



Editorial Policy for the azbil report 2025

The azbil report integrates financial and non-financial information to communicate the story of the azbil Group's medium- to long-term growth and value creation to our various stakeholders, including shareholders, investors, customers, business partners, employees, and the communities in which we operate. 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, 2024, through March 31, 2025 (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 in an environment of rapid technological innovation and global economic development

See the azbil Group's risk management on pp.71–72 for information on major risk items and specific risk events.

Note: Financial data and financial statements were prepared based on the Japanese GAAP, and the amounts are rounded. Environmental data such as CO₂ emissions are also rounded.

Azbil's information disclosure

	Non-financial information	Financial information
Disclosure materials	Integrated report (azbil report)	
	Corporate Governance Report	Securities Reports* (in Japanese only)
	ESG Data Book	Audited Financial Reports
		Summary of financial reports*
		Medium-term plan
		Financial results presentation materials
		Notice of General Meeting of Shareholders*
		* Statutory and timely disclosure documents
Dialogue	Meetings involving outside directors and investors	General Meeting of Shareholders
	Facility tours	Financial results briefings
	ESG briefings	IR meetings

- The financial and non-financial information in the above chart delineates the main scope of disclosure. In recent years, Securities Reports and other reports feature expanded disclosure of non-financial information.
- The data and details that cannot be included in the Integrated Report are included in the various disclosure documents mentioned above, and are available on our website.



About the cover design

Many hands involved in joining gears is a visual representation of collaboration between the azbil Group and its stakeholders. The theme of the new medium-term plan is "Evolution and Co-creation." As we combine and leverage the azbil Group's technologies, products, and services, we will continue the journey, hand in hand with our stakeholders, toward realizing a sustainable society.

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azbil report 2025: key points

In May 2025, the azbil Group announced a new medium-term plan (FY2025–FY2027) to achieve its long-term targets set for FY2030. This report provides an overview of this medium-term plan, detailing individual measures for each business as strategies for value creation.

In particular, "Message from the CEO" contains an explanation of our business model for sustainable growth and elements such as the investment strategies designed to strengthen the model, while "Message from the Deputy President" provides more specific information such as management conscious of the cost of capital, business portfolio restructuring, and investments undertaken through effective use of the balance sheet.

In preparing this report, like last year we have provided messages from top management as well as the heads of each department about initiatives they have undertaken aimed at value creation. We have also included, throughout the report, the voices of employees and business partners who have participated in value creation. Azbil sponsored Expo 2025 Osaka, Kansai, Japan, and to foster employee engagement we arranged for the project to be led by younger employees. This is reflected in the statement of one such employee included in this report (p.88). In addition, the report includes a roundtable discussion featuring the Chairperson of the Board and the chairpersons of the Nomination Committee, the Audit Committee, and the Remuneration Committee. They discuss efforts to strengthen corporate governance in order to realize speedy business execution and highly transparent management.

The azbil Group's DNA and Our Future Vision

Our founder's spirit Rooted in “freeing people from drudgery”

The history of the azbil Group began in 1906, when Takehiko Yamaguchi established “Yamatake Shokai Co., Ltd.,” a machine tools import company, with the desire to “free people from drudgery.” Building on this DNA and never forgetting our roots, the azbil Group has continued to innovate in response to the changing demands of the times and our customers' needs. Yamatake, which understood the necessity of automation and quickly commercialized it, contributed to industrial development in Japan, from post-war reconstruction to the period of rapid economic growth. In the 1970s, under the concept of Savemation,* we focused on conserving resources and energy in response to the demands of society. In 2006, on the occasion of the 100th anniversary of our founding, based on our advanced measurement and control technologies and expertise, we set forth our Group philosophy of “human-centered automation,” as an expression of our desire to be a company that contributes to a sustainable society through realizing “safety, comfort, and fulfillment” for people in offices, plants, and homes, as well as “global environmental preservation.”



Founder Takehiko Yamaguchi

* Savemation: Saving by automation

Using automation technology to take on the challenge of achieving a sustainable society and paving the way to the future

In recent years, there has been a strong demand for sustainable businesses and society, as well as for response to global environmental preservation, owing to the materialization of the impact of global warming and changes in people's behavior driven by the COVID-19 pandemic. These new challenges mean that automation has a larger role to play in responding and that its value will increase. The azbil Group utilizes AI, the cloud, and other state-of-the-art technologies to further expand the scope of application for automation, while also enhancing solution-providing capabilities with automation and accelerating the pursuit of new value creation. In 2026, the azbil Group will celebrate its 120th anniversary. As we have done to date, we will identify the needs of the times in regard to automation, and pursue our vision as we work to achieve a sustainable society in 2030 and beyond. We will use automation technology to connect people and society, take on challenges in areas previously considered difficult, and make solutions possible. In this way, we aim to pave the way to the future together with our customers and society as their partner.

The azbil Group philosophy Human-centered automation

azbil
automation • zone • builder*

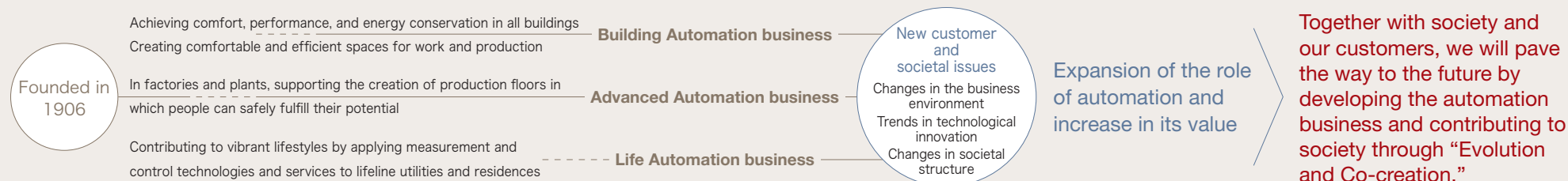
To realize safety, comfort, and fulfillment
in people's lives and contribute to global
environmental preservation through
“human-centered automation.”

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 toward the future and act progressively.

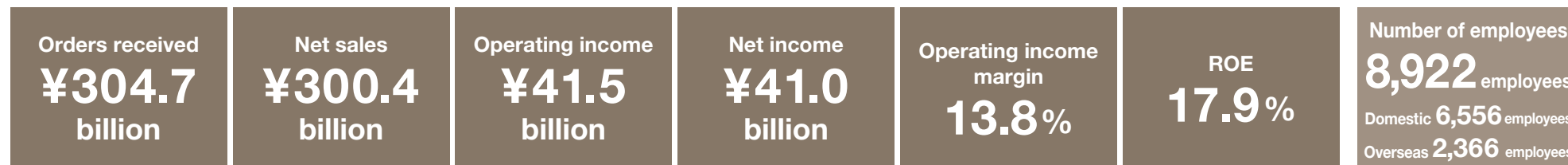
* Using automation technology, we build zones in which safety, comfort, and fulfillment can flourish.

We consistently offer solutions based on automation technology that are tailored to the needs of the times. We will continue to take on new challenges.

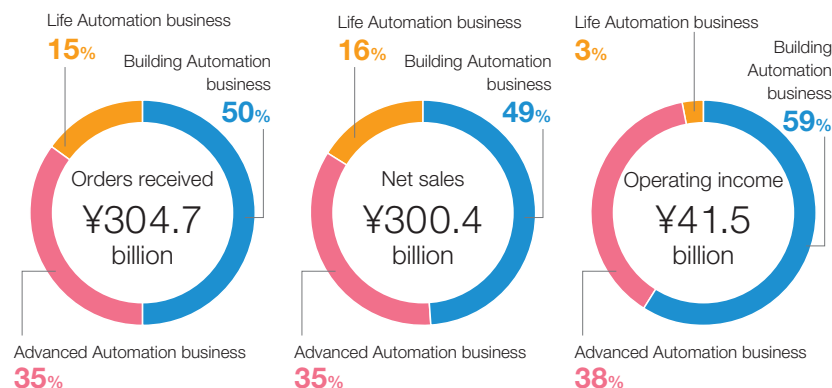


At a Glance (FY2024)

Financial indicators

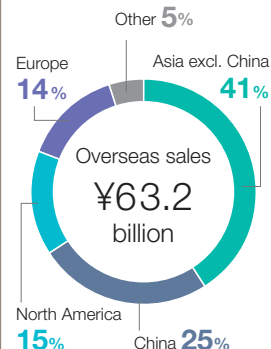


Business structure

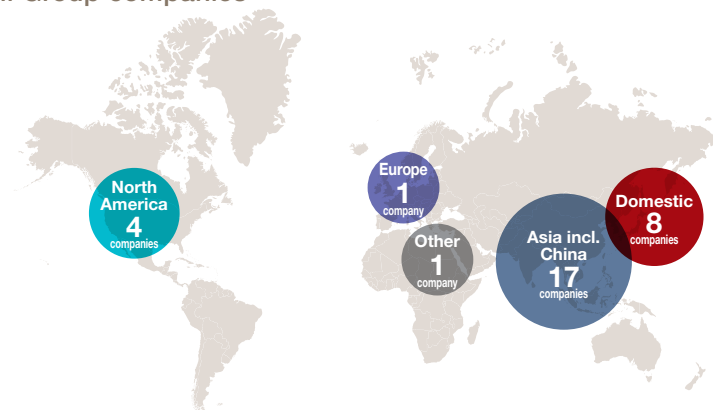


Overseas sales

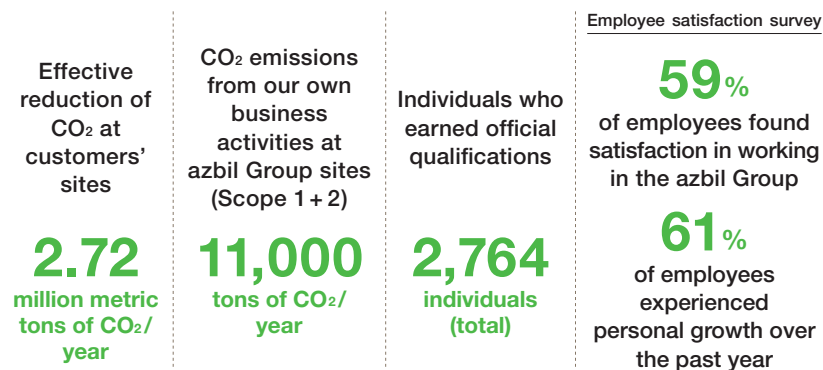
(Overseas sales/net sales ratio: 21.0%)



azbil Group companies



Sustainability (non-financial) indicators



Principal declarations and initiatives that we have participated in or supported; external evaluations

- Declared support for the Task Force on Climate-related Financial Disclosures (TCFD)
- Signed the United Nations Global Compact
- Endorsed the Climate Change Initiative and the Japan Climate Leaders' Partnership
- Endorsed the disclosure recommendations of the Taskforce on Nature-related Financial Supported TNFD recommendations and registered as a "TNFD Adopter"
- Chosen by six indices of 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
- 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 2025 (White 500)
- Selected as an Environmentally Sustainable Enterprise at the 6th ESG Finance Award Japan
- FTSE4Good Japan Index, JPX-Nikkei Index 400



History of Value Creation

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 — 1950s Freeing people from drudgery

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.

1906
Yamatake Shokai Co., Ltd., an import company importing machine tools and other instruments from the United States and Europe, was founded.

The company 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 United States. 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.

1950 — 1970s First in control

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.

1953
Entered an equity-based 50-50 alliance (until 1990) with Honeywell, one of the leading control equipment manufacturers in the United States

1966
Changed the corporate name to Yamatake-Honeywell Co., Ltd.

The company introduced 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-scale buildings.

1970 — 2000s Savemation

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

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

1998
Corporate name changed to Yamatake Corporation

With the oil crises 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.

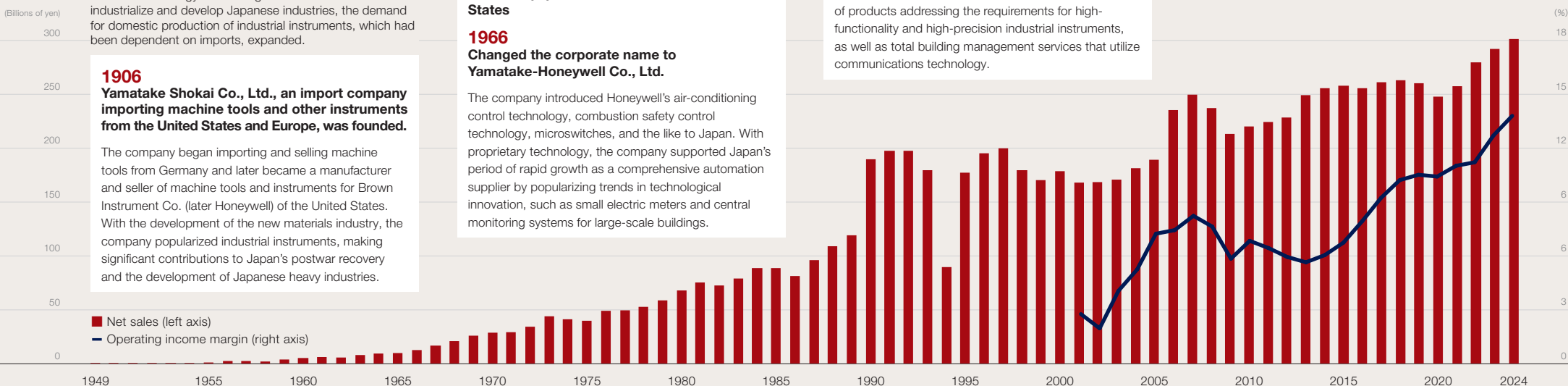
2000s ~ Human-centered automation

Providing solutions "in series" to meet the increasing societal 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.

2008
Group name changed to the azbil Group
Names of Group companies were henceforth and sequentially changed to include "Azbil"

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.



Note: As the company changed the fiscal year, FY1994 had irregular closing.

History of Value Creation—Main Products and Services—

1913

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



1916

Began import and sales of the industrial instruments of Brown Instrument Co. (later Honeywell Inc.) of the United States

1933

Yamatake Shokai Keiki Seisakusho was established. Began domestic product assembly for Brown Instrument Co.

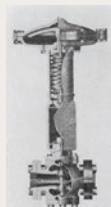
Transitioned to a manufacturer and seller of machine tools and instruments



1936

Succeeded in manufacturing the first automatic control valves in Japan

Domestically produced measurement and control technologies essential to the manufacturing industry and contributed to the modernization of Japan and its postwar development of the manufacturing industry.



1953

Began import and sales of control equipment for air conditioners

1953

Developed Japan's first dry-type LP gas meter Model PI and began production

1958

Began domestic production of Micro Switch basic switches

1959

Achieved the first domestic production of modutrol motors, a compact control motor

1963

Developed and produced deviation indicating controllers VSI in-house, ahead of manufacturers in Japan and overseas



1964

Commercialized the world's first cage-style control valve



1971

Used proprietary technology to develop and launched the compact electric controller Numatik Line and compact pneumatic controller Vumatik Line



1975

Launched a distributed control system jointly developed with Honeywell Inc.



1975

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



1980

Independently developed a total building management system

1984

Launched a comprehensive building management service with remote monitoring (Half a century of achievements in the telecommunications-based business)



1985

Developed next-generation control valves

1994

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

1995

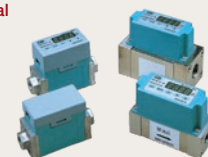
Sales launch of a small-scale open instrumentation system and monitoring and control system



1999

Sales launch of gas mass flowmeters incorporating a proprietary MEMS sensor

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



2001

Established our first European subsidiary in Belgium

2009

Sales launch of a motorized two-way type control valve with flow measurement and control functions



2014

Established our first technology development company in North America

2016

Sales launch of an online anomaly detection system

Accelerated DX in the manufacturing industry and contributed to practical issues such as stable operation of facilities and measures to prevent quality defects

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



2020

Sales launch of a control valve maintenance support system



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

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

2024

Began sales of AI-generated condition-based maintenance (CBM) platform, a facility management platform that utilizes AI for predictive maintenance



The azbil Group's Automation Businesses

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

▶ Managing



BA system

▶ Controlling



Controller for air-conditioning equipment

▶ Protecting



Contactless smartcard reader

▶ Detecting



Room temperature/humidity sensor

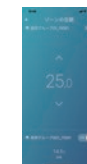


Infrared array sensor

▶ Adjusting



Motorized control valve with flow measurement and control functions

▶ Setting
Smartphone application (for room users)

▶ Renovation, maintenance



▶ Cloud services



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.

▶ Process automation

▶ Monitoring
Monitoring and control systems

▶ Measuring



Differential pressure/pressure transmitters



Electromagnetic flowmeter

▶ Adjusting
Control valve and smart valve positioner

▶ Factory automation

▶ Detecting

Liquid leak switch



Limit switch

▶ Controlling



Multi-loop controllers with multifunction display



Digital mass flow controller

▶ Diagnosing and predicting
Online anomaly detection system

Life Automation business



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

Business fields:
Lifeline field (gas and water meters)
Residential central air-conditioning systems field (central air-conditioning systems)

▶ Lifeline field

▶ Gas meters



City gas smart diaphragm meter



Ultrasonic gas meter

▶ Water meters

Electronic water meter



Battery electromagnetic water meter



▶ Residential central air-conditioning systems field

▶ Central air-conditioning systems



Outdoor unit



Indoor unit with electronic air cleaner



Heat exchange ventilator

Unique Qualities of the azbil Group and the Strengths We Have Developed to Grow Together with Society

Through our automation business, we leverage the unique qualities of the azbil Group and the strengths we have developed to achieve sustainable growth and contribute “in series” to a sustainable society.

With automation technology at the core of its business, the azbil Group harnesses technological innovations—such as IoT, AI, big data, and cloud computing—and applies them to offices, plants, factories, and everyday life. We will always propose sustainable solutions to industry and society for greater safety, comfort, and abundance in daily life. The broad range of our activities encompasses key facilities for society and for our customers. We have created a robust customer base. By implementing a cycle involving core businesses, which benefit from this customer base, and growth businesses, which address the new issues and demands of industry and society, we will be able to achieve sustainable growth together with society and our customers.

Under the theme of “Evolution and Co-creation,” we have begun implementing new initiatives under our medium-term plan (FY2025–FY2027), formulated with the aim of achieving growth through the azbil Group’s unique business model that leverages the strengths we have developed.

Specialist technologies and expertise accumulated over many years of on-site activities

For well over a century, since our founding in 1906, we have been involved with automation technology. As a result, we possess a wide range of expertise and specialist technologies. We will be using DX and AI to realize our further evolution.

Integrated system—from development and manufacturing to sales and maintenance service

A variety of issues confront society and our customers. Issues will also differ depending on the stage of a facility’s life cycle. We focus on creating systems for state-of-the-art technological development and manufacturing, while also building our customer base by providing long-term maintenance services stretching over many decades.

Proposing solutions that incorporate the customer’s perspective with a thorough understanding of the customer’s site

Our engineers, who have extensive knowledge of customer sites, propose solutions from the customer’s perspective. Human resources are key. That is why we are strengthening investment in human capital.

Medium-term plan

(FY2025–FY2027)

Aiming for growth with the azbil Group’s unique business model

➡ p.27–

Medium-term plan

(FY2021–FY2024)

➡ p.26–

Materiality and the essential goals of the azbil Group for the SDGs

➡ p.21

Group philosophy
Human-centered automation

➡ p.3

Long-term targets

FY2030



Through business expansion, we aim to realize the well-being of society and Group employees by making contributions that lead “in series” to a sustainable society.

Long-term targets (revised)
(performance targets)
(announced on May 13, 2025)

Net sales:

¥420.0 billion

[Overseas sales: ¥100.0 billion]

Operating income:

¥65.0 billion

Operating income margin:

15.5%

ROE:

15%

Message
from
the CEO

Contributing “in series” to a sustainable society by promoting the azbil Group’s unique business model and growth through “Evolution and Co-creation,” and realizing the Well-being of society and our employees

We will strive for sustainable business expansion, based on both core businesses with extensive customer bases, and growth businesses that target new opportunities offered by technological innovation and emerging societal issues.

Kiyohiro Yamamoto

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

Q1 What changes in the business environment have you been aware of recently?

Generative AI and other recent changes in the business environment will contribute to expanding the role and value of the automation business.

In recent years, there have been sweeping changes in the business environment. As well as geopolitical and supply chain risks, initiatives targeting carbon neutrality are accelerating, and the GX market is expanding. Other changes involve the growing prominence of societal issues, such as labor shortages and soaring personnel expenses. There are also new technological trends, such as generative AI. These changes in the business environment pose a risk if we do not respond appropriately, but they also offer us business opportunities, because using automation technology to solve our customers' issues is central to our work.

To ensure the sustainability of society, every organization that supports it must not only engage in solving the quotidian issues that affect society but also introduce new technologies. The azbil Group is capable of sustainably providing solutions that not only support essential functions—such as facility operation, monitoring, diagnosis, and optimization—but also incorporate the latest technologies. Because automation has such a significant role to play in ensuring the sustainability of society, we will be able to grow as a company while contributing to society. My firm belief in this was reinforced by what I witnessed when we implemented various initiatives under the previous medium-term plan.

Q2 What is your assessment of the course of the previous medium-term plan (FY2021–FY2024)?

Achieved growth in net sales and profits for the fourth consecutive fiscal year, as well as our highest-ever financial results. One issue going forward is how to achieve further sustainable growth.

Over the four years of the previous medium-term plan, we made steady progress with our businesses despite rapid changes in the environment, and we implemented significant work style reforms. We worked to strengthen profitability, implementing cost pass-through, while also decisively responding to customer demand by augmenting procurement and production systems. Consequently, we achieved our highest-ever results. Moreover, we have achieved growth in both net sales and profits for four consecutive years. In FY2024, we exceeded the initial targets for net sales, operating income, operating income margin, and ROE. In particular, profitability improved substantially. Being conscious of the cost of capital, we made progress with restructuring our business portfolio. In the Life Automation business, we transferred Azbil Telstar, S.L.U. to Syntegon, a German company.

We thus made steady progress with the previous medium-term plan. At the same time, the issue of how to achieve further sustainable growth grew more pressing. To achieve sustainable growth while responding to changes in the business environment and addressing emerging needs, we will strive to strengthen the azbil Group's unique business model by actively investing in human capital, product competitiveness, and DX. We will also consider collaboration with other companies, including M&A, to address increasingly advanced, complex, and diversified needs.

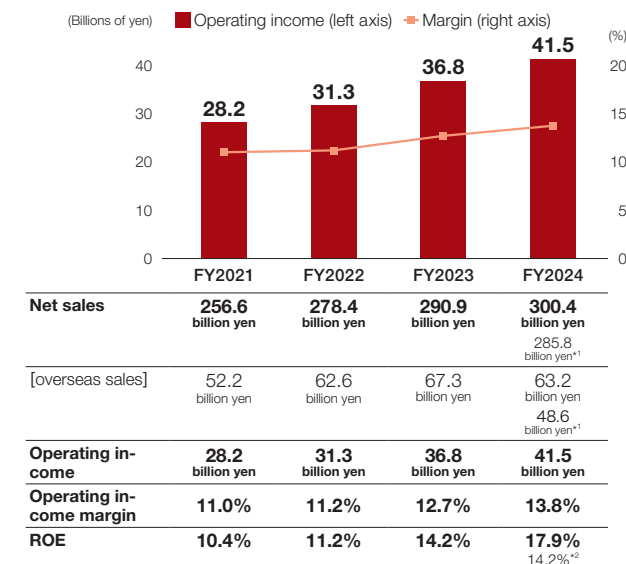
We have been advancing various measures aimed at expansion in overseas markets, but in order to achieve additional business expansion, I think we must further invest in resources, including personnel, while also enhancing our organizational systems so we can implement appropriate, timely measures that are tailored for each region.

▶ p.15– Message from the Deputy President

▶ p.26– Review of the Previous Medium-term Plan (FY2021–FY2024)

▶ p.37– Global Strategy

Medium-term plan (FY2021–FY2024) results



*¹ Net sales excluding the impact of the transfer of Azbil Telstar in October 2024.

*² ROE excluding the extraordinary gains from the transfer of equity interests in Azbil Telstar and other factors.

Q3 What were the key points when setting targets for the new medium-term plan (FY2025–FY2027) and when revising long-term targets for FY2030?

Pursuing sales growth as well as improving profitability in the new medium-term plan, while revising upward our targets for FY2030.

We expect the business environment to continue changing, but under the new medium-term plan (FY2025–FY2027) we will use the azbil Group's unique business model to achieve

both sales growth and improved profitability, building on the results of the previous medium-term plan. We are aiming for sales growth greater than what we achieved up to FY2024. As regards profits, while investing for future growth, we plan to achieve, three years ahead of schedule, an operating income margin of 15%, which was our long-term target under the previous medium-term plan.

At the same time, we have upwardly revised our FY2030 long-term targets for both net sales and profits. This reflects our firm belief that we will be able to achieve further growth not only supported by our core businesses, in which we can expect stable and continuous demand thanks to our long-established customer base, but also by developing growth areas.

Growth areas are fields that require technological innovation—in semiconductors and data centers, for example—as well as those focused on solving societal issues, such as the challenges of attaining carbon neutrality and handling labor shortages. As specific examples, in the Building Automation business we will expand business in the thriving domestic market by offering high value-added systems and services, such as GX solutions. At the same time, overseas we will also deploy our domestic business model, in which we provide equipment, systems, and services throughout a building's life cycle. In addition, we will take steps to make operations more efficient, such as introducing products with simpler installation requirements. In the Advanced Automation business, we will develop products and services tailored to new demands for measurement and control, and launch them in domestic and overseas markets. In the Life Automation business, we will aim for further growth from the development and sale of next-generation smart meters, as well as from expanding our smart metering as a service business.

The new medium-term plan covers a period in which we will be making significant investments to achieve sustainable growth, with a view to achieving our long-term targets for FY2030 and beyond. With the business environment

Outline of the New Medium-term Plan (FY2025–FY2027)

- The new medium-term plan (FY2025–FY2027) envisages the realization of **“Evolution and Co-creation”** aimed at contributing “in series” to the achievement of a sustainable society and the realization of the well-being of society and Group employees.
- It is expected that the business environment will continue to demonstrate a high degree of uncertainty (e.g., global geopolitical risks, inflation), but through “Evolution and Co-creation,” and with **“the azbil Group’s unique business model”** (see p.8) we will realize both sales expansion and improved profitability, aiming to achieve further business growth, including business portfolio restructuring.
- To reinforce our business model, we will steadily invest in the requisite strengthening of human capital, product competitiveness, and DX promotion. At the same time, we will continue to bolster the management foundation.



expected to remain in flux, now is exactly the right time for us to focus in earnest on measures for future growth.

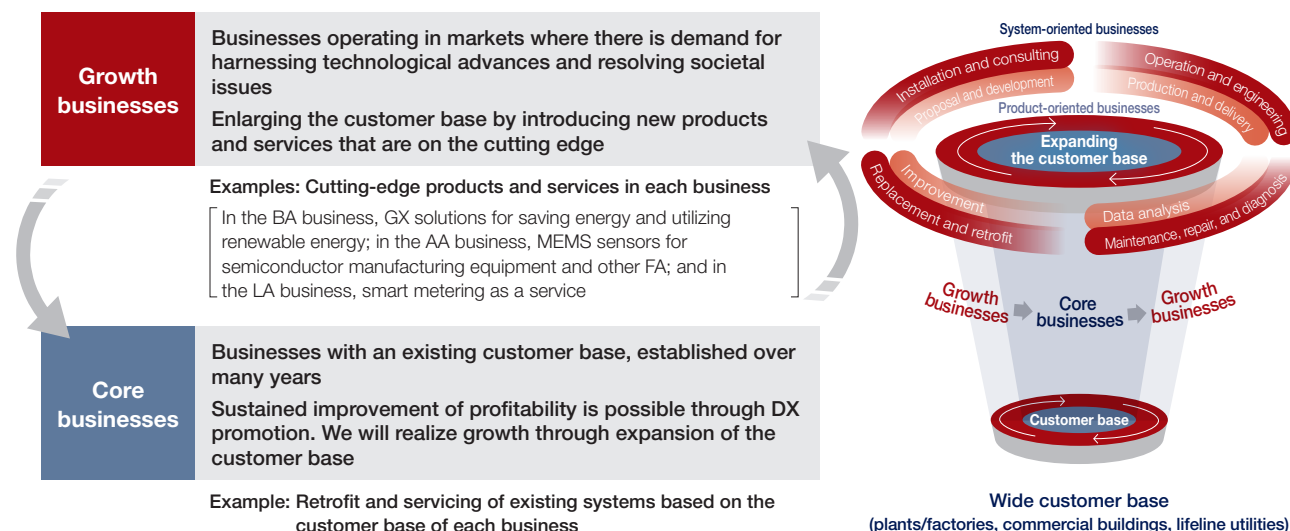
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- 📖 p.31– Building Automation Business
- 📖 p.33– Advanced Automation Business
- 📖 p.35– Life Automation Business
- 📖 p.37– Global Strategy

Q4 Please describe the azbil Group’s unique business model.

Achieving sustainable business expansion with the azbil Group’s unique business model, based on a cycle comprising core businesses and growth businesses

In the recently announced new medium-term plan, we have redefined the azbil Group’s unique business model, which is based on a cycle comprising core businesses

The azbil Group's unique business model



and growth businesses. This reflects our understanding of what kind of initiatives are needed to contribute, through business expansion, to the well-being of society and our employees by contributing “in series” to the achievement of a sustainable society amid unabated change in the business environment. With substantial changes occurring in our environment, to continue operating as a group it is essential that we have a business foundation that is resistant to such changes while at the same time pursuing business growth based on the opportunities that result from changes in society. It was when I took a fresh look at the Group's businesses from this perspective that I understood that the azbil Group's unique business model is now established.

Current azbil Group businesses can be broadly divided into two categories: one is recurring or core businesses, and the other is growth businesses. An advantage we have is that our extensive customer base covers factories,

commercial buildings, and lifeline utilities—meaning that we are not easily affected by changes in a specific market. In our core businesses—which have broad, stable customer bases with strong relationships developed over many years—we can constantly maintain and enhance profitability using DX and other technologies to provide products and services that will contribute to solving new issues. Our growth businesses find new opportunities in technological innovation, such as semiconductors, and societal issues, such as carbon neutrality. We can work to develop and expand the customer base by introducing cutting-edge products and services to new customers, not just in Japan but also overseas.

Our business model is based on a cycle: As we expand the customer base in our growth businesses, we improve sustainability and profitability in our core businesses, which leads to the creation of the next growth business (growth businesses ⇒ core businesses ⇒

growth businesses). The fact that we can use this cycle to achieve sustainable business expansion is one of the key characteristics and strengths of the azbil Group, which integrates everything from development and production to consulting, engineering, and maintenance services. We have long been engaged in this process and have now defined it as the “azbil Group's unique business model,” which we aim to further strengthen.

p.27– Key Points of the New Medium-term Plan (FY2025–FY2027)

To further strengthen the azbil Group's unique business model, we must ourselves undergo change to adapt to changes in the environment. In other words, we must “evolve.” Over the course of the new medium-term plan, we will actively invest in such evolution. However, in a world of change it will not be enough for us merely to evolve. We will thus collaborate with external partners, on an equal footing, utilizing our respective strengths as we engage in the “co-creation” of new value. This will include providing the means to enhance the sustainability of society as a whole. This is the concept behind the major theme of our new medium-term plan: “Evolution and Co-creation.”

Q5 What points will you be focusing on in investments to strengthen the azbil Group's unique business model?

Actively investing in three areas: human capital, product competitiveness, and DX promotion

To further strengthen the azbil Group's unique business model and achieve sustainable growth, we will actively make necessary investments over the three years covered by the new medium-term plan. We will focus on three areas: human capital, product competitiveness, and DX promotion.

Human capital is extremely important for the azbil Group, given that we provide solutions using an integrated system, ranging from development and production, to consulting, on-site engineering, and services. First, to

expand our growth businesses and core businesses, we will focus on securing and training human resources aligned with the relevant business strategy. In particular, we will work to secure and develop human resources with the ability to offer solutions and human resources ready for active participation in the global arena. We will also enhance our HR systems to ensure that those who generate results and those who perform key functions are able to receive appropriate compensation. In addition, by introducing various incentive plans as part of our investment in human capital, we will create a robust system that enhances employee ownership and engagement, so that the company and employees work together to achieve our targets.

We will also accelerate the launch of new offerings (products and services) by investing in product competitiveness. We will develop a range of competitive offerings by further enhancing our proprietary, core measurement and control technologies and our application technologies, which represent azbil's strengths. Specifically, we will focus on the development of cloud-based services and AI applications, MEMS-based sensing technology, and actuator technology.

We will also emphasize the development of the DX-related products and services required by our customers, while harnessing digital technology to enhance operational efficiency and profitability in areas such as development, manufacturing, engineering, and services. In particular, to enhance productivity and expand our businesses overseas, we will strengthen our infrastructure for providing high-quality services. It is important that these three areas of investment correlate closely and are aligned. It goes without saying that DX is essential for strengthening product competitiveness. Of course, our products are themselves important azbil solutions, but a distinctive characteristic of the azbil Group is the fact that we also create value for the customer with on-site solutions, such as engineering and services. For this reason, strengthening product competitiveness is inseparable from human capital. Furthermore, with AI leading to greater

labor-saving and increased efficiency, our approach to investing in human capital will change. Our basic approach to investment under the new medium-term plan will be to steadily achieve sustainable growth by actively investing in these three related areas.

 **p.15 – Message from the Deputy President**

 **p.39 – Digital Transformation (DX)**

 **p.41 – Research and Development**

 **p.52 – Human Capital**

Q6 How will you expand overseas markets?

Globally offering products and services that have been well received in Japan, while building customer trust and a solid track record

In the azbil Group's businesses, we must supply products and services over the long term. So one distinctive characteristic of our businesses is that expansion is only possible by building customer trust and a solid track record. At present, the azbil Group's relationships with overseas customers are not yet as robust as they are in Japan. However, our overseas businesses are steadily growing thanks to progress made with product and sales measures, and in each region we are building customer trust and a track record.

In the Building Automation business, we have implemented initiatives aimed at securing contracts from local building owners by drawing on the experience we have gained from overseas projects involving Japanese capital. With the drive to decarbonize and surging energy prices, azbil's domestic business model, in which we conserve energy throughout a building's life cycle, has now been well received by building owners overseas as well; it has become a key factor differentiating us from competitors. In the future, we will strive to achieve further growth through such measures as developing global account customers and securing contracts

for data centers, a market that is expected to grow, in addition to taking on projects for local building owners.

In the Advanced Automation business, there is emerging and growing demand for solutions to new issues that will ensure the competitiveness of our customers. For example, in the semiconductor manufacturing equipment market there is strong demand for advanced sensors that utilize MEMS technology. Here too we aim to expand business by introducing our automation equipment and systems that utilize the azbil Group's proprietary technologies and which have a strong track record in Japan.

Products and services that have proved popular in Japan have also been well received by overseas customers. I believe that it is certainly possible to grow our overseas businesses if we take advantage of the azbil Group's unique business model and offerings (products and services). Measures we can take include further strengthening our sales, engineering, and service systems; promoting DX, to include marketing automation; and expanding customer coverage by rolling out measures that clearly target specific markets and customers.

 **p.37 – Global Strategy**

Q7 What is your approach to strengthening the management foundation for supporting sustainable growth?

Promoting sustainability management, focusing on organizational restructuring and management for growth that is conscious of the cost of capital, and continuing to strengthen corporate governance

To execute our new medium-term plan and achieve sustainable growth by strengthening the azbil Group's unique business model, we have also been working to enhance various aspects of the management foundation.

As part of our organizational restructuring to achieve growth, in April 2025, we established the new Group

Management Strategy Department, which is charged with refining our growth strategies and optimizing our business portfolio. Going forward, we will continue promoting organizational restructuring for growth, creating entities for the development and execution of strategies tailored to the unique characteristics of each region overseas. In addition, we will practice management that is conscious of the cost of capital. This includes the adoption of return on invested capital (ROIC) as a company-wide standard for management decisions, and planning for investment in growth that effectively utilizes our balance sheet. Regarding sustainability management, we have set unique goals for the SDGs based on materialities that we have identified, as well as goals in the form of a CSR activity plan that details our approach and the fundamental obligations that we as a company must fulfill to be a member of society. In accordance with these goals, we aim to establish a sustainable business foundation through activities such as promoting CO₂ emission reduction, promoting diversity, equity and inclusion, and strengthening our risk management system.

Following our transition to a company with a three-committee board structure in FY2022, we have continued to strengthen corporate governance. In FY2025, we further enhanced the independence and supervisory functions of the Board of Directors, reducing the number of members from 12 to 10, creating a structure in which 70% of directors are outside directors, 30% are women, and the chairperson of the Board is an outside director.

 [p.30 Group Management Strategy](#)

 [p.37– Global Strategy](#)

 [p.50– Sustainability Management](#)

 [p.58 Human Rights Initiatives](#)

 [p.59– Environment](#)

 [p.67– Supply Chain](#)

 [p.71– Risk Management](#)

 [p.77– Corporate Governance](#)

Q8 What will you be focusing on in business operations and in initiatives to achieve business growth?

Aiming to solve issues at customer sites and working with integrity to create value, thereby contributing to the well-being of society and our employees

If I were to choose one word to express the uniqueness of azbil, it would be “integrity.” Beginning with our founding spirit of “freeing people from drudgery,” there have been numerous examples throughout our history that demonstrate azbil’s integrity. One such instance was when we paid patent fees to Brown Instrument Co. as a lump sum after the Pacific War, having been unable to remit the funds in wartime; another example is the 50:50 partnership with Honeywell Inc. The more disruption there is in society, the more important it is to plant one’s feet firmly on the ground and aim for steady progress. For this reason, I think the simplicity of living and working with integrity day by day is important.

In my view, the strengths of the azbil Group lie not only in our development, manufacturing, and sale of products and services that incorporate state-of-the-art technology but also in our ability to work as a partner with our customers, at their sites, to make possible things that they previously thought impossible, in order to solve their issues, and thus create new value. Regardless of how far and how fast AI progresses, there will always be physical, on-site operations. That is why employees who are able to create value on site are extremely valuable.

So that such employees feel a sense of purpose and grow through their involvement in azbil’s businesses, in their own way and from their own standpoint, we must ensure that they understand and share the direction of the azbil Group. To achieve this, we are focusing on enhancing internal communication and strengthening employee engagement. It is also important that the type of value creation that the azbil Group is aiming for, and our vision, are clearly communicated to our customers. We will focus on corporate branding to ensure global understanding of azbil’s vision.

In this way, management and employees will work with integrity as a single team, partnering with our customers and society, to solve issues on site and create new value. By doing so, the azbil Group aims to contribute to the well-being of society and its employees, through business expansion based on contribution “in series” to the achievement of a sustainable society. We will fulfill the expectations of each type of stakeholder. This can take various forms, including pursuing business growth at the same time as improving returns for the shareholders who support the azbil Group’s philosophy and businesses. We sincerely hope we can continue to count on your support for the azbil Group’s initiatives for many years to come.

