



Human capital is the source of value creation. We are continuing our efforts to strengthen our human capital for the sustainable growth of the azbil Group.

Akihiko Naruse
 Managing Corporate Executive
 Human Resources & Education, SDGs

Initiatives to strengthen human capital are aligned “in series” to the efforts to achieve the SDGs

The azbil Group regards human resources as “capital.” 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. This initiative aims to ensure our continuous growth as a valuable global presence that makes contributions “in series” to the achievement of a sustainable society. To respond to changes in business structure induced by future technological developments and new developments in society, and to achieve our long-term targets and medium-term plan, we hire individuals with diverse values based on a variety of backgrounds. In addition, we have set up our personnel system so that employees will continue to play an active role over the long term, we cultivate personnel who can respond flexibly to change, and we assign the right people to the right positions, thereby embodying our vision of being “an organization that never stops learning.” The employees of the azbil Group, numbering about 10,000, are demonstrating their capabilities according to these human resource strategies and policies, generating innovation, and further enhancing productivity, leading to the sustainable enhancement of enterprise value.

The azbil Group has identified our group’s vision in our essential SDG goals. These SDG goals, along with business expansion and direction, and the strengthening of human capital investment, are aligned “in series,” which is a defining characteristic of the azbil Group.

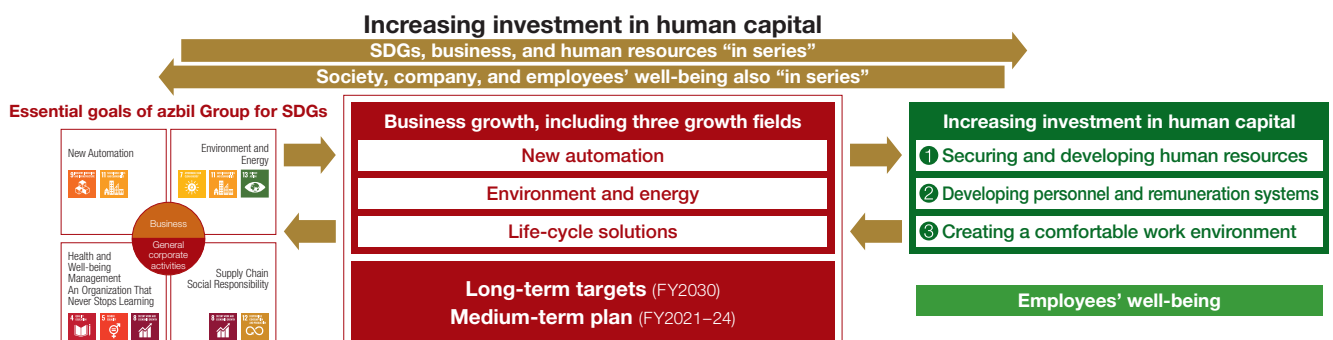
Strengthening investment in human capital consists of three pillars: ① Securing and developing human resources, ② Developing personnel and remuneration systems, and ③ Creating a comfortable work environment. Through these initiatives, we aim to realize the well-being of our employees, and by extension, the well-being of society. Furthermore, we believe that the realization of society’s well-being will, in turn, motivate our employees and bring them a sense of accomplishment, leading to the realization of employees’ well-being.

Regarding initiatives aimed at health and well-being management, various measures are being introduced, such as improvements to the work environment, improvements to the work system, and the promotion of DX. In addition, various communication measures, such as talks with the President and vending machines that offer free drinks to employees who buy drinks in pairs, are being implemented.

Regarding our initiatives on diversity and human rights issues, we have also set them as SDG goals and are taking action accordingly. In the area of diversity, we achieved our goal of doubling women’s advancement points at azbil Group companies in Japan by FY2024 (compared with FY2017), one year ahead of schedule. In the area of human rights, Azbil is a signatory to the United Nations Global Compact for 2021 and has been selected for Japan’s Health and Productivity White 500 list. In our supply chain, we have established targets for our social-related supply chain category that prioritize human rights, and we are improving the breadth and quality of those measures.

Increasing the value of human resources and enhancing enterprise value

In the azbil Group, human resource with specific talents (assets) are considered “human capital” and are seen as important capital. As capital, their value is directly linked to enterprise value. The philosophy of the azbil Group states, “We create value together with customers at their site.” So for us, human capital is an indispensable element in the execution of our business as well as in the products and services we provide. One of our strategies includes the introduction of an employee stock ownership plan and the Trust-Type Employee Shareholding Incentive Plan (E-Ship®) as a means of returning profits to employees in conjunction with an increase in enterprise value (stock price). We will continue to promote measures to strengthen our human capital while prioritizing the linkage with enterprise value.



Human Capital

The azbil Group defines health and well-being management as a comprehensive approach that enables all our diverse employees to be healthy, active, and demonstrate their capabilities based on both new ways of working and the promotion of diversity. We are developing better working environments for our employees and nurturing human resources (all employees are human capital with “talent”) into human capital through the Azbil Academy, an institution specializing in human resource development. We are strengthening our human capital by investing in human resources for business growth, including three growth fields, to achieve our long-term targets and medium-term plan.

① Securing and developing human resources

Human capital investment in three growth fields

In the field of *new automation*, which solves new challenges with new products and services, advanced technology development is necessary both in Japan and overseas. To this end, we are strengthening our training efforts by cultivating and optimally allocating engineers through our talent management system, hiring specialized personnel, conducting collaborative R&D with universities and research institutions, and dispatching employees to collaborative research sites.

In the field of *environment and energy*, where we demonstrate our proven strengths in energy efficiency and renewable energy, it is necessary to develop engineers capable of achieving carbon neutrality. To further enhance our engineering capabilities and knowledge of renewable energy, we will promote the cultivation of human resources through mutual exchange with business alliances. We will also strengthen our engineering capabilities led by engineers who have been officially certified

for their skills and knowledge through programs established to motivate the acquisition of qualifications, as well as technical “professionals” and “meisters” who have cleared our in-house certification system.

In the field of *life-cycle solutions*, which supports customer assets over the long term, we must leverage our network to provide high-value-added services. Therefore, we need to strengthen our engineering and service capabilities through DX and enhance our global human resources. We are promoting reskilling across a wide range of areas, from production to service maintenance, engineering, and support departments, through DX education using our learning management system (LMS) and other tools.

To achieve our medium- and long-term goals, we are focusing particularly on developing global personnel and those proficient in DX, based on the azbil Group’s basic principles for human resource development, as described below.

Approach and initiatives for the development of human resources

The Azbil Academy, a specialized institution for cultivating human resources, plays a central role in sustaining the azbil Group’s business activities that contribute “in series” to a sustainable society. It set forth the Basic Principles of Human Resource Development, which call for (1) teamwork and collaboration as work professionals, (2) a strong desire to excel and take on challenges, and (3) high aspirations, a sense of ethics, and an international mindset. We are committed to becoming “an organization that never stops learning.”

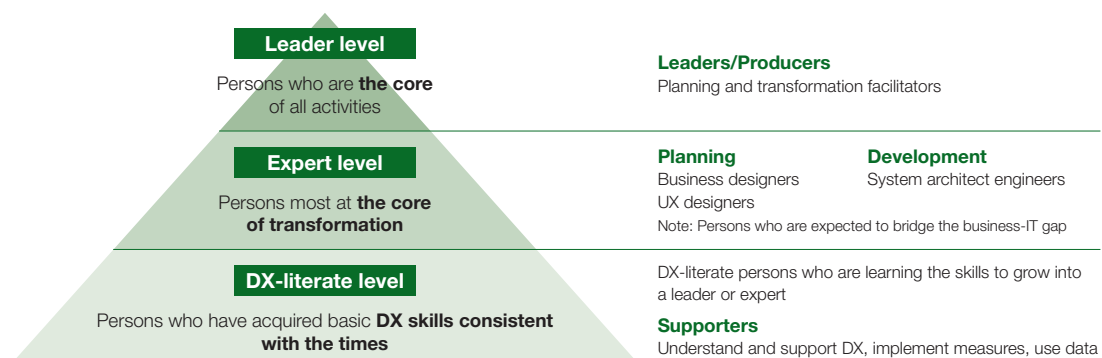
Basic Principles of Human Resource Development

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

a) Developing DX-capable personnel

DX supports the expansion and deepening of the azbil Group’s three growth fields. To promote and accelerate DX, companies must transform their businesses through enhanced operational capability, data science, and data engineering capabilities. In developing DX-capable personnel, we define azbil’s DX human resources, conduct various seminars, and utilize external e-learning programs to facilitate skill acquisition. For example, to train next-generation engineers for the IoT and AI era, we have instituted an engineer education program that covers the latest developments in technology and emphasizes practical examples. We are working to strengthen the knowledge and technical skills required to create high-value-added software and advanced engineering services.

DX-capable personnel and their roles



Human Capital

b) Cultivating global personnel

At the Azbil Academy, in addition to providing and expanding various training programs and LMS, we focus on developing global business leaders regardless of whether they are from domestic or overseas Group companies. We promote English-based learning opportunities that bring together participants from local subsidiaries and affiliates around the world, including Japan. We also accept student interns from universities both in Japan and overseas, providing valuable learning opportunities for students and fostering cultural understanding among our employees.

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



② Developing personnel and remuneration systems

Our HR system is based on the principles of *continuous human resource development, maximizing personnel capabilities, enriching lives, and securing human resources*. We support the activities of our diverse workforce through fair treatment, and fair evaluation and promotion processes. Our unique job-based personnel system focuses on role and demonstrated ability, regardless of age, nationality, gender, or any other factor.

