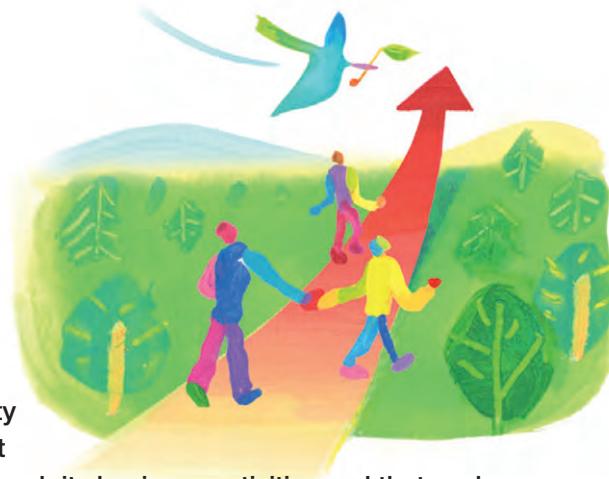# I. Vision

Sustainability

The azbil Group's philosophy is to contribute to achieving a sustainable society through the azbil Group's core automation business.

The azbil Group has announced the following sustainability policy, which is uniquely described as "in series," meaning that the Group can contribute to achieving a sustainable society through its business activities and that such contribution will lead to the sustainable growth of the Group.

Sustainability in the azbil Group is in line with this policy, and we consider meeting the expectations of society as a whole to be the foundation of our sustainability management. We have identified materiality issues (materiality) to be tackled over the long term from the perspective of their importance to stakeholders and the azbil Group.


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."

Structures to advance sustainability

The azbil Group has placed a corporate executive in charge of all aspects of sustainability, and has established dedicated organizations for each of these to serve as secretariats for the azbil Group CSR Promotion Committee and the SDGs Promotion Committee, reporting the status and issues identified at these meetings to the Board of Directors and the Management Meeting. As shown in the diagram below, we have established a system to consider and promote sustainability initiatives throughout the Group as a whole.

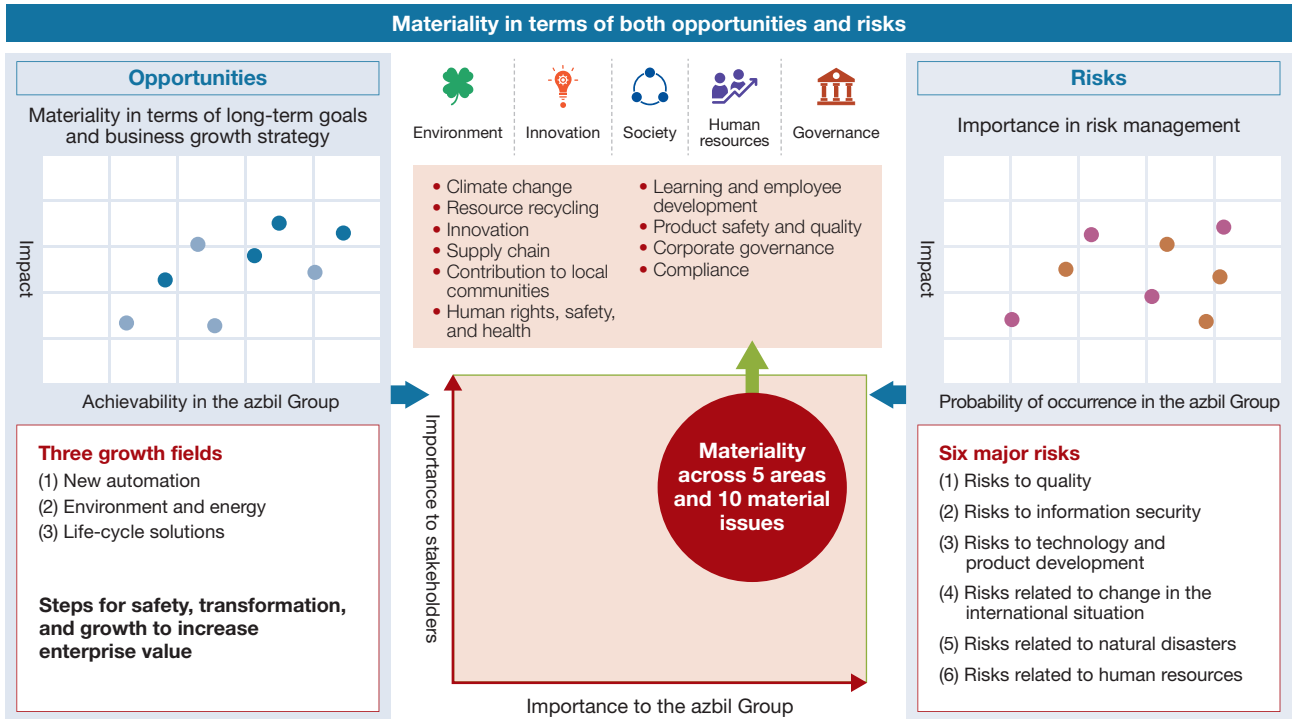**Structures to advance sustainability management**
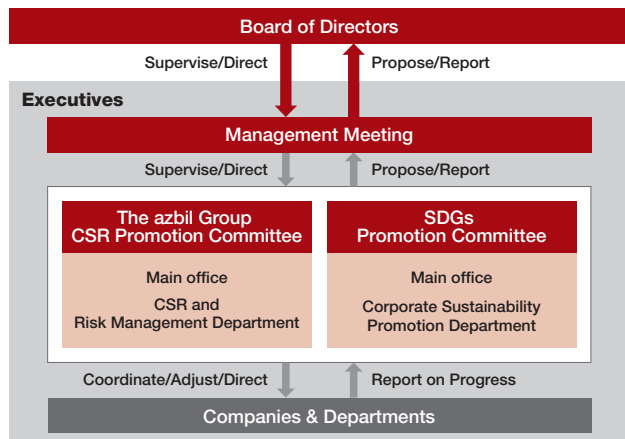
Note: The azbil Group CSR Promotion Committee and SDGs Promotion Committee are concerned with the azbil Group as a whole.

Toward contributing "in series" to the achievement of a sustainable society—azbil Group's materiality

In August 2022, the azbil Group, which has set long-term goals for FY2030, identified materiality across five areas and 10 material issues for clearer implementation and promotion of sustainability management.

