Notice: This document is a translation of the original Japanese document and is only for reference purposes. In the event of any discrepancy between this translated document and the original Japanese document, the latter shall prevail.

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

August 5, 2021

Company name:	Azbil Corporation
Stock exchange listing:	Tokyo Stock Exchange 1st Section (Code 6845)
URL:	https://www.azbil.com/
Representative:	Kiyohiro Yamamoto, 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:	August 6, 2021
Scheduled date to commence dividend payments:	－
Preparation of supplementary materials on quarterly financial results:	Yes
Holding of quarterly financial results meeting:	No

(Amounts less than one million yen are rounded down)

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

(1) Consolidated financial results (cumulative)

Percentages indicate year-on-year changes

	Net sales		Operating income		Ordinary income		Net income attributable to owners of parent	
	Millions of yen	%	Millions of yen	%	Millions of yen	%	Millions of yen	%
Three months ended June 30, 2021	53,493	2.9	2,950	19.9	3,209	30.0	2,029	(4.2)
Three months ended June 30, 2020	51,980	(4.4)	2,460	7.3	2,468	1.4	2,118	44.0

Note: Comprehensive income — Three months ended June 30, 2021: 3,026 million yen 13.9%; Three months ended June 30, 2020: 2,657 million yen 21.9%

	Net income per share	Diluted net income per share
	Yen	Yen
Three months ended June 30, 2021	14.58	－
Three months ended June 30, 2020	15.19	－

(2) Consolidated financial position

	Total assets	Net assets	Shareholders' equity ratio
	Millions of yen	Millions of yen	%
As of June 30, 2021	271,184	194,477	70.7
As of March 31, 2021	284,597	200,607	69.6

Reference: Shareholders' equity — As of June 30, 2021: 191,818 million yen; As of March 31, 2021: 198,190 million yen

2. Dividends

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

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

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

Percentages indicate year-on-year changes

	Net sales		Operating income		Ordinary income		Net income attributable to owners of parent		Net income per share
	Millions of yen	%	Millions of yen	%	Millions of yen	%	Millions of yen	%	Yen
First half	117,200	5.2	8,500	1.8	8,600	3.4	5,900	(3.3)	42.63
Full year	260,000	5.3	27,500	6.9	27,500	4.4	20,000	0.4	144.51

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

Azbil Corporation ("the Company") is repurchasing its own stock pursuant to a resolution at the Board of Directors meeting held on May 14, 2021. For "Net income per share" in the forecast of consolidated financial results, the impact of this matter as of June 30, 2021 is considered. For details, please see "Notes regarding significant change in shareholders' equity" in "2. Consolidated quarterly financial statements and related notes (3) Notes to the consolidated quarterly financial statements" on page 13 of the Accompanying document.

* Notes

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

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

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

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

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

c. Changes in accounting estimates: No

d. Retrospective restatements: No

Note: For details, please see "Changes in accounting policies" in "2. Consolidated quarterly financial statements and related notes (3) Notes to the consolidated quarterly financial statements" on page 14 of the Accompanying document.

(4) Number of issued shares (common stock)

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

As of June 30, 2021	145,200,884 shares	As of March 31, 2021	145,200,884 shares

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

As of June 30, 2021	6,800,494 shares	As of March 31, 2021	5,681,473 shares

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

Three months ended June 30, 2021	139,222,613 shares	Three months ended June 30, 2020	139,502,652 shares

Note: 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 (1,957,015 shares as of June 30, 2021; 1,958,084 shares as of March 31, 2021). Also, the Company's stock held by the trust account is included in treasury shares that are deducted in the calculation of the average number of shares during the period (1,957,668 shares for the three months ended June 30, 2021; 1,976,176 shares for the three months ended June 30, 2020).

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

Contents

1. Qualitative information on consolidated quarterly financial results

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

We are aiming to achieve net sales in the 400 billion yen range, operating income in the 60 billion yen range, an operating income margin of approximately 15.0%, and an ROE of approximately 13.5%; these are the Group's new long-term targets for FY2030. Toward achieving these long-term targets, our four-year medium-term plan year starting this fiscal year sets out as targets for FY2024, the final year of the plan, net sales of 300 billion yen, an operating income of 36 billion yen, an operating income margin of 12.0%, and an ROE of approximately 12.0%.

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

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

Note 1: Essential Goals of azbil Group for SDGs:

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

(1) Consolidated business performance

The business environment for the azbil Group for the three months ended June 2021 was as follows.

