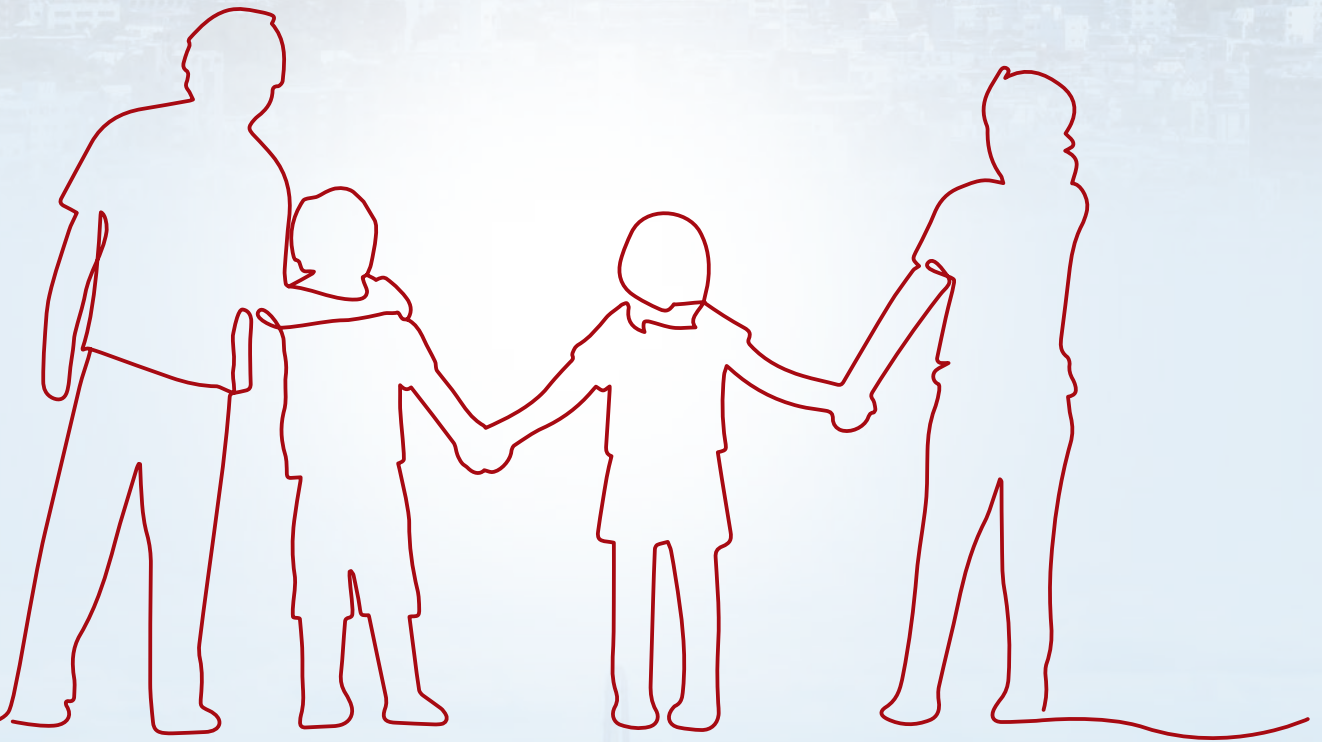


azbil report 2024





We would like to tell you our value creation story entitled “Automation.”



The azbil Group’s philosophy of “human-centered automation” seeks harmony between humans and machines and between human ingenuity and technology through the use of advanced measurement and control. Following our philosophy, and incorporating technological innovations such as the IoT, AI, big data, and cloud computing, we continuously provide unique azbil Group value in various environments, from office buildings to plants and factories, and in people’s everyday lives.

In this integrated report, we describe the financial and non-financial capital that is the source of our value creation, and we tell the story of our growth along the path to realizing our long-term vision for the year 2030.

Editorial Policy for azbil report 2024

This is an integrated report that summarizes the value creation story of the azbil Group. The report combines, in an easily understandable way, financial and non-financial information of the sort that was previously published separately in an annual report and a CSR report. This integrated report is circulated to various stakeholders, including investors and shareholders, customers, business partners, employees, and local communities where we do business. In editing the report, we have referred to the International Integrated Reporting Framework by the former International Integrated Reporting Council (IIRC, now the IFRS Foundation) and Value Co-creation Guidance from Japan's Ministry of Economy, Trade and Industry. Detailed financial information is available in our Securities Report and governance information is provided in our Corporate Governance Report.

Scope of the report

Azbil Corporation and its consolidated subsidiaries

Period of the report

From April 1, 2023 through March 31, 2024 (although some information outside the applicable period has been included)

Additional notes

The contents of this report are subject to change without prior notice. Plans, objectives, strategies, and other statements in this report that are not facts reflect the forecasts and plans of management at the time of editing based on the information available. Such statements do not guarantee future performance, and outcomes might differ materially depending on various important factors. These factors include, but are not limited to, the following.

1. Economic conditions surrounding the azbil Group, exchange rate fluctuations, and capital investment trends.
2. Changes in our ability to continuously provide products and services that are acceptable to our customers amid severe competition and under conditions of rapid technological innovation and global economic development.

See the azbil Group's risk management on pp.79–80 for information on major risk items and specific risk events.

Financial data were prepared based on the Japanese GAAP, and amounts have been rounded. Environmental data such as CO₂ emissions have also been rounded.

All trademarks, logos, and company names mentioned are the property of Azbil Corporation or their respective owners.



Azbil's Information Disclosure

Non-financial information	Financial information
 azbil report 2024 (Integrated Report) PDF https://www.azbil.com/ir/library/annual/index.html	
 CSR Efforts WEB https://www.azbil.com/csr/index.html	
 Environmental Initiatives WEB https://www.azbil.com/csr/basic/environment/index.html	
 azbil ESG Databook WEB https://www.azbil.com/ir/library/esg/index.html	
 Corporate Governance WEB https://www.azbil.com/csr/basic/governance.html	 Investor Relations WEB https://www.azbil.com/ir/index.html <ul style="list-style-type: none">• Medium-term Plan• Securities Report*• Audited Financial Reports• Financial Results• Presentation Materials• Fact Sheet• Shareholder Returns and Dividends• Shareholders' Meeting <small>*In Japanese only</small>

azbil Report 2024

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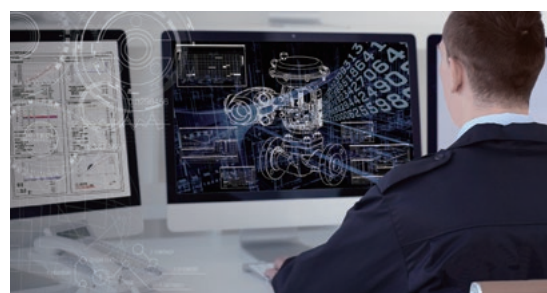


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Journey and Evolution of Value Creation

—The azbil Group's DNA: Technology and People Paving the Way to the Future

“Freeing people from drudgery”

The founder's spirit that lives in the philosophy
“human-centered automation”



Founder Takehiko Yamaguchi

Yamatake Shokai Co., Ltd., the predecessor of Azbil Corporation, was founded in 1906 at the end of the Meiji period. At that time, Japan's industrial society was in its infancy, trying to modernize itself by incorporating advanced industrial products from the West. Takehiko Yamaguchi, upon his return from Europe and the United States, established Yamatake Shokai, a trading company importing machine tools from the U.S. and Europe, to realize his aspiration to “free Japanese laborers from excessive labor” through advanced technology. Later, while importing and selling advanced European and American machine tools, ball bearings, oxygen welding machines, and other products, the company also refined its own measurement and control technologies, evolving into a comprehensive automation supplier.



In 1906, Yamatake Shokai Co., Ltd. (predecessor of Azbil Corporation) was founded. Begins import and sales of machine tools from the U.S. and Europe. Wide show windows displayed the machine tools, which became a prominent feature.



In 1915, the company purchased automobiles, which were still rare at the time, and used them in its business activities. This was another sign of an enterprising spirit.

Contributing to people's happiness and social development through the power of technology.
This is the origin and DNA of azbil, which has been passed down from its founder Takehiko Yamaguchi for nearly 120 years.

Group philosophy

Human-centered automation

To realize safety, comfort, and fulfillment in people's lives and contribute to global environmental preservation through
"human-centered automation."

To achieve our philosophy,
We create value together with customers at their sites.
We pursue our unique value based on the idea of "human-centered."
We think towards the future and act progressively.

azbil

azbil's meaning: **automation • zone • builder**

Using automation technology, we build zones in which safety, comfort, and fulfillment can flourish.

At the time the philosophy was established, it was common to think of "people" and "machines" as two separate things that did not fit well together and our philosophy was not always well understood by the public. However, with various changes in the business environment and society in recent years, the concept of "cooperative creation of human ingenuity and technology" has been accepted by the world, and many people have come to understand and support the development of our business, which we have been promoting based on the concept of "human-centered automation." Our automation continues to develop as a technology that is also in harmony with social values such as environmental preservation and energy saving.



In 1933, Yamatake Shokai Keiki Seisakusho was established. Begins domestic product assembly for Brown Instrument Co. (later Honeywell Inc.) of the U.S. Began evolution from an import company to a manufacturer. In 1936, succeeded in manufacturing first automatic control valves in Japan.



Left photo:
Yamatake Shokai Keiki Seisakusho (Omori, Ota-ku, Tokyo)

Right photo:
Brown Instrument Co. products, 1935
First finished product assembled in Japan

Supporting the Sustainability of People and Society through the Automation Business: the azbil Group's Nearly 120 Years of Evolution and Transformation

Founded in 1906 by Takehiko Yamaguchi, the azbil Group has been providing products and services related to measurement and control for more than a century to solve society's problems and those of its customers based on the founding spirit of "freeing people from drudgery."

Even though the times have changed, the spirit of our founding lives on in our DNA. Based on the azbil Group philosophy of "human-centered automation," which is linked to our founding spirit, we are constantly striving to create new value as solutions to the problems faced by industry, society, and our customers.

1906

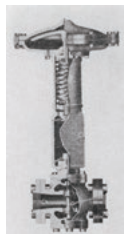
Yamatake Shokai Co., Ltd., an import company importing machine tools and other instruments from the U.S. and Europe, is founded



Founder Takehiko Yamaguchi

1936

Succeeded in manufacturing first automatic control valves in Japan



► Domestically produced measurement and control instruments essential to the manufacturing industry and contributed to the modernization of Japan and the development of the manufacturing industry in the postwar period

1966

Changed the corporate name to Yamatake-Honeywell Co., Ltd.

1984

Launched a comprehensive building management service with remote monitoring

► Half a century of achievements in the telecommunications-based business starting from the 1980s



1994

Founded a full-scale production company in China as a 100% subsidiary

1995

Sales launch of a small-scale open instrumentation system and monitoring and control system



1985

Developed a next-generation control valve



1982

Independently developed a total building management system

1964

Commercialized the world's first cage-style control valve

1953

Entered an equity-based 50-50 alliance (until 1990) with U.S. company Honeywell (presently Honeywell International Inc.), one of the leading control equipment manufacturers in the U.S.

1933

Transitioned to a manufacturer and seller of machine tools and instruments

1913

Manufactured flat-disk type water meters and wheel-type meters



1975

Launched a distributed control system jointly developed with Honeywell Inc.



Sales launch of the world's first electromagnetic flowmeter employing a proprietary square-wave excitation method



1950—1970s

In 1952, the company entered into a technical license agreement with Honeywell Inc. of the U.S., introducing Honeywell's air-conditioning control technology, combustion safety control technology, microswitches, and the like to Japan. With proprietary technology, the company supported Japan's period of rapid growth as a comprehensive automation supplier by popularizing trends in technological innovation, such as small electric meters and central monitoring systems for large buildings.

Contributing to rapid economic growth through automation

With the rapid growth of Japan, investment in larger scale and modernization accompanied by trends in technological innovation in various manufacturing industries increased the demand for measurement and engineering.

Historical background and history of solutions to society's issues

History

azbil Group's value provision

Social needs and industry trends

1906—1950s

In 1906, Yamatake Shokai Co., Ltd. was founded. Began importing and selling machine tools from Germany and later became a manufacturer and seller of machine tools and instruments for Brown Instrument Co. (later Honeywell) of the U.S. With the development of the new materials industry, the company popularized industrial instruments making significant contributions to Japan's postwar recovery and the development of Japanese heavy industries.

From importation of industrial instruments to the in-house development and domestic production of equipment

For Japan's modernization, the introduction of advanced Western technology was an urgent issue. To further industrialize and develop Japanese industries, the demand for domestic production of industrial instruments, which had been dependent on imports, expanded.

2023

Business alliance between Azbil and X1Studio

► Responded to growth in demand for data centers in Japan and abroad due to the popularization of generative AI and cloud services

2018

Sales launch of a building automation (BA) system

► Provided an open and flexible system that meets the evolving needs of building environments, including wellness



2012

Corporate name changed to Azbil Corporation

Names of existing Group companies in Japan changed to include "Azbil"

2014

Established first technology development company in North America

2006

New Group symbol "azbil" introduced

azbil

2008

Group name changed to the azbil Group

1998

Corporate name changed to Yamatake Corporation

2001

Established first European subsidiary in Belgium

1999

Sales launch of gas mass flow meters incorporating a proprietary MEMS sensor

► Utilized microelectromechanical systems (MEMS) technology to meet the emerging needs of society and customers



2009

Names of overseas azbil Group companies changed to include "Azbil"

Sales launch of a motorized control valve with flow measurement and control functions



2020

Sales launch of the control valve maintenance support system

► Contributed to the safe and stable operation of production facilities in plants and factories



2016

Sales launch of an online anomaly detection system

► Accelerated DX in manufacturing sites

Contributed to practical issues such as stable operation of facilities and measures to prevent quality defects

2021

Sales launch of a new cell-based air-conditioning system

► Responded to the diversification of work styles and office use in the "new normal" era



Expanded energy service provider (ESP) business development

► In addition to energy saving, expanded solutions to meet decarbonization needs through collaboration with other companies (renewable energy)

today –

Sustainable proposals for industry and society in three business segments

→ p.9 The azbil Group in Society

2000s – today

Under the evolving Group philosophy of realizing people's "safety, comfort, and fulfillment" through automation, we are developing products and solutions in each field that respond to various trends in technological innovation, such as AI and big data, as well as advances in network technology. We aim for solutions to customer and societal problems and sustainable development for our customers and society globally.

Providing solutions "in series" to meet the increasing social needs and to achieve a sustainable society

The Internet is becoming increasingly prevalent and globalized around the world. On the other hand, population, energy, global warming, and other problems are also becoming more apparent. Automation is playing an increasingly important role in creating a sustainable global environment.

1970 – 2000s

With the oil crisis triggering a trend toward energy saving and labor conservation in all industries, the company's corporate philosophy clearly states that it will achieve "saving" in a range of fields and contribute to the global environment. The company offers a variety of products addressing the requirements for high-functionality and high-precision industrial instruments, as well as total building management services that utilize communications technology.

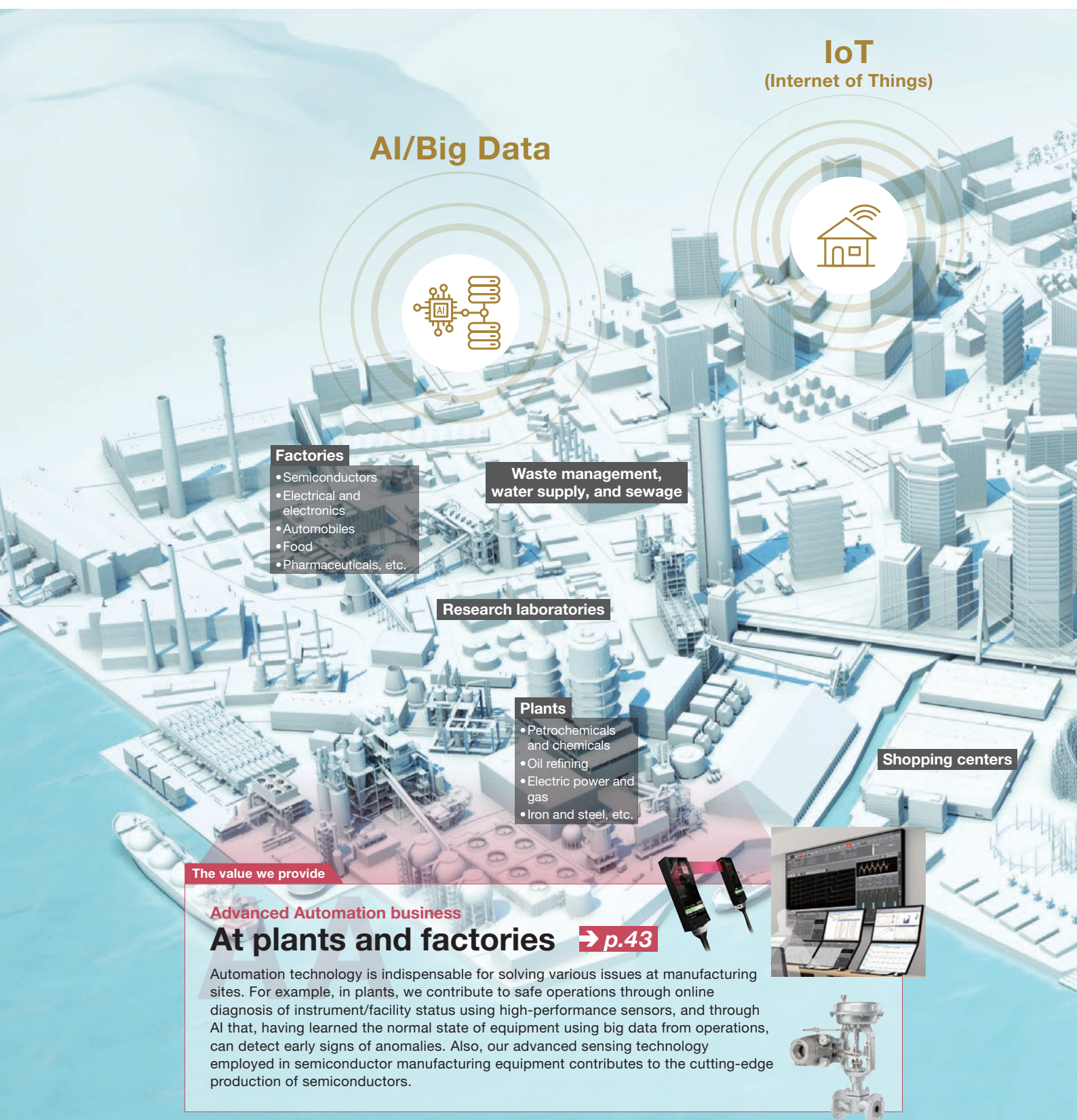
Transformation to digital instrumentation to meet growing needs for energy saving, high functionality, and high precision

Since the oil crisis of the 1970s, energy saving and labor saving have increased. Furthermore, demand for digitalization of industrial instruments and advanced instrumentation and software for measurement and control systems is expanding.

The azbil Group in Society

Realizing safety, comfort, and fulfillment in people's daily lives

Sustainable proposals for industry and society



Automation for industry and daily life

Automation entails measuring various physical quantities, such as temperature and pressure, and controlling them to achieve optimal conditions. With this automation technology at the core of its business, the azbil Group harnesses technological innovations such as IoT, AI, big data, and cloud computing, and uses them in offices, plants, factories, and everyday life. We support industrial development and people's daily lives.

The value we provide

Life Automation business

In lifestyles → p.45

Our automation technology is used in lifeline utilities such as gas and water supply, air-conditioning systems for homes, and manufacturing equipment for pharmaceuticals, helping people to enjoy safe, secure, healthy, and comfortable lives. For example, in the lifeline field, in addition to the automation of meter-reading operations using networked meters, we are working on smart metering as a service that creates new value by combining electricity, gas, and water data.



Life science
(pharmaceutical
manufacturing
equipment)

Homes

Lifeline utilities
(city gas, LP gas,
water supply)

Office buildings

Cloud

Schools

Hospitals

Hotels

Data centers

The value we provide

Building Automation business

In office buildings and large-scale buildings → p.41

Our environmental control technologies are used in many large-scale buildings, including office buildings, hotels, and shopping centers. We precisely measure temperature, humidity, and other quantities to control facilities and instruments for comfort and energy efficiency. These days, in addition to offering comfort and conserving energy, the required roles of the Group in environmental control are dramatically expanding to address the prevention of infectious diseases, wellness and the diversification of work styles, the operation of virtual power plants (VPPs) using cloud computing and IoT technologies to adjust the building power demand, and the requirements of energy service provider (ESP) businesses.

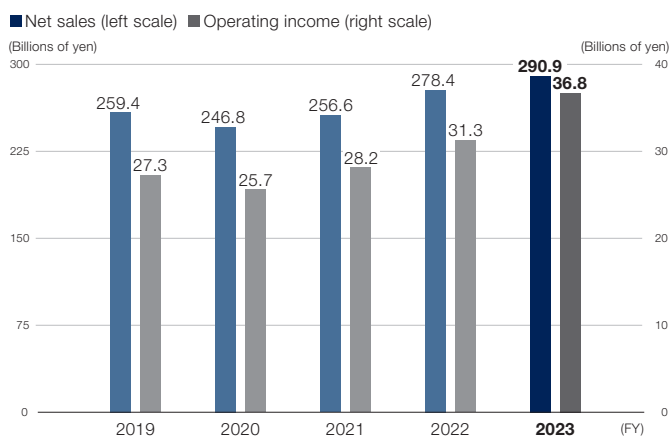


Financial and Non-financial Highlights

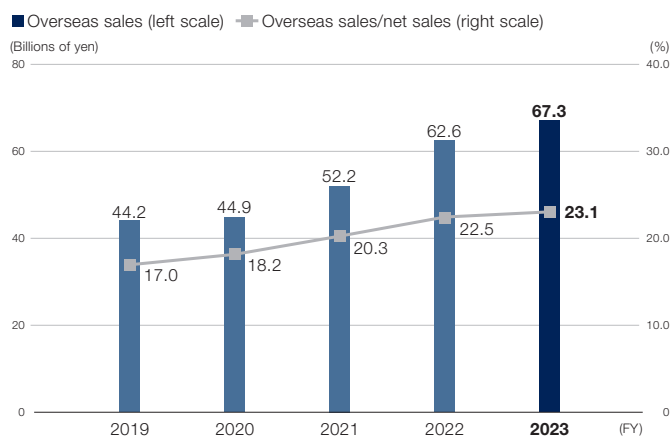
Azbil Corporation and its consolidated subsidiaries

Financial highlights

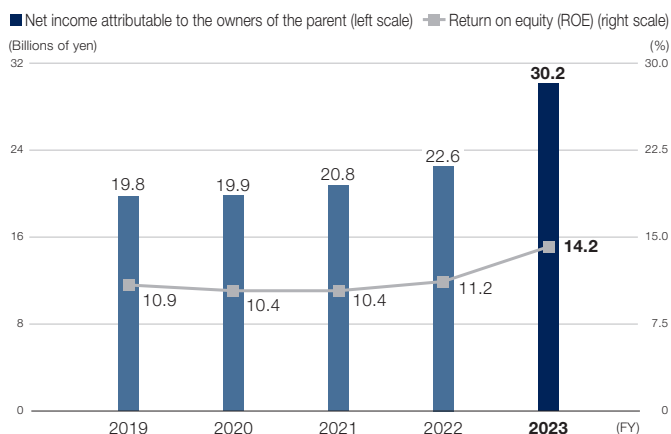
Net sales, operating income



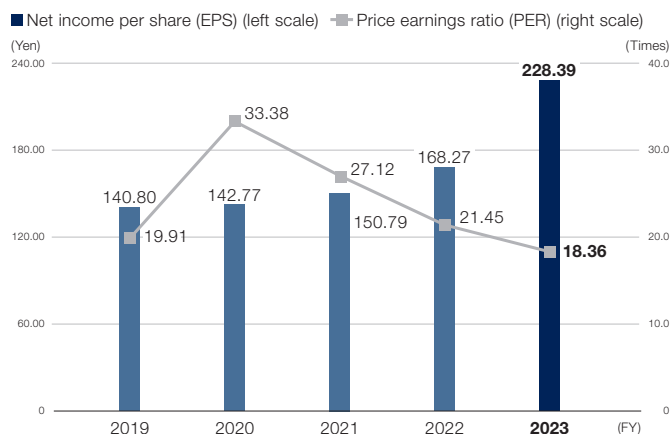
Overseas sales, overseas sales/net sales



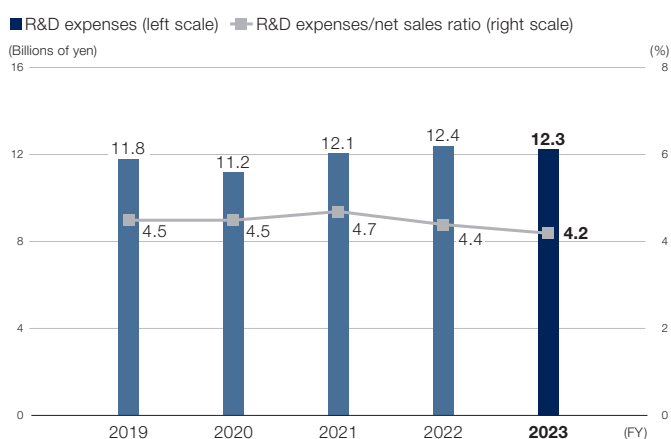
Net income attributable to the owners of the parent, return on equity (ROE)



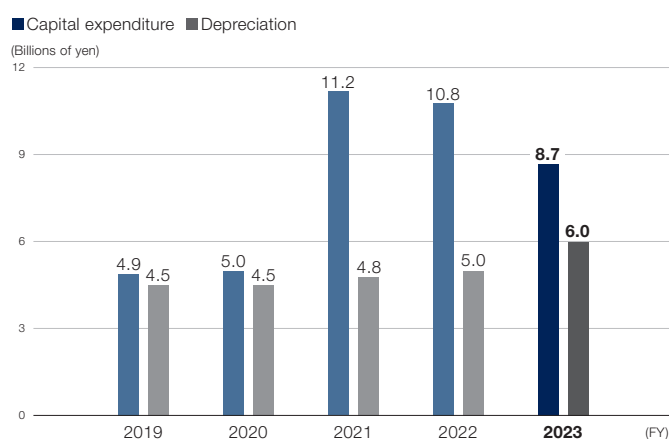
Net income per share (EPS), price earnings ratio (PER)



R&D expenses, R&D expenses/net sales ratio

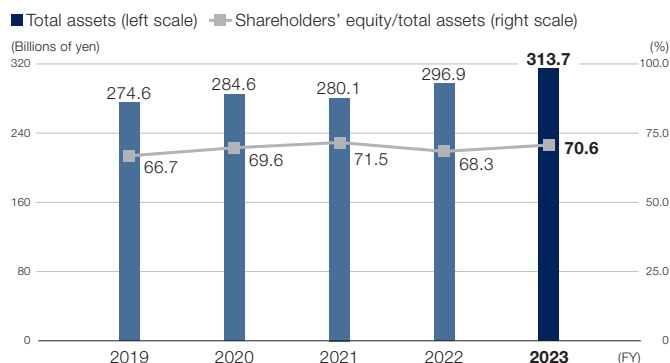


Capital expenditure, depreciation

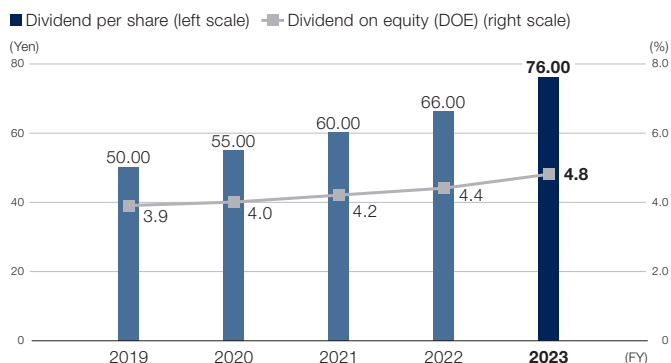


Note: Capital expenditure increased in FY2021 and FY2022 for upgrading the Fujisawa Technology Center.

Total assets, shareholders' equity/total assets



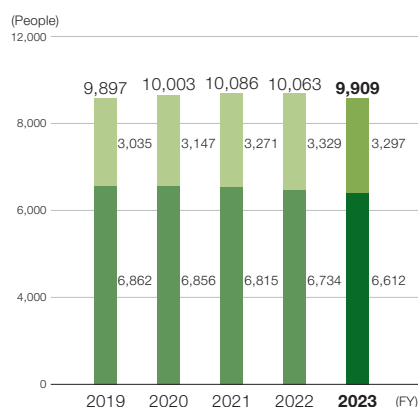
Dividend per share, dividend on equity (DOE)



Non-financial highlights

Consolidated number of employees

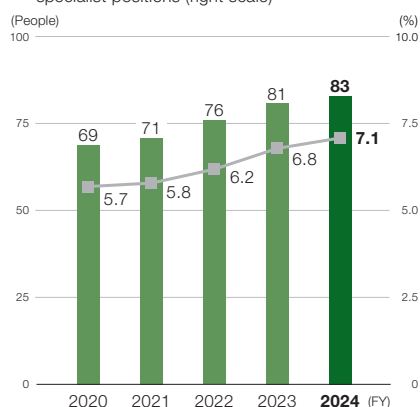
■ Number of domestic employees
■ Number of overseas employees



Number of female employees in managerial or specialist positions, ratio of female employees in managerial or specialist positions

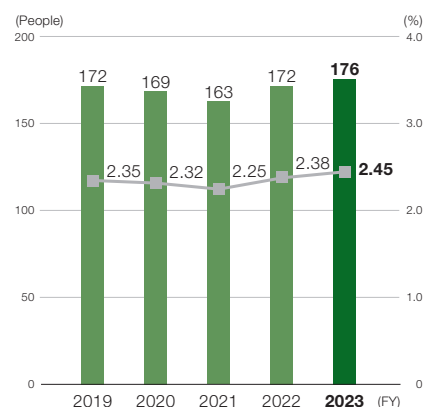
Azbil Corporation (as of April 1)

■ Number of female employees in managerial or specialist positions (left scale)
■ Ratio of female employees in managerial or specialist positions (right scale)

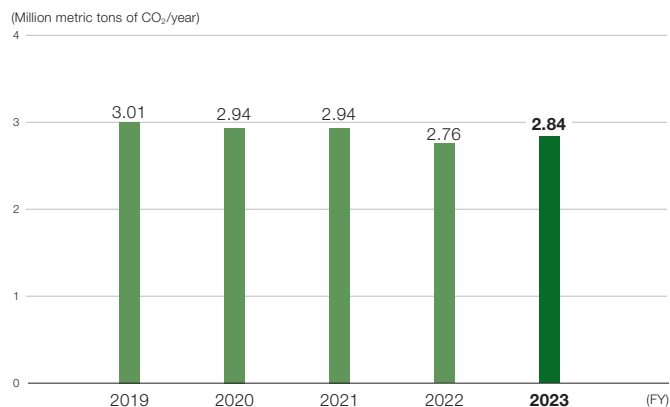


Number of employees with disabilities, ratio of employees with disabilities to total workforce

■ Number of employees with disabilities (left scale)
■ Ratio of employees with disabilities to total workforce (right scale)

Effective CO₂ reduction at customers' sites

Azbil Corporation and its overseas subsidiaries and affiliates



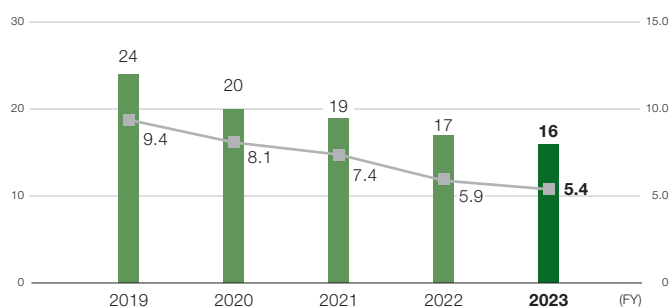
Note: Estimation methods are reviewed by third parties.

CO₂ emissions (scopes 1+2) and CO₂ emissions per unit sales

Azbil Corporation, its consolidated subsidiaries in Japan, and its main manufacturing bases overseas

■ CO₂ emissions (left scale) ■ CO₂ emissions per unit sales (right scale)

(Thousand metric tons of CO₂) (Metric tons of CO₂/100 millions of yen)



Note: The market-based method was used to calculate CO₂ emissions.



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

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

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

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

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

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

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

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

Message from the CEO

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

Kiyohiro Yamamoto

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

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

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

Q2

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

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

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

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

Q3 What is your view of the current market environment?

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

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

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

→ pp.49–50 Digital Transformation (DX)

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

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

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

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

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

Initiatives in three growth fields and application to each business segment



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

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

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

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

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

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

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

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

→ pp.19–22 Message from the Deputy President

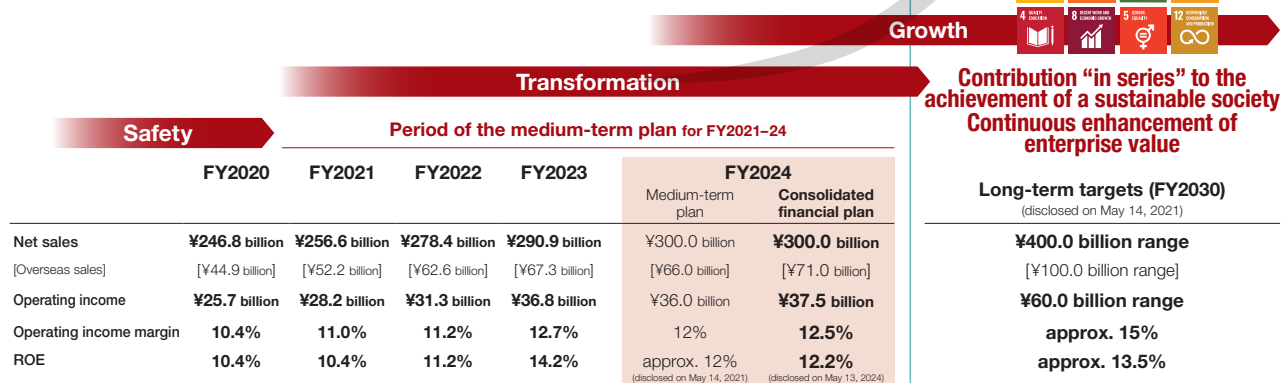
→ pp.31–34 azbil Group Solutions Supported by Advanced Technologies and Human Resources

→ pp.35–46 Long-term Targets and Medium-term Plan, the Building Automation (BA) Business, the Advanced Automation (AA) Business and the Life Automation (LA) Business

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

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

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



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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

→ pp.61–66 Human Capital

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

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

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

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



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

→ pp.61–66 Human Capital

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

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

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

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

→ pp.19–22 Message from the Deputy President



Message from the Deputy President

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

Takayuki Yokota

Director, Representative Corporate Executive
Deputy President

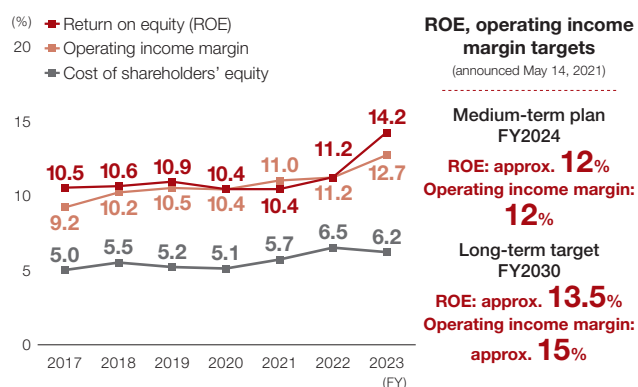
Q1 What efforts are you making to enhance enterprise value in the face of continued uncertainty in the business environment?

