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Summary of Consolidated Financial Results for the Third Quarter of the Fiscal Year Ending March 31, 2024 (Based on Japanese GAAP)

February 8, 2024

Company name:	Azbil Corporation
Stock exchange listing:	Tokyo Stock Exchange Prime market (Code 6845)
URL:	https://www.azbil.com/
Representative:	Kiyohiro Yamamoto, Director, President and Group Chief Executive Officer
Contact:	Kazuhisa Yamazaki, General Manager, Accounting Department, Group Management Headquarters
Phone:	+81-3-6810-1009
Scheduled date to file Quarterly Securities Report:	February 9, 2024
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 nine months ended December 31, 2023 (from April 1, 2023 to December 31, 2023)

(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	%
Nine months ended December 31, 2023	205,353	7.5	23,210	45.7	24,514	46.6	19,171	81.9
Nine months ended December 31, 2022	191,078	6.6	15,927	(0.5)	16,717	(1.1)	10,539	(12.0)

Note: Comprehensive income	Nine months ended December 31, 2023	24,526 million yen	72.2%
	Nine months ended December 31, 2022	14,241 million yen	3.0%

	Net income per share	Diluted net income per share
	Yen	Yen
Nine months ended December 31, 2023	144.78	—
Nine months ended December 31, 2022	78.32	—

(2) Consolidated financial position

	Total assets	Net assets	Shareholders' equity ratio
	Millions of yen	Millions of yen	%
As of December 31, 2023	287,743	211,462	72.4
As of March 31, 2023	296,873	205,880	68.3

Reference: Shareholders' equity	As of December 31, 2023	208,252 million yen	
	As of March 31, 2023	202,819 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, 2023	—	32.50	—	33.50	66.00
Year ending March 31, 2024	—	36.50	—		
Year ending March 31, 2024 (forecast)				36.50	73.00

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

3. Forecast of consolidated financial results for the fiscal year ending March 31, 2024 (from April 1, 2023 to March 31, 2024)

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	284,000	2.0	33,700	7.8	35,200	9.5	27,000	19.5	205.12

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

* 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: No
 - c. Changes in accounting estimates: No
 - d. Retrospective restatements: No

(4) Number of issued shares (common stock)

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

As of December 31, 2023	141,508,184 shares	As of March 31, 2023	143,700,884 shares
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b. Number of treasury shares at the end of the period

As of December 31, 2023	9,757,724 shares	As of March 31, 2023	10,091,552 shares
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c. Average number of shares during the period (cumulative from the beginning of the fiscal year)

Nine months ended December 31, 2023	132,422,010 shares	Nine months ended December 31, 2022	134,580,241 shares
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Note: Azbil Corporation (“the Company”) has introduced an employee stock ownership plan, a Trust-Type Employee Shareholding Incentive Plan, and a stock compensation plan. The number of treasury shares at the end of the period includes the Company’s stock held by trust accounts of these plans (2,608,965 shares as of December 31, 2023; 2,943,331 shares as of March 31, 2023). 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 (2,796,657 shares for the nine months ended December 31, 2023; 2,955,214 shares for the nine months ended December 31, 2022). 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 15 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

We would like to extend our deepest condolences to those who have lost loved ones in the 2024 Noto Peninsula Earthquake, and express our heartfelt sympathy to all who have been affected by this disaster. We sincerely hope for the earliest possible recovery of the affected area. The azbil Group is providing support to those who are suffering as a result of this disaster. Our business activities play a part in maintaining the social infrastructure, and we are steadily implementing initiatives that will contribute to the recovery of this region.

Based on the Group 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 advancing sustainability management and contributing “in series” to the achievement of a sustainable society, the azbil Group has identified materiality as ten material issues across five areas ^{Note 1} to be tackled over the long term. Of these areas, we have been focusing on the environment, innovation, society, and human resources, and have thus established four essential goals of the azbil Group for the SDGs ^{Note 2} to promote initiatives to achieve these goals.

As we work toward achieving a sustainable society, various societal and customer issues are emerging—ranging from responses to climate change and decarbonization, to ensuring safety and peace of mind in an environment where people are learning to live with pandemics. Other issues include supply chain disruptions, soaring energy costs, and inflation. We believe that the value of the automation business lies in its ability to support customers and society as they address these challenges. We will therefore 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.

