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

February 3, 2022

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:	February 9, 2022
Scheduled date to commence dividend payments:	—
Preparation of supplementary materials on quarterly financial results:	Yes
Holding of quarterly financial results meeting:	No

(Amounts less than one million yen are rounded down)

1. Consolidated financial results for the nine months ended December 31, 2021 (from April 1, 2021 to December 31, 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	%
Nine months ended December 31, 2021	179,330	2.9	16,010	5.6	16,905	10.9	11,971	2.4
Nine months ended December 31, 2020	174,235	(4.8)	15,162	(3.2)	15,244	(5.4)	11,695	6.1

Note: Comprehensive income Nine months ended December 31, 2021 13,828 million yen 1.8%
Nine months ended December 31, 2020 13,581 million yen 1.9%

	Net income per share	Diluted net income per share
	Yen	Yen
Nine months ended December 31, 2021	86.74	—
Nine months ended December 31, 2020	83.83	—

(2) Consolidated financial position

	Total assets	Net assets	Shareholders' equity ratio
	Millions of yen	Millions of yen	%
As of December 31, 2021	268,949	195,620	71.8
As of March 31, 2021	284,597	200,607	69.6

Reference: Shareholders' equity As of December 31, 2021 192,993 million yen
As of March 31, 2021 198,190 million yen

2. Dividends

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

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

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

Percentages indicate year-on-year changes

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

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

* Notes

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

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

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

a. Changes in accounting policies accompanying revision of accounting standards, etc.: 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 December 31, 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 December 31, 2021	7,921,020 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)

Nine months ended December 31, 2021	138,020,198 shares	Nine months ended December 31, 2020	139,509,725 shares

Note: Azbil Corporation ("the Company") has introduced an employee stock ownership plan, and the number of treasury shares at the end of the period includes the Company's stock held by a trust account (1,943,639 shares as of December 31, 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 (1,950,579 shares for the nine months ended December 31, 2021; 1,968,914 shares for the nine months ended December 31, 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%, 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 from FY2021 sets out as targets for FY2024, net sales of 300 billion yen, an operating income of 36 billion yen, an operating income margin of 12%, and an ROE of approximately 12%.

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

The outlook for the COVID-19 pandemic remains uncertain. There are continuing shortages 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 planning (BCP), we are taking measures to make sure that our business operations are not interrupted, and working steadily to achieve our forecast of consolidated financial results 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 nine months ended December 2021 was as follows.

In the field of heating, ventilation, and air conditioning (HVAC) control equipment/systems for large-scale buildings in Japan, demand driven by urban redevelopment plans has continued while growing interest in solutions for improved ventilation and energy saving has meant that demand for refurbishment projects has steadily increased. As for equipment/systems for production equipment in manufacturing industry, due to the rapid growth of teleworking and 5G services, demand has remained high in the semiconductor-related market, and while there have been differences between markets, overall capital investment has continued to rebound.

What follows are the financial results for the nine months ended December 2021. While there were some impacts from the COVID-19 pandemic and from shortages of semiconductors and other parts, against the backdrop of steady market conditions, both net sales and profits rose compared to the same period last year.

Overall orders received grew, reversing the decline in the same period last year caused by the spread of COVID-19. This was mainly due to an increase in the AA business following a recovery in market conditions, as well as increased orders received in the BA business reflecting demand for the refurbishment of existing buildings and service, and increased orders received in the LA business driven by demand for pharmaceutical equipment. Consequently, overall orders received were 222,124 million yen, up 18.6% on the same period last year, when a figure of 187,234 million yen was recorded. Net sales were 179,330 million yen, 2.9% higher than the same period last year, when a figure of 174,235 million yen was recorded. This was mainly due to an increase in the AA business following a recovery in demand in the manufacturing equipment market.

As regards profits, there were higher expenses for adapting the working conditions as part of our COVID-19 responses, and also an increase in R&D expenses reflecting measures included in the medium-term plan. Nevertheless, in addition to the growth in net sales, measures to strengthen business profitability continued to have a positive effect. Consequently, operating income was 16,010 million yen, up 5.6% on the 15,162 million yen recorded for the same period last year. With this growth in operating income and recording foreign exchange gains, ordinary income was 16,905 million yen, up 10.9% on the 15,244 million yen recorded for the same period last year. As regards net income attributable to owners of parent, this was 11,971 million yen, up 2.4% on the 11,695 million yen for the same period last year, when gain on sale of investment securities and gain on sale of non-current assets following the integration of domestic production bases were recorded.