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

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

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

ROE, operating income margin, cost of shareholders' equity



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

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

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

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

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

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

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

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

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

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

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

FY2022 and FY2023 performance review

(Billions of yen)

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

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

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

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

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

Transfer of equity interests in Azbil Telstar

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

Consolidated financial results of Azbil Telstar (Thousands of euros)

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

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

Q4

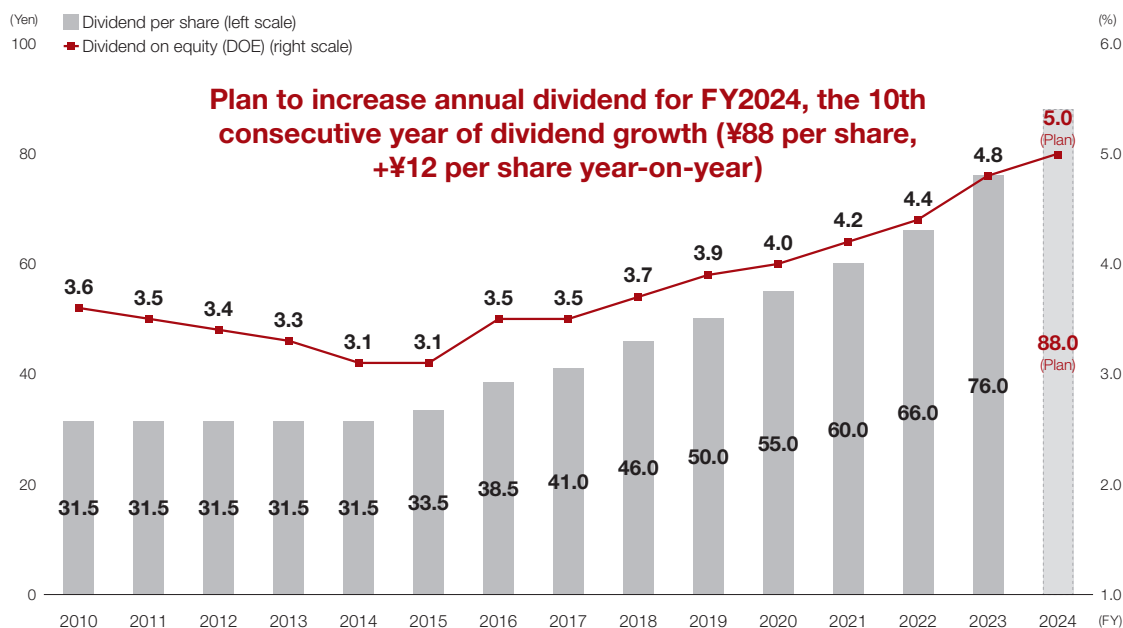
Have there been any changes in your approach to capital policies and shareholder returns?

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

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

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

Shareholder returns

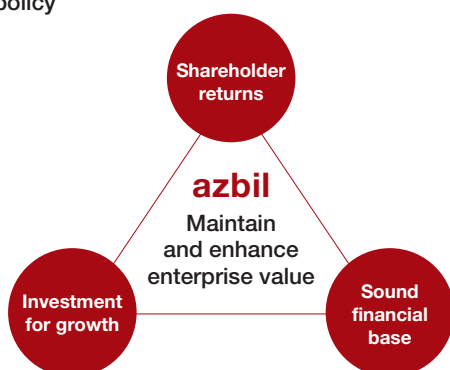


Total amount of own stock repurchased (Billions of yen)	2.0	3.0	5.0	10.0	10.0	10.0	10.0	- (TBA)
Total number of own shares repurchased (Millions of shares)	1.20	1.43	1.87	3.72	2.25	2.67	2.19	- (TBA)

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

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

Basic policy



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

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

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

Increase employee engagement and enhance enterprise value

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

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

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

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

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

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



Sustainability Management

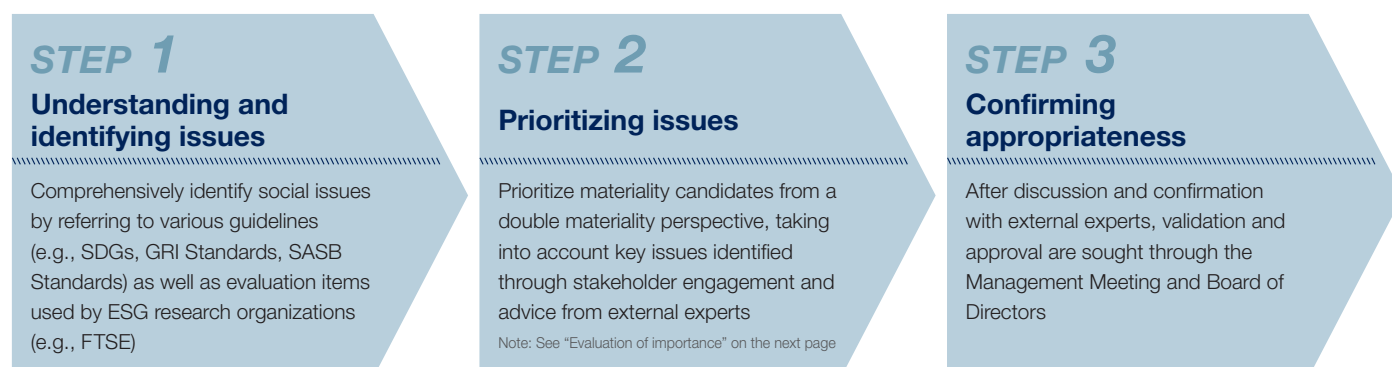
The azbil Group's core automation business can improve the quality of indoor spaces and productivity in buildings, factories, and lifeline utilities, while at the same time curbing resource and energy consumption appropriately. The expansion of our business will help reduce environmental impact on the Earth. The azbil Group will continue its efforts to contribute to global environmental preservation and "in series" to a sustainable society in accordance with the following sustainability policy.

The azbil Group's Sustainability Policy

The azbil Group is committed to continuously enhancing enterprise value based on mutual trust with stakeholders, to realizing "safety, comfort, and fulfillment in people's lives" and contributing to global environmental preservation, and to contributing "in series" to a sustainable society. These are achieved through practicing the azbil Group's philosophy of "human-centered automation" and respecting the values to contribute to society for people's well-being based on the founding spirit of "freeing people from drudgery."

Materiality identification process

To achieve sustainability management, we have incorporated double materiality (a concept that evaluates materiality from two aspects: financial evaluation of the impact of the environment and society on the company, and the impact of corporate activities on the environment and society) from the perspective of both opportunity and risk based on the azbil Group philosophy. In August 2022, we identified 10 material issues in five areas to be tackled over the long term. Subsequently, in FY2023, the appropriateness of these material issues was reaffirmed by the Management Meeting and Board of Directors after discussion and confirmation with external experts.



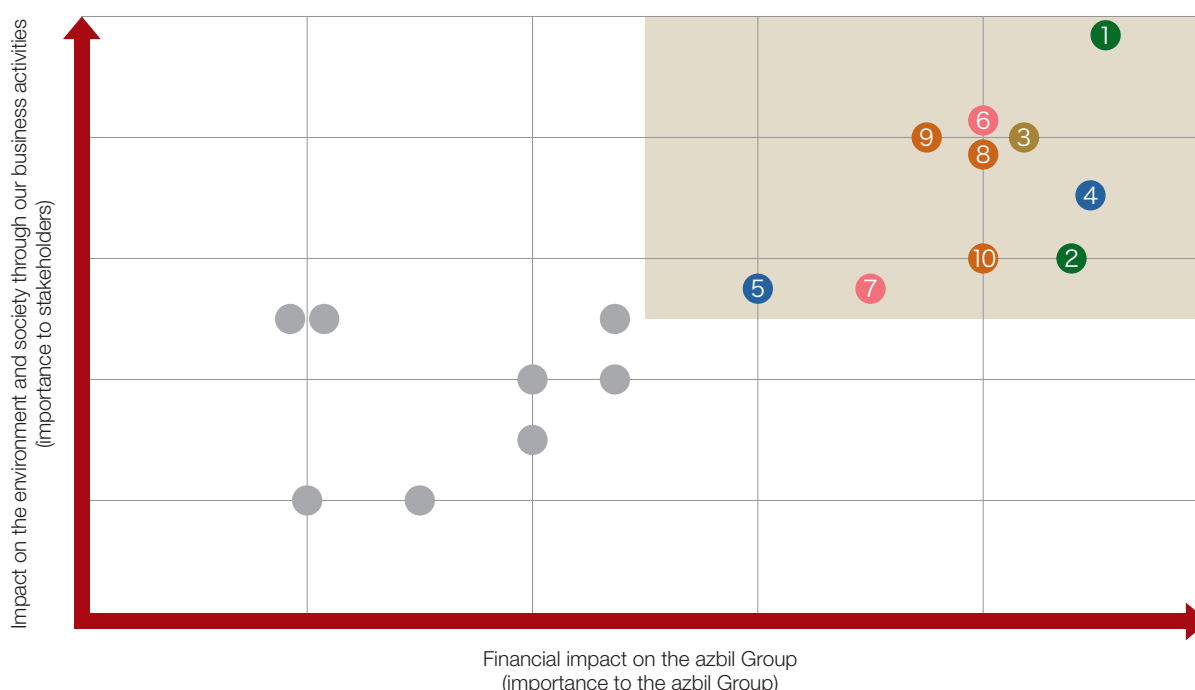
STEP 1 Based on various guidelines (e.g., SDGs, GRI Standards, SASB Standards), social issues were comprehensively identified as materiality candidates.

STEP 2 For materiality candidates, we identified opportunities and risks from the perspective of double materiality and evaluated their level of importance, taking into account several key issues obtained through various stakeholder engagements and advice from external experts.

Across five areas, we have identified materiality as 10 material issues of particular importance to the azbil Group and/or stakeholders. Among those important issues not included in this list are water resources, biodiversity, and environmental pollution.

STEP 3 Following conferral with external experts, the Management Meeting and Board of Directors confirmed the validity of the 10 material issues and reaffirmed the azbil Group's materiality in FY2023.

Evaluation of importance



Materiality	Our aim	
Environment	(1) Climate change	Help to solve environmental problems to achieve a decarbonized society
	(2) Resource recycling	Provide environmentally friendly products and services
Innovation	(3) Innovation	Continuously seek new forms of automation to achieve a safe and comfortable society
Society	(4) Supply chain	Share CSR values (e.g., environment, human rights) within the supply chain
	(5) Contribute to local communities	Contribute to viable communities through community-based action
Human resources	(6) Human rights, safety, and health	Promote corporate activities based on “human-centered” values and health and well-being management
	(7) Learning and employee development	Develop the corporate culture as “an organization that never stops learning” and strengthen the foundations for education
Governance	(8) Product safety and quality	Provide high-quality products and services that prioritize customer safety and security
	(9) Corporate governance	Continuously raise enterprise value through highly transparent management
	(10) Compliance	Fulfill our social responsibilities based on high corporate ethics

System to advance sustainability management

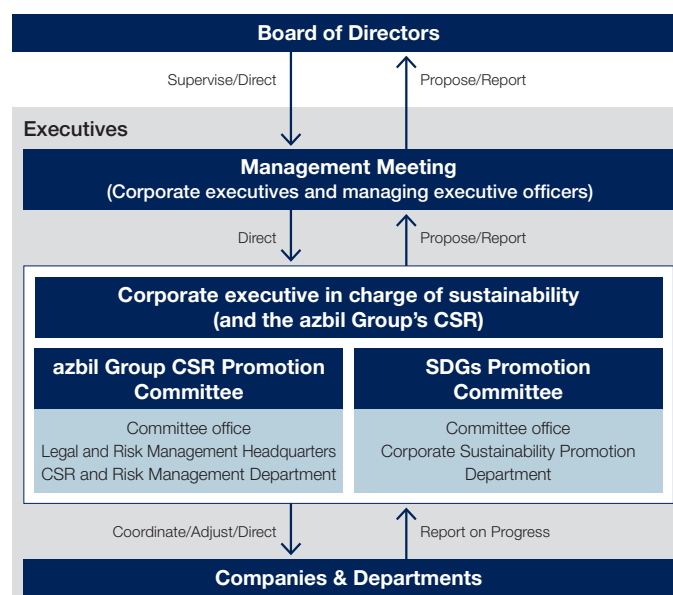
The azbil Group has a system in place to consider and pursue sustainability-related initiatives throughout the Group.

The azbil Group CSR Promotion Committee and the SDGs Promotion Committee, each supported by a committee office with specialized staff, come under the purview of the corporate executive in charge of all aspects of sustainability. Progress and issues identified at committee meetings are reported to the Board of Directors and Management Meeting.

In opportunity management, status and issues are shared by the management at company-wide business review meetings; these discussions, which look to the steady implementation of plans, play a role in strategic business development.






In risk management, in addition to the azbil Group CSR Management Meeting, the azbil Group General Risk Committee is responsible for checking on the status of all risk management activities and making policy decisions.

Note: The azbil Group CSR Promotion Committee and SDGs Promotion Committee are concerned with the azbil Group as a whole. See also the azbil ESG Databook for the details of the agenda and the frequency of each committee's meetings.



Materiality and Essential Goals of azbil Group for SDGs

Based on the identified materiality, we have formulated specific targets for FY2030 for seven material issues, related to our business and general corporate activities, within the domain of the SDGs as the essential goals of the azbil Group for the SDGs. For the other three material issues, which are fundamental obligations that a company must fulfill to be a member of society, we have established specific goals as part of our CSR activities. We are promoting sustainability management through various initiatives to achieve these goals.

Materiality		Essential goals of azbil Group for SDGs	
		Essential goals	Targets
<div>Environment</div> <div></div>	Climate change	I Environment and Energy	Solving energy-related problems (toward a decarbonized society) <ul style="list-style-type: none">Effective reduction of CO₂ at customers' sites: 3.40 million metric tons of CO₂/year^{*1}Reduction targets in GHG^{*2} emissions<ul style="list-style-type: none">- 55% reduction^{*3} in GHG emissions from our business activities- 20% reduction^{*4,*5} in GHG emissions across the entire supply chain
	Resource recycling		
<div>Innovation</div> <div></div>	Innovation	II New Automation	So that customers can benefit from sustainable production sites and workplace environments—as well as greater safety, comfort, and fulfillment—we will solve occasional issues as required by society and create added value through advanced measurement, a data-driven approach, and autonomy in production spaces and office spaces (buildings) and living spaces.
<div>Society</div> <div></div>	Supply chain	III Supply Chain, Social Responsibility	Fulfilling social responsibilities with customers and business partners (expansion of azbil CSR activities aimed at sharing value) <ul style="list-style-type: none">Working with our business partners on achieving the SDGs as a common goal and creating shared CSR value across the supply chain
	Contribute to local communities		
<div>Human resources</div> <div></div>	Human rights, safety, and health	IV Health and Well-being Management, An Organization That Never Stops Learning	Implementing health and well-being management (job satisfaction, health, diversity and inclusion) (Creating workplaces that allow flexible work styles and a reduction in total work hours, maintaining and promoting employees' mental and physical health, and creating opportunities for diverse personnel to demonstrate their abilities) <ul style="list-style-type: none">65% or more employees^{*17} expressed satisfaction with working at azbil Group companiesDouble women's advancement points^{*18} by 2024 (versus 2017)
	Learning and employee development		
<div>Governance</div> <div></div>	Product safety and quality	Fulfilling our fundamental obligations to society	
	Corporate governance		
	Compliance		

^{*1} The FY2030 emission factor from electricity generation is our own estimated value based on the Japanese government's Energy Basic Plan in 2019.

^{*2} Greenhouse gases (e.g., CO₂)

^{*3} Base year: 2017

^{*4} Base year: 2017

^{*5} In December 2023, we submitted our application to SBTi for a new target to reduce GHG emissions by 33% by 2030 (compared with 2017).

^{*6} Management that integrates into business operations such environmental activities as decarbonization, resource recycling, and biodiversity conservation

^{*7} Design aimed at creating and providing products that contribute to solving global environmental issues (decarbonization, resource recycling, and biodiversity conservation)

^{*8} We have set up an in-house qualification system for employees with the following specialized skills, which are considered vital for realizing solutions to issues in our three environmental priority areas

• Professionals licensed for network services, such as remote maintenance of large-scale buildings, energy management, and cloud services

• Certified professionals in the fields of advanced plant/factory control, energy-saving solution technologies, and valve maintenance

^{*9} As well as contributing, through our automation technologies, to productivity improvements and stable operations at our customers' sites, we offer field engineering services that can contribute to the realization of a sustainable society by solving environmental challenges that face our customers and society in all three of our environmental priority areas (decarbonization, resource recycling, and biodiversity conservation).

SUSTAINABLE DEVELOPMENT GOALS

	FY2023 results	References
Environmental preservation (realization of integrated environmental corporate management*⁶) <ul style="list-style-type: none"> Creation and provision of eco-friendly products and services <ul style="list-style-type: none"> Design all new products to meet the azbil Group's own sustainability standards*⁷ Increase the number of skilled professionals*⁸ for supporting sustainable services*⁹ provided by the azbil Group to a total of 1,800*¹⁰—triple the number in FY2021 Effective use of natural resources*¹¹ and reduction of waste generation <ul style="list-style-type: none"> Design all new products to be 100% recyclable*¹² 	<ul style="list-style-type: none"> Effective CO₂ reduction at customers' sites: 2.84 million metric tons of CO₂/year GHG emissions (scopes 1+2): 40% reduction from FY2017 GHG emissions (scope 3): 20% reduction from FY2017 The azbil Group's unique sustainable design implemented for all new products 760 employees with professional skills 100% recyclable design implemented for nearly 10% of new products, and 75% recyclable design for nearly 50% of new products 	Environment ▶ pp.67–74 Expanding professional human resources with a KPI for sustainable services ▶ pp.33–34
<ul style="list-style-type: none"> We will achieve a state of resilience to changes in the business environment at 8,000 business sites*¹³ by 2030. We will provide environments that support stress-free and diverse work styles to 6 million people*¹⁴ by 2030. 	Developed a control valve maintenance support system, an online anomaly detection system, cloud-based services for large buildings, smart metering as a service, etc. <ul style="list-style-type: none"> Contributed to the business environment of a total of 927 business sites (+120 sites YoY) Contributed to the residential and office environments of 861,000 people (+102,000 ppl. YoY) 	Control valve maintenance support system ▶ pp.31–32 Digital Transformation (DX) ▶ pp.49–50
Invigorating local communities (contributions around our business sites) <ul style="list-style-type: none"> Social contribution activities rooted in local communities are run at all our business sites,*¹⁵ with the active participation of every employee.*¹⁶ 	<ul style="list-style-type: none"> Largely completed human rights due diligence to improve our business partners' safety and health management, etc.; raised awareness and requested our business partners to reduce CO₂ emissions. Currently expanding activities across the entire azbil Group. Promoted employee participation in sponsored events and educational support activities in neighborhoods near business sites, and conducted collaborative activities with the Azbil Yamatake General Foundation. 	Supply Chain ▶ pp.75–78 Stakeholder Engagement ▶ pp.95–96
Developing and strengthening “an organization that never stops learning” (Expanding opportunities for globally active employees to continue education and opportunities to learn with stakeholders) <ul style="list-style-type: none"> 65% or more employees*¹⁷ experienced personal growth over the past year Double training opportunity points*¹⁹ by 2024 (versus 2012) 	<ul style="list-style-type: none"> Increased women's advancement points to 2.3 times Achieved 57% of employees who find satisfaction in working in the azbil Group Increased training opportunity points to 5.5 times (breakdown: in-person training: 1.8 times; online training, e-learning, and others: 8.1 times) Achieved 59% of employees who have experienced personal growth over the previous year 	Human Capital ▶ pp.61–66
<ul style="list-style-type: none"> With regard to product safety and quality, and compliance, the azbil Group CSR Promotion Committee sets indicators and goals directly related to business with a CSR activity plan for each department. With regard to corporate governance, in 2022 the company transitioned to a three-committee board structure, and is working to ensure appropriate supervision and effectiveness under a system of a Board of Directors with a majority of outside directors and three statutory committees. 		Corporate Governance ▶ pp.81–94

*10 Total number of qualified personnel including those who have acquired multiple professional skills (counted separately for this purpose) to adapt to emerging technological innovation in field engineering services

*11 A general term for materials and energy found in nature that can be used to support human lifestyles and production activities

*12 Best Available Technology (BAT) refers to the most effective technology that is both economically and technologically viable.

*13 As of April 2022, 530 business sites were in operation. The aim is to increase this 15-fold to 8,000 by 2030.

*14 Provided to 600,000 people, as of April 2022. The aim is to increase this 10-fold to 6 million people by 2030.

*15 All offices, both in Japan and overseas

*16 The azbil Group aims to participate in activities of a scale that can accommodate the total number of employees.

*17 We aim to achieve 65%, which is considered a high level, in the azbil Group's annual employee satisfaction survey conducted in Japan, or, in other words, 2/3 of all employees.

*18 Points tallied internally, with weight given based on the role, such as company executive, officer, and manager

*19 Points tallied internally for participating in opportunities to learn with stakeholders (frequency or number of employees)

Value Creation Model



*1 Courses include general subjects such as CSR and online electives. The student total includes personnel of business partners and others in addition to Group companies.

*2 The total given for official qualifications obtained includes only qualifications considered to be important for business operations.

Changes in customers

Changes in office use; wellness concerns

Advances and diversification in buildings, production facilities, and infrastructure

Expanded need to save energy and cut CO₂ emissions

Fewer skilled workers, need for skill transfers

Aging infrastructure, safety assurance

OUTPUT

Main product lines

Medium-term plan focus

OUTCOME

Value creation



BA systems

For: building owners, construction industry

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

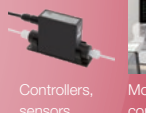


Sensors, measuring devices

Valves, controllers



Valves, positioners



Controllers, sensors



Monitoring & control systems

For: manufacturers

Petrochemicals, chemicals, oil refining, electric power & gas, iron & steel, waste management, water supply & sewage, pulp & paper, ships, food, pharmaceuticals, automobiles, electrical & electronics, semiconductors, various manufacturing equipment

Pharmaceutical manufacturing equipment



For: gas companies, local governments, pharmaceutical manufacturers, house builders

City gas, LP gas, water supply, pharmaceuticals, homes



Gas & water meters

In FY2021–24 accelerate transformation by strengthening:

Product competitiveness

Technological development, capital investment

Investment in human capital

Long-term targets and medium-term plan → p.35–

Contributing to the SDGs through our business

- Effective reduction of CO₂ at customers' sites
- Reduction targets for greenhouse gas emissions (scopes 1+2) (scope 3)

- Design all new products
- to meet the azbil Group's own sustainability standards
- to be 100% recyclable

- Achieve a state of resilience to changes in the business environment at 8,000 business sites
- Provide environments that support stress-free and diverse work styles to 6 million people

- Increase the number of skilled professionals for supporting sustainable services provided by the azbil Group to a total of 1,800—triple the number in FY2021

Value provided to stakeholders

Safety

Living and working with health and safety

Comfort

Always living and working in comfort

Environment

Optimizing the management and usage of energy

Fulfillment

Creating new value with customers

Financial targets (FY2030)

- Net sales
¥400 billion range (Overseas: ¥100 billion range)
- Operating income
¥60 billion range
- Operating income margin
Approx. 15%
- ROE
Approx. 13.5%

Economic value

Redistributing added value to stakeholders through sustainable growth, increased enterprise value, and returns

Risk management → p.79–

Contributing to a sustainable society

DNA of Value Creation

Message from Management

Value Creation Story

Business Strategy for Value Creation

Innovation Strategy for Value Creation

Core Strategy for Supporting Value Creation

Corporate Governance

Stakeholder Engagement

Corporate Data

*3 Scope: Azbil Corporation and consolidated subsidiaries

*4 Scope: Azbil Corporation, domestic consolidated subsidiaries, and major overseas production bases

The Six Capitals

Operational Resources and the Source of Value Creation at the azbil Group

Human capital

Assisting growth and creating value via diverse human resources

Number of employees (consolidated)

9,909

(as of March 31, 2024)

Azbil Academy attendees

170,000

Individuals who earned official qualifications

2,743

Social and relationship capital

Creating value through relationships of trust and cooperation with various stakeholders

Sales and service bases in

23 countries and regions:

13 domestic companies,

45 overseas companies

Intellectual capital

Strengthening our ability to produce products and services that address the issues facing society and our customers

R&D expenses:

¥50.8 billion

(FY2021–23 results and FY2024 plan)

Capital investment to strengthen R&D site functions:

Construction expenses **¥7.1 billion**

(FY2021–22 results)

Patents:

2,862

(as of March 31, 2024)

Promoting health and well-being management and creating unique value via diverse human resources

We define “health and well-being management” as comprehensive efforts to achieve work-style reforms and promote diversity. We strive to create a workplace environment where diverse human resources can flourish globally and work to create value. We aim to achieve continuous growth through competitiveness stemming from diverse human resources and renewed organizations and environments, ultimately attaining well-being for both society and our employees.

→ pp.61–66 Human Capital

Employee benefits and financial measures to improve employee engagement

We share our sense of values and promote various initiatives, including financial measures, to ensure that everyone can work to create value. We also revised our stock compensation plan for employees to enhance employee benefits and further strengthen its link with the company's stock price and financial performance.

→ pp.19–22 Message from the Deputy President

Collaboration/co-creation with customers and partner companies

We have sales and service bases around the world to deliver solutions that respond to the needs of various regions and markets. To address various needs, including the resolution of societal issues, we produce new solutions and businesses by utilizing and integrating mutual technologies and knowledge via co-development with customers, as well as joint research and business partnerships with universities and venture companies.

→ pp.41–42 Building Automation (BA) Business

→ pp.47–48 Global Strategy

Environmental conservation and respect for human rights across the entire supply chain

We also set our own unique SDG targets and work together with our business partners to fulfill our social responsibilities, including environmental conservation.

→ pp.19–22 Message from the Deputy President

Continued investment and enhanced human resources in development to advance measurement and control technologies

We continue to strengthen the functions and improve the development environment of the Fujisawa Technology Center. This enables us to use that research and development base to further advance measurement and control technologies, which are among the strengths of the azbil Group. We are also utilizing a talent management system and other measures to secure and cultivate human resources.

→ pp.51–56 Research and Development

Creating added value via the promotion of DX

In addition to developing diverse products utilizing the cloud, we are promoting in-house efficiency measures that leverage generative AI. For example, our control valve maintenance support system (see photo) has been adopted by numerous customers and has a strong track record.



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

→ pp.49–50 Digital Transformation (DX)

The azbil Group aims to contribute “in series” to the achievement of a sustainable society and continuously enhance its enterprise value. As we work towards our long-term targets and medium-term plan, we focus on strengthening our product competitiveness (products and services), strengthening technological development and capital investment, and promoting sustainability management through increased investment in human capital. Additionally, we are committed to continuously improving the six types of capital, which are the source of our value creation.

Manufacturing capital

Sharing advanced production technologies across the group globally

Factories:
10 domestic
9 overseas

Natural capital

Reducing our own environmental impact and assisting in efforts to reduce the environmental impact at customer sites

Total energy use
69,897 MWh
Total water use
127 million L

Financial capital

Allocating resources with a focus on ensuring capital efficiency and maintaining a sound financial base

Total assets
¥313.7 billion
(as of March 31, 2024)

Building a global production system centered on a mother factory

By linking the Shonan Factory and Fujisawa Technology Center as our “mother factory,” we have established a global production system and are deploying advanced production technologies.

Enhancing our global production bases

To expand our global business and mitigate geopolitical risks, we are expanding and dispersing our production bases. In FY2023, we expanded our production base in Thailand (see photo, completed in April 2024) in addition to our factory in Dalian, China.



→ pp.57–58 Manufacturing and Procurement

Decarbonization transition plans and CO₂ emission reduction at customer sites

We have formulated a decarbonization transition plan aimed at achieving net zero by 2050. We offer products and services that help our customers reduce CO₂ emissions at their sites.

Creating and providing environmentally friendly products

We have set our own SDGs targets and are working to provide sustainable products (including services and solutions) that contribute to solving global environmental issues, such as decarbonization, resource recycling, and biodiversity conservation, for our customers and the society.



→ pp.67–74 Environment

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

Promoting ROIC management with a focus on capital costs

To maintain a disciplined financial policy with a focus on capital costs, we set and commit to ROE targets. We then promote business management that incorporates ROIC to allocate capital rationally.

Rebuilding our business portfolio in the LA business

We have utilized ROIC to implement measures to optimize our business portfolio. Because our LA business was facing declining profitability, we decided to transfer all our equity interests in Azbil Telstar, a company in the field of life science engineering, to a third party.

→ pp.19–22 Message from the Deputy President

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

Special Feature

azbil Group Solutions Supported by Advanced Technologies and Human Resources

Creating unique added value by combining leading technologies with human resources and knowledge in the fields of engineering and services

In recent years, as our business environment is dramatically changing due to climate change, the aging society in Japan, the diversification of individuals and society including work styles, and increased need for safety and peace of mind caused by the spread of COVID-19, our customers are also transforming their own business models and addressing new issues that arise. We believe that the value and role of the automation business is to be able to support transformation and help solve such issues facing our customers and society. As new issues arise, the role that automation can play expands, so do the opportunities for business. The azbil Group will focus on the three growth fields of *new automation*, *environment and energy*, and *life-cycle solutions*, where we can leverage our unique products and services based on automation technology.

To provide optimal solutions to our customers and society in these three growth fields, it is essential to have a high level of engineering and maintenance service capability, as well as advanced automation devices and systems. In addition to the intellectual capital that the azbil Group holds, such as microelectromechanical systems (MEMS) and AI technologies, human capital such as our technical developers and field service engineers support and characterize the unique solutions that we provide.

One example of this is our control valve maintenance support system for cloud-based valve analysis and diagnosis, which adopts aspects of both the *new automation* and *life-cycle solutions* fields to provide a unique azbil Group service that integrates advanced technologies with valve technologies and expertise that we have accumulated in the field over long years. Our “new automation” aims to provide upgraded safety and security, as well as reliability. This service visualizes valve health for the early detection of failure signs that were not previously detectable, in order to contribute to safe and stable operation and optimal maintenance at plants. It has been well-received by our customers and is being increasingly adopted.

Control valve maintenance support system

Utilizing our leading technologies as a valve manufacturer to contribute to safe and stable operation and the optimal maintenance of valves

Valves control the flow rate, pressure, temperature, and liquid level at petroleum plants, chemical plants, and factories manufacturing iron and steel, pulp and paper, food, and pharmaceuticals. A problem with a valve could cause production to stop, or even an accident such as a plant explosion that has the potential to cause tremendous loss. That is why the valves used at plants and factories require long-term safe and stable operation, and periodic inspection and adjustment are required to ensure such operation. However, frequently checking a large number of valves manually over a wide area takes a lot of time and money. Our control valve maintenance support system solves such issues. The azbil Group analyzes valve health via technology that detects valve problems and deterioration based on information and data accumulated at customer sites (in the field) over long years, and enables that information to be viewed on a cloud service 24/7. Valve operation data is automatically sent to the cloud and analyzed, which enables customers to check the results of valve health checkups when needed, as needed, and where needed. This enables the early detection and prediction of valve problems, which was previously only possible by overhaul inspection, and helps prevent problems from occurring, thereby contributing to the stable operation of production facilities.

It was previously possible to use a diagnosis tool to monitor valve health, but data analysis and diagnosis required experience and expertise, and customers were required to operate the diagnosis tool and perform diagnosis themselves, which placed a significant burden on the customers. Our control valve maintenance support system visualizes diagnosis results on a dashboard, which enables valve health to be checked at any time, without requiring special skills or knowledge for analysis or diagnosis. Users can easily plan optimal maintenance via condition-based maintenance (CBM).



The results of valve health checkups are provided in three ways

When needed

Check when a potential valve error is detected or when proposing a maintenance plan

As needed

Check via e-mail, web dashboard, or report

Where needed

Check at office, on-site, or via telecommuting

Example of customer adoption

Initiatives to seek a new way of maintenance: condition-based maintenance (CBM)

HIBIKI LNG Co., Ltd. (part of the Saibu Gas Group)

Achieving more effective CBM via valve diagnosis technologies

HIBIKI LNG previously performed time-based maintenances (TBM) when conducting valve inspections at its major plants, which involved temporarily stopping the plant to check for valve deterioration with the valves released. By adopting the control valve maintenance support system, the company can check weekly reports on valve health on the web and swiftly identify the state of deterioration without the need to overhaul the valves. By performing CBM based on the reports of the control valve maintenance support system instead of TBM, HIBIKI LNG aims to reduce valve inspection time and achieve faster failure detection. By utilizing periodic reports, the company can reduce the time spent on maintenance planning, make maintenance more efficient, and improve plant productivity.



HIBIKI LNG Co., Ltd.



The HIBIKI LNG site and Azbil's smart valve positioner comprising the control valve maintenance support system

Mitsubishi Gas Chemical Company, Inc.

Control valve maintenance support system adopted at three production sites (in Niigata, Kashima, and Naniwa)

Contributing to achieving a “smart factory” that enables advanced stability and safety

Mitsubishi Gas Chemical Company started its SMART-MGC project for utilizing digital technologies to optimize and improve the efficiency of the production department and related departments based on its Group UP 2023 medium-term management plan. The project aims to achieve a “smart factory” that enables advanced stability and safety at the production department, which was difficult to achieve with conventional methods. As part of these efforts, the company was previously using the control valve maintenance support system from Azbil to swiftly detect malfunctions caused by foreign matter infiltrating the inside of control valves and review the way that control valves are used in order to control processes with stability. Mitsubishi Gas Chemical Company has now adopted our control valve maintenance support system to more swiftly identify and detect the cause of control valve errors with the aim to prevent unexpected problems before they occur. The company plans to further expand the range of the control valve maintenance support system to migrate from TBM to CBM for control valve maintenance, and thereby optimize maintenance schedules and costs.



Sending control valve operation data to the cloud to formulate control valve maintenance plans with CBM

Integrated system covering everything from technological development to engineering and services

Services such as the control valve maintenance support system are made possible by our integrated structure covering everything from technological development to engineering and services. We define three growth fields: *new automation*, *environmental and energy*, and *life-cycle solutions*. By promoting efforts in these growth fields with a shared foundation of automation technology, we at the azbil Group will achieve growth in the Building Automation (BA), Advanced Automation (AA), and Life Automation (LA) businesses. We expect active investment to continue in the new automation fields, which provides solutions to meet new needs, such as wellness in building environments and advanced manufacturing at production sites. Additional investment that goes further than energy-saving is expected in the *environmental and energy* field, such as that for achieving carbon neutrality.

The types of solutions required in the growth fields are as diverse as the issues facing our customers and society. In addition to providing new products, we need to perform maintenance and renovation for decades into the future, according to the status of the customer assets (facilities and devices).

