azbil

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Summary of Consolidated Financial Results for the Fiscal Year Ended March 31, 2020 (Based on Japanese GAAP)

May 20, 2020

Company name:	Azbil Corporation
Stock exchange listing:	Tokyo Stock Exchange 1st Section (Code 6845)
URL:	https://www.azbil.com/
Representative:	Hirozumi Sone, Representative Director, Chairperson, President and Group Chief Executive Officer
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Scheduled date of ordinary general meeting of shareholders:	June 24, 2020
Scheduled date to file Securities Report:	June 24, 2020
Scheduled date to commence dividend payments:	June 25, 2020
Preparation of supplementary materials on financial results:	Yes
Holding of financial results meeting:	Yes (for institutional investors and analysts)

(Amounts less than one million yen are rounded down)

1. Consolidated financial results for the fiscal year ended March 31, 2020 (from April 1, 2019 to March 31, 2020)

(1) Consolidated financial results

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	%
Year ended March 31, 2020	259,411	(1.0)	27,255	2.1	27,712	0.2	19,793	4.4
Year ended March 31, 2019	262,054	0.6	26,690	11.1	27,664	13.8	18,951	5.9

Note: Comprehensive income Year ended March 31, 2020 19,291 million yen 15.6%
Year ended March 31, 2019 16,694 million yen (24.2)%

	Net income per share	Diluted net income per share	Return on equity	Ordinary income/total assets	Operating income/net sales
	Yen	Yen	%	%	%
Year ended March 31, 2020	140.80	–	10.9	10.1	10.5
Year ended March 31, 2019	132.03	–	10.6	10.1	10.2

Note: Azbil Corporation ("the Company") implemented a 2-for-1 common stock split effective on October 1, 2018. "Net income per share" has been calculated as if the stock split had been implemented at the beginning of the previous fiscal year.

(2) Consolidated financial position

	Total assets	Net assets	Shareholders' equity ratio	Net assets per share
	Millions of yen	Millions of yen	%	Yen
As of March 31, 2020	274,559	185,301	66.7	1,313.17
As of March 31, 2019	275,518	183,097	65.7	1,264.88

Reference: Shareholders' equity As of March 31, 2020 183,189 million yen
As of March 31, 2019 181,142 million yen

(3) Consolidated cash flows

	Cash flows from operating activities	Cash flows from investing activities	Cash flows from financing activities	Cash and cash equivalents at the end of period
	Millions of yen	Millions of yen	Millions of yen	Millions of yen
Year ended March 31, 2020	29,811	(4,172)	(18,767)	74,743
Year ended March 31, 2019	16,112	(4,075)	(12,024)	68,134

2. Dividends

	Dividend per share					Total amount of cash dividends (annual)	Payout ratio (consolidated)	Dividends on equity (consolidated)
	1st quarter-end	2nd quarter-end	3rd quarter-end	Fiscal year-end	Total			
	Yen	Yen	Yen	Yen	Yen	Millions of yen	%	%
Year ended March 31, 2019	－	46.00	－	23.00	－	6,679	34.8	3.7
Year ended March 31, 2020	－	25.00	－	25.00	50.00	7,084	35.5	3.9
Year ending March 31, 2021 (forecast)	－	25.00	－	25.00	50.00		－	

Notes: 1. The total amount of cash dividends include the dividends for the stock of the Company held by Trust & Custody Services Bank, Ltd. (Trust E) as assets in the trust of “Employee Stock Ownership Plan (J-ESOP)” (91 million yen for the year ended March 31, 2019; 98 million yen for the year ended March 31, 2020).

2. The Company implemented a 2-for-1 common stock split effective on October 1, 2018. The dividends for the 2nd quarter-end for the year ended March 31, 2019 are applied to shares held prior to the stock split.

3. The payout ratio (consolidated) for the year ending March 31, 2021 (forecast) is not calculated because the forecast of consolidated financial results has not been determined.

3. Forecast of consolidated financial results for the fiscal year ending March 31, 2021 (from April 1, 2020 to March 31, 2021)

The forecast of consolidated financial results for the fiscal year ending March 31, 2021 has not been determined as it is difficult to reasonably calculate at the moment because of the effect of the spread of the novel coronavirus disease (COVID-19). The forecast of consolidated financial results will be disclosed promptly once it is possible to make rational calculation.

* Notes

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

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

1. Changes associated with revision in accounting standards: Yes
2. Other changes: No
3. Changes in accounting estimates: No
4. Retrospective restatements: No

Note: For details, please see “Changes in accounting policies” in “5. Consolidated financial statements and related notes (5) Notes to the consolidated financial statements” on page 26 of the Accompanying document.

(3) Number of issued shares (common stock)

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

As of March 31, 2020	145,200,884 shares	As of March 31, 2019	148,500,884 shares

2. Number of treasury shares at the end of the period

As of March 31, 2020	5,699,112 shares	As of March 31, 2019	5,291,816 shares

3. Average number of shares during the period (cumulative from the beginning of the fiscal year)

Year ended March 31, 2020	140,579,440 shares	Year ended March 31, 2019	143,535,250 shares

Notes: 1. The Company implemented a 2-for-1 common stock split effective on October 1, 2018. The number of shares has been calculated as if the stock split had been implemented at the beginning of the previous fiscal year.

2. The Company has introduced an employee stock ownership plan, and the number of treasury shares at the end of the period includes the Company’s stock held by a trust account (1,977,024 shares as of March 31, 2020; 1,988,258 shares as of March 31, 2019). Also, the Company’s stock held by the trust account is included in treasury shares that are deducted in the calculation of the average number of shares during the period (1,982,185 shares for the year ended March 31, 2020; 1,992,804 shares for the year ended March 31, 2019).

For details, please see “Additional information” in “5. Consolidated financial statements and related notes (5) Notes to the consolidated financial statements” on page 26 of the Accompanying document.

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

* Regarding the appropriate use of forecasts, 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 consolidated financial results has not been determined as it is difficult to reasonably calculate at the moment because of the effect of the spread of COVID-19. The forecast of consolidated financial results will be disclosed promptly once it is possible to make rational calculation.

* How to obtain supplementary materials on financial results

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

Accompanying document

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1. Overview of financial results and others

(1) Overview of financial results

1) Overview

The business environment for the azbil Group has benefitted from active investment in domestic urban redevelopment underpinning continued robust demand for equipment and systems for large-scale buildings. As regards capital investment in production equipment, despite there being steady demand for rationalization and labor-saving in response to labor shortages, conditions differed by region and market, and overall demand remained sluggish. While we started to see evidence of recovery in some markets for manufacturing equipment from the third quarter, the situation has worsened as regards a fall in global consumption, stagnating economic activity/production, and a slump in capital investment due to the spread of the novel coronavirus disease (COVID-19) around the end of the current consolidated fiscal year,. Looking ahead, there is a greatly increased sense of uncertainty as regards the business environment.

Regarding the azbil Group's financial results for the current consolidated fiscal year, which marks the completion of the medium-term plan (FY2017-FY2019), we were able to steadily improve business performance. Further progress was made with measures to enhance profitability so that operating income exceeded that of the previous year, but net sales decreased slightly. Although business sentiment deteriorated in the fourth quarter due to the spread of COVID-19, the impact on our business performance was limited.

As regards orders received, the Building Automation (BA) business saw a decrease owing to the fact that large-scale service projects covering several years were recorded in the previous consolidated fiscal year. Also, the performance of the Advanced Automation (AA) business remained sluggish owing to the overall downturn in markets for manufacturing equipment, including machine tools. As a result, overall orders received were down 2.3% at 258,079 million yen (compared with the 264,252 million yen recorded in the previous consolidated fiscal year).

Net sales were 259,411 million yen, down 1.0% from the 262,054 million yen recorded in the previous consolidated fiscal year. This reflects a decrease in AA business sales owing to listless market conditions, despite the fact that the BA business achieved sales growth thanks to the steady progress it has achieved in carrying out the numerous projects on its order book.

