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Summary of Consolidated Financial Results for the Second Quarter of the Fiscal Year Ending March 31, 2022 (Based on Japanese GAAP)

November 2, 2021

Company name: Azbil Corporation
 Stock exchange listing: Tokyo Stock Exchange 1st Section (Code 6845)
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 Group Chief Executive Officer
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 Scheduled date to file Quarterly Securities Report: November 11, 2021
 Scheduled date to commence dividend payments: December 7, 2021
 Preparation of supplementary materials on
 quarterly financial results: Yes
 Holding of quarterly financial results meeting: Yes (for institutional investors and analysts)

(Amounts less than one million yen are rounded down)

1. Consolidated financial results for the six months ended September 30, 2021 (from April 1, 2021 to September 30, 2021)

(1) Consolidated financial results (cumulative) Percentages indicate year-on-year changes

	Net sales		Operating income		Ordinary income		Net income attributable to owners of parent	
	Millions of yen	%	Millions of yen	%	Millions of yen	%	Millions of yen	%
Six months ended September 30, 2021	115,388	3.6	9,390	12.5	9,872	18.7	6,917	13.4
Six months ended September 30, 2020	111,410	(6.1)	8,346	(5.8)	8,316	(7.7)	6,098	2.6

Note: Comprehensive income Six months ended September 30, 2021 9,371 million yen 23.5%
Six months ended September 30, 2020 7,588 million yen 12.5%

	Net income per share	Diluted net income per share
	Yen	Yen
Six months ended September 30, 2021	49.98	—
Six months ended September 30, 2020	43.71	—

(2) Consolidated financial position

	Total assets	Net assets	Shareholders' equity ratio
	Millions of yen	Millions of yen	%
As of September 30, 2021	272,188	195,357	70.9
As of March 31, 2021	284,597	200,607	69.6

Reference: Shareholders' equity As of September 30, 2021 192,898 million yen
As of March 31, 2021 198,190 million yen

2. Dividends

	Dividend per share				
	1st quarter-end	2nd quarter-end	3rd quarter-end	Fiscal year-end	Total
	Yen	Yen	Yen	Yen	Yen
Year ended March 31, 2021	—	25.00	—	30.00	55.00
Year ending March 31, 2022	—	30.00	—	—	—
Year ending March 31, 2022 (forecast)	—	—	—	30.00	60.00

Note: Revisions to the dividend forecast most recently announced: No

3. Forecast of consolidated financial results for the fiscal year ending March 31, 2022 (from April 1, 2021 to March 31, 2022)

Percentages indicate year-on-year changes

	Net sales		Operating income		Ordinary income		Net income attributable to owners of parent		Net income per share
	Millions of yen	%	Millions of yen	%	Millions of yen	%	Millions of yen	%	Yen
Full year	262,000	6.1	29,300	13.9	29,500	12.0	21,000	5.4	152.97

Note: Revisions to the consolidated financial results forecast most recently announced: Yes

* Notes

(1) Changes in significant subsidiaries during the period (changes in specified subsidiaries due to changes in the scope of consolidation): No

(2) Application of special accounting methods for preparing consolidated quarterly financial statements: No

(3) Changes in accounting policies, changes in accounting estimates, and retrospective restatements

a. Changes in accounting policies accompanying revision of accounting standards, etc.: Yes

b. Changes in accounting policies other than (a) above: No

c. Changes in accounting estimates: No

d. Retrospective restatements: No

Note: For details, please see “Changes in accounting policies” in “2. Consolidated quarterly financial statements and related notes (4) Notes to the consolidated quarterly financial statements” on page 17 of the Accompanying document.

(4) Number of issued shares (common stock)

a. Total number of issued shares at the end of the period (including treasury shares)

As of September 30, 2021	145,200,884 shares	As of March 31, 2021	145,200,884 shares
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b. Number of treasury shares at the end of the period

As of September 30, 2021	7,923,164 shares	As of March 31, 2021	5,681,473 shares
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c. Average number of shares during the period (cumulative from the beginning of the fiscal year)

Six months ended September 30, 2021	138,393,011 shares	Six months ended September 30, 2020	139,507,206 shares
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Note: Azbil Corporation (“the Company”) has introduced an employee stock ownership plan, and the number of treasury shares at the end of the period includes the Company’s stock held by a trust account (1,946,057 shares as of September 30, 2021; 1,958,084 shares as of March 31, 2021). Also, the Company’s stock held by the trust account is included in treasury shares that are deducted in the calculation of the average number of shares during the period (1,953,401 shares for the six months ended September 30, 2021; 1,971,565 shares for the six months ended September 30, 2020).

For details, please see “Additional information” in “2. Consolidated quarterly financial statements and related notes (4) Notes to the consolidated quarterly financial statements” on page 18 of the Accompanying document.

* This consolidated quarterly financial results report is not subject to the quarterly review procedures by certified public accountants or auditing firms.

* Regarding the appropriate use of forecast, etc.

Net sales for the azbil Group tend to be low in the first quarter of the consolidated accounting period and highest in the fourth quarter. However, fixed costs are generated constantly. This means that profits are typically lower in the first quarter and higher in the fourth quarter.

The forecast of the azbil Group is based on currently available information and some reasonable assumptions. Due to various factors, actual results may differ from those discussed in this document. For information on the forecast of financial results, please see “1. Qualitative information on consolidated quarterly financial results (3) Forecast of consolidated financial results” on page 9 of the Accompanying document.