In the field of heating, ventilation, and air conditioning (HVAC) control equipment/systems for large-scale buildings in Japan, demand driven by urban redevelopment plans has continued while growing interest in solutions for improved ventilation and energy saving has meant that demand for refurbishment projects has steadily increased, and thus the impact of the COVID-19 pandemic has been limited. As for manufacturing equipment, due to the rapid growth of teleworking and 5G services, the semiconductor-related market has continued to recover, and the recovery of other manufacturing equipment markets has been conspicuous, both in Japan and overseas. While there have been differences between markets, overall capital investment is expected to rebound. Although there is still no clear prospect of the COVID-19 pandemic abating worldwide, leaving little room for optimism, the impact on our financial performance has been contained.

Financial results for the three months ended June 2021 were as follows.

Overall orders received grew, reversing the decline in the same period last year caused by the spread of COVID-19. This was due to an increase in the AA business following a recovery in market conditions, as well as increased orders received in the BA business reflecting demand for the refurbishment of existing buildings and service, and increased orders received in the LA business driven by demand for pharmaceutical equipment. Consequently, overall orders received were 88,101 million yen, up 12.2% on the same period last year, when a figure of 78,545 million yen was recorded. Net sales were 53,493 million yen, 2.9% higher than the same period last year, when a figure of 51,980 million yen was recorded. This was mainly due to an increase in the AA business following a recovery in demand in the manufacturing equipment market.

As regards profits, there were higher expenses incurred by the increased burden related to staff working amidst the COVID-19 pandemic, and also an increase in R&D expenses reflecting measures included in the medium-term plan. Nevertheless, in addition to the growth in revenue, measures to strengthen business profitability continued to have a positive effect. Consequently, operating income was 2,950 million yen, up 19.9% on the 2,460 million yen recorded for the same period last year. With this growth in operating income and a decrease in foreign exchange losses, ordinary income was 3,209 million yen, up 30.0% on the 2,468 million yen recorded for the same period last year. As regards net income attributable to owners of parent, this was 2,029 million yen, down 4.2% compared with the 2,118 million yen for the same period last year, when—following the integration of domestic production facilities—gain on sale of non-current assets was recorded.

(Millions of yen)

	Three months ended Jun. 30, 2020 (Apr. 1, 2020 to Jun. 30, 2020)	Three months ended Jun. 30, 2021 (Apr. 1, 2021 to Jun. 30, 2021)	Difference	
			Amount	Rate
Orders received	78,545	88,101	9,555	12.2%
Net sales	51,980	53,493	1,513	2.9%
Operating income [Margin]	2,460 [4.7%]	2,950 [5.5%]	490 [0.8pp]	19.9%
Ordinary income	2,468	3,209	740	30.0%
Net income attributable to owners of parent [Margin]	2,118 [4.1%]	2,029 [3.8%]	(88) [(0.3)pp]	(4.2)%

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

Building Automation (BA) Business

Regarding the BA business environment, in the domestic market demand for urban redevelopment projects in the Tokyo metropolitan area has continued to grow, and heightened interest has been seen in solutions related to ventilation improvement, energy savings, CO_2 reduction, and lower operational costs. Also, the impact of the COVID-19 pandemic on domestic markets continues to be limited. As regards overseas markets, however, we have observed the prolonged impact of the pandemic on some regions, resulting in sluggish demand and construction delays.

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

As regards orders received, there was a decline in field related to the sales and installation of equipment/systems for new large-scale buildings, reflecting the fact that in the same period last year orders had been received for several large-scale projects. Also, the service field was impacted by the new accounting standard for revenue recognition[Note 2]. However, in addition to the renewal of multi-year service contracts, demand has remained robust for the refurbishment of existing buildings and service to provide solutions offering ventilation improvement, energy savings, and CO_2 reduction. Accordingly, overall orders received were 47,798 million yen, up 4.0% on the same period last year, when a figure of 45,959 million yen was recorded. As regards sales, despite growth in field related to the sales and installation of equipment/systems for new large-scale buildings, overseas business declined and, as a result, sales were 21,664 million yen, on a par with the 21,742 million yen recorded for the same period last year. Seasonal factors affecting the BA business typically lead to lower segment profit in the first quarter, and this first quarter ended June 2021 was no exception. Although efforts to enhance profitability proved to be successful, as a result of an increase in R&D expenses, as stipulated in the medium-term plan, and with an increase in other expenses, there was a segment loss of 423 million yen (compared with a loss of 29 million yen recorded for the same period last year).

