

Sustainability Management

Turning Sustainability into a Driver of Growth

—Creating a Virtuous Cycle of Social and Enterprise Value—

Guided by the spirit of our founding, the azbil Group has established policies on sustainability and is advancing initiatives that contribute “in series” to the global environment and a sustainable society. Through automation technologies that connect people and society, we have reduced environmental impacts by properly managing resource and energy consumption while enhancing the quality of spaces in buildings, factories, and lifeline infrastructure.

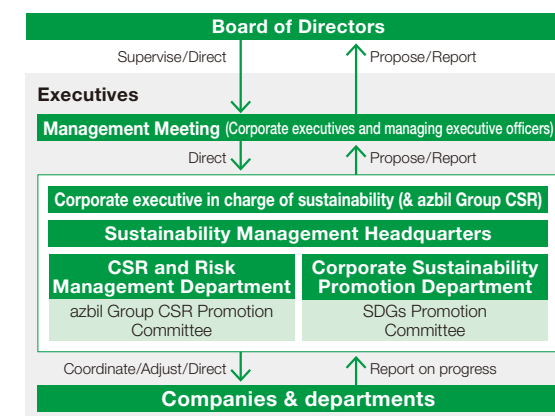
To realize a sustainable society, it is indispensable to establish mechanisms that enable the efficient use of limited resources and energy. Addressing these societal challenges is not only an expectation placed upon us by society but also an opportunity for the Group to continuously create value through its business activities and achieve growth. We believe that the essence of sustainability management lies in achieving our growth while resolving societal challenges. In FY2026, we formulated our Purpose, “Expanding Technological Frontiers, Unlocking Human Potential.” Guided by our Purpose, which serves as our reason

for existence, we carry forward our founding spirit of “freeing people from drudgery” and seek to unlock human potential through the practice of “human-centered automation,” realizing safety, comfort, and fulfillment in people’s lives while contributing to global environmental preservation. Materiality serves as the guidance for putting our Purpose into practice. We incorporated a double materiality perspective that evaluates both the financial impact of environmental and social factors on the Group and the impact of corporate activities on the environment and society, and, in accordance with this evaluation, we identified 11 material issues across five focus areas. Based on this materiality, we have established proprietary targets aligned with the SDGs and are advancing initiatives that are directly linked to the measures set out in our medium-term plan.

In addition to formulating our Purpose, we reviewed our materiality in light of significant changes in the business environment and have disclosed the results of the review in this report. In recent years, the importance of supply chains and human capital has increased globally, while technological innovation and responses to societal challenges have accelerated in areas such as the semiconductor market, the data center market, and GX-related solutions, all of which we regard as growth areas. As a result of reassessing both significance and financial impact in response to these developments, we elevated the priority of supply chain and human capital issues and added “water resources” as a new material issue.

Behind this decision lies the rapid increase in water consumption in data centers and other facilities driven by the widespread adoption of generative AI. Water resources are closely linked to cooling functions in the air-conditioning field and to the stable and efficient supply of water, which is

System to advance sustainability management



Under the leadership of the corporate executive responsible for sustainability, the azbil Group operates both the azbil Group CSR Promotion Committee and the SDGs Promotion Committee.

In April 2026, to further strengthen sustainability management across the entire Group, we established the Sustainability Management Headquarters and consolidated within it the specialized organizations that had served as the secretariats for these two committees. This has enabled us to centrally monitor and manage sustainability-related initiatives across the Group while further strengthening our promotion system. Progress and issues identified by the two committees are deliberated in the Management Meeting, and the Board of Directors appropriately oversees these activities.

As illustrated above, the azbil Group has established a Group-wide framework for promoting sustainability management.

Takayuki Yokota

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



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social infrastructure. Over the longer term, water resources could influence not only business continuity but also future growth opportunities for the Group. As we continue to expand our global operations, we recognize that water resource management is an important theme from the perspectives of both physical risks associated with water scarcity and the creation of new business opportunities.

Taking physical risks into account, we are analyzing opportunities from multiple perspectives across each of our business segments: in the Building Automation business, we assess the impact associated with efficient use of cooling water in air-conditioning systems for data centers; opportunities related to water-efficient equipment and services and solutions to prevent environmental incidents in the Advanced Automation business; and the potential of leak detection services in the Life Automation business. We regard water resources not merely as a part of an environmental issue, but as a management issue that requires priority attention, closely tied to both responding to societal requirements and enhancing our enterprise value.

Respecting human rights is also positioned as one of our key management priorities. We are promoting human rights due diligence across the entire value chain, including our supply chain, identifying priority human rights issues and strengthening our initiatives accordingly. In FY2025, we conducted a survey of initiatives across domestic and overseas Group companies and developed a road map for FY2026–FY2027 based on the findings. Furthermore, in April 2026, we established the azbil Group Human Rights Subcommittee, creating a framework to advance human rights initiatives more effectively, including direct dialogue with stakeholders such as human rights organizations.

In addition, we support the recommendations of the TCFD and TNFD and are working to further enhance our identification of opportunities and risks related to climate change and natural capital, as well as the quality of our disclosures. Looking ahead to the introduction of new sustainability disclosure standards, we will continue

to advance integrated and highly transparent disclosure practices.

As a foundation supporting these sustainability management initiatives, we regard the strengthening of human capital as a key management priority. For the azbil Group, which creates value through its automation businesses, people are our most important form of capital. Under our medium-term plan, we have committed to significant investment in human capital, increasing total personnel-related investment by approximately ¥32 billion over the three-year period compared with the previous medium-term plan. We are advancing initiatives centered on “implementing health and well-being management” and “developing and strengthening an organization that never stops learning.”

In addition to building personnel systems that enable all employees to work in a positive environment and be rewarded for their achievements, we are focusing on the development and acquisition of global talent and highly

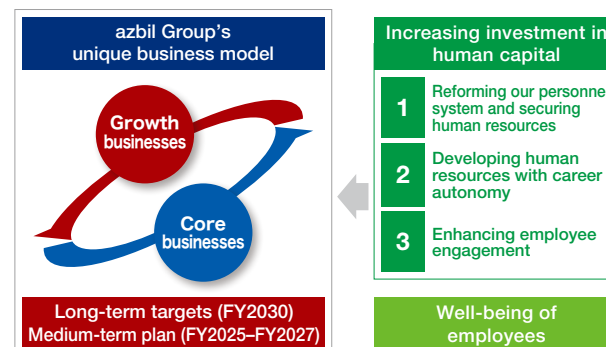
specialized professionals who will support future business growth. In our overseas business, we have established a dedicated organization to promote recruitment, development, and retention initiatives tailored to the characteristics of each country and region. We are also strengthening the development of DX talent and reskilling in response to the rapid advancement of AI and digital technologies. By leveraging emerging technologies, including generative AI, we are cultivating people capable of driving business transformation and creating new value while supporting each employee’s autonomous career development.