* How to obtain supplementary materials on quarterly financial results

Supplementary materials on quarterly financial results are available on the Company’s website.

Accompanying document

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1. Qualitative information on consolidated quarterly financial results

Based on the philosophy of “human-centered automation,” the azbil Group strives—through its business operations—to contribute “in series” to the achievement of a sustainable society. In this way we ensure our own medium- to long-term development and continuously improve enterprise value.

We are aiming to achieve net sales in the 400 billion yen range, operating income in the 60 billion yen range, an operating income margin of approximately 15%, and an ROE of approximately 13.5%; these are the Group’s new long-term targets for FY2030. Toward achieving these long-term targets, our four-year medium-term plan year starting this fiscal year sets out as targets for FY2024, the final year of the plan, net sales of 300 billion yen, an operating income of 36 billion yen, an operating income margin of 12%, and an ROE of approximately 12%.

As we work to contribute to the achievement of a sustainable society, a variety of societal and customer issues are emerging in our business environment—ranging from responses to climate change and decarbonization, to changes in social structure and sense of values. There are also issues involving how to ensure safety and peace of mind in a climate where people are learning to live with the coronavirus. As we confront these major changes, demand is expected to increase for automation, which, because it can provide solutions, will be valued even more. We will focus on the three growth fields—namely, new automation, environment and energy, and life-cycle solutions—that can particularly benefit from azbil’s unique technologies, products, and services. By providing solutions to these new issues, we will realize growth for our Building Automation (BA), Advanced Automation (AA) and Life Automation (LA) businesses.

The outlook for the COVID-19 pandemic remains uncertain. There are also concerns about the impact of the shortage of semiconductors and other parts. However, while ensuring thorough implementation of measures to strengthen profitability that have already proved effective, the azbil Group is enhancing its risk management and response capabilities. Based on our business continuity planing (BCP), we are taking measures to make sure that our business operations are not interrupted, and working steadily to achieve our financial plan for FY2021. At the same time, to ensure that we attain our long-term targets and medium-term plan, we will continue to make investments necessary for future growth, responding quickly to changes in the business environment and new challenges by harnessing advanced technologies—such as IoT, AI, cloud computing, and big data—for our products and services, as well as promoting digital transformation (DX). In addition, from the perspective of sustainability and contribution “in series” to the achievement of a sustainable society, we will actively address environmental, social and governance (ESG)—three aspects that are also social requirements—and aim to realize the four Essential Goals of azbil Group for SDGs^{Note 1}.

Note 1: Essential Goals of azbil Group for SDGs:

- The areas that we tackle through our business: 1) Environment and energy and 2) New automation
- The areas that we tackle through our general corporate activities: 3) Supply chain and social responsibility and 4) Health and well-being management, and an organization that never stops learning

(1) Consolidated business performance

The business environment for the azbil Group for the six months ended September 2021 was as follows.

In the field of heating, ventilation, and air conditioning (HVAC) control equipment/systems for large-scale buildings in Japan, demand driven by urban redevelopment plans has continued while growing interest in solutions for improved ventilation and energy saving has meant that demand for refurbishment projects has steadily increased. As for manufacturing equipment, due to the rapid growth of teleworking and 5G services, the semiconductor-related market has continued to recover, and the recovery of other manufacturing equipment markets has been conspicuous, both in Japan and overseas. While there have been differences between markets, overall capital investment has continued to rebound. The impact on our financial performance resulting from the COVID-19 pandemic and the parts shortages has been contained.

Financial results for the six months ended September 2021 were as follows. Both net sales and profits rose compared to the same period last year.

Overall orders received grew, reversing the decline in the same period last year caused by the spread of COVID-19. This was mainly due to an increase in the AA business following a recovery in market conditions, as well as increased orders received in the BA business reflecting demand for the refurbishment of existing buildings and service, and increased orders received in the LA business driven by demand for pharmaceutical equipment. Consequently, overall orders received were 156,980 million yen, up 15.3% on the same period last year, when a figure of 136,185 million yen was recorded. Net sales were 115,388 million yen, 3.6% higher than the same period last year, when a figure of 111,410 million yen was recorded. This was mainly due to an increase in the AA business following a recovery in demand in the manufacturing equipment market.

As regards profits, there were higher expenses for adapting the working conditions as part of our COVID-19 responses, and also an increase in R&D expenses reflecting measures included in the medium-term plan. Nevertheless, in addition to the growth in net sales, measures to strengthen business profitability continued to have a positive effect. Consequently, operating income was 9,390 million yen, up 12.5% on the 8,346 million yen recorded for the same period last year. With this growth in operating income and recording foreign exchange gains, ordinary income was 9,872 million yen, up 18.7% on the 8,316 million yen recorded for the same period last year. As regards net income attributable to owners of parent, this was 6,917 million yen, up 13.4% on the 6,098 million yen for the same period last year, when—following the integration of domestic production facilities—gain on sale of non-current assets was recorded.