Environment	Climate change; resource recycling *Business expansion to meet society's needs and contribute to a sustainable global environment*
Innovation	Innovation *Expanding our automation business and achieving a safe and comfortable society*
Society	Supply chain; contribution to local communities *Increasing enterprise value, coexisting with stakeholders, and Invigorating local communities*
Human resources	Human rights, safety, and health; learning and employee development *Promoting health and well-being management, increasing enterprise value, and achieving a harmonious society in which human rights and other rights are protected*
Governance	Product safety and quality; corporate governance; compliance *Enhancing trust in and enterprise value of the corporate Group and achieving a fair and happy society*

Materiality in terms of both opportunities and risks

Opportunities

Materiality in terms of long-term goals and business growth strategy

Impact

Achievability in the azbil Group

Three growth fields
(1) New automation
(2) Environment and energy
(3) Life-cycle solutions

Steps for safety, transformation, and growth to increase enterprise value

Environment | Innovation | Society | Human resources | Governance

- Climate change
- Resource recycling
- Innovation
- Supply chain
- Contribution to local communities
- Human rights, safety, and health
- Learning and employee development
- Product safety and quality
- Corporate governance
- Compliance

Importance to stakeholders

Materiality across 5 areas and 10 material issues

Importance to the azbil Group

Risks

Importance in risk management

Impact

Probability of occurrence in the azbil Group

Six major risks
(1) Risks to quality
(2) Risks to information security
(3) Risks to technology and product development
(4) Risks related to change in the international situation
(5) Risks related to natural disasters
(6) Risks related to human resources

The Group regards materiality as a sustainability issue that affects enterprise value within society as a whole, and will continue to work diligently on this issue over the long term.

Materiality identification process

The Group's materiality identification process is divided into three major steps. First, in STEP 1, we comprehensively select social issues to be considered based on guidelines such as the GRI, and in STEP 2, we review our long-term goals and medium-term plan as "opportunities" and the
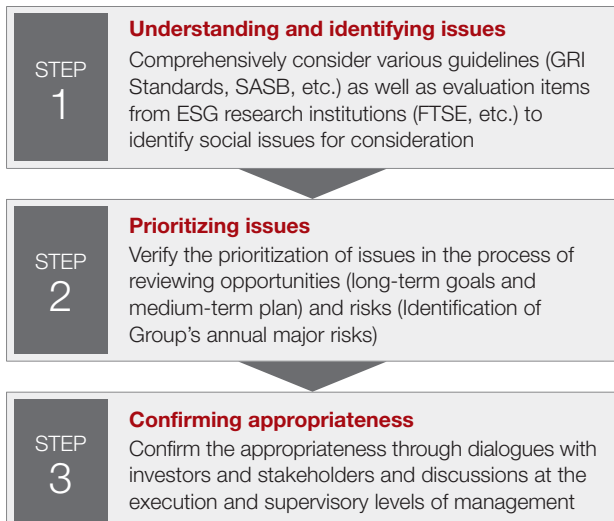
Group's major risks as "risks." Through each consideration process, we prioritize the issues from the perspective of whether or not they can contribute "in series" to a sustainable society based on the Group's philosophy and guiding principles. In STEP 3, we confirm and identify the appropriateness through dialogue with investors and stakeholders and discussions at Board of Directors meetings.

Double materiality

The azbil Group follows the double materiality approach of the Corporate Sustainability Reporting Directive (CSRD) and evaluates the Group's business activities in consideration of their impact on the environment and society over the long term. The materiality across 5 areas and 10 material issues identified are management issues that reflect the expectations of society as a whole and an extensive range of stakeholders, and at the same time are the Group's activities that have a significant impact on the environment and society. Among these issues are those that we promote as our main business, those that we address in our overall corporate activities, and those that we must fulfill as a member of society in terms of our fundamental obligations and corporate governance. These specific targets and KPIs are explained on pp. 21–22. Aiming to achieve a sustainable society as stated in the Group's philosophy and guiding principles, the azbil Group will strive to enhance its enterprise value by sincerely tackling the issues set forth in the materiality, and continue to be of value to the world at all times.

Materiality identification process

STEP 1 — Understanding and identifying issues
Comprehensively consider various guidelines (GRI Standards, SASB, etc.) as well as evaluation items from ESG research institutions (FTSE, etc.) to identify social issues for consideration

STEP 2 — Prioritizing issues
Verify the prioritization of issues in the process of reviewing opportunities (long-term goals and medium-term plan) and risks (Identification of Group's annual major risks)

STEP 3 — Confirming appropriateness
Confirm the appropriateness through dialogues with investors and stakeholders and discussions at the execution and supervisory levels of management

Materiality

Materiality and Essential Goals of azbil Group for SDGs

The azbil Group has established materiality as priority issues to be tackled over the long term in order to contribute "in series" to a sustainable society. In order to achieve our materiality targets, the Group has formulated goals in the four areas of the Sustainable Development Goals (SDGs) as the "essential goals of the azbil Group for the SDGs," and places the plan on a management cycle that includes formulation, implementation, progress management, reporting to the Board of Directors, supervision and direction. The areas that we address as a business are Environment and Energy and New Automation, and the areas that we address in our general corporate activities are Supply Chain and Social Responsibility and Health and Well-being Management, An Organization That Never Stops

	Materiality		Our aim	Essential Goals of azbil Group for SDGs	
				Essential goals	
Business	Environment	Climate change	Help to solve environmental problems to achieve a decarbonized society	**I** Preserving the Earth's environment and solving energy-related problems through cooperative creation	Environment and Energy
		Resource recycling	Provide environmentally friendly products and services		
	Innovation		Seek new forms of automation to achieve a safe and comfortable society	**II** Realizing sustainable production sites, work environments, and a safe and comfortable society through new automation	New Automation
General corporate activities	Society	Supply chain	Share CSR values (environment, human rights, etc.) within the supply chain	**III** Fulfilling our responsibilities to society across our supply chain and contributing to local communities	Supply Chain Social Responsibility
		Contribution to local communities	Contribute to livable communities through community-based action		
	Human resources	Human rights, safety, and health	Promote corporate activities based on "human-centered" values and health and well-being management	**IV** Strengthening our foundation to solve societal problems through health and well-being management and continuous learning	Health and Well-being Management An Organization That Never Stops Learning
		Learning and employee development	Develop a corporate culture as "an organization that never stops learning" and strengthen the foundations for education		
Our fundamental obligations	Governance	Product safety and quality	Provide high-quality products and services that prioritize customer safety and security	Fulfilling our fundamental obligations to society	
		Corporate governance	Continuously raise enterprise value through highly transparent management		
		Compliance	Fulfill our social responsibilities based on high corporate ethics		

*1 Science-based target: A greenhouse gas emission reduction target based on scientific evidence
*2 Design aimed at creating and providing products that contribute to solving global environmental issues (decarbonization, resource recycling, and biodiversity conservation).
*3 Best available technology (BAT) refers to the most effective technology that is both economically and technologically viable.
*4 As of April 2022, 530 business sites are in operation, aiming to increase 15-fold to 8,000 by 2030
*5 As of April 2022, has been provided to 600,000 people, aiming to increase tenfold to 6 million people by 2030
*6 A unique framework and evaluation system based on external ESG assessments such as FTSE

Learning. We have positioned these as important guideposts of our sustainability policy and are promoting a variety of activities.

