorporation of the company, an event that makes it difficult for the person to perform and continue in the job, and upon the occurrence of a reason for retirement as stipulated by laws and regulations.

The Nomination Committee will deliberate on the dismissal of the president and CEO as appropriate, taking into consideration quantitative events such as deteriorating performance.

Succession planning

Concerning succession planning for senior executives, the Nomination Committee deliberates the status of training and selection of successors and records the results of these deliberations as well as the discussion process itself. It ensures that succession planning was done appropriately and objectively, and the chairperson of the committee, an independent outside director, reports the results of the discussions to the Board of Directors as appropriate, thereby creating a framework in which sufficient time and resources can be devoted to the development of potential successors.

handles; are briefed on matters such as corporate governance; and tour our factories so that they can deepen their understanding of the company. Moreover, we regularly hold group training sessions on compliance for all officers even after appointment, in addition to inviting external lecturers for training as necessary. And to prepare the next generation of executives, we provide training opportunities for managers to acquire the leadership skills, knowledge of management strategies, and management competences required of top management.

Corporate Governance

Remuneration for officers, etc.

As a company with a three-committee board structure, the Remuneration Committee, for which a majority of the members, including the chairperson, are outside directors, sets policy on the determination of the individual remuneration of directors and corporate executives, which is disclosed as the remuneration policy.

Remuneration policy

Basic policy regarding executive remuneration

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

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

Remuneration levels

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

Remuneration structure

The remuneration structure for corporate executives (including those concurrently serving as directors; similarly hereinafter) is based on their roles and responsibilities, and consists of basic remuneration, which is a fixed monthly amount; bonuses, which are short-term incentives; and stock-based compensation, which is a medium- to long-term incentive. In order to ensure a remuneration structure that motivates officers to achieve the medium- and long-term performance goals and enhance enterprise value, the incentive component of remuneration has been increased, so that the combined remuneration for the president & CEO has the following structure: basic remuneration 40%, bonus (base amount) 30%, stock-based compensation (base amount) 30%. The remuneration structure for other corporate executives is determined in line with this, taking into consideration their expected roles and responsibilities. The remuneration for directors (not including those concurrently serving as corporate executives; similarly hereinafter) consists of basic remuneration and stock-based compensation.

Corporate executives

(1) Basic remuneration

Basic remuneration is paid as fixed monthly monetary remuneration based on the position of the officer.

(2) Bonus

- A bonus is paid as performance-linked monetary remuneration that takes into consideration company performance and non-financial indicators for the single fiscal year.
- As regards financial indicators, to improve enterprise value over the medium to long term, we use net sales and operating

income, which are the company's main management indices, as key performance indicators (KPIs). The amount of the bonus will fluctuate according to the degree by which these targets have been achieved, while taking into consideration also non-financial indicators.

- Non-financial indicators are based on the degree of achievement of the various roles of the corporate executive, such as implementing measures to realize the medium-term plan, engagement in CSR management, and the development of human resources (succession training). The Remuneration Committee determines the amount of remuneration based on such evaluation.
- Taking into account both financial and non-financial indicators, the final amount paid as a bonus will vary between 0% and 150%.
- Remuneration is designed so that the higher the officer's position, the higher the weighting of financial indicators. As an example, the KPIs and their respective evaluation weightings for the president and CEO are as follows.

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

(3) Stock-based compensation

- In principle, stock-based compensation is paid to the corporate executive following retirement from the current position, with the aim of continuous enhancement of enterprise value while sharing value with shareholders.
- A base amount for stock-based compensation is set for each position. Of this, 50% is performance-linked and 50% is not.
- As regards KPIs, the performance-linked component uses relative total shareholder return (TSR)—an indicator that evaluates our TSR relative to the Tokyo Price Index (TOPIX) by the Tokyo Stock Exchange—to ensure that officers and shareholders have a shared interest, and operating income margin, an indicator set forth in the medium-term plan. As a non-financial indicator, we use effective CO₂ reduction at customers' sites, which is one of the essential goals of the azbil Group for the SDGs. The performance-linked component will vary between 0% and 150% depending on the extent to which these targets have been achieved during the period covered by the medium-term plan. The evaluation weightings for each KPI are as follows.