(Millions of yen)

	Six months ended Sep. 30, 2020 (Apr. 1, 2020 to Sep. 30, 2020)	Six months ended Sep. 30, 2021 (Apr. 1, 2021 to Sep. 30, 2021)	Difference	
			Amount	Rate
Orders received	136,185	156,980	20,795	15.3%
Net sales	111,410	115,388	3,977	3.6%
Operating income [Margin]	8,346 [7.5%]	9,390 [8.1%]	1,043 [0.6pp]	12.5%
Ordinary income	8,316	9,872	1,555	18.7%
Net income attributable to owners of parent [Margin]	6,098 [5.5%]	6,917 [6.0%]	818 [0.5pp]	13.4%

What follows are management's assessment of the results for each segment, together with our analysis and conclusions.

Building Automation (BA) Business

Regarding the BA business environment, in the domestic market demand for urban redevelopment projects in the Tokyo metropolitan area has continued to grow, and heightened interest has been seen in solutions related to ventilation improvement, energy savings, CO₂ reduction, and lower operational costs. Also, the impact of the COVID-19 pandemic on domestic markets continues to be limited. As regards overseas markets, however, we have observed the prolonged impact of the pandemic on some regions, resulting in sluggish demand and construction delays.

In this business environment, we have not only engaged in securing orders with a view to enhanced profitability, but have also striven to ensure enhanced capabilities and efficiencies of job execution—particularly on construction and service sites—that meet the requirements of the Japanese government's work-style reform, while also paying sufficient attention to the safety of both customers and employees. Moreover, we have made progress with the expansion of our products and services to better meet the needs of customers, in Japan and abroad, who are interested in harnessing such technologies as IoT. Consequently, the financial results of the BA business for the six months ended September 2021 were as follows.

As regards orders received, there was a decline in the field related to sales and installation of equipment/systems for new large-scale buildings, due to the fact that in the same period last year orders had been received for several large-scale projects. Also, the service field was impacted by the new accounting standard for revenue recognition^{Note 2}. However, in addition to the renewal of multi-year service contracts, demand has remained robust for the refurbishment of existing buildings and service to provide solutions offering ventilation improvement, energy savings, and CO₂ reduction. Accordingly, overall orders received were 78,557 million yen, up 7.3% on the same period last year, when a figure of 73,188 million yen was recorded. As regards sales, despite growth in two fields—those related to the sales and installation of equipment/systems for new large-scale buildings, and that related to the refurbishment of existing buildings—sales

were 48,701 million yen, on a par with the 48,567 million yen recorded for the same period last year. This result reflects small declines in both the service field owing to the new accounting standard for revenue recognition and the security field since there was a cluster of projects in the same period last year. Although efforts to enhance profitability, as a result of promoting R&D activities, as stipulated in the medium-term plan, and with higher expenses for adapting the working conditions as part of our COVID-19 responses, segment profit was 1,902 million yen, down 26.1% from the 2,572 million yen recorded for the same period last year.

As for the medium- to long-term outlook, in addition to the robust trend seen in domestic orders received in the current period, large-scale redevelopment projects and several retrofit projects for large-scale buildings are planned for FY2021 onwards. Building on its track record, the BA business aims to secure this demand. Moreover, there have been growing requirements for energy savings and CO₂ reduction as part of decarbonization, as well as rising office demand in the “new normal” era, triggered by the COVID-19 pandemic, for the enhanced safety and peace of mind offered by improved ventilation and access control. In response to this demand, we will supply solutions such as remote maintenance, cloud services and a new HVAC system; we are thus aiming to achieve sustainable growth. Additionally, we will employ business process reforms and other initiatives to further ensure that a high-profit structure is established.

(Millions of yen)

	Six months ended Sep. 30, 2020 (Apr. 1, 2020 to Sep. 30, 2020)	Six months ended Sep. 30, 2021 (Apr. 1, 2021 to Sep. 30, 2021)	Difference	
			Amount	Rate
Orders received	73,188	78,557	5,369	7.3%
Sales	48,567	48,701	133	0.3%
Segment profit [Margin]	2,572 [5.3%]	1,902 [3.9%]	(670) [(1.4)pp]	(26.1)%

Note 2: Effect of the new accounting standard for revenue recognition on the service field:

The main impact of the new accounting standard for revenue recognition has been on the service field where it has reduced the figure for orders received by approximately 3,200 million yen, while the impact on sales and segment profit has been immaterial.

Advanced Automation (AA) Business

As regards market trends, in Japan and abroad, affecting the AA business environment, expanding investment in 5G has led to steadily continued demand in markets for semiconductor manufacturing equipment. Although it is still unclear when COVID-19 will abate, a recovery in capital investment is being observed overall, particularly in the manufacturing equipment market.

Given this business environment, and as a result of the effective growth in overseas business—which has been a focus for this segment—as well as the successful strengthening of its profit structure by continued implementation of various measures, the AA business has posted the following results for the six months ended September 2021.

Orders received were 53,227 million yen, up 24.8% on the same period last year, when a figure of 42,652 million yen was recorded. This was mainly due to a recovery in demand in the

manufacturing equipment market and business growth overseas. Despite some negative impact from parts shortages, sales were 45,778 million yen, a 9.6% increase on the 41,752 million yen recorded for the same period last year. Although there was an increase in R&D and other expenses, segment profit margin improved. This was due to revenue growth and further progress with measures to strengthen profitability that had already proved effective. As a result, segment profit was up 43.1% at 6,987 million yen (compared with 4,884 million yen for the same period last year).