We have an integrated system that encompasses technological research and product development, manufacturing and procurement, consulting and sales, engineering and installation, and services and maintenance. This enables our professional human resources well-versed in customer sites to provide optimal solutions according to the status of customer assets, via the sharing of on-site issues and close coordination. To respond to various needs at each stage of the life cycle (planning, operation, maintenance, improvement, and renewal), our highly competent sales engineers, system engineers, field engineers, and service engineers work to provide optimal solutions at various sites around the world. In addition to advanced devices and systems, the structures and human resources that enable us to provide solutions at actual customer sites characterize the solutions of the azbil Group.



Expanding professional human resources with a KPI for sustainable services

The azbil Group considers the development and skill transfer of human resources active in the field to be one of its strengths, and utilizes that to focus on contributing “in series” to the achievement of a sustainable society. That is why in May 2024, we defined a new quantitative indicator to “increase the number of skilled professionals for supporting sustainable services provided by the azbil Group by 300% compared to FY2021 to a total of 1,800 people*1” to achieve the concrete target of “creation and provision of eco-friendly products and services” for “Environment and Energy,” which is one of the unique fields that the azbil Group works on for achieving the SDGs. We also aim to contribute “in series” to the achievement of a sustainable society by achieving value creation unique to the azbil Group from the perspective of business and human resource development and growth, via efforts for achieving SDG targets. This new indicator will enable us to develop human resources to support our field engineering service that contributes to achieving a sustainable society, and thereby help customer sites achieve improved productivity and stable operation via automation technologies. We will also promote the provision of environmentally friendly products and services in all three of the azbil Group’s environmental priority areas (through decarbonization, resource recycling, and biodiversity conservation).

*1 Total number of qualified personnel includes cases where an individual employee has acquired multiple professional skills (counted separately for this purpose) in the process of mastering new technologies for our field engineering service.



Sales, engineering, and installation

We share the various issues and needs of customers at building, plant, and factory sites, propose solutions based on analysis, and then provide solutions via an integrated structure that extends from system design to actual on-site installment and adjustment. For example, the building air-conditioning control provided by our BA business faces various issues stemming from regional characteristics and the facilities' intended use such as offices. We propose everything from an optimal BA system to energy-saving solutions according to the intended use of facilities and how they are operated, based on actual operation data and expertise accumulated by the azbil Group data over long years. We then achieve control as desired by our customers, by providing on-site engineering and installation management that considers the safety, quality, and cost of processes. Customers at manufacturing sites also have various demands for our AA business, and these demands are dramatically changing in line with changes in technology trends, such as IoT. We continually seek solutions to issues together with our customers so that we can propose the optimal products and applications in everything from the system construction at factories and plants to the proposals for improving manufacturing processes and saving energy.

Maintenance services

Our service engineers, who are well-versed in the facilities and systems at the buildings, plants, and factories of our customers, conduct periodic inspection and maintenance to achieve optimal operation and swiftly respond to problems in the event of an emergency. By swiftly and surely sharing customer opinions within the azbil Group and reflecting them in our products and services, we improve efficiency and the value of on-site work. We are also promoting a transformation from conventional labor-intensive services to knowledge-intensive services that focus on proposing solutions based on a wealth of data and experience. To provide services with the same level of quality as in Japan, we are maintaining and enhancing our systems and promoting human resource development. We aim to contribute to achieving the quality, cost, delivery, safety, and environment (QCDSE) targets of our customers through human resources with experience and exceptional skills and a foundation for providing engineering services via DX.

The azbil Group's Essential Goal I for the SDGs (for FY2030)

Environment and Energy

Increase the number of skilled professionals for supporting sustainable services provided by the azbil Group to a total of 1,800—triple the number in FY2021

► Sustainable services

As well as contributing, through our automation technologies, to productivity improvements and stable operations at our customers' sites, we offer field engineering services that can contribute to the realization of a sustainable society by solving environmental challenges that face our customers and society in all three of the azbil Group's environmental priority areas (decarbonization, resource recycling, and biodiversity conservation).

► Professional skills

We have set up an in-house qualification system for the following staff with specialized skills considered vital for realizing solutions to issues in our three environmental priority areas:

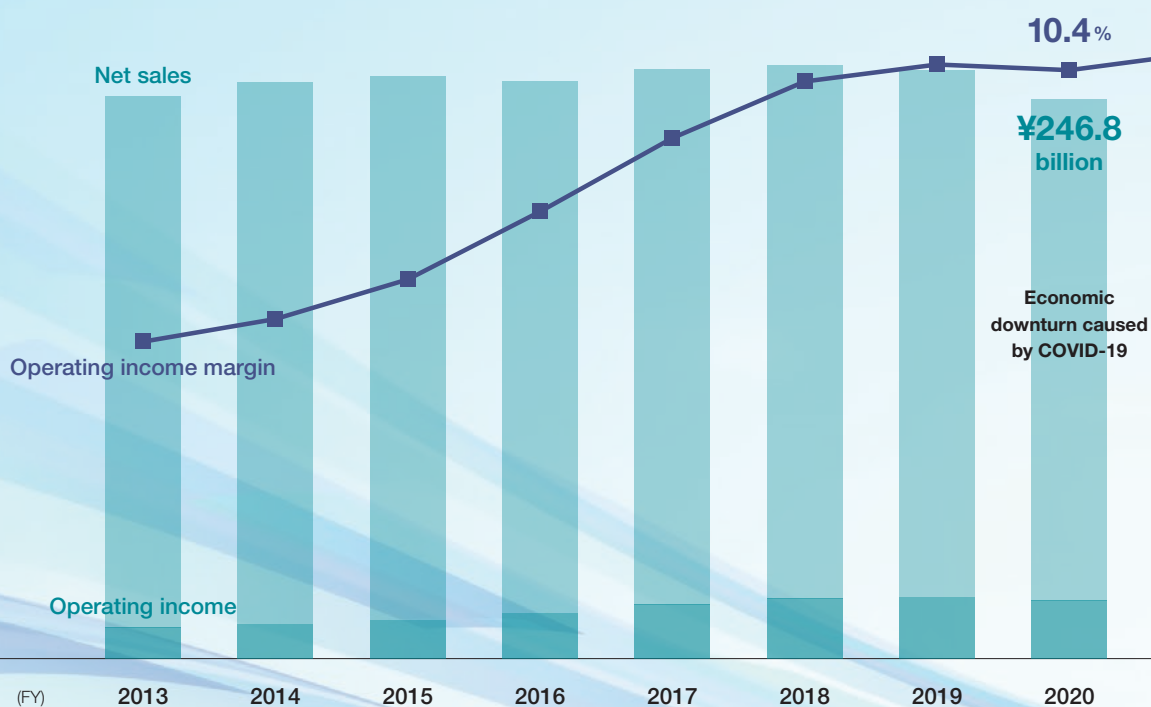
- Professionals licensed for network services, such as remote maintenance of large-scale buildings, energy management, and cloud services
- Certified professionals in the fields of advanced plant/factory control, energy-saving solution technologies, and valve maintenance



Long-term Targets and Medium-term Plan

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

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



Changes in societal structure

Changes in the business environment

Trends in technological innovation

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

New business opportunities expand

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

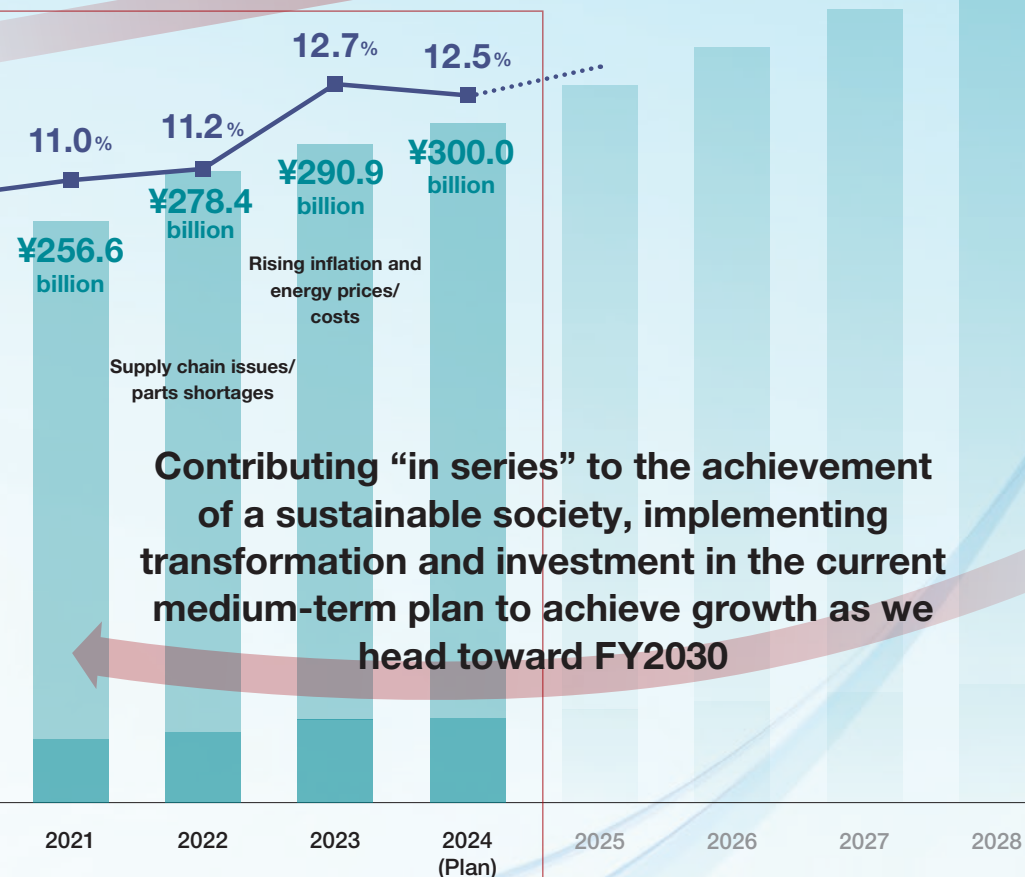
Safety

FY2019–20

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

Flexibly responding to changes and issues in the business environment

Period of the current medium-term plan



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

Long-term targets



¥400 billion range

approx. 15%

2030
SDGs



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

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

¥400 billion range

[¥100 billion range]

¥60 billion range

approx. 15%

approx. 13.5%

Medium-term plan (FY2021–24)

FY2021–24

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

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

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

Progress in the Medium-term Plan and Future Growth

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

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

Financial performance

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

Three growth fields

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

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

Increased product competitiveness (products and services)

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

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

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

Enhanced technological development and capital investment

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

→ pp.51–56 Research and Development

Enhanced investment in human capital

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

→ pp.61–66 Human Capital

Overseas business

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

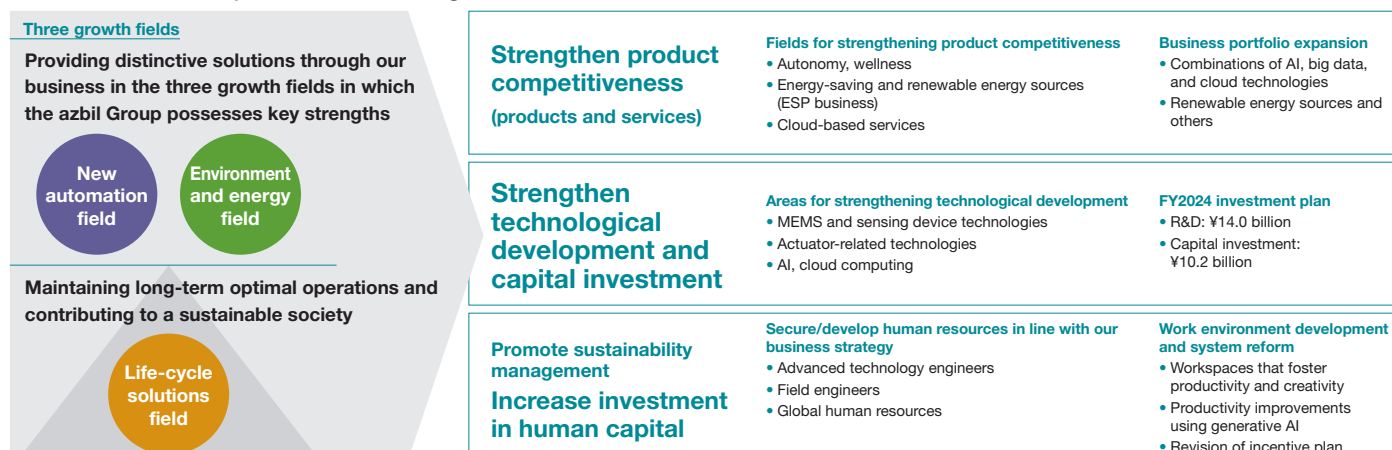
→ pp.47–48 Global Strategy

Global manufacturing and procurement

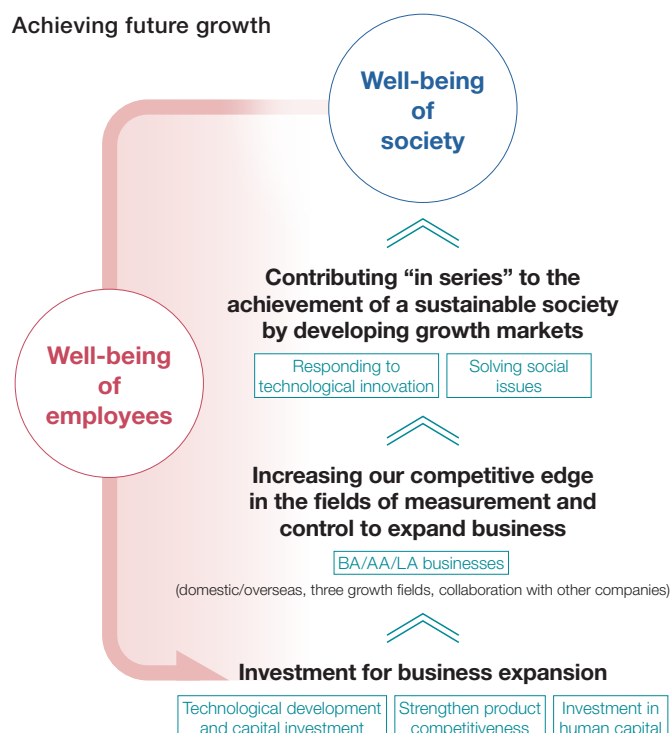
We are working on building an optimal global production system. In Japan, we are strengthening the collaboration between the Shonan Factory, which functions as our main production base, and the technological development function of the Fujisawa Technology Center, as we continue to improve its function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

→ pp.57–58 Manufacturing and Procurement

Core measures for expansion in the three growth fields



Achieving future growth



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

Digital transformation

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

→ pp.49–50 Digital Transformation (DX)

Corporate management/sustainability management

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

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

Achieving future growth

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

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

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

At a Glance

—The azbil Group's Automation Business

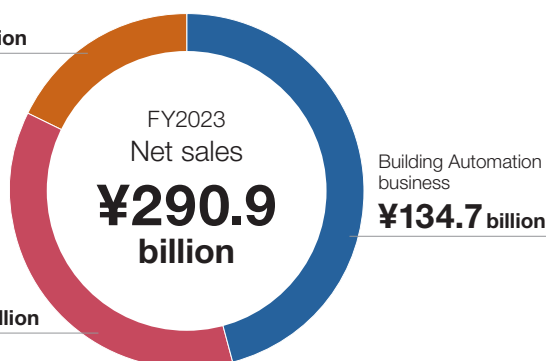
The azbil Group pursues “human-centered automation,” which aims to provide people with safety, comfort, and fulfillment, and to contribute to the global environment. Based on our measurement and control technologies, we are developing our Building Automation (BA) business in the building market, our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

Life Automation business

¥51.4 billion

Advanced Automation business

¥107.1 billion

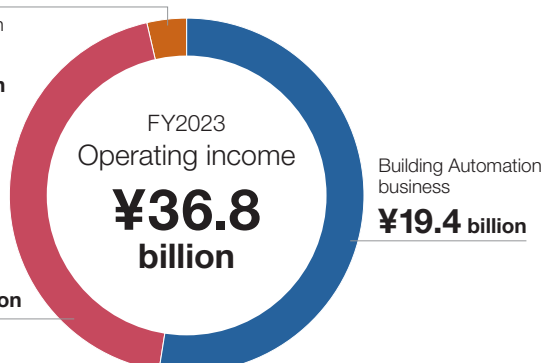


Life Automation business

¥1.4 billion

Advanced Automation business

¥16.1 billion



Other

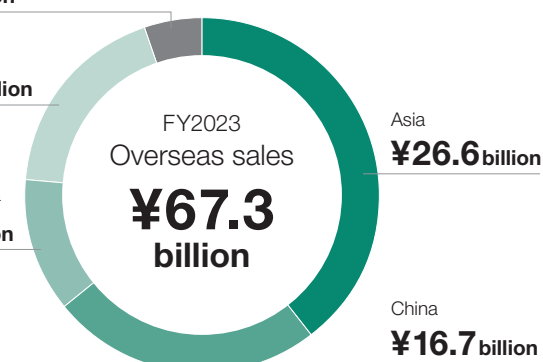
¥3.4 billion

Europe

¥12.4 billion

North America

¥8.2 billion



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

Building Automation business



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

Business fields

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

Main products and services

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

Managing



BA system

Controlling



Controller for air conditioning equipment

Protecting



Contactless smartcard reader

Detecting



Room temperature/humidity sensor



Infrared array sensor



Adjusting
Motorized control valve with flow measurement and control functions

Setting



Smartphone application (for room users)

Renovation, maintenance



Cloud services



Business environment

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

Core strategies

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

Advanced Automation business



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

Business fields

Factory Automation (FA)

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

Process Automation (PA)

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

Main products and services

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

Process automation

Monitoring



Monitoring and control systems

Measuring



Differential pressure/pressure transmitter



Electromagnetic flow meter

Adjusting



Control valve and smart valve positioner



Diagnosing and predicting
Online anomaly detection system

Factory automation

Detecting



High-accuracy position sensor



Limit switch

Controlling



Multi-loop controllers with multifunction display



Digital mass flow controller

Business environment

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

Core strategies

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

Life Automation business



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

Business fields

Lifeline field (gas and water meters)

Life science engineering (LSE) field

(pharmaceutical manufacturing equipment)

Residential central air-conditioning system field

(central air-conditioning systems)

Main products and services

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

Lifeline field

Gas meters



City gas smart diaphragm meter



Ultrasonic gas meter

Water meters



Electronic water meter

Life science engineering (LSE) field

Pharmaceutical manufacturing equipment



Lyophilizer

Residential central air-conditioning system field

Central air-conditioning systems



Outdoor unit



Heat exchange ventilator



Indoor unit with electronic air cleaner

Business environment

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

Core strategies

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

Building Automation Business

Becoming the No. 1 BA supplier in Asia

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

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

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

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

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

Features and strengths

Presence Pioneer in the HVAC control field

Leading company in Japan in the field of HVAC control for large-scale buildings

Technical capabilities Environmental control technology utilizing cloud computing and AI

Original environmental control technology using networks and operating data to improve safety, comfort, and environmental performance

Earning power Life-cycle business

Stable business model based on a building's life cycle, from construction planning to provision of daily services and support for retrofit projects

Product strength Full lineup of products

Responding quickly to societal changes through open innovation and in-house development/manufacture of sensors, valves, controllers, and systems

Execution ability Total solutions, integrated framework

Integrated framework for instrumentation design, installation and engineering, maintenance services, energy-saving solutions, and building management/operation

Review of FY2023

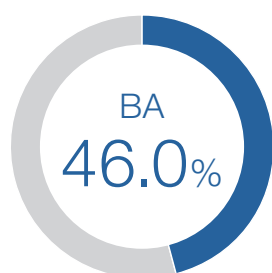
- 1 With robust demand for new large-scale construction projects, we improved the profitability of orders by continuing to focus on projects that enable us to leverage our advantages.
- 2 Because the maturity of the Japanese market means we cannot expect great expansion in new construction demand in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



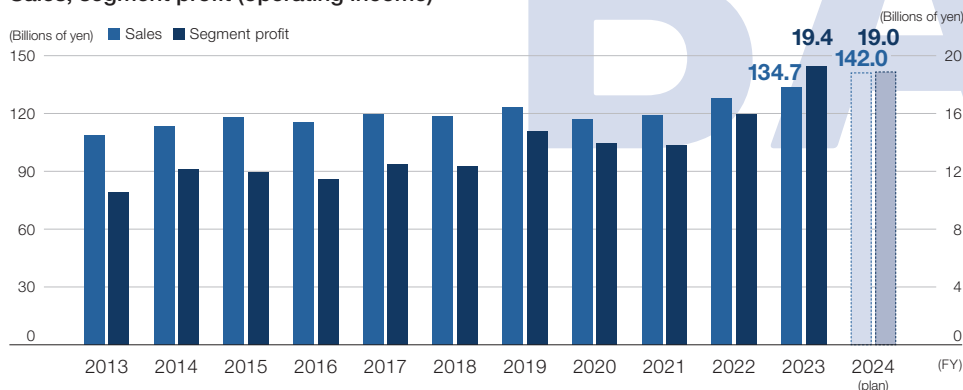
Kazuyasu Hamada

Managing Corporate Executive
President of Building Systems Company, Azbil Corporation

Share of net sales by segment



Sales, segment profit (operating income)



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

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

Risks and mitigation measures

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

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

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

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

azbil × X1Studio



azbil Group
monitoring and
control systems
for buildings



Advanced Automation Business

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

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

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

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

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

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

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

Features and strengths

Presence	Leading the automation of production sites	Execution capability	Total solutions, integrated framework
Winning the trust of our customers and providing them with new value based on more than a century of developing measurement and control technologies, with a superb track record and unrivaled expertise		Providing total solutions tailored to customer needs—from the development of products and applications to manufacturing, system engineering, various solution services, consulting, and maintenance services	
Technical capabilities	Combining on-site knowledge and the latest measurement and control technologies with information technologies		
Providing sophisticated measurement and control solutions using advanced technologies, combined with the skills and knowledge of professionals with extensive on-site experience			

Review of FY2023

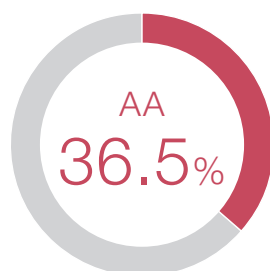
- 1 The factory automation market remained sluggish, but by improving our systems for manufacturing and procurement, we steadily converted a large order backlog into sales. Sales were ¥107.1 billion, setting a new record.
- 2 Thanks to the success of measures to strengthen profitability, such as business-mix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



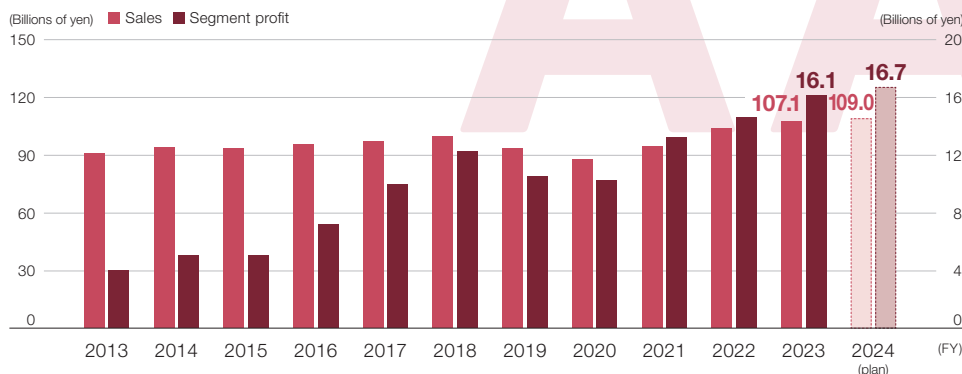
Yoshimitsu Hojo

Managing Corporate Executive
President of Advanced Automation Company
Azbil Corporation

Share of net sales by segment



Sales, segment profit (operating income)



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

- Short term** The procurement situation for parts and materials is improving, but prices of parts and materials are expected to continue to rise, as are other expenses. In addition to making appropriate price adjustments that reflect our increased costs, we will expand overseas procurement and production, and review product designs.
- Short term** To accelerate business growth overseas, we will further strengthen local sales teams and develop a digital marketing approach to customers.
- Long term** For the purpose of strengthening product competitiveness and enhancing our business strengths, we will establish, maintain, and expand new product development structures that bring together the relevant parties from all departments—from those involved with the creation of business development scenarios to those in charge of ongoing product development.
- Long term** We will achieve business growth by deploying new automation technologies unique to the azbil Group to address issues facing society, such as carbon neutrality, and the changing needs of our customers.

Risks and mitigation measures

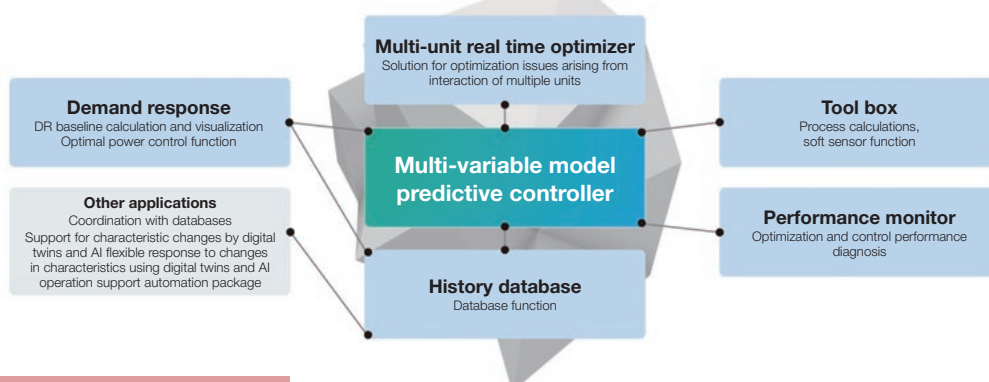
- In the face of geopolitical risks and disruptions in increasingly complex global supply chains, we are enhancing our business resilience and risk-response capabilities, including business continuity planning (BCP), to ensure that our customers' factories can operate safely and reliably.
- In response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

An advanced process control solutions

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

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

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



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



Life Automation Business

Implementing business strategy and other reforms for optimizing our portfolio

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

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

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

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

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

Features and strengths

Stability and progress Lifeline innovations

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

Uniqueness Living space comfort

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

Review of FY2023

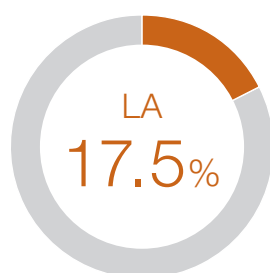
- 1 The entire LA business achieved increased sales, mainly in the lifeline field but also in the life science engineering and residential central air-conditioning systems fields. Orders received were ¥51.6 billion, an increase of 4.1% year-on-year, and sales were ¥51.4 billion, an increase of 7.3% year-on-year.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



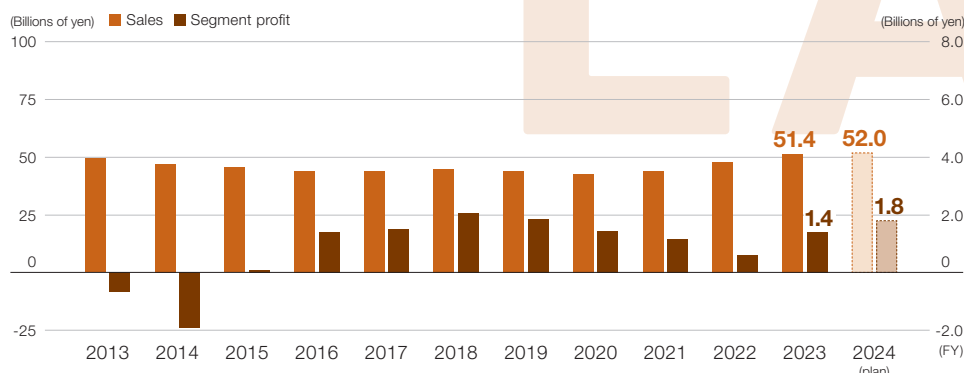
Takayuki Yokota

Director,
Representative Corporate Executive Deputy President
Life Automation Business

Share of net sales by segment



Sales, segment profit (operating income)



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

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

Lifeline field

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

Life science engineering (LSE) field

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

Residential central air-conditioning systems field

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

Risks and mitigation measures

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

* Qualifies for ZEH subsidy

Azbil transfers Spanish Group company Azbil Telstar to Syntegon of Germany

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

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

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

Global Strategy

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

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

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

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

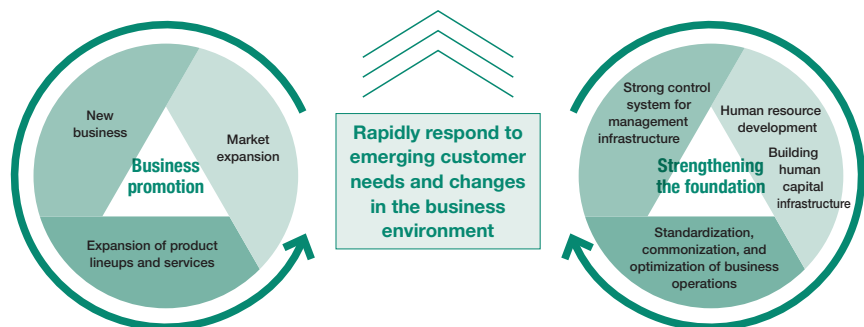
We will increase global competitiveness and aim for sustained development through a combination of offense and defense

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

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

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

Overseas business development: sustained expansion that enhances global competitiveness



Shigeru Wada

Managing Executive Officer
azbil Group International Business

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

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

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

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

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

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



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

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

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

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



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

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

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

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

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



We will strengthen our business foundations through internal DX and create added value for our customers by digitizing our products.

Tadayoshi Ito
Managing Executive Officer
azbil Group Digital Transformation Promotion

As the roles and opportunities offered by automation expand, we will improve the value we provide by fostering the “creation of new business and new ways of working” through DX

In promoting DX, the azbil Group recognizes that changes in the natural environment, the business environment, and evolving technology, and new requirements of society are expanding the role and opportunities for automation driven by digitalization. Consequently, we are endeavoring to contribute to solving social issues in business activities and further enhancing the value we provide by creating new businesses and new ways of working through digitalization. We are implementing internal DX, which will greatly increase productivity in our business activities and lead to transformation that will create new ways of working for us. In addition, we are advancing product DX to promote sustainability in our customers' manufacturing and building operations, thereby creating new added value.

We promote internal DX in sales and engineering divisions, development departments, and production bases, resulting in greater achievements

In our internal DX, under the “creation of new business and new ways of working” initiative, we are using generative AI in the sales and engineering divisions in activities ranging from pre-ordering tasks to manufacturing and inspection, and we are introducing a skill transfer support system enabling veteran employees to share their knowledge. In our development departments, we are working to raise the efficiency of various tasks from design to development through DX initiatives. This includes using generative AI to create and review program source code, as well as applying machine learning models to data obtained from on-site monitoring and control systems. At our production facilities, we are implementing advanced cloud-based manufacturing execution systems (MES). These cloud services facilitate DX initiatives

at production sites, such as system introduction training done remotely, improved inventory control accuracy, and real-time visualization of production progress. To accelerate internal DX, we have set up a dedicated generative AI support tool exclusive to the azbil Group, accessible to all group companies. This tool is already being utilized by more than 7,000 employees. In addition, by promoting the adoption of low-code tools, we have built a development community of 300 members and developed 900-plus applications, more than doubling our size compared to the previous year.

Along with product DX, we are setting up and developing a specialized organization dedicated to ensuring security

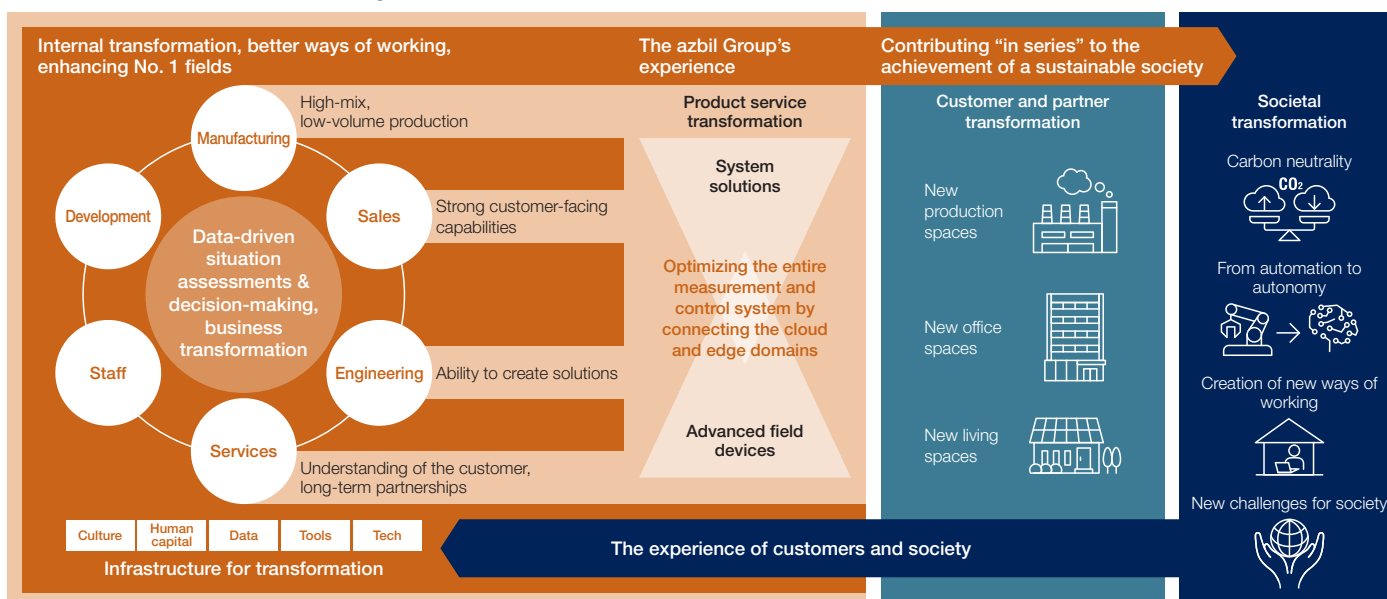
When it comes to product DX, we are deploying on-site services centered on cloud technology. Deliveries of our control valve maintenance support system, the valve diagnosis and analysis service that stabilizes production equipment and enhances their safety, grew by approximately 150%, from 111 business sites in FY2020 to 168 in FY2023. Furthermore, deliveries of our online anomaly detection system, which uses AI to support stable equipment operation at customers' sites, prevent operational errors, prevent quality defects, and establish manufacturing conditions, more than doubled from 46 business locations in FY2020 to 106 in FY2023. These achievements serve as case studies of how we use DX and the azbil Group's expertise to deliver value to our customers. Furthermore, our in-house specialized security organization, the Cyber Security Office, is engaged in comprehensive initiatives that cover everything from in-house systems to products and services to ensure security, which is essential for promoting our DX efforts.

Lastly, I believe that our DX promotion is not solely an internal effort but rather a collaborative initiative with our customers. The virtuous cycle of mutual influence generated by advancing DX together will lead to even greater value creation.

Digital Transformation (DX)

Overview of the azbil Group's DX

Contributing "in series" to the transformation of customers, partners, and society through self-transformation, with feedback for our next transformation



The azbil Group views internal DX and product DX as the two integral components of DX promotion, and we are addressing them together.

