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

May 13, 2022

Company name:	Azbil Corporation
Stock exchange listing:	Tokyo Stock Exchange Prime Market (Code 6845)
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Representative:	Kiyohiro Yamamoto, President and Group Chief Executive Officer
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Scheduled date of ordinary general meeting of shareholders:	June 23, 2022
Scheduled date to file Securities Report:	June 23, 2022
Scheduled date to commence dividend payments:	June 24, 2022
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, 2022 (from April 1, 2021 to March 31, 2022)

(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, 2022	256,551	3.9	28,231	9.8	29,519	12.1	20,784	4.3
Year ended March 31, 2021	246,821	(4.9)	25,720	(5.6)	26,338	(5.0)	19,918	0.6

Note: Comprehensive income	Year ended March 31, 2022	21,334 million yen	(5.3)%
	Year ended March 31, 2021	22,535 million yen	16.8%

	Net income per share	Diluted net income per share	Return on equity	Ordinary income/total assets	Operating income/net sales
Year ended March 31, 2022	Yen 150.79	Yen —	% 10.4	% 10.5	% 11.0
Year ended March 31, 2021	Yen 142.77	Yen —	% 10.4	% 9.4	% 10.4

(2) Consolidated financial position

	Total assets	Net assets	Shareholders' equity ratio	Net assets per share
As of March 31, 2022	Millions of yen 280,052	Millions of yen 203,141	% 71.5	Yen 1,459.08
As of March 31, 2021	284,597	200,607	69.6	1,420.52

Reference: Shareholders' equity	As of March 31, 2022	200,314 million yen
	As of March 31, 2021	198,190 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
Year ended March 31, 2022	Millions of yen 10,120	Millions of yen (3,990)	Millions of yen (20,584)	Millions of yen 77,891
Year ended March 31, 2021	22,603	283	(6,996)	90,652

2. Dividends

	Dividend per share					Total amount of cash dividends (annual)	Payout ratio (consolidated)	Dividend on equity (consolidated)
	1st quarter-end	2nd quarter-end	3rd quarter-end	Fiscal year-end	Total			
Year ended March 31, 2021	Yen —	Yen 25.00	Yen —	Yen 30.00	Yen 55.00	Millions of yen 7,781	% 38.5	% 4.0
Year ended March 31, 2022	—	30.00	—	30.00	60.00	8,353	39.8	4.2
Year ending March 31, 2023 (forecast)	—	32.50	—	32.50	65.00		41.5	

Note: The total amount of cash dividends include the dividends for the stock of Azbil Corporation (“the Company”) held by a trust account as assets in the trust of “Employee Stock Ownership Plan (J-ESOP)” (107 million yen for the year ended March 31, 2021; 116 million yen for the year ended March 31, 2022).

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

Percentages indicate year-on-year changes

	Net sales		Operating income		Ordinary income		Net income attributable to owners of parent		Net income per share
	Millions of yen	%	Millions of yen	%	Millions of yen	%	Millions of yen	%	Yen
First half	120,900	4.8	8,400	(10.6)	8,700	(11.9)	5,700	(17.6)	41.52
Full year	275,000	7.2	29,800	5.6	30,200	2.3	21,500	3.4	156.60

Note: The Company has resolved, at the Board of Directors meeting held on May 13, 2022, to cancel its treasury shares, repurchase its own stock, and establish a trust in connection with the introduction of Trust-Type Employee Shareholding Incentive Plan. For “Net income per share” in the forecast of consolidated financial results, the impact of these matters is not considered.

* 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

- 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 “5. Consolidated financial statements and related notes (5) Notes to the consolidated financial statements” on page 28 of the Accompanying document.

(3) Number of issued shares (common stock)

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

As of March 31, 2022	145,200,884 shares	As of March 31, 2021	145,200,884 shares
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b. Number of treasury shares at the end of the period

As of March 31, 2022	7,912,745 shares	As of March 31, 2021	5,681,473 shares
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c. Average number of shares during the period

Year ended March 31, 2022	137,838,954 shares	Year ended March 31, 2021	139,511,724 shares
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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 (1,935,100 shares as of March 31, 2022; 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 (1,947,530 shares for the year ended March 31, 2022; 1,966,690 shares for the year ended March 31, 2021).

For details, please see “Additional information” in “5. Consolidated financial statements and related notes (5) Notes to the consolidated financial statements” on page 29 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 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. Overview of financial results and others (1) Overview of financial results 3) Forecast for the next period” on page 7 of the Accompanying document.

* 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 for the current fiscal year

Regarding the business environment for the azbil Group, 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 current consolidated fiscal year. From the second half of the fiscal year onwards, there was an increasing impact from delays in recording sales owing to customers' advance orders and long delivery times triggered by parts shortages. However, there has been a recovery following the market downturn caused by the COVID-19 pandemic in the previous fiscal year.

Overall orders received grew significantly, reversing the decline in the previous consolidated fiscal year caused by the spread of COVID-19. This was mainly due to an increase in the Advanced Automation (AA) business, following a recovery in market conditions and, to some extent, the impact of customers' advance orders triggered by parts shortages, as well as increased orders received in the Building Automation (BA) business reflecting demand for the refurbishment of existing buildings and service, and increased orders received in the Life Automation (LA) business driven by demand for pharmaceutical equipment. Consequently, overall orders received increased to 286,950 million yen, up 15.8% from the 247,873 million yen recorded in the previous consolidated fiscal year. Net sales were 256,551 million yen, 3.9% higher than the previous consolidated fiscal year, when a figure of 246,821 million yen was recorded. This was mainly due to an increase in AA business sales following a recovery in demand in the manufacturing equipment market, despite performance being partially impacted by longer delivery times. The BA business and LA business also contributed with increased sales.

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 28,231 million yen, up 9.8% on the 25,720 million yen recorded for the previous consolidated fiscal year. With this growth in operating income and recording foreign exchange gains, ordinary income was 29,519 million yen, up 12.1% on the 26,338 million yen recorded for the previous consolidated fiscal year. As regards net income attributable to owners of parent, this was 20,784 million yen, up 4.3% on the 19,918 million yen for the previous consolidated fiscal 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. In addition, in the current consolidated fiscal year there was an increase in tax expenses following a review of the

recoverability of subsidiary's deferred tax assets.

(Millions of yen)

	Fiscal year 2020 (April 1, 2020 to March 31, 2021)	Fiscal year 2021 (April 1, 2021 to March 31, 2022)	Difference	
			Amount	Rate
Orders received	247,873	286,950	39,076	15.8%
Net sales	246,821	256,551	9,730	3.9%
Operating income [Margin]	25,720 [10.4%]	28,231 [11.0%]	2,511 [0.6pp]	9.8%
Ordinary income	26,338	29,519	3,180	12.1%
Net income attributable to owners of parent [Margin]	19,918 [8.1%]	20,784 [8.1%]	865 [0.0pp]	4.3%

2) Financial results by segment

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

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, CO₂ reduction, and lower operational costs. Also, the impact of the COVID-19 pandemic on domestic markets was limited, although some negative impact from parts procurement difficulties was evident. As regards overseas markets, we have observed the prolonged effect impact of the pandemic on some regions, resulting in the postponement of construction projects 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 current consolidated fiscal year were as follows.

