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

August 8, 2023

Company name:	Azbil Corporation
Stock exchange listing:	Tokyo Stock Exchange Prime Market (Code 6845)
URL:	https://www.azbil.com/
Representative:	Kiyohiro Yamamoto, Director, President and Group Chief Executive Officer
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Scheduled date to file Quarterly Securities Report:	August 10, 2023
Scheduled date to commence dividend payments:	—
Preparation of supplementary materials on quarterly financial results:	Yes
Holding of quarterly financial results meeting:	No

(Amounts less than one million yen are rounded down)

1. Consolidated financial results for the three months ended June 30, 2023 (from April 1, 2023 to June 30, 2023)

(1) Consolidated financial results (cumulative)

Percentages indicate year-on-year changes

	Net sales		Operating income		Ordinary income		Net income attributable to owners of parent	
	Millions of yen	%	Millions of yen	%	Millions of yen	%	Millions of yen	%
Three months ended June 30, 2023	61,205	9.2	4,649	114.6	5,683	71.1	3,710	79.1
Three months ended June 30, 2022	56,063	4.8	2,166	(26.6)	3,321	3.5	2,071	2.1

Note: Comprehensive income	Three months ended June 30, 2023	7,283 million yen	57.6%
	Three months ended June 30, 2022	4,622 million yen	52.7%

	Net income per share	Diluted net income per share
	Yen	Yen
Three months ended June 30, 2023	27.81	—
Three months ended June 30, 2022	15.19	—

(2) Consolidated financial position

	Total assets	Net assets	Shareholders' equity ratio
	Millions of yen	Millions of yen	%
As of June 30, 2023	280,954	205,275	71.9
As of March 31, 2023	296,873	205,880	68.3

Reference: Shareholders' equity	As of June 30, 2023	201,943 million yen
	As of March 31, 2023	202,819 million yen

2. Dividends

	Dividend per share				
	1st quarter-end	2nd quarter-end	3rd quarter-end	Fiscal year-end	Total
	Yen	Yen	Yen	Yen	Yen
Year ended March 31, 2023	—	32.50	—	33.50	66.00
Year ending March 31, 2024	—	—	—	—	—
Year ending March 31, 2024 (forecast)	—	36.50	—	36.50	73.00

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

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

Percentages indicate year-on-year changes

	Net sales		Operating income		Ordinary income		Net income attributable to owners of parent		Net income per share
	Millions of yen	%	Millions of yen	%	Millions of yen	%	Millions of yen	%	Yen
First half	129,300	6.9	9,700	18.6	9,700	(1.4)	7,600	25.6	57.19
Full year	282,000	1.3	32,000	2.4	32,100	(0.1)	23,800	5.3	179.10

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

Azbil Corporation (“the Company”) is repurchasing its own stock, pursuant to the resolution at the Board of Directors meeting held on May 12, 2023. For “Net income per share” in the forecast of consolidated financial results, the impact of this matter as of June 30, 2023 is considered. For details, please see “Notes regarding significant change in shareholders’ equity” in “2. Consolidated quarterly financial statements and related notes (3) Notes to the consolidated quarterly financial statements” on page 13 of the Accompanying document.

* Notes

- (1) Changes in significant subsidiaries during the period (changes in specified subsidiaries due to changes in the scope of consolidation): No
- (2) Application of special accounting methods for preparing consolidated quarterly financial statements: No
- (3) Changes in accounting policies, changes in accounting estimates, and retrospective restatements
- a. Changes in accounting policies accompanying revision of accounting standards, etc.: No
 - b. Changes in accounting policies other than (a) above: No
 - c. Changes in accounting estimates: No
 - d. Retrospective restatements: No

(4) Number of issued shares (common stock)

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

As of June 30, 2023	143,700,884 shares	As of March 31, 2023	143,700,884 shares
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b. Number of treasury shares at the end of the period

As of June 30, 2023	10,813,024 shares	As of March 31, 2023	10,091,552 shares
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c. Average number of shares during the period (cumulative from the beginning of the fiscal year)

Three months ended June 30, 2023	133,417,612 shares	Three months ended June 30, 2022	136,382,955 shares
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Note: The Company has introduced an employee stock ownership plan, a Trust-Type Employee Shareholding Incentive Plan and a stock compensation plan. The number of treasury shares at the end of the period includes the Company’s stock held by trust accounts of these plans (2,866,914 shares as of June 30, 2023; 2,943,331 shares as of March 31, 2023). Also, the Company’s stock held by these trust accounts is included in treasury shares that are deducted in the calculation of the average number of shares during the period (2,912,080 shares for the three months ended June 30, 2023; 2,541,057 shares for the three months ended June 30, 2022). For details, please see “Additional information” in “2. Consolidated quarterly financial statements and related notes (3) Notes to the consolidated quarterly financial statements” on page 14 of the Accompanying document.