 [p.3 The azbil Group’s DNA and Our Future Vision](#)

 [p.87– Stakeholder Engagement](#)



Message from the Deputy President



As we continuously restructure our business portfolio, we are also actively investing for growth through “Evolution and Co-creation.” At the same time, we aim to further enhance enterprise value by practicing sustainability management.

Takayuki Yokota

Director,
Representative Corporate Executive
Deputy President

Q1 Please review the previous medium-term plan (FY2021–FY2024).

Amid major changes in the business environment, continued to grow and, through flexible management, achieved the targets set in the previous medium-term plan

Looking back over the four years of the previous medium-term plan, people's lifestyles and our work styles underwent considerable changes as a result of the COVID-19 pandemic. There was also a rapid succession of upheavals: parts shortages due to global supply chain disruptions; increasing costs for materials and higher personnel expenses as a result of inflation; international conflicts and other

geopolitical risks; and, in technology, the emergence of generative AI.

Amid these changes, we responded decisively to the challenging conditions and demonstrated flexibility in adjusting management. As a result, we continued to grow, and we achieved the targets initially set in our medium-term plan. Of particular note is our operating income margin: the initial target was 12%, but we significantly surpassed this, achieving a margin of 13.8% in FY2024. In addition to improving profitability, I believe our actions showed discipline: We invested profits in human capital, facilities, and other areas to achieve our next stage of growth, and we returned profits to shareholders through higher dividends and share buybacks.

The reason we were able to survive these major shifts in our environment lies in our expertise in the automation business, for which there has been strong demand. Also important was a shared sense of urgency and our quick response. In FY2022, we transitioned from a company with an audit & supervisory board to a company with a three-committee board structure, resulting in a system that enables the executive side to use its entrusted authority to take responsibility and act with speed. I believe our performance was partly due to this system functioning well. Among our immediate tasks are ensuring that this new system firmly takes root and that it matures, coming closer to its completed form.

Another issue concerns how to restructure our business portfolio. We must make strategic investments in human resources and other areas in order to expand our growth businesses and, in particular, strengthen our operations overseas. We intend to focus on this strategy in our new medium-term plan.

▶ p.26 Review of the Previous Medium-term Plan (FY2021–FY2024)

Q2 What are your thoughts on restructuring the business portfolio?

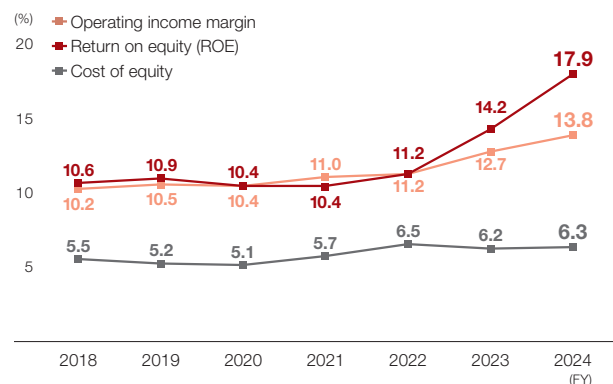
Restructuring the business portfolio while emphasizing group synergies and governance

As regards the azbil Group's businesses, we ensure a solid business foundation and continuously provide value to customers, enabling us to secure their trust while improving profitability and achieving growth. That is why we are constantly managing our business portfolio by examining each of our businesses and considering how we can generate a good return on invested capital. From the perspective of capital efficiency, in FY2021 we introduced return on invested capital (ROIC) as a key management indicator to enable us to achieve optimal capital allocation.

As one result of such initiatives, in October 2024 we transferred all equity interests in Azbil Telstar, S.L.U., headquartered in Spain, to another company; this is because we could not foresee it making a sufficient contribution to the azbil Group's business portfolio. Azbil Telstar's pharmaceutical manufacturing equipment business can leverage the Group's expertise in measurement and control technologies. However, amid global competition, the market has been undergoing rapid restructuring aimed at strengthening solutions capabilities, making it difficult for us to leverage our current know-how. In addition, Azbil Telstar operates not just in Europe, where it is located, but also in emerging markets in Asia and South America, and it was felt that this presented issues from a governance perspective. Following negotiations, it was determined that the acquiring party would be a German company possessing the requisite technical and market-response competences, which agreed that the employees of Azbil Telstar would be kept on following the transfer. This achieved the goal of restructuring while also generating gains from the transfer. I believe the outcome was beneficial to both parties.

In light of this experience, when restructuring our business portfolio, we will place greater emphasis on businesses that are highly aligned with our technologies and that can generate synergies within the Group, as well as considering whether we can continue to support the business from the perspective of governance and other aspects. Thanks to our business portfolio restructuring initiatives, our ROIC has been rising. But we will not rest. We are aiming to achieve our ultimate ROE target with a strong sense of urgency. As part of its analysis of the progress of the medium-term plan, the Board of Directors will regularly review our business portfolio, as we endeavor to sustainably enhance enterprise value through the strategic allocation of management resources.

Operating income margin, ROE, cost of equity



Operating income margin, ROE targets
(announced on May 13, 2025)

Medium-term plan
(FY2027)

Operating income margin: 15%
ROE: 14%

Long-term targets
(FY2030)

Operating income margin: 15.5%
ROE: 15%

Notes:

1. ROE excluding the extraordinary income from the transfer of Azbil Telstar was 14.2%.
2. FY2024 azbil Group ROIC (trial calculation) was 12.6%. ROIC excluding special factors such as the transfer of equity interests in Azbil Telstar was 10.3%.

Q3

Please explain your investment policies for the new medium-term plan (FY2025–FY2027).

Actively investing in human capital, strengthening product competitiveness, and promoting DX, while also investing for growth to achieve business expansion through leveraging our balance sheet

In our new medium-term plan, we will focus on “Evolution and Co-creation” aimed at contributing “in series” to achieve a sustainable society. We will be targeting further growth not only in our core businesses, based on the strong ties we have built up with our customer base over many years, but also through the development of growth markets for which technological advances and solutions to society's issues are key. We have set the following targets for FY2027, the final

Priorities when investing for the new medium-term plan

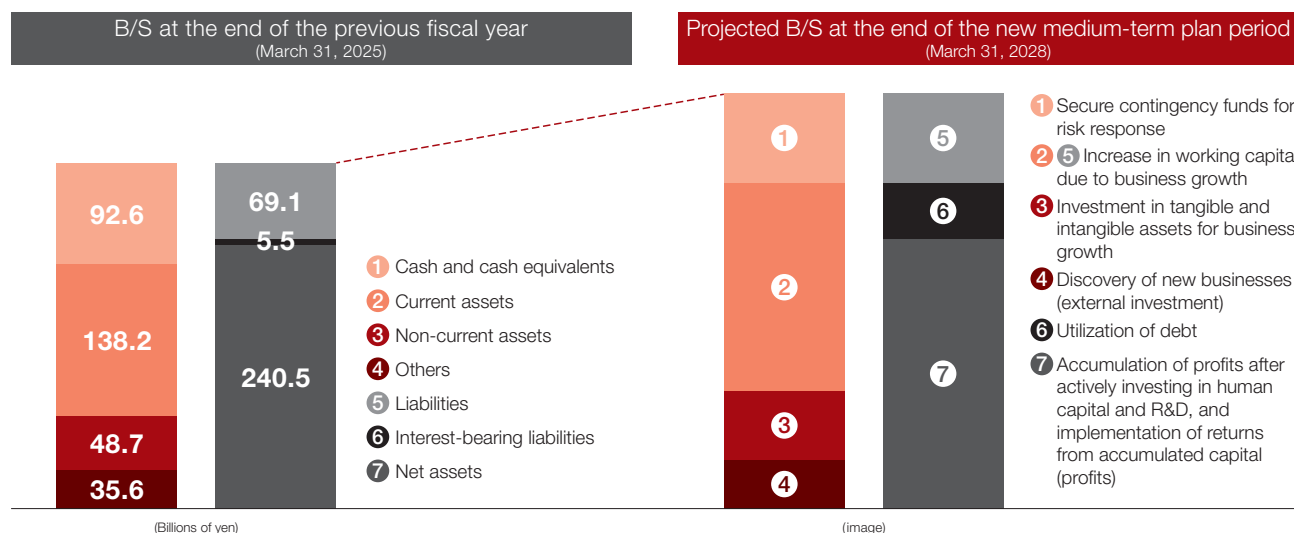
Strengthening human capital	Strengthening product competitiveness	Promoting DX
Total personnel expenses +¥32 billion	R&D expenses +¥9 billion	DX (IT) investment +¥5 billion
Secure and develop essential human resources to execute business strategies (personnel with strong solution capabilities and global talent) to expand both core and growth businesses	Enhance unique measurement and control technologies and application technologies to develop a range of competitive products	Create digital products and services that enhance customer satisfaction, improve operational efficiency and profitability by utilizing AI

Note: The above increases in investment refer to the entire period (three years) covered by the new medium-term plan (FY2025–FY2027).

fiscal year of the plan: net sales of ¥340.0 billion, an operating income of ¥51.0 billion, an operating income margin of 15.0%, and ROE of 14%. We have also made upward revisions to our long-term targets for FY2030.

To ensure business growth, which is the foundation for achieving these targets, we will actively invest in developing human capital, strengthening product competitiveness, and promoting DX. Specifically, over the course of the medium-term plan, we plan to increase our investments by a total of ¥50.0 billion. Of this, ¥32.0 billion is for investment in human capital aimed at securing and training personnel with solution capabilities and global talent aligned with our business strategy; ¥9.0 billion is for R&D expenses to strengthen product competitiveness, making use of our proprietary measurement and control core technologies and

Achieve the next stage of growth through fostering the growth of existing businesses and investing in new ventures by the strategic allocation of assets and liabilities



■ Through the reduction of inventory and held stocks, our financial stability has become robust. The increased cash is allocated to returns.

■ We constructed a new facility at the Fujisawa Technology Center to strengthen R&D infrastructure for business growth and to provide a space where the future vision of our offices can be experienced.

■ We anticipate **approx. 50.0 billion yen in investments** for business expansion during the new medium-term plan period, considering not only available funds but also the proactive use of debt.

■ With a focus on cost of capital, we will allocate cash to investments and returns. We aim to continuously increase dividends to secure a **dividend on equity (DOE) above 6%**.

application technologies; and ¥5.0 billion is for promoting DX, to develop DX-related products and services, enhance operational efficiency, and boost profitability. In addition, we plan to actively consider investment in external resources for business expansion, including M&A.

When investing for growth to achieve business expansion, including M&A, we will leverage our balance sheet, which at present is healthy, with low debt and a high shareholders' equity ratio. In terms of corporate strategy,

however, we believe that using different sources of financing, including external funds, to grow our businesses while lowering overall funding costs is a desirable method of increasing enterprise value for shareholders. Accordingly, our basic approach in the new medium-term plan is to target growth through new investments to the value of ¥50.0 billion, using not just funds on hand but also actively utilizing debt.

📄 p.27– Key Points of the New Medium-term Plan (FY2025–FY2027)

Q4 What are your views on sustainability management?

Focusing on sustainability management while flexibly responding to changes in society's concerns and issues

When working to achieve the targets in our management plan, ensuring the continuous and stable growth of the azbil Group, as well as contributing to the sustainability of society, are important objectives. In that sense, we intend for sustainability management to remain an important focus in our new medium-term plan, while also ensuring that we communicate appropriately with our stakeholders to update them on our progress.

Based on the materialities that we have identified from the perspective of contributing “in series” to a sustainable society and sustainability, we have determined four “essential goals of the azbil Group for the SDGs”: “Environment and Energy,” “New Automation,” “Supply Chain, Social Responsibility,” and “Health and Well-being Management, An Organization That Never Stops Learning.” For each of these goals, we have set specific targets for FY2030. In addition, we have established targets in the form of CSR activity plans, which cover what we consider to be the fundamental obligations that we must fulfill as a company to exist in society, such as product safety and quality, and compliance. We are promoting initiatives with our SDG goals and CSR activities serving as the two pillars of the azbil Group's sustainability management.

For example, if we look at the environment, in addition to the existing focus on CO₂ emissions, water resources and biodiversity have recently become major topics of discussion. As an organization whose own sustainable growth is inseparable from the realization of a sustainable society, the azbil Group must respond flexibly and actively as such issues emerge and evolve. We will not change our sustainability goals; however, if necessary, we will flexibly revise our approach—methods and targets—as

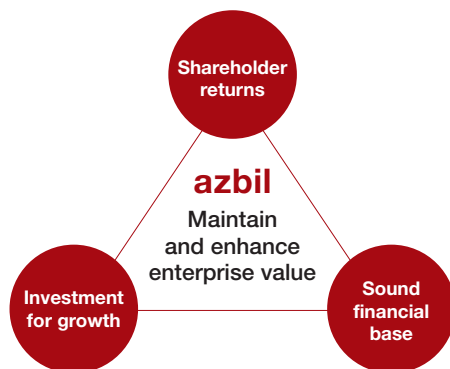
well as materialities, depending on the circumstances, even during the period of the new medium-term plan. We will also reconsider information disclosure and accountability in accordance with any new laws or regulations related to sustainability.

Q5 What is your approach to capital policies and shareholder returns?

Regarding shareholder returns, planning a dividend increase for the 11th consecutive year and a ¥15.0 billion share buyback

In the new medium-term plan, there will be no change to the azbil Group's existing basic policy of maintaining and enhancing enterprise value through disciplined capital management that carefully balances three key elements: promoting shareholder returns, investing for growth, and

Basic policy



Developing 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

maintaining a sound financial base. Over the course of this new medium-term plan, we are putting special emphasis on achieving steady growth through active investment, as already described. The cash generated from growth will be progressively put into shareholder returns, providing dividends and implementing share buybacks, as well as being allocated to investments.

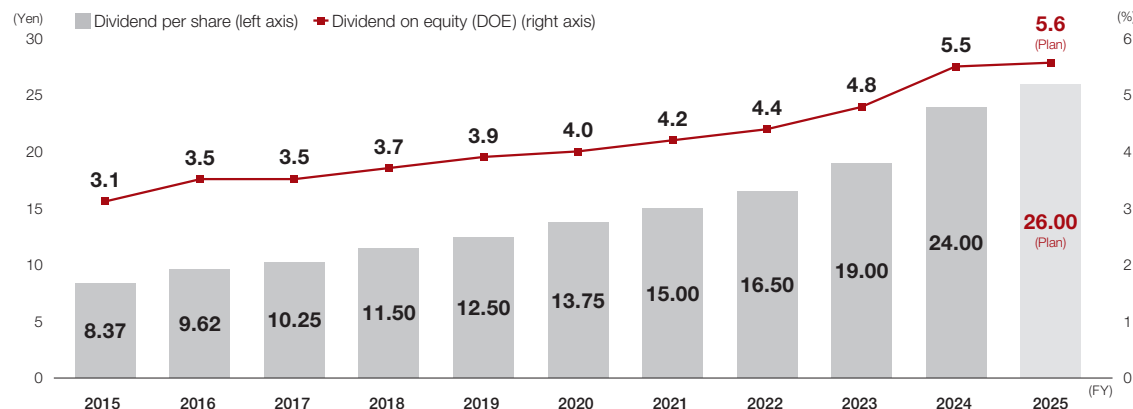
In FY2024, we increased the year-end dividend by ¥2 per share from the amount previously announced, raising the annual dividend to ¥24 per share. Compared with FY2023, this was equivalent to a dividend increase of ¥5 after adjustment for the stock split. In FY2025, we plan to

further increase the dividend by ¥2, for an annual dividend per share of ¥26; this will be the 11th consecutive dividend increase. We expect this to result in a DOE of 5.6%, and we aim to achieve a DOE of 6% in the future through continued increases. DOE is an indicator that we have been using to assess dividend levels.

In addition, based on the results of our previous medium-term plan, including improvements to our profit structure resulting from business restructuring initiatives, we are implementing a ¥15.0 billion share buyback in FY2025. This is for the purpose of returning profits to shareholders and enhancing capital efficiency. We also canceled 19.3 million

Trend of shareholder returns

The year-end dividend for FY2024 was increased by ¥2 from the initial plan. It is planned to further increase the annual dividend —for the 11th consecutive year—by ¥2 to ¥26 per share from FY2024.



Total amount of own stock repurchased (billions of yen)	2.0	3.0	5.0	9.9	10.0	10.0	10.0	15.0	15.0 (Plan)
Number of shares repurchased (millions of shares)	4.80	5.71	7.49	14.87	9.01	10.68	8.77	12.47	24.00 (Plan)

Note: The dividend per share and total number of shares repurchased have been retroactively adjusted to take into account the effect of the stock splits in October 2024 and October 2018.

treasury shares, with a book value of approximately ¥20.0 billion, on May 30, 2025. This was because, in addition to the ¥15.0 billion share buyback, of the company's own stock repurchased in the previous fiscal year, more than ¥5.0 billion in treasury shares originally intended for investment in human capital (for the Trust-Type Employee Shareholding Incentive Plan) remained unused as the required shares were allocated through market procurement. In this way, we also conduct disciplined management of treasury shares.

Q6 What initiatives are you implementing to strengthen human capital?

Boosting employee engagement with incentive plans that utilize treasury shares

Over the period of the new medium-term plan, we plan to increase investment in human capital by ¥32 billion, as previously mentioned. We expect an average annual growth rate of 5.8%. So, in addition to raising wages, we will bolster our workforce—mainly outside Japan—to enable us to keep pace with that level of growth.

When strengthening human capital, it will of course be important that we focus not just on quantity but also on quality. In terms of strengthening quality, in addition to meeting such challenges as human resource development and the transfer of skills, we consider promoting diversity, equity and inclusion to be important. As regards the active participation of women, for example, at Azbil Corporation, the main company in the Group, our target is to increase the proportion of female employees in managerial or specialist positions from the current level of 7% to above 10% by FY2030. In addition, by FY2027 we plan to increase the proportion of female employees in managerial or specialist positions across all domestic group companies, doubling the figure for FY2017.

Employee engagement is also important for strengthening human capital. As one way to strengthen this,

we have introduced incentive plans that make use of Azbil's own stock. Specifically, there are three plans: the employee stock ownership plan with restricted stock (J-ESOP-RS), a special incentive scheme, and the Trust-Type Employee Shareholding Incentive Plan (E-Ship®). The J-ESOP-RS includes transfer restrictions, so employees cannot sell their shares until they leave the company, but the introduction of this scheme will enable employees to receive dividends and exercise voting rights. Each of these plans will contribute to employees' asset formation as a welfare benefit, while also increasing their interest, as shareholders, in Azbil's business performance and share price. We anticipate that this will encourage them to "take ownership" of management plans and initiatives. We believe that enhancing employee engagement will result in a shared sense of ownership, and thus contribute to enhancing enterprise value.

 **p.52– Human Capital**

Q7 Finally, is there anything you would like to communicate to the azbil Group stakeholders?

Enhancing the sense of accelerating growth through our own "Evolution and Co-creation" with stakeholders

Over the course of the previous medium-term plan, the azbil Group achieved steady growth, despite the challenges of a changing business environment. Having launched our new medium-term plan, we now face a business environment that is even more unpredictable and uncertain. Nevertheless, we believe we will be able to overcome the challenges by accurately identifying problems and quickly addressing them. We will secure profits by addressing specific issues—such as appropriately applying cost-pass-through for inflation-driven increases in personnel expenses and materials costs. At the same time, we will use investment, including M&A, to ensure growth accelerates. We have made upward revisions to our long-term net sales and profit targets for FY2030. These

revisions are based on the results of various initiatives under the previous medium-term plan, especially those designed to strengthen profitability. In addition to achieving our targets for the final fiscal year of the new medium-term plan, we plan to reinforce the sensation of accelerating growth as we look toward our newly revised targets for FY2030.

The theme of the new medium-term plan is "Evolution and Co-creation." "Evolution" refers to our efforts to reconstitute azbil so as to adapt to environmental changes. "Co-creation" refers to creating—together with our various stakeholders, including external resources and employees—new value, enhancing stakeholder engagement and driving growth. Responding to change and sustainability are both firmly built into our management. With the transition to a company with a three-committee board structure, we have created a stronger governance system that is highly transparent, while also increasing the speed of business execution. Going forward, we will continue growing to fulfill the expectations of stakeholders, so I hope we can count on your support.



Materiality

Environmental, societal, and business structural changes—resulting from such factors as the need for action on climate change and the SDGs, as well as the declining birth rate, the aging population, and changes in the way people work—have led to the emergence of various new issues that need to be addressed. At the same time, automation—which can serve in a variety of ways, such as mechanization, labor saving, energy saving, and resource conservation—is playing an increasingly essential role in solving these challenges, further enhancing its value and the expectations placed upon it. Amid these changes, in August 2022, to achieve sustainable growth for the azbil Group, we 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. We have identified 10 material issues across five areas to be tackled over the long term. In FY2023, with advice from external experts, the following process for identifying materiality was reassessed, and its validity was reaffirmed. The materiality identification process for the azbil Group can be broadly divided into three steps.

The diagram on the right side of the page shows materiality and our aim, based on each materiality identified from issues of particular importance to the azbil Group and/or stakeholders, as well as the azbil Group's initiatives. Among those items not included in the 10 material issues mentioned above, natural capital (e.g., biodiversity, water resources) is of relatively high priority.

Materiality identification process

STEP 1

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

STEP 2

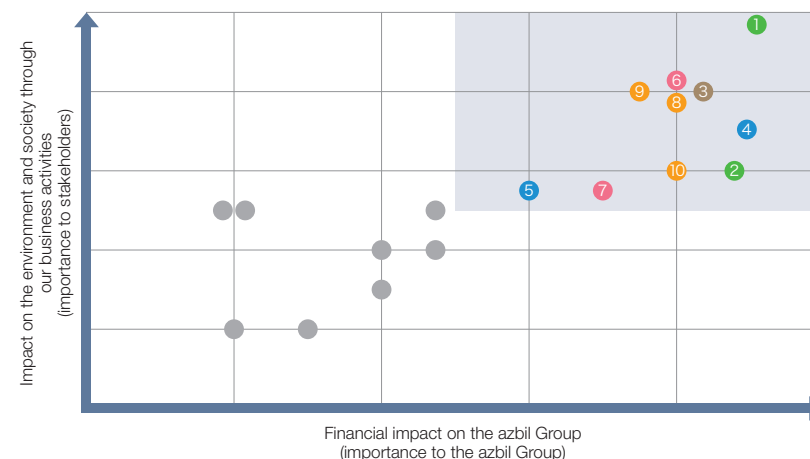
For the materiality candidates, we identified opportunities and risks from the perspective of double materiality and evaluated their level of importance, taking into account several key issues that emerged through stakeholder engagement and advice from external experts. Across five areas, we have identified materiality as 10 material issues of particular importance to the azbil Group and/or stakeholders.

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.

Going forward, we will further assess and validate our approach in light of changes in the environment, society, and business structures, as well as their financial impact. To appropriately understand the effects and dependencies, as well as business risks and opportunities associated with natural capital, we are advancing nature-positive initiatives aligned with the recommendations of the Taskforce on Nature-related Financial Disclosures (TNFD). In August 2024, Azbil registered as a TNFD Adopter and declared our commitment to report on the results of our initiatives in FY2025 in accordance with the disclosure recommendations.

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
Social	4 Supply chain	Share CSR values (e.g., environment, human rights) within the supply chain
	5 Contribution 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 foundation 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

Materiality and the Essential Goals of the azbil Group for the 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 the azbil Group for the SDGs			
		Essential goals	Targets	FY2024 results	References
Environment	Climate change	I Environment and Energy	Solving energy-related problems (toward a decarbonized society) - Effective reduction of CO₂ at customers' sites: 3.40 million metric tons of CO₂/year^{*1} - Reduction targets in GHG^{*2} emissions - 55% reduction^{*3} in GHG emissions from our business activities - 33% reduction^{*4, *5} in GHG emissions across the entire supply chain Environmental preservation (realization of integrated environmental corporate management^{*6}) - Creation and provision of eco-friendly products and services - 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 - Design all new products to be 100% recyclable^{*12}	- Effective reduction of CO₂ at customers' sites: 2.72 million metric tons of CO₂/year - GHG emissions (Scope 1 + 2): 56% reduction from FY2017 (base year) - GHG emissions (Scope 3): 25% reduction from FY2017 (base year) - The azbil Group's unique sustainable design implemented for all new products - Total of 943 employees with professional skills 100% recyclable design implemented for nearly 10% of new products, and 75% recyclable design for nearly 80% of new products	p.59- Environment
	Resource recycling				
Innovation	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, office spaces (buildings) and living spaces. - 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.	- Introduced a control valve maintenance support system, an online anomaly detection system, cloud-based services for large buildings, smart metering as a service, etc. - Contributed to the business environment of a total of 1,223 business sites (+296 sites YoY) - Contributed to the residential and office environments of 926,000 people (+65,000 ppl. YoY)	p.34 Control valve maintenance support system p.36 Smart metering as a service p.40 AI-driven navigation system for quality management
Social	Supply chain	III Supply Chain, Social Responsibility	Fulfilling social responsibilities with customers and business partners (expansion of azbil CSR activities aimed at sharing value) - Working with our business partners on achieving the SDGs as a common goal and creating shared CSR value across the supply chain Invigorating local communities (contributions around our business sites) - Social contribution activities rooted in local communities are run at all our business sites,^{*15} with the active participation of every employee.^{*16}	- Completed activities to reduce the risk of human rights violations at important business partners of the azbil Group, and conducting such activities at secondary business partners. Supported business partners in solving issues related to the reduction of CO₂ emissions - Promoted employee participation in sponsored events and educational support activities in neighborhoods near business sites, in Japan and overseas, and conducted collaborative activities with the Azbil Yamatake General Foundation and other organizations	p.67- Supply Chain p.87 Stakeholder Engagement
	Contribution to local communities				

Materiality		Essential goals of the azbil Group for the SDGs			
		Essential goals	Targets	FY2024 results	References
Human resources	Human rights, safety, and health	IV	Implementing health and well-being management (job satisfaction; health; and diversity, equity 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) ■ 65% or more employees*17 expressed satisfaction with working at azbil Group companies. ■ Double women's advancement points*18 by FY2024 (versus FY2017) New targets from FY2025 ■ Percentage of female employees at managerial or specialist positions to be 10% or more*19 ■ Approximately double the percentage of female employees at managerial or specialist positions across the azbil Group in Japan by FY2027 (versus FY2017)*20 Developing and strengthening “an organization that never stops learning” (Expanding opportunities for globally active employees to continue education and opportunities to learn with stakeholders) ■ 65% or more employees*17 experienced personal growth over the past year. ■ Double training opportunity points*21 by FY2024 (versus FY2012)	· Achieved 59% of employees who find satisfaction in working in the azbil Group · Increased women's advancement points by 2.3 times (as of April 1, 2024) · Achieved 61% of employees who have experienced personal growth over the previous year · Increased training opportunity points by 6.1 times (breakdown: in-person training: × 1.7; online training, e-learning, and others: × 9.0) Note: We achieved our initial targets for “women's advancement points” and “training opportunity points,” so in FY2025, we set new targets, as shown on the left.	📄 p.52- Human Capital
	Learning and employee development				
Governance	Product safety and quality	Fulfilling our fundamental obligations to society	■ With regard to product safety and quality, and compliance, each department sets indicators and goals directly related to business as a CSR activity plan. The plan includes compliance enhancement, strengthening of response to legal requirements, disaster prevention and business continuity planning, information leak prevention, proper accounting practices, creation of a healthy workplace, enhanced occupational health and safety, assurance of customer safety from product incidents, and respect for human rights. Progress on these initiatives is monitored through the azbil Group CSR Promotion Committee, ensuring the maintenance and improvement of such initiatives. ■ 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.		📄 p.46 Quality Assurance 📄 p.86 Compliance and Internal Control 📄 p.77- Corporate Governance
	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 October 2024, our new target to reduce GHG emissions by 33% by 2030 (compared with 2017) was certified by the SBTi.

*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).

*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 service

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

*12 Design that scores 100% on the azbil Group's proprietary scale for resource recycling. Our aim is to enable proper disassembly and sorting when a product has been disposed of by the customer.

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

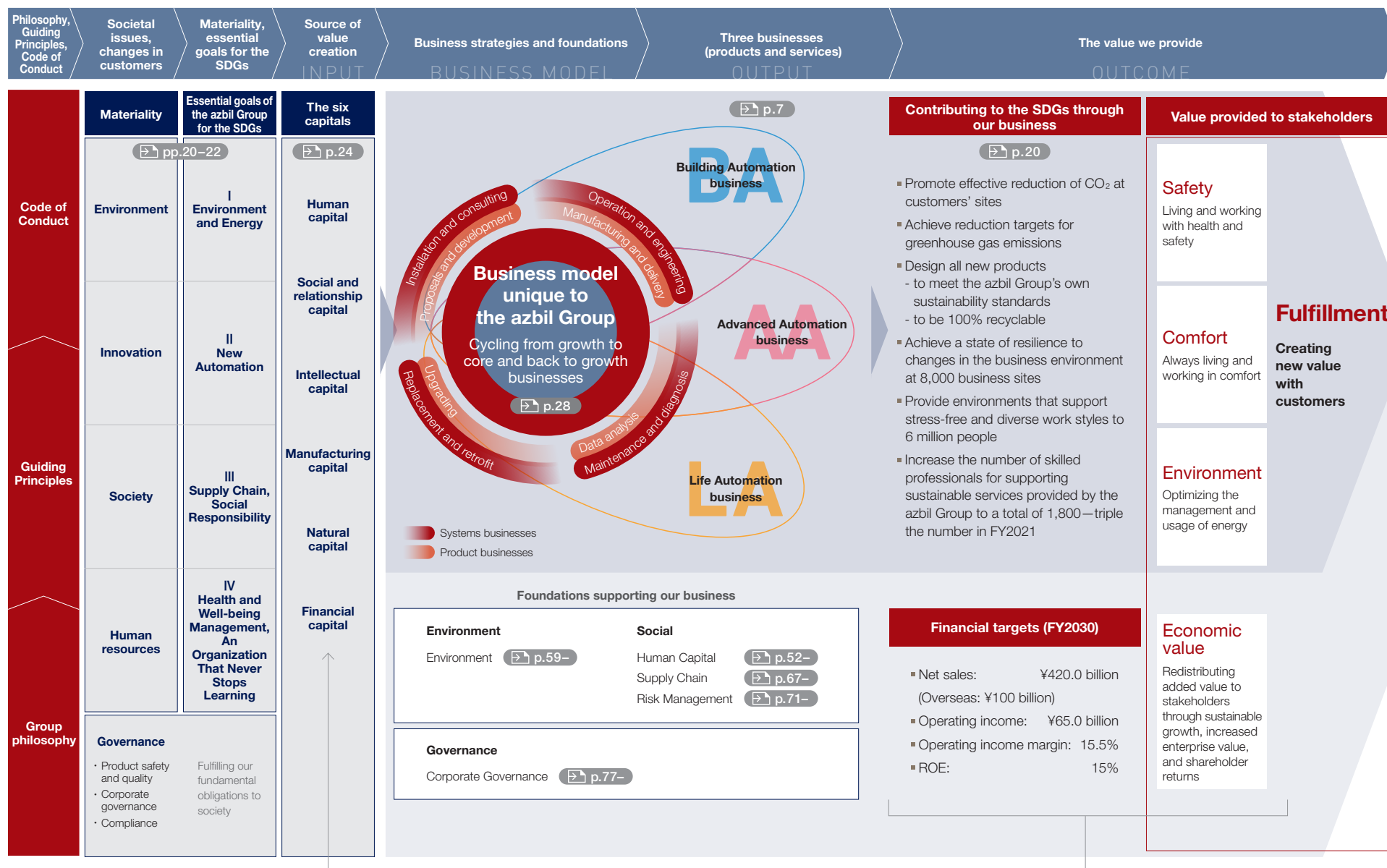
*18 Points tallied internally, with weight given based on the role, such as company executive, officer, and manager

*19 Azbil Corporation's target is for female employees in managerial or specialist positions to represent at least 10% of all employees in managerial or specialist positions.

*20 The base year for our target is FY2017 because in FY2018 we revised our personnel system to incorporate measures for women's advancement.

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

The azbil Group's Value Creation Model



Contributing to a sustainable society

The Six Capitals

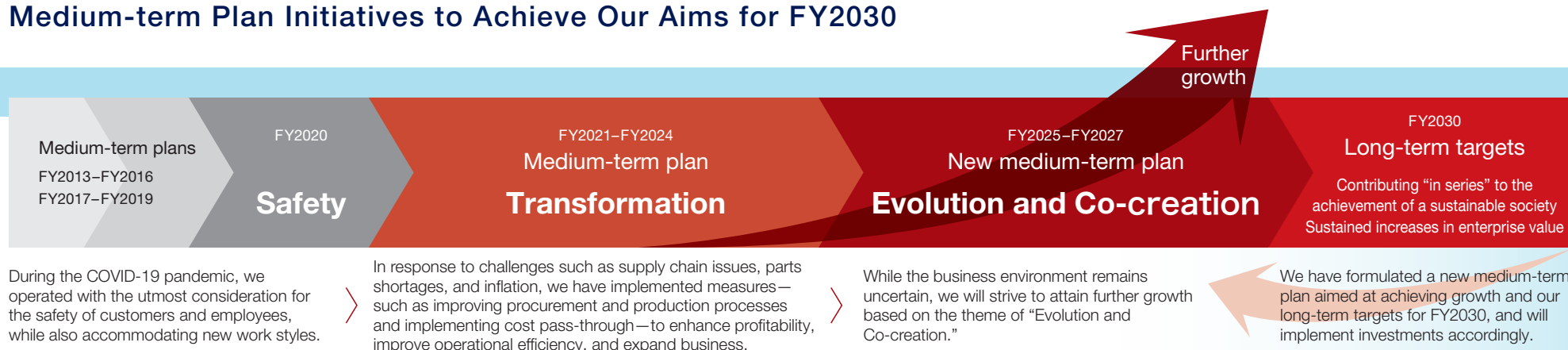
The azbil Group's Operational Resources and Source of Value Creation

The azbil Group leverages the capital accumulated over many years since its founding as an invaluable asset with which to develop its unique business model.

By strengthening these six types of capital, we will create more value and expand our businesses, through which we aim to contribute “in series” to a sustainable society.

Human capital	Social and relationship capital	Intellectual capital	Manufacturing capital	Natural capital	Financial capital
Assisting growth and creating value via diverse human resources	Creating value through relationships of trust and cooperation with various stakeholders	Strengthening our ability to produce products and services that address the issues facing society and our customers	Sharing advanced production technologies throughout the Group globally	Reducing our own environmental impact and assisting in efforts to reduce the environmental impact at customer sites	Allocating resources with a focus on ensuring capital efficiency and maintaining a sound financial base
Number of employees (consolidated) 8,922 (as of March 31, 2025) Azbil Academy attendees 189,000 (total) Individuals who earned official qualifications 2,764 (total)	Sales and service bases in 15 countries and regions: 13 companies in Japan 27 companies overseas	R&D expenses: ¥49.5 billion (FY2021–FY2024 results) Capital investment to strengthen R&D site functions: Construction expenses: ¥7.1 billion (FY2021–FY2022 results) Patents: 2,254 (as of March 31, 2025)	Factories: 10 in Japan 4 overseas	Total energy use 65,026 MWh Total water use 121 million L	Total assets ¥315.1 billion (as of March 31, 2025) Credit rating: A+ (from R&I, Rating and Investment Information, Inc.)
Human resources are the most important form of capital for the azbil Group, as we use an integrated system—covering everything from development, through manufacturing and engineering, to services—in order to provide solutions. We are focusing on ensuring that each and every employee can fully utilize their strengths. ■ Promoting health and well-being management by creating new ways of working and DEI ■ Developing human resources aligned with management and business strategies, as an organization that never stops learning ■ Enhancing employee engagement in coordination with employee benefits and financial measures 📄 p.52– Human Capital 📄 p.87 Stakeholder Engagement	The activities of the azbil Group are supported by collaboration with customers, alliance partners, business partners (suppliers), and other stakeholders. We will work to further strengthen relationships of trust while expanding internal and external collaboration and ties. ■ Promoting co-creation with customers and alliance partners ■ Building networks, including investments in venture funds ■ Establishing a sustainable supply chain by implementing initiatives focused on environmental conservation and respect for human rights 📄 p.31– BA/AA/LA Global Strategy 📄 p.67– Supply Chain	We are strengthening field device technologies, including MEMS and actuators, as well as system solutions incorporating AI, the cloud, and other technologies. Both of these approaches are important for the azbil Group's unique business model. ■ Investing in R&D, strengthening the functions of R&D facilities, and enhancing our development environment ■ Strengthening development personnel (using a talent management system and other measures) ■ Creating added value and increasing efficiency by promoting DX 📄 p.39– Digital Transformation (DX) 📄 p.41– Research and Development	To respond to customer demand and stably supply high-quality products around the world, we are focusing on the creation of manufacturing and procurement systems that incorporate a BCP perspective; we are also increasing the role of IT in production processes and promoting GX, while making improvements to the capabilities and efficiency of production technology. ■ Upgrading production capabilities, led by our mother factory ■ Improving and strengthening the global production system (China, Thailand, Vietnam) ■ Promoting production IT (DX/LX) ■ Strengthening procurement and manufacturing systems 📄 p.47– Manufacturing and Procurement	We are working to reduce the environmental impact from our own business activities. We have also formulated a decarbonization transition plan aimed at achieving our SBTi-certified net-zero target. Furthermore, we intend to reduce CO₂ emissions at customers' sites through our automation business. As a result of these efforts, the overall reduction in our customers' CO₂ emissions is 230 times that achieved for our own business activities. ■ Implementing a decarbonization transition plan and reducing CO₂ emissions at customer sites ■ Responding to the TCFD/TNFD recommendations ■ Creating and providing sustainable products 📄 p.59– Environment	To sustainably provide value, a sound financial foundation and management with high capital efficiency are essential. Our focus is management conscious of the cost of capital and stronger profitability, achieved through the optimization and utilization of our balance sheet. ■ Promoting ROIC management with a focus on the cost of capital ■ Restructuring our business portfolio ■ Achieving growth by utilizing our balance sheet; investing strategically to strengthen our business model 📄 p.15– Message from the Deputy President 📄 p.27– Key Points of the New Medium-term Plan (FY2025–FY2027) 📄 p.30 Group Management Strategy

Medium-term Plan Initiatives to Achieve Our Aims for FY2030



The roles required of automation are expanding due to technological innovations in areas such as semiconductors and new challenges arising from changes in the societal environment, such as the drive for carbon neutrality. The azbil Group sees this growing importance of automation as a business opportunity for solving issues and creating value on site together with customers and society. By doing this, we will be contributing “in series” to the achievement of a sustainable society while also growing ourselves and increasing our enterprise value. Our goals in this respect have been set as our long-term targets for FY2030, which we are currently striving to achieve.