(Millions of yen)

	Nine months ended Dec. 31, 2020 (Apr. 1, 2020 to Dec. 31, 2020)	Nine months ended Dec. 31, 2021 (Apr. 1, 2021 to Dec. 31, 2021)	Difference	
			Amount	Rate
Orders received	187,234	222,124	34,889	18.6%
Net sales	174,235	179,330	5,094	2.9%
Operating income [Margin]	15,162 [8.7%]	16,010 [8.9%]	847 [0.2pp]	5.6%
Ordinary income	15,244	16,905	1,660	10.9%
Net income attributable to owners of parent [Margin]	11,695 [6.7%]	11,971 [6.7%]	276 [(0.0)pp]	2.4%

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

Building Automation (BA) Business

Regarding the BA business environment, in the domestic market demand for urban redevelopment projects in the Tokyo metropolitan area and HVAC equipment/systems for factories 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 continued to be limited. As regards overseas markets, however, we have observed the prolonged impact of the pandemic on some regions, resulting in sluggish demand and construction delays.

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

As regards orders received, there was a decline in the field related to sales and installation of equipment/systems for new large-scale buildings, due to the fact that in the same period last year orders had been received for several large-scale projects. Also, the service field was impacted by the new accounting standard for revenue recognition [Note 2]. However, in addition to the renewal of multi-year service contracts, demand has remained robust for the refurbishment of existing buildings and service to provide solutions offering ventilation improvement, energy savings, and CO_2 reduction. Accordingly, overall orders received were 104,880 million yen, up 11.3% on the same period last year, when a figure of 94,211 million yen was recorded. As regards sales, despite growth in two fields, related to the sales and installation of equipment/systems for new large-scale buildings, and to the refurbishment of existing buildings,sales were 79,151 million yen, on a par with the 78,629 million yen recorded for the same period last year. This result reflects declines in both the service field owing to the new accounting standard for revenue recognition and the security field since there was a cluster of projects in the same period last year. Although initiatives to enhance profitability have progressed, higher expenses—for R&D, as stipulated in the medium-term plan, and for personnel required for intensified order-taking activities—as well as the expenses, recorded in the first half of the current fiscal year, of adapting working conditions to deal with the COVID-19 pandemic, segment profit was 5,419 million yen, down 13.2% from the 6,244 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 FY2022 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)

	Nine months ended Dec. 31, 2020 (Apr. 1, 2020 to Dec. 31, 2020)	Nine months ended Dec. 31, 2021 (Apr. 1, 2021 to Dec. 31, 2021)	Difference	
			Amount	Rate
Orders received	94,211	104,880	10,668	11.3%
Sales	78,629	79,151	521	0.7%
Segment profit [Margin]	6,244 [7.9%]	5,419 [6.8%]	(824) [(1.1)pp]	(13.2)%

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 sustained high demand in the market for semiconductor manufacturing equipment. It is still unclear when the COVID-19 pandemic will abate; however, overall capital investment is recovering, particularly in the manufacturing equipment market.

Amidst this business environment, growth has been achieved in the overseas business—which has been a focus—and the profit structure has been successfully strengthened by continued implementation of various measures. However, due to the parts shortages, certain products have been affected and, as a result, delivery times have lengthened. The AA business has posted the following results for the nine months ended December 2021.

Overall orders received were 81,366 million yen, up 29.2% on the same period last year, when a figure of 62,989 million yen was recorded. Although this partly reflects the impact of advance orders triggered by parts shortages, this was mainly due to continued demand in the manufacturing equipment market—against the backdrop of a global expansion in semiconductor-related investment—as well as business growth overseas. Consequently, the order backlog has built up. As regards sales, despite the impact of longer product delivery times resulting from parts shortages, there was growth mainly in the manufacturing equipment market and overseas business. Consequently, sales were 69,220 million yen, a 7.2% increase on the 64,596 million yen recorded for the same period last year. Also, as regards segment profit, there was an increase in expenses associated with strengthened sales activities and higher R&D expenses, as stipulated in the medium-term plan. However, thanks to revenue growth as well as the fact segment profit margin continued to improve due to the success of measures to strengthen profitability that had already proved effective, segment profit was up 25.8% at 9,982 million yen (compared with 7,936 million yen for the same period last year).