As regards orders received, the service field was impacted by the new accounting standard for revenue recognition ^{Note 1}. However, in addition to the renewal of multi-year service contracts, orders increased for the refurbishment of existing buildings, reflecting a robust business environment. Also, part of the increase was due to advance orders placed by customers concerned about a shortage of parts. Accordingly, overall orders received were 132,511 million

yen, up 11.8% on the previous consolidated fiscal year, when a figure of 118,503 million yen was recorded. As regards sales, despite a decrease in the service field owing to the new accounting standard for revenue recognition as well as parts procurement difficulties, there was an increase in fields related to new large-scale buildings, and to the refurbishment of existing buildings. Consequently, sales were 119,764 million yen, up 1.9% from the 117,521 million yen recorded for the previous consolidated fiscal 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 handling an increase in order received—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 13,862 million yen, on a par with the 14,023 million yen recorded for the previous consolidated fiscal 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 still being planned. Building on its track record, the BA business aims to secure this demand. Moreover, there have been growing requirements for energy savings and CO₂ reduction as part of decarbonization, as well as rising office demand in the “new normal” era, triggered by the COVID-19 pandemic, for the enhanced safety and peace of mind offered by improved ventilation and access control. In response to this demand, we will supply solutions such as remote maintenance, cloud services and a new HVAC system; we are thus aiming to achieve sustainable growth. Additionally, we will promote digital transformation (DX) and employ business process reforms and other initiatives to further ensure that a high-profit structure is established.

(Millions of yen)				
	Fiscal year 2020 (April 1, 2020 to March 31, 2021)	Fiscal year 2021 (April 1, 2021 to March 31, 2022)	Difference	
			Amount	Rate
Orders received	118,503	132,511	14,008	11.8%
Sales	117,521	119,764	2,242	1.9%
Segment profit [Margin]	14,023 [11.9%]	13,862 [11.6%]	(160) [(0.4)pp]	(1.1)%

Note: 1. 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. The COVID-19 pandemic has yet to abate; however, overall capital

investment has recovered, particularly in the manufacturing equipment market.

Amidst this business environment, our growth strategy for the overseas business—which has been a focus—has borne fruit, 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 current consolidated fiscal year.

Overall orders received were 109,562 million yen, up 25.2% on the previous consolidated fiscal year, when a figure of 87,523 million yen was recorded. Although this partly reflects the impact of customers' advance orders triggered by parts shortages, this considerable increase 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, a significant order backlog has built up. As regards sales, despite growth achieved mainly in the manufacturing equipment market and overseas business, due to the impact of parts procurement difficulties there have been delays in recording sales of some products. Consequently, sales were 94,276 million yen, an increase of just 7.4% on the 87,778 million yen recorded for the previous consolidated fiscal 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 29.1% at 13,236 million yen (compared with the 10,251 million yen for the previous consolidated fiscal year).

In the medium to long term, investment is expected to grow, reflecting the continuing drive to automate manufacturing equipment and production lines. This investment is required to cope with the challenges posed by labor shortages and decarbonization, and to improve productivity through the introduction of new technologies. Based on the three AA business sub-segments (CP, IAP, and SS)^{Note 2}, we will continue our efforts to achieve business growth with high competitiveness by promoting expansion into growth fields, particularly our overseas business; developing new products and services that harness such technologies as AI, cloud computing, and MEMS^{Note 3}; accelerating market launches; and creating the new automation field, unique to the azbil Group.

(Millions of yen)				
	Fiscal year 2020 (April 1, 2020 to March 31, 2021)	Fiscal year 2021 (April 1, 2021 to March 31, 2022)	Difference	
			Amount	Rate
Orders received	87,523	109,562	22,038	25.2%
Sales	87,778	94,276	6,497	7.4%
Segment profit [Margin]	10,251 [11.7%]	13,236 [14.0%]	2,985 [2.4pp]	29.1%

- Notes: 2. Three AA business sub-segments (management accounting sub-segments)
- CP business: Control Product business (supplying factory automation products such as controllers and sensors)
 - IAP business: Industrial Automation Product business (supplying process automation products such as differential pressure transmitters, pressure transmitters, and control valves)
 - SS business: Solution and Service business (offering control systems, engineering service, maintenance service, energy-saving solution service, etc.)
3. Microelectromechanical systems (MEMS): devices built using microfabrication technology to integrate sensors, actuators and electronic circuits on substrates.

Life Automation (LA) Business

The LA business covers three fields: Lifeline (gas/water meters, etc.), Life Science Engineering (LSE: pharmaceutical/laboratory 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 in some markets have been observed, such as that for LP gas meters, for which cyclical demand is currently at a low ebb. Also, in the LSE field, investment in equipment for pharmaceutical plants continues to grow. Reflecting these business conditions and initiatives, the financial results of the LA business for the current consolidated fiscal year were as follows.

Overall orders received rose by 8.1% to 46,845 million yen (compared with the 43,350 million yen recorded for the previous consolidated fiscal 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 changes in market conditions, the COVID-19 pandemic and parts procurement difficulties. The pandemic also affected sales in the LSE field; nevertheless, sales growth was achieved thanks to the increase in orders received in the previous consolidated fiscal year. As a result, overall sales stood at 44,238 million yen, up 3.0% on the 42,942 million yen recorded for the previous consolidated fiscal year. However, segment profit was 1,151 million yen, down 19.7% on the 1,434 million yen recorded for the previous consolidated fiscal year, owing mainly to the fall in profits associated with the decrease in sales in the Lifeline field. Though the LSE field achieved revenue growth, an increase in expenses for business expansion, price hikes for raw materials, and increases in energy and transportation costs had a negative impact on profits as well.

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.

	Fiscal year 2020 (April 1, 2020 to March 31, 2021)	Fiscal year 2021 (April 1, 2021 to March 31, 2022)	Difference	
			Amount	Rate
Orders received	43,350	46,845	3,494	8.1%
Sales	42,942	44,238	1,295	3.0%
Segment profit [Margin]	1,434 [3.3%]	1,151 [2.6%]	(283) [(0.7)pp]	(19.7)%

Other

In Other business, primarily consisting of our insurance agent business, orders received in the current consolidated fiscal year were 54 million yen (compared with the 54 million yen for the previous consolidated fiscal year), sales were 54 million yen (compared with the 54 million yen for the previous consolidated fiscal year), and segment profit was 6 million yen (compared with the 6 million yen for the previous consolidated fiscal year).

3) Forecast for the next period

The azbil Group has set out its long-term targets for FY2030, and as the first step toward achieving them we have created a four-year medium-term plan (FY2021-FY2024). Based on this, we are making progress with initiatives to achieve our goals. As we work toward realizing a sustainable society, we are currently witnessing the emergence of various issues confronting society and our customers. Automation is expected to play an increasing role in providing solutions to these issues, so demand for automation is expected to increase. Following our medium-term plan, we aim to achieve sustainable growth by seizing such business opportunities and providing solutions to these new challenges by leveraging the azbil Group's unique technologies, products, and services.