Moreover, our investment in human capital extends beyond capability development to include the enhancement of employee engagement and the creation of meaningful and rewarding work. Through measures such as the revision of compensation systems, the enhancement of employee benefits, and the employee stock ownership plan (J-ESOP-RS), which fosters a sense of ownership, we are also promoting our health and well-being management, including improvements to a workplace culture characterized by openness and transparency. We believe that a corporate culture in which employees can fully realize their potential and where people with diverse values and expertise learn from one another and grow together is the true source of sustainable enterprise value enhancement.

We also believe that realizing the well-being of each employee leads to enhanced enterprise value, which in turn contributes to the well-being of society. Sustainability is not a special activity separate from corporate activities. Through our businesses, human capital, technologies, and management itself, we will create a virtuous cycle of social and enterprise value, pursuing both the realization of a sustainable society and the sustainable growth of the azbil Group. Through these efforts, we will continue to advance the philosophy of “human-centered automation” into the next era for implementation of “Expanding Technological Frontiers, Unlocking Human Potential.”

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.



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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. In response to changes in our business structure in line with future technological developments and new developments in society, and to achieve our long-term targets and medium-term plan, we secure excellent talent with diverse values and backgrounds, develop human resource systems that enable employees to thrive over the long term, foster talent that can adapt flexibly as “an organization that never stops learning,” 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, commercial buildings, and lifeline utilities) 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 expand the customer base in our growth businesses while improving sustainability and profitability in our core businesses. By cycling from growth businesses to core businesses and back to growth businesses, we aim to achieve sustainable business growth through “Evolution and Co-creation.”

As digital technologies, including rapidly evolving AI, continue to transform the business environment, we see business transformation and new value creation through AI as a key management priority.

While our strengths lie in advanced measurement and control technologies and field expertise built over many

years, an aging workforce and greater employee mobility have made intergenerational skills transfer more important. Accordingly, in addition to leveraging generative AI, we are promoting the standardization and visualization of technologies and expertise, while developing talent through our Professional/Meister system. We are strengthening the foundation for sustainable value creation across the organization. We aim to build a strong business foundation that does not rely on specific individuals by creating an environment where technologies and expertise are shared and accessible to all, while enabling employees to continue growing through hands-on experience.

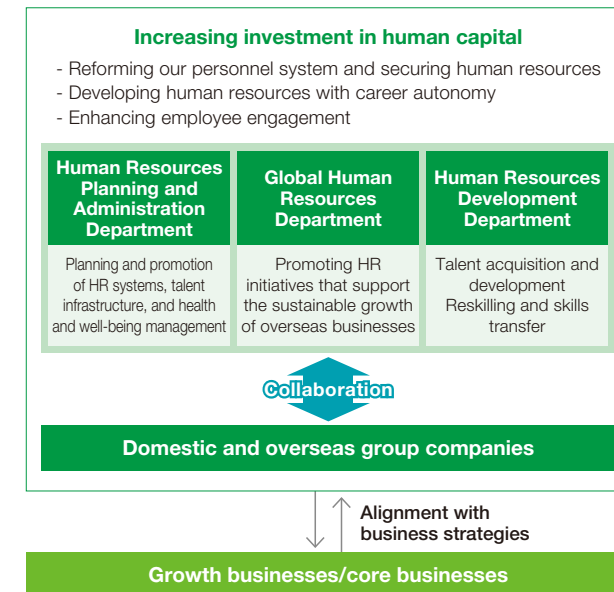
Alongside these efforts, we will promote training programs that support employees in taking ownership of their careers, continuous upskilling in their areas of expertise, and reskilling to adapt to evolving roles and responsibilities.

Investing in human capital and enhancing framework

Under the FY2025–FY2027 medium-term plan, 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, with a view to strengthening the azbil Group’s unique business model. To support these efforts, we plan to increase total personnel expenses by ¥32 billion over three years compared with the previous medium-term plan as part of our investment in human capital.

In FY2026, we reorganized our structure to integrate our human resources and talent development functions to address a broad range of challenges related to human resources and talent development, including investment in human capital and reskilling, while supporting global growth. This initiative is intended to strengthen collaboration across businesses and organizational capabilities, enabling us to respond more effectively to changes in the business environment and drive business transformation.

Framework for strengthening human capital



Reforming our personnel system and securing human resources

Personnel system reform

In FY2018, we revised our personnel system and now operate 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. The revised system was designed to create an environment in which each employee can maximize his or her abilities.

In recent years, the environment surrounding companies has been changing dramatically due to changes in the societal structure as individual values and lifestyles continue to diversify. In response, we aim to secure and retain human resources and enable all employees to autonomously demonstrate their potential in rewarding work

Human Capital

environments, with a view to future growth through “Evolution and Co-creation.” In FY2025 and FY2026, we continued to revise our personnel and remuneration systems. These revisions included raising the level of compensation, establishing new allowances specific to certain job categories, and raising the retirement age from 60 to 62. We introduced a bonus system based on the Group’s overall performance and individual achievement to encourage employees to maximize their capabilities and improve productivity.

Securing human resources: stabilization of our human resource base

In addition to strengthening our core businesses, we are working to attract talent that will support our growth businesses by aligning recruitment efforts with our brand strategy and enhancing our employer value proposition.

For domestic recruitment, we have improved recruitment competitiveness through measures including revisions to personnel and remuneration systems. We have expanded our scope of mid-career recruiting and secured human resources who can make an immediate impact through various channels, such as referral-based and alumni recruiting methods. For hiring new graduates, we expect our young talent to infuse new life into the organization with their flexible ideas. We define innovative human resources as individuals who are skilled at creating new solutions and continue to conduct our own selection process independently of conventional recruitment criteria. In addition, to increase the number of employees who can contribute globally, we are focusing on recruiting global talent through initiatives such as participation in overseas career forums.

For overseas recruitment, we are strengthening recruitment capabilities and improving employee retention at overseas subsidiaries and affiliates based on global business plans to support local market needs. We regularly monitor key indicators, including hiring, resignations, and turnover rates, and work closely with overseas subsidiaries and

affiliates to develop and implement measures where challenges are identified.

Developing human resources with career autonomy

Approach and initiatives for the development of human resources

To ensure business activities that contribute “in series” to a sustainable society, the Azbil Academy, a specialized institution for cultivating human resources, has played a central role in deploying initiatives in accordance with the Basic Principles of Human Resource Development since its establishment in FY2012. These principles 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.”

In FY2026, we integrated our recruitment, placement, and talent development functions into a single organization to strengthen talent development that supports employees in taking ownership of their careers and aligns with our business strategy. At the same time, we strengthened collaboration with talent and development committees across our businesses and corporate functions. By aligning recruitment, placement, and development with workplace needs, we are helping employees become productive more quickly and maximizing value creation.

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.