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

* Regarding the appropriate use of forecast, etc.

Net sales for the azbil Group tend to be low in the first quarter of the consolidated accounting period and highest in the fourth quarter. However, fixed costs are generated constantly. This means that profits are typically lower in the first quarter and higher in the fourth quarter.

The forecast of the azbil Group is based on currently available information and some reasonable assumptions. Due to various factors, actual results may differ from those discussed in this document. For information on the forecast of financial results, please see “1. Qualitative information on consolidated quarterly financial results (3) Forecast of consolidated financial results” on page 8 of the Accompanying document.

* How to obtain supplementary materials on quarterly financial results

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

Accompanying document

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1. Qualitative information on consolidated quarterly financial results

Based on the Group philosophy of “human-centered automation,” the azbil Group strives—through its business operations—to contribute “in series” to the achievement of a sustainable society. In this way we ensure our own medium- to long-term development and continuously improve enterprise value. We are aiming to achieve net sales in the 400.0 billion yen range, operating income in the 60.0 billion yen range, an operating income margin of approximately 15%, and an ROE of approximately 13.5%; these are the Group’s long-term targets for FY2030. Toward achieving these long-term targets, our four-year medium-term plan sets out as targets, for FY2024, the final year of the plan, net sales of 300.0 billion yen, an operating income of 36.0 billion yen, an operating income margin of 12%, and an ROE of approximately 12%. In addition, from the perspective of advancing sustainability management and contribution “in series” to the achievement of a sustainable society, the azbil Group has identified materiality ^{Note 1} as material issues to be tackled over the long term. Focusing on the environment, innovation, society, and human resources, out of our materiality, we have established four essential goals of the azbil Group for the SDGs ^{Note 2} and are promoting initiatives to achieve these goals.

As we work toward achieving a sustainable society, a variety of societal and customer issues are emerging—ranging from responses to climate change and decarbonization, to ensuring safety and peace of mind in a climate where people are learning to live with the virus. Other issues include supply chain disruptions, soaring energy costs, and inflation. We believe that the value of the automation business lies in its ability to support customers and a changing society as they address these challenges. We will therefore focus on the three growth fields—namely, new automation, environment and energy, and life-cycle solutions—that can particularly benefit from our unique technologies, products, and services. By providing solutions to these new issues, we will realize growth for our Building Automation (BA), Advanced Automation (AA) and Life Automation (LA) businesses.

Going forward, while continuing to actively invest in technology development, facilities and equipment, we will advance initiatives to enhance product competitiveness; these may involve collaborative value creation with external partners. As for production, we will continue to strengthen our global foundation with such projects as the construction of a new factory building at our manufacturing subsidiary in Thailand. In addition, while continuing to assure safety, we will accelerate our initiatives for “transformation” to achieve further growth by promoting internal digital transformation (DX) to improve productivity as well as our products, and by expanding both customer coverage in our overseas business and product lineups. At the same time, practicing sustainability management, we will actively engage in strengthening our governance system and investing in human capital—the driving force behind corporate growth—and thus make steady progress toward achieving the goals of our medium-term plan.

Note 1: Materiality of the azbil Group

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

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

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

(1) Consolidated business performance

The business environment for the azbil Group for the three months ended June 2023 was as follows.

In the field of heating, ventilation, and air conditioning (HVAC) control equipment/systems for large-scale buildings in Japan, strong demand driven by urban redevelopment plans has continued while interest in solutions for energy saving and lower CO₂ emissions has meant that retrofit demand has remained strong. As for equipment/systems for production facilities, demand has been sluggish in some markets, such as semiconductor manufacturing equipment, while there was growth in demand for the decarbonization of factories and plants, and for the adoption of DX.

As a result, financial results for the three months ended June 2023 were as follows.

