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

May 13, 2024

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 of ordinary general meeting of shareholders:	June 25, 2024
Scheduled date to file Securities Report:	June 25, 2024
Scheduled date to commence dividend payments:	June 26, 2024
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, 2024 (from April 1, 2023 to March 31, 2024)

(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, 2024	290,938	4.5	36,841	17.9	38,999	21.3	30,207	33.6
Year ended March 31, 2023	278,406	8.5	31,251	10.7	32,140	8.9	22,602	8.8

Note: Comprehensive income
Year ended March 31, 2024 37,700 million yen 47.0%
Year ended March 31, 2023 25,645 million yen 20.2%

	Net income per share	Diluted net income per share	Return on equity	Ordinary income/ total assets	Operating income/ net sales
	Yen	Yen	%	%	%
Year ended March 31, 2024	228.39	－	14.2	12.8	12.7
Year ended March 31, 2023	168.27	－	11.2	11.1	11.2

(2) Consolidated financial position

	Total assets	Net assets	Shareholders' equity ratio	Net assets per share
	Millions of yen	Millions of yen	%	Yen
As of March 31, 2024	313,728	224,887	70.6	1,680.37
As of March 31, 2023	296,873	205,880	68.3	1,518.01

Reference: Shareholders' equity
As of March 31, 2024 221,522 million yen
As of March 31, 2023 202,819 million yen

(3) Consolidated cash flows

	Cash flows from operating activities	Cash flows from investing activities	Cash flows from financing activities	Cash and cash equivalents at the end of period
	Millions of yen	Millions of yen	Millions of yen	Millions of yen
Year ended March 31, 2024	27,540	(2,360)	(22,455)	75,595
Year ended March 31, 2023	13,118	(1,977)	(19,694)	71,232

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			
	Yen	Yen	Yen	Yen	Yen	Millions of yen	%	%
Year ended March 31, 2023	—	32.50	—	33.50	66.00	9,012	39.2	4.4
Year ended March 31, 2024	—	36.50	—	39.50	76.00	10,211	33.3	4.8
Year ending March 31, 2025 (forecast)	—	44.00	—	11.00	—		41.4	

Notes: 1. Azbil Corporation ("the Company") has introduced an employee stock ownership plan, a Trust-Type Employee Shareholding Incentive Plan, and a stock compensation plan. The total amount of cash dividend includes the dividends for the stock of the Company held by trust accounts of these plans (201 million yen for the year ended March 31, 2023; 199 million yen for the year ended March 31, 2024).

2. The total annual dividend forecast for the year ending March 31, 2025 is left blank, shown as a "-". The reason is as follows.
The Company has resolved, at the Board of Directors held on May 13, 2024, to implement a 4-for-1 common stock split effective on October 1, 2024.
As regards dividend per share for the year ending March 31, 2025 (forcast), the 2nd quarter-end dividend is applied to shares held prior to the stock split, while the fiscal year-end dividend is applied to shares held after the stock split.
If the stock split were not taken into account, the total annual dividend forecast would be 88.00 yen per share.

3. Forecast of consolidated financial results for the fiscal year ending March 31, 2025 (from April 1, 2024 to March 31, 2025)

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	134,000	1.6	11,600	(10.6)	11,800	(17.6)	9,000	(24.6)	17.07
Full year	300,000	3.1	37,500	1.8	37,500	(3.8)	28,000	(7.3)	53.10

Note: The Company has resolved, at the Board of Directors held on May 13, 2024, to implement a 4-for-1 common stock split effective on October 1, 2024. For "Net income per share" in the forecast of consolidated financial results, the impact of the stock split is considered. Please note that if the stock split were not taken into account, "Net income per share" would be 68.27 yen for the first half and 212.40 yen for the full year.

* 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.: No
b. Changes in accounting policies other than (a) above: No
c. Changes in accounting estimates: No
d. Retrospective restatements: No

(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, 2024	141,508,184 shares	As of March 31, 2023	143,700,884 shares

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

As of March 31, 2024	9,678,569 shares	As of March 31, 2023	10,091,552 shares

c. Average number of shares during the period

Year ended March 31, 2024	132,263,106 shares	Year ended March 31, 2023	134,327,071 shares

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 (2,529,738 shares as of March 31, 2024; 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 (2,741,922 shares for the year ended March 31, 2024; 2,966,059 shares for the year ended March 31, 2023). For details, please see "Additional information" in "5. Consolidated financial statements and related notes (5) Notes to the consolidated financial statements" on page 26 of the Accompanying document.

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

* Regarding the appropriate use of 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 6 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

Contents

1. Overview of financial results and others

(1) Overview of financial results

1) Overview for the current fiscal year

The business environment for the azbil Group is 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 CO_2 emissions has meant that retrofit demand has remained strong. As for equipment/systems for production facilities, demand has been sluggish in the factory automation (FA) market, though there has been continuing demand for the decarbonization of factories and plants, and for the adoption of DX.

As a result, financial results for the current consolidated fiscal year were as follows.

Overall orders received were 287,851 million yen, down 3.1% on the 296,930 million yen recorded in the previous consolidated fiscal year. This was mainly because orders received decreased for the Advanced Automation (AA) business, owing to sluggish conditions in the FA market. However, sales growth was achieved in all three segments—Building Automation (BA), AA, and Life Automation (LA)—thanks to the growth in orders received in the previous consolidated fiscal year as well as the enhanced procurement and production systems. Thus, overall net sales were 290,938 million yen, up 4.5% on the 278,406 million yen recorded in the previous consolidated fiscal year.

As regards profits, there was an impact from the recording of R&D expenses required by the medium-term plan, as well as increases in DX-related expenses, labor costs and other expenses; however, thanks to revenue growth and measures to enhance profitability, including cost pass-through, operating income was 36,841 million yen, up 17.9%, a significant increase on the 31,251 million yen recorded in the previous consolidated fiscal year. This growth in operating income led to higher ordinary income, which was 38,999 million yen, up 21.3% on the 32,140 million yen recorded in the previous consolidated fiscal year. In addition to higher operating income, because of the recording of a provision for product warranties as extraordinary loss in the previous consolidated fiscal year and other reasons, net income attributable to owners of parent rose to 30,207 million yen, up 33.6% on the 22,602 million yen recorded in the previous consolidated fiscal year.

(Millions of yen)

	Fiscal year 2022 (April 1, 2022 to March 31, 2023)	Fiscal year 2023 (April 1, 2023 to March 31, 2024)	Difference	
			Amount	Rate
Orders received	296,930	287,851	(9,079)	(3.1)%
Net sales	278,406	290,938	12,532	4.5%
Operating income [Margin]	31,251 [11.2%]	36,841 [12.7%]	5,589 [1.4pp]	17.9%
Ordinary income	32,140	38,999	6,858	21.3%
Net income attributable to owners of parent [Margin]	22,602 [8.1%]	30,207 [10.4%]	7,605 [2.3pp]	33.6%

2) Financial results by segment

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 a high level for office buildings in urban redevelopment projects, and for HVAC control equipment/systems for factories, for which there is continuing capital investment. In addition to the demand for energy savings and CO_2 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 improved 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. 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 current consolidated fiscal year were as follows.