In the medium to long term, investment demand is expected to grow, reflecting the continuing drive to automate manufacturing equipment and production lines. This investment is required to cope with the challenges posed by labor shortages and decarbonization, and to improve productivity through the introduction of new technologies. Based on the three AA business sub-segments (CP, IAP, and SS)^{Note 3}, we will continue our efforts to achieve business growth with high competitiveness by promoting expansion into growth fields, particularly our overseas business; developing new products and services that harness such technologies as AI, cloud computing, and MEMS^{Note 4}; accelerating market launches; and creating the new automation field, unique to the azbil Group.

(Millions of yen)

	Six months ended Sep. 30, 2020 (Apr. 1, 2020 to Sep. 30, 2020)	Six months ended Sep. 30, 2021 (Apr. 1, 2021 to Sep. 30, 2021)	Difference	
			Amount	Rate
Orders received	42,652	53,227	10,575	24.8%
Sales	41,752	45,778	4,025	9.6%
Segment profit [Margin]	4,884 [11.7%]	6,987 [15.3%]	2,102 [3.6pp]	43.1%

Note 3: Three AA business sub-segments (management accounting sub-segments)

CP business: Control Product business (supplying factory automation products such as controllers and sensors)

IAP business: Industrial Automation Product business (supplying process automation products such as differential pressure and pressure transmitters, and control valves)

SS business: Solution and Service business (offering control systems, engineering service, maintenance service, energy-saving solution service, etc.)

4: Microelectromechanical systems (MEMS): devices built using microfabrication technology to integrate sensors, actuators and electronic circuits on substrates.

Life Automation (LA) Business

The LA business covers three fields: Lifeline (gas/water meters, etc.), Life Science Engineering (LSE: pharmaceutical/laboratory fields), and Lifestyle-related (residential central air-conditioning systems). The business environment differs in each field.

The Lifeline field, which accounts for the bulk of LA sales, depends on cyclical demand for meter replacement as required by law. Though demand can be expected to remain basically stable, some changes have been observed, such as LP gas meters—which account for a part of Lifeline field sales—being in a period of low demand. Also, in the LSE field, investment in

equipment for pharmaceutical plants continues to grow. Reflecting these business conditions and initiatives, the financial results of the LA business for the six months ended September 2021 were as follows.

Overall orders received rose by 24.0% to 26,122 million yen (compared with the 21,073 million yen recorded for the same period last year). This mainly reflects an increase in the LSE field driven by growing demand for equipment in the pharmaceutical market. As regards sales, the Lifeline field saw a decrease owing to the pandemic, but due to an increase in the LSE field—reflecting the growth in orders received in the previous consolidated fiscal year—overall sales stood at 21,716 million yen, on a par with the 21,716 million yen recorded for the same period last year. Owing to an increase in expenses, segment profit was 535 million yen, down 39.5% on the 884 million yen recorded for the same period last year.

Going forward, we will continue our efforts to stabilize and improve profits in each of the three fields that comprise the LA business. At the same time, in order to grasp the opportunities provided by changes in the business environment for the energy supply market, in addition to our traditional business of supplying products, we will strive to expand sales and increase profits, creating a new business that provides services based on data collected from meters by utilizing IoT and other technologies.

(Millions of yen)

	Six months ended Sep. 30, 2020 (Apr. 1, 2020 to Sep. 30, 2020)	Six months ended Sep. 30, 2021 (Apr. 1, 2021 to Sep. 30, 2021)	Difference	
			Amount	Rate
Orders received	21,073	26,122	5,049	24.0%
Sales	21,716	21,716	(0)	(0.0)%
Segment profit [Margin]	884 [4.1%]	535 [2.5%]	(349) [(1.6)pp]	(39.5)%

Other

In Other business, principally our insurance agent business, orders received in the six months ended September 2021 were 33 million yen (compared with the 34 million yen for the same period last year), sales were 33 million yen (compared with the 33 million yen for the same period last year), and segment profit was 7 million yen (compared with the 12 million yen for the same period last year).

(2) Consolidated financial position

Assets

Total assets at the end of the second quarter of fiscal year 2021 stood at 272,188 million yen, a decrease of 12,409 million yen from the previous fiscal year-end. This was mainly due to a decrease of 12,171 million yen in notes and accounts receivable-trade, and contract assets.

Liabilities

Total liabilities at the end of the second quarter of fiscal year 2021 stood at 76,831 million yen, a decrease of 7,158 million yen from the previous fiscal year-end. This was mainly due to a decrease of 4,586 million yen in income taxes payable as well as a decrease of 2,694 million yen

in provision for bonuses.

Net assets

Net assets at the end of the second quarter of fiscal year 2021 stood at 195,357 million yen, a decrease of 5,250 million yen from the previous fiscal year-end. This was mainly due to the reduction in shareholders' equity, which was attributed to a decrease of 9,999 million yen by repurchasing own stock based on a decision in the Board of Directors meeting as well as a decrease of 4,244 million yen as the payment of dividends, despite an increase of 6,917 million yen by the recording of net income attributable to owners of parent.

As a result, the shareholders' equity ratio was 70.9% compared with 69.6% at the previous fiscal year-end.

Net cash flow from operating activities

Cash and cash equivalents (hereinafter "net cash") provided by operating activities in the six months ended September 2021 were 15,196 million yen, an increase of 7,540 million yen compared to the same period last year. This was mainly due to decreases in trade payables and the payment of bonuses.