We have also introduced a welfare system to encourage every employee to approach their daily work with an awareness of the need to “enhance enterprise value,” and to grow and develop along with the company by practicing our group philosophy. Specifically, we are improving the work environment by introducing an employee stock ownership plan*¹ aimed to help employees build long-term assets by working together with the company to improve business performance. We have also established the azbil Group Employee Stock Ownership Association, which is intended to help build long-term assets, and through the azbil Group Employee Stock Ownership Association we have introduced the Trust-Type Employee Shareholding Incentive Plan (E-Ship®)*², which grants benefits through the association when there is medium-to long-term improvement in enterprise value. Furthermore, from the

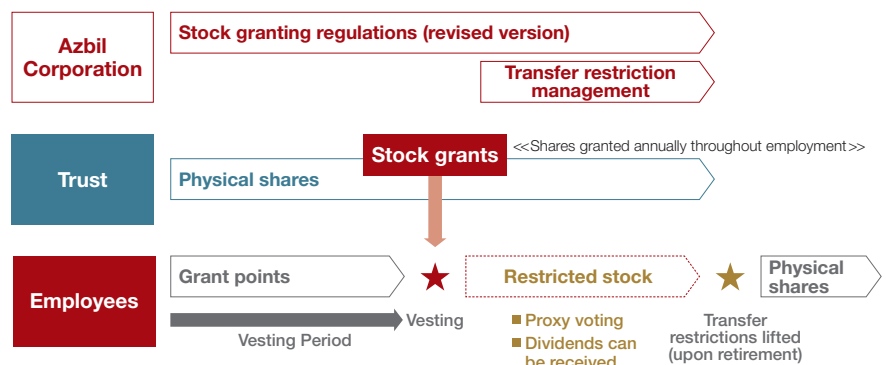
perspective of strengthening investment in human capital, which is extremely important in promoting the sustainability management of the azbil Group, we have decided to partially revise the employee stock ownership plan to a system that imposes transfer restrictions for a certain period on the shares granted to employees, with the revision scheduled for April 2025. Under the revised system, while the shares granted to employees will have transfer restrictions until retirement, employees will be able to exercise voting rights and receive dividends while employed. This enhancement of employee welfare aims to strengthen employee engagement and contribute to the sustainable improvement of enterprise value by increasing the linkage with our company’s stock price and business performance.

*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 stock ownership 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.

Partial revision to the employee stock ownership plan (scheduled for revision in April 2025)

In May 2017, we introduced an employee stock ownership plan as a system to provide company shares to employees upon their retirement, based on their contribution to the company’s performance. This was aimed at enhancing employees’ incentives related to the company’s financial performance and stock price, thereby improving our enterprise value.

With regard to this system, from April 2025 onward, the shares will be granted to employees throughout their employment (with transfer restrictions until retirement). Employees will be able to exercise voting rights and receive dividends according to the shares granted to them.



Note: Points are awarded to employees based on the stock granting regulations. Company shares are granted according to the number of points awarded.

③ Creating a comfortable work environment

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

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.

a) Work-style reforms: Creating pleasant work environments

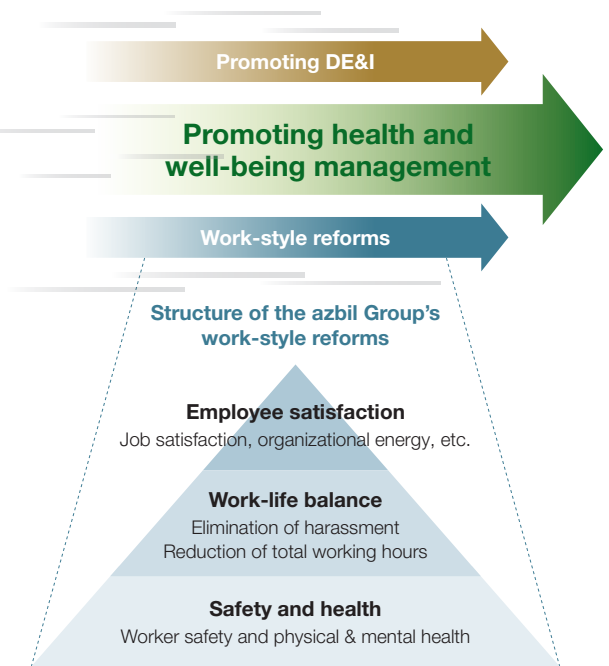
Believing that a comfortable and pleasant work environment is necessary for employees to be able to work actively, enthusiastically, and in a manner suited to each individual, we have been promoting the creation of new ways of working, starting with remote work during the COVID-19 pandemic. We are providing employees with a new "office" environment by promoting remote work from home and hybrid work (a combination of office work and remote work) and DX-based business innovation. At the same time, we are striving to improve employees' well-being and engagement by enhancing communication among employees. This involves various initiatives, such as creating opportunities for direct communication between the management with azbil Group employees both domestically and internationally, promoting open and two-way communication, enhancing internal communication,

b) Promoting Diversity, Equity, and Inclusion (DE&I)

We promote diversity, equity, and inclusion initiatives with the belief that respecting the individuality of all employees and their diverse backgrounds, and enabling each one to demonstrate their abilities, are the driving forces behind the company's growth. In FY2017, we launched the Azbil Diversity Network (ADN) and have been working on a variety of measures. In FY2021, ADN's activities were expanded to cover a diverse range of human resources such as mid-career hires as well as female employees and employees of foreign nationality. We are also forging ahead with efforts to materialize suggestions made to the company through ADN activities. By creating more pleasant working environments, we are cultivating a diverse workforce comprised of employees who can play central roles in the company.

We are also actively working to employ people with disabilities. At Azbil Yamatake Friendly Co., Ltd., a special

Overview of health and well-being management



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.

subsidary of the azbil Group, employees with disabilities are responsible for a wide range of tasks, including organizing and cleaning the workplace, assisting with production line work, precision machining, and helping to record experimental data. We have created a comfortable work environment tailored to our employees with disabilities, ensuring they can continue working.

These efforts have been recognized, and the company has received the "Monisu Certification"^{*3} from the Japanese Ministry of Health, Labour and Welfare.

We will continue to promote employment and improve the work environment to provide opportunities for employment and personal growth through work.

^{*3} A system in which 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.

Azbil Academy

Founded in 2012, the Azbil Academy is the azbil Group's institution specializing in human resource development. Guided by the azbil Group's philosophy of "human-centered automation," we are continuously developing human resources based on the desired human resource profile and foundational principles established in 2008.

In addition, as one of the targets of our essential SDG goals is to achieve "65% or more employees having experienced personal growth through their work" by FY2030 for "an organization that never stops learning," we are implementing various measures to achieve this target. The following is a partial list of our efforts to develop human resources.

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/D&I	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
Career development	career development programs/interviews/mentor programs/in-house internship programs/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				

■ New employee/young employee development

New employee education

During the initial six months of employment, until the main assignment, we provide training aimed at strengthening understanding of the company, as well as professional etiquette and fundamental competencies for work. At the company's own training center, trainees receive product explanations from business division trainers, and at the same time, they can engage with the products firsthand, fostering a deeper understanding. In addition, we provide experiential learning opportunities that go beyond the classroom lectures, such as accompanying senior employees on visits to customer sites and participating in on-site work activities.

Young employee development

From the second to the fifth year of employment, we conduct an annual common training session. Through learning methods of logical communication, problem-solving skills, self-understanding, and understanding others, we aim to improve job performance and workplace communication. At the same time, we conduct surveys, and based on the responses, employees who are facing difficulties are interviewed directly by Azbil Academy staff, who support them in resolving their issues.

■ Career development support

Career consultation

We are always available to employees for consultation regarding their career development. Certified career consultants within our team play a central role in supporting employees' career growth through meaningful dialogue.

Follow-up interviews for transferred employees

For employees who have been transferred to a new position, between business divisions, or to a new location (including overseas), we will assess their physical and mental health through post-transfer surveys and interviews. We will provide appropriate advice and, if necessary, coordinate with an industrial physician.

Mentor programs

The purpose of this program is for newly appointed section managers to be supported by a team of veteran employees who have held managerial positions and serve as mentors. These veteran employees offer guidance and support to the new section managers, allowing them to share common challenges and concerns and receive tips for solutions through conversations with senior employees who have no vested interests. By organizing teams of multiple mentors and mentees, the program facilitates the sharing of diverse experiences and provides a valuable network for both mentors and mentees.

■ Developing global personnel

To expand our global business, including in Japan, we are developing global business leaders and promoting the internal globalization of our organization, whether it is a group company in Japan or overseas. As

part of this effort, we conduct globalization seminars that bring together employees from Japan and abroad, and we offer internships for university students from both Japan and overseas.

■ Various programs

Professional/meister (in-house)

A system that evaluates proficiency in techniques and skills, in addition to knowledge of specific technologies, through a certification test. Those who pass the test are certified as in-house individuals possessing the necessary qualifications

Internal recruitment (open challenge)

A system where employees can apply for a transfer to a department that is recruiting internally

In-house internship

A system that enables employees to experience and learn the business operations of other departments for a certain period without being formally transferred

Incentives for acquiring qualifications

A system that allows employees to receive incentives for acquiring official qualifications in the company's predetermined list

Self-learning support

To support self-study, we offer a system whereby the company covers the costs of using external e-Learning platforms

■ An environment for learning

We introduced the LMS to create a unified learning environment for employees across domestic and overseas subsidiaries and affiliates. This platform, known as the Azbil Learning Plaza, is publicly accessible and is also partially available to our stakeholders.

At the Azbil Academy, in addition to creating opportunities for employees to acquire and develop knowledge, technology, and skills, we are focused on fostering a mindset of autonomous learning. Recognizing that the growth of each employee is fundamental to the sustainable growth of the azbil Group, we aim to contribute to a sustainable society by encouraging all employees to embody the concept of "an organization that never stops learning."



Akiko Ogino
President of Azbil Academy



We aim for sustainable growth by contributing to the well-being of our employees and all other key stakeholders.

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

Management and employees working together as one

The term “well-being” is referred to in the Preamble to the Constitution of the World Health Organization issued in 1948, which states that “Health is a state of complete physical, mental, and social well-being and not merely the absence of disease or infirmity.” Inheriting our founder’s spirit of “freeing people from drudgery,” the azbil Group is promoting business operation based on its group philosophy of “human-centered automation” and the “Five Guideposts (Guiding Principles).” In doing so, we aim to achieve well-being for all employees through their proactive engagement in making contributions through our business operations to the realization of society’s well-being.

In 2016, the azbil Group started preparing its response to Japan’s acts related to work-style reforms, which came into effect incrementally from April 2019. Special emphasis has been placed on limiting overtime work. In FY2016, around 1,000 employees were working 45 hours or more of overtime per month, but by FY2023, we had successfully reduced that number to just a few dozen. In addition, during the business activities affected by the COVID-19 pandemic from FY2019 to FY2022, we prioritized “employee safety first” to ensure business continuity. In FY2023, we changed our focus to “a year to steer the ship toward transformation.” In preparing to advocate for well-being, we revised our personnel system by formally adopting telecommuting, reforming workplaces as part of the “creation of new ways of working,” and promoting DX, including the use of generative AI. At the same time, with the aim of promoting carbon neutrality (CN), we held an in-house program named “azbil*CN Challenge*2023,” in which all azbil Group employees participated. Leveraging this program, we conducted activities designed to quickly boost momentum for developing and

providing solutions and thus making contributions leading “in series” to solving societal issues.

