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Summary of Consolidated Financial Results for the First Quarter of the Fiscal Year Ending March 31, 2023 (Based on Japanese GAAP)

August 4, 2022

Company name: Azbil Corporation
 Stock exchange listing: Tokyo Stock Exchange Prime Market (Code 6845)
 URL: <https://www.azbil.com/>
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 Scheduled date to file Quarterly Securities Report: August 9, 2022
 Scheduled date to commence dividend payments: —
 Preparation of supplementary materials on quarterly financial results: Yes
 Holding of quarterly financial results meeting: No

(Amounts less than one million yen are rounded down)

1. Consolidated financial results for the three months ended June 30, 2022 (from April 1, 2022 to June 30, 2022)

(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	%
Three months ended June 30, 2022	56,063	4.8	2,166	(26.6)	3,321	3.5	2,071	2.1
Three months ended June 30, 2021	53,493	2.9	2,950	19.9	3,209	30.0	2,029	(4.2)

Note: Comprehensive income
 Three months ended June 30, 2022 4,622 million yen 52.7%
 Three months ended June 30, 2021 3,026 million yen 13.9%

	Net income per share	Diluted net income per share
	Yen	Yen
Three months ended June 30, 2022	15.19	—
Three months ended June 30, 2021	14.58	—

(2) Consolidated financial position

	Total assets	Net assets	Shareholders' equity ratio
	Millions of yen	Millions of yen	%
As of June 30, 2022	266,625	194,791	71.9
As of March 31, 2022	280,052	203,141	71.5

Reference: Shareholders' equity
 As of June 30, 2022 191,741 million yen
 As of March 31, 2022 200,314 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, 2022	—	30.00	—	30.00	60.00
Year ending March 31, 2023	—	—	—	—	—
Year ending March 31, 2023 (forecast)	—	32.50	—	32.50	65.00

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

3. Forecast of consolidated financial results for the fiscal year ending March 31, 2023 (from April 1, 2022 to March 31, 2023)

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
First half	120,900	4.8	8,400	(10.6)	8,700	(11.9)	5,700	(17.6)	42.27
Full year	275,000	7.2	29,800	5.6	30,200	2.3	21,500	3.4	159.45

Note: Revisions to the consolidated financial results forecast most recently announced: No

Azbil Corporation (“the Company”) has canceled its treasury shares, has established a trust in connection with the introduction of Trust-Type Employee Shareholding Incentive Plan, and is repurchasing its own stock, pursuant to a resolution at the Board of Directors meeting held on May 13, 2022. For “Net income per share” in the forecast of consolidated financial results, the impact of these matters as of June 30, 2022 is considered. For details, please see “Notes regarding significant change in shareholders’ equity” in “2. Consolidated quarterly financial statements and related notes (3) Notes to the consolidated quarterly financial statements” on page 14 of the Accompanying document.

* 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.: No
 - b. Changes in accounting policies other than (a) above: Yes
 - c. Changes in accounting estimates: Yes
 - d. Retrospective restatements: No

Note: These correspond to Article 10-5 of the “Ordinance on Terminology, Forms, and Preparation Methods of Quarterly Consolidated Financial Statements”. For details, please see “Changes in accounting policies” in “2. Consolidated quarterly financial statements and related notes (3) Notes to the consolidated quarterly financial statements” on page 15 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 June 30, 2022	143,700,884 shares	As of March 31, 2022	145,200,884 shares
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b. Number of treasury shares at the end of the period

As of June 30, 2022	8,858,422 shares	As of March 31, 2022	7,912,745 shares
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c. Average number of shares during the period (cumulative from the beginning of the fiscal year)

