

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),

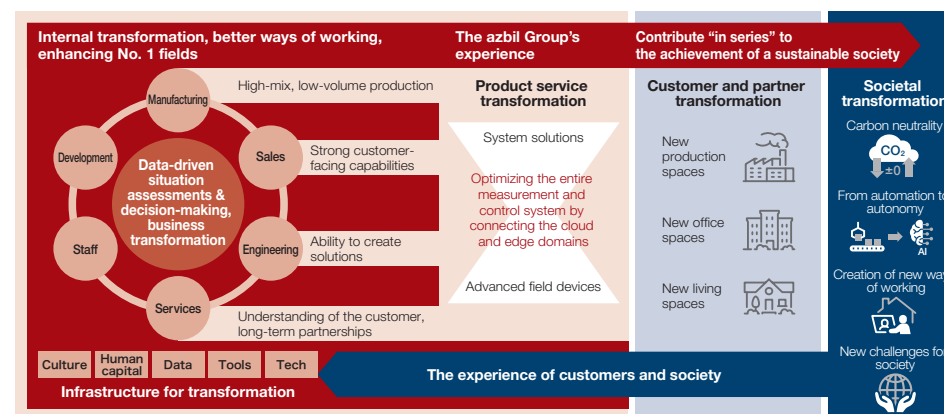
and in 2026 we plan to release an AI-based production planning and modification system, which automatically creates production plans. As well as helping to improve productivity and quality by enhancing on-site decision-making, these solutions will contribute to solving issues facing society such as labor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

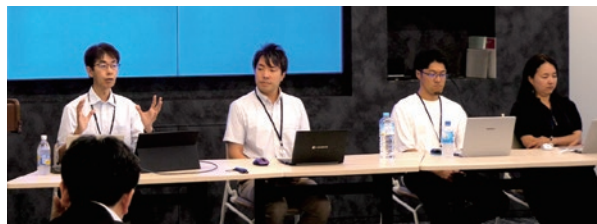
Strengthening development personnel

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

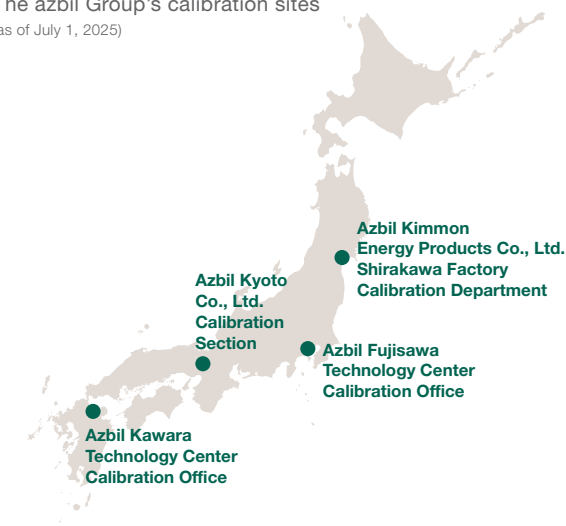


Calibration Office at the Fujisawa Technology Center and (center) a high-precision vacuum calibration system

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.

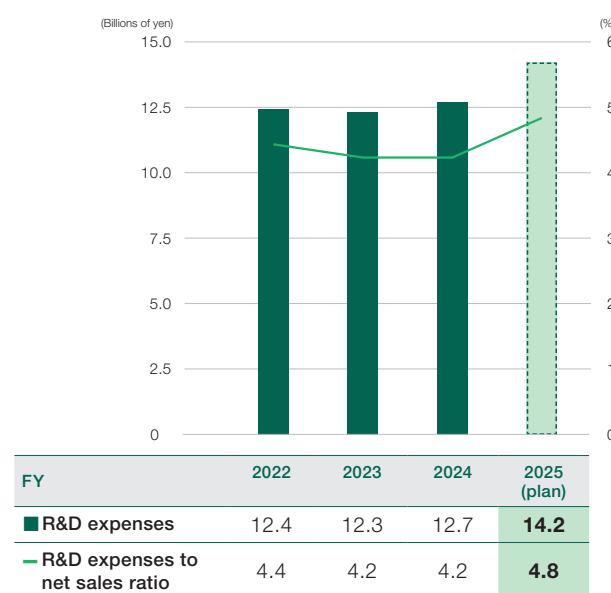
- **Ratio of R&D expenses to net sales:** Measures investment in R&D against net sales to check investment allocation
- **Product sales:** Assesses the degree to which development of technologies, products, and services directly contributes to sales
- **Ratio of new products to product sales:** Identifies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