In the coming fiscal year, the business environment for the azbil Group is expected to remain uncertain owing to such factors as a resurgence of the COVID-19 pandemic, supply chain disruptions, difficulties in procuring parts and materials, inflation, and geopolitical risks. Nonetheless, demand for HVAC control equipment/systems for large-scale buildings is expected to remain strong. Overall demand for production equipment for factories and plants is also expected to remain robust, particularly thanks to the brisk market for semiconductor manufacturing equipment, supported by the growth in demand that will result from the progress of DX.

Taking into account the business environment described above, in FY2022, while factoring in the effect of parts procurement difficulties, we plan to increase sales by responding promptly and appropriately to changes in the business environment, tapping into the robust market demand in Japan for large-scale buildings and manufacturing equipment. Revenue will also benefit from the large order backlog at the beginning of the fiscal year. As regards profit, in

addition to the measures to enhance profitability that we have been engaged in, we plan to further improve operational efficiency by promoting DX on a global basis. Also, while making investments for growth in R&D and facilities and equipment, we will seek to increase profits.

In the BA business, demand for HVAC control equipment/systems for large-scale buildings remains at a high level, and we expect sales and profits to increase thanks to both the order backlog for new buildings at the beginning of the fiscal year and expanding demand for the profitable business of refurbishing existing buildings.

The AA business is expected to be affected by the continuing parts procurement difficulties. However, we plan to increase sales and profits thanks to the order backlog—which has accumulated as a result of the market recovery in the previous fiscal year, as well as customers' advance orders—and the growth in our overseas business resulting from measures to strengthen sales capabilities.

Sales and profits in the LA business are expected to increase thanks to growth in the LSE field, reflecting expanding demand in the pharmaceutical market, and the development of cloud services in the Lifeline field.

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.

(Billions of yen)

		Fiscal year 2021 results	Fiscal year 2022 forecast	Difference	
				Amount	Rate
Building Automation	Sales	119.7	129.0	9.2	7.7%
	Segment profit [Margin]	13.8 [11.6%]	14.5 [11.2%]	0.6 [(0.3)pp]	4.6%
Advanced Automation	Sales	94.2	99.5	5.2	5.5%
	Segment profit [Margin]	13.2 [14.0%]	14.0 [14.1%]	0.7 [0.0pp]	5.8%
Life Automation	Sales	44.2	46.5	2.2	5.1%
	Segment profit [Margin]	1.1 [2.6%]	1.3 [2.8%]	0.1 [0.2pp]	12.9%
Other	Sales	0.0	0.1	0.0	82.7%
	Segment profit [Margin]	0.0 [11.1%]	0.0 [0.0%]	(0.0) [(11.1)pp]	-
Consolidated	Net sales	256.5	275.0	18.4	7.2%
	Operating income [Margin]	28.2 [11.0%]	29.8 [10.8%]	1.5 [(0.2)pp]	5.6%
	Ordinary income	29.5	30.2	0.6	2.3%
	Net income attributable to owners of parent [Margin]	20.7 [8.1%]	21.5 [7.8%]	0.7 [(0.3)pp]	3.4%

(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-end stood at 280,052 million yen, a decrease of 4,545 million yen from the previous consolidated fiscal year-end. This was mainly due to a decrease in cash and deposits of 9,557 million yen, despite an increase of 6,257 million yen in construction in progress following capital investments to enhance our R&D base, Fujisawa Technology Center.

Liabilities

Total liabilities at the end of the current consolidated fiscal year-end stood at 76,910 million yen, a decrease of 7,079 million yen from the previous consolidated fiscal year-end. This was mainly due to a decrease of 8,961 million yen in notes and accounts payable-trade by a change of the Company's standard payment terms.

Net assets

Net assets at the end of the current consolidated fiscal year-end stood at 203,141 million yen, an increase of 2,534 million yen from the previous consolidated fiscal year-end. This was mainly due to an increase of 20,784 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 9,999 million yen by repurchasing own stock based on a resolution at the Board of Directors meeting and a decrease of 8,421 million yen as the payment of dividends.

As a result, the shareholders' equity ratio was 71.5% compared with 69.6% at the previous consolidated 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 10,120 million yen, a decrease of 12,482 million yen compared to the previous consolidated fiscal year. This was mainly due to an increased payments of trade payables by a change of the Company's standard payment terms, as well as an increase of trade receivables and inventories with a backdrop of increase in net sales and orders received.

Net cash flow from investing activities

Net cash used in investment activities in the current consolidated fiscal year were 3,990 million yen (in the previous consolidated fiscal year net cash provided by these activities (proceeds) was 283 million yen). This was mainly due to an increase in expenditures from purchase of property, plant and equipment following capital investments to enhance our R&D base.

Net cash flow from financing activities

Net cash used in financing activities (expenditure) in the current consolidated fiscal year were 20,584 million yen, an increase of 13,588 million yen compared with the previous consolidated fiscal year. This was mainly due to an increase in the payment of dividends, in addition to the

expenditures resulting from the repurchase of own stock 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 77,891 million yen, a decrease of 12,761 million from the previous consolidated fiscal year-end.

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

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

Under the medium-term plan (FY2021-2024), as strategic investments for future business development and growth, we will be upgrading and reinforcing our business foundation—including advanced global development and production systems—while also planning investments for growth such as improving and expanding our lineup of products and services. Additionally, we are striving to ensure business continuity necessary to meet unexpected contingencies such as natural disasters. In FY2021, we have raised our R&D budget and made the necessary capital investment to enhance the functions of our R&D base (Fujisawa Technology Center). Going forward, as well as making steady progress with such investments for growth, we will continue to promote shareholder returns, in accordance with the basic policy above, while ensuring that we maintain a healthy financial foundation.

As to specifics regarding the distribution of profits to our shareholders, regarding the dividend for the fiscal year ended March 31, 2022, despite the impact of parts procurement difficulties, we have been able to achieve increases in both net sales and profits compared to the previous fiscal year, and we have maintained a strong financial foundation. It is thus planned to pay an annual dividend of 60 yen per share, as announced at the beginning of the fiscal year. Consequently, a DOE of 4.2% is expected for the fiscal year ended March 31, 2022.

The outlook for the global economic environment is expected to remain uncertain for the time being, and difficulties in parts procurement are also expected to have an impact. However, we expect to increase net sales and profits in FY2022, by ensuring that we tap into robust demand in large-scale buildings in Japan and manufacturing equipment market, implementing investment in R&D and DX to realize sustainable growth, and promoting further measures to strengthen business profitability. Furthermore, from a medium- to long-term perspective, we expect stable and sustainable growth based on the strategic development and business environment outlook of each business, including initiatives in the three growth fields. Thus, based on our policy of enhancing shareholder returns and raising the level of stable dividends, it is planned to further increase the ordinary dividend by 5 yen to make an annual dividend 65 yen per share for the fiscal year ending March 31, 2023.

In addition to the above, based on the present status and outlook for our businesses and financial results, we plan to further improve capital efficiency while ensuring a disciplined capital policy, further increasing shareholder returns and implementing a flexible capital policy able to respond to a changing business environment. In order to make this possible, we will repurchase the Company's own stock up to a maximum of 10.0 billion yen (maximum of 4,000,000 shares) between May 16, 2022 and September 22, 2022. Also, on May 31, 2022, we will cancel 1,500,000 shares of treasury shares held as of March 31, 2022. (For details of treasury shares, please refer to “Significant subsequent events” in “(5) Notes to the consolidated

financial statements” on page 35).