As regards orders received, in this period few multi-year service contracts were up for renewal; also, in the field of new buildings, there was a decline compared with the previous consolidated fiscal year, when orders for large-scale projects had been received. Another factor impacting orders received was our focus on projects with higher margins. Nevertheless, thanks to a robust market environment, and particularly to growth in both the existing building field and the overseas business, overall orders received were 136,782 million yen, on a par with the previous consolidated fiscal year, when a figure of 135,311 million yen was recorded. As regards sales, against the backdrop of a robust business environment, sales remained at a high level in the field related to new buildings, and there was growth in the fields related to existing buildings and service as well as in the overseas business. This resulted in sales of 134,655 million yen, up 4.7% on the 128,561 million yen recorded in the previous consolidated fiscal year. Despite increased labor and outsourcing costs as well as higher expenses for DX and other expenses, thanks to increased revenue and improved profitability, including cost pass-through, segment profit was 19,373 million yen, up 20.5% on the 16,074 million yen recorded in the previous consolidated fiscal year.

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 respond to this demand. Moreover, there have been growing requirements for energy savings and CO_2 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-based 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)

	Fiscal year 2022 (April 1, 2022 to March 31, 2023)	Fiscal year 2023 (April 1, 2023 to March 31, 2024)	Difference	
			Amount	Rate
Orders received	135,311	136,782	1,470	1.1%
Sales	128,561	134,655	6,094	4.7%
Segment profit [Margin]	16,074 [12.5%]	19,373 [14.4%]	3,299 [1.9pp]	20.5%

Advanced Automation (AA) Business

Regarding market trends in Japan and abroad surrounding the AA business, in the process automation (PA) market sluggish conditions continue in China but overall demand has remained firm, thanks mainly to demand centering on maintenance and refurbishment. However, demand has been weak in the FA market; this was due to continuing stagnation in the manufacturing equipment market and also some recoil following the advance orders in the previous consolidated fiscal year.

Amidst this business environment, we continued to implement our three main initiatives—for business growth overseas, creation of new automation, and boosting profitability. 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 current consolidated fiscal year were as follows.

Orders received were 101,481 million yen, significantly down by 11.0% compared to the previous consolidated fiscal year, when a figure of 113,968 million yen was recorded. This was mainly due to the cyclical decline in demand in the semiconductor manufacturing equipment market. Sales, however, increased, thanks to a large order backlog and the progress made with production following the strengthening of procurement/production systems and easing of parts procurement difficulties. Consequently, sales were 107,052 million yen, up 2.9% on the 103,988 million yen recorded in the previous consolidated fiscal year. As for segment profit, the profit level increased thanks to revenue growth and initiatives to enhance profitability, including cost pass-through, and despite increases in DX and other expenses coupled with R&D investments. Consequently, segment profit was 16,118 million yen, up 10.6% on the 14,579 million yen recorded in the previous consolidated fiscal year.

Although conditions remain sluggish in the FA market, steady progress is currently being made with the three main initiatives mentioned above and we expect this will contribute to growth when the market recovers. In the long term, we can expect the industrial automation market to expand globally, for there is strong customer demand for automation to facilitate the decarbonization of factories, to solve the challenges presented by labor shortages and aging facilities, and to introduce new production methods. Based on the three AA business sub-segments (CP, IAP, and SS) [Note], and the development of advanced automation, we aim to become a high-profit business entity that contributes to a sustainable society.

(Millions of yen)

	Fiscal year 2022 (April 1, 2022 to March 31, 2023)	Fiscal year 2023 (April 1, 2023 to March 31, 2024)	Difference	
			Amount	Rate
Orders received	113,968	101,481	(12,487)	(11.0)%
Sales	103,988	107,052	3,064	2.9%
Segment profit [Margin]	14,579 [14.0%]	16,118 [15.1%]	1,538 [1.0pp]	10.6%

Note: The three AA business sub-segments (management accounting sub-segments)

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

IAP business: Industrial Automation Product business (supplying PA 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.)

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, which business is being developed overseas, there is continued demand for pharmaceutical plant equipment, but continuous inflation had an impact on investments and the economy. Amidst this business environment, we have engaged in strengthening quality control and cost management, as well as improving profitability, including cost pass-through.

Consequently, the financial results of the LA business for the current consolidated fiscal year were as follows.

For the LA business overall, orders received increased by 4.1% to 51,689 million yen compared with the 49,646 million yen recorded in the previous consolidated fiscal year. This resulted from growth in all three fields, particularly in the Lifeline field. Overall sales were 51,404 million yen, up 7.3% on the 47,915 million yen recorded in the previous consolidated fiscal year, thanks to growth in each field, especially the Lifeline field. Owing to increased revenue and initiatives to improve profitability, segment profit significantly increased by 133.6% to 1,375 million yen (compared with the 588 million yen recorded in the previous consolidated fiscal year).

In the LA business, we will work to achieve stable profit through quality control and fundamental cost management, while continuing cost pass-through. In parallel with this, so as 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 utilizing IoT and other technologies. In the field of residential central air-conditioning systems, we will promote business that offers users comfort, with good air quality and energy-saving performance, for spaces of every kind, in new and existing houses.

(Millions of yen)

	Fiscal year 2022 (April 1, 2022 to March 31, 2023)	Fiscal year 2023 (April 1, 2023 to March 31, 2024)	Difference	
			Amount	Rate
Orders received	49,646	51,689	2,042	4.1%
Sales	47,915	51,404	3,489	7.3%
Segment profit [Margin]	588 [1.2%]	1,375 [2.7%]	786 [1.4pp]	133.6%

<u>Other</u>

In Other business, principally our insurance agent business, orders received in the current consolidated fiscal year were 57 million yen (compared with the 56 million yen recorded in the previous consolidated fiscal year), sales were 57 million yen (compared with the 56 million yen in the previous consolidated fiscal year), and segment loss was 20 million yen (compared with the segment loss of 1 million yen in 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 created a four-year medium-term plan (FY2021–FY2024). Based on this, we are making progress with initiatives and transformation 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. In our medium-term plan, we aim to achieve our own 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.

Uncertainty is expected to continue in the business environment of the azbil Group in FY2024; this outlook is based on the effect of growing inflation on various costs, including parts and labor, and the impact of heightened geopolitical risks on supply chains and energy prices. Regarding demand related to manufacturing equipment for factories and plants, currently the FA market for semiconductor manufacturing equipment continues to be sluggish, and there are also concerns about a decline in Chinese market conditions. On the other hand, demand for HVAC control equipment/systems for large-scale buildings is expected to remain strong. Moreover, the sluggish FA market can be expected to recover in the second half onwards, thanks to progress with inventory adjustments and a growing demand for semiconductors associated with the spread of generative AI.

Regarding business performance in FY2024, while acknowledging these uncertainties in the business environment, we will steadily convert order backlog into sales by making use of our improved and strengthened production/procurement systems. At the same time, as well as benefitting from robust growth in our building-related business, we will steadily capture burgeoning demand in the FA market, where growth is anticipated in the second half onwards, and thus we plan to further increase revenue. As regards profits, in addition to the measures already taken to strengthen profitability, including cost pass-through, we aim to steadily increase profits through such initiatives as enhancing operational efficiency by promoting DX, while at the same time continuing to invest for growth—in R&D, equipment and facilities, and human capital.