In the medium to long term, investment is expected to grow, reflecting the continuing drive to automate manufacturing equipment and production lines. This investment is required to cope with the challenges posed by labor shortages and decarbonization, and to improve productivity through the introduction of new technologies. Based on the three AA business sub-segments (CP, IAP, and SS) [Note 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)

	Nine months ended Dec. 31, 2020 (Apr. 1, 2020 to Dec. 31, 2020)	Nine months ended Dec. 31, 2021 (Apr. 1, 2021 to Dec. 31, 2021)	Difference	
			Amount	Rate
Orders received	62,989	81,366	18,376	29.2%
Sales	64,596	69,220	4,624	7.2%
Segment profit [Margin]	7,936 [12.3%]	9,982 [14.4%]	2,046 [2.1pp]	25.8%

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

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

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

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

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

Life Automation (LA) Business

The LA business covers three fields: Lifeline (gas/water meters, etc.), Life Science Engineering

(LSE: pharmaceutical/laboratory fields), and Lifestyle-related (residential central air-conditioning systems). The business environment differs in each field.

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

Overall orders received rose by 19.8% to 37,294 million yen (compared with the 31,132 million yen recorded for the same period last year). This mainly reflects an increase in the LSE field driven by growing demand for equipment in the pharmaceutical market. As regards sales, the Lifeline field saw a decrease owing to the pandemic and parts shortages, and the pandemic also dampened sales growth in the LSE field. Nevertheless, sales growth was achieved thanks in part to the increase in orders received in the previous consolidated fiscal year. As a result, overall sales stood at 32,165 million yen, on a par with the 32,036 million yen recorded for the same period last year. However, owing to the fall in profits associated with the decrease in sales in the Lifeline field and an increase in expenses for business expansion in the LSE field, segment profit was 629 million yen, down 36.8% on the 995 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)

	Nine months ended Dec. 31, 2020 (Apr. 1, 2020 to Dec. 31, 2020)	Nine months ended Dec. 31, 2021 (Apr. 1, 2021 to Dec. 31, 2021)	Difference	
			Amount	Rate
Orders received	31,132	37,294	6,161	19.8%
Sales	32,036	32,165	128	0.4%
Segment profit [Margin]	995 [3.1%]	629 [2.0%]	(366) [(1.2)pp]	(36.8)%

Other

In Other business, principally our insurance agent business, orders received in the nine months ended December 2021 were 43 million yen (compared with the 43 million yen for the same period last year), sales were 43 million yen (compared with the 43 million yen for the same period last year), and segment profit was 6 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 third quarter of fiscal year 2021 stood at 268,949 million yen, a decrease of 15,648 million yen from the previous fiscal year-end. This was mainly due to a decrease of 12,465 million yen in cash and deposits as well as a decrease of 4,101 million yen in notes and accounts receivable-trade, and contract assets.

Liabilities

Total liabilities at the end of the third quarter of fiscal year 2021 stood at 73,329 million yen, a decrease of 10,661 million yen from the previous fiscal year-end. This was mainly due to a decrease of 6,743 million yen in notes and accounts payable-trade by a change of the Company's standard payment terms as well as a decrease of 4,304 million yen in income taxes payable.

Net assets

Net assets at the end of the third quarter of fiscal year 2021 stood at 195,620 million yen, a decrease of 4,987 million yen from the previous fiscal year-end. This was mainly due to the reduction in shareholders' equity, which was attributed to a decrease of 9,999 million yen by repurchasing own stock based on a decision in the Board of Directors meeting as well as a decrease of 8,421 million yen as the payment of dividends, despite an increase of 11,971 million yen by the recording of net income attributable to owners of parent.

As a result, the shareholders' equity ratio was 71.8% compared with 69.6% at the previous fiscal year-end.

(3) Forecast of consolidated financial results

There are no changes to the revised forecast of consolidated financial results for the fiscal year ending March 31, 2022, which was announced on November 2, 2021. In the nine months ended December 2021, orders received by each business remained firm, and the order backlog has been steadily growing. The impacts are anticipated to net sales due to the global resurgence in the COVID-19 pandemic and the lengthened delivery times of certain products caused by continued parts shortages. We will, however, conduct operations with thorough safety management, putting the safety of our customers and employees first. Also, by continuing to pay close attention to the situation faced by our customers and suppliers, we will ensure a prompt and appropriate response to parts shortages so as to achieve our forecast of consolidated financial results.

The business environments for the individual segment are as follows.

In the BA business, demand has remained robust for HVAC equipment/systems for large-scale buildings. Against the backdrop of expanding orders in the field of new buildings and for the refurbishment of existing buildings—which has a high profit margin—we are aiming to achieve higher sales and profits than the previous fiscal year by implementing thorough job execution management and by steadily converting the accumulated order backlog into sales.