 **Basic Principles of Human Resource Development**

https://www.azbil.com/sustainability/social/learningorganization_hrd/principle.html

Evolution of the human resource development program

Working in cooperation with workplaces and sites, we provide employees and business partners with various training programs, including company-wide training, annual training for employees in their first to fifth year at the company, and position-specific training until they reach manager level. In addition, we have developed talent that supports the sustainable growth and profitability of our core businesses by providing opportunities to build the mindset and skills needed for DEI, DX, and global leadership through selective development programs, while also supporting career development through mentor programs, in-house internships, and our Professional/Meister systems.

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

In an age of longevity and rapid change, characterized by VUCA and BANI, employees are expected more than ever to anticipate future shifts and respond with agility. To that end, we are promoting the development of human resources who are capable of independently thinking about and envisioning their career paths, of learning and growing on their own to achieve their goals in that respect, of accelerating their own career autonomy and self-directed learning, and of taking action in the direction of “Evolution and Co-creation.”

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

To support these efforts, we will expand career planning seminars, offering them to employees at ages 35, 45, and 55 and encouraging participants to reflect on their career paths.

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Overview of human resource development

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

In addition to our existing training programs tailored to career stage and job level, we will enhance self-directed learning opportunities and expand external e-learning content, enabling employees to learn regardless of timing or position. We will also strengthen mechanisms that encourage collaboration and co-creation through the interaction between workplace OJT and OFF-JT provided by the training function, enabling efficient and effective employee growth.

As these efforts evolve, we will expand and accelerate our efforts to develop DX human resources and global talent, which we have been continuously focusing on.

Developing DX talent

DX will serve to support the further expansion of both our growth and core businesses and the strengthening of our management base. To promote and accelerate DX, it is necessary to transform and create businesses and operations through business capabilities, data science capabilities, and data engineering capabilities. To develop DX talent, we define DX talent roles at Azbil and conduct various seminars and educational programs to facilitate skill acquisition, while utilizing our in-house Learning Management System (LMS) and external e-learning.

We will continue to expand our DX talent development efforts and accelerate their deployment globally in cooperation with the training leaders at our overseas bases.

Cultivating global talent

To support the expansion of our global business operations, we define global talent 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 company. They are also able to embody the Group philosophy when they behave and when they provide value. Specific initiatives include biannual English-language leadership training, internship programs that foster cross-cultural understanding, short-term exchange programs with overseas subsidiaries and affiliates, language and management development programs, and career support for employees on international assignments. Through both in-person and online learning opportunities, we continue to invest in talent development. Through these efforts, we continue to accelerate the development of global talent.

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.

To support human resource development and the continuous improvement of the work environment, we have established the following FY2030 targets as part of the Essential Goals of the azbil Group for the SDGs:

- Achieve a 65% or more ratio of employees who experienced personal growth over the past year
- Achieve a 65% or more ratio of employees who find satisfaction in working at the azbil Group

By creating an environment where employees can embrace our vision and maximize their potential, we aim to achieve our FY2030 targets through greater employee engagement.

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 (with the company and its employees unified in the creation of new work styles and job satisfaction), which began with the telecommuting arrangements formed during the COVID-19 pandemic. We are promoting hybrid working arrangements, combining office and remote work, while providing employees with a new office environment. In addition, we are implementing a variety of communication initiatives to strengthen connections among employees, promoting cross-functional interaction and learning across the organization.

Human Capital

Overview of health and well-being management



 **azbil Group Health and Well-being Declaration**
https://www.azbil.com/sustainability/social/health_wellbeing/declaration.html

Promoting diversity, equity and inclusion

In promoting diversity, equity and inclusion (DEI), we believe that growth is driven by employees from diverse backgrounds respecting one another's individuality and fully demonstrating their abilities. Based on this belief, we launched the Azbil Diversity Network (ADN) in FY2017 and have actively advanced DEI initiatives ever since.

Originally focused on supporting female employees, ADN expanded its scope in FY2021 to include a more diverse range of talent, such as mid-career hires and employees from different national backgrounds. Through ADN's activities, employees with diverse backgrounds engage in dialogue and collaborative discussions, generating a variety of recommendations for the company. We are actively working to turn these recommendations into action.

Against this backdrop, in FY2025, the azbil Group established the following targets: percentage of female employees at managerial or specialist positions to be 10%

or more and approximately double the percentage of female employees at managerial or specialist positions across the azbil Group in Japan by FY2027 (versus FY2017). We will continue strengthening efforts to promote the advancement of women and create an environment in which diverse talent can thrive.

Incentive programs to enhance employee engagement

We have introduced the employee stock ownership plan (J-ESOP)*¹ for 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. In April 2025, the plan was revised into the 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 (J-ESOP-RS). As a result, employees are able to exercise voting rights and receive dividends as shareholders.

In addition, we have introduced E-Ship®*², a trust-type employee shareholding incentive plan that enables employees to benefit from increases in enterprise value over the medium to long term through participation in the employee stock ownership association. Through these initiatives, we are promoting a stronger sense of ownership among employees and increasing understanding and adoption of the programs. Going forward, we will continue fostering a commitment to the company's growth and linking these efforts to the growth and performance of the company, as well as to the enhancement of enterprise value.

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

*² A system where a trust acquires in advance the number of company shares anticipated to be acquired by the stock ownership association over a predetermined period (three years). Thereafter, the trust continuously sells the company's shares to the 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.

Recruitment that communicates our values: connecting people through shared aspirations

Yuta Mizuno (left)
 Haruka Wada (right)
 Human Resources Development Department



In recruiting new graduates, we strive not only to provide information about the company but also to communicate what makes Azbil Corporation attractive in our own words and through our own experiences so that students can feel a closer connection to us.

We also value opportunities to engage with people from diverse backgrounds. Through participation in overseas recruitment events, we have been exposed to a wide range of perspectives and values, broadening our understanding of different viewpoints and contributing to our personal growth. It was particularly rewarding to contribute to the company through tangible recruitment results. Another distinctive feature of our company is that younger employees are given opportunities to take on meaningful challenges early in their careers. Recruitment is not driven by the human resources function alone. It is supported by employees across the company. The authentic voices of employees help prospective candidates gain a deeper and more concrete understanding of aspects of the company that cannot be fully conveyed through formal recruitment activities.

In May 2026, Azbil Corporation formulated its Purpose. We believe that our Purpose will further strengthen each employee's sense of pride and commitment. Since joining the company, we have come to appreciate that we play an important role in supporting social infrastructure and that its value is reflected in countless aspects of everyday life. We have also seen that many employees take pride in our businesses and technologies because they are inspired by the possibilities of measurement and control technologies.

We view recruitment as an opportunity to bring together people who share our values and aspirations. By working together with employees across the company, we look forward to welcoming new colleagues and contributing to our continued growth.