With the aim of realizing these long-term targets, we have steadily implemented the necessary measures and investments under our previous medium-term plan while responding to various changes in the business environment, including the COVID-19 pandemic, supply chain issues, parts shortages, and inflation. With our previous medium-term plan, we achieved significant results, especially in terms of profitability, by working on transformation measures aimed at improving profitability, expanding business, and enhancing productivity. In our new medium-term plan, starting from FY2025, we have set performance goals, with profit targets being brought forward in light of the results already achieved. We also reviewed our long-term targets for FY2030 and made some upward revisions.

Market capitalization (Billions of yen)



Performance goals in the new medium-term plan and revised long-term targets

	FY2024	FY2027	FY2030	
	Results (May 13, 2025)	New medium-term plan (May 13, 2025)	Previous medium-term plan (initial) (May 14, 2021)	Revised targets (May 13, 2025)
Net sales	¥300.4 billion ¥285.8 billion ^{*1}	¥340.0 billion	¥400.0 billion	¥420.0 billion
Overseas sales	¥63.2 billion ¥48.6 billion ^{*1}	¥62.0 billion	¥100.0 billion	¥100.0 billion
Operating income	¥41.5 billion ¥41.0 billion ^{*1}	¥51.0 billion	¥60.0 billion	¥65.0 billion
Operating income margin	13.8%	15%	15%	15.5%
ROE	17.9% ^{*2}	14%	13.5%	15%

Achieved 3 years ahead of schedule

^{*1} Net sales, overseas sales, and operating income, excluding the impact of the transfer of Azbil Telstar in October 2024

^{*2} Excluding extraordinary income, such as gain on transfer of equity interests in Azbil Telstar, S.L.U., ROE was 14.2%.

Review of the Previous Medium-term Plan (FY2021–FY2024)

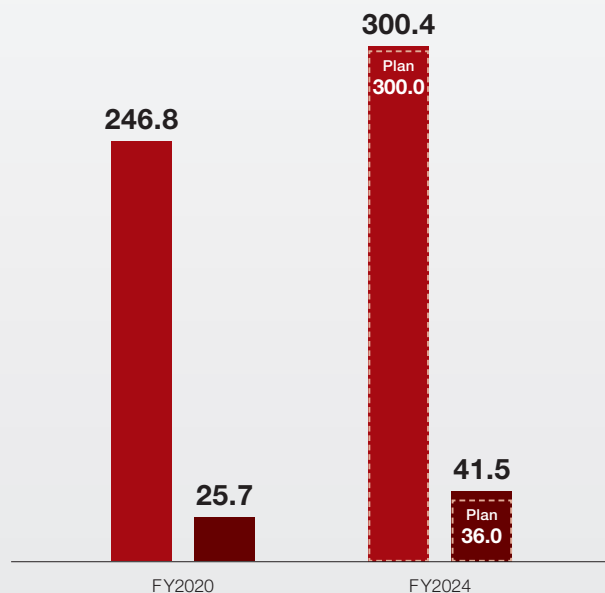
In FY2024, the final year of the previous medium-term plan, we were able to exceed the targets set in the initial plan (May 2021) for net sales, operating income, operating income margin, and ROE. In particular, profitability substantially improved. Both operating income and the operating income margin increased significantly following investments made to enhance human capital and product competitiveness, and to promote DX. We also made steady progress with non-performance objectives and measures, such as business portfolio restructuring (the transfer of Azbil Telstar) and non-financial objectives such as those relating to the environment and governance.

 **p.21 - Materiality and the Essential Goals of the azbil Group for the SDGs**

Results and plan

■ Net sales ■ Operating income

(Billions of yen)

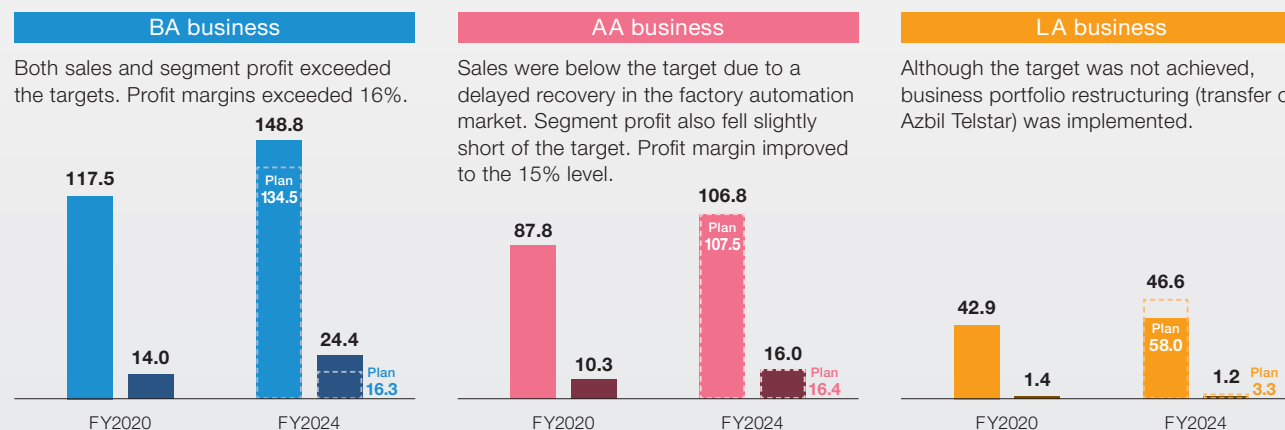


Strategies/targets and actual results under the previous medium-term plan

		Strategies and targets (formulated in May 2021)	Results and evaluations
Growth potential	Net sales	FY2024: ¥300 billion	• ¥300.4 billion (FY2024), 4 consecutive years of growth, culminating in new sales record
Profitability	Operating income and operating income margin	FY2024: ¥36 billion (12%)	• ¥41.5 billion (13.8%) (FY2024), 4 consecutive years of growth, culminating in new profit record
Efficiency	ROE	FY2024: approx. 12%	• 17.9% (FY2024) Excluding extraordinary income, such as gain on transfer of equity interests in Azbil Telstar, ROE was 14.2%.
Capital policy	Shareholder returns Investment for growth Sound financial base	Pursue disciplined capital management while carefully balancing three key elements: enhancing shareholder returns, investing in growth, and maintaining a sound financial base	• 24 yen per share annually (DOE 5.5%) (FY2024), 10 consecutive years of dividend increases • Continued flexible purchase of treasury shares (¥15 billion); also cancellation of treasury shares (¥5 billion) • Acquired treasury stock used for human capital investment (FY2024) • Implemented a 4-for-1 common stock split (October 1, 2024) • Maintained a long-term rating of A+ from R&I (Rating and Investment Information, Inc.)
Product development	R&D expenses	Strengthen system solutions and device development capability	• FY2024 R&D expenses (R&D expenses/net sales): ¥12.7 billion (4.2%) Continuous investments on the order of ¥12 billion per year were made during the previous medium-term plan period.
Capital expenditure	Strengthen technological development, manufacturing, and procurement system	Invest in strengthening the functionality of the R&D center Reinforce and expand domestic and overseas production bases	• New buildings added to the R&D center (Fujisawa Technology Center) (FY2022) • Constructed new factory buildings at our production bases in China (FY2022) and Thailand, and established a manufacturing subsidiary in Vietnam (FY2024)

Initial plans and results by segment

(Billions of yen) Left: net sales; right: segment profit; dashed lines represent the plans.



Key Points of the New Medium-term Plan (FY2025–FY2027)

The results of the previous medium-term plan (FY2021–FY2024) exceeded the targets set at the time the plan was formulated (May 14, 2021). There are, however, issues that we have identified that will require modifying our scenarios to achieve further growth (including continuous business portfolio restructuring), promoting initiatives for overseas business growth, further strengthening investment for growth (human capital, product competitiveness, DX), and strengthening procurement and production systems to be more resilient to supply chain risks.

Over the course of the new medium-term plan (FY2025–FY2027), we expect the business environment to remain highly uncertain owing to global geopolitical risks, inflation, and other factors. However, we will be aiming for further business expansion (which will involve the continuous restructuring of our business portfolio) by achieving both sales expansion and enhanced profitability with **the azbil Group's unique**

business model. This will be accomplished through **Evolution**, reinventing ourselves to adapt to a changing environment, and through **Co-creation**—collaborating on an equal footing to generate new value while leveraging each company's strengths. To this end, we will steadily make the **investments necessary to strengthen** the azbil Group's unique **business model**—investments to enhance human capital and product competitiveness, and to promote DX—while continuing to **strengthen our management foundation** for sustainable growth. Through these efforts, we are aiming to realize the well-being of society and our employees through business expansion based on contributing “in series” to a sustainable society.



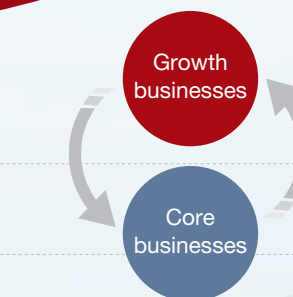
Key measures for sustainable growth

01 The azbil Group's unique business model

02 Investment to strengthen the business model

03 Strengthening the foundation of our business

	FY2025	FY2026 120th anniversary	FY2027
Net sales	¥297.0 billion		¥340.0 billion
[Overseas sales]	[¥50.5 billion]		[¥62.0 billion]
Operating income	¥43.0 billion		¥51.0 billion
Operating income margin	14.5%		15.0%
ROE	13.1%		14%



By continually cycling from growth businesses to core businesses and back to growth businesses, with the azbil Group's unique business model we will ensure resilience to changes in the environment, and we will secure stable profits. At the same time, we will achieve growth through business opportunities that emerge when society and customers look for solutions to new challenges.

Long-term targets

FY2030



Aiming to realize the well-being of society and our employees through business expansion based on contributing “in series” to a sustainable society

Long-term targets (revised)
(performance targets)
(May 13, 2025)

¥420.0 billion

[¥100.0 billion]

¥65.0 billion

15.5%

15%

01 | The azbil Group's unique business model

We will achieve growth in core businesses based on our extensive customer base (factories and plants, commercial buildings, lifeline utilities) established over many years, and in our growth businesses, which seek new business opportunities that arise from technological advances such as in semiconductors, as well as societal issues such as the drive for carbon neutrality. In our growth businesses, we will focus on expanding markets (overseas) and increasing competitive advantages (enhancing product competitiveness).

Growth businesses

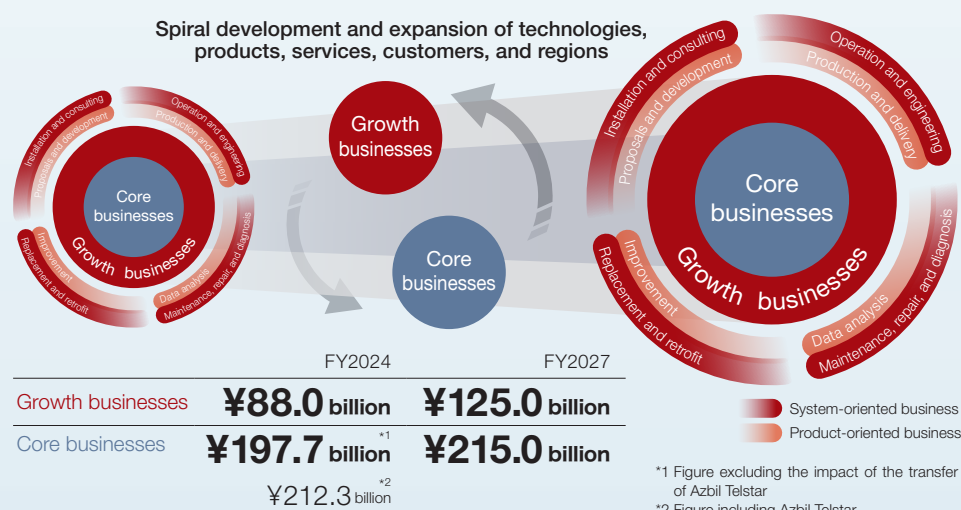
Businesses operating in markets where there is demand for harnessing technological advances and resolving societal issues
Enlarging the customer base by introducing new products and services that are on the cutting edge

Core businesses

Businesses with an existing customer base, established over many years
Sustained improvement of profitability is possible through DX promotion. We will realize growth through expansion of the customer base.

In our growth businesses, we will enlarge our customer base, while in our core businesses we will improve sustainability and profitability. By continually cycling from **growth businesses** to **core businesses** and back to **growth businesses**, we aim to achieve sustained business expansion. At this juncture, we will at the same time continue to evaluate and review our business portfolio, conscious of the cost of capital.

The azbil Group's unique business model



Cycle of growth businesses → core businesses → growth businesses (examples)

^{*3} Growth businesses
^{*4} Core businesses

Growth businesses → Core businesses

- Expand the air-conditioning business in the data center market,^{*3} a new growth market; as a core business, provide customers with life-cycle support,^{*4} including efficient operation, maintenance, and retrofit (BA business)
- Acquire customers in the semiconductor market, where technological innovation is rapid,^{*3} with measurement and control technologies so advanced that they are without peer; build strong relationships of trust through high-quality and continuous technical support; and develop this as a stable and long-term business^{*4} (AA business)



azbil × X1Studio

Expand solution capabilities for data centers through a business alliance with X1Studio

Vacuum gauges offering high precision, high durability, and high stability for cutting-edge semiconductor manufacturing equipment

Sapphire capacitance diaphragm gauge, model V8C



Core businesses → Growth businesses

- Deploy business models^{*4} that have a solid track record in Japan to growing overseas markets^{*3} (BA and AA businesses)
- Realize and provide condition-based maintenance (CBM), in place of traditional time-based maintenance (TBM), using cloud-based valve diagnostics,^{*3} a technology that is based on the know-how, expertise, and data accumulated over many years of providing devices such as control valves to plant sites^{*4}
- Deploy the ultrasonic meter and data service business^{*4} while leveraging our customer base and expertise in the lifeline market, built up over many years of business development^{*3} (LA business)



Cloud-based valve analysis and diagnostics to revolutionize scheduled valve maintenance, superseding half a century of accepted practice

Control valve maintenance support system

02 Investment to strengthen the business model

To enhance the azbil Group's unique business model, we will steadily invest in enhancing human capital and product competitiveness, and in promoting DX. We will achieve the next stage of growth through fostering the expansion of existing businesses and investing in new ventures through the strategic allocation of assets and liabilities.

Strengthening human capital

Total personnel expenses to increase by **¥32.0 billion**

To expand both growth and core businesses, secure and develop essential human resources for executing business strategies (personnel with strong solution capabilities and global talent)

- Establish environment and HR systems that enhance job satisfaction and a sense of personal growth (evaluation and compensation systems, and flexible work styles)
- Provide programs that foster career autonomy aligned with management strategy
- Provide incentive plans linked to benefits and financial measures

Strengthening product competitiveness (products and services)

R&D expenses to increase by **¥9.0 billion**

Enhance unique measurement and control core technologies, and application technologies, to develop a range of competitive products

- Expand cloud/AI app development and strengthen MEMS sensing and actuator technologies
- Engage in co-creation with other companies in core areas of R&D
- Establish an R&D management system; create mechanisms for HR development and intergenerational skills transfer

Promoting DX

DX (IT) investment to increase by **¥5.0 billion**

Create digital products and services that meet customer needs, and improve operational efficiency and profitability through DX promotion

- Create products and services using product DX and internal DX
- Facilitate intergenerational skills transfer in development, production, engineering, and service by making use of know-how, data, and generative AI
- Strengthen cybersecurity measures

Investment for
growth
¥50 billion

Over the course of the new medium-term plan, we anticipate making investments on the order of ¥50 billion for business expansion, not only using available funds but also making proactive use of debt.

03 Strengthening the management foundation

To achieve sustainable growth, we are implementing a variety of measures, ranging from the setting up of new organizations/systems to creating mechanisms for management that is conscious of the cost of capital. We also practice sustainability management. Regarding corporate governance, we will revise our remuneration policy.

Organizational restructuring for growth

- Establish the new Group Management Strategy Department, clarify growth strategies, optimize the business portfolio, and ensure measures are executed
- Going forward, implement organizational restructuring for growth, and for developing and executing strategies tailored to the characteristics of each overseas region

Promoting management conscious of the cost of capital

- Having introduced ROIC, ensure its wider adoption as a management tool
- Continue restructuring and optimizing the business portfolio
- Plan to make investments for growth by utilizing the balance sheet

Sustainability management

- Promote initiatives based on materiality and unique SDG goals
- Reduce CO₂ emissions at customer sites; achieve net-zero emissions in our business activities
- Promote diversity, equity and inclusion, and enhance human rights initiatives
- Implement risk management that integrates bottom-up and top-down approaches
- Reestablish procurement and production systems so they can withstand supply chain risks

Strengthening corporate governance

- Further strengthen the supervisory functions of the Board of Directors by changing the Board's composition (appointing an outside director as chairperson of the Board; ensuring 70% are outside directors and 30% are female directors)
- Continuously revise the remuneration policy (expanding the performance-linked component of the remuneration structure for corporate executives, reviewing KPIs, and introducing a malus and clawback policy)

Group Management Strategy

Targeting further growth with business portfolio optimization and strategic investment, including M&A

1. Establishment of the new Group Management Strategy Department and its significance

In April 2025, the azbil Group newly established the Group Management Strategy Department. This department plays a central role in responding to the increasingly complex and diversified business environment, ensuring strategic alignment across the Group and optimizing the allocation of resources. Although market structure and the competitive environment vary with each of our business, consistency and flexibility are both necessary.

In addition to formulating new strategies, this department plays a multifaceted role in supporting sustainable growth, covering business portfolio optimization, M&A strategy, new business creation, and cross-departmental approaches to emerging issues.

2. Diverse business structure and potential synergies

The azbil Group is made up of a diverse range of businesses, consisting of Building Automation (BA), Advanced Automation (AA), and Life Automation (LA). Each has its own customer base and its own technical expertise. We can also create synergies through coherent brand value and the sharing of resources.

3. Growth cycle and priority measures

A high proportion of our businesses are recurring businesses, capable of generating stable cash flows. However, it is important that we invest for growth, while at the same time making use of this stability.

Leveraging a customer base and technical capabilities built up over decades, we will create a sustainable growth cycle based on both core businesses and growth businesses. We will focus on the following three priority measures.

- (1) Structuring strategy and strengthening execution capabilities
- (2) Investing for business expansion, being conscious of the cost of capital
- (3) Implementing a cross-functional response to issues

In this way, we will work to optimize the business portfolio and strengthen our ability to provide solutions to the issues facing society.

4. Strategic investment and new business promotion

We will assess and monitor our business portfolio based on our KGIs, and we will remain flexible as regards withdrawing from a business, when appropriate. In response to cross-functional management issues, we will promote a transversal approach to optimizing our marketing, development, production, logistics, service, overseas business development, and other operations.

In line with the theme of “Evolution and Co-creation,” we will promote investment for growth that is aligned with our strategic scenarios, while refining the azbil Group’s technical and service capabilities. We anticipate making investments of ¥50.0 billion as we aim to acquire technologies and functions that will contribute to strengthening our business portfolio and creating new businesses. We see M&A and collaboration with external partners as appropriate methods to achieve these strategic objectives.

5. Alignment with the medium-term plan and outlook

Our new medium-term plan aims to achieve a sustainable growth cycle based on both core businesses and growth businesses, and sets net sales targets of ¥215.0 billion for core businesses and ¥125.0 billion for growth businesses.

To achieve these targets, as well as our long-term targets (net sales of ¥420.0 billion and operating income of ¥65.0 billion), the Group Management Strategy Department will strategically allocate resources, enhance our business promotion systems, and maximize capital efficiency, aiming to sustainably enhance enterprise value.



Yoshimitsu Hojo

Managing Corporate Executive
Group Management Strategy Function

Business Strategy for Value Creation

Building Automation Business

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 solutions field

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

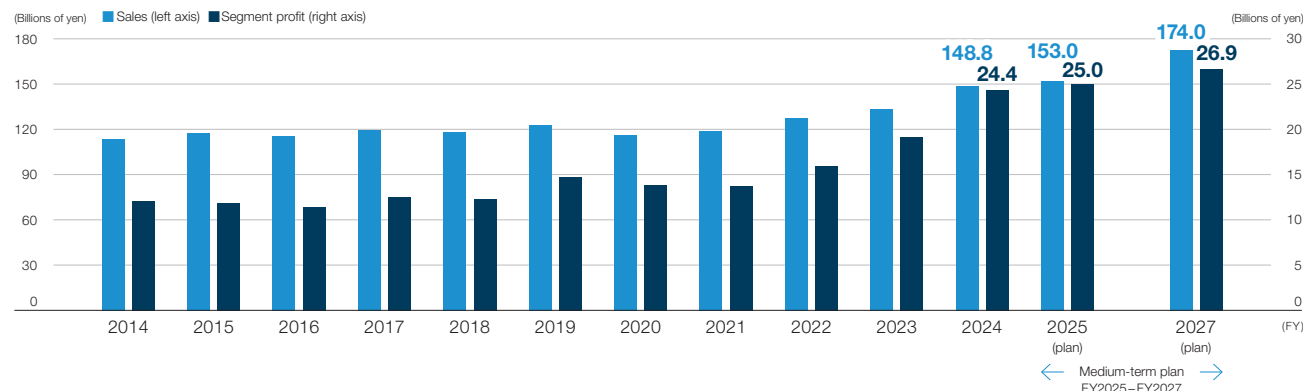
Responding quickly to societal changes through open innovation and in-house development/manufacture of sensors, valves, controllers, and systems

Execution capability |

Total solutions, integrated framework

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

Sales, segment profit (operating income)



Review of the previous medium-term plan

- ▶ 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.
- ▶ With the domestic market maturing, it is unlikely that demand for new construction will continue to grow over the long term, so internal resources are being strategically shifted to the existing building market.
- ▶ 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.
- ▶ In our overseas business, we are planning to expand our life-cycle-type business—which links new construction to maintenance and thus to existing buildings—as with our domestic business model. In FY2024, our overseas business expanded as planned.

Business environment: opportunities and risks

Opportunities

- The market for new large-scale office buildings is robust, and the usual needs for labor saving, energy saving, and the visualization of environmental impact are becoming more pressing. At the same time, the environmental awareness of occupants and the need to improve engagement are becoming apparent. We see these developments as business opportunities.
- The markets for data centers and factories are booming, and we will strengthen our support for the domestic facilities of our foreign-affiliated clients.

Risks

- In contrast to our plan to enhance business performance, we foresee potential difficulties in simultaneously enhancing the quality and quantity of human resources. We will thus promote higher efficiency through in-house DX—which, for instance, makes use of building information modeling (BIM) in the areas of sales and engineering—while developing new businesses.
- To prepare for the possibility of the office vacancy rate in the Tokyo metropolitan area worsening over the long term due to an oversupply of new office buildings, we will promote the expansion of our service business, shifting from on-site to remote inspection, and we will implement measures to improve the added value provided to our customers.

We will propose solutions, develop products and services, and promote collaboration with other companies in response to customer expectations regarding decarbonization, labor saving, and wellness.

In the medium term, demand for large-scale redevelopment projects and industrial buildings will remain strong in Japan, and overseas we see increasing activity involving new projects, particularly related to urban development.

Within this favorable market environment, the Building Automation (BA) business will continue to provide high-quality products and field services that only the azbil Group can offer, as well as new products and services that meet new societal needs such as achieving carbon neutrality and enhancing wellness. We also plan to attain our targets by achieving growth overseas. Central to this will be assuring high competitiveness by providing the same levels of quality and solution proposals as we do in Japan.

The key points of the new medium-term plan are realizing growth in our global business, and increasing the added value of our products and services. An important mission of ours is to expand our business domains by achieving growth in the top line of our overseas business, supported by continued profit improvements in the robust domestic market. In preparation for a possible future decline

in the market for new office buildings in Japan, we will, in parallel with the aforementioned strategies, create business structures for high-value-added and high-profit fields that require more sophisticated technologies—such as data centers, for which investment is booming, district heating and cooling (DHC), and factories—and expand our business in the field of GX solutions, which is experiencing high levels of societal demand for carbon neutrality.

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. When it comes to human resources, in addition to training provided through conventional education, we have started initiatives purposed with creating new value through internal co-creation and co-creation undertaken with customers. Also, when it comes to data volume, we will improve the value provided by our proposals to customers through the centralized management, visualization, and sharing of data involved in the areas of development, manufacturing, sales, design, construction/engineering, maintenance/services, and renewal. We will do this by leveraging building information modeling (BIM). 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.



Kazuyasu Hamada

Managing Corporate Executive
President of Building Systems Company

Measures for achieving the goals in our medium-term plan

- We will work with dealers to secure market share amid booming demand for new large-scale buildings. By concentrating on projects where the azbil Group can demonstrate its advantages, we will secure resources while improving profitability.
- Based on our track record in the energy conservation field, we are developing an energy service provider (ESP) model that includes the use of renewable energy. We will then aim to expand our GX solutions.
- Overseas, we will focus on sales expansion mainly in the new building market. Making use of our competitive edge in solution proposals and quality cultivated in Japan, we will deploy a business model that links new building projects to existing building projects and services.
- In anticipation of a decline in the new office building market, we will emphasize the factory market, data center market, and DHC market—in all of which we can demonstrate our strengths.
- We will be shifting to the cloud system business, accelerating the sophistication and commercialization of digital knowledge to provide high-value-added services for our customers, ranging from building owners and managers to tenants and other users.

TOPIC

Participation in a project to install a renewable energy power scheme for the Yomiuri Shimbun Building, providing a new thermal storage control application

For the off-site physical corporate PPA* implemented at Yomiuri Shimbun's main building (the Tokyo Headquarters of Yomiuri Shimbun in Otemachi, Chiyoda-ku, Tokyo), we have developed and supplied a new application that allows the effective use of surplus renewable electricity during the day by enabling heat to be stored during the daytime, as was previously done only at night. Through our participation in this project, we aim to further upgrade our building automation and demand response technologies, particularly for thermal storage control. We will do this to support our customers' initiatives to become carbon neutral and to contribute to the realization of a decarbonized society.

* Power purchase agreement between the Yomiuri Shimbun Tokyo Head Office, TEPCO Energy Partner, Inc., and The Tokyo Electric Generation Company, Incorporated.

Business Strategy for Value Creation

Advanced Automation Business

Features and strengths

Presence | Leading the automation of production sites

Winning the trust of our customers with our services and providing them with new value based on the latest research and our experience of more than a century in developing measurement and control technologies

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

Earning power | Providing high-value-added solutions

Providing integrated, high-value-added solutions for everything from products to engineering and maintenance services

Product strength | Core products and new automation

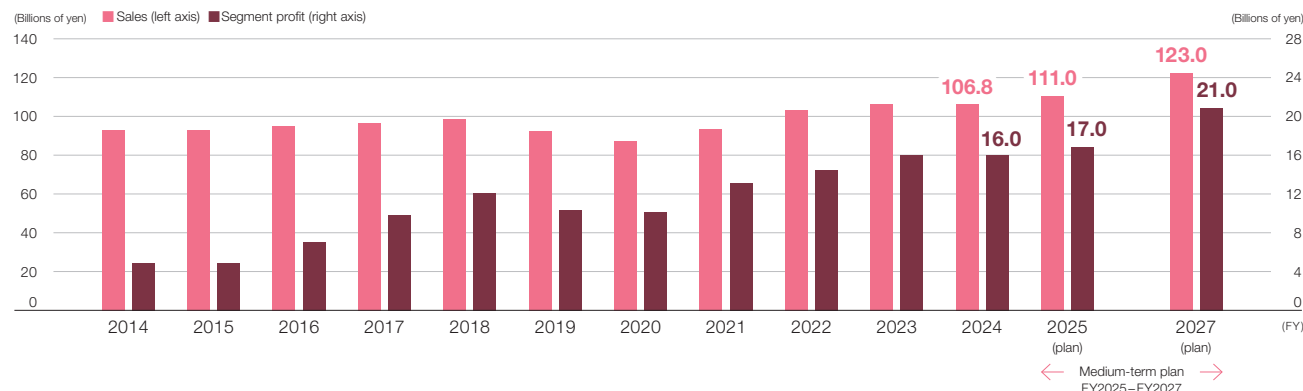
Providing new automation using advanced technology and next-generation core products

Execution capability |

Integrated system covering everything from development to maintenance service

Providing total solutions tailored to customer needs through our integrated system

Sales, segment profit (operating income)



Review of the previous medium-term plan

- ▶ Although the business environment remained difficult due to such factors as the sluggish factory automation (FA) market and rising inflation, the three main initiatives (business growth overseas, creation of new automation, and further strengthening of profitability) saw progress, and all the goals of our plan regarding orders received, sales, and segment profit were largely achieved.
- ▶ Overseas business expansion progressed steadily as new customers were acquired, particularly in China and elsewhere in East Asia, with repeat orders also seeing increases.
- ▶ As for the development of autonomy products, for the new automation field, AI and IoT technologies have been used to improve productivity and facilitate a shift toward more creative roles for staff.
- ▶ We have strengthened product capabilities by leveraging cloud computing and MEMS technologies.
- ▶ Segment profit was around ¥16 billion and operating income margin attained 15% as a result of measures to improve profitability, including business mix restructuring and cost reductions.

Business environment: opportunities and risks

Opportunities

- The need for automation in factories and plants continues to grow globally owing to labor shortages, safety and environmental issues, and aging facilities.
- Demand is growing for new measurement and control technologies to create cutting-edge production processes.

Risks

- Changes in the business environment due to such factors as emerging geopolitical risks, significant currency fluctuations, rising inflation, growing protectionism, and a slowdown in the Chinese economy
- Transition of petrochemical-related industries in conjunction with the transition to a decarbonized society

We will reinforce our core businesses through evolution, generating new automation through co-creation and turning this growth business into a new foundation.

The situation in the process automation (PA) market is changing in various ways: aging infrastructure, labor shortages, energy transition, new plant construction to achieve carbon neutrality, and the use of new technologies, particularly AI. As a measurement and control supplier, the azbil Group provides, together with safety and security, advanced solutions that utilize the latest technologies.

In the factory automation (FA) market, we will continue to evolve our well-established technologies and products—such as controllers, sensors, and combustion safety and control systems—while offering solutions in new areas, with such products as our sapphire capacitance diaphragm gauge and AI diagnostic units.

The name we have given to these solutions is “new automation.” Here are some examples.

Control valves play an important role in plants, and we are the only manufacturer that provides both products and maintenance. Detailed operating data from control valves is sampled at high speed, and diagnosis is performed remotely in the cloud. By combining the results of this remote

diagnosis with the analysis performed by our engineers, we have achieved high consistency between remote diagnostics and actual conditions. This makes it possible to shift from periodic maintenance to condition-based maintenance, and to perform checks digitally on operation after maintenance, thereby improving efficiency and the quality of control valve maintenance. Plant maintenance has changed little in several decades, but one can say that this has revolutionized it.

In process automation, usually upper and lower limits are set for measured values, and when these limits are exceeded, an alert is triggered. In many cases, the cause of the problem occurs some time before the actual alert. Early detection enables us to reduce losses and even reduce the frequency of such problems. We have developed this solution by combining our plant control know-how with the latest AI technologies. Moreover, this allows us not only to predict an alert but also to propose ideal maintenance timing as well as to detect any changes in product quality. We are therefore significantly expanding the range of AI applications for plants.

In the semiconductor manufacturing process, vacuum levels must be accurately measured. For this reason, we developed a gauge diaphragm using sapphire, a material that is difficult to process, and combined it with our proprietary MEMS technology. The resulting gauge enables measurements with higher precision and stability than ever before, contributing to the miniaturization of semiconductors.

We will develop business that is unique to the azbil Group through the “Evolution” of our core businesses and the “Co-creation” that leads to new automation.



Takashi Igarashi

Managing Executive Officer
President of Advanced Automation Company

Measures for achieving the goals in our medium-term plan

- Establish multiple domains in which we lead with our competitive advantages, developing them in Japan and overseas
- Accelerate global business expansion
Deploying competitive solutions developed in our domestic business to global markets
- Create new automation
Making use of the azbil Group's proprietary technologies, such as MEMS sensors, technology related to control valves, and plant autonomy using AI
- Continue to strengthen profitability based on our achievements
Steadily improving the business mix; enhancing the added value of products, engineering, and services; promoting cost pass-throughs and other measures

TOPIC

Providing support for building the RENKEI control system to achieve energy savings at R&D sites Participation in a Horiba project (subsidized by NEDO)

Azbil Corporation will participate in a project entitled “Development of Energy Management Technology with Coordinated Equipment Control for Industries with Large Demand Fluctuations.” Horiba, Ltd. has been selected to undertake this project, which is subsidized by the New Energy and Industrial Technology Development Organization (NEDO). This project entails undertaking research and development of energy-saving technologies and promoting their implementation to achieve a carbon-neutral society. We will participate in this project from the practical application development phase: Azbil Corporation will be in charge of developing the RENKEI control system to achieve optimal facility operation in accordance with energy demand. Our work will support the realization of energy conservation by efficiently coordinating and controlling all the systems for R&D facilities, air conditioning, and heat source equipment.

Business Strategy for Value Creation

Life Automation Business

Features and strengths

Stability | Maintain and improve lifelines

Business growth through steady and stable replacement demand based on the Measurement Act of Japan

Forward-thinking |

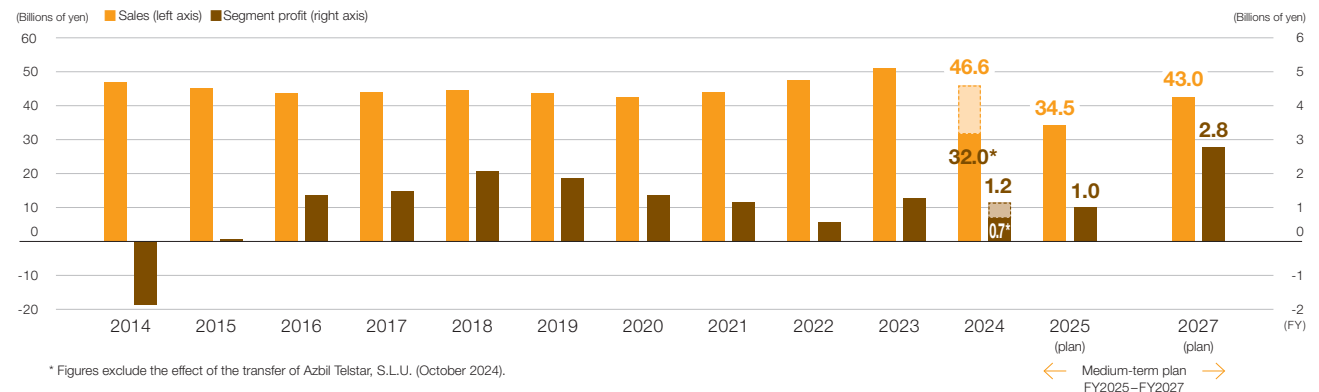
DX and the harnessing of cloud technology

Enhancing smart metering in the gas and water meter business and promoting our smart metering as a service business that combines telecommunications and cloud systems, thereby contributing to the realization of a safe and secure society powered by smart technology

Uniqueness | Living space comfort and health

Provide not only comfort but also a high level of air quality with central air-conditioning systems at the core, providing fresh, clean air by means of electronic air cleaners and heat-exchange ventilation

Sales, segment profit (operating income)



Review of the previous medium-term plan

- ▶ Although the LA business as a whole did not meet the performance targets set out in the previous medium-term plan (FY2021–FY2024), we restructured our business portfolio to enhance capital efficiency and synergies within the azbil Group, transferring to another company all of our equity interests in Azbil Telstar, S.L.U., which had played a central role in our Life Science Engineering field for pharmaceutical manufacturing equipment.
- ▶ We strengthened the management of each LA component business, and implemented measures to improve profitability (including cost pass-throughs).
- ▶ Lifeline field
We have been engaged in business creation as a service provider, using IoT-derived meter data. We have thus been able to increase data service contracts in our smart metering as a service business, and we are striving to achieve further growth.
- ▶ Residential central air-conditioning system field
As a result of providing customers with comfort, good air quality, and energy savings for a wide range of environments, while leveraging our service and maintenance capabilities, we have increased sales of residential central air-conditioning systems for both new and existing homes.

Business environment: opportunities and risks

Opportunities

- The increasing adoption of smart gas and water meters is expanding the market, and we are ensuring that this translates into new orders.
- To meet the diverse needs of customers, we have added e-kikubari, which combines a heat-exchange ventilator with an electronic air cleaner, to our product lineup. This is advantageous for obtaining net zero energy house subsidies.

Risks

- To guard against the risk of being unable to implement cost pass-throughs for materials, labor, and transportation, we are working to reduce costs with design changes, while closely consulting with our customers.
- Price increases, a decline in the number of new construction projects, and a shrinking market for central air-conditioning systems

We will strengthen the synergy between our smart meter business and smart metering as a service business, and restructure our business portfolio for further growth.

The Life Automation (LA) business aims to contribute to safe, comfortable, and 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 supplies, and to residential central air-conditioning systems. In addition, we will accelerate the restructuring of the LA business portfolio so as to promote management that is conscious of the cost of capital, as outlined in our medium-term plan initiatives.

In the Life Science Engineering field, amid the ongoing reorganization of the industry, in October 2024 we transferred Azbil Telstar, S.L.U. to another company to ensure that company's sustainable growth as well as improve the capital efficiency of the azbil Group as a whole. The exclusion of Azbil Telstar from the scope of consolidation means that sales are projected to decrease for the LA business. However, in the Lifeline field, we aim to grow the business by steadily capturing demand for meter replacement required by law, and by undertaking such

efforts as increasing added value through the development of meters using new technologies. Furthermore, by integrating the smart metering business with the smart metering as a service business, we aim to expand our service provider business, utilizing IoT and data in the next-generation smart meter market, which is expected to grow. We thus seek to realize a safe and secure smart society. In the residential central air-conditioning system field, we will advance our business by supplying products that offer comfort in a wide range of living spaces, from new builds to existing houses, and which save energy while improving air quality. Furthermore, we will steadily improve the profitability of the LA business by promoting appropriate reforms in response to changes in the business environment. We will also engage in initiatives to enhance the effectiveness of measures to improve profitability, such as cost pass-throughs, and measures to strengthen project management, all the while improving business processes through the promotion of DX. In addition to expanding business by extending our existing business areas, as described above, we will consider and promote such initiatives as alliances with domestic and overseas partners (including external ones) and strategies that utilize capital to achieve more growth. This is how we plan to confirm the positioning of the LA business as a growth area.



