Last update: June 24, 2021
Azbil Corporation
President and Group Chief Executive Officer
Kiyohiro Yamamoto
Contact: General Affairs Department
Tel: +81-3-6810-1000
Securities Code: 6845
https://www.azbil.com/jp/

The corporate governance of Azbil Corporation ("the Company") is described below.

I. Basic Approach to Corporate Governance, Capital Structure, Corporate Attributes and Other Basic Information

1. Basic Approach and Policy Updated

Basic Approach

In order to respond to the trust of all stakeholders, including shareholders, the Company not only complies with laws and regulations and Articles of Incorporation, but also fulfills its social responsibilities and social-contribution responsibilities based on corporate ethics. The Company's basic approach to corporate governance is to continuously improve corporate value through efficient and transparent management; this is positioned as the most important management issue.

Basic Policy

(1) Ensuring the rights and equality of shareholders

In order to ensure that shareholders' rights are substantially secured, the Company takes appropriate measures in accordance with laws and regulations, and, giving due consideration to foreign shareholders and minority shareholders, is promoting the development of an environment in which shareholders can exercise their rights equally and appropriately.

(2) Appropriate cooperation with stakeholders who are not shareholders

In order to achieve sustainable growth and increase corporate value over the medium to long term, we believe that the Company must be strongly aware of its corporate social responsibility and conduct management that is appropriate for our various stakeholders. In order to achieve this, we have adopted the corporate philosophy of "human-centered automation" to realize safety, comfort and fulfillment in people's lives and contribute to the global environment. To this end, we have instituted a Business Conduct Policy and established a Code of Conduct to provide specific guidelines for all officers and employees of the Company and the azbil Group. Also, we set our SDGs (basic goals and targets) toward achieving the UN's SDGs. With the SDGs as our new guidepost, we aim to connect the philosophy, Guiding Principles, code of conduct, and management strategy "in series" leading to a sustainable society and to realize a balance between resolving social issues and sustainable growth. As regards achieving diversity in human resources, we are actively working to promote the advancement of female employees based on the recognition that having diverse values within a company is essential when it comes to achieving sustainable growth.

With regard to the internal reporting system, we believe it is important to (a) encourage employees to use this system by dispelling any concerns that in so doing they might be put at a disadvantage, and (b) ensure that the information thus conveyed is used appropriately. We have therefore established a user-friendly reporting & consultation system—the CSR Hotline—which ensures that the information received is reported to the president & CEO, Audit & Supervisory Board members, and outside directors.

(3) Ensuring appropriate information disclosure and transparency

The Company strives to disseminate information so as to ensure transparency and fairness in decision-making, thus realizing effective corporate governance. Specifically, in order to ensure that all stakeholders have a proper understanding of financial information, such as the Company's financial position and business results, as well as non-financial information, such as management strategy, management planning, management issues, and information relating to risk and governance, we actively disclose information on a voluntary basis in addition to the information stipulated by law. The Company also discloses policies and procedures regarding the appointment of directors and Audit & Supervisory Board members, as well as the selection and dismissal of senior executives including the CEO, and policies for deciding on the remuneration for directors. We will continue to

strive to increase the information covered by these disclosures and ensure transparency.

In addition, we are taking appropriate measures to ensure proper audits by the independent accounting auditor: the Company provides sufficient time for audits to be conducted, arranges for the accounting auditor to interview the president & CEO and the director in charge of finance on a regular basis, and conducts quarterly report meetings between the accounting auditor, the Audit & Supervisory Board members, and the Internal Audit Department.

(4) Responsibilities of the Board of Directors, etc.

The basic mission of the Company's Board of Directors is to achieve sustainable growth and increase corporate value over the medium to long term. As set forth in the Board Rules, important items for deliberation include basic management strategy and plans. Appropriate decisions are reached through free and constructive discussion. In addition, in order to ensure transparency and fairness in management, systems have been established for timely disclosure, internal control, and risk management. Additionally, the Audit & Supervisory Board and its members are responsible for conducting appropriate audits of management and expressing their sentiments while regularly exchanging opinions with the Internal Audit Department.

The Company recognizes the important role played by independent outside directors in ensuring that the Board of Directors fulfills its role and responsibilities appropriately, and has thus appointed five (5) independent outside directors with extensive experience in corporate management and supervision, as well as exceptional expertise and professional knowledge. These independent outside directors, with their diverse backgrounds, fulfill their responsibilities—such as supervising management and advising on how to enhance corporate value—employing a wide range of perspectives.

In order for the Board of Directors to effectively fulfill its role, we believe that it is important both to appoint directors and Audit & Supervisory Board members with sufficient diversity to provide a good overall balance of knowledge and experience, and to ensure transparency and objectivity in making these appointments. At a Board of Directors meeting held on May 14, 2021, we established the skills expected of the directors with respect to the realization of the Company's medium-term plan and other management strategies, and confirmed the independence, diversity, and expected skills of the current Board of Directors. For details, please refer to Principle 3-1(4) and Supplementary Principle 4-11-1 in the "Disclosure based on the Principles of the Corporate Governance Code" section of this report.

With regard to succession planning for the Company's senior management, the Nomination and Remuneration Committee—which serves as an advisory body to the Board of Directors—deliberates on the status of training and selection of candidates, and records the results of these deliberations as well as the discussion process itself. This ensures that succession planning is implemented appropriately and objectively. More than half of the Nomination and Remuneration Committee is comprised of independent outside directors, and it is also chaired by an independent outside director, who reports on the Committee's deliberations to the Board of Directors when appropriate. The Board of Directors is thus actively involved in succession planning, a process that is undertaken systematically, ensuring that sufficient time and resources are allocated for the training of candidates.

As of June 24, 2021, the total number of directors is eleven (11), with outside directors accounting for more than one third of the Board of Directors. The Board composition demonstrates ample diversity, including that of nationality and gender.

(5) Dialogue with shareholders

In order to meet requirements for corporate accountability while contributing to sustainable growth and the enhancement of corporate value over the medium to long term, the Company is working to develop and implement a system for promoting constructive dialogue with shareholders and investors. For more information, please refer to Principle 5-1 in the "Disclosure based on the Principles of the Corporate Governance Code" section of this report.

Regarding the publication of management strategies and plans, as well as presenting basic policies such as earnings plans, the Company strives to provide straightforward explanations of the qualitative and quantitative targets (sales, operating income, ROE, etc.) in our new medium-term plan, as well as outlining strategies for achieving those targets.

[Reasons for Non-Compliance with the Principles of the Corporate Governance Code] Updated

The Company complies with all principles of the Corporate Governance Code. (This is based on the Corporate Governance Code prior to the revision of June 2021.)

[Disclosure Based on the Principles of the Corporate Governance Code] Updated

Note that [Supplementary Principle 2-3-1], [Supplementary Principle 2-4-1], [Supplementary Principle 3-1-3], [Supplementary Principle 4-2-2], [Supplementary Principle 4-10-1], and [Supplementary Principle 4-11-1] below are based on the revised Code of June 2021 and are provided here voluntarily.

[Principle 1-4] [Strategic shareholdings]

Taking into account our business strategies, business relationships, and cooperative business affiliations, the Company holds listed shares if they are judged to contribute to the enhancement of the Company's corporate value from a medium- to long-term perspective, and to be instrumental in maintaining and strengthening our long-term business relationships. The Company's Board of Directors regularly verifies the significance of individual stocks to our business, including financial returns, to determine whether these holdings are sufficiently advantageous from the viewpoint of economic rationality and capital costs. The results of this verification are reported along with any risks involved in holding a stock. Should it be determined, as a result of this verification, that holding an individual stock is not sufficiently advantageous, and that it cannot be judged to contribute to the improvement of the Company's corporate value from a medium- to long-term perspective, our policy is to reduce our holdings of that stock by selling shares when deemed appropriate in light of stock prices and market trends. The Company's strategic shareholdings are disclosed in the Securities Report, with the current number of shares of each stock, the purpose of holding the stock, and whether reductions have been made, etc.

When it comes to exercising voting rights, an issuer's financial position and governance status are regularly monitored, and the details of each proposal are reviewed to determine comprehensively whether or not medium- to long-term shareholder value will be enhanced and whether there will be any impact on the Company's corporate value or on the significance of holding the stock.

In dealings with companies that hold the Company's stock as strategic shareholdings, the economic rationale of each transaction is given appropriate consideration. In addition, even if such a company indicates its intention to sell these shares, the Company will not engage in any conduct intended to prevent the sale, such as suggesting a scaling-back of business.

[Principle 1-7] [Related Party Transactions]

The Board Rules stipulate that self-trading and competitive transactions by the Company's directors, Audit & Supervisory Board members and executive officers require both prior approval and post-transaction reporting. Furthermore, to establish whether or not there have been any transactions involving corporate officers and their close relatives, a questionnaire-based survey is conducted each year, in accordance with the separately established Corporate Governance Guidelines. In addition, based on the Code of Audit & Supervisory Board Auditing Standards, the Audit & Supervisory Board members monitor and verify whether any directors are in violation of their obligations. As for shareholder transactions, there are no major shareholders as defined by the Financial Instruments and Exchange Act, and thus no such transactions have taken place.

[Supplementary Principle 2-4-1] [Ensuring diversity in the appointment, etc. of core personnel]

For details on ensuring diversity in the appointment, etc. of core personnel, please refer to the *Other* section (p.26 of this document) of *3. Measures to Ensure Due Respect for Stakeholders in III. Implementation of Measures for Shareholders and Other Stakeholders*.

[Principle 2-6] [Functioning as corporate pension asset owner]

In June 2015, the transfer of the Company's corporate pension plan to the defined contribution system was completed. A contractual corporate pension plan was established, however, to manage the assets of those entitled to retirement pensions from the former employees' pension fund under the defined benefit system.

This contractual corporate pension plan is limited to beneficiaries who have already retired, and the pension fund assets will gradually decrease over time. However, in order to ensure the proper operation of the defined benefit corporate pension plan, the Company has established an Asset Management Committee chaired by the officer in charge of finance and comprised of employees who work in such fields as finance, accounting and human resources. Qualified personnel have been assigned to the department in charge of corporate pensions and to the Asset Management Committee office, and also training opportunities are made available to enable the staff to enhance skills relevant to these tasks.

The Company had concluded an investment advisory contract with a neutral, independent external consulting firm to call on additional expertise regarding corporate pensions. However, in view of the fact that the policy assets of the contractual corporate

pension plan are wholly comprised of life insurance general account and short-term assets, it has been decided that adequate governance of the pension plan can be maintained through regular monitoring of the pension plan's financial status by the Asset Management Committee. Therefore, the investment advisory contract with the consulting firm was not renewed at the expiration of its term on March 31, 2021.

In addition, the management of the reserve funds is entrusted to several investment management organizations. Each of these is able to exercise voting rights appropriately and thus avoid possible conflicts of interest between the beneficiaries of the corporate pension plan and the Company.

[Principle 3-1]　[Enhancement of information disclosure]

As outlined below, the Company discloses information in accordance with relevant laws and regulations, but also proactively publishes additional information on a voluntary basis, and will continue to strive to enhance information disclosure and ensure transparency.

(1) Management philosophy, management strategy, management plans

Please refer to our website (URL below).

https://www.azbil.com/corporate/index.html

(2) Corporate governance: Basic approach and basic policy

For details, please refer to "Basic Approach" and "Basic Policy" sections in "1. Basic Approach" within "I. Basic Approach to Corporate Governance, Capital Structure, Corporate Attributes and Other Basic Information" in this report.

(3) Policies and procedures for determining remuneration for directors

Please refer to "Remuneration for Directors (p.19)" and "2. Functions of Business Execution, Auditing, Oversight, Nomination, and Remuneration Decisions (p.22)" within "II. Business Management Organization and Other Corporate Governance Systems regarding Decision-Making, Execution of Business, and Oversight in Management" in this report.

(4) Policies and procedures regarding the appointment of directors and Audit & Supervisory Board members, as well as the selection/dismissal of senior executives including the CEO

Please refer to "2. Functions of Business Execution, Auditing, Oversight, Nomination, and Remuneration Decisions (p.22)" within "II. Business Management Organization and Other Corporate Governance Systems regarding Decision-Making, Execution of Business, and Oversight in Management" in this report.

(5) Reasons behind the appointment of individual directors and Audit & Supervisory Board members

For the reasons behind the appointment of individual directors and Audit & Supervisory Board members, please refer to the notices of the Ordinary General Meeting of Shareholders.

Notice of the Ordinary General Meeting of Shareholders: https://www.azbil.com/ir/stock/meeting/index.html
(Notices for past Ordinary General Meetings of Shareholders are also posted.)

[Supplementary Principle 2-3-1] [Supplementary Principle 3-1-3] [Supplementary Principle 4-2-2] [Sustainability Policy and Initiatives]

The azbil Group's Sustainability Policy

With regard to sustainability, from our initial founding we have inherited the spirit of "freeing people from drudgery" as the timeless value of automation that contributes to society for the sake of human happiness. As the cornerstone of sustainability, we are aiming for continuous improvement of enterprise value through management which not only expands business that creates value at the customer's site but also conducts corporate activities that are supported and trusted by society.