Then, we designated FY2024 as a year to further promote “transformation for growth” and advocated well-being, aiming for further evolution of “health and well-being management” and the “creation of new ways of working.” We recognized requests from employees on the front lines of business as valuable bottom-up suggestions. Employees and management will work together to make contributions that lead to a sustainable society “in series,” while realizing a business environment aspiring to well-being.

Practicing the azbil Group philosophy leads to increased enterprise value

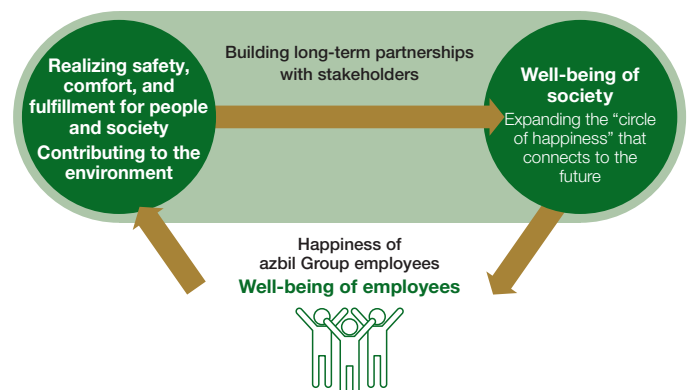
Until now, enterprise value has generally been expressed in terms of economic indicators such as the scale of sales and the size of business. However, with the adoption of the Sustainable Development Goals at the United Nations summit in 2015, attention to ESG has increased dramatically. With the emergence of global social issues such as climate change and human rights, ESG perspectives have become of paramount importance for companies to achieve long-term growth. In the “ESG era” where ESG investment is expanding, we believe that it will be essential to evaluate enterprise value not only through economic indicators but also by assessing contributions to societal well-being, stakeholder well-being, and employee well-being. This holistic approach is highly compatible with the azbil Group philosophy of “human-centered automation” and the “Five Guideposts (Guiding Principles).” We believe that putting this philosophy into practice will lead to an increase in enterprise value and at the same time contribute “in series” to the achievement of a sustainable society.

Guiding Principles for azbil Group Business (Item 3)

Building long-term partnerships with stakeholders

Based on the happiness of people working in the azbil Group, we continually pursue the happiness of our customers at their sites, and share in their sense of accomplishment. With this business model as the driving source of growth, we establish long-standing mutual trust relationships with all stakeholders, including our shareholders and customers.

Our aims



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.

WEB Environmental Initiatives

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

Our basic approach

The azbil Group, in light of international developments such as the adoption of the United Nations' SDGs and the rapid drive toward decarbonization across society, has made a long-term commitment to addressing environmental issues in order to protect the planet. We strive to create and provide sustainable products and services through integrated environmental corporate management by incorporating an extensive range of environmental activities into our business operations, addressing global environmental challenges such as decarbonization, resource recycling, and biodiversity conservation, in response to societal needs.

Through our efforts to reduce our own environmental footprint, we gain know-how that enables us to better apply our measurement and control technology so that we can assist our customers in finding solutions to their environmental challenges. Consequently, we contribute to global environmental preservation through our core business activities and contribute to the achievement of a sustainable society.






Systems for environmental progress

The azbil Group Environmental Committee, led by the executive officer for azbil Group Environmental Protection Innovation, sets the framework for promoting environmental initiatives. It meets three times annually to plan, discuss, and evaluate the environmental systems of each Group company, considering both risks and opportunities.

Key policies in the medium-term plan (FY2021–24)

We have set a medium-term plan to help the azbil Group achieve its SDG goals. Through integrated environmental corporate management, which combines environmental action with business action, we are strengthening collaboration with our business units while expanding the scope of our initiatives and making progress on the issues we have identified as priorities, namely decarbonization, resource recycling, biodiversity conservation, and creation and provision of sustainable products and services.

Key policies in the medium-term plan (FY2021–24)

Key policies	Policy	Results in FY2023
 Decarbonization Effective reduction of CO ₂ at customers' sites Reduction of GHG emissions resulting from our business activities	<ul style="list-style-type: none"> • Work with business departments to expand effective reduction of CO₂ • Expand and intensify energy-saving measures and promote the adoption of renewable energy to achieve 2030 targets • Make the entire supply chain carbon neutral by 2050 	<ul style="list-style-type: none"> • Visualized effective reduction of CO₂ in line with business targets • Reviewed the calculation process to ensure it appropriately reflects business changes • Formulated a concrete plan for decarbonization by 2030 • Increased the number of business locations using renewable energy sources • Identified decarbonization efforts at business partners and engaged in dialogue • Applied to obtain SBT net zero certification
 Resource recycling Effective use of resources	<ul style="list-style-type: none"> • Continuously reduce resource consumption by optimizing efficiency in business activities 	<ul style="list-style-type: none"> • Implemented target management by the azbil Group environmental decision-making bodies to reduce the usage of various resources: Final disposal rate: 0.85% (e.g., at domestic azbil Group production sites) <ul style="list-style-type: none"> — Implementation of third-party verification for waste and water management • Assessed water-related risks
 Biodiversity conservation Compliance with environmental laws Nature conservation efforts	<ul style="list-style-type: none"> • Promote regulatory compliance management • Intensify nature conservation efforts (including contributions through our business activities) 	<ul style="list-style-type: none"> • No major legal violations, and consequently no resulting penalties, administrative fines, or lawsuits^{*3} • Local conservation activities conducted six times (with 90 participants)
 Create and provide sustainable products and services	<ul style="list-style-type: none"> • Achieve sustainable products <ul style="list-style-type: none"> — Contribute to the achievement of our SDG goals through sustainable designs in new product development • Provide sustainable services <ul style="list-style-type: none"> — Cultivate skilled professionals to support field engineering services and contribute to achieving a sustainable society 	<ul style="list-style-type: none"> • Built a new progress management system for our own SDG goals <ul style="list-style-type: none"> — Started implementing in-house standards for sustainable design • Used the azbil Group's unique sustainable design for all new products • Implemented a 100% recyclable design for about 10% of new products
 Improve integrated environmental corporate management	<ul style="list-style-type: none"> • Strengthen environmental initiatives linked to business activities • Respond to requests from stakeholders (investors, customers, others) 	<ul style="list-style-type: none"> • Set quantitative targets (SDG targets) related to sustainable services • Cultivated 760 skilled professionals • Integrated major environmental goals (the essential SDG goal: Environment and Energy) into business plans • Obtained external evaluations of our climate change and water risk initiatives <ul style="list-style-type: none"> — FTSE Russell ESG score of 4.4 (out of 5) — CDP Climate Change 2023: A — CDP Water Security 2023: A-

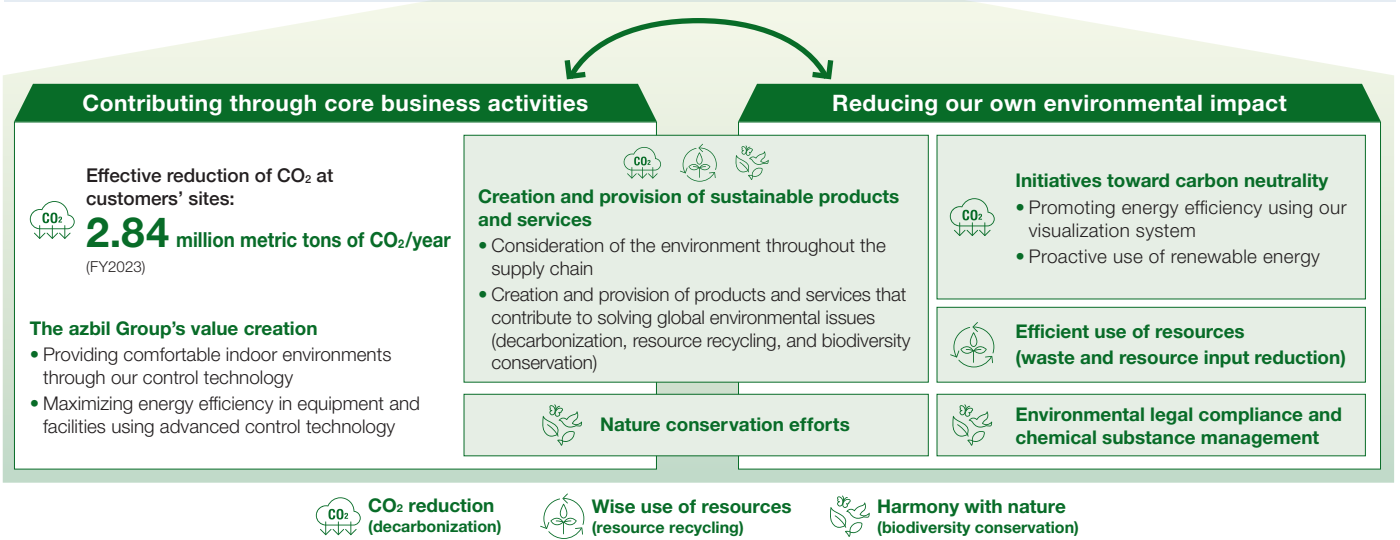
*1 Scope 1: Direct GHG emissions from a business (from fuel burning, industrial process, etc.)
 Scope 2: Indirect GHG emissions from using electricity, heat, or steam provided by another business
 Scope 3: Indirect GHG emissions related to business activities (indirect emissions not included in scopes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



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 (scopes*1 1+2): 55% reduction (from base year 2017) GHG emissions across the entire supply chain (scope 3): 20% reduction (from base year 2017)*2
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	