Three months ended June 30, 2022	136,382,955 shares	Three months ended June 30, 2021	139,222,613 shares
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Note: The Company has introduced an employee stock ownership plan and a Trust-Type Employee Shareholding Incentive Plan. The number of treasury shares at the end of the period includes the Company’s stock held by trust accounts of these plans (3,217,501 shares as of June 30, 2022; 1,935,100 shares as of March 31, 2022). Also, the Company’s stock held by these trust accounts is included in treasury shares that are deducted in the calculation of the average number of shares during the period (2,541,057 shares for the three months ended June 30, 2022; 1,957,668 shares for the three months ended June 30, 2021). For details, please see “Additional information” in “2. Consolidated quarterly financial statements and related notes (3) Notes to the consolidated quarterly financial statements” on page 16 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 8 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 400.0 billion yen range, operating income in the 60.0 billion yen range, an operating income margin of approximately 15%, and an ROE of approximately 13.5%; these are the Group’s long-term targets for FY2030. Toward achieving these long-term targets, our four-year medium-term plan sets out as targets, for FY2024, the final year of the plan, net sales of 300.0 billion yen, an operating income of 36.0 billion yen, an operating income margin of 12%, and an ROE of approximately 12%. In addition, from the perspective of sustainability and contribution “in series” to the achievement of a sustainable society, we are actively addressing environmental, social and governance (ESG) issues—which are also societal requirements—and we are promoting initiatives to realize the four essential goals of the azbil Group for the SDGs ^{Note 1}.

As we work to contribute to the achievement of a sustainable society, a variety of societal and customer issues are emerging—ranging from responses to climate change and decarbonization, to changes in social structure and the public’s 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. Demand is expected to increase for automation, which, because it can provide solutions to these major changes, will be needed 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 our 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.

While demand is expected to increase for automation, the spread of COVID-19 has yet to be contained, and we continue to see the global disruption of supply chains and problems with the procurement of parts. Moreover, the world economy is being impacted as geopolitical risks become reality in Europe and elsewhere, by soaring energy prices, and by inflation, making the business outlook uncertain.

Amidst these accelerating changes in the Group’s business environment, in order to ensure our sustained growth by identifying and rapidly responding to business opportunities and risks, and at the same time by ensuring that decision-making is transparent and sound, we transitioned to a company with a three-committee board structure, following approval at the Ordinary General Meeting of Shareholders held on June 23, 2022. This enables a significant delegation of authority for business execution to corporate executives with clear legal responsibilities from the Board of Directors, at the same time as strengthening governance, with outside directors now representing a majority of the Board.

With this new company structure, the azbil Group will strive to reduce risks to its businesses by developing crisis management countermeasures to pandemics and natural disasters, enhancing our business continuity planning (BCP), and working to reduce the impact of parts shortages by both improving production operations and collaborating with other companies in the supply chain. We will also further strengthen our profitability by continuing the proven

measures and promoting digital transformation (DX), thus improving operational efficiency on a global scale.

At the same time, to ensure that we attain our long-term targets and medium-term plan, we will continue to make those investments necessary for future growth, responding quickly to new challenges and changes in the business environment by harnessing advanced technologies—such as IoT, AI, cloud computing, and big data—for our products and services.

Note 1: Essential goals of the azbil Group for the 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 three months ended June 2022 was as follows.

In the field of heating, ventilation, and air conditioning (HVAC) control equipment/systems for large-scale buildings in Japan, strong demand driven by urban redevelopment plans has continued while growing interest in solutions for improved ventilation, energy saving, and lower CO₂ emissions has meant that retrofit demand has steadily increased. As for equipment/systems for production equipment in the manufacturing industry, due to the spread of teleworking and 5G services, and the growth of DX, demand has remained high in semiconductor-related markets, and it is expected that overall demand will continue to be robust.

Financial results for the three months ended June 2022 were as follows.

Orders received increased for the BA business, driven by urban redevelopment projects in the Tokyo metropolitan area, and in the AA business, due to robust demand in the semiconductor manufacturing equipment market and business expansion overseas. However, LA business orders received were lower than in the same period last year, when there was a burst of orders caused by growing demand for pharmaceutical equipment. Consequently, overall orders received were 92,856 million yen, up 5.4% on the 88,101 million yen recorded for the same period last year. As regards net sales, the AA business suffered a fall in revenue because little progress was made in the recording of sales for some products due to parts procurement difficulties. However, sales increased for the BA and LA businesses, which had both received increased orders in the previous fiscal year, and as a result overall net sales were 56,063 million yen, an increase of 4.8% from the 53,493 million yen recorded for the same period last year.