Our policy is to ensure our own sustainability by practicing the Group philosophy of "human-centered automation," striving to solve social issues, realizing "people's safety, comfort, and fulfillment," and contributing to the global environment while also contributing "in series" to a sustainable society.

Sustainability Initiatives

In accordance with the Group's philosophy, we are contributing to the global environment and addressing various social issues in order to realize a sustainable society. We recognize that tackling sustainability issues is not just about responding to risk, but also

about seizing important business opportunities to enhance enterprise value, so we will continue to make contributions that lead “in series” to a sustainable society. Specifically, in response to global environmental issues such as climate change, we will aim to make further contributions by providing solutions for reducing environmental impact, curbing energy demand, and integrating renewable energy, while our new automation, life-cycle and other businesses are serving our customers and society as a whole. We will also contribute to a sustainable society by respecting human rights as part of our corporate activities (affirming the UN Global Compact), giving due consideration to the health and working environment of our employees, treating them fairly and appropriately as part of our health and well-being management, and conducting CSR-conscious transactions, etc. throughout our supply chains, while taking comprehensive measures to strengthen our BCP and crisis management. In the new medium-term plan, based on the above policy, we are comprehensively examining profit opportunities and risk reduction, while formulating and implementing business strategies to improve enterprise value by 2030, including the SDGs.

The Company has established a system for examining and promoting sustainability initiatives on a company-wide basis. We have set up a dedicated unit and appointed a corporate officer in charge of all sustainability matters. Chaired by the above officer, the azbil Group CSR Promotion Committee and SDGs Promotion Committee meet regularly. Progress and issues discussed in these meetings are reported to the Board of Directors and the Management Committee.

Sustainability Reporting

The Company discloses its sustainability initiatives in its annual Securities Report and the azbil Report. In the new medium-term plan, we have also formulated management strategies based on the following three basic policies in order to ensure our own medium- to long-term development and to achieve sustainable enhancement of enterprise value.

We are committed to (1) being a long-term partner for the customer and the community by offering solutions based on our technologies and products; (2) taking global operations to the next level, by expansion into new regions and qualitative change of focus; and (3) being a corporate organization that never stops learning, so that it can continuously grow stronger. We are reforming our business and operational structures, strengthening our business profitability, and working to find solutions to the issues facing society. In addition, the Company discloses in its annual report (i.e. azbil Report 2020) a detailed analysis of its efforts to achieve sustainability from the perspective of promoting ESG (Environmental, Social and Governance) initiatives. Also, as regards disclosing how climate-related risks and opportunities affect the Company, we have expressed our support for the TCFD international framework. In line with TCFD guidance, the Company discloses information on governance, strategy, risk management, and metrics and targets in its 99th Annual Securities Report and annual Report (azbil Report 2020), and is progressively enhancing the content of these reports, both qualitatively and quantitatively.

Investing in Human Capital and Intellectual Property

In formulating our new medium-term plan, strategies for each business portfolio were discussed and reviewed. From FY2021, we have introduced return on invested capital (ROIC) to encourage management that is mindful of the cost of capital. The plan also includes strategic consideration of human capital and intellectual property, and going forward we will continue to ensure effective monitoring of the utilization efficiency of these management resources so as to contribute to the sustainable growth of the Company.

[Supplementary Principle 4-1-1]　[Scope of matters delegated to management (summary)]

The Board Rules sets out what matters are to be submitted/reported to the Board of Directors, and the scope of matters to be delegated to management. Note, however, that even if a matter properly falls within the latter scope, it may be desirable that it be submitted/reported to the Board of Directors. Thus, if the Board, directors and Audit & Supervisory Board members deem it necessary, the Rules allow for such matters to be deliberated by the Board of Directors. Matters to be submitted/reported to the Board of Directors include those specified in laws and regulations and in the Articles of Incorporation, as well as basic management strategies, management plans, corporate governance policies, risk management, and other important management matters. As regards matters concerning business management, etc., monetary thresholds have been established for determining what needs to be submitted/reported to the Board, varying depending on the relative importance to management. As regards those matters falling within the scope of delegation to management, final decisions are made principally by the president & CEO where set forth in the Management Meeting Rules, while for those matters within certain ranges, the authority is delegated to different tiers of management as laid out in the Administrative Authority Rules.

[Principle 4-8]　[Effective Use of Independent Outside Directors]

In order to contribute to sustainable growth and the enhancement of corporate value over the medium to long term, the Company

has appointed five (5) independent outside directors with a wide range of experience in corporate management and supervision, as well as extensive expertise and professional knowledge. These independent outside directors, with their diverse backgrounds, contribute to enhancing corporate value through counseling and supervising decision-making processes in meetings of the Board of Directors.

As of June 24, 2021, the total number of directors is eleven (11), with outside directors accounting for more than one third of the Board of Directors. The Board composition demonstrates ample diversity, including that of nationality and gender.

[Principle 4-9] [Criteria for Judging the Independence and Qualifications of Independent Outside Directors]

In addition to meeting the requirements for outside directors set out in the Companies Act, the Company applies its own criteria (partially revised on May 13, 2020) for judging independence and appoints outside directors who can be expected to make constructive recommendations and offer accurate advice regarding management issues and the enhancement of corporate value over the medium to long term. As indicated in the Securities Report and in the notices of the Ordinary General Meeting of Shareholders, the five (5) independent outside directors appointed by the Company are demonstrably independent and have diverse backgrounds and knowledge, together with extensive experience and expertise.

The criteria for judging independence established by the Company are explained in this Corporate Governance Report and are also included in the reference documents provided with the notices of the Ordinary General Meeting of Shareholders.

[Supplementary Principle 4-10-1] [Use of voluntary committees, etc.]

For details of the voluntary Nomination and Remuneration Committee, which is an advisory body to the Board of Directors, please refer to the *Supplementary Explanation* (p. 14 of this document) of *Establishment of Voluntary Committee Corresponding to a Nominating Committee or Remuneration Committee* in *II. Business Management Organization and Other Corporate Governance Systems regarding Decision-Making, Execution of Business, and Oversight in Management*.

[Supplementary Principle 4-11-1] [Views on balancing knowledge, experience and competence in the composition of the Board of Directors, as well as issues of diversity and scale]

In a rapidly changing business environment, we believe that the Company needs a Board of Directors that offers diversity and provides a good overall balance of knowledge and experience that will contribute to the enhancement of corporate value over the medium to long term. Based on this fundamental principle, we have appointed directors with executive experience in the Company's business and management, and also outside directors, from various backgrounds, having wide-ranging experience in corporate management and supervision, independence, extensive expertise and professional knowledge.

Of the eleven (11) Directors, two (2) are women (one of whom is a foreign national). Also, at a Board of Directors meeting held on May 14, 2021, we established the skills expected of the Directors with respect to the realization of the Company's medium-term plan and other management strategies, and confirmed the independence, diversity, and expected skills of the current entire Board of Directors. The skills expected of the Company's directors (i.e. their skills matrix) are described below in *V. Other 2. Other Matters Concerning the Corporate Governance System*. In appointing directors, the Board of Directors selects candidates after screening by the Nomination and Remuneration Committee, an optional advisory body which consists of independent outside directors (who constitute a majority) and the representative director, and which is chaired by an independent outside director.

Audit & Supervisory Board members are chosen for their knowledge of finance, accounting, and legal affairs, with at least one member having extensive knowledge of finance and accounting. The supervisory function of the Audit & Supervisory Board, comprising five (5) members, is enhanced through appointing three (3) independent outside members, including one certified public accountant. We thus maintain a Board of Directors with a good overall balance.

As of June 24, 2021, the Board of Directors consists of six (6) directors with executive experience in the Company's business and management and five (5) independent outside directors with wide-ranging experience, extensive expertise and professional knowledge, and who enhance diversity, including that of nationality and gender. The total number of directors is eleven (11), with outside directors accounting for more than one third of the Board of Directors.

[Supplementary Principle 4-11-2] [Concurrent positions of directors and the Audit & Supervisory Board members]

If a director or Audit & Supervisory Board member concurrently serves as a director of another listed company, the Company shall confirm in advance whether this might negatively impact—in terms of time and effort—the individual's ability to carry out their roles and responsibilities as an officer of the Company. Any such concurrent positions are disclosed in the Securities Report and in the notices of the Ordinary General Meeting of Shareholders. At this time, there are no concurrent positions that affect the Company's management or the roles and responsibilities of its corporate officers.

[Supplementary Principle 4-11-3]　[Evaluating the Effectiveness of the Board of Directors］

The Board of Directors makes appropriate decisions following open and constructive discussion and strives to improve corporate value over the medium and long terms. To continue fulfilling its roles and responsibilities properly, the Board of Directors identifies issues and areas requiring improvement with the aim of enhancing the Board's effectiveness. As last year, members of the Board of Directors and Audit & Supervisory Board have conducted annual self-evaluations and have collected views on the (1) Size and composition of the Board of Directors; (2) Management status of the Board of Directors; (3) Support systems and communication with outside directors and Audit & Supervisory Board members; (4) Decision-making process of the Board of Directors; and (5) activities of the Nomination and Remuneration Committee. Based on this information, the Board of Directors has made an assessment of its current effectiveness, shared information on issues, and engaged in constructive discussions on future action.

As a result, we have confirmed that the Board of Directors overall is performing effectively and appropriately. For example, the size, composition, and operating status of the Board of Directors are appropriate, and systems are in place to make important management decisions and supervise business execution. Also, the composition and operation of the Nomination and Remuneration Committee, which serves as an advisory body, are appropriate. And members of the Board—both internal and external officers with wide-ranging experience and expertise—have a profound understanding of their roles and engage in open, active, and constructive discussions based on adequate communication, even when meetings are held on-line using a web conference format because of the changed business environment.

In FY2020, in the context of formulating a new medium-term plan for the long-term growth and development of the Company, extensive discussions were conducted regarding the direction of the Group's future growth and how that should inform the plans for each of our businesses. We also had a series of discussions on how to achieve the SDGs, including our response to changes in the business environment—incorporating the perspective of sustainability—new business opportunities, technology/R&D, and human resource strategies. Moreover, as part of the evaluation of the effectiveness of the Board of Directors, we conducted our own assessment of the appropriateness of the processes employed for appointing directors and for replacing the president, and we also evaluated the Nomination and Remuneration Committee. This committee, which is an advisory body of the Board of Directors, features a majority of independent outside directors, one of whom acts as chairperson. In addition, to enhance Group management supervision we regularly compile detailed reports on the performance and strategy reviews as well as business management of the major subsidiaries.

All members of the Board of Directors recognize the need to share and discuss the progress of the new medium-term plan at Board meetings; to further enhance discussions on aspects of business management, including compliance, and corporate governance; to improve the reporting to the Board of Directors of the deliberations and decisions made by the Nomination and Remuneration Committee; and to expand deliberations at the Board of Directors meetings on receipt of reports from the Nomination and Remuneration Committee.

We will continually strive to improve the effectiveness of the Board of Directors so as to achieve sustainable growth and enhance corporate value over the medium to long term.

[Supplementary Principle 4-14-2]　[Training Policy for Directors and Audit & Supervisory Board members]

The Company believes that it is important to provide appropriate training opportunities for individual officers so that directors and Audit & Supervisory Board members can appropriately fulfill their roles and responsibilities. Based on this recognition, external training opportunities are provided for newly appointed directors and Audit & Supervisory Board members to acquire and update the knowledge necessary for the performance of their duties, including their legal authority and obligations as officers. Also, so that they can deepen their understanding of the Company, we operate an introductory program for newly appointed outside directors and outside Audit & Supervisory Board members, providing an overview of the enterprise, its businesses and products; factory tours; and explanations of matters related to corporate governance, etc. Furthermore, we regularly conduct group compliance training for all officers, inviting external lecturers as appropriate. In addition, in order 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.

[Principle 5-1]　[Dialogue with Shareholders]

In order to fulfill corporate accountability and contribute to sustainable growth and the enhancement of corporate value over the medium to long term, the Company is working to establish a system to promote constructive dialogue with shareholders and investors as follows.

(1) In order to support constructive dialogue with shareholders and investors, the Company has appointed an officer in charge of corporate communications to carefully monitor general dialogue while liaising with relevant internal departments. Dialogue with shareholders is, depending on the purpose, mainly handled by senior management, the corporate communications officer, or the

IR office. In addition to individual dialogues with shareholders and investors, the Company is actively engaged in various communications initiatives, conducting briefings on financial results and other topics, and arranging tours.

(2) Information and opinions obtained through dialogue are conveyed to the president & CEO and management as well as to the outside directors and Audit & Supervisory Board members to be used as feedback in company management.

(3) When preparing to engage in dialogue, both content and scope of information disclosure are clarified in advance, efforts made to ensure information consistency, and appropriate measures taken, such as setting a “quiet period” before the announcement of financial results to prevent leaks of insider information. In order to build, maintain, and develop relationships of trust with our stakeholders, the Company is committed to conducting fair and transparent information disclosure in a timely and appropriate manner, promoting constructive dialogue through a variety of communications activities. This is explained in our disclosure policy, which is made available online.