Kenji Okumura
Managing Executive Officer
Life Automation Business

Measures for achieving the goals in our medium-term plan

Lifeline field

- Improving profitability with cost pass-throughs, lowering costs, and other measures, and revising business processes through the promotion of DX
- Improving comprehensive capabilities by enhancing applications suited for emerging trends in data utilization, and by offering a full lineup of products, including meter peripherals
- Promoting business transformation to become a data service provider by merging the smart meter and smart metering as a service businesses
- Further expanding overseas business to grow the smart metering business

Residential central air-conditioning system field

- Improving profitability by reliably capturing meter-replacement orders and selling the e-kikubari product to users with a keen interest in health and energy-saving
- Expanding business to become a provider of comfortable living spaces, supplementing the healthy, comfortable lifestyles of customers with additional energy savings

TOPIC

Collaborating with Kamstrup to pursue new value offerings with next-generation smart water meters

The smart water meter market is currently limited in size, but we expect our growth by contributing to solving the challenges faced by water utility companies. This outlook is based on societal needs for dealing with labor shortages, reducing meter-reading costs, detecting leaks in aging water supply pipes, and making use of data. The azbil Group will work with Kamstrup*1 (a world leader in water metering solutions) to introduce ultrasonic smart water meters for the Japanese market and will utilize the smart metering as a service business*2 platform to develop high value-added business and achieve growth.

*1 Established in 1946 and headquartered in Denmark, in 2024 Kamstrup's net sales were ¥66 billion and operating income was ¥5.6 billion. (2024 conversion: 1 Danish krone = 22 yen)

*2 Business involving the provision of new value-added services on top of the conventional measurement function of meters

Business Strategy for Value Creation

Global
Strategy

Features and strengths

Reliability | Brand strength rooted in safety and security

Ample customer trust, built up by paying careful attention to issues and requests, and by our commitment to always providing a prompt and sincere response

Technical capabilities | Providing optimal solutions

A high level of expertise that allows us to propose and provide optimal solutions for our customers' diverse needs and challenges through the utilization of advanced measurement and control technologies

Ability to follow through | Engineering structure

We offer high-quality engineering services, providing proactive and efficient support to customers who require advanced measurement and control.

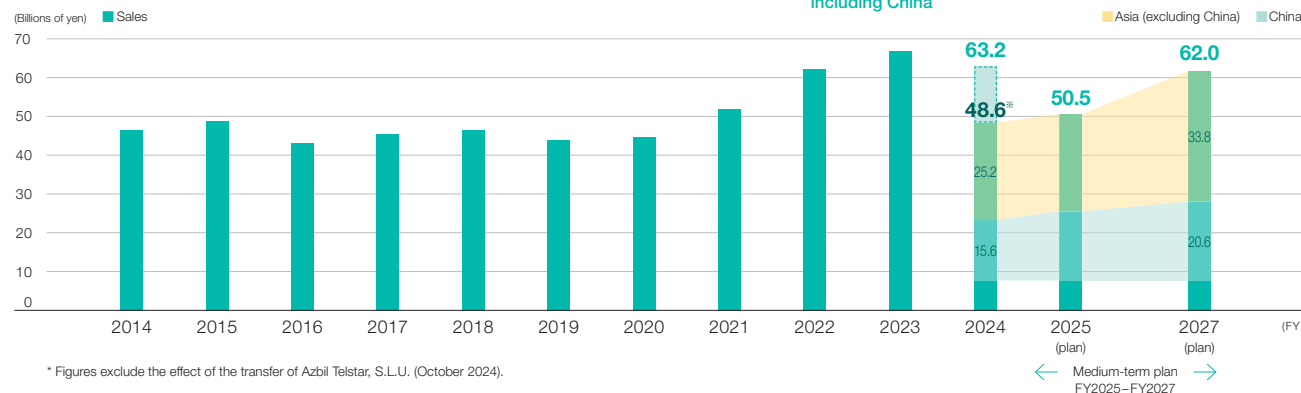
Earning power | Life-cycle business

A sustainable business model in which the azbil Group sticks by the customer throughout a facility's life style—from design to operation and maintenance—and which continues to provide stable, long-term value

Governance |**Management foundation for sustainable growth**

A foundation built for sustainable growth by establishing a robust system for governance at overseas subsidiaries, ensuring transparency as well as thorough compliance with laws and regulations

Overseas sales



Review of the previous medium-term plan

- ▶ In building a global strategy for business expansion, we formulated measures for each region/country to achieve further business expansion and promoted initiatives tailored to the characteristics of local markets, in addition to the overseas measures implemented by each business division.
- ▶ In the BA business, we sought out new global customers with a focus on data centers, built a foundation for the life-cycle business, ranging from design to operation and maintenance, and strengthened competitiveness by introducing advanced technologies and expanding services.
- ▶ In the AA business, we aggressively pursued customer development in order to accelerate growth and business development, resulting in steady growth in target regions. At the same time, we identified new market opportunities and strengthened relationships with existing customers.
- ▶ To enhance governance at overseas subsidiaries, we further strengthened management systems and reduced risks by improving operational efficiency, and we actively strengthened management systems/structures to improve compliance awareness.

Business environment: opportunities and risks

Opportunities

- Expand business quickly and efficiently by leveraging the resources of overseas subsidiaries with strong business foundations and competitive advantages after first gaining a thorough understanding of the business environment and target market potential in each region/country
- Develop measures tailored to the characteristics of each region by utilizing the knowledge and resources of overseas subsidiaries and establishing mechanisms to realize locally initiated business plans

Risks

- Consider the possibility that the safety of employees could be compromised due to heightened geopolitical risks, such as changes in the political situation or unforeseen events occurring in the country
- Consider the possibility that sudden exchange rate fluctuations and increased uncertainty surrounding U.S. reciprocal tariff measures might affect sales, the price of raw materials and parts, SG&A expenses, etc., resulting in significant fluctuations in business performance and financial position

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

The azbil Group will actively promote business development that takes maximum advantage of the characteristics of each region, and the establishment of robust management systems. Regarding business development, we will develop two strategic approaches: realizing locally initiated business plans and promoting organizational management with a strengthened regional focus.

First, in realizing locally initiated business plans, the subsidiary focuses on markets where growth is expected and formulates strategies autonomously, developing business activities that take advantage of regional characteristics. We promote multifaceted initiatives such as business support, brand enhancement, resource sharing, and synergy creation through collaboration with other companies. In addition, we accurately identify changes in the market environment and potential risks, establishing a flexible, optimal operational structure to enable rapid strategic decision-making. This means we can satisfy local customer needs in a meticulous manner and thereby realize sustainable growth.

Next, in promoting organizational management with a strengthened regional focus, to maximize growth opportunities in each region, we will examine roles, functions, and optimal organizational structures for each region to enable rapid and flexible decision-making. Furthermore, with the new organizational management structure in place, we will strengthen both the quality and quantity of our global human resources to establish a foundation to support the expansion of our overseas business and further enhance our competitiveness in the global market.

In addition, to create a robust management structure, we will undertake, as key measures, the enhancement of our risk management system, the further upgrading of our business management, and DX. Regarding risk management, by consolidating common functions across each region, we will build an efficient management foundation, strengthening governance systems to allow for a flexible and appropriate response to diverse risks, such as geopolitical risks and risks posed by local laws and regulations.

The azbil Group will continue to expand its overseas business, especially in Asia, through multifaceted initiatives. (see graph on p.37) In October 2024, we carried out the transfer of an overseas subsidiary, Azbil Telstar, S.L.U., and implemented a business restructuring. Going forward, we will optimize the allocation of management resources across the Group to ensure the steady growth of our overseas business. We continue to plan for revenue growth in overseas sales, aiming to reach ¥62 billion in the final year of the new medium-term plan (FY2027), excluding the impact of the Azbil Telstar transfer. We are also maintaining our original target of ¥100 billion in FY2030.



Shigeru Wada

Managing Executive Officer
azbil Group International Business

Measures for achieving the goals in our medium-term plan

- Develop locally initiated business plans, promote synergy creation through business development and collaboration by taking advantage of regional characteristics, and achieve rapid decision-making and sustainable growth through flexible operations
- Expand overseas business and enhance competitiveness by establishing an optimal organizational structure for each region, promoting agile decision-making, and strengthening our global human resources
- To meet growing urbanization and the increasing sophistication of office functions in Asia, provide high value-added solutions by leveraging our energy-saving technologies and engineering capabilities cultivated in Japan
- Expand customer coverage and enhance our business foundation by developing new products, expanding equipment diagnostics and automation fields through the use of AI, and further strengthening our sales structures in priority regions
- Through initiatives such as the strengthening of risk management systems and the promotion of DX, build a solid management foundation through governance capable of addressing diverse risks and through the optimal allocation of management resources

TOPIC

Participation in Data Centre World Asia 2024

We participated as a Silver Sponsor at Data Centre World Asia (DCWA) 2024. The 10th such event, it was held in Singapore in October 2024. Leading data center suppliers and solution providers from around the world gathered to showcase their cutting-edge technologies. As a leading company in the field of automation, Azbil Corporation demonstrated its Chiller Plant Digital Twin and Intelligent Building Management System. Through trade shows and exhibitions, we will expand our network of customers and seek further collaborations to improve our market presence throughout the Southeast Asia region.

Digital Transformation (DX)

Accelerating the reinforcement of our business foundation through internal DX and creating new product DX by combining the azbil Group's unique measurement and control technologies with digital technology

Digital technology, which evidences continual and even accelerating progress, together with further advances in automation, will provide customers with value never seen before.

The azbil Group is implementing internal DX, which will greatly increase productivity in our business activities. The resulting transformation will lead to new ways of working. In addition, there is product DX: services to advance the sustainability of our customers' manufacturing and building operations, and to contribute to the creation of new added value.

We recognize that, driven by digitalization, the roles and opportunities for automation are expanding as a result of emerging societal issues, a changing business environment, evolving technologies, and the new needs of society.

Advances in digital technology continue to accelerate, and to ensure that we keep pace with this trend, we will increase our DX investment by approximately ¥5 billion, representing a 25% increase from the previous medium-term plan, over the three years of the new medium-term plan (FY2025–FY2027). This will produce further improvements in internal operational efficiency and profitability (internal DX). It will also result in accelerated development of DX-related products and services for customers (product DX) that accurately meet market needs thanks to the experience we gain from internal DX.

Internal DX to promote Fit to Standard and hasten group-wide adoption of generative AI, and product DX to provide new value to customers through cloud technologies, support AI-assisted decision-making, and contribute to solving societal issues

For internal DX, we use a Fit to Standard approach to review commodity business processes and align them with industry standards. This helps us increase efficiency through the application of best practices. In addition, by actively providing webinars and educational content, the company is encouraging wider use of generative AI in daily operations throughout the organization. Also, making use of low-code tools, we are demonstrating how specialized AI chatbots could be used by all personnel. Furthermore, we are improving how we respond to information security risks. With regard to generative AI in particular, we carefully evaluate both the risks it poses and the opportunities it offers. In this way, we strive to sustainably enhance enterprise value by advancing DX while protecting information security.

For product DX, we are deploying on-site services centered on AI and cloud technologies. In January 2025, we released an AI-driven navigation system for quality management (p.40),

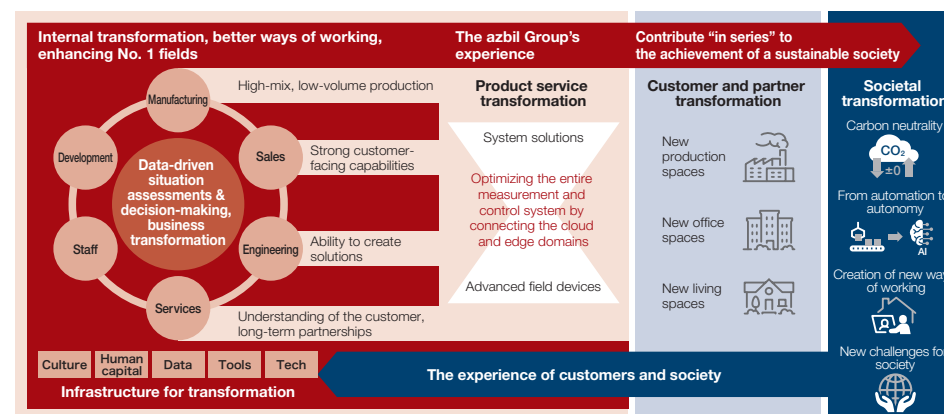
and in 2026 we plan to release an AI-based production planning and modification system, which automatically creates production plans. As well as helping to improve productivity and quality by enhancing on-site decision-making, these solutions will contribute to solving issues facing society such as labor shortages and intergenerational skills transfer.

Our Building Automation business offers services for large-scale buildings that utilize cloud computing to improve the efficiency of energy/facility management and tenant services. Evolution to a system based on cloud computing allows for remote operation and facilitates modifications to the services provided. This has already resulted in more than 500 contracts. We will continue to improve functions and expand services as we aim to provide new value.

Smart metering as a service—which realizes remote meter communication and smart safety by linking smart meters via the cloud—serves to enhance data centralization, big data utilization, and disaster response capabilities through combined meter communication for gas, water, and electricity. In these ways, we will realize safe, secure, and smart social infrastructure.

Overview of the azbil Group's DX

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



The azbil Group views product DX and internal DX as the two pillars of DX promotion and is addressing them jointly.

The following are case studies up to FY2024, ranging from those involving product DX to those focused on AI quality navigation, and from internal DX to cases involving the promotion of higher efficiency, through building information modeling (BIM), and work-style innovation.

Aiming to create sustainable production spaces while contributing to the well-being of employees with an AI-driven navigation system for quality management in which key elements of quality control are performed by AI

Azbil Corporation is putting renewed emphasis on its commitment to autonomy in its Advanced Automation (AA) business.

Our AI-driven navigation system for quality management automatically extracts factors that affect quality from past production data, monitors them during production, and conducts trend analysis, thereby quickly detecting signs of fluctuations in quality. Furthermore, in the event of a quality inspection rejection, the system automatically investigates potential causes, in either raw materials or manufacturing processes, to conduct factor analysis and provide clear conclusions.

This is an innovative product that makes a significant contribution to eliminating quality problems by allowing AI to take charge of important parts of the quality management system. This reduces losses of raw materials and energy and ensures stable quality is maintained while productivity is improved. It also contributes to the acceleration of societal innovations by enabling a rapid response to evolving product categories and the speedy launch of new products. Moreover, it reduces the psychological burden placed on those engaged in quality control, improving the well-being of on-site staff.

As a DX/SX (sustainability transformation) partner, we will continue to work with customers to realize sustainable production spaces.

Masao Sasaki

Manager,
Strategic Business Development Department 3,
Advanced Automation Company



Unique internal DX using BIM to promote high efficiency and work-style reforms to maximize the value provided to customers

In recent years, the Building Automation (BA) business has seen strong building demand, though the industry as a whole faces challenges in handling busy workloads and securing qualified personnel. To appropriately address these challenges and meet more of our customers' needs, we are accelerating BIM-based operational reform (internal DX) and aiming for sustainable growth.

The BA business supports a customer's building throughout its life cycle using an integrated system that encompasses development, manufacturing, sales, design, construction and engineering, maintenance and service, and even renovation. The BIM-based operational reform is designed to achieve centralized management, visualization, and the sharing of data within each process, thereby increasing the efficiency and sophistication of operations.

In addition, internal DX initiatives such as these enable employees to focus on their specified tasks, thanks to improved efficiency. This leads to greater job satisfaction and the self-motivated upgrading of skills. We plan to deploy these initiatives not only within our company but also at partner companies in Japan and overseas, as well as provide them to customers upon request with the aim of solving issues in the industry as a whole.

Katsuhito Miura

Business Planning Department,
Building Systems Company
Digital Design Department,
Digital Enhancement Headquarters



Driving force behind data utilization projects

At our Digital Enhancement Headquarters, Shravani Kulkarni, from India, brings her expertise and broad experience to the table every day. Ms. Kulkarni graduated from the Savitribai Phule Pune University (India) in 2019 and joined the company in 2021.

Drawing on the knowledge of database management and other systems that she gained at university, she is promoting the use of data visualization tools (business intelligence) for data utilization platform*. Currently, she is engaged in projects such as one involving replacement of the performance management system for the BA business, and another involving development of a data linkage function for the production system. She performs a variety of other tasks while playing a central role in promoting data utilization.

Ms. Kulkarni's perspectives and innovative ideas are key elements serving to support our innovation. By working together, employees with diverse cultural backgrounds create new value and strengthen our competitiveness in the global marketplace. We will continue to emphasize diversity and actively promote a human resources strategy that leverages diversity.

* A data utilization platform is an infrastructure used for collecting, organizing, and utilizing various kinds of business data of the entire azbil Group to generate value.

Shravani Kulkarni

Information Systems Department,
Digital Enhancement Headquarters



Research and Development

We will continue to refine our technological capabilities in measurement and control while providing solution-oriented products and technologies, contributing to solving societal and customer challenges and creating value.

The strengths of the azbil Group are measurement and control technologies and solutions.

Since its inception, the azbil Group has believed that, with its technological strengths in measurement and control as its mainstay, it exists to contribute to solving problems and creating new value for society and customers by providing products and services based on advanced automation technology. As new technologies and societal/customer challenges emerge, we must continue growing by strengthening our core measurement and control capabilities. This will enable us to contribute “in series” to the achievement of a sustainable society, realize continuous enhancement of enterprise value, and pursue further growth.

For each of our main businesses—Building Automation, Advanced Automation, and Life Automation—rapid changes are taking place in the business environment and in technology. For example, such external

environmental changes as geopolitical risks, soaring energy prices, and difficulties in procuring parts through the global supply chain have created uncertainties in our business outlook. Meanwhile, as we see further advances in technology, such as cloud computing, IoT, generative AI, and DX, and emerging societal issues, such as carbon neutrality, the circular economy, and nature positivity, we believe that measurement and control will become increasingly important. To effectively seize opportunities for the azbil Group to contribute—opportunities that can be used as a foundation for growth—we will further refine and strengthen our technological capabilities.

To address societal and customer challenges, which represent opportunities for the azbil Group to contribute and create new value, it is essential to first visualize issues through measurement. Next, we must provide a comprehensive solution based on measurement results—that either recognizes challenges and identifies their causes, or creates new value—and implement control measures to reach the optimal state. This solution-oriented approach is not merely about creating products from advanced technologies, but rather about developing products as solutions that meet customer needs or continuously developing products by creating and discovering value at customer sites and generating new demand through product trials. This serves as the core principle that we have consistently valued throughout our development of technologies and products.

We believe this process has always been and will remain the foundation of measurement and control. To that

end, the azbil Group has been working to further strengthen its measurement and control technologies in field devices and system solutions. We aim to build systems capable of optimal operation by aggregating and processing the sensing information obtained from field devices within system solutions responsible for control plans at management/monitoring sites and for the actual monitoring. Furthermore, one of the key elements underpinning the enhancement of our measurement and control technologies is on-site engineering and services. It is precisely because of this foundation that the azbil Group has been able to develop products over many years based on the feedback gathered by its engineering and service personnel at customer sites, as well as the accumulated operational data we have collected from a variety of equipment. This enables analysis using actual on-site measurement data and validation of control algorithms, thereby contributing to our competitive advantage in products and technologies.

Going forward, with the rapid advancement of AI technology, we believe that effectively harnessing AI for measurement and control will become crucial. Meanwhile, no matter how much AI technology evolves, measurement plays a vital role in its input, while control plays a pivotal role in its output. With a view toward co-creation with AI technology, we will further refine our capabilities in measurement and control, provide solution-oriented products and technologies, and contribute to solving societal and customer challenges and creating value.



Hideaki Ishii

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

Technology/product development supporting the azbil Group's unique business model

We aim to expand our customer base in growth businesses that require technological innovation and solutions to societal challenges. At the same time, we will enhance the sustainability and profitability of our core business in the life-cycle solutions field with our long-established customer base. By introducing cutting-edge new products and services, a growth business becomes an expanded core business, leading to further growth as a result of the expansion of the customer base.

The unique azbil Group business model is characterized by this cycle in which growth leads to strengthening the core, which in turn generates more growth. This business expansion is underpinned by the development of technologies, products, and services that deliver value to our customers. As part of our activities to expand business through technological development, we are establishing and strengthening our R&D infrastructure so we can detect changes in markets and customers and rapidly use this information to direct product development. To do this, we emphasize the links between (a) changes in markets and customers, (b) strengthening product competitiveness, and (c) strengthening R&D infrastructure (technology development and human capital).

Detecting market and customer changes requires a proper understanding of such issues as the challenges of achieving carbon neutrality (e.g., making additional energy savings, 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 to expand our product portfolio we are concentrating on combining AI, big data, and cloud technologies.

As for establishing and strengthening our R&D infrastructure (technology development and human capital), to

focus our development efforts we have selected technologies related to MEMS and sensing devices, actuators, AI, and cloud computing. As regards investing in human capital, to expand these growth areas we are working to secure and develop human resources that align with our business strategies.

R&D investment

The field of measurement and control continues to evolve, with developments in IoT, DX, AI, and cloud technologies. At the same time, there has been a rapid rise in societal expectations regarding such matters as sustainability and wellness. To meet these societal 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 satisfy customer needs—which are shifting from operation-oriented systems to management systems—and expand our control domain. We will bolster the development of both system foundations and applications across the entire company, and we will 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 determine not only quantity but also quality. In both measurement and control, MEMS is a core technology for measurement devices and field instruments. We will reinforce our development and production environment with a new clean room (Building

104). We will continue developing MEMS, expand the scope of MEMS applications, 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 and robotics-related technologies.

By strengthening these core technologies, we aim to contribute “in series” to the achievement of a sustainable society with our SDG goals serving as to guide our efforts. 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
· Featuring improved facilities for the development of central air-conditioning technology that offers superior comfort, energy efficiency, and harmony with the environment
· An innovative development environment that stimulates and activates creativity



Building 104
· Center for developing measurement and control technologies with expanded facilities for MEMS sensor development and production using world-class MEMS technology
· Enhanced facilities for developing measurement standardization technology, which is the basis for high-precision, high-reliability products

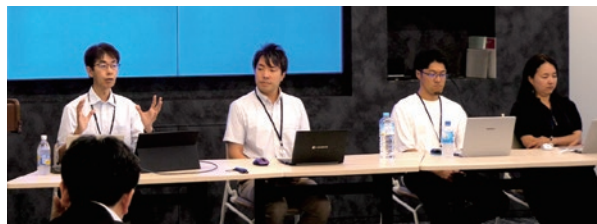
Strengthening development personnel

We will continue to focus on training development 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 acquire and train 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 that end, we have introduced a talent management system. We are thus able 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 tailored to individual skills, linking these efforts with measures for strengthening career development and intergenerational skill transfer. 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 for goal setting, 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 development departments can propose a theme they would like to work on, to acquire new technology or improve productivity, and set aside 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 organize presentations and exhibitions to inspire our developers.



Presentation at the in-house conference

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 United States, we promote technology development for next-generation measurement and control technologies. We conduct trend analysis of 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 innovative 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.

Our research and development center in Singapore is accelerating 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 leveraging its proximity to the local market for swift application development and test marketing. We will enhance our research and development capabilities 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 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 innovative technologies, products, and services.

Global research and development centers
(as of July 1, 2025)



Building Innovation Without Borders

Jeremy Tole

President, Azbil North America Research and Development, Inc.

Azbil's vision for bold collaboration and purposeful design inspired the launch of our company in 2014. We connect Azbil's global R&D network, enabling seamless co-creation between teams in Japan and the United States. Azbil didn't choose Silicon Valley for technology alone—it chose it to build bridges. We drive international innovation by accelerating research and development, ensuring alignment with global standards, and forging strategic U.S. partnerships.

Our mission centers on creating smart, sustainable solutions that enhance safety, comfort and efficiency in industrial and building automation. It aligns closely with Azbil's global philosophy of "human-centered automation," which seeks to harmonize technological innovation with real-world human needs. Initially, we were tasked with accelerating R&D, fostering collaboration with U.S. research institutions, and ensuring alignment with international standards. Over the years, the scope has evolved to encompass a broad range of advanced technologies, notably wireless high frequency sensing, wireless communications, control, wireless power, instrumentation, and AI solutions.

We reflect Azbil's commitment to inclusive innovation. Diversity isn't just present—it's foundational. Open dialogue and global perspectives enrich the collaborative culture, spark creativity, and enhance R&D capabilities across disciplines.

Looking ahead, we will continue to serve as a platform for discovery, a bridge between cultures, and a symbol of Azbil's enduring commitment to globally integrated innovation.



From left to right, Jeremy Tole with colleagues Rose Levin and Darryn McDade Sr.

Enhancing calibration capabilities to support measurement reliability

With accurate measurement as the foundation for measurement and control, the azbil Group provides safety, comfort, and fulfillment for its customers. The key to this is calibration, the process of confirming that sensors and measuring instruments can ensure high precision. In this, Azbil is second to none in Japan. The Measurement Standards Section at Azbil's Fujisawa Technology Center is highly competent in the maintenance and development of physical standards that serve as the standards for calibration. The section is accredited as a JCSS Accredited Laboratory* by International Accreditation Japan—a national accreditation organization authorized by the Japanese government—with excellent calibration capabilities for temperature, humidity, electricity, pressure, vacuum, liquid microflow, gas flow, and time (frequency). Members of the azbil Group also possess superior calibration capabilities. For example, the Calibration Department at the Shirakawa Factory of Azbil Kimmon Energy Products, Ltd., and the Calibration Group at Azbil Kyoto Co., Ltd. are certified as JCSS Accredited Laboratories. The azbil Group's accurate measurements are supported by these

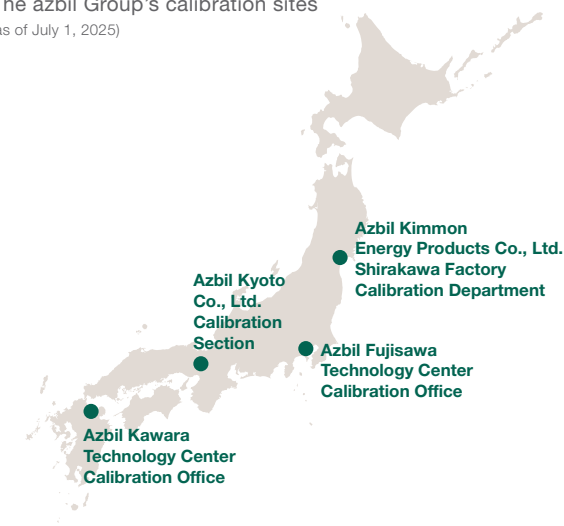


Calibration Office at the Fujisawa Technology Center and (center) a high-precision vacuum calibration system

outstanding calibration capabilities and high-precision physical standards. Furthermore, to communicate—both internally and externally—the importance of making accurate measurements, we continually conduct initiatives such as calibration office tours and educational workshops. Going forward, we plan to expand our outreach to overseas audiences.

* Details of the categories registered and certified under JCSS can be viewed on the website of the National Institute of Technology and Evaluation (NITE).

The azbil Group's calibration sites
(as of July 1, 2025)



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 Kyoto Co., Ltd.	Calibration Section	Flow rate (liquid)
Azbil Kimmon Energy Products Co., Ltd.	Shirakawa Factory Calibration Department	Flow rate (gas)

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 its businesses and has established a framework for discussing the use of international standards group-wide to strengthen our global business. Moreover, we view compliance with international standards not as a constraint but rather as a seed for innovation, promoting initiatives to create new value and develop technology that is unrestrained by past limitations and preconceptions. At the same time, we continue to explore ways to make proper use of international standards that takes into account the protection of intellectual property.

KPIs for technology and product development

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

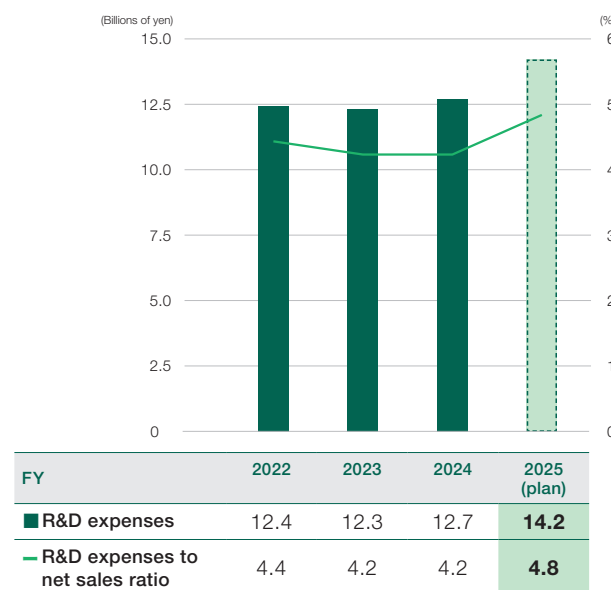
- **Ratio of R&D expenses to net sales:** Measures investment in R&D against net sales to check investment allocation
- **Product sales:** Assesses the degree to which development of technologies, products, and services directly contributes to sales
- **Ratio of new products to product sales:** Identifies our capability to develop products and services

We also periodically revise our R&D strategies and investments to achieve sustainable growth by continuously monitoring the investment returns on the technologies, products, and services we develop. For research and development, we invested ¥12.4 billion in FY2022, ¥12.3 billion in FY2023, and ¥12.7 billion in FY2024. We plan to invest ¥14.2 billion in FY2025, which will enable us to pursue sustainable growth by increasing our investments

in technology, product, and service development, and by providing ground-breaking solutions.

This will increase our competitiveness in the global market and enable us to swiftly launch products and services that meet customer needs.

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



Design management

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

Safety, convenience, and psychological well-being need to be carefully considered when designing products and interfaces for use at production sites, in office spaces, and in living spaces. When developing products and services, in addition to improving quality, performance, and safety, we must address such issues as environmental impact and recycling. We are working to solve these issues with new technologies and ideas, while promoting design with a focus on usability.

Products we recently developed have won prestigious design awards, both in Japan and abroad, rewarding our efforts and demonstrating that our products are highly regarded.



Our C1A, C2A/C3A, and C2B/C3B digital single-loop controllers won the 2024 Good Design Award in Japan and the 2025 iF Design Award in Germany.

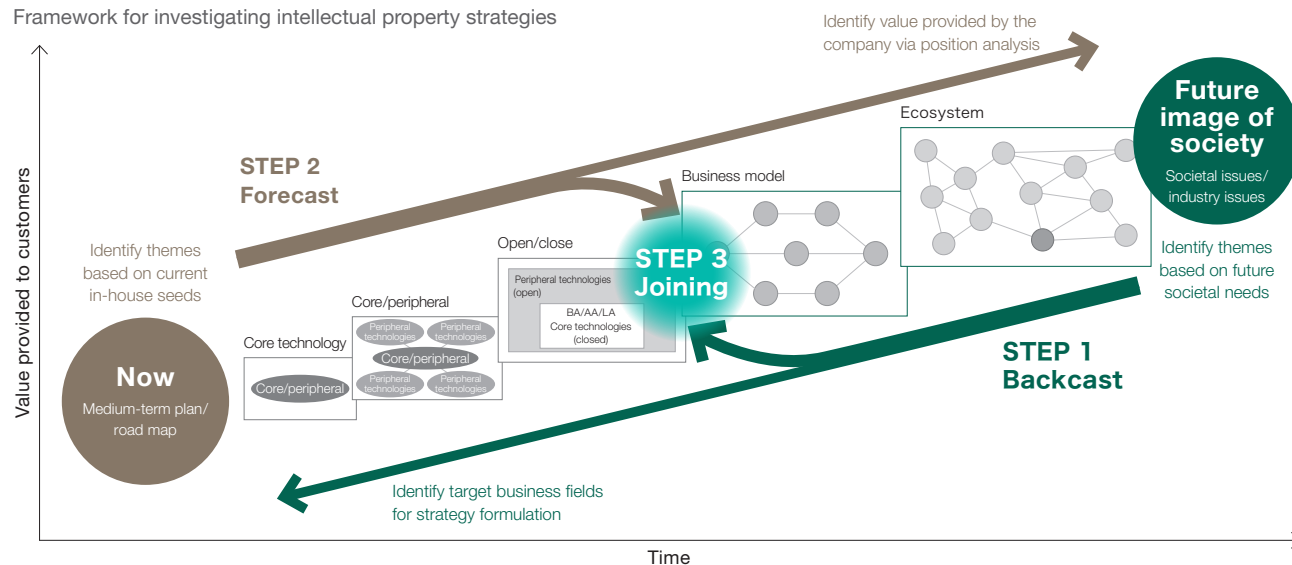
Intellectual Property

As a department that supports 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 IP. Specifically, as part of our offensive IP activities, as we develop the growth businesses defined in our medium-term plan, we utilize IP landscaping to verify business hypotheses in technological and product development. At the same time, as part of our defensive IP strategy, we engage in activities to protect our intellectual property as we sustain existing businesses and expand into adjacent areas, aiming to enhance the stability of our business foundation. To promote these activities, we develop specialist human resources, such as AIPE-certified IP analysts, assign human resources from technology development departments to IP departments, educate management, and make use of AI in IP landscaping. In these ways, we aim to establish processes for creating new intellectual property.

Approach to company-wide intellectual property strategy

Taking into account revisions to Japan's Corporate Governance Code, to increase enterprise value the azbil Group utilizes its intangible assets effectively and promotes the development of a Group-wide IP strategy. As one approach, we have adopted backcasting, whereby we anticipate future developments in automation technology and then work backward to define the path that the azbil Group should follow to be best positioned for each scenario. To shorten this path, we consider the requisite IP strategies that align with our business strategy, as we aim to build sustainable competitive strength.

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 for quality assurance, product safety, and reliability.

Initiatives for quality assurance, safety, and reliability

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. 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.

Quality assurance and safety of the Group companies and business lines

Each business line of Azbil Corporation and each Group company maintains a basic policy of compliance with laws and regulations, ensuring quality and guaranteeing safety, and we have developed a quality assurance system based on these perspectives. As a result, in each of our businesses we can ensure the quality and product safety appropriate for the provision of products and services—in design, in manufacturing, and in services (installation and maintenance).

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, recently joined by a new production base in Vietnam. 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 scale up production while reducing costs.

At our production base in Dalian, China, to accommodate increased production, especially of industrial valves, we have automated several processes, including large-scale valve body machining, painting, and inspection. In addition, we are expanding local procurement, aiming to reduce costs and broaden our supplier network.

At our production base in Thailand, we have expanded our lineup, focusing on component products. To further broaden our manufacturing capabilities for products requiring advanced production engineering, such as electromagnetic flowmeters for the industrial market, we commenced operations at a new factory building in 2024.

The global production system



Moreover, we will be installing a variety of production equipment, including actual flow calibration equipment.

We set up a new production base in Vietnam in March 2025 to strengthen our global production system. Going forward, we will continue building new factories to increase production capacity while establishing a production system that lowers costs for enhanced competitiveness and ensures sustainable product supply.

Initiatives to upgrade production led by our mother factory

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

Enhancing governance for the global production system

As the mother factory for all azbil Group production bases, at the Shonan Factory we ensure a consistent level of governance, with strict operational standards for quality and product certification that we implement rigorously, while fostering quality awareness and promoting education. Moreover, as we expand our scope to include panel production overseas, we will further strengthen governance and continue providing consistently high-quality products in mass production across the entire azbil Group.

Taking on the challenge of becoming a world-class factory

In 2025, Azbil Control Instruments (Dalian) Co., Ltd., the company I work for, celebrated its 30th anniversary. Amid significant environmental changes, we are advancing the following initiatives to build a world-class factory based on our established technologies.

- Achieve medium-term targets centered on core products and newly developed valves
- Aim to be a factory that appeals to employees and supports their well-being through automation and improvements to the workplace environment
- Strengthen collaboration with local sales subsidiaries to win customer trust and achieve sales targets
- Promote cost optimization and enhance BCP management through a global procurement strategy
- Enhance management and technical capabilities to achieve sustainable growth
- Support the mass production system at our third overseas base in Vietnam to strengthen global production

Sun Degui

Deputy General Manager,
Azbil Control Instruments (Dalian) Co., Ltd.
Azbil Global Executive Member



Production IT (DX/LX)

Our production DX initiatives focus on three activities.

- **Production activity DX:** We are aiming to transform the very nature of production site operations. Specifically, we are enhancing data linkage between production equipment and core systems, while also promoting automation and efficiency improvements on production lines. This will enable us to optimize production processes and enhance productivity.
- **Production work DX:** We are advancing initiatives aimed at improving the efficiency of indirect operations. We are enhancing data linkage between systems and promoting

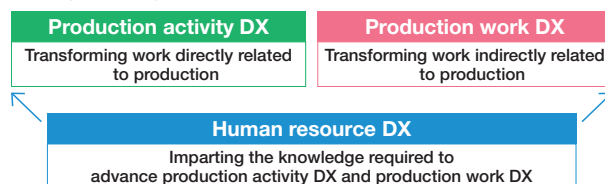
the systematization of business processes to improve operational efficiency and precision.

- **Human resource DX:** Enhancing employees' digital skills is essential for advancing DX. We are therefore conducting educational activities aimed at imparting the knowledge and skills necessary for advancing DX. We have also launched initiatives utilizing AI and are promoting uptake of this technology for education and other purposes.

As part of production legacy transformation (LX), we are systematically updating and consolidating the individual production management systems that we have been using

for separate product series. We are promoting efforts to build an overall optimization system that links with our core systems while still taking account of individual product characteristics.

Three pillars of production DX

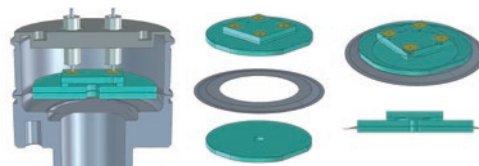


Strengthening production engineering

The azbil Group is promoting innovation in its production processes through the advancement of production engineering with the aim of building highly competitive production lines. Specifically, we are working to further improve our micro-component bonding, adhesion, assembly, and precision machining technologies, with a focus on MEMS sensor packaging. In addition, we are developing new production methods and working to apply them to our production lines so as to facilitate unique and advanced manufacturing. Included is the use of new materials and innovative materials processing. Furthermore, we conduct subcommittee activities aimed at in-house transferal of production skills, run component technology teach-ins, and organize technical exchange meetings with external partners. We strive to improve production efficiency by integrating the latest technologies while deepening our knowledge of the fundamentals of manufacturing.

The scope of these initiatives is being expanded from our mother factory to include production bases in Japan and overseas. We are striving to increase business competitiveness by maintaining and improving quality globally.

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 is implementing business continuity planning (BCP) to limit the potential impact on our customers of risks that threaten production or distribution in Japan and overseas. These risks include natural disasters and other unforeseen circumstances as well as international disputes. BCP for manufacturing is implemented through the following six activities.

- **Production line BCP:** We create and periodically update plans for restarting production lines. In addition, once a year, we conduct BCP training to check/improve our plans and procedures.
- **Component BCP:** We estimate the time required to procure alternative parts or to switch suppliers, and we make preparations for maintaining a BCP inventory for the required time and for securing any necessary molds.
- **Production site distribution BCP:** We formulate contingency plans for large-scale factory disasters and disasters at distribution sites. We categorize disasters by severity level and create response plans for each

production site accordingly. For domestic distribution, we previously relied solely on the Hadano Distribution Center. However, we have now established a second hub—the Kyoto Distribution Center—at our Kyoto business site. This dual-hub arrangement means that, in the event of a disaster, we can shift logistics operations from one hub to the other to maintain the continuity of product distribution.