As regards profits, with the recording of R&D expenses related to measures stipulated by the medium-term plan, as well as increased costs resulting from difficulties in parts procurement and increased expenses, operating income was down 26.6% at 2,166 million yen (compared with the 2,950 million yen for the same period last year). Despite this decrease in operating income, ordinary income increased by 3.5% to 3,321 million yen (compared with the 3,209 million yen recorded for the same period last year) due to the recording of foreign exchange gains. As for net income attributable to owners of parent, this was up 2.1% at 2,071 million yen (compared with the 2,029 million yen for the same period last year).

(Millions of yen)

	Three months ended Jun. 30, 2021 (Apr. 1, 2021 to Jun. 30, 2021)	Three months ended Jun. 30, 2022 (Apr. 1, 2022 to Jun. 30, 2022)	Difference	
			Amount	Rate
Orders received	88,101	92,856	4,755	5.4%
Net sales	53,493	56,063	2,570	4.8%
Operating income [Margin]	2,950 [5.5%]	2,166 [3.9%]	(784) [(1.7)pp]	(26.6)%
Ordinary income	3,209	3,321	111	3.5%
Net income attributable to owners of parent [Margin]	2,029 [3.8%]	2,071 [3.7%]	41 [(0.1)pp]	2.1%

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 has continued for urban redevelopment projects in the Tokyo metropolitan area and HVAC equipment/systems for factories. With the continuing demand for ventilation improvement, energy savings, and CO₂ reduction, there is growing interest in solutions that meet emerging building environmental needs in this "new normal" era. As regards overseas markets, we have observed signs of recovery from the impact of the postponed construction projects and construction delays caused by the pandemic.

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 reforms, 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 three months ended June 2022 were as follows.

As regards orders received, although orders in the same period last year benefitted from the renewal of multi-year service contracts, in this quarter, thanks to a robust business environment, orders increased for sales and installation of equipment/systems for new large-scale buildings, and also for the refurbishment of existing buildings, reflecting increased demand for solutions offering ventilation improvement, energy savings, and CO₂ reduction. Accordingly, overall orders received were 48,998 million yen, up 2.5% on the same period last year, when a figure of 47,798 million yen was recorded. As regards sales, revenue grew in the fields related to new large-scale buildings and existing buildings, reflecting the fact that there was a plenty of order backlog at the end of the previous fiscal year. This resulted in sales of 23,554 million yen, up 8.7% on the 21,664 million yen recorded for the same period last year. Owing to increased

revenue and improved profitability, despite higher expenses, segment profit was 44 million yen (compared with a loss of 423 million yen recorded for the same period last year). Note that seasonal factors affecting the BA business typically lead to lower segment profit in the first quarter.

As for the medium- to long-term outlook, large-scale redevelopment projects and several retrofit projects for large-scale buildings are still being planned. Building on its track record, the BA business aims to tap into 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 promote DX and employ business process reforms and other initiatives to further ensure that a high-profit structure is established.

(Millions of yen)

	Three months ended Jun. 30, 2021 (Apr. 1, 2021 to Jun. 30, 2021)	Three months ended Jun. 30, 2022 (Apr. 1, 2022 to Jun. 30, 2022)	Difference	
			Amount	Rate
Orders received	47,798	48,998	1,200	2.5%
Sales	21,664	23,554	1,890	8.7%
Segment profit (loss)	(423)	44	467	-

Advanced Automation (AA) Business

As regards market trends, in Japan and abroad, affecting the AA business environment, expanding investment related to 5G and DX has led to sustained high demand in the market for semiconductor manufacturing equipment, and the recovery in overall capital investment continues, particularly in the manufacturing equipment market.

Amidst this business environment, our growth for the overseas business—which has been a focus—has borne fruit, and we are continuing with various measures related to enhancing profitability. However, due to parts procurement difficulties, delivery times have lengthened and parts prices have hiked for certain products. Consequently, the financial results of the AA business for the three months ended June 2022 were as follows.