In the BA business, domestic demand, from sales to service, has remained strong for HVAC control equipment/systems for large-scale buildings thanks to urban redevelopment plans and renewal projects. Demand overseas is also strong. Against the backdrop of this business environment, by making steady progress with our business we expect to convert our large order backlog into sales, thus increasing revenue compared to FY2023. As regards segment profit, this is expected to be lower than FY2023, but nevertheless will remain at the 19.0 billion yen level thanks to increased revenue and the success of measures to enhance profitability, such as increasing margins at the point of order receipt and effecting appropriate cost pass-through, despite the expected higher outsourcing costs and increases in labor costs and DX-related expenses for growth.

As regards the AA business, though demand remains sluggish in the FA market due to a cyclical decline in demand in the semiconductor manufacturing equipment market, progress is being made with inventory adjustments and a gradual recovery is expected from the second half. Based on the order backlog at the beginning of the period, we expect to increase revenue by making steady progress with parts procurement and production, using our improved and strengthened production system, and by capturing growing demand in the FA market from the second half onwards. Continuing growth in segment profit is planned thanks to increased revenue and the success of measures to strengthen profitability, including cost pass-through, despite expected increases in labor costs and various expenses for growth.

As for the LA business, LP gas meters are in a cyclical period of low demand, but the periodic replacement of city gas and water meters is legally required and we will steadily capture this demand, while also developing the Smart Metering as a Service (SMaaS) related market. In the Life Science Engineering field, against the backdrop of robust demand for pharmaceutical manufacturing equipment in the market, we will steadily convert our order backlog into sales. We thus expect to increase revenue in the LA business overall. As regards segment profit, we have focused on profitability and we expect it to continue to improve; this outlook is based on the success of measures to enhance profitability, including cost pass-through, and the strengthening of project management.

The azbil Group aims to steadily achieve the consolidated financial results forecast for FY2024, the final year of the current medium-term plan. This will be accomplished by tracking changes in the social/economic environment, as well as in each segment’s business environment, and in response implementing prompt and appropriate measures. We will continue to strengthen our product competitiveness; invest in R&D, equipment and facilities, and human capital; accelerate transformation for growth; and strive to achieve sustainable growth through our diverse business portfolio (BA, AA, and LA), in which each segment operates in a different market environment.

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 2023 results	Fiscal year 2024 forecast	Difference	
				Amount	Rate
Building Automation	Sales	134.6	142.0	7.3	5.5%
	Segment profit [Margin]	19.3 [14.4%]	19.0 [13.4%]	(0.3) [(1.0)pp]	(1.9)%
Advanced Automation	Sales	107.0	109.0	1.9	1.8%
	Segment profit [Margin]	16.1 [15.1%]	16.7 [15.3%]	0.5 [0.3pp]	3.6%
Life Automation	Sales	51.4	52.0	0.5	1.2%
	Segment profit [Margin]	1.3 [2.7%]	1.8 [3.5%]	0.4 [0.8pp]	30.8%
Other	Sales	0.0	0.1	0.0	72.5%
	Segment profit [Margin]	(0.0) [(36.1)%]	0.0 [0.0%]	0.0 [36.1pp]	-
Consolidated	Net sales	290.9	300.0	9.0	3.1%
	Operating income [Margin]	36.8 [12.7%]	37.5 [12.5%]	0.6 [(0.2)pp]	1.8%
	Ordinary income	38.9	37.5	(1.4)	(3.8)%
	Net income attributable to owners of parent [Margin]	30.2 [10.4%]	28.0 [9.3%]	(2.2) [(1.0)pp]	(7.3)%

(2) Overview of financial position

Analysis of assets, liabilities, net assets and cash flows

Assets

Total assets at the end of FY2023 stood at 313,728 million yen, an increase of 16,854 million yen from the end of FY2022.

This was mainly due to an increase of 6,612 million yen in inventories and an increase of 6,387 million yen in investment securities due to the increased market value of shareholdings.

Liabilities

Total liabilities at the end of FY2023 stood at 88,840 million yen, a decrease of 2,152 million yen from the end of FY2022. This was mainly due to a decrease of 4,233 million yen in notes and accounts payable-trade, despite an increase of 2,266 million yen in contract liabilities.

Net assets

Net assets at the end of FY2023 stood at 224,887 million yen, an increase of 19,007 million yen from the end of FY2022. This was mainly due to an increase of 30,207 million yen by the recording of net income attributable to owners of parent and an increase of 4,577 million yen from valuation difference on available-for-sale securities, despite a decrease of 9,999 million yen by repurchasing own stock, pursuant to the resolution at the Board of Directors meeting and a decrease of 9,478 million yen as the payment of dividends.

As a result, the shareholders' equity ratio was 70.6%, compared with 68.3% at the end of FY2022.

Net cash flow from operating activities

Cash and cash equivalents (hereinafter "net cash") provided by operating activities in the current consolidated fiscal year were 27,540 million yen, an increase of 14,422 million yen compared to the previous consolidated fiscal year. This was mainly due to an increase in the recording of trade receivables in the previous consolidated fiscal year, reflecting higher sales, and also due to an increase in income before income taxes.

Net cash flow from investing activities

Net cash used in investment activities (expenditure) in the current consolidated fiscal year was 2,360 million yen, an increase of 383 million yen in expenditure compared with the previous consolidated fiscal year. This was primarily due to a decrease in the proceeds from sale of investment securities.

Net cash flow from financing activities

Net cash used in financing activities (expenditure) in the current consolidated fiscal year was 22,455 million yen, an increase of 2,761 million yen in expenditure compared with the previous consolidated fiscal year. This was mainly due to an increase in expenditure resulting from the payment of dividends, and to a decrease in the proceeds from short-term borrowings at some of our overseas subsidiaries.

As a result of the above factors, net cash at the end of the current consolidated fiscal year was 75,595 million yen, an increase of 4,362 million from the previous consolidated fiscal year-end.

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

The azbil Group has established a basic policy on dividends in which “we strive to maintain a stable but rising dividend level over the long term” with a focus on the dividend on equity (DOE) ratio. We have steadily increased our dividend every year since FY2015 and aim to continuously increase our dividend in the future.

Under the medium-term plan (FY2021–FY2024), as strategic investments for future business development, we have been planning to actively engage in collaborative projects with other companies and invest in other companies to expand our business; to upgrade and reinforce our advanced global development and production systems; to expand our lineup of products and services; to improve productivity by promoting DX; and to invest in human capital. Additionally, we are striving to ensure business continuity necessary to meet unexpected contingencies such as natural disasters.

Having set an ROE target in our medium-term plan, in order to ensure management that is conscious of the cost of capital and the stock price, we have been making preparations to introduce return on invested capital (ROIC) as a management indicator during the period of the current medium-term plan. We have also been promoting further improvements in the efficiency of shareholders’ equity, while considering the level of cash and cash equivalents and procurement capacity required for business operations and growth, as well as future capital allocation within the Group. Note that the trial calculation of azbil Group ROIC for FY2023 is 10.2%, and the weighted average cost of capital (WACC) is 6.1%. Going forward, as well as making steady progress with such investments for growth, we will continue to improve capital efficiency and promote shareholder returns, in accordance with the basic policy above, while ensuring that we maintain a sound financial base.