As for the medium- to long-term outlook, in addition to the robust trend seen in domestic orders received in the current period, large-scale redevelopment projects and several retrofit projects for large-scale buildings are planned for FY2021 onwards. Building on its track record, the BA business aims to secure this demand. Moreover, there have been growing requirements for energy savings and CO_2 reduction as part of decarbonization, as well as rising office demand in the “new normal” era, triggered by the COVID-19 pandemic, for the enhanced safety and peace of mind offered by improved ventilation and access control. In response to this demand, we will supply solutions such as remote maintenance, cloud services and a new HVAC system; we are thus aiming to achieve sustainable growth. Additionally, we will employ business process reforms and other initiatives to further ensure that a high-profit structure is established.

(Millions of yen)

	Three months ended Jun. 30, 2020 (Apr. 1, 2020 to Jun. 30, 2020)	Three months ended Jun. 30, 2021 (Apr. 1, 2021 to Jun. 30, 2021)	Difference	
			Amount	Rate
Orders received	45,959	47,798	1,838	4.0%
Sales	21,742	21,664	(77)	(0.4)%
Segment profit (loss)	(29)	(423)	(393)	—

Note 2: Effect of the new accounting standard for revenue recognition on the service field:
The main impact of the new accounting standard for revenue recognition has been on the service field where it has reduced the figure for orders received by approximately 3,200 million yen, while the impact on sales and segment profit has been immaterial.

Advanced Automation (AA) Business

As regards market trends, in Japan and abroad, affecting the AA business environment, expanding investment in 5G has led to increasing demand in market for semiconductor manufacturing equipment. Although it is still unclear when COVID-19 will abate, a gradual business recovery from the pandemic is being observed, mainly in the manufacturing equipment market. Looking ahead, in general the markets are expected to benefit from a recovery in capital investment in advance of the pandemic coming to an end.

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

Orders received were 27,097 million yen, up 20.1% on the same period last year, when a figure of 22,571 million yen was recorded. This was mainly due to a recovery in demand in the manufacturing equipment market and business growth overseas. Sales were 21,893 million yen, a 7.3% increase on the 20,408 million yen recorded for the same period last year. Segment profit margin improved by 4.0 pp; this was due to revenue growth and further progress with measures to strengthen profitability that had already proved effective. As a result, segment profit was up 45.9% at 3,341 million yen (compared with 2,290 million yen for the same period last year).

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

(Millions of yen)

	Three months ended Jun. 30, 2020 (Apr. 1, 2020 to Jun. 30, 2020)	Three months ended Jun. 30, 2021 (Apr. 1, 2021 to Jun. 30, 2021)	Difference	
			Amount	Rate
Orders received	22,571	27,097	4,525	20.1%
Sales	20,408	21,893	1,485	7.3%
Segment profit [Margin]	2,290 [11.2%]	3,341 [15.3%]	1,051 [4.0pp]	45.9%

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

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

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

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

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

Life Automation (LA) Business

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

The Lifeline field (gas/water meters, etc.), which accounts for the bulk of LA sales, depends on cyclical demand for meter replacement as required by law. Though demand can be expected to remain basically stable, some changes have been observed, such as LP gas meters—which account for a part of Lifeline field sales—being in a period of low demand. Also, in the LSE field, investment in equipment for pharmaceutical plants continues to grow. Reflecting these business conditions and initiatives, the financial results of the LA business for the three months ended June 2021 were as follows.

Overall orders received rose by 31.3% to 13,603 million yen (compared with the 10,358 million yen recorded for the same period last year). This mainly reflects an increase in the LSE field driven by growing demand for equipment in the pharmaceutical market. As regards sales, the Lifeline field saw a decrease, but due to an increase in the LSE field—reflecting the growth in orders received in the previous consolidated fiscal year—overall sales were up by 1.9% to 10,280 million yen (compared with the 10,084 million yen for the same period last year). Owing to an increase in expenses, segment profit was 61 million yen, down 69.1% on the 199 million yen recorded for the same period last year.

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

(Millions of yen)

	Three months ended Jun. 30, 2020 (Apr. 1, 2020 to Jun. 30, 2020)	Three months ended Jun. 30, 2021 (Apr. 1, 2021 to Jun. 30, 2021)	Difference	
			Amount	Rate
Orders received	10,358	13,603	3,244	31.3%
Sales	10,084	10,280	195	1.9%
Segment profit [Margin]	199 [2.0%]	61 [0.6%]	(138) [(1.4)pp]	(69.1)%

Other

In Other business, principally our insurance agent business, orders received in the three months ended June 2021 were 17 million yen (compared with the 19 million yen for the same period last year), sales were 17 million yen (compared with the 19 million yen for the same period last year), and segment profit was 4 million yen (compared with the 8 million yen for the same period last year).

