azbil

(Translation)

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Notice of Capital & Business Alliance Agreement with OTEC CORPORATION and Additional Acquisition of Its Shares (Making OTEC an Equity-Method Affiliate)

Azbil Corporation ("the Company") announces that it has decided today to enter into a capital and business alliance agreement ("the Alliance Agreement") with OTEC CORPORATION ("OTEC"), and to acquire additional shares of common stock of OTEC ("the Share Acquisition"). Pursuant to the Alliance Agreement, the parties will engage in a capital and business alliance ("the Alliance"). Upon completion of the Share Acquisition, OTEC is expected to become an affiliate accounted for by the equity method of the Company.

The Company also announces that the Share Acquisition constitutes "an act specified by Cabinet Order as being equivalent to a tender offer" as prescribed in Article 167, paragraph (1) of the Financial Instruments and Exchange Act of Japan, namely "Buying Up" as provided in Article 31 of the Order for Enforcement of the Act.

1. Purpose of the Alliance

Guided by its Group philosophy of "human-centered automation," the azbil Group formulated its new Purpose, "Expanding Technological Frontiers, Unlocking Human Potential," in May 2026. Under this Purpose, the Group is committed to connecting people and society and becoming a partner that opens up the future through a broad range of technologies, including automation. In the medium-term plan (FY2025-FY2027), themed "Evolution and Co-creation," the azbil Group is strengthening its unique business model through two complementary businesses: its core businesses, built on long-standing relationships with a broad customer base spanning factories and plants, commercial buildings, and lifeline utilities; and its growth businesses, which capitalize on technological innovation and solutions to societal challenges as drivers of growth. The Group also places a strong emphasis on co-creation with external partners.

In the Building Automation business, in addition to demand for construction of new office buildings, demand for renovation and energy-saving solutions for existing buildings continues to steadily grow, while securing and developing personnel for project management and engineering have become an increasingly important management issue for sustainable business growth.

OTEC, since entering into an authorized distributorship agreement with Azbil in 1961, has been a key business partner of the azbil Group for more than 60 years, providing sales, project management, engineering, and maintenance services for Azbil's products. Both parties have therefore decided to enter into the Alliance Agreement to further strengthen their longstanding cooperative relationship by strengthening their capital relationship. Specifically, they will enhance their project management and engineering capabilities and pursue the joint development of new products and services by leveraging their business foundations, including customer touchpoints, technologies, expertise, and human resources. Through these initiatives, the parties will strengthen solution-providing capability for addressing highly complex projects and aim to achieve sustainable growth and enhancement of enterprise value over the medium to long term.

2. Details of the Alliance

(1) Details of the business alliance

OTEC and Azbil will strengthen the business alliance in the following key areas:

1) Enhancing both parties' project management and engineering capability through mutual cooperation for developing and utilizing licensed and qualified engineering personnel, including construction management engineers and chief engineers, as well as project management personnel
2) Strengthening the ability to execute large-scale and other highly complex projects through mutual cooperation aimed at enhancing personnel expertise and skills
3) Jointly developing new products, and services by mutually leveraging the products, services, and technologies of both parties

(2) Details of the capital alliance

The Company entered into share purchase agreements today with each of five investment limited partnerships for which group companies of HIKARI TSUSHIN, INC. serve as general partners (collectively, "the Transferors"). Under the share purchase agreements, the Company agreed to acquire, through an off-market negotiated transaction, an aggregate of 2,387,000 shares of common stock of OTEC held by the Transferors, representing 15.25% of OTEC's voting rights*. Upon completion of the Share Acquisition, the shares of common stock of OTEC held by the Company are expected to increase to 3,137,000 shares, representing 20.04% of the voting rights, including the 750,000 shares (4.79% of the voting rights) held by the Company prior to the Share Acquisition. As a result, OTEC is expected to become an equity-method affiliate of the Company.

* The ratio refers to the percentage of the total number of voting rights held by OTEC's all shareholders, which was 156,501 as of March 31, 2026, with percentages rounded to the nearest hundredth. The same shall apply hereinafter.