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

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

Directors

(1) Basic remuneration

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

(2) Stock-based compensation

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

Process for determining remuneration

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

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

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

Forfeiture and return of remuneration (malus and clawback)

- If the financial results for a previous fiscal year are revised retrospectively, the company can deny officers all or part of the company shares, etc. (the performance-linked component) under the stock-based compensation plan, and may demand the return of all or part of the performance-linked compensation already paid to them.
- If it is determined that an officer is responsible for serious misconduct or a serious violation, the company can deny all or part of the company shares, etc. that were to be transferred to the officer under the stock-based compensation plan.

Disclosure policy

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

Total amount of remuneration of officers in FY2023

Category of officer	Amount of remuneration paid (Millions of yen)	Total amount by type (Millions of yen)				Number of persons remunerated
		Fixed remuneration		Performance-linked remuneration		
		Cash remuneration	Non-cash remuneration (stock compensation)	Cash remuneration	Non-cash remuneration (stock compensation)	
Directors (excluding outside directors and directors concurrently performing as corporate executives)	77	75	2	—	—	2
Outside directors	120	112	8	—	—	8
Corporate executives (including those concurrently performing as directors)	423	189	28	178	28	5

Management and Board of Directors

(as of June 25, 2024)



Director and Chairperson

Hirozumi Sone

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

Apr 1979 Joined the Company
Apr 1996 Systems Marketing Manager of Systems Development Group, Industrial Systems Division
Oct 1998 Transferred to Yamatake Industries Systems Co., Ltd. (Present: Advanced Automation Company of the Company), General Manager of Marketing Department of Yamatake Industries Systems Co., Ltd.
Jun 2000 Director, General Manager of Marketing Department of Yamatake Industries Systems Co., Ltd.
Apr 2003 Vice Executive Officer, General Manager of Engineering Department, Advanced Automation Company
Apr 2005 Executive Officer, General Manager of Corporate Planning Department
Apr 2008 Managing Executive Officer, General Manager of Corporate Planning Department
Apr 2009 Managing Executive Officer
Jun 2010 Director and Managing Executive Officer
Apr 2012 Representative Director, President and Chief Executive Officer
Apr 2020 Representative Director, Executive Chairperson, President and Group Chief Executive Officer
Jun 2020 Representative Director Chairperson, Executive Chairperson
Jun 2021 Outside Director of Yasuda Logistics Corporation (Present post)
Jun 2022 Director and Chairperson (Present post)
Jun 2023 Outside Director of Mizuho Leasing Company, Limited (Present post)



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

Kiyohiro Yamamoto

Nomination Committee member
Section: Internal Audit

Apr 1989 Joined the Company
Apr 2007 General Manager of Environmental Marketing Department, Marketing Headquarters, Building Systems Company
Apr 2011 Head of Marketing Headquarters, Building Systems Company
Apr 2012 Senior Officer, Head of Marketing Headquarters, Building Systems Company
Apr 2014 Senior Officer, General Manager of Corporate Planning Department
Apr 2017 Executive Officer, General Manager of Corporate Planning Department and Head of Marketing Headquarters, Building Systems Company
Apr 2018 Managing Executive Officer, Head of Marketing Headquarters, Building Systems Company
Apr 2020 Executive Deputy President
Jun 2020 Representative Director, President and Group Chief Executive Officer
Jun 2022 Director, Representative Corporate Executive, President and Group Chief Executive Officer (Present post)
May 2023 Chairman, Nippon Electric Control Equipment Industries Association (Present post)



Director, Representative Corporate Executive Deputy President

Takayuki Yokota

Remuneration Committee member
Section: Assistant to President, Corporate Administration, Management, Corporate Communication, Sustainability (& azbil Group CSR), Life Automation business