Going forward, while continuing to actively invest in technology development, facilities and equipment, we will advance initiatives to enhance product competitiveness; these may involve collaborative value creation with external partners. As for production, we will continue to strengthen our global foundation with such projects as the construction of a new factory building at our manufacturing subsidiary in Thailand. In addition, while continuing to assure safety, we will accelerate our initiatives for transformation to achieve further growth by promoting digital transformation (DX) to improve productivity and enhance product competitiveness, as well as by expanding customer coverage in our overseas business and enhancing our product lineups. At the same time, practicing sustainability management, we will actively engage in strengthening

our governance system and investing in human capital—the driving force behind corporate growth—and thus make steady progress toward achieving the goals of our medium-term plan.

Note 1: Materiality as ten material issues across five areas

- Environment: climate change; resource recycling
- Innovation
- Society: supply chain; contribution to local communities
- Human resources: human rights, safety and health; learning and employee development
- Governance: product safety and quality; corporate governance; compliance

Note 2: Essential goals of the azbil Group for the SDGs

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

(1) Consolidated business performance

The business environment for the azbil Group for the nine months ended December 2023 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 interest in solutions for energy saving and lower CO₂ emissions has meant that retrofit demand has remained strong. As for equipment/systems for production facilities, demand has been sluggish in the factory automation (FA) market, though there has been continuing demand for the decarbonization of factories and plants, and for the adoption of DX.

As a result, financial results for the nine months ended December 2023 were as follows.

Overall orders received were 223,449 million yen, down 3.7% on the 231,931 million yen recorded in the same period of FY2022. It was mainly because orders received decreased for the AA business owing to sluggish conditions in the FA market. However, sales growth was achieved in all three segments—BA, AA, and LA—thanks to the growth in orders received in FY2022 as well as the enhanced procurement and production systems. Thus, overall net sales were 205,353 million yen, up 7.5% on the 191,078 million yen recorded in the same period of FY2022.

As regards profits, there was an impact from the recording of R&D expenses required by the medium-term plan, as well as increases in DX and other expenses, and higher labor costs; however, thanks to revenue growth and measures to enhance profitability, including cost pass-through, operating income was 23,210 million yen, significantly up by 45.7% on the 15,927 million yen recorded in the same period of FY2022. This growth in operating income led to higher ordinary income, which was 24,514 million yen, up 46.6% on the 16,717 million yen recorded in the same period of FY2022. In addition to higher operating income, because of the recording of a provision for product warranties as extraordinary loss, as well as increased tax expenses, in the same period last year, net income attributable to owners of parent rose to 19,171 million yen, up 81.9% on the 10,539 million yen recorded in the same period of FY2022.

(Millions of yen)

	Nine months ended Dec. 31, 2022 (Apr. 1, 2022 to Dec. 31, 2022)	Nine months ended Dec. 31, 2023 (Apr. 1, 2023 to Dec. 31, 2023)	Difference	
			Amount	Rate
Orders received	231,931	223,449	(8,481)	(3.7)%
Net sales	191,078	205,353	14,274	7.5%
Operating income [Margin]	15,927 [8.3%]	23,210 [11.3%]	7,282 [3.0pp]	45.7%
Ordinary income	16,717	24,514	7,797	46.6%
Net income attributable to owners of parent [Margin]	10,539 [5.5%]	19,171 [9.3%]	8,632 [3.8pp]	81.9%

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 at a high level for urban redevelopment projects and HVAC equipment/systems for factories. In addition to the demand for energy savings and CO₂ reduction, there is continuing interest in new solutions that create environments offering post-pandemic safety and suited to new work styles. As regards overseas markets, investment remains firm, having recovered from the COVID-19 pandemic.

In this business environment, we have not only engaged in securing orders with a view to improved 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 work-style reforms. 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 and cloud computing.

Consequently, the financial results of the BA business for the nine months ended December 2023 were as follows.

As regards orders received, in this period few multi-year service contracts were up for renewal; also, in the field of new buildings, there was a decline compared with the same period of FY2022, when orders for large-scale projects had been received. Another factor impacting orders received was our focus on projects with higher margins. Nevertheless, thanks to a robust market environment in Japan and abroad, overall orders received were 108,011 million yen, on a par with the same period of FY2022, when a figure of 108,280 million yen was recorded. As regards sales, against the backdrop of a robust business environment, sales remained at a high level in the field related to new buildings, and there was growth in the fields related to existing buildings and service as well as in the overseas business. This resulted in sales of 90,580 million yen, up 8.7% on the 83,339 million yen recorded in the same period of FY2022. Despite increased labor and outsourcing costs as well as higher expenses for DX and other expenses,

thanks to increased revenue and improved profitability, segment profit was 9,534 million yen, up 59.2% on the 5,988 million yen recorded in the same period of FY2022.