Medium-term plan (FY2024)	Aims for 2030	Relevance to our SDG goals
<ul style="list-style-type: none"> • Further expand effective reduction of CO₂ at customers' sites, and enhance collaboration with business departments • Work with business departments to intensify energy-saving efforts at key business locations • Further grow the number of business locations adopting renewable energy sources (including renewable energy sources with additionality) 	<ul style="list-style-type: none"> • Effective reduction of CO₂ at customers' sites: 3.40 million metric tons of CO₂/year 	<ul style="list-style-type: none"> • Solve energy-related problems • Quantitative targets have already been set
<ul style="list-style-type: none"> • Identify decarbonization efforts at business partners and pursue further dialogue • Plan and commence work on making the entire supply chain carbon neutral by 2050 <ul style="list-style-type: none"> — Obtain SBT net zero certification 	<ul style="list-style-type: none"> • GHG emissions across the entire supply chain (scope 3): 20% reduction (compared with 2017)*2 	<ul style="list-style-type: none"> • Solve energy-related problems • Quantitative targets have already been set
<ul style="list-style-type: none"> • Strengthen initiatives to reduce waste and conserve resources such as water (in compliance with the Act on Promotion of Resource Circulation for Plastics, a new law on plastic waste) • Identify the relevance of business to the circular economy and related measures 	<ul style="list-style-type: none"> • Establish initiatives for global resource recycling and the circular economy 	<ul style="list-style-type: none"> • Contribute to solving environmental problems • Effective use of natural resources and reduction of waste production
<ul style="list-style-type: none"> • Expand/enhance regulatory compliance management, including overseas 	<ul style="list-style-type: none"> • Establish a monitoring system for laws and regulations, including those overseas 	<ul style="list-style-type: none"> • Contribute to solving environmental problems
<ul style="list-style-type: none"> • Plan and start nature-positive related initiatives (apply for registration of Japan's other effective area-based conservation measures, get started with the TNFD recommendations) 	<ul style="list-style-type: none"> • Strengthen biodiversity conservation efforts linked to the SDGs 	<ul style="list-style-type: none"> • Contribute to solving environmental problems
<ul style="list-style-type: none"> • Establish a progress management system for fulfilling the SDG targets 	<ul style="list-style-type: none"> • Use the azbil Group's unique sustainable design for all new products • Design all new products to be 100% recyclable 	<ul style="list-style-type: none"> • Contribute to solving environmental problems <ul style="list-style-type: none"> — Create and provide environmentally friendly products and services • Quantitative targets have already been set — Optimize the use of natural resources and minimize waste generation • Quantitative targets have already been set
<ul style="list-style-type: none"> • Accelerate the cultivation of skilled professionals by establishing a system for in-house technical certification and training 	<ul style="list-style-type: none"> • 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 	<ul style="list-style-type: none"> • Contribute to solving environmental problems <ul style="list-style-type: none"> — Create and provide environmentally friendly products and services • Quantitative targets have already been set
<ul style="list-style-type: none"> • Establish an environmental target management system linked to business 	<ul style="list-style-type: none"> • Simultaneously achieve 2030 business targets and environmental targets (our own SDG goals) 	<ul style="list-style-type: none"> • Contribute to the SDGs by integrating environmental activities such as decarbonization, resource recycling, and biodiversity conservation into our business
<ul style="list-style-type: none"> • Maintain and improve communication with investors and customers on environmental issues 	<ul style="list-style-type: none"> • Create links between the demands of investors, customers, and other stakeholders, and the company, its businesses, and environmental initiatives through appropriate communication 	<ul style="list-style-type: none"> • Contribute to the SDGs by integrating environmental activities such as decarbonization, resource recycling, and biodiversity conservation into our business

*2 In December 2023, we submitted our application to SBTi for a new target to reduce GHG emissions by 33% by 2030 (compared with 2017).

*3 There was a non-compliance issue involving regulated chemical substances exceeding the permissible limits of the European RoHS Directive. We have reported this to the related offices in the member countries of the European Union and are taking appropriate legal action.

Environment



Efforts to combat climate change (TCFD-aligned disclosure)

The azbil Group considers climate change to be a key issue to be tackled over the long term (materiality) to contribute “in series” to a sustainable society. The azbil Group endorsed the recommendations by the Task Force on Climate-related Financial Disclosures (TCFD) to accurately understand and properly disclose the impact of climate change on its business activities. We will continue to disclose information in line with TCFD recommendations.

Governance

The azbil Group recognizes climate change as one of the materialities in management in accordance with the azbil Group philosophy. The matter is deliberated in the Management Meetings from the perspective of business impact and financial impact disclosure, and the Board of Directors appropriately supervises the deliberations.

Sustainability Management
▶ pp.23–24
Corporate Governance
▶ pp.81–93

Strategy

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

We have developed and published a decarbonization transition plan aimed at achieving carbon neutrality by 2050.

Expanded opportunities for azbil Group products, services, and solutions



Increase in migration and physical risks

Opportunities and risks
▶ p.70
Decarbonization transition plan
▶ p.71

*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.

Risk management

Based on our risk management systems, we comprehensively manage risks that could have a significant impact on operations, including those connected to climate change.

Risk management
▶ pp.79–80

Metrics and targets

We promote efforts to combat climate change to realize net zero for CO₂ emissions by 2050 through our business activities, which contribute “in series” to the achievement of a sustainable society, by establishing metrics and targets that consider all azbil Group customers, the azbil Group itself, and our entire supply chain.

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

Environment and Energy

Effective CO₂ reduction at customers' sites*1
3.40 million metric tons of CO₂/year

The azbil Group's Essential Goal I for the SDGs (for FY2030*2)

Environment and Energy

GHG emissions from business activities (scopes 1+2):
55% reduction (from base year 2017)
GHG emissions across the entire supply chain (scope 3):
20% reduction (from base year 2017)

Materiality and Essential Goals of azbil Group for SDGs
▶ pp.25–26
Results of initiatives in FY2023
▶ p.72

*1 The electricity emission factor used for FY2030 is our estimate based on our 2019 basic energy plan.

*2 In June 2023, we sent a commitment letter to the SBTi to set a net-zero target for all CO₂ emissions (scopes 1, 2, and 3) by 2050 within two years, and then submitted our application in December 2023. The targets approved by the SBTi are as follows:

Azbil Corporation commits to reach net-zero GHG emissions across the value chain by FY2049.

Azbil Corporation commits to reduce absolute scope 1 and 2 GHG emissions by 55% by FY2030 from the FY2017 base year. Azbil Corporation also commits to reduce absolute scope 3 GHG emissions by 33% within the same time frame.

Azbil Corporation commits to reduce absolute scope 1, 2, and 3 GHG emissions by 90% by FY2049 from the FY2017 base year.

Effective reduction of CO₂ at customers' sites (contribution to the environment)

▶ https://www.azbil.com/csr/basic/environment/core_business_activities/contribution/contribution-to-the-environment/index.html

Details of strategy (opportunities and risks)

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

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. For migration risks, we established the 2030 GHG Emission Reduction Targets based on SBTs to gradually reduce our GHG emissions, and we are putting systematic risk reduction measures in place. Emissions from the azbil Group's business activities (scopes 1+2) were approximately 0.016 million metric tons. Even if carbon prices rose by ¥5,000 to 10,000 per ton, the total financial burden would be limited to around ¥100–200 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 will 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*). 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

Disclosure of opportunities and risks

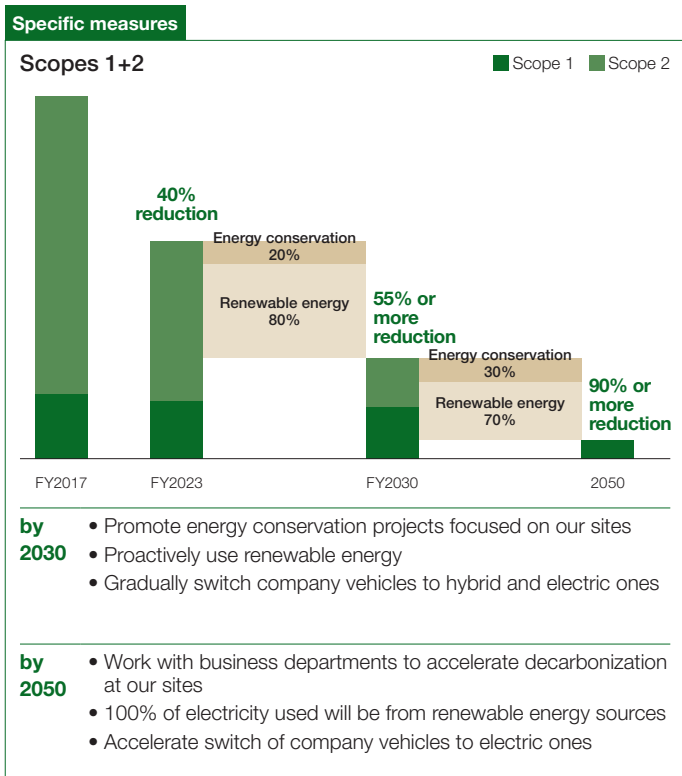
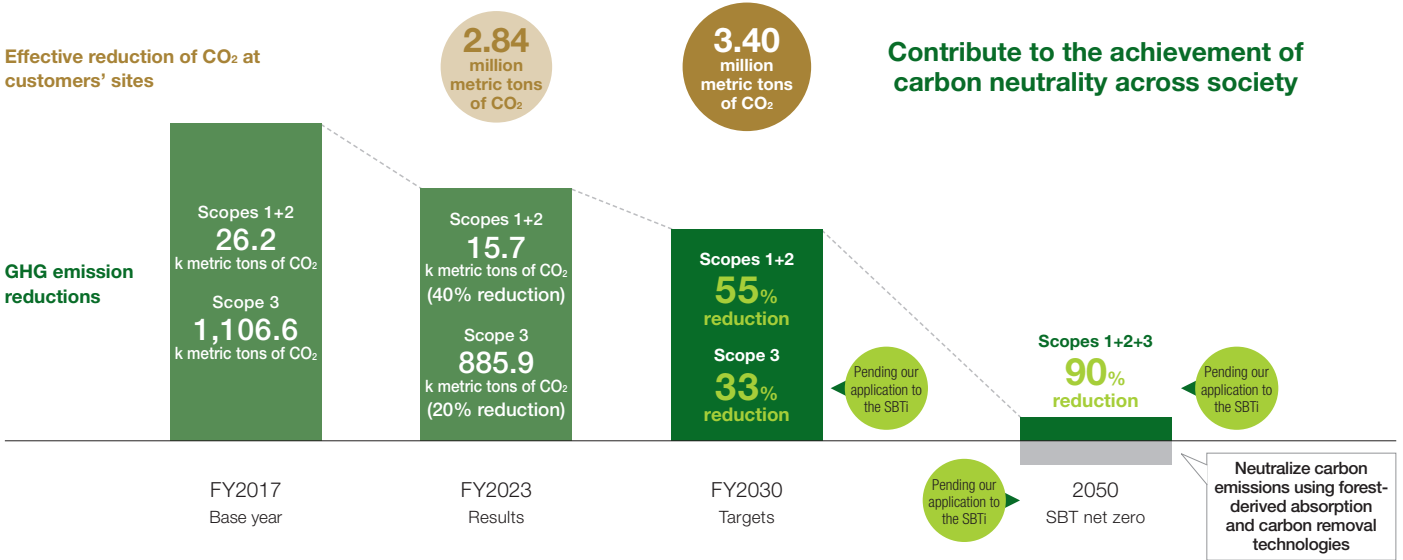
Type	Scenario	Building Automation business:	Advanced Automation business:	Life Automation business:
Opportunities	1.5°C/2°C	Growing demand for energy-saving and CO ₂ -reducing solutions and services that meet societal needs	Increasing demand for sensors, various other measuring instruments, and solutions designed for new industries and processes that reduce environmental impact	Expanding the smart metering as a service business for gas meters that use IoT technology
	4°C	Increasing demand for products, services, and solutions for climate-resilient buildings adapted to weather disasters	Increasing demand for products, services, and solutions that offer anomaly prediction capabilities	Increasing demand for products, services, and solutions adapted to weather disasters
Migration risks	1.5°C/2°C	<ul style="list-style-type: none"> Increased R&D costs for new products and services to meet new regulations Increased production and procurement costs due to rising energy prices Reduced conventional capital investment from customers due to the burden from carbon taxes and other associated costs 		
Physical risks	4°C	<ul style="list-style-type: none"> Operational stoppages due to abnormal weather, inability to provide products, services, and solutions Significant reduction in customer investment due to business instability caused by abnormal weather 		

