

Sustainability Management

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

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

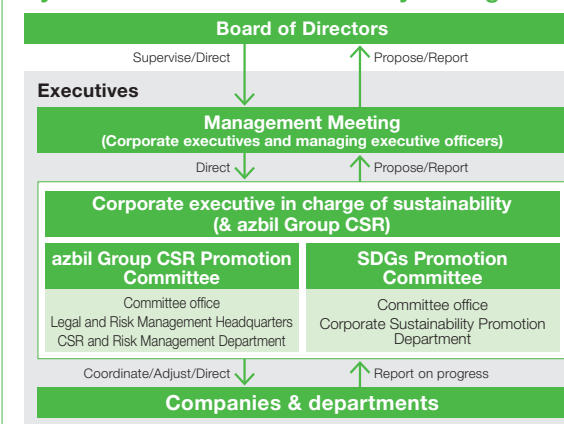
The azbil Group's Sustainability Policy

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

Materiality and our unique essential goals for the SDGs

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

System to advance sustainability management



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

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



Takayuki Yokota

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

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

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

Initiatives to strengthen human capital

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

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

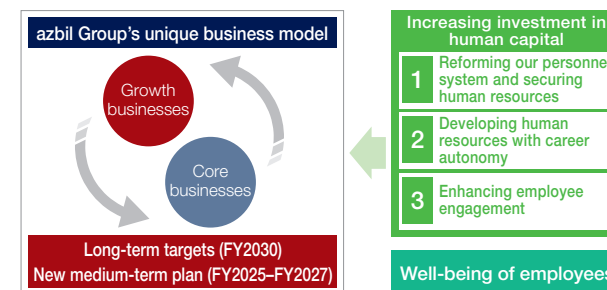
with various capabilities, enabling us to provide value to customers and society, and contribute to the realization of a sustainable society. Through our group management, we aim to enhance the sustainable development of our company, as well as our enterprise value, by promoting the well-being of all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

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

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

Strengthening our business model with stronger human capital

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



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

Human Capital

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

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

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

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

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

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

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

(1) Reforming our personnel system and securing human resources

Personnel system reform

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

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

Expansion of benefits programs

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

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

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

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

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

 with azbil: azbil MIND

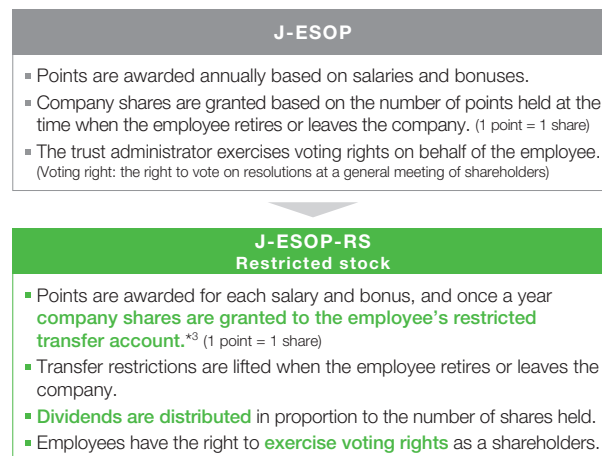
https://www.azbil.com/withazbil/mind/202508_1.html

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

 with azbil: azbil MIND

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

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



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

Securing human resources: stabilization of our human resource base

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

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

(2) Developing human resources with career autonomy

Approach and initiatives for the development of human resources

To ensure the azbil Group's business activities that contribute "in series" to a sustainable society, the Azbil Academy, a specialized institution for cultivating human resources, plays a central role in deploying initiatives in accordance with the Basic Principles of Human Resource Development, which emphasize three aspects: teamwork and collaboration as work professionals; a strong desire to excel and take on challenges; and high aspirations, a sense of ethics, and an international mindset. In this way, we are committed to becoming "an organization that never stops learning."

Basic Principles of Human Resource Development

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

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

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

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

Cultivating global personnel

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

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

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



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

(3) Enhancing employee engagement

In the azbil Group Health and Well-being Declaration of 2019, we commit to fostering a collaborative effort between the company and its employees to create comfortable and pleasant work environments and we pledge to actively promote mental and physical health. We value opportunities for diverse individuals to acknowledge each other's social and physical characteristics, differences in thoughts and values, and to thrive.

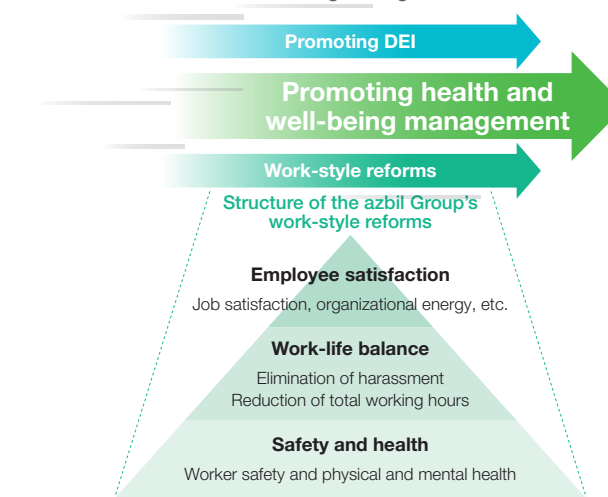
From work-style reform to creation of new ways of working: preparing environments that are easy to work in

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

azbil Group Health and Well-being Declaration

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

Overview of health and well-being management



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

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

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

Promoting Diversity, Equity and Inclusion (DEI)

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

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

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

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

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

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

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

* The Japanese Ministry of Health, Labour and Welfare certifies small and medium-sized companies based on their efforts regarding the employment of people with disabilities.