Net cash flow from investing activities

Net cash used in investment activities in the six months ended September 2021 were 2,543 million yen (in the same period last year net cash provided by these activities (proceeds) was 3,353 million yen). This was mainly due to an increase of expenditures from purchase of securities. Also, there had been allocated funds from short-term investment securities to prioritize maintaining liquidity as well as proceeds from the sale of property, plant and equipment following the integration of factories in Japan in the same period last year.

Net cash flow from financing activities

Net cash used in financing activities (expenditure) in the six months ended September 2021 were 15,957 million yen, an increase of 12,598 million yen in expenditure compared with the same period last year. This was mainly due to an increase in expenditure resulting from the payment of dividends and the fact that there were expenditures resulting from the repurchase of own stock based on a resolution in the Board of Directors meeting.

As a result of the above factors, net cash at the end of the second quarter stood at 88,222 million yen, a decrease of 2,430 million from the previous consolidated fiscal year-end.

(3) Forecast of consolidated financial results

Based on the consolidated financial results for the six months ended September 2021, as well as the progress of ongoing measures, and in the light of currently available information regarding trends in the business environment, we have revised upward our initial forecast (announced on May 14, 2021) for both net sales and profits for the fiscal year ending March 31, 2022.

Consequently, we aim to achieve net sales of 262.0 billion yen, up 2.0 billion yen on the initial forecast. As regards profits, we plan for operating income to increase by 1.8 billion yen to 29.30 billion yen; ordinary income to increase by 2.0 billion yen to 29.5 billion yen; and net income attributable to owners of parent to increase by 1.0 billion yen to 21.0 billion yen.

The BA business is benefiting from a sustained high level of demand for HVAC control equipment/systems for large-scale buildings. Taking into account the buildup in the order backlog for new buildings at the start of FY2021, as well as the robust growth in orders received for refurbishment of existing buildings over the six months ended September 2021, we aim to achieve sales of 121.4 billion yen and segment profit of 14.3 billion yen, as forecast at the beginning of the current fiscal year. These figures represent increases in both sales and profits compared with the previous fiscal year.

In the AA business, we expect capital investment to continue to rebound, thanks to the recovery seen in both domestic and overseas manufacturing equipment markets. Also, we are planning to make progress in actively developing overseas customers. These factors, along with the impetus generated by launching new products and further strengthening profitability, are expected to result in sales of 96.5 billion yen and segment profit of 13.4 billion yen. These figures represent upward revisions to the initial forecast for increased sales and profits by a further 2.3 billion yen and 1.8 billion yen, respectively.

In the LA business, we plan to launch new products and expand our cloud-based service business in the Lifeline field. We also expect to achieve growth in the Life Science Engineering field, driven by increased demand for equipment in the currently robust pharmaceutical market. We thus aim to achieve sales of 45.7 billion yen and segment profit of 1.6 billion yen, as forecast at the beginning of the current fiscal year. These figures represent increases in sales and profits compared with the previous fiscal year.

The outlook for the COVID-19 pandemic remains unclear, and uncertainty regarding the shortages of semiconductors and other parts continues. In the second half of the current fiscal year as well, while anticipating the impacts of the COVID-19 pandemic and the parts shortages, the azbil Group will maintain thorough safety management and continue operations with the safety of our customers and employees as our top priority. By keeping a close eye on the situation with our customers and parts suppliers and responding quickly and appropriately to the changing situation, we will steadily achieve our forecast for consolidated financial results for the fiscal year ending March 31, 2022.

At the same time, based on our medium-term plan (FY2021-FY2024), we will make the necessary investments for future business growth, in R&D and other areas, develop and supply new products and services, and implement measures to strengthen our profitability, such as improving the efficiency of business operations by advancing DX.

The forecast of the azbil Group is based on currently available information and some reasonable assumptions. Due to various factors, actual results may differ from those discussed in

this document.

(Billions of yen)

		Revised forecast (Nov. 2, 2021)	Initial forecast (May 14, 2021)	Difference		(Reference) FY2020 results
				Amount	Rate	
Building Automation	Sales	121.4	121.4	-	-	117.5
	Segment profit [Margin]	14.3 [11.8%]	14.3 [11.8%]	- -	- -	14.0 [11.9%]
Advanced Automation	Sales	96.5	94.2	2.3	2.4%	87.7
	Segment profit [Margin]	13.4 [13.9%]	11.6 [12.3%]	1.8 [1.6pp]	15.5%	10.2 [11.7%]
Life Automation	Sales	45.7	45.7	-	-	42.9
	Segment profit [Margin]	1.6 [3.5%]	1.6 [3.5%]	- -	- -	1.4 [3.3%]
Other	Sales	0.1	0.1	-	-	0.0
	Segment profit [Margin]	0.0 [0.0%]	0.0 [0.0%]	- -	- -	0.0 [12.2%]
Consolidated	Net sales	262.0	260.0	2.0	0.8%	246.8
	Operating income [Margin]	29.3 [11.2%]	27.5 [10.6%]	1.8 [0.6pp]	6.5%	25.7 [10.4%]
	Ordinary income	29.5	27.5	2.0	7.3%	26.3
	Net income attributable to owners of parent [Margin]	21.0 [8.0%]	20.0 [7.7%]	1.0 [0.3pp]	5.0%	19.9 [8.1%]

2. Consolidated quarterly financial statements and related notes

(1) Consolidated quarterly balance sheets

(Millions of yen)