Environment

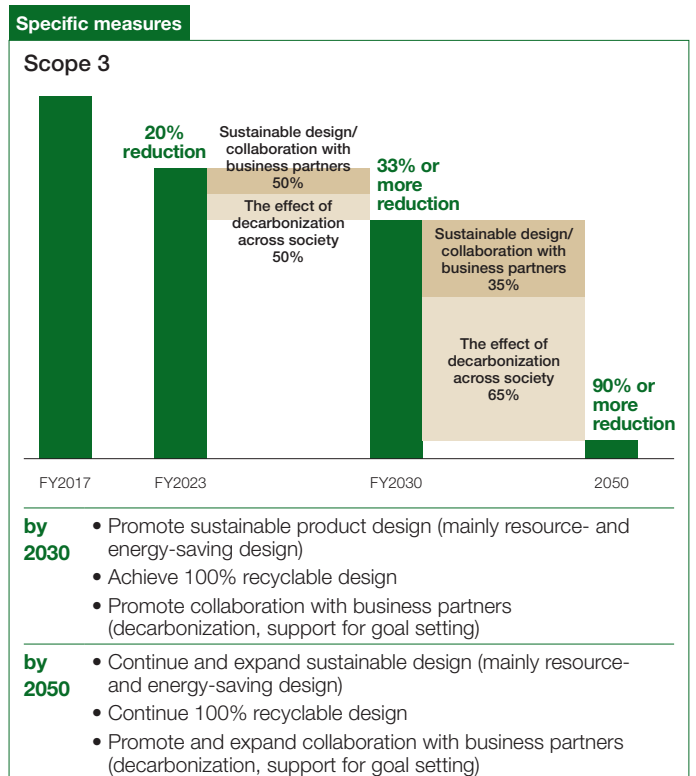
Decarbonization transition plan

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 a transition plan to support decarbonization efforts.

In December 2023, we submitted an application to the SBTi to revise our scope 3 emission reduction target upward from a 20% reduction to a 33% reduction and to set a net-zero target for all CO₂ emissions (scopes 1, 2, and 3).



Leveraging our extensive expertise, we are actively implementing “energy visualization systems” across the entire group, and we are focusing our energy conservation efforts on two key areas: improving operations and upgrading facilities. In addition to strengthening energy conservation efforts in collaboration with business departments, 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.



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 initiatives in FY2023

Effective CO₂ reduction at customers' sites

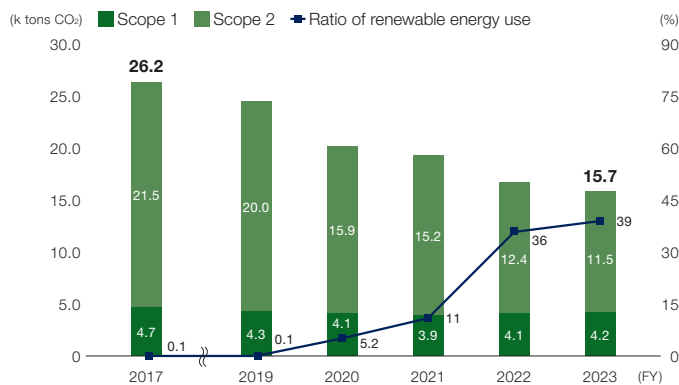
The total annual effective reduction of CO₂ at customers' sites in FY2023 was 2.84 million metric tons.* This is equivalent to about 1/400th of Japan's CO₂ emissions (about 1.1 billion metric tons). This was partly due to a decrease in the electricity emission factor and a reduction in the CO₂ savings from the termination of services provided to customers. However, a partial revision of the calculation method, which considered changes in the market environment, resulted in an increase of 80,000 tons compared with the previous fiscal year. We will also continue to implement initiatives linked to business growth to increase CO₂ reduction.

* 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 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

In FY2023, the results were much better than planned. The azbil Group emitted 16 thousand metric tons of CO₂ from its business activities at its own sites (scopes 1+2), a 40% reduction from FY2017. In addition, its entire supply chain (scope 3) emitted 886 thousand tons of CO₂, a 20% reduction from FY2017. We are on track to achieve our 2030 SDG goals. To reduce CO₂ emissions from our business activities, we have begun using 100% renewable energy sources, including off-site corporate solar power purchase agreement (PPA) services, for the electricity used at the Fujisawa Technology Center. The procurement of renewable energy sources through these PPA services represents renewable energy

CO₂ emissions (scopes 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 (scopes 1+2). Starting from FY2021, Azbil Telstar, S.L.U., was included in the scope of verification.

Scope of calculations Azbil Corp., consolidated subsidiaries in Japan, and main production bases overseas

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

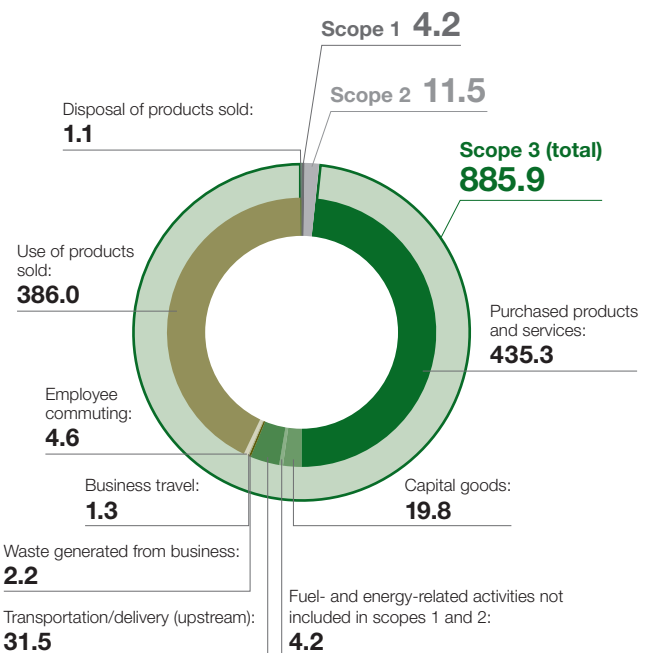
	2017	2019	2020	2021	2022	2023
Scopes 1+2	20.4	19.3	18.0	18.1	19.9	20.0

Note: We recognize the importance of reducing our overall energy consumption and are working to do so with departments knowledgeable about the energy conservation business. Consumption has increased with the completion of the new buildings in the Fujisawa Technology Center and other projects.

Total effective reduction of CO ₂ at customers' sites (FY2023)	
Total 2.84 million metric tons of CO₂/year	
Effect of automation	2.61 million metric tons of CO₂/year
Effect of energy management	0.18 million metric tons of CO₂/year
Effect of maintenance and services	0.05 million metric tons of CO₂/year

procurement with additionality. The amount of electricity used at the Fujisawa Technology Center, which has begun procurement, is equivalent to 24% of the azbil Group's total electricity consumption (actual results for FY2023). The ratio of renewable energy sources to the total electricity consumption of the group is estimated to be 63% for FY2024. To reduce CO₂ emissions across the 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 (scopes 1+2+3) in FY2023 (k tons CO₂)



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

Scope of calculations • Scopes 1+2: Azbil Corp., consolidated subsidiaries in Japan, and main production bases overseas
• Scope 3: Azbil Corp. and consolidated subsidiaries




Environment



Creation and provision of sustainable products

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.

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 customer 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

Achieving sustainable products

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

Designing all new products to meet
the azbil Group’s own sustainability standards



The azbil Group Sustainable Product Label

We have established the azbil Group Sustainable Product Label for products that meet the azbil Group’s standards* for sustainable design. In FY2023, we confirmed that all new products meet the standards.

- * Design that aims to create and provide products that contribute to solving environmental issues (through 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
 - Evaluation of decarbonization, resource recycling, environmental pollution prevention, and information disclosure

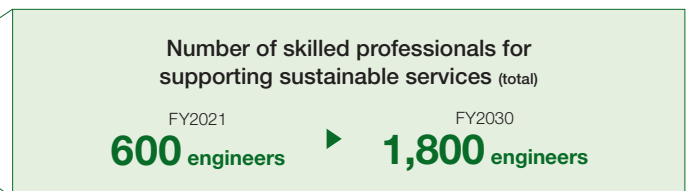
Provision of sustainable services

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

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 people. 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 customer 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





Initiatives for resource recycling

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

Designing all new products to be 100% recyclable

* Within the scope of best available technology (BAT), the most effective technology that is both economically and technologically viable, we eliminate various factors that hinder recycling so that when customers dispose of azbil Group products, all parts can be properly disassembled and sorted to achieve 100% recycling.