Review and expansion of benefit programs, including stock benefit plans

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

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

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

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

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

Maki Shimokubo
Manager, Human Resources Department



Well-being

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

For sustainable growth

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

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

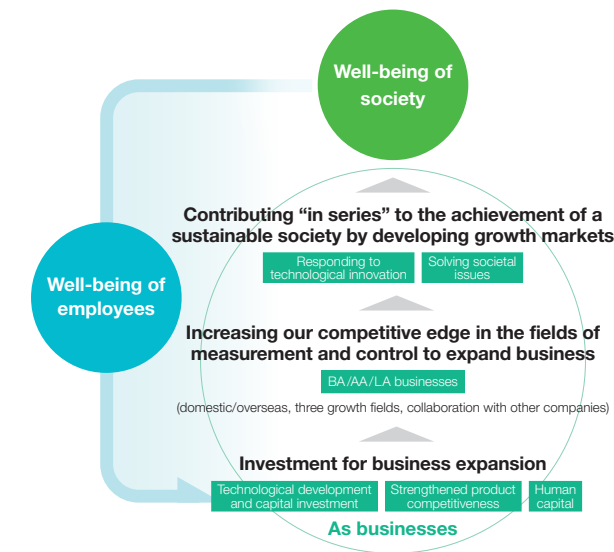
Our mission in the automation business is to solve societal issues and address technological innovation, and we believe they are directly linked to the expansion of our business fields. Through our automation business, we will take on the challenge of solving various societal issues, while also actively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

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

Efforts to enhance engagement

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

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



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

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



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

Human Rights Initiatives

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

azbil Group Basic Policy on Human Rights and promotion framework

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

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

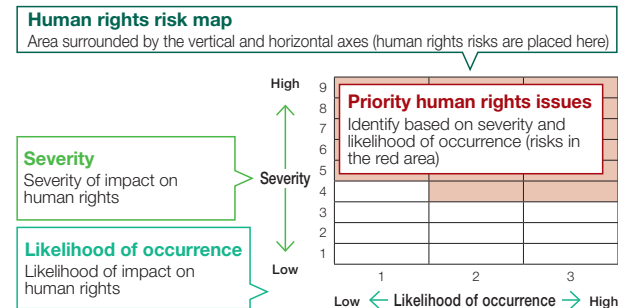
As part of our CSR activities, the azbil Group CSR Promotion Committee endeavors to maintain and enhance our efforts aimed at respect for human rights by formulating plans and continuously monitoring their progress.

Human rights due diligence and priority human rights issues

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

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

Human rights risk map (concept image)



Priority human rights issues

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

Dialogue with stakeholders

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

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

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

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



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

Ms. Akiko Sato

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

Establishment of aid mechanism

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

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

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

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

Environment

Environmental management

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

Our basic approach

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

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

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

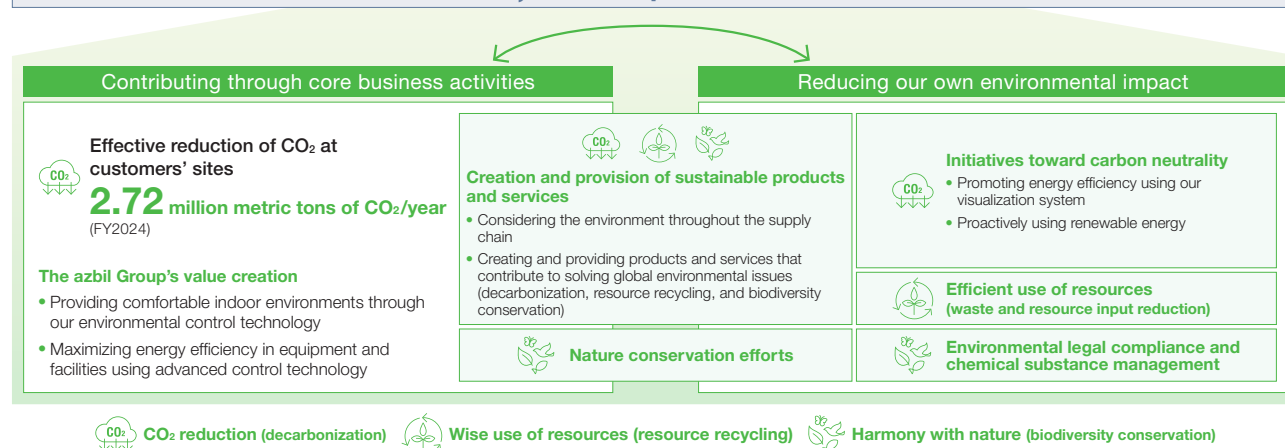
Systems for environmental progress

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



Achieving a sustainable society

Our SDG targets for FY2030	
Effective reduction of CO ₂ at customers' sites 3.40 million metric tons of CO₂/year	GHG emissions from business activities (Scope 1 + 2*): 55% reduction (from base year 2017) GHG emissions across the entire supply chain (Scope 3*): 33% reduction (from base year 2017)
Design all new products to meet the azbil Group's own sustainability standards Design all new products to be 100% recyclable	
Increase the number of skilled professionals for supporting sustainable services provided by the azbil Group to a total of 1,800—triple the number in FY2021	