(2) Consolidated financial position

Assets

Total assets at the end of the first quarter of fiscal year 2021 stood at 271,184 million yen, a decrease of 13,412 million yen from the previous fiscal year-end. This was mainly due to a decrease of 14,299 million yen in notes and accounts receivable-trade, contract assets.

Liabilities

Total liabilities at the end of the first quarter of fiscal year 2021 stood at 76,706 million yen, a decrease of 7,283 million yen from the previous fiscal year-end. This was mainly due to a decrease of 6,027 million yen in provision for bonuses as well as a decrease of 5,429 million yen in income taxes payable.

Net assets

Net assets at the end of the first quarter of fiscal year 2021 stood at 194,477 million yen, a decrease of 6,129 million yen from the previous fiscal year-end. This was mainly due to the reduction in shareholders' equity, which was attributed to a decrease of 4,915 million yen by repurchasing own stock based on a decision in the Board of Directors meeting as well as a decrease of 4,244 million yen as the payment of dividends, despite an increase of 2,029 million yen by the recording of net income attributable to owners of parent.

As a result, the shareholders' equity ratio was 70.7% compared with 69.6% at the previous fiscal year-end.

(3) Forecast of consolidated financial results

The azbil Group's financial results in the first quarter of the current consolidated cumulative period have been almost entirely within the range of the initial forecast. There is no change to the forecast for consolidated financial results—published on May 14, 2021—for the second quarter and for the full fiscal year ending March 31, 2022.

Although the prospects remain unclear for global containment of the COVID-19 pandemic and for impact on business environment due to parts shortage, the azbil Group will maintain thorough safety management and continue operations with the safety of our customers and employees as our top priority, while paying close attention about the situation of suppliers and customers. At the same time, based on our medium-term plan we will make the necessary investments for business growth, supply new products and services, and implement measures to strengthen our profitability, such as improving the efficiency of business operations by advancing DX.

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

2. Consolidated quarterly financial statements and related notes

(1) Consolidated quarterly balance sheets

(Millions of yen)

	As of March 31, 2021	As of June 30, 2021
Assets		
Current assets		
Cash and deposits	68,511	63,353
Notes and accounts receivable - trade	82,142	—
Notes and accounts receivable - trade, and contract assets	—	67,843
Securities	36,500	37,100
Merchandise and finished goods	5,360	5,751
Work in process	6,987	6,434
Raw materials	12,166	13,218
Other	8,299	13,128
Allowance for doubtful accounts	(369)	(377)
Total current assets	219,599	206,453
Non-current assets		
Property, plant and equipment		
Buildings and structures, net	13,934	14,021
Other, net	13,127	13,418
Total property, plant and equipment	27,062	27,440
Intangible assets	5,482	5,519
Investments and other assets		
Investment securities	22,780	22,320
Other	9,772	9,549
Allowance for doubtful accounts	(99)	(98)
Total investments and other assets	32,453	31,771
Total non-current assets	64,998	64,731
Total assets	284,597	271,184

(Millions of yen)

	As of March 31, 2021	As of June 30, 2021
Liabilities		
Current liabilities		
Notes and accounts payable - trade	31,951	29,892
Short-term borrowings	9,035	9,002
Income taxes payable	6,070	640
Provision for bonuses	9,853	3,825
Provision for bonuses for directors (and other officers)	135	33
Provision for product warranties	518	568
Provision for loss on order received	246	172
Other	18,648	24,572
Total current liabilities	76,459	68,709
Non-current liabilities		
Long-term borrowings	313	313
Retirement benefit liability	1,660	1,690
Provision for retirement benefits for directors (and other officers)	169	174
Provision for share awards	1,634	1,722
Other	3,751	4,095
Total non-current liabilities	7,530	7,997
Total liabilities	83,990	76,706
Net assets		
Shareholders' equity		
Share capital	10,522	10,522
Capital surplus	11,670	11,670
Retained earnings	177,900	175,685
Treasury shares	(13,709)	(18,622)
Total shareholders' equity	186,384	179,256
Accumulated other comprehensive income		
Valuation difference on available-for-sale securities	11,108	10,788
Deferred gains or losses on hedges	24	(30)
Foreign currency translation adjustment	699	1,830
Remeasurements of defined benefit plans	(26)	(26)
Total accumulated other comprehensive income	11,805	12,561
Non-controlling interests	2,416	2,659
Total net assets	200,607	194,477
Total liabilities and net assets	284,597	271,184

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

(Consolidated quarterly statements of income)

(Consolidated cumulative first quarter)