As to specifics regarding the distribution of profits to our shareholders, for FY2023, it had been planned to make the annual dividend 73 yen per share, an increase of 7 yen compared with FY2022. However, it is now planned to increase the year-end dividend by 3 yen above the level previously announced, and pay an annual dividend of 76 yen per share, representing an increase of 10 yen (to be paid after the approval of the Ordinary General Meeting of Shareholders on June 25, 2024). This reflects the robust performance which have exceeded the financial plan announced on November 7, 2023 and have set new records for net sales, for operating income, and for net income attributable to owners of parent, resulting from the steady progress made with strengthening the Group’s procurement and production systems, and the success of measures implemented to date to enhance business profitability, including cost pass-through. Consequently, DOE, our reference indicator, is expected to improve to 4.8%.

Also regarding dividends for FY2024, based on our basic policy of promoting shareholder returns and raising the level of stable dividends, it is planned to pay an interim dividend of 44 yen (before the stock split) and a year-end dividend of 11 yen (after the stock split) to ensure that

DOE, our reference indicator for dividends, reaches a level of 5% so as to bolster our policy of stably increasing DOE in line with improvements to the Company's profitability. As a result, DOE is expected to be 5.0%. (The Company plans to conduct a stock split effective October 1, 2024, whereby each share of common stock will be split into 4 shares. The year-end dividend, calculated from the number of shares before the stock split, will be 44 yen per share; the annual dividend, including the interim dividend, will be 88 yen per share, an increase of 12 yen from FY2023.) Please refer to the page 35 "(5) Notes to the consolidated financial statements (significant subsequent events)" for the details of the stock split.

Although the business environment surrounding the Company is expected to remain uncertain in FY2024, we plan to further increase revenue by steadily capturing demand in the FA market, which is expected to recover and grow from the second half, in addition to robust growth in the building-related business. We will also steadily convert order backlog into sales using our improved and strengthened procurement and production systems. While making investments for growth—in R&D, equipment and facilities, DX, and human capital—we will also improve profitability through measures already in place to strengthen business profitability, including cost pass-through. From a medium- to long-term perspective, we will accelerate transformation for growth by strengthening investments in improving product competitiveness, technology development, equipment and facilities, and human capital. We look forward to sustained growth with our diverse business portfolio (BA, AA, and LA), in which each segment operates in a different market environment.

As mentioned above, the azbil Group will continue its ongoing efforts to improve the return of profits to our shareholders, while making investments for growth and striving to strengthen the business structure with measures to enhance business profitability, etc.

2. Management policy

(1) Basic policy

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 endeavor to realize the well-being of society and thus the well-being of all the Group employees. Also, by building relationships of trust with all stakeholders, we aim to 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 the 400 billion yen range, operating income in the 60 billion yen range, an operating income margin of approximately 15%, and an ROE of approximately 13.5%; these are the Group’s 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 12.0%, and an ROE of approximately 12%.

Seeking to attain our long-term targets, and recognizing the drastic changes under way in the environment and needs of society, in August 2022, based on the Group’s philosophy, we identified ten material issues as materiality to be tackled by the Group over the long term both as risks and as opportunities. In FY2023, this was reaffirmed, adding the concept of double materiality. Based on this materiality, as regards the seven issues related to business and corporate activities, specific azbil Group SDG targets have been set. At the same time, as regards remaining three material issues, which is the fundamental obligations to society that a company must fulfill, we have also set specific targets for our CSR activities. We will promote sustainability management [Note 2] by implementing initiatives to achieve these targets.

(3) Medium- to long-term management strategy

FY2023 was, like FY2022, a year in which the global economy was severely impacted not only by the difficulty of global supply chains, triggered by heightened geopolitical risks, but also by soaring energy and parts prices, longer delivery times for parts, and inflation. Amidst such challenging circumstances, and despite the business environment varying between markets, the azbil Group worked to secure orders from customers who focus on enhancing productivity and increase revenue by making steady progress with improving our procurement and production process. Moreover, to address higher costs resulting from inflation the Group strengthened profitability using cost pass-through, etc., and also improved operational efficiency. In these ways we were able to set a new record for business results.

As regards specific activities undertaken in FY2023, in the new testing facilities at the Fujisawa Technology Center, our R&D base, progress was made with projects to develop advanced system solutions employing cloud computing and AI, as well as advanced, high-performance devices based on MEMS [Note 3] technology. We have also given added impetus to the promotion of DX, which is essential for reforming business operations of all types. We are actively engaged in everything from developing products/services that use the latest digital technologies, to enhancing the efficiency and added value of operations from the viewpoint of "work and work-style creation." In addition, we have started employing generative AI, the focus of much attention recently, to enhance operational efficiency. While developing a foundation for the safe implementation of AI, we now are accelerating DX. Progress has also been made with production: with the completion of new factory buildings at our manufacturing subsidiaries in Dalian, China (2022; now fully operational) and Thailand (April 2024), we have strengthened our global production base. Furthermore, aiming to expand business in growth areas we are continuing collaborative initiatives with other companies, involving alliance and investments, and we have contributed to the realization of a carbon-neutral society by promoting green transformation (GX) [Note 4].

As regards profitability, in addition to implementing ongoing measures—such as improving profitability at the point of order receipt and expanding overseas production and procurement—we have further strengthened our profitability by implementing appropriate measures to tackle rising costs, including cost pass-through, and by improving operational efficiency globally through the promotion of DX. Additionally, as part of focusing on capital cost-conscious management, we have introduced return on invested capital (ROIC). By maximizing the efficiency of management resource utilization based on profitability from invested capital, and by enhancing business portfolio management, we have improved enterprise value for the entire Group.

We believe that structural changes in the business environment will continue in FY2024 and that the value of the automation business lies in its ability to support customers and society as they address such 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 Azbil's unique technologies, products, and services. By providing solutions to these new issues, we will realize growth in all three segments—BA, AA, and LA.

We have positioned FY2024 as the year of transformation for growth, building on the results of our transformation to date. In order to achieve our long-term targets for FY2030, we are aiming to expand our business by realizing society's well-being through contributing "in series" to a sustainable society. At the same time, we are working to realize the well-being of all employees, and aiming for growth that enables every employee to experience a sense of accomplishment and self-growth in the process. Specifically, we define growth markets as those in which demand is expanding either because of technological innovation, such as in the semiconductor market, or because of the need to address social issues, such as carbon neutrality and the circular economy. In such markets, we intend to grow our business by enhancing our competitive advantage in measurement and control. To create a product lineup with an enduring competitive advantage, we will continue to invest—in human capital, product development, production, and DX—therefore we intend to strengthen our core technologies, develop human resources, and utilize DX to ensure that skills are passed on and that operational efficiency is enhanced. In addition, in our overseas business, a growth area, we aim to expand market share and strengthen product competitiveness. Through these initiatives, in order to carry out our policy to promote sustainable management, we will strengthen our governance system and actively invest in human capital, the driving force for corporate growth, thus achieving steady progress with the medium-term plan and the well-being of every employee.