As for the medium- to long-term outlook, the situation continues that large-scale redevelopment projects and several retrofit projects for large-scale buildings are being planned. Taking advantage of 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; for enhanced safety and peace of mind following the COVID-19 pandemic; as well as for offices and spaces to improve workplace wellness that not only offer convenience and comfort but are also suited to new work styles. In response to this demand, we will supply solutions such as cloud-based services and a new HVAC system; we are thus aiming to achieve sustainable growth. Additionally, we will promote DX and engage in business process reforms and other initiatives to further ensure that a high-profit structure is established.

(Millions of yen)

	Nine months ended Dec. 31, 2022 (Apr. 1, 2022 to Dec. 31, 2022)	Nine months ended Dec. 31, 2023 (Apr. 1, 2023 to Dec. 31, 2023)	Difference	
			Amount	Rate
Orders received	108,280	108,011	(268)	(0.2)%
Sales	83,339	90,580	7,240	8.7%
Segment profit [Margin]	5,988 [7.2%]	9,534 [10.5%]	3,545 [3.3pp]	59.2%

Advanced Automation (AA) Business

Regarding market trends in Japan and abroad surrounding the AA business, in the process automation (PA) market sluggish conditions continue in China but overall demand has remained firm, thanks mainly to demand centering on maintenance and refurbishment. However, demand has been weak in the FA market; this was due to continuing stagnation in the manufacturing equipment market and also some recoil following the advance orders in the same period of FY2022.

Amidst this business environment, we continued to implement our three main initiatives—for business growth overseas, creation of new automation, and boosting profitability. At the same time, we have worked on improving procurement and production processes to address parts procurement difficulties.

Consequently, the financial results for the AA business for the nine months ended December 2023 were as follows.

Orders received were 77,043 million yen, significantly down by 11.5% compared to the same period of FY2022, when a figure of 87,056 million yen was recorded. This was mainly due to the cyclical decline in demand in the semiconductor manufacturing equipment market. Sales, however, increased, thanks to a large order backlog and the progress made with production following the strengthening of procurement/production systems and easing of parts procurement difficulties, although some impact has been observed from the current decline in orders in the semiconductor manufacturing equipment market. Consequently, sales were 78,652 million yen, up 6.4% on the 73,936 million yen recorded in the same period of FY2022. As for segment profit, the profit level increased thanks to revenue growth and initiatives to enhance profitability,

including cost pass-through, and despite R&D investments coupled with increases in DX and other expenses. Consequently, segment profit was 12,677 million yen, up 31.4% on the 9,649 million yen recorded in the same period of FY2022.

Although conditions remain sluggish in the FA market, steady progress is currently being made with the three main initiatives mentioned above and we expect this will contribute to growth when the market recovers. In the long term, we can expect the industrial automation market to expand globally, for there is strong customer demand for automation to facilitate the decarbonization of factories, to solve the challenges presented by labor shortages and aging facilities, and to introduce new production methods. Based on the three AA business sub-segments (CP, IAP, and SS)^{Note 3}, and the development of advanced automation, we aim to become a high-profit business entity that contributes to a sustainable society.

(Millions of yen)

	Nine months ended Dec. 31, 2022 (Apr. 1, 2022 to Dec. 31, 2022)	Nine months ended Dec. 31, 2023 (Apr. 1, 2023 to Dec. 31, 2023)	Difference	
			Amount	Rate
Orders received	87,056	77,043	(10,013)	(11.5)%
Sales	73,936	78,652	4,716	6.4%
Segment profit [Margin]	9,649 [13.1%]	12,677 [16.1%]	3,028 [3.1pp]	31.4%

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

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

IAP business: Industrial Automation Product business (supplying PA 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.)

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 for 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, the cyclical demand for LP gas meters is currently at a low ebb. In the LSE field, there is continued demand for pharmaceutical plant equipment, but inflation is having an impact on investments and the economy. Amidst this business environment, we have engaged in strengthening quality control and cost management, as well as improving profitability, including cost pass-through.

Consequently, the financial results of the LA business for the nine months ended December 2023 were as follows.