Disclosure Policy: https://www.azbil.com/ir/management/disclosure/index.html

2. Capital Structure

Foreign Shareholding Ratio	30% or more

[Major Shareholders] Updated

Name/Company name	Number of shares owned (Shares)	Percentage (%)
The Master Trust Bank of Japan, Ltd. (Trust account)	12,160,400	8.59
Meiji Yasuda Life Insurance Company	10,428,200	7.37
SSBTC CLIENT OMNIBUS ACCOUNT	8,890,221	6.28
Custody Bank of Japan, Ltd. (Trust account)	6,354,200	4.49
Custody Bank of Japan, Ltd. (Trustee for Mizuho Trust & Banking Co., Ltd. Retirement Benefit Trust Account)	4,631,250	3.27
Northern Trust CO. (AVFC) Re Fidelity Funds)	4,272,799	3.02
Nippon Life Insurance Company	3,739,264	2.64
National Mutual Insurance Federation of Agricultural Cooperatives	3,356,400	2.37
Custody Bank of Japan, Ltd. (Trust account 7)	3,258,700	2.30
Mizuho Bank, Ltd.	2,809,000	1.98

Controlling Shareholder (Except for Parent Company)	—
Parent Company	None

Supplementary Explanation Updated

1. The Company holds 3,723,389 treasury shares. This does not include shares (1,958,084 shares) owned by Custody Bank of Japan, Ltd. (Trust E) as trust assets for the Employee Stock Ownership Plan (J-ESOP).
2. The numbers of shares related to the trust business are: 9,681 thousand shares held by The Master Trust Bank of Japan, Ltd. (Trust account) and 3,669 thousand shares held by Custody Bank of Japan, Ltd. (Trust account).
3. According to the Report on Large Shareholding dated December 4, 2020, which has been made available for public inspection, 9,429 thousand shares (6.49 % of the total shares issued) are held by BlackRock Japan Co., Ltd. and 8 other co-holders as of November 30, 2020. However, as the Company is not able to confirm the number of shares actually held as of March 31, 2021, BlackRock Japan Co., Ltd. and 8 other co-holders are not included in the above list of major shareholders.
4. According to the Report on Large Shareholding dated December 22, 2020, which has been made available for public inspection, 10,689 thousand shares (7.36 % of the total shares issued) are held by FMR LLC as of December 15, 2020. However, as the Company is not able to confirm the number of shares actually held as of March 31, 2021, FMR LLC is not included in the above list of major shareholders.

5. According to the Report on Large Shareholding dated April 6, 2021, which has been made available for public inspection, 7,218 thousand shares (4.97 % of the total shares issued) are held by Sumitomo Mitsui Trust Asset Management Co., Ltd. and Nikko Asset Management Co., Ltd. as of March 31, 2020. However, as the Company is not able to confirm the number of shares actually held as of March 31, 2021, Sumitomo Mitsui Trust Asset Management Co., Ltd. and Nikko Asset Management Co., Ltd. are not included in the above list of major shareholders.

3. Corporate Attributes

Listed Stock Market and Market Section	Tokyo Stock Exchange, First Section
Fiscal Year End	March
Business Category	Electric Appliances
Number of Employees (Consolidated) as of the End of the Previous Fiscal Year	1,000 or more
Sales (Consolidated) for the Previous Fiscal Year	Between 100 billion yen and 1 trillion yen
Number of Consolidated Subsidiaries as of the End of the Previous Fiscal Year	Between 10 and 50

4. Policy on Measures to Protect Minority Shareholders in Conducting Transactions with Controlling Shareholder

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5. Other Special Circumstances that May Have a Material Impact on Corporate Governance

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II. Business Management Organization and Other Corporate Governance Systems regarding Decision-Making, Execution of Business, and Oversight in Management

1. Organizational Composition and Operation

Structure of Organization	Company with Audit & Supervisory Board

[Directors]

Number of Directors as Specified in Articles of Incorporation	11
Term of Office of Directors as Specified in Articles of Incorporation	2 years
Chairperson of the Board	Company Chairperson (except when concurrently serving President)
Number of Directors	11
Appointment Status of Outside Directors	Appointed
Number of Outside Directors	5
Number of Outside Directors Designated as Independent Directors	5

Relationship with the Company (1) Updated

Name	Affiliation	Relationship with the Company (*)										
		a	b	c	d	e	f	g	h	i	j	k
Katsuhiko Tanabe	Lawyer											
Takeshi Itoh	From another company											
Waka Fujiso	Other											
Mitsuhiro Nagahama	From another company								△			
Anne Ka Tse HUNG	Lawyer											

* Nature of relationship with the Company:

○: The director presently belongs to or has recently belonged to the category.

△: The director belonged to the category in the past.

●: A close relative of the director presently belongs to or has recently belonged to the category.

▲: A close relative of the director belonged to the category in the past.

Categories:

a. Executive of the Company or its subsidiaries

b. Non-executive director or executive of a parent company of the Company

c. Executive of a subsidiary company of the Company

d. A party whose major client or supplier is the Company or an executive thereof

e. Major client or supplier of the Company or an executive thereof

f. Consultant, accountant or legal professional who receives a large monetary consideration or other property from the Company besides compensation as a director or Audit & Supervisory Board member

g. Major shareholder of the Company (or an executive of a major shareholder if the said shareholder is a legal entity)

h. Executive of a client or supplier company of the Company (which does not correspond to categories d, e, or f) (the director himself/herself only)

i. Executive of a company having an outside director or Audit & Supervisory Board member who is also appointed to the Company (the director himself/herself only)

j. Executive of a company or organization that receives a donation from the Company (the director himself/herself only)

k. Others

Relationship with the Company (2) Updated

Name	Designation as Independent Director	Supplementary Explanation of the Conforming Items	Reason for Appointment
Katsuhiko Tanabe	Yes	-	Mr. Katsuhiko Tanabe has outstanding expert viewpoints as a lawyer and insights on management, as he has successively served in important posts in the legal field, and has a record of superior performance in corporate legal affairs of global business based on his expert views. In addition, by utilizing his experience as an outside officer at several companies, at Board of Directors meetings of the Company, he not only supervises business execution but also proactively offers his opinions based on his broad knowledge as a legal expert and keen insight on corporate governance, in order to increase transparency and fairness of management, thus fulfilling such appropriate roles as supervision and advising, etc. on business execution. Also, as he falls under none of the above categories (a to k), the Company has designated him as an independent director, judging there to be no possibility of the occurrence of conflict of interest with general shareholders and that he has sufficient independence, in accordance with the Company's own Criteria for Independence of Outside Directors and Outside Audit & Supervisory Board Members.
Takeshi Itoh	Yes	-	In addition to management experience and experience as an analyst in investment banks and investment advisory companies, etc. domestically and abroad, with his long-term overseas work experience and experience in the consulting business including fundraising and M&A advice, Mr. Takeshi Itoh has a record of superior performance in advanced corporate analysis, etc. In addition, by utilizing his experience as executive officer in investment management companies domestically and abroad, at Board of Directors meetings of the Company, he not only supervises business execution but also proactively offers his opinions based on his advanced knowledge and experience as an expert in the fields of international financing and investment, in order to increase transparency and fairness of management, thus fulfilling such appropriate roles as supervision and advising, etc. on business execution. Also, as he falls under none of the above categories (a to k), the Company has designated him as an independent director, judging there to be

			no possibility of the occurrence of conflict of interest with general shareholders and that he has sufficient independence, in accordance with the Company's own Criteria for Independence of Outside Directors and Outside Audit & Supervisory Board Members.
Waka Fujiso	Yes	-	Ms. Waka Fujiso possesses extensive knowledge and experience that she gained mainly during her activities over many years as a public prosecutor, and, after retiring from the position of public prosecutor at the Supreme Public Prosecutors Office, during her service as a council member at a government agency at which time she also taught at a law school. At Board of Directors meetings of the Company, she not only supervises business execution, but also proactively offers opinions from her extensive knowledge as a legal expert, aiming at more thorough compliance management and risk management as well as the enhancement of management transparency and fairness. In these ways, Ms. Fujiso fulfills such appropriate roles as supervising and giving advice on business execution. Also, as she falls under none of the above categories (a to k), the Company has designated her as an independent director, judging there to be no possibility of the occurrence of conflict of interest with general shareholders and that she has sufficient independence, in accordance with the Company's own Criteria for Independence of Outside Directors and Outside Audit & Supervisory Board Members.
Mitsuhiro Nagahama	Yes	Mr. Mitsuhiro Nagahama served as a director at the Company's lender, Mizuho Corporate Bank, Ltd. (now: Mizuho Bank, Ltd.), until March 2013. However, the amount of the borrowings from said bank is ¥4,778 million, which is 1.6% of the Company's consolidated total assets of ¥284,597 million and the azbil Group does not effectively have loans payable (net balance of loans not exceeding current liquidity deposited at such lender.) Thus, said bank is not a major lender as per the Criteria for Independence of Outside	Mr. Mitsuhiro Nagahama possesses broad knowledge and extensive experience in the financial/securities sectors and abroad, as he has successively served in important posts at financial institutions. He was appointed as an Outside Audit & Supervisory Board Member in 2015, and has audited the Company's overall business with his outstanding insights on corporate governance and ideal way of company management, contributing to the improvement of the Company's corporate governance and internal control from an independent perspective. Furthermore, as an Outside Director since 2019, he has not only supervised business execution, but also proactively offered opinions from wide-ranging perspectives, aiming at enhancing management transparency and fairness. In these ways, Mr. Nagahama fulfills such appropriate roles as supervising and giving advice on business execution.

		Directors and Outside Audit & Supervisory Board Members established by the Company and the Company judges said bank is not a business partner nor a lender which influences the Company's decision-making.	He had engaged in business execution at the Company's lender, Mizuho Corporate Bank, Ltd. (now: Mizuho Bank, Ltd.), until March 2013; he thus falls under category h above. However, said bank is not a business partner which influences the Company's decision making, as shown on the left. Also, as he falls under none of the other categories (a to k, with the exception of h), the Company has designated him as an independent director, judging there to be no possibility of the occurrence of conflict of interest with general shareholders, in accordance with the Company's own Criteria for Independence of Outside Directors and Outside Audit & Supervisory Board Members.
Anne Ka Tse HUNG (Married Name: Anne Hung Davis)	Yes	-	Ms. Anne Ka Tse HUNG worked at an international law office as a partner attorney, and supported the conclusion of transaction agreements in international transactions for Japanese companies in addition to overseas corporate matters. She also has ample business experience with Japan-based companies, is familiar with Japanese business customs, and possesses knowledge in the industry to which the Company belongs. The Company expects that she will utilize her abundant experience, insight, and global knowledge as Outside Director of the Company to offer objective indications and advices for the enhancement of management transparency and fairness from wide-ranging perspectives in addition to supervise business executions for the Board of Directors. The Company believes that she will fulfill her appropriate roles in these ways. Also, as she falls under none of the above categories (a to k), the Company has designated her as an independent director, judging there to be no possibility of the occurrence of conflict of interest with general shareholders and that she has sufficient independence, in accordance with the Company's own Criteria for Independence of Outside Directors and Outside Audit & Supervisory Board Members.

Establishment of Voluntary Committee Corresponding to a Nominating Committee or Remuneration Committee	Established

Establishment of Voluntary Committees, Membership Composition, and Attributes of Chairperson Updated

	Committee's Name	Total no. of Committee Members	Standing Members	Internal Directors	Outside Directors	Outside Experts	Others	Chairperson
Committee Corresponding to Nomination Committee	Nomination and Remuneration Committee	5	0	2	3	0	0	Outside Director
Committee Corresponding to Remuneration Committee	Nomination and Remuneration Committee	5	0	2	3	0	0	Outside Director

Supplementary Explanation Updated

The Company established its Nomination and Remuneration Committee as an optional advisory body to the Board of Directors. The role of the Committee is to ensure greater fairness, objectivity, and transparency of processes for nominating and remunerating officers, with the aim of fostering the enduring development of the company and improving its medium- and long-term profitability and productivity. It is stipulated that independent outside directors make up the majority of Committee members and that an independent outside director is elected as its chairperson by the Committee members. Currently, Katsuhiko Tanabe (independent outside director) serves as chairperson, the other members being Takeshi Itoh (independent outside director), Waka Fujiso (independent outside director), Hirozumi Sone (representative director), and Kiyohiro Yamamoto (representative director). Independent outside directors thus constitute the majority. The Committee has the following roles and authority, as delegated by the Board of Directors, with respect to the nomination, remuneration and succession planning of officers.

With respect to the nomination of officers, the Committee is responsible for deliberating on and screening candidates for the positions of director, representative director, chairperson of the Board of Directors, executive officer with title, and executive officer; for proposing the above to the Board of Directors; and for preparing, deliberating, screening and proposing to the Board of Directors candidates for CEO and other senior management positions (president/CEO, vice president, etc.). The Committee is also responsible for deliberating on and making proposals to the Board of Directors regarding the dismissal of directors, representative directors, chairperson of the Board of Directors, executive officers with titles, and other executive officers, as well as drafting, deliberating, and deciding on proposals to the Board of Directors for the dismissal of the CEO and other members of senior management (president/CEO, vice president, etc.).