	As of March 31, 2021	As of September 30, 2021
Assets		
Current assets		
Cash and deposits	68,511	65,889
Notes and accounts receivable - trade	82,142	-
Notes and accounts receivable - trade, and contract assets	-	69,971
Securities	36,500	37,100
Merchandise and finished goods	5,360	5,307
Work in process	6,987	6,468
Raw materials	12,166	13,445
Other	8,299	8,302
Allowance for doubtful accounts	(369)	(387)
Total current assets	219,599	206,097
Non-current assets		
Property, plant and equipment		
Buildings and structures, net	13,934	13,877
Other, net	13,127	13,578
Total property, plant and equipment	27,062	27,456
Intangible assets	5,482	5,626
Investments and other assets		
Investment securities	22,780	23,959
Other	9,772	9,148
Allowance for doubtful accounts	(99)	(100)
Total investments and other assets	32,453	33,007
Total non-current assets	64,998	66,090
Total assets	284,597	272,188

(Millions of yen)

	As of March 31, 2021	As of September 30, 2021
Liabilities		
Current liabilities		
Notes and accounts payable - trade	31,951	29,898
Short-term borrowings	9,035	8,156
Income taxes payable	6,070	1,484
Provision for bonuses	9,853	7,158
Provision for bonuses for directors (and other officers)	135	68
Provision for product warranties	518	577
Provision for loss on order received	246	127
Other	18,648	20,682
Total current liabilities	76,459	68,153
Non-current liabilities		
Long-term borrowings	313	310
Retirement benefit liability	1,660	1,696
Provision for retirement benefits for directors (and other officers)	169	183
Provision for share awards	1,634	1,783
Other	3,751	4,704
Total non-current liabilities	7,530	8,678
Total liabilities	83,990	76,831
Net assets		
Shareholders' equity		
Share capital	10,522	10,522
Capital surplus	11,670	11,670
Retained earnings	177,900	180,573
Treasury shares	(13,709)	(23,686)
Total shareholders' equity	186,384	179,080
Accumulated other comprehensive income		
Valuation difference on available-for-sale securities	11,108	12,005
Deferred gains or losses on hedges	24	(22)
Foreign currency translation adjustment	699	1,862
Remeasurements of defined benefit plans	(26)	(26)
Total accumulated other comprehensive income	11,805	13,818
Non-controlling interests	2,416	2,458
Total net assets	200,607	195,357
Total liabilities and net assets	284,597	272,188

(2) Consolidated quarterly statements of income and consolidated quarterly statements of comprehensive income
(Consolidated quarterly statements of income)
(Consolidated cumulative second quarter)

(Millions of yen)

	Six months ended September 30, 2020 (April 1, 2020 to September 30, 2020)	Six months ended September 30, 2021 (April 1, 2021 to September 30, 2021)
Net sales	111,410	115,388
Cost of sales	67,748	68,695
Gross profit	43,662	46,692
Selling, general and administrative expenses	35,315	37,301
Operating income	8,346	9,390
Non-operating income		
Interest income	55	53
Dividend income	326	418
Foreign exchange gains	-	96
Rental income from real estate	19	12
Reversal of allowance for doubtful accounts	23	0
Other	104	97
Total non-operating income	530	678
Non-operating expenses		
Interest expenses	67	62
Foreign exchange losses	295	-
Commitment fees	10	9
Expenses of real estate	58	17
Other	129	106
Total non-operating expenses	560	196
Ordinary income	8,316	9,872
Extraordinary income		
Gain on sale of non-current assets	630	0
Gain on sale of investment securities	170	354
Total extraordinary income	800	355
Extraordinary losses		
Loss on sale and retirement of non-current assets	16	30
Loss on sale of investment securities	-	3
Loss on valuation of investment securities	21	-
Total extraordinary losses	38	33
Income before income taxes	9,078	10,194
Income taxes - current	1,020	1,794
Income taxes - deferred	1,747	1,142
Total income taxes	2,767	2,936
Net income	6,311	7,257
Net income attributable to non-controlling interests	213	340
Net income attributable to owners of parent	6,098	6,917

(Consolidated quarterly statements of comprehensive income)
(Consolidated cumulative second quarter)

(Millions of yen)

	Six months ended September 30, 2020 (April 1, 2020 to September 30, 2020)	Six months ended September 30, 2021 (April 1, 2021 to September 30, 2021)
Net income	6,311	7,257
Other comprehensive income		
Valuation difference on available-for-sale securities	1,689	897
Deferred gains or losses on hedges	5	(46)
Foreign currency translation adjustment	(425)	1,265
Remeasurements of defined benefit plans, net of tax	7	(1)
Total other comprehensive income	1,276	2,113
Comprehensive income	7,588	9,371
Comprehensive income attributable to:		
Owners of parent	7,403	8,929
Non-controlling interests	185	441

(3) Consolidated quarterly statements of cash flows

(Millions of yen)