For the LA business overall, orders received increased by 4.9% to 40,022 million yen (compared with the 38,143 million yen recorded in the same period of FY2022). This resulted from growth in all three fields: Lifeline, LSE, and Lifestyle-related. Overall sales were 37,667

million yen, up 6.6% on the 35,322 million yen recorded in the same period of FY2022, thanks to growth in each field, but especially Lifeline field. Owing to increased revenue and initiatives to improve profitability, segment profit increased by 278.3% to 1,027 million yen (compared with the 271 million yen recorded in the same period of FY2022).

In the LA business, we will work to achieve stable profit through quality control and fundamental cost management, while continuing cost pass-through. In parallel with this, so as 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 create a new business that provides services based on data collected from meters by utilizing IoT and other technologies.

(Millions of yen)

	Nine months ended Dec. 31, 2022 (Apr. 1, 2022 to Dec. 31, 2022)	Nine months ended Dec. 31, 2023 (Apr. 1, 2023 to Dec. 31, 2023)	Difference	
			Amount	Rate
Orders received	38,143	40,022	1,878	4.9%
Sales	35,322	37,667	2,344	6.6%
Segment profit [Margin]	271 [0.8%]	1,027 [2.7%]	755 [2.0pp]	278.3%

Other

In Other business, principally our insurance agent business, orders received in the nine months ended December 2023 were 45 million yen (compared with the 45 million yen for the same period of FY2022), sales were 45 million yen (compared with the 45 million yen for the same period of FY2022), and segment loss was 13 million yen (compared with the segment profit of 3 million yen for the same period of FY2022).

(2) Consolidated financial position

Assets

Total assets at the end of the third quarter of FY2023 stood at 287,743 million yen, a decrease of 9,130 million yen from the end of FY2022. This was mainly due to a decrease of 8,758 million yen in trade receivables, a decrease of 7,800 million yen in securities as well as a decrease of 5,093 million yen in cash and deposits, and despite an increase of 10,655 million yen in inventories and an increase of 3,203 million yen in investment securities due to the increased market value of shareholdings.

Liabilities

Total liabilities at the end of the third quarter of FY2023 stood at 76,281 million yen, a decrease of 14,712 million yen from the end of FY2022. This was mainly due to a decrease of 6,109 million yen in income taxes payable as well as a decrease of 5,618 million yen in notes and accounts payable-trade, in addition to a decrease of 5,311 million yen in provision for bonuses.

Net assets

Net assets at the end of the third quarter of FY2023 stood at 211,462 million yen, an increase of 5,581 million yen from the end of FY2022. This was mainly due to an increase of 19,171 million yen by the recording of net income attributable to owners of parent, as well as an increase of 2,647 million yen from foreign currency translation adjustment and an increase of 2,095 million yen from valuation difference on available-for-sale securities, despite a decrease of 9,999 million yen by repurchasing own stock, pursuant to the resolution at the Board of Directors meeting and a decrease of 9,478 million yen as the payment of dividends.

As a result, the shareholders' equity ratio was 72.4% compared with 68.3% at the end of FY2022.

(3) Forecast of consolidated financial results

There is no change to the revised forecast for consolidated financial results for the fiscal year ending March 31, 2024, which was announced on November 7, 2023.

The business environment during the current consolidated cumulative third quarter differed by segment: for the BA business demand has been firm for office buildings and other fields, while the AA business has been impacted by a continuing slump in the FA market. However, our business is steadily progressing in line with the revised forecast.

Looking ahead, although we expect to face continuing uncertainties such as geopolitical risks and inflation, both in Japan and abroad, we plan to increase revenue by steadily converting our large order backlog into sales, making use of our enhanced procurement and production systems. Moreover, in addition to revenue growth and the measures we have been taking to strengthen profitability, we expect to further increase profits by improving operational efficiency through promoting DX, thus absorbing the increased cost burden resulting from growth investments in R&D, facilities, and human capital.

Specifically, net sales are projected to increase by 2.0% or 5.5 billion yen, over FY2022 to 284.0 billion yen, in line with the revised forecast. As we continue with initiatives to strengthen profitability and achieve revenue growth in line with the revised forecast, operating income is expected to increase by 7.8% or 2.4 billion yen, over FY2022 to a record high of 33.7 billion yen. Similarly, we expect ordinary income to increase by 9.5% or 3.0 billion yen, over FY2022 to 35.2 billion yen, as well as net income attributable to owners of parent to increase by 19.5% or 4.3 billion yen, over FY2022 to 27.0 billion yen—aiming to set new records respectively.