As mentioned above, the azbil Group will continue its ongoing efforts to improve the return of profits to our shareholders.

2. Management policy

(1) Basic policy

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 thus committed to meeting the expectations of all our stakeholders.

Therefore, while strengthening business profitability and developing a global business foundation, we are implementing business growth measures based on our three fundamental policies—namely, 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; and being a corporate organization that never stops learning, so that it can continuously grow stronger. Specifically, in our three businesses—Building Automation (BA), Advanced Automation (AA), and Life Automation (LA)—we are supplying products and services based on the concept of “human-centered automation” and with a focus on measurement and control technologies, thus contributing to meeting the needs of our customers and finding solutions to the issues facing society. This is how we aim to achieve sustainable growth for ourselves as well as for our customers and society in general.

(2) Management targets

The azbil Group’s basic goal is to improve consolidated return on equity (ROE) and thus increase shareholder value. Through improvements in profitability and capital efficiency, we are aiming to achieve net sales in 400 billion yen range, operating income in 60 billion yen range, an operating income margin of approximately 15%, and an ROE of approximately 13.5%; these are the Group’s long-term targets^{Note 1} for FY2030. Toward achieving these long-term targets, our four-year medium-term plan sets out as targets for FY2024, the final year of the plan, net sales of 300.0 billion yen, operating income of 36.0 billion yen, an operating income margin of 12%, and an ROE of approximately 12%.

The azbil Group has thus set out its long-term targets for FY2030, aiming to contribute “in series” to the achievement of a sustainable society and to our own sustainable growth. To this end, we have positioned the Sustainable Development Goals (SDGs) as an important guidepost for management and we are promoting several initiatives designed to achieve the azbil Group’s SDGs: those to be achieved through our business activities are (1) the environment and energy, and (2) new automation, while those to be achieved through our corporate activities are (3) supply chain and social responsibility, and (4) health & well-being management^{Note 2} and an organization that never stops learning.

(3) Medium- to long-term management strategy

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 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. As far as the azbil Group is concerned, we will focus on the three growth fields—namely, new automation, environment and energy, and the life-cycle solution—that can particularly benefit from azbil's unique technologies, products, and services. By providing solutions to these new challenges, we will realize growth for our BA, AA and LA business segments.

In line with our medium-term plan (FY2021-2024), to ensure growth in the three growth fields mentioned above, we are promoting such measures as increased investment to strengthen our capabilities to develop new products and services, and the expansion of points of contact with our customers. In fiscal year 2021, the first year of the medium-term plan, as part of this initiative, progress has been made with upgrading the Fujisawa Technology Center, our R&D base, to enhance our ability to develop advanced system solutions as well as advanced, high-performance devices employing MEMS technologies. We have also made progress with enhancing our manufacturing capabilities: as part of strengthening our global production base, we have completed a new factory building at our production subsidiary in Dalian, China.

As regards enhancing profitability, in addition to implementing those measures that have already proven successful—such as improving margins at order receipt, and expanding overseas production and procurement—we will further strengthen profitability by improving operational efficiency globally through the promotion of DX. Additionally, as part of focusing on capital cost-conscious management, we will introduce return on invested capital (ROIC). Also, by maximizing the efficiency of management resource utilization based on profitability from invested capital, and implementing good business portfolio management, we will improve enterprise value for the entire Group (raise ROE).

(4) Initiatives to strengthen corporate governance

An important management issue is the enhancement of corporate governance as the foundation for sustainable growth in enterprise value. The azbil Group has therefore been working to strengthen the supervisory and auditing functions of the Board of Directors, to improve the transparency and soundness of management, and to clarify the system of executive responsibility.

Aiming to further reform our corporate governance, the Board of Directors resolved at its meeting held on February 25, 2022 to transition to a new board structure based on three committees^{Note 3} consisting of a majority of outside directors. This will enable a significant delegation of authority for business execution, previously undertaken by the Board of Directors, to corporate executives with clear legal responsibilities. Moreover, once this transition (to a new board structure based on three committees) is achieved, we plan to introduce a stock compensation plan using a trust. In conjunction with this, we plan to prepare a new executive compensation policy by a resolution of the Board of Directors and the Remuneration Committee, which is due to meet after the ordinary general meeting of shareholders scheduled for June 23, 2022.

(5) Initiatives in response to change of business environment including the spread of COVID-19 and parts procurement difficulties

The spread of COVID-19 has yet to be contained, so we continue to see the global disruption of supply chains and problems with the procurement of materials and parts. Moreover, the world economy is being impacted by heightened geopolitical risks in Europe and elsewhere, by soaring energy prices, and by concerns about inflation, making the business outlook uncertain. We expect such changes in social conditions and the business environment to have an impact on the Group's businesses. However, through dialogue with our stakeholders—namely, our shareholders, our customers, our suppliers and other business partners—we will respond, as a Group, promptly and appropriately to these changes in the business environment.