Overall orders received were 31,290 million yen, up 15.5% on the same period last year, when a figure of 27,097 million yen was recorded; this was mainly due to a recovery in demand in the manufacturing equipment market and business growth overseas. As regards sales, due to the impact of parts procurement difficulties, little progress was made in the recording of sales for some products; consequently, sales were 21,141 million yen, down 3.4% from the 21,893 million yen recorded for the same period last year. Also, as regards segment profit, due to the impact of lower revenue and higher parts prices, segment profit was down 39.5% at 2,021 million yen (compared with the 3,341 million yen for the same period last year).

In the medium to long term, investment 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 2}, 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 3}; accelerating market launches; and creating the new automation field, unique to the azbil Group.

(Millions of yen)

	Three months ended Jun. 30, 2021 (Apr. 1, 2021 to Jun. 30, 2021)	Three months ended Jun. 30, 2022 (Apr. 1, 2022 to Jun. 30, 2022)	Difference	
			Amount	Rate
Orders received	27,097	31,290	4,192	15.5%
Sales	21,893	21,141	(751)	(3.4)%
Segment profit [Margin]	3,341 [15.3%]	2,021 [9.6%]	(1,320) [(5.7)pp]	(39.5)%

Notes 2: 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.)

3: 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 market), 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, certain changes in some markets have been observed, such as that for LP gas meters, for which cyclical demand is currently at a low ebb. Also, in the LSE field, investment in equipment for pharmaceutical plants continues to grow. Reflecting these business conditions, the financial results of the LA business for the three months ended June 2022 were as follows.

Overall orders received decreased by 3.0% to 13,194 million yen (compared with the 13,603 million yen recorded for the same period last year). This is mainly due to a decrease in the LSE field, which recorded a burst of orders in the same period last year, driven by growing demand for equipment in the pharmaceutical market. As regards sales, thanks to growth in the LSE field reflecting the increase in orders received in the previous consolidated fiscal year, overall sales were 11,752 million yen, up 14.3% on the 10,280 million yen recorded for the same period last year. However, owing to price hikes for materials as well as higher energy and transportation

costs, in addition to an increase in expenses, segment profit was 86 million yen (compared with the 61 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)

	Three months ended Jun. 30, 2021 (Apr. 1, 2021 to Jun. 30, 2021)	Three months ended Jun. 30, 2022 (Apr. 1, 2022 to Jun. 30, 2022)	Difference	
			Amount	Rate
Orders received	13,603	13,194	(408)	(3.0)%
Sales	10,280	11,752	1,471	14.3%
Segment profit [Margin]	61 [0.6%]	86 [0.7%]	24 [0.1pp]	40.0%

Other

In Other business, principally our insurance agent business, orders received in the three months ended June 2022 were 20 million yen (compared with the 17 million yen for the same period last year), sales were 20 million yen (compared with the 17 million yen for the same period last year), and segment profit was 6 million yen (compared with the 4 million yen for the same period last year).

(2) Consolidated financial position

Assets

Total assets at the end of the first quarter of fiscal year 2022 stood at 266,625 million yen, a decrease of 13,426 million yen from the previous fiscal year-end. This was mainly due to a decrease of 15,846 million yen in notes and accounts receivable-trade, and contract assets as well as a decrease of 6,700 million yen in securities, despite an increase of 4,594 million yen in inventories.

Liabilities

Total liabilities at the end of the first quarter of fiscal year 2022 stood at 71,834 million yen, a decrease of 5,076 million yen from the previous fiscal year-end. This was mainly due to a decrease of 6,902 million yen in provision for bonuses as well as a decrease of 6,158 million yen in income taxes payable, despite an increase of 4,636 million yen in long-term borrowings as a fund for Trust-Type Employee Shareholding Incentive Plan borrowed the necessary amount of money for obtaining the Company's stock at the introduction of the plan.