Human Rights Initiatives

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/sustainability/social/human_rights/human_rights.html

As part of our CSR activities, the azbil Group CSR Promotion Committee works to maintain and enhance respect for human rights by regularly formulating plans and reviewing progress. In April 2026, we established the azbil Group Human Rights Subcommittee under the Committee to promote cross-functional human rights initiatives and oversee their planning and progress.

Human rights due diligence and priority human rights issues

To appropriately manage human rights risks 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 FY2025, we surveyed relevant departments and reviewed the status of initiatives at the company and its domestic and overseas Group companies. Based on the results, we established a road map for FY2026–FY2027 and are strengthening our efforts. We regularly review our priority human rights issues and response policies, taking into account changes in the business environment and stakeholder perspectives.

In the supply chain, the azbil Group also implements risk assessments related to human rights violations and strives to promptly correct any identified risks. See page 58 for details.

These initiatives are deliberated at the Management Meeting, and the results are reported to the Board of Directors. Based on the outcomes of these deliberations, we strive to disclose relevant information transparently.

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)
Surrounding residents	Product and service quality and safety
Job seekers	Local residents and impact on the environment
All	Discrimination
	Violations of access to reporting and consultation services/ right to receive aid measures

Dialogue with stakeholders

We prioritize dialogue with stakeholders in our initiatives related to respect for human rights. We conduct an annual dialogue on our human rights initiatives with Akiko Sato, an attorney and expert in business and human rights who is also active in a human rights NGO that represents one of our stakeholder groups.

The azbil Group's systematic approach to human rights is commendable, particularly its identification of priority issues and its steady implementation of human rights due diligence throughout the supply chain. It is also important to move beyond individual initiatives and further embed human rights considerations across all aspects of management while continuing to strengthen the organizational framework. To enhance the effectiveness of these initiatives, it is essential to continuously assess and review performance through a range of KPIs, while making full use of grievance mechanisms and feedback from stakeholders directly affected, including employees and suppliers. In addition, it will be critical to further strengthen initiatives aligned with international human rights standards, including addressing emerging human rights risks related to technological advances such as AI and changes in the social environment, while leveraging insights from external experts, including rights holders and other affected stakeholders.



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 accessible to all stakeholders to prevent adverse human rights impacts and facilitate their early identification and resolution.

Consultation and reporting on human rights issues, laws, and ethics violations

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.



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

Our basic approach

The azbil Group, in light of international developments such as the United Nations' SDGs and the 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 products and services designed for sustainability 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.

Disclosure aligned with the TCFD and TNFD recommendations

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), the azbil Group 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.



https://www.azbil.com/sustainability/environment/tcfd_tnfd/index.html

Governance

Role of the Board of Directors

Based on the sustainability management promotion framework, 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.



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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.51](#) Human Rights Initiatives



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

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Strategy

Opportunities and risks were analyzed in line with the TCFD's recommended approach for climate change and the TNFD's recommended approach (LEAP) for natural capital.

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 FY2030 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.

*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.

We divided risks into physical and transition 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 transition risks, we are implementing systematic risk mitigation measures concerning our own GHG emissions. Emissions from the azbil Group's business activities, as shown on page 56, were approximately 10 thousand 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

Environment

of the impact on the azbil Group's business in FY2030 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, renewable energy sources, and emissions trading with an energy management system (EMS) that centrally manages everything from the visualization of CO₂ emissions to carbon offsets. Our estimates are based on scenarios with certain assumptions, historical installation data, and customer needs in the hospital and hotel markets, where energy use is high.

Advanced Automation business: approx. ¥5 billion

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

* CCUS: Carbon dioxide Capture, Utilization, and Storage

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

 **p.55** Decarbonization transition plan

Opportunities and risks in climate change, natural capital

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)
Transition 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.
			Group-wide	Increasing demand for new solutions utilizing IoT technology such as ecosystem monitoring
				Increased R&D costs for new products and services to meet new regulations
Physical risks	○	○	Group-wide	Increased production and procurement costs due to rising energy and raw material prices
				Reduced conventional capital investment from customers due to the burden from carbon taxes, biodiversity conservation, and other associated costs
			Group-wide	Operational stoppages and inability to provide products, services, and solutions due to abnormal weather (e.g., floods, droughts, rising temperatures)
				Significant reduction in customer investment due to business instability caused by abnormal weather (e.g., floods, droughts, rising temperatures)

Derivation approach for natural capital opportunities and risks

Identification 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, we have identified 27 business partner locations. In addition, regarding risks associated with the manufacturing processes of electronic components, which are considered to have a significant impact on natural capital across the supply chain, the azbil Group has prioritized areas for assessment within the supply chain as an initial step in conducting substantive investigations. Based on this prioritization, the azbil Group is also assessing secondary business partners.

▷ Direct operation (azbil Group business activities)

This initiative targets 17 major production sites with a high impact on natural capital. One of the areas assessed as having particularly high ecosystem integrity is the Group's base in Kyotamba Town, Kyoto Prefecture. Since FY2013, the azbil Group employees and their families have continuously conducted nature observation activities, surveys of local trees, and environmental conservation initiatives such as tree planting and forest thinning. These efforts contribute to maintaining the integrity of the surrounding ecosystem. In FY2025, Azbil Kyoto Forest, located within the premises of this facility, was certified by Japan's Ministry of the Environment as a Nationally Certified Sustainably Managed Natural Site.

 **Azbil Kyoto Forest Designated as a "Nationally Certified Sustainably Managed Natural Site" by Japan's Ministry of the Environment**
<https://www.azbil.com/press/251008.html>

Environment

Dependence and impact

We have identified dependencies and impacts relevant to the azbil Group at each stage of upstream, direct operation, and downstream*1, based on the nature and magnitude of business activity dependencies and impacts (ENCORE*2), ecological sensitivity, and business characteristics. The azbil Group will continue to assess the actual conditions of events identified as potential impacts.

*1 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.
*2 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>

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	We depend on water resources used as cooling water for air-conditioning systems.	Inappropriate waste treatment of the product could result in pollution of the atmosphere, water, or soil.

Additional information on the identification of priority locations and the assessment of dependencies and impacts is available on our website.

 Disclosure aligned with the TCFD and TNFD recommendations
https://www.azbil.com/sustainability/environment/tcfd_tnfd/index.html

Opportunities and risks

In line with the LEAP approach, the azbil Group identified priority locations and assessed dependencies and impacts. Based on the results of these assessments, the opportunities and risks identified through the analysis are as follows.

In addition, the azbil Group conducted scenario analyses based on its track record in each market and changes in the respective business environments.