Apr 1983 Joined The Fuji Bank, Limited (Present: Mizuho Bank, Ltd.)
Nov 2005 Chief IR Officer at Investor Relations, Mizuho Financial Group, Inc.
Apr 2010 Executive Officer and Head of the Investment Banking Business Management Department, Mizuho Corporate Bank, Limited (Present: Mizuho Bank, Ltd.)
Jun 2012 Audit & Supervisory Board Member of Mizuho Research Institute Ltd. (Present: Mizuho Research & Technologies, Ltd.)
Apr 2013 Joined the Company (Senior Officer)
Apr 2014 Executive Officer, Head of Group Management Headquarters
Apr 2016 Managing Executive Officer, Head of Group Management Headquarters
Apr 2017 Managing Executive Officer, Head of Group Management Headquarters and Head of International Business Headquarters
Apr 2018 Managing Executive Officer
Jun 2018 Director and Managing Executive Officer
Apr 2020 Director and Senior Managing Executive Officer
Jun 2022 Director and Representative Senior Managing Corporate Executive
Jun 2023 Director, Representative Corporate Executive Deputy President (Present post)



Director

Hisaya Katsuta

Non-Executive Director, Audit Committee member

Apr 1983 Joined the Company
Apr 2005 General Manager of Production Planning Department
Feb 2010 General Manager of Internal Audit Department
Apr 2011 Senior Officer, General Manager of Internal Audit Department
Apr 2012 Senior Officer, Manager of Production Management Department, Production Management Headquarters
Apr 2014 Senior Officer, Manager of Purchasing Department, Production Management Headquarters
Jun 2015 Audit & Supervisory Board Member
Jun 2022 Director (Present post)



Outside Director

Waka Fujiso

Remuneration Committee member

Apr 1980 Public prosecutor of the Tokyo District Public Prosecutors Office
Apr 2001 Public prosecutor of the Tokyo District High Public Prosecutors Office
Dec 2007 Public prosecutor of Supreme Public Prosecutors Office
Mar 2008 Retired from public prosecutor of Supreme Public Prosecutors Office
Apr 2008 Member of Information Disclosure and Personal Information Protection Review Board, Cabinet Office (Retired in November 2008)
Apr 2009 Professor of Rikkyo University's Law School (Retired in March 2014)
Sep 2011 Member of the Medical Ethics Council of Ministry of Health, Labour and Welfare (Retired in October 2019)
Jun 2015 Substitute Audit & Supervisory Board Member of the Company
Jun 2018 Outside Director (Present post)



Outside Director

Mitsuhiro Nagahama

Remuneration Committee chairperson

Apr 1976 Joined The Fuji Bank, Limited (Present: Mizuho Bank, Ltd.)
Mar 2003 Executive Officer and General Manager of Otemachi Corporate Banking Division No. 6 and Otemachi Corporate Banking Division No. 7, Mizuho Corporate Bank, Ltd. (Present: Mizuho Bank, Ltd.)
Apr 2005 Senior Executive Officer in charge of Corporate Banking, Mizuho Corporate Bank, Ltd.
Mar 2006 Senior Executive Officer and Head of the Americas, Mizuho Corporate Bank, Ltd.
Apr 2010 Deputy President and Deputy President-Executive Officer and Head of the Americas, Mizuho Corporate Bank, Ltd. (Retired in April 2013)
Apr 2013 Chairman of the Board of Mizuho Securities Co., Ltd. & Mizuho Securities USA Inc.
Apr 2015 Advisor of Mizuho Securities Co., Ltd. (Retired in March 2020)
Jun 2015 Outside Audit & Supervisory Board Member of the Company
Mar 2018 Outside Audit & Supervisory Board Member of KURARAY Co., Ltd. (Present post)
Mar 2019 Outside Director of Tokyo Tatemono Co., Ltd. (Retired in March 2021)
Jun 2019 Outside Director of the Company (Present post)
Jun 2020 Outside Director of NSK Ltd. (Retired in June 2024)
Jun 2024 Chairperson of Japan Association of Retired Industrial Persons (JARP) (Present post)
Jun 2024 Outside Director of Toshiba Tec Corporation (Present post)

Managing Corporate Executives

Yoshimitsu Hojo

Advanced Automation (AA) business, azbil Group (aG) Product Business Portfolio Enhancement, President of Advanced Automation Company (AAC)