Orders received decreased for the AA business owing to sluggish conditions in the semiconductor manufacturing equipment market and to some recoil of the advance orders to the Company made in the same period of FY2022. The BA business also saw a decrease, owing to the fact that this was a period when few multi-year service contracts were up for renewal though its market conditions are robust. Consequently, overall orders received were 84,382 million yen, down 9.1% on the 92,856 million yen recorded in the same period of FY2022. However, steady sales growth was achieved in the BA and AA businesses, which had both received increased orders received and enhanced procurement and production systems in FY2022. Thus, overall net sales were 61,205 million yen, up 9.2% on the 56,063 million yen recorded in the same period of FY2022.

As regards profits, there was an impact from higher expenses for R&D and DX required by the medium-term plan, as well as increases in other expenses; however, thanks to revenue growth and measures to enhance profitability, including cost pass-through, operating income was 4,649 million yen, up 114.6% on the 2,166 million yen recorded in the same period of FY2022. This growth in operating income led to higher ordinary income, which was 5,683 million yen, up 71.1% on the 3,321 million yen recorded in the same period of FY2022. As for net income attributable to owners of parent, this was 3,710 million yen, up 79.1% on the 2,071 million yen recorded in the same period of FY2022.

(Millions of yen)

	Three months ended Jun. 30, 2022 (Apr. 1, 2022 to Jun. 30, 2022)	Three months ended Jun. 30, 2023 (Apr. 1, 2023 to Jun. 30, 2023)	Difference	
			Amount	Rate
Orders received	92,856	84,382	(8,473)	(9.1)%
Net sales	56,063	61,205	5,141	9.2%
Operating income [Margin]	2,166 [3.9%]	4,649 [7.6%]	2,483 [3.7pp]	114.6%
Ordinary income	3,321	5,683	2,362	71.1%
Net income attributable to owners of parent [Margin]	2,071 [3.7%]	3,710 [6.1%]	1,639 [2.4pp]	79.1%

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

Building Automation (BA) Business

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

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

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

As regards orders received, thanks to a robust business environment there was growth in the field related to sales and installation of equipment/systems for new large-scale buildings. However, owing mainly to a decrease in the service field due to the fact that this was a period when few multi-year service contracts were up for renewal, overall orders received were 46,466 million yen, down 5.2% on the same period of FY2022, when a figure of 48,998 million yen was recorded. As regards sales, however, there was growth in the fields related to existing buildings, in the service field and in overseas business, reflecting the robust business environment; meanwhile, sales for new buildings remained at a high level thanks to a large order backlog. This resulted in sales of 24,904 million yen, up 5.7% on the 23,554 million yen recorded in the same period of FY2022. Despite increased labor costs as well as higher expenses

for R&D, DX, and other expenses, thanks to increased revenue and improved profitability, segment profit was 418 million yen, up 847.3% on the 44 million yen recorded in the same period of FY2022. Note that seasonal factors affecting the BA business typically lead to lower segment profit in the first quarter.

As for the medium- to long-term outlook, the situation continues that large-scale redevelopment projects and several retrofit projects for large-scale buildings are being planned. Taking advantage of its track record, the BA business aims to tap into these demands. Moreover, there have been growing requirements for energy savings and CO₂ reduction as part of decarbonization; for enhanced safety and peace of mind following the COVID-19 pandemic; as well as for offices and spaces to improve workplace wellness that not only offer convenience and comfort but are also suited to new work styles. In response to this demand, we will supply solutions such as cloud services and a new HVAC system; we are thus aiming to achieve sustainable growth. Additionally, we will promote DX and engage in business process reforms and other initiatives to further ensure that a high-profit structure is established.

(Millions of yen)

	Three months ended Jun. 30, 2022 (Apr. 1, 2022 to Jun. 30, 2022)	Three months ended Jun. 30, 2023 (Apr. 1, 2023 to Jun. 30, 2023)	Difference	
			Amount	Rate
Orders received	48,998	46,466	(2,531)	(5.2)%
Sales	23,554	24,904	1,350	5.7%
Segment profit [Margin]	44 [0.2%]	418 [1.7%]	374 [1.5pp]	847.3%

Advanced Automation (AA) Business

Regarding market trends in Japan and abroad surrounding the AA business, demand centering on maintenance and modification remains strong in the process automation market, but in the factory automation market a decrease in demand has been observed; this was due to a downturn in the semiconductor manufacturing equipment market and because of some recoil owing to the advance orders to the Company made in FY2022.