With regard to the compensation of officers, the Committee drafts, deliberates and decides on proposals to the Board of Directors for the establishment, revision or abolition of compensation systems for representative directors, directors, executive officers with titles, and other executive officers; and also for revisions to the directors' compensation quota. The Committee also deliberates and determines the responsibility grade, basic remuneration, personal performance evaluation, and bonuses paid to the chairperson, the president and CEO, directors who concurrently perform executive duties, executive officers with titles, and other executive officers. Furthermore, the Committee deliberates and decides on the remuneration of outside directors and non-executive directors.

With regard to succession planning and training, the Committee draws up, discusses, and decides on the overall plan for successor training; screens suitable candidates; and discusses and decides on individual training plans. It also periodically checks on the status of successor training.

In addition, the Committee deliberates and decides on proposals to the Board of Directors regarding the establishment, revision, or abolition of rules and regulations governing either the concurrent holding of positions by officers or the treatment of officers.

The reason for delegating these authorities is that, as mentioned above, the Company judged that having such matters deliberated and decided by the Nomination and Remuneration Committee—an advisory body to the Board of Directors, which consists of a majority of independent outside directors and is chaired by an independent outside director—would ensure a high level of fairness, objectivity, and transparency. Note that, when a proposal concerning a representative director is being deliberated and decided upon, the individual under consideration does not participate.

In FY2020, the Nomination and Remuneration Committee met five times, with all members attending. In May 2020, the Committee evaluated the results of individual performance targets in FY2019 and the amounts of bonuses to be paid to individual directors who concurrently performed executive duties and executive officers, and deliberated the basic remuneration to be paid to individual directors who concurrently perform executive duties and outside directors in FY2020. In June 2020, under the Nomination and Remuneration

Committee with new members chaired by Katsuhiko Tanabe, an independent outside director, in addition to reconfirming the roles and responsibilities of the Committee, the results of officer interviews for a plan to develop successors were confirmed. In January 2021, both the evaluation results for the selection process associated with the management team changeover and the state of progress on the plan to develop successors were confirmed. In February 2021, a report was made to the Board of Directors on the executive team and the management teams at Group companies in FY2021 following deliberation, and the FY2021 management team was determined at a Board of Directors meeting. In March 2021, the management teams of overseas Group companies and the status of operations of the global personnel system were confirmed, the rules for the Nomination and Remuneration Committee were revised, and concurrent duties at other companies performed by full-time officers were deliberated. Furthermore, at the Board of Directors meetings held in August 2020 and February 2021, reports were given on the status of activities of the Nomination and Remuneration Committee.

[Audit & Supervisory Board Members]

Establishment of Audit & Supervisory Board	Established
Number of Corporate Auditors Specified in Articles of Incorporation	5
Number of Audit & Supervisory Board Members	5

Cooperation between Audit & Supervisory Board Members, Accounting Auditor, and Internal Auditing Department — Updated

The Audit & Supervisory Board members participate in periodic meetings with the accounting auditor, and cooperate in such activities as sharing details regarding the audit plan and critical audit matters at the beginning of the fiscal year and regarding mutual audit results during the fiscal year and at the end of the fiscal year, and conducting timely and appropriate discussions on key audit matters (KAM). At the regular meetings with the internal auditing department, in addition to sharing the mutual audit results during the fiscal year and at the end of the fiscal year and the audit plan and key audit items at the start of the fiscal year, Audit & Supervisory Board Members coordinate closely with the Audit & Supervisory Board members of Group companies to confirm audit results for subsidiaries, working to enhance the effectiveness and efficiency of auditing.

Appointment of Outside Audit & Supervisory Board Members	Appointed
Number of Outside Audit & Supervisory Board Members	3
Number of Outside Audit & Supervisory Board Members Designated as Independent Audit & Supervisory Board Members	3

Relationship with the Company (1)

Name	Affiliation	Relationship with the Company (*)											
		a	b	c	d	e	f	g	h	i	j	k	l	m
Kinya Fujimoto	Certified public accountant													
Minoru Sakuma	From another company													
Fumitoshi Sato	From another company										△			

* Nature of relationship with the Company:

○: The Audit & Supervisory Board member presently belongs to or has recently belonged to the category.

△: The Audit & Supervisory Board member belonged to the category in the past.

●: A close relative of the Audit & Supervisory Board member presently belongs to or has recently belonged to the category.

▲: A close relative of the Audit & Supervisory Board member belonged to the category in the past.

Categories:

a. Executive of the Company or its subsidiaries

b. Non- executive director or accounting advisor of the Company or its subsidiaries

c. Non-executive director or executive of a parent company of the Company

d. Audit & Supervisory Board member of a parent company of the Company

e. Executive of a subsidiary company of the Company

f. A party whose major client or supplier is the Company or an executive thereof

g. Major client or supplier of the Company or an executive thereof

h. Consultant, accountant or legal professional who receives a large monetary consideration or other property from the Company besides

compensation as a director or Audit & Supervisory Board member

i. Major shareholder of the Company (or an executive of a major shareholder if the said shareholder is a legal entity)

j. Executive of a client or supplier company of the Company (which does not correspond to categories d, e, or f) (the Audit & Supervisory Board member himself/herself only)

k. Executive of a company having an outside director or Audit & Supervisory Board member who is also appointed to the Company (the Audit & Supervisory Board member himself/herself only)

l. Executive of a company or organization that receives a donation from the Company (the Audit & Supervisory Board member himself/herself only)

m. Others

Relationship with the Company (2)

Name	Designation as Independent Audit & Supervisory Board Member	Supplementary Explanation of the Conforming Items	Reason for Appointment
Kinya Fujimoto	Yes	-	Mr. Kinya Fujimoto has been active as a Certified Public Accountant for many years and has implemented audits at the Company from perspectives relating to finance and accounting, contributing to the improvement of the Company's corporate governance and internal control. He possesses the required knowledge related to finance, accounting, and legal affairs as an Audit & Supervisory Board member, and his professional discernment based on this knowledge and experience can be reflected in the auditing of the Company's overall business and in the strengthening of the management of Group companies. He is also independent from the Company so that the Company believes he can further strengthen its corporate governance. Also, as he falls under none of the above categories (a to m), the Company has designated him as an independent Audit & Supervisory Board member, judging there to be no possibility of the occurrence of conflict of interest with general shareholders and that he has sufficient independence, in accordance with the Company's own Criteria for Independence of Outside Directors and Outside Audit & Supervisory Board Members.
Minoru Sakuma	Yes	-	Mr. Minoru Sakuma has successively served in important posts at policy-based financial institutions, and in addition to his broad knowledge of international finance and extensive overseas experience, he has management experience at investment corporations and experience as an outside Audit & Supervisory Board member at a globally operating company. He possesses the required knowledge related to finance, accounting, and legal affairs as an Audit & Supervisory Board member, and his professional discernment based on this knowledge and experience can be reflected in auditing of the Company's overall business and in improvement of the management of Group

			companies. He is also independent from the Company so that the Company believes he can further strengthen its corporate governance. Also, as he falls under none of the above categories (a to m), the Company has designated him as an independent Audit & Supervisory Board member, judging there to be no possibility of the occurrence of conflict of interest with general shareholders and that he has sufficient independence, in accordance with the Company's own Criteria for Independence of Outside Directors and Outside Audit & Supervisory Board Members.
Fumitoshi Sato	Yes	Mr. Fumitoshi Sato served as a director at Horiba Ltd. until March 2017. While the Company has a transaction relationship with said company, in the most recent fiscal year and in the preceding three fiscal years, the amount of these transactions represents 0.1% or less of the consolidated net sales of both the Company and said company, which does not make it a major business partner as per the Criteria for Independence of Outside Directors and Outside Audit & Supervisory Board Members established by the Company. Thus, the Company judges said company is not a business partner which influences the Company's decision-making.	Mr. Fumitoshi Sato has successively served in important posts at the Bank of Japan, and in addition to his broad knowledge in the financial sector and extensive experience, he has work experience in the management division overseeing accounting, legal affairs, and human resources at an operating company in the manufacturing industry, and also management experience as a director. He possesses the required knowledge related to finance, accounting, and legal affairs to be an Audit & Supervisory Board member, and his professional discernment based on this knowledge and experience can be reflected in the auditing of the Company's overall business and in strengthening of the management of Group companies. He is also independent from the Company so that the Company believes he can further strengthen its corporate governance. He engaged in business execution at Horiba Ltd. until March 2017; he thus falls under category j above. However, said company is not a business partner which influences the Company's decision-making, as shown on the left. Also, as he falls under none of the other categories (a to m, with the exception of j), the Company has designated him as an independent Outside Audit & Supervisory Board member, judging there to be no possibility of the occurrence of conflict of interest with general shareholders, in accordance with the Company's own Criteria for Independence of Outside Directors and Outside Audit & Supervisory Board Members.

[Independent Directors/ Audit & Supervisory Board Members]

Number of Independent Directors/ Audit & Supervisory Board Members	8

Matters Relating to Independent Directors/ Audit & Supervisory Board Members

Criteria for independence of Outside Directors and Outside Audit & Supervisory Board Members (revised on May 13,2020)

The Company has formulated its own Criteria for Independence of Outside Directors and Outside Audit & Supervisory Board Members for appointing outside directors and outside Audit & Supervisory Board members. It judges that a person is not independent if any of the items below apply:

1. A person who serves as an executive*1 of the Company or a consolidated subsidiary of the Company, or who served for ten (10) years prior to being appointed;
2. A person who served as an executive of the Company or a consolidated subsidiary for ten (10) years prior to being appointed as a non-executive director or an Audit & Supervisory Board member of the Company or a subsidiary of the Company;
3. A person who has served as a non-executive director of the Company or its consolidated subsidiary for more than twelve (12) years in principle; *2
4. A person who has served as an Audit & Supervisory Board Member of the Company or its consolidated subsidiary for more than twelve (12) years; three (3) terms in principle; *2
5. A person who serves as an executive of a major business partner of the azbil Group (a business partner that makes a payment in the amount exceeding 2% of its annual consolidated sales for the latest fiscal year or any of the preceding three fiscal years or receives such a payment), or who has served in such a position in the last three (3) years;
6. A person who serves as an executive or an Audit & Supervisory Board member of a major lender*3of the azbil Group or its parent company or its significant subsidiary, or who served in such a position in the last three (3) years;
7. A related party of the accounting auditor or audit firm etc. of the azbil Group, or who has served in the last three (3) years in such a position (including those who have already resigned from such a position);
8. A lawyer, certified public accountant, or other consultant who does not fall under item 7 above and who received money and other economic benefits in the annual average amount of 10 million yen or more over the past three years other than executive compensations from the azbil Group;
9. A member, partner, associate or employee of a law firm or an audit firm, etc. who does not fall under items 7 or 8 above where the azbil Group is a major business partner of the said law firm, audit form, etc. (a company that received a payment from the Company or a consolidated subsidiary in the annual average amount of 2% or more of the consolidated net sales of the company over the past three (3) fiscal years);
10. A person who serves as an executive or an Audit & Supervisory Board member of a current major shareholder of the Company (a shareholder that holds 10% or more of voting rights in the Company), its parent company or its significant subsidiary, or who served in such a position in the last five (5) years;
11. A person who serves as an executive or an Audit & Supervisory Board member of a company that accepts a director seconded from the azbil Group, its parent company or its subsidiary;
12. A person who serves as an executive or an Audit & Supervisory Board member of a company in which the Company is a major shareholder;
13. A person who has received as an executive of an organization such as a public interest incorporated foundation, a public interest incorporated association, or a non-profit organization that has received a donation or subsidy from the azbil Group in the annual average of 10 million yen or more over the past three (3) fiscal years; and
14. A spouse, a person within the second degree of consanguinity, or a relative residing in the same household of a person for whom any of above items (1 to 13) are applicable.

**1: "executive" refers to an executive director, an executive officer or head of a department and other general employees.*

**2: Criteria 3 and 4 above were newly established on May 13, 2020, and will be applied to the future appointment of outside officers.*

**3: A major lender refers a financial institution group from which the azbil Group has substantively borrowed funds (in cases where the net balance of loans exceeds cash on hand), where the outstanding aggregate of those borrowings exceeds 2% of consolidated total assets of the azbil Group as of the end of the Company's fiscal year.*

[Incentives]

Implementation of Measures to Provide Incentives to Directors	Performance-linked remuneration, etc.

Supplementary Explanation Updated

Directors who concurrently perform executive duties receive bonuses based on performance evaluation and qualitative evaluation*, as well as the degree to which medium- term targets have been achieved. The portion that is linked to performance is designed to foster the sustainable growth and improved corporate value of the Company. Specific calculations are based on ROE and other indicators—which reflect an increase in operating income, profitability, and capital efficiency—in order to evaluate how directors have fulfilled their Group consolidated management responsibilities. Another indicator that is used is operating income growth rate, which reflects the efforts of directors to achieve medium- and long-term improvement in corporate value. The Nomination and Remuneration Committee discusses individual performance-linked remuneration amounts after comprehensive consideration of these indicators.