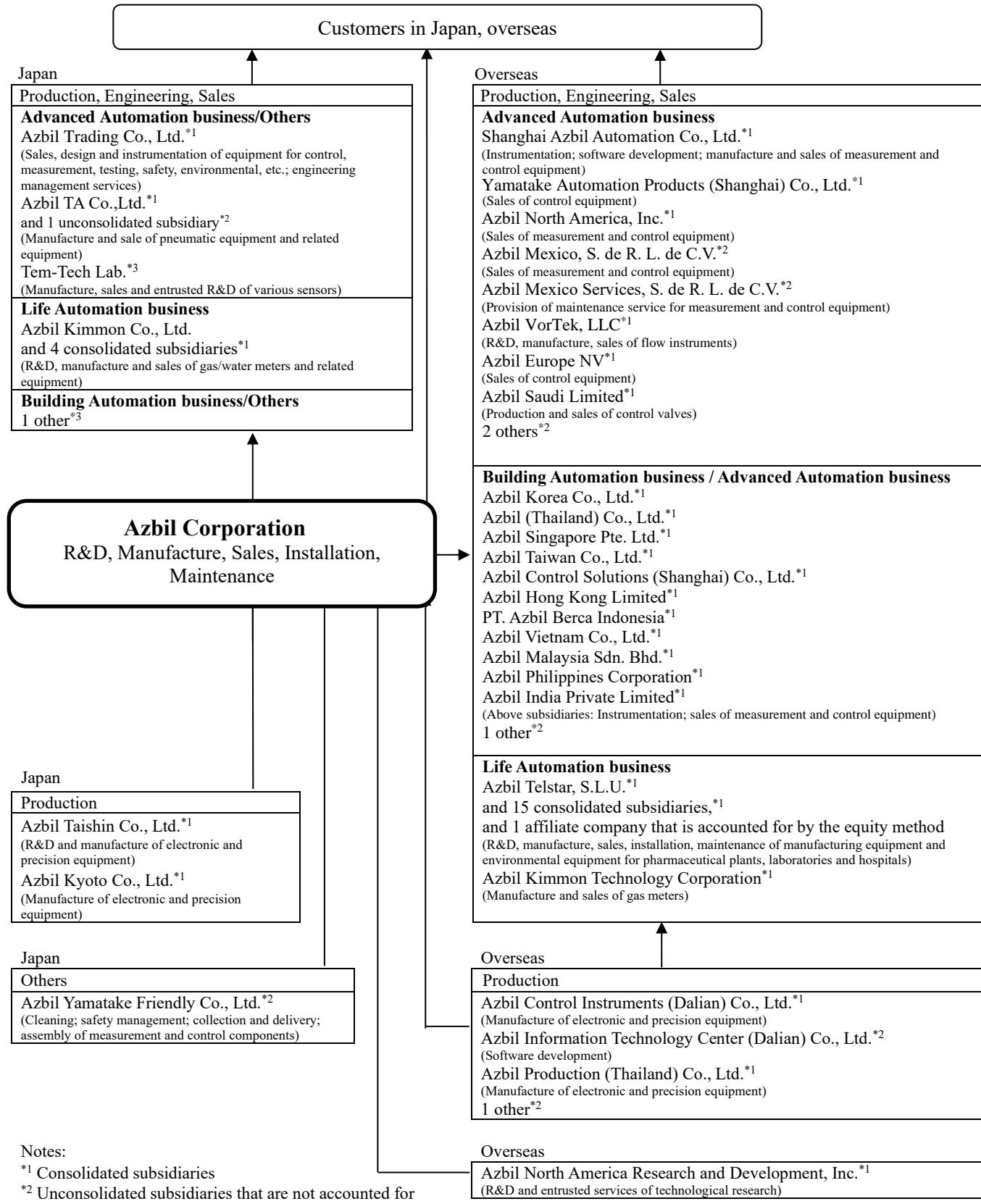
In response to the COVID-19 pandemic, we will continue to meet the needs of society—preventing infection while maintaining vital social infrastructure and our customers' important facilities—by continuing on-site operations (production, engineering, and service) with the safety of our customers and employees as our top priority. At the same time, for enhanced crisis management, we will continue our initiatives to strengthen pandemic prevention measures, to develop our business continuity planning (BCP), as well as securing a solid financial structure through reinforcement and diversification of financing. As regards the difficulties being encountered in procuring parts and materials, we are stiving to reduce the impact of these by improving production operations and collaborating with other companies in the supply chain. We will also contribute to preventing the spread of infection by promoting DX-based work-style reforms and expanding telecommuting among our employees. Moreover, adopting the concept of activity-based working (ABW)^{Note 4}, we aim to develop hybrid work styles that improve productivity by combining remote work and telecommuting.

- Notes:
1. On May 14, 2021, the azbil Group published its long-term targets and the medium-term plan (FY2021-2024).
 2. Health and well-being management is azbil's unique approach to fostering healthy, happy, and vibrant workplaces and people.
 3. Three committees: Nomination Committee, Audit Committee, and Remuneration Committee. The transition to a new board structure based on three committees is subject to approval of the necessary amendments to the Articles of Incorporation at the 100th ordinary general meeting of shareholders scheduled to be held on June 23, 2022.
 4. Activity-based working (ABW): A work style that allows a worker to pick the optimal environment (location, time, etc.) to perform a certain job.

3. Activities (present situation) of the azbil Group

The azbil Group consists of the Company, 55 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 this 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.



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 consolidated financial statements are prepared according to Japanese standards. We are currently continuing 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, 2021	As of March 31, 2022
Assets		
Current assets		
Cash and deposits	68,511	58,954
Notes and accounts receivable - trade	82,142	-
Notes receivable - trade	-	14,971
Accounts receivable - trade	-	54,988
Contract assets	-	16,176
Securities	36,500	30,800
Merchandise and finished goods	5,360	6,141
Work in process	6,987	6,088
Raw materials	12,166	16,454
Other	8,299	6,644
Allowance for doubtful accounts	(369)	(423)
Total current assets	<u>219,599</u>	<u>210,794</u>
Non-current assets		
Property, plant and equipment		
Buildings and structures	41,416	42,136
Accumulated depreciation	(27,481)	(28,578)
Buildings and structures, net	13,934	13,558
Machinery, equipment and vehicles	18,520	18,897
Accumulated depreciation	(16,461)	(16,721)
Machinery, equipment and vehicles, net	2,059	2,176
Tools, furniture and fixtures	20,232	20,541
Accumulated depreciation	(17,864)	(18,343)
Tools, furniture and fixtures, net	2,367	2,197
Land	6,411	6,441
Leased assets	2,741	3,049
Accumulated depreciation	(1,278)	(1,336)
Leased assets, net	1,463	1,713
Construction in progress	825	7,082
Total property, plant and equipment	<u>27,062</u>	<u>33,169</u>
Intangible assets		
Software	4,143	4,944
Other	1,339	792
Total intangible assets	<u>5,482</u>	<u>5,737</u>
Investments and other assets		
Investment securities	22,780	19,635
Deferred tax assets	2,382	3,316
Retirement benefit asset	4	3
Other	7,384	7,481
Allowance for doubtful accounts	(99)	(87)
Total investments and other assets	<u>32,453</u>	<u>30,350</u>
Total non-current assets	<u>64,998</u>	<u>69,257</u>
Total assets	<u>284,597</u>	<u>280,052</u>

(Millions of yen)

	As of March 31, 2021	As of March 31, 2022
Liabilities		
Current liabilities		
Notes and accounts payable - trade	31,951	22,990
Short-term borrowings	9,035	8,046
Income taxes payable	6,070	6,758
Advances received	4,039	-
Contract liabilities	-	6,078
Provision for bonuses	9,853	10,762
Provision for bonuses for directors (and other officers)	135	125
Provision for product warranties	518	512
Provision for loss on orders received	246	93
Other	14,609	14,086
Total current liabilities	76,459	69,452
Non-current liabilities		
Long-term borrowings	313	300
Deferred tax liabilities for land revaluation	181	181
Retirement benefit liability	1,660	1,690
Provision for retirement benefits for directors (and other officers)	169	199
Provision for share awards	1,634	1,927
Other	3,569	3,158
Total non-current liabilities	7,530	7,457
Total liabilities	83,990	76,910
Net assets		
Shareholders' equity		
Share capital	10,522	10,522
Capital surplus	11,670	11,670
Retained earnings	177,900	190,263
Treasury shares	(13,709)	(23,667)
Total shareholders' equity	186,384	188,789
Accumulated other comprehensive income		
Valuation difference on available-for-sale securities	11,108	9,173
Deferred gains or losses on hedges	24	(74)
Foreign currency translation adjustment	699	2,442
Remeasurements of defined benefit plans	(26)	(16)
Total accumulated other comprehensive income	11,805	11,524
Non-controlling interests	2,416	2,827
Total net assets	200,607	203,141
Total liabilities and net assets	284,597	280,052

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

(Millions of yen)