As regards profits, thanks to improved profit margins – resulting from the success of measures to strengthen business profitability – operating income also improved to 27,255 million yen, up 2.1% from the 26,690 million yen posted for the previous consolidated fiscal year. Owing to the recording of foreign exchange losses on appreciation of the yen, ordinary income was 27,712 million yen, on par with the previous consolidated fiscal year, when a figure of 27,664 million yen was recorded. Also, net income attributable to owners of parent rose by 4.4% to 19,793 million yen (compared with the 18,951 million yen recorded for the previous consolidated fiscal year). This partly reflects the recording of a loss on final settlement of the defined benefit corporate pension plan for accounting purposes[*1] in the previous consolidated fiscal year.

Note:

*1 Loss on final settlement of the defined-benefit corporate pension plan for accounting purposes

Regarding the defined benefit corporate pension plan (in other words, a closed pension fund) for beneficiaries associated with the Company and a domestic consolidated subsidiary, final settlement of the retirement benefit plan for accounting purposes was completed, with reference to the following two documents issued by the Accounting Standards Board of Japan: “Accounting for Transfer between Retirement Benefit Plans” (ASBJ Guidance No.1), and “Practical Solution on Accounting for Transfer between Retirement Benefits Plans” (ASBJ PITF No.2). The loss on termination of retirement benefit plan (3,210 million yen) was recorded as an extraordinary loss. Note that the defined-benefit corporate pension plan continues to operate and beneficiaries still receive benefits as before.

(Millions of yen)

	Fiscal year 2018 (April 1, 2018 to March 31, 2019)	Fiscal year 2019 (April 1, 2019 to March 31, 2020)	Difference (Amount)	Difference (Rate)
Orders received	264,252	258,079	(6,172)	(2.3)%
Net sales	262,054	259,411	(2,643)	(1.0)%
Operating income [Margin]	26,690 [10.2%]	27,255 [10.5%]	565 [0.3pp]	2.1%
Ordinary income	27,664	27,712	47	0.2%
Net income attributable to owners of parent [Margin]	18,951 [7.2%]	19,793 [7.6%]	842 [0.4pp]	4.4%

2) Financial results by segment

What follows are management’s assessment of the financial results for each segment, together with our analysis and conclusion.

Building Automation (BA) Business

The domestic market environment for the BA business has continued to be robust. In addition to urban redevelopment plans for the Tokyo metropolitan area, demand for solutions for energy saving and operational cost reduction has been high. In overseas markets, there has been continued investment of domestic and foreign capital in large-scale buildings in the Asian region, but there has also been evidence of some investment reticence triggered by US-China trade friction.

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 site, that meet the requirements of the Japanese government’s work-style reform. Moreover, we have made progress with the development and strengthening of our products and services to better meet the needs of clients, in Japan and abroad, who are interested in harnessing such technologies as IoT. Consequently, the financial results for the BA business for the current consolidated fiscal year were as follows.

Orders received were 122,905 million yen, down 0.7% from the 123,766 million yen recorded for the previous consolidated fiscal year, when large-scale service projects covering several years were recorded. This was despite the growth achieved in fields related to sales and installation of equipment/systems for new large-scale buildings, reflecting a robust market environment. Driven by this growth related to new large-scale building projects, BA business sales rose to 123,794 million yen, up 3.6% on the 119,500 million yen recorded for the previous consolidated fiscal year. Also, segment profit rose by 19.9% to 14,890 million yen (compared with the 12,421 million yen for the previous fiscal year), benefiting not only from increased revenue and the success of initiatives designed to improve profitability, but also from the fact that in the previous fiscal year temporary expenses for provision were recorded.

As for the medium- to long-term outlook for the BA business environment, large-scale redevelopment projects and many retrofit projects for large-scale buildings are planned for 2020 onwards. Building on its track record, the BA business aims to secure and translate this demand into increased revenue with steady job execution, while employing initiatives such as business process reforms to further ensure that a high profit structure is established.

(Millions of yen)

	Fiscal year 2018 (April 1, 2018 to March 31, 2019)	Fiscal year 2019 (April 1, 2019 to March 31, 2020)	Difference (Amount)	Difference (Rate)
Orders received	123,766	122,905	(860)	(0.7)%
Sales	119,500	123,794	4,293	3.6%
Segment profit [Margin]	12,421 [10.4%]	14,890 [12.0%]	2,469 [1.6pp]	19.9%

Advanced Automation (AA) Business

Regarding market trends affecting the AA business environment, investment continued to be sluggish in markets related to manufacturing equipment, both in Japan and overseas. During the second half, signs of recovery were seen in the semiconductor manufacturing equipment market, but the impact of the spread of COVID-19 gradually became evident in the fourth quarter, so market uncertainty has been increasing throughout the manufacturing industry recently. On the other hand, in the medium to long term, demand is expected to continue for automation aimed at solving labor shortages, responding to the needs for environmental preservation, and achieving further increases in productivity. To respond to the changing business environment, we have engaged in streamlining operations for the three AA business sub-segments (CP, IAP, and SS)*2 aiming to achieve global competitiveness with an integrated system that stretches from marketing and development through to production, sales and service. At the same time, we have implemented measures to achieve business growth and strengthen profitability for these three sub-segments. As a result, the financial results for the AA business for the current consolidated fiscal year were as follows.

As regards orders received and sales, there was a sharp fall for the CP business due to the sluggish manufacturing equipment markets in Japan and overseas, although results for the IAP and SS businesses, which mainly target the process automation market, remained relatively firm. Consequently, AA business orders received were 91,915 million yen, down 6.5% from the 98,331 million yen recorded for the previous consolidate fiscal year, and sales were 93,156 million yen, down 6.3% from the 99,389 million yen for the previous consolidated fiscal year. Owing to the fall in revenue, segment profit fell by 14.1% to 10,486 million yen (compared with the 12,211 million yen for the previous consolidated fiscal year). However, thanks to continuing measures to strengthen profitability, the segment profit margin – which serves as an index of profitability – still exceeds 10%.

In the AA business, employing each of the three sub-segments and building on our achievements to date, we will continue initiatives to maintain business profits by intensifying and rigorously implementing measures to enhance profitability. At the same time, in order to achieve future growth, we will further the development of growth strategies, including expansion of our overseas business. In addition, we will focus on strengthening our product development capabilities, aiming to ensure high profitability and growth potential for the AA business by creating new automation fields that exploit recent trends in technology and by supplying our customers in Japan and abroad with products and services offering the sort of high added value that is unique to the azbil Group.

(Millions of yen)

	Fiscal year 2018 (April 1, 2018 to March 31, 2019)	Fiscal year 2019 (April 1, 2019 to March 31, 2020)	Difference (Amount)	Difference (Rate)
Orders received	98,331	91,915	(6,416)	(6.5)%
Sales	99,389	93,156	(6,233)	(6.3)%
Segment profit [Margin]	12,211 [12.3%]	10,486 [11.3%]	(1,724) [(1.0)pp]	(14.1)%

Note:

*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 transmitters, pressure transmitters, and control valves)

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

Life Automation (LA) Business

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

The Lifeline field, which accounts for the bulk of LA sales, depends on cyclical demand for meter replacement as required by law. While some impacts on the business environment from the liberalization of gas sales are observed, we expect stable demand to continue in this field. In the LSE and Lifestyle-related fields, despite fluctuations in demand, success has been achieved with sustained initiatives aimed at realizing/improving stable earnings through business structure reforms. Reflecting these business conditions and initiatives, the financial results of the LA business for the current consolidated fiscal year were as follows.