The following are case studies covering up to FY2023. For product DX, we introduce our cloud-based services for large buildings run by the Building Automation business, and for internal DX, we explain how all our employees are using generative AI as a foundational tool to drive DX initiatives.

→ pp.31–34 azbil Group Solutions Supported by Advanced Technologies and Human Resources → pp.61–66 Human Capital

Building management evolving thanks to cloud services: Increasing convenience in energy and facility management

Azbil Corporation provides energy management, building facility management, and tenant services under the umbrella of "cloud-based services for large buildings (EM/BM/TS)." This represents a shift from a model where we installed dedicated equipment inside buildings as an optional feature for a building automation system to a model that leverages cloud computing connected to the building automation system.

Using the cloud allows us to manage and analyze the vast amounts of energy data and facility management information involved in energy and building facility management tasks. This management can be performed from any location, not just within the building. Furthermore, office users can use their work PCs or tablets to adjust the air-conditioning and lighting through Internet, enhancing user-friendliness.

Much like the trend in information systems transitioning from "owning" to "using," the introduction of cloud services in building management allows customers to flexibly modify the services they use post-installation to match the building's operations while keeping initial costs low.

This service has already been released, and we have signed contracts for about 500 applications. We will utilize the advantages of cloud-based service provision to expand our service offerings and enhance features, delivering even greater value to our customers.

Katsuji Ebihara

Building Systems Company
Marketing Headquarters
Product Marketing Department



DX promotion and company-wide business innovation using generative AI

In FY2023, Azbil Corporation established a cross-departmental task force that has been actively pushing DX using generative AI. This task force is implementing various initiatives, including creating usage guidelines for employees, releasing a dedicated in-house generative AI chatbot, and conducting training for all employees. Through these efforts, the usage of generative AI within Azbil Corporation has steadily increased, and more than 60% of employees are now involved in business innovation that uses generative AI.

In the engineering division, veteran and newer employees collaboratively developed a generative AI-based business innovation template and are actively striving to share knowledge and improve their skills. This innovative initiative is also being expanded to the sales and service divisions, and the use of generative AI is spreading throughout the entire company. Furthermore, we are progressing with the demonstrative development of generative AI for business innovation. One notable example is a generative AI tool for hazard prediction, which is being utilized to support risk assessments and to ensure safety based on past work reports.

The task force is striving to create an environment where employees can comfortably use generative AI. To achieve this, they share information and hold webinars on a specially established site and organize exchange programs for employees. The task force also intends to actively promote the further use of AI technology in the future. By fostering and embedding a culture of generative AI use among employees, Azbil Corporation aims to pursue even greater growth and innovation.

Yukiyoshi Sato

Generative AI Promotion Task Force





“Measurement and control” is becoming increasingly important.

As we refine our technology, we aim to solve issues for our customers and communities while creating new value.

Hideaki Ishii

Managing Executive Officer
azbil Group Production, Purchasing, Research & Development,
Product Safety, Quality, & Environment

“Measurement and control” that supports more than 100 years of history

The azbil Group has continued to grow over the past 100 years while refining its “measurement and control” technologies. We believe that these technologies exist to contribute to solutions to society’s issues and to create new value for society and our customers under the azbil Group philosophy of “human-centered automation.” To achieve this, it is necessary to first visualize issues through measurement. Then, recognize these issues and identify specific factors based on the results to create new value. Finally, implement control measures to reach the optimal state, thereby providing solutions. The azbil Group contributes to society and our customers by providing products and services centered on automation technology, with measurement and control at its core.

In our current medium-term plan, we are focusing on strengthening our development capabilities in both systems and product areas. This approach is based on the nature of the issues facing society and our customers, as well as the trends toward increasingly sophisticated technologies. Concurrently, we aim to increase development productivity, strengthen intellectual property strategies, expand external collaborations, and mobilize human resources. These efforts are intended to accelerate development and increase the number of development projects. In addition, we are fostering a culture of innovation to ensure that these strategies are realized internally and sustainably.

Focus on product development in both the systems and product areas to enhance competitiveness

Our specific efforts to strengthen systems and product areas include developing cloud applications in the area of system and cloud computing. To bolster these product areas, we are focusing on the development of new valve and actuator products and services. This involves expanding development, strengthening mass production structures for microelectromechanical systems (MEMS), and pioneering new fields in actuator technology. The azbil Group excels in producing high-precision, high-quality, and durable sensors using MEMS technology, as well as high-performance and high-quality valves and actuators. To maintain our competitive edge, we develop and accumulate core technological elements in-house rather than outsourcing them.

This strategy differentiates us from our competitors. In addition, we will further enhance our competitiveness by accumulating production technology in manufacturing to build a system suitable for high-mix, low-volume production, and by utilizing data collected from products through our services.

Actively utilize increasingly advanced technologies and strengthen development systems and mechanisms for human resource development

We will also actively incorporate the latest technologies. For example, regarding AI, we aim to enhance our application of machine learning, which is currently used for tasks such as online anomaly prediction and detection. Moreover, we plan to boost in-house productivity by extensively utilizing generative AI and developing next-generation cloud services. In the sensing and control field, we will continue to focus on measurement and control technologies for hydrogen and ammonia, environmental power generation technology, and detection technologies using wireless, bio, and optical applications.

Strengthening our systems and developing human resources are crucial for promoting these strategies. To enhance our development function, we aim to realize priority development themes quickly by enhancing collaboration between corporate development departments and the development departments of each business. For human resource development, we will reinforce mechanisms that generate ideas to address society’s issues and those of our customers, as well as foster new business development and growth. To this end, we are establishing a talent management system that identifies the skills and qualifications of each employee, strengthens the capabilities of team members as an organization, and ensures appropriate human resource allocation. This system aims to bolster our technical, product development, and production engineering capabilities.

As technology advances and new social issues such as carbon neutrality, the circular economy, and nature positivity emerge, we believe that measurement and control will become increasingly important. To effectively seize opportunities where the azbil Group can contribute and use them as a foundation for growth, we will further refine and strengthen our technological capabilities.

Research and Development

The azbil Group focuses on R&D infrastructure and strengthening its product and service competitiveness to quickly identify changes in markets and customers, developing products and services based on automation technology.

Technology and product development for business expansion

In order to introduce competitive products and services in the three growth fields of *new automation*, *environment and energy*, and *life-cycle solutions*, we are monitoring changes in the business environment and technological trends and further strengthening our measurement and control technologies in field devices and system solutions.

As part of our efforts to expand our business through technological development, we are establishing and strengthening our research and development infrastructure to understand changes in the market and our customers and rapidly translate them into product development.

We particularly emphasize the link between changes in customers in the market, strengthening product competitiveness, and strengthening R&D infrastructure (technology development and human capital).

Market and customer changes require an appropriate understanding of issues such as the challenges of achieving

carbon neutrality (e.g., further energy conservation, switching to and expanding the use of renewable energy), changes in the global supply chain, and changes in customers' business models.

To strengthen our product competitiveness, we are focusing on areas such as autonomy, wellness, energy (energy saving + renewable energy, energy service provision), and cloud-based services, and we are focusing on combining AI, big data, and cloud technology to expand our product portfolio.

In terms of establishing and strengthening the R&D infrastructure (technology development and human capital), the company has identified MEMS and sensing device technology, actuator-related technology, AI technology, and cloud technology as areas in which to focus its development efforts. From the perspective of investing in human capital, the company is working to secure and develop human resources that are consistent with its business strategies to expand these three growth fields.

R&D investment

The field of measurement and control has further evolved, with developments in IoT, DX, AI, and cloud technologies, as well as a rapid rise in social expectations on matters such as sustainability and wellness. To meet these social demands and customer needs, the azbil Group will accelerate the development of revolutionary technologies, new products, and services—integrating AI, synergizing with DX, and fostering autonomy in automation—and strengthen our efforts to achieve a sustainable society.

We will also utilize the new laboratory building (Building 103) at the Fujisawa Technology Center as a field test environment to demonstrate on-site value and promote the practical development of technologies.

In the field of system and cloud computing, we will actively adopt cutting-edge technologies such as generative AI and edge computing to promote digitalization in production spaces, office spaces (buildings), and living spaces. This will enable us to respond to customer requirements shifting from operation-oriented systems to management systems and expand our control domain. We will bolster the development of system foundations and applications across the entire company and work on creating products and services that utilize the latest technologies.

In the field of sensors, we continue to strengthen our development capabilities in MEMS and shift to more advanced kinds of measurement that measure not only quantity but also quality. We will reinforce our development and production environment with a new clean room (Building 104). We will continue developing MEMS, expand their application range, and take on new R&D challenges.

In the field of actuators, we aim to strengthen our product business and promote the development of products and services utilizing our expertise in valve-related technologies and robotics-related technologies.

By strengthening these core technologies, we aim to contribute “in series” to the achievement of a sustainable society. The azbil Group will promote the development of technologies for improving the natural environment, energy efficiency, and wellness, thereby contributing to the sustainable development of society.



- Building 103
- Better facilities for the development of central air-conditioning technology that excels in comfort, energy efficiency, and harmony with the environment
 - An innovative development environment that stimulates and activates creativity



- Building 104
- Expanded facilities for MEMS sensor development and production using world-class advanced MEMS technology as a base for developing measurement and control technology
 - Enhanced facilities for developing measurement standardization technology, which is the basis for high-precision and high-reliability products

Research and Development

Strengthening development personnel

We will continue to focus on training development-related personnel to increase product and service competitiveness. By fostering not only the diverse specialized skills of our developers but also employees' ability to think, learn, collaborate, improve performance, and produce results independently, we aim to develop human resources capable of creating value in the field and taking on the challenge of innovation. Furthermore, we are working to train and acquire development-related personnel who are diverse, open to new ideas and technologies, and capable of collaborating with external partners in our global development system.

To achieve this, we have introduced a skills management system to visualize the technical and human skills of engineers throughout the company, objectively and quantitatively identifying and evaluating personnel who can accelerate development for growth. We also provide education and job opportunities for autonomous career development, linking these efforts with measures for strengthening career development and skill transfers based

on individual skills. For example, with in-house engineer training, we have created an environment that enables applications and approvals to be made during face-to-face meetings about setting targets, allowing managers and subordinates to share a training plan that both parties find acceptable. Furthermore, we have established an optimal development personnel structure by hiring individuals who share our group philosophy and by mobilizing human resources in key development areas.

To foster the imagination and creativity of each individual, we have created a system whereby each development department can propose a theme they would like to work on in order to acquire new technology or improve productivity and use a certain percentage of their working hours for that purpose. Participants are provided with an opportunity to present their results once a year, which also helps improve their presentation skills. In addition, we hold large-scale R&D conferences twice a year, both in person and online, and hold presentations and exhibitions to invigorate our developers.

Global development system

The azbil Group promotes efforts to strengthen technology and product development from a global perspective to achieve a sustainable society. As described below, we utilize research and development centers in various regions to build a globally linked system.

At our research and development center in Silicon Valley in the U.S., we promote technology development for next-generation measurement and control technologies. We conduct trend analysis on the latest technologies such as IoT and AI, engage in international standardization activities, and strengthen links with local universities and startups to promote the development of revolutionary technologies via joint research. We particularly focus on new measurement and control technologies utilizing AI to provide the market with future-ready products and services.

In Singapore, we have completed a new research and development center to accelerate technological development and deployment of products and services in the Asian market. We are strengthening its links with our research and development functions in Japan and leverage its proximity to the local market for swift application development and test marketing. We will enhance our research and development capability throughout Asia, focusing on our center in Singapore, to provide solutions that meet regional needs.

This approach enables our regional centers in Japan, the United States, and Asia to take the initiative in promoting

Global research and development centers

(as of March 31, 2024)



technological development from a global perspective, with coordinated efforts among regional research and development centers. By identifying market changes in a timely manner and flexibly collaborating with business lines, we can swiftly develop products and services. Moreover, strengthening co-creation by linking our regional centers with external partners will generate revolutionary technologies, products, and services.

Utilization of international standards

To promote global business, utilizing international standards is essential for market formation, certification of high quality, and assurance of interoperability. The azbil Group works on international standardization directly related to our business and has established a framework for discussing the use of international standards

company-wide to strengthen our global business. We view compliance with international standards not as a constraint but as a seed of innovation, promoting initiatives to create new value and develop technology free from past limitations and preconceived ideas.

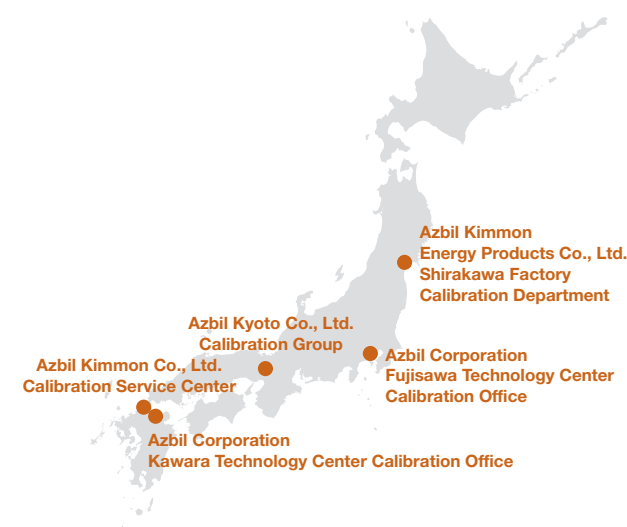
Enhancing calibration capabilities to support measurement reliability

With “correct measurement” as the foundation for measurement and control, the azbil Group provides safety, comfort, and fulfillment for its customers. To ensure sensors and measuring instruments are accurate, calibration is applied. The measuring instruments and generators that serve as the physical measurement standards are managed with high precision. The Measurement Standards Section at Azbil Corporation’s Fujisawa Technology Center is certified by the Japanese government as a JCSS Accredited Laboratory* with excellent calibration capabilities for temperature, humidity, electricity, pressure, vacuum, liquid microflow, gas flow, and time (frequency). The Calibration Service Center at Azbil Kimmon, the Calibration Department at Azbil Kimmon Energy Products’ Shirakawa Factory, and the Calibration Group at Azbil Kyoto are also certified as JCSS Accredited Laboratories, maintaining top-class calibration capabilities in Japan. These high-precision physical standards support the azbil Group’s correct measurements. Since it began operation in 2022, the calibration office (in Building 104) in the Fujisawa Technology Center has been visited by many customers and others, who have witnessed the high quality of the azbil Group’s measurement abilities. We will continue to communicate the importance of correct measurement internally and externally through tours of the calibration office.



Calibration office at the Fujisawa Technology Center and a (center) high-precision vacuum calibration system

azbil Group calibration locations



Company	Location	Calibration capabilities
Azbil Corporation	Fujisawa Technology Center Calibration Office	Temperature, humidity, electricity (current, voltage, resistance), fluid flow (gas, liquid), pressure, vacuum, time (frequency), length, weight, torque
	Kawara Technology Center Calibration Office	Temperature, humidity, electricity (current, voltage, resistance), pressure, time (frequency), length, weight, torque
Azbil Kimmon Co., Ltd.	Calibration Service Center	Flow rate (gas)
Azbil Kyoto Co., Ltd.	Calibration Group	Flow rate (liquid)
Azbil Kimmon Energy Products Co., Ltd.	Shirakawa Factory Calibration Department	Flow rate (gas)

* Information on the categories registered and certified under JCSS is provided on the website of the National Institute of Technology and Evaluation (NITE).

KPIs for technology and product development

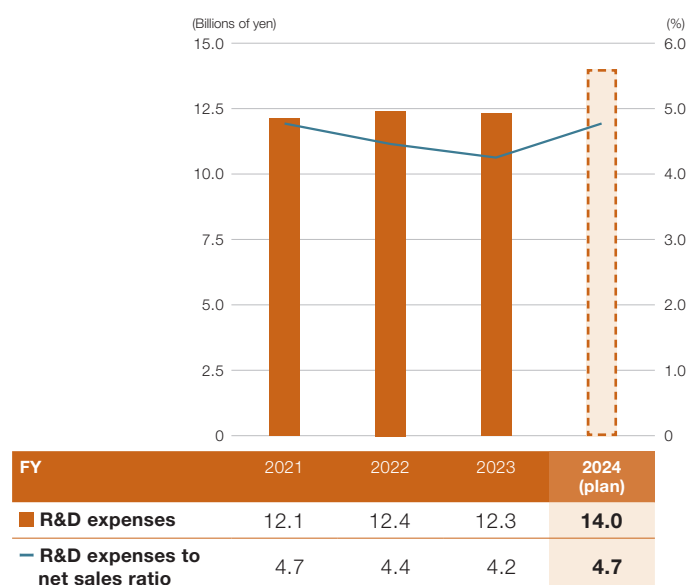
To quantitatively evaluate the progress and results of developing technologies, products, and services, we have set the following KPIs and promote strategic efforts based on these indicators.

- Ratio of R&D expenses to net sales: Measures the ratio of investment in R&D to net sales to check the allocation of investment
- Product sales: Evaluates whether the development of technologies, products, and services directly contributes to sales
- Ratio of new products: Measures the ratio of new products to product sales to identify our capability to develop products and services

We also appropriately revise our research and development strategies and investment to achieve sustainable growth by monitoring the effects of our developed technology, products, and services over time.

For research and development, we invested ¥12.1 billion in FY2021, ¥12.4 billion in FY2022, and ¥12.3 billion in FY2023. We plan to invest ¥14.0 billion in FY2024, which will enable us to aim for sustainable growth by enhancing our investment in technology, product, and service development, providing revolutionary solutions. This will increase our competitiveness in the global market and enable us to swiftly release products and services that meet customer needs.

R&D expenses, R&D expenses to net sales ratio



Research and Development

Design management

As we aim to achieve a secure and comfortable social environment through the co-creation of people and technologies, we promote human-centered design and development, which includes improving usability and user experiences in the development process of products and services. The azbil Group's automation technology has long provided peace of mind and comfort to people in various places. To ensure this technology contributes "in series" to the achievement of a sustainable society, we believe its design must evolve with changes in work styles and lifestyles. It is essential to deeply understand not only technical aspects but also how people interact with our products and use our services.

The design of products that people directly see and interact with, such as interfaces or products placed in office spaces and production sites, should be safe, convenient, and conscious of well-being. While improving quality, performance, and maintaining safety in product and service development, we must also address issues such as reducing environmental impact and promoting recycling. A major theme of product and service development is solving these issues



The model V8C sapphire capacitance diaphragm gauge, which won the 2023 Good Design Award

with new technologies and ideas, and the field of design supports development with a focus on usability.

In the company, we provide design training to development personnel to improve their creative thinking and move closer to the co-creation of people and technologies. Such educational activities enable us to gather human resources with diverse perspectives and cultivate the ability to produce better designs.

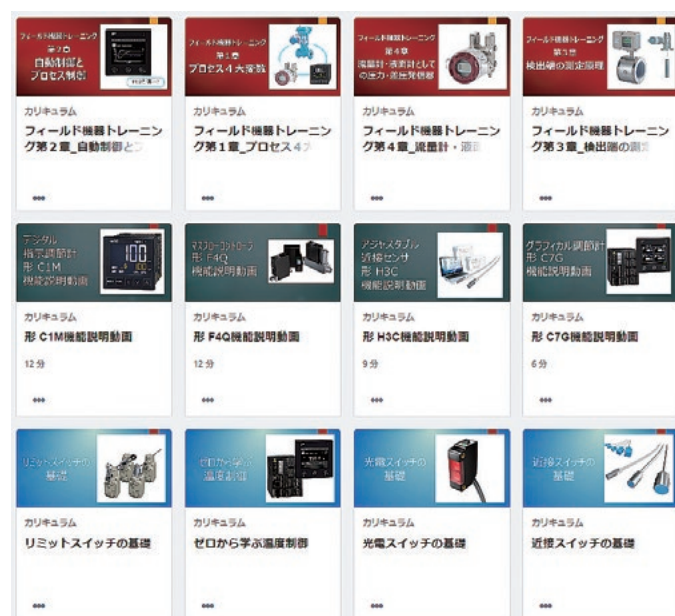
The various products developed through these efforts have been honored with prestigious design awards both in Japan and abroad.



The model F4Q digital mass flow controller, which won the 2021 Good Design Award and 2022 iF Design Award

For customers: Development of measurement and control technologies

On August 1, 2023, the azbil Group launched a website called "Learning Plaza" for customers in the factory or plant business, providing educational resources for learning basic knowledge about measurement and control. The website provides knowledge on communication and explosion-proofing standards, as well as the operating principles and features of measurement and control devices, to improve technical capability at plants. The content includes basic information on temperature control and the four main variables of processes, along with videos introducing the thoughts of developers and product features. The website is available to anyone registered as a member, and we plan to publish new content to meet customer needs in the future. We aim to grow together with our customers, based on the principle of "human-centered automation."



A website called "Learning Plaza," which is currently in Japanese only

Ask the Experts:

“Measurement and Control” Technologies Create New Insights and New Value

What are your thoughts about the “measurement and control” that the azbil Group pursues?

Measurement and control form the foundation of all science and technology. Since its foundation, the azbil Group has consistently refined these technologies and systemized the knowledge gained in the process. Currently, it not only supports Japan's social infrastructure but also contributes to the global environment through its accumulated knowledge and technology. The measurement and control that the azbil Group takes pride in provide comprehensive total solutions from the starting point to the application stage, and that is the source of their competitiveness.

I believe their impact on society and the environment is highly significant as well. Just as individuals can widely disseminate their claims through social media, every single initiative can be spread to customers and the world with equivalent speed and breadth through the B-to-B business model. This especially applies to social infrastructure, many parts of which have reached the end of their service life and are due for an overhaul. It is a chance to incorporate new ideas and knowledge into social infrastructure through their business, and it is an extremely significant opportunity from the perspective of contributing to global environmental preservation as well.

Based on your areas of expertise and research, what do you expect from the azbil Group?

Various organizations and individuals are thinking about what they can do to create a better environment in response to environmental issues. Depending on the person, “a better environment” might be a place that is easier to live in, or it might mean beauty. However, we will not be able to create a better environment unless we are able to quantitatively measure each of these elements and convert them to data. That said, there are many elements that are difficult or even impossible to measure. For those cases, it will become increasingly important to obtain measurements and data from a two-dimensional aspect or a three-dimensional spatial viewpoint instead of measuring them in points. As a result, the vague concept of “a better environment” will become more visible as a specific goal.

In the area of agriculture, for example, the surface temperature of the leaves of rice plants spread out in a field is extremely important to understanding the growth of the plants. However, measuring the surface temperature of the leaves of every single rice plant is difficult because of factors such as the direction of the wind, exposure to the sun, the condition of the leaves due to watering, and the mutual effect of leaves on each other. Right now, the measurement is done manually, but there is the possibility that the process of measuring the surface temperature of the leaves of each individual plant in the whole field will have a major impact on controlling the growth of the rice.

If it became possible to measure data like this, which has an area or spatial breadth, it would almost certainly lead to unprecedented innovation. The approach that uses not just the refinement of a single sensor but rather a network of connected sensors to comprehensively measure, control, and solve issues that were difficult to address because they are hard to measure or control will grow in importance in the coming years. I believe the azbil Group has the potential to make that possible.

For humanity to obtain fresh knowledge in the vast field of the global environment, I hope the azbil Group will play a role as a trailblazer and innovator in measurement and control.

Do you have any advice for the azbil Group from your expert standpoint as it tackles sustainability-related social issues?

I think Japanese people excel in making focused efforts to tackle a given problem, but they seem to struggle with an approach that involves reframing an issue while considering its full picture and ripple effects and then working toward a solution.

For example, we must think of carbon footprints holistically when trying to make zero emissions a reality. There are times when a different problem arises as a side effect when you try to fix something. That is why you must take a comprehensive view of the problems that need to be solved and address the issues that arise. Achieving sustainability will not be possible by addressing only part of a problem or by extracting only the issues you can solve and working on them.

The azbil Group has a broad and significant influence on society and the environment. I have great hopes and expectations for its success in the future.



Keiko Takahashi
Senior Researcher, Professor
Comprehensive Research
Organization, Waseda
University

She holds a Ph.D. in Engineering from the Interdisciplinary Graduate School of Science and Engineering, Tokyo Institute of Technology. In April 2021, she assumed her current position after working at Kao Corporation, the University of Cambridge in the U.K., and serving as the head of the Center for Earth Information Science and Technology, Counselor for Business Management, and head of the Yokohama Institute for Earth Sciences at the Japan Agency for Marine-Earth Science and Technology. She is the area supervisor in the mission area of “New Social Challenges” in the Japan Science and Technology Agency's JST-Mirai Program, an area supervisor of the “Fugaku” outcome creation acceleration program, and a research professor at Nippon Telegraph and Telephone Corporation (NTT). She has been a member and an associate member of the Science Council of Japan and a committee member of several science and technology councils of the Ministry of Education, Culture, Sports, Science and Technology. She has also served as president of the Society of Instrument and Control Engineers, president of the Visualization Society of Japan, and as a director of the Japan Society for Industrial and Applied Mathematics and a director of the Japan Society of Fluid Mechanics. She has been an International Federation of Automatic Control (IFAC) Technical Board member, an Asian Network on Climate Science and Technology (ANCAST) International Steering Committee member, and a National Science Foundation (NSF) Electronic Proposal Review member, among other positions. Her areas of specialization are ocean-atmosphere interaction and global environment prediction, the development of technology for super large-scale simulations and massively parallel/high-speed measurement methods, and the development of super large-scale data processing technology.

Manufacturing and Procurement

Improving the global production system

As the azbil Group expanded globally, a three-pronged production system with bases in Japan, China, and Thailand was established. At each location we are strengthening our production and procurement network, improving our sales and distribution channels for direct sales and shipment to various markets, and working to enhance productivity and expand production volume while lowering costs.

In April 2022, we completed a new factory building at our production base in Dalian, China. This facility has been equipped with automated processes for large body processing, painting, and inspection to accommodate increased production, especially of industrial valves. In addition, we are expanding our local procurement efforts, aiming to reduce costs and broaden our supplier network.

At our Thailand production base, we have been diversifying our production models, focusing on component products, and improving our production infrastructure. In April 2024, we completed the construction of a new factory building to expand production models for products that require advanced production engineering, such as electromagnetic flowmeters for the industrial market. We will be installing various production equipment, including actual flow calibration equipment.



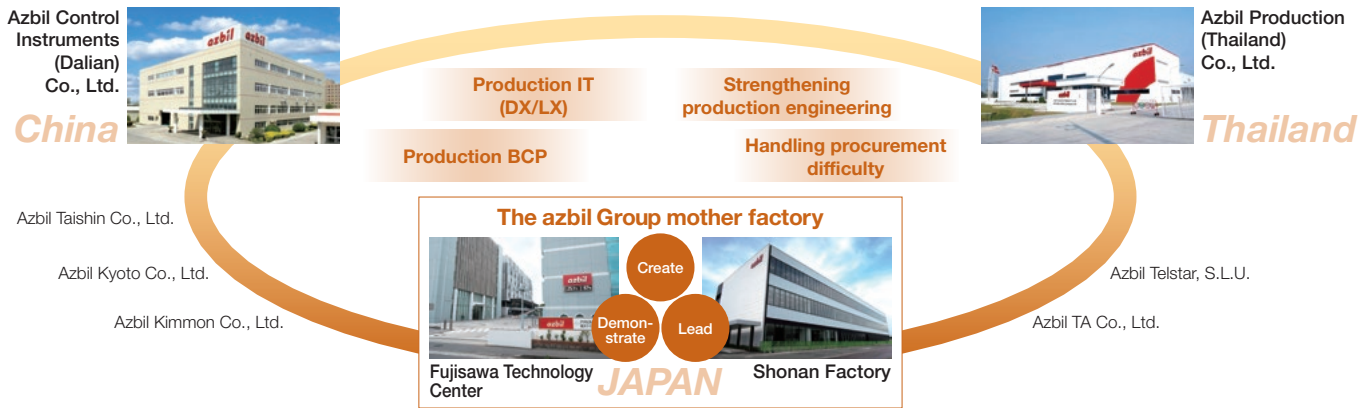
The new factory building in Dalian, China, which has begun operation. An advanced control valve production system is under construction.



The newly completed factory in Thailand. We plan to build production lines for electromagnetic flowmeters and other products.

The global production system

The azbil Group's mother factory leads a strong global production system



Production upgrade initiatives led by the mother factory

As part of the global production system development, we are strengthening the collaboration between the Shonan Factory, which is our core production facility, and the Fujisawa Technology Center's technology R&D functions. We continue to improve their function as the "mother factory" of the Group.

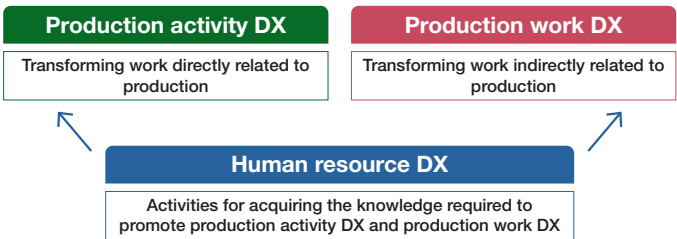
Production IT (DX/LX)

Our production DX initiatives consist of three activities: production activity DX, production work DX, and human resource DX. Production activity DX aims to transform tasks directly linked to production by promoting digitalization and IT integration, with a focus on strengthening data connectivity. Production work DX aims to make indirect work more efficient by enhancing business collaboration through the utilization of data in a data lake. The digitalization of workflows and visualization of accumulated data fall into this category. Human resource DX focuses on people and involves activities for acquiring the knowledge required to promote DX.

Due to the gradual deterioration of our individual production management systems that we have used for separate product series, we are implementing production legacy transformation (LX) efforts to

build an overall optimization system that links with our core systems while still taking individual product characteristics into account.

Three pillars of production DX



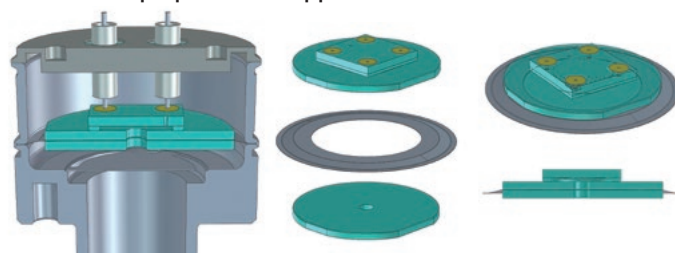
Strengthening production engineering

The azbil Group is innovating its production processes through the advancement of production engineering with the aim of building competitive production lines. Specifically, we are developing more advanced micro component bonding, adhesion, assembly, and precision machining technology, with a focus on MEMS sensor packaging. At the same time, we are developing production methods and applying them to our production lines to facilitate unique and advanced manufacturing, such as the utilization of new materials and innovative material processing.

We are also promoting the creation of more advanced processes and production lines by incorporating production IT engineering into our production. For example, we have switched from visual inspection to automatic inspection performed by high-resolution cameras and AI, and we are building a system that integrates information and materials by utilizing an IoT environment to link QR codes of products with production information.

We are expanding the scope of application of these initiatives from our mother factory to production bases in Japan and overseas. We are striving to increase business competitiveness by maintaining and improving quality on a global basis.

MEMS sensor packaging technology that takes advantage of the material properties of sapphire



Vacuum measuring devices that take advantage of the exceptional properties of sapphire are made possible by the azbil Group's sensor packaging technology. These devices feature highly airtight bonding with a nickel-based alloy, which, like sapphire, has high heat and corrosion resistance.

Ensuring reliability through image inspection of joints



We have developed an image inspection technology that evaluates the reliability of the joints by observing them with a special microscope.

BCP for manufacturing and procurement

The azbil Group's business continuity planning (BCP) limits the impact on our customers of risks that threaten production or distribution in Japan and overseas, including natural disasters and other unexpected situations such as the COVID-19 pandemic or emergencies. To improve production robustness, we are implementing the following BCP initiatives with the aim of restoring production within an acceptable time period.

■ Production line BCP

We create and periodically update plans for restarting production lines. Once a year, we conduct BCP training to check/improve our plans and procedures.

■ Component BCP

We estimate the time required to acquire alternative parts or switch suppliers, maintain a BCP inventory for that period, and prepare part models.

■ Production site distribution BCP

We plan responses to large-scale factory disasters and disasters at distribution sites. We categorize disasters by severity and create response plans for each level.

■ Part procurement difficulty BCP

The recent global difficulties in procuring components, including semiconductors, is gradually easing. Until now, we have implemented various countermeasures, and we are now standardizing that knowledge to use in future procurement difficulties.

■ Emergency BCP

This plan details methods for handling distribution problems arising from incidents such as international disputes. For products that require time to initiate production, we are increasing our inventory levels and exploring multi-site production.

■ Improving disaster prevention at factories

We are improving our readiness to respond to natural disasters at our production sites. These measures include on-site patrols, the installation of waterproof walls, and the creation of building inspection manuals for post-earthquake assessments.

Enhancing governance for the global production system

In the development of production bases in Japan, the expansion of overseas production centers, and the development of a global production system in conjunction with the expansion of domestic production bases, we have secured a certain level of governance at our mother factory through the deployment of various standardization measures, operation based on these standards, and by fostering and promoting quality awareness. We will further strengthen governance to ensure that, from the customer's perspective, we consistently deliver products of azbil Group quality.

Intellectual Property

To enhance the value creation of the entire group, the Intellectual Property Strategy Department closely coordinates with business departments and R&D departments to strengthen and reform the processes for creating and utilizing intellectual property. We analyze both our own and other companies' patent and non-patent information to build a high-quality intellectual property portfolio that enhances our enterprise value from the perspectives of life cycles and market competitiveness.

As the azbil Group develops the three growth fields defined in our medium-term plan, we utilize intellectual property information to verify business hypotheses in technological and product development as part of our offensive intellectual property strategy. For our defensive intellectual property strategy, we conduct activities to protect existing intellectual property, supporting business continuity and peripheral development in existing business areas. By doing so, we maintain the important intellectual property that underpins our business strategy.

To support this strategy, we are focusing on cultivating experts, including specialists in intellectual property and intellectual property analysts certified by AIPE. We are also deploying our IP landscape concept to business units and R&D departments, stationing employees from these units/departments in the Intellectual Property Strategy Department to enhance their understanding. In addition, for managers working in R&D departments, we provide education on the process of creating new intellectual property and disseminate related information.