The business environment surrounding each business segment is as follows.

Demand remains robust in the BA business, from sales—of HVAC control equipment/systems for large-scale buildings included in plans for urban redevelopment and renewal—through to service. Demand is also firm overseas following recovery from the COVID-19 pandemic. Against the backdrop of this business environment, we will make steady progress with job execution and convert our large order backlog into sales, resulting in increased revenue and segment profit compared to FY2022. Sales are expected to grow to 132.3 billion yen, and segment profit to 16.6 billion yen, in line with the revised forecast.

In the AA business, demand remains depressed in the FA market owing to the cyclical decline in demand in the semiconductor manufacturing equipment market. However, progress is being made with adjusting inventory, which had expanded considerably as a result of advance orders, and conditions remain relatively robust in the PA market. Having factored in the continuing slump in the FA market, we still expect to achieve sales of 105.2 billion yen, in line with the revised forecast; this increase over FY2022 will be mainly achieved in the PA market and by making use of the accumulated backlog of orders. Segment profit is also expected to increase over FY2022, to 16.0 billion yen, thanks to higher revenue and measures to strengthen profitability.

In the LA business, sales of LP gas meters are depressed due to a cyclical dip in demand, but, in line with the revised forecast, sales are expected to increase compared to FY2022—to 48.6 billion yen. This projection is based on higher sales of city gas and water meters, and on the order backlog in the LSE field, which will lead to the recording of sales. With our continuing initiatives to achieve steady improvements in profitability, segment profit is also expected to increase compared to FY2022—to 1.1 billion yen.

The azbil Group aims to steadily achieve the revised forecast for the current fiscal year by implementing prompt and appropriate measures in response to changes in the social/economic environment and in the business environment for each segment. Moreover, to achieve our long-term targets (FY2030) and medium-term plan (FY2021-FY2024)^{Note}, we will accelerate transformation for growth by strengthening investment in product competitiveness, technology development, and human capital, as well as capital investment. At the same time, we will continue to pursue sustainable growth through our portfolio of businesses (BA, AA, and LA), each of which operates in a different market environment.

Note : Long-term targets (FY2030) and medium-term plan (FY2021-FY2024)

Long-term targets: Net sales in the 400.0 billion yen range, operating income in the 60.0 billion yen range, and an ROE of approximately 13.5%

Medium-term plan (FY2024): Net sales of 300.0 billion yen, an operating income of 36.0 billion yen, and an ROE of approximately 12%

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, 2023	As of December 31, 2023
Assets		
Current assets		
Cash and deposits	62,006	56,913
Notes and accounts receivable - trade, and contract assets	97,099	88,341
Securities	16,700	8,900
Merchandise and finished goods	8,090	9,308
Work in process	6,845	10,730
Raw materials	22,230	27,782
Other	7,129	6,014
Allowance for doubtful accounts	(391)	(356)
Total current assets	219,710	207,635
Non-current assets		
Property, plant and equipment		
Buildings and structures, net	21,835	21,648
Other, net	16,429	19,059
Total property, plant and equipment	38,265	40,707
Intangible assets	6,167	6,174
Investments and other assets		
Investment securities	19,620	22,824
Other	13,262	10,563
Allowance for doubtful accounts	(152)	(161)
Total investments and other assets	32,730	33,226
Total non-current assets	77,163	80,108
Total assets	296,873	287,743

(Millions of yen)

	As of March 31, 2023	As of December 31, 2023
Liabilities		
Current liabilities		
Notes and accounts payable - trade	24,705	19,087
Short-term borrowings	8,812	8,369
Income taxes payable	8,692	2,582
Provision for bonuses	12,024	6,712
Provision for bonuses for directors (and other officers)	142	131
Provision for product warranties	2,947	2,303
Provision for loss on orders received	83	55
Other	21,607	25,057
Total current liabilities	79,015	64,300
Non-current liabilities		
Long-term borrowings	3,602	2,271
Retirement benefit liability	1,670	1,785
Provision for retirement benefits for directors (and other officers)	183	202
Provision for share awards	2,291	2,521
Provision for share awards for directors (and other officers)	42	91
Other	4,188	5,108
Total non-current liabilities	11,978	11,980
Total liabilities	90,993	76,281
Net assets		
Shareholders' equity		
Share capital	10,522	10,522
Capital surplus	11,670	11,617
Retained earnings	199,249	200,774
Treasury shares	(32,391)	(33,062)
Total shareholders' equity	189,051	189,852
Accumulated other comprehensive income		
Valuation difference on available-for-sale securities	9,270	11,366
Deferred gains or losses on hedges	(100)	(207)
Foreign currency translation adjustment	4,546	7,193
Remeasurements of defined benefit plans	51	47
Total accumulated other comprehensive income	13,768	18,400
Non-controlling interests	3,060	3,210
Total net assets	205,880	211,462
Total liabilities and net assets	296,873	287,743