Net assets

Net assets at the end of the first quarter of fiscal year 2022 stood at 194,791 million yen, a decrease of 8,349 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 4,800 million yen by obtaining the Company's stock by the fund for Trust-Type Employee Shareholding Incentive Plan and a decrease of 4,186 million yen by repurchasing own stock based on a decision in the Board of Directors meeting as well as a decrease of 4,176 million yen as the payment of dividends, despite an increase of 2,071 million yen by the recording of net income attributable to owners of parent.

As a result, the shareholders' equity ratio was 71.9% compared with 71.5% at the previous fiscal year-end.

(3) Forecast of consolidated financial results

There is no change to the forecast for consolidated financial results—published on May 13, 2022—for the first half and for the full fiscal year ending March 31, 2023.

In the three months ended June 2022, orders remained robust, and the order backlog has been steadily growing. Demand for HVAC control equipment/systems for large-scale buildings remains at a high level for both new and existing buildings. Also, as for demand for production equipment for factories and plants, capital investment in the manufacturing industry overall is expected to remain robust, with continuing demand in the semiconductor manufacturing equipment market against the backdrop of growing investment in DX.

The domestic and overseas business environments for the azbil Group remain uncertain owing to such factors as the COVID-19 pandemic, supply chain disruptions, difficulties in procuring parts, inflation, and geopolitical risks. While the parts shortages and parts price hikes have had an impact on the Group's consolidated financial results for the first quarter, particularly in the AA business, we are currently implementing various countermeasures. These include expanding our procurement system to secure parts; switching to alternative parts and implementing design changes; and developing flexible production systems that can respond to a changing procurement situation as well as increasing production capacity; this will enable us to steadily convert the accumulated order backlog into sales. At the same time, we will optimize selling prices, with the understanding of our customers, so as to achieve the plan for sales and profits announced in our forecast at the start of this fiscal year.

The business environment for each segment is as follows.

In the BA business, demand for HVAC control equipment/systems for large-scale buildings for urban redevelopment projects and retrofit projects remains robust. Against the backdrop of expanding orders received in the field of new buildings and the profitable business of refurbishing existing buildings, by implementing thorough job execution management and by steadily converting the accumulated order backlog into sales, we are thus expecting to achieve our forecast for sales and profits both higher than the previous fiscal year.

In the AA business, the order backlog has been steadily growing, mainly because of continued capital investment, driven by the domestic and overseas manufacturing equipment markets. By actively developing new customers overseas, promoting sales expansion that includes new product launches, and implementing the aforementioned measures to address parts shortages and

parts price hikes, we expect to achieve higher sales and profits than the previous fiscal year—in line with the forecast announced at the start of this year.

In the LA business, in the Lifeline field, despite the cyclical decrease in demand for LP gas meters, we are expanding our cloud-based service business. Also, against the background of increasing global demand for pharmaceutical manufacturing equipment—resulting from pharma companies establishing new production lines and expanding existing facilities—we will seek growth in the LSE field. We are thus aiming to increase sales and profits in the LA business.

The azbil Group is aiming to achieve its forecast for the current consolidated fiscal year by promptly identifying and rapidly responding to any changes in the business environment for each of our businesses. At the same time, despite these uncertainties in the business environment, in order to achieve our long-term targets for FY2030 (net sales of 400.0 billion yen range, operating income of 60.0 billion yen range, and an ROE of approximately 13.5%), this year too we will steadily invest for future growth—in R&D, facilities and equipment, and DX—in line with the current medium-term plan (FY2021-FY2024).

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.