Through our business activities, we are working to reduce the use of water and other resources and reduce waste, and we are employing sustainable product design to use natural resources efficiently and reduce the generation of waste. When developing new products, we aim to make all new products 100% recyclable by applying the 3Rs (reduce, reuse, recycle) through environmentally conscious design. In FY2023, we achieved this target for about 10% of our new products. However, regarding the interim target (75%) for the entire company, about 50% of our products have achieved the target.



Initiatives for biodiversity conservation

In support of the aims of the Japan Business Federation's "Declaration of Biodiversity by Keidanren and Action Policy (revised on December 12, 2023)," we continue to participate in the Japan Business Federation's "Declaration of Biodiversity by Keidanren" initiative and will globally promote sustainability management to achieve a sustainable society. Specifically, 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 improvements in our supply chain involving our business partners, and to work in collaboration with various partners to further protect the natural environment.

Response to the Taskforce on Nature-related Financial Disclosures (TNFD)

The azbil Group will promote nature-positive initiatives in line with the TNFD recommendations to properly understand the impacts and dependencies on natural capital and biodiversity, as well as our business risks and opportunities.

Before conducting a full-scale analysis, we used the analytical tool ENCORE* to qualitatively assess potential impacts and dependencies on nature. This assessment analyzed the impacts and dependencies on natural capital of each process in our upstream and direct operations across all our businesses. As a result, it was confirmed that, due to the nature of the business, natural capital such as soil and living organisms are not directly used as inputs, limiting our dependence on nature. However, it was also confirmed that our impact on nature related to climate change is significant due to GHG emissions from the transportation of parts and products, as well as impact related to land alteration and direct collection (water resources) associated with the mining of minerals and other raw materials for products.

We will continue to utilize our measurement and control technologies to create nature-positive businesses and promote initiatives throughout the supply chain, including with our business partners.

We registered as a TNFD Adopter in August 2024 and declared to report on the results of our initiatives in FY2025 in accordance with the disclosure recommendations.

		Impact															Dependence																			
		Land alteration			Direct collection		Climate change	Pollution			Invasive species and others		Supply services					Adjustment and maintenance services																		
		Land	Freshwater	Seawater	Water	Other than water	GHG	Atmosphere	Water quality	Soil	Waste	Invasive species	Disturbances (e.g., noise, light pollution)	Groundwater	Surface water	Textiles and other materials	Animal resources	Genetic material	Maintaining water flow	Water quality	Filtration	Flood and storm protection	Soil quality	Soil stabilization and erosion prevention	Maintaining nursery habitats	Buffering and attenuation of material flow	Pollination	Epidemic prevention	Pest control	Bioremediation	Climate control	Atmospheric and ecological dilution	Ventilation	Mediation of sensory influences		
Upstream	Raw materials procurement	High	High	High	High	High	High	High	High	High	High	High	High	High	High	High	High	High	High	High	High	High	High	High	High	High	High	High	High	High	High	High	High	High	High	
	Parts manufacturing																																			
	Packaging and shipping																																			
Direct operation	Product manufacturing																																			
	Packaging and shipping																																			
	Sales, installation, and maintenance																																			

* 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>

Supply Chain

Basic approach

Fulfilling social responsibilities together with business partners

Based on its Group philosophy and Code of Conduct, the azbil Group is actively engaged in efforts to realize a sustainable society, including the preservation of the environment through its businesses. 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. For this reason, in our procurement activities, we continue to build long-term relationships of trust with our business partners and enhance added value for both the azbil Group and our business partners. To respond to the SDGs and other rising demands from international society, we will continue to strengthen our supply chain-focused initiatives so we can fulfill our social responsibilities even more actively.

WEB azbil Group Basic Procurement Policy
 CSR Procurement Guidelines, Sustainable Procurement Guidelines
<https://www.azbil.com/corporate/procurement/policy/index.html>

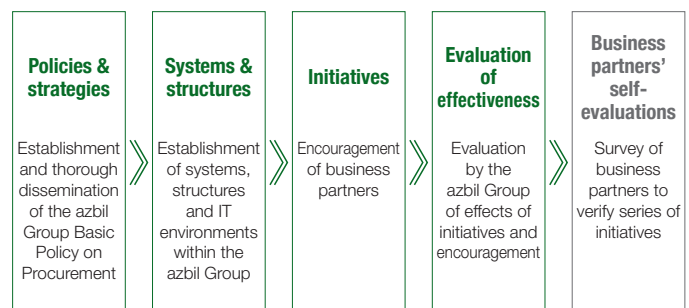


Focus areas in the supply chain

To fulfill our social responsibility across the supply chain, in 2021 the azbil Group reviewed and amended our essential goals of the azbil Group for the SDGs and established 10 target areas (intermediate categories), making reference to the way in which external institutions evaluate ESG initiatives. We are encouraging our business partners in these areas, utilizing the knowledge the Group has built up over many years in areas such as the environment, quality, compliance, and health and well-being management, and promoting actions such as evaluations of efforts at the azbil Group and our business partners.

By working together with our business partners on initiatives that comply with the four actions below, we aim to steadily improve the entire supply chain socially and environmentally.

Broad category	Intermediate category	Subcategory
E Environment-related supply chain	Climate change (GHG, energy)	<ul style="list-style-type: none"> Initiatives to address CO₂/GHG emissions and other climate change issues Green procurement
	Pollution & resources (e.g., air pollution, water pollution, hazardous waste, waste reduction, raw materials)	<ul style="list-style-type: none"> Management of chemical substances in products Less use of resources Reduction of industrial waste Reuse of resources Use of renewable energy
	Water security & water risks	<ul style="list-style-type: none"> Less use of water, less wastewater
	Biodiversity	<ul style="list-style-type: none"> Biodiversity conservation
	Environmental management	<ul style="list-style-type: none"> Environmental management in conformity with ISO14001
S Social-related supply chain	Labor practices	<ul style="list-style-type: none"> Elimination of child labor and forced labor, reduction of overwork Prohibition of discrimination, equal opportunity Promotion of diversity
	Health and safety	<ul style="list-style-type: none"> Health and safety management New ways of working, work-life balance
	Human rights	<ul style="list-style-type: none"> Respect for fundamental human rights (including rejection of antisocial forces and handling of conflict minerals)
	Community (local communities)	<ul style="list-style-type: none"> Action that encourages local development or contributes to society
	Quality & customers	<ul style="list-style-type: none"> Fair trade (including legal compliance) Quality management



Supply chain activity promotion system

The executive officer in charge of production and purchasing at the azbil Group is responsible for supply chain activities, and Azbil Corporation is involved in the administration of the entire Group. These activities are promoted in cooperation with not only the production and purchasing department but also other related departments such as sustainability, environment promotion, and legal affairs. Group companies also participate quarterly to review action plans and performance, and we implement the PDCA cycle.

Priority themes for FY2023 and beyond

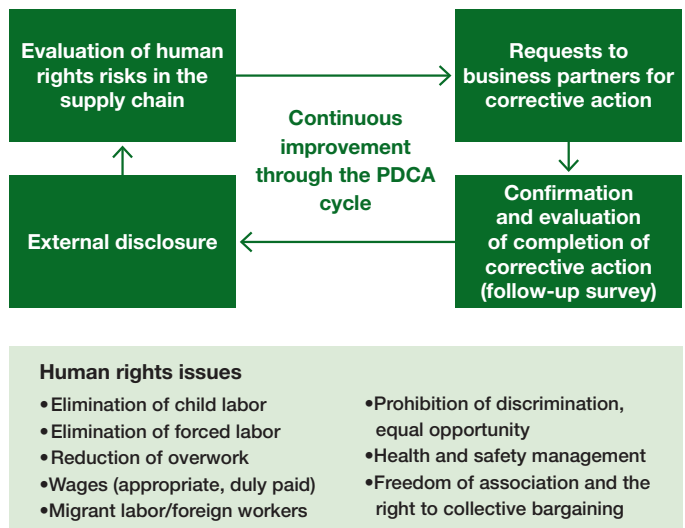
To meet the requirements of society via our supply chain, the azbil Group has selected human rights due diligence as a priority theme of social responsibility and the reduction of CO₂ emissions as a priority theme of the environment, and we continuously encourage our business partners to take part.

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

To ensure appropriate corporate conduct from a human rights perspective within our supply chain, the azbil Group conducts risk assessments related to human rights violations and strives to promptly correct any risks that might have occurred. We do so in accordance with the azbil Group Basic Policy on Human Rights and have referenced the UN Guiding Principles on Business and Human Rights to set eight human rights issues such as the elimination of forced labor and child labor, prohibition of discrimination, and health and safety management.

As of the end of FY2023, we have completed risk evaluations on human rights violations with about 300 of our major business partners. We requested improvements at business partners deemed to be at risk, provided examples of azbil Group initiatives, related information, and advice, and improvements at those business partners are now mostly completed. Comparable initiatives are being implemented at azbil Group companies.

Human rights due diligence process



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

The azbil Group is working to reduce CO₂ emissions at its business partners to achieve a 20% GHG emission reduction across our entire supply chain (compared with FY2017). In FY2022, we completed an assessment of CO₂ emissions and CO₂ reduction efforts at approximately 300 of our major business partners. In FY2023, we implemented the following actions to raise the level of efforts at our business partners.

- To stress that efforts across the entire supply chain are essential for reducing CO₂ emissions, we revised our educational materials on decarbonization and distributed them to all of our business partners.
- To make the calculation of scope 3 emissions* at business partners easier, we revised our survey form to use a method for calculating emissions based on the major items purchased at business partners.

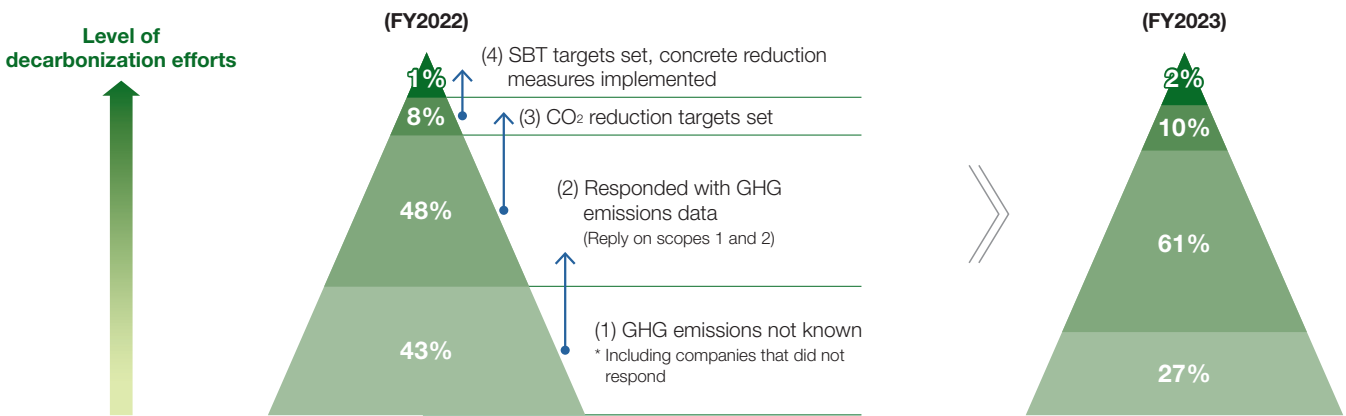
This led to the following achievements over FY2022 and FY2023.