Initiatives for strengthening intellectual property capabilities

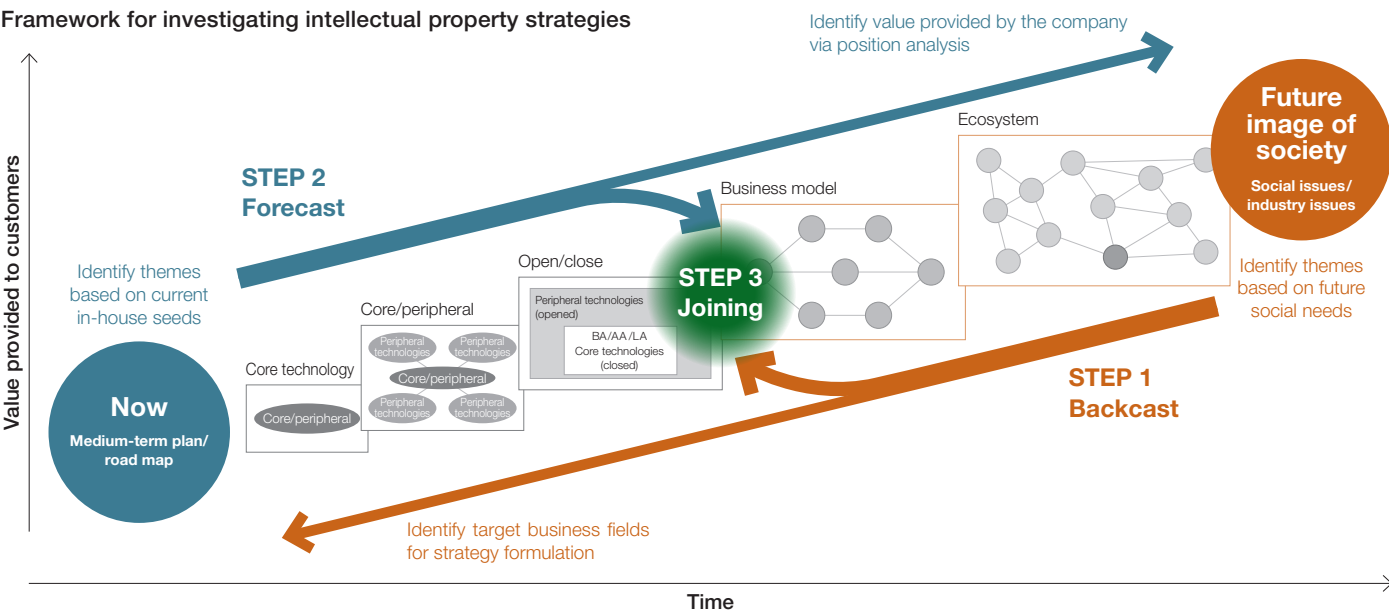
(Three growth fields)		(Three businesses)	
New automation		BA business	
Environment and energy		AA business	
Life-cycle solutions		LA business	
Building a high-quality intellectual property portfolio by creating intellectual property rights that strengthen effective intellectual property assets			
Analysis of life cycle and market competitive positions			
Analysis of patent and non-patent information of our company and other companies for use in the formulation of business strategy (e.g., using IP landscapes)			
Intellectual property strategy	Business strategy	Management strategy	

Approach to company-wide intellectual property strategy

In the current business environment, the value of intangible assets, including intellectual property, is rapidly increasing and playing an important role in business activities. Investors are requesting companies to disclose non-financial information, particularly on intangible assets. The effective management of intellectual property directly impacts competitiveness in the international market. Considering the latest revisions to Japan's Corporate Governance Code, we aim to utilize intangible assets more effectively and promote the formulation of a company-wide intellectual property strategy to increase our enterprise value.

As a specific approach, we have adopted the backcasting method. This process enables us to predict future developments in automation technology and then work backward to clearly define the necessary actions to achieve our ideal state in the three growth fields. By identifying the gap between our current situation and this ideal state, we can develop an intellectual property strategy that aligns with our business strategy to close the gap. Through these efforts, we aim to achieve revolutionary growth and build sustainable competitiveness.

Framework for investigating intellectual property strategies



Quality Assurance

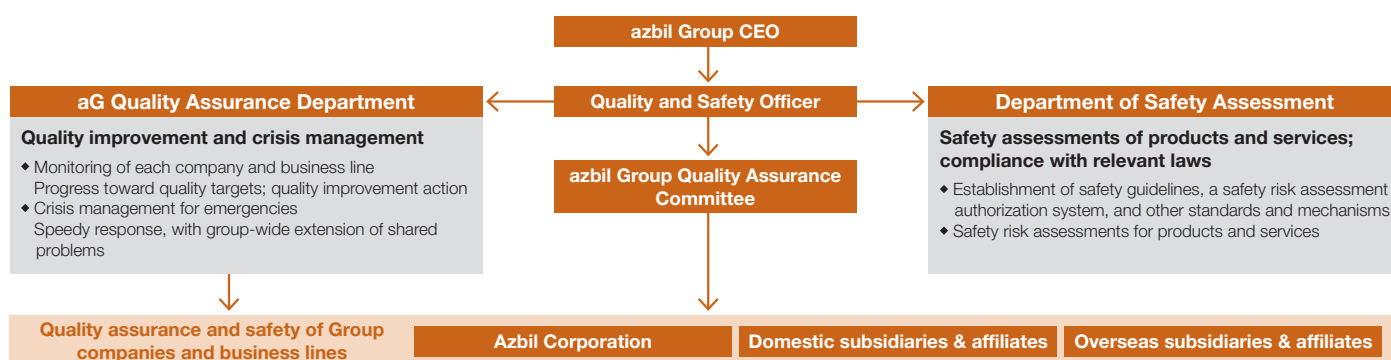
We aim to ensure quality assurance, product safety, and product reliability to satisfy customers and users throughout the product and service life cycle, from the planning of products that meet needs to final disposal. For this reason, the azbil Group has established and implements basic policies.

Initiatives for quality assurance, safety, and security

To ensure that our customers can use our products and services safely and with peace of mind, two corporate departments, the aG Quality Assurance Department and the Department of Safety Assessment, provide guidance and supervision of quality throughout the Group and ensure product safety and reliability through safety audits.

Through the work of the azbil Group Quality Assurance Committee, we strive to prevent the occurrence or recurrence of quality problems, address major risks through mitigation strategies, and establish a crisis management system for handling emergencies. We also endeavor to guarantee the safety of our products and services by promoting safe designs based on our Safe Design Standards document and applying the mechanisms in our safety risk assessment system.

The azbil Group's quality assurance and product safety efforts



Quality assurance and product safety of the group companies and business lines

We have built a quality assurance system for the business lines of Azbil Corporation and the companies of the azbil Group, focusing on legal compliance, quality assurance, and safety assurance. This enables us to ensure quality and safety when providing products and services across our various businesses.

(1) Design quality

As a manufacturer, we ensure the quality and safety of our products and services. During the product development process, we focus on reliability and safety, designing processes and equipment that prevent quality or safety nonconformities.

(2) Production quality

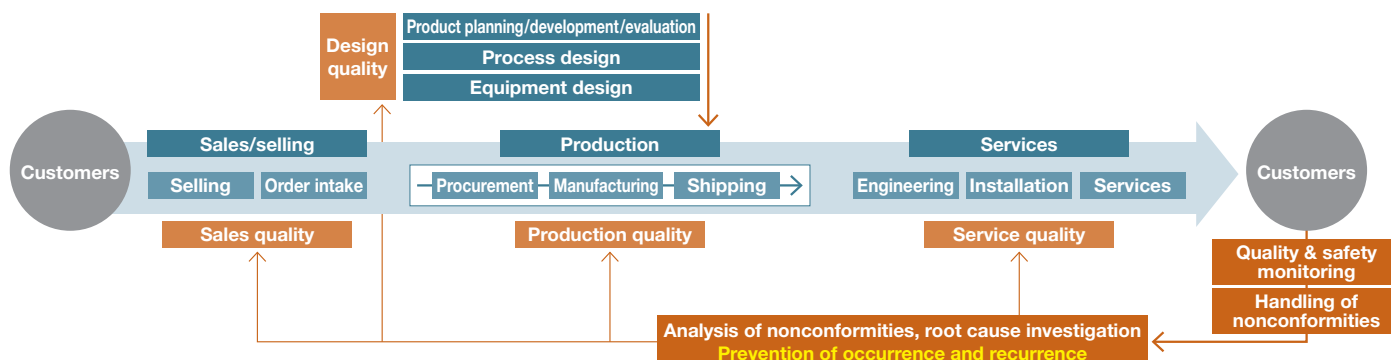
At our production sites, we strive to prevent the input, creation, and output of nonconforming products through standardized work and inspection procedures for each product. We ensure strict quality control and change management (4M* change management) to implement on-site quality improvements and routine management.

*4M: Man, Machine, Method, Material

(3) Service quality

For our services, we establish systems for work standardization and quality control like those for our products, preventing nonconforming services. For example, in selecting construction materials and designing work processes at construction sites, we implement appropriate responses and conduct in-house inspections when required. In the operation phase after construction, we provide maintenance services to ensure comfortable office spaces, and achieve energy savings and safety.

Quality assurance and product safety of the azbil Group business line





Human capital is the source of value creation. We are continuing our efforts to strengthen our human capital for the sustainable growth of the azbil Group.

Akihiko Naruse
Managing Corporate Executive
Human Resources & Education, SDGs

Initiatives to strengthen human capital are aligned “in series” to the efforts to achieve the SDGs

The azbil Group regards human resources as “capital.” Based on the universal idea that employees are valuable assets and the source of a new corporate culture and the creation of enterprise value, the azbil Group is strengthening our human capital. This initiative aims to ensure our continuous growth as a valuable global presence that makes contributions “in series” to the achievement of a sustainable society. To respond to changes in business structure induced by future technological developments and new developments in society, and to achieve our long-term targets and medium-term plan, we hire individuals with diverse values based on a variety of backgrounds. In addition, we have set up our personnel system so that employees will continue to play an active role over the long term, we cultivate personnel who can respond flexibly to change, and we assign the right people to the right positions, thereby embodying our vision of being “an organization that never stops learning.” The employees of the azbil Group, numbering about 10,000, are demonstrating their capabilities according to these human resource strategies and policies, generating innovation, and further enhancing productivity, leading to the sustainable enhancement of enterprise value.

The azbil Group has identified our group’s vision in our essential SDG goals. These SDG goals, along with business expansion and direction, and the strengthening of human capital investment, are aligned “in series,” which is a defining characteristic of the azbil Group.

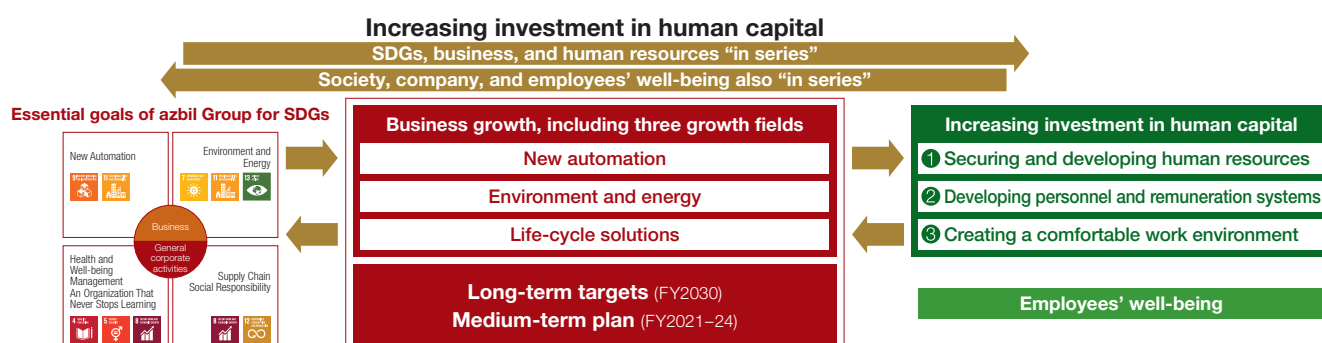
Strengthening investment in human capital consists of three pillars: ① Securing and developing human resources, ② Developing personnel and remuneration systems, and ③ Creating a comfortable work environment. Through these initiatives, we aim to realize the well-being of our employees, and by extension, the well-being of society. Furthermore, we believe that the realization of society’s well-being will, in turn, motivate our employees and bring them a sense of accomplishment, leading to the realization of employees’ well-being.

Regarding initiatives aimed at health and well-being management, various measures are being introduced, such as improvements to the work environment, improvements to the work system, and the promotion of DX. In addition, various communication measures, such as talks with the President and vending machines that offer free drinks to employees who buy drinks in pairs, are being implemented.

Regarding our initiatives on diversity and human rights issues, we have also set them as SDG goals and are taking action accordingly. In the area of diversity, we achieved our goal of doubling women’s advancement points at azbil Group companies in Japan by FY2024 (compared with FY2017), one year ahead of schedule. In the area of human rights, Azbil is a signatory to the United Nations Global Compact for 2021 and has been selected for Japan’s Health and Productivity White 500 list. In our supply chain, we have established targets for our social-related supply chain category that prioritize human rights, and we are improving the breadth and quality of those measures.

Increasing the value of human resources and enhancing enterprise value

In the azbil Group, human resource with specific talents (assets) are considered “human capital” and are seen as important capital. As capital, their value is directly linked to enterprise value. The philosophy of the azbil Group states, “We create value together with customers at their site.” So for us, human capital is an indispensable element in the execution of our business as well as in the products and services we provide. One of our strategies includes the introduction of an employee stock ownership plan and the Trust-Type Employee Shareholding Incentive Plan (E-Ship®) as a means of returning profits to employees in conjunction with an increase in enterprise value (stock price). We will continue to promote measures to strengthen our human capital while prioritizing the linkage with enterprise value.



Human Capital

The azbil Group defines health and well-being management as a comprehensive approach that enables all our diverse employees to be healthy, active, and demonstrate their capabilities based on both new ways of working and the promotion of diversity. We are developing better working environments for our employees and nurturing human resources (all employees are human capital with “talent”) into human capital through the Azbil Academy, an institution specializing in human resource development. We are strengthening our human capital by investing in human resources for business growth, including three growth fields, to achieve our long-term targets and medium-term plan.

① Securing and developing human resources

Human capital investment in three growth fields

In the field of *new automation*, which solves new challenges with new products and services, advanced technology development is necessary both in Japan and overseas. To this end, we are strengthening our training efforts by cultivating and optimally allocating engineers through our talent management system, hiring specialized personnel, conducting collaborative R&D with universities and research institutions, and dispatching employees to collaborative research sites.

In the field of *environment and energy*, where we demonstrate our proven strengths in energy efficiency and renewable energy, it is necessary to develop engineers capable of achieving carbon neutrality. To further enhance our engineering capabilities and knowledge of renewable energy, we will promote the cultivation of human resources through mutual exchange with business alliances. We will also strengthen our engineering capabilities led by engineers who have been officially certified

for their skills and knowledge through programs established to motivate the acquisition of qualifications, as well as technical “professionals” and “meisters” who have cleared our in-house certification system.

In the field of *life-cycle solutions*, which supports customer assets over the long term, we must leverage our network to provide high-value-added services. Therefore, we need to strengthen our engineering and service capabilities through DX and enhance our global human resources. We are promoting reskilling across a wide range of areas, from production to service maintenance, engineering, and support departments, through DX education using our learning management system (LMS) and other tools.

To achieve our medium- and long-term goals, we are focusing particularly on developing global personnel and those proficient in DX, based on the azbil Group's basic principles for human resource development, as described below.

Approach and initiatives for the development of human resources

The Azbil Academy, a specialized institution for cultivating human resources, plays a central role in sustaining the azbil Group's business activities that contribute “in series” to a sustainable society. It set forth the Basic Principles of Human Resource Development, which call for (1) teamwork and collaboration as work professionals, (2) a strong desire to excel and take on challenges, and (3) high aspirations, a sense of ethics, and an international mindset. We are committed to becoming “an organization that never stops learning.”

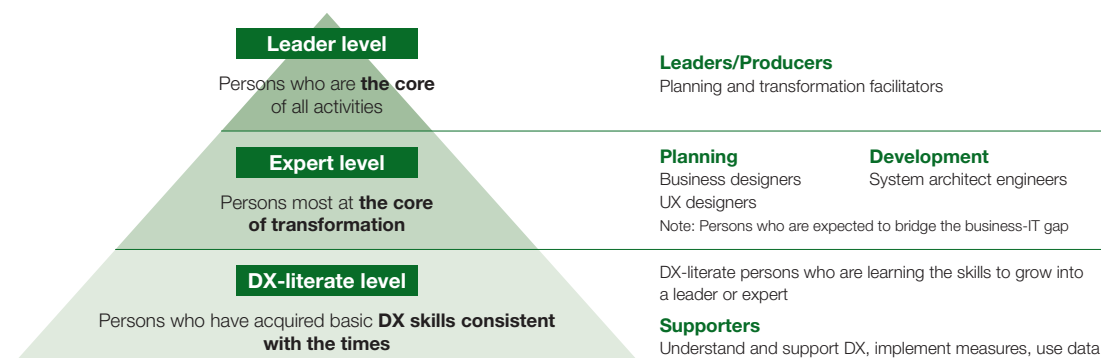
Basic Principles of Human Resource Development

- Human resources are the source of the azbil Group's growth, so the azbil Group cannot grow unless the human resources grow.
- Therefore, to optimize employee strength and organizational strength, the following are necessary.
 - For individuals: Take responsibility for your own growth and the development of your abilities as much as possible
 - For supervisors: Take responsibility for developing subordinates' abilities in the workplace
 - For companies: Support individuals and organizations by providing opportunities fairly

a) Developing DX-capable personnel

DX supports the expansion and deepening of the azbil Group's three growth fields. To promote and accelerate DX, companies must transform their businesses through enhanced operational capability, data science, and data engineering capabilities. In developing DX-capable personnel, we define azbil's DX human resources, conduct various seminars, and utilize external e-learning programs to facilitate skill acquisition. For example, to train next-generation engineers for the IoT and AI era, we have instituted an engineer education program that covers the latest developments in technology and emphasizes practical examples. We are working to strengthen the knowledge and technical skills required to create high-value-added software and advanced engineering services.

DX-capable personnel and their roles



Human Capital

b) Cultivating global personnel

At the Azbil Academy, in addition to providing and expanding various training programs and LMS, we focus on developing global business leaders regardless of whether they are from domestic or overseas Group companies. We promote English-based learning opportunities that bring together participants from local subsidiaries and affiliates around the world, including Japan. We also accept student interns from universities both in Japan and overseas, providing valuable learning opportunities for students and fostering cultural understanding among our employees.

Global human resources training program (for both domestic and overseas employees)



② Developing personnel and remuneration systems

Our HR system is based on the principles of *continuous human resource development*, *maximizing personnel capabilities*, *enriching lives*, and *securing human resources*. We support the activities of our diverse workforce through fair treatment, and fair evaluation and promotion processes. Our unique job-based personnel system focuses on role and demonstrated ability, regardless of age, nationality, gender, or any other factor.

We have also introduced a welfare system to encourage every employee to approach their daily work with an awareness of the need to “enhance enterprise value,” and to grow and develop along with the company by practicing our group philosophy. Specifically, we are improving the work environment by introducing an employee stock ownership plan*¹ aimed to help employees build long-term assets by working together with the company to improve business performance. We have also established the azbil Group Employee Stock Ownership Association, which is intended to help build long-term assets, and through the azbil Group Employee Stock Ownership Association we have introduced the Trust-Type Employee Shareholding Incentive Plan (E-Ship®)*², which grants benefits through the association when there is medium-to long-term improvement in enterprise value. Furthermore, from the

perspective of strengthening investment in human capital, which is extremely important in promoting the sustainability management of the azbil Group, we have decided to partially revise the employee stock ownership plan to a system that imposes transfer restrictions for a certain period on the shares granted to employees, with the revision scheduled for April 2025. Under the revised system, while the shares granted to employees will have transfer restrictions until retirement, employees will be able to exercise voting rights and receive dividends while employed. This enhancement of employee welfare aims to strengthen employee engagement and contribute to the sustainable improvement of enterprise value by increasing the linkage with our company's stock price and business performance.

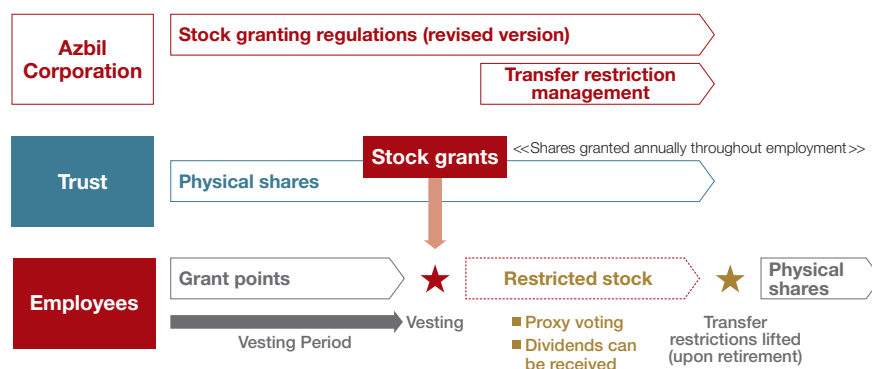
*¹ A program where employees earn points based on their individual contributions. Once they meet certain conditions, they become eligible to receive company stock equivalent to the points they have accumulated.

*² A system where a trust acquires in advance the number of company shares anticipated to be acquired by the stock ownership association over a predetermined period (three years). Thereafter, the trust continuously sells the company's shares to the stock ownership association, and if an amount equivalent to the capital gains from the sale of shares is in the trust at the time of its termination, the amount equivalent to the capital gains will be distributed as residual assets to those who meet the beneficiary eligibility requirements. E-Ship® is a registered trademark of Nomura Securities Co., Ltd.

Partial revision to the employee stock ownership plan (scheduled for revision in April 2025)

In May 2017, we introduced an employee stock ownership plan as a system to provide company shares to employees upon their retirement, based on their contribution to the company's performance. This was aimed at enhancing employees' incentives related to the company's financial performance and stock price, thereby improving our enterprise value.

With regard to this system, from April 2025 onward, the shares will be granted to employees throughout their employment (with transfer restrictions until retirement). Employees will be able to exercise voting rights and receive dividends according to the shares granted to them.



Note: Points are awarded to employees based on the stock granting regulations. Company shares are granted according to the number of points awarded.

③ Creating a comfortable work environment

In the azbil Group Health and Well-being Declaration, we commit to fostering a collaborative effort between the company and its employees to create comfortable and pleasant work environments and we pledge to actively promote mental and physical health. We value opportunities for diverse individuals to acknowledge each other's social and physical characteristics, differences in thoughts and values, and to thrive.

azbil Group Health and Well-being Declaration

The azbil Group believes that the health of each employee is an important basis for corporate action, and aims to create workplaces where each and every person at an azbil Group company works in a lively, healthy, and comfortable way, with a feeling of safety and peace of mind, and in a manner that suits each person. When each person is able to express his or her diverse abilities and to live a fulfilled life both at work and at home, productivity and performance will improve, resulting in innovation and contributions to society. We declare our intention that companies and employees proactively work together to create a comfortable work environment, to enhance the mental and physical health of employees, and to make workplaces and employees healthy, happy, and lively.

a) Work-style reforms: Creating pleasant work environments

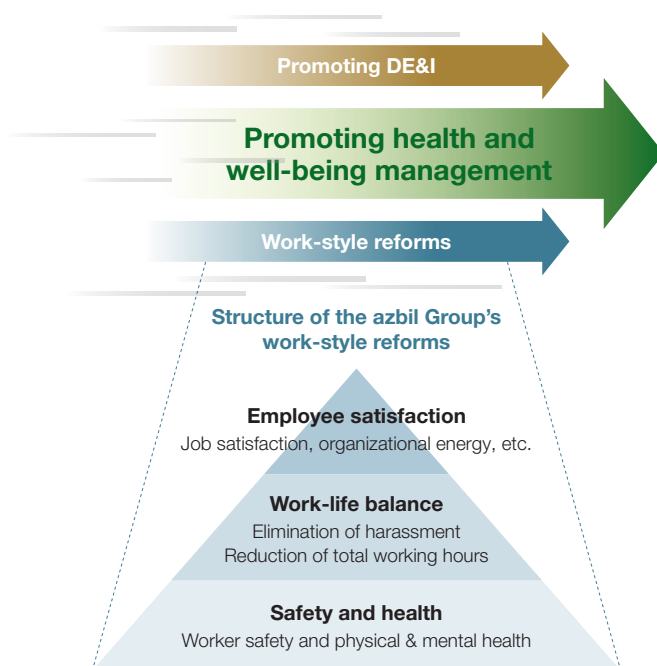
Believing that a comfortable and pleasant work environment is necessary for employees to be able to work actively, enthusiastically, and in a manner suited to each individual, we have been promoting the creation of new ways of working, starting with remote work during the COVID-19 pandemic. We are providing employees with a new "office" environment by promoting remote work from home and hybrid work (a combination of office work and remote work) and DX-based business innovation. At the same time, we are striving to improve employees' well-being and engagement by enhancing communication among employees. This involves various initiatives, such as creating opportunities for direct communication between the management with azbil Group employees both domestically and internationally, promoting open and two-way communication, enhancing internal communication,

b) Promoting Diversity, Equity, and Inclusion (DE&I)

We promote diversity, equity, and inclusion initiatives with the belief that respecting the individuality of all employees and their diverse backgrounds, and enabling each one to demonstrate their abilities, are the driving forces behind the company's growth. In FY2017, we launched the Azbil Diversity Network (ADN) and have been working on a variety of measures. In FY2021, ADN's activities were expanded to cover a diverse range of human resources such as mid-career hires as well as female employees and employees of foreign nationality. We are also forging ahead with efforts to materialize suggestions made to the company through ADN activities. By creating more pleasant working environments, we are cultivating a diverse workforce comprised of employees who can play central roles in the company.

We are also actively working to employ people with disabilities. At Azbil Yamatake Friendly Co., Ltd., a special

Overview of health and well-being management



implementing a mentorship program, and offering short-term internships in different departments.

Furthermore, the azbil Group provides annual education on the Guiding Principles, the Code of Conduct, and the azbil Group Basic Policy on Human Rights through e-learning and other methods. This initiative is part of our commitment to respecting human rights, as outlined in the azbil Group Basic Policy on Human Rights and the azbil Group Code of Conduct, and is included in our CSR education for all employees. Also, with the aim of creating a harassment-free workplace, we analyze the results of compliance awareness surveys that are conducted every year among all employees, as well as the results of group analysis of employee satisfaction surveys and stress checks. We then work with workplace management and the Human Resources Department to consider countermeasures and work to improve the work environment.

subsidary of the azbil Group, employees with disabilities are responsible for a wide range of tasks, including organizing and cleaning the workplace, assisting with production line work, precision machining, and helping to record experimental data. We have created a comfortable work environment tailored to our employees with disabilities, ensuring they can continue working.

These efforts have been recognized, and the company has received the "Monisu Certification"^{*3} from the Japanese Ministry of Health, Labour and Welfare.

We will continue to promote employment and improve the work environment to provide opportunities for employment and personal growth through work.

^{*3} A system in which the Japanese Ministry of Health, Labour and Welfare certifies small and medium-sized companies based on their efforts regarding the employment of people with disabilities.

Azbil Academy

Founded in 2012, the Azbil Academy is the azbil Group's institution specializing in human resource development. Guided by the azbil Group's philosophy of "human-centered automation," we are continuously developing human resources based on the desired human resource profile and foundational principles established in 2008.

In addition, as one of the targets of our essential SDG goals is to achieve "65% or more employees having experienced personal growth through their work" by FY2030 for "an organization that never stops learning," we are implementing various measures to achieve this target. The following is a partial list of our efforts to develop human resources.

Overview of human resource development

	Employment				Management	
By function	Specialized training by business department, job category, and skill (skill development training in business departments)					
	DX training (DX-literate, expert, leader), IT basic/SW engineer training					
Global leader/D&I	Globalization training			Diversity network		Training for employees assigned to overseas subsidiaries and affiliates
Training by hierarchical levels	New employee training	New employee follow-up/ training for second to fifth year employees	Logical communication/self-understanding and understanding others/problem-solving		Seminars for personnel at managerial positions/training for evaluators	Executive training
Career development	career development programs/interviews/mentor programs/in-house internship programs/ in-house open recruitment systems					Mentors for management
Company-wide education	Compliance education, information security education, safety education, quality education					
Self-learning support	Company-wide LMS, external e-learning, distance learning, language training, and independent study groups					
Qualification acquisition	Within the company: Professional/Meister system Outside the company: Incentive programs for acquiring qualifications					

■ New employee/young employee development

New employee education

During the initial six months of employment, until the main assignment, we provide training aimed at strengthening understanding of the company, as well as professional etiquette and fundamental competencies for work. At the company's own training center, trainees receive product explanations from business division trainers, and at the same time, they can engage with the products firsthand, fostering a deeper understanding. In addition, we provide experiential learning opportunities that go beyond the classroom lectures, such as accompanying senior employees on visits to customer sites and participating in on-site work activities.

Young employee development

From the second to the fifth year of employment, we conduct an annual common training session. Through learning methods of logical communication, problem-solving skills, self-understanding, and understanding others, we aim to improve job performance and workplace communication. At the same time, we conduct surveys, and based on the responses, employees who are facing difficulties are interviewed directly by Azbil Academy staff, who support them in resolving their issues.

■ Career development support

Career consultation

We are always available to employees for consultation regarding their career development. Certified career consultants within our team play a central role in supporting employees' career growth through meaningful dialogue.

Follow-up interviews for transferred employees

For employees who have been transferred to a new position, between business divisions, or to a new location (including overseas), we will assess their physical and mental health through post-transfer surveys and interviews. We will provide appropriate advice and, if necessary, coordinate with an industrial physician.

Mentor programs

The purpose of this program is for newly appointed section managers to be supported by a team of veteran employees who have held managerial positions and serve as mentors. These veteran employees offer guidance and support to the new section managers, allowing them to share common challenges and concerns and receive tips for solutions through conversations with senior employees who have no vested interests. By organizing teams of multiple mentors and mentees, the program facilitates the sharing of diverse experiences and provides a valuable network for both mentors and mentees.

■ Developing global personnel

To expand our global business, including in Japan, we are developing global business leaders and promoting the internal globalization of our organization, whether it is a group company in Japan or overseas. As

part of this effort, we conduct globalization seminars that bring together employees from Japan and abroad, and we offer internships for university students from both Japan and overseas.

■ Various programs

Professional/meister (in-house)

A system that evaluates proficiency in techniques and skills, in addition to knowledge of specific technologies, through a certification test. Those who pass the test are certified as in-house individuals possessing the necessary qualifications

Internal recruitment (open challenge)

A system where employees can apply for a transfer to a department that is recruiting internally

In-house internship

A system that enables employees to experience and learn the business operations of other departments for a certain period without being formally transferred

Incentives for acquiring qualifications

A system that allows employees to receive incentives for acquiring official qualifications in the company's predetermined list

Self-learning support

To support self-study, we offer a system whereby the company covers the costs of using external e-Learning platforms

■ An environment for learning

We introduced the LMS to create a unified learning environment for employees across domestic and overseas subsidiaries and affiliates. This platform, known as the Azbil Learning Plaza, is publicly accessible and is also partially available to our stakeholders.

At the Azbil Academy, in addition to creating opportunities for employees to acquire and develop knowledge, technology, and skills, we are focused on fostering a mindset of autonomous learning. Recognizing that the growth of each employee is fundamental to the sustainable growth of the azbil Group, we aim to contribute to a sustainable society by encouraging all employees to embody the concept of "an organization that never stops learning."

Akiko Ogino
President of Azbil Academy





We aim for sustainable growth by contributing to the well-being of our employees and all other key stakeholders.

Tomoyuki Takeda
Managing Executive Officer
azbil Group Work-style Creation (Well-being)

Management and employees working together as one

The term “well-being” is referred to in the Preamble to the Constitution of the World Health Organization issued in 1948, which states that “Health is a state of complete physical, mental, and social well-being and not merely the absence of disease or infirmity.” Inheriting our founder’s spirit of “freeing people from drudgery,” the azbil Group is promoting business operation based on its group philosophy of “human-centered automation” and the “Five Guideposts (Guiding Principles).” In doing so, we aim to achieve well-being for all employees through their proactive engagement in making contributions through our business operations to the realization of society’s well-being.

In 2016, the azbil Group started preparing its response to Japan’s acts related to work-style reforms, which came into effect incrementally from April 2019. Special emphasis has been placed on limiting overtime work. In FY2016, around 1,000 employees were working 45 hours or more of overtime per month, but by FY2023, we had successfully reduced that number to just a few dozen. In addition, during the business activities affected by the COVID-19 pandemic from FY2019 to FY2022, we prioritized “employee safety first” to ensure business continuity. In FY2023, we changed our focus to “a year to steer the ship toward transformation.” In preparing to advocate for well-being, we revised our personnel system by formally adopting telecommuting, reforming workplaces as part of the “creation of new ways of working,” and promoting DX, including the use of generative AI. At the same time, with the aim of promoting carbon neutrality (CN), we held an in-house program named “azbil*CN Challenge*2023,” in which all azbil Group employees participated. Leveraging this program, we conducted activities designed to quickly boost momentum for developing and

providing solutions and thus making contributions leading “in series” to solving societal issues.

Then, we designated FY2024 as a year to further promote “transformation for growth” and advocated well-being, aiming for further evolution of “health and well-being management” and the “creation of new ways of working.” We recognized requests from employees on the front lines of business as valuable bottom-up suggestions. Employees and management will work together to make contributions that lead to a sustainable society “in series,” while realizing a business environment aspiring to well-being.

Practicing the azbil Group philosophy leads to increased enterprise value

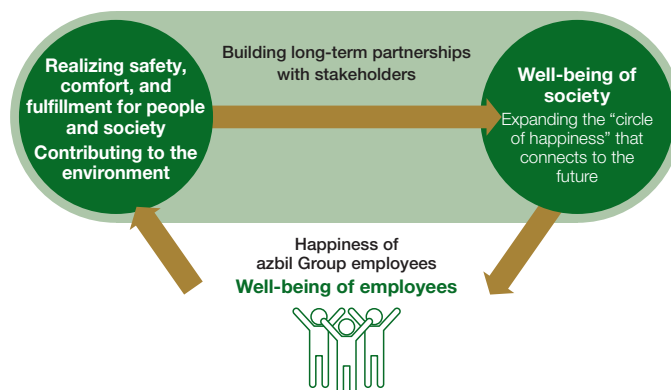
Until now, enterprise value has generally been expressed in terms of economic indicators such as the scale of sales and the size of business. However, with the adoption of the Sustainable Development Goals at the United Nations summit in 2015, attention to ESG has increased dramatically. With the emergence of global social issues such as climate change and human rights, ESG perspectives have become of paramount importance for companies to achieve long-term growth. In the “ESG era” where ESG investment is expanding, we believe that it will be essential to evaluate enterprise value not only through economic indicators but also by assessing contributions to societal well-being, stakeholder well-being, and employee well-being. This holistic approach is highly compatible with the azbil Group philosophy of “human-centered automation” and the “Five Guideposts (Guiding Principles).” We believe that putting this philosophy into practice will lead to an increase in enterprise value and at the same time contribute “in series” to the achievement of a sustainable society.

Guiding Principles for azbil Group Business (Item 3)

Building long-term partnerships with stakeholders

Based on the happiness of people working in the azbil Group, we continually pursue the happiness of our customers at their sites, and share in their sense of accomplishment. With this business model as the driving source of growth, we establish long-standing mutual trust relationships with all stakeholders, including our shareholders and customers.

Our aims



Environment

Environmental management

In line with the Group philosophy, the azbil Group regards protecting the global environment as a key issue for management. We aim to be an environmentally progressive company that works proactively to reduce the environmental impact of our customers' sites and address society's environmental issues through our business, while reducing the environmental impact of our entire supply chain to support the development of a sustainable society.

WEB Environmental Initiatives

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

Our basic approach

The azbil Group, in light of international developments such as the adoption of the United Nations' SDGs and the rapid drive toward decarbonization across society, has made a long-term commitment to addressing environmental issues in order to protect the planet. We strive to create and provide sustainable products and services through integrated environmental corporate management by incorporating an extensive range of environmental activities into our business operations, addressing global environmental challenges such as decarbonization, resource recycling, and biodiversity conservation, in response to societal needs.