(4) Initiatives to strengthen corporate governance

From the perspective of strengthening governance in the management system, an important issue is the enhancement of corporate governance. 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. One way in which we have achieved this, following the transition to a company with a three-committee board structure in FY2022, was to revise the remuneration policy in FY2023: in order to further motivate corporate executives to achieve medium- and long-term performance targets and enhance enterprise value, it was decided to increase the performance-linked component of the remuneration structure by expanding stock-based compensation. Going forward, we will further raise the awareness of directors and corporate executives as regards increasing enterprise value and further motivate them to maximize shareholder value. This has fostered value sharing with our shareholders.

Assuming that unstable conditions are expected to continue in a wide range of business environments, we are aware that it will become yet more important to strengthen our initiatives aimed at creating a sustainable society. Our core automation business enables us to curb the use of resources and energy appropriately while at the same time improving the quality of space for buildings, factories, and lifelines. The expansion of our business is itself linked “in series” to reducing the burden placed on the global environment. In order to realize a sustainable society, it is essential to establish a system that restrains resource and energy consumption appropriately, and thus, through the Group’s business, we will contribute “in series” to a sustainable society.

Notes 1: On May 14, 2021, the azbil Group published its long-term targets and the medium-term plan (FY2021–2024).

2: Please refer to pages 21-22 of the 2023 azbil Report (integrated report) for details of the material issues identified in August 2022 and the azbil Group SDG targets designed to address them.

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

4: Green transformation (GX) is the transformation of the entire economic and social system to transition to carbon neutrality.

3. Activities (present situation) of the azbil Group

The azbil Group consists of the Company, 54 subsidiaries and 2 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 businesses: the Building Automation (BA) business in the building market, the Advanced Automation (AA) business in the industrial market, and the 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; it also provides instrumentation design, sales, engineering, maintenance, energy-saving solutions, and facility operation and management. Moreover, the Group 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, chemicals, steel, and pulp and paper—as well as in the processing and assembly industries—including automobiles, electrical and electronics, 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 through collaboration with customers. The LA business applies measurement, control and metering technologies, cultivated over many years in the building and industrial markets, to lifelines utilities 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.

Customers in Japan, overseas

Japan

Production, Engineering, Sales

Advanced Automation business/Others

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

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

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

Life Automation business

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

Overseas

Production, Engineering, Sales

Advanced Automation business

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

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

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

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

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

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

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

2 others[*2]

Building Automation business / Advanced Automation business

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

Life Automation business

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

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

Azbil Corporation

R&D, Manufacture, Sales, Installation, Maintenance

Japan

Production

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

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

Japan

Others

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

Overseas

Production

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

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

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

1 other[*2]

Overseas

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

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

4. Basic rationale for selection of accounting standards

Group consolidated financial statements are prepared according to Japanese standards. Based on consideration to date, we are making concrete preparations for voluntarily applying International Financial Reporting Standards (IFRS) in the future.

5. Consolidated financial statements and related notes
(1) Consolidated balance sheet

(Millions of yen)

	As of March 31, 2023	As of March 31, 2024
Assets		
Current assets		
Cash and deposits	62,006	71,079
Notes receivable - trade	15,902	16,522
Accounts receivable - trade	65,431	62,039
Contract assets	15,765	19,196
Securities	16,700	8,900
Merchandise and finished goods	8,090	9,138
Work in process	6,845	7,737
Raw materials	22,230	26,902
Other	7,129	7,937
Allowance for doubtful accounts	(391)	(433)
Total current assets	219,710	229,022
Non-current assets		
Property, plant and equipment		
Buildings and structures	51,181	54,140
Accumulated depreciation	(29,345)	(31,090)
Buildings and structures, net	21,835	23,050
Machinery, equipment and vehicles	20,419	22,220
Accumulated depreciation	(16,714)	(17,555)
Machinery, equipment and vehicles, net	3,704	4,664
Tools, furniture and fixtures	20,818	21,674
Accumulated depreciation	(18,144)	(18,778)
Tools, furniture and fixtures, net	2,673	2,895
Land	6,514	6,573
Leased assets	4,373	4,833
Accumulated depreciation	(1,770)	(2,262)
Leased assets, net	2,603	2,570
Construction in progress	932	1,634
Total property, plant and equipment	38,265	41,388
Intangible assets		
Software	4,631	4,558
Other	1,535	1,599
Total intangible assets	6,167	6,157
Investments and other assets		
Investment securities	19,620	26,008
Deferred tax assets	5,116	3,263
Retirement benefit asset	5	3
Other	8,140	7,994
Allowance for doubtful accounts	(152)	(109)
Total investments and other assets	32,730	37,160
Total non-current assets	77,163	84,706
Total assets	296,873	313,728

(Millions of yen)

	As of March 31, 2023	As of March 31, 2024
Liabilities		
Current liabilities		
Notes and accounts payable - trade	24,705	20,472
Short-term borrowings	8,812	7,468
Income taxes payable	8,692	8,459
Contract liabilities	6,748	9,014
Provision for bonuses	12,024	13,136
Provision for bonuses for directors (and other officers)	142	226
Provision for product warranties	2,947	2,318
Provision for loss on orders received	83	53
Other	14,859	16,831
Total current liabilities	79,015	77,981
Non-current liabilities		
Long-term borrowings	3,602	1,985
Deferred tax liabilities for land revaluation	181	181
Retirement benefit liability	1,670	1,784
Provision for retirement benefits for directors (and other officers)	183	207
Provision for share awards	2,291	2,596
Provision for share awards for directors (and other officers)	42	108
Other	4,006	3,995
Total non-current liabilities	11,978	10,859
Total liabilities	90,993	88,840
Net assets		
Shareholders’ equity		
Share capital	10,522	10,522
Capital surplus	11,670	11,617
Retained earnings	199,249	211,810
Treasury shares	(32,391)	(32,804)
Total shareholders’ equity	189,051	201,145
Accumulated other comprehensive income		
Valuation difference on available-for-sale securities	9,270	13,848
Deferred gains or losses on hedges	(100)	(18)
Foreign currency translation adjustment	4,546	6,496
Remeasurements of defined benefit plans	51	50
Total accumulated other comprehensive income	13,768	20,376
Non-controlling interests	3,060	3,365
Total net assets	205,880	224,887
Total liabilities and net assets	296,873	313,728

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

(Millions of yen)