Orders received rose by 2.1% to 44,806 million yen (compared with the 43,867 million yen for the previous consolidated fiscal year), owing to an increase in orders received in the LSE field. However, owing to a fall in orders received for the LSE field in the previous fiscal year, sales were 44,033 million yen, down 1.8% from the 44,840 million yen recorded for the previous consolidated fiscal year. Owing to the fall in revenue, segment profit fell by 9.4% to 1,866 million yen (compared with the 2,060 million yen for the previous consolidated fiscal year).

In the LA business we will continue initiatives designed to improve profit in each of the three fields. In parallel with this, we will advance initiatives aimed at future business expansion. For example, we will create new business opportunities that capitalize on emerging demand in the energy markets following the liberalization of gas sales, while also developing and launching new products that mesh with transformational technologies such as IoT.

(Millions of yen)

	Fiscal year 2018 (April 1, 2018 to March 31, 2019)	Fiscal year 2019 (April 1, 2019 to March 31, 2020)	Difference (Amount)	Difference (Rate)
Orders received	43,867	44,806	938	2.1%
Sales	44,840	44,033	(807)	(1.8)%
Segment profit [Margin]	2,060 [4.6%]	1,866 [4.2%]	(194) [(0.4)pp]	(9.4)%

Other

In Other business, primarily consisting of our insurance agent business, orders received in the current consolidated fiscal year were 59 million yen (compared with the 60 million yen for the previous consolidated fiscal year), sales were 60 million yen (compared with the 61 million yen for the previous consolidated fiscal year), and segment profit was 6 million yen (compared with the 2 million yen for the previous consolidated fiscal year).

3) Forecast for the next period

Although it is difficult to predict the scale of the impact of COVID-19 pandemic on the global economy or when it will subside, the azbil Group is quick to sense how the business environment changes day to day and, with our strengthened business management system, which includes measures for a business continuity plan (BCP), we will make the right decisions at the right time and strive to ensure business continuity.

The Group’s businesses are engaged in providing the engineering and services that are essential for maintaining our customers’ vital facilities, while also ensuring the necessary operations for the safety maintenance of social infrastructure. As a result, we can expect a certain level of demand. In addition, looking ahead to a world where humans coexist with the coronavirus and the new social issues that will arise from this, we anticipate fresh demand premised on accelerated automation of building/production management, increased levels of autonomous operation, renewed emphasis on labor saving, etc.

However, global consumption is now falling due to COVID-19 pandemic, and the stagnation of economic activities and production is resulting in a decrease in capital investment for buildings, plants and factories, as well as construction delays and suspensions. Since it is expected that all of this will impact the activities of the azbil Group's BA, AA and LA businesses, we are currently investigating how the spread of COVID-19 worldwide will affect future trends in capital investment by our customers. As regards the forecast of consolidated financial results for the next consolidated fiscal year (ending March 31, 2021), owing to the difficulties involved in making such rational calculations at this time, the forecast is pending. We will announce it as soon as rational calculations are possible.

(2) Overview of financial position

Analysis of assets, liabilities, net assets and cash flows.

Assets

Total assets at the end of the current consolidated fiscal year stood at 274,559 million yen, on a par with the previous fiscal year-end when a figure of 275,518 million yen was recorded. This was mainly due to a decrease of 8,503 million yen in notes and accounts receivable-trade and a decrease of 4,205 million yen in securities for short-term investment despite there being an increase of 11,293 million yen in cash and deposits as well as an increase of 1,062 million yen in leased assets, net in accordance with a change in accounting policy.

Liabilities

Total liabilities at the end of the current consolidated fiscal year stood at 89,257 million yen, a decrease of 3,163 million yen from the previous fiscal year-end. This was mainly due to a decrease of 1,641 million yen in short-term borrowings as well as a decrease of 1,619 million yen in notes and accounts payable-trade.

Net assets

Net assets at the end of the current consolidated fiscal year stood at 185,301 million yen, an increase of 2,204 million yen from the previous fiscal year-end. This was mainly due to an increase of 19,793 million yen by the recording of net income attributable to owners of parent, despite a reduction in shareholders' equity, which was attributed to a decrease of 9,921 million yen by repurchasing own shares based on a resolution at the Board of Directors meeting and a decrease of 6,887 million yen as the payment of dividends.

As a result, the shareholders' equity ratio was 66.7% compared with 65.7% at the previous fiscal year-end.

Net cash flow from operating activities

Cash and cash equivalents (hereinafter "net cash") provided by operating activities in the current consolidated fiscal year were 29,811 million yen, an increase of 13,699 million yen compared to the previous consolidated fiscal year. This was mainly due to an increase in the amount of trade receivables collected, in addition to there being expenditures related to the setting up of a retirement benefit trust for the lump-sum payment plan of a domestic consolidated subsidiary in the previous consolidated fiscal year.

Net cash flow from investing activities

Net cash used in investment activities (expenditure) in the current consolidated fiscal year was 4,172 million yen, on a par with the previous consolidated fiscal year, despite there being a decrease in gain following sales of investment securities. This was mainly due to the fact there had been capital expenditures for the integration and expansion of domestic production facilities in the previous consolidated fiscal year.

Net cash flow from financing activities

Net cash used in financing activities (expenditure) in the current consolidated fiscal year was 18,767 million yen, an increase of 6,742 million yen compared with the previous consolidated fiscal year. This was mainly due to an increase in expenditure resulting from the implementation of such shareholders' return as the repurchase of own shares as well as dividend based on a resolution in the Board of Directors meeting.

As a result of the above factors, net cash at the end of the current consolidated fiscal year was 74,743 million yen, an increase of 6,609 million yen from the previous consolidated fiscal year-end.

(3) Basic policy regarding profit sharing and the dividends for the current and next period

For the azbil Group, returning profits to our shareholders is an important priority for management. While striving to raise the dividends level, we would also like to maintain stable dividends, taking into consideration the consolidated financial results and such indicators as levels of dividends on equity (DOE), return on equity (ROE), and retained earnings required for future business development and strengthening the business structure.

Based on the above policy, it is planned to issue a year-end dividend of 25 yen per share for the year ended March 31, 2020, as previously announced. Regarding the fiscal year ending March 31, 2021, it is currently difficult to make reasonable prediction on the impact of COVID-19 pandemic on our business. Nevertheless, considering our retained earnings – accumulated as a result of the business structure reforms and profit-structure enhancement measures undertaken so far – and after putting aside the funds needed to make investments for sustained growth, we plan to maintain an annual dividend of 50 yen per share in order to ensure a stable dividend level, in line with our basic policy on profit-sharing.

With regard to the repurchase of own shares, based on current and forecast business conditions and performance, we have hitherto implemented repurchases with a view to redistributing profits to our shareholders, implementing well-disciplined capital policies, and further improving capital efficiency. However, given current circumstances, the impact of the COVID-19 pandemic on financial results for the fiscal year ending March 31, 2021 cannot be predicted, so we are not planning the repurchase of own shares at this time.

Regarding expenditures for strengthening the business management system and investing in the sustained growth that is essential for enhancing enterprise value, we will make effective use of capital, including retained earnings, to further increase shareholder value. Specifically, we will focus on strengthening and expanding our business foundation – by enhancing our products/services and implementing structural reforms for leading-edge global production/development facilities – while also promoting investment in growth for the future. In addition, we will ensure we can continue our business even in the event of devastating unforeseen circumstances, including pandemics and such natural disasters as earthquakes and floods.

2. Management policy

(1) Basic policy

In 2006, the 100th anniversary of our founding, the azbil Group established the philosophy, “To realize safety, comfort, and fulfillment in people’s lives and contribute to global environmental preservation through ‘human-centered automation.’” In 2012, we changed our company name to Azbil Corporation, aiming to preserve and develop the unique azbil corporate group by recruiting the entire Group to implement this philosophy.

In 2012, we established the following three fundamental policies

・Being a long-term partner for the customer and the community by offering solutions based on our technologies and products

・Taking global operations to the next level by expansion into new regions and a qualitative change of focus

・Being a corporate organization that never stops learning, so that it can continuously grow stronger

Reforms of business structures and operating structures continued. We steadily achieved an enhancement of profitability, with operating income increasing from 13.4 billion yen in fiscal year 2012 to 27.2 billion yen in 2019, with ROE growing to 10.9%.