Opportunities	Building Automation business: approx. ¥0.4 billion Against the backdrop of growing global water demand, including substantial water consumption by data centers driven by the expansion of the use of AI, the azbil Group expects demand to increase for control systems that optimize the use of cooling water in air-conditioning equipment and applications that support saving water.
	Advanced Automation business: approx. ¥0.2 billion The azbil Group expects growing opportunities related to equipment and services that improve water-use efficiency by leveraging our technologies, as well as related to solutions that help prevent environmental accidents, driven by increasing demand for responses to natural capital-related issues.
	Life Automation business: approx. ¥3 billion As water demand increases and challenges related to the stable supply of water resources become more pronounced, demand is expected to grow in the lifeline utilities sector for the accurate measurement and efficient management of water consumption. In addition, the azbil Group expects increased demand for new products, such as for leak detection, that address societal challenges including the aging of water infrastructure.
	Transition risks The azbil Group recognizes that key raw materials could become more expensive or difficult to procure due to regulations related to natural capital and will conduct further analysis, including assessments of supply chain structures.
Physical risks	Under the global strategy of the Building Automation business, the azbil Group recognizes that in regions facing concerns over water scarcity, the continuation of existing businesses and the ability to capture future business opportunities could be constrained if water shortages were to materialize.

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.

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.60](#) – Risk Management

Metrics and targets

Please refer to page 56 for climate change-related metrics and targets, as well as the results of initiatives undertaken in FY2025.

Metrics related to natural capital are presented in “Disclosure aligned with the TCFD and TNFD recommendations” on our website. Targets are currently under consideration and will be disclosed in the future.

Environment

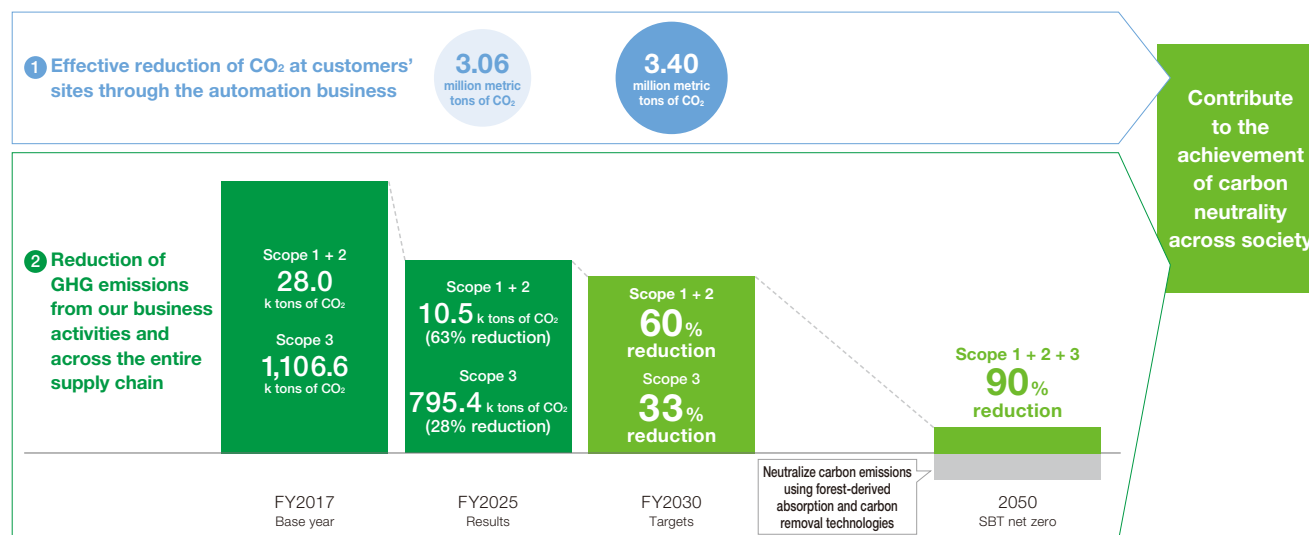
Decarbonization transition plan

To contribute to achieving carbon neutrality across society, the azbil Group has set targets for two areas: the effective reduction of CO₂ at customers' sites through the automation business and the reduction of greenhouse gas (GHG) emissions from our business activities and across the entire supply chain (Scope 1, 2, and 3). For the decarbonization transition plan, see this page; for FY2025 results related to both initiatives, see page 56.

Furthermore, the following 2050 net-zero target covering all GHG emissions (Scope 1, 2, and 3) was certified by the Science Based Targets initiative (SBTi) as a net-zero target in October 2024.

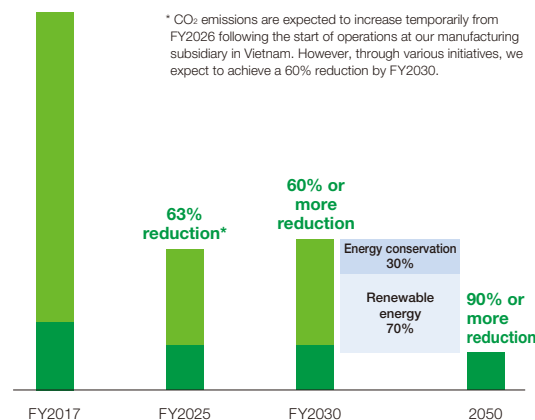
Regarding Scope 1 and 2 emissions, we achieved our FY2030 reduction target of 55% ahead of schedule in FY2024. Accordingly, we increased the FY2030 target to 60%, and the revised target was certified by the SBTi in April 2026.

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



Specific measures

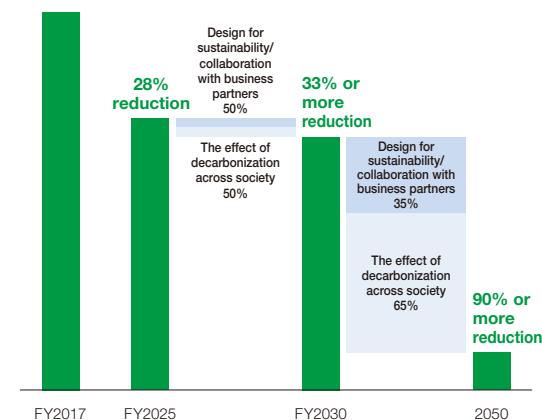
■ Scope 1 ■ Scope 2



For Scope 1 and 2 emissions, we are 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 collaboration with our business lines, we are accelerating initiatives that leverage the energy-saving expertise we have developed over many years. We are actively incorporating renewable energy sources and will further reduce emissions, with a view to transitioning all electricity consumed to renewable electricity by 2050.

Specific measures

Scope 3



As for Scope 3 emissions, to reduce CO₂ emissions from purchased products and services and from the use of products sold, we will continue and expand our efforts in resource-saving and energy-saving design. We also support our business partners' decarbonization efforts by conducting surveys and engaging in detailed discussions on decarbonization initiatives. Looking toward 2050, we take into account scenarios based on global trends and Japanese policy initiatives, as well as projected decarbonization across society.