Amidst this business environment, we continued to implement measures to secure business growth overseas and strengthen profitability, including cost pass-through. At the same time, we have worked on improving procurement and production processes to address parts procurement difficulties.

Consequently, the financial results of the AA business for the three months ended June 2023 were as follows.

Orders received were 25,783 million yen, significantly down by 17.6% compared to the same period of FY2022, when a figure of 31,290 million yen was recorded. This was mainly due to falling demand in the semiconductor manufacturing equipment market. Sales, however, increased significantly, thanks to the progress of converting large order backlog into sales due to the steady progress achieved in production, benefiting from our improved procurement and production systems. Consequently, sales were 24,869 million yen, up 17.6% on the 21,141 million yen recorded in the same period of FY2022. Segment profit also rose thanks to revenue growth and initiatives to enhance profitability, including cost pass-through, and despite the

continuing impact of parts price hikes, as well as higher DX-related expenses directed at enhancing sales capabilities, R&D and other expenses. Consequently, segment profit was 3,899 million yen, up 92.9% on the 2,021 million yen recorded in the same period of FY2022.

In the short to medium term, we expect to make further progress with our three main initiatives—for business growth overseas, for business growth from the creation of new automation, and for enhanced profitability. In the long term, we can expect the industrial automation market to expand; there is a wide range of fields in which our automation can contribute, meeting customer requirements for the accelerated decarbonization of factories and plants, for addressing the challenge presented by labor shortages and aging facilities, as well as for the incorporation of new production technologies. Based on the three AA business sub-segments (CP, IAP, and SS) ^{Note 3}, we will continue our efforts to achieve further business growth by offering advanced automation.

(Millions of yen)

	Three months ended Jun. 30, 2022 (Apr. 1, 2022 to Jun. 30, 2022)	Three months ended Jun. 30, 2023 (Apr. 1, 2023 to Jun. 30, 2023)	Difference	
			Amount	Rate
Orders received	31,290	25,783	(5,506)	(17.6)%
Sales	21,141	24,869	3,727	17.6%
Segment profit [Margin]	2,021 [9.6%]	3,899 [15.7%]	1,878 [6.1pp]	92.9%

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

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

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

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

Life Automation (LA) Business

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

The Lifeline field which accounts for the bulk of LA sales, depends on cyclical demand for meter replacement as required by law. Though demand can be expected to remain basically stable, the cyclical demand for LP gas meters is currently at a low ebb. In the LSE field, there is continued demand for pharmaceutical plant equipment, but the impact of inflation in Europe is evident. Amidst this business environment, we have engaged in strengthening quality and cost controls as well as improving profitability, including cost pass-through.

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

Orders received decreased by 3.3% to 12,752 million yen (compared with the 13,194 million yen recorded in the same period of FY2022). Despite increased orders received in the Lifeline

field for both gas & water meters, in the LSE field orders received were lower because of the high level achieved in the same period of FY2022. Sales fell in the LSE field but rose in the Lifeline field. Consequently, overall sales were 11,959 million yen, up 1.8% on the 11,752 million yen recorded in the same period of FY2022. Owing to cost improvement, segment profit was up 287.4% at 334 million yen (compared with the 86 million yen recorded in the same period of FY2022).

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

(Millions of yen)

	Three months ended Jun. 30, 2022 (Apr. 1, 2022 to Jun. 30, 2022)	Three months ended Jun. 30, 2023 (Apr. 1, 2023 to Jun. 30, 2023)	Difference	
			Amount	Rate
Orders received	13,194	12,752	(441)	(3.3)%
Sales	11,752	11,959	207	1.8%
Segment profit [Margin]	86 [0.7%]	334 [2.8%]	248 [2.1pp]	287.4%

Other

In Other business, principally our insurance agent business, orders received in the three months ended June 2023 were 22 million yen (compared with the 20 million yen for the same period of FY2022), sales were 22 million yen (compared with the 20 million yen for the same period of FY2022), and segment profit was 2 million yen (compared with the 6 million yen for the same period of FY2022).