We enhanced our products and services based on human-centered automation, and by evolving our three businesses of BA, AA, and LA as customer and social life-cycle businesses, we increased value for our customers and the profitability of our businesses.

Furthermore, we promoted the establishment of a global business foundation as a growth engine, and in terms of sales and service, we expanded our business development to cover 23 countries. In 2018, we established our first regional strategic organization for accelerated growth in Singapore. In terms of production as well, we organized our production into three locations, China, Thailand, and Japan, and in addition to optimizing production, we also prepared to respond to issues including the BCP. In fiscal year 2019, we completed the construction on a new building for our Shonan Factory, which began operations as our “mother factory” for global production.

In terms of technological development as well, we organized Group development locations, promoted capital investment, started capital investment that included sensor development, which is fundamental to weighing and measurement, promoted new product development and sales using new AI, IT, and cloud technology in all of our businesses of BA, AA, and LA, and moved forward in creating the next growth engines.

On the human resources front, we promoted initiatives as a corporate organization that never stops learning in response to changes in the business environment, the falling birthrate and aging population, and progressing globalization. Through the internal skill development by the Azbil Academy and the preparation and implementation of various human resources policies, we upskilled and reassigned some 630 personnel.

Heading toward the future, our philosophy and management strategy will be rolled out to our individual employees, and based on our recently established guiding principles and code of conduct, we will promote initiatives to develop and expand business fields in which the azbil

Group is strong. Going forward, we will work to build a platform for businesses that connects directly to a sustainable society and long-term, sustainable business growth.

Furthermore, thus far, in addition to developing BCP for crisis management, we worked to ensure a strong financial constitution, build a management foundation for sustainable business growth and, including enhancing our fundraising capabilities and diversification, are steadily enhancing our future responsiveness.

At present, due to the spread of COVID-19, we expect that the activities of our BA, AA, and LA businesses will be impacted for the foreseeable future due to a decline in global consumption; a decline in capital investment in buildings, plants and factories; and delays or stops in construction. Based on our solid results thus far, the Group will enhance our crisis management in respond to the spread of COVID-19, and by promoting rapid policy development in response to changes in the business environment, we are ensuring business continuity. Furthermore, currently, in providing the engineering and services essential to our customers in maintaining their important facilities and responding to demands to continue businesses necessary to maintaining the safety of social infrastructure, we are taking appropriate actions while paying full attention to the safety of our customers and employees. In this kind of unclear economic and business environment, the Group will further promote the policies to enhance profitability that have produced results thus far, while making every effort to create high added value in the service field, for which stable demand is expected, and toward business growth.

(2) Issues to be tackled

1) Initiatives in response to the spread of COVID-19

After COVID-19 began to spread, the azbil Group enacted the BCP prepared by the Company, immediately established an Emergency Headquarters, and with the President & Group CEO as the Head of the Emergency Headquarters, coordinated with Group companies in Japan and overseas, prioritized ensuring the safety of employees and the implementation of polices to prevent the spread of COVID-19, and promoted initiatives aimed at business continuity.

Specifically, with the emergency declaration issued by the government of Japan in April to prevent the spread of COVID-19, we reviewed the operations at business locations at Group companies in Japan. We encouraged employees to work from home and either stopped or reduced the activities of our business locations in response to measures taken by local governments. Meanwhile, we have continued business activities such as providing the engineering, services, and devices for the facilities and equipment required to maintain medical institutions and social infrastructure while paying careful attention to the safety of our customers and employees. For our overseas Group companies as well, in line with the individual conditions of each country where the companies are located, the Emergency Headquarters has taken similar measures to understand the situation and develop policies, working to fulfill our social responsibility as a company.

In terms of our financial strength, the Group's shareholders' equity ratio was 66.7% at the end of fiscal year 2019, and it held 74.7 billion yen in cash and cash equivalents. In addition, we maintained a total of 10.0 billion yen in unused commitment line contract with multiple financial organizations. Furthermore, we obtained a "Single A (stable)" credit rating from Rating & Investment Information, Inc. as a long-term debt issuer and set a 20.0 billion yen corporate bond registered framework, maintaining the strong financing capabilities necessary for the future.

While continuing to prioritize the safety and comfort of our employees and local communities, we will work to fulfill our supply responsibility and social responsibility to customers which are essential in maintaining our society through construction, production facilities, and energy supply infrastructure.

2) Promoting initiatives aimed at sustainable growth

The azbil Group established our three fundamental policies in 2012, and toward achieving our long-term targets by our goal of fiscal year 2021, we promoted the creation of a solid foundation for our business, global development, and human resources development. As a result of these efforts, profitability improved, and our foundation grew stronger, including our global business foundation, production, human resources, and our financial strength. With these results as our starting point, we are aiming for new growth from fiscal year 2020. Additionally, with a target year of 2030, we started contribution initiatives to connect "in series" to the SDGs, for which global initiatives are taking place in earnest. At present, it is difficult to forecast the effects that COVID-19 pandemic will have on businesses. However, going forward, amid large social changes, we believe that the value demanded from automation will increase. We steadily implement business continuity policies under the new management team, and while fulfilling our supply responsibility to our customers and our corporate social responsibility including the safety and health of our employees, we are promoting initiatives aimed at next-generation growth.

The Group has promoted reforms in our business structure and improvement in our profit structure, and to enhance our foundation to realize sustainable growth, we worked to organize and expand our research and development and production system. Additionally, we promoted our three business fields for which we expect continued and expanded medium- to long-term demand, specifically, strengthening our life-cycle solutions business, developing new automation fields, and expanding our presence in the environmental and energy fields.

We believe that climate change issues and the existing issues of changes in the social structure due to the falling birthrate and aging population will grow in importance. In particular, we recognize that the needs for labor-saving and providing engineering services remotely using IT technologies will grow further and, by capturing the changes in technological trends including IoT, AI, and cloud technology, we have steadily responded to these pressing issues. The three business sectors mentioned above are fields where we can exercise our strengths based on the relationships of trust with our customers, experience, and knowledge that we have cultivated. While providing and expanding new solutions that contribute to increased safety, productivity, and value using advanced technologies (IoT, big data, AI, robotics, etc.), we are also working to enhance field equipment including the development of new sensor devices.

The Group's business is responsible for supplying the products and providing the engineering and services essential in maintaining construction, manufacturing facilities, and energy supply infrastructure, which are experiencing continued demand even with the effects of COVID-19 pandemic. We have steadily answered this demand as a corporate group and assured our own business continuity by contributing to the business continuity of our customers. As a corporate organization that never stops learning, by delivering solutions with new added value in automation, we aim to strengthen profitability and to make contributions that connect "in series" to both strengthened profitability and a sustainable society.

3. Activities (present situation) of the azbil Group

The azbil Group consists of the Company, 57 subsidiaries and 3 affiliates, and is pursuing "human-centered automation" that aims to realize safety, comfort and fulfillment in people's lives and contribute to global environmental preservation. The Group operates in three core business segments: Building Automation (BA) business in the building market, Advanced Automation (AA) business in the industrial market, and Life Automation (LA) business in markets closely related to lifelines and everyday life. The BA business develops and manufactures a comprehensive lineup, from building management and security systems to application software, controllers, valves and sensors, and also provides instrumentation design, sales, engineering, maintenance, energy-saving solutions, and operation and management of facilities. The Group also draws on its original environmental control technologies to create comfortable and productive office and factory spaces and to develop business that contributes to environmental load reduction. The AA business is focused on solving issues in the materials industries such as oil, chemical, steel, and pulp and paper, as well as in the processing and assembly industries including automobiles, electrical and electronic, semiconductors and food, through the provision of products, solutions, instrumentation, engineering and maintenance to support the optimum operation of equipment and facilities throughout their lifecycle. The Group develops advanced measurement and control technologies, aims to create production spaces that are safe and enhance human capabilities, and conducts business to create new value by collaboration with customers. The LA business applies measurement, control and metering technologies cultivated over many years in the building and industrial markets, as well as to lifelines such as gas and water, living spaces, the pharmaceutical and medical fields and life science research. The Group conducts business to support active lifestyles.