On the other hand, with respect to product safety and quality and compliance, which are fundamental obligations that a company must fulfill in order to exist in society, the azbil Group CSR Promotion Committee, as mentioned in the previous page, is working to maintain and improve these areas through risk management and by formulating and checking the progress of CSR activity plans set by each department. Also, with regard to corporate governance, in 2022 the company transitioned to a three-committee Board structure, and is working to ensure appropriate supervision function and effectiveness of the Board of Directors under a system of a Board of Directors with a majority of outside directors and three statutory committees.

Targets	FY2022 results, initiatives, and topics
• Effective reduction of CO_2 at customers' sites: **3.40 million metric tons of CO_2/year** (FY2030) • Reduction targets in GHG emissions (SBT[1] approved) (FY2030) **55% reduction** in GHG emissions from our business activities (scopes 1+2) compared to 2017 **20% reduction** in GHG emissions across the entire supply chain (scope 3) compared to 2017 • Creation and provision of eco-friendly products and services Design all new products to meet **the azbil Group's own sustainability standards**[2] (FY2030) • Effective use of natural resources and reduction of waste generation Design all new products to be **100% recyclable**[3] (FY2030)	• Effective reduction of CO_2 at customers' sites: 2.76 million metric tons of CO_2/year • 36% reduction in GHG emissions (scopes 1+2) compared to 2017 • 8% reduction in GHG emissions (scope 3) compared to 2017 • Implemented the azbil Group's unique sustainable design in approximately 70% of new products • Implemented a 100% recyclable design for approximately 20% of new products and 75% for approximately 70% of new products
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** by 2030.[4] • We will provide environments that support stress-free and diverse work styles to **6 million people** by 2030.[5]	• Established two new quantitative indicators • Promoted the introduction of a valve diagnostic service that predicts equipment life and contributes to the reduction of excessive work. Also, strengthened functionality through joint development of anomaly detection system for equipment, and offered new services that contribute to more efficient building management and operations.
• Working with our business partners on achieving the SDGs as a common goal and creating **shared CSR value across the supply chain; Evaluating policies, systems, initiatives, and effectiveness using our own evaluation indicators**[6] • Social contribution activities rooted in local communities are run at all our business sites,[7] with the **active participation of every employee**[8]	• Conducted briefing sessions on CSR Procurement Guidelines for business partners of the azbil Group companies. Implementation of outreach to business partners on the priority themes of human rights due diligence and CO_2 emissions reduction. • Promoted employee participation in community and sponsored events and educational support activities while ensuring the safety and security of the community and employees
• Implementing health and well-being management (job satisfaction, health, diversity and inclusion) Women's advancement points[9] in FY2024: **Double versus 2017** Employees expressed satisfaction with working at azbil Group companies in FY2030: **65% or more**[10] • Developing and strengthening "an organization that never stops learning" Training opportunity points[11] in FY2024: **Double versus 2012** Employees have experienced personal growth through their work in FY2030: **65% or more**[10]	• Women's advancement points: 2.1 times • Employees expressed satisfaction with working at azbil Group companies: 58% • Training opportunity points: 1.7 times (In recent years, online training has been increasing in terms of training opportunities, with the number of participants taking online training courses increasing 5.6 times) • Employees have experienced personal growth through their work: 59%

• With regard to product safety and quality and compliance, the azbil Group CSR Promotion Committee sets indicators and goals directly related to business as a CSR activity plan for each department.
• With regard to corporate governance, in 2022 the company transitioned to a three-committee Board structure, and is working to ensure appropriate supervision and effectiveness under a system of a Board of Directors with a majority of outside directors and three statutory committees.

*7 All offices, in Japan and overseas
*8 The azbil Group aims to participate in activities of a scale that can accommodate the total number of employees.
*9 Points tallied internally, with weight given based on the role, such as company executive, officer, and manager
*10 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.
*11 Points tallied internally for participating in opportunities (frequency or number of employees) to learn with stakeholders

Value Creation Model

Societal issues	Diversification of society & individuals	Technological innovation	Environmental issues, risk of epidemics, etc.	Demographic change (working population)

Philosophy, Guiding Principles, Code of Conduct	Materiality, essential goals of the azbil Group for the SDGs	Source of value creation (input)	Business strategies & foundations

Materiality / Essential goals of the azbil Group for the SDGs

Materiality | **Essential goals of the azbil Group for the SDGs**

Code of Conduct

Environment
- Climate change
- Resource recycling

I
Environment and Energy
Preserving the Earth's environment and solving energy-related problems through cooperative creation

Innovation

II
New Automation
Realizing sustainable production sites, work environments and a safe and comfortable society through new automation

Guiding Principles

Society
- Supply chain
- Contribution to local communities

III
Supply Chain, Social Responsibility
Fulfilling our responsibilities to society across our supply chain and contributing to local communities

Human resources
- Human rights, safety, and health
- Learning and employee development

IV
Health and Well-being Management, An Organization That Never Stops Learning
Strengthening our foundation to solve societal problems through health and well-being management and continuous learning

Group Philosophy

Governance
- Product safety and quality
- Corporate governance
- Compliance

Fulfilling our fundamental obligations to society

Source of value creation (input)

- **Human capital**
  10,063 employees (as of 3/31/2023)
  138,000 Azbil Academy attendees[1]
  2,726 individuals[2] earned official qualifications

- **Social and relationship capital**
  Sales and service bases in 23 countries and regions: 13 domestic companies, 45 overseas companies

- **Intellectual capital**
  R&D expense: approx. ¥56.0 billion (FY2021–24 plan)
  R&D site capital investment: construction cost ¥7.1 billion (FY2021–22)
  Patents: 2,513 (as of 3/31/2023)