(2) Consolidated financial position

Assets

Total assets at the end of the first quarter of FY2023 stood at 280,954 million yen, a decrease of 15,919 million yen from the end of FY2022. This was mainly due to a decrease of 18,374 million yen in trade receivables as well as a decrease of 6,863 million yen in cash and deposits, and despite an increase of 6,277 million yen in inventories and an increase of 3,754 million yen in investment securities due to the increased market value of shareholdings.

Liabilities

Total liabilities at the end of the first quarter of FY2023 stood at 75,679 million yen, a decrease of 15,314 million yen from the end of FY2022. This was mainly due to a decrease of 7,994 million yen in income taxes payable as well as a decrease of 7,931 million yen in provision for bonuses.

Net assets

Net assets at the end of the first quarter of FY2023 stood at 205,275 million yen, a decrease of 604 million yen from the end of FY2022. This was mainly due to a decrease of 4,574 million yen as the payment of dividends as well as a decrease of 3,591 million yen by repurchasing own stock, pursuant to the resolution at the Board of Directors meeting, and despite an increase of 2,530 million yen from valuation difference on available-for-sale securities, and an increase of 3,710 million yen by the recording of net income attributable to owners of parent.

As a result, the shareholders' equity ratio was 71.9% compared with 68.3% at the end of FY2022.

(3) Forecast of consolidated financial results

There is no change to the forecast for consolidated financial results—published on May 12, 2023—for the first half and for the full fiscal year ending March 31, 2024.

Conditions in the business environment surrounding the azbil Group are expected to remain uncertain: in addition to sluggish conditions in some markets, such as semiconductor manufacturing equipment, there is the lingering effect of parts shortages and price hikes—though the situation appears to be improving—plus mounting inflation both abroad and in Japan and geopolitical risks. Despite these circumstances, we will make steady progress with the recording of sales by drawing on the large order backlog, improving the production process we developed in FY2022, and further strengthening our procurement measures. Therefore, we still expect to achieve net sales of 282.0 billion yen, 1.3% higher than FY2022, as forecast in the initial plan. As regards profits, these are also expected to increase; while we forecast a rise in costs—including higher R&D and DX-related expenses and investments in human capital to ensure future growth—thanks to further progress with measures to strengthen profitability, including cost pass-through, we aim to set a new record with operating income of 32.0 billion yen, an increase of 2.4% on FY2022, as forecast in the initial plan.

The azbil Group is aiming to achieve its long-term targets (FY2030) and the medium-term plan (FY2021–FY2024). And by strengthening product competitiveness and as well as increasing investments in technology development, equipment and facilities, and human capital, we will accelerate our reforms for further growth. We will also continue to make progress with sustainable growth for the businesses (BA, AA and LA) in our portfolio, each of whose market environment is different.

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

2. Consolidated quarterly financial statements and related notes

(1) Consolidated quarterly balance sheets

(Millions of yen)

	As of March 31, 2023	As of June 30, 2023
Assets		
Current assets		
Cash and deposits	62,006	55,142
Notes and accounts receivable - trade, and contract assets	97,099	78,724
Securities	16,700	16,700
Merchandise and finished goods	8,090	9,375
Work in process	6,845	9,022
Raw materials	22,230	25,045
Other	7,129	7,783
Allowance for doubtful accounts	(391)	(351)
Total current assets	219,710	201,443
Non-current assets		
Property, plant and equipment		
Buildings and structures, net	21,835	21,778
Other, net	16,429	17,327
Total property, plant and equipment	38,265	39,106
Intangible assets	6,167	6,099
Investments and other assets		
Investment securities	19,620	23,374
Other	13,262	11,084
Allowance for doubtful accounts	(152)	(153)
Total investments and other assets	32,730	34,306
Total non-current assets	77,163	79,511
Total assets	296,873	280,954

(Millions of yen)