- **Parts procurement BCP:** The global parts procurement disruptions that occurred several years ago, including the semiconductor shortage, have now largely been resolved. However, from the lessons learned while implementing countermeasures at that time we have compiled a set of standards to follow in the eventuality of procurement difficulties occurring in the future.
- **Emergency BCP:** This details how to prepare for handling distribution problems, affecting parts and/or products, that might arise from international disputes and other incidents. In particular, in the case of products for which extra time is needed to restore production lines, 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. Steps we are taking include conducting on-site patrols, installing waterproof walls, and creating building inspection manuals for post-quake assessments.

Legal compliance and fair transactions in the supply chain

Fair transactions are a crucial element in maintaining the sustainability of the supply chain. We deepen trust with our business partners and ensure overall soundness and stability by fairly and transparently reflecting increases in raw material costs and logistics expenses in our pricing. We also fulfill our corporate social responsibilities, ensuring strict compliance with laws and regulations while enhancing competitiveness and pursuing long-term growth by conducting fair transactions.

Services and Engineering

The azbil Group has built relationships of trust with customers over many years, in various fields, including factories and plants, commercial buildings, and lifeline utilities. In particular, service—a business that continues to provide value while maintaining close relationships with customers after product delivery—has come to play a key role in the azbil Group's business model. Through our service activities, we have expanded our customer base and contributed to solving societal issues.

Strengthening service and engineering functions —Human resource development, organizational enhancement, and workflow reform—

In our previous medium-term plan (FY2021–FY2024), we strengthened our service and engineering functions by focusing on (1) human resource development, (2) organizational enhancement, and (3) workflow reform. For human resource development, we built the foundation for sustainable provision of services by promoting the development of personnel with licenses and certifications in specialized fields, such as remote diagnosis, energy management, and valve diagnosis. We also worked to enhance service quality through operational reviews and quality improvements, based on improvements to our project management, quality management, and safety management systems.

As regards workflow reform, we promoted standardization and digitalization, resulting in enhanced operational processing capabilities and increased efficiency. This resulted in faster on-site responses and strengthened our ability to address customer needs, which in turn increased trust in our services. These initiatives have supported highly profitable businesses in existing markets, while also contributing to expansion into new service domains.

Creating new value through services and engineering

In the new medium-term plan (FY2025–FY2027), with a view to achieving our long-term targets for FY2030, and from the perspectives of (1) business expansion, (2) productivity reform, and (3) strengthening the business foundation, we have set forth the following key strategies with the aim of creating new added value for the customer.

First, to expand our business, we will develop new services that fulfill customer needs and promote collaboration with external partners. We will strengthen our service systems in Japan and overseas, train local engineers, and enhance service quality. We will thus develop a structure that enables us to respond to more diverse needs.

Next, with regard to productivity reform, we will work to improve operational efficiency and prevent occurrences

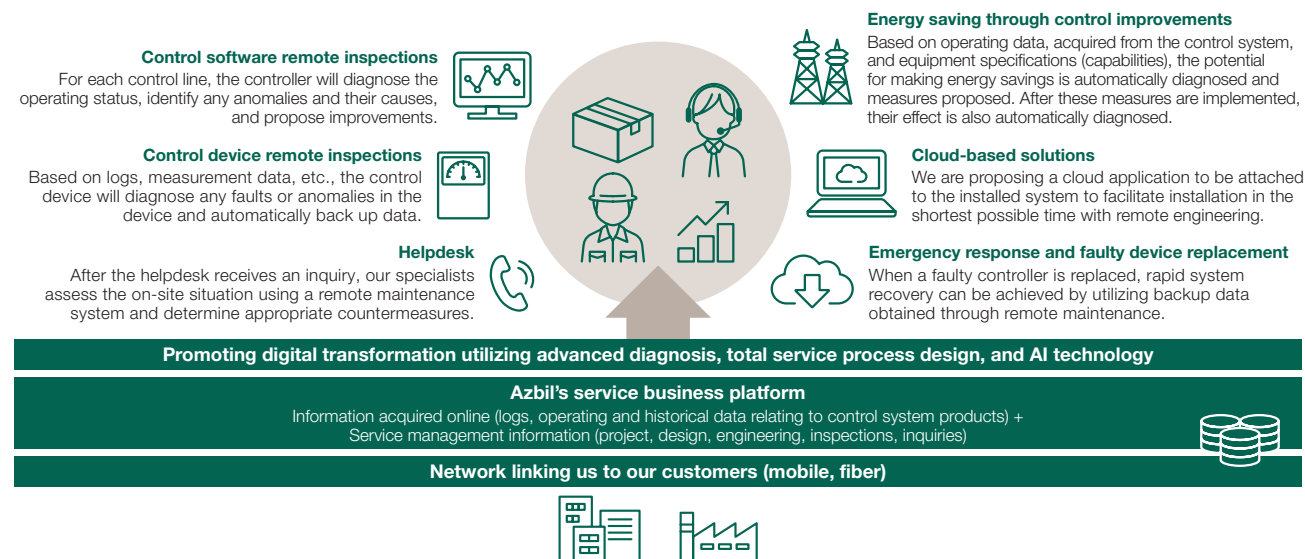
of quality nonconformity by building networks of people and data at customer sites and utilizing the latest technology to overhaul our processes for providing services. We aim for sustainable service operations through implementing operational improvements and strengthening our cost management systems.

We will also promote the intergenerational transfer of technologies and skills to strengthen our business foundation. We will utilize AI technology to strengthen our on-site capabilities and improve our service quality, while also aiming to enhance quality in each operational process. In addition, through the firm establishment of our work-license system, we will ensure the quality of on-site services.

By implementing these initiatives, we will establish our service and engineering business as a source of profits and create systems that contribute to the sustainability of our customers.

The azbil Group's remote maintenance

— Creating new value by promoting DX based on our unique service business platform —



Sustainability Management

As part of our efforts to achieve sustainable growth through the automation business, we are promoting sustainability initiatives and fostering human resources who will pave the way to the future.

Maintaining our founding spirit, the azbil Group has announced our sustainability policy and is promoting initiatives to contribute “in series” to the global environment and a sustainable society. The azbil Group connects people and society with automation technology. For example, by improving the quality of indoor spaces and productivity, while at the same time curbing resource and energy consumption appropriately in buildings, factories, and lifeline utilities, we are reducing our environmental impact on the Earth. The creation of systems that appropriately curb the use of these resources and energy is essential to achieving a sustainable society, and recently, there has been growing societal expectation for the azbil Group to play this role. Doing so will mean that, even as society undergoes continuous change, the azbil Group will be able to contribute “in series” to the realization of a sustainable society through our business activities, while also contributing to the sustainable growth of the azbil Group ourselves.

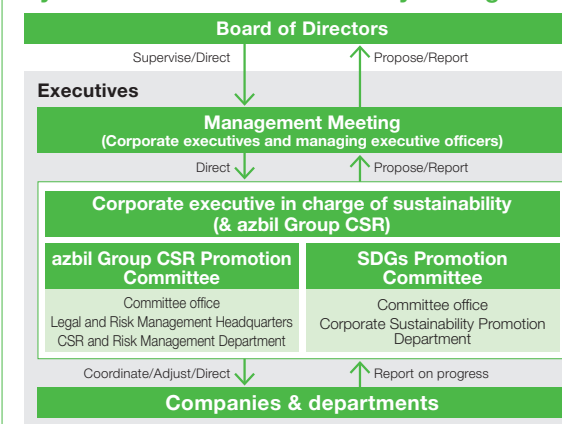
The azbil Group's Sustainability Policy

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 and our unique essential goals for the SDGs

The azbil Group has 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). We have identified 10 material issues in five areas to be tackled over the long term. Based on these materialities, (1) we have established the essential goals of the azbil Group for the SDGs, which are aligned with the areas set forth by the SDGs, for seven material issues related to our business and general corporate activities, and (2) for the remaining three material issues, which represent fundamental obligations that a company must fulfill to be a member of society, we have formulated specific goals as part of our long-standing CSR activities. Furthermore, in FY2024, we comprehensively identified human rights risks, not only for the azbil Group but also for each stakeholder in the value chain, from the perspective of risk management. Based on the severity and likelihood of occurrence of the risks, we identified the priority human rights risks to be addressed. Starting in FY2025, we have been working to further strengthen compliance through the azbil Group Compliance Committee.

System to advance sustainability management



The azbil Group has a system 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 this and all aspects of sustainability. Progress and issues identified at committee meetings are reported to the Board of Directors and Management Meeting. In addition, in opportunity management, status and issues are shared by management at company-wide business review meetings, which play a role in strategic business development. From the perspective of risk management and compliance, in addition to the azbil Group CSR Promotion Committee, the azbil Group General Risk Committee and the azbil Group Compliance Committee are responsible for checking the status and making policy decisions.



Takayuki Yokota

Director,
Representative Corporate Executive
Deputy President
Sustainability (& azbil Group CSR),
Human Resources & Education

We position all these targets as group-wide initiatives that are each directly linked to the measures in our new medium-term plan. By earnestly executing various initiatives aimed at taking on the challenge of the essential goals for the SDGs and achieving each of our targets in our CSR activities, we are promoting “sustainability management” across the azbil Group.

Among the items not included in the top 10 material issues, natural capital (e.g., biodiversity, water resources) is considered to have relatively high importance. At present, we are promoting nature-positive initiatives aligned with the recommendations of the Taskforce on Nature-related Financial Disclosures (TNFD). We will continue to evaluate their impact, taking into consideration changes in the environment, society, and business structure, as well as their financial impact. While enhancing the content of the azbil Group’s activities, we will also work to improve and expand the disclosure of information to stakeholders, taking into account future sustainability information disclosure standards and other factors, including the integrated disclosure of information aligned with the recommendations of the Task Force on Climate-related Financial Disclosures (TCFD) and the TNFD in this report.

Initiatives to strengthen human capital

In our Group philosophy, we set forth our aim to “create value together with customers at their site.” Accordingly, human resources are a valuable asset for the azbil Group, which promotes the automation business, and are the source of our evolving corporate culture and value creation.

We also position human resources as important management capital from the perspective of sustainability and sustainable growth. Human resources are becoming increasingly important in the recent rapidly changing business environment. As we look to achieve our long-term targets for FY2030 and our vision for the azbil Group beyond that, we will improve the working environment, develop human resources, and harness the strengths of diverse employees

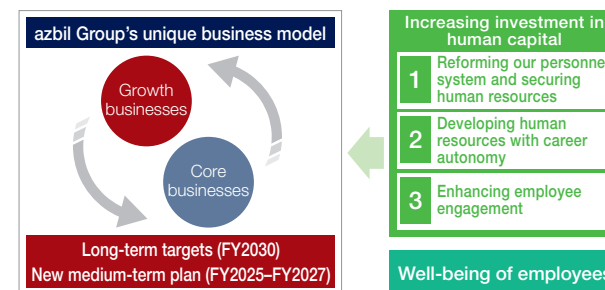
with various capabilities, enabling us to provide value to customers and society, and contribute to the realization of a sustainable society. Through our group management, we aim to enhance the sustainable development of our company, as well as our enterprise value, by promoting the well-being of all employees working at the azbil Group, which in turn will contribute to the well-being of society.

We have also identified human resources as one of the materialities for the azbil Group, and we have set forth the following items as part of the azbil Group essential goals for the SDGs: “implementing health and well-being management (job satisfaction, health, DEI)” and “developing and strengthening an organization that never stops learning (expanding opportunities for globally active employees to continue education and opportunities to learn with stakeholders).” From the perspective of diversity, our unique “women’s advancement points” have been established, but as we achieved our target ahead of schedule, we have established a new numeric target for the “percentage of female employees in managerial or specialist positions,” as it is more objective and widely recognized by society.

We are promoting measures to strengthen investment in human capital centered on three pillars: (1) reforming our personnel system and securing human resources, (2) developing human resources for career autonomy, and (3) enhancing employee engagement, as described below. As part of efforts to achieve our long-term goals and medium-term plan, we are actively recruiting individuals with a diverse range of values and skills to respond to future technological development and changes in societal trends. We are also continuously developing human resources, mainly through the Azbil Academy, a specialized human resource development institution, and focusing on optimal personnel placement, to ensure employees can actively participate over the long term. In this way, we are investing in human resources to facilitate business growth through the azbil Group’s unique business model. In terms of employee benefits and “job satisfaction,” we are promoting “shared corporate ownership” through

Strengthening our business model with stronger human capital

While actively making necessary investments in human capital and other areas, we aim to achieve both expanded sales and improved profitability, as well as to realize the well-being of society and employees through further business growth.



the introduction and expansion of schemes such as the “Employee Stock Ownership Plan (J-ESOP)” and the “Trust-Type Employee Shareholding Incentive Plan (E-Ship®).” At the same time, as part of initiatives to promote health and well-being management, we are implementing various measures with a focus on enhancing employee engagement, such as improvements to the work environment and work systems, and the promotion of DX, as well as activities to create new ways of working, and various measures to strengthen communication. We also co-sponsored the Theme Weeks at Expo 2025 Osaka, Kansai, Japan. This project was led by our young employees, who gained first-hand experience of actively participating at Azbil, and deepened discussions on the future vision for the automation business. To succeed as a group, it is essential that every employee shares common goals as a member of the group, while forming connections and working together beyond divisional and organizational boundaries. We aim to foster a corporate culture where all employees can demonstrate their capabilities and achieve meaningful results. We will continue to promote initiatives to strengthen our human capital while prioritizing the linkage with enterprise value.

Human Capital

The azbil Group regards human resources as a type of “capital” that facilitates our sustainable growth. 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 to ensure that we make contributions “in series” to the achievement of a sustainable society. After having first organized human resource requirements in terms of resources to achieve our long-term targets and medium-term plan in response to changes in our business structure in line with elements such as future technological developments and new developments in society, we have been utilizing various means to secure excellent talent for both new graduates and mid-career hires (e.g., referral-based recruitment and alumni recruitment), irrespective of the timing in which someone joins the company. In addition, we are enhancing our personnel system so that our employees can be active over the long term, and we will train people in line with our business strategies and place the right people in the right roles.

Human capital investment to strengthen the azbil Group's unique business model

At the azbil Group, we are expanding business in our core businesses based on strong relationships with a broad customer base (plants/factories, commercial buildings, and lifeline utilities) that we have built over many years, as well as in our growth businesses, which see technological innovations such as semiconductors and responses to societal issues such as carbon neutrality as new business opportunities. For growth businesses, we will focus on regional expansion (overseas markets) and the enhancement of competitive advantages (increased product competitiveness). We aim to achieve sustainable business growth through a cycle of “Evolution and Co-creation,” transitioning from growth businesses to core businesses to growth businesses, as we expand our customer base in our growth businesses and improve sustainability and profitability in our core businesses.

In our growth businesses, we are introducing new, cutting-edge products and services, and advancing initiatives such as GX solutions for renewable energy utilization in our Building Automation (BA) business, MEMS sensors for the factory automation (FA) market including the semiconductor manufacturing equipment market in our Advanced Automation (AA) business, and smart metering services in our Life Automation (LA) business. To address emerging challenges in these areas, both in Japan and overseas market, the development of cutting-edge technologies is crucial. Thus, we are strengthening our training and development through initiatives such as the cultivation and optimal assignment of engineers through our talent management system, the hiring of specialized personnel, the conducting of joint research and development with universities and research institutions, and the dispatch of engineers to joint research sites. In addition, to promote the development of engineers who can realize carbon neutrality, we are further enhancing our engineering capabilities and knowledge of renewable energy as well as promoting training through the mutual exchange of human resources with partner companies.

In our core businesses, which have been built up over many years, we can continuously improve profitability through measures such as the utilization of DX. To provide high value-added services that leverage our network, we are strengthening our engineering and service capabilities through DX and enhancing our global human resources. Engineers who have been officially certified for their skills and knowledge with an assist from the incentive system for acquiring official qualifications, and technical professionals and masters who have completed the in-house qualification program, will lead the efforts to strengthen the company's engineering capabilities. We are also promoting reskilling through initiatives such as DX education using the learning management system (LMS) across a wide range of areas, from production to engineering, service maintenance, and the staff departments that support them.

To reinforce the azbil Group's unique business model, we will strengthen our human capital through three pillars:

(1) reforming our personnel system and securing human resources, (2) developing human resources with career autonomy, and (3) enhancing employee engagement.

(1) Reforming our personnel system and securing human resources

Personnel system reform

In FY2018, to further accelerate work-style reform and the promotion of diversity, we introduced a remuneration and evaluation system that is not constrained by age or employment status. With the aim of creating an environment in which each employee can maximize his or her abilities, we have revised our personnel system and operated it based on the three concepts of developing human resources for the long term, maximizing human resources' potential, and enhancing the quality of employees' lives and securing human resources.

In recent years, in addition to changes in the societal structure, such as the declining birth rate, aging population, and shrinking workforce, the environment surrounding companies has been changing dramatically as individual values and lifestyles continue to diversify. In April 2025, we made further revisions to our personnel and remuneration system with the aim of securing and retaining human resources and enabling all employees to autonomously demonstrate their potential in rewarding work environments, with a view to future growth for the azbil Group through “Evolution and Co-creation.” Specifically, in addition to raising the level of compensation and establishing new allowances specific to certain job categories, the retirement age has been raised from 60 to 62.

Expansion of benefits programs

The J-ESOP employee stock ownership plan*1 is applicable to employees with the expectation that it will assist them in growing and developing together with the company through the creation of daily work with an awareness of increasing enterprise value and the practice of Group philosophy, as well as with the aim of helping employees support their livelihoods

after retirement. From April 2025, the plan was revised into a J-ESOP-RS employee stock ownership plan that grants restricted stock (transfer restrictions are lifted upon retirement) starting from the employee's period of service at the company. This revision enables employees to become shareholders of the company while they are still employed, exercise voting rights, and receive cash dividends, which we believe will further enhance employee engagement.

In addition, we implemented a program that grants the company's stock uniformly to all participants of the stock ownership association and introduced a trust-type employee shareholding incentive plan called E-Ship[®]*2, which grants benefits when enterprise value increases over the medium to long term through the stock ownership association. The company reintroduced the plan in May 2025 with an expansion of the plan by increasing the acquisition price of shares from approximately ¥4.8 billion to approximately ¥6.5 billion, in light of the steady progress in terms of participation in the stock ownership association since the plan's introduction in May 2022. With this reintroduction of the plan, employees who join the stock ownership association continue to receive a 10% incentive on their contributions plus an additional incentive when the stock price rises.

As the company and employees work together to improve performance, these plans are also expected to lead to further employee engagement with the objective of enabling employees to build long-term assets.

*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.

 with azbil: azbil MIND

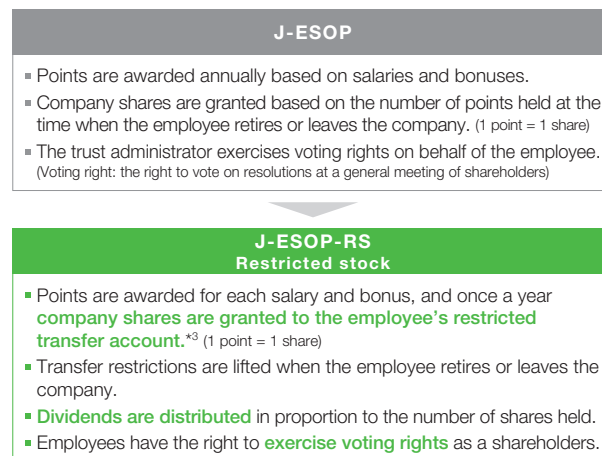
https://www.azbil.com/withazbil/mind/202508_1.html

*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 shareholding 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.

 with azbil: azbil MIND

https://www.azbil.com/withazbil/mind/202508_2.html

Evolution of Azbil's employee stock ownership plan:
J-ESOP and J-ESOP-RS



^{*3} An account in which shares of the company's stock can be received with restrictions on transfer. This prevents the shares from immediate sale or transfer to a third party.

Securing human resources: stabilization of our human resource base

In addition to strengthening our core businesses, we are working to secure human resources that will contribute to our growth businesses by expanding our scope of career recruiting and including referral-based and alumni recruiting methods to reinforce human resources who can make an immediate impact. For hiring new graduates, we expect young people to breathe new life into our organizations with their flexible ideas. We define innovative human resources as people who are skilled at creating new solutions and conduct our own selection process independently of conventional recruitment criteria. In addition, to increase the number of human resources who are active globally, we are focusing on recruiting global human resources, not only by hiring international students in Japan but also through initiatives such as participation in overseas career forums and hiring of overseas university students who wish to work for Japanese companies.

We will continue to acquire human resources who can support the azbil Group's unique business model and encourage them to play an active role by creating a personnel system that is tailored to their job types and job characteristics and enhances employees' satisfaction, as well as creating a fair and well-balanced system that appropriately rewards performance to attract more outstanding talent.

(2) Developing human resources with career autonomy

Approach and initiatives for the development of human resources

To ensure the azbil Group's business activities that contribute "in series" to a sustainable society, the Azbil Academy, a specialized institution for cultivating human resources, plays a central role in deploying initiatives in accordance with the Basic Principles of Human Resource Development, which emphasize three aspects: teamwork and collaboration as work professionals; a strong desire to excel and take on challenges; and high aspirations, a sense of ethics, and an international mindset. In this way, 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

To achieve our medium- and long-term targets, we are developing, based on the Basic Principles of Human Resource Development, human resources who can adapt to changes in the environment surrounding the company and society as well as support the continuous and stable growth and development of the company and society.

Evolution of the Azbil Academy's human resource development program

The Azbil Academy provides training programs in cooperation with workplaces and sites, including company-wide training for employees, business partners, and other parties; annual training for employees in their first to fifth year at the company, followed by position-specific training until they reach manager level; and selective training for DEI, DX personnel, and global personnel development to support the acquisition and enhancement of mindset and skills. We have developed human resources who support the sustainable growth and profitability improvement of our core businesses through support for career development, such as mentor programs, in-house internships, and our Professional/Meister system.

In addition, we have established an onboarding learning site for employees who have joined the company through our year-round career hiring program, which has been an increasing source of recruitment for us in recent years. This site was established to help them learn the basics such as Azbil's rules and businesses by watching videos so that they can contribute to the company at an early stage.

Meanwhile, in today's society, which is represented by VUCA, BANI, and the idea that people will live to see age 100, each and every employee is required more than

ever to grasp the future and the changes it will bring and to adapt to them promptly. To that end, we are promoting the development of human resources who are capable of independently thinking about and envisioning their career paths, of learning and growing on their own to achieve their goals in that respect, of accelerating their own career autonomy and self-directed learning, and of taking action in the direction of “Evolution and Co-creation.”

This will lead to employees feeling a sense of personal growth, increased engagement, and ultimately, the realization of employee well-being. The Azbil Academy's human resource development program will evolve into a system that allows those who want to learn and challenge themselves to take on challenges earlier and more independently.

Regarding initiatives to realize that, we will expand the scope of career planning seminars to encourage participants to take a good look at their career paths and have those seminars take place for employees at the ages of 35, 45, and 55. In addition to the existing year-specific and hierarchy-specific training, we will undertake initiatives such as enhancing the self-selected voluntary training programs, regardless of the timing or rank, and expanding the content of external e-learning programs. We will also strengthen the mechanisms we have to encourage employees to take part in collaboration and co-creation through both OJT in the

workplace and OFF-JT at the Azbil Academy, with the aim of more efficient and effective growth.

In parallel with the evolution of these elements, we will expand and accelerate our efforts to develop DX human resources and global human resources, which we have been continuously focusing on.

Developing DX-capable personnel

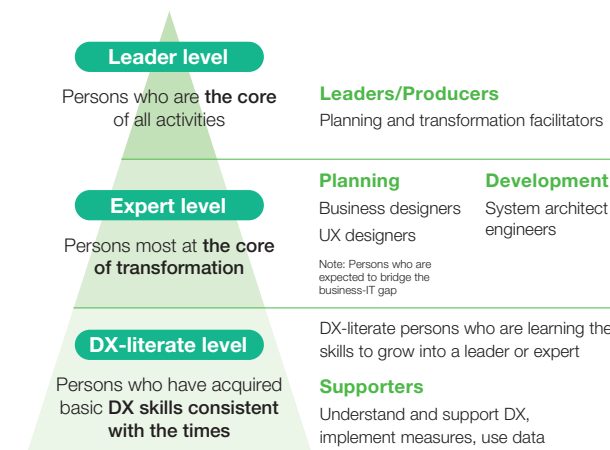
DX will serve to support the further expansion of both our growth and core businesses and the strengthening of our management base. To promote and accelerate DX, it is necessary to transform and create businesses and operations through business capabilities, data science capabilities, and data engineering capabilities. For developing DX human resources, we define Azbil's DX human resources by role and conduct various seminars and educational programs to facilitate skill acquisition, as well as utilize in-house LMS and external e-learning.

As part of this effort to develop DX human resources, a DX assessment (assessments targeting transformational mindsets and skills) was conducted for employees (5,500 people) in early 2025. The results of this assessment are

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/DEI	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, and 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																			

DX-capable personnel and their roles



disclosed to the individuals to which they pertain immediately after the examination takes place, allowing those individuals to identify the skills that are lacking and to clarify the subjects to be studied. The results are also used by supervisors to provide appropriate training instructions to subordinates and assign them to projects, as well as to develop training programs and plan and consider mindset-building activities.

We will continue to expand our DX human resource development efforts and accelerate their deployment to the global level in cooperation with the training leaders at our overseas bases.

Cultivating global personnel

We define global human resources as people who can play an active role globally, regardless of their job category or region, and at the same time are aware of the appeal of their own country or region and of the azbil Group. They are also able to embody the azbil Group philosophy when they behave and when they provide value. We promote the development of global human resources by helping people acquire the knowledge and skills necessary by fostering mindsets and by having people accumulate experience.

We are promoting the provision of face-to-face and online learning opportunities for both domestic and overseas group companies as well as promoting the development and expansion of infrastructure for those initiatives. This includes a biannual English-based training program that brings together next-generation leaders from domestic and overseas subsidiaries and affiliates (about 200 individuals have completed the program to date), and the acceptance of interns from universities in Japan and overseas at domestic and overseas locations to promote cross-cultural understanding and communication among employees (about 10 interns each year). There is also a short-term exchange program between domestic and overseas subsidiaries and affiliates, with mechanisms for employees to learn management skills and foreign languages, as well as gain an understanding of and experience with global business operations. Through these efforts, we continue and accelerate the development of global human resources. As

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



for employees who are newly dispatched from Japan and assigned to overseas subsidiaries and affiliates, we support their growth through training, interviews, and other follow-up.

(3) Enhancing employee engagement

In the azbil Group Health and Well-being Declaration of 2019, 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.

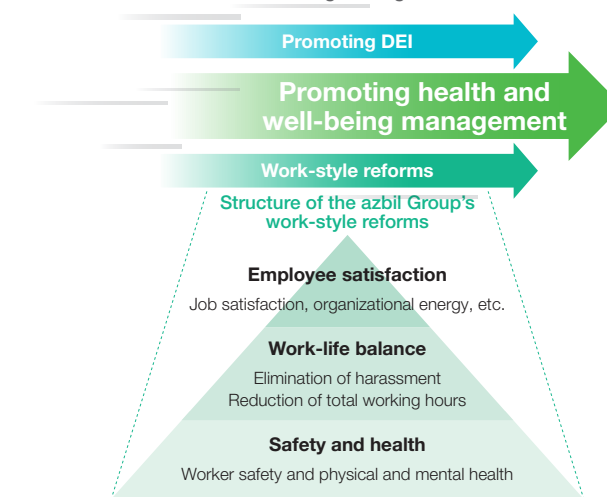
From work-style reform to creation of new ways of working: preparing environments that are easy to work in

Based on the belief that a comfortable and pleasant environment that is easy to work in is necessary for employees to be able to actively work as their true selves, we are evolving our efforts by developing our existing work-style reforms into the creation of new ways of working (meaning

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.

Overview of health and well-being management



the improvement of working environments and provision of learning opportunities), which began with the telecommuting arrangements formed during the COVID-19 pandemic. We are promoting hybrid working arrangements (a combination of office work and remote work) in conjunction with DX-based business innovation that will allow for work to be undertaken without any drops in productivity even if the individual is working remotely. We are also providing

employees with new office environments for them on company premises and at the same time are striving to improve employees' well-being and engagement through various measures aimed at enhancing communication among employees. This involves various initiatives, such as creating opportunities for direct dialogue between the management team and azbil Group employees both domestically and internationally, promoting open and two-way communication alongside the improvement of connections by means of posting the content of such communication instances at places such as company intranet sites, enhancing internal communication, 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.

Promoting Diversity, Equity and Inclusion (DEI)

Our employees have a diverse range of backgrounds, and we believe that a driving force for growth is constituted by mutual respect for individuality and the demonstration of individual abilities. Based on that belief, we launched the Azbil Diversity Network (ADN) in FY2017 and are actively promoting DEI initiatives. In FY2021, ADN's activities were expanded to cover a diverse range of human resources, such as mid-career hires, female employees, and employees of foreign nationality. Through ADN's activities, a diverse mix of employees have made suggestions to the company, and

we are working to materialize these suggestions. By creating more pleasant working environments, we are cultivating a diverse workforce comprising employees who can play central roles in the company.

The azbil Group, which has a large number of engineers due to the nature of its business, has a relatively small number of female employees, and we are making dedicated efforts to promote the advancement of women. Against this backdrop, we set an SDG target of doubling the number of women's advancement points in FY2024 compared with FY2017 and confirmed that the number of women's advancement points had reached 2.3 times by FY2024, thus achieving the original target. (Women's advancement points as of April 2025: 2.7)

As we move toward a further stage in our efforts to promote the advancement of women, the azbil Group has set new targets of increasing the ratio of female employees in managerial or specialist positions to 10% or more by FY2030 and doubling the ratio of them in the azbil Group in Japan by FY2027 compared with FY2017.

We will continue to promote DEI initiatives and focus on the creation of new ways of working so that all employees can play an even more active role in the company.

We are also actively working to employ people with disabilities. At Azbil Yamatake Friendly Co., Ltd., a special subsidiary of the azbil Group, employees with disabilities work at the office where employees of other group companies work and are responsible for a wide range of tasks, including cleaning the workplace, assisting with production line work, precision machining, and helping to record experimental data. To ensure that employees with disabilities can continue working, we have prepared comfortable work environments to accommodate their individual needs.

These efforts have been highly recognized externally, which is evidenced by instances such as our acquisition of the Monisu Certification* issued by the Japanese Ministry of Health, Labour and Welfare in FY2024.

* 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.

Review and expansion of benefit programs, including stock benefit plans

In FY2024, Azbil's Human Resources Department, in cooperation with the finance department, reviewed and expanded benefit programs such as the J-ESOP stock benefit plan and a defined contribution (DC) pension plan based on employee needs and changes in the societal environment.

J-ESOP used to be a system that provided stock benefits at the time in which one leaves the company, but in response to comments from employees to the effect that it was difficult to really get the sense that one was a shareholder under such an arrangement, we have made a change over to J-ESOP-RS, which involves an arrangement wherein stock benefits are provided starting from the individual's period of employment, although there are transfer restrictions in place. This allows ownership rights to be vested in employees, who can now receive cash dividends and exercise voting rights.

The retirement plan is wholly DC, and the product lineup was expanded in FY2024. By incorporating emerging country stocks, gold funds, in addition to domestic and foreign stocks and bonds, we have created a more flexible and diversified plan. Although there also exists the idea that it is easy to get lost when there are too many options available, we feel that our ongoing annual training on investment has been successful. Many employees have chosen to invest in non-principal guaranteed products, which has led to asset building optimized for the specific life stages of individuals.

Other measures include the introduction of E-Ship® in FY2022 as part of our efforts to strengthen our stock ownership association system, and the uniform granting of 40 shares in FY2024 to encourage azbil Group employees to join. As a result, the participation rate has increased from about 51% to about 71%.

We expect that employees owning company stock will create a sense of ownership in the company, and will increase their awareness in the company's growth, performance, and ultimately, its enterprise value, leading to proactive actions. The expansion of these systems will contribute to enhancing employee engagement.

Maki Shimokubo
Manager, Human Resources Department



Well-being

Enhancing the Well-being of society and our employees while expanding our business

For sustainable growth

Our theme for FY2025, the first year of the new medium-term plan, is “Evolution and Co-creation.” Evolution refers to transforming ourselves to adapt to changes in the business environment, while co-creation refers to the creation of new value through collaboration with other companies to tackle societal issues that cannot be solved by the azbil Group alone.

The azbil Group is focusing on three growth business domains where we can utilize our unique technologies, products, and services: Building Automation (BA), Advanced Automation (AA), and Life Automation (LA). In Japan and overseas market, we are promoting global growth, while exploring opportunities for collaboration with other companies. Specifically, we define “growth markets” as those where demand is increasing due to technological innovation, such as the semiconductor manufacturing equipment market, and markets where demand is increasing due to pressure to address societal issues, such as carbon neutrality and labor shortages. We aim to strengthen our competitiveness and grow our business by advancing our measurement and control technologies.

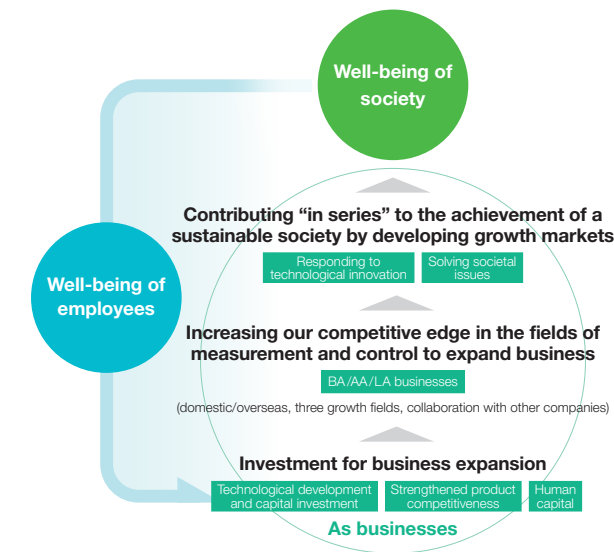
Our mission in the automation business is to solve societal issues and address technological innovation, and we believe they are directly linked to the expansion of our business fields. Through our automation business, we will take on the challenge of solving various societal issues, while also actively focusing on technological innovation, thus contributing “in series” to the achievement of a sustainable society. To generate products and services with sustainable competitiveness, we are continuously investing in areas such as human capital, product development, production, and DX, as well as strengthening core technologies, and promoting human resources development, intergenerational skill transfer, and operational efficiency.

The azbil Group is targeting the further evolution of health and well-being management, and positions our employees’ well-being at the core of our corporate activities. Our aim is to achieve a balance between the well-being of society and that of each employee.

Efforts to enhance engagement

The azbil Group focused on reducing overtime work through the committee for work-style reform up to FY2024. In FY2016, around 1,000 employees were working 45 hours or more of overtime per month, but by FY2024, we had successfully reduced that number to just a few dozen. Starting in FY2025, we evolved these initiatives into the committee for creating new ways of working. Through this committee, we are advancing three reforms: (1) workplace reform, (2) operational efficiency improvements and other reforms, and (3) DX-driven operational reform, particularly generative AI, which is essential for promoting the creation of new ways of working.

We have also been certified as a Health & Productivity Management Outstanding Organization for eight



consecutive years, since 2018, including being selected for the White 500, which recognizes the top 500 corporations, for four consecutive years. Our initiatives prioritizing the health of employees and ease of working have also been highly praised by external organizations.

In the azbil Group, we regularly analyze the results of employee satisfaction surveys, and have in place a system for reflecting employee feedback in management, as part of our efforts to enhance ease of working and job satisfaction. We will continue actively promoting these initiatives, and make steady progress toward the realization of well-being for all stakeholders, including employees, customers, and business partners, as well as society as a whole, and thus pave the way to a better future.



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

Human Rights Initiatives

The azbil Group considers respect for human rights as one of its management priorities. We adhere to laws and regulations with a strong sense of ethics, build trust with stakeholders, and fulfill our responsibility to respect human rights. As part of these efforts, since FY2024, we have built and put into practice a human rights due diligence framework related to our own corporate activities, based on the azbil Group Basic Policy on Human Rights.

azbil Group Basic Policy on Human Rights and promotion framework

We have established the azbil Group Basic Policy on Human Rights in accordance with the United Nations Guiding Principles on Business and Human Rights. We work to spread awareness of this policy among all azbil Group officers and employees, and promote initiatives to respect human rights. At the same time, we also encourage understanding and support from customers and business partners.

 [azbil Group Basic Policy on Human Rights](https://www.azbil.com/csr/basic/human_rights.html)
https://www.azbil.com/csr/basic/human_rights.html

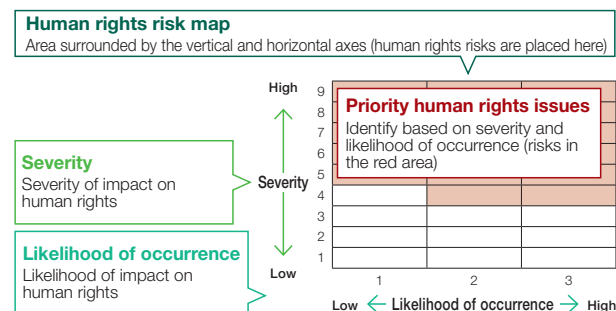
As part of our CSR activities, the azbil Group CSR Promotion Committee endeavors to maintain and enhance our efforts aimed at respect for human rights by formulating plans and continuously monitoring their progress.

Human rights due diligence and priority human rights issues

To appropriately manage human rights risk and engage in responsible corporate activities, the azbil Group promotes human rights due diligence. We identify human rights risks across the value chain as a whole, assess their severity and the likelihood of occurrence, and create a human rights risk map. Then, we identify priority human rights issues and proceed to respond to the issues. In the supply chain, the azbil Group also implements risk assessments related to human rights violations and strives to promptly correct any identified risks. We continuously revise our priority human

rights issues and response policies, taking into account the business environment and the views of stakeholders. These initiatives are deliberated at Azbil's Management Meeting and reported to the Board of Directors, and we endeavor to disclose information transparently.

Human rights risk map (concept image)



Priority human rights issues

Stakeholders	Human rights risks
Employees	Health and safety
	Overwork
	Harassment
	Child labor
	Forced labor
	Discrimination
	Violations of freedom of association, right to organize (right to collective bargaining), right to collective action (right to strike)
Employees at suppliers (including secondary and beyond), contractors, investees, etc.	Right to privacy (including leaks of personal information)
	Health and safety
	Overwork
	Harassment
	Child labor
	Forced labor
	Discrimination
azbil Group product users	Violations of freedom of association, right to organize (right to collective bargaining), right to collective action (right to strike)
	Right to privacy (including leaks of personal information)
	Right to privacy (including leaks of personal information)
Surrounding residents	Product and service quality and safety
Job seekers	Local residents and impact on the environment
All	Discrimination
	Violations of access to reporting and consultation services/right to receive aid measures

Dialogue with stakeholders

We prioritize dialogue with stakeholders in our initiatives related to respect for human rights. We engaged in dialogue with Ms. Akiko Sato, an attorney who is an expert in the field of business and human rights, and is active at one of our stakeholders, a human rights NGO, concerning human rights due diligence processes, priority human rights issues, and other matters.