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

(Millions of yen)

	Nine months ended December 31, 2022 (April 1, 2022 to December 31, 2022)	Nine months ended December 31, 2023 (April 1, 2023 to December 31, 2023)
Net sales	191,078	205,353
Cost of sales	116,253	119,692
Gross profit	74,824	85,660
Selling, general and administrative expenses	58,896	62,450
Operating income	15,927	23,210
Non-operating income		
Interest income	147	328
Dividend income	616	711
Foreign exchange gains	227	502
Rental income from real estate	20	22
Reversal of allowance for doubtful accounts	—	39
Other	133	99
Total non-operating income	1,144	1,703
Non-operating expenses		
Interest expenses	91	200
Commitment fees	14	15
Expenses of real estate	30	26
Office relocation expenses	145	84
Other	73	72
Total non-operating expenses	355	399
Ordinary income	16,717	24,514
Extraordinary income		
Gain on sale of non-current assets	4	4
Gain on sale of investment securities	2,324	2,306
Compensation income for damages	—	597
Total extraordinary income	2,329	2,908
Extraordinary losses		
Loss on sale and retirement of non-current assets	168	66
Provision for product warranties	2,421	—
Loss on sale of shares of subsidiaries and associates	5	—
Loss on sale of investment securities	0	—
Total extraordinary losses	2,595	66
Income before income taxes	16,451	27,356
Income taxes - current	3,984	5,244
Income taxes - deferred	1,521	2,359
Total income taxes	5,506	7,604
Net income	10,944	19,752
Net income attributable to non-controlling interests	404	580
Net income attributable to owners of parent	10,539	19,171

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

(Millions of yen)

	Nine months ended December 31, 2022 (April 1, 2022 to December 31, 2022)	Nine months ended December 31, 2023 (April 1, 2023 to December 31, 2023)
Net income	10,944	19,752
Other comprehensive income		
Valuation difference on available-for-sale securities	(278)	2,095
Deferred gains or losses on hedges	(217)	(107)
Foreign currency translation adjustment	3,794	2,790
Remeasurements of defined benefit plans, net of tax	(2)	(3)
Total other comprehensive income	3,296	4,774
Comprehensive income	14,241	24,526
Comprehensive income attributable to:		
Owners of parent	13,657	23,803
Non-controlling interests	584	723

(3) Notes to the consolidated quarterly financial statements

Notes regarding going concern assumptions

Not applicable

Notes regarding significant change in shareholders' equity

1. Repurchase of the Company's own stock

Pursuant to the resolution at the Board of Directors meeting held on May 12, 2023, the Company repurchased its own stock as follows, 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.

Details of stock repurchase

- | | |
|--|---|
| (1) Type of stock repurchased: | Common stock of the Company |
| (2) Total number of stock repurchased: | 2,192,700 shares |
| (3) Total amount of repurchase: | 9,999,895,783 yen |
| (4) Period of repurchase: | From May 15, 2023 to September 22, 2023 (based on trade date) |
| (5) Method of repurchase: | Market transactions on the Tokyo Stock Exchange |

2. Cancellation of treasury shares

The Company cancelled treasury shares pursuant to Article 178 of the Companies Act of Japan on October 31, 2023 based on the resolution at the Board of Directors meeting held on September 29, 2023. As a result, both retained earnings and treasury shares decreased by 8,175 million yen each.