Environment

Results of climate change initiatives in FY2025

Effective reduction of CO₂ at customers' sites

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

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

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

Total effective reduction of CO₂ at customers' sites (FY2025)

Total 3.06 million metric tons of CO₂/year

Effect of automation **2.68 million metric tons of CO₂/year**

Effect of energy management **0.33 million metric tons of CO₂/year**

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

The total annual effective reduction of CO₂ at customers' sites in FY2025 was 3.06 million metric tons.* This is equivalent to about 1/325th of Japan's CO₂ emissions (about 994 million metric tons). As part of revisions to the calculation methods, we adopted statutory useful lives in estimating the reduction impact and expanded the scope of our CO₂ reduction activities to cover the entire Group. These revisions were subjected to an independent third-party review, and the validity of the methodology was confirmed. As a result, the CO₂ reduction impact increased by 340 thousand metric tons compared with the previous fiscal year. Going forward, in line with business growth, we will continue improving the scope of calculations and calculation methods for CO₂ reduction impacts to further enhance calculation accuracy.

* 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.

Reduction of GHG emissions

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

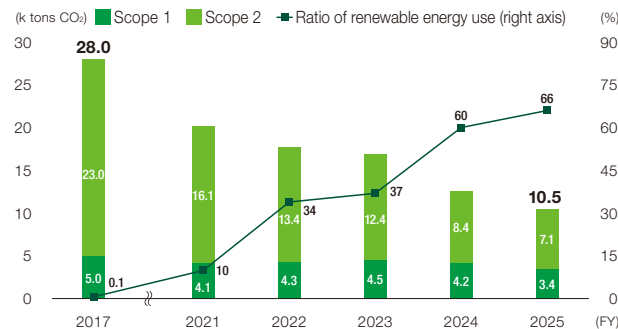
GHG emissions from business activities (Scope 1 + 2):
60% reduction (base year: FY2017)*

GHG emissions across the entire supply chain (Scope 3):
33% reduction (base year: FY2017)*

* Certified by the SBTi.

CO₂ emissions from our own business activities (Scope 1 and 2) in FY2025 were approximately 10 thousand metric tons (a 63% reduction from FY2017). Solar power generation

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



Notes:

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

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

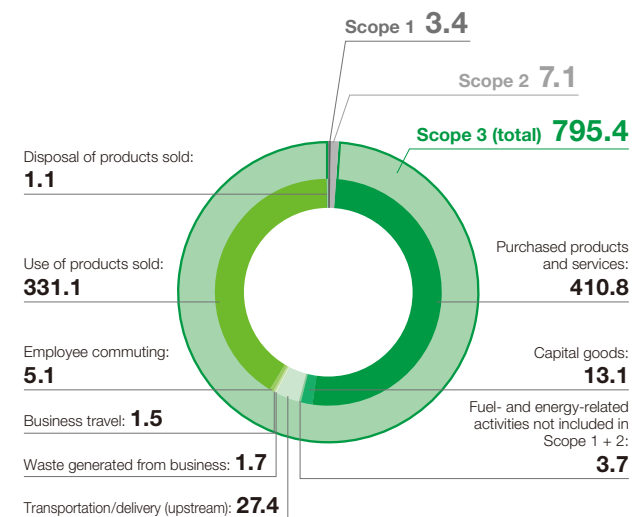
	(FY)	2021	2022	2023	2024	2025
Scope 1 + 2	(k tons CO ₂)	19.0	20.9	20.9	20.2	18.4

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.

equipment is in operation at Azbil Kyoto Co., Ltd., Azbil Control Instruments (Dalian) Co., Ltd., and Azbil Production (Thailand) Co., Ltd. As a result, renewable energy sources accounted for 66% of the Group's total electricity consumption in FY2025. We will continue to strengthen energy conservation efforts and expand the use of renewable energy to further reduce Scope 1 and 2 emissions. CO₂ emissions across the entire supply chain (Scope 3) in FY2025 were 795 thousand metric tons (a 28% reduction from FY2017). To reduce CO₂ emissions from the use of products sold and products and services purchased, which account for 90% of total emissions, we are promoting resource- and energy-saving design and collaborating with business partners.

Breakdown of CO₂ emissions (Scope 1 + 2 + 3) in FY2025

(k tons CO₂)



Note: We have received third-party verification for CO₂ emissions (Scope 1 + 2 + 3).
Scope of calculations: Azbil Corporation and consolidated subsidiaries

Environment

Creation and provision of products and services designed for sustainability

Through the creation and provision of products and services designed for sustainability 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 corporate environmental management.

Developing eco-friendly design

The azbil Group has established the following two SDG targets.

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

Design all new products to meet the azbil Group's own design standards for sustainability*1

Design all new products to meet design standards for 100% recyclability*2

*1 Design for creating and providing 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

*2 Design that scores 100% on the azbil Group's own scale for resource recycling. 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 environmentally conscious design to use natural resources efficiently and reduce the generation of waste. To achieve our FY2030 SDG targets, we established interim targets for FY2025 and achieved them across all applicable products. We also strengthened company-wide awareness of the importance of conducting preliminary

environmental assessments before product design begins. Specifically, before proceeding to the detailed design stage, we assess environmental considerations and establish product development targets. Improvements to our life cycle assessment (LCA) calculation tool are also expected to significantly reduce the workload associated with LCA calculations. Through these initiatives, we will further enhance the overall quality of new product design and evaluation while improving designers' efficiency.

Providing services for sustainability

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

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

In-house qualification system

Professional

A top-level technician impartially certified as having the highest level of technology, skills, and knowledge within the azbil Group

Meister

A health and safety specialist with the knowledge, experience, and leadership skills to prevent labor accidents and improve on-site capabilities within the azbil Group

Skilled professional

An individual with specialized skills who possesses a variety of technologies, skills, and knowledge in each department within the azbil Group

Incentive system for acquiring official qualifications

General-purpose techniques, skills, and knowledge

Number of skilled professionals for supporting services for sustainability (total)

FY2021

600 engineers

FY2030

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. In FY2025, the cumulative number of skilled professionals reached 1,049. We will work to develop human resources to support field engineering services that contribute to achieving a sustainable society.

Other initiatives

Contributing to the conservation and effective use of water resources

As part of our materiality review, we disclosed the financial impacts associated with water resources and reaffirmed the importance of natural capital, while clearly outlining our related initiatives.

Natural environment conservation activities

In FY2025, we conducted six natural environment conservation activities in Fukushima, Fujisawa, and Kyoto, including five on-site activities and one online program. A total of 131 participants took part in these activities.

Compliance with environmental regulations

In FY2025, there were no significant violations of environmental laws or regulations, nor were there any related fines, penalties, or litigation.

Supply Chain

Basic approach

The azbil Group actively promotes initiatives aimed at realizing a sustainable society through its business activities, based on the Group philosophy. Our basic policy is to build long-term relationships of trust with business partners by continuously strengthening initiatives that enhance mutual value and promote mutual prosperity through cooperation.