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

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

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

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

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

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

Key policies	Policy	Results in FY2024	Medium-term plan (FY2027)	2030 long-term targets	
 Decarbonization	Effective CO ₂ reduction at customers' sites	• Work with business lines to expand effective reduction of CO₂	• Visualized effective reduction of CO₂ in line with business targets • Strengthened collaboration with business lines to expand effective reduction of CO₂	• Further expand effective reduction of CO₂ at customers' sites, and enhance collaboration with business lines	• Effective reduction of CO₂ at customers' sites: 3.40 million metric tons of CO₂/year (SDG target)
	Reduction of GHG emissions across the entire supply chain	• Expand and strengthen energy-saving measures to reduce GHG emissions from own business activities and promote proactive use of renewable energy	• Increased the number of business locations using renewable energy sources: Fujisawa Technology Center began procurement of 100% renewable energy • Achieved the 2030 target for GHG emissions from business activities (Scope 1 + 2) ahead of schedule	• Strengthen energy-saving efforts at key business locations by collaborating with business lines • Further grow the number of business locations adopting renewable energy sources (including renewable energy sources with additionality) • Introduce and use internal carbon pricing	• GHG emissions from business activities (Scope 1 + 2): 55% reduction (compared with 2017) (SDG target) *2030 target to be raised
		• Promote engagement with business partners to achieve 2030 supply chain targets • Make the entire supply chain carbon neutral by 2050	• Raised the 2030 target for Scope 3 • Implemented engagement activities tailored to the decarbonization initiative level of our business partners (e.g., conducting surveys, providing information, holding individual discussions) • Obtained SBT net zero certification	• Continue and strengthen engagement tailored to each business partner's decarbonization initiative level (including sharing success stories among business partners) • Start and expand use of primary data on CO₂ emissions of business partners	• GHG emissions across the entire supply chain (Scope 3): 33% reduction (compared with 2017) (SDG target)
 Resource recycling	Effective use of resources	• Continuously reduce resource consumption by optimizing efficiency in business activities	• Implemented target management by the azbil Group environmental decision-making bodies to reduce the usage of various resources (water and waste) • Implemented third-party verification for water and waste management • Assessed water-related risk	• Strengthen initiatives to reduce waste and the usage of water and other resources • Identify the relevance of business to the circular economy and related measures	• Establish initiatives for global resource recycling and the circular economy
 Biodiversity conservation	Nature conservation efforts	• Promote initiatives in line with the TNFD recommendations	• Registered as a TNFD Adopter • Analyzed the impacts on and dependencies of natural capital in upstream and downstream business operations using analytical tools such as ENCORE, and implemented external environment analysis using the STEEP framework	• Disclosure in line with the TNFD recommendations based on business opportunity and risk analysis • Set core indicators and targets in accordance with each business	• Properly identify the impacts on and dependencies of natural capital, as well as business risks and opportunities, and establish nature-positive initiatives
		• Strengthen nature conservation efforts	• Local conservation activities conducted six times (with 98 participants) at three locations in Japan (Fukushima, Fujisawa, Kyoto) • Applied for certification as a Nationally Certified Sustainably Managed Natural Site	• Continue local conservation activities at three locations in Japan (Fukushima, Fujisawa, Kyoto) • Kyoto's activity area is certified as a Nationally Certified Sustainably Managed Natural Site, and activities aligned with the certified plan become entrenched	• Strengthen biodiversity conservation efforts linked to the SDGs
   Improve environmental corporate management		• Achieve sustainable products – Contribute to the achievement of our SDG goals through sustainable designs in new product development	• Built a new progress management system for achievement of our own SDG goals • Used the azbil Group's unique sustainable design for all new products • Implemented a 100% recyclable design for about 10% of new products	• Strengthen collaboration with related departments and advance the progress management system to achieve the SDG targets	• Design all new products to meet the azbil Group's own sustainability standards (SDG target) • Design all new products to be 100% recyclable (SDG target)
		• Provide sustainable services – Cultivate skilled professionals to support field engineering services and contribute to achieving a sustainable society	• Cultivated 943 skilled professionals	• Strengthen training programs aligned with the business strategy, implement job rotations, and promote talent development through enhanced internal communication	• Increase the number of skilled professionals for supporting sustainable services provided by the azbil Group to a total of 1,800—triple the number in FY2021 (SDG target)
		• Respond to requests from stakeholders (investors, customers, others)	• Obtained external evaluations of our climate change and water risk initiatives – FTSE Russell ESG score of 4.7 (out of 5) – CDP Climate Change 2024: B* – CDP Water Security 2024: A-	• Maintain and improve communication with investors and customers regarding environmental issues	• Create links between the demands of investors, customers, and other stakeholders, and the company, its businesses, and environmental initiatives through appropriate communication
		• Promote regulatory compliance management	• No major legal violations, and consequently no resulting penalties, administrative fines, or lawsuits	• Expand/enhance regulatory compliance management, including overseas	• Establish a monitoring system for laws and regulations, including those overseas

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

Disclosure aligned with the TCFD and TNFD recommendations

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

Governance

Role of the Board of Directors

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

 [p.50- Sustainability Management](#)

Stakeholder engagement

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

 [p.58 Human Rights Initiatives](#)

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

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

Strategy

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

Climate change scenario analysis

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

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

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



Increase in migration and physical risks

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

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

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

We divided risks into physical and migration risks and analyzed their financial impact. Although physical risks were estimated based on several assumptions, we believe that their impact on business will be limited due to the countermeasures we have in place, such as decentralizing our production network and formulating business continuity plans. In addition, regarding migration risks, we are implementing systematic risk mitigation measures concerning our own GHG emissions. Emissions from the azbil Group's business activities (Scope 1 + 2) were approximately 0.012 million metric tons of CO₂. Even if carbon prices rose by ¥10,000 to ¥20,000 per ton, the total financial burden would be limited to around ¥100 million–¥200 million. However, after quantitative evaluations of the impact on the azbil Group's business in 2030 in the hypothetical 1.5°C/2°C scenarios, we expect it to lead to an effective reduction of CO₂ at customers' sites and the expansion of new energy markets. We therefore estimate this will contribute to an increase in sales of at least ¥12 billion per year.