- **Manufacturing capital**
  Factories 10 domestic, 6 overseas

- **Natural capital**
  Total energy use[3] 65,330 MWh
  Total water use[4] 132 million L

- **Financial capital**
  Issuer rating A+ (R&I) (as of 3/31/2023)

Business strategies & foundations

BA business — Building Automation

AA business — Advanced Automation

LA business — Life Automation

Research & Product Development
Manufacturing & Procurement
Consulting & Sales
Engineering & Installation
Services

Growth in the three growth fields
- **New automation**
- **Environment & energy**
- **Life-cycle solutions**

Foundations supporting our business

Environment
- ◆ **Environment** (pp. 73–)

Social
- ◆ **Human capital** (pp. 69–)
- ◆ **Supply chain** (pp. 81–)

Governance
- ◆ **Corporate Governance** (pp. 89–)

*1 Courses include general subjects like CSR and online electives. The student total includes personnel of business partners, etc., in addition to Group companies.
*2 The total given for official qualifications obtained includes only qualifications considered to be important for business operations.

Changes in customers	Changes in office use; wellness concerns	Advances and diversification in buildings, production facilities, & infrastructure	Expanded need to save energy & cut CO_2 emissions	Fewer skilled workers, need for skill transfer	Aging infrastructure, safety assurance

Main product lines (output)	Medium-term plan focus	Value creation (outcomes)

Main product lines (output)

BA systems

Sensors, measuring devices

Valves, controllers

For: building owners, construction industry

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

Valves, positioners

Controllers, sensors

Monitoring & control systems

For: manufacturers

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

Pharmaceutical manufacturing equipment

Gas & water meters

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

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

◆ **Risk management** (pp. 85–)

Medium-term plan focus

In FY2021–24 accelerate transformation by strengthening:

Product competitiveness

Tech. development, capital investment

Investment in human capital

Value creation (outcomes)

Contributing to the SDGs through our business

- Effective reduction of CO_2 at customers' sites
- Reduce GHG emissions Reduction targets (scopes 1+2) (scope 3)

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

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

Safety
Living and working with health and safety

Comfort
Always living and working in comfort

Fulfillment
Creating new value with the customer

Environment
Optimizing the management and usage of energy

Financial goals (FY2030)

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

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

Contributing to a sustainable society

*3 Scope: Azbil Corporation and consolidated subsidiaries

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

Growth Strategies

Initiatives in three growth fields have been progressing. We are focusing on investment in technological development and human resources for further transformation and growth.
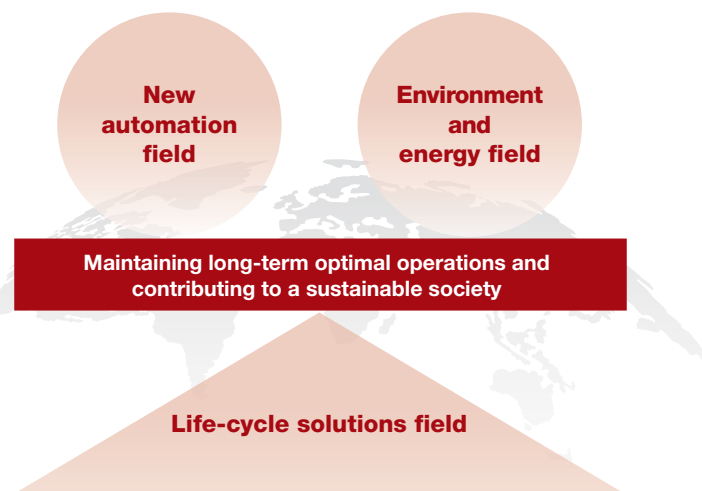
Aiming for growth by capitalizing on the expanding roles and business opportunities of automation and developing in three growth fields

In recent years, as the environment surrounding us has been changing dramatically, from climate change, an aging population with a declining birthrate, and diversification of society and individuals, including work styles, to the growing need for safety and peace of mind resulting from the spread of COVID-19, our customers have been reforming their business models and responding to new challenges that have emerged. We believe that the value and role of the automation business is to be able to support such customers and society in solving problems and transforming themselves. As new challenges emerge and the role that automation can play expands, so do the opportunities for our business. The azbil Group will focus on three growth fields of *new automation*, *environment and energy*, and *life-cycle solutions*, where we can leverage our unique products and services based on automation technology. We expect proactive investment in the *new automation* field, which provides solutions to meet new needs, such as wellness in building environments and advanced manufacturing in production. In the *environment and energy* field, investments are forecast in addition to conventional energy-saving investments, etc., such as carbon-neutral measures. By promoting initiatives in these growth fields, we will achieve growth in the Building Automation (BA), Advanced Automation (AA), and Life Automation (LA) businesses.

Professional human resources with extensive knowledge of the field propose solutions based on an integrated system from development to maintenance services

To deliver optimal solutions to society and customers in our three growth fields, it is essential not only to have advanced automation equipment and systems, but also to have advanced engineering and maintenance service capabilities. The azbil Group is a pioneer in the field of air conditioning control for large-scale buildings and has extensive experience, know-how, and expertise in measurement and control technologies for production sites for over 100 years. Our professional human resources, who possess a number of official qualifications (e.g., qualified person for energy management) and who are familiar with the customer's sites and can propose solutions according to the individual site's status, deliver optimal solutions based on an accurate understanding of the customers' onsite needs. The manner of solutions also varies widely depending on the challenges

Providing distinctive solutions that leverage the azbil Group's strengths and unique solutions in the three growth fields

New automation field

Environment and energy field

Maintaining long-term optimal operations and contributing to a sustainable society

Life-cycle solutions field

of society and the customer. We not only deliver new products, but also need to maintain and renovate them over several decades, depending on the status of the customer's assets (facilities and equipment). Our integrated system of development, manufacturing, design, installation, engineering, and maintenance allows us to continuously deliver the optimal solution at any given moment, tailored to the status of customer assets.

Proactive investment in technological development and human resources aimed at growth

To accelerate growth in our three growth fields, we are proactively investing in technological development and human resources. In FY2022, we constructed two new buildings at our R&D base, Fujisawa Technology Center, to strengthen its technological development functions. We have established a development system for advanced system solutions utilizing cloud computing and AI, and, with regard to product offering, we have strengthened facilities and equipment, including clean rooms for development and production of high-performance, high-precision microelectromechanical systems (MEMS)* sensor technologies. Regarding human resources, we are securing and developing human resources consistent with our business strategy for the expansion of our three growth fields. In addition to promoting DX, we are utilizing the digital tools like talent management system (TMS), the learning management system (LMS), and other systems as well as developing HR systems, such as the engineer professional/meister system.