As for the previously mentioned business contents, our company and related companies are positioned as shown in the following business chart.

Customers in Japan, overseas

Japan

Production, Engineering, Sales

Advanced Automation business/Others

Azbil Trading Co., Ltd.[*1]
(Sales of control, measurement, testing, safety, environmental equipment, design, Instrumentation; sales, engineering management services)

Azbil TA Co.,Ltd.[*1]
and 1 unconsolidated subsidiary[*2]
(Manufacture and sale of pneumatic equipment and related equipment)

Tem-Tech Lab.[*3]
(Production, sales and entrusted R&D of various sensors)

Life Automation business

Azbil Kimmon Co., Ltd.
and 4 consolidated subsidiaries[*1]
(R&D, manufacture and sales of gas/water meters and related equipment)

Overseas

Production, Engineering, Sales

Building Automation business

CECEP Building Energy Management Co., Ltd.[*3]
(Sales of measurement and control equipment and provision of energy management services)

Advanced Automation business

Shanghai Azbil Automation Co., Ltd.[*1]
(Instrumentation; software development; production and sales of measurement and control equipment)

Yamatake Automation Products (Shanghai) Co., Ltd.[*1]
(Sales of control equipment)

Azbil North America, Inc.[*1]
(Sales of measurement and control equipment)

Azbil Mexico, S. de R. L. de C.V.[*2]
(Sales of control and measurement equipment)

Azbil Mexico Services, S. de R. L. de C.V.[*2]
(Provision of maintenance service for measurement and control equipment)

Azbil VorTek, LLC[*1]
(R&D, manufacturing, sales of flow instruments)

Azbil Europe NV[*1]
(Sales of control equipment)

Azbil Brazil Limited[*1]
(Instrumentation; sales of measurement and control equipment)

Azbil Saudi Limited[*1]
(Production and sales of control valves)

2 others[*2]

Building Automation business / Advanced Automation business

Azbil Korea Co., Ltd.[*1]
Azbil (Thailand) Co., Ltd.[*1]
Azbil Singapore Pte. Ltd.[*1]
Azbil Taiwan Co., Ltd.[*1]
Azbil Control Solutions (Shanghai) Co., Ltd.[*1]
Azbil Hong Kong Limited[*1]
PT. Azbil Berca Indonesia[*1]
Azbil Vietnam Co., Ltd.[*1]
Azbil Malaysia Sdn. Bhd.[*1]
Azbil Philippines Corporation[*1]
Azbil India Private Limited[*1]
(Above subsidiaries: Instrumentation; sales of measurement and control equipment)
1 other[*2]

Life Automation business

Azbil Telstar, S.L.U.[*1]
and 15 consolidated subsidiaries,[*1]
and 1 affiliate company that is accounted for by the equity method
(R&D, manufacturing, sales, installation, maintenance of manufacturing equipment and environmental equipment for pharmaceutical plant, laboratory, hospital)

Azbil Kimmon Technology Corporation[*1]
(Manufacture and sales of gas meters)

Azbil Corporation
R&D, Manufacture, Sales, Installation, Maintenance

Japan

Production

Azbil Taishin Co., Ltd.[*1]
(R&D and manufacture of electronic and precision equipment)

Azbil Kyoto Co., Ltd.[*1]
(Manufacture of electronic and precision equipment)

Japan

Others

Azbil Yamatake Friendly Co., Ltd.[*2]
(Cleaning; safety management; collection and delivery; assembly of measurement and control components)

Azbil SecurityFriday Co.,Ltd.[*2]
(Software development and sales of software)

Overseas

Production

Azbil Control Instruments (Dalian) Co., Ltd.[*1]
(Manufacture of electronic and precision equipment)

Azbil Information Technology Center (Dalian) Co., Ltd.[*2]
(Software development)

Azbil Production (Thailand) Co., Ltd.[*1]
(Manufacture of electronic and precision equipment)

1 other[*2]

Overseas

Azbil North America Research and Development, Inc.[*1]
(R&D and entrusted services of technological research)

Notes:
[*1] Consolidated subsidiaries
[*2] Unconsolidated subsidiaries that are not accounted for by the equity method
[*3] Affiliate companies that are not accounted for by the equity method

4. Basic rationale for selection of accounting standards

Group financial statements are prepared according to Japanese standards. In the future we plan to continue reviewing procedures, including the possibility of voluntarily applying International Financial Reporting Standards (IFRS).

5. Consolidated financial statements and related notes

(1) Consolidated balance sheets

(Millions of yen)

	As of March 31, 2019	As of March 31, 2020
Assets		
Current assets		
Cash and deposits	46,457	57,750
Notes and accounts receivable - trade	93,748	85,245
Securities	36,405	32,200
Merchandise and finished goods	5,829	5,512
Work in process	7,417	7,640
Raw materials	11,667	12,186
Other	8,760	9,031
Allowance for doubtful accounts	(379)	(375)
Total current assets	209,907	209,190
Non-current assets		
Property, plant and equipment		
Buildings and structures	44,324	47,638
Accumulated depreciation	(31,580)	(32,611)
Buildings and structures, net	12,743	15,026
Machinery, equipment and vehicles	18,670	18,601
Accumulated depreciation	(16,372)	(16,267)
Machinery, equipment and vehicles, net	2,298	2,333
Tools, furniture and fixtures	20,292	20,262
Accumulated depreciation	(18,046)	(17,783)
Tools, furniture and fixtures, net	2,245	2,479
Land	6,659	6,708
Leased assets	239	2,336
Accumulated depreciation	(115)	(1,128)
Leased assets, net	124	1,208
Construction in progress	2,893	461
Total property, plant and equipment	26,965	28,217
Intangible assets		
Software	4,529	4,165
Other	617	1,069
Total intangible assets	5,147	5,234
Investments and other assets		
Investment securities	21,580	19,978
Long-term loans receivable	68	20
Distressed receivables	275	7
Deferred tax assets	4,278	4,286
Retirement benefit asset	7	4
Other	7,741	7,726
Allowance for doubtful accounts	(455)	(108)
Total investments and other assets	33,497	31,915
Total non-current assets	65,610	65,368
Total assets	275,518	274,559

(Millions of yen)

	As of March 31, 2019	As of March 31, 2020
Liabilities		
Current liabilities		
Notes and accounts payable - trade	40,101	38,482
Short-term borrowings	9,866	8,225
Income taxes payable	7,667	6,699
Advances received	4,195	3,717
Provision for bonuses	10,468	10,699
Provision for bonuses for directors (and other officers)	130	130
Provision for product warranties	565	467
Provision for loss on order received	684	328
Other	13,292	13,926
Total current liabilities	86,972	82,676
Non-current liabilities		
Long-term borrowings	161	350
Deferred tax liabilities for land revaluation	181	181
Retirement benefit liability	1,975	2,174
Provision for retirement benefits for directors (and other officers)	120	148
Provision for share-based remuneration	987	1,318
Other	2,022	2,408
Total non-current liabilities	5,448	6,581
Total liabilities	92,421	89,257
Net assets		
Shareholders' equity		
Share capital	10,522	10,522
Capital surplus	11,670	11,670
Retained earnings	160,325	165,055
Treasury shares	(11,952)	(13,740)
Total shareholders' equity	170,566	173,508
Accumulated other comprehensive income		
Valuation difference on available-for-sale securities	9,727	8,843
Deferred gains or losses on hedges	3	(28)
Foreign currency translation adjustment	935	893
Remeasurements of defined benefit plans	(91)	(27)
Total accumulated other comprehensive income	10,576	9,680
Non-controlling interests	1,954	2,112
Total net assets	183,097	185,301
Total liabilities and net assets	275,518	274,559