	Six months ended September 30, 2020 (April 1, 2020 to September 30, 2020)	Six months ended September 30, 2021 (April 1, 2021 to September 30, 2021)
Cash flows from operating activities		
Income before income taxes	9,078	10,194
Depreciation	2,144	2,337
Increase (decrease) in allowance for doubtful accounts	(31)	0
Increase (decrease) in retirement benefit liability	(545)	27
Decrease (increase) in retirement benefit asset	4	4
Increase (decrease) in provision for share awards	175	173
Increase (decrease) in provision for bonuses	(3,595)	(2,731)
Increase (decrease) in provision for bonuses for directors (and other officers)	(70)	(67)
Interest and dividend income	(382)	(471)
Interest expenses	67	62
Foreign exchange losses (gains)	216	(84)
Loss (gain) on sale and retirement of non-current assets	(613)	29
Loss (gain) on sale and valuation of investment securities	(148)	(351)
Decrease (increase) in trade receivables	15,013	-
Decrease (increase) in trade receivables and contract assets	-	12,845
Decrease (increase) in inventories	(2,351)	(398)
Increase (decrease) in trade payables	(8,395)	(2,424)
Decrease (increase) in other assets	599	353
Increase (decrease) in other liabilities	2,367	1,531
Subtotal	13,531	21,032
Interest and dividends received	386	476
Interest paid	(63)	(66)
Income taxes paid	(6,197)	(6,247)
Net cash provided by (used in) operating activities	7,656	15,196
Cash flows from investing activities		
Payments into time deposits	(1,485)	(1,465)
Proceeds from withdrawal of time deposits	1,588	1,754
Purchase of securities	(10,000)	(12,800)
Proceeds from sale of securities	13,700	12,200
Purchase of beneficial interests in trust	(4,149)	(4,072)
Proceeds from sale of beneficial interests in trust	4,711	4,056
Purchase of property, plant and equipment	(1,487)	(1,617)
Proceeds from sale of property, plant and equipment	1,158	7
Purchase of intangible assets	(643)	(663)
Purchase of investment securities	(0)	-
Proceeds from sale of investment securities	405	38
Purchase of shares of subsidiaries and associates	(451)	-
Other, net	8	18
Net cash provided by (used in) investing activities	3,353	(2,543)

(Millions of yen)

	Six months ended September 30, 2020 (April 1, 2020 to September 30, 2020)	Six months ended September 30, 2021 (April 1, 2021 to September 30, 2021)
Cash flows from financing activities		
Proceeds from short-term borrowings	622	17
Repayments of short-term borrowings	(32)	(1,021)
Repayments of long-term borrowings	(8)	(28)
Dividends paid	(3,537)	(4,243)
Repayments of lease obligations	(210)	(278)
Dividends paid to non-controlling interests	(191)	(401)
Purchase of treasury shares	(0)	(10,001)
Proceeds from sale of treasury shares	0	-
Net cash provided by (used in) financing activities	(3,358)	(15,957)
Effect of exchange rate change on cash and cash equivalents	(374)	874
Net increase (decrease) in cash and cash equivalents	7,275	(2,430)
Cash and cash equivalents at beginning of period	74,743	90,652
Cash and cash equivalents at end of period	82,019	88,222

(4) Notes to the consolidated quarterly financial statements

Notes regarding going concern assumptions

Not applicable

Notes regarding significant change in shareholders' equity

The Company repurchased its own stock as follows, based on the resolution at the Board of Directors meeting held on May 14, 2021.

Details of share repurchase

- | | |
|---|--|
| (1) Type of shares repurchased: | Common stock of the Company |
| (2) Total number of shares repurchased: | 2,253,400 shares |
| (3) Total amount of repurchase: | 9,999,702,000 yen |
| (4) Period of repurchase: | From May 17, 2021 to August 13, 2021 (based on trade date) |
| (5) Method of repurchase: | Market transactions on the Tokyo Stock Exchange |

Consequently, treasury shares amounted to 23,686 million yen for 7,923,164 shares as of September 30, 2021. As described in "Additional information," treasury shares include the Company's stock remaining in the trust (3,862 million yen for 1,946,057 shares).

Changes in accounting policies

Application of the Accounting Standard for Revenue Recognition, etc.

The "Accounting Standard for Revenue Recognition" (ASBJ Statement No. 29, March 31, 2020), etc. have been applied since the beginning of the first quarter of the consolidated fiscal year, and accordingly the azbil Group recognizes revenue at the amount expected to be received in exchange for promised goods or services when control of the goods or services is transferred to the customer.

As a primary change, the revenue of transactions in which the Group's role falls under that of an agent, which had been recognized for the entire amount of the consideration received from the customer, is now recognized at net value (total consideration minus payments to a third party).

The application of the Accounting Standard for Revenue Recognition, etc. are pursuant to the transitional treatment stipulated in the proviso of Paragraph 84 of the Accounting Standard for Revenue Recognition. However, the balance of retained earnings at the beginning of the current fiscal year is not affected.

The impact of this change on net sales, operating income, ordinary income, and income before income taxes for the current consolidated cumulative second quarter is immaterial.

As a result of the application of the Accounting Standard for Revenue Recognition, etc., "Notes and accounts receivable - trade," which had come under "Current assets" in the consolidated balance sheets for the previous consolidated fiscal years, is now included in "Notes and accounts receivable - trade, and contract assets" from the first quarter of the consolidated fiscal year. Also, "Decrease (increase) in trade receivables," which had come under "Cash flows from operating activities" in the consolidated quarterly statements of cash flows for the previous consolidated cumulative second quarter is now included in "Decrease (increase) in trade receivables and contract assets" from the current consolidated cumulative second quarter. In accordance with the transitional treatment stipulated in Paragraph 89-2 of the Accounting Standard for Revenue Recognition, results for the previous consolidated fiscal year and the previous consolidated cumulative second quarter have not been restated using the new classification. Furthermore, in accordance with the transitional treatment stipulated in Paragraph 28-15 of the "Accounting Standard for Quarterly Financial Reporting" (ASBJ Statement No. 12, March 31, 2020), the Group has not disclosed information on disaggregation of revenue from contracts with customers for the previous consolidated cumulative second quarter.