Building Automation business: approx. ¥7 billion

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

Advanced Automation business: approx. ¥5 billion

We anticipate an increase in business opportunities in markets that contribute to carbon neutrality (hydrogen, CO₂-free ammonia, carbon recycling/CCUS*1). Our estimates are based on scenarios with certain assumptions arising from current trends, past installations in the target market, and the target market's growth rate according to third-party research organizations.

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

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

[p.64 Decarbonization transition plan](#)

Derivation approach for natural capital risks and opportunities

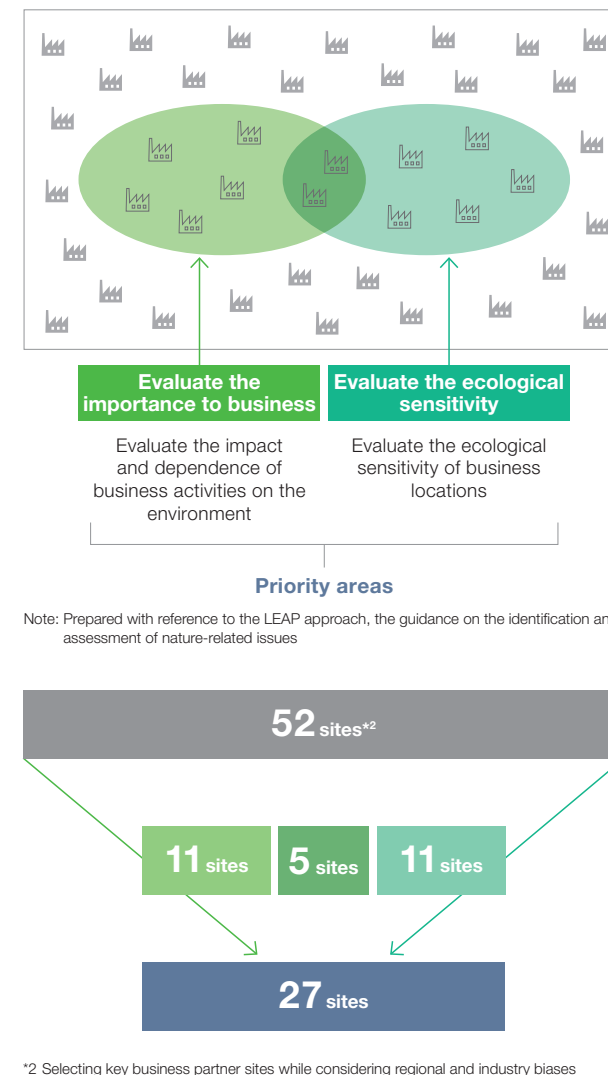
Location of priority sites

Upstream

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

Direct operation (azbil Group business activities)

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



Dependence and impact

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

^{*1} ENCORE Partners (Global Canopy, UNEP FI, and UNEP-WCMC) (2024). ENCORE: Exploring Natural Capital Opportunities, Risks, and Exposure. On-line, June 2024, Cambridge, UK: the ENCORE Partners. Available at <https://encorenature.org>. DOI: <https://doi.org/10.34892/dz3x-y059>

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

Policy

To bring about a society that is in harmony with nature, we will maintain a nature-positive approach and are continuing to support biodiversity preservation through our business, to promote initiatives in our supply chain involving our business partners, and to work in collaboration with various partners to further protect the natural environment. Specific countermeasures for the analyzed opportunities and risks are currently under consideration and will be disclosed in the future.

Biodiversity Conservation

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

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

Risk management

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

p.71- Risk Management

Metrics and targets

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

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

Indicators and targets related to climate change

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

Indicators related to natural capital

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

Notes:

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

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

azbil ESG Databook

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

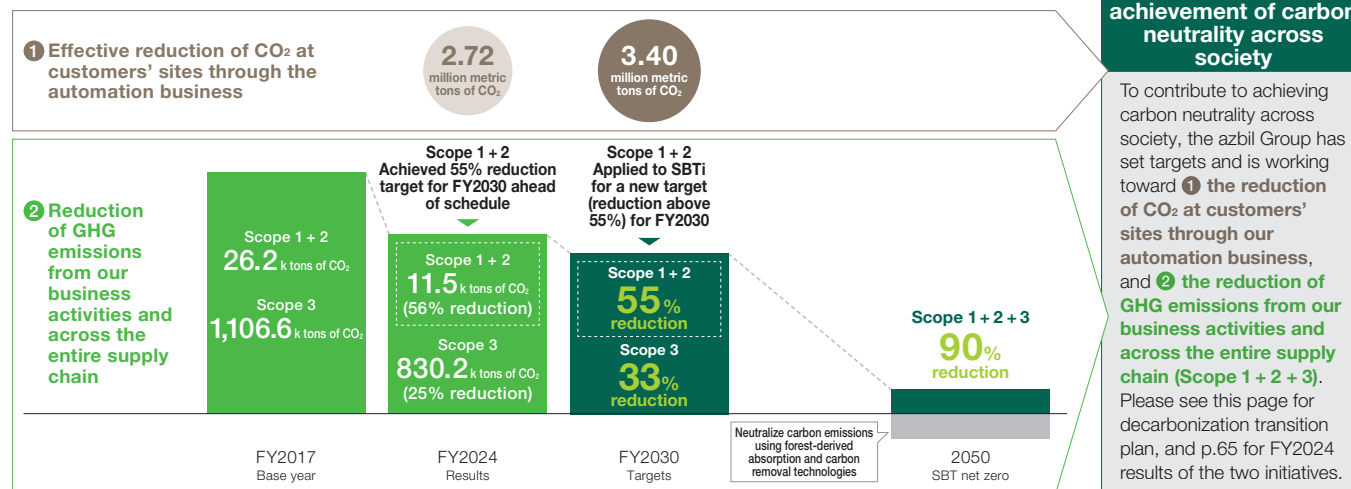
Decarbonization transition plan

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

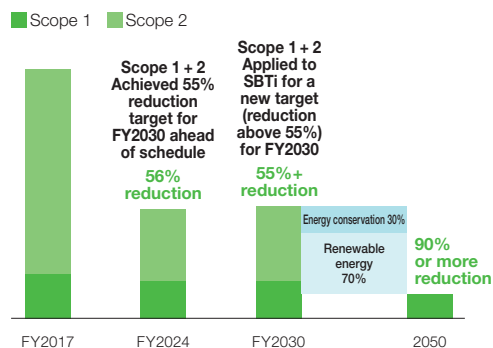
Furthermore, the following 2050 net zero target covering all CO₂ emissions (Scope 1 + 2 + 3) has been certified as a net zero target by the Science Based Targets initiative (SBTi) (October 2024).

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

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



Specific measures



by 2030

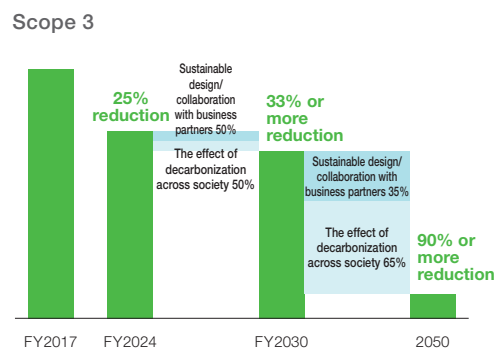
- Promote energy conservation projects in collaboration with business lines
- Proactive use of renewable energy
- Gradually switch company vehicles to hybrid and electric ones

by 2050

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

For Scope 1 + 2, we are leveraging our extensive expertise in energy conservation and actively implementing energy visualization systems across the entire Group, and we are focusing our energy conservation efforts from two perspectives: improving operations and upgrading facilities. In addition to strengthening energy conservation efforts in collaboration with business lines, we will actively incorporate renewable energy sources, taking additionality into account. We aim to accelerate these initiatives with the goal of transitioning to renewable energy for all electricity consumption by 2050.

Specific measures



by 2030

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

by 2050

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

As for Scope 3, to reduce CO₂ emissions from the use of purchased products and services, as well as products sold, we will continue and expand our sustainable product design efforts, including resource-saving and energy-saving designs. To help achieve carbon neutrality across society, we also support our business partners' decarbonization efforts by conducting surveys and engaging in detailed discussions on decarbonization initiatives. Looking toward 2050, we are evaluating scenarios based on our current policies and considering the projected decarbonization across society.

Results of climate change initiatives in FY2024

Effective reduction of CO₂ at customers' sites

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

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

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

Total 2.72 million metric tons of CO ₂ /year	
Effect of automation	2.33 million metric tons of CO ₂ /year
Effect of energy management	0.34 million metric tons of CO ₂ /year
Effect of maintenance and services	0.05 million metric tons of CO ₂ /year

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

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

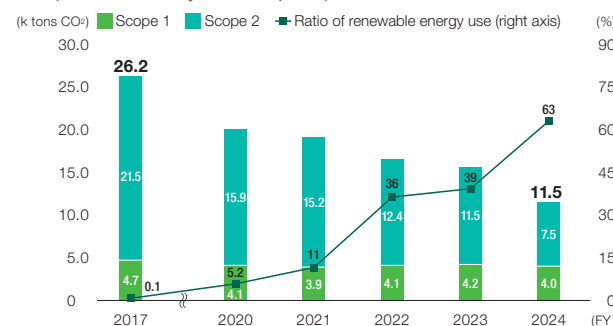
*² Electricity emission factor for setting the 2030 target, which anticipated a roughly 10% improvement in the CO₂ emission factor compared to the target setting period, based on the 2019 Basic Energy Plan.

Reduction of GHG emissions

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

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

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



Notes:
 1. Ratio of renewable energy use refers to the renewable energy ratio of electricity used.
 2. The market-based method was used to calculate CO₂ emissions.
 3. Some figures, including energy consumption for air conditioning in tenant offices, are based on estimates.
 4. We received third-party verification for our CO₂ emission figures (Scope 1 + 2).
 Scope: Azbil Corporation, domestic consolidated subsidiaries, and major overseas production bases