In the AA business, the continued recovery in capital investment—driven by both domestic and overseas manufacturing equipment markets—has led to a steady increase in orders and a growing order backlog, although advance orders triggered by parts shortages and longer delivery times have been observed. With the progress made in actively developing new customers overseas, the new product launches, and the success of measures to strengthen profitability, we expect to achieve the revised forecast of consolidated financial results that was announced on November 2, 2021.

In the LA business, the cyclical decrease in demand for LP gas meters as well as the impact of the COVID-19 pandemic and parts shortages have been observed. However, along with new product launches and the development of a cloud-based service business, growth is expected in the LSE field thanks to growing demand for equipment in the robust pharmaceutical market.

Against the backdrop of the above business environments for the individual segments, and the growth in orders, the azbil Group will continue initiatives to secure sales and profits, aiming to achieve the forecast of consolidated financial results for the current fiscal year. At the same time, aiming to achieve our long-term targets for FY2030 (net sales in the 400 billion yen range, operating income in the 60 billion yen range, and an ROE of approximately 13.5%), we will make steady progress with investments required for the planned R&D activities and DX promotion laid out in our four-year medium-term plan (FY2021-FY2024).

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

2. Consolidated quarterly financial statements and related notes

(1) Consolidated quarterly balance sheets

(Millions of yen)

	As of March 31, 2021	As of December 31, 2021
Assets		
Current assets		
Cash and deposits	68,511	56,045
Notes and accounts receivable - trade	82,142	—
Notes and accounts receivable - trade, and contract assets	—	78,040
Securities	36,500	32,000
Merchandise and finished goods	5,360	5,492
Work in process	6,987	8,444
Raw materials	12,166	14,665
Other	8,299	7,350
Allowance for doubtful accounts	(369)	(428)
Total current assets	219,599	201,611
Non-current assets		
Property, plant and equipment		
Buildings and structures, net	13,934	13,654
Other, net	13,127	15,702
Total property, plant and equipment	27,062	29,356
Intangible assets	5,482	5,681
Investments and other assets		
Investment securities	22,780	23,046
Other	9,772	9,352
Allowance for doubtful accounts	(99)	(99)
Total investments and other assets	32,453	32,298
Total non-current assets	64,998	67,337
Total assets	284,597	268,949

(Millions of yen)

	As of March 31, 2021	As of December 31, 2021
Liabilities		
Current liabilities		
Notes and accounts payable - trade	31,951	25,208
Short-term borrowings	9,035	8,137
Income taxes payable	6,070	1,765
Provision for bonuses	9,853	5,859
Provision for bonuses for directors (and other officers)	135	79
Provision for product warranties	518	581
Provision for loss on order received	246	80
Other	18,648	23,565
Total current liabilities	76,459	65,277
Non-current liabilities		
Long-term borrowings	313	310
Retirement benefit liability	1,660	1,709
Provision for retirement benefits for directors (and other officers)	169	191
Provision for share awards	1,634	1,862
Other	3,751	3,978
Total non-current liabilities	7,530	8,051
Total liabilities	83,990	73,329
Net assets		
Shareholders' equity		
Share capital	10,522	10,522
Capital surplus	11,670	11,670
Retained earnings	177,900	181,450
Treasury shares	(13,709)	(23,682)
Total shareholders' equity	186,384	179,961
Accumulated other comprehensive income		
Valuation difference on available-for-sale securities	11,108	11,364
Deferred gains or losses on hedges	24	(57)
Foreign currency translation adjustment	699	1,751
Remeasurements of defined benefit plans	(26)	(26)
Total accumulated other comprehensive income	11,805	13,032
Non-controlling interests	2,416	2,626
Total net assets	200,607	195,620
Total liabilities and net assets	284,597	268,949

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

(Consolidated quarterly statements of income)

(Consolidated cumulative third quarter)

(Millions of yen)