	Year ended March 31, 2021 (April 1, 2020 to March 31, 2021)	Year ended March 31, 2022 (April 1, 2021 to March 31, 2022)
Net sales	246,821	256,551
Cost of sales	147,451	150,845
Gross profit	99,369	105,705
Selling, general and administrative expenses	73,648	77,474
Operating income	25,720	28,231
Non-operating income		
Interest income	131	156
Dividend income	546	646
Foreign exchange gains	91	632
Rental income from real estate	32	26
Reversal of allowance for doubtful accounts	1	0
Other	261	253
Total non-operating income	1,066	1,715
Non-operating expenses		
Interest expenses	135	123
Commitment fees	20	19
Expenses of real estate	80	38
Office relocation expenses	114	136
Other	97	109
Total non-operating expenses	448	428
Ordinary income	26,338	29,519
Extraordinary income		
Gain on sale of non-current assets	630	2
Gain on sale of investment securities	1,572	860
Total extraordinary income	2,203	863
Extraordinary losses		
Loss on sale and retirement of non-current assets	435	116
Loss on business restructuring	-	218
Loss on sale of investment securities	86	3
Loss on valuation of investment securities	10	-
Total extraordinary losses	532	338
Income before income taxes	28,009	30,044
Income taxes - current	6,722	8,372
Income taxes - deferred	890	250
Total income taxes	7,612	8,623
Net income	20,397	21,421
Net income attributable to non-controlling interests	478	637
Net income attributable to owners of parent	19,918	20,784

(Consolidated statements of comprehensive income)

(Millions of yen)

	Year ended March 31, 2021 (April 1, 2020 to March 31, 2021)	Year ended March 31, 2022 (April 1, 2021 to March 31, 2022)
Net income	20,397	21,421
Other comprehensive income		
Valuation difference on available-for-sale securities	2,264	(1,935)
Deferred gains or losses on hedges	53	(99)
Foreign currency translation adjustment	(170)	1,937
Remeasurements of defined benefit plans, net of tax	(8)	9
Total other comprehensive income	<u>2,138</u>	<u>(87)</u>
Comprehensive income	22,535	21,334
Comprehensive income attributable to:		
Owners of parent	22,043	20,502
Non-controlling interests	492	831

(3) Consolidated statements of changes in net assets
Fiscal year 2020 (April 1, 2020 to March 31, 2021)

(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	165,055	(13,740)	173,508
Changes during period					
Dividends of surplus			(7,073)		(7,073)
Net income attributable to owners of parent			19,918		19,918
Purchase of treasury shares				(6)	(6)
Disposal of treasury shares		0		37	37
Net changes in items other than shareholders' equity					
Total changes during period	-	0	12,844	31	12,875
Balance at end of period	10,522	11,670	177,900	(13,709)	186,384

	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	Remeasurements of defined benefit plans	Total accumulated other comprehensive income		
Balance at beginning of period	8,843	(28)	893	(27)	9,680	2,112	185,301
Changes during period							
Dividends of surplus							(7,073)
Net income attributable to owners of parent							19,918
Purchase of treasury shares							(6)
Disposal of treasury shares							37
Net changes in items other than shareholders' equity	2,264	53	(193)	0	2,125	304	2,429
Total changes during period	2,264	53	(193)	0	2,125	304	15,305
Balance at end of period	11,108	24	699	(26)	11,805	2,416	200,607

Fiscal year 2021 (April 1, 2021 to March 31, 2022)

(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	177,900	(13,709)	186,384
Changes during period					
Dividends of surplus			(8,421)		(8,421)
Net income attributable to owners of parent			20,784		20,784
Purchase of treasury shares				(10,003)	(10,003)
Disposal of treasury shares				45	45
Net changes in items other than shareholders' equity					
Total changes during period	-	-	12,363	(9,958)	2,405
Balance at end of period	10,522	11,670	190,263	(23,667)	188,789

	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	Remeasurements of defined benefit plans	Total accumulated other comprehensive income		
Balance at beginning of period	11,108	24	699	(26)	11,805	2,416	200,607
Changes during period							
Dividends of surplus							(8,421)
Net income attributable to owners of parent							20,784
Purchase of treasury shares							(10,003)
Disposal of treasury shares							45
Net changes in items other than shareholders' equity	(1,935)	(99)	1,742	9	(281)	410	129
Total changes during period	(1,935)	(99)	1,742	9	(281)	410	2,534
Balance at end of period	9,173	(74)	2,442	(16)	11,524	2,827	203,141

(4) Consolidated statements of cash flows

(Millions of yen)

	Year ended March 31, 2021 (April 1, 2020 to March 31, 2021)	Year ended March 31, 2022 (April 1, 2021 to March 31, 2022)
Cash flows from operating activities		
Income before income taxes	28,009	30,044
Depreciation	4,483	4,847
Increase (decrease) in allowance for doubtful accounts	(7)	26
Increase (decrease) in retirement benefit liability	(506)	33
Decrease (increase) in retirement benefit asset	(0)	0
Increase (decrease) in provision for share awards	354	339
Increase (decrease) in provision for bonuses	(853)	841
Increase (decrease) in provision for bonuses for directors (and other officers)	5	(10)
Interest and dividend income	(678)	(803)
Interest expenses	135	123
Foreign exchange losses (gains)	(53)	(504)
Loss (gain) on sale and retirement of non-current assets	(195)	113
Loss (gain) on sale and valuation of investment securities	(1,475)	(857)
Loss on business restructuring	-	218
Decrease (increase) in trade receivables	3,169	-
Decrease (increase) in trade receivables and contract assets	-	(3,055)
Decrease (increase) in inventories	779	(3,729)
Increase (decrease) in trade payables	(6,486)	(9,541)
Decrease (increase) in other assets	394	(560)
Increase (decrease) in other liabilities	2,294	(236)
Subtotal	29,370	17,291
Interest and dividends received	678	802
Interest paid	(132)	(127)
Income taxes paid	(7,312)	(7,845)
Net cash provided by (used in) operating activities	22,603	10,120

(Millions of yen)

	Year ended March 31, 2021 (April 1, 2020 to March 31, 2021)	Year ended March 31, 2022 (April 1, 2021 to March 31, 2022)
Cash flows from investing activities		
Payments into time deposits	(3,080)	(3,056)
Proceeds from withdrawal of time deposits	2,476	3,221
Purchase of securities	(22,200)	(15,800)
Proceeds from sale of securities	23,700	18,300
Purchase of beneficial interests in trust	(8,135)	(5,077)
Proceeds from sale of beneficial interests in trust	8,785	7,412
Purchase of property, plant and equipment	(3,260)	(8,877)
Proceeds from sale of property, plant and equipment	1,163	12
Purchase of intangible assets	(1,227)	(1,368)
Purchase of investment securities	(0)	-
Proceeds from sale of investment securities	2,372	1,240
Purchase of shares of subsidiaries and associates	(451)	-
Proceeds from liquidation of subsidiaries and associates	146	-
Other, net	(6)	3
Net cash provided by (used in) investing activities	283	(3,990)
Cash flows from financing activities		
Proceeds from short-term borrowings	774	42
Repayments of short-term borrowings	(48)	(1,171)
Repayments of long-term borrowings	(27)	(39)
Dividends paid	(7,073)	(8,419)
Repayments of lease liabilities	(423)	(571)
Dividends paid to non-controlling interests	(191)	(421)
Purchase of treasury shares	(6)	(10,003)
Proceeds from sale of treasury shares	0	-
Net cash provided by (used in) financing activities	(6,996)	(20,584)
Effect of exchange rate change on cash and cash equivalents	18	1,692
Net increase (decrease) in cash and cash equivalents	15,909	(12,761)
Cash and cash equivalents at beginning of period	74,743	90,652
Cash and cash equivalents at end of period	90,652	77,891

(5) Notes to the consolidated financial statements

Notes regarding going concern assumptions

Not applicable

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 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. 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.