Details of cancellation

- | | |
|---|---|
| (1) Type of stock cancelled: | Common stock of the Company |
| (2) Number of shares cancelled: | 2,192,700 shares
(1.5% of the total number of issued shares before the cancellation) |
| (3) Total number of issued shares after the cancellation: | 141,508,184 shares |
| (4) Date of the cancellation: | October 31, 2023 |

Consequently, capital surplus amounted to 11,617 million yen, retained earnings amounted to 200,774 million yen, and treasury shares amounted to 33,062 million yen for 9,757,724 shares as of December 31, 2023. As described in "Additional information" treasury shares include the Company's stock remaining in the trust of employee stock ownership plan (3,722 million yen for 1,875,565 shares), in the trust of Trust-Type Employee Shareholding Incentive Plan (2,284 million yen for 635,600 shares) and in the trust of stock compensation plan (401 million yen for 97,800 shares).

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, 2023

Book value: 3,781 million yen

Number of shares: 1,905,231 shares

As of December 31, 2023

Book value: 3,722 million yen

Number of shares: 1,875,565 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 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 March 31, 2023

Book value: 3,364 million yen

Number of shares: 936,000 shares

As of December 31, 2023

Book value: 2,284 million yen

Number of shares: 635,600 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 March 31, 2023

Book value: 3,302 million yen

As of December 31, 2023

Book value: 1,911 million yen

3. Stock compensation plan

The Company has introduced a stock compensation plan for its directors, corporate executives and executive officers (including outside directors, but excluding non-residents of Japan and hereinafter “Beneficiary Officers”), aiming to achieve sustainable improvement of the Company’s enterprise value while sharing value with the shareholders.

(1) Outline of the transaction

Board Benefit Trust (BBT) established pursuant to the stock compensation plan acquires the Company’s shares using money entrusted by the Company. The trust distributes the Company’s shares and any money equivalent to the value of the Company’s shares calculated based on market value (the “Company’s Shares, etc.”) to Beneficiary Officers in accordance with the Officers’ Stock Benefit Rules established by the Company. The Company’s shares, etc. shall be distributed to Beneficiary Officers upon their retirement, in principle.

Regarding the accounting procedures for the trust contract, the Company has accordingly applied “Practical Solution on Transactions of Delivering the Company’s Own Stock to Employees, etc. through Trusts” (PITF No. 30, March 26, 2015).

In order to provide for the distribution of the Company’s shares to Beneficiary Officers in accordance with the Officers’ Stock Benefit Rules, provisions are recorded with the estimated amount of the distribution as of the period end. The amounts of “Provision for share awards for directors (and other officers)” for the Company’s directors and corporate executives, and “Provision for share awards” for the Company’s executive officers are as follows.

As of March 31, 2023

Provision for share awards for directors (and other officers):	42 million yen
Provision for share awards:	72 million yen

As of December 31, 2023

Provision for share awards for directors (and other officers):	91 million yen
Provision for share awards:	96 million yen

(2) The Company’s stock remaining in the trust

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, 2023

Book value:	419 million yen
Number of shares:	102,100 shares

As of December 31, 2023

Book value:	401 million yen
Number of shares:	97,800 shares

Segment information

1. Nine months ended December 31, 2022 (from April 1, 2022 to December 31, 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	83,006	72,948	35,080	191,035	42	191,078
Inter-segment	333	987	242	1,563	2	1,565
Total	83,339	73,936	35,322	192,598	45	192,644
Segment profit	5,988	9,649	271	15,909	3	15,913
Disaggregation of revenue						
Goods or services transferred at a point in time	19,184	59,887	24,288	103,360	42	103,403
Goods or services transferred over time	63,821	13,060	10,792	87,674	—	87,674
Revenue from contracts with customers	83,006	72,948	35,080	191,035	42	191,078

* "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	15,909
Profit in Other	3
Elimination	14
Operating income	15,927

2. Nine months ended December 31, 2023 (from April 1, 2023 to December 31, 2023)

(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	90,235	77,622	37,453	205,311	41	205,353
Inter-segment	345	1,030	213	1,589	3	1,593
Total	90,580	78,652	37,667	206,900	45	206,946
Segment profit (loss)	9,534	12,677	1,027	23,239	(13)	23,225
Disaggregation of revenue						
Goods or services transferred at a point in time	22,703	63,699	26,895	113,298	41	113,340
Goods or services transferred over time	67,531	13,922	10,557	92,012	—	92,012
Revenue from contracts with customers	90,235	77,622	37,453	205,311	41	205,353

* "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 (loss) and operating income

(Millions of yen)

Income	Amount
Total of Reportable Segment	23,239
Profit (Loss) in Other	(13)
Elimination	(15)
Operating income	23,210