Kazuyasu Hamada

Building Automation (BA) business, aG System Business Portfolio Enhancement, President of Building Systems Company (BSC)

Akihiko Naruse

Human Resources & Education, SDGs, General Affairs, aG Safety Management (Occupational Health and Safety)

Hideaki Ishii

aG Production, aG Purchasing, aG Research and Development, aG Environmental Protection Innovation, aG Product Safety, Quality & Environment, aG Marketing, aG Product Business Portfolio Enhancement

Managing Executive Officers

Tadayoshi Ito

Three Growth Fields, aG Digital Transformation Promotion, aG IT (aG Cyber Security) Enhancement, aG Service Engineering Enhancement, aG System Business Portfolio Enhancement

Shigeru Wada

aG International Business, aG Work Style Creation Support (Overseas), Head of International Business Headquarters

Tomoyuki Takeda

BA business (Domestic), aG System Business Portfolio Enhancement, aG Work-style Creation (Well-being)



Outside Director

Anne Ka Tse Hung
Nomination Committee member

Jul 1987 Joined Baker McKenzie
Jul 1991 Moved to Baker McKenzie Tokyo
Jul 1999 Partner of the firm
Jul 2018 Senior Counsel of the firm
Mar 2019 Retired from Senior Counsel of the firm
Jun 2020 Outside Director of the Company (Present post)



Outside Director

Fumitoshi Sato
Audit Committee chairperson

Apr 1976 Joined Bank of Japan
Apr 1998 General Manager of Aomori Branch, Bank of Japan
May 2001 General Manager of Fukuoka Branch, Bank of Japan
Apr 2004 Retired from the Bank
Apr 2004 Senior Corporate Officer of HORIBA, Ltd.
Jun 2005 Managing Director of HORIBA, Ltd. (Retired in March 2017)
Mar 2017 Adviser of HORIBA, Ltd. (Retired in May 2018)
Jun 2019 Outside Director of TOMY Company, Ltd. (Present post)
Jun 2019 Outside Audit & Supervisory Board Member of the Company
Jun 2022 Outside Director (Present post)



Outside Director

Shigeaki Yoshikawa
Nomination Committee chairperson

Apr 1977 Joined Mitsubishi Corporation
Jun 2004 General Manager of Singapore Branch
Jul 2006 General Manager of Regional Strategy & Coordination Department
Apr 2008 Senior Vice President, General Manager of Global Strategy & Coordination Department
Apr 2010 Senior Vice President, Chief Regional Officer for the Middle East
Apr 2013 Executive Vice President, Regional CEO for the Middle East & Central Asia
Apr 2016 Corporate Advisor (Retired in August 2016)
Sep 2016 Corporate Advisor of Mitsubishi Research Institute, Inc.
Oct 2016 Executive Vice President
Dec 2016 Representative Member of the Board, Executive Vice President & COO
Dec 2020 Senior Corporate Advisor (Retired in December 2023)
Apr 2021 Visiting Professor (Department of Business Design, Faculty of Global Business), Research Fellow (Institute of Current Business Studies) of Showa Women's University, Tokyo (Present post)
Jun 2021 Vice Chairman and Executive Director of The Japan Singapore Association
Jun 2022 Outside Director of the Company (Present post)
Jun 2023 Chairman and Representative Director of The Japan Singapore Association (Present post)
Jun 2023 Outside Director of Mochida Pharmaceutical Co., Ltd. (Present post)



Outside Director

Tomoyasu Miura
Remuneration Committee member

Apr 1986 Joined Nomura Research Institute, Ltd.
Apr 2001 Manager of Financial Consulting Service Department II of Nomura Research Institute, Ltd.
Apr 2008 Manager of Financial Strategic Consulting Service Department of Nomura Research Institute, Ltd.
Apr 2009 Senior Managing Director, Deputy Manager of Management Consulting Service Division of Nomura Research Institute, Ltd.
Apr 2010 Senior Managing Director, Deputy Manager of System Consulting Service Division of Nomura Research Institute, Ltd.
Apr 2011 Senior Managing Director, Manager of Center for Corporate Planning Division of Nomura Research Institute, Ltd.
Apr 2014 Senior Managing Director, Division Manager of Center for Strategic Management & Innovation of Nomura Research Institute, Ltd.
Apr 2017 Counselor of Nomura Research Institute, Ltd. (Retired in June 2022)
Jun 2018 Deputy Dean of Nomura School of Advanced Management
Jun 2018 Executive Director & Dean of Nomura School of Advanced Management (Retired in May 2022)
Aug 2019 Auditor of Research Institute of Science for Education (Present post)
Jun 2022 Outside Director of the Company (Present post)