(2) Consolidated statements of income and consolidated statements of comprehensive income

(Consolidated statements of income)

(Millions of yen)

	Year ended March 31, 2019 (April 1, 2018 to March 31, 2019)	Year ended March 31, 2020 (April 1, 2019 to March 31, 2020)
Net sales	262,054	259,411
Cost of sales	159,716	155,769
Gross profit	102,338	103,642
Selling, general and administrative expenses	75,648	76,386
Operating income	26,690	27,255
Non-operating income		
Interest income	149	167
Dividend income	552	598
Foreign exchange gains	249	—
Rental income from real estate	41	39
Reversal of allowance for doubtful accounts	20	36
Other	272	266
Total non-operating income	1,285	1,109
Non-operating expenses		
Interest expenses	135	141
Foreign exchange losses	—	127
Commitment fee	20	20
Expenses of real estate	67	211
Other	87	150
Total non-operating expenses	310	652
Ordinary income	27,664	27,712
Extraordinary income		
Gain on sales of non-current assets	14	21
Gain on sales of investment securities	2,220	780
Total extraordinary income	2,235	802
Extraordinary losses		
Loss on sales and retirement of non-current assets	158	68
Impairment loss	86	22
Loss on termination of retirement benefit plan	3,210	243
Loss on valuation of shares of subsidiaries and associates	—	42
Loss on sales of investment securities	1	4
Total extraordinary losses	3,457	380
Income before income taxes	26,442	28,134
Income taxes - current	8,642	7,619
Income taxes - deferred	(1,416)	312
Total income taxes	7,226	7,932
Net income	19,216	20,202
Net income attributable to non-controlling interests	264	409
Net income attributable to owners of parent	18,951	19,793

(Consolidated statements of comprehensive income)

(Millions of yen)

	Year ended March 31, 2019 (April 1, 2018 to March 31, 2019)	Year ended March 31, 2020 (April 1, 2019 to March 31, 2020)
Net income	19,216	20,202
Other comprehensive income		
Valuation difference on available-for-sale securities	(3,179)	(883)
Deferred gains or losses on hedges	(41)	(32)
Foreign currency translation adjustment	(966)	(58)
Remeasurements of defined benefit plans, net of tax	1,666	64
Total other comprehensive income	(2,521)	(910)
Comprehensive income	16,694	19,291
Comprehensive income attributable to:		
Owners of parent	16,486	18,897
Non-controlling interests	208	393

(3) Consolidated statements of changes in net assets

Fiscal year 2018 (April 1, 2018 to March 31, 2019)

(Millions of yen)

	Shareholders' equity				
	Share capital	Capital surplus	Retained earnings	Treasury shares	Total shareholders' equity
Balance at beginning of period	10,522	11,670	147,728	(6,966)	162,955
Cumulative effects of changes in accounting policies					—
Restated balance	10,522	11,670	147,728	(6,966)	162,955
Changes during period					
Dividends of surplus			(6,354)		(6,354)
Net income attributable to owners of parent			18,951		18,951
Change in ownership interest of parent due to transactions with non-controlling interests		0			0
Purchase of treasury shares				(5,002)	(5,002)
Disposal of treasury shares		(0)		16	16
Cancellation of treasury shares					—
Transfer from retained earnings to capital surplus		0	(0)		—
Net changes in items other than shareholders' equity					
Total changes during period	—	0	12,596	(4,986)	7,611
Balance at end of period	10,522	11,670	160,325	(11,952)	170,566

	Accumulated other comprehensive income					Non-controlling interests	Total net assets
	Valuation difference on available-for-sale securities	Deferred gains or losses on hedges	Foreign currency translation adjustment	Remeasure-ments of defined benefit plans	Total accumulated other comprehen-sive income		
Balance at beginning of period	12,906	45	1,837	(1,749)	13,040	1,967	177,962
Cumulative effects of changes in accounting policies							—
Restated balance	12,906	45	1,837	(1,749)	13,040	1,967	177,962
Changes during period							
Dividends of surplus							(6,354)
Net income attributable to owners of parent							18,951
Change in ownership interest of parent due to transactions with non-controlling interests							0
Purchase of treasury shares							(5,002)
Disposal of treasury shares							16
Cancellation of treasury shares							—
Transfer from retained earnings to capital surplus							—
Net changes in items other than shareholders' equity	(3,179)	(41)	(902)	1,658	(2,464)	(12)	(2,476)
Total changes during period	(3,179)	(41)	(902)	1,658	(2,464)	(12)	5,134
Balance at end of period	9,727	3	935	(91)	10,576	1,954	183,097

Fiscal year 2019 (April 1, 2019 to March 31, 2020)

(Millions of yen)

	Shareholders' equity				
	Share capital	Capital surplus	Retained earnings	Treasury shares	Total shareholders' equity
Balance at beginning of period	10,522	11,670	160,325	(11,952)	170,566
Cumulative effects of changes in accounting policies			(62)		(62)
Restated balance	10,522	11,670	160,263	(11,952)	170,504
Changes during period					
Dividends of surplus			(6,887)		(6,887)
Net income attributable to owners of parent			19,793		19,793
Change in ownership interest of parent due to transactions with non-controlling interests					—
Purchase of treasury shares				(9,923)	(9,923)
Disposal of treasury shares				22	22
Cancellation of treasury shares		(8,113)		8,113	—
Transfer from retained earnings to capital surplus		8,113	(8,113)		—
Net changes in items other than shareholders' equity					
Total changes during period	—	—	4,792	(1,788)	3,004
Balance at end of period	10,522	11,670	165,055	(13,740)	173,508

	Accumulated other comprehensive income					Non-controlling interests	Total net assets
	Valuation difference on available-for-sale securities	Deferred gains or losses on hedges	Foreign currency translation adjustment	Remeasure-ments of defined benefit plans	Total accumulated other comprehen-sive income		
Balance at beginning of period	9,727	3	935	(91)	10,576	1,954	183,097
Cumulative effects of changes in accounting policies							(62)
Restated balance	9,727	3	935	(91)	10,576	1,954	183,035
Changes during period							
Dividends of surplus							(6,887)
Net income attributable to owners of parent							19,793
Change in ownership interest of parent due to transactions with non-controlling interests							—
Purchase of treasury shares							(9,923)
Disposal of treasury shares							22
Cancellation of treasury shares							—
Transfer from retained earnings to capital surplus							—
Net changes in items other than shareholders' equity	(883)	(32)	(42)	64	(895)	157	(738)
Total changes during period	(883)	(32)	(42)	64	(895)	157	2,266
Balance at end of period	8,843	(28)	893	(27)	9,680	2,112	185,301

(4) Consolidated statements of cash flows

(Millions of yen)

	Year ended March 31, 2019 (April 1, 2018 to March 31, 2019)	Year ended March 31, 2020 (April 1, 2019 to March 31, 2020)
Cash flows from operating activities		
Income before income taxes	26,442	28,134
Depreciation	4,166	4,461
Increase (decrease) in allowance for doubtful accounts	(277)	(295)
Increase (decrease) in retirement benefit liability	(3,303)	36
Decrease (increase) in retirement benefit asset	(227)	3
Increase (decrease) in accrued payments due to change in retirement benefit plan	(763)	—
Increase (decrease) in provision for share-based remuneration	350	353
Increase (decrease) in provision for bonuses	289	247
Increase (decrease) in provision for bonuses for directors (and other officers)	(26)	(0)
Interest and dividend income	(701)	(766)
Interest expenses	135	141
Foreign exchange losses (gains)	(148)	134
Loss (gain) on sales and retirement of non-current assets	143	46
Impairment loss	86	22
Loss on termination of retirement benefit plan	3,210	243
Loss on valuation of shares of subsidiaries and associates	—	42
Loss (gain) on sales and valuation of investment securities	(2,218)	(776)
Decrease (increase) in trade receivables	(3,017)	8,556
Decrease (increase) in inventories	(1,394)	(427)
Increase (decrease) in trade payables	(1,005)	(1,563)
Decrease (increase) in other assets	91	113
Increase (decrease) in other liabilities	1,040	(859)
Subtotal	22,871	37,849
Interest and dividends received	699	769
Interest paid	(134)	(142)
Income taxes paid	(7,324)	(8,664)
Net cash provided by (used in) operating activities	16,112	29,811