2. Consolidated quarterly financial statements and related notes

(1) Consolidated quarterly balance sheets

(Millions of yen)

	As of March 31, 2022	As of June 30, 2022
Assets		
Current assets		
Cash and deposits	58,954	59,806
Notes and accounts receivable - trade, and contract assets	86,135	70,289
Securities	30,800	24,100
Merchandise and finished goods	6,141	6,287
Work in process	6,088	8,498
Raw materials	16,454	18,492
Other	6,644	7,268
Allowance for doubtful accounts	(423)	(426)
Total current assets	210,794	194,316
Non-current assets		
Property, plant and equipment		
Buildings and structures, net	13,558	13,480
Other, net	19,610	22,022
Total property, plant and equipment	33,169	35,502
Intangible assets	5,737	5,681
Investments and other assets		
Investment securities	19,635	20,990
Other	10,801	10,223
Allowance for doubtful accounts	(87)	(87)
Total investments and other assets	30,350	31,125
Total non-current assets	69,257	72,309
Total assets	280,052	266,625

(Millions of yen)

	As of March 31, 2022	As of June 30, 2022
Liabilities		
Current liabilities		
Notes and accounts payable - trade	22,990	20,324
Short-term borrowings	8,046	8,180
Income taxes payable	6,758	600
Provision for bonuses	10,762	3,859
Provision for bonuses for directors (and other officers)	125	41
Provision for product warranties	512	666
Provision for loss on orders received	93	112
Other	20,165	25,210
Total current liabilities	69,452	58,995
Non-current liabilities		
Long-term borrowings	300	4,936
Retirement benefit liability	1,690	1,738
Provision for retirement benefits for directors (and other officers)	199	157
Provision for share awards	1,927	2,002
Other	3,339	4,004
Total non-current liabilities	7,457	12,839
Total liabilities	76,910	71,834
Net assets		
Shareholders' equity		
Share capital	10,522	10,522
Capital surplus	11,670	11,670
Retained earnings	190,263	183,156
Treasury shares	(23,667)	(27,465)
Total shareholders' equity	188,789	177,884
Accumulated other comprehensive income		
Valuation difference on available-for-sale securities	9,173	10,115
Deferred gains or losses on hedges	(74)	(96)
Foreign currency translation adjustment	2,442	3,855
Remeasurements of defined benefit plans	(16)	(16)
Total accumulated other comprehensive income	11,524	13,857
Non-controlling interests	2,827	3,050
Total net assets	203,141	194,791
Total liabilities and net assets	280,052	266,625

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

(Millions of yen)

	Three months ended June 30, 2021 (April 1, 2021 to June 30, 2021)	Three months ended June 30, 2022 (April 1, 2022 to June 30, 2022)
Net sales	53,493	56,063
Cost of sales	32,053	35,183
Gross profit	21,440	20,880
Selling, general and administrative expenses	18,489	18,713
Operating income	2,950	2,166
Non-operating income		
Interest income	20	27
Dividend income	312	330
Foreign exchange gains	-	837
Rental income from real estate	3	6
Reversal of allowance for doubtful accounts	0	-
Other	63	34
Total non-operating income	401	1,237
Non-operating expenses		
Interest expenses	31	27
Foreign exchange losses	52	-
Commitment fees	4	4
Expenses of real estate	4	9
Office relocation expenses	0	30
Other	49	11
Total non-operating expenses	142	83
Ordinary income	3,209	3,321
Extraordinary income		
Gain on sale of non-current assets	0	0
Gain on sale of investment securities	0	0
Total extraordinary income	1	1
Extraordinary losses		
Loss on sale and retirement of non-current assets	20	13
Total extraordinary losses	20	13
Income before income taxes	3,190	3,308
Income taxes - current	505	389
Income taxes - deferred	491	750
Total income taxes	997	1,140
Net income	2,193	2,167
Net income attributable to non-controlling interests	163	96
Net income attributable to owners of parent	2,029	2,071

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

(Millions of yen)

	Three months ended June 30, 2021 (April 1, 2021 to June 30, 2021)	Three months ended June 30, 2022 (April 1, 2022 to June 30, 2022)
Net income	2,193	2,167
Other comprehensive income		
Valuation difference on available-for-sale securities	(319)	941
Deferred gains or losses on hedges	(55)	(22)
Foreign currency translation adjustment	1,209	1,535
Remeasurements of defined benefit plans, net of tax	(0)	(0)
Total other comprehensive income	833	2,454
Comprehensive income	3,026	4,622
Comprehensive income attributable to:		
Owners of parent	2,785	4,404
Non-controlling interests	241	218

(3) Notes to the consolidated quarterly financial statements

Notes regarding going concern assumptions

Not applicable

Notes regarding significant change in shareholders' equity

The Company is conducting the following matters, based on the resolution at the Board of Directors meeting held on May 13, 2022.