Outside Director

Sachiko Ichikawa
Nomination Committee member

Apr 1997 Registered as attorney (Member of Dai-ichi Tokyo Bar Association), Joined Tanabe & Partners Law Office
Jan 2005 Registered as attorney (Member of New York State Bar Association)
Jan 2011 Partner of Tanabe & Partners Law Office (Present post)
Jun 2015 Outside Director of ANRITSU CORPORATION (Retired in June 2017)
Apr 2018 Registered as certified public accountant of the U.S.A.
May 2018 Outside Audit & Supervisory Board Member of Ryohein Kaikaku Co., Ltd. (Retired in November 2021)
Jun 2020 Statutory Auditor of The Board Director Training Institute of Japan
Jun 2021 Outside Director of Tokyo Electron Ltd. (Present post)
Jun 2021 Outside Director of Olympus Corporation (Present post)
Jun 2022 Director of The Board Director Training Institute of Japan (Present post)
Jun 2024 Outside Director of the Company (Present post)



Outside Director

Hiroshi Yoshida
Audit Committee member

Apr 1983 Joined Hitachi Chemical Co., Ltd. (Present: Resonac Corporation)
Jun 2001 General Manager in charge of Accounting of Financial Strategy Office of Hitachi Chemical Co., Ltd.
Aug 2003 General Manager in charge of Finance of Financial Strategy Office of Hitachi Chemical Co., Ltd.
Apr 2006 Treasurer of Hitachi Chemical Co. America, Ltd.
Aug 2008 Senior Manager of Corporate Planning & Development Office of Hitachi, Ltd.
Oct 2009 Senior Manager of Corporate Planning Office of Hitachi Chemical Co., Ltd.
Apr 2010 Head of Finance Center of CSR Department of Hitachi Chemical Co., Ltd.
Apr 2014 General Manager of Risk Management Center of Hitachi Chemical Co., Ltd.
Apr 2015 General Manager of Finance and Accounting Dept. of Corporate Business Strategy Headquarters of Hitachi Chemical Co., Ltd.
Apr 2016 Executive Officer, Deputy General Manager of Corporate Business Strategy Headquarters of Hitachi Chemical Co., Ltd.
Jun 2020 Audit & Supervisory Board Member of Hitachi Chemical Co., Ltd. (Retired in March 2024)
Jun 2024 Outside Director of the Company (Present post)

Executive Officers

Masashi Hirano
Three Growth Fields Support

Tomohiro Takano
aG Product Business Portfolio Enhancement Support, Head of Actuator Development Headquarters

Toshihisa Murayama
BA International Business, Head of BSC Marketing Headquarters, Promotion Member of Strategic Planning & Development Office for Southeast Asia

Takashi Igarashi
aG Work Style Creation Support (Domestic), Manager of AAC Tokyo Head Office

Norio Hashimoto
Head of Production Management Headquarters

Toshiyasu Sumitomo
General Manager of Corporate Planning Department

Tetsuya Kajita
Head of Technology Development Headquarters

Hiromitsu Yoshizawa
Head of BSC Engineering Headquarters

Kenji Sudo
aG System Business Portfolio Enhancement Support, General Manager of AA SS Business*2

Chosei Kaseda
aG Marketing Support

Akiko Sekino
Head of Legal and Risk Management Headquarters

Anju Jaswal
Deputy Head of International Business Headquarters, Managing Director of Strategic Planning & Development Office for Southeast Asia