- The number of business partners who have identified their own CO₂ emissions—(2), (3), and (4) in the figure below—increased from 57% to 73%.

We will utilize these results as a foundation to enhance cooperation with our business partners in reducing CO₂ emissions and promote further initiatives for doing so.

* Simple calculation limited to category 1

Situation at approximately 300 business partners



Supply Chain

Encouraging business partners

Business partner visits and horizontal deployment of successful examples

To gain an understanding of business partners' ideas regarding the SDGs and of their detailed initiatives that cannot be ascertained in surveys, we visited our business partners to conduct hearings and exchange opinions. We selected 62 business partners, including 30 companies with high CO₂ emissions and 32 companies with concerns regarding social issues.

These visits and hearings enabled us to obtain the following results.

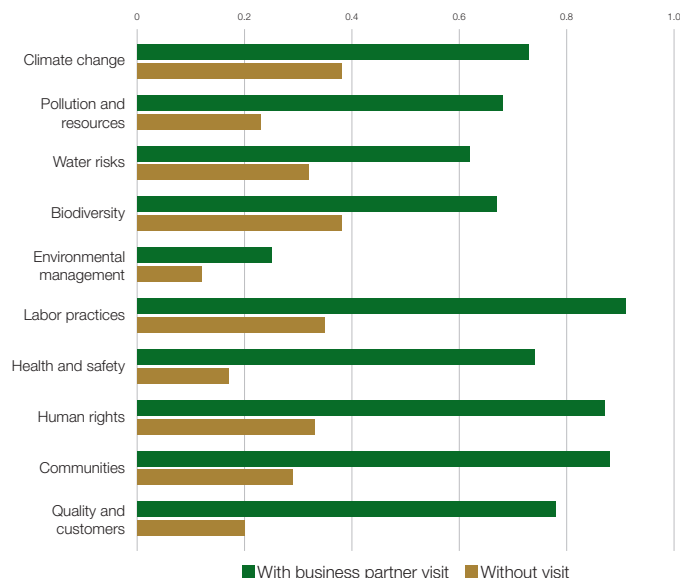
- In regard to themes other than human rights due diligence and the reduction of CO₂ emissions, we were able to educate and motivate our business partners and make sure that Azbil is on the same page as its business partners. As a result, business partners that we visited achieved much higher scores in the self-evaluations than those that we did not visit, which reaffirmed the effectiveness of such visits (see the figure below).
- The hearings enabled us to discover that business partners would like to learn about examples of what other companies of the same size and industry have done, but do not have an appropriate method for doing so. To address this issue, we collected a list of examples obtained via the hearings and not only disclosed this information on our website but also sent it to the business partners that we visited as feedback.

WEB SDGs Supply Chain Annual Report

<https://www.azbil.com/corporate/procurement/supplychain-annualreport/>

- The hearings uncovered successful examples of business partners hiring foreign laborers in diverse ways and thereby achieving the long-term utilization of human resources. We also discovered that many of our business partners are struggling to find human resources to hire. We are currently promoting the recruitment and utilization of foreign human resources to contribute to both promoting diversity and securing human resources, and are sharing successful examples of doing so with other business partners.

Results of business partner self-evaluation surveys (Number increased from FY2021 to FY2023)

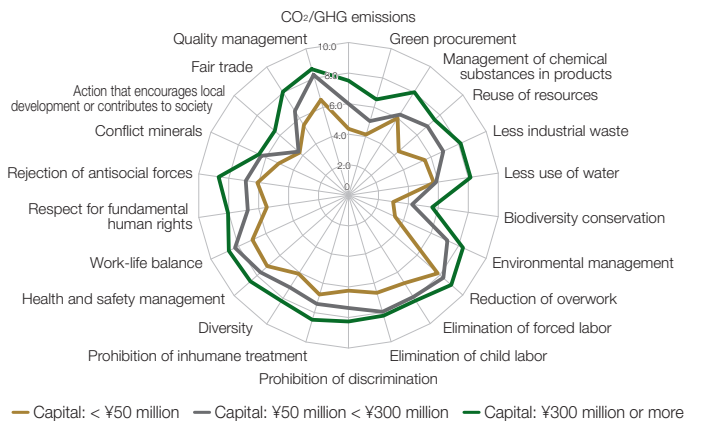


Implementing business partner self-evaluations and providing feedback to business partners

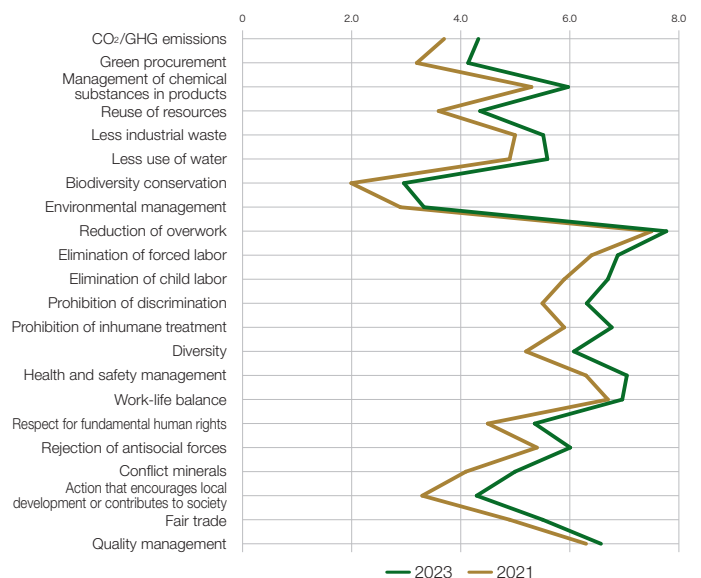
The azbil Group requests business partners to conduct annual self-evaluations from the perspective of the SDGs. Upon requesting business partners to make improvements based on the results of the FY2022 evaluations, improvements were seen in the FY2023 results. We have deemed this feedback to be effective and will continue it in the future.

Also, in the self-evaluation of business partners, when broken down by capitalization, the larger the size (capitalization) of the company, the more advanced the efforts tended to be (see figure below). When comparing the results of FY2023 with those from FY2021 to gain an understanding of the cumulative effects of efforts made, we also noticed that small companies with capital less than ¥50 million had progressed the most since FY2021 (see the figure below). This confirmed that the azbil Group CSR Procurement Guidelines briefing sessions, various encouragement efforts, and feedback have been successful in motivating small companies to raise the level of their efforts.

Status of efforts based on business partner self-evaluations by capitalization



Results of self-evaluation surveys by small-scale business partners with capital less than ¥50 million

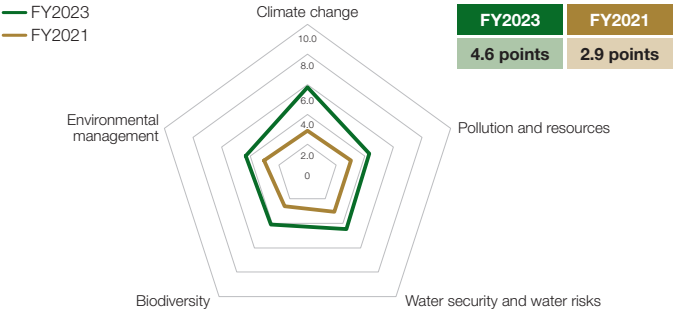


Evaluation of FY2023 activities and future plans

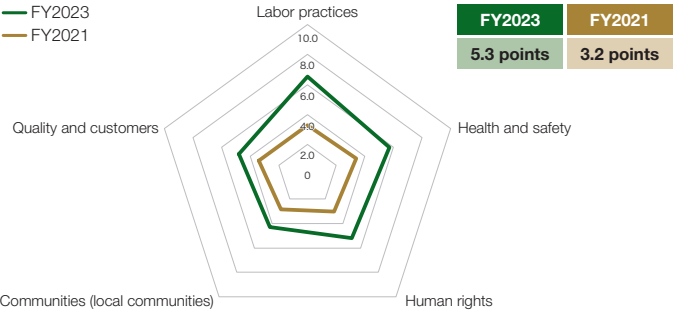
Overall evaluation of FY2023 activities

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, in addition to self-evaluation by its business partners. In FY2023, the various strategies were successful, with each criterion in the environment-related/social-related supply chain generally increasing by about 2 points compared with FY2021, the initial year for these activities. Because we implemented efforts focused on human rights due diligence and the reduction of CO₂ emissions, scores were higher in related fields.

Environment-related supply chain



Social-related supply chain



Initiatives for FY2024

In FY2024, we will encourage and cooperate with our business partners in terms of the environment and society to continue and enhance our activities for ensuring sustainability in the supply chain. By sharing successful examples by encouragement from the azbil Group and successful examples obtained by visiting our business partners, we also plan on striving to improve added value for both the azbil Group and our business partners and thereby build long-term relationships of trust.

In addition to the key themes of the environment and society, we plan on encouraging our business partners to make efforts to enhance governance,* which society is now demanding more strongly. In regard to human rights due diligence, as we have reached a certain level of improvement in the evaluations of the business partners that we directly deal with, we are now planning to expand the scope of these efforts upstream to secondary business partners and beyond. In terms of the environment, we plan to enhance themes other than the reduction of CO₂ emissions. In FY2024, specifically, we will conduct surveys on business partners' compliance with environment-related laws and regulations, from the perspective of securing a sustained supply chain.

* Corporate governance aspects such as compliance, anti-corruption, and business continuity planning.