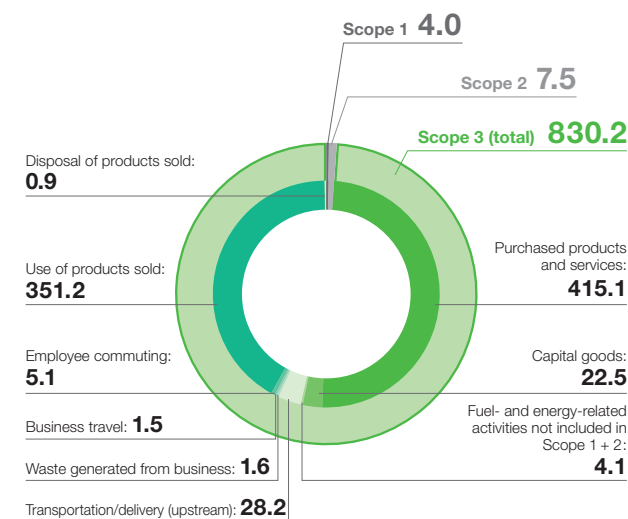
CO₂ emissions calculated from electricity generation based on a fixed value (0.378 Kg-CO₂/kWh)

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

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

toward achieving our target. To reduce CO₂ emissions from our business activities, we have switched to using 100% renewable energy sources, including off-site corporate solar power purchase agreement (PPA) services, for the electricity used at the Fujisawa Technology Center. Renewable energy sources accounted for 63% of the Group's total electricity consumption in FY2024. Going forward, we will proactively install solar power generation equipment, primarily at our overseas production sites. To reduce CO₂ emissions across the entire supply chain, we are promoting sustainable design, such as resource- and energy-saving design, and cooperating with business partners to reduce CO₂ emissions from the use of products sold, and products and services purchased, which account for 90% of total emissions.

Breakdown of CO₂ emissions (Scope 1 + 2 + 3) in FY2024
(k tons CO₂)



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

Scope of calculations:

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

Creation and provision of sustainable products and services

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

Achieving sustainable products

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

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

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

- Product life-cycle CO₂
- Indicators for resource consumption reduction and resource recycling
- Decarbonization, resource recycling, biodiversity conservation (environmental pollution prevention), and information disclosure

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

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

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

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

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

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

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

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

Provision of sustainable services

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

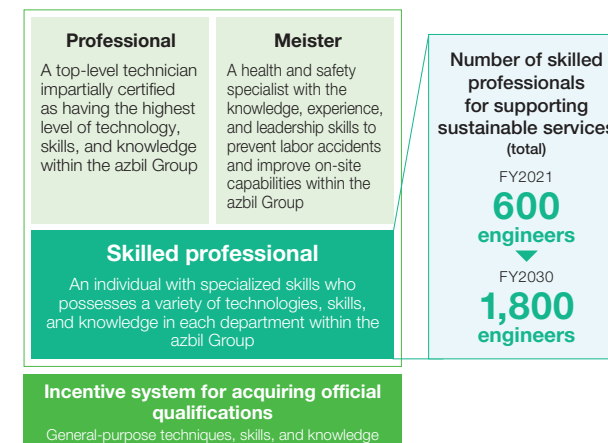
Increase the number of **skilled professionals** for supporting sustainable services provided by the azbil Group to
a total of 1,800—triple the number in FY2021

In May 2024, we set a new indicator of our SDG goal to triple the number of skilled professionals supporting sustainable services provided by the azbil Group, compared with FY2021, to a total of 1,800 engineers. Skilled professionals, verified by an in-house qualification system, will practice field engineering services to solve environmental issues through productivity improvement and stable operation using automation technology at customers' sites,

aiming to create value unique to the azbil Group.

To this end, we will work to develop human resources to support field engineering services that contribute to achieving a sustainable society.

In-house qualification system



Supply Chain

Basic approach

Fulfilling social responsibilities together with business partners

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

 azbil Group Basic Procurement Policy and Sustainable Procurement Guidelines

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

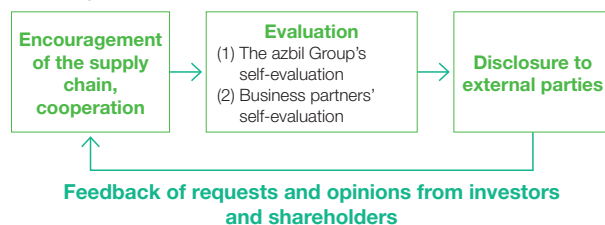
The azbil Group's Essential Goal III for the SDGs

Fulfilling social responsibilities together with business partners

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

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

PDCA cycle



Focus areas in the supply chain

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

Supply chain activity promotion system

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

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

Priority themes for FY2024 and beyond

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

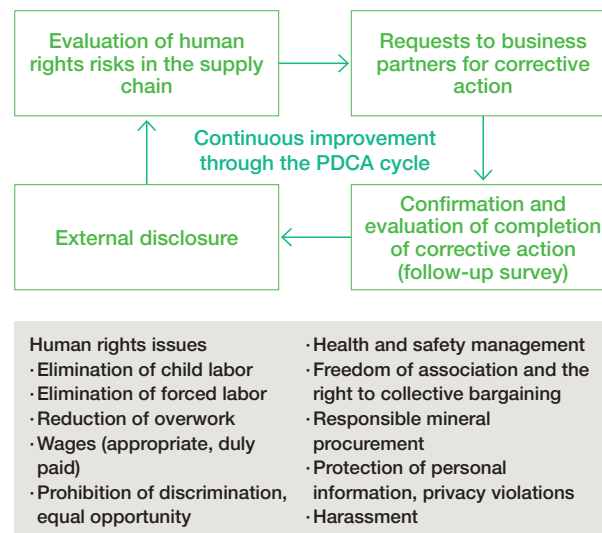
Efforts to respect human rights: Human rights due diligence in the supply chain