Furthermore, while the breakdown according to the type of the Company's remuneration is not determined in advance, for the proportion of remuneration for individual directors, our current system is designed in such a way that performance-linked remuneration increases as corporate performance improves, and the proportion of performance-linked remuneration making up the individual directors' total remuneration increases as their contribution levels to corporate performance rise. Furthermore, so that directors who concurrently perform executive duties will share the same interests as the shareholders and to create a continuous incentive for them to enhance corporate value, they purchase the Company's shares in a fixed annual contribution amount proportional with each officer's position and responsibilities through the officer stock ownership plan and continually hold these stocks.

**Also taken into consideration is the degree of achievement of qualitative targets assigned individually to each role. These include objectives set at the beginning of each period for CSR and other activities and for human resource succession training.*

Recipients of Stock Options	

Supplementary Explanation

-

[Remuneration for Directors]

Disclosure of Individual Directors' Remuneration	None

Supplementary Explanation Updated

The amount of remuneration for thirteen (13) directors—including two (2) members who retired at the conclusion of the 98th Ordinary General Meeting of Shareholders held on June 24, 2020—was 446 million yen for those who were directors in FY2020, including 135 million yen paid as bonuses to six (6) directors. (The maximum annual remuneration is 450 million yen.)

Policy on Determining Remuneration Amounts and Calculation Methods Updated	Established

Disclosure of Policy on Determining Remuneration Amounts and Calculation Methods

1. Basic Policy

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

2. Composition and Approach for Executive Remuneration

Remuneration for directors who concurrently perform executive duties comprises "basic remuneration" that is a fixed remuneration paid monthly based on their roles and responsibilities and "bonuses" paid twice annually at fixed periods that are linked to business results for the fiscal year and are also determined in consideration of the degree of achievement of medium-term targets. "Basic remuneration" for

directors who concurrently perform executive duties comprised three forms of remuneration: director remuneration, executive position remuneration, and executive responsibility remuneration. The fixed amounts paid to the representative directors and directors are determined in director remuneration. Executive position remuneration comprises fixed amounts determined by individual executive position. Executive responsibility remuneration is the amount of remuneration paid based on the individual responsibility grade that is determined based on the weight of duties, scope of role, and quantitative and qualitative evaluations for each fiscal year. Such responsibility grades are revised each year based on a review by the Nomination and Remuneration Committee.
Furthermore, to share common interests with the shareholders and to create a continuous incentive to enhance enterprise value, for Directors who concurrently perform executive duties, they own the Company's stocks through the officer stock ownership plan with the fixed annual contribution amount proportional with each officer's positions and responsibilities and continually hold these stocks.
Directors who do not concurrently perform executive duties and outside directors are paid only basic remuneration that is fixed remuneration to ensure that they perform their management supervision function fully.

3. Performance-linked Remuneration

Directors who concurrently perform executive duties are paid a bonus in consideration of a performance evaluation and qualitative evaluation*Note as well as the degree of achievement of medium-term targets, etc., and the performance-linked portion of remuneration is designed to contribute to the Company's continuous growth and enhancement of enterprise value. In the specific calculations, evaluations are performed from the standpoint of responsibility for the Group's consolidated management based on indicators such as increase in operating income and ratios such as ROE in light of both profitability and capital efficiency. Furthermore, the level of growth in the amount of operating income and other factors have been selected as indicators from the standpoint of working to enhance medium- to long-term enterprise value, and performance-linked remuneration is reviewed individually by the Nomination and Remuneration Committee taking comprehensive account of these indicators.
Regarding the amount of operating income in FY2020, results were 25.7 billion yen versus the target of 25.5 billion yen (consolidated basis).

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

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

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

The Company resolved that the maximum annual remuneration for directors shall be not more than 450 million yen (for eight (8) directors, excluding amounts paid as salaries for employee) at the 84th Ordinary General Meeting of Shareholders held on June 29, 2006.
Remuneration for Audit & Supervisory Board Members comprises only basic remuneration that is fixed remuneration considering their duties and responsibilities. The Company resolved that the maximum annual remuneration for Audit & Supervisory Board Members shall be not more than 120 million yen (for five (5) Audit & Supervisory Board Members) at the 85th Ordinary General Meeting of Shareholders held on June 28, 2007, and the individual remuneration amounts are determined through discussion held by the Audit & Supervisory Board Members.

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

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

resolution of the Board of Directors, prepares a draft of each remuneration based on Director Remuneration Regulations and Nomination and Remuneration Committee Regulations, within the remuneration limits set at the Ordinary General Meeting and the Nomination and Remuneration Committee reviews and decides it. The remuneration of representative directors is ruled to be deliberated and decided at the Nomination and Remuneration Committee after the screening without the representative director who is the member of the Nomination and Remuneration Committee. The reason that the authority associated with the determination of remuneration for individual Directors is delegated is that, as mentioned above, the Committee is comprised of a majority of independent outside directors and chaired by an independent outside director, thus we deem that the determination being made by the Nomination and Remuneration Committee which is as an advisory body to the Board of Directors ensures high levels of fairness, objectivity, and transparency in the remuneration determination process.

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

[Supporting System for Outside Directors (Outside Audit & Supervisory Board Members)]

In addition to distributing materials for the Board of Directors in advance, a system is in place to make all necessary information available—for example by holding precursory meetings on agenda items for the outside directors and outside Audit & Supervisory Board members. Liaison meetings are also arranged principally for the Audit & Supervisory Board members to provide the outside directors with status reports on audit implementation, etc. Additionally, to ensure that the Audit & Supervisory Board members can conduct audits efficiently, they are supported by an Audit & Supervisory Board Office, with a full-time staff of three (3), that is independent of the directors.

[Status of Persons Who Have Retired as President and Representative Director, Chief Executive Officer, etc.]

Name of Consultants, Advisors, etc., Who were Formerly President and Representative Director, Chief Executive Officer, etc.

Name	Title and position	Description of Business	Form and Conditions of Employment（Full-time, Part-time, Paid or Unpaid, etc.）	Date of Retirement as President, etc.	Term of Office
—	—	—	—	—	—

Total Number of Consultants, Advisors, etc., Who Senior Corporate Advisor etc., Who were Formerly President and Representative Director, Chief Executive Officer, etc.	0

Other Matters

The Board of Directors decided to abolish the counselor/advisor system on March 31, 2018, and the provision was deleted from the Articles of Incorporation at the 96th Ordinary General Meeting of Shareholders held on June 26, 2018.

2. Functions of Business Execution, Auditing, Oversight, Nomination, and Remuneration Decisions (Overview of Current Corporate Governance System) Updated

1. Activities of the Board of Directors, etc.

The Company has both a Board of Directors —which makes decisions on basic management policies, determines matters stipulated by laws/regulations and other important matters, and monitors the status of business execution—and executive officers, who are responsible for the execution of business. By establishing a separation of functions, we have created a system that facilitates rapid business execution and at the same time strengthened internal supervisory functions.

In principle, the Board of Directors meets once a month. In FY2020, it met 13 times; all directors and Audit & Supervisory Board members attended all of these meetings. (Director Anne Ka Tse Hung—who was appointed at the 98th Ordinary General Meeting of Shareholders held on June 24, 2020—attended all 10 of the Board meetings held after she took up her new post.)

In addition to those matters stipulated by the Companies Act, the Board of Directors has formulated a new medium-term plan for long-term growth and development. In formulating this plan, extensive discussions were conducted regarding the direction of the Group's future growth and how that should inform the plans for each of our businesses. We also had a series of discussions on how to achieve the SDGs, including our response to changes in the business environment—incorporating the perspective of sustainability—new business opportunities, technology/R&D, and human resource strategies. Moreover, as part of the evaluation of the effectiveness of the Board of Directors, we conducted our own assessment of the appropriateness of the processes employed for appointing directors and for replacing the president, and we also evaluated the Nomination and Remuneration Committee. This committee, which is an advisory body of the Board of Directors, features a majority of independent outside directors, one of whom acts as chairperson. In addition, to enhance Group management supervision we regularly compile detailed reports on the performance and strategy reviews as well as business management of the major subsidiaries.

All members of the Board of Directors recognize the need to share and discuss the progress of the new medium-term plan at Board meetings; to further enhance discussions on aspects of business management, including compliance, and corporate governance; to improve the reporting to the Board of Directors of the deliberations and decisions made by the Nomination and Remuneration Committee; and to expand deliberations at the Board of Directors meetings on receipt of reports from the Nomination and Remuneration Committee.

As part of the Executive Officer System, the Management Meeting—an advisory body at the level of management execution that assists the president &CEO in decision-making, and which consists mainly of executive officers with titles and representatives of Audit & Supervisory Board members—meets twice a month with the aim of strengthening business promotion capabilities through prompt decision-making and execution.

2. Appointment of Candidates for Directors and Audit & Supervisory Board Members, and Election/Dismissal of Senior Management including CEO

(1) Appointment of Directors

The basic criterion for director candidates is to be a person who has excellent character and insight, contributes to the growth of the company and the Group, and helps improve corporate value. Directors involved in business execution need to have high levels of ability and knowledge about each business segment and important management functions. Outside director candidates must have wide-ranging experience and excellent expertise and knowledge, as well as having no issues regarding their independence. They must also come from diverse backgrounds and have the ability to proactively express opinions and raise issues from outside perspectives. These are our policies for the nomination and appointment of directors. Nomination and appointment of director candidates and management executives are decided by the Board of Directors after deliberation by the Nomination and Remuneration Committee.

(2) Appointment of Audit & Supervisory Board Members

Candidates for Audit & Supervisory Board members must have the appropriate experience and ability, as well as knowledge about finance, accounting, and legal matters. We also consider independence from the executive side to be another eligibility requirement. For outside Audit & Supervisory Board members, our policy is to first confirm that there are no issues regarding their independence. Among Audit & Supervisory Board member candidates, at least one person must have extensive knowledge of finance and accounting. Such candidates are first discussed by full-time Audit & Supervisory Board members and the representative director, then considered and agreed upon by the Audit & Supervisory Board, before approval at a Board of Directors' meeting.

(3) Appointment/Dismissal of CEO and Subordinate Officers

With respect to appointing the CEO and subordinate officers (president & CEO, vice president, etc.), the Board of Directors makes decisions—based on selection criteria and the desired composition of the Board of Directors—after deliberation by the Nomination and Remuneration Committee.

Appointment Criteria:

Candidates must have a full understanding of the Group's corporate philosophy, deep knowledge of corporate management, and wide-ranging experience both inside and outside Japan, as well as good insights on corporate governance, CSR, and compliance. They must meet the following criteria and be capable of leading the Group to sustainable growth.

1. Good character and insights, and selfless attitude; a person who earns the trust of others;
2. The ability to think and judge from a global perspective and from the standpoint of the entire Group;
3. Exceptional insights, the ability to implement change and innovation and predict the future, and a willingness to embrace challenges from a results-oriented approach;
4. Healthy, energetic, physically sound, as well as mentally resilient.

Dismissal Criteria:

With respect to policies and procedures for dismissing the CEO and subordinate officers (president & CEO, vice president, etc.), the candidate for dismissal undergoes a fair and rigorous process of screening and deliberation by the Nomination and Remuneration Committee, based on the following criteria. If they then judge that dismissal is appropriate, the Board of Directors approves it.

Reasons for proposing dismissal include a serious business problem arising from a violation of the law or the Articles of Incorporation, an event that makes it difficult for the person to perform and continue in the job, and when it becomes evident that the person does not meet the appointment criteria.

Of the eleven (11) directors, five (5) are outside directors; thus, more than one-third of the Board consists of outside directors. They are not restricted to their responsibilities as full-time directors or to day-to-day operations, enabling them to supervise the management of the company and business execution from an independent perspective. When the Board of Directors meets, they actively engage in asking questions and making recommendations, and they regularly exchange opinions with the president & CEO.

3. Audits by the Audit & Supervisory Board Members

The Company is a company with an Audit & Supervisory Board to which five (5) Audit & Supervisory Board members—including three (3) outside Audit & Supervisory Board members—are appointed; two of the Audit & Supervisory Board members are serving on a full-time basis as of June 24, 2021. The Audit & Supervisory Board members carry out rigorous audits of the administrative decisions and execution of business by the directors and executive officers, primarily from the standpoint of the legality of the execution of business. Audit & Supervisory Board Member Tomohiko Matsuyasu has many years of experience in the accounting operations in the Company's accounting division. Audit & Supervisory Board Member Kinya Fujimoto has a wealth of experience and outstanding insight as a certified public accountant. Audit & Supervisory Board member Fumitoshi Sato has many years of experience as the person responsible for the creation of financial statements as the officer in charge of accounting and finance at another operating company. Thus, they have a wealth of knowledge concerning financial affairs and accounting.