About the process: The azbil Group carefully considers and steadily implements its process, taking into consideration the views of people working on site. A key point is the fact that it has identified risks in a way that is both wide-ranging and detailed.

Identification of human rights risks: The good point about this is that the azbil Group has used a human rights risk map to consider the connection between health and the environment as a human rights risk.

For the future: It is important that Azbil continues to promote human rights due diligence, while also deepening understanding of structural human rights issues such as the governance gap, across the supply chain as a whole, including overseas. In addition, Azbil continuously engages



Ms. Akiko Sato

Attorney-at-Law, Kotonoha Sogo Law Office
Deputy Secretary General, Certified NPO Human Rights Now

with a diverse range of stakeholders, which will contribute to effective prevention, mitigation, remedy, and rectification.

Establishment of aid mechanism

We have established a contact point available to all stakeholders, and we are working to prevent, quickly discover, and address the occurrence of any negative impact on human rights.

 [Consultation and reporting on human rights issues, laws, and ethics violations](https://form.azbil.com/form/pub/contact/azbil_form_hotline)

https://form.azbil.com/form/pub/contact/azbil_form_hotline

Our global hotline for consultation and reporting can also be accessed from the websites of overseas subsidiaries and is available in multiple languages.

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.

Our basic approach

The azbil Group, in light of international developments such as the United Nations' SDGs and the rapid drive toward decarbonization across society, has identified its own environmental issues and made a long-term commitment to promoting environmental preservation.

We strive to create and provide sustainable products and services by promoting an extensive range of environmental activities in collaboration with the business lines, addressing global environmental challenges such as decarbonization, resource recycling, and biodiversity conservation, in response to societal needs.

By leveraging measurement and control technologies to support our customers in solving environmental challenges, we contribute to the global environment and ultimately to achieving a sustainable society. We are committed to the creation and provision of eco-friendly products and services. This involves efficiently reducing the environmental impact of our own business activities by leveraging our business expertise and performing proof of concept for various new initiatives.

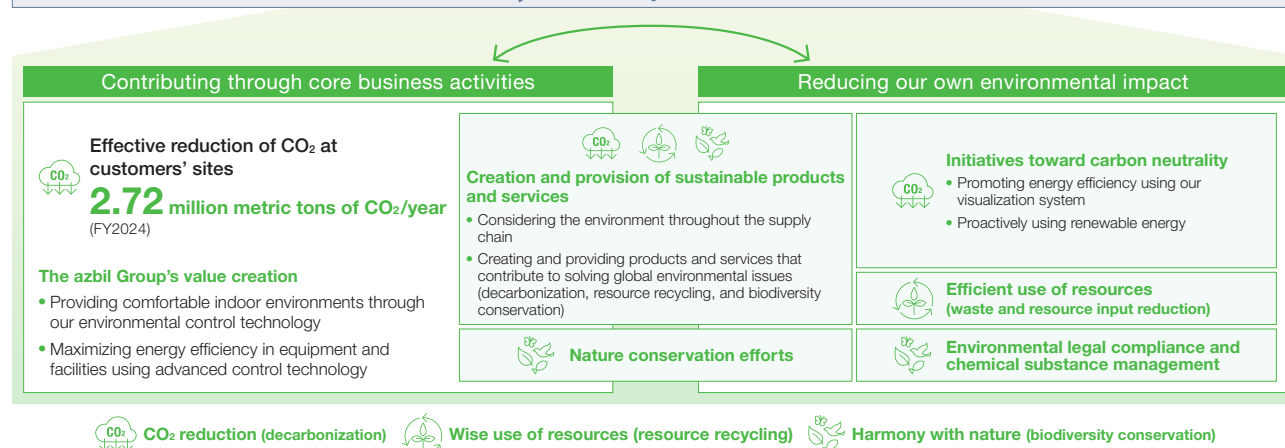
Systems for environmental progress

The azbil Group Environmental Committee, led by the executive officer in charge of environmental management, sets the framework for promoting environmental initiatives. It



Achieving a sustainable society

Our SDG targets for FY2030	
Effective reduction of CO ₂ at customers' sites 3.40 million metric tons of CO₂/year	GHG emissions from business activities (Scope 1 + 2*): 55% reduction (from base year 2017) GHG emissions across the entire supply chain (Scope 3*): 33% reduction (from base year 2017)
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	



* Scope 1: Direct GHG emissions from a business (from fuel burning, industrial processes, 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 Scope 1 and 2)

holds global meetings three times annually to plan, discuss, and review the environmental systems of each group company, considering both risks and opportunities.

Key policies in the medium-term plan (FY2025–FY2027)

We have set and are implementing a medium-term plan to help the azbil Group achieve its SDG goals. Our business activities themselves have a high affinity with environmental initiatives, and we will advance to address

global environmental challenges—decarbonization, resource recycling, and biodiversity conservation—in collaboration with our business lines. We also identify and will work on the creation and provision of sustainable products and service and compliance with environment-related laws and regulations as key initiatives to strengthen our environmental management.

Key policies in the medium-term plan (FY2025–FY2027)

Key policies	Policy	Results in FY2024	Medium-term plan (FY2027)	2030 long-term targets	
 Decarbonization	Effective CO ₂ reduction at customers' sites	• Work with business lines to expand effective reduction of CO₂	• Visualized effective reduction of CO₂ in line with business targets • Strengthened collaboration with business lines to expand effective reduction of CO₂	• Further expand effective reduction of CO₂ at customers' sites, and enhance collaboration with business lines	• Effective reduction of CO₂ at customers' sites: 3.40 million metric tons of CO₂/year (SDG target)
	Reduction of GHG emissions across the entire supply chain	• Expand and strengthen energy-saving measures to reduce GHG emissions from own business activities and promote proactive use of renewable energy	• Increased the number of business locations using renewable energy sources: Fujisawa Technology Center began procurement of 100% renewable energy • Achieved the 2030 target for GHG emissions from business activities (Scope 1 + 2) ahead of schedule	• Strengthen energy-saving efforts at key business locations by collaborating with business lines • Further grow the number of business locations adopting renewable energy sources (including renewable energy sources with additionality) • Introduce and use internal carbon pricing	• GHG emissions from business activities (Scope 1 + 2): 55% reduction (compared with 2017) (SDG target) *2030 target to be raised
		• Promote engagement with business partners to achieve 2030 supply chain targets • Make the entire supply chain carbon neutral by 2050	• Raised the 2030 target for Scope 3 • Implemented engagement activities tailored to the decarbonization initiative level of our business partners (e.g., conducting surveys, providing information, holding individual discussions) • Obtained SBT net zero certification	• Continue and strengthen engagement tailored to each business partner's decarbonization initiative level (including sharing success stories among business partners) • Start and expand use of primary data on CO₂ emissions of business partners	• GHG emissions across the entire supply chain (Scope 3): 33% reduction (compared with 2017) (SDG target)
 Resource recycling	Effective use of resources	• Continuously reduce resource consumption by optimizing efficiency in business activities	• Implemented target management by the azbil Group environmental decision-making bodies to reduce the usage of various resources (water and waste) • Implemented third-party verification for water and waste management • Assessed water-related risk	• Strengthen initiatives to reduce waste and the usage of water and other resources • Identify the relevance of business to the circular economy and related measures	• Establish initiatives for global resource recycling and the circular economy
 Biodiversity conservation	Nature conservation efforts	• Promote initiatives in line with the TNFD recommendations	• Registered as a TNFD Adopter • Analyzed the impacts on and dependencies of natural capital in upstream and downstream business operations using analytical tools such as ENCORE, and implemented external environment analysis using the STEEP framework	• Disclosure in line with the TNFD recommendations based on business opportunity and risk analysis • Set core indicators and targets in accordance with each business	• Properly identify the impacts on and dependencies of natural capital, as well as business risks and opportunities, and establish nature-positive initiatives
		• Strengthen nature conservation efforts	• Local conservation activities conducted six times (with 98 participants) at three locations in Japan (Fukushima, Fujisawa, Kyoto) • Applied for certification as a Nationally Certified Sustainably Managed Natural Site	• Continue local conservation activities at three locations in Japan (Fukushima, Fujisawa, Kyoto) • Kyoto's activity area is certified as a Nationally Certified Sustainably Managed Natural Site, and activities aligned with the certified plan become entrenched	• Strengthen biodiversity conservation efforts linked to the SDGs
   Improve environmental corporate management		• Achieve sustainable products – Contribute to the achievement of our SDG goals through sustainable designs in new product development	• Built a new progress management system for achievement of our own SDG goals • Used the azbil Group's unique sustainable design for all new products • Implemented a 100% recyclable design for about 10% of new products	• Strengthen collaboration with related departments and advance the progress management system to achieve the SDG targets	• Design all new products to meet the azbil Group's own sustainability standards (SDG target) • Design all new products to be 100% recyclable (SDG target)
		• Provide sustainable services – Cultivate skilled professionals to support field engineering services and contribute to achieving a sustainable society	• Cultivated 943 skilled professionals	• Strengthen training programs aligned with the business strategy, implement job rotations, and promote talent development through enhanced internal communication	• 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 (SDG target)
		• Respond to requests from stakeholders (investors, customers, others)	• Obtained external evaluations of our climate change and water risk initiatives – FTSE Russell ESG score of 4.7 (out of 5) – CDP Climate Change 2024: B* – CDP Water Security 2024: A-	• Maintain and improve communication with investors and customers regarding environmental issues	• Create links between the demands of investors, customers, and other stakeholders, and the company, its businesses, and environmental initiatives through appropriate communication
		• Promote regulatory compliance management	• No major legal violations, and consequently no resulting penalties, administrative fines, or lawsuits	• Expand/enhance regulatory compliance management, including overseas	• Establish a monitoring system for laws and regulations, including those overseas

Note: We had been selected for the A List for three consecutive years and have filed a score appeal with CDP regarding our CDP Climate Change 2024 score of "B."

Disclosure aligned with the TCFD and TNFD recommendations

The azbil Group is strengthening its sustainability management as the foundation for contributing “in series” to the achievement of a sustainable society. Based on the framework recommended by the Taskforce on Nature-related Financial Disclosures (TNFD) in addition to the Task Force on Climate-related Financial Disclosures (TCFD), we will promote appropriate disclosure by understanding the impact of climate change and natural capital on our business activities and the impact of our business activities on climate change and natural capital.

Governance

Role of the Board of Directors

The azbil Group continues its sustainability management in its new medium-term plan starting in FY2025. The Management Meeting deliberates on climate change and natural capital from the perspective of disclosing business impacts and financial impacts, while the Board of Directors appropriately oversees these matters.

 [p.50- Sustainability Management](#)

Stakeholder engagement

The azbil Group will build relationships of trust with stakeholders, including local communities and indigenous peoples, in addressing nature-related challenges, and fulfill its responsibility to respect human rights. We have established a system covering all stages from receiving inquiries and reports based on the azbil Group Basic Policy on Human Rights, through to investigation and verification, relief, and corrective and improvement actions.

 [p.58 Human Rights Initiatives](#)

 [Consultation and reporting on human rights issues, laws, and ethics violations](#)

https://form.azbil.com/form/pub/contact/azbil_form_hotline

Strategy

Opportunities and risks were analyzed in line with the TCFD’s recommended approach for climate change and the TNFD’s recommended approach for natural capital. A detailed analysis is shown in the chart below.

Climate change scenario analysis

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 rising temperature scenarios and have concluded that the opportunities for our businesses to contribute to CO₂ reduction significantly outweigh the risks.

Expanded opportunities for the azbil Group products, services, and solutions



Increase in migration and physical risks

*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.

Type	Climate change	Natural capital	Business	Details () indicates climate change scenarios
Opportunities	●		BA business	Growing demand for energy-saving and CO ₂ -reducing solutions and services that meet societal needs (1.5°C/2°C scenarios)
				Increasing demand for products, services, and solutions for climate-resilient buildings adapted to weather disasters (4°C scenario)
			AA business	Increasing demand for sensors, various other measuring instruments, and solutions designed for new industries and processes that reduce environmental impact (1.5°C/2°C scenarios)
				Increasing demand for products, services, and solutions that offer anomaly prediction capabilities (4°C scenario)
			LA business	Expanding smart metering as a service business for gas meters that use IoT technology (1.5°C/2°C scenarios)
				Increasing demand for products, services, and solutions adapted to weather disasters (4°C scenario)
Migration risks	●	●	Group-wide	Increasing demand for solutions that meet the needs of markets dependent on natural capital
				Increasing demand for sensors, various measuring instruments, and solutions due to tighter environmental regulations on wastewater, chemicals, etc.
				Increasing demand for new solutions utilizing IoT technology such as ecosystem monitoring
			Group-wide	Increased R&D costs for new products and services to meet new regulations
Physical risks	●	●	Group-wide	Increased production and procurement costs due to rising energy and raw material prices
				Reduced conventional capital investment from customers due to the burden from carbon taxes, biodiversity conservation, and other associated costs
			Group-wide	Operational stoppages and inability to provide products, services, and solutions due to abnormal weather (e.g. floods, droughts, rising temperatures)
				Significant reduction in customer investment due to business instability caused by abnormal weather (e.g. floods, droughts, rising temperatures)

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. In addition, regarding migration risks, we are implementing systematic risk mitigation measures concerning our own GHG emissions. Emissions from the azbil Group's business activities (Scope 1 + 2) were approximately 0.012 million metric tons of CO₂. Even if carbon prices rose by ¥10,000 to ¥20,000 per ton, the total financial burden would be limited to around ¥100 million–¥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 to 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*1). 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.

*1 CCUS: Carbon dioxide Capture, Utilization, and Storage

The azbil Group has developed and published a decarbonization transition plan aimed at achieving carbon neutrality by 2050.

[p.64 Decarbonization transition plan](#)

Derivation approach for natural capital risks and opportunities

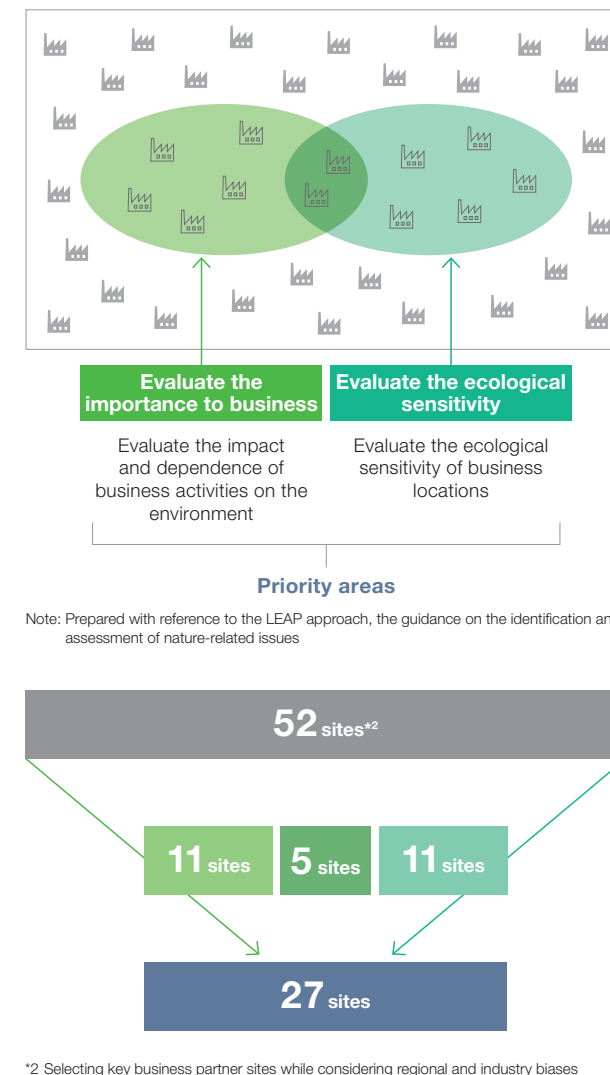
Location of priority sites

Upstream

There are two methods for identifying priority sites: one method evaluates the magnitude of nature-related impacts and dependencies of business activities, and the other evaluates the ecological sensitivity of business sites. Through these two methods, the upstream of the azbil Group has identified 27 business partner locations.

Direct operation (azbil Group business activities)

This initiative targets 17 major production sites, including the Shonan Factory, which is designated as a mother factory and identified as a facility with a high impact on natural capital.



Dependence and impact

The chart on the right lists dependencies and impacts relevant to the azbil Group at each stage of upstream, direct operation, and downstream, based on the nature and magnitude of business activity dependencies and impacts (ENCORE^{*1}), ecological sensitivity, and business characteristics. Upstream, emissions could have a significant impact on the atmosphere, water quality, and soil. Direct operation and downstream processes^{*2} might have an environmental impact through waste disposal. Regarding dependence, no major concerns were identified; however, we recognize that some direct operation sites face water risks.

^{*1} 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>

^{*2} Regarding downstream impacts, the Locate analysis in the LEAP approach has not been conducted. Instead, impacts are estimated in the Evaluate analysis based on the waste disposal methods of the processing service providers.

Policy

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 initiatives in our supply chain involving our business partners, and to work in collaboration with various partners to further protect the natural environment. Specific countermeasures for the analyzed opportunities and risks are currently under consideration and will be disclosed in the future.

Biodiversity Conservation

https://www.azbil.com/csr/basic/environment/own_business_activities/biodiversity.html

Scope	Dependence	Impact
Upstream	—	Business partner activities could have an impact on atmosphere, water, and soil pollution.
Direct operation	Among Group companies responsible for manufacturing azbil Group products, Azbil Production (Thailand) Co., Ltd., and Azbil Control Instruments (Dalian) Co., Ltd., are located in water-stressed regions.	Operations at certain facilities located in areas with high ecosystem integrity might significantly impact ecosystems through atmosphere, water, and soil pollution.
Downstream	—	Inappropriate waste treatment of the product could result in pollution of the atmosphere, water, or soil.

Risk management

Under our risk management systems, we comprehensively manage risks that could have a significant impact on management as well as manage the impact itself, including those connected to climate change and natural capital.

p.71- Risk Management

Metrics and targets

We set indicators and targets related to climate change and natural capital and roll out environmental conservation activities. Items not disclosed as of the azbil report 2025 publication will be considered for disclosure in the future.

See p.65 for results of climate change initiatives in FY2024.

Indicators and targets related to climate change

Indicators for the azbil Group's initiatives		Targets (FY2030)
Effective reduction of CO ₂ at customers' sites	Effect of automation	3.40 million metric tons of CO ₂ /year
	Effect of energy management	
	Effect of maintenance and services	
GHG emissions	Scope 1 + 2	55% reduction (from base year 2017)
	Scope 3	33% reduction (from base year 2017)

Indicators related to natural capital

TNFD indicator number	Factors for natural change	Indicators for the azbil Group's initiatives	
C2.1	Pollution/ pollution removal	Use of water resources	Wastewater
C2.2		Waste volume	Total waste volume
			Amount recycled
			landfill volume
			Recycling rate
C2.4		Disposal rate	landfill volume/total waste volume
		Emissions of PRTR-designated substances	Emissions to the atmosphere
C3.0	Resource use/ replenishment	Use of water resources	Water withdrawal
		Total water withdrawal from water stressed areas with water risks (water stressed areas)	Water consumption
			Total water withdrawal (Azbil Production (Thailand) Co., Ltd.)
			Total water withdrawal (Azbil Control Instruments (Dalian) Co., Ltd.)

Notes:

1. Targets related to natural capital will be developed and disclosed in the future.

2. Please refer to the latest azbil ESG Databook for the actual results for each indicator.

azbil ESG Databook

<https://www.azbil.com/ir/library/esg/index.html>

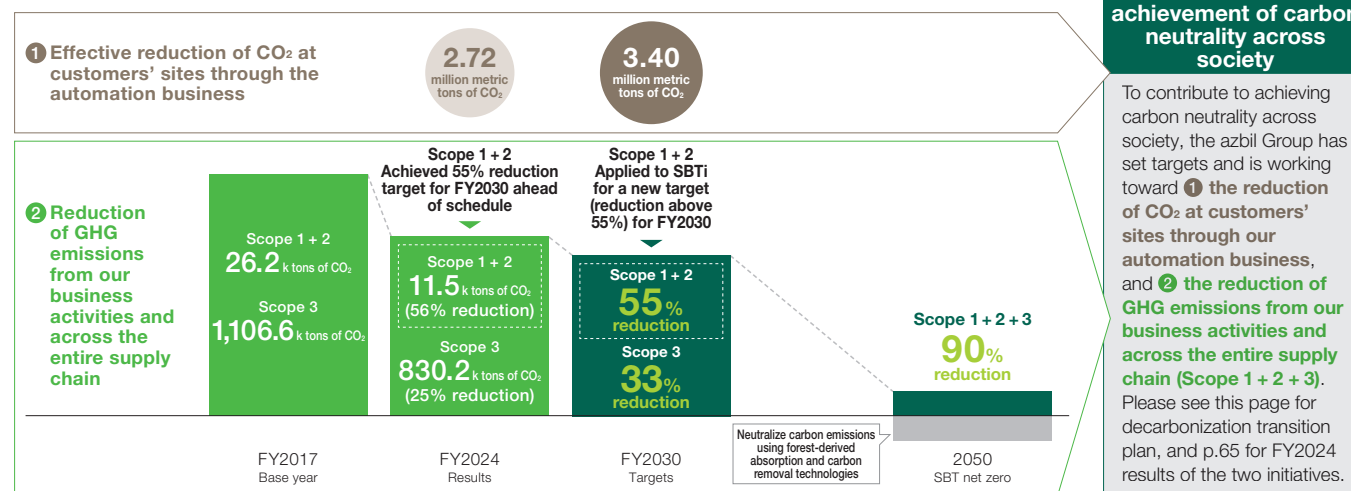
Decarbonization transition plan

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 and are implementing a transition plan to support decarbonization efforts.

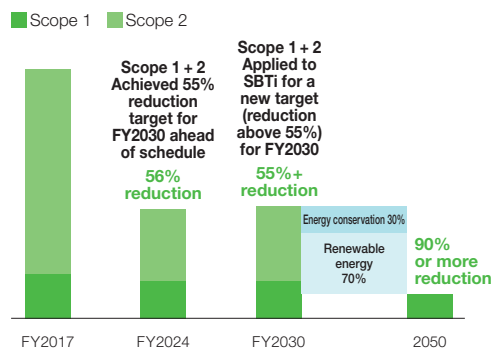
Furthermore, the following 2050 net zero target covering all CO₂ emissions (Scope 1 + 2 + 3) has been certified as a net zero target by the Science Based Targets initiative (SBTi) (October 2024).

Regarding Scope 1 + 2 emissions, we achieved our 55% reduction target for FY2030 ahead of schedule in FY2024. Consequently, we are currently applying to the SBTi for a new, upwardly revised target for FY2030.

Initiatives and target toward achieving the azbil Group's unique approach to carbon neutrality



Specific measures



by 2030

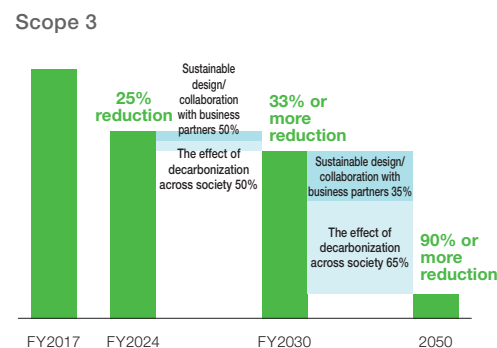
- Promote energy conservation projects in collaboration with business lines
- Proactive use of renewable energy
- Gradually switch company vehicles to hybrid and electric ones

by 2050

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

For Scope 1 + 2, we are leveraging our extensive expertise in energy conservation and actively implementing energy visualization systems across the entire Group, and we are focusing our energy conservation efforts from two perspectives: improving operations and upgrading facilities. In addition to strengthening energy conservation efforts in collaboration with business lines, 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



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)

As for Scope 3, 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 climate change initiatives in FY2024

Effective reduction of CO₂ at customers' sites

The azbil Group's Essential Goal I for the SDGs (for FY2030)	
Effective reduction of CO ₂ at customers' sites	
3.40 million metric tons of CO₂/year	

Note: The FY2030 emission factor from electricity generation is our own estimated value based on the Japanese government's Energy Basic Plan in 2019.

Total effective reduction of CO₂ at customers' sites (FY2024)

Total 2.72 million metric tons of CO₂/year	
Effect of automation	2.33 million metric tons of CO₂/year
Effect of energy management	0.34 million metric tons of CO₂/year
Effect of maintenance and services	0.05 million metric tons of CO₂/year

The total annual effective reduction of CO₂ at customers' sites in FY2024 was 2.72 million metric tons.*¹ This is equivalent to about 1/375th of Japan's CO₂ emissions (about 1.02 billion metric tons). This reduction impact would be equivalent to 2.85 million tons of CO₂ if calculated using an electricity emission factor*² based on the original assumption of 3.4 million tons of CO₂. This represents approximately 89% of the initial reduction target of 3.2 million tons of CO₂ for FY2024. Going forward, we will further refine the calculation methods, scope, and timeframe for existing businesses while strengthening reduction efforts. This includes thoroughly examining the reduction impact of expansion businesses and appropriately incorporating them to achieve our targets.

*¹ 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 reduction effect by taking 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.

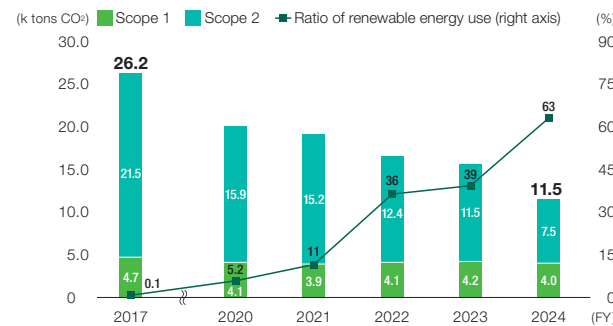
*² Electricity emission factor for setting the 2030 target, which anticipated a roughly 10% improvement in the CO₂ emission factor compared to the target setting period, based on the 2019 Basic Energy Plan.

Reduction of GHG emissions

The azbil Group's Essential Goal I for the SDGs (for FY2030)	
GHG emissions from business activities (Scope 1 + 2):	
55% reduction (from base year 2017)	
GHG emissions across the entire supply chain (Scope 3):	
33% reduction (from base year 2017)	

CO₂ emissions from our own business activities (Scope 1 and 2) in FY2024 were 11 thousand metric tons (a 56% reduction from FY2017), achieving the FY2030 target ahead of plan. In addition, CO₂ emissions across the entire supply chain (Scope 3) were 830 thousand metric tons (a 25% reduction compared with FY2017), tracking steadily

CO₂ emissions (Scope 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 (Scope 1 + 2). Scope: Azbil Corporation, domestic consolidated subsidiaries, and major overseas production bases

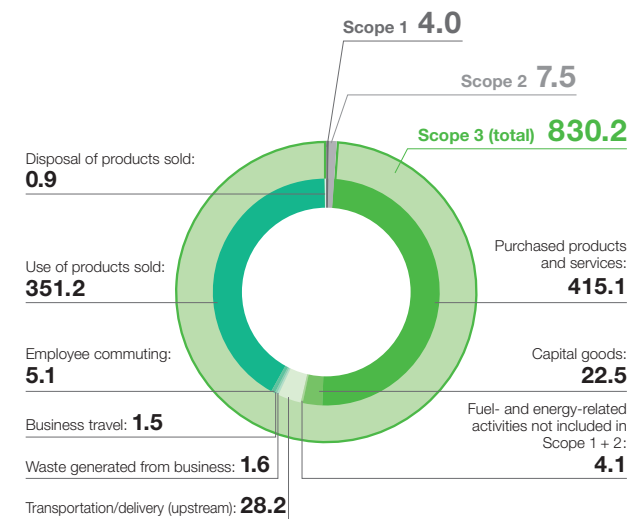
CO₂ emissions calculated from electricity generation based on a fixed value (0.378 Kg-CO₂/kWh)

	2017	2020	2021	2022	2023	2024
Scope 1 + 2	20.4	18.0	18.1	19.9	20.0	19.3

Note: We prioritize energy conservation with the goal of reducing overall energy consumption. We are collaborating with business lines with expertise in energy conservation to advance initiatives aimed at reduction.

toward achieving our target. To reduce CO₂ emissions from our business activities, we have switched to using 100% renewable energy sources, including off-site corporate solar power purchase agreement (PPA) services, for the electricity used at the Fujisawa Technology Center. Renewable energy sources accounted for 63% of the Group's total electricity consumption in FY2024. Going forward, we will proactively install solar power generation equipment, primarily at our overseas production sites. To reduce CO₂ emissions across the entire 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 (Scope 1 + 2 + 3) in FY2024
(k tons CO₂)



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

Scope of calculations:

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

Creation and provision of sustainable products and services

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.

Achieving sustainable products

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

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

*Design that aims to create and provide products that contribute to solving global environmental issues (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
- Decarbonization, resource recycling, biodiversity conservation (environmental pollution prevention), and information disclosure

Based on the azbil Group's unique standards for sustainable design, we are promoting product development that prioritizes reducing environmental impact. All new products in FY2024 meet these design standards, steadily advancing our initiatives toward realizing a sustainable society.

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

Design all new products to be **100% recyclable***

*Design achieving 100% according to the azbil Group's proprietary "resource recycling achievement rate." We aim to enable proper disassembly and sorting when customers dispose of products by removing impediments to recycling within the realm of the most effective technologies that are economically and technologically feasible.

Through our business activities, we are working to reduce waste and the usage of water and other resources, and we are employing sustainable product design to use natural

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 customers' 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

resources efficiently and reduce the generation of waste. For new product development, we have set an FY2030 SDG goal to design all new products to be 100% recyclable through our Reduce, Reuse, Recycle (3R) initiatives. For FY2024, we set an interim Group-wide target of "75% or higher resource recycling achievement rate" to advance toward this goal, and achieved it for more than 80% of our products. In FY2025, we will raise this interim target to "90% or more" and strengthen our initiatives.

Provision of sustainable services

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

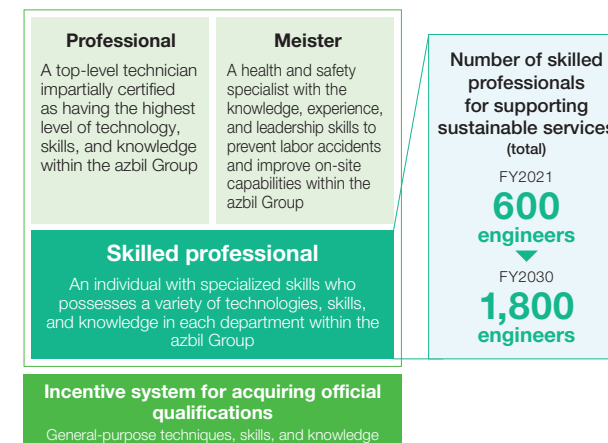
Increase the number of **skilled professionals for supporting sustainable services** provided by the azbil Group to
a total of 1,800—triple the number in FY2021

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 engineers. 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 customers' 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



Supply Chain

Basic approach

Fulfilling social responsibilities together with business partners

With its Group philosophy and Code of Conduct as its foundation, the azbil Group is actively engaged in initiatives to realize a sustainable society, including the preservation of the environment through its business activities. 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. Against this backdrop, in our procurement activities, we are enhancing added value for both the azbil Group and its business partners as our basic policy, and aiming to build long-term relationships of trust with them. In addition, to respond to the SDGs and other rising demands from international society, we will continue to strengthen our initiatives across the entire supply chain so we can fulfill our social responsibilities even more actively.

 azbil Group Basic Procurement Policy and Sustainable Procurement Guidelines

<https://www.azbil.com/corporate/procurement/index.html>

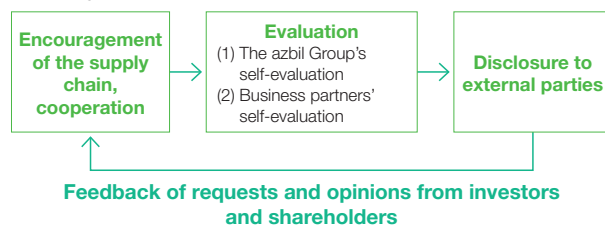
The azbil Group's Essential Goal III for the SDGs

Fulfilling social responsibilities together with business partners

Working with our business partners on achieving the SDGs as a common goal and creating shared CSR value across the supply chain

(increasing added value to both parties, building long-term relationships of trust, and coexistence and co-prosperity with business partners)

PDCA cycle



Focus areas in the supply chain

To fulfill our social responsibility across the supply chain, in 2021 the azbil Group established 10 focus areas (intermediate categories), making reference to the way in which external institutions evaluate ESG initiatives. In 2024, we added the new target areas of ethics and risk management, considering industry standards and the latest trends, and expanded the number of target areas to 16 in response to external requests. In these target areas, we leverage the extensive expertise the azbil Group has cultivated in fields such as the environment, quality, compliance, and health and well-being management (the integration of health and productivity management and happiness). We promote various activities, including encouraging our business partners and evaluating the progress of initiatives undertaken by both the azbil Group and our business partners.

Supply chain activity promotion system

The azbil Group's supply chain activities are managed by Azbil Corporation, which is primarily involved in the administration of the entire Group, under the responsibility of the corporate executive in charge of production and purchasing at the azbil Group. These activities are promoted in cooperation with not only the production and procurement department but also through close collaboration with other related departments such as sustainability, environment promotion, and legal affairs. Furthermore, Group companies also participate quarterly to review action plans and performance, and we implement the PDCA cycle to continually improve our activities.

Broad category	Intermediate category	Subcategory
Environment	Climate change (GHG, energy)	· Climate change (GHG, energy)
	Pollution and resources (e.g., air pollution, water pollution, hazardous waste, waste reduction, raw materials)	· Green procurement · Management of chemical substances · Compliance with environmental laws · Effective use of resources and reduction of waste · Environmental considerations in product design and products handled
	Water security and water risks	· Less use of water · Prevention of pollution (e.g., wastewater, sludge)
	Biodiversity	· Biodiversity
	Environmental management	· Environmental management
Social	Labor practices	· Working hours · Wages and allowances · Prohibition of discrimination · Freedom of association, right to collective bargaining · Recruitment and employment of workers · Prohibition of inhumane treatment · Elimination of child labor and employment of young workers · Promotion of diversity, equity and inclusion
	Health and safety	· Safety on the job · Emergency preparedness · Industrial hygiene · Occupational injuries and illnesses · Health management of employees · Safety measures for machinery · Consideration for physically demanding work · Sanitation facilities, food, and housing · Communication on health and safety · Attainment of new ways of working, work-life balance
	Human rights	· Respect for fundamental human rights · Rejection of anti-social forces · Responsible mineral procurement
	Contribution to local communities	· Contribution to local communities
	Quality and customers	· Quality management · Provision of accurate product and service information
	Compliance with laws and regulations and respect for international norms	· Compliance with laws and regulations and respect for international norms
Ethics and risk management	Compliance with fair trade practices	· Compliance with fair trade practices · Anti-corruption · Respect for intellectual property · Protection of whistleblowers · Appropriate import/export controls
	Establishment of a management system	· Establishment of a management system · Supplier management · Grievance mechanism
	Appropriate information disclosure	· Appropriate information disclosure
	Information security	· Ensuring information security · Protection of personal information · Prevention of confidential information leakage
	Business continuity planning and preparation	· Business continuity planning and preparation

Priority themes for FY2024 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 preservation of the global environment as a priority theme of the environment, and we encourage our business partners to take part.

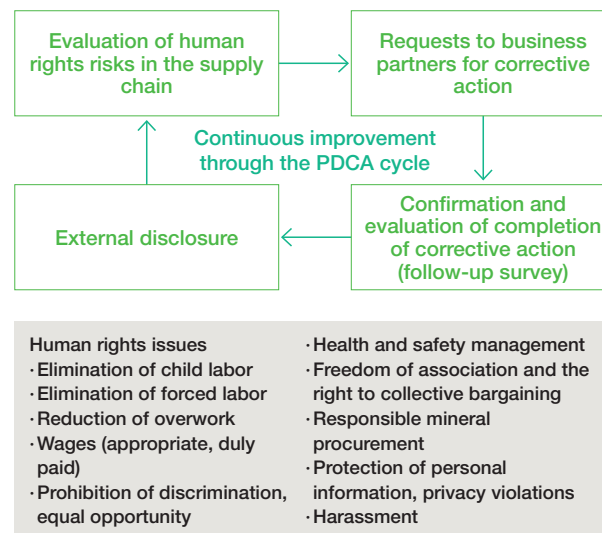
Efforts to respect human rights: Human rights due diligence in the supply chain

To ensure respect for human rights and appropriate corporate conduct within our supply chain, the azbil Group implements risk assessments related to human rights violations and strives to promptly correct any risks that have been identified.

These initiatives are based on the azbil Group Basic Policy on Human Rights and are promoted with reference to the UN Guiding Principles on Business and Human Rights, which set human rights issues such as the elimination of forced labor and child labor, prohibition of discrimination, and health and safety management.

In FY2023, we evaluated the risk of human rights violations and requested improvements to approximately 300 of Azbil Corporation's major business partners. In FY2024, we confirmed that all improvements had been completed. The main points we requested to improve included the failure to clearly specify working conditions such as wages and working hours in employment contracts and insufficient implementation and documentation of safety and health training. Furthermore, in FY2024, we conducted risk evaluations on human rights violations and issued improvement requests to approximately 190 major business partners of the azbil Group, and confirmed the completion of improvements. The main points we requested to improve included the lack of appointment of a safety and health promotion officer, insufficient implementation and documentation of safety and health training, and failure to submit the application in accordance with the agreement based on Article 36 of the Labor Standards Act of Japan

Human rights due diligence process



regarding overtime work. We note that no instances of serious human rights violations such as child labor or forced labor were identified among Azbil Corporation and the azbil Group's business partners.

Furthermore, Azbil Corporation conducted human rights due diligence not only with its direct business partners but also extended it to secondary business partners upstream in the supply chain, in light of the intensity of demands from customers and society. Given that our secondary business partners include overseas companies, we identified and set human rights issues commonly adopted by global organizations. Business partners in scope are those that are highly significant to both Azbil Corporation and the business partner and that operate in industries with high potential risks of human rights violations.

In addition, because secondary business partners include small-scale companies/operators such as sole proprietors, we designed the survey differently for them

compared to general corporations. This survey was distributed and collected from 85 secondary business partners via primary business partners, ultimately achieving a response rate of 98%. We have requested corrective action from 22 companies identified as having human rights violation risks and will continue to monitor their corrective status throughout FY2025.