Application of the Accounting Standard for Fair Value Measurement, etc.

The "Accounting Standard for Fair Value Measurement" (ASBJ Statement No. 30, July 4, 2019), etc. have been applied since the beginning of the first quarter of the consolidated fiscal year. In accordance with the transitional treatment stipulated in Paragraph 19 of the Accounting Standard for Fair Value Measurement and Paragraph 44-2 of the "Accounting Standard for Financial Instruments" (ASBJ Statement No. 10, July 4, 2019), the new accounting policy stipulated by the Accounting Standard for Fair Value Measurement, etc. will be applied prospectively. The consolidated quarterly financial statements are unaffected.

Additional information

Transactions of delivering the Company's own stock to employees, etc. through trusts

The Company has introduced an employee stock ownership plan (hereinafter referred to as "the plan"), an incentive plan for offering the Company's stock to its employees, to boost the linkage between stock price and business performance of the Company on the one hand, and the benefit received by employees on the other hand, and to enhance the motivation and morale of employees for increasing stock price and business performance of the Company by sharing economic effects with shareholders.

1. Outline of the transaction

Under the plan, the Company offers the Company's stock to its employees who satisfy certain requirements specified in the Company's predetermined stock granting regulations. The Company awards points to employees according to their contribution level and grants the Company's stock proportionate to the awarded points when employees obtain the right to receive stock by meeting certain conditions. The stock to be granted to employees is acquired with money previously placed in the trust, including stock to be granted in the future, and is separately managed as assets in the trust.

2. The Company's stock remaining in the trust

Regarding the accounting procedures for the trust contract, the Company has applied "Practical Solution on Transactions of Delivering the Company's Own Stock to Employees, etc. through Trusts" (PITF No. 30, March 26, 2015), and the Company's stock in the trust is recorded as treasury shares under net assets at book value in the trust. The book value of the Company's stock in the trust and the number of shares are as follows.

As of March 31, 2021

Book value: 3,886 million yen

Number of shares: 1,958,084 shares

As of September 30, 2021

Book value: 3,862 million yen

Number of shares: 1,946,057 shares

Segment information

1. Six months ended September 30, 2020 (from April 1, 2020 to September 30, 2020)

(1) Information on sales and profit by each segment

(Millions of yen)

	Reportable Segment				Other*	Total
	Building Automation	Advanced Automation	Life Automation	Total		
Sales						
Customers	48,429	41,353	21,594	111,377	33	111,410
Inter-segment	138	398	122	659	0	660
Total	48,567	41,752	21,716	112,036	33	112,070
Segment profit	2,572	4,884	884	8,341	12	8,353

* "Other" includes insurance agent business, etc.

(2) The main contents of the difference between reportable segment profit and operating income

(Millions of yen)

Income	Amount
Total of Reportable Segment	8,341
Profit in Other	12
Elimination	(7)
Operating income	8,346

2. Six months ended September 30, 2021 (from April 1, 2021 to September 30, 2021)

(1) Information on sales and profit by each segment and disaggregation of revenue

(Millions of yen)

	Reportable Segment				Other*	Total
	Building Automation	Advanced Automation	Life Automation	Total		
Sales						
Customers	48,518	45,261	21,575	115,355	32	115,388
Inter-segment	183	516	140	840	0	841
Total	48,701	45,778	21,716	116,196	33	116,229
Segment profit	1,902	6,987	535	9,424	7	9,432
Disaggregation of revenue						
Goods or services transferred at a point in time	10,581	36,802	15,555	62,940	32	62,972
Goods or services transferred over time	37,936	8,458	6,019	52,415	—	52,415
Revenue from contracts with customers	48,518	45,261	21,575	115,355	32	115,388

* "Other" includes insurance agent business, etc.

The Group is engaged in its Building Automation business in the building market, Advanced Automation business in the industrial market, and Life Automation business in markets closely related to lifelines and everyday life. In each of these businesses, we sell products such as measurement and control equipment, perform contract work including instrumentation and engineering, and provide maintenance and other services.

Regarding the sale of products, the Group principally recognizes revenue at the time of delivery of products to the customer, based on the understanding that this is when control over products is transferred to the customer and the performance obligation is thus satisfied (goods transferred at a point in time).

Regarding contract work undertaken, the Group supplies equipment and systems based on customer specifications and recognizes revenue over time, based on the understanding that its performance obligation will be satisfied as the engineering progresses (goods transferred over time). Revenue is recognized based on the degree of progress at any point in time; this is estimated primarily based on the costs incurred to date as a percentage of the total costs expected to be incurred to satisfy performance obligation.

Regarding services rendered, if the performance obligation is satisfied over the period of a contract, whether for maintenance or other service, revenue is recognized based on the time elapsed as a percentage of the period for which the service is to be rendered (services transferred over time). For services such as installation, adjustment and commissioning, revenue is recognized when the provision of said service to the customer is completed (services transferred at a point in time).

(2) The main contents of the difference between reportable segment profit and operating income

(Millions of yen)

Income	Amount
Total of Reportable Segment	9,424
Profit in Other	7
Elimination	(41)
Operating income	9,390