* Devices built using microfabrication technology to integrate sensors, actuators, and electronic circuits on substrates

New automation field

Aims

Realizing improvements of the quality of indoor spaces and productivity at customers' sites

The diversification of office use, the increasing sophistication, diversity, and complexity of buildings, production facilities, and infrastructure, aging infrastructure, and labor shortages have created a variety of challenges. These factors that hinder sustainability, which cannot be solved by conventional automation alone, are solved through advanced measurement, a data-driven approach, and autonomy. Thus, we help our customers improve the sustainability of their production sites and work environments and gain a competitive advantage.

The azbil Group's Essential Goal II for the SDGs (for FY2030)
New Automation

Totals in 2030
- We will achieve a state of resilience to changes in the business environment at **8,000 business sites**.
- We will provide environments that support stress-free and diverse work styles to **6 million people**.

Environment and energy field

Aims

Improving the quality of indoor spaces and productivity at customers' sites with minimum consumption of resources and energy

Amid the demand to realize carbon neutrality as an environmental measure to mitigate climate change, we will utilize our on-site responsiveness, technical capabilities, and accumulated proprietary data, expertise, and know-how, which have supported corporate energy conservation and environmental responsiveness. By minimizing resources and energy while improving productivity and enhancing comfort and wellness, which generally consume energy and resources, we will contribute to energy conservation and CO_2 emissions reduction.

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

- Effective reduction of CO_2 at customers' sites
3.40 million metric tons CO_2/year

Life-cycle solutions field

Aims

Realizing a balance between improvement of the quality of indoor spaces and productivity while minimizing resource and energy consumption at customers' sites over the long term

We contribute to maintaining optimal conditions throughout the life cycles of customers' sites through a maintenance service system with an extensive delivery track record and human resources. We provide further high-value-added services by utilizing cloud computing, etc.

Initiatives and strategies

★ ······· New automation field
◆ ······· Environment and energy field
◉ ······· Life-cycle solutions field

★ **Providing advanced measuring instruments featuring MEMS technology**
- Micro flow rate liquid flow meter

★◉ **Cloud-based services that contribute to the optimization of valve maintenance and the sophistication of BA systems**
- Cloud-based valve analysis and diagnosis service
- Cloud-based services for large buildings
- Smart metering as a service (SMaaS)

★ **Providing autonomous systems through the use of AI and data**
- Online anomaly detection system

◆◉ **GX solutions**
- GX solutions to reduce CO_2 emissions from office buildings and other large-scale facilities

◆◉ **Energy service provider business**
- Combining energy efficiency solutions and renewable energy solutions

◆ **Energy resource aggregation business (ERAB)**
- Virtual power plant (VPP)/Auto demand response system

★◆ **Balancing carbon neutrality and wellness**
- Cell-type air conditioning system

◆ **Promoting collaboration on energy management business**
- Promoting collaboration on energy management business, DX-EGA
- Investing in Clean Energy Connect, INC. (CEC) and forming a business alliance
- Investing in Japan Green Investment Corp. for Carbon Neutrality

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Growth Strategies

Special Feature

New Automation

Realizing a Safe and Comfortable Society with New Automation

Guided by its philosophy of "human-centered automation," the azbil Group is contributing "in series" to the achievement of a sustainable society.

In today's rapidly changing business environment, there is demand for data-backed management, operations and environmental measures.

New automation improves the sustainability of customers' production sites and work environments by resolving the impacts of factors that impede sustainability (e.g. equipment malfunction, a declining workforce, etc.) that cannot be solved by conventional automation alone.

Specific target products and services will range from the provision of advanced measurement equipment featuring MEMS* technology to the provision of cloud-based services in offices and plants, as well as autonomous systems utilizing AI and data.

By expanding partnerships with companies involved in a variety of fields as well as various research institutes, and by fully implementing our technologies and knowledge in society, we will achieve business growth and contribute to realizing the SDGs.

* Devices built using microfabrication technology to integrate sensors, actuators, and electronic circuits on substrates

New Automation

Providing productivity and higher value that lead to our customers' peace of mind and comfort

So that customers can benefit from sustainable production sites and work environments—as well as greater safety, comfort and fulfillment—we will solve occasional issues as required by society and create added value through advanced measurement, a data-driven approach, and autonomy in production spaces and office spaces (buildings) and living spaces.

Office building cloud services that pursue optimal operation and wellness of facilities, valve diagnostic services, and LP gas remote meter reading cloud services

Advanced measurement devices featuring MEMS technology

Autonomous systems such as an online anomaly detection system based on AI and historical data

New solutions realized through new automation

We will contribute to the creation of a foundation for sustainable production sites and work environments through the expansion and growth of our new automation business activities. We will also set KPIs as essential goals of the azbil Group for the SDGs and ensure their progress and achievements (contributions).

New automation contribution areas

1. Realizing automation that is resilient to changes in the business environment
   - Prediction/diagnosis of the effects of changes in the internal environment (equipment malfunction, raw material quality, etc.); autonomous decision-making and control
   - Prediction/diagnosis of the effects of changes in the external environment (natural disasters, social conditions, etc.); autonomous decision-making and control
2. Realizing a stress-free work environment
   - Reduction of work errors and unscheduled work through data-based work support

   - Creation of a comfortable and energy-efficient environment that enhances labor productivity
3. Realizing an environment conducive to diverse work styles
   - Creation of optimal working environments suited to different times and locations
   - Creation of work environments that are neutral (re. age, gender, skills, etc.)

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

New Automation

Totals in 2030
- We will achieve a state of resilience to changes in the business environment at **8,000 business sites**.[1]
- We will provide environments that support stress-free and diverse work styles to **6 million people**.[2]

[1] As of April 2022, the number of sites in operation was 530; by 2030 we are aiming to increase this number by 15 times to 8,000.
[2] As of April 2022, the number of people was 0.6 million; by 2030 we are aiming to increase this number by 10 times to 6 million.

## Case study on new automation to enhance the sustainability of production sites and work environments

Realizing production sites and offices that are more responsive to changes in the business environment and support stress-free and diverse work styles through new automation has now begun. The azbil Group's sensor technology and AI-based system solutions, combined with our on-site know-how and engineering capabilities, enable us to solve complex problems through automation.