In addition, to fulfill corporate social responsibility across the supply chain, we have established the azbil Group Sustainable Procurement Guidelines and promoted various initiatives after communicating and deploying them to business partners across the azbil Group.

Supply chain policy framework



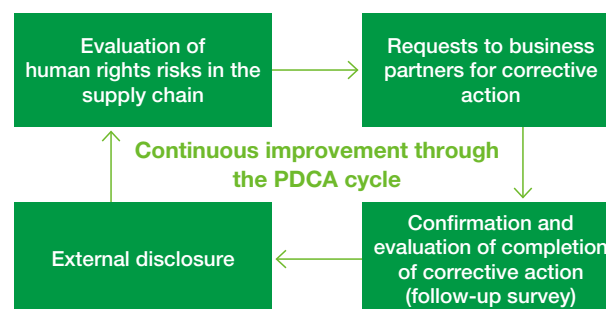
Priority themes

To put into practice the principles of “respect for human rights” and “protection of the environment” set forth in the azbil Group Basic Procurement Policy, we identify 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 encourage our business partners to take part.

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

The upstream supply chain for electrical components used in the azbil Group’s core products includes many overseas business partners. These supply chains are generally considered to carry relatively high risks related to child labor, forced labor, discrimination, and occupational safety, and we recognize the importance of conducting human rights due diligence. To ensure respect for human rights and appropriate corporate conduct across the entire supply chain, we implement risk assessments related to human rights violations and strive to take prompt corrective measures in collaboration with relevant stakeholders when risks are identified.

Human rights due diligence process



These initiatives are carried out in accordance with the azbil Group Basic Human Rights Policy and aligned with the UN Guiding Principles on Business and Human Rights.

In FY2023, we evaluated the risk of human rights violations and requested improvements using dedicated surveys for approximately 300 of Azbil Corporation’s major business partners. In FY2024, similar assessments and improvement requests were conducted for approximately 190 major business partners of the azbil Group.

In response to growing demands from customers and society, Azbil Corporation expanded the scope of these efforts beyond direct business partners (primary business partners) to include secondary business partners upstream in the supply chain. Because the number of secondary business partners could reach several thousand, we narrowed the scope to companies operating in regions where the risk of human rights violations is considered high and that are significant to our business.

Surveys were distributed to secondary business partners through primary business partners, and improvement requests were issued to 29 companies based on the results. When requesting improvements, we took into account the circumstances of small businesses and provided guidance on response methods, specific implementation approaches, necessary document templates, and related information. As a result of these efforts and with the cooperation of primary business partners, we have confirmed improvements at 25 companies.

To date, corrective actions have been completed at a total of 70 companies, including Azbil Corporation’s primary and secondary business partners as well as the azbil Group’s primary business partners. No risks of serious human rights violations, such as forced labor or child labor, have been identified.

In FY2026, we will continue to follow up on the progress of improvement activities undertaken by secondary business partners.

Supply Chain

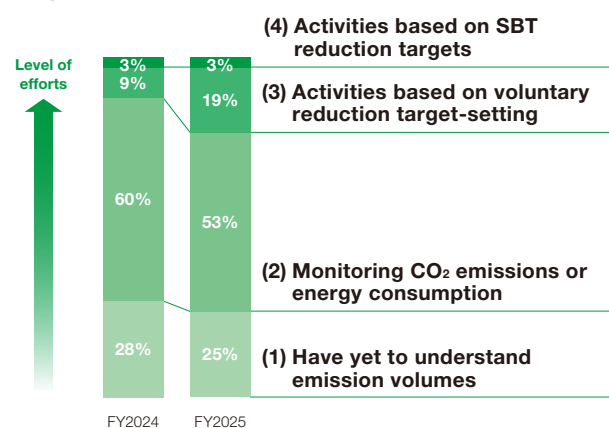
Efforts to address climate change: reduction of CO₂ emissions in the supply chain

The azbil Group has set a target of reducing GHG emissions across the entire supply chain by 33% by FY2030 compared with FY2017 levels. Achieving this target requires the reduction of CO₂ emissions by our business partners. To support this effort, we implemented the following measures in FY2025:

- Distributed materials featuring practical CO₂ emission reduction examples and simplified calculation Excel spreadsheets to major business partners.
- Held webinars on CO₂ emission reduction target setting for business partners without targets and introduced examples of SBT certification for small and medium-sized enterprises.

As a result of these initiatives, the percentage of business partners that have established CO₂ emission reduction targets increased significantly from 9% in the previous fiscal year to 19%.

Progress of CO₂ reduction initiatives



Encouraging business partners

Business partner case study presentation and business partner awards

In FY2025, Azbil Corporation held its first business partner case study presentation to share practical examples of sustainability initiatives and efforts to address societal challenges undertaken by its business partners. The event also provided opportunities for business partners to learn from one another and strengthen mutual relationships.

At the presentation, two business partners with distinctive initiatives that could serve as references for other companies presented the background, approaches, and results of their activities. More than 70 representatives of business partners attended at the venue, and approximately 100 additional participants joined through online streaming.

Following the presentations, business partners exchanged views on key sustainability themes. The event fostered active discussions across industries and positions, providing participants with new insights and learning opportunities.

In addition, two business partners that introduced outstanding initiatives were recognized with awards in appreciation of their exemplary activities.

For more information on the azbil Group's sustainable procurement activities, please refer to the *Sustainable Procurement Annual Report*.

<https://www.azbil.com/sustainability/social/supplychain/annualreport.html>

Message from a business partner

Kansai Automation Equipment Co., Ltd.

A company engaged in maintenance services for automatic air-conditioning control systems, electrical construction, energy-saving solutions, integrated building facility management, automatic control panel design and manufacturing, and the design and development of fine bubble systems for industrial applications in the Kansai region. It is a service company authorized by Azbil Corporation.

Since 2024, our company has operated under a medium-to long-term business plan centered on sustainability and resilience. To address the declining workforce and aging population, we are promoting the development of diverse talent and business diversification. By 2030, we aim to achieve a female employee ratio of at least 25% and a foreign employee ratio of 10%.

Through our relationship with Azbil Corporation, we have engaged in ongoing dialogue on sustainability initiatives as a regionally based partner company, including the practice of "human-centered automation," the effective utilization of diverse talent, and the sharing of best practices.

We believe that regions facing particularly severe human resource challenges must respond flexibly and swiftly to changes in the business environment and take timely action.

This year marks the 60th anniversary of our company, and our business relationship with Azbil Corporation has continued for more than 40 years. Going forward, we will further strengthen our efforts in factory automation businesses, fine bubble technologies, and SDG-related products, building on our expertise in automatic control equipment engineering. Together, we will continue to create value through air, aqua, and automation, which form the foundation of both companies' businesses.