The Audit & Supervisory Board convenes in principle once a month; it convened a total of 14 times in FY2020. It convened a total of 14 times in the current fiscal year. The five (5) Audit & Supervisory Board members participated in all of the Audit & Supervisory Board meetings, discussing the annual audit plan at the start of the term, providing individual activity reports on a monthly and quarterly basis during the term, providing a quarterly accounting audit report, evaluating and summarizing the auditing activity at the end of the term, evaluating the Key Audit Matters (KAM) and reviewing the evaluations of the Accounting Auditor. Furthermore, the Audit & Supervisory Board regularly holds meetings to exchange opinions with the Representative Directors and meetings to exchange information with the Outside Directors. Additionally, an evaluation of the effectiveness of the Audit & Supervisory Board is performed at the end of the term, and in addition to reviewing the Audit & Supervisory Board's auditing activities for the current fiscal year, the evaluation results are reflected in the audit plan for the coming fiscal year, thereby working to increase the effectiveness of the Audit & Supervisory Board. The full-time Audit & Supervisory Board Members conduct audit activities including attending Board of Directors meeting and management meetings, examining important business locations and subsidiaries and interviewing with important divisions, reviewing important documents such as minutes from important meetings, and it shared

those details when necessary with the Outside Audit & Supervisory Board Members. In addition to attending Board of Directors meetings and providing their opinions as independent officers, the Outside Audit & Supervisory Board Members also used their individual knowledge and experience, participating as necessary in examination of important business locations and subsidiaries by the full-time Audit & Supervisory Board Members. The Audit & Supervisory Board members participate in periodic meetings with the Accounting Auditor, and cooperate in such activities as sharing details regarding the audit plan and critical audit matters at the beginning of the fiscal year and regarding mutual audit results during the fiscal year and at the end of the fiscal year, and conducting timely and appropriate discussions on key audit matters (KAM). At the regular meetings with the internal auditing department, in addition to sharing the mutual audit results during the fiscal year and at the end of the fiscal year and the audit plan and key audit items at the start of the fiscal year, Audit & Supervisory Board Members coordinate closely with the Audit & Supervisory Board members of Group companies to confirm audit results for subsidiaries, working to enhance the effectiveness and efficiency of auditing. Through Board of Directors meetings and management meetings, etc., the Audit & Supervisory Board Members monitored the status of the response to COVID-19. So that the efficacy of audits is not lost in visiting audits of offices and domestic and overseas subsidiaries, the Audit & Supervisory Board changed to remote surveys using an online conferencing system for offices and domestic and overseas subsidiaries for which visiting audit is difficult, and also used alterative procedures for hearing on the internal audit results conducted remotely by the internal auditing department. Regarding information sharing among Audit & Supervisory Board Members, the Audit & Supervisory Board secured sharing procedures without delay using electronic viewing in place of face-to-face information sharing, working to ensure that there was no variance in our response.

4. Status of accounting audits

The Company has retained the services of Deloitte Touche Tohmatsu LLC (DTT) to conduct statutory audits, as obliged by the Companies Act and by the Financial Instruments and Exchange Act. There exist no special interests between the Company and DTT or between the Company and the engagement partners of DTT who conduct the Company's audits. Furthermore, DTT takes measures to ensure that none of its engagement partners are involved with the Company's audits for more than seven years. DTT has been conducting the Company's audits for an uninterrupted period of 21 years. The Company has concluded a contract with DTT to conduct statutory audits, as obliged by the Companies Act and by the Financial Instruments and Exchange Act, and has paid compensation as set forth in the contract. The names of the certified public accountants who executed their duties in FY2020 and details of the team assisting them in the audit work are as follows:

Certified public accountants who conducted the audit: Hiroyuki Motegi, Keiji Koide

Composition of team assisting in the audit: 6 certified public accountants, 21 others

5. Status of internal audits

In addition to the above, the Internal Audit Department, which reports directly to the president, supervises the overall management activities of the head office functional departments, internal companies and Group affiliates. It regularly conducts audits of the organization and systems, business execution, business risks, compliance, and internal control systems. It also provides specific advice and proposals for the improvement of operations.

6. Executive remuneration

As part of strengthening corporate governance and delivering sustainable increases in corporate value through achieving the Group's management goals, the Company has established a policy regarding the determination of remuneration, etc. of directors. The specific details are as laid out above in "Disclosure of Policy on Determining Remuneration Amounts and Calculation Methods" (p.19) and "Incentives" (p.19).

7. Others

The Company and the outside directors and outside Audit & Supervisory Board members have entered into a contract to limit legal liability under Article 423, Paragraph 1 of the Companies Act, pursuant to the provisions of Article 427, Paragraph 1 of the Companies Act. The limit of legal liability under said contract is the minimum liability amount stipulated by laws and regulations. However, such limitation of liability is applicable only when the outside director or outside Audit & Supervisory Board member was performing the duties that gave rise to such responsibility in good faith and without gross negligence.

3. Reasons for Adopting the Current Corporate Governance System Updated

The Company's basic approach to corporate governance is to work not only toward compliance with laws and regulations and the

Articles of Incorporation, but also to fulfill our social responsibilities based on corporate ethics and to contribute to the welfare of the community, and to consistently increase corporate value through highly efficient and transparent management, positioning corporate governance as our most important management issue.

Based on this, the Board of Directors, which plays a central role, consists of eleven (11) directors, including six (6) who are involved in business execution and have accumulated experience in the Company's business and management and five (5) who are outside directors and have independence, broad experience, a wealth of expertise and knowledge, and diversity (of both nationality and gender) as of June 24, 2021.Thus outside directors make up more than one third of the Board of Directors.

Also, to keep up with rapid change in the business environment, the Company has both a Board of Directors, which makes important decisions, and executive officers in charge of business execution. This functional separation enables the executive agency authorized to operate business based on decisions made by the Board of Directors to achieve effective and swift management.

On the other hand, the Audit & Supervisory Board has a remit to conduct strict and accurate audits. Three (3) out of the five (5) members are from outside and they conduct audits with the internal members who are familiar with the Company's business, drawing on their management experience, insights and expertise in fields different from those of the Company as well as their independent perspective.

III. Implementation of Measures for Shareholders and Other Stakeholders

1. Measures to Revitalize the General Shareholders Meeting and Facilitate the Exercise of Voting Rights

Updated

	Supplementary Explanations
Early Notification of General Shareholders Meeting	The notice is sent about seven (7) days before the legally stipulated day.
Scheduling of General Shareholders Meeting to Avoid the Peak Day	The 99th general shareholder meeting was held on June 24, 2021.
Allowing the Electronic Exercise of Voting Rights	The electronic exercise of voting rights via the Internet is allowed.
Participation in Electronic Voting Platform and Other Measures to Improve the Voting Environment for Institutional Investors	The Company participates in an electronic voting platform.
Provision of Notice of Annual Shareholders Meeting (summary) in English	The notice of an upcoming General Meeting of Shareholders is posted in English on the Company's website and on the Tokyo Stock Exchange's website for foreign shareholders at the same time as the notice in Japanese.
Other	The notice of an upcoming General Meeting of Shareholders is posted on the Company's website and on the Tokyo Stock Exchange's website about ten (10) days before mailing for early provision of agenda information, etc. In addition to live broadcasts of parts of the proceedings on the day of the General Meeting of Shareholders, a video recording of some of the proceedings is made available on our website at a later date.

2. IR Activities

	Supplementary Explanations	Explanations by the Representative In Person
Preparation and Publication of Disclosure Policy	The Company has its own disclosure policy. It is available on the Company's website. https://www.azbil.com/ir/management/disclosure/index.html	
Regular Investor Briefings for Analysts and Institutional Investors	Twice a year the president & CEO, as well as an officer in charge of corporate communications, explain the financial results and managing strategy.	Held
Posting of IR Materials on Website	https://www.azbil.com/jp/ir/index.html Securities Report, Summary of Financial Results, Financial Results Presentation materials, Business Report, azbil Report, Fact Book, Notice of General Meeting of Shareholders, Resolution Notices, etc. are posted.	

Establishment of Department and/or Appointment of Manager in Charge of IR	Department in charge: Group Management Headquarters, Investor Relations Officer in charge: director and senior managing executive officer Takayuki Yokota, who is in charge of corporate communications	

3. Measures to Ensure Due Respect for Stakeholders

Updated

	Supplementary Explanations
Stipulation of Internal Rules for Respecting the Position of Stakeholders	The Company's basic attitude to stakeholders is prescribed in the azbil Group's Code of Conduct under our corporate philosophy, "human-centered automation". The azbil Group's contribution to society is posted on the Company's website. https://www.azbil.com/csr/basic/compliance/business-conduct-guidelines.html
Implementation of Environmental Protection Activities, CSR Activities, etc.	These activities are detailed in the azbil Report (the Company's annual report) and on the Company's website. https://www.azbil.com/csr/index.html
Other	In the Group's Code of Conduct it stipulates that within the Company there should be no discrimination or harassment based on a person's race, nationality, gender, beliefs, birth, disability, etc., and that we should never turn a blind eye to discrimination. In order to foster happiness among the peoples of the world through the realization of "human-centered automation", as set forth in the management philosophy, we must first respect the individuality of each and every employee, and strive to create a corporate culture in which a diversity of human resources can be nurtured and put to good use. At the Ordinary General Meeting of Shareholders held on June 24, 2020, two female directors (one of whom is a foreign national) were appointed, resulting in a Board of Directors that represents ample diversity in terms of both nationality and gender. Approach to Ensuring Diversity We believe that the driving force for corporate growth is respect for the individuality of each person, making use of their qualities, so they can enhance their performance by working with vitality. The azbil Group's Guiding Principles set forth "Creating dynamic value through diverse human resources and teamwork" and "Growing constantly through innovation and a corporate culture of continual learning". We value the diversity of our human resources—each employee with their own personality, abilities, and knowledge—and at the same time we encourage them to continuously learn and grow by thinking "outside the box" and taking innovative action, unconstrained by precedent. In addition, by appointing and treating employees based on a fair evaluation of their ability to perform, we are ensuring that people with diverse personalities, characteristics, and experiences—including women, foreigners, and mid-career hires—are now actively engaged as our core human resources. This is all tied in with our initiatives designed to increase the value of human capital that contributes to the sustainable growth of the Company. Voluntary and measurable goals for ensuring diversity: progress to date (1) Female employees Taking the number of women employed by the Company at each level, and weighting these according to position in the organization—officer, manager, etc.—we arrive at our own metric (expressed as points), enabling us to determine our progress in meeting the target we have set for our core human resources. We are aiming to more than double this figure by FY2024 compared to FY2017. Through the activities of the Diversity Promotion Task Force, we have been promoting initiatives to encourage women to take on important roles and responsibilities, and, as a result, our metric, which was 125 points in FY2017, had risen to 231 points as of June 2021. (2) Foreign employees In addition to globalization, we are promoting the hiring of foreign nationals; we have set a target of hiring 10 overseas university graduates and foreign nationals as part of our goal of hiring 100 new graduates in 2022. By bringing together a wide range of human resources—including Japanese employees given the opportunity to work overseas, and employees of overseas subsidiaries given the opportunity to study in Japan—we are creating new value while globalizing our human resources. With regard to the participation of our core human resources, we have six foreign nationals in senior management positions in the Company, and we have set a target to further increase this number by FY2024. (3) Mid-career hires

	On the expectation that they will be able to “hit the ground running”, we have been hiring a number of mid-career staff every year, and we have set a goal of hiring 30 mid-career candidates in FY2021. To date, they have demonstrated practical business skills and are being promoted to managerial positions within the organization suited to their proven capabilities. Regarding the participation of these mid-career hires as core human resources, as of June 2021, 232 (19%) were in senior management positions, and we have set a goal of increasing this number by FY2024. Human resource development policies and internal environmental enhancement policies to ensure diversity: current status The Azbil Academy, which is an organization specifically established for HR development, fosters the human resources that will propel operational reforms, including work-style reforms and diversity promotion. Launched in FY2017, the Diversity Promotion Task Force has made significant progress with developing leadership skills and diverse work styles, as well as reforming the corporate culture. We will next be expanding our existing initiatives, which focus on female participation, to include foreign nationals and mid-career hires. Furthermore, in the Health and Well-being Declaration of 2019, the Company and its employees declared that they will work together to create a comfortable work environment that facilitates work, and to actively promote physical and mental health. The declaration also says that they will respect opportunities for diverse human resources to work and actively participate, with mutual recognition of differences in social and physical characteristics, ideas and values. We have established support systems so that employees can balance work and family life—including childcare, nursing care, and various other life events—and we are working to further improve the workplace environment so that all employees can continue their work comfortably and easily.

IV. Matters Related to the Internal Control System

1. Basic Approach to and Enhancement of the Internal Control System Updated

The Basic Policy on Building Internal Control System is as follows. (The Basic Policy was partially amended at the Board of Directors meeting held on May 13, 2015, and the directors regularly confirm the continuation of the Basic Policy at Board of Directors meetings.)This policy, based on Article 362, Paragraph 4, Item 6 of the Companies Act, stipulates an overall framework required to create an internal control system as stipulated by Article 100 of the Regulation for Enforcement of the Companies Act, clarifying basic policies to be followed by directors, executive officers and employees (hereafter, “the Officers and Employees”) of Azbil Corporation (hereafter, “the Company”) and the Company’s subsidiaries*1 (hereafter, “Subsidiary” or “Subsidiaries”) in the building of internal control system concretely implemented by the Company and Subsidiaries. The goal of the internal control system based on this policy is to create a corporate structure that is efficient, lawful, and highly transparent by improving through constant review.