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

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

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

Human rights due diligence process



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

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

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

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

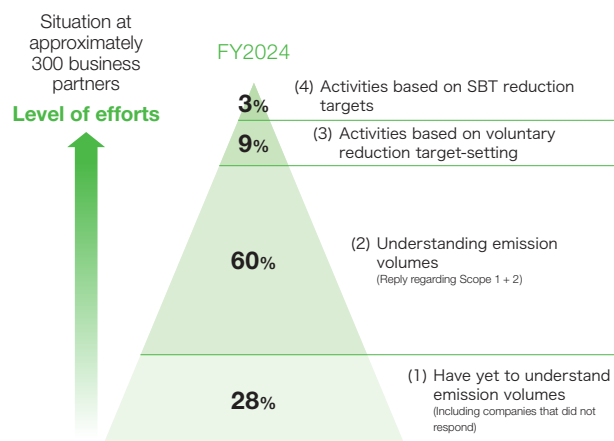
Efforts to address climate change (1): reduction of CO₂ emissions in the supply chain

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

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

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

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

CO₂ emission reduction initiatives by major business partners

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

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

Encouraging business partners

Briefing on guidelines to business partners

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

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

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

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

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

Promotion of diversity

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

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

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

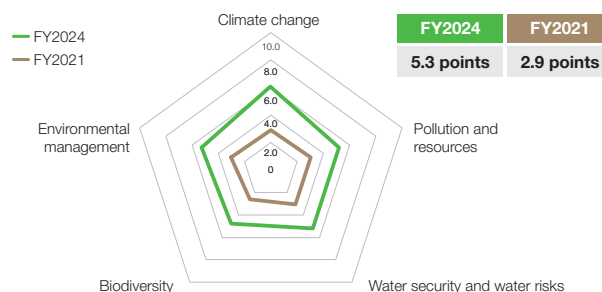
This initiative will continue into FY2025, with Azbil Corporation not only selecting proposal recipients but also broadly inviting business partners wishing to receive proposals and/or hiring support, thereby taking these initiatives to the next level. By doing so, we aim to simultaneously resolve challenges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

Evaluation of FY2024 activities and future plans

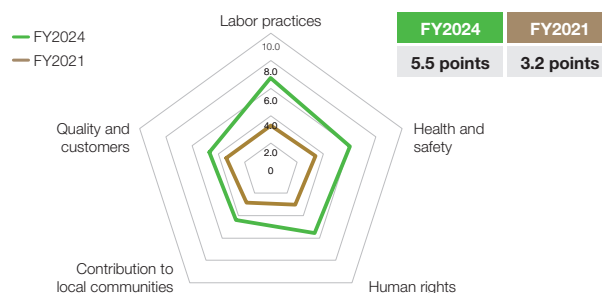
Overall evaluation of FY2024 activities

Based on the azbil Group's self-evaluation criteria, the azbil Group conducts an annual comprehensive evaluation of its initiatives in 10 target areas of the environment and society. This evaluation incorporates not only the azbil Group's own initiatives but also self-evaluation by its business partners. In the FY2024 evaluation, the various initiatives up to now were successful, with each criterion in the environment and social generally increasing by an average of 2.3 points compared with FY2021, the initial year for these activities. The improvement in these scores was driven by initiatives such as conducting Sustainable Procurement Guidelines briefings, implementing human rights due diligence efforts on the social aspect, and collecting information

Environment



Social



on environmental law and regulation violations on the environmental aspect.

Initiatives for FY2025

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

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

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

Message from a business partner

KIKUCHI Inc.

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

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

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

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



Mr. Tooru
Asaoka
Director,
Business Strategy
Office

Mr. Daisuke
Kikuchi
Executive
Director

Mr. Yoshikazu
Yabe
General Manager,
General Headquarters
for Business

Risk Management

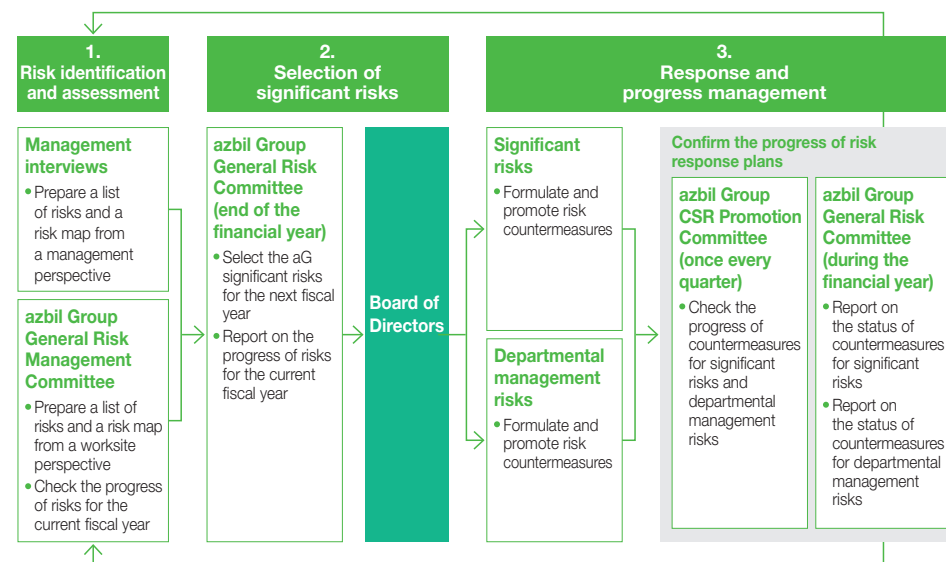
To avoid losing enterprise value and the trust of the public, the azbil Group strives to accurately understand and minimize risk factors with the potential for serious impact on operations.