### People can work in more creative ways through increased autonomy
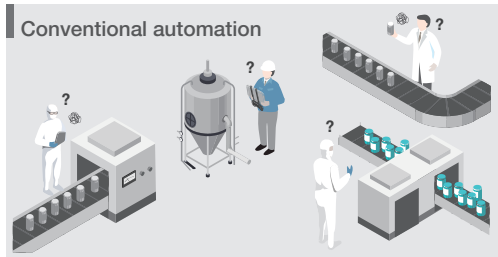
Conventional automation

Automation of production sites → Doesn't reduce the burden on people

Even with an automated production line, people are burdened with the work of planning, managing, and monitoring the process.
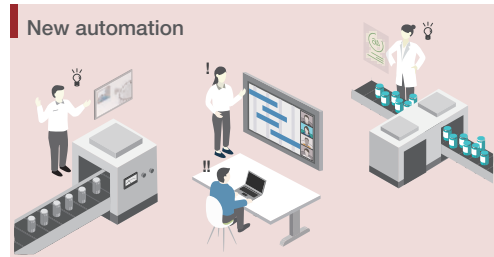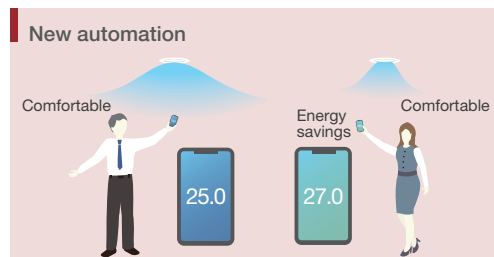
New automation

Increased autonomy of production sites → Reduced burden on people

With an autonomous system to plan, manage, and monitor the process, people can work with more creativity and freedom.

Improved comfort and health for people through the pursuit of wellness

Conventional automation

Comfortable   Cold
25.0
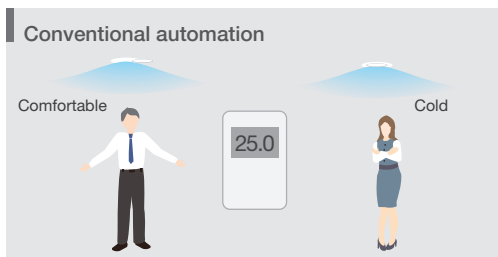
Uniform temperature and humidity control → People will feel temperature and humidity differently

Since air conditioning control is directed to a numerical target, electric power is being consumed even though the temperature is not comfortable for some people.

New automation

Comfortable   Energy savings   Comfortable
25.0   27.0

Control of human comfort → Reduced burden on people and the environment

Since air conditioning is controlled for the purpose of human comfort, it increases satisfaction while reducing energy waste.

Case study

An online anomaly detection system employing AI and data that is progressively being adopted and co-developed by customers

A system that employs AI to continuously monitor factory/building processes, equipment, product quality, and environmental variables such as wastewater and air quality online, and detect unusual activity at the predictive stage. Over 8,000 AI monitoring models are in operation in various markets. Also, in a joint development project with Kansai Electric Power Company, Incorporated on functional expansion, we have developed a business alliance for sales to thermal power plants and large-scale factories. We are also expanding our initiatives for collaborative creation with our customers.

Case study of customer implementation

Kao Corporation, Wakayama Plant

An online anomaly detection system employing AI, contributes to reduction of the workload at production sites, and to human resource development and skill transfer.
It received the 16th Responsible Care Award presented by the Japan Chemical Industry Association.

In recent years, the operators at manufacturing sites have been getting younger and the numbers have been decreasing. There are concerns about the increased burden and stress of monitoring operations and the impact on delayed detection of problems such as leaks and quality anomalies. Kao's Wakayama Plant has introduced our online anomaly detection system for multi-product batch processes. As a result, it has achieved a reduction in the workload of the operation monitoring operators, as well as improved productivity and stabilized quality. Moreover, through the operation of this system, review/standardization of operations has progressed, eliminating the dependency on individual skills, and the transfer of manufacturing technology through the creation of AI monitoring models has also been achieved.

Operators are now able to review the visualized AI-estimated trend data from this system with other operators, allowing them to consider and discuss causes and remedies before a major problem arises.
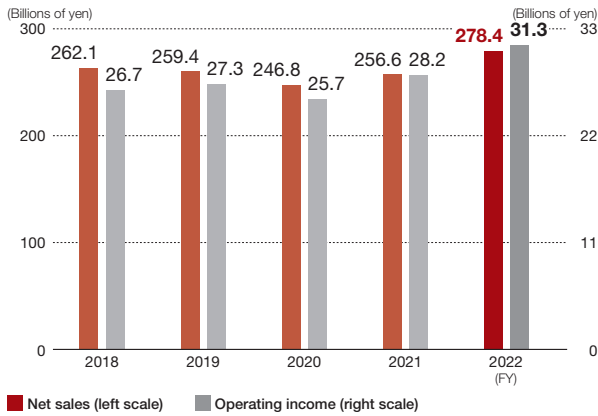
Financial and Non-Financial Highlights

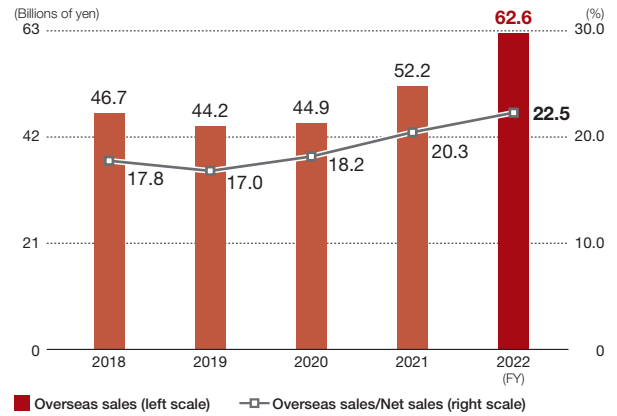Azbil Corporation and its consolidated subsidiaries