1. Cancellation of treasury shares

The Company cancelled treasury shares pursuant to Article 178 of the Companies Act of Japan as follows. As a result, both retained earnings and treasury shares decreased by 5,002 million yen each.

Details of cancellation

- (1) Type of shares cancelled: Common stock of the Company
- (2) Number of shares cancelled: 1,500,000 shares
(1.0% of the total number of issued shares before the cancellation)
- (3) Total number of issued shares after the cancellation: 143,700,884 shares
- (4) Date of the cancellation: May 31, 2022

2. Establish a trust in connection with the introduction of Trust-Type Employee Shareholding Incentive Plan
During the current consolidated cumulative first quarter, the azbil Group Employee Stock Ownership Association Trust Fund, which was established in connection with the introduction of the Trust-Type Employee Shareholding Incentive Plan, acquired 1,335,400 shares of the Company's own stock for 4,800 million yen (excluding incidental expenses). As described in "Additional information", the Company's stock is recorded as treasury shares under shareholders' equity.

3. Repurchase of the Company's own stock

The Company is repurchasing its own stock, aiming not only to improve capital efficiency but also to enhance the return of profits to shareholders and develop flexible capital policies responding to changes in the corporate environment, while taking into consideration business results and the outlook for future business performance. Pursuant to the aforementioned resolutions, the Company repurchased 1,163,200 shares from May 18, 2022 to June 27, 2022 (based on delivery date), and treasury shares increased by 4,186 million yen.

Details of share repurchase

- (1) Type of shares to be repurchased: Common stock of the Company
- (2) Total number of shares to be repurchased: Up to 4,000,000 shares
- (3) Total amount of repurchase: Up to 10 billion yen
- (4) Period of repurchase: From May 16, 2022 to September 22, 2022 (based on trade date)
- (5) Method of repurchase: Market transactions on the Tokyo Stock Exchange

Consequently, capital surplus amounted to 11,670 million yen, retained earnings amounted to 183,156 million yen, and treasury shares amounted to 27,465 million yen for 8,858,422 shares as of June 30, 2022. As described in "Additional information", treasury shares include the Company's stock remaining in the trust of employee stock ownership plan (3,837 million yen for 1,933,101 shares), and in the trust of Trust-Type Employee Shareholding Incentive Plan (4,617 million yen for 1,284,400 shares).

Changes in accounting policies

Change in depreciation method for property, plant and equipment

Previously, the Company and its domestic consolidated subsidiaries depreciated property, plant and equipment (excluding any leased assets) using the declining-balance method. The exception has been buildings (excluding facilities attached to buildings) acquired on or after April 1, 1998, and facilities attached to buildings and structures acquired on or after April 1, 2016; for these, the straight-line method has been adopted. However, effective from the first quarter of the current consolidated fiscal year, we have changed the depreciation method for property, plant and equipment to the straight-line method.

Implementing the capital investment plan laid out in our medium-term plan, the azbil Group has been strengthening its global production system, aiming to enhance our business foundation. We are thus striving to spot emerging trends in technological innovation—such as IoT, AI, and cloud computing—so that we can respond to new needs for automation of production lines and manufacturing equipment that can meet the demand for new products and services. Taking this opportunity, we have reexamined the depreciation method adopted for property, plant and equipment. Since its operation is expected to be stable throughout its use, we have determined that the straight-line method—resulting in an even depreciation over the useful life of an asset—represents a more reasonable allocation of expenses.

As a result of this change, operating income, ordinary income and income before income taxes for the current consolidated cumulative first quarter each increased by 94 million compared with the previous method.