Message from a business partner

NOBLE Electronic Industry Co., Ltd.
 NOBLE Electronic Industry Co., Ltd., is a company that provides design, manufacturing, maintenance, and services based on automatic control. It mostly receives azbil Group orders for the design, manufacturing, and on-site modification of remote panels.



Koichi Dobashi
Chief Executive Officer

Toshihiko Takahashi
General Manager

Last year, we received an explanation on the azbil Group's approach and efforts regarding SDGs in the supply chain, and understood how serious the entire Group is about achieving the SDGs in the medium to long term. Our company was already making environmental efforts via ISO14001 and promoting the SDGs, but we hope that we can create a more concrete and future-oriented plan so that we can implement efforts to contribute to society together with the azbil Group. In regard to the reduction of CO₂ emissions, we will systematically work on achieving better results while referring to the azbil Group's expertise and advice. Because our work producing and designing products for the azbil Group can contribute to society in terms of the environment and other aspects, we hope that we can continue such efforts by collaborating with the azbil Group in the future.

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, which include unpredictable uncertainties.

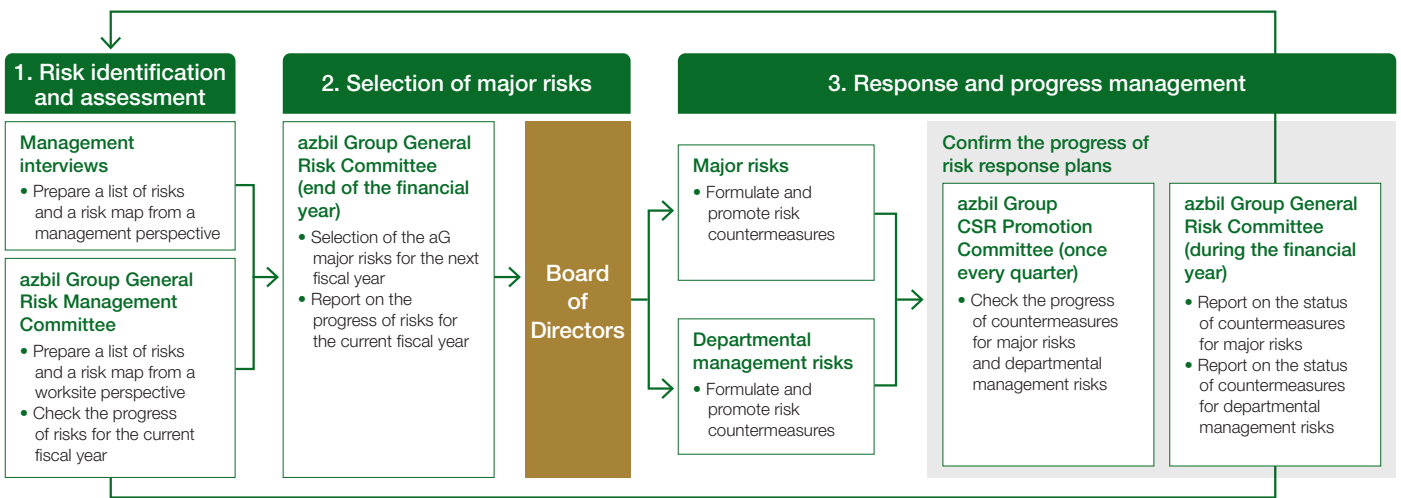
The azbil Group's risk management

To minimize risk from possible future events, we comprehensively identify risks every year, taking changes in the external environment into account, and select major risks based on quantitative standards such as the financial impact and frequency of those risks. We have determined that risk management must integrate bottom-up and top-down approaches, and 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 119 risks comprehensively identified in FY2024, we selected 16 as major risks that would have a severe impact on the business of the azbil Group, and categorized other risks as departmental management risks. Major 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

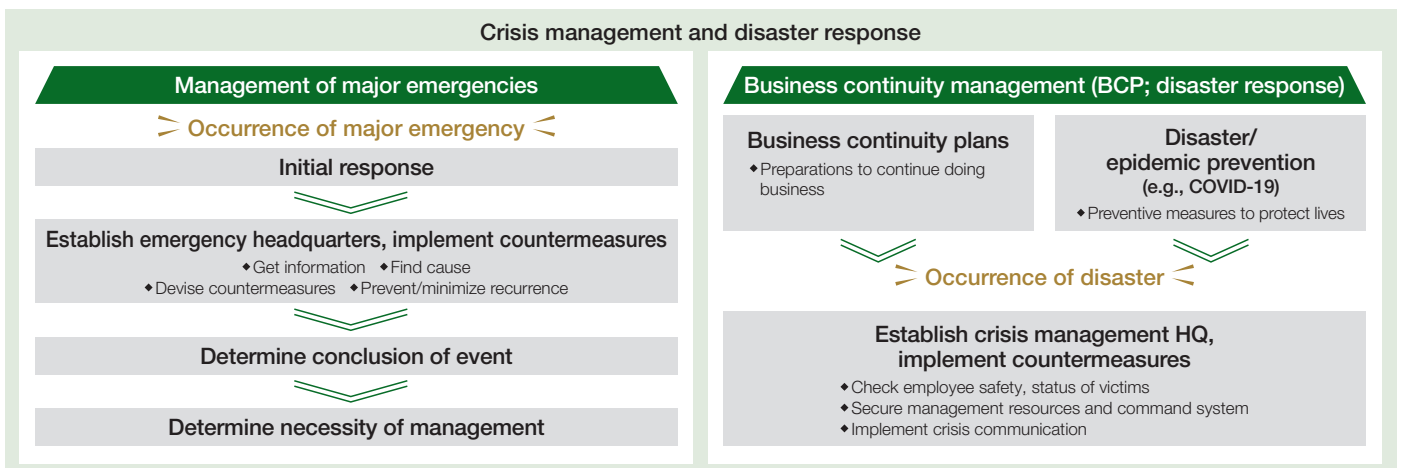
attended by divisional managers and officers in charge of CSR at Group companies. Major risks are further discussed at semiannual azbil Group General Risk Committee meetings, which are attended by the members of Azbil Corporation's Management Meeting and headed by the executive officer in charge of risk management. At these meetings, the progress and effectiveness of risk mitigation plan 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 are reported at Azbil Corporation's Management Meetings and Board of Directors Meetings held quarterly. 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)

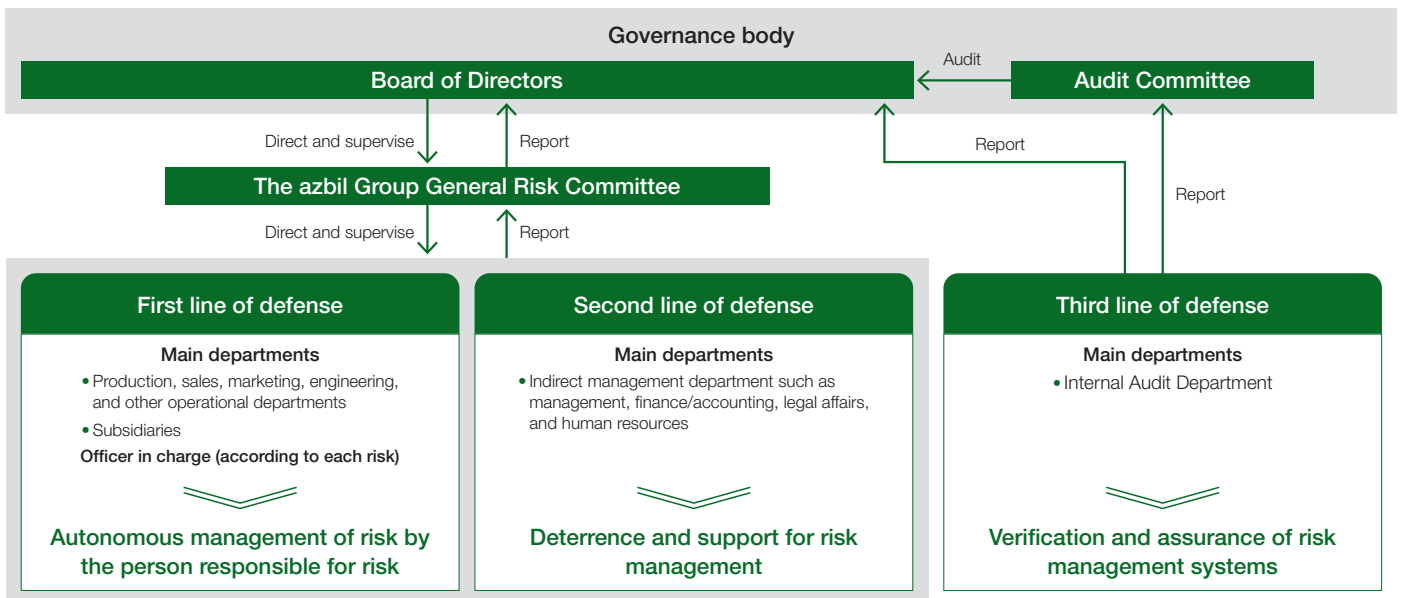


Risk management system

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, departments with indirect management 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. We

conduct a comprehensive identification of risks that could have a significant impact on management and assess 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 work sites 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 5x5 matrix based on impact and likelihood of occurrence). The azbil Group General Risk Committee deliberates on this data and selects the aG major risks, which are then reported to the Board of Directors.

Risk management system based on our three-line defense



Major risks that could severely affect the business results and financial position of the azbil Group are summarized on the right. Of the 119 risks comprehensively identified, we selected 16 as major risks. The major risks indicated on the right and the specific risk factors are judged by the Group to be valid as of the end of FY2023. Details on risk awareness and concrete risk countermeasures for major risks are found in the 102nd Securities Report.

Major risks	Specific risk factors
(1) Risks to quality	1 Outflow of noncompliant products 2 Quality problems
(2) Risks to information security	3 Information management problems 4 Cyberattacks
(3) Risks to technology and product development	5 Delay in responding to technological innovation 6 Lack of technology and product development themes 7 Delay in product/technology development
(4) Risks related to change in the international situation	8 Legal violations related to export management 9 International conflict/dispute 10 Human life/safety in emergencies
(5) Risks related to natural disasters	11 Volcanic eruptions 12 Earthquakes/tsunamis 13 Fires/explosions (including man-made in some cases)
(6) Risks related to a lack of human resources	14 Difficulty with hiring 15 Insufficient engineers/workers 16 Loss of human resources