	As of March 31, 2023	As of June 30, 2023
Liabilities		
Current liabilities		
Notes and accounts payable - trade	24,705	20,446
Short-term borrowings	8,812	8,910
Income taxes payable	8,692	698
Provision for bonuses	12,024	4,092
Provision for bonuses for directors (and other officers)	142	49
Provision for product warranties	2,947	2,711
Provision for loss on orders received	83	116
Other	21,607	26,658
Total current liabilities	79,015	63,682
Non-current liabilities		
Long-term borrowings	3,602	3,296
Retirement benefit liability	1,670	1,731
Provision for retirement benefits for directors (and other officers)	183	190
Provision for share awards	2,291	2,370
Provision for share awards for directors (and other officers)	42	54
Other	4,188	4,351
Total non-current liabilities	11,978	11,996
Total liabilities	90,993	75,679
Net assets		
Shareholders' equity		
Share capital	10,522	10,522
Capital surplus	11,670	11,670
Retained earnings	199,249	198,392
Treasury shares	(32,391)	(35,714)
Total shareholders' equity	189,051	184,870
Accumulated other comprehensive income		
Valuation difference on available-for-sale securities	9,270	11,800
Deferred gains or losses on hedges	(100)	(40)
Foreign currency translation adjustment	4,546	5,262
Remeasurements of defined benefit plans	51	50
Total accumulated other comprehensive income	13,768	17,072
Non-controlling interests	3,060	3,331
Total net assets	205,880	205,275
Total liabilities and net assets	296,873	280,954

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

(Millions of yen)

	Three months ended June 30, 2022 (April 1, 2022 to June 30, 2022)	Three months ended June 30, 2023 (April 1, 2023 to June 30, 2023)
Net sales	56,063	61,205
Cost of sales	35,183	36,492
Gross profit	20,880	24,712
Selling, general and administrative expenses	18,713	20,062
Operating income	2,166	4,649
Non-operating income		
Interest income	27	97
Dividend income	330	360
Foreign exchange gains	837	664
Rental income from real estate	6	7
Reversal of allowance for doubtful accounts	—	36
Other	34	40
Total non-operating income	1,237	1,206
Non-operating expenses		
Interest expenses	27	53
Commitment fees	4	4
Expenses of real estate	9	6
Office relocation expenses	30	84
Other	11	24
Total non-operating expenses	83	173
Ordinary income	3,321	5,683
Extraordinary income		
Gain on sale of non-current assets	0	0
Gain on sale of investment securities	0	—
Total extraordinary income	1	0
Extraordinary losses		
Loss on sale and retirement of non-current assets	13	37
Total extraordinary losses	13	37
Income before income taxes	3,308	5,645
Income taxes - current	389	539
Income taxes - deferred	750	1,200
Total income taxes	1,140	1,739
Net income	2,167	3,906
Net income attributable to non-controlling interests	96	195
Net income attributable to owners of parent	2,071	3,710

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

(Millions of yen)

	Three months ended June 30, 2022 (April 1, 2022 to June 30, 2022)	Three months ended June 30, 2023 (April 1, 2023 to June 30, 2023)
Net income	2,167	3,906
Other comprehensive income		
Valuation difference on available-for-sale securities	941	2,530
Deferred gains or losses on hedges	(22)	59
Foreign currency translation adjustment	1,535	788
Remeasurements of defined benefit plans, net of tax	(0)	(1)
Total other comprehensive income	2,454	3,376
Comprehensive income	4,622	7,283
Comprehensive income attributable to:		
Owners of parent	4,404	7,015
Non-controlling interests	218	267

(3) Notes to the consolidated quarterly financial statements

Notes regarding going concern assumptions

Not applicable

Notes regarding significant change in shareholders' equity

The Company is repurchasing its own stock, aiming not only to improve capital efficiency but also to enhance the return of profits to shareholders and develop flexible capital policies responding to changes in the corporate environment, while taking into consideration business results and the outlook for future business performance. Pursuant to the following resolutions at the Board of Directors meeting held on May 12, 2023, the Company repurchased 797,800 shares from May 17, 2023 to June 27, 2023 (based on delivery date), and treasury shares increased by 3,591 million yen.

Details of stock repurchase

- | | |
|---|--|
| (1) Type of stock to be repurchased: | Common stock of the Company |
| (2) Total number of shares to be repurchased: | Up to 4,000,000 shares |
| (3) Total amount of repurchase: | Up to 10 billion yen |
| (4) Period of repurchase: | From May 15, 2023 to September 22, 2023
(based on trade date) |
| (5) Method of repurchase: | Market transactions on the Tokyo Stock Exchange |

Reference

Pursuant to the resolutions at the Board of Directors meeting held on May 12, 2023, the Company plans to cancel all the treasury shares to be acquired in the aforementioned repurchase on October 31, 2023.