	Nine months ended December 31, 2020 (April 1, 2020 to December 31, 2020)	Nine months ended December 31, 2021 (April 1, 2021 to December 31, 2021)
Net sales	174,235	179,330
Cost of sales	105,213	106,358
Gross profit	69,022	72,971
Selling, general and administrative expenses	53,859	56,960
Operating income	15,162	16,010
Non-operating income		
Interest income	83	96
Dividend income	529	627
Foreign exchange gains	—	241
Rental income from real estate	26	20
Reversal of allowance for doubtful accounts	15	0
Other	164	180
Total non-operating income	819	1,165
Non-operating expenses		
Interest expenses	97	90
Foreign exchange losses	396	—
Commitment fees	15	14
Expenses of real estate	71	28
Office relocation expenses	99	56
Other	57	81
Total non-operating expenses	737	270
Ordinary income	15,244	16,905
Extraordinary income		
Gain on sale of non-current assets	630	1
Gain on sale of investment securities	1,038	354
Total extraordinary income	1,668	355
Extraordinary losses		
Loss on sale and retirement of non-current assets	30	92
Loss on sale of investment securities	86	3
Loss on valuation of investment securities	13	—
Total extraordinary losses	131	95
Income before income taxes	16,781	17,165
Income taxes - current	2,379	3,413
Income taxes - deferred	2,362	1,276
Total income taxes	4,742	4,690
Net income	12,039	12,474
Net income attributable to non-controlling interests	343	503
Net income attributable to owners of parent	11,695	11,971

(Consolidated quarterly statements of comprehensive income)

(Consolidated cumulative third quarter)

(Millions of yen)

	Nine months ended December 31, 2020 (April 1, 2020 to December 31, 2020)	Nine months ended December 31, 2021 (April 1, 2021 to December 31, 2021)
Net income	12,039	12,474
Other comprehensive income		
Valuation difference on available-for-sale securities	1,909	256
Deferred gains or losses on hedges	28	(82)
Foreign currency translation adjustment	(405)	1,181
Remeasurements of defined benefit plans, net of tax	9	(1)
Total other comprehensive income	1,542	1,354
Comprehensive income	13,581	13,828
Comprehensive income attributable to:		
Owners of parent	13,249	13,197
Non-controlling interests	331	631

(3) Notes to the consolidated quarterly financial statements

Notes regarding going concern assumptions

Not applicable

Notes regarding significant change in shareholders' equity

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

Details of share repurchase

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

Consequently, treasury shares amounted to 23,682 million yen for 7,921,020 shares as of December 31, 2021. As described in "Additional information," treasury shares include the Company's stock remaining in the trust (3,858 million yen for 1,943,639 shares).

Changes in accounting policies

Application of the Accounting Standard for Revenue Recognition, etc.

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

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

The application of the Accounting Standard for Revenue Recognition, etc. is 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 third quarter is immaterial.

As a result of the application of the Accounting Standard for Revenue Recognition, etc., "Notes and accounts receivable - trade," which had come under "Current assets" in the consolidated balance sheets for the previous consolidated fiscal years, is now included in "Notes and accounts receivable - trade, and contract assets" from the first quarter of the consolidated fiscal year. 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 previous consolidated cumulative third quarter.

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

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

Additional information

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

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

1. Outline of the transaction

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

2. The Company's stock remaining in the trust

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

As of March 31, 2021
Book value: 3,886 million yen
Number of shares: 1,958,084 shares

As of December 31, 2021
Book value: 3,858 million yen
Number of shares: 1,943,639 shares

Segment information

1. Nine months ended December 31, 2020 (from April 1, 2020 to December 31, 2020)

(1) Information on sales and profit by each segment

(Millions of yen)

	Reportable Segment				Other*	Total
	Building Automation	Advanced Automation	Life Automation	Total		
Sales						
Customers	78,401	63,946	31,845	174,193	42	174,235
Inter-segment	228	649	191	1,069	1	1,070
Total	78,629	64,596	32,036	175,262	43	175,306
Segment profit	6,244	7,936	995	15,176	8	15,184

* "Other" includes insurance agent business, etc.

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

(Millions of yen)

Income	Amount
Total of Reportable Segment	15,176
Profit in Other	8
Elimination	(21)
Operating income	15,162

2. Nine months ended December 31, 2021 (from April 1, 2021 to December 31, 2021)

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

(Millions of yen)

	Reportable Segment				Other*	Total
	Building Automation	Advanced Automation	Life Automation	Total		
Sales						
Customers	78,869	68,481	31,937	179,288	41	179,330
Inter-segment	281	739	227	1,248	1	1,250
Total	79,151	69,220	32,165	180,537	43	180,580
Segment profit	5,419	9,982	629	16,031	6	16,038
Disaggregation of revenue						
Goods or services transferred at a point in time	17,591	55,347	22,715	95,654	41	95,696
Goods or services transferred over time	61,277	13,133	9,221	83,633	―	83,633
Revenue from contracts with customers	78,869	68,481	31,937	179,288	41	179,330

* "Other" includes insurance agent business, etc.

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

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

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

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

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

(Millions of yen)

Income	Amount
Total of Reportable Segment	16,031
Profit in Other	6
Elimination	(27)
Operating income	16,010