Taro Sento
General Manager of AA IAP Business*1

Eisuke Toyoda
General Manager of AA CP Business*3

Norio Morokuma
Manager of BSC Tokyo Head Office

Isamu Ikeda
AA Development & Quality Assurance

*1 IAP business: Industrial Automation Product business (supplying process automation products such as differential pressure and pressure transmitters, and control valves)
*2 SS business: Solution and Service business (offering control systems, engineering service, maintenance service, energy-saving solution service, etc.)
*3 CP business: Control Product business (supplying factory automation products such as controllers and sensors)

Skills expected of directors (skills matrix)

The company has determined the skills, and other attributes expected of directors from the perspective of consistently increasing enterprise value, including the realization of the medium-term plan, and has confirmed the independence, diversity, and expected skills (as given below) of the current Board of Directors. Regarding the skills, in May 2021, the Board of Directors and the Nomination and Remuneration Committee conducted an objective review considering the Group philosophy, business model, growth strategy, and other factors, and selected seven important items expected of the directors to support growth toward making contributions that lead “in series” to a sustainable society as outlined in the medium-term plan. Of these, “corporate management/sustainability,” “global business,” and “IT/technology/control and automation business” are particularly relevant to the Group’s sustainable growth over the medium to long term.

Of the 12 directors, three are women (one of whom is a foreign national).

Name (Age)	Current positions	Independence	Diversity	Expected skills						
		Independent director	Gender	Corporate management/sustainability*	Global business	Financial affairs, accounting, finance	IT, technology/control and automation business	Sales, marketing	Manufacturing, research and development	Legal, risk management, compliance
Hirozumi Sone (69)	Director and Chairperson Chairperson of the Board		M	○			○	○		○
Kiyohiro Yamamoto (59)	Director Representative Corporate Executive, President & Group CEO Nomination Committee member		M	○	○		○	○	○	
Takayuki Yokota (63)	Director Representative Corporate Executive Deputy President Remuneration Committee member		M	○	○	○				○
Hisaya Katsuta (66)	Director Audit Committee member		M			○			○	○
Waka Fujiso (75)	Outside director Remuneration Committee member	○	F	○						○
Mitsuhiro Nagahama (70)	Outside director Remuneration Committee chairperson	○	M	○	○	○				
Anne Ka Tse Hung (60)	Outside director Nomination Committee member	○	F		○					○
Fumitoshi Sato (70)	Outside director Audit Committee chairperson	○	M	○		○				○
Shigeaki Yoshikawa (71)	Outside director Nomination Committee chairperson	○	M	○	○			○		
Tomoyasu Miura (62)	Outside director Remuneration Committee member	○	M	○			○	○		
Sachiko Ichikawa (57)	Outside director Nomination Committee member	○	F	○		○				○
Hiroshi Yoshida (65)	Outside director Audit Committee member	○	M	○		○			○	

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

(as of June 25, 2024)

Compliance and Internal Control

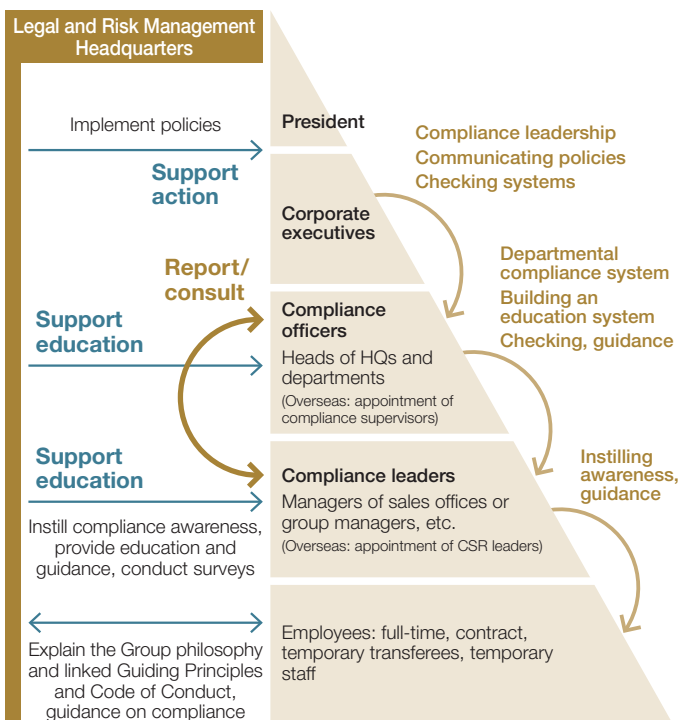
As part of our efforts to fulfill our basic responsibilities as a member of society, we strive to ensure compliance and establish the internal control system for the entire azbil Group throughout our operations in Japan and abroad.