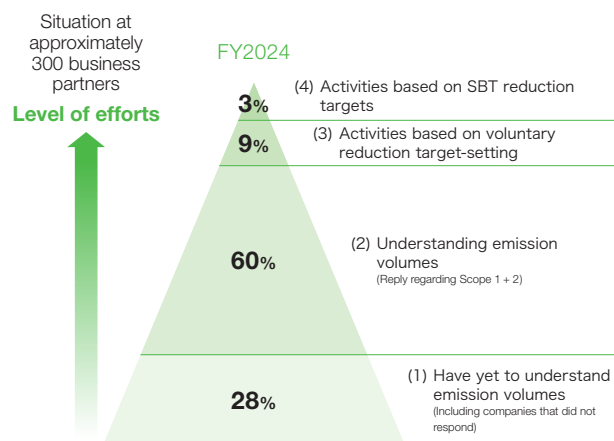
Efforts to address climate change (1): reduction of CO₂ emissions in the supply chain

The azbil Group implemented the following initiatives for business partners in FY2024 toward achieving its goal of reducing greenhouse gas (GHG) emissions across our entire supply chain by 33% compared with FY2017.

- We communicated to our business partners the necessity of reducing CO₂ emissions across the entire supply chain and requested that they assess their own emissions and consider reduction methods. In conjunction with this request, we distributed a survey to our major business partners, including explanatory materials on reduction measures and a worksheet for estimating emissions.
- We held individual discussions with business partners facing challenges related to CO₂ emission reduction, providing advice on calculation methods, reduction measures, and target-setting as well as support to address these challenges.

As a result of these initiatives, we were able to achieve an increase of three new business partners attaining science based targets (SBT) certification.

We will continue to promote CO₂ emission reduction activities together with our business partners by sharing concrete case studies and providing support for target-setting and reduction efforts.

CO₂ emission reduction initiatives by major business partners

Efforts to address climate change (2): compliance with environmental laws and regulations

As part of its environmental pollution prevention initiatives for FY2024, the azbil Group requested that its business partners promptly notify the azbil Group if their business sites (factories) receive environmental improvement orders or penalties from public authorities. Through this initiative, the azbil Group will support its business partners in addressing their environmental challenges while implementing preventive measures for other business partners to ensure full compliance with environmental laws and regulations throughout the entire supply chain.

Encouraging business partners

Briefing on guidelines to business partners

The azbil Group established its CSR Procurement Guidelines in 2021. Based on the Group's fundamental policies, such as the azbil Group Basic Policy on Human Rights and the azbil Group Basic Environmental Policy, these guidelines clearly outline the areas of the environment and society in which we ask our business partners to

engage. Under the procurement guidelines, with the considerable cooperation of our business partners, we have advanced our initiatives toward achieving a sustainable society.

In FY2024, we added new items to the guidelines that we request our business partners to implement in the area of ethics and risk management in accordance with the azbil Group Basic Policy on Information Security and the azbil Group Basic Policy on Anti-corruption Practices, based on external requests and industry standards and trends. Accordingly, the name of the guidelines was changed to the azbil Group Sustainable Procurement Guidelines.

The additional items in the ethics and risk management section of this guideline revision were established based on the Japan Electronics and Information Technology Industries Association (JEITA) guidelines, which represent the industry standard, to meet the level required by the industry. They were set after comparing and reviewing the Responsible Business Alliance (RBA) Code of Conduct and the guidelines of companies leading in the SDGs. Following the revision of the guidelines, we held briefing sessions for our business partners in October 2024.

At these briefing sessions, aimed at promoting cooperation and building trust, we first explained the background of the guideline revision, the latest trends regarding the SDGs and ESG, and the status of the sustainable procurement activities being undertaken by the azbil Group. Regarding the specific details of the guidelines, we provided clear explanations citing laws and regulatory requirements along with examples of initiatives, ensuring they directly relate to their own specific activities, and requested their cooperation. We held a total of four briefings, with 255 of Azbil Corporation's major business partners participating.

Promotion of diversity

Azbil Corporation visited a total of 62 business partners in FY2023 to understand their circumstances and gain insights into their SDG perspectives and detailed initiatives as information that a survey alone cannot fully capture. These visits involved face-to-face hearings and exchanges of opinions.

During these hearings, we discovered that many of our business partners are struggling to find human resources to hire. As the working-age population continues to decline, this issue is expected to become even more acute in the future. On the other hand, we also uncovered successful examples of business partners hiring foreign laborers in diverse ways and thereby achieving the long-term utilization of human resources.

In response, with the aim of sharing successful examples of recruitment and utilization of foreign human resources to other business partners, we began horizontal deployment of these examples starting in FY2024. We made proposals to 14 companies and observed that many of our business partners had significant psychological hurdles to hiring foreign laborers.

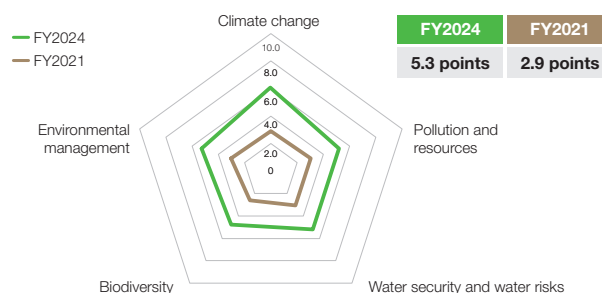
This initiative will continue into FY2025, with Azbil Corporation not only selecting proposal recipients but also broadly inviting business partners wishing to receive proposals and/or hiring support, thereby taking these initiatives to the next level. By doing so, we aim to simultaneously resolve challenges in recruitment and promote diversity.

Evaluation of FY2024 activities and future plans

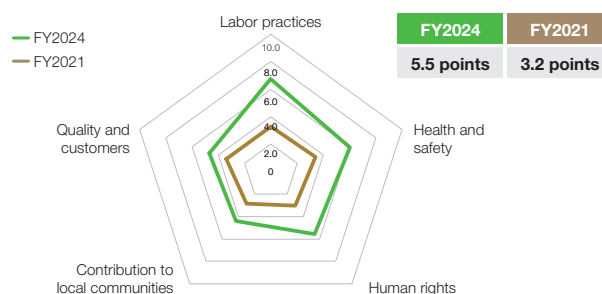
Overall evaluation of FY2024 activities

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. This evaluation incorporates not only the azbil Group's own initiatives but also self-evaluation by its business partners. In the FY2024 evaluation, the various initiatives up to now were successful, with each criterion in the environment and social generally increasing by an average of 2.3 points compared with FY2021, the initial year for these activities. The improvement in these scores was driven by initiatives such as conducting Sustainable Procurement Guidelines briefings, implementing human rights due diligence efforts on the social aspect, and collecting information

Environment



Social



on environmental law and regulation violations on the environmental aspect.

Initiatives for FY2025

We have positioned FY2025 as a foundational year to steadily step up our activities in the future. In addition to our ongoing environmental and social initiatives, we will strengthen our encouragement of business partners in the area of ethics and risk management. We will also promote activities to ensure the sustainability of the entire supply chain through collaboration with our business partners.

- To expand the scope of Azbil Corporation's ESG initiatives to include upstream to secondary business partners and beyond in the supply chain, we will begin re-entering contracts with our primary business partners to incorporate requests for ESG-related initiatives.
- We plan to hold a business partner case study meeting to share best practices among our business partners, aiming to foster communication directly between partners without involving Azbil Corporation, thereby promoting voluntary activities.
- We plan to implement a business partner awards program as a part of our measures to further promote our business partners' ESG initiatives.
- We will advance due diligence activities to identify potential legal compliance risks in the areas of the environment and ethics and risk management, and implement corrective actions as necessary.

Going forward, the azbil Group will continue to work with its business partners to enhance added value and build long-term relationships of trust.

Message from a business partner

KIKUCHI Inc.

KIKUCHI Inc. is a company that provides maintenance and instrumentation work for automatic air-conditioning control systems, energy-saving solutions, and integrated building facilities management. It is a service company authorized by Azbil Corporation.

Our company has established 16 material items related to societal issues—including diversifying work styles, improving the work environment, business continuity planning (BCP), and reducing greenhouse gas emissions—as key initiatives under our previous medium-term plan (FY2022–FY2024). We are pressing ahead with initiatives aimed at achieving our 2030 targets.

Throughout these efforts, Azbil Corporation has repeatedly provided opportunities for us to exchange opinions and has thoroughly explained the azbil Group's initiatives regarding the SDGs. Through such dialogue, we were able to reaffirm the importance of collaboration across the entire supply chain.

In 2024, our company celebrated its 50th anniversary and adopted a new Purpose: "Creating Comfort Together with the Power of Compassion." Guided by this Purpose, we will continue working to strengthen our relationship with Azbil Corporation, address societal issues through our business activities and SDG initiatives, and help create comfort and well-being for both people and society.



Mr. Tooru
Asaoka
Director,
Business Strategy
Office

Mr. Daisuke
Kikuchi
Executive
Director

Mr. Yoshikazu
Yabe
General Manager,
General Headquarters
for Business

Risk Management

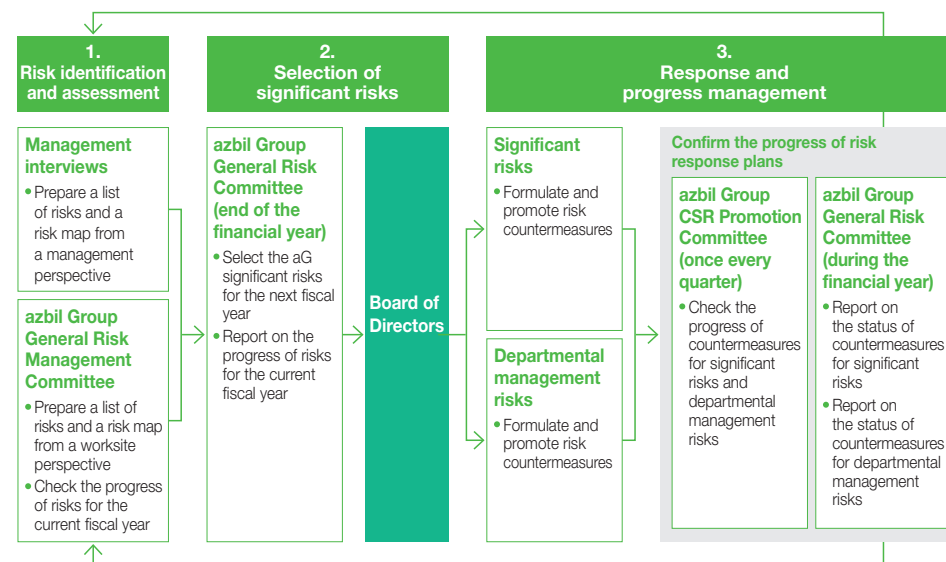
To avoid losing enterprise value and the trust of the public, the azbil Group strives to accurately understand and minimize risk factors with the potential for serious impact on operations.

The azbil Group's risk management

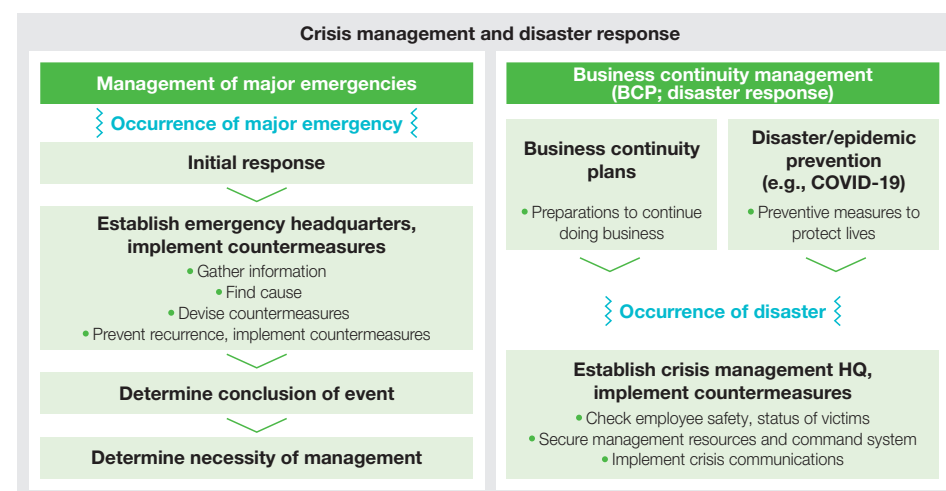
To minimize risk from possible future events, we comprehensively identify risks every year, taking changes in the external environment into account, and select significant risks based on quantitative standards such as the financial impact and frequency of those risks. To realize meticulous risk management that integrates bottom-up and top-down approaches, we have 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 121 risks comprehensively identified in FY2025, we selected 17 as significant risks that would have a severe impact on the business of the azbil Group, and categorized other risks as departmental management risks. Significant 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. Significant risks are further discussed at semiannual azbil Group General Risk Committee meetings, which are attended by the members of Azbil's Management Meeting and headed by the executive officer in charge of risk management. At these meetings, the progress and effectiveness of risk mitigation plans 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 is reported quarterly at Azbil Corporation's Management Meetings and Board of Directors meetings. 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



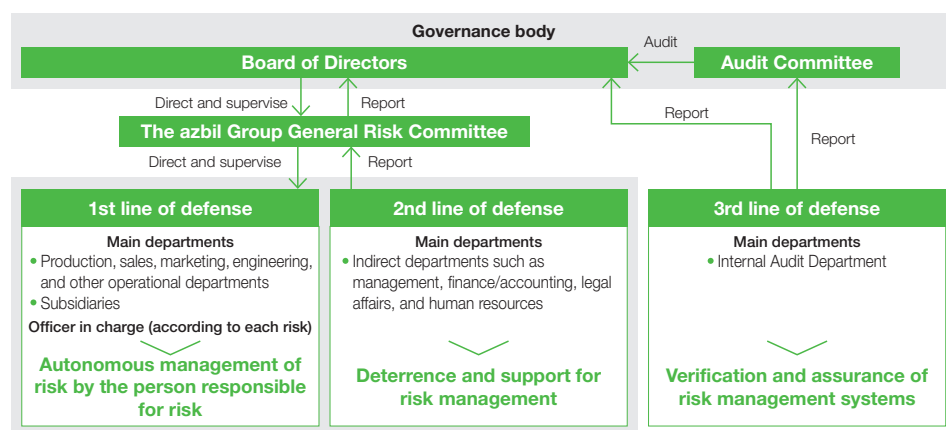
Crisis management and disaster response (handling of major incidents)



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, indirect departments 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. The azbil Group conducts a comprehensive identification of risks that could have a significant impact on management and assesses 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 worksites 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 significant risks, which are then reported to the Board of Directors.

Risk management system based on our three lines of defense



Furthermore, the Institute of Internal Auditors (IIA) has revised the "Three Lines of Defense" model and now advocates the "Three Lines Model."

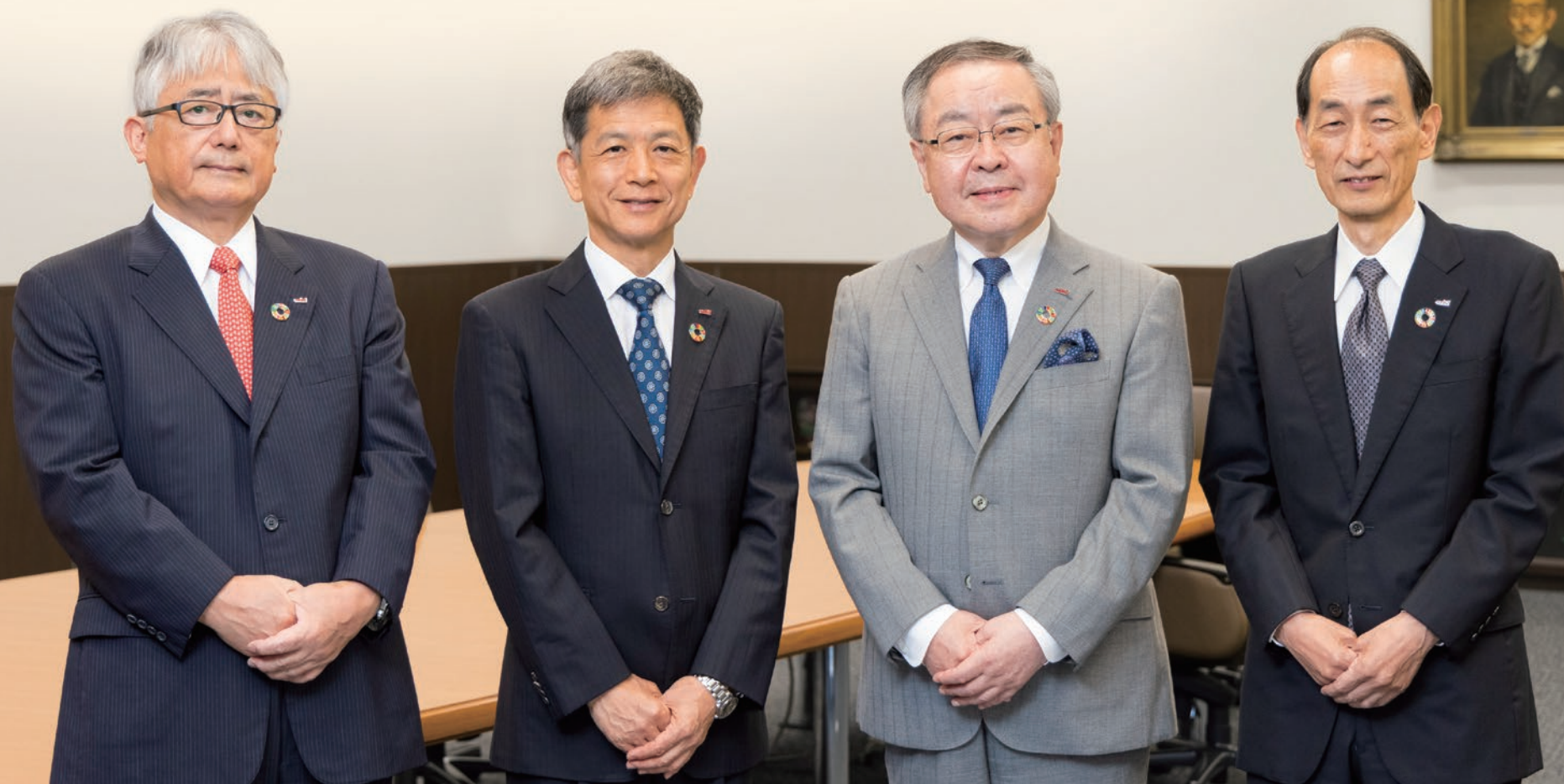
Significant risks that could severely affect the business results and financial position of the azbil Group are summarized below. Of the 121 risks comprehensively identified, we selected 17 as significant risks, and summarized these into seven items. The significant risks indicated below and the specific risk factors are judged by Azbil to be valid as of the end of FY2024. Details on risk awareness and concrete risk countermeasures for significant risks are found in the 103rd Securities Report.

Significant risks (7 items) No particular order		Specific risk factors (17 factors) No particular order	
1	Risks to quality	1-1	Outflow of noncompliant products
		1-2	Quality problems
2	Risks to information security	2-1	Information management problems
		2-2	Cyberattacks
3	Risks to technology and product development	3-1	Delay in product and technology development
		3-2	Delay in responding to technological innovation, or insufficient response
		3-3	Lack of technology and product development themes
4	Risks related to change in the international situation	4-1	Legal violations related to export management
		4-2	International conflict/dispute
		4-3	Protecting human life/safety in emergencies
5	Risks related to natural disasters	5-1	Fires/explosions (including man-made in some cases)
		5-2	Earthquakes/tsunamis
		5-3	Volcanic eruptions
6	Risks related to securing and developing human resources	6-1	Insufficient engineers/workers
		6-2	Difficulty with hiring
		6-3	Loss of human resources
7	Risks related to generative AI	7-1	Factors occurring in the utilization of generative AI and the provision of products and services incorporating AI

Outside
Directors'
Roundtable

Steady evolution of the governance system following changes in organizational design

It has been three years since the company transitioned to a company with a three-committee board structure in 2022. This year, we have continued initiatives to strengthen our governance system, including appointing an outside director as Chairperson of the Board and revising our remuneration system. We interviewed four outside directors—the Chairperson of the Board and the Chairpersons of each committee—about past initiatives and future developments.



Mitsuhiro Nagahama
Outside Director,
Remuneration Committee chairperson



Tomoyasu Miura
Outside Director,
Chairperson of the Board



Shigeaki Yoshikawa
Outside Director,
Nomination Committee chairperson



Hiroshi Yoshida
Outside Director,
Audit Committee chairperson

As a company with a three-committee board structure, our approaches to discussions are evolving while we strengthen our systems.

Q How do you view the evolution of governance systems following changes to the organizational design in 2022?

Yoshikawa I was appointed an outside director when Azbil transitioned to a company with a three-committee board structure. Over these three years, I feel the company has steadily “taken shape” as a company with a three-committee board structure. Looking back, it was a bold board structure, with eight outside directors to four internal directors, from the start of the transition. Initially, there was some trial and error as we clarified the roles of directors and corporate executives, but their respective roles are gradually becoming clearer. Now, at meetings of the Board of Directors, we are able to hold discussions from a broad perspective, covering areas such as growth strategies and infrastructure development. Under these circumstances, in June 2025, we took a major step toward further evolution, with the appointment of an outside director as Chairperson of the Board.

Nagahama Looking back over the past three years, I mostly share Mr. Yoshikawa's view. Compared to more advanced companies in Japan and Western companies, however, I feel there are still many areas where we must improve. Specifically, I am referring to matters such as how decisions made by the executive side are reported, and how discussions are conducted at meetings of the Board of Directors. One challenge is how to ensure that discussions at meetings of the Board of Directors do not focus too much on the details of specific executive matters, and instead deepen discussions that take an overarching perspective.

Yoshida I was appointed a director in June 2024, so I cannot reflect on the process of this evolution, but I agree with Mr. Nagahama in some regards concerning future challenges. For example, in discussions of the portfolio and capital efficiency, I would like for us to increase opportunities

for substantive discussions that take an overarching view of the Group as a whole and consider long-term growth, not limited to just focusing on the current status of ROIC management in each business and individual measures.

Miura One thing that has left an impression on me with regard to the evolution of the governance system is the deepening of collaboration. I feel there has been a significant improvement in mutual understanding between internal and external directors, and between corporate executives and directors. The participation of outside directors from the early stages of discussions when formulating the medium-term plan was particularly symbolic in this regard. During this process, we broadly shared agenda items related to management, such as the business portfolio and overseas business strategy, capital policy, and relationships with each Group company. Going forward, I hope we can further deepen this type of collaboration, and reflect the viewpoints and discussion points that we obtain from this collaboration in discussions at meetings of the Board of Directors, thus contributing to more effective governance.

Revisions of the remuneration system and introduction of highly transparent and objective KPIs, aimed at sustainable enterprise value enhancement

Q What are your views on the aims of the increase in the proportion of performance-linked remuneration for corporate executives and the revision of KPIs, and how they relate to enhancing enterprise value?

Nagahama This year, the company revised its remuneration policy at the same time as the formulation of the new medium-term plan. As Azbil's systems and management as a company with a three-committee board structure were being established, we took the opportunity to make major changes to the previous remuneration system. The revisions were mainly based around two concepts. First, ensuring competitive remuneration levels to secure talented human resources. We identified a group of comparable companies

based on various factors, such as industry and size, and designed our system such that our remuneration exceeded a certain level within that group. Another element is creating a more advanced remuneration system that acts as a sound incentive for contributing to enhancing enterprise value over the medium to long term. Compared to major companies in the West, the proportion of performance-linked remuneration has generally been lower among Japanese companies. While prioritizing the soundness of management, we have set a higher proportion of performance-linked remuneration than Japanese companies in general, taking into consideration future competition with overseas companies, expectations among investors, and other factors. For example, the President & CEO's remuneration now consists of basic remuneration, bonuses, and stock-based compensation, in a 1:1:1 ratio.

At the same time, we comprehensively reviewed the KPIs used as benchmarks for evaluations, and revised them as necessary. Previously, the financial KPI for stock-based compensation, i.e., long-term performance-linked remuneration, was relative TSR + operating income margin, but we changed this to relative TSR + ROE to further align incentives with a shareholder perspective and enforce the idea that we are in the same boat as shareholders. Moreover, to further ensure the fairness and transparency of bonuses, i.e., short-term performance-linked remuneration, we have adopted new, highly objective KPIs, such as the disclosed ratio of female employees in managerial or specialist positions.

Appointment of an outside director as Chairperson of the Board as a turning point for stronger systems

Q Could you share the background and significance of the appointment of an outside director as the Chairperson of the Board?

Yoshikawa The transition to a company with a three-committee board structure in 2022 was a pioneering reform for a Japanese company, and I believe the recent



appointment of an outside director as Chairperson of the Board is also a bold decision. It is not unique to the company, but systems where former presidents with deep knowledge of business operations serve as Chairperson pose concerns from the perspective of separating supervisory

and executive functions, despite contributing to the smooth operation of the Board of Directors. From that perspective, I think it is highly significant that an outside director is leading the Board of Directors. On the other hand, for an outside director to fulfill the role of Chairperson of the Board, they must possess an understanding of the company, as well as advanced communication skills, and a sense of balance. Although he has limited experience in corporate management or overseas operations, Mr. Miura, the newly appointed Chairperson, has many years of experience in management consulting, as well as an understanding of internal issues and our corporate culture from his three years of experience as an outside director in the azbil Group, making him capable of smooth dialogue with corporate executives and directors. I think the fact that there was a person so well-qualified has supported this decision.

Nagahama I think the role of the Chairperson of the Board is extremely significant, including ensuring a well-structured agenda and smooth facilitation at meetings of the Board of Directors. As outside directors, we will support the Chairperson of the Board, while also offering advice and working to invigorate the Board of Directors as a whole and enhance its effectiveness.

Ongoing updates to internal control systems and strengthening of audit departments, in anticipation of expanded overseas development



What are your thoughts on the current state of internal controls?

Yoshida The azbil Group has a history spanning about 120 years and corporate divisions at Azbil's headquarters have a deeply rooted awareness of managing the Group as a whole. I feel reassured by that point.

Internal control systems, however, are not something that a company completes by building once. It is essential that these systems are continuously reviewed in response to

changes in the environment, company size, and other factors. The importance of these systems for the development of our overseas business, a pillar of growth, might increase, but it will not decrease. From this perspective, I hope the people responsible for the second line of defense, i.e., compliance and risk management, will always be aware of factors such as whether appropriate internal control systems are in place and functioning effectively, and be ready to review these systems as necessary. The creation of an open system, where feedback from people on the first line of defense, i.e., those engaged in actual operations, can be shared smoothly, is also necessary.

The third line of defense, which is responsible for internal audits, includes a number of specialists with a diverse range of skill sets, but as our businesses develop, we will likely face the challenge of securing human resources. To begin with, auditing is a suitable position for refining one's management sense. If a system is in place where, as part of their career path, future senior management candidates can participate in audit operations early in their careers, I think it will contribute positively to the azbil Group, not just the Internal Audit Department.

Discussions at meetings of the Board of Directors when considering and formulating the new medium-term plan



What sort of discussions were held at meetings of the Board of Directors regarding the formulation of the new medium-term plan (FY2025–FY2027)?

Miura Two aspects that particularly left an impression on me were the discussions on overseas business strategy, and those related to the structure of core businesses and growth businesses, which together are positioned as the “azbil Group's unique business model.”

We deepened our discussions on setting quantitative targets for the expansion of the overseas business, a top priority challenge. We also discussed how to achieve a

balance between market share and profit margins in core businesses and growth businesses. We exchanged views on the level of risk to incorporate in profit margin targets for growth businesses, whereas for core businesses, we exchanged views on incorporating projected changes in profit margins into specific numerical targets, based on our strategy of increasing profit margins through digital transformation (DX) and other forms of innovation.

Yoshida The financial position of the azbil Group is extremely sound, so I think there is scope to hold deeper discussions related to capital efficiency. This theme will become increasingly important as we look to achieve our long-term targets for FY2030, and I look forward to the details of the proposals from the executive side.

Nagahama There was a time in the past when the azbil Group was forced to operate its businesses in difficult circumstances. Successive senior management teams worked to steadily expand operations within Japan as the company's core operational domain, through steady, sound management. These efforts have led to today's high profit margins and strong financial position. When considering future growth, however, the same conservative approach of the past alone will clearly not be enough. Taking into consideration the scale, industry, and operating environment of our businesses, it is clear that overseas business expansion will be key to the company's future growth. Unfortunately, partly for historical reasons, overseas businesses have generated less than 20% of our total net sales and profits. For this reason, expanding the scope of operations and increasing earnings overseas is a pressing strategic issue. In that sense, I feel it was significant that, as Mr. Miura stated, in the process of formulating our medium-term plan, we were able to engage in practical, in-depth discussions concerning the clarification of business domains to focus on and the establishment of specific numerical targets, including overseas.

Yoshikawa I share Mr. Nagahama's view regarding the size of the overseas business. Bold expansion overseas will

be essential for long-term growth beyond the scope of the new medium-term plan period. We considered these points when holding discussions related to the formulation of the new medium-term plan, but I feel there are still some aspects where we have a lot of work to do. I am aware that we must envision the big picture from a long-term perspective, while also considering the details in typical Azbil fashion, including portfolio restructuring with a bold forward-looking selection of business models.

Innovative measures and creation of systems to ensure substantive discussions as Chairperson of the Board



As Chairperson of the Board, how do you intend to manage the operations of the Board of Directors in the future?

Miura To enhance the quality of discussions at meetings of the Board of Directors, it will be important to manage meetings with a focus on the key discussion points of each agenda item. In our position of supervising business execution, we must identify how to explore each agenda item and clearly organize the discussion points. If directors remain conscious of those discussion points, we will be able to prevent discussions from losing focus and guide the Board toward more effective discussions. From this perspective, we can expect to see a further increase in opportunities to reexamine the points of debate concerning agenda items proposed by the executive side.

At the same time, we will also promote innovative measures to encourage mutual understanding and invigorate discussions, by creating opportunities for outside directors to exchange views among themselves prior to deliberations at meetings of the Board of Directors.

Furthermore, it will be essential that outside directors deepen their understanding of the azbil Group's management challenges and their priorities. As Chairperson of the Board, one of the important roles that I must fulfill is the creation of



an environment that facilitates this and the nurturing of the foundations for discussions.

Through these efforts, I aim to continuously enhance the overall quality of meetings of the Board of Directors.

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.

Corporate Governance Report

<https://www.azbil.com/ir/management/governance/index.html>

Changes to improve corporate governance

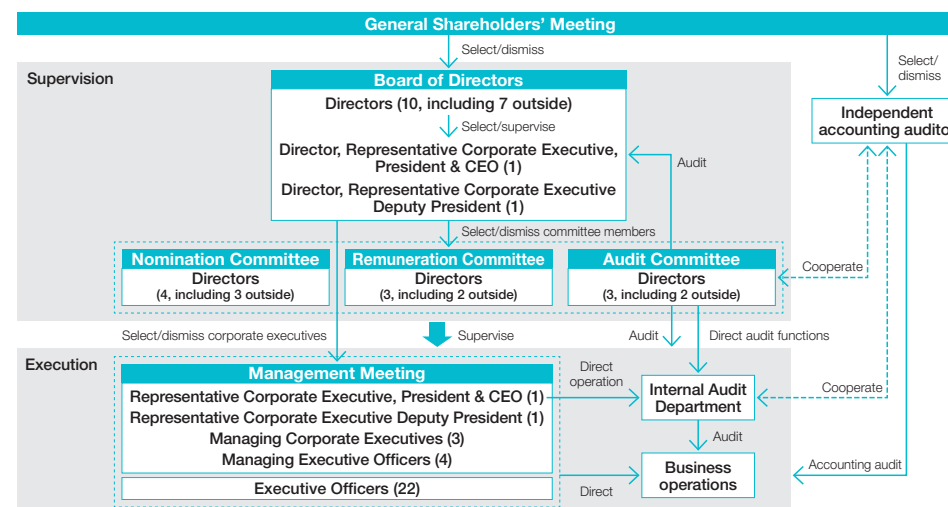
	2000	2016	2018	2020	2022	2024	2025
Strengthening of supervision and auditing functions		2007 Appointed 1 independent outside director			2022 8 outside directors		2025 7 outside directors (increase in the percentage of outside directors)
		2016 Evaluations of Board of Directors effectiveness began		2020 Made partial revisions, including setting an upper limit on the term of office for outside officers	2022 Evaluated effectiveness utilizing a third party	2024	
Strengthening of management transparency and soundness		2016 Established criteria for judging the independence of outside officers			2022 Transitioned to a company with a three-committee board structure		2025 Appointed an independent outside director as the Chairperson of the Board
		2016 Replaced the Nomination and Remuneration Meeting (set up in 2008) with the Nomination and Remuneration Committee, with independent outside directors as a majority	2018 Appointed an independent outside director as chairperson of the Nomination and Remuneration Committee		2022 Independent outside directors make up the majority of and are appointed as chairpersons of the statutory committees, the Nomination Committee and the Remuneration Committee	2024	
Other clarification of responsibilities, encouragement of dialogue, etc.		2016 Abolished the counselor and advisor system			2022 Revised the executive remuneration system (introduced a stock-based compensation plan, disclosed the remuneration policy, introduced malus and clawback provisions, etc.)	2024	
	2000 Introduced the executive officer system	2016 Appointed an executive officer for corporate communications	2018 Revised	2020 Changed the type of contract for executive officers to an entrustment agreement	2021 Disclosed skills expected of directors (skills matrix)	2024 Held a small meeting between independent outside directors and institutional investors	

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 enhance the independence and effectiveness of the Board of Directors' supervisory function, an independent outside director assumed the position of Board chairperson following the Ordinary General Meeting of Shareholders in June 2025.

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, 2025)



Note: The chairperson of the Board of Directors is an independent outside director.

Composition and main activities of the Board of Directors



Main topics for discussion in FY2024

Items resolved	Formulation of the next medium-term plan, capital policy, appointment of corporate executives, appointment of committee members, approval of financial results, transfer of equity interests in a subsidiary, establishment of an overseas manufacturing subsidiary, and other matters
Items reported	Selection of major risks, reports on the holding status of strategic shareholdings, reports on the execution of duties from each statutory committee and corporate executives, reports on the status of operation of internal control systems, reports on the status of CSR management, business portfolio review, and other reports

Evaluation of the effectiveness of the Board of Directors

The Board of Directors aims to enhance enterprise value over the medium to long term by making decisions on management strategy and other matters and supervising execution through objective and constructive discussions.

A survey is carried out every year to evaluate the effectiveness of the Board of Directors in properly fulfilling its roles and responsibilities, to identify issues and points of improvement, and to indicate ways in which the Board's effectiveness might be enhanced. In FY2024, to further ensure the objectivity of the evaluation of the Board's effectiveness, we commissioned an appropriate, independent agency to develop survey items for the evaluation and to assess the results.

For this FY2024 survey, we reviewed all directors' opinions and assessments of the following survey items: (1) the role and composition of the Board of Directors; (2) the operation of the Board of Directors; (3) the deliberations and monitoring of the Board of Directors; (4) the performance of the corporate executives and outside directors; (5) support systems, training, and communication; (6) dialogue with shareholders and investors; and (7) operations of the Nomination Committee, the Audit Committee, and the Remuneration Committee. Based on the above, the Board of Directors held constructive discussions on current Board effectiveness as well as issue-sharing and future steps.

Confirmation results from the evaluation of effectiveness

- The Board of Directors is of an appropriate size and composition, is properly fulfilling its role as the supervisory body of a company with a three-committee board structure, and is holding active and open discussions.
- The deliberation topics of the three statutory committees for nomination, audit, and remuneration are appropriate, and the overall effectiveness of the Board of Directors is adequately ensured.
- Outside directors' understanding of Azbil's businesses has been enhanced through the provision of opportunities for visits to azbil Group sites, exhibitions, etc.
- Appropriate communication is ensured through the Liaison Meeting for Directors and Corporate Executives, which is a forum established so that directors can gather information and exchange opinions with corporate executives, as well as intensive discussions and off-site meetings.

PDCA initiatives to improve effectiveness

Issues shared in the evaluation of effectiveness for FY2023	▪ Deepening discussions related to important management issues ▪ Encouraging stronger monitoring of items subject to the delegation of authority ▪ Promoting discussions aimed at maintaining and enhancing the optimal structure of the Board of Directors ▪ Promoting dialogue with shareholders and investors
Status of initiatives in FY2024	▪ Prioritized discussions related to important management issues through the process of establishing the new medium-term plan ▪ Executed board refreshment to optimize the structure of the Board of Directors and strengthen governance ▪ Encouraged dialogue with shareholders and investors through a small meeting between outside directors and institutional investors
Issues shared in the evaluation of effectiveness for FY2024	▪ Reconfirmation of our awareness of the role of directors in a company with a three-committee board structure, amid progress on discussions related to the structure of the Board of Directors ▪ Deeper discussions on further revisions to the business portfolio of the azbil Group as a whole ▪ Necessity of further improvements to the operation of the Board of Directors

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.

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. In particular, new outside directors also go through an orientation program where they are given an overview of the company, its business, and the 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. Furthermore, once they

have taken office, we provide them with opportunities to visit bases for the Group's operations, attend exhibitions, etc., so as to deepen their understanding of our business and external environment and contribute to enhancing effective monitoring. We also regularly hold group training sessions on compliance for all officers, in addition to inviting external lecturers for training as necessary.

Selection of director candidates, and the selection and dismissal of the 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 comprehensively takes into account the diversity of the Board of Directors as a whole (internationality, gender, and other factors).

(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. If the committee judges that the dismissal is appropriate, the Board of Directors shall make the final decision.

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, or 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

Regarding succession planning for the company's senior executives, the Nomination Committee discusses the ongoing training and selection of successors, records the results of those discussions as well as the process of deliberation, and ensures that succession planning is conducted appropriately and objectively. In addition, the chairperson of the Nomination 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.

Furthermore, to prepare the next generation of senior executives, we provide training opportunities for managers to acquire the leadership skills, knowledge of management strategies, and management competences required of top management.

Support system by the committee office of the Board of Directors

At Azbil, we have established a committee office for the Board of Directors and the statutory committees, as part of the development of a multifaceted support system operated by dedicated staff. Through this system, in collaboration with related departments, we provide the following types of support to the Board of Directors, each statutory committee, and the Chairperson of the Board.

- Advance confirmation of the agenda for meetings of the Board of Directors and clarification of points of discussion by the Chairperson of the Board and business execution departments
- Distribution of documents for meetings of the Board of Directors in advance and advance briefings, to enhance deliberations at meetings of the Board of Directors
- Measures to contribute to enhancing the effectiveness of the Board of Directors
- Distribution of documents for statutory committees in advance and provision of reference information to enhance deliberations at meetings of the statutory committees
- Operation of the Liaison Meeting for Directors and Corporate Executives as an opportunity for the sharing of information and exchange of opinions between directors and corporate executives

Going forward, we will continue to support the operation of the Board of Directors under our new system, in which an outside director serves as the Chairperson of the Board, and further strengthen these initiatives to ensure that the chairperson can sufficiently fulfill his or her role.