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

1. System to ensure that the execution of duties by Officers and Employees of the Company and Subsidiaries complies with laws and regulations and the Articles of Incorporation

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

5) The internal auditing department of the Company, based on the Internal Audit Rules, will implement audits regularly or as necessary on the status of the Company's and Subsidiaries' compliance promotion activities and building of an internal control system.
6) In the event where the Company or Subsidiaries engage in serious illegal or unethical acts, or cause a serious impact on society, the Officers and Employees of the Company and Subsidiaries will make a report using either the designated reporting route or the internal reporting system.
7) The internal auditing department of the Company will maintain, develop and properly operate the internal reporting system and other systems. Expansions or changes to the scope of the internal reporting system will be made following a report to the Board of Directors.

2. System for the storage and management of information relating to the execution of duties of the Directors of the Company
1) The Officers and Employees of the Company will comply with the Rules for Storage and Management of Information Related to Directors' Duties, and store and manage information on the execution of duties appropriately.
2) The General Affairs Department will create, revise and abolish the above rules with the approval of the Board of Directors and the management meetings, depending on the level of importance of the rules, and evaluate and review the management status as necessary.
3) The internal auditing department of the Company, based on the Internal Audit Rules, will implement audits regularly or as necessary on the status of operations and management of the Internal Audit Rules and others.

3. Rules and other systems for management of risk of loss at the Company and Subsidiaries
1) To properly manage risk of loss and ensure the continuity and stable development of business, based on the azbil Group Risk Management Rules, the Company will identify risks that could cause serious losses to the overall Group management (serious risks for the azbil Group) at meetings of the Board of Directors.
2) The Company will promote countermeasures against serious risks for the azbil Group that have been identified by instructing the Subsidiaries as necessary.
3) In addition to the above paragraph, the separately specified Subsidiaries will independently identify serious risks at these Subsidiaries, and work to establish and promote countermeasures against those serious risks.
4) The internal auditing department of the Company, based on the Internal Audit Rules, will implement internal audits regularly or as necessary on the status of the implementation of risk management systems at the Company and Subsidiaries.

4. System to ensure the efficient execution of duties of the directors of the Company and Subsidiaries
1) For the efficient and prompt execution of business activities without risking the soundness of the company, the Company and Subsidiaries will endeavor to develop an organizational system and prepare rules regarding administrative authority for the effective execution of business.
2) The Officers and Employees of the Company and Subsidiaries will take action to ensure the achievement of the medium-term business plan and the annual plan, and conduct regular reviews to ensure the execution of business is progressing in line with the original plans.
3) Based on the Rules for Division of Duties and other rules, the Company will provide necessary support and guidance to the Subsidiaries to increase the work efficiency and work level of the overall Group.
4) At both the Company and Subsidiaries, for items requiring the approval of the Board of Directors of the company, to ensure thorough deliberation by the Board of Directors, materials related to the item will be distributed to all directors in advance.

5. System for the reporting of items related to the execution of duties by the Officers and Employees of Subsidiaries to the Company
1) Based on the management control items to be submitted to the Board of Directors, etc. of the Company in the execution of duties of Subsidiaries as stipulated in the azbil Group Management Basic Policy, Subsidiaries will obtain the Company's approval or report to the Company.
2) In addition to the items stated in the above paragraph, domestic Subsidiaries will, either directly or at the regular meeting of Group company presidents or other meetings, report to the Company on the state of business at their companies and on important management items.
3) In addition to 1) above, overseas Subsidiaries will, either directly or through the Company's respective departments in charge, report to the Company on the state of business at their companies and on important management items.

6. Items related to employees aiding the duties of the Audit & Supervisory Board members of the Company, items related to the independence of these employees from the directors of the Company, and items to ensure the effectiveness of instructions from the Audit & Supervisory Board members of the Company to these employees
1) The Company will assign dedicated personnel to aid the duties of the Audit & Supervisory Board members.
2) To maintain the independence of the employees aiding the duties of the Audit & Supervisory Board members, the Company will receive the agreement of the Audit & Supervisory Board members when making decisions on personnel rotation and personnel

evaluation.

3) The dedicated employees aiding the duties of the Audit & Supervisory Board members will execute their duties under the directions of the Audit & Supervisory Board members.

7. System for reporting by the Officers and Employees of the Company and Subsidiaries and the Audit & Supervisory Board members of Subsidiaries to the Audit & Supervisory Board members of the Company, and system to ensure the person who made the report shall not be treated unfairly by reason of the said report

1) In the case where the Officers and Employees of the Company and Subsidiaries discover items which could invite serious losses to the Company or Subsidiaries, serious defects in the internal control system or procedures, or the occurrence of serious legal violations or fraud, they will make a report to the top management of their companies, and to the division responsible for internal control if it is in place. On receipt of such a report, the top management or internal control division at the company will make a report to the directors of the company, the top management and the division responsible for internal control of the Company, and if Audit & Supervisory Board members are appointed at the company, they will also report the matter to the Audit & Supervisory Board members of the company. The top management of the Company and internal control division of the Company who have received the report will report to the directors and Audit & Supervisory Board members of the Company.

2) Furthermore, in addition to the reporting system in the previous paragraph, the Company will maintain, develop and properly operate the Group's internal reporting system.

3) The department in charge of the internal reporting system in the Company will make regular reports to the Audit & Supervisory Board members of the Company regarding the status of internal reports from the Officers and Employees of the Company and Subsidiaries.

4) Regardless of the above paragraphs, the Audit & Supervisory Board members of the Company may demand a report as necessary from the Officers and Employees of the Company and Subsidiaries and the Audit & Supervisory Board members of the Subsidiaries.

5) Internal rules will be developed to ensure the Company and Subsidiaries do not treat the Officers and Employees unfairly because they made such a report to the Audit & Supervisory Board members of the Company or Subsidiaries.

8. Items related to the policy for the handling of expenses or financial obligations arising from the duties of Audit & Supervisory Board members of the Company in the execution of their duties

1) The Company will promptly handle expenses or financial obligations with respect to the costs incurred by the Audit & Supervisory Board members in the execution of their duties and any costs incurred when they request the opinion of external experts such as attorneys in forming their own opinion. However, this excludes cases where the Company demonstrates that the costs were not required for the Audit & Supervisory Board members to execute their duties.

2) The Company will secure a budget in advance for the Audit & Supervisory Board members and for the dedicated employees who aid the Audit & Supervisory Board members in the execution of their duties, and shall not interfere in the execution of that budget. However, this excludes cases where the Company demonstrates that the costs were not required for the Audit & Supervisory Board members to execute their duties.

9. Other systems to ensure the audits of the Audit & Supervisory Board members of the Company are implemented effectively

1) The Audit & Supervisory Board members will attend the Board of Directors meetings and other important meetings including management meetings, review key approval forms and other documents related to the execution of business, and may request explanations from the Officers and Employees.

2) The Audit & Supervisory Board members will work to exchange information and cooperate with the directors, the internal auditing department, the Audit & Supervisory Board members of Subsidiaries and the accounting auditor to establish a system for the efficient implementation of the audits.

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

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

1. Compliance Systems

- Azbil Group, guided by the corporate philosophy of "human-centered automation," has formulated Guiding Principles for azbil Group Business and azbil Group Code of Conduct, making efforts toward creating a corporate culture in which compliance awareness is permeated. To do so, the Company and Subsidiaries have appointed officers who are responsible for controlling and promoting company-wide compliance related activities throughout the Company, and have designated compliance managers and compliance leaders to ensure thorough compliance, educate and supervise employees with the cooperation of the department of the Company in charge of compliance. In the current fiscal year, we planned "Regional CL Meetings" with the goal of leveling up our CSR leaders (CL) responsible for education at our overseas subsidiaries, holding meeting at subsidiaries in ASEAN countries and India following meeting in China and South Korea in the previous fiscal year. To promote compliance-related activities throughout the azbil Group, the Company has formed a permanent organization to promote CSR-related activities, where an officer of the

Company in charge of compliance is appointed as chief officer, and officers of each company in charge of compliance are appointed as members. This organization is responsible for creating action plans for the overall Group, managing progress, and providing guidance to Subsidiaries.

- The Officers and Employees of the Company and Subsidiaries may use the “CSR Hotline” in Japan and abroad to consult and report pursuant to the “Rules for the consultation and reporting system of aG employees.” Unfair treatment of persons initiating consultations and reports is prohibited in these rules, and we have communicated that fact internally. In the current fiscal year, in Japan, we were certified as “Whistleblowing Compliance Management System” (self-declaration of conformity registration system) from the Consumer Affairs Agency, and creating awareness about the hotline for which employees can use for safe consultations. In addition, we worked to change a receiving system at overseas subsidiaries so that persons initiating consultations could easily access the “CSR Hotline” overseas and worked to introduce the system at overseas subsidiaries that had not yet introduced it. In preparation for the occurrence of serious illegal or unethical acts, the Company and Subsidiaries have formulated the “Rules for Reporting in Emergency and Serious Situations.” In the event such emergency or serious situations occur, under the structure provided, reports will be made to the top management and Audit & Supervisory Board Members of Subsidiaries where they occur and the top management and Audit & Supervisory Board Members of the Company. Furthermore, regarding the state of response to emergency or serious situations and the status of implementation of measures to prevent recurrence, reports are regularly made at Board of Directors meetings attended by Audit & Supervisory Board Members. The Company’s Internal Audit Department conducts audits of operating conditions by properly verifying the status relating to the promotion of compliance and the establishment of internal control procedures at the Company and Subsidiaries, the operations and management with respect to the regulations stipulated below (see 2), and the development of risk management systems below (see 3). Furthermore, we have formed a special team and provide diagnoses of the overall management control of overseas Subsidiaries to further improve management at overseas Subsidiaries. The diagnoses reports are reported at the Board of Directors meetings, and in addition to improvement at each subsidiary, a specific team was formed for cross-sectional improvement to respond to the results, implementing an initiative aimed at resolving issues. In the current fiscal year, to promote improved management at domestic subsidiaries as well, we diagnosed the overall management control at domestic subsidiaries, promoting initiatives to resolve issues.
- Regarding internal control associated with the reliability of financial reports in the Financial Instruments and Exchange Act (J-SOX), by issuing management messages related to appropriate accounting processing, implementing accounting compliance education, and implementing internal control education, we worked to create awareness about the importance of internal control and to increase our level of internal control. In the current fiscal year, we implemented an internal control response that included a review of our operations processes, including facilitating e-mail-based authorizations for complying with payment dates even during telework, and promoting the enhancement of our internal control during the COVID-19 pandemic by introducing digital authorization, etc.

2. Storage and Management of Information
   - The Company has created a department pursuant to the Rules for Storage and Management of Information Related to Directors’ Duties in which the Board of Directors minutes, the management meeting’s minutes, and other important documents and information are stored and managed.
3. Risk Management Systems
   - Pursuant to the azbil Group Risk Management Rules, the Company identifies serious risks for azbil Group which may cause serious losses to the overall group management at the Board of Directors meetings after screening by the Comprehensive Risk Management Department Meeting and the azbil Group Comprehensive Risk Committee, the even higher level organization. While strengthening the comprehensive risk management system and the promotion of taking measures, the Company also instructs Subsidiaries, when necessary, to promote such measures at the Group. At Board of Directors meetings, the Company deliberated on the impact and frequency of such events, including the presence of changes from the previous fiscal year. The Company also confirmed the relationship between serious risks for the azbil Group in FY2021 and the contents of the new medium-term plan. Subsidiaries identify serious risks particular to the company at the Subsidiary’s Board of Directors meetings; they also plan and promote appropriate countermeasures. The result of executing such countermeasures and the status of risk reduction are to be reported to the Board of Directors of each Subsidiary.
   - The Company systematically organized the azbil Group’s risk management in terms of “risk management” to minimize the effects of risk events that could occur in the future and “crisis management” to minimize the effects of crises that have already occurred (emergency and serious situation response to individual events and BCP response in the event a disaster occurs). Furthermore, in emergency and serious situation reports, we worked to enhance the organizational strength to respond and promote by establishing an Emergency Headquarters for events that have actually occurred. Additionally, the practice of regular reporting of such reports to the Board of Directors was established.
4. System for Efficient Execution of Duties

- The Officers and Employees of the Company and Subsidiaries develop a medium-term plan and an annual plan, take actions based on such plans, conduct regular reviews of the status of duties, follow progress of the status of business execution and plan new measures.
- Based on the Rules for Division of Duties and other rules, the Company provides necessary support and guidance to Subsidiaries to increase work efficiency and work level of the overall Group.
- To ensure thorough deliberation by the Board of Directors, the Company and Subsidiaries seek to improve the operation of the Board of Directors by such means as distributing materials related to agenda items before a meeting. In addition, the Company holds briefing meetings about items to be discussed at the Board of Directors meetings for the benefit of its outside directors and outside Audit & Supervisory Board members.
- The Company has newly established and started to operate a “Board of Directors Information Reporting System,” to share and store confirmed recordings of items which used to be reported as Other Items at Board of Directors meetings, working to improve the time for deliberation at Board of Directors meetings and to improve the effectiveness of the Board of Directors.