	Year ended March 31, 2023 (April 1, 2022 to March 31, 2023)	Year ended March 31, 2024 (April 1, 2023 to March 31, 2024)
Net sales	278,406	290,938
Cost of sales	166,467	167,964
Gross profit	111,938	122,973
Selling, general and administrative expenses	80,687	86,132
Operating income	31,251	36,841
Non-operating income		
Interest income	233	570
Dividend income	638	776
Foreign exchange gains	413	1,055
Rental income from real estate	27	30
Reversal of allowance for doubtful accounts	—	45
Other	192	178
Total non-operating income	1,504	2,657
Non-operating expenses		
Interest expenses	147	271
Commitment fees	19	20
Expenses of real estate	38	34
Office relocation expenses	249	86
Provision of allowance for doubtful accounts	59	—
Other	100	86
Total non-operating expenses	616	499
Ordinary income	32,140	38,999
Extraordinary income		
Gain on sale of non-current assets	6	5
Gain on sale of investment securities	2,677	2,350
Compensation income for damages	—	597
Compensation for forced relocation	—	408
Total extraordinary income	2,683	3,361
Extraordinary losses		
Loss on sale and retirement of non-current assets	204	97
Loss on valuation of investment securities	—	378
Provision for product warranties	2,495	—
Loss on sale of shares of subsidiaries and associates	5	—
Loss on sale of investment securities	0	—
Total extraordinary losses	2,705	475
Income before income taxes	32,118	41,884
Income taxes - current	10,279	11,151
Income taxes - deferred	(1,466)	(236)
Total income taxes	8,812	10,914
Net income	23,306	30,970
Net income attributable to non-controlling interests	703	762
Net income attributable to owners of parent	22,602	30,207

(Consolidated statements of comprehensive income)

(Millions of yen)

	Year ended March 31, 2023 (April 1, 2022 to March 31, 2023)	Year ended March 31, 2024 (April 1, 2023 to March 31, 2024)
Net income	23,306	30,970
Other comprehensive income		
Valuation difference on available-for-sale securities	97	4,577
Deferred gains or losses on hedges	(25)	81
Foreign currency translation adjustment	2,194	2,065
Remeasurements of defined benefit plans, net of tax	72	5
Total other comprehensive income	2,339	6,729
Comprehensive income	25,645	37,700
Comprehensive income attributable to:		
Owners of parent	24,846	36,816
Non-controlling interests	798	883

(3) Consolidated statements of changes in net assets
Fiscal year 2022 (April 1, 2022 to March 31, 2023)

(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	190,263	(23,667)	188,789
Changes during period					
Dividends of surplus			(8,614)		(8,614)
Net income attributable to owners of parent			22,602		22,602
Effect of changes in accounting period of subsidiaries					–
Change in ownership interest of parent due to transactions with non-controlling interests					–
Purchase of treasury shares				(15,221)	(15,221)
Disposal of treasury shares		0		1,495	1,495
Cancellation of treasury shares		(5,002)		5,002	–
Transfer from retained earnings to capital surplus		5,002	(5,002)		–
Net changes in items other than shareholders' equity					
Total changes during period	–	(0)	8,986	(8,724)	261
Balance at end of period	10,522	11,670	199,249	(32,391)	189,051

	Accumulated other comprehensive income					Non-controlling interests	Total net assets
	Valuation difference on available-for-sale securities	Deferred gains or losses on hedges	Foreign currency translation adjustment	Remeasure-ments of defined benefit plans	Total accumulated other comprehensive income		
Balance at beginning of period	9,173	(74)	2,442	(16)	11,524	2,827	203,141
Changes during period							
Dividends of surplus							(8,614)
Net income attributable to owners of parent							22,602
Effect of changes in accounting period of subsidiaries							–
Change in ownership interest of parent due to transactions with non-controlling interests							–
Purchase of treasury shares							(15,221)
Disposal of treasury shares							1,495
Cancellation of treasury shares							–
Transfer from retained earnings to capital surplus							–
Net changes in items other than shareholders' equity	97	(25)	2,104	67	2,243	233	2,477
Total changes during period	97	(25)	2,104	67	2,243	233	2,738
Balance at end of period	9,270	(100)	4,546	51	13,768	3,060	205,880

Fiscal year 2023 (April 1, 2023 to March 31, 2024)

(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	199,249	(32,391)	189,051
Changes during period					
Dividends of surplus			(9,478)		(9,478)
Net income attributable to owners of parent			30,207		30,207
Effect of changes in accounting period of subsidiaries			6		6
Change in ownership interest of parent due to transactions with non-controlling interests		(53)			(53)
Purchase of treasury shares				(10,002)	(10,002)
Disposal of treasury shares		0		1,414	1,414
Cancellation of treasury shares		(8,175)		8,175	—
Transfer from retained earnings to capital surplus		8,175	(8,175)		—
Net changes in items other than shareholders' equity					
Total changes during period	—	(53)	12,560	(413)	12,093
Balance at end of period	10,522	11,617	211,810	(32,804)	201,145

	Accumulated other comprehensive income					Non-controlling interests	Total net assets
	Valuation difference on available-for-sale securities	Deferred gains or losses on hedges	Foreign currency translation adjustment	Remeasure-ments of defined benefit plans	Total accumulated other comprehensive income		
Balance at beginning of period	9,270	(100)	4,546	51	13,768	3,060	205,880
Changes during period							
Dividends of surplus							(9,478)
Net income attributable to owners of parent							30,207
Effect of changes in accounting period of subsidiaries							6
Change in ownership interest of parent due to transactions with non-controlling interests							(53)
Purchase of treasury shares							(10,002)
Disposal of treasury shares							1,414
Cancellation of treasury shares							—
Transfer from retained earnings to capital surplus							—
Net changes in items other than shareholders' equity	4,577	81	1,949	(0)	6,608	304	6,913
Total changes during period	4,577	81	1,949	(0)	6,608	304	19,007
Balance at end of period	13,848	(18)	6,496	50	20,376	3,365	224,887

(4) Consolidated statements of cash flows

(Millions of yen)

	Year ended March 31, 2023 (April 1, 2022 to March 31, 2023)	Year ended March 31, 2024 (April 1, 2023 to March 31, 2024)
Cash flows from operating activities		
Income before income taxes	32,118	41,884
Depreciation	4,954	6,044
Increase (decrease) in allowance for doubtful accounts	(1)	(30)
Increase (decrease) in retirement benefit liability	53	71
Decrease (increase) in retirement benefit asset	(1)	(3)
Increase (decrease) in provision for share awards	424	407
Increase (decrease) in provision for share awards for directors (and other officers)	42	65
Increase (decrease) in provision for bonuses	1,196	956
Increase (decrease) in provision for bonuses for directors (and other officers)	17	83
Increase (decrease) in provision for product warranties	2,422	(646)
Interest and dividend income	(872)	(1,347)
Interest expenses	147	271
Foreign exchange losses (gains)	(475)	(915)
Loss (gain) on sale and retirement of non-current assets	197	92
Loss (gain) on sale and valuation of investment securities	(2,676)	(1,972)
Loss (gain) on sale of shares of subsidiaries and associates	5	—
Compensation for forced relocation	—	(408)
Decrease (increase) in accounts receivable - trade, and contract assets	(9,722)	550
Decrease (increase) in inventories	(7,736)	(5,453)
Increase (decrease) in trade payables	943	(4,970)
Decrease (increase) in other assets	(208)	205
Increase (decrease) in other liabilities	(43)	3,059
Subtotal	20,786	37,944
Interest and dividends received	859	1,311
Interest paid	(124)	(292)
Income taxes paid	(8,402)	(11,422)
Net cash provided by (used in) operating activities	13,118	27,540

(Millions of yen)