Through our efforts to reduce our own environmental footprint, we gain know-how that enables us to better apply our measurement and control technology so that we can assist our customers in finding solutions to their environmental challenges. Consequently, we contribute to global environmental preservation through our core business activities and contribute to the achievement of a sustainable society.






Systems for environmental progress

The azbil Group Environmental Committee, led by the executive officer for azbil Group Environmental Protection Innovation, sets the framework for promoting environmental initiatives. It meets three times annually to plan, discuss, and evaluate the environmental systems of each Group company, considering both risks and opportunities.

Key policies in the medium-term plan (FY2021–24)

We have set a medium-term plan to help the azbil Group achieve its SDG goals. Through integrated environmental corporate management, which combines environmental action with business action, we are strengthening collaboration with our business units while expanding the scope of our initiatives and making progress on the issues we have identified as priorities, namely decarbonization, resource recycling, biodiversity conservation, and creation and provision of sustainable products and services.

Key policies in the medium-term plan (FY2021–24)

Key policies	Policy	Results in FY2023
 Decarbonization	Effective reduction of CO ₂ at customers' sites <ul style="list-style-type: none"> • Work with business departments to expand effective reduction of CO₂ • Expand and intensify energy-saving measures and promote the adoption of renewable energy to achieve 2030 targets • Make the entire supply chain carbon neutral by 2050 	<ul style="list-style-type: none"> • Visualized effective reduction of CO₂ in line with business targets • Reviewed the calculation process to ensure it appropriately reflects business changes • Formulated a concrete plan for decarbonization by 2030 • Increased the number of business locations using renewable energy sources • Identified decarbonization efforts at business partners and engaged in dialogue • Applied to obtain SBT net zero certification
 Resource recycling	Effective use of resources <ul style="list-style-type: none"> • Continuously reduce resource consumption by optimizing efficiency in business activities 	<ul style="list-style-type: none"> • Implemented target management by the azbil Group environmental decision-making bodies to reduce the usage of various resources: Final disposal rate: 0.85% (e.g., at domestic azbil Group production sites) — Implementation of third-party verification for waste and water management • Assessed water-related risks
 Biodiversity conservation	Compliance with environmental laws <ul style="list-style-type: none"> • Promote regulatory compliance management Nature conservation efforts <ul style="list-style-type: none"> • Intensify nature conservation efforts (including contributions through our business activities) 	<ul style="list-style-type: none"> • No major legal violations, and consequently no resulting penalties, administrative fines, or lawsuits^{*3} • Local conservation activities conducted six times (with 90 participants)
 Create and provide sustainable products and services	<ul style="list-style-type: none"> • Achieve sustainable products <ul style="list-style-type: none"> — Contribute to the achievement of our SDG goals through sustainable designs in new product development • Provide sustainable services <ul style="list-style-type: none"> — Cultivate skilled professionals to support field engineering services and contribute to achieving a sustainable society 	<ul style="list-style-type: none"> • Built a new progress management system for our own SDG goals <ul style="list-style-type: none"> — Started implementing in-house standards for sustainable design • Used the azbil Group's unique sustainable design for all new products • Implemented a 100% recyclable design for about 10% of new products • Set quantitative targets (SDG targets) related to sustainable services • Cultivated 760 skilled professionals
 Improve integrated environmental corporate management	<ul style="list-style-type: none"> • Strengthen environmental initiatives linked to business activities • Respond to requests from stakeholders (investors, customers, others) 	<ul style="list-style-type: none"> • Integrated major environmental goals (the essential SDG goal: Environment and Energy) into business plans • Obtained external evaluations of our climate change and water risk initiatives <ul style="list-style-type: none"> — FTSE Russell ESG score of 4.4 (out of 5) — CDP Climate Change 2023: A — CDP Water Security 2023: A-

^{*1} Scope 1: Direct GHG emissions from a business (from fuel burning, industrial process, etc.)
^{Scope 2} Indirect GHG emissions from using electricity, heat, or steam provided by another business
^{Scope 3} Indirect GHG emissions related to business activities (indirect emissions not included in scopes 1 and 2)



Achieving a sustainable society

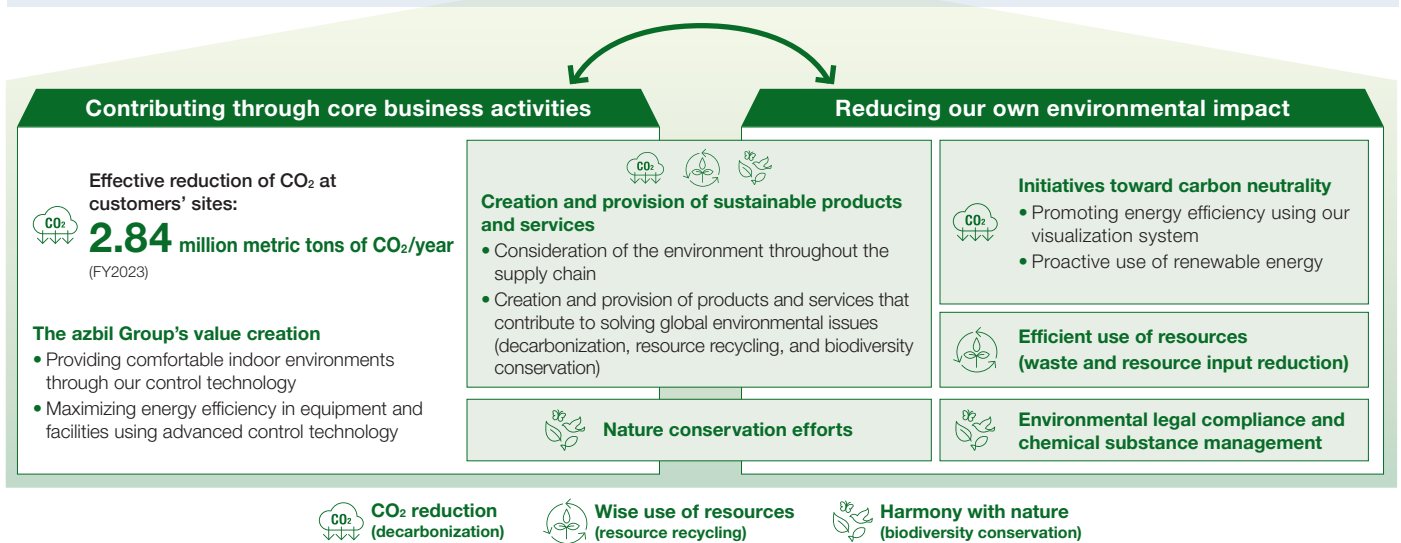
Our SDG targets for FY2030

Effective reduction of CO₂ at customers' sites:
3.40 million metric tons of CO₂/year

GHG emissions from business activities (scopes*¹ 1+2): **55% reduction** (from base year 2017)
GHG emissions across the entire supply chain (scope 3): **20% reduction** (from base year 2017)*²

Design all new products to meet **the azbil Group's own sustainability standards**
Design all new products to be **100% recyclable**

Increase the number of **skilled professionals for supporting sustainable services** provided by the azbil Group to **a total of 1,800—triple the number** in FY2021



Medium-term plan (FY2024)	Aims for 2030	Relevance to our SDG goals
<ul style="list-style-type: none"> Further expand effective reduction of CO₂ at customers' sites, and enhance collaboration with business departments Work with business departments to intensify energy-saving efforts at key business locations Further grow the number of business locations adopting renewable energy sources (including renewable energy sources with additionality) 	<ul style="list-style-type: none"> Effective reduction of CO₂ at customers' sites: 3.40 million metric tons of CO₂/year GHG emissions from business activities (scopes 1+2): 55% reduction (compared with 2017) 	<ul style="list-style-type: none"> Solve energy-related problems Quantitative targets have already been set
<ul style="list-style-type: none"> Identify decarbonization efforts at business partners and pursue further dialogue Plan and commence work on making the entire supply chain carbon neutral by 2050 <ul style="list-style-type: none"> Obtain SBT net zero certification 	<ul style="list-style-type: none"> GHG emissions across the entire supply chain (scope 3): 20% reduction (compared with 2017)*² 	<ul style="list-style-type: none"> Solve energy-related problems Quantitative targets have already been set
<ul style="list-style-type: none"> Strengthen initiatives to reduce waste and conserve resources such as water (in compliance with the Act on Promotion of Resource Circulation for Plastics, a new law on plastic waste) Identify the relevance of business to the circular economy and related measures 	<ul style="list-style-type: none"> Establish initiatives for global resource recycling and the circular economy 	<ul style="list-style-type: none"> Contribute to solving environmental problems Effective use of natural resources and reduction of waste production
<ul style="list-style-type: none"> Expand/enhance regulatory compliance management, including overseas 	<ul style="list-style-type: none"> Establish a monitoring system for laws and regulations, including those overseas 	<ul style="list-style-type: none"> Contribute to solving environmental problems
<ul style="list-style-type: none"> Plan and start nature-positive related initiatives (apply for registration of Japan's other effective area-based conservation measures, get started with the TNFD recommendations) 	<ul style="list-style-type: none"> Strengthen biodiversity conservation efforts linked to the SDGs 	<ul style="list-style-type: none"> Contribute to solving environmental problems
<ul style="list-style-type: none"> Establish a progress management system for fulfilling the SDG targets 	<ul style="list-style-type: none"> Use the azbil Group's unique sustainable design for all new products Design all new products to be 100% recyclable 	<ul style="list-style-type: none"> Contribute to solving environmental problems <ul style="list-style-type: none"> Create and provide environmentally friendly products and services Quantitative targets have already been set Optimize the use of natural resources and minimize waste generation Quantitative targets have already been set
<ul style="list-style-type: none"> Accelerate the cultivation of skilled professionals by establishing a system for in-house technical certification and training 	<ul style="list-style-type: none"> Increase the number of skilled professionals for supporting sustainable services provided by the azbil Group to a total of 1,800—triple the number in FY2021 	<ul style="list-style-type: none"> Contribute to solving environmental problems <ul style="list-style-type: none"> Create and provide environmentally friendly products and services Quantitative targets have already been set
<ul style="list-style-type: none"> Establish an environmental target management system linked to business 	<ul style="list-style-type: none"> Simultaneously achieve 2030 business targets and environmental targets (our own SDG goals) 	<ul style="list-style-type: none"> Contribute to the SDGs by integrating environmental activities such as decarbonization, resource recycling, and biodiversity conservation into our business
<ul style="list-style-type: none"> Maintain and improve communication with investors and customers on environmental issues 	<ul style="list-style-type: none"> Create links between the demands of investors, customers, and other stakeholders, and the company, its businesses, and environmental initiatives through appropriate communication 	<ul style="list-style-type: none"> Contribute to the SDGs by integrating environmental activities such as decarbonization, resource recycling, and biodiversity conservation into our business

*² In December 2023, we submitted our application to SBTi for a new target to reduce GHG emissions by 33% by 2030 (compared with 2017).

*³ There was a non-compliance issue involving regulated chemical substances exceeding the permissible limits of the European RoHS Directive. We have reported this to the related offices in the member countries of the European Union and are taking appropriate legal action.

Environment



Efforts to combat climate change (TCFD-aligned disclosure)

The azbil Group considers climate change to be a key issue to be tackled over the long term (materiality) to contribute “in series” to a sustainable society. The azbil Group endorsed the recommendations by the Task Force on Climate-related Financial Disclosures (TCFD) to accurately understand and properly disclose the impact of climate change on its business activities. We will continue to disclose information in line with TCFD recommendations.

Governance

The azbil Group recognizes climate change as one of the materialities in management in accordance with the azbil Group philosophy. The matter is deliberated in the Management Meetings from the perspective of business impact and financial impact disclosure, and the Board of Directors appropriately supervises the deliberations.

Sustainability Management
▶ pp.23–24
Corporate Governance
▶ pp.81–93

Strategy

Based on information from the Intergovernmental Panel on Climate Change (IPCC), the International Energy Agency (IEA), and other organizations, we have identified the long-term business risks and opportunities for the azbil Group until 2030 according to the 1.5°C/2°C scenarios*1 and the 4°C scenario*2. We understand the 1.5°C scenario to have the same opportunity and risk trends as the 2°C scenario, but with a greater degree of impact.

We considered both the opportunities and risks in each of our businesses based on these rising temperature scenarios and have concluded that the opportunities for our businesses to contribute to CO₂ reduction significantly outweigh the risks.

We have developed and published a decarbonization transition plan aimed at achieving carbon neutrality by 2050.

Expanded opportunities for azbil Group products, services, and solutions

>

Increase in migration and physical risks

Opportunities and risks
▶ p.70
Decarbonization transition plan
▶ p.71

*1 These scenarios assume that temperature rises are contained within a sustainable range due to the implementation of stricter regulations and the introduction of technological innovations aimed at a decarbonized society.

*2 This scenario assumes that no effective measures to reduce GHG emissions are implemented, the temperature continues to rise, and extreme weather and natural disasters increase.

Risk management

Based on our risk management systems, we comprehensively manage risks that could have a significant impact on operations, including those connected to climate change.

Risk management
▶ pp.79–80

Metrics and targets

We promote efforts to combat climate change to realize net zero for CO₂ emissions by 2050 through our business activities, which contribute “in series” to the achievement of a sustainable society, by establishing metrics and targets that consider all azbil Group customers, the azbil Group itself, and our entire supply chain.

The azbil Group's Essential Goal I for the SDGs (for FY2030)

Environment and Energy

Effective CO₂ reduction at customers' sites*1

3.40 million metric tons of CO₂/year

The azbil Group's Essential Goal I for the SDGs (for FY2030*2)

Environment and Energy

GHG emissions from business activities (scopes 1+2):

55% reduction (from base year 2017)

GHG emissions across the entire supply chain (scope 3):

20% reduction (from base year 2017)

Materiality and Essential Goals of azbil Group for SDGs
▶ pp.25–26
Results of initiatives in FY2023
▶ p.72

Effective reduction of CO₂ at customers' sites (contribution to the environment)
▶ https://www.azbil.com/csr/basic/environment/core_business_activities/contribution/contribution-to-the-environment/index.html

*1 The electricity emission factor used for FY2030 is our estimate based on our 2019 basic energy plan.

*2 In June 2023, we sent a commitment letter to the SBTi to set a net-zero target for all CO₂ emissions (scopes 1, 2, and 3) by 2050 within two years, and then submitted our application in December 2023. The targets approved by the SBTi are as follows:
Azbil Corporation commits to reach net-zero GHG emissions across the value chain by FY2049.
Azbil Corporation commits to reduce absolute scope 1 and 2 GHG emissions by 55% by FY2030 from the FY2017 base year. Azbil Corporation also commits to reduce absolute scope 3 GHG emissions by 33% within the same time frame.
Azbil Corporation commits to reduce absolute scope 1, 2, and 3 GHG emissions by 90% by FY2049 from the FY2017 base year.

Details of strategy (opportunities and risks)

We considered both the opportunities and risks in each of our businesses based on rising temperature scenarios and concluded that the opportunities for our businesses to contribute to CO₂ reduction significantly outweigh the risks.

We divided risks into physical and migration risks and analyzed their financial impact. Although physical risks were estimated based on several assumptions, we believe that their impact on business will be limited due to the countermeasures we have in place, such as decentralizing our production network and formulating business continuity plans. For migration risks, we established the 2030 GHG Emission Reduction Targets based on SBTs to gradually reduce our GHG emissions, and we are putting systematic risk reduction measures in place. Emissions from the azbil Group's business activities (scopes 1+2) were approximately 0.016 million metric tons. Even if carbon prices rose by ¥5,000 to 10,000 per ton, the total financial burden would be limited to around ¥100–200 million. However, after quantitative evaluations of the impact on the azbil Group's business in 2030 in the hypothetical 1.5°C/2°C scenarios, we expect it will lead to an effective reduction of CO₂ at customers' sites and the expansion of new energy markets. We therefore estimate this will contribute to an increase in sales of at least ¥12 billion per year.

Building Automation business: approx. **¥7 billion**

With the growing adoption of renewable energy sources and rising electricity rates, we anticipate heightened demand for our existing energy conservation services, including our total energy management service (TEMS), driven by the increased installation of related and high-efficiency equipment. We also expect an expansion in business opportunities for one-stop services that combine energy procurement and emissions trading (such as from renewable energy sources) with an energy management system (EMS) that centrally manages everything from the visualization of CO₂ emissions to carbon offsets. Our estimates are based on scenarios with certain assumptions, historical installation data, and customer needs in the hospital and hotel markets, where energy use is high.

Advanced Automation business: approx. **¥5 billion**

We anticipate an increase in business opportunities in markets that contribute to carbon neutrality (hydrogen, CO₂-free ammonia, carbon recycling/CCUS*). Our estimates are based on scenarios with certain assumptions arising from current trends, past installations in the target market, and the target market's growth rate according to third-party research organizations.

* CCUS: Carbon dioxide Capture, Utilization, and Storage

Disclosure of opportunities and risks

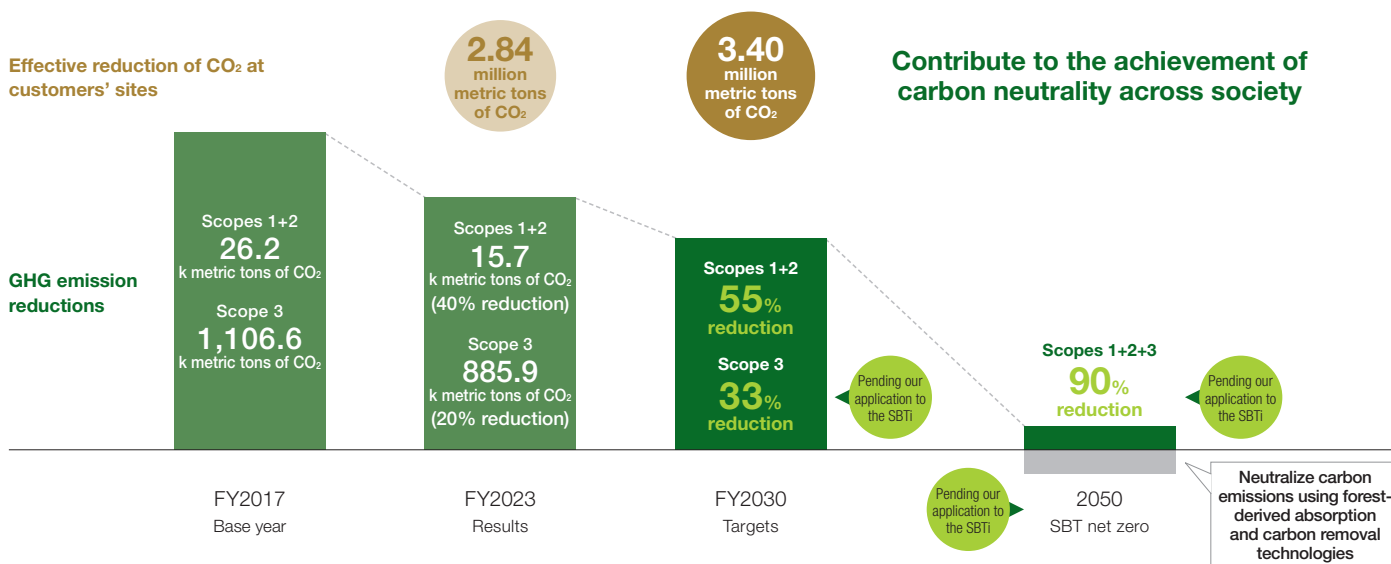
Type	Scenario	Building Automation business:	Advanced Automation business:	Life Automation business:
Opportunities	1.5°C/2°C	Growing demand for energy-saving and CO ₂ -reducing solutions and services that meet societal needs	Increasing demand for sensors, various other measuring instruments, and solutions designed for new industries and processes that reduce environmental impact	Expanding the smart metering as a service business for gas meters that use IoT technology
	4°C	Increasing demand for products, services, and solutions for climate-resilient buildings adapted to weather disasters	Increasing demand for products, services, and solutions that offer anomaly prediction capabilities	Increasing demand for products, services, and solutions adapted to weather disasters
Migration risks	1.5°C/2°C	<ul style="list-style-type: none"> Increased R&D costs for new products and services to meet new regulations Increased production and procurement costs due to rising energy prices Reduced conventional capital investment from customers due to the burden from carbon taxes and other associated costs 		
Physical risks	4°C	<ul style="list-style-type: none"> Operational stoppages due to abnormal weather, inability to provide products, services, and solutions Significant reduction in customer investment due to business instability caused by abnormal weather 		

Environment

Decarbonization transition plan

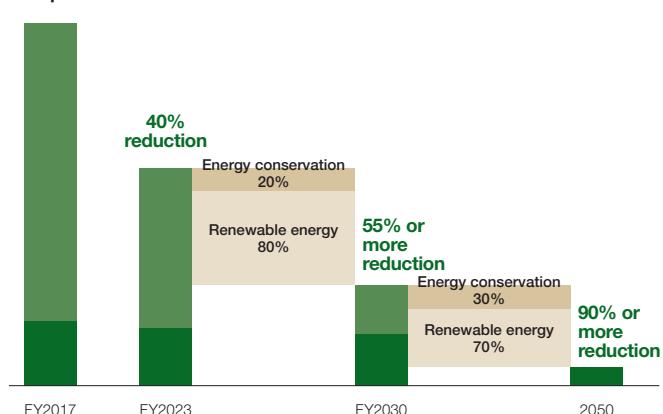
In response to the societal shift toward decarbonization, we are actively contributing to solutions for the energy challenges faced by both our customers and society at large. In addition, we have developed a transition plan to support decarbonization efforts.

In December 2023, we submitted an application to the SBTi to revise our scope 3 emission reduction target upward from a 20% reduction to a 33% reduction and to set a net-zero target for all CO₂ emissions (scopes 1, 2, and 3).



Specific measures

Scopes 1+2



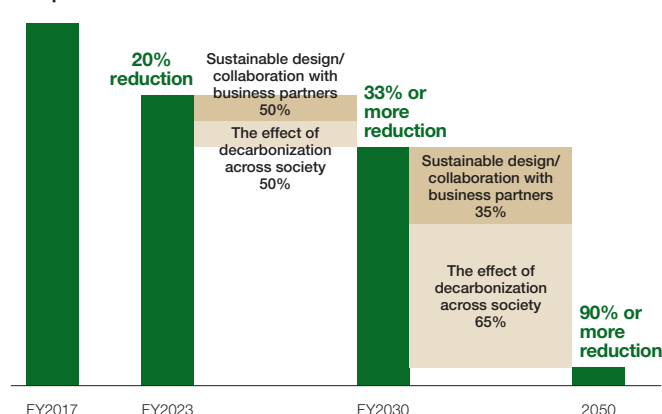
- by 2030**
- Promote energy conservation projects focused on our sites
 - Proactively use renewable energy
 - Gradually switch company vehicles to hybrid and electric ones

- by 2050**
- Work with business departments to accelerate decarbonization at our sites
 - 100% of electricity used will be from renewable energy sources
 - Accelerate switch of company vehicles to electric ones

Leveraging our extensive expertise, we are actively implementing “energy visualization systems” across the entire group, and we are focusing our energy conservation efforts on two key areas: improving operations and upgrading facilities. In addition to strengthening energy conservation efforts in collaboration with business departments, we will actively incorporate renewable energy sources, taking additionality into account. We aim to accelerate these initiatives with the goal of transitioning to renewable energy for all electricity consumption by 2050.

Specific measures

Scope 3



- by 2030**
- Promote sustainable product design (mainly resource- and energy-saving design)
 - Achieve 100% recyclable design
 - Promote collaboration with business partners (decarbonization, support for goal setting)

- by 2050**
- Continue and expand sustainable design (mainly resource- and energy-saving design)
 - Continue 100% recyclable design
 - Promote and expand collaboration with business partners (decarbonization, support for goal setting)

To reduce CO₂ emissions from the use of purchased products and services, as well as products sold, we will continue and expand our sustainable product design efforts, including resource-saving and energy-saving designs. To help achieve carbon neutrality across society, we also support our business partners' decarbonization efforts by conducting surveys and engaging in detailed discussions on decarbonization initiatives. Looking toward 2050, we are evaluating scenarios based on our current policies and considering the projected decarbonization across society.

Results of initiatives in FY2023

Effective CO₂ reduction at customers' sites

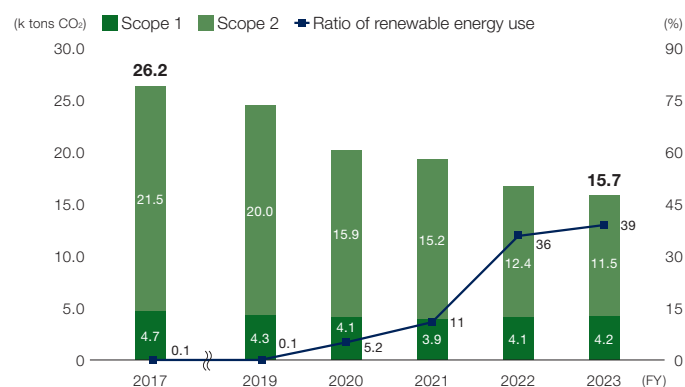
The total annual effective reduction of CO₂ at customers' sites in FY2023 was 2.84 million metric tons.* This is equivalent to about 1/400th of Japan's CO₂ emissions (about 1.1 billion metric tons). This was partly due to a decrease in the electricity emission factor and a reduction in the CO₂ savings from the termination of services provided to customers. However, a partial revision of the calculation method, which considered changes in the market environment, resulted in an increase of 80,000 tons compared with the previous fiscal year. We will also continue to implement initiatives linked to business growth to increase CO₂ reduction.

* To quantitatively assess the contribution to the reduction of environmental impact, the effects were grouped in the three categories of 1) effect of automation, 2) effect of energy management, and 3) effect of maintenance and services to theoretically estimate the difference between adopting and not adopting azbil Group products, services, and solutions at customers' sites. The global reduction impact is partially based on our original methods. An independent third party reviewed and validated the estimation methodology.

Reduction of GHG emissions

In FY2023, the results were much better than planned. The azbil Group emitted 16 thousand metric tons of CO₂ from its business activities at its own sites (scopes 1+2), a 40% reduction from FY2017. In addition, its entire supply chain (scope 3) emitted 886 thousand tons of CO₂, a 20% reduction from FY2017. We are on track to achieve our 2030 SDG goals. To reduce CO₂ emissions from our business activities, we have begun using 100% renewable energy sources, including off-site corporate solar power purchase agreement (PPA) services, for the electricity used at the Fujisawa Technology Center. The procurement of renewable energy sources through these PPA services represents renewable energy

CO₂ emissions (scopes 1+2) and ratio of renewable electricity use (% of electricity consumption)



Notes:

- Ratio of renewable energy use refers to the renewable energy ratio of electricity used.
- The market-based method was used to calculate CO₂ emissions.
- Some figures, including energy consumption for air conditioning in tenant offices, are based on estimates.
- We received third-party verification for our CO₂ emission figures (scopes 1+2). Starting from FY2021, Azbil Telstar, S.L.U., was included in the scope of verification.

Scope of calculations Azbil Corp., consolidated subsidiaries in Japan, and main production bases overseas

CO₂ emissions calculated from electricity generation are based on a fixed value (0.378 Kg-CO₂/kWh)

	2017	2019	2020	2021	2022	2023
Scopes 1+2	20.4	19.3	18.0	18.1	19.9	20.0

Note: We recognize the importance of reducing our overall energy consumption and are working to do so with departments knowledgeable about the energy conservation business. Consumption has increased with the completion of the new buildings in the Fujisawa Technology Center and other projects.

Total effective reduction of CO₂ at customers' sites (FY2023)

Total 2.84 million metric tons of CO₂/year

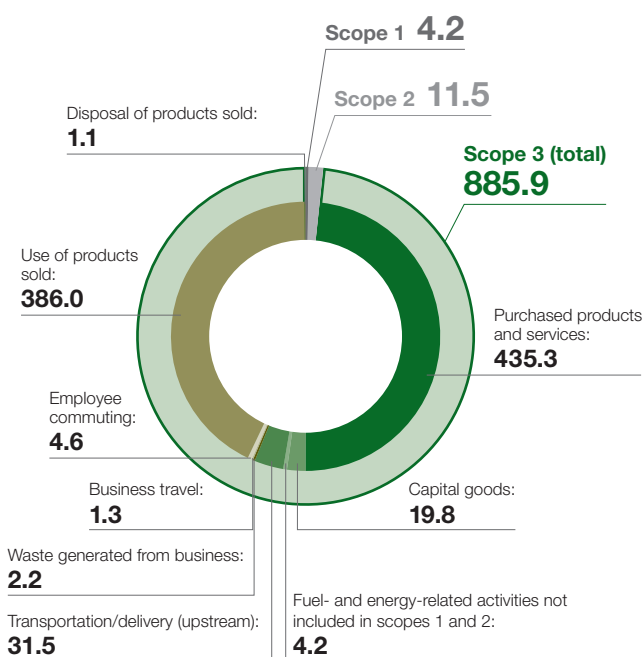
Effect of automation **2.61 million metric tons of CO₂/year**

Effect of energy management **0.18 million metric tons of CO₂/year**

Effect of maintenance and services **0.05 million metric tons of CO₂/year**

procurement with additionality. The amount of electricity used at the Fujisawa Technology Center, which has begun procurement, is equivalent to 24% of the azbil Group's total electricity consumption (actual results for FY2023). The ratio of renewable energy sources to the total electricity consumption of the group is estimated to be 63% for FY2024. To reduce CO₂ emissions across the supply chain, we are promoting sustainable design, such as resource- and energy-saving design, and cooperating with business partners to reduce CO₂ emissions from the use of products sold, and products and services purchased, which account for 90% of total emissions.

Breakdown of CO₂ emissions (scopes 1+2+3) in FY2023 (k tons CO₂)



Note: We have received third-party verification for CO₂ emissions (scopes 1+2+3).

Scope of calculations

- Scopes 1+2: Azbil Corp., consolidated subsidiaries in Japan, and main production bases overseas
- Scope 3: Azbil Corp. and consolidated subsidiaries




Environment



Creation and provision of sustainable products

Through the creation and provision of sustainable products aimed at solving problems in three environmental priority areas— decarbonization, resource recycling, and biodiversity conservation—we are contributing to solving society's environmental problems by integrating environmental issues into our business activities through integrated environmental corporate management.

Three environmental issues, the value that sustainable products provide, and our aims

Environmental issues	Value provided	Our aims
 Decarbonization	Contribution to CO ₂ reduction at customer sites through energy-efficient design, achieving higher efficiency in equipment and facility operation, and maintenance that leads to these improvements	Carbon neutrality for all aspects of society
 Resource recycling	Resource-conserving design, recyclable design, and appropriate maintenance	Achieving effective use of resources for all aspects of society
 Biodiversity conservation (environmental pollution prevention)	Proposing solutions, performing appropriate maintenance for chemical substance management in products, complying with environmental laws and regulations, and preventing environmental pollution	Preventing pollution

Achieving sustainable products

The azbil Group's Essential Goal I for the SDGs (for FY2030)

Environment and Energy

Designing all new products to meet
the azbil Group's own sustainability standards



The azbil Group
Sustainable Product Label

We have established the azbil Group Sustainable Product Label for products that meet the azbil Group's standards* for sustainable design. In FY2023, we confirmed that all new products meet the standards.

* Design that aims to create and provide products that contribute to solving environmental issues (through decarbonization, resource recycling, and biodiversity conservation). It is comprehensively evaluated based on the following items.

- Product life-cycle CO₂
- Indicators for resource consumption reduction and resource recycling
- Evaluation of decarbonization, resource recycling, environmental pollution prevention, and information disclosure

Provision of sustainable services

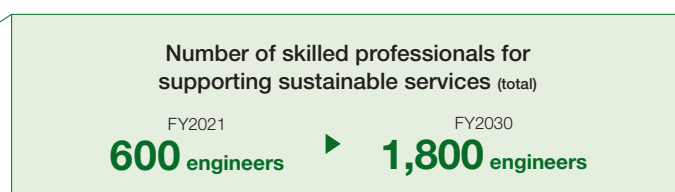
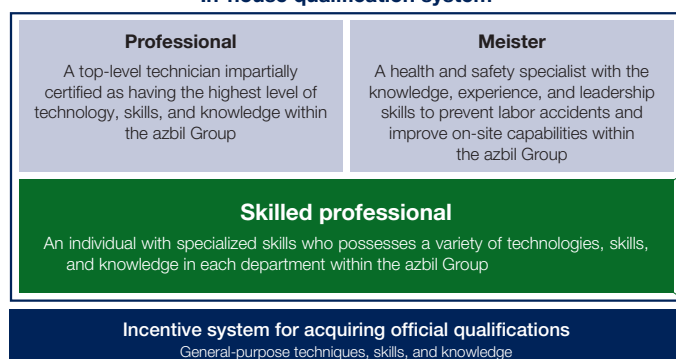
The azbil Group's Essential Goal I for the SDGs (for FY2030)

Environment and Energy

Increase the number of **skilled professionals** for supporting sustainable services provided by the azbil Group to **a total of 1,800—triple the number** in FY2021

In May 2024, we set a new indicator of our SDG goal to triple the number of skilled professionals supporting sustainable services provided by the azbil Group, compared with FY2021, to a total of 1,800 people. Skilled professionals, verified by an in-house qualification system, will practice field engineering services to solve environmental issues through productivity improvement and stable operation using automation technology at customer sites, aiming to create value unique to the azbil Group. To this end, we will work to develop human resources to support field engineering services that contribute to achieving a sustainable society.

In-house qualification system





Initiatives for resource recycling

The azbil Group's Essential Goal I for the SDGs (for FY2030)
Environment and Energy

Designing all new products to be
100% recyclable

* Within the scope of best available technology (BAT), the most effective technology that is both economically and technologically viable, we eliminate various factors that hinder recycling so that when customers dispose of azbil Group products, all parts can be properly disassembled and sorted to achieve 100% recycling.

Through our business activities, we are working to reduce the use of water and other resources and reduce waste, and we are employing sustainable product design to use natural resources efficiently and reduce the generation of waste. When developing new products, we aim to make all new products 100% recyclable by applying the 3Rs (reduce, reuse, recycle) through environmentally conscious design. In FY2023, we achieved this target for about 10% of our new products. However, regarding the interim target (75%) for the entire company, about 50% of our products have achieved the target.



Initiatives for biodiversity conservation

In support of the aims of the Japan Business Federation's "Declaration of Biodiversity by Keidanren and Action Policy (revised on December 12, 2023)," we continue to participate in the Japan Business Federation's "Declaration of Biodiversity by Keidanren" initiative and will globally promote sustainability management to achieve a sustainable society. Specifically, to bring about a society

that is in harmony with nature, we will maintain a nature-positive approach and are continuing to support biodiversity preservation through our business, to promote improvements in our supply chain involving our business partners, and to work in collaboration with various partners to further protect the natural environment.

Response to the Taskforce on Nature-related Financial Disclosures (TNFD)

The azbil Group will promote nature-positive initiatives in line with the TNFD recommendations to properly understand the impacts and dependencies on natural capital and biodiversity, as well as our business risks and opportunities.

Before conducting a full-scale analysis, we used the analytical tool ENCORE* to qualitatively assess potential impacts and dependencies on nature. This assessment analyzed the impacts and dependencies on natural capital of each process in our upstream and direct operations across all our businesses. As a result, it was confirmed that, due to the nature of the business, natural capital such as soil and living organisms are not directly used as inputs, limiting our dependence on nature. However, it was also confirmed that our impact on nature related to climate change is significant due to GHG emissions from the transportation of parts and products, as well as impact related to land alteration and direct collection (water resources) associated with the mining of minerals and other raw materials for products.