(Millions of yen)

	Three months ended June 30, 2020 (April 1, 2020 to June 30, 2020)	Three months ended June 30, 2021 (April 1, 2021 to June 30, 2021)
Net sales	51,980	53,493
Cost of sales	32,255	32,053
Gross profit	19,724	21,440
Selling, general and administrative expenses	17,263	18,489
Operating income	2,460	2,950
Non-operating income		
Interest income	22	20
Dividend income	310	312
Rental income from real estate	9	3
Reversal of allowance for doubtful accounts	—	0
Other	58	63
Total non-operating income	399	401
Non-operating expenses		
Interest expenses	32	31
Foreign exchange losses	192	52
Commitment fees	5	4
Expenses of real estate	44	4
Other	117	49
Total non-operating expenses	391	142
Ordinary income	2,468	3,209
Extraordinary income		
Gain on sale of non-current assets	628	0
Gain on sale of investment securities	169	0
Total extraordinary income	798	1
Extraordinary losses		
Loss on sale and retirement of non-current assets	1	20
Loss on valuation of investment securities	20	—
Total extraordinary losses	22	20
Income before income taxes	3,245	3,190
Income taxes - current	319	505
Income taxes - deferred	721	491
Total income taxes	1,041	997
Net income	2,204	2,193
Net income attributable to non-controlling interests	85	163
Net income attributable to owners of parent	2,118	2,029

(Consolidated quarterly statements of comprehensive income)

(Consolidated cumulative first quarter)

(Millions of yen)

	Three months ended June 30, 2020 (April 1, 2020 to June 30, 2020)	Three months ended June 30, 2021 (April 1, 2021 to June 30, 2021)
Net income	2,204	2,193
Other comprehensive income		
Valuation difference on available-for-sale securities	1,123	(319)
Deferred gains or losses on hedges	(2)	(55)
Foreign currency translation adjustment	(673)	1,209
Remeasurements of defined benefit plans, net of tax	6	(0)
Total other comprehensive income	453	833
Comprehensive income	2,657	3,026
Comprehensive income attributable to:		
Owners of parent	2,599	2,785
Non-controlling interests	58	241

(3) Notes to the consolidated quarterly financial statements

Notes regarding going concern assumptions

Not applicable

Notes regarding significant change in shareholders' equity

The Company is repurchasing its own stock based on the following resolution at the Board of Directors meeting held on May 14, 2021. Pursuant to the resolution, the Company repurchased 1,120,000 shares from May 19, 2021 to June 25, 2021 (based on delivery date), and treasury shares increased by 4,915 million yen.

Details of share repurchase

(1) Type of shares to be repurchased:	Common stock of the Company
(2) Total number of shares to be repurchased:	Up to 3,000,000 shares
(3) Total amount of repurchase:	Up to 10 billion yen
(4) Period of repurchase:	From May 17, 2021 to September 30, 2021 (based on trade date)
(5) Method of repurchase:	Market transactions on the Tokyo Stock Exchange

Consequently, treasury shares amounted to 18,622 million yen for 6,800,494 shares as of June 30, 2021. As described in "Additional information", treasury shares include the Company's stock remaining in the trust (3,884 million yen for 1,957,015 shares).

Changes in accounting policies

Application of the Accounting Standard for Revenue Recognition, etc.

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

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

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

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

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

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

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

Additional information

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

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

1. Outline of the transaction

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

2. The Company's stock remaining in the trust

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

As of March 31, 2021

Book value: 3,886 million yen

Number of shares: 1,958,084 shares

As of June 30, 2021

Book value: 3,884 million yen

Number of shares: 1,957,015 shares

Segment information

1. Three months ended June 30, 2020 (from April 1, 2020 to June 30, 2020)

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

(Millions of yen)

	Reportable Segment				Other*	Total
	Building Automation	Advanced Automation	Life Automation	Total		
Sales						
Customers	21,684	20,243	10,032	51,960	19	51,980
Inter-segment	57	164	51	273	0	274
Total	21,742	20,408	10,084	52,234	19	52,254
Segment profit (loss)	(29)	2,290	199	2,459	8	2,468

* "Other" includes insurance agent business, etc.

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

(Millions of yen)

Income	Amount
Total of Reportable Segment	2,459
Profit in Other	8
Elimination	(7)
Operating income	2,460

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

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

(Millions of yen)

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

* “Other” includes insurance agent business, etc.

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

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

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

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

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

(Millions of yen)

Income	Amount
Total of Reportable Segment	2,979
Profit in Other	4
Elimination	(32)
Operating income	2,950