Additional information

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

1. Employee stock ownership plan

The Company has introduced an employee stock ownership plan (hereinafter "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, 2022

Book value: 3,841 million yen

Number of shares: 1,935,100 shares

As of June 30, 2022

Book value: 3,837 million yen

Number of shares: 1,933,101 shares

2. Trust-Type Employee Shareholding Incentive Plan

The Company has introduced a “Trust-Type Employee Shareholding Incentive Plan” (hereinafter “the plan”), aiming to incentivize employees of the Company and domestic group companies (hereinafter “Employees”) to, among other things, improve the corporate value of the Company’s group on a mid/long-term basis.

(1) Outline of the transaction

The plan is an incentive plan for all employees in the stock ownership association. The plan authorizes the azbil Group Employee Stock Ownership Association Trust Fund (hereinafter “the Fund”) through a trust bank fund and the Fund acquires the Company’s stock in advance for a certain period of time during which the Stock Ownership Association purchases those stock from the Fund. The Fund consistently sells the Company’s stock to the Stock Ownership Association. If the Fund has accrued the amount of money equivalent to profit on sales of stock at the end of its term, such amount is distributed as residuary assets to eligible recipients. On the other hand, as the Company becomes a guarantor to the loan to purchase stock for the Fund, if the Fund accrues losses due to reductions in the Company’s stock price, the Company is responsible for the liquidation of all debts from the loan associated with the loss from sales at the end of the term of the Fund.

(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 June 30, 2022

Book value:	4,617 million yen
Number of shares:	1,284,400 shares

(3) The book value of long-term borrowings recorded in accordance with the adoption of the gross accounting method is as follows.

As of June 30, 2022

Book value:	4,636 million yen
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Segment information

1. Three months ended June 30, 2021 (from April 1, 2021 to June 30, 2021)

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

(Millions of yen)

	Reportable Segment				Other*	Total
	Building Automation	Advanced Automation	Life Automation	Total		
Sales						
Customers	21,582	21,688	10,205	53,476	17	53,493
Inter-segment	81	205	74	361	0	362
Total	21,664	21,893	10,280	53,837	17	53,855
Segment profit (loss)	(423)	3,341	61	2,979	4	2,983
Disaggregation of revenue						
Goods or services transferred at a point in time	4,157	17,462	7,644	29,265	17	29,282
Goods or services transferred over time	17,424	4,225	2,560	24,210	—	24,210
Revenue from contracts with customers	21,582	21,688	10,205	53,476	17	53,493

* "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	2,979
Profit in Other	4
Elimination	(32)
Operating income	2,950

2. Three months ended June 30, 2022 (from April 1, 2022 to June 30, 2022)

(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	23,456	20,923	11,663	56,043	20	56,063
Inter-segment	97	218	88	404	0	404
Total	23,554	21,141	11,752	56,448	20	56,468
Segment profit	44	2,021	86	2,151	6	2,158
Disaggregation of revenue						
Goods or services transferred at a point in time	4,654	17,101	7,613	29,368	20	29,389
Goods or services transferred over time	18,801	3,822	4,050	26,674	—	26,674
Revenue from contracts with customers	23,456	20,923	11,663	56,043	20	56,063

* “Other” includes insurance agent business, etc.

The Group is engaged in its Building Automation business in building market, Advanced Automation business in 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	2,151
Profit in Other	6
Elimination	8
Operating income	2,166

(3) Notice on the changes of the reportable segment

Change in depreciation method for property, plant and equipment

As described in “Changes in accounting policies”, previously, the Company and its domestic consolidated subsidiaries depreciated property, plant and equipment (excluding any leased assets) using the declining-balance method. The exception has been buildings (excluding facilities attached to buildings) acquired on or after April 1, 1998, and facilities attached to buildings and structures acquired on or after April 1, 2016; for these, the straight-line method has been adopted. However, effective from the first quarter of the current consolidated fiscal year, we have changed the depreciation method for property, plant and equipment to the straight-line method.

As a result of this change, segment profit for the current consolidated cumulative first quarter increased by 23 million yen in the Building Automation business, 46 million yen in the Advanced Automation business, and 24 million yen in the Life Automation business compared with the previous method.