Hirotomo Sakurada
President and CEO

Risk Management

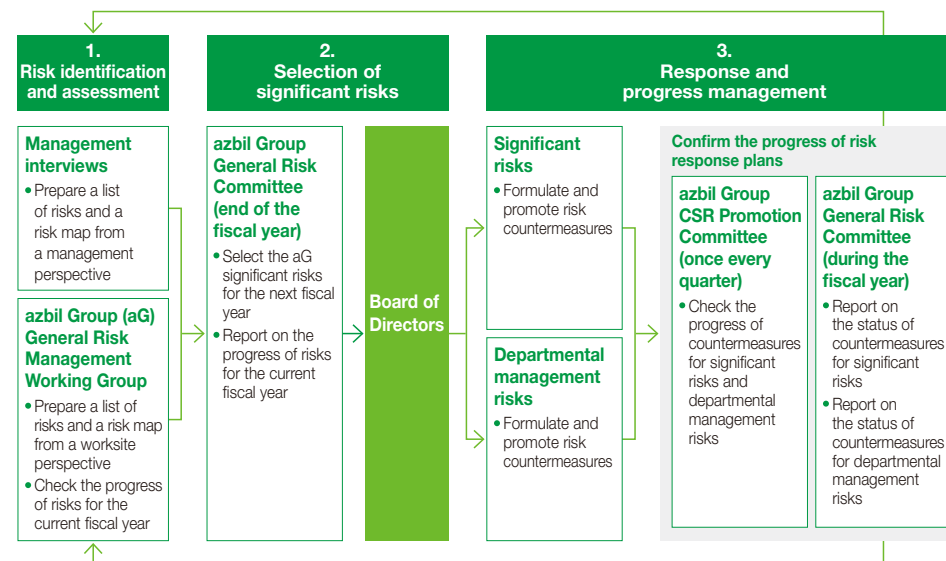
To avoid losing enterprise value and the trust of the public, the azbil Group strives to accurately understand and minimize risk factors with the potential for serious impact on operations.

The azbil Group's risk management

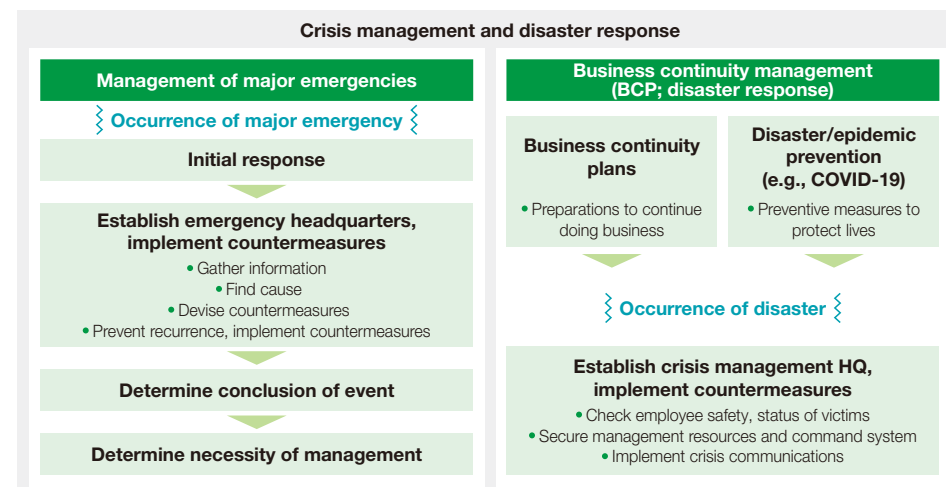
To minimize risk from possible future events, we comprehensively identify risks every year, taking changes in the internal and external environment into account. Then we select significant risks based on quantitative standards such as the financial impact and likelihood of those risks. To realize meticulous 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 on-site work), enabling more informed decision-making. Of the 122 risks comprehensively identified in FY2026, we selected 18 as risks deemed important to the azbil Group (the significant risks) that would have a severe impact on the business of the 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 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 Group. These reports are made at the azbil Group CSR Promotion Committee meetings, which are attended by department 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 fiscal year are managed to ensure risk reduction, and these efforts are improved through the PDCA cycle.

As part of crisis management and disaster response, we have also established a crisis management response system to minimize the impact of incidents. For each incident, an emergency headquarters led by the responsible officer is established to investigate the cause, implement countermeasures, and prevent recurrence. The status of such efforts is reported quarterly at Azbil'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)

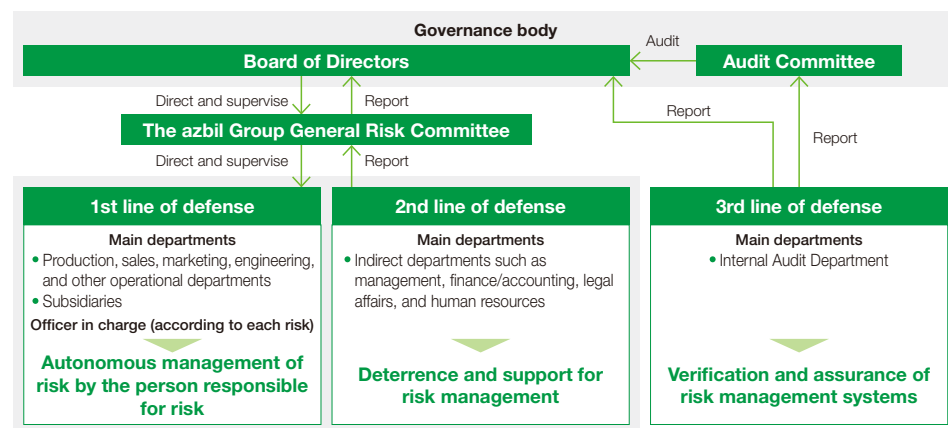


Risk Management

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. Through interviews with management, risks are identified and evaluated from a management perspective. In addition, the azbil Group General Risk Management Working Group, comprising department heads, identifies and evaluates risks from a worksite perspective and consolidates the results of these two activities into an integrated risk register, which summarizes risk details and evaluations, and a risk map that plots risks on a 5x5 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 122 risks comprehensively identified, we selected 18 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 FY2025. Details on risk awareness and countermeasures for each significant risk are found in the *104th Securities Report*.

Significant risks (7 items) No particular order		Specific risk factors (18 factors) No particular order	
1	Risks related to quality	1-1	Shipment of nonconforming products
		1-2	Quality problems
2	Risks related to information security	2-1	Information management problems
		2-2	Cyberattacks
3	Risks related to technology and product development	3-1	Delay in technology and product 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	Violation of export control laws and regulations
		4-2	International conflict/dispute
		4-3	Protecting human life and ensuring safety during emergencies in countries where the azbil Group operates*
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	Incidents arising from the use of generative AI
		7-2	Incidents arising from the provision of products and services that use generative AI

* Includes locations where azbil Group employees are traveling on business, regardless of whether the Group has business sites there.