(Millions of yen)

	Year ended March 31, 2019 (April 1, 2018 to March 31, 2019)	Year ended March 31, 2020 (April 1, 2019 to March 31, 2020)
Cash flows from investing activities		
Payments into time deposits	(2,380)	(3,163)
Proceeds from withdrawal of time deposits	2,171	3,037
Purchase of securities	(27,900)	(34,200)
Proceeds from sales of securities	27,200	33,805
Purchase of beneficial interests in trust	(10,197)	(9,353)
Proceeds from sales of beneficial interests in trust	10,649	9,223
Purchase of property, plant and equipment	(5,705)	(3,781)
Proceeds from sales of property, plant and equipment	83	62
Purchase of intangible assets	(940)	(907)
Purchase of investment securities	(11)	(6)
Proceeds from sales of investment securities	2,837	1,107
Purchase of investments in capital of subsidiaries	(27)	—
Other, net	145	3
Net cash provided by (used in) investing activities	(4,075)	(4,172)
Cash flows from financing activities		
Proceeds from short-term borrowings	875	154
Repayments of short-term borrowings	(1,169)	(1,332)
Proceeds from long-term borrowings	10	300
Repayments of long-term borrowings	(52)	(441)
Dividends paid	(6,353)	(6,887)
Repayments of lease obligations	(117)	(404)
Dividends paid to non-controlling interests	(210)	(232)
Purchase of treasury shares	(5,002)	(9,923)
Proceeds from sales of treasury shares	0	—
Payments from changes in ownership interests in subsidiaries that do not result in change in scope of consolidation	(5)	—
Net cash provided by (used in) financing activities	(12,024)	(18,767)
Effect of exchange rate change on cash and cash equivalents	(518)	(262)
Net increase (decrease) in cash and cash equivalents	(505)	6,609
Cash and cash equivalents at beginning of period	68,640	68,134
Cash and cash equivalents at end of period	68,134	74,743

(5) Notes to the consolidated financial statements

Notes regarding going concern assumptions

Not applicable

Changes in accounting policies

Adoption of IFRS 16 "Leases"

Subsidiaries which apply the International Financial Reporting Standards have adopted IFRS 16 "Leases" (hereafter referred to as "IFRS 16") from the current consolidated fiscal year. Accordingly, lessees recognize all leases, in principle, as assets and liabilities on the balance sheet. On adopting of IFRS 16, in accordance with transitional measures, the subsidiaries recorded an adjustment to retained earnings as the cumulative effect of this change at the beginning of the current fiscal year.

As a result, in the consolidated balance sheets for the current fiscal year, "Leased assets, net" under property, plant and equipment increased by 1,062 million yen, "Other" under current liabilities increased by 280 million yen and "Other" under non-current liabilities increased by 845 million yen.

The effect of this change on the consolidated statements of income and per share information for the current fiscal year is immaterial.

As the cumulative effect was reflected in net assets at the beginning of the current fiscal year, the beginning balance of retained earnings decreased by 62 million yen in the consolidated statements of changes in net assets.

In addition, in the consolidated statements of cash flows, cash flows from operating activities increased by 285 million yen, and cash flows from financing activities decreased by the same amount.

Additional information

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

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

1. Outline of the transaction

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

2. The Company's stock remaining in the trust

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

As of March 31, 2019
Book value: 3,946 million yen
Number of shares: 1,988,258 shares

As of March 31, 2020
Book value: 3,924 million yen
Number of shares: 1,977,024 shares

Segment information

Segment information

1. The summary of the reportable segments

The reportable segments of the azbil Group - identifiable operating segments of the Group's business structure for which financial information is made separately available - are subject to periodic review by the Board of Directors in order to make decisions on the distribution of management resources and to assess performance.

The azbil Group identifies its operating segments using such criteria as business organization, product lines, service content, and markets. This approach results in three separate reportable segments: the Building Automation business, the Advanced Automation business, and the Life Automation business.

The Building Automation business supplies commercial buildings and production facilities with automatic HVAC control and security systems, including products, engineering and related services. The Advanced Automation business supplies automation control systems, switches and sensors, engineering and maintenance services to industrial plants and factories. The Life Automation business supplies meters for lifelines, residential central air-conditioning systems and manufacture and sale of manufacturing equipment and environmental equipment for the life science research, pharmaceutical and medical fields as well as related services - all of which are intimately connected with everyday life.

2. Method of calculating sales, profit (loss), assets and other items in each segment

The accounting method for reportable segments is generally the same as the method adopted for preparation of the consolidated financial statements. Profits of reportable segments are calculated based on operating income. Internal sales among segments and transfers (Inter-segment) are based on market prices, etc.

3. Information on sales, profit (loss), assets and the other items in each segment

Fiscal year 2018 (April 1, 2018 to March 31, 2019)

(Millions of yen)

	Reportable segment				Other (Note 1)	Total	Adjustment (Note 2)	Consolidated (Note 3)
	Building Automation	Advanced Automation	Life Automation	Subtotal				
Sales								
Customers	119,163	98,350	44,484	261,999	55	262,054	—	262,054
Inter-segment	337	1,039	356	1,732	6	1,738	(1,738)	—
Total	119,500	99,389	44,840	263,731	61	263,793	(1,738)	262,054
Segment profit	12,421	12,211	2,060	26,693	2	26,695	(5)	26,690
Segment assets	68,622	75,678	29,746	174,047	0	174,048	101,470	275,518
Other items								
Depreciation and amortization	1,280	2,121	765	4,166	—	4,166	—	4,166
Increase in property, plant and equipment, and intangible assets	2,408	3,255	699	6,363	—	6,363	—	6,363

Notes: 1. "Other" includes insurance agent business, etc.

2. Details on adjustments are as follows.

(1) The adjustment of segment profit of (5) million yen is elimination of inter-segment transactions.

(2) The adjustment of segment assets of 101,470 million yen includes primarily cash and deposits, investment securities and so on which are not distributed to any reportable segment.

3. The segment profits are adjusted to operating income stated in the consolidated financial statements.

Fiscal year 2019 (April 1, 2019 to March 31, 2020)

(Millions of yen)

	Reportable segment				Other (Note 1)	Total	Adjustment (Note 2)	Consolidated (Note 3)
	Building Automation	Advanced Automation	Life Automation	Subtotal				
Sales								
Customers	123,496	92,159	43,701	259,356	54	259,411	―	259,411
Inter-segment	297	997	332	1,627	5	1,633	(1,633)	―
Total	123,794	93,156	44,033	260,984	60	261,044	(1,633)	259,411
Segment profit	14,890	10,486	1,866	27,244	6	27,250	5	27,255
Segment assets	67,962	68,152	31,053	167,168	0	167,169	107,389	274,559
Other items								
Depreciation and amortization	1,422	2,204	835	4,461	―	4,461	―	4,461
Increase in property, plant and equipment, and intangible assets	1,769	2,341	823	4,933	―	4,933	―	4,933

Notes: 1. "Other" includes insurance agent business, etc.

2. Details on adjustments are as follows.

(1) The adjustment of segment profit of 5 million yen is elimination of inter-segment transactions.

(2) The adjustment of segment assets of 107,389 million yen includes primarily cash and deposits, investment securities and so on which are not distributed to any reportable segment.