“Notes and accounts receivable - trade”, which had come under “Current assets” in the consolidated balance sheets for the previous consolidated fiscal year, is now included in “Notes receivable - trade”, “Accounts receivable - trade”, and “Contract assets”. “Advance received”, which had come under “Current liabilities” in the consolidated balance sheets for the previous consolidated fiscal year, is now included in “Contract liabilities” from current consolidated fiscal year. Also, “Decrease (increase) in trade receivables”, which had come under “Cash flows from operating activities” in the consolidated statements of cash flows for the previous consolidated fiscal year, is now included in “Decrease (increase) in trade receivables and contract assets” from 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.

The impact of this change on net sales, operating income, ordinary income, income before income taxes and per share information for the current consolidated fiscal year is immaterial.

Also, in accordance with the transitional treatment stipulated in Paragraph 89-3 of the Accounting Standard for Revenue Recognition, the Group has not disclosed information on disaggregation of revenue from contracts with customers for the previous consolidated fiscal year.

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 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 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 “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 March 31, 2022

Book value: 3,841 million yen
Number of shares: 1,935,100 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, the other items in each segment and disaggregation of revenue

Fiscal year 2020 (April 1, 2020 to March 31, 2021)

(Millions of yen)

	Reportable segment				Other (Note 1)	Total	Adjustment (Note 2)	Consolidated (Note 3)
	Building Automation	Advanced Automation	Life Automation	Subtotal				
Sales								
Customers	117,198	86,907	42,661	246,767	53	246,821	—	246,821
Inter-segment	323	870	281	1,475	1	1,477	(1,477)	—
Total	117,521	87,778	42,942	248,243	54	248,298	(1,477)	246,821
Segment profit	14,023	10,251	1,434	25,708	6	25,715	4	25,720
Segment assets	65,743	62,784	31,871	160,400	0	160,401	124,196	284,597
Other items								
Depreciation and amortization	1,419	2,208	855	4,483	—	4,483	—	4,483
Increase in property, plant and equipment, and intangible assets	1,891	2,335	812	5,039	—	5,039	—	5,039

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

2. Adjustment details are as follows.

(1) The adjustment of segment profit of 4 million yen is elimination of inter-segment transactions.

(2) The adjustment of segment assets of 124,196 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 2021 (April 1, 2021 to March 31, 2022)

(Millions of yen)

	Reportable segment				Other (Note 1)	Total	Adjustment (Note 2)	Consolidated (Note 3)
	Building Automation	Advanced Automation	Life Automation	Subtotal				
Sales								
Customers	119,383	93,214	43,900	256,498	53	256,551	—	256,551
Inter-segment	381	1,061	337	1,780	1	1,782	(1,782)	—
Total	119,764	94,276	44,238	258,279	54	258,334	(1,782)	256,551
Segment profit	13,862	13,236	1,151	28,251	6	28,257	(25)	28,231
Segment assets	71,513	71,080	32,805	175,398	1	175,400	104,652	280,052
Other items								
Depreciation and amortization	1,616	2,277	954	4,847	—	4,847	—	4,847
Increase in property, plant and equipment, and intangible assets	4,157	6,264	822	11,244	—	11,244	—	11,244
Disaggregation of revenue								
Goods or services transferred at a point in time	27,105	74,938	30,726	132,770	53	132,823		
Goods or services transferred over time	92,277	18,275	13,174	123,728	—	123,728		
Revenue from contracts with customers	119,383	93,214	43,900	256,498	53	256,551		

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

2. Adjustment details are as follows.

- (1) The adjustment of segment profit of (25) million yen is elimination of inter-segment transactions.
- (2) The adjustment of segment assets of 104,652 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.

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).

Related information

Fiscal year 2020 (April 1, 2020 to March 31, 2021)

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
201,933	18,819	11,025	3,754	9,049	2,238	246,821

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
22,237	2,094	1,097	63	1,450	118	27,062

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 2021 (April 1, 2021 to March 31, 2022)

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
204,360	19,468	14,261	4,985	10,318	3,156	256,551

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
27,492	2,212	1,807	34	1,501	120	33,169

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 losses in non-current assets in each segment

Fiscal year 2020 (April 1, 2020 to March 31, 2021)

Not applicable

Fiscal year 2021 (April 1, 2021 to March 31, 2022)

Not applicable

Information on amortization of goodwill and unamortized balance in each segment

Fiscal year 2020 (April 1, 2020 to March 31, 2021)

Not applicable

Fiscal year 2021 (April 1, 2021 to March 31, 2022)

Not applicable

Information on gain on negative goodwill in each segment

Fiscal year 2020 (April 1, 2020 to March 31, 2021)

Not applicable

Fiscal year 2021 (April 1, 2021 to March 31, 2022)

Not applicable

Per share information

Item	Fiscal year 2020 (April 1, 2020 to March 31, 2021)	Fiscal year 2021 (April 1, 2021 to March 31, 2022)
Net assets per share (Yen)	1,420.52	1,459.08
Net income per share (Yen)	142.77	150.79

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

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

Item	Fiscal year 2020 (April 1, 2020 to March 31, 2021)	Fiscal year 2021 (April 1, 2021 to March 31, 2022)
Net income attributable to owners of parent (Millions of yen)	19,918	20,784
Amount not attributable to common stock holders (Millions of yen)	—	—
Net income attributable to owners of parent relevant to common stock (Millions of yen)	19,918	20,784
Average number of common stock (Thousands of shares)	139,511	137,838

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

Item	Fiscal year 2020 (As of March 31, 2021)	Fiscal year 2021 (As of March 31, 2022)
Total net assets (Millions of yen)	200,607	203,141
Amount deducted from the total of net assets (Millions of yen)	2,416	2,827
Of which non-controlling interests (Millions of yen)	2,416	2,827
Net assets at the end of the consolidated fiscal year relevant to common stock (Millions of yen)	198,190	200,314
Number of common stock used to determine net assets per share (Thousands of shares)	139,519	137,288

4. The Company's own stock held by Custody Bank of Japan, 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 (1,958 thousand shares as of March 31, 2021; 1,935 thousand shares as of March 31, 2022).

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 (1,966 thousand shares for fiscal year 2020; 1,947 thousand shares for fiscal year 2021).

Significant subsequent events

The Company has resolved the following matters at the Board of Directors meeting held on May 13, 2022.

1. Cancellation of treasury shares

Cancellation of treasury shares pursuant to Article 178 of the Companies Act of Japan

(1) Type of stock to be cancelled: Common stock of the Company

(2) Number of shares to be cancelled: 1,500,000 shares

(1.0% of the total number of issued shares before the cancellation)

(3) Total number of issued shares after the cancellation: 143,700,884 shares

(4) Scheduled cancellation date: May 31, 2022

Reference

Status of treasury shares held as of March 31, 2022

Total number of issued shares (excluding treasury shares): 137,288,139 shares

Treasury shares: 5,977,645 shares

Note: The above number of treasury shares does not include shares owned by a trust account for Trust for Employee Stock Ownership Plan (J-ESOP), which owned 1,935,100 shares as of March 31, 2022.