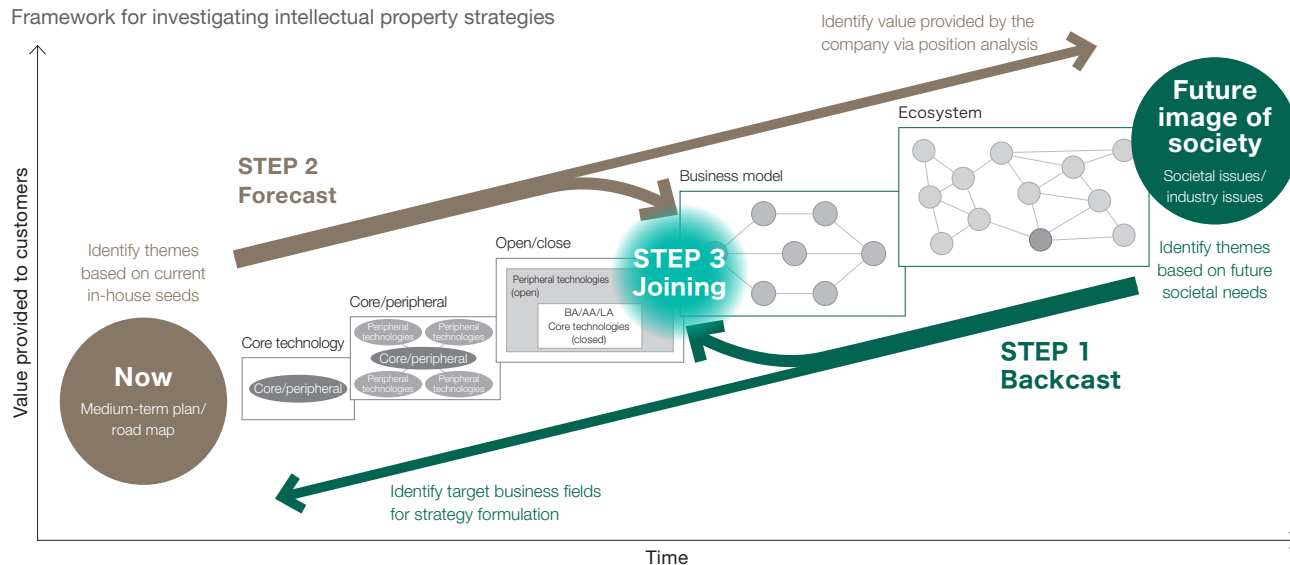
Intellectual Property

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

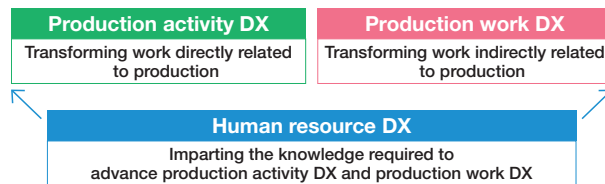
the systematization of business processes to improve operational efficiency and precision.

- **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

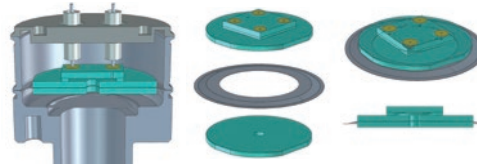


Strengthening production engineering

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 transfer 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 —