3. Details of the partner of the Alliance

(1)	Company name	OTEC CORPORATION	
(2)	Head office	1-11-1 Marunouchi, Chiyoda-ku, Tokyo 100-0005, Japan	
(3)	Representative	Shinichi Ichihara, President and Representative Director	
(4)	Business description	Design, project management, engineering, and maintenance of automatic control systems; sales of plumbing and piping equipment and environmental equipment	
(5)	Capital	¥599.4 million, as of March 31, 2026	
(6)	Established	July 16, 1948	
(7)	Major shareholders and ownership percentage (as of March 31, 2026)	NIPPON PIPE FITTING Corp. 19.25% UH Partners 2 Investment Limited Partnership 7.48% Hikari Tsushin KK Investment Limited Partnership 6.54% OTEC Employee Shareholding Association 5.94% OTEC Kyoei Association 5.59% Azbil Corporation 4.79% UH Partners 3 Investment Limited Partnership 3.74% FM Valve Manufacturing Co., Ltd. 2.72% Mizuho Bank, Ltd. 2.58% MUFG Bank, Ltd. 2.29% Yamato Valve Co., Ltd. 2.29%	
(8)	Relationship between the Company and OTEC	Capital relationship	As of today, the Company holds 750,000 shares of common stock of OTEC, representing 4.79% of the voting rights.
		Personnel relationship	None
		Transaction relationship	The Company has entered into an authorized distributor agreement with OTEC for the supply of HVAC control equipment/systems. OTEC has a longstanding relationship with the Company as a distributor of the Company's control equipment/systems.
		Applicability of related party status	None. Upon completion of the Share Acquisition, OTEC is expected to become an affiliate accounted for by the equity method of the Company and, as such, a related party of the Company.

(9)	Consolidated financial results and consolidated financial position of OTEC for the most recent three years			
	Fiscal year	Fiscal year ended March 2024	Fiscal year ended March 2025	Fiscal year ended March 2026
	Consolidated net assets	¥20,255 million	¥22,902 million	¥27,085 million
	Consolidated total assets	¥31,797 million	¥34,671 million	¥39,314 million
	Consolidated net assets per share	¥1,290.01	¥1,444.28	¥1,712.12
	Consolidated net sales	¥29,374 million	¥31,424 million	¥33,722 million
	Consolidated operating income	¥2,026 million	¥4,024 million	¥5,084 million
	Consolidated ordinary income	¥2,173 million	¥4,222 million	¥5,358 million
	Net income attributable to owners of parent	¥1,386 million	¥2,874 million	¥3,626 million
	Consolidated net income per share	¥90.41	¥186.10	¥234.06
	Dividend per share	¥41.66	¥56.66	¥82.00

Note: OTEC conducted a three-for-one stock split of its common stock effective April 1, 2025. Consolidated net assets per share, consolidated net income per share, and dividend per share have been calculated assuming that the stock split had been effective at the beginning of the fiscal year ended March 31, 2024.

4. Number of Shares to Be Acquired, Acquisition Price, and Status of Shareholding before and after the Acquisition

(1)	Number of shares held before the acquisition	750,000 shares (Number of voting rights: 7,500) (Ratio of voting rights held: 4.79%)
(2)	Number of shares to be acquired	2,387,000 shares (Number of voting rights: 23,870) (Ratio of voting rights held: 15.25%)
(3)	Acquisition price	¥7,161 million (¥3,000 per share)
(4)	Number of shares held after the acquisition	3,137,000 shares (Number of voting rights: 31,370) (Ratio of voting rights held: 20.04%)

5. Schedule

(1)	Date of decision	October 26, 2026
(2)	Date of execution of the Alliance Agreement	October 26, 2026
(3)	Date of execution of the share purchase agreements	October 26, 2026
(4)	Date of share transfer	Scheduled for early November 2026

Note: With respect to the Share Acquisition, a notification concerning the acquisition of shares has been filed with the Japan Fair Trade Commission pursuant to the Act on Prohibition of Private Monopolization and Maintenance of Fair Trade. The Share Acquisition is scheduled to be conducted three business days after the date on which the Company has received notice from the Japan Fair Trade Commission that it will not issue a cease and desist order and the waiting period under the Act (or such shortened period, if shortened) has elapsed.

6. Future outlook

The impact of the Alliance and the Share Acquisition on the Company's consolidated financial results for the fiscal year ending March 31, 2027 is expected to be immaterial. However, should any matter requiring disclosure arise in the future, the Company will promptly disclose such matter.

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