The company conducted a two-for-one stock split for shares of common stock on October 1, 2018.
Figures for net income per share (EPS) and dividends per share have been recalculated to reflect the number of shares after the stock split.
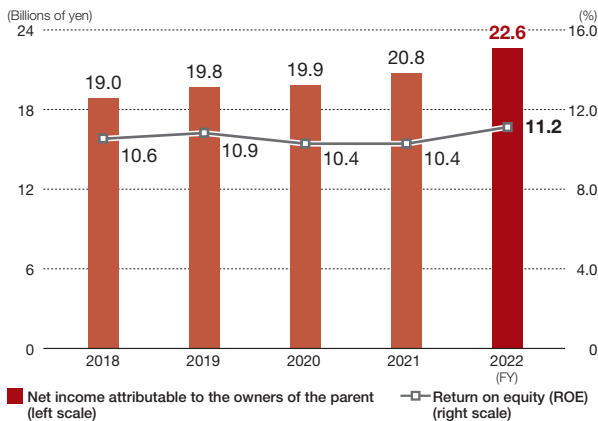
Financial highlights

Net sales, operating income

(Billions of yen) / (Billions of yen)

FY	2018	2019	2020	2021	2022
Net sales	262.1	259.4	246.8	256.6	278.4
Operating income	26.7	27.3	25.7	28.2	31.3

■ Net sales (left scale) ■ Operating income (right scale)

Overseas sales, overseas sales/net sales

(Billions of yen) / (%)

FY	2018	2019	2020	2021	2022
Overseas sales	46.7	44.2	44.9	52.2	62.6
Overseas sales/Net sales	17.8	17.0	18.2	20.3	22.5

■ Overseas sales (left scale) □ Overseas sales/Net sales (right scale)

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

(Billions of yen) / (%)

FY	2018	2019	2020	2021	2022
Net income attributable to the owners of the parent	19.0	19.8	19.9	20.8	22.6
Return on equity (ROE)	10.6	10.9	10.4	10.4	11.2

■ Net income attributable to the owners of the parent (left scale) □ Return on equity (ROE) (right scale)

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

(Yen) / (Times)

FY	2018	2019	2020	2021	2022
Net income per share (EPS)	132.03	140.80	142.77	150.79	168.27
Price earnings ratio (PER)	19.61	19.91	33.38	27.12	21.45

■ Net income per share (EPS) (left scale) □ Price earnings ratio (PER) (right scale)
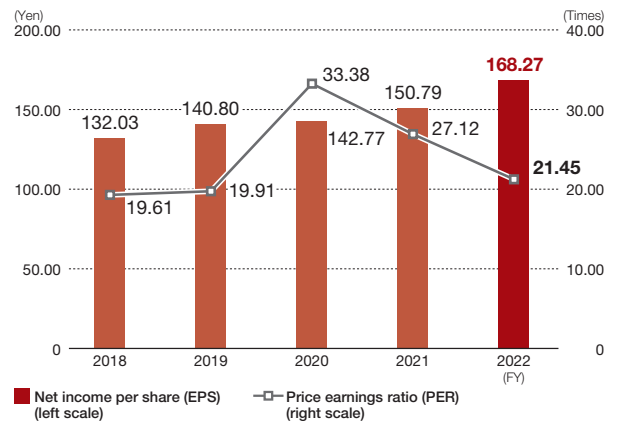
R&D expenses, R&D expenses/net sales ratio

(Billions of yen) / (%)

FY	2018	2019	2020	2021	2022
R&D expenses	11.9	11.8	11.2	12.1	12.4
R&D expenses/Net sales ratio	4.5	4.5	4.5	4.7	4.4

■ R&D expenses (left scale) □ R&D expenses/Net sales ratio (right scale)

Capital expenditure, depreciation

(Billions of yen)

FY	2018	2019	2020	2021	2022
Capital expenditure	6.4	4.9	5.0	11.2	10.8
Depreciation	4.2	4.5	4.5	4.8	5.0
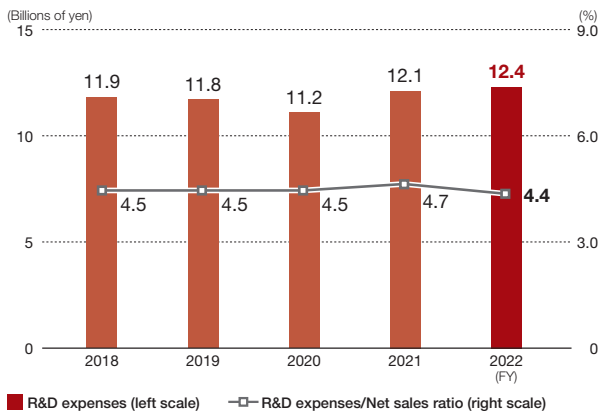
■ Capital expenditure ■ Depreciation
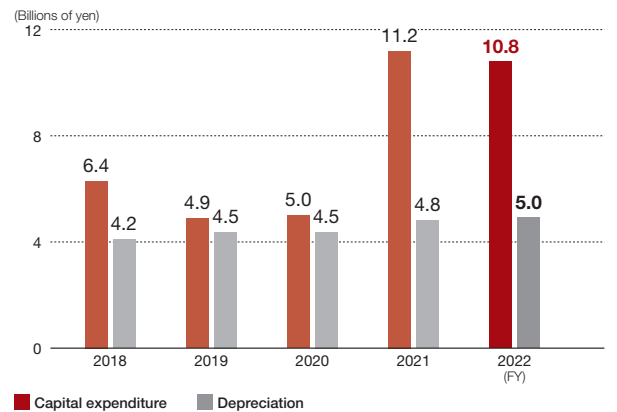
Note: Capital expenditure increased in FY2021 and FY2022 for upgrading the Fujisawa Technology Center.

Total assets, shareholders' equity/total assets

(Billions of yen) / (%)

FY	2018	2019	2020	2021	2022
Total assets	275.5	274.6	284.6	280.1	296.9
Shareholders' equity/Total assets	65.7	66.7	69.6	71.5	68.3

- ■ Total assets (left scale)
- —□— Shareholders' equity/Total assets (right scale)

Dividends per share, dividend on equity (DOE)

(Yen) / (%)