Consequently, treasury shares amounted to 35,714 million yen for 10,813,024 shares as of June 30, 2023. As described in "Additional information," treasury shares include the Company's stock remaining in the trust of employee stock ownership plan (3,771 million yen for 1,899,914 shares), in the trust of Trust-Type Employee Shareholding Incentive Plan (3,124 million yen for 869,200 shares), and in the trust of stock compensation plan (401 million yen for 97,800 shares).

Additional information

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

1. Employee stock ownership plan

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

(1) Outline of the transaction

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

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

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

As of March 31, 2023

Book value: 3,781 million yen

Number of shares: 1,905,231 shares

As of June 30, 2023

Book value: 3,771 million yen

Number of shares: 1,899,914 shares

2. Trust-Type Employee Shareholding Incentive Plan

The Company has introduced a “Trust-Type Employee Shareholding Incentive Plan” (hereinafter “the plan”), aiming to incentivize employees of the Company and domestic group companies to, among other things, improve the corporate value of the Company’s group on a mid/long-term basis.

(1) Outline of the transaction

The plan is an incentive plan for all employees in the stock ownership association. The plan authorizes the azbil Group Employee Stock Ownership Association Trust Fund (hereinafter “the Fund”) through a trust bank fund and the Fund acquires the Company’s stock in advance for a certain period of time during which the Stock Ownership Association purchases those stock from the Fund. The Fund consistently sells the Company’s stock to the Stock Ownership Association. If the Fund has accrued the amount of money equivalent to profit on sales of stock at the end of its term, such amount is distributed as residuary assets to eligible recipients. On the other hand, as the Company becomes a guarantor to the loan to purchase stock for the Fund, if the Fund accrues losses due to reductions in the Company’s stock price, the Company is responsible for the liquidation of all debts from the loan associated with the loss from sales at the end of the term of the Fund.

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

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

As of March 31, 2023

Book value: 3,364 million yen

Number of shares: 936,000 shares

As of June 30, 2023

Book value: 3,124 million yen

Number of shares: 869,200 shares

(3) The book value of long-term borrowings recorded in accordance with the adoption of the gross accounting method is as follows:

As of March 31, 2023

Book value: 3,302 million yen

As of June 30, 2023

Book value: 2,996 million yen

3. Stock compensation plan

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

(1) Outline of the transaction

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

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

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

As of March 31, 2023

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

As of June 30, 2023

Provision for share awards for directors (and other officers):	54 million yen
Provision for share awards:	67 million yen

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

The Company’s stock in the trust is recorded as treasury shares under net assets at book value in the trust. The book value of the Company’s stock in the trust and the number of shares are as follows:

As of March 31, 2023

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

As of June 30, 2023

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

Segment information

1. Three months ended June 30, 2022 (from April 1, 2022 to June 30, 2022)

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

(Millions of yen)

	Reportable Segment				Other*	Total
	Building Automation	Advanced Automation	Life Automation	Total		
Sales						
Customers	23,456	20,923	11,663	56,043	20	56,063
Inter-segment	97	218	88	404	0	404
Total	23,554	21,141	11,752	56,448	20	56,468
Segment profit	44	2,021	86	2,151	6	2,158
Disaggregation of revenue						
Goods or services transferred at a point in time	4,654	17,101	7,613	29,368	20	29,389
Goods or services transferred over time	18,801	3,822	4,050	26,674	—	26,674
Revenue from contracts with customers	23,456	20,923	11,663	56,043	20	56,063

* "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	2,151
Profit in Other	6
Elimination	8
Operating income	2,166

2. Three months ended June 30, 2023 (from April 1, 2023 to June 30, 2023)

(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	24,779	24,515	11,887	61,183	21	61,205
Inter-segment	124	353	71	549	0	550
Total	24,904	24,869	11,959	61,733	22	61,755
Segment profit	418	3,899	334	4,653	2	4,655
Disaggregation of revenue						
Goods or services transferred at a point in time	5,487	19,531	8,416	33,435	21	33,457
Goods or services transferred over time	19,291	4,984	3,471	27,747	—	27,747
Revenue from contracts with customers	24,779	24,515	11,887	61,183	21	61,205

* "Other" includes insurance agent business, etc.

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

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

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

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

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

(Millions of yen)

Income	Amount
Total of Reportable Segment	4,653
Profit in Other	2
Elimination	(5)
Operating income	4,649