5. Group Management System
   - For certain important items, Subsidiaries report to or obtain approval from the Board of Directors of the Company or the management meeting that decides the execution of duties and other matters within the range of the authority of the president, pursuant to the azbil Group Management Basic Policy.
   - Management reports from key Subsidiaries are presented at Board of Directors meetings and the management meetings of the Company, while overseas Subsidiaries report the status of their business and performance, as well as important management items, etc. to the Company through the Group Global Meeting and via other channels available to overseas Subsidiaries.
6. System of Audit by Audit & Supervisory Board Members
   - The Company has established an Audit & Supervisory Board Office as an organization to aid the duties of the Audit & Supervisory Board members. Personnel assigned to the Audit & Supervisory Board Office are under the direct control of the Audit & Supervisory Board members, aiding the duties of the Audit & Supervisory Board members under their instructions. Personnel rotation and personnel evaluation are determined with the agreement of the Audit & Supervisory Board members.
   - Regarding items which have been consulted on or reported to the aforementioned hotline by the Officers and Employees of the Company and Subsidiaries, the Internal Audit Department reports them monthly to the Audit & Supervisory Board Members and the details are reported at the quarterly liaison meeting with the Audit & Supervisory Board Members. The expenses arising from executing the duties of the Audit & Supervisory Board are borne by the Company and are promptly handled.
   - The Audit & Supervisory Board Members attend the Board of Directors meetings and other important meetings including the management meeting, review approval forms and other documents related to the execution of business and request explanations from the Officers and Employees, regularly or when necessary. In addition, the Audit & Supervisory Board Members request the opinion of attorneys, with whom they have individually concluded advisory contracts, as appropriate. The Audit & Supervisory Board Members of the Company regularly hold meetings with the Board of Directors, Internal Audit Department, Accounting Auditor, and Audit & Supervisory Board Members of subsidiaries to share information, communicate and provide reports, and when necessary exchange opinions and information as needed to improve the efficacy of audits.

2. Basic Approach to and Progress Towards Shunning Anti-Social Forces

Being aware of the public nature of the Company, we have established the Guiding Principles for azbil Group Business and the Code of Conduct. These internal regulations have been formulated so as to shoulder responsibility for maintaining sound management, and to fulfill the Company’s social responsibilities to the community and the economy, both in Japan and overseas. These regulations state that our basic policy is to take a firm stance in opposition to groups that engage in anti-social behavior and to resolutely eradicate any relationship with them. A unit has been set up in the General Affairs Department to oversee the corporate response to such anti-social forces. There is also close cooperation between Group companies on such issues, and manuals have been prepared to provide guidance. In addition, arrangements have been made to facilitate cooperation with local police forces and dedicated organizations such as the Special Violence Prevention Council. Also, we are striving to improve our efforts in this regard and participate in various seminars and workshops—mainly organized for the General Affairs Department staff from each company.

V. Other

1. Adoption of Anti-takeover Measures

Adoption of Anti-takeover Measures	Not adopted

	Supplementary Explanation

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2. Other Matters Concerning the Corporate Governance System Updated

The status of our internal system for timely disclosure of company information is as follows.

1. Basic policy for timely disclosure

The Company's basic policy is to ensure management transparency for shareholders and other parties involved with the Company, and to disclose information in a timely and appropriate manner in order to realize fair management. The Company discloses information in accordance with our own corporate regulations, with the Companies Act and the Financial Instruments and Exchange Act, and with other relevant laws and regulations, as well as with the Rules Concerning Timely Disclosure of Corporate Information by Issuers of Listed Securities (hereinafter referred to as the Timely Disclosure Rules) stipulated by the Tokyo Stock Exchange (TSE).

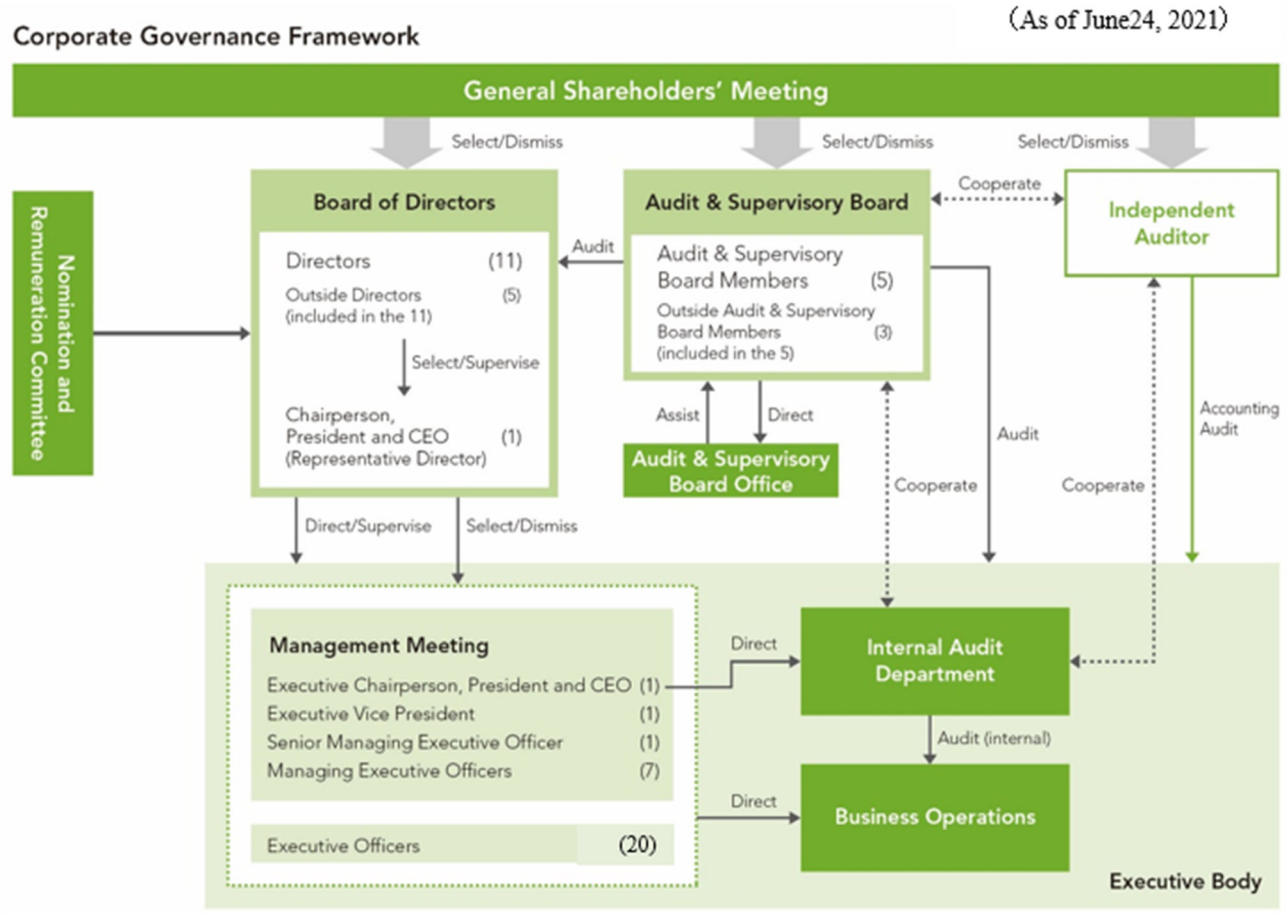
2. Internal system for timely disclosure

Important information is reported to the corporate communications officer and to information management departments (General Affairs Department and Group Management Headquarters) from each division of the Company and from azbil Group companies. The information management departments determine whether disclosure is required based on the Financial Instruments and Exchange Act, the Timely Disclosure Rules, etc. If timely disclosure is necessary, the disclosure materials will be registered in the Timely Disclosure Information Transmission System (TDnet) provided by the TSE as soon as approved by the Board of Directors. These disclosure materials are also posted on the Company's website after publication on TDnet.

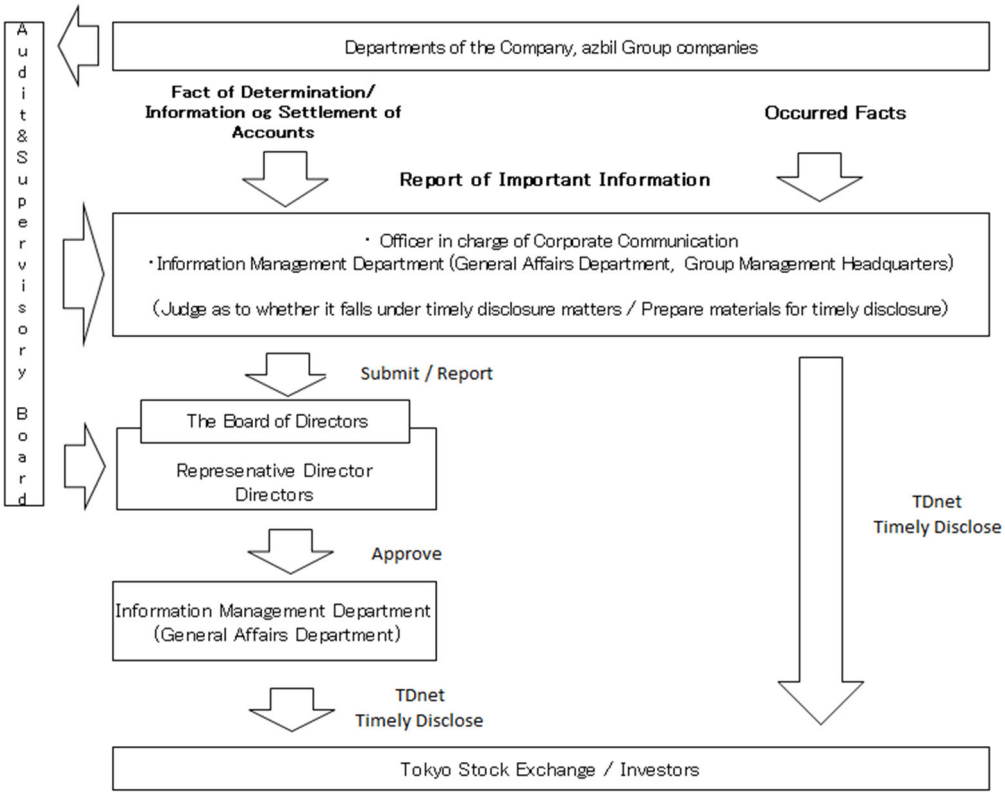
3. Check function for timely disclosure

In order to ensure the transparency and reliability of corporate information subject to disclosure, Audit & Supervisory Board members monitor and verify that the directors have established appropriate systems for information creation and disclosure, and that they are operating these systems appropriately. In addition, the Company receives advice on disclosure content, etc. as necessary from third parties such as lawyers and audit companies.

Corporate governance organization chart



Schematic of Timely Disclosure System



Skills expected of Directors

At a Board of Directors meeting held on May 14, 2021, we established the skills expected of the Directors with respect to the realization of the Company's medium-term plan and other management strategies, and confirmed the independence, diversity, and expected skills of the current entire Board of Directors.

Of the eleven (11) Directors, two (2) are women (one of whom is a foreign national).

Name (Age)	Current positions	Independence	Diversity	Expected skills						
		Independent officer	Gender	Corporate management/ sustainability*Note	Global business	Finance, accounting, fund	IT, technology/ control and auto-control system	Sales, marketing	Manufacturing, research and development	Legal, risk management, compliance
Hirozumi Sone (66)	Representative Director, Chairperson, Chairperson of the Board, Member of the Nomination and Remuneration Committee		M	○			○	○		○
Kiyohiro Yamamoto (56)	Representative Director, President and Chief Executive Officer, Member of the Nomination and Remuneration Committee		M	○	○		○	○	○	
Takayuki Yokota (60)	Director, Senior Managing Executive Officer		M	○	○	○				○
Masato Iwasaki (61)	Director, Managing Executive Officer		M				○	○	○	
Yoshimitsu Hojo (58)	Director, Managing Executive Officer		M			○	○	○	○	
Kazuyasu Hamada (57)	Director, Managing Executive Officer		M		○		○	○		
Katsuhiko Tanabe (78)	Outside Director, Chairperson of the Nomination and Remuneration Committee	○	M	○						○
Takeshi Itoh (77)	Outside Director, Member of the Nomination and Remuneration Committee	○	M		○	○				
Waka Fujiso (72)	Outside Director, Member of the Nomination and Remuneration Committee	○	F	○						○
Mitsuhiro Nagahama (67)	Outside Director	○	M	○	○	○				
Anne Ka Tse HUNG (57)	Outside Director	○	F		○					○

*Note: "Corporate management/sustainability" includes human resources and personnel development from the viewpoint of sustainability.