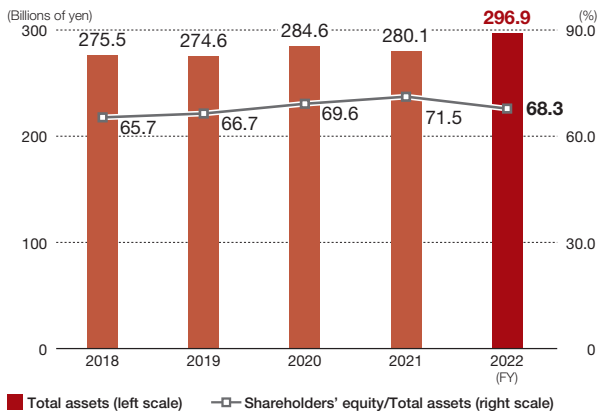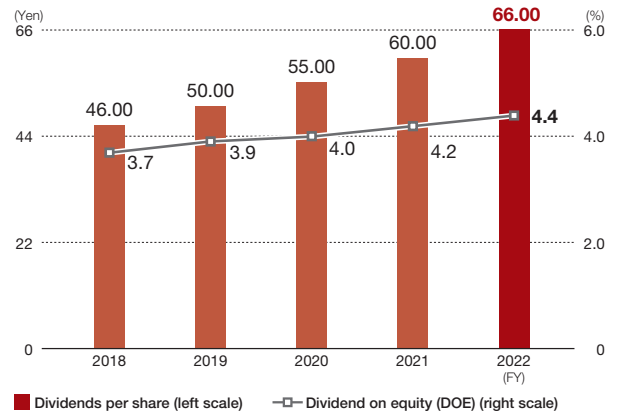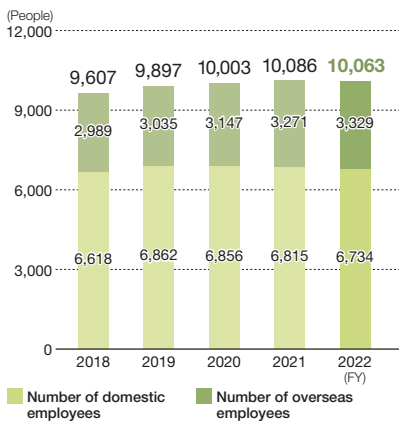| FY	2018	2019	2020	2021	2022
Dividends per share	46.00	50.00	55.00	60.00	66.00
Dividend on equity (DOE)	3.7	3.9	4.0	4.2	4.4

- ■ Dividends per share (left scale)
- —□— Dividend on equity (DOE) (right scale)

Non-financial highlights

Number of employees

(People)

FY	2018	2019	2020	2021	2022
Total	9,607	9,897	10,003	10,086	10,063
Number of overseas employees	2,989	3,035	3,147	3,271	3,329
Number of domestic employees	6,618	6,862	6,856	6,815	6,734

- ■ Number of domestic employees
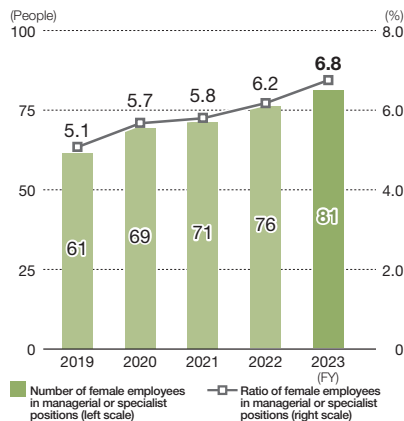- ■ Number of overseas employees

Number of female employees in managerial or specialist positions, ratio of female employees in managerial or specialist positions
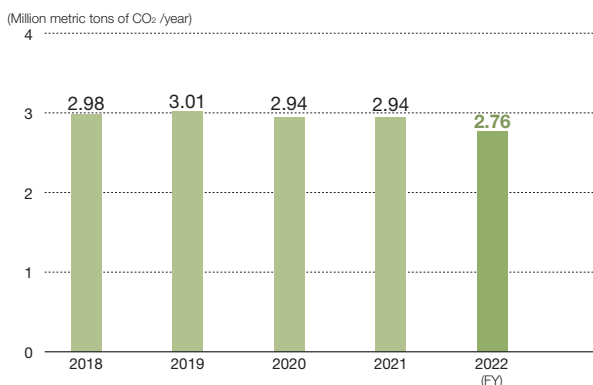
Azbil Corporation (as of April 1)

(People) / (%)

FY	2019	2020	2021	2022	2023
Number of female employees in managerial or specialist positions	61	69	71	76	81
Ratio of female employees in managerial or specialist positions	5.1	5.7	5.8	6.2	6.8

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

Ratio of employees with disabilities to total workforce

(People) / (%)

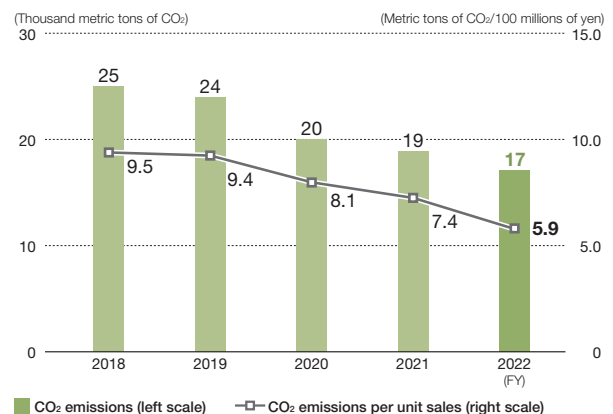| FY	2018	2019	2020	2021	2022
Number of employees with disabilities	169	172	169	163	172
Ratio of employees with disabilities to total workforce	2.3	2.4	2.3	2.3	2.4
Statutory employment rate	2.2	2.2	2.2	2.3	2.3

- ■ Number of employees with disabilities (left scale)
- —□— Ratio of employees with disabilities to total workforce (right scale)
- —□— Statutory employment rate (right scale)

Effective reduction of CO₂ at customers' sites

Azbil Corporation and its overseas subsidiaries and affiliates

(Million metric tons of CO_2 /year)

FY	2018	2019	2020	2021	2022
Effective reduction of CO_2	2.98	3.01	2.94	2.94	2.76

Note: Estimations for each fiscal year's performance from 2018 are based on the methods reviewed by third parties. CO_2 reduction decreased compared to the previous year due to factors such as the correction of an excessive calculation in the domestic plant market due to an error in FY2021, and changes in the types of buildings ordered in the domestic building market.

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

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

(Thousand metric tons of CO_2) / (Metric tons of CO_2/100 millions of yen)

FY	2018	2019	2020	2021	2022
CO_2 emissions	25	24	20	19	17
CO_2 emissions per unit sales	9.5	9.4	8.1	7.4	5.9

- ■ CO_2 emissions (left scale)
- —□— CO_2 emissions per unit sales (right scale)

Note: The market-based method was used to calculate CO_2 emissions.