	Year ended March 31, 2023 (April 1, 2022 to March 31, 2023)	Year ended March 31, 2024 (April 1, 2023 to March 31, 2024)
Cash flows from investing activities		
Payments into time deposits	(3,743)	(5,065)
Proceeds from withdrawal of time deposits	3,574	4,222
Purchase of securities	(8,000)	(2,000)
Proceeds from sale of securities	12,700	6,000
Purchase of beneficial interests in trust	(1,035)	(1,207)
Proceeds from sale of beneficial interests in trust	889	1,214
Purchase of property, plant and equipment	(7,550)	(6,348)
Proceeds from sale of property, plant and equipment	13	12
Purchase of intangible assets	(1,631)	(1,340)
Purchase of investment securities	(858)	(605)
Proceeds from sale of investment securities	3,289	2,743
Proceeds from sale of shares of subsidiaries and associates	391	—
Other, net	(16)	14
Net cash provided by (used in) investing activities	(1,977)	(2,360)
Cash flows from financing activities		
Proceeds from short-term borrowings	2,378	300
Repayments of short-term borrowings	(1,881)	(2,348)
Proceeds from long-term borrowings	4,806	400
Repayments of long-term borrowings	(1,514)	(1,685)
Dividends paid	(8,613)	(9,477)
Repayments of lease liabilities	(568)	(634)
Dividends paid to non-controlling interests	(575)	(574)
Purchase of treasury shares	(15,221)	(10,002)
Proceeds from sale of treasury shares	1,495	1,633
Purchase of shares of subsidiaries not resulting in change in scope of consolidation	—	(67)
Net cash provided by (used in) financing activities	(19,694)	(22,455)
Effect of exchange rate change on cash and cash equivalents	1,895	1,894
Net increase (decrease) in cash and cash equivalents	(6,658)	4,618
Cash and cash equivalents at beginning of period	77,891	71,232
Increase (decrease) in cash and cash equivalents resulting from change in accounting period of subsidiaries	—	(255)
Cash and cash equivalents at end of period	71,232	75,595

(5) Notes to the consolidated financial statements

<u>Notes regarding going concern assumptions</u>

Not applicable

<u>Additional information</u>

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 a 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 March 31, 2024

Book value: 3,689 million yen

Number of shares: 1,858,738 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 March 31, 2024

Book value: 2,060 million yen

Number of shares: 573,200 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 March 31, 2024

Book value: 1,633 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 March 31, 2024

Provision for share awards for directors (and other officers): 108 million yen

Provision for share awards: 111 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 March 31, 2024

Book value: 401 million yen

Number of shares: 97,800 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 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 lifeline utilities, 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 2022 (April 1, 2022 to March 31, 2023)

(Millions of yen)

	Reportable segment				Other (Note 1)	Total	Adjustment (Note 2)	Consolidated (Note 3)
	Building Automation	Advanced Automation	Life Automation	Subtotal				
Sales								
Customers	128,122	102,624	47,605	278,352	53	278,406	—	278,406
Inter-segment	438	1,363	309	2,111	3	2,115	(2,115)	—
Total	128,561	103,988	47,915	280,464	56	280,521	(2,115)	278,406
Segment profit (loss)	16,074	14,579	588	31,242	(1)	31,240	11	31,251
Segment assets	82,857	84,909	36,194	203,962	2	203,965	92,908	296,873
Other items								
Depreciation and amortization	1,672	2,337	944	4,954	—	4,954	—	4,954
Increase in property, plant and equipment, and intangible assets	3,522	5,524	1,797	10,844	—	10,844	—	10,844
Disaggregation of revenue								
Goods or services transferred at a point in time	30,412	84,206	32,951	147,570	53	147,623		
Goods or services transferred over time	97,710	18,418	14,654	130,782	—	130,782		
Revenue from contracts with customers	128,122	102,624	47,605	278,352	53	278,406		

Notes: 1. “Other” includes insurance agent business, etc.
2. Adjustment details are as follows.
(1) The adjustment of segment profit (loss) of 11 million yen is elimination of inter-segment transactions.
(2) The adjustment of segment assets of 92,908 million yen includes primarily cash and deposits, investment securities, etc. 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 2023 (April 1, 2023 to March 31, 2024)

(Millions of yen)

	Reportable segment				Other (Note 1)	Total	Adjustment (Note 2)	Consolidated (Note 3)
	Building Automation	Advanced Automation	Life Automation	Subtotal				
Sales								
Customers	134,213	105,568	51,103	290,885	52	290,938	—	290,938
Inter-segment	442	1,483	300	2,226	4	2,231	(2,231)	—
Total	134,655	107,052	51,404	293,112	57	293,170	(2,231)	290,938
Segment profit (loss)	19,373	16,118	1,375	36,867	(20)	36,846	(5)	36,841
Segment assets	86,504	91,843	37,882	216,230	2	216,233	97,494	313,728
Other items								
Depreciation and amortization	1,954	2,913	1,176	6,044	—	6,044	—	6,044
Increase in property, plant and equipment, and intangible assets	2,598	5,184	870	8,652	—	8,652	—	8,652
Disaggregation of revenue								
Goods or services transferred at a point in time	34,318	85,998	36,430	156,746	52	156,799		
Goods or services transferred over time	99,895	19,570	14,673	134,139	—	134,139		
Revenue from contracts with customers	134,213	105,568	51,103	290,885	52	290,938		

Notes: 1. “Other” includes insurance agent business, etc.

2. Adjustment details are as follows.

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

(2) The adjustment of segment assets of 97,494 million yen includes primarily cash and deposits, investment securities, etc. 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 2022 (April 1, 2022 to March 31, 2023)

1. Information by product and service

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

2. Information by region

(1) Sales

(Millions of yen)

Japan	Asia	China	North America	Europe	Others	Total
215,771	25,064	15,196	6,681	11,399	4,291	278,406

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
30,490	2,539	2,695	236	2,180	123	38,265

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 2023 (April 1, 2023 to March 31, 2024)

1. Information by product and service

The disclosed information 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
223,607	26,610	16,671	8,196	12,417	3,436	290,938

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
31,712	4,415	2,529	287	2,316	126	41,388

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.