We will continue to utilize our measurement and control technologies to create nature-positive businesses and promote initiatives throughout the supply chain, including with our business partners.

We registered as a TNFD Adopter in August 2024 and declared to report on the results of our initiatives in FY2025 in accordance with the disclosure recommendations.

		Very High										High		Middle		Low		Very Low															
		Impact										Dependence																					
		Land alteration			Direct collection	Climate change	Pollution			Invasive species and others	Supply services				Adjustment and maintenance services																		
		Land	Freshwater	Seawater	Water	Other than water	GHG	Atmosphere	Water quality	Soil	Waste	Invasive species Disturbances (e.g., noise, light pollution)	Groundwater	Surface water	Textiles and other materials	Animal resources	Genetic material	Maintaining water flow	Water quality	Filtration	Flood and storm protection	Soil quality	Soil stabilization and erosion prevention	Maintaining nursery habitats	Buffering and attenuation of material flow	Pollination	Epidemic prevention	Pest control	Bioremediation	Climate control	Atmospheric and ecological dilution	Ventilation	Mediation of sensory
Upstream	Raw materials procurement																																
	Parts manufacturing																																
	Packaging and shipping																																
Direct operation	Product manufacturing																																
	Packaging and shipping																																
	Sales, installation, and maintenance																																

* ENCORE Partners (Global Canopy, UNEP FI, and UNEP-WCMC) (2024). ENCORE: Exploring Natural Capital Opportunities, Risks, and Exposure. On-line, June 2024, Cambridge, UK: the ENCORE Partners. Available at <https://encorenature.org>. DOI: <https://doi.org/10.34892/dz3x-y059>

Supply Chain

Basic approach

Fulfilling social responsibilities together with business partners

Based on its Group philosophy and Code of Conduct, the azbil Group is actively engaged in efforts to realize a sustainable society, including the preservation of the environment through its businesses. As the business of the azbil Group is supported by our many business partners, we believe that those business partners are essential to the azbil Group. For this reason, in our procurement activities, we continue to build long-term relationships of trust with our business partners and enhance added value for both the azbil Group and our business partners. To respond to the SDGs and other rising demands from international society, we will continue to strengthen our supply chain-focused initiatives so we can fulfill our social responsibilities even more actively.

WEB azbil Group Basic Procurement Policy
CSR Procurement Guidelines, Sustainable Procurement Guidelines
<https://www.azbil.com/corporate/procurement/policy/index.html>

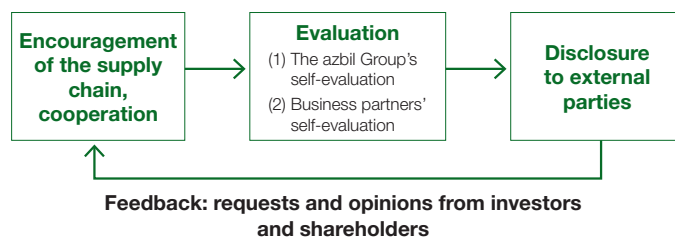
Focus areas in the supply chain

To fulfill our social responsibility across the supply chain, in 2021 the azbil Group reviewed and amended our essential goals of the azbil Group for the SDGs and established 10 target areas (intermediate categories), making reference to the way in which external institutions evaluate ESG initiatives. We are encouraging our business partners in these areas, utilizing the knowledge the Group has built up over many years in areas such as the environment, quality, compliance, and health and well-being management, and promoting actions such as evaluations of efforts at the azbil Group and our business partners.

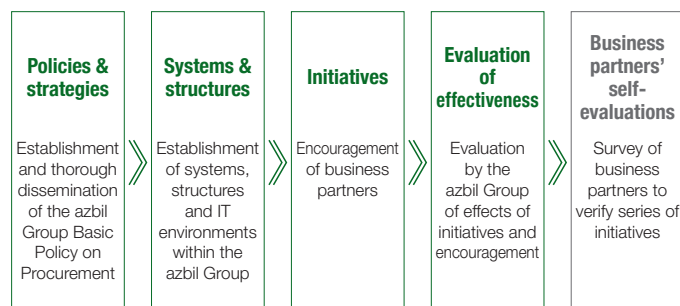
Broad category	Intermediate category	Subcategory
E Environment-related supply chain	Climate change (GHG, energy)	<ul style="list-style-type: none"> Initiatives to address CO₂/GHG emissions and other climate change issues Green procurement
	Pollution & resources (e.g., air pollution, water pollution, hazardous waste, waste reduction, raw materials)	<ul style="list-style-type: none"> Management of chemical substances in products Less use of resources Reduction of industrial waste Reuse of resources Use of renewable energy
	Water security & water risks	<ul style="list-style-type: none"> Less use of water, less wastewater
	Biodiversity	<ul style="list-style-type: none"> Biodiversity conservation
	Environmental management	<ul style="list-style-type: none"> Environmental management in conformity with ISO14001
S Social-related supply chain	Labor practices	<ul style="list-style-type: none"> Elimination of child labor and forced labor, reduction of overwork Prohibition of discrimination, equal opportunity Promotion of diversity
	Health and safety	<ul style="list-style-type: none"> Health and safety management New ways of working, work-life balance
	Human rights	<ul style="list-style-type: none"> Respect for fundamental human rights (including rejection of antisocial forces and handling of conflict minerals)
	Community (local communities)	<ul style="list-style-type: none"> Action that encourages local development or contributes to society
	Quality & customers	<ul style="list-style-type: none"> Fair trade (including legal compliance) Quality management



PDCA cycle



By working together with our business partners on initiatives that comply with the four actions below, we aim to steadily improve the entire supply chain socially and environmentally.



Supply chain activity promotion system

The executive officer in charge of production and purchasing at the azbil Group is responsible for supply chain activities, and Azbil Corporation is involved in the administration of the entire Group. These activities are promoted in cooperation with not only the production and purchasing department but also other related departments such as sustainability, environment promotion, and legal affairs. Group companies also participate quarterly to review action plans and performance, and we implement the PDCA cycle.

Priority themes for FY2023 and beyond

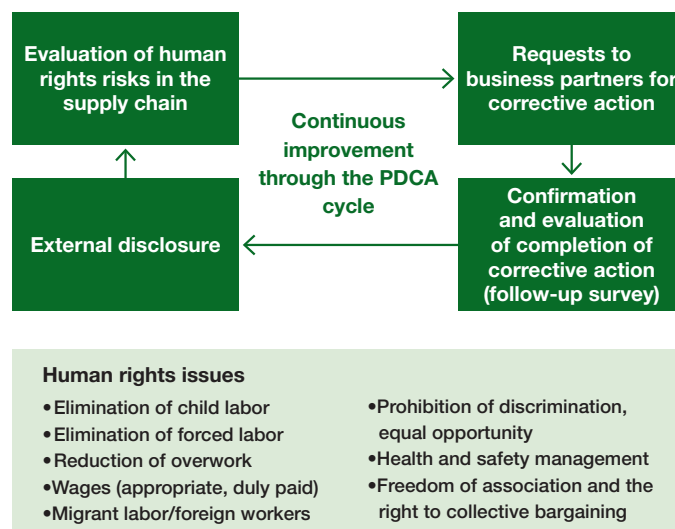
To meet the requirements of society via our supply chain, the azbil Group has selected human rights due diligence as a priority theme of social responsibility and the reduction of CO₂ emissions as a priority theme of the environment, and we continuously encourage our business partners to take part.

Efforts to respect human rights: Human rights due diligence in the supply chain

To ensure appropriate corporate conduct from a human rights perspective within our supply chain, the azbil Group conducts risk assessments related to human rights violations and strives to promptly correct any risks that might have occurred. We do so in accordance with the azbil Group Basic Policy on Human Rights and have referenced the UN Guiding Principles on Business and Human Rights to set eight human rights issues such as the elimination of forced labor and child labor, prohibition of discrimination, and health and safety management.

As of the end of FY2023, we have completed risk evaluations on human rights violations with about 300 of our major business partners. We requested improvements at business partners deemed to be at risk, provided examples of azbil Group initiatives, related information, and advice, and improvements at those business partners are now mostly completed. Comparable initiatives are being implemented at azbil Group companies.

Human rights due diligence process



Efforts to address climate change: Reduction of CO₂ emissions in the supply chain

The azbil Group is working to reduce CO₂ emissions at its business partners to achieve a 20% GHG emission reduction across our entire supply chain (compared with FY2017). In FY2022, we completed an assessment of CO₂ emissions and CO₂ reduction efforts at approximately 300 of our major business partners. In FY2023, we implemented the following actions to raise the level of efforts at our business partners.

- To stress that efforts across the entire supply chain are essential for reducing CO₂ emissions, we revised our educational materials on decarbonization and distributed them to all of our business partners.
- To make the calculation of scope 3 emissions* at business partners easier, we revised our survey form to use a method for calculating emissions based on the major items purchased at business partners.

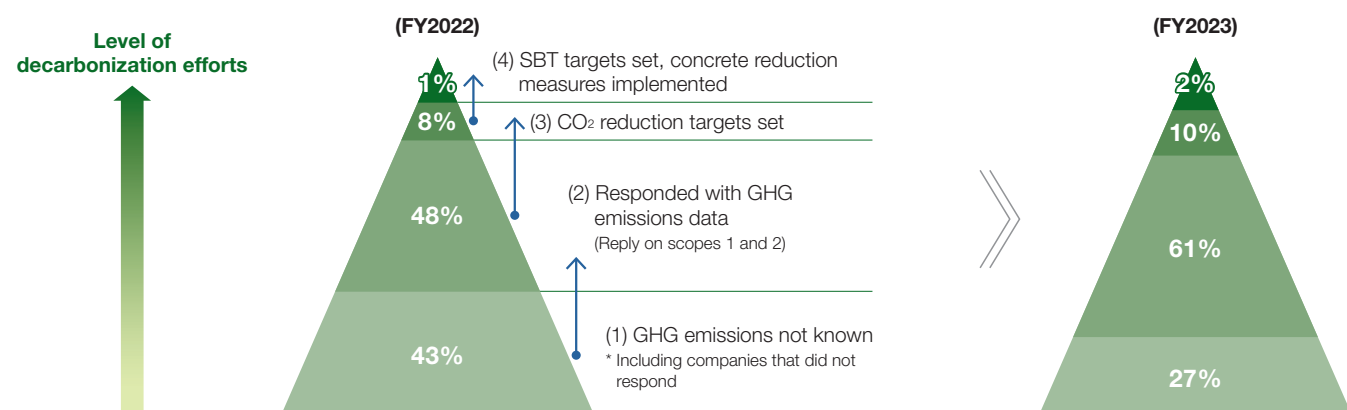
This led to the following achievements over FY2022 and FY2023.

- The number of business partners who have identified their own CO₂ emissions—(2), (3), and (4) in the figure below—increased from 57% to 73%.

We will utilize these results as a foundation to enhance cooperation with our business partners in reducing CO₂ emissions and promote further initiatives for doing so.

* Simple calculation limited to category 1

Situation at approximately 300 business partners



Supply Chain

Encouraging business partners

Business partner visits and horizontal deployment of successful examples

To gain an understanding of business partners' ideas regarding the SDGs and of their detailed initiatives that cannot be ascertained in surveys, we visited our business partners to conduct hearings and exchange opinions. We selected 62 business partners, including 30 companies with high CO₂ emissions and 32 companies with concerns regarding social issues.

These visits and hearings enabled us to obtain the following results.

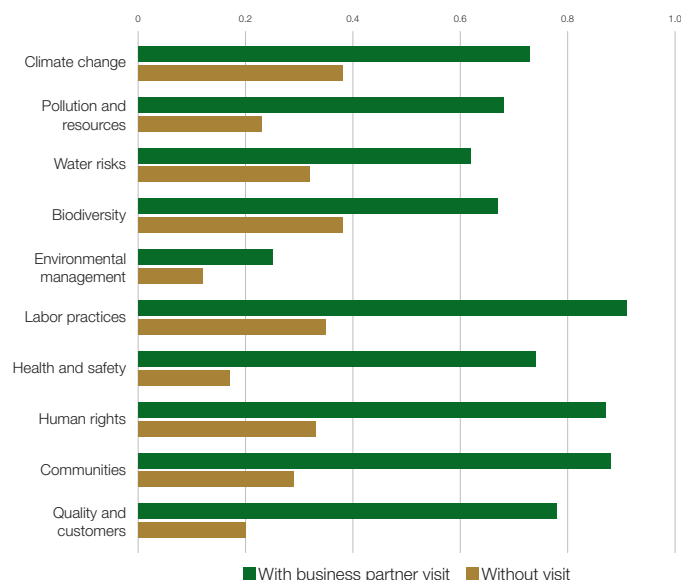
- In regard to themes other than human rights due diligence and the reduction of CO₂ emissions, we were able to educate and motivate our business partners and make sure that Azbil is on the same page as its business partners. As a result, business partners that we visited achieved much higher scores in the self-evaluations than those that we did not visit, which reaffirmed the effectiveness of such visits (see the figure below).
- The hearings enabled us to discover that business partners would like to learn about examples of what other companies of the same size and industry have done, but do not have an appropriate method for doing so. To address this issue, we collected a list of examples obtained via the hearings and not only disclosed this information on our website but also sent it to the business partners that we visited as feedback.

WEB SDGs Supply Chain Annual Report

<https://www.azbil.com/corporate/procurement/supplychain-annualreport/>

- The hearings uncovered successful examples of business partners hiring foreign laborers in diverse ways and thereby achieving the long-term utilization of human resources. We also discovered that many of our business partners are struggling to find human resources to hire. We are currently promoting the recruitment and utilization of foreign human resources to contribute to both promoting diversity and securing human resources, and are sharing successful examples of doing so with other business partners.

Results of business partner self-evaluation surveys (Number increased from FY2021 to FY2023)

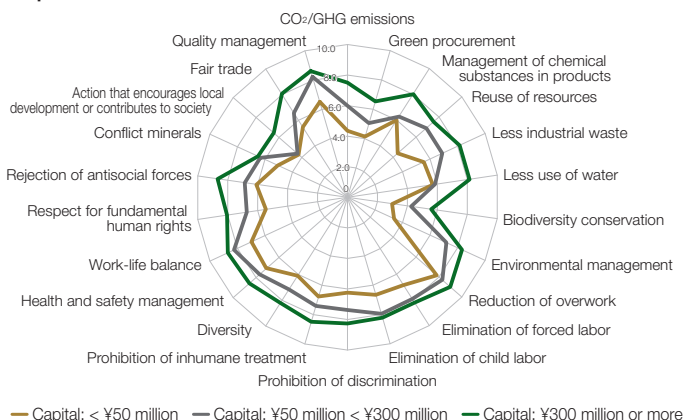


Implementing business partner self-evaluations and providing feedback to business partners

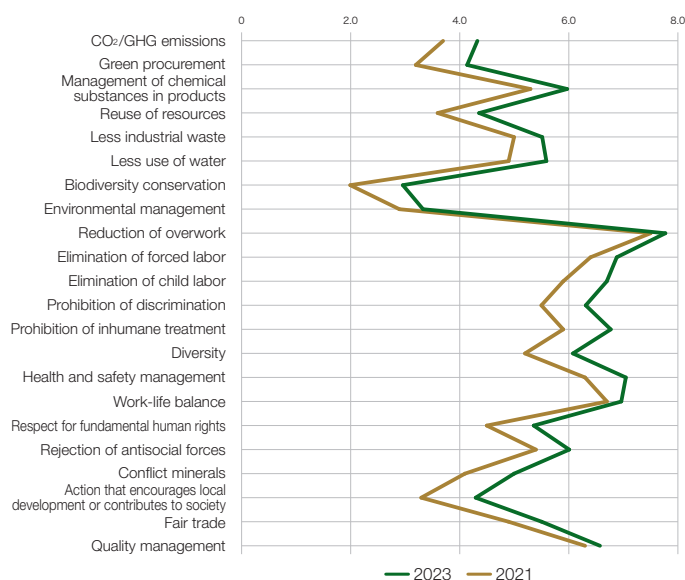
The azbil Group requests business partners to conduct annual self-evaluations from the perspective of the SDGs. Upon requesting business partners to make improvements based on the results of the FY2022 evaluations, improvements were seen in the FY2023 results. We have deemed this feedback to be effective and will continue it in the future.

Also, in the self-evaluation of business partners, when broken down by capitalization, the larger the size (capitalization) of the company, the more advanced the efforts tended to be (see figure below). When comparing the results of FY2023 with those from FY2021 to gain an understanding of the cumulative effects of efforts made, we also noticed that small companies with capital less than ¥50 million had progressed the most since FY2021 (see the figure below). This confirmed that the azbil Group CSR Procurement Guidelines briefing sessions, various encouragement efforts, and feedback have been successful in motivating small companies to raise the level of their efforts.

Status of efforts based on business partner self-evaluations by capitalization



Results of self-evaluation surveys by small-scale business partners with capital less than ¥50 million

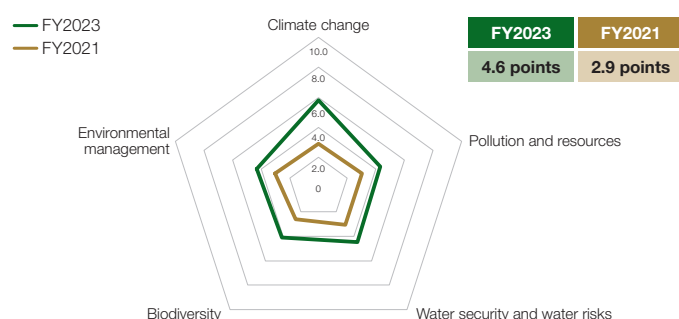


Evaluation of FY2023 activities and future plans

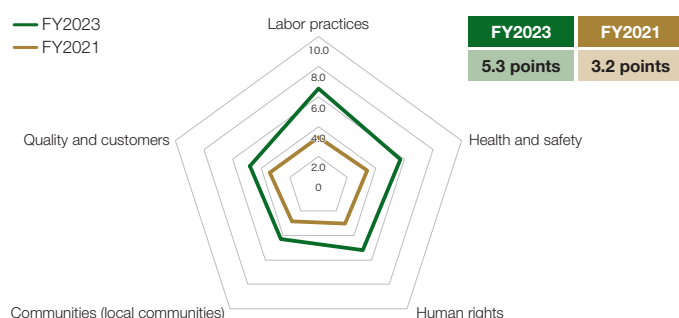
Overall evaluation of FY2023 activities

Based on the azbil Group's self-evaluation criteria, the azbil Group conducts an annual comprehensive evaluation of its initiatives in 10 target areas of the environment and society, in addition to self-evaluation by its business partners. In FY2023, the various strategies were successful, with each criterion in the environment-related/social-related supply chain generally increasing by about 2 points compared with FY2021, the initial year for these activities. Because we implemented efforts focused on human rights due diligence and the reduction of CO₂ emissions, scores were higher in related fields.

Environment-related supply chain



Social-related supply chain



Initiatives for FY2024

In FY2024, we will encourage and cooperate with our business partners in terms of the environment and society to continue and enhance our activities for ensuring sustainability in the supply chain. By sharing successful examples by encouragement from the azbil Group and successful examples obtained by visiting our business partners, we also plan on striving to improve added value for both the azbil Group and our business partners and thereby build long-term relationships of trust.

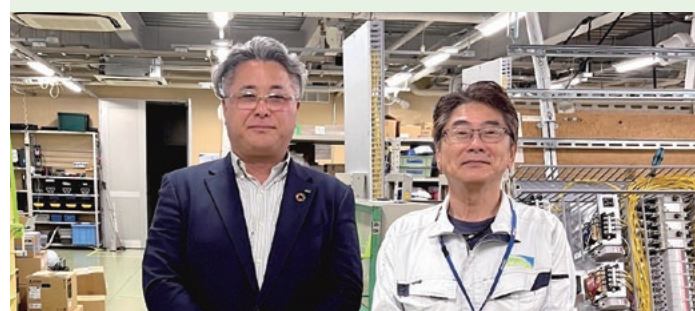
In addition to the key themes of the environment and society, we plan on encouraging our business partners to make efforts to enhance governance,* which society is now demanding more strongly. In regard to human rights due diligence, as we have reached a certain level of improvement in the evaluations of the business partners that we directly deal with, we are now planning to expand the scope of these efforts upstream to secondary business partners and beyond. In terms of the environment, we plan to enhance themes other than the reduction of CO₂ emissions. In FY2024, specifically, we will conduct surveys on business partners' compliance with environment-related laws and regulations, from the perspective of securing a sustained supply chain.

* Corporate governance aspects such as compliance, anti-corruption, and business continuity planning.

Message from a business partner

NOBLE Electronic Industry Co., Ltd.

NOBLE Electronic Industry Co., Ltd., is a company that provides design, manufacturing, maintenance, and services based on automatic control. It mostly receives azbil Group orders for the design, manufacturing, and on-site modification of remote panels.



Koichi Dobashi
Chief Executive Officer

Toshihiko Takahashi
General Manager

Last year, we received an explanation on the azbil Group's approach and efforts regarding SDGs in the supply chain, and understood how serious the entire Group is about achieving the SDGs in the medium to long term. Our company was already making environmental efforts via ISO14001 and promoting the SDGs, but we hope that we can create a more concrete and future-oriented plan so that we can implement efforts to contribute to society together with the azbil Group. In regard to the reduction of CO₂ emissions, we will systematically work on achieving better results while referring to the azbil Group's expertise and advice. Because our work producing and designing products for the azbil Group can contribute to society in terms of the environment and other aspects, we hope that we can continue such efforts by collaborating with the azbil Group in the future.

Risk Management

To avoid losing enterprise value and the trust of the public, the azbil Group strives to accurately understand and minimize risk factors with the potential for serious impact on operations, which include unpredictable uncertainties.

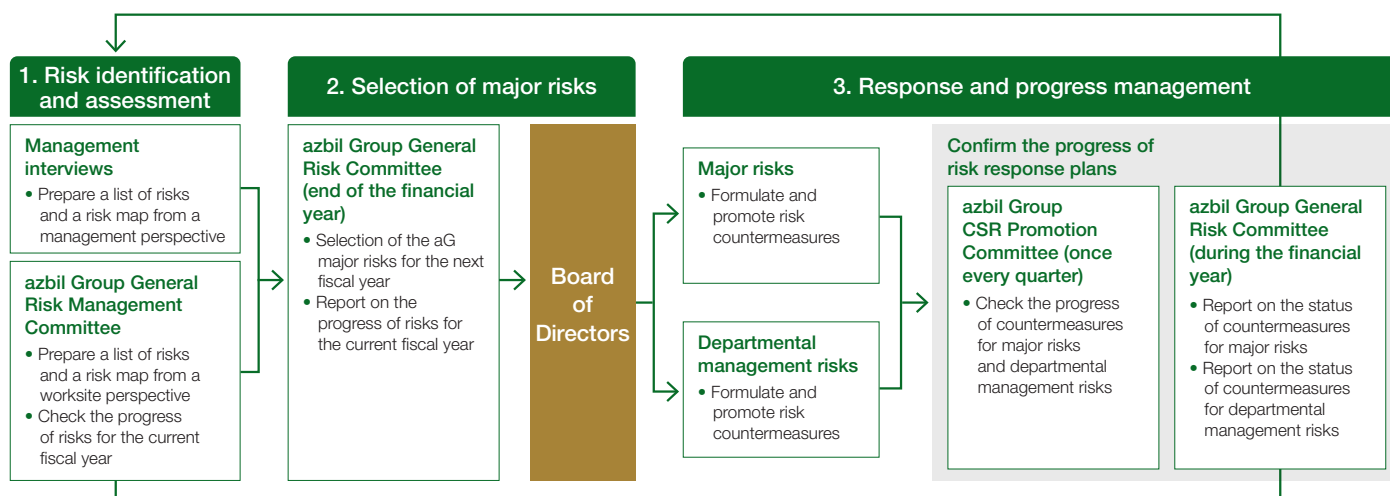
The azbil Group's risk management

To minimize risk from possible future events, we comprehensively identify risks every year, taking changes in the external environment into account, and select major risks based on quantitative standards such as the financial impact and frequency of those risks. We have determined that risk management must integrate bottom-up and top-down approaches, and adopted a procedure to ensure that top management has a full understanding of the information from the bottom (departments handling onsite work), enabling more informed decision-making. Of the 119 risks comprehensively identified in FY2024, we selected 16 as major risks that would have a severe impact on the business of the azbil Group, and categorized other risks as departmental management risks. Major risks are handled by officers who are fully responsible for those risks, whereas departmental management risks are handled by the head of the corresponding department. They both formulate and promote risk mitigation plans for reducing risks. Quarterly reports on the progress of implemented measures are provided to the general risk management department and executive officer in charge of risk management, who is ultimately responsible for the risk management of the azbil Group. These reports are made at the azbil Group CSR Promotion Committee meetings, which are

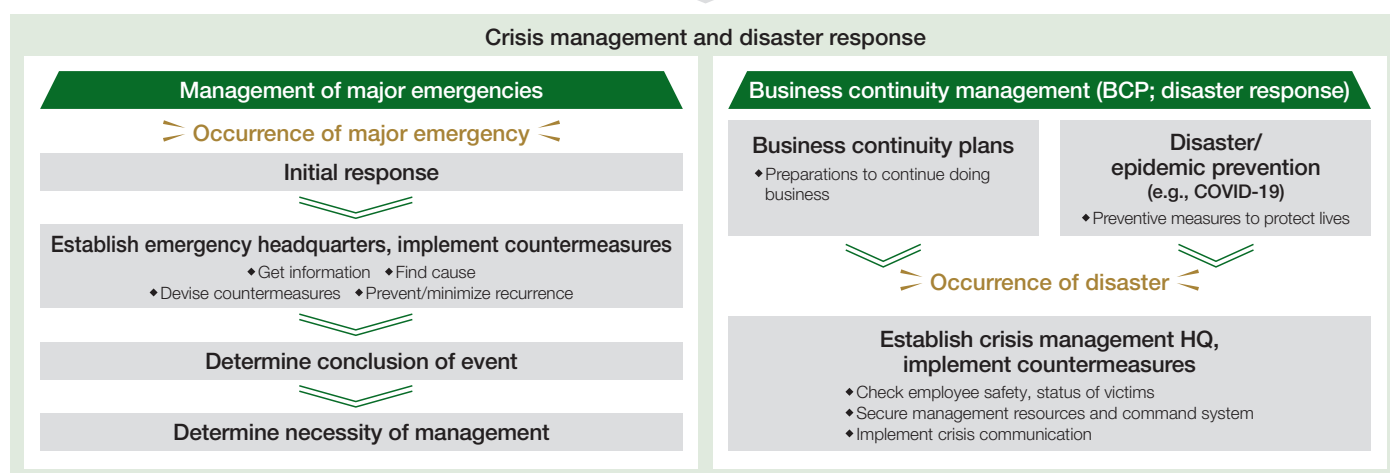
attended by divisional managers and officers in charge of CSR at Group companies. Major risks are further discussed at semiannual azbil Group General Risk Committee meetings, which are attended by the members of Azbil Corporation's Management Meeting and headed by the executive officer in charge of risk management. At these meetings, the progress and effectiveness of risk mitigation plan are confirmed, the impact and/or likelihood of these risks occurring at the end of the financial year are managed to ensure risk reduction, and these efforts are improved through the PDCA cycle.

We have also established a crisis management response system to help us respond to crises and emergencies, with the aim of minimizing the impact of any crisis that occurs. For each emergency that occurs, we will establish an emergency headquarters headed by the officer in charge, which investigates the cause, implements countermeasures, and prevents future reoccurrence. The status of such efforts are reported at Azbil Corporation's Management Meetings and Board of Directors Meetings held quarterly. Furthermore, we have formulated many kinds of detailed business continuity plans (BCPs) as we continuously strive to improve our systems as part of our business continuity management.

Risk management process



Crisis management and disaster response (handling of major incidents)

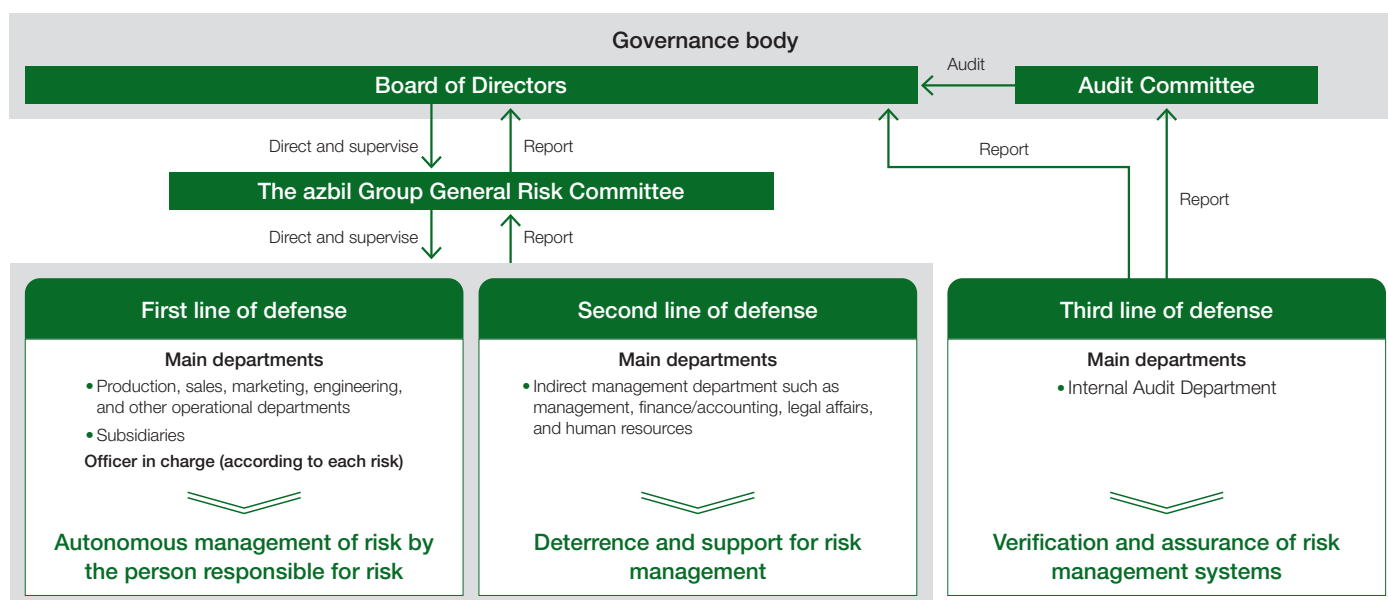


Risk management system

The azbil Group manages risk based on three lines of defense. In the Group's overall activities, we are working to improve the organization's internal control and risk response functions through three lines of defense, with clearly defined responsibilities. As the first line of defense, we are strengthening autonomous management by clearly identifying an officer responsible for each risk. As the second line of defense, departments with indirect management are primarily responsible for developing and managing countermeasures and providing support for risks that should be addressed by the entire organization, thereby functioning to deter risk and support risk management. As the third line of defense, the Internal Audit Department verifies and ensures the risk management systems of the first and second lines of defense. We

conduct a comprehensive identification of risks that could have a significant impact on management and assess their degree of impact and likelihood of occurrence. Interviews are conducted with management to identify and evaluate risks from management's perspective. The azbil Group General Risk Management Committee comprised of department heads and department general managers identifies and evaluates risks from the perspective of work sites and compiles the results of these two activities into a list of risks with evaluations and a risk map (a document in which risks are arranged in a 5×5 matrix based on impact and likelihood of occurrence). The azbil Group General Risk Committee deliberates on this data and selects the aG major risks, which are then reported to the Board of Directors.

Risk management system based on our three-line defense



Major risks that could severely affect the business results and financial position of the azbil Group are summarized on the right. Of the 119 risks comprehensively identified, we selected 16 as major risks. The major risks indicated on the right and the specific risk factors are judged by the Group to be valid as of the end of FY2023. Details on risk awareness and concrete risk countermeasures for major risks are found in the 102nd Securities Report.