Promotion system, initiatives

Compliance system

The azbil Group has established a new Legal and Risk Management Headquarters to further strengthen its system for promoting compliance and enhance collaboration between the Legal Department and CSR and Risk Management Department. The azbil Group has a compliance system where a corporate executive is appointed to drive and oversee global compliance efforts, as well as compliance officers, as shown in the chart below. Compliance leaders (overseas called CSR leaders = CLs) are responsible for promoting compliance in the workplace, identifying problems, and reporting to compliance officers.

Compliance system



Building internal control system and complying with J-SOX

We have established the Basic Policy on Internal Control System Architecture, which officers and employees must comply with, and disclose the status of its operation. In FY2023, we revised the Rules of Board of Directors to transfer rights to the executive side, and revised the basic policy accordingly to ensure consistency between rules and policies. In regard to the internal control reporting system under the Financial Instruments and Exchange Act (J-SOX), we are improving our level of accounting and strengthening our internal control in line with our compliance with revised Standards and Practice Standards for Management Assessment and Audit concerning Internal Control Over Financial Reporting and voluntary application of the International Financial Reporting Standards (IFRS). In FY2023, we continued to implement internal control measures in preparation for the change of the fiscal year-end of some overseas subsidiaries (from December 31 to March 31, the same date as Azbil Corporation).

Maintaining and increasing compliance awareness

The azbil Group conducts annual compliance training for officers and department heads by external experts, and the officers and department heads spearhead efforts to improve awareness of compliance throughout the Group (287 participants in FY2023). We also conduct training for compliance officers and leaders with in-house instructors (with 733 participants in FY2023), implement annual e-learning on compliance for employees (with 6,401 participants in FY2023), and hold group discussion training (for half our employees every year, 3,164 participants in FY2023), and make sure to share the topics at that time to further promote awareness. Overseas, regional CL meetings are held regularly to raise the level of CLs, in addition to annual e-learning. In addition, we conduct an annual survey of all Group employees about the status of compliance within the Group, which helps us understand the level of understanding and identify any problems that need to be tackled so that we can implement the necessary countermeasures.

Anti-corruption initiatives

The azbil Group considers anti-corruption to be one of the most important issues to tackle in order to achieve a sustainable society, and we actively oppose corruption in all its forms based on the azbil Group Basic Policy on Anti-corruption Practice, which applies to all officers and employees of the Group. The status of these initiatives is supervised via audits at the Board of Directors at Azbil Corporation by establishing a system for appropriate monitoring on the execution side. In regard to the relationships with our stakeholders, we strive for anti-corruption practices, by stipulating legal compliance provisions in basic agreements with our business partners as well as a provision to prohibit anti-corruption in the azbil Group's CSR Procurement Guidelines.

Utilizing an internal reporting system for the early identification of problems and issues with the workplace environment

As an initiative for promoting CSR and health and well-being management, we have established the Employee Reporting and Consultation Service^{*1} for all officers and employees, as well as the azbil Group Reporting and Consultation Service^{*2} for all stakeholders, in order to prevent violations of laws and regulations, human rights problems, harassment, and other problems that might damage the workplace environment, or to detect them early and take appropriate action.

Within the Group, we provide continuous training and disclose examples of reporting and consultation in order to improve the reliability of the Employee Reporting and Consultation Service and promote its use. We will continue efforts for improving the reliability of the Employee Reporting and Consultation Service to ensure that it receives the diverse opinions of its users.

^{*1} The Employee Reporting and Consultation Service is referred to as the CSR Hotline outside of Japan.

^{*2} The azbil Group Reporting and Consultation Service can be accessed from the "Contact us" section of the azbil Group website.