3. The segment profits are adjusted to operating income stated in the consolidated financial statements.

Related information

Fiscal year 2018 (April 1, 2018 to March 31, 2019)

1. Information by product and service

The information disclosed is identical to the segment information. It is therefore omitted.

2. Information by region

(1) Sales

(Millions of yen)

Japan	Asia	China	North America	Europe	Others	Total
215,344	20,414	9,763	5,397	8,511	2,623	262,054

Note: Sales, based on the location of customers, are classified by country or region.

(2) Property, plant and equipment

(Millions of yen)

Japan	Asia	China	North America	Europe	Others	Total
23,445	1,948	869	102	449	150	26,965

Note: Property, plant and equipment, based on the location, are classified by country or region.

3. Information by principal client

No clients accounted for more than 10% of net sales on the consolidated statement of income, so this information is omitted.

Fiscal year 2019 (April 1, 2019 to March 31, 2020)

1. Information by product and service

The information disclosed is identical to the segment information. It is therefore omitted.

2. Information by region

(1) Sales

(Millions of yen)

Japan	Asia	China	North America	Europe	Others	Total
215,216	18,784	9,826	3,781	9,176	2,626	259,411

Note: Sales, based on the location of customers, are classified by country or region.

(2) Property, plant and equipment

(Millions of yen)

Japan	Asia	China	North America	Europe	Others	Total
23,470	2,399	952	89	1,168	137	28,217

Note: Property, plant and equipment, based on the location, are classified by country or region.

3. Information by principal client

No clients accounted for more than 10% of net sales on the consolidated statement of income, so this information is omitted.

Information on impairment loss in non-current assets in each segment

Fiscal year 2018 (April 1, 2018 to March 31, 2019)

(Millions of yen)

	Reportable segment				Other	Corporate/ Elimination	Total
	Building Automation	Advanced Automation	Life Automation	Subtotal			
Impairment loss	—	20	65	86	—	—	86

Fiscal year 2019 (April 1, 2019 to March 31, 2020)

(Millions of yen)

	Reportable segment				Other	Corporate/ Elimination	Total
	Building Automation	Advanced Automation	Life Automation	Subtotal			
Impairment loss	—	—	22	22	—	—	22

Information on amortization of goodwill and unamortized balance in each segment

Fiscal year 2018 (April 1, 2018 to March 31, 2019)

Not applicable

Fiscal year 2019 (April 1, 2019 to March 31, 2020)

Not applicable

Information on gain on negative goodwill in each segment

Fiscal year 2018 (April 1, 2018 to March 31, 2019)

Not applicable

Fiscal year 2019 (April 1, 2019 to March 31, 2020)

Not applicable

Per share information

Item	Fiscal year 2018 (April 1, 2018 to March 31, 2019)	Fiscal year 2019 (April 1, 2019 to March 31, 2020)
Net assets per share (Yen)	1,264.88	1,313.17
Net income per share (Yen)	132.03	140.80

Notes: 1. Diluted net income per share after adjusting for latent shares is not presented.

2. The Company implemented a 2-for-1 common stock split effective on October 1, 2018. “Net income per share” has been calculated as if the stock split had been implemented at the beginning of fiscal year 2018.

3. The basis for calculating net income per share is as follows.

Item	Fiscal year 2018 (April 1, 2018 to March 31, 2019)	Fiscal year 2019 (April 1, 2019 to March 31, 2020)
Net income attributable to owners of parent (Millions of yen)	18,951	19,793
Amount not attributable to common stock holders (Millions of yen)	–	–
Net income attributable to owners of parent relevant to shares (common stock) (Millions of yen)	18,951	19,793
Average number of shares (common stock) (Thousands of shares)	143,535	140,579

4. The basis for calculating net assets per share is as follows.

Item	Fiscal year 2018 (As of March 31, 2019)	Fiscal year 2019 (As of March 31, 2020)
Total net assets (Millions of yen)	183,097	185,301
Amount deducted from the total of net assets (Millions of yen)	1,954	2,112
(Of which non-controlling interests) (Millions of yen)	(1,954)	(2,112)
Net assets at the end of the consolidated fiscal year relevant to shares (common stock) (Millions of yen)	181,142	183,189
Number of shares used to determine net assets per share (common stock) (Thousands of shares)	143,209	139,501

5. The Company’s own stock held by Trust & Custody Services Bank, Ltd. (Trust E) as assets in the trust of “Employee Stock Ownership Plan (J-ESOP)” is recorded as treasury shares in shareholders’ equity, and included in the number of treasury shares that are deducted from the total number of issued shares at the end of the period for determining net assets per share (1,988 thousands of shares as of March 31, 2019; 1,977 thousands of shares as of March 31, 2020).
It is also included in the number of treasury shares, which is deducted in the calculation of the average number of shares during the period for determining net income per share (1,992 thousands of shares for fiscal year 2018; 1,982 thousands of shares for fiscal year 2019).

Significant subsequent events

Not applicable

6. Other

(1) Management changes (effective on June 24, 2020)

1) Promoted Director

Representative Director, Chairperson: Hirozumi Sone

2) Newly Appointed Director

Representative Director, President and Group CEO: Kiyohiro Yamamoto
Director: Anne Ka Tse HUNG (Married Name: Anne Hung Davis)

3) Retiring Director

Director: Tadayuki Sasaki
Director: Eugene H. Lee

Reference
Azbil Corporation New Management Structure (effective on June 24, 2020)

Position	**Name**	**Changes**
Representative Director Chairperson	Hirozumi Sone	Promoted
Representative Director President and Group CEO	Kiyohiro Yamamoto	Newly Appointed
Director	Takayuki Yokota	Reappointed
Director	Masato Iwasaki	Reappointed
Director	Yoshimitsu Hojo	Reappointed
Director	Kazuyasu Hamada	Reappointed
Director	Katsuhiko Tanabe	Reappointed
Director	Takeshi Itoh	Reappointed
Director	Waka Fujiso	Reappointed
Director	Mitsuhiro Nagahama	Reappointed
Director	Anne Ka Tse HUNG (Married Name: Anne Hung Davis)	Newly Appointed
Audit & Supervisory Board Member	Tomohiko Matsuyasu	Uncontested
Audit & Supervisory Board Member	Hisaya Katsuta	Uncontested
Outside Audit & Supervisory Board Member	Kinya Fujimoto	Uncontested
Outside Audit & Supervisory Board Member	Minoru Sakuma	Uncontested
Outside Audit & Supervisory Board Member	Fumitoshi Sato	Uncontested

Notes: 1. Katsuhiko Tanabe, Takeshi Itoh, Waka Fujiso, Mitsuhiro Nagahama and Anne Ka Tse HUNG (Married Name: Anne Hung Davis) are candidates to become Outside Directors of the Company as prescribed in Article 2, paragraph 3, Item 7 of Ordinance for Enforcement of the Companies Act of Japan.

2. Kinya Fujimoto, Minoru Sakuma and Fumitoshi Sato are Outside Audit & Supervisory Board Members of the Company as prescribed in Article 2, Item 16 of the Companies Act of Japan.

(2) Status of orders received

(Millions of yen)

	Fiscal year 2018 (April 1, 2018 to March 31, 2019)		Fiscal year 2019 (April 1, 2019 to March 31, 2020)		Change	
	Orders received	Backlog	Orders received	Backlog	Orders received	Backlog
Building Automation	123,766	64,204	122,905	63,190	(860)	(1,014)
Advanced Automation	98,331	28,981	91,915	27,785	(6,416)	(1,196)
Life Automation	43,867	12,998	44,806	13,447	938	448
Total of reportable segments	265,965	106,184	259,626	104,423	(6,338)	(1,761)
Other	60	0	59	―	(1)	(0)
Elimination	(1,773)	(165)	(1,606)	(133)	167	31
Consolidated	264,252	106,019	258,079	104,289	(6,172)	(1,730)