Major risks	Specific risk factors
(1) Risks to quality	1 Outflow of noncompliant products 2 Quality problems
(2) Risks to information security	3 Information management problems 4 Cyberattacks
(3) Risks to technology and product development	5 Delay in responding to technological innovation 6 Lack of technology and product development themes 7 Delay in product/technology development
(4) Risks related to change in the international situation	8 Legal violations related to export management 9 International conflict/dispute 10 Human life/safety in emergencies
(5) Risks related to natural disasters	11 Volcanic eruptions 12 Earthquakes/tsunamis 13 Fires/explosions (including man-made in some cases)
(6) Risks related to a lack of human resources	14 Difficulty with hiring 15 Insufficient engineers/workers 16 Loss of human resources



Shigeaki Yoshikawa
Outside Director
Nomination Committee Chairperson



Fumitoshi Sato
Outside Director
Audit Committee Chairperson



Mitsuhiro Nagahama
Outside Director
Remuneration Committee Chairperson

Interviews with Three Committee Chairpersons

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

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

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

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

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

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

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

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

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

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

Ensuring diversity and expertise at the Board of Directors

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

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

Shigeaki Yoshikawa

Outside Director
Nomination Committee Chairperson



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

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

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

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

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

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

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

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

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

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

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

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

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

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



Fumitoshi Sato

Outside Director
Audit Committee Chairperson

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

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

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

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

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

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

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

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

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

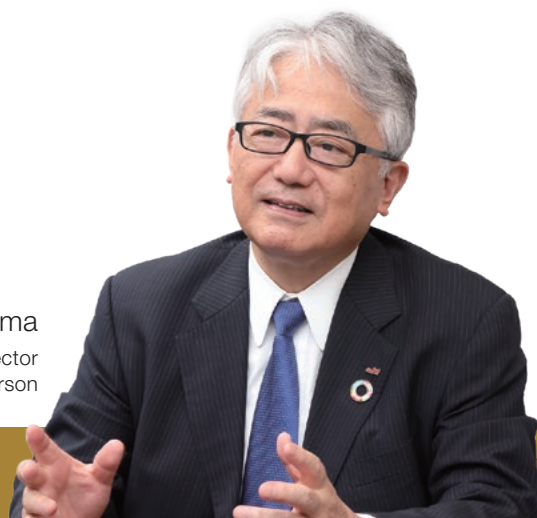
The second issue is a revision of the ratio of performance-linked to non-performance linked remuneration. To put it simply, we need to increase the component ratios of performance-linked remuneration and adjust the relative ratios of short-term incentives (STI) to medium- to long-term incentives (LTI).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

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

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

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

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



Mitsuhiro Nagahama

Outside Director
Remuneration Committee Chairperson

Corporate Governance

Basic approach to corporate governance

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

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

WEB Corporate Governance Report

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

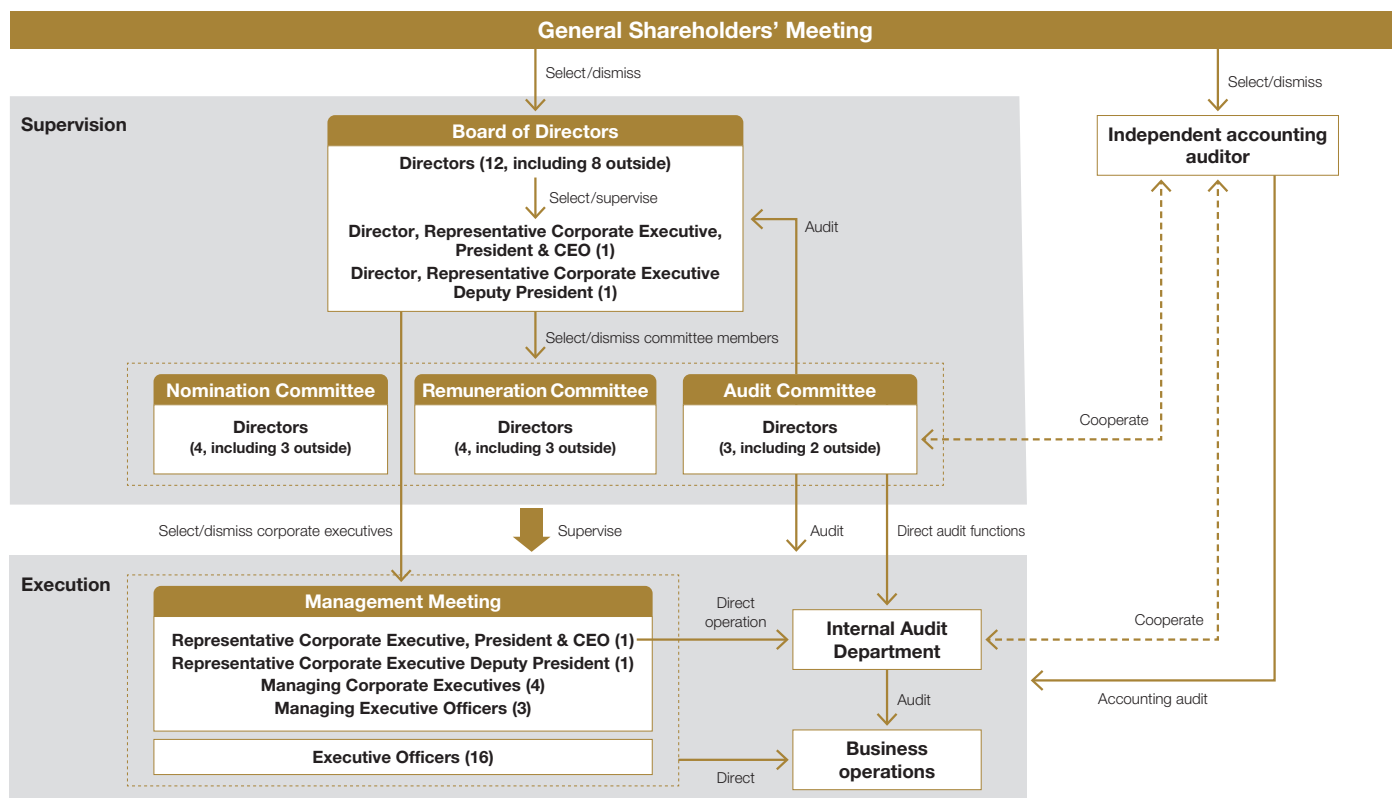
Corporate governance framework

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

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

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

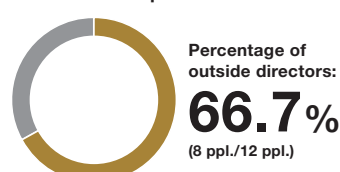
Corporate governance framework (as of June 25, 2024)



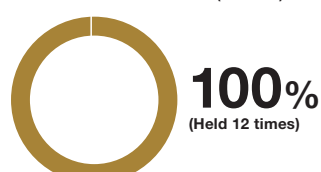
Note: The Chairperson of the Board of Directors is a non-executive director.

Composition and main activities of the Board of Directors

Member composition



Rate of attendance (FY2023)



Main topics for discussion in FY2023

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

Evaluation of effectiveness of the Board of Directors

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

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

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

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

Confirmation results from the evaluation of effectiveness

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

PDCA initiatives to improve effectiveness

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

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

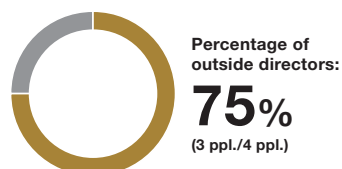
Corporate Governance

Composition and main activities of each committee

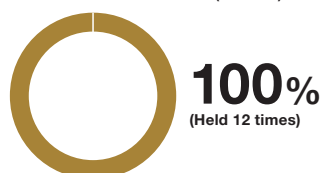
The company has established statutory committees as a company with a three-committee board structure. The composition of each committee and the status of its activities in FY2023 are as follows. Furthermore, each committee member is selected by resolution of the Board of Directors from among the directors,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

Nomination Committee

Member composition



Rate of attendance (FY2023)

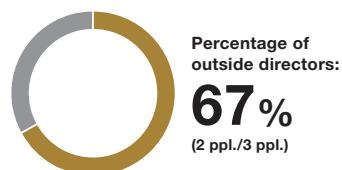


Main contents of consideration for FY2023

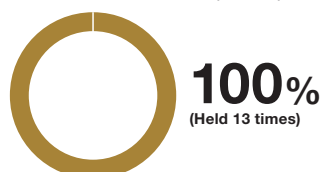
Items implemented	Specific contents of consideration
Action plans for the current fiscal year (FY2023)	The Nomination Committee reviewed the activities of previous fiscal years and considered and determined the matters to be considered by the Nomination Committee during the current fiscal year, as well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

Audit Committee

Member composition



Rate of attendance (FY2023)

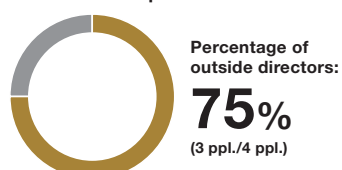


Content of key audit items for FY2023

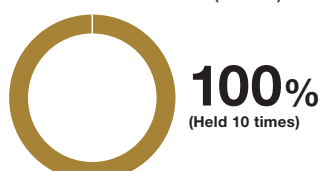
Key audit items	Specific contents of audits
State of operation of internal control systems	Full-time Audit Committee member conducted an interview with the department in charge of internal control systems, as well as with the Audit & Supervisory Board members and management departments of subsidiaries.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

Remuneration Committee

Member composition



Rate of attendance (FY2023)



Main contents of consideration for FY2023

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

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

(1) Directors

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

(2) CEO and other senior executives

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

Criteria for appointing

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

Criteria for proposing dismissal

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

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

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

Succession planning

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

Training policy for directors

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

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

Corporate Governance

Remuneration for officers, etc.

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

Remuneration policy

Basic policy regarding executive remuneration

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

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

Remuneration levels

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

Remuneration structure

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

Corporate executives

(1) Basic remuneration

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

(2) Bonus

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

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

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

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

(3) Stock-based compensation

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

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

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

Directors

(1) Basic remuneration

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

(2) Stock-based compensation

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

Process for determining remuneration

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

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

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

Forfeiture and return of remuneration (malus and clawback)

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

Disclosure policy

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

Total amount of remuneration of officers in FY2023

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

Management and Board of Directors

(as of June 25, 2024)

**Director and Chairperson****Hirozumi Sone**

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

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

**Director, Representative Corporate Executive, President & Group Chief Executive Officer****Kiyohiro Yamamoto**

Nomination Committee member
Section: Internal Audit

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

**Director, Representative Corporate Executive Deputy President****Takayuki Yokota**

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

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

**Director****Hisaya Katsuta**

Non-Executive Director, Audit Committee member

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

**Outside Director****Waka Fujiso**

Remuneration Committee member

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

**Outside Director****Mitsuhiro Nagahama**

Remuneration Committee chairperson

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

Managing Corporate Executives**Yoshimitsu Hojo**

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

Kazuyasu Hamada

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

Akihiko Naruse

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

Hideaki Ishii

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

Managing Executive Officers**Tadayoshi Ito**

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

Shigeru Wada

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

Tomoyuki Takeda

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



Outside Director

Anne Ka Tse Hung

Nomination Committee member

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



Outside Director

Fumitoshi Sato

Audit Committee chairperson

Apr 1976 Joined Bank of Japan
Apr 1996 General Manager of Aomori Branch, Bank of Japan
May 2001 General Manager of Fukuoka Branch, Bank of Japan
Apr 2004 Retired from the Bank
Apr 2004 Senior Corporate Officer of HORIBA, Ltd.
Jun 2005 Managing Director of HORIBA, Ltd. (Retired in March 2017)
Mar 2017 Adviser of HORIBA, Ltd. (Retired in May 2018)
Jun 2019 Outside Director of TOMY Company, Ltd. (Present post)
Jun 2019 Outside Audit & Supervisory Board Member of the Company
Jun 2022 Outside Director (Present post)



Outside Director

Shigeaki Yoshikawa

Nomination Committee chairperson

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



Outside Director

Tomoyasu Miura

Remuneration Committee member

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



Outside Director

Sachiko Ichikawa

Nomination Committee member

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



Outside Director

Hiroshi Yoshida

Audit Committee member

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

Executive Officers**Masashi Hirano**

Three Growth Fields Support

Tomohiro Takano

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

Toshihisa Murayama

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

Takashi Igarashi

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

Norio Hashimoto

Head of Production Management Headquarters

Toshiyasu SumitomoaG System Business Portfolio Enhancement Support, General Manager of AA SS Business^{*2}**Tetsuya Kajita**

Head of Technology Development Headquarters

Hiromitsu Yoshizawa

Head of BSC Engineering Headquarters

Kenji SudoaG System Business Portfolio Enhancement Support, General Manager of AA SS Business^{*2}**Chosei Kaseda**

aG Marketing Support

Akiko Sekino

Head of Legal and Risk Management Headquarters

Anju Jaswal

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

Taro SentoGeneral Manager of AA IAP Business^{*1}**Eisuke Toyoda**General Manager of AA CP Business^{*3}**Norio Morokuma**

Manager of BSC Tokyo Head Office

Isamu Ikeda

AA Development & Quality Assurance

^{*1} IAP business: Industrial Automation Product business (supplying process automation products such as differential pressure and pressure transmitters, and control valves)

^{*2} SS business: Solution and Service business (offering control systems, engineering service, maintenance service, energy-saving solution service, etc.)

^{*3} CP business: Control Product business (supplying factory automation products such as controllers and sensors)

Skills expected of directors (skills matrix)

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

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

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

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

(as of June 25, 2024)

Compliance and Internal Control

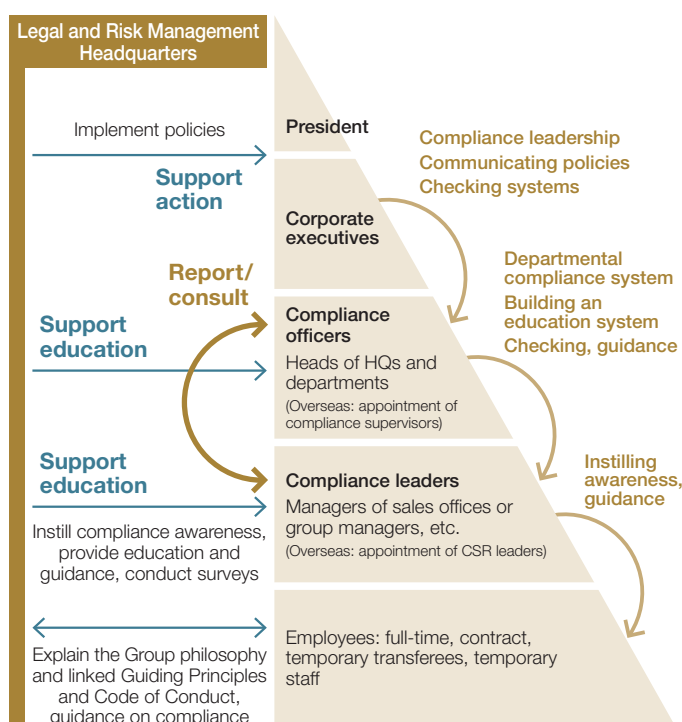
As part of our efforts to fulfill our basic responsibilities as a member of society, we strive to ensure compliance and establish the internal control system for the entire azbil Group throughout our operations in Japan and abroad.

Promotion system, initiatives

Compliance system

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

Compliance system



Building internal control system and complying with J-SOX

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

Maintaining and increasing compliance awareness

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

Anti-corruption initiatives

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

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

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

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

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

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

Value Creation through Communication with Stakeholders

The azbil Group considers it important to engage with our various stakeholders and communicate constructively with them. Their opinions can serve as valuable input for management and business operations, and by working collaboratively toward solving issues, we aim to create new value that will lead to sustainable growth. The issues vary by country and region, yet by gaining a clear idea of them, through meaningful communication with our stakeholders, we are aiming to find appropriate solutions and thus create value for sustainable growth. This is why the management promotes active dialogue and works to create more transparent relationships of trust with all our stakeholders. Here we introduce such opportunities for communication with stakeholders and some examples of our activities in FY2023.

Corporate communication structure

Under the guidance of the corporate executive in charge of corporate communications, we have set up a system (Corporate Communication Task Force) to facilitate dialogue with stakeholders through collaboration among internal departments. We have been discussing ways to enhance communication activities, including the timely, appropriate, and integrated dissemination of information and the introduction of new opportunities and tools. In FY2023, we established a new Communication Department, which promotes global communication and branding. We engage in fair and highly transparent information disclosure in accordance with laws and regulations, in a timely and appropriate manner, and proactively disseminate not only financial information but also non-financial information such as management plans, ESG initiatives, and product and service information. In addition, we actively seek feedback from all stakeholders, considering their opinions as valuable input for decision-making by our management.

Shareholders and investors

We disclose timely and appropriate information. We strive to improve our enterprise value by acquiring appropriate valuations and by understanding the requirements of the capital markets. We also engage in initiatives and disseminate information on social issues and sustainability.

Communication opportunities

- General meetings of shareholders, financial results briefings, facility tours, exhibitions
- Individual meetings with domestic and overseas institutional investors and analysts
- Company briefings for individual investors
- Information disclosure through the integrated report (azbil report), business reports for shareholders and investors, azbil ESG Databook, and the company's website

Examples of activities for FY2023

- General meeting of shareholders (hybrid format: in-person and virtual attendance)
- Meetings with domestic and overseas institutional investors, including senior management
- Tour of the Fujisawa Technology Center facilities



The 102nd Ordinary General Meeting of Shareholders continued using a hybrid format.

Customers

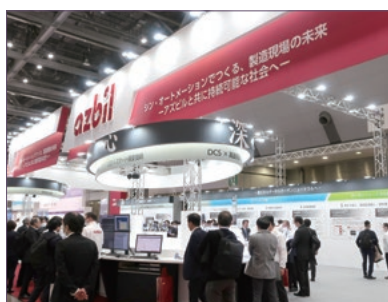
We develop better products and services, and provide consulting, quality assurance, high-value-added engineering, and maintenance services.

Communication opportunities

- Sales and quality assurance activities
- Offering safe, dependable, and valuable products and services
- Providing information and an inquiry form on our website
- Exhibitions, webinars

Examples of activities for FY2023

- Booths at IIFES 2024, Industrial Transformation ASIA-PACIFIC, Smart Building EXPO, and other events, introducing advanced products and services utilizing DX and AI



Our products and services that solve diverse challenges in the manufacturing industry were introduced at IIFES 2024.

Business partners

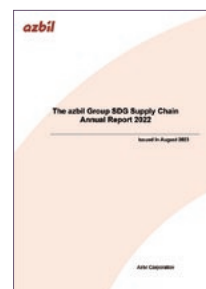
We ensure opportunities for fair transactions, build better partnerships, share values with the SDGs as our common goal, and fulfill our social responsibility.

Communication opportunities

- Briefings on the CSR Procurement Guidelines
- Surveys and feedback from business partners' self-evaluation from an ESG perspective
- Initiatives to achieve our own essential SDG goals, including visits to business partners

Examples of activities for FY2023

- Conducted business partners' human rights violation risk assessments
- Implemented initiatives to reduce business partners' CO₂ emissions
- Paid visits to business partners, conducted interviews from an ESG perspective (FY2023: 62 companies), implemented horizontal deployment of best practices, among other endeavors



Every year, we publish an activity report summarizing the SDG framework and the results of annual activities related to the supply chain.

We consider constructive and interactive communication as the foundation for our sustainable growth and work to deepen relationships with our various stakeholders.

Employees

We are implementing health and well-being management so that all employees can work comfortably and exercise their full potential.

■ Communication opportunities

- Direct dialogue between the management and azbil Group employees
- Regular dialogue between the management and the labor union (e.g., joint management council)
- Annual employee satisfaction survey
- Communication through the company portal site
- Service for consulting on all matters, public and private, including whistleblowing

■ Examples of activities for FY2023

- Introduced an in-house blog. Created places for dialogue by installing vending machines that provide free drinks when purchased in pairs
- Created opportunities for students from overseas subsidiaries and affiliates to come together to learn
- Arranged employee activities to achieve carbon neutrality (CN)*



Awardees of the CN Program (employee participation) pay a visit to an environmentally advanced country.

Local and international communities

We proactively communicate to respond to the needs and expectations of local and international communities, and participate in social contribution activities. Also, through various declarations, initiatives, and activities, we are engaged in responsible corporate activities.

■ Communication opportunities

- Seasonal events (such as summer evening festivals hosted by the company) and programs to contribute to society (such as educational support)
- Employee volunteer activities (such as community cleanup activities and the azbil Honey Bee Club)
- Participation in international initiatives, webinars, and others
- Natural conservation initiatives (collaboration with involved domestic and international organizations that leverage regional characteristics)

■ Examples of activities for FY2023

- Co-sponsored a wheelchair basketball event for children with Shonan United BC, Fujisawa City, and Azbil Yamatake General Foundation
- At a conference organized by the United Nations Global Compact, President Yamamoto presented his views on achieving the SDGs
- Committed to sponsor theme weeks at Expo 2025 Osaka-Kansai, Japan



"For the future of youth" opportunity for children in Fujisawa to experience wheelchair basketball was co-sponsored by Fujisawa City and the Azbil Yamatake General Foundation.

* A unique program designed to contribute to the global environment through our business by encouraging employees to learn about CN and to declare/propose what they can do for the future, not only as individuals but also as part of the azbil Group. This is the azbil*CN Challenge*2023.

Principal declarations and initiatives that we have participated in or supported; external evaluations

- Declaration of support for the Task Force on Climate-related Financial Disclosures (TCFD)
- Signing the United Nations Global Compact
- Climate Change Initiative and the Japan Climate Leaders' Partnership Endorsement
- Six indices chosen by the Government Pension Investment Fund (GPIF): FTSE Blossom Japan Index, MSCI Japan ESG Select Leaders Index, FTSE Blossom Japan Sector Relative Index, MSCI Japan Empowering Women Index (WIN), S&P/JPX Carbon Efficient Index, and Morningstar Japan ex-REIT Gender Diversity Tilt Index
- CDP Climate Change (A score), CDP Water Security (A- score), supplier engagement leader
- Received the highest rating for the Eruboshi certification, which recognizes leading companies based on Japan's Act on Promotion of Women's Participation and Advancement in the Workplace; acquired Platinum Kurumin certification; certified as a Health & Productivity Management Outstanding Organization in 2024 (White 500)
- Selected as Environmentally Sustainable Enterprise at the 5th ESG Finance Award Japan
- FTSE4Good Japan Index, JPX-Nikkei Index 400



We are collaborating with the Azbil Yamatake General Foundation for engagement/contribution to local communities.

Azbil Yamatake General Foundation



The Azbil Yamatake General Foundation was established in 2016, the 110th anniversary of Azbil Corporation's founding, to provide a stable learning system and educational opportunities for promising children, and to provide research grants and support the development of new technologies in the fields of science and technology.

To date, the Foundation has provided support for student enrollment and other activities in the local community—especially in Fujisawa City, Kanagawa Prefecture, where the Foundation is located—in order to contribute to people's happiness and sense of fulfillment.

In FY2024, we are expanding our activities by signing a comprehensive collaboration agreement with Kyotamba City, Kyoto Prefecture, for local community and human resources/personnel development, and by initiating activity support for public corporations, such as the World Wide Fund for Nature (WWF) Japan, which are working to achieve the goals of the SDGs.

11-Year Key Financial and Non-financial Figures

Azbil Corporation and its consolidated subsidiaries

	FY2013	FY2014	FY2015
Financial information			
Financial results (for the year):			
Net sales	248,417	254,469	256,890
(Overseas sales)	46,135	46,756	48,991
Gross profit	86,550	89,884	91,089
Selling, general and administrative expenses	72,646	74,546	73,953
Operating income	13,903	15,337	17,136
Net income attributable to owners of the parent	7,669	7,169	8,268
Capital expenditure	5,303	6,302	3,413
Depreciation	3,723	3,785	4,148
R&D expenses	8,767	10,124	11,012
Cash flows (for the year):			
Net cash provided by operating activities	15,836	13,698	11,073
Net cash provided by (used in) investing activities	(10,670)	(13,472)	4,262
Free cash flow	5,166	226	15,334
Net cash used in financing activities	(6,940)	(6,066)	(10,536)
Financial position (at year-end):			
Total assets* ¹	253,448	265,719	259,127
Interest-bearing debt	17,687	16,673	12,605
Shareholders' equity	143,316	158,273	155,006
Net assets	144,978	160,294	156,966
Per share data*²:			
Net income (yen)	51.93	48.53	56.36
Net assets (yen)	970.28	1,071.56	1,058.05
Cash dividend (yen)	31.50	31.50	33.50
Financial ratios:			
Gross profit/Net sales (%)	34.8	35.3	35.5
Operating income/Net sales (%)	5.6	6.0	6.7
R&D expenses/Net sales (%)	3.5	4.0	4.3
Shareholders' equity/Total assets (%)* ¹	56.5	59.6	59.8
Return on equity (ROE) (%)	5.4	4.8	5.3
Dividend on equity (DOE) (%)	3.3	3.1	3.1
Dividend payout ratio (%)	60.7	64.9	59.4
Non-financial information			
CO ₂ emissions (scopes 1+2/market-based) (metric tons of CO ₂)* ^{3,*4,*7}	—	—	—
CO ₂ emissions (scopes 1+2/fixed) (metric tons of CO ₂)* ^{3,*5,*6,*7}	23,726	22,379	21,423
Number of employees (people)	9,712	9,408	9,464
Number of domestic employees	7,026	6,679	6,551
Number of overseas employees	2,686	2,729	2,913
Number of female employees in managerial or specialist positions (people)	33	35	40
Ratio of female employees in managerial or specialist positions (%)	3.0	3.2	3.6
Ratio of employees with disabilities to total workforce (%)* ⁸	2.10	2.11	2.20

*1 Effective from the beginning of FY2018, the company has applied "Partial Amendments to Accounting Standard for Tax Effect Accounting" (ASBJ Statement No. 28, February 16, 2018) and other standards. Figures for total assets and shareholders' equity/total assets in FY2017 have been changed retrospectively to reflect the amended standard as comparison information.

*2 The company conducted a 2-for-1 stock split for shares of common stock on October 1, 2018. Per share data are based on the number of shares after the stock split.

*3 Scope 1: Direct greenhouse gas (GHG) emissions from business (from fuel burning, industrial processes, etc.)

Scope 2: Indirect GHG emissions from using electricity, heat, or steam provided by another business

*4 Scope of calculation: Azbil Corporation, its consolidated subsidiaries in Japan, and its main manufacturing bases overseas

(Millions of yen)

FY2016	FY2017	FY2018	FY2019	FY2020	FY2021	FY2022	FY2023
254,811	260,384	262,055	259,411	246,821	256,552	278,406	290,939
43,380	45,797	46,710	44,195	44,888	52,191	62,635	67,331
91,492	97,481	102,338	103,642	99,369	105,706	111,938	122,974
71,347	73,454	75,648	76,386	73,649	77,474	80,687	86,132
20,145	24,027	26,690	27,256	25,720	28,232	31,251	36,842
13,154	17,890	18,951	19,793	19,918	20,784	22,603	30,208
4,160	7,038	6,363	4,934	5,039	11,245	10,845	8,652
4,075	4,112	4,167	4,462	4,484	4,847	4,955	6,044
10,446	11,262	11,897	11,788	11,182	12,109	12,372	12,325
19,949	19,481	16,111	29,812	22,602	10,120	13,118	27,540
(9,061)	(48)	(4,075)	(4,171)	284	(3,991)	(1,976)	(2,361)
10,889	19,433	12,036	25,641	22,886	6,129	11,142	25,179
(6,441)	(10,852)	(12,024)	(18,768)	(6,996)	(20,584)	(19,695)	(22,456)
263,317	273,805	275,518	274,559	284,597	280,052	296,873	313,728
11,175	10,686	10,028	8,576	9,350	8,346	12,415	9,454
163,822	175,996	181,143	183,190	198,191	200,315	202,820	221,522
165,752	177,963	183,098	185,302	200,608	203,142	205,880	224,887
89.78	123.08	132.03	140.80	142.77	150.79	168.27	228.39
1,118.23	1,213.14	1,264.88	1,313.17	1,420.52	1,459.08	1,518.01	1,680.37
38.50	41.00	46.00	50.00	55.00	60.00	66.00	76.00
35.9	37.4	39.1	40.0	40.3	41.2	40.2	42.3
7.9	9.2	10.2	10.5	10.4	11.0	11.2	12.7
4.1	4.3	4.5	4.5	4.5	4.7	4.4	4.2
62.2	64.3	65.7	66.7	69.6	71.5	68.3	70.6
8.3	10.5	10.6	10.9	10.4	10.4	11.2	14.2
3.5	3.5	3.7	3.9	4.0	4.2	4.4	4.8
42.9	33.3	34.8	35.5	38.5	39.8	39.2	33.3
—	26,183	25,015	24,320	20,019	19,066	16,552	15,734
21,013	20,378	19,869	19,265	18,027	18,100	19,941	19,984
9,290	9,328	9,607	9,897	10,003	10,086	10,063	9,909
6,463	6,444	6,618	6,862	6,856	6,815	6,734	6,612
2,827	2,884	2,989	3,035	3,147	3,271	3,329	3,297
47	52	58	61	69	71	76	81
4.2	4.5	4.9	5.1	5.7	5.8	6.2	6.8
2.18	2.26	2.29	2.35	2.32	2.25	2.38	2.45

*5 Scope of calculation: Azbil Corporation, consolidated subsidiaries in Japan, and main manufacturing bases overseas. Azbil Telstar, S.L.U., was added in FY2013. The data prior to FY2016 includes data for certain non-consolidated subsidiaries.

*6 A fixed value (0.378 Kg-CO₂/kWh) is used for the CO₂ emission factor for electric generation.

*7 The data from FY2017 onward differs from the data disclosed in previous fiscal years due to the inconsistencies in some of the calculation ranges.

*8 Includes Azbil Corporation, Azbil Yamatake Friendly Co., Ltd., Azbil Kimmon Co., Ltd., Azbil Trading Co., Ltd., Azbil TA Co., Ltd.
Azbil TA Co., Ltd., from 2016 was consolidated as a group company.

azbil Group Company Data

(as of March 31, 2024)

Japan

Azbil Corporation

Head office: Chiyoda-ku, Tokyo Founded: 1906 Established: 1949

Azbil Trading Co., Ltd.

Head office: Minato-ku, Tokyo Established: 1964

Azbil Yamatake Friendly Co., Ltd.

Head office: Fujisawa-shi, Kanagawa Established: 1998

Azbil Kimmon Co., Ltd.

Head office: Shinjuku-ku, Tokyo Founded: 1904 Established: 1948

Azbil Kyoto Co., Ltd.

Head office: Funai-gun, Kyoto Established: 2009

Azbil TA Co., Ltd.

Head office: Itabashi-ku, Tokyo Established: 1955

Azbil Taishin Co., Ltd.

Head office: Nakano-shi, Nagano Established: 1974

Tem-Tech Lab.

Head office: Chuo-ku, Tokyo Established: 1982

Overseas

Azbil Korea Co., Ltd.

Head office: Seoul Established: 1999

Azbil Taiwan Co., Ltd.

Head office: Taipei Established: 2000

Azbil Kimmon Technology Corporation

Head office: Miaoli Established: 2011

Azbil Vietnam Co., Ltd.

Head office: Hanoi Established: 2008

Azbil India Private Limited

Head office: Navi Mumbai Established: 2010

Azbil (Thailand) Co., Ltd.

Head office: Bangkok Established: 1995

Azbil Production (Thailand) Co., Ltd.

Head office: Chonburi Established: 2013

Azbil Philippines Corporation

Head office: Makati Established: 1996

Azbil Malaysia Sdn. Bhd.

Head office: Kuala Lumpur Established: 1999

Azbil Singapore Pte. Ltd.

Head office: Singapore Established: 1998

PT. Azbil Berca Indonesia

Head office: Jakarta Established: 1997

Azbil Saudi Limited

Head office: Dammam Established: 2013

Azbil Control Instruments (Dalian) Co., Ltd.

Head office: Dalian Established: 1994

Azbil Information Technology Center (Dalian) Co., Ltd.

Head office: Dalian Established: 2006

Azbil Control Solutions (Shanghai) Co., Ltd.

Head office: Shanghai Established: 1994

Shanghai Azbil Automation Co., Ltd.

Head office: Shanghai Established: 1995

Yamatake Automation Products (Shanghai) Co., Ltd.

Head office: Shanghai Established: 2004

Azbil Hong Kong Limited

Head office: Hong Kong Established: 2000

Azbil North America Research and Development, Inc.

Head office: Santa Clara, CA, U.S.A. Established: 2014

Azbil North America, Inc.

Head office: Phoenix, AZ, U.S.A. Established: 2000

Azbil Mexico, S. de R.L. de C.V.

Head office: Leon Established: 2017

Azbil Mexico Services, S. de R.L. de C.V.

Head office: Leon Established: 2017

Azbil Europe NV

Head office: Zaventem, Belgium Established: 2001

Azbil Telstar, S.L.U.

Head office: Terrassa, Spain Established: 1963

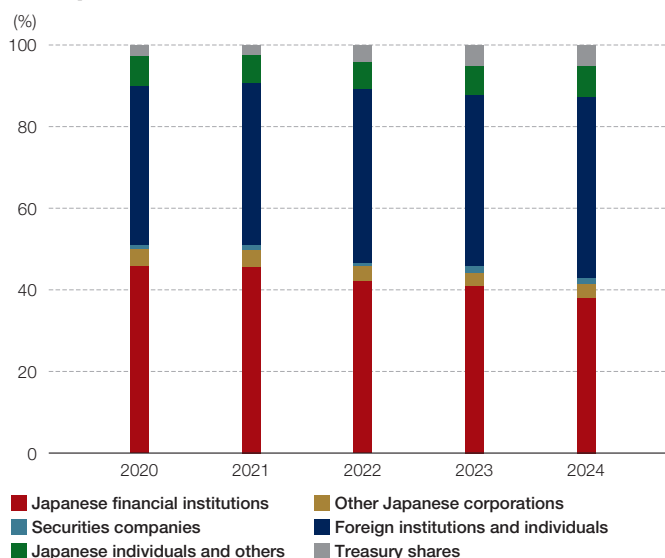
Corporate Data and Stock Information

(as of March 31, 2024)

Corporate data

Founded	December 1, 1906
Incorporated	August 22, 1949
Paid-in capital	¥10,522 million
Accounting date	March 31
Annual shareholders' meeting	June
Head office	Tokyo Building, 2-7-3 Marunouchi, Chiyoda-ku, Tokyo 100-6419, Japan
Consolidated number of employees	9,909
Stock listing	Tokyo Stock Exchange Prime Market
Ticker symbol number	6845
Stock information	Shares of common stock issued 141,508,184 Share unit number 100 Shareholders 8,705
Transfer agent	Mizuho Trust & Banking Co., Ltd.

Composition of shareholders

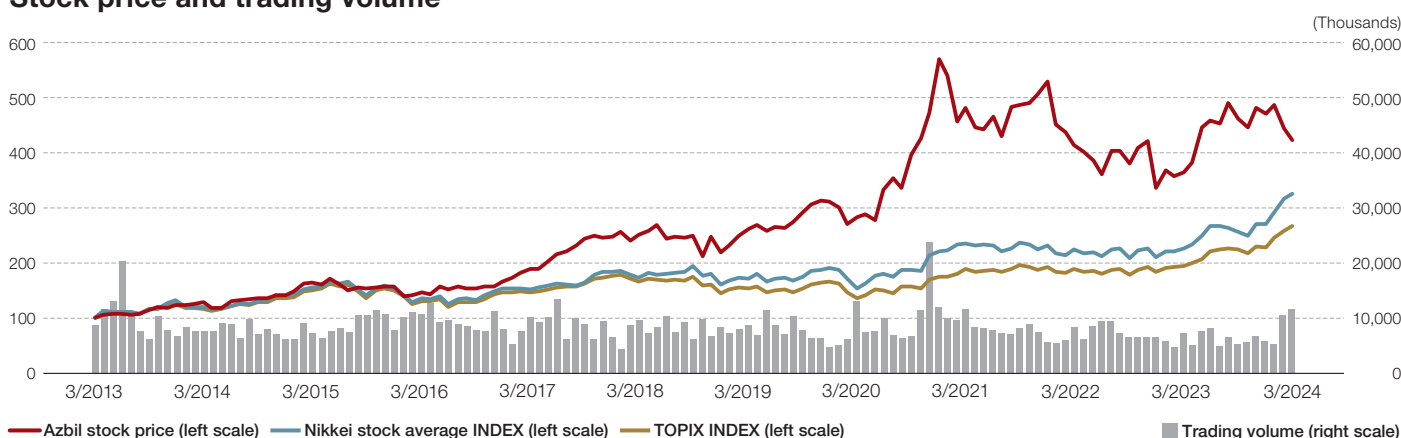


Major shareholders (Top 10)

Shareholders	Number of shares held (thousands)	Percentage of total shares issued (%)
The Master Trust Bank of Japan, Ltd. (Trust account)	19,298	14.36
Meiji Yasuda Life Insurance Company	10,428	7.76
SSBTC CLIENT OMNIBUS ACCOUNT	9,528	7.09
Custody Bank of Japan, Ltd. (Trust account)	7,792	5.79
Northern Trust CO. (AVFC) Re Fidelity Funds	4,980	3.70
National Mutual Insurance Federation of Agricultural Cooperatives	3,356	2.49
The azbil Group Employee Stock Ownership Association	2,826	2.10
STATE STREET BANK WEST CLIENT – TREATY 505234	2,555	1.90
JP MORGAN CHASE BANK 385839	2,349	1.74
The Dai-ichi Life Insurance Company, Limited	2,200	1.63

Note: The percentage of total shares issued is calculated excluding treasury shares (7,148,831 shares).

Stock price and trading volume



Notes:

- Azbil stock price, Nikkei stock average, and TOPIX: Value (100) based on the end of March 2013
- The company conducted a 2-for-1 stock split for shares of common stock on October 1, 2018. The above figures for stock prices have been recalculated to take the stock split into account.

FY	2013	2014	2015	2016	2017	2018	2019	2020	2021	2022	2023
Year-end closing price (yen)	1,274.0	1,630.0	1,440.5	1,870.0	2,477.5	2,589.0	2,804.0	4,765.0	4,090.0	3,610.0	4,194.0
Highest price (yen)	1,280.5	1,677.5	1,750.0	1,927.5	2,655.0	2,627.0	3,275.0	6,120.0	5,530.0	4,410.0	5,183.0
Lowest price (yen)	935.0	1,150.0	1,309.0	1,347.5	1,772.5	1,949.0	2,215.0	2,619.0	3,900.0	3,190.0	3,445.0

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