The azbil Group's risk management

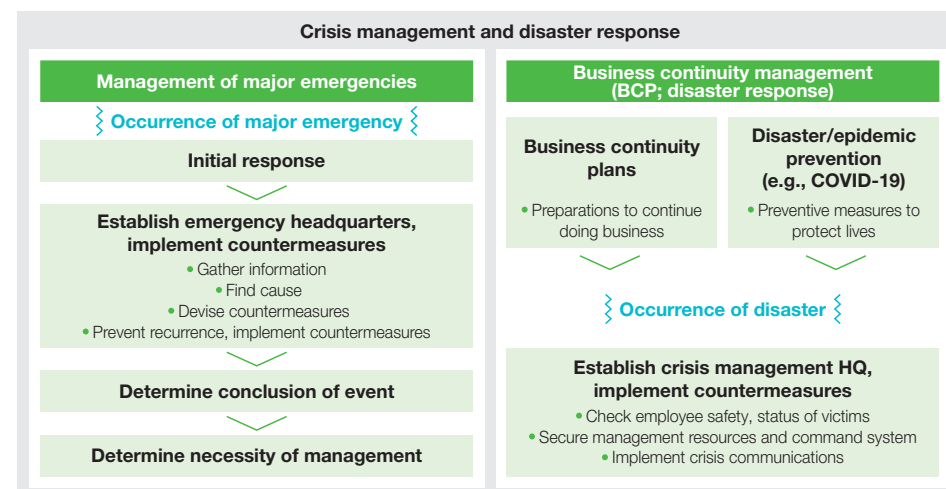
To minimize risk from possible future events, we comprehensively identify risks every year, taking changes in the external environment into account, and select significant risks based on quantitative standards such as the financial impact and frequency of those risks. To realize meticulous risk management that integrates bottom-up and top-down approaches, we have adopted a procedure to ensure that top management has a full understanding of the information from the bottom (departments handling onsite work), enabling more informed decision-making. Of the 121 risks comprehensively identified in FY2025, we selected 17 as significant risks that would have a severe impact on the business of the azbil Group, and categorized other risks as departmental management risks. Significant risks are handled by officers who are fully responsible for those risks, whereas departmental management risks are handled by the head of the corresponding department. They both formulate and promote risk mitigation plans for reducing risks. Quarterly reports on the progress of implemented measures are provided to the general risk management department and executive officer in charge of risk management, who is ultimately responsible for the risk management of the azbil Group. These reports are made at the azbil Group CSR Promotion Committee meetings, which are attended by divisional managers and officers in charge of CSR at Group companies. Significant risks are further discussed at semiannual azbil Group General Risk Committee meetings, which are attended by the members of Azbil's Management Meeting and headed by the executive officer in charge of risk management. At these meetings, the progress and effectiveness of risk mitigation plans are confirmed, the impact and/or likelihood of these risks occurring at the end of the financial year are managed to ensure risk reduction, and these efforts are improved through the PDCA cycle.

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

Risk management process



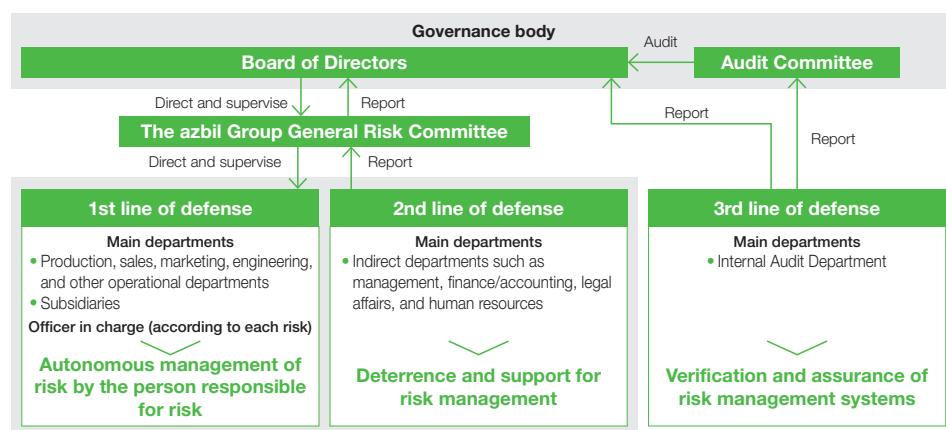
Crisis management and disaster response (handling of major incidents)



Risk management system

The azbil Group manages risk based on three lines of defense. In the Group's overall activities, we are working to improve the organization's internal control and risk response functions through three lines of defense, with clearly defined responsibilities. As the first line of defense, we are strengthening autonomous management by clearly identifying an officer responsible for each risk. As the second line of defense, indirect departments are primarily responsible for developing and managing countermeasures and providing support for risks that should be addressed by the entire organization, thereby functioning to deter risk and support risk management. As the third line of defense, the Internal Audit Department verifies and ensures the risk management systems of the first and second lines of defense. The azbil Group conducts a comprehensive identification of risks that could have a significant impact on management and assesses their degree of impact and likelihood of occurrence. Interviews are conducted with management to identify and evaluate risks from management's perspective. The azbil Group General Risk Management Committee comprised of department heads and department general managers identifies and evaluates risks from the perspective of worksites and compiles the results of these two activities into a list of risks with evaluations and a risk map (a document in which risks are arranged in a 5×5 matrix based on impact and likelihood of occurrence). The azbil Group General Risk Committee deliberates on this data and selects significant risks, which are then reported to the Board of Directors.

Risk management system based on our three lines of defense



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

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

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