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 FY2024 were 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

Role	Name	Status of attendance in FY2024
Chairperson (outside)	Shigeaki Yoshikawa	13/13
Member (outside)	Anne Ka Tse Hung	13/13
Member (outside)	Sachiko Ichikawa	11/11*
Member	Kiyohiro Yamamoto	13/13

* Applies only to meetings held after this member's appointment as she was elected at the 102nd Ordinary General Meeting of Shareholders held on June 25, 2024.

Main content of consideration for FY2024

Items implemented	Specific content of consideration
Action plans for the current fiscal year (FY2024)	The Nomination 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.
Formulation of nomination guidelines	The Nomination Committee formulated guidelines for making nominations following consideration of the composition of the Board of Directors, processes concerning appointment and dismissal, terms of office, and selection and training of candidates for director and upper management positions.
Consideration of the structure of the Board of Directors	The Nomination Committee considered the most suitable composition for the Board of Directors and confirmed the appropriateness of the current skills matrix.
Determination of the content of proposals concerning candidates for directors for the next term	In considering the Board of Directors structure for the next term (FY2025), the Nomination Committee confirmed views on the selection and the state of consideration and deliberated on and determined candidates for directors for the next term to be proposed at the General Shareholders' Meeting.

Items implemented	Specific content of consideration
Determination of corporate executive candidates for the next term	Regarding the corporate executive structure for the next term (FY2025) based on consultation from the Board of Directors, the Nomination Committee confirmed views on the selection and the state of consideration and deliberated on and determined corporate executive 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 development of future leaders and the selection and training process and the training status of successor candidates.

Audit Committee

Role	Name	Status of attendance in FY2024
Chairperson (outside)	Hiroshi Yoshida	10/10*
Member (outside)	Satoko Nakatani	-/- (newly selected)
Member	Hisaya Katsuta	13/13

* Applies only to meetings held after this member's appointment as he was elected at the 102nd Ordinary General Meeting of Shareholders held on June 25, 2024.

Main content of consideration for FY2024

Key audit items [key points of audit]	Specific content of audits
Status of operation of internal control systems — Status of operation of the azbil Group Basic Policy on Internal Control Systems Architecture/status of response to major risks and departmental management risks	All Audit Committee members confirmed the status of operation through discussions at Board of Directors meetings, interviews, etc., and exchanging opinions with the divisions in charge of internal audits and the presidents and Audit & Supervisory Board members of the company's subsidiaries. The full-time Audit Committee member also confirmed risk management status through interviews with the main control divisions and the Audit & Supervisory Board members of the company's subsidiaries, as well as by attending the azbil Group General Risk Committee.
Confirmation of governance — Status of execution of duty of diligence by corporate executives and directors, and of the separation of supervisory and execution functions	All Audit Committee members held meetings with corporate executives and presidents of subsidiaries to exchange opinions and confirm the operation of the whistleblowing system. The full-time Audit Committee member also attended the Management Meeting and other important meetings, and reviewed the responses to urgent and serious incidents as well as the implementation status of measures to prevent recurrence prevention.
Confirmation of legal and regulatory compliance — Status of compliance with the Act on the Protection of Personal Information, Anti-Monopoly Act, Foreign Exchange and Foreign Trade Act, Construction Business Act, and Subcontract Act	The full-time Audit Committee member confirmed the status of regulatory compliance through an examination of business operations at the divisions in charge of operations related to various laws and regulations, and confirmed the implementation of disclosure matters and the status of the response to the introduction of a new quarterly reporting system (amendment to the Japanese Financial Instruments and Exchange Act).

Key audit items [key points of audit]	Specific content of audits
Confirmation of the implementation status of management strategies (long-term targets) — Status of achievement of performance targets/Status of SDG initiatives	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.
Confirmation of status of audits by the accounting auditor — Status of accounting audit and internal control audit	All the Audit Committee members listened to an audit report from, and exchanged opinions with, the accounting auditor and confirmed the status of audits in regard to the key audit matters (KAM). Members, particularly the full-time Audit Committee member, also observed onsite audit operations by the audit firm and confirmed the audit methods used.

Remuneration Committee

Role	Name	Status of attendance in FY2024
Chairperson (outside)	Mitsuhiro Nagahama	14/14
Member (outside)	Shigeaki Yoshikawa	-/- (newly selected)
Member	Takayuki Yokota	14/14

Main content of consideration for FY2024

Items implemented	Specific content of consideration
Action plans for the current fiscal year (FY2024)	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 revised the policies and systems used to decide the details of remuneration for directors and corporate executives in anticipation of the new medium-term plan beginning in FY2025, including reviewing the remuneration levels and ratios for directors and corporate executives, revising the KPI for performance-linked remuneration, and introducing a clawback provision applicable in cases such as financial results revisions and illegal acts.
Determination of individual remuneration for directors and corporate executives	In addition to evaluating the performance of corporate executives in FY2023, based on the policy for determining details of remuneration for directors and corporate executives, the Remuneration Committee determined details of individual remuneration for directors and corporate executives.
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.

Remuneration for officers, etc.

Total amount of remuneration of officers in FY2024

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)	80	78	2	—	—	2
Outside directors	120	112	8	—	—	10
Corporate executives (including those concurrently performing as directors)	500	220	36	215	29	6

Remuneration policy

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.

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 specialist 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. To ensure a remuneration structure that not only motivates officers to achieve the medium- and long-term performance goals and enhance enterprise value but also leads to increased competitiveness for attracting highly skilled human resources for management, the incentive component of remuneration has been set at a high level, so that the combined remuneration for the president & CEO has the following structure: basic remuneration 1/3, bonus (base amount) 1/3, stock-based compensation (base amount) 1/3. The remuneration structure for other corporate executives is also 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 compensation 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.
- There are three non-financial indicators: employee engagement and diversity, which assess contributions toward achieving the essential goals of the azbil Group for the SDGs, and an individual evaluation, which assesses the handling of those management issues and measures that are the particular responsibility of the corporate executive as well as how much they have contributed. Based on the degree of achievement for each of these items, the Remuneration Committee determines the amount of remuneration.
- Taking into account both financial and non-financial indicators, the final amount paid as a bonus will vary between 0% and 200%.
- 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 & CEO are as follows.

	Bonus KPIs	Evaluation weighting
Financial indicators	Net sales	45%
	Operating income	45%
Non-financial indicators	Employee engagement	2.5%
	Diversity (percentage of female employees in managerial and specialist positions)	2.5%
	Individual evaluation (e.g., customer satisfaction, productivity & efficiency, CSR management)	5%

* For non-residents of Japan, the company plans to pay in cash in an amount equivalent to stock-based compensation.

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 the performance-linked component, the evaluation is based on indicators aligned with the medium-term plan that are tracked over the same period (3 years) as the plan; this is designed to increase the incentive. As financial indicators, we use relative total shareholder return (TSR)—an indicator that evaluates our TSR relative to the Tokyo Price Index (TOPIX) of the Tokyo Stock Exchange—and return on equity (ROE) to promote value sharing with shareholders. 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 individual's stock-based compensation (ranging from 0% to 150%, depending on performance) is determined by the extent to which these targets have been achieved in the final year of the medium-term plan, using the specified evaluation weightings (see below).

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

Director

1) Basic remuneration

Basic remuneration is paid as a fixed monthly monetary compensation 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, a structure that ensures objectivity and transparency. Any additional information necessary for members' deliberations is sought from external specialist organizations.

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, or if serious misconduct or a serious violation has occurred, the company can deny the officer(s) responsible the incentive component of remuneration (malus), and may demand the return of the compensation already paid to them (clawback). The compensation subject to such malus or clawback may include, in whole or in part, bonuses already paid or yet to be paid, points accrued under the stock-based compensation plan prior to the transfer of company shares, and company shares that have already been transferred to the officer(s) in question.

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 appropriately 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.

Management and Board of Directors (as of June 25, 2025)

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

Kiyohiro Yamamoto



Nomination Committee member
Section: Internal Audit

Number of years served as director: 5
Number of Company shares owned: 54,756
Number of Company shares to be provided under the stock-based compensation plan: 67,380

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 & Group Chief Executive Officer
Jun 2022 Director, Representative Corporate Executive, President & Group Chief Executive Officer (Present post)

Director,
Representative Corporate Executive
Deputy President

Takayuki Yokota



Remuneration Committee member
Section: Assisting to President, Corporate Administration, Management, Corporate Communication, Sustainability (& azbil Group CSR), Human Resources & Education

Number of years served as director: 7
Number of Company shares owned: 59,900
Number of Company shares to be provided under the stock-based compensation plan: 23,128

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 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

Number of years served as director: 3
Number of Company shares owned: 47,400
Number of Company shares to be provided under the stock-based compensation plan: 2,918

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

Mitsuhiro Nagahama



Remuneration Committee chairperson

Number of years served as director: 6
Number of Company shares owned: –
Number of Company shares to be provided under the stock-based compensation plan: 2,918

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

Outside Director

Anne Ka Tse Hung



Nomination Committee member

Number of years served as director: 5
Number of Company shares owned: –
Number of Company shares to be provided under the stock-based compensation plan: –

Jul 1987 Joined Baker McKenzie
Jun 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

Shigeaki Yoshikawa



Nomination Committee chairperson, Remuneration Committee member

Number of years served as director: 3
Number of Company shares owned: –
Number of Company shares to be provided under the stock-based compensation plan: 2,918

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 Corporate Advisor (Retired in December 2023)
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)
May 2025 Councilor of Showa Women's University (Present post)

Outside Director

Tomoyasu Miura



Chairperson of the Board

Number of years served as director: 3
Number of Company shares owned: –
Number of Company shares to be provided under the stock-based compensation plan: 2,918

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)
Deputy Dean of Nomura School of Advanced Management
Jun 2018 Executive Director & Dean of Nomura School of Advanced Management (Retired in May 2022)
Aug 2019 Auditor of Research Institute of Science for Education (Present post)
Jun 2022 Outside Director of the Company (Present post)

Note: The number of shares to be provided under the stock-based compensation plan reflects the number of confirmed points granted to each director. Furthermore, because Ms. Anne Ka Tse Hung does not reside in Japan, the equivalent amount of stock-based compensation will be paid in cash.

Outside Director

Sachiko Ichikawa



Nomination Committee member

Number of years served as director: 1
 Number of Company shares owned: –
 Number of Company shares to be provided under the stock-based compensation plan: 974

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 chairperson

Number of years served as director: 1
 Number of Company shares owned: –
 Number of Company shares to be provided under the stock-based compensation plan: 974

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)

Outside Director

Satoko Nakatani



Audit Committee member

Number of years served as director: – (New appointment)
 Number of Company shares owned: –
 Number of Company shares to be provided under the stock-based compensation plan: –

Apr 1987 Joined BROTHER SALES, LTD.
 Oct 1992 Joined Ito accounting firm
 Mar 1996 Registered as certified public accountant
 Jan 2001 Joined Chuo Aoyama Audit Corporation
 Aug 2006 Joined PricewaterhouseCoopers Aarata (Present: PricewaterhouseCoopers Japan LLC)
 Jul 2016 Partner of PricewaterhouseCoopers Aarata (Retired in June 2025)
 Apr 2020 Statutory Auditor of Tokai National Higher Education and Research System (Present post)
 Jun 2025 Outside Director of the Company (Present post)

Managing Corporate Executives

Yoshimitsu Hojo

Group Management Strategy Function, azbil Group (aG) System Business/Product Business Portfolio Enhancement

Kazuyasu Hamada

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

Hideaki Ishii

aG Production, aG Purchasing, aG Research and Development, aG Product Safety & Quality, aG Product Business Portfolio Enhancement

Managing Executive Officers

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), aG Safety Management (Occupational Health and Safety)

Takashi Igarashi

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

Kenji Okumura

Life Automation business

Executive Officers

Masashi Hirano

Co-Creation Promotion

Toshiyasu Sumitomo

General Manager of Corporate Planning Department

Akiko Sekino

Head of Legal and Risk Management Headquarters

Tetsuya Kajita

Head of Technology Development Headquarters

Anju Jaswal

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

Norio Hashimoto

Head of Production Management Headquarters

Chosei Kaseda

General Manager of Group Management Strategy Department

Toshihisa Murayama

BA international business, Head of BSC Marketing Headquarters, Promotion Member of Strategic Planning & Development Office for Southeast Asia

Hiromitsu Yoshizawa

Head of BSC Engineering Headquarters

Norio Morokuma

Manager of BSC Tokyo Head Office

Taro Sento

General Manager of AA IAP business^{*1}

Kenji Sudo

aG System Business Portfolio Enhancement Support, General Manager of AA SS business^{*2}

Eisuke Toyoda

General Manager of AA CP business^{*3}

Isamu Ikeda

AA Development/Quality Assurance

Kazuhiko Yasuda

aG Digital Transformation Promotion, aG IT Enhancement (aG Cyber Security), Head of Digital Enhancement Headquarters

Jun Iwamatsu

Co-Creation Promotion

Kazuaki Shirane

General Manager of aG Cloud Service Department of Service Headquarters, Deputy Head of BSC Facility Management Headquarters

Masashi Takesako

Head of BSC International Business Headquarters

Akinori Sugi

Head of BSC Facility Management Headquarters

Takeshi Yoshizumi

AA Business Sales, Head of AAC Business Development Headquarters

Masahiro Uenishi

Co-Creation Promotion

Yasuko Tsuda

General Manager of Internal Audit Department

^{*1} IAP business: Industrial Automation Product business (supplying process automation products such as differential pressure transmitters, 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, at the Board of Directors meeting held on May 14, 2021. Regarding the skills, 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 “in series” to the achievement of 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 10 directors, three are women (one of whom is a foreign national).

(as of June 25, 2025)

Name (Age)	Nomination Committee member (● indicates chairperson)	Audit Committee member (● indicates chairperson)	Remuneration Committee member (● indicates chairperson)	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
Kiyohiro Yamamoto (60)	●				M	●	●		●	●	●	
Takayuki Yokota (64)			●		M	●	●	●				●
Hisaya Katsuta (67)		●			M			●			●	●
Mitsuhiro Nagahama (71)			●	●	M	●	●	●				
Anne Ka Tse Hung (61)	●			●	F		●					●
Shigeaki Yoshikawa (72)	●		●	●	M	●	●			●		
Tomoyasu Miura (63)				●	M	●			●	●		
Sachiko Ichikawa (58)	●			●	F	●		●				●
Hiroshi Yoshida (66)		●		●	M	●		●			●	
Satoko Nakatani (60)		●		●	F	●		●				●

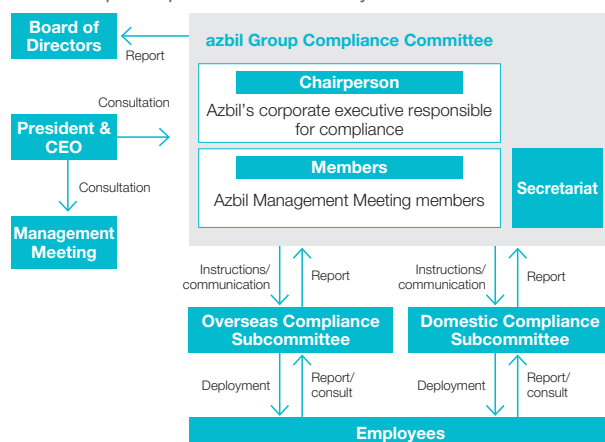
* For the azbil Group to be able to achieve its stated objective of contributing “in series” to the achievement of a sustainable society, “corporate management/sustainability” has been included together as one expected skill. In addition, this item includes skills regarding the strengthening of human capital from the viewpoint of sustainability.

Compliance and Internal Control

Compliance promotion framework

We have a compliance system where a corporate executive is appointed to promote compliance efforts as shown in the diagram on the right. In addition, to strengthen the compliance system across the azbil Group as a whole, in FY2025, we established the azbil Group Compliance Committee, consisting of Azbil's top management.

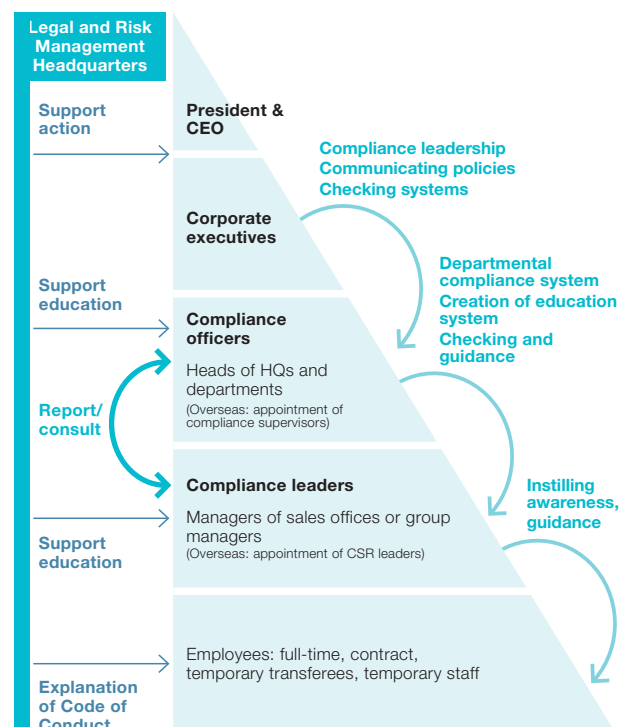
azbil Group Compliance Committee system



Building internal control system and complying with J-SOX

In accordance with Article 416 of the Japanese Companies Act, we have established the azbil Group Basic Policy on Internal Control System Architecture, and we ensure it is being implemented. Regarding internal control over the reliability of financial reporting under the Japanese Financial Instruments and Exchange Act (J-SOX), following amendments to the standards and practice standards for internal control, we have expanded the scope of the company-level control assessment, and reviewed our

Compliance system



assessment items. In addition, we clarified the criteria for the determination of significant locations or business units subject to internal control assessments related to operational processes.

Maintaining and increasing compliance awareness

Officers and department heads spearhead efforts to improve compliance awareness, and we invite external experts to provide annual training for these officers. In addition to education for all employees, Azbil provides training to compliance officers and leaders, as well as group

discussion-based training for half of all employees every year. We hold Regional CSR Leaders (CL) Meetings overseas and are working to raise the level of CLs. In addition, we conduct an annual survey of all employees, which helps us grasp the level of understanding and identify any problems so that we can implement the necessary countermeasures.

Anti-corruption initiatives

We 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 executive team monitors the status of these initiatives, and Azbil's Board of Directors supervises them through audits. In regard to relationships with our stakeholders, we strive for anti-corruption practices by stipulating legal compliance provisions, including corruption prevention, in contracts, as well as a provision to prohibit corruption in the azbil Group's CSR Procurement Guidelines.

An internal reporting system for the early identification of problems and issues in the workplace environment

We have established the Employee Reporting and Consultation Service for officers and employees, as well as the azbil Group Reporting and Consultation Service* for stakeholders in Japan and overseas. These services are intended to prevent violations of laws and regulations, promptly detect issues, and respond appropriately to breaches of corporate ethics, human rights concerns, and other significant matters. In FY2024, we enhanced the reporting system by introducing multilingual support for the external reporting service and expanding the scope of eligible users, in response to Japan's Act on Ensuring Proper Transactions Involving Specified Entrusted Business Operators (the "Freelance Act").

* It can be accessed from the "Contact us" section of the azbil Group website.

Stakeholder Engagement

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. Issues vary by country and region. Yet by gaining a clear idea of them through meaningful communication with our stakeholders, we aim to find appropriate solutions and thus create value for sustainable

growth. This is why management proactively 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 FY2024. Under the guidance of the corporate executive in charge of corporate communication activities, we have set up a system (Corporate Communication Task Force) to facilitate dialogue with stakeholders through collaboration among internal departments. In addition, we are collaborating with the Azbil Yamatake General Foundation, among others, for engagement and contribution to local communities.

Details of dialogue with each stakeholder

	Customers	Business partners	Employees	Shareholders and investors	Local and international communities
Value creation through communication	- Developing better products and services - Provision of consulting, quality assurance, high-value-added engineering, and maintenance services	- Value sharing and fulfillment of social responsibility with the SDGs as a common goal - Coexistence and co-prosperity with business partners - Building long-term relationships of trust	Implementing health and well-being management so that all employees can work with vitality and exercise their full potential	- Timely and appropriate disclosure of information - Enhancing enterprise value by acquiring appropriate valuations and by understanding the expectations of the capital markets - Disclosure of financial and non-financial information	- Communication that responds to the needs of local and international communities and participation in social contribution activities - Participation in various declarations and initiatives (promoting responsible corporate practices)
Communication opportunities	- Sales and quality assurance activities - Offering safe, dependable, and valuable products and services - Providing information via website - Inquiry/contact form on website - Exhibitions, webinars	- Briefings of the Sustainable Procurement Guidelines - Visiting business partners to encourage and support them from an ESG perspective - Implementing business partners' self-evaluation surveys from an ESG perspective and providing feedback	- Direct and indirect dialogues on company policies - Regular dialogue between the management and the labor union (e.g., joint management council) - Annual employee satisfaction survey - Establishing a contact point for various consultations, including whistleblowing	- 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 - Disseminating information via integrated reports, ESG data books, websites, etc.	- Seasonal events (such as summer evening festivals hosted by the company) and programs to contribute to society (such as educational support) - Volunteer activities in each business area - Support through the azbil Honey Bee Club - Participation in international initiatives - Natural conservation initiatives (collaboration with involved domestic and international organizations)
Examples of activities for FY2024	Booths at Industrial Transformation ASIA-PACIFIC, Measurement and Control Show 2024 OSAKA, Smart Building EXPO, and other events, introducing advanced products and services utilizing DX and AI	- Briefings on Sustainable Procurement Guidelines attended by 255 business partners - Support through visits to business partners - Proposals for the promotion of diversity - Support for CO₂ emission reduction - Conducted business partners' human rights violation risk assessments and requested necessary improvements - Conducted discussions on order pricing and fair transactions	- Direct dialogues between the management and azbil Group employees - AI creativity contest - Introduced incentive plans such as the employee stock ownership plan (restricted stock) and conducted briefings for employees to explain the objective and details of the programs - Support to employees leading the project at EXPO 2025 Osaka, Kansai, Japan	- Results briefings, general meeting of shareholders (hybrid format: in-person and virtual attendance) - Meetings with domestic and overseas institutional investors, including senior management - Held a small meeting for dialogue between outside directors and institutional investors	- Held dialogues with human rights experts and NPOs regarding human rights initiatives - Continued to co-sponsor a wheelchair basketball event for children with Shonan United BC, Fujisawa City, and Azbil Yamatake General Foundation - Co-sponsored theme weeks at Expo 2025 Osaka, Kansai, Japan - Conducted third-party dialogues on environmental initiatives

Sponsorship of Theme
Weeks at Expo 2025
Osaka, Kansai, Japan

Creating a Well-balanced Future Lifestyle with Automation



Ashitaka Kurita

Primary responsibility: Design and development
of field equipment for industrial use as an
electrical circuit designer



Hikaru Fujise

Primary responsibility: Development of measurement
technologies for optical and chemical applications at
R&D Department



Shoji Ueoka

Primary responsibility: Product
planning of field instruments for
industrial markets

Azbil Corporation co-sponsored the Theme Weeks at the Expo 2025 Osaka, Kansai, Japan. During the “The Future of Community and Mobility” Theme Week in May 2025, young employees took the initiative in organizing and hosting a talk session. The event, themed “Creating a Well-Balanced Future Lifestyle with Automation,” involved many employees in both preparation and implementation, and was met with an enthusiastic response. In this article, three team members reflect on their experiences and the significance of the event.

How can we express what makes azbil “unique”?

Fujise When I received the e-mail recruiting members for the Expo project, I was in my third year at the company. Although I was not fully aware of all the details, I thought, “Why not take on the challenge?” I felt it would be a truly unique experience in my career.

Kurita I felt the same way. The Expo was being held in Japan, and our company was a co-sponsor. I saw no reason not to apply.

Ueoka Mr. Kurita, if I recall correctly, you were still in your second year at the company at that time, correct?

Kurita That’s right. I had not even been in my permanent position for a full year, and I decided to participate without much prior consultation with my supervisor. Mr. Ueoka, you were selected to support us, were you not?

Ueoka Yes, I believe part of my role was to provide

balance, as a team composed solely of young members might have too many ideas at once. However, I also felt that this was a once-in-a-lifetime opportunity. Because I was given the chance, I wanted to make the most of it and learn as much as possible.

Fujise To be honest, I did not expect to be given so much autonomy. The only requirement was that the talk session be held at the Expo Theme Week Studio. We were told we had creative freedom, but the pressure was significant, knowing that the event would be accessible to a global audience. What would be an appropriate theme? Who should we invite as guest speakers? What message should we convey as azbil? I found myself reflecting on these questions more deeply than ever before. Eventually, we began planning the event around the theme of “Creating a Well-Balanced Future Lifestyle with Automation,” but progress was slow and at times frustrating.

Kurita I remember when you, Ms. Fujise, who are usually so cheerful and positive, were feeling overwhelmed. That was when the strength of teamwork truly became apparent. I felt even more motivated to do my best and support you.

Ueoka After much discussion, the two of you proposed ideas, and as a team, we refined them into a well-structured event. Neither of you compromised during this process. I believe that is why you were able to approach the event with confidence. Ms. Fujise and Mr. Kurita served as moderators, joined by an excellent guest facilitator. The lively discussion among the three seemed to encourage the guest speakers to speak with passion and authenticity. I believe the event was rich in content and truly highlighted azbil’s unique qualities.

Young members changing the organizational atmosphere by taking on new challenges

Kurita At the internal event held just before the main talk session, 150 employees attended in person and another 450 watched the live stream online. Out of more than 5,000 group employees in Japan, about 600 participated in real time, which was quite a number. We wanted our colleagues to feel positive about the Expo and learn about the talk session, so the strong response was rewarding.

Many colleagues also watched the live stream of the actual talk session at the Expo, and we received many encouraging comments from various departments, including senior management who attended in person. Some colleagues might have a stereotype that “azbil is a company that works behind the scenes” or “doesn’t need to stand out by playing a leading role.” But after seeing us confidently interact with well-known celebrities and experts, I thought many realized “azbil can play a leading role.”

Ueoka You both really showed the boldness and energy that only young people can bring. Watching you take on this challenge up close was truly inspiring. In the marketing department where I am based, experience is highly valued, so our team tends to be composed of more senior members. However, when people with similar backgrounds gather, their ideas can sometimes become too similar. By incorporating the fresh perspectives of younger employees like yourselves, I am confident that we can foster innovation and create something truly original. That’s what I felt watching you in action.

Fujise If this talk session has inspired other young employees to think, “I would like to take on new challenges as well,” then I believe our efforts were truly worthwhile. Furthermore, through this experience, I have begun to consider more concretely the kind of future to which I can personally contribute. The future is built on the accumulation

of each moment, and even if results are not immediately visible, I am confident that steady, persistent efforts will eventually lead to valuable innovations. This experience has also reaffirmed for me the importance of considering the future not only from a short-term perspective but also with a long-term view.

Ueoka When new technology emerges in society, there is a tendency to focus solely on how to utilize it. However, that is not the essence. What truly matters is the value we can provide to people by using these new technologies. There are fundamental values in people’s lives—values that AI might not be able to recognize. I believe these essential values are at the heart of what we call “a well-balanced future lifestyle.” By envisioning the future of society in concrete terms and considering what actions we should take now to realize that vision, I feel that this challenge has become a valuable starting point for me.



Mr. Kurioka and Ms. Fujise jointly served as moderators at a talk session.

11-Year Key Financial and Non-financial Figures

Azbil Corporation and its consolidated subsidiaries

 Audited Financial Report is available at the following:
<https://www.azbil.com/ir/library/audited-financial-reports/index.html>

(Millions of yen)

	FY2014	FY2015	FY2016	FY2017	FY2018	FY2019	FY2020	FY2021	FY2022	FY2023	FY2024
Financial information											
Financial results (for the year):											
Net sales	254,469	256,890	254,811	260,384	262,055	259,411	246,821	256,552	278,406	290,939	300,379
(Overseas sales)	46,756	48,991	43,380	45,797	46,710	44,195	44,888	52,191	62,635	67,331	63,174
Gross profit	89,884	91,089	91,492	97,481	102,338	103,642	99,369	105,706	111,938	122,974	131,864
Selling, general and administrative expenses	74,546	73,953	71,347	73,454	75,648	76,386	73,649	77,474	80,687	86,132	90,377
Operating income	15,337	17,136	20,145	24,027	26,690	27,256	25,720	28,232	31,251	36,842	41,487
Net income attributable to owners of the parent	7,169	8,268	13,154	17,890	18,951	19,793	19,918	20,784	22,603	30,208	40,956
Capital expenditure	6,302	3,413	4,160	7,038	6,363	4,934	5,039	11,245	10,845	8,652	9,840
Depreciation	3,785	4,148	4,075	4,112	4,167	4,462	4,484	4,847	4,955	6,044	6,714
R&D expenses	10,124	11,012	10,446	11,262	11,897	11,788	11,182	12,109	12,372	12,325	12,727
Cash flows (for the year):											
Net cash provided by operating activities	13,698	11,073	19,949	19,481	16,111	29,812	22,602	10,120	13,118	27,540	43,953
Net cash provided by (used in) investing activities	(13,472)	4,262	(9,061)	(48)	(4,075)	(4,171)	284	(3,991)	(1,976)	(2,361)	2,032
Free cash flow	226	15,334	10,889	19,433	12,036	25,641	22,886	6,129	11,142	25,179	45,985
Net cash used in financing activities	(6,066)	(10,536)	(6,441)	(10,852)	(12,024)	(18,768)	(6,996)	(20,584)	(19,695)	(22,456)	(29,771)
Financial position (at year-end):											
Total assets*	265,719	259,127	263,317	273,805	275,518	274,559	284,597	280,052	296,873	313,728	315,073
Interest-bearing debt	16,673	12,605	11,175	10,686	10,028	8,576	9,350	8,346	12,415	9,454	5,482
Shareholders' equity	158,273	155,006	163,822	175,996	181,143	183,190	198,191	200,315	202,820	221,522	237,206
Net assets	160,294	156,966	165,752	177,963	183,098	185,302	200,608	203,142	205,880	224,887	240,518

* 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 in FY2017 have been changed retrospectively to reflect the amended standard as comparison information.

	FY2014	FY2015	FY2016	FY2017	FY2018	FY2019	FY2020	FY2021	FY2022	FY2023	FY2024
Financial information											
Per share data*1:											
Net income (yen)	12.13	14.09	22.45	30.77	33.01	35.20	35.69	37.70	42.07	57.10	77.96
Net assets (yen)	267.89	264.51	279.56	303.29	316.22	328.29	355.13	364.77	379.50	420.09	459.01
Cash dividend (yen)	7.87	8.37	9.62	10.25	11.50	12.50	13.75	15.00	16.50	19.00	24.00
Financial ratios:											
Gross profit/Net sales (%)	35.3	35.5	35.9	37.4	39.1	40.0	40.3	41.2	40.2	42.3	43.9
Operating income/Net sales (%)	6.0	6.7	7.9	9.2	10.2	10.5	10.4	11.0	11.2	12.7	13.8
R&D expenses/Net sales (%)	4.0	4.3	4.1	4.3	4.5	4.5	4.5	4.7	4.4	4.2	4.2
Shareholders' equity/Total assets (%) ^{*2}	59.6	59.8	62.2	64.3	65.7	66.7	69.6	71.5	68.3	70.6	75.3
Return on equity (ROE) (%)	4.8	5.3	8.3	10.5	10.6	10.9	10.4	10.4	11.2	14.2	17.9
Dividend on equity (DOE) (%)	3.1	3.1	3.5	3.5	3.7	3.9	4.0	4.2	4.4	4.8	5.5
Dividend payout ratio (%)	64.9	59.4	42.9	33.3	34.8	35.5	38.5	39.8	39.2	33.3	30.8
Non-financial information											
CO ₂ emissions (Scope 1 + 2/market-based) (metric tons of CO ₂) ^{*3*4*7}	—	—	—	26,183	25,015	24,320	20,019	19,066	16,552	15,734	11,471
CO ₂ emissions (Scope 1 + 2/fixed) (metric tons of CO ₂) ^{*3*5*6*7}	22,379	21,423	21,013	20,378	19,869	19,265	18,027	18,100	19,941	19,984	19,308
Number of employees (people)	9,408	9,464	9,290	9,328	9,607	9,897	10,003	10,086	10,063	9,909	8,922
Number of domestic employees	6,679	6,551	6,463	6,444	6,618	6,862	6,856	6,815	6,734	6,612	6,556
Number of overseas employees	2,729	2,913	2,827	2,884	2,989	3,035	3,147	3,271	3,329	3,297	2,366
Number of female employees in managerial or specialist positions (people)	34	40	46	51	56	60	73	80	81	85	88
Ratio of female employees in managerial or specialist positions (%)	3.1	3.6	4.1	4.4	4.8	5.1	5.0	5.5	5.7	6.1	6.6
Ratio of employees with disabilities to total workforce (%) ^{*8}	2.11	2.20	2.18	2.26	2.29	2.35	2.32	2.25	2.38	2.45	2.63

*1 The Company conducted a 2-for-1 stock split of its common stock on October 1, 2018, and a 4-for-1 stock split of its common stock on October 1, 2024. Per share data are based on the number of shares after the stock splits.

*2 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.

*3 Scope 1: Direct greenhouse gas (GHG) emissions from business (e.g., fuel combustion, industrial processes) Scope 2: Indirect GHG emissions from using electricity, heat, or steam supplied by other companies

*4 Scope of calculation: Azbil Corporation, consolidated subsidiaries in Japan, and main manufacturing bases overseas

*5 Scope of calculation: Azbil Corporation, consolidated subsidiaries in Japan, and main manufacturing bases overseas. Azbil Telstar, S.L.U., was added in FY2013; all equity interests were transferred in October 2024. The data prior to FY2016 include 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 differ 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., and Azbil TA Co., Ltd. Azbil TA Co., Ltd. was consolidated as a group company from 2016.

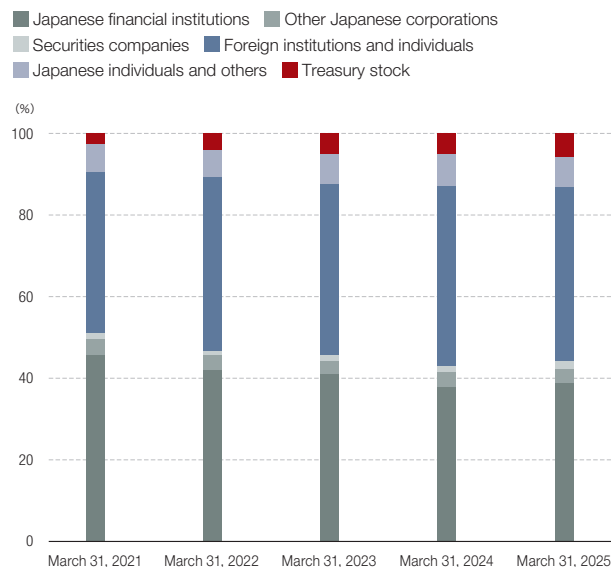
Corporate Data and Stock Information

(as of March 31, 2025)

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	8,922
Stock listing	Tokyo Stock Exchange Prime Market
Ticker symbol number	6845
Stock information	Shares of common stock issued 2,237,680,000
	Share unit number 100
	Shareholders 8,635
Transfer agent	Mizuho Trust & Banking Co., Ltd.

Composition of shareholders

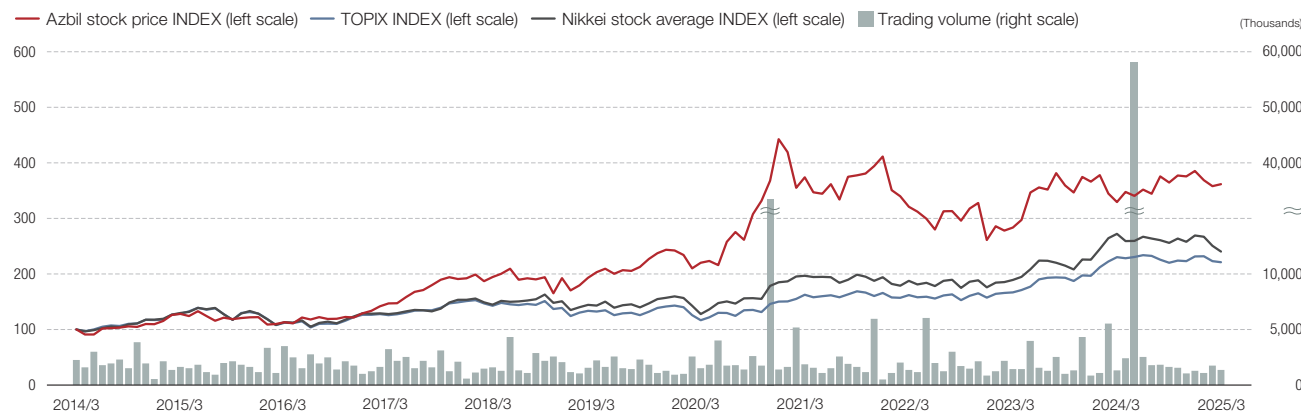


Major shareholders (Top 10)

Shareholders	Number of shares held (thousands)	Percentage of total shares issued (%)
The Master Trust Bank of Japan, Ltd. (Trust account)	80,970	15.31
STATE STREET BANK AND TRUST COMPANY 505001	42,252	7.99
Meiji Yasuda Life Insurance Company	41,712	7.88
Custody Bank of Japan, Ltd. (Trust account)	33,115	6.26
Northern Trust CO. (AVFC) Re Fidelity Funds	18,781	3.55
National Mutual Insurance Federation of Agricultural Cooperatives	13,425	2.53
The azbil Group Employee Stock Ownership Association	11,810	2.23
Custody Bank of Japan, Ltd. (Trust E)	11,114	2.10
JP MORGAN CHASE BANK 385840	8,272	1.56
GOVERNMENT OF NORWAY	7,771	1.47

Note: The percentage of total shares issued is calculated excluding treasury stock (31,983,876 shares).

Stock price and trading volume



Notes: 1. Azbil stock price, Nikkei stock average, and TOPIX: Value (100) based on the end of March 2014

2. The company conducted a 2-for-1 stock split for shares of common stock on October 1, 2018, and a 4-for-1 stock split for shares of common stock on October 1, 2024. The above and below figures for stock prices have been recalculated to take the stock splits into account.

	FY2014	FY2015	FY2016	FY2017	FY2018	FY2019	FY2020	FY2021	FY2022	FY2023	FY2024
Year-end closing price (yen)	407.50	360.13	467.50	619.38	647.25	701.00	1,191.25	1,022.50	902.50	1,048.50	1,151.50
Highest price (yen)	421.25	437.50	481.88	663.75	656.75	818.75	1,530.00	1,382.50	1,102.50	1,295.75	1,334.50
Lowest price (yen)	285.63	327.25	336.88	443.13	487.25	553.75	654.75	975.00	797.50	861.25	824.50

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