2. Trust establishment in connection with the introduction of Trust-Type Employee Shareholding Incentive Plan

The Company has resolved the details of the timing of the establishment of the trust for a “Trust-Type Employee Shareholding Incentive Plan (E-Ship®)” (hereinafter “the plan”), the total amount of money borrowed by the fund under the plan, and the trust term for the plan. The plan aims to incentivize employees of the Company and domestic group companies to, among other things, improve the corporate value of the Company’s group on a mid/long-term basis.

1) Overview of the azbil Group Employee Stock Ownership Association Trust Fund

(1) Name: azbil Group Employee Stock Ownership Association Trust Fund (the “Fund”)

(2) Trust type: Money trust other than cash trust (third-party beneficiary trust)

(3) Purpose of trust: To consistently and stably provide shares to the stock ownership association and trust assets to all qualified beneficiaries

(4) Consignor: The Company

(5) Assignee: The Nomura Trust and Banking Co., Ltd.

(6) Beneficiary: Those who meet the beneficiary eligibility criteria (The beneficial interest will come into existence after the prescribed formalities once it is determined that the eligibility criteria have been met.)

(7) Trust administrator: Selected from the employees of the Company

(8) Trust contract date: May 13, 2022

(9) Trust term: From May 13, 2022 to May 28, 2025

(10) Beneficiary eligibility criteria:

All living participants in the stock ownership association (including any persons who withdrew from the stock ownership association by way of retirement, termination of employment due to expiration of contract term, appointment to an officer position, and involuntary termination of employment between the trust contract date and the commencement date of the beneficiary eligibility procedure) on the commencement date of the beneficiary eligibility procedure (which shall be the day the conversion of trust assets into cash terminates because the trust term has ended, the day all the Company’s shares allotted to trust assets have been sold, etc.)

2) Details of the acquisition of the Company’s stock by the Fund

(1) Types of stock to be acquired: Common stock of the Company

(2) Total acquisition price of the stock: 4,806 million yen (Total amount of loan to the Fund)

(3) Stock acquisition period: From May 18, 2022 to June 23, 2022

(4) Stock acquisition method: To be purchased in the stock market

For details, please refer to “Notice regarding Details of the Trust Establishment in connection with the Introduction of Trust-Type Employee Shareholding Incentive Plan (E-Ship®)” announced today.

Reference

E-Ship® is a trademark of Nomura Securities Co., Ltd.

Employee Shareholding Incentive Plan (E-Ship®) is a new incentive plan for employees that applies an Employee Stock Ownership Plan (ESOP) system that has been prevalent in the United States. E-Ship® was developed by Nomura Securities Co., Ltd. and The Nomura Trust and Banking Co., Ltd. utilizing the system of Stock Ownership Association.

3. Repurchase of the Company's own stock

Repurchase of own stock pursuant to Article 156 and Article 165, paragraph 3 of the Companies Act of Japan

(1) Reason for stock repurchase:

Taking into consideration business results and the outlook for future business performance, the Company aims not only to improve capital efficiency but also to enhance the return of profits to shareholders and develop flexible capital policies responding to changes in the corporate environment.

(2) Type of stock to be repurchased: Common stock of the Company

(3) Total number of shares to be repurchased: Up to 4,000,000 shares

(2.9% of the total number of common shares issued, excluding treasury shares)

(4) Total amount of repurchase: Up to 10 billion yen

(5) Period of repurchase: From May 16, 2022 to September 22, 2022

(6) Method of repurchase: Market transactions on the Tokyo Stock Exchange

6. Other

(1) Management changes (effective on June 23, 2022)

1) Newly appointed directors

Director: Hisaya Katsuta

Director: Minoru Sakuma

Director: Fumitoshi Sato

Director: Shigeaki Yoshikawa

Director: Tomoyasu Miura

2) Reassigned/Retired directors

Director: Katsuhiko Tanabe

Director: Masato Iwasaki

Director: Yoshimitsu Hojo

Director: Kazuyasu Hamada

3) Reassigned/Retired Audit & Supervisory Board members

Audit & Supervisor Board Member: Hisaya Katsuta

Audit & Supervisor Board Member: Tomohiko Matsuyasu

Outside Audit & Supervisory Board Member: Kinya Fujimoto

Outside Audit & Supervisory Board Member: Minoru Sakuma

Outside Audit & Supervisory Board Member: Fumitoshi Sato

4) Newly appointed corporate executives

Representative Corporate Executive, President and Group CEO: Kiyohiro Yamamoto

Representative Senior Managing Corporate Executive: Takayuki Yokota

Managing Corporate Executive: Yoshimitsu Hojo

Managing Corporate Executive: Kazuyasu Hamada

Reference

Azbil Corporation New Management Structure (effective on June 23, 2022)

Directors

Position	Name	Changes
Director Chairperson	Hirozumi Sone	Reappointed
Director	Kiyohiro Yamamoto	Reappointed
Director	Takayuki Yokota	Reappointed
Director	Hisaya Katsuta	Newly appointed
Director	Takeshi Itoh	Reappointed
Director	Waka Fujiso	Reappointed
Director	Mitsuhiro Nagahama	Reappointed
Director	Anne Ka Tse Hung	Reappointed
Director	Minoru Sakuma	Newly appointed
Director	Fumitoshi Sato	Newly appointed
Director	Shigeaki Yoshikawa	Newly appointed
Director	Tomoyasu Miura	Newly appointed

Note: Takeshi Itoh, Waka Fujiso, Mitsuhiro Nagahama, Anne Ka Tse Hung, Minoru Sakuma, Fumitoshi Sato, Shigeaki

Yoshikawa, and Tomoyasu Miura 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.

Corporate Executives

Position	Name	Changes
Representative Corporate Executive, President and Group CEO	Kiyohiro Yamamoto	Newly appointed
Representative Senior Managing Corporate Executive	Takayuki Yokota	Newly appointed
Managing Corporate Executive	Yoshimitsu Hojo	Newly appointed
Managing Corporate Executive	Kazuyasu Hamada	Newly appointed

(2) Status of orders received

(Millions of yen)

	Fiscal year 2020 (April 1, 2020 to March 31, 2021)		Fiscal year 2021 (April 1, 2021 to March 31, 2022)		Difference	
	Orders received	Backlog	Orders received	Backlog	Orders received	Backlog
Building Automation	118,503	64,050	132,511	75,120	14,008	11,069
Advanced Automation	87,523	27,751	109,562	42,374	22,038	14,623
Life Automation	43,350	14,275	46,845	17,267	3,494	2,991
Total of reportable segments	249,377	106,077	288,918	134,761	39,541	28,684
Other	54	0	54	0	(0)	0
Elimination	(1,558)	(211)	(2,022)	(464)	(464)	(253)
Consolidated	247,873	105,866	286,950	134,297	39,076	28,431