<u>Information on impairment losses in non-current assets in each segment</u>

Fiscal year 2022 (April 1, 2022 to March 31, 2023)

Not applicable

Fiscal year 2023 (April 1, 2023 to March 31, 2024)

Not applicable

<u>Information on amortization of goodwill and unamortized balance in each segment</u>

Fiscal year 2022 (April 1, 2022 to March 31, 2023)

Not applicable

Fiscal year 2023 (April 1, 2023 to March 31, 2024)

Not applicable

<u>Information on gain on negative goodwill in each segment</u>

Fiscal year 2022 (April 1, 2022 to March 31, 2023)

Not applicable

Fiscal year 2023 (April 1, 2023 to March 31, 2024)

Not applicable

Per share information

Item	Fiscal year 2022 (April 1, 2022 to March 31, 2023)	Fiscal year 2023 (April 1, 2023 to March 31, 2024)
Net assets per share (Yen)	1,518.01	1,680.37
Net income per share (Yen)	168.27	228.39

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 2022 (April 1, 2022 to March 31, 2023)	Fiscal year 2023 (April 1, 2023 to March 31, 2024)
Net income attributable to owners of parent (Millions of yen)	22,602	30,207
Amount not attributable to common stock holders (Millions of yen)	—	—
Net income attributable to owners of parent relevant to common stock (Millions of yen)	22,602	30,207
Average number of common stock (Thousands of shares)	134,327	132,263

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

Item	Fiscal year 2022 (As of March 31, 2023)	Fiscal year 2023 (As of March 31, 2024)
Total net assets (Millions of yen)	205,880	224,887
Amount deducted from the total of net assets (Millions of yen)	3,060	3,365
Of which non-controlling interests (Millions of yen)	3,060	3,365
Net assets at the end of the consolidated fiscal year relevant to common stock (Millions of yen)	202,819	221,522
Number of common stock used to determine net assets per share (Thousands of shares)	133,609	131,829

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" 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 (1,905 thousand shares as of March 31, 2023; 1,858 thousand shares as of March 31, 2024).
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 (1,920 thousand shares for fiscal year 2022; 1,882 thousand shares for fiscal year 2023).

5. The Company's own stock held by the azbil Group Employee Stock Ownership Association Trust Fund as assets in the trust of "Trust-Type Employee Shareholding Incentive Plan" 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 (936 thousand shares as of March 31, 2023; 573 thousand shares as of March 31, 2024).
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 (979 thousand shares for fiscal year 2022; 761 thousand shares for fiscal year 2023).

6. The Company's own stock held by Custody Bank of Japan, Ltd. (Trust E) as assets in the trust of stock compensation plan 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 (102 thousand shares as of March 31, 2023; 97 thousand shares as of March 31, 2024).
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 (65 thousand shares for fiscal year 2022; 98 thousand shares for fiscal year 2023).

Significant subsequent events

Stock split and partial amendment to the Articles of Incorporation

The Company has resolved, at the Board of Directors held on May 13, 2024, to implement a common stock split and partially amend the Articles of Incorporation along with the stock split.

1. Purpose of the stock split

The purpose of the stock split is to increase share liquiduty, prepare an environment that makes it easier for investors to invest and expand the investor base by reducing the price of share-trading units.

2. Overview of the stock split

(1) Method of the stock split

Each share of common stock owned by shareholders listed or recorded in the closing register of shareholders on the record date of Monday, September 30, 2024 will be split into four shares.

(2) Increase in the number of shares by the stock split

Total number of issued shares prior to the stock split: 141,508,184 shares
Increase in the number of shares by the stock split: 424,524,552 shares
Total number of issued shares after the stock split: 566,032,736 shares
Total number of authorized shares after the stock split: 2,237,680,000 shares

(3) Schedule of the stock split

Date of public notice of record date: Friday, September 13, 2024
Record date: Monday, September 30, 2024
Effective date: Tuesday, October 1, 2024

(4) Impact on per share information

Per share information as if the stock split had been implemented at the beginning of the fiscal year 2022 is as follows.

Item	Fiscal year 2022 (April 1, 2022 to March 31, 2023)	Fiscal year 2023 (April 1, 2023 to March 31, 2024)
Net assets per share (Yen)	379.50	420.09
Net income per share (Yen)	42.07	57.10

Note: Diluted net income per share is not presented as there is no dilutive shares.

3. Partial amendment to the Articles of Incorporation along with the stock split

(1) Reason for the amendment

Along with this stock split, the Company will amend Article 6 of its Articles of Incorporation to change the total number of authorized shares, effective Tuesday, October 1, 2024, in accordance with the provisions of Article 184, Paragraph 2 of the Companies Act of Japan.

(2) Details of the amendment

*Amended points are underlined

Current Articles of Incorporation	Following the amendment
(Total number of authorized shares) Article 6. The total number of authorized shares shall be <u>five hundred fifty-nine million four hundred twenty thousand (559,420,000)</u> shares.	(Total number of authorized shares) Article 6. The total number of authorized shares shall be <u>two billion two hundred thirty-seven million six hundred eighty thousand (2,237,680,000)</u> shares.

(3) Schedule of the amendment

Date of resolution by the Board of Directors to amend the Articles of Incorporation: Monday, May 13, 2024
Effective date of the amendment to the Articles of Incorporation: Tuesday, October 1, 2024

4. Others

There will be no change in the amount of stated capital stock as a result of this stock split.

6. Other

(1) Management changes (effective on June 25, 2024)

1) Newly appointed directors
Director: Sachiko Ichikawa
Director: Hiroshi Yoshida

2) Retired directors
Director: Takeshi Itoh
Director: Minoru Sakuma

3) Newly appointed corporate executive
Managing Corporate Executive: Hideaki Ishii

Reference
Azbil Corporation New Management Structure (effective on June 25, 2024)
Directors

Position	Name	Changes
Director and Chairperson	Hirozumi Sone	Reappointed
Director	Kiyohiro Yamamoto	Reappointed
Director	Takayuki Yokota	Reappointed
Director	Hisaya Katsuta	Reappointed
Director	Waka Fujiso	Reappointed
Director	Mitsuhiro Nagahama	Reappointed
Director	Anne Ka Tse Hung	Reappointed
Director	Fumitoshi Sato	Reappointed
Director	Shigeaki Yoshikawa	Reappointed
Director	Tomoyasu Miura	Reappointed
Director	Sachiko Ichikawa	Newly appointed
Director	Hiroshi Yoshida	Newly appointed

Note: Waka Fujiso, Mitsuhiro Nagahama, Anne Ka Tse Hung, Fumitoshi Sato, Shigeaki Yoshikawa,Tomoyasu Miura, Sachiko Ichikawa, and Hiroshi Yoshida are candidates to become outside directors of the Company as prescribed in Article 2, Paragraph 3, Item 7 of Regulation for Enforcement of the Companies Act of Japan.

Corporate Executives

Position	Name	Changes
Representative Corporate Executive, President and Group CEO	Kiyohiro Yamamoto	Reappointed
Representative Corporate Executive Deputy President	Takayuki Yokota	Reappointed
Managing Corporate Executive	Yoshimitsu Hojo	Reappointed
Managing Corporate Executive	Kazuyasu Hamada	Reappointed
Managing Corporate Executive	Akihiko Naruse	Reappointed
Managing Corporate Executive	Hideaki Ishii	Newly appointed

(2) Status of orders received

(Millions of yen)

	Fiscal year 2022 (April 1, 2022 to March 31, 2023)		Fiscal year 2023 (April 1, 2023 to March 31, 2024)		Difference	
	Orders received	Backlog	Orders received	Backlog	Orders received	Backlog
Building Automation	135,311	82,877	136,782	85,572	1,470	2,694
Advanced Automation	113,968	53,427	101,481	48,579	(12,487)	(4,847)
Life Automation	49,646	20,125	51,689	22,176	2,042	2,050
Total of reportable segments	298,927	156,430	289,952	156,327	(8,974)	(103)
Other	56	0	57	—	1	(0)
Elimination	(2,053)	(401)	(2,159)	(355)	(105)	45
Consolidated	296,930	156,029	287,851	155,972	(9,079)	(57)